LHN GROUP

SPACE OPTIMISED

COMMERCIAL
LOGISTICS
RESIDENTIAL
FACILITIES
INDUSTRIAL
CAR PARK

ANNUAL REPORT 2017

SHAPING NEW BUSINESS SPACES

LHN Limited

賢能集團有限公司*

(incorporated in the Republic of Singapore with limited liability)

Stock Codes: Singapore - 410 / Hong Kong - 1730

*For identification purpose only

This annual report has been prepared by LHN Limited (the "**Company**") and its contents have been reviewed by the Company's sponsor, PrimePartners Corporate Finance Pte. Ltd. (the "**Sponsor**") for compliance with the Singapore Exchange Securities Trading Limited (the "**SGX-ST**") Listing Manual Section B: Rules of Catalist. The Sponsor has not verified the contents of this annual report.

This annual report has not been examined or approved by the SGX-ST. The Sponsor and the SGX-ST assume no responsibility for the contents of this annual report, including the accuracy, completeness or correctness of any of the information, statements or opinions made or reports contained in this annual report.

The contact person for the Sponsor is Ms Gillian Goh, Director, Head of Continuing Sponsorship (Mailing Address: 16 Collyer Quay, #10-00 Income at Raffles, Singapore 049318 and E-mail: sponsorship@ppcf.com.sg).

This annual report has not been examined or approved by the Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited (the "**SEHK**").

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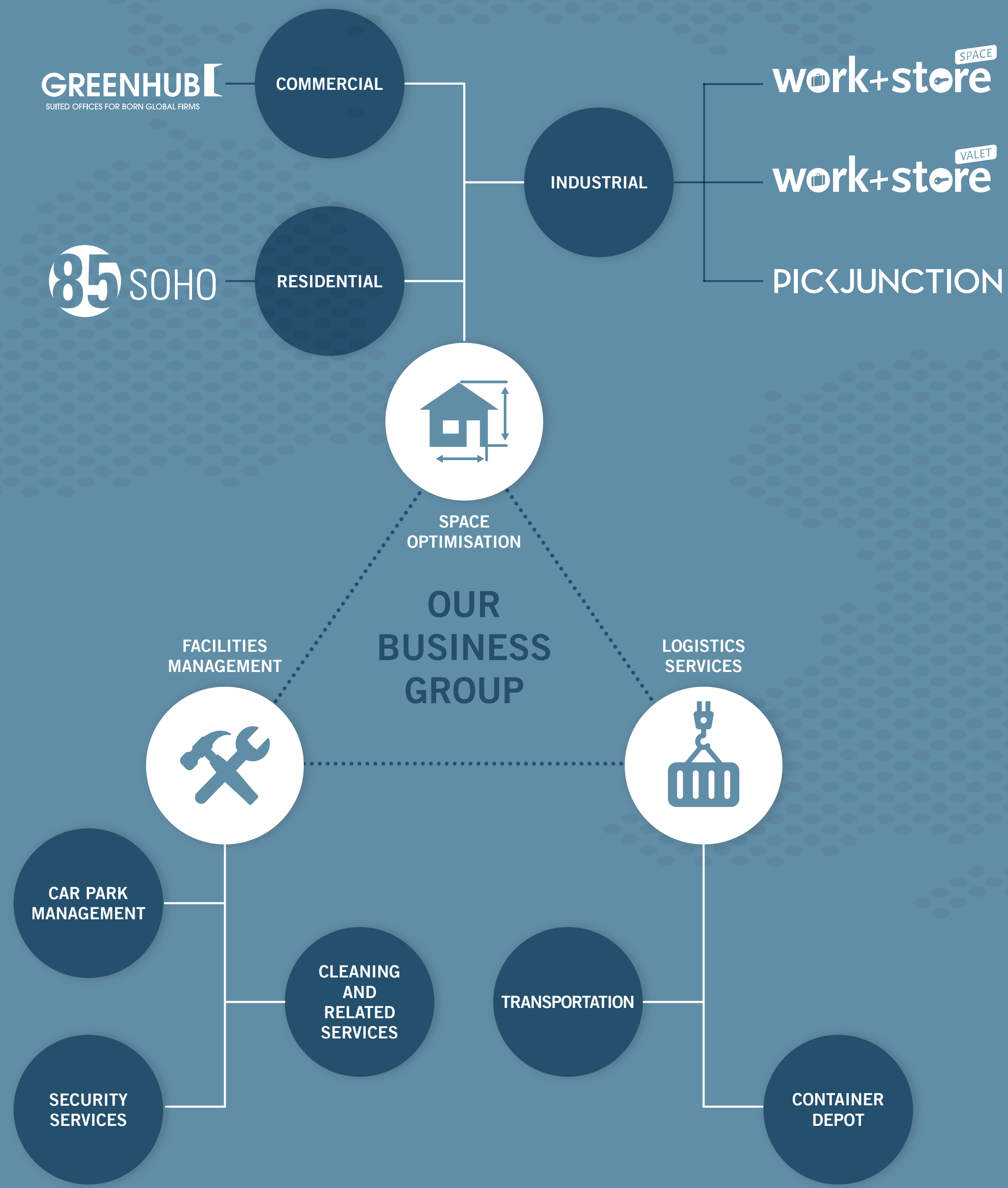
WHO ARE WE?

With a history dating back to 1991, we are a real estate management services group with the ability to generate value for our landlords and tenants through our expertise in space optimisation. We provide facilities management services which serve to complement our space optimisation business and we also provide logistics services.



As at the date of this report:

HONG KONG
- Operate two carparks, a public carpark in Tai Po; a private carpark in Kowloon secured in December 2017.

YANGON, MYANMAR
- 85SOHO Serviced Residence

LAEM CHABANG, THAILAND
- Container depot with a capacity of up to 7,000 TEUs
- Entered into a lease agreement in the vicinity of Bangkok, Thailand, and intend to operate a new container depot

SINGAPORE (REGIONAL HQ)
- 30 commercial, industrial and residential properties, including 4 GreenHub Suited Offices
- Facilities management services for our properties and other properties
- Container depot at Benoi Sector able to handle up to 6,200 TEUs
- Signed a letter of intent with a potential joint venture partner to set up, manage and operate a new container depot
- Transportation services business
- Offered an option to purchase a property in Singapore to operate our ISO Tank Depot in November 2017

JAKARTA, INDONESIA
- 2 GreenHub branded Suited Offices

3.8M+
sqft managed

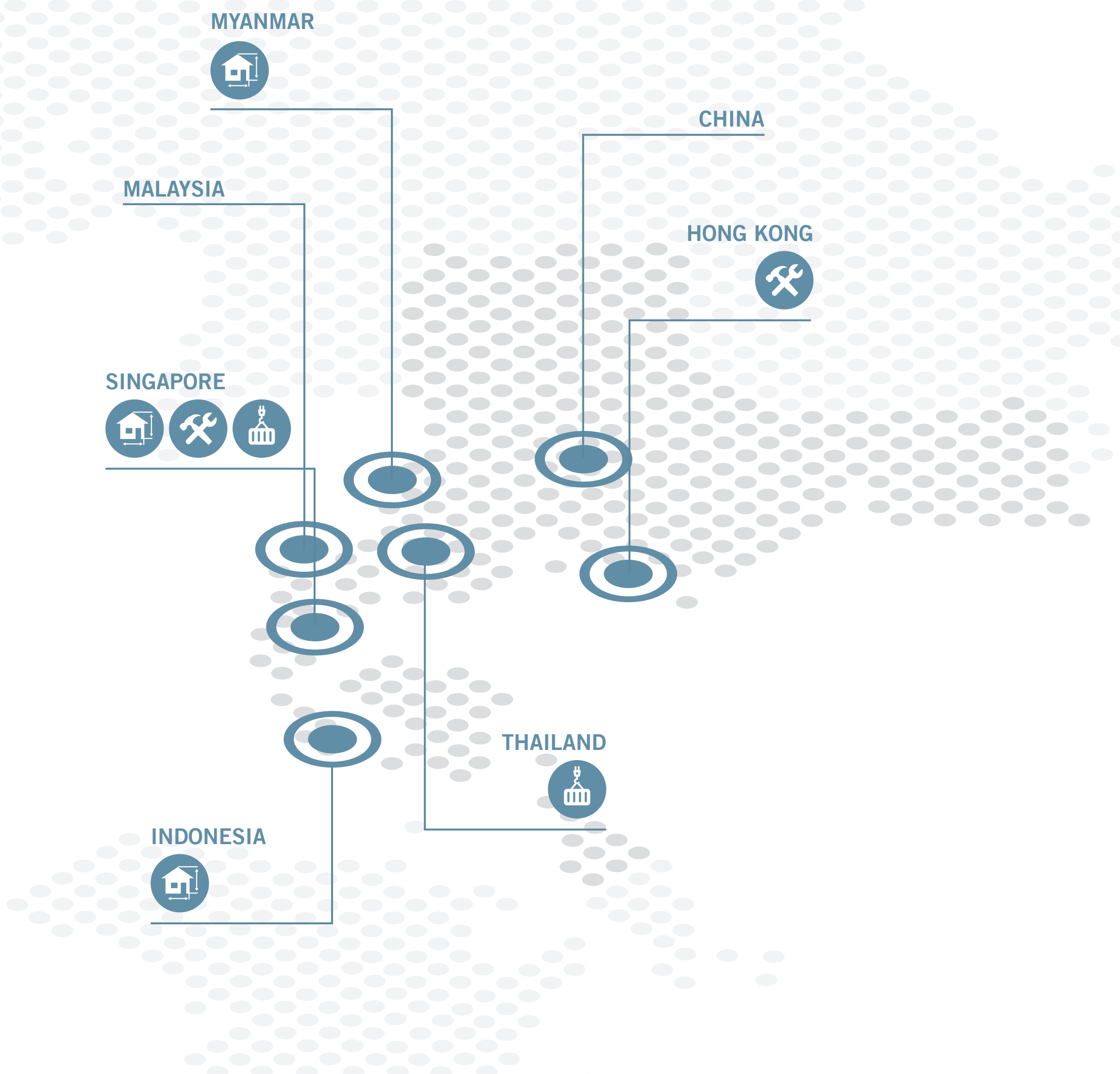
active in **5**
countries

2400+
customers

8000+
car park lots

50+
car park locations

20+
prestigious awards



WHAT WE ACHIEVED IN FY2017


Golden Mile Tower


100 Eunos


2 Soon Wing Road


44 Kallang Place


Beach Road


Car Park at Tai Po (Hong Kong)

OCTOBER 2016

- Commenced full operations for our joint venture car park property at Golden Mile Tower.
- Acquired our joint venture property at 44 Kallang Place.

NOVEMBER 2016

- Established our subsidiary in the People's Republic of China (PRC).

JANUARY 2017

- Obtained Temporary Occupation Permit ("**TOP**") for our property at 100 Eunos.
- Expansion of GreenHub office in 10 Raeburn Park.
- Obtained master lease renewal for 18 Penjuru Road, 8 Jalan Papan, 1557 Keppel Road and 215 Upper Bukit Timah.

MARCH 2017

- Commenced operation for our 4th GreenHub office at Beach Road.
- Entered into our 1st Assets Management Contract.
- Obtained master lease renewal for Keramat Road.

APRIL 2017

- Obtained master lease renewal for 2 Soon Wing Road.

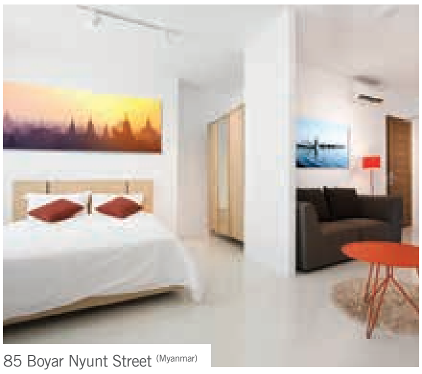
MAY 2017

- Commenced full operations for our 1st car park in Hong Kong.
- Announced our proposed application for the dual primary listing on the Main Board of The Stock Exchange of Hong Kong Limited ("**SEHK**" or "**Hong Kong Stock Exchange**").


38 Ang Mo Kio


566 Woodlands Road


Singapore Prestige Brand Award 2017


85 Boyar Nyunt Street (Myanmar)


45 Burghley Drive


Singapore Corporate Governance Award 2017

JUNE 2017

- Obtained TOP for our joint venture property at 38 Ang Mo Kio.
- Obtained our Estate Agent Licence in Singapore.
- Obtained master lease renewal for Lot 228 Mandai Estate and 85 Boyar Nyunt Street.

JULY 2017

- Obtained master lease renewal for 566 Woodlands Road and 45 Burghley Drive.

SEPTEMBER 2017

- Entered into our 2nd lease agreement in Thailand for our container depot operation.
- Selected as the overall Winner for Prestige Brand Award 2017 under the Heritage Brand Category and was inducted into their Hall of Fame.
- Selected as the Winner of the Singapore Corporate Governance Award 2017, Catalist Category.
- Obtained master lease renewal for 253 Kranji Road.

CHAIRMAN'S MESSAGE

"SEHK listing will increase our market visibility, attract investors with different profiles and widen our investor base, and serve as a springboard for us to expand our business in Hong Kong and China."

Mr Kelvin Lim
Executive Chairman, Executive Director &
Group Managing Director

Dear Shareholders,

Financial year ended 30 September 2017 ("**FY2017**") will be looked upon as the year we took our first step into Greater China. We established our first wholly-owned subsidiary in the PRC in November 2016 with the intention to expand our space optimisation and real estate management expertise into the China market. LHN Limited (the "**Company**") and its subsidiaries (collectively with the Company, the "**Group**") then expanded our Facilities Management Business into Greater China by securing our first overseas car park management contract in Hong Kong, laying the groundwork for our Greater China expansion plans. To establish our brand name in the Greater China region, our Group had decided to file a dual primary listing application in June 2017 and was listed on the Main Board of the SEHK on 29 December 2017.

REVIEWING OUR FINANCIAL PERFORMANCE

For FY2017, our revenue grew 1.5% to S$106.3 million mainly from stronger contribution from our Facilities Management and Logistics Services business segments. Gross margin however was lower mainly owing to increase in upkeep and maintenance costs, rental costs, transportation cost and direct labour costs. Administrative expenses have also increased mainly due to the dual listing expenses of approximately S$3.0 million incurred during the year. Share of results of associates and joint ventures was also lower due to a non-recurring fair value gain on investment properties recorded in the financial year ended 30 September 2016 ("**FY2016**"). For FY2017, we recorded a fair value loss on investment properties of S$1.9 million mainly due to the decrease in valuation of industrial properties in Singapore and a commercial property in Indonesia while in FY2016 we recorded a fair value gain of S$2.1 million. As a result of the above factors, our net profit decreased to S$2.8 million.

Notwithstanding the lower profit for FY2017, we are proposing a final dividend of 0.2 Singapore cents per share, which represents a payout ratio of approximately 21%, excluding fair value adjustments, dual listing expenses and non-recurring gain on acquisition of Four Star Industries Pte. Ltd..

EXPANDING INTO GREATER CHINA

Our Board had deliberated very carefully and concluded that a primary listing status in each of Singapore and Hong Kong is beneficial to us as this provides us with ready access to these different equity markets. We also believe that the SEHK listing will increase our market visibility, attract investors with different profiles and widen our investor base, and serve as a springboard for us to expand our business in Hong Kong and China. On 29th December 2017, we successfully dually listed the shares of our Company on the Main Board of the SEHK and raised HK$79.8 million in total gross proceeds from the allotment and issuance of 42 million new shares at a price of HK$1.90 per share in this dual listing. We intend to use the net proceeds raised for business expansion, capital expenditure and general working capital.

We marked our entry into Greater China with our first overseas car park management contract in Hong Kong, secured in May 2017. This three-year contract was awarded by the Hong Kong Government Property Agency which manages government sites and properties in Hong Kong. Although the value of this contract may be relatively small, its significance is huge in two main aspects; firstly, it marks our entry into Greater China, and secondly, it demonstrates our capability, even as a foreign-owned entity, to secure a contract from the Hong Kong government agency. Our listing on the SEHK will raise our profile among investors and the business community in the Greater China Region and open more doors to business opportunities there.

Our wholly-owned subsidiary LHN Asset Management (Xiamen) Co. Limited ("**LHN Xiamen**") in China was incorporated with the intention to expand our space optimisation and real estate management expertise into the China market and we are actively seeking opportunities to provide our services and expertise to landlords in China and apply our innovative Space Optimisation concepts.

I am pleased to share with shareholders that our plans to expand into China received a mention in the Parliament in Singapore. On 7 March 2017, Minister of State for National Development of Singapore Koh Poh Koon used LHN as a model company that had taken advantage of new areas of growth to better respond to market disruptions, as part of his announcement to Parliament of Singapore on how the real estate sector could get an Industry Transformation Map developed to prepare for future challenges.

In line with our regional presence and our ambition to further expand our overseas business, we need to tap on the expertise, experience and resources of professional parties with extensive regional and international presence. As such, we changed our auditors from Foo Kon Tan LLP ("**Foo Kon Tan**") to PricewaterhouseCoopers LLP, Singapore ("**PwC**"). We thank Foo Kon Tan for serving as our auditors since FY2015. We welcome PwC as our new auditors for FY2017 and look forward to seeing fresh perspectives and views from PwC.

"In FY2017, our Facilities Management and Logistics Services businesses have performed well for the Group."

MANAGING OUR ASSETS

At the start of FY2017, we completed the acquisition of Four Star Industries Pte. Ltd., whose holding include a leasehold property, a six-storey purpose-built flatted factory, at 44 Kallang Place. We have applied our Space Optimisation expertise on this property, and we are now ramping up our efforts to raise the occupancy. We look forward to seeing growing returns from this investment when occupancy level increases.

During FY2017, we entered into a put and call option agreement for the proposed sale and leaseback of our industrial property at 72 Eunos Avenue 7 with the intention to monetise the value of this property. However, as the approval of Housing Development Board of Singapore for the proposed sale of this property was not obtained by the extended target date, the agreement has been rescinded.

MOVING THE BUSINESS FORWARD

We intend to continue to hunt for new properties and opportunities to grow and expand our Space Optimisation Business in the regions that we currently have a presence in and into other countries with primary focus in Asian countries including the PRC and Cambodia. Our Group is also very keen to export our concept brands of our GreenHub offices, Work+Store, 85Soho and PickJunction across the region. Given our expertise and experience in space management, we also intend to gradually build up our asset management business portfolio, in the coming year.

Under our Facilities Management Business, we are on the constant look-out to secure more car parks under management and to increase the car park rates of our existing car parks to stay competitive. Our Group is also in active discussions with building owners and various property management groups to cater our services in repair, maintenance and cleaning of buildings and offices, pest control and fumigation, landscaping to properties other than our own. In addition, our Group is exploring various opportunities to provide ground security personnel and to supply, install, repair and maintain security systems for other industries, focusing mainly on commercial and industrial property sites.

For our Logistics Services Business in Singapore, in FY2017, we have signed a non-binding letter of intent to acquire a property in Singapore to operate our own ISO tank depot and in November 2017, we received a binding offer of an option to purchase the property from the vendor for which we paid a refundable deposit of S$230,000 to the vendor. In FY2017, we have also signed a non-legally binding letter of intent setting out the preliminary terms and conditions to establish a joint venture company in Singapore with a company that is part of a global shipping group to offer container depot services and the joint venture company, HLA Logistics Pte. Ltd., has been established in December 2017. In Thailand, we have signed a lease agreement in FY2017 for a property to operate a second container depot in the vicinity of Bangkok.

In FY2017, our Facilities Management and Logistics Services businesses have performed well for the Group. Moving forward, we expect these in-demand, fast-growing, high-margin segments to continue to contribute significantly to the Group's financial performance.

SHOWING OUR APPRECIATION

I would like to take this opportunity to thank Mr Lee Gee Aik who has been our Lead Independent Non-executive Director since our listing on the Catalist Board of SGX-ST. Mr Lee has resigned in June 2017 due to increasing commitments. On behalf of the Board, I thank him for his guidance, advices and contribution in our first few years as a public listed company.

At the same time, I would like to welcome Mr Chan Ka Leung Gary who joined us as our new Independent Non-executive Director in June 2017. Mr Chan is a resident in Hong Kong and is familiar with the continuing listing requirements of the SEHK. We look forward to working closely with Mr Chan as we take our first steps into Greater China and Hong Kong.

I thank my other fellow Directors on the Board for their guidance and support especially on those decisions in relation to our overseas expansion. To all the staff of LHN, I thank you for your diligence and dedication to your work even amidst a very challenging business environment. Let us close ranks and work for a better year in FY2018. In closing, I want to thank all our business partners, landlords, tenants and shareholders for your support. At LHN, we will continue to work hard to bring greater value to everyone.

Mr Kelvin Lim
Executive Chairman, Executive Director &
Group Managing Director

FOURSTAR SHOWROOM
44 Kallang Place

SEHK LISTING
Hong Kong, 29 December 2017

MEET OUR LEADERS

BOARD OF DIRECTORS

1 **Mr Kelvin Lim**
Executive Chairman, Executive Director & Group Managing Director

2 **Ms Jess Lim**
Executive Director & Group Deputy Managing Director

3 **Ms Ch'ng Li-Ling**
Lead Independent Non-executive Director

4 **Mr Eddie Yong**
Independent Non-executive Director

5 **Mr Gary Chan**
Independent Non-executive Director

EXECUTIVE OFFICERS

6 **Ms Yeo Swee Cheng**
Chief Financial Officer

7 **Mr Danny Wong**
General Manager


WE CREATE
2
1
5
3

1

Mr Kelvin Lim
Executive Chairman, Executive Director & Group Managing Director

Mr Lim Lung Tieng (also known as Lin Longtian) (林隆田) (**"Mr Kelvin Lim"**), age 40, is a controlling shareholder of the Company and was first appointed to the Board on 10 July 2014 and was last re-elected on 23 January 2017. He is currently the Executive Chairman, the Executive Director, the Group Managing Director and a member of the Nominating Committee. Kelvin is also a director of all of the subsidiaries of the Group other than MQ Furnishing Pte. Ltd., HLA Holdings (Thailand) Limited and HLA Container Services (Thailand) Limited.

Kelvin brings over 19 years of experience in the property leasing business and over 10 years of experience in logistics services and facilities management business. He is primarily responsible for the business development and overall management of the Group. He also oversees the Group's investment activities, operations and marketing efforts.

Kelvin is also appointed a patron in the Bukit Batok East Citizen's Consultative Committee, chairman of the Bukit Batok East Community Development Welfare Fund, consultant to the Youth Wing, Vice-Chairman of the Singapore Lim See Tai Chong Soo Kiu Leong Tong Family Self-management Association, member of the Lions Club of Singapore Nee Soon Mandarin and member of the general council of the National Arthritis Foundation of Singapore. He was awarded the public service medal (Pingat Bakti Masyarakat (**"PBM"**)) in 2012 for his contributions to society.

Kelvin is the brother of Ms Jess Lim, who is also an executive Director of the Company.

3

Ms Ch'ng Li-Ling
Lead Independent Non-executive Director

Ms Ch'ng Li-Ling (莊立林), age 46, is the Chairman of the Remuneration Committee and a member of both the Audit and Nominating Committees. Li-Ling was appointed as the Lead Independent Non-executive Director on 5 June 2017. She was first appointed to the board on 10 March 2015 and was last re-elected on 28 January 2016.

Li-Ling is a corporate practitioner whose areas of practice include corporate and securities laws, capital markets, mergers and acquisitions, regulatory compliance and corporate governance advisory. She is currently a partner in the capital markets practice of RHTLaw Taylor Wessing LLP. She was named one of AsiaLaw Leading Lawyers in 2014 and 2015 (Capital Markets), and was recognised as one of the 'Leading Lawyers' in the 2011, 2013-2017 editions of IFLR1000.

Li-Ling is also an Independent Director of SGX-ST listed DeClout Limited (Singapore Stock Code: 5UZ) and Anchor Resources Limited (Singapore Stock Code: 43E), member of the Singapore Academy of Law, Legal Practitioner of New South Wales, Australia and qualified as a solicitor of England and Wales.

Li-Ling graduated with a Bachelor of Arts (Honours) degree from NUS in 1994 and obtained her Bachelor of Laws (Honours) and Master of Laws (Merit) from the University of London in 1995 and 2011 respectively.

2

Ms Jess Lim
Executive Director & Group Deputy Managing Director

Ms Lim Bee Choo (also known as Lin Meizhu) (林美珠) (**"Ms Jess Lim"**), age 43, is a controlling shareholder of the Company and has been appointed to the Board since 10 July 2014 and was last re-elected on 28 January 2016. Jess is currently the Group Deputy Managing Director and a director of all of the subsidiaries of the Group other than LHN Xiamen, MQ Furnishing Pte. Ltd., PT Hean Nerng Group, PT Hub Hijau Serviced Offices and LHN Parking HK Limited.

Jess has over 20 years of extensive and varied experience in business management and supply chain management, comprising of over 15 years' experience in the leasing and facilities management business and over 10 years' experience in the logistics services business. She is responsible for the corporate development, the overall administration and oversees the Group's finance, human resource, information systems and contracts administration functions.

Jess graduated with a Bachelor of Business Administration degree from the National University of Singapore (**"NUS"**). She also holds an Executive Diploma in Directorship from the Singapore Management University and the Singapore Institute of Directors.

Jess is the sister of Mr Kelvin, who is also an executive Director of the Company.

4

Mr Eddie Yong
Independent Non-executive Director

Mr Yong Chee Hiong (楊志雄) ("**Mr Eddie Yong"**), age 64, is the Chairman of the Nominating Committee and a member of both the Audit and Remuneration Committees. He was first appointed on 10 March 2015 and was last re-elected on 28 January 2016.

Eddie has 40 years of experience in the real estate business ranging from land acquisition, planning and development, marketing and asset management. He is currently Managing Partner of Equity & Land LLP.

Eddie's previous directorship was as an Executive Director of SGX-ST listed Far East Orchard Limited (formerly Orchard Parade Holdings Limited) (Singapore Stock Code: O10). He was also the Deputy Chairman of the industry and development committee and board member of the Singapore Corporation of Rehabilitative Enterprises. He also served as the management committee member of Real Estate Developers' Association of Singapore. He was awarded the public service medal PBM in 2010 for his contributions to public service. Eddie has existing professional affiliations with the Singapore Institute of Surveyors & Valuers and the Institute of Real Estate Management (USA).

Eddie holds a Master of Science (Property and Maintenance Management) degree from NUS and a Bachelor of Science (Honours) degree in Urban Estate Management from Liverpool John Moores University (previously known as Liverpool Polytechnic).

5

Mr Gary Chan
Independent Non-executive Director

Mr Chan Ka Leung (陳嘉樑) (**"Mr Gary Chan"**), age 45, is the Chairman of the Audit Committee and a member of both the Nominating and Remuneration Committees. He was recently appointed on 5 June 2017.

Gary has more than 18 years of experience in accounting, corporate finance, private equity and financial consultation while advising companies across multiple disciplines and various industries.

Gary joined CFO (HK) Limited in 2014 and presently serves as the Chief Executive Officer of the Greater China business of the CFO Centre Group and an Independent Non-executive Director of Tomo Holdings Limited (Hong Kong Stock Code: 8463), a company listed on The Stock Exchange of Hong Kong Limited. His previous appointments include Corporate Finance Director of TNG (Asia) Limited, Partner at Creat Capital Company Limited.

Gary obtained a Bachelor's Degree in Mathematics and a Master's Degree in Accounting from the University of Waterloo (Canada). He also holds a Chartered Accountant certification in Canada since 2000.

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Mr Danny Wong
General Manager

Mr Wong Sze Peng, Danny (王志斌) ("**Mr Danny Wong**") started his career in HN Holdings Pte. Ltd. (formerly known as Hean Nerng Holdings Pte. Ltd.) in February 2005 and was promoted to Marketing Manager in April 2007 before being transferred to the Group in 2008. He was promoted to Assistant General Manager in July 2010, before advancing to his current position in June 2012.

Danny has over 12 years of experience in the real estate industry. Danny is primarily responsible for the marketing and property management functions of the Group. He plans, directs and co-ordinates with the marketing and property management departments and is actively involved in promoting the Group's projects, sourcing for potential customers and conducting negotiations with them.

Danny holds a Bachelor of Science (Honours) degree in Real Estate from NUS.

6

Ms Yeo Swee Cheng
Chief Financial Officer

Ms Yeo Swee Cheng (楊瑞清) first joined the Group in May 2011 as Group Finance Manager and was promoted to Group Financial Controller in July 2014 before advancing to her current position in July 2015.

Swee Cheng is primarily responsible for all finance related areas of the Group including treasury, audit and taxation functions. She supports the management on all strategic and financial planning matters in relation to the Group's business to ensure sound management of the Group's funds.

Swee Cheng has over 15 years of extensive experience in financial accounting, corporate finance, treasury and taxation matters, having previously worked with GP Batteries International Limited and several other well established companies from various industries.

Swee Cheng has a Bachelor's Degree in Accountancy from NUS and is also a member of the Institute of Singapore Chartered Accountants since 1990.

Joint Company Secretaries

Mr Leong Chee Meng, Kenneth

Mr Leong Chee Meng, Kenneth is the company secretary of the Company. Kenneth has been employed by Boardroom Corporate & Advisory Services Pte. Ltd. since July 2014. Kenneth currently holds the position of corporate secretarial manager and is responsible for the provision of corporate secretarial services to both non-listed and listed companies in Singapore. Boardroom Corporate & Advisory Services Pte. Ltd. is a wholly-owned subsidiary of Boardroom Limited. Boardroom Limited is listed on the main board of the SGX-ST and primarily provides services in the areas of corporate secretarial, share registration, accounting and taxation services.

Kenneth holds a degree in Accountancy from the Nanyang Technological University, Singapore in 2003 and is a Chartered Accountant in Singapore. Kenneth currently acts as the company secretary of a number of companies listed on the SGX-ST.

Kenneth is residing locally in Singapore and possesses the required qualifications to satisfy the required under section 171 (AA) of the Singapore Companies Act.

Mr Ivan Ng

Mr Ng Chit Sing ("**Mr Ivan Ng**") was appointed as the company secretary of the Company in Hong Kong on 7 June 2017. He is the founder and chief executive officer of IN Corporate Services Limited specialising in the provision of corporate secretarial services to listed issuers and private companies.

Ivan is currently acting as named company secretary and joint company secretary of certain companies listed on the Main Board or Growth Enterprises Market of The Stock Exchange of Hong Kong Limited. Ivan was admitted as an associate member of both The Hong Kong Institute of Chartered Secretaries and The Institute of Chartered Secretaries and Administrators in England in July 2000. Ivan received a Bachelor's Degree in Social Sciences in 1996 and a Bachelor's Degree in Laws in August 2008.

FY2017 AT A GLANCE

S$106.3M
GROUP REVENUE

S$2.8M
PROFIT AFTER TAX

19.59 S'PORE CENTS
NET ASSET VALUE PER SHARE

S$67.8M
SPACE OPTIMISATION REVENUE

S$17.3M
FACILITIES MANAGEMENT REVENUE

S$21.2M
LOGISTICS SERVICES REVENUE

FIVE-YEAR FINANCIAL SUMMARY

	FY2013 (S$'000)	FY2014 (S$'000)	FY2015 (S$'000)	FY2016 (S$'000)	FY2017 (S$'000)
GROSS PROFIT	22,354	25,031	23,448	27,497	25,751
PROFIT BEFORE INCOME TAX	6,899	14,004	4,268	16,228	3,144
PROFIT ATTRIBUTABLE TO EQUITY HOLDERS	8,239	12,756	4,223	15,094	2,312
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY	20,272	32,727	55,434	69,549	70,609
NON CURRENT ASSETS	34,798	40,895	58,647	72,429	77,916
CURRENT ASSETS	33,024	31,522	48,005	49,133	46,400
CURRENT LIABILITIES	32,972	27,317	30,767	30,920	33,133
NON CURRENT LIABILITIES	14,655	12,504	20,578	21,213	20,241
CASH AND CASH EQUIVALENTS	13,352	14,425	24,637	19,926	14,885
FINANCIAL RATIOS					
NET ASSET VALUE PER SHARE (SINGAPORE CENTS)	5.61[(1)]	9.05[(1)]	15.33[(2)]	19.32[(2)]	19.59[(2)]
EARNINGS PER SHARE (SINGAPORE CENTS)	3.00[(3)]	4.64[(3)]	1.34[(4)]	4.18[(4)]	0.64[(4)]

(1) For comparative and illustrative purposes, the net asset value per ordinary share for the financial year ended 30 September 2013 and 30 September 2014 was computed based on the number of ordinary shares in issue of 361,524,000 as at 30 September 2015.

(2) The net asset value per ordinary share for the financial year ended 30 September 2015, 30 September 2016 and 30 September 2017 was computed based on the number of ordinary shares in issue of 361,524,000, 360,004,000 and 360,445,000 respectively.

(3) For comparative and illustrative purposes, the earnings per ordinary share for the financial year ended 30 September 2013 and 30 September 2014 was computed based on the number of ordinary shares issued after share split of 275,000,000 which was completed on 10 March 2015.

(4) The earnings per ordinary share for the financial year ended 30 September 2015, 30 September 2016 and 30 September 2017 was computed based on the weighted average number of ordinary shares in issue of 316,020,000, 361,335,000 and 360,314,000 respectively.

OPERATIONS AND FINANCIAL REVIEW

BUSINESS REVIEW

INTRODUCTION

The year ended 30 September 2017 (''**FY2017**'') was an important year for the Company. In June 2017, the Company submitted its listing application to the Hong Kong Stock Exchange for the dual primary listing of, and permission to deal in, its Shares on the Main Board of the SEHK (the "**Dual Listing**"). The dual primary listing on the Main Board of the SEHK was completed on 29 December 2017, stock code 1730. The Shares are dually listed on the Main Board of the SEHK and the Catalist board of SGX-ST since 29 December 2017. The Directors believe this is a major milestone of the Company, to expand the business of the Group geographically.

The Directors believe the dual listing is important for the business of the Group as (i) the Hong Kong Stock Exchange is strategically an ideal venue for the Company's dual primary listing as Hong Kong is a special administrative region of the PRC, it has close trading and business links to the PRC, and it provides exposure to the PRC, and as such, it can strengthen our positioning and enhance the Group's brand names in the Greater China region for its expansion especially with its existing and future expansion plan; (ii) the Group can capitalise on its status as a listed company in Hong Kong to further reinforce its corporate profile and brand awareness; and (iii) this provides the Company with ready access to the Singapore and Hong Kong equity markets and this will also increase the market visibility of the Company and attract investors with different profiles.

The Company has also been awarded by the Securities Investors Association Singapore in September 2017 as the winner of the Singapore Corporate Governance Award 2017, Catalist Category to recognise its outstanding efforts in improving corporate governance. The award has been granted after the Company was jointly evaluated by the Securities Investors Association Singapore together with National University of Singapore School of Business, Centre of Governance, Institutions and Organisations, who partnered with Thomson Reuters research. The criteria for the award included the company's good governance practices that culminates in shareholders' interest. The award was endorsed by esteemed industry organisations and institutions. The Company believes this award is a testament of the Company's commitment to high level of corporate governance, strong reputation, management and internal controls, and as a listed company on the Catalist board of SGX-ST in Singapore.

Furthermore, during FY2017, as a testament of the Group's operational excellence and quality customer service, the Company was recognised by the Singapore Quality Class on 30 April 2017 for commendable performance in business excellence. Moreover, LHN Group Pte. Ltd. was awarded the Singapore Prestige Brand Award 2017 – Heritage Brands, which was jointly awarded by Association of Small & Medium Enterprises and Lianhe Zaobao in Singapore in recognition of the Group's strong brand, and was selected as the overall winner of the Heritage Brands category. The Group's brand has also been inducted into the Hall of Fame of Singapore Prestige Brand Award following continuous development of its brand over the years. The Company believes these awards and recognitions provide the Group with a competitive edge in providing a level of assurance to our Shareholders and potential investors. The Company also believes these enable the Group to further strengthen its market reputation and confidence for its customers, tenants, landlords, suppliers and joint venture partners for its business operations and expansions.

GEOGRAPHICAL EXPANSIONS

For FY2017, the Group continued to expand its business in Singapore and overseas. During the year, it has successfully expanded its geographical reach into Hong Kong by securing a car park management contract and commenced its first car park management operations under our facilities management segment in May 2017. With the Group's first operations in Hong Kong, it will continue to explore the opportunities to further expand its business in Hong Kong and China.

GreenHub Suited Offices Pte. Ltd., a wholly-owned subsidiary of the Group, acquired 17.5% of interest in WeOffices Aps in July 2017, a company incorporated in Denmark and principally engaged in the business of rental of serviced office space in Denmark. Although the Group does not have any management role in WeOffices Aps, the Company believes this investment can bring synergies to the Group's GreenHub Suited Offices business as (i) it enhances the Group's brand value by recognising the GreenHub Suited Offices as part of a global network; (ii) it extends the Group's brand exposure to European countries; and (iii) the potential customer referral in the future between the GreenHub Suited Offices business and WeOffices can widen the Group's customer base as it allows the Group to cater the needs of customers with operations in both Asia and Europe.

SPACE OPTIMISATION BUSINESS

During FY2017, the Group primarily offered and leased properties to its tenants after optimising the space at the properties that it has leased or purchased under our space optimisation business. The Group's space optimisation business is its principal business segment during FY2017. The Group has categorised all its leasing, sub-leasing and management of properties under its space optimisation business.

"Space optimisation" involves re-designing and planning the property in order to increase its net lettable area ("**NLA**") and minimise the amount of "dead" or unusable space, thus increasing the potential rental yield per square foot ("**sq.ft.**") and accordingly, the potential rental yield of the property. In order to ensure the property will follow the optimisation plan, the Group will execute the necessary renovation and refurbishment work. The renovation and refurbishment work will also enhance the aesthetic appeal and potentially increase the overall value of the property. The Group also provides asset management services to property owners by assisting the property owners to design and optimise their property for leasing, and to provide lease management services, which the Group generates a fixed management fee based on a percentage of rental revenue generated from the property.

Set out below a summary of the Group's new properties that it manages under our space optimisation business during FY2017:

1. **Leased Property**

Property name	Location	Type of property	GFA (sq.ft.) (approx.)	Lease term
Beach Road	11 Beach Road, #03-01, Singapore	Commercial	6,900	1 March 2017 to 28 February 2021

2. **Properties under Asset Management Arrangement**

Property name	Location	Type of property	GFA (sq.ft.) (approx.)	Management term
118 Joo Chiat	118 Joo Chiat Road, Singapore	Commercial	18,600	15 March 2017 to 14 March 2022
Balestier Road	1, 3, 5, 7, 9, 11, Balestier Road, Singapore	Commercial and residential	17,000	1 March 2017 to 28 February 2022

During FY2017, the Group did not acquire any owned property for our space optimisation business.

Furthermore, during FY2017, the number of master leases expired and not renewed amounted to two industrial properties, one commercial property and one residential property.

Also, for FY2017, the Group obtained an estate agency licence in Singapore to offer real estate agency services to other property owners through its online space portal, which is still in progress and yet to commence operation as at the date of this report. Hean Nerng Corporation Pte. Ltd., a wholly-owned subsidiary of the Group, has also obtained an electrical retailer licence to streamline the Group's space optimisation business so as to reduce its business costs and to source electricity on wholesale basis rather than from electricity retailers for the electricity that its tenants obtain under their relevant tenancy agreement with us, if applicable.

FACILITIES MANAGEMENT BUSINESS

During FY2017, the Group primarily provided property related services to its properties and its customers in Singapore under our facilities management business. The Group offered three main areas of services, namely, comprehensive cleaning and related services, car park management services and security services. The Group has also recently expanded its car park management services into Hong Kong as mentioned in "Business Overview – Geographical Expansions" above.

Set out below a summary of the Group's new car parks under our facilities management business during FY2017:

Location	Expiry date
Car park at 18 Tampines Industrial Crescent, Singapore	2018
Car park at the Parliament House, 1 Parliament Place, Singapore	2019
Carpark at Ground Floor of Tai Po Government Offices, No. 1 Ting Kok Road, Tai Po, Hong Kong	2020
Car park at Singapore Khalsa Association, 2 Tessensohn Road, Singapore	2020
Car park at Pioneer Lot, 25 Benoi Road, Singapore	2020
Serangoon Road/Lavender Street Off-Street Car Park, Singapore	2022

Furthermore, during FY2017, only one car park licence in Singapore has expired and not renewed.

LOGISTICS SERVICES BUSINESS

During FY2017, the Group provided transportation service to its customers in Singapore, and container depot management service and container depot service to its customers in Singapore and Laem Chabang, Thailand.

In September 2017, the Group signed a letter of intent setting out the preliminary terms and conditions to establish a joint venture with a company that is part of a global shipping group to offer container depot services in Singapore. The Group considers this as a strategic partnership and believe partnering with this strategic partner to setup the joint venture company will be beneficial to the Group as it is one of the largest global container shipping companies with high container volumes. With its container volumes and reputation in the shipping industry, the Group believes it will provide the Group with high potential demand of depot services for the joint venture company. The joint venture company will be held as to 51% by the strategic partner and 49% by HLA Container Services Pte. Ltd., a non wholly-owned subsidiary of the Group.

In the same month in 2017, HLA Container Services (Thailand) Limited, a non wholly-owned subsidiary of the Group, signed a lease agreement in Thailand for a property to operate our second container depot in the vicinity of Bangkok, Thailand, and the lease term will commence once the land concreting is completed for an initial term of three years, and up to seven times of renewals of three years each.

EVENTS AFTER FY2017 AND FUTURE BUSINESS DEVELOPMENTS

In order to carry out the business expansion of the Group so as to continue to grow its business, the following are the major developments since 1 October 2017 and up to the date of this report:

(i) ***Space Optimisation Business – PRC***: The Group is in discussion for a possible asset management agreement to manage a commercial property in Xiamen, Fujian Province, the PRC. As at the date of this report, the Group has not entered into any memorandum of understanding or agreement for this asset management arrangement;

OPERATIONS AND FINANCIAL REVIEW

(ii) ***Space Optimisation Business – Myanmar***: The Group is currently in discussion with a landlord for a potential asset management project for a residential building consisting of 88 units of one bedroom apartments located approximately 5 minutes' drive from downtown Yangon and close to Shangri-La Serviced Apartment and Residences in Yangon. As the Group is still in negotiation with the landlord, there is no certainty whether this transaction will materialise or at all. If this transaction will materialise, the property will be operated as 85SOHO serviced residences;

(iii) ***Facilities Services – Car Park Management in Singapore and Hong Kong***: The Group has obtained licences for 12 car parks in Singapore, including ten carparks from JTC, which will boost the Group's car park portfolio by another 4,802 equivalent carpark lots, and leases for one car park in Hong Kong, which will add a further 30 equivalent carpark lots to the Group's car park portfolio;

(iv) ***Logistics Services Business – ISO Tank Depot in Singapore***: On 3 October 2017, Hean Nerng Logistics Pte. Ltd., a wholly-owned subsidiary of the Group, signed a letter of intent setting out our proposed terms and conditions of the acquisition of a property in Singapore to operate the Group's ISO tank depot. On 29 November 2017, Hean Nerng Logistics Pte. Ltd. received a binding offer of an option to purchase the property from the vendor. The acquisition is subject to, among others, the approval from JTC. A deposit of S$230,000 has also been paid to the vendor, which is refundable if JTC's approval is not obtained; and

(v) ***Logistics Services Business – Container Depot in Singapore***: On 4 December 2017, HLA Logistics Pte. Ltd., an associate company of the Group, was incorporated for the collaboration with the strategic partner, a company that is part of a global shipping group, to offer container depot services in Singapore, referred to in "Business Review – Logistics Services Business" above. As of the date of this report, it has not commenced any business operations.

BUSINESS OUTLOOK

The Group remains positive in the coming year for year ending 30 September 2018. The Group will continue to carry out its business strategies to grow its business in breadth and in depth. With the rental rates remaining stable in Singapore throughout FY2017, the Group believes its space optimisation business will continue to benefit from the steady trend and grow with the expansions that are currently underway. Furthermore, the Group expects its existing 85SOHO serviced residence in Myanmar will further increase its profitability as it expects the demand to remain healthy as the economy continues to develop.

As for the Group's facilities management business, the Group expects to further expand by securing more car parks to manage and to increase the car park rates of existing car parks. In addition, the Group believes the demand of integrated facilities management and security services would grow further as companies and agencies seek to outsource such services to save costs and increase efficiency.

In terms of the Group's logistics services business, the business has proven to be resilient in the tough shipping and transportation market as the Group focuses on shorter turnaround time to help customers save costs. The Group is optimistic on the demand for container storage and repair services, and transportation services.

FINANCIAL REVIEW

REVENUE

Revenue increased by S$1.5 million, or 1.5%, from S$104.7 million for FY2016 to S$106.3 million for FY2017 primarily due to increase in revenue from the Group's facilities management business and logistics services business, which was partially offset by the decrease in revenue generated from industrial properties and commercial properties of the Group's space optimisation business.

A) Space Optimisation Business

Revenue generated from the Group's space optimisation business decreased by S$8.9 million, or 11.6%, from S$76.7 million for FY2016 to S$67.8 million for FY2017.

Industrial Properties

Revenue generated from our industrial properties decreased by S$8.9 million, or 17.0%, from S$52.0 million for FY2016 to S$43.2 million for FY2017 mainly due to (i) the expiry of four master leases in the west zone of Singapore during FY2016 and did not contribute to any revenue for FY2017; (ii) the expiry of two master leases in the west zone of Singapore during FY2017, which were not renewed; (iii) movement of tenants including those due to expiry of master leases as the leases with the Group's tenants generally would end prior to the expiry of master leases, and for the master leases that were expired but renewed, some tenants did not renew their tenancy upon expiry of their tenancy agreement and it took time to market the vacant units to new tenants at the beginning of the renewed master leases; (iv) the tenancy agreement with one major tenant at 34 Boon Leat Terrace which contributed substantial rental income expired in September 2016 and it took time to market the vacant units to new tenants after the expiry; and (v) lower rental rates arising from expiry and renewal of leases with our tenants for FY2017.

The average occupancy rate of the Group's industrial properties for FY2017 was approximately 88.4% as compared to 94.0% for FY2016.

Commercial Properties

Revenue generated from commercial properties decreased slightly by S$0.6 million, or 2.3%, from S$23.7 million for FY2016 to S$23.2 million for FY2017 primarily due to the movement of tenants and lower rental rates arising from expiry and renewal of leases with our tenants for FY2017.

The average occupancy rate of the Group's commercial properties for FY2017 was approximately 91.0% as compared to 94.0% for FY2016.

Residential Properties

Revenue generated from residential properties increased by S$0.6 million, or 62.2%, from S$0.9 million for FY2016 to S$1.4 million for FY2017 primarily due to the full period revenue contribution and higher occupancy rate of our 85SOHO serviced residence in Myanmar launched in March 2016, occupancy rate of which increased from 27.0% for FY2016 to 94.2% for FY2017.

B) Facilities Management Business

Revenue generated from facilities management business increased by S$4.8 million, or 38.8%, from S$12.5 million for FY2016 to S$17.3 million for FY2017, primarily due to (i) increase of revenue from car parking services with improved returns of the Group's existing car parks and increase car park rates; (ii) increase of revenue from the increase in number of car parks the

Group managed; and (iii) increase of revenue from new security contracts secured from an increase in demand of security services.

C) Logistics Services Business
Revenue generated from logistics services business increased by S$5.6 million, or 35.8%, from S$15.6 million for FY2016 to S$21.2 million for FY2017 primarily due to (i) an increase of revenue from container services of the container depot business mainly arising from the increase in demand of storage and repairs of leasing containers contributed by slowdown of shipments worldwide; and (ii) increase in revenue from the transportation services.

COST OF SALES

Our cost of sales increased by S$3.3 million, or 4.3%, from S$77.2 million for FY2016 to S$80.5 million for FY2017 primarily due to (i) an increase in upkeep and maintenance costs of our logistics transportation fleet of S$1.3 million and transportation costs of S$0.9 million from the logistics services business, which was generally in line with the increase in logistics services revenue; (ii) increase in direct labour costs of S$0.6 million as the Group increased the number of our employees for its business expansion; and (iii) increase in rental costs of S$0.4 million.

GROSS PROFIT

As a result of the above, our gross profit decreased by S$1.7 million, or 6.3%, from S$27.5 million for FY2016 to S$25.8 million for FY2017.

OTHER INCOME

Other income decreased by S$0.5 million, or 15.7%, from S$3.0 million for FY2016 to S$2.5 million for FY2017 primarily due to (i) a decrease in foreign exchange gain of S$0.3 million; and (ii) a decrease in miscellaneous income such as government grants of S$0.2 million.

OTHER LOSSES

Other losses decreased slightly by S$0.1 million from S$0.3 million for FY2016 to S$0.2 million for FY2017.

SELLING AND DISTRIBUTION EXPENSES

Selling and distribution expenses decreased by S$0.5 million, or 28.0%, from S$1.8 million for FY2016 to S$1.3 million for FY2017 primarily due to a decrease in real estate agent commission of S$0.4 million and a decrease in marketing expenses of S$0.1 million.

ADMINISTRATIVE EXPENSES

Administrative expenses increased by S$4.0 million, or 20.1%, from S$20.4 million for FY2016 to S$24.4 million for FY2017 primarily due to (i) non-recurring professional fees incurred in connection with the Dual Listing of S$3.0 million; (ii) increase in employee benefit costs of S$0.7 million; (iii) increase in insurance fees of S$0.1 million; (iv) increase in professional fees of S$0.2 million; (v) increase in miscellaneous expenses of S$0.2 million; and (vi) increase in foreign exchange loss of S$0.3 million; and partially offset by a decrease in depreciation of S$0.5 million as the cost of renovation for some sites have been fully depreciated during the lease term.

The breakdown of our revenue for FY2017 and FY2016:

	FY2017 (S$'000)	FY2016 (S$'000)	VARIANCE (S$'000)	VARIANCE (%)
SPACE OPTIMISATION BUSINESS	**67,787**	**76,664**	**(8,877)**	**(11.6)**
A) INDUSTRIAL PROPERTIES	43,170	52,040	(8,870)	(17.0)
B) COMMERCIAL PROPERTIES	23,183	23,740	(557)	(2.3)
C) RESIDENTIAL PROPERTIES	1,434	884	550	62.2
FACILITIES MANAGEMENT BUSINESS	**17,299**	**12,459**	**4,840**	**38.8**
LOGISTICS SERVICES BUSINESS	**21,167**	**15,582**	**5,585**	**35.8**
TOTAL	**106,253**	**104,705**	**1,548**	**1.5**

FINANCE COST

Finance cost remained stable at S$0.6 million for FY2016 and FY2017.

SHARE OF RESULTS OF ASSOCIATES & JOINT VENTURES

Share of results of associates and joint ventures was approximately S$3.4 million in FY2017 as compared to S$6.7 million in FY2016 due to fair value gain on investment properties of S$7.1 million registered in FY2016. In FY2017, the Group recognised a non-recurring gain of S$3.8 million representing the Group's proportionate share of excess net fair value of the joint venture's identifiable assets and liabilities over the cost of investment following the finalisation of the purchase price allocation exercise.

FAIR VALUE (GAIN) / LOSS ON INVESTMENT PROPERTIES

The Group recognised fair value loss on investment properties of S$1.9 million for FY2017 because of a decrease in valuation of industrial properties in Singapore and a commercial property in Indonesia. The fair value gain of S$2.1 million recognised in FY2016 was due to the increase in valuation of industrial properties in Singapore.

PROFIT BEFORE INCOME TAX

As a result of the above, profit before income tax decreased by S$13.1 million, or 80.6%, from S$16.2 million in FY2016 to S$3.1 million in FY2017.

INCOME TAX EXPENSE

Income tax expense decreased by S$0.7 million, or 66.5%, from S$1.1 million in FY2016 to S$0.4 million in FY2017 primarily due to lower taxable income, higher tax relief received and lower deferred tax expense in FY2017.

PROFIT FOR THE YEAR

As a result of the above, profit for the year decreased by S$12.3 million, or 81.7%, from S$15.1 million in FY2016 to S$2.8 million in FY2017.

Basic earnings per share decreased from 4.18 Singapore cents per share for FY2016 (with a weighted average of 361,335,000 shares in issue) to 0.64 Singapore cents per share for FY2017 (with a weighted average of 360,314,000 shares in issue). The basic and diluted earnings per Share are the same as there were no potential dilutive shares in issue as at 30 September 2016 and 2017.

OPERATIONS AND FINANCIAL REVIEW

STATEMENT OF FINANCIAL POSITION

Non-current assets increased by S$5.5 million to S$77.9 million as at 30 September 2017, mainly due to an increase in investment in joint ventures of S$4.0 million and increase in investment properties and property, plant and equipment of S$3.1 million. These were partially offset by a decrease in valuation of the Group's properties of S$1.9 million.

Current assets decreased by S$2.7 million to S$46.4 million as at 30 September 2017, mainly due to decrease in prepayments of S$0.5 million and cash and bank balances of S$6.7 million largely due to the payment of dividend of S$1.6 million and expenses for the Dual Listing of S$2.8 million. These were partially offset by an increase in trade and other receivables of S$0.4 million, loans to joint ventures of S$3.5 million and increase in fixed deposits of S$0.6 million.

Non-current liabilities decreased by S$1.0 million to S$20.2 million as at 30 September 2017, mainly due to repayment of bank borrowings of S$1.7 million and reduction of provision for reinstatement costs of S$0.2 million partially offset by an increase in finance lease liabilities of S$1.0 million.

Current liabilities increased by S$2.2 million to S$33.1 million as at 30 September 2017, mainly due to proceeds received from bank borrowings of S$3.0 million, increase in finance lease liabilities of S$0.4 million and increase in provision for reinstatement costs of S$0.2 million partially offset by decrease in trade and other payables of S$1.4 million.

CASH FLOW STATEMENT

In FY2017, the Group recorded net cash generated from operating activities of S$8.0 million, which was a result of operating profit before changes in working capital of S$11.0 million, increase in operating receivables of S$0.1 million and decrease in operating payables of S$1.6 million, adjusted for income tax paid of S$0.7 million and net interest expense paid of S$0.6 million.

Net cash used in investing activities amounted to S$9.3 million, which was mainly due to the acquisition of property, plant and equipment of S$5.0 million, addition of investment properties of S$1.0 million, advances to joint ventures of S$3.2 million and purchase of available for sale financial assets of S$0.1 million.

Net cash used in financing activities amounted to S$3.8 million, which was due to repayment of finance lease of S$1.7 million, repayment of bank borrowings of S$1.7 million, Dual Listing expenses payment of S$2.8 million and dividend payment of S$1.6 million. These were partially offset by uplift of deposits of S$1.0 million and proceeds received from bank borrowings of S$3.0 million.

As a result of the above, cash and cash equivalents decreased by S$5.0 million, amounting to S$14.9 million as at 30 September 2017.

LIQUIDITY AND FINANCIAL RESOURCES

The Group's use of cash primarily relates to its operating activities, capital expenditures, finance cost, repayment of bank borrowings and expansion of its business operations. For FY2017, the Group financed its operations primarily through a combination of cash flow generated from our operations, capital contribution, bank borrowings, finance leases and proceeds from the Catalist Listing. The Group was able to repay its obligations when they became due.

In FY2017, we did not use any financial instruments for hedging purposes.

The Group primarily obtained bank borrowings to finance its acquisition of properties and logistics equipment. The Group also had revolving loans for its short-term finance needs. The Group's borrowings as at 30 September 2017 were denominated in Singapore dollars with interest charged on these borrowings ranges from 1.75% to 3.65% per annum. As at 30 September 2017, the Group had outstanding bank borrowings of S$21.3 million. These borrowings were secured by (i) legal mortgage of the Group's leasehold properties at 100 Eunos and 72 Eunos; (ii) corporate guarantees by the Group; and (iii) assignment of rental proceeds of the mortgaged properties.

As at 30 September 2017, cash and cash equivalents held by the Group were mainly cash in the banks and on hand denominated in SGD and deposits denominated in SGD that are readily convertible into cash.

FINANCE LEASE LIABILITIES AND CONTINGENT LIABILITIES

The Group's finance lease liabilities primarily consisted of finance lease for its property, plant and equipment from Independent Third Parties. The lease agreements do not have any renewal clause but provide us with options to purchase the leased assets at nominal value at the end of the lease term. The Group's finance lease liabilities as at 30 September 2017 were denominated in Singapore dollars.

As at 30 September 2017, the Group had finance lease liabilities of S$5.2 million. The obligations under the finance lease are secured by the underlying assets of plant and machinery, logistics equipment and motor vehicles, personal guarantees from a director of a non-wholly owned subsidiary of the Group, who is also a shareholder of such subsidiary and not a Controlling Shareholder, proportional to such director's shareholding in the non-wholly owned subsidiary, and corporate guarantees by the Group.

As at 30 September 2017, the Group did not have any material contingent liabilities and no off-balance sheet commitments and arrangements.

CAPITAL COMMITMENTS

The Group's capital commitments primarily relate to the acquisition of logistics equipment for an amount of S$0.4 million as at 30 September 2017.

CAPITAL EXPENDITURE

The Company expects that the Group's future capital expenditures will increase subsequent to FY2017 as it expands its business in line with its business strategies. The planned capital expenditures for the year ending 30 September 2018 are expected to be S$52.6 million, primarily to be used for renovation works of the Group's properties for its space optimisation business and purchase of plant, machineries and equipment for its facilities management business and logistics services business.

The Company anticipates that the planned capital expenditures will be financed by cash generated from the Group's operations, hire purchase, bank loans and proceeds from the listing in Hong Kong. The estimated amounts of expenditures set out above may vary from the actual amounts of expenditures for a variety of reasons, including changes in market conditions, competition, and other factors.

The planned capital expenditures for the financial years ending 30 September 2018 and 2019 are summarised below:

	For the financial year ending 2018 S$'000	2019 S$'000
Space optimisation business		
– Acquisition of an industrial or commercial property in Singapore	23,685	–
– Expansion of current properties portfolio through four master leases in Singapore, Indonesia, Myanmar and the PRC, respectively	2,379	2,918
Facilities management business		
– Expansion of car park management business in Hong Kong and Singapore	106	–
– Setting up an office in Hong Kong	121	
Logistics services business		
– Setting up an ISO tank depot and self-use logistics vehicle parking yard in Singapore	25,185	–
– Setting up an additional container depot in Thailand	1,167	–
	52,643	2,918

The current plan with respect to future capital expenditures is subject to change based on the evolution of the Group's business plan, including potential acquisitions, progress of our projects, market conditions and the Group's outlook of future business conditions. As the Group continues to expand, it may incur additional capital expenditures. The Group's ability to obtain additional funding in the future is subject to a variety of uncertainties including its future results of operations, economic, political and other conditions in the Singapore, Indonesia, Thailand, Myanmar, Hong Kong and the PRC, government policies relating to our industry and relevant rules and regulations regarding debt and equity financing in these jurisdictions.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

Apart from those disclosed in the prospectus of the Company issued for the Dual Listing and dated 15 December 2017, there were no material acquisition and disposal in the year ended 30 September 2017.

SIGNIFICANT INVESTMENT

Except for investments in subsidiaries, associates and joint ventures, the Group did not hold any significant investment in equity interest in any other company during FY2017.

EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES

In FY2017, the Group generated most of its revenue from Singapore, and it also generated service revenue from its operations overseas including Indonesia, Thailand, Myanmar and Hong Kong. The Group also has investment in Denmark. Furthermore, the Group is planning to expand its business into other countries and regions including PRC, Cambodia and Vietnam. When the Group's overseas subsidiaries or associates remit their dividends to the Group, the dividends will be converted from local currencies or U.S. dollars to Singapore dollars. Furthermore, as the overseas subsidiaries are consolidated into our financial statements in Singapore dollars terms, the Group will be subject to foreign exchange risks as the reporting currency of its overseas subsidiaries is the relevant local currency or U.S. dollars, which will be translated into Singapore dollars upon consolidation. In FY2017, the Group recorded currency translation loss of S$94,000 and has not carried out any hedging activities against foreign exchange fluctuations.

EMPLOYEES, TRAININGS AND DEVELOPMENT

The Group values its employees and recognises the importance of a good relationship with its employees. The remuneration to its employees includes salaries and allowances, which is determined based on their performance, experience and prevailing industry practices. The compensation policies and packages are reviewed on a regular basis.

In terms of trainings and development, the Group believes that the employees' progression in their skills and abilities are contributing factors to its success. The Group believes the employee training will enable it to maintain its competitive edge as the training scope targets to update the skills and knowledge of the employees based on the latest changes in the business environment. The trainings provided to the Group's employees focus on three main areas, namely leadership development, strategic & functional skills development and personal development. These trainings take place both locally and overseas, mainly organised by internationally recognised institutions.

For example, for all new joiners, the Group has an informative in-house orientation programme that introduces them to its culture, policies and procedures, and also its mission, vision and values so that the Group can deliver consistent quality services to its customers. For existing employees, the Group organises company-wide townhall communication sessions quarterly to share the Group's latest initiatives, mission, vision and values and conduct department sharing sessions to enable its employees to keep abreast with the workings of the other departments and businesses. The Group also provides all its employees on-the-job training so that they are equipped with the skills and knowledge to make valuable contributions to its business and operations.

Furthermore, as a requirement for providing security services of our facilities management business, all of the Group's security employees must have obtained the certification as a security officer from the Singapore Police Licencing and Regulatory Department and completed the relevant required courses for their respective rank which are conducted by recognised training institutions.

As at 30 September 2017, the Group had a total of 403 employees as compared to 377 employees as at 30 September 2016. Total staff costs increased from S$19.5 million in FY2016 to S$20.7 million in FY2017 primarily due to increase in the number of the Group's employees for its business expansion.

CORPORATE SOCIAL RESPONSIBILITY

SUSTAINABILITY POLICIES AND OBJECTIVES

The Group seeks to be a responsible corporate citizen and to give back to our society and community that has contributed much to our success over the years. To ensure that our actions and initiatives are effective and relevant, we regularly review the impact of our operations and policies on our shareholders, customers, landlords, employees, suppliers, the community and the environment. We aim to exercise prudence, efficiency, safety, social welfare and accountability in our day-to-day operations of our business.

COMMITMENT TO OUR SHAREHOLDERS

We are committed to uphold sound corporate governance in accordance to the SGX and HK Listing Rules guidelines. As at 30 September 2017, being the end of FY2017, the Shares were yet to be listed on the Hong Kong Stock Exchange and the dual primary listing of the Shares on the Main Board of the SEHK was only completed on 29 December 2017. Hence, for FY2017, the code provisions of the corporate governance code in Appendix 14 to the Listing Rules (the "**HK Corporate Governance Code**") was not applicable to us in FY2017. We have adopted the code provisions of the HK Corporate Governance Code as part of the Company's corporate governance policy effective from 29 December 2017, being the listing date of the Shares on the Hong Kong Stock Exchange, which are in addition to the SG Corporate Governance Code the Company has to comply with, and the Company will comply with the more stringent requirements between the SG Corporate Governance Code and HK Corporate Governance Code from 29 December 2017 and onwards. We keep shareholders informed of the Group's financial performance and latest corporate developments through timely and accurate announcements to the investment community and media.

We provide public access to information about our Group via the following platforms:

- Singapore Stock Exchange's SGXNET, SEHK and our website (www.lhngroup.com.sg). All our corporate announcements, press releases, presentation slides and annual reports are available simultaneously via these channels;
- A dedicated investor relations (IR) section within our corporate website;
- Staying connected with our investors and the media through our IR email: enquiry@lhngroup.com.sg;
- Our IR website also allows the public to subscribe and receive alerts whenever an announcement is posted on the website; and
- Investor and analyst briefings every quarter in relation to our financial results.

COMMITMENT TO OUR CUSTOMERS, TENANTS AND LANDLORDS

We are committed to our vision to "Create Productive Environments" through our space optimisation expertise and also our ability to provide value added integrated solutions. In addition, we continually innovate to develop new concepts that cater to the changing needs of today's businesses and entrepreneurs, staying ahead of the evolving business environments and supporting government initiatives. We seek to enhance the value of the properties we managed by increasing the net lettable area that in turn benefit our landlords. In addition, our tenants get to enjoy a conducive, comfortable and clean work environment that we have created for them.

Our facilities management business provides property related services to our properties and our customers. We believe the suite of services in our facilities management business compliments each other which also strengthens our space optimisation business as we stay current with the market to provide our services to our customers.

COMMITMENT TO OUR EMPLOYEES

Our Group engages more than 400 employees as of 30 September 2017. We strongly believe that human capital forms the foundation and bedrock of our many accolades and achievements thus far. We value all of our employees highly and appreciate their contributions to the Group.

Staff Training

We are committed to nurture our employees in their personal development and career advancement by equipping them with the necessary skills and knowledge. Heads of Department appraise every employee annually to identify potential areas in their skill sets that we can send them for appropriate training to groom them. We also encourage them to do their jobs better or by empowering them to take on more responsibilities and leadership roles.

Our Group places high emphasis on workplace safety and hazards. We aim to create a safe and conducive working environment for our employees. We

LHN Family Day Carnival.

constantly remind our employees to be mindful of safety procedures and to put up danger signs in areas of concern, particularly sites that are undergoing renovation and refurbishment. Relevant employees are also sent for certified training in workplace safety and first aid as means of precaution, preventive and preparatory measures.

In addition, we are committed in creating an inclusive and harmonious workplace and that we respect workplace diversity. We treat our employees fairly and with respect, regardless of nationality, gender, race or religion. We encourage open dialogues for regular feedback and exchange of ideas for improvements. We also organise employee townhall and department sharing session on a periodic basis that helps to provide opportunities for employees to communicate and understand each other better.

Occupational Safety and Health

The Group also promotes workplace health through development programmes such as Work at Height training, occupational first aid courses, Workforce Skill Qualification courses for compliance to Workplace Safety and Health Policies and Procedures. Since 2014, we were awarded the bizSAFE certificate by the Workplace Safety & Health Council for our efforts to create a safe and healthy working environment for our employees.

Employee Welfare

We celebrate special occasions such as Christmas, New Year, Chinese New Year, Mid-Autumn Festival, Family Day and Team Building activities with our employees, where we organise activities outside of a work environment setting. We have a bi-weekly fruit day and regular health activities to promote and encourage healthy eating and living. In FY2017, we implemented a Flexible Benefits Scheme, where employees can be reimbursed for their fitness activities, gym memberships, dental, optical, insurance and health related expenses. To show our appreciation to our long-serving employees, we give out long-service awards together with a small token to thank them for their loyalty and contributions to the Group.

COMMITMENT TO OUR COMMUNITY

Since 2016, our Group initiated the Community Chest SHARE Programme, where our employees can opt to contribute a part of their monthly salary to Community Chest, with our Group matching employees' total contribution dollar-for-dollar. The Group contribution for FY2016 and FY2017 amounted to S$936 and S$4,000 respectively.

In FY2017, our Group organised a donation drive to encourage employees to donate usable IT gadgets for the elderly to learn and adopt the latest technologies and to help them cope with an increasing digitalisation of the today's world.

We believe in giving back to our society and lending a helping hand to the less-privileged in our community. In FY2017, we made cash contributions of over S$17,000 to various organisations for activities organised in support of community development, the needy and underprivileged. Some of the donations include:

- S$5,000 to National Arthritis Foundation ("**NAF**") through NAF Charity Golf Tournament 2016.
- S$2,000 to Yellow Ribbon Fund for 2 X S$1,000 donation tickets for the Yellow Brick Road Project under The Prestige – Yellow Ribbon Children Fund
- S$10,000 to Food from The Heart ("**FFTH**") via FFTH Golf Charity Tournament 2017

COMMITMENT TO OUR ENVIRONMENT

We have a strong culture of recycling in the office. Employees avoid printing as much as possible and where necessary, we print double-sided. All waste paper are shredded and sent to recycling centres and we only purchase paper from environmentally friendly sources. Our collaterals are printed on FSC certified paper. Recycling bins are also placed in the office to allow proper segregation of office waste.

The same environmental consciousness is applied throughout our operations, at our properties. We use only energy saving light bulbs and tubes integrated with motion sensors and timer switches to reduce electricity wastage. Our Facilities Management Services business, which provides cleaning services for our properties and tenants, uses only environmentally friendly chemicals and cleaning agents and our taps are all installed with water saving devices to prevent wastage. Our Logistics Services business will replace our aging fleet of trucks with newer EURO V compliance trucks to help reduce CO2 and NOX emissions.

Our Group has been participating in the Green Forest Project since 2015 where we would collect dry leaves from our properties to be made into mulch at the Botanical Gardens.

Christmas celebration with senior citizens at Lion Befrienders Home.

STRIVING FOR EXCELLENCE

BIZSAFE LEVEL 3 CERTIFICATE
Awarded to:
- LHN Group Pte. Ltd. ("**LHN Group**")
- Industrial and Commercial Security Pte. Ltd. ("**ICS**")
- Industrial and Commercial Facilities Management Pte. Ltd. ("**ICFM**")
- Nopest Pte. Ltd.[(1)]
- HLA Container Services Pte. Ltd.
- Hean Nerng Logistics Pte. Ltd. ("**HNL**")
- LHN Parking Pte. Ltd.

by Workplace Safety and Health Council

ISO 9001:2008 QUALITY MANAGEMENT SYSTEM CERTIFICATE FOR LEASING OF SPACE
Awarded to LHN Group
by Certification International (Singapore) Pte Ltd and Certification International (UK) Ltd.

ISO 9001:2008 QUALITY MANAGEMENT SYSTEM CERTIFICATE FOR FACILITIES MANAGEMENT SERVICES
Awarded to ICFM
by Certification International (Singapore) Pte Ltd

ISO 9001:2015 QUALITY MANAGEMENT SYSTEM CERTIFICATE FOR SECURITY MANAGEMENT SERVICES
Awarded to ICS
by Certification International (Singapore) Pte Ltd

ISO 9001:2008 QUALITY MANAGEMENT SYSTEM CERTIFICATE FOR TRANSPORTATION OF BASE OIL, BITUMEN, CHEMICAL & CONTAINERS
Awarded to HNL
by Certification International (Singapore) Pte Ltd

SECURITY AGENCY GRADING AWARD
(Grade A in the Security Agency Grading Exercise for 2017)
Awarded to ICS
by Police Licensing & Regulatory Department

CLEAN MARK GOLD AWARD UNDER THE CLEAN MARK ACCREDITATION SCHEME
(for cleaning services in the conservancy/public areas, commercial premises and food & beverage establishments sectors)
Awarded to ICFM
by National Environment Agency

SINGAPORE PRESTIGE BRAND AWARD 2017 – HERITAGE BRANDS
Awarded to LHN Group
by Association of Small and Medium Enterprises (ASME) and Lianhe Zaobao

SINGAPORE QUALITY CLASS, BUSINESS EXCELLENCE
Awarded to LHN Limited
by SPRING Singapore

LISTED COMPANY AWARDS
Awarded to LHN Limited
by Singapore Business Review

SINGAPORE CORPORATE GOVERNANCE AWARD 2017
Awarded to LHN Limited
by Securities Investors Association (Singapore)

Note:
(1) an associate of the Group

CORPORATE INFORMATION

BOARD OF DIRECTORS

Kelvin Lim
Executive Chairman
Group Managing Director

Jess Lim
Executive Director
Group Deputy Managing Director

Ch'ng Li-Ling
Lead Independent Non-executive Director

Eddie Yong
Independent Non-executive Director

Chan Ka Leung Gary
(appointed on 5 June 2017)
Independent Non-executive Director

Lee Gee Aik
(resigned on 5 June 2017)
Lead Independent Non-executive Director

AUDIT COMMITTEE

Chan Ka Leung Gary (Chairman)
(appointed on 5 June 2017)

Ch'ng Li-Ling

Eddie Yong

Lee Gee Aik (Chairman)
(resigned on 5 June 2017)

REMUNERATION COMMITTEE

Ch'ng Li-Ling (Chairman)

Chan Ka Leung Gary
(appointed on 5 June 2017)

Eddie Yong

Lee Gee Aik
(resigned on 5 June 2017)

NOMINATING COMMITTEE

Eddie Yong (Chairman)

Ch'ng Li-Ling

Chan Ka Leung Gary
(appointed on 5 June 2017)

Lee Gee Aik
(resigned on 5 June 2017)

Kelvin Lim

JOINT COMPANY SECRETARIES

Leong Chee Meng, Kenneth

Ng Chit Sing (HKICS, ICSA)

REGISTERED OFFICE
10 Raeburn Park
#02-18
Singapore 088702
Tel: (65) 6368 8328
Fax: (65) 6367 2163

PRINCIPAL PLACE OF BUSINESS IN HONG KONG
Rooms 802-804, 8/F
Kin Wing Commercial Building
24-30 Kin Wing Street
Tuen Mun, New Territories
Hong Kong

CONTINUING SPONSOR (SGX-ST)
PrimePartners Corporate Finance Pte. Ltd.
16 Collyer Quay
#10-00 Income at Raffles
Singapore 049318

COMPLIANCE ADVISER (SEHK)
Fortune Financial Capital Limited
35/F, Office Tower Convention Plaza
1 Harbour Road
Wan Chai
Hong Kong

HONG KONG LEGAL ADVISER
Luk & Partners
in Association with
Morgan, Lewis & Bockius
Unit 2001, Level 20
One International Finance Centre
1 Harbour View Street, Central
Hong Kong

SINGAPORE PRINCIPAL SHARE REGISTRAR
Boardroom Corporate & Advisory Services Pte. Ltd.
50 Raffles Place
#32-01 Singapore Land Tower
Singapore 048623

HONG KONG BRANCH SHARE REGISTRAR
Tricor Investor Services Limited
Level 22, Hopewell Centre
183 Queen's Road East
Hong Kong

AUDITORS
PricewaterhouseCoopers LLP
7 Straits View
Marina One East Tower
Singapore 018936

Partner-in-charge: **Lee Chian Yorn**
(since financial year 2017)

PRINCIPAL BANKERS
DBS Bank Ltd.
12 Marina Boulevard
Marina Bay Financial Centre Tower 3
Singapore 018982

Hong Leong Finance Limited
16 Raffles Quay, #01-05
Hong Leong Building
Singapore 048581

Malayan Banking Berhad
2 Battery Road
#16-01 Maybank Tower
Singapore 049907

Oversea-Chinese Banking Corporation Limited
65 Chulia Street
#09-00 OCBC Centre
Singapore 049513

RHB Bank Berhad
90 Cecil Street
#01-00 RHB Bank Building
Singapore 069531

INVESTOR RELATIONS
LHN Limited
enquiry@lhngroup.com.sg

Financial PR Pte Ltd
Romil Singh
romil@financialpr.com.sg

WEBSITE
www.lhngroup.com

FINANCIALS

FINANCIALS

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REPORT ON CORPORATE GOVERNANCE

The Board of Directors (the "**Board**") and the management (the "**Management**") of LHN Limited (the "**Company**" and together with its subsidiaries, the "**Group**") are committed to maintain a high degree of corporate governance and transparency for the benefit of all its stakeholders. For the financial year ended 30 September 2017 ("**FY2017**"), the Board and the Management are pleased to confirm that the Company has adhered to the principles and guidelines of the Code of Corporate Governance 2012 (the "**SG Corporate Governance Code**") where applicable, pursuant to Rule 710 of the Listing Manual Section B: Rules of Catalist (the "**Catalist Rules**") issued by the Singapore Exchange Securities Trading Limited ("**SGX-ST**").

This report outlines the Company's corporate governance processes and structure that were in place during FY2017, with specific reference to the principles and guidelines of the Code and the disclosure guide developed by the SGX-ST in January 2015 (the "**Guide**"). Where there is a deviation from the Code and/or the Guide, proper explanation has been provided.

As at 30 September 2017, being the end of FY2017, the Shares were yet to be listed on the Hong Kong Stock Exchange and the dual primary listing of the Shares on the Main Board of the SEHK was only completed on 29 December 2017 (the "**HK Listing Date**"). Hence, for FY2017, the code provisions of the corporate governance code in Appendix 14 to the HK Listing Rules (the "**HK Corporate Governance Code**") was not applicable to us in FY2017. We have adopted the code provisions of the HK Corporate Governance Code as part of the Company's corporate governance policy effective from 29 December 2017, being the listing date of the Shares on the Hong Kong Stock Exchange, which are in addition to the SG Corporate Governance Code the Company has to comply with, and the Company will comply with the more stringent requirements between the SG Corporate Governance Code and HK Corporate Governance Code from 29 December 2017 and onwards. Since 29 December 2017, we have complied with all code provisions of the HK Corporate Governance Code except the deviation from code provision A.2.1 of the HK Corporate Governance Code.

Please refer to "Report on Corporate Governance – Principle 3 – Chairman and Chief Executive Officer" for details of code provision A.2.1 of the HK Corporate Governance Code.

(A) BOARD MATTERS

Principle 1 – The Board's Conduct of its Affairs

The Board oversees the corporate policy and overall strategy for the Group. The principal roles and responsibilities of the Board, amongst others, include:

(a) Oversees the overall strategic plans including sustainability and environmental issues as part of its strategic formulation, strategic human resources framework, and financial objectives of the Group; and

(b) Oversees and safeguards shareholders' interest and the Company's assets through a robust system of effective internal controls, risk management, financial reporting and compliance.

The day-to-day management, administration and operation of the Group are delegated to the Group Managing Director, Group Deputy Managing Director and the senior management of the Company. The delegated functions and work tasks are periodically reviewed. Approvals have to be obtained from the Board prior to any significant transactions entered into by these officers.

The Board is the highest authority of approval and specific functions of the Board are either carried out by the Board or through various committees established by the Board, namely, the Audit Committee (the "**AC**"), the Nominating Committee (the "**NC**") and the Remuneration Committee (the "**RC**") (collectively, the "**Board Committees**"). Each committee has the authority to examine issues relevant to their term of references and to make fair, proper and appropriate recommendations to the Board when required. The ultimate responsibility for the final decision on all matters, however, lies with the entire Board.

REPORT ON CORPORATE GOVERNANCE

The Board has in place an authority matrix to provide guidelines on the approval for material transactions. Matters that require the Board's approval include, amongst others, the following:

- Board authorisation limits;
- Appointment and re-election of Directors;
- Salaries and benefits/allowances of the members of the Board and Key Management Personnel (as defined herein);
- Evaluation and approval of investments, mergers and acquisitions ("**M&A**") transactions and divestments;
- Significant capital expenditure;
- Public announcements and responses to the SGX-ST/regulators, if any;
- Dividend payout decisions; and
- Auditor's reports if deemed satisfactory and free of material errors after review.

The Board conducts scheduled meetings on a quarterly basis. Additional meetings are convened as and when circumstances warrant. The Constitution of the Company (the "**Constitution**") allows Board meetings to be conducted via any form of audio or audio-visual communication. The Directors are free to discuss any information or views presented by any member of the Board and the Management.

The Company adopts a policy which welcomes Directors to request for further explanations, briefings or informal discussions on any aspect of the Group's operations or business from the Management.

When necessary or appropriate, members of the Board exchange views outside the formal environment of board meetings. Each Board member is expected to objectively discharge his or her duties and fiduciary responsibilities at all times in the best interests of the Company.

The attendance record of each Director at meetings of the Board and Board Committees during FY2017 is disclosed below:

	Board	AC	NC	RC	General Meetings
Number of meetings held in FY2017	7	5	1	1	2
Name of Director	**Number of meetings attended in FY2017**				
Lim Lung Tieng ("**Kelvin Lim**")	7	5[(1)]	1	1[(1)]	2
Lim Bee Choo ("**Jess Lim**")	7	5[(1)]	1[(1)]	1[(1)]	2
Ch'ng Li-Ling	7	5	1	1	2
Yong Chee Hiong ("**Eddie Yong**")	7	5	1	1	2
Chan Ka Leung Gary[(2)] (Appointed on 5 June 2017)	3[(2)]	1[(2)]	0[(2)]	0[(2)]	1
Lee Gee Aik[(3)] (Resigned on 5 June 2017)	4[(3)]	4[(3)]	1[(3)]	1[(3)]	1

Notes:

(1) Attended as an invitee.

(2) Since Mr. Chan's appointment and up to 30 September 2017, 3 board meeting, 1 AC meeting, no NC meeting, no RC meeting and 1 general meeting have been held.

(3) Since 1 October 2016 and up to the resignation of Mr Lee, 4 board meeting, 4 AC meeting, 1 NC meeting, 1 RC meeting and 1 general meeting have been held.

Newly appointed directors will be given briefings and orientation by the Executive Directors and Management to familiarise them with the businesses and operations of the Group. Upon appointment, the Director will receive a letter of appointment setting out his/her duties and responsibilities. All newly appointed Directors who do not have prior experience as a director of a public listed company in Singapore would attend relevant training courses when applicable.

The Directors may join institutes and group associations of specific interests, and attend relevant training seminars or informative talk from time to time to enable them to better discharge their duties. The Company encourages the directors to attend courses in areas of directors' duties and responsibilities, corporate governance, changes in financial reporting standards, insider trading, changes in the Companies Act (Chapter 50) of Singapore (the "**Companies Act**") and industry-related matters, to develop themselves professionally, at the Company's expense.

For FY2017, briefings and updates for the Directors include:

- briefing by the external auditors on changes or amendments to accounting standards at the AC meetings;
- updates by the Company Secretary on proposed amendments to the Companies Act, and Catalist Rules, from time to time; and
- directors training provided by Luk & Partners in Association with Morgan, Lewis & Bockius in relation to the duties and liabilities of directors under Hong Kong law, corporate governance for listed companies in Hong Kong, various aspects of the HK Listing Rules including connected transactions, independence criteria of independent non-executive directors and the duties and responsibilities of directors of a listed company in Hong Kong.

The table below sets out a summary of the trainings attended by the Directors during FY2017:

Director	Designation	Briefing by external auditors	Updates by company secretary	Directors' training provided by Hong Kong legal advisers to the Company
Kelvin Lim	Executive Chairman, Executive Director and Group Managing Director	✓	✓	✓
Jess Lim	Executive Director and Group Deputy Managing Director	✓	✓	✓
Ch'ng Li-Ling	Lead Independent Non-executive Director	✓	✓	✓
Eddie Yong	Independent Non-executive Director	✓	✓	✓
Chan Ka Leung Gary (Appointed on 5 June 2017)	Independent Non-executive Director	✓	✓	✓
Lee Gee Aik (Resigned on 5 June 2017)	Lead Independent Non-executive Director	✓	✓	✓

Since the HK Listing Date, the Company is required to comply with the HK Listing Rules. In order to comply with Rule A6.5 of Appendix 14 to the Listing Rules after the Dual Listing, the Company shall arrange for sufficient training for continuous professional development of the Directors to develop and refresh their knowledge and skills in relation to HK Listing Rules for the year ending 30 September 2018 ("**FY2018**") and onwards.

REPORT ON CORPORATE GOVERNANCE

Principle 2 – Board Composition and Guidance

During FY2017 and up to the date of this report, the Board comprises of five Directors, as set out below.

Director	Designation	Date of Initial Appointment as Director	Date of Last Re-Election	AC	NC	RC
Kelvin Lim	Executive Chairman, Executive Director and Group Managing Director	10 July 2014	23 January 2017	–	Member	–
Jess Lim(1)	Executive Director and Group Deputy Managing Director	10 July 2014	28 January 2016	–	–	–
Ch'ng Li-Ling(2)	Lead Independent Non-executive Director	10 March 2015	28 January 2016	Member	Member	Chairman
Eddie Yong(3)	Independent Non-executive Director	10 March 2015	28 January 2016	Member	Chairman	Member
Chan Ka Leung Gary(4) (Appointed on 5 June 2017)	Independent Non-executive Director	5 June 2017	–	Chairman	Member	Member
Lee Gee Aik(5) (Resigned on 5 June 2017)	Lead Independent Non-executive Director	10 March 2015	23 January 2017	Chairman	Member	Member

Notes:

(1) Ms Jess Lim will retire pursuant to Regulation 99 of the Constitution of the Company and is subject to re-election as a Director at the forthcoming Annual General Meeting ("**AGM**") of the Company.

(2) Ms Ch'ng Li-Ling was first appointed as an Independent Non-executive Director on 10 March 2015 and was subsequently appointed as Lead Independent Non-executive Director on 5 June 2017.

(3) Mr Eddie Yong will retire pursuant to Regulation 99 of the Constitution of the Company and is subject to re-election as a Director at the forthcoming AGM of the Company.

(4) Mr Chan Ka Leung Gary will retire pursuant to Regulation 98 of the Constitution of the Company and is subjected to re-election as a Director at the forthcoming AGM of the Company.

(5) Mr Lee Gee Aik was first appointed as the Lead Independent Non-executive Director on 10 March 2015 and resigned on 5 June 2017.

Details of the Directors' qualifications and experiences are set out on pages 12 and 13 of this Annual Report.

The NC evaluates on an annual basis whether or not an Independent Non-executive Director is independent in accordance with the SG Corporate Governance Code, and commencing on the HK Listing Date, the relevant requirements under Rule 3.13 of the HK Listing Rules.

During FY2017, the Group has engaged RHT Law to provide certain legal services. Ms Ch'ng Li-Ling was not involved in the provision of such advice. The partner(s)-in-charge of the relevant advice was/were other partner(s) at RHT Law. Since 1 April 2017, the Group has not engaged RHT Law for any advice. Furthermore, the Company confirms that it will not engage RHT Law for any further legal advice for the Group going forward as long as Ms Ch'ng Li-Ling is an Independent Non-executive Director and a partner of RHT Law. As such, the Directors (other than Ms Ch'ng Li-Ling) are of the view that this transaction does not affect Ms Ch'ng Li-Ling's independence under Rule 3.13(3) of the HK Listing Rules. Please refer to "Meet our Leaders – Board of Directors" for details of Ms Ch'ng Li-Ling's biography. The NC has reviewed and confirmed the independence of the Independent Non-executive Directors, Mr Chan Ka Leung Gary, Ms Ch'ng Li-Ling, Mr Eddie Yong and Mr Lee Gee Aik in accordance with the SG Corporate Governance Code and Rule 3.13 of the HK Listing Rules during FY2017. The Independent Non-executive Directors have also confirmed their independence in accordance with the SG Corporate Governance Code and Rule 3.13 of the HK Listing Rules.

Each member of the NC has abstained from deliberations in respect of the assessment of his or her independence.

There is no Independent Non-executive Director who has served beyond nine years since the date of his or her first appointment.

The requirement of the SG Corporate Governance Code that at least half of the Board comprises independent Directors where the Chairman and the chief executive officer (or equivalent) is the same person, is part of the management team and/or is not an independent director, is satisfied as more than half of the Board is independent. The Board has complied with the requirements of Rule 3.11 of the HK Listing Rules that at least one third of the Board comprises independent non-executive directors. The Company has also met the requirements of Rule 3.10 of the HK Listing Rules relating to the appointment of at least three independent non-executive Directors with at least one of them possessing appropriate professional qualifications, accounting or related financial management expertise. Mr Chan Ka Leung Gary, the chairman of AC, possesses the appropriate professional qualification as required under Rule 3.10 of the HK Listing Rules. Please refer to "Meet Our Leaders – Board of Directors" for details of Gary's biography.

For FY2017, the NC had reviewed the size and composition of the Board for effective decision making, taking into account factors such as the scope and nature of the operations of the Group and the core competencies of Board members in the fields of accounting and finance, as well as professional legal services. The Independent Non-Executive Directors are able to constructively challenge and assist in the development of the business strategies and in reviewing and monitoring of the Management's performance against set targets.

The Board's policy in identifying director nominees is primarily to have an appropriate mix of members with complementary skills, core competencies and experience for the Group. The current Board composition provides a diversity of skills, gender, experience, and knowledge to the Company as follows:–

Balance and Diversity of the Board		
	Number of Directors	**Proportion of the Board**
Core Competencies		
Accounting or finance related	2	40%
Business and management experience	5	100%
Legal or corporate governance	3	60%
Relevant industry knowledge	3	60%
Strategic planning experience	5	100%
Gender Diversity		
Male	3	60%
Female	2	40%

The Board has taken the following steps to maintain or enhance its balance and diversity:

- Annual review by the NC to assess if the existing attributes and core competencies of the Board are complementary and will enhance the efficacy of the Board; and

- Annual evaluation by the Directors of the skill sets the other Directors possess, with a view to understand the range of expertise which is lacking by the Board.

The NC will consider the results of these exercises in its recommendation for the appointment of new Directors and/or the re-appointment of incumbent Directors.

REPORT ON CORPORATE GOVERNANCE

Principle 3 – Chairman and Chief Executive Officer

Under code provision A.2.1 of the HK Corporate Governance Code, the roles of chairman and chief executive should be separate and should not be performed by the same individual. The Company does not have a Chief Executive Officer. However, this position is carried out by the Group Managing Director (the "**MD**"), which is responsible for the day-to-day management of business. Kelvin Lim is our Executive Chairman (the "**Chairman**") and the MD. Throughout the Group's business history, Mr Kelvin Lim has held the key leadership position of the Group since 1998 and has been deeply involved in the formulation of corporate strategies and management of business and operations of the Group. Taking into account the consistent leadership within the Group and in order to enable more effective and efficient overall strategic planning and continuation of the implementation of such plans, the Board (including our independent non-executive Directors) is of the opinion that it is not necessary for the role of the MD and Chairman to be separated after taking into account the size, scope and operations of the Group, and that Mr Kelvin Lim is the best candidate for both positions and the present arrangements are beneficial and in the interests of the Group and the Shareholders as a whole. Furthermore, pursuant to Guideline 3.3 of the SG Corporate Governance Code, the Board has appointed Ms Ch'ng Li-Ling as the Lead Independent Non-executive Director.

The Chairman provides overall leadership to the Board. The Chairman, with the help of the Joint Company Secretaries, ensures that Board meetings are held as and when necessary and sets the meeting agenda in consultation with fellow Directors and other Key Management Personnel, and if warranted, with professional advisors.

The Chairman also ensures the quality, quantity and timeliness of the flow of information between the Management, the Board and shareholders. He promotes high standards of corporate governance as well as the culture of openness and debate at Board meetings. He also encourages constructive relationship within the Board and between the Board and Management while facilitating the effective contributions of Independent Non-executive Directors during the Board meetings.

The MD is responsible for the overall operations, market development, strategic management and business expansion of the Group.

The Independent Non-executive Directors are encouraged to meet separately without the presence of Management. Led by the Lead Independent Non-executive Director, the Independent Non-executive Directors have met in FY2017 without the presence of Management.

Principle 4 – Board Membership

The Company has established the NC to make recommendations to the Board on all Board appointments and re-appointments. The key terms of reference of the NC, which are available on the websites of the Company, SGX-ST and the Hong Kong Stock Exchange, include:

(a) making recommendations to the Board on relevant matters relating to:

  (i) the review of board succession plans for Directors, in particular, the Chairman and the MD;

  (ii) the reviewing of training and professional development programs for the Board; and

  (iii) the appointment and re-appointment of Directors (including alternate Directors, if applicable);

(b) reviewing and determining annually, and as and when circumstances require, if a Director is independent, in accordance with the SG Corporate Governance Code and Rule 3.13 of the HK Listing Rules and any other salient factors;

(c) reviewing the composition of the Board annually to ensure that the Board and its committees comprise Directors who as a group provide an appropriate balance and diversity of skills, expertise, gender and knowledge of the Group and provide core competencies such as accounting or finance, business or management experience, industry knowledge, strategic planning experience and customer-based experience and knowledge; and

(d) where a Director has multiple board representations, deciding whether the Director is able to and has been adequately carrying out his or her duties as a Director, taking into consideration the Director's number of listed company board representation and other principal commitments.

In addition, the NC will make recommendations to the Board on the development of a process for the evaluation and performance of the Board, its Board Committees and individual Directors. In this regard, the NC will decide how the Board's performance is to be evaluated and propose objective performance criteria which addresses how the Board will enhance long-term shareholder value.

The NC has also implemented a process for assessing the effectiveness of the Board as a whole and its Board Committees, and for assessing the contribution of the Chairman and each individual Director to the effectiveness of the Board. The NC Chairman will act on the results of the evaluation, and in consultation with the NC to propose, where appropriate, any new member to be appointed to the Board or seek the resignation of an existing Director.

The NC comprises four directors, three of whom including the NC Chairman, are non-executive and independent.

At each AGM of the Company, the Constitution requires one-third of the Directors (or, if their number is not a multiple of three, the number nearest to but not less than one-third) shall retire from office by rotation, being one-third of those who have been longest in office since their last re-election. Newly appointed Directors will have to retire at the next general meeting following their appointments. The retiring Directors are eligible to offer themselves for re-election.

The NC has noted that the following directors will retire by rotation at the forthcoming AGM pursuant to the Constitution:

Name of Director	**Designation**	**Retiring Pursuant to Regulation number of the Constitution**
Jess Lim	Executive Director and Group Deputy Managing Director	99
Eddie Yong	Independent Non-executive Director	99
Chan Ka Leung Gary	Independent Non-executive Director	98

Pursuant to Regulation 99 of the Constitution, Ms Jess Lim will retire at the forthcoming AGM. The NC had reviewed and recommended Ms Jess Lim for re-election at the forthcoming AGM. Upon re-election, Ms Jess Lim will remain as the Executive Director and Group Deputy Managing Director. Key Information details on Ms Jess Lim are set out on page 12 of this Annual Report. Ms Jess Lim is the sister of Mr Kelvin Lim, the MD and Executive Chairman of the Company. They are also controlling shareholders of the Company.

Pursuant to Regulation 99 of the Constitution, Mr Eddie Yong will retire at the forthcoming AGM. The NC, with Mr Eddie Yong having abstained from the deliberations, had reviewed and recommended Mr Eddie Yong for re-election at the forthcoming AGM. Upon re-election, Mr Eddie Yong will remain as the NC Chairman and a member of AC and RC. Mr Eddie Yong will be considered Independent for the purposes of Rule 704(7) of the Catalist Rules and Rule 3.13 of the HK Listing Rules. Key information details on Mr Eddie Yong are set out on page 12 of this Annual Report. Mr Eddie Yong does not have any relationships including immediate family relationships between himself and the directors, the company or its 10% shareholders.

Pursuant to Regulation 98 of the Constitution, Mr Chan Ka Leung Gary who was appointed by the Board during FY2017, will retire at the forthcoming AGM. The NC, with Mr Chan Ka Leung Gary having abstained from the deliberations, had reviewed and recommended Mr Chan Ka Leung Gary for re-election at the forthcoming AGM. Upon re-election, Mr Chan Ka Leung Gary will remain as the AC Chairman and a member of NC and RC. Mr Chan Ka Leung Gary will be considered independent for the purposes of Rule 704(7) of the Catalist Rules and Rule 3.13 of the HK Listing Rules. Key information details on Mr Chan Ka Leung Gary are set out on page 13 of this Annual Report. Mr Chan Ka Leung Gary does not have any relationships including immediate family relationships between himself and the directors, the company or its 10% shareholders.

Save as disclosed above, the Directors have no financial, business, family or other material/relevant relationships with each other.

REPORT ON CORPORATE GOVERNANCE

In assessing and recommending a candidate for appointment to the Board, the process of selection and appointment of new directors by the NC are as follows:–

1. the current needs of the Board to complement and strengthen the Board is taken into consideration. The independence of a director is also determined in accordance with the recommendations of Guideline 2.3 of the SG Corporate Governance Code;

2. the candidates proposed by the Directors, key management personnel or substantial shareholders, are considered and may engage external search consultants where necessary;

3. the NC would meet and interview the shortlisted candidates to assess their suitability; and

4. the selected candidate is recommended to the Board for consideration and approval.

The NC may also engage external search consultants to search for new Directors at the Company's expense. There were no external search consultants engaged during FY2017 as the Board was not in the process of identifying any new appointments to the Board. New Directors are appointed by way of a board resolution after the NC recommends the appointment for the consideration and approved by the Board.

The process of re-electing incumbent directors by the NC are as follows:–

1. The NC would assess the performance of the director in accordance with the performance criteria set by the Board further elaborated below and consider the current needs of the Board; and

2. Subject to the NC's satisfactory assessment, the NC would recommend the proposed re-appointment of the director to the Board for its consideration and approval.

Criteria to be considered as part of the process for the re-appointment of Directors include the composition and progressive renewal of the Board and each Director's competencies, commitment, contribution and performance (e.g. attendance, preparedness, participation and candor).

As a broad-based NC policy, the Board nomination process for evaluating an Executive Director vis-à-vis an Independent Non-executive Director is different. For an Executive Director, the nomination process would in general be tied to his or her ability to contribute through his or her business acumen and strategic thinking process for the business. As for an Independent Non-executive Director, his or her nominations are hinged on myriad of criteria whereby he or she should possess the independence of mind despite confirmation via in writing, as evaluated by the NC. The existing Independent Non-executive Directors were selected from contacts recommended to the Management, where the Management had in their opinion, deemed that these professionals will be able to give an independent view to take the Group's business to a higher level as the current Executive Directors lack listed company directorship experience and would depend on the stewardship of more experienced Independent Non-executive Directors.

The Board did not set any cap on the number of listed company directorships given that all Independent Non-executive Directors were able to dedicate their time to the Group for FY2017. Nevertheless, if the Board finds that time commitment is lacking from any particular Director, they may consider imposing a cap in future. There is no alternate director appointed by any Director in FY2017.

The NC has reviewed the time spent and attention given by each of the Directors to the Company's affairs, taking into account the other directorships and other principal commitments of each of the Directors, and is satisfied that all Directors have discharged their duties adequately for FY2017.

The considerations in assessing the capacity of Directors include the following:

(a) expected and/or competing time commitments of each Director;

(b) number of board representation held by each Director;

(c) size and composition of the Board; and

(d) nature and scope of the Group's operations and size.

The following key information regarding Directors are set out on the following pages of this Annual Report:

(a) Pages 12, 13 and 30 – Academic and professional qualifications, date of first appointment as Director, date of last re-election as Director, if any, directorships or chairmanships both present and those held over the preceding three years in other listed companies and other principal commitments, whether appointment is executive or non-executive, or considered by the NC to be independent; and

(b) Page 56 – Shareholdings, if any, in the Company and its subsidiaries.

COMPANY SECRETARIES

The joint company secretaries of the Company are Mr Leong Chee Meng, Kenneth and Mr Ng Chit Sing. Mr Leong, a Chartered Accountant in Singapore, has been working as our company secretary since 1 July 2015.

Since June 2017, the Company has also engaged Mr Ng, an associate member of both The Hong Kong Institute of Chartered Secretaries and The Institute of Chartered Secretaries and Administrators in England, as a joint company secretary to satisfy the requirements regarding company secretaries as set out in Rule 3.28 of the HK Listing Rules. Ms Yeo Swee Cheng, chief financial officer, is the primary contact person to Mr Leong and Mr Ng at the Company in respect of any compliance and company secretarial matters of the Company in Singapore and Hong Kong, respectively.

Commencing from FY2018, Mr Leong and Mr Ng will be required to undertake not less than 15 hours of relevant professional training respectively in compliance with Rule 3.29 of the HK Listing Rules.

Principle 5 – Board Performance

The NC is responsible for assessing the effectiveness of the Board as a whole, the Board committees and each individual Director. The NC decides how the Board's performance may be evaluated and proposes objective performance criteria that are approved by the Board.

The NC meets once a year, and as warranted by circumstances, to discharge its functions. In FY2017, one NC meeting was held in November 2016.

The NC has in place an annual performance evaluation process to assess the performance of the Board as a whole, its Board Committees and each individual Director to the effectiveness of the Board. The Company Secretary will collate the Board's and Directors' evaluations and provide the summarised results to the NC Chairman. The NC would then discuss the evaluation and conclude the performance results during the NC meeting.

For FY2017,

(A) The assessment of the Board and the Board Committees was done via a confidential questionnaire, covering areas such as Board composition, Board processes managing the Group's performance and the effectiveness of the Board in its monitoring role and the effectiveness of the respective Board Committees.

(B) The assessment of the individual Directors was done through peer assessments through a confidential questionnaire completed by each Director. The assessment parameters for such individual evaluation include qualitative and quantitative factors such as performance of principal functions and fiduciary duties, Director's attendance at meetings and his or her contribution and performance at such meetings. The NC and the Board strives to ensure that each Director, with his or her contributions, brings to the Board an independent and objective perspective to enable balanced and well-considered decisions to be made.

The NC, having reviewed the performance of its roles and responsibilities and the conduct of its affairs as a whole, is of the view that the Board has met its performance objectives in FY2017. No external facilitator was used in the process to conduct the evaluations.

All NC members have abstained from the voting or review process of any matters in connection with the assessment of his/her performance.

REPORT ON CORPORATE GOVERNANCE

Principle 6 – Access to Information

The Management keeps the Board appraised of the Group's operations and performance through quarterly updates and reports as well as through informal discussions. Key Management Personnel who can provide additional insight onto the matters at hand would be invited to Board meetings.

Prior to any meetings of the Board or Board Committees, Directors are provided, where appropriate, with sufficient relevant information to enable them to be prepared for the meetings. On an ongoing basis, all Board members have separate and independent access to Management should they have any queries or require additional information on the affairs of the Group.

Before each meeting, Management would provide the Board members with the required explanatory documents relating to matters to be brought before the Board. The Management also provides the Board with quarterly updates on financial results, operational performance, business developments and other important and relevant information.

The Directors also have access to the Company Secretary who attends all Board and its Board Committees' meetings. The Company Secretary assists the Chairman and the Board to implement and strengthen corporate governance practices and processes. The Company Secretary also assists the Directors in the preparation of Directors' resolution, recording of minutes of meetings, the facilitation of the annual general meeting proceedings, the preparation and release of routine SGXNet announcements as well as updates on the relevant changes to the Companies Act.

The Board is given the names and contact details of the Management and the Company Secretary to facilitate direct, separate and independent access. The appointment and removal of the Company Secretary is subject to the approval of the Board as a whole.

Where the Directors either individually or as a group, in the furtherance of their duties, require independent professional advice, assistance is available to assist them in obtaining such advice at the Company's expense.

(B) REMUNERATION MATTERS

Principle 7 – Procedures for Developing Remuneration Policies

The terms of reference of the RC, which are available on the websites of the Company, SGX-ST and the Hong Kong Stock Exchange, cover the functions described in the SG Corporate Governance Code including but not limited to, the following:

(a) To review, assess, make recommendations to the Board on the appointment of directors including making recommendations on the composition of the Board generally;

(b) To review the Board structure, size and composition (including the skills, knowledge and experience) having regard to the scope and nature of the operations, the requirements of the business, the diversity of skills, experience, gender and knowledge of the Company and the core competencies of the directors as a group at least annually;

(c) To identify, review, assess and recommend suitably qualified nominee(s) or candidate(s) for appointment or election to the Board considering his/her competencies, commitment, contribution, performance and whether or not he/she is independent, and to select or make recommendations to the Board on the selection of individuals nominated for directorships of the Board;

(d) To make recommendations to the Board on the appointment and re-appointment of Directors and succession planning for Directors, in particular for the chairman of the Board and chief executive officer; and

(e) To assess and determine, on an annual basis, if an independent non-executive Director is independent bearing in mind the circumstances set forth in Rule 3.13 of the HK Listing Rules and Guidelines 2.3 and/or 2.4 of the Code and other salient factors.

The RC comprises entirely of Independent Non-executive Directors, all of whom are independent. The RC meets at least once a year, and as warranted by circumstances, to discharge its functions.

All recommendations made by the RC on remuneration of Directors and Key Management Personnel will be submitted to endorsement by the Board. No member of the RC is involved in setting his or her remuneration package. As and when deemed appropriate by the RC, independent expert advice will be sought at the Company's expense. The RC shall ensure that existing relationships, if any, between the Company and its appointed remuneration consultants will not affect the independence and objectivity of the remuneration consultants. No remuneration consultants were engaged by the Company in FY2017.

Principle 8 – Level and Mix of Remuneration

The RC recommends to the Board the quantum of directors' fees and the Board in turn endorses the recommendation for Shareholders' approval at each AGM. To facilitate timely payment of directors' fees, the Company has recommended for the Directors' fees amounting to S$168,000 to be paid on a quarterly basis in arrears for FY2018 and approval is being obtained from Shareholders at the forthcoming AGM.

The remuneration packages take into consideration the performance of the Group and individual assessment of each Non-executive Director, the level of contribution to the Company and Board, taking into account various factors including but not limited to efforts and time spent, responsibilities and duties of the Directors.

For the Executive Directors and Key Management Personnel, each of their service agreements and/or compensation packages is reviewed by the RC. These service agreements cover the terms of employment and specifically, the salaries and bonuses of the Executive Directors and Key Management Personnel. The Company may terminate a service agreement if, inter alia, the relevant Executive Director or Key Management Personnel is guilty of dishonesty or serious or persistent misconduct, become bankrupt or otherwise act to the Company's prejudice. Executive Directors of the Company are not entitled to any Directors' fees.

The Company has entered into separate service agreements (the "**Service Agreements**") with the Executive Directors, namely, Kelvin Lim and Jess Lim, that states their terms of employment, which may be terminated by not less than six months' notice in writing served by either party on the other. Under the Service Agreements, the Executive Directors are entitled to incentive bonus based on the Group's consolidated profit before tax. The Service Agreements are valid for a period of three years from 16 March 2015 and are subjected to annual renewal.

The RC will ensure that the Independent Non-executive Directors are not overcompensated to the extent that their independence may be compromised. Independent Non-executive Directors are able to participate in the PSP and the Scheme (terms as defined herein) and hold shares in the Company so as to better align their interests with the interests of Shareholders. For FY2017, the RC had reviewed the performance of the Executive Directors in accordance with the performance objectives set forth in the Service Agreements; as well as the evaluation of the performance of Key Management Personnel and were satisfied that the performance objectives had been met.

During FY2017, the RC had reviewed the compensation and remuneration packages and believes that the remuneration of Directors and Key Management Personnel commensurate with their respective roles and responsibilities.

There were no termination, retirement and post-employment benefits that may be granted to the Directors, the Chairman and MD, and top three Key Management Personnel.

Each of the independent non-executive Directors has entered into a letter of appointment with the Company, which may be terminated by not less than three months' notice in writing served by either party on the other.

Principle 9 – Disclosure on Remuneration

The Group links its remuneration policy to the achievement of key performance indicators. Key performance indicators of the Group are aimed towards retention of customers and financial performance; these could include project management capabilities and profitability of various business units across the Group's business segments. The remuneration of Executive Directors are also in accordance with the Service Agreements and a portion of their remunerations (in dollar terms) are in the form of variable or performance related bonuses calculated based on the Group's profitability. For the Key Management Personnel and other senior executives, their variable or performance related bonuses, beside individual performance, are also based on the Group's profitability.

REPORT ON CORPORATE GOVERNANCE

The breakdown (in percentage terms) of the remuneration of Directors of the Company for FY2017 is set out as below:

Directors	Salary and/or allowance[1] (%)	Fixed Bonus[1] (%)	Variable Bonus[1] (%)	Director's Fees (%)	Total[2] (100%) (S$'000)
Kelvin Lim	100	–	–	–	740
Jess Lim	100	–	–	–	300
Ch'ng Li-Ling	9	–	–	91	59
Eddie Yong	12	–	–	88	60
Chan Ka Leung Gary[3]	9	–	–	91	21
Lee Gee Aik[4]	24	–	–	76	56

The breakdown (in percentage terms) of the remuneration of three top Key Management Personnel of the Group for FY2017 are set out as below:

Remuneration Band and Name of Key Management Personnel	Designation	Salary and allowance[1] (%)	Variable Bonus[1] and PSP (%)	Director's Fees (%)	Total (%)
From S$250,001 to S$500,000					
Yeo Swee Cheng	Chief Financial Officer	88	12	–	100
Hew Chee Fatt	Managing Director of certain subsidiaries of the Group	97	3	–	100
From S$0 to S$250,000					
Wong Sze Peng, Danny ("**Danny Wong**")	General Manager	89	7	4	100

Notes:

(1) The amounts for salary, allowance and variable bonus shown are inclusive of Singapore's Central Provident Funds.

(2) Rounded to the nearest one thousand Singapore dollars.

(3) Mr Chan Ka Leung Gary was appointed as a director on 5 June 2017.

(4) Mr Lee Gee Aik resigned as a director on 5 June 2017.

In aggregate, the total remuneration paid to the three top Key Management Personnel was S$772,940 in FY2017. There was no employee who is an immediate family member of a Director and/or the Chairman and MD whose remuneration exceeded S$50,000 during FY2017.

The remuneration received by the Executive Directors and Key Management Personnel takes into consideration his or her individual performance and contribution toward the overall performance of the Group for FY2017. Their remuneration is made up of fixed and variable compensations. Details of the remuneration of the Directors are set out in Note 10 and Note 15 to the consolidated financial statements and Directors' Statement respectively. For the Key Management Personnel, the variable compensation is determined based on the level of achievement of corporate and individual performance objectives.

PERFORMANCE SHARE PLAN

On 10 March 2015, the shareholders adopted the "LHN Performance Share Plan" (the "**PSP**"). The PSP has been assigned by the Board of Directors to be administered by a committee comprising of members of the RC, which as of the date of this Annual Report comprises Mr Chan Ka Leung Gary, Ms Ch'ng Li-Ling and Mr Eddie Yong.

The primary objective of establishing the PSP is to recognise and reward the Directors and employees for their valuable contributions to the growth and success of the Group as well as to retain employees whose services are vital to our success in order to achieve greater growth in the Group. Eligible participants (the "**Participants**") under the PSP will have the opportunity to participate in the equity of the Company, thereby aligning their interests with the interests of the Company and shareholders, motivating them towards long-term growth and profitability of the Group and better performance through increased dedication and incentives.

The PSP aims to promote higher performance goals, and recognise and reward the contributions made by employees. The PSP contemplates the contingent award of fully-paid shares after certain pre-determined benchmarks have been met (the "**Awards**"). The Company believes that the PSP will be more effective than pure cash bonuses in motivating employees to work towards pre-determined goals.

Awards represent the right of a participant to receive fully paid Shares free of charge, upon the participant achieving prescribed performance targets (if any). Under the PSP, the size of the Award granted to a Participant will be determined based on, amongst others, his rank, job performance, potential for future development and his contribution to the success and development of the Group as determined by the RC prior to the date of grant. The performance period here is a forward-looking period for which performance conditions and targets are set and measured over the performance period. The final Award is determined by the performance achievement over the performance period. There is no fixed period within which the shares must be taken up under the award, nor there any minimum period for which an award must be held before it can be exercised. No fee is payable by the Applicant on acceptance of the award. The performance period, vesting period and other conditions will be determined by the RC administering the PSP.

The PSP allows for participation by full-time employees of the Group and Directors (including Independent Directors) who have attained the age of 21 years on or before the relevant date of grant of the Award. The aggregate number of shares which may be delivered to the controlling shareholder and their respective associates under the PSP shall not exceed 25% of the total number of shares available under the PSP, with the number of shares which may be delivered to each controlling shareholder and his respective associates not exceeding 10% of the total number of shares available under the PSP.

The total number of shares over which may be delivered pursuant to the vesting of Awards, when added to the number of shares issued and issuable in respect of all Awards granted under the PSP (including shares issued and/or issuable under any other share-based incentive schemes or share plans of the Company) shall not exceed 15% of the total number of issued shares (excluding treasury shares) of the Company from time to time. No maximum entitlement is set for other Participants.

In accordance with Rule 704(32) of the Catalist Rules, the Board had announced the details of the grant of share awards pursuant to the PSP to the employees of the Group (the "**PSP Recipients**"), disclosed as follows:

Date of grant of Awards under the PSP	18 January 2017
Number of shares which are the subject of the Awards granted under the PSP	441,200
Market price of shares on the date of grant	S$0.198 per share
Number of shares granted to each director and controlling shareholder (and each of their associates), if any	Nil
Vesting date of shares awarded	Shares are vested on 18 January 2017

Following the grant of the Awards, 441,200 fully paid ordinary shares have been transferred from treasury shares on 18 January 2017 to the PSP Recipients. Accordingly, the number of issued and paid up ordinary shares of the Company has increased to 360,445,400 ordinary shares.

REPORT ON CORPORATE GOVERNANCE

Pursuant to Rule 851 of the Catalist Rules, during FY2017, there were no Awards granted to the Directors, controlling shareholders of the Company or their associates; as well as any other persons as specified in Catalist Rules 851(b)(iii) and 851(c).

Details of awards granted under the PSP as at 30 September 2017 are as follows:

Name	Date of Grant[1]	Vesting and exercise date	Exercise price per share	Outstanding as at 1 October 2016	Exercised during the year ended 30 September 2017	Cancelled/ lapsed during the year ended 30 September 2017	Outstanding as at 30 September 2017
Employees (not being a director, chief executive or substantial shareholder) in aggregate	18 January 2017	18 January 2017	Nil	–	441,200	–	–

Note:

(1) The closing price per Share immediately before 18 January 2017 (the date on which the award was granted and exercised) was S$0.198.

Except as disclosed above, no other awards or Shares have been granted.

As of the HK Listing Date, all awards granted under the PSP have been vested and there is no outstanding award under the PSP. Since the Listing Date and up to the date of this Annual Report, no further award or share of the Company have been granted under the PSP.

The PSP shall be valid and effective for a period of 10 years from the date of adoption, being 10 March 2015. However, the Company does not intend to grant any further award or share of the Company under the PSP and intends to cancel the PSP.

In accordance with page 31 of the Company's circular dated 2 September 2017, the Company has terminated the PSP on 17 January 2018 following the successful listing of the Company's shares on SEHK on 29 December 2017.

SHARE OPTION SCHEME

On 25 September 2017 ("**Adoption Date**"), the shareholders adopted the "LHN Share Option Scheme" (the "**Scheme**"), effective upon the HK Listing Date. The Scheme has been assigned by the Board of Directors to be administered by a committee comprising members of our Remuneration Committee (the "**Committee**").

The primary objective of establishing the Scheme is to provide eligible persons (the "**Eligible Persons**") with an opportunity to have a personal stake in the Company and help motivate Eligible Persons to optimise their future contributions to the Group and/or to reward them for their past contributions, to attract and retain such Eligible Persons who are significant to and/or whose contributions are or will be beneficial to the performance, growth or success of the Group.

The Scheme gives the Company greater flexibility to align the interests of employees, especially executive directors, managers, and other employees holding an executive, managerial, supervisory or similar position in any member of the Group, with that of shareholders. The Scheme uses methods fairly common among major local and multinational companies to incentivise and motivate employees to achieve pre-determined targets which create and enhance economic value for shareholders. The Company believes that the Scheme will be an effective tool in motivating employees to strive to deliver long-term shareholder value.

The Scheme allows for participation by full-time employees of the Group (who may be controlling shareholders) and Directors (including Non-executive Directors). The Company acknowledges that the services and contributions of employees who are controlling shareholders or associates of controlling shareholders are important to the development and success of the Group. The extension of the Scheme to confirmed full-time employees who are controlling shareholders or associates of controlling shareholders allows the Group to have a fair and equitable system to reward employees who have actively contributed to the progress and success of the Group. The participation of controlling shareholders or the associates of the controlling shareholders in the Scheme will serve both as a reward to them for their dedicated services to the Group and a motivation for them to take a long-term view of the Group.

Although Eligible Persons who are controlling shareholders or the associates of controlling shareholders may already have shareholding interests in the Company, the extension of the Scheme to include them ensures that they are equally entitled, with the other employees of the Group who are not controlling shareholders or the associates of the controlling shareholders, to take part and benefit from this system of remuneration. The Company is of the view that a person who would otherwise be eligible should not be excluded from participating in the Scheme solely by reason that he/she is a controlling shareholder or the associate of the controlling shareholder(s). Currently, Mr Kelvin Lim, Ms Jess Lim are controlling shareholders and Eligible Persons.

Granting of Options to Connected Persons under the HK Listing Rules

Subject to the terms of the Scheme, but only insofar as and for so long as the HK Listing Rules require, where any offer of an Option is proposed to be made to a Director, chief executive or a substantial shareholder (as defined in the HK Listing Rules) of the Company or any of their respective associates (as defined in the HK Listing Rules), such offer must first be approved by the independent non-executive Directors of the Company (excluding the independent non-executive Director who or whose associates is the grantee of an Option).

Where any grant of Options to a substantial shareholder (as defined in the HK Listing Rules) or an independent non-executive Director of the Company, or any of their respective associates (as defined in the HK Listing Rules), would result in the securities issued and to be issued upon exercise of all Options already granted and to be granted (including Options exercised, cancelled and outstanding) to such person in the 12-month period up to and including the date of such grant:

(a) representing in aggregate over 0.1% of the relevant class of securities in issue; and

(b) (where the securities are listed on the SEHK), having an aggregate value, based on the closing price of the securities on the SEHK at the date of each grant, in excess of HK$5 million,

such further grant of Options must be approved by shareholders. The Company shall send a circular to the shareholders. The grantee, his associates (as defined in the HK Listing Rules) and all core connected persons of the Company must abstain from voting in favour at such general meeting.

Approval from the shareholders is required for any change in the terms of Options granted to a participant who is a substantial shareholder (as defined in the HK Listing Rules) or an independent non-executive director of the Company, or any of their respective associates (as defined in the HK Listing Rules). The grantee, his associates (as defined in the HK Listing Rules) and all core connected persons of the Company must abstain from voting in favour at such general meeting.

Maximum Entitlement of Each Participant

No option to subscribe for ordinary shares in the capital of the Company ("**Shares**") granted pursuant to the Scheme ("**Option**") may be granted to any one person such that the total number of shares issued and to be issued upon exercise of the options granted to any one Eligible Person (including exercised and outstanding Options) in any 12-month period shall not exceed 1 per cent. of the Shares in issue from time to time. Where any further grant of Options to such an Eligible Person would result in the Shares issued and to be issued upon exercise of all Options granted and to be granted to such Eligible Person (including exercised, cancelled and outstanding Options) in the 12-month period up to and including the date of such further grant representing in aggregate over 1 per cent. of the Shares in issue, such further grant shall be separately approved by shareholders in general meeting with such Eligible Person and his close associates (or his associates (as defined in the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("**SEHK**") (the "**HK Listing Rules**")) if such Eligible Person is a connected person) abstaining from voting.

REPORT ON CORPORATE GOVERNANCE

Maximum Number of Shares

The maximum number of Shares which may be issued upon exercise of all Options to be granted under the Scheme and any other schemes of the Group shall not in aggregate exceed 10 per cent. of the Shares in issue as at the date of listing of the Shares on the Main Board of the SEHK (the "**Scheme Mandate Limit**"), i.e. 40,244,540 Shares (being 10% of the issued share capital of the Company as at the date of this Annual Report), provided that:

(a) the Company may at any time as the Board may think fit seek approval from shareholders to refresh the Scheme Mandate Limit, save that the maximum number of Shares which may be issued upon exercise of all Options to be granted under the Scheme and any other schemes of the Company shall not exceed 10 per cent. of the Shares in issue as at the date of approval by the Shareholders in general meeting where the Scheme Mandate Limit is refreshed. Options previously granted under the Scheme and any other schemes of the Company (including those outstanding, cancelled, lapsed or exercised in accordance with the terms of the Scheme or any other schemes of the Company) shall not be counted for the purpose of calculating the Scheme Mandate Limit as refreshed. For such a situation, the Company shall send a circular to its shareholders containing the details and information required under the HK Listing Rules and/or Catalist Rules; and

(b) the Company may seek separate approval from its Shareholders in general meeting for granting Options beyond the Scheme Mandate Limit, provided that the Options in excess of the Scheme Mandate Limit are granted only to the Eligible Person specified by the Company before such approval is obtained. For such a situation, the Company shall send a circular to its shareholders containing the details and information required under the HK Listing Rules and/or Catalist Rules; and

(c) notwithstanding paragraph (a) above, the maximum number of Shares which may be issued upon exercise of all outstanding Options granted and yet to be exercised under the Scheme and any other schemes of the Group shall not exceed 30 per cent. of the Shares in issue from time to time. No Options may be granted under the Scheme and any other share option scheme of the Company if this will result in such limit being exceeded.

Minimum Holding Period, Vesting and Performance Target

Subject to the provisions of the HK Listing Rules and the Catalist Rules, the Committee may in its absolute discretion when offering the grant of an Option impose any conditions, restrictions or limitations in relation thereto in addition to those set forth in the Scheme as the Committee may think fit (to be stated in the letter containing the offer of the grant of the Option) including (without prejudice to the generality of the foregoing) qualifying and/or continuing eligibility criteria, conditions, restrictions or limitations relating to the achievement of performance, operating or financial targets by the Company and/or the Eligible Person, the satisfactory performance or maintenance by the Eligible Person of certain conditions or obligations or the time or period when the right to exercise the Option in respect of all or some of the Shares shall vest provided that such terms or conditions shall not be inconsistent with any other terms or conditions of the Scheme. For the avoidance of doubt, subject to such terms and conditions as the Committee may determine as aforesaid (including such terms and conditions in relation to their vesting, exercise or otherwise), there is no performance target which need to be achieved by the Eligible Person before the Option can be exercised.

Subscription Price

The subscription price per share on the exercise of an Option ("**Subscription Price**") in respect of any particular Option shall be such price as the Committee may in its absolute discretion determine at the time of offer of the grant of the relevant Option (and shall be stated in the letter containing the offer of the grant of the Option) but the Subscription Price shall not be less than whichever is the highest of:

(a) the closing price of a Share as stated in the SEHK's daily quotations sheet or as published by the SGX-ST on the Option Offer Date (whichever is higher); and

(b) the average closing price of a Share as stated in the SEHK's daily quotation sheets or as published by the SGX-ST for the five business days (being any day on which the SEHK and/or the SGX-ST are open for the business of dealing in securities, as the context may require) ("**Business Day**") immediately preceding the Option Offer Date (being the date of the Committee resolution approving the grant of Options, which must be a Business Day) (whichever is higher).

Accordingly, the Subscription Price will not be at a discount.

Subject as provided in the Share Option Scheme and any other conditions as may be introduced by the Committee from time to time, an Option, shall be exercisable, in whole or in part, but if in part only, in respect of a board lot for dealing in the Shares on the SEHK or the SGX-ST, as the case may be, or any integral multiple thereof) commencing after the first anniversary of the date of grant and acceptance of the Option, in the manner as out in the Scheme.

Life of the Scheme

Subject to the terms of the Scheme, the Scheme shall be valid and effective for a period of 10 years commencing on the Adoption Date, provided always that the Scheme may continue for a further period of 10 years with the approval of Shareholders by ordinary resolution in general meeting and of any relevant authorities which may then be required. Upon the expiry of the Scheme as aforesaid, no further Options will be offered but the provisions of the Scheme shall remain in force and effect in all other respects. All Options granted prior to such expiry and not then exercised shall continue to be valid and exercisable subject to and in accordance with the Scheme.

Option granted

No option has been granted under the Scheme since the Adoption Date and up to the date of this Annual Report.

(C) ACCOUNTABILITY AND AUDIT

Principle 10 – Accountability

The Board is responsible for providing a balanced and understandable assessment of the Group's performance, position and prospects, including interim and other price sensitive public information and reports to regulators (if required). Management provides the Board and Board Committees on a timely basis, with sufficient relevant information on the Group's financial performance and commentary of the competitive conditions of the industry in which the Group operates, in order that it may effectively discharge its duties. The Company adopts a policy which welcomes directors to request for further explanations, briefings or informal discussions on any aspect of the Group's operations or business from Management.

The Board acknowledges its responsibility for the preparation of the Consolidated Financial Statements for FY2017 which give a true and fair view of the state of affairs of the Group in accordance with the statutory requirements and accounting standards and other financial disclosure requirement under the Catalist Rules and the SEHK Listing Rules. The financial results of the Group are announced in a timely manner in accordance with statutory and/or regulatory requirements.

The Directors are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

For further accountability, the announcements containing the quarterly and full year financial statements are signed by the Chairman and MD, Mr Kelvin Lim, for and on behalf of the Board, to confirm that it is to the best of the Board's knowledge, nothing has come to the attention of the Board which may render the unaudited interim financial results contained in the announcement to be false or misleading in any material aspects. The Board approves the financial after review and authorises the release of the results on the websites of SGXnet and SEHK (www.hkexnews.hk) and the public. The Company also uploads latest announcement(s) which has been disseminated via the websites of SGXnet and SEHK (www.hkexnews.hk) on its website www.lhngroup.com.

Principle 11 – Risk Management and Internal Controls

The Board has the overall responsibility for the Group's risk management and internal controls in safeguarding Shareholders' interests and the Group's assets. The Group's internal controls and systems are designed to provide reasonable assurance as to the integrity and reliability of the financial information, and to safeguard and maintain accountability of assets. However, such systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss. Procedures are in place to identify major business risks and evaluate potential financial implications, as well as for the authorisation of capital expenditure and investments.

REPORT ON CORPORATE GOVERNANCE

The AC, on behalf of the Board, reviews the adequacy and effectiveness of the Group's system of internal controls, including financial, operational, compliance (including handling and dissemination of inside information) and information technology controls, and risk management policies and systems established by the Management on an annual basis. They are:

- Code of Ethics
- Risk Appetite and Risk Tolerance guidance
- Authority and Risk Control Matrix
- Key Control Activities
- Key Reporting and Monitoring Activities

Management also regularly reviews the Group's business and operations to identify areas of significant business risks and controls to mitigate the risks. The Management will highlight all significant matters to the Board and AC.

For FY2017, the Board had received assurance from the Chairman and MD and the Chief Financial Officer (the "**CFO**") that:

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

The design, implementation and operation of the accounting and internal control systems are intended to prevent and detect fraud and errors. The Board notes that the system of internal controls provides reasonable, but not absolute, assurance that the Group will not be adversely affected by any event that can be reasonably foreseen as it strives to achieve its business objectives. The Board also notes that no system of internal controls can provide absolute assurance against the occurrence of material misstatement or loss, poor judgment in decision making, human error, losses, fraud or other irregularities.

Based on the framework of risk management and internal controls established and maintained by the Management, reviews carried out by the AC, the report on the enterprise risk management of the Group, work performed by the internal auditors and external auditors, and assurance from the Management, the Board, with the concurrence of the AC, is of the opinion that the Group's risk management systems and system of internal controls was adequate and effective for FY2017 in addressing financial, operational, compliance and information technology risks.

The Company is gradually placing emphasis on sustainability and sustainability risks, and would implement appropriate policies and programmes when the opportunities arise.

Principle 12 – Audit Committee

The AC comprises three members, all of whom are Independent Non-Executive Directors. None of the AC members were previous partners or directors of the Company's external audit firm within the last twelve months and none of the AC members hold any financial interest in the external audit firm.

The terms of reference of the AC, which are available on the websites of the Company, SGX-ST and the Hong Kong Stock Exchange, include the following:

(a) review the relevance and consistency of the accounting standards, the significant financial reporting issues, recommendations and judgments made by the external auditors so as to ensure the integrity of the financial statements of the Group and any announcements relating to the Group's financial performance;

(b) review and report to the Board and the Management at least annually the adequacy and effectiveness of the Group's internal controls, including financial, operational, compliance and information technology controls and risks management systems (such review can be carried out internally or with the assistance of any competent third parties);

(c) review the effectiveness and adequacy of the Group's internal audit function at least annually, including the determination whether the internal auditor has direct and unrestricted access to the Chairman of the Board and AC, and is able to meet separately to discuss matters/concerns;

(d) review and ensure the internal audit function is adequately resourced and has appropriate standing within the Group and to review and monitor its effectiveness;

(e) review the scope and results of the external audit, and the independence and objectivity of the external auditors;

(f) make recommendations to the Board on the proposals to the shareholders on the appointment, re-appointment and removal of the external auditors, and approve the remuneration and terms of engagement of the external auditors;

(g) review the system of internal controls, financial controls and risk management with the internal and external auditors;

(h) review the co-operation given by the Management to the external auditors and the internal auditors, where applicable;

(i) keep abreast of changes in accounting standards and issues which have a direct impact on financial statements;

(j) conduct an annual assessment of its performance against its terms of reference duties and responsibilities and provide a report of the findings to the Board;

(k) review the assurance provided by the MD and the CFO regarding the financial records being properly maintained and the financial statements giving a true and fair view of the company's operations and finances;

(l) participate in the appointment, replacement or dismissal of the head of internal audit or, if an external party, the internal auditor;

(m) review the Group's compliance with such functions and duties as may be required under the relevant statutes, the Catalist Rules or the HK Listing Rules, including such amendments made thereto from time to time;

(n) review and approve interested person transactions and connected person transactions, and review procedures thereof;

(o) review potential conflicts of interest (if any) and to set out a framework to resolve or mitigate any potential conflicts of interests;

(p) review the risk management framework with a view to providing an independent oversight on the Group's financial reporting, the outcome of such review to be disclosed in the annual reports or, where the findings are material, announced immediately via SGXNet and the SEHK;

(q) investigate any matters within its terms of reference;

(r) review the policy and arrangements, by which the staff or any third party may, in confidence, raise concerns about possible improprieties including matters of financial reporting and to ensure that arrangements are in place for the independent investigations of such matter and for appropriate follow-up;

(s) where the AC deems necessary or as delegated by the Board, to commission and review the findings of any internal investigations into matters where there is any suspected fraud or irregularity, or failure of internal controls or suspected infringement of any applicable law, rule or regulation, and to consider the Management's response to these findings;

(t) where the AC deems necessary, to commission an annual internal control audit until such time as the AC is satisfied that the Group's internal controls are robust and effective enough to mitigate the Group's internal control weaknesses (if any);

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(u) To report to the Board its findings from time to time on matters arising and requiring the attention of the AC or to undertake such other reviews and projects as may be requested by the Board; and

(v) To undertake such other functions and duties as may be required by the laws of Hong Kong, the laws of Singapore, the HK Listing Rules or the Catalist Rules, and by such amendments made thereto from time to time.

The AC has explicit authority to investigate any matter within its terms of references. It has full access to Management and full discretion to invite any Director or Key Management Personnel to attend its meetings, and to be provided with reasonable resources to enable it to discharge its functions properly. The Executive Directors and Key Management Personnel, as and when required, were invited to be present at the AC meetings to report and brief the AC members on the financial and operating performance of the Group and to answer any queries from the AC members on any aspect of the operations of the Group.

The AC had met up with the internal auditors without the presence of the Management during FY2017 and the external auditors without the presence of Management in November 2017. The external auditors were also invited to be present at AC meetings, as and when required, held during FY2017 to, inter alia, answer or clarify any matter on accounting and auditing or internal controls.

The aggregate amount of fees paid or payable to PricewaterhouseCoopers LLP ("**PwC**") for FY2017 are as follows:

Description of Services	**Amount**	**Percentage**
Audit fees	S$229,000	33%
Non-audit fees	S$465,984	67%
Total	S$694,984	100%

The AC has reviewed the non-audit services provided by PwC to the Group. As the non-audit services rendered by PwC comprises mainly for services for the listing of the Company's shares on the Main Board of the SEHK, the Board, with the concurrence of the AC, is of the opinion that the independence and objectivity of the external auditors have not been affected.

In arriving at its opinion, the Board with the concurrence of the AC, took into consideration that the nature of non-audit services rendered was due to the Company's preparation for the listing of the Company's shares on the Main Board of The Stock Exchange of Hong Kong Limited which is not expected to be a recurring exercise. Furthermore, the AC had also received the written representations from PwC that having evaluated the nature, size and proportion of non-audit fees and the safeguards in place, its objectivity and independence have not been compromised.

The AC and the Board are of the view that the audit firms engaged by the Group are adequately resourced and registered with the Accounting and Corporate Regulatory Authority or registered with and/or regulated by an independent audit oversight body acceptable to the SGX-ST. The AC has recommended to the Board the re-appointment of PwC as external auditors of the Company at the forthcoming AGM of the Company.

The Group has not appointed different auditors for its subsidiaries and significant associated companies during the financial year under review. As such, the Company confirms its compliance to the Catalist Rules 712 and 715.

The Company's whistle-blowing programme serves to encourage and to provide a channel for staff of the Group and any external parties to report and raise, in good faith and in confidence, their concerns about possible improprieties in matters of financial reporting or other matters. To facilitate independent investigation of such matters and appropriate follow up actions, all whistle-blowing reports are directed to the AC Chairman via a dedicated email address (gary.chan@lhngroup.com.sg). The whistle-blowing programme has been communicated to all staff and it has also been posted on the Company's website at www.lhngroup.com.

The AC has power to conduct or authorise investigations into any matter within the AC's scope of responsibility. Depending on the nature of the concern raised or information provided, the investigation may be conducted involving one or more of these persons or entities:

- The investigation panel directed by the AC;
- The external or internal auditor; and/or
- Forensic professionals.

For FY2017, the Board had concluded, with the concurrence of the NC, that the members of the AC are appropriately qualified to discharge their duties and responsibilities. The Board's view is that adequate and reasonable assistance and support has been properly rendered by the Management to the AC and that the AC has effectively and efficiently contributed to the Board and the Group. Please refer to "Meet the Leaders – Board of Directors" for the biography of the AC chairman, Mr Chan Ka Leung Gary. During the last quarter of FY2017, the AC was provided with information such as updates on the changes to the Singapore's Financial Reporting Standards by the external auditors in the course of their report to AC.

Principle 13 – Internal Audit

The AC relies on reports from the Management, external and internal auditors on any material non-compliance and internal control weaknesses. Thereafter, the AC oversees and monitors the implementations thereto.

Currently, the Group has outsourced its internal audit function to Ernst & Young Advisory Pte. Ltd. (the "**IA**") which reports directly to the AC. The IA has an administrative reporting function to Management where planning, co-ordinating, managing and implementing internal audit work cycle are concerned. The work undertaken by the IA, are carried out in accordance with the standards set by internationally recognised professional bodies including Standards for the Professional Practice of Internal Auditing set by the Institute of Internal Auditors. The IA will report their audit findings and recommendations directly to the AC. The IA has unfettered access to all the Group's documents, records, properties and personnel, including access to the AC.

The AC reviews and approves the internal audit plan to ensure the adequacy of the scope of audit. The AC is satisfied that the IA is adequately qualified (given, inter alia, its adherence to standards set by internationally recognised professional bodies) and resourced, and has the appropriate standing in the Company to discharge its duties effectively.

(D) SHAREHOLDER RIGHTS AND RESPONSIBILITIES

Principle 14 – Shareholder Rights

<u>How Shareholders can convene an extraordinary general meeting</u>

Under the Constitution, Directors may in general, whenever they think fit, convene extraordinary general meetings. Under Section 176 of the Companies Act, however, Directors must notwithstanding anything in its Constitution, on the requisition of Shareholders holding not less than 10% of the total paid-up capital of a company at the date of the deposit of the requisition, immediately proceed to convene an extraordinary general meeting to be held as soon as practicable but in any case not later than two months after receipt by the company of the requisition.

Pursuant to the Companies Act, the Board shall convene an EGM on requisition:

(a) The Directors of the Company, notwithstanding anything in its Constitution, shall, on the requisition of members holding at the date of the deposit of the requisition not less than 10% of such of the paid-up capital as at the date of the deposit carries the right of voting at general meetings immediately proceed to duly convene an EGM to be held as soon as practicable but in any case not later than 2 months after the receipt by the Company of the requisition.

(b) The requisition shall state the objects of the meeting and shall be signed by the requisitionists and deposited at the registered office of the Company, and may consist of several documents in like form each signed by one or more requisitionists.

REPORT ON CORPORATE GOVERNANCE

(c) If the Directors do not within 21 days after the date of the deposit of the requisition proceed to convene a meeting the requisitionists, or any of them representing more than 50% of the total voting rights of all of them, may themselves, in the same manner as nearly as possible as that in which meetings are to be convened by Directors convene a meeting, but any meeting so convened shall not be held after the expiration of 3 months from that date.

(d) Any reasonable expenses incurred by the requisitionists by reason of the failure of the Directors to convene a meeting shall be paid to the requisitionists by the Company, and any sum so paid shall be retained by the company out of any sums due or to become due from the Company by way of fees or other remuneration in respect of their services to such of the Directors as were in default.

(e) A meeting at which a special resolution is to be proposed shall be deemed not to be duly convened by the Directors if they do not give such notice thereof as is required by the Statues in the case of special resolutions.

Principle 15 – Communication with Shareholders

The Company strives to disclose information on a timely basis to shareholders and ensure any disclosure of price sensitive information is not made to a selective group. The information is communicated to our shareholders via:

– annual reports – the Board strives to include all relevant information about the Group, including future developments and disclosures required by the Companies Act, Financial Reporting Standards and the Catalist Rules;

– SGXnet and press releases on major developments of the Group. SGXnet disclosures and press releases of the Group are also available on the Company's website at www.lhngroup.com; and

– Quarterly investor briefings on its results announcements shortly after the results announcement are published via SGXnet.

The Company also publishes the presentation slides used during the investor briefings on SGXnet and on its website – www.lhngroup.com. A copy of the Annual Report for FY2017 will also be made available on the Company's website and published via SGXnet and the SEHK, together with the notice of AGM for FY2017.

The Procedures for Sending Enquiries to the Board

Shareholders may send their enquiries and concerns in writing to the Board/company secretary by addressing them to the Company at our registered office in Singapore or principal place of business in Hong Kong or by email through the Company's website.

Principle 16 – Conduct of Shareholder Meetings

At the general meetings of the Company, Shareholders will be given the opportunity to air their views and ask Directors or Management questions regarding the Company and the Group. The notice of AGM will be sent together with the Annual Report, released on SGXnet, the SEHK and on the Company's website as well as published in the newspapers to inform shareholders of the upcoming meeting.

The Board, Management and the external auditors will also be present to address any relevant queries the Shareholders may have. The Company will prepare the minutes of the AGM which would include substantial or relevant comments from Shareholders, if any, and these minutes of the AGM will be made available to Shareholders, upon their request.

The Company solicits feedback from and addresses the concerns of shareholders (including institutional and retail investors) via the following:

- a dedicated external investor relations team whose contact details can be found on the corporate information page of the Annual Report; and

- investor/analyst briefings.

The Company held investor briefings and investor roadshows in FY2017 to meet with its institutional and retail investors.

The Company's Constitution does not allow for absentia voting at general meetings of Shareholders as authentication of Shareholder identity information and other related security issues remains a concern. However, the Constitution of the Company does allow a shareholder (who is not a relevant intermediary, as defined in Section 181(6) of the Companies Act) to vote either in person or appoint not more than two proxies to attend and vote in his stead. Such proxy to be appointed need not be a Shareholder. Pursuant to the Companies (Amendment) Act 2014, a shareholder of the Company who is a relevant intermediary (as defined in Section 181(6) of the Companies Act), may appoint more than two proxies to attend, speak and vote at the AGM.

Pursuant to Catalist Rule 730A(2), all resolutions will be put to vote by way of a poll at the forthcoming AGM, and their detailed results will be announced via SGXnet after the conclusion of the AGM.

The Company does not have a fixed dividend policy. The Board has proposed a final tax exempt (one-tier) dividend of S$0.002 per ordinary share for FY2017 which will be subjected to shareholders' approval at the forthcoming AGM.

(E) DEALINGS IN SECURITIES

The Company has adopted an internal code on dealings in securities, which has been disseminated to all Directors and officers within the Group. The Company will also send a notification via email to notify all its Directors and officers at least a day prior to the close of window for trading of the Company's securities.

The Company, its Directors and officers of the Company are reminded not to deal (whether directly or indirectly) in the Company's securities on short-term considerations and be mindful of the law on insider trading as prescribed by the Securities and Futures Act, Chapter 289 of Singapore. The internal code on dealings in securities also makes clear that the Company, its Directors and officers should not deal in the Company's securities and securities of other listed companies, while in possession of unpublished price-sensitive information and prohibits trading as well as in the following periods:

(i) the period commencing two weeks before the announcement of the Company's financial statements for the first, second and third quarters of its financial year; and

(ii) the period commencing one month before the announcement of the Company's financial statements for its full financial year.

Each of the above periods will end on the date of the announcement of the relevant financial results of the Company.

Commencing on the HK Listing Date, the Company had also updated its policy with the requirements set out in the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 to the HK Listing Rules which is also applicable to its employees who are likely to be in possession of unpublished inside information (the "**Relevant Employees**"). The Company confirms that specific enquiry has been made of all the Directors and the Relevant Employees and all have confirmed that they have complied with the Model Code since the date of Listing to the date of this report.

REPORT ON CORPORATE GOVERNANCE

(F) INTERESTED PERSON TRANSACTIONS ("IPT")

The Company has established procedures to ensure that all transactions with interested persons are reported on a timely manner to the AC and that the transactions are carried out on normal commercial terms and are not prejudicial to the interests of the Company and its minority shareholders. Details are set out in the Renewal of the Shareholders' Mandate for Interested Person Transactions.

Details of the additional interested person transactions of S$100,000 and above are as follows:

Name of Interested Persons and Transactions	Aggregate value of all interested person transactions during the year under review (excluding transactions less than S$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 S$100,000)
	Full Year ended 30 September 2017 S$'000	**Full Year ended 30 September 2017 S$'000**
Payments received by our Group		
PJS Companies*		
– Property leases or sub-leases	–	396
– Facilities management services	–	8
	–	404
Payments paid by our Group		
PJS Companies*		
– Purchase of food and beverage products and services	–	2
	–	2
Total	–	406

* PJS Companies include Café @ Phoenix Pte. Ltd. and DJ Culinary Concepts Pte. Ltd., are each wholly owned by Pang Joo Siang, the sole director of each company, who is the spouse of the Company's Executive Director and Group Deputy Managing Director, Jess Lim.

(G) USE OF PROCEEDS (CATALIST RULES 1204(5)(F) AND (22) AND HK LISTING RULES)

The utilisation of the IPO proceeds from listing on Catalist of the SGX-ST as at the date of this report is set out below:

S/N	Purpose of IPO Proceeds	Amount Allocated S$'000	Amount Utilised S$'000	Balance S$'000
1	To grow our property portfolio and acquire our own properties	5,000	5,000	–
2	Expansion of our Logistics Services Business and Facilities Management Business	3,000	3,000	–
3	Expansion of our operations in existing markets and into new markets	3,000	3,000	–
4	Development of technological capability	500	500	–
5	General working capital	2,931	2,931	–
6	Listing expenses	2,569	2,569	–
	Total	**17,000**	**17,000**	**–**

Amount utilised for general working capital of approximately S$2.9 million consisted of payment for:

(i) partial rental cost and security deposit of approximately S$0.4 million in relation to master lease secured for our second GreenHub Suited Offices in Jakarta; and

(ii) renovation costs of approximately S$2.5 million in relation to master leases secured for our Space Optimisation Business.

As shown in the table above, the proceeds from the IPO have been fully utilised.

The net proceeds from the listing on SEHK amounted to approximately HK$46.5 million after deduction of related expenses. As at the date of this report, the Company did not utilise any of the net proceeds from the listing in Hong Kong. The unutilised net proceeds were deposited in a licensed bank in Hong Kong at the date of this report.

The Company will make further announcements when the remaining net proceeds from the listing in Hong Kong are materially disbursed.

(H) MATERIAL CONTRACTS

Save for the service agreements entered with the Directors, there was no other material contract involving the interests of any Director or controlling shareholders of the Company which has been entered into by the Group, which are either still subsisting at the end of FY2017 or if not then subsisting, entered into since the end of the previous financial year.

(I) NON-SPONSOR FEES (CATALIST RULE 1204(21))

For FY2017, the Company paid to its sponsor, PrimePartners Corporate Finance Pte. Ltd. fees of S$63,000 for advisory services rendered.

(J) CHANGES IN THE COMPANY'S CONSTITUTIONAL DOCUMENTS

The Constitution of the Company has been adopted by a special resolution passed by the Shareholders at an extraordinary general meeting of the Company held on 25 September 2017, which became effective on the HK Listing Date. Save as the aforesaid, there were no significant changes in the Company's constitutional documents. The Constitution of the Company is available on the websites of the SGX-ST, the SEHK and the website of the Company.

DIRECTORS' STATEMENT

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2017

The Directors are pleased to present their statement to the members together with the audited consolidated financial statements of LHN Limited (the "**Company**") and its subsidiaries (collectively the "**Group**") for the financial year ended 30 September 2017 ("**FY2017**") and the statement of financial position of the Company as at 30 September 2017.

In the opinion of the directors:

(a) the accompanying consolidated financial statements of the Group and the statement of financial position of the Company together with the notes thereon, as set out on pages 68 to 136, 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 30 September 2017 and the financial performance, changes in equity and cash flows of the Group for the year ended on that date; 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.

1. PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of its subsidiaries and associates are set out in Note 1.2.

2. OPERATIONS AND FINANCIAL REVIEW

Details of the operations and financial review of the Group are set out under the section headed "Business Review" on pages 16 to 18 and the section headed "Financial Review" on pages 18 to 21, respectively. The above forms part of the Directors' Statement.

3. RESULTS AND APPROPRIATIONS

The results of the Group for the year are set out in the consolidated statement of comprehensive income on page 68.

Subsequent to the end of the reporting period, a final dividend of 0.2 Singapore cents (equivalent to 1.15 Hong Kong cents for illustration purpose) per ordinary share for the year ended 30 September 2017 has been proposed by the directors and is subject to approval by the shareholders in the forthcoming general meeting to be held at 10:00 a.m. on 19 March 2018 (Singapore time). Further announcement on the book closure dates in respect of shareholder's entitlement to the final dividend, payment date and last registration date will be made by the Company in due course upon the approval of shareholders in the forthcoming annual general meeting.

4. FINANCIAL SUMMARY AND HISTORICAL FINANCIAL KEY PERFORMANCE INDICATORS

A summary of the results and of the assets and liabilities of the Group and details of the key financial performance indicator to the performance of the Group business for the past five financial years is set out on page 15.

5. PRINCIPAL RISKS AND UNCERTAINTIES

The business of the Group is subject to numerous risks and uncertainties. The following is a summary of some of the principal risks and uncertainties affecting our business:

(i) ***Ability to renew or re-tender for master leases for the space optimisation business:*** The Group's space optimisation business is the Group's principal business segment. For the space optimisation business, the Group has primarily obtained the properties through master leases. If the Group is unable to renew any of the master leases or successfully re-tender for any of its properties, it takes time and cost for the Group to identify new properties, obtain the properties and perform the optimisation work to launch in the market to replace the properties that it has returned to the landlord. Furthermore, it takes time to build up the tenancy for our new managed properties. These may disrupt the Group's normal business operations and cause the Group to suffer additional costs which can have a material and adverse effect on its business, results of operations, financial condition and prospects.

5. PRINCIPAL RISKS AND UNCERTAINTIES (CONT'D)

(ii) ***Ability to renew tenancy agreements with the tenants of the Group at commercially acceptable term:*** The Group leases its properties to its tenants pursuant to tenancy agreements. The Group will negotiate with the tenants for the new terms for the lease renewal if they will stay on as its tenants towards the expiry. The new terms will be subject to the prevailing market conditions and movements in property prices in general. Furthermore, there is no guarantee that the tenants will continue to lease the properties from the Group or that the Group can renew the leases at commercially acceptable terms. If the Group's existing tenants cease to lease properties from it, it may be unable to secure new tenants or will incur additional costs such as marketing costs to secure new tenants in respect of those properties and its business, results of operations, financial condition and prospects may be adversely affected.

(iii) ***Application of IFRS on our operating lease commitments:*** During FY2017, a majority of the Group's properties for which it operates its business on were obtained through leases, which were classified as operating leases. The Group also leases out investment properties to non-related parties under non-cancellable operating leases. IFRS 16, which is expected to apply to the Group from the financial year beginning 1 October 2019 ("**FY2020**"), provides new provisions for the accounting treatment of leases. The expected impact on the Group's consolidated statements of profit or loss will primarily be the recognition of depreciation for the right-of-use asset and interest expense on the lease liability instead of rental expenses which, on a lease-by-lease basis, will result in higher total expense being recognised in the initial years of the lease and evened out throughout the remaining term of the lease. As a result, for FY2020, based on management's analysis, the Group's consolidated statements of profit or loss will be adversely affected. As such, our ability to distribute dividend could also be affected after the adoption of IFRS 16.

(iv) ***Ability to recover the renovation, refurbishment and maintenance costs for the properties of the Group:*** For the properties of the space optimisation business, the Group typically undertakes renovation and refurbishment works on them before leasing them out. The type and the amount of time required for the renovation works depend on a number of factors, including whether the property is leased or owned, the condition, size, type and planned future use of the property, and for leased property, the term of the lease and the expected time of holding or leasing the property. The depreciation of the renovation works is amortised based on the estimated useful life of the works. The Group may be required to accelerate the amortisation if the lease is terminated prior to its expiry. The Group may also incur substantial costs periodically in maintaining and repairing some of its older properties. If the Group is unable to manage the capital expenditure and costs involved in renovating, refurbishing and/or maintaining our properties, its profit margin and hence, its business, results of operations, financial condition and prospects may be adversely affected.

(v) ***Appraisal value and fair value of properties:*** For the Group's investment properties and investment properties held by the Group's joint ventures, these properties are required to reassess their fair value at the end of each financial reporting period. The gains and losses arising from the changes in the fair value of these investment properties are recognised in the income statement for the period in which the changes of fair value occur and affect the Group's profit for that period. Any valuation of these investment properties which is lower than our previously appraised value will lead to fair value loss on investment properties. Also, the appraised values of these properties are based on various assumptions, which are subjective and uncertain in nature. Hence, the appraised values of our investment properties should not be taken as their actual realisable value or a forecast of their realisable value.

6. RELATIONSHIPS WITH EMPLOYEES, SUPPLIERS AND CUSTOMERS

The Company believes that cultivating a healthy relationship with the Group's employees, suppliers (including landlords) and customers (including tenants) is paramount to its success. For the Group's relationship with its employees, please refer to "Operations and Financial Review – Employees, Training and Development" in this report for details.

The Group only works with reputable and ethical suppliers with good track records of service/product quality. Suppliers' performance are reviewed on a yearly basis.

With the Group's customers, in order to facilitate an open channel of communication, the Group utilises various channels, such as hotline, annual survey on customer satisfaction and social platforms. The Group believes in creating more dynamic relationships whereby the customers can also be its potential business partners and associates; hence, the sustainability of one's business will benefit the other. The Group will seek to utilise services provided by its current tenants provided the terms are commercially acceptable. The Group also organises various networking sessions throughout the year to benefit the tenants and create networking opportunities.

Please also refer to the paragraphs headed "Employee and remuneration policies" and "Major Customers and Suppliers" in this section for more details.

DIRECTORS' STATEMENT

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2017

7. INVESTMENT PROPERTIES

During the year, the Group did not acquire or dispose any investment properties. Details of movement in the investment properties of the Group during the year are set out in Note 15 to the consolidated financial statements.

8. PROPERTY, PLANT AND EQUIPMENT

Details of movement in the property, plant and equipment of the Group during the year are set out in Note 14 to the consolidated financial statements.

9. BANK BORROWINGS

Particulars of the bank borrowings of the Group as at 30 September 2017 are set out in the Note 33 to the consolidated financial statements.

10. SHARE CAPITAL

Details of the Company issued share capital during the year are set out in Note 28 to the consolidated financial statements.

11. PURCHASE, SALES OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES AND CANCELLATION OF TREASURY SHARES

During the year, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

As at 30 September 2016, the Company held 1,853,000 ordinary shares as treasury shares. On 18 January 2017, 441,200 treasury shares were distributed to the employees of the Group pursuant to PSP, and the Company held 1,411,800 treasury shares after such distribution. On 30 November 2017, all of the treasury shares of the Company were cancelled pursuant to Section 76K of the Singapore Companies Act, Cap. 50.

Since FY2017 and up to the date of this annual report, the Company has allotted and issued 42 million new shares in Hong Kong, which are listed on the SEHK, on the HK Listing Date at HK$1.90 per share under the global offering.

12. DISTRIBUTABLE RESERVES

Distributable reserves of the Company as at 30 September 2017 amounted to S$2,524,000.

13. DIRECTORS

The Directors of the Company during the year and up to the date of this report were:

Executive Directors	
Lim Lung Tieng	(Executive Chairman, Executive Director and Group Managing Director)
Lim Bee Choo	(Executive Director and Group Deputy Managing Director)
Independent Non-executive Directors	
Ch'ng Li-ling	(Lead Independent Non-executive Director)
Chan Ka Leung Gary	(Appointed on 5 June 2017)
Yong Chee Hiong	
Lee Gee Aik	(Lead Independent Non-executive Director) (Resigned on 5 June 2017)

14. DIRECTORS' SERVICE CONTRACTS

The Company has entered into separate service agreements (the "**Service Agreements**") with the Executive Directors, namely, Kelvin Lim and Jess Lim, that states their terms of employment, which may be terminated by not less than six months' notice in writing served by either party on the other. Under the Service Agreements, the Executive Directors are entitled to incentive bonus based on the Group's consolidated profit before tax. The Service Agreements are valid for a period of three years from 16 March 2015 and are subjected to annual renewal.

14. DIRECTORS' SERVICE CONTRACTS (CONT'D)

Each of Ms Ch'ng Li-Ling and Mr Yong Chee Hiong, our Independent Non-executive Directors, has entered into a letter of appointment with us on 10 March 2015 (as amended by an addendum dated 25 September 2017) for an initial term of three years commencing on 10 March 2015 and will continue thereafter until terminated by not less than three months' notice in writing served by either party on the other.

Mr Chan Ka Leung Gary, our Independent Non-executive Director, has entered into a letter of appointment with us on 5 June 2017 (as amended by an addendum dated 25 September 2017) for an initial term of three years commencing on 5 June 2017 and will continue thereafter until terminated by not less than three months' notice in writing served by either party on the other.

15. DIRECTORS' REMUNERATION

The Board has the general power of determining the Directors' remuneration, subject to authorisation of the shareholders of the Company at the annual general meeting each year.

The remuneration and other emoluments are determined by the Board by recommendation of the Remuneration Committee with reference to the duties, responsibilities and performance of the Directors and the results of the Group.

Details of the remuneration of the Directors are set out in Note 10 to the consolidated financial statements.

The two Executive Directors waived their annual one month fixed bonus during the year.

16. EMPLOYEE AND REMUNERATION POLICIES

As at 30 September 2017, there were 403 (2016: 377) employees in the Group. Please refer to "Operations and Financial Review – Employees, Training and Development" for details of the Group's relationship with employees, trainings and development provided to employees and remuneration policies.

The Group has adopted the Share Option Scheme and the LHN Performance Share Plan to motivate and reward its Directors and eligible employees. In accordance with page 31 of the Company's circular dated 2 September 2017, the Company has terminated the PSP on 17 January 2018 following the successful listing of the Company's shares on The Stock Exchange of Hong Kong Limited on 29 December 2017. Please refer to "Corporate Governance Report – Share Option Scheme" on pages 40 to 43 for details of the Share Option Scheme, and "Report on Corporate Governance – Performance Share Plan" on pages 39 to 40 for details of the PSP.

17. RETIREMENT SCHEMES

As required by the law of the relevant jurisdictions, the Group makes contributions to Central Provident Fund in Singapore, Mandatory Provident Fund Scheme in Hong Kong, Social Security Fund in China, Thailand and Myanmar and Badan Penyelenggara Jaminan Sosial in Indonesia, which are defined contribution plans, during the year. In Singapore, under the Mandatory Central Provident Fund Scheme, employers are required to make a regular contribution calculated at a range of 7.5% to 17% of the employees' monthly income above S$500 per month and up to a maximum of S$6,000 per month, depending on the employee's age group. In Hong Kong, under the Mandatory Provident Fund Scheme, employers and employees are each required to make regular contribution calculated at 5% of the employee's relevant income for monthly income above HK$7,100 per month and up to a maximum of HK$30,000 per month. In China, employees of subsidiary in China are members of the retirement schemes operated by the local authorities, and the subsidiary is required to contribute a certain percentage of the eligible employees' salaries to these schemes to fund the benefits. In Thailand, employers are required to contribute 5% of the employee's monthly salary capped at THB15,000. In Myanmar, employers are required to contribute 3% of the employee's monthly salary capped at MMK300,000. In Indonesia, employers are required to contribute 6.54% of the employee's monthly salary. The only obligation of the Group with respect to these schemes is the required contributions under the schemes.

These contributions are recognised as employees benefit costs in the financial year to which they relate. Please also refer to note 10 to the consolidated financial statements in this report for total contributions made during the year.

DIRECTORS' STATEMENT

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2017

18. PERMITTED INDEMNITY PROVISION

Under the Constitution, every Director or other officers of the Company acting in relation to any of the affairs of the Company shall be entitled to be indemnified against all actions, costs, charges, losses, damages and expenses which he/she may incur or sustain in or about the execution of his/her duties in his/her office. The Company has arranged appropriate insurance cover in respect of legal action against its Directors and officers.

19. DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES OR DEBENTURES OF THE COMPANY OR ITS ASSOCIATED CORPORATIONS

Under Singapore Law

According to the Register of Directors' Shareholdings kept by the Company under Section 164 of the Companies Act, Cap. 50, none of the directors who held office at the end of the financial year had any interest in the shares or debentures of the Company or its related corporations, except as follows:

	Number of ordinary shares			
	Holdings registered in the name of director or nominee		Holdings in which director is deemed to have an interest	
Name of directors	**As at 1 October 2016**	**As at 30 September 2017 and 21 October 2017#**	**As at 1 October 2016**	**As at 30 September 2017 and 21 October 2017#**
The Company – LHN Limited				
Lim Bee Choo	–	**–**	275,000,000	**275,000,000**
Lim Lung Tieng	–	**–**	275,000,000	**275,000,000**
Immediate holding company – Fragrance Ltd.				
Lim Lung Tieng	–	**–**	–	**275,000,000**
Lim Bee Choo	–	**–**	–	**275,000,000**
Intermediate holding company – Hean Nerng Group Pte. Ltd.				
Lim Lung Tieng	30,000	**30,000**	–	**–**
Lim Bee Choo	60,000	**60,000**	–	**–**

There are no changes to the above shareholdings as at 21 October 2017.

By virtue of the provisions of Section 7 of the Singapore Companies Act, Cap. 50, Lim Lung Tieng and Lim Bee Choo are deemed to have an interest in the whole of the issued share capital of all the wholly-owned subsidiaries of the Company, and in the shares held by the Company in the following subsidiaries that are not wholly-owned by the Group.

	Number of ordinary shares	
	As at 1 October 2016	**As at 30 September 2017**
LHN Management Services Pte. Ltd.	12,750	**12,750**
HLA Holdings Pte. Ltd.	429,408	**429,408**
HLA Container Services Pte. Ltd.	480,000	**480,000**
PT. Hean Nerng Group	2,970	**2,970**
PT. Hub Hijau Serviced Offices	3,500	**3,500**
HLA Holdings (Thailand) Limited	23,040	**23,040**
HLA Container Services (Thailand) Limited	34,790	**34,790**

19. DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES OR DEBENTURES OF THE COMPANY OR ITS ASSOCIATED CORPORATIONS (CONT'D)

Under Hong Kong Law

As at 30 September 2017, being the end of the reporting period under review, the Shares were not listed on the Hong Kong Stock Exchange, and the requirements under the laws and regulations in Hong Kong, including the Securities and Futures Ordinance (Chapter 571) of the laws of Hong Kong) (the "**SFO**") and the HK Listing Rules, relating to the disclosure of interest of the directors and chief executive of the Company will not be applicable. Under the requirements of Hong Kong, for shareholders' information, the interest or short position in the Shares, underlying Shares or debentures of the Company and/or its associated corporations (within the meaning of Part XV of the SFO) that Directors and chief executive of the Company as recorded in the register required to be kept under section 352 of the SFO, or otherwise notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code as at 8 January 2018, being the latest practicable date after the listing of the Shares on the Hong Kong Stock Exchange on 29 December 2017 are as follows:

Long positions in the Shares and underlying Shares

NAME OF DIRECTOR/ CHIEF EXECUTIVE	CAPACITY/NATURE OF INTEREST	NUMBER OF SHARES HELD/INTERESTED	APPROXIMATE PERCENTAGE OF SHAREHOLDING AS AT 8 JANUARY 2018
Kelvin Lim(1)(2)	Founder of discretionary trusts, beneficiary of a trust	275,000,000	68.33%

Notes:

1. Kelvin Lim is one of the founders of The LHN Capital Trust and The Land Banking Trust. Trident Trust Company (B.V.I.) Limited, in its capacity as the trustee of The Land Banking Trust, holds the entire issued share capital of LHN Capital Pte. Ltd.. LHN Capital Pte. Ltd., in its capacity as the trustee of The LHN Capital Trust, holds the entire issued share capital of HN Capital Ltd., which in turn holds 85% of the total issued share capital of Hean Nerng Group Pte. Ltd.. Hean Nerng Group Pte. Ltd. holds the entire issued share capital of Fragrance Ltd.. Fragrance Ltd. is the beneficial owner of 275,000,000 Shares. Kelvin Lim is deemed under the SFO to be interested in the Shares held by Trident Trust Company (B.V.I.) Limited and LHN Capital Pte. Ltd.. Trident Trust Company (B.V.I.) Limited is deemed under the SFO interested in the interests held by LHN Capital Pte. Ltd.. LHN Capital Pte. Ltd. is deemed under the SFO interested in the interests held by HN Capital Ltd.. HN Capital Ltd is deemed under the SFO interested in the interests held by Hean Nerng Group Pte. Ltd.. Hean Nerng Group Pte. Ltd. is deemed under the SFO interested in the interests held by Fragrance Ltd..
2. Kelvin Lim is one of the beneficiaries of The LHN Capital Trust of which LHN Capital Pte. Ltd. is the trustee. LHN Capital Pte. Ltd., in its capacity as the trustee, holds the entire issued share capital of HN Capital Ltd., which in turn holds 85% of the total issued share capital of Hean Nerng Group Pte. Ltd.. Hean Nerng Group Pte. Ltd. holds the entire issued share capital of Fragrance Ltd.. Fragrance Ltd is the beneficial owner of 275,000,000 Shares. Kelvin Lim is deemed under the SFO to be interested in the Shares held by LHN Capital Pte. Ltd.. LHN Capital Pte. Ltd. is deemed under the SFO interested in the interests held by HN Capital Ltd.. HN Capital Ltd is deemed under the SFO interested in the interests held by Hean Nerng Group Pte. Ltd.. Hean Nerng Group Pte. Ltd. is deemed under the SFO interested in the interests held by Fragrance Ltd..

Save as disclosed above, as at 8 January 2018, none of the Directors or chief executive of the Company had or was deemed to have any interest or short position in the Shares, underlying Shares and debentures of the Company and/or its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under section 352 of the SFO, or otherwise notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code.

Common Directors

For information of the shareholders, as at 8 January 2018, Mr Kelvin Lim and Ms Jess Lim, the Executive Directors of the Company, are also directors of Fragrance Ltd., Hean Nerng Group Pte. Ltd., HN Capital Ltd. and LHN Capital Pte. Ltd.

Save as disclosed above, there are no other Directors of the Company who is a director or employee of a company which has an interest in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

DIRECTORS' STATEMENT

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2017

20. EMPLOYEE PERFORMANCE SHARE PLAN

Details of the PSP are set out under the "Report on Corporate Governance – Performance Share Plan" on pages 39 to 40. The PSP has been terminated on 17 January 2018.

21. SHARE OPTION SCHEME

Details of the Share Option Scheme are set out under the "Report on Corporate Governance – Share Option Scheme" on pages 40 to 43.

22. AUDIT COMMITTEE

The Audit Committee ("AC") comprises all Independent Non-executive Directors. The members of the AC during FY2017 are:

Chan Ka Leung Gary (Chairman) (Appointed on 5 June 2017)
Lee Gee Aik (Chairman) (Resigned on 5 June 2017)
Ch'ng Li-Ling
Yong Chee Hiong

The Audit Committee performs the functions set out in Section 201B(5) of the Companies Act, Cap. 50, the SGX Listing Manual, the HK Listing Rules and in accordance with its terms of reference. In performing those functions, the Committee carried out the following during the year:

(i) reviewed the overall scope of both the internal and external audits and the assistance given by the Company's officers to the auditors. It met with the Company's internal and external auditors to discuss the results of their respective examinations and their evaluation of the Company's system of internal accounting controls;

(ii) reviewed the audit plan of the Company's independent auditor and any recommendations on internal accounting controls arising from the statutory audit;

(iii) reviewed the quarterly financial information and the statement of financial position of the Company and the consolidated financial statements of the Group for the financial year ended 30 September 2017 as well as the auditor's report thereon;

(iv) on an annual basis, reviewed the effectiveness of the Company's risk management and internal controls systems, including financial, operational and compliance controls and information technology controls and risk management systems via reviews carried out by the internal auditors which were considered to be effective and adequate;

(v) met with the external auditor to discuss any matters that these groups believe should be discussed privately with the AC;

(vi) reviewed legal and regulatory matters that may have a material impact on the financial statements, related compliance policies and programmes and any reports received from regulators;

(vii) reviewed the cost effectiveness and the independence and objectivity of the external auditor;

(viii) reviewed the nature and extent of non-audit services provided by the external auditor;

(ix) recommended to the Board the external auditor to be nominated, approved the compensation of the external auditor, and reviewed the scope and results of the audit;

(x) reported actions and minutes of the AC to the Board with such recommendations as the AC considered appropriate; and

(xi) reviewed the interested person transactions (as defined in Chapter 9 of the Listing Manual of the SGX-ST) and connected transactions (has the meaning as ascribed to it under the HK Listing Rules).

22. AUDIT COMMITTEE (CONT'D)

The AC 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 AC also recommends the appointment of the external auditor and reviews the level of audit and non-audit fees.

The AC is satisfied with the independence and objectivity of the external auditor and has recommended to the Board of Directors that the auditor, PricewaterhouseCoopers LLP, be nominated for re-appointment as auditor at the forthcoming annual general meeting of the Company.

The AC has also reviewed the audited consolidated financial statements of the Group for FY2017.

Full details regarding the AC are provided in the Report on Corporate Governance.

In appointing our auditors for the Company, subsidiaries and significant associated companies, we have complied with Rules 712 and 715 of the SGX Listing Manual.

23. ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

At no time during the year was the Company or any of its subsidiaries, a party to any arrangements 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 corporate body.

24. DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

Other than disclosed above and in Note 37 to the financial statements, no contracts of significance to which the Company or its subsidiaries was a party and in which a director of the Company had a material interest, whether directly and indirectly, subsisted at the end of the year or at any time during the year.

25. MANAGEMENT CONTRACTS

Save for service contracts with our Directors, no contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year ended 30 September 2017.

26. CONNECTED TRANSACTIONS

As at 30 September 2017, being the end of the reporting period under review, the Shares were not listed on the Hong Kong Stock Exchange, and the HK Listing Rules is not applicable during FY2017 and hence, there was no connected transaction required to be reported.

27. CONTRACTS WITH CONTROLLING SHAREHOLDERS

No contract of significance has been entered into between the Company or any of its subsidiaries and any of the Controlling Shareholders during the year.

28. RELATED PARTY TRANSACTIONS

Our Group entered into certain related party transactions with its related parties during the year ended 30 September 2017.

Details of the related party transactions are set out in Note 37 to the consolidated financial statements. As disclosed above, during the year, the Shares have not been listed on the Hong Kong Stock Exchange, and as such, none of the related party transactions constitute connected transactions under the HK Listing Rules during the year.

DIRECTORS' STATEMENT

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2017

29. SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 30 September 2017, being the end of the reporting period under review, the Shares were not listed on the Hong Kong Stock Exchange, and the requirements under the laws and regulations in Hong Kong, including the SFO and the HK Listing Rules, relating to the disclosure of interest of persons having interests or short positions in the Shares or underlying Shares would not be applicable. Please refer to "Statistics of Shareholdings – Substantial Shareholders and Other Persons' Interests and Short Positions in Shares, Underlying Shares and Debentures" for details of (i) under the requirements of Singapore, the substantial shareholders as recorded in the register of substantial shareholder in Singapore as at 8 January 2018; and (ii) under the requirements of Hong Kong, for the shareholders' information, the interests or short positions in the Shares or underlying Shares of the persons which would fall to be disclosed to the Company under the provisions of Part XV of the SFO, or which were recorded in the register required to be kept under section 336 of the SFO as at 8 January 2018, being the latest practicable date after the listing of the Shares on the Hong Kong Stock Exchange on 29 December 2017.

30. PRE-EMPTIVE RIGHTS

Regulation 9(A) of the Constitution provides that subject to any direction to the contrary that may be given by the Company in general meeting or except permitted by the Catalist Rules or the HK Listing Rules, all new shares shall before issue be offered to such persons who as at the date of the offer are entitled to receive notices from the Company of general meetings in proportion, as far as the circumstances admit, to the number of the existing shares to which they are entitled. Save for the foregoing, there is no provision for pre-emptive rights under the Constitution or the laws of the Republic of Singapore applicable to Singapore companies generally which would oblige the Company to offer new Shares on a pro-rata basis to existing shareholders.

31. CORPORATE GOVERNANCE

As the shares of the Company were not listed on the SEHK until 29 December 2017, being the HK Listing Date, the Code on Corporate Governance (the "CG Code") as set out in Appendix 14 of the HK Listing Rules was not applicable to the Company for FY2017. The Company has adopted the CG Code since the HK Listing Date. The Company confirms it has met the required standards as set out in the CG Code since the HK Listing Date and up to the date of this annual report.

32. MODEL CODE OF SECURITIES TRANSACTIONS BY DIRECTORS

As the Shares were not listed on the Hong Kong Stock Exchange as at 30 September 2017, the Model Code as set out in Appendix 10 of the HK Listing Rules was not applicable to the Company for FY2017. Commencing on the HK Listing Date, the Company had also updated its policy with the requirements set out in the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the HK Listing Rules. Please refer to "Report on Corporate Governance – (E) Dealing in Securities" for details.

33. MAJOR CUSTOMERS AND SUPPLIERS

The information in respect of the Group's sales and purchases to the major customers and suppliers, respectively, during the financial year is as follows:–

	Percentage of the Group's total	
	Sales	**Purchases**
	%	**%**
The largest supplier	–	22.8
Five largest suppliers in aggregate	–	59.3

To the knowledge of the Directors, none of the Directors, or their respective associates, or shareholders owning more than 5% of the Company's issued share capital had any beneficial interests in any of the five largest suppliers.

The percentage of revenue from aggregate sales to the five largest customers of the Group during the year is less than 30%.

34. ENVIRONMENTAL POLICIES AND PERFORMANCE

The Group continuously endeavours to promote environmental and social responsibility to employees and contribute to the community. The Group is always in compliance with all the relevant laws and regulations. As a social responsible enterprise, the Group should keep promoting and enhancing the relevant environmental and social sustainable development of the regions and community.

In line with the Group's business vision of creating productive environments, the Group strives to minimise its carbon footprint through maximising resource efficiency in how the Group conducts its business.

The space optimisation business is a sustainable business model where the under-utilised spaces are converted to productive space. In addition, renovating the old buildings instead of building new ones reduces the construction material usage, leading to waste reduction. The Group's properties are also operated in an environmentally friendly manner. Most of our facilities are installed with LED lights and motion sensors to reduce the energy consumption. The Group also employs biodegradable cleaning agents instead of bleach for cleaning. This not only protects the environment but also the Group's employees from the harmful chemicals that could be present in bleach. Internally, a strong message of efficiency and waste avoidance is emphasised in the Group's offices. Employees avoid printing as much as possible and all waste paper are shredded and sent to recycling centres. In doing so, the Group hopes to foster an environmentally friendly culture both in its offices and also in the workspaces it creates for its tenants.

As required by the HK Listing Rules, the Company is required to report on environmental, social and governance information ("ESG Information") on an annual basis and regarding the same period covered in this annual report. The Company will publish the ESG Information separately and in any event no later than three months after the publication of this annual report. Currently, the Company is in the process of preparing and compiling the relevant ESG Information and will notify the shareholders by way of announcement for the publication of the ESG Information in due course.

35. RELATIONSHIP WITH STAKEHOLDERS

Our key stakeholders include customers, employees, suppliers and regulators. Cultivating a healthy relationship with them is paramount to our business success.

With our customers, besides traditional channels such as annual survey on customer satisfaction and hotline, the Group employs the use of social platforms like Facebook for a more interactive experience. We believe in creating more dynamic relationships whereby our customers can also be our potential business partners and associates; hence, the sustainability of one's business will benefit the other. We will prioritize utilizing services provided by our current tenants for the properties. We also organize various networking sessions to our tenants' benefits throughout the year.

To ensure that we provide services of the highest quality, the Group takes great care in engaging with both our employees and suppliers. For employees, we keep them updated on the Group's business direction and core values via daily interactions and other formal forum such as town hall and management dialogue conducted on quarterly basis. The performance appraisal is conducted half yearly to determine the staff's career aspirations and learning and development needs. The staff will be consulted and registered for courses as appropriate. For suppliers, the Group only works with reputable and ethical suppliers with good track records of service/product quality. Suppliers' performance are reviewed on a yearly basis.

In relation to our regulators, the Group makes concerted efforts to comply with all applicable laws and regulations and to continuously engage with the regulatory agencies to create awareness about our business model.

More specific details on our environmental, social and corporate governance ("ESG") policies will be found in our ESG report, to be published by April 2018.

DIRECTORS' STATEMENT

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2017

36. DONATIONS

During the year, the Group made charitable donations of S$17,000.

37. DEED OF NON-COMPETITION

On 6 December 2017, a deed of non-competition was given by Mr Lim Lung Tieng, Ms Lim Bee Choo, Ms Lim Bee Li, Fragrance Ltd, Hean Nerng Group Pte Ltd and HN Capital Ltd as covenantors in favour of the Company (for itself and as trustee for its subsidiaries) in respect of certain non-compete undertakings, which came into effect on the HK Listing Date, being 29 December 2017. Details of the deed is set out in "Relationship with our Controlling Shareholders – Deed of Non-Competition" of the prospectus of the Company dated 15 December 2017 (the "Deed of Non-Competition"). The Company has received the written confirmations from Mr Lim Lung Tieng, Ms Lim Bee Choo, Ms Lim Bee Li, Fragrance Ltd, Hean Nerng Group Pte Ltd and HN Capital Ltd in respect of the compliance with the provisions of the Deed of Non-Competition since the HK Listing Date and up to the date of this annual report.

The Independent Non-executive Directors had reviewed and confirmed that the Controlling Shareholders have complied with the Deed of Non-competition and the Deed of Non-Competition has been enforced by the Company in accordance with its terms since the HK Listing Date and up to the date of this annual report.

38. DIRECTORS' INTEREST IN COMPETING BUSINESS

None of the Directors is or was interested in any business apart from the Group's business, that competes or competed or is or was likely to compete, either directly or indirectly, with the Group's business at any time during the year ended 30 September 2017 and up to and including the date of this annual report.

39. SUFFICIENCY OF PUBLIC FLOAT

Upon dual listing of the shares of the Company on the Main Board of the Hong Kong Stock Exchange, the Company shall maintain a sufficient public float. Based on the information that is publicly available to the Company and to the knowledge of the Directors as at the date of this annual report, the Directors are satisfied that the Company has maintained the prescribed minimum public float under Rule 8.08 of the HK Listing Rules. Please also refer to "Statistics of Shareholdings – Public Float" in this report.

40. EVENTS AFTER 30 SEPTEMBER 2017

Please refer to "Operations and Financial Review – Events after FY2017 and Future Business Developments" in this report for details.

41. USE OF PROCEEDS

On 29 December 2017, the Company successfully listed on the Main Board of the Hong Kong Stock Exchange and raised HK$79.8 million in total gross proceeds from the allotment and issuance of 42 million new shares at a price of HK$1.90 per share. We intend to use the net proceeds raised for business expansion, purchase of equipment and general working capital in accordance with the proposed application set out in the prospectus of the Company dated 15 December 2017. Any net proceeds that were not applied immediately have been temporarily deposited with banks as at the date of this report. The Company will disclose the details of the application and a breakdown of how the proceeds were allocated among different uses in its next report.

42. AUDITORS

During FY2017, we change our auditors from Foo Kon Tan LLP to PricewaterhouseCoopers LLP due to our regional presence and ambition to further expand overseas business.

The auditors, PricewaterhouseCoopers LLP was appointed on 13 May 2017 following the resignation of Foo Kon Tan LLP as auditors of the Company, will retire and, being eligible, have indicated their willingness to accept re-appointment. A resolution for the re-appointment of PricewaterhouseCoopers LLP as auditors of the Company is to be proposed at the forthcoming annual general meeting of the Company.

Save as disclosed above, during the three preceding financial years, there was no other change in the auditors of the Company.

The Board of Directors has, on the date of this statement, authorised these financial statements for issue.

On behalf of the Board

Lim Lung Tieng
DIRECTOR

Lim Bee Choo
DIRECTOR

Singapore
18 January 2018

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF LHN LIMITED
(INCORPORATED IN SINGAPORE WITH LIMITED LIABILITY)

Opinion

What we have audited

The consolidated financial statements of LHN Limited (the "Company") and its subsidiaries (the "Group") set out on pages 68 to 136, which comprise:

- the consolidated statements of financial position of the Group and statement of financial position of the Company as at 30 September 2017;
- the consolidated statements of profit or loss and total comprehensive income for the year then ended;
- the consolidated statements of changes in equity for the year then ended;
- the consolidated statements of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 30 September 2017, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the International Ethics Standards Board for Accountant's Code of Ethics Professional Accountants ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

Key Audit Matters

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

Key audit matters identified in our audit are summarised as follows:

- Valuation of investment properties
- Accounting for acquisition of Four Star Industries

Key Audit Matter	How our audit addressed the Key Audit Matter
Valuation of investment properties	
As at 30 September 2017, the carrying value of the Group's investment properties of S$43.4 million accounted for 35% of the Group's total assets. The valuation of the investment properties was a key audit matter due to the significant judgement in the key inputs used in the valuation techniques. Management has engaged external valuers, Jones Lang LaSalle ("JLL"), to determine the fair value of the Group's investment properties for the year ended 30 September 2017 based on the properties' highest-and-best use. The fair value of the properties were determined using the following methods: discounted cash flow approach, capitalisation approach and direct comparison approach. These key inputs include growth rate of rents, discount rate and the terminal capitalisation rate, and are dependent on the nature of each investment property and the prevailing market conditions.	We have assessed the analysis of comparable sales of similar properties and adjusting the sale prices to reflect the characteristics of the investment properties. We evaluated the competency and independence of the valuers engaged by the Group. We assessed the critical assumptions for the key inputs used in the valuation techniques, tested the integrity of information, including underlying lease and financial information provided to the valuers and compared the discount and terminal capitalisation rates used against those used for similar properties and in prior year. The valuers are members of recognised professional bodies for property valuers. We found the valuation methodologies used to be in line with generally accepted market practices and the key assumptions used were within the range of market data. We also found the disclosures in the financial statements to be adequate.
Accounting for the acquisition of Four Star Industries	
On 10 October 2016, the Group, through its wholly owned subsidiary Singapore Handicrafts Pte. Ltd. ("SHPL"), together with its joint venture partner, W&S Star Pte. Ltd. ("WSPL") completed the acquisition of Four Star Industries Pte. Ltd. ("Four Star"). The purchase consideration was S$450,000. Management assessed the acquisition of Four Star qualifies as a business combination by applying the definition of IFRS 3. The Group's share of the fair value of the net identifiable assets acquired is S$4.25 million which resulted in a bargain purchase gain of S$3.8 million following the finalisation of the purchase price allocation exercise. We focused on the bargain purchase gain arising from the business combination as a significant area of judgement as the bargain purchase gain arising from the acquisition of Four Star is highly dependent on the fair value of the identifiable assets acquired and the liabilities assumed at the acquisition date. The Group recorded the bargain purchase gain based on the purchase price allocation exercise performed by a valuer. Management assessed the classification of the investment in accordance with IAS 28 and accounted for Four Star as an investment in joint venture as unanimous consent is required on decisions over the relevant activities of the joint venture.	We reviewed management's assessment that the acquisition of Four Star should be accounted for using the principles of business combination and determined that it was appropriately performed in accordance with the definition set out in IFRS 3. We evaluated the independence and competency of the valuer. We verified the purchase price, contract clauses and terms to the signed sale and purchase agreement. We reviewed the key assumptions and methodologies used to be within generally accepted market price and key assumption to be reasonable.

Other Matters

The financial statements for the preceding financial year were reported on by an audit firm other than PricewaterhouseCoopers LLP. The auditor's report dated 23 December 2016 issued by the predecessor audit firm on the financial statements for the financial year ended 30 September 2016 was unqualified.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF LHN LIMITED
(INCORPORATED IN SINGAPORE WITH LIMITED LIABILITY)

Other Information

The directors of the Company are responsible for the other information. The other information comprises all of the information included in the annual report other than the consolidated financial statements and our auditor's report thereon.

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated 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 Directors for the Consolidated Financial Statements

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRSs and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are 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 the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

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

Our objectives are to obtain reasonable assurance about whether the consolidated 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. We report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs 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 consolidated financial statements.

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

- Identify and assess the risks of material misstatement of the consolidated 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 the directors.
- Conclude on the appropriateness of the directors' 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 consolidated 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 consolidated financial statements, including the disclosures, and whether the consolidated 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 those charged with governance 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 those charged with governance 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 those charged with governance, we determine those matters that were of most significance in the audit of the consolidated 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.

The engagement partner on the audit resulting in this independent auditor's report is Lee Chian Yorn.

PricewaterhouseCoopers LLP
Public Accountants and Chartered Accountants
Singapore, 18 January 2018

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2017

	Note	Year ended 30 September 2017 S$'000	2016 S$'000
Revenue	6	**106,253**	104,705
Cost of sales	9	**(80,502)**	(77,208)
Gross profit		**25,751**	27,497
Other income	7	**2,544**	3,017
Other losses – net	8	**(224)**	(318)
Selling and distribution expenses	9	**(1,298)**	(1,804)
Administrative expenses	9	**(24,438)**	(20,351)
Finance cost – net	11	**(636)**	(600)
Share of results of associates and joint ventures, net of tax	17, 18	**3,384**	6,716
Impairment loss on asset held-for-sale		**(500)**	–
Fair value (loss)/gain on investment properties	15	**(1,439)**	2,071
Profit before income tax		**3,144**	16,228
Income tax expense	12	**(377)**	(1,127)
Profit for the year		**2,767**	15,101
Profit attributable to:			
Equity holders of the Company		**2,312**	15,094
Non-controlling interests		**455**	7
		2,767	15,101
Other comprehensive income			
Item that will be reclassified subsequently to profit or loss			
Currency translation differences arising from consolidation		**(94)**	271
Item that will not be reclassified subsequently to profit or loss			
Revaluation gains on leasehold buildings		**137**	759
Share of other comprehensive income of joint venture		**237**	–
		280	1,030
Total comprehensive income for the year		**3,047**	16,131
Total comprehensive income for the year			
Equity holders of the Company		**2,594**	16,124
Non-controlling interests		**453**	7
		3,047	16,131
Earnings per share for profit attributable to equity holders of the Company			
Basic and diluted (cents)	13	**0.64**	4.18

The annexed notes form an integral part of and should be read in conjunction with these financial statements.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

AS AT 30 SEPTEMBER 2017

		Group		
		As at 30 September		
		2017	2016	2015
	Note	S$'000	S$'000	S$'000
ASSETS				
Non-current assets				
Property, plant and equipment	14	**21,794**	26,453	26,635
Investment properties	15	**43,352**	37,472	31,305
Available for sales financial assets		**107**	–	–
Investment in associates	17	**132**	111	88
Investment in joint ventures	18	**11,344**	7,294	–
Deferred tax assets	20	**651**	441	334
Long-term prepayments	22	**536**	658	285
		77,916	72,429	58,647
Current assets				
Inventories	23	**33**	18	163
Trade and other receivables	21	**13,212**	12,829	14,346
Loans to joint ventures	37(b)	**10,492**	7,002	–
Prepayments	22	**3,131**	3,652	3,212
Cash and bank balances	24	**13,262**	19,926	15,604
Fixed deposits	25	**6,270**	5,706	14,680
		46,400	49,133	48,005
Non-current asset classified as held for sale	26	**–**	–	–
		46,400	49,133	48,005
Total assets		**124,316**	121,562	106,652
EQUITY AND LIABILITIES				
Equity				
Share capital	28	**51,287**	51,287	51,243
Treasury shares	28	**(186)**	(245)	–
Reserves	27	**19,508**	18,507	4,191
Equity attributable to equity holders of the Company		**70,609**	69,549	55,434
Non-controlling interests		**333**	(120)	(127)
Total equity		**70,942**	69,429	55,307
LIABILITIES				
Current liabilities				
Trade and other payables	30	**25,054**	26,390	26,466
Provision for reinstatement costs	31	**169**	–	–
Finance lease liabilities	32	**1,750**	1,363	1,534
Borrowings	33	**4,894**	1,817	1,420
Current income tax liabilities		**1,266**	1,350	1,347
		33,133	30,920	30,767
Non-current liabilities				
Deferred tax liabilities	20	**222**	266	230
Other payables	30	**18**	7	–
Finance lease liabilities	32	**3,417**	2,401	2,294
Borrowings	33	**16,380**	18,187	18,054
Provision for reinstatement costs	31	**204**	352	–
		20,241	21,213	20,578
Total liabilities		**53,374**	52,133	51,345
Total equity and liabilities		**124,316**	121,562	106,652

The annexed notes form an integral part of and should be read in conjunction with these financial statements.

STATEMENTS OF FINANCIAL POSITION

AS AT 30 SEPTEMBER 2017

	Note	Company As at 30 September 2017 S$'000	2016 S$'000	2015 S$'000
ASSETS				
Non-current asset				
Investment in subsidiaries	16	**32,727**	32,727	32,727
Current assets				
Trade and other receivables		**2**	–	5
Amount due from subsidiaries		**20,376**	19,824	11,440
Prepayments		**33**	19	14
Cash and bank balances		**1,034**	2,872	1,180
Fixed deposits		**–**	–	9,028
		21,445	22,715	21,667
Total assets		**54,172**	55,442	54,394
EQUITY AND LIABILITIES				
Capital and reserve attributable to equity holders of the company				
Share capital	28	**51,287**	51,287	51,243
Treasury shares	28	**(186)**	(245)	–
Reserves	29	**2,524**	3,070	2,128
Total equity		**53,625**	54,112	53,371
LIABILITIES				
Current liabilities				
Trade and other payables		**464**	757	381
Amount due to subsidiaries		**2**	499	642
Current income tax liabilities		**81**	74	–
Total liabilities		**547**	1,330	1,023
Total equity and liabilities		**54,172**	55,442	54,394

The annexed notes form an integral part of and should be read in conjunction with these financial statements.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2017

		Attributable to equity holders of the Company									
Group	Note	Share capital S$'000	Treasury shares S$'000	Retained profits S$'000	Merger reserve S$'000	Other reserve S$'000	Asset revaluation reserve S$'000	Exchange translation reserve S$'000	Total attributable to equity holders of the Company S$'000	Non-controlling interests S$'000	Total S$'000
As at 1 October 2016		51,287	(245)	46,507	(30,727)	269	3,202	(744)	69,549	(120)	69,429
Profit for the year		–	–	2,312	–	–	–	–	2,312	455	2,767
Other comprehensive income for the year		–	–	–	–	–	374	(92)	282	(2)	280
Total comprehensive income for the year		–	–	2,312	–	–	374	(92)	2,594	453	3,047
Shares awarded under LHN Performance Share Plan		–	59	–	–	29	–	–	88	–	88
Dividends paid in respect of financial year ended 30 September 2016	34	–	–	(1,622)	–	–	–	–	(1,622)	–	(1,622)
Total transactions with equity holders, recognised directly in equity		–	59	(1,622)	–	29	–	–	(1,534)	–	(1,534)
As at 30 September 2017		51,287	(186)	47,197	(30,727)	298	3,576	(836)	70,609	333	70,942

The annexed notes form an integral part of and should be read in conjunction with these financial statements.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2017

		Attributable to equity holders of the Company									
Group	Note	Share capital S$'000	Treasury shares S$'000	Retained profits S$'000	Merger reserve S$'000	Other reserve S$'000	Asset revaluation reserve S$'000	Exchange translation reserve S$'000	Total attributable to equity holders of the Company S$'000	Non-controlling interests S$'000	Total S$'000
As at 1 October 2015		51,243	–	33,221	(30,727)	269	2,443	(1,015)	55,434	(127)	55,307
Profit for the year		–	–	15,094	–	–	–	–	15,094	7	15,101
Other comprehensive income for the year		–	–	–	–	–	759	271	1,030	–	1,030
Total comprehensive income for the year		–	–	15,094	–	–	759	271	16,124	7	16,131
Shares issued under LHN Performance Share Plan		44	–	–	–	–	–	–	44	–	44
Purchase of treasury shares		–	(245)	–	–	–	–	–	(245)	–	(245)
Dividends paid in respect of financial year ended 30 September 2015	34	–	–	(1,084)	–	–	–	–	(1,084)	–	(1,084)
Dividends paid in respect of financial year ended 30 September 2016	34	–	–	(724)	–	–	–	–	(724)	–	(724)
Total transactions with equity holders, recognised directly in equity		44	(245)	(1,808)	–	–	–	–	(2,009)	–	(2,009)
As at 30 September 2016		**51,287**	**(245)**	**46,507**	**(30,727)**	**269**	**3,202**	**(744)**	**69,549**	**(120)**	**69,429**

The annexed notes form an integral part of and should be read in conjunction with these financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2017

	Note	Year ended 30 September 2017 S$'000	2016 S$'000
Cash flow from operating activities			
Profit before income tax		**3,144**	16,228
Adjustments for:			
– Share of results of associates and joint ventures, net of tax		**(3,384)**	(6,716)
– Gain on disposal of property, plant and equipment	35(b)	**(93)**	(27)
– Depreciation of property, plant and equipment		**6,009**	6,546
– Write-off of property, plant and equipment		**40**	52
– Impairment loss on asset held-for-sale		**500**	–
– Fair value loss/(gain) on investment properties		**1,439**	(2,071)
– Waiver of debt from a director of subsidiaries		**(57)**	(86)
– Dual listing expenses		**3,007**	–
– Finance cost		**636**	600
– Finance income		**(315)**	(225)
– Employee performance share expenses		**88**	44
Operating profit before working capital changes		**11,014**	14,345
Changes in working capital:			
– Inventories		**(15)**	143
– Trade and other receivables		**(103)**	1,018
– Trade and other payables		**(1,535)**	(597)
Cash generated from operations		**9,361**	14,909
Interest expenses paid		**(631)**	(412)
Income tax paid		**(1,435)**	(1,736)
Income tax refunded		**723**	621
Net cash generated from operating activities		**8,018**	13,382
Cash flows from investing activities			
Purchase of property, plant and equipment	35(a)	**(4,996)**	(4,812)
Purchase of investment properties		**(994)**	(2,968)
Purchase of available for sales financial assets		**(107)**	–
Proceeds from disposal of property, plant and equipment	35(b)	**103**	275
Deposit paid for acquisition of joint venture		**–**	(300)
Cash outflow on incorporation of joint ventures		**(150)**	(600)
Cash outflow on incorporation of associate		**–**	*
Interest received		**57**	127
Loans to joint ventures		**(3,170)**	(7,002)
Net cash used in investing activities		**(9,257)**	(15,280)
Cash flows from financing activities			
Repayment of finance lease		**(1,703)**	(1,112)
Increase in fixed deposit – pledged		**1,059**	(60)
Proceeds from borrowings		**3,000**	2,000
Repayments of borrowings		**(1,730)**	(1,471)
Repayment to a director of subsidiaries		**–**	(146)
Dual listing expenses paid		**(2,783)**	–
Dividends paid		**(1,622)**	(1,808)
Net cash used in financing activities		**(3,779)**	(2,842)
Net decrease in cash and cash equivalents		**(5,018)**	(4,740)
Cash and cash equivalents at beginning of the year		**19,926**	24,637
Exchange (losses)/gains on cash and cash equivalents		**(23)**	29
Cash and cash equivalents at end of the year		**14,885**	19,926
Cash and cash equivalents comprise:			
Cash and bank balance	24	**13,262**	19,926
Fixed deposits	25	**6,270**	5,706
		19,532	25,632
Less: Pledged fixed deposits that mature within one year	25	**(4,647)**	(5,706)
		14,885	19,926

* denotes amount smaller than S$500.

The annexed notes form an integral part of and should be read in conjunction with these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

(FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2017)

1 GENERAL INFORMATION, REORGANISATION AND BASIS OF PRESENTATION

1.1 General information

LHN Limited (the "Company") was incorporated on 10 July 2014 in Singapore under the Companies Act as an investment holding private limited company under the name of "LHN Pte. Ltd.". The Company's registration number is 201420225D. The Company was converted into a public company and renamed as "LHN Limited" on 16 March 2015. The address of its registered office is at 10 Raeburn Park #02-18, Singapore 088702.

The Company was listed on the Catalist of the Singapore Exchange Securities Trading Limited (the "SGX-ST") on 13 April 2015.

The Company is an investment holding company. The Company and its subsidiaries (the "Group") are principally engaged in (i) space resource management services; (ii) facilities management services; and (iii) logistics services (the "Listing Businesses").

1.2 Reorganisation

The ultimate holding company of the Company is LHN Capital Pte. Ltd.. The ultimate controlling parties of the Group are Mr. Lim Lung Tieng ("Kelvin Lim"), Ms. Lim Bee Choo ("Jess Lim") and Ms. Lim Bee Li (collectively, the "Controlling Shareholders").

LHN Capital Pte. Ltd. through its subsidiaries were engaged in both Listing Businesses and businesses that were unrelated to the Listing Business (the "Excluded Business").

For the purpose of listing on the Catalist of the SGX-ST, the Group underwent a group reorganisation (the "Reorganisation"), pursuant to which LHN Group Pte. Ltd and its subsidiaries engaged in the Listing Businesses were transferred to the Company. The Reorganisation principally involved the following:

(a) The Company was incorporated on 10 July 2014 in Singapore in accordance with the Companies Act as a private company limited by shares with an issued and paid-up share capital of S$1 comprising one Share held by Hean Nerng Group Pte. Ltd.

(b) On 10 March 2015, the Company acquired the entire equity interest of LHN Group Pte. Ltd from the then shareholder for a consideration of S$32,727,000, which was settled by issuance of the Company's shares of 999,999 shares at an issue price of S$32.7 per share.

Upon the completion of the Reorganisation, the Company becomes the holding company of LHN Group Pte. Ltd. and its subsidiaries.

Upon completion of the Reorganisation and as at the date of this report, the Company had direct or indirect interests in the following principal subsidiaries:

Name	Principal activities	Country of business/ incorporation	Date of incorporation	Issued and paid up capital	Effective interest held by the Group as at 30 September 2017 %	2016 %
Directly held by the company						
LHN Group Pte Ltd	Investment holding and space resource management	Singapore	4 March 2005	S$2,000,000	**100**	100
LHN Group Sdn Bhd[1]	Investment holding and space resource management	Malaysia	8 June 2015	RM100	**100**	100

1 GENERAL INFORMATION, REORGANISATION AND BASIS OF PRESENTATION (CONT'D)

1.2 Reorganisation (Cont'd)

Name	Principal activities	Country of business/ incorporation	Date of incorporation	Issued and paid up capital	Effective interest held by the Group as at 30 September 2017 %	2016 %
Indirectly held by the Company						
Hean Nerng Logistics Pte. Ltd	Freight transport by road and warehousing logistics	Singapore	18 June 1997	S$500,000	**100**	100
Work Plus Store Pte. Ltd	Space resource management	Singapore	21 September 2004	S$600,000	**100**	100
GREENHUB Suited Offices Pte. Ltd	Space resource management	Singapore	28 October 2004	S$1,000,000	**100**	100
Chua Eng Chong Holdings Pte. Ltd	Space resource management	Singapore	4 June 1981	S$100,000	**100**	100
Industrial and Commercial Security Pte Ltd	Security services	Singapore	11 January 2005	S$150,000	**100**	100
LHN Group (China) Asset Management Pte. Ltd (formerly known as 2IN1 Space Pte. Ltd)	Real estate activities	Singapore	12 April 2006	S$100,000	**100**	100
Hean Nerng Facilities Management Pte. Ltd	Space resource management and general warehousing	Singapore	5 March 2004	S$600,000	**100**	100
Hean Nerng Corporation Pte. Ltd.	Space resource management	Singapore	2 January 2004	S$25,000	**100**	100
LHN Properties Investments Pte. Ltd.	Space resource management	Singapore	16 August 2007	S$25,000	**100**	100
LHN Management Services Pte Ltd.	Space resource management	Singapore	16 August 2007	S$25,000	**51**	51
LHN Facilities Management Pte. Ltd.	Space resource management	Singapore	21 July 2007	S$4,000,000	**100**	100
LHN Industrial Space Pte. Ltd	Space resource management	Singapore	27 March 2008	S$1,400,000	**100**	100
LHN Residence Pte. Ltd	General contractors	Singapore	10 March 2008	S$25,000	**100**	100

NOTES TO THE FINANCIAL STATEMENTS

(FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2017)

1 GENERAL INFORMATION, REORGANISATION AND BASIS OF PRESENTATION (CONT'D)

1.2 Reorganisation (Cont'd)

Name	Principal activities	Country of business/ incorporation	Date of incorporation	Issued and paid up capital	Effective interest held by the Group as at 30 September 2017 %	2016 %
Industrial and Commercial Facilities Management Pte. Ltd	General contractors and facilities management	Singapore	15 May 2009	S$300,000	**100**	100
LHN Space Resources Pte. Ltd	Space resource management	Singapore	15 July 2009	S$1,200,000	**100**	100
LHN Parking Pte. Ltd. (formerly known as LHN Vehicle Parking Management Pte. Ltd)	Carpark management and operation services	Singapore	5 September 2007	S$4,500,000	**100**	100
Soon Wing Investments Pte Ltd.	Space resource management	Singapore	12 April 2006	S$25,000	**100**	100
Singapore Handicrafts Pte. Ltd	Investment holding	Singapore	28 November 1973	S$4,000,000	**100**	100
HLA Holdings Pte. Ltd	Container depot management	Singapore	26 November 2008	S$715,680	**60**	60
HLA Container Services Pte. Ltd	Container depot management	Singapore	22 March 2013	S$612,000	**60**	60
Pickjunction Pte. Ltd	Public relations consultancy services and web portals	Singapore	9 October 2013	S$1	**100**	100
PT Hean Nerng Group[2]	Space resource management	Indonesia	9 April 2013	Rp29,157,000,000	**99**	99
Greenhub Serviced Offices Yangon Limited[3]	Space resource management	Myanmar	23 April 2013	US$50,000	**100**	100
LHN Automobile Pte Ltd.[8]	Freight transport by road and value added logistics	Singapore	24 June 2016	S$1	**–**	100
LHN Parking (GMT) Pte. Ltd.	Carpark management and operation services	Singapore	24 June 2016	S$1	**100**	100

1 GENERAL INFORMATION, REORGANISATION AND BASIS OF PRESENTATION (CONT'D)

1.2 Reorganisation (Cont'd)

Name	Principal activities	Country of business/ incorporation	Date of incorporation	Issued and paid up capital	Effective interest held by the Group as at 30 September 2017 %	2016 %
PT Hub Hijau Serviced Offices[2]	Space resource management	Indonesia	20 May 2013	Rp3,406,200,000	**99**	99
Greenhub Ventures Pte. Ltd.	Inactive	Singapore	21 March 2016	S$1	**100**	100
HLA Holdings (Thailand) Ltd.[4, #]	Container depot management	Thailand	22 December 2014	THB2,000,000	**28.8**	28.8
HLA Container Services (Thailand) Ltd.[4, ^]	Container depot management	Thailand	23 December 2014	THB2,000,000	**43.5**	43.5
MQ Furnishing Pte. Ltd. (formerly known as Singapore Handicrafts (2012) Pte Ltd)	Sales of furniture	Singapore	12 July 2012	S$1	**100**	100
LHN Asset Management (Xiamen) Co. Limited[6]	Space resource and facilities management	People's Republic of China	30 November 2016	RMB50,000,000*	**100**	–
Competent Builders Pte. Ltd[5]	General contractor	Singapore	6 December 2010	S$500,000	**–**	100
LHN Parking HK Limited[7]	Carpark management and operation services	Hong Kong	26 January 2017	HKD1,000,000	**100**	–

1 Audited by HLB Ler Lum
2 Audited by Grant Thornton Gani Sigiro & Handayani, Indonesia
3 Audited by Ngwe Inzaly, Myanmar
4 Audited by Proact Services Thailand
5 Struck off on 5 June 2017
6 Incorporated on 30 November 2016
7 Incorporated on 26 January 2017
8 Struck off on 8 January 2018
effective voting rights of 53.2% and effective ownership interest of 28.8% held by the Group
^ effective voting rights of 56.0% and effective ownership interest of 43.5% held by the Group
* As at 30 September 2017, the Group has not paid up any of the capital of the company

NOTES TO THE FINANCIAL STATEMENTS

(FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2017)

1 GENERAL INFORMATION, REORGANISATION AND BASIS OF PRESENTATION (CONT'D)

1.3 Basis of presentation

Immediately prior to and after the Reorganisation, the Listing Businesses are held by LHN Group Pte. Ltd. The Listing Businesses are mainly conducted through subsidiaries listed on Note 1.2 of this financial statements. Pursuant to the Reorganisation, LHN Group Pte. Ltd. and the Listing Businesses are transferred to and held by the Company. The Company has not been involved in any other business prior to the Reorganisation and do not meet the definition of a business. The Reorganisation is merely a reorganisation of the Listing Businesses with no change in management of such business and the ultimate owner of the Listing Businesses remain the same. Accordingly, the Group resulting from the Reorganisation is regarded as a continuation of the Listing Businesses under LHN Group Pte. Ltd. and, for the purpose of this report, the financial statements has been prepared and presented as a continuation of the consolidated financial statements of LHN Group Pte. Ltd. and its subsidiaries, with the assets and liabilities of the Group recognised and measured at the carrying amounts of the Listing Businesses under the consolidated financial statements of LHN Group Pte. Ltd. for all periods presented.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of the financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board (the "IASB") under the historical cost convention.

IFRS 1 "First-time adoption of International Financial Reporting Standards" has been applied in preparing the consolidated financial statements as the Group previously prepared its consolidated financial statements in accordance with Singapore Financial Reporting Standards ("SFRS") issued by the Accounting Standards Council of Singapore for the year ended 30 September 2016 and prior years/periods. The board of directors reassessed the accounting policies adopted by the Group in accordance with IFRS and SFRS, and considered that there are no material textual differences between these accounting standards. Accordingly, no reconciliation of the Group's equity and profits reported under previous accounting standard to its equity and profits under IFRSs was prepared. The Group has consistently applied these accounting policies used in preparing the opening statement of financial position as at 1 October 2014 and throughout all periods presented in accordance with IFRS, as if these policies had always been in effect. The Group's IFRS adoption and transition date is 1 October 2014 and the Group prepared its opening balance sheet in compliance with IFRS. The Group also considered the impact of the exceptions to the retrospective application of other IFRSs and exemptions from other IFRSs under IFRS 1. The Group did not elect for any exemption under IFRS 1.

The financial statements has been prepared in accordance with International Financial Reporting Standards ("IFRS") issued by International Accounting Standards Board (the "IASB"). The Financial statements have been prepared under the historical cost convention, as modified by the revaluation of investment properties and leasehold buildings, which are carried at fair value.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 4.

The following new standards and amendments to standards that the Group has adopted which are mandatory for application in the respective financial years are disclosed as below. Changes to the Group's accounting policies have been made as required, in accordance with the transitional provisions in the respective IFRS.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.1 Basis of preparation (Cont'd)

The adoption of these new or amended IFRS did not result in substantial changes to the accounting policies of the Group and the Company and had no material effect on the amounts reported for the current or prior financial years.

IAS 27 (amendment)	Separate financial statements (Equity method in separate financial statements)
IAS 16 (amendment)	Property plant and equipment (Clarification of acceptable methods of depreciation and amortisation)
IAS 16 (amendment)	Property plant and equipment
IAS 1 (amendment)	Presentation of financial statements (Disclosure initiative)
IFRS 10 (amendment)	Consolidated financial statements
IFRS 12 (amendment)	Disclosure of Interests in other entities
IAS 28 (amendment)	Investments in associates and joint ventures (Investment entities: Applying the consolidation exception) (Editorial corrections in June 2015)
IFRS 11 (amendment)	Joint Arrangements (Accounting for acquisitions of interests in joint operations)
IFRS 5	Non-current assets held for sale and discontinued operations (Methods of disposal)
IFRS 7	Financial instruments: Disclosures (Servicing contracts and interim financial statements)

The following new standards and amendments to standards have been published but are not yet effective for the current financial year and which the Group has not early adopted:

		Effective for accounting periods beginning on or after	Note
IFRS 2 (Amendment)	Classification and Measurement of Share-based Payment Transactions	1 January 2018	
IAS 7 (Amendment)	Statement of cash flows	1 January 2017	*i*
IFRS 9	Financial Instruments	1 January 2018	*ii*
IFRS 15	Revenue from Contracts with Customers	1 January 2018	*iii*
IFRS 15 (Amendment)	Clarifications to IFRS 15	1 January 2018	
IFRS 16	Leases	1 January 2019	*iv*
IFRS 17	Insurance Contracts	1 January 2021	*v*
IAS 40 (Amendment)	Investment Properties	1 January 2018	*vi*
IAS 12	Income taxes (Recognition of deferred tax assets for unrealised losses)	1 January 2017	

Note i:

An amendment to IAS 7 introduces an additional disclosure that will enable users of financial statements to evaluate changes in liabilities arising from financing activities. The amendment is part of the IASB's Disclosure Initiative, which continues to explore how financial statement disclosure can be improved. The amendment is effective from 1 January 2017. The Group is in the process of making an assessment on the impact of this new standard and does not anticipate the implementation will result in any significant impact on the Group's financial positions and results of operations.

NOTES TO THE FINANCIAL STATEMENTS

(FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2017)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.1 Basis of preparation (Cont'd)

Note ii:

IFRS 9 "Financial instruments" replaces the whole of IAS 39. IFRS 9 has three financial asset classification categories for investments in debt instruments: amortised cost, fair value through other comprehensive income ("OCI") and fair value through profit or loss. Classification is driven by the entity's business model for managing the debt instruments and their contractual cash flow characteristics. Investments in equity instruments are always measured at fair value. However, management can make an irrevocable election to present changes in fair value in OCI, provided the instrument is not held for trading. If the equity instrument is held for trading, changes in fair value are presented in profit or loss. For financial liabilities there are two classification categories: amortised cost and fair value through profit or loss. Where non-derivative financial liabilities are designated at fair value through profit or loss, the changes in the fair value due to changes in the liability's own credit risk are recognised in OCI, unless such changes in fair value would create an accounting mismatch in profit or loss, in which case, all fair value movements are recognised in profit or loss. There is no subsequent recycling of the amounts in OCI to profit or loss. For financial liabilities held for trading (including derivative financial liabilities), all changes in fair value are presented in profit or loss.

IFRS 9 also introduces a new model for the recognition of impairment losses – the expected credit losses (ECL) model, which constitutes a change from the incurred loss model in IAS 39. IFRS 9 contains a "three stage" approach, which is based on the change in credit quality of financial assets since initial recognition. Assets move through the three stages as credit quality changes and the stages dictate how an entity measures impairment losses and applies the effective interest rate method. The new rules mean that on initial recognition of a non-credit impaired financial asset carried at amortised cost a day-1 loss equal to the 12-month ECL is recognised in profit or loss. In the case of accounts receivables this day-1 loss will be equal to their lifetime ECL. Where there is a significant increase in credit risk, impairment is measured using lifetime ECL rather than 12-month ECL.

During the financial years 30 September 2017 and 2016, all of the Group's financial assets and financial liabilities were carried at amortised costs without significant impairment on the former. The implementation of IFRS 9 is not expected to result in any significant impact on the Group's financial position and results of operations.

Note iii:

IFRS 15 "Revenue from Contracts with Customers" – This new standard replaces the previous revenue standards: IAS 18 "Revenue" and IAS 11 "Construction Contracts", and the related Interpretations on revenue recognition. IFRS 15 establishes a comprehensive framework for determining when to recognise revenue and how much revenue to recognise through a 5-step approach: (1) Identify the contract(s) with customer; (2) Identify separate performance obligations in a contract; (3) Determine the transaction price; (4) Allocate transaction price to performance obligations; and (5) Recognise revenue when performance obligation is satisfied. The core principle is that the Group should recognise revenue to depict the transfer of promised goods or services to the customer in an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services. It moves away from a revenue recognition model based on an "earnings processes" to an "asset liability" approach based on transfer of control. IFRS 15 provides specific guidance on capitalisation of contract cost, license arrangements and principal versus agent considerations. It also includes a cohesive set of disclosure requirements about the nature, amount, timing and uncertainty of revenue and cash flows arising from the entity's contracts with customers.

The Group is in the process of making an assessment on the impact of this new standard. Currently, management does not anticipate any significant impact on the Group's financial positions and results of operations upon adopting this new standard.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.1 Basis of preparation (Cont'd)

Note iv:

IFRS 16 "Leases" – The Group is a lessee of its various properties which are currently classified as operating leases. The Group's current accounting policy for such leases is set out in Note 2.23. As at 30 September 2017, the Group has aggregate minimum lease payments, which are not reflected in the consolidated statements of financial position, under non-cancellable operating lease of S$142,746,000 as set out in Note 36(b).

IFRS 16 provides new provisions for the accounting treatment of leases and will in the future no longer allow lessees to account for certain leases outside the consolidated statements of financial position. Instead, all long-term leases must be recognised in the consolidated statements of financial position in the form of assets (for the rights of use) and lease liabilities (for the payment obligations), both of which would carry initially at the discounted present value of the future operating lease commitments. Short-term leases with a lease term of twelve months or less and leases of low-value assets are exempt from such reporting obligations.

The new standard will therefore result in an increase in right-to-use asset and an increase in lease liability in the consolidated statement of financial position. In the consolidated statements of profit or loss, lease will be recognised in the future as depreciation and will no longer be recorded as rental expenses. Interest expense on the lease liability will be presented separately from depreciation under finance costs. The combination of a straight-line depreciation of the right-to-use asset and the effective interest rate method applied to the lease liability will result in a higher total charge to profit or loss in the initial year of the lease, and decreasing expenses during the latter part of the lease term on a lease by lease basis.

Nevertheless, it is expected that there will be no material impact on the total expenses to be recognised by us over the entire lease period and our total net profit over the lease period is not expected to be materially affected. The adoption of IFRS 16 would not affect our total cash flows in respect of the leases. We are continuing to assess the specific magnitude of the adoption of IFRS 16 to the relevant financial statement areas and will conduct a more detailed assessment on the impact as information become available closer to the planned initial date of the adoption of 1 October 2019.

Note v:

IFRS 17 establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts within the scope of this new standard. The objective of IFRS 17 is to ensure that an entity provides relevant information that faithfully represents those contracts. This information gives a basis for users of financial statements to assess the effect that insurance contracts have on the entity's financial position, financial performance and cash flows. The Group is in the process of making an assessment on the impact of this new standard and does not anticipate the implementation will result in any significant impact on the Group's financial positions and results of operations.

Note vi:

Under the amendments in IAS 40 Transfers of Investment Property has been amended to state that an entity shall transfer a property to, or from, investment property when, and only when, there is evidence of a change in use. A change of use occurs if property meets, or ceases to meet, the definition of investment property. A change in management's intentions for the use of a property by itself does not constitute evidence of a change in use. The amendments are effective on 1 January 2018. However, if finalised, earlier adoption is permitted. The Group is in the process of making an assessment on the impact of this new standard. Currently, management does not anticipate any significant impact on the Group's financial positions and results of operations upon adopting this new standard.

NOTES TO THE FINANCIAL STATEMENTS

(FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2017)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.2 Subsidiaries

2.2.1 Consolidation

A subsidiary is an entity (including a structured entity) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

(a) Business combinations

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis. Non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation are measured at either fair value or the present ownership interests' proportionate share in the recognised amounts of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at their acquisition date fair value, unless another measurement basis is required by IFRS.

Acquisition-related costs are expensed as incurred.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in profit or loss.

Intra-group transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated. When necessary, amounts reported by subsidiaries have been adjusted to conform with the Group's accounting policies.

(b) Disposal of subsidiaries

When the Group ceases to have control, any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associated company, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

2.2.2 Separate financial statements

Investments in subsidiaries are accounted for at cost less impairment. Cost includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving a dividend from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.3 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of the Company are measured using the currency of the primary economic environment in which the entity operates ("functional currency"). The financial statements is presented in Singapore Dollar ("S$"), which is functional currency and presentation currency of the Group and the Company.

(b) Transactions and balances

Transactions in a currency other than the functional currency ("foreign currency") are translated into the functional currency using the exchange rates at the dates of the transactions. Currency exchange differences resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at the closing rates at the balance sheet date are recognised in profit or loss. However, in the consolidated financial statements, currency translation differences arising from borrowings in foreign currencies and other currency instruments designated and qualifying as net investment hedges and net investment in foreign operations, are recognised in other comprehensive income and accumulated in the currency translation reserve.

When a foreign operation is disposed of or any loan forming part of the net investment of the foreign operation is repaid, a proportionate share of the accumulated currency translation differences is reclassified to profit or loss, as part of the gain or loss on disposal.

Foreign exchange gains and losses that relate to borrowings are presented in the income statement within "finance cost". All other foreign exchange gains and losses impacting profit or loss are presented in the income statement within "other gains and losses".

Non-monetary items measured at fair values in foreign currencies are translated using the exchange rates at the date when the fair values are determined.

(c) Group companies

The results and financial position of all the group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(i) assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;

(ii) income and expenses for each statement of comprehensive income are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and

(iii) all resulting currency translation differences are recognised in other comprehensive income.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and are translated at the closing rate. Currency translation differences arising are recognised in other comprehensive income.

NOTES TO THE FINANCIAL STATEMENTS

(FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2017)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.4 Property, plant and equipment

Leasehold buildings are initially recognised at cost and subsequently stated at their revalued amounts. The revalued amounts are the fair values at the date of revaluation less any subsequent accumulated depreciation and impairment losses. Revaluations are carried out annually by independent professional valuers such that the carrying amount of these assets does not differ materially from that which would be determined using fair value at the end of reporting period.

When an asset is revalued, any increase in the carrying amount is credited directly to revaluation surplus unless it reverses a previous revaluation decrease relating to the same asset which was previously recognised as an expense. In these circumstances the increase is recognised as income to the extent of the previous write down.

When an asset's carrying amount is decreased as a result of a revaluation, the decrease is recognised as an expense unless it reverses a previous increment relating to that asset, in which case it is charged against any related revaluation surplus, to the extent that the decrease does not exceed the amount held in the revaluation surplus in respect of that same asset. Any balance remaining in the revaluation surplus in respect of an asset, is transferred directly to retained earnings when the asset is derecognised.

Subsequent expenditure relating to property, plant and equipment that have been recognised is added to the carrying amount of the asset when it is probable that future economic benefits, in excess of the standard of performance of the asset before the expenditure was made, will flow to the Company and the Group and the cost can be reliably measured. Other subsequent expenditure is recognised as an expense during the financial year in which it is incurred.

Depreciation is calculated using the straight-line method to allocate depreciable amounts over their estimated useful lives. The estimated useful lives are as follows:

	Useful lives
Leasehold buildings	Over the remaining tenure period
Renovation works	1-15 years (on basis of tenure period)
Plant and machinery	5 years
Furniture and fittings	10 years
Office equipment	3-10 years
Logistics equipment	5 years
Motor vehicles	5 years
Computers	1-3 years
Containers	1-5 years

No depreciation is provided for construction-in-progress.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains/losses on disposal are determined by comparing the proceeds with the carrying amount and are recognised within "Other income" in the consolidated statement of profit or loss and total comprehensive income.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.5 Investment properties

Investment properties include leasehold buildings that are held for long term rental yields and/or for capital appreciation and land under operating leases that are held for long-term capital appreciation or for a currently indeterminate use, and where an insignificant portion is held for the Group's own occupation. Investment properties comprise completed investment properties and properties under construction or development for future use as investment properties.

Investment properties are initially recognised at cost and subsequently carried at fair value, determined annually by independent professional valuers on the highest-and-best-use basis. Changes in fair values are recognised in the profit or loss.

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

Investment properties are derecognised when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. On disposal or retirement of an investment property, the difference between any disposal proceeds and the carrying amount is recognised in profit or loss.

Transfers are made to investment property when, and only when, there is a change in use, evidenced by ending of owner-occupation or commencement of an operating lease to another party. Transfers are made from investment property when and only when, there is a change in use, evidenced by the commencement of owner-occupation or commencement of development with a view to sell.

2.6 Investment in subsidiaries

In the Company's separate financial statements, investments in subsidiaries are stated at cost less accumulated impairment losses on an individual subsidiary basis.

2.7 Investment in associates

An associate is an entity over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting. Under the equity method, the investment is initially recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition. The Group's investments in associates include goodwill identified on acquisition. Upon the acquisition of the ownership interest in an associate, any difference between the cost of the associate and the Group's share of the net fair value of the associate's identifiable assets and liabilities is accounted for as goodwill.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income is reclassified to profit or loss where appropriate.

The Group's share of post-acquisition profit or loss is recognised in the consolidated statement of profit or loss, and its share of post-acquisition movements in the other comprehensive income is recognised in other comprehensive income with a corresponding adjustment to the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount adjacent to "share of profit of investments accounted for using equity method" in the statement of profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

(FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2017)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.7 Investment in associates (Cont'd)

Profits and losses resulting from upstream and downstream transactions between the group and its associate are recognised in the group's financial statements only to the extent of unrelated investor's interests in the associates. Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

Gain or losses on dilution of equity interest in associates are recognised in the consolidated statement of profit or loss.

2.8 Joint arrangements

A joint arrangement is a contractual arrangement whereby two or more parties have joint control. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

A joint arrangement is classified either as joint operation or joint venture, based on the rights and obligations of the parties to the arrangement.

To the extent the joint arrangement provides the Group with rights to the assets and obligations for the liabilities relating to the arrangement, the arrangement is a joint operation. To the extent the joint arrangement provides the Group with rights to the net assets of the arrangement, the arrangement is a joint venture.

The Group reassesses whether the type of joint arrangement in which it is involved has changed when facts and circumstances change. The Group does not have any joint arrangement classified as joint operation. Investments in joint ventures at company level are stated at cost. The Group recognises its interest in a joint venture as an investment and accounts for the investment using the equity method.

2.9 Impairment of non-financial assets

Property, plant and equipment and investments in subsidiaries, associated companies and joint ventures are tested for impairment whenever there is any objective evidence or indication that these assets may be impaired.

For the purpose of impairment testing, the recoverable amount (i.e. the higher of the fair value less cost to sell and the value-in-use) is determined on an individual asset basis unless the asset does not generate cash inflows that are largely independent of those from other assets. If this is the case, the recoverable amount is determined for the CGU to which the asset belongs.

For the recoverable amount of the asset (or CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or CGU) is reduced to its recoverable amount.

The difference between the carrying amount and recoverable amount is recognised as an impairment loss in profit or loss, unless the asset is carried at revalued amount, in which case, such impairment loss is treated as a revaluation decrease. Please refer to Note 2.4 for the treatment of a revaluation decrease.

An impairment loss for an asset other than goodwill is reversed only if, there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of this asset is increased to its revised recoverable amount, provided that this amount does not exceed the carrying amount that would have been determined (net of any accumulated amortisation or depreciation) had no impairment loss been recognised for the asset in prior years.

A reversal of impairment loss for an asset other than goodwill is recognised in profit or loss, unless the asset is carried at revalued amount, in which case, such reversal is treated as a revaluation increase. However, to the extent that an impairment loss on the same revalued asset was previously recognised as an expense, a reversal of that impairment is also recognised in profit or loss.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.10 Financial assets

(a) Classification

The Group classify its financial assets as loans and receivables and available-for-sale financial assets. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are presented as current assets, except for those expected to be realised later than 12 months after the balance sheet date which are presented as non-current assets. Loans and receivables comprise "trade and other receivables" (Note 21), "cash and bank balances" (Note 24), "fixed deposit" (Note 25) and "loans to joint ventures" (Note 37(b)) in the consolidated statements of financial position.

(b) Recognition and measurement

Regular way purchases and sales of financial assets are recognised on the trade-date – the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss.

Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred substantially all risks and rewards of ownership. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

(c) Impairment of financial assets

Assets carried at amortised cost

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial asset is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a "loss event") and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such changes in arrears or economic conditions that correlate with defaults.

For loans and receivables category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the consolidated statement of profit or loss.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the consolidated statement of profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

(FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2017)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.11 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on a first-in, first-out basis, and includes all costs in bringing the inventories to their present location and condition.

Allowance is made for obsolete, slow-moving and defective inventories in arriving at the net realisable value. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale.

2.12 Cash and cash equivalents

For the purpose of presentation in the consolidated statements of cash flows, cash and cash equivalents include cash on hand, deposits with financial institutions which are subject to an insignificant risk of change in value, and bank overdrafts. For cash subjected to restriction, assessment is made on the economic substance of the restriction and whether they meet the definition of cash and cash equivalents.

2.13 Share capital, treasury shares and dividends

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, against the share capital account.

When any entity within the Group purchases the Company's ordinary shares ("treasury shares"), the consideration paid including any directly attributable incremental cost is presented as a component within equity attributable to the Company's equity holders, until they are cancelled, sold or reissued.

When treasury shares are subsequently cancelled, the cost of treasury shares are deducted against the share capital account if the shares are purchased out of capital of the Company, or against the retained earnings of the Company if the shares are purchased out of earnings of the Company.

When treasury shares are subsequently sold or reissued pursuant to the LHN Employee Performance Share Plan, the cost of treasury shares is reversed from the treasury share account and the realised gain or loss on sales or reissue, net of any directly attributable incremental transaction costs and related income tax, is recognised in the capital reserve of the Company.

Dividend distribution to the Company's equity owners is recognised as a liability in the Group's financial statements in the period in which the dividends are approved by the Company's shareholders or directors, where appropriate.

2.14 Trade and other payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade and other payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business, if longer). If not, they are presented as non-current liabilities.

Trade and other payables are initially recognised at fair value, and subsequently carried at amortised cost using the effective interest method.

2.15 Provision

Provisions are recognised when the Group have a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Present obligations arising from onerous contracts are recognised as provisions.

The Group recognises the estimated costs of dismantlement, removal or restoration of items of property, plant and equipment arising from the acquisition or use of assets. This provision is estimated based on the best estimate of the expenditure required to settle the obligation, taking into consideration time value.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.15 Provision (Cont'd)

Changes in the estimated timing or amount of the expenditure or discount rate for asset dismantlement, removal and restoration costs are adjusted against the cost of the related property, plant and equipment, unless the decrease in the liability exceeds the carrying amount of the asset or the asset has reached the end of its useful life. In such cases, the excess of the decrease over the carrying amount of the asset or the changes in the liability is recognised in consolidated income statement immediately.

The directors review the provisions annually and where in their opinion, the provision is inadequate or excessive, due adjustment is made.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as finance costs.

2.16 Financial guarantees

Financial guarantee contracts are initially recognised at their fair value plus transaction costs in the statements of financial position.

Financial guarantee contracts are subsequently amortised to the profit or loss over the period of the subsidiaries' borrowings, unless it is probable the Company will reimburse the bank for an amount higher than the unamortised amount. In this case, the financial guarantee contracts shall be carried at the expected amount payable to the bank.

Intra-group transactions are eliminated on consolidation.

2.17 Borrowings

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

Borrowings are initially recognised at fair value (net of transaction costs) and subsequently carried at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognised in statement of comprehensive income over the period of the borrowings using the effective interest method.

Borrowings are derecognised when the obligation is discharged, cancelled or expired. The difference between carrying amount and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in statement of comprehensive income.

2.18 Borrowing costs

Borrowing costs are recognised in profit or loss using the effective interest method except for those costs that are directly attributable to the construction or development of properties and assets under construction.

2.19 Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the statement of comprehensive income, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

(a) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Group operates and generates taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

NOTES TO THE FINANCIAL STATEMENTS

(FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2017)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.19 Current and deferred income tax (Cont'd)

(b) Deferred income tax

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial position. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax liabilities are provided on taxable temporary differences arising from investments in subsidiaries, associates and joint arrangements, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the group and it is probable that the temporary difference will not reverse in the foreseeable future. Generally the Group is unable to control the reversal of the temporary difference for associates. Only when there is an agreement in place that gives the Group the ability to control the reversal of the temporary difference in the foreseeable future, deferred tax liability in relation to taxable temporary differences arising from the associate's undistributed profits is not recognised.

Deferred income tax assets are recognised on deductible temporary differences arising from investments in subsidiaries, associates and joint arrangements only to the extent that it is probable the temporary difference will reverse in the future and there is sufficient taxable profit available against which the temporary difference can be utilised.

(c) Offsetting

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

(d) Investment tax credit

The Group accounts for investment tax credits (for example, productivity and innovative credit) similar to accounting for other tax credits where deferred tax asset is recognised for unused tax credits to the extent that it is probable that future taxable profit will be available against which the unused tax credit can be utilised.

2.20 Sales tax

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

– Where the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the sales tax is recognised as part of the 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 consolidated statements of financial position.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.21 Employee benefits

(a) Defined contribution plans

Defined contribution plans are post-employment benefit plans under which the Group pays fixed contributions into separate entities such as the Central Provident Fund, and will have no legal or constructive obligation to pay further contributions if any of the funds do not hold sufficient assets to pay all employee benefits relating to employee services in the current and preceding financial years. The Group's contributions to defined contribution plans are recognised in the financial year to which they relate.

(b) Employee leave entitlements

Employee entitlements to annual leave are recognised when they accrue to employees. Accrual is made for the estimated liability for annual leave as a result of services rendered by employees up to the reporting date.

2.22 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable, and represents amounts receivable for goods supplied, stated net of discounts and returns. The Company recognises revenue when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the entity; and when specific criteria have been met for each of the Group's activities, as described below. The Group bases its estimates of return on historical results, taking into consideration the type of customer, the type of transaction, the specifics of each arrangement and volume discounts.

(a) Rental and warehousing lease income

Rental and warehousing income are recognised upon acceptance of the tenancy. Rental and warehousing lease and related income from properties are recognised on a straight-line basis over the lease term. Lease incentives, if any, are recognised as an integral part of total lease income. Penalty payments received from tenants on early termination, if any, are recognised when received.

(b) Facilities management, logistics services and container services income

Revenue from logistics services, container services, maintenance and facility services, security services, management services fee and parking income are recognised when services are rendered.

(c) Interest income

Interest income is recognised on a time-apportioned basis using the effective interest method.

2.23 Leases

Where the Group is lessee

(a) Finance leases

Leases of assets in which the Group assumes substantially the risks and rewards of ownership, including hire purchase contracts, are classified as finance leases. Finance leases are capitalised at the inception of the lease at the lower of the fair value of the leased property and the present value of the minimum lease payments. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations, net of finance charges, are included in borrowings. The interest element of the finance cost is taken to the statement of comprehensive income over the lease period so as to produce a constant periodic rate of interest on remaining balance of the liability for each period.

NOTES TO THE FINANCIAL STATEMENTS

(FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2017)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.23 Leases (Cont'd)

Where the Group is lessee (Cont'd)

(b) Operating leases

Leases of assets in which a significant portion of the risks and rewards of the ownership are retained by the lessor are classified as operating leases. Payment made under operating leases are charged to the statement of profit or loss on a straight-line basis over the period of the lease.

Where an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognised as an expense in the period in which termination takes place.

Where the Group is lessor

Operating leases:

Assets leased out under operating leases are included in investment properties and are stated at fair value and not depreciated. Rental income (net of any incentives given to lessees) is recognised in the profit or loss on a straight-line basis over the lease term.

2.24 Government grants

Grants from the government are recognised at their fair value when there is reasonable assurance that the grant will be received and the Group will comply with all the attached conditions.

Government grants are recognised as income over the periods necessary to match them with the related costs which they are intended to compensate, on a systematic basis. Government grants relating to assets are deducted against the carrying amount of the assets.

2.25 Operating segments

For management purposes, operating segments are organised based on their products and services which are independently managed by the respective segment managers responsible for the performance of the respective segments under their charge. The segment managers are directly accountable to the Group Managing Director who regularly review the segment results in order to allocate resources to the segments and to assess segment performance.

2.26 Share option scheme

The Group has adopted The LHN Performance Share Plan on 10 March 2015 to enable its employees to build up a stake in the Group. As at 30 September 2017, there are no outstanding awards under The LHN Performance Share Plan.

The Scheme provides a means to recruit, retain and give recognition to employees who have contributed to the success and development of the Group.

Selected employees are also eligible to receive shares for free under the Performance Share Plan. The Board of Directors of LHN Group may at its absolute discretion, determine the number of shares, vesting conditions and the date by which the award will be vested. The employee benefit is recognised in profit or loss in the period in which the Board of Directors are satisfied that the participant has achieved set performance targets.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.27 Non-current assets held-for-sale

Non-current assets are classified as assets held-for-sale and carried at the lower of carrying amount and fair value less costs to sell if their carrying amount is recovered principally through a sale transaction rather than through continuing use. The assets are not depreciated or amortised while they are classified as held-for-sale. Any impairment loss on initial classification and subsequent measurement is recognised as an expense. Any subsequent increase in fair value less costs to sell (not exceeding the accumulated impairment loss that have been previously recognised) is recognised in profit or loss.

3 FINANCIAL RISK MANAGEMENT

The Group's activities expose it to market risk (including currency risk and interest risk), credit risk and liquidity risk. The Group's overall risk management strategy focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

(a) Market risk

(i) Foreign currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates.

	MYR S$'000	THB S$'000	IDR S$'000	USD S$'000
At 30 September 2017				
Financial assets				
Cash and bank balance	**10**	**121**	**544**	**1,267**
Trade and other receivables	**48**	**396**	**517**	**1,248**
	58	**517**	**1,061**	**2,515**
Financial liabilities				
Trade and other payables	**1**	**185**	**944**	**570**
	1	**185**	**944**	**570**
Net currency exposure	**57**	**332**	**117**	**1,945**
At 30 September 2016				
Financial assets				
Cash and bank balance	12	43	467	881
Trade and other receivables	50	250	566	1,369
	62	293	1,033	2,250
Financial liabilities				
Trade and other payables	1	92	947	406
	1	92	947	406
Net currency exposure	61	201	86	1,844

NOTES TO THE FINANCIAL STATEMENTS

(FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2017)

3 FINANCIAL RISK MANAGEMENT (CONT'D)

(a) Market risk (Cont'd)

(i) Foreign currency risk (Cont'd)

Sensitivity Analysis for currency risk

With all other variables being held constant, a 5% strengthening/weakening of the MYR, THB, IDR and US$ against Singapore Dollar at the reporting date would have either increased or decreased the Group's net profit after tax and equity by the amounts (nearest thousand) shown below:

	As at 30 September	
	2017	**2016**
The Group	**S$'000**	**S$'000**
IDR	**5**	4
USD	**81**	77
MYR	**2**	3
THB	**14**	8

(ii) Interest rate risk

The Group's interest rate risk arises primarily from bank borrowings and finance lease liabilities. Bank borrowings and finance lease liabilities at variable rates and fixed rates expose the Group to cash flow interest rate risk and fair value interest rate risk, respectively.

The Group manages its interest cost by using a mix of fixed and variable rate debt and to obtain the most favorable interest rates available.

The following table details the interest rate profile of the Group's borrowings at the end of each of the reporting periods:

	Within 1 year S$'000	1-5 years S$'000	More than 5 years S$'000	Total S$'000
30 September 2017				
Fixed rate				
Fixed deposits	**6,270**	**–**	**–**	**6,270**
Obligations under finance lease	**1,750**	**3,417**	**–**	**5,167**
Amount owing to a director of subsidiaries	**98**	**–**	**–**	**98**
Floating rate				
Bank borrowings	**4,894**	**7,607**	**8,773**	**21,274**
30 September 2016				
Fixed rate				
Fixed deposits	5,706	–	–	5,706
Obligations under finance lease	1,363	2,401	–	3,764
Amount owing to a director of subsidiaries	26	–	–	26
Floating rate				
Bank borrowings	1,817	7,756	10,431	20,004

Sensitivity analysis for interest rate risk

As at 30 September 2017 and 2016, if interest rates on variable rate borrowings had been increased/decreased by 100 basis points, with all other variables held constant, the Group's profit after tax for the year would have been decreased/increased by approximately S$168,000 and S$166,000, mainly as a result of higher/lower interest expense on floating rate borrowings.

3 FINANCIAL RISK MANAGEMENT (CONT'D)

(a) Market risk (Cont'd)

(ii) Interest rate risk (Cont'd)

The sensitivity analysis above has been determined assuming that the change in interest rate had occurred at the end of the reporting period and had been applied to the exposure to interest rate risk for the Group's floating rate borrowings in existence at that date. The 100 basis points increase or decrease represents management's assessment of a reasonably possible change in interest rates over the period until the end of the next annual reporting period. The analysis was performed on the same methodology for the financial years ended 30 September 2017 and 2016.

(b) Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the Company or the Group to incur a financial loss. The Company's and the Group's exposure to credit risk arises primarily from trade and other receivables, bank deposits and advances to subsidiaries.

Credit risk is controlled by the application of credit approvals, limits and monitoring procedures. Cash terms, advance payments, and letter of credits are required for customers of lower credit standing. The Group's objective is to seek continual growth while minimizing losses incurred due to increased credit risk exposure.

Exposure to credit risk

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

The Group's policy is to provide financial guarantees only to subsidiaries and joint ventures. The maximum exposure to credit risk is the amount that the Company, LHN Group Pte. Ltd. and Work Plus Store Pte. Ltd. could have to pay if the corporate guarantees are called on for:

	As at 30 September	
	2017	**2016**
	S$'000	**S$'000**
Hire-purchase facilities	**4,300**	3,300
Bank loan facilities	**48,100**	43,700
Banker's guarantee	**3,000**	3,400

As at the reporting date, the Group does not consider it probable that a claim will be made against the Company, LHN Group Pte. Ltd. and Work Plus Store Pte. Ltd. under the corporate guarantees.

For trade receivables, the Group adopts the policy of dealing only with customers of appropriate credit history, and obtaining sufficient security where appropriate to mitigate credit risk. For other financial assets, the Group adopts the policy of dealing only with high credit quality counterparties.

The Group's maximum exposure to credit risk (not taking into account the value of any collateral or other security held) in the event that the counterparties fail to perform their obligations as of 30 September 2017 in relation to each class of recognised financial assets is the carrying amount of those assets as indicated in the statements of financial position. Cash is held with reputable financial institutions.

NOTES TO THE FINANCIAL STATEMENTS

(FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2017)

3 FINANCIAL RISK MANAGEMENT (CONT'D)

(c) Liquidity risk

Liquidity or funding risk is the risk that the Group will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from an inability to sell a financial asset quickly at close to its fair value.

The Group manages its liquidity risk by ensuring the availability of funding through its ability to operate profitably, maintaining sufficient cash to enable it to meet its normal operating commitments, having adequate amount of committed credit facilities.

The table below analyses the maturity profile of the Group's financial liabilities based on contractual undiscounted cash flows:

	Less than 1 year S$'000	1-5 years S$'000	More than 5 years S$'000	Total S$'000
As at 30 September 2017				
Obligations under finance lease	**1,878**	**3,580**	**–**	**5,458**
Bank borrowings	**5,421**	**9,157**	**9,735**	**24,313**
Trade and other payables	**20,114**	**–**	**18**	**20,132**
	25,413	**12,737**	**9,753**	**47,903**
As at 30 September 2016				
Obligations under finance lease	1,447	2,505	–	3,952
Bank borrowings	2,280	9,492	11,657	23,429
Trade and other payables	22,423	–	7	22,430
	26,150	11,997	11,664	49,811

(d) Capital Risk

The Group actively and regularly reviews and manages its capital structure to ensure optimal capital structure and shareholder returns, taking into consideration the future capital requirements of the Group and capital efficiency, prevailing and projected profitability, projected operating cash flows, projected capital expenditures and projected strategic investment opportunities. The Group currently does not adopt any formal dividend policy.

Gearing has a significant influence on the Group's capital structure and the Group monitors capital using a gearing ratio. The gearing ratio is calculated as net debt divided by total capital. Net debt is calculated as the sum of bank borrowings, trade and other payables and obligations under finance lease less cash and cash equivalents. Total capital is calculated as equity plus net debt.

As at 30 September 2017 and 2016, the gearing ratios are as follow:

	As at 30 September 2017 S$'000	2016 S$'000
Finance lease liabilities	**5,167**	3,764
Borrowings	**21,274**	20,004
Trade and other payables	**25,072**	26,397
Less: cash and bank balances	**(13,262)**	(19,926)
Less: fixed deposit	**(6,270)**	(5,706)
Net debt	**31,981**	24,533
Total equity	**70,609**	69,549
Total capital	**102,590**	94,082
Gearing ratio	**0.31**	0.26

3 FINANCIAL RISK MANAGEMENT (CONT'D)

(e) Fair value estimation

Financial assets and financial liabilities measured at fair value in the statement of financial position are grouped into three Levels of a fair value hierarchy. The three Levels are defined based on the observability of significant inputs to the measurement, as follows:

(i) Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.

(ii) Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

(iii) Level 3: unobservable inputs for the asset or liability.

The following table shows the levels within the hierarchy of non-financial assets measured at fair value on a recurring basis at 30 September 2017 and 2016:

	Level 1 S$'000	Level 2 S$'000	Level 3 S$'000	Total S$'000
As at 30 September 2017				
Investment properties:				
Industrial and commercial properties	**–**	**–**	**43,352**	**43,352**
Property, plant and equipment:				
Industrial property	**–**	**–**	**3,290**	**3,290**
As at 30 September 2016				
Investment properties:				
Industrial and commercial properties	–	–	37,472	37,472
Property, plant and equipment:				
Industrial property	–	–	10,369	10,369

Fair value of the Group's main property assets is estimated based on appraisals performed by independent, professionally-qualified property valuers based on indicative sale price of the property. The significant inputs and assumptions are developed in close consultation with management. The valuation report and fair value changes are reviewed by the directors at each reporting date.

Fair value measurements of investment properties and property, plant and equipment – Industrial property

Investment properties and property, plant and equipment – Industrial property are carried at fair values at the end of reporting period as determined by independent professional valuers. Valuations are made at each financial statement date based on the properties' highest-and-best-use using the Direct Market Comparison Method that considers sales of similar properties that have been transacted in the open market. The most significant input into this valuation approach is selling price per square metre.

NOTES TO THE FINANCIAL STATEMENTS

(FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2017)

3 FINANCIAL RISK MANAGEMENT (CONT'D)

(e) Fair value estimation (Cont'd)

Reconciliation of movements in Level 3 fair value measurement

	Investment properties S$'000	Property, plant and equipment – Industrial property S$'000	Non-current asset classified as held for sale S$'000
30 September 2017			
Beginning of financial year	**37,472**	**10,369**	**–**
Transfers from/(to) property, plant and equipment	**415**	**(415)**	**–**
Transfers to non-current asset held for sale	**(13,336)**	**(6,664)**	**20,000**
Transfers from non-current asset held for sale	**19,500**	**–**	**(19,500)**
Additions – Subsequent expenditure on investment property	**994**	**–**	**–**
Depreciation expenses	**–**	**(137)**	**–**
Loss recognised in profit and loss	**(1,439)**	**–**	**(500)**
Gain recognised in other comprehensive income	**–**	**137**	**–**
Currency translation differences	**(254)**	**–**	**–**
End of financial year	**43,352**	**3,290**	**–**
Change in unrealised losses for assets held at the end of the financial year included in profit or loss	(1,439)	–	(500)
30 September 2016			
Beginning of financial year	31,305	9,707	–
Additions – Subsequent expenditure on property	2,968	696	–
Depreciation expenses	–	(264)	–
Transfers from/(to) property, plant and equipment	529	(529)	–
Gain recognised in profit and loss	2,071	–	–
Gain recognised in other comprehensive income	–	759	–
Currency translation differences	599	–	–
End of financial year	37,472	10,369	–
Change in unrealised gains for assets held at the end of the financial year included in profit or loss	2,071	–	–

3 FINANCIAL RISK MANAGEMENT (CONT'D)

(e) Fair value estimation (Cont'd)

Valuation techniques and inputs used in Level 3 fair value measurements

The following table presents the valuation techniques and key inputs that were used to determine the fair value of investment properties and property, plant and equipment categorised under Level 3 of the fair value hierarchy:

Description	Fair value (S$'000)	Valuation technique	Unobservable inputs[(a)]	Range of unobservable inputs	Relationship of unobservable inputs to fair value
As at 30 September 2017					
Singapore	40,000	Direct comparison method	Transacted price of comparable properties	S$2,370 to S$3,990 per square metre	The higher the comparable value, the higher the fair value
		Discounted cash flow	Discount rate	7.5%	The higher the rate, the lower the fair value
		Discounted cash flow	Terminal yield	5.75%-6%	The higher the rate, the lower the fair value
		Capitalisation rate	Capitalisation rate	5.5%-5.75%	The higher the rate, the lower the fair value
Indonesia	6,642	Direct comparison method	Transacted price of comparable properties	S$3,800 to S$4,500 per square metre	The higher the comparable value, the higher the fair value
	46,642				
As at 30 September 2016					
Singapore	39,980	Direct comparison method	Transacted price of comparable properties	S$2,300 to S$5,000 per square metre	The higher the comparable value, the higher the fair value
Indonesia	7,861	Direct comparison method	Transacted price of comparable properties	S$4,200 to S$5,700 per square metre	The higher the comparable value, the higher the fair value
	47,841				

(a) There were no significant inter-relationships between unobservable inputs.

NOTES TO THE FINANCIAL STATEMENTS

(FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2017)

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

(a) Fair value of investment properties

The fair value of investment properties is determined by using valuation techniques. Details of the judgement and assumptions have been disclosed in Note 3(e).

(b) Depreciation of property, plant and equipment

Property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives. Management estimates the useful lives of property, plant and equipment to be within the range as indicated in the accounting policy for property, plant and equipment and depreciation. The carrying amount of the Group's property, plant and equipment as at 30 September 2017 and 2016 were S$21,794,000 and S$26,453,000 respectively. Changes in the expected level of usage and technological developments could impact the economic useful lives and the residual values of these assets, therefore future depreciation charges could be revised. If the estimated useful lives on property, plant and equipment increases/decreases by 10% from management, the Group's profit for the year ended 30 September 2017 and 2016 will increase/decrease by S$601,000 and S$655,000, respectively.

5 SEGMENT INFORMATION

The Group Managing Director monitors the operating results of its operating segments for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on segment results which in certain respects, set out below, are presented differently from operating profit or loss in the consolidated financial statements of the Group. The Group's reportable operating segments are as follows:

1. Industrial group
2. Commercial group
3. Residential group
4. Logistics group
5. Facilities management group

Industrial, Commercial and Residential groups form the space optimisation business.

The Group does not have a single customer whose revenue reports more than 5% of the Group's total revenue. Group taxation is managed on a group basis and is not allocated to operating segments.

Allocation basis and transfer pricing

Segment results include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly income tax expense and non-controlling interests.

Transfer prices between operating segments are on an arm's length basis in a manner similar to transactions with third parties, if any.

Sales

Sales between segments are carried out at market terms. The revenue from external parties reported to the Group Managing Director is measured in a manner consistent with that in the statement of comprehensive income.

The Group Managing Director assesses the performance of the operating segments based on the segment result, being a measure of earnings before tax, interest, finance costs, share of results of associates and joint ventures and fair value gain or loss on investment properties from continuing operations.

5 SEGMENT INFORMATION (CONT'D)

Segment assets and liabilities

The amounts reported to the Group Managing Director with respect to the total assets and liabilities are measured in a manner consistent with that of the financial statements. Segment assets and liabilities include, investment properties, property, plant and equipment, bank borrowings and finance lease liabilities, that are directly attributable to a segment as well as items that can be allocated on a reasonable basis.

Segment breakdown for year ended 30 September 2017 are as follows:

	Industrial S$'000	Commercial S$'000	Residential S$'000	Logistics S$'000	Facilities management S$'000	Others and eliminations S$'000	Consolidated S$'000
Sales							
Total segment sales	43,796	24,897	11,117	26,722	20,356	2,334	129,222
Inter-segment sales	(626)	(1,714)	(9,683)	(5,555)	(3,057)	(2,334)	(22,969)
Sales to external parties	43,170	23,183	1,434	21,167	17,299	–	106,253
Segment results	679	619	401	4,242	611	(4,217)	2,335
Fair value loss on investment properties	(473)	(966)	–	–	–	–	(1,439)
Impairment loss on non-current asset classified as held for sale	(500)	–	–	–	–	–	(500)
Finance costs	(501)	(1)	–	(105)	(27)	(2)	(636)
	(795)	(348)	401	4,137	584	(4,219)	(240)
Share of results of associates and joint venture	3,400	–	–	–	(16)	–	3,384
Profit before taxation	2,605	(348)	401	4,137	568	(4,219)	3,144
Taxation							(377)
Net profit after taxation							2,767
Non-controlling interests							(455)
Net profit attributable to equity holders of the Company							2,312
Segment assets	44,664	10,672	1,235	5,702	1,681	1,192	65,146
Investment in associates	–	–	–	–	132	–	132
Investment in joint ventures	11,200	–	–	–	144	–	11,344
Total segment assets							76,622
Total segment liabilities	20,274	12	–	4,191	964	1,000	26,441
Capital expenditure	2,204	1,591	239	3,386	909	1,056	9,385
Depreciation of property, plant and equipment	1,434	1,981	177	1,372	866	179	6,009

NOTES TO THE FINANCIAL STATEMENTS
(FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2017)

5 SEGMENT INFORMATION (CONT'D)

Segment assets and liabilities (Cont'd)

Segment breakdown for year ended 30 September 2016 are as follows:

	Industrial S$'000	Commercial S$'000	Residential S$'000	Logistics S$'000	Facilities management S$'000	Others and eliminations S$'000	Consolidated S$'000
Sales							
Total segment sales	52,286	25,197	11,278	19,070	15,829	2,672	126,332
Inter-segment sales	(246)	(1,457)	(10,394)	(3,488)	(3,370)	(2,672)	(21,627)
Sales to external parties	52,040	23,740	884	15,582	12,459	–	104,705
Segment results	3,876	2,273	(610)	2,146	(98)	454	8,041
Fair value gain on investment properties	2,071	–	–	–	–	–	2,071
Finance costs	(492)	–	–	(75)	(33)	–	(600)
	5,455	2,273	(610)	2,071	(131)	454	9,512
Share of results of associates and joint venture	6,613	–	–	–	103	–	6,716
Profit before taxation	12,068	2,273	(610)	2,071	(28)	454	16,228
Taxation							(1,127)
Net profit after taxation							15,101
Non-controlling interests							(7)
Net profit attributable to equity holders of the Company							15,094
Segment assets	44,857	12,330	1,182	3,686	1,638	232	63,925
Investment in associates	–	–	–	–	111	–	111
Investment in joint ventures	7,113	–	–	–	181	–	7,294
Total segment assets							71,330
Total segment liabilities	20,004	–	–	2,556	1,208	–	23,768
Capital expenditure	5,772	1,236	646	1,288	376	–	9,318
Depreciation of property, plant and equipment	1,022	3,243	167	1,244	767	103	6,546

5 SEGMENT INFORMATION (CONT'D)

Reconciliation of segments' total assets and total liabilities

	As at 30 September	
	2017	**2016**
	S$'000	**S$'000**
Reportable segments' assets are reconciled to total assets:		
Segment assets	**76,622**	71,330
Deferred tax assets	**651**	441
Long-term prepayment	**536**	658
Available for sale financial assets	**107**	–
Inventories	**33**	18
Trade and other receivables	**13,212**	12,829
Loans to joint ventures	**10,492**	7,002
Prepayment	**3,131**	3,652
Cash and bank balances	**13,262**	19,926
Fixed deposits	**6,270**	5,706
Total assets	**124,316**	121,562
Reportable segments' liabilities are reconciled to total liabilities:		
Segment liabilities	**26,441**	23,768
Trade and other payables	**25,054**	26,390
Provision for reinstatement costs	**373**	352
Current income tax liabilities	**1,266**	1,350
Deferred tax liabilities	**222**	266
Other payables	**18**	7
Total liabilities	**53,374**	52,133

(c) Geographical segment

The following table shows the distribution of the Group's revenue from external customers based on the location where goods are sold and services are provided:

	Revenue from external customers Year ended 30 September	
	2017	**2016**
	S$'000	**S$'000**
Singapore	**102,250**	102,861
Indonesia	**1,432**	1,101
Thailand	**1,661**	508
Myanmar	**868**	235
Other countries	**42**	–
	106,253	104,705

The following table shows the distribution of the Group's non-current assets excluding deferred tax assets based on geographical location of customers:

	Non-current assets As at 30 September	
	2017	**2016**
	S$'000	**S$'000**
Singapore	**68,140**	61,449
Indonesia	**7,646**	9,253
Thailand	**144**	104
Myanmar	**1,235**	1,182
Other countries	**100**	–
	77,265	71,988

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6 REVENUE

	Year ended 30 September	
	2017	2016
	S$'000	S$'000
Rental and warehousing lease income	**61,095**	71,992
Parking revenue	**11,097**	9,084
Logistics services	**11,507**	9,253
Container services	**9,580**	6,103
Facility revenue	**4,766**	3,570
Security services	**5,128**	2,981
Licence fee	**1,617**	338
Maintenance income	**731**	741
Furniture trading	**11**	272
General contract works	**272**	218
Management services fee income	**332**	114
Others	**117**	39
	106,253	104,705

7 OTHER INCOME

	Year ended 30 September	
	2017	2016
	S$'000	S$'000
Handling charges	**318**	223
Gain on disposal of property, plant and equipment	**93**	27
Interest income	**315**	225
Vehicle related costs	**122**	157
Government grants	**131**	307
Wage credit scheme and special employment credit*	**426**	595
Waiver of debt from a director of subsidiaries	**57**	86
Forfeiture of tenant deposit	**219**	109
Foreign exchange gain	**–**	342
Services charges	**259**	491
Rubbish disposal	**–**	14
Reversal of impairment loss on receivables	**13**	–
Miscellaneous charge to tenant	**193**	83
Other income	**398**	358
	2,544	3,017

* Wages credit scheme and special employment credit are incentives introduced by the Singapore Government to help business alleviate business costs in a tight labour market and to support business investments. These incentives are in the form of cash payout.

8 OTHER LOSSES – NET

	Year ended 30 September	
	2017	2016
	S$'000	S$'000
Bad debts expenses	**5**	–
Impairment loss on trade receivables *(Note 21)*	**83**	309
Impairment loss on other receivables *(Note 21)*	**8**	9
Out of court settlement[1]	**128**	–
	224	318

1 Out of court settlement pertains to settlement arising from a dispute on tenancy agreement between a subsidiary of the Group and a tenant of the subsidiary.

9 EXPENSES BY NATURE

	Year ended 30 September 2017 S$'000	2016 S$'000
Advertising expenses	**365**	373
Commission fees	**574**	979
Entertainment expenses	**163**	159
Marketing expenses	**196**	293
Transportation costs	**1,611**	751
Container depot management charges	**2,218**	2,228
Rental expenses	**57,493**	56,991
Upkeep and maintenance costs	**8,599**	7,336
Consultancy fees	**263**	320
Depreciation of property, plant and equipment	**6,009**	6,546
Write-off of property, plant and equipment	**40**	52
Listing expenses in relation to the Dual Listing*	**3,007**	–
Professional fees	**625**	464
Vehicle-related expenses	**67**	175
Employee benefit costs *(Note 10)*	**20,741**	19,517
Insurance fees	**664**	509
IT Maintenance expenses	**462**	364
NETS/CEPAS Transaction Charges	**160**	130
Printing expenses	**102**	105
Telephone expenses	**344**	307
Auditor's remuneration		
– Audit services	**236**	209
– Non- audit services	**89**	113
Other expenses	**2,210**	1,442
	106,238	99,363

* Dual Listing represents the dual primary listing of the Shares on the Main Board of the Hong Kong Stock Exchange and the Catalist board of the SGX-ST.

10 EMPLOYEE BENEFIT COSTS – INCLUDING DIRECTORS' EMOLUMENTS

(a) Employee benefit expenses during the years are as follows:

	Year ended 30 September 2017 S$'000	2016 S$'000
Wages, salaries and allowances	**18,764**	17,837
Retirement benefit costs – defined contribution plans	**1,782**	1,472
Directors' fees	**195**	208
	20,741	19,517

Employee benefits expenses have been included in consolidated statement of profit or loss as follows:

	Year ended 30 September 2017 S$'000	2016 S$'000
Cost of sales	**10,401**	9,875
Administrative expenses	**10,340**	9,642
	20,741	19,517

NOTES TO THE FINANCIAL STATEMENTS

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10 EMPLOYEE BENEFIT COSTS – INCLUDING DIRECTORS' EMOLUMENTS (CONT'D)

(b) Directors' emoluments

The remuneration of every director for the year ended 30 September 2017 is set out below:

Name of director	Fees S$'000	Salaries, allowances and benefits in kind S$'000	Employer's contribution to defined contribution plans S$'000	Other benefits S$'000	Total S$'000
Executive directors					
Kelvin Lim[1]	–	708	12	19	739
Jess Lim[2]	–	288	12	–	300
Independent non-executive directors					
Lee Gee Aik[3]	56	–	–	–	56
Ch'ng Li-Ling[4]	59	–	–	–	59
Eddie Yong[5]	59	–	–	–	59
Chan Ka Leung Gary[6]	21	–	–	–	21
	195	996	24	19	1,234

The remuneration of every director for the year ended 30 September 2016 is set out below:

Name of director	Fees S$'000	Salaries, allowances and benefits in kind S$'000	Employer's contribution to defined contribution plans S$'000	Other benefits S$'000	Total S$'000
Executive directors					
Kelvin Lim[1]	–	1,098	17	–	1,115
Jess Lim[2]	–	437	17	–	454
Independent non-executive directors					
Lee Gee Aik[3]	63	–	–	–	63
Ch'ng Li-Ling[4]	52	–	–	–	52
Eddie Yong[5]	52	–	–	–	52
	167	1,535	34	–	1,736

1 Kelvin Lim is the Group's Executive Chairman and Group Managing Director. He was appointed to the Board on 10 July 2014.

2 Jess Lim is the Group's Executive Director and Group Deputy Managing Director. She was appointed to the Board on 10 July 2014.

3 Lee Gee Aik is a Lead Independent Director of the Group. He was appointed to the Board on 10 March 2015. Lee Gee Aik resigned as an Independent Director of the Group on 5 June 2017.

4 Ch'ng Li-Ling is an Independent Director of the Group. She was appointed to the Board on 10 March 2015.

5 Eddie Yong is an Independent Director of the Group. He was appointed to the Board on 10 March 2015.

6 Chan Ka Leung Gary was appointed as an Independent Director on 5 June 2017.

10 EMPLOYEE BENEFIT COSTS – INCLUDING DIRECTORS' EMOLUMENTS (CONT'D)

(b) Directors' emoluments (Cont'd)

During the financial years ended 30 September 2017 and 2016, none of the directors of the Company waived any emoluments paid or payable by the Group companies and no emoluments were paid by the Group to the directors as an inducement to join or upon joining the Group or as compensation for loss of office.

(i) Directors' retirement benefits

No retirement benefits were paid to or receivable by any directors in respect of their other services in connection with the management of the affairs of the Company or its subsidiaries undertaking during the financial years ended 30 September 2017 and 2016.

(ii) Directors' termination benefits

No payment was made to directors as compensation for the early termination of the appointment during the financial years ended 30 September 2017 and 2016.

(iii) Consideration provided to third parties for making available directors' services

No payment was made to the former employer of directors for making available the services of them as a director of the Company during the financial years ended 30 September 2017 and 2016.

(iv) Information about loans, quasi-loans and other dealings in favour of directors, controlled bodies corporate by and connected entities with such directors

There are no loans, quasi-loans and other dealings in favour of directors, controlled bodies corporate by and connected entities with such directors during the financial years ended 30 September 2017 and 2016.

(v) Directors' material interests in transactions, arrangements or contracts

No significant transactions, arrangements and contracts in relation to the Company's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the financial years ended 30 September 2017 and 2016.

(c) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the years ended 30 September 2017 and 2016 include two directors, respectively whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining three individuals during the years ended 30 September 2017 and 2016, respectively are as follows:

	Year ended 30 September	
	2017	**2016**
	S$'000	**S$'000**
Wages, salaries and allowances	**736**	631
Retirement benefit costs – defined contribution plans	**36**	52
	772	683

The emoluments of above individuals are within the following band:

	Number of individuals Year ended 30 September	
	2017	**2016**
Emoluments band		
Nil-HK$1,000,000 (equivalent to S$179,025)	**–**	1
HK$1,000,001-HK$2,500,000 (equivalent S$179,026 to S$447,563)	**3**	2

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11 FINANCE COST – NET

	Year ended 30 September 2017 S$'000	Year ended 30 September 2016 S$'000
Interest expense on borrowings	**583**	492
Interest expense on finance leases	**53**	107
Interest amount owing to a director of subsidiaries	**–**	1
Finance cost – net	**636**	600

12 INCOME TAX EXPENSE

Tax has been provided at the applicable tax rate on the estimated assessable profit during the financial years.

The amount of income tax expense charged to the consolidated statements of profit or loss represents:

	Year ended 30 September 2017 S$'000	Year ended 30 September 2016 S$'000
Current income tax	**666**	973
Deferred income tax *(Note 20)*	**(250)**	(182)
	416	791
(Over)/under-provision in respect of prior years		
– current taxation	**(35)**	225
– deferred taxation *(Note 20)*	**(4)**	111
Income tax expense	**377**	1,127

The tax on the Group's profit before income tax differs from the theoretical amount as follows:

	Year ended 30 September 2017 S$'000	Year ended 30 September 2016 S$'000
Profit before tax	**3,144**	16,228
Tax calculated at rate of 17%	**534**	2,759
Tax effect of:		
– expenses not deductible for tax purposes	**1,319**	1,004
– non-taxable income	**(495)**	(1,945)
Group relief utilised	**(716)**	(399)
Enhanced PIC deduction	**(902)**	(661)
Deferred tax assets on temporary differences not recognised	**1,126**	684
Utilisation of deferred tax assets not recognised in prior years	**(144)**	(12)
Effect of different tax rates in different jurisdictions	**83**	(17)
Singapore statutory income exemption	**(387)**	(618)
(Over)/under provision of current and deferred taxation in respect of prior years	**(39)**	336
Others	**(2)**	(4)
Income tax expense	**377**	1,127

12 INCOME TAX EXPENSE (CONT'D)

Subject to agreement with Singapore Tax Authority, as at 30 September 2017 and 2016, the Group has unutilised tax losses of S$3,524,000 and S$1,062,000 respectively and unabsorbed capital allowances of S$4,666,000 and S$2,421,000 respectively, which are available for offsetting against future taxable profits provided that the provision of tax legislation are complied with. The related tax benefits of S$1,392,000 and S$592,000 have not been recognised in the financial statements of the Group as at 30 September 2017 and 2016 as there is no reasonable certainty of their realisation in future periods.

In the financial years ended 30 September 2017 and 2016, the Group has utilised the unabsorbed capital allowances and unutilised tax losses totalling to S$4,211,000 and S$2,350,000 respectively.

The Thailand and Myanmar subsidiaries did not have chargeable income subject to tax during the financial years ended 30 September 2017 and 2016.

There were no significant business activities in Malaysia.

The Group is not exposed to any significant deferred tax on foreign subsidiaries in Indonesia and Thailand as the business relates mainly to owning of investment properties and provision of container depot services respectively.

13 EARNINGS PER SHARE

Basic earnings per share are calculated by dividing the profit of the Group attributable to equity holders of the Company by the weighted average number of ordinary shares deemed to be in issue during each of the years ended 30 September 2017 and 2016:

	Year ended 30 September	
	2017	**2016**
	S$'000	**S$'000**
Net profit attributable to equity holders of the Company	**2,312**	15,094
Weighted average number of ordinary shares ('000)	**360,314**	361,335
Basic earnings per share (S$ cent)	**0.64**	4.18

Diluted earnings per share is the same as the basic earnings per share as there were no potential dilutive ordinary shares outstanding during the financial years ended 30 September 2017 and 2016.

	Year ended 30 September	
	2017	**2016**
Ordinary shares ('000)	**No. of ordinary shares ('000)**	**No. of ordinary shares ('000)**
Shares issued at beginning of the year	**360,004**	361,524
Effect of shares issued for employee performance	**310**	187
Effect of purchase of treasury share	–	(376)
Weighted average number of ordinary shares for basic earnings per share	**360,314**	361,335

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14 PROPERTY, PLANT AND EQUIPMENT

	Leasehold buildings S$'000	Renovation works S$'000	Construction-in-progress S$'000	Plant and machinery S$'000	Furniture and fittings S$'000	Office equipment S$'000	Logistics equipment S$'000	Motor vehicles S$'000	Computers S$'000	Containers S$'000	Total S$'000
Cost or valuation											
As at 1 October 2016	10,369	25,905	223	7,051	2,364	1,279	6,259	653	2,123	102	56,328
Additions	–	1,343	1,690	1,678	389	522	1,762	125	878	4	8,391
Transfer	–	1,341	(1,482)	–	86	14	–	–	41	–	–
Written off	–	(3,842)	–	(56)	(155)	(449)	–	(150)	(40)	(15)	(4,707)
Disposals	–	–	–	–	–	–	(297)	(49)	–	–	(346)
Transfer to investment properties *(Note 15)*	(415)	–	–	–	–	–	–	–	–	–	(415)
Transfer to non-current asset held for sale (Note 26)	(6,664)	–	–	–	–	–	–	–	–	–	(6,664)
Currency translation	–	(67)	3	*	(9)	(6)	–	(1)	(7)	–	(87)
As at 30 September 2017	**3,290**	**24,680**	**434**	**8,673**	**2,675**	**1,360**	**7,724**	**578**	**2,995**	**91**	**52,500**
Representing:											
Cost	–	24,680	434	8,673	2,675	1,360	7,724	578	2,995	91	49,210
Valuation	3,290	–	–	–	–	–	–	–	–	–	3,290
	3,290	24,680	434	8,673	2,675	1,360	7,724	578	2,995	91	52,500
Accumulated depreciation and impairment losses											
As at 1 October 2016	–	(17,383)	–	(4,641)	(1,075)	(824)	(3,717)	(471)	(1,704)	(61)	(29,876)
Depreciation for the year	(137)	(3,048)	–	(1,200)	(259)	(224)	(813)	(72)	(246)	(10)	(6,009)
Written off	–	3,842	–	48	134	439	–	150	39	15	4,667
Disposals	–	–	–	–	–	–	297	39	–	–	336
Adjustment arising from revaluation	137	–	–	–	–	–	–	–	–	–	137
Currency translation differences	–	28	–	*	3	2	–	1	5	–	39
As at 30 September 2017	**–**	**(16,561)**	**–**	**(5,793)**	**(1,197)**	**(607)**	**(4,233)**	**(353)**	**(1,906)**	**(56)**	**(30,706)**
Net book value											
As at 30 September 2017	**3,290**	**8,118**	**434**	**2,880**	**1,478**	**753**	**3,491**	**225**	**1,090**	**35**	**21,794**

14 PROPERTY, PLANT AND EQUIPMENT (CONT'D)

	Leasehold buildings S$'000	Renovation works S$'000	Construction-in-progress S$'000	Plant and machinery S$'000	Furniture and fittings S$'000	Office equipment S$'000	Logistics equipment S$'000	Motor vehicles S$'000	Computers S$'000	Containers S$'000	Total S$'000
Cost or valuation											
As at 1 October 2015	9,707	23,148	860	6,762	2,083	1,104	5,472	648	1,958	63	51,805
Additions	–	1,888	2,405	330	385	164	953	24	162	39	6,350
Transfer	696	2,345	(3,023)	(34)	–	16	–	–	–	–	–
Written off	–	(127)	–	–	(77)	(5)	–	–	(9)	–	(218)
Disposals	–	(1,453)	–	(3)	(33)	(12)	(166)	(21)	(3)	–	(1,691)
Transfer to investment properties *(Note 15)*	(529)	–	–	–	–	–	–	–	–	–	(529)
Adjustment arising from revaluation	495	–	–	–	–	–	–	–	–	–	495
Currency translation	–	104	(19)	(4)	6	12	–	2	15	–	116
As at 30 September 2016	10,369	25,905	223	7,051	2,364	1,279	6,259	653	2,123	102	56,328
Representing:											
Cost	–	25,905	223	7,051	2,364	1,279	6,259	653	2,123	102	45,959
Valuation	10,369	–	–	–	–	–	–	–	–	–	10,369
	10,369	25,905	223	7,051	2,364	1,279	6,259	653	2,123	102	56,328
Accumulated depreciation and impairment losses											
As at 1 October 2015	–	(14,999)	–	(3,405)	(872)	(660)	(3,181)	(435)	(1,562)	(56)	(25,170)
Depreciation for the year	(264)	(3,727)	–	(1,239)	(235)	(177)	(702)	(51)	(146)	(5)	(6,546)
Written off	–	125	–	–	27	5	–	–	9	–	166
Disposals	–	1,239	–	3	7	10	166	15	3	–	1,443
Adjustment arising from revaluation	264	–	–	–	–	–	–	–	–	–	264
Currency translation differences	–	(21)	–	–	(2)	(2)	–	–	(8)	–	(33)
As at 30 September 2016	–	(17,383)	–	(4,641)	(1,075)	(824)	(3,717)	(471)	(1,704)	(61)	(29,876)
Net book value											
As at 30 September 2016	10,369	8,522	223	2,410	1,289	455	2,542	182	420	41	26,453

* Amounts are less than S$500

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14 PROPERTY, PLANT AND EQUIPMENT (CONT'D)

During the financial years ended 30 September 2017 and 2016, all the depreciation expense is charged to administrative expense in the consolidated statements of profit and loss.

Included within additions in the Financial statements are plant and machinery and logistics equipment acquired under finance lease are as follows:

	Year ended 30 September	
	2017	**2016**
	S$'000	**S$'000**
Plant and machinery	**1,465**	159
Logistics equipment	**1,641**	890
	3,106	1,049

The carrying amounts of plant and machinery, logistics equipment and motor vehicles held under finance leases are as follows:

	As at 30 September	
	2017	**2016**
	S$'000	**S$'000**
At net book value		
Plant and machinery	**2,545**	1,814
Logistics equipment	**3,373**	2,393
Motor vehicles	**77**	111
	5,995	4,318

The leasehold building of the Group were valued by independent professional valuers based on the properties' highest-and-best-use using direct market comparison method and discounted cash flow approach at the balance sheet dates. These are regarded as level 3 fair values. A description of the valuation techniques and valuation processes of the Group are disclosed in Note 3(e).

The carrying amount of the leasehold buildings of the Group would have been S$4,001,000 and S$7,263,000 respectively as at 30 September 2017 and 2016 had the leasehold buildings have been carried at historical cost less accumulated depreciation and impairment loss.

(a) The direct comparison method involves the analysis of comparable sales of similar properties and adjusting the sale prices to that reflect of the leasehold building.

At the end of each financial periods, the Group assesses the property valuation movements when compared to prior year valuation report.

Changes in Level 2 and 3 fair values are analysed at each reporting date during Audit Committee Meetings.

Further details of fair value measurement are disclosed in Note 3(e).

15 INVESTMENT PROPERTIES

Investment properties are carried at fair values at the end of reporting period as determined by independent professional valuers. Valuations are made at least annually based on the properties' highest-and-best-use using the Direct Market Comparison Method and discounted cash flow approach in determining the open market values.

The Direct Market Comparison method involves the analysis of comparable sales of similar properties and adjusting the sale prices to reflect the characteristics of the investment properties.

The discounted cash flow approach involves a projection of future net operating income and is discounted at an appropriate discount rate. Future net operating income is derived by deducting from future gross income against direct operating expense.

At each financial year end, the Group assesses property valuation movements when compared to prior year valuation report.

Further details of fair value measurement are disclosed in Note 3(e).

	Year ended 30 September	
	2017	**2016**
	S$'000	**S$'000**
At fair value		
Beginning of the year	**37,472**	31,305
Acquisitions	**994**	2,968
Reclassification from property, plant and equipment	**415**	529
Reclassification to non-current asset held for sale	**(13,336)**	–
Reclassification from non-current asset held for sale	**19,500**	–
Net (loss)/gain from fair value adjustment	**(1,439)**	2,071
Currency translation differences	**(254)**	599
End of the year	**43,352**	37,472

The following amounts are recognised in consolidated statement of profit or loss:

	Year ended 30 September	
	2017	**2016**
	S$'000	**S$'000**
Rental income	**1,951**	1,618
Direct operating expenses arising from investment properties that generated rental income	**472**	338
Direct operating expenses from investment properties that did not generate rental income	**–**	58

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15 INVESTMENT PROPERTIES (CONT'D)

The investment properties comprises:

Location & Description	Area sq. metres	Tenure	As at 30 September 2017 S$'000	2016 S$'000
72 Eunos Avenue 7, Singapore 6-storey multiple-user light industrial building	4,210.9	30 years lease commencing from 1 January 2011	**16,210**	13,336
100 Eunos Avenue 7, Singapore 5-storey multiple-user light industrial building	6,315.3	60 years lease commencing from 1 July 1980	**20,000**	15,795
23 Woodlands Industrial Park A flatted industrial unit	160.0	60 years lease commencing from 9 January 1995	**500**	480
38th floor, 88 Building, Jalan Kasablanka Raya Kav, Jakarta, Indonesia 4 units of office building	1,737.0	14 years lease commencing from 1 July 2013	**6,642**	7,861
			43,352	37,472

Valuation processes of the Group

The Group engages external, independent and qualified valuers to determine the fair value of the Group's investment properties at the end of every financial year based on the properties highest and best use.

The valuers hold a recognised and relevant professional qualification and have recent experience in location and category of the investment properties being valued.

Notes:

(a) Industrial buildings at 100 Eunos Avenue 7 and 72 Eunos Avenue 7, Singapore are mortgaged for bank borrowings, disclosed in Note 33.

(b) The investment properties are leased to related and non-related parties under operating leases. Please refer to Note 36 for operating leases to non-related parties.

16 INVESTMENT IN SUBSIDIARIES

	Company As at 30 September 2017 S$'000	2016 S$'000
Equity investments at cost	**32,727**	32,727

The directors are of the opinion that the subsidiaries with non-controlling interest were not material to the Group. Accordingly summarised Financial statements is not presented.

17 INVESTMENTS IN ASSOCIATES

	As at 30 September 2017 S$'000	2016 S$'000
Unquoted equity investment, at cost	**10**	10
Share of post-acquisition reserves	**122**	101
	132	111
Share of associated company's result, net of tax	**21**	22

The directors are of the opinion that the associates were not material to the Group. Accordingly, summarised financial statements is not presented.

Set out below is the associates of the Group as at 30 September 2017 and 2016. The associates has share capital consisting solely of ordinary shares, which are held directly by the Group; the country of incorporation is also their principal place of business.

Name of entity	Place of business/country of incorporation	Principal activity	% of ownership interest as at 30 September 2017	30 September 2016
Nopest Pte. Ltd.	Singapore	Pest control consultancy and pest consultancy services	**50**	50
Epika Pte. Ltd.*#	Singapore	Inactive	**–**	33

Epika Pte. Ltd. was struck off on 9 March 2017.
* The unquoted equity investment in Epika Pte. Ltd. is less than S$1,000.

18 INVESTMENTS IN JOINT VENTURES

	As at 30 September 2017 S$'000	2016 S$'000
Unquoted equity investment, at cost	**1,050**	600
Share of results of joint ventures	**10,294**	6,694
	11,344	7,294

On 10 October 2016, the Group completed its acquisition of 50% equity interest in Four Star Industries Pte. Ltd. a company incorporated in Singapore, for approximately S$450,000. The Group has performed a notional purchase price allocation and recognised a gain from bargain purchase of approximately S$3,800,000, which has been included in the share of results of joint venture in the consolidated statements of profit or loss for the financial year ended 30 September 2017.

Set out below is the joint venture of the Group as at 30 September 2017 and 2016 which, in the opinion of the directors, is material to the Group. The joint venture has share capital consisting solely of ordinary shares, which are held directly by the Group; the country of incorporation is also their principal place of business.

Name of entity	Place of business/ country of incorporation	% of ownership interest as at 30 September 2017	30 September 2016
Metropolitan Parking Pte. Ltd.	Singapore	**50**	50
Work Plus Store (AMK) Pte. Ltd.	Singapore	**50**	50
Automobile Pre Delivery Base Pte. Ltd.	Singapore	**–**	50
Four Star Industries Pte. Ltd.	Singapore	**50**	–

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18 INVESTMENTS IN JOINT VENTURES (CONT'D)

Metropolitan Parking Pte. Ltd. provides carpark management and operations services principally in Singapore and gives the consumers of the Group access to facilities and parking services.

Work Plus Store (AMK) Pte. Ltd. provides general warehousing and business support services principally in Singapore and gives the Group access to efficient freight forwarding processes and quality warehousing service processes.

Automobile Pre Delivery Base Pte. Ltd. provides freight transportation and logistics services principally in Singapore. The company has been struck off on 8 January 2018.

Four Star Industries Pte. Ltd. was acquired by the Group on 10 October 2016. The company manufactures pocketed spring mattresses principally in Singapore.

Summarised financial statements for joint ventures

Set out below is the summarised financial statements for Metropolitan Parking Pte. Ltd., Work Plus Store (AMK) Pte. Ltd., Automobile Pre Delivery Base Pte. Ltd. and Four Star Industries Pte. Ltd:

Summarised statement of financial position

	As at 30 September 2017				
	Metropolitan Parking Pte. Ltd. S$'000	**Work Plus Store (AMK) Pte. Ltd. S$'000**	**Four Star Industries Pte. Ltd. S$'000**	**Automobile Pre Delivery Base Pte. Ltd. S$'000**	**Total S$'000**
Current assets	393	1,711	1,987	*	4,091
Includes:					
– Cash and cash equivalents	381	1,206	256	*	1,843
Current liabilities	(8,219)	(12,372)	(8,208)	–	(28,799)
Includes:					
– Financial liabilities (excluding trade payables)	(832)	(2,424)	(853)	–	(4,109)
– Other current liabilities (including trade payables)	(7,387)	(9,948)	(7,355)	–	(24,690)
Non-current assets	27,249	52,505	19,263	–	99,017
Non-current liabilities	(19,136)	(28,934)	(3,553)	–	(51,623)
Includes:					
– Financial liabilities	(19,136)	(28,934)	(3,553)	–	(51,623)
Net assets	287	12,910	9,489	*	22,686

18 INVESTMENTS IN JOINT VENTURES (CONT'D)

Summarised financial statements for joint ventures (Cont'd)

Summarised statement of financial position (Cont'd)

	As at 30 September 2016			
	Metropolitan Parking Pte. Ltd. S$'000	Work Plus Store (AMK) Pte. Ltd. S$'000	Automobile Pre Delivery Base Pte. Ltd. S$'000	Total S$'000
Current assets	274	3,987	*	4,261
Includes:				
– Cash and cash equivalents	251	2,388	*	2,639
Non-current assets	27,001	45,000	–	72,001
Current liabilities	(6,945)	(9,771)	–	(16,716)
Includes:				
– Financial liabilities (excluding trade payables)	(832)	(1,516)	–	(2,348)
– Other current liabilities (including trade payables)	(6,113)	(8,255)	–	(14,368)
Non-current liabilities	(19,968)	(24,990)	–	(44,958)
Includes:				
– Financial liabilities	(19,968)	(24,990)	–	(44,958)
Net assets	362	14,226	*	14,588

NOTES TO THE FINANCIAL STATEMENTS

(FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2017)

18 INVESTMENTS IN JOINT VENTURES (CONT'D)

Summarised financial statements for joint ventures (Cont'd)

Summarised statement of comprehensive income

	Year ended 30 September 2017				
	Metropolitan Parking Pte. Ltd. S$'000	Work Plus Store (AMK) Pte. Ltd. S$'000	Four Star Industries Pte. Ltd. S$'000	Automobile Pre Delivery Base Pte. Ltd. S$'000	Total S$'000
Revenue	**978**	**824**	**2,202**	**–**	**4,004**
Net profit and total comprehensive income for the year	**(74)**	**(1,316)**	**942**	**–**	**(448)**
The above profit for the year includes the following:					
– Depreciation and amortisation	**(2)**	**(7)**	**(92)**	**–**	**(101)**
– Interest expense	**(708)**	**(996)**	**(171)**	**–**	**(1,875)**
– Fair value gain on property, plant and equipment and investment properties	**–**	**–**	**33**	**–**	**33**

	Year ended 30 September 2016			
	Metropolitan Parking Pte. Ltd. S$'000	Work Plus Store (AMK) Pte. Ltd. S$'000	Automobile Pre Delivery Base Pte. Ltd. S$'000	Total S$'000
Revenue	67	23	–	90
Net profit and total comprehensive income for the year	162	13,226	*	13,388
The above profit for the year includes the following:				
– Depreciation and amortisation	–	–	–	–
– Interest expense	(67)	(261)	–	(328)
– Fair value gain on investment properties	225	13,882	–	14,107

The information above reflects the amounts presented in the financial statements of the joint ventures (and not the Group's share of those amounts), adjusted for differences in accounting policies between the Group and the joint ventures.

* Amounts are less than S$500

18 INVESTMENTS IN JOINT VENTURES (CONT'D)

Reconciliation of summarised financial statements

Reconciliation of the summarised financial statements presented to the carrying amount of the Group's interest in joint ventures, is as follows:

	Metropolitan Parking Pte. Ltd. S$'000	Work Plus Store (AMK) Pte. Ltd. S$'000	Four Star Industries Pte. Ltd. S$'000	Automobile Pre Delivery Base Pte. Ltd. S$'000	Total S$'000
Opening net assets at 1 October 2015	–	–	–	–	–
Cost of investment	200	1,000	–	*	1,200
Total comprehensive income for the year	162	13,226	–	*	13,388
Closing net assets at 30 September 2016	362	14,226	–	*	14,588
Interest in Joint Venture @ 50%	181	7,113	–	*	7,294
Carrying value at 30 September 2016	181	7,113	–	*	7,294
Opening net assets at 1 October 2016	362	14,226	–	*	14,588
Cost of investment	–	–	900	–	900
Total comprehensive income for the year	(74)	(1,316)	942	–	(448)
Closing net assets at 30 September 2017	288	12,910	1,842	*	15,040
Interest in Joint Venture @ 50%	144	6,455	921	*	7,520
Gain on bargain purchase in respective to Group's acquisition of Four Star Industries Pte. Ltd.	–	–	3,824	*	3,824
Carrying value at 30 September 2017	144	6,455	4,745	*	11,344

* Amounts are less than S$500

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19 FINANCIAL INSTRUMENTS BY CATEGORY

	As at 30 September	
	2017	2016
	S$'000	S$'000
Assets as per consolidated statements of financial position		
Loans and receivables		
– Trade and other receivables excluding prepayments	**13,212**	12,829
– Loan to joint ventures	**10,492**	7,002
– Cash and cash equivalents	**13,262**	19,926
– Fixed deposits	**6,270**	5,706
Available for sales financial assets		
– Available for sales financial assets	**107**	–
Total	**43,343**	45,463
Liabilities as per consolidated statements of financial position		
Other financial liabilities subsequently measured at amortised cost		
– Borrowings (excluding finance lease liabilities)	**21,274**	20,004
– Trade and other payables	**25,072**	26,397
– Finance lease liabilities	**5,167**	3,764
Total	**51,513**	50,165

20 DEFERRED INCOME TAX

The analysis of deferred income tax asset/(liability) is as follows:

	As at 30 September	
	2017	2016
	S$'000	S$'000
Deferred income tax asset:		
– To be settled within one year	**236**	–
– To be settled after one year	**415**	441
	651	441
Deferred income tax liability:		
– To be settled within one year	**(41)**	–
– To be settled after one year	**(181)**	(266)
	(222)	(266)

20 DEFERRED INCOME TAX (CONT'D)

The movements in deferred income tax during the financial years are as follows:

Deferred income tax assets:

	Provisions S$'000
At 1 October 2015	334
Credited to profit or loss	107
At 30 September 2016	441
At 1 October 2016	441
Credited to profit or loss	210
At 30 September 2017	651

Deferred income tax liabilities:

	Accelerated tax depreciation S$'000
At 1 October 2015	230
Charged to profit or loss	36
At 30 September 2016	266
At 1 October 2016	266
Credited to profit or loss	(44)
At 30 September 2017	222

The balance comprises tax on excess of net book value over tax written down value of qualifying property, plant and equipment.

As at 30 September 2017 and 2016, there are no deferred tax liabilities on investment in subsidiaries as they were in loss making position and have accumulated losses.

21 TRADE AND OTHER RECEIVABLES

	As at 30 September	
	2017 S$'000	**2016 S$'000**
Trade receivables:		
– Third parties	**8,903**	7,079
– Related parties	**114**	298
– Joint ventures	**100**	–
	9,117	7,377
Accrued rental income	**715**	1,197
GST receivables	**364**	389
Deposits with external parties	**3,232**	3,836
Unpaid deposits from customers	**70**	209
Tax recoverable	**–**	90
Other receivables	**386**	512
	4,052	5,036
Less: impairment loss on trade receivables	**(654)**	(766)
Less: impairment loss on other receivables	**(18)**	(15)
	(672)	(781)
Net trade and other receivables	**13,212**	12,829

NOTES TO THE FINANCIAL STATEMENTS

(FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2017)

21 TRADE AND OTHER RECEIVABLES (CONT'D)

The accrued rental income relates to apportionment of the free rental period over the lease term.

Related parties comprise entities which are controlled or significantly influenced by the Group's key management personnel and their close family members.

Deposits with external parties comprise mainly security deposits placed with landlord of leased properties.

Other receivables comprise mainly warehouse storage fee and sundry receivables.

(a) Trade receivables

	As at 30 September	
	2017	2016
	S$'000	S$'000
Trade receivables	**9,117**	7,377
Accrued rental income	**715**	1,197
Less: provision for impairment of trade receivables	**(654)**	(766)
	9,178	7,808

The carrying amounts of trade receivables approximate their fair values.

Trade receivables do not bear any effective interest rate.

All trade receivables are subject to credit risk exposure. However, the Group do not identify specific concentrations of credit risk with regards to trade receivables, as the amounts recognised resemble a large number of receivables from various customers. Impairment on trade receivables is made when certain debtors are identified to be irrecoverable. Impairment on trade receivables is made on specific debts for which the directors of the Group are of the opinion that debts are not recoverable.

The Group normally grants credit terms to its customers ranging from 0 to 90 days. The aging analysis of the trade receivables based on invoice date is as follows:

	As at 30 September	
	2017	2016
	S$'000	S$'000
Current	**1,190**	2,085
1 to 30 days	**3,148**	2,508
31 to 60 days	**1,604**	552
61 to 90 days	**326**	159
91 to 180 days	**1,329**	856
181 to 365 days	**531**	287
Over 365 days	**989**	930
	9,117	7,377

21 TRADE AND OTHER RECEIVABLES (CONT'D)

(a) Trade receivables (Cont'd)

Aging analysis of trade receivables that are past due but not impaired, based on due date, is as follows:

	As at 30 September	
	2017	**2016**
	S$'000	**S$'000**
31 to 60 days	**719**	552
61 to 90 days	**343**	159
91 to 180 days	**916**	810
181 to 365 days	**522**	221
Over 365 days	**385**	276
	2,885	2,018

Based on historical default rates, the Group believes that no impairment is necessary in respect of trade receivables that are past due but not impaired. These receivables are mainly arising from a number of independent customers that have a good credit record with the Group.

Trade and other receivables that are past due and impaired:

	As at 30 September	
	2017	**2016**
	S$'000	**S$'000**
Trade receivables		
31 to 60 days	**2**	–
61 to 90 days	**1**	–
91 to 180 days	**29**	46
181 to 365 days	**25**	66
Over 365 days	**597**	654
Gross Amount	**654**	766
Provision for impairment	**(654)**	(766)
	–	–
Other receivables		
Gross Amount	**18**	15
Provision for impairment	**(18)**	(15)
	–	–

Movements on the provision for impairment of trade and other receivables are as follows:

	Year ended 30 September	
	2017	**2016**
	S$'000	**S$'000**
Beginning of the year	**781**	503
Add: Provision for impairment of trade and other receivables	**109**	318
Less: Provision written off	**(200)**	(40)
Less: Amount recovered	**(18)**	–
At the end of the year	**672**	781

NOTES TO THE FINANCIAL STATEMENTS

(FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2017)

21 TRADE AND OTHER RECEIVABLES (CONT'D)

(a) Trade receivables (Cont'd)

The carrying amounts of the Group's trade and other receivables are denominated in the following currencies:

	As at 30 September	
	2017	2016
	S$'000	S$'000
S$	**11,003**	10,594
MYR	**49**	50
THB	**396**	250
IDR	**516**	566
USD	**1,248**	1,369
	13,212	12,829

22 PREPAYMENTS

	As at 30 September	
	2017	2016
	S$'000	S$'000
Prepaid operating expenses		
Current	**3,131**	3,652
Non-current	**536**	658
	3,667	4,310

The prepaid operating expenses relates to prepayment for rental, insurance and stamp duty.

23 INVENTORIES

	As at 30 September	
	2017	2016
	S$'000	S$'000
Work-in-progress	**24**	–
Finished goods	**9**	18
	33	18

The cost of inventories included in cost of sales amounted to S$288,000 and S$260,000 for the year ended 30 September 2017 and 2016, respectively.

24 CASH AND BANK BALANCES

	As at 30 September	
	2017	2016
	S$'000	S$'000
Cash at banks	**13,217**	19,892
Cash on hand	**45**	34
	13,262	19,926

The Group's cash and cash equivalents are denominated in the following currencies:

	As at 30 September	
	2017	2016
	S$'000	S$'000
S$	**11,824**	18,512
HKD	**147**	–
IDR	**544**	467
RMB	**19**	–
USD	**588**	881
THB	**121**	43
MYR	**10**	12
Myanmar kyat	**9**	11
	13,262	19,926

25 FIXED DEPOSITS

	As at 30 September	
	2017	2016
	S$'000	S$'000
Fixed deposits		
Mature within 3 months	**1,655**	971
Mature within one year	**4,615**	4,735
	6,270	5,706

Certain fixed deposits have been pledged to financial institutions for providing banker guarantees facilities as follows:

	As at 30 September	
	2017	2016
	S$'000	S$'000
Pledged fixed deposits		
Mature within 3 months	**656**	971
Mature within one year	**3,991**	4,735
	4,647	5,706

The Group's fixed deposits are denominated in the following currencies:

	As at 30 September	
	2017	2016
	S$'000	S$'000
S$	**5,592**	5,706
USD	**678**	–
	6,270	5,706

NOTES TO THE FINANCIAL STATEMENTS

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26 NON-CURRENT ASSET HELD FOR SALE

On 8 December 2016, the Group entered into a put and call option agreement relating to the sale and purchase of the property for a sale price of S$20,000,000 and is expected to be completed within 12 months. As a result, Management has reclassified S$13,336,000 of investment property and S$6,664,000 of property, plant and equipment to non-current asset classified as held for sale.

As at 30 June 2017, the fair value of this property is S$19,500,000. Therefore, an impairment loss of S$500,000 was recognised as at that date.

Given that the Group was granted the relevant approvals and confirmations from the Housing Development Board of Singapore after the agreed timeframe, the counter party has exercised its rights to rescind the put and call option agreement on 20 July 2017.

Although the put and call option agreement had been rescinded, management had assessed that the asset is available for immediate sale in its present condition and the asset is actively marketed for sale at a price that is reasonable in relation to its current fair value with a commitment by management to a plan to sell.

As at 30 September 2017, the Group has assessed that the sale of the property is not highly probable within the next twelve months. The Group has reclassified the non-current asset classified as held for sales to investment property and property, plant and equipment as the property is being leased out to third parties and also held for own use.

27 RESERVES

	As at 30 September	
	2017	2016
	S$'000	S$'000
Exchange translation reserve	**(836)**	(744)
Asset valuation reserve	**3,576**	3,202
Other reserve	**298**	269
Merger reserve	**(30,727)**	(30,727)
Retained profits	**47,197**	46,507
	19,508	18,507
Represented by:		
Distributable	**16,768**	16,049
Non-distributable	**2,740**	2,458
	19,508	18,507

Reserve on disposal of non-controlling interests arises from the consideration received on disposal of part of a subsidiary.

Exchange translation reserve arises from the translation of the financial statements of foreign entities whose functional currencies are different from the functional currency of the Company.

Asset revaluation reserve arises from surplus on revaluation of leasehold buildings as at the end of the financial year.

Other reserve arises from (1) disposal of interest in a subsidiary without change in control (2) difference in market price of shares awarded to employees of the Group under the Employee Performance Share Plan ("PSP") and the market price of shares during the share buy-back exercise undertaken by the Group.

Merger reserve arises from the difference between the purchase consideration and the carrying value of the share capital acquired under the pooling-of-interests method of consolidation in the restructuring exercise undertaken with the intention of the Company's listing on the SGX-ST.

28 SHARE CAPITAL AND TREASURY SHARES

	No. of shares		Nominal Amount	
	Issued share capital	Treasury shares	Share capital S$'000	Treasury shares S$'000
Balance as at 1 October 2015	361,524,300	–	51,243	–
Shares issued under LHN Performance Share Plan[1]	332,900	–	44	–
Purchase of treasury shares	–	(1,853,000)	–	(245)
Balance as at 30 September 2016	361,857,200	(1,853,000)	51,287	(245)
Balance as at 1 October 2016	361,857,200	(1,853,000)	51,287	(245)
Shares awarded under LHN Performance Share Plan[2]	–	441,200	–	59
Balance as at 30 September 2017	361,857,200	(1,411,800)	51,287	(186)

1 On 11 March 2016, 332,900 number of ordinary shares of the Company at a market price of S$0.132 per ordinary share were granted pursuant to the Scheme ("PSP") to the employees of the Group. The shares awarded were vested on the same day.

2 On 18 January 2017, 441,200 number of treasury shares of the Company at a market price of S$0.198 per ordinary share were granted pursuant to the Scheme ("PSP") to the employees of the Group. The shares awarded were vested on the same day.

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All shares rank equally with regard to the Company's residual assets.

The Company acquired 1,853,000 of its own shares through purchase on the Singapore Stock Exchange during the year ended 30 September 2016. The total amount paid to acquire the shares was S$245,000 and has been deducted from the shareholder's equity. The shares are held as "treasury shares".

29 COMPANY LEVEL STATEMENT OF CHANGES IN EQUITY

Company	Note	Retained profits S$'000
2016		
As at 1 October 2015		2,128
Profit and total comprehensive income for the year		2,750
Dividends paid	34	(1,084)
Dividends paid in respect of the year ended 30 September 2016	34	(724)
As at 30 September 2016		3,070
As at 1 October 2016		3,070
Dividends paid	34	(1,622)
Profit and total comprehensive income for the year		1,048
As at 30 September 2017		2,496

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30 TRADE AND OTHER PAYABLES

(a) Current trade and other payables breakdown as follows:

	As at 30 September	
	2017	**2016**
	S$'000	**S$'000**
Trade payables		
– Third parties	**3,521**	2,103
– Related parties	**–**	2
Total trade payables *(Note ii)*	**3,521**	2,105
Other payables and accruals		
– Goods and services tax payables	**419**	546
– Amount owing to a director of subsidiaries *(Note i)*	**98**	26
– Provision for directors' fees	**56**	42
– Accruals	**2,211**	3,868
– Accrued rental expenses	**3,957**	3,384
– Rental deposits received from customers	**12,316**	14,244
– Rental deposits received from related parties	**73**	140
– Rental received in advance	**522**	442
– Advances received from customers	**1,153**	839
– Unpaid deposits	**222**	186
– Withholding tax	**43**	37
– Sundry creditors	**448**	531
– Other payables	**33**	7
Total trade and other payables	**25,072**	26,397
Less non-current portion: other payables	**(18)**	(7)
Total trade and other payables included in current liabilities	**25,054**	26,390

The carrying amounts of the Group's trade payables are denominated in Singapore dollars, United States dollars and Malaysian ringgit. The carrying amounts of trade payables approximate their fair values.

(i) The non-trade amount owing to a director of subsidiaries represents advances which is unsecured and interest-free. It has no fixed terms of repayment and is repayable only when the cash flow of the Group permits.

(ii) As at 30 September 2017 and 2016, the aging analysis of the trade payables based on invoice date is as follows:

	As at 30 September	
	2017	**2016**
	S$'000	**S$'000**
0 to 30 days	**2,447**	1,438
31 to 60 days	**610**	288
61 to 90 days	**284**	75
Over 90 days	**180**	304
	3,521	2,105

31 PROVISION FOR REINSTATEMENT COSTS

Provision for reinstatement costs were recognised for the expected costs associated with restoring the leased industrial buildings by certain subsidiaries upon expiry of leases from landlords to its original condition based on the requirements of the lease contract. Provision for reinstatement costs is the present value of the estimated costs of dismantlement, removal and restoration to be incurred for the leased industrial buildings. The provision is based on estimates made from historical data associated with reinstatement works on contracts of similar nature using technology and materials that are currently available.

The total expected costs to be incurred is S$373,000 and S$352,000 for the financial years ended 30 September 2017 and 30 September 2016.

Movement of the reinstatement costs are as follows:

	Year ended 30 September	
	2017	2016
	S$'000	S$'000
Balance at beginning of the year	**352**	–
Provision for the year	**15**	350
Amortisation of discount	**6**	2
Balance at end of year	**373**	352

32 FINANCE LEASE LIABILITIES

The Group leases certain plant and machinery from non-related parties under finance lease. The lease agreements do not have renewal clause but provide the Group with options to purchase the leased asset at nominal value at the end of the lease term. The obligations under finance lease are secured by the underlying assets of certain plant and machinery, logistics equipment and motor vehicles, personal guarantees provided by a director of a subsidiary and corporate guarantees provided by the Group.

The rights to the leased assets are reverted to the lessors in the event of default of the lease liabilities by the Group.

The amount payable within one year is included under current liabilities whilst that payable after one year is included under non-current liabilities.

The obligations under finance lease are denominated in Singapore dollars.

	As at 30 September	
	2017	2016
	S$'000	S$'000
Gross finance lease liabilities – minimum lease payments		
No later than 1 year	**1,878**	1,447
Later than 1 year and no later than 2 years	**1,453**	1,240
Later than 2 years and no later than 5 years	**2,127**	1,265
	5,458	3,952
Future finance charges on finance leases	**(291)**	(188)
Present value of finance lease liabilities	**5,167**	3,764
The present value of finance lease liabilities is as follows:		
No later than 1 year	**1,750**	1,363
Later than 1 year and no later than 2 years	**1,366**	642
Later than 2 years and no later than 5 years	**2,051**	1,759
	5,167	3,764

NOTES TO THE FINANCIAL STATEMENTS

(FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2017)

32 FINANCE LEASE LIABILITIES (CONT'D)

Effective interest rates

Effective interest rates on the finance leases bears interest between 1.28% and 3.90% per annum during the year ended 30 September 2017 (2016: between 1.87% and 3.01%).

Carrying amounts and fair values

The carrying amounts of current finance lease liabilities approximate their fair value. The carrying amounts and fair values of non-current finance lease liabilities as at 30 September 2017 and 2016 are as follows:

	As at 30 September 2017	
	Carrying Amount S$'000	Fair Value S$'000
Between one and five years	**3,417**	**3,167**

	As at 30 September 2016	
	Carrying Amount S$'000	Fair Value S$'000
Between one and five years	2,401	2,347

The fair value is determined from the discounted cash flow analysis, using a discounted rate based upon the borrowing rate of an equivalent instrument which the directors expect would be available to the Company at the end of the reporting period. No adjustment has been made to fair values as the differences between the carrying amount and fair values are not significant to the Company. The fair values are within Level 2 of the fair values hierarchy.

33 BORROWINGS

	As at 30 September	
	2017 S$'000	2016 S$'000
Non-current, secured		
Bank borrowings repayable later than 1 year and no later than 2 years	**1,919**	3,813
Bank borrowings repayable later than 2 years and no later than 5 years	**5,688**	3,943
Bank borrowings repayable later than 5 years	**8,773**	10,431
	16,380	18,187
Current, secured		
Bank borrowings repayable no later than 1 year	**4,894**	1,817
Total borrowings	**21,274**	20,004

The Group has two banking facilities with financial institutions. Bank borrowings are denominated in Singapore Dollar.

(a) The first banking facility comprises two loans of S$12,280,000 granted to a subsidiary by a bank.

The first loan of S$10,280,000 is repayable in 180 monthly instalments of S$64,000 commencing August 2015 and the second loan of $2,000,000 is repayable in 60 monthly instalments commencing January 2017.

The bank loans are secured by:

(i) Legal mortgage of leasehold property at 100 Eunos Avenue 7;

(ii) Corporate guarantee by LHN Group Pte. Ltd.; and

(iii) Assignment of rental proceeds of the mortgaged property.

Interest is charged between 1.75% and 2.95% (2016: between 1.45% and 2.95%) per annum. The interest rate is repriced monthly.

33 BORROWINGS (CONT'D)

(b) The second banking facility comprises two loans of S$10,300,000 granted to a subsidiary by a bank. The first loan of S$7,300,000 is repayable in 180 monthly instalments commencing 2 November 2012 and the second loan of S$3,000,000 is repayable in 96 monthly instalments commencing 1 August 2014.

The bank loans are secured by:

(i) Legal mortgage of leasehold property at 72 Eunos Avenue 7;

(ii) Corporate guarantees by the Company and LHN Group Pte. Ltd.; and

(iii) Assignment of rental proceeds of the mortgaged property.

Interest is charged between 2.85% and 3.65% (2016: between 2.90% and 4.75%) per annum. The interest rate is repriced monthly.

The amount repayable within one year is included under current liabilities whilst the amount repayable after one year is included under non-current liabilities.

The table below analyses the maturity profile of the Group's borrowings based on contractual undiscounted cash flows:

	Carrying amount S$'000	**Contractual cash flows S$'000**
As at 30 September 2017		
Less than one year	**4,894**	**5,421**
Between one to two years	**1,919**	**2,392**
Between two to five years	**5,688**	**6,765**
More than five years	**8,773**	**9,735**
	16,380	**18,892**
	21,274	**24,313**
As at 30 September 2016		
Less than one year	1,817	2,280
Between one to two years	3,813	4,803
Between two to five years	3,943	4,689
More than five years	10,431	11,657
	18,187	21,149
	20,004	23,429

34 DIVIDENDS

	Year ended 30 September	
	2017 S$'000	**2016 S$'000**
Ordinary dividends		
Final dividend paid in respect of the previous financial year of 0.45 cents (2016: 0.3 cents) per share	**1,622**	1,084
Interim dividend paid in respect of the current financial year of nil cents (2016: 0.2 cents) per share	–	724

NOTES TO THE FINANCIAL STATEMENTS

(FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2017)

35 NOTES TO CONSOLIDATED STATEMENTS OF CASH FLOWS

(a) Reconciliation of cash used in purchase of property, plant and equipment

	Year ended 30 September	
	2017	2016
	S$'000	S$'000
Total property, plant and equipment acquired during the year	**8,391**	6,350
Less: acquired by means of hire-purchase	**(3,106)**	(1,049)
Less: capitalised of reinstatement costs	**(15)**	(350)
Less: Payable of property, plant and equipment	**(274)**	(139)
Cash used in purchase of property, plant and equipment during the year	**4,996**	4,812

(b) Proceeds from disposal of property, plant and equipment

	Year ended 30 September	
	2017	2016
	S$'000	S$'000
Net book amount	**10**	248
Gain on disposal of property, plant and equipment	**93**	27
Proceeds from disposal of property, plant and equipment	**103**	275

(c) Disposal of interest in a subsidiary

During the year ended 30 September 2016, the Group disposed of a subsidiary, Maple Creek Global Inc., whose functional currency was in Singapore Dollars. The carrying value of assets disposed of and liabilities discharged were as follows:

	30 September 2016 S$'000
Net assets/(liabilities) disposed of:	
Cash and bank balances	179
Identifiable net assets	179
Sales proceeds	179
Less: cash and cash equivalents of subsidiary disposed of	(179)
Cash outflow on disposal	–
The gain on disposal of a subsidiary is computed as follows:	
Sales proceeds received	179
Less: Identifiable net assets disposed of	(179)
Gain on disposal of a subsidiary	–

36 OPERATING LEASE COMMITMENTS

(a) Capital commitments

Capital expenditures contracted for at the balance sheet date but not recognised in the financial statements, excluding those relating to investments in associated companies (Note 17) and investment in a joint venture (Note 18), are as follows:

	As at 30 September	
	2017	**2016**
	S$'000	**S$'000**
Property, plant and equipment	**440**	1,226
	440	1,226

(b) Operating lease commitments – where the Group is a lessee

The Group leases property, plant and equipment from non-related parties under non-cancellable operating lease agreements. The leases have varying terms, escalation clauses and renewal rights.

The future minimum lease payables under non-cancellable operating leases contracted for at the balance sheet date but not recognised as liabilities, are as follows:

	As at 30 September	
	2017	**2016**
	S$'000	**S$'000**
Not later than one year	**48,832**	52,893
Between one and five years	**90,902**	84,323
Later than five years	**3,012**	13,749
	142,746	150,965

(c) Operating lease commitments – where the Group is a lessor

The Group and Company lease out investment properties to non-related parties under non-cancellable operating leases. The lessees are required to pay either absolute fixed annual increase to the lease payments or contingent rents computed based on their sales achieved during the lease period.

The future minimum lease receivables under non-cancellable operating leases contracted for at the balance sheet date but not recognised as receivables, are as follows:

	As at 30 September	
	2017	**2016**
	S$'000	**S$'000**
Not later than one year	**41,283**	46,416
Between one and five years	**34,181**	26,877
Later than five years	**–**	699
	75,464	73,992

(d) Corporate guarantees

The Group has provided corporate guarantees in favour of financial institutions in respect of facilities granted to certain associated companies and joint ventures amounting to S$30,612,000 and S$26,400,000 as at 30 September 2017 and 2016, respectively. As at 30 September 2017 and 2016, the amount of guaranteed loans drawn down by associated companies and joint ventures amounted to S$27,846,000 and S$27,527,000.

The Group has determined that the corporate guarantees had insignificant fair values as at 30 September 2017 and 2016.

NOTES TO THE FINANCIAL STATEMENTS

(FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2017)

37 RELATED PARTY TRANSACTIONS

In addition to those disclosed elsewhere in the financial statements, the following is a summary of significant related party transactions which, in the opinion of the directors, are entered into the ordinary course of business between the Group and its related parties, and the balances arising from related party transactions.

Name of the related party	Relationship with the Group
Kelvin Lim	Executive director and shareholder
Jess Lim	Executive director and shareholder
Pang Joo Siang	Spouse of Jess Lim, the Executive Director of the Company
Work Plus Store (AMK) Pte Ltd	A joint venture
Metropolitan Parking Pte Ltd	A joint venture
Four Star Industries Pte Ltd	A joint venture
Nopest Pte Ltd	An associate
Hean Nerng Group Pte. Ltd	A controlling shareholder of the Company
Master Care Services Pte. Ltd.	A non-controlling shareholder of a subsidiary of the Group
LHN Culinary Group	Related group of companies controlled by previous director and a related person to the Executive Director of the Company *(Note 1)*
PJS Companies	Related group of companies controlled by Pang Joo Siang *(Note 2)*
Hean Nerng Realty Pte Ltd	A company with shareholders related to the Group
Shanghai Great Ocean Industrial Development (S) Pte. Ltd.	A company with a shareholder related to the Group
HN Management Pte. Ltd.	A company with a shareholder related to the Group
9 Plus Café Pte Ltd	The owner is the brother-in-law of an Executive Director of the Company
RHT Law	The co-founder is an independent director of the Company
APDB Private Limited	A company with a shareholder related to the joint venture of the Group
Owen Private Limited	A company with a shareholder related to the joint venture of the Group

Note 1: LHN Culinary Group comprises with LHN Culinary Concepts Pte. Ltd., Alkaff Mansion Ristorante Pte. Ltd. and Parco Caffe Holdings Pte. Ltd.

Note 2: PJS Companies comprises Café @ Phoenix Pte. Ltd. and DJ Culinary Concepts Pte. Ltd.

37 RELATED PARTY TRANSACTIONS (CONT'D)

(a) Transactions

	Year ended 30 September	
	2017	2016
	S$'000	S$'000
Service income from:		
Work Plus Store (AMK) Pte Ltd	**455**	106
Metropolitan Parking Pte Ltd	**97**	25
Four Star Industries Pte Ltd	**230**	–
Nopest Pte Ltd	**47**	46
Master Care Services Pte Ltd	**283**	258
LHN Culinary Group	**3**	71
Hean Nerng Realty Pte Ltd	**1**	–
APDB Private Limited	**18**	–
Owen Private Limited	**6**	–
PJS Companies	**398**	506
9 Plus Café Pte Ltd	**172**	185
Auxiliary services from:		
Nopest Pte Ltd	**179**	197
RHT Law	**18**	–
Loan to:		
Work Plus Store (AMK) Pte Ltd	**750**	4,005
Metropolitan Parking Pte Ltd	**525**	2,997
Four Star Industries Pte Ltd	**2,325**	–
Repayment of loan from:		
Work Plus Store (AMK) Pte Ltd	**430**	–
Other transactions with:		
Work Plus Store (AMK) Pte Ltd	**117**	25
Metropolitan Parking Pte Ltd	**965**	107
LHN Culinary Group	**5**	43
PJS Companies	**71**	39
Four Star Industries Pte Ltd	**65**	–
Master Care Services Pte Ltd	**8**	–
Owen Private Limited	**2**	–

Notes:

i Sales and purchases are made at prices mutually agreed by the relevant parties

ii Terms of services are mutually agreed between the relevant parties

iii The purchase of property, plant and equipment are made at fair market value of the date of transfer.

NOTES TO THE FINANCIAL STATEMENTS

(FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2017)

37 RELATED PARTY TRANSACTIONS (CONT'D)

(b) Year-end balances with related parties

	As at 30 September 2017 S$'000	2016 S$'000
Amounts due to related parties (Trade)		
Others	–	2
Total	–	2
Amounts due to related parties (Non-trade)		
PJS Companies	**72**	140
Others	**1**	–
Total	**73**	140
Amounts due from related parties (Trade)		
PJS Companies	**110**	256
LHN Culinary Group	–	42
Four Star Industries Pte Ltd	**100**	–
Others	**4**	–
Total	**214**	298
Amounts due from related parties (Non-trade)		
Loan to Work Plus Store (AMK) Pte Ltd	**4,501**	4,005
Loan to Metropolitan Parking Pte Ltd	**3,633**	2,997
Loan to Four Star Industries Pte Ltd	**2,358**	–
Total	**10,492**	7,002

The amounts due to related parties (Trade), amounts due to related parties (Non-trade) and amounts due from related parties (Trade) were unsecured, interest-free and repayable on demand.

The amounts due from related parties (Non-trade) were unsecured and interest-bearing at 3%, and 3% as at 30 September 2017 and 2016 respectively. They had no fixed terms of payment, repayable on demand.

The carrying amounts approximated their fair values and were denominated in Singapore dollars.

(c) Key management compensation

Key management includes Executive Directors, Independent Non-executive Directors, Chief Financial Officer ("CFO") and General Manager. The compensation paid or payable to key management for employee services is shown below:

	Year ended 30 September 2017 S$'000	2016 S$'000
Salaries and other short-term employee benefits	**1,754**	2,778

Other related parties comprise mainly companies which are controlled by the Group's key management personnel and their close family members.

38 EVENT OCCURRING AFTER BALANCE SHEET DATE

On 28 November 2017, a joint venture company of the Group, Four Star Industries Pte. Ltd. has incorporated a wholly-owned subsidiary, Work Plus Store (Kallang) Pte. Ltd.

On 4 December 2017, the Group has incorporated an associated company, HLA Logistics Pte Ltd, which is held as to 51% by an Independent Third Party, and 49% by HLA Container Services Pte. Ltd, a non wholly-owned subsidiary of the Group.

STATISTICS OF SHAREHOLDINGS

AS AT 8 JANUARY 2018

Number of Ordinary Shares in Issue (excluding treasury shares)	:	402,445,400
Number of Treasury Shares and subsidiary holdings held	:	Nil
Class of Shares	:	Ordinary
Voting Rights	:	One vote for each ordinary share held

DISTRIBUTION OF SHAREHOLDINGS

SIZE OF SHAREHOLDINGS	NO. OF SHAREHOLDERS	%	NO. OF SHARES	%
1 – 99	0	0.00	0	0.00
100 – 1,000	63	11.86	52,200	0.01
1,001 – 10,000	138	25.99	954,300	0.24
10,001 – 1,000,000	316	59.51	32,102,200	7.98
1,000,001 AND ABOVE	14	2.64	369,336,700	91.77
TOTAL	**531**	**100.00**	**402,445,400**	**100.00**

TWENTY LARGEST SHAREHOLDERS

NO.	NAME	NO. OF SHARES	%
1	OCBC SECURITIES PRIVATE LIMITED	276,228,400	68.64
2	HKSCC NOMINEES LIMITED	46,968,000	11.67
3	DBS NOMINEES (PRIVATE) LIMITED	9,008,000	2.24
4	RAFFLES NOMINEES (PTE) LIMITED	7,494,100	1.86
5	PHILLIP SECURITIES PTE LTD	4,954,200	1.23
6	UOB KAY HIAN PRIVATE LIMITED	4,801,200	1.19
7	1ROCKSTEAD GIP FUND II PTE LTD	4,471,000	1.11
8	NG HOCK KON	4,000,000	0.99
9	MERRILL LYNCH (SINGAPORE) PTE LTD	3,164,600	0.79
10	IFS CAPITAL LIMITED	2,805,000	0.70
11	ANG KONG MENG	2,076,500	0.52
12	LIM CHER KHIANG	1,480,000	0.37
13	LIM KIM HUAT	1,119,900	0.28
14	EE YONG EN JOEL	1,115,800	0.28
15	LEYAU YEW TECK	1,000,000	0.25
16	TEOH YEW HOCK	1,000,000	0.25
17	KHOO CHUNG TEIK	914,000	0.23
18	MOPI PRIVATE LIMITED	900,000	0.22
19	MAYBANK KIM ENG SECURITIES PTE. LTD.	831,600	0.21
20	TING BEE WAH	750,000	0.19
	TOTAL	**375,082,300**	**93.22**

PUBLIC FLOAT

Based on the information available to the Company as at 8 January 2018, being the latest practicable date, approximately 31.60% of the issued ordinary shares of the Company are held by the public. Accordingly the Company has complied with Rule 723 of the Listing Manual Section B: Rules of the Catalist of the Singapore Exchange Securities Trading Limited and Rule 8.08 of The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

STATISTICS OF SHAREHOLDINGS

AS AT 8 JANUARY 2018

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

Under Singapore Laws and Regulations

	Direct Interest		Deemed Interest	
Name	Number of Shares	%[1]	Number of Shares	%[1]
Kelvin Lim[2][3][4][5][6][7]	–	–	275,000,000	68.33
Jess Lim[2][3][4][5][6][7]	–	–	275,000,000	68.33
Trident Trust Company (B.V.I.) Limited[3]	–	–	275,000,000	68.33
LHN Capital Pte. Ltd.[4]	–	–	275,000,000	68.33
HN Capital Ltd.[5]	–	–	275,000,000	68.33
Hean Nerng Group Pte. Ltd.[6]	–	–	275,000,000	68.33
Fragrance Ltd.[7]	275,000,000	68.33	–	–
Lim Hean Nerng[7]	–	–	275,000,000	68.33
Foo Siau Foon[7]	–	–	275,000,000	68.33
Lim Yun En[7]	–	–	275,000,000	68.33
Lim Wei Yong Matthew[7]	–	–	275,000,000	68.33
Lim Wei Yee[7]	–	–	275,000,000	68.33
Lin Weichen[7]	–	–	275,000,000	68.33
Lim Wei Kheng (Lin Weiqing)[7]	–	–	275,000,000	68.33
Lim Yu Yang[7]	–	–	275,000,000	68.33
Lim Bee Li[8]	–	–	275,000,000	68.33

Notes:

(1) Based on the total issued share capital of 402,445,400 ordinary shares of the Company as at 8 January 2018.

(2) Kelvin Lim and Jess Lim are siblings. They are therefore deemed interested in each other's interests in the Shares of the Company.

(3) Trident Trust Company (B.V.I.) Limited, a licensed trust company incorporated in BVI, holds the entire issued and paid-up share capital in LHN Capital Pte. Ltd. as trustee of The Land Banking Trust in BVI. LHN Capital Pte. Ltd., a company incorporated in Singapore, is the trustee of The LHN Capital Trust in Singapore. LHN Capital Pte. Ltd. holds the entire issued and paid-up share capital in HN Capital Ltd., a company incorporated in BVI. The Land Banking Trust is a discretionary purpose trust with the principal purpose of (a) promoting the operation of the businesses owned directly or indirectly by LHN Capital Pte. Ltd. ("**LHN Capital Business**"); and (b) to enable the operation of the LHN Capital Business in accordance with the terms of the business plan. Accordingly, there are no beneficiaries to The Land Banking Trust. The LHN Capital Trust is a discretionary irrevocable trust which the trustee, LHN Capital Pte. Ltd., has all powers in relation to the property comprised in The LHN Capital Trust as the legal owner of such property, subject to any express restrictions contained in The LHN Capital Trust. The beneficial owners of the property in the trust fund are the beneficiaries of The LHN Capital Trust which comprise Lim Hean Nerng, Foo Siau Foon, Kelvin Lim and Kelvin Lim's direct lineal issues (namely, Lim Yun En, Lim Wei Yong Matthew, Lim Wei Yee, Lin Weichen, Lim Wei Kheng (Lin Weiqing) and Lim Yu Yang) ("**LHN Capital Trust Beneficiaries**"). Trident Trust Company (Singapore) Pte. Limited is the trust administrator of The LHN Capital Trust.

HN Capital Ltd., Jess Lim and Kelvin Lim hold 85.0%, 10.0% and 5.0% respectively of the entire issued and paid-up share capital in Hean Nerng Group Pte. Ltd.. Kelvin Lim and Jess Lim are also directors of Hean Nerng Group Pte. Ltd..

Hean Nerng Group Pte. Ltd. holds the entire issued and paid-up share capital of Fragrance Ltd.. Kelvin Lim and Jess Lim are also directors of Fragrance Ltd..

Fragrance Ltd.. has a direct interest in 275,000,000 ordinary shares of the Company.

As Trident Trust Company (B.V.I.) Limited and its associates, namely LHN Capital Pte. Ltd., HN Capital Ltd. and Hean Nerng Group Pte. Ltd., are entitled to exercise control of not less than 20.0% of the votes attached to the voting shares in Fragrance Ltd., Trident Trust Company (B.V.I.) Limited is deemed to have an interest in the issued and paid-up share capital of the Company held by Fragrance Ltd..

(4) Kelvin Lim and Jess Lim are directors of LHN Capital Pte. Ltd.. In connection with footnote (3) above, as LHN Capital Pte. Ltd. and its associates, namely HN Capital Ltd. and Hean Nerng Group Pte. Ltd. are entitled to exercise control of not less than 20.0% of the votes attached to the voting shares in Fragrance Ltd., LHN Capital Pte. Ltd. is deemed to have an interest in the issued and paid-up share capital of the Company held by Fragrance Ltd..

(5) Kelvin Lim and Jess Lim are directors of HN Capital Ltd.. In connection with footnote (3) above, as HN Capital Ltd. and its associate, namely Hean Nerng Group Pte. Ltd., are entitled to exercise control of not less than 20.0% of the votes attached to the voting shares in Fragrance Ltd., HN Capital Ltd. is deemed to have an interest in the issued and paid-up share capital of the Company held by Fragrance Ltd..

(6) Kelvin Lim and Jess Lim are directors of Hean Nerng Group Pte. Ltd.. In connection with footnote (3) above, as Hean Nerng Group Pte. Ltd. is entitled to exercise control of not less than 20.0% of the votes attached to the voting shares in Fragrance Ltd., Hean Nerng Group Pte. Ltd. is deemed to have an interest in the issued and paid-up share capital of the Company held by Fragrance Ltd..

(7) Section 4(3) of the SFA provides that "where any property held in trust consists of or includes securities and a person knows, or has reasonable grounds for believing, that he has an interest under the trust, he shall be deemed to have an interest in those securities". In connection with footnote (3) above and pursuant to Section 4(3) of the SFA, The LHN Capital Trust Beneficiaries are deemed to have an interest in the issued and paid-up share capital of the Company held by Fragrance Ltd..

Notwithstanding that each of Lim Hean Nerng, Foo Siau Foon and Kelvin Lim's direct lineal issues (namely, Lim Yun En, Lim Wei Yong Matthew, Lim Wei Yee, Lin Weichen, Lim Wei Kheng (Lin Weiqing) and Lim Yu Yang), being a beneficiary of The LHN Capital Trust, is deemed to be interested in 15.0% or more of the voting shares of the Company, each of them only receives an economic benefit under The LHN Capital Trust but has no control over the property comprised in The LHN Capital Trust and also does not, in fact, have any voting rights in or exercise control over the Company. Pursuant to the Fourth Schedule of the Securities and Futures (Offers of Investments) (Shares and Debentures) Regulations 2005 of Singapore ("**SFR**"), a controlling shareholder in relation to a corporation means (a) a person who has an interest in the voting shares of the corporation and who exercises control over the corporation; or (b) a person who has an interest in the voting shares of the corporation of an aggregate of not less than 30.0% of the total votes attached to all voting shares in the corporation, unless he does not exercise control over the corporation. Accordingly, it is not meaningful to consider them as controlling shareholders of the Company within the meaning of the Fourth Schedule of the SFR.

However, as Lim Hean Nerng was one of the initial founders of the Group and is deemed to be interested in 15.0% or more of the voting shares of the Company through The LHN Capital Trust, he is considered to be a controlling shareholder.

However, Foo Siau Foon and each of Kelvin Lim's direct lineal issues are considered Substantial Shareholders of the Company because they are deemed interested in the Shares held by Fragrance Ltd., being not less than 5.0% of the total votes attached to all the voting shares of the Company.

However, Kelvin Lim, a beneficiary of The LHN Capital Trust, is also a director of LHN Capital Pte. Ltd., HN Capital Ltd., Hean Nerng Group Pte. Ltd., Fragrance Ltd. and the Company. Accordingly, he is deemed to be able to exercise control over the Company and is deemed to be a controlling shareholder of the Company.

Jess Lim is Kelvin Lim's sibling and is also a director of LHN Capital Pte. Ltd., HN Capital Ltd., Hean Nerng Group Pte. Ltd., Fragrance Ltd. and the Company. Accordingly, she is deemed to be able to exercise control over the Company and is deemed to be a controlling shareholder of the Company.

(8) With effect upon the listing of the Company's shares on the Main Board of the SEHK, Lim Bee Li is considered a controlling shareholder of the Company in Singapore. Lim Bee Li is deemed to have an interest in the issued and paid-up capital of the Company held by Fragrance Ltd. by virtue of her position as a controlling shareholder.

Under Hong Kong Laws and Regulations

Long positions in the Shares and underlying Shares

NAME OF SHAREHOLDER	CAPACITY/NATURE OF INTEREST	NUMBER OF SHARES HELD/INTERESTED	APPROXIMATE PERCENTAGE OF SHAREHOLDING AS AT 8 JANUARY 2018
Fragrance Ltd.(1)(2)	Beneficial owner	275,000,000	68.33%
Wang Jialu(1)(3)	Deemed interest by virtue of interest held by spouse	275,000,000	68.33%
Hean Nerng Group Pte. Ltd.(1)(2)	Interest in a controlled corporation	275,000,000	68.33%
HN Capital Ltd.(1)(2)	Interest in a controlled corporation	275,000,000	68.33%
LHN Capital Pte. Ltd.(1)(2)	Trustee	275,000,000	68.33%
Trident Trust Company (B.V.I.) Limited(1)(2)	Trustee	275,000,000	68.33%
Lim Hean Nerng(1)(2)	Founder of discretionary trusts	275,000,000	68.33%
Foo Siau Foon(1)(2)	Founder of discretionary trusts	275,000,000	68.33%

Notes:

(1) Fragrance Ltd, which is wholly-owned by Hean Nerng Group Pte. Ltd., which in turn is owned as to 5% by Kelvin Lim, 10% by Jess Lim and 85% by HN Capital Ltd., is the beneficial owner of 275,000,000 Shares. By virtue of the SFO, Kelvin Lim, Wang Jialu, Hean Nerng Group Pte. Ltd., HN Capital Ltd., LHN Capital Pte. Ltd., Trident Trust Company (B.V.I.) Limited, Lim Hean Nerng and Foo Siau Foon are deemed to be interested in all of the Shares held by Fragrance Ltd..

(2) Lim Hean Nerng, Foo Siau Foon and Kelvin Lim are the founders of The LHN Capital Trust and The Land Banking Trust. Trident Trust Company (B.V.I.) Limited, in its capacity as the trustee of The Land Banking Trust, holds the entire issued share capital of LHN Capital Pte. Ltd.. LHN Capital Pte. Ltd., in its capacity as the trustee of The LHN Capital Trust, holds the entire issued share capital of HN Capital Ltd., which in turn holds 85% of the total issued share capital of Hean Nerng Group Pte. Ltd.. Hean Nerng Group Pte. Ltd. holds the entire issued share capital of Fragrance Ltd. Lim Hean Nerng, Foo Siau Foon and Kelvin Lim are deemed under the SFO to be interested in the Shares held by Trident Trust Company (B.V.I.) Limited and LHN Capital Pte. Ltd.. Trident Trust Company (B.V.I.) Limited is deemed under the SFO interested in the interests held by LHN Capital Pte. Ltd.. LHN Capital Pte. Ltd. is deemed under the SFO interested in the interests held by HN Capital Ltd.. HN Capital Ltd. is deemed under the SFO interested in the interests held by Hean Nerng Group Pte. Ltd.. Hean Nerng Group Pte. Ltd. is deemed under the SFO interested in the interests held by Fragrance Ltd..

(3) Wang Jialu, the spouse of Kelvin Lim, is deemed under the SFO to be interested in the interests held by Kelvin Lim.

Save as disclosed above, as at 8 January 2018, the Directors are not aware of any other person who had an interest or a short position in any Shares which would be required to be disclosed to the Company and the Hong Kong Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept under section 336 of the SFO.

NOTICE OF ANNUAL GENERAL MEETING

LHN Limited
賢能集團有限公司*
(Incorporated in the Republic of Singapore with limited liability)
(Hong Kong Stock Code: 1730)
(Singapore Stock Code: 41O)

NOTICE IS HEREBY GIVEN that the Annual General Meeting of **LHN LIMITED** will be held at 10 Raeburn Park, #02-18, Singapore 088702 on Monday, 19 March 2018 at 10:00 a.m. to transact the following business:–

AS ORDINARY BUSINESS

1. To receive and adopt the Directors' Statement and the Audited Financial Statements for the financial year ended 30 September 2017 together with the Independent Auditor's Report thereon. **(Resolution 1)**

2. To declare a final dividend of 0.2 Singapore cents (S$0.002) per ordinary share tax exempt (one-tier) for the financial year ended 30 September 2017. **(Resolution 2)**

3. To re-elect Mr Chan Ka Leung Gary retiring pursuant to Regulation 98 of the Constitution of the Company, and who has, being eligible, offered himself for re-election as a Director. **(Resolution 3)**

   *The detailed information of Mr Chan Ka Leung Gary as recommended under Guideline 4.7 of the Code of Corporate Governance 2012 and as required under rule 13.74 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**HK Listing Rules**") can be found under the sections entitled "Board of Directors" and the "Corporate Governance Report" in the Annual Report and circular of the Company dated 31 January 2018.*
   [See Explanatory Note (i)]

4. To re-elect the following Directors of the Company retiring pursuant to Regulation 99 of the Constitution of the Company, and who have, being eligible, offered themselves for re-election as Directors:

   Ms Lim Bee Choo **(Resolution 4)**
   Mr Yong Chee Hiong **(Resolution 5)**

   The detailed information of the above mentioned Directors as recommended under Guideline 4.7 of the Code of Corporate Governance 2012 and as required under rule 13.74 of the HK Listing Rules can be found under the sections entitled "Board of Directors" and the "Corporate Governance Report" in the Annual Report and circular of the Company dated 31 January 2018.
   [See Explanatory Note (ii)]

5. To approve the payment of Directors' fees of S$168,000 for the financial year ending 30 September 2018, payable quarterly in arrears (FY2017: S$168,000). **(Resolution 6)**

6. To approve the payment of Directors' meeting allowances of S$25,176 for the financial year ended 30 September 2017.
   [See Explanatory Note (iii)] **(Resolution 7)**

7. To approve the payment of Directors' travel allowances of S$2,000 for the financial year ended 30 September 2017.
   [See Explanatory Note (iii)] **(Resolution 8)**

8. To re-appoint Messrs PricewaterhouseCoopers LLP as the Independent Auditors of the Company to hold office until the conclusion of the next Annual General Meeting and to authorise the Directors of the Company to fix their remuneration. **(Resolution 9)**

9. To transact any other ordinary business which may properly be transacted at an Annual General Meeting.

* *For identification purpose only*

AS SPECIAL BUSINESS

To consider and if thought fit, to pass the following resolution as Ordinary Resolution, with or without any modifications:

10. **Proposed Renewal of the Shareholders' Mandate for Interested Person Transactions**

That:

(a) approval be and is hereby given, for the purposes of Chapter 9 of Section B of the Singapore Exchange Securities Trading Limited (the "**SGX-ST**") Listing Manual: Rules of Catalist (the "**Catalist Rules**") ("**Chapter 9**"), for the Company, its subsidiaries and associated companies that are "entities at risk" (as that term is used in Chapter 9), or any of them, to enter into any of the transactions falling within the types of interested person transactions described in the circular of the Company dated 31 January 2018 (the "**Circular**") with any party who is of the class of interested persons described in the Circular, provided that such transactions are made on normal commercial terms and in accordance with the review procedures for such interested person transactions;

(b) the approval given in sub-paragraph (a) above (the "**IPT Mandate**") shall, unless revoked or varied by the Company in general meeting, continue in force until the conclusion of the next Annual General Meeting of the Company;

(c) the Audit Committee of the Company be and is hereby authorised to take such action as it deems proper in respect of procedures and/or to modify or implement such procedures as may be necessary to take into consideration any amendments to Chapter 9 of the Catalist Rules which may be prescribed by the SGX-ST from time to time; and

(d) the Directors of the Company be and are hereby authorised to complete and do all such acts and things (including executing all such documents as may be required) as they may consider expedient or necessary or in the interests of the Company to give effect to the IPT Mandate and/or this Resolution.
[See Explanatory Note (iv)] **(Resolution 10)**

By Order of the Board

Kenneth Leong
Joint Company Secretary
Singapore,
31 January 2018

NOTICE OF ANNUAL GENERAL MEETING

Explanatory Notes:

(i) Mr Chan Ka Leung Gary, upon re-election as a Director of the Company, will remain as the Chairman of the Audit Committee and a member of the Nominating and Remuneration Committees, and the Board of Directors (save for Mr Chan Ka Leung Gary) considers him independent for the purposes of Rule 704(7) of the Catalist Rules and rule 3.13 of the HK Listing Rules.

(ii) Ms Lim Bee Choo, upon re-election as a Director of the Company, will remain as the Group Deputy Managing Director.

Mr Yong Chee Hiong, upon re-election as a Director of the Company, will remain as the Chairman of the Nominating Committee and a member of the Audit and Remuneration Committees, and the Board of Directors (save for Mr Yong Chee Hiong) considers him independent for the purposes of Rule 704(7) of the Catalist Rules and rule 3.13 of the HK Listing Rules.

(iii) The payment of Directors' meeting allowances is for the additional and ad-hoc board meetings attended by the Directors during the financial year ended 30 September 2017. The payment of Directors' travel allowances is for the overseas travel conducted by the Directors during the financial year ended 30 September 2017 for the evaluation of potential overseas projects to be undertaken by the Company.

(iv) The Ordinary Resolution 10 proposed in item 10 above, if passed, will allow the Company and its subsidiaries to enter into transactions with interested persons as defined in Chapter 9 of the Catalist Rules. Please refer to the Circular of the Company dated 31 January 2018 for details.

Notes:

1. (a) A member who is not a relevant intermediary is entitled to appoint one or two proxies to attend and vote at the annual general meeting ("**Meeting**") of the Company.

   (b) A member who is relevant intermediary is entitled to appoint more than two proxies to attend and vote at the Meeting of the Company, but each proxy must be appointed to exercise the rights attached to a different Share or Shares held by such member,

   "Relevant intermediary" has the meaning ascribed to it in Section 181 of the Act.

2. A proxy need not be a member of the Company.

3. A member of the Company which is a corporation is entitled to appoint its authorised representatives or proxies to vote on his behalf.

4. The instrument appointing a proxy or proxies must be deposited at the registered office of the Company at **10 Raeburn Park, #02-18, Singapore 088702** (for Singapore shareholders), or at the Company's Branch Share Registrar in Hong Kong, Tricor Investor Services Limited at **Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong** (for Hong Kong shareholders) not less than **seventy-two (72) hours** before the time set for the Meeting. The completion and return of a proxy form by a Shareholder does not preclude him from attending and voting in person at the Meeting should he subsequently decide to do so, although the appointment of the proxy shall be deemed to be revoked by such attendance.

Personal data privacy:

By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the 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 Meeting (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the 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 BOOK CLOSURE IN HONG KONG IN RESPECT OF SHAREHOLDERS' ENTITLEMENT TO ATTEND AND VOTE AT THE ANNUAL GENERAL MEETING ("AGM")

In order to determine the entitlement of Shareholders in Hong Kong to attend and vote at the 2018 AGM, the branch register of members of the Company in Hong Kong will be closed from Wednesday, 14 March 2018 to Monday, 19 March 2018 (both days inclusive), during which period no transfer of Shares will be registered in Hong Kong. All Share transfers in Hong Kong, accompanied by the relevant share certificates, must be lodged with the Company's Hong Kong branch share registrar, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong no later than 4:30 p.m. on Tuesday, 13 March 2018.

LHN LIMITED
賢能集團有限公司*
(Incorporated in the Republic of Singapore with limited liability)
(Company Registration No. 201420225D)
(Hong Kong Stock Code: 1730)
(Singapore Stock Code: 41O)

IMPORTANT
A relevant intermediary may appoint more than two proxies to attend the Annual General Meeting and vote (please see note 4 for the definition of "relevant intermediary").

PROXY FORM

(Please see notes overleaf before completing this form)

I/We# ______________________ (Name) ______________ (NRIC/Passport No./HKID No.#)

of ____ (Address)
being a Member/Members# of LHN Limited ("Company"), hereby appoint:

Name	NRIC/Passport Number/ HKID No.	Proportion of Shareholdings to be represented by Proxy	
		Number of Shares	%
Address			

and/or#

Name	NRIC/Passport Number/ HKID No.	Proportion of Shareholdings to be represented by Proxy	
		Number of Shares	%
Address			

or failing the person, or either or both of the persons, referred to above, the Chairman of the Meeting as my/our# proxy/proxies# to vote for me/us# on my/our# behalf at the Annual General Meeting (the "Meeting") of the Company, to be held at 10 Raeburn Park, #02-18, Singapore 088702 on Monday, 19 March 2018 at 10:00 a.m. and at any adjournment thereof. I/We# direct my/our# proxy/proxies# to vote for or against the Resolutions to be proposed at the Meeting as indicated hereunder. If no specified direction as to voting is given, the proxy/proxies# will vote or abstain from voting at his/her/their# discretion, as he/she/they# will on any other matter arising at the Meeting and at any adjournment thereof.

No.	Resolutions relating to:	For	Against
Ordinary Business			
1.	Directors' Statement, Independent Auditor's Report and Audited Financial Statements for the financial year ended 30 September 2017.		
2.	Declaration of a final dividend of 0.2 Singapore cents (S$0.002) per ordinary share tax exempt (one-tier) for the financial year ended 30 September 2017.		
3.	Re-election of Mr Chan Ka Leung Gary as a Director.		
4.	Re-election of Ms Lim Bee Choo as a Director.		
5.	Re-election of Mr Yong Chee Hiong as a Director.		
6.	Approval of Directors' fees amounting to S$168,000 for the financial year ending 30 September 2018, payable quarterly in arrears.		
7.	Approval of Directors' meeting allowances amounting to S$25,176 for the financial year ended 30 September 2017.		
8.	Approval of Directors' travel allowances amounting to S$2,000 for the financial year ended 30 September 2017.		
9.	Re-appointment of Messrs PricewaterhouseCoopers LLP as Independent Auditors of the Company.		
Special Business			
10.	Renewal of the Shareholders' Mandate for Interested Person Transactions.		

Notes: If you wish to exercise all your votes "For" or "Against", please tick within the box provided. Alternatively, please indicate the number of votes "For" or "Against" for each resolution.

Dated this ______ day of __________________ 2018

Total Number of Shares Held

____
Signature of Member(s) or, Common Seal of Corporate Member

* *For identification purpose only*

\# *Delete accordingly*

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), 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 you have Shares entered against your name in the Depository Register and shares registered in your name in the Register of Members, you should insert the aggregate number of shares entered against your name in the Depository Register and registered in your name in the Register of Members. 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 entitled to attend and vote at a meeting of the Company is entitled to appoint one or two proxies to attend and vote in his/her stead. A proxy need not be a member of the Company.

3. Where a member appoints two proxies, he/she shall specify the proportion of his/her shareholding (expressed as a percentage of the whole) to be represented by each proxy. If no proportion is specified, the Company shall be entitled to treat the first named proxy as representing the entire number of shares entered against his/her name in the Depository Register and any second named proxy as an alternate to the first named.

4. A member who is a relevant intermediary or a clearing house entitled to attend the meeting and vote is entitled to appoint more than two proxies to attend and vote instead of the member, 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 proxies, the appointments shall be invalid unless the member specifies the number of shares in relation to which each proxy has been appointed.

   "relevant intermediary" means:

   (a) a banking corporation licensed under the Banking Act (Cap. 19) 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 licence to provide custodial services for securities under the Securities and Futures Act (Cap. 289) and who holds shares in that capacity; or

   (c) the Central Provident Fund Board established by the Central Provident Fund Act (Cap. 36), 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 Board holds those shares in the capacity of an intermediary pursuant to or in accordance with that subsidiary legislation.

5. Completion and return of this instrument appointing a proxy shall not preclude a member from attending and voting at the Meeting. Any appointment of a proxy or proxies shall be deemed to be revoked if a member attends the meeting in person, and in such event, the Company reserves the right to refuse to admit any person or persons appointed under the instrument of proxy to the Meeting.

6. The instrument appointing a proxy or proxies must be deposited at the registered office of the Company at 10 Raeburn Park, #02-18, Singapore 088702 (for Singapore shareholders), or at the Company's Branch Share Registrar in Hong Kong, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong (for Hong Kong shareholders) not less than seventy-two (72) hours before the time set for the Meeting. The completion and return of a proxy form by a Shareholder does not preclude him from attending and voting in person at the Meeting should he subsequently decide to do so, although the appointment of the proxy shall be deemed to be revoked by such attendance.

7. 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. Where the instrument appointing a proxy or proxies is executed by an attorney on behalf of the appointor, the letter or power of attorney or a duly certified copy thereof must be lodged with the instrument.

8. A corporation which is a member of the Company may authorise by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the Meeting, in accordance with its Constitution and Section 179 of the Companies Act, Chapter 50 of Singapore.

General:

The Company shall be entitled to reject the instrument appointing a proxy or proxies if it is incomplete, improperly completed or 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 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 31 January 2018.

LHN LIMITED
10 Raeburn Park #02-18
Singapore 088702
Tel: (65) 6368 8328   Fax: (65) 6367 2163

lhngroup.com