LHN GROUP
SPACE OPTIMISED

COMMERCIAL
LOGISTICS
RESIDENTIAL
FACILITIES
INDUSTRIAL
CAR PARK

Annual Report 2018

Enrich our tenants' lives through sharing

LHN LIMITED - 賢能集團有限公司*

(incorporated in the Republic of Singapore with limited liability)

**For identification purpose only*

Stock Codes: Singapore - 410 / Hong Kong - 1730

OUR EXPERTISE AND EXPERIENCE IN SPACE OPTIMISATION ALLOW US TO CREATE MORE INNOVATIVE AND FUNCTIONAL WORKPLACES.

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WHO ARE WE?

OUR BUSINESS

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

FACILITIES MANAGEMENT

- Car Park Management
- Cleaning & Related Services
- Security Services

LOGISTICS SERVICES

- Container Depot
- Transportation

SPACE OPTIMISATION

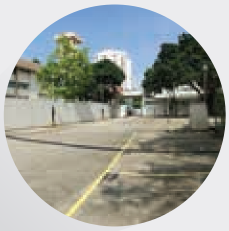
Commercial	GREENHUB SUITED OFFICES FOR BORN GLOBAL FIRMS
Industrial	work+store VALET work+store SPACE
Residential	85 SOHO

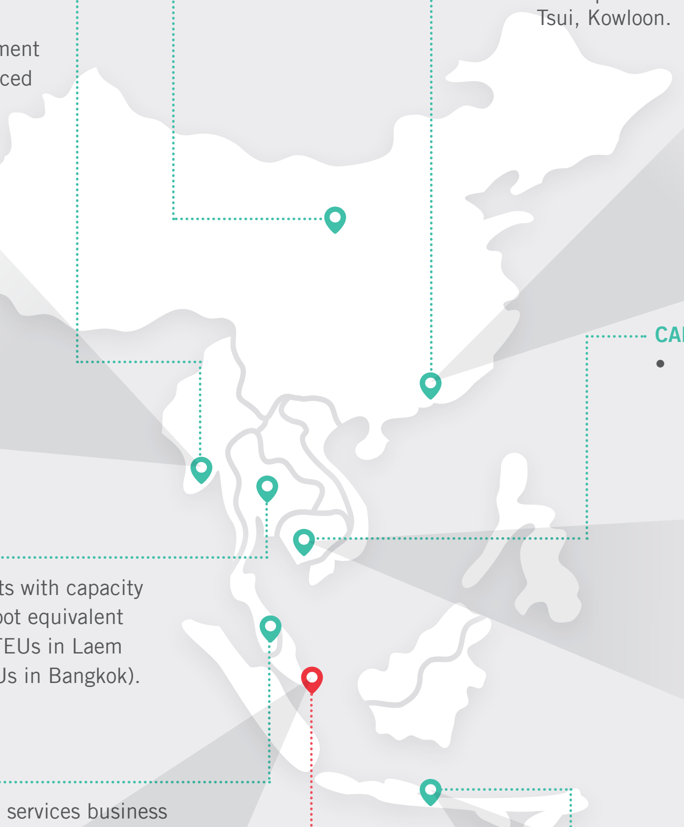
Strategic Locations in Asia

CHINA
- Entered into a 15-year lease agreement to set up the co-living and co-working space business in Nanan, Quanzhou.

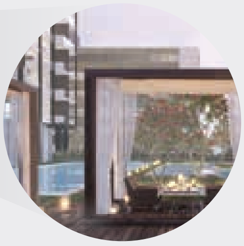
MYANMAR
- Manage 85SOHO Serviced Residences in Yangon.
- Entered into a management service agreement to renovate and provide property management and leasing services to a serviced residence property.

HONG KONG
- Operate two carparks, a public carpark in Tai Po, New Territories and a private carpark in Tsim Sha Tsui, Kowloon.





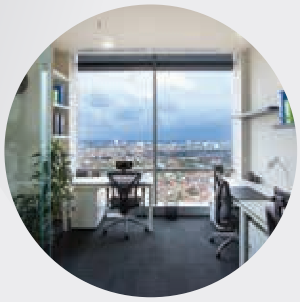
CAMBODIA
- Acquired an entire block of 108 units of condominium apartments to operate as serviced residences in Phnom Penh.



THAILAND
- Operate 2 container depots with capacity of up to 20,500 twenty-foot equivalent units (“**TEUs**”) (10,500 TEUs in Laem Chabang and 10,000 TEUs in Bangkok).

MALAYSIA
- Started our transportation services business in Johor Bahru.

INDONESIA
- Manage 2 GreenHub Suited Offices in Jakarta.

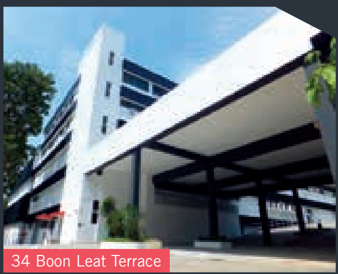


SINGAPORE (REGIONAL HQ)
- Manage 30 commercial, industrial and residential properties, including 5 GreenHub Suited Offices.
- Provide facilities management services for our properties and other properties.
- Handle up to 6,200 TEUs at our container depot at Benoi Sector.
- Started our joint venture container depot business with a capacity of up to 3,000 TEUs.
- Provide transportation services under our Logistics Services Business.

THE YEAR IN REVIEW

2017

OCT 17



34 Boon Leat Terrace

- Obtained master lease renewal for 34 Boon Leat.

DEC 17

- Successfully listed on the Main Board of The Stock Exchange of Hong Kong Limited ("SEHK" or "Hong Kong Stock Exchange").

Listed on SEHK

JAN 17

- Partner with a company which is part of a global shipping group to carry out container logistics and container depot logistics services.
- Obtained lease to manage our second overseas carpark in Hong Kong.
- Secured carpark contract to license 10 carparks from JTC Corporation ("**JTC**").
- Obtained master lease renewal for 8 Jalan Papan.

FEB 18

- Obtained master lease renewal for 260, 262, 264, 266, 268, 270, 272, 274, 276 Upper Bukit Timah Road (**"Fire Station"**).

Fire Station

MAR 18

85SOHO@Xiamen Concept

- Entered into a 15-year lease to set up the co-living and co-working space business in China.
- Obtained master lease renewal for 253 Kranji Road.

2018

APR 18

- Obtained master lease renewal for 2 Soon Wing Road and 798/800 Upper Bukit Timah Road.
- Acquired 108 apartment units in Block 1A of Axis Residences in Cambodia and also to manage the common property and facilities of the Axis Residences.

Block 1A, Axis Residences, Cambodia

MAY 18

GreenHub@Telepark

- Entered into a new lease agreement for our GreenHub operation.

JUL 18

- Entered into our first management service agreement in Yangon, Myanmar to renovate and provide property management and leasing services to a serviced residence.

137 Upper Pansodan Road, Myanmar

AUG 18

Shared Kitchen Concept @31 Boon Lay Drive

- Entered into a new lease for 31 Boon Lay Drive, being the Singapore Land Authority's first co-living project for Student and White-Collar Workers commencing from 1 October 2018.
- Awarded the Best Serviced Apartment and Best Hotel Interior Award in Myanmar Property Awards.
- Obtained master lease renewal for 200 Pandan Gardens.

SEP18

- Awarded the "Best Inaugural Sustainability Report" (Catalist) by Singapore Institute of Directors.

Best Inaugural Sustainability Report

CHAIRMAN'S MESSAGE

Dear Shareholders,

On behalf of the board of directors of LHN Limited (the **"Board"** or the **"Board of Directors"**), we are pleased to present our Annual Report for the financial year ended 30 September 2018 ("**FY2018**").

FY2018 was another momentous year for our Group. On 29 December 2017, our Company was successfully dual listed on SEHK and we 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.

As we ended the calendar year 2017 with a loud and auspicious "Gong", we continued FY2018 with our business strategy of delivering sustainable, long term growth by creating spaces that provide quality, unique experiences to our tenants for our core business and extending our businesses to new geographical locations. We also use part of our net proceeds raised for business expansion, purchase of equipment and general working capital.

REVIEWING OUR FINANCIAL PERFORMANCE

Our revenue grew 2.9% to S$109.3 million in FY2018 as compared to S$106.3 million in the financial year ended 30 September 2017 ("**FY2017**") and we achieved a net profit after tax of approximately S$5.8 million in FY2018 as compared to approximately S$2.8 million in FY2017, representing an increase of 108.5%. Our net asset value per ordinary share increased by 11.0% from 19.59 Singapore cents in FY2017 to 21.75 Singapore cents in FY2018.

SOLIDIFYING OUR CORE BUSINESS & GROWING OUR PRESENCE IN ASIA

Space Optimisation

Despite challenges faced in maintaining the average occupancy rates for our industrial and commercial properties which was 88.8% and 86.2% respectively for FY2018, our Group successfully renewed a total of seven master leases within our property portfolio.

We also secured one new master lease, bringing the total number of properties under our management to 33.

As housing gets more expensive and smaller, the co-living space concept becomes an attractive accommodation option in Singapore. To tap on the growing popularity of the co-living space business, we obtained approval from the Singapore Land Authority ("**SLA**") in March 2018 to convert part of our Raeburn Park property to set up our first co-living and co-working space which has commenced operations in October 2018. In addition, on 13 August 2018, the Group has signed the tenancy of state property at 31 Boon Lay Drive Singapore 649934, being the SLA's first co-living project for Student and White-Collar Workers.

Our overseas expansion in Cambodia, Myanmar and China will mainly be focused on operating residential related projects under our 85SOHO brand. In Phnom Penh, Cambodia, we acquired an entire block of 108 units of condominium apartments within the Axis Residences property development where we intend to operate serviced residences. We have also entered into an exclusive property management agreement with the developer to manage the common property and common facilities of the Axis Residences for a period of ten years with an option to renew for another five years.

In Yangon, Myanmar, we entered into our first management service agreement with a well-established developer to renovate and manage their property as a premium serviced residence. It is expected to be operational by March 2019 and will also be managed under our 85SOHO serviced residence brand.

Lastly, in Quanzhou, China, we have secured a 15-year lease for a building to set up the co-living and co-working space business as part of the Group's business expansion plan in China. The building is currently undergoing renovation and is expected to be operational in third quarter of 2019.

Facilities Management

During the financial year, our car park management business continued to grow its portfolio. In Singapore, we secured a new car park contract to manage 10 car parks from the JTC and another contract to manage the car park and coach parking bays at the Singapore Cruise Centre for a period of two years from 1 September 2018. In Hong Kong, we also obtained a lease

"We believe our successful listing on the SEHK is a testament to the quality and strength of our company and we will continue to work hard to bring our strategic business initiatives into fruition..."

to manage our second car park at Carnarvon Plaza in Tsim Sha Tsui, Kowloon.

In addition, our facilities management business has started to provide integrated facilities management services to building owners, including a Real Estate Investment Trust ("**REIT**"), covering security services, repair, maintenance and cleaning of buildings and offices, pest control and fumigation, managed with productivity enhancing technology.

Logistics Services

Our transportation business has continued to perform well in FY2018 and to support its business operations, we acquired additional prime movers and trailers using part of the proceeds raised from the listing in Hong Kong. In May 2018, we also extended our operations to Malaysia through the acquisition of trucking equipment and business contracts from a logistics company in Johor Bahru.

FY2018 was also another exciting and busy year for our container depot management business. On 29 January 2018, we entered into a joint venture agreement with a company which is part of a global shipping group, to serve and manage their containers which are sailing into or through Singapore. Our second container depot in Thailand located in Bangkok has also commenced operations in November 2018.

Revenue from our Facilities Management and Logistics Services businesses has improved for FY2018. Moving forward, we expect these in-demand, fast-growing, high-margin segments to contribute substantially to the Group's financial performance.

MOVING OUR BUSINESS FORWARD

We will continue in our efforts to expand our Space Optimisation Business in the regions that we currently have a presence in and into other countries primarily focusing on Asia. In the coming year, as we continue to improve our industrial properties' occupancy and stabilise our rental income, we eagerly look forward to operationalise our new residential projects in Singapore, Cambodia, Myanmar and China under our 85SOHO brand. Currently, as an ancillary service, we are supplying electricity to our existing tenants. With the Electricity Retailing Licence from the Energy Market Authority and in October 2018, we obtained approval from the Singapore Power Services to use their Retailer Electronic Business Transaction System, we are able to extend our current offerings to service third parties. We continuously explore opportunities to expand our revenue base by extending our current service offerings to provide better return to our Shareholders. Given our expertise and experience in space management, we also intend to collaborate with industry players to create more innovative and functional work space enhancing the value of the property portfolio we currently manage.

Under our Facilities Management Business, we hope to create our niche in the industry by offering our integrated facilities management services to more REITs and building owners in the coming year. We are also on the constant look-out to secure more car parks under our management and to extend more services to our car park users to stay competitive.

For our Logistics Services Business, we have plans to increase our transport fleet both in Singapore and Malaysia to expand our chemical transportation business while continuing in our efforts to identify a suitable property in Singapore to operate our own International Organisation for Standardisation ("**ISO**") tank depot. To better serve our customers in the region and as part of our expansion plan in ASEAN, in the coming year, our second container depot in Bangkok, Thailand which has recently commenced operations in November 2018 will be able to handle more containers and service more customers. In Myanmar, we also intend to explore opportunities with our customers to set up a new container depot.

SHOWING OUR APPRECIATION

On behalf of the Board of Directors, we wish to express our appreciation to our staff for the dedication, commitment, professionalism and expertise they exhibited in their work which has allowed us to deliver good results this financial year and materialise our overseas business expansion plans. We would also like to thank all our business partners, landlords, tenants, customers and shareholders for their great confidence and support for our Group amidst a very challenging business environment. We believe our successful listing on the SEHK is a testament to the quality and strength of our company and we will continue to work hard to bring our strategic business initiatives into fruition, hence achieving a sustainable growth for our Group's business and delivering greater value to all our stakeholders.

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

Co-living and co-working space at 85SOHO@10 Raeburn Park focuses on a genuine sense of community by using shared spaces such as communal dining and pantry areas and facilities to create a mixing pot for myriad cultures, professions and personalities.

OUR LEADERS

(Left to right)

MR KELVIN LIM
Executive Chairman, Executive Director & Group Managing Director

MS JESS LIM
Executive Director &
Group Deputy Managing Director

(Left to right)

MR CHAN KA LEUNG GARY
Independent Non-executive Director

MS CH'NG LI-LING
Lead Independent Non-executive Director

MR EDDIE YONG
Independent Non-executive Director

(Left to right)

MR DANNY WONG
General Manager

MS YEO SWEE CHENG
Chief Financial Officer

BOARD OF DIRECTORS

MR KELVIN LIM

Executive Chairman, Executive Director & Group Managing Director

Mr Lim Lung Tieng (also known as Lin Longtian) (林隆田) ("**Kelvin**"), age 41, 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 HLA Holdings (Thailand) Limited and HLA Container Services (Thailand) Limited.

Kelvin brings over 20 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 vice-president 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 Jess, who is also an Executive Director and a controlling shareholder of the Company.

MS JESS LIM

Executive Director & Group Deputy Managing Director

Ms Lim Bee Choo (also known as Lin Meizhu) (林美珠) ("**Jess**"), age 44, is a controlling shareholder of the Company and has been appointed to the Board since 10 July 2014 and was last re-elected on 19 March 2018. Jess is currently the Group Deputy Managing Director and a director of all of the subsidiaries of the Group other than LHN Asset Management (Xiamen) Co. Limited, 南安市贤能商务管理有限公司, 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 Kelvin, who is also an Executive Director and a controlling shareholder of the Company.

MS CH'NG LI-LING

Lead Independent Non-Executive Director

Ms Ch'ng Li-Ling (莊立林) ("**Li-Ling**"), age 47, 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 as an Independent Non-executive Director 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 was previously an independent director of SGX-ST listed DeClout Limited (Singapore Stock Code: 5UZ). She is currently an independent director of SGX-ST listed 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.

MR EDDIE YONG

Independent Non-executive Director

Mr Yong Chee Hiong (楊志雄) ("**Eddie**"), age 65, is the Chairman of the Nominating Committee and a member of both the Audit and Remuneration Committees. He was first appointed to the Board as an Independent Non-executive Director on 10 March 2015 and was last re-elected on 19 March 2018.

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 a 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).

MR GARY CHAN

Independent Non-executive Director

Mr Chan Ka Leung Gary (陳嘉樑) (“**Gary**”), age 45, is the Chairman of the Audit Committee and a member of both the Nominating and Remuneration Committees. He was first appointed to the Board as an Independent Non-executive Director on 5 June 2017 and was last re-elected on 19 March 2018. 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.

EXECUTIVE OFFICERS

MR DANNY WONG

General Manager

Mr Wong Sze Peng, Danny (王志斌) (“**Danny**”) 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.

MS YEO SWEE CHENG

Chief Financial Officer

Ms Yeo Swee Cheng (楊瑞清) (“**Swee Cheng**”) 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 (“**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 is residing locally in Singapore and possesses the required qualifications to satisfy the required under section 171 (AA) of the Singapore Companies Act.

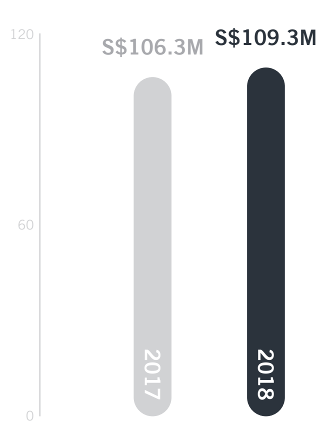
MR IVAN NG

Mr Ng Chit Sing (吳捷陞) (“**Ivan**”) 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 GEM 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.

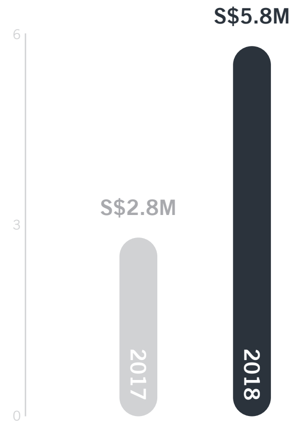
Ivan received a Bachelor’s Degree in Social Sciences in 1996 from Lingnan College and a Bachelor’s Degree in Laws in August 2008 from the University of London.

FINANCIAL HIGHLIGHTS



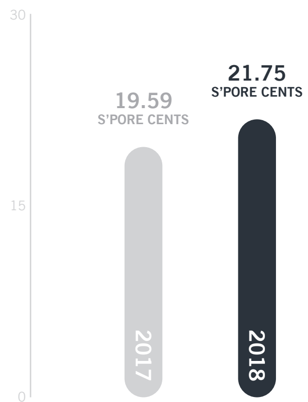
GROUP REVENUE

▲2.9%



PROFIT AFTER TAX

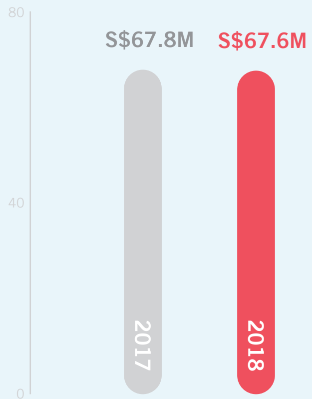
▲108.5%



NET ASSET VALUE PER SHARE

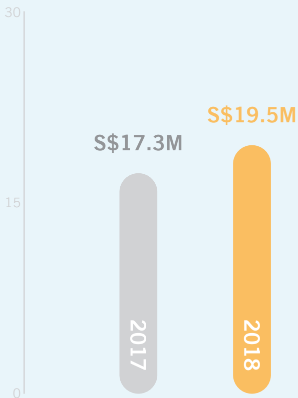
▲11.0%

REVENUE BY BUSINESS SEGMENT



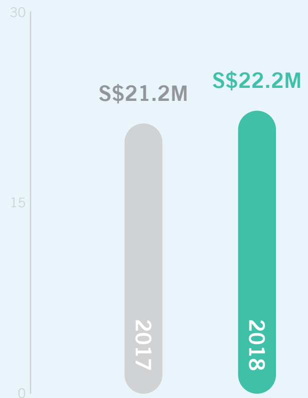
SPACE OPTIMISATION

▼0.3%



FACILITIES MANAGEMENT

▲12.6%



LOGISITICS SERVICES

▲4.9%

Five-year Financial Summary

	FY2014 (S$'000)	FY2015 (S$'000)	FY2016 (S$'000)	FY2017 (S$'000)	FY2018 (S$'000)
GROSS PROFIT	25,031	23,448	27,497	25,751	28,890
PROFIT BEFORE INCOME TAX	14,004	4,268	16,228	3,144	6,206
PROFIT ATTRIBUTABLE TO EQUITY HOLDERS	12,756	4,223	15,094	2,312	5,407
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY	32,727	55,434	69,549	70,609	87,534
NON CURRENT ASSETS	40,895	58,647	72,429	77,916	89,226
CURRENT ASSETS	31,522	48,005	49,133	46,400	58,925
CURRENT LIABILITIES	27,317	30,767	30,920	33,133	39,744
NON CURRENT LIABILITIES	12,504	20,578	21,213	20,241	19,901
CASH AND CASH EQUIVALENTS	14,425	24,637	19,926	14,885	20,667

FINANCIAL RATIOS					
NET ASSET VALUE PER SHARE (SINGAPORE CENTS)	9.05(1)	15.33(2)	19.32(2)	19.59(2)	21.75(2)
EARNINGS PER SHARE (SINGAPORE CENTS)	4.64(3)	1.34(4)	4.18(4)	0.64(4)	1.38(4)

(1) For comparative and illustrative purposes, the net asset value per ordinary share for the financial year ended 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, 30 September 2017 and 30 September 2018 was computed based on the number of ordinary shares in issue of 361,524,000, 360,004,000, 360,445,000 and 402,445,000 respectively.

(3) For comparative and illustrative purposes, the earnings per ordinary share for the financial year ended 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, 30 September 2017 and 30 September 2018 was computed based on the weighted average number of ordinary shares in issue of 316,020,000, 361,335,000, 360,314,000 and 392,204,000 respectively.

OPERATIONS AND FINANCIAL REVIEW

1. INTRODUCTION

On 29 December 2017, the shares of the Company were listed on the Main Board of the SEHK (the "**HK Listing**"). Since then, the shares of the Company are dually listed on the Main Board of SEHK and Catalist of the SGX-ST. Under the global offering in Hong Kong which was completed on 29 December 2017 (the "**Global Offering**"), the Company had allotted and issued 42,000,000 ordinary shares at a final offer price of HK$1.90 per share and raised HK$79.8 million (equivalent to S$13.6 million) in total gross proceeds. Details on the utilisation of proceeds are set out on page 50 of this report.

We believe this is one of the major milestones of our Company, to not only expand our business geographically, but also to achieve a dual primary listing status on the SEHK and Catalist (the "**Dual Listing**"). We believe the Dual Listing is important for our business as (i) the SEHK is strategically an ideal venue for our Company's dual primary listing as Hong Kong is a special administrative region of the People's Republic of China ("**PRC**"), it has close trading and business links to the PRC, and it provides exposure to the PRC, and as such, the HK Listing can strengthen our positioning and enhance our brand name in the Greater China region especially with our existing and future expansion plan; (ii) we can capitalise on our status as a listed company in Hong Kong to further reinforce our corporate profile, brand awareness and market reputation as an international reputation is important for any further investment overseas and allows us to have a stronger bargaining power to negotiate better investment terms; and (iii) we will have better access to capital and future fund raising opportunities as the Main Board of the SEHK will be another platform in addition to our listing on the Catalist of SGX-ST.

2. BUSINESS REVIEW

For FY2018, the Group recorded an increase in revenue of 2.9%, mainly contributed by the Commercial and Residential Properties, as well as the Facilities Management Business and Logistics Services Business.

2.1. Space Optimisation Business

During FY2018, our Group has renewed five master leases under our Industrial Properties and two master leases under our Commercial Properties.

In addition, we have secured one new master lease under our Space Optimisation Business during FY2018. A summary of the new leased property is set out below:

PROPERTY NAME	LOCATION	TYPE OF PROPERTY	GFA (sqft approx)	LEASE TERM
Telepark	5 Tampines Central 6, Singapore, #03-32, #03-33, #03-34, #03-35, #03-36, #03-37, #03-38, #03-39, #03-40	Commercial	9,900	1 May 2018 to 30 April 2023

The average occupancy rate of the Industrial Properties and Commercial Properties was approximately 88.8% and 86.2% respectively. The Group faced pressure on occupancy and rental rates for its leasing business for both the Industrial and Commercial properties under its Space Optimisation Business during FY2018.

As housing gets more expensive and smaller, the co-living concept becomes an attractive accommodation option in Singapore. To tap on the growing popularity of the co-living space business, we obtained approval from the Singapore Land Authority in March 2018 to convert approximately 33,000 square feet at our Raeburn Park property to set up our first co-living and co-working space which has commenced operations in October 2018. In addition, on 13 August 2018, the Group has signed the tenancy of a state property at 31 Boon Lay Drive Singapore 649934, being the Singapore Land Authority's first co-living project for Student and White-Collar Workers, for a tenancy period of three years commencing from 1 October 2018 with an option to renew for another three years plus three years. The property is currently undergoing renovations.

2.1.1. Expansion in China

On 29 March 2018, the Group has signed a 15-year lease agreement with Nan An Shi Shi Jing Guang Xian Shi Ye You Xian company (南安市石井光贤石业有限公司), to set up the co-living and co-working space business in Quanzhou, one of the three major cities in the Fujian province of the PRC, as part of the Group's business expansion plan in China. The leased property has a total gross floor area of approximately 7,373 square metres and the lease will officially commence upon getting approval from the relevant authority for its usage.

2.1.2. Expansion in Cambodia

On 26 April 2018, LHN Residence Pte. Ltd., an indirect wholly-owned subsidiary of the Company, and Spring CJW Development Pte. Ltd. (the "**Developer**") entered into a sale and purchase agreement to acquire an entire block of 108 units of condominium apartments within the Axis Residences, a property development located at Street Duong Ngeap III, Phum Teuk Thla, Sangkat Teuk Thla, Khan Sen Sok, Phnom Penh City in Cambodia, where the Group intends to operate its 85SOHO brand of serviced residences. The consideration of the acquisition is US$12.5 million. The Developer has designated 85SOHO LHN (Cambodia) Co., Ltd., a wholly-owned subsidiary of the Group, as the property management company of Axis Residences, and has entered into an exclusive property management agreement with the Developer to manage the common property and common facilities of the Axis Residences for a period of ten years with an option to renew for another five years. The property management agreement shall be effective from the date of completion of the construction of the building which is estimated to be around end December 2018.

2.1.3. Expansion in Myanmar
On 12 July 2018, the Group entered into its first management service agreement with Mother Construction Co., Ltd, a local well-established property developer in Yangon with over 20 years of experience in property development, to renovate and provide property management and leasing services to one of its properties, which we will operate as serviced residences in Yangon. The 13-storey property will be renovated to a premium serviced residence complex which is expected to be operational by March 2019 and will be managed under the Group's 85SOHO serviced residence brand.

2.2. Facilities Management Business
Our Facilities Management Business expanded further this year as a result of new car park, integrated facilities management and security services contracts secured.

During FY2018, the Group obtained the lease to manage its second overseas car park at Carnarvon Plaza in Tsim Sha Tsui, Kowloon, Hong Kong, bringing the car parks operated by the Company in Hong Kong to two. In addition, the Group also secured a car park contract in Singapore to license 10 car parks from JTC and a contract to manage the car park and coach parking bays at the Singapore Cruise Centre for a period of two years from 1 September 2018.

To ride on the enbloc phenomenon in Singapore, Golden Mile Tower Complex has set up a sales committee recently to consider a possible enbloc sale, where our joint venture company owns and operates the car park located at the premise, but the plan is still at a very preliminary stage.

2.3. Logistics Services Business
On 29 January 2018, HLA Container Services Pte. Ltd., an indirect 60% owned subsidiary, entered into a joint venture agreement with a company which is part of a global shipping group, to regulate, among others, the conduct of the business and affairs of HLA Logistics Pte. Ltd., a joint venture company set-up by the parties of the joint venture. HLA Logistics Pte. Ltd. has commenced operations in Singapore in April 2018 to provide container depot services.

In addition, our second container depot in the vicinity of Bangkok, Thailand, has recently commenced operations in November 2018 with a capacity of 10,000 twenty-foot equivalent units.

Our trucking business segment has extended its operations to Malaysia in the second half of FY2018. Our Group will also be acquiring additional prime movers and trailers to expand its trucking business in Singapore.

3. INDUSTRY OVERVIEW

3.1. Space Optimisation Business
JTC revealed in its latest quarterly market report for the third quarter 2018[1] ("**3Q2018**") that occupancy rate of the overall industrial property market in Singapore rose by 0.4 percentage points compared to the previous quarter. Compared to a year ago, occupancy rate of overall industrial property market rose by 0.5 percentage points. Rentals of industrial space in 3Q2018, however, fell by 0.1% compared to the previous quarter and fell by 0.4% compared to the previous year. It was also reported that with supply of new industrial space tapering in the coming years, industrial space rental is expected to stabilise in tandem with occupancy rates. In view of the abovementioned, the Group will continue to focus on tenant retention to maintain a stable occupancy rate for its industrial properties.

Based on the latest statistics from the Urban Redevelopment Authority[2] ("**URA**"), the rental index of office space increased by 2.5% in 3Q2018, compared with the 1.6% increase in the previous quarter. Our Space Optimisation Business which involves leasing out commercial properties, is expected to benefit from this slight recovery in the office rental market moving forward.

3.2. Logistics Services Business
According to the Singapore Economic Development Board's monthly manufacturing performance for September 2018[3], the manufacturing output of chemicals decreased 7.1% year-on-year in September 2018. This comprises the petrochemicals and petroleum segments which contracted 14.3% and 15.7% respectively, due to maintenance shutdowns. Despite the slowdown, the Group's trucking business performed relatively well in FY2018, attributable to our competitive pricing, on-time delivery and good relationships with our customers.

Due to the pick-up in global economy, the port of Singapore's container throughput rose by 8.9% in 2017, following flat growth in 2016[4]. In Thailand, the largest container terminal operator, Hutchison Ports Thailand, is expanding its handling capacity with some of the largest quay and gantry cranes in the world as part of its development of Terminal D in Laem Chabang Port which will increase its handling capacity by 3.5 million twenty-foot equivalent units to more than 6 million twenty-foot equivalent units[5]. Our container depot business is expected to benefit and expand from this positive outlook.

4. BUSINESS OUTLOOK

The Singapore economy grew by 2.2% on a year-on-year basis in the third quarter of 2018, slower than the 4.1% growth in the previous quarter according to data from the Ministry of Trade and Industry on 22 November 2018[6]. Despite the positive growth rate achieved by the Singapore economy, the Group remains cautious in its outlook as the global economic and business environment become more challenging and uncertain as a result of global political and trade tensions.

As disclosed in the prospectus of the Company dated 15 December 2017, the Group has extended its geographic exposure to Europe by acquiring 17.5% of interest in WeOffices ApS, a company incorporated in Denmark and principally engaged in the business of rental of serviced office space in Denmark. From October to November 2018, GreenHub Suited Offices Pte. Ltd., an indirect wholly-owned subsidiary of the Company, contributed an additional capital amount of DKK196,125 (equivalent to S$41,810) in WeOffices ApS. Following the additional capital injection, our investment in WeOffices ApS amounted to DKK837,635 (equivalent to S$179,963), representing approximately 56.0% of the investment amount under the first tranche subscription as disclosed in the prospectus of the Company dated 15 December 2017. Our shares in WeOffices ApS are recognised as available for sale financial assets in our financial statements.

OPERATIONS AND FINANCIAL REVIEW

On 31 October 2018, the Group has entered into an option to purchase agreement to acquire a property at 71 Lorong 23 Geylang, THK Building, Singapore 388386 where the Group intends to use the property for self-storage and last mile logistics services. The property has a total land area of 1,562.7 square metres and is a leasehold estate of 99 years which commenced on 21 December 1993. The consideration of the property is S$18.0 million which will be funded from net proceeds from the Global Offering of S$4.5 million and the balance of S$13.5 million will be funded by internal source of funding and bank borrowings. Please refer to the announcement of the Company dated 31 October 2018 for further details.

Our Group will continue to look for new properties and opportunities to grow and expand our Space Optimisation Business in Singapore and in regions that we currently have presence in as well as into other countries in Asia and China.

In the Facilities Management Business segment, the Group will continue to secure more external facilities management contracts providing security and cleaning services. However, due to rising wages, business costs for this business segment is expected to increase.

The Group will continue to look for more locations for our car park business both in Singapore and Hong Kong and also intends to expand the car park management business to Cambodia.

Our Logistics Services Business continues to be on track bringing in positive results and the Group is optimistic on the demand for container storage and repair services and transportation services.

5. FINANCIAL REVIEW

5.1. Revenue

The Group's revenue increased by approximately S$3.0 million or 2.9% from approximately S$106.3 million in FY2017 to approximately S$109.3 million in FY2018 primarily due to an increase in revenue from the Commercial and Residential Properties under the Space Optimisation Business, as well as the Facilities Management Business and Logistics Services Business. The increase was partially offset by the decrease in revenue from the Industrial Properties under the Space Optimisation Business.

5.1.1. Space Optimisation Business

(a) Industrial Properties

Revenue derived from Industrial Properties decreased by approximately S$2.7 million or 6.2% from approximately S$43.2 million in FY2017 to approximately S$40.5 million in FY2018 mainly due to (i) the expiry of two master leases which were not renewed in the west zone in Singapore in the first and third quarter of FY2017; (ii) movement of tenants due to expiry of sub-leases; and (iii) expiry and renewal of sub-leases at lower rental rates.

The average occupancy rate of Industrial Properties managed by the Group in FY2018 was approximately 88.8% as compared to approximately 88.4% in FY2017.

(b) Commercial Properties

Revenue derived from Commercial Properties increased by approximately S$1.8 million or 7.7% from approximately S$23.2 million in FY2017 to approximately S$25.0 million in FY2018 mainly due to one-time revenue contribution of approximately S$3.8 million from the rights to use the 85SOHO brand in Cambodia. This was partially offset by a net decrease in revenue of approximately S$2.0 million from (i) movement of tenants as a result of expiry of sub-leases and the renewal of one of our master leases that expired during the last quarter of FY2017 in the north-east zone in Singapore and the renewal of one of our master leases during the second quarter of FY2018 in the west zone in Singapore; and (ii) the expiry and renewal of sub-leases at lower rental rates.

The average occupancy rate of the Group's Commercial Properties was approximately 86.2% in FY2018 as compared to 91.0% in FY2017.

REVENUE

	FY2018 (S$'000)	FY2017 (S$'000)	VARIANCE (S$'000)	VARIANCE (%)
SPACE OPTIMISATION BUSINESS	67,601	67,787	(186)	(0.3)
A) INDUSTRIAL PROPERTIES	40,498	43,170	(2,672)	(6.2)
B) COMMERCIAL PROPERTIES	24,970	23,183	1,787	7.7
C) RESIDENTIAL PROPERTIES	2,133	1,434	699	48.7
FACILITIES MANAGEMENT BUSINESS	19,480	17,299	2,181	12.6
LOGISTICS SERVICES BUSINESS	22,204	21,167	1,037	4.9
TOTAL	109,285	106,253	3,032	2.9

(c) Residential Properties

Revenue derived from Residential Properties increased by approximately S$0.7 million or 48.7% from approximately S$1.4 million in FY2017 to approximately S$2.1 million in FY2018 mainly due to increase in design consultancy fees.

5.1.2. Facilities Management Business

Revenue derived from our Facilities Management Business increased by approximately S$2.2 million or 12.6% from approximately S$17.3 million in FY2017 to approximately S$19.5 million in FY2018 mainly due to increase in revenue from the (i) increase in the number of car parks managed; and (ii) increase in demand of security services and facilities management services.

5.1.3. Logistics Services Business

Revenue derived from our Logistics Services Business increased by approximately S$1.0 million or 4.9% from approximately S$21.2 million in FY2017 to approximately S$22.2 million in FY2018 mainly due to an increase in transportation services provided.

5.2. Cost of Sales
Cost of sales decreased by approximately S$0.1 million or 0.1% from approximately S$80.5 million in FY2017 to approximately S$80.4 million in FY2018 mainly due to a decrease in rental costs of approximately S$1.6 million and upkeep and maintenance costs of approximately S$0.7 million. The decrease was partially offset by an increase in (i) direct labour costs of approximately S$1.8 million as a result of increase in manpower cost under the Facilities Management Business in line with the increased services provided; and (ii) container depot management charges of approximately S$0.2 million and transportation costs of approximately S$0.2 million from our Logistics Services Business in line with the increase in logistics services rendered.

5.3. Gross Profit
In view of the above mentioned, gross profit increased by approximately S$3.1 million from approximately S$25.8 million in FY2017 to approximately S$28.9 million in FY2018.

5.4. Other Income
Other income increased by approximately S$1.1 million or 43.8% from approximately S$2.5 million in FY2017 to approximately S$3.6 million in FY2018 mainly due to an increase in (i) gain on disposal of property, plant and equipment of approximately S$0.3 million from disposal of logistics and car park equipment; (ii) government grants received of approximately S$0.2 million; (iii) interest income of approximately S$0.1 million; and (iv) miscellaneous income of approximately S$0.5 million which includes the reinstatement charges to tenants upon the expiry of leases, amongst others.

5.5. Other Operating Expenses
Other operating expenses increased by approximately S$1.1 million from approximately S$0.2 million in FY2017 to approximately S$1.3 million in FY2018 mainly due to increase in impairment loss on trade receivables of approximately S$0.6 million from the Space Optimisation Business and foreign exchange loss of approximately S$0.5 million mainly due to unrealised exchange loss from revaluation of SGD denominated loan in Indonesian subsidiary.

5.6. Selling and Distribution Expenses
Selling and distribution expenses increased by approximately S$0.3 million or 24.3% from approximately S$1.3 million in FY2017 to approximately S$1.6 million in FY2018 mainly due to increase in agent commission of approximately S$0.3 million as a result of new tenants secured under our Space Optimisation Business.

5.7. Administrative Expenses
Administrative expenses increased by approximately S$0.2 million or 0.5% from approximately S$24.4 million in FY2017 to approximately S$24.6 million in FY2018 mainly due to increase in employee benefit costs of approximately S$1.4 million. This was partially offset by a decrease in expenses of approximately S$1.2 million relating to the Dual Listing.

5.8. Finance Cost
Finance cost increased by approximately S$0.2 million or 30.0% from approximately S$0.6 million in FY2017 to approximately S$0.8 million in FY2018 mainly due to increased interest expenses from higher bank borrowings and interest rates as compared to FY2017.

5.9. Share of Results of Associates and Joint Ventures
Share of results of associates and joint ventures decreased by S$1.4 million or 42.3% from approximately S$3.4 million in FY2017 to approximately S$2.0 million in FY2018 mainly due to a non-recurring gain of approximately S$3.8 million recognised in FY2017 on the acquisition of Four Star Industries Pte. Ltd. which was a result of the excess of our proportionate share of the net fair value of the joint venture's identifiable assets and liabilities over the cost of investment. This was offset by an increase in operating profit of approximately S$0.4 million in FY2018 and an increase in fair value gain on investment properties of approximately S$2.0 million in FY2018 comprising approximately S$0.9 million from an industrial property and approximately S$1.1 million from a carpark property.

5.10. Impairment Loss on Asset Held-for-Sale
Impairment loss on asset held-for-sale was approximately S$0.5 million in FY2017 mainly due to the decrease in valuation of non-current assets classified as held-for-sale. No such impairment was recognised for FY2018.

5.11. Fair Value Gain/(Loss) on Investment Properties
Fair value loss on investment properties was approximately S$1.4 million in FY2017 comprising a decrease in valuation of industrial properties in Singapore and a commercial property in Indonesia as compared to a fair value gain on investment properties of approximately S$4,000 in FY2018 for the commercial property in Indonesia.

5.12. Profit before Income Tax
As a result of the aforementioned, the Group's profit before income tax was approximately S$6.2 million in FY2018 as compared to approximately S$3.1 million in FY2017.

5.13. Income Tax Expense
Income tax expense remained unchanged at approximately S$0.4 million in FY2017 and FY2018.

5.14. Profit for the Year
As a result of the above, the Group's net profit was approximately S$5.8 million in FY2018 as compared to approximately S$2.8 million in FY2017, representing an increase of 108.5%.

6. REVIEW OF STATEMENT OF FINANCIAL POSITION

6.1. Non-current Assets
Non-current assets increased by approximately S$11.3 million from approximately S$77.9 million as at 30 September 2017 to approximately S$89.2 million as at 30 September 2018.

Investment properties increased by approximately S$2.7 million due to the reclassification of 72 Eunos Avenue 7 ("**72 Eunos**") from property, plant and equipment ("**PPE**") of approximately S$3.3 million partly offset by currency exchange

OPERATIONS AND FINANCIAL REVIEW

translation loss of approximately S$0.6 million. The reclassification of 72 Eunos was a result of a change in the usage of the property as the owner-occupation had decreased from 17% to 2%.

Investment in joint ventures increased by approximately S$1.8 million due to the share of profit of joint ventures in FY2018.

Other asset increased by approximately S$7.7 million due to the progress billing of the property in Cambodia.

Intangible assets increased by approximately S$0.2 million in relation to the consideration paid for the acquisition of customer contracts during FY2018 under the Logistics Services Business.

The increase in non-current assets was partially offset by a decrease in deferred tax assets of approximately S$0.2 million and a decrease in PPE of approximately S$0.9 million as a result of (i) the abovementioned reclassification of 72 Eunos; and (ii) depreciation of approximately S$5.9 million less net additions to PPE of approximately S$8.3 million mainly for car park equipment purchased for new car park management contracts obtained, logistics equipment and renovation costs for our Space Optimisation Business.

6.2. Current Assets

Current assets increased by approximately S$12.5 million from approximately S$46.4 million as at 30 September 2017 to approximately S$58.9 million as at 30 September 2018 mainly due to increase in (i) trade receivables of approximately S$4.1 million consisting of mainly the outstanding amount of approximately S$2.6 million from the billing of rights to use 85SOHO brand in Cambodia, slower collection of trade receivables from the Space Optimisation Business of approximately S$0.9 million and higher trade receivables from the Logistics Services Business of approximately S$0.4 million which was in line with the increase in logistics revenue; (ii) other receivables of approximately S$1.9 million from accrued rental income and deposits paid; (iii) loans to joint ventures of approximately S$2.1 million provided to our joint venture companies, mainly Work Plus Store (AMK) Pte. Ltd. and Four Star Industries Pte Ltd, for working capital and renovation of the properties; and (iv) cash and bank balances and fixed deposits of approximately S$5.8 million largely due to the net proceeds received from the HK Listing of approximately S$7.4 million after deduction of Dual Listing expenses less amount utilised of approximately S$0.8 million. These were partially offset by an increase in impairment loss on trade receivables of approximately S$0.7 million from the Space Optimisation Business and decrease in prepayments of approximately S$0.7 million.

6.3. Non-current Liabilities

Non-current liabilities decreased by approximately S$0.3 million from approximately S$20.2 million as at 30 September 2017 to approximately S$19.9 million as at 30 September 2018 mainly due to decrease in finance lease liabilities of approximately S$0.5 million and transfer of provision for reinstatement costs of approximately S$0.2 million to current liabilities. These were partially offset by an increase in deferred tax liabilities of approximately S$0.2 million and increase in bank borrowings of approximately S$0.2 million.

6.4. Current Liabilities

Current liabilities increased by approximately S$6.6 million from approximately S$33.1 million as at 30 September 2017 to approximately S$39.7 million as at 30 September 2018 mainly due to an increase in (i) trade and other payables of approximately S$7.1 million which largely consists of accruals for the construction of Cambodia property and advances received from customers; and (ii) transfer of provision for reinstatement costs of approximately S$0.2 million from non-current liabilities. These were partially offset by a decrease in income tax liabilities of approximately S$0.6 million and decrease in finance lease liabilities of approximately S$0.1 million.

6.5. Review of Statement of Cash Flows

In FY2018, the Group recorded net cash generated from operating activities of approximately S$10.3 million, which was a result of operating profit before changes in working capital of S$12.7 million, increase in trade and other receivables of approximately S$5.1 million and trade and other payables of approximately S$3.6 million, adjusted for net income tax paid of approximately S$0.9 million.

Net cash used in investing activities amounted to approximately S$11.6 million, which was mainly due to additions to property, plant and equipment for logistics equipment and renovation costs paid of approximately S$6.9 million, loans to joint ventures of approximately S$1.7 million, additions to intangible assets of approximately S$0.2 million and additions to other asset of approximately S$3.4 million for the construction progress payment of the property in Cambodia. These were partially offset by the proceeds received from disposal of property, plant and equipment of approximately S$0.5 million and dividend from associate of S$0.1 million.

Net cash generated from financing activities amounted to approximately S$7.1 million, which was due to proceeds from bank borrowings of approximately S$5.7 million, proceeds received from issuance of ordinary shares of approximately S$13.6 million pursuant to the HK Listing and capital contribution from non-controlling shareholders of approximately S$0.3 million. These were partially offset by the repayment of finance lease of approximately S$1.9 million for logistics and carpark equipment, repayment of bank borrowings of approximately S$5.6 million, interest expense paid of approximately S$0.8 million, dividend paid of approximately S$0.8 million, Dual Listing expenses paid of approximately S$2.1 million and share issue expense of approximately S$1.3 million, that has been capitalised.

As a result of the above, cash and cash equivalents increased by approximately S$5.8 million, amounting to S$20.7 million as at 30 September 2018.

6.6. Liquidity and Financial Resources

During FY2018, 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 HK Listing.

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 2018 were denominated in Singapore dollars and United States dollars with interest charged on these borrowings ranging from 2.18% to 6.00% per annum. As at 30 September 2018, the Group had outstanding bank borrowings of S$21.4 million. These borrowings were secured by (i) legal mortgage of the Group's leasehold properties at 72 Eunos Avenue 7 and 100 Eunos Avenue 7 in Singapore; (ii) corporate guarantees provided by the Group; (iii) personal guarantees provided by a director and shareholder of a non-wholly owned subsidiary of the Company, in proportion to his shareholdings in such non-wholly owned subsidiary (the "**Subsidiary Director**"); and (iv) assignment of rental proceeds of the mortgaged properties. The Subsidiary Director is not a controlling shareholder of the Company.

As at 30 September 2018, 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.

6.7. 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 2018 were denominated in Singapore dollars.

As at 30 September 2018, the Group had finance lease liabilities of S$4.6 million. The obligations under the finance lease are secured by the underlying assets of certain plant and machinery, logistics equipment and motor vehicles, personal guarantees provided by the Subsidiary Director that is proportional to his shareholdings in the non-wholly owned subsidiary and corporate guarantees provided by the Group.

6.8. Capital Commitment

The Group's capital commitments primarily relate to the balance progress billing of Block 1A of Axis Residences in Cambodia for an amount of S$9.4 million and acquisition of logistics equipment and renovation costs for an amount of S$7.5 million as at 30 September 2018.

6.9. Capital Expenditure

During FY2018, the Group's capital expenditure consists of additions to property, plant and equipment, investment properties and other asset amounting to approximately S$16.1 million for car park equipment purchased for new car parks secured, renovation costs for our Space Optimisation Business and the progress billing of Block 1A of Axis Residences in Cambodia (FY2017: approximately S$9.4 million).

6.10. Material Acquisitions and Disposals of Subsidiaries, Associates and Joint Ventures

There were no material acquisition and disposal of subsidiaries, associates and joint ventures for FY2018.

6.11. 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 for FY2018.

6.12. Exposure to Fluctuations in Exchange Rates

The Group mainly operates in Singapore, Indonesia, Thailand, Myanmar and Hong Kong during FY2018. Currency exposure arises within entities of the Group when transactions are mainly denominated in foreign currencies such as United States dollars ("**USD**"), Indonesian Rupiah ("**IDR**"), Hong Kong dollars ("**HKD**" or "**HK$**") and Thai Baht ("**THB**"). In addition, the Group is exposed to currency translation risk upon translation of the net assets in foreign operations into the Group's reporting currency in SGD. The Group is planning to expand its business into other countries and regions including the PRC, Cambodia and Vietnam which may be subject to foreign exchange rate risk arising from future commercial transactions and assets and liabilities to be recognised. The Group has not carried out any hedging activities against foreign exchange fluctuations.

6.13. Employees and Remuneration Policies

As at 30 September 2018, there were 414 (as at 30 September 2017: 403) employees in the Group. 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.

1. https://stats.jtc.gov.sg/content/static/Documents/JTC%2Quarterly%20Market%20Report%20for%203Q2018.pdf
2. https://www.ura.gov.sg/Corporate/Media-Room/Media-Releases/pr18-63
3. https://www.edb.gov.sg/content/dam/edbsite/downloads/resources/Monthly-Manufacturing-Performance-Sep2018-final.pdf
4. http://www.seatrade-maritime.com/news/asia/singapore-port-container-volumes-grow-8-9-to-33-7m-teu-in-2017.html
5. https://www.porttechnology.org/news/thailands_largest_port_receives_super_sized_cranes
6. https://www.channelnewsasia.com/news/business/singapore-economy-expands-2-2-in-q3-10956688

CORPORATE SOCIAL RESPONSIBILITY

1. SUSTAINABILITY POLICIES AND OBJECTIVES

Our Group seeks to be a responsible corporate citizen and gives 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 the day-to-day operations of our business.

2. COMMITMENT TO OUR SHAREHOLDERS

We are committed to uphold sound corporate governance in accordance to the SGX and HK Listing Rules guidelines. With effect from 29 December 2017, we have adopted the code provisions of the HK Corporate Governance Code as part of the Company's corporate governance policy, which are in addition to the SG Corporate Governance Code that the Company has to comply with. 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; and
- Our IR website also allows the public to subscribe and receive alerts whenever an announcement is posted on the website.

3. 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 space solutions. In addition, we continually innovate to develop new space 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 and introducing new space concepts that in turn benefit our landlords and catering to market demand. In addition, our tenants also 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 the facilities management business complements each other, and also strengthens our space optimisation business as we can stay current with the market for our services.

LHN Family Day 2018.

4. OUR COMMITMENT TO EMPLOYEES

The success of our Group begins with our employees. We challenge our employees to think differently and to embrace challenges. We believe that every career is as unique as the individual and offer life-inspiring careers where people can achieve their full potential. Our Group's mission and vision are important tools in creating a company in which employees are united by common goals and in a shared ambition to drive innovation and efficiency.

4.1. Staff Training

We create personalised learning environments with the ability to know, understand, engage and anticipate learners throughout their learning lifecycles. Employees appreciate being able to build new skills, improve their job performance and potentially evolve towards more challenging roles. Our Group is committed to provide ongoing learning opportunities to its employees' growth. We are dedicated to delivering superior results and create values. Our commitment is supported by our beliefs.

4.2. Occupational Safety and Health
Maintaining a healthy and safe work environment and improving employees' motivation and productivity are critical to our Group. Every employee has the right to feel safe at work. We are bizSAFE certified and we are committed to follow workplace health and safety standards and create a hazard-free workplace. With the Workplace Health and Safety risk management policy in place, it helps us preserve the best possible work conditions for our employees. It aims to eliminate or reduce the risks to the health, safety and welfare of all employees and anyone else who may be affected by our business operations.

4.3. Employee Welfare
Our Group promotes the well-being of its employees. We care and we have their best interest at heart. We launched our Health & Wellness programmes in FY2018 by introducing a series of health talks and nutrition workshops to emphasise on healthy eating with hands-on cooking demo and also yearly health screening for our employees. To mark our Group's anniversary in July 2018, we had organised a Company-wide event, LHN Group Family Day, at Sentosa. It is symbolic for the Group to present the Long Service Awards to our employees during this event in appreciation of their loyalty and contributions. Their contributions are vital to fueling our continued growth and to achieving our corporate goals. We have also participated in The Big Walk in November 2018 which includes employees and their family members.

5. COMMITMENT TO OUR COMMUNITY

Employees who come together to donate or volunteer are more engaged and committed at their workplace. We want to encourage our employees to do more social good. So, in October 2018, our Group organised a donation drive to raise fund in response to the devastating earthquake and tsunami that struck Sulawesi, Indonesia. All donations will go towards the purchase of relief items such as first aid supplies, water systems, etc., which is under the financial aid project run by Singapore Red Cross. The Group has also supported SHARE, Community Chest for 2 consecutive years.

6. COMMITMENT TO OUR ENVIRONMENT

In FY2018, our Group continues to incorporate environmentally friendly practices in our operations. We have kick start our new CRM system via Salesforce, to centralise, streamline, and standardise sales processes and at the same time to help us significantly reduce the usage of paper by generating electronic-agreements to our tenants.

We have also placed recycling bins in the office to allow proper segregation of office waste. This environmental consciousness is also 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 staff are being exposed to environment awareness and taught to avoid printing as much as possible. All waste papers are shredded and sent to recycling centres and we only purchase paper from environmentally friendly sources. Our collaterals are printed on Forest Stewardship Council certified paper.

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 has plans to 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.

Waste segregation bins are placed in our offices and properties.

STRIVING FOR EXCELLENCE

Ms Ch'ng Li-Ling (fifth from left to right) represented LHN Limited to receive the Singapore Sustainability Reporting Award 2018.

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**")
- HLA Container Services Pte. Ltd.
- Hean Nerng Logistics Pte. Ltd. ("**HNL**")
- LHN Parking Pte. Ltd.

by Workplace Safety and Health Council

ISO 9001:2015 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 9001:2015 QUALITY MANAGEMENT SYSTEM CERTIFICATE FOR BULK TRANSPORTATION OF CHEMICALS AND GENERAL CARGO.
Awarded to HNL
by Certification International (Singapore) Pte Ltd

PROPERTYGURU MYANMAR PROPERTY AWARDS 2018
Awarded to Mother Construction & GreenHub Serviced Offices Yangon Ltd for 2 categories: Best Hotel Interior Design and Best Serviced Apartment
by PropertyGuru

SECURITY AGENCY GRADING AWARD
(Grade A in the Security Agency Grading Exercise for 2018)
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 QUALITY CLASS, BUSINESS EXCELLENCE
Awarded to LHN Limited
by SPRING Singapore

CUSTOMER LOYALTY AWARD 2018
Awarded to LHN Group
by SOCOTEC Certification Singapore Pte Ltd

THE SINGAPORE SUSTAINABILITY REPORTING AWARDS 2018
Awarded to LHN Limited
by Best Inaugural Sustainability Report (Catalist)

SINGAPORE HEALTH AWARD
Merit Award
Awarded to LHN Group
by Health Promotion Board

CORPORATE INFORMATION

BOARD OF DIRECTORS
Lim Lung Tieng
Executive Chairman
Executive Director
Group Managing Director

Lim Bee Choo
Executive Director
Group Deputy Managing Director

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

Yong Chee Hiong
Independent Non-executive Director

Chan Ka Leung Gary
Independent Non-executive Director

AUDIT COMMITTEE
Chan Ka Leung Gary (Chairman)
Ch'ng Li-Ling
Yong Chee Hiong

REMUNERATION COMMITTEE
Ch'ng Li-Ling (Chairman)
Yong Chee Hiong
Chan Ka Leung Gary

NOMINATING COMMITTEE
Yong Chee Hiong (Chairman)
Ch'ng Li-Ling
Chan Ka Leung Gary
Lim Lung Tieng

JOINT COMPANY SECRETARIES
Leong Chee Meng, Kenneth
Ng Chit Sing (HKICS, ICSA)

REGISTERED OFFICE
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#02-18
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PRINCIPAL PLACE OF BUSINESS IN HONG KONG
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Kin Wing Commercial Building
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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
43/F Cosco Tower
183 Queen's Road Central
Hong Kong

HONG KONG LEGAL ADVISER
Luk & Partners
in Association with Morgan,
Lewis & Bockius
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Edinburgh Tower, The Landmark
15 Queen's Road 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
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AUDITOR
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

United Overseas Bank Limited
325 Boon Lay Place
#02-00
Singapore 649886

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STOCK CODES
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Hong Kong: 1730

FINANCIALS

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 2018 ("**FY2018**"), 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 FY2018, with specific reference to the principles and guidelines of the SG Corporate Governance Code and the disclosure guide developed by the SGX-ST in January 2015 (the "**Guide**"). Where there is a deviation from the SG Corporate Governance Code and/or the Guide, proper explanation has been provided.

The dual primary listing of the Shares on the Main Board of the Stock Exchange of Hong Kong Limited ("**SEHK**") was completed on 29 December 2017 (the "**HK Listing Date**"). Hence, for FY2018, the code provisions of the corporate governance code and corporate governance report in Appendix 14 to the HK Listing Rules (the "**HK Corporate Governance Code**") were applicable to us commencing in FY2018. We have adopted the HK Corporate Governance Code as part of the Company's corporate governance policy in addition to the SG Corporate Governance Code that the Company has to comply with, and the Company will comply with the more stringent requirements in the event if there was any conflict between the SG Corporate Governance Code and HK Corporate Governance Code. 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. The chairman of each Board Committee will report to the Board on the outcome of the respective Board Committee meetings.

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, Executive Officer and Key Management Personnel (as defined herein) as recommended by the RC;

REPORT ON CORPORATE GOVERNANCE

- Evaluation and approval of investments, mergers and acquisitions ("**M&A**") transactions, divestments and any corporate actions;
- Significant capital expenditure;
- Public announcements and responses to the SGX-ST/SEHK/regulators, if any;
- Dividend payout decisions;
- Assessing the risk of the Group and reviewing and implementing appropriate measures to manage such risks;
- Assuming overall responsibility of corporate governance of the Group; and
- Auditor's reports if deemed satisfactory and free of material errors after review.

The Board conducts scheduled meetings on a quarterly basis with active participation from majority of the Directors to consider and approve the announcement of the Group's quarterly, interim and annual results. 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 FY2018 is disclosed below:

	Board	AC	NC	RC	Annual General Meeting
Total number of meetings held in FY2018	5	4	1	1	1
Name of Director	**Number of meetings attended in FY2018**				
Lim Lung Tieng ("**Kelvin Lim**")	5	4[(1)]	1	1[(1)]	1
Lim Bee Choo ("**Jess Lim**")	5	4[(1)]	1[(1)]	1[(1)]	1
Ch'ng Li-Ling	5	4	1	1	1
Yong Chee Hiong ("**Eddie Yong**")	4	3	1	1	1
Chan Ka Leung Gary	5	4	1	1	1

Note:

(1) Attended as an invitee.

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 formal letter of appointment setting out his/her duties and responsibilities and would receive an orientation kit which includes the codes of corporate governance, model code of securities transactions by directors, terms of reference(s) of the board committee(s) that he/she is appointed to and other relevant materials to enable them to discharge their duties as a director. All newly appointed Directors would attend and undergo relevant induction and orientation programs, courses required under the Catalist Rules, as well as other relevant training courses conducted by the Company 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 FY2018, in accordance with A.6.5 of the HK Corporate Governance Code as well as Guidelines 1.6 and 12.8 of the SG Corporate Governance Code, briefings and updates have been provided to all the Directors, namely Kelvin Lim, Jess Lim, Ch'ng Li-Ling, Eddie Yong and Chan Ka Leung Gary, which include:

- briefings by the external auditor on changes or amendments to accounting standards at the AC meetings;
- updates by the joint Company Secretary on proposed amendments to the Companies Act, Catalist Rules and HK Listing Rules from time to time.

The Company shall from time to time arrange for relevant and appropriate continuous professional training to all the Directors to develop and refresh their knowledge and skills in relation to HK Listing Rules and Catalist Rules to enable them to better discharge their duties as a Director of the Company.

Principle 2 – Board Composition and Guidance

During FY2018 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(1)	Executive Chairman, Executive Director and Group Managing Director	10 July 2014	23 January 2017	–	Member	–
Jess Lim	Executive Director and Group Deputy Managing Director	10 July 2014	19 March 2018	–	–	–
Ch'ng Li-Ling(2)	Lead Independent Non-executive Director	10 March 2015	28 January 2016	Member	Member	Chairman
Eddie Yong	Independent Non-executive Director	10 March 2015	19 March 2018	Member	Chairman	Member
Chan Ka Leung Gary	Independent Non-executive Director	5 June 2017	19 March 2018	Chairman	Member	Member

Notes:

(1) Mr Kelvin 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 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.

During the period from HK Listing Date to 30 September 2018, there was no change in the composition of the Board.

Details of the Directors' qualifications, experiences and relationship among members of the Board are set out on pages 14 and 15 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 the relevant requirements under Rule 3.13 of the HK Listing Rules.

REPORT ON CORPORATE GOVERNANCE

The NC has reviewed and confirmed the independence of the Independent Non-executive Directors, Ms Ch'ng Li-Ling, Mr Eddie Yong and Mr Chan Ka Leung Gary, in accordance with the SG Corporate Governance Code and Rule 3.13 of the HK Listing Rules during FY2018. 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, and the Company has received from each of the Independent Non-executive Directors an annual confirmation on his/her independence as required under 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 "Our Leaders – Board of Directors" for details of Gary's biography.

For FY2018, 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 the relevant industry knowledge, 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. For FY2018, no additional independent non-executive Director will be recommended by the NC and be invited to join the Board for consideration taking into account the existing diversity perspective of the Company for the time being. The Board will review its size, structure and composition together with the NC at least annually to ensure that an effective decision making process is in place.

Principle 3 – Chairman and Chief Executive Officer

Under code provision A.2.1 of the HK Corporate Governance Code and Guideline 3.1 of the SG Corporate Governance Code, the roles of chairman and chief executive officer should be separated 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 required to meet separately without the presence of Management. Led by the Lead Independent Non-executive Director, the Independent Non-executive Directors have met themselves and with internal and external auditors in FY2018 without the presence of any Executive Directors and 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 NC comprises four directors, three of whom including the NC Chairman, are independent non-executive Directors, and the remaining is Kelvin Lim, the Executive Chaiman and Executive Director. The current composition of the NC comprises Eddie Yong (Chairman), Ch'ng Li-Ling, Chan Ka Leung Gary and Kelvin Lim. The key terms of reference of the NC, which are available on the websites of the Company, SGX-ST and SEHK, 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;

  (iii) the reviewing of the existing diversity policy;

  (iv) the reviewing of the nomination policy; and

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

REPORT ON CORPORATE GOVERNANCE

(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 structure, size and 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;

(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; and

(e) Reviewing, assessing and recommending 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;

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.

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**
Kelvin Lim	Executive Chairman, Executive Director and Group Managing Director	99
Ch'ng Li-Ling	Lead Independent Non-executive Director	99

Pursuant to Regulation 99 of the Constitution, Mr Kelvin Lim will retire at the forthcoming AGM. The NC had reviewed, with Mr Kelvin Lim having abstained from the deliberations, and recommended Mr Kelvin Lim for re-election at the forthcoming AGM. Upon re-election, Mr Kelvin Lim will remain as the Executive Chairman, Executive Director and Group Managing Director. Key Information details on Mr Kelvin Lim are set out on page 14 of this Annual Report. For detailed biography, please refer to the circular of the AGM published. Mr Kelvin Lim is the brother of Ms Jess Lim, the Executive Director and Group Deputy Managing Director of the Company. They are also controlling shareholders of the Company.

Pursuant to Regulation 99 of the Constitution, Ms Ch'ng Li-Ling will retire at the forthcoming AGM. The NC, with Ms Ch'ng Li-Ling having abstained from the deliberations, had reviewed and recommended Ms Ch'ng Li-Ling for re-election at the forthcoming AGM. Upon, re-election, Ms Ch'ng Li-Ling will remain as the Chairman of the Remuneration Committee and a member of the Audit and Nominating Committees. Ms Ch'ng Li-Ling 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 Ms Ch'ng Li-Ling are set out on page 14 on this Annual Report. For detailed biography, please refer to the circular of the AGM published. Ms Ch'ng Li-Ling does not have any relationships including immediate family relationships between herself 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.

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 and Rule 3.13 of the HK Listing Rules;

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 FY2018 as the Board was not in the process of identifying any new appointment 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 NC and the Management, where the NC and 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.

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 FY2018. Nevertheless, if the Board finds that time commitment is lacking from any particular Director, they may consider imposing a cap in future. The Board will also take into consideration on the guideline on time devotion by the proposed directors as set out in the guidance for Boards and Directors published by SEHK in July 2018. There is no alternate director appointed by any Director in FY2018.

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 FY2018.

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;

REPORT ON CORPORATE GOVERNANCE

(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 and the Circular dated 31 December 2018 which accompanies the Annual Report (the "**Circular**"):

(a) Pages 14, 15 and 31 of the Annual Report as well as Section 2 of the Circular – 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 55 of the Annual Report as well as Section 2 of the Circular – Shareholdings, if any, in the Company and its subsidiaries.

COMPANY SECRETARIES

The joint Company Secretaries of the Company are Mr Leong Chee Meng, Kenneth ("**Kenneth Leong**") and Mr Ng Chit Sing ("**Ivan Ng**").

Mr Kenneth 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 Ivan 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 Kenneth Leong and Mr Ivan Ng at the Company in respect of any compliance and company secretarial matters of the Company in Singapore and Hong Kong, respectively.

During FY2018, Mr Kenneth Leong and Mr Ivan Ng have undertaken not less than 15 hours of relevant professional training 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 FY2018, one NC meeting was held in November 2017.

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 FY2018,

(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 FY2018. 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.

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 joint Company Secretaries who attend all Board and its Board Committees' meetings. The joint Company Secretaries assist the Chairman and the Board to implement and strengthen corporate governance practices and processes. The joint Company Secretaries also assist 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 and SEHK announcements as well as updates on the relevant changes to the Companies Act, the Companies Ordinance, the HK Listing Rules and SG Corporate Governance Code.

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

Where the Directors either individually or as a group (including as AC, NC and RC), 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 Company has established the RC, with its terms of reference available on the websites of the Company, SGX-ST and SEHK, cover the functions described in the SG Corporate Governance Code and HK Corporate Governance Code, including but not limited to, the following:

(a) To review and submit its recommendations for endorsement by the entire Board, on the policy and general framework of remuneration for the Board and the senior management, on the establishment of a formal and transparent procedure for developing remuneration policy, and the specific remuneration packages (which include benefits in kind, pension rights and compensation payments, including any compensation payable for loss or termination of their office or appointment) and terms of employment (where applicable) for each Director, Managing Director or the CEO (if CEO is not a director) and key management personnel including but not limited to senior executives/divisional directors/those reporting directly to the Managing Director/Chairman/CEO;

(b) To review and approve the management's remuneration proposals with reference to the board's corporate goals and objectives, any bonuses, pay increases and/or promotions for employees related to the directors, controlling shareholders and/or substantial shareholders of the Group, any compensation payable to any executive Director or senior management for any loss or termination of office or appointment to ensure that it is consistent with contractual terms and is otherwise fair and not excessive, and any compensation arrangements relating to dismissal or removal of Directors for misconduct to ensure they are consistent with contractual terms and are otherwise reasonable and appropriate;

REPORT ON CORPORATE GOVERNANCE

(c) To review and submit its recommendations for endorsement by the entire Board, share-based incentives or awards or any long term incentive schemes which may be set up from time to time, in particular to review whether directors and key management personnel should be eligible for such schemes and also to evaluate the costs and benefits of such schemes and to do all acts necessary in connection therewith;

(d) To carry out its duties in the manner that it deems expedient, subject always to any regulations or restrictions that may be imposed upon the RC by the Board of Directors from time to time;

(e) To 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; and

(f) To ensure that all aspects of remuneration including but not limited to directors' fees, salaries, allowances, bonuses, options, share-based incentives and awards and benefits-in-kind are covered.

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. The current composition of the RC comprises Ch'ng Li-Ling (Chairman), Eddie Yong and Chan Ka Leung Gary. In FY2018, one RC meeting was held in November 2017.

All recommendations made by the RC on remuneration of Directors and Key Management Personnel will be submitted for 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 FY2018.

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$192,000 to be paid on a quarterly basis in arrears for FY2019 and approval will be 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 an annual fixed bonus of one month and an 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 ("**Initial Term**"). After the Initial Term, the agreement shall be automatically renewed until terminated by either party on the other.

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 Scheme (terms as defined herein) and hold shares in the Company so as to better align their interests with the interests of Shareholders. For FY2018, 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 FY2018, 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 are no termination and post-employment benefits that may be granted to the Directors, the Chairman and MD, and top two Key Management Personnel.

Each of Ms Ch'ng Li-Ling and Mr Eddie Yong, our Independent Non-executive Directors, had 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 was extended for a period of three years with effect from 10 March 2018, which may be 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, had 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 which may be terminated by not less than three months' notice in writing served by either party on the other.

All Directors are subject to retirement by rotation and re-election at annual general meeting, and will continue thereafter until terminated in accordance with the terms of the service agreement/letter of appointment.

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.

The breakdown (in percentage terms) of the remuneration of Directors of the Company for FY2018 is set out as below:

Directors	**Salary and/ or allowance(1), (2) (%)**	**Variable Bonus(2) (%)**	**Director's Fees (%)**	**Total(3) (100%) (S$'000)**
Kelvin Lim	93	7	–	847
Jess Lim	93	7	–	353
Ch'ng Li-Ling	5	–	95	59
Eddie Yong	9	–	91	57
Chan Ka Leung Gary	5	–	95	63

The Group only has two top Key Management Personnel. The breakdown (in percentage terms) of the remuneration of two top Key Management Personnel of the Group for FY2018 are set out as below:

Remuneration Band and Name of Key Management Personnel	**Designation**	**Salary and allowance(1), (2) (%)**	**Variable Bonus(2) (%)**	**Director's Fees (%)**	**Total (%)**
From S$250,001 to S$500,000					
Yeo Swee Cheng	Chief Financial Officer	79	21	–	100
Wong Sze Peng, Danny ("**Danny Wong**")	General Manager	96	–	4	100

Notes:

(1) Include fixed bonus.

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

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

REPORT ON CORPORATE GOVERNANCE

In aggregate, the total remuneration paid to the two top Key Management Personnel was S$630,773 in FY2018. 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 FY2018.

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 FY2018. Their remuneration is made up of fixed and variable compensations. Details of the remuneration of the Directors and the five highest paid employees as required to be disclosed pursuant to Appendix 16 to the HK Listing Rules are set out in Note 10 and Note 16 to the consolidated financial statements and Directors' Statement (for directors remuneration only) respectively. For the Key Management Personnel, the variable compensation is determined based on the level of achievement of corporate and individual performance objectives.

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 and Ms Jess Lim, who are our Executive Directors, are also our 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 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 HK Listing Rules if such Eligible Person is a connected person) abstaining from voting.

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 HK Listing Date (the "**Scheme Mandate Limit**"), i.e. 40,244,540 Shares, 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.

REPORT ON CORPORATE GOVERNANCE

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 FY2018 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 HK 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 the Company, the SGXNET and SEHK (www.hkexnews.hk) to the public. The Company also uploads latest announcement(s) which has been disseminated via the websites of SGXNET (www.sgx.com) 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.

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 FY2018, 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.

REPORT ON CORPORATE GOVERNANCE

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 FY2018 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.

Inside Information

The Group has adopted and implemented its own disclosure policy aiming to provide a general guide to the directors and senior management of the Company in handling of confidential information and/or monitoring of information disclosure pursuant to applicable laws and regulations in compliance with the HK Listing Rules and the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong) (the "**SFO**").

The disclosure policy provides the procedures and internal controls for the handling and dissemination of inside information by publication of the announcement to the websites of the SGXNET, SEHK and the Company on a timely basis to enable the public, namely shareholders, institutional investors, potential investors and other stakeholders of the Company to access the latest information of the Group, unless such information fall within the safe harbours with the SFO. The Management has notified all employees to comply with the disclosure policy. Briefing and training on the implementation of the policy have been provided to Directors, officers and senior management of the Group.

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 current composition of the AC comprises Chan Ka Leung Gary (Chairman), Ch'ng Li-Ling and Eddie Yong.

The terms of reference of the AC, which are available on the websites of the Company, SGX-ST and SEHK, 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);

(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.

During FY2018, the AC reviewed the Group's unaudited quarterly results for the three months ended 31 December 2017, 31 March 2018 and 30 June 2018, the unaudited interim results for the six months ended 31 March 2018, and the audited annual results for the year ended 30 September 2018. The AC had also met up with the internal auditors and the external auditors without the presence of Management in November 2018 to discuss, among others, matters relating to FY2018. The external auditors were also invited to be present at AC meetings, as and when required, held during FY2018 to, inter alia, answer or clarify any matter on accounting and auditing or internal controls.

REPORT ON CORPORATE GOVERNANCE

The aggregate amount of fees paid or payable to PricewaterhouseCoopers LLP (“**PwC**”) for FY2018 are as follows:

Description of Services	Amount	Percentage
Audit fees	S$258,500	53%
Non-audit fees	S$233,000	47%
Total	S$491,500	100%

The AC has reviewed the non-audit services provided by PwC to the Group. As the non-audit services rendered by PwC relates to advisory services, 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 due to the following reasons:

- The non-audit services are within the permitted scope of services under section 290.219A of the Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities in the Fourth Schedule of the Accountants (Public Accountants) (Amendment) Rules 2015.

- The non-audit services are performed by a separate engagement team who are not involved in the audit engagement.

- The audit engagement team were not involved in any management decision making and its role were limited to providing advisory and review services based on the objective assessment of the facts.

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 SEHK has accepted PwC as the Company’s auditors to audit its annual accounts pursuant to Rule 19.20 of the HK Listing Rules. 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. Accordingly, the Company has complied with Rule 13.88 of the HK Listing Rules.

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 auditors; and/or

- Forensic professionals.

For FY2018, 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 “Our Leaders – Board of Directors” for the biography of the AC chairman, Mr Chan Ka Leung Gary and the circular to Shareholders for the AGM which bears the notice. During FY2018, the AC was provided with information such as updates on the changes to the 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. As such, the AC is of the view that the internal audit function of the Company is effective for FY2018.

(D) SHAREHOLDER RIGHTS AND RESPONSIBILITIES

Principle 14 – Shareholder Rights

How Shareholders can convene an extraordinary general meeting

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.

(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.

REPORT ON CORPORATE GOVERNANCE

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, the Catalist Rules and the HK Listing Rules;

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

A copy of the Annual Report for FY2018 will be made available on the Company's website (www.lhngroup.com) and published via the websites of the SGXNET and the SEHK, together with the Circular containing the notice of AGM for FY2018.

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 circular containing the notice of AGM will be sent together with the Annual Report, released on SGXNET, the SEHK's and on the Company's websites as well as published in the newspapers in Singapore and Hong Kong 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 investor relations email: enquiry@lhngroup.com.sg.

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) and Rule 13.39(4) of the HK Listing Rules, all resolutions will be put to vote by way of a poll at the forthcoming AGM, and their detailed results will be announced via the websites of the SGXNET and SEHK after the conclusion of the AGM.

The Company does not have a fixed dividend policy for the time being and will adopt one in compliance with the amendments of the HK Listing Rules which will come into effect on 1 January 2019 and SG Corporate Governance Code as revised in 2018. The Board did not recommend the payment of dividend for FY2018 as the Group intends to better use the cash for other business expansion opportunities.

(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.

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 to all the Directors and the Relevant Employees and all have confirmed that they have complied with the Model Code since the HK Listing Date to the date of this report.

Directors, officers and employees have been informed not to deal in the Company's securities at all times whilst in possession of unpublished price sensitive information and during the periods commencing:

(a) 30 days immediately preceding the publication date of the announcement of the Company's quarterly results or half-year results of its financial year or, if shorter, the period from the end of the relevant quarterly or half-year period up to the publication date of the results; and

(b) 60 days immediately preceding the publication date of the announcement of the Company's full-year results or, if shorter, end of financial year and up to the publication date of the results.

Directors, officers and employees have also been directed to refrain from dealing in the Company's securities on short-term considerations.

(F) INTERESTED PERSON TRANSACTIONS ("IPT")

The Company has established procedures to ensure that all transactions with interested persons complies with Chapter 9 of the Catalist Rules and Chapter 14A of the HK Listing Rules and 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 circular which accompanies the Annual Report in the section 'Renewal of the Shareholders' Mandate for Interested Person Transactions'.

Details of the 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$100,000)**
	Full Year ended 30 September 2018 S$'000	**Full Year ended 30 September 2018 S$'000**
Payments received by our Group		
PJS Companies*		
– Property leases or sub-leases	–	241
– Facilities management services	–	4
	–	**245**
Payments paid by our Group		
PJS Companies*		
– Purchase of food and beverage products and services	–	2
	–	**2**
Total	**–**	**247**

* PJS Companies include Cafe @ 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.

REPORT ON CORPORATE GOVERNANCE

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

Under the global offering in Hong Kong which was completed on 29 December 2017 (the "**Global Offering**"), the Company had allotted and issued 42,000,000 ordinary shares at a price of HK$1.90 per share and raised HK$79.8 million (equivalent to S$13.6 million) in total gross proceeds. The net proceeds from the HK Listing amounted to approximately HK$44.4 million (equivalent to S$7.4 million) after deduction of related expenses of approximately HK$35.4 million (equivalent to S$6.2 million) (the "**Net Proceeds**").

The following table sets out the breakdown of the use of proceeds from the HK Listing as at the date of this Annual Report:

S/N	Purpose of Net Proceeds	Amount Allocated HK$'000	Amount Utilised HK$'000	Balance HK$'000
1	Expansion of our space optimisation business by acquiring a new property in Singapore	26,815	–	26,815
2	Acquiring a property in Singapore for our logistics services management business	10,611	–	10,611
3	Set out our first operation in the PRC	1,776	–	1,776
4	General working capital	4,439	4,439	–
5	Acquiring transportation equipment for our logistics services business	755	274	481
	Total	**44,396**	**4,713**	**39,683**

Amount utilised for general working capital of approximately HK$4.4 million (equivalent to S$0.7 million) consisted of payment for renovation cost in relation to master lease secured under our Space Optimisation Business.

The above utilisations are in accordance with the intended use of the net proceeds and percentage allocated, as stated in the Company's prospectus for the Global Offering dated 15 December 2017. The Company expects to utilise the balance Net Proceeds of approximately HK$39.7 million in the next 24 months.

The Board will continue to update in periodic announcements on the utilisation of the balance of the proceeds from the HK Listing as and when the proceeds are materially disbursed and provide a status report on such use in its annual report and its quarterly and full year financial results announcements.

(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 FY2018 or if not then subsisting, entered into since the end of the previous financial year.

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

For FY2018, the Company paid to its sponsor, PrimePartners Corporate Finance Pte. Ltd. fees of S$28,000 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.

(K) NON-COMPETITION UNDERTAKING FROM CONTROLLING SHAREHOLDERS

The controlling shareholders of the Company gave a non-competition undertaking in favour of the Company and confirm that they and their close associates have not breached the terms of the undertaking contained in the Non-competition Deed during the period from the HK Listing Date to 30 September 2018.

The Board comprising all the Independent Non-executive Directors, based on the written confirmation provided by the controlling shareholders, is of the view that the controlling shareholders have been in compliance with the non-competition undertaking in favour of the Company for period from the HK Listing Date to 30 September 2018.

DIRECTORS' STATEMENT

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2018

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 2018 ("**FY2018**") and the statement of financial position of the Company as at 30 September 2018.

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 69 to 140, 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 2018 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 activities of its principal subsidiaries are set out in Note 17.

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 18 to 20 and the section headed "Financial Review" on pages 20 to 23, 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 statements of profit or loss and total comprehensive income on page 69.

The Directors did not recommend the payment of dividend for the year ended 30 September 2018.

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 indicators to the performance of the Group business for the past five financial years is set out on page 17.

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.

(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.

DIRECTORS' STATEMENT

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2018

(iii) ***Application of IFRS on our operating lease commitments:*** During FY2018, 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. 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 on 1 October 2019.

(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.

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.

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 2018 are set out in the Note 36 to the consolidated financial statements.

10. SHARE CAPITAL

Details of the Company issued share capital during the year are set out in Note 31 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.

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.

12. DISTRIBUTABLE RESERVES

Distributable reserves of the Company as at 30 September 2018 amounted to S$887,000.

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)
Yong Chee Hiong	
Chan Ka Leung Gary	

14. UPDATE ON DIRECTOR'S INFORMATION

Pursuant to Rule 13.51B(1) of the HK Listing Rules, the change of Director's Information of the Company since the publication of the annual report for the year ended 30 September 2017 on 31 January 2018 is as follows:

Ms. Ch'ng Li-Ling has resigned as an independent director of Declout Limited (SGX: 5UZ) on 30 April 2018.

Save for the information above, there is no other information required to be disclosed pursuant to Rule 13.51B(1) of the HK Listing Rules.

15. 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 an annual fixed bonus of one month and an 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 ("**Initial Term**"). After the Initial Term, the agreement shall be automatically renewed until terminated by either party on the other.

DIRECTORS' STATEMENT

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2018

Each of Ms Ch'ng Li-Ling and Mr Yong Chee Hiong, our Independent Non-executive Directors, had 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 was extended for a period of three years with effect from 10 March 2018, which may be 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, had 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 which may be terminated by not less than three months' notice in writing served by either party on the other.

16. 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.

17. EMPLOYEE AND REMUNERATION POLICIES

As at 30 September 2018, there were 414 (2017: 403) employees in the Group.

The Group has adopted the Share Option Scheme to motivate and reward its Directors and eligible employees. The emoluments of Directors and senior management were reviewed by the remuneration committee of the Company, having regard to their experience, responsibilities and performance of the Group, and approved by the Board.

18. 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.

19. 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. Such provision was in force during the year. The Company has arranged appropriate insurance cover in respect of legal action against its Directors and officers.

20. 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 2017**	**As at 30 September 2018#**	**As at 1 October 2017**	**As at 30 September 2018#**
The Company – LHN Limited				
Lim Bee Choo	–	–	275,000,000	**216,930,000**
Lim Lung Tieng	–	–	275,000,000	**216,930,000**
Immediate holding company – Fragrance Ltd.				
Lim Lung Tieng	–	–	50,000	**50,000**
Lim Bee Choo	–	–	50,000	**50,000**
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 2018.

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 2017	**As at 30 September 2018**
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**
LHN Logistics Sdn Bhd	100	**245,000**

DIRECTORS' STATEMENT

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2018

20. 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 2018, being the end of the reporting period under review, 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 Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong (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, 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 30 SEPTEMBER 2018
Kelvin Lim(1)(2)	Founder of discretionary trusts, beneficiary of a trust	216,930,000	53.90%

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 216,930,000 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 216,930,000 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 30 September 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 30 September 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.

21. EMPLOYEE PERFORMANCE SHARE PLAN

The LHN Performance Share Plan has been terminated on 17 January 2018. There were no share awards issued under the LHN Performance Share Plan for FY2018.

22. 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 42. As at 30 September 2018, there was no option outstanding, granted, cancelled, exercised or lapsed.

Other than the Share Option Scheme, no equity-linked agreements that will or may result in the Company issuing shares or that require the Company to enter into any agreements that will or may result in the Company issuing shares were entered into by the Company during the year or subsisted at the end of the year.

23. AUDIT COMMITTEE

The Audit Committee (“**AC**”) comprises all Independent Non-executive Directors. The members of the AC during FY2018 are:

Chan Ka Leung Gary (Chairman)
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 as set out under the “Report on Corporate Governance – Principle 12 – Audit Committee” on pages 44 to 46. 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 2018 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).

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.

DIRECTORS' STATEMENT

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2018

23. AUDIT COMMITTEE (CONT'D)

The AC has also reviewed the audited consolidated financial statements of the Group for FY2018.

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 as well as the HK Listing Rules.

24. 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.

25. DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

Other than disclosed above and in Note 40 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.

26. 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 2018.

27. CONTINUING CONNECTED TRANSACTIONS

We have entered into certain transactions with connected persons and these transactions constitute exempted continuing connected transactions within the meaning under the HK Listing Rules (the "**Continuing Connected Transactions**") in respect of which the Company has complied with the relevant requirement under Chapter 14A of the HK Listing Rules.

Other than the connected transactions set out in this section, our Group currently does not have any other on-going connected transaction.

Continuing Connected Transactions exempt from reporting, annual review, announcement and independent shareholders' approval requirement

(A) Property Leases

Two of our subsidiaries separately leased one property to Cafe @ Phoenix Pte. Ltd. and one property to 9 Plus Cafe Pte. Ltd. for their food and beverage business operations. Such leases shall continue upon the HK Listing and set out below are the details regarding two leases agreements (collectively "Cafe Lease Agreements", each a "Cafe Lease Agreement") entered into between our relevant subsidiaries on the one hand, and Cafe @ Phoenix Pte. Ltd. or 9 Plus Cafe Pte. Ltd. on the other hand.

Principal Terms

During FY2018, Soon Wing Investments Pte. Ltd., an indirect wholly-owned subsidiary of the Company, renewed the lease with 9 Plus Cafe Pte. Ltd. for a term of two years from 31 March 2018 to 31 March 2020 for a total consideration of S$286,563 based on the rental payable per annum. In the same financial year, Chua Eng Chong Holdings Pte. Ltd., an indirect wholly-owned subsidiary of the Company, renewed the lease with Cafe @ Phoenix Pte. Ltd. for a term of one year from 1 February 2018 to 31 January 2019 for a total consideration of S$237,875 based on the rental and facilities fees payable per annum. The rental payable per annum is based on normal commercial terms. Under the Cafe Lease Agreements, 9 Plus Cafe Pte. Ltd. and Cafe @ Phoenix Pte. Ltd. shall pay their respective lessor, being our subsidiaries, the rent, facilities fees and fees based on electricity, water, gas and telecommunications usage on a monthly basis. In the event the master lease held by our subsidiary is terminated before the expiry date, our subsidiary shall have the right to terminate the relevant Cafe Lease Agreement. Under the Cafe Lease Agreements, 9 Plus Cafe Pte. Ltd. and Cafe @ Phoenix Pte. Ltd. are not allowed to assign or sub-let the leased property.

27. CONTINUING CONNECTED TRANSACTIONS (CONT'D)

Continuing Connected Transactions exempt from reporting, annual review, announcement and independent shareholders' approval requirement (Cont'd)

(A) Property Leases (Cont'd)

Relationship

Cafe @ Phoenix Pte. Ltd. is owned as to 100% by Mr Pang Joo Siang. Mr Pang Joo Siang is the spouse of Ms Lim Bee Choo and therefore is an immediate family member of Ms Lim Bee Choo under Rule 14A.12(1)(a) of the HK Listing Rules. Ms Lim Bee Choo is a Director and therefore is a connected person of our Company under Rule 14A.07(1) of the HK Listing Rules. By virtue of Rule 14A.12(1)(c) of the HK Listing Rules, Cafe @ Phoenix Pte. Ltd. is an associate of Ms Lim Bee Choo, and therefore a connected person of our Company under Rule 14A.07(4) of the HK Listing Rules.

9 Plus Cafe Pte. Ltd. is owned as to 50% by Mr Pang Joo Kok. Mr Pang Joo Kok is the brother-in-law of Ms Lim Bee Choo and therefore is a relative of Ms Lim Bee Choo under Rule 14A.21(1)(a) of the HK Listing Rules. Ms Lim Bee Choo is a Director and therefore is a connected person of our Company under Rule 14A.07(1) of the HK Listing Rules. By virtue of Rules 14A.07(6) and 14A.21(1)(b) of the HK Listing Rules, 9 Plus Cafe Pte. Ltd. is a deemed connected person of our Company.

Historical transaction amount

For the year ended 30 September 2018, the total sales amount received and receivable from Cafe @ Phoenix Pte. Ltd. and 9 Plus Cafe Pte. Ltd. by our Group amounted to S$241,000 and S$159,000 respectively.

Proposed annual caps

The annual caps for the Cafe Lease Agreements for each of the years ending 30 September 2019 and 2020 are proposed to be S$450,000 and S$300,000 respectively, estimated based on the expected rental receivable as determined with reference to the applicable rentals under the terms of the subsisting Cafe Lease Agreements.

Implication under the HK Listing Rules

We have estimated the annual rentals expected to be received from Cafe @ Phoenix Pte. Ltd. and 9 Plus Cafe Pte. Ltd. for the years ending 30 September 2019 and 2020 in calculating the percentage ratios under the requirements of Rule 14A.77 of the HK Listing Rules based on the applicable rentals under the terms of the subsisting Cafe Lease Agreements and we have also assumed the renewal of the Cafe Lease Agreements for one more lease term. In the event any of the Cafe Lease Agreements is renewed for more than one lease term or where there are changes to the terms, our Company will ensure compliance with the relevant HK Listing Rules. With respect to each of Cafe @ Phoenix Pte. Ltd. and 9 Plus Cafe Pte. Ltd., each of the applicable percentage ratios (other than the profit ratio) for such expected rental calculated will be less than 5% and the estimated total consideration is less than HK$3 million. Therefore, the lease transactions contemplated under the Cafe Lease Agreements constitute de minimis connected transactions of our Company under Rule 14A.76 of the HK Listing Rules which are exempt from the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the HK Listing Rules.

The Directors (including the independent non-executive Directors) consider that the transactions contemplated under the Cafe Lease Agreements are in the ordinary and usual course of business, on normal terms or better that are fair and reasonable, and in the interest of the Shareholders as a whole.

(B) Property Management and Facilities Management Services

With a view to provide property management and facilities management services to Cafe @ Phoenix Pte. Ltd., our Company and Cafe @ Phoenix Pte. Ltd. entered into a property management and facilities management agreement dated 6 December 2017 (the "**Property Management and Facilities Management Agreement**").

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27. CONTINUING CONNECTED TRANSACTIONS (CONT'D)

Continuing Connected Transactions exempt from reporting, annual review, announcement and independent shareholders' approval requirement (Cont'd)

(B) Property Management and Facilities Management Services (Cont'd)

Principal Terms

Pursuant to the Property Management and Facilities Management Agreement, our Company agreed to provide or procure to be provided by the Group, from time to time as from the HK Listing Date, services in relation to property management and facilities management, including but not limited to building maintenance works, fitting out works, cleaning services, installation of security devices and provision of security services, for the property Cafe @ Phoenix Pte. Ltd. currently leases from us or any other properties that Cafe @ Phoenix Pte. Ltd. may operate at in the future whether leased from us or other third parties.

Such agreement is for an initial term of three years from the HK Listing Date and thereafter shall be automatically renewed for successive periods of three years subject to compliance with the relevant requirements of the HK Listing Rules, unless terminated by our Company or Cafe @ Phoenix Pte. Ltd. by not less than 30 days' written notice. The term of the Property Management and Facilities Management Agreement with Cafe @ Phoenix Pte. Ltd. will not mirror the term of the Cafe Lease Agreement with Cafe @ Phoenix Pte. Ltd. as we may provide property management and facilities management services to other locations that Cafe @ Phoenix Pte. Ltd. may operate in the future, which may or may not be leased from us.

Relationship

Cafe @ Phoenix Pte. Ltd. is owned as to 100% by Mr Pang Joo Siang. Mr Pang Joo Siang is the spouse of Ms Lim Bee Choo and therefore is an immediate family member of Ms Lim Bee Choo under Rule 14A.12(1)(a) of the HK Listing Rules. Ms Lim Bee Choo is a Director and therefore is a connected person of our Company under Rule 14A.07(1) of the HK Listing Rules. By virtue of Rule 14A.12(1)(c) of the HK Listing Rules, Cafe @ Phoenix Pte. Ltd. is an associate of Ms Lim Bee Choo, and therefore a connected person of our Company under Rule 14A.07(4) of the HK Listing Rules.

Historical transaction amount

For the year ended 30 September 2018, the total sales amount received and receivable from Cafe @ Phoenix Pte. Ltd. by our Group amounted to S$3,720.

Proposed annual caps

The annual caps for the Property Management and Facilities Management Agreement for each of the years ending 30 September 2019 and 2020 are proposed to be S$6,000 and S$6,000, respectively, estimated based on the historical transaction volume between our Group and Cafe @ Phoenix Pte. Ltd. and the rates of services offered by the Group to Independent Third Parties.

Implication under the HK Listing Rules

We have estimated the annual fees expected to be received from Cafe @ Phoenix Pte. Ltd. for the years ending 30 September 2019 and 2020 in calculating the percentage ratios under the requirements of Rule 14A.77 of the HK Listing Rules based on the historical transaction volume between our Group and Cafe @ Phoenix Pte. Ltd. and the rates of services offered by our Group to Independent Third Parties. Each of the applicable percentage ratios (other than the profit ratio) for such expected fees calculated will be less than 5% and the estimated total consideration is less than HK$3 million. Therefore, the transactions contemplated under the Property Management and Facilities Management Agreement constitute de minimis connected transactions of our Company under Rule 14A.76 of the HK Listing Rules which are exempt from the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the HK Listing Rules.

The Directors (including the independent non-executive Directors) consider that the transactions contemplated under the Property Management and Facilities Management Agreement are in the ordinary and usual course of business, on normal terms or better that are fair and reasonable, and in the interest of the Shareholders as a whole.

28. 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.

29. RELATED PARTY TRANSACTIONS

Our Group entered into certain related party transactions with its related parties during the year ended 30 September 2018.

Details of the related party transactions are set out in Note 40 to the consolidated financial statements.

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

As at 30 September 2018, being the end of the reporting period under review, 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 are set out under "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 5 December 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 30 September 2018.

31. 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.

32. CORPORATE GOVERNANCE

The Company has adopted the code provisions of the corporate governance code in Appendix 14 (the "**HK CG Code**") to the HK Listing Rules as part of its corporate governance code effective upon the HK Listing, in addition to the requirements under Singapore Code of Corporate Governance 2012 ("**SG CG Code**"). As such, the Company will comply with the more stringent requirements among the HK CG Code and the SG CG Code.

In the opinion of the Directors, the Company had complied with the HK CG Code and SG CG Code since the HK Listing up to and including 30 September 2018 except for code provision A.2.1 under the HK CG Code. Under code provision A.2.1 of the HK CG Code, the roles of chairman and chief executive should be separate and should not be performed by the same individual. The Group does not have the role of chief executive officer but has the role of managing Director, which is responsible for the day-to-day management of business and currently performed by Mr. Kelvin Lim, who is also the executive chairman of the Board. 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 Directors (including the independent non-executive Directors) consider 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 our Shareholders as a whole.

DIRECTORS' STATEMENT

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2018

33. MODEL CODE OF SECURITIES TRANSACTIONS BY DIRECTORS

In addition to compliance to Rule 1204(19) of the SGX-ST Listing Manual Section B: Rules of the Catalist, the Company has 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 and its Officers (including the Directors, Management and Executives) are not allowed to deal in the Company's shares during the period commencing 30 days immediately before the announcement of the Company's quarterly and interim results and 60 days immediately before the announcement of the Company's full year results, and ending on the date of the announcement of the relevant results.

The Directors, Management and Executives of the Group are also expected to observe relevant insider trading laws at all times, even when dealing in securities within permitted trading period or they are in possession of unpublished price-sensitive information of the Company and they are not to deal in the Company's securities on short-term considerations.

The Company confirms that specific enquiry has been made to all the Directors and the Relevant Employees and all have confirmed that they have complied with the Model Code since the HK Listing and up to 30 September 2018 (both days inclusive).

34. 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	–	23.5
Five largest suppliers in aggregate	–	55.3

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%.

35. 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. During FY2018, the Board is not aware of any incidence of non-compliance with the relevant laws and regulations that have a significant impact on the Group's business where the Group is operating.

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.

35. ENVIRONMENTAL POLICIES AND PERFORMANCE (CONT'D)

As required by the SGX-ST Listing Manual and HK Listing Rules, the Company is required to report on environmental, social and governance information ("**ESG Information**" or "**Sustainability Report**") 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 28 February 2019. Currently, the Company is in the process of preparing and compiling the relevant ESG Information and will publish the ESG Information on the website of SEHK (www.hkexnews.hk), SGX-ST (www.sgx.com) and the website of the Company (www.lhngroup.com) in due course.

36. 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 utilising services provided by our current tenants for the properties. We also organise 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 Sustainability Report, to be published by 28 February 2019.

37. DONATIONS

During the year, the Group made charitable donations of S$21,000.

38. NON-COMPETITION UNDERTAKING FROM CONTROLLING SHAREHOLDERS

Please refer to page 50 of "Report on Corporate Governance – (K) Non-competition Undertaking from Controlling Shareholders" for details.

39. 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 2018 and up to and including the date of this annual report.

40. SUFFICIENCY OF PUBLIC FLOAT

The Company has maintained the public float as required by the HK Listing Rules for the period under review and up to the date of this annual report. Please also refer to "Statistics of Shareholdings – Public Float" in this report.

41. EVENTS AFTER 30 SEPTEMBER 2018

Please refer to pages 19 to 20 of "Operations and Financial Review – 4. Business Outlook" and Note 41 to the consolidated financial statements for details.

DIRECTORS' STATEMENT

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42. USE OF PROCEEDS

Under the global offering in Hong Kong which was completed on 29 December 2017 (the "**Global Offering**"), the Company had allotted and issued 42,000,000 ordinary shares at a price of HK$1.90 per share and raised HK$79.8 million (equivalent to S$13.6 million) in total gross proceeds. The net proceeds from the HK Listing amounted to approximately HK$44.4 million (equivalent to S$7.4 million) after deduction of related expenses of approximately HK$35.4 million (equivalent to S$6.2 million) (the "**Net Proceeds**"). Please refer to "Report on Corporate Governance – (G) Use of Proceeds (Catalist Rules 1204(5)(F) and (22) and HK Listing Rules)" for details.

43. AUDITORS

PricewaterhouseCoopers LLP have expressed their willingness to accept re-appointment. PricewaterhouseCoopers LLP will retire and, being eligible, offer themselves for re-appointment at the forthcoming annual general meeting. A resolution for the re-appointment of PricewaterhouseCoopers LLP as auditor of the Company is expected to be proposed at the forthcoming annual general meeting.

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
14 December 2018

INDEPENDENT AUDITOR'S REPORT

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

Our opinion

In our opinion, the accompanying consolidated financial statements of LHN Limited ("the Company") and its subsidiaries ("the Group") and the balance sheet of the Company are properly drawn up in accordance with the provisions of the Companies Act, Chapter 50 (the "Act") and International Financial Reporting Standards ("IFRSs") so as to give a true and fair view of the consolidated statement of financial position of the Group and the financial position of the Company as at 30 September 2018, and of its consolidated financial performance, consolidated statement of changes in equity and its consolidated statement of cash flows for the financial year ended on that date.

What we have audited

The financial statements of LHN Limited (the "Company") and its subsidiaries (the "Group") set out on pages 69 to 140, which comprise:

- the consolidated statements of profit or loss and total comprehensive income for the year ended 30 September 2018;
- the consolidated statements of financial position of the Group as at 30 September 2018;
- the statement of financial position of the Company as at 30 September 2018;
- 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 financial statements, which include a summary of significant accounting policies.

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 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 Accounting and Corporate Regulatory Authority Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities ("ACRA Code") together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code.

Our Audit Approach

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the accompanying financial statements. In particular, we considered where management made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for the financial year ended 30 September 2018. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

INDEPENDENT AUDITOR'S REPORT

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

Key Audit Matter	How our audit addressed the Key Audit Matter
Valuation of investment properties	
As at 30 September 2018, the carrying value of the Group's investment properties of S$46.05 million accounted for 31% 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") and PREMAS Valuers & Property Consultants Pte. Ltd ("PREMAS"), to determine the fair value of the Group's investment properties for the year ended 30 September 2018 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 evaluated the competency and independence of the external 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 capitalization rates used against those used for similar properties and in prior year. We assessed the analysis of comparable sales of similar properties and the adjustment to reflect the characteristics of the investment properties. 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.

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 financial statements and our auditor's report thereon, which we obtained prior to the date of this auditor's report.

Our opinion on the 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 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 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 Financial Statements

The directors of the Company are responsible for the preparation of the financial statements that give a true and fair view in accordance with the provisions of the Act and IFRSs, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorized use or disposition; and transactions are properly authorized and that they are recorded as necessary to permit the preparation of true and fair financial statements and to maintain accountability of assets.

In preparing the financial statements, 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 financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with 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 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 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 financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the 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 financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

INDEPENDENT AUDITOR'S REPORT

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

Report on Other Legal and Regulatory Requirements

In our opinion, the accounting and other records required by the Act to be kept by the Company and by those subsidiary corporations incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.

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

PricewaterhouseCoopers LLP
Public Accountants and Chartered Accountants
Singapore, 14 December 2018

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND TOTAL COMPREHENSIVE INCOME

	Note	Year ended 30 September 2018 S$'000	2017 S$'000
Revenue	6	**109,285**	106,253
Cost of sales	9	**(80,395)**	(80,502)
Gross profit		**28,890**	25,751
Other income	7	**3,658**	2,544
Other operating expenses	8	**(1,289)**	(224)
Selling and distribution expenses	9	**(1,613)**	(1,298)
Administrative expenses	9	**(24,571)**	(24,438)
Finance cost	11	**(827)**	(636)
Share of results of associates and joint ventures, net of tax	19, 20	**1,954**	3,384
Impairment loss on asset held-for-sale		**–**	(500)
Fair value gain/(loss) on investment properties	15	**4**	(1,439)
Profit before income tax		**6,206**	3,144
Income tax expense	12	**(436)**	(377)
Profit for the year		**5,770**	2,767
Profit attributable to:			
Equity holders of the Company		**5,407**	2,312
Non-controlling interests		**363**	455
Profit for the year		**5,770**	2,767
Other comprehensive (loss)/income			
Item that will be reclassified subsequently to profit or loss			
Currency translation differences arising from consolidation		**(92)**	(94)
Item that will not be reclassified subsequently to profit or loss			
Revaluation gains on leasehold buildings		**12**	137
Share of other comprehensive income of joint venture		**92**	237
Other comprehensive income		**12**	280
Total comprehensive income for the year		**5,782**	3,047
Total comprehensive income for the year			
Equity holders of the Company		**5,417**	2,594
Non-controlling interests		**365**	453
Total comprehensive income for the year		**5,782**	3,047
Earnings per share for profit attributable to equity holders of the Company			
Basic and diluted (cents)	13	**1.38**	0.64

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Note	Group As at 30 September 2018 S$'000	2017 S$'000
ASSETS			
Non-current assets			
Property, plant and equipment	14	**20,854**	21,794
Investment properties	15	**46,054**	43,352
Intangible assets	16	**176**	–
Available for sale financial assets	18	**138**	107
Investment in associates	19	**277**	132
Investment in joint ventures	20	**13,165**	11,344
Deferred tax assets	22	**476**	651
Long-term prepayments	25	**396**	536
Other asset	23	**7,690**	–
		89,226	77,916
Current assets			
Inventories	26	**46**	33
Trade and other receivables	24	**18,506**	13,212
Loans to joint ventures	40b	**12,557**	10,492
Prepayments	25	**2,468**	3,131
Cash and bank balances	27	**15,319**	13,262
Fixed deposits	28	**10,029**	6,270
		58,925	46,400
Non-current asset classified as held for sale	29	**–**	–
		58,925	46,400
Total assets		**148,151**	124,316
EQUITY AND LIABILITIES			
Equity			
Share capital	31	**63,407**	51,287
Treasury shares	31	**–**	(186)
Reserves	30	**24,127**	19,508
Equity attributable to equity holders of the Company		**87,534**	70,609
Non-controlling interests		**972**	333
Total equity		**88,506**	70,942
LIABILITIES			
Non-current liabilities			
Deferred tax liabilities	22	**362**	222
Other payables	33	**33**	18
Provision for reinstatement costs	34	**52**	204
Finance lease liabilities	35	**2,934**	3,417
Bank borrowings	36	**16,520**	16,380
		19,901	20,241
Current liabilities			
Trade and other payables	33	**32,165**	25,054
Provision for reinstatement costs	34	**398**	169
Finance lease liabilities	35	**1,652**	1,750
Bank borrowings	36	**4,854**	4,894
Current income tax liabilities		**675**	1,266
		39,744	33,133
Total liabilities		**59,645**	53,374
Total equity and liabilities		**148,151**	124,316

STATEMENTS OF FINANCIAL POSITION

	Note	Company As at 30 September 2018 S$'000	2017 S$'000
ASSETS			
Non-current asset			
Investment in subsidiaries	17	**32,727**	32,727
Long-term prepayments		**10**	–
		32,737	32,727
Current assets			
Trade and other receivables		**1**	2
Amount due from subsidiaries		**25,194**	20,376
Prepayments		**32**	33
Cash and bank balances		**1,658**	1,034
Fixed deposits		**5,334**	–
		32,219	21,445
Total assets		**64,956**	54,172
EQUITY AND LIABILITIES			
Capital and reserve attributable to equity holders of the company			
Share capital	31	**63,407**	51,287
Treasury shares	31	**–**	(186)
Reserves	32	**887**	2,524
Total equity		**64,294**	53,625
LIABILITIES			
Current liabilities			
Trade and other payables		**568**	464
Amount due to subsidiaries		**—**	2
Current income tax liabilities		**94**	81
Total liabilities		**662**	547
Total equity and liabilities		**64,956**	54,172

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

		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 2017		51,287	(186)	47,197	(30,727)	298	3,576	(836)	70,609	333	70,942
Profit for the year		–	–	5,407	–	–	–	–	5,407	363	5,770
Other comprehensive income for the year		–	–	–	–	–	104	(94)	10	2	12
Total comprehensive income for the year		–	–	5,407	–	–	104	(94)	5,417	365	5,782
New Shares issued pursuant to Dual Listing		13,638	–	–	–	–	–	–	13,638	–	13,638
Share issue expense		(1,332)	–	–	–	–	–	–	(1,332)	–	(1,332)
Cancellation of treasury shares		(186)	186	–	–	–	–	–	–	–	–
Termination of LHN Performance Share Plan		–	–	29	–	(29)	–	–	–	–	–
Dividends paid in respect of financial year ended 30 September 2017	37	–	–	(798)	–	–	–	–	(798)	–	(798)
Capital contribution from non-controlling shareholders		–	–	–	–	–	–	–	–	274	274
Total transactions with equity holders, recognised directly in equity		12,120	186	(769)	–	(29)	–	–	11,508	274	11,782
As at 30 September 2018		63,407	–	51,835	(30,727)	269	3,680	(930)	87,534	972	88,506

Group	Note	Attributable to equity holders of the Company									
		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	37	–	–	(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

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Note	Year ended 30 September 2018 S$'000	2017 S$'000
Cash flows from operating activities			
Profit before income tax		**6,206**	3,144
Adjustments for:			
– Share of results of associates and joint ventures, net of tax		**(1,954)**	(3,384)
– Amortisation of intangible assets		**29**	–
– Depreciation of property, plant and equipment		**5,851**	6,009
– Gain on disposal of property, plant and equipment	38(b)	**(378)**	(93)
– Write-off of property, plant and equipment		**14**	40
– Impairment loss on asset held-for-sale		**–**	500
– Fair value (gain)/loss on investment properties		**(4)**	1,439
– Bad and doubtful debts		**755**	96
– Waiver of debt from a director of subsidiaries		**(73)**	(57)
– Dual listing expenses		**1,842**	3,007
– Employee performance share expenses		**–**	88
– Finance income		**(447)**	(315)
– Finance cost		**827**	636
Operating profit before working capital changes		**12,668**	11,110
Changes in working capital:			
– Inventories		**(13)**	(15)
– Trade and other receivables		**(5,097)**	(199)
– Trade and other payables		**3,635**	(1,535)
Cash generated from operations		**11,193**	9,361
Interest expenses paid		**(9)**	(7)
Income tax paid		**(1,406)**	(1,435)
Income tax refunded		**542**	723
Net cash generated from operating activities		**10,320**	8,642
Cash flows from investing activities			
Additions to property, plant and equipment	38(a)	**(6,896)**	(4,996)
Additions of investment properties		**–**	(994)
Purchase of available for sale financial assets		**(31)**	(107)
Additions to intangible assets		**(205)**	–
Additions to other asset	38(c)	**(3,418)**	–
Loans to joint ventures, net		**(1,725)**	(3,170)
Proceeds from disposal of property, plant and equipment	38(b)	**503**	103
Cash outflow on incorporation of joint venture		**–**	(150)
Cash outflow on incorporation of associate		**(20)**	–
Dividend from associate		**100**	–
Interest received		**112**	57
Net cash used in investing activities		**(11,580)**	(9,257)
Cash flows from financing activities			
Repayment of finance lease		**(1,875)**	(1,703)
(Decrease)/increase in fixed deposit – pledged		**(34)**	1,059
Proceeds from bank borrowings		**5,701**	3,000
Repayment of bank borrowings		**(5,601)**	(1,730)
Proceeds from issuance of ordinary shares		**13,638**	–
Share issue expense		**(1,332)**	–
Dual listing expenses paid		**(2,067)**	(2,783)
Capital contribution from non-controlling shareholders		**274**	–
Interest expense paid		**(817)**	(624)
Dividends paid		**(798)**	(1,622)
Net cash generated from/(used in) financing activities		**7,089**	(4,403)
Net increase/(decrease) in cash and cash equivalents		**5,829**	(5,018)
Cash and cash equivalents at beginning of the year		**14,885**	19,926
Exchange losses on cash and cash equivalents		**(47)**	(23)
Cash and cash equivalents at end of the year		**20,667**	14,885

	Note	Year ended 30 September 2018 S$'000	2017 S$'000
Cash and cash equivalents comprise:			
Cash and bank balance	27	**15,319**	13,262
Fixed deposits	28	**10,029**	6,270
		25,348	19,532
Less: Pledged fixed deposits that mature within one year	28	**(4,681)**	(4,647)
		20,667	14,885

Reconciliation of liabilities arising from financing activities

	1 October 2017 S$'000	Net of receipts and payments S$'000	Non-cash changes S$'000			30 September 2018 S$'000
			Acquire by mean of hire purchase	Accrued Interest expense	Currency translation	
Bank borrowings	21,274	(578)	–	679	(1)	**21,374**
Finance lease	5,167	(2,023)	1,294	148	–	**4,586**

NOTES TO THE FINANCIAL STATEMENTS

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").

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.

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 7 (amendment)	Statement of cash flows (Disclosure initiative)
IAS 12 (amendment)	Income taxes (Recognition of deferred tax assets for unrealised losses)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.1 Basis of preparation (Cont'd)

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	
IFRS 9	Financial Instruments	1 January 2018	i
IFRS 15	Revenue from Contracts with Customers	1 January 2018	ii
IFRS 15 (Amendment)	Clarifications to IFRS 15	1 January 2018	
IFRS 16	Leases	1 January 2019	iii
IFRS 17	Insurance Contracts	1 January 2021	iv
IFRIC 22	Foreign Currency Transactions and Advance Consideration	1 January 2018	
IAS 40 (Amendment)	Investment Properties	1 January 2018	v

Note i:

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 2018 and 2017, all of the Group's financial assets and financial liabilities were carried at amortised costs. The implementation of IFRS 9 is expected to result in an increase in provision for impairment of the financial assets and corresponding decrease in opening retained earnings from the application of the ECL model.

Note ii:

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.

NOTES TO THE FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.1 Basis of preparation (Cont'd)

Note iii:

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 2.24. As at 30 September 2018, 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$124,639,000 as set out in Note 39(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.

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 on 1 October 2019.

Note iv:

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 v:

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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.2 Subsidiaries

2.2.1 Consolidation

Subsidiaries are all entities (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) Acquisitions

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.

(c) Transactions with non-controlling interests

Changes in the Group's ownership interest in a subsidiary that do not result in a loss of control over the subsidiary are accounted for as transactions with equity owners of the Company. Any difference between the change in the carrying amounts of the non-controlling interest and the fair value of the consideration paid or received is recognised within equity attributable to the equity holders of the Company.

NOTES TO THE FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.2 Subsidiaries (Cont'd)

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.

2.3 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 income/other operating expenses".

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) Translation of Group entities' financial statement

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. These currency translation differences are reclassified to profit or loss on disposal or partial disposal of the entity giving rise to such reserve.

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.

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/Other operating expenses" in the consolidated statement of profit or loss and total comprehensive income.

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.

NOTES TO THE FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.5 Investment properties (Cont'd)

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 Intangible assets

Customer contracts acquired are initially recognised at cost and are subsequently carried at cost less accumulated amortisation and accumulated impairment losses. These cost are amortised to profit or loss using the straight-line method over 3 years, which is the shorter of their estimated useful lives and period of contractual rights.

2.7 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. On disposal of such investments, the difference between disposal proceeds and the carrying amounts of the investments are recognised in profit or loss.

2.8 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.

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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.9 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.

2.10 Impairment of non-financial assets

Property, plant and equipment, intangible assets 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.

If 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.

NOTES TO THE FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.11 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 24), "cash and bank balances" (Note 27), "fixed deposits" (Note 28) and loans to joint ventures (Note 40b) 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.

2.12 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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.13 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.

2.14 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.

2.15 Trade and other payables

Trade and other 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.

2.16 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. Provisions are not recognised for future operating losses.

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.

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.

NOTES TO THE FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.17 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.

2.18 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.

2.19 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.

2.20 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.

(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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.20 Current and deferred income tax (Cont'd)

(b) Deferred income tax (Cont'd)

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.

2.21 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.

2.22 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.

NOTES TO THE FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.22 Employee benefits (Cont'd)

(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.

2.23 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) Licence fee income

Licence fee income is recognised at a point-in-time when the Group grants the right-to-use of its brand name to third party.

(d) Interest income

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

2.24 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.

(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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.24 Leases (Cont'd)

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.

2.25 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.

2.26 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.

2.27 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. The Share Plan has been terminated on 17 January 2018.

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

No Share option has been issued as at the date of the report.

2.28 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.

NOTES TO THE FINANCIAL STATEMENTS

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$'000	HKD S$'000	THB S$'000	IDR S$'000	USD S$'000
At 30 September 2018					
Financial assets					
Cash and bank balances	**182**	**153**	**127**	**482**	**1,074**
Fixed deposits	**–**	**–**	**–**	**–**	**14**
Trade and other receivables	**142**	**174**	**1,438**	**453**	**4,297**
	324	**327**	**1,565**	**935**	**5,385**
Financial liabilities					
Bank borrowings	**–**	**–**	**–**	**–**	**854**
Trade and other payables	**170**	**57**	**269**	**937**	**5,098**
	170	**57**	**269**	**937**	**5,952**
Net currency exposure	**154**	**270**	**1,296**	**(2)**	**(567)**
At 30 September 2017					
Financial assets					
Cash and bank balances	10	147	121	544	588
Fixed deposits	–	–	–	–	678
Trade and other receivables	49	–	396	516	1,248
	59	147	517	1,060	2,514
Financial liabilities					
Trade and other payables	1	–	185	944	570
	1	–	185	944	570
Net currency exposure	58	147	332	116	1,944

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, HKD, THB, IDR and USD against Singapore Dollar at the reporting date would have either increased or decreased the Group's net profit after tax by the amounts (nearest thousand) shown below:

	As at 30 September	
	2018	**2017**
The Group	**S$'000**	**S$'000**
MYR against SGD		
– Strengthened	**6**	2
– Weakened	**(6)**	(2)
HKD against SGD		
– Strengthened	**11**	6
– Weakened	**(11)**	(6)
THB against SGD		
– Strengthened	**54**	14
– Weakened	**(54)**	(14)
IDR against SGD		
– Strengthened	**–**	5
– Weakened	**–**	(5)
USD against SGD		
– Strengthened	**(24)**	81
– Weakened	**24**	(81)

(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.

NOTES TO THE FINANCIAL STATEMENTS

3 FINANCIAL RISK MANAGEMENT (CONT'D)

(a) Market risk (Cont'd)

(ii) Interest rate risk (Cont'd)

The following table details the interest rate profile of the Group 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 2018				
Fixed rate				
Fixed deposits	**10,029**	**–**	**–**	**10,029**
Obligations under finance lease	**1,652**	**2,934**	**–**	**4,586**
Floating rate				
Bank borrowings	**4,854**	**8,625**	**7,895**	**21,374**
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

Sensitivity analysis for interest rate risk

As at 30 September 2018 and 2017, 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$177,000 and S$177,000, mainly as a result of higher/lower interest expense on floating rate borrowings.

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 2018 and 2017.

3 FINANCIAL RISK MANAGEMENT (CONT'D)

(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	
	2018	**2017**
	S$'000	**S$'000**
Hire-purchase facilities	**4,000**	4,300
Bank loan facilities	**48,400**	48,100
Banker's guarantee	**2,100**	3,000

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 2018 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.

(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.

NOTES TO THE FINANCIAL STATEMENTS

3 FINANCIAL RISK MANAGEMENT (CONT'D)

(c) Liquidity risk (Cont'd)

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 2018				
Obligations under finance lease	**1,770**	**3,064**	**–**	**4,834**
Bank borrowings	**5,424**	**10,403**	**8,997**	**24,824**
Trade and other payables	**27,437**	**–**	**33**	**27,470**
	34,631	**13,467**	**9,030**	**57,128**
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	20,113	–	18	20,131
	27,412	12,737	9,753	49,902

(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 2018 and 2017, the gearing ratios are as follow:

	As at 30 September	
	2018 S$'000	**2017 S$'000**
Finance lease liabilities	**4,586**	5,167
Borrowings	**21,374**	21,274
Trade and other payables	**32,198**	25,072
Less: cash and bank balances	**(15,319)**	(13,262)
Less: fixed deposit	**(10,029)**	(6,270)
Net debt	**32,810**	31,981
Total equity	**88,506**	70,942
Total capital	**121,316**	102,923
Gearing ratio	**0.27**	0.31

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 2018 and 2017:

	Level 1 S$'000	Level 2 S$'000	Level 3 S$'000	Total S$'000
As at 30 September 2018				
Investment properties:				
Industrial and commercial properties	**–**	**–**	**46,054**	**46,054**
Property, plant and equipment:				
Industrial property	**–**	**–**	**–**	**–**
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

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. Details of the valuation methods have been disclosed in Note 15.

NOTES TO THE FINANCIAL STATEMENTS

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 2018			
Beginning of financial year	**43,352**	**3,290**	**–**
Transfers	**3,290**	**(3,290)**	**–**
Depreciation expenses	**–**	**(12)**	**–**
Gain recognised in profit or loss	**4**	**–**	**–**
Gain recognised in other comprehensive income	**–**	**12**	**–**
Currency translation	**(592)**	**–**	**–**
End of financial year	**46,054**	**–**	**–**
Change in unrealised gains for assets held at the end of the financial year included in profit or loss	**4**	**–**	**–**
30 September 2017			
Beginning of financial year	37,472	10,369	–
Transfers	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 or loss	(1,439)	–	(500)
Gain recognised in other comprehensive income	–	137	–
Currency translation	(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)

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 2018					
Singapore	40,000	Direct comparison method	Transacted price of comparable properties	S$2,250 to S$3,320 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	6,054	Direct comparison method	Transacted price of comparable properties	S$3,500 to S$3,900 per square metre	The higher the comparable value, the higher the fair value
	46,054				
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				

(a) There were no significant inter-relationships between unobservable inputs.

NOTES TO THE FINANCIAL STATEMENTS

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 2018 and 2017 were S$20,854,000 and S$21,794,000 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 2018 and 2017 will increase/decrease by S$585,000 and S$601,000, 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, other asset, 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 2018 are as follows:

	Industrial S$'000	Commercial S$'000	Residential S$'000	Logistics S$'000	Facilities management S$'000	Corporate and eliminations S$'000	Consolidated S$'000
Sales							
Total segment sales	41,839	26,115	2,133	25,477	21,636	13,611	130,811
Inter-segment sales	(1,341)	(1,145)	–	(3,273)	(2,156)	(13,611)	(21,526)
Sales to external parties	40,498	24,970	2,133	22,204	19,480	–	109,285
Segment results	(211)	1,773	978	3,902	(67)	(1,300)	5,075
Fair value gain on investment properties	–	4	–	–	–	–	4
Finance cost	(612)	(27)	(2)	(146)	(21)	(19)	(827)
	(823)	1,750	976	3,756	(88)	(1,319)	4,252
Share of results of associates and joint venture	599	–	–	219	1,136	–	1,954
Profit before taxation	(224)	1,750	976	3,975	1,048	(1,319)	6,206
Taxation							(436)
Net profit after taxation							5,770
Non-controlling interests							(363)
Net profit attributable to equity holders of the Company							5,407
Segment assets	44,148	10.382	10,894	5,978	2,103	1,093	74,598
Investment in associates	–	–	–	239	38	–	277
Investment in joint ventures	11,891	–	–	–	1,274	–	13,165
Total segment assets							88,040
Total segment liabilities	18,878	1,033	855	4,065	1,129	–	25,960
Capital expenditure	1,020	1,880	9,828	1,705	1,366	284	16,083
Depreciation of property, plant and equipment	1,535	1,505	173	1,434	814	390	5,851

NOTES TO THE FINANCIAL STATEMENTS

5 SEGMENT INFORMATION (CONT'D)

Segment assets and liabilities (Cont'd)

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$'000	Corporate and eliminations S$'000	Consolidated S$'000
Sales							
Total segment sales	43,796	24,897	1,437*	26,722	20,356	12,014*	129,222
Inter-segment sales	(626)	(1,714)	(3)*	(5,555)	(3,057)	(12,014)*	(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 cost	(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

* Certain comparative amounts have been reclassified to conform with the current year's presentation. In the opinion of the directors of the Company, this presentation would better reflect the financial performance of the Group.

5 SEGMENT INFORMATION (CONT'D)

Reconciliation of segments' total assets and total liabilities

	As at 30 September	
	2018	**2017**
	S$'000	**S$'000**
Reportable segments' assets are reconciled to total assets:		
Segment assets	**88,040**	76,622
Deferred tax assets	**476**	651
Long-term prepayment	**396**	536
Intangible assets	**176**	–
Available for sale financial assets	**138**	107
Inventories	**46**	33
Trade and other receivables	**18,506**	13,212
Loans to joint ventures	**12,557**	10,492
Prepayment	**2,468**	3,131
Cash and bank balances	**15,319**	13,262
Fixed deposits	**10,029**	6,270
Total assets	**148,151**	124,316
Reportable segments' liabilities are reconciled to total liabilities:		
Segment liabilities	**25,960**	26,441
Trade and other payables	**32,165**	25,054
Provision for reinstatement costs	**450**	373
Current income tax liabilities	**675**	1,266
Deferred tax liabilities	**362**	222
Other payables	**33**	18
Total liabilities	**59,645**	53,374

(a) 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	
	2018	**2017**
	S$'000	**S$'000**
Singapore	**99,455**	102,250
Indonesia	**1,359**	1,432
Thailand	**2,763**	1,661
Cambodia	**4,472**	–
Myanmar	**873**	868
Other countries	**363**	42
	109,285	106,253

NOTES TO THE FINANCIAL STATEMENTS

5 SEGMENT INFORMATION (CONT'D)

(a) Geographical segment (Cont'd)

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	
	2018	2017
	S$'000	S$'000
Singapore	70,582	68,140
Indonesia	6,677	7,646
Thailand	143	144
Cambodia	7,690	–
Myanmar	3,214	1,235
Other countries	444	100
	88,750	77,265

6 REVENUE

	Year ended 30 September	
	2018	2017
	S$'000	S$'000
Rental and warehousing lease income	56,657	61,095
Car park services	12,522	11,097
Logistics services	22,203	21,087
Facilities services	12,223	10,625
Licence fee	3,926	1,617
Management services fee income	718	332
Others	1,036	400
	109,285	106,253

7 OTHER INCOME

	Year ended 30 September	
	2018	2017
	S$'000	S$'000
Handling charges	290	318
Gain on disposal of property, plant and equipment	378	93
Interest income	447	315
Vehicle related income	397	122
Government grants	371	131
Wage credit scheme and special employment credit*	374	426
Waiver of debt from a director of subsidiaries	73	57
Forfeiture of tenant deposit	158	219
Services charges	180	259
Rubbish disposal	2	–
Reversal of impairment loss on receivables	–	13
Miscellaneous charge to tenant	221	193
Other income	767	398
	3,658	2,544

* 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 OPERATING EXPENSES

	Year ended 30 September	
	2018	**2017**
	S$'000	**S$'000**
Bad debts expenses	**29**	5
Impairment loss on trade receivables *(Note 24)*	**726**	83
Impairment loss on other receivables *(Note 24)*	**–**	8
Out of court settlement[1]	**–**	128
Foreign exchange loss	**534**	–
	1,289	224

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	
	2018	**2017**
	S$'000	**S$'000**
Advertising expenses	**407**	365
Commission fees	**937**	574
Entertainment expenses	**212**	163
Marketing expenses	**57**	196
Transportation costs	**1,852**	1,611
Container depot management charges	**2,409**	2,218
Rental expenses	**55,858**	57,493
Upkeep and maintenance costs	**7,919**	8,599
Consultancy fees	**133**	263
Depreciation of property, plant and equipment	**5,851**	6,009
Amortisation of intangible assets	**29**	–
Write-off of property, plant and equipment	**14**	40
Listing expenses in relation to the Dual Listing*	**1,842**	3,007
Professional fees	**861**	625
Vehicle-related expenses	**75**	67
Employee benefit costs *(Note 10)*	**23,942**	20,741
Insurance fees	**564**	664
IT Maintenance expenses	**426**	462
Printing expenses	**160**	102
Telephone expenses	**317**	344
Auditor's remuneration		
– Audit services	**259**	236
– Non-audit services	**233**	89
Other expenses	**2,222**	2,370
	106,579	106,238

* 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.

NOTES TO THE FINANCIAL STATEMENTS

10 EMPLOYEE BENEFIT COSTS – INCLUDING DIRECTORS' EMOLUMENTS

(a) Employee benefit expenses during the years are as follows:

	Year ended 30 September 2018 S$'000	2017 S$'000
Wages, salaries and allowances	**21,881**	18,764
Retirement benefit costs – defined contribution plans	**1,881**	1,782
Directors' fees	**180**	195
	23,942	20,741

Employee benefits expenses have been included in consolidated statement of profit or loss as follows:

	Year ended 30 September 2018 S$'000	2017 S$'000
Cost of sales	**12,221**	10,401
Administrative expenses	**11,721**	10,340
	23,942	20,741

(b) Directors' emoluments

The remuneration of every director for the year ended 30 September 2018 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]	–	822	17	8	847
Jess Lim[2]	–	336	17	–	353
Independent non-executive directors					
Ch'ng Li-Ling[4]	56	3	–	–	59
Eddie Yong[5]	52	5	–	–	57
Chan Ka Leung Gary[6]	60	3	–	–	63
	168	1,169	34	8	1,379

10 EMPLOYEE BENEFIT COSTS – INCLUDING DIRECTORS' EMOLUMENTS (CONT'D)

(b) Directors' emoluments (Cont'd)

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]	43	13	–	–	56
Ch'ng Li-Ling[4]	54	5	–	–	59
Eddie Yong[5]	52	7	–	–	59
Chan Ka Leung Gary[6]	19	2	–	–	21
	168	1,023	24	19	1,234

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 a Lead 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.

During the financial years ended 30 September 2018, 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.

During the financial year ended 30 September 2017, the two Executive Directors waived their annual one month fixed bonus.

(i) Directors' retirement benefits

Save as disclosed above under the employer's contribution to defined contributions plans, there were no other retirement benefits 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 2018 and 2017.

(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 2018 and 2017.

(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 2018 and 2017.

(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 2018 and 2017.

NOTES TO THE FINANCIAL STATEMENTS

10 EMPLOYEE BENEFIT COSTS – INCLUDING DIRECTORS' EMOLUMENTS (CONT'D)

(b) Directors' emoluments (Cont'd)

(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 2018 and 2017.

(c) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the years ended 30 September 2018 and 2017 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 2018 and 2017, respectively are as follows:

	Year ended 30 September	
	2018 S$'000	2017 S$'000
Wages, salaries and allowances	**1,299**	736
Retirement benefit costs – defined contribution plans	**52**	36
	1,351	772

The emoluments of above individuals are within the following band:

	Number of individuals Year ended 30 September	
	2018	2017
Emoluments band		
HK$1,000,001 – HK$1,500,000	**–**	2
HK$1,500,001 – HK$2,000,000	**–**	1
HK$2,000,001 – HK$2,500,000	**2**	–
HK$3,000,001 – HK$3,500,000	**1**	–

11 FINANCE COST – NET

	Year ended 30 September	
	2018 S$'000	2017 S$'000
Interest expense on borrowings	**679**	583
Interest expense on finance leases	**148**	53
Finance cost – net	**827**	636

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 (credited)/charged to the consolidated statements of profit or loss represents:

	Year ended 30 September 2018 S$'000	2017 S$'000
Current income tax	**241**	666
Deferred income tax *(Note 22)*	**283**	(250)
	524	416
(Over)/under-provision in respect of prior years		
– current taxation	**(120)**	(35)
– deferred taxation *(Note 22)*	**32**	(4)
Income tax expense	**436**	377

The tax on the Group's profit before income tax differs from the theoretical amount as follows:

	Year ended 30 September 2018 S$'000	2017 S$'000
Profit before tax	**6,206**	3,144
Tax calculated at rate of 17%	**1,055**	534
Tax effect of:		
– expenses not deductible for tax purposes	**902**	1,319
– non-taxable income	**(389)**	(495)
Group relief utilised in respect of prior years	**(1,256)**	(716)
Enhanced PIC deduction	**(247)**	(902)
Deferred tax assets on temporary differences not recognised	**681**	982
Effect of different tax rates in different jurisdictions	**104**	83
Singapore statutory income exemption	**(328)**	(387)
Over provision of current and deferred taxation in respect of prior years	**(88)**	(39)
Others	**2**	(2)
Income tax expense	**436**	377

Subject to agreement with Singapore Tax Authority, as at 30 September 2018 and 2017, the Group has unutilised tax losses of S$3,685,000 and S$3,524,000 respectively and unabsorbed capital allowances of S$1,230,000 and S$4,666,000 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$836,000 and S$1,392,000 have not been recognised in the financial statements of the Group as at 30 September 2018 and 2017 as there is no reasonable certainty of their realisation in future periods.

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.

NOTES TO THE FINANCIAL STATEMENTS

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 2018 and 2017:

	Year ended 30 September	
	2018	**2017**
	S$'000	**S$'000**
Net profit attributable to equity holders of the Company	**5,407**	2,312
Weighted average number of ordinary shares ('000)	**392,204**	360,314
Basic earnings per share (cents)	**1.38**	0.64

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 2018 and 2017.

	Year ended 30 September	
	2018	**2017**
Ordinary shares	**No of ordinary shares ('000)**	**No of ordinary shares ('000)**
Shares issued at beginning of the year	**360,445**	360,004
Effect of shares issued for employee performance	–	310
Effect of new shares issued pursuant to Dual Listing	**31,759**	–
Weighted average number of ordinary shares for basic earnings per share	**392,204**	360,314

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 2017	3,290	24,680	434	8,673	2,675	1,360	7,724	578	2,995	91	52,500
Additions	–	763	4,217	1,442	200	112	1,099	233	321	6	8,393
Transfer	–	1,020	(1,157)	80	33	3	–	–	21	–	–
Written off	–	(834)	–	(106)	(18)	(148)	–	(1)	(50)	–	(1,157)
Disposals	–	(80)	–	(2,571)	–	(4)	(5)	(21)	–	–	(2,681)
Transfer to investment properties *(Note 15)*	(3,290)	–	–	–	–	–	–	–	–	–	(3,290)
Currency translation	–	(79)	(1)	1	(8)	(9)	–	(4)	(16)	*	(116)
As at 30 September 2018	–	25,470	3,493	7,519	2,882	1,314	8,818	785	3,271	97	53,649
Representing:											
Cost	–	25,470	3,493	7,519	2,882	1,314	8,818	785	3,271	97	53,649
Accumulated depreciation and impairment losses											
As at 1 October 2017	–	(16,562)	–	(5,793)	(1,197)	(607)	(4,233)	(353)	(1,905)	(56)	(30,706)
Depreciation for the period	(12)	(2,889)	–	(947)	(255)	(266)	(859)	(89)	(524)	(10)	(5,851)
Written off	–	832	–	99	13	148	–	1	50	–	1,143
Disposals	–	80	–	2,450	–	4	5	17	–	–	2,556
Adjustment arising from revaluation	12	–	–	–	–	–	–	–	–	–	12
Currency translation	–	32	–	1	*	2	–	2	14	*	51
As at 30 September 2018	–	(18,507)	–	(4,190)	(1,439)	(719)	(5,087)	(422)	(2,365)	(66)	(32,795)
Net book value											
As at 30 September 2018	–	6,963	3,493	3,329	1,443	595	3,731	363	906	31	20,854

NOTES TO THE FINANCIAL STATEMENTS

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 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 29)*	(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
At cost or valuation	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)	(1,703)	(61)	(29,875)
Depreciation for the period	(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	–	27	–	*	3	2	–	1	5	–	38
As at 30 September 2017	–	(16,562)	–	(5,793)	(1,197)	(607)	(4,233)	(353)	(1,905)	(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

* Amounts are less than S$500

14 PROPERTY, PLANT AND EQUIPMENT (CONT'D)

During the financial years ended 30 September 2018 and 2017, 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 leases are as follows:

	Year ended 30 September	
	2018	**2017**
	S$'000	**S$'000**
Plant and machinery	**419**	1,465
Logistics equipment	**875**	1,641
	1,294	3,106

The carrying amounts of plant and machinery, logistics equipment and motor vehicles held under finance leases are as follows:

	As at 30 September	
	2018	**2017**
	S$'000	**S$'000**
At net book value		
Plant and machinery	**2,060**	2,545
Logistics equipment	**3,537**	3,373
Motor vehicles	**46**	77
	5,643	5,995

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$2,625,000 as at 30 September 2017 had the leasehold buildings have been carried at historical cost less accumulated depreciation and impairment loss.

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.

NOTES TO THE FINANCIAL STATEMENTS

15 INVESTMENT PROPERTIES (CONT'D)

Income capitalization method where the net income is capitalised at a rate which reflects the yield expected from the property. The most significant unobservable input to the valuation is the capitalisation rate applied.

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	
	2018	2017
	S$'000	S$'000
At fair value		
Beginning of the year	**43,352**	37,472
Additions	**–**	994
Reclassification from property, plant and equipment *(Note 14)*	**3,290**	415
Reclassification to non-current asset held for sale	**–**	(13,336)
Reclassification from non-current asset held for sale	**–**	19,500
Net gain/(loss) from fair value adjustment	**4**	(1,439)
Currency translation	**(592)**	(254)
End of the year	**46,054**	43,352

The following amounts are recognised in consolidated statement of profit or loss:

	Year ended 30 September	
	2018	2017
	S$'000	S$'000
Rental income	**3,051**	1,951
Direct operating expenses arising from investment properties that generated rental income	**438**	472

The investment properties comprises:

Location & Description	Area sq. metres	Tenure	As at 30 September 2018 S$'000	2017 S$'000
72 Eunos Avenue 7, Singapore 6-storey multiple-user light industrial building	6,315.3	30 years lease commencing from 1 January 2011	**19,500**	16,210
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**	20,000
23 Woodlands Industrial Park A flatted industrial unit	160.0	60 years lease commencing from 9 January 1995	**500**	500
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	**6,054**	6,642
			46,054	43,352

15 INVESTMENT PROPERTIES (CONT'D)

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 36.

(b) The investment properties are leased to related and non-related parties under operating leases. Please refer to Note 39 for operating leases to non-related parties.

16 INTANGIBLE ASSETS

	Customer contracts S$'000
Cost	
As at 1 October 2017	–
Additions	205
Currency translation	*
As at 30 September 2018	205
Accumulated amortisation and impairment losses	
As at 1 October 2017	–
Amortisation for the period	29
Currency translation	*
As at 30 September 2018	29
Net book value	
As at 30 September 2018	176

* Amounts are less than S$500

The intangible assets are in relation to consideration paid for the acquisition of customer contracts under the Logistics Services Business. They are subsequently amortised on a straight-line based on the timing of projected cash flows of the contracts over 3 years.

NOTES TO THE FINANCIAL STATEMENTS

17 INVESTMENT IN SUBSIDIARIES

	Company As at 30 September 2018 S$'000	Company As at 30 September 2017 S$'000
Equity investments at cost	**32,727**	32,727

The Group had direct and indirect interests in the following principal subsidiaries as at 30 September 2018 and 2017:

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 2018 %	Effective interest held by the Group as at 30 September 2017 %
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
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 Energy Resources Pte. Ltd. (formerly known as 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 Residence Pte. Ltd.	General contractors	Singapore	10 March 2008	S$25,000	**100**	100
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

17 INVESTMENT IN SUBSIDIARIES (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 2018 %	2017 %
LHN Parking 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$800,000	**60**	60
Pickjunction Pte. Ltd.	Public relations consultancy services and web portals	Singapore	9 October 2013	S$1	**100**	100
PT Hean Nerng Group[1]	Space resource management	Indonesia	9 April 2013	Rp29,157,000,000	**99**	99
PT Hub Hijau Serviced Offices[1]	Space resource management	Indonesia	20 May 2013	Rp3,406,200,000	**99**	99
LHN Parking (GMT) Pte. Ltd.	Carpark management and operation services	Singapore	24 June 2016	S$1	**100**	100
HLA Holdings (Thailand) Ltd.[2, #]	Container depot management	Thailand	22 December 2014	THB2,000,000	**28.8**	28.8
HLA Container Services (Thailand) Ltd.[2, ^]	Container depot management	Thailand	23 December 2014	THB2,000,000	**43.5**	43.5

1 Audited by Grant Thornton Gani Sigiro & Handayani, Indonesia

2 Audited by Proact Services Thailand

\# 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

NOTES TO THE FINANCIAL STATEMENTS

17 INVESTMENT IN SUBSIDIARIES (CONT'D)

Summarised financial statements for subsidiaries

Set out below are the summarised financial statements for each subsidiary that has non-controlling interests that are material to the Group. These are presented before inter-company eliminations.

Summarised statement of financial position

	As at 30 September 2018		
	HLA Holdings Pte. Ltd. S$'000	HLA Container Services Pte. Ltd. S$'000	HLA Container Services (Thailand) Ltd. S$'000
Current			
Assets	1,684	2,007	1,682
Liabilities	(1,346)	(1,618)	(1,429)
Total current net assets	338	389	253
Non-current			
Assets	–	1,572	143
Liabilities	–	(593)	–
Total non-current net assets	–	979	143
Net assets	338	1,368	396

	As at 30 September 2017		
	HLA Holdings Pte. Ltd. S$'000	HLA Container Services Pte. Ltd. S$'000	HLA Container Services (Thailand) Ltd. S$'000
Current			
Assets	1,451	1,492	710
Liabilities	(1,193)	(1,476)	(784)
Total current net assets/(liabilities)	258	16	(74)
Non-current			
Assets	–	1,253	144
Liabilities	–	(504)	–
Total non-current net assets	–	749	144
Net assets	258	765	70

Summarised statement of comprehensive income

	As at 30 September 2018		
	HLA Holdings Pte. Ltd. S$'000	HLA Container Services Pte. Ltd. S$'000	HLA Container Services (Thailand) Ltd. S$'000
Revenue	5,464	4,166	2,763
Profit before income tax	86	463	320
Income tax expense	(7)	(48)	–
Other comprehensive income	–	–	6
Total comprehensive income	79	415	326
Total comprehensive income allocated to non-controlling interests	32	166	184

17 INVESTMENT IN SUBSIDIARIES (CONT'D)

Summarised statement of comprehensive income (Cont'd)

	As at 30 September 2017		
	HLA Holdings Pte. Ltd. S$'000	HLA Container Service Pte. Ltd. S$'000	HLA Container Services (Thailand) Ltd. S$'000
Revenue	7,919	5,798	1,661
Profit before income tax	121	678	268
Income tax expense	(8)	–	–
Other comprehensive income	–	–	(4)
Total comprehensive income	113	678	264
Total comprehensive income allocated to non-controlling interests	45	271	149

Summarised cash flows

	As at 30 September 2018		
	HLA Holdings Pte. Ltd. S$'000	HLA Container Services Pte. Ltd. S$'000	HLA Container Services (Thailand) Ltd. S$'000
Cash flows from operating activities			
Cash generated from operations	316	843	(254)
Interest paid	–	(45)	–
Income tax paid	(6)	–	–
Net cash generated from/(used in) operating activities	310	798	(254)
Net cash used in investing activities	–	(1,007)	(30)
Net cash (used in)/generated from financing activities	–	(81)	284
Net increase/(decrease) in cash and cash equivalents	310	(290)	–
Cash and cash equivalents at beginning of year	664	541	118
Effects of currency translation on cash and cash equivalents	–	–	4
Cash and cash equivalents at end of year	974	251	122

	As at 30 September 2017		
	HLA Holdings Pte. Ltd. S$'000	HLA Container Services Pte. Ltd. S$'000	HLA Container Services (Thailand) Ltd. S$'000
Cash flows from operating activities			
Cash generated from operations	130	893	212
Interest paid	–	(29)	–
Income tax paid	(1)	–	–
Net cash generated from operating activities	129	864	212
Net cash generated from/(used in) investing activities	164	(731)	(61)
Net cash (used in)/generated from financing activities	(18)	319	(74)
Net increase in cash and cash equivalents	275	452	77
Cash and cash equivalents at beginning of year	389	89	39
Effects of currency translation on cash and cash equivalents	–	–	2
Cash and cash equivalents at end of year	664	541	118

NOTES TO THE FINANCIAL STATEMENTS

18 AVAILABLE FOR SALE FINANCIAL ASSETS

	As at 30 September 2018 S$'000	2017 S$'000
Beginning of financial year	107	–
Additions	31	107
End of financial year	138	107

Available for sale financial assets are analysed as follows:

	As at 30 September 2018 S$'000	2017 S$'000
Unlisted equity shares	138	107
Total	138	107

Unlisted equity shares relate to investment in WeOffices ApS, a company incorporated in Denmark and principally engaged in the business of rental of serviced office space in Denmark.

19 INVESTMENTS IN ASSOCIATES

	As at 30 September 2018 S$'000	2017 S$'000
Unquoted equity investment, at cost	**30**	10
Share of post-acquisition reserves	**247**	122
	277	132
Share of associated company's result, net of tax	**225**	21

Set out below are the associates of the Group as at 30 September 2018 and 2017. 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 2018	30 September 2017
Nopest Pte. Ltd.	Singapore	Pest control consultancy and pest consultancy services	**50**	50
HLA Logistics Pte. Ltd.	Singapore	Container depot management	**49**	–

19 INVESTMENTS IN ASSOCIATES (CONT'D)

Summarised financial statements for associates

Set out below are the summarised financial statements for Nopest Pte. Ltd and HLA Logistics Pte. Ltd. which, in the opinion of the directors, is material to the Group:

Summarised statement of financial position

	As at 30 September 2018		
	Nopest Pte. Ltd. S$'000	HLA Logistics Pte. Ltd. S$'000	Total S$'000
Current assets	**84**	**653**	**737**
Includes:			
– Cash and cash equivalents	**81**	**351**	**432**
Current liabilities	**(7)**	**(214)**	**(221)**
Includes:			
– Other current liabilities (including trade payables)	**(7)**	**(214)**	**(221)**
Non-current assets	**–**	**48**	**48**
Net assets	**77**	**487**	**564**

	As at 30 September 2017	
	Nopest Pte. Ltd. S$'000	Total S$'000
Current assets	289	289
Includes:		
– Cash and cash equivalents	276	276
Current liabilities	(25)	(25)
Includes:		
– Other current liabilities (including trade payables)	(25)	(25)
Net assets	264	264

NOTES TO THE FINANCIAL STATEMENTS

19 INVESTMENTS IN ASSOCIATES (CONT'D)

Summarised statement of comprehensive income

	Year ended 30 September 2018		
	Nopest Pte. Ltd. S$'000	**HLA Logistics Pte. Ltd. S$'000**	**Total S$'000**
Revenue	**48**	**1,617**	**1,665**
Net profit and total comprehensive income for the year	**12**	**447**	**459**
The above profit for the period includes the following:			
– Depreciation and amortisation	**–**	**(6)**	**(6)**

	Year ended 30 September 2017	
	Nopest Pte. Ltd. S$'000	Total S$'000
Revenue	278	278
Net profit and total comprehensive income for the year	43	43
The above profit for the period includes the following:		
– Depreciation and amortisation	(1)	(1)

The information above reflects the amounts presented in the financial statements of associates (and not the Group's share of those amounts), adjusted for differences in accounting policies between the Group and the associates.

Reconciliation of summarised financial statements

Reconciliation of the summarised financial statements presented to the carrying amount of the Group's interest in associates, is as follows:

	Nopest Pte. Ltd. S$'000	**HLA Logistics Pte. Ltd. S$'000**	**Total S$'000**
Opening net assets at 1 October 2016	222	–	222
Cost of investment	–	–	–
Total comprehensive income for the year	43	–	43
Closing net assets at 30 September 2017	265	–	265
Interest in Associates	133	–	133
Carrying value at 30 September 2017	133	–	133
Opening net assets at 1 October 2017	265	–	265
Cost of investment	–	40	40
Total comprehensive income for the year	12	447	459
Dividend paid	(200)	–	(200)
Closing net assets at 30 September 2018	**77**	**487**	**564**
Interest in Associates	**38**	**239**	**277**
Carrying value at 30 September 2018	**38**	**239**	**277**

20 INVESTMENTS IN JOINT VENTURES

	As at 30 September 2018 S$'000	2017 S$'000
Unquoted equity investment, at cost	**1,050**	1,050
Share of results of joint ventures	**12,115**	10,294
	13,165	11,344
Share of joint ventures' result, net of tax	**1,729**	3,363
Share of joint ventures' other comprehensive income	**92**	237

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 are the joint venture of the Group as at 30 September 2018 and 2017. 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 2018	30 September 2017
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	50
Work Plus Store (Kallang) Pte. Ltd.	Singapore	50	–

Metropolitan Parking Pte. Ltd. provides carpark management and operations services principally in Singapore.

Work Plus Store (AMK) Pte. Ltd. provides general warehousing and business support services principally in Singapore.

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.

On 28 November 2017, Four Star Industries Pte. Ltd incorporated a wholly owned subsidiary, Work Plus Store (Kallang) Pte. Ltd. Work Plus Store (Kallang) Pte. Ltd. provides general warehousing and business support services principally in Singapore.

NOTES TO THE FINANCIAL STATEMENTS

20 INVESTMENTS IN JOINT VENTURES (CONT'D)

Summarised financial statements for joint ventures

Set out below are the summarised financial statements which, in the opinion of directors, is material to the Group.

Summarised statement of financial position

	As at 30 September 2018		
	Metropolitan Parking Pte. Ltd. S$'000	**Work Plus Store (AMK) Pte. Ltd. S$'000**	**Four Star Industries Pte Ltd S$'000**
Current assets	205	898	1,540
Includes:			
– Cash and cash equivalents	187	455	426
Current liabilities	(8,846)	(15,299)	(2,250)
Includes:			
– Financial liabilities (excluding trade payables)	(832)	(3,634)	(1,106)
– Other current liabilities (including trade payables)	(8,014)	(11,664)	(1,144)
Non-current assets	29,450	55,986	20,764
Non-current liabilities	(18,260)	(26,729)	(11,041)
Includes:			
– Financial liabilities	(18,235)	(26,729)	(3,837)
Net assets	2,549	14,856	9,013

	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**
Current assets	393	1,711	1,987
Includes:			
– Cash and cash equivalents	381	1,206	256
Current liabilities	(8,219)	(12,372)	(8,208)
Includes:			
– Financial liabilities (excluding trade payables)	(832)	(2,424)	(853)
– Other current liabilities (including trade payables)	(7,387)	(9,948)	(7,355)
Non-current assets	27,249	52,505	19,263
Non-current liabilities	(19,136)	(28,934)	(3,553)
Includes:			
– Financial liabilities	(19,136)	(28,934)	(3,553)
Net assets	287	12,910	9,489

20 INVESTMENTS IN JOINT VENTURES (CONT'D)

Summarised financial statements for joint ventures (Cont'd)

Summarised statement of comprehensive income

	Year ended 30 September 2018		
	Metropolitan Parking Pte. Ltd. S$'000	**Work Plus Store (AMK) Pte. Ltd. S$'000**	**Four Star Industries Pte Ltd S$'000**
Revenue	1,230	3,106	3,325
Net profit and total comprehensive income for the year	2,261	1,946	(477)
The above profit for the period includes the following:			
– Depreciation and amortisation	(6)	(212)	(121)
– Interest expense	(777)	(1,344)	(327)
– Fair value gain/(loss) on property, plant and equipment and investment properties	2,200	1,800	(30)

	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**
Revenue	978	824	2,202
Net profit and total comprehensive income for the year	(74)	(1,316)	942
The above profit for the period includes the following:			
– Depreciation and amortisation	(2)	(7)	(92)
– Interest expense	(708)	(996)	(171)
– Fair value gain on property, plant and equipment and investment properties	–	–	33

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.

NOTES TO THE FINANCIAL STATEMENTS

20 INVESTMENTS IN JOINT VENTURES (CONT'D)

Summarised financial statements for 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
Opening net assets at 1 October 2016	362	14,226	–
Cost of investment	–	–	900
Total comprehensive income for the year	(74)	(1,316)	942
Gain on bargain purchase in respective to Group's acquisition of Four Star Industries Pte Ltd	–	–	7,648
Closing net assets at 30 September 2017	288	12,910	9,490
Interest in Joint Venture @ 50%	144	6,455	4,745
Carrying value at 30 September 2017	144	6,455	4,745
Opening net assets at 1 October 2017	288	12,910	9,490
Cost of investment	–	–	–
Total comprehensive income for the year	2,261	1,946	(477)
Closing net assets at 30 September 2018	2,549	14,856	9,013
Interest in Joint Venture @ 50%	1,274	7,428	4,507
Carrying value at 30 September 2018	1,274	7,428	4,507

21 FINANCIAL INSTRUMENTS BY CATEGORY

	As at 30 September	
	2018 S$'000	2017 S$'000
Assets as per consolidated statements of financial position		
Loans and receivables		
– Trade and other receivables excluding prepayments	**18,506**	13,212
– Loan to joint ventures	**12,557**	10,492
– Cash and bank balances	**15,319**	13,262
– Fixed deposits	**10,029**	6,270
– Available for sale financial assets	**138**	107
Total	**56,549**	43,343
Liabilities as per consolidated statements of financial position		
Other financial liabilities subsequently measured at amortised cost		
– Bank borrowings	**21,374**	21,274
– Trade and other payables	**32,198**	25,072
– Finance lease liabilities	**4,586**	5,167
Total	**58,158**	51,513

22 DEFERRED INCOME TAX

The analysis of deferred income tax asset/(liability) is as follows:

	As at 30 September	
	2018	**2017**
	S$'000	**S$'000**
Deferred income tax asset:		
– To be settled within one year	**98**	236
– To be settled after one year	**378**	415
	476	651
Deferred income tax liability:		
– To be settled within one year	**(66)**	(41)
– To be settled after one year	**(296)**	(181)
	(362)	(222)

The movements in deferred income tax during the financial years are as follows:

Deferred income tax assets:

	Provisions S$'000
At 1 October 2016	441
Credited to profit or loss	210
At 30 September 2016	651
At 1 October 2017	651
Charged to profit or loss	(175)
At 30 September 2018	476

Deferred income tax liabilities:

	Accelerated tax depreciation S$'000
At 1 October 2016	266
Credited to profit or loss	(44)
At 30 September 2017	222
At 1 October 2017	222
Charged to profit or loss	140
At 30 September 2018	362

The deferred income tax liabilities balance comprises tax on excess of net book value over tax written down value of qualifying property, plant and equipment.

As at 30 September 2018 and 2017, there are no deferred tax liabilities on investment in subsidiaries as they were in loss making position and have accumulated losses.

NOTES TO THE FINANCIAL STATEMENTS

23 OTHER ASSET

The Group has recognised other asset in relation to the progress billing of Block 1A of Axis Residences in Cambodia. The date of completion of the construction of the building is estimated to be around December 2018.

24 TRADE AND OTHER RECEIVABLES

	As at 30 September	
	2018	**2017**
	S$'000	**S$'000**
Trade receivables:		
– Third parties	**13,014**	8,903
– Related parties	**86**	114
– Joint ventures	**138**	100
	13,238	9,117
Accrued rental income	**953**	715
GST receivables	**448**	364
Deposits with external parties	**4,462**	3,232
Unpaid deposits from customers	**158**	70
Tax recoverable	**154**	–
Other receivables	**489**	386
	5,711	4,052
Less: impairment loss on trade receivables	**(1,378)**	(654)
Less: impairment loss on other receivables	**(18)**	(18)
	(1,396)	(672)
Net trade and other receivables	**18,506**	13,212

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.

Tax recoverable relates to tax relief claimed by the Group subject to agreement with tax authority which are available for offset against future taxable profits provided that the provision of tax legislation are complied with.

Other receivables comprise mainly warehouse storage fee and sundry receivables.

(a) Trade receivables

	As at 30 September	
	2018	**2017**
	S$'000	**S$'000**
Trade receivables	**13,238**	9,117
Accrued rental income	**953**	715
Less: provision for impairment of trade receivables	**(1,378)**	(654)
	12,813	9,178

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.

24 TRADE AND OTHER RECEIVABLES (CONT'D)

(a) Trade receivables (Cont'd)

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	
	2018	**2017**
	S$'000	**S$'000**
0 to 30 days	**4,927**	4,338
31 to 60 days	**1,722**	1,604
61 to 90 days	**240**	326
91 to 180 days	**721**	1,329
181 days to 365 days	**3,786**	531
Over 365 days	**1,842**	989
	13,238	9,117

Aging analysis of trade receivables that are past due but not impaired, based on due date, is as follows:

	As at 30 September	
	2018	**2017**
	S$'000	**S$'000**
1 to 30 days	**3,763**	2,141
31 to 60 days	**674**	719
61 to 90 days	**112**	343
91 to 180 days	**1,854**	916
181 to 365 days	**975**	522
Over 365 days	**758**	385
	8,136	5,026

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	
	2018	**2017**
	S$'000	**S$'000**
Trade receivables		
1 to 30 days	**12**	–
31 to 60 days	**15**	2
61 to 90 days	**1**	1
91 to 180 days	**57**	29
181 days to 365 days	**210**	25
Over 365 days	**1,083**	597
Gross Amount	**1,378**	654
Provision for impairment	**(1,378)**	(654)
	–	–
Other receivables		
Gross Amount	**18**	18
Provision for impairment	**(18)**	(18)
	–	–

NOTES TO THE FINANCIAL STATEMENTS

24 TRADE AND OTHER RECEIVABLES (CONT'D)

(a) Trade receivables (Cont'd)

Movements on the provision for impairment of trade and other receivables are as follows:

	Year ended 30 September	
	2018	**2017**
	S$'000	**S$'000**
Beginning of the year	**672**	781
Add: Provision for impairment of trade and other receivables, net	**726**	91
Less: Provision written off	**(2)**	(200)
At the end of the year	**1,396**	672

The carrying amounts of the Group's trade and other receivables are denominated in the following currencies:

	As at 30 September	
	2018	**2017**
	S$'000	**S$'000**
SGD	**11,943**	11,003
USD	**4,297**	1,248
HKD	**174**	–
IDR	**453**	516
RMB	**59**	–
THB	**1,438**	396
MYR	**142**	49
	18,506	13,212

25 PREPAYMENTS

	As at 30 September	
	2018	**2017**
	S$'000	**S$'000**
Prepaid operating expenses		
Current	**2,468**	3,131
Non-current	**396**	536
	2,864	3,667

The prepaid operating expenses relates to prepayment for rental, insurance and stamp duty.

26 INVENTORIES

	As at 30 September	
	2018	**2017**
	S$'000	**S$'000**
Work-in-progress	**40**	24
Finished goods	**6**	9
	46	33

The cost of inventories included in cost of sales amounted to S$134,000 and S$288,000 for the year ended 30 September 2018 and 2017, respectively.

27 CASH AND BANK BALANCES

	As at 30 September	
	2018	**2017**
	S$'000	**S$'000**
Cash at banks	**15,285**	13,217
Cash on hand	**34**	45
	15,319	13,262

The Group's cash and cash equivalents are denominated in the following currencies:

	As at 30 September	
	2018	**2017**
	S$'000	**S$'000**
SGD	**13,255**	11,824
USD	**1,074**	588
HKD	**153**	147
IDR	**482**	544
RMB	**12**	19
THB	**127**	121
MYR	**182**	10
Others	**34**	9
	15,319	13,262

28 FIXED DEPOSITS

	As at 30 September	
	2018	**2017**
	S$'000	**S$'000**
Fixed deposits		
Mature within 3 months	**5,993**	1,655
Mature within one year	**4,036**	4,615
	10,029	6,270

Certain fixed deposits have been pledged to financial institutions for providing banker guarantees facilities as follows:

	As at 30 September	
	2018	**2017**
	S$'000	**S$'000**
Pledged fixed deposits		
Mature within 3 months	**659**	656
Mature within one year	**4,022**	3,991
	4,681	4,647

The Group's fixed deposits are denominated in the following currencies:

	As at 30 September	
	2018	**2017**
	S$'000	**S$'000**
SGD	**10,015**	5,592
USD	**14**	678
	10,029	6,270

NOTES TO THE FINANCIAL STATEMENTS

29 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 sale to investment property and property, plant and equipment as the property is being leased out to third parties and also held for own use.

30 RESERVES

	As at 30 September	
	2018	2017
	S$'000	S$'000
Exchange translation reserve	**(930)**	(836)
Asset valuation reserve	**3,680**	3,576
Other reserve	**269**	298
Merger reserve	**(30,727)**	(30,727)
Retained profits	**51,835**	47,197
	24,127	19,508
Represented by:		
Distributable	**21,377**	16,768
Non-distributable	**2,750**	2,740
	24,127	19,508

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.

31 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 2016	361,857,200	(1,853,000)	51,287	(245)
Shares issued under LHN Performance Share Plan[1]	–	441,200	–	59
Balance as at 30 September 2017	361,857,200	(1,411,800)	51,287	(186)
Balance as at 1 October 2017	361,857,200	(1,411,800)	51,287	(186)
Cancellation of treasury shares[2]	(1,411,800)	1,411,800	(186)	186
New Shares issued pursuant to Dual Listing[3]	42,000,000	–	13,638	–
Share issue costs	–	–	(1,332)	–
Balance as at 30 September 2018	**402,445,400**	**–**	**63,407**	**–**

1 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.

2 On 30 November 2017, 1,411,800 number of treasury shares of the Company were cancelled pursuant to the Rule 704(31) of the SGX-ST Listing Manual Section Section B: Rules of Catalist.

3 On 29 December 2017, 42,000,000 number of ordinary shares of the Company were issued pursuant to Dual Listing in Hong Kong Stock Exchange ("HKSE").

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.

32 COMPANY LEVEL STATEMENT OF CHANGES IN EQUITY

Company	**Note**	**Retained profits S$'000**
2017		
As at 1 October 2016		3,070
Profit and total comprehensive income for the year		1,047
Dividends paid	37	(1,622)
Share awarded under LHN Performance Share Plan		29
As at 30 September 2017		2,524
2018		
As at 1 October 2017		2,524
Profit and total comprehensive loss for the year		(839)
Dividends paid	37	(798)
As at 30 September 2018		887

NOTES TO THE FINANCIAL STATEMENTS

33 TRADE AND OTHER PAYABLES

(a) Current trade and other payables breakdown as follows:

	As at 30 September 2018 S$'000	As at 30 September 2017 S$'000
Trade payables		
– Third parties	**4,079**	3,521
Total trade payables *(Note ii)*	**4,079**	3,521
Other payables and accruals		
– Goods and services tax payables	**652**	419
– Amount owing to a director of subsidiaries *(Note i)*	**–**	98
– Provision for directors' fees	**61**	56
– Accruals	**7,960**	2,211
– Accrued rental expenses	**3,706**	3,957
– Rental deposits received from customers	**12,969**	12,316
– Rental deposits received from related parties	**75**	73
– Rental received in advance	**331**	522
– Advances received from customers	**1,692**	1,153
– Unpaid deposits	**365**	222
– Withholding tax	**39**	43
– Sundry creditors	**236**	448
– Other payables	**33**	33
Total trade and other payables	**32,198**	25,072
Less non-current portion: other payables	**(33)**	(18)
Total trade and other payables included in current liabilities	**32,165**	25,054

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 2018 and 2017, the aging analysis of the trade payables based on invoice date is as follows:

	As at 30 September 2018 S$'000	As at 30 September 2017 S$'000
0 to 30 days	**2,689**	2,447
31 to 60 days	**763**	610
61 to 90 days	**335**	284
Over 90 days	**292**	180
	4,079	3,521

The carrying amounts of the Group's trade and other payables are denominated in the following currencies:

	As at 30 September 2018 S$'000	As at 30 September 2017 S$'000
SGD	**25,666**	23,371
USD	**5,098**	570
HKD	**57**	–
IDR	**937**	944
RMB	**1**	1
THB	**269**	185
MYR	**170**	1
	32,198	25,072

34 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$450,000 and S$373,000 for the financial years ended 30 September 2018 and 30 September 2017.

Movement of the reinstatement costs are as follows:

	Year ended 30 September	
	2018	**2017**
	S$'000	**S$'000**
Balance at beginning of the year	**373**	352
Provision for the year	**150**	15
Amount utilised for the year	**(80)**	–
Amortisation of discount	**7**	6
Balance at end of year	**450**	373
Presented as:		
Current	**398**	169
Non-current	**52**	204
	450	373

35 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	
	2018	**2017**
	S$'000	**S$'000**
Gross finance lease liabilities – minimum lease payments		
No later than 1 year	**1,770**	1,878
Later than 1 year and no later than 2 years	**1,420**	1,453
Later than 2 years and no later than 5 years	**1,644**	2,127
	4,834	5,458
Future finance charges on finance leases	**(248)**	(291)
Present value of finance lease liabilities	**4,586**	5,167
The present value of finance lease liabilities is as follows:		
No later than 1 year	**1,652**	1,750
Later than 1 year and no later than 2 years	**1,344**	1,366
Later than 2 years and no later than 5 years	**1,590**	2,051
	4,586	5,167

NOTES TO THE FINANCIAL STATEMENTS

35 FINANCE LEASE LIABILITIES (CONT'D)

Effective interest rates

Effective interest rates on the finance leases bears interest between 1.30% and 4.00% per annum during the year ended 30 September 2018 (2017: between 1.28% and 3.90%).

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 2018 and 2017 are as follows:

	As at 30 September 2018	
	Carrying Amount S$'000	Fair Value S$'000
Between one and five years	**2,934**	**2,750**

	As at 30 September 2017	
	Carrying Amount S$'000	Fair Value S$'000
Between one and five years	3,417	3,167

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.

36 BANK BORROWINGS

	As at 30 September	
	2018 S$'000	2017 S$'000
Non-current, secured		
Bank borrowings repayable later than 1 year and no later than 2 years	**2,660**	1,919
Bank borrowings repayable later than 2 years and no later than 5 years	**5,965**	5,688
Bank borrowings repayable later than 5 years	**7,895**	8,773
	16,520	16,380
Current, secured		
Bank borrowings repayable no later than 1 year	**4,854**	4,894
Total bank borrowings	**21,374**	21,274

Total bank borrowings of S$21,374,000 as at 30 September 2018 (2017: S$21,274,000) are secured by (i) legal mortgage of leasehold properties at 72 Eunos Avenue 7 and 100 Eunos Avenue 7 in Singapore; (ii) corporate guarantees provided by the Group; (iii) personal guarantees provided by a director and shareholder of a non-wholly owned subsidiary of the Company, in proportion to his shareholdings in such non-wholly owned subsidiary; and (iv) assignment of rental proceeds of the mortgaged properties.

Interest is charged between 2.18% and 6.00% (2017: between 2.85% and 3.65%) per annum. The interest rate is repriced monthly.

36 BANK BORROWINGS (CONT'D)

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 Group's bank borrowings are denominated in the following currencies:

	As at 30 September	
	2018	**2017**
	S$'000	**S$'000**
SGD	**20,520**	21,274
USD	**854**	–
	21,374	21,274

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

	Carrying amount	**Contractual cash flows**
	S$'000	**S$'000**
As at 30 September 2018		
Less than one year	**4,854**	**5,424**
Between one to two years	**2,660**	**3,192**
Between two to five years	**5,965**	**7,211**
More than five years	**7,895**	**8,997**
	16,520	**19,400**
	21,374	**24,824**
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

37 DIVIDENDS

	Year ended 30 September	
	2018	**2017**
	S$'000	**S$'000**
Ordinary dividends		
Final dividend paid in respect of the previous financial year of 0.20 cents (2017: 0.45 cents) per share	**798**	1,622

NOTES TO THE FINANCIAL STATEMENTS

38 NOTES TO CONSOLIDATED STATEMENTS OF CASH FLOWS

(a) Reconciliation of cash used in purchase of property, plant and equipment

	Year ended 30 September	
	2018	2017
	S$'000	S$'000
Total property, plant and equipment acquired during the year	8,393	8,391
Less: acquired by means of hire-purchase	(1,294)	(3,106)
Less: capitalised of reinstatement costs	(150)	(15)
Less: Payable of property, plant and equipment	(53)	(274)
Cash used in purchase of property, plant and equipment during the year	6,896	4,996

(b) Proceeds from disposal of property, plant and equipment

	Year ended 30 September	
	2018	2017
	S$'000	S$'000
Net book amount	125	10
Gain on disposal of property, plant and equipment	378	93
Proceeds from disposal of property, plant and equipment	503	103

(c) Reconciliation of cash used in purchase of other asset

	Year ended 30 September	
	2018	2017
	S$'000	S$'000
Total other asset acquired during the year	7,690	–
Less: Payable of other asset	(4,272)	–
Cash used in purchase of other asset during the year	3,418	–

39 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 19) and investment in a joint venture (Note 20), are as follows:

	As at 30 September	
	2018	2017
	S$'000	S$'000
Investment property	9,399	–
Property, plant and equipment	7,531	440
	16,930	440

39 COMMITMENTS (CONT'D)

(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	
	2018	**2017**
	S$'000	**S$'000**
Not later than one year	**50,906**	48,832
Between one and five years	**72,832**	90,902
Later than five years	**901**	3,012
	124,639	142,746

(c) Operating lease commitments – where the Group is a lessor

The Group leases 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	
	2018	**2017**
	S$'000	**S$'000**
Not later than one year	**34,146**	41,283
Between one and five years	**19,811**	34,181
	53,957	75,464

(d) Corporate guarantees

The Group has provided corporate guarantees in favour of financial institutions in respect of facilities granted to certain joint ventures amounting to S$31,800,000 (2017: S$30,612,000). As at 30 September 2018, the outstanding amount of guaranteed loans drawn down by joint ventures amounted to S$27,173,000 (2017: S$27,846,000)

The Group has determined that the corporate guarantees had insignificant fair values as at 30 September 2018 and 2017.

NOTES TO THE FINANCIAL STATEMENTS

40 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
Lim Lung Tieng	Executive director and shareholder
Lim Bee Choo	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
HLA Logistics Pte. Ltd.	A joint venture
Nopest Pte. Ltd.	An associate
Master Care Services Pte. Ltd.	A non-controlling shareholder of a subsidiary of the Group
PJS Companies	Related group of companies controlled by Pang Joo Siang *(Note 1)*
9 Plus Cafe Pte. Ltd.	The owner is the brother-in-law of an Executive Director of the Company
CPL Resources Sdn Bhd	A company with a shareholder who is a director of the Group

Note 1: PJS Companies comprises Cafe @ Phoenix Pte. Ltd. and DJ Culinary Concepts Pte. Ltd.

(a) Transactions

	Year ended 30 September	
	2018	**2017**
	S$'000	**S$'000**
Rental and service income from:		
Work Plus Store (AMK) Pte. Ltd.	**445**	455
Metropolitan Parking Pte. Ltd.	**108**	97
Four Star Industries Pte Ltd	**183**	230
Master Care Services Pte. Ltd.	**305**	283
PJS Companies	**245**	398
9 Plus Cafe Pte. Ltd.	**159**	172
HLA Logistics Pte. Ltd.	**669**	–
Auxiliary services from:		
Nopest Pte. Ltd.	**31**	179
Loan to:		
Work Plus Store (AMK) Pte. Ltd.	**500**	750
Metropolitan Parking Pte. Ltd.	**200**	525
Four Star Industries Pte Ltd	**1,025**	2,325
Repayment of loan from:		
Work Plus Store (AMK) Pte. Ltd.	**–**	430
Other transactions with:		
Work Plus Store (AMK) Pte. Ltd.	**384**	117
Metropolitan Parking Pte. Ltd.	**1,195**	965
PJS Companies	**2**	71
Four Star Industries Pte Ltd	**98**	65
CPL Resources Sdn Bhd	**405**	–

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

40 RELATED PARTY TRANSACTIONS (CONT'D)

(b) Year-end balances with related parties

	As at 30 September 2018 S$'000	2017 S$'000
Amounts due to related parties (Non-trade)		
PJS Companies	**72**	72
Others	**3**	1
Total	**75**	73
Amounts due from related parties (Trade)		
PJS Companies	**86**	110
Four Star Industries Pte Ltd	**2**	100
Work Plus Store (AMK) Pte. Ltd.	**136**	–
Others	**–**	4
Total	**224**	214
Amounts due from related parties (Non-trade)		
Loan to Work Plus Store (AMK) Pte. Ltd.	**5,142**	4,501
Loan to Metropolitan Parking Pte. Ltd.	**3,942**	3,633
Loan to Four Star Industries Pte Ltd	**3,473**	2,358
Total	**12,557**	10,492

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 2018 and 2017 respectively. They had no fixed terms of repayment and are 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 2018 S$'000	2017 S$'000
Salaries and other short-term employee benefits	**2,010**	1,754

Other related parties comprise mainly companies which are controlled by the Group's key management personnel and their close family members.

NOTES TO THE FINANCIAL STATEMENTS

41 EVENT OCCURRING AFTER BALANCE SHEET DATE

From October to November 2018, GreenHub Suited Offices Pte. Ltd., an indirect wholly-owned subsidiary of the Company, contributed an additional capital amount of Danish Krone ("DKK") 196,125 (equivalent to S$41,810) in WeOffices ApS, a company incorporated in Denmark and principally engaged in the business of rental of serviced office space in Denmark. Following the additional capital injection, our investment in WeOffices ApS amounted to DKK837,635 (equivalent to S$179,963), representing approximately 56.0 % of the investment amount under the first tranche subscription as disclosed in the prospectus of the Company dated 15 December 2017. Our shares in WeOffices ApS are recognised as available for sale financial assets in our financial statements.

On 31 October 2018, the Group has entered into an option to purchase agreement to acquire a property at 71 Lorong 23 Geylang, THK Building, Singapore 388386 for a consideration of S$18.0 million and the Group intends to use the property for self-storage and last mile logistics services.

STATISTICS OF SHAREHOLDINGS

AS AT 5 DECEMBER 2018

Number of Ordinary Shares in Issue	:	402,445,400
Number of 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	15.04	50,000	0.01
1,001 – 10,000	119	28.40	813,200	0.20
10,001 – 1,000,000	232	55.37	21,242,700	5.28
1,000,001 AND ABOVE	5	1.19	380,339,500	94.51
TOTAL	**419**	**100.00**	**402,445,400**	**100.00**

TWENTY LARGEST SHAREHOLDERS

NO.	NAME	NO. OF SHARES	%
1	HKSCC NOMINEES LIMITED	371,882,000	92.41
2	RAFFLES NOMINEES (PTE) LIMITED	2,486,500	0.62
3	IFS CAPITAL LIMITED	2,400,000	0.60
4	1ROCKSTEAD GIP FUND II PTE LTD	2,271,000	0.56
5	CHUA KUAN TA	1,300,000	0.32
6	NG HOCK KON	1,000,000	0.25
7	DBS NOMINEES (PRIVATE) LIMITED	772,300	0.19
8	UOB KAY HIAN PRIVATE LIMITED	738,000	0.18
9	HO YU JIN CHRISTOPHER	682,000	0.17
10	HO JUAT KENG	562,800	0.14
11	HONG LEONG FINANCE NOMINEES PTE LTD	540,000	0.13
12	CHAN KENG HOW	497,400	0.12
13	PHILLIP SECURITIES PTE LTD	410,700	0.10
14	OCBC SECURITIES PRIVATE LIMITED	395,000	0.10
15	CHANG YEW KWONG	380,000	0.09
16	LEE KIM TIONG @ LEE KIM YEW	341,800	0.08
17	CITIBANK NOMINEES SINGAPORE PTE LTD	333,000	0.08
18	ASCENTIQ PTE LTD	300,000	0.07
19	CHNG ENG KEONG OR MICHELLE HO PUAY HOON	300,000	0.07
20	KHOO CHUNG TEIK	300,000	0.07
	TOTAL	**387,892,500**	**96.35**

PUBLIC FLOAT

Based on the information available to the Company as at 5 December 2018, being the latest practicable date, approximately 46.04% 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 5 DECEMBER 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)	–	–	216,930,000	53.90
Jess Lim(2)(3)(4)(5)(6)(7)	–	–	216,930,000	53.90
Trident Trust Company (B.V.I.) Limited(3)	–	–	216,930,000	53.90
LHN Capital Pte. Ltd.(4)	–	–	216,930,000	53.90
HN Capital Ltd.(5)	–	–	216,930,000	53.90
Hean Nerng Group Pte. Ltd.(6)	–	–	216,930,000	53.90
Fragrance Ltd.(7)	216,930,000	53.90	–	–
Lim Hean Nerng(7)	–	–	216,930,000	53.90
Foo Siau Foon(7)	–	–	216,930,000	53.90
Lim Yun En(7)	–	–	216,930,000	53.90
Lim Wei Yong Matthew(7)	–	–	216,930,000	53.90
Lim Wei Yee(7)	–	–	216,930,000	53.90
Lin Weichen(7)	–	–	216,930,000	53.90
Lim Wei Kheng (Lin Weiqing)(7)	–	–	216,930,000	53.90
Lim Yu Yang(7)	–	–	216,930,000	53.90
Lim Bee Li(8)	–	–	216,930,000	53.90

Notes:

(1) Based on the total issued share capital of 402,445,400 ordinary shares of the Company as at 5 December 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 216,930,000 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

The following persons/entities have an interest in the Shares or the underlying Shares which were disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register of the Company required to be kept under section 336 of the SFO, were as follows:

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 30 SEPTEMBER 2018
Fragrance Ltd.(1)(2)	Beneficial owner	216,930,000	53.90%
Wang Jialu(1)(3)	Deemed interest by virtue of interest held by spouse	216,930,000	53.90%
Hean Nerng Group Pte. Ltd.(1)(2)	Interest in a controlled corporation	216,930,000	53.90%
HN Capital Ltd.(1)(2)	Interest in a controlled corporation	216,930,000	53.90%
LHN Capital Pte. Ltd.(1)(2)	Trustee	216,930,000	53.90%
Trident Trust Company (B.V.I.) Limited(1)(2)	Trustee	216,930,000	53.90%
Lim Hean Nerng(1)(2)	Founder of discretionary trusts	216,930,000	53.90%
Foo Siau Foon(1)(2)	Founder of discretionary trusts	216,930,000	53.90%

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 216,930,000 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 30 September 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.

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