



# SUSTAINABILITY REPORT 2018

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## ABOUT THIS REPORT

We are pleased to present Valuetronics Holdings Limited's ("Valuetronics") inaugural annual Sustainability Report, for our financial year ended 31 March 2018. This report is set out on a "comply or explain" basis in accordance with Rule 711B and Practice Note 7.6 of the Singapore Exchange Securities Trading Limited ("SGX-ST") Listing Manual on Continuing Listing Obligations.

Valuetronics has chosen the Global Reporting Initiative ("GRI") framework as it is the most established international sustainability reporting standard and this report is guided by the Core option of the GRI G4. This report highlights the key environmental, social and governance related initiatives carried out throughout a 12-month period, being the financial year ended 31 March 2018 ("FY2018").

The environmental, social and governance ("ESG") data and information provided have not been verified by an independent third party and we have relied on internal data monitoring and verification to ensure its accuracy.

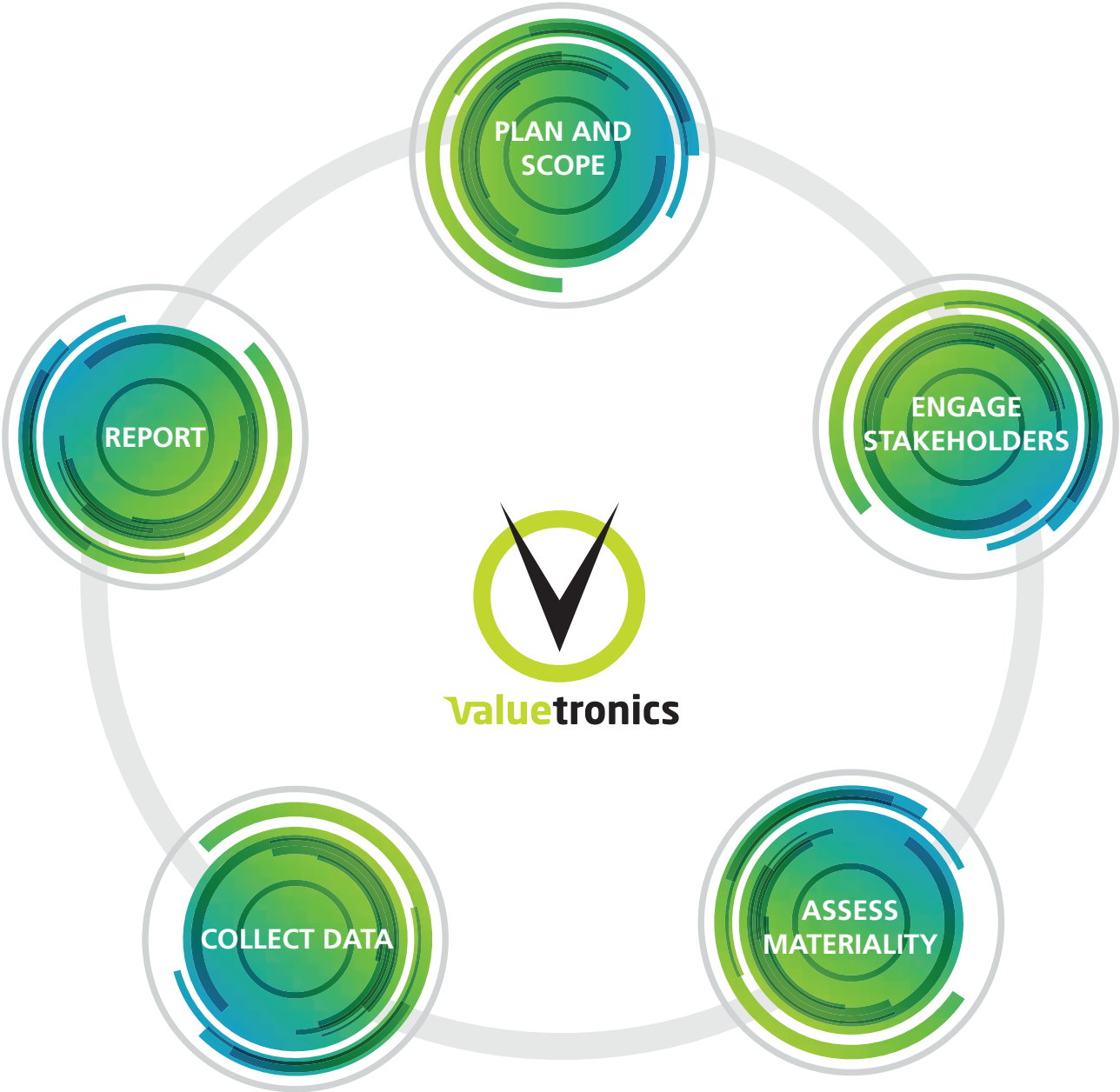
We welcome feedback from our stakeholders with regards to our sustainability efforts as this enables us to improve our policies, systems and results. Please send your comments and suggestions to [contact@valuetronics.com.hk](mailto:contact@valuetronics.com.hk).

## BOARD STATEMENT ON SUSTAINABILITY

The key material ESG factors for the Group have been identified and reviewed by the top management of the Group and the board of directors of the Company (the "Board") oversees the management and monitoring of these factors and takes them into consideration when determining the Group's strategic direction and policies. Sustainability is a part of the Group's wider strategy to create long-term value for all its stakeholders.

29 June 2018

# OUR APPROACH TO SUSTAINABILITY



## VALUETRONICS' SUSTAINABILITY METHODOLOGY



## SUSTAINABILITY GOVERNANCE

At Valuetronics, we believe that strong corporate governance is key to a sustainable business. That is why that since our listing on the SGX Mainboard in 2007 and all through to FY2018, we have continued to comply with the Singapore Code of Corporate Governance. Please refer to pages 13 to 26 of our Annual Report, for details of our compliance to the Singapore Code of Corporate Governance.

As an integrated EMS provider, it is a continual challenge to successfully manage environmental and social issues. Nevertheless, Valuetronics has incorporated these issues into our business model and implemented the applicable sustainable and responsible practices to mitigate these issues throughout the company. Our products also meet the stringent safety and environmental requirements demanded by our customers.

Valuetronics pays strict attention to the implementation of good labour practices in all our operations. The Group also provides various training opportunities for continued employee development and this is reflected in the quality and delivery of our products and services. We value our relationships with our clients and the wider community in which we operate in, and these strong relationships have helped us through the challenging times in the past. Valuetronics strongly believes that in the long run, these efforts will have a positive impact on our economic performance.

## ENTERPRISE RISK MANAGEMENT (“ERM”)

ERM is an integral part of good corporate governance as well as resources management. Valuetronics has a thorough and comprehensive ERM framework to identify and manage its risks and exposures in an integrated, systematic and consistent manner. For detailed disclosure on ERM, please refer to page 21 of our Annual Report.

## ANTI-CORRUPTION, BUSINESS ETHICS AND COMPLIANCE

Here at Valuetronics, we do not tolerate corruption in any form, such as extortion and bribery. This has been made clear to our employees, our suppliers and our business partners.



Valuetronics ensures that all staff (other than production line worker) sign an anti-corruption declaration on an annual basis. Dedicated whistleblowing hotlines using both email and electronic platforms are setup so that if anyone who wants to report any anti-business ethics issue can do so confidentially, and report of corruption is escalated to the attention of senior management.

When it comes to hiring, Valuetronics takes any possibility of conflict of interest into serious consideration. Our code of conduct clearly spells out our expectations from our staff and the subsequent consequences if any of the rules are violated or when standards not met. In addition, we also have fair grievance procedures.

The Group also takes measures to guard against cyber security risks in order to protect the confidential information for both our internal and external stakeholders. This also applies to our employment process where the privacy of all applicants is safeguarded and access to personal data is restricted to authorised persons on a strict need-to-know basis.

All of our staff is reminded of the importance of upholding the highest standards when it comes to business ethics. We have incorporated business ethics and codes of conduct into our orientation programme for newly joined staff, so that all of our employees are fully aware that compliance with rules and regulations is a key part of running a responsible business.

Valuetronics has complied, in all material aspects, with applicable environmental rules and regulations, anti-competitive behaviour laws, and requirements on health and safety. For FY2018, there were no significant fines or non-monetary sanctions for any non-compliance with the aforementioned laws, regulations and requirements. There have also been no reported incidents of corruption during the reporting period. It is Valuetronics' goal to maintain zero incidents of corruption, and we regularly review our policies on whistleblowing and anti-corruption to ensure they are effective.

# STAKEHOLDERS AND MATERIALITY



## STAKEHOLDER ENGAGEMENT

An important starting point in our sustainability journey is to identify our stakeholders and the material aspects relevant to our business. The interests and requirements of key stakeholders are taken into account when formulating our corporate strategies. These key stakeholders include, but are not limited to, customers, suppliers, employees, investors, and local government.

We adopt both formal and informal channels of communication to understand the needs of our key stakeholders, and incorporate their feedback into the evolution of corporate strategies so as to achieve mutually beneficial relationships.

## MATERIAL ASPECTS ASSESSMENT

Our sustainability process begins with the identification of relevant aspects. Relevant aspects are then prioritised as material factors, which are then validated. The end result of this process is a list of material factors disclosed in this sustainability report of which their inter-relationships is shown below:

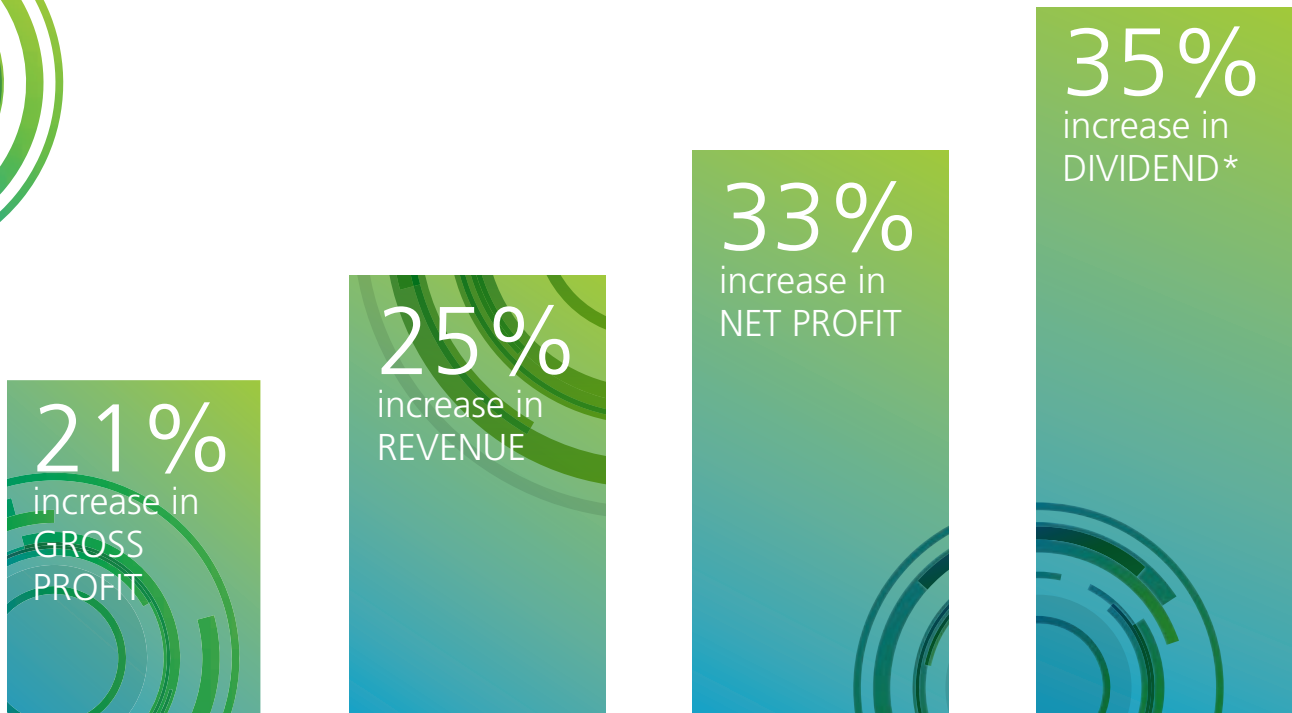


The Group has conducted a materiality assessment during the year with the help of an external consultant. Going forward, a materiality review will be conducted every year, incorporating inputs from our various stakeholder engagements.

In order to determine if an aspect is material, we assessed its potential impact on the economy, environment and society and its influence on stakeholders. Aspects were identified and prioritised through internal workshops, peer reviews and social impact assessments on site. Applying the guidance from GRI, we have identified the following material aspects:



# ECONOMIC



## FY2018 PERFORMANCE

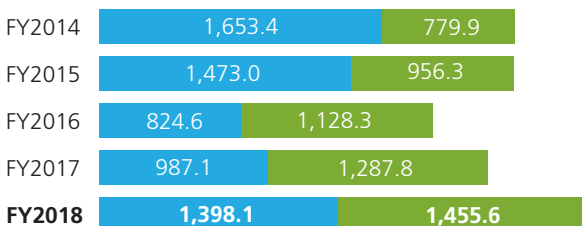
\* Subject to shareholders' approval at the upcoming Annual General Meeting

### ECONOMIC PERFORMANCE

Valuetronics closed FY2018 with record-breaking results driven by our operational excellence and strong demands from both the Consumer Electronics ("CE") and Industrial, Commercial, Electronics ("ICE") consumer portfolio. Consumer lifestyle products and Smart LED lighting with Internet-of-Things ("IoT") features led the growth in the CE sector while printers and in-car connectivity modules led the growth in ICE sector.

The trend in our financial performance is shown below:

#### REVENUE HK\$ MILLION

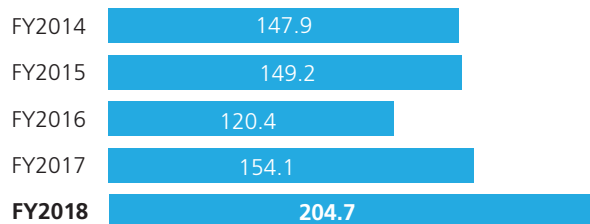


■ Consumer Electronics ■ Industrial & Commercial Electronics

Since 2014, Valuetronics has adopted a dividend payout policy that targets an annual dividend payout of at least 30%, and up to 50%, of net profit attributable to shareholders. We will also consider the following factors in concluding the final payout amount:

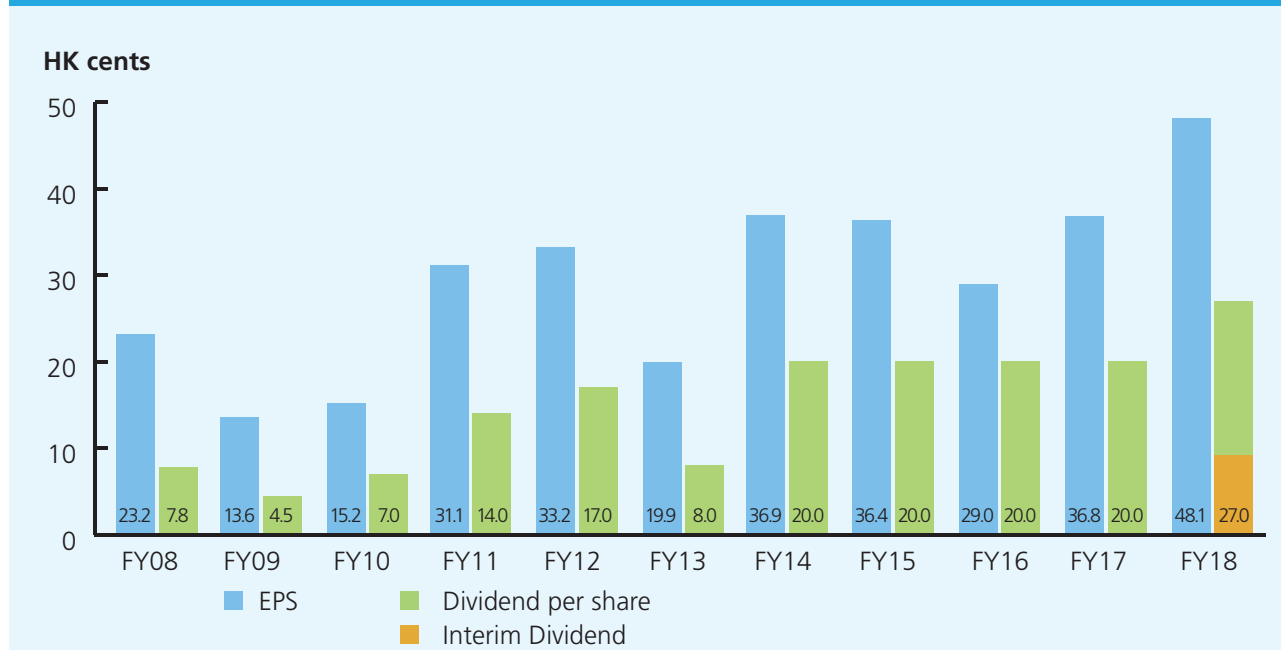
1. The total dividend recommended, declared or paid in any financial year shall not exceed 50% of the total net profit attributable to Shareholders, unless otherwise approved by the Board;

#### PROFIT ATTRIBUTABLE TO OWNERS OF THE COMPANY HK\$ MILLION





## EARNINGS PER SHARE (EPS) AND DIVIDENDS PER SHARE



- The Group's actual and expected financial performance and financial conditions, retained earnings and distributable reserves, results of operations, and cash flow;
- The level of the Company's debt to equity ratio and return on equity;
- The ability of the Company's subsidiaries to make dividend payments to the Company;
- Restrictions on payment of dividends that may be imposed on the Company by any financing arrangements;
- The Group's expected working capital requirements, expected capital expenditure, future expansion, investment plans, and other funding requirements;
- General economic conditions and other internal or external factors that may have an impact on the business or financial performance and position of the Group, including such legal or contractual restrictions as may apply from time to time or which our Directors may consider appropriate in the interest of the Company; and
- Other factors that the Directors deem appropriate.

We believe that our dividend policy will allow the Company easy access to the capital markets for fundraising should the need arise.

For our detailed financial results, please refer to the following sections in our FY2018 Annual Report:

- Financial Highlights, page 4
- Financial Review, page 5
- Financial Statements, pages 37 – 75

*We posted a credible set of results for FY2018 on the back of good growth from both consumer electronics and industrial and commercial electronics segments. Our customers made up of brand leaders in their respective industries, and we will continue to identify and cultivate new customers in the ICE segment in order to further boost our long term growth and customer diversification.*

Mr Tse Chong Hing,  
Chairman and Managing Director

### LOCAL MARKET PRESENCE

Valuetronics operates primarily in PRC and has a policy of hiring from the local community, with the majority of middle management hired locally.

We have a policy of sourcing locally where possible, and the majority of our mechanical suppliers are either local or multinationals with facilities set up in the PRC. Sourcing locally, particularly from Southern China, helps to bring job opportunities to the local community.

# ENVIRONMENTAL

## COMPLIANCE

Valuetronics has achieved ISO14000 accreditation, standards for environmental management since year 2008. ISO14000 is based on a plan-do-check-act methodology, providing a systematic framework for integrating environmental management practices by supporting environmental protection, preventing pollution, minimising waste and reducing energy and material use. Waste to be recycled is stored, collected and processed by qualified third party recycling firms.

Throughout the years, Valuetronics has undergone numerous environmental compliance audits by key customers as well as local authorities and third party certification bodies. All environmental compliance audits were passed without major non-conformities.

## SUPPLIER ENVIRONMENTAL ASSESSMENT

To raise environmental awareness among our suppliers, Valuetronics encourages suppliers to be accredited with ISO14000 requirements. With regard to raw materials that might contain environmentally hazardous substances, the Group has been working closely with suppliers to push forward more environmental protection awareness. Suppliers are required to make annual declaration on their ISO14000 compliance.

At present, the majority of our Printed Circuit Board (“PCB”) suppliers are now compliant with the ISO14000 requirements.





# SOCIAL

## DIVERSITY

Valuetronics maintains a policy of providing equal opportunities to all its employees. The Group's recruitment of employees and their subsequent annual appraisal are based on merit, work attitude, cooperation with other staff & workers, and their efficiency and effectiveness of work.

Furthermore, the Group does not discriminate according to race, age, gender, religion, ethnicity, facial attractiveness, physical impairments, sexual preference, political viewpoints or nationality.

In FY2018, an almost equal ratio of male to female employees was noted and no incidents of discrimination have been reported during the period.

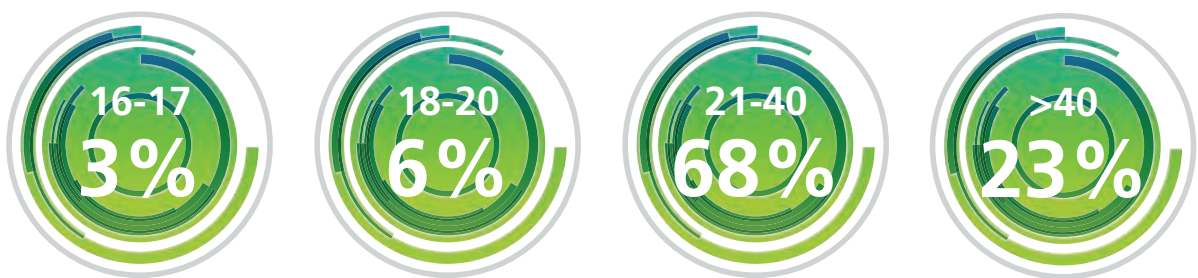
### WORKER DISTRIBUTION BY GENDER



### STAFF (OTHER THAN PRODUCTION LINE WORKER)



### WORKING STRUCTURE BY AGE





# SOCIAL



## FAIR EMPLOYMENT PRACTICES

The Group considers its employees the most valuable asset and offers them a fair and competitive remuneration packages. Discretionary incentives are granted to eligible employees based on the performance of the Group as well as the individual employee.

The Group has a strict no child labour policy and expects the same from all of its suppliers.

To provide employment opportunities to local students, the Group closely cooperates with local colleges and universities to provide a nurturing programme for fresh graduates.

In the coming years, the Group expects to further expand its focus on the enhancement of career development paths for fresh graduates in order to enhance their professional knowledge and skills.

## OCCUPATIONAL HEALTH & SAFETY

Valuetronics is pleased to confirm that there has been no fatal industrial accidents reported in FY2018. Our Environment, Health & Safety (“EHS”) department is independent from operational departments and monitors the following to provide a safe working environment for all employees through the following measures:

- Identifying potential risks through routine campus patrols, drawing up and implementing preventive actions;
- Analysing each incident for its root causes and communicating with all the relevant department managers for corrective actions and implementing preventive measures;
- Conducting regular training to employees on safety practices;
- Reinforcing occupational health and safety awareness by providing training and putting up banners and posters in public areas;
- Closely following and ensuring compliance with the government’s rules and regulations on EHS;
- Ensuring fire safety management protocols are in place; performing routine check on fire safety; and carrying out regular fire drills and training.

In addition, EHS chairs regular health and safety meetings with all operational department managers to discuss occupational health and safety issues, focusing on the risks identified above. Immediate corrective action is carried out for each EHS incident, and that is followed by a formal review for further prevention. EHS also verifies the implementation and effectiveness of any corrective actions.





### TRAINING AND DEVELOPMENT

Valuetronics provides its employees with an orientation programme and regular training.

The orientation programme is organised for new employees to introduce the company and its operations as well as its codes of conduct, applicable internal and external rules and regulations, and workplace safety practices.

For workers, regular training is provided for job-related skills and updates on workplace safety. For staff, in addition to workplace safety training, more specialised training is also held to ensure that they keep pace with the growth and development of the Group. Staff training records are regularly reviewed and specific training needs are identified for the individual's career advancement. As per our in-house statistics, each staff averaged 28 training hours during FY2018.



# SOCIAL

## LOCAL COMMUNITY ENGAGEMENT







# ORGANISATIONAL PROFILE

Established in 1992 and headquartered in Hong Kong, Valuetronics was listed on the SGX Mainboard in 2007. Over the years, Valuetronics has grown to an integrated Electronics Manufacturing Services (“EMS”) provider with principal business segments ranging from Consumer Electronics (“CE”) Products to Industrial and Commercial Electronics (“ICE”) Products covering smart lighting products, printers, temperature sensing devices, communication products, automotive products and medical equipment.

Our proactive philosophy in customer engagement leverages on our Design and Development (“D&D”) capabilities, supported by integrated manufacturing capabilities from plastic tool fabrication and injection molding, metal stamping and machining, to surface mount technology and full turnkey finished product assembly. As a one-stop manufacturing solution provider, we are set apart from traditional EMS providers. Our capability in providing vertical integrated services under one roof gives our customers the advantage of a faster time-to-market, better quality control, and most importantly, a competitive total cost of ownership.

Our wide product and customer range from emerging enterprises to top global multinational corporations is a testimony to the success in adopting this philosophy. It also further highlights our ability to accommodate customers’ requirement for various volume mix, complexity and industrial standards, while demonstrating our spectrum of competence. By constantly focusing on their objectives, priorities and needs, we continue to develop long-term relationships with our global customers in the consumer, commercial, industrial, automotive and medical equipment industries.

Today, we are a premier design, manufacturing partner for the world’s leading brands in various sectors, which span across a wide geographical region that covers America, Europe and the Asia Pacific. At Valuetronics, we deliver not just products, but total solutions that meet the needs of our diverse client base.







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