

LCT

Holdings Limited

SUSTAINABILITY REPORT 2020

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About This Report

This is LCT Holdings Limited's (the "Company", and together with its subsidiaries, collectively known as the "Group", "LCT", "we" or "our") third sustainability report (the "Report") for the financial year ending 30 June 2020 ("FY2020"). We recognise the importance of sustainability practices that contribute to greater success and growth in our business and will continue to report on our progress annually. The Group believes that this Report presents our sustainability strategy and performance areas relating to in Environmental, Social and Governance ("ESG").

Reporting Standards

This Report was prepared in accordance with Rules 711A and 711B of the SGX-ST Listing Manual Section B: Rules of Catalist ("Catalist Rules") and the Global Reporting Initiative ("GRI") Standards Sustainability Reporting Guidelines 2016 – Core Option and its reporting principles. We have adopted the GRI reporting framework for its robust regime and detailed guidance which offers an internationally-recognised benchmark for the disclosure of governance approaches, the environmental, social and economic performance and impact on organisations. The GRI content index and relevant references are set out at the end of this report.

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

Reporting Scope and Period

This Report continues to focus on the Group's core operations in China, which are material to our business for FY2020. The Group will continue to work towards including the operations of other subsidiaries in other countries into our Report. In this Report, we will discuss the Group's efforts and performance on our material ESG factors.

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

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

Accessibility of the report and Your Feedback

In line with our pledge to sustainable environmental practices, we will not be printing this report. The report is available on www.sgx.com and we welcome feedback from all stakeholders. Please direct your questions, comments, suggestions or feedback on any aspect of this report or our sustainability practices to secretary@lct-holdings.com.

Letter from the Chairman

Mr Du Junqi
Executive Chairman



Dear Valued Stakeholders,

On behalf of the Board of Directors (the “Board”), it is my pleasure to present the third Sustainability Report (the “Report”) of the Group. This report aims to communicate our Group’s commitment towards sustainability as well as to articulate our initiatives that have been implemented within the Group over time.

As with the previous years, the Group recognises the importance of managing a business that incorporates sustainability practice. As such, we have identified relevant ESG factors that are key to our business which we have included in this Report. Our Board oversees the overall direction on sustainability and related strategies, while our management are responsible for implementation, monitoring and providing regular updates to the Board.

The COVID-19 pandemic has affected businesses and individuals globally across many industries. We are pleased to share that the Group’s businesses in Xi’an and Shanghai were not adversely affected by the pandemic due to the strict adherence to government requirements by the property owners and the property management company. This facilitated timely approvals from the Chinese government to reopen the properties on time, hence reducing the economic impact of the pandemic on the Group. The effect of the pandemic on our lessees’ businesses was limited as rent payments continued to be prompt.

The management will continue to pay close attention to any potential adverse impact on the Group’s businesses and will implement timely and adequate responses in order to ensure the stable development of our businesses in Xi’an and Shanghai. At the same time, the management will strive to seek new business opportunities and generate additional sources of revenue.

FY2020 will be one where the economic situation continues to remain dynamic and fluid, and sustainability issues are constantly evolving. As such, the Board sees this as an on-going journey where we continue to evaluate material ESG factors that are relevant to our businesses. Lastly, we would like to thank our shareholders, long-time business partners and all stakeholders for their unwavering support and confidence in us.

About Us

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

Our Vision and Mission

With the uncertainty and volatility of the COVID-19 economy, businesses can no longer survive on one source of revenue. It is therefore paramount for the Group to diversify our businesses and generate other sources of income besides property investment and management. We are always on the lookout for new business opportunities and finding ways to develop new businesses. Our recent acquisition of Shanghai Xiyun Information Technology Services Co., Ltd ("Shanghai Xiyun") last year has allowed us to diversify our portfolio and expand our reach to the ever-growing high technology industries in China. This was a strategic move as Shanghai Xiyun contributed revenue in excess of RMB7 million to the Group in FY2020.

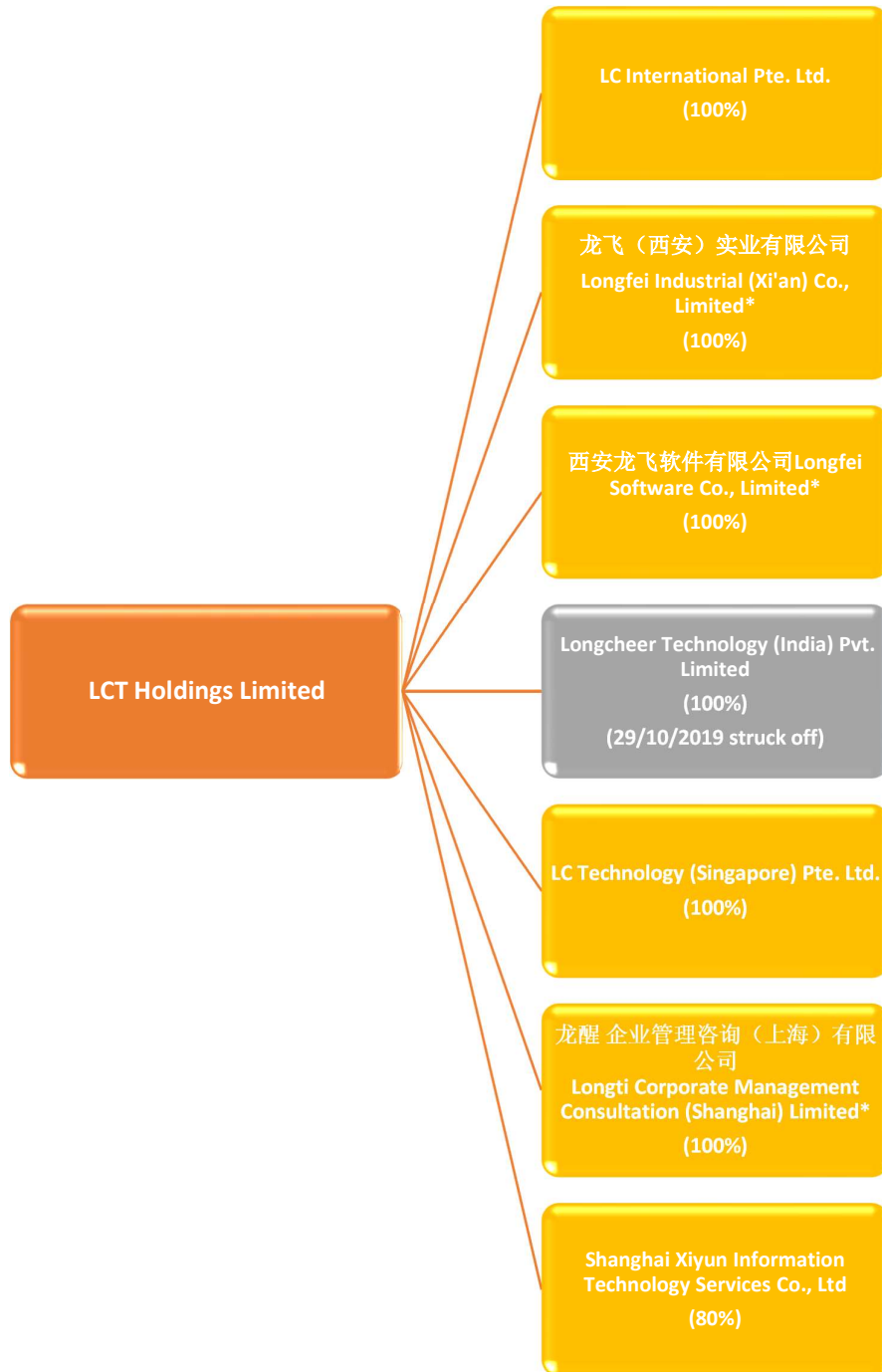
The Board and management will continue to oversee the operations of the Group and steer the company through the turbulent COVID-19 economy. The Group will continue to seek and capitalise on business opportunities that will provide our shareholders long term value whilst exercising financial prudence.

Our People – LCT's most valued assets

Our people are the core assets of our businesses which are essential to achieve long term sustainable business goals. We strive to maintain a safe and inclusive working environment by employing and developing talented people, continually improving their competencies and enhancing employee performance. We embrace diversity and recognise the importance of creating an all-inclusive environment where our employees can treat each other respectfully, honestly and equally. We believe that maintaining a culture of open, two-way communications in the workplace is essential for enhancing employee engagement, building effective teams, and fostering a better work environment for all.

About Us

Corporate Structure



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

About Us

Supply Chain Management

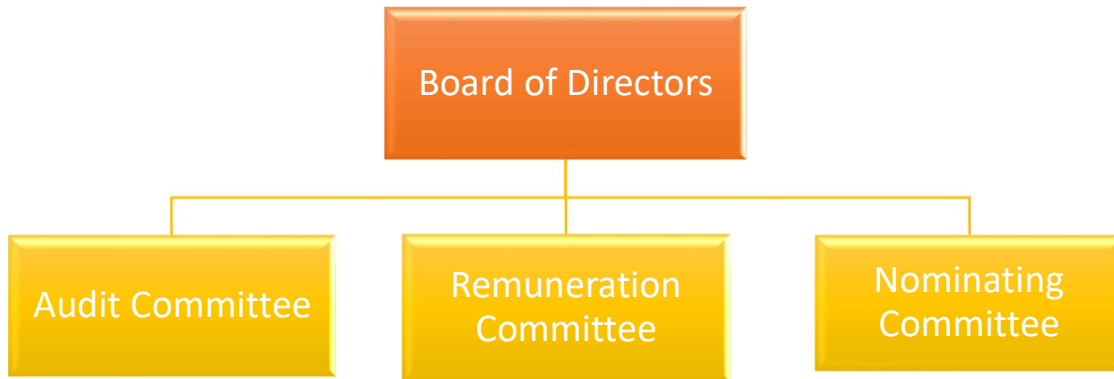
LCT's principal activity is in investment holdings and our procurement activities revolve around goods and services which are mainly used to assist us in our day-to-day operations, including printing, rental of office, recruitment and other ancillary services. The Group has in place a procurement policy to ensure that key suppliers are selected fairly based on a comprehensive list of criteria such as comparing cost amongst multiple suppliers, quality, timeliness of response, etc. New suppliers undergo rigorous due diligence checks on their past business dealings. The Group maintains strong relationships with all our suppliers and cooperate well with them. There were no cessation or termination with any of our major suppliers in FY2020.

External Initiatives

The Group believes in and is committed to giving back to the community and has over the years conducted various outreach initiatives to provide improvement to peoples' lives. We believe that by helping and improving the lives of those in the community, we will assist in lifting the current as well as the next generation. The Sakya County Secondary School that the Group helped to build in 2015 has given many younger students the opportunity to gain invaluable knowledge which will benefit the communities our students reside in. Although the COVID-19 pandemic has put a hold on our outreach programmes and initiatives, we believe strongly in giving back and will continue to do so when given the opportunity.

Our Approach to Governance and Sustainability

Organisation Chart – Board



Organisation Chart - Management



Governance at LCT

Our Group is committed to conducting our business activities in a socially and environmentally sustainable matter. We understand the importance of good corporate governance, greater transparency and accountability in our businesses. We recognise that a high standard of corporate governance and business conduct, is integral in ensuring the sustainability of our business and performance, as well as safeguarding the interests and maximising long-term value for our stakeholders.

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

The Board oversees the governance and risk management functions and is aware of the need to put in place a sound system of risk management and internal controls to safeguard the shareholders’ interests and the Group’s assets. Internal monitoring and review processes have been established and implemented to assess the adequacy and the effectiveness of the Group’s internal control systems, including financial, operational, compliance and information technology controls and risk management systems. The Company has established procedures to ensure that all transactions with interested persons are reported on a timely manner to the Audit Committee (“AC”) for review. The AC will review and check that transactions were carried out on normal commercial terms and are not prejudicial to the interests of the Company and its minority shareholders before making its recommendation to the Board for approval. There were no Interested Party Transactions in the year FY2020.

Sustainability at LCT

The Group integrates sustainability principles into our businesses under the leadership of our Board. Our Board of Directors, senior management, and key stakeholders were actively involved in the establishment, review and monitoring of the Group’s sustainability initiatives as well as overseeing the overall direction of the Group’s sustainability approach and incorporate these considerations when formulating business strategies. Our senior management assists the Board by implementing and monitoring the performance of our sustainability initiatives.

In addition, we also actively engage our key stakeholders to understand their needs and address their concerns. This helps us build mutually beneficial relationships with our stakeholders and generate sustainable value for them in the long run.

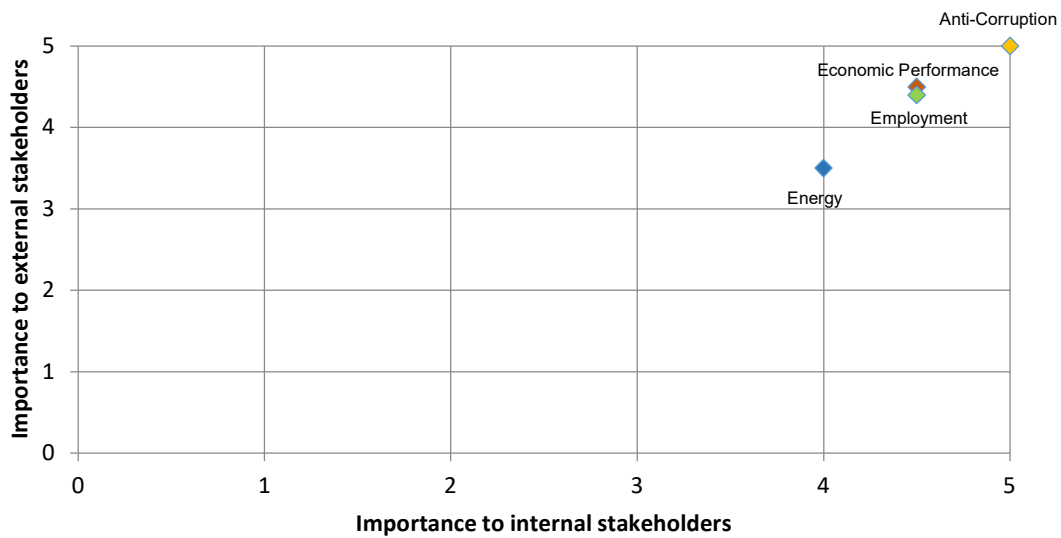
Stakeholder Engagement

The Group's business operations impact multiple stakeholder groups and we value inputs and comments from our stakeholders. For FY2020, we continue to actively engage our stakeholders formally and informally, to understand their perspectives on our sustainable practices. Through the engagement, key ESG topics were identified, reassessed and included in this Report. The table below depicts our key stakeholder groups, our means of engagement with them, as well as their key topics of interest.

Stakeholder Group	Means of Engagement	Key Topics of Interest
Customers	<ul style="list-style-type: none"> • Customer satisfaction survey • Company contact page 	<ul style="list-style-type: none"> • Quality of products and services
Suppliers	<ul style="list-style-type: none"> • Emails communication • Meetings and discussions 	<ul style="list-style-type: none"> • Continued engagement • Environmental compliance • Quality of their products and services
Employees	<ul style="list-style-type: none"> • Employee handbook • Annual performance appraisal • Feedback sessions • On-going communication • Corporate events 	<ul style="list-style-type: none"> • Fair employment practices • Workplace Health and safety • Employee welfare • Employee remuneration and benefits
Investors	<ul style="list-style-type: none"> • Annual Report • Financial results announcement • Sustainability report • Annual General Meeting • Networking sessions • Email and teleconferences • Company website 	<ul style="list-style-type: none"> • Timely updates on financial performance • Sustainability reporting • Investor relations
Government and Regulators	<ul style="list-style-type: none"> • Consultations and discussions • Industry networking functions 	<ul style="list-style-type: none"> • Compliance with relevant laws and regulations • Opportunities for business collaboration and investment • Sharing industry best practices

Materiality Assessment

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



Sustainability Topics Selected:

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

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



ECONOMIC PERFORMANCE

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

For FY2020, we are delighted to announce a 62% year-on-year increase in revenue as compared to 5% in the previous year. The increase in revenue is mainly attributable to the newly acquired company, Shanghai Xiyun Information Technology Services CO., Ltd. (“Shanghai Xiyun”) which contributed revenue of RMB7.8 million. Shanghai Xiyun’s main business is to provide supporting services for customers to obtain service revenue which includes technical services, financial accounting, investment consultation and legal affairs support amongst many others.

The COVID-19 pandemic has affected many businesses and economic activities globally but there was limited adverse impact on the Group’s businesses in Xi’an and Shanghai. The lessees of the property in Xi’an were engaged in industries related to development and there was strong support by the Chinese Government. Therefore, most of the lessees’ businesses were not adversely affected by the pandemic and payments were prompt.

The economic performance of the Group is shown below:

	FY2020 (RMB’000)	FY2019 (RMB’000)
Revenue	20,644	12,777
Net Profit/ (loss) attributable to shareholders	1,977	6,581
Earnings/ (loss) per share	4.33	18.67

Please refer to our published Annual Report for FY2020 for a detailed breakdown of the Group’s financial performance.



ANTI-CORRUPTION

At LCT, we strive to inculcate an inclusive culture and promote ethical behaviour amongst all our employees. We adopt a zero-tolerance approach to corruption, bribery and fraud which is enforced by our Code of Conduct. The Code of Conduct serves as a central guide and reference for our employees with regards to expectations and principles of workplace behaviour. All employees are expected to fully comply with the Code of Conduct.

Our Group has a whistle-blowing policy whereby employees may, in confidence, raise concerns about possible irregularities in financial reporting and/or other matters, such as suspected fraud, corruption, dishonest practices etc. The policy defines the processes clearly to ensure independent investigation of such matters and permits whistle blowers to report directly via email to any of the Whistle-Blowing Committee members. The whistle-blowing policy is posted on the company's notice board for all employees to view. Trainings are also provided to employees on business ethics and to reinforce the procedures for reporting any potential violations. LCT does not tolerate corruption in any form or manner and views malpractices seriously. We have not received any reports of malpractices in all aspects of our business and will strive to maintain this record by strengthening mutual supervision between employees.

The Group is committed to safeguard against fraud and protect the interests of our stakeholders. To do so, we have put in place a conflict of interest policy to identify and manage potential situations where conflict of interest may arise. All employees of our Group are required to declare and disclose any situation where their private businesses or personal interests conflict with those of our Group.

There were no whistle-blowing, corruption or cases of wrongdoing received in FY2020. Moving forward, LCT will continue to work towards maintaining our zero corruption and wrongdoings record in all aspects of our businesses.



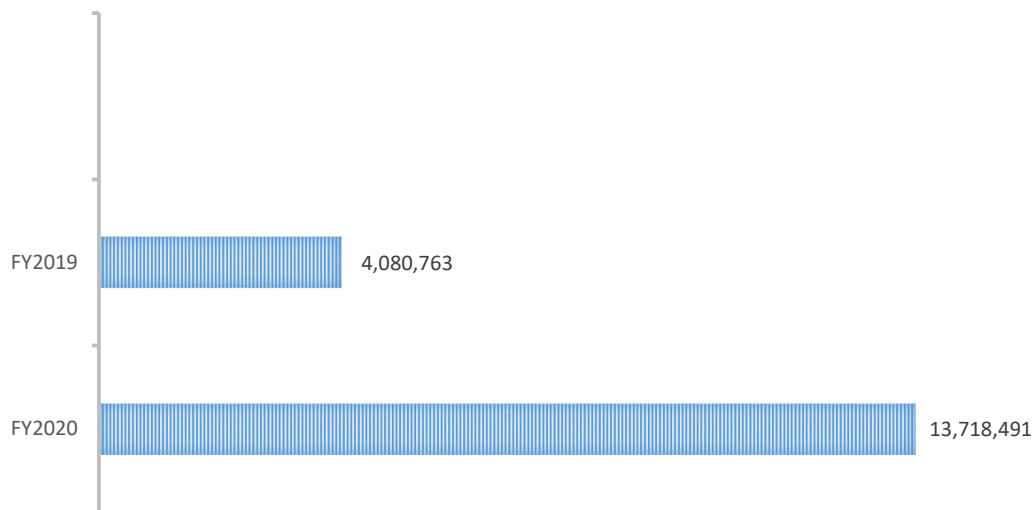
ENERGY

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

The Group noted a significant increase in energy usage in FY2020 due to the uptake of rented units which were vacant in FY2019. This was aligned with the increase in the Group's revenue from EY2019 to FY2020. As our business grew, it was expected that energy usage will increase in tandem. The Group was aware of the implications of energy wastage on the environment and therefore recognise the importance of our role in managing energy consumption to promote environmental sustainability and cost savings.

Going forward, we intend to reduce energy usage by improving work efficiency in the upcoming years. The graph below depicts our energy consumption for FY2020 and FY2019.

ENERGY USAGE (KWH)



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



EMPLOYMENT

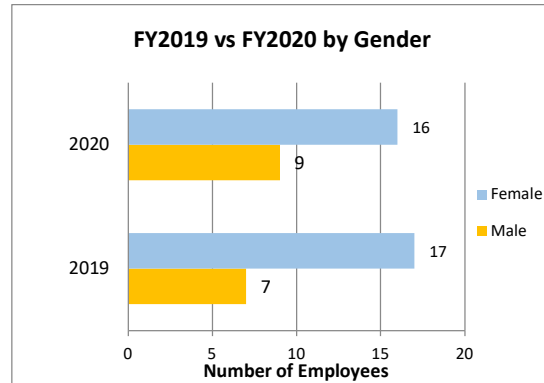
Our people has always been one of the pillars of our Group’s sustainable growth. We believe in investing in our staff as they are our most valuable assets. Their skills and expertise are vital to the success of our businesses. Thus, attracting and retaining talents are part of our Group’s strategy to ensure sustainable growth.

Employment Policy

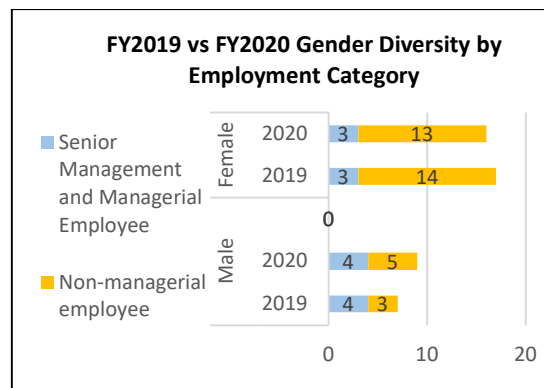
At LCT, potential employees were subject to a fair but rigorous recruitment process to ensure that the person with the best fit gets hired for the job. The recruitment process is documented in our Human Resource Policy. Our Group reviews our Human Resource Policy and Procedures regularly to improve and enhance our procedures in talent recruitment and retention.

High talent retention creates a positive work environment, which strengthens employees’ commitment to the Group. We continue to reward our employees based on merit during our annual appraisals exercise and all eligible employees will be appraised against their key performance indicators. Every employee in LCT will be given equal opportunities for career advancement throughout their time with us.

For FY2020, all employees in LCT were hired on a full-time basis which meant that everyone in the company was eligible to partake in the annual appraisal exercise and were entitled to government benefits such as healthcare benefits, maternity leave and parental leave.



There is no change in the gender mix in Senior Management between FY2019 and FY2020. For FY2020, there was an increase in male and a reduction in female non-managerial employee making the gender mix among non-managerial employees more balanced as compared to FY2019.



The Group will continue to emphasize constant care for our employees through active engagement and team bonding in order to create a positive working environment for all.

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GRI Standard	Disclosure	Page Reference and Reasons for Omission, if applicable
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GRI 102: General Disclosures	Organizational Profile	
	102-1 Name of the organisation	Cover Page
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	102-3 Location of headquarters	Page 3
	102-4 Location of operations	Page 3
	102-5 Ownership and legal form	Page 3
	102-6 Markets served	Page 3
	102-7 Scale of the organisation	Page 5 & Page 6
	102-8 Information on employees and other workers	Page 15
	102-9 Supply chain	Page 7
	102-10 Significant changes to the organisation and its supply chain	No changes
	102-11 Precautionary principle or approach	Precautionary approach
	102-12 External initiatives	Page 7
	102-13 Membership of associations	We will work towards reporting this in our next report.
	Strategy	
	102-14 Statement from senior decision maker	Page 4
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	102-18 Governance structure	Page 8
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	102-40 List of stakeholder groups	Page 10
	102-41 Collective bargaining agreements	Not applicable
	102-42 Identifying and selecting stakeholders	Page 10
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	Reporting Practice	
	102-45 Entities included in the consolidated financial statements	Page 6
	102-46 Defining report content and topic boundaries	Page 3
	102-47 List of material topics	Page 11
	102-48 Restatements of information	Not applicable
	102-49 Changes in reporting	No changes in reporting
	102-50 Reporting period	Page 3
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	103-3 Evaluation of the management approach	
GRI 201: Economic Performance	202-1 Direct economic value generated and distributed	
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	103-3 Evaluation of the management approach	
GRI 205: Anti-Corruption	205-1 Operations assessed for risks related to corruption	
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Energy		
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	103-2 The management approach and its components	
	103-3 Evaluation of the management approach	
GRI 302: Energy	302-1 Energy consumption within the organisation	
	302-2 Energy consumption outside of the organisation	
	302-3 Energy intensity	
	302-4 Reduction of energy consumption	
	302-5 Reduction in energy requirements of products and services	
Employment		
GRI 103: Management Approach	103-1 Explanation of the material topic and its boundaries	Page 15
	103-2 The management approach and its components	
	103-3 Evaluation of the management approach	
GRI 401: Employment	401-1 New employee hires and employee turnover	
	401-2 Benefits provided to full-time employees that are not provided to temporary or part-time employees	
	401-3 Parental leave	