LHN GROUP
SPACE OPTIMISED

COMMERCIAL
LOGISTICS
RESIDENTIAL
FACILITIES
INDUSTRIAL
CAR PARK

INTERIM REPORT

2019

LHN Limited
賢能集團有限公司*
(incorporated in the Republic of Singapore with limited liability)
Stock Codes: Singapore - 410 / Hong Kong - 1730

*For identification purpose only

CONTENTS

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
Lai Kuan Loong, Victor
(appointed on 4 January 2019)

Ng Chit Sing (HKICS, ICSA)

Leong Chee Meng, Kenneth
(resigned on 4 January 2019)

REGISTERED OFFICE
10 Raeburn Park
#02-18
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Fax: (65) 6367 2163

PRINCIPAL PLACE OF BUSINESS IN HONG KONG
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Kin Wing Commercial Building
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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
Suites 1902-09, 19th Floor
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
Hong Kong

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

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

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

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

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

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

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

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

INVESTOR RELATIONS
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WEBSITE
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STOCK CODES
Singapore: 410
Hong Kong: 1730

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 31 MARCH 2019

The board (the "Board") of directors (the "Directors") of LHN Limited (the "Company") hereby announces the interim condensed consolidated results of the Company and its subsidiaries (collectively referred to as the "Group") for the six months ended 31 March 2019, together with the comparative figures for the six months ended 31 March 2018. The Group's interim results for the six months ended 31 March 2019 are unaudited, but have been reviewed by the audit committee of the Company (the "Audit Committee").

	Note	2019 (unaudited) S$'000	2018 (unaudited) S$'000
Revenue	7	53,599	56,204
Cost of sales	10	(41,422)	(40,755)
Gross profit		12,177	15,449
Other income	8	1,806	1,956
Other operating expenses	9	(190)	(713)
Selling and distribution expenses	10	(676)	(1,001)
Administrative expenses	10	(11,173)	(13,028)
Finance cost	11	(569)	(399)
Share of results of associates and joint ventures, net of tax		1,953	648
Profit before income tax		3,328	2,912
Income tax expense	12	(232)	(516)
Profit for the period		3,096	2,396
Other comprehensive income/(loss)			
Item that will be reclassified subsequently to profit or loss			
Currency translation differences arising from consolidation		27	(81)
Item that will not be reclassified subsequently to profit or loss			
Revaluation gains on leasehold building		–	12
Share of other comprehensive income of joint venture		14	44
Other comprehensive income/(loss)		41	(25)
Total comprehensive income for the period		3,137	2,371
Profit attributable to:			
Equity holders of the Company		2,815	2,368
Non-controlling interests		281	28
Profit for the period		3,096	2,396
Total comprehensive income attributable to:			
Equity holders of the Company		2,854	2,342
Non-controlling interests		283	29
Total comprehensive income for the period		3,137	2,371
Earnings per share for profit attributable to equity holders of the Company			
Basic and diluted (cents)	14	0.70	0.62

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 MARCH 2019

	Note	31 March 2019 (unaudited) S$'000	30 September 2018 (audited) S$'000
ASSETS			
Non-current assets			
Property, plant and equipment	15	27,836	20,854
Investment properties		65,084	46,054
Intangible assets		143	176
Financial assets, available-for-sale		–	138
Financial assets, at FVOCI		180	–
Investment in associates		481	277
Investment in joint ventures		14,830	13,165
Deferred tax assets		848	476
Long-term prepayments		397	396
Other asset	16	11,864	7,690
		121,663	89,226
Current assets			
Inventories		95	46
Trade and other receivables	17	18,717	18,506
Loans to joint ventures		8,358	12,557
Prepayments		2,782	2,468
Cash and bank balances		14,315	15,319
Fixed deposits		7,227	10,029
		51,494	58,925
TOTAL ASSETS		173,157	148,151
EQUITY			
Capital and Reserves			
Share capital	18	63,407	63,407
Reserves		26,547	24,127
		89,954	87,534
Non-controlling interests		1,255	972
TOTAL EQUITY		91,209	88,506
LIABILITIES			
Non-current liabilities			
Deferred tax liabilities		417	362
Other payables	19	32	33
Provision for reinstatement costs		436	52
Finance lease liabilities		3,738	2,934
Bank borrowings	20	30,974	16,520
		35,597	19,901
Current liabilities			
Trade and other payables	19	29,852	32,165
Provision for reinstatement costs		16	398
Finance lease liabilities		1,972	1,652
Bank overdrafts		136	–
Bank borrowings	20	13,180	4,854
Current income tax liabilities		1,195	675
		46,351	39,744
TOTAL LIABILITIES		81,948	59,645
TOTAL EQUITY AND LIABILITIES		173,157	148,151

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 31 MARCH 2019

	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$'000	Total equity S$'000
Group										
Balance at 30 September 2018	63,407	–	51,835	(30,727)	269	3,680	(930)	87,534	972	88,506
Adoption of IFRS 9	–	–	(434)	–	–	–	–	(434)	–	(434)
Balance at 1 October 2018	63,407	–	51,401	(30,727)	269	3,680	(930)	87,100	972	88,072
Profit for the period	–	–	2,815	–	–	–	–	2,815	281	3,096
Other comprehensive income	–	–	–	–	–	14	25	39	2	41
Total comprehensive income for the period	–	–	2,815	–	–	14	25	2,854	283	3,137
Balance at 31 March 2019 (unaudited)	63,407	–	54,216	(30,727)	269	3,694	(905)	89,954	1,255	91,209

	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$'000	Total equity S$'000
Group										
Balance at 1 October 2017	51,287	(186)	47,197	(30,727)	298	3,576	(836)	70,609	333	70,942
New Shares issued pursuant to HK Listing	13,638	–	–	–	–	–	–	13,638	–	13,638
Share issue costs	(1,332)	–	–	–	–	–	–	(1,332)	–	(1,332)
Cancellation of treasury shares	(186)	186	–	–	–	–	–	–	–	–
Termination of LHN Performance Share Plan	–	–	29	–	(29)	–	–	–	–	–
Profit for the period	–	–	2,368	–	–	–	–	2,368	28	2,396
Other comprehensive income/(loss)	–	–	–	–	–	56	(82)	(26)	1	(25)
Total comprehensive income/(loss) for the period	–	–	2,368	–	–	56	(82)	2,342	29	2,371
Balance at 31 March 2018 (unaudited)	63,407	–	49,594	(30,727)	269	3,632	(918)	85,257	362	85,619

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW

FOR THE SIX MONTHS ENDED 31 MARCH 2019

	Six months ended 31 March	
	2019 (unaudited) S$'000	2018 (unaudited) S$'000
Cash flows from operating activities:		
Profit before income tax	3,328	2,912
Share of results of associates and joint ventures, net of tax	(1,953)	(648)
Adjustments for:		
Amortisation of intangible assets	34	–
Depreciation of property, plant and equipment	2,978	2,917
Gain on disposal of property, plant and equipment	(84)	(359)
Property, plant and equipment written off	7	1
Bad and doubtful debts	171	28
Waiver of debt from a director of subsidiaries	–	(42)
Dual Listing expenses	–	1,842
Finance income	(183)	(201)
Finance cost	569	399
Operating profit before working capital changes	4,867	6,849
Changes in working capital:		
– Inventories	(49)	22
– Trade and other receivables	(1,265)	(4,998)
– Trade and other payables	1,351	1,264
Cash generated from operations	4,904	3,137
Interest expenses paid	(2)	(6)
Income tax paid	(790)	(798)
Income tax refunded	905	541
Net cash generated from operating activities	5,017	2,874
Cash flows from investing activities:		
Additions to property, plant and equipment	(7,399)	(1,888)
Purchase of investment property	(18,833)	–
Purchase of financial assets, at FVOCI	(42)	–
Additions to other asset	(8,487)	–
Proceeds from disposal of property, plant and equipment	84	480
Repayment from/(loans to) joint ventures, net	4,320	(1,250)
Dividend from associate	98	100
Interest received	42	18
Net cash used in investing activities	(30,217)	(2,540)
Cash flows from financing activities:		
Repayment of finance lease	(987)	(1,008)
Increase in fixed deposits – pledged	(33)	–
Proceeds from bank borrowings	28,137	2,446
Repayment of bank borrowings	(5,342)	(3,493)
Proceeds from issuance of shares	–	13,638
Share issue expense	–	(1,332)
Dual Listing expenses paid	–	(2,067)
Interest expenses paid	(565)	(387)
Net cash generated from financing activities	21,210	7,797
Net (decrease)/increase in cash and cash equivalents	(3,990)	8,131
Cash and cash equivalents at beginning of period	20,667	14,885
Effect of currency translation on cash and cash equivalents	15	(46)
Cash and cash equivalents at end of period	16,692	22,970
Consolidated cash and cash equivalents are represented by:		
Cash and bank balances	14,315	14,389
Fixed deposits	7,227	13,230
	21,542	27,619
Less: Pledged fixed deposits	(4,714)	(4,649)
Less: Bank overdrafts	(136)	–
Cash and cash equivalents as per consolidated statement of cash flows	16,692	22,970

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED 31 MARCH 2019

1. GENERAL

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 has its primary listing on Catalist of the Singapore Exchange Securities Trading Limited (the "**SGX-ST**") on 13 April 2015 and on the Main Board of The Stock Exchange of Hong Kong Limited ("**SEHK**") on 29 December 2017.

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.

This unaudited condensed consolidated interim financial information is presented in Singapore Dollars ("**SGD**" or "**S$**") and all values are rounded to the nearest thousand ("**S$'000**"), unless otherwise stated.

2. BASIS OF PREPARATION

This unaudited condensed consolidated interim financial information for the six months ended 31 March 2019 has been prepared in accordance with IAS 34, "Interim financial reporting". The unaudited condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 30 September 2018, which have been prepared in accordance with the International Financial Reporting Standards ("**IFRSs**").

This unaudited condensed consolidated interim financial information 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.

3. ACCOUNTING POLICIES

The Group has adopted the same accounting policies and methods of computation in the preparation of the financial statements for the current reporting period compared with those of the audited financial statements for the year ended 30 September 2018.

(a) Amendments to IFRSs effective for the financial year ending 30 September 2019 do not have a material impact on the Group except for the following:

Adoption of IFRS 9 Financial Instruments

The Group has adopted the new standard retrospectively from 1 October 2018, in line with the transition provision permitted under the standards. Comparatives for financial year ended 2018 are not restated and the Group has recognised any difference between the carrying amounts at 30 September 2018 and 1 October 2018 in the opening retained earnings.

The effects on adoption of IFRS 9 are as follows:

	Note	Financial assets, available-for-sale (AFS) S$'000	Financial assets,at FVOCI (FVOCI) S$'000	Financial assets at amortised cost S$'000	Retained earnings S$'000
Balances at 30 September 2018 before adoption of IFRS 9		138	–	–	–
– Reclassifying investments from AFS to FVOCI	(i)	(138)	138	–	–
– Impairment allowances on trade receivables	(ii)	–	–	(434)	434
Balances at 1 October 2018 after adoption of IFRS 9		–	138	(434)	434

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED 31 MARCH 2019

3. ACCOUNTING POLICIES (CONT'D)

Adoption of IFRS 9 Financial Instruments (Cont'd)

(i) Equity investments reclassified from AFS to FVOCI

The Group has elected to recognise changes in fair values of all its equity investments not held for trading and previously classified as AFS in other comprehensive income. As a result, "Financial assets, available-for-sale" of S$138,000 were reclassified to "Financial assets, at FVOCI".

(ii) Impairment of financial assets

The Group has the following financial assets subject to the expected credit loss impairment model under IFRS 9:

- Cash and bank deposits;
- Trade and other receivables; and
- Loan to related parties

As a result, management has computed an additional impairment allowances of S$434,000 recognised at 1 October 2018 on adoption of IFRS 9.

(b) 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 16	Leases	1 January 2019	i
IFRIC 23	Uncertainty over income tax	1 January 2019	
IAS 28 (amendments)	Investments in associates (Long term interest in associates and joint ventures)	1 January 2019	
IFRS 9 (amendments)	Financial instruments (Prepayment features with negative compensation)	1 January 2019	
IFRS 3 (amendments)	Business combinations (Definition of a business)	1 January 2020	
IFRS 17	Insurance Contracts	1 January 2021	ii
IFRS 10	Consolidated financial statement and IAS 28 Investment in associates and joint venture (Sale or contribution of assets between an investor and its associate or joint venture)	To be determined	

Note i:

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 3.1.

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 of 1 October 2019.

3. ACCOUNTING POLICIES (CONT'D)

(b) 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: (Cont'd)

Note ii:

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 position and results of operations.

3.1. 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.

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.

4. ESTIMATES

The preparation of interim financial information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing this unaudited condensed consolidated interim financial information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 30 September 2018 except for the following:

(a) Expected credit losses ("**ECLs**")

ECLs are unbiased probability-weighted estimates of credit losses which are determined by evaluating a range of possible outcomes and taking into account past events, current conditions and assessment of future economic conditions.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED 31 MARCH 2019

4. ESTIMATES (CONT'D)

(a) Expected credit losses (Cont'd)

The Group has used relevant historical information and loss experience to determine the probability of default of the instruments, which involved significant estimates and judgements.

In determining the ECLs of trade receivables, the Group has used one year of historical losses data to determine the loss rate and applied an adjustment against the historical loss rate. As at date of balance sheet, the ECLs for trade receivables are S$1,983,000.

5. FINANCIAL RISK MANAGEMENT

5.1 Financial risk factors

The Group's activities expose it to a market risk (including currency risk and interest risk), credit risk and liquidity risk.

The unaudited condensed consolidated interim financial information do not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the annual financial statements for the year ended 30 September 2018.

There have been no changes in the risk management policies since 30 September 2018 except for the following:

(i) Trade and other receivables

The Group has applied the simplified approach by using the provision matrix to measure the lifetime expected losses for trade receivables.

To measure the expected credit losses of trade receivables, trade receivables have been grouped based on the days past due. In calculating the expected credit loss rates, the Group considers historical loss rates for the customers of the Group.

The expected loss rate of other receivables is assessed to be low and no loss allowance provision is made for other receivables during the period.

Receivables are written off when there is no reasonable expectation of recovery, such as a debtor failing to engage in a repayment plan with the Group. The Group categorises a receivable for write off when a debtor fails to make contractual payment greater than 365 days past due based on historical collection trend. When receivables have been written off, the Group continues to engage in enforcement activity to attempt to recover the receivables due. Where recoveries are made, these are recognised in profit or loss.

The Group's credit risk exposure in relation to trade receivables as at 31 March 2019 and 1 October 2018 are set out in the provision matrix as follows:

31 March 2019	Current S$'000	Past due 1 to 30 days S$'000	Past due 31 to 60 days S$'000	Past due 61 to 90 days S$'000	Past due 91 to 180 days S$'000	Past due 181 to 365 days S$'000	Past due over 365 days S$'000	Total S$'000
Trade receivables								
Expected loss rate	0.2%	0.1%	0.4%	2.3%	0.9%	6.4%	90.8%	
Gross carrying amount	3,769	3,670	754	182	435	1,625	2,041	12,476
Loss allowances	9	5	3	4	4	104	1,854	1,983

1 October 2018	Current S$'000	Past due 1 to 30 days S$'000	Past due 31 to 60 days S$'000	Past due 61 to 90 days S$'000	Past due 91 to 180 days S$'000	Past due 181 to 365 days S$'000	Past due over 365 days S$'000	Total S$'000
Trade receivables								
Expected loss rate	0.1%	0.5%	3.2%	3.2%	3.5%	18.7%	80.0%	
Gross carrying amount	3,724	3,775	689	113	1,911	1,185	1,841	13,238
Loss allowances	5	19	22	4	67	221	1,474	1,812

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED 31 MARCH 2019

5. FINANCIAL RISK MANAGEMENT (CONT'D)

5.1 Financial risk factors (Cont'd)

The Group's credit risk exposure in relation to trade receivables under IFRS 9 as at 30 September 2018 are set out as follows:

30 September 2018	Past due 1 to 30 days S$'000	Past due 31 to 60 days S$'000	Past due 61 to 90 days S$'000	Past due 91 to 180 days S$'000	Past due 181 to 365 days S$'000	Past due over 365 days S$'000	Total S$'000
Trade receivables							
Gross carrying amount							
– Not past due							3,724
– Past due but not impaired	3,763	674	112	1,854	975	758	8,136
– Past due but impaired	12	15	1	57	210	1,083	1,378
							13,238
Less: Allowance for impairment							(1,378)
Net carrying amount							11,860

In financial year ended 2018, the impairment of the financial assets was assessed based on the incurred loss impairment model. Individual receivables which were known to be uncollectible were written off by reducing the carrying amount directly.

The Group considered that there was evidence if any of the following indicators were present:

– There is significant difficulty of the debtor
– Breach of contract, such as default or past due event
– It is becoming probable that the debtor will enter bankruptcy or other financial reorganisation

(ii) movement in credit loss allowance

	Trade receivables S$'000	Other receivables S$'000	Total S$'000
Balance as at 30 September 2018	1,378	18	1,396
Adoption of IFRS 9	434	–	434
Balance as at 1 October 2018	1,812	18	1,830
Provision for loss allowance recognised in profit or loss for the period	171	–	171
Balance as at 31 March 2019	1,983	18	2,001

5.2 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.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED 31 MARCH 2019

5. FINANCIAL RISK MANAGEMENT (CONT'D)

5.2 Fair value estimation (Cont'd)

The following table shows the levels within the hierarchy of non-financial assets measured at fair value on a recurring basis as at 31 March 2019 and 30 September 2018:

	Level 1 S$'000	Level 2 S$'000	Level 3 S$'000	Total S$'000
As at 31 March 2019 (unaudited)				
Investment properties:				
Industrial and commercial properties	–	–	65,084	65,084
As at 30 September 2018 (audited)				
Investment properties:				
Industrial and commercial properties	–	–	46,054	46,054

Fair value of the Group's main property assets is estimated based on appraisals performed by independent, professionally-qualified property valuers based on indicative sale price of the property. The significant inputs and assumptions are developed in close consultation with management. The valuation report and fair value changes are reviewed by the directors at each reporting date.

Fair value measurements of investment properties and property, plant and equipment-industrial property

Investment properties and property, plant and equipment-industrial property are carried at fair values at the end of reporting period as determined by independent professional valuers. Valuations are made at each financial statement date based on the properties' highest-and-best-use using the direct market comparison method and discounted cash flow approach in determining the open market values and income capitalisation method.

Reconciliation of movements in Level 3 fair value measurement

	Investment properties S$'000	Property, plant and equipment-Industrial property S$'000
For the six months ended 31 March 2019 (unaudited)		
Beginning of financial period	46,054	–
Additions	18,833	–
Currency translation	197	–
End of financial period	65,084	–
Change in unrealised gains/(losses) for assets held at the end of the financial period included in profit or loss	–	–
For the financial year ended 30 September 2018 (audited)		
Beginning of financial year	43,352	3,290
Transfers	3,290	(3,290)
Depreciation expenses	–	(12)
Gain recognised in profit and 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	–

During the financial year ended 30 September 2018, there has been a decrease in the proportion of the floor area of 72 Eunos Avenue 7 used for owner-occupation by the Group from 17% to 2% due to the change in usage. As a result, the Group has reclassified all the leasehold buildings of approximately S$3,290,000 to investment properties as only an insignificant portion of it is held for own-use.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED 31 MARCH 2019

5. FINANCIAL RISK MANAGEMENT (CONT'D)

5.2 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 31 March 2019 (unaudited)					
Singapore	58,833	Direct comparison method	Transacted price of comparable properties	S$2,250 to S$11,160 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	6,251	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
	65,084				
As at 30 September 2018 (audited)					
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				

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED 31 MARCH 2019

6. 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.

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 information. Segment assets and liabilities include, investment properties, property, plant and equipment, other asset, bank borrowings and finance lease liabilities, which are directly attributable to a segment as well as items that can be allocated on a reasonable basis.

6. SEGMENT INFORMATION (CONT'D)

Segment breakdown for the period ended 31 March 2019 are as follows:

	Industrial S$'000	Commercial S$'000	Residential S$'000	Logistics Services S$'000	Facilities Management S$'000	Corporate and Eliminations S$'000	Consolidated S$'000
Sales							
Total segment sales	20,248	11,118	1,283	13,066	11,406	6,265	63,386
Inter-segment sales	(858)	(540)	–	(1,255)	(869)	(6,265)	(9,787)
External sales	19,390	10,578	1,283	11,811	10,537	–	53,599
Segment results	**(886)**	**691**	**(1,020)**	**2,123**	**692**	**344**	**1,944**
Finance cost	(367)	(22)	(44)	(79)	(19)	(38)	(569)
	(1,253)	669	(1,064)	2,044	673	306	1,375
Share of results of associates and joint ventures	246	–	–	304	1,403	–	1,953
Profit before taxation	(1,007)	669	(1,064)	2,348	2,076	306	3,328
Taxation							(232)
Net profit after taxation							3,096
Non-controlling interests							(281)
Net profit attributable to equity holders of the Company							2,815
Segment assets	62,500	9,248	20,686	9,460	1,838	1,052	104,784
Investment in associates	–	–	–	445	36	–	481
Investment in joint ventures	12,151	–	–	–	2,679	–	14,830
Total segment assets							120,095
Total segment liabilities	32,328	926	7,788	6,029	929	2,000	50,000
Capital expenditures	19,169	405	8,820	4,324	119	187	33,024
Depreciation of property, plant and equipment	818	513	193	843	383	228	2,978

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED 31 MARCH 2019

6. SEGMENT INFORMATION (CONT'D)

Segment breakdown for its comparative period ended 31 March 2018 are as follows:

	Industrial S$'000	Commercial S$'000	Residential S$'000	Logistics Services S$'000	Facilities Management S$'000	Corporate and Eliminations S$'000	Consolidated S$'000
Sales							
Total segment sales	20,995	15,228	1,379	11,623	10,988	6,990	67,203
Inter-segment sales	(689)	(565)	–	(1,618)	(1,137)	(6,990)	(10,999)
External sales	20,306	14,663	1,379	10,005	9,851	–	56,204
Segment results	**2**	**2,602**	**746**	**1,514**	**(738)**	**(1,463)**	**2,663**
Finance cost	(304)	(4)	–	(75)	(11)	(5)	(399)
	(302)	2,598	746	1,439	(749)	(1,468)	2,264
Share of results of associates and joint ventures	610	–	–	–	38	–	648
Profit before taxation	308	2,598	746	1,439	(711)	(1,468)	2,912
Taxation							(516)
Net profit after taxation							2,396
Non-controlling interests							(28)
Net profit attributable to equity holders of the Company							2,368

Segment breakdown for its comparative period ended 30 September 2018 are as follows:

	Industrial S$'000	Commercial S$'000	Residential S$'000	Logistics Services S$'000	Facilities Management S$'000	Corporate and Eliminations S$'000	Consolidated S$'000
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 expenditures	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 CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED 31 MARCH 2019

6. SEGMENT INFORMATION (CONT'D)

Reconciliation of segments' total assets and total liabilities

	31 March 2019 S$'000	30 September 2018 S$'000
Reportable segments' assets are reconciled to total assets:		
Segment assets	120,095	88,040
Deferred tax assets	848	476
Long-term prepayment	397	396
Intangible assets	143	176
Financial assets, available-for-sale	–	138
Financial assets, at FVOCI	180	–
Inventories	95	46
Trade and other receivables	18,717	18,506
Loans to joint ventures	8,358	12,557
Prepayment	2,782	2,468
Cash and bank balances	14,315	15,319
Fixed deposits	7,227	10,029
	173,157	148,151
Reportable segments' liabilities are reconciled to total liabilities:		
Segment liabilities	50,000	25,960
Trade and other payables	29,852	32,165
Provision for reinstatement costs	452	450
Current income tax liabilities	1,195	675
Deferred tax liabilities	417	362
Other payables	32	33
	81,948	59,645

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 derived:

	Revenue from external customers six months ended 31 March	
	2019 S$'000	2018 S$'000
Singapore	50,409	49,332
Indonesia	615	682
Thailand	1,639	1,132
Cambodia	–	4,472
Myanmar	333	457
Other countries	603	129
	53,599	56,204

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED 31 MARCH 2019

6. SEGMENT INFORMATION (CONT'D)

Geographical segment (Cont'd)

The following table shows the distribution of the Group's non-current assets excluding deferred tax assets based on the geographical location of customers:

	Non-current assets as at	
	31 March 2019 S$'000	30 September 2018 S$'000
Singapore	95,403	70,582
Indonesia	6,768	6,677
Thailand	1,304	143
Cambodia	11,864	7,690
Myanmar	4,673	3,214
Other countries	803	444
	120,815	88,750

7. REVENUE

	Six months ended 31 March	
	2019 S$'000	2018 S$'000
Rental and warehousing lease income	28,014	28,805
Car park services	7,194	6,467
Logistics services	11,811	10,005
Facilities services	5,990	5,916
Licence fee	44	3,880
Management services fee income	425	319
Others	121	812
	53,599	56,204

8. OTHER INCOME

	Six months ended 31 March	
	2019 S$'000	2018 S$'000
Handling charges	112	142
Gain on disposal of property, plant and equipment	84	359
Interest income	183	201
Vehicle related income	154	93
Government grants	88	295
Wage credit scheme and special employment credit*	243	300
Waiver of debt from a director of subsidiaries	–	42
Forfeiture of tenant deposit	29	37
Foreign exchange gain	129	–
Services charges	97	81
Rubbish disposal	–	1
Miscellaneous charge to tenant	66	80
Other income	621	325
	1,806	1,956

* Wage 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.

9. OTHER OPERATING EXPENSES

	Six months ended 31 March	
	2019	2018
	S$'000	S$'000
Bad debts expenses	–	28
Impairment loss on trade receivables	171	–
Foreign exchange loss	–	685
Other expenses	19	–
	190	713

10. EXPENSE BY NATURE

	Six months ended 31 March	
	2019	2018
	S$'000	S$'000
Advertising expenses	182	224
Commission fees	406	612
Entertainment expenses	86	120
Marketing expenses	2	45
Transportation costs	862	878
Container depot management charges	1,344	1,035
Rental expenses	29,118	28,817
Upkeep and maintenance costs	4,158	3,713
Consultancy fees	1	112
Depreciation of property, plant and equipment	2,978	2,917
Amortisation of intangible assets	34	–
Write-off of property, plant and equipment	7	1
Listing expenses in relation to the Dual Listing*	–	1,842
Professional fees	478	413
Vehicle-related expenses	45	35
Employee benefit costs	11,054	11,984
Insurance fees	294	279
IT Maintenance expenses	210	230
Printing expenses	131	102
Property management fees	218	–
Telephone expenses	159	162
Auditor's remuneration		
– Audit services	127	108
Other expenses	1,377	1,155
	53,271	54,784

* Dual Listing represents the dual primary listing of the Shares on the Main Board of the Hong Kong Stock Exchange and Catalist of the SGX-ST.

11. FINANCE COST

	Six months ended 31 March	
	2019	2018
	S$'000	S$'000
Interest expense on borrowings	484	373
Interest expense on finance leases	85	26
	569	399

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED 31 MARCH 2019

12. INCOME TAX EXPENSE

	Six months ended 31 March	
	2019	**2018**
	S$'000	**S$'000**
Current income tax	519	570
Deferred income tax	(317)	(42)
	202	528
Under/(over) provision in respect of prior years		
– current taxation	30	(12)
	232	516

13. DIVIDEND

The Board has resolved not to declare any interim dividend for the six months ended 31 March 2019 (2018: Nil).

During the six months ended 31 March 2018, the shareholders had approved the 2017 final dividend of 0.20 Singapore cents per share. The dividend recognised as distribution of approximately S$798,000 was paid in April 2018.

14. 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 period ended 31 March 2019 and 2018:

	Six months ended 31 March	
	2019	**2018**
Net profit attributable to equity holders of the Company (S$'000)	2,815	2,368
Weighted average number of ordinary shares ('000)	402,445	381,907
Basic earnings per share (Singapore cents)	0.70	0.62

The basic and diluted earnings per share are the same as there were no potentially dilutive ordinary securities in issue as at 31 March 2019 and 31 March 2018.

15. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 31 March 2019, the Group has an addition of property, plant and equipment of approximately S$9,976,000 (2018: S$8,393,000). As at 31 March 2019, the carrying amount of property, plant and equipment held under finance lease was S$7,572,000 (2018: S$5,643,000).

16. 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 by end of year 2019.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED 31 MARCH 2019

17. TRADE AND OTHER RECEIVABLES

	31 March 2019 S$'000	30 September 2018 S$'000
Trade receivables		
– Third parties	11,625	13,014
– Related parties	493	86
– Joint ventures	358	138
	12,476	13,238
Accrued rental income	976	953
GST receivables	1,674	448
Deposits with external parties	4,697	4,462
Unpaid deposits from customers	476	158
Tax recoverable	–	154
Other receivables	419	489
	7,266	5,711
Less:		
– Impairment loss on trade receivables	(1,983)	(1,378)
– Impairment loss on other receivables	(18)	(18)
	18,717	18,506

The aging analysis of the Group's trade receivables based on invoice date is as follows:

	31 March 2019 S$'000	30 September 2018 S$'000
0 to 30 days	5,488	4,927
31 to 60 days	2,500	1,722
61 to 90 days	291	240
91 to 180 days	530	721
181 to 365 days	1,626	3,786
Over 365 days	2,041	1,842
	12,476	13,238

18. SHARE CAPITAL

	No. of shares Issued share capital	Nominal Amount Share capital S$'000
Balance as at 1 October 2018 and 31 March 2019	402,445,400	63,407

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED 31 MARCH 2019

19. TRADE AND OTHER PAYABLES

	31 March 2019 S$'000	30 September 2018 S$'000
Trade payables		
– Third parties	3,842	4,079
– Related parties	128	–
– Joint ventures	33	–
	4,003	4,079
Other payables and accruals		
– Goods and services tax payables	701	652
– Provision of directors' fees	56	61
– Accruals	4,298	7,960
– Accrued rental expenses	4,237	3,706
– Rental deposits received from customers	13,501	12,969
– Rental deposits received from related parties	43	75
– Rental received in advance	303	331
– Advances received from customers	1,905	1,692
– Unpaid deposits	574	365
– Withholding tax	38	39
– Sundry creditors	188	236
– Other payables	37	33
	29,884	32,198
Less		
– Non-current portion: other payables	(32)	(33)
Total trade and other payables included in current liabilities	29,852	32,165

The aging analysis of the Group's trade payables based on invoice date is as follows:

	31 March 2019 S$'000	30 September 2018 S$'000
0 to 30 days	2,319	2,689
31 to 60 days	595	763
61 to 90 days	592	335
Over 90 days	497	292
	4,003	4,079

The carrying amount of trade and other payables approximated their fair value.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED 31 MARCH 2019

20. BANK BORROWINGS

	31 March 2019 S$'000	30 September 2018 S$'000
Non-current, secured		
Bank borrowings repayable later than 1 year and no later than 2 years	4,634	2,660
Bank borrowings repayable later than 2 year and no later than 5 years	7,160	5,965
Bank borrowings repayable later than 5 years	19,180	7,895
	30,974	16,520
Current, secured		
Bank borrowings repayable no later than 1 year	13,180	4,854
Total borrowings	44,154	21,374

The bank borrowings of approximately S$44.2 million (2018: S$21.4 million) obtained by our subsidiaries are secured by (i) legal mortgage of leasehold property at 72 Eunos Avenue 7, 100 Eunos Avenue 7 and 71 Lorong 23 Geylang; (ii) corporate guarantees provided by the Group; (iii) personal guarantees provided by a director and shareholder of a non-wholly owned subsidiary, who is not a controlling shareholder of the Company (the "**Subsidiary Director**"); and (iv) assignment of rental proceeds of the mortgaged properties.

21. COMMITMENTS

(a) Capital commitments

Capital expenditure contracted for at the balance sheet date but not recognised in the financial statements are as follows:

	31 March 2019 S$'000	30 September 2018 S$'000
Investment property	6,278	9,399
Property, plant and equipment	3,402	7,531
	9,680	16,930

(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. These leases have varying terms, escalation clauses and renewal rights.

The future minimum lease payable under non-cancellable operating leases contracted for at the balance sheet date but not recognised as liabilities, are as follows:

	31 March 2019 S$'000	30 September 2018 S$'000
Not later than one year	54,214	50,906
Between one and five years	63,432	72,832
Later than five years	2,528	901
	120,174	124,639

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED 31 MARCH 2019

21. COMMITMENTS (CONT'D)

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

The Group and the Company lease out investment properties to non-related parties under non-cancellable operating lease agreements. These leases 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:

	31 March 2019 S$'000	30 September 2018 S$'000
Not later than one year	41,856	34,146
Between one and five years	26,343	19,811
	68,199	53,957

(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$37,800,000 (2018: S$31,800,000). As at 31 March 2019, the outstanding amount of guaranteed loans drawn down by joint ventures amounted to S$31,835,000 (2018: S$27,173,000).

The Group has determined that the corporate guarantees had insignificant fair values as at 31 March 2019 and 30 September 2018.

22. 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.

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 Lim Bee Choo, 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.	An associate
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
Panselatan 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..

22. RELATED PARTY TRANSACTIONS (CONT'D)

	Six months ended 31 March 2019 S$'000	Six months ended 31 March 2018 S$'000
Rental and service income from:		
Work Plus Store (AMK) Pte. Ltd.	287	192
Metropolitan Parking Pte. Ltd.	59	52
Four Star Industries Pte Ltd	201	67
Nopest Pte. Ltd.	–	20
Work Plus Store (Kallang) Pte. Ltd.	30	–
Master Care Services Pte. Ltd.	229	153
PJS Companies	119	125
9 Plus Cafe Pte. Ltd.	80	78
HLA Logistics Pte. Ltd.	708	–
Auxiliary services from:		
Nopest Pte. Ltd.	–	40
Work Plus Store (AMK) Pte. Ltd.	9	9
Panselatan Sdn Bhd	20	–
Loan to:		
Work Plus Store (AMK) Pte. Ltd.	–	500
Metropolitan Parking Pte. Ltd.	150	100
Four Star Industries Pte Ltd	700	650
Repayment of loan from:		
Work Plus Store (AMK) Pte. Ltd.	5,143	–
Four Star Industries Pte Ltd	27	–
Other transactions with:		
Work Plus Store (AMK) Pte. Ltd.	132	72
Metropolitan Parking Pte. Ltd.	532	582
Four Star Industries Pte Ltd	74	43

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

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

For the six months ended 31 March 2019 ("**1H2019**"), the Group recorded a slight decrease in revenue of 4.6% mainly due to lower revenue from the Space Optimisation Business partially offset by the increase in revenue from the Facilities Management Business and Logistics Services Business.

The average occupancy rate of the Industrial Properties and Commercial Properties was approximately 87.8% and 90.5% respectively. The Group faced pressure on occupancy and rental rates for its leasing business for both the Industrial Properties and Commercial Properties under its Space Optimisation Business during 1H2019.

During 1H2019, our Group has renewed two master leases under our Industrial Properties and one master lease under our Commercial Properties.

In addition, we have secured one new master lease under our Residential Properties and acquired one new industrial property during the period under review. Further details are set out below.

In August 2018, we entered into a master lease agreement for three blocks of residential units at 31 Boon Lay Drive, being the Singapore Land Authority's first co-living project for students 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. Currently, one of the blocks has completed renovation while the remaining two are still under renovation, and the expected date of completion for the whole property is estimated to be in the third quarter of 2019.

In January 2019, the Group announced that its wholly-owned subsidiary Work Plus Store (Joo Seng) Pte. Ltd. had completed the acquisition of the property at 71 Lorong 23 Geylang, THK Building, Singapore 388386 (the "**Geylang Property**"). The purchase consideration of S$18 million (plus GST), of which, approximately S$4.5 million (equivalent to HK$26.8 million) was funded from the net proceeds from the global offering of the Company in Hong Kong and the remaining balance through a combination of internal source of funding and bank borrowings. For further details on the acquisition, please refer to the Company's announcements dated 31 October 2018 and 7 January 2019. The property is currently under renovation and is expected to be operational in the second quarter of 2019. The Group intends to use the property for self-storage and last mile logistics services.

Our Facilities Management Business continues to expand further this year as a result of three new car park contracts secured in Singapore during 1H2019.

For the Logistics Services Business, our second container depot in the vicinity of Bangkok, Thailand has commenced operations in November 2018 with a capacity of 10,000 twenty-foot equivalent units. Our trucking business segment has also increased its operations in Singapore and Malaysia with the increased acquisition of prime movers and trailers.

Business Outlook

Based on advance estimates as announced in the press release dated 12 April 2019 issued by the Ministry of Trade and Industry Singapore[1], the Singapore economy grew by 1.3% on a year-on-year basis in the first quarter of 2019, moderating from the 1.9% growth in the fourth quarter of last year.

JTC Corporation ("**JTC**") reported in its first quarter 2019 Industrial Properties Market Report[2] ("**1Q2019**") that occupancy rate and rental index of the overall industrial property market in Singapore remained unchanged compared to the previous quarter. Compared to a year ago, occupancy rate of overall industrial property market rose by 0.3 percentage point while the rental index fell by 0.2%.

Statistics[3] from the Urban Redevelopment Authority ("**URA**") also revealed that rentals of office space decreased by 0.6% in 1Q2019, compared with the 0.5% increase in the previous quarter and there was a total supply of about 733,000 sq m gross floor area of office space in the pipeline, compared with the 732,000 sq m gross floor area of office space in the pipeline in the previous quarter.

In view of the above, the Group remains cautious over its business outlook in the Singapore Real Estate market where it mainly operates. However, the Group is expected to be on track for its business expansion plans as set out below.

[1] https://www.mti.gov.sg/-/media/MTI/Newsroom/Press-Releases/2019/04/Adv_Est1Q19.pdf
[2] https://stats.jtc.gov.sg/content/static/Documents/JTC%20Quarterly%20Market%20Report%20for%201Q2019.pdf
[3] https://www.ura.gov.sg/Corporate/Media-Room/Media-Releases/pr19-19

MANAGEMENT DISCUSSION AND ANALYSIS

In March 2019, the Group signed a new master lease agreement with the Singapore Land Authority for a period of three years commencing from 1 April 2019 for a property at 150 Cantonment Road. As announced on 9 April 2019, the Group secured a single tenant, Hmlet Township 2 Pte Ltd ("**Hmlet**"), for the whole premises. Hmlet is a subsidiary of Hmlet Pte. Ltd. which currently operates co-living spaces in Singapore, Hong Kong and Australia. The Group is currently working with Hmlet to fully customise the design and renovation of the property to operate it as a Hmlet Serviced Residences and targets to handover the property to Hmlet in the third quarter of 2019. For further details, please refer to the Company's announcement dated 9 April 2019.

In Yangon, Myanmar, our first management service agreement with a well-established developer to renovate and manage their property as a premium serviced residence is expected to be operational in the second quarter of 2019. The 13-storey property will be managed under the Group's 85 SOHO serviced residence brand.

In China, the Group had entered into a 15-year lease agreement to set up the co-living and co-working space business in Nanan City, Quanzhou, Fujian Province, the People's Republic of China (the "**Nanan Project**"). The leased property of the Nanan Project is a 10-storey building with a total gross floor area of approximately 7,400 square metres. It is expected that the renovation will be completed in the fourth quarter of 2019. The Group has established a wholly-owned subsidiary in Nanan ("**LHN Nanan**") and will be progressively making a total capital injection of RMB5.9 million (equivalent to approximately S$1.2 million) into LHN Nanan to fund part of the renovation costs of the building of the Nanan Project. For further details, please refer to the Company's announcement dated 22 March 2019.

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

In the Facilities Management Business, the Group had announced on 1 March 2019 that its wholly-owned subsidiaries, Industrial & Commercial Security Pte Ltd ("**ICS**") and LHN Group Pte Ltd, had entered into a business purchase agreement with Prosegur Singapore Pte Ltd (the "**Purchaser**") in relation to the disposal of the security services business which includes the security and security related services carried out by ICS. Upon the completion which is conditional on certain conditions being satisfied or waived, ICS will no longer engage in the security services business in Singapore for a period of three years without the prior written consent of the board of directors of the Purchaser except (i) for existing client contracts that are not yet novated to the Purchaser and/or for which any third party consents are still pending for a period of eight months; (ii) pursuant to the first right of refusal, the Purchaser does not give an offer and/or does not provide an alternative acceptance proposal; and (iii) for business activities engaged by the Group where supply, installation, and maintenance of security cameras are provided and utilised for the sole purpose of recording as part of a full suite of facilities management services. Please refer to the announcement of the Company dated 1 March 2019 for further details.

Besides the security services division under the Facilities Management Business, the Group also provides integrated facilities management services and carpark management under the Facilities Management Business. The Group will continue to seek more external facilities management contracts by providing integrated facilities management services covering security services, repair, maintenance and cleaning of buildings and offices, pest control and fumigation. In addition, the Group will continue to look for more locations for its car park management business in both 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. As part of the expansion plan in ASEAN countries, the Group has incorporated a subsidiary in Myanmar and intends to set up a new container depot there.

Financial Review

For the period six months ended 31 March 2019 ("1H2019") vs six months ended 31 March 2018 ("1H2018")

Revenue

	1H2019 S$'000 (unaudited)	1H2018 S$'000 (unaudited)	Variance	
			S$'000	%
Industrial Properties	19,390	20,306	(916)	(4.5)
Commercial Properties	10,578	14,663	(4,085)	(27.9)
Residential Properties	1,283	1,379	(96)	(7.0)
Space Optimisation Business	31,251	36,348	(5,097)	(14.0)
Facilities Management Business	10,537	9,851	686	7.0
Logistics Services Business	11,811	10,005	1,806	18.1
Total	53,599	56,204	(2,605)	(4.6)

MANAGEMENT DISCUSSION AND ANALYSIS

The Group's revenue decreased by approximately S$2.6 million or 4.6% from approximately S$56.2 million in 1H2018 to approximately S$53.6 million in 1H2019 primarily due to a decrease in revenue from the Space Optimisation Business. The decrease was partially offset by the increase in revenue from the Facilities Management Business and Logistics Services Business.

(a) Space Optimisation Business

Industrial Properties

Revenue derived from Industrial Properties decreased by approximately S$0.9 million or 4.5% from approximately S$20.3 million in 1H2018 to approximately S$19.4 million in 1H2019 mainly due to (i) movement of tenants due to expiry of sub-leases; and (ii) renewal of sub-leases at lower rental rates.

The average occupancy rate of the Group's Industrial Properties decreased slightly by 0.2 percentage points to approximately 87.8% in 1H2019 as compared to approximately 88.0% in 1H2018.

Commercial Properties

Revenue derived from Commercial Properties decreased by approximately S$4.1 million or 27.9% from approximately S$14.7 million in 1H2018 to approximately S$10.6 million in 1H2019 mainly due to (i) the absence of the one-time revenue contribution of approximately S$3.8 million from the rights to use 85 SOHO brand in Cambodia recognised in 1H2018; and (ii) a net decrease in revenue of approximately S$0.3 million from renewal of sub-leases at lower rental rates.

The average occupancy rate of the Group's Commercial Properties increased by 4.8 percentage points to approximately 90.5% in 1H2019 as compared to approximately 85.7% in 1H2018.

Residential Properties

Revenue derived from Residential Properties decreased by approximately S$0.1 million or 7.0% from approximately S$1.4 million in 1H2018 to approximately S$1.3 million in 1H2019 mainly due to decrease in design consultancy fees of approximately S$0.7 million. This was partially offset by the net increase in revenue from the new co-work co-live business of approximately S$0.6 million.

(b) Facilities Management Business

Revenue derived from our Facilities Management Business increased by approximately S$0.7 million or 7.0% from approximately S$9.8 million in 1H2018 to approximately S$10.5 million in 1H2019 mainly due to increase in revenue from the management of carparks in Singapore and Hong Kong.

(c) Logistics Services Business

Revenue derived from our Logistics Services Business increased by approximately S$1.8 million or 18.1% from approximately S$10.0 million in 1H2018 to approximately S$11.8 million in 1H2019 mainly due to higher revenue from the trucking business for increase in transportation services provided and a higher demand of storage and repairs of leasing containers in 1H2019.

Cost of Sales

Cost of sales increased by approximately S$0.6 million or 1.6% from approximately S$40.8 million in 1H2018 to approximately S$41.4 million in 1H2019 mainly due to an increase in (i) container depot management charges of approximately S$0.3 million from our Logistics Services Business in line with the increase in logistics services rendered; (ii) rental costs of approximately S$0.3 million; and (iii) upkeep and maintenance costs of approximately S$0.5 million mainly due to the Space Optimisation Business and Logistics Services Business. The increase was partially offset by a decrease in direct labour costs of approximately S$0.5 million as a result of decrease in manpower cost under the Facilities Management Business.

Gross Profit

In view of the above mentioned, gross profit decreased by approximately S$3.3 million from approximately S$15.4 million in 1H2018 to approximately S$12.1 million in 1H2019.

MANAGEMENT DISCUSSION AND ANALYSIS

Other Income

Other income decreased by approximately S$0.2 million or 7.7% from approximately S$2.0 million in 1H2018 to approximately S$1.8 million in 1H2019 mainly due to a decrease in (i) gain on disposal of property, plant and equipment of approximately S$0.3 million from disposal of logistics equipment; and (ii) government grants received of approximately S$0.2 million. These were partially offset by an increase in miscellaneous income of approximately S$0.3 million.

Other Operating Expenses

Other operating expenses decreased by approximately S$0.5 million or 73.4% from approximately S$0.7 million in 1H2018 to approximately S$0.2 million in 1H2019. In 1H2018, other operating expenses consisted of foreign exchange loss of approximately S$0.7 million mainly comprised of unrealised exchange loss of approximately S$0.4 million from revaluation of SGD denominated loan in Indonesian subsidiaries and realised exchange loss of approximately S$0.2 million on conversion of listing proceeds from HK$ to SGD. Compared to 1H2019, other operating expenses consisted of impairment loss on trade receivables of approximately S$0.2 million from the Space Optimisation Business.

Selling and Distribution Expenses

Selling and distribution expenses decreased by approximately S$0.3 million or 32.5% from approximately S$1.0 million in 1H2018 to approximately S$0.7 million in 1H2019 mainly due to decrease in agent commission of approximately S$0.2 million incurred under our Space Optimisation Business and decrease in marketing and advertising expenses of approximately S$0.1 million.

Administrative Expenses

Administrative expenses decreased by approximately S$1.8 million or 14.2% from approximately S$13.0 million in 1H2018 to approximately S$11.2 million in 1H2019 mainly due to expenses of approximately S$1.8 million relating to the dual primary listing on the Main Board of SEHK in 1H2018.

Finance Cost

Finance cost increased by approximately S$0.2 million or 42.6% from approximately S$0.4 million in 1H2018 to approximately S$0.6 million in 1H2019 mainly due to increased interest expenses from higher bank borrowings in 1H2019.

Share of Results of Associates and Joint Ventures

Share of results of associates and joint ventures increased by approximately S$1.3 million or 201.4% from approximately S$0.6 million in 1H2018 to approximately S$1.9 million in 1H2019 mainly due to an increase in share of operating profits of approximately S$1.1 million in 1H2019. In addition, there was a net fair value gain on investment properties of approximately S$1.1 million in 1H2019 comprised of fair value gain of approximately S$1.4 million from a carpark property and fair value loss of approximately S$0.3 million from an industrial property, compared to a fair value gain on investment properties of approximately S$0.9 million from an industrial property in 1H2018.

Profit before Income Tax

As a result of the aforementioned, the Group's profit before income tax was approximately S$3.3 million in 1H2019 as compared to approximately S$2.9 million in 1H2018.

Income Tax Expense

Income tax expense decreased by approximately S$0.3 million or 55.0% from approximately S$0.5 million in 1H2018 to approximately S$0.2 million in 1H2019 mainly due to lower taxable profit.

Profit for the Period

As a result of the above, the Group's net profit was approximately S$3.1 million in 1H2019 as compared to approximately S$2.4 million in 1H2018, representing an increase of 29.2%.

MANAGEMENT DISCUSSION AND ANALYSIS

Review of Statement of Financial Position

Non-current assets

Non-current assets increased by approximately S$32.5 million from approximately S$89.2 million as at 30 September 2018 to approximately S$121.7 million as at 31 March 2019 mainly due to increase in (i) property, plant and equipment ("**PPE**") of approximately S$7.0 million due to additions of PPE of approximately S$10.0 million mainly for renovation costs for our new co-work co-live business and serviced residence property under the Space Optimisation Business, renovation costs for our container depot and purchase of logistics equipment under the Logistics Services Business offset by depreciation of approximately S$3.0 million; (ii) investment properties of approximately S$19.0 million mainly for the purchase of the Geylang Property; (iii) investment in associates and joint ventures of approximately S$1.9 million mainly due to the share of profit of associates and joint ventures for the six months ended 31 March 2019; (iv) deferred tax assets of approximately S$0.4 million; and (v) other assets of approximately S$4.2 million due to the progress billing of the property under construction in Cambodia under the Space Optimisation Business ("**Axis Residences**").

Approximately S$0.2 million of investment in WeOffices ApS, a company incorporated in Denmark and principally engaged in the business of rental of serviced office space in Denmark, was reclassified to financial assets, at fair value through other comprehensive income, from financial assets, available-for-sale, due to the adoption of IFRS 9.

Current assets

Current assets decreased by approximately S$7.4 million from approximately S$58.9 million as at 30 September 2018 to approximately S$51.5 million as at 31 March 2019 mainly arising from the decrease in (i) loans to joint ventures of approximately S$4.2 million mainly due to the repayment of shareholders' loan from our joint venture company, Work Plus Store (AMK) Pte. Ltd.; (ii) cash and bank balances and fixed deposits of approximately S$3.8 million largely due to the utilisation of listing proceeds from the global offering in Hong Kong of approximately S$4.5 million for the purchase of the Geylang Property; and (iii) trade receivables of approximately S$0.7 million consisting of mainly the receipt of approximately S$1.4 million from the billing of rights to use 85 SOHO brand in Cambodia, partially offset by higher trade receivables from the Logistics Services Business of approximately S$0.9 million which was in line with the increase in logistics revenue. The decrease was partially offset by an increase in (i) other receivables of approximately S$1.6 million which consist largely of net GST receivables of approximately S$1.2 million; (ii) prepayments of approximately S$0.3 million; and (iii) allowance for impairment of approximately S$0.6 million.

Non-current liabilities

Non-current liabilities increased by approximately S$15.7 million from approximately S$19.9 million as at 30 September 2018 to approximately S$35.6 million as at 31 March 2019 mainly due to (i) reclassification of provision for reinstatement costs of approximately S$0.4 million from current liabilities due to the renewal of our master leases; (ii) an increase in finance lease liabilities of approximately S$0.8 million; and (iii) an increase in bank borrowings of approximately S$14.5 million mainly for the purchase of the Geylang Property.

Current liabilities

Current liabilities increased by approximately S$6.6 million from approximately S$39.7 million as at 30 September 2018 to approximately S$46.3 million as at 31 March 2019 mainly due to the increase in (i) bank borrowings of approximately S$8.4 million mainly from short-term loans for renovation and working capital; (ii) finance lease liabilities of approximately S$0.3 million; (iii) bank overdrafts of approximately S$0.1 million; and (iv) income tax liabilities of approximately S$0.5 million. These were partially offset by a decrease in (i) trade and other payables of approximately S$2.3 million which was largely due to the progress payment for Axis Residences; and (ii) reclassification of provision for reinstatement costs of approximately S$0.4 million to non-current liabilities due to the renewal of our master leases.

Review of Statement of Cash Flows

In 1H2019, the Group recorded net cash generated from operating activities of approximately S$5.0 million, which was a result of operating profit before changes in working capital of S$4.9 million, increase in trade and other receivables of approximately S$1.3 million and increase in trade and other payables of approximately S$1.3 million, adjusted for net income tax refunded of approximately S$0.1 million.

MANAGEMENT DISCUSSION AND ANALYSIS

Net cash used in investing activities amounted to approximately S$30.2 million, which was mainly due to (i) acquisition of investment property, the Geylang Property, of approximately S$18.8 million; (ii) additions to property, plant and equipment for renovation costs for our new co-work co-live business and serviced residence property under the Space Optimisation Business, renovation costs for our container depot and purchase of logistics equipment under the Logistics Services Business of approximately S$7.4 million; and (iii) additions to other asset of approximately S$8.5 million for Axis Residences. These were partially offset by (i) a net repayment of loans from joint ventures of approximately S$4.3 million; (ii) proceeds received from disposal of PPE of approximately S$0.1 million; and (iii) dividends received from associate of S$0.1 million.

Net cash generated from financing activities amounted to approximately S$21.2 million, which was due to proceeds from bank borrowings of approximately S$28.1 million. These were partially offset by the repayment of finance lease of approximately S$1.0 million for logistics and car park equipment, repayment of bank borrowings of approximately S$5.3 million and interest expenses paid of approximately S$0.6 million.

As a result of the above, cash and cash equivalents decreased by approximately S$4.0 million, amounting to S$16.7 million as at 31 March 2019.

Liquidity and Financial Resources

During 1H2019, the Group financed its operations primarily through a combination of cash flow generated from our operations, bank borrowings, finance leases and proceeds from the listing of the Company's shares on the Main Board of the SEHK on 29 December 2017 (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 31 March 2019 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 31 March 2019, the Group had outstanding bank borrowings of S$44.2 million. These borrowings were secured by (i) legal mortgage of the Group's leasehold properties at 72 Eunos Avenue 7, 100 Eunos Avenue 7 and the Geylang Property; (ii) corporate guarantees by the Group; (iii) personal guarantees provided by a director and shareholder of a non-wholly owned subsidiary, who is not a controlling shareholder of the Company (the "**Subsidiary Director**"); and (iv) assignment of rental proceeds of the mortgaged properties.

As at 31 March 2019, 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.

Gearing Ratio

Gearing ratio is equal to total debt divided by total equity and multiplied by 100%. Total debt comprises our bank borrowings, bank overdrafts and finance lease payables. Gearing ratio as at 31 March 2019 was 54.8%, increased from 29.3% as at 30 September 2018 primarily due to increase in total debts as at 31 March 2019 mainly for the purchase of the Geylang Property.

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 31 March 2019 were denominated in Singapore dollars and Malaysian Ringgit.

As at 31 March 2019, the Group had finance lease liabilities of S$5.7 million. The obligations under the finance lease are secured by the underlying assets of plant and machinery, logistics equipment and motor vehicles, personal guarantees provided by the Subsidiary Director, and corporate guarantees provided by the Group.

Capital Commitment

Capital expenditures contracted for at the balance sheet date but not recognised in the financial statements, excluding those relating to investments in associated companies and investment in a joint venture, are as follows:

	31 March 2019 S$'000	30 September 2018 S$'000
Investment properties	6,278	9,399
Property, plant and equipment	3,402	7,531
	9,680	16,930

MANAGEMENT DISCUSSION AND ANALYSIS

Capital Expenditure

During 1H2019, the Group's capital expenditure consists of additions to property, plant and equipment, investment properties and other asset amounting to approximately S$33.0 million for the renovation costs for our Space Optimisation Business, purchase of logistics equipment, purchase of the Geylang Property and the progress billing of Block 1A of Axis Residences in Cambodia (FY2018: approximately S$16.1 million).

Contingent Liabilities

As at 31 March 2019, the Group did not have any material contingent liabilities.

Material Acquisitions and Disposals of Subsidiaries, Associates and Joint Ventures

There were no material acquisition and disposal of subsidiaries, associates and joint ventures for 1H2019.

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 1H2019.

Off-balance Sheet Arrangements

For 1H2019, the Group did not have any off-balance sheet arrangements.

Future Plans for Material Investment and Capital Assets

Save as disclosed in the prospectus of the Company dated 15 December 2017 and this report, the Group did not have any other plans for material investment and capital assets as at 31 March 2019.

Exposure to Fluctuations in Exchange Rates

The Group mainly operates in Singapore, Indonesia, Thailand, Myanmar, Cambodia, Hong Kong and China during the six months ended 31 March 2019. 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 ("**HK$**"), Thai Baht ("**THB**") and Renminbi ("**RMB**"). 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. During the period under review, the Group has been affected by the changes in the exchange rate. See "Financial Review – Other Operating Expenses" for details.

The Group is planning to expand its business into other countries and regions including 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.

Employees and Remuneration Policies

As at 31 March 2019, there were 399 (as at 30 September 2018: 414) 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.

Significant Event after the Reporting Period

Up to the date of this report, there was no significant event relevant to the business or financial performance of the Group that has come to the attention of the Directors after 1H2019.

Issue of Securities and Share Capital

During 1H2019, there has been no change to the shares in issued and capital structure of the Company.

MANAGEMENT DISCUSSION AND ANALYSIS

Use of Proceeds from Initial Public Offering

Under the global offering in Hong Kong which was completed on 29 December 2017, 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 Dual 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 Dual Listing as at the date of this 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**	**31,528**	**12,868**

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.

Approximately HK$26.8 million (equivalent to S$4.5 million) allocated for the acquisition of property in Singapore for the Space Optimisation Business had been utilised as the partial payment for the Geylang Property Acquisition, as announced by the Company on 7 January 2019.

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 remaining balance of the Net Proceeds of approximately HK$12.9 million (equivalent to S$2.2 million) by the end of year 2020.

The Company will continue to update in periodic announcements on the utilisation of the balance of the proceeds from the Dual 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.

Purchase, Sales or Redemption of The Company's Listed Securities

During 1H2019, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

Proposed Interim Dividend

The Board has resolved not to declare any interim dividend for the six months ended 31 March 2019 (2018: Nil).

OTHER INFORMATION

Directors' and Chief Executive's Interests and Short Positions in Shares and Underlying Shares or Debentures of the Company or Its Associated Corporations

As at 31 March 2019, 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
Lim Lung Tieng(1)(2)	Founder of discretionary trusts, beneficiary of a trust	216,930,000	53.90%

Notes:

(1) Lim Lung Tieng 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. Lim Lung Tieng 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) Lim Lung Tieng 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. Lim Lung Tieng 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 31 March 2019, 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 31 March 2019, Lim Lung Tieng and Lim Bee Choo, 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.

OTHER INFORMATION

Substantial Shareholders' and Other Persons' Interests and Short Positions in Shares and Underlying Shares

As at 31 March 2019, 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 as follow:

Long position in the Shares and underlying shares

Name of Shareholder	Capacity/Nature of Interest	Number of Shares held/Interested	Approximate Percentage of Shareholding
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 Lim Lung Tieng, 10% by Lim Bee Choo and 85% by HN Capital Ltd., is the beneficial owner of 216,930,000 Shares. By virtue of the SFO, Lim Lung Tieng, 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 Lim Lung Tieng 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 Lim Lung Tieng 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 Lim Lung Tieng, is deemed under the SFO to be interested in the interests held by Lim Lung Tieng.

Save as disclosed above, as at 31 March 2019, 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.

Share Option Scheme

On 25 September 2017 ("**Adoption Date**"), the shareholders adopted the "LHN Share Option Scheme" (the "**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 (the "**Committee**").

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, cancelled, outstanding, exercised or lapsed under the Scheme since the Adoption Date and up to the date of this report.

OTHER INFORMATION

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.

Competition and Conflict of Interests

Except for the interests in the Group, none of the Directors, controlling shareholders of the Company or any of their respective associates has engaged in any business that competes or may compete with the business of the Group or has any other conflict of interests with the Group during the period under review.

Corporate Governance

The Company has adopted the code provisions of the corporate governance code in Appendix 14 (the "**HK CG Code**") to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (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 during 1H2019 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. Lim Lung Tieng ("**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.

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 during 1H2019.

OTHER INFORMATION

Audit Committee

The Company established an audit committee (the "**Audit Committee**") with written terms of reference which deal clearly with its authority and duties. Amongst the committee's principal duties is to review and supervise the Company's financial reporting process and internal controls. The full text of terms of reference of the Audit Committee is available on the websites of the Company and the SEHK.

The Audit Committee comprises three independent non-executive Directors, namely, Mr. Chan Ka Leung Gary (Chairman), Ms. Ch'ng Li-Ling and Mr. Yong Chee Hiong.

The financial information in this report has not been audited by the auditor of the Company, but the Audit Committee has reviewed the unaudited consolidated results of the Group for 1H2019 and is of the opinion that such results complied with the applicable accounting standards, the requirements under the HK Listing Rules and other applicable legal requirements, and that adequate disclosures had been made.

Public Float

The Company has maintained the public float as required by the HK Listing Rules up to the date of this report.

By Order of the Board of Directors of
LHN Limited
Lim Lung Tieng
Executive Chairman and Group Managing Director

Singapore, 14 May 2019

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