

LCT

Holdings Limited

SUSTAINABILITY REPORT 2019

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About This Report

This is LCT Holdings Limited's (the "Company", and together with its subsidiaries, collectively known as the "Group" or "LCT" or "We" or "Our") second sustainability report (the "Report") for the financial year ended 30 June 2019 ("FY 2019"). We recognise the importance that sustainability contributes to greater success and growth in our business and will continue to report on our progress annually. The Group believes that this Report covers an accountable and transparent presentation of our sustainability strategy and our performance in Environmental, Social and Governance ("ESG") areas.

Reporting Standard

The Report is aligned with the requirements of Singapore Exchange Securities Trading Limited ("SGX-ST") Mainboard Listing Rules 711A and 711B, and with reference to the Global Reporting Initiative ("GRI") Standards Sustainability Reporting Guidelines 2016 – core option and its reporting principles. The GRI Standards is selected as the reporting framework as it provides guidance on materiality assessment, suggest specific performance disclosures relevant to our business, and is also internationally recognised.

The Group has not sought external assurance for this report and will consider it as our reporting matures over time.

Reporting Scope and Period

This Report continues to focus on the Group's core business operations in China, which are material to our business for FY2019. The Group will continue to work towards including the operations of other subsidiaries in other countries into our Report. Throughout the Report, we will discuss the Group's effort and performance on our material ESG factors.

The Group has reassessed the material ESG factors disclosed in our previous Report through active engagement with our key stakeholders, including customers, suppliers, employees, investors and government regulators, and subsequently decided that the factors are still relevant to our operations and stakeholders.

All figures expressed in this report are in Renminbi ("RMB"), unless otherwise stated.

Accessibility of the report and Your Feedback

In line with our pledge to sustainable environmental practice, we will not be printing this report. The report is available at company information at <http://www.sgx.com>. We welcome feedback from all stakeholders. Please send questions, comments, suggestions or feedback on any aspects of this report or our sustainability performance to secretary@lct-holdings.com.

Letter from the Chairman

Mr Du Junqi
Executive Chairman



Dear Valued Stakeholders,

In today's rapidly changing business climate, sustainable development is a priority and a critical success factor for companies in ensuring long-term value creation. The Group recognises the importance and value of aligning strategies to meet stakeholders' needs as well as having an established and consistent sustainability reporting framework.

On behalf of the Board of Directors (the "Board"), it is my pleasure to present the second Sustainability Report (the "Report") of the Group. In this Report, we continue to discuss the challenges and material issues that are important to our stakeholders, the strategies that we have adopted in managing these challenges and issues, as well as how we positioned ourselves to capitalise on future opportunities. Sustainability developments are championed by our senior management team, with the Board providing oversight. Our senior management team continues to make an active effort in ensuring that our sustainability initiatives are executed in an effective and efficient manner in order for the Group to achieve its sustainability goals, which are in line with our strategic and business objectives. The Board will continue to instil the concept of sustainability within our business operations and remains committed in creating long term positive impact for our stakeholders.

At LCT, we strongly believe that the tone at the top makes a big difference and is key to continual success. The Board and our senior management team has pledged to strongly uphold ethical values and lead by example. The Group is committed to conduct our business in an ethically driven, socially uplifting and environmentally sustainable manner. The Group has established a Code of Conduct, which provides employees a coherent and comprehensive guideline on ethical business conduct and professional workplace behaviour. With the Code of Conduct in place and a consistent tone from the top, the Group is confident that our employees will continue act with the highest form of integrity and accountability in all of the activities they conduct.

The Group will continue to embed and strengthen the culture of sustainable development while innovating and improving our business model. We thank our stakeholders for their continued support and constructive efforts on this journey with us and we hope to maintain this positive relationship in the years to come.

About Us

LCT Holdings Limited, formerly known as Longcheer Holdings Limited, was incorporated in Bermuda in 2004 with our principal place of business in the People's Republic of China ("China"). Our principal activities are focused on property investment and management. LCT was successfully listed on the Singapore Exchange Securities Trading Limited ("SGX-ST") Mainboard on 13 May 2005.

With the paradigm shift of business models across the globe from a product-centric era to the current customer-centric era, LCT managed to adapt and innovate these developments into our business model through our exit from the electronics industry to that of property investment and providing consultancy and value-added services. With China being the global leader in the high tech industry with a thriving start-up community, we have since completed the acquisition of 80% equity interest in Shanghai Xiyun Information Technology Services Co., Ltd in June 2019 which would focus on information technology consultancy services to start-up technology companies in Shanghai, China.

Our Vision and Mission

LCT's Board and management will continue to oversee the operations of the Group, and ensure that we uphold honour and integrity in all our business dealings. The Group will also maintain our commitment to seek out and capitalise on opportunities that have the potential to provide our shareholders long term value.

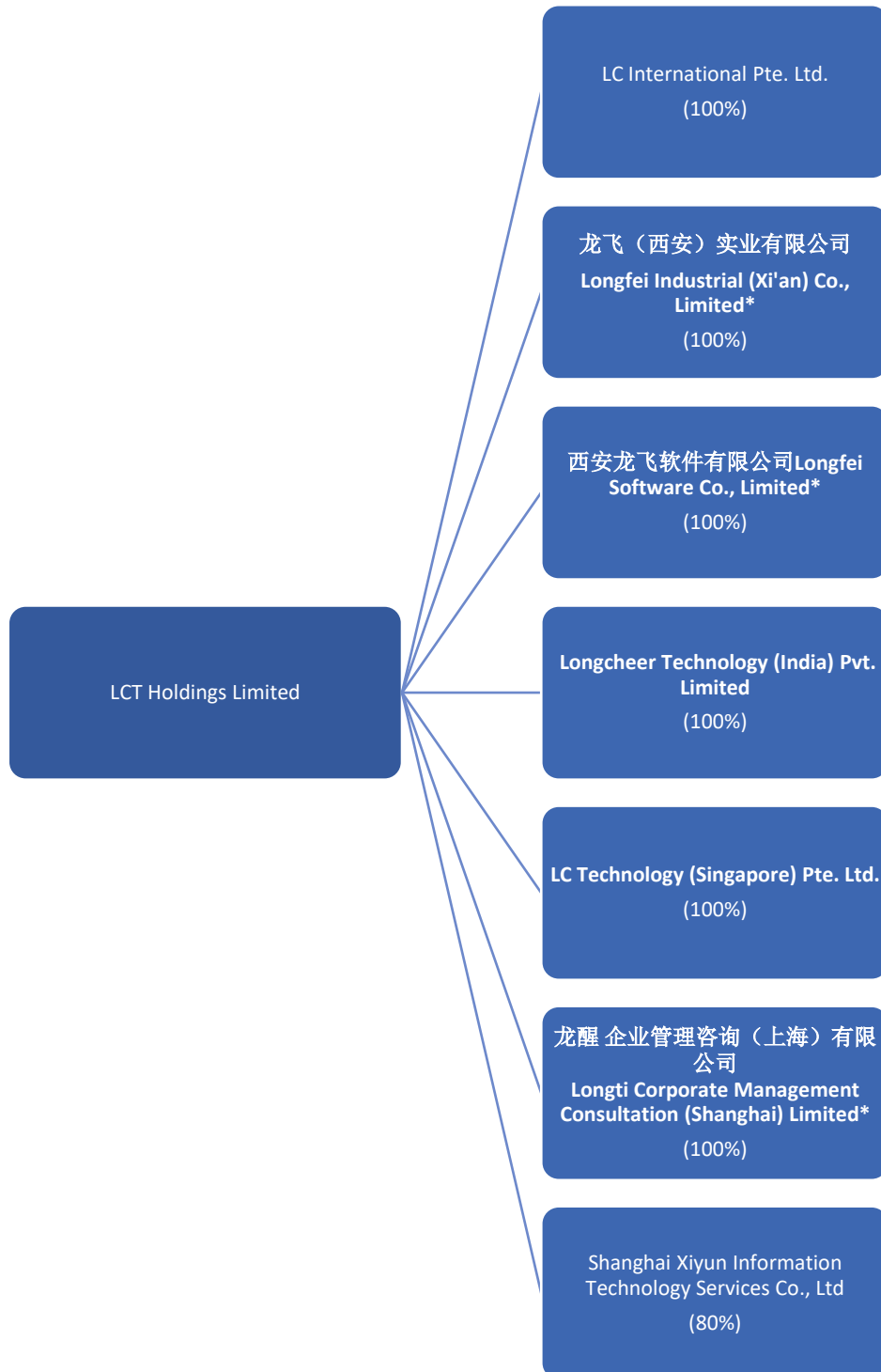
Stakeholder value creation has always been our mission since incorporation, and shall continue to be the main driving force behind our business decisions. Our acquisition of Shanghai Xiyun Information Technology Services Co. Ltd. In June 2019 has expanded the Group's services to include professional information technology consultancy services. LCT strives to be the market leaders for the industries that we are in, taking into multiple aspects including service quality, variety and market outreach.

Our People – LCT's most valued asset

LCT believes that our achievements today will always be due to the hard work and passion contributed by our people. LCT pledges to ensure that we are able to cultivate and nurture a working environment that is safe to work in, while being inclusive and forward looking at the same time. LCT views effort in this direction as an investment in human capital, which will propel the Group to future heights. LCT upholds and honours fair employment practices and provide ample of opportunities to our employees to progress.

About Us

Corporate Structure



*The english translation of the company name is for reference only. The official names of these companies are in chinese.

About Us

Supply Chain Management

LCT principal activity is investment holding as such our procurement activities revolve around goods and services which are mainly used to assist in our day-to-day operations, including printing, rental of office, recruitment and other ancillary services. Nonetheless, the Group has in place a procurement policy which sets out a fair and transparent process for supplier selection including criteria and basis for selection such as cost effectiveness and operational efficiency. Where possible, the Group will purchase locally and domestically made products. Due diligence process is also conducted on our suppliers for the assessment of their track record, quality of services and reputation.

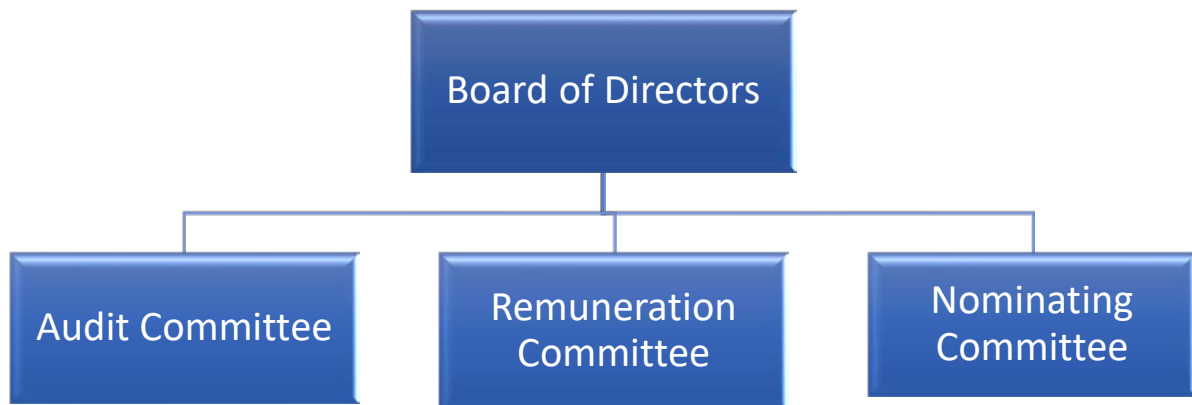
External Initiatives

In 2015, the Group helped to build the Sakya County Secondary School in Tibet. This initiative has effectively improved the outreach of education in the region. Since then, the school has greatly improved the lives of students and families in the Sakya County, which is closely in line with LCT's value that efforts in building human capital will always be an investment in the future and an expense. Moving forward, LCT will continue to encourage our employees to participate in various charitable initiatives in order to make a difference to the community which we operate in.

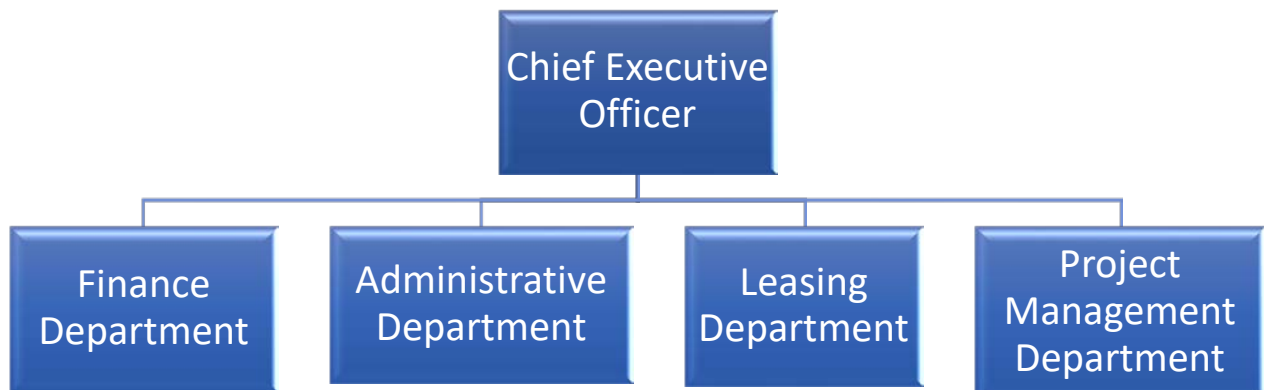


Our Approach to Governance and Sustainability

Organisation Chart - Board



Organisation Chart - Management



Governance at LCT

The Group believes that governance establishes the tone for the organisation, ensuring accountability, transparency, ethical business conduct and maximisation of long term shareholder value and increasing the value of the company. The Board and the management are wholly dedicated to uphold the highest standard of corporate governance, professional business conduct, integrity and commitment throughout the organisation. It is committed to upholding the highest standard of corporate governance.

The Group adheres to the principles and guidelines of the Code of Corporate Governance 2012 (the “Code”) issued by the Monetary Authority of Singapore (the “MAS”), which forms the continuing obligations of the listing manual of SGX-ST. The Board also ensures that the Group is updated on other regulations, notices, circulars, and guidelines that may be released by the MAS and the SGX-ST from time to time, and seek regulatory guidance where necessary.

The Board oversees the governance of risk and is fully aware of the need to put in place a sound system of risk management and internal controls to safeguard the shareholders’ interests and the Group’s assets. Internal monitoring and review processes have been established to assess the adequacy and the effectiveness of the Group’s internal control systems put in place, including financial, operational, compliance and information technology controls and risk management systems. The Audit Committee (“AC”) reviews each transaction with the Group’s interested persons, ensuring that each transaction is executed at arm’s length basis and hence, not prejudicial to the interests of the Group and shareholders, before making its recommendation to the Board for approval. There were no interested person transactions in the year under review.

LCT have a whistle-blowing policy in place which provides a safe avenue for our people and any other persons to raise in confidence, their concerns about possible improprieties, fraudulent activities and malpractices within the Group responsibly, regarding financial, operational or compliance aspects. LCT does not tolerate corruption in any form or manner. The Group views malpractices seriously and will carry out independent investigations when necessary. LCT is proud to announce that we have not received any reports of malpractices in all aspects of our business, and will strive to maintain this record through the strict upholding of honourable business practices and integrity-centred business decisions.

Sustainability at LCT

The Group’s takes into account sustainability considerations during strategy formulation. Our management team leads our sustainability efforts, and ensures that the Group’s business objectives are in line with our commitments to sustainable and organic development. The management ensures that our operations and processes are managed in a way that minimises negative impacts to our environment.

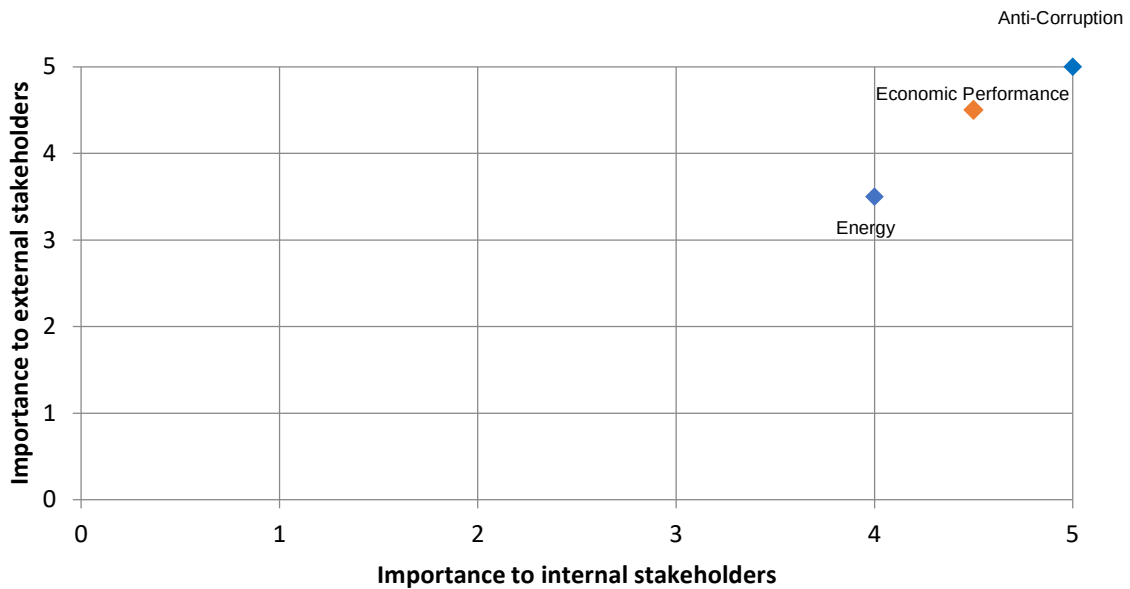
Stakeholder Engagement

LCT's business operations impact multiple stakeholder groups, including those with a vested interest in our business operations. For FY2019, LCT continues to actively engage our stakeholders, and understand their perspective on our sustainable practices, either in an informal or formal manner. Through the engagement, key ESG topics are identified, reassessed and included in this report. The table below depicts our key stakeholder groups, our means of engagement with them, as well as their key topics of interest.

Stakeholder Group	Means of Engagement	Key Topics of Interest
Customers	• Customer satisfaction survey • Company contact page	• Quality of products and services
Suppliers	• Emails communication • Meetings and discussions	• Continued engagement • Environmental compliance • Quality of their products and services
Employees	• Employee handbook • Annual performance appraisal • Feedback sessions • On-going communication • Corporate events	• Fair employment practices • Workplace Health and safety • Employee welfare • Employee remuneration and benefits
Investors	• Annual Report • Financial results announcement • Sustainability report • Annual General Meeting • Networking sessions • Email and teleconferences • Company website	• Timely updates on financial performance • Sustainability reporting • Investor relations
Government and Regulators	• Consultations and discussions • Industry networking functions	• Compliance with relevant laws and regulations • Opportunities for business collaboration and investment • Sharing industry best practices

Materiality Assessment

Based on feedback gathered from our internal and external stakeholders, LCT has re-evaluated and identified key relevant aspects, which would have significant economic, environmental and social impacts. The four topics reported for financial year ended June 2018 continue to be relevant to our business as reflected in our updated materiality matrix below:



Sustainability Topics Selected:

1. Economic Performance
2. Anti-Corruption
3. Energy
4. Employment

The Group will review and re-evaluate the relevance of our material ESG factors disclosed on an annual basis, to ensure its relevance to our stakeholders and business landscape.

ECONOMIC PERFORMANCE

The Group is dedicated to deliver long term economic value to our stakeholders, through sound financial stewardship and maintaining a suitable and sustainable business portfolio.

For FY2019, LCT is delighted to announce a 5% year-on-year increase in revenue as compared to 4% in the previous year, despite the backdrop of a slow economic growth, interest rate pressure and a weakening stock market in China. The increase in revenue is attributable to the Xi'an investment property, which was leased to our business partners in the science and education industries, thereby achieving higher average rental rate upon lease renewals.

As we move along in this uncertain economy, which brings about pressure to the local rental market, the management is committed in exploring various leasing methods and new forms of operation, in order to sustain the development of our Group's operations. Our upcoming targets are to pursue the stability of existing business and provide the rate of return as far as possible. On top of these, we have also try to seek new business directions and opportunities.

The Board and the management will continue to exercise prudence and efficient management of LCT's business operations. We seek to leverage on China's economic transformation which brings about business opportunities that are in line with our long-term business vision, to embark on future projects and sustain our economic growth in the coming years. Moving forward, we hope that the Group will be able to maintain, if not increase our revenue and profit attributable to shareholders.

	FY 2019 (RMB'000)	FY 2018 (RMB'000)
Revenue	12,777	12,215
Net Profit/ (loss) attributable to shareholders	6581	9075
Earnings/ (loss) per share	18.67	25.75

Please refer to our published Annual Report for FY2019 for detailed breakdown of the Group's financial performance.



ANTI-CORRUPTION

At LCT, we continue to emphasise our zero tolerance for corruption, fraud and unethical actions. The Code of Conduct encompasses imperative corporate principles and behavioural rules. It is further supplemented by guidelines for dealing with potential conflicts of interest. These guidelines are the drivers of our preventive measures against corruption, fraud and unethical actions.

LCT has put in place a whistle blowing policy duly endorsed by the Audit Committee (“AC”) and approved by the Board. The policy, which has been communicated to all employees through regular staff meetings and trainings on business ethics and reinforcement of the potential violations procedures, allowing employees of the Group, in good faith and in confidence, raise concerns about actual or possible corporate improprieties in matters of financial reporting or other matters. The AC members will be informed directly for any matters arising from the aforementioned. The AC members may, in consultation with the Managing Director and/or management, direct the complaint to the division or department best placed to address it, or lead the investigation to ensure prompt and appropriate investigation and resolution. This policy also serves as a reassurance to whistle blowers that they are shielded from reprisals for whistleblowing in good faith. The details of the whistle-blowing policy and procedure have been made available to all employees.

A conflict of interest policy is in place which allows directors, management and employees to identify situations that present potential conflicts of interest, as well as setting out procedures to appropriately manage conflicts in accordance with LCT’s business objectives of transparency and accountability.

At LCT, we strictly instil our values to our employees and ensure that our stand on corruption is clear. In addition to the Code of Conduct, we also uphold and adhere the Code of Ethics which accentuates the professional business conduct and behaviour that all employees should possess. All employees are expected to abide by the code and perform work in a responsible and professional manner. Internal audits are also performed annually, thereby identifying any short comings in our controls that may lead to inter-alia fraud, and report adverse findings. The Group is pleased to announce that there was no whistle-blowing case received in FY2019.

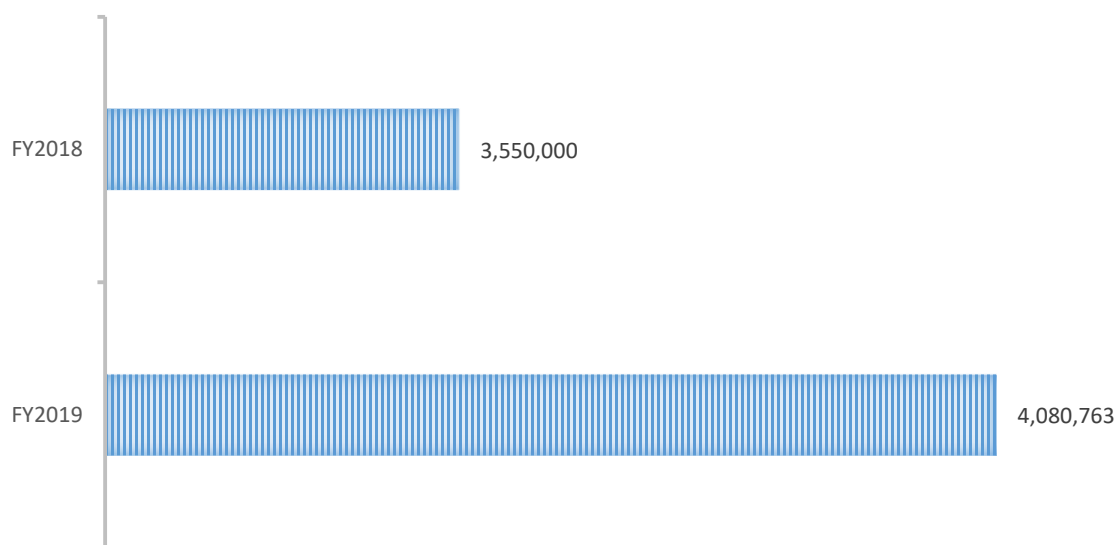
Moving forward, LCT targets to maintain our zero corruption and wrongdoings record in all aspects of our business as we continue to nurture an environment that upholds integrity to its highest level.

ENERGY

LCT is aware of the threat posed by climate change such as the effects of greenhouse gas on the environment, and acknowledges that businesses need to play an active role in combating this environmental issue.

The Group understands that proper management and regulation of our energy consumption can have a long lasting impact on our carbon footprint. Although the Group currently uses only energy from non-renewable sources, the Group is conscious of our impact and has adopted green practices such as inter-alia switching off the lights at our workshops and offices during lunch time, using LED lights, using energy efficient equipment and setting our computers to energy-saving mode. The increase in energy usage in FY2019 is due to the uptake of rented units which were vacant in FY2018. The below graph depicts our energy consumption for FY2019 and FY2018.

ENERGY USAGE (KWH)



Moving forward, the Group hopes to progressively improve our energy efficiency and consumption level through implementation of energy-saving policies.



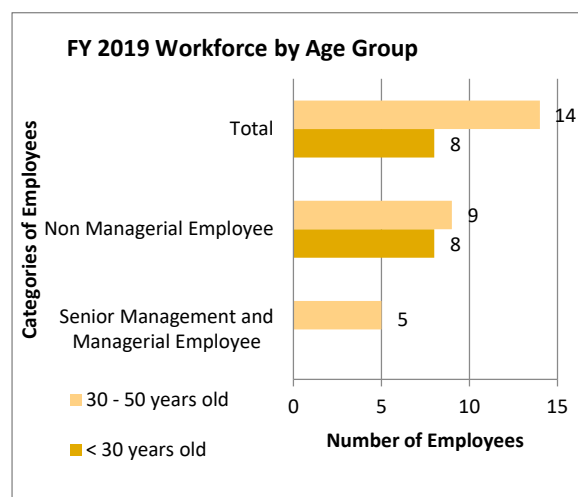
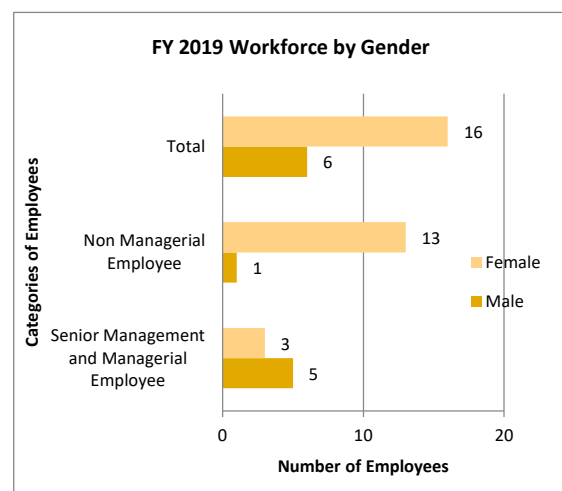
EMPLOYMENT

At LCT, our employees remain the key driver for our continued success, and they are our most valuable assets. We value our employees and uphold ourselves through fair and competitive remuneration packages and career development opportunities, thus creating a motivated workforce and grow the competency of our workforce.

Employment Policy

The Group has put in place an employment policy and management principles which includes primary areas such as employee recruitment and selection, remuneration and employee benefits, performance appraisals, career development and cessation of employment. An employee handbook which contains the established policy is provided to all employees, and will be regularly reviewed by the management. In view of the Group's endeavour in aligning our business objectives and interests with our employee's interests, we continuously seek feedback from our employees and ensure that their needs and expectations are taken into consideration for our business. LCT adopts a performance-based approach, and each employee is awarded according to the annual performance appraisal performed, they are also provided with impartial career advancement opportunities.

All LCT employees are permanent employees hired from local communities. For FY2019, all employees are eligible for annual appraisals and have subsequently undertaken this exercise. The Group provides our employees with the local government benefits, including healthcare benefits, maternity leave and parental leave. In FY2019, there were no maternity or paternity leave taken. The Group is in the opinion that we have a proportionate mix of gender in our Group. There were no new hires in FY2019. The Group takes pride that no employees resigned during FY2019, and would like to thank all employees for their continued service and loyalty. The Group will continue to emphasise constant care for our employees through active engagement with them, in order to create a more well-balanced and healthy workplace.



GRI Standard	Disclosure	Page Reference and Reasons for Omission, if applicable
GENERAL DISCLOSURE		
GRI 102: General Disclosures	Organizational Profile	
	102-1 Name of the organisation	Cover Page
	102-2 Activities, brands, products, and services	Page 1
	102-3 Location of headquarters	Page 1
	102-4 Location of operations	Page 1
	102-5 Ownership and legal form	Page 1
	102-6 Markets served	Page 1
	102-7 Scale of the organisation	Page 3 & Page 4
	102-8 Information on employees and other workers	Page 13
	102-9 Supply chain	Page 5
	102-10 Significant changes to the organisation and its supply chain	No changes
	102-11 Precautionary principle or approach	Precautionary approach
	102-12 External initiatives	Page 5
	102-13 Membership of associations	We will work towards reporting this in our next report.
	Strategy	
	102-14 Statement from senior decision maker	Page 2
	Ethics and Integrity	
	102-16 Values, principles, standards, and norms of behaviour	Page 3
	Governance	
	102-18 Governance structure	Page 6
	Stakeholder Engagement	
	102-40 List of stakeholder groups	Page 8
	102-41 Collective bargaining agreements	Not applicable
	102-42 Identifying and selecting stakeholders	Page 8
	102-43 Approach to stakeholder engagement	Page 8
	102-44 Key topics and concerns raised	Page 9
	Reporting Practice	
	102-45 Entities included in the consolidated financial statements	Page 4
	102-46 Defining report content and topic boundaries	Page 1
	102-47 List of material topics	Page 9
	102-48 Restatements of information	Not applicable
	102-49 Changes in reporting	No changes in reporting
	102-50 Reporting period	Page 1
	102-51 Date of most recent report	17 April 2019
	102-52 Reporting cycle	Page 1
	102-53 Contact point for questions regarding the report	Page 1
	102-54 Claims of reporting in accordance with the GRI Standards	Page 1
	102-55 GRI content index	Page 14
	102-56 External assurance	Page 1

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GRI CONTENT INDEX (Cont'd)

GRI Standard	Disclosure	Page Reference and Reasons for Omission, if applicable
MATERIAL TOPICS		
Economic Performance		
GRI 103: Management Approach	103-1 Explanation of the material topic and its boundaries	Page 10
	103-2 The management approach and its components	
	103-3 Evaluation of the management approach	
GRI 201: Economic Performance	202-1 Direct economic value generated and distributed	
Anti-Corruption		
GRI 103: Management Approach	103-1 Explanation of the material topic and its boundaries	Page 11
	103-2 The management approach and its components	
	103-3 Evaluation of the management approach	
GRI 205: Anti-Corruption	205-1 Operations assessed for risks related to corruption	
	205-2 Communication and training about anti-corruption policies and procedures	
	205-3 Confirmed incidents of corruption and actions taken	
Energy		
GRI 103: Management Approach	103-1 Explanation of the material topic and its boundaries	Page 12
	103-2 The management approach and its components	
	103-3 Evaluation of the management approach	
GRI 302: Energy	302-1 Energy consumption within the organisation	
	302-2 Energy consumption outside of the organisation	
	302-3 Energy intensity	
	302-4 Reduction of energy consumption	
	302-5 Reduction in energy requirements of products and services	
Employment		
GRI 103: Management Approach	103-1 Explanation of the material topic and its boundaries	Page 13
	103-2 The management approach and its components	
	103-3 Evaluation of the management approach	
GRI 401: Employment	401-1 New employee hires and employee turnover	
	401-2 Benefits provided to full-time employees that are not provided to temporary or part-time employees	
	401-3 Parental leave	