



LHT HOLDINGS LIMITED

# ANNUAL REPORT 2018

ENVIRONMENTAL  
SUSTAINABILITY THROUGH

# GREEN

TECHNOLOGIES







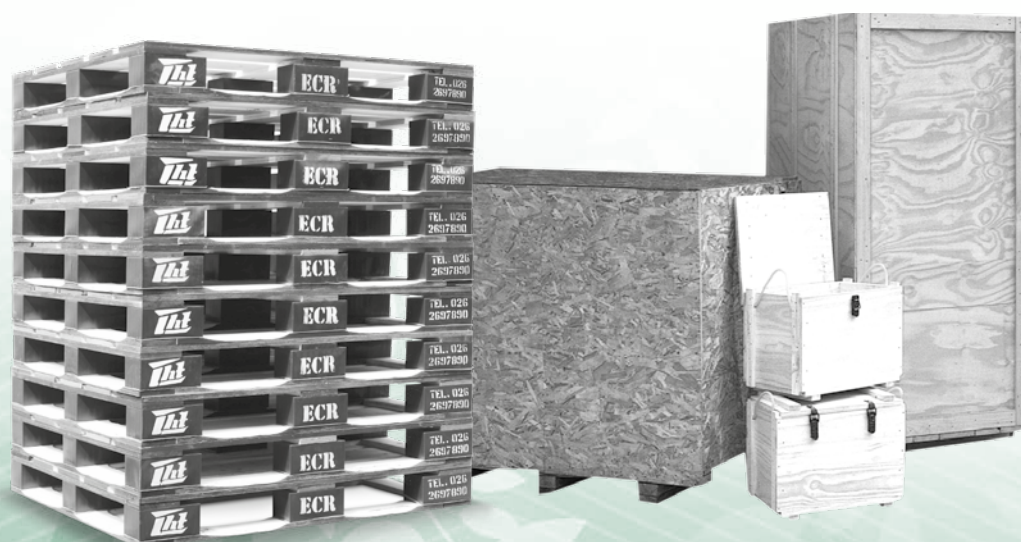
*LHT's commitment to excellence and a greener environment has been recognised with the receipt of many important awards and certifications.*





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# Corporate Profile



## LHT HOLDINGS LIMITED

LHT Holdings Limited has been in the timber industry for over 40 years and has grown into one of the largest manufacturers of high quality wooden pallets, boxes and crates in Singapore, with facilities occupying 63,568 sqm of land in Singapore. LHT was listed on the Main Board of the Singapore Exchange Securities Trading Limited ("SGX-ST") on 26 July 1999. Since establishment in 1977, LHT's staff strength has grown to 176 employees in Singapore and a total of 321 employees in the Group as at end February 2019.

ISO Certifications	
1997	Awarded ISO 9001 certification on the quality management system
2001	Awarded ISO 14001 certification on its environmental management system highlighting LHT's commitment towards environmental excellence

LHT's commitment to excellence and a greener environment has been recognised with the receipt of many important awards and certifications. LHT has been presented with the SEC-Senoko Power Green Innovation Award (2005), Sustainability Award by the Singapore Business Federation in 2012, 3R Packaging Award 2013 co-hosted by Singapore Packaging Agreement and National Environment Agency, SMF Business Model Innovation Award by the Singapore Manufacturing Federation and SSWG Merit Award by the Singapore Police Force in 2014 and the Company's Technical Wood® and Greenflo® products have also been granted Green Label Scheme by the Singapore Environment Council.



CERT NO.: 2001-0131  
ISO 14001 : 2015



CERT NO.: 97-2-0670  
ISO 9001 : 2015

The Company has been a multiple recipient of the Enterprise 50 Award (1995 and 1996) and received the 27th International Trophy for Quality by the Trade Leader's Club based in Madrid, Spain (1998). In 2002, LHT has also received the 21st Century, Global Triumphant Product Golden Rim Award from the Medium Business Development Association of China in recognition of its contribution to the industry.

As part of LHT's commitment to protect the Earth's precious timber resources and reduce waste, LHT established Singapore's first wood waste recycling plant equipped with a highly automated German system to produce a series of Technical Wood® products. The advanced technology allows products to be made with greater consistency in colour and texture and to a higher density. These products undergo a strict process of treatment and drying to prevent wood cracking, mould and insect attacks and are ideally suited to furniture, flooring, building material and heavy-duty industrial applications.

With its commitment to improving the environment and highly automated machinery, LHT was selected by the Ministry of the Environment as a participant for its "Clean and Green Week" annually. This gave LHT a tremendous opportunity to showcase its advanced techniques, product applications, as well as its Technical Wood®, wooden pallet and case and wood waste recycling plant to a diverse range of stakeholders, including the staff of the statutory board, potential business partners and the public at large.





# Corporate Structure and Corporate Information



## BOARD OF DIRECTORS

Yap Mui Kee	- <i>Managing Director</i>
Tan Kim Sing	- <i>Executive Director</i>
Billy Neo Kian Wee	- <i>Executive Director</i>
Tan Kok Hiang	- <i>Non-Executive, Lead Independent Director</i>
Low Peng Kit	- <i>Non-Executive, Independent Director</i>
Wu Chiaw Ching	- <i>Non-Executive, Independent Director</i>
Sally Yap Mei Yen	- <i>Alternate Director to Yap Mui Kee and Corporate Secretary</i>

## COMPANY SECRETARY

Sally Yap Mei Yen

## AUDIT COMMITTEE

Tan Kok Hiang - *Chairman*  
Low Peng Kit  
Wu Chiaw Ching

## NOMINATING COMMITTEE

Low Peng Kit - *Chairman*  
Tan Kok Hiang  
Wu Chiaw Ching

## REMUNERATION COMMITTEE

Tan Kok Hiang - *Chairman*  
Low Peng Kit  
Wu Chiaw Ching

## REGISTERED OFFICE

27 Sungei Kadut Street 1  
Singapore 729335  
Tel : (65) 6269 7890 | Fax: (65) 6367 4907

## EMAILS

enquiry@lht.com.sg  
ir@lht.com.sg (for investor relations matters)  
sr@lht.com.sg (for sustainability report matters)

## WEBSITES

<http://www.lht.com.sg>  
<http://www.technicalwood.com.sg>  
<http://www.ecrpallet.com>  
<http://www.ipcpallet.com>  
<http://www.greenflo.com>  
<http://www.gpac.com.sg>

## SHARE REGISTRAR

B.A.C.S. Private Limited  
8 Robinson Road #03-00  
ASO Building  
Singapore 048544  
Tel: (65) 6593 4848 | Fax: (65) 6593 4847

## AUDITORS

BDO LLP  
Public Accountants and  
Chartered Accountants  
600 North Bridge Road  
#23-01 Parkview Square  
Singapore 188788  
Partner: Ms Khoo Gaik Suan  
(Appointed from the financial year ended  
31 December 2017)

## PRINCIPAL BANKERS

Bank of China  
CIMB Bank Berhad  
DBS Bank Ltd  
Malayan Banking Berhad  
OCBC Bank  
United Overseas Bank Ltd

# Mission Statement

We aspire to lead in the management of total packaging support to our customers in every aspect of their supply chains across their regional operations with the state-of-the-art technology, excellent services, and competitive pricing.

## WE ACHIEVE OUR MISSION THROUGH:

### **Leading-edge Technology**

We constantly search and acquire, whenever financially and operationally expedient, the latest technology in packaging.

### **Innovative Products**

We build and sustain an in-house research and development capability in developing innovative products that meet the changing needs and preferences of customers for packaging.

### **Advance Process Management**

We strive for excellence in managing all internal processes for increased productivity and all external processes for customer satisfaction with advanced process management techniques and methodologies.

### **Harmonious Environment with Good Network Building**

We create and sustain a conducive working environment for our people while responding to the global call for environmentally friendly packaging products. We also continue building extensive marketing and distribution channels.

### **People Power**

We unite and look to our people as a driving force for the company's growth.



## Chairman's Statement



**"The Group**  
will continue to enhance its  
competitiveness by maintaining  
product quality, prompt delivery,  
cost control measures and  
improvements in productivity."

### Dear Shareholders

On behalf of the Board Directors, I am pleased to present the Annual Report and audited Financial Statements of LHT Group for Financial Year 2018.

### REVIEW OF PERFORMANCE

For the Financial Year 2018, the Group registered revenue of \$42.84 million, a 5.5% increase from \$40.61 million in FY 2017. Revenue from pallet and packaging products increased by 6.9% to \$32.49 million (FY 2017: \$30.39 million), mainly due to increased demand for pallets in the year, while revenue from trading in timber-related products decreased by 2.0 % to \$3.97 million (FY 2017: \$4.05 million) due to decrease in demand in timber-related products. Revenue from Technical Wood® and related products increased by 9.2% to \$1.78 million (FY 2017: \$1.63 million) due mainly to increased revenue from sale of woodchips. Revenue from pallet rental services increased marginally by 1.1% to \$4.60 million (FY 2017: \$4.54 million) due to slightly stronger demand in the logistics market.

However, despite the higher revenue, the Group's net profit after tax decreased 54.5% from \$7.51 million in FY 2017 to \$3.42 million in FY 2018. This is mainly due to a one time gain of \$5.61 million arising from the disposal of a leasehold and investment property in FY 2017. Please refer to Page 48, Note 4.7 for more information.

The Group's achievements depend largely on its core business of manufacturing and sale of pallets and packaging cases. The ability to increase market share while maintaining profit margin is key to the business.

The Board recommends a first and final one-tier exempt dividend of \$0.03 (three cents) per ordinary share with respect to the Financial Year ended 31

December 2018.

### OUTLOOK

In view of the current uncertain economic conditions, the Group expects market conditions to remain challenging and profit margin continues to be under pressure. In view of this, the Group will continue to keep up its marketing efforts as well as cost management. The Group will continue to enhance its competitiveness by maintaining product quality, prompt delivery, cost control measures and improvements in productivity. The Group is confident that these efforts will enable the Group to stay competitive and at the same time ensure continued growth and sustainability.

### ACKNOWLEDGEMENT

On behalf of the Board of Directors, I would like to thank our customers, shareholders, bankers and business associates for their continuous support as well as the management and staff for their dedication over the years.

Yap Mui Kee  
Chairman

## Board of Directors



### Ms Yap Mui Kee

*Managing Director*

**Ms Yap Mui Kee** has been the Executive Director of the Company since 2 January 1988 and is in-charge of all sales and marketing functions of the Group. She was appointed as Acting Managing Director on 26 February 2016 and was re-designated as the Chairman, Managing Director and CEO on 10 February 2017. She has over 25 years of experience in sales and marketing and plays a key role in exploring opportunities in new markets. Part of her responsibility is also to monitor market developments and streamline the Company's product development efforts according to market demands. Ms Yap spearheads the Group's RFID (Radio Frequency Identification) ECR Pallet Tracking System and is actively involved in the Group's ECR (Efficient Consumer Response) pallet rental business in Singapore and Malaysia. She holds a Diploma in Sales and Marketing from the Marketing Institute of Singapore and has been awarded the certificate after the completion of the Operation Management Innovation (OMNI) Programme conducted by A\*Star in 2011. She is also a member of the Singapore Institute of Directors.



### Mr Tan Kim Sing

*Executive Director*

**Mr Tan Kim Sing** is one of the founders of the Company and has been the Executive Director since 29 August 1980. Mr Tan has more than 30 years' experience in the timber industry and is well-versed in the production of wooden crates and pallets, as well as in the procurement of timber. He is responsible for the Company's production operations and the direct purchase of raw material. He holds a Diploma in Business Administration from the Productivity and Standards Board in Singapore.



### Mr Billy Neo Kian Wee

*Executive Director*

**Mr Billy Neo Kian Wee** was appointed as the Executive Director on 24 February 2017. He joined the company in June 1996 and has had experience working in Logistics, Sales and Marketing of pallet packaging products and services, Development, Sales and Certifications of Technical Wood® products. Mr Neo was appointed the General Manager of LHT Ecotech Resources (Tianjin) Co., Ltd, a wholly owned subsidiary of the Company in China in January 2012 where he was responsible for all the operations. Mr Neo holds a Bachelor of Business (Management) from Royal Melbourne Institute of Technologies, and a Diploma in Management Studies from Singapore Institute of Management.



# Board of Directors



## Mr Tan Kok Hiang

*Non-Executive  
Lead Independent Director*

**Mr Tan Kok Hiang** joined the Company as Independent Director on 1 July 1999. He is experienced in capital markets functions, corporate finance, asset management, financial investments, accounting, and corporate administration. Mr Tan currently sits on the board of a few other public listed companies as an Independent Director. He graduated from the University of Singapore with a Bachelor of Accountancy (Honours) Degree and is a member of the Singapore Institute of Directors.



## Mr Low Peng Kit, BBM(L)

*Non-Executive  
Independent Director*

**Mr Low Peng Kit** has been an Independent Director with the Company since 1 July 1999. He sits on the board of directors in various companies in the education, healthcare and marketing sectors, and is the Managing Director of FMC Education Centre Pte Ltd, the Executive Director of One 69 Pte Ltd, First Medical Centre Pte Ltd and First Medical Centre (Yishun) Pte Ltd. Mr Low is also a passionate and active community leader, and currently serves the grassroots organisations as the Honorary Chairman of the Yew Tee Citizens' Consultative Committee, Chairman of the Yew Tee Active Ageing Committee. In addition to his community work, Mr Low holds leadership positions in various other organisations, such as being the Past Chairman of Kranji Secondary School's Advisory Committee, the Vice Chairman of Chinese Development Assistance Council @ Yew Tee Management Committee, the President of the Canchan Athletic Association and the Agarwood Association (Singapore). Mr Low is also a member of the Singapore Institute of Directors.



## Dr Wu Chiaw Ching

*Non-Executive  
Independent Director*

**Dr Wu Chiaw Ching** joined the Company as Independent Director on 12 March 2007. He is presently the Lead Independent Director of DLF Holdings Limited and GDS Global Limited and Independent Director of Goodland Group Limited. He is also a Partner of Wu Chiaw Ching & Company and fellow member of the Institute of Singapore Chartered Accountant, the Association of Chartered Certified Accountants, United Kingdom and Certified Public Accountants, Australia, and member of the Singapore Institute of Directors.



## Ms Sally Yap Mei Yen

*Alternate Director to Yap Mui Kee  
and Corporate Secretary*

**Ms Sally Yap Mei Yen** has been an Alternate Director to Ms Yap Mui Kee since 20 July 1998. She held the role of Corporate Secretary of the Company since 29 March 2001, making her responsible for corporate secretarial and corporate affairs of the Company. With a background in audit, accounting and corporate secretarial functions, Ms Yap is also the Corporate Secretary of the Company's Singapore subsidiaries and the Supervisor of the Company's Chinese subsidiary. She holds a Master of Business Administration degree in Finance from Manchester Business School, The University of Manchester. She is a Fellow of the Association of Chartered Certified Accountants (United Kingdom) and Chartered Secretaries Institute of Singapore and a member of The Institute of Chartered Secretaries and Administrators (United Kingdom). She is also a non-practising member of the Institute of Singapore Chartered Accountant (ISCA), Certified Public Accountants, Australia, Chartered Institute of Management Accountant (United Kingdom), Chartered Global Management Accountant and a member of the Singapore Institute of Directors.

# Senior Management

## Mr Vincent Tan Khar Kheng

*Administration and Financial Controller*

Mr Vincent Tan Khar Kheng joined the Company on 19 March 2015 as the Administration and Financial Controller. His responsibility is to oversee the overall Group's accounting and financial management, Human Resource and other administrative functions. Prior to joining the Company, Mr Tan has had over 20 years of Finance experience in management positions at multinational companies in Singapore and Indonesia. He graduated from the Nanyang Technological University with a Bachelor of Accountancy (Honours) degree. He also holds a Master of Business Administration degree from The Heriot-Watt University (United Kingdom). Mr Tan is a non-practising member of the Institute of Singapore Chartered Accountants (ISCA).

## Mr William Yap Yew Weng

*Senior Sales Manager*

Mr William Yap Yew Weng is Senior Sales Manager, and is in-charge of the sales of pallet packaging and all timber-related products in the Company. He joined the Company in June 1985 and has over 20 years of experience in sales and marketing of pallet packaging products and services, with many established long-term customer relationships. Mr Yap holds a Diploma in Sales and Marketing from the Marketing Institute of Singapore.

## Mr Yeo Boon Chan (Retired on 31 December 2018)

*Procurement Manager*

Mr Yeo Boon Chan is the Procurement Manager and is responsible for the Company's overall procurement functions. With over 15 years of experience in the purchase of timber and timber-related materials, Mr Yeo has held various positions in the Company. This includes the Logistics and Warehouse Manager and Deputy Factory Manager since joining the Company in April 1990. Prior to joining the Company, Mr Yeo worked with Tong Nam Timber Pte Ltd.

## Mr Derek Neo Kah Seng

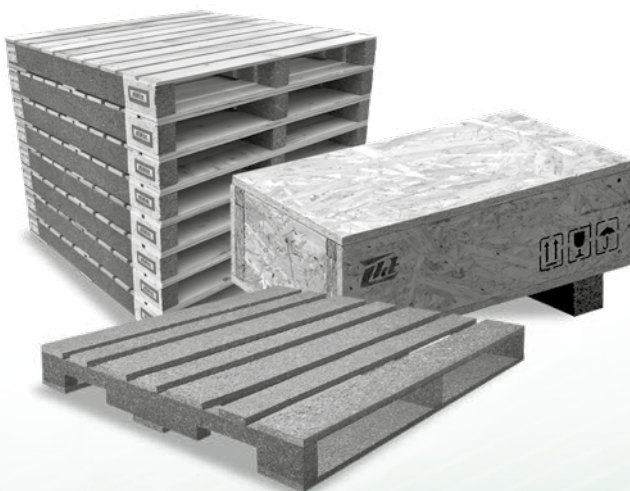
*Recycling Plant Manager*

Mr Derek Neo Kah Seng joined the Company in July 1989, and has since held the role of Plant Manager, and is in-charge of all recycle plant operations. With over a decade's experience in the export sales of pallets and timber-related materials, Mr Neo is a veteran in the import and export operations. He has held the roles of Shipping Officer, Export Sales Assistant Manager and Recycle Plant Assistant Manager. Prior to joining the Company, he worked with Miniscribe Peripherals (Pte) Ltd and Fujitec Singapore Corporation Ltd. He holds a Bachelor of Science in Computer with Economics degree from The Open University in UK, a Diploma in Economics from The Open University in UK, and a Diploma in Electrical Engineering from Singapore Polytechnic.

## Mr Benny Kok Chee Chuen

*Production Manager*

Mr Benny Kok Chee Chuen is the Production Manager of the Company. He is responsible for the production of cases, packaging and flooring products. Mr Kok has over 15 years of experience in the manufacturing and production of pallets, cases, packaging and timber-related products. He joined the Group in 1983 as Production Supervisor and was Assistant Production Manager of the Pallet Department before being promoted to Production Manager of the Case, Packaging and Flooring Department.





# Operating and Financial Review



## OPERATING REVIEW

### Pallet and Packaging Products

The pallet and packaging business registered revenue of \$32.49 million (FY 2017: \$30.39 million), an increase of 6.9% over last year, mainly due to increased demand for pallets in the year, while segmental result achieved net profit of \$1.63 million, as compared to a net profit of \$4.92 million last year due mainly to the allocation of gain on disposal of property in the previous financial year.

The Group expects this sector to remain the main source of income as the Group aims to promote its range of IPPC pallets, Technical Wood® pallets and pest-free pallets in new markets while continuously driving demand in the existing ones.

### Timber-Related Products

Revenue for timber-related products decreased by about 2.0% to \$3.97 million (FY 2017: \$4.05 million) as a result of decrease in demand from local agent for the export market. The segmental result registered net profit of \$0.54 million compared to net profit of \$0.90 million last year mainly due to the allocation of gain on disposal of property in FY 2017 as explained above. The Group will continue to look for business opportunities to grow its trading activities.

### Technical Wood® Products

The revenue of Technical Wood® products and woodchip supply increased by 9.2% to \$1.78 million (FY 2017: \$1.63 million) due to increase in revenue from sale of woodchips. Segmental result registered net profit of \$0.94 million as compared to \$0.64 million last year due to increased revenue from woodchips and tight cost control.

### Pallet Rental and Others

The revenue for pallet rental has increased by 1.1% to \$4.59 million (FY 2017: \$4.54 million) due to demand in the logistics market. The segmental profit registered a higher profit of \$2.09 million (FY 2017: \$1.13 million) mainly due to non-recurring one-time claims and cost cutting measures. As the region is expected to grow, although at a lower pace, the Group is confident that pallet rental demand will continue to be strong locally and in Malaysia.

# Operating and Financial Review



## Other Subsidiary Companies

**Kim Hiap Lee Company (Pte) Limited**, which deals mainly with pallet rentals, registered revenue of \$2.76 million and an operating profit of \$1.56 million, after tax.

**Lian Hup Packaging Industries Sdn Bhd**, which specialises in the sales of wooden products, pallet rental, timber and packaging, registered revenue of \$4.85 million and operating profit of \$0.54 million, after tax.

**Siri Belukar Packaging Sdn Bhd**, which serves primarily as the manufacturing base which supplies pallets for LHT Holdings Limited, registered revenue of \$5.46 million and operating profit of \$0.10 million, after tax.

**LHT Marketing Pte Ltd**, which is the trading arm for LHT Group, registered revenue of \$2.74 million with an operating profit of \$0.29 million, after tax.

**LHT Ecotech Resources Pte Ltd**, an integrated solutions provider for all types of wood waste recycling and woodchips supply businesses, registered revenue of \$2.28 million with operating profit of \$0.84 million, after tax.

**LHT Gpac Technology (M) Sdn Bhd** was incorporated for the manufacturing of pest-free pallets, IPPC and LVL pallets, wood waste recycling management and industrial packaging. It registered revenue of \$7.64 million with operating profit of \$0.12 million, after tax.

**LHT Ecotech Resources (Tianjin) Co., Ltd** was established to engage in environmental wood product manufacturing, wholesale, retail, import & export and RFID pallet rental business. The company which commenced trading operations in 2015, registered revenue of \$1.95 million with a loss of \$0.15 million due to very competitive market conditions. The Board has decided to scale down the China operations if the situation does not improve further.

**LHT ECR Packaging (Vietnam) Company Limited** was incorporated on 3 August 2017 to explore the pallets and packaging business in Vietnam. It registered revenue of \$0.13 million and managed to breakeven this year.

## Potential Business Factors and Risks

The Group expects to be affected by higher operating costs and foreign exchange fluctuations, accompanied by higher raw material prices. To maintain its competitive edge, the Group has continued to maintain the following strategies:

- (1) To use its Malaysian subsidiaries as its main manufacturing base to tap on more competitive labour costs, and its subsidiary in China to source for raw materials at better prices.
- (2) To source for high-quality sawn timber from overseas suppliers, like New Zealand and Australia, thereby keeping process wastages to a minimum.
- (3) To maintain inventory at a reasonable level so as to minimise inventory holding cost.
- (4) To raise productivity and exploring Government's grants in innovation of technology and encourage its employees to upgrade through training and on-the-job innovation.

The wider acceptance and recognition of environmental-friendly Technical Wood® products, pest-free pallets, IPPC pallets and pallets rental services in the local and overseas markets will help boost the Group's core business.

## Human Resource and Quality Management

As at the end of February 2019, the Group has a workforce of 176 employees in Singapore. Together with its subsidiaries in Malaysia and China, the Group now has a total of 321 employees.

The Group continues to conduct training courses for staff to fulfil the requirements of ISO accreditation. Ongoing continuous improvement training programmes are held to upgrade employees' skills and productivity. Courses such as fire and safety programmes and on-the-job training programmes are in place to help new employees adapt easily to their new working environment. The Group remains an impartial and fair employer, ensuring all employees are equally treated and, encouraging employees to participate in curriculum like the Skills Training for Excellence Programme and the Continuing Education and Training Programme.

The Group recognises and appreciates the dedication and contributions of all its employees towards the Group's achievements and successes. As of today, 159 employees have been acknowledged with long services awards.

The Group's ISO committees will continue to review and improve its quality management systems to enhance productivity and competitiveness.



# Operating and Financial Review

## FINANCIAL REVIEW

### Cash Flows and Liquidity

For the year ended 31 December 2018, The Group's net cash generated from operating activities decreased to \$4.36 million (FY 2017: \$5.89 million) and net cash and cash equivalents decreased by \$10.61 million from \$28.88 million to \$18.25 million. The net decrease was mainly due to \$11.0 million being placed in fixed deposits to earn higher returns.

The Group's current ratio decreased from 6.55 in FY 2017 to 6.18 in FY 2018, while the quick ratio also decreased from 5.56 to 4.87 respectively, due mainly to an advance payment received for a large one-time project. Net asset value per share increased from 96.30 cents to 97.60 cents as at 31 December 2018, due mainly to higher net assets in FY 2018. The shareholder's equity for the Group increased to \$51.97 million (FY 2017: \$51.27 million), while total assets increased to \$60.89 million (FY 2017: \$59.48 million).

### Funding, Borrowings and Risk Management

The Group funds its investments and operations through a mixture of shareholders' funds and bank borrowings. The Group's total borrowings including finance lease decreased to \$0.51 million from \$0.70 million as borrowings are being paid off. Long-term borrowings decreased marginally to \$0.30 million (FY 2017: \$0.37 million) and the balance is of a short-term nature. Total debt ratio has increased marginally to 17.2% (FY 2017: 16.0%) mainly due to the advance payment received for a large one-time project, as explained above.

Details of the Group's borrowings, interest rate and financial and capital risk management policies are disclosed in Note 29 and Note 30 to the Financial Statements.

### Capital Expenditure

The Group's total capital expenditure incurred for the year was lower at \$1.86 million (FY 2017: \$1.94 million). This consists mainly of \$0.20 million for the purchase of motor vehicles, \$0.06 million for the purchase of plant and equipment and \$1.42 million for new rental pallets to facilitate the Group's aims in increasing its market share in the pallets rental segment.



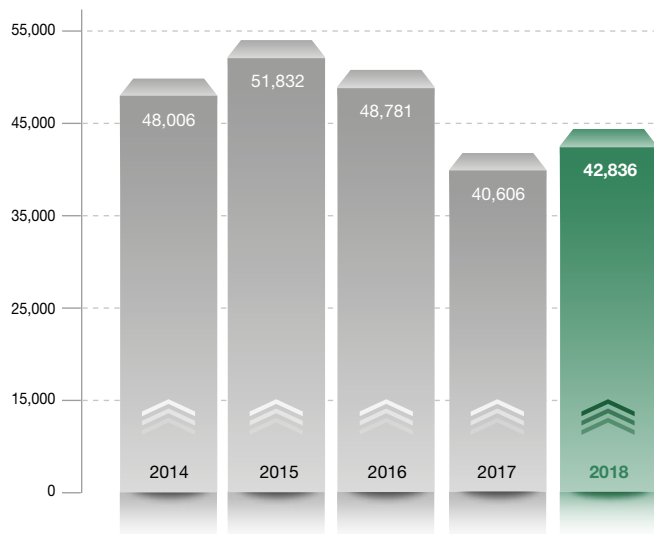
# Financial Summary

For the Financial Year Ended 31 December

“ Net asset value per share increased from **96.30 cents to 97.60 cents** as at 31 December 2018, due to an increase in net assets for the year. ”

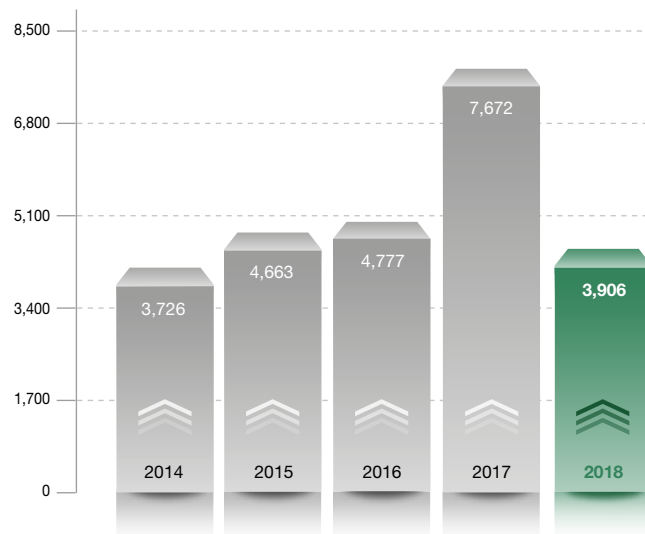
## Revenue

S\$'000



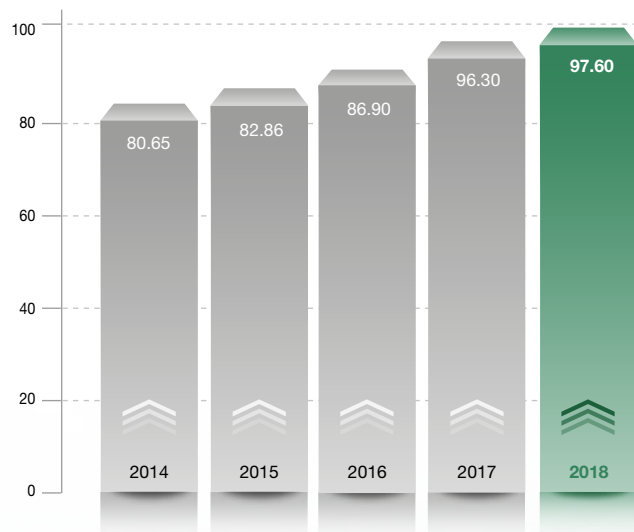
## Profit Before Income Tax

S\$'000



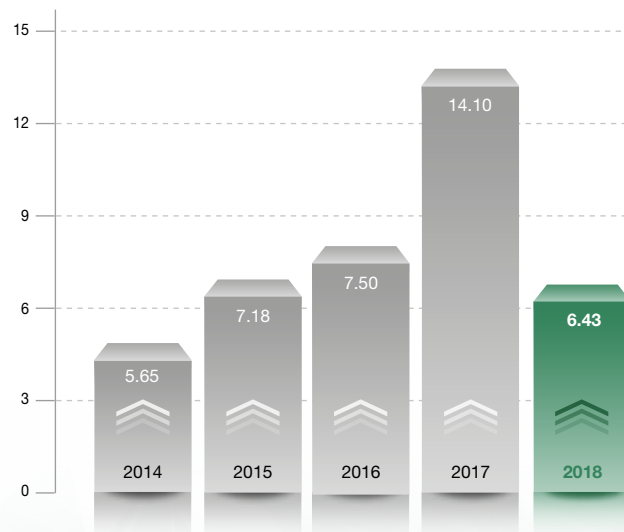
## Net Assets Per Share

cents



## Earnings Per Share

cents





# Financial Summary

For the Financial Year Ended 31 December

## Result of Operations \$'000

	2014	2015	2016	2017	2018
Revenue	48,006	51,832	48,781	40,606	42,836
Other income	4,113	3,898	4,344	8,987	3,303
Profit before income tax	3,726	4,663	4,777	7,672	3,906
Income tax expense	(718)	(838)	(784)	(166)	(483)
Profit after income tax attributable to:					
Owners of the parent	<b>3,008</b>	<b>3,825</b>	<b>3,993</b>	<b>7,506</b>	<b>3,423</b>

Earnings per share					
Basic and diluted (cents) **	5.65	7.18	7.50	14.10	6.43

## Financial Position \$'000

	2014	2015	2016	2017	2018
Property, plant and equipment	22,198	20,871	18,754	13,734	12,315
Investment property	5,750	5,750	5,750	-	-
Current assets	25,933	27,548	29,478	45,741	48,575
Current liabilities	(7,034)	(7,326)	(6,402)	(6,982)	(7,853)
Net current assets	18,899	20,222	23,076	38,759	40,722
Non-current liabilities	(3,905)	(2,722)	(1,309)	(1,219)	(1,071)
	<b>42,942</b>	<b>44,121</b>	<b>46,271</b>	<b>51,274</b>	<b>51,966</b>

## Equity

Equity attributable to owners of the parent	<b>42,942</b>	<b>44,121</b>	<b>46,271</b>	<b>51,274</b>	<b>51,966</b>
Net assets per share (cents) **	80.65	82.86	86.90	96.30	97.60

### Note:

As there were no outstanding potentially dilutive ordinary shares, the diluted earnings per ordinary share were accordingly the same as the earnings per ordinary share for the respective financial year.

\*\*On 21 August 2015, the Company completed its shares consolidation exercise. The comparative figures have been adjusted for the effect of share consolidation.

# Significant Events of 2018

  
20-22  
MAR 2018

Participated in Propak Vietnam, HCMC, held at Nguyen Van Linh.

  
27  
MAR 2018

Minister for the Environment and Water Resources, Mr Masagos Zulkifli bin Masagos Mohamad, visited LHT Holdings' recycling plant and laboratory of Smart Pallet research. Through our Green Programme, and sustainable & innovative technology development business model, the carbon footprint is identified, and zero waste management is encouraged.

  
27  
APR 2018

Held Company's Annual General Meeting.

  
03  
JUL 2018

Bagged the SPA Excellence Awards 2018. The event was graced by Minister for the Environment and Water Resources, Mr Masagos Zulkifli bin Masagos Mohamad.

  
08  
JUL 2018

Participated in the exhibition, World Cities Summit for Climate Action held at the Marina Bay Sands Singapore. Was nominated by the National Environment Agency for the climate action campaign. The event was graced by Minister for the Environment and Water Resources, Mr Masagos Zulkifli bin Masagos Mohamad.

  
08-12  
JUL 2018

Participated as Gold Sponsor in the Clean Enviro Summit 2018 Marina Bay Sands Singapore. The event was graced by Senior Minister of State for Health and Environment and Water Resources, Dr Amy Khor.

  
02  
AUG 2018

Participated in Simtech's 25th Anniversary as a Partner in the Impart and Commemorative Publication Booklet. Held at Grand Copthorne Waterfront, the event was graced by Chairman of the Board of the Agency for Science, Technology and Research, Mr Lim Chuan Poh.

  
09  
AUG 2018

Sponsored the Green packaging pallet at the National Day Parade 2018.

  
21  
AUG 2018

Participated as Gold Sponsor at the Singapore Packaging Star Awards and Gala Dinner 2018 held at Sheraton Tower Singapore. The event was graced by Senior Minister of State at the Ministry of Culture, Community and Youth and Ministry of Communications and Information, Ms Sim Ann.

  
28  
SEP 2018

Participated in the EcoFriend Awards 2018 for Private Sector held at Novotel Singapore. The event was graced by Minister for the Environment and Water Resources, Mr Masagos Zulkifli bin Masagos Mohamad.

  
05-07  
SEP 2018

Participated in Logisware Malaysia 2018 held at Setia City Convention Centre (SCCC), Selangor Malaysia.

  
05  
OCT 2018

Participated in the MPTC Annual Conference 2018, Showcase Productivity Transformation through Innovation held at Fusionopolis. The event was graced by Senior Minister of State at the Ministry of Trade and Industry, Dr Koh Poh Koon.

  
02  
NOV 2018

Participated in the SMC Annual Conference 2018 held at Biopolis.

  
18  
DEC 2018

Participated in the Summit of Leaders – 2018 Socrates Award Ceremony and was recognised as 'Best Enterprise' in the timber industry by The Socrates Committee Oxford, UK.



# Directors' Statement

The Directors of LHT Holdings Limited (the "Company") present their statement to the members together with the audited financial statements of the Company and its subsidiaries (the "Group") for the financial year ended 31 December 2018 and the statement of financial position and statement of changes in equity of the Company as at 31 December 2018.

## 1. Opinion of the Directors

In the opinion of the Board of Directors,

- (a) the consolidated financial statements of the Group, the statement of financial position and statement of changes in equity of the Company together with the notes thereon are drawn up so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2018, and of the financial performance, changes in equity and cash flows of the Group and changes in equity of the Company for the financial year then ended; and
- (b) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

## 2. Directors

The Directors of the Company in office at the date of this statement are as follows:-

Tan Kim Sing  
Yap Mui Kee  
Low Peng Kit  
Tan Kok Hiang  
Dr Wu Chiaw Ching  
Billy Neo Kian Wee  
Sally Yap Mei Yen (Alternate Director to Yap Mui Kee)

## 3. Arrangements to enable Directors to acquire shares or debentures

Neither at the end of nor at any time during the financial year was the Company a party to any arrangement whose object was to enable the Directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

## 4. Directors' interests in shares or debentures

The Directors of the Company holding office at the end of the financial year had no interests in the shares or debentures of the Company and its related corporations as recorded in the Register of Directors' Shareholdings kept by the Company under section 164 of the Singapore Companies Act, Chapter 50 (the "Act"), except as follows:

Name of Directors The Company	Shareholdings registered in the name of Directors or their spouse/nominees where indicated*	
	At beginning of year	At end of year
	Number of ordinary shares	
Tan Kim Sing	9,671,205	9,671,205
	16,250*	16,250*
Yap Mui Kee	6,615,032	7,008,232
Low Peng Kit	3,750	3,750
Tan Kok Hiang	10,000	10,000
Sally Yap Mei Yen	88,800	88,800
Billy Neo Kian Wee	856,000	856,000

\* Held by Mdm Ng Siew Yeng, spouse of Mr Tan Kim Sing

# Directors' Statement

## 4. Directors' interests in shares or debentures (Continued)

In accordance with the continuing listing requirements of the Singapore Exchange Securities Trading Limited ("SGX-ST"), the Directors of the Company state that, according to the Register of the Directors' Shareholdings, the Directors' interests as at 21 January 2019 in the shares or debentures of the Company have not changed from those disclosed as at 31 December 2018.

## 5. Share options

There were no share options granted by the Company or its subsidiary corporations during the financial year.

There were no shares issued during the financial year by virtue of the exercise of options to take up unissued shares of the Company or its subsidiary corporations.

There were no unissued shares of the Company or its subsidiary corporations under option as at the end of the financial year.

## 6. Audit Committee

The Audit Committee of the Company is chaired by Tan Kok Hiang, an independent Director, and includes Low Peng Kit and Dr. Wu Chiaw Ching, who are both independent Directors. The audit committee has met two times since the last Annual General Meeting and has carried out its functions in accordance with section 201B(5) of the Act, including reviewing the following, where relevant, with the executive Directors and external and internal auditors of the Company:

- (a) the audit plans of the internal and external auditors and the results of the auditors' examination and evaluation of the Group's systems of internal accounting controls;
- (b) the Company's and the Group's financial and operating results and accounting policies;
- (c) the statement of financial position of the Company and the consolidated financial statements of the Group and external auditor's report on those financial statements before their submission to the Directors of the Company;
- (d) the half-yearly and full-year announcements as well as the related press releases on the results and financial position of the Company and the Group;
- (e) the co-operation and assistance given by the management to the Company's internal and external auditor; and
- (f) the re-appointment of the external auditor of the Company.

The Audit Committee has full access to management and is given the resources required for it to discharge its functions. It has full authority and the discretion to invite any Director or executive officer to attend its meetings. The internal and external auditors have unrestricted access to the Audit Committee.

The Audit Committee has recommended to the Board of Directors the nomination of BDO LLP, for re-appointment as external auditors of the Company at the forthcoming Annual General Meeting. The Audit Committee has carried out an annual review of non-audit services provided by the external auditors to satisfy itself that the nature and extent of such services will not prejudice the independence and objectivity of the external auditors.

## 7. Independent auditor

The independent auditor, BDO LLP, has expressed its willingness to accept re-appointment.



# Directors' Statement

## 8. Additional disclosures requirements of the Listing Manual of the Singapore Exchange Securities Trading Limited

The auditors of the subsidiaries of the Company are disclosed in Note 6 to the financial statements. In the opinion of the Board of Directors and Audit Committee, Rule 715 of the Listing Manual of the Singapore Exchange Securities Trading Limited has been complied with.

On behalf of the Board of Directors

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**Yap Mui Kee**  
Managing Director

Singapore  
28 March 2019

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**Tan Kim Sing**  
Executive Director

# Independent Auditor's Report

To the Members of LHT Holdings Limited

## Report on the Audit of the Financial Statements

### Opinion

We have audited the financial statements of LHT Holdings Limited (the "Company") and its subsidiaries (the "Group"), which comprise:

- the consolidated statement of financial position of the Group and the statement of financial position of the Company as at 31 December 2018;
- the consolidated income statement and consolidated statement of comprehensive income, consolidated statement of changes in equity, and consolidated statement of cash flows of the Group and the statement of changes in equity of the Company for the financial year then ended; and
- notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company are properly drawn up in accordance with the provisions of the Companies Act, Chapter 50 (the "Act") and Singapore Financial Reporting Standards (International) ("SFRS(I)s") so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at 31 December 2018, and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group and the changes in equity of the Company for the financial year ended on that date.

### Basis for Opinion

We conducted our audit in accordance with Singapore Standards on Auditing ("SSAs"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Group in accordance with the Accounting and Corporate Regulatory Authority ("ACRA") Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities ("ACRA Code") together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

1

#### Impairment assessment of cost of investment in LHT Ecotech Resources (Tianjin) Co. Ltd ("Tianjin subsidiary")

### Key Audit Matter

As at 31 December 2018, the cost of the Company's investment in Tianjin subsidiary was \$3,813,000. In the prior financial years, an impairment loss of \$1,606,000 was recognised and the carrying amount of the investment was \$2,207,000 as at the beginning of the financial year.

At the end of the financial year, management carried out an assessment of the recoverable amount of the investment in Tianjin subsidiary due to the continuing losses reported by Tianjin subsidiary. This review led to the recognition of a further impairment loss of \$2,113,000 that was recognised in profit or loss. The recoverable amount of the investment of \$94,000 was determined on the basis of its value-in-use prepared based on business license tenure of the Tianjin subsidiary.

We focused on this area as a key audit matter as the value-in-use determination required the exercise of significant judgements and estimates with regard to the key assumptions such as revenue growth rate, terminal growth rate and discount rate.



# Independent Auditor's Report

To the Members of LHT Holdings Limited

## 1 Impairment assessment of cost of investment in LHT Ecotech Resources (Tianjin) Co. Ltd ("Tianjin subsidiary") (Continued)

### Related Disclosures

Refer to notes 3.2(i) and 6 of the accompanying financial statements.

### Audit Response

We have performed the following audit procedures, amongst others:

- evaluated management's budgeting process by comparing the actual results to previously forecasted results;
- assessed the reasonableness of key assumptions and estimates used in the value-in-use determination including comparing revenue growth rate, terminal growth rate and discount rate against historical data and market data. In doing so, we engaged our internal valuation specialist to assist us;
- performed sensitivity analysis around the key assumptions to assess the impact on the recoverable amount of the cost of investment by reasonable possible changes to those key assumptions; and
- assessed the adequacy of the disclosure in the financial statements with respect to the impairment assessment.

## 2 Costing of inventories

### Key Audit Matter

As at 31 December 2018, the Group's inventories amounted to \$10,315,000, which accounted for approximately 21% of the Group's current assets.

The Group adopts a periodic inventory accounting system, using an in-house Inventory Management System ("IMS"). Standard unit costs of the inventories are computed using Excel and manually keyed into the IMS on a semi-annual basis. Arising from the large quantities of inventories and the Group's manual costing process, the determination of the unit costs for the inventories is laborious.

We focused on this area as a key audit matter as the carrying amount of inventory is a significant balance on the consolidated statement of financial position. In addition, the inherent risk of the Group's manual process may lead to incorrect determination of the inventories' unit costs and result in inventories being materially misstated as at 31 December 2018.

### Related Disclosures

Refer to notes 2.7 and 7 of the accompanying financial statements.

### Audit Response

We have performed the following audit procedures, amongst others, on a sample basis:

- checked the inventory unit costs from IMS against invoices from suppliers and costing sheets to ensure the accuracy of units costs stated in the IMS;
- evaluated the reasonableness of the inputs of direct labour and production overheads to the costing sheets and tested the allocation of those costs in converting the materials into work-in-progress and finished goods;
- tested the computation of the costs of purchases using the first-in, first-out basis; and
- traced the costs of inventories from the IMS to the costs of inventories recorded in the general ledger.

# Independent Auditor's Report

To the Members of LHT Holdings Limited

## Other Information

Management is responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

## Responsibilities of Management and Directors for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Act and SFRS(I)s, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair financial statements and to maintain accountability of assets.

In preparing the financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The Directors' responsibilities include overseeing the Group's financial reporting process.

## Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with SSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.



# Independent Auditor's Report

To the Members of LHT Holdings Limited

## Auditor's Responsibilities for the Audit of the Financial Statements (Continued)

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

## Report on Other Legal and Regulatory Requirements

In our opinion, the accounting and other records required by the Act to be kept by the Company and by those subsidiary corporations incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.

The engagement partner on the audit resulting in this independent auditor's report is Khoo Gaik Suan.

**BDO LLP**

**Public Accountants and  
Chartered Accountants**

Singapore  
28 March 2019

# Statements of Financial Position

As at 31 December 2018

	Note	31.12.2018 \$'000	Group 31.12.2017 \$'000	1.1.2017 \$'000
<b>Non-current assets</b>				
Property, plant and equipment	4	12,315	13,734	18,754
Investment property	5	–	–	5,750
		12,315	13,734	24,504
<b>Current assets</b>				
Inventories	7	10,315	6,887	6,981
Trade and other receivables	8	8,844	9,812	9,285
Fixed deposits	9	11,160	159	173
Cash and cash equivalents	9	18,256	28,883	13,039
		48,575	45,741	29,478
Less:				
<b>Current liabilities</b>				
Trade and other payables	10	7,133	6,261	4,315
Borrowings	11	209	332	1,195
Income tax payables		511	389	892
		7,853	6,982	6,402
<b>Net current assets</b>		40,722	38,759	23,076
Less:				
<b>Non-current liabilities</b>				
Borrowings	11	300	365	316
Deferred tax liabilities	13	771	854	993
		1,071	1,219	1,309
<b>Net assets</b>		51,966	51,274	46,271
<b>Equity</b>				
Share capital	14	24,621	24,621	24,621
Currency translation reserve	15	90	159	–
Asset revaluation reserve	16	–	–	1,376
Retained earnings		27,255	26,494	20,274
<b>Total equity attributable to owners of the Company</b>		51,966	51,274	46,271

The accompanying notes form an integral part of these financial statements.



# Statements of Financial Position

As at 31 December 2018

	Note	31.12.2018 \$'000	Company 31.12.2017 \$'000	1.1.2017 \$'000
<b>Non-current assets</b>				
Property, plant and equipment	4	4,391	5,460	9,315
Investment property	5	–	–	5,750
Investments in subsidiaries	6	10,300	12,413	12,345
		14,691	17,873	27,410
<b>Current assets</b>				
Inventories	7	6,554	4,974	5,047
Trade and other receivables	8	7,676	9,685	11,216
Fixed deposits	9	11,000	–	–
Cash and cash equivalents	9	10,399	20,023	7,108
		35,629	34,682	23,371
Less:				
<b>Current liabilities</b>				
Trade and other payables	10	4,979	5,541	5,520
Borrowings	11	69	213	929
Income tax payables		108	182	574
		5,156	5,936	7,023
<b>Net current assets</b>		30,473	28,746	16,348
Less:				
<b>Non-current liabilities</b>				
Borrowings	11	199	268	130
Deferred tax liabilities	13	245	351	549
		444	619	679
<b>Net assets</b>		44,720	46,000	43,079
<b>Equity</b>				
Share capital	14	24,621	24,621	24,621
Asset revaluation reserve	16	–	–	1,376
Retained earnings		20,099	21,379	17,082
<b>Total equity</b>		44,720	46,000	43,079

The accompanying notes form an integral part of these financial statements.

# Consolidated Income Statement

For The Financial Year Ended 31 December 2018

	Note	2018 \$'000	2017 \$'000
<b>Revenue</b>	17	42,836	40,606
Cost of sales		(30,554)	(29,500)
<b>Gross profit</b>		12,282	11,106
<b>Other item of income</b>			
Other income	18	3,303	8,987
<b>Other items of expenses</b>			
Distribution expenses		(1,773)	(1,611)
Administrative expenses		(9,592)	(10,207)
Other expenses		(290)	(573)
Finance costs	19	(24)	(30)
<b>Profit before income tax</b>	20	3,906	7,672
Income tax expense	22	(483)	(166)
<b>Profit for the year</b>		3,423	7,506
<b>Profit for the year attributable to:</b>			
Owners of the Company		3,423	7,506
<b>Earnings per share attributable to owners of the Company (cents per share)</b>			
Basic and diluted	23	6.43	14.10

The accompanying notes form an integral part of these financial statements.



# Consolidated Statement of Comprehensive Income

For The Financial Year Ended 31 December 2018

	2018 \$'000	2017 \$'000
<b>Profit for the year</b>	3,423	7,506
<b>Other comprehensive income:</b>		
<i>Item that may be reclassified subsequently to profit or loss:</i>		
Translation differences relating to financial statements of foreign subsidiaries, net of tax amounting to \$Nil (2017: \$Nil)	(69)	159
<b>Total comprehensive income for the year, net of tax</b>	3,354	7,665
<b>Total comprehensive income attributable to:</b>		
Owners of the Company	3,354	7,665

The accompanying notes form an integral part of these financial statements.

# Consolidated Statement of Changes in Equity

For The Financial Year Ended 31 December 2018

		← Equity attributable to owners of the Company →				
	Note	Share capital \$'000	Currency translation reserve \$'000	Asset revaluation reserve \$'000	Retained earnings \$'000	Total equity \$'000
<b>Group</b>						
Balance at 1 January 2018		24,621	159	–	26,494	51,274
<b>Total comprehensive income for the year:</b>						
Profit for the year		–	–	–	3,423	3,423
Other comprehensive income:						
Exchange differences on translating foreign subsidiaries		–	(69)	–	–	(69)
Total comprehensive income for the year		–	(69)	–	3,423	3,354
<b>Total transactions with owners, recognised directly in equity</b>						
Dividends	27	–	–	–	(2,662)	(2,662)
Balance at 31 December 2018		24,621	90	–	27,255	51,966
Balance at 1 January 2017		24,621	–	1,376	20,274	46,271
<b>Total comprehensive income for the year:</b>						
Profit for the year		–	–	–	7,506	7,506
Other comprehensive income:						
Transfer on disposal of investment property		–	–	(1,376)	1,376	–
Exchange differences on translating foreign subsidiaries		–	159	–	–	159
Total comprehensive income for the year		–	159	(1,376)	8,882	7,665
<b>Total transactions with owners, recognised directly in equity</b>						
Dividends	27	–	–	–	(2,662)	(2,662)
Balance at 31 December 2017		24,621	159	–	26,494	51,274

The accompanying notes form an integral part of these financial statements.



# Statement of Changes in Equity

For The Financial Year Ended 31 December 2018

	Note	Share capital \$'000	Asset revaluation reserve \$'000	Retained earnings \$'000	Total equity \$'000
<b>Company</b>					
Balance at 1 January 2018		24,621	–	21,379	46,000
<b>Total comprehensive income for the year:</b>					
Profit for the year		–	–	1,382	1,382
Total comprehensive income for the year		–	–	1,382	1,382
<b>Total transactions with owners, recognised directly in equity</b>					
Dividends	27	–	–	(2,662)	(2,662)
Balance at 31 December 2018		24,621	–	20,099	44,720
<b>2017</b>					
Balance at 1 January 2017		24,621	1,376	17,082	43,079
<b>Total comprehensive income for the year:</b>					
Profit for the year		–	–	5,583	5,583
Other comprehensive income:					
Transfer on disposal of investment property		–	(1,376)	1,376	–
Total comprehensive income for the year		–	(1,376)	6,959	5,583
<b>Total transactions with owners, recognised directly in equity</b>					
Dividends	27	–	–	(2,662)	(2,662)
Balance at 31 December 2017		24,621	–	21,379	46,000

The accompanying notes form an integral part of these financial statements.

# Consolidated Statement of Cash Flows

For The Financial Year Ended 31 December 2018

	Note	2018 \$'000	2017 \$'000
<b>Operating activities</b>			
Profit before income tax		3,906	7,672
Adjustments for:			
Loss allowance made for trade receivables	8	15	73
Write-down of obsolete inventories		12	16
Bad debt written off		8	–
Loss allowance reversed for trade receivables		(68)	(78)
Property, plant and equipment written off		22	41
Interest expense		24	30
Interest income		(96)	(14)
Depreciation of property, plant and equipment		3,035	3,328
Gain on disposal of property, plant and equipment		(501)	(5,870)
Operating cash flows before movements in working capital		6,357	5,198
Changes in working capital:			
Inventories		(3,440)	78
Trade and other receivables		1,107	(483)
Trade and other payables		872	1,946
Cash generated from operations		4,896	6,739
Income taxes paid		(540)	(852)
<b>Net cash generated from operating activities</b>		<b>4,356</b>	<b>5,887</b>
<b>Investing activities</b>			
Purchase of property, plant and equipment	4.5	(1,855)	(1,545)
Placements of fixed deposits		(11,000)	–
Proceeds from disposal of property, plant and equipment		666	15,254
Interest received		89	–
<b>Net cash (used in)/generated from investing activities</b>		<b>(12,100)</b>	<b>13,709</b>
<b>Financing activities</b>			
Dividends paid	27	(2,662)	(2,662)
Pledge of fixed deposits		–	14
Repayment of term loans		(148)	(889)
Proceeds from finance leases		157	–
Repayment of finance leases		(196)	(316)
Interest received		7	14
Interest paid		(24)	(30)
<b>Net cash used in financing activities</b>		<b>(2,866)</b>	<b>(3,869)</b>
Net change in cash and cash equivalents		(10,610)	15,727
Cash and cash equivalents at beginning of financial year		28,883	13,039
Net effect of exchange rate changes on the cash and cash equivalents held in foreign currencies		(17)	117
<b>Cash and cash equivalents at end of financial year</b>	9	<b>18,256</b>	<b>28,883</b>

The accompanying notes form an integral part of these financial statements.



# Notes to the Financial Statements

For The Financial Year Ended 31 December 2018

These notes form an integral part of and should be read in conjunction with the accompanying financial statements.

## 1. General corporate information

LHT Holdings Limited (the “Company”) (Registration number 198003094E) is a limited liability company incorporated and domiciled in Singapore. The Company is listed on the mainboard of the Singapore Exchange Securities Trading Limited (“SGX-ST”), with its principal place of business and registered office at 27 Sungei Kadut Street 1, Singapore 729335.

The principal activities of the Company are those of manufacturing and trading of wooden pallets and timber-related products. The principal activities of the subsidiaries are set out in Note 6 to the financial statements.

## 2. Summary of significant accounting policies

### 2.1 Basis of preparation

The financial statements have been drawn up in accordance with Singapore Financial Reporting Standards (International) (“SFRS(I)s”) and are prepared under the historical cost convention, except as disclosed in the accounting policies below.

These financial statements are the Group and the Company’s first financial statements prepared in accordance with SFRS(I)s. The Group and the Company have previously prepared its financial statements in accordance with Financial Reporting Standards in Singapore (“FRSs”). As required by SFRS(I) 1 *First-time adoption of Singapore Financial Reporting Standards (International)*, the Group and the Company have consistently applied the same accounting policies in its opening statement of financial position at 1 January 2017 and throughout all financial years presented, as if these policies had always been in effect subject to the mandatory exceptions and optional exemptions under SFRS(I) 1. Comparative information for the financial year ended 31 December 2017 in these financial statements have been restated to give effect to these changes and the financial impact on transition from FRSs to SFRS(I)s are disclosed in Note 32 to the financial statements.

The individual financial statements of each Group entity are measured and presented in the currency of the primary economic environment in which the entity operates (its functional currency). The consolidated financial statements of the Group and the statement of financial position of the Company are presented in Singapore dollar (“\$”), which is the functional currency of the Company and the presentation currency for the consolidated financial statements and all values presented are rounded to the nearest thousand (“\$’000”) as indicated.

The preparation of financial statements in compliance with SFRS(I)s requires management to make judgements, estimates and assumptions that affect the Group’s application of accounting policies and reported amounts of assets, liabilities, revenue and expenses. Although these estimates are based on management’s best knowledge of current events and actions, actual results may differ from those estimates. The areas where such judgements or estimates have the most significant effect on the financial statements are disclosed in Note 3 to the financial statements.

#### SFRS(I)s and Interpretations of SFRS(I) (“SFRS(I) INTs”) issued but not yet effective

At the date of authorisation of these financial statements, the following SFRS(I) and SFRS(I) INT that are relevant to the Group were issued but not yet effective, and have not been adopted early in these financial statements:

		Effective date (annual periods beginning on or after)
SFRS(I) 16	: Leases	1 January 2019
SFRS(I) INT 23	: Uncertainty over Income Tax Treatments	1 January 2019

# Notes to the Financial Statements

For The Financial Year Ended 31 December 2018

## 2. Summary of significant accounting policies (Continued)

### 2.1 Basis of preparation (Continued)

*SFRS(I)s and Interpretations of SFRS(I) ("SFRS(I) INTs") issued but not yet effective (Continued)*

Consequential amendments were also made to various standards as a result of these new/revised standards.

Management anticipates that the adoption of the above SFRS(I) and SFRS(I) INT in the future periods, will not have a material impact on the financial statements of the Group and the Company in the period of initial adoption except as discussed below.

#### **SFRS(I) 16 Leases**

SFRS(I) 16 supersedes FRS 17 *Leases* and introduces a new single lessee accounting model which eliminates the current distinction between operating and finance leases for lessees. SFRS(I) 16 requires lessees to capitalise all leases on the statement of financial position by recognising a 'right-of-use' asset and a corresponding lease liability for the present value of the obligation to make lease payments, except for certain short-term leases and leases of low-value assets. Subsequently, the lease assets will be depreciated and the lease liabilities will be measured at amortised cost.

From the perspective of a lessor, the classification and accounting for operating and finance leases remains substantially unchanged under SFRS(I) 16. SFRS(I) 16 also requires enhanced disclosures by both lessees and lessors.

On initial adoption of SFRS(I) 16, there may be a potentially significant impact on the accounting treatment for leases, which the Group, as lessee, currently accounts for as operating leases. On adoption of SFRS(I) 16, the Group will be required to capitalise its rented office premises and other operating facilities on the statement of financial position by recognising them as 'right-of-use' assets and their corresponding lease liabilities for the present value of future lease payments. The Group plans to adopt the standard in the financial year beginning on 1 January 2019 using the modified retrospective method in accordance with the transitional provisions and therefore will only recognise leases on statement of financial position as at 1 January 2019. The Group will include the required additional disclosures in its financial statements for the financial year ending 31 December 2019.

The Group is still in the process of gathering data on its discount rate and expected lease terms for the respective operating leases in order to quantify the impact upon transition to the new standard.

### 2.2 Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries. Subsidiaries are entities over which the Group has control. The Group controls an investee if the Group has power over the investee, exposure to variable returns from the investee, and the ability to use its power to affect those variable returns. Control is reassessed whenever facts and circumstances indicate that there may be a change in any of these elements of control.



# Notes to the Financial Statements

For The Financial Year Ended 31 December 2018

## 2. Summary of significant accounting policies (Continued)

### 2.2 Basis of consolidation (Continued)

Subsidiaries are consolidated from the date on which the Group obtains control over the investee and cease from consolidation when the control is lost. Control is reassessed whenever the facts and circumstances indicate that they may be a change in the elements of control.

All intra-group balances and transactions and any unrealised income and expenses arising from intra-group transactions are eliminated on consolidation. Unrealised losses are also eliminated unless the transaction provides an impairment indicator of the transferred asset.

The financial statements of the subsidiaries are prepared for the same financial year as that of the Company, using consistent accounting policies. Where necessary, accounting policies of subsidiaries are changed to ensure consistency with the policies adopted by other members of the Group.

Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary it derecognises the assets and liabilities of the subsidiary. The profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets and liabilities of the subsidiary. Amounts previously recognised in other comprehensive income in relation to the subsidiary are accounted for (i.e. reclassified to profit or loss or transferred directly to retained earnings) in the same manner as would be required if the relevant assets or liabilities were disposed of. The fair value of any investments retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under SFRS(I) 9 or, when applicable, the cost on initial recognition of an investment in an associate or joint venture.

In the separate financial statements of the Company, investments in subsidiaries are carried at cost less any impairment loss that has been recognised in profit or loss.

### 2.3 Investment property

Investment property, which is property held to earn rentals and/or for capital appreciation is measured initially at its cost, including transaction costs. Subsequent to initial recognition, investment property is measured at fair value. Gains or losses arising from changes in the fair value of investment property are included in profit or loss for the period in which they arise.

Investment property is subject to renovations or improvements at regular intervals. The costs of major renovations and improvements are capitalised as addition and the carrying amounts of the replaced components are written off to profit or loss. The costs of maintenance, repairs and minor improvement are charged to profit or loss when incurred.

On disposal or retirement of an investment property, the difference between the net disposal proceeds and the carrying amount of the asset is recognised in profit or loss.

### 2.4 Property, plant and equipment

All items of property, plant and equipment are initially recognised at cost. The cost includes its purchase price and any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Dismantlement, removal or restoration costs are included as part of the cost if the obligation for dismantlement, removal or restoration is incurred as a consequence of acquiring or using the property, plant and equipment.

# Notes to the Financial Statements

For The Financial Year Ended 31 December 2018

## 2. Summary of significant accounting policies (Continued)

### 2.4 Property, plant and equipment (Continued)

Subsequent expenditure on an item of property, plant and equipment is added to the carrying amount of the item if it is probable that future economic benefits associated with the item will flow to the Group and the cost can be measured reliably. All other costs of servicing are recognised in profit or loss when incurred.

Property, plant and equipment are subsequently stated at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation on property, plant and equipment is calculated using the straight-line method to allocate the depreciable amounts over their estimated useful lives, on the following bases:

Leasehold properties	Over the lease terms ranging from 26 – 99 years
Plant and machinery	5 – 20 years
Office furniture, fittings and equipment	5 years
Motor vehicles and forklifts	5 years
Rental pallets	5 years

No depreciation is charged on construction-in-progress as they are not yet ready for their intended use as at the end of the financial year.

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

The estimated useful lives, residual values and depreciation methods are reviewed, and adjusted as appropriate, at the end of each financial year.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, if there is no certainty that the lessee will obtain ownership by the end of the lease term, the asset shall be fully depreciated over the shorter of the lease term and its useful life.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal.

The gain or loss arising on disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss. Any amount in the revaluation reserve relating to that asset is transferred to retained earnings directly.

### 2.5 Impairment of non-financial assets

At the end of each financial year, the Group reviews the carrying amounts of its non-financial assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

The recoverable amount of an asset or cash-generating unit is the higher of its fair value less costs to sell and its value-in-use. In assessing value-in-use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

# Notes to the Financial Statements

For The Financial Year Ended 31 December 2018

## 2. Summary of significant accounting policies (Continued)

### 2.5 Impairment of non-financial assets (Continued)

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

### 2.6 Financial instruments

The Group has adopted SFRS(I) 9 *Financial Instruments* and recognises a financial asset or a financial liability in its statements of financial position when, and only when, the Group becomes a party to the contractual provisions of the instrument.

#### Financial assets

##### Accounting policy for financial assets on and after 1 January 2018

The Group classifies its financial assets as amortised cost in accordance with the Group's business model for managing the financial assets as well as the contractual terms of the cash flows of the financial asset. The Group's accounting policy for amortised cost is as follows:

##### Amortised cost

These assets arise principally from the provision of goods and services to customers (e.g. trade and other receivables), but also incorporate other types of financial assets where the objective is to hold these assets in order to collect contractual cash flows and the contractual cash flows are solely payments of principal and interest. They are initially recognised at fair value plus transaction costs that are directly attributable to their acquisition or issue, and are subsequently carried at amortised cost using the effective interest rate method, less provision for impairment. Interest income from these financial assets is included in interest income using the effective interest rate method.

Impairment provisions for trade receivables are recognised based on the simplified approach within SFRS(I) 9 using the lifetime expected credit losses. The Group has established expected credit loss model based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment. For trade receivables, which are reported net, such provisions are recorded in a separate provision account with the loss being recognised in the statement of comprehensive income. On confirmation that the trade receivable will not be collectable, the gross carrying value of the asset is written off against the associated provision.

Impairment provisions for other receivables are recognised based on a forward looking expected credit loss model. The methodology used to determine the amount of the provision is based on whether at the end of each financial year, there has been a significant increase in credit risk since initial recognition of the financial asset. In assessing whether the credit risk on a financial asset has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial asset as at the end of each financial year with the risk of a default occurring on the financial asset as at the date of initial recognition. For those where the credit risk has not increased significantly since initial recognition of the financial asset, twelve month expected credit losses along with gross interest income are recognised. For those for which credit risk has increased significantly, lifetime expected credit losses along with the gross interest income are recognised. For those that are determined to be credit impaired, lifetime expected credit losses along with interest income on a net basis are recognised.



# Notes to the Financial Statements

For The Financial Year Ended 31 December 2018

## 2. Summary of significant accounting policies (Continued)

### 2.6 Financial instruments (Continued)

#### Financial assets (Continued)

##### Accounting policy for financial assets on and after 1 January 2018 (Continued)

##### Amortised cost (Continued)

The Group's financial assets measured at amortised cost comprise trade and other receivables, fixed deposits and cash and cash equivalents in the statements of financial position.

##### Definition of default

The Group considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that receivables that meet either of the following criteria are generally not recoverable.

- When there is a breach of financial covenants by the counterparty; or
- Information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

Irrespective of the above analysis, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

##### Credit-impaired financial assets

At the end of each financial year, the Group assesses whether financial assets carried at amortised cost are credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred.

##### Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

##### Accounting policy for financial assets prior to 1 January 2018

#### Financial assets

Financial assets are classified into the following specified categories: financial assets at fair value through profit or loss, held-to-maturity investments, loans and receivables and available-for-sale financial assets. The classification depends on the nature and purpose for which these financial assets were acquired and is determined at the time of initial recognition.

As at the end of the financial year, the Group only have financial assets classified as loans and receivables.

##### Loans and receivables

Trade and other receivable, fixed deposits and cash and cash equivalents which have fixed or determinable payments that are not quoted in active market are classified as loans and receivables. Loans and receivables are subsequently measured at amortised cost, using the effective interest method less impairment. Interest is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

# Notes to the Financial Statements

For The Financial Year Ended 31 December 2018

## 2. Summary of significant accounting policies (Continued)

### 2.6 Financial instruments (Continued)

Accounting policy for financial assets prior to 1 January 2018 (Continued)

#### **Financial assets (Continued)**

##### Impairment of financial assets

Financial assets are assessed for indicators of impairment at the end of each financial year. Financial assets are impaired where there is objective evidence that the estimated future cash flows of the assets have been impacted.

For financial assets carried at amortised cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

The carrying amounts of all financial assets are reduced by the impairment loss directly with the exception of trade receivables where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

If, in subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent the carrying amount of the assets at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

##### Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

On derecognition, any difference between the carrying amount and the sum of proceeds received and amounts previously recognised in other comprehensive income is recognised in profit or loss.

#### **Financial liabilities and equity instruments**

##### Classification as debt or equity

Financial liabilities and equity instruments issued by Group are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

##### Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments are recorded at the proceeds received, net of direct issue costs. The Group classifies ordinary shares as equity instruments.

##### Financial liabilities

The Group classifies all financial liabilities as subsequently measured at amortised cost.

# Notes to the Financial Statements

For The Financial Year Ended 31 December 2018

## 2. Summary of significant accounting policies (Continued)

### 2.6 Financial instruments (Continued)

#### Financial liabilities and equity instruments (Continued)

##### Trade and other payables

Trade and other payables, excluding advances from customers, unutilised leave and GST payables, are initially measured at fair value, net of transaction costs, and are subsequently measured at amortised cost, where applicable, using the effective interest method.

##### *Borrowings*

Interest-bearing loans are initially measured at fair value, net of transaction costs and subsequently measured at amortised cost, using the effective interest method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognised over the term of the borrowings in accordance with the Group's accounting policy for borrowing costs (Note 2.14).

Borrowings are presented as current liabilities unless the Group has an unconditional right to defer settlement for at least 12 months after the end of the financial year, in which case they are presented as non-current liabilities.

##### *Financial guarantee contract*

The Company has issued corporate guarantees to a bank for borrowings of certain subsidiaries and these guarantees qualify as financial guarantee because the Company is required to reimburse the bank if these subsidiaries breach any repayment term.

Financial guarantee contract liabilities are measured initially at their fair values, net of transaction costs. Financial guarantee contracts are subsequently measured at the higher of:

- a) premium received on initial recognition less the cumulative amount of income recognised in accordance with the principles of SFRS(I) 15; and
- b) the amount of loss provisions determined in accordance with SFRS(I) 9.

Prior to 1 January 2018, financial guarantees were subsequently measured at the higher of amount initially recognised less amortisation and the expected amounts payable to the banks in the event it is probable that the Company will reimburse the banks.

##### Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire. The difference between the carrying amount and the consideration paid is recognised in profit or loss.

### 2.7 Inventories

Inventories are stated at the lower of cost and net realisable value. Costs comprise direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Direct materials cost is calculated using the first-in, first-out basis. The Group adopts a periodic inventory accounting system, using an in-house Inventory Management System ("IMS"). Standard unit costs of the inventories are computed using Excel and manually keyed in to the IMS on a semi-annual basis. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.



# Notes to the Financial Statements

For The Financial Year Ended 31 December 2018

## 2. Summary of significant accounting policies (Continued)

### 2.8 Cash and cash equivalents

Cash and cash equivalents in the statement of financial position comprise cash on hand, demand deposits and short-term, highly liquid investments which are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value. For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand, and bank balances.

### 2.9 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the financial year, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably. The increase in the provision due to the passage of time is recognised in the statement of comprehensive income.

Changes in the estimated timing or amount of the expenditure or discount rate are recognised in profit or loss when the changes arise.

### 2.10 Dividends

Dividends to the Company's equity holders are recognised when the dividends are declared and approved for payment. Interim dividends are recorded in the financial year in which they are declared payable. Final dividends are recorded in the financial year in which the dividends are approved by the shareholders.

### 2.11 Leases

#### Finance leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the leased assets to the lessee. All other leases are classified as operating leases.

Assets held under finance leases are capitalised as property, plant and equipment of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged to profit or loss, unless they are directly attributable to the acquisition, construction or production of qualifying assets, in which case they are capitalised in accordance with the Group's general policy on borrowing costs (Note 2.14).

# Notes to the Financial Statements

For The Financial Year Ended 31 December 2018

## 2. Summary of significant accounting policies (Continued)

### 2.11 Leases (Continued)

#### Operating leases

Rentals payable under operating leases (net of any incentives received from lessors) are charged to profit or loss on a straight-line basis over the term of the relevant lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

### 2.12 Revenue recognition

Revenue is recognised when a performance obligation is satisfied. Revenue is measured based on consideration of which the Group expects to be entitled in exchange for transferring promised goods or services to a customer. Most of the Group's revenue is derived from fixed price contracts and therefore, the amount of revenue earned for each contract is determined by reference to those fixed prices.

The Group's contract liabilities represent advance consideration received from customers as at the end of each financial year and generally would be utilised within 12 months.

#### Sale of goods

Revenue from the sale of goods is recognised at point in time when the goods are delivered to customers and all criteria for acceptance has been met. For overseas sales, performance obligations are satisfied when the controls of products (i.e. risk of obsolescence and loss of shipment) are transferred to the customers.

#### Rental income

Rental income from operating leases (net of any incentives given to lessees) of pallets and premises is recognised on a straight-line basis over the term of the relevant lease unless another systematic basis is more representative of the time pattern in which user benefit derived from the leased asset is diminished. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

#### Waste collection income

Waste collection income from waste wood collection is recognised at point in time when collection services are provided.

#### Service income

Heat treatment, utilities income and other service income are recognised at point in time when services are provided.

#### Interest income

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable.

# Notes to the Financial Statements

For The Financial Year Ended 31 December 2018

## 2. Summary of significant accounting policies (Continued)

### 2.13 Employee benefits

#### Defined contribution plans

Payments to defined contribution plans are charged as an expense in the period in which the related service is performed. Defined contribution plans are post-employment benefit plans under which the Group pays fixed contributions into state-managed retirement benefit schemes, such as the Singapore Central Provident Fund, and has no legal and constructive obligation to pay further once the payments are made.

#### Employee leave entitlements

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated undiscounted liability for annual leave expected to be settled wholly within 12 months from the end of the financial year as a result of services rendered by employees up to the end of the financial year.

### 2.14 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Borrowing costs on general borrowings are capitalised by applying a capitalisation rate to construction or development expenditures that are financed by general borrowings.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred using the effective interest method.

### 2.15 Taxes

Income tax expense represents the sum of the tax currently payable and deferred tax.

#### Current income tax

Current income tax expense is the amount of income tax payable in respect of the taxable profit for a period. Current income tax liabilities for the current and prior periods shall be measured at the amount expected to be paid to the taxation authorities, using the tax rates and tax laws in the countries where the Group operates, that have been enacted or substantively enacted by the end of the financial year.

Current income taxes are recognised in profit or loss, except to the extent that the tax relates to items recognised outside profit or loss, either in other comprehensive income or directly in equity.

#### Deferred tax

Deferred tax is recognised on all temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases of asset and liabilities, except when the temporary difference arises from the initial recognition of goodwill or other assets and liabilities that is not a business combination and affects neither the accounting profit nor taxable profit.

Deferred tax liabilities are recognised for all taxable temporary differences associated with investments in subsidiaries, except where the Group is able to control the timing of reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets are recognised for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the temporary difference can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each financial year and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.



# Notes to the Financial Statements

For The Financial Year Ended 31 December 2018

## 2. Summary of significant accounting policies (Continued)

### 2.15 Taxes (Continued)

#### Deferred tax (Continued)

Deferred tax assets and liabilities are measured using the tax rates expected to apply for the period when the asset is realised or the liability is settled, based on tax rate and tax law that have been enacted or substantially enacted by the end of the financial year. The measurement of deferred tax reflects the tax consequences that would follow from the manner in which the Group expects to recover or settle its assets and liabilities, except for investment properties at fair value which are presumed to be recovered through sale.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Deferred tax is recognised in profit or loss, except when it relates to items recognised outside profit or loss, in which case the tax is also recognised either in other comprehensive income or directly in equity, or where it arises from the initial accounting for a business combination. Deferred tax arising from a business combination, is taken into account in calculating goodwill on acquisition.

#### Sales tax

Revenue, expenses and assets are recognised net of the amount of sales tax except:

- when the sales tax that is incurred on purchase of assets or services is not recoverable from the tax authorities, in which case the sales tax is recognised as part of cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables that are stated with the amount of sales tax included.

The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

### 2.16 Foreign currency transactions and translation

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency ("foreign currencies") are recorded at the rate of exchange prevailing on the date of the transaction. At the end of each financial year, monetary items denominated in foreign currencies are retranslated at the rates prevailing at the end of each financial year. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on retranslation of monetary items are included in profit or loss for the period. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in equity. For such non-monetary items, any exchange component of that gain or loss is also recognised directly in equity.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations (including comparatives) are expressed in Singapore dollar using exchange rates prevailing at the end of the financial year. Income and expense items (including comparatives) are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, are recognised initially in other comprehensive income and accumulated in the Group's currency translation reserve.

# Notes to the Financial Statements

For The Financial Year Ended 31 December 2018

## 2. Summary of significant accounting policies (Continued)

### 2.16 Foreign currency transactions and translation (Continued)

On consolidation, exchange differences arising from the translation of the net investment in foreign entities (including monetary items that, in substance, form part of the net investment in foreign entities), and of borrowings and other currency instruments designated as hedges of such investments, are taken to the currency translation reserve.

On disposal of a foreign operation, the accumulated currency translation reserve relating to that operation is reclassified to profit or loss.

### 2.17 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the group of executive directors and the chief executive officer who make strategic decisions.

### 2.18 Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. Where the grant relates to an asset, the fair value is recognised as deferred capital grant on the statements of financial position and is amortised to profit or loss over the expected useful life of the relevant asset by equal instalment.

Grants in recognition of specific expenses are recognised in profit or loss over the period necessary to match them with the relevant expenses they are intended to compensate.

### 2.19 Contingencies

A contingent liability is:

- (a) a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group; or
- (b) a present obligation that arises from past events but is not recognised because:
  - (i) it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or
  - (ii) the amount of the obligation cannot be measured with sufficient reliability.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group.

Contingencies are not recognised on the statements of financial position, except for contingent liabilities assumed in a business combination that are present obligations and for which the fair value can be reliably determined.

## 3. Critical accounting judgements and key sources of estimation uncertainty

In the application of the Group's and the Company's accounting policies, which are described in Note 2, management made judgements, estimates and assumptions about the carrying amounts of assets and liabilities that were not readily apparent from other sources. The estimates and associated assumptions were based on historical experience and other factors that were considered to be reasonable under the circumstances. Actual results may differ from these estimates.

These estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

# Notes to the Financial Statements

For The Financial Year Ended 31 December 2018

## 3. Critical accounting judgements and key sources of estimation uncertainty (Continued)

### 3.1 Critical judgements made in applying the accounting policies

Management is of the opinion that there are no critical judgements, apart from those involving estimations (see below) that management has made in the process of applying the Group's accounting policies and which have a significant effect on the amounts recognised in the financial statements.

### 3.2 Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the financial year, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

#### (i) *Impairment of investments in subsidiaries*

In performing the impairment assessment of the carrying amount of Company's investment in subsidiaries, the recoverable amounts of the cash generating units ("CGUs") are determined using value-in-use calculation. Significant judgements are used to estimate the future revenues, terminal growth rate and pre-tax discount rates applied in computing the recoverable amounts of the different CGUs. In making these estimates, management has relied on historical financial information and its expectations of economic outlooks in the primary environment that the subsidiaries operate.

During the financial year, the Company recognised an impairment loss of \$2,113,000 (2017: \$Nil) which resulted in a reduction of the carrying amount of the Company's investments in subsidiaries as at 31 December 2018 to \$10,300,000 (31.12.2017: \$12,413,000, 1.1.2017: \$12,345,000).

#### (ii) *Write-down for inventories*

Inventories are stated at the lower of cost and net realisable value. Cost is determined primarily using the first-in, first-out method. The management estimates the net realisable value of inventories based on assessment of receipt or committed sales prices and provide for excess and obsolete inventories based on historical and estimated future demand and related pricing. In determining excess quantities, the management considers recent sales activities, related margin and market positioning of the products. However, factors beyond its control, such as demand levels, technological advances and pricing competition, could change from period to period and consequentially impact the Group's results, cash flows and financial position.

The Group and the Company has written down approximately \$807,000 (2017: \$794,000) and \$715,000 (2017: \$703,000) respectively of its inventories to net realisable value during the year. The carrying amount of the Group's and the Company's inventories as at 31 December 2018 were approximately \$10,315,000 (31.12.2017: \$6,887,000, 1.1.2017: \$6,981,000) and \$6,554,000 (31.12.2017: \$4,974,000, 1.1.2017: \$5,047,000) respectively.

#### (iii) *Depreciation of property, plant and equipment*

The Group and the Company depreciate the property, plant and equipment, using the straight-line method, over their estimated useful lives after taking into account their estimated residual values. The estimated useful life reflects management's estimate of the periods that the Group and the Company intend to derive future economic benefits from the use of the Group's and the Company's property, plant and equipment. The residual values reflect management's estimated amount that the Group and the Company would currently obtain from the disposal of the asset, after deducting the estimated costs of disposal, as if the asset was already of the age and in the condition expected at the end of its useful life. Changes in the expected level of usage and technological developments could affect the economics, useful lives and the residual values of these assets which could then consequentially impact future depreciation charges.

The carrying amount of the Group's and the Company's property, plant and equipment as at 31 December 2018 were approximately \$12,315,000 (31.12.2017: \$13,734,000, 1.1.2017: \$18,754,000) and \$4,391,000 (31.12.2017: \$5,460,000, 1.1.2017: \$9,315,000) respectively.



# Notes to the Financial Statements

For The Financial Year Ended 31 December 2018

## 3. Critical accounting judgements and key sources of estimation uncertainty (Continued)

### 3.2 Key sources of estimation uncertainty (Continued)

#### (iv) *Estimating expected credit loss allowance for trade receivables*

The Group and the Company has elected to apply the simplified approach within SFRS(I) 9, based on lifetime expected credit losses ("ECL"), in determining the provision for impairment allowance on trade receivables.

The lifetime expected credit losses are determined based on expected credit loss rates. The expected credit loss rates are determined based on historical loss rates and historical payment pattern, adjusted for the current conditions and forecast of future economic conditions that may affect the ability of the customers to settle the trade receivables. For credit-impaired trade receivables, ECL is determined as the difference between the gross carrying amount and the present value of the estimated future cash flows.

During the financial year, the loss allowance on trade receivables of \$15,000 was recognised in the Group's profit or loss. The loss allowance on trade receivables for the previous financial year of \$73,000 was accounted based on incurred loss model. The carrying amount of the Group's and the Company's trade receivables as at 31 December 2018 were approximately \$7,908,000 (31.12.2017: \$8,900,000, 1.1.2017: \$8,279,000) and \$5,904,000 (31.12.2017: \$7,862,000, 1.1.2017: \$9,075,000) respectively.

#### (v) *Fair value measurement*

Investment property (Note 5) included in the Group's and Company's financial statements require measurement at, and/or disclosure of, fair value.

The fair value measurement of the Group's and Company's financial and non-financial assets and liabilities utilises market observable inputs and data as far as possible. Inputs used in determining fair value measurements are categorised into different levels based on how observable the inputs used in the valuation technique utilised are (the "fair value hierarchy"):

- Level 1: Quoted prices in active markets for identical items (unadjusted)
- Level 2: Observable direct or indirect inputs other than Level 1 inputs
- Level 3: Unobservable inputs (i.e. not derived from market data).

The classification of an item into the above levels is based on the lowest level of the inputs used that has a significant effect on the fair value measurement of the item. Transfers of items between levels are recognised in the period they occur.

For more detailed information in relation to the fair value measurement of the items above including the carrying amounts and the estimation uncertainty involved, please refer to Notes 5 and 31.1.

# Notes to the Financial Statements

For The Financial Year Ended 31 December 2018

## 4. Property, plant and equipment

	Leasehold properties \$'000	Plant and machinery \$'000	Office furniture, fittings and equipment \$'000	Motor vehicles and forklifts \$'000	Rental pallets \$'000	Construction- in-progress \$'000	Total \$'000
<b>Group</b>							
<b>2018</b>							
<b>Cost</b>							
Balance at 1 January 2018	10,069	23,704	4,593	2,016	8,495	315	49,192
Additions	–	60	51	200	1,421	123	1,855
Disposals	–	–	–	–	(1,022)	–	(1,022)
Written off	–	–	(3)	–	(147)	–	(150)
Reclassifications	–	–	105	–	–	(105)	–
Currency realignment	1	3	(18)	(2)	(7)	(43)	(66)
Balance at 31 December 2018	10,070	23,767	4,728	2,214	8,740	290	49,809
<b>Accumulated depreciation</b>							
Balance at 1 January 2018	7,088	18,957	3,526	1,035	4,852	–	35,458
Charge for the year	337	1,011	295	208	1,184	–	3,035
Disposals	–	–	–	–	(857)	–	(857)
Written off	–	–	(3)	–	(125)	–	(128)
Currency realignment	–	(2)	(7)	–	(5)	–	(14)
Balance at 31 December 2018	7,425	19,966	3,811	1,243	5,049	–	37,494
<b>Net carrying amount</b>							
Balance at 31 December 2018	2,645	3,801	917	971	3,691	290	12,315

# Notes to the Financial Statements

For The Financial Year Ended 31 December 2018

## 4. Property, plant and equipment (Continued)

	Leasehold properties \$'000	Plant and machinery \$'000	Office furniture, fittings and equipment \$'000	Motor vehicles and forklifts \$'000	Rental pallets \$'000	Construction- in-progress \$'000	Total \$'000
<b>Group</b>							
<b>2017</b>							
<b>Cost</b>							
Balance at 1 January 2017	15,512	23,271	4,508	1,910	9,079	513	54,793
Additions	–	128	89	655	983	81	1,936
Disposals	(5,462)	(23)	(2)	(551)	(1,411)	–	(7,449)
Written off	–	–	(1)	–	(226)	–	(227)
Reclassifications	–	257	–	–	–	(257)	–
Currency realignment	19	71	(1)	2	70	(22)	139
Balance at 31 December 2017	10,069	23,704	4,593	2,016	8,495	315	49,192
<b>Accumulated depreciation</b>							
Balance at 1 January 2017	8,748	17,912	3,214	1,435	4,730	–	36,039
Charge for the year	681	1,017	310	141	1,179	–	3,328
Disposals	(2,349)	(10)	(2)	(543)	(911)	–	(3,815)
Written off	–	–	–	–	(186)	–	(186)
Currency realignment	8	38	4	2	40	–	92
Balance at 31 December 2017	7,088	18,957	3,526	1,035	4,852	–	35,458
<b>Net carrying amount</b>							
Balance at 31 December 2017	2,981	4,747	1,067	981	3,643	315	13,734
Balance at 1 January 2017	6,764	5,359	1,294	475	4,349	513	18,754
<b>Company</b>							
<b>2018</b>							
<b>Cost</b>							
Balance at 1 January 2018	9,223	17,364	3,290	1,214	–	171	31,262
Additions	–	5	29	–	–	122	156
Written off	–	–	(3)	–	–	–	(3)
Reclassifications	–	–	105	–	–	(105)	–
Balance at 31 December 2018	9,223	17,369	3,421	1,214	–	188	31,415
<b>Accumulated depreciation</b>							
Balance at 1 January 2018	6,725	15,648	2,820	609	–	–	25,802
Charge for the year	320	600	174	131	–	–	1,225
Written off	–	–	(3)	–	–	–	(3)
Balance at 31 December 2018	7,045	16,248	2,991	740	–	–	27,024
<b>Net carrying amount</b>							
Balance at 31 December 2018	2,178	1,121	430	474	–	188	4,391



# Notes to the Financial Statements

For The Financial Year Ended 31 December 2018

## 4. Property, plant and equipment (Continued)

	Leasehold properties \$'000	Plant and machinery \$'000	Office furniture, fittings and equipment \$'000	Motor vehicles and forklifts \$'000	Construction- in-progress \$'000	Total \$'000
<b>Company</b>						
<b>2017</b>						
<b>Cost</b>						
Balance at 1 January 2017	14,685	17,079	3,265	1,110	347	36,486
Additions	–	28	27	655	81	791
Disposals	(5,462)	–	(2)	(551)	–	(6,015)
Reclassifications	–	257	–	–	(257)	–
Balance at 31 December 2017	9,223	17,364	3,290	1,214	171	31,262
<b>Accumulated depreciation</b>						
Balance at 1 January 2017	8,409	15,033	2,645	1,084	–	27,171
Charge for the year	665	615	177	68	–	1,525
Disposals	(2,349)	–	(2)	(543)	–	(2,894)
Balance at 31 December 2017	6,725	15,648	2,820	609	–	25,802
<b>Net carrying amount</b>						
Balance at 31 December 2017	2,498	1,716	470	605	171	5,460
Balance at 1 January 2017	6,276	2,046	620	26	347	9,315

### 4.1 Assets under finance leases

The carrying amount of property, plant and equipment acquired under finance leases (Note 12) amounted to:

	Group			Company		
	31.12.2018 \$'000	31.12.2017 \$'000	1.1.2017 \$'000	31.12.2018 \$'000	31.12.2017 \$'000	1.1.2017 \$'000
Motor vehicles and forklifts	806	795	450	474	604	14
Office furniture, fittings and equipment	–	–	7	–	–	–
Plant and machinery	359	654	964	–	–	–
	1,165	1,449	1,421	474	604	14

### 4.2 Assets pledged as security to banks for banking facilities

The carrying amount of property, plant and equipment pledged to banks (Note 11) amounted to:

	Group			Company		
	31.12.2018 \$'000	31.12.2017 \$'000	1.1.2017 \$'000	31.12.2018 \$'000	31.12.2017 \$'000	1.1.2017 \$'000
Leasehold properties	2,584	2,919	6,702	2,178	2,498	6,276
Plant and machinery	869	1,406	1,874	869	1,406	1,874
	3,453	4,325	8,576	3,047	3,904	8,150

# Notes to the Financial Statements

For The Financial Year Ended 31 December 2018

## 4. Property, plant and equipment (Continued)

### 4.3 The details of the leasehold properties are:

Location	Usage	Approximate gross floor area	Tenure
27 Sungei Kadut Street 1 Singapore 729335	Manufacturing and trading of wooden pallets and timber related products and administrative office	23,020 sqm	49 years expiring 2025
Lot PTB 1237, Jalan Tun Matahir 1, Industries Area, Phase 2 Bandar Tenggara, 81000 Kulai, Johor Malaysia	Manufacturing of wooden pallets and timber related products	7,402 sqm	60 years expiring 2052
No. 4, Jalan Pinang Merah 20, Bandar Tenggara, 81000 Kulai, Johor Malaysia	Dormitory for employees	721 sqm	99 years expiring 2090
No.6 Jalan Pinang Merah 20, Bandar Tenggara, 81000 Kulai, Johor Malaysia	Dormitory for employees	726 sqm	99 years expiring 2090
No. 8, Jalan Pinang Merah 20, Bandar Tenggara 81000 Kulai, Johor Malaysia	Dormitory for employees	753 sqm	99 years expiring 2090

### 4.4 The depreciation of property, plant and equipment is recognised in the following line items of the consolidated income statement:

	Group	
	2018 \$'000	2017 \$'000
Cost of sales	1,592	1,609
Administrative expenses	1,443	1,719
	<b>3,035</b>	<b>3,328</b>

### 4.5 During the financial year, the Group acquired property, plant and equipment by way of:

	2018 \$'000	2017 \$'000
Cash payments	1,855	1,545
Finance lease payables	–	391
	<b>1,855</b>	<b>1,936</b>

# Notes to the Financial Statements

For The Financial Year Ended 31 December 2018

## 4. Property, plant and equipment (Continued)

- 4.6** For the financial year ended 31 December 2018, included in the construction-in-progress were machineries awaiting for their assembly installation in the Company and one of the subsidiary of approximately \$186,000 and \$104,000 respectively.

For the financial year ended 31 December 2017, included in the construction-in-progress were machineries awaiting for their assembly and installations in one of the subsidiary, an accounting system awaiting data migration, web-based time management system and automated pallet assembly line pending installation of approximately \$145,000, \$92,000, \$13,000 and \$65,000 respectively.

- 4.7** Included in previous financial year's disposal was a property, classified as property, plant and equipment and investment property (Note 5) respectively, where the Company sold and lease-back its leasehold interest in respect of 44 Sungei Kadut Street 1, Singapore 729349 (the "Property").

In prior year, the Company was informed by the Lessor of its intention to have the unexpired leasehold interest of the Company in the Property be reverted back to the Lessor before the end of the tenure of the existing lease as the Lessor had plans to redevelop the Property. Pursuant to a surrender and lease-back agreement dated 5 September 2017 between the Company and the Lessor, the Company agreed to surrender its existing lease of the Property to the Lessor (the "Disposal") for a cash consideration of \$11,600,000 and entered into a new lease with Lessor to continue using the property (the "New Tenancy") (Note 24.1). In addition to the cash consideration, the Lessor will pay the Company a sum of \$2,876,889 as an ex-gratia sum to defray the Company's relocation cost that will be incurred at the end of the New Tenancy. The Disposal was completed on 6 November 2017.

The Group previously used the Property mainly for its own use, and leased out a portion of the Property for short-term tenancies (Note 24.1). The short-term tenancies were not affected by the surrender and lease-back arrangement.

As disclosed in Note 24.1, the management had assessed the lease-back to be an operating lease. The net cash proceeds from the Disposal will be used to fund, in whole or in part, the expenditure that may be incurred to build or to secure a replacement site, and or for the general working capital purposes of the Group and for any other purposes that is for its benefit in addition to or in lieu of any or all of the uses currently contemplated. Accordingly, the difference between the total consideration, and net carrying amount of the Property, was recognised on completion of the Disposal as a gain on disposal of approximately \$5,613,000 directly in profit or loss for the financial year ended 31 December 2017 (Note 18).

- 4.8** The Group's and Company's motor vehicles included assets held in trust by Directors of the Company with carrying amount of \$401,000 (31.12.2017: \$513,000, 1.1.2017: \$14,000).

## 5. Investment property

	<b>Group and Company 31.12.2017</b>
	<b>\$'000</b>
<b>At fair value</b>	
Balance at beginning of financial year	5,750
Disposals	(5,750)
Balance at end of financial year	—

The Group's and the Company's investment property was valued as at 31 December 2017 by Bernard Valuers, an independent professional valuation firm with experience in the location and category of the investment property held by the Group and the Company. Details of the investment property, valuation techniques and inputs used are disclosed in Note 31.1 to the financial statements. As at 31 December 2016, the investment property was pledged for the banking facilities as disclosed in Note 11. The Company sold and leased back the investment property in previous financial year (Note 4.7).



# Notes to the Financial Statements

For The Financial Year Ended 31 December 2018

## 5. Investment property (Continued)

The following amounts are recognised in profit or loss:

	Group 2017 \$'000
Rental and service income (Note 18)	1,892
Direct operating expenses (including repair and maintenance) arising from rental-generating investment property	(960)

## 6. Investments in subsidiaries

	Company 31.12.2018 \$'000	31.12.2017 \$'000	1.1.2017 \$'000
Unquoted equity shares, at cost	14,019	14,019	13,951
Impairment loss	(3,719)	(1,606)	(1,606)
	10,300	12,413	12,345

On 3 August 2017, the Group incorporated a wholly-owned subsidiary in Hanoi, Socialist Republic of Vietnam, for cash consideration of USD50,000 (equivalent to \$67,800). The subsidiary was inactive during the previous financial year.

Movements in impairment loss are as follow:

	Company 31.12.2018 \$'000	31.12.2017 \$'000
Balance at beginning of financial year	1,606	1,606
Impairment loss recognised during the financial year	2,113	–
Balance at end of financial year	3,719	1,606

During the financial year, the Group carried out a review of the recoverable amount of the investment in LHT Ecotech Resources (Tianjin) Co., Ltd under pallets and timber segment due to the continuing losses reported by this subsidiary as a result of weak market presence in China. The review led to the recognition of an impairment loss of \$2,113,000 (2017: \$Nil) that has been recognised in “administrative expenses” line item in profit or loss. The recoverable amount of the investment of \$94,000 (31.12.2017: \$2,207,000, 1.1.2017: \$2,207,000) was determined on the basis of its value-in-use. The discount rates and revenue growth rates used in measuring value-in-use was 20.00% (31.12.2017: 5.24%, 1.1.2017: 4.41%) and 0% (31.12.2017: 2.80%, 1.1.2017: 5.61%) respectively.

# Notes to the Financial Statements

For The Financial Year Ended 31 December 2018

## 6. Investments in subsidiaries (Continued)

Details of the subsidiaries are as follow:

Name of Company (Country of incorporation and principal place of business)	Principal activities	Proportion of ownership interest held by the Group		
		31.12.2018 %	31.12.2017 %	1.1.2017 %
Kim Hiap Lee Company (Pte.) Limited <sup>(1)</sup> (Singapore)	Timber merchants, sawmillers and pallet rental	100	100	100
Lian Hup Packaging Industries Sdn. Bhd. <sup>(2)</sup> (Malaysia)	Dealers in wood products, pallets and packaging and pallet rental	100	100	100
Siri Belukar Packaging Sdn. Bhd. <sup>(2)</sup> (Malaysia)	Manufacturer, importer and exporter of wooden pallets and related products	100	100	100
LHT Marketing Pte Ltd <sup>(1)</sup> (Singapore)	Timber merchants and commission agents	100	100	100
LHT Ecotech Resources Pte Ltd <sup>(1)</sup> (Singapore)	Wood waste recycling and recovering	100	100	100
LHT Ecotech Resources (Tianjin) Co., Ltd <sup>(3)</sup> (People's Republic of China)	Trading and exporter of wooden pallets and related products	100	100	100
LHT Gpac Technology (M) Sdn. Bhd. <sup>(2)</sup> (Malaysia)	Manufacturer, wood waste recycling, importer and exporter of green products and woodchips	100	100	100
LHT ECR Packaging (Vietnam) Company Limited <sup>(4)</sup> (Socialist Republic of Vietnam)	Trading and providing of other services with respect to timber, pallets and other packaging materials	100	100	–

<sup>(1)</sup> Audited by BDO LLP, Singapore

<sup>(2)</sup> Audited by BDO, Malaysia

<sup>(3)</sup> Audited by BDO China Shu Lun Pan CPAs LLP, People's Republic of China

<sup>(4)</sup> Audited by BDO Audit Services Co. Ltd, Socialist Republic of Vietnam

The business license of LHT Ecotech Resources (Tianjin) Co., Ltd is for a term of 30 years, with effect from 23 April 2012 to 22 April 2042. The business license of LHT ECR Packaging (Vietnam) Company Limited is for a term of 10 years, with effect from 3 August 2017 in force until 1 August 2027 inclusive.

### Significant restriction

Cash and bank balances of \$198,000 (31.12.2017: \$293,000, 1.1.2017: \$688,000) held with a subsidiary in the People's Republic of China are subjected to local exchange control regulations. These regulations place restrictions on exporting capital out of the country other than through dividends and thus significantly affect the Group's ability to access or use assets, and settle liabilities, of the Group.

# Notes to the Financial Statements

For The Financial Year Ended 31 December 2018

## 7. Inventories

	Group			Company		
	31.12.2018	31.12.2017	1.1.2017	31.12.2018	31.12.2017	1.1.2017
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Raw materials	6,294	4,321	4,713	3,060	2,742	3,127
Work-in-progress	1,666	1,039	21	1,635	1,039	21
Finished goods	2,355	1,527	2,247	1,859	1,193	1,899
	10,315	6,887	6,981	6,554	4,974	5,047

The cost of inventories recognised as an expense and included in cost of sales line item in profit or loss amounted to approximately \$19,281,000 (31.12.2017: \$17,467,000, 1.1.2017: \$23,035,000).

During the financial year, the Group and Company carried out a review of the realisable values of its inventories. Arising from the review, the Group recognised a net write-down of \$12,000 (2017: \$16,000), charged to administrative expenses, comprising write-downs of inventories \$13,000 (2017: \$70,000) to its net realisable value and reversal of \$1,000 (2017: \$54,000) being part of an inventory write-down made in the previous financial year. The reversal was a result of inventories being sold above its carrying amount in the respective financial year.

## 8. Trade and other receivables

	Group			Company		
	31.12.2018	31.12.2017	1.1.2017	31.12.2018	31.12.2017	1.1.2017
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Trade receivables						
- third parties	7,658	8,763	8,423	5,568	6,538	6,434
- subsidiaries	–	–	–	352	1,335	2,720
- GST receivables	324	351	84	–	–	–
	7,982	9,114	8,507	5,920	7,873	9,154
Less: Loss allowance for third parties	(74)	(214)	(228)	(16)	(11)	(79)
Total receivables	7,908	8,900	8,279	5,904	7,862	9,075
Other receivables						
- third parties	203	494	399	65	186	258
- subsidiaries	–	–	–	1,400	1,400	1,751
Refundable deposits	504	308	143	211	211	29
Prepayments	160	70	426	96	26	103
Tax recoverable	69	40	38	–	–	–
Total trade and other receivables	8,844	9,812	9,285	7,676	9,685	11,216
Add:						
- Fixed deposits (Note 9.2)	11,160	159	173	11,000	–	–
- Cash and cash equivalents (Note 9.1)	18,256	28,883	13,039	10,399	20,023	7,108
Less:						
- GST receivables	(324)	(351)	(84)	–	–	–
- Prepayments	(160)	(70)	(426)	(96)	(26)	(103)
- Tax recoverable	(69)	(40)	(38)	–	–	–
Financial assets at amortised cost (2017: Loans and receivables)	37,707	38,393	21,949	28,979	29,682	18,221



# Notes to the Financial Statements

For The Financial Year Ended 31 December 2018

## 8. Trade and other receivables (Continued)

Trade receivables from third parties and subsidiaries are non-interest bearing and repayable within the normal credit terms of 30 to 90 days. They are recognised at their original invoice amounts which represent their values on initial recognition.

The non-trade balances due from third parties and subsidiaries are unsecured, non-interest bearing, repayable on demand in cash and to be settled in cash.

Movements in loss allowance for trade receivables are as follow:

	Group		Company	
	31.12.2018	31.12.2017	31.12.2018	31.12.2017
	\$'000	\$'000	\$'000	\$'000
Balance at beginning of financial year	214	228	11	79
Utilisation of loss allowance	(87)	(9)	(7)	–
Loss allowance reversed	(68)	(78)	(2)	(78)
Loss allowance made	15	73	14	10
Balance at end of financial year	74	214	16	11

As at 31 December 2018, trade receivables of \$74,000 (31.12.2017: \$214,000, 1.1.2017: \$228,000) were past due more than 60 days and fully impaired.

The aging analysis of the trade receivables are set out in Note 29 to the financial statements.

Trade and other receivables are denominated in the following currencies:-

	Group			Company		
	31.12.2018	31.12.2017	1.1.2017	31.12.2018	31.12.2017	1.1.2017
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Singapore dollar	6,309	7,277	6,608	6,933	7,759	7,799
Ringgit Malaysia	1,595	1,115	816	178	948	1,958
Renminbi	368	368	423	2	2	2
United States dollar	568	1,047	1,438	563	976	1,457
Vietnamese Dong	4	5	–	–	–	–
	8,844	9,812	9,285	7,676	9,685	11,216

## 9. Cash and cash equivalents and fixed deposits

### 9.1 Cash and cash equivalents

Cash and cash equivalents comprise the following at each reporting date:

	Group			Company		
	31.12.2018	31.12.2017	1.1.2017	31.12.2018	31.12.2017	1.1.2017
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Cash balances	18	15	7	5	6	–
Bank balances	18,238	28,868	13,032	10,394	20,017	7,108
	18,256	28,883	13,039	10,399	20,023	7,108

# Notes to the Financial Statements

For The Financial Year Ended 31 December 2018

## 9. Cash and cash equivalents and fixed deposits (Continued)

### 9.1 Cash and cash equivalents (Continued)

Cash and cash equivalents are denominated in the following currencies:

	Group			Company		
	31.12.2018	31.12.2017	1.1.2017	31.12.2018	31.12.2017	1.1.2017
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Singapore dollar	12,862	23,935	9,476	9,252	19,973	6,766
Ringgit Malaysia	3,745	4,336	2,286	6	7	7
United States dollar	1,349	366	882	1,112	13	305
Renminbi	227	246	395	29	30	30
Vietnamese dong	73	-	-	-	-	-
	18,256	28,883	13,039	10,399	20,023	7,108

### 9.2 Fixed deposits

The fixed deposits of the Group amounting to \$160,000 (31.12.2017: \$159,000, 1.1.2017: \$173,000) are pledged to a bank as security for bank guarantee facilities granted to the subsidiaries. The fixed deposits bear interest rate ranging from 1.30% to 3.15% (31.12.2017: 2.70% to 3.10%, 1.1.2017: 2.70% to 3.10%) per annum with maturity of 1 month (31.12.2017: 1 month, 1.1.2017: 1 month) from each reporting date.

Fixed deposits are denominated in the following currencies:-

	Group			Company		
	31.12.2018	31.12.2017	1.1.2017	31.12.2018	31.12.2017	1.1.2017
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Singapore dollar	11,000	-	-	11,000	-	-
Ringgit Malaysia	160	159	173	-	-	-
	11,160	159	173	11,000	-	-

# Notes to the Financial Statements

For The Financial Year Ended 31 December 2018

## 10. Trade and other payables

	Group			Company		
	31.12.2018	31.12.2017	1.1.2017	31.12.2018	31.12.2017	1.1.2017
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Trade payables						
- third parties	2,121	1,647	1,568	1,230	957	715
- subsidiaries	–	–	–	1,113	1,403	2,691
- related parties	106	170	181	66	170	173
- GST payables	248	1,199	246	102	1,119	201
	2,475	3,016	1,995	2,511	3,649	3,780
Amount owing to a director	20	–	–	–	–	–
Accrued expenses	1,364	1,646	1,358	1,338	1,344	1,012
Deposits received	371	372	418	305	327	388
Provision for unutilised leave	160	172	171	–	172	171
Advances from customers (Note 17b)	2,504	948	2	825	49	–
Sundry payables	239	107	371	–	–	169
Total trade and other payables	7,133	6,261	4,315	4,979	5,541	5,520
Add/(Less):						
- Borrowings (Note 11)	509	697	1,511	268	481	1,059
- GST payables	(248)	(1,199)	(246)	(102)	(1,119)	(201)
- Provision for unutilised leave	(160)	(172)	(171)	–	(172)	(171)
- Advances from customers (Note 17b)	(2,504)	(948)	(2)	(825)	(49)	–
Financial liabilities carried at amortised cost	4,730	4,639	5,407	4,320	4,682	6,207

The trade amounts due to third parties, subsidiaries and related parties are unsecured, non-interest bearing and repayable within the normal credit term of 30 to 90 days.

Deposits received comprise substantially deposits for rental from lessees.

No interest is charged on the trade and other payables.

Trade and other payables are denominated in the following currencies:

	Group			Company		
	31.12.2018	31.12.2017	1.1.2017	31.12.2018	31.12.2017	1.1.2017
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Singapore dollar	3,553	4,128	3,000	3,941	4,973	3,982
Ringgit Malaysia	2,517	1,634	950	438	391	1,372
United States dollar	923	425	150	600	177	166
Reminbi	123	74	215	–	–	–
Others	17	–	–	–	–	–
	7,133	6,261	4,315	4,979	5,541	5,520



# Notes to the Financial Statements

For The Financial Year Ended 31 December 2018

## 11. Borrowings

	Group			Company		
	31.12.2018	31.12.2017	1.1.2017	31.12.2018	31.12.2017	1.1.2017
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Finance lease payables (Note 12)	509	549	474	268	333	22
Term loan I, secured	–	–	263	–	–	263
Term loan II, secured	–	148	774	–	148	774
Total borrowings	509	697	1,511	268	481	1,059
Less:						
Current	(209)	(332)	(1,195)	(69)	(213)	(929)
Non-current	300	365	316	199	268	130

The term loans were secured by the joint first legal mortgage over certain leasehold and investment properties (Note 4 and Note 5) and fixed charge on certain plant and machinery (Note 4.2).

Term loan I was repayable over a maximum period of 7 years from the commencement date in July 2011 and bear effective interest rates ranging from 2.87% to 2.96% (1.1.2017: 2.87% to 3.35%) per annum. The interest rates are re-priced quarterly. The term loan has been fully repaid during previous financial year on disposal of a leasehold and investment property (Note 4.7).

Term loan II is repayable over a maximum period of 5 years from the commencement date in April 2013 and bear effective interest rates at 2.44% (31.12.2017: 2.43% to 2.62%, 1.1.2017: 2.37% to 2.51%) per annum. The interest rates are re-priced quarterly. The term loan has been fully repaid during the financial year.

The fair value of the Group's and the Company's borrowings is disclosed in Note 31.2 to the financial statements.

## 12. Finance lease payables

	31.12.2018		31.12.2017		1.1.2017	
	Minimum lease payments	Present value of payments	Minimum lease payments	Present value of payments	Minimum lease payments	Present value of payments
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Group</b>						
Payable under finance leases:						
- Not later than one year	229	209	205	184	299	288
- Later than one year but not later than 5 years	320	300	393	365	191	186
	549	509	598	549	490	474
Less: future finance charges	(40)	–	(49)	–	(16)	–
Present value minimum payments	509	509	549	549	474	474

# Notes to the Financial Statements

For The Financial Year Ended 31 December 2018

## 12. Finance lease payables (Continued)

	31.12.2018		31.12.2017		1.1.2017	
	Minimum lease payments \$'000	Present value of payments \$'000	Minimum lease payments \$'000	Present value of payments \$'000	Minimum lease payments \$'000	Present value of payments \$'000
<b>Company</b>						
Payable under finance leases:						
- Not later than one financial year	81	69	82	65	23	22
- Later than one financial year but not later than five financial years	213	199	293	268	–	–
	294	268	375	333	23	22
Less: future finance charges	(26)	–	(42)	–	(1)	–
Present value of minimum payments	268	268	333	333	22	22

The lease terms range from 3 to 5 years (31.12.2017: 4 to 5 years, 1.1.2017: 4 to 7 years). The effective interest rate for the Group and the Company are 3.26% to 5.68% (31.12.2017: 3.37% to 5.62%, 1.1.2017: 3.37% to 5.62%) and 5.06% to 5.43% (31.12.2017: 5.24% to 5.62%, 1.1.2017: 3.59% to 5.62%) per annum respectively. Interest rates are fixed at the contract date, and thus expose the Group and the Company to fair value interest rate risk. All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments. These leases have no renewal terms, no purchase option and escalation clauses. The carrying amount of assets acquired under finance leases is disclosed in Note 4.1 to the financial statements.

The fair value of the Group's and the Company's lease obligations is disclosed in Note 31.2 to the financial statements.

The Group's and the Company's obligations under finance leases are secured by the leased assets, which will revert to the lessors in the event of default by the Group and the Company. The Group's obligations amounting to \$45,582 (31.12.2017: \$110,309, 1.1.2017: \$305,967) is secured by a corporate guarantee of the Company.

Finance lease payables are denominated in the following currencies:

	Group			Company		
	31.12.2018 \$'000	31.12.2017 \$'000	1.1.2017 \$'000	31.12.2018 \$'000	31.12.2017 \$'000	1.1.2017 \$'000
Singapore dollar	346	520	474	268	333	22
Ringgit Malaysia	163	29	–	–	–	–
	509	549	474	268	333	22

# Notes to the Financial Statements

For The Financial Year Ended 31 December 2018

## 13. Deferred tax

	Group			Company		
	31.12.2018	31.12.2017	1.1.2017	31.12.2018	31.12.2017	1.1.2017
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Deferred tax liabilities	771	854	993	245	351	549

The movements for the financial year in deferred tax position are as follow:

	Group			Company		
	31.12.2018	31.12.2017	1.1.2017	31.12.2018	31.12.2017	1.1.2017
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Balance at beginning of financial year	854	993	1,253	351	549	495
(Credit)/Charge to profit or loss (Note 22)	(84)	(143)	(257)	(106)	(198)	54
Currency translation difference	1	4	(3)	–	–	–
Balance at end of financial year	771	854	993	245	351	549

The following are the major deferred tax liabilities recognised by the Group and the Company and movements thereon during the financial year.

### 13.1 Deferred tax liabilities

	Accelerated tax depreciation	Industrial building allowance	Allowance for obsolete inventories	Others	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Group</b>					
At 1 January 2018	1,015	139	(135)	(165)	854
(Credit)/Charge to profit or loss	(86)	–	(1)	3	(84)
Currency translation difference	16	–	(15)	–	1
At 31 December 2018	945	139	(151)	(162)	771
At 1 January 2017	988	302	(129)	(168)	993
(Credit)/Charge to profit or loss	26	(163)	(6)	–	(143)
Effect of previously unrecognised tax losses now recognised and offset against deferred tax liabilities	–	–	–	3	3
Currency translation difference	1	–	–	–	1
At 31 December 2017	1,015	139	(135)	(165)	854



# Notes to the Financial Statements

For The Financial Year Ended 31 December 2018

## 13. Deferred tax (Continued)

### 13.1 Deferred tax liabilities (Continued)

	Accelerated tax depreciation \$'000	Industrial building allowance \$'000	Allowance for obsolete inventories \$'000	Others \$'000	Total \$'000
<b>Company</b>					
At 1 January 2018	361	139	(120)	(29)	351
(Credit)/Charge to profit or loss	(107)	–	(2)	3	(106)
At 31 December 2018	254	139	(122)	(26)	245
At 1 January 2017	405	302	(129)	(29)	549
(Credit)/Charge to profit or loss	(44)	(163)	9	–	(198)
At 31 December 2017	361	139	(120)	(29)	351

### 13.2 Deferred tax assets not recognised

Movements in deferred tax assets not recognised are as follows:

	Group 31.12.2018 \$'000	31.12.2017 \$'000
Balance at beginning of financial year	349	266
Amount (utilised)/not recognised during financial year	(54)	83
Balance at end of financial year	295	349

Deferred tax assets not recognised relate to the following:

	Group 31.12.2018 \$'000	31.12.2017 \$'000	1.1.2017 \$'000
Unutilised tax losses	295	349	266

As at 31 December 2018, the Group has unutilised tax losses of \$1,180,000 (31.12.2017: \$1,396,000, 1.1.2017: \$1,064,000) arising from its subsidiary in the jurisdiction of the People's Republic of China, available for set-off against future taxable profits subject to agreement with the relevant tax authorities and compliance with certain provision of the tax legislation of the country in which the subsidiary operates. The deferred tax assets have not been recognised because it is not certain that whether future taxable profit will be available against which the subsidiary can utilise the benefits.

# Notes to the Financial Statements

For The Financial Year Ended 31 December 2018

## 13. Deferred tax (Continued)

### 13.2 Deferred tax assets not recognised (Continued)

The unutilised tax losses of the subsidiary can only be utilised for set-off against its future taxable profits within five years from the date the tax losses were incurred. The unutilised tax losses will expire as follows:

	Group		
	31.12.2018	31.12.2017	1.1.2017
	\$'000	\$'000	\$'000
Year 2018	–	365	365
Year 2019	410	410	410
Year 2020	153	153	153
Year 2021	136	136	136
Year 2022	332	332	–
Year 2023	149	–	–
	1,180	1,396	1,064

## 14. Share capital

	Group and Company			Group and Company		
	31.12.2018	31.12.2017	1.1.2017	31.12.2018	31.12.2017	1.1.2017
	Number of ordinary shares			Share capital		
	('000)			(\$'000)		
<b>Issued and paid up:</b>						
Balance at beginning and end of financial year	53,245	53,245	53,245	24,621	24,621	24,621

The ordinary shares have no par value, carry one vote per share without restrictions and their holders are entitled to receive dividends when declared by the Company.

## 15. Currency translation reserve

The currency translation reserve represents exchange differences arising from the translation of the financial statements of foreign operations where functional currencies are different from that of the Group's presentation currency.

## 16. Asset revaluation reserve

The asset revaluation reserve represents increases in the fair value of a leasehold property, net of tax, and prior to the change in use from owner-occupied to investment property. During the previous financial year, the investment property was disposed (Note 4.7) and the asset revaluation reserve relating to the Property (Note 5) was transferred directly to retained earnings.

# Notes to the Financial Statements

For The Financial Year Ended 31 December 2018

## 17. Revenue

### (a) Disaggregation of revenue

The Group has disaggregated revenue to reflect the operations of the business segments identified by management. The segment information together with other information utilised for the purpose of management monitoring of operating results of the segments, which includes the geographical markets and type of goods and services are disclosed in Note 28 to the financial statements.

#### i) Revenue from contracts with customers:

	Group	
	2018 \$'000	2017 \$'000
Sales of goods	38,247	36,062
<u>Timing of transfer of goods and services</u>		
Point in time	38,247	36,062

#### ii) Revenue from rental:

	Group	
	2018 \$'000	2017 \$'000
Pallet rental	4,589	4,544

### (b) Contract balances

	Group			Company		
	31.12.2018 \$'000	31.12.2017 \$'000	1.1.2017 \$'000	31.12.2018 \$'000	31.12.2017 \$'000	1.1.2017 \$'000
<u>Contract liabilities</u>						
Sales of goods	2,504	948	2	825	49	-

The timing of revenue recognition and payments received from customers would affect the amount of contract liabilities recognised at each reporting date.

Significant changes in contract liabilities during the financial year are tabled as follow:

	Group		Company	
	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000
Balance at beginning of financial year	948	2	49	-
Amount recognised as revenue at the beginning of the year	(34)	(2)	(12)	-
Increase due to cash received, excluding amounts recognised during the year	1,590	948	788	49
Balance at end of financial year	2,504	948	825	49

Contract liabilities as at 31 December 2018 includes advance from a customer from the previous financial year amounting to approximately \$874,000. The advance was not utilised during the financial year pending the end customer's testing completion. Management has assessed the financing component of the balance to be insignificant.



# Notes to the Financial Statements

For The Financial Year Ended 31 December 2018

## 18. Other income

	Group	
	2018	2017
	\$'000	\$'000
Gain on disposal of property, plant and equipment	501	5,870
Government grants:		
- Special Employment Credit	26	78
- Others government grants	140	189
Heat treatment and utilities income	169	232
Interest income	96	14
Rental of premises and related service income	1,696	1,892
Loss allowance reversed for trade receivables	68	78
Waste collection income	270	319
Sundry income	337	315
	<b>3,303</b>	<b>8,987</b>

## 19. Finance costs

	Group	
	2018	2017
	\$'000	\$'000
Interest expense in respect of:		
Finance leases	24	18
Bank loans	–	12
	<b>24</b>	<b>30</b>

## 20. Profit before income tax

In addition to the charges and credits disclosed elsewhere in the notes to the financial statements, the above includes the following charges:-

	Group	
	2018	2017
	\$'000	\$'000
<i>Cost of sales</i>		
Cost of inventories included in cost of sales	19,281	17,467
Employee benefits expenses (Note 21)	5,298	5,107
Repair and maintenance expenses	970	2,065
Depreciation of property, plant and equipment	1,592	1,609
Operating lease expenses	1,381	1,388
Utilities expenses	534	663
<i>Distribution expenses</i>		
Transportation and carriage expenses	1,773	1,611

# Notes to the Financial Statements

For The Financial Year Ended 31 December 2018

## 20. Profit before income tax (Continued)

	Group	
	2018	2017
	\$'000	\$'000
<i>Administrative expenses</i>		
Advertisement/marketing promotion expenses	143	120
Audit fees paid to:		
- Auditors of the Company	114	95
- Other auditors	27	10
Non-audit fees paid to:		
- Auditors of the Company	43	32
- Other auditors/firm	14	8
Depreciation of property, plant and equipment	1,443	1,719
Directors' fees (Note 26)	211	211
Employee benefits expenses (Note 21)	4,617	4,610
Insurance	373	480
Legal and professional fees	158	184
Property tax	361	361
Operating lease expenses	874	914
Upkeep and maintenance expenses	108	136
Write-down of obsolete inventories	12	16
<i>Other expenses</i>		
Loss allowance for trade receivables	15	73
Foreign exchange loss, net	278	363
Property, plant and equipment written off	22	41
Bad debt written off	8	–

## 21. Employee benefits expenses

	Group	
	2018	2017
	\$'000	\$'000
Salaries, wages and other costs	9,293	9,099
Defined contribution plans	622	618
	9,915	9,717

The employee benefits expenses are recognised in the following line items in the consolidated income statement:

	Group	
	2018	2017
	\$'000	\$'000
Cost of sales	5,298	5,107
Administrative expenses	4,617	4,610
	9,915	9,717

The employee benefits expenses include compensation of key management personnel as disclosed in Note 26 to the financial statements.

# Notes to the Financial Statements

For The Financial Year Ended 31 December 2018

## 22. Income tax expense

	Group	
	2018	2017
	\$'000	\$'000
Based on results for the financial year:		
- current income tax	677	573
- deferred tax	46	(125)
	723	448
Overprovision in prior years		
- current income tax	(110)	(264)
- deferred tax	(130)	(18)
	(240)	(282)
Total income tax expenses	483	166

Domestic income tax is calculated at 17% (2017: 17%) of the estimated assessable profit for the year. Taxation for other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

The income tax expenses varied from the amount of income tax expense determined by applying the Singapore statutory tax rate of 17% (2017: 17%) to profit before income tax as a result of the following differences:

### Reconciliation of effective tax rate

	Group	
	2018	2017
	\$'000	\$'000
Profit before income tax	3,906	7,672
Income tax at statutory rate	664	1,304
Add/(Less):		
Effect of different tax rates of overseas operations	57	49
Effect of income not subject to tax	(6)	(989)
Effect of non-allowable items	190	119
Tax incentive	(128)	(118)
Overprovision of income tax in prior years	(110)	(264)
Tax effect on deferred tax assets not recognised	(54)	–
Overprovision of deferred tax in prior years	(130)	(18)
Unrecognised deferred tax benefits	–	83
Total income tax expense	483	166



# Notes to the Financial Statements

For The Financial Year Ended 31 December 2018

## 23. Earnings per share

The calculation for earnings per share is based on:

	Group	
	2018	2017
Profit after income tax attributable to owners of the Company (\$'000)	3,423	7,506
Actual number of ordinary shares in issue during the year applicable to basic earnings per share ('000)	53,245	53,245
Earnings per shares (in cents)		
- Basic	6.43	14.10
- Diluted	6.43	14.10

Basic earnings per share is calculated by dividing the profit for the year attributable to owners of the Company by the actual number of ordinary shares in issue during the financial year. As the Group has no dilutive potential ordinary shares, the diluted earnings per share is equivalent to basic earnings per share for the year.

## 24. Commitments

### 24.1 Operating lease commitments

#### As lessee

At each reporting date, commitments in respect of future minimum rental payable under non-cancellable operating leases in respect of office premises, other operating facilities and forklifts are as follow:

	Group			Company		
	31.12.2018	31.12.2017	1.1.2017	31.12.2018	31.12.2017	1.1.2017
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Future minimum lease payments payable:						
Not later than one year	1,526	1,695	1,624	1,216	1,312	1,441
Later than one year but not later than five years	2,883	3,517	5,548	2,757	3,462	5,374
Later than five years	805	2,360	4,469	787	2,360	4,469
Total	5,214	7,572	11,641	4,760	7,134	11,284

The lease agreements provide for periodic revision of rental rates in the future. There is no contingent rental. The Group may sublet the office premise and other operation facilities to third parties subject to relevant authority approval.

As disclosed in Note 4.7, the Company completed the transfer of its existing Property to the Lessor on 6 November 2017 and entered into a tenancy agreement with the Lessor to lease-back the Property for the period from 6 November 2017 to 31 December 2020. The monthly rate shall be subject to revision on an annual basis based on the market rent prevailing on the revision date but with each increase not exceeding certain percentage of annual rent for each immediately preceding year.

# Notes to the Financial Statements

For The Financial Year Ended 31 December 2018

## 24. Commitments (Continued)

### 24.1 Operating lease commitments (Continued)

#### As lessor

The Group and Company lease out its investment property which was disposed in the previous financial year and lease-back as disclosed in Note 4.7, under non-cancellable operating leases with remaining lease terms of between 1 to 2 years (2017: 1 to 3 years). The lessees have the option to renew for another one year at market rate subject to agreement by both parties.

As each reporting date, future minimum rentals receivables under non-cancellable operating leases are as follow:

	Group and Company		
	31.12.2018	31.12.2017	1.1.2017
	\$'000	\$'000	\$'000
Future minimum lease payment receivable:			
Not later than one year	481	700	673
Later than one year but not later than five years	83	643	133
	564	1,343	806

### 24.2 Capital commitments

As at 31 December 2017, the Group and the Company has a capital commitment of approximately \$243,000 (1.1.2017: \$Nil) in relation to the purchase of plant and equipment for operation purpose.

## 25. Contingent liabilities

At each reporting date, there were contingent liabilities in respect of corporate guarantee of \$1,200,000 (31.12.2017: \$1,200,000, 1.1.2017: \$1,200,000) given by the Company for hire purchase credit facilities granted to the Group's subsidiary. The maximum amount that the Company could be forced to settle under the corporate guarantee if the full guaranteed amount is claimed by the counterparty to the guarantee, is approximately \$46,000 (31.12.2017: \$110,000, 1.1.2017: \$306,000).

At each reporting date, the Company has not recognised any liability in respect of the guarantee given to the bank for the facilities granted as the Directors have assessed that the likelihood of defaulting on repayment of its loans is remote and no change in credit risk of subsidiary.

# Notes to the Financial Statements

For The Financial Year Ended 31 December 2018

## 26. Significant related party transactions

During the financial year, in addition to those disclosed elsewhere in these financial statements, the Group entities and the Company entered into the following transactions with related parties at rates and terms agreed by and between the parties:

	Company	
	2018	2017
	\$'000	\$'000
<hr/>		
Subsidiaries:		
- Trade sales	2,364	4,261
- Trade purchases	12,846	11,735
- Transport charges	37	19
- Pallet repair income	384	1,029
- Payment on behalf of	—	50
- Management fee charged from	96	96
Service rendered by	129	101
- Sundry income	369	510
	<hr/>	
	Group	Company
	2018	2017
	\$'000	\$'000

Related parties are companies whose equity shareholders are either close members of the Group's directors' family or common directors with significant influence over the Group's subsidiaries.

### Key management personnel remuneration

Key management personnel are the Directors and those having the authority and responsibility for planning, directing and controlling the activities of the Group and the Company, directly or indirectly. The Group's and the Company's key management personnel are the Directors of the Group and the Company and Head of Key Functions.

### Compensation of key management personnel

Executive Directors of the Company and its subsidiaries and other management personnel having authority and responsibility for planning, directing and controlling the activities of the Group and its subsidiaries directly or indirectly are considered key management personnel.



# Notes to the Financial Statements

For The Financial Year Ended 31 December 2018

## 26. Significant related party transactions (Continued)

### Key management personnel remuneration (Continued)

#### Compensation of key management personnel (Continued)

	Group	
	2018	2017
	\$'000	\$'000
Short-term employee benefits	2,187	2,141
Post-employment benefits	107	114
Directors' fees		
- Directors of the Company	160	160
- Subsidiaries		
- Directors of the Company	47	47
- Director-related employees	4	4
	2,505	2,466
Comprise amounts paid to:		
Directors of the Group	1,307	1,228
Director-related employees	802	826
Other key management executives	396	412
	2,505	2,466

The remuneration of key management personnel are determined by the Remuneration Committee having regard to the performance of individuals and market trends.

## 27. Dividend

	Group and Company	
	2018	2017
	\$'000	\$'000
First and final one-tier tax-exempt dividend paid of \$0.05 (2017: \$0.05) per ordinary share	2,662	2,662

The Directors of the Company recommend a first and final one-tier tax-exempt dividend of \$0.03 per ordinary share amounting to approximately \$1,597,000 to be paid in respect of the current financial year. This first and final dividend has not been recognised as a liability as at year end as it is subject to shareholders' approval at the forthcoming Annual General Meeting of the Company.

## 28. Segment information

Management has determined the operating segments based on the reports reviewed by the chief operating decision maker (Note 2.17).

The Group's operating businesses are organised and managed into 4 main operating segments, namely pallet/packaging, timber related products, Technical Wood® and related products, and pallet rental and others. The pallets/packaging segment is mainly engaged in the manufacture and supply of wooden pallets and cases for the packing of industrial products. The timber related products segment is mainly engaged in the trading of raw timber related products. The Technical Wood® and related products segment is mainly engaged in the manufacture of Technical Wood®, Technical Wood® flooring and wood waste collection. The pallet rental and others segment are mainly engaged in pallet-leasing business.

# Notes to the Financial Statements

For The Financial Year Ended 31 December 2018

## 28. Segment information (Continued)

Management monitors the operating results of the segments separately for the purpose of making decisions about resources to be allocated and of assessing performance. Segment performance is evaluated based on operating profit or loss which is similar to the accounting profit or loss.

Income taxes and term loans are managed by the management on a Group basis.

The accounting policies of the operating segments are the same as those described in the summary of significant accounting policies. There is no asymmetrical allocation to reportable segments.

Management evaluates performance on the basis of profit or loss from operations before income tax expense not including non-recurring gains and losses.

There is no change from prior periods in the measurement methods used to determine reported segment profit or loss.

The Group accounts for inter-segment sales and transfers on arm's length basis as if the sales or transfers were to third parties, which approximate market prices. These intersegment transactions are eliminated on consolidation. Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

Segment capital expenditure is the total costs incurred during the financial year to acquire segment assets that are expected to be used for more than one financial year.

### 28.1 Business segments

	Pallet/ Packaging		Timber Related Products		Technical Wood® and Related Products		Pallet Rental and Others		Elimination		Consolidated	
	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000
Segment revenue												
Sales to external customers	32,494	30,387	3,971	4,045	1,782	1,630	4,589	4,544	-	-	42,836	40,606
Inter-segment sales	13,427	11,554	5,092	3,736	1,286	1,222	1	5	(19,806)	(16,517)	-	-
Total revenue	45,921	41,941	9,063	7,781	3,068	2,852	4,590	4,549	(19,806)	(16,517)	42,836	40,606
Segment results	1,625	4,915	535	903	934	639	2,086	1,132	(1,250)	113	3,930	7,702
Finance costs											(24)	(30)
Profit before income tax											3,906	7,672
Income tax expense											(483)	(166)
Profit for the year											3,423	7,506

# Notes to the Financial Statements

For The Financial Year Ended 31 December 2018

## 28. Segment information (Continued)

### 28.1 Business segments (Continued)

Group	Pallet/ Packaging \$'000	Timber Related Products \$'000	Technical Wood® and Related Products \$'000	Pallet Rental and Others \$'000	Elimination \$'000	Consolidated \$'000
<b>31 December 2018</b>						
Segment assets	28,203	3,165	4,497	32,922	(8,030)	60,757
Unallocated assets						133
Total assets						60,890
Segment liabilities	10,520	481	294	3,025	(6,678)	7,642
Unallocated liabilities*						1,282
Total liabilities						8,924
<b>Other segment information</b>						
Capital expenditures	346	31	26	1,455	(3)	1,855
Depreciation	1,513	58	271	1,199	(6)	3,035
Gain on disposal of property, plant and equipment	–	–	–	(501)	–	(501)
Net (reversal)/write down for obsolete inventories	24	–	(12)	–	–	12
<b>31 December 2017</b>						
Segment assets	29,179	890	4,428	30,871	(5,933)	59,435
Unallocated assets						40
Total assets						59,475
Segment liabilities	8,889	213	557	1,796	(4,645)	6,810
Unallocated liabilities*						1,391
Total liabilities						8,201
<b>Other segment information</b>						
Capital expenditures	765	118	64	1,005	(16)	1,936
Depreciation	1,846	–	288	1,218	(24)	3,328
(Gain)/loss on disposal of property, plant and equipment	(5,833)	–	2	(39)	–	(5,870)
Net (reversal)/write down for obsolete inventories	(55)	–	71	–	–	16

\* Unallocated liabilities relate to income tax payables and deferred tax liabilities (2017: income tax payables, deferred tax liabilities and term loans).



# Notes to the Financial Statements

For The Financial Year Ended 31 December 2018

## 28. Segment information (Continued)

### 28.2 Geographical information

#### Revenue from external customers

	Singapore		Malaysia		Others		Consolidated	
	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000
Revenue to external customers	34,859	38,503	6,314	1,981	1,663	122	42,836	40,606

The revenue information above is based on the location of the customers.

#### Location of non-current assets

	Singapore		Malaysia		Others		Consolidated	
	31.12.2018 \$'000	31.12.2017 \$'000	31.12.2018 \$'000	31.12.2017 \$'000	31.12.2018 \$'000	31.12.2017 \$'000	31.12.2018 \$'000	31.12.2017 \$'000
Non-current assets	8,114	9,690	3,767	3,507	434	537	12,315	13,734

Non-current assets consist of property, plant and equipment and investment property as presented in the statement of financial position of the Group.

### 28.3 Major customer

For the financial year ended 31 December 2018, the revenue from 1 (2017: 1) major customer of the Group contributed approximately \$3,922,000 (2017: \$5,665,000) or 9% (2017: 14%) of the total revenue which was derived from pallets/packaging segment from Singapore.

## 29. Financial instruments and financial risk

The Group's and the Company's activities expose it to credit risks, market risks (including foreign currency risks and interest rate risks) and liquidity risks. The Group's and the Company's overall risk management strategy seeks to minimise adverse effects from the volatility of financial markets on the Group's and the Company's financial performance.

The Board of Directors is responsible for setting the objectives and underlying principles of financial risk management for the Group and the Company. The Group's and the Company's management then establishes the detailed policies such as authority levels, oversight responsibilities, risk identification and measurement and exposure limits, in accordance with the objectives and underlying principles approved by the Board of Directors.

There has been no change to the Group's and the Company's exposure to these financial risks or the manner in which they manage and measure the risk. Market risk exposures are measured using sensitivity analysis as indicated below.

# Notes to the Financial Statements

For The Financial Year Ended 31 December 2018

## 29. Financial instruments and financial risk (Continued)

### 29.1 Credit risks

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Group is mainly exposed to credit risk from credit sales. It is the Group's policy, implemented locally, to assess the credit risk of new customers before entering contracts.

The Board of Directors has established a credit policy under which each new customer is analysed individually for creditworthiness before the Group's standard payment and delivery terms and conditions are offered. Credit limits are established for each customer.

The Board of Directors determines concentrations of credit risk by period monitoring, at least annually, of the credit limit of existing customers and through a monthly review of the trade receivables' ageing analysis. Customers are assessed individually for any period-end receivables if specific information is available and the expected credit losses are estimated to be 100%.

The Group's and the Company's major classes of financial assets are bank deposits, fixed deposits and trade and other receivables.

The Group and the Company do not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics except for the top five trade receivables from third parties which accounts for 18% (31.12.2017: 24%, 1.1.2017: 21%) and 27% (31.12.2017: 22%, 1.1.2017: 13%) of the Group's and the Company's total trade and other receivables respectively, and receivables from subsidiaries which accounts for 23% (31.12.2017: 28%, 1.1.2017: 40%) of the Company's total trade and other receivables, as at each reporting date. The Group defines counterparties as having similar characteristics if they are related entities.

The aging analysis of trade receivables is as follows:

	Group			Company		
	31.12.2018	31.12.2017	1.1.2017	31.12.2018	31.12.2017	1.1.2017
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Current	4,617	5,059	4,920	3,629	4,306	6,718
Past due 1 to 30 days	2,186	2,119	2,104	1,506	2,077	1,679
Past due 31 to 60 days	770	745	694	513	836	366
Past due for more than 60 days	409	1,191	789	272	654	391
	7,982	9,114	8,507	5,920	7,873	9,154

Management measures loss allowance for trade receivables at an amount equal to lifetime expected credit losses ("ECL"). The ECL on trade receivables are determined based on historical loss rates and historical payment pattern, adjusted for the current conditions and forecast of future economic conditions that may affect the ability of the customers to settle the trade receivables at each reporting date.

Management is confident on the recoveries of the Company's past due trade receivables due from subsidiaries having taken into account the available internal information on the subsidiaries' past, current and expected operating performance. In addition, the timing of payment is controlled by the Company taking into account cash flow management within the Group. Accordingly, management has measured the ECL on the Group's and the Company's trade receivables to be insignificant.

# Notes to the Financial Statements

For The Financial Year Ended 31 December 2018

## 29. Financial instruments and financial risk (Continued)

### 29.1 Credit risks (Continued)

A trade receivable is written off when there is information indicating that the customer is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the customer has been placed under liquidation or has entered into bankruptcy proceedings. The Group has written off approximately \$8,000 (2017: \$Nil) during the financial year.

As disclosed in Note 2.6 in the financial statements, the impairment of trade receivables in prior years was assessed based on objective evidence that the estimated future cash flows have been impacted. The amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

#### Non-trade receivables

Management monitors and assess at each reporting date on any indicator of significant increase in credit risk for the non-trade receivables due from third parties (Note 8). In the assessment for indicators, management took into account information that are available internally about these counterparties and if the entities had defaulted in their debts. Based on the assessment, management has determined that the credit risk for these assets has not increased significantly since their initial recognition, and accordingly, the non-trade amounts have been measured based on 12-month expected credit loss model. At each reporting date, the Group and Company did not expect any significant credit losses from non-performance by the counterparties and accordingly, no loss allowance has been recognised.

For the Company's non-trade receivables due from a subsidiary, LHT Gpac Technology (M) Sdn. Bhd. ("LHT Gpac") amounting to \$1,400,000 (Note 8), management has taken into account the available internal information on the subsidiary's past, current and expected operating performance and cash flow position. The management monitors and assesses at each reporting date on any indicator of change in credit risk on the amount due from the subsidiary, by considering its performance ratio and any default in external debts. The risk of default is considered to be minimal and subject to immaterial credit loss.

#### Cash and bank balances and fixed deposits

Credit risk also arises from cash and balances and fixed deposits held with banks. The Board of Directors monitors the credit ratings of counterparties regularly. Impairment of cash and bank balances and fixed deposits have been measured based on 12-month expected credit loss model. At each reporting date, the Group and Company did not expect any material credit losses from non-performance by these banks which are assigned with minimum rating "A" and above by international credit-rating agencies.

### 29.2 Market risks

The Group's and the Company's activities are affected by various financial risks, including the effects of changes in foreign currency exchange rates and interest rates as described in the following paragraphs. The policies for managing each of these risks are summarised below.

#### (i) *Foreign currency risk*

The Group and the Company transacts business in various currencies, including Singapore Dollar ("SGD"), Malaysian Ringgit ("RM"), United States Dollar ("USD") and Chinese Renminbi ("RMB") and therefore is exposed to foreign exchange risk.



# Notes to the Financial Statements

For The Financial Year Ended 31 December 2018

## 29. Financial instruments and financial risk (Continued)

### 29.2 Market risks (Continued)

#### (i) Foreign currency risk (Continued)

At each reporting date, the carrying amounts of monetary assets and monetary liabilities denominated in currencies other than the respective Group entities' functional currencies are as follows:

	Group			Company		
	31.12.2018	31.12.2017	1.1.2017	31.12.2018	31.12.2017	1.1.2017
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Monetary assets</b>						
SGD	568	1,679	1,403	–	–	–
RM	7	955	1,965	1,551	955	1,965
USD	933	1,442	2,392	1,675	990	1,762
RMB	30	32	32	31	32	32
<b>Monetary liabilities</b>						
SGD	1,407	1,556	1,546	–	–	–
RM	1,752	708	1,478	2,594	391	1,373
USD	923	454	223	600	177	166

The Company has a number of investments in foreign subsidiaries, whose net assets are exposed to currency translation risk. The Group does not currently designate its foreign currency denominated debt as a hedging instrument for the purpose of hedging the translation of its foreign operations.

#### Foreign currency sensitivity analysis

The following table details the sensitivity to a 10% (2017: 10%) increase and decrease in the relevant foreign currencies against the functional currency of each Group entity with all other variables held constant. 10% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 10% change in foreign currency rates. The sensitivity analysis includes external loans as well as loans to foreign operations within the Group where they gave rise to an impact on the Group's profit or loss.

If the relevant foreign currency weakens by 10% against the functional currency of each Group entity, profit will increase/(decrease) by:

	Group		Company	
	Increase / (Decrease)			
	In profit for the year			
	31.12.2018	31.12.2017	31.12.2018	31.12.2017
	\$'000	\$'000	\$'000	\$'000
<b>RM</b>				
Strengthens against SGD	(175)	25	(104)	56
Weakens against SGD	175	(25)	104	(56)
<b>USD</b>				
Strengthens against SGD	1	99	108	81
Weakens against SGD	(1)	(99)	(108)	(81)

# Notes to the Financial Statements

For The Financial Year Ended 31 December 2018

## 29. Financial instruments and financial risk (Continued)

### 29.2 Market risks (Continued)

#### (ii) Interest rate risk

The Group's and the Company's exposure to interest rate risk arises from interest-bearing financial assets and liabilities. The Group's and the Company's policy is to maintain an efficient and optimum cost structure using a combination of fixed and variable rate debts, long and short term borrowings.

#### Finance lease payables

The interest rate of finance leases are fixed on the date of inception and are not exposed to interest rate risk.

#### Cash and cash equivalents

The interest-bearing bank balances are short-term in nature. Variation in short-term interest rate is not expected to have a material impact on the results of the Group and the Company.

#### Bank borrowings

The interest charged on the short-term and long-term bank borrowings are re-priced according to market rates on a quarterly basis. The Group and the Company do not hedge against the interest rate risk associated with their bank borrowings.

The following table sets out the carrying amounts of the financial instruments of the Group and the Company that are exposed to interest rate risk at each reporting date:

	Within 1 year \$'000	1 to 5 years \$'000	Total \$'000
<b>31.12.2017</b>			
<b>Group and Company</b>			
<b>Financial liabilities</b>			
<i>Floating rate</i>			
Term loans	148	–	148
<b>1.1.2017</b>			
<b>Group and Company</b>			
<b>Financial liabilities</b>			
<i>Floating rate</i>			
Term loans	907	130	1,037

#### Interest rate sensitivity analysis

The Group and the Company are exposed to interest rate risk through the impact of interest rate changes on financial instruments. Interest rate sensitivity analysis is not prepared as the impact of the change in the interest rate is not material to the Group and the Company.

# Notes to the Financial Statements

For The Financial Year Ended 31 December 2018

## 29. Financial instruments and financial risk (Continued)

### 29.3 Liquidity risk

Liquidity risk refers to the risk in which the Group encounters difficulties in meeting its short-term obligations. Liquidity risks are managed by matching the payment and receipt cycle.

The Group's and the Company's liquidity risks are managed centrally by maintaining an adequate level of cash and cash equivalents as well as to match the payment and receipt cycle to finance the Group's and the Company's operations. Long-term borrowing is a preferred source of financing to ensure continuity of funding. The Group and the Company also ensure there are adequate lines of bank credit to address any short-term funding requirement. The Group's and the Company's surplus funds are also managed centrally by placing them with reputable financial institutions.

The following table details the Group's and Company's remaining contractual maturity for its non-derivative financial liabilities. The table has been drawn up based on undiscounted cash flows of financial instrument based on the earlier of the contractual date or when the Group and the Company expected to receive or pay. The table includes both interest and principal cash flows. The adjustment column represents the possible future cash flows attributable to the instrument included in the maturity analysis which are not included in the carrying amount of the financial instrument on the statements of financial position.

#### *Contractual maturity analysis*

	Within one financial year \$'000	After one financial year but within five financial years \$'000	Total \$'000
<b>Group</b>			
<b>31.12.2018</b>			
<b><u>Financial liabilities</u></b>			
Borrowings	229	320	549
Trade and other payables*	4,221	–	4,221
<b>31.12.2017</b>			
<b><u>Financial liabilities</u></b>			
Borrowings	354	393	747
Trade and other payables*	3,942	–	3,942
<b>1.1.2017</b>			
<b><u>Financial liabilities</u></b>			
Borrowings	1,199	345	1,544
Trade and other payables*	3,896	–	3,896



# Notes to the Financial Statements

For The Financial Year Ended 31 December 2018

## 29. Financial instruments and financial risk (Continued)

### 29.3 Liquidity risk (Continued)

*Contractual maturity analysis (Continued)*

	Within one financial year \$'000	After one financial year but within five financial years \$'000	Total \$'000
<b>Company</b>			
<b>31.12.2018</b>			
<b><u>Financial liabilities</u></b>			
Borrowings	81	213	294
Trade and other payables*	4,052	–	4,052
Financial guarantee contract issued for a subsidiary	46	–	46
<b>31.12.2017</b>			
<b><u>Financial liabilities</u></b>			
Borrowings	231	293	524
Trade and other payables*	4,201	–	4,201
Financial guarantee contract issued for a subsidiary	110	–	110
<b>1.1.2017</b>			
<b><u>Financial liabilities</u></b>			
Borrowings	923	154	1,077
Trade and other payables*	5,148	–	5,148
Financial guarantee contract issued for a subsidiary	306	–	306

\* Excluding GST payables, provision for unutilised leave and advances from customers.

The disclosed amount for the financial guarantee contract represent the maximum amount and at the earliest period for which the Company could be called upon by the bank to pay should the subsidiary default on the repayments.

## 30. Capital management policies and objectives

The Group and Company manages its capital to ensure that entities in the Group and Company will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance.

The capital structure of the Group consists of debts, which includes the borrowings as disclosed in Note 11, equity attributable to equity holders of the Company, comprising issued capital, reserves and retained earnings as disclosed in the consolidated statement of changes in equity.

The Group's management reviews the capital structure on a semi-annual basis. As a part of this review, the management considers the cost of capital and the risks associated with each class of capital. The Group will balance its overall capital structure through the payment of dividends, new shares issues and share buy-backs as well as the utilisation of new banking facilities or the repayment of existing borrowings.

# Notes to the Financial Statements

For The Financial Year Ended 31 December 2018

## 30. Capital management policies and objectives (Continued)

As disclosed in Note 6, a subsidiary of the Group in the People's Republic of China are subject to local exchange control regulations. These regulations place restrictions on exporting capital out of the country other than through dividends.

The Group and Company are not subjected to any externally imposed capital requirements for the financial years ended 31 December 2018 and 31 December 2017.

The Company's overall strategy remains unchanged from 2017.

## 31. Fair values measurement

### 31.1 Fair value of non-financial assets that are measured at fair value on a recurring basis

For the financial reporting purposes, the fair value measurement of the Group's and the Company's financial and non-financial assets and liabilities utilises market observable inputs and data as far as possible. Inputs used in determining fair value measurements are categorised into different levels based on how observable the inputs used in the valuation technique utilised are (the 'fair value hierarchy'):

- Level 1: Quoted prices in active markets for identical items (unadjusted)
- Level 2: Observable direct or indirect inputs other than Level 1 inputs
- Level 3: Unobservable inputs (i.e. not derived from market data)

The classification of an item into the above levels is based on the lowest level of the inputs used that has a significant effect on the fair value measurement of the item. Transfers of items between levels are recognised in the period they occur.

The table below classifies the non-financial assets that are measured at fair value using the level of fair value hierarchy:

	Fair value measurement using:		
	Level 1	Level 2	Level 3
	\$'000	\$'000	\$'000
<b>Group and Company</b>			
<b>1.1.2017</b>			
<b>Non-financial asset</b>			
Investment property	–	–	5,750

Details of the leasehold property are as follows:

Description/existing use	Location	Approximate gross floor area	Tenure
A purpose-built industrial property comprising of 7 blocks of single story of factory, warehouse and worker dormitory	44 Sungei Kadut Street 1, Singapore 729349	12,516 sqm	25 years expiring 2025

The Group's Administration and Financial Controller (FC), oversees the Group's financial reporting valuation process and is responsible for setting and documenting the Group's valuation policies and procedures. In this regard, the FC reports to the Group's Audit Committee.

# Notes to the Financial Statements

For The Financial Year Ended 31 December 2018

## 31. Fair values measurement (Continued)

### 31.1 Fair value of non-financial assets that are measured at fair value on a recurring basis (Continued)

For all significant financial reporting valuations using valuation models and significant unobservable inputs, it is the Group's policy to engage external valuation experts who possess the relevant credentials and knowledge on the subject of valuation, valuation methodologies and fair value measurement guidance to perform the valuation.

The fair value of the investment property as at 1 January 2017 had been determined on the basis of valuation carried out at the year end date by an independent valuer having an appropriate recognised professional qualification and experience in the location and category of the property being valued. The valuation was arrived at using the Direct Sale Comparison approach by making reference to market evidence of transacted prices per square metre for comparable properties, adjusted for key attributes such as size, tenure, location, condition and prevailing market conditions. The estimation of fair value of the investment property is based on its highest and best use which is in line with its current use.

Management considers that the fair value of the investment property is sensitive to these unobservable adjustments to the price per square metre. The adjusted prices per square metre were used in estimating the fair value of investment property is \$326 per square metre.

Any changes to the unobservable inputs, to the extent that they increase or decrease the price per square metre, will result in a corresponding increase or decrease in the fair values of the property. There are no significant inter-relationship between unobservable inputs and fair value.

### 31.2 Financial instruments that are not measured at fair value, for which fair value is disclosed

Management considers the financial assets carried at amortised cost to approximate their fair value due to their respective short term maturities. The fair values of current and non-current financial liabilities are disclosed in the table below.

	31.12.2018		31.12.2017		1.1.2017	
	Carrying amount \$'000	Fair value \$'000	Carrying amount \$'000	Fair value \$'000	Carrying amount \$'000	Fair value \$'000
<b>Group</b>						
Financial liabilities:						
- financial lease payables	509	549	549	598	474	490
- term loans	–	–	148	149	1,037	1,053
<b>Company</b>						
Financial liabilities:						
- financial lease payables	268	294	333	375	22	23
- term loans	–	–	148	149	1,037	1,053

The fair values of borrowings, which are classified in level 3 of the fair value hierarchy, are determined based on cash flows analyses, discounted at market borrowing rates of a similar instrument which management expects to be available to the Group and Company.

### 31.3 Financial instruments that are measured at fair value

The Group and the Company do not hold any financial instruments that are measured at fair value as at the end of the financial year.



# Notes to the Financial Statements

For The Financial Year Ended 31 December 2018

## 32. Convergence to SFRS(I)s

The Group has transited to SFRS(I)s on 1 January 2018. In transiting to SFRS(I)s, the Group is required to apply all of the specific transition requirements under SFRS(I) 1 *First-time adoption of Singapore Financial Reporting Standards (international)*.

The accounting policies set out in Note 2 to the financial statements comply with SFRS(I)s effective on 1 January 2018. These accounting policies have been applied in preparing the financial statements of the Group for the financial year ended 31 December 2018, as well as comparative information presented in these financial statements for the financial year ended 31 December 2017 and in the preparation of the opening statements of financial position at 1 January 2017 ("date of transition").

### (a) Optional exemptions applied

The Group has applied the following exemptions in preparing their first set of financial statements in accordance with SFRS(I)s:

#### Short-term exemption on adoption of SFRS(I) 9 *Financial Instruments*

The Group has elected to apply the short-term exemptions upon adoption of SFRS(I) 9 on 1 January 2018. As a result, the financial instruments included in the comparatives have been accounted for in accordance with FRS 39 *Financial Instruments: Recognition and Measurement*. The Group is also exempted from complying with SFRS(I) 7 *Financial Instruments: Disclosure* on the disclosure requirements in relation to SFRS(I) 9.

### (b) Changes in presentation of the comparative financial information in the statements of financial position arising from the transition from FRSs to SFRS(I)s

#### Cumulative translation differences

The Group elected the optional exemption in SFRS(I) 1 to reset its cumulative foreign exchange reserve for all foreign operations to \$Nil at the date of transition, and reclassified the cumulative foreign exchange reserve as at 1 January 2017 determined in accordance with FRSs to retained earnings. After that date of transition, any gain or loss on disposal of any foreign operations will exclude translation differences that arose before the date of transition.

Except as disclosed below, the election of SFRS(I) 1 has no impact on the Group's consolidated statement of comprehensive income and consolidated statement of cash flows, as well as the Company's statement of financial position.

# Notes to the Financial Statements

For The Financial Year Ended 31 December 2018

## 32. Convergence to SFRS(I)s (Continued)

- (b) Changes in presentation of the comparative financial information in the statements of financial position arising from the transition from FRSs to SFRS(I)s (Continued)

### Cumulative translation differences (Continued)

Reconciliation of the Group's equity reported in accordance with FRSs to SFRS(I)s is presented below:

	<u>Reported under FRSs</u> \$'000	<u>Group Effects of applying SFRS(I) 1</u> \$'000	<u>Reported under SFRS(I)s</u> \$'000
<b>As at 1 January 2017</b>			
<b>Equity</b>			
Share capital	24,621	–	24,621
Currency translation reserve	(2,289)	2,289	–
Asset revaluation reserve	1,376	–	1,376
Retained earnings	22,563	(2,289)	20,274
Equity attributable to owners of the Company, representing total equity	46,271	–	46,271
<b>As at 31 December 2017</b>			
<b>Equity</b>			
Share capital	24,621	–	24,621
Currency translation reserve	(2,130)	2,289	159
Retained earnings	28,783	(2,289)	26,494
Equity attributable to owners of the Company, representing total equity	51,274	–	51,274

## 33. Authorisation of financial statements

The consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company for the financial year ended 31 December 2018 were authorised for issue by the Board of Directors on 28 March 2019.

# Supplementary Information in Compliance with SGX-ST

## 1 MATERIAL CONTRACT

There are no material contracts to which the Company or any subsidiary company is a party involving the CEO, Managing Director, each director, or each controlling shareholder, and are still subsisted at the end of the financial year, or if not subsisting, entered into since the end of the previous financial year.

## 2 INTERESTED PERSON TRANSACTION [Listing Rule Chapter 9]

In compliance with Chapter 9 of the Listing Manual ("the Manual") of the Singapore Exchange Securities Trading Limited, there were no transactions with interested person (as defined in the Manual) for the financial year ended 31 December 2018 that exceeded the stipulated threshold. During the year, the aggregate amount of interested person transactions conducted, excluding transactions less than S\$100,000 was S\$1,063,108 as shown in the table below.

Name of Interested Person	Aggregate value of all interested person transactions during the financial year under review (excluding transactions less than \$100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920)	Aggregate value of all interested person transactions conducted under shareholders' mandate pursuant to Rule 920 (excluding transactions less than \$100,000)
Hwee Wong Transport Trading Pte Ltd ("HWT")	HWT provides transport services to the Company. \$812,209	0
Leayong Trading ("LT")	LT provides transport services to subsidiaries of the Company \$176,052	0
Gold Leayong Trading ("GLT")	GLT provides transport services to subsidiaries of the Company \$72,767	0
Tomy Printing Company ("TPC")	TPC provides printing services to the Company \$2,080	0
Total	\$1,063,108	0

For interested person transactions above, there were no transactions with interested persons as defined in the SGX's Listing Manual for the financial year ended 31 December 2018 that exceeded the stipulated threshold. Therefore, no shareholders' mandate pursuant to Rule 920 has been obtained.



# Supplementary Information in Compliance with SGX-ST

## 3 RISK MANAGEMENT POLICY AND PROCESS

### 3.1 Business Risk Management

The Group's market for its pallets and packaging products are predominantly in Singapore where it serves a broad range of industry segments and the demand for the Group's wooden pallets and packaging products will depend on the cumulative level of business activities in all these industries in Singapore. As such, the Group's business will be affected by economic fluctuations in Singapore.

The Group further expects the establishment of its subsidiary companies and appointment of marketing agents overseas to improve the international market for Technical Wood products, IPPC pallets and packaging products, but this is subject to the effect of the global economy. The wider acceptance of environmental-friendly Technical Wood products, ECR pallets and pest-free pallet products will have a positive impact on the Group's performance.

### 3.2 Raw Material Risk Management

As most of the Group's raw materials for the pallet and packaging products are sourced from overseas, particularly from Australia, New Zealand and China, the Group's cost of raw materials will be affected by fluctuations in currencies, which in turn will affect our production cost. In order to contain the impact of this fluctuation, the Group monitors currency movements and will hedge when necessary.

### 3.3 Human Resource Management

The Group recognises the importance of human capital and employee's morale within the organisation. It has in place a systematic process in ensuring that employees are competitively rewarded and incentives and bonuses are accorded based on the performance of the companies within the Group and the performance of the employees.

### 3.4 Safety and Emergency Risk Management

The Group strongly emphasises the importance of health and safety, especially fire safety in this hazardous wood industry, and recognises the criticalness of providing uninterrupted flow of products and services. The Group has in place Fire and Safety Committees which are set up to review and advise on proper health and safety issues, fire prevention and emergency preparedness in the handling of incidents. There is also close coordination between various committees in emergency response and preparedness. The Company is a member of the Safety & Security Watch Group (SSWG) of Sungei Kadut and Kranji Industrial Estates and plays an important role in assisting SPF and SCDF in handling of incidents relating to security and civil emergencies.

### 3.5 Financial Risk Management

The Group's financial risks mainly consist of interest rate risk, liquidity risk, credit risk, foreign currency risk, and capital risk management which arise from the Group's financial instruments. The details of the management of these risks are stated on page 70 to 77, Note 29 and 30 of the Notes to the Financial Statements for the financial year ended 31 December 2018.

# Corporate Governance Report

LHT Holdings Limited (the “**Company**”) is committed to maintaining good corporate governance and transparency practices within the Company and its subsidiaries (the “**Group**”). Good corporate governance establishes and maintains an ethical environment in the Group, which strives to enhance the interests of the shareholders of the Company (the “**Shareholders**”). This Report outlines the Company’s corporate governance processes and activities for the financial year ended 31 December 2018 (“**FY 2018**”) with specific reference to the Code of Corporate Governance 2012 (the “**Code**”). The Company has complied with the Code except where otherwise explained. In areas where the Group has not complied with the Code, the Group will continue to assess its needs and implement appropriate measures accordingly. For ease of reference, the relevant provisions and guidelines of the Code under discussion are in italics.

The Monetary Authority of Singapore issued a revised Code of Corporate Governance on 6 August 2018 (the “new 2018 CG Code”) and accompanying Practice Guidance. The new 2018 CG Code supersedes and replaces the Code and will apply from 1 January 2019. The Group will review and set out the corporate governance practices in place to comply with the new 2018 CG Code, where appropriate in the Annual Report 2019.

## Board of Directors (the “Board”)

### *The Board’s conduct of its affairs*

#### **Principle 1:**

***Every company should be headed by an effective Board to lead and control the company. The Board is collectively responsible for the long-term success of the company. The Board works with Management to achieve this objective and the Management remains accountable to the Board.***

The primary function of the Board is to provide entrepreneurial leadership so as to protect and enhance long-term value and returns for its shareholders. Besides carrying out its statutory responsibilities, the Board’s role is to:

- Assume the responsibility of corporate governance;
- Approving the Group’s policies, strategies and financial plans;
- Guide the formulation of the Group’s overall long-term strategic plans and performance objectives as well as operational initiatives;
- Establish and oversee the process of evaluating the adequacy of internal controls, risk management, financial reporting and compliance;
- Review and approve annual budgets, major funding proposals, investment and divestment proposals;
- Set the Company’s values and ethical standards, and ensure that obligation to shareholders and other stakeholders are understood and duly met;
- Consider sustainability issues such as environmental and social factors as part of its strategic formulation;
- Reviewing the Group’s financial and management performance;
- Overseeing the business of the Group and monitoring the performance of the Company’s management;
- Approval of nominations for the Board by the Nominating Committee and endorsing the appointments of the key executives and senior management;
- Reviewing recommendations made by the Audit Committee on the appointment, re-appointment or removal of external auditors; and
- Reviewing recommendations made by the Remuneration Committee and approving the remuneration packages for the Board and key management.

# Corporate Governance Report

## **Board Composition and Guidance**

### **Principle 2:**

***There should be a strong and independent element on the Board, which is able to exercise objective judgement on corporate affairs independently, in particular, from Management and 10% shareholders. No individual or small group of individuals should be allowed to dominate the Board's decision making.***

***Guidelines 2.1: There should be a strong and independent element on the Board, with independent directors making up at least one-third of the Board.***

The Board comprises seven Directors; of whom three are Non-Executive Independent Directors, three Executive Directors, and one Alternate Director to the Managing Director, Ms Yap Mui Kee.

The Composition of the Board is as follows:

Ms Yap Mui Kee (Executive Chairman, Managing Director and CEO)  
Mr Tan Kim Sing (Executive Director)  
Mr Billy Neo Kian Wee (Executive Director)  
Mr Tan Kok Hiang (Non-Executive Director, Lead Independent Director)  
Mr Low Peng Kit (Non-Executive Director, Independent Director)  
Dr Wu Chiaw Ching (Non-Executive Director, Independent Director)  
Ms Sally Yap Mei Yen (Alternate Director to Ms Yap Mui Kee)

This composition is in compliance with the **Guideline 2.1 that at least one-third of the Board should be made up of independent directors** and **Guideline 2.2 of the Code: Independent Directors to make up at least half of the Board where**

- (a) ***the Chairman of the Board (the "Chairman") and the chief executive officer (or equivalent) (the "CEO"), is the same person;***
- (b) ***the Chairman and the CEO are immediate family members;***
- (c) ***the Chairman is part of the management team; or***
- (d) ***the Chairman, is not an independent director.***

The Board has appointed Mr Tan Kok Hiang ("Mr Tan") as the Lead Independent Director of the Company. Mr Tan is available to the shareholders where they have concerns which they are unable or felt inappropriate to contact through the normal channels of the Chairman, the Managing Director and the CEO.

The Board conducts regularly scheduled meetings. Ad-hoc meetings are convened when circumstances require. To facilitate the attendance and participation of Directors at Board meetings, the Company's Constitution allows Board meetings to be conducted by means of telephone conference or other methods of simultaneous communication by electronic or telegraphic means.

### **Guideline 1.5: Internal Guidelines for Matters Requiring Board Approval**

The Group has adopted a set of internal guidelines setting forth matters that require the approval of the Board. Under these guidelines, any major funding proposals, investment and divestment proposals, material acquisitions and disposals of assets, corporate restructuring exercise and all commitments to short-term and long-term loans, all banking facilities and lines of credit from banks and financial institutions and unbudgeted huge capital expenditure required the approval of the Board.



# Corporate Governance Report

## **Guidelines 1.6 and 1.7: Directors' Orientation and Training**

The Company has a training budget to fund the existing Directors' participation at industry conferences and seminars, and attendance at any course of instruction/training programme in connection with their duties as Directors. This budget may be utilised by each and every Director subject to approval by the Managing Director. The Company has adopted a policy that welcomes Directors to request for explanations, briefings or informal discussions on any aspects of the Company's operations or business issues from the management. The Managing Director will make the necessary arrangements for the briefings, informal discussions or explanations when required by the Directors.

Upon appointment as a director, each director receives a formal letter of appointment from the company and will also be provided with the relevant information on his/her duties and responsibilities as a director, the company's corporate governance processes as well as relevant statutory and regulatory compliance issues. Orientation courses and educational programs will be organised for each new director to ensure that the incoming director is familiar with the Group's key business and governance practices.

As part of the Company's continuing education for all directors, the Corporate Secretary circulates to the Board announcements, articles, reports and press releases, such as those issued by the Singapore Exchange Securities Trading Limited ("**SGX-ST**"), those issues and useful articles in the local newspapers contributed by Singapore Institute of Directors ("**SID**") and the Accounting and Corporate Regulatory Authority of Singapore ("**ACRA**") which are relevant to the Group's businesses and compliance to the applicable laws, regulations and accounting standards which are currently in force and professional bodies related to the Group's core businesses, board matters and compliance information to keep all directors updated on the current industry trends.

The Board as a whole is regularly updated on risk management, corporate governance, insider trading and the key changes in the relevant regulatory requirements and financial reporting standards, so as to enable them to properly discharge their duties as Board or Board Committee members. The details of updates, briefings and training programmes attended by the Directors in FY 2018 are as follows:-

- BDO Financial Reporting Standard (FRS) Seminar 2018.
- Webinar by Chartered Secretaries Institute of Singapore on the SGX Consultation Paper on Enhancements to Continuous Disclosure.
- Ethics and Professionalism: It's not about doing a job but how you do it (e-learning) by the Institute of Singapore Chartered Accountants (ISCA).
- Methodology of Sustainability Reporting by BDO Risk Advisory Pte Ltd.
- Singapore Budget Seminar 2018 by BDO LLP.
- SID Seminar on Woman On Board.
- BizSafe 3 on SG Secure
- Navigating Regulatory Burden And Compliance Pressure in ASEAN by Thomson Reuters.
- Data And Insights-Driven Digital Innovation by SID.
- Legal and Accounting Connect 2018 by The Law Society of Singapore and ACCA.
- SGX Fast Track – Incentive For Company With Good Governance.
- AC Pit-Stop: Harnessing the Full Potential of Internal Audit by SID.
- Singapore Governance and Transparency Index (SGTI).
- 9<sup>th</sup> Corporate Governance Week – Global Corporate Governance Conference by SIAS.
- Financial Reporting Standards Seminar And Workshop Week 2018 by BDO LLP.

# Corporate Governance Report

- Launch of the Singapore Directorship Report 2018 & Corporate Governance Guides for Boards in Singapore 2018 Edition.
- PAIB, Professional Accountants In Business Conference 2018: Championing Growth In The Transformation Wave by ISCA.
- Corporate Governance Code Briefing by SID.
- CPA Congress 2018 by CPA Australia.
- Future of Law with Technology by SCCCI.

To assist the Board in discharging its responsibilities, the Board has established three board committees, namely, the Audit Committee (the “**AC**”), the Nominating Committee (the “**NC**”) and the Remuneration Committee (the “**RC**”). These committees function within clearly defined terms of reference and operating procedures, which are reviewed on a regular basis. The number of Board, AC, NC and RC meetings held in FY 2018 and the attendance of each Board member at those meetings were as follows:-

## Directors’ Attendance at Board and Board Committee Meetings

Name	Board		Audit Committee		Nominating Committee		Remuneration Committee	
	No. of Meetings held	No of Meetings Attended	No. of Meetings held	No of Meetings Attended	No. of Meetings held	No of Meetings Attended	No. of Meetings held	No of Meetings Attended
<b>Yap Mui Kee</b> (Managing Director)	2	2	2	2 <sup>#</sup>	2	2 <sup>#</sup>	2	2 <sup>#</sup>
<b>Tan Kim Sing</b> (Executive Director)	2	2	2	2 <sup>#</sup>	2	2 <sup>#</sup>	2	2 <sup>#</sup>
<b>Billy Neo Kian Wee</b> (Executive Director)	2	2	2	2 <sup>#</sup>	2	2 <sup>#</sup>	2	2 <sup>#</sup>
<b>Tan Kok Hiang</b> (Non Executive, Lead Independent Director)	2	2	2	2	2	2	2	2
<b>Low Peng Kit</b> (Non Executive, Independent Director)	2	2	2	2	2	2	2	2
<b>Wu Chiaw Ching</b> (Non Executive, Independent Director)	2	2	2	2	2	2	2	2
<b>Sally Yap Mei Yen**</b> (Alternate Director to Yap Mui Kee and Corporate Secretary)	2	2	2	2 <sup>#</sup>	2	2 <sup>#</sup>	2	2 <sup>#</sup>

<sup>#</sup> By invitation.

\*\* Yap Mui Kee and Sally Yap Mei Yen are sisters.

# Corporate Governance Report

## **Guideline 1.4: Meetings of the Board**

The dates of meetings of the Board and the Board Committees as well as the annual general meeting (“AGM”) are scheduled half year in advance. To ensure maximum participation, the Corporate Secretary will consult every director before fixing the dates of these meetings. The Board meets at least two times within each financial year and at other times as appropriate, to approve the release for the Group’s financial results as well as to consider and resolve major financial and business matters of the Group. The Board and Board Committees may also make decisions by way of circular resolutions in writing. To facilitate effective management, the day-to-day management of the Group’s businesses and affairs are entrusted to the executive directors and key management.

The Non-Executive Independent Directors were required to make half-yearly independence declaration based on the criterion of independence provided under **guidelines 2.3** of the Code. The NC has reviewed such declarations and has ascertained and satisfied the independence status of all the three Non-Executive Independent Directors of the Company.

## **Guidelines 2.7 and 2.8: Role of Non-Executive Directors**

The independent directors provide, amongst other things, strategic guidance to the Company based on their professional knowledge, in particular, assisting to constructively challenge and develop proposals on strategy. The independent directors also help to review the performance of the Company’s management in meeting agreed goals and objectives and monitor the reporting of performance. To this end and where appropriate, they are encouraged to arrange for meetings without the Company’s management being present twice per year, and at times deemed necessary.

## **Guidelines 2.4: The Independent of any Independent Directors who has served the Board beyond nine years**

In line with **guideline 2.4 of the Code**, the Board has also reviewed the number of years served by each Non-Executive Independent Director. The NC noted all members, Mr Tan Kok Hiang, Mr Low Peng Kit and Dr Wu Chiaw Ching had served the Company for more than nine years. Having considered their in-depth knowledge of the Group’s business operations, past and continuous contributions at Board level in terms of impartial and constructive advice; the Board was of the view that there was no material conflict between their tenure and their ability to discharge their role as Non-Executive Independent Directors.

The Board and its Board Committees comprise directors who as a group provide an appropriate balance and diversity of skills, experience, gender and knowledge of the Company. The three Non-Executive Independent Directors endeavour to constructively challenge and help develop proposals on strategy and to review the performance of management in meeting goals and objectives. To facilitate a more effective check on management, the Non-Executive Independent Directors met twice without the presence of management in FY 2018. Key information of Directors is set out on pages 89 to 91 of this Annual Report.

## **Role of the Chairman and Chief Executive Officer (“CEO”)**

### **Principle 3:**

**There should be a clear division of responsibilities between the leadership of the Board and the executives responsible for managing the company’s business. No one individual represents a considerable concentration of power.**

The Board is of the view that there exist a team of strong Non-Executive Independent Directors on the Board to enable the exercise of unbiased and objective judgement on corporate affairs of the Group by members of the Board, taking into account factors such as the number of Non-Executive Independent Directors on the Board, as well as the size and scope of the affairs and operations of the Group. No one individual represents a considerable concentration of power.

The Chairman and the Managing Director are responsible for, among others,

- (1) Exercising control over quality, quantity, and timeliness of the flow of information between the management of the Company (the “Management”) and the Board.
- (2) Scheduling meetings that enable the Board to perform its duties responsibly with no disruption to the operation of the Company.



# Corporate Governance Report

- (3) Assisting in ensuring the compliance with Company's guideline on governance.
- (4) Setting meeting agenda for Board Meetings with the assistance of the Corporate Secretary.

The Managing Director reviews most of the board papers before they are presented to the Board; this is to ensure that board members are provided with relevant, adequate and complete information. As a general rule, board papers are sent to Directors at least five days before the date of the meeting to enable Directors to prepare for the meeting.

The Independent Directors, led by the Lead Independent Director, meet amongst themselves without the presence of other Directors twice a year, coinciding with the half-yearly meeting. The Lead Independent Director will provide feedback to the Chairman and the Managing Director after such meetings.

## Board Committees

### Nominating Committee ("NC")

#### *Board Membership*

#### *Principle 4:*

***There should be a formal and transparent process for the appointment and re-appointment of Directors to the Board.***

The NC comprises all the three Non-Executive Independent Directors. The Chairman of the NC is Mr. Low Peng Kit. Mr Tan Kok Hiang and Dr Wu Chiaw Ching are the members.

#### ***Guideline 4.2 The Role of the Nominating Committee***

The NC performs the roles of selection, appointment and re-appointment of directors to the Board. NC has adopted specific written terms of reference. Mr Tan Kok Hiang, Lead Independent Director is also a member of the NC. The key terms of reference of the NC include:-

- (i) to make recommendations to the Board on the appointment of new executive and non-executive Directors, including making recommendations to the composition of the Board generally and the balance between executive and non-executive Directors appointed to the Board.
- (ii) to determine annually if a Director is independent and make recommendations to the Board on the composition of independence Directors on each Board Committee.
- (iii) to identify and nominate candidates for the approval of the Board, to fill Board vacancies as and when they arise as well as put in place plans for succession, in particular for the Chairperson and Chief Executive.
- (iv) to recommend Directors who are retiring by rotation to be put forward for re-election.
- (v) to have due regard to the principles of governance and code of best practice.
- (vi) to liaise with the Board in relation to the preparation of the Committee's report to shareholders as required.
- (vii) to decide whether or not a Director is able to and has been adequately carrying out his/her duties as a Director of the Company, particularly when he/she has multiple Board Representations. The NC has adopted internal guidelines that address the competing time commitments that are faced when Directors serve on multiple boards to ensure that Directors give sufficient time and attention to each Company's affairs.
- (viii) to assess the effectiveness of the Board as a whole and to assess the contribution of each Director to the effectiveness of the Board. This assessment process is performed and disclosed annually.

From time to time, the NC would make recommendations to the Board matters relating to the training and professional development programs for the Board.

# Corporate Governance Report

## **Guideline 4.6 Process for Selection and Appointment of New Directors**

- The NC reviews the needs of the Board by taking into account the scope and need of the operations of the Group.
- From The Board Performance Evaluation which are completed by the Board annually, the NC is able to evaluate whether the composition and size of the Board is adequate. It also assesses whether additional competencies are required in the area where the appointment of new directors is concerned.
- In selecting new directors, suggestions made by directors were considered.
- Where a vacancy arises under any circumstances, or where it is considered that the Board could benefit from the services of a new Director with particular skills, the NC, in consultation with the Board determines the selection criteria and selects candidates with the appropriate expertise and experience for the position.
- The NC will evaluate the capabilities of the candidates in areas of academic and professional qualifications, knowledge and experiences in relation to the business of the Group.
- After assessing their suitability, potential candidates are then interviewed, further assessed and shortlisted by the NC and subsequently, appointed to the Board.

None of the Directors is appointed for a fixed term. The following Articles in the Company's Constitution, provide guidelines for retirement and rotation of Directors:-

**Article 103** provides that one-third of the directors for the time being (or if their number is not a multiple of three, the number nearest to but not greater than one-third) shall retire from office by rotation, provided that every director (including those appointed for a specific term) shall be subject to retirement by rotation at least once every three years.

**Article 107** provides that any director appointed during the financial year, shall hold such office until the next annual general meeting of the Company and shall be eligible for re-election at such general meeting.

The key information regarding the Directors of the Company, including their present and past three years directorship in other listed companies are as follows:

Name of Director	Yap Mui Kee (Managing Director)
Shareholding in the Company (as at 6 March 2019)	7,008,232 Shares (as set out on page 122 of this report)
Board Committees Served	None
Date of first appointment as Director	02 January 1988
Date of last re-election as Director	27 April 2018
Present Directorships in other listed companies	None
Past Directorships in other listed companies (within the last 3 years)	None
Other Principal Commitment	None

# Corporate Governance Report

Name of Director	Tan Kim Sing (Executive Director)
Shareholding in the Company (as at 6 March 2019)	9,671,205 Shares (as set out on page 122 of this report) Tan Kim Sing is deemed to be interested in the 16,250 shares held by his spouse, Mdm Ng Siew Yeng
Board Committees Served	None
Date of first appointment as Director	29 August 1980
Date of last re-election as Director	28 April 2017 (Recommended by Nominating Committee for re-election under Article 103 of the Company's Constitution at the forthcoming Annual General Meeting to be scheduled on 30 April 2019)
Present Directorships in other listed companies	None
Past Directorships in other listed companies (within the last 3 years)	None
Other Principal Commitment	None

Name of Director	Billy Neo Kian Wee (Executive Director)
Shareholding in the Company (as at 6 March 2019)	856,000 Shares
Board Committees Served	None
Date of first appointment as Director	24 February 2017
Date of last re-election as Director	28 April 2017
Present Directorships in other listed companies	None
Past Directorships in other listed companies (within the last 3 years)	None
Other Principal Commitment	None

Name of Director	Tan Kok Hiang (Non-Executive, Lead Independent Director)
Shareholding in the Company (as at 6 March 2019)	10,000 Shares
Board Committees Served	Tan Kok Hiang is a Chairman of Audit Committee and Remuneration Committee and Member of Nominating Committee
Date of first appointment as Director	01 July 1999
Date of last re-election as Director	27 April 2018
Present Directorships in other listed companies	Enviro-Hub Holdings Ltd (Non-Executive, Independent Director) Transit-Mixed Concrete Ltd (Non-Executive Chairman, Independent Director) ICP Limited (Formerly known as Goldtron Limited) (Non-Executive, Independent Director)
Past Directorships in other listed companies (within the last 3 years)	None
Other Principal Commitment	None



# Corporate Governance Report

Name of Director	Low Peng Kit (Non-Executive, Independent Director)
Shareholding in the Company (as at 6 March 2019)	3,750 Shares
Board Committees Served	Low Peng Kit is a Chairman of Nominating Committee, Member of Audit Committee and Remuneration Committee
Date of first appointment as Director	01 July 1999
Date of last re-election as Director	28 April 2017
Present Directorships in other listed companies	None
Past Directorships in other listed companies (within the last 3 years)	None
Other Principal Commitment	None

Name of Director	Wu Chiaw Ching (Non-Executive, Independent Director)
Shareholding in the Company (as at 6 March 2019)	None
Board Committees Served	Wu Chiaw Ching is a Member of Audit Committee, Remuneration Committee, and Nominating Committee
Date of first appointment as Director	12 March 2007
Date of last re-election as Director	29 April 2016 (Recommended by Nominating Committee for re-election under Article 103 of the Company's Constitution at the forthcoming Annual General Meeting to be scheduled on 30 April 2019)
Present Directorships in other listed companies	DLF Holdings Limited (Non-Executive, Lead Independent Director) Goodland Group Limited (Non-Executive, Independent Director) GDS Global Limited (Non-Executive, Lead Independent Director)
Past Directorships in other listed companies (within the last 3 years)	China Fashion Holdings Limited (Non-Executive, Independent Director) Natural Cool Holdings Limited (Non-Executive, Independent Director) Gaylin Holdings Limited (Non-Executive, Independent Director)
Other Principal Commitment	None

Name of Alternate Director	Sally Yap Mei Yen (Alternate Director to Yap Mui Kee and Corporate Secretary)
Shareholding in the Company (as at 6 March 2019)	88,800 Shares
Board Committees Served	Company Secretary to the Audit Committee, Nominating Committee, and Remuneration Committee
Date of first appointment as Director	20 July 1998
Date of last re-election as Director	27 April 2018 (same as the appointor above)
Present Directorships in other listed companies	None
Past Directorships in other listed companies (within the last 3 years)	None
Other Principal Commitment	None

# Corporate Governance Report

Presently, one of the Executive Directors and all Non-Executive Independent Directors of the Company hold other board representations in companies which are not within the Group. The NC has reviewed and is satisfied that such multiple board representations of the Directors would not hinder their abilities to carry out their duties as directors of the Company.

The NC has adopted internal guidelines that address the competing time commitments that are faced when Directors serve on multiple boards to ensure that Directors give sufficient time and attention to each company's affairs. Further the NC and the Board are of the view that such multiple board representations of the Directors benefit the Group, as the Directors can bring with them the experience and knowledge obtained from such board representations in other companies. The current policy of the Company provides that the maximum number of listed company board appointments for Executive Directors or key management personnel shall not be more than four (4) listed companies.

The NC also ensures that the Board as a whole possesses the core competencies required by the Code. The NC adopted the Code's definition of what constitutes an Independent Director.

The NC had met the above terms of reference and is of the view that:-

- (a) all the Directors of the NC are Non-Executive and Independent Directors and are able to exercise objective judgement on corporate affairs of the Group independently from Management;
- (b) there is no individual or small group of individuals on the Board who dominate the Board's decision-making process, and the Board is of the view that there is an adequate process for the appointment of new Directors;
- (c) the Board as a whole, possesses core competencies required for the effective conduct of the affairs and operations of the Group; and
- (d) the current size of the Board is adequate for the purposes of the Group.

## **Guideline 4.5 Appointment of Alternate Directors**

Ms Sally Yap is the Corporate Secretary of the Company and its local subsidiaries. She is also appointed by Ms Yap Mui Kee, the Managing Director of the Company to act as the Alternate Director since 20 July 1988. Ms Sally Yap, being part of the management, is familiar with the Company's affairs. She has always been providing substantial feedback and robust discussion at Board meetings of the Company. The NC, taking into consideration on the above matter, felt that Ms Sally Yap is appropriately qualified and capable of discharging the duties and responsibilities of a Director. As an Alternate Director, she bears all the duties and responsibilities of a director.

## **Board Performance**

### **Principle 5:**

***There should be a formal annual assessment of the effectiveness of the Board as a whole and its board committees and the contribution by each Director to the effectiveness of the Board.***

### **Guidelines 5.1, 5.2 and 5.3: Process for Assessing Board performance**

In the process of assessing the effectiveness of the Board, the contribution of individual directors plays an important role. In reviewing the re-election as well as re-appointment of any director, a formal process is established by performing an evaluation on the performance of the directors annually. Assessment on each director's contribution to the Board includes his/her attendance and participation, time and effort devoted to the Company's business and affairs. The NC has also conducted a Board Performance Evaluation exercise to assess the effectiveness of the Board for FY 2018. The results of the annual assessment shown that the effectiveness of the Board as a whole and its Board Committees and the contribution by each director to the effectiveness of the Board are consistently good.

In addition, through the NC, the Board ensures that the appointed directors possess core competencies like business experience, knowledge of accounting, audit, tax, finance, legal and background understanding of the industry.

New directors will be appointed by way of a board resolution or board meeting after the NC approves of their appointment. Such new directors must submit themselves for re-election at the next AGM as provided under Article 107 of the Company's Constitution.

# Corporate Governance Report

The NC has established an appraisal process to assess the performance and effectiveness of the Board. The assessment process comprises three parts:

Part 1: The Board Self-Assessment on the qualitative of the functioning of the Board

Part 2: Individual Directors Self-Assessment

Part 3: Individual Directors will also do a Peer Assessment on Directors

The performance criteria of the three parts of the assessments have been endorsed by the NC and the Board. The completed qualitative assessment questionnaires are submitted to the NC for discussion. The results and conclusion are then presented to the Board by the NC together with the action plan are then drawn up to address any areas for improvement.

The review parameters for evaluating each Director include, among others, the following:-

- (a) Attendance at board/committee meetings and related activities
- (b) Adequacy of preparation for board meeting
- (c) Contribution in strategic business decision, finance and accounting, risk management, legal and regulatory and HR management
- (d) Contribution in own specialist relevant area
- (e) Generation of constructive debate
- (f) Maintenance of independence
- (g) Disclosure of related party transactions

No external facilitator has been engaged in the Board assessment process.

The NC is of the view that despite multiple board representations in certain instances, each Director is able and has been adequately carrying his duties as a Director of the Company.

The Board is of the view that the performance of the Company's share price alone does not necessarily give a good indication of the performance of the Company and hence the performance of the Board as a whole. Instead, the Board has identified the Group's revenue and profit before tax to be a better performance indicator to assess the performance of the Board.

Each member of the NC shall abstain from voting on any resolution and making any recommendation and/or participating in respect of matters in which he has an interest.

## **Access to information**

### **Principle 6:**

***In order to fulfil their responsibilities, directors should be provided with complete, adequate and timely information prior to board meetings and on an on-going basis so as to enable them to make informed decisions to discharge their duties and responsibilities.***

To keep the Board updated with the business and progress of the Company, the Management has continuously provided to the board members with monthly management accounts and financial statement related information. The information would usually be circulated to the Board Members within twenty (20) days after the month-end. The Board agreed that complete, adequate and timely information are crucial to enable the Board to make an informed decision, and discharge their duties and responsibilities.



# Corporate Governance Report

As a general rule, detailed Board and Board Committees papers would usually be prepared and circulated to the respective Board/committee members not less than five (5) days before each scheduled meetings. These would enable the Director to have sufficient time to review and consider the relevant matters to be highlighted and discussed at the meeting, to promote proactive and productive discussion. Save as aforesaid, certain sensitive matters may be tabled at the meeting and discussed without papers being distributed.

The Directors have been given easy access to the Company's Senior Management and Corporate Secretary. Under the direction of the Chairman, the Corporate Secretary's responsibilities include ensuring good information flow within the Board and its Board Committees and between Management and Non-Executive Independent Directors and advising the Board Committee on all governance matters. To facilitate access, Board members have been provided with phone numbers and e-mails particulars of the Company's Senior Management and the Corporate Secretary. Should the Directors, whether singly or collectively needs independent professional advice, the Corporate Secretary will, upon direction by the Board, appoint a professional advisor selected by the group or the individual, and approved by the Managing Director to render the advice. The cost of such professional advice will be borne by the Company. The Corporate Secretary assisted the Board in ensuring that the Board procedures and the rules and regulations relating to it are complied with. The appointment and the removal of the Corporate Secretary are subject to the approval of the Board.

## Remuneration Committee ("RC")

### *Procedures for Developing Remuneration Policies*

#### **Principle 7:**

***There should be a formal and transparent procedure for developing policy on executive remuneration and for fixing the remuneration packages of individual Directors. No Director should be involved in deciding his own remuneration.***

### *Level and Mix of Remuneration*

#### **Principle 8:**

***The level and structure of remuneration should be aligned with long-term interest and risk policies of the company, and should be appropriate to attract, retain and motivate (a) the Directors to provide good stewardship of the company, and (b) key management personnel to successfully manage the company. However, companies should avoid paying more than is necessary for this purpose***

### *Guideline 8.3 Remuneration of Non-Executive Directors*

The Board recommended a fixed fee for the effort, time spent and responsibilities of each Independent Director. The Chairman of the Board is remunerated with a higher director's fee as his level of responsibility is higher. The directors' fees are subject to shareholders' approval at the AGM. They do not have any service contracts with the Company.

### *Disclosure on Remuneration*

#### **Principle 9:**

***Every company should provide clear disclosure of its remuneration policies, level and mix of remuneration, and the procedure for setting remuneration, in the company's Annual Report. It should provide disclosure in relation to its remuneration policies to enable investors to understand the link between remuneration paid to Directors and key management personnel, and performance.***

The RC comprises three Non-Executive Independent Directors, the Chairman of the RC is Mr Tan Kok Hiang, Mr Low Peng Kit and Dr Wu Chiaw Ching are the members. The Chairman of the RC, Mr Tan Kok Hiang, is experienced in capital markets functions, corporate finance, asset management, financial investments, accounting and is also knowledgeable in the field of executive compensation.

The RC has adopted specific written terms of reference. The key terms of reference of the RC include:-

- (1) to review the remuneration packages and terms of employment of each Executive Director, divisional or subsidiary companies' Directors and each employee who is related to the Executive Director and controlling shareholder of the Group.



# Corporate Governance Report

- (2) to review the total remuneration of the Executive Directors, divisional or subsidiary companies' Directors and employees who are related to the Executive Directors and controlling shareholders of the Group.
- (3) to ensure that the remuneration package of employees related to the Executive Directors and controlling shareholders of the Group are in line with the Group's staff remuneration guidelines and commensurate with their respective job scopes and level of responsibilities.
- (4) to ensure the remuneration of at least the top five executives (in term of aggregate remuneration and not being Directors) are formulated.
- (5) to ensure no Director or member of the RC shall be involved in deciding his own remuneration, except for providing information and documents requested by the RC to assist it in its deliberations.
- (6) to recommend to the Board a framework of remuneration, and the specific remuneration packages for each Director and the CEO (or Executive of equivalent rank) if the CEO is not a Director. The RC's recommendations should be submitted for endorsement by the entire Board. The RC should cover all aspects of remuneration, including but not limited to Director's fees, salaries, allowances, bonuses, options, and benefits in kind. RC will also review the remuneration of senior management.

As part of its review, the RC ensures that the Directors and key management personnel are adequately but not excessively remunerated. As far as possible, the RC ensures that the Executive Directors' and key management personnel remuneration are structured so as to link remuneration to corporate and individual performance and align with the interest of shareholders to promote the long-term success of the Company, taking into account the risk policies of the Company, be symmetric with risk outcomes and be sensitive to the time horizon of risks.

## **Guidelines 7.3, 7.4 and 8.4: Termination Clauses, Expert Advice on Remuneration and Contractual Provisions**

The Managing Director has a 3-year renewal service agreement with removal clauses or early termination clauses. The RC would review the Company's obligations arising in the event of termination of the executive directors' service agreements, to ensure that such service agreements contain fair and reasonable termination clauses which are not overly generous.

The Company's Constitution governs the terms of the directors' appointment. There are safeguards in place to ensure that no one individual director represents a considerable concentration of power. The RC has full authority to engage any external professional adviser on matters relating to remuneration, if the need arises. No director is involved in the determination of his own remuneration.

For FY 2018, the RC has not consulted any external remuneration consultant ("the **Consultant**") as there is no required remuneration matters that rendered the appointment of the Consultant. None of the executive directors' service agreements were revised during FY 2018.

Each of the remuneration of the Executive Directors are governed by the separate service agreement entered into with the Company, which took effect on 20 May 2016 for the Managing Director, Ms Yap Mui Kee and the Executive Director, Mr Tan Kim Sing and on 24 February 2017 for the Executive Director, Mr Billy Neo Kian Wee. These will continue for three (3) years unless otherwise terminated by either party giving not less than six (6) months notice or an amount equal to six (6) months' salary in lieu of notice. Each of the Service Agreements may be terminated by the Company by summary notice upon the occurrence of certain events, such as misconduct or a breach of the Executive Directors' obligations. According to the respective service agreements, the Executive Directors are paid the remuneration include, among others, a fixed salary, director fee and a variable performance bonus.

As set out in the table on **Principle 9**, the performance-related elements of remuneration formed a small proportion of the total remuneration package of the Executive Directors, which is designed to align the Executive Directors' interests with that of the Shareholders. The variable bonus makes up 25%, 26% and 22% of the total remuneration paid to each of the Executive Directors, Ms Yap Mui Kee, Mr Tan Kim Sing, and Billy Neo Kian Wee respectively in FY 2018.

Independent Non-Executive Directors are paid directors' fees, subject to approval at the AGM and do not receive salary, bonus and other benefits.

# Corporate Governance Report

The RC will consider the use of the contractual provision to allow the Company to reclaim incentive components of remuneration from Executive Directors and key management personnel in exceptional circumstances of misstatement of financial results or of misconduct resulting in financial loss to the Company.

## **Guideline 8.2, 9.5 Long term Incentive and Employee Share Schemes**

The Company currently does not have any employee share option schemes.

## **Guideline 9.1 and 9.2 Report to Shareholders on Remuneration and Disclosure of Directors' Remuneration**

Due to the confidentiality reason and to protect the Group's interest, guideline 9.2 is not complied with. Appended herein below are a breakdown showing the level and mix of each Director's remuneration and the Managing Director in bands of S\$250,000 for FY 2018:-

Name & Designation	FY 2018		FY 2017	
	Above S\$250,000 and below S\$500,000	%	Above S\$250,000 and below S\$500,000	%
Yap Mui Kee (Managing Director)	Salary	58	Salary	55
	Fee*	14	Fee	15
	Bonus	25	Bonus	27
	Other Benefits	3	Other Benefits	3
Tan Kim Sing (Executive Director)	Salary	56	Salary	54
	Fee*	15	Fee	16
	Bonus	26	Bonus	27
	Other Benefits	3	Other Benefits	3

Name & Designation	FY 2018		FY 2017	
	Below S\$250,000	%	Below S\$250,000	%
Billy Neo Kian Wee (Executive Director)	Salary	62	Salary	58
	Fee*	11	Fee	12
	Bonus	22	Bonus	24
	Other Benefits	5	Other Benefits	6
Tan Kok Hiang (Non-Executive, Lead Independent Director)	Salary	–	Salary	–
	Fee*	100	Fee	100
	Bonus	–	Bonus	–
	Other Benefits	–	Other Benefits	–
Low Peng Kit (Non-Executive, Independent Director)	Salary	–	Salary	–
	Fee*	100	Fee	100
	Bonus	–	Bonus	–
	Other Benefits	–	Other Benefits	–
Wu Chiaw Ching (Non-Executive, Independent Director)	Salary	–	Salary	–
	Fee*	100	Fee	100
	Bonus	–	Bonus	–
	Other Benefits	–	Other Benefits	–
Sally Yap Mei Yen (Alternate Director <sup>##</sup> to Yap Mui Kee and Corporate Secretary <sup>@@</sup> )	Salary	78	Salary	77
	Fee	–	Fee	–
	Bonus	22	Bonus	23
	Other Benefits	–	Other Benefits	–

# Corporate Governance Report

\* Fees are subject to the approval of the Shareholders at the AGM for FY 2018

## According to the **Regulation 108** of the Company's Constitution states that an Alternate Director so appointed shall be entitled to receive from the Company such proportion (if any) of the remuneration otherwise payable to her appointor as such appointor may by writing to the Company from time to time direct, but save as aforesaid, the Alternate Director shall not in respect of such appointment be entitled to receive any remuneration from the Company. Any fee paid to an Alternate Director shall be deducted from the remuneration otherwise payable by her appointor.

@@ Remunerated under the capacity of a Corporate Secretary and does not belong to the level and mix of remuneration of the top five key executives as shown below.

Due to confidentiality reason and to protect the Group's interest, guideline 9.3 of the Code is partially complied with. Appended below are a breakdown showing the level and mix of each key management personnel (who are not Directors or the CEO) in bands of S\$250,000 for FY 2018:-

Name & Designation	FY 2018		FY 2017	
	Below S\$250,000	%	Below S\$250,000	%
Vincent Tan Khar Kheng (Administration and Financial Controller)	Salary	78	Salary	73
	Bonus	22	Bonus	27
	Other Benefits	–	Other Benefits	–
William Yap Yew Weng (Senior Sales Manager)	Salary	96	Salary	94
	Bonus	4	Bonus	6
	Other Benefits	–	Other Benefits	–
Yeo Boon Chan (Procurement Manager – Retired on 31 December 2018)	Salary	93	Salary	82
	Bonus	7	Bonus	18
	Other Benefits	–	Other Benefits	–
Derek Neo Kah Seng ^^^ (Recycling Plant Manager)	Salary	90	Salary	85
	Bonus	10	Bonus	15
	Other Benefits	–	Other Benefits	–
Benny Kok Chee Chuen >>> (Production Manager)	Salary	90	Salary	91
	Bonus	10	Bonus	9
	Other Benefits	–	Other Benefits	–

^^^ Brother of Neo Koon Boo (Substantial Shareholder). Uncle of Billy Neo Kian Wee (Executive Director, Shareholder)

>>> Nephew of Neo Koon Boo (Substantial Shareholder), Cousin of Billy Neo Kian Wee (Executive Director, Shareholder)

# Corporate Governance Report

## Guideline 9.4 Immediate Family Remuneration

The remuneration paid to employees who are immediate family members of a Director or the CEO, whose remuneration exceeds S\$50,000 in FY 2018 is as follows:-

Name & Designation	Relationship	FY 2018		FY 2017	
		Below S\$250,000	%	Below S\$250,000	%
Yap Mei Lan (Senior Sales Manager)	Sister of Yap Mui Kee, (Managing Director, Substantial Shareholder)	Salary	75	Salary	71
		Bonus	25	Bonus	29
		Other Benefits	–	Other Benefits	–
Yeo Wen Torng (ECR-RFID Project Manager)	Spouse of Yap Mui Kee, (Managing Director, Substantial Shareholder)	Salary	82	Salary	80
		Bonus	18	Bonus	20
		Other Benefits	–	Other Benefits	–
Tay Kee Kuang (Director of subsidiary – Lian Hup Packaging Industries Sdn Bhd)	Nephew of Neo Koon Boo (Substantial Shareholder) Cousin of Billy Neo Kian Wee (Executive Director, Shareholder)	Salary	69	Salary	77
		Bonus	23	Bonus	14
		Fee	8	Fee	9
		Other Benefits	–	Other Benefits	–
Tay Kee Soon (Assistant Factory Manager of Siri Belukar Packaging Sdn Bhd)	Nephew of Neo Koon Boo (Substantial Shareholder) Cousin of Billy Neo Kian Wee (Executive Director, Shareholder)	Salary	82	Salary	87
		Bonus	18	Bonus	13
		Other Benefits	–	Other Benefits	–
Tan Hwei Hsia (Accounts Manager)	Daughter of Tan Kim Sing (Executive Director, Substantial Shareholder)	Salary	85	Salary	82
		Bonus	15	Bonus	18
		Other Benefits	–	Other Benefits	–
Yap Chun Chun (Assistant Sales Manager)	Cousin of Yap Mui Kee (Managing Director, Substantial Shareholder)	Salary	86	Salary	80
		Bonus	14	Bonus	20
		Other Benefits	–	Other Benefits	–
Yap Lai Eng (Assistant Sales Manager)	Cousin of Yap Mui Kee (Managing Director, Substantial Shareholder)	Salary	88	Salary	84
		Bonus	12	Bonus	16
		Other Benefits	–	Other Benefits	–

## Accountability

### Principle 10:

**The Board should present a balanced and understandable assessment of the company's performance, position and prospects.**

**Guidelines 10.1, 10.2 and 10.3: Provision of Balanced and Understandable Assessment of the Company's Performance, Compliance with Legislative and Regulatory Requirement and Management Accounts to the Board**

Management would provide the Board with balanced and easily understood management accounts of the Company's performance, position and prospect on a regular basis. Shareholders are provided with detailed analysis, explanation, and assessment of the Group's financial position and prospect through the Company's annual report and bi-annual results



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announcement, since the listing of the Company, annual results are published through the SGXNET and on its public website, [www.lht.com.sg](http://www.lht.com.sg), to ensure all stakeholders and the public gain fair access to information, updates, and archives of the Company.

The Board also provides negative assurance confirmation to shareholders for the half yearly financial statements in accordance with Rule 705(6) of the SGX ST Listing Manual. The assurance was confirmed by the Managing Director, Ms Yap Mui Kee and the Lead Independent Director, Mr Tan Kok Hiang for and on behalf of the Board, that to the best of the Board's knowledge, nothing has come to the attention of the Board which may render the unaudited financial statements to be false or misleading in any material aspect.

The Directors aim to present a balanced and transparent assessment of the Group's position and prospects. During the preparation of financial statement, the Directors have ensured that all applicable financial reporting standards have been followed; judgements and estimates made are reasonable and prudent; and adopted appropriate accounting policies and applied them consistently. The Company's management currently provides the Board with the relevant information on a timely basis so that it may effectively discharge its duties.

For the financial year under review, the Managing Director and the Financial Controller ("FC") have provided assurance to the Board on the integrity of the Group's financial statements. The Board also provides an opinion on the adequacy and effectiveness of the Group's risk management and internal controls systems in place, including financial, operational compliance and information technology controls.

## Risk Management and Internal Control

### **Principle 11:**

***The Board is responsible for the governance of risk. The Board should ensure that Management maintains a sound system of risk management and internal controls to safeguard shareholders' interest and the company's assets, and should determine the nature and extent of the significant risks which the Board is willing to take in achieving its strategic objectives.***

### **Guideline 11.1 and 11.2 Risk Management and Internal Control Systems, Adequacy and Effectiveness of Risk Management and Internal Control Systems**

The Group currently does not have a Risk Management Committee. The Board, AC and the management assume the responsibility of the risk management function. Management regularly reviews the Group's business and operational activities to identify areas of significant risks as well as appropriate measures to control and mitigate these risks. Management reviews all significant policies and procedures and highlights all significant matters to the Board and the AC.

The internal audit function for the Group for the FY 2018 was outsourced to D'Ark Services Pte Ltd. The internal auditors report directly to the AC and assist the AC in monitoring and assessing the effectiveness of the Group's material internal controls including financial, operational, compliance and information technology controls. The internal auditor also assists the Group's management in identifying operational and business risks and provide recommendations to address these risks. The internal audit plan is approved by the AC and the results of the audit findings are submitted to the AC for its review and deliberation in its meeting. The external auditors during their statutory audit, will consider the system of internal controls relevant to the Company's preparation of financial statements. The internal and external auditors conducted an annual review in accordance with their audit plans, on the effectiveness of the Company's material internal controls. Any material non-compliance or failures in internal controls and recommendations for improvements were reported to the AC. The AC, together with the Board has also reviewed the effectiveness of the actions taken by management on the recommendations made by the internal and external auditors in this respect. The Board and the AC are of the view that the internal audit is adequately resourced and has the appropriate standing within the Group.

The Board believes that, in the absence of any evidence to the contrary, the system of internal controls maintained by the management that was in place throughout the financial year under review and up to the date of this report, provides reasonable, but not absolute, assurance against material financial misstatements or losses, and include the safeguarding of assets, the maintenance of proper accounting records, the reliability of financial information, compliance with appropriate legislation, and the identification and containment of business risks. The Board with the concurrence of the AC is satisfied that the internal audit is adequately resourced and has the appropriate standing within the Group, and that the internal controls are adequate in addressing financial, operational, compliance and information technology risks in the Company.

# Corporate Governance Report

***Guideline 11.3 The Board should comment on the adequacy and effectiveness of the internal controls, including financial, operational, compliance and information technology controls, and risk management systems, in the Company's Annual Report***

For the financial year under review, the Managing Director and the Financial Controller ("FC") have provided assurance to the Board on the integrity of the Group's financial statements on 1 March 2019 that the Group's risk management and internal control systems in place is adequate and effective in addressing the material risks in the Group in its current business environment including material financial, operational, compliance and information technology risks and also that the financial records have been properly maintained, and the financial statements give a true and fair view of the Group's business operations and finances.

Based on the internal controls maintained by the Group, works performed by the internal and external auditor, review done by the management, various Board Committees and Board, the Board with the concurrence of the AC is satisfied that the Group's internal controls is adequate in addressing financial, operational compliance and information technology risks as at 31 December 2018.

In view of the latest guidance from the Exchange in relation in Rule 720(1) of the SGX-ST Listing Manual, the Company has procured signed undertaking from all its directors and executive officers based on the latest revised form of Appendix 7.7 of the SGX ST Listing Manual.

## **Audit Committee**

### **Principle 12:**

***The Board should establish an Audit Committee ("AC") with written terms of reference which clearly set out its authority and duties.***

The AC comprises three members, including the Chairman of the AC, all are independent and Non-Executive Directors. The Chairman of the AC is Mr Tan Kok Hiang. Dr Wu Chiaw Ching and Mr Low Peng Kit are members. The AC has adopted written terms of reference. The members of the AC have many years of experience including direct and relevant experience in the areas of accounting and finance. The Board considers the current members of the AC appropriately qualified to discharge their responsibilities. In FY 2018, the AC met twice. Details of the members' attendance at AC meetings in FY 2018 are provided on page 86 of this Report.

The AC has adopted specific written terms of reference. The key terms of reference of the AC include:-

- a) to review with the external auditors:-
  - the audit plan, including the nature and scope of the audit before the audit commences
  - their evaluation of the system of internal accounting controls
  - their audit report
  - their management letter and Management's response
- b) to ensure co-ordination where more than one audit firm is involved
- c) to review the half-year and annual financial statements before submission to the Board for approval, focusing in particular, on:-
  - i) changes in accounting policies and practices
  - ii) major risk areas
  - iii) significant adjustments resulting from the audit
  - iv) the going concern statement
  - v) compliance with accounting standards
  - vi) compliance with stock exchange and statutory/regulatory requirements.

# Corporate Governance Report

- d) to discuss problems and concerns, if any, arising from the interim and final audits, and any matters which the internal and external auditors may wish to discuss (in the absence of Management where necessary).
- e) to review the assistance given by Management to the auditors.
- f) to review the internal audit programme and ensure co-ordination between the internal and external auditors and Management and to ensure the integrity of the financial statements and any formal announcements relating to the Company's financial performance.
- g) to review the scope and results of the internal audit procedures.
- h) to review the significant financial reporting issues, judgements so as to ensure the integrity of the financial statements and any formal announcements relating to the Company's financial performance.
- i) to review and discuss with the external auditors, any suspected fraud or irregularity, or suspected infringement of any Singapore law, rules or regulations, which has or is likely to have a material impact on the Company's operating results or financial position, and Management's response.
- j) to report to the Board its findings from time to time on matters arising and requiring the attention of the Committee.
- k) to review the Interested Person Transactions.
- l) to undertake such other reviews and projects as may be requested by the Board.
- m) to undertake such other functions and duties as may be required by statute or the Listing Manual, and by such amendments made thereto from time to time.
- n) to make recommendations to the Board on the appointment, re-appointment, and removal of the external auditor, and approving the remuneration and terms of engagement of the external auditor.
- o) to ensure arrangements are in place for staff to raise concerns in confidence, and that there is independent investigation of such matters and appropriate follow-up action.

The AC has explicit authority to investigate any matters within its terms of reference, full access to and co-operation by the management and has full discretion to invite any Director or executive officers to attend its meetings.

The AC meets with the external auditors and internal auditors, in each case without the presence of the management, at least twice to review the overall scope and results of external and internal audits, and the assistance given by the management to the external auditors. The AC met with the external auditors and internal auditors without the presence of management on 13 August 2018 and 1 March 2019. The AC has reasonable resources to enable it to discharge its function properly.

## **Audit Committee Confirmation**

### ***The Listing Rule 1207(6) (a) and (b)***

The Audit Committee has reviewed the aggregate amount of fees paid to the external auditors. All audit and non-audit services provided by the auditors are shown in Notes to the Financial Statements - 31 December 2018, on page 62, Note 20 of the Annual Report. For non-audit fees paid to the external auditors of the Company, based on the annual review conducted by the AC on the volume of non-audit services provided by the external auditors to satisfy the AC that the nature and extent of such services will not prejudice the independence of the external auditors, the AC is satisfied with the external auditors' confirmation of their independence.

The AC has recommended to the Board that BDO LLP is nominated for re-appointment as external auditors at the forthcoming AGM of the Company.

The Company is in compliance with Rule 712 and Rule 715 (1) of the SGX-ST Listing Manual on the appointment of the same auditing firm in Singapore to audit its account and its Singapore-incorporated subsidiaries and Rule 716 (1) on the appointment of different auditing firms for its foreign-incorporated subsidiaries.



# Corporate Governance Report

The AC has put in place whistle-blowing procedures for all employees to raise concerns in confidence about possible serious corporate improprieties in matters of financial reporting or other matters. Procedures contain submission, assessment, and investigation of incidents, retention of records and protection of whistleblowers. To ensure independent investigation of such matters and for appropriate follow-up action, all reports are to be sent to Mr Tan Kok Hiang, Non-Executive and Lead Independent Director and Chairman of the AC and RC. Details of the whistle-blowing procedures and arrangements have been made available to all employees. The copy of the mentioned procedures is also available on the Company's intranet. There were no reported incidents pertaining to whistle-blowing for FY 2018.

## ***Guidelines 12.9 Former Partner or Director Involved in Company's Audit Process***

No former partner or director of the Company's existing auditing firm or auditing corporation is a member of the AC. Each member of the AC abstained from voting on any transactions and make any recommendation and/or participate in discussion on matters in which he is interested. The AC is in compliance with the code.

## **Review of interested person transactions**

The AC has reviewed interested person transactions of the Group for FY 2018 and reported its findings to the Board. Please refer to page 81 of the annual report for further details on the interested person transactions of the Group for FY 2018.

## ***Internal Audit***

### ***Principle 13:***

***The company should establish an effective internal audit function that is adequately resourced and independent of the activities it audits.***

The AC approves the hiring, removal, evaluation and compensation of the internal auditors. For FY 2018, the internal audit function of the Company was outsourced to D'Ark Services Pte Ltd. The internal auditor reports primarily to the Chairman of the AC and has full access to the documents, records, properties, and personnel of the Company and the Group.

The Board recognises the importance of maintaining a system of internal control processes to safeguard Shareholders' investments and the Group's business and assets. The Board notes that no system of internal control could provide absolute assurance against the occurrence of material errors, poor judgment in decision-making, human error, losses, fraud or other irregularities. The annual conduct of audits by the internal auditors assesses the effectiveness of the Group's internal control procedures and provides reasonable assurance to the AC and the management that the Group's risk management, controls, and governance processes are adequate and effective.

The AC is satisfied that the internal audit function has adequate resources to perform its function effectively and is staffed by suitably qualified and experienced professionals with the relevant experience.

The internal audit work carried out in FY 2018 was guided by the International Standards for the Professional Practice of Internal Auditing (IIA Standards) laid down by the International Professional Practices Framework issued by the Institute of Internal Auditors.

On an annual basis, the AC reviews the internal audit program of the Group so as to align it to the changing needs and risk profile of the Group's activities.

During the year, the Board of Directors and the Audit Committee have reviewed the adequacy of the Group's internal controls, including financial, operational, compliance and management information system controls, as well as risk management system. Based on the reviews conducted, the Board of Directors, with the concurrence of Audit Committee, is of the opinion that the system of internal controls in place is adequate in meeting the current scope of the Group's business operations.



# Corporate Governance Report

## Shareholder Rights and Responsibility

### Shareholder Rights

#### **Principle 14:**

***Companies should treat all shareholders fairly and equitably, and should recognise, protect and facilitate the exercise of shareholders' right, and continually review and update such governance arrangements.***

### Communication with Shareholders

#### **Principle 15:**

***Companies should actively engage their shareholders and put in place an investor relations policy to promote regular, effective and fair communication with shareholders.***

The Group's corporate governance culture and awareness promote fair and equitable treatment of all shareholders. All shareholders enjoy specific rights under the Companies Act and the Constitution of the Company. All shareholders are treated fairly and equitably.

The Group respect the equal information rights of all shareholders and is committed to the practice of the fair, transparent and timely disclosure.

Shareholders are given the opportunity to participate effectively and vote at general meetings of the Company. At general meetings, shareholders will be informed of the rules, voting procedures relating to the general meetings.

The Board is mindful of the obligation to provide timely and fair disclosure of material information in accordance with the Corporate Disclosure Policy of the SGX-ST.

The Board welcomes the views of Shareholders on matters affecting the Company, whether at Shareholders' meetings or on an ad hoc basis. At AGMs, shareholders are given the opportunity to air their views and to ask the Directors and Management questions regarding the Group.

Besides telephone calls from the shareholders, they are encouraged to e-mail the Company's Investor Relations at its e-mail address, [ir@lht.com.sg](mailto:ir@lht.com.sg) for any investor relations' issues. The Board and the Audit Committee are of the view that it has adequate audit and accountability to the Shareholders and the Management is accountable to the Board as in line with Principle 6.

Currently, the group does not have a particular dividend policy at present. The form, frequency, and amount of dividends declared each year would take into consideration the Group's profit growth, cash position, positive cash flow generated from operations, projected capital requirements for business growth and other factors as the Board may deem appropriate.

### Conduct of Shareholder Meetings

#### **Principle 16:**

***Companies should encourage greater shareholder participation at general meetings of shareholders, and allow shareholders the opportunity to communicate their views on various matters affecting the company.***

All Shareholders receive the annual report and the notice of AGM (the "**Notice of AGM**") and the notice of EGM (the "**Notice of EGM**"). The Notice of AGM and Notice of EGM are advertised in the newspapers and published via SGXNET.

All registered shareholders are invited to participate and given the right to vote on resolutions at general meetings. Every matter requiring shareholders' approval is proposed as a separate resolution. Each item of special business included in the notice of the meeting is accompanied, where appropriate, by an explanation for the proposed resolution. The proxy form is sent with the notice of AGM to all shareholders.

The Constitution of the Company allows members of the Company to appoint not more than two proxies to attend and vote on their behalf. As the authentication of shareholder's identity information and other related security issue remain a concern, the Company has decided, for the time being, not to implement voting in absentia by mail, email or fax.

# Corporate Governance Report

All Directors, in particular, the Chairperson of the Audit, Remuneration, Nominating Committees are in attendance at the Company's AGM to address shareholders' questions relating to the work of these Committees.

The management, Company Secretary, the external auditors, BDO LLP and legal advisors (if necessary) are also invited to attend the general meeting. The procedures of general meetings provide shareholders the opportunity to ask questions relating to each resolution tabled for approval and open communication are encouraged by the shareholders with the Director on their views on matters relating to the Company and its operations.

## ***Guideline 16.4: Minutes of General Meetings***

The minutes of the general meetings are prepared by the Corporate Secretary, which include substantial comments or queries from shareholders and responses from the Board members and the Company's management. These minutes are available to shareholders upon their written request.

## ***Guideline 16.5: Voting by Poll***

Pursuant to the Company's Constitution, a poll may be demanded by the Chairman of the general meeting or by at least two (2) members or any member present in person or by proxy representing not less than one-tenth of the total voting rights of all members having the rights to vote at the meeting. For greater transparency, the Company has conducted poll voting for all the resolutions passed at the last AGM and EGM. The Company will continue to put all resolutions to vote by way of poll for any forthcoming general meetings. The detailed voting results, including the total number of votes cast for or against each resolution tabled and the respective percentages, will be announced to SGX-ST via SGXNet on the same day after the conclusion of the meetings.

As the authentication of shareholder identity information and other related security issues still remain a concern, the Group has decided, for the time being, not to implement voting in absentia by mail, email or fax.

## **Dealings in Securities**

The Company has in place an internal policy in relation to dealings in the Company's securities by its officers. The Company has informed its Directors and Officers of the Group not to deal in the Company's shares while they are in possession of unpublished material price sensitive information and during the period commencing at least one month before the announcement of the Company's financial results until one day after the announcement of such financial results. The Directors and Officers of the Group are expected to observe the insider trading laws at all times when dealing in securities even when dealing in securities within permitted trading period and are strongly discouraged to deal in the Company's securities on short-term consideration.



**LHT HOLDINGS LIMITED**

# **Sustainability Report 2018**







Advancing Our  
Values with *Green*



# Sustainability Report

## ABOUT THIS REPORT

LHT Holdings Limited (“**LHT**” or the “**Group**” or the “**Company**”) is proud to present its second annual sustainability report which aims to disclose its sustainability performance for the financial year ended 31 December 2018. This report has been prepared in accordance with the internationally recognised standard for sustainability reporting – Global Reporting Initiative (GRI) Standards: Core option. This report is also set out on a “comply and explain” basis in accordance with Rule 711B and Practice Note 7.6 of the Singapore Exchange Securities Trading Limited Listing Manual on Continuing Listing Obligations.

The objective of this report is to provide LHT’s stakeholders with an overview of its key environmental, social and governance (ESG) related initiatives. The scope of this report covers LHT’s operations from 1 January 2018 to 31 December 2018 in its Singapore facility, unless otherwise stated.

The quality of the content of this report was defined by the principles of accuracy, balance, clarity, comparability, reliability and timeliness, and the content was defined by the following four reporting principles prescribed by the GRI Standards:

- **Stakeholder Inclusiveness:** To identify LHT’s stakeholders and explain how it has responded to their reasonable expectations and interests.
- **Sustainability Context:** To present LHT’s performance in the wider context of sustainability.
- **Materiality:** To reflect LHT’s significant economic, environmental and social impacts or substantively influence the assessments and decisions of stakeholders.
- **Completeness:** To include coverage of material topics and their boundaries, sufficient to reflect significant economic, environmental and social impacts, and to enable stakeholders to assess LHT’s performance during FY 2018.

## CONTACT US

For questions or to deliver feedback about this report, please contact:

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# Sustainability Report

## BOARD STATEMENT

As the Board of Directors (the “**Board**”) of LHT, we are proud to present to you our second annual sustainability report. After having completed our inaugural sustainability report in FY 2017, we have dedicated our efforts to strengthen our commitment to building a sustainable business. We believe that sustainability is part of our wider strategy to create long-term value for all our stakeholders and in turn influence the success of our business. At the same time, we are determined to deliver to them the highest level of products and services.

In FY 2018, we exceeded our targets in various areas which includes and is not limited to the collection of wood waste, collection of horticulture and industrial waste, accident rate and fatality rate and have made creditable progress in training and education areas by rolling out various training programs to help our staff further enhance their skill sets. Similar to last year, we identified and communicated frequently with our key stakeholders to involve them in our sustainability efforts and understand their thoughts and concerns. This allowed us to effectively determine the material economic and ESG factors necessary to develop the content of this report.

During the year, we have adopted good corporate governance and practices which helped us to work towards achieving long-lasting sustainable growth and increased shareholder value. We have also communicated the anti-corruption measures implemented to our employees and the whistle blowing policy to safeguard the integrity of our operations. We recognise that it is essential for our operations to keep this integrity intact and will thus remain committed to having zero tolerance for corruption in any form.

Further, we continue to believe that it is wise for us to invest in conducting sustainable operations as it not only improves efficiencies but also enhances the value created for our stakeholders. With regards to our materials, effluents and waste, we have been striving to align our policies and practices to best-in-class, international and national standards such as ISO 9001, ISO 14001 and Bizsafe certifications. Throughout the year, we have been fully compliant with environmental regulations and remained undoubtedly dedicated to minimise pollution and promote a safe, green and sustainable culture.

Our objective as a group also includes being a responsible company that champions health and safety in the workplace for our employees. We have been working towards safeguarding the health and safety of our employees with various classroom and on-the-job training and aim to constantly monitor and improve safety measures. We also encourage diversity and advocate equal opportunity amongst our employees and will continue to be an impartial and fair employer. Additionally, in this technologically advanced era, we have dedicated our efforts to improving our cyber security measures to ensure that our stakeholders’ data is kept confidential and protected.

Looking ahead, we will continue to strengthen our performance by integrating key economic and ESG factors into our operations to develop our sustainability journey.

## CORPORATE AND EXTERNAL POLICIES

A range of corporate policies have been developed within LHT Holdings to support the Board and management, and ensure that the company conducts business activities ethically and with integrity:

Internal Policies include:

- Anti-Bribery and Anti-Corruption Policy
- Whistle Blowing Policy

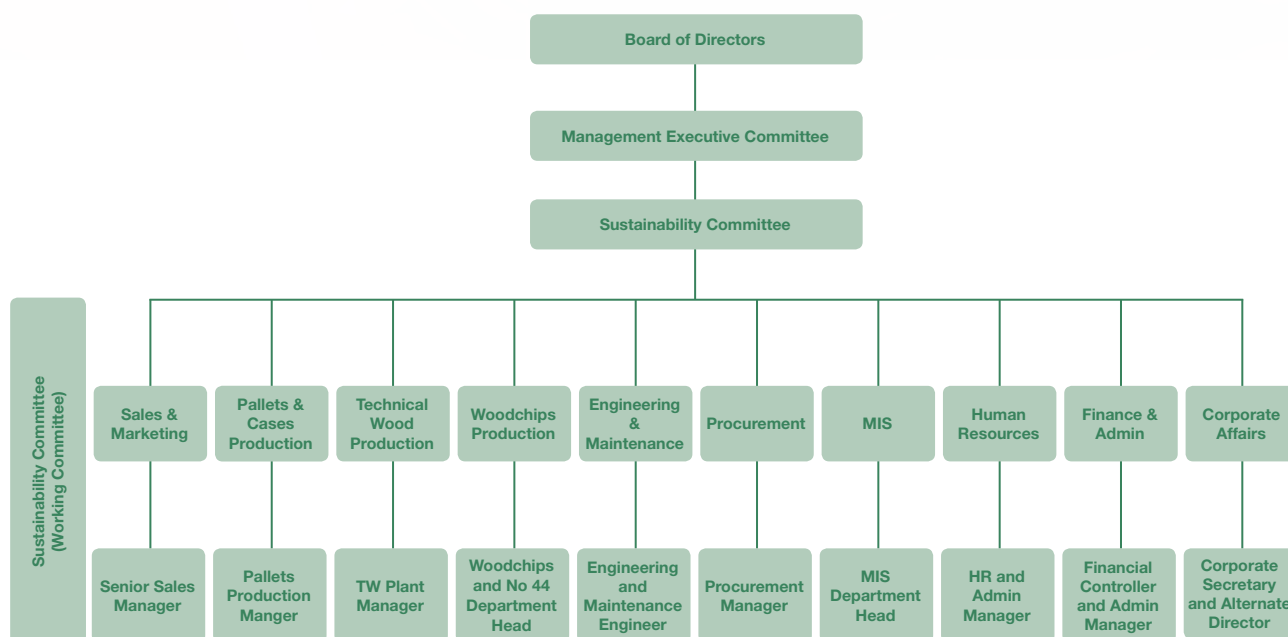
External Principles include:

- Retirement and Re-Employment Policy which is in line with Singapore’s Ministry of Manpower (MOM) retirement and re-employment regulations.
- Best Practices on Securities Transaction which states that the Company and its officers are prohibited from dealing in the Company’s securities outside the window period. They should not deal in the Company’s securities on short-term considerations and should be mindful of the law on insider trading.

# Sustainability Report

## OUR APPROACH TO SUSTAINABILITY

### SUSTAINABILITY COMMITTEE



### SUSTAINABILITY GOVERNANCE

LHT believes that strong governance is key to achieving a sustainable business. The Board oversees the management and monitoring of ESG factors and takes them into consideration in the determination of LHT's strategic direction and policies.

The Group's corporate governance practices are disclosed in its Annual Report 2018 with specific reference to the principles and guidelines of the Code of Corporate Governance 2012. LHT's Code of Conduct states the expectations of its employees and the respective consequences in its clear and fair grievance procedures, and any violations or conflict of interest are not taken lightly. A whistleblowing policy has also been put in place for employees to provide feedback about possible improprieties in financial, operational and other areas. These guidelines and policies implemented are finally regularly reviewed, assuring that LHT conducts its business responsibly.

This year, the Group has been focusing its efforts on managing the environmental and social topics and has implemented sustainable and responsible practices throughout its business model to enhance the ESG factors incorporated into its sustainable strategy. In 2018, LHT's products and services met the environmental and safety standards, as well as the demands of its customers. LHT also enforced good labour practices throughout its operations and the success of this initiative is evidenced in the high quality and delivery of its products and solutions.

*For details of the Corporate Governance Report, please refer to pages 83 to 104 of LHT's Annual Report 2018.*

### RISK MANAGEMENT

LHT understands that a thorough and comprehensive risk management policy and process is essential for good corporate governance and effective resource management. This will enable LHT to identify, manage and communicate its risks and exposures in an integrated, systematic and consistent manner. Further, LHT should ensure that its sustainability initiatives and risk management policy and process are in place and aligned with each other, mitigating strategic and operational risks.

*For disclosure on the risk management policy and process, please refer to page 82 of LHT's Annual Report 2018.*



# Sustainability Report

## SUPPLY CHAIN MANAGEMENT

LHT understands that sustainable supply chain management is key to business excellence. The Group is committed to ensuring that the appropriate risk management procedures are in place to protect the integrity of the supply chain. In LHT, its supply chain covers its partnerships with suppliers, service providers and customers.

### AWARDS

Association	Awards
National Environment Agency (NEA)	<b>Ecofriend Awards 2018 – Private Sector Category</b> Being recognised for outstanding contributions to the country's clean and green environment
Singapore Packaging Agreement and NEA	<b>SPA Excellence Awards 2018</b> For companies who have made significant achievements in reducing packaging waste
Workplace Safety and Health Council	<b>BizSafe – Level 3 Certification 2018</b> Reflection of company's commitment to safety and health practices at the workplace
Singapore Environment Council (SEC)	<b>Singapore Green Label 2018</b> Awarded to use the Singapore Green Label for the Group's Technical Wood and GreenFlo Wooden Door after having certified that these were made from renewable and sustainable materials
National Service Directorate (NSD)	<b>NS Mark Award 2018</b> For employers who pledged their commitment to support NS and NS Men. In 2013, the Committee recommended introducing a "NS Mark" as part of ongoing efforts by MINDEF to strengthen community recognition and support for National Service

### MEMBERSHIP OF ASSOCIATIONS

LHT currently holds the following memberships:

- Singapore Green Building Council (SGBC)
- Waste Management & Recycling Association of Singapore (WMRAS)
- Singapore Timber Association
- Singapore Manufacturing Federation (SMF)
- Singapore Business Federation (SBF)

This will allows LHT to build strategic relationships within the industry and further drive value creation for all stakeholders.

# Sustainability Report

## STAKEHOLDER ENGAGEMENT

LHT recognises that its stakeholders play a key role in ensuring the development and success of its sustainability journey. As such, the Group has regularly engaged its stakeholders via various channels throughout the year. The aim is to keep them informed of LHT's sustainability initiatives, and at the same time, gather their expectations and concerns necessary for corporate strategy formulation. A mix of formal and informal channel of communication was adopted to effectively identify and holistically understand the needs of LHT's key stakeholders. This in turn leads to mutually beneficial relationships and better positions LHT to anticipate and react to economic and ESG challenges, bolstering its sustainability efforts.

LHT values the relationship with its clients and the wider community in which it operates as these relationships have carried the company through challenging times in the past. LHT strongly believes that these stakeholder engagement efforts will have a positive impact on its economic performance in the long run. Based on their ability to influence LHT's performance and provide effective solutions for the incorporation of sustainability into its operations, the key stakeholders selected are as follows:

Stakeholder Group	Modes of Engagement	Value Creation
Employees	<ul style="list-style-type: none"><li>Employee appraisals</li><li>Informal one-to-one sessions</li><li>Managers' and seniors' open-door policy</li></ul>	LHT aims to engage its employees consistently through formal and informal channels to genuinely understand their thoughts and concerns. As employees are the force driving LHT's operations, engagement will support operational efficiency and overall business excellence.
Customers	<ul style="list-style-type: none"><li>Hotline</li><li>Email queries</li><li>Customer visits</li><li>Face-to-face meetings</li><li>Telephone follow-ups</li><li>Annual review and feedback sessions</li></ul>	LHT aims to establish long-lasting relationships with its customers and are invested in ensuring they are provided the highest quality products and services. Additionally, reviews and feedback are gathered to ensure LHT continuously improves its operations to meet the rising expectations of its customers.
Suppliers and Service Providers	<ul style="list-style-type: none"><li>Face-to-face meetings</li><li>Annual review and feedback sessions</li><li>Email queries</li><li>Supplier audits</li><li>Telephone follow-ups</li></ul>	LHT aims to form cooperative and lasting relationships with its value chain partners. This is achieved by working closely with them while ensuring they have adhered to regulations to protect the integrity and continuity of the partnership.
Investors/ Shareholders	<ul style="list-style-type: none"><li>Group Annual Report</li><li>Annual General Meeting</li><li>Extraordinary General Meeting</li><li>Group Result Announcement</li><li>Informal discussion</li></ul>	LHT aims to maximise investors' and shareholders' returns and increase the levels of transparency through financial and sustainability reporting supported with timely and active communication.
Government and Regulators	<ul style="list-style-type: none"><li>Face-to-face meetings</li><li>Regular inspections/visits by the agencies</li><li>Monthly/yearly reporting</li><li>Regular audits</li></ul>	LHT aims to achieve full compliance and seeks to raise the standards of its sustainability practices through regular inspections, audits and frequent reporting.

## MATERIALITY ASSESSMENT

Following last year's inaugural sustainability report, LHT had conducted its second materiality assessment to identify the ESG topics material to the Group and its stakeholders in FY 2018. Similar to the previous year, the materiality assessment was conducted with the help of an external consultant, and LHT will continue to involve them in the coming year.

# Sustainability Report

In the process of identifying the material topics, Senior Management applied their knowledge of their respective business areas, the challenges faced and the corresponding implications on LHT's business and operations. Insights gained from key stakeholders during the stakeholder engagements are also incorporated into the assessment. This allowed LHT to completely assess the effect of these topics on the economy, environment and society, as well as its influence on stakeholders.

Applying GRI Standards, LHT compiled and prioritised these topics based on the sustainability considerations and impact on the business. The following key ESG factors identified have been reviewed by the Chairman:

Material Topics Identified	GRI Index	GRI Sub-Topics	Impact within/ outside the organisation
Economic Performance	GRI 201-1	Direct economic value generated and distributed	Within the organisation
Anti-corruption	GRI 205-3	Confirmed incidents of corruption and actions taken	Within the organisation
Materials	GRI 301-1	Materials used by weight or volume	Within the organisation
Effluents and Waste	GRI 306-2	Waste by type and disposal method	Within the organisation
Environmental Compliance	GRI 307-1	Non-compliance with environmental laws and regulations	Within the organisation
Occupational Health and Safety	GRI 403-2	Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities	Within the organisation
Training and Education	GRI 404-1	Average hours of training per year per employee	Within the organisation
Diversity and Equal Opportunity	GRI 405-1	Diversity of governance bodies and employees	Within the organisation
Local Communities	GRI 413-1	Operations with local community engagement, impact assessments, and development programs	Within and outside the organisation
Customer Privacy	GRI 418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	Within the organisation

## ECONOMIC AND GOVERNANCE

### ECONOMIC PERFORMANCE

LHT offers its customers world-class, high quality and environmental-friendly packaging solutions and products complemented with exceptional service. The Group's objective is to be the leading and largest manufacturer of high-quality wooden pallets, boxes and crates. LHT aims to consistently grow its customer base and is committed to exceeding customers' expectations when delivering to them quality wooden pallets, boxes and crates in Singapore. The Group believes that by adopting good corporate governance and practices, it will allow them to achieve long-term sustainable growth and increased shareholder value.

For details of the financial results, please refer to the following sections in LHT's Annual Report 2018:

- *Operating and Financial Review, pages 9 to 11*
- *Financial Summary, pages 12 to 13*
- *Financial Statements, pages 22 to 80*



# Sustainability Report

## ANTI-CORRUPTION

LHT believes that integrity is essential when conducting a business and has zero tolerance for corruption in any form, including extortion and bribery. Anti-corruption measures have been clearly spelled out in LHT's business ethics guidelines and code of conduct which are communicated to all its employees, suppliers and business partners. Further, via the whistleblowing channels, any suspicion of corruption raised is escalated to the attention of the Chairman and will be investigated upon. With LHT's stakeholders aligned with their sustainability and corporate governance procedures, it is able to operate in a more socially responsible manner.

In FY 2018, there were no reported incidents of corruption and LHT aims to maintain zero incidents of corruption in the coming year.

## ENVIRONMENTAL

LHT views sustainable operations as a wise investment that will help to improve efficiencies and create value for its stakeholders; hence LHT uses mostly renewable materials and minimal non-renewable materials. In FY 2018, our focus areas included achieving the Green Label Certification, re-using our own production's wood waste, collecting and reusing horticulture and industrial wood waste for our own products and for biomass fuel.

In FY 2018, LHT exceeded all woodchip material, effluents and waste performance targets, showing that their commitment was successfully translated into actions (*refer to Figure 1*). Due to competitive market conditions, LHT was only 1.9% away from their LVL material usage target of 42%.

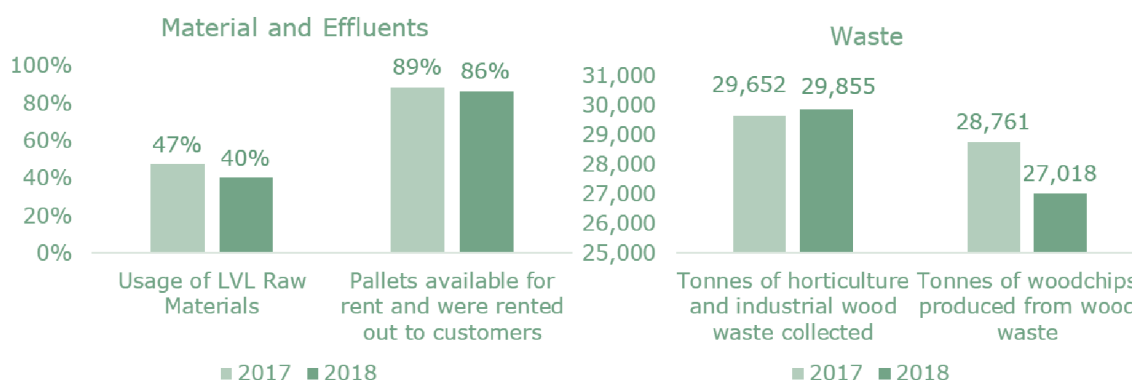


Figure 1. Materials, effluents and wastes performance for 2018 compared with that of 2017.

The Group has demonstrated its commitment to conducting environmentally responsible operations by reducing its environmental impact in multiple areas through the adoption of ISO 14001 certification since June 2001. The Group strives to align its policies and practices to best-in-class, international and national standards such as ISO 9001, ISO 14001 and Bizsafe certifications. This is testimony of the Group's deep appreciation for the natural environment and commitment to protect the environment and minimise pollution. Additionally, the Group's EHS policy reflects its pledge towards a safe, green and sustainable culture. The EHS Policy includes objectives and targets at various departmental levels to drive EHS performance and improvements.

LHT's ISO 9001, ISO 14001 and Fire and Safety Committees are tasked to drive safety and environmental compliance and sustainability improvements strategically across the business operations. The Committees are tasked with initiating and proposing new ideas, leading improvements and monitoring various aspects of LHT's safety and sustainability programs. Moving forward, LHT will continue to refine its management approach to adapt to the ever-changing business environment and global focus on sustainability.

# Sustainability Report

## MATERIALS

### Use of Laminated Veneer Lumber (LVL) as raw material

Timber products are completely renewable as its raw materials originate from the forest and utilise a renewable source of energy, the sun, to reproduce and regenerate. Once these raw materials are harvested for timber products manufacturing, the resource could be replaced and replenished for generations to come. Considering the environmental impacts, one of the simplest ways to reduce global emissions will be to prevent uncontrolled deforestation, and a reduction in deforestation and land degradation is also vital to keep temperature increases within safe levels.

The use of LVL is therefore able to reduce wastages, increase efficiencies, and provide a cost-effective and sustainable alternative to traditional wood sources such as raw timber, while still delivering high structural reliability and strength. Ultimately, LHT's objective is to reduce wastages and increase efficiency by using more LVL in its products.

In FY 2018, due to the reducing availability of mixed wood, LHT was able to convince its customers to switch to LVL. For FY 2019, despite changes to product mix, LHT will try to achieve the target for FY 2019 of at least 30% of all raw materials purchased.

	2018	2019
Target	To use LVL as raw materials in at least 42% of raw materials purchased for pallets produced.	To use LVL as raw materials in at least 30% of raw materials purchased for pallets produced.
Performance	Used LVL as raw materials in an average of 40.1% of raw materials purchased for pallets produced.	

### Production of woodchips

LHT collects various types of horticulture and industrial wood waste as part of its green initiatives. Together with offcuts and shavings derived from its own production processes, these horticulture and industrial wood waste undergo various processes and are turned into fine woodchips and wood fibre. Woodchips are then used as a biomass fuel for power generation while wood fibre undergoes additional processes to remove moisture by drying. The wood fibre then goes through a hammer mill to break them up further and thereafter, mixed with glue and pressed into pre-set moulds via hot press machineries for moulding into the final product, called Technical Wood®.

The uniquely patented Technical Wood® is used as a raw material and incorporated into the manufacture of LHT's main line of products such as pallets, doors and wooden flooring. This product helps to contribute to the green profile of companies which purchase them.

LHT's goal is to process horticulture and wood waste into woodchips for internal Technical Wood® production as well as biomass fuel for power generation. In FY 2018, LHT was able to produce 27,017.93 tonnes of woodchips, exceeding the target of 24,000 tonnes. In FY 2019, LHT aims to maintain its target of 24,000 tonnes, predicting tough supply of raw materials.

	2018	2019
Target	To produce 24,000 tonnes of woodchips.	To produce 24,000 tonnes of woodchips.
Performance	Produced a total of 27,017.93 tonnes of woodchips.	

## EFFLUENTS AND WASTE

### Collection and recycling of horticulture and industrial wood waste

Horticulture and industrial wood waste produced can be disposed of by dumping, incinerating or recycling. In a land-scarce environment such as Singapore, dumping is not a viable option, hence such wood waste is generally brought to incineration plants. While incineration is an effective way of handling wood waste, the process of incineration requires fuel and carbon dioxide is also released while the industrial wood waste is being combusted, causing air pollution. Thus, in an effort to prevent further damage to the environment and ecosystem, LHT makes an effort to collect and recycle horticulture and industrial wood waste to minimise wastages and pollution to the environment, and does not produce any hazardous waste.

# Sustainability Report

LHT collects horticulture and industrial wood waste from forest clearings for urban development projects, tree shrubs pruning exercises and companies which disposes packaging material such pallets and crates after unloading their goods. Its goal is to minimise wastages and pollution by collecting and recycling these horticulture and industrial wood waste. In 2018, LHT collected a total of 29,855.25 tonnes of horticulture and industrial wood waste, exceeding the target of 24,000 tonnes. In FY 2019, LHT aims to maintain its target of 24,000 tonnes, expecting further reductions in the availability of horticulture and industrial wood waste.

	2018	2019
Target	To collect 24,000 tonnes of horticultural and industrial wood waste.	To collect 24,000 tonnes of horticultural and industrial wood waste.
Performance	Collected a total of 29,855.25 tonnes of horticulture and industrial wood waste.	

## Reusing pallets as rental pallets

In the efforts to reduce the environmental impact of wood wastages and carbon footprint, LHT established a division to rent out used pallets i.e. recycling pallets for rent. This action of reusing a resource builds on LHT's goal to minimise the use of natural resources.

In FY 2018, an average of 86.4% of the pallets available for rent was rented out to customers, exceeding the target of 70%. In FY 2019, LHT aims to maintain its target of 70%, predicting tough market conditions and increased competition ahead.

	2018	2019
Target	To rent out at least 70% of pallets available for rent.	To rent out at least 70% of pallets available for rent as LHT's customers are relocating out of Singapore. Hence, the market for rental pallets is expected to shrink in the future years.
Performance	86.4% of the pallets available for rent were rented out to customers.	

## ENVIRONMENTAL COMPLIANCE

LHT is dedicated to ensuring all local and international environmental laws and regulations are adhered to. Key personnel are regularly updated with developments in laws and regulations to ensure that LHT is fully compliant to the updated rules.

LHT has fully complied with all environmental rules and regulations, anti-competitive behaviour laws and requirements on health safety. In FY 2018, there were no significant fines or non-monetary sanctions for non-compliance with laws and regulations. LHT aims to maintain this level of performance through the continual monitoring and adherence of laws and regulations.

## SOCIAL

LHT believes that its 183 strong workforce in Singapore is the backbone and drivers of the business. It aims to create a respectful, rewarding and safe working environment for all and also support and respect the protection of internationally proclaimed human rights. LHT supports the elimination of all forms of forced and compulsory labour, especially child labour, and does not tolerate any form of discrimination in respect of employment and occupation. LHT also introduced an all-inclusive HR policy which provides equal employment and career path to all employees irrespective of race, gender or religion.

Throughout the years, LHT has constantly showed recognition and appreciation for its employees' dedication and contributions towards the Group's achievements and success. LHT provides competitive remuneration based on merit and performance to all employees and takes pride in having long serving employees on their workforce. As of 31 December 2018, 159 employees in Singapore have already been awarded the Long Services Awards.



# Sustainability Report

Looking ahead, to ensure that LHT and its employees are able to improve operations, the Group's ISO committees will continue to review and improve its quality management systems to enhance productivity and competitiveness.

## OCCUPATIONAL HEALTH AND SAFETY

LHT is committed to safeguarding its employees' health and safety against any potential workplace hazard and aims to enhance the wellbeing of its employees and the workplace environment. By focusing on improving these areas, LHT is enabled to achieve world-class performance as when its employees' wellness is attained, productivity increases and LHT's best is given to its customers.

Being able to work in a safe environment is a fundamental right for employees and LHT begins its process with a methodological documentation of all occupational health and safety issues on an employee level. LHT listens to employees' safety concerns and suggestions and regularly conducts safety checks. This allows LHT to enforce and monitor all relevant health and safety rules. LHT's employees are also trained to be safety conscious and to identify potential workplace hazards. LHT strongly emphasises the importance of fire and safety in this hazardous wood industry, and of providing an uninterrupted flow of products and services. The Fire and Safety Committee in LHT is responsible for reviewing and providing advice on proper prevention and handling of incidents. This is supported by close coordination between various committees in emergency response and preparedness. In Singapore, LHT is one of the members of Safety & Security Watch Group (SSWG) of Sungei Kadut and Kranji Industrial Estates. LHT plays an important role in assisting SPF and SCDF in the handling of incidents relating to security and civil emergencies.

In FY 2018, LHT has achieved its target of not exceeding a rate of 2.0 for every 100,000 hour worked and it will continue to consistently stress workplace safety and possibly achieve a zero accident frequency rate in the years to come. Moreover, LHT has successfully maintained its Zero occupational fatality rate, and it aims on continuing to be consistent.

Table 1. Work-related serious accidents rate.

	2018	2019
Target	Serious accident injury rate not to exceed 2.0 for every 100,000 hours worked.	Serious accident injury rate not to exceed 2.0 for every 100,000 hours worked.
Performance	1.23 for every 100,000 hours worked.	

Table 2. Work-related fatality rate.

	2018	2019
Target	Zero fatality for every 100,000 hours worked.	Zero fatality for every 100,000 hours worked.
Performance	Zero fatality for every 100,000 hours worked.	

Table 3: Occupational Health and Safety Results

Types of Statistics	2018 Performance
Injury Rate per 100,000 hours worked	1.23
Lost Day Rate per 100,000 hours worked	19
Occupational Fatality Rate	Zero
Absentee Rate	Zero

As shown by the statistics in Table 3, LHT aims to review and enhance its policies and measures which focuses on occupational health and safety. With the help of these policies, LHT aims to reduce and in the long run eliminate, the rate of injuries in the workplace.

# Sustainability Report

## TRAINING AND EDUCATION

LHT understands that training and education plays a crucial role in developing employees' skills and capabilities, allowing them to operate at their highest capacity. The Group continues to conduct training courses for employees to fulfil the requirements of its ISO accreditation.

LHT conducts ongoing continuous improvement training programmes to upgrade employees' skills and increase productivity. Fire safety and safety-relevant programmes and on-the-job training programmes are also in place to help new employees adapt easily to their new working environment. Further, LHT follows the policy of providing a minimum of one month's notice prior to the implementation of any significant operational changes that could substantially affect them. In the same spirit of continuous improvement, LHT encourages its employees to participate in extra curriculum activities such as the Skills Training for Excellence Programme and the Continuing Education and Training Programme.

Table 4: Training Hours per Employee Gender

Average Training Hours per Employee Gender	
Per Male Employee	6.4
Per Female Employee	1.2
Per Employee	5.5

Table 5: Training Hours per Employee Category

Average Training Hours per Employee Category	
Executives & Management	5.9
Staff	8.4
Workers	5.5

Table 6. Training hours for production employees.

	2018	2019
Target	To provide 600 hours of training annually for its production and operational employees.	To provide 800 hours of training annually for its production and operational employees due to the importance placed on workplace health and safety.
Performance	1,006 training hours provided to production and operational employees.	

# Sustainability Report

## DIVERSITY AND EQUAL OPPORTUNITY

LHT recognises that a diverse workforce is an asset in today's ever-changing global marketplace. It aims to cultivate an inclusive culture where employees with wide-ranging backgrounds and qualities are hired and nurtured into a highly motivated, engaged and connected workforce. To foster team-building and celebrate inclusion, LHT holds activities throughout the year such as Long Service Award presentation and Annual Dinner.

The Group remains an impartial and fair employer, ensuring all employees are equally treated. It also takes conflict of interest seriously, especially in the hiring process. LHT's code of conduct clearly spells out the expectations from its staff and the consequences if any of the rules are violated or if standards are not met. This is supported by clear and fair grievance procedures.

In the coming years, LHT will continue to provide equal opportunities when employing, and when enhancing talents regardless of race, religion or gender.

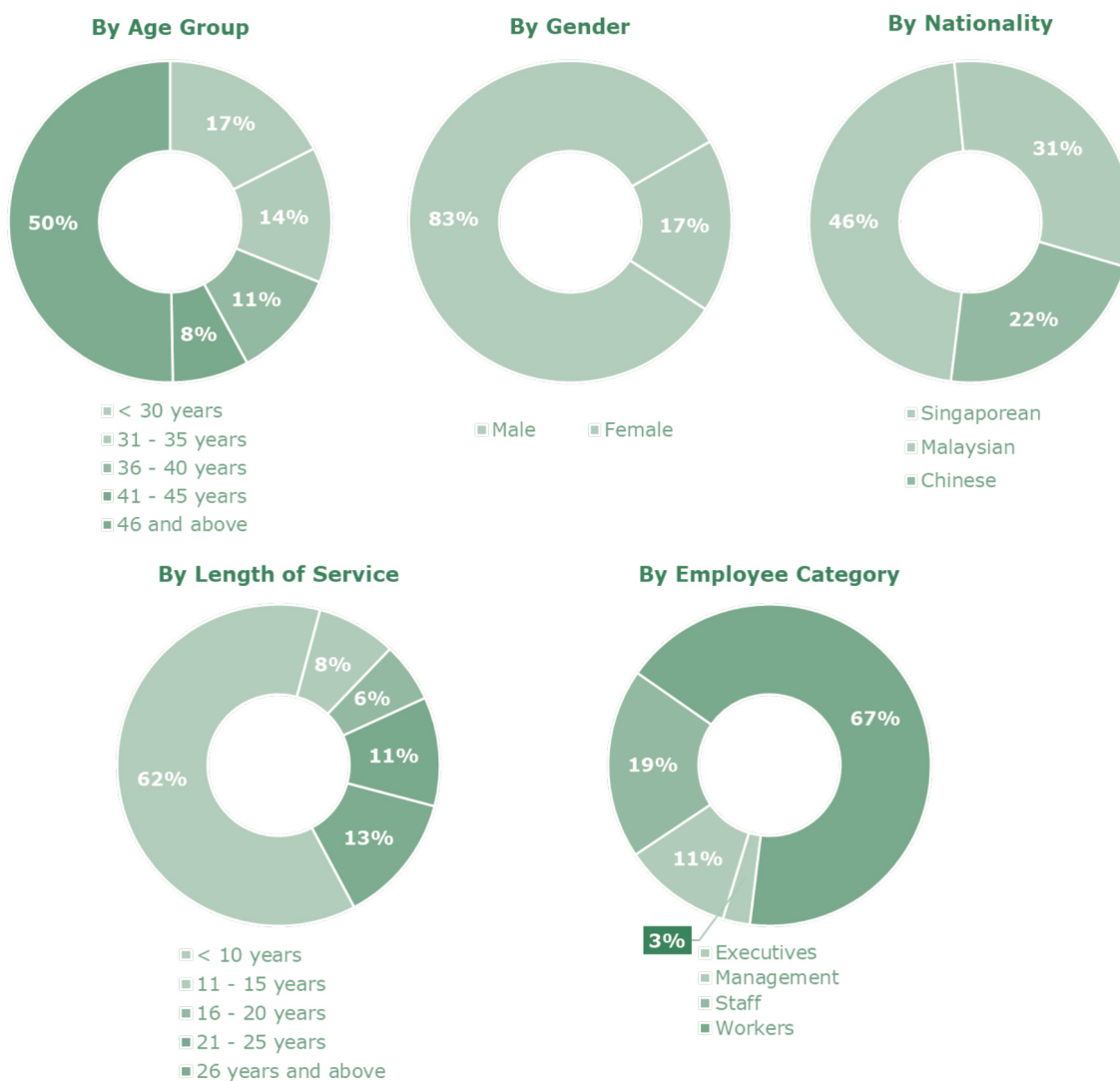


Figure 2. Breakdown of employees in Singapore as at 31 December 2018<sup>1</sup>

<sup>1</sup> Executives: Chief Executive Officer (CEO), Executive Directors, Financial Controller, Corporate Secretary; Management: Senior managers, managers and assistant managers; Staff: Engineers, technicians, office staff assistants; Workers: All production workers



# Sustainability Report

## LOCAL COMMUNITIES

### Host educational plant tours to promote environmental awareness

LHT encourages its employees, various organisations in Singapore and abroad, and the general public to develop environmentally friendly habits at work and at home. These habits could include recycling, waste reduction, energy efficiency and others.

LHT actively contributes to society by working with various government agencies and corporate and educational institutions to raise awareness of recycling and encourage the implementation of Reduce, Reuse and Recycle (The 3Rs). Many of these partners send foreign delegates and study missions to LHT's facilities. This gives LHT the opportunity to conduct briefings and plant tours. During that time, LHT is able to highlight and showcase to these groups how individuals and companies alike are able to meet corporate and social responsibilities by being creative and forward looking.

In 2018, LHT was able to meet the target by hosting four promotional and educational plant tours and aims to maintain the same target for the year to come. The four educational plant tours hosted by LHT to promote environmental awareness include:

- Ministry of Development (Brunei Darussalam )
- Ministry of the Environment and Water Resources (Singapore)
- InSWA – Indonesia Solid Waste Association (Indonesia)
- Asia Cultural Communication Pte Ltd (China)

	2018	2019
Target	To host four promotional and educational plant tours, study missions and delegates from foreign countries.	To host four promotional and educational plant tours, study missions and delegates from foreign countries.
Performance	Hosted a total of four educational plant tours within the year.	

## CUSTOMER PRIVACY

LHT understands that cyber security and data privacy are important not just for compliance, but in safeguarding both its data and that of its customers and suppliers. LHT is committed to collect, handle and protect its stakeholders' data in a responsible manner, earning their trust and thus securing business success.

Throughout the year, LHT took various security measures such as firewall and security softwares to enforce data privacy and to guard against cyber risks related to both internal and external stakeholders. Security measures are also applied to its employment process where the privacy of all applicants is safeguarded and access to personal data is restricted to authorised persons and Senior Management on a need-to-know basis.

In FY 2018 there was no reported incidences of breach of customer privacy or identified leaks, thefts, or losses of customer data. In FY 2019, LHT aims to maintain this result and the highest level of cyber security and data privacy.

# Sustainability Report

## GRI CONTENT INDEX

TABLE OF GRI CONTENT INDEX

GRI Standard 2016	Disclosure Title	Section Reference & Remarks
<b>GRI 102: GENERAL DISCLOSURE 2016</b>		
<b>ORGANISATIONAL PROFILE</b>		
102-1	Name of the organisation	2018 Annual Report: Corporate Profile
102-2	Activities, brands, products and services	2018 Annual Report: Corporate Profile
102-3	Location of headquarters	2018 Annual Report: Corporate Structure and Corporate Information
102-4	Location of operations	2018 Annual Report: Note 6 to the Financial Statements
102-5	Ownership and legal form	2018 Annual Report: Corporate Structure and Corporate Information
102-6	Markets served	2018 Annual Report: Corporate Profile
102-7	Scale of the organisation	2018 Annual Report: Structure and Corporate Information
102-8	Information on employees and other workers	2018 Sustainability Report: Social
102-9	Supply Chain	2018 Sustainability Report: Our Approach to Sustainability
102-10	Significant changes to organisation and its supply chain	No Significant changes
102-11	Precautionary principle or approach	2018 Sustainability Report: Our Approach to Sustainability
102-12	External Initiatives	2018 Sustainability Report: Our Approach to Sustainability
102-13	Membership of associations	2018 Sustainability Report: Our Approach to Sustainability
<b>STRATEGY</b>		
102-14	Statement from senior decision-maker	2018 Sustainability Report: Board Statement
<b>ETHICS AND INTEGRITY</b>		
102-16	Values, principles, standards, and norms of behaviour	2018 Sustainability Report: Our Approach to Sustainability
<b>GOVERNANCE</b>		
102-18	Governance structure	2018 Annual Report: Corporate Governance Report  2018 Sustainability Report: Our Approach to Sustainability

# Sustainability Report

GRI Standard 2016	Disclosure Title	Section Reference & Remarks
<b>GRI 102: GENERAL DISCLOSURE 2016</b>		
<b>STAKEHOLDER ENGAGEMENT</b>		
102-40	List of stakeholder groups	2018 Sustainability Report: Stakeholder Engagement
102-41	Collective bargaining agreements	Building Construction and Timber Industries Employees' Union
102-42	Identifying and selecting stakeholders	2018 Sustainability Report: Stakeholder Engagement
102-43	Approach to stakeholder engagement	2018 Sustainability Report: Stakeholder Engagement
102-44	Key topics and concerns raised	2018 Sustainability Materiality Assessment
<b>REPORTING PRACTICE</b>		
102-45	Entities included in the consolidated financial statements	2018 Annual Report: Corporate Structure and Corporate Information
102-46	Defining report content and topic Boundaries	2018 Sustainability Report: Materiality Assessment
102-47	List of material topics	2018 Sustainability Report: Materiality Assessment
102-48	Restatements of information	Not Applicable
102-49	Changes in reporting	Not Applicable
102-50	Reporting period	2018 Sustainability Report: About This Report
102-51	Date of most recent report	2017 Sustainability Report
102-52	Reporting cycle	2018 Sustainability Report: About This Report
102-53	Contact point for questions regarding the report	2018 Sustainability Report: Contact Us
102-54	Claims of reporting in accordance with the GRI Standards	2018 Sustainability Report: : About This Report
102-55	GRI content index	2018 Sustainability Report: GRI Content Index
102-56	External assurance	2018 Sustainability Report: : About This Report



# Sustainability Report

GRI Standard 2016	Disclosure Title	Section Reference & Remarks
<b>GRI 103: MANAGEMENT APPROACH 2016</b>		
103-1	Explanation of the material topic and its boundary	<p>Economic Performance:</p> <ul style="list-style-type: none"> <li>2018 Annual Report: Operating and Financial Review</li> <li>2018 Sustainability Report: Economic and Governance</li> </ul> <p>Anti-Corruption:</p> <ul style="list-style-type: none"> <li>2018 Sustainability Report: Economic and Governance</li> </ul> <p>Materials:</p> <ul style="list-style-type: none"> <li>2018 Sustainability Report: Environmental</li> </ul> <p>Effluents and Waste:</p> <ul style="list-style-type: none"> <li>2018 Sustainability Report: Environmental</li> </ul>
103-2	The management approach and its components	<p>Environment Compliance:</p> <ul style="list-style-type: none"> <li>2018 Sustainability Report: Environmental</li> </ul>
103-3	Evaluation of the management approach	<p>Occupational Health and Safety:</p> <ul style="list-style-type: none"> <li>2018 Sustainability Report: Social</li> </ul> <p>Training and Education:</p> <ul style="list-style-type: none"> <li>2018 Sustainability Report: Social</li> </ul> <p>Diversity and Equal Opportunity:</p> <ul style="list-style-type: none"> <li>2018 Sustainability Report: Social</li> </ul> <p>Local Communities:</p> <ul style="list-style-type: none"> <li>2018 Sustainability Report: Social</li> </ul> <p>Customer Privacy:</p> <ul style="list-style-type: none"> <li>2018 Sustainability Report: Social</li> </ul>
<b>MATERIAL TOPICS</b>		
<b>GRI 201: ECONOMIC PERFORMANCE 2016</b>		
201-1	Direct economic value generated and distributed	<p>2018 Annual Report: Operating and Financial Review</p> <p>2018 Sustainability Report: Economic and Governance</p>
<b>GRI 205: ANTI-CORRUPTION 2016</b>		
205-3	Confirmed incidents of corruption and actions taken	2018 Sustainability Report: Economic and Governance
<b>GRI 301: MATERIALS 2016</b>		
301-1	Materials used by weight or volume	2018 Sustainability Report: Environmental
<b>GRI 306: EFFLUENTS AND WASTE 2016</b>		
306-2	Waste by type and disposal method	2018 Sustainability Report: Environmental
<b>GRI 307: ENVIRONMENTAL COMPLIANCE 2016</b>		
307-1	Non-compliance with environmental laws and regulations	2018 Sustainability Report: Environmental
<b>GRI 403: OCCUPATIONAL HEALTH AND SAFETY 2016</b>		
403-2	Types of injury and rates of injury, occupational diseases, lost days and absenteeism and number of work-related fatalities	2018 Sustainability Report: Social

# Sustainability Report

GRI Standard 2016	Disclosure Title	Section Reference & Remarks
<b>GRI 404: TRAINING AND EDUCATION 2016</b>		
404-1	Average hours of training per year per employee	2018 Sustainability Report: Social
<b>GRI 405: DIVERSITY AND EQUAL OPPORTUNITY 2016</b>		
405-1	Diversity of governance bodies and employees	2018 Sustainability Report: Social
<b>GRI 413: LOCAL COMMUNITIES 2016</b>		
413-1	Operations with local community engagement, impact assessments, and development programs	2018 Sustainability Report: Social
<b>GRI 418: CUSTOMER PRIVACY 2016</b>		
418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	2018 Sustainability Report: Social

# Statistics of Shareholdings

As at 6 March 2019

## SHAREHOLDERS' INFORMATION AS AT 6 MARCH 2019

Issued and fully paid-up capital	:	\$24,620,615
No. of shares	:	53,244,997 shares
Class of shares	:	Ordinary shares
Voting rights	:	One vote per share
Treasury Shares and Subsidiary Holdings	:	Nil

## SUBSTANTIAL SHAREHOLDERS

as recorded in the Register of Substantial Shareholders

Name of Substantial Shareholders	Number of Shares		Deemed Interest	
	Direct Interest	%		%
Neo Koon Boo	12,098,147	22.72	–	–
Tan Kim Sing	9,671,205	18.16	*16,250	0.03
Yap Mui Kee	7,008,232	13.16	–	–
Teo Beng Choo	5,097,625	9.57	–	–

(a) \*16,250 shares held by spouse of Mr Tan Kim Sing, Mdm Ng Siew Yeng

## DISTRIBUTION OF SHAREHOLDINGS

Size of Shareholding			Number of Shareholders		Number of Shares	
				%		%
1	–	99	44	1.01	2,161	0.00
100	–	1,000	3,090	70.97	989,240	1.86
1,001	–	10,000	1,031	23.68	3,108,800	5.84
10,001	–	1,000,000	184	4.23	13,063,690	24.54
1,000,001		and above	5	0.11	36,081,106	67.76
			4,354	100.00	53,244,997	100.00

# Statistics of Shareholdings

As at 6 March 2019

## TWENTY LARGEST SHAREHOLDERS

No.	Name of Shareholders	Number of Shares	%
1.	Neo Koon Boo	12,098,147	22.72
2.	Tan Kim Sing	9,671,205	18.16
3.	Yap Mui Kee	7,008,232	13.16
4.	Teo Beng Choo	5,097,625	9.57
5.	Raffles Nominees (Pte) Limited	2,205,897	4.14
6.	Jonathan Chadwick	1,000,000	1.88
7.	DBS Nominees Pte Ltd	871,600	1.64
8.	Billy Neo Kian Wee (Billy Liang Jianwei)	856,000	1.61
9.	Yeo Boon Chan	775,540	1.46
10.	Morph Investments Ltd	645,000	1.21
11.	Citibank Nominees Singapore Pte Ltd	563,600	1.06
12.	Lim Kwee Poh	416,500	0.78
13.	Teo Ting Yue	350,000	0.66
14.	Phillip Securities Pte Ltd	348,987	0.66
15.	Seah Chong Teck	300,750	0.56
16.	Neo Kah Seng	259,750	0.49
17.	OCBC Securities Private Ltd	250,562	0.47
18.	Leong Hwei Min	250,000	0.47
19.	Ng Boon Guat	250,000	0.47
20.	UOB Kay Hian Pte Ltd	186,200	0.35
Total		43,405,595	81.52

### **Free Float**

Based on information available to the Company as at 6 March 2019, approximately 31.85% of the issued ordinary shares of the Company were held in the hands of public. Accordingly, the Company has complied with Rule 723 of the Listing Manual of the Singapore Exchange Securities Trading Limited.



# Notice of Annual General Meeting

**NOTICE IS HEREBY GIVEN** that the Annual General Meeting of LHT Holdings Limited (the “Company”) will be held at 27 Sungei Kadut Street 1, Singapore 729335 on Tuesday, 30 April 2019 at 3.30 p.m. for the following purposes:

## ORDINARY BUSINESS

1. To receive and adopt the Directors’ Statement and the Audited Financial Statements of the Company for the year ended 31 December 2018 together with the Auditors’ Report thereon. **(Resolution 1)**
2. To re-elect Mr Tan Kim Sing who is retiring pursuant to Article 103 of the Company’s Constitution.  
**[See Explanatory Note (i)]** **(Resolution 2)**
3. To re-elect Dr Wu Chiaw Ching who is retiring pursuant to Article 103 of the Company’s Constitution.  
**[See Explanatory Note (ii)]** **(Resolution 3)**
4. To declare a first and final one-tier tax exempt dividend of S\$0.03 per ordinary share for the year ended 31 December 2018. (2017: S\$0.05) **(Resolution 4)**
5. To approve the payment of Directors’ fees of S\$160,000 for the year ended 31 December 2018. (2017: S\$160,000) **(Resolution 5)**
6. To re-appoint Messrs BDO LLP as the Company’s Auditors and to authorise the Directors to fix their remuneration. **(Resolution 6)**
7. To transact any other ordinary business which may properly be transacted at an Annual General Meeting.

## SPECIAL BUSINESS

To consider and if thought fit, to pass the following resolution as Ordinary Resolution, with or without any modifications:

### 8. Authority to allot and issue shares

“That pursuant to Section 161 of the Companies Act, Chapter 50 (the “Act”), the Constitution and the listing rules of the Singapore Exchange Securities Trading Limited (“SGX-ST”), authority be and is hereby given to the directors of the Company to:

- (a)
  - (i) allot and issue shares in the capital of the Company (the “Shares”) (whether by way of rights, bonus or otherwise); and/or
  - (ii) make or grant offers, agreements, or options (collectively, “Instruments”) that might or would require Shares to be issued, including but not limited to the creation and issue of warrants, debentures or other instruments convertible into Shares,at any time and upon such terms and conditions and for such purposes and to such persons as the directors may in their absolute discretion deem fit; and
- (b) (notwithstanding the authority conferred by this Resolution may have ceased to be in force):
  - (i) issue additional instruments as adjustments in accordance with the terms and conditions of the Instruments made or granted by the directors while this Resolution was in force; and
  - (ii) issue Shares in pursuance of any Instruments made or granted by the directors while this Resolution was in force or such additional Instruments in (b)(i) above,

# Notice of Annual General Meeting

provided that:

- (1) the aggregate number of Shares to be issued pursuant to this Resolution (including Shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution) does not exceed fifty per cent (50%) of the total number of issued Shares (excluding treasury shares and subsidiary holdings, if any) at the time of the passing of this Resolution (as calculated in accordance with sub-paragraph (2) below), of which the aggregate number of Shares issued other than on a pro rata basis to existing shareholders (including Shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution) does not exceed twenty per cent (20%) of the Company's total number of issued Shares (excluding treasury shares and subsidiary holdings, if any) (as calculated in accordance with sub-paragraph (2) below); and
- (2) (subject to such manner of calculation as may be prescribed by the SGX-ST) for the purpose of determining the aggregate number of Shares that may be issued under sub-paragraph (1) above, the total number of issued Shares (excluding treasury shares and subsidiary holdings, if any) shall be calculated based on the total number of issued Shares (excluding treasury shares and subsidiary holdings, if any) at the time of the passing of this Resolution, after adjusting for:-
  - (a) new Shares arising from the conversion or exercise of convertible securities;
  - (b) new Shares arising from the exercise of share options or vesting of share awards outstanding or subsisting at the time this Resolution is passed, provided the options or awards were granted in compliance with Part VIII of Chapter 8 of the SGX-ST Listing Manual; and
  - (c) any subsequent bonus issue, consolidation or subdivision of Shares;
- (3) in exercising the authority conferred by this Resolution, the Company shall comply with the provisions of the listing rules of the SGX-ST for the time being in force (unless such compliance has been waived by the SGX-ST) and the Constitution for the time being of the Company; and
- (4) (unless revoked or varied by the Company in general meeting) the authority conferred by this Resolution shall continue in force until the conclusion of the next annual general meeting of the Company or the date by which the next annual general meeting of the Company is required by law to be held, whichever is the earlier."

**[See Explanatory Note (iii)]**

**(Resolution 7)**

By Order of the Board

Sally Yap Mei Yen  
Company Secretary

Singapore, 5 April 2019

# Notice of Annual General Meeting

## EXPLANATORY NOTES:

- (i) **Resolution 2** – Mr Tan Kim Sing will, upon re-election as a Director of the Company, remain as Executive Director of the Company. He is considered an Executive and Non-Independent Director. Detailed information of Mr Tan Kim Sing can be found under the “Board of Directors”, “Corporate Governance Report” and “Disclosure of Information on Directors Seeking Re-election” section of the Company’s Annual Report.
- (ii) **Resolution 3** – Dr Wu Chiaw Ching will, upon re-election as a Director of the Company, remain as Member of the Audit Committee, Remuneration Committee and Nominating Committee. He is considered to be Independent pursuant to Rule 704(8) of the Listing Rule of SGX-ST. Dr Wu Chiew Ching is the Independent Director. There are no relationships including immediate family relationships between Dr Wu Chiaw Ching and the other Directors or its 10% shareholders. Detailed information of Dr Wu Chiaw Ching can be found under the “Board of Directors”, “Corporate Governance Report” and “Disclosure of Information on Directors Seeking Re-election” section of the Company’s Annual Report.
- (iii) **Resolution 7** – if passed, will empower the Directors from the date of the above Meeting until the date of the next annual general meeting, to issue shares and convertible securities in the Company. The number of shares and convertible securities that the Directors may allot and issue under this Resolution would not exceed fifty per cent (50%) of the total number of issued shares (excluding treasury shares and subsidiary holdings, if any) of the Company at the time of the passing of this Resolution. For issue of shares and convertible securities (other than on a pro rata basis to all shareholders), the aggregate number of shares and convertible securities to be issued shall not exceed twenty per cent (20%) of the total number of issued shares (excluding treasury shares and subsidiary holdings, if any) of the Company.

## NOTES:

- 1. A Member (other than a Relevant Intermediary) entitled to attend and vote at the Annual General Meeting (the “Meeting”) is entitled to appoint not more than two (2) proxies to attend and vote in his/her stead. A proxy need not be a Member of the Company.
- 2. A member who is a Relevant Intermediary entitled to attend and vote at the Annual General Meeting is entitled to appoint more than two (2) proxies to attend and vote in his/her stead, but each proxy must be appointed to exercise the rights attached to a different share or shares held by such member. Where such member appoints more than two (2) proxies, the number and class of shares to be represented by each proxy must be stated.

“Relevant Intermediary” means:

- (a) a banking corporation licensed under the Banking Act, Chapter 19 of Singapore or a wholly-owned subsidiary of such a banking corporation, whose business includes the provision of nominee services and who holds shares in that capacity;
  - (b) a person holding a capital markets services license to provide custodial services for securities under the Securities and Futures Act, Chapter 289 of Singapore and who holds shares in that capacity; or
  - (c) the Central Provident Fund Board (“CPF Board”) established by the Central Provident Fund Act, Chapter 36 of Singapore, in respect of shares purchased under the subsidiary legislation made under that Act providing for the making of investments from the contributions and interest standing to the credit of members of the Central Provident Fund, if the CPF Board holds those shares in the capacity of an intermediary pursuant to or in accordance with that subsidiary legislation.
- 3. The instrument appointing a proxy must be deposited at the Registered Office of the Company at 27 Sungei Kadut Street 1, Singapore 729335 not less than forty-eight (48) hours before the time appointed for holding the Meeting.

# Notice of Annual General Meeting

## NOTICE OF BOOKS CLOSURE AND DIVIDEND PAYMENT DATE

NOTICE IS HEREBY GIVEN that the Share Transfer Books and Register of Members of LHT Holdings Limited (the “Company”) will be closed on 22 May 2019, for the preparation of dividend warrants for the first and final one-tier tax exempt dividend of S\$0.03 per ordinary share (the “Proposed Dividend”) for the financial year ended 31 December 2018.

Duly completed and registrable transfers received by the Company’s Share Registrar, B.A.C.S. Private Limited, at 8 Robinson Road, #03-00, ASO Building, Singapore 048544 up to 5.00 p.m. on 21 May 2019 will be registered to determine members’ entitlements to the Proposed Dividend.

Members whose Securities Accounts with The Central Depository (Pte) Ltd are credited with shares at 5.00 p.m. on 21 May 2019 will be entitled to the Proposed Dividend.

The Proposed Dividend, if approved by the members at the Annual General Meeting to be held on 30 April 2019, will be paid on 31 May 2019.

By Order of the Board

Sally Yap Mei Yen  
Company Secretary

Singapore, 5 April 2019

## PERSONAL DATA PRIVACY

By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the Annual General Meeting and/or any adjournment thereof, a member of the Company (i) consents to the collection, use and disclosure of the member’s personal data by the Company (or its agents) for the purpose of the processing and administration by the Company (or its agents) of proxies and representatives appointed for the Annual General Meeting (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the Annual General Meeting (including any adjournment thereof), and in order for the Company (or its agents) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the “Purposes”), (ii) warrants that where the member discloses the personal data of the member’s proxy(ies) and/or representative(s) to the Company (or its agents), the member has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents) of the personal data of such proxy(ies) and/or representative(s) for the Purposes, and (iii) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member’s breach of warranty.



# Disclosure of Information on Directors Seeking Re-election

Mr Tan Kim Sing and Dr Wu Chiaw Ching are the Directors seeking re-election at the forthcoming Annual General Meeting of the Company to be convened on 30 April 2019 ("AGM") (collectively, the "Retiring Directors" and each a "Retiring Director").

Pursuant to Rule 720(6) of the Listing Manual of the SGX-ST, the following is the information relating to the Retiring Directors as set out in Appendix 7.4.1 to the Listing Manual of the SGX-ST:

	MR TAN KIM SING	DR WU CHIAW CHING
Date of Appointment	29 August 1980	12 March 2007
Date of last re-appointment	28 April 2017	29 April 2016
Age	70	62
Country of principal residence	Singapore	Singapore
The Board's comments on this appointment (including rationale, selection criteria, and the search and nomination process)	The Board of Directors of the Company has considered, among others, the recommendation of the Nominating Committee ("NC") and has reviewed and considered the past contribution and suitability of Mr Tan Kim Sing for re-appointment as Executive Director of the Company. The Board have reviewed and concluded that Mr Tan Kim Sing possess the experience, expertise, knowledge and skills to continue contribute towards the existing businesses of the Group.	The Board of Directors of the Company has considered, among others, the recommendation of the Nominating Committee ("NC") and has reviewed and considered the contribution and performance, attendance, preparedness, participation, candour and suitability of Dr Wu Chiaw Ching for re- appointment as Non-Executive, Independent Director of the Company. The Board have reviewed and concluded that Dr Wu Chiaw Ching possess the experience, expertise, knowledge and skills to contribute towards the core competencies of the Board.
Whether appointment is executive, and if so, the area of responsibility	Mr Tan Kim Sing is responsible for the Company's production operations and the direct purchase of raw materials.	Non-Executive
Job Title (e.g.) Lead ID, AC Chairman, AC Member etc.)	Executive Director	Non-Executive, Independent Director Member of Audit Committee, Remuneration Committee and Nominating Committee.
Professional qualifications	Diploma in Business Administration from the Productivity and Standards Board in Singapore	Fellow member of the Institute of Singapore Chartered Accountant, the Association of Chartered Certified Accountants, United Kingdom and Certified Public Accountants, Australia.

# Disclosure of Information on Directors Seeking Re-election

	MR TAN KIM SING	DR WU CHIAW CHING
Working experience and occupation(s) during the past 10 years	29 August 1980 to present: Executive Director of LHT Holdings Limited.	1987 to present: Partner of Wu Chiaw Ching & Company
Shareholding interest in the listed issuer and its subsidiaries	Direct Interest: 9,671,205  Deemed Interest: 16,250 shares held by Mdm Ng Siew Yeng, the spouse of Mr Tan Kim Sing.	None
Any relationship (including immediate family relationships) with any existing director, existing executive officer, the issuer and/or substantial shareholder of the listed issuer or of any of its principal subsidiaries.	No	No
Conflict of Interest (including any competing business)	No	No
Undertaking (in the format set out in Appendix 7.7) under Rule 720(1) has been submitted to the listed issuer	Yes	Yes
Other Principal Commitments Including Directorships		
Past (for the last 5 years)	None	Non-Executive, Independent Director of China Fashion Holdings Limited, Natural Cool Holdings Limited and Gaylin Holdings Limited.
Present	None	Non-Executive, Lead Independent Director of DLF Holdings Limited and GDS Global Limited, and Non-Executive, Independent Director of Goodland Group Limited.

# Disclosure of Information on Directors Seeking Re-election

MR TAN KIM SING

DR WU CHIAW CHING

**Disclose the following matters concerning an appointment of director, chief executive officer, chief financial officer, chief operating officer, general manager or other officer of equivalent rank. If the answer to any question is “yes”, full details must be given.**

a)	Whether at any time during the last 10 years, an application or petition under any bankruptcy law of any jurisdiction was filed against him or against a partnership of which he was a partner at the time when he was a partner or any time within 2 years from the date he ceased to be a partner?	No	No
b)	Whether at any time during the last 10 years, an application or a petition under any law of any jurisdiction was filed against an entity (not being a partnership) of which he was a director or an equivalent person or a key executive, at the time when he was a director or an equivalent person or a key executive of that entity or at any time within 2 years from the date he ceased to be a director or an equivalent person or a key executive of that entity, for the winding up or dissolution of that entity or whether that entity is the trustee of a business trust, that business trust, on the group of insolvency?	No	No
c)	Whether there is any unsatisfied judgement against him?	No	No
d)	Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving fraud or dishonesty which is punishable with imprisonment, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such purpose?	No	No
e)	Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such breach?	No	No

# Disclosure of Information on Directors Seeking Re-election

	MR TAN KIM SING	DR WU CHIAW CHING
f) Whether at any time during the last 10 years, judgement has been entered against him in any civil proceedings in Singapore or elsewhere involving a breach of any law of regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or a finding of fraud, misrepresentation or dishonesty on his part, or he has been the subject of any civil proceedings (including any pending civil proceedings of which he is aware) involving an allegation of fraud, misrepresentation of dishonesty on his part?	No	No
g) Whether he has ever been convicted in Singapore or elsewhere of any offence in connection with the formation or management of any entity or business trust?	No	No
h) Whether he has ever been disqualified from acting as a director or an equivalent person of any entity (including the trustee of a business trust), or from taking part directly or indirectly in the management of any entity or business trust?	No	No
i) Whether he has ever been the subject of any order, judgment or ruling of any court, tribunal or governmental body, permanently or temporarily enjoining him from engaging in any type of business practice or activity?	No	No
j) Whether he has ever, to his knowledge, been concerned with the management or conduct, in Singapore or elsewhere, of the affairs of:-	No	No
i. any corporation which has been investigated for a breach of any law or regulatory requirement governing corporations in Singapore or elsewhere; or		
ii. any entity (not being a corporation) which has been investigated for a breach of any law or regulatory requirement governing such entities in Singapore or elsewhere; or		
iii. any business trust which has been investigated for a breach of any law or regulatory requirement governing business trusts in Singapore or elsewhere; or		



# Disclosure of Information on Directors Seeking Re-election

MR TAN KIM SING

DR WU CHIAW CHING

- iv. any entity or business trust which has been investigated for a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere

in connection with any matter occurring or arising during that period when he was so concerned with the entity or business trust?

k)	Whether he has been the subject of any current or past investigation or disciplinary proceedings, or has been reprimanded or issued any warning, by the Monetary Authority of Singapore or any other regulatory authority, exchange, professional body or government agency, whether in Singapore or elsewhere?	No	No
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**IMPORTANT**

1. A relevant intermediary may appoint more than two proxies to attend the Annual General Meeting and vote (please see Note 3 for the definition of "relevant intermediary")
2. For investors who have used their CPF monies to buy shares in the Company, this Annual Report is forwarded to them at the request of their CPF Approved Nominees and is sent solely for information only.
3. This Proxy Form is not valid for use by CPF and shall be ineffective for all intents and purposes if used or purported to be used by them.

**LHT HOLDINGS LIMITED**

Company Registration No. 198003094E  
(Incorporated in the Republic of Singapore)

**PROXY FORM**  
**ANNUAL GENERAL MEETING**

(Please see notes overleaf before completing this Form)

I / We, \_\_\_\_\_ (Name)

of \_\_\_\_\_ (Address)

being a member/members of LHT HOLDINGS LIMITED (the "Company"), hereby appoint:

Name	NRIC / Passport Number	Proportion of Shareholdings (%)
Address		

and /or (delete as appropriate)

Name	NRIC / Passport Number	Proportion of Shareholdings (%)
Address		

or failing him/her, the Chairman of the Meeting as my/our proxy to vote for me/us on my/our behalf at the Annual General Meeting ("AGM") of the Company to be held on Tuesday, 30 April 2019 at 27 Sungei Kadut Street 1, Singapore 729335 at 3.30 p.m. and at any adjournment thereof.

I/We direct my/our proxy/proxies to vote for and against the Resolutions to be proposed at the AGM as indicated hereunder. If no specific direction as to voting is given, the proxy/proxies will vote or abstain from voting at his/her discretion, as he/they will on any other matter arising at the Meeting.

No.	Resolutions relating to:	For	Against
1	Adoption of Directors' Statement, Auditors' Report and Audited Financial Statements for the year ended 31 December 2018		
2	Re-election of Mr Tan Kim Sing as a Director of the Company		
3	Re-election of Dr Wu Chiaw Ching as a Director of the Company		
4	Approval of first and final one-tier tax exempt dividend of S\$0.03 per ordinary share		
5	Approval of Directors' fees amounting to S\$160,000		
6	Re-appointment of Messrs BDO LLP as Auditors		
7	Authority to allot and issue shares		

Notes: If you wish to exercise all your vote "For" or "Against", please indicate with a cross [X] within the box provided. Alternatively, please indicate the number of votes "For" or "Against" for each resolution.

Dated this \_\_\_\_\_ day of \_\_\_\_\_ 2019

Total number of Shares in:	No. of Shares
(a) Depository Register	
(b) Register of Members	

\_\_\_\_\_  
Signature of Shareholder(s)/and,  
Common Seal of Corporate Member



Fold the flap for sealing

Please  
affix  
stamp  
here

The Company Secretary  
**LHT HOLDINGS LIMITED**  
27 Sungei Kadut Street 1  
Singapore 729335

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**Notes:**

1. Please insert the total number of Shares held by you. If you have Shares entered against your name in the Depository Register (as defined in Section 81SF of the Securities and Futures Act, Chapter 289 of Singapore), you should insert that number of Shares. If you have Shares registered in your name in the Register of Members, you should insert that number of Shares. If no number is inserted, the instrument appointing a proxy or proxies shall be deemed to relate to all the Shares held by you.
2. A Member of the Company (other than a Relevant Intermediary) entitled to attend and vote at a Meeting of the Company is entitled to appoint not more than two proxies to attend and vote in his stead. A proxy need not be a Member of the Company.
3. A member who is a Relevant Intermediary entitled to attend and vote at the Annual General Meeting is entitled to appoint more than two (2) proxies to attend and vote in his/her stead, but each proxy must be appointed to exercise the rights attached to a different share or shares held by such member. Where such member appoints more than two (2) proxies, the number and class of shares to be represented by each proxy must be stated.  
"Relevant Intermediary" means:
  - (a) a banking corporation licensed under the Banking Act, Chapter 19 of Singapore or a wholly-owned subsidiary of such a banking corporation, whose business includes the provision of nominee services and who holds shares in that capacity;
  - (b) a person holding a capital markets services license to provide custodial services for securities under the Securities and Futures Act, Chapter 289 of Singapore and who holds shares in that capacity; or
  - (c) the Central Provident Fund Board ("CPF Board") established by the Central Provident Fund Act, Chapter 36 of Singapore, in respect of shares purchased under the subsidiary legislation made under that Act providing for the making of investments from the contributions and interest standing to the credit of members of the Central Provident Fund, if the CPF Board holds those shares in the capacity of an intermediary pursuant to or in accordance with that subsidiary legislation.
4. Where a Member appoints more than one proxy, he shall specify the proportion of his shareholding to be represented by each proxy. If no such proportion or number is specified the first named proxy may be treated as representing 100% of the shareholding and any second named proxy as an alternate to the first named
5. The instrument appointing a proxy or proxies must be deposited at the registered office of the Company at 27 Sungei Kadut Street 1, Singapore 729335 not less than forty-eight (48) hours before the time appointed for the Annual General Meeting.
6. The instrument appointing a proxy or proxies must be under the hand of the appointor or of his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed either under its seal or under the hand of an officer or attorney duly authorised. The dispensation of the use of common seal pursuant to the Companies Act, Chapter 50 of Singapore effective from 31 March 2017 is applicable at this Annual General Meeting.
7. A corporation which is a Member may by resolution of its directors or other governing body authorise such person as it thinks fit to act as its representative at the Meeting, in accordance with Section 179 of the Companies Act, Chapter 50 of Singapore.

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**General:**

The Company shall be entitled to reject the instrument appointing a proxy or proxies if it is incomplete, improperly completed, illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the instrument appointing a proxy or proxies. In addition, in the case of Shares entered in the Depository Register, the Company may reject any instrument appointing a proxy or proxies lodged if the Member, being the appointor, is not shown to have Shares entered against his name in the Depository Register as at seventy-two (72) hours before the time appointed for holding the Meeting, as certified by The Central Depository (Pte) Limited to the Company.

**PERSONAL DATA PRIVACY**

By submitting an instrument appointing a proxy(ies) and/or representative(s), the member accepts and agrees to the personal data privacy terms set out in the Notice of Annual General Meeting dated 5 April 2019.








## **LHT HOLDINGS LIMITED**

(Company Registration Number: 198003094E)

27 Sungei Kadut Street 1, Singapore 729335

 (65) 6269 7890

 (65) 6367 4907

 <http://www.lht.com.sg>

<http://www.technicalwood.com.sg>

<http://www.ecrpallet.com>

<http://www.ippcpallet.com>

<http://www.greenflo.com>

<http://www.gpac.com.sg>

 [enquiry@lht.com.sg](mailto:enquiry@lht.com.sg)