LHN GROUP
SPACE OPTIMISED

COMMERCIAL
LOGISTICS
RESIDENTIAL
FACILITIES
INDUSTRIAL
CAR PARK

ANNUAL REPORT 2019

Thriving towards a promising and prosperous future

LHN LIMITED - 賢能集團有限公司*
(incorporated in the Republic of Singapore with limited liability)
**For identification purpose only*

Stock Code:
Singapore - 410 / Hong Kong - 1730

This annual report has been prepared by LHN Limited (the "**Company**") and its contents have been reviewed by the Company's sponsor, PrimePartners Corporate Finance Pte. Ltd. (the "**Sponsor**") in accordance with Rules 226(2)(b) and 753(2) of the Singapore Exchange Securities Trading Limited (the "**SGX-ST**") Listing Manual Section B: Rules of Catalist.

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

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

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

Hong Kong Exchanges and Clearing Limited and SEHK take no responsibility for the contents of this annual report, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this annual report.

Lounge Room

@ Coliwoo 31 Boon Lay Drive

Content

Corporate Overview

WHO WE ARE

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

WHAT WE DO

We focus on creating productive environments for small and medium enterprises (SMEs) & born-global companies. Taking old, unused and under-utilised industrial, commercial and residential properties, we enhance and transform them into thoughtfully designed and highly usable space. In addition, our vast experience at managing a diverse range of properties has shaped us to be well-versed in the art of applying our space optimisation expertise to any space. As such, spaces leased out by us are carefully planned and developed to maximise value for tenants.

Our facilities management business provides property related services to our properties and our customers in Singapore. We offer two main areas of services, namely, comprehensive cleaning and related services and car park management services.

In 2003, as part of the Company's expansion strategy, we branched into providing logistics solutions to our business partners. Currently, we provide transportation services in Singapore and Malaysia, container depot management service in Singapore and Laem Chabang and Bangkok, Thailand.

space optimisation

Commercial

GREENHUB

Residential

coliwoo

85 SOHO

Industrial

work+store VALET

work+store SPACE

facilities management

Car Park Management

LHN PARKING

Cleaning & Related Services

icfm

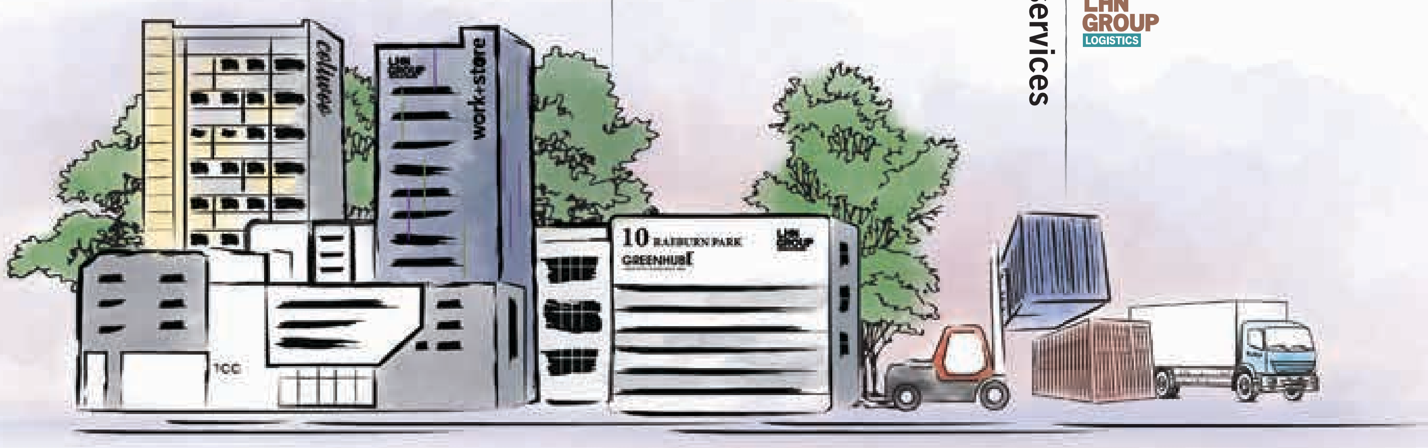
logistics services

Container Depot

HLA

Transportation

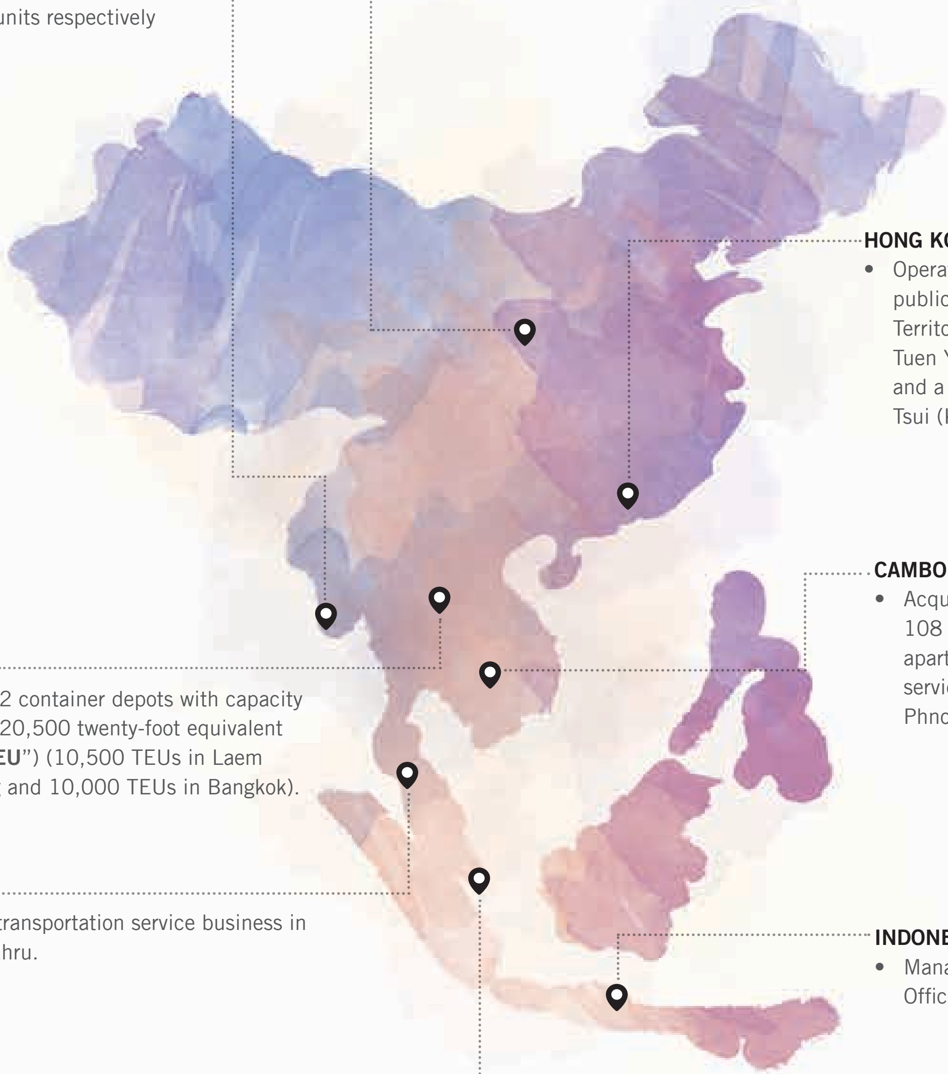
LHN GROUP LOGISTICS



STRATEGIC LOCATION IN ASIA

YANGON (MYANMAR)
- Manage two blocks of serviced residence property in Yangon, with 29 units and 88 units respectively

CHINA
- Expected to manage 158 rooms of business hotel in Nan An, Quanzhou in the second quarter of FY2020



HONG KONG (CHINA)
- Operate four carparks: three public carparks in Tai Po (New Territories), Chai Wan Road and Tuen Yee Street (New Territories); and a private carpark in Tsim Sha Tsui (Kowloon).

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

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

MALAYSIA
- Provide transportation service business in Johor Bahru.

INDONESIA
- Manage 1 GreenHub Suited Offices in Jakarta.

SINGAPORE (REGIONAL HQ)
- Manage 34 commercial, industrial and residential properties, including 5 GreenHub Suited Offices.
- Provide facilities management services for our properties and other properties.
- Manage and operate 52 carparks.
- Handle up to 6,200 TEUs at our container depot at Benoi Sector.
- Handle up to 3,000 TEUs at our joint venture container depot at Gul Circle.
- Provide transportation services under our Logistics Services Business.

Chairman's Message

Dear Shareholders,

On behalf of the board of directors of LHN Limited (the "**Board**" or the "**Board of Directors**"), I am very pleased to present our Annual Report for the financial year ended 30 September 2019 ("**FY2019**"). Despite the eventful geopolitical situation the world is currently experiencing, which has affected the economies where we operate in, the Group achieved better financial performance in this financial year compared to FY2018.

REVIEWING OUR FINANCIAL PERFORMANCE

The Group recorded an increase of 1.7% in our revenue at approximately S$111.1 million in FY2019 as compared to S$109.3 million in the financial year ended 30 September 2018 ("**FY2018**") and we achieved a net profit after tax of approximately S$8.7 million in FY2019 as compared to approximately S$5.8 million in FY2018, representing an improvement of 51.2% to our bottom line. Earnings per share for the Group improved 47.1% to 2.03 Singapore cents and our Net asset value per ordinary share also improved 8.9% to 23.69 Singapore cents in FY2019.

Having delivered better financial results this year, the Directors are proposing a final dividend of 0.5 Singapore cents (S$0.005) (equivalent to 2.9 Hong Kong cents) per ordinary share, which represents a payout ratio, excluding fair value adjustments, of approximately 43% to reward our shareholders who have been very supportive of us all these years.

GROWING A SOLID BASE & FORGING AHEAD WITH OUR NEW CO-LIVING BUSINESS

Space Optimisation Business

Faced with stiff competition from landlords in Singapore, the Group's Space Optimisation business did our best to maintain occupancy rates and stabilise our rental rates for our leasing business for the industrial and commercial properties.

In FY2019, the average occupancy rate for our industrial and commercial properties were 87.9% and 90.8% respectively. There were four master lease renewals of industrial properties and two master lease renewals of commercial properties. In addition, the Group also successfully acquired one new industrial property and secured three new master leases under the residential properties during the financial year.

Our new industrial property at 71 Lorong 23 Geylang, Singapore 388386 was acquired in January 2019 and we completed the renovation works expeditiously within 6

months, where we converted the building into a self-storage facility under our Work+Store brand providing self-storage and last mile logistics services. We are also glad to report that since the commencement of operation till date, we have achieved a satisfactory occupancy rate.

Under our residential segment, we secured three new master leases, namely at 31 Boon Lay Drive, 150 Cantonment Road and 1A Lutheran Road, as part of our business strategy to build up our presence in the co-living scene to tap on the growing demand for shared residential spaces from the millennial population. Our 31 Boon Lay Drive property completed renovation in July 2019 and as at to-date, achieved an occupancy of over 90% which exceeded our expectations in terms of occupancy and revenue targets. Our second residential property at 150 Cantonment Road is also leased to co-living operator Hmlet who is managing it as service apartments. We expect to enjoy a full year of income stream from these two properties in the new financial year ending 30 September 2020 ("**FY2020**"). Lastly, our property at 1A Lutheran Road is currently undergoing renovation and the Group intends to operate the property as a student hostel.

Separately, our overseas expansion in Myanmar, Cambodia and China mainly focusing on residential projects under our 85SOHO brand will be expected to bear fruits for the Group in FY2020. In Yangon, Myanmar, the renovation for the 88 units residential building has completed and is now fully operational to be managed as a premium serviced residence. In Cambodia, we expect to commence operation for the 108 units of service apartments at Axis Residence in the second quarter of FY2020 and in China, our business hotel located at Nan An, Quanzhou, is expected to commence operations in the second quarter of FY2020.

Work+Store at 71 Lorong 23 Geylang (Artist's Impression)

Facilities Management

During the financial year, our facilities management segment delivered a 4.6% improvement in revenue mainly contributed by more new leases and service contracts secured by our carpark and facilities management operations as well as a one-off gain on the disposal from our security business.

Additionally, in this financial year, our carpark management business has turned profitable and we successfully secured five new carpark contracts in Singapore and one new carpark contract in Hong Kong. Recently, we have successfully re-tendered for a 3-year carpark lease for the second time by the Parliamentary Secretariat on behalf of the Government of Singapore. To date, the Group has a total of 56 carparks under the management of our carpark operations and we hope to grow our carpark portfolio aggressively.

Logistics Services

Our logistics services business has continued to perform well in FY2019 and achieved a 12.3 % increase in revenue due to increase in transportation services provided from our trucking business and increase in demand for storage and repairs of leasing containers in Thailand. We are optimistic to achieve sustainable growth in our logistics business segment in the near and future term as the Group intends to continue its efforts to invest resources to grow its overseas presence for this business segment.

MOVING OUR BUSINESS FORWARD

Looking ahead, although the Singapore economy is expected to remain volatile, the Group will continue to innovate and deliver new space offerings to our valued tenants in support of their business needs and to cautiously explore new business opportunities in Singapore and also other growth markets in the ASEAN region to build up our project pipeline especially for our residential and logistics segment.
In the fourth quarter of FY2019, we made an investment of approximately S$0.2 million in a company which is principally engaged in the business of storage solutions where we collaborate with them to further optimise the efficiency and

"We look forward to bring our strategic business initiatives into fruition and achieving sustainable growth for the Group's business"

returns of our Work+Store self-storage facilities in Singapore.

With the establishment of a new joint venture company with our business partner, we are looking forward to acquire another industrial property at a very strategic location to expand our Work+Store self-storage facilities in Singapore.

We are also eagerly looking forward to the commencement of our re-tendered new lease term for our 1557 Keppel Road property that is slated for serviced apartments, office, indoor sports facility, and/or medical suites usage where we will be doing asset enhancement on the property to convert it into a mixed-use development supporting commercial spaces, co-living residential apartments and recreational facilities.

For our Facilities Management Business, the Group will continue to seek more external facilities management contracts by providing integrated facilities management services covering 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.

For our logistics business segment, on 25 November 2019, the Group has obtained JTC's in-principle approval for the purchase of the property at 7 Gul Avenue, Singapore 629651, where the property will be used to operate as a ISO tank depot and provide integrated logistics services to our customers.

Lastly, as we also plan to grow our logistics business in ASEAN, the Group has incorporated an indirect subsidiary in Myanmar where it intends to set up a new container depot operation there, capitalising on the expected growth in the economy for the future.

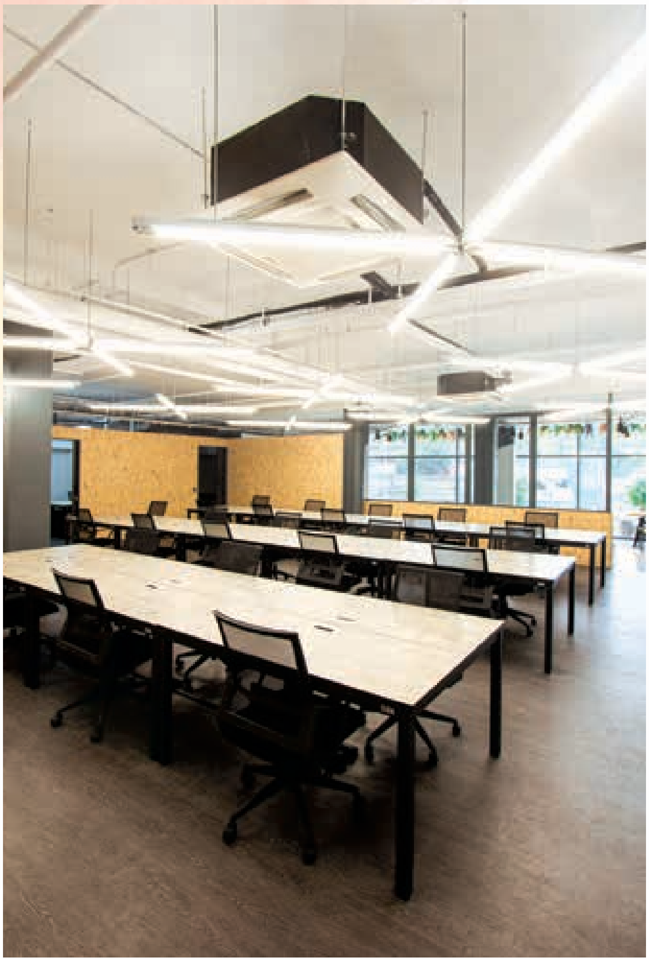
SHOWING OUR APPRECIATION

On behalf of the Board of Directors, we wish to express our appreciation to our staff for the dedication, commitment, professionalism and expertise they exhibited in their work which has allowed us to deliver good results this financial year and materialise our overseas business expansion plans. We would also like to thank all our business partners, landlords, tenants, customers and shareholders for their great confidence and support for our Group amidst a very challenging business environment. We will continue to work hard to bring our strategic business initiatives into fruition, hence achieving a sustainable growth for the Group's business and delivering greater value to all our stakeholders. We hope that you will continue to support and be part of the LHN success story for the many years ahead!

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

Artist's Impression

▲ Proposal for 1557 Keppel Road Property
▶ Co-working space at 100 Eunos Avenue 7



Coliwoo at 31 Boon Lay Drive

The Year in Review

october 18

- Entered into a new lease for 31 Boon Lay Drive commencing from 1 October 2018.

31 Boon Lay Drive (Singapore)

december 18

- Obtained master lease renewal for 27 West Coast Highway.

27 West Coast Highway (Singapore)

january 19

- Acquired 71 Lorong 23 Geylang for self-storage and last mile logistics services.
- Obtained master lease renewal for 8 Jalan Papan, 18 Penjuru Road.

Artist's impression

71 Lorong 23 Geylang (Singapore)

april 19

- Obtained master lease renewal for Depot Lane.
- Entered into a new lease for 150 Cantonment Road (commencing from 1 April 2019 to operate a serviced apartment).

150 Cantonment Road (Singapore)

Depot Lane (Singapore)

may 19

- Completion of disposal of the ICS Security Services Business.

june 19

- Obtained master lease renewal for Lot 228, 342, 346 MK XIV Woodlands Mandai Estate.

august 19

- Opening of its newly renovated Premium Serviced Residence in Yangon, Myanmar.

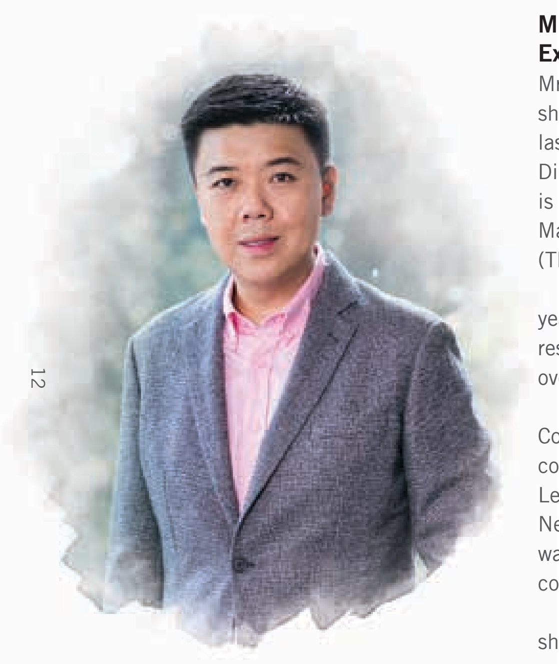
137 Upper Pansodan Road (Yangon, Myanmar)

september 19

- Entered into a new lease for 1A Lutheran Road commencing from 1 September 2019 to operate as a student hostel.
- Obtained master lease renewal for 10 Raeburn Park.

10 Raeburn Park (Singapore)

Board of Directors



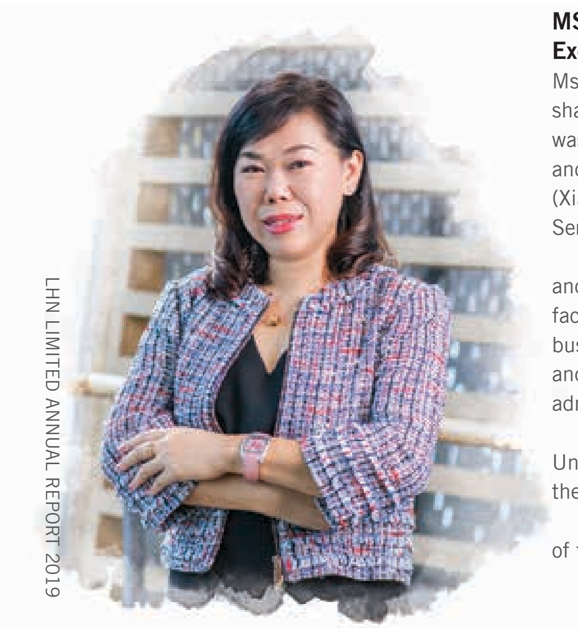
MR KELVIN LIM
Executive Chairman, Executive Director & Group Managing Director

Mr Lim Lung Tieng (also known as Lin Longtian) (林隆田) ("**Kelvin**"), age 42, is a controlling shareholder of the Company and was first appointed to the Board on 10 July 2014 and was last re-elected on 30 January 2019. He is currently the Executive Chairman, the Executive Director, the Group Managing Director and a member of the Nominating Committee. Kelvin is also a director of all of the subsidiaries of the Group other than Hean Nerng Facilities Management Pte. Ltd., HLA Holdings (Thailand) Limited and HLA Container Services (Thailand) Limited.

Kelvin brings over 20 years of experience in the property leasing business and over 10 years of experience in logistics services and facilities management business. He is primarily responsible for the business development and overall management of the Group. He also oversees the Group's investment activities, operations and marketing efforts.

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

Kelvin is the brother of Jess, who is also an Executive Director and a controlling shareholder of the Company.



MS JESS LIM
Executive Director & Group Deputy Managing Director

Ms Lim Bee Choo (also known as Lin Meizhu) (林美珠) ("**Jess**"), age 45, is a controlling shareholder of the Company and has been appointed to the Board since 10 July 2014 and was last re-elected on 19 March 2018. Jess is currently the Group Deputy Managing Director and a director of all of the subsidiaries of the Group other than LHN Asset Management (Xiamen) Co. Limited, 南安市賢能商務管理有限公司, PT Hean Nerng Group, PT Hub Hijau Serviced Offices and LHN Parking HK Limited.

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

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

Jess is the sister of Kelvin, who is also an Executive Director and a controlling shareholder of the Company.

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

Ms Ch'ng Li-Ling (莊立林) ("**Li-Ling**"), age 48, is the Chairman of the Remuneration Committee and a member of both the Audit and Nominating Committees. Li-Ling was appointed as the Lead Independent Non-executive Director on 5 June 2017. She was first appointed to the Board as an Independent Non-executive Director on 10 March 2015 and was last re-elected on 30 January 2019.

Li-Ling is one of the founding members of RHTLaw Taylor Wessing, where she had co-headed the capital markets practice. Presently, Li-Ling is the acting head of its financial services (regulatory) practice, and advises financial institutions, FinTech firms and investors on acquisitions and capital-raising, on MAS licensing and regulatory requirements for capital markets services providers, operators of organised markets and payment services providers on digital token issuances and the establishment of digital assets exchanges and e-payments platforms.

Li-Ling was previously an independent director of SGX-ST listed DeClout Limited (Singapore Stock Code: 5UZ) from September 2012 to April 2018. She is currently an independent director of SGX-ST listed Anchor Resources Limited (Singapore Stock Code: 43E), member of the Singapore Academy of Law, Legal Practitioner (non-practising) of New South Wales, Australia and qualified as a solicitor of England and Wales.

Li-Ling is co-author of "Law and Practice of Corporate Finance in Singapore", published by Lexis-Nexis in 2016.

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

MR EDDIE YONG
Independent Non-executive Director

Mr Yong Chee Hiong (楊志雄) ("**Eddie**"), age 66, is the Chairman of the Nominating Committee and a member of both the Audit and Remuneration Committees. He was first appointed to the Board as an Independent Non-executive Director on 10 March 2015 and was last re-elected on 19 March 2018.

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

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

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

MR GARY CHAN
Independent Non-executive Director

Mr Chan Ka Leung (陳嘉樑) ("**Gary**"), age 46, is the Chairman of the Audit Committee and a member of both the Nominating and Remuneration Committees. He was first appointed to the Board as an Independent Non-executive Director on 5 June 2017 and was last re-elected on 19 March 2018. Gary has more than 18 years of experience in accounting, corporate finance, private equity and financial consultation while advising companies across multiple disciplines and various industries.

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

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

Executive Officers

MS YEO SWEE CHENG
Chief Financial Officer

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

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

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

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

MR DANNY WONG
General Manager

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

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

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

joint company secretaries

MR LAI KUAN LOONG, VICTOR

Mr Lai Kuan Loong, Victor (黎光隆) ("**Victor**") was appointed as the company secretary of the Company in Singapore on 4 January 2019.

Mr. Lai, aged 41, has experience in acting as company secretary of companies and managers of REITs listed on the Singapore Stock Exchange and in compliance matters of both local and foreign companies registered in Singapore. Mr. Lai was the Regional Managing Director of Boardroom Limited heading the share registry and corporate secretarial professional practices in both Singapore and Hong Kong of Boardroom Limited. Prior to joining Boardroom, Mr. Lai was with Pricewaterhouse Coopers in Singapore from October 2002 to December 2014 and his last position was a director with ultimate role as engagement leader of audit. Mr. Lai graduated from Nanyang Technological University in Singapore with a Bachelor of Accountancy (Honours) in June 2002. He is currently a public accountant in Singapore registered with Singapore Accounting & Corporate Regulatory Authority, an affiliate member of the Chartered Secretaries Institute of Singapore, and the appointed representative of Boardroom Executive Services Pte. Ltd. registered with the Monetary Authority of Singapore to carry out regulated activities under its capital markets services license, namely, dealing in capital markets products that are securities. Mr. Lai was also a committee member of Singapore Institute of Directors between 2015 and 2017.

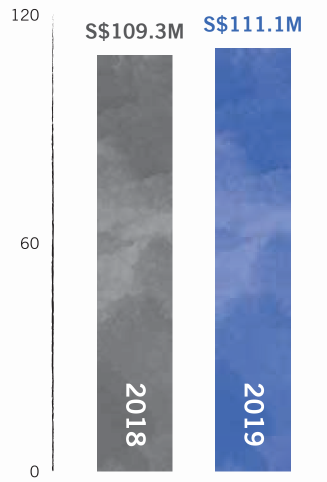
MR IVAN NG

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

Ivan is currently acting as named company secretary and joint company secretary of certain companies listed on the Main Board or GEM of The Stock Exchange of Hong Kong Limited. Ivan was admitted as an associate member of both The Hong Kong Institute of Chartered Secretaries and The Institute of Chartered Secretaries and Administrators in England in July 2000.

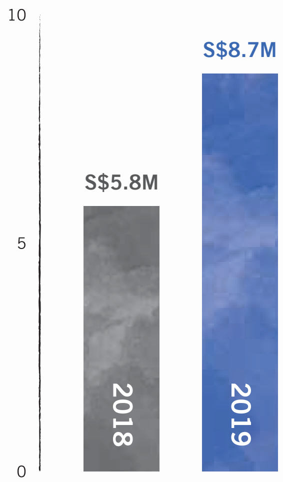
Ivan received a Bachelor's Degree in Social Sciences in 1996 from Lingnan College and a Bachelor's Degree in Laws in August 2008 from the University of London.

Financial Highlights



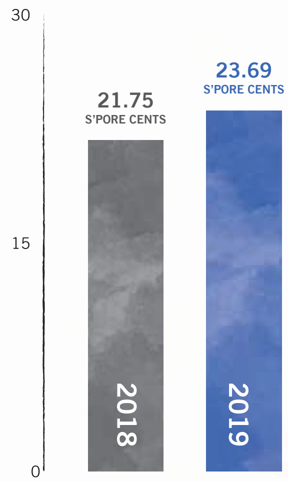
GROUP REVENUE

▲ 1.7%



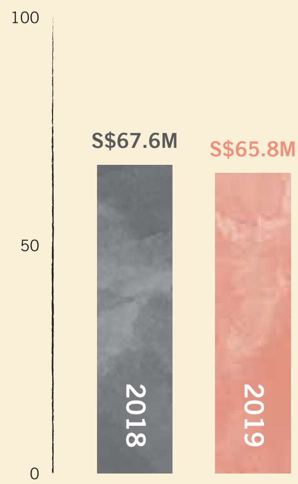
PROFIT AFTER TAX

▲ 51.2%



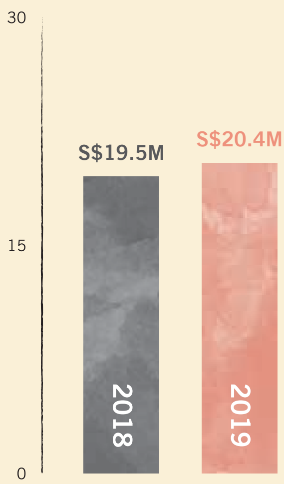
NET ASSET VALUE PER SHARE

▲ 8.9%



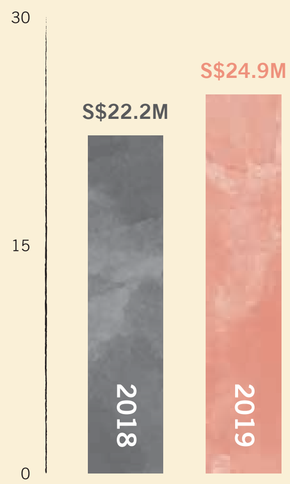
SPACE OPTIMISATION

▼ 2.7%



FACILITIES MANAGEMENT

▲ 4.6%



LOGISTICS SERVICES

▲ 12.3%

FIVE-YEAR FINANCIAL SUMMARY

	FY2015 (S$'000)	FY2016 (S$'000)	FY2017 (S$'000)	FY2018 (S$'000)	FY2019 (S$'000)
GROSS PROFIT	23,448	27,497	25,751	28,890	27,414
PROFIT BEFORE INCOME TAX	4,268	16,228	3,144	6,206	8,926
PROFIT ATTRIBUTABLE TO EQUITY HOLDERS	4,223	15,094	2,312	5,407	8,186
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY	55,434	69,549	70,609	87,534	95,343
NON CURRENT ASSETS	58,647	72,429	77,916	89,226	136,237
CURRENT ASSETS	48,005	49,133	46,400	58,925	50,707
CURRENT LIABILITIES	30,767	30,920	33,133	39,744	43,796
NON CURRENT LIABILITIES	20,578	21,213	20,241	19,901	46,268
CASH AND CASH EQUIVALENTS	24,637	19,926	14,885	20,667	21,300
FINANCIAL RATIOS					
NET ASSET VALUE PER SHARE (SINGAPORE CENTS)	15.33[1]	19.32[1]	19.59[1]	21.75[1]	23.69([1]
EARNINGS PER SHARE (SINGAPORE CENTS)	1.34[2]	4.18[2]	0.64[2]	1.38[2]	2.03[2]

(1) The net asset value per ordinary share for the financial year ended 30 September 2015, 30 September 2016, 30 September 2017, 30 September 2018 and 30 September 2019 were computed based on the number of ordinary shares in issue of 361,524,000; 360,004,000; 360,445,000; 402,445,000 and 402,445,000 respectively.

(2) The earning per ordinary share for the financial year ended 30 September 2015, 30 September 2016, 30 September 2017, 30 September 2018 and 30 September 2019 were computed based on the weighted average number of ordinary shares in issue of 316,020,000; 361,335,000; 360,314,000; 392,204,000 and 402,445,000 respectively.

Operations and Financial Review

1. BUSINESS REVIEW

For FY2019, the Group recorded an increase in revenue of 1.7%, mainly contributed by the Residential Properties under the Space Optimisation Business, as well as the Facilities Management Business and Logistics Services Business.

1.1. Space Optimisation Business

During FY2019, the Group faced pressure on occupancy and rental rates for its leasing business for the Industrial Properties and Commercial Properties with an average occupancy rate of approximately 87.9% and 90.8% respectively.

There were four master leases renewed under the Industrial Properties and two master leases renewed under the Commercial Properties.

The Group had also acquired one new industrial property and secured three new master leases under the Residential Properties in FY2019. Further details are set out below.

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 goods and services tax), 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 sources 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 has commenced operations since the second half of FY2019 and is being used for self-storage and last mile logistics services.

As part of the business strategy to tap on the growing popularity of the co-living space business, three new master leases were secured from the Singapore Land Authority, namely at 31 Boon Lay Drive, 150 Cantonment Road and 1A Lutheran Road in Singapore. All three master leases have a tenancy period of three years which includes a three years option to renew with a further option to renew for another three years.

The property at 31 Boon Lay Drive consists of three blocks of residential units and is the Singapore Land Authority's first co-living project for students and white-collar workers. Renovation for the whole property has been completed and operations have commenced since the second quarter of FY2019.

As announced on 9 April 2019, the Group had secured a single tenant, Hmlet Township 2 Pte Ltd ("**Hmlet**") for the whole premises at 150 Cantonment Road. Hmlet is a subsidiary of Hmlet Pte. Ltd. which currently operates co-living spaces in Singapore, Hong Kong and Australia. The Group has completed renovation of the property and has handed over the property to Hmlet in the fourth quarter of FY2019.

The third new master lease at 1A Lutheran Road is currently undergoing renovations and the Group intends to operate the property as a student hostel.

Expansion in Myanmar

On 29 July 2019, the Group announced its grand opening and ribbon cutting of the 13-storey property at 137 Upper Pansodan, M-8, Mingala Taung Nyunt Township in Myanmar. The 13-storey property has completed renovation and is now fully operational and managed under the Group's 85 SOHO serviced residence brand. It comprises 88 units of premium one-bedroom apartments that are equipped with smart-home features including digital lockset, smart lightings, controlled air-conditioning system, and wash-and-dry toilet system. The property is also fitted with Japanese Onsen SPA facilities and has a rooftop bar and restaurant for residents to enjoy their al fresco dining while admiring the panoramic view of the city and the magnificent Shwedagon Pagoda.

1.2. Facilities Management Business

Under the Group's Facilities Management Business, the Group announced that it had completed the disposal of the Industrial & Commercial Security Pte Ltd ("**ICS**") security services business on 31 May 2019 (the "**Completion Date**"). As there may be additional client contracts to be novated to Prosegur Singapore Pte Ltd (the "**Purchaser**"), additional adjustments to the completion payment may be payable by the Purchaser to ICS on the date falling eight months after the Completion Date. With the completion of the disposal, other than those contracts that are not novated to the Purchaser in accordance with the business purchase agreement, the Group will no longer engage in ICS security services business except for the supply, installation, and maintenance of security cameras as part of a full suite of facilities management services at premises owned or managed by the Group. Please refer to the announcement of the Company dated 31 May 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. During FY2019, the Group secured five new carpark contracts in Singapore and one new carpark contract in Hong Kong. On 9 July 2019, the Group announced that it had secured a third carpark contract in Hong Kong from the Government of the Hong Kong Special Administrative Region. Situated on an estimated land area of 19,100 square metres at Tuen Yee Street, Area 16, Tuen Mun, New Territories, the carpark offers private car parking and lorry parking of all sizes including trailer parking which is in high demand.

1.3. Logistics Services Business

For the Logistics Services Business, our trucking business segment has increased its operations in Singapore and Malaysia with the increased acquisition of prime movers and trailers.

As announced on 17 May 2019, the Group has received an option to purchase a property at 7 Gul Avenue, Singapore 629651, where the property will be used to operate a parking yard for our logistics vehicles, ISO tank depot and provide logistics services. The property has a total land area of approximately 22,479.7 square meters, gross floor area of approximately 8,284 square meters with a remaining leasehold life of approximately 13 years. The consideration of the property is S$13.0 million and a 5% deposit has been paid. On 2 December 2019, the Group had accepted the option to purchase the property at 7 Gul Avenue, Singapore 629651, as JTC has given the in-principle approval. The consideration will be funded from net proceeds of approximately S$1.8 million from the global offering of the Company in Hong Kong and the balance will be funded by internal sources of funding and bank borrowings. Please refer to the announcement of the Company dated 2 December 2019 for details.

2. INDUSTRY OVERVIEW

2.1. Space Optimisation Business

Under the JTC Market Report for the industrial property market (3Q2019)[1], the occupancy rate of the overall industrial property market in Singapore remained unchanged at 89.3%. However, compared to a year ago, occupancy rate of the overall industrial property market rose by 0.2 percentage points. The prices and rentals of the industrial spaces remained stable, with the price index of overall industrial space increased marginally by 0.1% as compared to the previous quarter while the rental index remained unchanged during the same period. In view of the abovementioned, the Group will continue to focus on tenant retention to maintain a stable occupancy rate for its industrial properties.

Based on the latest statistics from the Urban Redevelopment Authority[2], the rental index of office space decreased by 0.6% in 3Q2019, compared with the 1.3% increase in the previous quarter. Our Space Optimisation Business which involves leasing out commercial properties, is expected to remain cautious in view of the uncertainties in the business outlook.

2.2. Logistics Services Business

According to the Singapore Economic Development Board monthly manufacturing performance for September 2019, the manufacturing output of chemicals decreased 3.9% year-on-year in September 2019[3]. Despite the slowdown, the Group's trucking business performed relatively well in FY2019, attributable to our competitive pricing, on-time delivery and good relationships with our customers.

The Port of Singapore maintained a stable performance in 2018 with an 8.7% increase in container throughput from 2017[4]. In Thailand, Hutchison Ports Thailand opened Terminal D, a state-of-the-art facility, at Laem Chabang Port this year. Laem Chabang, already Thailand's biggest port, is also in line for an 88 billion baht infusion from the Thai government, which is keen to make the berthing spot a core piece of a grand economic project known as the Eastern Economic Corridor. Besides the Thai government's infusion, Hutchison Ports Thailand has announced that it will invest US$600 million to further develop Terminal D. This will help the port as a whole increase its cargo handling capacity by 37%, to 13 million twenty-foot equivalent units[5]. Looking ahead, our container depot business is expected to benefit and expand from this positive outlook.

3. BUSINESS OUTLOOK

Looking ahead, the Singapore economy is expected to remain volatile and the Group is cautiously exploring new opportunities in Singapore and also other growth markets in the ASEAN region to expand its current business offerings.

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 first quarter of our financial year ending 30 September 2020 with operation commencing in the following quarter. As at the date of this report, the Group has injected capital of RMB9.9 million (equivalent to approximately S$2.0 million) into its wholly-owned subsidiary in 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.

In Cambodia, the construction of the serviced apartments, Axis Residences at Street Duong Ngeap III, Phum Teuk Thla, Sangkat Teuk Thla, Khan Sen Sok, Phnom Penh City, Kingdom of Cambodia is also expected to be completed in the second quarter of our financial year ending 30 September 2020.

Besides focusing on growing the co-living space business under the Space Optimisation Business, we 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 Singapore, our carpark management under the Facilities Management Business had successfully re-tendered for a 3-year carpark lease for the second time by the Parliamentary Secretariat on behalf of the Government of Singapore.

With respect to the Facilities Management Business, the Group will continue to seek more external facilities management contracts by providing integrated facilities management services covering 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.

With respect to the Logistics Services Business, 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. In addition, the Group intends to set up a joint venture in Thailand to provide logistics services there.

4. FINANCIAL REVIEW

4.1. Revenue

The Group's revenue increased by approximately S$1.8 million or 1.7% from approximately S$109.3 million in FY2018 to approximately S$111.1 million in FY2019 primarily due to an increase in revenue from (i) the Residential Properties under the Space Optimisation Business; (ii) the Facilities Management Business; and (iii) the Logistics Services Business. The increase was partially offset by the decrease in revenue from the Industrial Properties and Commercial Properties under the Space Optimisation Business.

4.1.1. Space Optimisation Business

(a) Industrial Properties

Revenue derived from Industrial Properties decreased by approximately S$1.3 million or 3.1% from approximately S$40.5 million in FY2018 to approximately S$39.2 million in FY2019 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 0.9 percentage points to approximately 87.9% in FY2019 as compared to 88.8% in FY2018.

(b) Commercial Properties

Revenue derived from Commercial Properties decreased by approximately S$3.7 million or 15.0% from approximately S$24.9 million in FY2018 to approximately S$21.2 million in FY2019 mainly due to the absence of the one-time revenue contribution of approximately S$3.8 million from the rights to use the 85SOHO brand in Cambodia recognised in FY2018. This was partially offset by a net increase in revenue of approximately S$0.1 million in FY2019 mainly due to increase in rental income as a result of higher occupancy rates.

The average occupancy rate of the Group's Commercial Properties increased by 4.6 percentage points to approximately 90.8% in FY2019 as compared to 86.2% in FY2018.

(c) Residential Properties

Revenue derived from Residential Properties increased by approximately S$3.2 million or 149.4% from approximately S$2.1 million in FY2018 to approximately S$5.3 million in FY2019 mainly due to increase in revenue of approximately S$3.9 million from the co-work co-live business at 31 Boon Lay Drive and 150 Cantonment Road in Singapore which started to generate revenue from the second quarter and fourth quarter of FY2019 respectively. This was partially offset by the decrease in design consultancy fees of approximately S$0.7 million.

4.1.2. Facilities Management Business

Revenue derived from our Facilities Management Business increased by approximately S$0.9 million or 4.6% from approximately S$19.5 million in FY2018 to approximately S$20.4 million in FY2019 mainly due to increase in revenue of approximately S$3.1 million from the management of new carparks in Singapore and Hong Kong and full-year revenue contribution in FY2019 from some carparks secured in the second and fourth quarter of FY2018. This was partially offset by the decrease in revenue of approximately S$2.2 million from the security services business as a result of the completion of the disposal of the business as disclosed in the announcement dated 31 May 2019.

4.1.3. Logistics Services Business

Revenue derived from our Logistics Services Business increased by approximately S$2.7 million or 12.3% from approximately S$22.2 million in FY2018 to approximately S$24.9 million in FY2019 mainly due to increase in transportation services provided from the trucking business and an increase in demand for storage and repairs of leasing containers in Thailand.

Assuming the one-time revenue contribution of approximately S$3.8 million from the rights to use 85 SOHO brand in Cambodia recognised in FY2018 is excluded, the Group's revenue would be approximately S$105.5 million in FY2018 as compared to approximately S$111.1 million in FY2019, representing an increase of approximately S$5.6 million or 5.3%.

4.2. Cost of Sales

Cost of sales increased by approximately S$3.3 million or 4.1% from approximately S$80.4 million in FY2018 to approximately S$83.7 million in FY2019 mainly due to an increase in (i) rental costs of approximately S$3.4 million relating to the new co-work co-live business at 31 Boon Lay Drive and 150 Cantonment Road; (ii) upkeep and maintenance costs of approximately S$1.5 million mainly due to the Space Optimisation Business and Logistics Services Business; (iii) container depot management charges of approximately S$0.2 million from our Logistics Services Business in line with the increase in logistics services rendered; and (iv) miscellaneous expenses relating to transportation and trucking related costs of approximately S$0.3 million. The increase was partially offset by the decrease in direct labour costs of approximately S$2.1 million as a result of decrease in manpower cost under the Facilities Management Business as the disposal of the security services business was completed in May 2019.

4.3. Gross Profit

In view of the above mentioned, gross profit decreased by approximately S$1.5 million from approximately S$28.9 million in FY2018 to approximately S$27.4 million in FY2019.

Table 1: Revenue

	FY2019 (S$'000)	FY2018 (S$'000)	VARIANCE (S$'000)	VARIANCE (%)
SPACE OPTIMISATION BUSINESS	65,790	67,601	(1,811)	(2.7)
A) INDUSTRIAL PROPERTIES	39,239	40,498	(1,259)	(3.1)
B) COMMERCIAL PROPERTIES	21,232	24,970	(3,738)	(15.0)
C) RESIDENTIAL PROPERTIES	5,319	2,133	3,186	149.4
FACILITIES MANAGEMENT BUSINESS	20,367	19,480	887	4.6
LOGISTICS SERVICES BUSINESS	24,937	22,204	2,733	12.3
TOTAL	111,094	109,285	1,809	1.7

4.4. Other Income

Other income increased by approximately S$1.4 million or 37.0% from approximately S$3.6 million in FY2018 to approximately S$5.0 million in FY2019 mainly due to the non-recurring gain on disposal of our security services business of approximately S$1.4 million which was completed in May 2019.

4.5. Other Operating Expenses

Other operating expenses increased by approximately S$0.4 million from approximately S$1.3 million in FY2018 to approximately S$1.7 million in FY2019 mainly due to the provision of losses from onerous contract of approximately S$1.4 million under the Industrial Properties for which the costs to meet the obligations are expected to exceed the economic benefits to be received under them. This was partially offset by the decrease in (i) allowance for impairment of trade and other receivables of approximately S$0.5 million from the Space Optimisation Business; and (ii) the absence of foreign exchange loss of approximately S$0.5 million recognised in FY2018 mainly due to unrealised exchange loss from revaluation of SGD denominated loan in Indonesian subsidiaries.

4.6. Selling and Distribution Expenses

Selling and distribution expenses increased by approximately S$0.2 million or 12.8% from approximately S$1.6 million in FY2018 to approximately S$1.8 million in FY2019 mainly due to increase in agent commission of approximately S$0.3 million incurred under our Space Optimisation Business to secure sub-leases for the co-work co-live business. This was partially offset by the decrease in advertising and marketing expenses of approximately S$0.1 million.

4.7. Administrative Expenses

Administrative expenses decreased by approximately S$0.9 million or 3.7% from approximately S$24.6 million in FY2018 to approximately S$23.7 million in FY2019 mainly due to the absence of expenses of approximately S$1.8 million relating to the dual primary listing on the Main Board of SEHK (the "**Dual Listing**") incurred in FY2018. This was partially offset by an increase in depreciation of property, plant and equipment of approximately S$0.8 million and miscellaneous expenses of approximately S$0.1 million.

4.8. Finance Cost

Finance cost increased by approximately S$0.5 million or 61.1% from approximately S$0.8 million in FY2018 to approximately S$1.3 million in FY2019 mainly due to increased interest expenses from the increase in bank borrowings.

4.9. Share of Results of Associates and Joint Ventures

Share of results of associates and joint ventures increased by S$2.5 million or 131.7% from approximately S$2.0 million in FY2018 to approximately S$4.5 million in FY2019 mainly due to an increase in share of operating profits of approximately S$1.5 million in FY2019 as a result of an increase in occupancy in the industrial property and increase in business for the mattress and container depot businesses.

In addition, there was a net increase in fair value gain on investment properties held by our joint venture companies of approximately S$1.0 million in FY2019 due to an increase in fair value gain of approximately S$2.3 million from a carpark property offset by (i) a fair value loss of approximately S$0.4 million from one industrial property in FY2019; and (ii) an absence of a fair value gain of approximately S$0.9 million from another industrial property that was recognised in FY2018.

4.10. Fair Value Gain on Investment Properties

Fair value gain on investment properties increased from approximately S$4,000 in FY2018 to approximately S$0.5 million in FY2019 mainly due to a net increase in valuation of our industrial properties in Singapore in FY2019.

4.11. Profit before Income Tax

As a result of the aforementioned, the Group's profit before income tax was approximately S$8.9 million in FY2019 as compared to approximately S$6.2 million in FY2018.

4.12. Income Tax Expense

Income tax expense decreased by approximately S$0.2 million or 53.4% from approximately S$0.4 million in FY2018 to approximately S$0.2 million in FY2019 mainly due to higher utilisation of group relief in FY2019.

4.13. Profit for the Year

As a result of the above, the Group's net profit was approximately S$8.7 million in FY2019 as compared to approximately S$5.8 million in FY2018, representing an increase of 51.2%.

5. REVIEW OF STATEMENT OF FINANCIAL POSITION

5.1. Non-current assets

Non-current assets increased by approximately S$47.0 million from approximately S$89.2 million as at 30 September 2018 to approximately S$136.2 million as at 30 September 2019 mainly due to increase in (i) property, plant and equipment ("**PPE**") of approximately S$16.5 million due to additions amounting to approximately S$23.1 million mainly for renovation costs for our new co-work co-live business at 31 Boon Lay Drive and 150 Cantonment Road and serviced residence property in Myanmar 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$6.6 million; (ii) investment properties of approximately S$21.3 million mainly for the purchase of the Geylang Property as announced on 7 January 2019; (iii) investment in associates and joint ventures of approximately S$4.1 million mainly arising from the share of profit of associates and joint ventures recognised for FY2019; (iv) other assets of approximately S$5.0 million due to the progress billing of the property under construction in Cambodia under the Space Optimisation Business ("**Axis Residences**") and (v) increase in financial assets, at fair value through other comprehensive income ("**FVOCI**") of approximately S$0.4 million mainly from (a) an increase in investment in WeOffices ApS, a company incorporated in Denmark and principally engaged in the business of rental of serviced office space in Denmark, of approximately S$0.2 million; and (b) an investment of approximately S$0.2 million in a company principally engaged in the provision of storage solutions.

Approximately S$0.1 million of investment in WeOffices ApS has been reclassified in FY2019 from financial assets, available-for-sale to financial assets, at FVOCI, due to the adoption of IFRS 9.

The increase in non-current assets was partially offset by a decrease in deferred tax assets of approximately S$0.1 million and long-term prepayments of approximately S$0.1 million.

5.2. Current assets

Current assets decreased by approximately S$8.2 million from approximately S$58.9 million as at 30 September 2018 to approximately S$50.7 million as at 30 September 2019 mainly due to the factors as set out below.

Loans to joint ventures decreased by approximately S$10.1 million mainly due to the repayment of shareholders' loan by our joint venture companies.

Trade and other receivables decreased by approximately S$0.9 million mainly due to (i) a decrease in trade receivables of approximately S$2.6 million due to receipt of balance payment from the billing of rights to use 85 SOHO brand in Cambodia; and (ii) an increase in allowance for impairment of approximately S$0.6 million due to the adoption of IFRS 9. These were offset by an increase in other receivables of approximately S$2.3 million which consist largely of deposits paid to the landlord in Hong Kong for the new carpark site secured.

The decrease in current assets was partially offset by an increase in (i) prepayments of approximately S$0.8 million for prepaid rental; and (iii) cash and bank balances and fixed deposits of approximately S$2.0 million.

5.3. Non-current liabilities

Non-current liabilities increased by approximately S$26.4 million from approximately S$19.9 million as at 30 September 2018 to approximately S$46.3 million as at 30 September 2019 mainly due to the factors as set out below.

Provisions increased by approximately S$1.0 million due to (i) additional provision of reinstatement costs for our Space Optimisation Business of approximately S$0.2 million and a reclassification of reinstatement costs of approximately S$0.4 million from current liabilities due to the renewal of our master leases; and (ii) additional provision of losses from onerous contract of approximately S$0.4 million under the Industrial Properties for which the costs to meet the obligations are expected to exceed the economic benefits to be received under them.

Bank borrowings increased by approximately S$24.6 million mainly for the purchase of the Geylang Property of approximately S$14.2 million, the purchase of Axis Residences in Cambodia of approximately S$5.0 million and renovation loans for our new co-work co-live business of approximately S$5.1 million.

In addition, there was an increase in finance lease liabilities of approximately S$0.6 million and deferred tax liabilities of approximately S$0.2 million.

5.4. Current liabilities

Current liabilities increased by approximately S$4.1 million from approximately S$39.7 million as at 30 September 2018 to approximately S$43.8 million as at 30 September 2019 mainly due to the factors as set out below.

Trade and other payables increased by approximately S$0.5 million mainly from rental deposits received from customers for the new co-work co-live business.

Finance lease liabilities increased by approximately S$0.5 million due to the purchase of logistics equipment.

Bank borrowings increased by approximately S$2.2 million for the purchase of the Geylang Property, the purchase of Axis Residences in Cambodia and renovation loans for our new co-work co-live business.

Provisions increased by approximately S$1.1 million arising from (i) additional provision of losses from onerous contract of approximately S$1.0 million under the Industrial Properties for which the costs to meet the obligations are expected to exceed the economic benefits to be received under them; and (ii) additional provision of reinstatement costs for our Space Optimisation Business of approximately S$0.5 million and a reclassification of reinstatement costs of approximately S$0.4 million to non-current liabilities as mentioned above.

The increase in current liabilities was partially offset by a decrease in current tax payable of approximately S$0.2 million.

6. REVIEW OF STATEMENT OF CASH FLOWS

In FY2019, the Group recorded net cash generated from operating activities of approximately S$16.9 million, which was a result of operating profit before changes in working capital of approximately S$13.2 million and increase in trade and other payables of approximately S$4.3 million, adjusted for net income tax paid of approximately S$0.6 million.

Net cash used in investing activities amounted to approximately S$38.3 million, which was mainly due to (i) additions to PPE for renovation costs paid 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$19.6 million; (ii) additions to investment property, being the Geylang Property, of approximately S$20.3 million; (iii) purchase of financial assets, at FVOCI of approximately S$0.3 million; and (iv) additions to other asset of approximately S$9.0 million for Axis Residences. These were partially offset by (i) the repayment of loans from joint ventures of approximately S$10.3 million; (ii) dividend received from associate of approximately S$0.4 million; (iii) proceeds received from disposal of PPE of approximately S$0.1 million; and (iv) interest received of approximately S$0.1 million.

Net cash generated from financing activities amounted to approximately S$22.0 million, which was due to proceeds from bank borrowings of approximately S$42.4 million. This was partially offset by (i) interest expense paid of approximately S$1.3 million; (ii) repayment of finance lease of approximately S$2.1 million for logistics and carpark equipment; (iii) repayment of bank borrowings of approximately S$15.6 million; and (iv) increase in pledged fixed deposits of approximately S$1.3 million.

As a result of the above, cash and cash equivalents increased by approximately S$0.6 million, amounting to approximately S$21.3 million as at 30 September 2019.

7. LIQUIDITY AND FINANCIAL RESOURCES

During FY2019, 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 30 September 2019 were denominated in Singapore dollars, United States dollars and Renminbi with interest charged on these borrowings ranging from 2.18% to 6.00% per annum. As at 30 September 2019, the Group had outstanding bank borrowings of S$48.1 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 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.

As at 30 September 2019, cash and cash equivalents held by the Group were mainly cash in the banks and on hand denominated in SGD, HKD, IDR, RMB, THB and USD and deposits denominated in SGD that are readily convertible into cash.

8. FINANCE LEASE LIABILITIES AND CONTINGENT LIABILITIES

The Group's finance lease liabilities primarily consisted of finance lease for its property, plant and equipment from independent third parties. The lease agreements do not have any renewal clause but provide us with options to purchase the leased assets at nominal value at the end of the lease term. The Group's finance lease liabilities as at 30 September 2019 were denominated in Singapore dollars and Malaysian Ringgit.

As at 30 September 2019, the Group had finance lease liabilities of

S$5.6 million. The obligations under the finance lease are secured by the underlying assets of certain plant and machinery, logistics equipment and motor vehicles, personal guarantees provided by the Subsidiary Director and corporate guarantees provided by the Group.

9. CAPITAL COMMITMENT

The Group's capital commitments relate to the balance progress billing of Block 1A of Axis Residences in Cambodia for an amount of S$5.2 million and acquisition of logistics equipment and renovation costs for an amount of S$5.5 million as at 30 September 2019.

10. CAPITAL EXPENDITURE

During FY2019, the Group's capital expenditure consists of additions to property, plant and equipment, investment properties and other asset amounting to approximately S$48.5 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).

11. MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

There were no material acquisition and disposal of subsidiaries, associates and joint ventures for FY2019.

12. 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 FY2019.

13. EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES

The Group mainly operates in Singapore, Indonesia, Thailand, Myanmar, Malaysia and Hong Kong during FY2019. 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$**") and Thai Baht ("**THB**"). In addition, the Group is exposed to currency translation risk upon translation of the net assets in foreign operations into the Group's reporting currency in SGD. During FY2019, the Group recorded an exchange gain of S$660,000.

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.

14. EMPLOYEES AND REMUNERATION POLICIES

As at 30 September 2019, there were 370 (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.

15. SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

On 19 November 2019, the Group established a joint venture company Work Plus Store (Kallang Bahru) Pte. Ltd. in Singapore for the intention to acquire a JTC industrial property which has a gross floor area of 20,465.3 square meters and an estimated tenure of 20 years or more. The property is intended to be used as one of the Work+Store branded properties offering self-storage with automated retrieval cum logistics activities, and ancillary office to corporate and individual customers. Please refer to the Company's announcement on 19 November 2019 for more details.

On 2 December 2019, the Group had accepted the option to purchase the property at 7 Gul Avenue, Singapore 629651, as JTC has given the in-principle approval. Please refer to the announcement of the company dated 2 December 2019 for details.

Save as disclosed above and 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 30 September 2019.

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1. https://stats.jtc.gov.sg/content/static/Documents/JTC%20Quarterly%20Market%20Report%20for%203Q2019.pdf
2. https://www.ura.gov.sg/Corporate/Media-Room/Media-Releases/pr19-47
3. https://www.edb.gov.sg/content/dam/edbsite/downloads/resources/Monthly%20Manufacturing%20Performance%20-Sep%202019_Final.pdf
4. https://www.mpa.gov.sg/web/portal/home/media-centre/news-releases/detail/2f020aa2-cb44-4496-bab6-a73df5a5d619
5. https://asia.nikkei.com/Economy/Thailand-doubles-down-on-biggest-port-as-free-trade-hub

LHN Group Family Day 2019

Corporate Social Responsibility

1. SUSTAINABILITY POLICIES AND OBJECTIVES

Our approach to sustainability is to embed sustainable practices in the Group's everyday operations and align sustainability goals with the Group's overall strategic direction. Over the years, the Group remain committed to conduct business operations in an ethical and responsible manner and have implemented several initiatives to improve energy efficiency across our business segments. In FY2019, the Group is proud to share that we have embarked on our journey towards renewable energy and we have installed solar panels on selected buildings' rooftops. We will continue to sustain our efforts as well as to identify areas for further improvements.

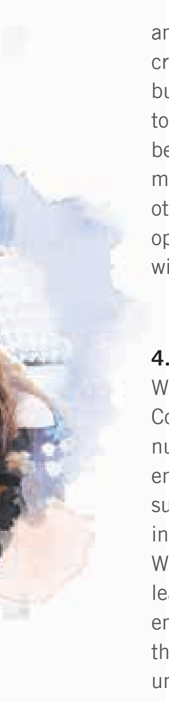
2. COMMITMENT TO OUR SHAREHOLDERS

We are committed to uphold sound corporate governance in accordance to the SGX and HK Listing Rules guidelines. With effect from 29 December 2017, we have adopted the code provisions of the HK Corporate Governance Code as part of the Company's corporate governance policy, which are in addition to the SG Corporate Governance Code that the Company has to comply with. We will continue to keep shareholders informed of the Group's financial performance and latest corporate developments through timely and accurate announcements to the investment community and media. We provide public access to information about our Group via the following platforms:

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

3. COMMITMENT TO OUR CUSTOMERS, TENANTS AND LANDLORDS

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



and clean work environment that we have created for them. Our facilities management business provides property related services to our properties and our customers. We believe the suite of services in the facilities management business complements each other, and also strengthens our space optimisation business as we can stay current with the market for our services.

4. OUR COMMITMENT TO EMPLOYEES

We strongly believe that employees are Company's greatest asset. Developing, nurturing and keeping our employees engaged and motivated is key for the success of our business as they are an integral part of the Company's mission. We are committed to provide continuous learning opportunities to equip the employees with the knowledge and skills they need to transform performance and to unleash their potential to the fullest. Their expertise and experience are the Company's competitive advantages.

4.1. Staff Training

We are committed to building a workplace learning environment that encourage employees to constantly develop their skillset and to empower them to excel beyond limits. Technological advances are now accelerating faster than ever before. We view disruptive technology and innovation as an opportunity in today's business. These new technology trends have potential to power both transformation and optimization initiatives which is in line with the Group's mission as we generate values and are driven by technology. People development is essential and continuous learning will help the employees to keep up to the current and future trends and technologies. It will also increase their work efficiency and productivity.

4.2. Occupational Safety and Health

Providing a safe workplace for our employees and to safeguard their health are key priorities to the Group. We have the duty, beyond our obligation to comply with the Workplace Health and Safety regulations. We set appropriate measures and we ensure the strict respect of health and safety regulations.

4.3. Employee Welfare

Our Group understands the value of supporting employee health and well-being. We launched a series of programmes and initiatives in FY2019 that include mental wellness talks, POSB Charity Run, Mid-Autumn Celebration, Employee Health Screening, Employee Townhall Session, Eat With Family Day, etc., to foster bonding with employees and their families. One of our yearly Company events is LHN Group Family Day which was held in August 2019 at 85SOHO (Coliwoo) to coincide with the grand opening of our new Residential project. Having an engaged and motivated workforce is vital to the business. We regularly gather feedback from the employees and to review the effectiveness of the initiatives to enhance the employee experience.

5. COMMITMENT TO OUR COMMUNITY

The Group is committed to contributing back to the community. We support a variety of giving back to society's programs. In December 2018, 85SOHO Myanmar was honoured to team up with Lions Club of Singapore Neesoon Mandarin to bring Christmas joy to more than 700 orphans at Mingalar Parahita Orphanage. A small touch of treating them to a nice meal, Christmas goodies, magic show and bouncy castle brought lots of laughter and happiness to these children that was really a heart-warming experience. The Group also celebrated Christmas with the old folks at Lions Befrienders (Clementi) Senior Activity Centre. Other CSR activities include our collaboration with Soles4Souls to collect shoes for donation to the kids and adults who are in need of a pair of shoes and Food Bank for donation of food which was collected and disseminated to more than 130 beneficiaries. We will put in continuous effort to integrate Corporate Social Responsibility values in our business.

6. COMMITMENT TO OUR ENVIRONMENT

Implementing environmentally friendly practices is becoming more and more essential for success in today business activities. Over the years, the Group have implemented several initiatives to improve energy efficiency across our business segments, such as the use of energy saving light bulbs and tubes integrated with motion sensors and timer switches to reduce electricity wastage under the Space Optimisation Business. Our Facilities Management Services business, which provides cleaning services for our properties and tenants, uses only environmentally friendly chemicals and cleaning agents and our taps are all installed with water saving devices to prevent wastage. As we expand our Logistics Services Business, all new prime movers satisfy Euro 4 and 5 Standards to ensure optimum fuel-efficiency and low emissions. The Group is also proud to share that we have embarked on our journey towards renewable energy. We have installed the solar panel on several buildings including low tension and high tension buildings so as to supplement the energy consume from the power grid and to incline with the environmental impact. We have also placed recycling bins in the office to allow proper segregation of office waste. This environmental consciousness is also applied throughout our operations, at our properties. Our staff are being exposed to environment awareness and taught to avoid printing as much as possible. All waste papers are shredded and sent to recycling centres and we only purchase paper from environmentally friendly sources. Our collaterals are printed on Forest Stewardship Council certified paper.

Solar panels installed at the rooftop of the 38 Ang Mo Kio property

Our Achievements

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

by Workplace Safety and Health Council

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

ISO 45001:2018 OCCUPATIONAL HEALTH AND SAFETY MANAGEMENT SYSTEM CERTIFICATE FOR OCCUPATIONAL HEALTH AND SAFETY MANAGEMENT SYSTEM
Awarded to LHN Group
by ACS Registrars Ltd

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

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

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

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

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

TEXTAINER DEPOT OF THE YEAR AWARD 2018
Awarded to HLA Container Services Pte Ltd
by Textainer Equipment Management, a leading container leasing company in the world

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)
Chan Ka Leung Gary
Yong Chee Hiong

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
Singapore 088702
Tel: (65) 6368 8328
Fax: (65) 6367 2163

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

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

COMPLIANCE ADVISER (SEHK)
Fortune Financial Capital Limited
43/F, Cosco Tower
183 Queen's Road Central
Hong Kong
(will cease on 15 January 2020)

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 54, 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
LHN Limited
enquiry@lhngroup.com.sg

WEBSITE
www.lhngroup.com

STOCK CODES
Singapore: 41O
Hong Kong: 1730

FINANCIALS

REPORT ON CORPORATE GOVERNANCE

The Board of Directors (the "**Board**") and the management (the "**Management**") of LHN Limited (the "**Company**" and together with its subsidiaries, the "**Group**") are committed to maintain a high degree of corporate governance and transparency for the benefit of all its stakeholders. For the financial year ended 30 September 2019 ("**FY2019**"), the Board and the Management are pleased to confirm that the Company has adhered to the principles and guidelines of the Code of Corporate Governance 2012 (the "**SG Corporate Governance Code**") where applicable, pursuant to Rule 710 of the Listing Manual Section B: Rules of Catalist (the "**Catalist Rules**") issued by the Singapore Exchange Securities Trading Limited ("**SGX-ST**").

This report outlines the Company's corporate governance processes and structure that were in place during FY2019, with specific reference to the principles and guidelines of the SG Corporate Governance Code and the disclosure guide developed by the SGX-ST in January 2015 (the "**Guide**"). Where there is a deviation from the SG Corporate Governance Code and/or the Guide, proper explanation has been provided.

The dual primary listing of the Shares on the Main Board of the Stock Exchange of Hong Kong Limited ("**SEHK**") was completed on 29 December 2017 (the "**HK Listing Date**"). We have adopted the code provisions of the corporate governance code and corporate governance report in Appendix 14 to the HK Listing Rules (the "**HK Corporate Governance Code**") as part of the Company's corporate governance policy in addition to the SG Corporate Governance Code that the Company has to comply with, and the Company will comply with the more stringent requirements in the event if there was any conflict between the SG Corporate Governance Code and HK Corporate Governance Code. During FY2019, we have complied with all code provisions of the HK Corporate Governance Code except the deviation from code provision A.2.1 of the HK Corporate Governance Code.

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

(A) BOARD MATTERS

Principle 1 – The Board's Conduct of its Affairs

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

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

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

(c) Oversees the processes for evaluating the adequacy and effectiveness of internal controls (including financial, operational, compliance and information technology controls) and risk management systems.

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

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

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

- Board authorisation limits;
- Appointment and re-election of Directors with reference to the adopted nomination policy and diversity policy;
- Salaries and benefits/allowances of the members of the Board, Executive Officer and Key Management Personnel (as defined herein) as recommended by the RC;

REPORT ON CORPORATE GOVERNANCE

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

The Board conducts scheduled meetings on a quarterly basis with active participation from majority of the Directors to consider and approve the announcement of the Group’s quarterly, interim and annual results. Additional meetings are convened as and when circumstances warrant. The Constitution of the Company (the “**Constitution**”) allows Board meetings to be conducted via any form of audio or audio-visual communication. The Directors are free to discuss any information or views presented by any member of the Board and the Management.

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

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

The attendance record of each Director at meetings of the Board and Board Committees during FY2019 is disclosed below:

	Board	**AC**	**NC**	**RC**	**Annual General Meeting**
Total number of meetings held in FY2019	5	4	1	1	1
Name of Director	**Number of meetings attended in FY2019**				
Lim Lung Tieng (“**Kelvin Lim**”)	5	4[(1)]	1	1[(1)]	1
Lim Bee Choo (“**Jess Lim**”)	5	4[(1)]	1[(1)]	1[(1)]	1
Ch’ng Li-Ling	4	3	1	1	1
Yong Chee Hiong (“**Eddie Yong**”)	5	4	1	1	1
Chan Ka Leung Gary	5	4	1	1	1

Note:

(1) Attended as an invitee.

Newly appointed directors will be given briefings and orientation regarding the business related matters by the Executive Directors and Management to familiarise them with the businesses and operations of the Group. Upon appointment, the Director will receive a formal letter of appointment setting out his/her duties and responsibilities and would receive an orientation kit which includes the codes of corporate governance, model code of securities transactions by directors, terms of reference(s) of the board committee(s) that he/she is appointed to and other relevant materials to enable them to discharge their duties as a director. All newly appointed Directors are also required to attend and undergo relevant induction and orientation programs, courses required under the Catalist Rules and HK Listing Rules, as well as other relevant training courses conducted by the sponsor, the legal advisor and the Company when appropriate.

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

For FY2019, in accordance with A.6.5 of the HK Corporate Governance Code as well as Guidelines 1.6 and 12.8 of the SG Corporate Governance Code, briefings and updates have been provided to all the Directors, namely Kelvin Lim, Jess Lim, Ch'ng Li-Ling, Eddie Yong and Chan Ka Leung Gary, which include:

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

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

Principle 2 – Board Composition and Guidance

During FY2019 and up to the date of this report, the Board comprises five Directors, as set out below.

Director	Designation	Date of Initial Appointment as a Director	Date of Last Re-Election	AC	NC	RC
Kelvin Lim	Executive Chairman, Executive Director and Group Managing Director	10 July 2014	30 January 2019	–	Member	–
Jess Lim(1)	Executive Director and Group Deputy Managing Director	10 July 2014	19 March 2018	–	–	–
Ch'ng Li-Ling	Lead Independent Non-executive Director	10 March 2015	30 January 2019	Member	Member	Chairman
Eddie Yong(2)	Independent Non-executive Director	10 March 2015	19 March 2018	Member	Chairman	Member
Chan Ka Leung Gary	Independent Non-executive Director	5 June 2017	19 March 2018	Chairman	Member	Member

Notes:

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

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

During FY2019, there was no change in the composition of the Board. Details of the Directors' qualifications, experiences and relationship among members of the Board are set out on pages 12 and 13 of this Annual Report.

The NC evaluates on an annual basis whether an Independent Non-executive Director ("**INED**") is independent in accordance with the SG Corporate Governance Code, Catalist Rules and the relevant requirements under Rule 3.13 of the HK Listing Rules.

The NC has reviewed and confirmed the independence of the INEDs namely, Ms Ch'ng Li-Ling, Mr Eddie Yong and Mr Chan Ka Leung Gary, in accordance with the SG Corporate Governance Code, Catalist Rules and Rule 3.13 of the HK Listing Rules during FY2019. The INEDs have also confirmed their independence in accordance with the SG Corporate Governance Code, Catalist Rules and Rule 3.13 of the HK Listing Rules, and the Company has received from each of the INEDs an annual confirmation on his/her independence as required under Rule 3.13 of the HK Listing Rules. There are no Directors who are deemed independent by the Board, notwithstanding the existence of a relationship as stated in the SG Corporate Governance Code and Catalist Rules that would otherwise deem him/her not to be independent.

REPORT ON CORPORATE GOVERNANCE

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

There is no INED who has served beyond nine years since the date of his or her first appointment. The requirement of the SG Corporate Governance Code that at least half of the Board comprises Independent Directors where the Chairman and the CEO (or equivalent) is the same person, is part of the management team and/or is not an independent director, is satisfied as more than half of the Board is independent. The Board has complied with the requirements of Rule 3.11 of the HK Listing Rules that at least one-third of the Board comprises INEDs. The Company has also met the requirements of Rule 3.10 of the HK Listing Rules relating to the appointment of at least three INEDs with at least one of them possessing appropriate professional qualifications, accounting or related financial management expertise. Mr Chan Ka Leung Gary, the chairman of AC, possesses the appropriate professional qualification as required under Rule 3.10 of the HK Listing Rules. Please refer to "Our Leaders – Board of Directors" for details of Gary's biography.

For FY2019, the NC had reviewed the size and composition of the Board for effective decision making, taking into account factors such as the scope and nature of the operations of the Group and the core competencies of Board members in the fields of the relevant industry knowledge, accounting and finance, as well as professional legal services. The INEDs are able to constructively challenge and assist in the development of the business strategies and in reviewing and monitoring of the Management's performance against set targets.

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

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

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

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

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

The NC will consider the results of these exercises in its recommendation for the appointment of new Directors and/or the re-appointment of incumbent Directors. For FY2019, no additional INED be recommended by the NC and be invited to join the Board considering the existing diversity perspective and nomination policy of the Company for the time being. The Board will review its size, structure and composition together with the NC at least annually to ensure that an effective decision-making process is in place.

Principle 3 – Chairman and CEO

Under code provision A.2.1 of the HK Corporate Governance Code and Guideline 3.1 of the SG Corporate Governance Code, the roles of Chairman and CEO should be separated and should not be performed by the same individual. The Company does not have a CEO. However, this position is carried out by the Group Managing Director (the "**GMD**"), which is responsible for the day-to-day management of business. Kelvin Lim is our Executive Chairman (the "**Chairman**") and the GMD. Throughout the Group's business history, Mr Kelvin Lim has held the key leadership position of the Group since 1998 and has been deeply involved in the formulation of corporate strategies and management of business and operations of the Group. Taking into account the consistent leadership within the Group and in order to enable more effective and efficient overall strategic planning and continuation of the implementation of such plans, the Board (including our INEDs) is of the opinion that it is not necessary for the role of the GMD and Chairman to be separated after taking into account the size, scope and operations of the Group, and that Mr Kelvin Lim is the best candidate for both positions and the present arrangements are beneficial and in the interests of the Group and the Shareholders as a whole. Furthermore, pursuant to Guideline 3.3 of the SG Corporate Governance Code, the Board has appointed Ms Ch'ng Li-Ling as the Lead INED to provide leadership in situations where the Chairman is conflicted and not independent.

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

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

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

The INEDs are required to meet separately without the presence of Management. Led by the Lead INED, the INEDs have met themselves and with internal and external auditors in FY2019 without the presence of any Executive Directors and Management.

Principle 4 – Board Membership

The Company has established the NC to make recommendations to the Board on all Board appointments and re-appointments. The NC comprises four directors, three of whom including the NC Chairman, are INEDs, and the remaining is Kelvin Lim, the Executive Chairman and Executive Director. The current composition of the NC comprises Eddie Yong (Chairman), Ch'ng Li-Ling, Chan Ka Leung Gary and Kelvin Lim. The key terms of reference of the NC, which are available on the website of the Company, SGX-ST and SEHK, include:

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

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

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

  (iii) the reviewing of the existing diversity policy;

  (iv) the reviewing of the nomination policy; and

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

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

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

REPORT ON CORPORATE GOVERNANCE

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

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

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

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

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

The NC has noted that the following directors will retire by rotation at the forthcoming AGM pursuant to Article 99 of the Constitution:

Name of Director	**Designation**
Jess Lim	Executive Director and Group Deputy Managing Director
Eddie Yong	Independent Non-executive Director

Pursuant to Article 99 of the Constitution, Ms Jess Lim will retire at the forthcoming AGM. The NC had reviewed and recommended Ms Jess Lim for re-election at the forthcoming AGM. Upon re-election, Ms Jess Lim will remain as the Executive Director and Group Deputy Managing Director. Key Information details on Ms Jess Lim are set out on page 12 of this Annual Report. For detailed biography, please refer to the circular of the AGM dated 27 December 2019 published. Ms Jess Lim is the sister of Mr Kelvin Lim, the Executive Chairman, Executive Director and GMD of the Company. They are also the controlling shareholders of the Company. Save as disclosed, Ms Jess Lim does not have any relationships including immediate family relationships between herself and the directors, the company or its 5% shareholders.

Pursuant to Article 99 of the Constitution, Mr Eddie Yong will retire at the forthcoming AGM. The NC, with Mr Eddie Yong having abstained from the deliberations, had reviewed and recommended Mr Eddie Yong for re-election at the forthcoming AGM. Upon, re-election, Mr Eddie Yong will remain as the Chairman of the NC and a member of both the AC and RC. Mr Eddie Yong will be considered independent for the purposes of Rule 704 (7) of the Catalist Rules and Rule 3.13 of the HK Listing Rules. Key information details on Mr Eddie Yong are set out on page 13 on this Annual Report. For detailed biography, please refer to the circular of the AGM dated 27 December 2019 published. Mr Eddie Yong does not have any relationships including immediate family relationships between himself and the directors, the company or its 5% shareholders.

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

Board Nomination Policy

The Company adopted a nomination policy on 1 January 2019 in compliance with the HK Corporate Governance Code, which establishes written guidelines to nominating committee to identify individual suitably qualified to become director and make recommendations to the Board on the selection of individuals nominated for directorships with reference to the formulated criteria. The Board is ultimately responsible for selection and appointment of new directors, taking into account the need for the progressive renewal of the Board and adopted diversity policy. The Company shall review and reassess the nomination policy and its effectiveness on a regular basis or as required.

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

1. the current needs of the Board to complement and strengthen the Board is taken into consideration. The independence of a director is also determined in accordance with the recommendations of Guideline 2.3 of the SG Corporate Governance Code and Rule 3.13 of the HK Listing Rules;

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

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

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

The NC may also engage external search consultants to search for new Directors at the Company's expense. There were no external search consultants engaged during FY2019 as the Board was not in the process of identifying any new appointment to the Board. New Directors may also be appointed by way of a board resolution after the NC recommends the appointment for the consideration and approved by the Board.

Selection Criteria

The NC will take into account whether a candidate has the qualifications, skills, experience and gender diversity that add to and complement the range of skills, experience and background of existing Directors by considering the highest personal and professional ethics and integrity of the director candidates, proven achievement and competence in the nominee's field and the ability to exercise sound business judgment, skills that are complementary to those of the existing Board, the ability to assist and support management and make significant contributions to the Company's success and such other factors as it may deem are in the best interests of the Company and its Shareholders.

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

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

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

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

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

The Board did not set any cap on the number of listed company directorships given that the NC has assessed and is satisfied that all INEDs were able to dedicate their time to the Group for FY2019. Nevertheless, if the Board finds that time commitment is lacking from any particular Director, they may consider imposing a cap in future. The Board will also take into consideration the number of directorships and principal commitments of each director in assessing whether a director is able to adequately carry out his or her duties and the guideline on time devotion by the proposed directors as set out in the guidance for Boards and Directors published by SEHK in July 2018. There is no alternate director being appointed by any Director in FY2019.

The NC has reviewed the time spent and attention given by each of the Directors to the Company's affairs, taking into account the other directorships and other principal commitments of each of the Directors, and is satisfied that all Directors have discharged their duties adequately for FY2019.

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

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

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

(c) size and composition of the Board; and

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

The following key information regarding Directors are set out on the following pages of this Annual Report and the Circular dated 27 December 2019 which accompanies the Annual Report (the "**Circular**"):

(a) Pages 12, 13 and 31 of the Annual Report as well as Section 2 of the Circular – Academic and professional qualifications, date of first appointment as a Director, date of last re-election as a Director, if any, directorships or chairmanships both present and those held over the preceding three years in other listed companies and other principal commitments, whether appointment is executive or non-executive, or considered by the NC to be independent; and

(b) Page 56 of the Annual Report as well as Section 2 of the Circular – Shareholdings, if any, in the Company and its subsidiaries.

COMPANY SECRETARIES

The Joint Company Secretaries of the Company are Mr Lai Kuan Loong, Victor ("**Victor**") and Mr Ng Chit Sing ("**Ivan**").

Ms Yeo Swee Cheng, Chief Financial Officer (the "**CFO**"), is the primary contact person to Mr Victor and Mr Ivan at the Company in respect of any compliance and company secretarial matters of the Company in Singapore and Hong Kong, respectively.

During FY2019, Mr Victor and Mr Ivan have undertaken not less than 15 hours of relevant professional training in compliance with Rule 3.29 of the HK Listing Rules.

Principle 5 – Board Performance

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

The NC meets once a year, and as warranted by circumstances, to discharge its functions. In FY2019, one NC meeting was held in November 2018.

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

For FY2019,

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

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

The NC, having reviewed the performance of its roles and responsibilities and the conduct of its affairs as a whole, is of the view that the Board has met its performance objectives in FY2019. No external facilitator was used in the process to conduct the evaluations.

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

Principle 6 – Access to Information

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

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

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

The Directors also have access to the Joint Company Secretaries who attend all Board and its Board Committees' meetings. The Joint Company Secretaries assist the Chairman and the Board to implement and strengthen corporate governance practices and processes. The Joint Company Secretaries also assist the Directors in the preparation of Directors' resolution, recording of minutes of meetings, the facilitation of the AGM proceedings, the preparation and release of routine SGXNET and SEHK announcements as well as updates on the relevant changes to the Companies Act, the Companies Ordinance, the HK Listing Rules, Catalist Rules, HK Corporate Governance Code and SG Corporate Governance Code.

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

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

(B) REMUNERATION MATTERS

Principle 7 – Procedures for Developing Remuneration Policies

The Company has established the RC, with its terms of reference available on the website of the Company, SGX-ST and SEHK, cover the functions described in the SG Corporate Governance Code and HK Corporate Governance Code, including but not limited to, the following:

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

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

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

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

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

The RC comprises entirely of INEDs, all of whom are independent. The RC meets at least once a year, and as warranted by circumstances, to discharge its functions. The current composition of the RC comprises Ch'ng Li-Ling (Chairman), Eddie Yong and Chan Ka Leung Gary. In FY2019, one RC meeting was held in November 2018.

All recommendations made by the RC on remuneration of Directors and key management personnel will be submitted for endorsement by the Board. No member of the RC is involved in setting his or her remuneration package. As and when deemed appropriate by the RC, independent expert advice will be sought at the Company's expense. The RC shall ensure that existing relationships, if any, between the Company and its appointed remuneration consultants will not affect the independence and objectivity of the remuneration consultants. No remuneration consultants were engaged by the Company in FY2019.

Principle 8 – Level and Mix of Remuneration

The RC recommends to the Board the quantum of directors' fees and the Board in turn endorses the recommendation for Shareholders' approval at each AGM. To facilitate timely payment of directors' fees, the Company has recommended for the Directors' fees amounting to S$192,000 for FY2020 to be paid on a quarterly basis in arrears and approval will be obtained from Shareholders at the forthcoming AGM.

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

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

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

The RC will ensure that the INEDs are not overcompensated to the extent that their independence may be compromised. INEDs are able to participate in the Scheme (terms as defined herein) and hold shares in the Company so as to better align their interests with the interests of Shareholders. For FY2019, the RC had reviewed the performance of the Executive Directors in accordance with the performance objectives set forth in the Service Agreements; as well as the evaluation of the performance of key management personnel and were satisfied that the performance objectives had been met.

During FY2019, the RC had reviewed the compensation and remuneration packages and believes that the remuneration of Directors and key management personnel commensurate with their respective roles and responsibilities.

There are no termination and post-employment benefits that may be granted to the Directors, the Chairman and MD, and top two key management personnel.

Each of Ms Ch'ng Li-Ling and Mr Eddie Yong, our INEDs, had entered into a letter of appointment with us on 10 March 2015 (as amended by an addendum dated 25 September 2017) for an initial term of three years commencing on 10 March 2015 and was extended for a period of three years with effect from 10 March 2018, which may be terminated by not less than three months' notice in writing served by either party on the other.

Mr Chan Ka Leung Gary, our INED, had entered into a letter of appointment with us on 5 June 2017 (as amended by an addendum dated 25 September 2017) for an initial term of three years commencing on 5 June 2017 and which may be terminated by not less than three months' notice in writing served by either party on the other.

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

Principle 9 – Disclosure on Remuneration

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

The breakdown (in percentage terms) of the remuneration of Directors of the Company for FY2019 is set out as below:

Directors	Salary and/ or allowance(1), (2) (%)	Variable Bonus(2) (%)	Director's Fees (%)	Total(3) (100%) (S$'000)
Kelvin Lim	82	18	–	979
Jess Lim	81	19	–	401
Ch'ng Li-Ling	3	–	97	66
Eddie Yong	3	–	97	62
Chan Ka Leung Gary	3	–	97	70

The Group only has two top key management personnel in FY2019. The breakdown (in percentage terms) of the remuneration of two top key management personnel of the Group for FY2019 are set out as below:

Remuneration Band and Name of Key Management Personnel	Designation	Salary and allowance(1), (2) (%)	Variable Bonus(2) (%)	Director's Fees (%)	Total (%)
From S$250,001 to S$500,000					
Yeo Swee Cheng	Chief Financial Officer	82	18	–	100
Wong Sze Peng, Danny ("**Danny Wong**")	General Manager	93	7	–	100

Notes:

(1) Include fixed bonus.

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

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

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In aggregate, the total remuneration paid to the two top key management personnel was S$620,824 in FY2019. There was no employee who is an immediate family member of a Director and/or the Chairman and MD whose remuneration exceeded S$50,000 during FY2019.

The remuneration received by the Executive Directors and key management personnel takes into consideration his or her individual performance and contribution toward the overall performance of the Group for FY2019. Their remuneration is made up of fixed and variable compensations. Details of the remuneration of the Directors and the five highest paid employees as required to be disclosed pursuant to Appendix 16 to the HK Listing Rules are set out in Note 10 and Note 15 to the consolidated financial statements and Directors' Statement (for directors remuneration only) respectively. For the key management personnel, the variable compensation is determined based on the level of achievement of corporate and individual performance objectives.

SHARE OPTION SCHEME

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

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

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

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

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

Granting of Options to Connected Persons under the HK Listing Rules

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

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

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

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

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

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

<u>Maximum Entitlement of Each Participant</u>

No option to subscribe for ordinary shares in the capital of the Company ("**Shares**") granted pursuant to the Scheme ("**Option**") may be granted to any one person such that the total number of shares issued and to be issued upon exercise of the options granted to any one Eligible Person (including exercised and outstanding Options) in any 12-month period shall exceed 1 per cent. of the Shares in issue from time to time. Where any further grant of Options to such an Eligible Person would result in the Shares issued and to be issued upon exercise of all Options granted and to be granted to such Eligible Person (including exercised, cancelled and outstanding Options) in the 12-month period up to and including the date of such further grant representing in aggregate over 1 per cent. of the Shares in issue, such further grant shall be separately approved by shareholders in general meeting with such Eligible Person and his close associates (or his associates (as defined in the HK Listing Rules if such Eligible Person is a connected person) abstaining from voting.

<u>Maximum Number of Shares</u>

The maximum number of Shares which may be issued upon exercise of all Options to be granted under the Scheme and any other schemes of the Group shall not in aggregate exceed 10 per cent. of the Shares in issue as at 30 January 2019 as approved by the Shareholders at the 2019 AGM (the "**Scheme Mandate Limit**"), i.e. 40,244,540 Shares, provided that:

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

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

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

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Minimum Holding Period, Vesting and Performance Target

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

Subscription Price

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

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

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

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

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

Life of the Scheme

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

Option granted

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

(C) ACCOUNTABILITY AND AUDIT

Principle 10 – Accountability

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

The Board acknowledges its responsibility for the preparation of the Consolidated Financial Statements for FY2019 which give a true and fair view of the state of affairs of the Group in accordance with the statutory requirements and accounting standards and other financial disclosure requirement under the Catalist Rules and the HK Listing Rules. The financial results of the Group are announced in a timely manner in accordance with statutory and/or regulatory requirements.

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

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

Principle 11 – Risk Management and Internal Controls

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

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

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

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

REPORT ON CORPORATE GOVERNANCE

For FY2019, the Board had received assurance from the Chairman and GMD and the CFO that:

- the financial records have been properly maintained and the financial statements give a true and fair view of the Group's operations and finances; and

- the Company's risk management and internal control systems are adequate and effective.

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

Based on the framework of risk management and internal controls established and maintained by the Management, reviews carried out by the AC, the report on the enterprise risk management of the Group, work performed by the internal auditors and external auditors, and assurance from the Management, the Board, with the concurrence of the AC, is of the opinion that the Group's risk management systems and system of internal controls (including financial, operational, compliance and information technology controls) were adequate and effective for FY2019.

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

Inside Information

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

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

Principle 12 – Audit Committee

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

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

The terms of reference of the AC, which are available on the website of the Company, SGX-ST and SEHK, include the following:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(s) make recommendations to the Board on establishing an adequate, effective and independent internal audit function;

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

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

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

REPORT ON CORPORATE GOVERNANCE

During FY2019, the AC reviewed the Group's unaudited quarterly results for the three months ended 31 December 2018, 31 March 2019 and 30 June 2019, the unaudited interim results for the six months ended 31 March 2019, and the audited annual results for the year ended 30 September 2019. The AC had also met up with the internal auditors and the external auditors without the presence of Management in November 2019 to discuss, among others, matters relating to FY2019. The external auditors were also invited to be present at AC meetings, as and when required, held during FY2019 to, inter alia, answer or clarify any matter on accounting and auditing or internal controls.

The aggregate amount of fees paid or payable to PricewaterhouseCoopers LLP ("**PwC**") for FY2019 are as follows:

Description of Services	Amount	Percentage
Audit fees	S$310,200	100%
Non-audit fees	–	–
Total	S$310,200	100%

The AC has reviewed and considered that there were no non-audit fees paid or payable to PwC in FY2019 and accordingly, confirms that the independence of PwC has not been in any way affected.

The AC and the Board are of the view that the audit firms engaged by the Group are adequately resourced and registered with the Accounting and Corporate Regulatory Authority or registered with and/or regulated by an independent audit oversight body acceptable to the SGX-ST. The SEHK has accepted PwC as the Company's Auditors to audit its annual accounts pursuant to Rule 19.20 of the HK Listing Rules. The AC has recommended to the Board the re-appointment of PwC as external auditors of the Company at the forthcoming AGM of the Company. Accordingly, the Company has complied with Rule 13.88 of the HK Listing Rules.

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

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

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

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

For FY2019, the Board had concluded, with the concurrence of the NC, that the members of the AC are appropriately qualified to discharge their duties and responsibilities. The Board's view is that adequate and reasonable assistance and support has been properly rendered by the Management to the AC and that the AC has effectively and efficiently contributed to the Board and the Group. Please refer to "Our Leaders – Board of Directors" for the biography of the AC chairman, Mr Chan Ka Leung Gary and the circular to Shareholders for the AGM which bears the notice. During FY2019, the AC was provided with information such as updates on the changes to the financial reporting standards by the external auditors in the course of their report to AC.

Principle 13 – Internal Audit

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

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

For FY2019, the AC has reviewed and approved the internal audit plan to ensure the adequacy of the scope of audit, the IA's reports, proposed follow-up actions implemented by the Management and has noted that the necessary co-operation required from the Management has been provided to enable the IA to perform its function effectively. In addition, the experience of the IA has been reviewed, including the assigned engagement personnel's experience and is satisfied that the IA is adequately qualified (given, inter alia, its adherence to standards set by internationally recognised professional bodies) and resourced, and has the appropriate standing in the Company to discharge its duties effectively. As such, the AC is of the view that the internal audit function of the Company is independent, effective and adequately resourced for FY2019.

(D) SHAREHOLDER RIGHTS AND RESPONSIBILITIES

Principle 14 – Shareholder Rights

How Shareholders can convene an extraordinary general meeting ("EGM")

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

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

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

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

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

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

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

REPORT ON CORPORATE GOVERNANCE

Principle 15 – Communication with Shareholders

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

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

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

A copy of the Annual Report for FY2019 is made available on the Company's website (www.lhngroup.com) and published via the website of the SGXNET and the SEHK, together with the Circular containing the notice of AGM for FY2019.

The Company solicits feedback from and addresses the concerns of Shareholders (including institutional and retail investors) via a dedicated investor relations email: enquiry@lhngroup.com.sg.

Policy on Payment of Dividends

The Company has adopted a policy on payment of dividends on 1 January 2019 ("**Dividend Policy**") in compliance with E.1.5 of the HK Corporate Governance Code and SG Corporate Governance Code as revised in 2018, which establishes an appropriate procedure on declaring and recommending the dividend payment of the Company.

The Company will declare and/or recommend the payment of dividends to shareholders after considering the Company's ability to pay dividends, which will depend upon, among other things, its cash flow, general business conditions and strategies, current and future operations, statutory, contractual and regulatory restrictions and so on. The Board has complete discretion on whether to pay a dividend, subject to shareholders' approval, where applicable. Even if the Board decides to recommend and pay dividends, the form, frequency and amount will depend upon the operations and earnings, capital requirements and surplus, general financial condition, contractual restrictions and other factors of and affecting the Group. The Board may also consider declaring special dividends from time to time, in addition to the interim and/or final dividends.

The Company shall review and reassess the Dividend Policy and its effectiveness on a regular basis or as required.

In accordance with the Dividend Policy, the Board has proposed a final tax exempt (one-tier) dividend of 0.5 Singapore cents (S$0.005) (equivalent to 2.9 Hong Kong cents) per ordinary share for FY2019 which will be subject to shareholders' approval at the forthcoming AGM.

The Procedures for Sending Enquiries to the Board

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

Principle 16 – Conduct of Shareholder Meetings

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

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

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

Pursuant to Catalist Rule 730A(2) and Rule 13.39(4) of the HK Listing Rules, all resolutions will be put to vote by way of a poll at the forthcoming AGM, and their detailed results will be announced via the website of the SGXNET and SEHK after the conclusion of the AGM.

(E) DEALINGS IN SECURITIES

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

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

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

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

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

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

REPORT ON CORPORATE GOVERNANCE

(F) INTERESTED PERSON TRANSACTIONS ("IPT")

The Company has established procedures to ensure that all transactions with interested persons complies with Chapter 9 of the Catalist Rules and Chapter 14A of the HK Listing Rules and are reported on a timely manner to the AC and that the transactions are carried out on normal commercial terms and are not prejudicial to the interests of the Company and its minority shareholders. Details are set out in the circular which accompanies the Annual Report in the section 'Renewal of the Shareholders' Mandate for Interested Person Transactions'.

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

Name of Interested Persons and Transactions	Aggregate value of all interested person transactions during the year under review (excluding transactions less than S$100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920)	Aggregate value of all interested person transactions conducted under shareholders' mandate pursuant to Rule 920 (excluding transactions less than S$100,000)
	Full Year ended 30 September 2019 S$'000	**Full Year ended 30 September 2019 S$'000**
Payments received by our Group PJS Companies* – Property leases or sub-leases	–	238
Total	**–**	**238**

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

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

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

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

S/N	Purpose of Net Proceeds	Amount Allocated HK$'000	Amount Utilised HK$'000	Balance HK$'000
1	Expansion of our space optimisation business by acquiring a new property in Singapore	26,815	26,815	–
2	Acquiring a property in Singapore for our logistics services management business	10,611	–	10,611
3	Set out our first operation in the PRC	1,776	–	1,776
4	General working capital	4,439	4,439	–
5	Acquiring transportation equipment for our logistics services business	755	562	193
	Total	**44,396**	**31,816**	**12,580**

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$12.6 million (equivalent to S$2.1 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 HK Listing as and when the proceeds are materially disbursed and provide a status report on such use in its annual report and its quarterly, interim and full year financial results announcements.

(H) MATERIAL CONTRACTS

Save for the service agreements entered with the Directors, there was no other material contract involving the interests of any Director or controlling shareholders of the Company which has been entered into by the Group, which are either still subsisting at the end of FY2019 or if not then subsisting, entered into since the end of the previous financial year.

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

There were no non-sponsorship fees paid to the Company's sponsor, PrimePartners Corporate Finance Pte. Ltd., during FY2019.

(J) NON-COMPETITION UNDERTAKING FROM CONTROLLING SHAREHOLDERS

The controlling shareholders of the Company gave a non-competition undertaking in favour of the Company and confirm that they and their close associates have not breached the terms of the undertaking contained in the Non-competition Deed during FY2019.

The Board comprising all the INEDs, based on the written confirmation provided by the controlling shareholders, is of the view that the controlling shareholders have been in compliance with the non-competition undertaking in favour of the Company during FY2019.

DIRECTORS' STATEMENT

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2019

The Directors are pleased to present their statement to the members together with the audited consolidated financial statements of LHN Limited (the "**Company**") and its subsidiaries (collectively the "Group") for the financial year ended 30 September 2019 ("**FY2019**") and the statement of financial position of the Company as at 30 September 2019.

In the opinion of the directors:

(a) the accompanying consolidated financial statements of the Group and the statement of financial position of the Company together with the notes thereon, as set out on pages 70 to 144, are drawn up so as to give a true and fair view of the financial position of the Group and of the Company as at 30 September 2019 and the financial performance, changes in equity and cash flows of the Group for the year ended on that date; and

(b) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

1. PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The activities of its principal subsidiaries are set out in Note 17.

2. OPERATIONS AND FINANCIAL REVIEW

Details of the operations and financial review of the Group are set out under the section headed "Business Review" on pages 18 to 20 and the section headed "Financial Review" on pages 20 to 23, respectively. The above forms part of the Directors' Statement.

3. RESULTS AND APPROPRIATIONS

The results of the Group for the year are set out in the consolidated statements of profit or loss and total comprehensive income on page 70.

Subsequent to the end of the reporting period, a final dividend of 0.5 Singapore cents (equivalent to 2.9 Hong Kong cents) per ordinary share for the year ended 30 September 2019 has been proposed by the directors and is subject to approval by the shareholders in the forthcoming general meeting to be held at 10:00 a.m. on 30 January 2020 (Singapore time).

4. FINANCIAL SUMMARY AND HISTORICAL FINANCIAL KEY PERFORMANCE INDICATORS

A summary of the results and of the assets and liabilities of the Group and details of the key financial performance indicators to the performance of the Group business for the past five financial years is set out on page 17.

5. PRINCIPAL RISKS AND UNCERTAINTIES

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

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

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

5. PRINCIPAL RISKS AND UNCERTAINTIES (CONT'D)

(iii) ***Application of IFRS on our operating lease commitments***: During FY2019, a majority of the Group's properties for which it operates its business on were obtained through leases, which were classified as operating leases. The Group also leases out investment properties to non-related parties under non-cancellable operating leases. IFRS 16 applies to the Group from the financial year beginning 1 October 2019 ("**FY2020**"), provides new provisions for the accounting treatment of leases. The expected impact on the Group's consolidated statements of profit or loss will primarily be the recognition of fair value gains and losses for the right-of-use asset and interest expense on the lease liability instead of rental expenses which, on a lease-by-lease basis, will result in higher total expense being recognised in the initial years of the lease and evened out throughout the remaining term of the lease.

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

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

6. RELATIONSHIPS WITH EMPLOYEES, SUPPLIERS AND CUSTOMERS

The Company believes that cultivating a healthy relationship with the Group's employees, suppliers (including landlords) and customers (including tenants) is paramount to its success.

The Group only works with reputable and ethical suppliers with good track records of service/product quality.

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

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

7. INVESTMENT PROPERTIES

Details of movement in the investment properties of the Group during the year are set out in Note 15 to the consolidated financial statements.

DIRECTORS' STATEMENT

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2019

8. PROPERTY, PLANT AND EQUIPMENT

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

9. BANK BORROWINGS

Particulars of the bank borrowings of the Group as at 30 September 2019 are set out in the Note 36 to the consolidated financial statements.

10. SHARE CAPITAL

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

11. PURCHASE, SALES OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

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

12. DISTRIBUTABLE RESERVES

Distributable reserves of the Company as at 30 September 2019 amounted to S$2,953,000.

13. DIRECTORS

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

Executive Directors	
Lim Lung Tieng	(Executive Chairman, Executive Director and Group Managing Director)
Lim Bee Choo	(Executive Director and Group Deputy Managing Director)
Independent Non-executive Directors	
Ch'ng Li-Ling	(Lead Independent Non-executive Director)
Yong Chee Hiong	
Chan Ka Leung Gary	

14. DIRECTORS' SERVICE CONTRACTS

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

Each of Ms Ch'ng Li-Ling and Mr Eddie Yong, our Independent Non-executive Directors, had entered into a letter of appointment with us on 10 March 2015 (as amended by an addendum dated 25 September 2017) for an initial term of three years commencing on 10 March 2015 and was extended for a period of three years with effect from 10 March 2018, which may be terminated by not less than three months' notice in writing served by either party on the other.

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

15. DIRECTORS' REMUNERATION

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

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

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

16. EMPLOYEE AND REMUNERATION POLICIES

As at 30 September 2019, there were 370 (2018: 414) employees in the Group.

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

17. RETIREMENT SCHEMES

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

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

18. PERMITTED INDEMNITY PROVISION

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

DIRECTORS' STATEMENT

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2019

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

Under Singapore Law

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

	Number of ordinary shares			
	Holdings registered in the name of director or nominee		Holdings in which director is deemed to have an interest	
Name of directors	**As at 1 October 2018**	**As at 30 September 2019#**	**As at 1 October 2018**	**As at 30 September 2019#**
The Company – LHN Limited				
Lim Bee Choo	–	**–**	216,930,000	**216,930,000**
Lim Lung Tieng	–	**–**	216,930,000	**216,930,000**
Immediate holding company – Fragrance Ltd.				
Lim Lung Tieng	–	**–**	50,000	**50,000**
Lim Bee Choo	–	**–**	50,000	**50,000**
Intermediate holding company – Hean Nerng Group Pte. Ltd.				
Lim Lung Tieng	30,000	**30,000**	–	–
Lim Bee Choo	60,000	**60,000**	–	–

There are no changes to the above shareholdings as at 21 October 2019.

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

	Number of ordinary shares	
	As at 1 October 2018	**As at 30 September 2019**
LHN Management Services Pte. Ltd.	12,750	**12,750**
HLA Holdings Pte. Ltd.	429,408	**429,408**
HLA Container Services Pte. Ltd.	480,000	**480,000**
PT. Hean Nerng Group	2,970	**2,970**
PT. Hub Hijau Serviced Offices	3,500	**3,500**
HLA Holdings (Thailand) Limited	23,040	**23,040**
HLA Container Services (Thailand) Limited	34,790	**121,766**
HLA Container Services (Myanmar) Limited	–	**6,000**
LHN Logistics Sdn Bhd	245,000	**245,000**

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

Under Hong Kong Law

As at 30 September 2019, being the end of the reporting period under review, the interest or short position in the Shares, underlying Shares or debentures of the Company and/or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong (the "**SFO**")) that Directors and chief executive of the Company as recorded in the register required to be kept under section 352 of the SFO, or otherwise notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code, are as follows:

Long positions in the Shares and underlying Shares

NAME OF DIRECTOR/ CHIEF EXECUTIVE	CAPACITY/NATURE OF INTEREST	NUMBER OF SHARES HELD/INTERESTED	APPROXIMATE PERCENTAGE OF SHAREHOLDING AS AT 30 SEPTEMBER 2019
Kelvin Lim[(1)(2)]	Founder of discretionary trusts, beneficiary of a trust	216,930,000	53.90%

Notes:

1. Kelvin Lim is one of the founders of The LHN Capital Trust and The Land Banking Trust. Trident Trust Company (B.V.I.) Limited, in its capacity as the trustee of The Land Banking Trust, holds the entire issued share capital of LHN Capital Pte. Ltd.. LHN Capital Pte. Ltd., in its capacity as the trustee of The LHN Capital Trust, holds the entire issued share capital of HN Capital Ltd., which in turn holds 85% of the total issued share capital of Hean Nerng Group Pte. Ltd.. Hean Nerng Group Pte. Ltd. holds the entire issued share capital of Fragrance Ltd.. Fragrance Ltd. is the beneficial owner of 216,930,000 Shares. Kelvin Lim is deemed under the SFO to be interested in the Shares held by Trident Trust Company (B.V.I.) Limited and LHN Capital Pte. Ltd.. Trident Trust Company (B.V.I.) Limited is deemed under the SFO interested in the interests held by LHN Capital Pte. Ltd.. LHN Capital Pte. Ltd. is deemed under the SFO interested in the interests held by HN Capital Ltd.. HN Capital Ltd is deemed under the SFO interested in the interests held by Hean Nerng Group Pte. Ltd.. Hean Nerng Group Pte. Ltd. is deemed under the SFO interested in the interests held by Fragrance Ltd..
2. Kelvin Lim is one of the beneficiaries of The LHN Capital Trust of which LHN Capital Pte. Ltd. is the trustee. LHN Capital Pte. Ltd., in its capacity as the trustee, holds the entire issued share capital of HN Capital Ltd., which in turn holds 85% of the total issued share capital of Hean Nerng Group Pte. Ltd.. Hean Nerng Group Pte. Ltd. holds the entire issued share capital of Fragrance Ltd.. Fragrance Ltd is the beneficial owner of 216,930,000 Shares. Kelvin Lim is deemed under the SFO to be interested in the Shares held by LHN Capital Pte. Ltd.. LHN Capital Pte. Ltd. is deemed under the SFO interested in the interests held by HN Capital Ltd.. HN Capital Ltd is deemed under the SFO interested in the interests held by Hean Nerng Group Pte. Ltd.. Hean Nerng Group Pte. Ltd. is deemed under the SFO interested in the interests held by Fragrance Ltd..

Save as disclosed above, as at 30 September 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 30 September 2019, Mr Kelvin Lim and Ms Jess Lim, the Executive Directors of the Company, are also directors of Fragrance Ltd., Hean Nerng Group Pte. Ltd., HN Capital Ltd. and LHN Capital Pte. Ltd..

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

20. SHARE OPTION SCHEME

No options were granted during the financial year to subscribe for unissued shares of the Company.

No shares were issued during the financial year by virtue of the exercise of options to take up unissued shares of the Company.

There were no unissued shares of the Company under the share option scheme at the end of the financial year.

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

DIRECTORS' STATEMENT

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2019

21. AUDIT COMMITTEE

The Audit Committee ("**AC**") comprises entirely of Independent Non-executive Directors. The members of the AC during FY2019 are:

Chan Ka Leung Gary (Chairman)
Ch'ng Li-Ling
Eddie Yong

The Audit Committee performs the functions set out in Section 201B(5) of the Companies Act, Cap. 50, the SGX Listing Manual, the HK Listing Rules and in accordance with its terms of reference as set out under the "Report on Corporate Governance – Principle 12 – Audit Committee" on pages 44 to 46. In performing those functions, the Committee carried out the following during the financial year:

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

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

(iii) reviewed the quarterly financial information and the statement of financial position of the Company and the consolidated financial statements of the Group for the financial year ended 30 September 2019 as well as the auditor's report thereon;

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

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

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

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

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

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

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

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

(xii) reviewed the independence, effectiveness and adequacy of resources of the internal auditor.

The AC has full access to management and is given the resources required for it to discharge its functions. It has full authority and the discretion to invite any director or executive officer to attend its meetings. The AC also recommends the appointment of the external auditor and reviews the level of audit and non-audit fees.

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

21. AUDIT COMMITTEE (CONT'D)

The AC has also reviewed the audited consolidated financial statements of the Group for FY2019.

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

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

22. 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.

23. DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

Other than disclosed above and in Note 40 to the financial statements, no contracts of significance to which the Company or its subsidiaries was a party and in which a director of the Company had a material interest, whether directly and indirectly, subsisted at the end of the year or at any time during the year.

24. MANAGEMENT CONTRACTS

Save for service contracts with our Directors, no contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year ended 30 September 2019.

25. CONTINUING CONNECTED TRANSACTIONS

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

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

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

(A) Property Leases

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

<u>Principal Terms</u>

During FY2018, Soon Wing Investments Pte. Ltd., an indirect wholly-owned subsidiary of the Company, renewed the lease with 9 Plus Cafe Pte. Ltd. for a term of two years from 31 March 2018 to 31 March 2020 for a total consideration of S$286,563 based on the rental payable per annum. During FY2019, Chua Eng Chong Holdings Pte. Ltd., an indirect wholly-owned subsidiary of the Company, renewed the lease with Cafe @ Phoenix Pte. Ltd. for a term of one year from 1 February 2019 to 31 January 2020 for a total consideration of S$237,875 based on the rental and facilities fees payable per annum. The rental payable per annum is based on normal commercial terms. Under the Cafe Lease Agreements, 9 Plus Cafe Pte. Ltd. and Cafe @ Phoenix Pte. Ltd. shall pay their respective lessor, being our subsidiaries, the rent, facilities fees and fees based on electricity, water, gas and telecommunications usage on a monthly basis. In the event the master lease held by our subsidiary is terminated before the expiry date, our subsidiary shall have the right to terminate the relevant Cafe Lease Agreement. Under the Cafe Lease Agreements, 9 Plus Cafe Pte. Ltd. and Cafe @ Phoenix Pte. Ltd. are not allowed to assign or sub-let the leased property.

DIRECTORS' STATEMENT

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2019

25. CONTINUING CONNECTED TRANSACTIONS (CONT'D)

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

(A) Property Leases (Cont'd)

Relationship

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

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

Historical transaction amount

For the year ended 30 September 2019, the total sales amount received and receivable from Cafe @ Phoenix Pte. Ltd. and 9 Plus Cafe Pte. Ltd. by our Group amounted to S$238,000 and S$170,000 respectively.

Proposed annual caps

The annual caps for the Cafe Lease Agreements for each of the years ending 30 September 2020 and 2021 are proposed to be S$500,000 and S$400,000 respectively, estimated based on the expected rental receivable as determined with reference to the applicable rentals under the terms of the subsisting Cafe Lease Agreements.

Implication under the HK Listing Rules

We have estimated the annual rentals expected to be received from Cafe @ Phoenix Pte. Ltd. and 9 Plus Cafe Pte. Ltd. for the years ending 30 September 2020 and 2021 in calculating the percentage ratios under the requirements of Rule 14A.77 of the HK Listing Rules based on the applicable rentals under the terms of the subsisting Cafe Lease Agreements and we have also assumed the renewal of the Cafe Lease Agreements for one more lease term. In the event any of the Cafe Lease Agreements is renewed for more than one lease term or where there are changes to the terms, our Company will ensure compliance with the relevant HK Listing Rules. With respect to each of Cafe @ Phoenix Pte. Ltd. and 9 Plus Cafe Pte. Ltd., each of the applicable percentage ratios (other than the profit ratio) for such expected rental calculated will be less than 5% and the estimated total consideration is less than HK$3 million. Therefore, the lease transactions contemplated under the Cafe Lease Agreements constitute de minimis connected transactions of our Company under Rule 14A.76 of the HK Listing Rules which are exempt from the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the HK Listing Rules.

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

(B) Property Management and Facilities Management Services

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

25. CONTINUING CONNECTED TRANSACTIONS (CONT'D)

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

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

Principal Terms

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

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

Relationship

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

Historical transaction amount

For the year ended 30 September 2019, there was no sales amount received and receivable from Cafe @ Phoenix Pte. Ltd. by our Group.

Proposed annual caps

The annual caps for the Property Management and Facilities Management Agreement for each of the years ending 30 September 2020 and 2021 are proposed to be S$6,000 and S$6,000, respectively, estimated based on the historical transaction volume between our Group and Cafe @ Phoenix Pte. Ltd. and the rates of services offered by the Group to Independent Third Parties.

Implication under the HK Listing Rules

We have estimated the annual fees expected to be received from Cafe @ Phoenix Pte. Ltd. for the years ending 30 September 2020 and 2021 in calculating the percentage ratios under the requirements of Rule 14A.77 of the HK Listing Rules based on the historical transaction volume between our Group and Cafe @ Phoenix Pte. Ltd. and the rates of services offered by our Group to Independent Third Parties. Each of the applicable percentage ratios (other than the profit ratio) for such expected fees calculated will be less than 5% and the estimated total consideration is less than HK$3 million. Therefore, the transactions contemplated under the Property Management and Facilities Management Agreement constitute de minimis connected transactions of our Company under Rule 14A.76 of the HK Listing Rules which are exempt from the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the HK Listing Rules.

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

DIRECTORS' STATEMENT

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2019

26. CONTRACTS WITH CONTROLLING SHAREHOLDERS

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

27. RELATED PARTY TRANSACTIONS

Our Group entered into certain related party transactions with its related parties during the year ended 30 September 2019. None of these related party transactions constitutes a connected transaction or continuing connected transaction as defined under Chapter 14A of the HK Listing Rules that is required to be disclosed.

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

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

As at 30 September 2019, being the end of the reporting period under review, the interests or short positions in the Shares or underlying Shares of the persons which would fall to be disclosed to the Company under the provisions of Part XV of the SFO, or which were recorded in the register required to be kept under section 336 of the SFO are set out under "Statistics of Shareholdings – Substantial Shareholders and Other Persons' Interests and Short Positions in Shares, Underlying Shares and Debentures" for details of (i) under the requirements of Singapore, the substantial shareholders as recorded in the register of substantial shareholder in Singapore as at 3 December 2019; and (ii) under the requirements of Hong Kong, for the shareholders' information, the interests or short positions in the Shares or underlying Shares of the persons which would fall to be disclosed to the Company under the provisions of Part XV of the SFO, or which were recorded in the register required to be kept under section 336 of the SFO as at 30 September 2019.

29. PRE-EMPTIVE RIGHTS

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

30. CORPORATE GOVERNANCE

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

In the opinion of the Directors, the Company had complied with the HK CG Code and SG CG Code during FY2019 except for code provision A.2.1 under the HK CG Code. Under code provision A.2.1 of the HK CG Code, the roles of chairman and chief executive should be separate and should not be performed by the same individual. The Group does not have the role of chief executive officer but has the role of managing Director, which is responsible for the day-to-day management of business and currently performed by Mr. Kelvin Lim, who is also the executive chairman of the Board. Throughout the Group's business history, Mr. Kelvin Lim has held the key leadership position of the Group since 1998 and has been deeply involved in the formulation of corporate strategies and management of business and operations of the Group. Taking into account the consistent leadership within the Group and in order to enable more effective and efficient overall strategic planning and continuation of the implementation of such plans, the Directors (including the independent non-executive Directors) consider that Mr. Kelvin Lim is the best candidate for both positions and the present arrangements are beneficial and in the interests of the Group and our Shareholders as a whole.

31. 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 ("**Catalist Rule 1204(19)**"), 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 "**Dealings in Securities Policy**").

Based on the Company's Dealings in Securities Policy, 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 and Catalist Rule 1204(19) during FY2019.

32. MAJOR CUSTOMERS AND SUPPLIERS

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

	Percentage of the Group's total	
	Sales	**Purchases**
	%	%
The largest supplier	–	23.7
Five largest suppliers in aggregate	–	58.2

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

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

33. ENVIRONMENTAL POLICIES AND PERFORMANCE

The Group continuously endeavours to promote environmental and social responsibility to employees and contribute to the community. The Group is always in compliance with all the relevant laws and regulations. As a social responsible enterprise, the Group should keep promoting and enhancing the relevant environmental and social sustainable development of the regions and community. During FY2019, the Board is not aware of any incidence of non-compliance with the relevant laws and regulations that have a significant impact on the Group's business where the Group is operating.

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

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

DIRECTORS' STATEMENT

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2019

33. ENVIRONMENTAL POLICIES AND PERFORMANCE (CONT'D)

As required by the SGX-ST Listing Manual Section B: Rules of the Catalist and HK Listing Rules, the Company is required to report on environmental, social and governance information ("**ESG Information**" or "**Sustainability Report**") on an annual basis and regarding the same financial period covered in this annual report. The Company will publish the ESG Information separately and in any event no later than 29 February 2020. Currently, the Company is in the process of preparing and compiling the relevant ESG Information and will publish the ESG Information on the website of SEHK (www.hkexnews.hk), SGX-ST (www.sgx.com) and the website of the Company (www.lhngroup.com) in due course.

34. RELATIONSHIP WITH STAKEHOLDERS

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

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

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

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

More specific details on our environmental, social and corporate governance ("**ESG**") policies will be found in our Sustainability Report, to be published by 29 February 2020.

35. DONATIONS

During the year, the Group made charitable donations of S$38,000 (2018: S$21,000).

36. NON-COMPETITION UNDERTAKING FROM CONTROLLING SHAREHOLDERS

Please refer to page 51 of "Report on Corporate Governance – (J) Non-competition Undertaking from Controlling Shareholders" for details.

37. DIRECTORS' INTEREST IN COMPETING BUSINESS

None of the Directors is or was interested in any business apart from the Group's business, that competes or competed or is or was likely to compete, either directly or indirectly, with the Group's business at any time during the year ended 30 September 2019 and up to and including the date of this annual report.

38. SUFFICIENCY OF PUBLIC FLOAT

The Company has maintained the public float as required by the HK Listing Rules for the period under review and up to the date of this annual report.

39. EVENTS AFTER 30 SEPTEMBER 2019

Please refer to Note 41 to the consolidated financial statements for details.

40. AUDITORS

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

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

On behalf of the Board

Lim Lung Tieng
DIRECTOR

Lim Bee Choo
DIRECTOR

Singapore
16 December 2019

INDEPENDENT AUDITOR'S REPORT

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

Our opinion

In our opinion, the accompanying consolidated financial statements of LHN Limited ("the Company") and its subsidiaries ("the Group") and the balance sheet of the Company are properly drawn up in accordance with the provisions of the Companies Act, Chapter 50 (the "Act") and International Financial Reporting Standards ("IFRSs") so as to give a true and fair view of the consolidated statement of financial position of the Group and the financial position of the Company as at 30 September 2019, and of its consolidated financial performance, consolidated statement of changes in equity and its consolidated statement of cash flows for the financial year ended on that date.

Separate opinion in relation to Singapore Financial Reporting Standards (International)

As explained in Note 2.1 to the financial statements, the Group and the Company, in addition to applying IFRSs, have also applied Singapore Financial Reporting Standards (International) ("SFRS(I)s"). In our opinion, the consolidated financial statements of the Group and the statement of financial position of the Company give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at 30 September 2019 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows for the year then ended in accordance with SFRS(I)s.

What we have audited

The financial statements of LHN Limited (the "Company") and its subsidiaries (the "Group") set out on pages 70 to 144, which comprise:

- the consolidated statements of profit or loss and total comprehensive income for the year ended 30 September 2019;
- the consolidated statements of financial position of the Group as at 30 September 2019;
- the statement of financial position of the Company as at 30 September 2019;
- the consolidated statements of changes in equity for the year then ended;
- the consolidated statements of cash flows for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies.

Basis for Opinion

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

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

Independence

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

Our Audit Approach

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for the financial year ended 30 September 2019. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matter	How our audit addressed the Key Audit Matter
Valuation of investment properties	
As at 30 September 2019, the carrying value of the Group's investment properties of S$67.31 million accounted for 36% of the Group's total assets. The valuation of the investment properties was a key audit matter due to the significant judgement in the key inputs used in the valuation techniques. Management has engaged external valuers, Jones Lang LaSalle ("JLL") and Savills Singapore ("Savills"), to determine the fair value of the Group's investment properties for the year ended 30 September 2019 based on the properties' highest-and-best use. The fair value of the properties were determined using the following methods: discounted cash flow approach, capitalisation approach and direct comparison approach. These key inputs include growth rate of rents, discount rate and the terminal capitalisation rate, and are dependent on the nature of each investment property and the prevailing market conditions.	We evaluated the competency and independence of the external valuers engaged by the Group. We assessed the critical assumptions for the key inputs used in the valuation techniques, tested the integrity of information including underlying lease and financial information provided to the valuers and compared the discount and terminal capitalization rates used against those used for similar properties and in prior year. We assessed the analysis of comparable sales of similar properties and the adjustment to reflect the characteristics of the investment properties The valuers are members of recognised professional bodies for property valuers. We found the valuation methodologies used to be in line with generally accepted market practices and the key assumptions used were within the range of market data. We also found the disclosures in the financial statements to be adequate.
Provisions for onerous contracts	
As at 30 September 2019, the Group recognised provisions for onerous contracts amounting to S$1.4 million. The onerous contracts relates to the operating leases committed by the Group. Management reviewed all of the Group's leasehold properties to determine whether an onerous lease provision is required. Judgements are involved in relation to the expected rental income, discount rate, the occupancy rate and the length of the appropriate lease term over which to provide.	We checked that all leasehold sites were considered in management's process to identify site which were potentially subject onerous leases. We evaluated the key assumptions used by management in the onerous lease provisions for the loss-making leasehold sites. We assessed the integrity of the information used within the onerous lease provision calculation by agreeing inputs back to source data including the rental commitments. We assessed the appropriateness of the discount rate used through comparison to appropriate external benchmarks. We also checked the mathematical accuracy of management's computation. We concurred with management on the appropriateness of the onerous lease provision.

Other Information

The directors of the Company are responsible for the other information. The other information comprises all of the information included in the annual report other than the financial statements and our auditor's report thereon, which we obtained prior to the date of this auditor's report.

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

INDEPENDENT AUDITOR'S REPORT

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

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Directors for the Financial Statements

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

In preparing the financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

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

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

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

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

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

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

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

  We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

  We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

  From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

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

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

PricewaterhouseCoopers LLP
Public Accountants and Chartered Accountants
Singapore, 16 December 2019

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND TOTAL COMPREHENSIVE INCOME

	Note	Year ended 30 September 2019 S$'000	2018 S$'000
Revenue	6	**111,094**	109,285
Cost of sales	9	**(83,680)**	(80,395)
Gross profit		**27,414**	28,890
Other income	7	**5,012**	3,658
Other operating expenses	8	**(1,687)**	(1,289)
Selling and distribution expenses	9	**(1,820)**	(1,613)
Administrative expenses	9	**(23,668)**	(24,571)
Finance cost	11	**(1,332)**	(827)
Share of results of associates and joint ventures, net of tax	20, 21	**4,527**	1,954
Fair value gain on investment properties	15	**480**	4
Profit before income tax		**8,926**	6,206
Income tax expense	12	**(203)**	(436)
Profit for the year		**8,723**	5,770
Profit attributable to:			
Equity holders of the Company		**8,186**	5,407
Non-controlling interests		**537**	363
Profit for the year		**8,723**	5,770
Other comprehensive income/(loss)			
Item that will be reclassified subsequently to profit or loss			
Currency translation differences arising from consolidation		**52**	(92)
Item that will not be reclassified subsequently to profit or loss			
Revaluation gains on leasehold buildings		**–**	12
Share of other comprehensive income of joint venture		**31**	92
Other comprehensive income		**83**	12
Total comprehensive income for the year		**8,806**	5,782
Total comprehensive income for the year			
Equity holders of the Company		**8,243**	5,417
Non-controlling interests		**563**	365
Total comprehensive income for the year		**8,806**	5,782
Earnings per share for profit attributable to equity holders of the Company			
Basic and diluted (cents)	13	**2.03**	1.38

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Note	Group As at 30 September 2019 S$'000	2018 S$'000
ASSETS			
Non-current assets			
Property, plant and equipment	14	**37,435**	20,854
Investment properties	15	**67,309**	46,054
Intangible assets	16	**108**	176
Financial assets, available for sale	18	**–**	138
Financial assets, at FVOCI	19	**492**	–
Investment in associates	20	**306**	277
Investment in joint ventures	21	**17,215**	13,165
Deferred tax assets	23	**341**	476
Long-term prepayments	26	**322**	396
Other asset	24	**12,709**	7,690
		136,237	89,226
Current assets			
Inventories	27	**3**	46
Trade and other receivables	25	**17,581**	18,506
Loans to joint ventures	40b	**2,432**	12,557
Prepayments	26	**3,338**	2,468
Cash and bank balances	28	**18,218**	15,319
Fixed deposits	29	**9,135**	10,029
		50,707	58,925
Total assets		**186,944**	148,151
EQUITY AND LIABILITIES			
Equity			
Share capital	31	**63,407**	63,407
Reserves	30	**31,936**	24,127
Equity attributable to equity holders of the Company		**95,343**	87,534
Non-controlling interests		**1,537**	972
Total equity		**96,880**	88,506
LIABILITIES			
Non-current liabilities			
Deferred tax liabilities	23	**533**	362
Other payables	33	**34**	33
Provisions	34	**1,091**	52
Finance lease liabilities	35	**3,476**	2,934
Bank borrowings	36	**41,134**	16,520
		46,268	19,901
Current liabilities			
Trade and other payables	33	**32,701**	32,165
Provisions	34	**1,466**	398
Finance lease liabilities	35	**2,157**	1,652
Bank borrowings	36	**7,009**	4,854
Current income tax liabilities		**463**	675
		43,796	39,744
Total liabilities		**90,064**	59,645
Total equity and liabilities		**186,944**	148,151

STATEMENTS OF FINANCIAL POSITION

		Company As at 30 September	
	Note	2019 S$'000	2018 S$'000
ASSETS			
Non-current asset			
Investment in subsidiaries	17	**32,727**	32,727
Long-term prepayments		**9**	10
		32,736	32,737
Current assets			
Trade and other receivables		**2**	1
Amount due from subsidiaries		**30,074**	25,194
Prepayments		**53**	32
Cash and bank balances		**1,745**	1,658
Fixed deposits		**2,515**	5,334
		34,389	32,219
Total assets		**67,125**	64,956
EQUITY AND LIABILITIES			
Capital and reserve attributable to equity holders of the company			
Share capital	31	**63,407**	63,407
Reserves	32	**2,953**	887
Total equity		**66,360**	64,294
LIABILITIES			
Current liabilities			
Trade and other payables		**665**	568
Current income tax liabilities		**100**	94
Total liabilities		**765**	662
Total equity and liabilities		**67,125**	64,956

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

Group	Note	Attributable to equity holders of the Company								Non-controlling interests S$'000	Total S$'000
		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		
As at 30 September 2018		63,407	–	51,835	(30,727)	269	3,680	(930)	87,534	972	88,506
Adoption of IFRS 9	3(b)	–	–	(434)	–	–	–	–	(434)	–	(434)
As at 1 October 2018		63,407	–	51,401	(30,727)	269	3,680	(930)	87,100	972	88,072
Profit for the year		–	–	8,186	–	–	–	–	8,186	537	8,723
Other comprehensive income for the year		–	–	–	–	–	31	26	57	26	83
Total comprehensive income for the year		–	–	8,186	–	–	31	26	8,243	563	8,806
Capital contribution from non-controlling shareholders		–	–	–	–	–	–	–	–	2	2
Total transactions with equity holders, recognised directly in equity		–	–	–	–	–	–	–	–	2	2
As at 30 September 2019		63,407	–	59,587	(30,727)	269	3,711	(904)	95,343	1,537	96,880

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

Group	Note	Share capital S$'000	Treasury shares S$'000	Retained profits S$'000	Merger reserve S$'000	Other reserve S$'000	Asset revaluation reserve S$'000	Exchange translation reserve S$'000	Total attributable to equity holders of the Company S$'000	Non-controlling interests S$'000	Total S$'000
		Attributable to equity holders of the Company									
As at 1 October 2017		51,287	(186)	47,197	(30,727)	298	3,576	(836)	70,609	333	70,942
Profit for the year		–	–	5,407	–	–	–	–	5,407	363	5,770
Other comprehensive income for the year		–	–	–	–	–	104	(94)	10	2	12
Total comprehensive income for the year		–	–	5,407	–	–	104	(94)	5,417	365	5,782
New Shares issued pursuant to Dual Listing		13,638	–	–	–	–	–	–	13,638	–	13,638
Share issue expense		(1,332)	–	–	–	–	–	–	(1,332)	–	(1,332)
Cancellation of treasury shares		(186)	186	–	–	–	–	–	–	–	–
Termination of LHN Performance Share Plan		–	–	29	–	(29)	–	–	–	–	–
Dividends paid in respect of financial year ended 30 September 2017	37	–	–	(798)	–	–	–	–	(798)	–	(798)
Capital contribution from non-controlling shareholders		–	–	–	–	–	–	–	–	274	274
Total transactions with equity holders, recognised directly in equity		12,120	186	(769)	–	(29)	–	–	11,508	274	11,782
As at 30 September 2018		63,407	–	51,835	(30,727)	269	3,680	(930)	87,534	972	88,506

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Note	Year ended 30 September 2019 S$'000	2018 S$'000
Cash flows from operating activities			
Profit before income tax		**8,926**	6,206
Adjustments for:			
– Share of results of associates and joint ventures, net of tax		**(4,527)**	(1,954)
– Amortisation of intangible assets		**68**	29
– Depreciation of property, plant and equipment		**6,605**	5,851
– Gain on disposal of property, plant and equipment	38(b)	**(83)**	(378)
– Property, plant and equipment written off		**14**	14
– Fair value gain on investment properties		**(480)**	(4)
– Bad and doubtful debts		**239**	755
– Waiver of debt from a director of subsidiaries		**–**	(73)
– Provision for onerous contract		**1,430**	–
– Dual listing expenses		**–**	1,842
– Finance income		**(289)**	(447)
– Finance cost		**1,332**	827
Operating profit before working capital changes		**13,235**	12,668
Changes in working capital:			
– Inventories		**43**	(13)
– Trade and other receivables		**(30)**	(5,097)
– Trade and other payables		**4,519**	3,635
Cash generated from operations		**17,767**	11,193
Interest expenses paid		**(3)**	(9)
Income tax paid		**(1,534)**	(1,406)
Income tax refunded		**906**	542
Net cash generated from operating activities		**17,136**	10,320
Cash flows from investing activities			
Additions to property, plant and equipment	38(a)	**(19,585)**	(6,896)
Purchase of investment properties	38(d)	**(20,336)**	–
Purchase of financial assets, available for sale		**–**	(31)
Purchase of financial assets, at FVOCI		**(354)**	–
Additions to intangible assets		**–**	(205)
Additions to other asset	38(c)	**(9,108)**	(3,418)
Repayment from/(loans to) joint ventures, net		**9,945**	(1,725)
Proceeds from disposal of property, plant and equipment	38(b)	**96**	503
Cash outflow on incorporation of associate		**–**	(20)
Return of capital from associate		**38**	–
Dividend from associate		**441**	100
Interest received		**459**	112
Net cash used in investing activities		**(38,404)**	(11,580)
Cash flows from financing activities			
Repayment of finance lease		**(2,112)**	(1,875)
Increase in fixed deposit – pledged		**(1,372)**	(34)
Proceeds from bank borrowings		**42,376**	5,701
Repayment of bank borrowings		**(15,643)**	(5,601)
Proceeds from issuance of ordinary shares		**–**	13,638
Share issue expense		**–**	(1,332)
Dual listing expenses paid		**–**	(2,067)
Capital contribution from non-controlling shareholders		**2**	274
Interest expense paid		**(1,410)**	(817)
Dividends paid		**–**	(798)
Net cash generated from financing activities		**21,841**	7,089
Net increase in cash and cash equivalents		**573**	5,829
Cash and cash equivalents at beginning of the year		**20,667**	14,885
Exchange gains/(losses) on cash and cash equivalents		**60**	(47)
Cash and cash equivalents at end of the year		**21,300**	20,667

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Note	2019 S$'000	2018 S$'000
		Year ended 30 September	
Cash and cash equivalents comprise:			
Cash and bank balance	28	**18,218**	15,319
Fixed deposits	29	**9,135**	10,029
		27,353	25,348
Less: Pledged fixed deposits that mature within one year	29	**(6,053)**	(4,681)
		21,300	20,667

Reconciliation of liabilities arising from financing activities

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

	1 October 2018 S$'000	Net of receipts and payments S$'000	Non-cash changes S$'000 Acquire by mean of hire purchase	Capitalised of borrowings interest	Accrued Interest expense	Currency translation	30 September 2019 S$'000
Bank borrowings	21,374	25,504	–	111	1,151	3	48,143
Finance lease	4,586	(2,293)	3,161	–	181	(2)	5,633

NOTES TO THE FINANCIAL STATEMENTS

1 GENERAL INFORMATION

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2.1 Basis of preparation

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

Adoption of SFRS(I)

As required by the listing requirements of the Singapore Exchange, the Group has adopted SFRS(I) on 1 October 2018. These financial statements for the year ended 30 September 2019 are the first set of financial statements the Group prepared in accordance with SFRS(I). The Group's previously issued financial statements for periods up to and including the financial year ended 30 September 2018 are prepared in accordance with IFRS, including International Accounting Standards ("IAS") and Interpretations adopted by the International Accounting Standards Board.

For the purpose of SFRS(I), financial statements that have been prepared in accordance and complied with IFRS are deemed to have also complied with SFRS(I). SFRS(I) comprise standards and interpretations that are equivalent to IFRS. All references to SFRS(I) and IFRS are referred to collectively as "IFRS" in these financial statements, unless specified otherwise.

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

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

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

Adoption of IFRS 15 Revenue from Contracts with Customers

The Group has adopted the new standard using the modified retrospective approach with the cumulative impact of the adoption recognised in the opening retained earnings at 1 October 2018. Comparative information for 2017 are not restated.

The accounting policies for revenue from contracts with customers under IFRS 15 are disclosed in Note 2.23.

There is no material impact from the adoption of IFRS 15.

NOTES TO THE FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.1 Basis of preparation (Cont'd)

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

(i) Equity investments reclassified from Financial assets, available-for-sale to Financial assets, at Fair value through other comprehensive income.

The Group has elected to recognised changes in fair values of all its equity investments not held for trading and previously classified as Financial assets, available-for-sale in other comprehensive income. As a result, "Financial assets, available-for-sale" of S$138,000 were reclassified to "Financial assets at FVOCI" on 1 October 2018.

(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 measured at amortised cost;

– Trade and other receivables and contract assets recognised under IFRS 15; and

– Loan to related parties at amortised cost.

The impairment methodology for each of these classes of financial assets is as disclosed in Note 2.11.

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.1 Basis of preparation (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:

		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	ii
IFRS 3 (amendments)	Business combinations (Definition of a business)	1 January 2020	iii

Note i:

IFRS 16 Leases (effective for annual periods beginning on or after 1 January 2019) will result in almost all leases being recognised on the balance sheet, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases.

The Group will apply the standard from its mandatory adoption date of 1 October 2019. As at 1 October 2019, the Group expects to recognise right-of-use assets and lease liabilities for the leases previously classified as operating leases.

The effects of adoption of IFRS 16 on the Group's financial statements as at 1 October 2019 are as follows approximately:

	As at 30 September 2019 S$'000	Effects of adoption of IFRS 16 S$'000	As at 1 October 2019 S$'000
Investment properties (right-of-use assets)	–	102,000	102,000
Property, plant and equipment (right-of-use assets)	–	2,000	2,000
Lease liabilities – current	–	31,000	31,000
Lease liabilities – non-current	–	79,000	79,000

Note ii:

IFRIC 23 Uncertainty Over Income Tax Treatments (effective for annual periods beginning on or after 1 January 2019). The interpretation explains how to recognise and measure deferred and current income tax assets and liabilities where there is uncertainty over a tax treatment. In particular, it discusses:

(i) how to determine the appropriate unit of account, and that each uncertain tax treatment should be considered separately or together as a group, depending on which approach better predicts the resolution of the uncertainty;

(ii) that the entity should assume a tax authority will examine the uncertain tax treatments and have full knowledge of all related information, i.e. that detection risk should be ignored;

(iii) that the entity should reflect the effect of the uncertainty in its income tax accounting when it is not probable that the tax authorities will accept the treatment;

(iv) that the impact of the uncertainty should be measured using either the most likely amount or the expected value method, depending on which method better predicts the resolution of the uncertainty; and

(v) that the judgements and estimates made must be reassessed whenever circumstances have changed or there is new information that affects the judgements.

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

NOTES TO THE FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.1 Basis of preparation (Cont'd)

Note iii:

Amendments to IFRS 3 Business Combinations (effective for annual periods beginning on or after 1 January 2020). The amendments provide new guidance on the assessment of whether an acquisition meets the definition of a business under IFRS 3. To be considered a business, an acquisition would have to include an output and a substantive process that together significantly contribute to the ability to create outputs. A framework is introduced to evaluate when an input and substantive process are present. To be a business without outputs, there will now need to be an organised workforce. The definition of the term 'outputs' is narrowed to focus on goods and services provided to customers, generating investment income and other income, and it excludes returns in the form of lower costs and other economic benefits. It is also no longer necessary to assess whether market participants are capable of replacing missing elements or integrating the acquired activities and assets. Entities can apply a 'concentration test' that, if met, eliminates the need for further assessment. Under this optional test, where substantially all of the fair value of gross assets acquired is concentrated in a single asset (or a group of similar assets), the assets acquired would not represent a business. These amendments are applied to business combinations and asset acquisitions with acquisition date on or after 1 January 2020. Early application is permitted. The Group does not expect any significant impact be recognised arising from applying these amendments.

2.2 Group accounting

2.2.1 Subsidiaries

(a) Consolidation

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

In preparing the consolidated financial statements, transactions, balances and unrealised gains on transactions between group entities are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment indicator of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests comprise the portion of a subsidiary's net results of operations and its net assets, which is attributable to the interests that are not owned directly or indirectly by the equity holders of the Company. They are shown separately in the consolidated statement of comprehensive income, statement of changes in equity, and balance sheet. Total comprehensive income is attributed to the non-controlling interests based on their respective interests in a subsidiary, even if this results in the non-controlling interests having a deficit balance.

(b) Acquisitions

The Group applies the acquisition method to account for business combinations entered by the Group. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred also includes any contingent consideration arrangement and any pre-existing equity interest in the subsidiary measured at their fair values at the acquisition date.

Acquisition-related costs are expensed as incurred.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.2 Group accounting (Cont'd)

2.2.1 Subsidiaries (Cont'd)

(b) Acquisitions (Cont'd)

On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree at the date of acquisition either at fair value or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets.

The excess of (a) the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the (b) fair value of the identifiable net assets acquired is recorded as goodwill.

(c) Disposal of subsidiaries

When a change in the Group's ownership interest in a subsidiary results in a loss of control over the subsidiary, the assets and liabilities of the subsidiary including any goodwill are derecognised. Amounts previously recognised in other comprehensive income in respect of that entity are also reclassified to profit or loss or transferred directly to retained earnings if required by a specific Standard.

Any retained equity interest in the entity is remeasured at fair value. The difference between the carrying amount of the retained interest at the date when control is lost and its fair value is recognised in profit or loss.

Please refer to the paragraph "Investment in subsidiaries, Investment in associates, and Joint arrangements" for the accounting policy on investments in subsidiaries in the separate financial statements of the Company.

(d) Transactions with non-controlling interests

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

2.3 Foreign currency translation

(a) Functional and presentation currency

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

(b) Transactions and balances

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

NOTES TO THE FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.3 Foreign currency translation (Cont'd)

(b) Transactions and balances (Cont'd)

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

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

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

(c) Translation of Group entities' financial statement

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

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

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

(iii) all resulting currency translation differences are recognised in other comprehensive income and accumulated in the currency translation reserve. These currency translation differences are reclassified to profit or loss on disposal or partial disposal with loss of control of the foreign operation.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and are translated at the closing rate at the reporting date.

2.4 Property, plant and equipment

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

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.4 Property, plant and equipment (Cont'd)

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

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

No depreciation is provided for construction-in-progress.

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

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

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

2.5 Investment properties

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

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

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

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

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

2.6 Intangible assets

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

NOTES TO THE FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.7 Investment in subsidiaries

In the Company's separate financial statements, investments in subsidiaries are stated at cost less accumulated impairment losses on an individual subsidiary basis. On disposal of such investments, the difference between disposal proceeds and the carrying amounts of the investments are recognised in profit or loss.

2.8 Investment in associates

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

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

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

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

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

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

2.9 Joint arrangements

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

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.10 Impairment of non-financial assets

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

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

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

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

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

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

2.11 Financial assets

The accounting for financial assets before 1 October 2018 are as follows:

(a) Classification

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

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are presented as current assets, except for those expected to be realised later than 12 months after the balance sheet date which are presented as non-current assets. Loans and receivables comprise "trade and other receivables" (Note 25), "cash and bank balances" (Note 28), "fixed deposits" (Note 29) and loans to joint ventures (Note 40b) in the consolidated statements of financial position.

Financial assets, available-for-sale are non-derivatives that are either designated in this category or not classified in any of the other categories. They are presented as non-current assets unless the investment matures or management intends to dispose of the assets within 12 months after the balance sheet date.

(b) Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on the trade-date – the date on which the Group commits to purchase or sell the asset.

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. On disposal of a financial asset, the difference between the carrying amount and the sale proceeds is recognised in profit or loss. Any amount previously recognised in other comprehensive income relating to that asset is reclassified to profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.11 Financial assets (Cont'd)

(c) Initial measurement

Financial assets are initially recognised at fair value plus transaction costs except for financial assets at fair value through profit or loss, which are recognised at fair value. Transaction costs for financial assets at fair value through profit or loss are recognised immediately as expenses.

(d) Subsequent measurement

Financial assets, available-for-sale are subsequently carried at fair value. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

Changes in the fair values of financial assets at fair value through profit or loss including the effects of currency translation, interest and dividends, are recognised in profit or loss when the changes arise.

Interest and dividend income on available-for-sale financial assets are recognised separately in income. Changes in the fair values of available-for-sale debt securities (i.e. monetary items) denominated in foreign currencies are analysed into currency translation differences on the amortised cost of the securities and other changes; the currency translation differences are recognised in profit or loss and the other changes are recognised in other comprehensive income and accumulated in the fair value reserve. Changes in the fair values of available-for-sale equity securities (i.e. non-monetary items) are recognised in other comprehensive income and accumulated in the fair value reserve, together with the related currency translation differences.

(e) Impairment of financial assets

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a Group of financial assets is impaired and recognises an allowance for impairment when such evidence exists.

(i) Loans and receivables

Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy and default or significant delay in payments are objective evidence that these financial assets are impaired.

The carrying amount of these assets is reduced through the use of an impairment allowance account, which is calculated as the difference between the carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. When the asset becomes uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are recognised against the same line item in profit or loss.

The impairment allowance is reduced through profit or loss in a subsequent period when the amount of impairment loss decreases and the related decrease can be objectively measured. The carrying amount of the asset previously impaired is increased to the extent that the new carrying amount does not exceed the amortised cost had no impairment been recognised in prior periods.

(ii) Financial assets, available-for-sale

In addition to the objective evidence of impairment described in Note 2.11(e)(i), a significant or prolonged decline in the fair value of an equity security below its cost is considered as an indicator that the available-for-sale financial asset is impaired.

If there is an objective evidence of impairment, the cumulative loss that had been recognised in other comprehensive income is reclassified from equity to profit or loss. The amount of cumulative loss that is reclassified is measured as the difference between the acquisition cost (net of any principal repayment and amortisation) and current fair value, less any impairment loss on that financial asset previously recognised in profit or loss. The impairment losses recognised as an expense for an equity security are not reversed through profit or loss in subsequent period.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.11 Financial assets (Cont'd)

The accounting for financial assets from 1 October 2018 are as follows:

(f) Classification and measurement

The Group classifies its financial assets in the following measurement categories:

- Amortised cost; and
- Fair value through other comprehensive income (FVOCI).

The classification depends on the Group's business model for managing the financial assets as well as the contractual terms of the cash flows of the financial asset.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

The Group reclassifies debt instruments when and only when its business model for managing those assets changes.

At initial recognition

At initial recognition, the Group measures a financial asset at its fair value plus transaction costs that are directly attributable to the acquisition of the financial asset.

At subsequent measurement

(i) Debt instruments

Debt instruments mainly comprise of cash and cash equivalents, trade and other receivables and loans to joint ventures.

Amortised cost: Debt instruments that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. A gain or loss on a debt instrument that is subsequently measured at amortised cost and is not part of a hedging relationship is recognised in profit or loss when the asset is derecognised or impaired. Interest income from these financial assets is included in interest income using the effective interest rate method.

(ii) Equity investments

The Group subsequently measures all its equity investments at their fair values. Equity investments are classified as FVPL with movements in their fair values recognised in profit or loss in the period in which the changes arise and presented in "other gains and losses", except for those equity securities which are not held for trading. The Group has elected to recognise changes in fair value of equity securities not held for trading in other comprehensive income as these are strategic investments and the Group considers this to be more relevant. Movements in fair values of investments classified as FVOCI are presented as "fair value gains/losses" in Other Comprehensive Income. Dividends from equity investments are recognised in profit or loss as "dividend income".

(g) Impairment

The Group assesses on a forward looking basis the expected credit losses associated with its debt financial assets carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk. Note 3(b) details how the Group determines whether there has been a significant increase in credit risk.

For trade receivables and contract assets, the Group applies the simplified approach permitted by the IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

NOTES TO THE FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.11 Financial assets (Cont'd)

(h) Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade date – the date on which the Group commits to purchase or sell the asset.

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership.

On disposal of a debt instrument, the difference between the carrying amount and the sale proceeds is recognised in profit or loss. Any amount previously recognised in other comprehensive income relating to that asset is reclassified to profit or loss.

On disposal of an equity investment, the difference between the carrying amount and sales proceed is recognised in profit or loss if there was no election made to recognise fair value changes in other comprehensive income. If there was an election made, any difference between the carrying amount and sales proceed amount would be recognised in other comprehensive income and transferred to retained profits along with the amount previously recognised in other comprehensive income relating to that asset.

2.12 Inventories

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

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

2.13 Cash and cash equivalents

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

2.14 Share capital, treasury shares and dividends

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

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

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.15 Trade and other payables

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

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

2.16 Provisions

Provisions are recognised when the Group have a present legal or constructive obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Present obligations arising from onerous contracts are recognised as provisions. An onerous contract is considered to exist where the Group has a contract under which unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it. Provisions are not recognised for future operating losses.

The Group recognises the estimated costs of dismantlement, removal or restoration of items of property, plant and equipment arising from the acquisition or use of assets. This provision is estimated based on the best estimate of the expenditure required to settle the obligation, taking into consideration time value. Changes in the estimated timing or amount of the expenditure or discount rate for asset dismantlement, removal and restoration costs are adjusted against the cost of the related property, plant and equipment, unless the decrease in the liability exceeds the carrying amount of the asset or the asset has reached the end of its useful life. In such cases, the excess of the decrease over the carrying amount of the asset or the changes in the liability is recognised in consolidated income statement immediately.

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

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

2.17 Financial guarantees

The Group has issued corporate guarantees to banks for bank borrowings of its subsidiaries. These guarantees are financial guarantees as they require the Group to reimburse the banks if the subsidiaries fail to make principal or interest payments when due in accordance with the terms of their borrowings. Intra-Group transactions are eliminated on consolidation.

Financial guarantee contracts are initially measured at fair value plus transaction costs and subsequently measured at the higher of:

(a) premium received on initial recognition less the cumulative amount of income recognised in accordance with the principles of IFRS 15; and

(b) the amount of expected loss computed using the impairment methodology under IFRS 9.

Prior to 1 January 2018, financial guarantees were subsequently measured at the higher of (a) and the expected amounts payable to the banks in the event it is probable that the Group will reimburse the banks.

NOTES TO THE FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.18 Borrowings

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

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

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

2.19 Borrowing costs

Borrowing costs are recognised in profit or loss using the effective interest method except for those costs that are directly attributable to the construction or development of properties and assets under construction. This includes costs on borrowings acquired specifically for the construction or development of properties and assets under construction, as well as those in relation to general borrowings used to finance the construction or development of properties and assets under construction.

2.20 Current and deferred income tax

Current income tax for current and prior periods is recognised at the amount expected to be paid to or recovered from the tax authorities, using the tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions, where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognised for all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements except when the deferred income tax arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and affects neither accounting nor taxable profit or loss at the time of the transaction.

A deferred income tax liability is recognised on temporary differences arising on investments in subsidiaries, associated companies and joint ventures, except where the Group is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

A deferred income tax asset is recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences and tax losses can be utilised.

Deferred income tax is measured:

(i) at the tax rates that are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date; and

(ii) based on the tax consequence that will follow from the manner in which the Group expects, at the balance sheet date, to recover or settle the carrying amounts of its assets and liabilities except for investment properties. Investment property measured at fair value is presumed to be recovered entirely through sale.

Current and deferred income taxes are recognised as income or expense in profit or loss, except to the extent that the tax arises from a business combination or a transaction which is recognised directly in equity. Deferred tax arising from a business combination is adjusted against goodwill on acquisition.

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.21 Sales tax

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

- Where the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the sales tax is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and

- Receivables and payables that are stated with the amount of sales tax included.

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

2.22 Employee compensation

Employee benefits are recognised as an expense, unless the cost qualifies to be capitalised as an asset.

(a) Defined contribution plans

Defined contribution plans are post-employment benefit plans under which the Group pays fixed contributions into separate entities such as the Central Provident Fund on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid.

(b) Employee leave entitlements

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

2.23 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable, and represents amounts receivable for goods supplied, stated net of discounts and returns.

The Company recognises revenue when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the entity; and when specific criteria have been met for each of the Group's activities, as described below.

(a) Rental and warehousing lease income

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

(b) Car park services

Car park services from the operation of car parks is recognised as it accrued on a time apportioned basis (ie: period over time).

(c) Facilities management, logistics services and management services income

Revenue from logistics services, container services, maintenance and facility services, security services and container services fee are recognised when services are rendered (ie: point in time).

(d) Licence fee income

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

(e) Interest income

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

NOTES TO THE FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.24 Leases

(a) Where the Group is lessee

The Group leases motor vehicles and certain plant and machinery under finance leases and leased properties under operating leases from non-related parties.

(i) Finance leases

Leases where the Group assumes substantially all risks and rewards incidental to ownership of the leased assets are classified as finance leases.

The leased assets and the corresponding lease liabilities (net of finance charges) under finance leases are recognised on the balance sheet as plant and equipment and borrowings respectively, at the inception of the leases based on the lower of the fair value of the leased assets and the present value of the minimum lease payments.

Each lease payment is apportioned between the finance expense and the reduction of the outstanding lease liability. The finance expense is recognised in profit or loss on a basis that reflects a constant periodic rate of interest on the finance lease liability.

(ii) Operating leases

Leases where substantially all risks and rewards incidental to ownership are retained by the lessors are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessors) are recognised in profit or loss on a straight-line basis over the period of the lease.

Contingent rents are recognised as an expense in profit or loss when incurred.

(b) Where the Group is lessor

The Group leases investment properties under operating leases to non-related parties.

(i) Operating leases

Leases where the Group retains substantially all risks and rewards incidental to ownership are classified as operating leases. Rental income from operating leases (net of any incentives given to the lessees) is recognised in profit or loss on a straight-line basis over the lease term.

Initial direct costs incurred by the Group in negotiating and arranging operating leases are added to the carrying amount of the leased assets and recognised as an expense in profit or loss over the lease term on the same basis as the lease income.

Contingent rents are recognised as income in profit or loss when earned.

2.25 Government grants

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

Government grants receivable are recognised as income over the periods necessary to match them with the related costs which they are intended to compensate, on a systematic basis. Government grants relating to expenses are shown separately as other income.

Government grants relating to assets are deducted against the carrying amount of the assets.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.26 Operating segments

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

2.27 Share option scheme

The Group has adopted The LHN Performance Share Plan on 10 March 2015 to enable its employees to build up a stake in the Group. The Share Plan has been terminated on 17 January 2018.

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

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

3 FINANCIAL RISK MANAGEMENT

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

(a) Market risk

(i) Foreign currency risk

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

	MYR S$'000	HKD S$'000	RMB S$'000	THB S$'000	IDR S$'000	USD S$'000
At 30 September 2019						
Financial assets						
Cash and bank balances	49	1,124	832	678	952	412
Fixed deposits	–	–	–	–	–	58
Trade and other receivables	213	1,188	419	728	436	1,119
	262	2,312	1,251	1,406	1,388	1,589
Financial liabilities						
Bank borrowings	–	–	1,386	–	–	5,023
Finance lease liabilities	389	–	–	–	–	–
Trade and other payables	70	244	210	390	861	1,075
	459	244	1,596	390	861	6,098
Net currency exposure	(197)	2,068	(345)	1,016	527	(4,509)

NOTES TO THE FINANCIAL STATEMENTS

3 FINANCIAL RISK MANAGEMENT (CONT'D)

(a) Market risk (Cont'd)

(i) Foreign currency risk (Cont'd)

	MYR S$'000	HKD S$'000	RMB S$'000	THB S$'000	IDR S$'000	USD S$'000
At 30 September 2018						
Financial assets						
Cash and bank balances	182	153	12	127	482	1,074
Fixed deposits	–	–	–	–	–	14
Trade and other receivables	142	174	59	1,438	453	4,297
	324	327	71	1,565	935	5,385
Financial liabilities						
Bank borrowings	–	–	–	–	–	854
Trade and other payables	170	57	1	269	937	5,098
	170	57	1	269	937	5,952
Net currency exposure	154	270	70	1,296	(2)	(567)

Sensitivity Analysis for currency risk

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

The Group	As at 30 September 2019 S$'000	2018 S$'000
MYR against SGD		
– Strengthened	**(8)**	6
– Weakened	**8**	(6)
HKD against SGD		
– Strengthened	**86**	11
– Weakened	**(86)**	(11)
RMB against SGD		
– Strengthened	**(14)**	3
– Weakened	**14**	(3)
THB against SGD		
– Strengthened	**42**	54
– Weakened	**(42)**	(54)
IDR against SGD		
– Strengthened	**22**	–
– Weakened	**(22)**	–
USD against SGD		
– Strengthened	**(187)**	(24)
– Weakened	**187**	24

3 FINANCIAL RISK MANAGEMENT (CONT'D)

(a) Market risk (Cont'd)

(ii) Interest rate risk

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

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

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

	Within 1 year S$'000	1–5 years S$'000	More than 5 years S$'000	Total S$'000
30 September 2019				
Fixed rate				
Fixed deposits	**9,135**	**–**	**–**	**9,135**
Finance lease liabilities	**2,157**	**3,476**	**–**	**5,633**
Bank borrowings	**87**	**36**	**–**	**123**
Floating rate				
Bank borrowings	**6,922**	**18,690**	**22,408**	**48,020**
30 September 2018				
Fixed rate				
Fixed deposits	10,029	–	–	10,029
Finance lease liabilities	1,652	2,934	–	4,586
Bank borrowings	104	104	17	225
Floating rate				
Bank borrowings	4,750	8,521	7,878	21,149

Sensitivity analysis for interest rate risk

As at 30 September 2019 and 2018, if interest rates on variable rate borrowings had been increased/decreased by 100 basis points, with all other variables held constant, the Group's profit after tax for the year would have been decreased/increased by approximately S$399,000 and S$176,000, mainly as a result of higher/lower interest expense on floating rate borrowings.

The sensitivity analysis above has been determined assuming that the change in interest rate had occurred at the end of the reporting period and had been applied to the exposure to interest rate risk for the Group's floating rate borrowings in existence at that date. The 100 basis points increase or decrease represents management's assessment of a reasonably possible change in interest rates over the period until the end of the next annual reporting period. The analysis was performed on the same methodology for the financial years ended 30 September 2019 and 2018.

(b) Credit risk

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

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

NOTES TO THE FINANCIAL STATEMENTS

3 FINANCIAL RISK MANAGEMENT (CONT'D)

(b) Credit risk (Cont'd)

(i) Exposure to credit risk

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

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

	As at 30 September	
	2019	**2018**
	S$'000	**S$'000**
Hire-purchase facilities	**4,800**	4,000
Bank loan facilities	**84,500**	48,400
Banker's guarantee	**600**	2,100

As at the reporting date, the Group does not consider it probable that a claim will be made against the Group under the corporate guarantees.

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

The Group's maximum exposure to credit risk (not taking into account the value of any collateral or other security held) in the event that the counterparties fail to perform their obligations as of 30 September 2019 in relation to each class of recognised financial assets is the carrying amount of those assets as indicated in the statements of financial position. Cash is held with reputable financial institutions.

(ii) 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 Company applies the general IFRS 9 3-stage approach when determining ECL for other receivables. No additional loss allowance is recognised upon adoption of IFRS 9 as all strategies indicate that the Company could fully recover the outstanding balances.

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

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 categories 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.

3 FINANCIAL RISK MANAGEMENT (CONT'D)

(b) Credit risk (Cont'd)

(ii) Trade and other receivables (Cont'd)

The Group's credit risk exposure in relation to trade receivables as at 30 September 2019 and 1 October 2018 are set out in the provision matrix as follows:

	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
30 September 2019								
Trade receivables								
Expected loss rate	**0.1%**	**0.1%**	**0.5%**	**1.3%**	**1.5%**	**16.1%**	**90.6%**	
Gross carrying amount	**3,769**	**2,720**	**846**	**310**	**403**	**398**	**2,140**	**10,586**
Loss allowances	**5**	**4**	**4**	**4**	**6**	**64**	**1,939**	**2,026**
1 October 2018								
Trade receivables								
Expected loss rate	0.1%	0.5%	3.2%	3.5%	3.5%	18.6%	80.1%	
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

Loans to subsidiaries and staff loans are subject to immaterial credit loss.

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

	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
30 September 2018								
Trade receivables								
Gross carrying amount								
– Not past due	3,724	–	–	–	–	–	–	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
Loss: 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.

NOTES TO THE FINANCIAL STATEMENTS

3 FINANCIAL RISK MANAGEMENT (CONT'D)

(b) Credit risk (Cont'd)

(ii) Trade and other receivables (Cont'd)

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 reorganization

Financial assets that are neither past due nor impaired

Financial assets that are neither past due nor impaired are mainly deposits with banks with high credit-ratings assigned by international credit-rating agencies. Trade receivables that are neither past due nor impaired are substantially companies with a good collection track record with the Group and Company.

Other than the above, there are no credit loss allowance for other financial assets at amortised costs as at 30 September 2018.

(iii) 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 year	214	–	214
Balance as at 30 September 2019	**2,026**	**18**	**2,044**

(c) Liquidity risk

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

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

3 FINANCIAL RISK MANAGEMENT (CONT'D)

(c) Liquidity risk (Cont'd)

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

	Less than 1 year S$'000	1–5 years S$'000	More than 5 years S$'000	Total S$'000
As at 30 September 2019				
Finance lease liabilities	**2,319**	**3,632**	**–**	**5,951**
Bank borrowings	**8,587**	**24,581**	**33,810**	**66,978**
Trade and other payables	**24,668**	**–**	**34**	**24,702**
	35,574	**28,213**	**33,844**	**97,631**
As at 30 September 2018				
Finance lease liabilities	1,770	3,064	–	4,834
Bank borrowings	5,424	10,403	8,997	24,824
Trade and other payables	25,746	–	33	25,779
	32,940	13,467	9,030	55,437

(d) Capital Risk

The Group actively and regularly reviews and manages its capital structure to ensure optimal capital structure and shareholder returns, taking into consideration the future capital requirements of the Group and capital efficiency, prevailing and projected profitability, projected operating cash flows, projected capital expenditures and projected strategic investment opportunities. The Group currently does not adopt any formal dividend policy.

Gearing has a significant influence on the Group's capital structure and the Group monitors capital using a gearing ratio. The gearing ratio is calculated as net debt divided by total capital. Net debt is calculated as the sum of bank borrowings, trade and other payables and finance lease liabilities less cash and cash equivalents. Total capital is calculated as equity plus net debt.

As at 30 September 2019 and 2018, the gearing ratios are as follow:

	As at 30 September 2019 S$'000	2018 S$'000
Finance lease liabilities	**5,633**	4,586
Borrowings	**48,143**	21,374
Trade and other payables	**32,735**	32,198
Less: cash and bank balances	**(18,218)**	(15,319)
Less: fixed deposit	**(9,135)**	(10,029)
Net debt	**59,158**	32,810
Total equity	**96,880**	88,506
Total capital	**156,038**	121,316
Gearing ratio	**0.38**	0.27

NOTES TO THE FINANCIAL STATEMENTS

3 FINANCIAL RISK MANAGEMENT (CONT'D)

(e) Fair value estimation

The below presents assets and liabilities recognised and measured at fair value and classified by level of the following fair value measurement hierarchy:

(i) Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.

(ii) Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

(iii) Level 3: unobservable inputs for the asset or liability.

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

	Level 1 S$'000	Level 2 S$'000	Level 3 S$'000	Total S$'000
As at 30 September 2019				
Investment properties:				
Industrial and commercial properties	**–**	**–**	**67,309**	**67,309**
As at 30 September 2018				
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. Details of the valuation methods have been disclosed in Note 15.

Reconciliation of movements in Level 3 fair value measurement

	Investment properties S$'000	Property, plant and equipment – Industrial property S$'000
30 September 2019		
Beginning of financial year	**46,054**	**–**
Additions	**20,446**	**–**
Gain recognised in profit or loss	**480**	**–**
Currency translation	**329**	**–**
End of financial year	**67,309**	**–**
Change in unrealised gains for assets held at the end of the financial year included in profit or loss	**480**	**–**
30 September 2018		
Beginning of financial year	43,352	3,290
Transfers	3,290	(3,290)
Depreciation expenses	–	(12)
Gain recognised in profit or loss	4	–
Gain recognised in other comprehensive income	–	12
Currency translation	(592)	–
End of financial year	46,054	–
Change in unrealised gains for assets held at the end of the financial year included in profit or loss	4	–

3 FINANCIAL RISK MANAGEMENT (CONT'D)

(e) Fair value estimation (Cont'd)

Fair value measurements of investment properties and property, plant and equipment – Industrial property (Cont'd)

Valuation techniques and inputs used in Level 3 fair value measurements

The following table presents the valuation techniques and key inputs that were used to determine the fair value of investment properties and property, plant and equipment categorised under Level 3 of the fair value hierarchy:

Description	Fair value (S$'000)	Valuation technique	Unobservable inputs[a]	Range of unobservable inputs	Relationship of unobservable inputs to fair value
As at 30 September 2019					
Singapore	60,919	Direct comparison method	Transacted price of comparable properties	S$1,700 to S$12,300 per square metre	The higher the comparable value, the higher the fair value
		Discounted cash flow	Discount rate	7.25%–7.5%	The higher the rate, the lower the fair value
		Discounted cash flow	Terminal yield	5.25%–6%	The higher the rate, the lower the fair value
		Capitalisation rate	Capitalisation rate	5.0%–5.75%	The higher the rate, the lower the fair value
Indonesia	6,390	Direct comparison method	Transacted price of comparable properties	S$3,700 to S$4,150 per square metre	The higher the comparable value, the higher the fair value
	67,309				
As at 30 September 2018					
Singapore	40,000	Direct comparison method	Transacted price of comparable properties	S$2,250 to S$3,320 per square metre	The higher the comparable value, the higher the fair value
		Discounted cash flow	Discount rate	7.5%	The higher the rate, the lower the fair value
		Discounted cash flow	Terminal yield	5.75%–6%	The higher the rate, the lower the fair value
		Capitalisation rate	Capitalisation rate	5.5%–5.75%	The higher the rate, the lower the fair value
Indonesia	6,054	Direct comparison method	Transacted price of comparable properties	S$3,500 to S$3,900 per square metre	The higher the comparable value, the higher the fair value
	46,054				

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

NOTES TO THE FINANCIAL STATEMENTS

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

(a) Fair value of investment properties

The fair value of investment properties is determined by using valuation techniques. Details of the judgement and assumptions have been disclosed in Note 3(e).

(b) Depreciation of property, plant and equipment

Property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives. Management estimates the useful lives of property, plant and equipment to be within the range as indicated in the accounting policy for property, plant and equipment and depreciation. The carrying amount of the Group's property, plant and equipment as at 30 September 2019 and 2018 were S$37,435,000 and S$20,854,000 respectively. Changes in the expected level of usage and technological developments could impact the economic useful lives and the residual values of these assets, therefore future depreciation charges could be revised. If the estimated useful lives on property, plant and equipment increases/decreases by 10% from management, the Group's profit for the year ended 30 September 2019 and 2018 will increase/decrease by S$661,000 and S$585,000, respectively.

(c) Expected credit losses ("ECL")

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.

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 ECL of trade receivables, the Group 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$2,026,000.

(d) Provision of onerous contracts

A provision for onerous contract is recognised when the expected benefits to be derived by the Group from a contract are lower than the unavoidable cost of meeting its obligations under the contact. To determine the onerous lease provision, management estimated the expected rental income, discount rate, occupancy rate and the appropriate lease term over which to provide.

5 SEGMENT INFORMATION

The Group Managing Director monitors the operating results of its operating segments for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on segment results which in certain respects, set out below, are presented differently from operating profit or loss in the consolidated financial statements of the Group. The Group's reportable operating segments are as follows:

1. Industrial group
2. Commercial group
3. Residential group
4. Logistics group
5. Facilities management group

Industrial, Commercial and Residential groups form the space optimisation business.

The Group does not have a single customer whose revenue reports more than 5% of the Group's total revenue. Group taxation is managed on a group basis and is not allocated to operating segments.

Allocation basis and transfer pricing

Segment results include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly income tax expense and non-controlling interests.

Transfer prices between operating segments are on an arm's length basis in a manner similar to transactions with third parties, if any.

Sales

Sales between segments are carried out at market terms. The revenue from external parties reported to the Group Managing Director is measured in a manner consistent with that in the statement of comprehensive income.

The Group Managing Director assesses the performance of the operating segments based on the segment result, being a measure of earnings before tax, interest, finance costs, share of results of associates and joint ventures and fair value gain or loss on investment properties from continuing operations.

Segment assets and liabilities

The amounts reported to the Group Managing Director with respect to the total assets and liabilities are measured in a manner consistent with that of the financial statements. Segment assets and liabilities include, investment properties, property, plant and equipment, other asset, bank borrowings and finance lease liabilities that are directly attributable to a segment as well as items that can be allocated on a reasonable basis.

5 SEGMENT INFORMATION (CONT'D)

Segment assets and liabilities (Cont'd)

Segment breakdown for year ended 30 September 2019 are as follows:

	Industrial S$'000	Commercial S$'000	Residential S$'000	Logistics S$'000	Facilities management S$'000	Corporate and eliminations S$'000	Consolidated S$'000
Sales							
Total segment sales	41,842	22,298	5,319	27,498	22,165	12,871	131,993
Inter-segment sales	(2,603)	(1,066)	–	(2,561)	(1,798)	(12,871)	(20,899)
Sales to external parties	39,239	21,232	5,319	24,937	20,367	–	111,094
Segment results	(2,208)	1,564	(1,879)	4,701	2,525	548	5,251
Fair value gain on investment properties	473	7	–	–	–	–	480
Finance cost	(808)	(43)	(205)	(171)	(36)	(69)	(1,332)
	(2,543)	1,528	(2,084)	4,530	2,489	479	4,399
Share of results of associates and joint venture	601	–	–	508	3,418	–	4,527
Profit before taxation	(1,942)	1,528	(2,084)	5,038	5,907	479	8,926
Taxation							(203)
Net profit after taxation							8,723
Non-controlling interests							(537)
Net profit attributable to equity holders of the Company							8,186
Segment assets	69,543	11,446	33,686	15,408	3,676	1,275	135,034
Investment in associates	–	–	–	306	–	–	306
Investment in joint ventures	12,522	–	–	–	4,693	–	17,215
Total segment assets							152,555
Total segment liabilities	41,617	8,207	21,383	8,505	4,064	2,735	86,511
Capital expenditure	22,158	679	20,011	4,937	490	181	48,456
Depreciation of property, plant and equipment	1,586	1,069	918	1,760	818	454	6,605

5 SEGMENT INFORMATION (CONT'D)

Segment assets and liabilities (Cont'd)

Segment breakdown for year ended 30 September 2018 are as follows:

	Industrial S$'000	Commercial S$'000	Residential S$'000	Logistics S$'000	Facilities management S$'000	Corporate and eliminations S$'000	Consolidated S$'000
Sales							
Total segment sales	41,839	26,115	2,133	25,477	21,636	13,611	130,811
Inter-segment sales	(1,341)	(1,145)	–	(3,273)	(2,156)	(13,611)	(21,526)
Sales to external parties	40,498	24,970	2,133	22,204	19,480	–	109,285
Segment results	(211)	1,773	978	3,902	(67)	(1,300)	5,075
Fair value gain on investment properties	–	4	–	–	–	–	4
Finance cost	(612)	(27)	(2)	(146)	(21)	(19)	(827)
	(823)	1,750	976	3,756	(88)	(1,319)	4,252
Share of results of associates and joint venture	599	–	–	219	1,136	–	1,954
Profit before taxation	(224)	1,750	976	3,975	1,048	(1,319)	6,206
Taxation							(436)
Net profit after taxation							5,770
Non-controlling interests							(363)
Net profit attributable to equity holders of the Company							5,407
Segment assets	*48,230	*15,682	*12,706	*11,232	*3,964	*1,290	93,104
Investment in associates	–	–	–	239	38	–	277
Investment in joint ventures	11,891	–	–	–	1,274	–	13,165
Total segment assets							106,546
Total segment liabilities	*30,316	*8,720	*5,960	*7,582	*4,107	*1,473	58,158
Capital expenditure	1,020	1,880	9,828	1,705	1,366	284	16,083
Depreciation of property, plant and equipment	1,535	1,505	173	1,434	814	390	5,851

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

NOTES TO THE FINANCIAL STATEMENTS

5 SEGMENT INFORMATION (CONT'D)

Reconciliation of segments' total assets and total liabilities

	As at 30 September	
	2019	2018
	S$'000	S$'000
Reportable segments' assets are reconciled to total assets:		
Segment assets	**152,555**	106,546
Deferred tax assets	**341**	476
Long-term prepayment	**322**	396
Intangible assets	**108**	176
Financial assets, available for sale	**–**	138
Financial assets, at FVOCI	**492**	–
Inventories	**3**	46
Loans to joint ventures	**2,432**	12,557
Prepayment	**3,338**	2,468
Cash and bank balances	**18,218**	15,319
Fixed deposits	**9,135**	10,029
Total assets	**186,944**	148,151
Reportable segments' liabilities are reconciled to total liabilities:		
Segment liabilities	**86,511**	58,158
Provisions	**2,557**	450
Current income tax liabilities	**463**	675
Deferred tax liabilities	**533**	362
Total liabilities	**90,064**	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 provided:

	Revenue from external customers Year ended 30 September	
	2019	2018
	S$'000	S$'000
Singapore	**103,221**	99,148
Hong Kong	**1,026**	363
Indonesia	**1,209**	1,359
Thailand	**4,039**	2,763
Cambodia	**–**	4,472
Myanmar	**815**	873
Other countries	**784**	307
	111,094	109,285

5 SEGMENT INFORMATION (CONT'D)

Reconciliation of segments' total assets and total liabilities (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 geographical location of customers:

	Non-current assets As at 30 September	
	2019	**2018**
	S$'000	**S$'000**
Singapore	**106,663**	70,582
Hong Kong	**76**	19
Indonesia	**6,787**	6,677
Thailand	**1,330**	143
Cambodia	**12,771**	7,690
Myanmar	**5,268**	3,214
Other countries	**3,001**	425
	135,896	88,750

6 REVENUE

	Year ended 30 September	
	2019	**2018**
	S$'000	**S$'000**
Rental and warehousing lease income	**58,886**	56,657
Car park services	**15,402**	12,522
Logistics services		
– Trucking services	**11,116**	10,258
– Storage services	**2,941**	2,935
– Container repair services	**3,021**	2,596
– Logistics management	**7,859**	6,414
Facilities services	**10,603**	12,223
Licence fee	**78**	3,926
Management services fee income	**889**	718
Others	**299**	1,036
	111,094	109,285
Timing of revenue recognition:		
At a point in time	**28,941**	26,894
Period over time	**82,153**	82,391
	111,094	109,285

(i) Revenue recognized in relation to contract liabilities

	Year ended 30 September	
	2019	**2018**
	S$'000	**S$'000**
Revenue recognized in current period that was included in the contract liability balance at the beginning of the period:		
– Advance received from customers	**2,023**	1,675

NOTES TO THE FINANCIAL STATEMENTS

6 REVENUE (CONT'D)

(ii) Unsatisfied performance obligation

As at reporting date, the Group has an aggregate amount of $80,385,000 (2018:$53,957,000) transactions that are partially or fully unsatisfied as at 30 September 2019. Please refer to Note 39(C) for further information on the operating lease commitments the Group has committed as a lessor.

7 OTHER INCOME

	Year ended 30 September	
	2019	**2018**
	S$'000	**S$'000**
Handling charges	**269**	290
Gain on disposal of property, plant and equipment	**83**	378
Interest income	**289**	447
Vehicle related income	**302**	397
Government grants	**127**	371
Wage credit scheme and special employment credit*	**284**	374
Waiver of debt from a director of subsidiaries	**–**	73
Forfeiture of tenant deposit	**148**	158
Foreign exchange gain	**660**	–
Services charges	**230**	180
Rubbish disposal	**–**	2
Miscellaneous charge to tenant	**190**	221
Sales of contract from security services	**1,427**	–
Other income	**1,003**	767
	5,012	3,658

* Wages credit scheme and special employment credit are incentives introduced by the Singapore Government to help business alleviate business costs in a tight labour market and to support business investments. These incentives are in the form of cash payout.

8 OTHER OPERATING EXPENSES

	Year ended 30 September	
	2019	**2018**
	S$'000	**S$'000**
Bad debts expenses	**19**	29
Impairment loss on trade receivables *(Note 25)*	**220**	726
Provision for onerous contract	**1,430**	–
Other expenses	**18**	–
Foreign exchange loss	**–**	534
	1,687	1,289

9 EXPENSES BY NATURE

	Year ended 30 September	
	2019	**2018**
	S$'000	**S$'000**
Advertising expenses	**382**	407
Commission fees	**1,212**	937
Entertainment expenses	**220**	212
Marketing expenses	**6**	57
Transportation costs	**1,884**	1,852
Container depot management charges	**2,568**	2,409
Rental expenses	**59,275**	55,858
Upkeep and maintenance costs	**9,380**	7,919
Consultancy fees	**4**	133
Depreciation of property, plant and equipment	**6,605**	5,851
Amortisation of intangible assets	**68**	29
Write-off of property, plant and equipment	**14**	14
Listing expenses in relation to the Dual Listing*	**–**	1,842
Professional fees	**1,019**	861
Vehicle-related expenses	**110**	75
Employee benefit costs *(Note 10)*	**21,246**	23,942
Insurance fees	**538**	564
IT Maintenance expenses	**450**	426
Printing expenses	**185**	160
Property management fees	**434**	–
Telephone expenses	**332**	317
Auditor's remuneration		
– Audit services	**310**	259
– Non-audit services	**–**	233
Other expenses	**2,926**	2,222
	109,168	106,579

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

10 EMPLOYEE BENEFIT COSTS – INCLUDING DIRECTORS' EMOLUMENTS

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

	Year ended 30 September	
	2019	**2018**
	S$'000	**S$'000**
Wages, salaries and allowances	**19,520**	21,881
Retirement benefit costs – defined contribution plans	**1,528**	1,881
Directors' fees	**198**	180
	21,246	23,942

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

	Year ended 30 September	
	2019	**2018**
	S$'000	**S$'000**
Cost of sales	**10,110**	12,221
Administrative expenses	**11,136**	11,721
	21,246	23,942

NOTES TO THE FINANCIAL STATEMENTS

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

(b) Directors' emoluments

The remuneration of every director for the year ended 30 September 2019 is set out below:

Name of director	Fees S$'000	Salaries, allowances and benefits in kind S$'000	Employer's contribution to defined contribution plans S$'000	Other benefits S$'000	Total S$'000
Executive directors					
Kelvin Lim[1]	**–**	**936**	**17**	**26**	**979**
Jess Lim[2]	**–**	**384**	**17**	**–**	**401**
Independent non-executive directors					
Ch'ng Li-Ling[3]	**64**	**2**	**–**	**–**	**66**
Eddie Yong[4]	**60**	**2**	**–**	**–**	**62**
Chan Ka Leung Gary[5]	**68**	**2**	**–**	**–**	**70**
	192	**1,326**	**34**	**26**	**1,578**

The remuneration of every director for the year ended 30 September 2018 is set out below:

Name of director	Fees S$'000	Salaries, allowances and benefits in kind S$'000	Employer's contribution to defined contribution plans S$'000	Other benefits S$'000	Total S$'000
Executive directors					
Kelvin Lim[1]	–	822	17	8	847
Jess Lim[2]	–	336	17	–	353
Independent non-executive directors					
Ch'ng Li-Ling[3]	56	3	–	–	59
Eddie Yong[4]	52	5	–	–	57
Chan Ka Leung Gary[5]	60	3	–	–	63
	168	1,169	34	8	1,379

1 Kelvin Lim is the Group's Executive Chairman and Group Managing Director. He was appointed to the Board on 10 July 2014.
2 Jess Lim is the Group's Executive Director and Group Deputy Managing Director. She was appointed to the Board on 10 July 2014.
3 Ch'ng Li-Ling is a Lead Independent Director of the Group. She was appointed to the Board on 10 March 2015.
4 Eddie Yong is an Independent Director of the Group. He was appointed to the Board on 10 March 2015.
5 Chan Ka Leung Gary was appointed as an Independent Director on 5 June 2017.

During the financial years ended 30 September 2019 and 30 September 2018, none of the directors of the Company waived any emoluments paid or payable by the Group companies and no emoluments were paid by the Group to the directors as an inducement to join or upon joining the Group or as compensation for loss of office.

(i) Directors' retirement benefits

Save as disclosed above under the employer's contribution to defined contribution plans, there were no other retirement benefits paid to or receivable by any directors in respect of their other services in connection with the management of the affairs of the Company or its subsidiaries undertaking during the financial years ended 30 September 2019 and 2018.

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

(b) Directors' emoluments (Cont'd)

(ii) Directors' termination benefits

No payment was made to directors as compensation for the early termination of the appointment during the financial years ended 30 September 2019 and 2018.

(iii) Consideration provided to third parties for making available directors' services

No payment was made to the former employer of directors for making available the services of them as a director of the Company during the financial years ended 30 September 2019 and 2018.

(iv) Information about loans, quasi-loans and other dealings in favour of directors, controlled bodies corporate by and connected entities with such directors

There are no loans, quasi-loans and other dealings in favour of directors, controlled bodies corporate by and connected entities with such directors during the financial years ended 30 September 2019 and 2018.

(v) Directors' material interests in transactions, arrangements or contracts

No significant transactions, arrangements and contracts in relation to the Company's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the financial years ended 30 September 2019 and 2018.

(c) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the years ended 30 September 2019 and 2018 include two directors, respectively whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining three individuals during the years ended 30 September 2019 and 2018, respectively are as follows:

	Year ended 30 September	
	2019	**2018**
	S$'000	**S$'000**
Wages, salaries and allowances	**947**	1,299
Retirement benefit costs – defined contribution plans	**51**	52
	998	1,351

The emoluments of above individuals are within the following band:

	Number of individuals Year ended 30 September	
	2019	**2018**
Emoluments band		
HK$1,000,001–HK$1,500,000	**–**	–
HK$1,500,001–HK$2,000,000	**2**	–
HK$2,000,000–HK$2,500,000	**1**	2
HK$3,000,001–HK$3,500,000	**–**	1

NOTES TO THE FINANCIAL STATEMENTS

11 FINANCE COST – NET

	Year ended 30 September	
	2019	2018
	S$'000	S$'000
Interest expense on borrowings	**1,151**	679
Interest expense on finance leases	**181**	148
Finance cost – net	**1,332**	827

12 INCOME TAX EXPENSE

Tax has been provided at the applicable tax rate on the estimated assessable profit during the financial years.

The amount of income tax expense (credited)/charged to the consolidated statements of profit or loss represents:

	Year ended 30 September	
	2019	2018
	S$'000	S$'000
Current income tax	**665**	241
Deferred income tax *(Note 23)*	**331**	283
	996	524
(Over)/under-provision in respect of prior years		
– current taxation	**(768)**	(120)
– deferred taxation *(Note 23)*	**(25)**	32
Income tax expense	**203**	436

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

	Year ended 30 September	
	2019	2018
	S$'000	S$'000
Profit before tax	**8,926**	6,206
Tax calculated at rate of 17%	**1,517**	1,055
Tax effect of:		
– expenses not deductible for tax purposes	**475**	902
– non-taxable income	**(1,258)**	(389)
Group relief utilised in respect of prior years	**–**	(1,256)
Enhanced PIC deduction	**(173)**	(247)
Deferred tax assets on temporary differences not recognised	**569**	681
Effect of different tax rates in different jurisdictions	**135**	104
Singapore statutory income exemption	**(257)**	(328)
Over provision of current and deferred taxation in respect of prior years	**(793)**	(88)
Others	**(12)**	2
Income tax expense	**203**	436

Subject to agreement with Singapore Tax Authority, as at 30 September 2019 and 2018, the Group has unutilised tax losses of S$1,384,000 and S$3,685,000 respectively and unabsorbed capital allowances of S$75,000 and S$1,230,000 respectively, which are available for offsetting against future taxable profits provided that the provision of tax legislation are complied with. The related tax benefits of S$248,000 and S$836,000 have not been recognised in the financial statements of the Group as at 30 September 2019 and 2018 as there is no reasonable certainty of their realisation in future periods.

The Group is not exposed to any significant deferred tax on foreign subsidiaries in Indonesia, Thailand and Myanmar as the business relates mainly to owning of investment properties and provision of container depot services respectively.

13 EARNINGS PER SHARE

Basic earnings per share are calculated by dividing the profit of the Group attributable to equity holders of the Company by the weighted average number of ordinary shares deemed to be in issue during each of the years ended 30 September 2019 and 2018:

	Year ended 30 September	
	2019	**2018**
	S$'000	**S$'000**
Net profit attributable to equity holders of the Company	**8,186**	5,407
Weighted average number of ordinary shares ('000)	**402,445**	392,204
Basic earnings per share (cents)	**2.03**	1.38

Diluted earnings per share is the same as the basic earnings per share as there were no potential dilutive ordinary shares outstanding during the financial years ended 30 September 2019 and 2018.

	Year ended 30 September	
	2019	**2018**
Ordinary shares	**No of ordinary shares ('000)**	**No of ordinary shares ('000)**
Shares issued at beginning of the year	**402,445**	360,445
Effect of new shares issued pursuant to Dual Listing	**–**	31,759
Weighted average number of ordinary shares for basic earnings per share	**402,445**	392,204

NOTES TO THE FINANCIAL STATEMENTS

14 PROPERTY, PLANT AND EQUIPMENT

	Leasehold buildings S$'000	Renovation works S$'000	Construction-in-progress S$'000	Plant and machinery S$'000	Furniture and fittings S$'000	Office equipment S$'000	Logistics equipment S$'000	Motor vehicles S$'000	Computers S$'000	Containers S$'000	Total S$'000
Cost or valuation											
As at 1 October 2018	–	25,470	3,493	7,519	2,882	1,314	8,818	785	3,271	97	53,649
Additions	–	12,878	2,868	1,878	3,192	190	1,118	577	431	11	23,143
Transfer	–	3,513	(3,570)	–	57	–	–	–	–	–	–
Written off	–	(427)	–	–	(34)	(16)	(33)	–	(21)	–	(531)
Disposals	–	–	–	(11)	–	(23)	–	–	(14)	–	(48)
Currency translation	–	168	(69)	2	10	7	–	(3)	13	*	128
As at 30 September 2019	–	41,602	2,722	9,388	6,107	1,472	9,903	1,359	3,680	108	76,341
Representing:											
Cost	–	41,602	2,722	9,388	6,107	1,472	9,903	1,359	3,680	108	76,341
Accumulated depreciation and impairment losses											
As at 1 October 2018	–	(18,507)	–	(4,190)	(1,439)	(719)	(5,087)	(422)	(2,365)	(66)	(32,795)
Depreciation for the year	–	(3,309)	–	(1,004)	(343)	(261)	(939)	(152)	(584)	(13)	(6,605)
Written off	–	422	–	–	24	17	33	–	21	–	517
Disposals	–	–	–	11	–	11	–	–	13	–	35
Currency translation	–	(38)	–	*	(3)	(5)	–	*	(12)	*	(58)
As at 30 September 2019	–	(21,432)	–	(5,183)	(1,761)	(957)	(5,993)	(574)	(2,927)	(79)	(38,906)
Net book value											
As at 30 September 2019	**–**	**20,170**	**2,722**	**4,205**	**4,346**	**515**	**3,910**	**785**	**753**	**29**	**37,435**

14 PROPERTY, PLANT AND EQUIPMENT (CONT'D)

	Leasehold buildings S$'000	Renovation works S$'000	Construction-in-progress S$'000	Plant and machinery S$'000	Furniture and fittings S$'000	Office equipment S$'000	Logistics equipment S$'000	Motor vehicles S$'000	Computers S$'000	Containers S$'000	Total S$'000
Cost or valuation											
As at 1 October 2017	3,290	24,680	434	8,673	2,675	1,360	7,724	578	2,995	91	52,500
Additions	–	763	4,217	1,442	200	112	1,099	233	321	6	8,393
Transfer	–	1,020	(1,157)	80	33	3	–	–	21	–	–
Written off	–	(834)	–	(106)	(18)	(148)	–	(1)	(50)	–	(1,157)
Disposals	–	(80)	–	(2,571)	–	(4)	(5)	(21)	–	–	(2,681)
Transfer to investment properties *(Note 15)*	(3,290)	–	–	–	–	–	–	–	–	–	(3,290)
Currency translation	–	(79)	(1)	1	(8)	(9)	–	(4)	(16)	*	(116)
As at 30 September 2018	–	25,470	3,493	7,519	2,882	1,314	8,818	785	3,271	97	53,649
Representing:											
Cost	–	25,470	3,493	7,519	2,882	1,314	8,818	785	3,271	97	53,649
Accumulated depreciation and impairment losses											
As at 1 October 2017	–	(16,562)	–	(5,793)	(1,197)	(607)	(4,233)	(353)	(1,905)	(56)	(30,706)
Depreciation for the year	(12)	(2,889)	–	(947)	(255)	(266)	(859)	(89)	(524)	(10)	(5,851)
Written off	–	832	–	99	13	148	–	1	50	–	1,143
Disposals	–	80	–	2,450	–	4	5	17	–	–	2,556
Adjustment arising from revaluation	12	–	–	–	–	–	–	–	–	–	12
Currency translation	–	32	–	1	*	2	–	2	14	*	51
As at 30 September 2018	–	(18,507)	–	(4,190)	(1,439)	(719)	(5,087)	(422)	(2,365)	(66)	(32,795)
Net book value											
As at 30 September 2018	**–**	**6,963**	**3,493**	**3,329**	**1,443**	**595**	**3,731**	**363**	**906**	**31**	**20,854**

* Amounts are less than S$500

During the financial years ended 30 September 2019 and 2018, all the depreciation expense is charged to administrative expense in the consolidated statements of profit and loss.

NOTES TO THE FINANCIAL STATEMENTS

14 PROPERTY, PLANT AND EQUIPMENT (CONT'D)

Included within additions in the Financial statements are plant and machinery and logistics equipment acquired under finance leases are as follows:

	Year ended 30 September	
	2019	**2018**
	S$'000	**S$'000**
Plant and machinery	–	419
Logistics equipment	**3,161**	875
	3,161	1,294

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

	As at 30 September	
	2019	**2018**
	S$'000	**S$'000**
At net book value		
Plant and machinery	**3,221**	2,060
Office equipment	**6**	–
Logistics equipment	**3,849**	3,537
Motor vehicles	**21**	46
	7,097	5,643

The leasehold building of the Group were valued by independent professional valuers based on the properties' highest-and-best-use using direct market comparison method and discounted cash flow approach at the balance sheet dates. These are regarded as level 3 fair values. A description of the valuation techniques and valuation processes of the Group are disclosed in Note 3(e).

The direct comparison method involves the analysis of comparable sales of similar properties and adjusting the sale prices to that reflect of the leasehold building.

At the end of each financial periods, the Group assesses the property valuation movements when compared to prior year valuation report.

Changes in Level 2 and 3 fair values are analysed at each reporting date during Audit Committee Meetings.

Further details of fair value measurement are disclosed in Note 3(e).

15 INVESTMENT PROPERTIES

Investment properties are carried at fair values at the end of reporting period as determined by independent professional valuers. Valuations are made at least annually based on the properties' highest-and-best-use using the Direct Market Comparison Method, discounted cash flow approach and income capitalization method in determining the open market values.

The Direct Market Comparison method involves the analysis of comparable sales of similar properties and adjusting the sale prices to reflect the characteristics of the investment properties.

The discounted cash flow approach involves a projection of future net operating income and is discounted at an appropriate discount rate. Future net operating income is derived by deducting from future gross income against direct operating expense.

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

At each financial year end, the Group assesses property valuation movements when compared to prior year valuation report.

Changes in Level 2 and 3 fair values are analysed at each reporting date during Audit Committee Meetings.

Further details of fair value measurement are disclosed in Note 3(e).

15 INVESTMENT PROPERTIES (CONT'D)

	Year ended 30 September	
	2019	**2018**
	S$'000	**S$'000**
At fair value		
Beginning of the year	**46,054**	43,352
Additions	**20,446**	–
Reclassification from property, plant and equipment *(Note 14)*	**–**	3,290
Net gain from fair value adjustment	**480**	4
Currency translation	**329**	(592)
End of the year	**67,309**	46,054

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

	Year ended 30 September	
	2019	**2018**
	S$'000	**S$'000**
Rental income	**3,146**	3,051
Direct operating expenses arising from investment properties that generated rental income	**544**	438

The investment properties comprises:

Location & Description	**Area sq. metres**	**Tenure**	**As at 30 September 2019 S$'000**	**2018 S$'000**
72 Eunos Avenue 7, Singapore 6-storey multiple-user light industrial building	6,315.3	30 years lease commencing from 1 January 2011	**18,000**	19,500
100 Eunos Avenue 7, Singapore 5-storey multiple-user light industrial building	6,315.3	60 years lease commencing from 1 July 1980	**18,500**	20,000
23 Woodlands Industrial Park A flatted industrial unit	160.0	60 years lease commencing from 9 January 1995	**440**	500
71 Lorong 23 Geylang, Singapore 9-storey light industrial building	1,469.0	99 years lease commencing from 21 December 1993	**23,979**	–
38th floor, 88 Building, Jalan Kasablanka Raya Kav, Jakarta, Indonesia 4 units of office building	1,737.0	14 years lease commencing from 1 July 2013	**6,390**	6,054
			67,309	46,054

NOTES TO THE FINANCIAL STATEMENTS

15 INVESTMENT PROPERTIES (CONT'D)

Valuation processes of the Group

The Group engages external, independent and qualified valuers to determine the fair value of the Group's investment properties at the end of every financial year based on the properties highest and best use.

The valuers hold a recognised and relevant professional qualification and have recent experience in location and category of the investment properties being valued.

Notes:

(a) Industrial buildings at 100 Eunos Avenue 7, 72 Eunos Avenue 7 and 71 Lorong 23 Geylang, Singapore are mortgaged for bank borrowings, disclosed in Note 36.

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

16 INTANGIBLE ASSETS

	Customer contracts S$'000
Cost	
As at 1 October 2018	205
Additions	–
Currency translation	*
As at 30 September 2019	**205**
Accumulated amortisation and impairment losses	
As at 1 October 2018	29
Amortisation for the year	68
Currency translation	*
As at 30 September 2019	**97**
Net book value	
As at 30 September 2019	**108**

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

* Amounts are less than S$500

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

17 INVESTMENT IN SUBSIDIARIES

	Company As at 30 September 2019 S$'000	2018 S$'000
Equity investments at cost	**32,727**	32,727

The Group had direct and indirect interests in the following principal subsidiaries as at 30 September 2019 and 2018:

Name	Principal activities	Country of business/ incorporation	Date of incorporation	Issued and paid up capital	Effective interest held by the Group as at 30 September 2019 %	2018 %
Directly held by the Company						
LHN Group Pte. Ltd.	Investment holding and space resource management	Singapore	4 March 2005	S$2,000,000	**100**	100
Indirectly held by the Company						
Hean Nerng Logistics Pte. Ltd.	Freight transport by road and warehousing logistics	Singapore	18 June 1997	S$500,000	**100**	100
Work Plus Store Pte. Ltd.	Space resource management	Singapore	21 September 2004	S$600,000	**100**	100
GREENHUB Suited Offices Pte. Ltd.	Space resource management	Singapore	28 October 2004	S$1,000,000	**100**	100
Chua Eng Chong Holdings Pte. Ltd.	Space resource management	Singapore	4 June 1981	S$100,000	**100**	100
Industrial and Commercial Security Pte. Ltd.	Security services	Singapore	11 January 2005	S$150,000	**100**	100
Hean Nerng Facilities Management Pte. Ltd.	Space resource management	Singapore	5 March 2004	S$600,000	**100**	100
LHN Energy Resources Pte. Ltd. (formerly known as Hean Nerng Corporation Pte. Ltd.)	Space resource management	Singapore	2 January 2004	S$25,000	**100**	100
LHN Properties Investments Pte. Ltd.	Space resource management	Singapore	16 August 2007	S$1,500,000	**100**	100
LHN Facilities Management Pte. Ltd.	Space resource management	Singapore	21 July 2007	S$4,000,000	**100**	100
Work Plus Store (Joo Seng) Pte. Ltd.	Space resource management	Singapore	27 March 2008	S$1,400,000	**100**	100
LHN Residence Pte. Ltd.	General contractors	Singapore	10 March 2008	S$25,000	**100**	100

NOTES TO THE FINANCIAL STATEMENTS

17 INVESTMENT IN SUBSIDIARIES (CONT'D)

Name	Principal activities	Country of business/ incorporation	Date of incorporation	Issued and paid up capital	Effective interest held by the Group as at 30 September 2019 %	2018 %
Industrial and Commercial Facilities Management Pte. Ltd.	General contractors and facilities management	Singapore	15 May 2009	S$300,000	**100**	100
LHN Space Resources Pte. Ltd.	Space resource management	Singapore	15 July 2009	S$1,200,000	**100**	100
LHN Parking Pte. Ltd.	Carpark management and operation services	Singapore	5 September 2007	S$4,500,000	**100**	100
Soon Wing Investments Pte. Ltd.	Space resource management	Singapore	12 April 2006	S$25,000	**100**	100
Singapore Handicrafts Pte. Ltd.	Investment holding	Singapore	28 November 1973	S$4,000,000	**100**	100
HLA Holdings Pte. Ltd.	Container depot management	Singapore	26 November 2008	S$715,680	**60**	60
HLA Container Services Pte. Ltd.	Container depot management	Singapore	22 March 2013	S$800,000	**60**	60
Pickjunction Pte. Ltd.	Public relations consultancy services and web portals	Singapore	9 October 2013	S$1	**100**	100
PT Hean Nerng Group[1]	Space resource management	Indonesia	9 April 2013	Rp29,157,000,000	**99**	99
PT Hub Hijau Serviced Offices[1]	Space resource management	Indonesia	20 May 2013	Rp3,406,200,000	**99**	99
Greenhub Serviced Offices Yangon Limited[2]	Space resource management	Myanmar	23 April 2013	US$50,000	**100**	100
LHN Parking (GMT) Pte. Ltd.	Carpark management and operation services	Singapore	24 June 2016	S$1	**100**	100
HLA Holdings (Thailand) Ltd.[3, #]	Container depot management	Thailand	22 December 2014	THB2,000,000	**28.8**	28.8
HLA Container Services (Thailand) Ltd.[3 ^]	Container depot management	Thailand	23 December 2014	THB7,000,000	**43.5**	43.5
LHN Parking HK Limited[4]	Carpark management and operation services	Hong Kong	26 January 2017	HKD1,000,000	**100**	100

1 Audited by Grant Thornton Gani Sigiro & Handayani, Indonesia
2 Audited by Ngwe Inzaly, Myanmar
3 Audited by Proact Services Thailand
4 Audited by Patrick Wong C.P.A. Limited, Hong Kong
effective voting rights of 53.2% and effective ownership interest of 28.8% held by the Group
^ effective voting rights of 56.0% and effective ownership interest of 43.5% held by the Group

17 INVESTMENT IN SUBSIDIARIES (CONT'D)

Summarised financial statements for subsidiaries

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

Summarised statement of financial position

	As at 30 September 2019		
	HLA Holdings Pte. Ltd. S$'000	HLA Container Services Pte. Ltd. S$'000	HLA Container Services (Thailand) Ltd. S$'000
Current			
Assets	**1,391**	**2,024**	**1,191**
Liabilities	**(995)**	**(1,479)**	**(1,606)**
Total current net assets	**396**	**545**	**(415)**
Non-current			
Assets	**–**	**2,919**	**1,330**
Liabilities	**–**	**(1,097)**	**–**
Total non-current net assets	**–**	**1,822**	**1,330**
Net assets	**396**	**2,367**	**915**

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

Summarised statement of comprehensive income

	As at 30 September 2019		
	HLA Holdings Pte. Ltd. S$'000	HLA Container Services Pte. Ltd. S$'000	HLA Container Services (Thailand) Ltd. S$'000
Revenue	**4,543**	**4,143**	**4,039**
Profit before income tax	**62**	**951**	**431**
Income tax expense	**(4)**	**48**	**(182)**
Other comprehensive income	**–**	**–**	**46**
Total comprehensive income	**58**	**999**	**295**
Total comprehensive income allocated to non-controlling interests	**23**	**400**	**167**

NOTES TO THE FINANCIAL STATEMENTS

17 INVESTMENT IN SUBSIDIARIES (CONT'D)

Summarised financial statements for subsidiaries (Cont'd)

Summarised statement of comprehensive income (Cont'd)

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

Summarised cash flows

	As at 30 September 2019		
	HLA Holdings Pte. Ltd. S$'000	HLA Container Services Pte. Ltd. S$'000	HLA Container Services (Thailand) Ltd. S$'000
Cash flows from operating activities			
Cash generated from operations	**(283)**	**311**	**1,827**
Income tax paid	**(6)**	**–**	**(20)**
Net cash (used in)/generated from operating activities	**(289)**	**311**	**1,807**
Net cash used in investing activities	**–**	**(855)**	**(1,287)**
Net cash generated from/(used in) financing activities	**–**	**627**	**(1)**
Net (decrease)/increase in cash and cash equivalents	**(289)**	**83**	**519**
Cash and cash equivalents at beginning of year	**974**	**251**	**122**
Effects of currency translation on cash and cash equivalents	**–**	**–**	**32**
Cash and cash equivalents at end of year	**685**	**334**	**673**

	As at 30 September 2018		
	HLA Holdings Pte. Ltd. S$'000	HLA Container Services Pte. Ltd. S$'000	HLA Container Services (Thailand) Ltd. S$'000
Cash flows from operating activities			
Cash generated from operations	316	798	(254)
Income tax paid	(6)	–	–
Net cash generated from/(used in) operating activities	310	798	(254)
Net cash used in investing activities	–	(1,007)	(30)
Cash flows from financing activities			
Cash generated from financing activities	–	(36)	–
Interest paid	–	(45)	–
Net cash (used in)/generated from financing activities	–	(81)	284
Net increase/(decrease) in cash and cash equivalents	310	(290)	–
Cash and cash equivalents at beginning of year	664	541	118
Effects of currency translation on cash and cash equivalents	–	–	4
Cash and cash equivalents at end of year	974	251	122

18 FINANCIAL ASSETS, AVAILABLE FOR SALE

	As at 30 September	
	2019	2018
	S$'000	S$'000
Beginning of financial year	138	107
Reclassification at 1 October 2018	(138)	–
Additions	–	31
End of financial year	–	138

Financial assets, available for sale are analysed as follows:

	As at 30 September	
	2019	2018
	S$'000	S$'000
Unlisted equity shares	–	138
Total	–	138

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

The financial asset, available for sale is classified as Level 2 of the fair value hierarchy, based on the observability of significant inputs to the measurement.

19 FINANCIAL ASSETS, AT FVOCI

	As at 30 September	
	2019	2018
	S$'000	S$'000
Beginning of financial year	–	–
Reclassification at 1 October 2018	138	–
Additions	354	–
End of financial year	492	–

Financial assets, at FVOCI are analysed as follows:

	As at 30 September	
	2019	2018
	S$'000	S$'000
Unlisted equity shares	492	–
Total	492	–

Unlisted equity shares relate to investment in WeOffices ApS, a company incorporated in Denmark and Astore Pte. Ltd., a company incorporated in Singapore. They are principally engaged in the business of rental of serviced office space in Denmark and provision of storage solutions in Singapore.

The financial asset, at FVOCI are classified as Level 2 of the fair value hierarchy, based on the observability of significant inputs to the measurement.

NOTES TO THE FINANCIAL STATEMENTS

20 INVESTMENTS IN ASSOCIATES

	As at 30 September 2019 S$'000	2018 S$'000
Unquoted equity investment, at cost	**20**	30
Share of post-acquisition reserves	**286**	247
	306	277
Share of associated company's result, net of tax	**508**	225

Set out below are the associates of the Group as at 30 September 2019 and 2018. The associates has share capital consisting solely of ordinary shares, which are held directly by the Group; the country of incorporation is also their principal place of business.

Name of entity	Place of business/ country of incorporation	Principal activity	% of ownership interest as at 30 September 2019	30 September 2018
Nopest Pte. Ltd.*	Singapore	Pest control consultancy and pest consultancy services	**–**	50
HLA Logistics Pte. Ltd.	Singapore	Container depot management	**49**	49

* Struck-off in-progress.

Summarised financial statements for associates

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

Summarised statement of financial position

	As at 30 September 2019 Nopest Pte. Ltd. S$'000	HLA Logistics Pte. Ltd. S$'000	Total S$'000
Current assets	–	842	842
Includes:			
– Cash and cash equivalents	–	481	481
Current liabilities	–	(255)	(255)
Includes:			
– Other current liabilities (including trade payables)	–	(123)	(123)
Non-current assets	–	37	37
Net assets	–	624	624

20 INVESTMENTS IN ASSOCIATES (CONT'D)

Summarised financial statements for associates (Cont'd)

Summarised statement of financial position (Cont'd)

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

Summarised statement of comprehensive income

	Year ended 30 September 2019		
	Nopest Pte. Ltd. S$'000	**HLA Logistics Pte. Ltd. S$'000**	**Total S$'000**
Revenue	**–**	**3,733**	**3,733**
Net profit and total comprehensive income for the year	**(2)**	**1,037**	**1,035**
The above profit for the year includes the following:			
– Depreciation and amortisation	**–**	**(13)**	**(13)**

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

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

NOTES TO THE FINANCIAL STATEMENTS

20 INVESTMENTS IN ASSOCIATES (CONT'D)

Reconciliation of summarised financial statements

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

	Nopest Pte. Ltd. S$'000	HLA Logistics Pte. Ltd. S$'000	Total S$'000
Opening net assets at 1 October 2017	265	–	265
Issuance of shares	–	40	40
Total comprehensive income for the year	12	447	459
Dividend paid	(200)	–	(200)
Closing net assets at 30 September 2018	77	487	564
Interest in Associates	38	239	277
Carrying value at 30 September 2018	38	239	277
Opening net assets at 1 October 2018	77	487	564
Total comprehensive income for the year	(2)	1,037	1,035
Dividend paid	–	(900)	(900)
Return of capital from associate	(75)	–	(75)
Closing net assets at 30 September 2019	**–**	**624**	**624**
Interest in Associates	**–**	**306**	**306**
Carrying value at 30 September 2019	**–**	**306**	**306**

21 INVESTMENTS IN JOINT VENTURES

	As at 30 September 2019 S$'000	2018 S$'000
Unquoted equity investment, at cost	**1,050**	1,050
Share of results of joint ventures	**16,165**	12,115
	17,215	13,165
Share of joint ventures' result, net of tax	**4,019**	1,729
Share of joint ventures' other comprehensive income	**31**	92

Set out below are the joint venture of the Group as at 30 September 2019 and 2018. The joint venture has share capital consisting solely of ordinary shares, which are held directly by the Group; the country of incorporation is also their principal place of business.

Name of entity	Place of business/ country of incorporation	% of ownership interest as at 30 September 2019	30 September 2018
Metropolitan Parking Pte. Ltd.	Singapore	**50**	50
Work Plus Store (AMK) Pte. Ltd.	Singapore	**50**	50
Four Star Industries Pte Ltd	Singapore	**50**	50

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

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

Four Star Industries Pte Ltd was acquired by the Group on 10 October 2016. The company manufactures pocketed spring mattresses principally in Singapore.

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

21 INVESTMENTS IN JOINT VENTURES (CONT'D)

Summarised financial statements for joint ventures

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

Summarised statement of financial position

	As at 30 September 2019			
	Metropolitan Parking Pte. Ltd. S$'000	Work Plus Store (AMK) Pte. Ltd. S$'000	Four Star Industries Pte Ltd and its subsidiary S$'000	Total S$'000
Current assets	**251**	**1,505**	**3,331**	**5,087**
Includes:				
– Cash and cash equivalents	**179**	**353**	**716**	**1,248**
Current liabilities	**(2,974)**	**(6,295)**	**(5,608)**	**(14,877)**
Includes:				
– Financial liabilities (excluding trade payables)	**(1,112)**	**(3,287)**	**(1,476)**	**(5,875)**
– Other current liabilities (including trade payables)	**(1,862)**	**(3,008)**	**(4,132)**	**(9,002)**
Non-current assets	**36,196**	**56,471**	**20,775**	**113,442**
Non-current liabilities	**(24,087)**	**(35,847)**	**(9,288)**	**(69,222)**
Includes:				
– Financial liabilities	**(24,053)**	**(35,730)**	**(9,288)**	**(69,071)**
Net assets	**9,386**	**15,834**	**9,210**	**34,430**

	As at 30 September 2018			
	Metropolitan Parking Pte. Ltd. S$'000	Work Plus Store (AMK) Pte. Ltd. S$'000	Four Star Industries Pte Ltd and its subsidiary S$'000	Total S$'000
Current assets	205	898	1,478	2,581
Includes:				
– Cash and cash equivalents	187	455	442	1,084
Current liabilities	(8,846)	(15,299)	(8,975)	(33,120)
Includes:				
– Financial liabilities (excluding trade payables)	(832)	(3,634)	(1,106)	(5,572)
– Other current liabilities (including trade payables)	(8,014)	(11,665)	(7,869)	(27,548)
Non-current assets	29,450	55,986	20,764	106,200
Non-current liabilities	(18,260)	(26,729)	(4,341)	(49,330)
Includes:				
– Financial liabilities	(18,235)	(26,729)	(3,837)	(48,801)
Net assets	2,549	14,856	8,926	26,331

NOTES TO THE FINANCIAL STATEMENTS

21 INVESTMENTS IN JOINT VENTURES (CONT'D)

Summarised financial statements for joint ventures (Cont'd)

Summarised statement of comprehensive income

	Year ended 30 September 2019			
	Metropolitan Parking Pte. Ltd. S$'000	Work Plus Store (AMK) Pte. Ltd. S$'000	Four Star Industries Pte Ltd and its subsidiary S$'000	Total S$'000
Revenue	**1,334**	**3,991**	**6,968**	**12,293**
Net profit and total comprehensive income for the year	**6,837**	**978**	**284**	**8,099**
The above profit for the year includes the following:				
– Depreciation and amortisation	**(54)**	**(307)**	**(216)**	**(577)**
– Interest expense	**(880)**	**(1,029)**	**(366)**	**(2,275)**
– Fair value gain/(loss) on property, plant and equipment and investment properties	**6,800**	**–**	**(713)**	**6,087**

	Year ended 30 September 2018			
	Metropolitan Parking Pte. Ltd. S$'000	Work Plus Store (AMK) Pte. Ltd. S$'000	Four Star Industries Pte Ltd and its subsidiary S$'000	Total S$'000
Revenue	1,230	3,106	3,432	7,768
Net profit and total comprehensive income for the year	2,261	1,946	(564)	3,643
The above profit for the year includes the following:				
– Depreciation and amortisation	(6)	(212)	(121)	(339)
– Interest expense	(777)	(1,344)	(327)	(2,448)
– Fair value gain/(loss) on property, plant and equipment and investment properties	2,200	1,800	(30)	3,970

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

Reconciliation of summarised financial statements

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

	Metropolitan Parking Pte. Ltd. S$'000	Work Plus Store (AMK) Pte. Ltd. S$'000	Four Star Industries Pte Ltd and its subsidiary S$'000	Total S$'000
Opening net assets at 1 October 2017	288	12,910	9,490	22,688
Total comprehensive income for the year	2,261	1,946	(564)	3,643
Closing net assets at 30 September 2018	2,549	14,856	8,926	26,331
Interest in Joint Venture @ 50%	1,274	7,428	4,463	13,165
Carrying value at 30 September 2018	1,274	7,428	4,463	13,165
Opening net assets at 1 October 2018	2,549	14,856	8,926	26,331
Total comprehensive income for the year	6,837	978	284	8,099
Closing net assets at 30 September 2019	**9,386**	**15,834**	**9,210**	**34,430**
Interest in Joint Venture @ 50%	**4,693**	**7,917**	**4,605**	**17,215**
Carrying value at 30 September 2019	**4,693**	**7,917**	**4,605**	**17,215**

22 FINANCIAL INSTRUMENTS BY CATEGORY

	As at 30 September	
	2019	**2018**
	S$'000	**S$'000**
Assets as per consolidated statements of financial position		
Financial assets at amortised cost/Loans and receivables		
– Trade and other receivables excluding prepayments	**17,581**	18,506
– Loan to joint ventures	**2,432**	12,557
– Cash and bank balances	**18,218**	15,319
– Fixed deposits	**9,135**	10,029
– Financial assets, available for sale	**–**	138
– Financial assets, at FVOCI	**492**	–
Total	**47,858**	56,549
Liabilities as per consolidated statements of financial position		
Other financial liabilities subsequently measured at amortised cost		
– Bank borrowings	**48,143**	21,374
– Trade and other payables	**32,735**	32,198
– Finance lease liabilities	**5,633**	4,586
Total	**86,511**	58,158

23 DEFERRED INCOME TAX

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

	As at 30 September	
	2019	**2018**
	S$'000	**S$'000**
Deferred income tax asset:		
– To be settled within one year	**58**	98
– To be settled after one year	**283**	378
	341	476
Deferred income tax liability:		
– To be settled within one year	**(219)**	(66)
– To be settled after one year	**(314)**	(296)
	(533)	(362)

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

Deferred income tax assets:

	Provisions
	S$'000
At 1 October 2017	651
Charged to profit or loss	(175)
At 30 September 2018	476
At 1 October 2018	476
Charged to profit or loss	(135)
At 30 September 2019	341

NOTES TO THE FINANCIAL STATEMENTS

23 DEFERRED INCOME TAX (CONT'D)

Deferred income tax liabilities:

	Accelerated tax depreciation S$'000
At 1 October 2017	222
Charged to profit or loss	140
At 30 September 2018	362
At 1 October 2018	362
Charged to profit or loss	171
At 30 September 2019	**533**

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

As at 30 September 2019 and 2018, there are no deferred tax liabilities on investment in subsidiaries as they were in loss making position and have accumulated losses.

24 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 in the second quarter of our financial year ending 30 September 2020.

25 TRADE AND OTHER RECEIVABLES

	As at 30 September	
	2019 S$'000	**2018 S$'000**
Trade receivables:		
– Third parties	**10,445**	13,014
– Related parties	**100**	86
– Associates	**41**	–
– Joint ventures	**–**	138
	10,586	13,238
Accrued rental income	**962**	953
Other receivables:		
Goods and service tax receivables	**999**	448
Deposits with external parties	**5,982**	4,462
Unpaid deposits from customers	**220**	158
Tax recoverable	**656**	154
Other receivables	**220**	489
	8,077	5,711
Less: impairment loss on trade receivables	**(2,026)**	(1,378)
Less: impairment loss on other receivables	**(18)**	(18)
	(2,044)	(1,396)
Net trade and other receivables	**17,581**	18,506

The accrued rental income relates to apportionment of the free rental period over the lease term.

Related parties comprise entities which are controlled or significantly influenced by the Group's key management personnel and their close family members.

25 TRADE AND OTHER RECEIVABLES (CONT'D)

Deposits with external parties comprise mainly security deposits placed with landlord of leased properties.

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

Other receivables comprise mainly warehouse storage fee and sundry receivables.

(a) Trade receivables

	As at 30 September	
	2019	**2018**
	S$'000	**S$'000**
Trade receivables	**10,586**	13,238
Accrued rental income	**962**	953
Less: provision for loss allowance	**(2,026)**	(1,378)
	9,522	12,813

The carrying amounts of trade receivables approximate their fair values. Trade receivables do not bear any effective interest rate.

All trade receivables are subject to credit risk exposure. However, the Group do not identify specific concentrations of credit risk with regards to trade receivables, as the amounts recognised resemble a large number of receivables from various customers. Impairment on trade receivables is made when certain debtors are identified to be irrecoverable. Impairment on trade receivables is made on specific debts for which the directors of the Group are of the opinion that debts are not recoverable.

The Group normally grants credit terms to its customers ranging from 0 to 90 days. The aging analysis of the trade receivables based on invoice date is as follows:

	As at 30 September	
	2019	**2018**
	S$'000	**S$'000**
0 to 30 days	**5,061**	4,927
31 to 60 days	**1,875**	1,722
61 to 90 days	**670**	240
91 to 180 days	**441**	721
181 days to 365 days	**399**	3,786
Over 365 days	**2,140**	1,842
	10,586	13,238

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

	Year ended 30 September	
	2019	**2018**
	S$'000	**S$'000**
Beginning of the year	**1,396**	672
Adoption of IFRS 9	**434**	–
Add: Provision for impairment of trade and other receivables, net	**220**	726
Less: Provision written off	**(6)**	(2)
At the end of the year	**2,044**	1,396

NOTES TO THE FINANCIAL STATEMENTS

25 TRADE AND OTHER RECEIVABLES (CONT'D)

(a) Trade receivables (Cont'd)

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

	As at 30 September	
	2019	2018
	S$'000	S$'000
SGD	**13,478**	11,943
USD	**1,119**	4,297
HKD	**1,188**	174
IDR	**436**	453
RMB	**419**	59
THB	**728**	1,438
MYR	**213**	142
	17,581	18,506

26 PREPAYMENTS

	As at 30 September	
	2019	2018
	S$'000	S$'000
Prepaid operating expenses		
Current	**3,338**	2,468
Non-current	**322**	396
	3,660	2,864

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

27 INVENTORIES

	As at 30 September	
	2019	2018
	S$'000	S$'000
Work-in-progress	**–**	40
Finished goods	**3**	6
	3	46

The cost of inventories included in cost of sales amounted to S$139,000 and S$134,000 for the year ended 30 September 2019 and 2018, respectively.

28 CASH AND BANK BALANCES

	As at 30 September	
	2019	2018
	S$'000	S$'000
Cash at banks	**18,169**	15,285
Cash on hand	**49**	34
	18,218	15,319

28 CASH AND BANK BALANCES (CONT'D)

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

	As at 30 September	
	2019	**2018**
	S$'000	**S$'000**
SGD	**14,068**	13,255
USD	**412**	1,074
HKD	**1,124**	153
IDR	**952**	482
RMB	**832**	12
THB	**678**	127
MYR	**49**	182
Others	**103**	34
	18,218	15,319

29 FIXED DEPOSITS

	As at 30 September	
	2019	**2018**
	S$'000	**S$'000**
Fixed deposits		
Mature within 3 months	**3,728**	5,993
Mature within one year	**5,407**	4,036
	9,135	10,029

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

	As at 30 September	
	2019	**2018**
	S$'000	**S$'000**
Pledged fixed deposits		
Mature within 3 months	**661**	659
Mature within one year	**5,392**	4,022
	6,053	4,681

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

	As at 30 September	
	2019	**2018**
	S$'000	**S$'000**
SGD	**9,077**	10,015
USD	**58**	14
	9,135	10,029

NOTES TO THE FINANCIAL STATEMENTS

30 RESERVES

	As at 30 September	
	2019	**2018**
	S$'000	**S$'000**
Exchange translation reserve	**(904)**	(930)
Asset valuation reserve	**3,711**	3,680
Other reserve	**269**	269
Merger reserve	**(30,727)**	(30,727)
Retained profits	**59,587**	51,835
	31,936	24,127
Represented by:		
Distributable	**29,129**	21,377
Non-distributable	**2,807**	2,750
	31,936	24,127

Exchange translation reserve arises from the translation of the financial statements of foreign entities whose functional currencies are different from the functional currency of the Company.

Asset revaluation reserve arises from surplus on revaluation of leasehold buildings as at the end of the financial year.

Other reserve arises from disposal of interest in a subsidiary without change in control.

Merger reserve arises from the difference between the purchase consideration and the carrying value of the share capital acquired under the pooling-of-interests method of consolidation in the restructuring exercise undertaken with the intention of the Company's listing on the SGX-ST.

31 SHARE CAPITAL AND TREASURY SHARES

	No. of shares		Nominal Amount	
	Issued share capital	**Treasury shares**	**Share capital S$'000**	**Treasury shares S$'000**
Balance as at 1 October 2017	361,857,200	(1,411,800)	51,287	(186)
Cancellation of treasury shares[1]	(1,411,800)	1,411,800	(186)	186
New Shares issued pursuant to Dual Listing[2]	42,000,000	–	13,638	–
Share issue costs	–	–	(1,332)	–
Balance as at 30 September 2018	402,445,400	–	63,407	–
Balance as at 1 October 2018 and 30 September 2019	402,445,400	–	63,407	–

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

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

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All shares rank equally with regard to the Company's residual assets.

32 COMPANY LEVEL STATEMENT OF CHANGES IN EQUITY

Company	Note	Retained profits S$'000
2018		
As at 1 October 2017		2,524
Profit and total comprehensive loss for the year		(839)
Dividends paid	37	(798)
As at 30 September 2018		887
2019		
As at 1 October 2018		887
Profit and total comprehensive income for the year		2,066
As at 30 September 2019		2,953

33 TRADE AND OTHER PAYABLES

	As at 30 September	
	2019 S$'000	2018 S$'000
Trade payables		
– Third parties	**3,899**	4,079
– Associates	**82**	–
Total trade payables *(Note i)*	**3,981**	4,079
Contract liabilities		
– Rental received in advance	**701**	331
– Advances received from customers	**2,533**	1,692
	3,234	2,023
Other payables and accruals		
– Goods and services tax payables	**660**	652
– Provision for directors' fees	**63**	61
– Accruals	**4,967**	7,960
– Accrued rental expenses	**4,098**	3,706
– Rental deposits received from customers	**14,750**	12,969
– Rental deposits received from related parties	**81**	75
– Unpaid deposits	**518**	365
– Withholding tax	**41**	39
– Sundry creditors	**308**	236
– Other payables	**34**	33
Total trade and other payables	**32,735**	32,198
Less non-current portion: other payables	**(34)**	(33)
Total trade and other payables included in current liabilities	**32,701**	32,165

The carrying amounts of the Group's trade payables are denominated in Singapore dollars, United States dollars and Malaysian ringgit. The carrying amounts of trade payables approximate their fair values.

NOTES TO THE FINANCIAL STATEMENTS

33 TRADE AND OTHER PAYABLES (CONT'D)

(i) As at 30 September 2019 and 2018, the aging analysis of the trade payables based on invoice date is as follows:

	As at 30 September	
	2019	**2018**
	S$'000	**S$'000**
0 to 30 days	**2,758**	2,689
31 to 60 days	**754**	763
61 to 90 days	**116**	335
Over 90 days	**353**	292
	3,981	4,079

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

	As at 30 September	
	2019	**2018**
	S$'000	**S$'000**
SGD	**29,885**	25,666
USD	**1,075**	5,098
HKD	**244**	57
IDR	**861**	937
RMB	**210**	1
THB	**390**	269
MYR	**70**	170
	32,735	32,198

34 PROVISIONS

Provision for reinstatement costs were recognised for the expected costs associated with restoring the leased industrial buildings by certain subsidiaries upon expiry of leases from landlords to its original condition based on the requirements of the lease contract. Provision for reinstatement costs is the present value of the estimated costs of dismantlement, removal and restoration to be incurred for the leased industrial buildings. The provision is based on estimates made from historical data associated with reinstatement works on contracts of similar nature using technology and materials that are currently available.

Present obligations arising under onerous contracts are recognised and measured as provisions. An onerous contract is considered to exist where the Group has a contract under which the unavoidable cost of meeting the obligations under the contract exceed the economic benefits expected to be received under it.

Movement of the provision accounts are as follows:

	Year ended 30 September 2019		
	Onerous Contract	**Reinstatement Cost**	**Total**
	S$'000	**S$'000**	**S$'000**
Balance at beginning of the year	**–**	**450**	**450**
Provision for the year	**1,430**	**705**	**2,135**
Amount utilised for the year	**–**	**(30)**	**(30)**
Amortisation of discount	**–**	**2**	**22**
Balance at end of year	**1,430**	**1,127**	**2,557**
Presented as:			
Current	**1,044**	**422**	**1,466**
Non-current	**386**	**705**	**1,091**
	1,430	**1,127**	**2,557**

34 PROVISIONS (CONT'D)

	Year ended 30 September 2018		
	Onerous Contract S$'000	Reinstatement Cost S$'000	Total S$'000
Balance at beginning of the year	–	373	373
Provision for the year	–	150	150
Amount utilised for the year	–	(80)	(80)
Amortisation of discount	–	7	7
Balance at end of year	–	450	450
Presented as:			
Current	–	398	398
Non-current	–	52	52
	–	450	450

35 FINANCE LEASE LIABILITIES

The Group leases certain plant and machinery from non-related parties under finance lease. The lease agreements do not have renewal clause but provide the Group with options to purchase the leased asset at nominal value at the end of the lease term. The finance lease liabilities are secured by the underlying assets of certain plant and machinery, logistics equipment and motor vehicles, personal guarantees provided by a director of a subsidiary and corporate guarantees provided by the Group.

The rights to the leased assets are reverted to the lessors in the event of default of the lease liabilities by the Group.

The amount payable within one year is included under current liabilities whilst that payable after one year is included under non-current liabilities.

The finance lease liabilities are denominated in Singapore dollars and Malaysia Ringgit.

	As at 30 September	
	2019 S$'000	2018 S$'000
Gross finance lease liabilities – minimum lease payments		
No later than 1 year	**2,319**	1,770
Later than 1 year and no later than 2 years	**1,834**	1,420
Later than 2 years and no later than 5 years	**1,798**	1,644
	5,951	4,834
Future finance charges on finance leases	**(318)**	(248)
Present value of finance lease liabilities	**5,633**	4,586
The present value of finance lease liabilities is as follows:		
No later than 1 year	**2,157**	1,652
Later than 1 year and no later than 2 years	**1,739**	1,344
Later than 2 years and no later than 5 years	**1,737**	1,590
	5,633	4,586

Effective interest rates

Effective interest rates on the finance leases bears interest between 1.30% and 3.50% per annum during the year ended 30 September 2019 (2018: between 1.30% and 4.00%).

NOTES TO THE FINANCIAL STATEMENTS

35 FINANCE LEASE LIABILITIES (CONT'D)

Carrying amounts and fair values

The carrying amounts of current finance lease liabilities approximate their fair value. The carrying amounts and fair values of non-current finance lease liabilities as at 30 September 2019 and 2018 are as follows:

	As at 30 September 2019	
	Carrying Amount S$'000	Fair Value S$'000
Between one and five years	**3,476**	**3,410**

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

The Group's finance leases liabilities are denominated in the following currencies:

	As at 30 September	
	2019 S$'000	2018 S$'000
SGD	**5,244**	4,586
MYR	**389**	–
	5,633	4,586

The fair value is determined from the discounted cash flow analysis, using a discounted rate based upon the borrowing rate of an equivalent instrument which the directors expect would be available to the Company at the end of the reporting period. No adjustment has been made to fair values as the differences between the carrying amount and fair values are not significant to the Company. The fair values are within Level 2 of the fair values hierarchy.

36 BANK BORROWINGS

	As at 30 September	
	2019 S$'000	2018 S$'000
Non-current, secured		
Bank borrowings repayable later than 1 year and no later than 2 years	**7,510**	2,660
Bank borrowings repayable later than 2 years and no later than 5 years	**11,216**	5,965
Bank borrowings repayable later than 5 years	**22,408**	7,895
	41,134	16,520
Current, secured		
Bank borrowings repayable no later than 1 year	**7,009**	4,854
Total bank borrowings	**48,143**	21,374

Total bank borrowings of S$48,143,000 as at 30 September 2019 (2018: S$21,374,000) are secured by (i) legal mortgage of leasehold properties at 72 Eunos Avenue 7, 100 Eunos Avenue 7 and 71 Lorong 23 Geylang in Singapore; (ii) corporate guarantees provided by the Group; (iii) personal guarantees provided by a director and shareholder of a non-wholly owned subsidiary of the Company, in proportion to his shareholdings in such non-wholly owned subsidiary; and (iv) assignment of rental proceeds of the mortgaged properties.

Interest is charged between 2.18% and 6.00% (2018: between 2.18% and 6.00%) per annum. The interest rate is repriced monthly.

The amount repayable within one year is included under current liabilities whilst the amount repayable after one year is included under non-current liabilities.

36 BANK BORROWINGS (CONT'D)

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

	As at 30 September 2019 S$'000	2018 S$'000
SGD	**41,734**	20,520
USD	**5,023**	854
RMB	**1,386**	–
	48,143	21,374

Carrying amounts and fair values

The carrying amounts of current bank borrowings approximate their fair value. The carrying amounts and fair values of non-current bank borrowings as at 30 September 2019 and 2018 are as follows:

	As at 30 September 2019 Carrying Amount S$'000	Fair Value S$'000
Between one and later than 5 years	**41,134**	**38,725**

	As at 30 September 2018 Carrying Amount S$'000	Fair Value S$'000
Between one and later than 5 years	16,520	15,582

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

	Carrying amount S$'000	Contractual cash flows S$'000
As at 30 September 2019		
Less than one year	**7,009**	**8,587**
Between one to two years	**7,510**	**9,000**
Between two to five years	**11,216**	**15,581**
More than five years	**22,408**	**33,810**
	41,134	**58,391**
	48,143	**66,978**
As at 30 September 2018		
Less than one year	4,854	5,424
Between one to two years	2,660	3,192
Between two to five years	5,965	7,211
More than five years	7,895	8,997
	16,520	19,400
	21,374	24,824

NOTES TO THE FINANCIAL STATEMENTS

37 DIVIDENDS

	Year ended 30 September	
	2019	2018
	S$'000	S$'000
Ordinary dividends		
Final dividend paid in respect of the previous financial year of nil cents (2018: 0.20 cents) per share	–	798

The Board has resolved to recommend a final dividend of S$0.005 per share for the financial year ended 30 September 2019.

38 NOTES TO CONSOLIDATED STATEMENTS OF CASH FLOWS

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

	Year ended 30 September	
	2019	2018
	S$'000	S$'000
Total property, plant and equipment acquired during the year	**23,143**	8,393
Less: acquired by means of hire-purchase	**(3,161)**	(1,294)
Less: capitalised of reinstatement costs	**(705)**	(150)
Add/(less): Payable of property, plant and equipment	**308**	(53)
Cash used in purchase of property, plant and equipment during the year	**19,585**	6,896

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

	Year ended 30 September	
	2019	2018
	S$'000	S$'000
Net book amount	**13**	125
Gain on disposal of property, plant and equipment	**83**	378
Proceeds from disposal of property, plant and equipment	**96**	503

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

	Year ended 30 September	
	2019	2018
	S$'000	S$'000
Total other asset acquired during the year	**5,019**	7,690
Add/(less): Payable of other asset	**4,272**	(4,272)
Currency translation	**(183)**	–
Cash used in purchase of other asset during the year	**9,108**	3,418

(d) Reconciliation of cash used in purchase of investment properties

	Year ended 30 September	
	2019	2018
	S$'000	S$'000
Total investment properties acquired during the year	**20,446**	–
Less: Payable of investment properties	**(110)**	–
Cash used in purchase of investment properties during the year	**20,336**	–

39 COMMITMENTS

(a) Capital commitments

Capital expenditures contracted for at the balance sheet date but not recognised in the financial statements, excluding those relating to investments in associated companies (Note 20) and investment in a joint venture (Note 21), are as follows:

	As at 30 September	
	2019	**2018**
	S$'000	**S$'000**
Investment property	**5,201**	9,399
Property, plant and equipment	**5,541**	7,531
	10,742	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. The leases have varying terms, escalation clauses and renewal rights.

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

	As at 30 September	
	2019	**2018**
	S$'000	**S$'000**
Not later than one year	**52,697**	50,906
Between one and five years	**52,458**	72,832
Later than five years	**2,596**	901
	107,751	124,639

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

The Group leases out investment properties to non-related parties under non-cancellable operating leases. The lessees are required to pay either absolute fixed annual increase to the lease payments or contingent rents computed based on their sales achieved during the lease period.

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

	As at 30 September	
	2019	**2018**
	S$'000	**S$'000**
Not later than one year	**48,125**	34,146
Between one and five years	**32,260**	19,811
	80,385	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$43,800,000 (2018: S$31,800,000). As at 30 September 2019, the outstanding amount of guaranteed loans drawn down by joint ventures amounted to S$37,466,000 (2018: S$27,173,000).

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

NOTES TO THE FINANCIAL STATEMENTS

40 RELATED PARTY TRANSACTIONS

In addition to those disclosed elsewhere in the financial statements, the following is a summary of significant related party transactions which, in the opinion of the directors, are entered into the ordinary course of business between the Group and its related parties, and the balances arising from related party transactions.

Name of the related party	Relationship with the Group
Kelvin Lim	Executive director and shareholder
Jess Lim	Executive director and shareholder
Pang Joo Siang	Spouse of Jess Lim, the Executive Director of the Company
Work Plus Store (AMK) Pte. Ltd.	A joint venture
Metropolitan Parking Pte. Ltd.	A joint venture
Four Star Industries Pte Ltd	A joint venture
Work Plus Store (Kallang) Pte. Ltd.	A subsidiary of the joint venture company of the Group
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
CPL Resources Sdn Bhd	A company with a shareholder who is a director of the Group

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

(a) Transactions

	Year ended 30 September	
	2019	**2018**
	S$'000	**S$'000**
Rental and service income from:		
Work Plus Store (AMK) Pte. Ltd.	**766**	445
Metropolitan Parking Pte. Ltd.	**114**	108
Four Star Industries Pte Ltd	**427**	183
Work Plus Store (Kallang) Pte. Ltd.	**84**	12
Master Care Services Pte. Ltd.	**305**	305
PJS Companies	**238**	245
9 Plus Cafe Pte. Ltd.	**170**	159
HLA Logistics Pte. Ltd.	**1,422**	669

40 RELATED PARTY TRANSACTIONS (CONT'D)

(a) Transactions (Cont'd)

	Year ended 30 September	
	2019	**2018**
	S$'000	**S$'000**
Auxiliary services from:		
Nopest Pte. Ltd.	**–**	31
Loan to:		
Work Plus Store (AMK) Pte. Ltd.	**530**	500
Metropolitan Parking Pte. Ltd.	**350**	200
Four Star Industries Pte Ltd	**1,000**	1,025
Repayment of loan from:		
Work Plus Store (AMK) Pte. Ltd.	**5,151**	–
Metropolitan Parking Pte. Ltd.	**3,500**	–
Four Star Industries Pte Ltd	**3,528**	–
Other transactions with:		
Work Plus Store (AMK) Pte. Ltd.	**235**	384
Metropolitan Parking Pte. Ltd.	**1,127**	1,195
PJS Companies	**–**	2
Four Star Industries Pte Ltd	**126**	98
CPL Resources Sdn Bhd	**–**	405

Notes:

i Sales and purchases are made at prices mutually agreed by the relevant parties

ii Terms of services are mutually agreed between the relevant parties

(b) Year-end balances with related parties

	As at 30 September	
	2019	**2018**
	S$'000	**S$'000**
Amounts due to related parties (Trade)		
HLA Logistics Pte Ltd	**82**	–
Total	**82**	–
Amounts due to related parties (Non-trade)		
PJS Companies	**40**	72
Four Star Industries Pte Ltd	**41**	3
Total	**81**	75
Amounts due from related parties (Trade)		
PJS Companies	**100**	86
Four Star Industries Pte Ltd	**–**	2
Work Plus Store (AMK) Pte. Ltd.	**–**	136
HLA Logistics Pte Ltd	**41**	–
Total	**141**	224
Amounts due from related parties (Non-trade)		
Loan to Work Plus Store (AMK) Pte. Ltd.	**532**	5,142
Loan to Metropolitan Parking Pte. Ltd.	**869**	3,942
Loan to Four Star Industries Pte Ltd	**1,031**	3,473
Total	**2,432**	12,557

NOTES TO THE FINANCIAL STATEMENTS

40 RELATED PARTY TRANSACTIONS (CONT'D)

(b) Year-end balances with related parties (Cont'd)

The amounts due to related parties (Trade), amounts due to related parties (Non-trade) and amounts due from related parties (Trade) were unsecured, interest-free and repayable on demand.

The amounts due from related parties (Non-trade) were unsecured and interest-bearing at 3% and 3% as at 30 September 2019 and 2018 respectively. They had no fixed terms of repayment and are repayable on demand.

The carrying amounts approximated their fair values and were denominated in Singapore dollars.

(c) Key management compensation

Key management includes Executive Directors, Independent Non-executive Directors, Chief Financial Officer ("CFO") and General Manager. The compensation paid or payable to key management for employee services is shown below:

	Year ended 30 September	
	2019	**2018**
	S$'000	**S$'000**
Salaries and other short-term employee benefits	**2,199**	2,010

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

41 EVENT OCCURRING AFTER BALANCE SHEET DATE

The Group has recently set up a joint venture company, S K A I-85 SOHO Co., Ltd ("**SKAI**"), in Cambodia at the end of November 2019 with a registered capital of US$5,000 and is 49% held by our Group. SKAI will primarily be engaged in the operation of serviced apartment.

On 2 December 2019, the Group had accepted the option to purchase the property at 7 Gul Avenue, Singapore 629651 as JTC Corporation ("**JTC**") has given the in-principle-approval. Please refer to the announcement of the Company dated 2 December 2019.

STATISTICS OF SHAREHOLDINGS

AS AT 3 DECEMBER 2019

Number of Ordinary Shares in Issue	:	402,445,400
Number of Subsidiary Holdings Held	:	Nil
Number of Treasury Shares Held	:	Nil
Class of Shares	:	Ordinary
Voting Rights	:	One vote for each ordinary share held

DISTRIBUTION OF SHAREHOLDINGS

SIZE OF SHAREHOLDINGS	NO. OF SHAREHOLDERS	%	NO. OF SHARES	%
1 – 99	0	0.00	0	0.00
100 – 1,000	58	13.58	46,800	0.01
1,001 – 10,000	112	26.23	760,700	0.19
10,001 – 1,000,000	250	58.55	22,600,500	5.62
1,000,001 AND ABOVE	7	1.64	379,037,400	94.18
TOTAL	**427**	**100.00**	**402,445,400**	**100.00**

TWENTY LARGEST SHAREHOLDERS

NO.	NAME	NO. OF SHARES	%
1	HKSCC NOMINEES LIMITED	367,677,500	91.36
2	RAFFLES NOMINEES (PTE.) LIMITED	2,407,300	0.60
3	IFS CAPITAL LIMITED	2,400,000	0.60
4	1ROCKSTEAD GIP FUND II PTE LTD	2,271,000	0.56
5	CHUA KUAN TA	1,700,000	0.42
6	PHILLIP SECURITIES PTE LTD	1,518,500	0.38
7	OCBC SECURITIES PRIVATE LIMITED	1,063,100	0.26
8	NG HOCK KON	1,000,000	0.25
9	DBS NOMINEES (PRIVATE) LIMITED	959,300	0.24
10	HO JUAT KENG	718,850	0.18
11	UOB KAY HIAN PRIVATE LIMITED	552,000	0.14
12	HONG LEONG FINANCE NOMINEES PTE LTD	540,000	0.13
13	CHAN KENG HOW	497,400	0.12
14	LIM JUN YI	450,000	0.11
15	CGS-CIMB SECURITIES (SINGAPORE) PTE. LTD.	443,000	0.11
16	CHANG YEW KWONG	380,000	0.09
17	LEE KIM TIONG @ LEE KIM YEW	341,800	0.08
18	LIM AND TAN SECURITIES PTE LTD	307,100	0.08
19	ANG WEE HON (HONG WEIHONG)	300,000	0.07
20	ASCENTIQ PTE LTD	300,000	0.07
	TOTAL	**385,826,850**	**95.85**

PUBLIC FLOAT

Based on the information available to the Company as at 3 December 2019, being the latest practicable date, approximately 45.96% of the issued ordinary shares of the Company are held by the public. Accordingly the Company has complied with Rule 723 of the Listing Manual Section B: Rules of the Catalist of the Singapore Exchange Securities Trading Limited and Rule 8.08 of The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

STATISTICS OF SHAREHOLDINGS

AS AT 3 DECEMBER 2019

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

Under Singapore Laws and Regulations

	Direct Interest		Deemed Interest	
Name	**Number of Shares**	**%(1)**	**Number of Shares**	**%(1)**
Kelvin Lim(2)(3)(4)(5)(6)(7)	–	–	216,930,000	53.90
Jess Lim(2)(3)(4)(5)(6)(7)	–	–	216,930,000	53.90
Trident Trust Company (B.V.I.) Limited(3)	–	–	216,930,000	53.90
LHN Capital Pte. Ltd.(4)	–	–	216,930,000	53.90
HN Capital Ltd.(5)	–	–	216,930,000	53.90
Hean Nerng Group Pte. Ltd.(6)	–	–	216,930,000	53.90
Fragrance Ltd.(7)	216,930,000	53.90	–	–
Lim Hean Nerng(7)	–	–	216,930,000	53.90
Foo Siau Foon(7)	–	–	216,930,000	53.90
Lim Yun En(7)	–	–	216,930,000	53.90
Lim Wei Yong Matthew(7)	–	–	216,930,000	53.90
Lim Wei Yee(7)	–	–	216,930,000	53.90
Lin Weichen(7)	–	–	216,930,000	53.90
Lim Wei Kheng (Lin Weiqing)(7)	–	–	216,930,000	53.90
Lim Yu Yang(7)	–	–	216,930,000	53.90
Lim Bee Li(8)	–	–	216,930,000	53.90

Notes:

(1) Based on the total issued share capital of 402,445,400 ordinary shares of the Company as at 3 December 2019.

(2) Kelvin Lim and Jess Lim are siblings. They are therefore deemed interested in each other's interests in the Shares of the Company.

(3) Trident Trust Company (B.V.I.) Limited, a licensed trust company incorporated in BVI, holds the entire issued and paid-up share capital in LHN Capital Pte. Ltd. as trustee of The Land Banking Trust in BVI. LHN Capital Pte. Ltd., a company incorporated in Singapore, is the trustee of The LHN Capital Trust in Singapore. LHN Capital Pte. Ltd. holds the entire issued and paid-up share capital in HN Capital Ltd., a company incorporated in BVI. The Land Banking Trust is a discretionary purpose trust with the principal purpose of (a) promoting the operation of the businesses owned directly or indirectly by LHN Capital Pte. Ltd. ("**LHN Capital Business**"); and (b) to enable the operation of the LHN Capital Business in accordance with the terms of the business plan. Accordingly, there are no beneficiaries to The Land Banking Trust. The LHN Capital Trust is a discretionary irrevocable trust which the trustee, LHN Capital Pte. Ltd., has all powers in relation to the property comprised in The LHN Capital Trust as the legal owner of such property, subject to any express restrictions contained in The LHN Capital Trust. The beneficial owners of the property in the trust fund are the beneficiaries of The LHN Capital Trust which comprise Lim Hean Nerng, Foo Siau Foon, Kelvin Lim and Kelvin Lim's direct lineal issues (namely, Lim Yun En, Lim Wei Yong Matthew, Lim Wei Yee, Lin Weichen, Lim Wei Kheng (Lin Weiqing) and Lim Yu Yang) ("**LHN Capital Trust Beneficiaries**"). Trident Trust Company (Singapore) Pte. Limited is the trust administrator of The LHN Capital Trust.

HN Capital Ltd., Jess Lim and Kelvin Lim hold 85.0%, 10.0% and 5.0% respectively of the entire issued and paid-up share capital in Hean Nerng Group Pte. Ltd.. Kelvin Lim and Jess Lim are also directors of Hean Nerng Group Pte. Ltd.. Hean Nerng Group Pte. Ltd. holds the entire issued and paid-up share capital of Fragrance Ltd.. Kelvin Lim and Jess Lim are also directors of Fragrance Ltd..

Fragrance Ltd. has a direct interest in 216,930,000 ordinary shares of the Company.

As Trident Trust Company (B.V.I.) Limited and its associates, namely LHN Capital Pte. Ltd., HN Capital Ltd. and Hean Nerng Group Pte. Ltd., are entitled to exercise control of not less than 20.0% of the votes attached to the voting shares in Fragrance Ltd., Trident Trust Company (B.V.I.) Limited is deemed to have an interest in the issued and paid-up share capital of the Company held by Fragrance Ltd..

(4) Kelvin Lim and Jess Lim are directors of LHN Capital Pte. Ltd.. In connection with footnote (3) above, as LHN Capital Pte. Ltd. and its associates, namely HN Capital Ltd. and Hean Nerng Group Pte. Ltd. are entitled to exercise control of not less than 20.0% of the votes attached to the voting shares in Fragrance Ltd., LHN Capital Pte. Ltd. is deemed to have an interest in the issued and paid-up share capital of the Company held by Fragrance Ltd..

(5) Kelvin Lim and Jess Lim are directors of HN Capital Ltd.. In connection with footnote (3) above, as HN Capital Ltd. and its associate, namely Hean Nerng Group Pte. Ltd., are entitled to exercise control of not less than 20.0% of the votes attached to the voting shares in Fragrance Ltd., HN Capital Ltd. is deemed to have an interest in the issued and paid-up share capital of the Company held by Fragrance Ltd..

(6) Kelvin Lim and Jess Lim are directors of Hean Nerng Group Pte. Ltd.. In connection with footnote (3) above, as Hean Nerng Group Pte. Ltd. is entitled to exercise control of not less than 20.0% of the votes attached to the voting shares in Fragrance Ltd., Hean Nerng Group Pte. Ltd. is deemed to have an interest in the issued and paid-up share capital of the Company held by Fragrance Ltd..

(7) Section 4(3) of the SFA provides that "where any property held in trust consists of or includes securities and a person knows, or has reasonable grounds for believing, that he has an interest under the trust, he shall be deemed to have an interest in those securities". In connection with footnote (3) above and pursuant to Section 4(3) of the SFA, The LHN Capital Trust Beneficiaries are deemed to have an interest in the issued and paid-up share capital of the Company held by Fragrance Ltd..

Notwithstanding that each of Lim Hean Nerng, Foo Siau Foon and Kelvin Lim's direct lineal issues (namely, Lim Yun En, Lim Wei Yong Matthew, Lim Wei Yee, Lin Weichen, Lim Wei Kheng (Lin Weiqing) and Lim Yu Yang), being a beneficiary of The LHN Capital Trust, is deemed to be interested in 15.0% or more of the voting shares of the Company, each of them only receives an economic benefit under The LHN Capital Trust but has no control over the property comprised in The LHN Capital Trust and also does not, in fact, have any voting rights in or exercise control over the Company. Pursuant to the Fourth Schedule of the Securities and Futures (Offers of Investments) (Shares and Debentures) Regulations 2005 of Singapore ("**SFR**"), a controlling shareholder in relation to a corporation means (a) a person who has an interest in the voting shares of the corporation and who exercises control over the corporation; or (b) a person who has an interest in the voting shares of the corporation of an aggregate of not less than 30.0% of the total votes attached to all voting shares in the corporation, unless he does not exercise control over the corporation. Accordingly, it is not meaningful to consider them as controlling shareholders of the Company within the meaning of the Fourth Schedule of the SFR.

However, as Lim Hean Nerng was one of the initial founders of the Group and is deemed to be interested in 15.0% or more of the voting shares of the Company through The LHN Capital Trust, he is considered to be a controlling shareholder.

However, Foo Siau Foon and each of Kelvin Lim's direct lineal issues are considered Substantial Shareholders of the Company because they are deemed interested in the Shares held by Fragrance Ltd., being not less than 5.0% of the total votes attached to all the voting shares of the Company.

However, Kelvin Lim, a beneficiary of The LHN Capital Trust, is also a director of LHN Capital Pte. Ltd., HN Capital Ltd., Hean Nerng Group Pte. Ltd., Fragrance Ltd. and the Company. Accordingly, he is deemed to be able to exercise control over the Company and is deemed to be a controlling shareholder of the Company.

Jess Lim is Kelvin Lim's sibling and is also a director of LHN Capital Pte. Ltd., HN Capital Ltd., Hean Nerng Group Pte. Ltd., Fragrance Ltd. and the Company. Accordingly, she is deemed to be able to exercise control over the Company and is deemed to be a controlling shareholder of the Company.

(8) With effect upon the listing of the Company's shares on the Main Board of the SEHK, Lim Bee Li is considered a controlling shareholder of the Company in Singapore. Lim Bee Li is deemed to have an interest in the issued and paid-up capital of the Company held by Fragrance Ltd. by virtue of her position as a controlling shareholder.

Under Hong Kong Laws and Regulations

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

Long positions in the Shares and underlying Shares

NAME OF SHAREHOLDER	CAPACITY/NATURE OF INTEREST	NUMBER OF SHARES HELD/INTERESTED	APPROXIMATE PERCENTAGE OF SHAREHOLDING AS AT 30 SEPTEMBER 2019
Fragrance Ltd.(1)(2)	Beneficial owner	216,930,000	53.90%
Wang Jialu(1)(3)	Deemed interest by virtue of interest held by spouse	216,930,000	53.90%
Hean Nerng Group Pte. Ltd.(1)(2)	Interest in a controlled corporation	216,930,000	53.90%
HN Capital Ltd.(1)(2)	Interest in a controlled corporation	216,930,000	53.90%
LHN Capital Pte. Ltd.(1)(2)	Trustee	216,930,000	53.90%
Trident Trust Company (B.V.I.) Limited(1)(2)	Trustee	216,930,000	53.90%
Lim Hean Nerng(1)(2)	Founder of discretionary trusts	216,930,000	53.90%
Foo Siau Foon(1)(2)	Founder of discretionary trusts	216,930,000	53.90%

Notes:

(1) Fragrance Ltd., which is wholly-owned by Hean Nerng Group Pte. Ltd., which in turn is owned as to 5% by Kelvin Lim, 10% by Jess Lim and 85% by HN Capital Ltd., is the beneficial owner of 216,930,000 Shares. By virtue of the SFO, Kelvin Lim, Wang Jialu, Hean Nerng Group Pte. Ltd., HN Capital Ltd., LHN Capital Pte. Ltd., Trident Trust Company (B.V.I.) Limited, Lim Hean Nerng and Foo Siau Foon are deemed to be interested in all of the Shares held by Fragrance Ltd..

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

(3) Wang Jialu, the spouse of Kelvin Lim, is deemed under the SFO to be interested in the interests held by Kelvin Lim.

Save as disclosed above, as at 30 September 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.

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