

LCT

Holdings Limited

SUSTAINABILITY REPORT 2018

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About This Report

This is LCT Holdings Limited (the “Company”, and together with its subsidiaries, collectively known as the “Group” or “LCT” or “We”) first sustainability report. The Group believes that this report provides an accountable and transparent presentation of its sustainability strategy and its performance in Environmental, Social and Governance (“ESG”) areas.

Reporting Standard

We have prepared this report in accordance with Rules 711A and 711B of the Singapore Exchange Securities Trading Limited (“SGX-ST”) Listing Manual Section B: Rules of Catalyst (“Catalist Rules”) and in accordance with the Global Reporting Initiative (“GRI”) Standards Sustainability Reporting Guidelines 2016 - Core Option and its reporting principles. The GRI standards have been adopted for its global recognition and application.

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

Reporting Scope and Period

This report focuses on the Group’s core business operations in China, which are material to our business for financial year ended 2018. The Group will work towards expanding our reporting scope to include our operations across the globe as we advance in our sustainability reporting journey. This report describes the sustainability performance of key ESG topics from 1 July 2017 to 30 June 2018 (“FY2018”). The material ESG topics in this report have been identified through active engagement with our key stakeholders, including customers, suppliers, employees, investors, and government and regulators.

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

Accessibility of the report and Your Feedback

This report further focuses on the Group’s endeavours towards a sustainable society, as part of our pledge to sustainable environmental practice - we will not be printing this report. The report is available at company information at <http://www.sgx.com>. We welcome your questions and value your opinions on the contents of this report or any aspects of our sustainability performance. You can reach as at secretary@lct-holdings.com

Letter from the Chairman



Mr Du Junqi

Executive Chairman

Dear Valued Stakeholders,

With the increasing concern and expectation for organisations' abilities in tracking and dealing with global issues from stakeholders' perspective, the Board trust that sustainability efforts have to be embedded in our strategy formulation.

On behalf of the Board of Directors of the Company (the "Board"), it is my pleasure to present the maiden Sustainability Report (the "report") of the Group, deliberating the key material topics and challenges that are of significance to our business and various stakeholders. The Board oversees the stewardship of our team of senior management, who ensures that our sustainability efforts are executed efficiently and effectively, at the same time, manage the performance of the sustainability goals we made against our strategy and business objectives. Even as we make advancements in our business, the Board remains dedicated in creating a sustainable business model focusing on achieving long term success for our stakeholders.

Having the right tone set from the top is vital in an organisation's growth and success, at LCT, we are committed to conduct our business in an ethically, socially and environmentally sustainable manner. The Code of Conduct established by the Group provides a coherent guideline on ethical business conduct and professional workplace behaviour, thereby ensuring that our employees act with the highest form of integrity and accountability in all of the activities they conduct.

The Group will continue to innovate ways to advocate for a sustainable culture and continuously work for the needs of our stakeholders.

About LCT

Formally known as Longcheer Holdings Limited, the Group's history can be traced back to 2002. Pursuant to the Group's announcement dated 10 October 2016, the Group officially changed its name from "Longcheer Holdings Limited" to "LCT Holdings Limited" (hereby known as "LCT", "the Group", "We" or "Our") due to a change in business structure. LCT is incorporated in Bermuda with its principal place of business at the People's Republic of China, with our principal activity focused on property investment and management business.

LCT engages in property investment and property management services. LCT was successfully listed on the Singapore Exchange Securities Trading Limited ("SGX-ST") Mainboard on 13 May 2005.

As we approach a customer-centric age, LCT prides ourselves in providing high-quality products and services to our customers and delivering our products and services on time. LCT build on our core competences to provide value to our customers and other stakeholders who hold a vested interest in our business operations.

LCT managed to go against arduous challenges during the year under review, and come out with a 4% increase in revenue, and substantial increase in LCT'S net profit of RMB 9.0 million as compared to a loss of RMB 6.2 million in the previous year.

Our Vision and Mission Statement

With the backdrop of China's grim economy and complexity of the international environment, the Shanghai composite index dropped nearly 29% in 2018. Leading to its ranking of the second lowest decline in 29 years, second to the global financial crisis in 2008.

Our Board and management will continue to be vigilant in overseeing the prudent and efficient management of our operations. We will also continue to seek opportunities to create long term shareholder value, which includes evaluating strategic opportunities that fit with our long-term vision.

LCT has laid a good foundation after numerous restructuring and improvements made. With rapid transformation in businesses in China and globally, this is an opportune time, and we look forward to working with our fellow colleagues to seek opportunities arising from China's economic transformation to ensure sound asset quality as well as strong and sustainable profitability.

Our Most Valuable Asset – Our People

LCT recognises and appreciate the contributions made by our people to our business. In view of this, LCT ensures that a dynamic and inclusive, safe and healthy work environment is provided to our employees, thereby nurturing growth in the back end of our business. LCT upholds and honours fair employment practices and provide ample of opportunities to our employees to progress.

About LCT

Corporate Structure

LCT Holdings Limited

LC International Pte. Ltd.

龙飞（西安）实业有限公司
Longfei Industrial (Xi'an) Co., Limited*

西安龙飞软件有限公司
Longfei Software Co., Limited*

Longcheer Technology (India) Pvt. Limited

LC Technology (Singapore) Pte. Ltd.

龙醒 企业管理咨询（上海）有限公司
Longti Corporate Management Consultation
(Shanghai) Limited*

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

About LCT

Supply Chain Management

As LCT engages in investment holding activities, we procure goods and services primarily to assist in our day-to-day operations, including printing, rental of office, recruitment and other administrative services. We are constantly monitoring and evaluating our suppliers through criteria such as cost effectiveness and operational efficiency.

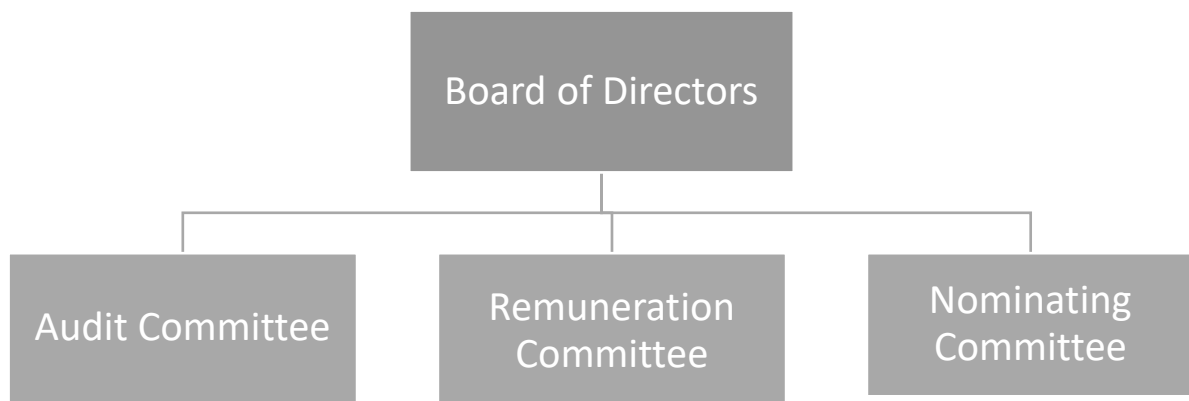
External Initiatives

In 2015, the Group have reached out to the community in Tibet, providing educational assistance to the community through the Sakya County Secondary School built. Moving forward, LCT will continue to leave a positive footprint to the wider community.

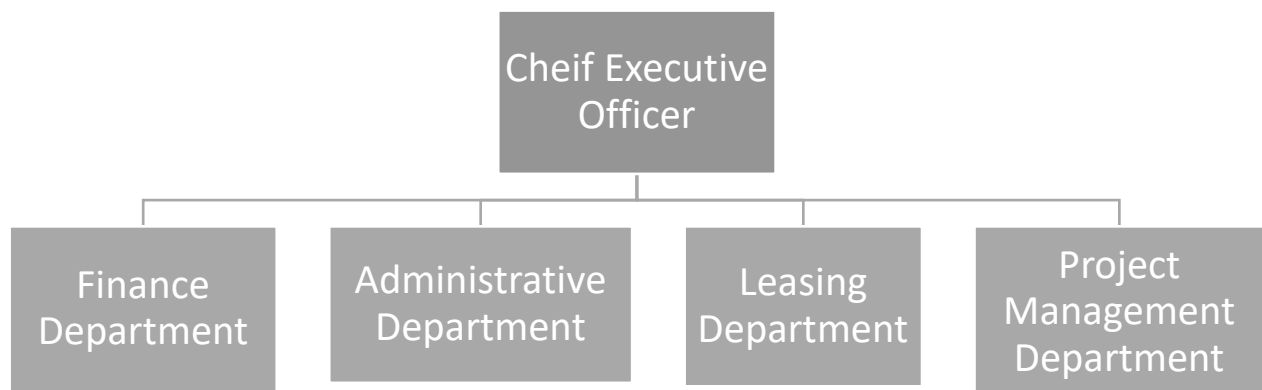


Our Approach to Governance and Sustainability

Organisation Chart - Board



Organisation Chart - Management



Governance at LCT

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

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 observe other regulations, notices, circulars, and guidelines that may be released by the MAS and the SGX-ST from time to time and should there be deviations, explanations will be provided.

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

Another act of good corporate governance is the implementation of whistle-blowing policy which presents an avenue to our people and any other persons to raise in confidence, their concerns about possible improprieties, fraudulent activities and malpractices within the Group in a responsible manner, regarding financial reporting or other matters.

Sustainability at LCT

The Group’s strategy formulation incorporated sustainability topics. Our management team leads our sustainability efforts, and ensures that the Group’s business objectives are in line with our commitments to sustainable development. The management ensures that our operations and processes are managed in a way that minimises its impact on our environment.

The management team is responsible for continual communication of our sustainability performance to the Board, who oversees the leadership role for the Group’s sustainability strategy. LCT have taken efforts to actively engage our stakeholders, to understand their perspective on our sustainable practices, either in an informal or formal manner. Through the engagement, key ESG topics are identified and included within this report. LCT aspire to understand and meet the needs and expectation of our key stakeholders, and strive to build mutual beneficial relationships.

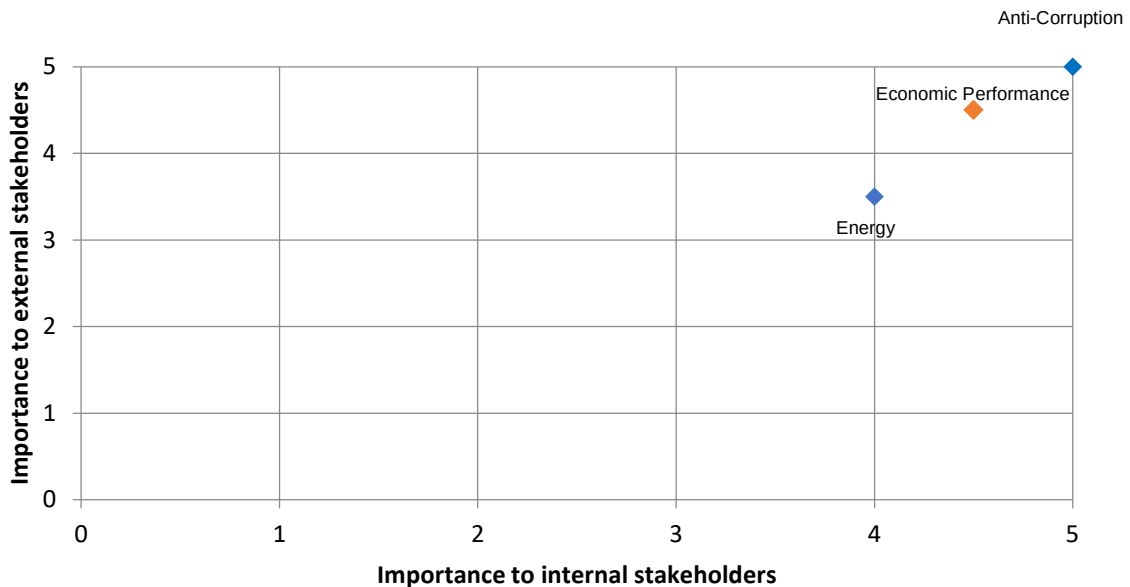
Stakeholder Engagement

There are different groups of stakeholders that our business has a significant impact on, they are those with a vested interest in our business operations. LCT aspire to understand the views of our key stakeholders and strive to build mutual beneficial relationships through effective communication with them and address their concerns.

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

Materiality Assessment

Based on feedback gathered from our internal and external stakeholders, LCT have evaluated and identified key relevant topics which would have significant economic, environmental and social impacts. LCT have prioritised and compiled 4 relevant sustainability aspects for developing this report, as reflected in the materiality matrix below:



Sustainability Topics Selected:

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

Going forward, the Group will review and re-evaluate the relevance of our material ESG factors disclosed, to ensure its relevance to our stakeholders and business landscape. No quantitative targets have been reported, for the factors identified in our maiden sustainability report. Nonetheless, the Group pledges to improve our performance in these factors and address each of them as they become better assessed.

ECONOMIC PERFORMANCE

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

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

As we move along in this wavering economy, which brings about pressure to the local rental market, the management is committed in exploring various leasing methods and new forms of operation, in order to sustain the development of our Group's operations.

The Board and the management will continue to exercise prudence and efficient management of LCT's business operations. We seek to leverage on China's economic transformation which brings about business opportunities that are in line with our long-term business vision, to embark on future projects and sustain our economic growth in the coming years.

	FY 2018 (RMB'000)	FY 2017 (RMB'000)
Revenue	12,215	11,754
Net Profit/ (loss) attributable to shareholders	9,075	(6,202)
Earnings/ (loss) per share	25.75	(17.60)

Please refer to our published Annual Report for FY2018 for detailed breakdown of the Group's financial performance.



ANTI-CORRUPTION

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

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

Aside to the whistle blowing policy, a conflict of interest policy has also been implemented. The conflict of interest policy allows directors, management and employees to identify situations that present potential conflicts of interest, as well as setting out procedures to appropriately manage conflicts in accordance with LCT’s business objectives of transparency and accountability.

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

Moving forward, LCT strives to maintain the zero record in corruption cases, and we will continue to nurture an anti-corruption environment.

ENERGY

The world has seen the impact brought about by climate change, businesses have to perform their operations in a sustainable manner to reduce the potential impact their operations have on earth.

LCT acknowledges the importance of proper management and regulation of our energy consumption so as to reduce our carbon footprint on the environment. The Group adopted green practices to reduce our energy consumption, those activities includes inter-alia switching off the lights at our workshops and offices during lunch time, using LED lights, using energy efficient equipment and setting our computers to energy-saving mode.

FY2018	KWh
Electricity Consumption	3,550,000.00

Moving forward, we aim to achieve more efficient energy consumption through implementation of measures to effectively control and monitor our energy consumption.



EMPLOYMENT

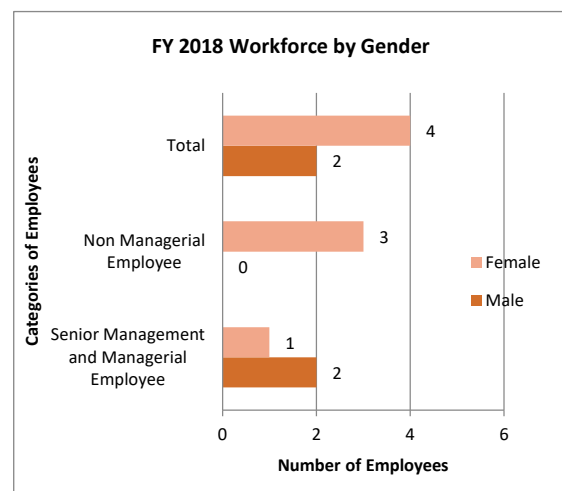
Our employees are the drivers for our success, they are LCT's most valuable asset. We value our employees and uphold ourselves to fair employment practices for our workforce. Through that, we attract and retain the talented candidate, create a motivated workforce and grow the competency of our workforce.

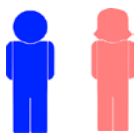
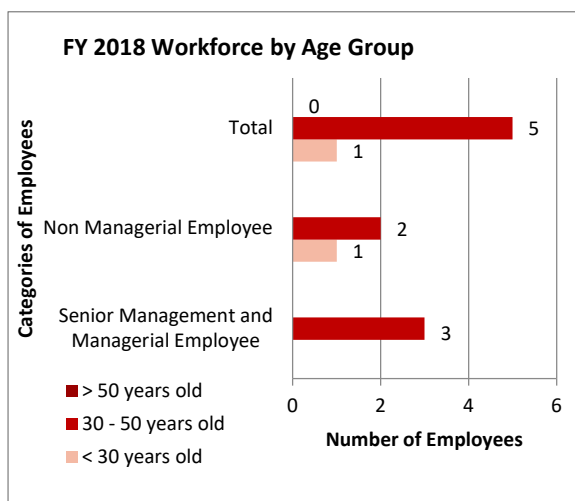
Employment Policy

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

All our employees are full time employees and hired from our local community. The Group

provides our employees with the local government benefits, including maternity leave and parental leave. During the reporting period, there was no maternity or paternity leave taken. As at 30 June 2018, there were a total of six employees under the Group. There were four out of six female employees while the remaining were male employees. The Group is in the opinion that we have a proportionate mix of gender in our Group. In FY2018, three out of six employees were in the senior management and managerial level and above, while the remainder were in the non-managerial level. During the review period, two new employees joined the Group, while three employees resigned during the same period. The Group is constantly trying to retain our employees through attractive compensation packages and career development.





New Employee	-	2
Employee who resigned	2	1
Total	2	3

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

GRI CONTENT INDEX

GRI CONTENT INDEX (Cont'd)

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