

# ACHIEVING GREATER HEIGHTS



ANNUAL REPORT **2021**



**LHT HOLDINGS LIMITED**



singapore



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



# Contents



<b>02</b>	Corporate Profile
<b>03</b>	Corporate Structure and Corporate Information
<b>04</b>	Mission Statement
<b>05</b>	Chairman's Statement
<b>06</b>	Board of Directors
<b>10</b>	Senior Management
<b>11</b>	Operating and Financial Review
<b>14</b>	Financial Summary
<b>16</b>	Significant Events of 2021
	<b>Financial Report</b>
<b>17</b>	Directors' Statement
<b>20</b>	Independent Auditor's Report
<b>25</b>	Statements of Financial Position
<b>27</b>	Consolidated Income Statement
<b>28</b>	Consolidated Statement of Comprehensive Income
<b>29</b>	Consolidated Statement of Changes in Equity
<b>30</b>	Statement of Changes in Equity
<b>31</b>	Consolidated Statement of Cash Flows
<b>32</b>	Notes to the Financial Statements
<b>94</b>	Supplementary Information in Compliance with SGX-ST
<b>96</b>	Corporate Governance Report
<b>141</b>	Sustainability Report
<b>168</b>	Statistics of Shareholdings
<b>170</b>	Notice of Annual General Meeting
<b>175</b>	Disclosure of Information on Directors Seeking Re-election
	Proxy Form



# Corporate Profile



WORLDSTAR  
WINNER 2020



LHT Holdings Limited has been in the timber industry for over 40 years. Since establishment in 1977, LHT has grown into one of the largest manufacturers of high quality wooden pallets, boxes and crates in Singapore, with facilities occupying 46,275 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. LHT’s staff strength now stands at 111 employees in Singapore and a total of 219 employees in the Group as at end February 2022.

## 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.

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.

More recently, the Company has been awarded the Business Eminence Awards by Dun & Bradstreet in 2020 and The 10 Most Renowned Brands to Watch in 2020 by The Leaders Globe.

As part of LHT’s commitment to protecting the Earth’s precious timber resources and reducing 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>
Li Suet Man	– <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, FCS; FCG; FCCA; CA (Singapore); CPA (Australia); ACMA; CGMA; MBA

## AUDIT COMMITTEE

Tan Kok Hiang – *Chairman*  
Low Peng Kit  
Wu Chiaw Ching  
Li Suet Man

## NOMINATING COMMITTEE

Low Peng Kit – *Chairman*  
Tan Kok Hiang  
Wu Chiaw Ching  
Li Suet Man

## REMUNERATION COMMITTEE

Tan Kok Hiang – *Chairman*  
Low Peng Kit  
Wu Chiaw Ching  
Li Suet Man

## 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)

## STOCK DATA

SGX Code: BEI

## WEBSITES

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

## SHARE REGISTRAR

B.A.C.S. Private Limited  
77 Robinson Road  
#06-03 Robinson 77  
Singapore 068896  
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: Mr Aw Vern Chun Philip  
(Appointed from the financial year ended  
31 December 2021)

## PRINCIPAL BANKERS

Bank of China  
CIMB Bank Berhad  
DBS Bank Ltd  
Malayan Banking Berhad  
OCBC Bank  
United Overseas Bank Ltd  
Bank of Investment and Development of Vietnam  
RHB Bank Berhad



# 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 2021.

## **REVIEW OF PERFORMANCE**

For the Financial Year 2021 (“FY2021”), the Group registered revenue of \$35.99 million, a 7.0% increase from \$33.63 million in FY2020. Revenue from pallet and packaging products increased by 4.3% to \$28.56 million (FY2020: \$27.38 million), mainly due to increase in demand in the year. Revenue from trading in timber-related products increased by 62.2% to \$1.46 million (FY2020: \$0.90 million) due to increase in demand during the pandemic year. Revenue from Technical Wood® and related products increased by 66.7% to \$1.00 million (FY2020: \$0.60 million) due mainly increase in woodchips demand. Revenue from pallet rental services increased by 4.8% to \$4.98 million (FY2020: \$4.75 million) due to increase in demand in the logistics market.

Correspondingly, the Group’s net profit after tax increased 51.2% from \$2.91 million in FY2020 to \$4.40 million in FY2021.

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 2021.

## **OUTLOOK**

In view of the current uncertain and volatile economic conditions, the Group expects market conditions to remain challenging. Under this difficult business environment, we will continue to keep up our marketing efforts as well as cost management. The Group will stay focused on its core businesses, while enhancing its competitiveness by maintaining product quality, prompt delivery, cost control measures and improvements in productivity. We are confident that these efforts will enable us to stay competitive.

## **ACKNOWLEDGEMENT**

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

# Board of Directors



**Ms Yap Mui Kee**  
*Managing Director*  
Age: 60

**Ms Yap Mui Kee** has been the Executive Director of the Company since 2 January 1988 and is in-charge of the 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 35 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*  
Age: 73

**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.





# Board of Directors



**Mr Billy Neo Kian Wee**  
*Executive Director*  
Age: 48

**Mr Billy Neo Kian Wee** was appointed as the Executive Director on 24 February 2017. He joined the company in June 1996 and had worked in several departments of the company such as 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.



**Mr Tan Kok Hiang**  
*Non-Executive*  
*Lead Independent Director*  
Age: 71

**Mr Tan Kok Hiang** joined the Company as an 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.



# Board of Directors



**Mr Low Peng Kit, BBM(L)**  
*Non-Executive Independent Director*  
Age: 73

**Mr Low Peng Kit** has been an Independent Director of the Company since 1 July 1999.

Mr Low brought with him a wealth of experience. He has been on the Board of Directors of various companies in the Food & Beverage, Education & Training, Healthcare, as well as Construction sectors. Currently, he is the Managing Director of Little Red Dot Bakery Pte Ltd and FMC Education Centre; Director of One 69 Pte Ltd, First Medical Centre Pte Ltd, First Medical Centre (Yishun) Pte Ltd, FMC Contract Services Pte Ltd, and Shang Teng Construction Pte Ltd.

Mr Low is also a passionate and active community leader. In his 40 over years of community services, he served various committees such as Reach Supervisory Panel (MCI), School Advisory Committees in Ministry of Education, PAP Community Foundation Branch Exco Committee, Singapore Chinese Calligraphy Society, Singapore Clan Association, Community Development Council (CDC), Community Club Management Committee (CCMC), Resident's Committee (RC), Management Corporation Strata Title Council (MCST) and member of NACLI Adjunct Faculty.

He currently serves the grassroots organisations as the Honorary Chairman of the Yew Tee Citizens' Consultative Committee. He is also a Committee Member of the Yew Tee CCC Community Development and Welfare Fund, the Yew Tee CC Building Fund Committee. In addition to his community work, Mr Low also holds leadership positions in various organisations. He is currently the President of the Canchan Athletic Association and the Agarwood Association (Singapore); the Vice Chairman of Chinese Development Assistance Council @ Yew Tee Management Committee, and the Treasurer of the International Institute of Mediators (Singapore). With a heart to help others, Mr Low is licensed to solemnise marriage in Singapore since July 1996.

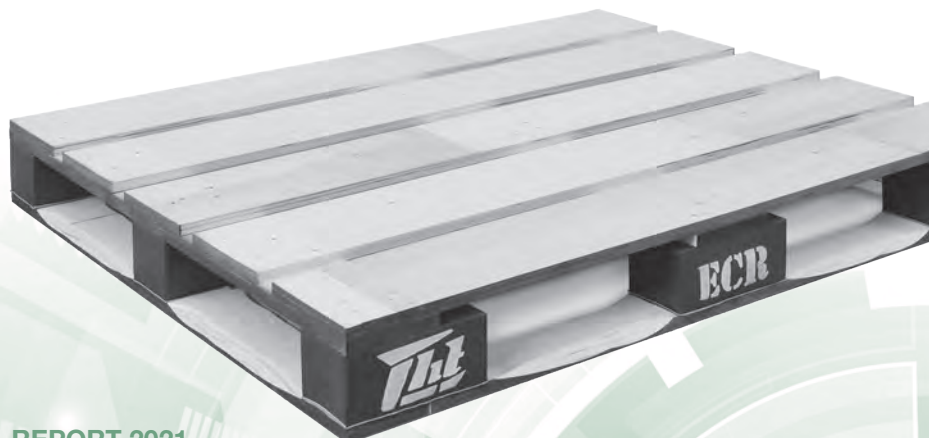
Mr Low holds a Diploma in Management Studies. He serves actively as Master Mediator with the Community Mediation Centre (CMC). Being a pioneer mediator in Singapore with over 25 years of experience, he was appointed as a Senior Life Member of the International Institute of Mediators (Singapore). He is also a mediation instructor, coach, assessor and mentor. He has vast intercultural experience through his mediations conducted with several Singapore's mediation organisations.

Mr Low is also a member of the Singapore Institute of Directors.



**Dr Wu Chiaw Ching**  
*Non-Executive Independent Director*  
Age: 65

**Dr Wu Chiaw Ching** joined the Company as an Independent Director on 12 March 2007. He is presently the Lead Independent Director of 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 Accountants, the Association of Chartered Certified Accountants, United Kingdom and Certified Practising Accountants, Australia, and member of the Singapore Institute of Directors.





## Board of Directors



**Mr Li Suet Man**

*Non-Executive Independent Director*  
Age: 61

**Mr Li Suet Man** joined the Company as an Independent Director on 1 November 2019. He began his early career in London working for an international finance house. Eight years later in 1996, he moved on to pursue opportunities in Singapore and has since established an extensive business network here. Holding a master's degree in Finance (GPA 3.94/4.00) awarded by the City University of New York, and an executive MSc in Finance from Zicklin School of Business, he was selected for lifetime membership in Beta Gamma Sigma, the international honour society for collegiate schools of business. Since 2015, he has been frequently invited to teach International Finance and Business Management in the two local universities.

Until recently, Mr Li had been the Chairman of the Energy and Chemicals Industry Group in Singapore Manufacturing Federation, a position he had held for more than 13 years. In that capacity, he had chaired the Taskforce for Energy Supply and Transmission under the auspices of the Singapore Standards Council. In 2013, he delivered the keynote speech during the Singapore International Energy Week, entitled "Singapore – Asia's Energy Hub", which garnered significant media recognition. He was also the Chairman of SME Centre and China Business Committee, and thus sat on the Singapore-Shandong Business Council for 9 years.

Over the past decade, Mr Li has been successively appointed by the China-ASEAN Business Council as Executive Chairman of four different China-ASEAN Industry Collaboration Committees, namely, Chemical, Biomedical, High-tech and Construction. For his contribution, he was named the "2017 Outstanding Figure for Promoting ASEAN-China Enterprise Cooperation" by all ten ASEAN Ambassadors to China. Concurrently, he serves as the Economic Advisor to both Shandong and Nanning International Chambers of Commerce as well as the Rizhao International Maritime City. In 2021, Mr Li was elected Vice President of the Singapore China Business Association.



**Ms Sally Yap Mei Yen**

*Alternate Director to Yap Mui Kee and  
Corporate Secretary*  
Age: 57

**Ms Sally Yap Mei Yen** has been an Alternate Director to Ms Yap Mui Kee since 20 July 1998 and the Corporate Secretary of the Company since 29 March 2001. With her qualifications and experiences in audit, accounting and corporate secretarial matters; she oversees the corporate secretarial matters of the company and its local subsidiaries, supervise the Company's Chinese subsidiary and handles the company's corporate affairs. 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. She is a Fellow Chartered Governance Professional of the Chartered Governance Institute (United Kingdom). She is also a non-practising member of the Institute of Singapore Chartered Accountants (ISCA), Certified Practising Accountants, Australia, Chartered Institute of Management Accountants (United Kingdom), Chartered Global Management Accountants and a member of the Singapore Institute of Directors.

# Senior Management

## Mr Vincent Tan Khar Kheng

*Administration and Financial Controller*

*Age: 53*

**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 Derek Neo Kah Seng

*Recycling Plant Manager*

*Age: 58*

**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 William Yap Yew Weng

*Senior Sales Manager*

*Age: 62*

**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.





# Operating and Financial Review



## OPERATING REVIEW

### Pallet and Packaging Products

The pallet and packaging business registered revenue of \$28.56 million (FY2020: \$27.38 million), an increase of 4.3% from last year, mainly due to an increase in demand for pallets in the year resulting from supply shortages from overseas competitors, while segmental result achieved net profit of \$2.77 million, as compared to a net profit of \$1.42 million last 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 existing ones.

### Timber-Related Products

Revenue for timber-related products increased by about 62.2% to \$1.46 million (FY2020: \$0.90 million) as a result of increase in demand during the pandemic year. The segmental result registered net profit of \$0.31 million compared to net profit of \$0.16 million last year. Trading activities do not follow any seasonal patterns.

### Technical Wood® Products and Woodchip Supply

The revenue of Technical Wood® products and woodchip supply increased by 66.7% to \$1.00 million (FY2020: \$0.60 million) mainly due to increase in demand for woodchips. This has resulted in the segmental result registering a net profit of \$0.84 million as compared to a net loss of \$0.07 million in FY2020.

### Pallet Rental and Others

The revenue for pallet rental has increased by 4.8% to \$4.98 million (FY2020: \$4.75 million) due to increase in demand in the logistics market, especially during the current pandemic period. Accordingly, the segmental result registered an increase in profit of \$2.72 million (FY2020: \$2.44 million). 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 in the near to mid term.



# Operating and Financial Review

## Other Subsidiary Companies

Kim Hiap Lee Company (Pte) Limited, which deals mainly with pallet rentals, registered revenue of \$2.82 million and an operating profit of \$1.49 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 \$2.53 million and operating profit of \$0.82 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 \$2.27 million and operating profit of \$0.003 million, after tax.

LHT Marketing Pte Ltd, which is the trading arm for LHT Group, registered revenue of \$1.42 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 \$1.43 million with operating profit of \$0.66 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 \$7.50 million with operating profit of \$0.42 million, after tax.

LHT Ecotech Resources (Tianjin) Co., Ltd was established in 2015 to engage in environmental wood product manufacturing, wholesale, retail, import & export and RFID pallet rental business. As mentioned in prior years, due to difficulties brought about by the Covid-19 pandemic, the company has been scaled down to dormant in FY2020. As such, there is no revenue for the current FY2021 but a loss of \$0.31 million, mainly resulting from the impairment of a non-financial asset of S\$0.29 million.

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 \$0.16 million with an operating profit of \$0.02 million, after tax.

## Potential Business Factors and Risks

The unprecedented Covid-19 pandemic that came in year 2020 has created uncertainties for businesses and economies all over. However, as the Group engages mainly in essential services, it is proceeding cautiously with business as usual. With the continued emphasis on vaccination as a condition towards gradual opening up of economies, the Group is cautiously optimistic that mass

vaccinations worldwide will ensure economies return to normalcy soon.

In the meantime, 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:

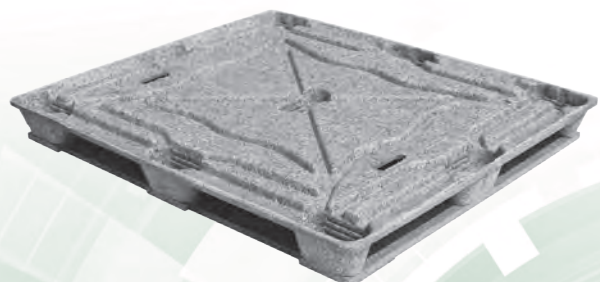
- (1) To use its Malaysian subsidiaries as its main manufacturing base to tap on more competitive labour costs;
- (2) To source for high-quality sawn timber from overseas suppliers, like New Zealand and Australia, thereby keeping process wastages to a minimum;
- (3) To maintain inventory at a reasonable 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; and
- (5) To intensify its marketing efforts while continuously reviewing and streamlining its operations and productions processes.

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 businesses.

## Human Resource, Quality Management

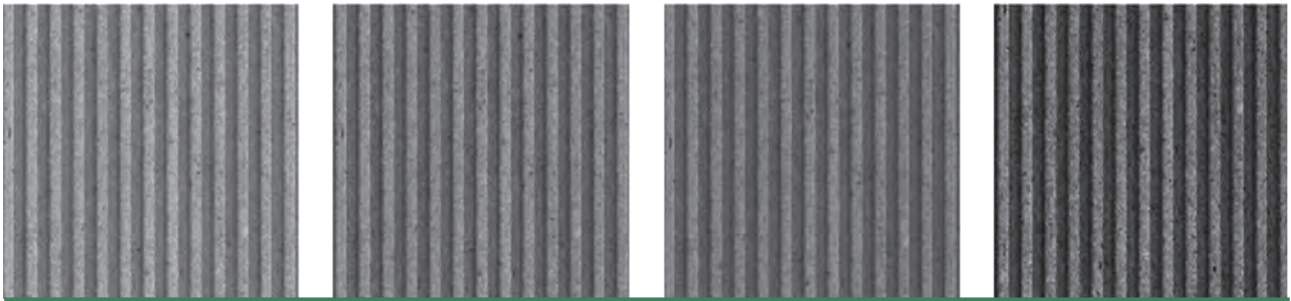
As at the end of February 2022, the Group has a workforce of 111 employees in Singapore. Together with its subsidiaries in other countries, the Group now has a total of 219 employees.

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 are in place to help new employees adapt 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 continuous learning and on the job training.





# Operating and Financial Review



The Group recognises and appreciates the dedication and contributions of all its employees towards the Group's achievements and successes. As of today, 70 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.

## FINANCIAL REVIEW

### Cash Flows and Liquidity

For the year ended 31 December 2021, The Group's net cash generated from operating activities decreased to \$6.53 million (FY2020: \$11.03 million) and net cash and cash equivalents decreased by \$1.77 million from \$24.07 million to \$22.30 million. The net decrease in inflow was mainly due to increase in working capital, increase in inventories and a decrease in trade and other payables.

The Group's current ratio increased from 10.75 in FY2020 to 13.62 in FY2021, while the quick ratio also increased from 9.66 to 11.98 respectively, due mainly to reducing payables and accruals. Net asset value per share increased slightly from 101.16 cents to 106.16 cents as at 31 December 2021. The shareholder's equity for the Group increased to \$56.53 million (FY2020: \$53.86 million), while total assets increased to \$66.79 million (FY2020: \$65.46 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, which comprises wholly of lease liability of \$6.29 million has reduced as compared to last year amount of \$7.20 million due to repayment of lease liabilities. This has also resulted in long-term borrowings decreasing to \$5.56 million (FY2020: \$6.37 million).

Details of the Group's borrowings, interest rate and financial and capital risk management policies are disclosed in Note 27 and Note 28 to the Financial Statements.

### Capital Expenditure

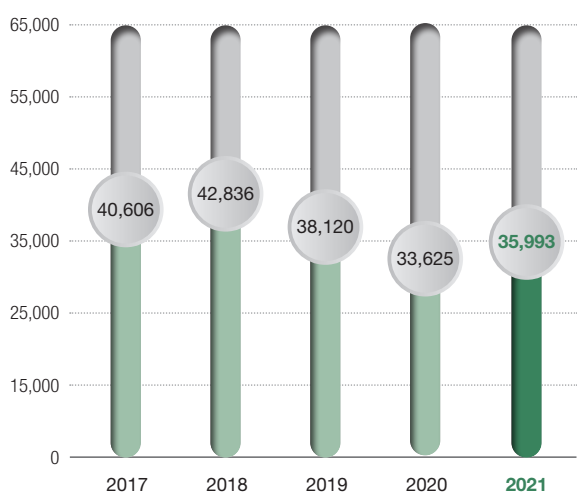
The Group's total capital expenditure incurred for the year was lower at \$1.79 million (FY2020: \$2.33 million). This consists mainly of new rental pallets of \$1.45 million to facilitate the Group's objective in increasing its market share in the pallets rental segment.

# Financial Summary

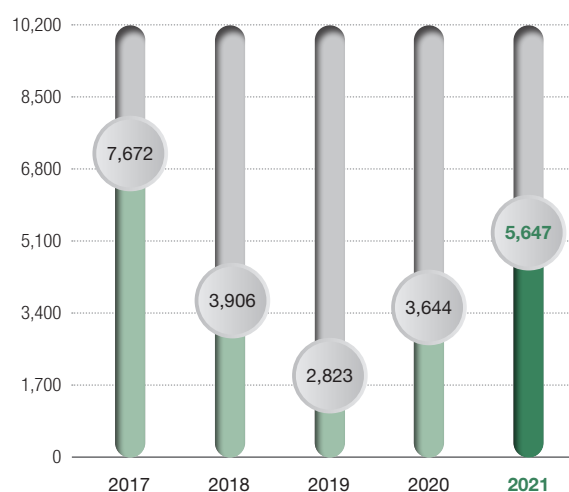
For the Financial Year Ended 31 December

*Net asset value per share increased from **101.16 cents to 106.16 cents** as at 31 December 2021, due to an increase in net assets for the year*

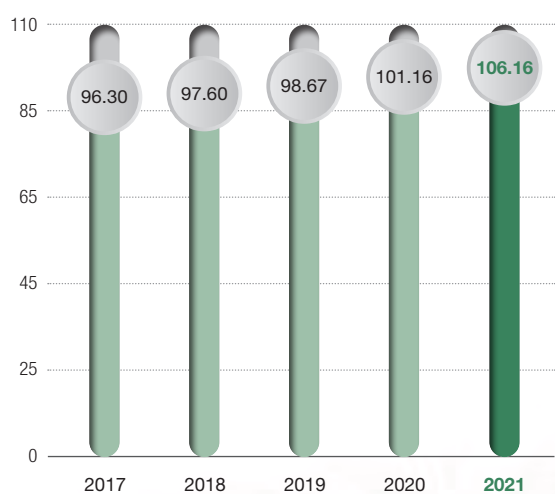
## Revenue (S\$'000)



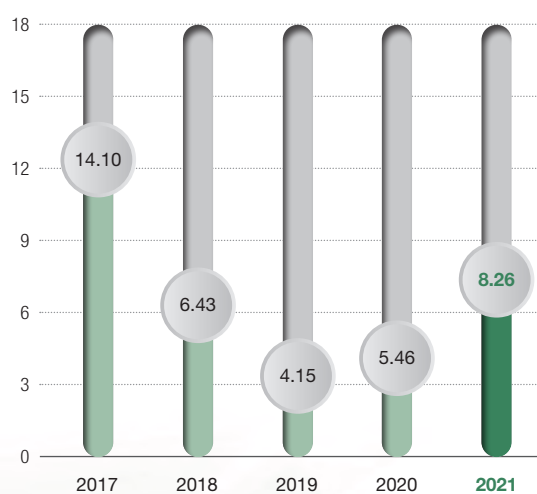
## Profit Before Income Tax (S\$'000)



## Net Assets Per Share (cents)



## Earnings Per Share (cents)





# Financial Summary

For the Financial Year Ended 31 December

## Result of Operations

\$'000	2017	2018	2019	2020	2021
Revenue	40,606	42,836	38,120	33,625	35,993
Other income	8,987	3,303	4,162	3,263	2,439
Profit before income tax	7,672	3,906	2,823	3,644	5,647
Income tax expense	(166)	(483)	(614)	(739)	(1,251)
Profit after income tax attributable to:					
Owners of the Company	<b>7,506</b>	<b>3,423</b>	<b>2,209</b>	<b>2,905</b>	<b>4,396</b>
Earnings per share					
Basic and diluted (cents)	14.10	6.43	4.15	5.46	8.26

## Financial Position

\$'000	2017	2018	2019	2020	2021
Non-current assets	13,734	12,315	13,916	18,355	17,895
Current assets	45,741	48,575	47,918	47,109	48,899
Current liabilities	(6,982)	(7,853)	(6,035)	(4,382)	(3,589)
Net current assets	38,759	40,722	41,883	42,727	45,310
Non-current liabilities	(1,219)	(1,071)	(3,262)	(7,222)	(6,680)
	<b>51,274</b>	<b>51,966</b>	<b>52,537</b>	<b>53,860</b>	<b>56,525</b>

## Equity

Equity attributable to owners of the Company	<b>51,274</b>	<b>51,966</b>	<b>52,537</b>	<b>53,860</b>	<b>56,525</b>
Net assets per share (cents)	96.30	97.60	98.67	101.16	106.16

### 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.

# Significant Events of 2021

FY2021 has been a year filled with meaningful achievements for LHT Holdings Ltd. During the year, we garnered several recognitions both in the international arena and local market.

## JANUARY 2021

### 07 JANUARY 2021

- Won the WorldStar award 2021 under the Pest-free RFID Green Pallet product category. The pre-eminent international award is organised by the World Packaging Organisation based in USA.
- Nominated as one of Asia's Best sustainability Report (SME) award finalists in the prestigious Asia Sustainability Reporting Awards (ASRA) as recognition for our quality sustainability reporting.

## FEBRUARY 2021

Garnered the 2021 IPPC GPAC PALLET Manufacturer award under the Corporate Livewire Malaysia Prestige Awards 2020/2021.

### 19 MARCH 2021

Featured in the IndustryWired magazine in a story headlined "LHT Holdings Developing Technology-Base Eco-Friendly to Make Better Tomorrow".

## 29 APRIL 2021

- Conferred international ACQ5 award – Game Changer of the Year 2021 award for our sustainability efforts.
- Held Company's Annual General Meeting by electronic means.

### 22 MAY 2021

Attained the Materials Award at the Malaysia International Business Awards 2021 with LHT Gpac technology.

## JUNE 2021

Special mention by Beyond magazine for being the top most prominent Business Leaders in 2021, as well as pioneering the timber industry with successful leadership.

### 4 JUNE 2021

Awarded "Singapore – Gamechanger of the Year" at Global Award 2020 by ACQ5.

## 8 JUNE 2021

Recognised in publication by Innovative Business Leaders Insight Success media as a proficient organisation with extensive work experience.

### 9 AUGUST 2021

Selected by one of the Singapore National Day sponsors, Wooden Packaging, to handle and provide storage for the parade's goodie bags.

## 13 AUGUST 2021

Identified by the Mirror Review Magazine for being one of the top 10 perseverant entrepreneurs in 2021.

### 22 SEPTEMBER 2021

- Reviewed by Business Time as a forward-looking local company that is making headway with its environmentally friendly innovations and change leader in support of a more sustainable future.
- Awarded the Brands for Good Awards 2021-2022 under the Ethics and Sustainability - Technology category. The award ceremony was held at JW Marriott Hotel and graced by Minister for Culture, Community and Youth and Second Minister for Law, Mr Edwin Tong.

## 6 OCTOBER 2021

Co-sponsored the virtual Singapore Packaging Star Award (SPSA) event, which was organised by the Packaging Council of Singapore (PCS).

## OCTOBER 2021

Recognised by the AI Journal for receiving the excellence award of Global Manufacturer of Pallet 2021.

## 16 DECEMBER 2021

Published on A\*STAR magazine in a story that highlighted our reevaluating pallet design which resulted from a collaboration between A\*STAR and LHT Holdings.



# 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 2021 and the statement of financial position and statement of changes in equity of the Company as at 31 December 2021.

## 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 2021, 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)  
Li Suet Man

## 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.

# Directors' Statement

## 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 1967 (the "Act"), except as follows:

Name of Directors The Company	Shareholdings registered in the name of Director			Shareholdings in which Director is deemed to have an interest		
	At beginning of year	At end of year	At 21 January 2022	At beginning of year	At end of year	At 21 January 2022
	Number of ordinary shares			Number of ordinary shares		
Tan Kim Sing	9,671,205	9,671,205	9,671,205	16,250*	16,250*	16,250*
Yap Mui Kee	7,132,832	7,773,132	7,835,032	–	–	–
Low Peng Kit	3,750	3,750	3,750	–	–	–
Tan Kok Hiang	10,000	10,000	10,000	–	–	–
Sally Yap Mei Yen	88,800	88,800	88,800	–	–	–
Billy Neo Kian Wee	856,000	856,000	856,000	4,839,260#	4,839,260#	4,839,260#

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

# Mr Billy Neo Kian Wee as one of the beneficiaries to his deceased father's will, has deemed interest in 4,839,260 shares of the Estate of Neo Koon Boo.

## 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, Dr. Wu Chiaw Ching and Li Suet Man, who are 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:

- 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;
- the Company's and the Group's financial and operating results and accounting policies;
- the statement of financial position and statement of changes in equity 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;
- 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;



# Directors' Statement

- (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.

## 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

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**Tan Kim Sing**  
Executive Director

Singapore  
25 March 2022

# 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 2021;
- 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 1967 (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 2021, and of its 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 Gpac Technology (M) Sdn. Bhd. ("Malaysia subsidiary")

### Key Audit Matter

As at 31 December 2021, the cost of the Company's investment in a Malaysia subsidiary was \$3,800,000 which represents 7% of the Company's total assets.

At the end of the financial year, management assessed that there is an indication of impairment in the investment in Malaysia subsidiary as its net tangible assets was below its carrying amount. Accordingly, management determined the recoverable amount based on the value-in-use calculations by estimating the expected discounted future cash flows to be derived from the investment in the Malaysia subsidiary. Arising from the assessment, no impairment loss was recognised on the investment in Malaysia subsidiary during the financial year.

We focused on this area as a key audit matter as the value-in-use determination required the exercise of significant management judgements and estimates involved in the key assumptions used in estimating the expected discounted future cash flows, such as the revenue growth rates, 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 Gpac Technology (M) Sdn. Bhd. ("Malaysia subsidiary") (Continued)

### Related Disclosures

Refer to notes 2.4, 3.2(i) and 6 of the accompanying financial statements.

### Audit Response

We have performed the following audit procedures, amongst others:

- evaluated management's process in determining the recoverable amount of the CGU, including the process in deriving the key estimates for revenue growth rates, average gross margin, terminal growth rate and discount rate;
- assessed the reasonableness of management's key assumptions and estimates applied by comparing revenue growth rates, average gross margin, terminal growth rate and discount rate against historical data and market outlook, as appropriate;
- performed sensitivity analysis around the key assumptions, including the revenue growth rates, average gross margin, and discount rate used in discounted cash flow forecasts;
- engaged our internal valuation specialist to evaluate the reasonableness of the discount rate used; and
- assessed the adequacy of the related disclosures in the financial statements.

## 2 Costing of inventories

### Key Audit Matter

As at 31 December 2021, the Group's and Company's inventories amounted to \$5,886,000 and \$3,437,000 respectively, which accounted for approximately 12% of the Group's current assets and 10% of the Company's current assets respectively.

The Group adopts a periodic inventory accounting system, using an in-house Event-Driven Business Process Management System ("EDBPM"). Standard unit costs of the inventories are computed using Microsoft Access database system and manually entered into the EDBPM 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 inventories is a significant balance on both the consolidated statement of financial position of the Group and the statement of financial position of the Company. In addition, the inherent risk of the Group's manual process may lead to incorrect determination of the inventory unit costs and result in inventories being materially misstated as at 31 December 2021.

### Related Disclosures

Refer to notes 2.6, 3.2(ii) and 7 of the accompanying financial statements.



# Independent Auditor's Report

To the Members of LHT Holdings Limited

## 2 Costing of inventories (Continued)

### Audit Response

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

- checked accuracy of units' costs stated in the EDBPM by matching the inventory unit costs from EDBPM against invoices from suppliers and costing sheets;
- 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 EDBPM to the costs of inventories recorded in the accounting system.

### 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.

# Independent Auditor's Report

To the Members of LHT Holdings Limited

## 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.
- 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.

# Independent Auditor's Report

To the Members of LHT Holdings Limited

## 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 Aw Vern Chun Philip.

### **BDO LLP**

Public Accountants and  
Chartered Accountants

Singapore  
25 March 2022



# Statements of Financial Position

As at 31 December 2021

		Group	
	Note	2021 \$'000	2020 \$'000
<b>Non-current assets</b>			
Property, plant and equipment	4	8,635	8,922
Right-of-use assets	5	9,260	8,986
Deposits for leasehold properties	8	–	447
		17,895	18,355
<b>Current assets</b>			
Inventories	7	5,886	4,794
Trade and other receivables	8	6,608	6,807
Fixed deposits	9	14,107	11,435
Cash and cash equivalents	9	22,298	24,073
		48,899	47,109
Less:			
<b>Current liabilities</b>			
Trade and other payables	10	2,306	3,112
Lease liabilities	11	729	830
Income tax payables		554	440
		3,589	4,382
<b>Net current assets</b>		45,310	42,727
Less:			
<b>Non-current liabilities</b>			
Lease liabilities	11	5,562	6,367
Deferred capital grant	10	222	182
Deferred tax liabilities	12	896	673
		6,680	7,222
<b>Net assets</b>		56,525	53,860
<b>Equity</b>			
Share capital	13	24,621	24,621
Currency translation reserve	14	(70)	64
Retained earnings		31,974	29,175
<b>Total equity attributable to owners of the Company</b>		56,525	53,860

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

# Statements of Financial Position

As at 31 December 2021

		<b>Company</b>	
	<b>Note</b>	<b>2021</b>	<b>2020</b>
		<b>\$'000</b>	<b>\$'000</b>
<b>Non-current assets</b>			
Property, plant and equipment	4	2,515	2,795
Right-of-use-assets	5	5,894	6,754
Investments in subsidiaries	6	10,300	10,300
		<u>18,709</u>	<u>19,849</u>
<b>Current assets</b>			
Inventories	7	3,437	3,112
Trade and other receivables	8	6,576	6,271
Fixed deposits	9	11,024	11,274
Cash and cash equivalents	9	12,524	12,920
		<u>33,561</u>	<u>33,577</u>
Less:			
<b>Current liabilities</b>			
Trade and other payables	10	2,687	3,237
Lease liabilities	11	593	592
Income tax payables		382	268
		<u>3,662</u>	<u>4,097</u>
<b>Net current assets</b>		29,899	29,480
Less:			
<b>Non-current liabilities</b>			
Lease liabilities	11	5,432	6,144
Deferred capital grant	10	222	182
Deferred tax liabilities	12	152	116
		<u>5,806</u>	<u>6,442</u>
<b>Net assets</b>		<u>42,802</u>	<u>42,887</u>
<b>Equity</b>			
Share capital	13	24,621	24,621
Retained earnings		18,181	18,266
<b>Total equity</b>		<u>42,802</u>	<u>42,887</u>

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

# Consolidated Income Statement

For The Financial Year Ended 31 December 2021

	Note	2021 \$'000	2020 \$'000
<b>Revenue</b>	15	35,993	33,625
Cost of sales		(22,192)	(21,545)
<b>Gross profit</b>		13,801	12,080
<b><i>Other item of income</i></b>			
Other income	16	2,439	3,263
<b><i>Other items of expenses</i></b>			
Distribution expenses		(1,164)	(1,293)
Administrative expenses		(8,088)	(8,763)
Loss allowance for trade receivables	8	(127)	(69)
Other expenses		(781)	(1,168)
Finance costs	17	(433)	(406)
<b>Profit before income tax</b>	18	5,647	3,644
Income tax expense	20	(1,251)	(739)
<b>Profit for the year</b>		4,396	2,905

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



# Consolidated Statement of Comprehensive Income

For The Financial Year Ended 31 December 2021

	Note	2021 \$'000	2020 \$'000
<b>Profit for the year attributable to:</b>			
Owners of the Company		4,396	2,905
<b>Earnings per share attributable to owners of the Company (cents per share)</b>			
Basic and diluted	21	8.26	5.46
<b>Profit for the year</b>		4,396	2,905
<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 (2020: \$Nil)		(134)	15
<b>Total comprehensive income for the year attributable to owners of the Company</b>		4,262	2,920
<b>Total comprehensive income attributable to:</b>			
Owners of the Company		4,262	2,920

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

# Consolidated Statement of Changes in Equity

For The Financial Year Ended 31 December 2021

← Equity attributable to owners of the Company →				
		Currency		
Note	Share capital \$'000	translation reserve \$'000	Retained earnings \$'000	Total equity \$'000
<b>Group</b>				
Balance at 1 January 2021	24,621	64	29,175	53,860
<b>Total comprehensive income for the year:</b>				
Profit for the year	–	–	4,396	4,396
Other comprehensive income:				
Exchange differences on translating foreign subsidiaries	–	(134)	–	(134)
Total comprehensive income for the year	–	(134)	4,396	4,262
<b>Total transactions with owners, recognised directly in equity</b>				
Dividend	–	–	(1,597)	(1,597)
Balance at 31 December 2021	24,621	(70)	31,974	56,525
<b>Group</b>				
Balance at 1 January 2020	24,621	49	27,867	52,537
<b>Total comprehensive income for the year:</b>				
Profit for the year	–	–	2,905	2,905
Other comprehensive income:				
Exchange differences on translating foreign subsidiaries	–	15	–	15
Total comprehensive income for the year	–	15	2,905	2,920
<b>Total transactions with owners, recognised directly in equity</b>				
Dividend	–	–	(1,597)	(1,597)
Balance at 31 December 2020	24,621	64	29,175	53,860

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

# Statement of Changes in Equity

For The Financial Year Ended 31 December 2021

	Note	Share capital \$'000	Retained earnings \$'000	Total equity \$'000
<b>Company</b>				
Balance at 1 January 2021		24,621	18,266	42,887
<b>Total comprehensive income for the year:</b>				
Profit for the year		–	1,512	1,512
Total comprehensive income for the year		–	1,512	1,512
<b>Total transactions with owners, recognised directly in equity</b>				
Dividend	25	–	(1,597)	(1,597)
Balance at 31 December 2021		24,621	18,181	42,802
<b>Balance at 1 January 2020</b>				
Balance at 1 January 2020		24,621	19,462	44,083
<b>Total comprehensive income for the year:</b>				
Profit for the year		–	401	401
Total comprehensive income for the year		–	401	401
<b>Total transactions with owners, recognised directly in equity</b>				
Dividend	25	–	(1,597)	(1,597)
Balance at 31 December 2020		24,621	18,266	42,887

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



# Consolidated Statement of Cash Flows

For The Financial Year Ended 31 December 2021

	Note	2021 \$'000	2020 \$'000
<b>Operating activities</b>			
Profit before income tax		5,647	3,644
Adjustments for:			
Loss allowance made for trade receivables	8	127	69
Write-back of obsolete inventories	16	(49)	(67)
Bad debt written off, non-trade	18	81	–
Property, plant and equipment written off		67	138
Deferred grant income – JSS		(68)	(21)
Interest expense	17	433	406
Interest income	16	(51)	(121)
Depreciation of property, plant and equipment	4	2,064	2,168
Amortisation of right-of-use assets	5	1,027	1,642
Impairment on non-financial assets	18	295	–
Impairment on plant and machinery	18	40	372
Gain on termination/remeasurement of ROU		(54)	(11)
(Gain)/Loss on disposal of property, plant and equipment	16,18	(30)	462
Operating cash flows before movements in working capital		9,529	8,681
Changes in working capital:			
Inventories		(1,043)	2,618
Trade and other receivables		(305)	1,711
Trade and other payables		(738)	(1,226)
Cash generated from operations		7,443	11,784
Income taxes paid		(913)	(756)
<b>Net cash generated from operating activities</b>		<b>6,530</b>	<b>11,028</b>
<b>Investing activities</b>			
Purchase of property, plant and equipment	4.3	(1,785)	(2,333)
Purchase of right-of-use assets	5	(1,024)	(1,645)
Placements of fixed deposits		(2,672)	(103)
Deposit for leasehold properties		–	(376)
Proceeds from disposal of property, plant and equipment		38	9
Deferred capital grant – CDG	10	40	233
Interest received		48	103
<b>Net cash used in investing activities</b>		<b>(5,355)</b>	<b>(4,112)</b>
<b>Financing activities</b>			
Dividend paid	25	(1,597)	(1,597)
Repayment of lease liabilities	11	(863)	(1,542)
Interest received from pledged deposits		3	18
Interest paid	11	(427)	(406)
<b>Net cash used in financing activities</b>		<b>(2,884)</b>	<b>(3,527)</b>
Net change in cash and cash equivalents		(1,709)	3,389
Cash and cash equivalents at beginning of financial year		24,073	20,672
Net effect of exchange rate changes on the cash and cash equivalents held in foreign currencies		(66)	12
<b>Cash and cash equivalents at end of financial year</b>	9.1	<b>22,298</b>	<b>24,073</b>

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

# Notes to the Financial Statements

For The Financial Year Ended 31 December 2021

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.

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, the statement of financial position and statement of changes in equity 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.

#### Changes in accounting policies

##### *New standards, amendments and interpretations effective from 1 January 2021*

The standards, amendments to standards, and interpretations, issued by Accounting Standards Council Singapore (“ASC”) that will apply for the first time by the Group are not expected to impact the Group as they are either not relevant to the Group’s business activities or require accounting which is consistent with the Group’s current accounting policies, except as detailed below.

# Notes to the Financial Statements

For The Financial Year Ended 31 December 2021

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

### 2.1 Basis of preparation (Continued)

Changes in accounting policies (Continued)

*New standards, amendments and interpretations effective from 1 January 2021 (Continued)*

		Effective date (annual periods beginning on or after)
SFRS(I) 16	: Covid-19-Related Rent Concessions beyond 30 June 2021	1 April 2021

#### **Amendment to SFRS(I) 16 Leases: Covid-19-Related Rent Concessions**

In March 2021, the ASC amended SFRS(I) 16 Leases, extending the practical expedient in order to permit lessees to apply it to rent concessions for which reductions in lease payments affect payments originally due on or before 30 June 2022. This amendment is applicable for annual reporting periods beginning on or after 1 April 2021, with early application permitted, including in financial statements not authorised for issue at 31 March 2021.

During the financial year ended 31 December 2020, the Group had elected to apply the practical expedient provided by the amendment to SFRS(I) 16 issued in June 2020. In accordance with this practical expedient, the rent concessions received affecting payments originally due on or before 30 June 2021 were not accounted as lease modifications.

During the financial year ended 31 December 2021, the Group has not entered into additional rent concessions that satisfy the criteria for the application of the extended practical expedient.

#### *New Standards, amendments and interpretations issued but not yet effective*

There are a number of standards, amendments to standards, and interpretations, which have been issued by ASC that are effective in future accounting periods and the Group has not decided to early adopt. The Group does not expect any of these standards upon adoption will have a material impact to the Group.

### 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.

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.



# Notes to the Financial Statements

For The Financial Year Ended 31 December 2021

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

### 2.2 Basis of consolidation (Continued)

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 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.

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 & 10 years
Rental pallets	5 years

# Notes to the Financial Statements

For The Financial Year Ended 31 December 2021

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

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

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.

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.

### 2.4 Impairment of non-financial assets (excluding inventories)

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.

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.

# Notes to the Financial Statements

For The Financial Year Ended 31 December 2021

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

### 2.5 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

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.

The Group's financial assets measured at amortised cost comprise trade and other receivables (excluding GST/VAT receivables and prepayments), fixed deposits and cash and cash equivalents in the statements of financial position.



# Notes to the Financial Statements

For The Financial Year Ended 31 December 2021

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

### 2.5 Financial instruments (Continued)

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

##### 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 whether 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.

#### **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 2021

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

### 2.5 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/VAT 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.

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 issued corporate guarantees to bank and financial institutions for borrowings of certain subsidiaries and its subsidiary issued bankers guarantee to its customers. These guarantees qualify as financial guarantee because the Group and the Company is required to reimburse the bank and financial institutions 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.

##### 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.

### 2.6 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 event-driven business process management system ("EDBPM"). Standard unit costs of the inventories are computed using Microsoft Access database system and manually entered into the EDBPM 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. Obsolete and slow moving items are written down to lower of cost and net realisable value.

# Notes to the Financial Statements

For The Financial Year Ended 31 December 2021

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

### 2.7 Cash and cash equivalents

Cash and cash equivalents in the statements 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.

### 2.8 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 profit or loss.

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

### 2.9 Dividend

Dividend 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 dividend is recorded in the financial year in which the dividend is approved by the shareholders.

### 2.10 Leases

#### *As lessee*

All leases are accounted for by recognising a right-of-use asset and a lease liability except for:

- \* leases of low value assets; and
- \* leases with a duration of twelve months or less.

The payments for leases of low value assets and short-term leases are recognised as an expense on a straight-line basis over the lease term.



# Notes to the Financial Statements

For The Financial Year Ended 31 December 2021

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

### 2.10 Leases (Continued)

#### *As lessee (Continued)*

##### Initial measurement

Lease liabilities are measured at the present value of the contractual payments due to the lessor over the lease term, with the discount rate determined by reference to the rate inherent in the lease unless this is not readily determinable, in which case the Group's incremental borrowing rate on commencement of the lease is used.

Variable lease payments are only included in the measurement of the lease liability if it is depending on an index or rate. In such cases, the initial measurement of the lease liability assumes the variable element will remain unchanged throughout the lease term. Other variable lease payments are expensed in the period to which they relate.

On initial recognition, the carrying amount of lease liabilities also includes:

- amounts expected to be payable under any residual value guarantee;
- the exercise price of any purchase option granted in favour of the Group if it is reasonably certain to assess that option; and
- any penalties payable for terminating the lease, if the term of the lease has been estimated on the basis of termination option being exercised.

Right-of-use assets are initially measured at the amount of lease liabilities, reduced by any lease incentives received and increased for:

- lease payments made at or before commencement of the lease;
- initial direct costs incurred; and
- the amount of any provision recognised where the Group is contractually required to dismantle, remove or restore the leased asset.

The Group presents the right-of-use assets and lease liabilities separately from other assets and other liabilities in the statements of financial position.

##### Subsequent measurement

Right-of-use assets are subsequently measured at cost less any accumulated depreciation, any accumulated impairment loss and, if applicable, adjusted for any remeasurement of the lease liabilities. The right-of-use assets under cost model are depreciated on a straight-line basis over the shorter of either the remaining lease term or the remaining useful life of the right-of-use assets. If the lease transfers ownership of the underlying asset by the end of the lease term or if the cost of the right-of-use asset reflects that the Group will exercise the purchase option, the right-of-use assets are depreciated over the useful life of the underlying asset.

# Notes to the Financial Statements

For The Financial Year Ended 31 December 2021

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

### 2.10 Leases (Continued)

*As lessee (Continued)*

Subsequent measurement (Continued)

The useful life of the right-of-use assets are as follows:

Leasehold land	Over the unexpired lease terms ranging from 1 to 57 years
Leasehold building	Over the unexpired lease terms ranging from 1 to 57 years
Plant and machinery	5 years
Motor vehicles and forklifts	5 & 10 years

The carrying amount of right-of-use assets are reviewed for impairment when events or changes in circumstances indicate that the right-of-use asset may be impaired. The accounting policy on impairment is as described in Note 2.4 to the financial statements.

Subsequent to initial measurement, lease liabilities are adjusted to reflect interest charged at a constant periodic rate over the remaining lease liabilities, lease payment made and if applicable, account for any remeasurement due to reassessment or lease modifications.

After the commencement date, interest on the lease liabilities are recognised in profit or loss, unless the costs are eligible for capitalisation in accordance with other applicable standards.

When the Group revises its estimate of any lease term (i.e. probability of extension or termination option being exercised), it adjusts the carrying amount of the lease liability to reflect the payments over the revised term. The carrying amount of lease liabilities is similarly revised when the variable element of the future lease payment dependent on a rate or index is revised. In both cases, an equivalent adjustment is made to the carrying amount of the right-of-use assets. If the carrying amount of the right-of-use assets is reduced to zero and there is a further reduction in the measurement of lease liabilities, the remaining amount of the remeasurement is recognised directly in profit or loss.

When the Group renegotiates the contractual terms of a lease with the lessor, the accounting treatment depends on the nature of the modification:

- If the renegotiation results in one or more additional assets being leased for an amount commensurate with the standalone price for the additional right-of-use obtained, the modification is accounted for as a separate lease in accordance with the above policy;
- In all other cases where the renegotiation increases the scope of the lease (i.e. extension to the lease term, or one or more additional assets being leased), the lease liability is remeasured using the discount rate applicable on the modification date, with the right-of-use asset being adjusted by the same amount;
- If the renegotiation results in a decrease in scope of the lease, both the carrying amount of the lease liability and right-of-use asset are reduced by the same proportion to reflect the partial or full termination of the lease with any difference being recognised in profit or loss. The lease liability is then further adjusted to ensure its carrying amount reflects the amount of the renegotiated payments over the renegotiated term, with the modified lease payments discounted at the rate applicable on the modification date. The right-of-use asset is adjusted by the same amount.

# Notes to the Financial Statements

For The Financial Year Ended 31 December 2021

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

### 2.10 Leases (Continued)

#### *As lessor*

When the Group is a lessor, it determines whether each lease entered is a finance or an operating lease at the lease inception date and reassessed only if there is a lease modification. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of an underlying asset. Whereas, it is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership of an underlying asset.

If the lease arrangement contains lease and non-lease components, the Group applies the principles within SFRS(I) 15 to allocate consideration in the lease arrangement.

The Group recognises lease payments under operating leases as income on a straight-line basis over the lease term unless another systematic basis is more representative of the pattern in which benefit from the use of the underlying asset is diminished. The lease payment recognised is included as part of "Revenue from rental – pallet rental" and "Other income". Initial direct cost incurred in negotiating and arranging an operating lease are added to the carrying amount of the underlying asset and recognised as expense over the lease term on the same basis as lease income.

Any modification to an operating lease is accounted for as a new lease from the effective date of the modification, considering any prepaid or accrued lease payments relating to the original lease as part of the lease payments for the new lease.

### 2.11 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 control of products (i.e. risk of obsolescence and loss of shipment) are transferred to the customers.

#### Payments from lessee, operating leases

The Group, as a lessor, leases its pallets and premises under operating leases to non-related parties. Lease payments from operating leases are recognised as income on a straight-line basis (Note 2.10).

#### Waste collection income

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



# Notes to the Financial Statements

For The Financial Year Ended 31 December 2021

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

### 2.11 Revenue recognition (Continued)

#### 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.

### 2.12 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.

### 2.13 Borrowing costs

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

### 2.14 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. Management evaluates its income tax provisions on periodical basis.

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.

# Notes to the Financial Statements

For The Financial Year Ended 31 December 2021

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

### 2.14 Taxes (Continued)

#### 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.

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.

# Notes to the Financial Statements

For The Financial Year Ended 31 December 2021

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

### 2.15 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.

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.

### 2.16 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 managing director who make strategic decisions.

### 2.17 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. The deferred capital grant recognised is included as part of "Trade and other payables".

# Notes to the Financial Statements

For The Financial Year Ended 31 December 2021

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

### 2.17 Government grants (Continued)

Where the grants relate to expenditures, which are not capitalised, the fair value of grants are credited to profit or loss as and when the underlying expenses are included and recognised in profit or loss to match such related expenditures. Grants which are receivables in relation to expenses to be incurred in a subsequent financial period, are included as deferred government grants and classified as current assets and current liabilities in the statements of financial position.

### 2.18 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.

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

The followings are the 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.



# Notes to the Financial Statements

For The Financial Year Ended 31 December 2021

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

### 3.1 Critical judgements made in applying the accounting policies (Continued)

#### Determine the lease term

The Group and the Company leases leasehold land, leasehold buildings, plant and machinery, motor vehicles and forklifts from non-related parties. Included in the lease arrangement, there are extension and termination option held and exercisable only by the Group and the Company for leasehold buildings and forklifts. In determining the lease term, management considers the likelihood of either to exercise the extension option, or not to exercise the termination option. Management considers the economic factors surrounding the circumstances on whether to extend the lease, including weighing the benefits against the penalty and costs relating to the termination.

Management has included the Group's and the Company's potential cash outflows of \$171,000 and \$171,000 (2020: \$639,000 and \$324,000) respectively in the measurement of lease liabilities for leasehold buildings and forklifts, as it is reasonably certain that the extension option will be exercised. The assessment on lease terms is reviewed at the end of each reporting period if there is a significant change in the Group's intention, business plan or other circumstances unforeseen since it was first estimated.

### 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

At the end of the financial year, an assessment is made on whether there is indication that the investments in subsidiaries are impaired. The management's assessment for impairment of investments in subsidiaries is based on the estimation of value-in-use of the cash-generating unit ("CGU") by forecasting the expected future cash flows using a suitable discount rate in order to calculate the present value of those cash flows.

The Company's carrying amounts of investments in subsidiaries as at 31 December 2021 was \$10,300,000 (2020: \$10,300,000) (Note 6).

#### (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 Group reviews the ageing analysis of inventories semi-annually and makes provision for obsolete and slow-moving inventory items identified that are no longer suitable for sale. The net realisable value for such inventories are estimated based primarily on the latest invoice prices and current market conditions. Possible changes in these estimates could result in revisions to the valuation of inventories.

During the financial year, the Group has recognised a reversal of \$49,000 (2020: \$67,000) being part of an inventory write-down made in the previous financial years, as the inventories has been realised during the financial year.

The carrying amount of the Group's and the Company's inventories as at 31 December 2021 was \$5,886,000 (2020: \$4,794,000) and \$3,437,000 (2020: \$3,112,000) respectively.

# Notes to the Financial Statements

For The Financial Year Ended 31 December 2021

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

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

#### (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 was \$8,635,000 (2020: \$8,922,000) and \$2,515,000 (2020: \$2,795,000) respectively.

#### (iv) *Loss allowance for trade and other receivables*

The Group uses the simplified approach to calculate expected credit losses ("ECLs") for trade receivables. The provision rates are based on various customer's historical observed default rates.

The Group will consider and assess the historical credit loss experience with forward-looking information. At the end of each financial year, the historical observed default rates are updated and changes in the forward-looking estimates are analysed. The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future.

Other than trade receivables, the Group and the Company assess the credit risk of other receivables at each financial year on an individual basis, to determine whether or not there have been significant increases in credit risk since the initial recognition of these assets. To determine whether there is a significant increase in credit risks, the Group and the Company consider factors such as the probability of insolvency or significant financial difficulties of the debtors and default or significant delay in payments. Where there is a significant increase in credit risk, the Group and the Company determine the lifetime expected credit loss by considering the loss given default, the probability of default and exposure at default assigned to each counterparty customer. The financial assets are written off either partially or in full when there is no realistic prospect of recovery. This is generally the case when the Group and the Company determine that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amount subject to the write-offs.

The carrying amount of the Group's and the Company's trade and other receivables was \$6,608,000 (2020: \$6,807,000) and \$6,576,000 (2020: \$6,271,000) respectively.

# Notes to the Financial Statements

For The Financial Year Ended 31 December 2021

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

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

#### (v) Impairment of property, plant and equipment

The Group carries out impairment assessment for property, plant and equipment where there is indication of an impairment. When assessing impairment, management determines the recoverable amount of an asset or cash generating unit, which is the higher of its fair value less costs of disposal and its value in use. Estimating the recoverable amounts requires the Group to determine a suitable sales growth rate, gross margin, discount rate and to make an estimate of the expected future cash flows from the cash-generating unit in order to calculate the present value of those cash flows.

During the financial year, an impairment loss of \$40,000 (2020: \$372,000) was recognised. Further information is disclosed in Note 4 to the financial statements.

The carrying amount of the Group's and the Company's property, plant and equipment was \$8,635,000 (2020: \$8,922,000) and \$2,515,000 (2020: \$2,795,000) respectively.

## 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>2021</b>							
<b>Cost</b>							
As at 1 January 2021	10,011	20,424	3,058	982	8,820	346	43,641
Additions	–	165	32	40	1,448	100	1,785
Disposals	–	–	–	–	(388)	–	(388)
Written off	–	–	(229)	(2)	(376)	–	(607)
Transfer from assets under construction	266	–	–	–	–	(266)	–
Transfer from right-of-use assets	–	–	–	142	–	–	142
Currency realignment	(12)	(37)	(9)	(1)	(69)	–	(128)
As at 31 December 2021	10,265	20,552	2,852	1,161	9,435	180	44,445
<b>Accumulated depreciation and impairment loss</b>							
As at 1 January 2021	8,094	18,396	2,838	801	4,590	–	34,719
Charge for the year	410	307	81	84	1,182	–	2,064
Disposals	–	–	–	–	(380)	–	(380)
Written off	–	–	(229)	(2)	(309)	–	(540)
Impairment loss	–	40	–	–	–	–	40
Currency realignment	(6)	(39)	(4)	(1)	(43)	–	(93)
As at 31 December 2021	8,498	18,704	2,686	882	5,040	–	35,810
<b>Net carrying amount</b>							
As at 31 December 2021	1,767	1,848	166	279	4,395	180	8,635

# Notes to the Financial Statements

For The Financial Year Ended 31 December 2021

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

	Leasehold properties \$'000	Plant and machinery \$'000	Office furniture, and equipment \$'000	Motor vehicles and forklifts \$'000	Rental pallets \$'000	Construction- in-progress \$'000	Total \$'000
<b>Group</b>							
<b>2020</b>							
<b>Cost</b>							
As at 1 January 2020	10,013	23,210	3,076	994	8,424	418	46,135
Additions	–	44	66	12	1,835	376	2,333
Disposals	–	(859)	(9)	–	(211)	–	(1,079)
Written off	–	(2,350)	(80)	(24)	(1,227)	(60)	(3,741)
Transfer from assets under construction	–	388	–	–	–	(388)	–
Reclassifications	–	(6)	6	–	–	–	–
Currency realignment	(2)	(3)	(1)	–	(1)	–	(7)
As at 31 December 2020	10,011	20,424	3,058	982	8,820	346	43,641
<b>Accumulated depreciation and impairment loss</b>							
As at 1 January 2020	7,743	20,213	2,715	742	4,873	–	36,286
Charge for the year	352	474	208	73	1,061	–	2,168
Disposals	–	(318)	(9)	–	(171)	–	(498)
Written off	–	(2,339)	(80)	(14)	(1,170)	–	(3,603)
Reclassification	–	(5)	5	–	–	–	–
Impairment loss	–	372	–	–	–	–	372
Currency realignment	(1)	(1)	(1)	–	(3)	–	(6)
As at 31 December 2020	8,094	18,396	2,838	801	4,590	–	34,719
<b>Net carrying amount</b>							
As at 31 December 2020	1,917	2,028	220	181	4,230	346	8,922



# Notes to the Financial Statements

For The Financial Year Ended 31 December 2021

## 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>2021</b>						
<b>Cost</b>						
As at 1 January 2021	9,223	15,499	2,485	196	350	27,753
Additions	–	157	5	41	100	303
Disposal	–	–	–	–	–	–
Written off	–	–	(229)	(2)	(4)	(235)
Transfer from assets under construction	266	–	–	–	(266)	–
As at 31 December 2021	9,489	15,656	2,261	235	180	27,821
<b>Accumulated depreciation</b>						
As at 1 January 2021	7,713	14,729	2,331	185	–	24,958
Charge for the year	395	119	60	5	–	579
Disposal	–	–	–	–	–	–
Written off	–	–	(229)	(2)	–	(231)
As at 31 December 2021	8,108	14,848	2,162	188	–	25,306
<b>Net carrying amount</b>						
As at 31 December 2021	1,381	808	99	47	180	2,515

# Notes to the Financial Statements

For The Financial Year Ended 31 December 2021

## 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>2020</b>						
<b>Cost</b>						
As at 1 January 2020	9,223	17,383	2,439	184	699	29,928
Additions	–	10	49	12	380	451
Disposal	–	(591)	(9)	–	–	(600)
Written off	–	(1,685)	–	–	(341)	(2,026)
Transfer from assets under construction	–	388	–	–	(388)	–
Reclassifications	–	(6)	6	–	–	–
As at 31 December 2020	9,223	15,499	2,485	196	350	27,753
<b>Accumulated depreciation</b>						
As at 1 January 2020	7,376	16,510	2,160	184	–	26,230
Charge for the year	337	113	175	1	–	626
Disposal	–	(205)	(9)	–	–	(214)
Written off	–	(1,684)	–	–	–	(1,684)
Reclassification	–	(5)	5	–	–	–
As at 31 December 2020	7,713	14,729	2,331	185	–	24,958
<b>Net carrying amount</b>						
As at 31 December 2020	1,510	770	154	11	350	2,795

# Notes to the Financial Statements

For The Financial Year Ended 31 December 2021

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

4.1 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

# Notes to the Financial Statements

For The Financial Year Ended 31 December 2021

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

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

	Group	
	2021 \$'000	2020 \$'000
Cost of sales (Note 18)	985	1,047
Administrative expenses (Note 18)	1,079	1,121
	<u>2,064</u>	<u>2,168</u>

- 4.3 During the financial year, the Group acquired property, plant and equipment by way of:

	2021	2020
	\$'000	\$'000
Cash payments	<u>1,785</u>	<u>2,333</u>

- 4.4 In February 2021, the authority granted the Company permission to change use of part of 2nd storey of the existing single user industrial from production to ancillary workers dormitory for 52 workers for a period of 5 years commencing from 18 February 2021 until 18 February 2026.

As at 31 December 2021, included in the construction-in-progress were development cost for an artificial intelligence enabled robotic pallet assembly system of approximately \$180,000.

As at 31 December 2020, included in the construction-in-progress were construction cost for workers' dormitory which was fully paid as at 31 December 2020 and completed in January 2021, and development cost for an artificial intelligence enabled robotic pallet assembly system of approximately \$266,000 and \$80,000 respectively.

- 4.5 During the financial year, the Group carried a review of the recoverable amount of its pallets and packaging segment's plant and machinery as its subsidiary's (LHT Gpac) mould pallets machineries were under-utilised and which had been idle since February 2020. The review led to the recognition of an impairment loss of approximately \$40,000 (2020: \$372,000) that had been recognised in profit or loss and included in other expenses (Note 18). The recoverable amount of the mould pallets machineries of approximately \$Nil (2020: \$70,000) had been determined on the basis of its fair value less cost of disposal with reference to recent market values (2020: fair value less cost of disposal with reference to recent market values). The resulting fair value of plant and machinery are considered level 2 recurring fair value measurement.

There were no changes to the valuation techniques during the year.

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

The carrying amount of property, plant and equipment pledged to banks for banking facilities as of 31 December amounted to:

	Group		Company	
	2021 \$'000	2020 \$'000	2021 \$'000	2020 \$'000
Leasehold properties	1,718	1,869	1,381	1,510
Plant and machinery	196	218	196	218
	<u>1,914</u>	<u>2,087</u>	<u>1,577</u>	<u>1,728</u>



# Notes to the Financial Statements

For The Financial Year Ended 31 December 2021

## 5. Right-of-use assets

### (a) Carrying amounts of right-of-use assets

	Leasehold land \$'000	Leasehold buildings \$'000	Plant and machinery \$'000	Motor vehicles and forklifts \$'000	Total \$'000
<b>Group</b>					
<b>2021</b>					
At 1 January 2021	6,625	1,144	22	1,195	8,986
Additions	773	698	–	139	1,610
Variable lease payment adjustment	(43)	–	–	(27)	(70)
Amortisation charges	(590)	(64)	–	(373)	(1,027)
Transfer to property, plant and equipment	–	–	(22)	(120)	(142)
Discharge of leases	–	–	–	(58)	(58)
Currency realignment	(13)	(20)	–	(6)	(39)
At 31 December 2021	6,752	1,758	–	750	9,260
<b>2020</b>					
At 1 January 2020	2,863	168	55	981	4,067
Additions	4,873	1,126	–	655	6,654
Variable lease payment adjustment	–	–	–	(12)	(12)
Amortisation charges	(1,115)	(151)	(16)	(360)	(1,642)
Discharge of leases	3	–	(17)	(68)	(82)
Currency realignment	1	1	–	(1)	1
At 31 December 2020	6,625	1,144	22	1,195	8,986

For the purposes of consolidated statement of cash flows, the additions above comprise of cash payment of \$1,024,000 (2020: \$1,645,000).

During the current financial year, carrying amounts of plant and machinery, motor vehicles and forklifts which amounted to \$142,000 (2020: Nil) were transferred to property, plant and equipment in Note 4 to the financial statements as the attributable lease liabilities have been fully paid up.

# Notes to the Financial Statements

For The Financial Year Ended 31 December 2021

## 5. Right-of-use assets (Continued)

### (a) Carrying amounts of right-of-use assets (Continued)

	Leasehold land \$'000	Motor vehicles and forklifts \$'000	Total \$'000
<b>Company</b>			
<b>2021</b>			
At 1 January 2021	6,061	693	6,754
Additions	–	75	75
Variable lease payment adjustment	(43)	(27)	(70)
Amortisation charges	(568)	(238)	(806)
Discharge of leases	–	(59)	(59)
At 31 December 2021	5,450	444	5,894

	Leasehold land \$'000	Motor vehicles and forklifts \$'000	Total \$'000
<b>Company</b>			
<b>2020</b>			
At 1 January 2020	2,846	753	3,599
Additions	4,323	264	4,587
Variable lease payment adjustment	–	(12)	(12)
Amortisation charges	(1,111)	(244)	(1,355)
Discharge of leases	3	(68)	(65)
At 31 December 2020	6,061	693	6,754

# Notes to the Financial Statements

For The Financial Year Ended 31 December 2021

## 5. Right-of-use assets (Continued)

### (a) Carrying amounts of right-of-use assets (Continued)

#### (i) Leasehold land and buildings

The Group and the Company makes annual lease payments for two (2020: three) parcels of leasehold land.

- (a) As at 31 December 2021, the carrying amount of right-of-use included annual lease payments for 27 Sungei Kadut Street 1 Singapore 729335 and 30 Kranji Way which had remaining useful life of 3.5 years (2020: 4.5 years) and 28 years (2020: 29 years) respectively. In the prior financial year, there was annual lease payments made for 44 Sungei Kadut Street 1 Singapore 729349 and this lease expired on 31 December 2020.
- (b) In the prior financial year, the Jurong Town Corporation (“JTC”) offered the Company a lease of a vacant land known as Pte Lot A7000010 at 30 Kranji Way (PID: 8201710044) (“Property”) for a term of 30 years commencing from 1 April 2020. The authorised use of the Property is the research, testing and manufacturing of green packaging materials and timber-related products, the manufacturing of technical wood, recycling of wood waste, and/or production of woodchips for technical wood and biomass. However, in the event that the Company fails to fulfil the conditions relating to Minimum Gross Floor Area and the Declared Investment, JTC has the option to grant to the Company a lease of the Property, save that the Lease Term of 30 years may be reduced proportionately based on the actual gross floor area developed by the Company, and/or the actual investment of the Company on plant and machinery for the Property (including the new plant and machinery to be acquired by the Company for the Property and the value of the Group’s existing plant and machinery to be relocated to the Property), as the case may be. The land rent included in right-of-use addition for the year amounted to \$4,240,000.

On 16 February 2020, Lian Hup Packaging Industries Sdn. Bhd. (“LHP”), a wholly owned subsidiary of the Company had entered into a Sale and Purchase Agreement (“SPA”) with a third party to acquire a piece of industrial land together with a building located at Lot PTB 253, Jalan Tun Matahir 1, Industries Area, Phase 2, Bandar Tenggara, 81000 Kulai, Johor, Malaysia for a total consideration of RM4,000,000 (equivalent to approximately \$1,294,000) and right-of-use for 58 years expiring 2078. The transaction was completed on 20 September 2020. Further right-of-use additions for improvements made in FY2020 approximates \$286,000.

During the current year, LHP had completed the acquisition of:

- the piece of industrial land together with a factory located at PTB 1238 in Mukim of Ulu Sungai Johor, District of Kota Tinggi, Johor, Malaysia for a total consideration of RM2,200,000 (equivalent to approximately \$790,000) and right-of-use for 35 years expiring 2056. The transaction was completed on 30 May 2021; and
- the piece of leasehold land together with the factory located at PTB 1299 in Mukim of Ulu Sungai Johor, Districts of Kota Tinggi, Johor for a total consideration of RM1,900,000 (equivalent to approximately \$615,000) and right-of-use for 31 years expiring 2052. The transaction was completed on 30 September 2021.

The total additions of RM 4,582,000 (approximately \$1,471,000) including additional building improvements incurred during the year in relation to the above acquisitions and the deposits for leasehold properties (Note 8) have being transferred to the right-of-use assets upon the completion dates as above.

The lease arrangements prohibit the Group and the Company, except for LHP’s leasehold land and building, from subleasing the assets to third parties except with prior approval.

# Notes to the Financial Statements

For The Financial Year Ended 31 December 2021

## 5. Right-of-use assets (Continued)

### (a) Carrying amounts of right-of-use assets (Continued)

#### (ii) Equipment and vehicles

The Group and the Company leases equipment and vehicles for its operations. The lease arrangements prohibit the Group and the Company from subleasing the equipment to third parties.

The Group's and the Company's obligation under these leases are secured by the leased assets. There are several lease contracts that include extension option which are further discussed below.

The Group and the Company also has leases with terms of 12 months or less. The Group and the Company applies the "short-term lease" recognition exemptions for these leases.

### (b) Lease liabilities

The carrying amounts of lease liabilities, movements during the financial year and the maturity analysis of lease liabilities are disclosed in Note 11 to the financial statements.

### (c) Amount recognised in profit or loss

	Group	
	2021	2020
	\$'000	\$'000
Amortisation of right-of-use assets	1,027	1,642
Interest expense on lease liabilities (Note 11)	433	406
Lease expense not capitalised in lease liabilities:		
– Expense relating to short-term leases (included in administrative expenses and cost of sales)	67	45
Total amount recognised in profit or loss	1,527	2,093

The amortisation of right-of-use assets is recognised in the following line items of the consolidated income statement:

	2021	2020
	\$'000	\$'000
Cost of sales (Note 18)	400	589
Administrative expenses (Note 18)	627	1,053
	1,027	1,642



# Notes to the Financial Statements

For The Financial Year Ended 31 December 2021

## 5. Right-of-use assets (Continued)

### (d) Extension options

The Group has several lease contracts for leasehold buildings and forklifts that include extension options. The options are negotiated by management to provide flexibility in managing the leased-asset portfolio and align with the Group's business needs.

Management has included the Group's and the Company's potential cash outflows of \$171,000 (2020: \$639,000) and \$171,000 (2020: \$324,000) respectively in the measurement of lease liabilities for lease buildings and forklifts, as it is reasonably certain that the extension option will be exercised.

### Restrictions

As at 31 December 2021, the Group's and the Company's motor vehicles and forklifts, and plant and machinery with a carrying amount of \$405,000 (2020: \$749,000) and \$249,000 (2020: \$433,000) respectively are secured over the lease liabilities owing to financial institutions amounting to \$180,000 (2020: \$411,000) and \$154,000 (2020: \$260,000) respectively.

As at 31 December 2021, the Group's carrying amount of leasehold land pledged to a bank for banking facilities amounted to \$15,000 (2020: \$16,000). The carrying amount of the leasehold building erected on the leasehold land secured for the facilities are disclosed in Note 4.6.

The Group's and the Company's motor vehicles under right-of-use-assets included assets held in trust by the Directors of the Company with carrying amount of \$233,000 (2020: \$398,000).

## 6. Investments in subsidiaries

	Company	
	2021	2020
	\$'000	\$'000
Unquoted equity shares, at cost	14,019	14,019
Impairment loss	(3,719)	(3,719)
	<u>10,300</u>	<u>10,300</u>

Movements in impairment loss are as follow:

	Company	
	2021	2020
	\$'000	\$'000
At 1 January	3,719	3,719
Impairment loss recognised during the financial year	–	–
At 31 December	<u>3,719</u>	<u>3,719</u>

As at the end of the financial year, the Group carried out a review of the recoverable amount of the investment in a subsidiary, LHT Gpac Technology (M) Sdn. Bhd., under pallets and timber segment as its net assets was below its carrying amount and the subsidiary had under-utilised mould pallets machineries which had been idle since February 2020. Based on the review, no impairment loss was recognised as the recoverable amount of the investment is higher than its carrying amount of \$3,800,000. The recoverable amount of the investment was determined on the basis of its value-in-use. The pre-tax discount rate and revenue growth rate used in measuring the value-in-use for the financial year ended 31 December 2021 was 13.38% and 6% (2020: 13.31% and 4%) respectively.

# Notes to the Financial Statements

For The Financial Year Ended 31 December 2021

## 6. Investments in subsidiaries (Continued)

### Significant restriction

Cash and bank balances of \$116,000 (2020: \$122,000) 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.

Details of the subsidiaries are as follow:

Name of Company (Country of incorporation and principal place of business)	Principal activities	Proportion of ownership 2021 %	Interest held by the Group 2020 %
Kim Hiap Lee Company (Pte.) Limited <sup>(1)</sup> (Singapore)	Timber merchants, sawmillers and pallet rental	100	100
Lian Hup Packaging Industries Sdn. Bhd. <sup>(2)</sup> (Malaysia)	Dealers in wood products, pallets and packaging and pallet rental	100	100
Siri Belukar Packaging Sdn. Bhd. <sup>(2)</sup> (Malaysia)	Manufacturer, importer and exporter of wooden pallets and related products	100	100
LHT Marketing Pte Ltd <sup>(1)</sup> (Singapore)	Timber merchants and commission agents	100	100
LHT Ecotech Resources Pte Ltd <sup>(1)</sup> (Singapore)	Wood waste recycling and recovering	100	100
LHT Ecotech Resources (Tianjin) Co., Ltd <sup>(2)</sup> (People's Republic of China)	Trading and exporter of wooden pallets and related products	100	100
LHT Gpac Technology (M) Sdn. Bhd. <sup>(3)</sup> (Malaysia)	Manufacturer, wood waste recycling, importer and exporter of green products and woodchips	100	100
LHT ECR Packaging (Vietnam) Company Limited <sup>(3)</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> Reviewed by BDO LLP, Singapore for consolidation purposes

<sup>(3)</sup> Audited by overseas member firms of the BDO network in the respective countries.

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.

# Notes to the Financial Statements

For The Financial Year Ended 31 December 2021

## 7. Inventories

	Group		Company	
	2021 \$'000	2020 \$'000	2021 \$'000	2020 \$'000
<u>At cost</u>				
Raw materials	4,270	3,363	2,063	1,999
Work-in-progress	244	256	244	256
Finished goods	1,372	1,175	1,130	857
	<u>5,886</u>	<u>4,794</u>	<u>3,437</u>	<u>3,112</u>

The cost of inventories recognised as an expense and included in cost of sales line item in profit or loss is disclosed in Note 18 to the financial statements.

In the current financial year, the Group has recognised a reversal of \$49,000 (2020: \$67,000) being part of an inventory write-down made in the previous financial years, as the inventories were sold above carrying amount in 2021. The reversal has been included in "other income".

## 8. Trade and other receivables

	Group		Company	
	2021 \$'000	2020 \$'000	2021 \$'000	2020 \$'000
<b>Non-current</b>				
Deposits for leasehold properties (Note 22.2)	–	447	–	–
<b>Current</b>				
Trade receivables				
– third parties	6,237	6,028	4,747	4,683
– subsidiaries	–	–	896	354
	<u>6,237</u>	<u>6,028</u>	<u>5,643</u>	<u>5,037</u>
Less: Loss allowance for third parties	(208)	(135)	(41)	(11)
Total trade receivables	<u>6,029</u>	<u>5,893</u>	<u>5,602</u>	<u>5,026</u>
GST/VAT receivables	317	295	–	–
Other receivables				
– third parties	3	8	–	–
– subsidiaries	–	–	517	817
Grant receivables	–	89	–	78
Refundable deposits	182	379	146	246
Prepayments	372	143	311	104
Less: Loss allowance for non-financial assets	(295)	–	–	–
Total trade and other receivables	<u>6,608</u>	<u>6,807</u>	<u>6,576</u>	<u>6,271</u>
Add/(Less):				
– Fixed deposits (Note 9.2)	14,107	11,435	11,024	11,274
– Cash and cash equivalents (Note 9.1)	22,298	24,073	12,524	12,920
– GST/VAT receivables	(317)	(295)	–	–
– Loss allowance for non-financial assets	295	–	–	–
– Prepayments	(372)	(143)	(311)	(104)
Financial assets at amortised cost	<u>42,619</u>	<u>41,877</u>	<u>29,813</u>	<u>30,361</u>

# Notes to the Financial Statements

For The Financial Year Ended 31 December 2021

## 8. Trade and other receivables (Continued)

As of 31 December 2020, deposit for two leasehold properties represents deposits held in trust by a solicitor of RM290,000 (equivalents to approximately \$94,000) and deposits paid to two third party vendors of RM1,090,000 (equivalents to approximately \$353,000). The acquisition of these two properties has been completed during the financial year and classified as right of use assets. The details of acquisition of the two leasehold properties are as disclosed in Note 22.2 to the financial statements.

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 and expected to be settled in cash.

During the financial year, the Group carried out a review on the recoverable amount of its non-financial assets pertaining to the VAT receivables which had no expiry date of LHT Ecotech Resources (Tianjin) Co., Ltd. which was dormant since the prior financial year. Due to the local tax regulations and precondition on utilizing the VAT receivable, the probability of the Group's ability to utilise of the VAT receivable in near future was deemed relatively low by the Management. The review had led to the recognition of an impairment loss on non-financial assets of approximately \$295,000 that had been recognised in profit or loss and included in other expenses (Note 18).

Grant receivables relates to Job Support Scheme ("JSS") announced by the Singapore Government to provide wage support to employers to help them retain their local employees during this period of economic uncertainty. The grant receivables are fully received during the current financial year.

Movements in loss allowance for trade receivables are as follow:

	Group		Company	
	2021 \$'000	2020 \$'000	2021 \$'000	2020 \$'000
At 1 January	135	70	11	11
Loss allowance reversed	-	-	-	-
Loss allowance made	127	69	30	-
Loss allowance utilised	(54)	-	-	-
Currency realignment	-	(4)	-	-
At 31 December	208	135	41	11

As at 31 December 2021, trade receivables of \$195,000 (2020: \$135,000) were past due more than 90 days. Management determined that there is significant increase in credit risk and hence fully impaired.

The aging analysis of the trade receivables are set out in Note 27.1 to the financial statements.

Trade and other receivables are denominated in the following currencies:

	Group		Company	
	2021 \$'000	2020 \$'000	2021 \$'000	2020 \$'000
Singapore dollar	5,647	5,481	6,207	5,798
Ringgit Malaysia	625	678	73	108
Renminbi	10	291	9	14
United States dollar	316	346	287	346
Vietnamese Dong	10	6	-	-
Euro dollar	-	5	-	5
	6,608	6,807	6,576	6,271

The deposits for leasehold properties under non-current assets are denominated in Ringgit Malaysia.



# Notes to the Financial Statements

For The Financial Year Ended 31 December 2021

## 9. Cash and cash equivalents and fixed deposits

### 9.1 Cash and cash equivalents

Cash and cash equivalents comprise the following at the end of the financial year:

	Group		Company	
	2021	2020	2021	2020
	\$'000	\$'000	\$'000	\$'000
Cash balances	15	22	6	6
Bank balances	22,283	24,051	12,518	12,914
	22,298	24,073	12,524	12,920

Cash and cash equivalents are denominated in the following currencies:

	Group		Company	
	2021	2020	2021	2020
	\$'000	\$'000	\$'000	\$'000
Singapore dollar	17,957	19,604	12,198	12,823
Ringgit Malaysia	3,028	3,531	5	7
United States dollar	1,162	780	289	60
Renminbi	148	152	32	30
Vietnamese dong	3	6	–	–
	22,298	24,073	12,524	12,920

### 9.2 Fixed deposits

Fixed deposits are denominated in the following currencies:

	Group		Company	
	2021	2020	2021	2020
	\$'000	\$'000	\$'000	\$'000
Singapore dollar	14,027	11,274	11,024	11,274
Ringgit Malaysia	80	161	–	–
	14,107	11,435	11,024	11,274

The fixed deposits of the Group amounting to \$80,000 (2020: \$161,000) are pledged to two banks as security for bank guarantee facilities granted to the subsidiaries. The fixed deposits bear interest rates ranging from 0.10% to 1.85% (2020: 0.17% to 3.15%) per annum with maturity ranging from 1 to 12 months (2020: 1 to 12 months) from the end of the financial year.

# Notes to the Financial Statements

For The Financial Year Ended 31 December 2021

## 10. Trade and other payables

	Group		Company	
	2021 \$'000	2020 \$'000	2021 \$'000	2020 \$'000
<b>Non-current</b>				
Deferred capital grant				
– capability development grant (“CDG”)	131	182	131	182
– enterprise development grant (“EDG”)	91	–	91	–
	222	182	222	182
<b>Current</b>				
Trade payables				
– third parties	730	1,052	523	719
– subsidiaries	–	–	1,093	1,127
– related parties	57	58	55	56
	787	1,110	1,671	1,902
GST/VAT payables	114	148	80	96
Amount owing to a director	33	20	–	–
Accrued expenses	866	1,047	703	867
Deposits received	64	78	12	39
Provision for unutilised leave	182	216	170	189
Deferred grant income – JSS	–	68	–	58
Deferred capital grant – CDG	51	51	51	51
Advances from customers (Note 15b)	–	159	–	–
Sundry payables	209	215	–	35
Total trade and other payables	2,306	3,112	2,687	3,237
Add/(Less):				
– Lease liabilities (Note 11)	6,291	7,197	6,025	6,736
– GST/VAT payables	(114)	(148)	(80)	(96)
– Provision for unutilised leave	(182)	(216)	(170)	(189)
– Advances from customers (Note 15b)	–	(159)	–	–
– Deferred grant income – JSS	–	(68)	–	(58)
– Deferred capital grant – CDG	(51)	(51)	(51)	(51)
Financial liabilities carried at amortised cost	8,250	9,667	8,411	9,579

The trade amounts due to third parties, subsidiaries, related parties and a director 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.

# Notes to the Financial Statements

For The Financial Year Ended 31 December 2021

## 10. Trade and other payables (Continued)

The deferred capital grant – Capability Development Grant (“CDG”) relates to a government grant that is given to the Company for the eligible cost incurred for its development project (deployment of automated pallet assembly lines for smart and sustainable manufacturing) on process redesign and business process enhancement for productivity for the qualifying period from 1 September 2017 to 31 August 2019, which was capitalised as property, plant and equipment. During the prior financial year, \$329,000 grant income had been approved and received by the Group and the Company. As of 31 December 2021, the Group and the Company recognised \$51,000 (2020: \$96,000) in profit or loss under other income (Note 16) and remaining of \$182,000 (2020: \$233,000) recognised as deferred capital grant.

The deferred capital grant – Enterprise Development Grant (“EDG”) relates to a government grant that is given to the Company for the eligible cost incurred for its development project for its artificial intelligence enabled robotic pallet assembly system for the qualifying period from 1 July 2020 to 31 December 2022. During the year, the Company had received cash advancement of \$112,000 to help defray the upfront cost of the project. As of 31 December 2021, the Group and the Company recognised \$21,000 of the cash advancement in profit or loss under other income (Note 16) and remaining of \$91,000 recognised as deferred capital grant.

The deferred grant income – JSS relates to Job Support Scheme (“JSS”) introduced in the Singapore budget 2020 to help enterprises retain local employees. Under the JSS, employers will receive cash grants in relation to the gross monthly wages of eligible employees. As of 31 December 2021, the deferred grant income – JSS had being fully recognised in profit or loss under other income (Note 16).

Trade and other payables are denominated in the following currencies:

	Group		Company	
	2021 \$'000	2020 \$'000	2021 \$'000	2020 \$'000
Singapore dollar	1,783	2,308	2,288	2,808
Ringgit Malaysia	516	547	399	422
United States dollar	7	159	–	–
Renminbi	–	85	–	7
Others	–	13	–	–
	2,306	3,112	2,687	3,237

# Notes to the Financial Statements

For The Financial Year Ended 31 December 2021

## 11. Lease liabilities

	Leasehold land \$'000	Leasehold buildings \$'000	Plant and machinery \$'000	Motor vehicles and forklifts \$'000	Total \$'000
<b>Group</b>					
<b>2021</b>					
At 1 January 2021	6,198	124	–	875	7,197
Additions	–	–	–	139	139
Discharge of leases	–	–	–	(64)	(64)
Interest expenses (Note 17)	392	7	–	34	433
Variable lease payment adjustment	(79)	–	–	(41)	(120)
Lease payments					
– Principal portion	(453)	(33)	–	(377)	(863)
– Interest portion	(386)	(7)	–	(34)	(427)
Currency realignment	–	(3)	–	(1)	(4)
At 31 December 2021	5,672	88	–	531	6,291

	Leasehold land \$'000	Leasehold buildings \$'000	Plant and machinery \$'000	Motor vehicles and forklifts \$'000	Total \$'000
<b>Group</b>					
<b>2020</b>					
At 1 January 2020	2,943	173	38	794	3,948
Additions	4,281	96	–	522	4,899
Discharge of leases	(1)	–	(21)	(71)	(93)
Interest expenses (Note 17)	345	7	–	54	406
Variable lease payment adjustment	–	–	–	(12)	(12)
Lease payments					
– Principal portion	(1,025)	(144)	(17)	(356)	(1,542)
– Interest portion	(345)	(7)	–	(54)	(406)
Currency realignment	–	(1)	–	(2)	(3)
At 31 December 2020	6,198	124	–	875	7,197



# Notes to the Financial Statements

For The Financial Year Ended 31 December 2021

## 11. Lease liabilities (Continued)

	<b>Leasehold land \$'000</b>	<b>Motor vehicles and forklifts \$'000</b>	<b>Total \$'000</b>
<b>Company 2021</b>			
At 1 January 2021	6,198	538	6,736
Discharge of leases	–	(64)	(64)
Additions	–	75	75
Interest expenses	392	25	417
Variable lease payment adjustment	(79)	(41)	(120)
Lease payments			
– Principal portion	(453)	(155)	(608)
– Interest portion	(386)	(25)	(411)
At 31 December 2021	5,672	353	6,025

	<b>Leasehold land \$'000</b>	<b>Motor vehicles and forklifts \$'000</b>	<b>Total \$'000</b>
<b>Company 2020</b>			
At 1 January 2020	2,943	621	3,564
Discharge of leases	(1)	(71)	(72)
Additions	4,281	158	4,439
Interest expenses	345	39	384
Variable lease payment adjustment	–	(12)	(12)
Lease payments			
– Principal portion	(1,025)	(158)	(1,183)
– Interest portion	(345)	(39)	(384)
At 31 December 2020	6,198	538	6,736

# Notes to the Financial Statements

For The Financial Year Ended 31 December 2021

## 11. Lease liabilities (Continued)

The maturity of lease liabilities of the Group and the Company are as follows:

	Group		Company	
	2021 \$'000	2020 \$'000	2021 \$'000	2020 \$'000
<b>Contractual undiscounted cash flows</b>				
– Not later than a year	1,131	1,303	986	1,051
– Later than one year and not later than five years	3,041	3,919	2,907	3,684
– Over five years	7,561	8,087	7,561	8,087
	11,733	13,309	11,454	12,822
Less: Future interest expense	(5,442)	(6,112)	(5,429)	(6,086)
Present value of lease liabilities	6,291	7,197	6,025	6,736
<b>Presented in statements of financial position</b>				
– Current	729	830	593	592
– Non-current	5,562	6,367	5,432	6,144
	6,291	7,197	6,025	6,736

The Group and the Company leases leasehold land in Singapore and Malaysia. It is customary for lease contract in Singapore to provide payment to increase each year by inflation, to be re-set periodically to market rental rates or fixed payments. The Group and the Company also leases certain machineries and motor vehicles (i.e. commercial vehicles and forklifts) from third parties with only fixed payment over the lease terms.

As at 31 December 2021, some leases pertaining to leasehold land, machineries and forklifts were discharged or remeasured due to varying rental amount. A non-cash gain of \$54,000 (2020: \$11,000) was recognised in “other income” under sundry income upon discharge of the leases and remeasurement of the affected leases.

The Group also leases office premises on short-term basis (i.e. less than 12 months). The election of short-term leases exemption is made on lease-by-lease basis.

The average incremental borrowing rate applied in the leases for the Group and the Company range from 2.28% to 7.00% (2020: 4.15% to 7.00%) and 4.15% to 7.00% (2020: 4.15% to 7.00%) respectively.

The total cash outflow for all leases including low value and short-term leases for the Group amounted to \$1,357,000 (2020: \$1,993,000) for the current financial year.

Lease liabilities payables are denominated in the following currencies:

	Group		Company	
	2021 \$'000	2020 \$'000	2021 \$'000	2020 \$'000
Singapore dollar	6,026	6,736	6,025	6,736
Ringgit Malaysia	265	461	–	–
	6,291	7,197	6,025	6,736

# Notes to the Financial Statements

For The Financial Year Ended 31 December 2021

## 12. Deferred tax

	Group		Company	
	2021 \$'000	2020 \$'000	2021 \$'000	2020 \$'000
Deferred tax liabilities	896	673	152	116

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

	Group		Company	
	2021 \$'000	2020 \$'000	2021 \$'000	2020 \$'000
At 1 January	673	711	116	137
Charged/(Credit) to profit or loss (Note 20)	223	(38)	36	(21)
At 31 December	896	673	152	116

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

### 12.1 Deferred tax liabilities

	Accelerated tax depreciation \$'000	Right of Use assets \$'000	Industrial building allowance \$'000	Allowance for obsolete inventories \$'000	Others \$'000	Total \$'000
<b>Group</b>						
At 1 January 2021	808	(11)	(39)	–	(85)	673
Charged/(Credit) to profit or loss	223	(11)	23	–	(12)	223
At 31 December 2021	1,031	(22)	(16)	–	(97)	896
At 1 January 2020	928	(21)	139	(173)	(162)	711
Charged/(Credit) to profit or loss	(120)	10	(178)	173	77	(38)
At 31 December 2020	808	(11)	(39)	–	(85)	673
<b>Company</b>						
At 1 January 2021	245	(10)	(39)	–	(80)	116
Charged/(Credit) to profit or loss	25	(12)	23	–	–	36
At 31 December 2021	270	(22)	(16)	–	(80)	152
At 1 January 2020	186	(18)	139	(144)	(26)	137
Credit to profit or loss	59	8	(178)	144	(54)	(21)
At 31 December 2020	245	(10)	(39)	–	(80)	116

# Notes to the Financial Statements

For The Financial Year Ended 31 December 2021

## 12. Deferred tax (Continued)

### 12.2 Deferred tax assets not recognised

Movements in deferred tax assets not recognised are as follows:

	Group	
	2021 \$'000	2020 \$'000
At 1 January	525	529
Amount expired during the financial year	(33)	(39)
Amount gained during the financial year	73	35
At 31 December	565	525

Deferred tax assets not recognised relate to the following:

	Group	
	2021 \$'000	2020 \$'000
Unutilised tax losses	565	525

As at 31 December 2021, the Group has unutilised tax losses of \$2,258,000 (2020: \$2,101,000) 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.

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	
	2021 \$'000	2020 \$'000
Year 2021	–	136
Year 2022	332	332
Year 2023	149	149
Year 2024	1,346	1,346
Year 2025	138	138
Year 2026	293	–
	2,258	2,101



# Notes to the Financial Statements

For The Financial Year Ended 31 December 2021

## 13. Share capital

	Group and Company			
	2021	2020	2021	2020
	Number of ordinary shares '000		Share capital \$'000	
<b>Issued and paid up:</b>				
Balance at beginning and end of financial year	53,245	53,245	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.

## 14. 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.

## 15. 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 26 to the financial statements.

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

	Group	
	2021 \$'000	2020 \$'000
Sales of goods – Point in time	31,016	28,875

#### (ii) Revenue from rental:

	Group	
	2021 \$'000	2020 \$'000
Pallet rental	4,977	4,750

# Notes to the Financial Statements

For The Financial Year Ended 31 December 2021

## 15. Revenue (Continued)

### (b) Contract balances (Note 10)

	Group		Company	
	2021 \$'000	2020 \$'000	2021 \$'000	2020 \$'000
<u>Contract liabilities</u>				
Advances from customers				
– sales of goods	–	159	–	–

The timing of revenue recognition and payments received from customers would affect the amount of contract liabilities recognised at the end of the financial year.

The Group's contracts are for the delivery of goods within the next 12 months hence, the allocation of aggregate transaction price to the remaining performance obligations and explanation on when the Group expects the revenue to be recognised are not disclosed.

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

	Group		Company	
	2021 \$'000	2020 \$'000	2021 \$'000	2020 \$'000
As at 1 January	159	133	–	98
Amount recognised as revenue	(616)	(817)	–	–
Transfer to trade receivables	–	(63)	–	(63)
Reclass to deposit received	–	(35)	–	(35)
Cash received in advance of performance and not recognised as revenue	457	941	–	–
At 31 December	–	159	–	–

# Notes to the Financial Statements

For The Financial Year Ended 31 December 2021

## 16. Other income

	Group	
	2021	2020
	\$'000	\$'000
Gain on disposal of property, plant and equipment	30	–
Government grants:		
(i) Covid-19 Grant Support		
– Job Support Scheme	135	798
– Foreign Worker Levy Rebate	–	126
– Rental Relief	49	114
– Wage subsidy from overseas authority	–	111
– Others	–	6
(ii) Special Employment Credit	30	41
(iii) Capability Development Grant	51	96
(iv) Enterprise Development Grant	21	–
(v) Wage Credit Scheme	17	17
(vi) Others government grants	3	22
Heat treatment and utilities income	318	252
Interest income	51	121
Rental of premises and service income	764	727
Write-back of obsolete stock (Note 7)	49	67
Waste collection income	456	269
Sundry income	465	496
	<u>2,439</u>	<u>3,263</u>

In 2020 and 2021, the Group received wage support for local employees under the Jobs Support Scheme (“JSS”) from the Singapore Government as part of the Government’s measures to support business during the period of economic uncertainty impacted by COVID-19. Management assessed that there is reasonable assurance that it will comply with the conditions attached to the grants and the grants will be received. Grant income is recognised in profit or loss on a systematic basis over the period of uncertainty in which the related salary costs for which the grant is intended to compensate as expenses. Management has determined the period of uncertainty to be 17 months commencing from April 2020, government grant income of \$135,000 (2020: \$798,000) was recognised during the year.

In 2021 and 2020, the Group received property tax rebate \$Nil (2020: \$107,000) and cash grant of \$49,000 (2020: \$114,000) from the Singapore Government as part of the Government’s relief measures to help business deal with impact from COVID-19. In the prior financial year, the Group recognise government grant income of \$114,000 relating to the cash grant in profit or loss as Rental Relief and offset the property tax rebate of \$107,000 against property tax expenses in administrative expense in profit or loss in the prior financial year. The Group is required to fully pass on the property tax rebate and cash grant received from the Government to the tenants in the form of waiver of contractual rent and waive up to two months of contractual rent for eligible tenants of its industrial properties under the Rental Relief Framework as mandated by the Government. The Group recognised property tax rebate and rental waiver which amounted to \$77,000 as a reduction to rental income in profit or loss in the prior financial year.

# Notes to the Financial Statements

For The Financial Year Ended 31 December 2021

## 17. Finance costs

	Group	
	2021	2020
	\$'000	\$'000
Interest expense in respect of:		
– Lease liabilities (Note 11)	433	406

## 18. 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	
	2021	2020
	\$'000	\$'000
<i>Cost of sales</i>		
Cost of inventories included in cost of sales	14,668	13,837
Employee benefits expenses (Note 19)	4,206	4,225
Repair and maintenance expenses	502	535
Depreciation of property, plant and equipment (Note 4.2)	985	1,047
Amortisation of right-of-use assets (Note 5(c))	400	589
Short term lease expense	11	33
Utilities expenses	545	365
<i>Distribution expenses</i>		
Transportation and carriage expenses	1,164	1,293
<i>Administrative expenses</i>		
Advertisement/marketing promotion expenses	61	19
Audit fees paid to:		
– Auditors of the Company	110	103
– Other auditors	29	30
Non-audit fees paid to:		
– Auditors of the Company	21	28
– Other auditors/firm	15	18
Depreciation of property, plant and equipment (Note 4.2)	1,079	1,121
Amortisation of right-of use assets (Note 5(c))	627	1,053
Directors' fees (Note 24)	228	228
Employee benefits expenses (Note 19)	3,883	3,951
Insurance	474	378
Legal and professional fees	133	258
Property tax	279	289
Short term lease expense	56	12
Upkeep and maintenance expenses	112	146
<i>Other expenses</i>		
Impairment on plant and machinery (Note 4.5)	40	372
Impairment on non-financial assets (Note 8)	295	–
Foreign exchange loss, net	298	196
Property, plant and equipment written off	67	138
Loss on disposal of plant, property and equipment	–	462
Bad debt written off	81	–



# Notes to the Financial Statements

For The Financial Year Ended 31 December 2021

## 19. Employee benefits expenses

	Group	
	2021	2020
	\$'000	\$'000
Salaries, wages and other costs <sup>(1)</sup>	7,602	7,701
Defined contribution plans	487	475
	<u>8,089</u>	<u>8,176</u>

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

	Group	
	2021	2020
	\$'000	\$'000
Cost of sales	4,206	4,225
Administrative expenses	3,883	3,951
	<u>8,089</u>	<u>8,176</u>

<sup>(1)</sup> In 2020, the Group received a waiver of \$64,000 for Foreign Worker levy payable in April and May 2020 as part of the Singapore Government's COVID-19 relief measures as announced in the Solidarity Budget on 6 April 2020.

The employee benefits expenses include compensation of key management personnel as disclosed in Note 24 to the financial statements.

## 20. Income tax expense

	Group	
	2021	2020
	\$'000	\$'000
Based on results for the financial year:		
– current income tax	1,152	802
– deferred tax	48	(152)
	<u>1,200</u>	<u>650</u>
(Over)/under provision in prior years		
– current income tax	(126)	(25)
– deferred tax	177	114
	<u>51</u>	<u>89</u>
Total income tax expense	<u>1,251</u>	<u>739</u>

Domestic income tax is calculated at 17% (2020: 17%) of the estimated assessable profit for the year. Taxation for other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

The corporate income tax applicable to the Company's subsidiaries in Malaysia is at 24% (2020: 24%), Vietnam at 20% (2020: 20%) and China at 25% (2020: 25%).

The income tax expenses varied from the amount of income tax expense determined by applying the Singapore statutory tax rate of 17% (2020: 17%) to profit before income tax as a result of the following differences:

# Notes to the Financial Statements

For The Financial Year Ended 31 December 2021

## 20. Income tax expense (Continued)

### Reconciliation of effective tax rate

	Group	
	2021	2020
	\$'000	\$'000
Profit before income tax	5,647	3,644
Income tax at statutory rate	960	619
Add/(Less):		
Effect of different tax rates of overseas operations	94	102
Effect of income not subject to tax	(31)	(103)
Effect of non-allowable items	207	88
Tax incentive	(70)	(52)
Overprovision of income tax in prior years	(126)	(25)
Tax effect on deferred tax assets not recognised (Note 12.2)	73	35
Tax effect on expiry of deferred tax assets previously not recognised (Note 12.2)	(33)	(39)
Under provision of deferred tax in prior years	177	114
Total income tax expense	1,251	739

## 21. Earnings per share

The calculation for earnings per share is based on:

	Group	
	2021	2020
Profit after income tax attributable to owners of the Company (\$'000)	4,396	2,905
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 and diluted	8.26	5.46

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 Company has no dilutive potential ordinary shares, the diluted earnings per share is equivalent to basic earnings per share for the financial year.

# Notes to the Financial Statements

For The Financial Year Ended 31 December 2021

## 22. Commitments

### 22.1 Operating lease receivables

#### As lessor

In the previous financial year, the Group and the Company have leased out its leasehold property under non-cancellable operating leases with remaining lease term of one year.

At the end of the previous financial year, future minimum rentals receivables under non-cancellable operating leases are as follow:

	Group and Company	
	2021	2020
	\$'000	\$'000
Future minimum lease payment receivable:		
– Not later than one year	–	159

### 22.2 Capital commitments

	Group		Company	
	2021	2020	2021	2020
	\$'000	\$'000	\$'000	\$'000
Capital expenditure contracted but not provided for:				
– Acquisition of leasehold properties	–	881	–	–
Capital expenditure committed but not contracted				
– Artificial intelligence enabled robotic pallet assembly system	575	675	575	675
	575	1,556	575	675

#### Artificial intelligence enabled robotic pallet assembly system

As of 31 December 2020, the Company had applied for government grant from Singapore authority for its artificial intelligence enabled robotic pallet assembly system for the qualifying period from 1 July 2020 to 31 December 2022. The maximum amount supported by the capital grant is \$551,765 for eligible expenses amounting to \$755,000.

During the financial year, the Company had incurred cost of \$180,000 (2020: \$80,000) which had been capitalised as construction-in-progress as disclosed in Note 4.4 to the financial statements.

# Notes to the Financial Statements

For The Financial Year Ended 31 December 2021

## 22. Commitments (Continued)

### 22.2 Capital commitments (Continued)

#### Acquisition of leasehold properties

- (a) On 15 October 2019, Lian Hup Packaging Industries Sdn. Bhd. (“LHP”), a wholly owned subsidiary of the Company entered into a Sale and Purchase Agreement (“SPA”) with a third party (“the Vendor”) to acquire a piece of industrial land together with a factory located at PTB 1238 in Mukim of Ulu Sungai Johor, District of Kota Tinggi, Johor, Malaysia for a total consideration of RM2,200,000 (approximates \$713,000). The amount paid to the Vendor of RM220,000 (approximates \$71,000) in the previous financial year has been recognised as deposits for leasehold properties as disclosed in Note 8 to the financial statements. The SPA was terminated in the prior financial year.

On 15 October 2020, LHP and the Vendor entered into a new SPA and Supplemental Agreement (collectively referred as “SPA 1”). As stipulated in SPA 1, an additional RM780,000 (approximates \$253,000) was paid to the Vendor. A cumulative amount of RM1,000,000 (approximates \$324,000) has been recognised as deposits for leasehold properties as disclosed in Note 8 to the financial statements. Subject to terms and conditions stipulated in SPA 1, the transaction was yet to be completed as of the prior financial year end. On 21 March 2021, the letter of consent was issued by the authority. Amongst other terms and conditions in SPA 1, a private caveat has yet to be lodged on the title of the subject property to secure its interests in the prior year annual report.

During the current financial year, the total consideration has been fully paid and the acquisition of this property has been completed in May 2021 and classified as ROU at Group level.

- (b) On 14 October 2020, LHP entered into a SPA and a Supplemental Agreement (collectively referred as “SPA 2”) with a third party to acquire a leasehold land together with the factory located at PTB 1299 in Mukim of Ulu Sungai Johor, Districts of Kota Tinggi, Johor for a total consideration of RM1,900,000 (approximates \$615,000).

The total amount paid to the Vendor of RM380,000 (approximates \$123,000) has been recognised as deposits for leasehold properties as disclosed in Note 8 to the financial statements. Subject to terms and conditions stipulated in SPA 2, the transaction was yet to be completed as of the prior financial year end. Amongst other terms and conditions in SPA 2, a private caveat has yet to be lodged on the title of the subject property to secure its interests in the prior year annual report.

During the current financial year, the total consideration has been fully paid and the acquisition of this property has been completed in September 2021 and classified as ROU at Group level.



# Notes to the Financial Statements

For The Financial Year Ended 31 December 2021

## 23. Contingent liabilities

As at 31 December 2021, there were contingent liabilities in respect of corporate guarantee amounting to \$6,000 (2020: \$109,000) given by the Company to a financial institution for a subsidiary's purchase of motor vehicles under hire purchase facilities and banker's guarantee issued by a bank amounting to \$186,000 (2020: \$159,000) which was given by a subsidiary to its customer as security deposit in relation to a sales contract. The banker's guarantee was secured on the Company's property with carrying amount of \$1,381,000 (2020: \$1,510,000).

The maximum amount that the Group and the Company could be forced to settle under the corporate guarantee and banker's guarantee should the respective subsidiaries default on their financial obligations as mentioned above and if the full guaranteed amount is claimed by the respective counterparties which provided the hire purchase facilities and banker's guarantee would be approximately \$192,000 (2020: \$268,000).

## 24. 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	
	2021 \$'000	2020 \$'000
Subsidiaries:		
– Trade sales	2,250	3,096
– Trade purchases	10,247	8,724
– Transport charges	100	128
– Pallet repair income	155	206
– Management fee charged from	120	96
– Service rendered by	293	359
– Sundry income	69	94
– Rental income	84	459

	Group		Company	
	2021 \$'000	2020 \$'000	2021 \$'000	2020 \$'000
Related parties:				
– Transport charges	692	774	552	586
– Short term accommodation charges	–	11	–	11
Director-related employees' remuneration	762	768	642	642

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.

As at 31 December, the outstanding balances in respect of the above transactions are disclosed in Notes 8 and 10 to the financial statements.

# Notes to the Financial Statements

For The Financial Year Ended 31 December 2021

## 24. Significant related party transactions (Continued)

### 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

The details of the key management personnel remunerations are as follow:

	Group	
	2021	2020
	\$'000	\$'000
Short-term employee benefits	2,016	2,092
Post-employment benefits	78	79
Directors' fees		
– Directors of the Company	182	182
– Directors of the subsidiaries	46	46
	<u>2,322</u>	<u>2,399</u>
Comprise amounts paid to:		
– Directors of the Group	1,225	1,300
– Director-related employees	762	768
– Other key management executives	335	331
	<u>2,322</u>	<u>2,399</u>

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

## 25. Dividend

	Group and Company	
	2021	2020
	\$'000	\$'000
First and final one-tier tax-exempt dividend paid of \$0.03 (2020: \$0.03) per ordinary share in respect of the previous financial year	1,597	1,597

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.

# Notes to the Financial Statements

For The Financial Year Ended 31 December 2021

## 26. Segment information

Management has determined the operating segments based on the reports reviewed by the chief operating decision maker (Note 2.16).

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 pallet/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.

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 finance costs 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.

### 26.1 Business segments

	Pallet/Packaging		Timber Related Products		Technical Wood® and Related Products		Pallet Rental and Others		Elimination		Consolidated	
	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Segment revenue												
Sales to external customers	28,557	27,377	1,455	902	1,004	596	4,977	4,750	-	-	35,993	33,625
Inter-segment sales	11,158	10,105	1,032	1,509	629	594	-	5	(12,819)	(12,213)	-	-
Total revenue	39,715	37,482	2,487	2,411	1,633	1,190	4,977	4,755	(12,819)	(12,213)	35,993	33,625
Segment results	2,766	1,419	311	158	835	(69)	2,716	2,438	(548)	104	6,080	4,050
Finance costs											(433)	(406)
Profit before income tax											5,647	3,644
Income tax expense											(1,251)	(739)
Profit for the year											4,396	2,905

# Notes to the Financial Statements

For The Financial Year Ended 31 December 2021

## 26. Segment information (Continued)

### 26.1 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 2021</b>						
Segment assets	48,965	1,401	4,785	15,569	(3,926)	66,794
Unallocated assets	–	–	–	–	–	–
Total assets						<u>66,794</u>
Segment liabilities	10,427	22	236	1,362	(3,228)	8,819
Unallocated liabilities*	–	–	–	–	–	<u>1,450</u>
Total liabilities						<u>10,269</u>
<b>Other segment information</b>						
Capital expenditures	306	–	–	1,992	(513)	1,785
Depreciation	668	–	205	1,263	(72)	2,064
Amortisation	920	–	5	102	–	1,027
Impairment on property, plant and equipment	40	–	–	–	–	40
Property, plant and equipment written off	–	–	–	67	–	67
Loss on disposal of property, plant and equipment	–	–	–	(30)	–	(30)
Impairment on non-financial assets	295	–	–	–	–	295
Write-back of obsolete inventories	(49)	–	–	–	–	(49)

\* Unallocated liabilities relate to income tax payables and deferred tax liabilities



# Notes to the Financial Statements

For The Financial Year Ended 31 December 2021

## 26. Segment information (Continued)

### 26.1 Business segments (Continued)

	Pallet/ Packaging \$'000	Timber Related Products \$'000	Technical Wood® and Related Products \$'000	Pallet Rental and Others \$'000	Elimination \$'000	Consolidated \$'000
<b>Group</b>						
<b>31 December 2020</b>						
Segment assets	50,578	1,242	3,874	14,169	(4,399)	65,464
Unallocated assets	–	–	–	–	–	–
Total assets						65,464
Segment liabilities	12,117	185	135	2,273	(4,219)	10,491
Unallocated liabilities*						1,113
Total liabilities						11,604
<b>Other segment information</b>						
Capital expenditures	469	–	26	2,014	(176)	2,333
Depreciation	875	–	225	1,117	(49)	2,168
Amortisation	1,542	–	28	72	–	1,642
Impairment on property, plant and equipment	372	–	–	–	–	372
Property, plant and equipment written off	–	–	62	76	–	138
Loss on disposal of property, plant and equipment	(110)	–	578	(6)	–	462
Write-back of obsolete inventories	(67)	–	–	–	–	(67)

\* Unallocated liabilities relate to income tax payables and deferred tax liabilities

# Notes to the Financial Statements

For The Financial Year Ended 31 December 2021

## 26. Segment information (Continued)

### 26.2 Geographical information

#### Revenue from external customers

	Singapore		Malaysia		Others		Consolidated	
	2021	2020	2021	2020	2021	2020	2021	2020
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Revenue to external customers	28,490	27,661	4,678	4,129	2,825	1,835	35,993	33,625

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

#### Major Customers

For financial year ended 31 December 2021 and 31 December 2020, there is no customers whose revenue represents more than 10% of the Group's total revenue.

#### Location of non-current assets

	Singapore		Malaysia		Others		Consolidated	
	2021	2020	2021	2020	2021	2020	2021	2020
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Non-current assets	12,229	13,196	5,666	5,159	–	–	17,895	18,355

Non-current assets consist of property, plant and equipment, right-of-use assets and deposits for leasehold properties as presented in the statement of financial position of the Group.

## 27. 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 2021

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

### 27.1 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 periodic 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 trade and other receivables, fixed deposits and cash and cash equivalents.

As the Group and the Company do not hold collateral, the maximum exposure to credit risk to each class of financial instruments is the carrying amount of that class of financial instruments presented on the statements of financial position, except as follows:

	Group		Company	
	2021 \$'000	2020 \$'000	2021 \$'000	2020 \$'000
Financial guarantees provided for facilities (Note 23)	192	268	192	268

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 24% (2020: 25%) and 24% (2020: 27%) of the Group's and the Company's total trade and other receivables respectively, and receivables from subsidiaries which accounts for 21% (2020: 19%) of the Company's total trade and other receivables, as at the end of the financial year. The Group defines counterparties as having similar characteristics if they are related entities.

# Notes to the Financial Statements

For The Financial Year Ended 31 December 2021

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

### 27.1 Credit risks (Continued)

#### Trade receivables

The aging analysis of trade receivables is as follows:

#### Group

	2021			2020		
	Gross \$'000	Loss allowance \$'000	Net \$'000	Gross \$'000	Loss allowance \$'000	Net \$'000
Current	4,023	(28)	3,995	3,678	–	3,678
Past due 1 to 30 days	1,428	(20)	1,408	1,401	(9)	1,392
Past due 31 to 60 days	429	(4)	425	584	(9)	575
Past due for more than 60 days	357	(156)	201	365	(117)	248
	6,237	(208)	6,029	6,028	(135)	5,893

#### Company

	2021			2020		
	Gross \$'000	Loss allowance \$'000	Net \$'000	Gross \$'000	Loss allowance \$'000	Net \$'000
Current	3,787	(22)	3,765	3,358	–	3,358
Past due 1 to 30 days	1,456	(6)	1,450	1,172	–	1,172
Past due 31 to 60 days	302	(2)	300	286	–	286
Past due for more than 60 days	98	(11)	87	221	(11)	210
	5,643	(41)	5,602	5,037	(11)	5,026

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 the end of the financial year.

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.

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 and the Company did not write-off any debt (2020: \$Nil) during the financial year.



# Notes to the Financial Statements

For The Financial Year Ended 31 December 2021

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

### 27.1 Credit risks (Continued)

#### Non-trade receivables

Management monitors and assess at the end of the financial year 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 the end of the financial year, the Group and the Company did not expect any significant credit losses from non-performance by the counterparties and accordingly, no loss allowance has been recognised.

A non-trade receivable is written off when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings. The Group and the Company has written-off \$81,000 and \$1,000 of irrevocable non-trade receivable (2020: \$Nil) respectively during the financial year.

For the Company's non-trade receivables due from a subsidiary, LHT Gpac Technology (M) Sdn. Bhd. ("LHT Gpac") amounting to \$517,000 (2020: \$817,000) (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 the end of the financial year 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 cash equivalents and fixed deposits

Credit risk also arises from balances held with banks. The Group and the Company substantially placed its bank balances and fixed deposits in 3 and 2 (2020: 3 and 2) banks which represent 92% and 98% (2020: 93% and 95%) respectively of the Group's and the Company's bank balances and fixed deposits as at 31 December 2021.

The Board of Directors monitors the credit ratings of counterparties regularly. Impairment of bank balances, and fixed deposits have been measured based on 12-month expected credit loss model. At the end of the financial year, the Group and the 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.

#### Financial guarantee contracts

The Company has issued financial guarantees to banks and a financial institution for its subsidiaries' facilities. These guarantees are subject to the impairment requirements of SFRS(I) 9. The Company has assessed that its subsidiaries have strong financial capacity to meet the contractual cash flow obligations in the near future and hence, does not expect significant credit losses arising from these guarantees.

# Notes to the Financial Statements

For The Financial Year Ended 31 December 2021

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

### 27.2 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 is exposed to currency risk on sales, purchases and expenditure that are denominated in a currency other than the respective functional currencies of Group entities and the Company. The currencies in which these transactions are denominated are mainly Singapore Dollar ("SGD"), Malaysian Ringgit ("RM"), United States Dollar ("USD"), Chinese Renminbi ("RMB") and Euro dollar ("EUR"). Exposure to currency risk is monitored on an ongoing basis and the Group endeavours to keep the net exposure at an acceptable level.

At the end of the financial year, 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	
	Functional currency of individual entities within the Group			Total	SGD
	SGD \$'000	RM \$'000	VND \$'000	\$'000	\$'000
<b>2021</b>					
<b>Monetary assets</b>					
SGD	–	734	–	734	–
RM	78	–	–	78	78
USD	1,360	31	96	1,487	576
RMB	41	–	–	41	41
<b>Monetary liabilities</b>					
RM	416	–	–	416	399
USD	8	7	–	15	–
Add: Intragroup payable					
SGD	–	517	–	517	–
Currency exposure of financial assets net of those denominated in the respective entities' functional currency					
SGD	–	217	–	217	–
RM	(338)	–	–	(338)	177
USD	1,352	24	96	1,472	576
RMB	41	–	–	41	41

# Notes to the Financial Statements

For The Financial Year Ended 31 December 2021

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

### 27.2 Market risks (Continued)

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

	Group			Company	
	Functional currency of individual entities within the Group			Total \$'000	SGD \$'000
	SGD \$'000	RM \$'000	VND \$'000		
<b>2020</b>					
<b>Monetary assets</b>					
SGD	–	1,063	–	1,063	–
RM	10	–	–	10	115
USD	1,035	3	88	1,126	406
RMB	44	–	–	44	44
EUR	5	–	–	5	5
<b>Monetary liabilities</b>					
RM	42	–	–	42	422
RMB	7	77	–	84	7
Add: Intragroup payable					
SGD	–	817	–	817	–

Currency exposure of financial assets net of those denominated in the respective entities' functional currency

SGD	–	246	–	246	–
RM	(32)	–	–	(32)	(307)
USD	1,035	3	88	1,126	406
RMB	37	(77)	–	(40)	37
EUR	5	–	–	5	5

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% (2020: 10%) increase and decrease in the relevant foreign currencies against the functional currency of the respective entities within the Group 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.

# Notes to the Financial Statements

For The Financial Year Ended 31 December 2021

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

### 27.2 Market risks (Continued)

(i) *Foreign currency risk (Continued)*

*Foreign currency sensitivity analysis (Continued)*

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			
	2021	2020	2021	2020
	\$'000	\$'000	\$'000	\$'000
<b>RM</b>				
Strengthens against SGD	(34)	(3)	18	(30)
Weakens against SGD	34	3	(18)	30
<b>USD</b>				
Strengthens against SGD	147	112	58	40
Weakens against SGD	(147)	(112)	(58)	(40)

(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.

At the end of the financial year, the Group does not have any significant exposure to cash flow interest rate risk. Its interest rate risk is primarily attributable to lease liabilities which are mainly subject to fixed interest rates, as shown in Note 11 to the financial statements. The Group does not use derivative financial instruments to hedge its interest rate risk.

The Group does not account for any fixed rate financial assets or financial liabilities at fair value through profit or loss, and the Group does not designate derivatives as hedging instruments under a fair value hedge accounting model. Therefore, a change in interest rate at the reporting date would not affect profit or loss.



# Notes to the Financial Statements

For The Financial Year Ended 31 December 2021

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

### 27.3 Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial assets. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

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.

#### *Contractual maturity analysis – non-derivative financial instruments*

The following table details the Group's and the 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 pay. The table includes both expected interest and principal cash flows.

	Not later than 1 year or on demand \$'000	Between 1 to 5 years \$'000	Over 5 years \$'000	Total \$'000
<b>Group</b>				
<b>2021</b>				
Interest bearing				
– lease liabilities	1,131	3,041	7,561	11,733
Non-interest bearing				
– trade and other payables*	1,959	–	–	1,959
	3,090	3,041	7,561	13,692
Financial guarantee contracts (Note 23)	192	–	–	192
<b>2020</b>				
Interest bearing				
– lease liabilities	1,303	3,919	8,087	13,309
Non-interest bearing				
– trade and other payables*	2,470	–	–	2,470
	3,773	3,919	8,087	15,779
Financial guarantee contracts (Note 23)	262	6	–	268

\* Excluding GST/VAT payables, provision for unutilised leave, advances from customers, deferred capital grant and deferred grant income.

# Notes to the Financial Statements

For The Financial Year Ended 31 December 2021

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

### 27.3 Liquidity risk (Continued)

*Contractual maturity analysis – non-derivative financial instruments (Continued)*

	Not later than 1 year or on demand \$'000	Between 1 to 5 years \$'000	Over 5 years \$'000	Total \$'000
<b>Company</b>				
<b>2021</b>				
Interest bearing				
– lease liabilities	986	2,907	7,561	11,454
Non-interest bearing				
– trade and other payables*	2,386	–	–	2,386
	3,372	2,907	7,561	13,840
Financial guarantee contracts (Note 23)	192	–	–	192
<b>2020</b>				
Interest bearing				
– lease liabilities	1,051	3,684	8,087	12,822
Non-interest bearing				
– trade and other payables*	2,843	–	–	2,843
	3,894	3,684	8,087	15,665
Financial guarantee contracts (Note 23)	262	6	–	268

\* Excluding GST/VAT payables, provision for unutilised leave, advances from customers, deferred capital grant and deferred grant income.

The disclosed amount for the financial guarantee contract represents the maximum amount and at the earliest period for which the Company could be called upon by the bank or financial institution to pay should the subsidiaries default on the repayments (Note 23).

# Notes to the Financial Statements

For The Financial Year Ended 31 December 2021

## 28. Capital management policies and objectives

The Group and the Company manages its capital to ensure that entities in the Group and the 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 equity attributable to owners of the Company, comprising issued share capital (Note 13), 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.

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

The Group and the Company are not subjected to any externally imposed capital requirements for the financial years ended 31 December 2021 and 31 December 2020.

The Group and the Company's overall strategy remains unchanged from 2020.

## 29. Fair values measurement

### 29.1 Fair value of non-financial assets that are carried at fair value

The Group and the Company do not have any non-financial assets that are measured at fair value.

### 29.2 Financial instruments that are not carried at fair value and whose carrying amounts are a reasonable approximation of fair value

The carrying amounts of trade and other receivables, fixed deposits, cash and cash equivalents, trade and other payables approximate their respective fair values due to the relative short-term maturity of these financial instruments.

### 29.3 Financial instruments that are carried 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.

## 30. 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 2021 were authorised for issue by the Board of Directors on 25 March 2022.

# Supplementary Information In Compliance With SGX-ST

## 1 MATERIAL CONTRACT

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 persons (as defined in the Manual) for the financial year ended 31 December 2021 that exceeded the stipulated threshold. During the year, the aggregate amount of interested person transactions conducted, excluding transactions less than \$100,000 was \$692,076 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. \$542,439	–
Leayong Trading ("LT")	LT provides transport services to subsidiaries of the Company \$63,487	–
Gold Leayong Trading ("GLT")	GLT provides transport services to subsidiaries of the Company \$86,150	–
Total	\$692,076	–

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 2021 that exceeded the stipulated threshold. Therefore, no shareholders' mandate pursuant to Rule 920 has been obtained.

## 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 will 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.



# Supplementary Information In Compliance With SGX-ST

## 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 freight costs and currencies, which in turn will affect our production cost. In order to contain the impact of this fluctuation, the Group monitors currency movements and may 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 in pages 84 to 93 – Notes 27 and 28 of the Notes to the Financial Statements for the year ended 31 December 2021.

# Corporate Governance Report

LHT Holdings Limited (the “Company”) and its subsidiaries (the “Group”) are committed to maintaining good corporate governance and transparency in the Company’s business practices. The board of Directors (“Board”) and the Management believe that good corporate governance helps to maintain an ethical business environment, which is essential to the long term sustainability of the Group’s business performance. To protect the interests of the Company’s shareholders (the “Shareholders”), the Board and its committees have established policies and procedures to govern their business activities guided by their respective Terms of References.

This Report describes the Company’s corporate governance processes and activities for the financial year ended 31 December 2021 (“FY2021”) with specific reference to the revised Code of Corporate Governance 2018 (the “Code”) issued by The Monetary Authority of Singapore on 6th August 2018. The Company has complied with the Code except where otherwise explained. For ease of reference, the relevant principles and provisions of the Code discussed are in italics.

## I. BOARD MATTERS

### THE BOARD’S CONDUCT OF AFFAIRS

#### **PRINCIPLE 1:**

***The company is headed by an effective Board which is collectively responsible and works with Management for the long-term success of the company.***

The Board oversees the overall strategy and business direction of the Group and is responsible for its success. The Management plays a pivotal role in providing complete, adequate and timely information to assist the Board to fulfil its responsibilities.

#### **Provision 1.1**

***Directors are fiduciaries who act objectively in the best interests of the company and hold Management accountable for performance. The Board puts in place a code of conduct and ethics, sets appropriate tone-from-the-top and desired organisational culture, and ensures proper accountability within the company. Directors facing conflicts of interest recuse themselves from discussions and decisions involving the issues of conflict.***

#### **Principal Duties of the Board**

The principal functions of the Board include, among other things, providing entrepreneurial leadership, setting the appropriate tone-from-the-top and a desired organisational culture, monitoring Management’s performance, establishing a framework for prudent and effective internal controls to manage risk, safeguarding shareholders’ interests and the Group’s assets as well as setting values and standards (including ethical standards) for the Group. The Board is also mindful of the Group’s social responsibilities.

The Board sets the directions for the Group where ethics and values are concerned. This helps to nature an environment where integrity and accountability are vital to the success of the Group.

#### **The Board’s Conduct of Affairs**

The primary function of the Board is to provide entrepreneurial leadership 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;
- Approve the Group’s policies, strategies and financial plans;

# Corporate Governance Report

- 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;
- Monitor the performance of the management;
- 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;
- Review the Group's financial and management performance;
- Oversee the business of the Group and monitor 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;
- Review recommendations made by the Audit Committee on the appointment, re-appointment or removal of external auditors;
- Review recommendations made by the Remuneration Committee and approve the remuneration packages for the Board and key management;

The Board exercises due diligence and independent judgment in dealing with the business affairs of the Group and works with the Management team to make objective decisions in the interest of the Group.

The Group is guided by a conflict of interest policy when approving any business transaction to ensure no unfair or favouritism to any business counterparts. The director who has a conflict of interest and when his or her interest is likely to have an impact on transactions or decisions under discussion by the Board is required to immediately declare his or her interest to the Board, excuses himself or herself from the information flow or participating in any discussion or voting related to the transactions, unless the Board believes that his or her presence and participation is necessary.

## **Provision 1.2**

***Directors understand the company's business as well as their directorship duties (including their roles as executive, non-executive and independent directors). Directors are provided with opportunities to develop and maintain their skills and knowledge at the company's expense. The induction, training and development provided to new and existing directors are disclosed in the company's annual report.***

## **Continuous Training, Orientation and Development of Directors**

The Company maintains a training budget to fund existing Directors' participation at industry conferences and seminars and attendance at any course of instruction/training programme relevant to their Director's duties. The training budget is open to every Director and subject to approval by the Managing Director. The Company has adopted an open policy that welcomes the Directors to seek clarification on any aspects of the Company's operations or business decisions. The Managing Director will make necessary arrangements to clarify their queries through briefings, informal discussions or explanations when required by the Directors.

# Corporate Governance Report

Upon appointment as a director, each director receives a formal letter of appointment from the company with the relevant information on his/her duties and responsibilities as a director, including the company's corporate governance processes and the 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.

To make sure all Board members are aware of the latest regulatory changes, the Corporate Secretary circulates all announcements, reports, press releases, articles from local newspapers published or issued by the Singapore Exchange Securities Trading Limited ("SGX-ST"), the Singapore Institute of Directors ("SID"), or the Accounting and Corporate Regulatory Authority of Singapore ("ACRA"), to help the Board members keep abreast of the current industry trends and to comply with all business regulations and standards that are currently in force.

The Board is also regularly updated on risk management, corporate governance, insider trading and the key relevant regulatory requirements to enable them to discharge their duties as Board or Board Committee members properly. The details of updates, briefings and training programmes attended by the Directors in FY 2021 are as follows:–

- Webinar: BDO Financial Reporting Standard (FRS) Virtual Workshop 2021, Module 1 and 2 – Focus on COVID-19 Impact and periodic SFRS(I)/SFRS updates on 13-14 October 2021 by BDO LLP
- All You Need To Know About COVID 19 Vaccine by BDO PLT
- Singapore Budget Seminar 2021 by BDO LLP
- 6 things to know about the 6th Edition Transfer Pricing Guidelines Webinar by BDO Tax Advisory Pte Ltd
- Mental Wellness Webinar: An Information Discussion with Practical Insights as Pandemic Continues by International Federation of Accountants (IFAC)
- Launch of the Singapore Directorship Report 2021 by Singapore Institute of Directors (SID)
- Global Virtual Roundtable 2: The New Normal for Boards by SID
- Singapore Governance and Transparency Index (SGTI) 2021 jointly by SID, CPA Australia and NUS
- SGD6 – Financial Management and Accountability by SID
- Annual Corporate Governance Roundup by SID
- Transfer pricing best practices during an economic downturn by Institute of Singapore Chartered Accountants (ISCA)
- PAIB Virtual Conference 2021: Sustainability and Trust: Taking centre-stage in a new era of business, organised by ISCA
- Business Valuation Virtual Conference on 6th to 7th October 2021 by CPA Australia, Singapore Accounting Commission (SAC), International Valuation Standards Councils and Institute of Valuers and Appraisers, Singapore (IVSC-IVAS)
- Roadmap to Mandatory Climate-related Disclosures, organized by SGX RegCo
- TCFD 101: Getting started with climate-related financial reporting, hosted by Singapore Exchange (SGX)
- TCFD 102: Building experience in climate-related financial reporting, hosted by Singapore Exchange (SGX)
- The Future of Sustainability Reporting #2: Challenges & Opportunities For SME Reporters by SGX RegCo
- The Future of Sustainability Reporting #3: ESG Reporting to Meet Changing Investor Expectations by SGX RegCo
- Climate Governance Singapore Panel Discussion: Law, Policy and Regulation and Masterclass on Sustainability Reporting by SGX RegCo
- Climate Risk: What external auditors need to consider by CPA Australia
- Personal Data Protection Act (PDPA) training by the PDPA consultant
- Attended webinar at PDP Week 2021 by Personal Data Protection Commission (PDPC)
- How to be an ethical accountant by The Association of International Accountants
- APAC Virtual Forum, Groundbreakers: Generation Z – The Talent Equation and The Future of Work on 24 August 2021 by ACCA
- Ethics in Law Enforcement by Alison
- The future of supply chain management and beyond: four trends in supply chain management by Singapore Management University (SMU)



# Corporate Governance Report

## **Provision 1.3**

***The Board decides on matters that require its approval and clearly communicates this to Management in writing. Matters requiring board approval are disclosed in the company's annual report.***

## **Board Approval**

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

## **Provision 1.4**

***Board committees, including Executive Committees (if any), are formed with clear written terms of reference setting out their compositions, authorities and duties, including reporting back to the Board. The names of the committee members, the terms of reference, any delegation of the Board's authority to make decisions, and a summary of each committee's activities, are disclosed in the company's annual report.***

## **Delegation by the Board**

The Board is supported by several committees which assist it in discharging its responsibilities and in enhancing the Company's corporate governance framework. These committees include the Audit Committee ("AC"), the Nominating Committee ("NC"), and the Remuneration Committee ("RC"). Each Board committee has its specific Terms of Reference that set out the scope of its duties and responsibilities, rules and regulations, and procedures governing how it should operate and its view when making decisions.

## **Provision 1.5**

***Directors attend and actively participate in Board and board committee meetings. The number of such meetings and each individual director's attendances at such meetings are disclosed in the company's annual report. Directors with multiple board representations ensure that sufficient time and attention are given to the affairs of each company.***

## **Board Meetings and Attendance**

The Board and its committees meet regularly through scheduled meetings and as and when warranted by particular circumstances. If Directors are unable to attend meetings in person, telephonic means of communication are allowed under the Constitution of the Company's Constitution. To enable members of the Board and its committees to prepare for the meetings, meetings agendas, board papers and related materials are circulated to the Board members before the meeting.

The Board meets at least twice a year with additional meetings convened when necessary. During FY2021, the Company has held two (2) Board Meetings.

## **Multiple Board Representations**

All Directors are required to declare their board representations. The NC will review for multiple board representations held by the Directors on a half-yearly basis to ensure that sufficient time and attention is given to the affairs of the Company. The NC considers that multiple board representations held presently by the Directors do not impede their respective performance in carrying out their duties as a Director of the Company.

The Directors committed considerable time towards the board meetings and board committee meetings held in FY2021. Some Directors adjusted their schedules to ensure full participation in the board or board committee meetings to deliberate the Group business issues. The NC is of the view that the Directors have committed their time effectively to discharge their responsibilities.

# Corporate Governance Report

A record of the Directors' attendance at the Board and Board Committee meetings as well as general meetings for FY2021 is set out below:

## Directors' Attendance at Board and Board Committee Meetings and General Meetings

Name	Board		Audit Committee		Nominating Committee		Remuneration Committee		General Meeting	
	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	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>	1	1
<b>Tan Kim Sing</b> (Executive Director)	2	2	2	2 <sup>#</sup>	2	2 <sup>#</sup>	2	2 <sup>#</sup>	1	1
<b>Billy Neo Kian Wee</b> (Executive Director)	2	2	2	2 <sup>#</sup>	2	2 <sup>#</sup>	2	2 <sup>#</sup>	1	1
<b>Tan Kok Hiang</b> (Non-Executive Lead Independent Director)	2	2	2	2	2	2	2	2	1	1
<b>Low Peng Kit</b> (Non-Executive Independent Director)	2	2	2	2	2	2	2	2	1	1
<b>Wu Chiaw Ching</b> (Non-Executive Independent Director)	2	2	2	2	2	2	2	2	1	1
<b>Li Suet Man</b> (Non-Executive Independent Director)	2	2	2	2	2	2	2	2	1	1
<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>	1	1

<sup>#</sup> By invitation.

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

### Provision 1.6

*Management provides directors with complete, adequate and timely information prior to meetings and on an on-going basis to enable them to make informed decisions and discharge their duties and responsibilities.*

### Access to information

Management places a high priority on providing complete, adequate and timely information to the Board on an on-going basis, to assist the Directors to discharge their duties efficiently and effectively. Board members receive management reports on the operations and financial performance of the Group which include updates on the Group's financial status, cash flow positions and performance of the Group's assets. The Board will also be updated on current industry trends and developments. As far as possible, Board members will receive the board papers not less than five business days before the meeting to enable them to have sufficient time to consider and deliberate issues to be considered at the meetings. Minutes of the previous meetings are tabled and confirmed at Board meetings for the Directors' information.

# Corporate Governance Report

## **Provision 1.7**

***Directors have separate and independent access to Management, the company secretary, and external advisers (where necessary) at the company's expense. The appointment and removal of the company secretary is a decision of the Board as a whole.***

## **Access to Management and Corporate Secretary**

The Board has at all times separate and independent access to Management through electronic mail, telephone and face-to-face meetings. It is entitled at all times to request any additional information needed to make informed decisions. The key management staff, the Statutory Auditors, BDO LLP and Internal Auditors, D'Ark Services Pte Ltd are invited to attend Board and Board Committee meetings to update or to provide independent professional advice on specific issues to the Directors, where necessary.

Directors also have separate and independent access to the Corporate Secretary through electronic mail, telephone and meetings.

The Corporate Secretary is responsible for ensuring that the Board procedures are followed and all applicable rules and regulations are complied with. The Corporate Secretary also assists to coordinating the flow of information within the Group and assists the Chairman to enhance the Group corporate governance practices and processes.

Board's approval is required for the appointment and removal of the Corporate Secretary.

## **Independent Professional Advice**

Where required, procedures are also in place for the Board and individual Board Committees to seek independent professional advice on their Directors' duties and responsibilities, at the Company's expense.

## **BOARD COMPOSITION AND GUIDANCE**

### **PRINCIPLE 2:**

***The Board has an appropriate level of independence and diversity of thought and background in its composition to enable it to make decisions in the best interests of the company.***

### **Provisions 2.1**

***An "independent" director is one who is independent in conduct, character and judgement, and has no relationship with the company, its related corporations, its substantial shareholders or its officers that could interfere, or be reasonably perceived to interfere, with the exercise of the director's independent business judgement in the best interests of the company.***

### **Provisions 2.2**

***Independent directors make up a majority of the Board where the Chairman is not independent.***

### **Provisions 2.3**

***Non-executive directors make up a majority of the Board.***

Key information of Directors is set out on pages 110 to 114 of this Annual Report.

# Corporate Governance Report

## Board Independence

### The Independent of any Independent Directors who have served the Board beyond nine years

In line with **Provision 2.1** of the Code, the Board has reviewed the number of years served by each Non-Executive Independent Director. The NC noted that three 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 experience and in-depth knowledge in the Group's business operations, continuous contributions at the 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 has subjected the three members through a rigorous review process by all the other fellow directors to establish their independence before deciding if they should continue with the appointment. After due consideration and with the concurrence of the NC, the Board is of the view that Mr Tan Kok Hiang, Mr Low Peng Kit and Dr Wu Chiaw Ching have demonstrated strong independence in both their character and judgement over the years to discharge their duties and responsibilities as independent directors of the Company, and with the utmost commitment in upholding the interest of the non-controlling shareholders.

They have expressed individual viewpoints and debated objectively with the Management on all business decisions. They have sought clarification and amplification as they deemed necessary, including direct access to the Management. Taking into account of the above, and also having considered the need for the Board's renewal against tenure and benefits, the Board has affirmed their independence status and resolved that Mr Tan Kok Hiang, Mr Low Peng Kit and Dr Wu Chiaw Ching continue to assume their roles as independent directors, notwithstanding they have served on the Board beyond nine years from the date of their first appointment.

### Proportion of Non-Executive Independence of Directors

The Board comprises of eight Directors, three Executive Directors, one Alternate Director to Yap Mui Kee and four Non-Executive Independent Directors, which made up a strong independent element on the Board and capable of providing opportunities for open, constructive and robust debate on pertinent issues affecting the affairs and business of the Company and the Group.

The NC, in respect of the independence of a Director, takes into account, the criteria given in the Listing Manual and the Code, the existence of any relationships between such Director and the Group. For example, its related corporations, its substantial shareholders and officers, if applicable, and whether such relationships can interfere, or be reasonably perceived to interfere, with the exercise of such Director's independent judgment.

The NC, having considered the declarations made by the Independent Directors in respect of their independence, is of the view that the current Board has an appropriate level of independence to enable it to make decisions in the best interests of the Company.

The Board and its Board Committees comprise directors who can provide an appropriate balance and diversity of skills, experience, gender, and knowledge of the Company. The four Non-Executive Independent Directors have constructively challenged the Board, helped develop proposals on strategy and reviewed the management's performance in meeting their goals and objectives. To facilitate a more effective check on the management, the Non-Executive Independent Directors had met twice in FY2021.

The composition of the Board complies with the code. The Board has appointed Mr Tan Kok Hiang ("Mr Tan") as the Lead Independent Director of the Company. Mr Tan is accessible by the shareholders if they have concerns which the shareholders are unable or felt inappropriate to go through the normal channels to the Chairman, the Managing Director and the CEO.



# Corporate Governance Report

The Board conducts 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 using telephone conference or other methods of simultaneous communication by electronic or telegraphic means.

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 committee' function within clearly defined terms of reference and operating procedures, which are reviewed regularly.

## 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 a 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 own 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 the key management staff.

The Non-Executive Independent Directors are required to make half-yearly independence declaration based on the criterion of independence provided under **Provision 2.1** of the Code. The NC has reviewed such disclosures and has ascertained and satisfied the independence status of all the four Non-Executive Independent Directors of the Company. To facilitate a more effective check on the management, the Non-Executive Independent Directors had met twice in FY2021.

## Role of Non-Executive, Independent Directors

The non-executive, independent directors provide, amongst other things, strategic guidance to the Company based on their professional knowledge, in particular, to constructively challenge and develop proposals on the Group's business strategy. The independent directors also help to review the performance of the Company's management to make sure they are aligned with the agreed goals and monitor their reporting processes. To this end and where appropriate, they are encouraged to meet at least twice a year or any times deemed necessary, without the present of the Company's management staff.

### **Provision 2.4**

***The Board and board committees are of an appropriate size, and comprise directors who as a group provide the appropriate balance and mix of skills, knowledge, experience, and other aspects of diversity such as gender and age, so as to avoid groupthink and foster constructive debate. The board diversity policy and progress made towards implementing the board diversity policy, including objectives, are disclosed in the company's annual report.***

## Board Composition

The NC conducts an annual review on the composition of the Board which comprises of members from different backgrounds and whose core competencies, qualifications, skills, and experiences are extensive and other aspects such as gender and age. Having reviewed and considered the composition and diversity of the Board and its committees, the NC has determined that the current Board size and structure is adequate for the existing Company's business operations of the Company.

# Corporate Governance Report

The Board is also well supported by accurate, complete and timely information, and has unrestricted access to the Management staff. A summary of the composition of the Board and its Committees are set out below:

Director	Board	AC	NC	RC
Ms Yap Mui Kee	Chairman, Managing Director and CEO	-	-	-
Mr Tan Kim Sing	Executive Director	-	-	-
Mr Billy Neo Kian Wee	Executive Director	-	-	-
Mr Tan Kok Hiang	Non-Executive Lead Independent Director	Chairman	Member	Chairman
Dr Wu Chiaw Ching	Non-Executive Independent Director	Member	Member	Member
Mr Low Peng Kit	Non-Executive Independent Director	Member	Chairman	Member
Mr Li Suet Man	Non-Executive Independent Director	Member	Member	Member
Ms Sally Yap Mei Yen	Alternate Director to Ms Yap Mui Kee	-	-	-

## Board Diversity

The NC, with the concurrence of the Board, is of the view that the current Board size of three Executive Directors, one Alternate Director and four Non-Executive Independent Director is appropriate. The NC also considers the mix of skills and core competencies of its members, to ensure a good balance and diversity of skills, knowledge and experience. Amongst the directors are accounting, finance and corporate governance professionals who possess the relevant expertise and skillsets in their respective fields for effective decision making. The NC report to the Board periodically on the progress in achieving the objectives set for promoting diversity.

The Board has adopted a framework for promoting diversity on the Board and the NC is responsible for ensuring that this framework is implemented effectively and practically. The diversity practice endorses the principle that its Board should have a balance of skills, knowledge, experience, and diversity of perspectives appropriate to its business so as to mitigate against groupthink and to ensure that the Group could benefit from all available talents. In reviewing Board composition and succession planning, the NC will consider the benefits of all aspects of diversity, including diversity of background, experience, gender, age, and other relevant factors. These differences will be considered in determining the optimum composition of the Board and when possible, should be balanced appropriately.

Every year, the NC conducts its review of the composition of the Board, which comprises members of both genders and from different backgrounds whose core competencies, qualifications, skills, and experiences, met with the requirement of the Group. To assist the NC in its annual review of the directors' mix of skills and experiences that the Board requires to function competently and efficiently. Each director has been appointed on the strength of his or her calibre, experience and stature and is expected to bring a valuable range of experience and expertise to contribute to the development of the Group strategy and the performance of its business. In recognition of the importance and value of gender diversity in the composition of the Board, the Board has two female directors, representing the Board membership. Ms Yap Mui Kee and Ms Sally Yap Mei Yen have been members of the Board since 2 January 1988, and 20 July 1998 respectively. Besides, it consists of directors with ages ranging from more than forty-eight (48) to seventy-three (73) years old, who have served on the Board for different tenures. The members of the Board with their combined business, management and professional experience, knowledge and expertise, provide the core competencies to allow for diverse and objective perspectives on the Group's business and direction.

The Board's combined core competencies and experience provide management with a diverse and objective perspective to enable balanced and well-considered decisions to be made. The Directors' profiles are set out on pages 06 to 09 of this Annual Report.

# Corporate Governance Report

## **Provision 2.5**

***Non-executive directors and/or independent directors, led by the independent Chairman or other independent director as appropriate, meet regularly without the presence of Management. The chairman of such meetings provides feedback to the Board and/or Chairman as appropriate.***

## **Meeting of Independence Directors without Management**

During the year, the Independent Directors met up twice, without the management's presence, and also as and when the need arises. Feedback is provided to the Board and/or Management, as appropriate. The Company also benefits from Management's ready access to its Directors for guidance and exchange of views during or after the Board and Board committee meetings.

The Board is of the view that there is 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 considering the number of Non-Executive Independent Directors on the Board, 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.
- (3) Assisting in ensuring compliance with the Company's guideline on governance.
- (4) Setting the meeting agenda for Board Meetings with the assistance of the Corporate Secretary.

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

The Independent Directors, led by the Lead Independent Director, meet amongst themselves on 26 February 2021 and 13 August 2021, which coincides with the half-yearly meeting, without the presence of other Directors. The Lead Independent Director will brief the Chairman and the Managing Director after such meetings.

## **CHAIRMAN AND CHIEF EXECUTIVE OFFICER**

### **PRINCIPLE 3:**

***There is a clear division of responsibilities between the leadership of the Board and Management, and no one individual has unfettered powers of decision-making.***

### **Provisions 3.1**

***The Chairman and the Chief Executive Officer ("CEO") are separate persons to ensure an appropriate balance of power, increased accountability, and greater capacity of the Board for independent decision making.***

### **Provisions 3.2**

***The Board establishes and sets out in writing the division of responsibilities between the Chairman and the CEO.***

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

# Corporate Governance Report

The Board is of the view that, now, it is in the best interests of the Group to adopt a single leadership structure, whereby the Chairperson of the Board and the CEO is the same person, so as to ensure that the decision-making process of the Group would be more efficient. Despite the above structure, all major proposals and decisions made by the Executive Chairperson and CEO are discussed and reviewed by the AC. Her performance and appointment to the Board is reviewed periodically by the NC and her remuneration package and service agreement are also reviewed regularly by the RC. As the AC, NC and RC comprise of all the non-executive and independent directors, the Board believes that there are adequate safeguards in place against an uneven concentration of power exercised by the single leadership structure. The Board will consider the separation of the role of the Chairperson and the CEO as stipulated as part of the on-going succession planning and Board renewal process.

## Role of Executive Chairperson and CEO

Ms Yap Mui Kee is the Chairperson, Managing Director and CEO of the Company. She is responsible for the overall leadership of the Board and engages with the management staff regularly on pertinent issues. She approves the agendas for the Board Meetings and promotes a culture of open and free discussion amongst the Board. She also ensures that the Board receives timely and accurate information from the management staff, and provides valuable insight, guidance and advice on the Group's corporate governance systems and processes. She leads the Management team and has full executive responsibility for the overall management and performance of the Group's business. She is also responsible for translating the Board's decisions into executive action and is accountable to the Board on the outcomes.

### **Provision 3.3**

***The Board has a lead independent director to provide leadership in situations where the Chairman is conflicted, and especially when the Chairman is not independent. The lead independent director is available to shareholders where they have concerns and for which contact through the normal channels of communication with the Chairman or Management are inappropriate or inadequate.***

## Appointment of Lead Independence Director

Mr Tan Kok Hiang is a Non-Executive Director and the Lead Independent Director of the Company. He is responsible for providing leadership in situations where the Chairperson is in conflict, especially when the Chairperson is not independent. The lead independent director is accessible to shareholders when they have any concerns, and for which contact through the normal channels of communication with the Chairperson or Management are inappropriate or inadequate.

## **BOARD MEMBERSHIP**

### **PRINCIPLE 4:**

***The Board has a formal and transparent process for the appointment and reappointment of directors, taking into account the need for progressive renewal of the Board.***

### **Provision 4.1 Board Renewal and Succession Planning**

***The Board establishes a Nominating Committee ("NC") to make recommendations to the Board on relevant matters relating to:***

- (a) the review of succession plans for directors, in particular the appointment and/or replacement of the Chairman, the CEO and key management personnel;***
- (b) the process and criteria for evaluation of the performance of the Board, its board committees and directors;***
- (c) the review of training and professional development programmes for the Board and its directors; and***
- (d) the appointment and re-appointment of directors (including alternate directors, if any).***



# Corporate Governance Report

## **Provision 4.2**

***The NC comprises at least three directors, the majority of whom, including the NC Chairman, are independent. The lead independent director, if any, is a member of the NC.***

The Board has a process for the appointment and re-appointment of directors, based on the need for progressive renewal of the Board.

## **NC Composition, Role and Terms of Reference**

The NC comprises of the following four Non-Executive, Independent Directors. The Chairman of the NC is Mr Low Peng Kit. Mr Tan Kok Hiang, Dr Wu Chiaw Ching and Mr Li Suet Man are the members.

Mr Tan Kok Hiang	(Non-Executive Lead Independent Director)
Mr Low Peng Kit, Chairman	(Non-Executive Independent Director)
Dr Wu Chiaw Ching	(Non-Executive Independent Director)
Mr Li Suet Man	(Non-Executive Independent Director)

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, the 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 a Director can 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 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 on matters relating to the training and professional development programs for the Board.

# Corporate Governance Report

## **Provision 4.3**

***The company discloses the process for the selection, appointment and re-appointment of directors to the Board, including the criteria used to identify and evaluate potential new directors and channels used in searching for appropriate candidates in the company's annual report.***

## **Process for Selection, Appointment and Re-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 is completed by the Board annually, the NC can evaluate whether the composition and size of the Board are 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 concerning 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.

## **Provision 4.4**

***The NC determines annually, and as and when circumstances require, if a director is independent, having regard to the circumstances set forth in Provision 2.1. Directors disclose their relationships with the company, its related corporations, its substantial shareholders or its officers, if any, which may affect their independence, to the Board. If the Board, having taken into account the views of the NC, determines that such directors are independent notwithstanding the existence of such relationships, the company discloses the relationships and its reasons in its annual report.***

## **Continuous Review of Directors' Independence**

Each Independent Director has to make a yearly declaration to confirm his independence. The NC has reviewed the independence of the Directors, as mentioned on page 102 of this report. In the opinion of the NC, Mr Low Peng Kit, Mr Tan Kok Hiang, Dr Wu Chiaw Ching and Mr Li Suet Man are independent based, among other things, on the criteria given in the Listing Manual and the Code and their respective declarations.

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

***Regulation 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.***

***Regulation 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.***

All directors, including Executive Directors, must submit themselves for re-nomination and re-appointment at least once every three years, in accordance with Rule 720 (5) of the SGX-ST Listing Manual ("Listing Rules").

Accordingly, the directors due for re-nomination and re-appointment at the forthcoming AGM under Regulation 103 of the Company's Constitutions are Mr Tan Kim Sing and Dr Wu Chiaw Ching.

# Corporate Governance Report

The NC has reviewed and recommended that Mr Tan Kim Sing and Dr Wu Chiaw Ching, who are retiring under Regulation 103 of the Company's Constitution at the forthcoming AGM and who have submitted themselves for re-election as directors. The Board has accepted the recommendations of the NC. Each member of the NC abstains from voting on any resolutions and making any recommendation and/or participating in respect of matters in which he is interested.

Key information of each director is set out on pages 110 to 114. Information relating to directors seeking re-election as set out in Appendix 7.4.1 of the Listing Rules is set out on pages 175 to 180.

The composition of the Board and Independence of each independent director are reviewed annually by the NC based on the provision relating to independence as set out in the 2018 code and Rule 210 (5) (d)(iii) of the SGX-ST. The NC requires each independent director to complete and execute a form declaring and affirming his independent and confirming that exist no condition that would impair his independence is then recommended by the NC to the Board.

Taking into account the views of the NC, the Board is satisfied that Mr Tan Kok Hiang, Mr Low Peng Kit, Dr Wu Chiaw Ching, and Li Suet Man are independent in the light of the provisions of the 2018 Code and Rule 210 (5) (d)(iii) of the Listing Rules.

As of 31 December 2021, three independent directors have served on the Board for more than nine years, They are Mr Tan Kok Hiang, Mr Low Peng Kit, and Dr Wu Chiaw Ching. The NC considers that a director's independence cannot be determined solely and arbitrarily on the based on the length of time. A director's contribution in terms of experience, expertise, professionalism, integrity, objectivity, and independent judgment in engaging and challenging Management in the best interest of the Group as he performs his duties in good faith, are more critical measures in ascertaining his independence than the number of years served on the Board. Hence the Board does not impose a limit on the length of service of the independent directors. However, the Board and NC will exercise due and careful review, taking into consideration other factors, in assessing the independence of a director. These factors include, inter alia, whether the directors have any interest, business relationship and/or any other material contractual relationships with the Group which could reasonably be perceived to compromise their independence and interfere with the exercise of their independent business judgment with a view to the best interest of the Group.

Guideline 2.4 of the Code of Corporate Governance 2012 continues to apply prior to Rule 210(5)(d)(iii) of the Listing Manual of SGX-ST which comes into effect on January 1, 2022. After due and careful rigorous review, the Board is of the view that all the above-referred three independent directors continue to remain independent in their exercise of judgment and objectivity in Board matters.

With effect from 1 January 2022, a director will not be independent if he has served for an aggregate of more than 9 years. His continued appointment as an independent director must be sought and approved in separate resolutions by (a) all shareholders and (b) shareholders, excluding the director and chief executive officer of the issuer, and associates of such directors and chief executive officer of the issuer, and associates of such directors and chief executive officer (the "Two Tier Voting"). Such resolutions approved by a Two-Tier Voting may remain in force for three years from the conclusion of the annual general meeting following the passing of the resolutions or the retirement or resignation of the director, whichever the earlier.

The Board had recommended that the approval of the shareholders had sought through a Two-Tier Voting process at the AGM on 29 April 2021 for the continuation of office of Mr Tan Kok Hiang, Mr Low Peng Kit, and Dr Wu Chiaw Ching as independent Non-Executive Directors of the Company.

The Board has determined that Mr Tan Kok Hiang, Mr Low Peng Kit, and Dr Wu Chiaw Ching continue to remain objective and independent-minded in Board deliberations. Their vast experience enables them to provide the Board and the various Board Committees on which they serve, with pertinent experience and competence to facilitate sound decision-making and that their length of service does not in any way interfere with their exercise of independent judgment nor hinder their ability to act in the best interest of the Company.

# Corporate Governance Report

The NC ensures that new director are aware of their duties and obligations. New directors are given a formal letter explaining his/her duties and obligations as a director.

It is also part of the NC's duties to review and ascertain whether a director can and has been adequately carrying out his or her duties as a director of the Company. All directors are required to declare their other board representations formally. The Board had resolved to limit each director to hold not more than 4 directorships in listed companies including the Company. As at the end of the financial year end, it was confirmed that this restriction had been complied with by all directors. The NC is also satisfied that all directors had discharged their duties adequately for FY2021.

The Board believes in carrying out succession planning on its Top Management team to ensure continuity of leadership. The Chairman, MD and CEO has initiated on-going informal succession programme to prepare a team of future leaders for the Group's long-term sustainability. The potential successors to key positions are identified and development plans are instituted for them. The Chairman, MD and CEO constantly updates the NC and RC and informs them that the succession plan is on track. All the members participated in the meeting and discussion.

#### **Provision 4.5**

***The NC ensures that new directors are aware of their duties and obligations. The NC also decides if a director is able to and has been adequately carrying out his or her duties as a director of the company. The company discloses in its annual report the listed company directorships and principal commitments of each director, and where a director holds a significant number of such directorships and commitments, it provides the NC's and Board's reasoned assessment of the ability of the director to diligently discharge his or her duties.***

#### **Directors' Time Commitments**

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

<b>Name of Director</b>	<b>Yap Mui Kee (Managing Director)</b>
Shareholding in the Company (as at 9 March 2022)	7,835,032 Shares (as set out on page 168 of this report)
Board Committees Served	None
Date of first appointment as Director	02 January 1988
Date of last re-election as Director	29 April 2021
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 9 March 2022)	9,671,205 Shares (as set out on page 168 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	30 April 2019 (Recommended by Nominating Committee for re-election under Regulation 103 of the Company's Constitution at the forthcoming Annual General Meeting to be scheduled on 29 April 2022)
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 9 March 2022)	856,000 Shares (as set out on page 168 of this report) Billy Neo Kian Wee, one of the beneficiaries of his deceased father's will, is deemed to be interested in 4,839,260 shares of the Estate of Neo Koon Boo.
Board Committees Served	None
Date of first appointment as Director	24 February 2017
Date of last re-election as Director	29 April 2020
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 Kok Hiang (Non-Executive, Lead Independent Director)
Shareholding in the Company (as at 9 March 2022)	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	29 April 2021
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 Chairman Independent Director)
Past Directorships in other listed companies (within the last 3 years)	None
Other Principal Commitment	None

Name of Director	Low Peng Kit (Non-Executive, Independent Director)
Shareholding in the Company (as at 9 March 2022)	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	29 April 2021 for Regulation 103 and Nine years-two tiers voting
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

<b>Name of Director</b>	<b>Wu Chiaw Ching (Non-Executive, Independent Director)</b>
Shareholding in the Company (as at 9 March 2022)	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	30 April 2019 (Recommended by Nominating Committee for re-election under Regulation 103 of the Company's Constitution at the forthcoming Annual General Meeting to be scheduled on 29 April 2022)
Present Directorships in other listed companies	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	Partner of Wu Chiaw Ching & Company

# Corporate Governance Report

Name of Director	Li Suet Man (Non-Executive, Independent Director)
Shareholding in the Company (as at 9 March 2022)	None
Board Committees Served	Li Suet Man is a Member of Audit Committee, Remuneration Committee, and Nominating Committee
Date of first appointment as Director	1 November 2019
Present Directorships in other listed companies	None
Past Directorships in other listed companies (within the last 3 years)	None
Other Principal Commitment	Alternate Director and CEO, Feoso Oil (Singapore) Pte Ltd  Alternate Director, Feoso (Singapore) Pte Ltd  Alternate Director, Feoso Investment (Singapore) Pte Ltd  Non-Executive Director, The Trading Room Enterprise Pte Ltd  Non-Executive Director, Club Chinois Pte Ltd  Non-Executive Director, Chinois Pte Ltd  Non-Executive Director, Far East Oil Terminal One Sdn Bhd  Non-Executive Director, LSO Oceanrina Development (S) Pte Ltd  Non-Executive Chairman, SME Centre@SMF Pte Ltd

Name of Alternate Director	Sally Yap Mei Yen (Alternate Director to Yap Mui Kee and Corporate Secretary)
Shareholding in the Company (as at 9 March 2022)	88,800 Shares
Board Committees Served	Corporate 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	29 April 2021 (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

Presently, one of the Executive Directors and all Non-Executive Independent Directors of the Company hold other board representations in companies that 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.



# Corporate Governance Report

The NC has adopted internal guidelines that address the competing time commitments 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 bring with them their 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 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 can 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 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 Group.

## 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 1998. Ms Sally Yap, being part of the management and professionally qualified in both as an accountant and corporate secretary, is familiar with the Company's affairs. She has provided substantial contributions in providing feedback to the Board and at the Company's Board meetings. The NC, taking into consideration the above, felt that Ms Sally Yap is appropriately qualified and capable of discharging the duties and responsibilities of a Director. As an Alternate Director, she also bears the same duties and responsibilities as 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.***

### **Provision 5.1**

***The NC recommends for the Board's approval the objective performance criteria and process for the evaluation of the effectiveness of the Board as a whole, and of each board committee separately, as well as the contribution by the Chairman and each individual director to the Board.***

### **Provision 5.2**

***The company discloses in its annual report how the assessments of the Board, its board committees and each director have been conducted, including the identity of any external facilitator and its connection, if any, with the company or any of its directors.***

# Corporate Governance Report

## Board Performance

In assessing the effectiveness of the Board, the contribution of individual directors plays an important role. In reviewing the re-election and re-appointment of any director, a formal process is established to evaluate the directors' performance annually. Assessment of each director's contribution to the Board includes his or her attendance and participation, time and effort devoted to the Company's business and affairs. The NC has conducted a Board Performance Evaluation exercise to assess the effectiveness of the Board for FY2021 and the result shown the effectiveness of the Board as a whole and its Board Committees. The contribution by each director to the effectiveness of the Board are consistently good.

In addition, the NC and the Board also ensure that the appointed directors possess core competencies like business experience, accounting, audit, tax, finance, legal and knowledge 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 **Regulation 107** of the Company's Constitution.

## Performance Criteria for Board Evaluation

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 NC and the Board have endorsed the performance criteria of the three parts of the assessments. 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 the board meeting
- (c) Contribution in a 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.

# Corporate Governance Report

The NC is of the view that despite multiple board representations in certain instances, each Director capable of carrying out his or her duties as a Director of the Company.

The Board is of the view that the performance of the Company's share price alone is not a good indication of the performance of the Company or the performance of the Board as a whole. Instead, the Board find that 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.

## II. REMUNERATION MATTERS

### PROCEDURES FOR DEVELOPING REMUNERATION POLICIES

#### **PRINCIPLE 6:**

*The Board has a formal and transparent procedure for developing policies on director and executive remuneration, and for fixing the remuneration packages of individual directors and key management personnel. No director is involved in deciding his or her own remuneration.*

#### **Provisions 6.1**

*The Board establishes a Remuneration Committee ("RC") to review and make recommendations to the Board on:*

- (a) a framework of remuneration for the Board and key management personnel; and*
- (b) the specific remuneration packages for each director as well as for the key management personnel.*

#### **Provisions 6.2**

*The RC comprises at least three directors. All members of the RC are non-executive directors, the majority of whom, including the RC Chairman, are independent.*

#### **Provisions 6.3**

*The RC considers all aspects of remuneration, including termination terms, to ensure they are fair.*

### **RC Composition and Role**

Matters concerning the remuneration of the Board, key management personnel and employees related to the substantial shareholders, the CEO and/or Directors (if any) are handled by the RC whose primary functions include the development of formal and transparent policies on remuneration matters in the Company.

### **Remuneration Committee and Terms of Reference**

The RC comprises the following four Directors, all of whom are non-executive and independent:

Mr Tan Kok Hiang, Chairman	(Non-Executive Lead Independent Director)
Mr Low Peng Kit	(Non-Executive Independent Director)
Dr Wu Chiaw Ching	(Non-Executive Independent Director)
Mr Li Suet Man	(Non-Executive Independent Director)

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 field of executive compensation. During FY2021, the RC held two scheduled meetings, which Mr Tan Kok Hiang, Mr Low Peng Kit, Dr Wu Chiaw Ching and Mr Li Suet Man attended.

# Corporate Governance Report

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;
- (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;
- (7) Making recommendations to the Board on the Group's framework of executive remuneration;
- (8) Reviewing and providing a recommendation to the Board on the adequacy and form of compensation of the Directors and key executives of the Group to ensure that the compensation is realistically commensurate with the responsibilities and performance of the Director and/or key executive and the Group;
- (9) Reviewing and recommending to the Board the terms of renewal for those Executive Directors whose current employment contracts with the Group has or is due to expire;
- (10) Reviewing the fees for Non-Executive Directors before proposing such fees to the Board for approval, taking into account factors such as the effort and time spent by and the responsibilities of such Non-Executive Directors;
- (11) Reviewing and recommending to the Board the talent management and remuneration framework for the Company, including staff development and succession planning; and
- (12) Reviewing and recommending to the Board the engagement of stakeholders with respect to remuneration matters.

As part of its review, the RC ensures that the Directors and key management personnel are adequately but not excessively remunerated. The RC also ensures that the Executive Directors' and key management personnel remuneration are structured 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.



# Corporate Governance Report

## **Provision 6.4**

***The company discloses the engagement of any remuneration consultants and their independence in the company's annual report***

The RC has access to the professional advice of external experts in the area of remuneration, where required. The Company engaged no remuneration consultants in FY2021.

## **LEVEL AND MIX OF REMUNERATION**

### **PRINCIPLE 7:**

***The level and structure of remuneration of the Board and key management personnel are appropriate and proportionate to the sustained performance and value creation of the company, taking into account the strategic objectives of the company.***

The Board has considered and approved the RC's proposal regarding the Non-Executive Directors' fees for FY2021. The RC and the Board are of the view that the remuneration of the Directors is appropriate and not excessive considering the effort and time spent and the responsibilities of the Directors.

### **Provision 7.1**

***A significant and appropriate proportion of executive directors' and key management personnel's remuneration is structured so as to link rewards to corporate and individual performance. Performance-related remuneration is aligned with the interests of shareholders and other stakeholders and promotes the long-term success of the company.***

## **Remuneration of Executive Directors and KMPs**

The Company's Executive Director and key management personnel remuneration structure comprises both fixed and variable components. The variable component is linked to the Group/Company's performance and the individual personnel's performance. Such performance-related remuneration is designed to align with the interests of shareholders and other stakeholders and promote the Group's long term success.

### **Provision 7.2**

***The remuneration of non-executive directors is appropriate to the level of contribution, taking into account factors such as effort, time spent, and responsibilities.***

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

The Board recommended a fixed fee for each Independent Director's effort, time spent and responsibilities. The Chairman of the Board and the Lead Independent Director and the Chairman of the Audit Committee and Remuneration Committee are remunerated with a slightly higher director's fee as their level of responsibility is higher. The directors' fees are subject to shareholders' approval at the AGM on 29th April 2022. They do not have any service contracts with the Company.

## **Contractual Provisions Protecting the Company's Interests**

The Company does not have any contractual provisions in the employment contracts with the Executive Director and key management personnel pursuant to which the Company may reclaim the variable components of remuneration from the Executive Director and key management personnel in exceptional circumstances, such as any misstatement of financial results, or misconduct resulting in a financial loss to the Company and the Group. Notwithstanding the preceding, the Executive Director owes a fiduciary duty to the Company. The Company should be able to avail itself of the relevant remedies at law against the Executive Director in the event of such breach of fiduciary duties.

# Corporate Governance Report

## **Provision 7.3**

**Remuneration is appropriate to attract, retain and motivate the directors to provide good stewardship of the company and key management personnel to successfully manage the company for the long term.**

To attract, retain and motivate Directors and employees to provide good stewardship of the Company, the RC establishes appropriate remuneration packages for the Company's directors and key management personnel. Such remuneration packages are based on an established framework and are reviewed periodically to ensure that they remain relevant.

During the year, the RC considered and approved the Executive Director's remuneration package, including salary, bonus and benefits-in-kind. The RC also reviewed the key management personnel's performance and considered the Executive Director's recommendation for bonuses and remuneration for the key management personnel.

## **DISCLOSURE ON REMUNERATION**

### **PRINCIPLE 8:**

**The company is transparent on its remuneration policies, level and mix of remuneration, the procedure for setting remuneration, and the relationships between remuneration, performance and value creation.**

### **Provisions 8.1**

**The company discloses in its annual report the policy and criteria for setting remuneration, as well as names, amounts and breakdown of remuneration of:**

- (a) each individual director and the CEO; and**
- (b) at least the top five key management personnel (who are not directors or the CEO) in bands no wider than S\$250,000 and in aggregate the total remuneration paid to these key management personnel**

## **Remuneration Report**

Details on the remuneration of Directors and key management personnel for FY2021 are presented in the following table. The remuneration for the Executive Directors is based on his/her employment contract with the Company.

The RC comprises four Non-Executive Independent Directors, the Chairman of the RC is Mr Tan Kok Hiang, Mr Low Peng Kit, Dr Wu Chiaw Ching and Mr Li Suet Man 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 related to the Executive Director and controlling shareholder of the Group.
- (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.

# Corporate Governance Report

- (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 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.

The Managing Director has a three-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 that 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 remuneration matters if the need arises. No director is involved in the determination of his own remuneration.

Each of the remunerations of the Executive Directors is governed by the separate service agreement entered into with the Company, which took effect on 20th May 2019 for the Managing Director, Ms Yap Mui Kee and the Executive Director, Mr Tan Kim Sing and on 24th February 2020 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, a fixed salary and a variable performance bonus.

The terms in determining their remuneration are set out in their respective service agreements with the Company, subject to the approval of the Remuneration Committee ("RC") and the Board. None of the Executive Director voted in the approval of his or her service agreement, approved by the RC and the Board.

As set out in the table on pages 122 to 123, **Provision 8.1(a)**, the performance-related elements of remuneration formed a significant proportion of the Managing Director and the two other Executive Directors total remuneration package. Variable bonuses made up 20%, 20%, and 16% of the total remuneration of the Executive Directors, Ms Yap Mui Kee, Mr Tan Kim Sing, and Billy Neo Kian Wee, respectively, in FY2021. The performance-based component was align with the Executive Directors' interests with that of the Shareholders, to bring a direct relationship between their remuneration and their performance in creating value for the Company.

Other than fixed salary and bonus payment, the three Executive Directors were also paid directors' fees, which made up between 11% to 15% of their total remuneration package. The total amount of fees payable to the directors was disclosed in Note 24 in the notes to the Financial Statements of AR 2021 on page 80 of AR 2021. The amount of fees paid to each director was determined by their contribution and other factors such as frequency of meetings held, and duties or responsibilities assumed, such as lead independent directors or chairpersons of various Board committees. Other than directors' fees, the Non-Executive Independent Directors of the Company do not receive salary, bonus and other benefits.

# Corporate Governance Report

The RC will consider using 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 misconduct resulting in a financial loss to the Company.

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

Due to the sensitive and confidential nature of the remuneration packages of the Executive Directors, which are critical to the businesses of the Group, the Company did not provide the exact remuneration received by each of the Executive Director, to protect the Group's interest and ensure the Company's competitive advantage in retaining them. However, the three Executive Directors' total remuneration was disclosed in Note 24 in the notes to the Financial Statements of AR 2021 on page 80 of AR 2021. Therefore, the aggregate remuneration of the three Executive Directors on page 80 of AR 2021 and the disclosure in the table below and next page of this report provided sufficient transparency on their remuneration packages, notwithstanding the deviation on disclosure of the exact amount of the remuneration of the Director required under **Provision 8.1(a)**.

The Company believes the disclosures adopted by the Company in AR 2021 are consistent with **Principle 8** of the Code of Corporate Governance, which requires transparency on the company's remuneration policies, level and mix of remuneration, the procedure for setting remuneration, and the relationships between remuneration, performance and value creation.

Due to the confidentiality reason and to protect the Group's interest, **Provision 8.1 (a)** is partially 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 FY2021:-

Name & Designation	FY2021		FY2020	
	Above S\$250,000 and below S\$500,000	%	Above S\$250,000 and below S\$500,000	%
Yap Mui Kee (Managing Director)	Salary	62	Salary	63
	Fee*	13	Fee	14
	Bonus	20	Bonus	19
	Other Benefits	5	Other Benefits	4
Tan Kim Sing (Executive Director)	Salary	60	Salary	58
	Fee*	15	Fee	15
	Bonus	20	Bonus	22
	Other Benefits	5	Other Benefits	5
Billy Neo Kian Wee (Executive Director)	Salary	68	Salary	64
	Fee*	11	Fee	11
	Bonus	16	Bonus	20
	Other Benefits	5	Other Benefits	5



# Corporate Governance Report

Name & Designation	FY2021		FY2020	
	Below S\$250,000	%	Below S\$250,000	%
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	–
Li Suet Man (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	83	Salary	78
	Fee*	–	Fee	–
	Bonus	17	Bonus	22
	Other Benefits	–	Other Benefits	–

\* Fees are subject to the approval of the Shareholders at the AGM for FY2021

<sup>##</sup> According to **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 her 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.

<sup>@@</sup> Remunerated under the capacity of a Corporate Secretary and belonged to the level and mix of remuneration of the top key executives as shown on page 124.

# Corporate Governance Report

## Remuneration of Key Management Personnel

Due to confidentiality reason and to protect the Group's interest, **provision 8.1(b)** of the Code is partially complied with. As for the Key Management Personnel (who are not Directors or the CEO) their total remuneration for FY2021 was set out on page 80 of this Annual Report. As disclosed, their remuneration was determined by the RC, having regard to their performance and market trends. Appended below is 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 FY2021:-

Name & Designation	FY2021		FY2020	
	Below S\$250,000	%	Below S\$250,000	%
Vincent Tan Khar Kheng (Administration and Financial Controller)	Salary	77	Salary	79
	Bonus	23	Bonus	21
	Other Benefits	-	Other Benefits	-
William Yap Yew Weng (Senior Sales Manager)	Salary	94	Salary	95
	Bonus	6	Bonus	5
	Other Benefits	-	Other Benefits	-
Derek Neo Kah Seng <sup>^^^</sup> (Recycling Plant Manager)	Salary	85	Salary	83
	Bonus	15	Bonus	17
	Other Benefits	-	Other Benefits	-

<sup>^^^</sup> Uncle of Billy Neo Kian Wee (Executive Director, Substantial Shareholder)

As for the Key Management Personnel (who are not directors or the Managing Director), their total remuneration for FY2021 was set out on page 80 of AR 2021. As disclosed, their remuneration was determined by the RC, having regard to their performance and market trends.

### Provision 8.2

**The company discloses the names and remuneration of employees who are substantial shareholders of the company, or are immediate family members of a director, the CEO or a substantial shareholder of the company, and whose remuneration exceeds S\$100,000 during the year, in bands no wider than S\$100,000, in its annual report. The disclosure states clearly the employee's relationship with the relevant director or the CEO or substantial shareholder.**

# Corporate Governance Report

## Remuneration of immediate family members of Executive Directors, the CEO, or Substantial Shareholders

Due to confidentiality reason and to protect the Group's interest, **provision 8.2** of the Code is partially complied with. As for the remuneration of immediate family members of a Director, the CEO, or the substantial shareholders, their total remuneration for FY2021 was set out on page 80 of this Annual Report. The remuneration paid to employees who are immediate family members of a Director, the CEO, or substantial shareholders whose remuneration exceeds S\$100,000 in FY2021 is as follows:-

Name & Designation	Relationship	FY2021		FY2020	
		Below S\$250,000	%	Below S\$250,000	%
Yap Mei Lan (Senior Sales Manager)	Sister of Yap Mui Kee, (Managing Director, Substantial Shareholder)	Salary	78	Salary	79
		Bonus	22	Bonus	21
		Other Benefits	-	Other Benefits	-
Yeo Wen Torng (ECR-RFID Project Manager)	Spouse of Yap Mui Kee, (Managing Director, Substantial Shareholder)	Salary	84	Salary	80
		Bonus	16	Bonus	20
		Other Benefits	-	Other Benefits	-
Tay Kee Soon (Assistant Factory Manager of Siri Belukar Packaging Sdn Bhd)	Cousin of Billy Neo Kian Wee (Executive Director, Substantial Shareholder)	Salary	85	Salary	89
		Bonus	15	Bonus	11
		Other Benefits	-	Other Benefits	-
Tan Hwei Hsia (Accounts Manager)	Daughter of Tan Kim Sing (Executive Director, Substantial Shareholder)	Salary	83	Salary	85
		Bonus	17	Bonus	15
		Other Benefits	-	Other Benefits	-
Yap Chun Chun (Assistant Sales Manager)	Cousin of Yap Mui Kee (Managing Director, Substantial Shareholder)	Salary	85	Salary	83
		Bonus	15	Bonus	17
		Other Benefits	-	Other Benefits	-
Yap Lai Eng (Assistant Sales Manager)	Cousin of Yap Mui Kee (Managing Director, Substantial Shareholder)	Salary	85	Salary	81
		Bonus	15	Bonus	19
		Other Benefits	-	Other Benefits	-

### Provision 8.3

**The company discloses in its annual report all forms of remuneration and other payments and benefits, paid by the company and its subsidiaries to directors and key management personnel of the company. It also discloses details of employee share schemes.**

## Remuneration of Directors

The table on pages 122 and 123 shows the breakdown of the remuneration and fees of the Directors for FY2021. Shareholders' approval will be sought at the Annual General Meeting for payment of such fees.

The Company had not disclosed the exact remuneration paid to each Director including the Executive Director due to the sensitive and confidential nature of such remuneration matters and to ensure the Company's competitive advantage in the retaining such personnel.

The Company does not have an employee share scheme.

# Corporate Governance Report

## III. ACCOUNTABILITY AND AUDIT

### RISK MANAGEMENT AND INTERNAL CONTROLS

#### **PRINCIPLE 9:**

*The Board is responsible for the governance of risk and ensures that Management maintains a sound system of risk management and internal controls, to safeguard the interests of the company and its shareholders.*

#### **Provision 9.1**

*The Board determines the nature and extent of the significant risks which the company is willing to take in achieving its strategic objectives and value creation. The Board sets up a Board Risk Committee to specifically address this, if appropriate.*

#### **Nature and Extent of Risk**

The Board recognises the importance of maintaining sound systems of risk management and internal controls to safeguard shareholders' interests and the Group's assets. The AC oversees and ensures that such systems have been appropriately implemented and are monitored.

A summary of the Group's risk management and internal controls system is appended below.

#### **Risk Management**

The Group adopts a comprehensive and systematic approach towards Risk Management to help identify, measure, prioritise and respond to the risks challenging its objectives, initiatives, and day-to-day operating activities.

As part of the Group's approach towards risk management, the Group has conducted on an annual basis a Risk Assessment exercise where the key risks of the Group have been identified and evaluated. Also, the Group evaluates its risk exposure based on the likelihood and impact of each risk identified.

The Group recognises risk management as a collective effort beginning with the individual subsidiaries and business units, followed by the operating segments and ultimately Management and the Board, working as a team.

#### **Internal Controls**

A system of internal controls has been implemented to enhance the Group's internal control function in finance, operations, compliance, and information technology. The internal control measures aim to ensure that the Group's assets are safeguarded, proper accounting records are maintained, and that financial information used within the business and reporting is reliable.

#### **Risk Management Committee**

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 and 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.



# Corporate Governance Report

## **Provision 9.2**

**The Board requires and discloses in the company's annual report that it has received assurance from:**

- (a) the CEO and the Chief Financial Officer ("CFO") that the financial records have been properly maintained and the financial statements give a true and fair view of the company's operations and finances; and**
- (b) the CEO and other key management personnel who are responsible, regarding the adequacy and effectiveness of the company's risk management and internal control systems.**

## **Board's Comment on Adequacy and Effectiveness of Risk Management and Internal Controls**

Risk Management is an essential part of the Group's business planning and monitoring process, and incorporated into its business cycle. The Group engages a professional audit firm, D'Ark Services Pte Ltd to conduct internal audit reviews based on the AC's approved plan.

During the year, the AC also reviewed reports submitted by the internal auditors relating to the Group's internal controls' effectiveness, including the adequacy of the Group's financial, operational, compliance and information technology controls.

The Board is satisfied that the Company has worked closely with the internal and external auditors of the Group to implement the recommended measures and procedures and has strived to achieve high standards in risk management and internal controls.

Based on the framework of risk management and internal controls established and maintained by the Group, the work performed by the internal auditors, as well as the statutory audit review undertaken by the external auditors, the Board with the concurrence of the AC, is of the opinion that the internal controls, including financial, operational, compliance and information technology controls and risk management systems that the Group has put in place are adequate and effective as at 31 December 2021 to address the risks that the Group considers relevant and material to its operations.

However, to meet the Group's business environment's changing needs, continuous improvements will be required as the Group grows its business. The Board, has received assurance from the Managing Director, the Financial Controller and KMPs that:

- the financial records of the Group have been properly maintained and the financial statements for FY2021 give a true and fair view of the Group's operations and finances; and
- the Group's risk management and internal control systems are adequate and effective.

## **Assurance from the CEO, CFO and KMPs**

For the financial year under review:-

- (i) Written assurance was received from the Managing Director, CEO and the Financial Controller ("FC") have assured the Board on the integrity of the Group's financial statements on 25 February 2022 that the financial records have been properly maintained and financial statements give a true and fair view of the Company's operations and finances; and

# Corporate Governance Report

- (ii) Written assurance was received from the Managing Director, CEO and the KMPs that the Group's risk management and internal controls systems were adequate and effective to address the financial, operational, compliance and information technology risks in the context of the current scope of the Group's business operations. Based on the Group's framework of management controls in place, the internal control policies and procedures established and maintained by the Group, as well as the reviews performed by the external and internal auditors, the Board, with the concurrence of the AC, is of the opinion that the risk management and internal control systems of the Group, addressing the financial, operational, compliance and information technology risks are adequate and effective as at 31 December 2021 to address the risks that the Group considers relevant and material to its operations. Management will continue to review and strengthen the Group's control environment and devote resources and expertise towards improving its internal policies and procedures to maintain a high level of governance and internal controls.

The Board notes that the system of internal controls provides reasonable but not absolute assurance that the Group will not be affected by any event that could be reasonably foreseen as it strives to achieve its business objectives. In this regard, the Board also notes that no system can provide absolute assurance against the occurrence of material errors, poor judgment in decision-making, human error, fraud or other irregularities.

The Board believes that, in the absence of any evidence to the contrary, the system of internal controls maintained by the management throughout the financial year under review 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. With the concurrence of the AC, the Board is satisfied that the internal audit is adequately resourced and has the appropriate standing within the Group. The internal controls are adequate in addressing financial, operational, compliance and information technology risks in the Company.

Given the latest guidance from the Exchange regarding Rule 720(1) of the SGX-ST Listing Manual, the Company has procured a 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 10:**

***The Board has an Audit Committee ("AC") which discharges its duties objectively.***

### **Provision 10.1**

***The duties of the AC include:***

- (a) reviewing the significant financial reporting issues and judgements so as to ensure the integrity of the financial statements of the company and any announcements relating to the company's financial performance;***
- (b) reviewing at least annually the adequacy and effectiveness of the company's internal controls and risk management systems;***
- (c) reviewing the assurance from the CEO and the CFO on the financial records and financial statements;***
- (d) making recommendations to the Board on: (i) the proposals to the shareholders on the appointment and removal of external auditors; and (ii) the remuneration and terms of engagement of the external auditors;***
- (e) reviewing the adequacy, effectiveness, independence, scope and results of the external audit and the company's internal audit function; and***

# Corporate Governance Report

- (f) *reviewing the policy and arrangements for concerns about possible improprieties in financial reporting or other matters to be safely raised, independently investigated and appropriately followed up on. The company publicly discloses, and clearly communicates to employees, the existence of a whistle-blowing policy and procedures for raising such concerns.*

## Roles, Responsibilities and Authorities of AC

The AC comprises four 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, Mr Low Peng Kit and Mr Li Suet Man 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 FY2021, the AC met twice. Details of the members' attendance at AC meetings in FY2021 are provided on page 100 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 the stock exchange and statutory/regulatory requirements.
- d) to discuss problems and concerns, if any, arising from the interim and final audits, and any matters that 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 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.

# Corporate Governance Report

- h) to review the significant financial reporting issues, judgements 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 Committee's attention.
- 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 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 an 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 full discretion to invite any Director or executive officers to attend its meetings.

The internal audit function for the Group for the FY 2021 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, operational and compliance controls and risk management. The internal auditor also assists the Group's management in identifying operational and business risks and provides recommendations to address these risks. The AC approves the internal audit plan and the results of the audit findings are submitted to the AC for its review and deliberation in its meeting. During their statutory audit, the external auditors 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 management's actions 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 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 management gave their assistance to the external auditors. The AC met with the external auditors without the presence of management on 26 February 2021 and 13 August 2021. The AC has reasonable resources to enable it to discharge its function properly.



# Corporate Governance Report

## **Audit Committee Confirmation**

### ***Independence of External Auditors and 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 2021, Note 18, page 74 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 be 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.

### **Whistleblowing Policy and Procedure**

To encourage proper work ethic and facilitate radicating of any internal improprieties, unethical acts, malpractices, fraudulent acts, corruption and/or criminal activities in the Group, the AC has implemented a Whistleblowing Policy. The policy provides a mechanism by which concerns about plausible improprieties in, including but not limited to, matters of financial reporting, dishonest practice, suspected fraud, bribery, and corruption, may be raised.

The whistleblowing procedures for all employees to raise concerns in confidence about possible serious corporate improprieties in matters of financial reporting or other matters. The 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 whistleblowing 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 whistleblowing for FY2021.

The Company's whistleblowing policy allows employees to raise concerns and also offers reassurance that as far as is reasonably practicable, employees will be protected from intimidation, retaliation, or adverse employment consequences for whistleblowing reports made in good faith.

The AC addresses issues and/or concerns raised and arranges for investigation and/or follow-up of appropriate action. The AC reports to the Board any issues and/or concerns received, at the ensuing Board meeting. Should the AC receive reports relating to serious offences, and/or criminal activities in the Group, they and the Board have access to the appropriate external advice where necessary. Where appropriate or required, a report shall be made to the relevant governmental authorities for further investigation/action.

The Group takes concerns raised in respect of the integrity and honesty of its employees very seriously. The whistleblowing policy and whistleblowing communication channel have been disseminated to all staff via email and is also posted on the Company's intranet for staff reference. Staff is encouraged to report any behaviour or action that is reasonably suspicious or against any rules/regulations/accounting standards applicable to the Group (including the Group's internal policies). The whistleblowers may also approach the Corporate Secretary directly in confidence, and his/her identity will be protected from intimidation, retaliation, or adverse employment consequences as far as reasonably practicable.

# Corporate Governance Report

The Company treats all information received confidentially and where requested, as far as reasonably practicable, protects all whistleblowers' identity and their interests. The Group views concerns expressed anonymously as potentially less credible, but the AC and/or the Board (where appropriate) nonetheless reserves the right to consider such concerns at their discretion.

All newly recruited employees are briefed on the existence of the Whistleblowing Policy during the Group's induction programme.

The Whistleblowing Policy is reviewed by the AC from time to time to assess the effectiveness of the processes in place and to ensure that the said policy is updated to take into account any related changes in legal and regulatory requirements. The last review was on 13 August 2021.

## **Provision 10.2**

***The AC comprises at least three directors, all of whom are non-executive and the majority of whom, including the AC Chairman, are independent. At least two members, including the AC Chairman, have recent and relevant accounting or related financial management expertise or experience.***

## **AC Composition and Role**

The AC comprises the following four Directors, all of whom are non-executive and independent:

Mr Tan Kok Hiang, Chairman	(Non-Executive Lead Independent Director)
Dr Wu Chiaw Ching	(Non-Executive Independent Director)
Mr Low Peng Kit	(Non-Executive Independent Director)
Mr Li Suet Man	(Non-Executive Independent Director)

During FY2021 the AC held two scheduled meetings, which all members attended.

## **The expertise of AC Members**

The AC members bring with them invaluable professional expertise in the accounting and financial management domains.

The Chairman of the AC, Mr Tan Kok Hiang, is experienced in capital markets functions, corporate finance, assets management, financial investment, accounting and is knowledgeable in executive compensation. The other members of the AC have many years of experience in business management, education, healthcare, and financial services. The Board is satisfied that the members of the AC have recent and relevant accounting or related financial management expertise and experience to discharge the functions of the AC.

## **Provision 10.3**

***The AC does not comprise former partners or directors of the company's existing auditing firm or auditing corporation: (a) within a period of two years commencing on the date of their ceasing to be a partner of the auditing firm or director of the auditing corporation; and in any case, (b) for as long as they have any financial interest in the auditing firm or auditing corporation.***

## **Cooling off Period for Partner or Directors of the Company's Auditing Firm**

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 discussing matters in which he is interested.

# Corporate Governance Report

## Review of interested person transactions

The AC has reviewed interested person transactions of the Group for FY2021 and reported its findings to the Board. Please refer to page 94 of the annual report for further details on the interested person transactions of the Group for FY2021.

The AC reviews all interested person transactions entered into by the Group. Directors who are interested in the Group's transactions recuse themselves from the deliberation and approval process in both the AC and Board unless the Board is of the opinion that his or her presence and participation is necessary to enhance the efficacy of such discussion. On a biannually basis, the AC also reviewed the Company's financial results announcements before their submission to the Board for approval.

The AC has explicit authority to investigate whistleblowing complaints. All whistleblower complaints are reviewed by the AC and/or the Board pursuant to the Company's Whistleblowing Policy to ensure an independent and thorough investigation and adequate follow-up.

The AC had reviewed the external auditors' audit plan for FY2021 and agreed with the auditors' proposed significant areas of focus and assumptions that impact the financial statements. In its review of the financial statements of the Group for FY2021, the external auditors had discussed with Management the accounting principles that were applied and their judgment of items that could affect the integrity of the financial statements and also considered the clarity of key disclosures in the financial statements. The AC also reviewed and addressed, amongst other matters, the key audit matters as reported by the external auditors for FY2021. The key audit matters can be found on pages 20 to 22 of this Annual Report.

Management reported to and discussed with the AC the changes to the accounting standards and accounting issues which directly impact the financial statements. Directors had also been invited to attend relevant seminars on changes to accounting standards and issues by leading accounting firms.

## AC to Keep Abreast of Changes to Accounting Standards

In addition to the activities undertaken to fulfil its responsibilities, the AC is kept up to date by Management, external and internal auditors on changes to accounting standards, SGX-ST rules and other codes and regulations which can impact on the Group's business and financial statements.

The AC oversees the Group's relationship with its external auditors. It reviews the selection of the external auditors and recommends to the Board the appointment, re-appointment and removal of the external auditors, the remuneration and terms of engagement of the external auditors. The annual re-appointment of the external auditors are subject to shareholders' approval at each AGM.

The AC has reviewed the independence and objectivity of the external auditors through discussions with the external auditors and an annual review of the nature, extent and charges of non-audit services provided by the external auditors.

### **Provision 10.4**

***The primary reporting line of the internal audit function is to the AC, which also decides on the appointment, termination and remuneration of the head of the internal audit function. The internal audit function has unfettered access to all the company's documents, records, properties and personnel, including the AC, and has appropriate standing within the company.***

## Internal Auditors

The company has established an effective internal audit function that is adequately resourced and independent of the activities it audits.

# Corporate Governance Report

The AC approves the hiring, removal, evaluation, and compensation of the internal auditors. For FY 2021 the Company's internal audit function 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 system 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. It 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 FY2021 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 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 Group's internal controls adequacy, including financial, operational, compliance, management information system controls, and risk management system.

The AC reviews the Group's internal audit function's adequacy to ensure that internal audits are conducted effectively and that Management provides the necessary co-operation to enable the IA to perform its function. The AC also reviews the IA's reports and remedial actions implemented by Management. 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.

## **Provision 10.5**

***The AC meets with the external auditors, and with the internal auditors, in each case without the presence of Management, at least annually***

## **Meeting with External and Internal Auditors**

During FY2021, the Group's internal and external auditors were invited to attend the AC meetings and make presentations as appropriate. The AC meets with the Group's internal and external auditors without the presence of Management twice on 13 August 2021 and 25 February 2022.



# Corporate Governance Report

## IV. SHAREHOLDER RIGHTS AND ENGAGEMENT

### SHAREHOLDER RIGHTS AND CONDUCT OF GENERAL MEETING

#### **PRINCIPLE 11:**

*The company treats all shareholders fairly and equitably in order to enable them to exercise shareholders' rights and have the opportunity to communicate their views on matters affecting the company. The company gives shareholders a balanced and understandable assessment of its performance, position and prospects.*

All Shareholders receive the annual report and the notice of AGM (the "Notice of AGM"). The Notice of AGM is also published in the newspapers and posted via SGXNET.

All registered shareholders are invited to participate in the AGM and are 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 explanatory note of the proposed resolution. The proxy form is sent with the notice of AGM to all shareholders.

#### **Provision 11.1**

*The company provides shareholders with the opportunity to participate effectively in and vote at general meetings of shareholders and informs them of the rules governing general meetings of shareholders.*

#### **Sufficient Information to Shareholders**

The Company has provided sufficient and regular information to its shareholders. In this respect, the Board adopts a comprehensive policy to provide clear, timely and fair disclosure of information about the Company's business developments and financial performance that may have a material financial impact on the price or value of its shares.

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.

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, Corporate 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 with 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.

Shareholders are informed of general meetings through notices sent to them and published in the newspaper, and the Company's announcements via SGXNet. All resolutions tabled at general meetings are put to the vote by poll voting.

Shareholders are also informed of the rules and voting procedures governing such meetings.

To facilitate shareholders' effective participation at general meetings, the Company holds its general meetings at a location that is accessible to shareholders. Shareholders of the Company receive the notices of all shareholders' meetings. The annual report and relevant circulars are made available to shareholders on the Company's website at <http://www.lht.com.sg>.

# Corporate Governance Report

The Company fully supports the Code's principle to encourage shareholders to participate in the question-and-answer session during the general meetings. The Company's Constitution allows the appointment of not more than two proxies by shareholders to attend the AGM and vote on his/her behalf. Shareholders who hold shares through nominees are allowed to attend the general meetings as proxies without being constrained by the two-proxy requirement.

## **Provision 11.2**

***The company tables separate resolutions at general meetings of shareholders on each substantially separate issue unless the issues are interdependent and linked so as to form one significant proposal. Where the resolutions are "bundled", the company explains the reasons and material implications in the notice of meeting***

## **Conduct of General Meeting**

At the general meeting, the Board ensures that separate resolutions are proposed for approval on each distinct agenda item at General Meetings to the extent possible, or if not, the appropriate reasons there for. Shareholders can vote either in person or through proxies.

The Company's Constitution allows all shareholders (who are not relevant intermediaries as set out in the Companies Act) to appoint up to two proxies to attend general meetings and vote on their behalf. The Companies Act allows relevant intermediaries such as the Central Provident Fund (CPF) agent bank nominees to appoint multiple proxies, and empower CPF and SRS investors to attend and vote at the Company's general meetings as their CPF and SRS agent banks' proxies.

## **Provision 11.3**

***All directors attend general meetings of shareholders, and the external auditors are also present to address shareholders' queries about the conduct of audit and the preparation and content of the auditors' report. Directors' attendance at such meetings held during the financial year is disclosed in the company's annual report***

## **Interaction with shareholders**

The Directors attend all General Meetings of the Company to address issues raised by shareholders. The Company's external auditors are also present to address any relevant queries from shareholders on the conduct of the audit and the preparation and contents of the auditors' report. Appropriate key management, the Corporate Secretary and the Financial Controller are also present at the general meetings to respond, if necessary, to operational questions from shareholders.

Directors' attendance at the General Meetings can be found on page 100 of this report.

## **Provision 11.4**

***The company's Constitution (or other constitutive documents) allow for absentia voting at general meetings of shareholders.***

## **Shareholders' Participation**

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

## **Provision 11.5**

***The company publishes minutes of general meetings of shareholders on its corporate website as soon as practicable. The minutes record substantial and relevant comments or queries from shareholders relating to the agenda of the general meeting, and responses from the Board and Management.***

## **Minutes of General Meeting**

The minutes of the general meetings are prepared by the Corporate Secretary, which include mainly 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. The minutes of general meetings, are also available to shareholders at the Company's registered office of the Company at 27 Sungei Kadut Street 1, Singapore 729335 during normal business hours upon written request and are published on the Company's website [www.lht.com.sg](http://www.lht.com.sg).

## **Provision 11.6 Dividend Policy**

***The company has a dividend policy and communicates it to shareholders.***

## **Dividend Policy**

The Group has a dividend policy in place that guide the form, frequency, and amount of dividends to be declared each year. The policy required the Board to 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 when submitting their dividend proposal.

The declarations and/or payment of future dividends are subject to the Board's continuing determination that such declaration and/or payment would be in the best interests of the Group and shareholders, and comply with all applicable laws and regulations.

The Company has proposed a final dividend (tax-exempt one-tier) of S\$0.03 Singapore cents per ordinary share for the financial year ended 31 December 2021, payment of which is subject to shareholders' approval at the forthcoming AGM on 29th April 2022.

## **ENGAGEMENT WITH SHAREHOLDERS**

### **PRINCIPLE 12:**

***The company communicates regularly with its shareholders and facilitates the participation of shareholders during general meetings and other dialogues to allow shareholders to communicate their views on various matters affecting the company.***

### **Provisions 12.1**

***The company provides avenues for communication between the Board and all shareholders, and discloses in its annual report the steps taken to solicit and understand the views of shareholders.***

### **Provisions 12.2**

***The company has in place an investor relations policy which allows for an ongoing exchange of views so as to actively engage and promote regular, effective and fair communication with shareholders.***

### **Provisions 12.3**

***The company's investor relations policy sets out the mechanism through which shareholders may contact the company with questions and through which the company may respond to such questions.***

# Corporate Governance Report

## Timely Information to Shareholders

The Company updates its shareholders and the investor community through the timely release of announcements to the SGX-ST via SGXNET. The Group's financial results are released within 45 days from the end of each half-year and within 60 days from the financial year-end. Annual Report is available to the shareholders at least 14 days before each AGM by normal post and on the Company's website.

## Soliciting and Understanding Views of Shareholders

To promote a better understanding of shareholders' views, the Board actively encourages shareholders to participate in the question-and-answer session during the Company's general meetings. These meetings provide excellent opportunities for the Company to obtain shareholders' views and understand the shareholders concerns.

All resolutions at AGMs are put to the vote by poll to allow greater transparency and equitable participation by shareholders. An independent scrutineer will also be appointed by the Company to ensure the procedures of the polling process are adhered to and to supervise the counting of votes during the Company's general meetings.

## Investor Relations Policy

The Company has adopted an investor relations policy to formalise the principles and practices that the Company applies to provide current and prospective investors with the information necessary to make well-informed investment decisions.

The Company has a team of investor relations officers consists of the Managing Director, Financial Controller and Corporate Secretary who focus on facilitating the communications with all stakeholders, shareholders, regulators, analyst and press, etc to keep them informed of the corporate activities, including changes in the Company or its business which would be likely to affect the price or value of its shares materially.

The Company's Investor Relations Policy is published on the Company's website under the investor relations module. It sets out the mechanism through which shareholders may contact the Company when they have any queries. The Group's corporate governance culture and awareness promote fair and equitable treatment to all shareholders. All shareholders enjoy specific rights under the Companies Act and the Constitution of the Company and are required to be treated fairly and equitably.

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

Shareholders can participate effectively and vote at Company's general meetings of the Company and will be informed of the rules, and voting procedures at the general meetings.

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

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

Besides telephone calls from the shareholders, they can also send e-mail to the Company's Investor Relations at [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 there are adequate communication channels for the Shareholders to contact the Company for queries or to contribute their views.



# Corporate Governance Report

## Regular Dialogue with Shareholders

General meetings have been and are still the principal forum for dialogue with shareholders. The Company also communicates with its shareholders regularly. All Shareholders receive the annual report and the notice of AGM/EGM (the “Notice of AGM/EGM”). The Notice of AGM/EGM is 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 explaining the proposed resolution. The proxy form is sent with the notice of AGM/EGM to all shareholders.

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

The management, Corporate Secretary, external auditors, BDO LLP and legal advisors (if necessary) are also invited to attend the general meeting. The procedures of general meetings provide shareholders with 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.

Under 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 the 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 remain a concern, the Group has decided, for the time being, not to implement voting in absentia by mail, email, or fax.

## Shareholder Right and Engagement

The Company’s corporate website also contains the latest and past annual reports, half-year and full-year results and announcements.

Shareholders may send their queries and concerns regarding the Company to the Company’s investor relations email at [ir@lht.com.sg](mailto:ir@lht.com.sg).

## V. MANAGING STAKEHOLDERS RELATIONSHIP

### ENGAGEMENT WITH STAKEHOLDERS

#### **PRINCIPLE 13:**

***The Board adopts an inclusive approach by considering and balancing the needs and interests of material stakeholders, as part of its overall responsibility to ensure that the best interests of the company are served.***

#### **Provisions 13.1**

***The company has arrangements in place to identify and engage with its material stakeholder groups and to manage its relationships with such groups.***

# Corporate Governance Report

The company discloses its strategy and key areas of focus in its Annual Report concerning the management of stakeholder relationships during the reporting period. LHT's sustainability report has undertaken a process to determine the environmental, social and governance (ESG) issues which are important to these stakeholders. These issues form the materiality matrix upon which targets, performance and progress are reviewed and endorsed by the board annually.

## **Provisions 13.2**

***The company discloses in its annual report its strategy and key areas of focus in relation to the management of stakeholder relationships during the reporting period.***

## **Relationship with Stakeholders**

The Board adopts an inclusive approach by considering and balancing the needs and interests of material stakeholders, as part of its overall responsibility to secure the Company's long-term future. The Company's efforts on sustainability are focused on creating sustainable value for our key stakeholders, including staffs, shareholders customers, vendors, regulators and communities. The Company has mapped out the key management of the respective stakeholder relationships. Please refer to the Sustainability Report on pages 141 to 167 of this Annual Report for further details.

## **Provision 13.3**

***The company maintains a current corporate website to communicate and engage with stakeholders.***

## **Communications with stakeholders**

The Company's contact information is reflected on the website, [www.lht.com.sg](http://www.lht.com.sg) to enable stakeholders to contact the Company if required.

## **VI. OTHER CORPORATE GOVERNANCE MATTERS**

### **Dealings in Securities**

#### **– Listing Manual Rule 1207 (19)**

In compliance with Rule 1207(19) of the Listing Manual of the SGX-ST on the best practices in respect of dealing 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 when they are in possession of any unpublished material or price sensitive information and during the period commencing at least one month before the announcement of the Company's financial results until 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 the permitted trading period, and are strongly discouraged to deal in the Company's securities on short-term consideration.

# Sustainability Report



LHT HOLDINGS LIMITED

# Sustainability Report 2021





# **Towards a Green Future**





# Contents

<b>144</b>	About This Report
<b>144</b>	Contact Us
<b>145</b>	Board Statement
<b>146</b>	2021 Key Sustainability Highlights
<b>147</b>	Awards & Memberships
<b>148</b>	Approach to Sustainability
<b>148</b>	Sustainability Committee
<b>148</b>	Sustainability Commitment
<b>149</b>	Stakeholder Engagement
<b>150</b>	Materiality Assessment
<b>151</b>	Economic Performance
<b>152</b>	Environmental Performance
<b>152</b>	Environmental Pledge & Commitments
<b>153</b>	Material
<b>154</b>	Effluents and Waste
<b>156</b>	Social Performance
<b>157</b>	Occupational Health and Safety
<b>158</b>	Embracing diversity for a stronger workforce
<b>159</b>	Training and Education
<b>160</b>	Local Communities
<b>161</b>	Governance Performance
<b>161</b>	Protecting the environment through strict compliance
<b>161</b>	Ensuring personal data and privacy protection
<b>162</b>	Managing risk
<b>162</b>	Operating business with integrity
<b>163</b>	Managing supply chain
<b>163</b>	Operating business ethically
<b>164</b>	GRI Standards

# Sustainability Report

## ABOUT THIS REPORT

LHT Holdings Limited (“LHT” or the “Group” or the “Company”) is pleased to present its fifth annual sustainability report. With this report, LHT aims to disclose its sustainability performance for the financial year ended on 31 December 2021.

We report in line with the internationally recognised standard for sustainability reporting – Global Reporting Initiative (GRI) Standards 2016: Core option. This report is also set out on a “comply and explain” basis following Rule 711B and Practice Note 7.6 of the Singapore Exchange Securities Trading Limited (SGX-ST) Listing Manual on Continuing Listing Obligations.

This report aims 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 2021 to 31 December 2021 in Singapore, unless otherwise stated. This report has not been externally assured.

This report’s quality of the content was defined by the principles of accuracy, balance, clarity, comparability, reliability, and timeliness. Furthermore, the content was established by the following four GRI Standard reporting principles:

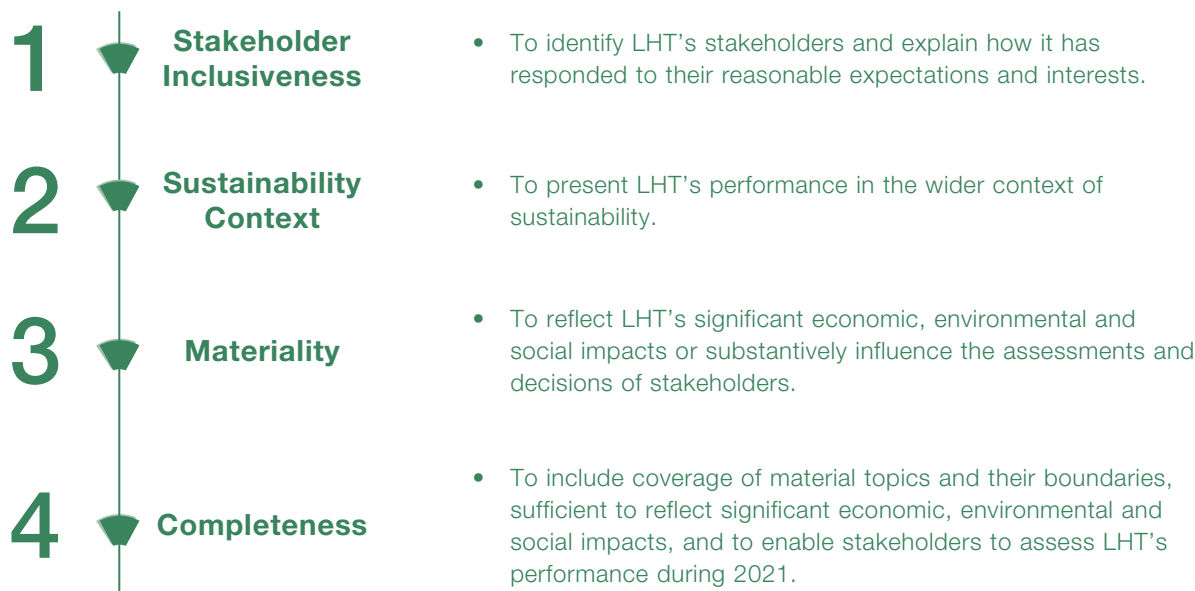


Figure 1: GRI Reporting Principles

## CONTACT US

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

LHT Holdings Limited  
27 Sungei Kadut Street 1  
Singapore 729335  
Tel.: (65) 6269 7890  
Fax: (65) 6367 4907 or (65) 6269 1706

E-mail: [sr@lht.com.sg](mailto:sr@lht.com.sg)

# Sustainability Report



***“LHT believes that a strong commitment by our leadership is key to growing a sustainable business”***

***-Our commitment-***

## BOARD STATEMENT

Dear Stakeholders,

We are proud to progress towards our fifth consecutive year of publishing sustainability report. As the Board of Directors (the “Board”) of LHT, we believe that building a successful and sustainable business goes beyond the financials, and it involves managing the ESG factors across our business operations.

We recognise the importance of creating a sustainability-focused culture across our various business functions. We will continue to embed essence of sustainability in charting our Group’s sustainability strategies.

The Covid-19 pandemic has continued to affect many businesses globally. In response to changes in business operations due to the Covid-19 pandemic, we have adjusted the relevant business targets in the coming year to continue to ensure our employees and business partners’ safety. With committed leadership, we seek to establish a safe workplace to adapt to these uncertain times.

Sustainability is a long-term journey. We are looking forward to inculcating good reporting habits to enhance our sustainability reporting and generate positive economic, environmental, and social returns for our stakeholders. We will continue our efforts to regularly engage our key stakeholders to understand their key concerns in advancing sustainability agendas for better economic, environmental, and social impact. We will continue to work hand-in-hand with our business partners and stakeholders to ensure that the material ESG topics are monitored and managed appropriately.

# Sustainability Report

## 2021 KEY SUSTAINABILITY HIGHLIGHTS

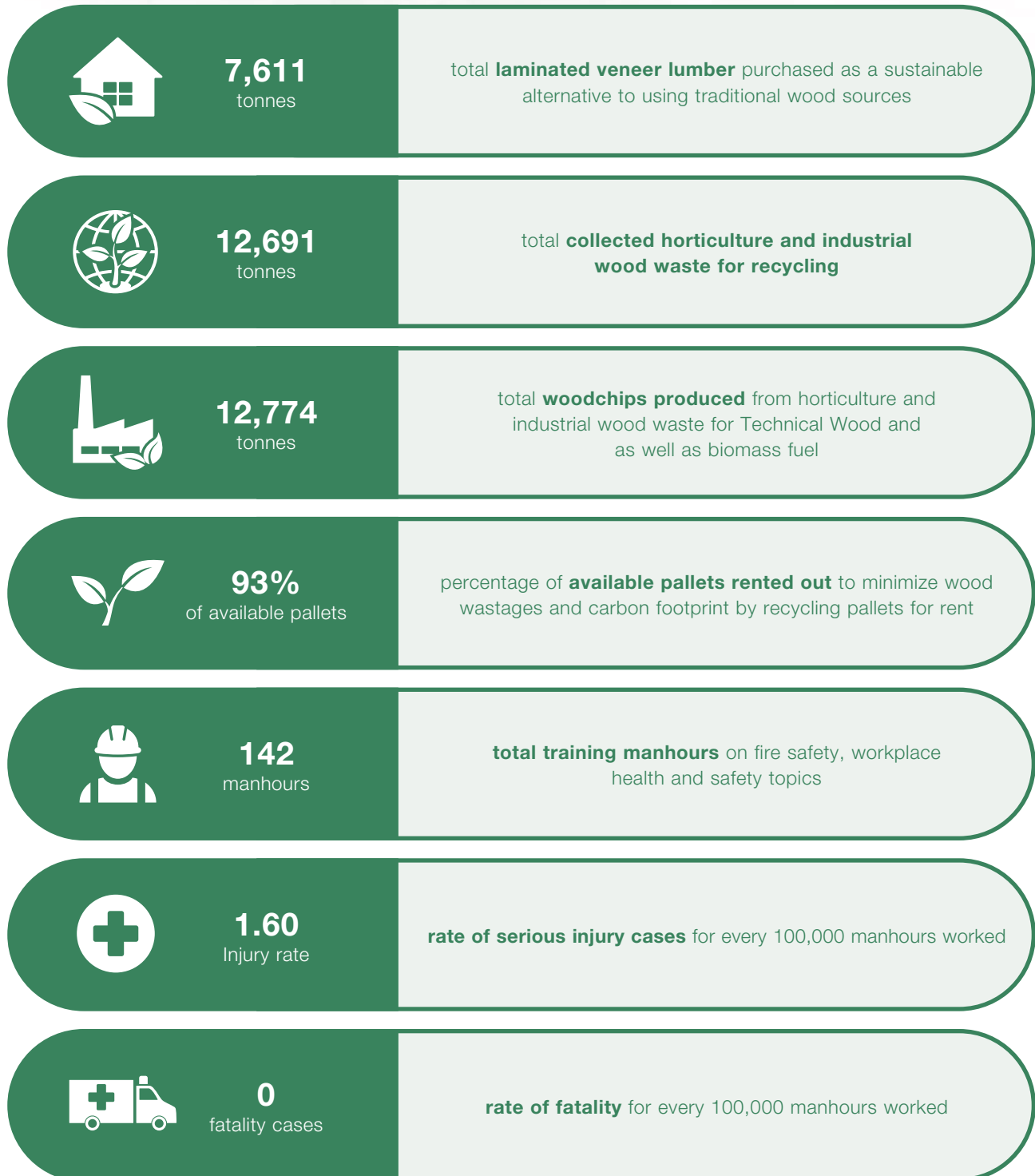


Figure 2: 2021 Key Sustainability Highlights



# Sustainability Report

## AWARDS & MEMBERSHIPS

### Memberships

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

Association	Awards
	2019
APAC Insider	Pallet Manufacturer of the Year-Asia & Award for Excellence in Waste Disposal Services – Asia <i>In recognition of being pallet manufacturer of the year and excellence in waste disposal services – Asia</i>
APAC Insider	Most Innovative Compressed Wood Pallet (Gpac®) Manufacturer 2019 Award <i>In recognition of being most innovative compressed wood pallet manufacturer of the year and excellence in waste disposal services – Asia</i>
ACQ 5	ACQ Global Awards 2019 “Game Changer of the Year, May Yap” <i>In recognition of individual that has achieved outstanding commercial success in designated areas of expertise</i>
	ACQ Global Awards 2019 “Company of the Year (Sustainability)” <i>In recognition of company that has achieved outstanding commercial success in designated areas of expertise</i>
Ministry of Defence	NDP 2019 Award <i>In appreciation of company’s support for NDP 2019</i>

Association	Awards
	2020
Dun & Bradstreet	Business Eminence Awards 2020
AI Acquisition International	Business Excellence Awards 2020 – Leader in Multi-Purpose Pallet Packaging Manufacturer 2020 – Asia
The Leaders Globe	The 10 Most Renowned Brands to watch in 2020
World Packaging Organisation	Worldstar 2020 Award for Packing Excellence – RFID Green Pallet for Green Packaging
ACQ5.com	ACQ5 Global Awards 2020 Gamechanger of the Year, May Yap, LHT Holdings Ltd
	ACQ5 Global Awards 2020 Company of the Year (Sustainability)
	2021
Brands for Good	2021-2022 Honouree Award Winner <i>In recognition of businesses for doing good and embodying social responsibility in business and operations</i>
Malaysia International Business Awards 2021	Materials Award – LHT Gpac Technology (M) Sdn Bhd <i>In recognition of outstanding initiatives of international firms in Malaysia</i>

Figure 3: Awards and Memberships

# Sustainability Report

## APPROACH TO SUSTAINABILITY

### Sustainability Committee



Figure 4: LHT's Sustainability Committee

### Sustainability Commitment

LHT is determined to create a more sustainable world. Strong governance is key in running the business ethically and sustainably. Thus, LHT's Board oversees significant ESG factors into LHT's firm-wide strategic goals and policies. The Board also monitors the subsequent management and monitoring of ESG factors to ensure successful integration.

The Monetary Authority of Singapore issued the Code of Corporate Governance 2018 (the "Code") on 6th August 2018. The Company has complied with the code except where otherwise explained. LHT's business operations run in full compliance with local, international law, and regulations. LHT upholds the highest integrity in being transparent and ensures fair grievance procedures. The Code of Conduct outlines all employees' and supply chain's responsibility in practising ethical business conduct. Whistleblowing policies are in place to support employees by providing a proper platform to express his or her concerns fearlessly about any potential malpractice within the organisation, in a responsible and effective manner.

A whistleblowing policy was implemented to encourage employees to report suspected or actual occurrence(s) of illegal, unethical, or inappropriate events (behaviours or practices) without retribution. These guidelines and policies are reviewed regularly to support LHT's ability to conduct its business responsibly.

LHT has implemented sustainable and responsible practices throughout its business model to enhance the ESG factors incorporated into its sustainable strategy. LHT's products and services meet current environmental and safety standards, as well as the demands of its customers. LHT strives to ensure fair labour practices throughout its operations. The success of this initiative contributed to ensuring LHT continues to meet the highest standards by providing high-quality products and reliable delivery services to satisfied customers.

<b>Sustainability and responsible practices</b>	<ul style="list-style-type: none"> <li>Implemented in business models to enhance ESG factors incorporated into sustainable strategies</li> </ul>
<b>Products and services</b>	<ul style="list-style-type: none"> <li>Meet current environmental and safety standards</li> <li>Meet demands of customers</li> </ul>
<b>Labour practices</b>	<ul style="list-style-type: none"> <li>Enforced good labour practices throughout operations</li> </ul>

Figure 5: LHT's Sustainability Practices

For details of the LHT's Corporate Governance Report, please refer to pages 96 to 140 of LHT's Annual Report 2021.

# Sustainability Report

## STAKEHOLDER ENGAGEMENT

Stakeholders are the key group in which LHT business has a significant impact, interest, and influence in the Group's interests. LHT's key stakeholders include employees, customers, suppliers and service providers, investors and shareholders, the government and regulators.

LHT actively engages its stakeholders in ensuring the development and success of its sustainability journey. The Group has identified its suppliers, investors, clients, etc., as its primary stakeholders.

LHT engages its stakeholders using various communication channels – formal and informal, throughout the year. The aim is to simultaneously inform LHT's stakeholders of the Company's sustainability initiatives and assess their expectations or note any concerns as LHT formulates a corporate sustainability strategy.

These communications provide a better understanding of the sustainability concerns LHT's key stakeholders had. This initiative has led to the creation of mutually beneficial relationships and better positions which enables LHT to better anticipate and react to economic and ESG challenges, bolstering its sustainability efforts.

LHT continues to value its relationships with clients and the wider community where it operates as these relationships have seen the Group through challenging times. LHT strongly believes that these stakeholder engagement efforts will positively impact its economic performance in the long run. Key stakeholders are carefully chosen based on their ability to influence LHT's performance and provide practical solutions to incorporate sustainability into its operations. The table below shows how LHT engages with its stakeholders to create shared values.






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 Results 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 various 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.

Figure 6: Our value creation and modes of stakeholder engagement

# Sustainability Report

## MATERIALITY ASSESSMENT

In 2021, LHT conducted a materiality assessment to review the relevancy of the existing ESG topics against current business operations with the help of an external consultant. Several rounds of discussions were conducted between management and various stakeholder groups.

All these ESG topics reported in the previous year remained relevant and to be disclosed. The table below describes the list of ESG topics for this year:

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

Figure 7: Material topics



# Sustainability Report



## ECONOMIC PERFORMANCE

LHT aspires to be the leading and largest manufacturer of high-quality wooden pallets, boxes, cases, and crates in its industry. To realise this aspiration, LHT aims to grow its customer base consistently.

LHT is committed to offering its customers world-class, high-quality, and environmentally-friendly packaging solutions, complemented by exceptional service. The Group aims to exceed its customers' expectations with quality products and reliable delivery services. By adopting good corporate governance and practices, LHT believes that it will 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 2021:

- Operating and Financial Review (pages 11 to 13)
- Financial Summary (pages 14 to 15)
- Financial Statements (pages 17 to 93)

# Sustainability Report

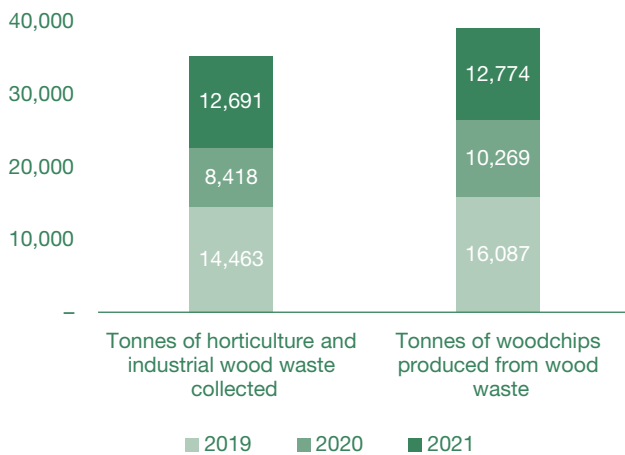
## ENVIRONMENTAL PERFORMANCE

LHT is committed to addressing climate change throughout its business operations in minimising its environmental impact.

The circular business model is adopted as the key driver in innovating products and services. LHT uses both renewable and recyclable materials as an alternative to wood for wood-like products.

LHT is committed to ensuring all its business operations are focused on reducing carbon emissions through its Reduce, Reuse, and Recycle (3R) programme, throughout the business value chain.

Graph 1: Horticulture and Industrial Wood Waste Collected and Woodchips Produced



Graph 2: LVL Material Usage and Rental Pallets

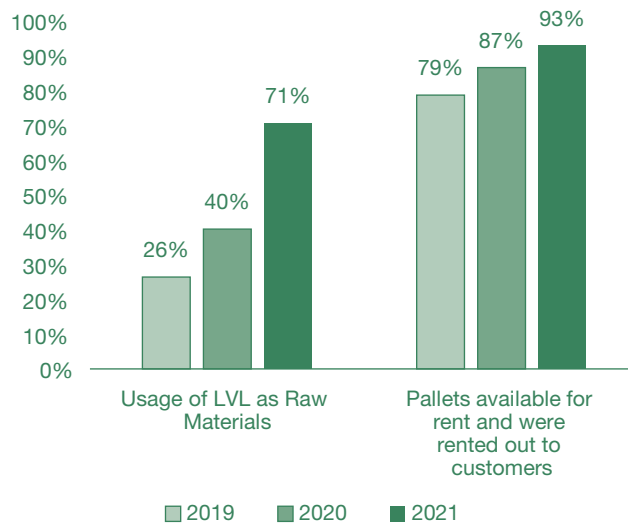


Figure 8: Graphs of collected wood wastes, woodchips produced, LVL usage and rental pallets



### Environmental Pledge & Commitments

The Group pledges to conduct responsible business operations and reduce environmental impact in compliance with ISO 14000 since 2001. The Group's policies and business practices are also monitored and reviewed regularly to align with ISO 9001 and Bizsafe certifications.

The Group takes measures to reduce usage and reuse resources to protect the environment from any form of pollution. To support these measures, LHT recycles used wooden industrial packaging materials for woodchip production.

LHT's Environment, Health and Safety (EHS) policy underlines its commitment to ethical and responsible green business operations by adopting a sustainable workplace culture.

EHS performance metrics are set for all departments in LHT. Targets are reviewed yearly based on market and climate demands. Inputs from key stakeholders are also adopted in ensuring best-in-class sustainable business practices.

LHT's ISO 9001, ISO 14001 and Fire and Safety Committees are tasked to ensure safety and environmental compliance and sustainability improvements are strategically implemented across the business operations.

The Committees are committed to initiating and proposing new ideas, leading enhancements, and monitoring various aspects of LHT's safety and sustainability programs.

Looking forward, LHT will continue to refine its approach to adapt to the ever-changing business environment and global focus on sustainability.

# Sustainability Report

## MATERIAL

### Use of Laminated Veneer Lumber (LVL) as Raw Material

LHT takes the negative impact of deforestation on the environment and climate change seriously by minimising unwanted consequences on the Group’s business activities. Hence, LHT is committed to reducing deforestation and land degradation activities by using LVL as a raw material in its wooden pallets and cases.

Therefore, the use of LVL can reduce waste, increase efficiencies, and provide a cost-effective, sustainable alternative to traditional wood sources such as raw timber while still delivering high structural reliability and strength.

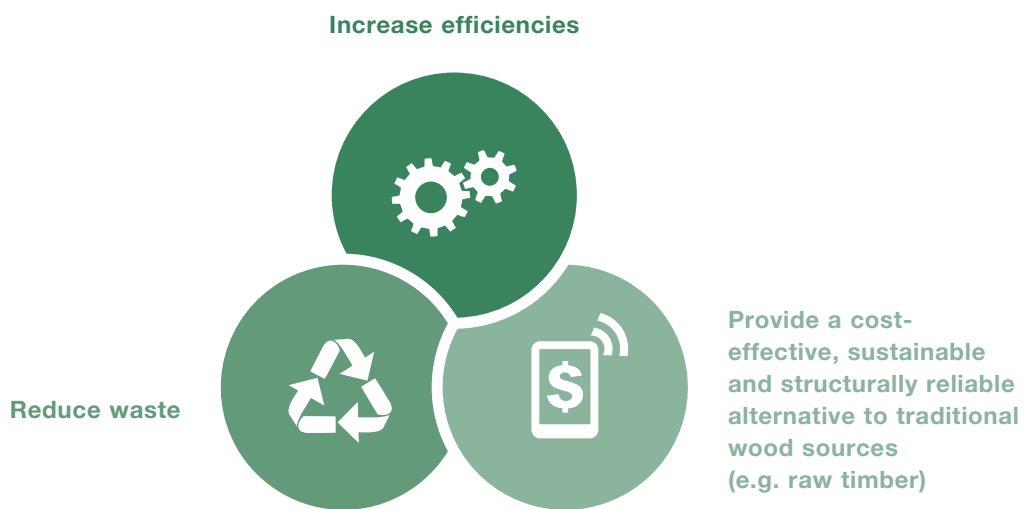


Figure 9: Benefits of using LVL

LHT’s objective is to reduce waste and increase efficiency by using more LVL in its products. In order to promote sustainability, the target for 2022 will be increased to 60%. Figure 10 shows the performance trends of the LVL usage.



	2020	2021	2022
 Target	To use LVL as raw materials in at least <b>20%</b> of raw materials purchased for pallets produced.	To use LVL as raw materials in at least <b>20%</b> of raw materials purchased for pallets produced.	To use LVL as raw materials in at least <b>60%</b> of raw materials purchased for pallets produced.
 Performance	Used LVL as raw materials in an average of <b>40%</b> of raw materials purchased for pallets produced.	Used LVL as raw materials in an average of <b>71%</b> of raw materials purchased for pallets produced.	

Figure 10: Target and Performance of LVL usage

# Sustainability Report

## EFFLUENTS AND WASTE

**Process of Production:**

**The LHT Technical Wood® is a brilliant outcome of waste wood recycling innovation.**

### Managing horticultural waste, industrial wood waste and woodchips

Horticulture wood waste are collected following forest clearings for urban development projects and roadside trees and shrub pruning. Industrial wood waste are collected from other firms which dispose of packaging material such as pallets and crates after unloading their goods. These wastes can be disposed of by dumping, incinerating or recycling.

In a land-scarce environment such as Singapore, wood waste is burnt at incineration plants as dumping is not viable. Although effective, the process requires fuel and emits high quantities of carbon dioxide, causing air pollution and increasing our carbon footprint.

To prevent further damage to the environment and ecosystem, LHT makes an effort to collect and recycle horticulture and industrial wood waste into woodchips for internal Technical Wood® production and biomass fuel for power generation. This minimises pollution and eliminates any hazardous waste.

### Collection and recycling of the horticulture and industrial wood waste

In 2021, LHT managed to collect a total of 12,691 tonnes of horticulture and industrial wood waste, exceeding the performance target. As the Covid-19 situation reverts to normalcy, the target for 2022 will be increased to 12,000 tonnes.

	2020	2021	2022
Target	To collect <b>12,000</b> tonnes of horticulture and industrial wood waste	To collect <b>7,000</b> tonnes of horticulture and industrial wood waste	To collect <b>12,000</b> tonnes of horticulture and industrial wood waste
Performance	Collected total of <b>8,418</b> tonnes of horticulture and industrial wood waste	Collected total of <b>12,691</b> tonnes of horticulture and industrial wood waste	

Figure 11: Target and performance on collection of horticulture and industrial wood waste



# Sustainability Report

## Production of Woodchips

LHT processes horticulture and wood waste into woodchips for internal Technical Wood® production and biomass fuel for power generation.

In 2021, LHT produced 12,774 tonnes of woodchips, exceeding the performance target. As the Covid-19 situation reverts to normalcy, the target for 2022 will be increased to 12,000 tonnes.

	2020	2021	2022
 Target	To produce <b>12,000</b> tonnes of woodchips	To produce <b>7,000</b> tonnes of woodchips	To produce <b>12,000</b> tonnes of woodchips
 Performance	Produced total of <b>10,269</b> tonnes of woodchips	Produced total of <b>12,774</b> tonnes of woodchips	

Figure 12: Target and performance of production of woodchips

## Reusing pallets as rental pallets

LHT has a division that rents out pallets, i.e., recycling pallets so that pallets are not used for single-use and then discarded. By reusing these resources, LHT supports the initiative to minimise consumption and wastage of natural resources and reduce the negative environmental impact.

In 2021, an average of 93% of available pallets were rented out to customers, exceeding the target of 70%. In 2022, LHT aims to maintain its target of 70%.



	2020	2021	2022
 Target	To rent out at least <b>70%</b> of pallets available for rent	To rent out at least <b>70%</b> of pallets available for rent	To rent out at least <b>70%</b> of pallets available for rent
 Performance	<b>87%</b> of available pallets are rented out	<b>93%</b> of available pallets are rented out	

Figure 13: Target and performance of available pallets rented out

# Sustainability Report

## SOCIAL PERFORMANCE

LHT's employees are the cornerstone of its business operations. LHT believes in providing a respectful, rewarding and safe business environment for all its employees. At the end of 2021, LHT has a strong workforce of 109 employees in Singapore. LHT respects diversity and equal opportunities for all its employees and protects its employees from all forms of discrimination. LHT is committed to upholding this principle from recruitment to remuneration processes.

LHT places significant importance on safeguarding its people's health and safety. Being a responsible company, LHT conducts its business operations with a high standard of safety and health protection for all its employees. LHT is committed to tracking the number of work-related injuries very closely for remedial actions to be taken to address and reduce any accidents.

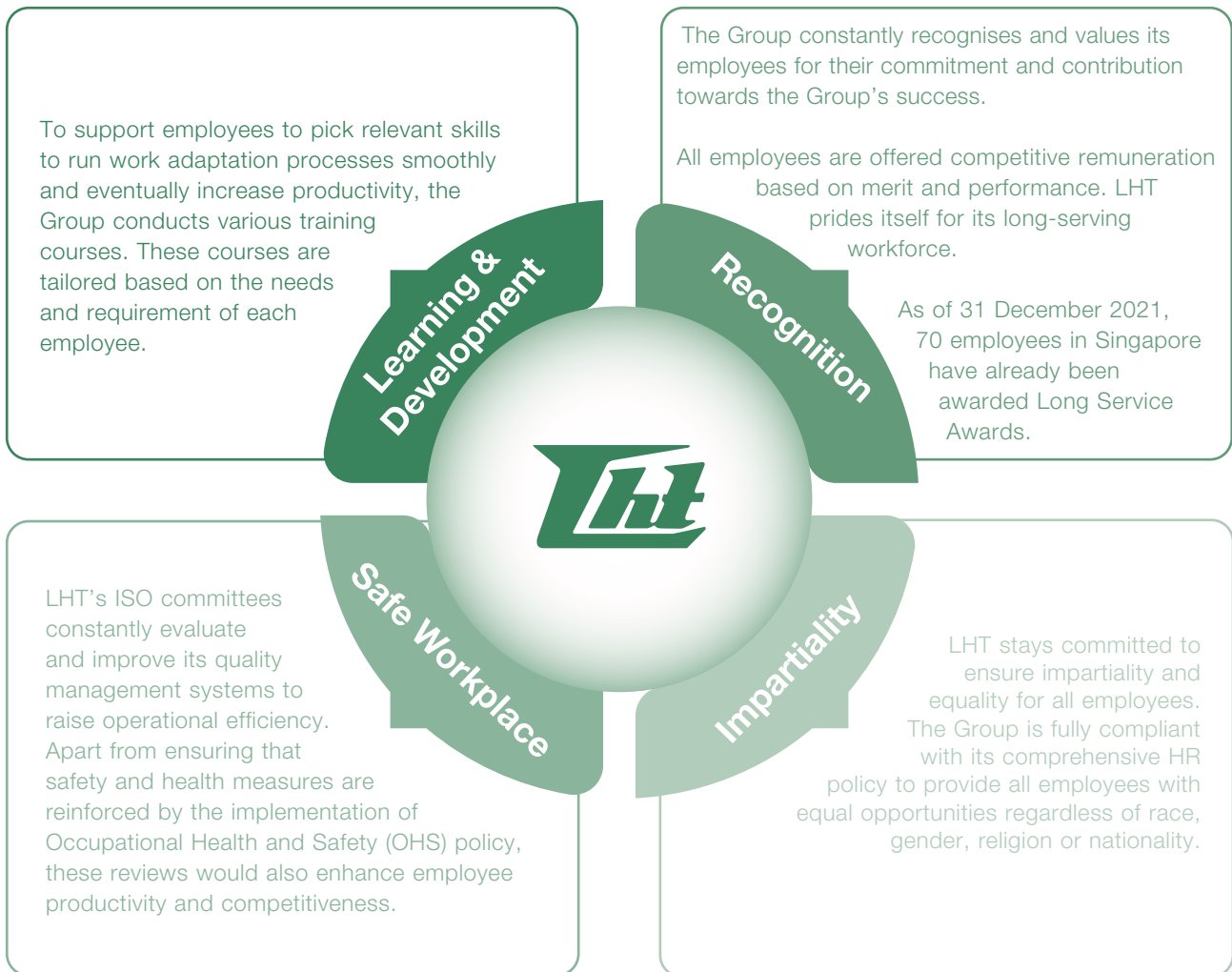


Figure 14: LHT's approach in addressing social aspects within the organisation

# Sustainability Report

## OCCUPATIONAL HEALTH & SAFETY

### Safeguarding employees' health and safety.

LHT strives to provide a safe and decent working environment to safeguard its employees from workplace hazards. LHT aims not to exceed the injury rate of 2.00 for every 100,000 hours of manhours work. For this purpose, LHT monitors closely all occupational health and safety issues.

LHT listens to employees' safety concerns and suggestions, regularly conducting safety training and 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.





2020		2021	
2.45	 Injury Rate	1.60	Per 100,000 manhours worked
0	 Fatality Rate	0	
104.08	 Lost Days	10.79	Per 100,000 manhours worked
0	 Absentee Rate	0	

Figure 15: Performance of injury rate, fatality rate, lost days and absentee rate

In 2021, LHT successfully maintained zero occupational fatalities, and will work hard to prevent any fatal accidents from happening in its business activities. Due to our continued focus on workplace safety, we also successfully achieved an injury rate of less than 2.00 for every 100,000 hours worked.

LHT aspires to continue its efforts to prioritise workplace safety and achieve minimal injuries and incidents in years to come. LHT will continue to review and enhance its policies, focusing on Occupational Health and Safety to reduce and minimise injuries in the workplace.

LHT strongly emphasises the importance of fire safety and prevention in the wood industry to provide an uninterrupted flow of products and services.

# Sustainability Report




## EMBRACING DIVERSITY FOR A STRONGER WORKFORCE

In LHT, we trust that a diverse workforce promotes and leverages the individual and team's uniqueness for better working experiences. A diverse workforce entails different backgrounds, skillsets, knowledge, and abilities that would expand LHT business to broader market segments. In LHT, we have the right balance of talented young professionals and senior management with diverse industry experience.

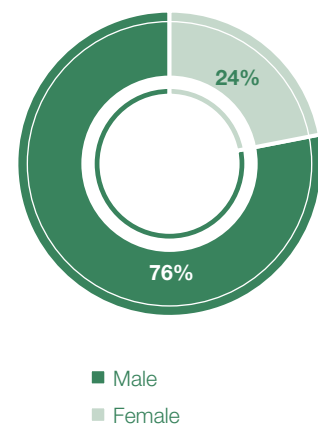
The infographic below shows the breakdown of our employees' diversity for FY2021.



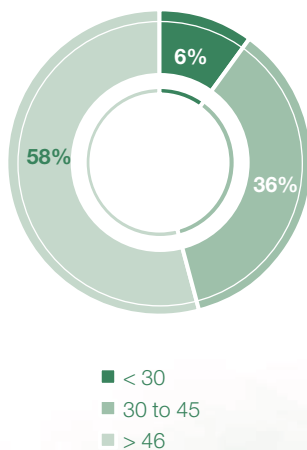
Table 1: Breakdown of employee data by gender

2020		2021
28	 Female	26
97	 Male	83
125	 Total	109

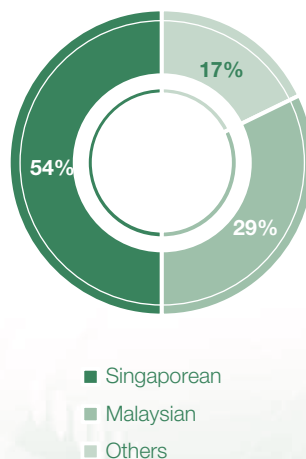
By Gender



By Age Group



By Nationality



By Employment Category

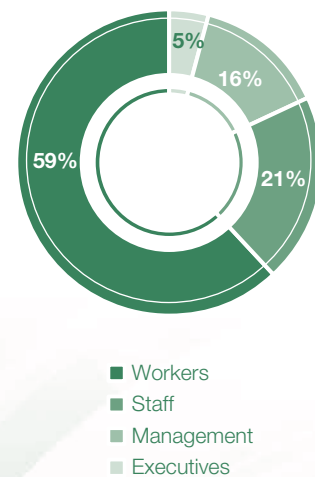


Figure 16: Employees diversity data



# Sustainability Report

## TRAINING AND EDUCATION

### Empowering workforce through career enhancement and skill development

LHT places significant importance on upgrading employees' skills and capabilities to help them reach their fullest potential. LHT invests in talent development and training sessions to cover various areas, including work-related skills, personal growth, and leadership skills to increase productivity.

LHT is committed to conducting training courses for employees to fulfil the requirements of its ISO accreditation. LHT regularly reviews training needs and develops training plans for workplace excellence, including health and safety, governance and work-related skills.

As a responsible employer that champions workplace health and safety, LHT holds monthly fire, health, and safety meetings for safety-related discussions as well as on-the-job training. Besides safety-related training and on-the-job training programs, onboarding programs are also in place to help new hires adapt effectively to their new working environment. Before any significant operational changes, LHT always ensures that adequate training & briefings are provided before the implementation.

However, due to the Covid-19 pandemic, all non-essential trainings have been halted. Essential safety meetings and trainings have been conducted via Zoom and physical meetings in compliance with social distancing measures. In view of Covid-19 uncertainties, the targeted training hours will be maintained at 100 hours in 2022.



	2020	2021	2022
 Target (in manhours)	800	100	100
 Performance (in manhours)	117	142	

Figure 17: Target and performance of employees' training data



# Sustainability Report



**0** promotional tours hosted in 2020 and 2021 due to the unprecedented global Covid-19 pandemic

## LOCAL COMMUNITIES

### Engaging our local communities through our Reduce, Reuse, and Recycle (3R) programme

LHT encourages its employees, various organisations in Singapore and abroad, and the general public to develop environmentally-friendly habits at work and home. These habits include recycling, waste reduction, energy efficiency and more. LHT actively contributes to society by working with various government agencies, corporations, and educational institutions to raise awareness of recycling and encourage the adoption of Reduce, Reuse, and Recycle (3R) in their institutions. Many of these partners send foreign delegates and study missions to LHT's facilities. LHT then hosts the visitors by conducting briefings and plant tours for them.

During the plant tours, LHT highlights and showcases how individuals and companies alike can meet corporate and social responsibilities by being creative and forward-thinking. In 2020 and 2021, LHT did not host any promotional tour as the unprecedented global Covid-19 pandemic has effectively stopped all foreign and local visitors to our educational plant tours.

We expect this situation to last for an extended period and we do not expect any trips to materialise next year. Although the economy is cautiously opening up and Covid-19 related restrictions are being relaxed, and despite vaccines being rolled out, we do not foresee any of such educational and promotional trips to materialise next year. As such, our target for hosting promotional and educational tours in 2022 remains at zero.

# Sustainability Report

## GOVERNANCE PERFORMANCE

LHT ensures all its business operations comply with all local and international environmental laws and regulations. LHT has been fully compliant with all environmental rules and regulations, anti-competitive behaviour laws, and requirements on health and safety. Key personnel is regularly updated with developments in rules and regulations to ensure that LHT is fully compliant with updated rules.

## PROTECTING THE ENVIRONMENT THROUGH STRICT COMPLIANCE

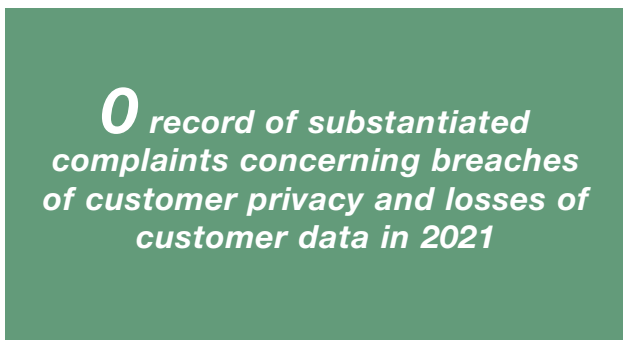
In 2021, LHT maintained its record of zero significant fines or non-monetary sanctions for non-compliance with rules and regulations. LHT aims to maintain this level of performance through continuous monitoring and adherence to rules and regulations in the coming years.



	2020	2021	2022
 Target	To achieve zero fines for non-compliance of environmental rules and regulation, as well as anti-competitive behaviour and health and safety rules and regulations	To achieve zero fines for non-compliance of environmental rules and regulation, as well as anti-competitive behaviour and health and safety rules and regulations	To achieve zero fines for non-compliance of environmental rules and regulation, as well as anti-competitive behaviour and health and safety rules and regulations
 Performance	No significant fines related to non-compliance	No significant fines related to non-compliance	

Figure 18: Target and performance of environmental non-compliance cases

## ENSURING PERSONAL DATA AND PRIVACY PROTECTION



LHT cares for personal data privacy. LHT ensures all personal data are protected through its Personal Data Protection Policy which guides its employees to continuously promote awareness and facilitate compliance with personal data protection laws and regulations.

In 2021, there are no cases of substantiated complaints concerning breaches or losses of personal data. In 2022, LHT will continue to enhance its governance processes to safeguard personal data.



# Sustainability Report



## MANAGING RISK

A robust risk management framework is essential for good corporate governance and effective resource management. The framework guides LHT in identifying and communicating the risks and exposures systematically and consistently.

LHT continues to ensure that its sustainability initiatives and risk management framework are well-established and aligned with each other to mitigate strategic and operational risks. For disclosure on the risk management framework, please refer to pages 94 to 95 of LHT's Annual Report 2021.

## OPERATING BUSINESS WITH INTEGRITY

A range of corporate policies has been developed within LHT to support the Board and management and ensure that the Company conducts business activities ethically and with integrity.



### Internal Policies

- **Anti-Bribery and Anti-Corruption Policy**
- **Whistleblowing Policy**



### External Policies

- **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.

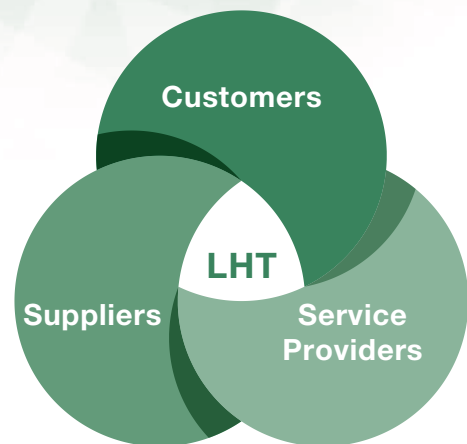
Figure 19: LHT's group policies



# Sustainability Report

## MANAGING SUPPLY CHAIN

Sustainability practices are the core value of LHT's corporate culture. These values are incorporated into extensive self-regulating practices which also integrates with good supply chain management. With increased stakeholders' focus on environmental and social protection, compliance and ethical supply chain management is crucial. At LHT, supply chain covers partnerships with suppliers, service providers, and customers. LHT strives to ensure all its supply chain operations are in line with its overall sustainability management.



## OPERATING BUSINESS ETHICALLY

**0** reported incidents of corruption in 2021, and LHT aims to maintain zero incidents of corruption in the coming years.

Integrity and accountability are core values to LHT business and its people. LHT views corruption as a significant risk to its business as well as its reputation. LHT has zero tolerance to corruptions of any form including fraud and bribery.

To affirm LHT's commitment to anti-corruption, LHT ensures all its employees are fully aware of the risks and impact of corruption on its businesses. Anti-corruption measures are incorporated in LHT's business ethics guidelines and Code of Conduct, which are communicated to all stakeholders.

LHT's Whistleblowing Policy serves as a guideline on how LHT manages any suspicion of corruption received from whistle-blowers and escalated to the Chairman's attention and investigated upon. LHT has carried out and practiced socially responsible business practices across its operations, aligned with stakeholders' interests.

There were no reported incidents of corruption in 2021, and LHT aims to maintain zero incidents of corruption in the coming years.

# Sustainability Report

GRI Standards 2016	Disclosure Title	Section Reference & Remarks
<b>GRI 102: GENERAL DISCLOSURE 2016</b>		
<b>ORGANISATIONAL PROFILE</b>		
102-1	Name of the organisation	2021 Annual Report: Corporate Profile
102-2	Activities, brands, products and services	2021 Annual Report: Corporate Profile
102-3	Location of headquarters	2021 Annual Report: Corporate Structure and Corporate Information
102-4	Location of operations	2021 Annual Report: Note to the Financial Statements Paragraph 6
102-5	Ownership and legal form	2021 Annual Report: Corporate Structure and Corporate Information
102-6	Markets served	2021 Annual Report: Corporate Profile
102-7	Scale of the organisation	2021 Annual Report: Structure and Corporate Information
102-8	Information on employees and other workers	2021 Sustainability Report: Social
102-9	Supply Chain	2021 Sustainability Report: Our Approach to Supply Chain Management
102-10	Significant changes to organisation and its supply chain	No Significant changes
102-11	Precautionary principle or approach	2021 Sustainability Report: Our Approach to Sustainability
102-12	External Initiatives	2021 Sustainability Report
102-13	Membership of associations	2021 Sustainability Report: Our Awards & Memberships
<b>STRATEGY</b>		
102-14	Statement from senior decision-maker	2021 Sustainability Report: Board Statement
<b>ETHICS AND INTEGRITY</b>		
102-16	Values, principles, standards, and norms of behaviour	2021 Sustainability Report: Our Approach to Sustainability
<b>GOVERNANCE</b>		
102-18	Governance structure	2021 Annual Report: Corporate Governance Report  2021 Sustainability Report: Our Approach to Sustainability

# Sustainability Report

GRI Standards 2016	Disclosure Title	Section Reference & Remarks
<b>GRI 102: GENERAL DISCLOSURE 2016</b>		
<b>STAKEHOLDER ENGAGEMENT</b>		
102-40	List of stakeholder groups	2021 Sustainability Report: Stakeholder Engagement
102-41	Collective bargaining agreements	Building Construction and Timber Industries Employees' Union
102-42	Identifying and selecting stakeholders	2021 Sustainability Report: Stakeholder Engagement
102-43	Approach to stakeholder engagement	2021 Sustainability Report: Stakeholder Engagement
102-44	Key topics and concerns raised	2021 Sustainability Materiality Assessment
<b>REPORTING PRACTICE</b>		
102-45	Entities included in the consolidated financial statements	2021 Annual Report: Corporate Structure and Corporate Information
102-46	Defining report content and topic Boundaries	2021 Sustainability Report: Materiality Assessment
102-47	List of material topics	2021 Sustainability Report: Materiality Assessment
102-48	Restatements of information	Not Applicable
102-49	Changes in reporting	Not Applicable
102-50	Reporting period	2021 Sustainability Report: About This Report
102-51	Date of most recent report	2021 Sustainability Report
102-52	Reporting cycle	2021 Sustainability Report: About This Report
102-53	Contact point for questions regarding the report	2021 Sustainability Report: Contact Us
102-54	Claims of reporting in accordance with the GRI Standards	2021 Sustainability Report: About This Report
102-55	GRI content index	2021 Sustainability Report: GRI Content Index
102-56	External assurance	2021 Sustainability Report: About This Report

# Sustainability Report

GRI Standards 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>• 2021 Annual Report: Operating and Financial Review</li> <li>• 2021 Sustainability Report: Materiality and Assessment</li> </ul> <p>Anti-Corruption:</p> <ul style="list-style-type: none"> <li>• 2021 Sustainability Report: Governance</li> </ul>
103-2	The management approach and its components	<p>Materials:</p> <ul style="list-style-type: none"> <li>• 2021 Sustainability Report: Environmental</li> </ul>
103-3	Evaluation of the management approach	<p>Effluents and Waste:</p> <ul style="list-style-type: none"> <li>• 2021 Sustainability Report: Environmental</li> </ul> <p>Environment Compliance:</p> <ul style="list-style-type: none"> <li>• 2021 Sustainability Report: Environmental</li> </ul> <p>Occupational Health and Safety:</p> <ul style="list-style-type: none"> <li>• 2021 Sustainability Report: Social</li> </ul> <p>Training and Education:</p> <ul style="list-style-type: none"> <li>• 2021 Sustainability Report: Social</li> </ul> <p>Diversity and Equal Opportunity:</p> <ul style="list-style-type: none"> <li>• 2021 Sustainability Report: Social</li> </ul> <p>Local Communities:</p> <ul style="list-style-type: none"> <li>• 2021 Sustainability Report: Social</li> </ul> <p>Customer Privacy:</p> <ul style="list-style-type: none"> <li>• 2021 Sustainability Report: Social</li> </ul>



# Sustainability Report

GRI Standards 2016	Disclosure Title	Section Reference & Remarks
<b>MATERIAL TOPICS</b>		
<b>GRI 201: ECONOMIC PERFORMANCE 2016</b>		
	Direct economic value generated and distributed	Economic Performance: 2021 Annual Report: Operating and Financial Review 2021 Sustainability Report: Economic Performance Summary
<b>GRI 205: ANTI-CORRUPTION 2016</b>		
	Confirmed incidents of corruption and actions taken	Anti-Corruption: 2021 Sustainability Report: Governance
<b>GRI 301: MATERIALS 2016</b>		
	Materials used by weight or volume	Materials: 2021 Sustainability Report: Environmental
<b>GRI 306: EFFLUENTS AND WASTE 2016</b>		
	Waste by type and disposal method	Effluents and Waste: 2021 Sustainability Report: Environmental
<b>GRI 307: ENVIRONMENTAL COMPLIANCE 2016</b>		
	Non-compliance with environmental laws and regulations	Environment Compliance: 2021 Sustainability Report: Environmental
<b>GRI 403: OCCUPATIONAL HEALTH AND SAFETY 2016</b>		
	Types of injury and rates of injury, occupational diseases, lost days and absenteeism and number of work-related fatalities	Occupational Health and Safety: 2021 Sustainability Report: Social
<b>GRI 404: TRAINING AND EDUCATION 2016</b>		
	Average hours of training per year per employee	Training and Education: 2021 Sustainability Report: Social
<b>GRI 405: DIVERSITY AND EQUAL OPPORTUNITY 2016</b>		
	Diversity of governance bodies and employees	Diversity and Equal Opportunity: 2021 Sustainability Report: Social
<b>GRI 413: LOCAL COMMUNITIES 2016</b>		
	Operations with local community engagement, impact assessments, and development programs	Local Communities: 2021 Sustainability Report: Social
<b>GRI 418: CUSTOMER PRIVACY 2016</b>		
	Substantiated complaints concerning breaches of customer privacy and losses of customer data	Customer Privacy: 2021 Sustainability Report: Social

# Statistics of Shareholdings

As at 9 March 2022

## SHAREHOLDERS' INFORMATION AS AT 9 MARCH 2022

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	%		%
Estate of Neo Koon Boo, deceased	12,098,147	22.72	–	–
Tan Kim Sing	9,671,205	18.16	*16,250	0.03
Yap Mui Kee	7,835,032	14.72	–	–
Teo Beng Choo	5,097,625	9.58	–	–
Billy Neo Kian Wee	856,000	1.61	**4,839,260	9.09

(a) \* 16,250 shares held by spouse of Mr. Tan Kim Sing, Mdm Ng Siew Yeng.

(b) \*\* Billy Neo Kian Wee, one of the beneficiaries to his deceased father's will, has deemed interest in 4,839,260 shares of the Estate of Neo Koon Boo.

## DISTRIBUTION OF SHAREHOLDINGS

Size of Shareholding	Number of Shareholders	%	Number of Shares	%
1 – 99	69	1.66	3,431	0.01
100 – 1,000	2,955	71.02	942,492	1.77
1,001 – 10,000	956	22.97	2,922,500	5.49
10,001 – 1,000,000	175	4.21	12,024,518	22.58
1,000,001 and above	6	0.14	37,352,056	70.15
	<u>4,161</u>	<u>100.00</u>	<u>53,244,997</u>	<u>100.00</u>

# Statistics of Shareholdings

As at 9 March 2022

## TWENTY LARGEST SHAREHOLDERS

No.	Name of Shareholders	Number of Shares	%
1.	Estate of Neo Koon Boo, deceased	12,098,147	22.72
2.	Tan Kim Sing	9,671,205	18.16
3.	Yap Mui Kee	7,835,032	14.72
4.	Teo Beng Choo	5,097,625	9.57
5.	DBS Nominees Pte Ltd	1,379,800	2.59
6.	Raffles Nominees (Pte) Limited	1,270,247	2.39
7.	Jonathan Chadwick	1,000,000	1.88
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	637,100	1.20
12.	Phillip Securities Pte Ltd	434,000	0.81
13.	Lim Kwee Poh	416,500	0.78
14.	Teo Ting Yue	350,000	0.66
15.	Seah Chong Teck	300,750	0.56
16.	Neo Kah Seng	259,750	0.49
17.	Leong Hwei Min	250,000	0.47
18.	Ng Boon Guat	250,000	0.47
19.	Lai Weng Kay	196,800	0.37
20.	Chan Jin Ming	180,000	0.34
	<b>Total</b>	<b>43,903,496</b>	<b>82.46</b>

### Free Float

Based on information available to the Company as at 9 March 2022, approximately 30.49% 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 Friday, 29 April 2022 at 3.30 p.m. via electronic means for the following purposes:

## AS ORDINARY BUSINESS

1. To receive and adopt the Directors’ Statement and the Audited Financial Statements of the Company for the financial year ended 31 December 2021 together with the Auditors’ Report thereon. **(Resolution 1)**
2. To re-elect Mr Tan Kim Sing who is retiring pursuant to Regulation 103 of the Company’s Constitution. **[See Explanatory Note (i)]** **(Resolution 2)**
3. To re-elect Dr Wu Chiaw Ching retiring pursuant to Regulation 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 financial year ended 31 December 2021. (2020: S\$0.03). **(Resolution 4)**
5. To approve the payment of Directors’ fees of S\$182,000 for the financial year ended 31 December 2021. (2020: S\$182,000) **(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.

## AS 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 1967 (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 exercising share options or vesting of share awards, 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;

Adjustments in accordance with sub-paragraph (2)(a) or sub-paragraph (2)(b) above are only to be made in respect of new shares arising from convertible securities, share options or share awards which were issued and outstanding or subsisting at the time of the passing of this Resolution.

- (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, 6 April 2022

# 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” and “Disclosure of Information on Directors Seeking Re-election” sections 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 Chiaw Ching is the Independent Director. There are no relationships (including immediate family relationships) between Dr Wu Chiaw Ching and the other Directors of the Company, the Company, its related corporations, its substantial shareholders or its officers, which may affect his independence. Detailed information of Dr Wu Chiaw Ching can be found under the “Board of Directors” and “Disclosure of Information on Directors Seeking Re-election” sections 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. The annual general meeting (“AGM” or the “Meeting”) is being convened, and will be held, by electronic means pursuant to the COVID-19 (Temporary Measures) (Alternative Arrangements for Meetings for Companies, Variable Capital Companies, Business Trusts, Unit Trust and Debenture Holders) Order 2020. This Notice will be sent to members by post and electronic means via publication on the Company’s corporate website at <https://www.lht.com.sg/> and is also made available on SGXNet.
2. Due to the current Covid-19 restriction orders in Singapore, members will not be able to attend the AGM in person. A member (whether individual or corporate) must appoint the Chairman of the Meeting as his/her/its proxy to attend, speak and vote on his/her/its behalf at the AGM if such member wishes to exercise his/her/its voting rights at the AGM. The accompanying Proxy Form for the AGM may be accessed at the SGX website at <https://www.sgx.com/securities/companyannouncements>. Where a member (whether individual or corporate) appoints the Chairman of the Meeting as his/her/its proxy, he/she/it must give specific instructions as to voting, or abstentions from voting, in respect of a resolution in the form of proxy, failing which the appointment of the Chairman of the Meeting as proxy for that resolution will be treated as invalid. Alternative arrangements relating to attendance at the meeting via electronic means (including arrangements by which the AGM can be electronically accessed via live audio-visual webcast), submission of questions in advance of the AGM, addressing of substantial and relevant questions, are set out in the Company’s announcement dated 6 April 2022 (the “Announcement”), which has been uploaded together with the Notice of AGM on SGXNet on the same day. The Announcement may also be assessed at <http://www.lht.com.sg>. For the avoidance of doubt, the aforesaid section is circulated together with and forms part of this Notice of AGM in respect of the AGM.
3. Members who wish to observe and/or listen to the AGM proceedings through a live audio-visual webcast must pre-register at the Company’s pre-registration website at [https://www.lht.com.sg/agm\\_registration.php](https://www.lht.com.sg/agm_registration.php) by 3.30 p.m. on 26 April 2022 to enable the verification of members’ status.

# Notice of Annual General Meeting

Following the verification, authenticated members will receive a confirmation via email which contains the instructions to access the live audio-visual webcast of the AGM proceedings and link to access the live webcast of the AGM proceedings by 28 April 2022. Members who do not receive a confirmation email by 28 April 2022, but have registered by the 26 April 2022 deadline, should contact the Company's share registrar, B.A.C.S. Private Limited at (65)6593 4848 or the Company at (65)6269 7890 and/or [ir@lht.com.sg](mailto:ir@lht.com.sg) for assistance.

4. The Chairman of the Meeting, as proxy, need not be a member of the Company.
5. The instrument appointing the Chairman of the Meeting as a proxy, together with the power of attorney or other authority under which it is signed (if applicable) or a notarial certified copy thereof, must:
  - (i) if submitted by email, be received by the Company at [ir@lht.com.sg](mailto:ir@lht.com.sg);
  - (ii) if submitted by post, be lodged at the Registered Office of the Company at 27 Sungei Kadut Street 1, Singapore 729335

In either case, by 3.30 p.m. on 26 April 2022, being not less than seventy-two (72) hours before the time appointed for holding the Meeting (or any adjournment thereof) and in default the instrument of proxy shall not be treated as valid.

In view of the current COVID-19 situation and the related safe distancing measures which may make it difficult for members of the Company to submit completed proxy forms by post, members of the Company are strongly encouraged to submit completed proxy forms electronically via email.

6. This instrument appointing the Chairman of the Meeting as proxy must be under the hand of the appointor or on his/her attorney duly authorised in writing. Where the instrument appointing the Chairman of the Meeting as proxy is executed by a corporation, it must be executed either under its common seal or under the hand of its attorney or duly authorised officer, failing which the instrument of proxy may be treated as invalid.
7. Members may also submit questions related to the resolutions to be tabled for approval at the AGM, in advance of the AGM, in the following manner by 22 April 2022:
  - (i) By email to [ir@lht.com.sg](mailto:ir@lht.com.sg); or
  - (ii) Via pre-registration website at the URL: [https://www.lht.com.sg/agm\\_registration.php](https://www.lht.com.sg/agm_registration.php).

The Company will endeavour to address all substantial and relevant questions submitted prior to the AGM by publishing the responses to such questions on the Company's corporate website and on SGXNet prior to, or at, the AGM.

8. CPFIS and SRS investors who hold the Company's shares through CPF Agent, Banks or SRS Operators and who wish to request their CPF Agent Banks or SRS Operators to appoint the Chairman of the Meeting as their proxy in respect of the Company's shares held by such CPF Agent Banks or SRS Operators on their behalf should approach their respective CPF Agents Banks or SRS Operators to submit their votes by 20 April 2022.

## PERSONAL DATA PRIVACY

By submitting an instrument appointing the Chairman of the Meeting to attend, speak and vote at the AGM and/or any adjournment thereof, a member of the Company consents to the collection, use and disclosure of the member's personal data by the Company (or its agents or service providers) for the purpose of the processing, administration and analysis by the Company (or its agents or service providers) of the appointment of the Chairman of the Meeting as proxy for the AGM (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the AGM (including any adjournment thereof), and in order for the Company (or its agents or service providers) to comply with any applicable laws, listing rules, take-over rules, regulations and/or guidelines.

# Notice of Annual General Meeting

## NOTICE OF RECORD DATE 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 20 May 2022, 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 2021.

Duly completed and registrable transfers received by the Company’s Share Registrar, B.A.C.S. Private Limited, at 77 Robinson Road, #06-03, Robinson 77, Singapore 068896 up to 5.00 p.m. on 19 May 2022 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 19 May 2022 will be entitled to the Proposed Dividend.

The Proposed Dividend, if approved by the members at the Annual General Meeting to be held on 29 April 2022, will be paid on 31 May 2022.

By Order of the Board

Sally Yap Mei Yen  
Company Secretary  
Singapore, 6 April 2022



# 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 29 April 2022 ("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:

	<b>MR TAN KIM SING</b>	<b>DR WU CHIAW CHING</b>
Date of Appointment	29 August 1980	12 March 2007
Date of last re-appointment	30 April 2019	30 April 2019
Age	73	65
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 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 continue contribute towards the core competencies of the Board.
Whether appointment is executive, and if so, the area of responsibility	Executive  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 Practising 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	<ol style="list-style-type: none"> <li>1. Non-Executive, Independent Director of China Fashion Holdings Limited</li> <li>2. Non-Executive, Independent Director of Natural Cool Holdings Limited</li> <li>3. Non-Executive, Independent Director of Gaylin Holdings Limited</li> <li>4. Director of DLF Holdings Limited</li> <li>5. Director of GDS Global Limited</li> </ol>
Present	None	<ol style="list-style-type: none"> <li>1. Non-Executive, Lead Independent Director of GDS Global Limited</li> <li>2. Non-Executive, Independent Director of Goodland Group Limited</li> <li>3. Partner of Wu Chiaw Ching &amp; Company</li> </ol>

# 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
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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
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c) Whether there is any unsatisfied judgement against him?	No	No
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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
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# Disclosure of Information on Directors Seeking Re-Election

	MR TAN KIM SING	DR WU CHIAW CHING
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
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



# Disclosure of Information on Directors Seeking Re-Election

	MR TAN KIM SING	DR WU CHIAW CHING
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		
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?		

# Disclosure of Information on Directors Seeking Re-Election

	<b>MR TAN KIM SING</b>	<b>DR WU CHIAW CHING</b>
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

# LHT HOLDINGS LIMITED

Company Registration No. 198003094E  
(Incorporated in the Republic of Singapore)

## PROXY FORM

(Please see notes overleaf before completing this Form)

### IMPORTANT

1. The annual general meeting ("AGM" or the "Meeting") is being convened, and will be held, by way of electronic means pursuant to First Schedule of the COVID-19 (Temporary Measures) (Alternative Arrangements for Meetings for Companies, Variable Capital Companies, Business Trusts, Unit Trusts and Debenture Holders) Order 2020. The Notice of AGM and Proxy Form will be sent to members by post and by electronic means via publication on SGXNet and the Company's corporate website at <https://www.lht.com.sg>.
2. Alternative arrangements relating to attendance at the AGM via electronic means (including arrangements by which the AGM can be electronically accessed via "live" audio-visual webcast ("LIVE WEBCAST").
3. Due to the current COVID-19 restriction orders in Singapore, a member of the Company will not be able to attend the AGM in person. A member (whether individual or corporate) must appoint the Chairman of the Meeting as his/her/its proxy to attend, speak and vote on his/her/its behalf at the AGM if such member wishes to exercise his/her/its voting rights at the AGM.
4. Please read the notes to this Proxy Form.

I/We, \_\_\_\_\_ NRIC/Passport/Co. Registration No. \_\_\_\_\_

of \_\_\_\_\_ (Address)

being a member/members of LHT HOLDINGS LIMITED (the "Company"), hereby appoint the Chairman of the Meeting as my/our proxy to attend and vote for me/us on my/our behalf at the AGM of the Company to be held by way of electronic means on Friday, 29 April 2022 at 3.30 p.m. and at any adjournment thereof.

No.	Resolutions relating to:	For	Against	Abstain
1	Adoption of Directors' Statement, Auditors' Report and Audited Financial Statements for the financial year ended 31 December 2021			
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\$182,000			
6	Re-appointment of Messrs BDO LLP as Auditors			
7	Authority to allot and issue new shares			

Voting would be conducted by poll. If you wish the Chairman of the Meeting as your proxy to exercise all your votes "For" or "Against" the relevant resolution, please indicate with a tick [✓] in the "For" or "Against" box provided in respect of that resolution. Alternatively, please insert the relevant number of shares "For" or "Against" in the "For" or "Against" box provided in respect of that resolution. If you wish the Chairman of the Meeting as your proxy to abstain from voting from a resolution, please indicate with a tick [✓] in the "Abstain" box provided in respect of that resolution. Alternatively, please insert the relevant number of shares "Abstain" in the "Abstain" box provided in respect of that resolution. In the absence of specific directions in respect of a resolution, the appointment of the Chairman of the Meeting as your proxy for that resolution will be treated as invalid.

Dated this \_\_\_\_\_ day of \_\_\_\_\_ 2022

Total Number of Shares in:	No. of Shares
(a) Depository Register	
(b) Register of Members	



\_\_\_\_\_  
Signature of Member(s)/and,  
Common Seal of Corporate Member

Affix  
Postage  
Stamp

The Company Secretary  
**LHT HOLDINGS LIMITED**  
27 Sungei Kadut Street 1  
Singapore 729335

2nd fold

**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 2001 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. Due to the current COVID-19 restriction orders in Singapore, members will not be able to attend the AGM in person. A member (whether individual or corporate) must appoint the Chairman of the Meeting as his/her/its proxy to attend, speak and vote on his/her/its behalf at the AGM if such member wishes to exercise his/her/its voting rights at the AGM. In appointing the Chairman of the Meeting as proxy, a member (whether individual or corporate) must give specific instructions as to voting, or abstentions from voting, in respect of a resolution in the form of proxy, failing which the appointment of the Chairman of the Meeting as proxy for that resolution will be treated as invalid.
3. The Chairman of the Meeting, as proxy, need not be a member of the Company.
4. The instrument appointing the Chairman of the Meeting as a proxy, together with the power of attorney or other authority under which it is signed (if applicable) or a notarial certified copy thereof, must:
  - (i) if submitted by email, be received by the Company at [ir@lht.com.sg](mailto:ir@lht.com.sg);
  - (ii) if submitted by post, be lodged at the Registered Office of the Company at 27 Sungei Kadut Street 1, Singapore 729335In either case, by 3.30 p.m. on 26 April 2022, being not less than seventy-two (72) hours before the time appointed for holding the AGM (or any adjournment thereof) and in default the instrument of proxy shall not be treated as valid.  
In view of the current COVID-19 situation and the related safe distancing measures, members of the Company are strongly encouraged to submit completed proxy forms electronically via email.
5. This instrument appointing the Chairman of the Meeting as proxy must be under the hand of the appointor or on his/her attorney duly authorised in writing. Where the instrument appointing the Chairman of the Meeting as proxy is executed by a corporation, it must be executed either under its common seal or under the hand of its attorney or duly authorised officer, failing which the instrument of proxy may be treated as invalid.
6. This Proxy Form must be read in conjunction with the Company's announcement dated 6 April 2022. This Proxy Form will be sent to members by post and electronic means via publication on the Company's website at <http://www.lht.com.sg> and will also be made available on SGXNet.

3rd fold

**General:**

The Company shall be entitled to reject the instrument appointing the Chairman of the Meeting as proxy if it is incomplete, improperly completed, illegible or where the true intentions of the appointer are not ascertainable from the instructions of the appointer specified in this instrument appointing the Chairman of the Meeting as proxy. In addition, in the case of shares entered in the Depository Register, the Company may reject any instrument appointing the Chairman of the Meeting as proxy lodged or submitted if the member, being the appointer, is not shown to have any shares entered against his/her name in the Depository Register as at 72 hours before the time appointed for holding the AGM, 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 AGM dated 6 April 2022.



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## **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.ipcpallet.com>

<http://www.greenflo.com>

<http://www.gpac.com.sg>

 [enquiry@lht.com.sg](mailto:enquiry@lht.com.sg)