



LHT HOLDINGS LIMITED

ANNUAL REPORT 2019

G SUSTAINING A GREEN ENVIRONMENT





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



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Corporate Profile



LHT HOLDINGS LIMITED

LHT Holdings Limited has been in the timber industry for over 40 years and has grown into one of the largest manufacturers of high quality wooden pallets, boxes and crates in Singapore, with facilities occupying 63,568 sqm of land in Singapore. LHT was listed on the Main Board of the Singapore Exchange Securities Trading Limited ("SGX-ST") on 26 July 1999. Since establishment in 1977, LHT's staff strength has grown to 157 employees in Singapore and a total of 293 employees in the Group as at end February 2020.

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.

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	– Managing Director
Tan Kim Sing	– Executive Director
Billy Neo Kian Wee	– Executive Director
Tan Kok Hiang	– Non-Executive Lead Independent Director
Low Peng Kit	– Non-Executive Independent Director
Wu Chiaw Ching	– Non-Executive Independent Director
Li Suet Man	– Non-Executive Independent Director (Appointed on 1 November 2019)
Sally Yap Mei Yen	– Alternate Director to Yap Mui Kee and Corporate Secretary

COMPANY SECRETARY

Sally Yap Mei Yen, FCS; FCIS; 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

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Singapore 729335
Tel : (65) 6269 7890 | Fax: (65) 6367 4907

EMAILS

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

WEBSITES

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

SHARE REGISTRAR

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

AUDITORS

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

PRINCIPAL BANKERS

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

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 2019.

REVIEW OF PERFORMANCE

For the Financial Year 2019, the Group registered revenue of \$38.12 million, a 11.0% decrease from \$42.84 million in FY2018. Revenue from pallet and packaging products decreased by 3.9% to \$31.23 million (FY2018: \$32.49 million), mainly due to decrease in demand for pallets in the year, while revenue from trading in timber-related products decreased by 58.2 % to \$1.66 million (FY2018: \$3.97 million) due to decrease in demand in timber-related products. Revenue from Technical Wood® and related products decreased by 41.6% to \$1.04 million (FY2018: \$1.78 million) due mainly to a general oversupply in the woodchips market. Revenue from pallet rental services decreased by 8.5% to \$4.20 million (FY2018: \$4.59 million) due to decrease in demand in the logistics market.

The Group's net profit after tax decreased 35.4% from \$3.42 million in FY2018 to \$2.21 million in FY2019.

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.

In the Extraordinary General Meeting (EGM) held on 21 January 2020, the shareholders of the Company have approved the resolution for the Company to accept a new 30-year lease offer from JTC. This new lease is timely as our existing two leases with

JTC will expire on 30 December 2020 and 30 June 2025. The Group is also consolidating its operations in Malaysia by recently entering into two separate conditional agreements to purchase two plots of industrial land with buildings erected on it in Johor, as announced on 16 October 2019 and 24 February 2020.

The Board recommends a first and final one-tier tax exempt dividend of \$0.03 (three cents) per ordinary share with respect to the Financial Year ended 31 December 2019.

OUTLOOK

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

ACKNOWLEDGEMENT

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

Yap Mui Kee
Chairman

Board of Directors



Ms Yap Mui Kee

Managing Director

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



Mr Tan Kim Sing

Executive Director

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



Board of Directors



Mr Billy Neo Kian Wee

Executive Director

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



Mr Tan Kok Hiang

Non-Executive

Lead Independent Director

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*

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



Dr Wu Chiaw Ching

*Non-Executive
Independent Director*

Dr Wu Chiaw Ching joined the Company as Independent Director on 12 March 2007. He is presently the Lead Independent Director of 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 Director



Board of Directors



Mr Li Suet Man

Non-Executive

Independent Director – Appointed on 1 November 2019

Mr Li Suet Man began his early career in London working for an international finance house as Settlements Manager for eight years. In 1996, he ventured to Singapore to pursue greater opportunities and has since established an extensive and lucrative 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 MS in Finance from Zicklin School of Business, Mr Li was one of the few selected for lifetime membership in Beta Gamma Sigma, an exclusive international honour society for collegiate schools of business. With his expertise, Mr Li has been frequently invited to guest lecture on International Finance and Business Management at National University of Singapore and Nanyang Technological University since 2015.

Presently, Mr Li serves as Chairman of the Energy and Chemicals Industry Group of the Singapore Manufacturing Federation, a position he has held for more than a decade. In this capacity, he has chaired the Taskforce for Energy Supply and Transmission, and is currently a Committee Member of the Environment and Resources Standards Committee, both of which are under the auspices of the Singapore Standards Council. In 2013, Mr Li was invited to deliver his keynote speech entitled "Singapore – Asia's Energy Hub" during the Singapore International Energy Week, which had garnered significant media recognition. As the Chairman of SME Centre @ SMF, he also leads a team of 18 business advisors actively helping 7,500 SMEs every year.

Mr Li's personal and professional background particularly establishes him as a key figure in the development of economic and trade relations between Singapore and China. Within the past two years, Mr Li has been successively appointed by the China-ASEAN Business Council as Executive Chairman of four different China-ASEAN Industry Collaboration Committees – Chemical, Biomedical, Hi-tech, and Construction. For almost a decade, he has been the Economic Advisor to both Nanning International Chamber of Commerce and Rizhao International Maritime City. More recently, he has been re-appointed by the Ministry of Trade and Industry as a Councillor of the Singapore-Shandong Business Council, all this while concurrently chairing the PR Committee of the Singapore China Business Association.



Ms Sally Yap Mei Yen

Alternate Director to Yap Mui Kee

and Corporate Secretary

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

Senior Management

Mr Vincent Tan Khar Kheng

Administration and Financial Controller

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

Mr William Yap Yew Weng

Senior Sales Manager

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

Mr Derek Neo Kah Seng

Recycling Plant Manager

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

Mr Benny Kok Chee Chuen

Production Manager (Retired on 9 July 2019)

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



Operating and Financial Review



OPERATING REVIEW

Pallet and Packaging Products

The pallet and packaging business registered revenue of \$31.23 million (FY2018: \$32.49 million), a decrease of 3.9% from last year, mainly due to decreased demand for pallets in the year, while segmental result achieved net profit of \$1.65 million, as compared to a net profit of \$1.63 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 the existing ones.

Timber-Related Products

Revenue for timber-related products decreased by about 58.2% to \$1.66 million (FY2018: \$3.97 million) as a result of decrease in demand from local agent for the export market. The segmental result registered net loss of \$0.91 million compared to net profit of \$0.54 million last year mainly due to non-recurring scale down costs of the Tianjin operations in FY2019 due to tough market conditions as highlighted in the previous year.

Technical Wood® Products and Woodchip Supply

The revenue of Technical Wood® products and woodchip supply decreased by 42.1% to \$1.03 million (FY2018: \$1.78 million) mainly due to a decrease in revenue from the sale of woodchips. Segmental result registered net profit of \$0.37 million as compared to \$0.94 million last year due to a general oversupply in the woodchips market.

Pallet Rental and Others

The revenue for pallet rental has decreased by 8.5% to \$4.20 million (FY2018: \$4.59 million) due to decrease in demand in the logistics market. The segmental profit registered a decrease in profit to \$1.75 million (FY2018: \$2.09 million) mainly due to a major customer relocating out from Singapore. As the region is expected to grow, although at a lower pace, the Group is confident that pallet rental demand will continue to be strong locally and in Malaysia.



Operating and Financial Review

Other Subsidiary Companies

Kim Hiap Lee Company (Pte) Limited, which deals mainly with pallet rentals, registered revenue of \$2.02 million and an operating profit of \$1.14 million, after tax.

Lian Hup Packaging Industries Sdn Bhd, which specialises in the sales of wooden products, pallet rental, timber and packaging, registered revenue of \$4.29 million and operating profit of \$0.62 million, after tax.

Siri Belukar Packaging Sdn Bhd, which serves primarily as the manufacturing base which supplies pallets for LHT Holdings Limited, registered revenue of \$5.48 million and operating profit of \$0.14 million, after tax.

LHT Marketing Pte Ltd, which is the trading arm for LHT Group, registered revenue of \$1.73 million with an operating profit of \$0.24 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 \$1.40 million with operating profit of \$0.26 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 \$4.79 million with operating profit of \$0.14 million, after tax.

LHT Ecotech Resources (Tianjin) Co., Ltd was established to engage in environmental wood product manufacturing, wholesale, retail, import & export and RFID pallet rental business. The company which commenced trading operations in 2015, registered revenue of \$0.32 million with a loss of \$1.61 million mainly due to non-recurring one time scale down costs incurred in the year 2019. The management will continue to review the operations and take further actions where appropriate.

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 \$0.37 million with an operating profit of \$0.01 million, after tax.

Potential Business Factors and Risks

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

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

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

Human Resource, Quality Management

As at the end of February 2020, the Group has a workforce of 157 employees in Singapore. Together with its subsidiaries in other countries, the Group now has a total of 293 employees.

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

The Group recognises and appreciates the dedication and contributions of all its employees towards the Group's achievements and successes. As of today, 91 employees have been acknowledged with long services awards.

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



Operating and Financial Review

FINANCIAL REVIEW

Cash Flows and Liquidity

For the year ended 31 December 2019, The Group's net cash generated from operating activities increased to \$6.85 million (FY2018: \$4.36 million) and net cash and cash equivalents increased by \$2.42 million from \$18.25 million to \$20.67 million. The net increase in inflow was mainly due to the adoption of SFRS(I) 16 which resulted in rental lease payment to be classified under financing activities.

The Group's current ratio increased from 6.18 in FY2018 to 7.94 in FY2019, while the quick ratio also increased from 4.87 to 6.72 respectively, due mainly to reducing payables and accruals and offset by recognition of short term lease liabilities following the adoption of SFRS(I) 16 on leases. Net asset value per share increased from 97.60 cents to 98.67 cents as at 31 December 2019, due mainly to the recognition of right-of-use assets following the adoption of SFRS(I) 16 in FY2019. The shareholder's

equity for the Group increased to \$52.54 million (FY2018: \$51.97 million), while total assets increased to \$61.83 million (FY2018: \$60.89 million).

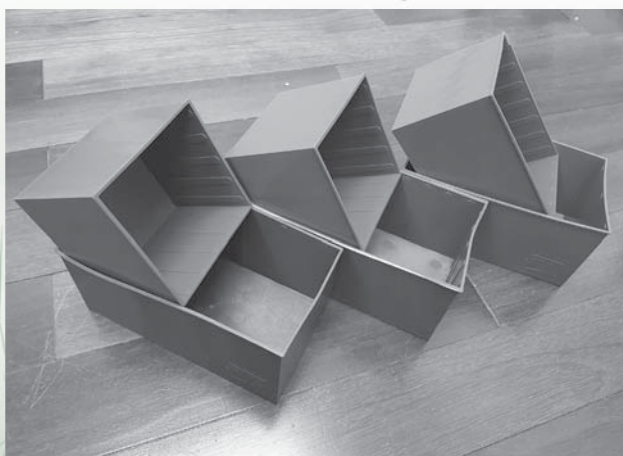
Funding, Borrowings and Risk Management

The Group's net interest-baseline borrowings increased to \$3.95 million as compared to last year amount of \$0.51 million following the adoption of SFRS(I) 16. The adoption of SFRS(I) 16 has also resulted in long-term borrowings increasing to \$2.55 million (FY2018: \$0.30 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 \$1.36 million (FY2018: \$1.86 million). This consists mainly of \$1.10 million for new rental pallets to facilitate the Group's aims in increasing its market share in the pallets rental segment, and \$0.19 million for a management system for automated pallet assembly line and pallet wood loading system.

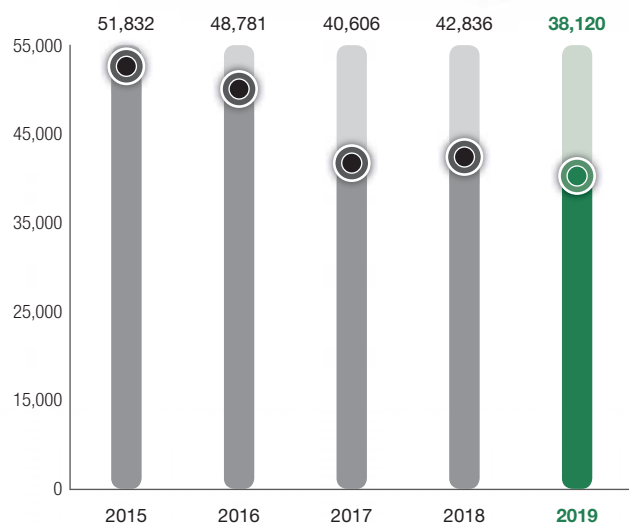


Financial Summary

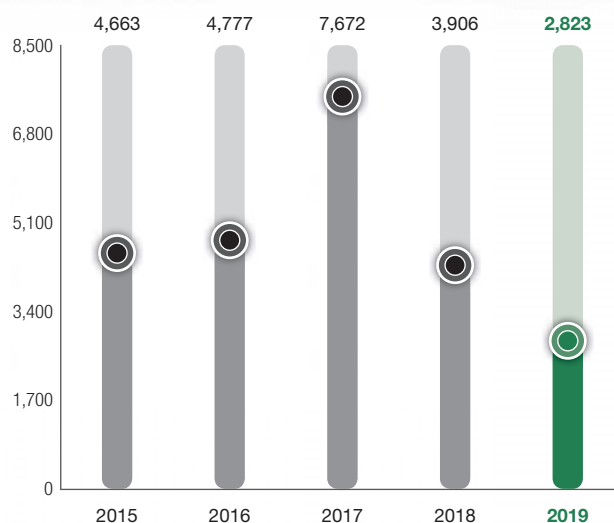
For the Financial Year Ended 31 December

*Net asset value per share increased from **97.60 cents to 98.67 cents** as at 31 December 2019, due to an increase in net assets for the year*

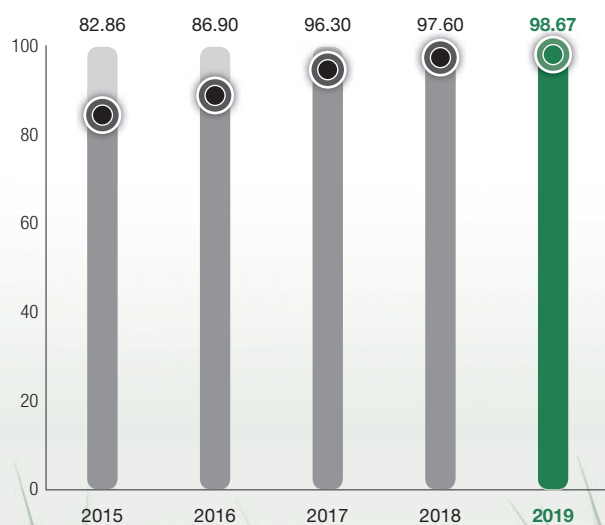
Revenue (S\$'000)



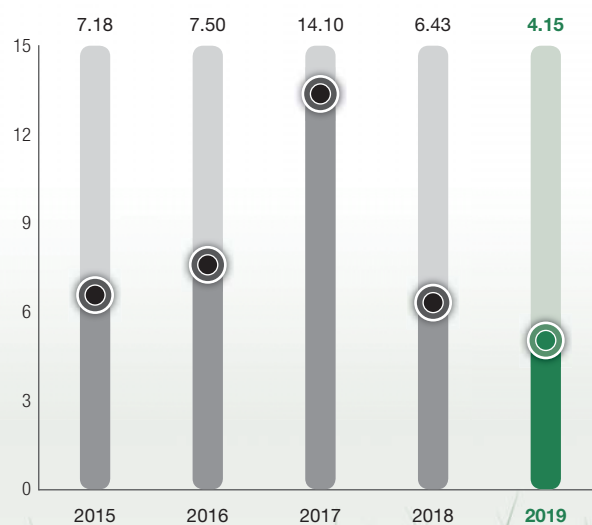
Profit Before Income Tax (S\$'000)



Net Assets Per Share (cents)



Earnings Per Share (cents)



Financial Summary

For the Financial Year Ended 31 December

Result of Operations

\$'000	2015	2016	2017	2018	2019
Revenue	51,832	48,781	40,606	42,836	38,120
Other income	3,898	4,344	8,987	3,303	4,162
Profit before income tax	4,663	4,777	7,672	3,906	2,823
Income tax expense	(838)	(784)	(166)	(483)	(614)
Profit after income tax attributable to:					
Owners of the parent	3,825	3,993	7,506	3,423	2,209
Earnings per share					
Basic and diluted (cents) **	7.18	7.50	14.10	6.43	4.15

Financial Position

\$'000	2015	2016	2017	2018	2019
Property, plant and equipment	20,871	18,754	13,734	12,315	13,916
Investment property	5,750	5,750	-	-	-
Current assets	27,548	29,478	45,741	48,575	47,918
Current liabilities	(7,326)	(6,402)	(6,982)	(7,853)	(6,035)
Net current assets	20,222	23,076	38,759	40,722	41,883
Non-current liabilities	(2,722)	(1,309)	(1,219)	(1,071)	(3,262)
	44,121	46,271	51,274	51,966	52,537
Equity					
Equity attributable to owners of the parent	44,121	46,271	51,274	51,966	52,537
Net assets per share (cents) **	82.86	86.90	96.30	97.60	98.67

Note:

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

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

Significant Events of 2019

Award-winning, for the Gpac Pallet, are Most Innovative Compressed-Wood Pallets Manufacturer 2019, organised by Global AI APAC INSIDER by Singapore Business Awards 2019.

11 FEB 2019

11 FEB 2019

Award-winning to LHT Holdings Ltd for the Pallets Manufacturer of the Year 2019 – Asia & Award for Excellence in Waste Disposal Services – Asia and organised by Global AI APAC INSIDER by Singapore Business Awards 2019.

Participated in SME day held at Resorts World Sentosa Singapore and Plenary Speakers on keeping your business competitive, interviewed by 89.3FM Money Channel.

14 APR 2019

30 APR 2019

Held Company's Annual and Extraordinary General Meeting.

Participated in Semicon exhibition and held at Kuala Lumpur, Seita Malaysia.

06-08 MAY 2019

19 JUL 2019

Award-winning for SINGAPORE – COMPANY OF THE YEAR (SUSTAINABILITY), LHT HOLDINGS LTD and

Sponsored Green packaging pallet to National Day Parade 2019 event.

09 AUG 2019

Award-winning for SINGAPORE – GAMECHANGER OF THE YEAR, MAY YAP, LHT HOLDINGS LTD, Organised by: United Kingdom ACQ 5 Global Award, Birmingham

Singapore EXPO Industrial Transformation ASIA-PACIFIC (ITAP) – a HANNOVER MESSE event held at Singapore Expo, Plenary session, the Journey to Transformation – Stories of Opportunities, Challenges & Lessons from the Front Lines

17 OCT 2019

Participated in ACCM Annual Conference and exhibition and held at Biopolis, Singapore.

Our panel will extend discussions to the role and effectiveness of transformation frameworks like the Smart Industry Readiness Index – why & how it came about, how such structures are applied, the experiences of SMEs who deployed Industry 4.0 initiatives using such frameworks e.g. how they translated in reality and the lessons learnt etc.

22-24 OCT 2019

05 NOV 2019

Awarded by International Trade Council has been assessed to meet the Quality in the Business standard set by the International Trade Council, Certificate Registration Number 244303294.

Won the Worldstar winner 2020 Award for RFID ECR PALLET, Green Pallet for Green Packaging, organised by World Packaging Organization-WPO and presentation award unit by Worldstar for Packaging at the United Kingdom.

06 DEC 2019

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 2019 and the statement of financial position and statement of changes in equity of the Company as at 31 December 2019.

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 2019, 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 (Appointed on 1 November 2019)

3. Arrangements to enable Directors to acquire shares or debentures

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

4. Directors' interests in shares or debentures

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

Name of Directors The Company	Shareholdings registered in the name of Directors or their spouse/nominees where indicated*	
	At beginning of year Number of ordinary shares	At end of year
Tan Kim Sing	9,671,205	9,671,205
	16,250*	16,250*
Yap Mui Kee	7,008,232	7,132,832
Low Peng Kit	3,750	3,750
Tan Kok Hiang	10,000	10,000
Sally Yap Mei Yen	88,800	88,800
Billy Neo Kian Wee	856,000	856,000

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

Directors' Statement

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

In accordance with the continuing listing requirements of the Singapore Exchange Securities Trading Limited ("SGX-ST"), the Directors of the Company state that, according to the Register of the Directors' Shareholdings, the Directors' interests as at 21 January 2020 in the shares or debentures of the Company have not changed from those disclosed as at 31 December 2019.

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:

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

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

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

Directors' Statement

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

Yap Mui Kee
Managing Director

Singapore
27 March 2020

Tan Kim Sing
Executive Director

Independent Auditor's Report

To the Members of LHT Holdings Limited

Report on the Audit of the Financial Statements

Opinion

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

- the consolidated statement of financial position of the Group and the statement of financial position of the Company as at 31 December 2019;
- the consolidated income statement and consolidated statement of comprehensive income, consolidated statement of changes in equity, and consolidated statement of cash flows of the Group and the statement of changes in equity of the Company for the financial year then ended; and
- notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company are properly drawn up in accordance with the provisions of the Companies Act, Chapter 50 (the "Act") and Singapore Financial Reporting Standards (International) ("SFRS(I)s") so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at 31 December 2019, 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 Costing of inventories

Key Audit Matter

As at 31 December 2019, the Group's inventories amounted to \$7,345,000, which accounted for approximately 15% of the Group's current assets.

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

We focused on this area as a key audit matter as the carrying amount of inventories is a significant balance on the consolidated statement of financial position. In addition, the inherent risk of the Group's manual process may lead to incorrect determination of the inventory unit costs and result in inventories being materially misstated as at 31 December 2019.

Independent Auditor's Report

To the Members of LHT Holdings Limited

1 Costing of inventories (Continued)

Related Disclosures

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

Audit Response

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

- checked accuracy at units costs started in the IMS by matching the inventory unit costs from IMS 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 IMS 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 Khoo Gaik Suan.

BDO LLP
Public Accountants and
Chartered Accountants

Singapore
27 March 2020

Statements of Financial Position

As at 31 December 2019

	Note	Group 2019 \$'000	2018 \$'000
Non-current assets			
Property, plant and equipment	4	9,849	12,315
Right-of-use assets	5	4,067	–
		<u>13,916</u>	<u>12,315</u>
Current assets			
Inventories	7	7,345	10,315
Trade and other receivables	8	8,569	8,844
Fixed deposits	9	11,332	11,160
Cash and cash equivalents	9	20,672	18,256
		<u>47,918</u>	<u>48,575</u>
Less:			
Current liabilities			
Trade and other payables	10	4,219	7,133
Lease liabilities ⁽¹⁾	11	1,397	209
Income tax payables		419	511
		<u>6,035</u>	<u>7,853</u>
Net current assets		41,883	40,722
Less:			
Non-current liabilities			
Lease liabilities ⁽¹⁾	11	2,551	300
Deferred tax liabilities	12	711	771
		<u>3,262</u>	<u>1,071</u>
Net assets		<u>52,537</u>	<u>51,966</u>
Equity			
Share capital	13	24,621	24,621
Currency translation reserve	14	49	90
Retained earnings		<u>27,867</u>	<u>27,255</u>
Total equity attributable to owners of the Company		<u>52,537</u>	<u>51,966</u>

⁽¹⁾ Classified as finance lease payable under borrowings in the previous financial year

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

Statements of Financial Position

As at 31 December 2019

		Company	
	Note	2019 \$'000	2018 \$'000
Non-current assets			
Property, plant and equipment	4	3,698	4,391
Right-of-use-assets	5	3,599	–
Investments in subsidiaries	6	10,300	10,300
		<u>17,597</u>	<u>14,691</u>
Current assets			
Inventories	7	5,569	6,554
Trade and other receivables	8	8,263	7,676
Fixed deposits	9	11,171	11,000
Cash and cash equivalents	9	9,064	10,399
		<u>34,067</u>	<u>35,629</u>
Less:			
Current liabilities			
Trade and other payables	10	3,752	4,979
Lease liabilities ⁽¹⁾	11	1,112	69
Income tax payables		128	108
		<u>4,992</u>	<u>5,156</u>
Net current assets		29,075	30,473
Less:			
Non-current liabilities			
Lease liabilities ⁽¹⁾	11	2,452	199
Deferred tax liabilities	12	137	245
		<u>2,589</u>	<u>444</u>
Net assets		<u>44,083</u>	<u>44,720</u>
Equity			
Share capital	13	24,621	24,621
Retained earnings		<u>19,462</u>	<u>20,099</u>
Total equity		<u>44,083</u>	<u>44,720</u>

⁽¹⁾ Classified as finance lease payable under borrowings in the previous financial year

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

Consolidated Income Statement

For The Financial Year Ended 31 December 2019

	Note	2019 \$'000	2018 \$'000
Revenue	15	38,120	42,836
Cost of sales		(27,518)	(30,554)
Gross profit		10,602	12,282
Other item of income			
Other income	16	4,162	3,303
Other items of expenses			
Distribution expenses		(1,630)	(1,773)
Administrative expenses		(9,258)	(9,592)
Other expenses		(723)	(290)
Finance costs	17	(330)	(24)
Profit before income tax	18	2,823	3,906
Income tax expense	20	(614)	(483)
Profit for the year		2,209	3,423
Profit for the year attributable to:			
Owners of the Company		2,209	3,423
Earnings per share attributable to owners of the Company (cents per share)			
Basic and diluted	21	4.15	6.43

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

Consolidated Statement of Comprehensive Income

For The Financial Year Ended 31 December 2019

	Note	2019 \$'000	2018 \$'000
Profit for the year		2,209	3,423
Other comprehensive income:			
<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 (2018: \$Nil)		(41)	(69)
Total comprehensive income for the year, net of tax		2,168	3,354
Total comprehensive income attributable to:			
Owners of the Company		2,168	3,354

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

Consolidated Statement of Changes in Equity

For The Financial Year Ended 31 December 2019

← Equity attributable to owners of the Company →				
Note	Share capital \$'000	Currency translation reserve \$'000	Retained earnings \$'000	Total equity \$'000
Group				
Balance at 1 January 2019	24,621	90	27,255	51,966
Total comprehensive income for the year:				
Profit for the year	–	–	2,209	2,209
Other comprehensive income:				
Exchange differences on translating foreign subsidiaries	–	(41)	–	(41)
Total comprehensive income for the year	–	(41)	2,209	2,168
Total transactions with owners, recognised directly in equity				
Dividend	25	–	(1,597)	(1,597)
Balance at 31 December 2019	24,621	49	27,867	52,537
Balance at 1 January 2018	24,621	159	26,494	51,274
Total comprehensive income for the year:				
Profit for the year	–	–	3,423	3,423
Other comprehensive income:				
Exchange differences on translating foreign subsidiaries	–	(69)	–	(69)
Total comprehensive income for the year	–	(69)	3,423	3,354
Total transactions with owners, recognised directly in equity				
Dividend	25	–	(2,662)	(2,662)
Balance at 31 December 2018	24,621	90	27,255	51,966

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

Statement of Changes in Equity

For The Financial Year Ended 31 December 2019

	Note	Share capital \$'000	Retained earnings \$'000	Total equity \$'000
Company				
Balance at 1 January 2019		24,621	20,099	44,720
Total comprehensive income for the year:				
Profit for the year		–	960	960
Total comprehensive income for the year		–	960	960
Total transactions with owners, recognised directly in equity				
Dividend	25	–	(1,597)	(1,597)
Balance at 31 December 2019		24,621	19,462	44,083
Balance at 1 January 2018		24,621	21,379	46,000
Total comprehensive income for the year:				
Profit for the year		–	1,382	1,382
Total comprehensive income for the year		–	1,382	1,382
Total transactions with owners, recognised directly in equity				
Dividend	25	–	(2,662)	(2,662)
Balance at 31 December 2018		24,621	20,099	44,720

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

Consolidated Statement of Cash Flows

For The Financial Year Ended 31 December 2019

	Note	2019 \$'000	2018 \$'000
Operating activities			
Profit before income tax		2,823	3,906
Adjustments for:			
Loss allowance made for trade receivables	8	–	15
Write-down of obsolete inventories		126	12
Bad debt written off		74	8
Loss allowance reversed for trade receivables	8	(4)	(68)
Property, plant and equipment written off		401	22
Interest expense		330	24
Interest income		(201)	(96)
Depreciation of property, plant and equipment		2,409	3,035
Amortisation of right-of-use assets		1,722	–
Gain on disposal of property, plant and equipment		(271)	(501)
Operating cash flows before movements in working capital		7,409	6,357
Changes in working capital:			
Inventories		2,844	(3,440)
Trade and other receivables		205	1,107
Trade and other payables		(2,913)	872
Cash generated from operations		7,545	4,896
Income taxes paid		(696)	(540)
Net cash generated from operating activities		6,849	4,356
Investing activities			
Purchase of property, plant and equipment	4.3	(1,359)	(1,855)
Placements of fixed deposits		(171)	(11,000)
Deposit for land acquisition		(71)	–
Proceeds from disposal of property, plant and equipment		579	666
Interest received		171	89
Net cash used in investing activities		(851)	(12,100)
Financing activities			
Dividend paid	25	(1,597)	(2,662)
Repayment of term loans		–	(148)
Proceeds from lease liabilities (2018: Proceeds from finance leases)		–	157
Repayment of lease liabilities (2018: Repayment of obligation of finance leases)		(1,661)	(196)
Interest received		30	7
Interest paid		(330)	(24)
Net cash used in financing activities		(3,558)	(2,866)
Net change in cash and cash equivalents		2,440	(10,610)
Cash and cash equivalents at beginning of financial year		18,256	28,883
Net effect of exchange rate changes on the cash and cash equivalents held in foreign currencies		(24)	(17)
Cash and cash equivalents at end of financial year	9.1	20,672	18,256

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

Notes to the Financial Statements

For The Financial Year Ended 31 December 2019

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 and the statement of financial position of the Company are presented in Singapore dollar (“\$”), which is the functional currency of the Company and the presentation currency for the consolidated financial statements and all values presented are rounded to the nearest thousand (“\$’000”) as indicated.

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

Changes in accounting policies

New standards, amendments and interpretations effective from 1 January 2019

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 2019

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 2019 (Continued)

SFRS(I) 16 Leases

SFRS(I) 16 supersedes SFRS(I) 1-17 *Leases* and SFRS(I) INT 4 *Determining whether an Arrangement Contains a Lease*. SFRS(I) 16 provides a single lessee accounting model which eliminates the distinction between operating and finance leases for lessees. SFRS(I) 16 requires lessee to capitalise all leases on the consolidated statement of financial position by recognising a 'right-of-use' asset and a corresponding lease liability for the present value of the obligation to make lease payments, except for certain short-term leases and leases of low-value assets. Subsequently, the right-of-use assets will be amortised and the lease liabilities will be measured at amortised cost. From the perspective of a lessor, the classification and accounting for operating and finance leases remains substantially unchanged under SFRS(I) 16.

The Group applied SFRS(I) 16 using the modified retrospective method without restatement of comparative figures. The associated right-of-use assets is measured at an amount equal to the lease liabilities.

On initial application of SFRS(I) 16, the Group has elected to apply the following practical expedients:

- (i) For all contracts entered into before 1 January 2019 and that were previously identified as leases under SFRS(I) 1-17 *Lease* and SFRS(I) INT 4 *Determining whether an Arrangement contains a Leases*, the Group has not reassessed if such contracts contain leases under SFRS(I) 16; and
- (ii) On a lease-by-lease basis, the Group has:
 - (a) applied a single discount rate to a portfolio of leases with reasonably similar characteristics;
 - (b) accounted for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases;
 - (c) excluded initial direct costs in the measurement of the right-of-use ("ROU") asset at the date of initial application; and
 - (d) used hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

As a lessee, the Group previously classified leases as finance or operating lease based on its assessment of whether the lease transferred substantially all the risks and rewards of ownership. Under SFRS(I) 16, the Group recognises right-of-use assets and lease liabilities for most leases. For those low-value assets based on the value of the underlying asset when new and leases with a lease term of 12 months or less, the Group has elected not to recognise right-of-use assets and lease liabilities for these leases.

On adoption of SFRS(I) 16, the Group recognised right-of-use assets and lease liabilities in relation to leasehold land, plant and machinery, motor vehicles and forklifts, which had previously been classified as operating leases.

Notes to the Financial Statements

For The Financial Year Ended 31 December 2019

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 2019 (Continued)

SFRS(I) 16 Leases (Continued)

Lease liabilities from operating leases under the principles of SFRS(I) 1-17 were measured at the present value of the remaining lease payments, discounted using lessee's incremental borrowing rate as at 1 January 2019. The incremental borrowing rate applied to lease liabilities on 1 January 2019 range from 6.05% to 7.00%.

The right-of-use assets were measured as follows:

- (a) Properties: right-of-use assets are measured at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments.
- (b) All other leases: the carrying amount is determined as if SFRS(I) 16 being applied from the commencement date of the leases, subject to the practical expedients listed above.

For leases that were classified as finance leases applying SFRS(I) 1-17, the carrying amount of the assets acquired under finance leases and finance lease liabilities at the date of initial application shall be the carrying amount of the right-of-use assets and lease liabilities as at 31 December 2018. Consequently, certain leasehold land, plant and machinery, motor vehicles and forklifts, are reclassified and presented under right-of-use assets (Note 5) at the date of initial application.

The effect of adopting SFRS(I) 16 as at 1 January 2019 was as follows:

	Group Increase/ (decrease) \$'000	Company Increase/ (decrease) \$'000
Assets		
Property, plant and equipment	(690)	(474)
Right-of-use assets	5,715	4,748
Liabilities		
Lease liabilities	5,025	4,274

Notes to the Financial Statements

For The Financial Year Ended 31 December 2019

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 2019 (Continued)

SFRS(I) 16 Leases (Continued)

The aggregate lease liabilities recognised in the statements of financial position as at 1 January 2019 and the Group's and Company's operating lease commitments as at 31 December 2018 can be reconciled as follows:

	Group Increase/ (decrease) \$'000
Operating lease commitment as at 31 December 2018 (Note 22.1)	5,214
Less: Effect of short-term leases	(33)
Add: Effect of extension options reasonably certain to be exercised (Note 3.1)	739
	5,920
Effect of discounting using the incremental borrowing rate as at date of initial application	(895)
	5,025
Finance lease liabilities recognised as at 31 December 2018	509
Lease liabilities as at 1 January 2019 (Note 11)	5,534
	Company Increase/ (decrease) \$'000
Operating lease commitment as at 31 December 2018 (Note 22.1)	4,760
Less: Effect of short-term leases	(33)
Add: Effect of extension options reasonably certain to be exercised (Note 3.1)	395
	5,122
Effect of discounting using the incremental borrowing rate as at date of initial application	(848)
	4,274
Finance lease liabilities recognised as at 31 December 2018	268
Lease liabilities as at 1 January 2019 (Note 11)	4,542

Notes to the Financial Statements

For The Financial Year Ended 31 December 2019

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 2019 (Continued)

SFRS(I) INT 23 Uncertainty over Income Tax Treatments

SFRS(I) INT 23 provides guidance on accounting for current and deferred tax liabilities and assets in circumstances in which there is uncertainty over income tax treatments. The interpretation requires:

- The Group to contemplate whether uncertain tax treatments should be considered separately or together as a group, based on which approach provides better predictions of the resolution;
- The Group to determine if it is probable that the tax authorities will accept the uncertain tax treatment; and
- If it is not probable that the uncertain tax treatment will be accepted, measure the tax uncertainty based on the most likely amount or expected value, depending on whichever method better predicts the resolution of the uncertainty.

The Group applied this interpretation retrospectively with the cumulative effect of initially applying this interpretation as an adjustment to the opening retained earnings as at 1 January 2019. There is no material impact to the previously recognised income taxes and deferred taxes.

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.

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.

Notes to the Financial Statements

For The Financial Year Ended 31 December 2019

2. Summary of significant accounting policies (Continued)

2.2 Basis of consolidation (Continued)

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 years
Rental pallets	5 years

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

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

Notes to the Financial Statements

For The Financial Year Ended 31 December 2019

2. Summary of significant accounting policies (Continued)

2.3 Property, plant and equipment (Continued)

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

Prior to 1 January 2019, assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, if there is no certainty that the lessee will obtain ownership by the end of the lease term, the asset shall be fully depreciated over the short of the lease term and its useful life.

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

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

2.4 Impairment of non-financial assets

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

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

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

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 2019

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, 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 2019

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

Credit-impaired financial assets

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

Derecognition of financial assets

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

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 2019

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 (Note 2.13).

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

Financial guarantee contract

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

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

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

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 in-house Inventory Management System ("IMS"). Standard unit costs of the inventories are computed using Microsoft Access database system and manually entered into the IMS on a semi-annual basis. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution. 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 2019

2. Summary of significant accounting policies (Continued)

2.7 Cash and cash equivalents

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

2.8 Provision

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

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

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

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

2.9 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

Accounting policy on and after 1 January 2019

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 2019

2. Summary of significant accounting policies (Continued)

2.10 Leases (Continued)

Accounting policy on and after 1 January 2019 (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 payables 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 2019

2. Summary of significant accounting policies (Continued)

2.10 Leases (Continued)

Accounting policy on and after 1 January 2019 (Continued)

As lessee (Continued)

Subsequent measurement (Continued)

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 2019

2. Summary of significant accounting policies (Continued)

2.10 Leases (Continued)

Accounting policy prior to 1 January 2019

As lessee

Finance leases

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

Assets held under finance leases are capitalised as property, plant and equipment of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged to profit or loss, unless they are directly attributable to the acquisition, construction or production of qualifying assets, in which case they are capitalised in accordance with the Group's general policy on borrowing costs (Note 2.13).

Operating leases

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

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

Notes to the Financial Statements

For The Financial Year Ended 31 December 2019

2. Summary of significant accounting policies (Continued)

2.11 Revenue recognition (Continued)

Rental income

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

Waste collection income

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

Service income

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

Interest income

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

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.

Notes to the Financial Statements

For The Financial Year Ended 31 December 2019

2. Summary of significant accounting policies (Continued)

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.

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.

Notes to the Financial Statements

For The Financial Year Ended 31 December 2019

2. Summary of significant accounting policies (Continued)

2.14 Taxes (Continued)

Sales tax

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

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

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

2.15 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.

Notes to the Financial Statements

For The Financial Year Ended 31 December 2019

2. Summary of significant accounting policies (Continued)

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 chief executive officer 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.

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

2.18 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.

Notes to the Financial Statements

For The Financial Year Ended 31 December 2019

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.

Determine the lease term

The Group and the Company leases leasehold land, 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. 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 \$739,000 and \$395,000 respectively in the measurement of lease liabilities for motor vehicle 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. As of 31 December 2019, the management has determined that is no change to the lease term assessment performed upon the initial adoption.

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*

Investments in subsidiaries are stated at cost less impairment. The Company follows the guidance of SFRS(I) 1-36 *Impairment of Assets* to determine when the investments in subsidiaries are impaired. This determination requires significant judgement. In making this judgement, the Company evaluates, among other factors, the market and economic performance of these entities, the duration and extent to which the costs of investments in the entities exceed their net tangible assets and fair value of investments less cost to sell. The considerations and the assumptions used, and the carrying amounts of the investment in subsidiaries are disclosed in Note 6 to the financial statements.

Notes to the Financial Statements

For The Financial Year Ended 31 December 2019

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

3.2 Key sources of estimation uncertainty (Continued)

(ii) *Write-down for inventories*

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

The Group and the Company has written down approximately \$933,000 (2018: \$807,000) and \$841,000 (2018: \$715,000) respectively of its inventories to net realisable value during the year. The carrying amount of the Group's and the Company's inventories as at 31 December 2019 were approximately \$7,345,000 (2018: \$10,315,000) and \$5,569,000 (2018: \$6,554,000) respectively.

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

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

The carrying amount of the Group's and the Company's property, plant and equipment as at 31 December 2019 were approximately \$9,849,000 (2018: \$12,315,000) and \$3,698,000 (2018: \$4,391,000) respectively.

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

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

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

The carrying amount of the Group's and the Company's trade receivables as at 31 December 2019 were approximately \$6,907,000 (2018: \$7,584,000) and \$6,263,000 (2018: \$5,904,000) respectively.

Notes to the Financial Statements

For The Financial Year Ended 31 December 2019

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
Group 2019							
Cost							
As at 1 January 2019	10,070	23,767	4,728	2,214	8,740	290	49,809
Adoption of SFRS(I) 16	(32)	(31)	–	(1,205)	–	–	(1,268)
As at 1 January 2019	10,038	23,736	4,728	1,009	8,740	290	48,541
Additions	–	28	43	–	1,099	189	1,359
Disposals	–	(448)	(9)	–	(1,374)	(8)	(1,839)
Written off	(24)	(104)	(1,687)	(15)	(31)	(26)	(1,887)
Reclassifications	–	–	5	–	–	(5)	–
Currency realignment	(1)	(2)	(4)	–	(10)	(22)	(39)
As at 31 December 2019	10,013	23,210	3,076	994	8,424	418	46,135
Accumulated depreciation							
As at 1 January 2019	7,425	19,966	3,811	1,243	5,049	–	37,494
Adoption of SFRS(I) 16	(15)	(3)	–	(560)	–	–	(578)
As at 1 January 2019	7,410	19,963	3,811	683	5,049	–	36,916
Charge for the year	347	669	270	74	1,049	–	2,409
Disposals	–	(299)	(9)	–	(1,223)	–	(1,531)
Written off	(10)	(104)	(1,356)	(15)	(1)	–	(1,486)
Currency realignment	(4)	(16)	(1)	–	(1)	–	(22)
As at 31 December 2019	7,743	20,213	2,715	742	4,873	–	36,286
Net carrying amount							
As at 31 December 2019	2,270	2,997	361	252	3,551	418	9,849
	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
Group 2018							
Cost							
As at 1 January 2018	10,069	23,704	4,593	2,016	8,495	315	49,192
Additions	–	60	51	200	1,421	123	1,855
Disposals	–	–	–	–	(1,022)	–	(1,022)
Written off	–	–	(3)	–	(147)	–	(150)
Reclassifications	–	–	105	–	–	(105)	–
Currency realignment	1	3	(18)	(2)	(7)	(43)	(66)
As at 31 December 2018	10,070	23,767	4,728	2,214	8,740	290	49,809
Accumulated depreciation							
As at 1 January 2018	7,088	18,957	3,526	1,035	4,852	–	35,458
Charge for the year	337	1,011	295	208	1,184	–	3,035
Disposals	–	–	–	–	(857)	–	(857)
Written off	–	–	(3)	–	(125)	–	(128)
Currency realignment	–	(2)	(7)	–	(5)	–	(14)
As at 31 December 2018	7,425	19,966	3,811	1,243	5,049	–	37,494
Net carrying amount							
As at 31 December 2018	2,645	3,801	917	971	3,691	290	12,315

Notes to the Financial Statements

For The Financial Year Ended 31 December 2019

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
Company						
2019						
Cost						
As at 1 January 2019	9,223	17,369	3,421	1,214	188	31,415
Adoption of SFRS(I) 16	–	–	–	(1,030)	–	(1,030)
As at 1 January 2019	9,223	17,369	3,421	184	188	30,385
Additions	–	14	39	–	516	569
Written off	–	–	(1,026)	–	–	(1,026)
Reclassifications	–	–	5	–	(5)	–
As at 31 December 2019	9,223	17,383	2,439	184	699	29,928
Accumulated depreciation						
As at 1 January 2019	7,045	16,248	2,991	740	–	27,024
Adoption of SFRS(I) 16	–	–	–	(556)	–	(556)
As at 1 January 2019	7,045	16,248	2,991	184	–	26,428
Charge for the year	331	262	184	–	–	777
Written off	–	–	(1,015)	–	–	(1,015)
As at 31 December 2019	7,376	16,510	2,160	184	–	26,230
Net carrying amount						
As at 31 December 2019	1,847	873	279	–	699	3,698
	Leasehold properties \$'000	Plant and machinery \$'000	Office furniture, fittings and equipment \$'000	Motor vehicles and forklifts \$'000	Construction- in-progress \$'000	Total \$'000
Company						
2018						
Cost						
As at 1 January 2018	9,223	17,364	3,290	1,214	171	31,262
Additions	–	5	29	–	122	156
Written off	–	–	(3)	–	–	(3)
Reclassifications	–	–	105	–	(105)	–
As at 31 December 2018	9,223	17,369	3,421	1,214	188	31,415
Accumulated depreciation						
As at 1 January 2018	6,725	15,648	2,820	609	–	25,802
Charge for the year	320	600	174	131	–	1,225
Written off	–	–	(3)	–	–	(3)
As at 31 December 2018	7,045	16,248	2,991	740	–	27,024
Net carrying amount						
As at 31 December 2018	2,178	1,121	430	474	188	4,391

Notes to the Financial Statements

For The Financial Year Ended 31 December 2019

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

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

	Group	
	2019	2018
	\$'000	\$'000
Cost of sales	1,106	1,592
Administrative expenses	1,303	1,443
	2,409	3,035

Notes to the Financial Statements

For The Financial Year Ended 31 December 2019

4. Property, plant and equipment (Continued)

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

	2019 \$'000	2018 \$'000
Cash payments	1,359	1,855

4.4 As at 31 December 2019, included in the construction in progress were machineries awaiting for their assembly installation, pallet wood loading system and automated pallet management system of approximately \$60,000, \$65,000 and \$293,000 respectively.

As at 31 December 2018, included in the construction-in-progress were machineries awaiting for their assembly installation in the Company and one of the subsidiary of approximately \$186,000 and \$104,000 respectively.

4.5 Assets under lease liabilities (2018: finance leases)

The carrying amount of property, plant and equipment acquired under lease liabilities (2018: finance lease) amounted to:

	Group 2018 \$'000	Company 2018 \$'000
Motor vehicles and forklifts	806	474
Plant and machinery	359	–
	1,165	474

These assets have been reclassified to right-of-use assets as at 1 January 2019.

As at 1 January 2019, motor vehicles and forklifts, and a machinery with carrying amount of approximately \$161,000 and \$331,000 respectively of a subsidiary were not reclassified to right-of-use assets as the lease liabilities were fully repaid during the financial 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, which is unutilised as of 31 December 2019 amounted to:

	Group		Company	
	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000
Leasehold properties	2,220	2,584	1,847	2,178
Plant and machinery	673	869	672	869
	2,893	3,453	2,519	3,047

4.7 As at 31 December 2018, the Group's and Company's motor vehicles included assets held in trust by Directors of the Company with carrying amount of \$401,000.

Notes to the Financial Statements

For The Financial Year Ended 31 December 2019

5. Right-of-use assets

The Group has lease contracts for leasehold land, plant and machinery, and motor vehicles and forklifts. The Group's obligation under these leases are secured by the lessor's title to the leased assets. The Group is restricted from assigning and sub-leasing the leased assets. There are several lease contracts that include extension option which are further discussed below.

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

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

2019	Leasehold land \$'000	Plant and machinery \$'000	Motor vehicles and forklifts \$'000	Total \$'000
Group Cost				
Reclassified from property, plant and equipment (Note 4)	17	28	645	690
Adoption of SFRS(I) 16 (Note 2.1)	4,497	60	468	5,025
At 1 January 2019	4,514	88	1,113	5,715
Additions	–	–	158	158
Amortisation charges	(1,401)	(33)	(288)	(1,722)
Variable lease payment adjustment	(82)	–	–	(82)
Currency realignment	–	–	(2)	(2)
At 31 December 2019	3,031	55	981	4,067

2019	Leasehold land \$'000	Motor vehicles and forklifts \$'000	Total \$'000
Company Cost			
Reclassified from property, plant and equipment (Note 4)	–	474	474
Adoption of SFRS(I) 16 (Note 2.1)	3,950	324	4,274
At 1 January 2019	3,950	798	4,748
Additions	–	158	158
Amortisation charges	(1,022)	(203)	(1,225)
Variable lease payment adjustment	(82)	–	(82)
At 31 December 2019	2,846	753	3,599

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

	Useful life
Leasehold land	Over the lease terms ranging from 2 to 60 years
Plant and machinery	5 years
Motor vehicles and forklifts	5 years

Notes to the Financial Statements

For The Financial Year Ended 31 December 2019

5. Right-of-use assets (Continued)

(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

	2019 \$'000
Amortisation of right-of-use assets	1,722
Interest expense on lease liabilities (Note 11)	330
Lease expense not capitalised in lease liabilities:	
– Expense relating to short-term leases (included in administrative expenses and cost of sales)	158
Total amount recognised in profit or loss	2,210

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

	2019 \$'000
Cost of sales	799
Administrative expenses	923
	1,722

(d) Extension options

The Group has several lease contracts 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.

Restrictions

As at 31 December 2019, motor vehicles and forklifts, and plant and machinery with a carrying amount of \$520,000 (2018: \$1,165,000) are secured over the lease liabilities owing to financial institutions amounting to \$300,000 (2018: \$509,000).

As at 31 December 2019, the carrying amount of leasehold land pledged to banks for banking facilities amounted to \$17,000.

The Group's and Company's motor vehicles under right-of-use-assets included assets held in trust by Directors of the Company with carrying amount of \$289,000.

Notes to the Financial Statements

For The Financial Year Ended 31 December 2019

6. Investments in subsidiaries

	Company	
	2019	2018
	\$'000	\$'000
Unquoted equity shares, at cost	14,019	14,019
Impairment loss	(3,719)	(3,719)
	10,300	10,300

Movements in impairment loss are as follow:

	Company	
	2019	2018
	\$'000	\$'000
At 1 January	3,719	1,606
Impairment loss recognised during the financial year	–	2,113
At 31 December	3,719	3,719

In the previous financial year, the Group carried out a review of the recoverable amount of the investment in LHT Ecotech Resources (Tianjin) Co., Ltd under pallets and timber segment due to the continuing losses reported by this subsidiary as a result of weak market presence in China. The review led to the recognition of an impairment loss of \$2,113,000 that has been recognised in “administrative expenses” line item in profit or loss. The recoverable amount of the investment of \$94,000 was determined on the basis of its value-in-use. The discount rates and revenue growth rates used in the value-in-use calculation for the financial year ended 31 December 2018 was 20.00% and 0% respectively.

Significant restriction

Cash and bank balances of \$259,000 (2018: \$198,000) held with a subsidiary in the People's Republic of China are subjected to local exchange control regulations. These regulations place restrictions on exporting capital out of the country other than through dividends and thus significantly affect the Group's ability to access or use assets, and settle liabilities, of the Group.

Notes to the Financial Statements

For The Financial Year Ended 31 December 2019

6. Investments in subsidiaries (Continued)

Details of the subsidiaries are as follow:

Name of Company (Country of incorporation and principal place of business)	Principal activities	Proportion of ownership 2019 %	interest held by the Group 2018 %
Kim Hiap Lee Company (Pte.) Limited ⁽¹⁾ (Singapore)	Timber merchants, sawmillers and pallet rental	100	100
Lian Hup Packaging Industries Sdn. Bhd. ⁽²⁾ (Malaysia)	Dealers in wood products, pallets and packaging and pallet rental	100	100
Siri Belukar Packaging Sdn. Bhd. ⁽²⁾ (Malaysia)	Manufacturer, importer and exporter of wooden pallets and related products	100	100
LHT Marketing Pte Ltd ⁽¹⁾ (Singapore)	Timber merchants and commission agents	100	100
LHT Ecotech Resources Pte Ltd ⁽¹⁾ (Singapore)	Wood waste recycling and recovering	100	100
LHT Ecotech Resources (Tianjin) Co., Ltd ⁽³⁾ (People's Republic of China)	Trading and exporter of wooden pallets and related products	100	100
LHT Gpac Technology (M) Sdn. Bhd. ⁽²⁾ (Malaysia)	Manufacturer, wood waste recycling, importer and exporter of green products and woodchips	100	100
LHT ECR Packaging (Vietnam) Company Limited ⁽⁴⁾ (Socialist Republic of Vietnam)	Trading and providing of other services with respect to timber, pallets and other packaging materials	100	100

⁽¹⁾ Audited by BDO LLP, Singapore

⁽²⁾ Audited by BDO, Malaysia

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

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

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

Notes to the Financial Statements

For The Financial Year Ended 31 December 2019

7. Inventories

	Group		Company	
	2019	2018	2019	2018
	\$'000	\$'000	\$'000	\$'000
Raw materials	3,665	6,294	2,324	3,060
Work-in-progress	1,883	1,666	1,883	1,635
Finished goods	1,797	2,355	1,362	1,859
	7,345	10,315	5,569	6,554

The cost of inventories recognised as an expense and included in cost of sales line item in profit or loss amounted to approximately \$18,210,000 (2018: \$19,281,000).

During the financial year, the Group has written down of inventories amounting to \$126,000 (2018: \$12,000), charged to administrative expenses.

8. Trade and other receivables

	Group		Company	
	2019	2018	2019	2018
	\$'000	\$'000	\$'000	\$'000
Trade receivables				
– third parties	6,977	7,658	5,488	5,568
– subsidiaries	–	–	786	352
	6,977	7,658	6,274	5,920
Less: Loss allowance for third parties	(70)	(74)	(11)	(16)
Total trade receivables	6,907	7,584	6,263	5,904
GST/VAT receivables	633	324	353	–
Other receivables				
– third parties	208	203	–	65
– subsidiaries	–	–	1,117	1,400
Non-refundable deposits for land and building acquisition (Note 22.2)	71	–	–	–
Refundable deposits	458	504	276	211
Prepayments	292	160	254	96
Tax recoverable	–	69	–	–
Total trade and other receivables	8,569	8,844	8,263	7,676
Add/(Less):				
– Fixed deposits (Note 9.2)	11,332	11,160	11,171	11,000
– Cash and cash equivalents (Note 9.1)	20,672	18,256	9,064	10,399
– GST/VAT receivables	(633)	(324)	(353)	–
– Non-refundable deposits	(71)	–	–	–
– Prepayments	(292)	(160)	(254)	(96)
– Tax recoverable	–	(69)	–	–
Financial assets at amortised cost	39,557	37,707	27,891	28,979

Notes to the Financial Statements

For The Financial Year Ended 31 December 2019

8. Trade and other receivables (Continued)

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

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

Movements in loss allowance for trade receivables are as follow:

	Group		Company	
	2019	2018	2019	2018
	\$'000	\$'000	\$'000	\$'000
At 1 January	74	214	16	11
Utilisation of loss allowance	–	(87)	–	(7)
Loss allowance reversed	(4)	(68)	(5)	(2)
Loss allowance made	–	15	–	14
At 31 December	70	74	11	16

As at 31 December 2019, trade receivables of \$70,000 (2018: \$74,000) were past due more than 60 days and 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	
	2019	2018	2019	2018
	\$'000	\$'000	\$'000	\$'000
Singapore dollar	6,935	6,309	7,953	6,933
Ringgit Malaysia	1,039	1,595	282	178
Renminbi	291	368	16	2
United States dollar	301	568	12	563
Vietnamese Dong	3	4	–	–
	8,569	8,844	8,263	7,676

Notes to the Financial Statements

For The Financial Year Ended 31 December 2019

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	
	2019	2018	2019	2018
	\$'000	\$'000	\$'000	\$'000
Cash balances	21	18	2	5
Bank balances	20,651	18,238	9,062	10,394
	20,672	18,256	9,064	10,399

Cash and cash equivalents are denominated in the following currencies:

	Group		Company	
	2019	2018	2019	2018
	\$'000	\$'000	\$'000	\$'000
Singapore dollar	15,116	12,862	8,958	9,252
Ringgit Malaysia	4,549	3,745	13	6
United States dollar	720	1,349	65	1,112
Renminbi	287	227	28	29
Vietnamese dong	–	73	–	–
	20,672	18,256	9,064	10,399

9.2 Fixed deposits

The fixed deposits of the Group amounting to \$161,000 (2018: \$160,000) are pledged to a bank as security for bank guarantee facilities granted to the subsidiaries. The fixed deposits bear interest rates ranging from 1.56% to 3.15% (2018: 1.30% to 3.15%) per annum with maturity of 1 month (2018: 1 month) from the end of the financial year.

Fixed deposits are denominated in the following currencies:

	Group		Company	
	2019	2018	2019	2018
	\$'000	\$'000	\$'000	\$'000
Singapore dollar	11,171	11,000	11,171	11,000
Ringgit Malaysia	161	160	–	–
	11,332	11,160	11,171	11,000

Notes to the Financial Statements

For The Financial Year Ended 31 December 2019

10. Trade and other payables

	Group		Company	
	2019	2018	2019	2018
	\$'000	\$'000	\$'000	\$'000
Trade payables				
– third parties	1,377	2,121	676	1,230
– subsidiaries	–	–	1,041	1,113
– related parties	57	106	57	66
	1,434	2,227	1,774	2,409
GST/VAT payables	576	248	560	102
Amount owing to a director	20	20	–	–
Accrued expenses	1,212	1,364	966	1,178
Deposits received	254	371	196	305
Provision for unutilised leave	168	160	158	160
Advances from customers (Note 15b)	133	2,504	98	825
Sundry payables	422	239	–	–
Total trade and other payables	4,219	7,133	3,752	4,979
Add/(Less):				
– Lease Liabilities (Note 11)	3,948	509	3,564	268
– GST/VAT payables	(576)	(248)	(560)	(102)
– Provision for unutilised leave	(168)	(160)	(158)	(160)
– Advances from customers (Note 15b)	(133)	(2,504)	(98)	(825)
Financial liabilities carried at amortised cost	7,290	4,730	6,500	4,160

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

Deposits received comprise substantially deposits for rental from lessees.

No interest is charged on the trade and other payables.

Trade and other payables are denominated in the following currencies:

	Group		Company	
	2019	2018	2019	2018
	\$'000	\$'000	\$'000	\$'000
Singapore dollar	2,560	3,553	3,241	3,941
Ringgit Malaysia	1,033	2,517	489	438
United States dollar	578	923	22	600
Renminbi	23	123	–	–
Others	25	17	–	–
	4,219	7,133	3,752	4,979

Notes to the Financial Statements

For The Financial Year Ended 31 December 2019

11. Lease liabilities/Finance lease liabilities

2019	Leasehold land \$'000	Plant and machinery \$'000	Motor vehicles and forklifts \$'000	Total \$'000
Group				
At 1 January 2019				
Finance lease liabilities under SFRS(I) 1-17	–	64	445	509
Adoption of SFRS(I) 16	4,497	60	468	5,025
	4,497	124	913	5,534
Additions	–	–	158	158
Interest expenses (Note 17)	267	4	59	330
Variable lease payment adjustment	(82)	–	–	(82)
Lease payments				
– Principal portion	(1,299)	(86)	(276)	(1,661)
– Interest portion	(267)	(4)	(59)	(330)
Currency realignment	–	–	(1)	(1)
At 31 December 2019	3,116	38	794	3,948

2019	Leasehold land \$'000	Motor vehicles and forklifts \$'000	Total \$'000
Company			
At 1 January 2019			
– Finance lease liabilities under SFRS(I) 1-17	–	268	268
Adoption of SFRS(I) 16	3,950	324	4,274
	3,950	592	4,542
Additions	–	158	158
Interest expenses	245	43	288
Variable lease payment adjustment	(82)	–	(82)
Lease payments			
– Principal portion	(925)	(129)	(1,054)
– Interest portion	(245)	(43)	(288)
At 31 December 2019	2,943	621	3,564

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

	Group		Company	
	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000
Contractual undiscounted cash flows				
– Not later than a year	1,621	229	1,323	81
– Later than a year but not later than five years	2,956	320	2,850	213
	4,577	549	4,173	294
Less: Future interest expense	(629)	(40)	(609)	(26)
Present value of lease liabilities	3,948	509	3,564	268
Presented in statement of financial position				
– Not later than a year	1,397	209	1,112	69
– Later than a year but not later than five years	2,551	300	2,452	199
	3,948	509	3,564	268

Notes to the Financial Statements

For The Financial Year Ended 31 December 2019

11. Lease liabilities/Finance lease liabilities (Continued)

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 vehicle and forklifts) from third parties with only fixed payment over the lease terms.

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 3.26% to 7.00% (2018: 3.26% to 5.68%) and 5.06% to 7.00% (2018: 5.06% to 5.43%) respectively.

As at 31 December 2018, the Group and Company leases motor vehicles and forklift, and plant and machinery. The effective interest rate for the Group and Company are 3.26% to 5.68% and 5.06% to 5.43% per annum respectively. The carrying amount of assets acquired under lease is disclose in Note 4.5 and Note 5. As at 31 December 2018, the Group's lease obligations amounting to \$46,000 which was fully repaid in the financial year, was secured by a corporate guarantee of the Company.

Lease liabilities payables are denominated in the following currencies:

	Group		Company	
	2019	2018	2019	2018
	\$'000	\$'000	\$'000	\$'000
Singapore dollar	3,596	346	3,564	268
Ringgit Malaysia	352	163	–	–
	3,948	509	3,564	268

12. Deferred tax

	Group		Company	
	2019	2018	2019	2018
	\$'000	\$'000	\$'000	\$'000
Deferred tax liabilities	711	771	137	245

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

	Group		Company	
	2019	2018	2019	2018
	\$'000	\$'000	\$'000	\$'000
At 1 January	771	854	245	351
Credit to profit or loss (Note 20)	(60)	(84)	(108)	(106)
Currency translation difference	–	1	–	–
At 31 December	711	771	137	245

Notes to the Financial Statements

For The Financial Year Ended 31 December 2019

12. Deferred tax (Continued)

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
Group						
At 1 January 2019	945	–	139	(151)	(162)	771
Credit to profit or loss	(17)	(21)	–	(22)	–	(60)
At 31 December 2019	928	(21)	139	(173)	(162)	711
At 1 January 2018	1,015	–	139	(135)	(165)	854
(Credit)/Charge to profit or loss	(86)	–	–	(1)	3	(84)
Currency translation difference	16	–	–	(15)	–	1
At 31 December 2018	945	–	139	(151)	(162)	771
Company						
At 1 January 2019	254	–	139	(122)	(26)	245
Credit to profit or loss	(68)	(18)	–	(22)	–	(108)
At 31 December 2019	186	(18)	139	(144)	(26)	137
At 1 January 2018	361	–	139	(120)	(29)	351
(Credit)/Charge to profit or loss	(107)	–	–	(2)	3	(106)
At 31 December 2018	254	–	139	(122)	(26)	245

12.2 Deferred tax assets not recognised

Movements in deferred tax assets not recognised are as follows:

	Group	
	2019 \$'000	2018 \$'000
At 1 January	295	349
Amount not recognised/(utilised) during financial year	234	(54)
At 31 December	529	295

Deferred tax assets not recognised relate to the following:

	Group	
	2019 \$'000	2018 \$'000
Unutilised tax losses	529	295

Notes to the Financial Statements

For The Financial Year Ended 31 December 2019

12. Deferred tax (Continued)

12.2 Deferred tax assets not recognised (Continued)

As at 31 December 2019, the Group has unutilised tax losses of \$2,116,000 (2018: \$1,180,000) 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	
	2019	2018
	\$'000	\$'000
Year 2019	–	410
Year 2020	153	153
Year 2021	136	136
Year 2022	332	332
Year 2023	149	149
Year 2024	1,346	–
	<u>2,116</u>	<u>1,180</u>

13. Share capital

	Group and Company			
	2019	2018	2019	2018
	Number of		Share capital	
	ordinary shares		(\$'000)	
	('000)		(\$'000)	
Issued and paid up:				
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.

Notes to the Financial Statements

For The Financial Year Ended 31 December 2019

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	
	2019	2018
	\$'000	\$'000
Sales of goods		
– Point in time	33,920	38,247

(ii) Revenue from rental:

	Group	
	2019	2018
	\$'000	\$'000
Pallet rental	4,200	4,589

(b) Contract balances (Note 10)

	Group		Company	
	2019	2018	2019	2018
	\$'000	\$'000	\$'000	\$'000
<u>Contract liabilities</u>				
Sales of goods	133	2,504	98	825

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.

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

	Group		Company	
	2019	2018	2019	2018
	\$'000	\$'000	\$'000	\$'000
As at 1 January	2,504	948	825	49
Amount recognised as revenue	(2,676)	(34)	(790)	(12)
Cash received in advance of performance and not recognised as revenue	305	1,590	63	788
At 31 December	133	2,504	98	825

In the previous financial year, the Group's contract liabilities includes advance from a customer amounting to approximately \$874,000, not utilised pending the end customer's testing completion. Management had assessed that the arrangement did not comprise a significant financing component as the amount is expected to be utilised within 12 months.

Notes to the Financial Statements

For The Financial Year Ended 31 December 2019

16. Other income

	Group	
	2019	2018
	\$'000	\$'000
Gain on disposal of property, plant and equipment	271	501
Government grants:		
– Special Employment Credit	64	26
– Capability Development Grant	155	–
– Others government grants	59	140
Heat treatment and utilities income	321	169
Interest income	201	96
Rental of premises and related service income	1,612	1,696
Loss allowance reversed for trade receivables	4	68
Waste collection income	241	270
Insurance claim*	850	–
Sundry income	384	337
	4,162	3,303

* This represent insurance compensation arising from a fire incident in the financial year 2016.

17. Finance costs

	Group	
	2019	2018
	\$'000	\$'000
Interest expense in respect of:		
Lease liabilities (2018: Finance lease)	330	24

Notes to the Financial Statements

For The Financial Year Ended 31 December 2019

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	
	2019	2018
	\$'000	\$'000
<i>Cost of sales</i>		
Cost of inventories included in cost of sales	18,210	19,281
Employee benefits expenses (Note 19)	4,810	5,298
Repair and maintenance expenses	602	970
Depreciation of property, plant and equipment	1,106	1,592
Amortisation of right-of-use assets	799	–
Short term lease expense (2018: Operating lease expenses)	55	1,381
Utilities expenses	542	534
<i>Distribution expenses</i>		
Transportation and carriage expenses	1,630	1,773
<i>Administrative expenses</i>		
Advertisement/marketing promotion expenses	57	143
Audit fees paid to:		
– Auditors of the Company	107	114
– Other auditors	33	27
Non-audit fees paid to:		
– Auditors of the Company	26	43
– Other auditors/firm	22	14
Depreciation of property, plant and equipment	1,303	1,443
Amortisation of right-of use assets	923	–
Directors' fees (Note 24)	214	211
Employee benefits expenses (Note 19)	3,994	4,617
Insurance	372	373
Legal and professional fees	114	158
Property tax	358	361
Short term lease expense (2018: Operating lease expenses)	103	874
Upkeep and maintenance expenses	183	108
Write-down of obsolete inventories	126	12
<i>Other expenses</i>		
Loss allowance for trade receivables	–	15
Foreign exchange loss, net	248	278
Property, plant and equipment written off	401	22
Bad debt written off	74	8

Notes to the Financial Statements

For The Financial Year Ended 31 December 2019

19. Employee benefits expenses

	Group	
	2019	2018
	\$'000	\$'000
Salaries, wages and other costs	8,250	9,293
Defined contribution plans	554	622
	8,804	9,915

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

	Group	
	2019	2018
	\$'000	\$'000
Cost of sales	4,810	5,298
Administrative expenses	3,994	4,617
	8,804	9,915

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

20. Income tax expense

	Group	
	2019	2018
	\$'000	\$'000
Based on results for the financial year:		
– current income tax	684	677
– deferred tax	(76)	46
	608	723
(Over)/under provision in prior years		
– current income tax	(10)	(110)
– deferred tax	16	(130)
	6	(240)
Total income tax expenses	614	483

Domestic income tax is calculated at 17% (2018: 17%) of the estimated assessable profit for the year. Taxation for other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

Notes to the Financial Statements

For The Financial Year Ended 31 December 2019

20. Income tax expense (Continued)

The income tax expenses varied from the amount of income tax expense determined by applying the Singapore statutory tax rate of 17% (2018: 17%) to profit before income tax as a result of the following differences:

Reconciliation of effective tax rate

	Group	
	2019	2018
	\$'000	\$'000
Profit before income tax	2,823	3,906
Income tax at statutory rate	480	664
Add/(Less):		
Effect of different tax rates of overseas operations	(45)	57
Effect of income not subject to tax	(63)	(6)
Effect of non-allowable items	54	190
Tax incentive	(52)	(128)
Overprovision of income tax in prior years	(10)	(110)
Tax effect on deferred tax assets not recognised (Note 12.2)	234	(54)
(Over)/under provision of deferred tax in prior years	16	(130)
Total income tax expense	614	483

21. Earnings per share

The calculation for earnings per share is based on:

	Group	
	2019	2018
Profit after income tax attributable to owners of the Company (\$'000)	2,209	3,423
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	4.15	6.43

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

Notes to the Financial Statements

For The Financial Year Ended 31 December 2019

22. Commitments

22.1 Operating lease commitments

As lessee

At 31 December 2018, commitments in respect of future minimum rental payable under non-cancellable operating leases in respect of office premises, other operating facilities and forklifts are as follow:

	Group 2018 \$'000	Company 2018 \$'000
Future minimum lease payments payable:		
Not later than one year	1,526	1,216
Later than one year but not later than five years	2,883	2,757
Later than five years	805	787
	<u>5,214</u>	<u>4,760</u>

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

As lessor

The Group and Company have leased out its leasehold property under non-cancellable operating leases with remaining lease terms of 1 years (2018: 1 to 2 years). The lessees have the option to renew for another one year at market rate subject to agreement by both parties.

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

	Group and Company 2019 \$'000		2018 \$'000	
Future minimum lease payment receivable:				
Not later than one year	159		481	
Later than one year but not later than five years	–		83	
	<u>159</u>		<u>564</u>	

22.2 Capital commitments

	Group 2019 \$'000		2018 \$'000	Company 2019 \$'000		2018 \$'000
Capital expenditure contracted but not provided for:						
– Purchase of land and building	642,000	–	–	–	–	–
– Motor vehicle	48,000	–	–	–	–	–
– Plant and machinery	28,000	–	28,000	–	–	–
	<u>718,000</u>	<u>–</u>	<u>28,000</u>	<u>–</u>	<u>–</u>	<u>–</u>

Notes to the Financial Statements

For The Financial Year Ended 31 December 2019

22. Commitments (Continued)

22.2 Capital commitments (Continued)

On 15 October 2019, a subsidiary entered into a Sale and Purchase Agreement (“SPA”) with a third party (the “Vendor”) to acquire a piece of industrial land together with a building located in Mukim of Ulu Sungai Johor, District of Kota Tinggi, Johor, Malaysia for a total consideration of RM2,200,000. The amount paid to the Vendor of RM220,000 during the financial year has been recognised as non-refundable deposits in other receivables (Note 8). Subject to terms and conditions stipulated in the SPA, the transaction has yet to be completed as of the financial year-end.

23. Contingent liabilities

As at 31 December 2019, there were contingent liabilities in respect of corporate guarantee of \$1,200,000 (2018: \$1,200,000) given by the Company for hire purchase credit facilities granted to the Group’s subsidiary. As at 31 December 2018, the Company has not recognised any liability in respect of the guarantee given to the bank for the facilities granted amounting to \$46,000 as the Directors have assessed that the likelihood of defaulting on repayment of its loans is remote and no change in credit risk of subsidiary. The hire purchase facility was fully paid during the financial year.

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			
	2019	2018		
	\$'000	\$'000		
Subsidiaries:				
– Trade sales	2,224	2,364		
– Trade purchases	10,987	12,846		
– Transport charges	63	37		
– Pallet repair income	227	384		
– Management fee charged from	96	96		
– Service rendered by	527	129		
– Sundry income	383	369		
	Group		Company	
	2019	2018	2019	2018
	\$'000	\$'000	\$'000	\$'000
Related parties:				
– Transport charges	1,006	1,061	761	813
– Printing expenses	–	2	–	2
Director-related employees' remuneration	751	802	637	529

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 2019

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

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

	Group	
	2019	2018
	\$'000	\$'000
Short-term employee benefits	2,012	2,187
Post-employment benefits	93	107
Directors' fees		
– Directors of the Company	164	160
– Subsidiaries		
– Directors of the Company	46	47
– Director-related employees	4	4
	2,319	2,505
Comprise amounts paid to:		
– Directors of the Group	1,270	1,307
– Director-related employees	751	802
– Other key management executives	298	396
	2,319	2,505

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	
	2019	2018
	\$'000	\$'000
First and final one-tier tax-exempt dividend paid of \$0.03 (2018: \$0.05) per ordinary share	1,597	2,662

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

Notes to the Financial Statements

For The Financial Year Ended 31 December 2019

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 pallets/packaging segment is mainly engaged in the manufacture and supply of wooden pallets and cases for the packing of industrial products. The timber related products segment is mainly engaged in the trading of raw timber related products. The Technical Wood® and related products segment is mainly engaged in the manufacture of Technical Wood®, Technical Wood® flooring and wood waste collection. The pallet rental and others segment are mainly engaged in pallet-leasing business.

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

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

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

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

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

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

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

26.1 Business segments

	Pallet/Packaging		Timber Related Products		Technical Wood® and Related Products		Pallet Rental and Others		Elimination		Consolidated	
					2019	2018						
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Segment revenue												
Sales to external customers	31,228	32,494	1,656	3,971	1,036	1,782	4,200	4,589	–	–	38,120	42,836
Inter-segment sales	9,556	13,427	3,917	5,092	993	1,286	–	1	(14,466)	(19,806)	–	–
Total revenue	40,784	45,921	5,573	9,063	2,029	3,068	4,200	4,590	(14,466)	(19,806)	38,120	42,836
Segment results	1,654	1,625	(905)	535	368	934	1,747	2,086	289	(1,250)	3,153	3,930
Finance costs											(330)	(24)
Profit before income tax											2,823	3,906
Income tax expense											(614)	(483)
Profit for the year											2,209	3,423

Notes to the Financial Statements

For The Financial Year Ended 31 December 2019

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
Group						
31 December 2019						
Segment assets	28,082	1,679	4,666	31,359	(3,952)	61,834
Unallocated assets						–
Total assets						61,834
Segment liabilities	9,645	361	392	1,335	(3,566)	8,167
Unallocated liabilities*						1,130
Total liabilities						9,297
Other segment information						
Capital expenditures	529	30	23	1,262	(485)	1,359
Depreciation	1,062	38	252	1,079	(22)	2,409
Amortisation	1,601	–	30	91	–	1,722
Insurance claim	(850)	–	–	–	–	(850)
Gain on disposal of property, plant and equipment	57	–	(4)	(324)	–	(271)
Property, plant and equipment written off	14	332	–	55	–	401
Write-down for obsolete inventories	126	–	–	–	–	126
31 December 2018						
Segment assets	28,203	3,165	4,497	32,922	(8,030)	60,757
Unallocated assets						133
Total assets						60,890
Segment liabilities	10,520	481	294	3,025	(6,678)	7,642
Unallocated liabilities*						1,282
Total liabilities						8,924
Other segment information						
Capital expenditures	346	31	26	1,455	(3)	1,855
Depreciation	1,513	58	271	1,199	(6)	3,035
Gain on disposal of property, plant and equipment	–	–	–	(501)	–	(501)
Reversal/write-down for obsolete inventories	24	–	(12)	–	–	12

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

Notes to the Financial Statements

For The Financial Year Ended 31 December 2019

26. Segment information (Continued)

26.2 Geographical information

Revenue from external customers

	Singapore		Malaysia		Others		Consolidated	
	2019	2018	2019	2018	2019	2018	2019	2018
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Revenue to external customers	28,872	34,859	7,023	6,314	2,225	1,663	38,120	42,836

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

Location of non-current assets

	Singapore		Malaysia		Others		Consolidated	
	2019	2018	2019	2018	2019	2018	2019	2018
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Non-current assets	10,510	8,114	3,358	3,767	48	434	13,916	12,315

Non-current assets consist of property, plant and equipment and right-of-use assets 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.

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.

Notes to the Financial Statements

For The Financial Year Ended 31 December 2019

27. Financial instruments and financial risk (Continued)

27.1 Credit risks (Continued)

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 bank deposits, fixed deposits and trade and other receivables.

The Group and the Company do not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics except for the top five trade receivables from third parties which accounts for 22% (2018: 18%) and 28% (2018: 27%) of the Group's and the Company's total trade and other receivables respectively, and receivables from subsidiaries which accounts for 23% (2018: 23%) 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.

Trade receivables

The aging analysis of trade receivables is as follows:

	Group		Company	
	2019	2018	2019	2018
	\$'000	\$'000	\$'000	\$'000
Current	3,969	4,293	3,802	3,629
Past due 1 to 30 days	1,885	2,186	1,715	1,506
Past due 31 to 60 days	821	770	607	513
Past due for more than 60 days	302	409	150	272
	6,977	7,658	6,274	5,920

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 has written off approximately \$74,000 (2018: \$8,000) during the financial year.

Notes to the Financial Statements

For The Financial Year Ended 31 December 2019

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 Company did not expect any significant credit losses from non-performance by the counterparties and accordingly, no loss allowance has been recognised.

For the Company's non-trade receivables due from a subsidiary, LHT Gpac Technology (M) Sdn. Bhd. ("LHT Gpac") amounting to \$1,117,000 (2018: \$1,400,000) (Note 8), management has taken into account the available internal information on the subsidiary's past, current and expected operating performance and cash flow position. The management monitors and assesses at 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 bank balances and fixed deposits

Credit risk also arises from balances held with banks. The Group and the Company substantially placed its bank balances in 2 banks (2018: 2 bank) which represent 73% and 97% (2018: 61% and 98%) respectively of the Group's and the Company's bank balances as at 31 December 2019.

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

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") and Chinese Renminbi ("RMB"). Exposure to currency risk is monitored on an ongoing basis and the Group endeavours to keep the net exposure at an acceptable level.

Notes to the Financial Statements

For The Financial Year Ended 31 December 2019

27. Financial instruments and financial risk (Continued)

27.2 Market risks (Continued)

(i) Foreign currency risk (Continued)

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 Functional currency of individual entities within the Group			Company	
	SGD \$'000	RM \$'000	VND \$'000	Total \$'000	SGD \$'000
2019					
Monetary assets					
SGD	–	896	–	896	–
RM	17	–	–	17	295
USD	922	2	96	1,020	77
RMB	44	–	–	44	44

Monetary liabilities

RM	23	–	–	23	489
USD	368	210	–	578	22

	Group				Company	
	Functional currency of individual entities within the Group					
	SGD	RM	RMB	VND	Total	SGD
2018	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Monetary assets						
SGD	–	568	–	–	568	–
RM	7	–	–	–	7	7
USD	791	–	76	66	933	1,675
RMB	30	–	–	–	30	30

Monetary liabilities

SGD	–	1,407	–	–	1,407	–
RM	1,752	–	–	–	1,752	1,752
USD	807	116	–	–	923	600

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.

Notes to the Financial Statements

For The Financial Year Ended 31 December 2019

27. Financial instruments and financial risk (Continued)

27.2 Market risks (Continued)

(i) Foreign currency risk (Continued)

Foreign currency sensitivity analysis

The following table details the sensitivity to a 10% (2018: 10%) increase and decrease in the relevant foreign currencies against the functional currency of 1 Group entity with all other variables held constant. 10% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 10% change in foreign currency rates. The sensitivity analysis includes external loans as well as loans to foreign operations within the Group where they gave rise to an impact on the Group's profit or loss.

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

	Group Increase/(Decrease) in profit for the year		Company	
	2019	2018	2019	2018
	\$'000	\$'000	\$'000	\$'000
RM				
Strengthens against SGD	(1)	(175)	(19)	(175)
Weakens against SGD	1	175	19	175
USD				
Strengthens against SGD	44	1	5	108
Weakens against SGD	(44)	(1)	(5)	(108)

(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 interest rate risk. Its interest rate risk is primarily attributable to lease liabilities as shown in Note 11 to the financial statements. The Group does not use derivative financial instruments to hedge its interest rate risk.

Fair value sensitivity analysis for fixed rate instruments

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 2019

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 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.

	Within one financial year or on demand \$'000	After one financial year but within five financial years \$'000	Total \$'000
Group			
2019			
<u>Financial liabilities</u>			
Interest bearing			
– lease liabilities	1,621	2,956	4,577
Non-interest bearing			
– trade and other payables*	3,342	–	3,342
	<u>4,963</u>	<u>2,956</u>	<u>7,919</u>
2018			
<u>Financial liabilities</u>			
Interest bearing			
– lease liabilities	229	320	549
Non-interest bearing			
– trade and other payables*	4,221	–	4,221
	<u>4,450</u>	<u>320</u>	<u>4,770</u>

Notes to the Financial Statements

For The Financial Year Ended 31 December 2019

27. Financial instruments and financial risk (Continued)

27.3 Liquidity risk (Continued)

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

	Within one financial year or on demand \$'000	After one financial year but within five financial years \$'000	Total \$'000
Company			
2019			
<u>Financial liabilities</u>			
Interest bearing			
– lease liabilities	1,323	2,850	4,173
Non-interest bearing			
– trade and other payables*	2,936	–	2,936
	<u>4,259</u>	<u>2,850</u>	<u>7,109</u>
2018			
<u>Financial liabilities</u>			
Interest bearing			
– lease liabilities	81	213	294
Non-interest bearing			
– trade and other payables*	3,892	–	3,892
	<u>3,973</u>	<u>213</u>	<u>4,186</u>
Financial guarantee contract issued for a subsidiary	<u>46</u>	<u>–</u>	<u>46</u>

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

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

28. Capital management policies and objectives

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

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

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

Notes to the Financial Statements

For The Financial Year Ended 31 December 2019

28. Capital management policies and objectives (Continued)

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

The Group and Company are not subjected to any externally imposed capital requirements for the financial years ended 31 December 2019 and 31 December 2018.

The Company's overall strategy remains unchanged from 2018.

29. Fair values measurement

29.1 Fair value of non-financial assets that are measured 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 measured at fair value, for which fair value is disclosed

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

29.3 Financial instruments that are measured at fair value

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

30. Events subsequent to the reporting date

30.1 Acquisition of leasehold properties

On 30 January 2020, the Company had accepted and signed the letter of offer from JTC Corporation in respect of the lease of a piece of land known as Pte Lot A7000010 at 30 Kranji Way, Singapore for a term of 30 years.

On 16 February 2020, Lian Hup Packaging Industries Sdn. Bhd., a wholly owned subsidiary of the Company entered into a Sale and Purchase Agreement with a third party to acquire of a piece of industrial land and together with the building erected thereon located in Mukim of Ulu Sungai Johor, District of Kota Tinggi, Johor, Malaysia for a total consideration of RM4,000,000 (equivalent to approximately \$1,340,000).

30.2 Effect of the Coronavirus Outbreak

On 31 January 2020, the World Health Organisation announced that the novel Coronavirus ("Covid-19") Outbreak as a global health emergency. The Group had taken precautionary measures and implemented operational protocols in its operations globally since January 2020 in response to the growing concerns over the Covid-19 outbreak. All precautions are taken to ensure the safety and well-being of its operational employees.

Notes to the Financial Statements

For The Financial Year Ended 31 December 2019

30. Events subsequent to the reporting date (Continued)

30.2 Effect of the Coronavirus Outbreak (Continued)

Due to the Covid-19 outbreak situation in Malaysia, the Malaysian Government has, on 16 March 2020, announced a 14-day Restricted Movement Control Order (“RMO”), where all Malaysians are prohibited from leaving Malaysia, and all businesses are to be closed except for those involved in certain essential goods and services, commencing on 18 March 2020. The RMO has been extended from 31 March 2020 till 14 April 2020 as announced by Malaysian Government on 25 March 2020.

The Group’s manufacturing facilities in Malaysia are subject to this RMO and are temporarily closed in compliance with the RMO directive. During this time, the Group is working closely with the Malaysian authorities to obtain clearance for the resumption of operations.

In regards to the Group’s Malaysian-based employees who make daily commutes to work in the Company in Singapore, the Company has already arranged accommodation in Singapore for those who agree to remain in Singapore during the period of the RMO.

During this difficult period, the Group’s priority is the safety, health and wellbeing of its employees while at the same time ensuring the long term sustainability of its operations.

As at the date of the financial statements, the Group expects such event to be temporary in nature and not to permanently affect the customers’ business. Due to the ongoing outbreak of Covid-19, the Group is unable to reasonably estimate the financial impact on the Group’s business, results of operations and cash flows for the financial year ending 31 December 2020.

31. 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 2019 were authorised for issue by the Board of Directors on 27 March 2020.

Supplementary Information In Compliance With SGX-ST

1 MATERIAL CONTRACT

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

2 INTERESTED PERSON TRANSACTION [Listing Rule Chapter 9]

In compliance with chapter 9 of the Listing Manual ("the Manual") of the Singapore Exchange Securities Trading Limited, there were no transactions with interested person (as defined in the Manual) for the financial year ended 31 December 2019 that exceeded the stipulated threshold. During the year, the aggregate amount of interested person transactions conducted, excluding transactions less than S\$100,000 was S\$1,006,490 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 \$756,424	0
Leayong Trading ("LT")	LT provides transport services to subsidiaries of the Company \$170,003	0
Gold Leayong Trading ("GLT")	GLT provides transport services to subsidiaries of the Company \$80,063	0
Tomy Printing Company ("TPC")	TPC provides printing services to the Company \$0	0
Total	\$1,006,490	0

For interested person transactions above, there were no transactions with interested persons as defined in the SGX's Listing Manual for the financial year ended 31 December 2019 that exceeded the stipulated threshold. Therefore, no shareholders' mandate pursuant to Rule 920 has been obtained.

Supplementary Information In Compliance With SGX-ST

3 RISK MANAGEMENT POLICY AND PROCESS

3.1 Business Risk Management

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

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

3.2 Raw Material Risk Management

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

3.3 Human Resource Management

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

3.4 Safety and Emergency Risk Management

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

3.5 Financial Risk Management

The Group's financial risks mainly consist of interest rate risk, liquidity risk, credit risk, foreign currency risk, and capital risk management which arise from the Group's financial instruments. The details of the management of these risks are stated in page 77 to 84 – Note 27 and 28 of the Notes to the Financial Statements for the year ended 31 December 2019.

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 2019 (“**FY 2019**”) with specific reference to the revised Code of Corporate Governance 2018 (the “**Code**”) issued by The Monetary Authority of Singapore on 6 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 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 nurture 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;
- Approving the Group’s policies, strategies and financial plans;
- Guide the formulation of the Group’s overall long-term strategic plans and performance objectives as well as operational initiatives;

Corporate Governance Report

- 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;
- Reviewing the Group's financial and management performance;
- Overseeing the business of the Group and monitoring the performance of the Company's management;
- Approval of nominations for the Board by the Nominating Committee and endorsing the appointments of the key executives and senior management;
- Reviewing recommendations made by the Audit Committee on the appointment, re-appointment or removal of external auditors; and
- Reviewing recommendations made by the Remuneration Committee and approving the remuneration packages for the Board and key management.

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 there is 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 the 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.

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.

Corporate Governance Report

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 kept 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 2019 are as follows:–

- Ethics and Professionalism: It’s not about doing a job but how you do it (e-learning) by the Institute of Singapore Chartered Accountants (ISCA).
- Introduction to cybersecurity by Temasek Polytechnic.
- Surviving Government Regulators’ Inspections on Employers and Updates to the Employment Act by BDO Risk Advisory Pte Ltd on 17 May 2019.
- E-learning courses by Thomson Reuters Accelus
 - Business Ethics (Global)
 - Business Continuity Management (Global)
 - Fraud Prevention (Global)
 - Conflict of Interest (Global)
 - Competition Law (APAC)
 - Competition Law (Australia)
 - General Data Protection Regulation (GDPR) (EU) V1.1
 - Code of Conduct (APAC)
 - Personal Data Protection Act (Singapore)
 - Personal Data Protection Act (Malaysia)
 - Compliance Induction (Global)
 - Information Security and Cyber Risk Awareness
 - Anti-Money Laundering (AML) for DNFBPs (APAC)
 - Using Social Media Responsibly
 - Conflict of Interest
 - Insider Trading
 - Anti-Bribery and Anti-Corruption (Global)
 - Trade Finance and Trade-Based Money Laundering (Global)

Corporate Governance Report

- Prevention of Discrimination and Harassment (APAC)
- Sanction (Global)
- Anti-Money Laundering and Counter-Terrorist Financing (AML/CTF) (APAC)
- Singapore Budget Seminar 2019 by BDO LLP.
- ACCA Technical2 Symposium 2019.
- Master Class on Mediation and Conflict Management by International Institute of Mediators, (IIM Singapore).
- ACCA Annual Conference 2019.
- Diploma in Legal Studies – Revised 2017.
- Essential of Starting a Business by Accounting and Corporate Regulatory Authority (ACRA).
- Fundamentals of Business Law – Revised.
- Director Training Programme by Accounting and Corporate Regulatory Authority (ACRA).
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- “Valuation” by accountingcpd.net on 24 March 2019.
- AC Pit-Stop: Harnessing the Full Potential of Internal Audit by Singapore Institute of Directors (SID).
- Singapore Governance and Transparency Index (SGTI) 2019 by Singapore Institute of Directors (SID).
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- Launch of the Singapore Directorship Report 2019 & Corporate Governance Guides for Boards in Singapore 2019 Edition by Singapore Institute of Directors (SID).
- PAIB, Professional Accountants In Business Conference 2019: Opportunities Amidst Transformations by the Institute of Singapore Chartered Accountants (ISCA).
- Corporate Governance Code 2018 Briefing by Singapore Institute of Directors (SID).

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.

Corporate Governance Report

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 the view it should take 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. 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 FY2019, 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 FY2019. Some Directors adjusted their schedules to ensure full participation in the board or board committee meetings for the deliberation of the Group business issues. The NC is of the view that the Directors have committed their time effectively to discharge their responsibilities.

A record of the Directors' attendance at the Board and Board Committee meetings as well as general meetings for FY2019 is set out in the next page.

Corporate Governance Report

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 Attended	No. of Meetings Attended	No. of Meetings held	No. of Meetings Attended	No. of Meetings held	No. of Meetings Attended
Yap Mui Kee (Managing Director)	2	2	2	2 [#]	2	2 [#]	2	2 [#]	2	2 [#]
Tan Kim Sing (Executive Director)	2	2	2	2 [#]	2	2 [#]	2	2 [#]	2	2 [#]
Billy Neo Kian Wee (Executive Director)	2	2	2	2 [#]	2	2 [#]	2	2 [#]	2	2 [#]
Tan Kok Hiang (Non Executive, Lead Independent Director)	2	2	2	2	2	2	2	2	2	2
Low Peng Kit (Non Executive, Independent Director)	2	2	2	2	2	2	2	2	2	2
Wu Chiaw Ching (Non Executive, Independent Director)	2	2	2	2	2	2	2	2	2	2
Li Suet Man*** (Non Executive, Independent Director – Appointed on 1 November 2019)	2	0	2	0	2	0	2	0	2	0
Sally Yap Mei Yen** (Alternate Director to Yap Mui Kee and Corporate Secretary)	2	2	2	2 [#]	2	2 [#]	2	2 [#]	2	2 [#]

By invitation.

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

*** During FY2019, Directors attended the above-scheduled meetings, which Mr Li Suet Man did not attend as he was not yet a Director nor a Member of these Board Committees.

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 high priority in 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 for 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 to ensure that the Board procedures are followed and all applicable rules and regulations are complied with. The Corporate Secretary also assists to coordinate 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 102 to 104 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 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 the Managing Director, Ms 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 to develop proposals on strategy and reviewed the performance of the management in meeting their goals and objectives. To facilitate a more effective check on the management, the Non-Executive Independent Directors had met twice in FY2019, without the presence of the management. Mr Li Suet Man did not attend the meetings as he was not a Director and Member of the Board Committees at the time of the meetings.

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 committees function within clearly defined terms of reference and operating procedures, which are reviewed on a regular basis.

Meetings of the Board

The dates of meetings of the Board and the Board Committees as well as the annual general meeting ("AGM") are scheduled half year in advance. To ensure maximum participation, the Corporate Secretary will consult every director before fixing the dates of these meetings. The Board meets at least two times within each financial year and at other times as appropriate, to approve the release for the Group's financial results as well as to consider and resolve 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 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 FY2019, without the presence of management.

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.

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 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 (appointed on 1 November 2019)	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 Directors is appropriate. The NC also takes into account 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 in an effective and practical manner. 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 has the opportunity to 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. In addition, it consists of directors with ages ranging from more than forty-five (45) to seventy-one (71) 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.

Corporate Governance Report

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.

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 presence of the Management 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 both during or after the Board and Board committee meetings.

The Board is of the view that there exist a team of strong Non-Executive Independent Directors on the Board to enable the exercise of unbiased and objective judgement on corporate affairs of the Group by members of the Board, taking into account 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 8 August 2019 and 28 February 2020, 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.

Corporate Governance Report

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

The Board is of the view that, at this point in time, 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 take into consideration 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;***

Corporate Governance Report

- (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).*

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 – Appointed on 1 November 2019)

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 or not 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 that are faced when Directors serve on multiple boards to ensure that Directors give sufficient time and attention to each Company's affairs.
- (viii) to assess the effectiveness of the Board as a whole and to assess the contribution of each Director to the effectiveness of the Board. This assessment process is performed and disclosed annually.

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

Corporate Governance Report

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 95 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.

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.

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.

Corporate Governance Report

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:

Name of Director	Yap Mui Kee (Managing Director)
Shareholding in the Company (as at 9 March 2020)	7,132,832 Shares (as set out on page 156 of this report)
Board Committees Served	None
Date of first appointment as Director	02 January 1988
Date of last re-election as Director	27 April 2018
Present Directorships in other listed companies	None
Past Directorships in other listed companies (within the last 3 years)	None
Other Principal Commitment	None

Name of Director	Tan Kim Sing (Executive Director)
Shareholding in the Company (as at 9 March 2020)	9,671,205 Shares (as set out on page 156 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
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 2020)	856,000 Shares
Board Committees Served	None
Date of first appointment as Director	24 February 2017
Date of last re-election as Director	28 April 2017 (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 2020)
Present Directorships in other listed companies	None
Past Directorships in other listed companies (within the last 3 years)	None
Other Principal Commitment	None

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Name of Director	Tan Kok Hiang (Non-Executive Lead Independent Director)
Shareholding in the Company (as at 9 March 2019)	10,000 Shares
Board Committees Served	Tan Kok Hiang is a Chairman of Audit Committee and Remuneration Committee and Member of Nominating Committee
Date of first appointment as Director	01 July 1999
Date of last re-election as Director	27 April 2018
Present Directorships in other listed companies	Enviro-Hub Holdings Ltd (Non-Executive Independent Director) Transit-Mixed Concrete Ltd (Non-Executive Chairman, Independent Director) ICP Limited (Formerly known as Goldtron Limited) (Non-Executive Independent Director)
Past Directorships in other listed companies (within the last 3 years)	None
Other Principal Commitment	None

Name of Director	Low Peng Kit (Non-Executive Independent Director)
Shareholding in the Company (as at 9 March 2020)	3,750 Shares
Board Committees Served	Low Peng Kit is a Chairman of Nominating Committee, Member of Audit Committee and Remuneration Committee (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 2020)
Date of first appointment as Director	01 July 1999
Date of last re-election as Director	28 April 2017
Present Directorships in other listed companies	None
Past Directorships in other listed companies (within the last 3 years)	None
Other Principal Commitment	None

Name of Director	Wu Chiaw Ching (Non-Executive Independent Director)
Shareholding in the Company (as at 9 March 2020)	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
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	None

Corporate Governance Report

Name of Director	Li Suet Man (Non-Executive Independent Director)
Shareholding in the Company (as at 9 March 2020)	None
Board Committees Served	Li Suet Man is a Member of Audit Committee, Remuneration Committee, and Nominating Committee (Recommended by Nominating Committee for re-election under Regulation 107 of the Company's Constitution at the forthcoming Annual General Meeting to be scheduled on 29 April 2020)
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 2020)	88,800 Shares
Board Committees Served	Company Secretary to the Audit Committee, Nominating Committee, and Remuneration Committee
Date of first appointment as Director	20 July 1998
Date of last re-election as Director	27 April 2018 (same as the appointor above)
Present Directorships in other listed companies	None
Past Directorships in other listed companies (within the last 3 years)	None
Other Principal Commitment	None

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

The NC has adopted internal guidelines that address the competing time commitments that are faced when Directors serve on multiple boards to ensure that Directors give sufficient time and attention to each company's affairs. Further, the NC and the Board are of the view that such multiple board representations of the Directors benefit the Group, as the Directors 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.

Corporate Governance Report

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

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

- (a) all the Directors of the NC are Non-Executive and Independent Directors and 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 as a whole possesses core competencies required for the effective conduct of the affairs and operations of the Group; and
- (d) the current size of the Board is adequate for the purposes of the Group.

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 been providing substantial contributions in providing feedback to the Board and at the Company's Board meetings. The NC, taking into consideration on 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 of a director.

BOARD PERFORMANCE

PRINCIPLE 5:

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

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.

Board Performance

In the process of assessing the effectiveness of the Board, the contribution of individual directors plays an important role. In reviewing the re-election as well as re-appointment of any director, a formal process is established to evaluate the performance of the directors annually. Assessment on 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 FY2019 and the result shown the effectiveness of the Board as a whole and its Board Committees, and the contribution by each director to the effectiveness of the Board are consistently good.

Corporate Governance Report

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

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

- (a) Attendance at board/committee meetings and related activities
- (b) Adequacy of preparation for 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.

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.

Corporate Governance Report

II. REMUNERATION MATTERS

PROCEDURES OR 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 – Appointed on 1 November 2019)

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. During FY2019, the RC held two scheduled meetings, which Mr Tan Kok Hiang, Mr Low Peng Kit and Dr Wu Chiaw Ching attended. Mr Li Suet Man was not a Director and Member of the RC at the time of the meeting.

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.

Corporate Governance Report

- (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 terms 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.

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 FY2019.

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.

Corporate Governance Report

The Board has considered and approved the RC's proposal in respect of the Non-Executive Directors' fees for FY2019. The RC and the Board are of the view that the remuneration of the Directors is appropriate and not excessive taking into account 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 remuneration structure for its Executive Director and key management personnel 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 long term success of the Group.

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 the effort, time spent and responsibilities of each Independent Director. 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 director fee of the newly joined Non-Executive Independent Director, Mr Li Suet Man is pro-rated according to the number of months that he had served during FY2019. The directors' fees are subject to shareholders' approval at the AGM on 29 April 2020. 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 financial loss to the Company and the Group. Notwithstanding the preceding, the Executive Director owes a fiduciary duty to the Company and 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.

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 Directors and key management personnel of the Company. 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, which included salary, bonus and benefits-in-kind. Also, the RC reviewed the performance of the key management personnel and considered the Executive Director's recommendation for bonus and remuneration for the key management personnel.

Corporate Governance Report

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 FY2019 are presented in the following table. The remuneration for the Executive Directors is based on his/her service agreement with the Company.

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

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

- (1) to review the remuneration packages and terms of employment of each Executive Director, divisional or subsidiary companies' Directors and each employee who is related to the Executive Director and controlling shareholder of the Group.
- (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 terms of aggregate remuneration and not being Directors) are formulated.
- (5) to ensure no Director or member of the RC shall be involved in deciding his own remuneration, except for providing information and documents requested by the RC to assist it in its deliberations.
- (6) to recommend to the Board a framework of remuneration, and the specific remuneration packages for each Director and the CEO (or Executive of equivalent rank) if the CEO is not a Director. The RC's recommendations should be submitted for endorsement by the entire Board. The RC should cover all aspects of remuneration, including but not limited to Director's fees, salaries, allowances, bonuses, options, and benefits in kind. RC will also review the remuneration of senior management.

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

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

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

Each of the remunerations of the Executive Directors are 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, among others, a fixed salary and a variable performance bonus.

As set out in the table below and next page, **Provision 8.1(a)**, the performance-related elements of remuneration formed a proportion of the total remuneration package of the Executive Directors, which is designed to align the Executive Directors' interests with that of the Shareholders. The variable bonus makes up 19%, 19% and 17% of the total remuneration paid to each of the Executive Directors, Ms Yap Mui Kee, Mr Tan Kim Sing, and Billy Neo Kian Wee respectively in FY2019.

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

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

Report to Shareholders on Remuneration and Disclosure of Directors' Remuneration

Due to the confidentiality reason and to protect the Group's interest, **Provision 8.1(a)** is not complied with. Appended herein below are a breakdown showing the level and mix of each Director's remuneration and the Managing Director in bands of S\$250,000 for FY 2019:–

Name & Designation	FY2019		FY2018	
	Above S\$250,000 and below S\$500,000	%	Above S\$250,000 and below S\$500,000	%
Yap Mui Kee (Managing Director)	Salary	63	Salary	58
	Fee*	14	Fee	14
	Bonus	19	Bonus	25
	Other Benefits	4	Other Benefits	3
Tan Kim Sing (Executive Director)	Salary	59	Salary	56
	Fee*	16	Fee	15
	Bonus	19	Bonus	26
	Other Benefits	6	Other Benefits	3

Corporate Governance Report

Name & Designation	FY2019		FY2018	
	Below S\$250,000	%	Below S\$250,000	%
Billy Neo Kian Wee (Executive Director)	Salary	65	Salary	62
	Fee*	11	Fee	11
	Bonus	17	Bonus	22
	Other Benefits	7	Other Benefits	5
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 – Appointed on 1 November 2019)	Salary	–	Salary	–
	Fee*	100	Fee	–
	Bonus	–	Bonus	–
	Other Benefits	–	Other Benefits	–
Sally Yap Mei Yen (Alternate Director## to Yap Mui Kee and Corporate Secretary@@)	Salary	80	Salary	78
	Fee*	–	Fee	–
	Bonus	20	Bonus	22
	Other Benefits	–	Other Benefits	–

* Fees are subject to the approval of the Shareholders at the AGM for FY2019.

** Mr Li Suet Man was appointed as a Non-Executive Independent Director on 1 November 2019. His remuneration as an Independent Director has been pro-rated accordingly.

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

@@ Remunerated under the capacity of a Corporate Secretary, belongs to the level and mix of remuneration of the top key executives as shown on page 114.

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. 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 FY 2019:–

Name & Designation	FY2019		FY2018	
	Below S\$250,000	%	Below S\$250,000	%
Vincent Tan Khar Kheng (Administration and Financial Controller)	Salary	83	Salary	78
	Bonus	17	Bonus	22
	Other Benefits	–	Other Benefits	–
William Yap Yew Weng (Senior Sales Manager)	Salary	95	Salary	96
	Bonus	5	Bonus	4
	Other Benefits	–	Other Benefits	–
Derek Neo Kah Seng ^{^^} (Recycling Plant Manager)	Salary	88	Salary	90
	Bonus	12	Bonus	10
	Other Benefits	–	Other Benefits	–
Benny Kok Chee Chuen ^{>>>} (Production Manager – Retired on 19 July 2019)	Salary	100	Salary	90
	Bonus	–	Bonus	10
	Other Benefits	–	Other Benefits	–

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

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

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 and Executive Directors

Due to confidentiality reason and to protect the Group's interest, **Provision 8.2** of the Code is partially complied with. 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 FY 2019 is as follows:-

Name & Designation	Relationship	FY2019		FY2018	
		Below S\$250,000	%	Below S\$250,000	%
Yap Mei Lan (Senior Sales Manager)	Sister of Yap Mui Kee, (Managing Director, Substantial Shareholder)	Salary	82	Salary	75
		Bonus	18	Bonus	25
		Other Benefits	-	Other Benefits	-
Yeo Wen Torng (ECR-RFID Project Manager)	Spouse of Yap Mui Kee, (Managing Director, Substantial Shareholder)	Salary	85	Salary	82
		Bonus	15	Bonus	18
		Other Benefits	-	Other Benefits	-
Tay Kee Kuang (Director of the subsidiaries – Lian Hup Packaging Industries Sdn Bhd and Siri Belukar Packaging Industries Sdn Bhd – Resigned on 6 January 2020)	Nephew of Neo Koon Boo (Substantial Shareholder)	Salary	80	Salary	69
		Bonus	11	Bonus	23
	Cousin of Billy Neo Kian Wee (Executive Director, Shareholder)	Fee	9	Fee	8
		Other Benefits	-	Other Benefits	-
Tay Kee Soon (Assistant Factory Manager of Siri Belukar Packaging Sdn Bhd)	Nephew of Neo Koon Boo (Substantial Shareholder)	Salary	91	Salary	82
		Bonus	9	Bonus	18
	Cousin of Billy Neo Kian Wee (Executive Director, Shareholder)	Other Benefits	-	Other Benefits	-
Tan Hwei Hsia (Accounts Manager)	Daughter of Tan Kim Sing (Executive Director, Substantial Shareholder)	Salary	88	Salary	85
		Bonus	12	Bonus	15
		Other Benefits	-	Other Benefits	-
Yap Chun Chun (Assistant Sales Manager)	Cousin of Yap Mui Kee (Managing Director, Substantial Shareholder)	Salary	88	Salary	86
		Bonus	12	Bonus	14
		Other Benefits	-	Other Benefits	-
Yap Lai Eng (Assistant Sales Manager)	Cousin of Yap Mui Kee (Managing Director, Substantial Shareholder)	Salary	85	Salary	88
		Bonus	15	Bonus	12
		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 above shows the breakdown of the remuneration and fees of the Directors for FY2019. 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 retention of such personnel.

The Company does not have the 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.

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 areas such as 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 for 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 as well as appropriate measures to control and mitigate these risks. Management reviews all significant policies and procedures and highlights all significant matters to the Board and the AC.

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 has been incorporated into its business cycle. The Group engages a professional firm, D'Ark Services Pte Ltd to conduct internal audit reviews based on the plan approved by the AC.

During the year, the AC also reviewed reports submitted by the internal auditors relating to the effectiveness of the Group's internal controls, 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 2019 to address the risks that the Group considers relevant and material to its operations.

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

- the financial records of the Group have been properly maintained and the financial statements for FY2019 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, FC 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 28 February 2020 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
- (ii) Written assurance was received from the CEO and the KMPs that the Group's risk management and internal controls systems in place 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

Corporate Governance Report

internal control systems of the Group, addressing the financial, operational, compliance and information technology risks are adequate and effective as at 31 December 2019 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 that was in place throughout the financial year under review and up to the date of this report, provides reasonable, but not absolute, assurance against material financial misstatements or losses, and include the safeguarding of assets, the maintenance of proper accounting records, the reliability of financial information, compliance with appropriate legislation, and the identification and containment of business risks. The Board with the concurrence of the AC is satisfied that the internal audit is adequately resourced and has the appropriate standing within the Group, and that the internal controls are adequate in addressing financial, operational, compliance and information technology risks in the Company.

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

AUDIT COMMITTEE

PRINCIPLE 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***
- (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.***

Corporate Governance Report

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 FY2019, the AC met twice. Details of the members' attendance at AC meetings in FY2019 are provided on page 93 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 which the internal and external auditors may wish to discuss (in the absence of Management where necessary).
- e) to review the assistance given by Management to the auditors.
- f) to review the internal audit programme and ensure co-ordination between the internal and external auditors and Management and to ensure the integrity of the financial statements and any formal announcements relating to the Company's financial performance.
- g) to review the scope and results of the internal audit procedures.
- h) to review the significant financial reporting issues, judgements so as to ensure the integrity of the financial statements and any formal announcements relating to the Company's financial performance.

Corporate Governance Report

- i) to review and discuss with the external auditors, any suspected fraud or irregularity, or suspected infringement of any Singapore law, rules or regulations, which has or is likely to have a material impact on the Company's operating results or financial position, and Management's response.
- j) to report to the Board its findings from time to time on matters arising and requiring the attention of the Committee.
- k) to review the Interested Person Transactions.
- l) to undertake such other reviews and projects as may be requested by the Board.
- m) to undertake such other functions and duties as may be required by statute or the Listing Manual, and by such amendments made thereto from time to time.
- n) to make recommendations to the Board on the appointment, re-appointment, and removal of the external auditor, and approving the remuneration and terms of engagement of the external auditor.
- o) to ensure arrangements are in place for staff to raise concerns in confidence, and that there is 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 has full discretion to invite any Director or executive officers to attend its meetings.

The internal audit function for the Group for the FY 2019 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 provide recommendations to address these risks. The internal audit plan is approved by the AC and the results of the audit findings are submitted to the AC for its review and deliberation in its meeting. The external auditors during their statutory audit, will consider the system of internal controls relevant to the Company's preparation of financial statements. The internal and external auditors conducted an annual review in accordance with their audit plans, on the effectiveness of the Company's material internal controls. Any material non-compliance or failures in internal controls and recommendations for improvements were reported to the AC. The AC, together with the Board has also reviewed the effectiveness of the actions taken by management on the recommendations made by the internal and external auditors in this respect. The Board and the AC are of the view that the internal audit is adequately resourced and has the appropriate standing within the Group.

The AC meets with the external auditors and internal auditors, in each case without the presence of the management, at least twice to review the overall scope and results of external and internal audits, and the assistance was given by the management to the external auditors. The AC met with the external auditors without the presence of management on 8 August 2019 and 28 February 2020. The AC has reasonable resources to enable it to discharge its function properly.

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 2019, Note 18, page 69 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.

Corporate Governance Report

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

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

Whistleblowing Policy And Procedure

To encourage proper work ethic and facilitate the eradication 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 FY2019.

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 by it, 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 as well as whistleblowing communication channel has been disseminated to all staff via email and is also posted on the Company's intranet for staff reference. Staff are 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.

The Company treats all information received confidentially and where requested, as far as reasonably practicable, protects the identity and the interests of all whistleblowers. 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 8 August 2019.

Corporate Governance Report

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 FY2019, the AC held two scheduled meetings, which all members attended, which Mr Li Suet Man did not attend as he was not a Director and Member of the AC at the time of such meeting.

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 also 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 the discussion on matters in which he is interested

Review of interested person transactions

The AC has reviewed interested person transactions of the Group for FY2019 and reported its findings to the Board. Please refer to page 86 of the annual report for further details on the interested person transactions of the Group for FY2019.

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 financial results announcements of the Company before their submission to the Board for approval.

Corporate Governance Report

The AC has explicit authority to investigate whistleblowing complaints and 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 FY2019 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 FY2019, 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 FY2019. The key audit matters can be found on pages 20 to 21 of this Annual Report.

Management reported to and discussed with the AC the changes to the accounting standards and accounting issues which have a direct impact on 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 have an 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 is 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.

The AC approves the hiring, removal, evaluation and compensation of the internal auditors. For FY 2019 the internal audit function of the Company was outsourced to D' Ark Services Pte Ltd. The internal auditor reports primarily to the Chairman of the AC and has full access to the documents, records, properties, and personnel of the Company and the Group.

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

Corporate Governance Report

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

The internal audit work carried out in FY 2019 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 adequacy of the Group's internal controls, including financial, operational, compliance and management information system controls, as well as risk management system.

The AC reviews the adequacy of the Group's internal audit function 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 FY2019, 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 8 August 2019 and 28 February 2020.

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 explanation for 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.

Corporate Governance Report

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, as well as 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 which 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>.

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 Constitution of the Company 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 general meetings of the Company as their CPF and SRS agent banks' proxies.

Corporate Governance Report

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 93 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.

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 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 at the 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 provide guidance to 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 are in compliance with all applicable laws and regulations.

Corporate Governance Report

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 2019, payment of which is subject to shareholders' approval at the forthcoming AGM on 29 April 2020.

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.

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. Financial results of the Group 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 to understand the shareholders concerns.

All resolutions at AGMs are put to the vote by poll to allow greater transparency and more 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 materially affect the price or value of its shares.

Corporate Governance Report

The Company's Investor Relations Policy is published on the Company's website under investor relations module and 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 the fair, transparent and timely disclosure.

Shareholders are allowed to participate effectively and vote at general meetings of the Company and they will be informed of the rules, 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 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.

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 an explanation for the proposed resolution. The proxy form is sent with the notice of AGM/EGM to all shareholders.

All Directors, in particular, 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, Company Secretary, the external auditors, BDO LLP and legal advisors (if necessary) are also invited to attend the general meeting. The procedures of general meetings provide shareholders 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.

Corporate Governance Report

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.

V. MANAGING STAKEHOLDERS RELATIONSHIPS

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.

The company discloses in its annual report, its strategy and key areas of focus 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 long term future of the Company. The Company's efforts on sustainability are focused on creating sustainable value for our key stakeholders, which include 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 page 137 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 to enable stakeholders to contact the Company if required.

Corporate Governance Report

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.



LHT HOLDINGS LIMITED

Sustainability Report 2019





Optimising Green and Enhancing Value

Sustainability Report

ABOUT THIS REPORT

LHT Holdings Limited (“LHT” or the “Group” or the “Company”) is pleased to present its third annual sustainability report. With this report, LHT aims to disclose its sustainability performance for the financial year ended on 31 December 2019.

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

The objective of this report is to provide LHT’s stakeholders with an overview of its key Environmental, Social, and Governance (ESG) related initiatives. The scope of this report covers LHT’s operations from 1 January 2019 to 31 December 2019 in Singapore, unless otherwise stated. This report has not been externally assured.

The quality of the content of this report 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:

1

Stakeholder Inclusiveness

- To identify LHT’s stakeholders and explain how it has responded to their reasonable expectations and interests.

2

Sustainability Context

- To present LHT’s performance in the wider context of sustainability.

3

Materiality

- To reflect LHT’s significant economic, environmental and social impacts or substantively influence the assessments and decisions of stakeholders

4

Completeness

- To include coverage of material topics and their boundaries, sufficient to reflect significant economic, environmental and social impacts, and to enable stakeholders to assess LHT’s performance during 2019

CONTACT US

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

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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

Sustainability Report

BOARD STATEMENT

Dear Stakeholders,

As the Group progressed to the third consecutive year of publishing sustainability report, we as the Board of Directors (the “Board”) of LHT recognise the long-term success of our business is closely intertwined with our effort in managing the ESG factors across our business operations.

At the Board level, we recognise the importance of creating a sustainability-focused culture across our various business functions. We have, and will continue to consider sustainability issues and concerns in the development of our Group’s strategies.

Regularly, we will involve in the materiality assessment exercise to identify ESG topics that are important and significant to our stakeholders as well as business. We will continue the effort to work hand-in-hand with our management to ensure that the material ESG topics are monitored and managed correctly.

Sustainability is a long-term journey, and we are looking forward to inculcating good reporting habits to enhance our sustainability reporting as well as to generate positive economic, environmental, and social returns for our stakeholders.

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

-Our Commitment-



Sustainability Report

2019 KEY SUSTAINABILITY IMPACT



5,052.85
tonnes

total weight of laminated veneer lumber was used as a sustainable alternative to using traditional wood sources



14,462.63
tonnes

total weight of collected horticulture and industrial wood waste for recycling



16,087.33
tonnes

total weight of woodchips produced from the horticulture and industrial wood waste for internal technical wood and as well as biomass fuel



78.6%
of available pallets

percentage of available pallets rented out to minimize wood wastages and carbon footprint by recycling pallets for rent



4
educational tours

total of promotional tours hosted to increase awareness, to encourage, and to promote to public and educational institutes on 3R- Reduce, Reuse, Recycle



1049.5
hours

total training hours on fire safety, health and workplace safety topic received by production employees



1.71

rate of serious injury cases for every 100,000 man hours worked



0

rate of fatality for every 100,000 man hours worked

Sustainability Report

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

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

Sustainability Report

OUR APPROACH TO SUSTAINABILITY

Our Sustainability Committee



Our Sustainability Commitment

LHT believes that a strong commitment by our leadership is key to growing a sustainable business. Thus, LHT's Board oversees the incorporation of ESG factors into LHT's firm wide strategic goals and policies. The subsequent management and monitoring of ESG factors are also monitored by the Board to ensure successful integration.

In 2019, LHT complied with the Code of Corporate Governance 2018 (the "Code") issued by The Monetary Authority of Singapore on 6th August 2018. The Group continues to ensure full compliance is adhered to across company operations by appointing our Business Unit Heads to regularly communicate business ethics guidelines, rules, and regulations to our employees.

LHT's Code of Conduct states the expectations of our employees and the respective consequences in its transparent and fair grievance procedures, and any violations or conflicts of interest are not taken lightly. 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 regularly reviewed to support LHT's ability to conduct our business responsibly.

This year, LHT has been focusing our efforts on managing the environmental and social components of ESG. Our Company has implemented sustainable and responsible practices throughout our business model to enhance the ESG factors incorporated into our sustainable strategy.

The Company's products and services meet current environmental and safety standards, as well as the demands of our customers. LHT also enforced good labour practices throughout our operations. The success of this initiative contributed to ensuring LHT continues to provide high-quality products and reliable delivery services to our satisfied customers.

For details of the SGX Code of Corporate Governance, please refer to pages 88 to 129 of LHT's Annual Report 2019.






Sustainability Report

OUR STAKEHOLDER ENGAGEMENT

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

The Group engaged its stakeholders using various channels 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 they have to formulate a corporate sustainability strategy. A mix of formal and informal channels of communication was adopted to effectively identify and holistically understand the sustainability concerns of LHT's key stakeholders. This initiative has led to the creation of mutually beneficial relationships and better positions LHT's ability to anticipate and react to economic and ESG challenges, bolstering its sustainability efforts.

LHT continues to value our relationships with clients and the wider community where it operates as these relationships have carried the Company through challenging times in the past. LHT strongly believes that these stakeholder engagement efforts will have a positive impact on our economic performance in the long run. Key stakeholders are carefully chosen based on their ability to influence LHT's performance and provide effective solutions for the incorporation of sustainability into our operations. The table below shows how LHT engages with our stakeholders to create shared values.

Stakeholder Group	Modes of Engagement	Value Creation
 Employees	<ul style="list-style-type: none"> Employee appraisals Informal one-to-one sessions Managers' and seniors' open-door policy 	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"> Hotline Email queries Customer visits Face-to-face meetings Telephone follow-ups Annual review and feedback sessions 	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"> Face-to-face meetings Annual review and feedback sessions Email queries Supplier audits Telephone follow-ups 	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"> Group Annual Report Annual General Meeting Extraordinary General Meeting Group Result Announcement Informal discussion 	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"> Face-to-face meetings Regular inspection/visit by the agencies Monthly/yearly reporting Regular audits 	LHT aims to achieve full compliance and seeks to raise the standards of its sustainability practices through regular inspections, audits and frequent reporting.

Sustainability Report

OUR MATERIALITY ASSESSMENT

In 2019, LHT conducted a materiality assessment to review the relevancy of the existing ESG topics. A materiality assessment was conducted with the help of an external consultant to evaluate the relevancy of the existing ESG topics against current business operations. Several rounds of discussions were conducted between management and various stakeholder groups.

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

Sustainability Report

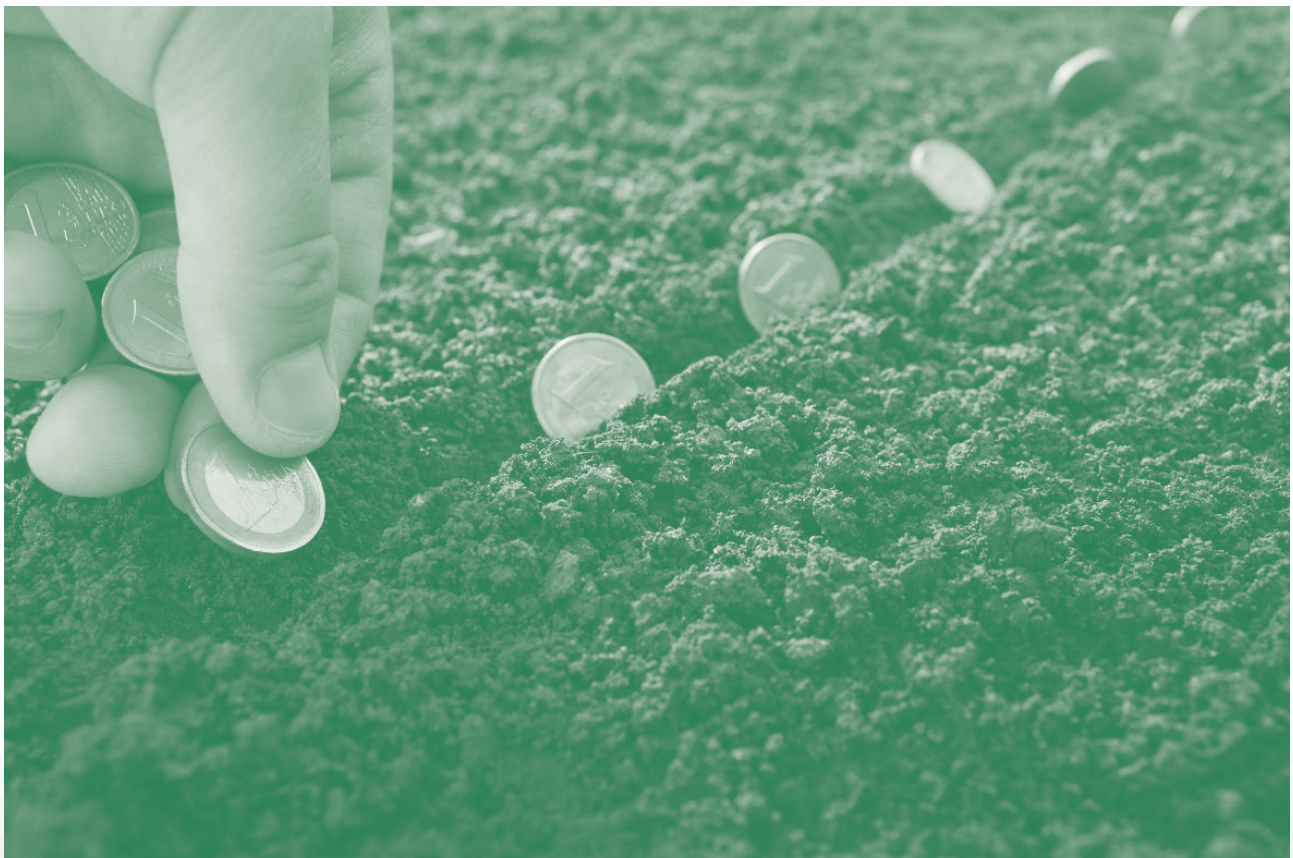
ECONOMIC PERFORMANCE SUMMARY

LHT is committed to offering our customers world-class, high quality, and environmental-friendly packaging solutions, complemented by exceptional service. The Group aspires to be the leading and largest manufacturer of high-quality wooden pallets, boxes, cases and crates in our industry.

To realize this aspiration, LHT aims to grow our customer base consistently. The Group is committed to exceeding our customers' expectations with quality wooden pallets, boxes, cases and crates and reliable delivery services. The Group believes that adopting good corporate governance and practices will allow us to achieve long-term sustainable growth and increased shareholder value.

For details of the financial results, please refer to the following sections in LHT's Annual Report 2019:

- Operating and Financial Review, pages 11 to 13
- Financial Summary, pages 14 to 15
- Financial Statements, pages 24 to 85

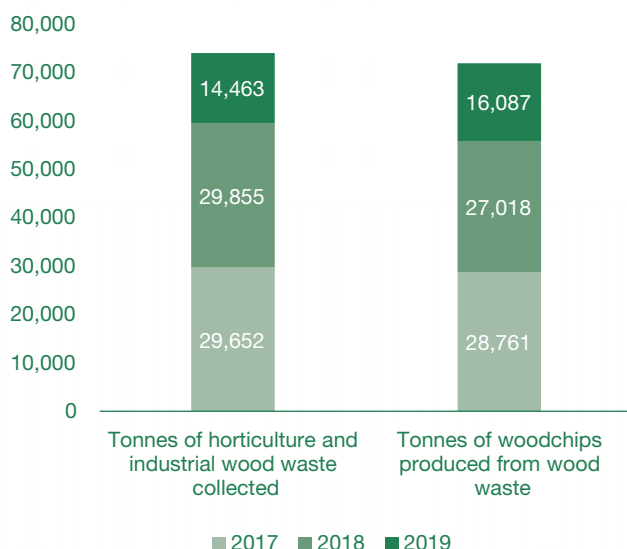


Sustainability Report

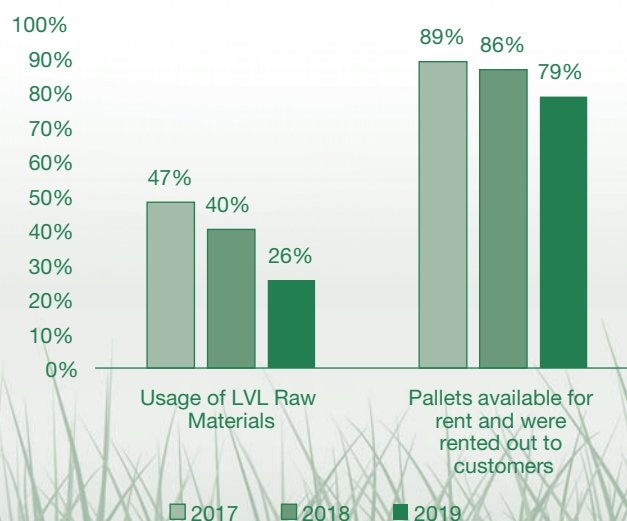
ENVIRONMENT PERFORMANCE

Climate change is affecting global business operations, and LHT is ensuring that we continuously reduce the negative impact of our business on the environment. We recognize that a circular business model is underpinned by using not only renewable materials but also recyclable materials, which include alternatives to wood for wood-like products. We are committed to ensuring all our business operations are focused on reducing carbon emissions through our Reduce, Reuse, and Recycle (3R) programme, throughout our business value chain.

Graph 1: Industrial Wood Waste & Produced Woodchips



Graph 2: LVL Material Usage and Rental Pallets



Our Environmental Pledge & Commitments

The Group has translated its commitment to action by conducting responsible business operations by reducing the environmental impact of its operations in compliance with ISO 14001 since June 2001.

Besides ISO 14001, all policies and business practices are monitored to ensure they align with ISO 9001 and the Bizsafe certification.

We appreciate living in a clean, thriving environment, and we believe it is our sole responsibility to continue protecting it from any form of pollution. Therefore, our Group takes measures to reduce our usage and reuse our resources.

LHT also recycles our construction materials for the reproduction of woodchips. Our group EHS policy reflects our pledge for greener business practices and sustainable workplace culture by implementing EHS performance metrics goal setting at all departmental levels.

Every year, we review our targets based on market demand, climate demand, and input from stakeholders on adopting best-in-class sustainable business practices.

Our 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 tasked with initiating and proposing new ideas, leading enhancements, and monitoring various aspects of LHT's safety and sustainability programs.

Moving forward, LHT will continue to refine our management 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

As a leading manufacturer of wooden pallets, LHT consumes a lot of wood products in our manufacturing operations. However, the Company is aware of the risk of uncontrolled deforestation that may be an unintended by-product of our business activities. Therefore, our Company prioritises, reducing deforestation and land degradation to keep temperature increases within safe levels, and we consciously consume LVL as a raw material.

Timber products are completely renewable as its raw materials originate from the forest and utilise a renewable energy source, the sun, to reproduce and regenerate. Once these raw materials are harvested for manufacturing, the resource can be replaced and replenished for generations to come.

The use of LVL is, therefore, able to 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. Ultimately, LHT's objective is to reduce waste and increase efficiency by using more LVL in its products.

In 2019, due to current economic situation, customer preferences have shifted towards pinewood, which is at a better price point. However, LHT will still advocate LVL where possible. Due to this shift in customer preference, the target for 2020 will be adjusted to 20%.

	2018	2019	2020
Target	To use LVL as raw materials in at least 42% of raw materials purchased for pallets produced.	To use LVL as raw materials in at least 30% of raw materials purchased for pallets produced.	To use LVL as raw materials in at least 20% of raw materials purchased for pallets produced.
Performance	Used LVL as raw materials in an average of 40.1% of raw materials purchased for pallets produced.	Used LVL as raw materials in an average of 25.5% of raw materials purchased for pallets produced	

Sustainability Report

EFFLUENTS AND WASTE

Managing horticultural waste, industrial wood waste and woodchips

Horticulture and industrial wood waste can be disposed of by dumping, incinerating, or recycling. In a land-scarce environment such as Singapore, dumping is not a viable option. Hence, wood waste is burnt at incineration plants. While incineration is an effective way of handling wood waste, the process requires fuel and emits high quantities of carbon dioxide, causing air pollution and increasing our carbon footprint.

Therefore, to prevent further damage to the environment and ecosystem, LHT makes an effort to collect and recycle horticulture and industrial wood waste to minimize pollution and eliminate any hazardous waste. Waste is collected following forest clearings for urban development projects and tree shrub pruning. The Company also collects waste from other firms which dispose of packaging material such as pallets and crates after unloading their goods. LHT processes horticulture and wood waste into woodchips for internal Technical Wood® production as well as biomass fuel for power generation.

Collection and recycling of the horticulture and industrial wood waste

In 2019, LHT collected a total of 14,462.63 tonnes of horticulture and industrial wood waste, not meeting the target of 24,000 tonnes. Due to reduction in raw materials as horticulture wastes are getting lesser as there are now lesser jungles to be cleared for construction projects, the target for 2020 has been reduced to 12,000 tonnes. This is a realistic target because we anticipate further reductions in the availability of horticulture and industrial wood waste.

	2018	2019	2020
Target	To collect 24,000 tonnes of horticulture and industrial wood waste	To collect 24,000 tonnes of horticulture and industrial wood waste	To collect 12,000 tonnes of horticulture and industrial wood waste
Performance	Collected total of 29,855.25 tonnes of horticulture and industrial wood waste	Collected total of 14,462.63 tonnes of horticulture and industrial wood waste	

Production of Woodchips

In 2019, despite reduced demand of woodchips from an oversupply in the market, LHT still managed to produce a total of 16,087.33 tonnes of woodchips, not meeting the target of 24,000 tonnes. In 2020, LHT aims to produce at least of 12,000 tonnes, at average of 1,000 tonnes monthly. This reduction is due to lower demand from an oversupply of woodchips in the market.

	2018	2019	2020
Target	To produce 24,000 tonnes of woodchips	To produce 24,000 tonnes of woodchips	To produce 12,000 tonnes of woodchips
Performance	Produced total of 27,017.93 tonnes of woodchips	Produced total of 16,087.33 tonnes of woodchips	

Sustainability Report

EFFLUENTS AND WASTE

Reusing pallets as rental pallets

To reduce the environmental impact of wood waste and carbon footprint, LHT established a division to rent out used pallets i.e., recycling pallets so that pallets are not used only once for single use, and then discarded. By reusing these resources, the Company supports the initiative to minimise consumption and wastage of natural resources.

In 2019, an average of 78.6% of our pallets was rented out to customers, exceeding the target of 70%. In 2020, LHT aims to maintain its target of 70%, despite predicting severe market conditions and increased competition ahead.

	2018	2019	2020
Target	To rent out at least 70% of pallets available for rent	To rent out at least 70% of pallets available for rent	To rent out at least 70% of pallets available for rent
Performance	86.4% of available pallets are rented out	78.6% of available pallets are rented out	



Sustainability Report

SOCIAL PERFORMANCE

Our employees are the cornerstone of our business. We believe in ensuring LHT's business environment is respectful, rewarding, and safe for all our people. As of 2019, we have a strong workforce of 157. Graph 3 on the right shows our workforce distribution by gender since we started sustainability reporting.

We strongly believe that the principles expressed below in Figure 1 are essential to ensuring our people are working in a safe space that enables them to produce their best work.

Figure 1: LHT Human Resource Principles

LHT has consistently shown recognition and appreciation for our employees' dedication and contributions to the Group's achievements.

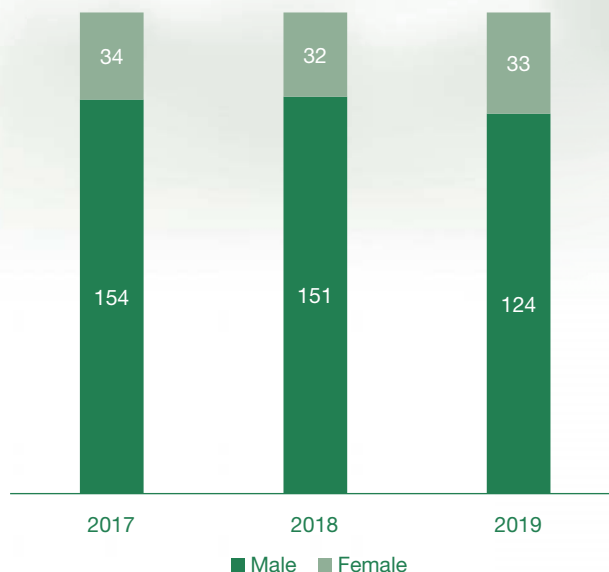
LHT provides competitive remuneration based on merit and performance to all employees and takes pride in having long-serving employees on our workforce.

As of 31 December 2019, 91 employees in Singapore have already been awarded Long Services Awards.



The Group provides training courses to equip its employees with relevant skills to help work adaption processes run smoothly and increase the productivity of our employees. Training is customised based on the needs and requirement for each employee.

Total Employees by Year



Graph 3: Total Employees' Distribution by Gender per year

LHT remains impartial and treats all employees in a fair and equal manner. LHT continues to be compliant with its comprehensive HR policy, which provides equal opportunity to all employees irrespective of race, gender, religion or nationality.

Looking ahead, to ensure that LHT and its employees increase operational efficiency, the Group's ISO committees will review and improve its quality management systems to enhance productivity and competitiveness and ensure safety and health measures are strengthened through the enforcement of Occupational Health and Safety (OHS) policy.

Sustainability Report

OCCUPATIONAL HEALTH & SAFETY

LHT continues to be committed to safeguarding our employees' health and safety against any potential workplace hazards, enhancing the wellbeing of our employees, and creating a safe workplace environment.

Being able to work in a safe environment is a fundamental right for our employees. To honour this right, LHT began our OHS process by methodologically documenting all occupational health and safety issues on an employee level.

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.

LHT strongly emphasises the importance of fire safety and prevention in the wood industry, thereby providing an uninterrupted flow of products and services.





In Singapore, LHT is a member of the Safety & Security Watch Group (SSWG) of Sungei Kadut and Kranji Industrial Estates.

LHT plays an important role in assisting SPF and SCDF in the handling of incidents relating to security and civil emergencies

The Fire and Safety Committee in LHT is responsible for reviewing and providing advice and training on proper prevention and handling of incidents.

In 2019, LHT achieved our target of maintaining a rate of less than 2.0, 1.71 injury rate for every 100,000 hours worked. The Company will continue to prioritise workplace safety and aspire to achieve a zero accident frequency rate in the years to come. Moreover, LHT has successfully maintained zero occupational fatalities, and we will work hard to prevent any fatal accidents from happening during our business activities.

LHT continuously reviews and enhances its policies, which focus on Occupational Health and Safety to reduce and eventually eliminate injuries in the workplace.

	2019	2018	
 Injury Rate	1.71	1.23	Per 100,000 hours worked
 Fatality Rate	0	0	
 Lost Days	48.68	19.17	Per 100,000 hours worked
 Absentee Rate	0	0	

Sustainability Report

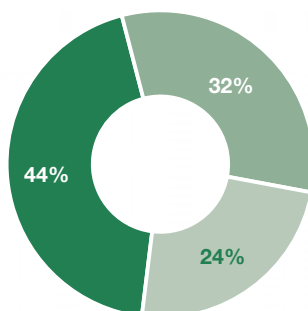
DIVERSITY & EQUAL OPPORTUNITY

In LHT, we have the right balance of talented young professionals and senior management with extensive industry experience. We believe a diverse workforce with unique individual and team experience from various socio-cultural backgrounds will advance business in a borderless market.

Our fundamental principles are to respect diversity and equal opportunities for all our employees and to protect our employees from all forms of discrimination. We are committed to upholding this principle across our recruitment process up to our remuneration packages.

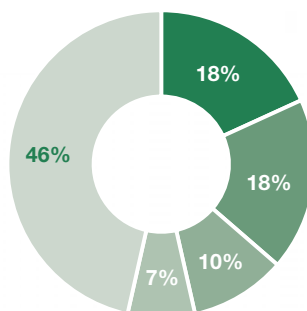


By Nationality



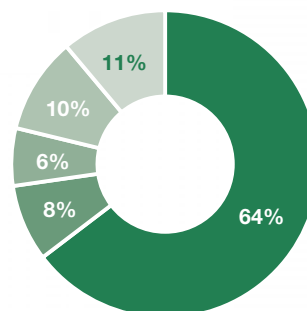
- Singaporean
- Malaysian
- Chinese

By Age Group



- < 30
- 31 to <35
- 36 to <40
- 41 to <45
- > 46

By Length of Service



- <10
- 11 to <15
- 16 to <20
- 21 to <25
- > 26

LHT believes that building a workforce from different socio-cultural backgrounds brings a diverse variety of working styles that serve to help our team view issues from distinct, multidisciplinary perspectives and increase work productivity.

LHT believes that a workforce comprised of individuals from different age groups is conducive to encouraging creative and adaptive approaches in delivering and managing work productivity.

LHT recognises employees who have dedicated many years of professional service to our Company. We believe that a large number of long-time employees demonstrate LHT's healthy and productive work environment.

Sustainability Report

TRAINING AND EDUCATION

LHT understands that training and education play a crucial role in developing employees' skills and capabilities, allowing them to operate at their highest potential.

The Group continues to conduct training courses for employees to fulfill the requirements of its ISO accreditation. LHT conducts ongoing continuous improvement training programmes to build our employees' skillsets, create capacity, and increase productivity.

Fire safety, other safety-relevant, and on-the-job training programmes are in place to help new hires adapt effectively to their new working environment. Furthermore, LHT always ensures that sufficient trainings & briefings are provided before the implementation of any significant operational changes, and to notify our employees of factors that could substantially affect them.

In the same spirit of continuous improvement, LHT encourages its employees to participate in extra-curricular activities such as the Skills Training for Excellence Programme and the Continuing Education and Training Programme.



Year	2020	2019	2018	2017
Target (in hours)	800.0	800.0	600.0	600.0
Performance (in hours)		1,049.5	1,006.0	936.0

2019 Training Topic	Average Training Hours		
	Per Employee	Per Male Employee	Per Female Employee
• Fire Drill and Safety Training	2.4	2.3	2.4
• Occupational First Aid Refresher Course (CPR & AED)	Executive & Management	Staff	Workers
• Forklift Driver's Training Course			
• Excavator Training and Skills Assessment	1.8	3.4	2.1

Sustainability Report

LOCAL COMMUNITIES

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

During that time, LHT can highlight and showcase to these groups how individuals and companies alike can

meet corporate and social responsibilities by being creative and forward- thinking.

In 2019, LHT successfully hosted four promotional tours to increase awareness, encourage, and promote the benefits of recycling to increase the adoption of 3R – Reduce, Reuse, and Recycle to public and educational institutions.

Due to the recent Covid-19 crisis, many local and foreign educational trips have been postponed or cancelled. Hence, we reduced our annual target from 4 to 2 educational tours and visits for 2020.

October 2019	(1)	15 visitors from a statutory board under the Ministry of the Environment and Water Resources of Singapore visited LHT as part of EENP's 2019 industrial visit program
August 2019	(2)	2 visitors from a renowned MNC visited LHT to understand how we manufacture our pallets and our recycling process
July 2019	(3)	72 visitors from Singapore Chinese Chamber Institute of Business; and
	(4)	32 visitors from China HangZhou High School visited us to understand how we manufacture our pallets and our recycling process



Sustainability Report

ENVIRONMENTAL COMPLIANCE

LHT is dedicated to ensuring our compliance with all local and international environmental laws and regulations. Key personnel is regularly updated with developments in rules and regulations to ensure that LHT is fully compliant with updated rules.

Our Company has fully complied with all environmental rules and regulations, anti- competitive behaviour laws, and requirements on health safety. Therefore, in 2019, LHT incurred no significant fines or non-monetary sanctions for non- compliance with laws and regulations.

Our Company aims to maintain this level of performance through the continuous monitoring and adherence of rules and regulations in the coming years.



	2018	2019	2020
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	

CUSTOMER PRIVACY

Protection and appropriate use of both corporate and personal data are of crucial consideration to LHT as it determines the Group's ability to conduct business, build trust and comply with the laws and regulations.

The Personal Data Protection Policy was established to serve as a manual for employees to inculcate awareness and facilitate compliance with applicable data protection laws.

In 2019, there is zero record of substantiated complaints concerning breaches of customer privacy and losses of customer data. In 2020, LHT will continue to enhance its governance processes to safeguard its customers' personal data.



Sustainability Report

OUR APPROACH TO RISK MANAGEMENT

LHT firmly recognises that a robust risk management framework is essential for good corporate governance and effective resource management. This will guide LHT to identify, manage, and communicate our risks and exposures in an integrated, systematic, and consistent manner. Additionally, LHT continues to ensure that our sustainability initiatives and risk management framework are in place and aligned with each other, mitigating strategic and operational risks.

For disclosure on the risk management framework, please refer to page 87 of LHT's Annual Report 2019.



OUR CORPORATE POLICIES

A range of corporate policies have 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**

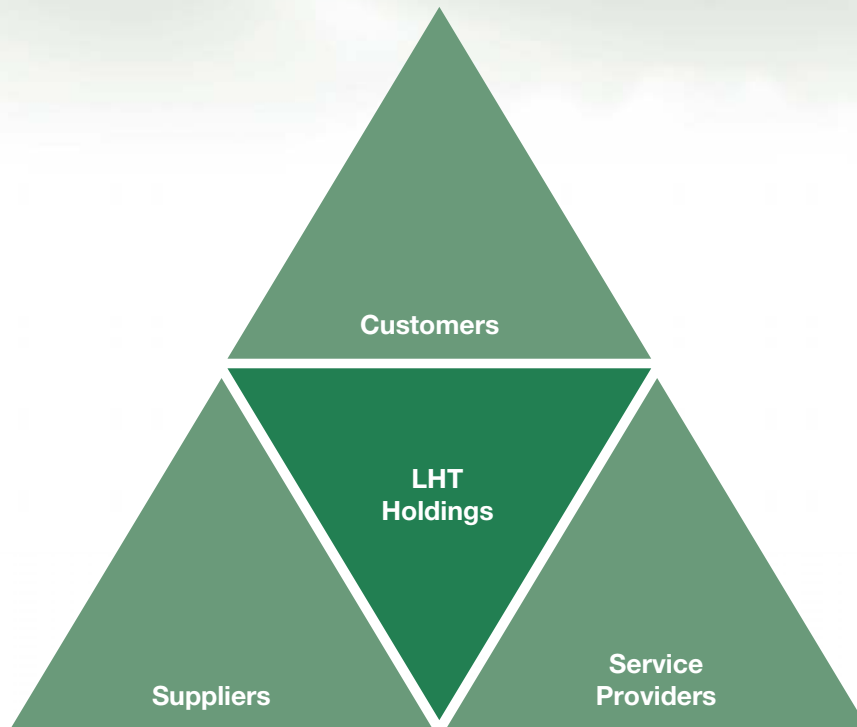
External Policies

- **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.

Sustainability Report

OUR APPROACH TO SUPPLY CHAIN MANAGEMENT

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



OUR APPROACH TO ANTI-CORRUPTION

LHT believes that integrity is essential for conducting business. Our Company has zero- tolerance for corruption in any form, including extortion and bribery. Anti-corruption measures have been spelt out in LHT's business ethics guidelines and code of conduct, which are communicated to all its employees, suppliers, and business partners regularly.

Any suspicion of corruption received from whistleblowers will be escalated to the attention of the Chairman and will be investigated upon. With LHT's stakeholders aligned with our sustainability and corporate governance procedures, our Company has carried out and practiced socially responsible business practices across our operations.

There were no reported incidents of corruption in 2019, and LHT aims to maintain zero incidents of corruption in the coming year.

Sustainability Report

GRI Standard 2016	Disclosure Title	Section Reference & Remarks
GRI 102: GENERAL DISCLOSURE 2016		
ORGANISATIONAL PROFILE		
102-1	Name of the organisation	2019 Annual Report: Corporate Profile
102-2	Activities, brands, products and services	2019 Annual Report: Corporate Profile
102-3	Location of headquarters	2019 Annual Report: Corporate Structure and Corporate Information
102-4	Location of operations	2019 Annual Report: Note to the Financial Statements Paragraph 6
102-5	Ownership and legal form	2019 Annual Report: Corporate Structure and Corporate Information
102-6	Markets served	2019 Annual Report: Corporate Profile
102-7	Scale of the organisation	2019 Annual Report: Structure and Corporate Information
102-8	Information on employees and other workers	2019 Sustainability Report: Social
102-9	Supply Chain	2019 Sustainability Report: Our Approach to Sustainability
102-10	Significant changes to organisation and its supply chain	No Significant changes
102-11	Precautionary principle or approach	2019 Sustainability Report: Our Approach to Sustainability
102-12	External Initiatives	2019 Sustainability Report: Our Approach to Sustainability
102-13	Membership of associations	2019 Sustainability Report: Our Awards & Memberships
STRATEGY		
102-14	Statement from senior decision-maker	2019 Sustainability Report: Board Statement
ETHICS AND INTEGRITY		
102-16	Values, principles, standards, and norms of behaviour	2019 Sustainability Report: Our Approach to Sustainability
GOVERNANCE		
102-18	Governance structure	2019 Annual Report: Corporate Governance Report
		2019 Sustainability Report: Our Approach to Sustainability
STAKEHOLDER ENGAGEMENT		
102-40	List of stakeholder groups	2019 Sustainability Report: Stakeholder Engagement

Sustainability Report

GRI Standard 2016	Disclosure Title	Section Reference & Remarks
GRI 102: GENERAL DISCLOSURE 2016		
ORGANISATIONAL PROFILE		
102-41	Collective bargaining agreements	Building Construction and Timber Industries Employees' Union
102-42	Identifying and selecting stakeholders	2019 Sustainability Report: Stakeholder Engagement
102-43	Approach to stakeholder engagement	2019 Sustainability Report: Stakeholder Engagement
102-44	Key topics and concerns raised	2019 Sustainability Materiality Assessment
REPORTING PRACTICE		
102-45	Entities included in the consolidated financial statements	2019 Annual Report: Corporate Structure and Corporate Information
102-46	Defining report content and topic Boundaries	2019 Sustainability Report: Materiality Assessment
102-47	List of material topics	2019 Sustainability Report: Materiality Assessment
102-48	Restatements of information	Not Applicable
102-49	Changes in reporting	Not Applicable
102-50	Reporting period	2019 Sustainability Report: About This Report
102-51	Date of most recent report	2018 Sustainability Report
102-52	Reporting cycle	2019 Sustainability Report: About This Report
102-53	Contact point for questions regarding the report	2019 Sustainability Report: Contact Us
102-54	Claims of reporting in accordance with the GRI Standards	2019 Sustainability Report:: About This Report
102-55	GRI content index	2019 Sustainability Report: GRI Content Index
102-56	External assurance	2019 Sustainability Report:: About This Report

Sustainability Report

GRI Standard 2016	Disclosure Title	Section Reference & Remarks
GRI 103: MANAGEMENT APPROACH 2016		
103-1	Explanation of the material topic and its boundary	<p>Economic Performance:</p> <ul style="list-style-type: none"> • 2019 Annual Report: Operating and Financial Review • 2019 Sustainability Report: Economic and Governance <p>Anti-Corruption:</p> <ul style="list-style-type: none"> • 2019 Sustainability Report: Governance <p>Materials:</p> <ul style="list-style-type: none"> • 2019 Sustainability Report: Environmental
103-2	The management approach and its components	<p>Effluents and Waste:</p> <ul style="list-style-type: none"> • 2019 Sustainability Report: Environmental
103-3	Evaluation of the management approach	<p>Environment Compliance:</p> <ul style="list-style-type: none"> • 2019 Sustainability Report: Environmental <p>Occupational Health and Safety:</p> <ul style="list-style-type: none"> • 2019 Sustainability Report: Social <p>Training and Education:</p> <ul style="list-style-type: none"> • 2019 Sustainability Report: Social <p>Diversity and Equal Opportunity:</p> <ul style="list-style-type: none"> • 2019 Sustainability Report: Social <p>Local Communities:</p> <ul style="list-style-type: none"> • 2019 Sustainability Report: Social <p>Customer Privacy:</p> <ul style="list-style-type: none"> • 2019 Sustainability Report: Social

MATERIAL TOPICS

GRI 201: ECONOMIC PERFORMANCE 2016

Direct economic value generated and distributed

Economic Performance: 2019 Annual Report: Operating and Financial Review
2019 Sustainability Report: Economic and Governance

Sustainability Report

GRI Standard 2016	Disclosure Title	Section Reference & Remarks
GRI 205: ANTI-CORRUPTION 2016		
	Confirmed incidents of corruption and actions taken	Anti-Corruption: 2019 Sustainability Report: Governance
GRI 301: MATERIALS 2016		
	Materials used by weight or volume	Materials: 2019 Sustainability Report: Environmental
GRI 306: EFFLUENTS AND WASTE 2016		
	Waste by type and disposal method	Effluents and Waste: 2019 Sustainability Report: Environmental
GRI 307: ENVIRONMENTAL COMPLIANCE 2016		
	Non-compliance with environmental laws and regulations	Environment Compliance: 2019 Sustainability Report: Environmental
GRI 403: OCCUPATIONAL HEALTH AND SAFETY 2016		
	Types of injury and rates of injury, occupational diseases, lost days and absenteeism and number of work-related fatalities	Occupational Health and Safety: 2019 Sustainability Report: Social
GRI 404: TRAINING AND EDUCATION 2016		
	Average hours of training per year per employee	Training and Education: 2019 Sustainability Report: Social
GRI 405: DIVERSITY AND EQUAL OPPORTUNITY 2016		
	Diversity of governance bodies and employees	Diversity and Equal Opportunity: 2019 Sustainability Report: Social
GRI 413: LOCAL COMMUNITIES 2016		
	Operations with local community engagement, impact assessments, and development programs	Local Communities: 2019 Sustainability Report: Social
GRI 418: CUSTOMER PRIVACY 2016		
	Substantiated complaints concerning breaches of customer privacy and losses of customer data	Customer Privacy: 2019 Sustainability Report: Social

Statistics of Shareholdings

As at 9 March 2020

SHAREHOLDERS' INFORMATION AS AT 9 MARCH 2020

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 Direct Interest	%	Deemed Interest	%
Neo Koon Boo	12,098,147	22.72	—	—
Tan Kim Sing	9,671,205	18.16	*16,250	0.03
Yap Mui Kee	7,132,832	13.40	—	—
Teo Beng Choo	5,097,625	9.58	—	—

(a) *16,250 shares held by spouse of Mr. Tan Kim Sing, Mdm Ng Siew Yeng

DISTRIBUTION OF SHAREHOLDINGS

Size of Shareholding	Number of Shareholders	%	Number of Shares	%
1 – 99	48	1.12	2,390	0.01
100 – 1,000	3,040	70.76	974,990	1.83
1,001 – 10,000	1,016	23.65	3,084,037	5.79
10,001 – 1,000,000	186	4.33	12,529,574	23.53
1,000,001 and above	6	0.14	36,654,006	68.84
	<u>4,296</u>	<u>100.00</u>	<u>53,244,997</u>	<u>100.00</u>

Statistics of Shareholdings

As at 9 March 2020

TWENTY LARGEST SHAREHOLDERS

No.	Name of Shareholders	Number of Shares	%
1.	Neo Koon Boo	12,098,147	22.72
2.	Tan Kim Sing	9,671,205	18.16
3.	Yap Mui Kee	7,132,832	13.40
4.	Teo Beng Choo	5,097,625	9.57
5.	Raffles Nominees (Pte) Limited	1,410,597	2.65
6.	DBS Nominees Pte Ltd	1,243,600	2.34
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	554,600	1.04
12.	Phillip Securities Pte Ltd	421,650	0.79
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.	OCBC Securities Private Ltd	256,162	0.48
18.	Leong Hwei Min	250,000	0.47
19.	Ng Boon Guat	250,000	0.47
20.	Chia Hong Hooi	240,700	0.45
	Total	43,230,658	81.19

Free Float

Based on information available to the Company as at 9 March 2020, approximately 31.62% 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 Wednesday, 29 April 2020 at 3.30 p.m. 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 year ended 31 December 2019 together with the Auditors’ Report thereon. **(Resolution 1)**
2. To re-elect Mr Billy Neo Kian Wee who is retiring pursuant to Regulation 103 of the Company’s Constitution. **[See Explanatory Note (i)] (Resolution 2)**
3. To re-elect Mr Low Peng Kit who is retiring pursuant to Regulation 103 of the Company’s Constitution. **[See Explanatory Note (ii)] (Resolution 3)**
4. To re-elect Mr Li Suet Man who is retiring pursuant to Regulation 107 of the Company’s Constitution. **[See Explanatory Note (iii)] (Resolution 4)**
5. To declare a first and final one-tier tax exempt dividend of S\$0.03 per ordinary share for the year ended 31 December 2019. (2018: S\$0.03) **(Resolution 5)**
6. To approve the payment of Directors’ fees of S\$163,667 for the year ended 31 December 2019. (2018: S\$160,000) **(Resolution 6)**
7. To re-appoint Messrs BDO LLP as the Company’s Auditors and to authorise the Directors to fix their remuneration. **(Resolution 7)**
8. 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:

9. Authority to allot and issue shares

“That pursuant to Section 161 of the Companies Act, Chapter 50 (the “Act”), the Constitution and the listing rules of the Singapore Exchange Securities Trading Limited (“SGX-ST”), authority be and is hereby given to the directors of the Company to:

- (a) (i) allot and issue shares in the capital of the Company (the “Shares”) (whether by way of rights, bonus or otherwise); and/or
- (ii) make or grant offers, agreements, or options (collectively, “Instruments”) that might or would require Shares to be issued, including but not limited to the creation and issue of warrants, debentures or other instruments convertible into Shares,

at any time and upon such terms and conditions and for such purposes and to such persons as the directors may in their absolute discretion deem fit; and

- (b) (notwithstanding the authority conferred by this Resolution may have ceased to be in force):
 - (i) issue additional instruments as adjustments in accordance with the terms and conditions of the Instruments made or granted by the directors while this Resolution was in force; and
 - (ii) issue Shares in pursuance of any Instruments made or granted by the directors while this Resolution was in force or such additional Instruments in (b)(i) above,

Notice of Annual General Meeting

provided that:

- (1) the aggregate number of Shares to be issued pursuant to this Resolution (including Shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution) does not exceed fifty per cent (50%) of the total number of issued Shares (excluding treasury shares and subsidiary holdings, if any) at the time of the passing of this Resolution (as calculated in accordance with sub-paragraph (2) below), of which the aggregate number of Shares issued other than on a pro rata basis to existing shareholders (including Shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution) does not exceed twenty per cent (20%) of the Company's total number of issued Shares (excluding treasury shares and subsidiary holdings, if any) (as calculated in accordance with sub-paragraph (2) below); and
- (2) (subject to such manner of calculation as may be prescribed by the SGX-ST) for the purpose of determining the aggregate number of Shares that may be issued under sub-paragraph (1) above, the total number of issued Shares (excluding treasury shares and subsidiary holdings, if any) shall be calculated based on the total number of issued Shares (excluding treasury shares and subsidiary holdings, if any) at the time of the passing of this Resolution, after adjusting for:–
 - (a) new Shares arising from the conversion or exercise of convertible securities;
 - (b) new Shares arising from the exercise of share options or vesting of share awards outstanding or subsisting at the time this Resolution is passed, provided the options or awards were granted in compliance with Part VIII of Chapter 8 of the SGX-ST Listing Manual; and
 - (c) any subsequent bonus issue, consolidation or subdivision of Shares;
- (3) in exercising the authority conferred by this Resolution, the Company shall comply with the provisions of the listing rules of the SGX-ST for the time being in force (unless such compliance has been waived by the SGX-ST) and the Constitution for the time being of the Company; and
- (4) (unless revoked or varied by the Company in general meeting) the authority conferred by this Resolution shall continue in force until the conclusion of the next annual general meeting of the Company or the date by which the next annual general meeting of the Company is required by law to be held, whichever is the earlier." **[See Explanatory Note (iv)]** **(Resolution 8)**

By Order of the Board

Sally Yap Mei Yen
Company Secretary

Singapore, 6 April 2020

Notice of Annual General Meeting

EXPLANATORY NOTES:

- (i) **Resolution 2** – Mr Billy Neo Kian Wee 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 Billy Neo Kian Wee 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** – Mr Low Peng Kit will, upon re-election as a Director of the Company, remain as the Chairman of Nominating Committee, a member of the Audit Committee and Remuneration Committee. He is considered to be Independent pursuant to Rule 704(8) of the Listing Rule of SGX-ST. Mr Low Peng Kit is the Independent Director. Detailed information of Mr Low Peng Kit 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 4** – Mr Li Suet Man 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. Mr Li Suet Man is the Independent Director. Detailed information of Mr Li Suet Man can be found under the “Board of Directors” and “Disclosure of information on Directors Seeking Re-election” sections of the Company’s Annual Report.
- (iv) **Resolution 8** – if passed, will empower the Directors from the date of the above Meeting until the date of the next annual general meeting, to issue shares and convertible securities in the Company. The number of shares and convertible securities that the Directors may allot and issue under this Resolution would not exceed fifty per cent (50%) of the total number of issued shares (excluding treasury shares and subsidiary holdings, if any) of the Company at the time of the passing of this Resolution. For issue of shares and convertible securities (other than on a pro rata basis to all shareholders), the aggregate number of shares and convertible securities to be issued shall not exceed twenty per cent (20%) of the total number of issued shares (excluding treasury shares and subsidiary holdings, if any) of the Company.

NOTES:

- 1. A Member (other than a Relevant Intermediary) entitled to attend and vote at the Annual General Meeting (the “Meeting”) is entitled to appoint not more than two (2) proxies to attend and vote in his/her stead. A proxy need not be a Member of the Company.
- 2. A member who is a Relevant Intermediary entitled to attend and vote at the Annual General Meeting is entitled to appoint more than two (2) proxies to attend and vote in his/her stead, but each proxy must be appointed to exercise the rights attached to a different share or shares held by such member. Where such member appoints more than two (2) proxies, the number and class of shares to be represented by each proxy must be stated.

“Relevant Intermediary” means:

- (a) a banking corporation licensed under the Banking Act, Chapter 19 of Singapore or a wholly-owned subsidiary of such a banking corporation, whose business includes the provision of nominee services and who holds shares in that capacity;
 - (b) a person holding a capital markets services license to provide custodial services for securities under the Securities and Futures Act, Chapter 289 of Singapore and who holds shares in that capacity; or
 - (c) the Central Provident Fund Board (“CPF Board”) established by the Central Provident Fund Act, Chapter 36 of Singapore, in respect of shares purchased under the subsidiary legislation made under that Act providing for the making of investments from the contributions and interest standing to the credit of members of the Central Provident Fund, if the CPF Board holds those shares in the capacity of an intermediary pursuant to or in accordance with that subsidiary legislation.
- 3. The instrument appointing a proxy must be deposited at the Registered Office of the Company at 27 Sungei Kadut Street 1, Singapore 729335 not less than seventy-two (72) hours before the time appointed for holding the Meeting.

Notice of Annual General Meeting

NOTICE OF BOOKS CLOSURE AND DIVIDEND PAYMENT DATE

NOTICE IS HEREBY GIVEN that the Share Transfer Books and Register of Members of LHT Holdings Limited (the “Company”) will be closed on 21 May 2020, 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 2019.

Duly completed and registrable transfers received by the Company’s Share Registrar, B.A.C.S. Private Limited, at 8 Robinson Road, #03-00, ASO Building, Singapore 048544 up to 5.00 p.m. on 20 May 2020 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 20 May 2020 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 2020, will be paid on 28 May 2020.

By Order of the Board

Sally Yap Mei Yen
Company Secretary

Singapore, 6 April 2020

PERSONAL DATA PRIVACY

By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the Annual General Meeting and/or any adjournment thereof, a member of the Company (i) consents to the collection, use and disclosure of the member’s personal data by the Company (or its agents) for the purpose of the processing and administration by the Company (or its agents) of proxies and representatives appointed for the Annual General Meeting (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the Annual General Meeting (including any adjournment thereof), and in order for the Company (or its agents) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the “Purposes”), (ii) warrants that where the member discloses the personal data of the member’s proxy(ies) and/or representative(s) to the Company (or its agents), the member has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents) of the personal data of such proxy(ies) and/or representative(s) for the Purposes, and (iii) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member’s breach of warranty.

Notice of Annual General Meeting

Precautionary Measures against COVID-19

In view of the COVID-19 situation, we may be requested to change our meeting arrangement at short notice. For any subsequent changes to the meeting, we will provide an update via announcement. The Company reserves the right to take such precautionary measures as may be required or recommended by government agencies and SGX at the meeting, in order to minimise the risk of community spread of COVID-19. The following steps will be taken for shareholders and others attending the meeting to minimise the risk of community spread of the COVID-19.

1. All persons attending the Meeting will be required to undergo a temperature check and submit a health and travel declaration which will be used for the purpose of contact tracing, if required.
2. Any person who is placed under quarantine order, stay-home notice or leave of absence will be declined entry to the Meeting.
3. Any person who has fever will be declined entry to the Meeting. We may also at our discretion deny entry to persons exhibiting flu-like symptoms.

Shareholders who are feeling unwell on the date of the Meeting are advised not to attend the Meeting. Shareholders are also advised to arrive at the Meeting venue early given that the above-mentioned measures may cause delay in the registration process.

Shareholders who wish to exercise their vote without physically attending the Meeting are encouraged to send in their votes in advance by proxy. They can consider appoint the Chairman as their proxy to vote on their behalf.

As the COVID-19 situation continues to evolve, the Company will closely monitor the situation and reserves the right to take further measures as appropriate in order to minimise any risk to shareholders and others attending the Meeting.

The Company seeks the understanding and cooperation of all shareholders to minimise the risk of community spread of the COVID-19.

Disclosure Of Information On Directors Seeking Re-election

Mr Low Peng Kit, Mr Billy Neo Kian Wee and Mr Li Suet Man are the Directors seeking re-election at the forthcoming Annual General Meeting of the Company to be convened on 29 April 2020 (“AGM”) (collectively, the “Retiring Directors” and each a “Retiring Director”).

Pursuant to Rule 720(6) of the Listing Manual of the SGX-ST, the following is the information relating to the Retiring Directors as set out in Appendix 7.4.1 to the Listing Manual of the SGX-ST:

	MR LOW PENG KIT	MR BILLY NEO KIAN WEE	MR LI SUET MAN
Date of Appointment	1 July 1999	24 February 2017	1 November 2019
Date of last re-appointment	28 April 2017	29 April 2016	N/A
Age	71	47	59
Country of principal residence	Singapore	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 contribution and performance, attendance, preparedness, participation, candour and suitability of Mr Low Peng Kit for re-appointment as Non-Executive, Independent Director of the Company. The Board have reviewed and concluded that Mr Low Peng Kit possess the experience, expertise, knowledge and skills to continue contribute towards the core competencies of the Board.	The Board of Directors of the Company has considered, among others, the recommendation of the NC and has reviewed and considered the past contribution and suitability of Mr Billy Neo Kian Wee for re-appointment as an Executive Director of the Company. The Board have reviewed and concluded that Mr Billy Neo Kian Wee 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 evaluated Mr Li Suet Man’s qualification and work experience for re-appointment as a Non-Executive Independent Director of the Company. The Board have reviewed and concluded that Mr Li Suet Man possess the experience, expertise, knowledge and skills to contribute towards the core competencies of the Board.
Whether appointment is executive, and if so, the area of responsibility	Non-Executive	Mr Billy Neo Kian Wee is a member of the Board, and the Executive Directors of subsidiary companies including, Kim Hiap Lee Co (Pte) Ltd, LHT Marketing Pte Ltd, LHT Ecotech Resources Pte Ltd, and LHT Ecotech Resources (Tianjin) Co., Ltd. He is also responsible for the overall operations and administration of LHT Ecotech Resources (Tianjin) Co., Ltd.	Non-Executive
Job Title (e.g.) Lead ID, AC Chairman, AC Member etc.	Non-Executive, Independent Director Chairman of Nominating Committee and Member of Audit Committee and Remuneration Committee.	Executive Director	Non-Executive, Independent Director Member of Audit Committee, Remuneration Committee and Nominating Committee.

Disclosure Of Information On Directors Seeking Re-election

	MR LOW PENG KIT	MR BILLY NEO KIAN WEE	MR LI SUET MAN
Professional qualifications	1. Diploma in Management Studies	1. Bachelor of Business (Management) from Royal Melbourne Institute of Technologies 2. Diploma in Management Studies from Singapore Institute of Management	1. Master of Science and Executive Master of Science in Finance from The Bernard M. Baruch College, City University of New York 2. Member of Beta Gamma Sigma
Working experience and occupation(s) during the past 10 years	1. June 1983 to Present – Managing Director of Little Red Dot Bakery Pte Ltd 2. January 2012 to Present – Executive Director of One 69 Pte Ltd 3. January 2011 to Present – Executive Director of First Medical Centre Pte Ltd 4. January 2011 to Present – First Medical Centre (Yishun) Pte Ltd 5. August 2018 to Present – Shang Teng Construction Ptd Ltd	1. January 2004 to January 2012 – Manager of Overseas Market Development of LHT Holdings Limited 2. January 2012 to Present – General Manager of LHT Ecotech Resources (Tianjin) Co., Ltd 3. February 2017 to Present – Executive Director of LHT Holdings Limited	1. April 2005 to Present – Chief Executive Officer of Feoso Oil (Singapore) Pte Ltd
Shareholding interest in the listed issuer and its subsidiaries	Direct Interest: 3,750 Shares	Direct Interest: 856,000 Shares	Nil
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	Son of Mr Neo Koon Boo, a substantial shareholder of the Company	No
Conflict of Interest (including any competing business)	No	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	Yes

Disclosure Of Information On Directors Seeking Re-election

	MR LOW PENG KIT	MR BILLY NEO KIAN WEE	MR LI SUET MAN
Other Principal Commitments Including Directorships			
Past (for the last 5 years)	Director of SME Winners Pte Ltd from 2013 to 2018	Nil	<ol style="list-style-type: none"> 1. CEO, Feoso Oil (Singapore) Pte Ltd 2. Non-Executive Director, The Trading Room Enterprise Pte Ltd 3. Non-Executive Director, Club Chinois Pte Ltd 4. Non-Executive Director, Chinois Pte Ltd 5. Non-Executive Director, Far East Oil Terminal One Sdn Bhd 6. Non-Executive Director, LSO Oceanrina Development (S) Pte Ltd 7. Non-Executive Director, SME Centre@SMF Pte Ltd
Present	<p>June 1983 to Present – Managing Director of Little Red Dot Bakery Pte Ltd</p> <p>January 2012 to Present – Executive Director of One 69 Pte Ltd</p> <p>January 2011 to Present – Executive Director of First Medical Centre Pte Ltd</p> <p>January 2011 to Present – First Medical Centre (Yishun) Pte Ltd</p> <p>August 2018 to Present – Shang Teng Construction Ptd Ltd</p>	Nil	<ol style="list-style-type: none"> 1. Alternate Director and CEO, Feoso Oil (Singapore) Pte Ltd 2. Alternate Director, Feoso (Singapore) Pte Ltd 3. Alternate Director, Feoso Investment (Singapore) Pte Ltd 4. Non-Executive Director, The Trading Room Enterprise Pte Ltd 5. Non-Executive Director, Club Chinois Pte Ltd 6. Non-Executive Director, Chinois Pte Ltd 7. Non-Executive Director, Far East Oil Terminal One Sdn Bhd 8. Non-Executive Director, LSO Oceanrina Development (S) Pte Ltd 9. Non-Executive Director, SME Centre@SMF Pte Ltd

Disclosure Of Information On Directors Seeking Re-election

MR LOW PENG KIT

MR BILLY NEO KIAN WEE

MR LI SUET MAN

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	No
b)	Whether at any time during the last 10 years, an application or a petition under any law of any jurisdiction was filed against an entity (not being a partnership) of which he was a director or an equivalent person or a key executive, at the time when he was a director or an equivalent person or a key executive of that entity or at any time within 2 years from the date he ceased to be a director or an equivalent person or a key executive of that entity, for the winding up or dissolution of that entity or whether that entity is the trustee of a business trust, that business trust, on the group of insolvency?	No	No	No
c)	Whether there is any unsatisfied judgement against him?	No	No	No

Disclosure Of Information On Directors Seeking Re-election

	MR LOW PENG KIT	MR BILLY NEO KIAN WEE	MR LI SUET MAN
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	No
e) Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such breach?	No	No	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	No

Disclosure Of Information On Directors Seeking Re-election

	MR LOW PENG KIT	MR BILLY NEO KIAN WEE	MR LI SUET MAN
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	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	No
i) Whether he has ever been the subject of any order, judgment or ruling of any court, tribunal or governmental body, permanently or temporarily enjoining him from engaging in any type of business practice or activity?	No	No	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	No
i. any corporation which has been investigated for a breach of any law or regulatory requirement governing corporations in Singapore or elsewhere; or			
ii. any entity (not being a corporation) which has been investigated for a breach of any law or regulatory requirement governing such entities in Singapore or elsewhere; or			
iii. any business trust which has been investigated for a breach of any law or regulatory requirement governing business trusts in Singapore or elsewhere; or			

Disclosure Of Information On Directors Seeking Re-election

MR LOW PENG KIT

MR BILLY NEO KIAN WEE

MR LI SUET MAN

iv. any entity or business trust which has been investigated for a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere

in connection with any matter occurring or arising during that period when he was so concerned with the entity or business trust?

k) Whether he has been the subject of any current or past investigation or disciplinary proceedings, or has been reprimanded or issued any warning, by the Monetary Authority of Singapore or any other regulatory authority, exchange, professional body or government agency, whether in Singapore or elsewhere?

No

No

No

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IMPORTANT

1. A relevant intermediary may appoint more than two proxies to attend the Annual General Meeting and vote (please see Note 3 for the definition of "relevant intermediary").
2. For investors who have used their CPF monies to buy shares in the Company, this Annual Report is forwarded to them at the request of their CPF Approved Nominees and is sent solely for information only.
3. This Proxy Form is not valid for use by CPF and shall be ineffective for all intents and purposes if used or purported to be used by them.

LHT HOLDINGS LIMITED

Company Registration No. 198003094E
(Incorporated in the Republic of Singapore)

PROXY FORM**ANNUAL GENERAL MEETING**

(Please see notes overleaf before completing this Form)

I/We, _____ (Name)

of _____ (Address)

being a member/members of LHT HOLDINGS LIMITED (the "Company"), hereby appoint:

Name	NRIC/Passport Number	Proportion of Shareholdings (%)
Address		

and/or (delete as appropriate)

Name	NRIC/Passport Number	Proportion of Shareholdings (%)
Address		

or failing him/her, the Chairman of the Meeting as my/our proxy to vote for me/us on my/our behalf at the Annual General Meeting ("AGM") of the Company to be held on Wednesday, 29 April 2020 at 27 Sungei Kadut Street 1, Singapore 729335 at 3.30 p.m. and at any adjournment thereof.

I/We direct my/our proxy/proxies to vote for and against the Resolutions to be proposed at the AGM as indicated hereunder. If no specific direction as to voting is given, the proxy/proxies will vote or abstain from voting at his/her discretion, as he/they will on any other matter arising at the Meeting.

No.	Resolutions relating to:	For	Against	Abstain
1	Adoption of Directors' Statement, Auditors' Report and Audited Financial Statements for the year ended 31 December 2019			
2	Re-election of Mr Billy Neo Kian Wee as a Director of the Company			
3	Re-election of Mr Low Peng Kit as a Director of the Company			
4	Re-election of Mr Li Suet Man as a Director of the Company			
5	Approval of first and final one-tier tax exempt dividend of S\$0.03 per ordinary share			
6	Approval of Directors' fees amounting to S\$163,667			
7	Re-appointment of Messrs BDO LLP as Auditors			
8	Authority to allot and issue new shares			

Note: If you wish to exercise all your vote "For", "Against" or "Abstain", please indicate with a [✓] within the box provided. Alternatively, please indicate the number of votes "For", "Against" or "Abstain" for each resolution.

Dated this _____ day of _____ 2020

Total Number of Shares in:	No. of Shares
(a) Depository Register	
(b) Register of Members	



Signature of Shareholder(s)/and,
Common Seal of Corporate Member

IMPORTANT: PLEASE READ NOTES OVERLEAF

Affix
Postage
Stamp

The Company Secretary
LHT HOLDINGS LIMITED
27 Sungei Kadut Street 1
Singapore 729335

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Notes:

1. Please insert the total number of Shares held by you. If you have Shares entered against your name in the Depository Register (as defined in Section 81SF of the Securities and Futures Act, Chapter 289 of Singapore), you should insert that number of Shares. If you have Shares registered in your name in the Register of Members, you should insert that number of Shares. If no number is inserted, the instrument appointing a proxy or proxies shall be deemed to relate to all the Shares held by you.
2. A Member of the Company (other than a Relevant Intermediary) entitled to attend and vote at a Meeting of the Company is entitled to appoint not more than two proxies to attend and vote in his stead. A proxy need not be a Member of the Company.
3. A member who is a Relevant Intermediary entitled to attend and vote at the Annual General Meeting is entitled to appoint more than two (2) proxies to attend and vote in his/her stead, but each proxy must be appointed to exercise the rights attached to a different share or shares held by such member. Where such member appoints more than two (2) proxies, the number and class of shares to be represented by each proxy must be stated.
"Relevant Intermediary" means:
 - (a) a banking corporation licensed under the Banking Act, Chapter 19 of Singapore or a wholly-owned subsidiary of such a banking corporation, whose business includes the provision of nominee services and who holds shares in that capacity;
 - (b) a person holding a capital markets services license to provide custodial services for securities under the Securities and Futures Act, Chapter 289 of Singapore and who holds shares in that capacity; or
 - (c) the Central Provident Fund Board ("CPF Board") established by the Central Provident Fund Act, Chapter 36 of Singapore, in respect of shares purchased under the subsidiary legislation made under that Act providing for the making of investments from the contributions and interest standing to the credit of members of the Central Provident Fund, if the CPF Board holds those shares in the capacity of an intermediary pursuant to or in accordance with that subsidiary legislation.
4. Where a Member appoints more than one proxy, he shall specify the proportion of his shareholding to be represented by each proxy. If no such proportion or number is specified the first named proxy may be treated as representing 100% of the shareholding and any second named proxy as an alternate to the first named.
5. The instrument appointing a proxy or proxies must be deposited at the registered office of the Company at 27 Sungei Kadut Street 1, Singapore 729335 not less than seventy-two (72) hours before the time appointed for the Annual General Meeting.
6. The instrument appointing a proxy or proxies must be under the hand of the appointor or of his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed either under its seal or under the hand of an officer or attorney duly authorised. The dispensation of the use of common seal pursuant to the Companies Act, Chapter 50 of Singapore is applicable at this Annual General Meeting.
7. A corporation which is a Member may by resolution of its directors or other governing body authorise such person as it thinks fit to act as its representative at the Meeting, in accordance with Section 179 of the Companies Act, Chapter 50 of Singapore.

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General:

The Company shall be entitled to reject the instrument appointing a proxy or proxies if it is incomplete, improperly completed, illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the instrument appointing a proxy or proxies. In addition, in the case of Shares entered in the Depository Register, the Company may reject any instrument appointing a proxy or proxies lodged if the Member, being the appointor, is not shown to have Shares entered against his name in the Depository Register as at seventy-two (72) hours before the time appointed for holding the Meeting, as certified by The Central Depository (Pte) Limited to the Company.

PERSONAL DATA PRIVACY

By submitting an instrument appointing a proxy(ies) and/or representative(s), the member accepts and agrees to the personal data privacy terms set out in the Notice of Annual General Meeting dated 6 April 2020.





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