LHN GROUP
SPACE OPTIMISED

COMMERCIAL
LOGISTICS
RESIDENTIAL
FACILITIES
INDUSTRIAL
CAR PARK

2020 INTERIM REPORT

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

*For identification purpose only

CONTENTS

CORPORATE INFORMATION

BOARD OF DIRECTORS

Lim Lung Tieng
Executive Chairman
Executive Director
Group Managing Director

Lim Bee Choo
Executive Director
Group Deputy Managing Director

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

Yong Chee Hiong
Independent Non-executive Director

Chan Ka Leung Gary
Independent Non-executive Director

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

REMUNERATION COMMITTEE
Ch'ng Li-Ling (Chairman)
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

Chong Eng Wee
(appointed on 1 April 2020)

Ng Chit Sing (HKICS, ICSA)

Lai Kuan Loong, Victor
(resigned on 31 March 2020)

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

PRINCIPAL PLACE OF BUSINESS IN HONG KONG
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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

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
Registered Public Interest Entity Auditor
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: 410
Hong Kong: 1730

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

FOR THE SIX MONTHS ENDED 31 MARCH 2020

The board (the "Board") of directors (the "Directors") of LHN Limited (the "Company") hereby announces the interim condensed consolidated results of the Company and its subsidiaries (collectively referred to as the "Group") for the six months ended 31 March 2020, together with the comparative figures for the six months ended 31 March 2019. The Group's interim results for the six months ended 31 March 2020 are unaudited, but have been reviewed by the audit committee of the Company (the "Audit Committee").

	Note	2020 (unaudited) S$'000	2019 (unaudited) S$'000
Revenue	7	51,619	53,599
Cost of sales	10	(29,703)	(41,422)
Gross profit		21,916	12,177
Other income	8	2,757	1,806
Other operating expenses	9	(641)	(190)
Selling and distribution expenses	10	(751)	(676)
Administrative expenses	10	(13,185)	(11,173)
Finance cost	11	(2,576)	(569)
Share of results of associates and joint ventures, net of tax		579	1,953
Fair value losses on investment properties		(4,317)	–
Profit before income tax		3,782	3,328
Income tax expense	12	(315)	(232)
Profit for the period		3,467	3,096
Other comprehensive (loss)/income			
Item that will be reclassified subsequently to profit or loss			
Currency translation differences arising from consolidation		(26)	27
Item that will not be reclassified subsequently to profit or loss			
Financial assets, at FVOCI			
– Fair value gain – equity investment		13	–
Share of other comprehensive income of joint venture		4	14
Other comprehensive (loss)/income		(9)	41
Total comprehensive income for the period		3,458	3,137
Profit attributable to:			
Equity holders of the Company		3,176	2,815
Non-controlling interests		291	281
Profit for the period		3,467	3,096
Total comprehensive income attributable to:			
Equity holders of the Company		3,184	2,854
Non-controlling interests		274	283
Total comprehensive income for the period		3,458	3,137
Earnings per share for profit attributable to equity holders of the Company			
Basic and diluted (cents)	14	0.79	0.70

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 MARCH 2020

	Note	31 March 2020 (unaudited) S$'000	30 September 2019 (audited) S$'000
ASSETS			
Non-current assets			
Property, plant and equipment	15	48,396	37,435
Investment properties		108,044	67,309
Right-of-use assets		34,614	–
Intangible assets		74	108
Financial assets, at FVOCI		700	492
Investment in associates		271	306
Investment in joint ventures		18,069	17,215
Deferred tax assets		159	341
Long-term prepayments		188	322
Lease receivables	16	27,770	–
Other asset	17	13,245	12,709
		251,530	136,237
Current assets			
Inventories		47	3
Trade and other receivables	18	16,834	17,581
Loans to joint ventures		5,828	2,432
Prepayments		3,124	3,338
Lease receivables	16	15,223	–
Cash and bank balances		18,140	18,218
Fixed deposits		4,991	9,135
		64,187	50,707
TOTAL ASSETS		315,717	186,944
EQUITY			
Capital and Reserves			
Share capital	19	63,407	63,407
Reserves		39,631	31,936
		103,038	95,343
Non-controlling interests		1,690	1,537
TOTAL EQUITY		104,728	96,880
LIABILITIES			
Non-current liabilities			
Deferred tax liabilities		3,229	533
Other payables	20	20	34
Provisions		53	1,091
Finance lease liabilities		–	3,476
Bank borrowings	21	49,905	41,134
Lease liabilities		79,834	–
		133,041	46,268
Current liabilities			
Trade and other payables	20	28,200	32,701
Provisions		1,622	1,466
Finance lease liabilities		–	2,157
Bank borrowings	21	11,923	7,009
Lease liabilities		35,246	–
Current income tax liabilities		957	463
		77,948	43,796
TOTAL LIABILITIES		210,989	90,064
TOTAL EQUITY AND LIABILITIES		315,717	186,944

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 31 MARCH 2020

	Share capital S$'000	Retained profits S$'000	Merger reserve S$'000	Other reserve S$'000	Fair value reserve S$'000	Asset revaluation reserve S$'000	Exchange translation reserve S$'000	Total attributable to equity holders of the Company S$'000	Non-controlling interests S$'000	Total equity S$'000
Group										
Balance at 30 September 2019	63,407	59,587	(30,727)	269	–	3,711	(904)	95,343	1,537	96,880
Adoption of IFRS 16	–	6,554	–	–	–	–	–	6,554	–	6,554
Balance at 1 October 2019	63,407	66,141	(30,727)	269	–	3,711	(904)	101,897	1,537	103,434
Dividend paid	–	(2,043)	–	–	–	–	–	(2,043)	(120)	(2,163)
Refund of capital to non-controlling shareholder	–	–	–	–	–	–	–	–	(1)	(1)
Transfer upon disposal of equity investment	–	13	–	–	(13)	–	–	–	–	–
Profit for the period	–	3,176	–	–	–	–	–	3,176	291	3,467
Other comprehensive income/(loss)	–	–	–	–	13	4	(9)	8	(17)	(9)
Total comprehensive income/(loss) for the period	–	3,176	–	–	13	4	(9)	3,184	274	3,458
Balance at 31 March 2020 (unaudited)	63,407	67,287	(30,727)	269	–	3,715	(913)	103,038	1,690	104,728

	Share capital S$'000	Retained profits S$'000	Merger reserve S$'000	Other reserve S$'000	Asset revaluation reserve S$'000	Exchange translation reserve S$'000	Total attributable to equity holders of the Company S$'000	Non-controlling interests S$'000	Total equity S$'000
Group									
Balance at 30 September 2018	63,407	51,835	(30,727)	269	3,680	(930)	87,534	972	88,506
Adoption of IFRS 9	–	(434)	–	–	–	–	(434)	–	(434)
Balance at 1 October 2018	63,407	51,401	(30,727)	269	3,680	(930)	87,100	972	88,072
Profit for the period	–	2,815	–	–	–	–	2,815	281	3,096
Other comprehensive income	–	–	–	–	14	25	39	2	41
Total comprehensive income for the period	–	2,815	–	–	14	25	2,854	283	3,137
Balance at 31 March 2019 (unaudited)	63,407	54,216	(30,727)	269	3,694	(905)	89,954	1,255	91,209

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW

FOR THE SIX MONTHS ENDED 31 MARCH 2020

	Six months ended 31 March	
	2020 (unaudited) S$'000	**2019 (unaudited) S$'000**
Cash flows from operating activities:		
Profit before income tax	3,782	3,328
Share of results of associates and joint ventures, net of tax	(579)	(1,953)
Adjustments for:		
Amortisation of intangible assets	34	34
Depreciation of property, plant and equipment	4,246	2,978
Depreciation of right-of-use assets	5,964	–
Loss/(gain) on disposal of property, plant and equipment	39	(84)
Property, plant and equipment written off	39	7
Fair value losses on investment properties	4,317	–
Gain from net investment in subleases	(433)	–
Bad and doubtful debts	197	171
Provision for losses from onerous contract	270	–
Finance income	(759)	(183)
Finance cost	2,576	569
Operating profit before working capital changes	19,693	4,867
Changes in working capital:		
– Inventories	(44)	(49)
– Trade and other receivables	(388)	(1,265)
– Trade and other payables	(1,683)	1,351
Cash generated from operations	17,578	4,904
Interest expenses paid	–	(2)
Income tax paid	(414)	(790)
Income tax refunded	825	905
Net cash generated from operating activities	17,989	5,017
Cash flows from investing activities:		
Additions to property, plant and equipment	(19,602)	(7,399)
Additions to investment property	(21)	(18,833)
Purchase of financial assets, at FVOCI	–	(42)
Additions to other asset	(128)	(8,487)
Cash outflow on acquisition of joint venture	(500)	–
Proceeds from disposal of property, plant and equipment	253	84
Disposal of financial assets, at FVOCI	330	–
(Loans to)/repayment from joint ventures, net	(3,525)	4,320
Dividend from associate	264	98
Interest received	213	42
Net cash used in investing activities	(22,716)	(30,217)
Cash flows from financing activities:		
Repayment of finance lease	(1,127)	(987)
Decrease/(increase) in fixed deposits – pledged	4,710	(33)
Proceeds from bank borrowings	17,761	28,137
Repayment of bank borrowings	(3,729)	(5,342)
Repayment of lease liabilities	(15,731)	–
Refund of capital to non-controlling shareholder	(1)	–
Receipts from lease receivables	7,472	–
Interest received from lease receivables	658	–
Interest expenses paid	(2,612)	(565)
Dividend paid	(2,043)	–
Dividend paid to non-controlling shareholder	(120)	–
Net cash generated from financing activities	5,238	21,210
Net increase/(decrease) in cash and cash equivalents	511	(3,990)
Cash and cash equivalents at beginning of period	21,300	20,667
Effect of currency translation on cash and cash equivalents	(23)	15
Cash and cash equivalents at end of period	21,788	16,692
Consolidated cash and cash equivalents are represented by:		
Cash and bank balances	18,140	14,315
Fixed deposits	4,991	7,227
	23,131	21,542
Less: Pledged fixed deposits	(1,343)	(4,714)
Less: Bank overdrafts	–	(136)
Cash and cash equivalents as per consolidated statement of cash flows	21,788	16,692

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED 31 MARCH 2020

1. GENERAL

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

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

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

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

2. BASIS OF PREPARATION

This unaudited condensed consolidated interim financial information for the six months ended 31 March 2020 has been prepared in accordance with IAS 34, "Interim financial reporting". The unaudited condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 30 September 2019, which have been prepared in accordance with the International Financial Reporting Standards ("**IFRSs**").

This unaudited condensed consolidated interim financial information has been prepared under the historical cost convention, as modified by the revaluation of investment properties and leasehold buildings, which are carried at fair value.

3. ACCOUNTING POLICIES

The Group has adopted the same accounting policies and methods of computation in the preparation of the financial statements for the current reporting period compared with those of the audited financial statements for the year ended 30 September 2019.

(a) Amendments to IFRSs effective for the financial year ending 30 September 2020 do not have a material impact on the Group except for the following:

Adoption of IFRS 16 Leases

The group has adopted IFRS 16 Leases retrospectively from 1 October 2019 but has not restated comparatives for the 2019 reporting period as permitted under the specific transition provisions in the standard.

When the Group is the lessee

Prior to the adoption of IFRS 16, non-cancellable operating lease payments were not recognised as liabilities in the balance sheet. These payments were recognised as rental expenses over the lease term on a straight-line basis.

On initial application of IFRS 16, the Group has elected to apply the following practical expedients:

(i) For all contracts entered into before 1 October 2019 and that were previously identified as leases under IAS 17 Lease and SFRS(I) INT 4 Determining whether an Arrangement contains a Lease, the Group has not reassessed if such contracts contain leases under IFRS 16; and

(ii) On a lease-by-lease basis, the Group has:

- applied a single discount rate to a portfolio of leases with reasonably similar characteristics;
- relied on previous assessments on whether leases are onerous as an alternative to performing an impairment review;

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED 31 MARCH 2020

3. ACCOUNTING POLICIES (CONT'D)

When the Group is the lessee (Cont'd)

- accounted for operating leases with a remaining lease term of less than 12 months as at 1 October 2019 as short-term leases;
- excluded initial direct costs in the measurement of the right-of-use ("**ROU**") asset at the date of initial application; and
- used hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The provisions for onerous contracts amounted to S$1,430,000 as at 1 October 2019.

For leases previously classified as operating leases on 1 October 2019, the Group has applied the following transition provisions:

(i) On a lease-by-lease basis, the Group chose to measure its ROU assets (except for ROU assets which meet the definition of investment property) at a carrying amount as if IFRS 16 had been applied since the commencement of the lease but discounted using the incremental borrowing rate at 1 October 2019. For ROU assets which meet the definition of an investment property, the Group had measured the ROU assets at their fair values at 1 October 2019.

(ii) Recognised its lease liabilities by discounting the remaining lease payments as at 1 October 2019 using the incremental borrowing rate for each individual lease or, if applicable, the incremental borrowing rate for each portfolio of leases with reasonably similar characteristic.

(iii) The difference between the carrying amounts of the ROU assets and lease liabilities as at 1 October 2019 is adjusted directly to opening retained profits. Comparative information is not restated.

(iv) For leases previously classified as finance leases, the carrying amount of the leased asset and finance lease liability as at 1 October 2019 are determined as the carrying amount of the ROU assets and lease liabilities.

When the Group is a lessor

There are no material changes to accounting by the Group as a lessor except when the Group is an intermediate lessor.

When the Group is the intermediate lessor

The Group leases an underlying asset under a head lease arrangement and subleases the same asset to third parties as an intermediate lessor. Prior to the adoption of IFRS 16, the sublease is classified as an operating lease when the head lease is an operating lease. The intermediate lessor recorded rental income in respect of the sublease on a straight-line basis over the term of the sublease and recorded rental expense in respect of the head lease on a straight-line basis over the term of the head lease.

Under IFRS 16, accounting by the Group as an intermediate lessor depends on the classification of the sublease with reference to the ROU asset arising from the head lease rather than the underlying asset. On 1 October 2019, the Group has reassessed the classification of the sublease based on the remaining contractual terms and condition of the head lease. Based on this assessment, some subleases of office space are reassessed as finance lease and S$47,569,000 of net investment in sublease was recognised on 1 October 2019 as "Lease receivables".

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED 31 MARCH 2020

3. ACCOUNTING POLICIES (CONT'D)

The effects of adoption of IFRS 16 on the Group's financial statements are as follows:

Balance Sheet

The Group	As at 30 September 2019 S$'000	Effects of adoption of IFRS 16 S$'000	As at 1 October 2019 S$'000
Non-current assets			
Investment properties	67,309	40,790	108,099
Property, plant and equipment	37,435	(4,837)	32,598
Right-of-use assets	–	31,928	31,928
Deferred tax assets	341	(245)	96
Long-term prepayments	322	(95)	227
Lease receivables	–	32,824	32,824
	105,407	100,365	205,772
Current assets			
Trade and other receivables	17,581	(502)	17,079
Prepayments	3,338	(48)	3,290
Lease receivables	–	14,745	14,745
	20,919	14,195	35,114
	126,326	114,560	240,886
Retained profits	59,587	6,554	66,141
Non-current liabilities			
Deferred tax liabilities	533	3,068	3,601
Provisions	1,091	(386)	705
Finance lease liabilities	3,476	(3,476)	–
Lease liabilities	–	82,013	82,013
	5,100	81,219	86,319
Current liabilities			
Trade and other payables	32,701	(3,888)	28,813
Provisions	1,466	(366)	1,100
Finance lease liabilities	2,157	(2,157)	–
Lease liabilities	–	33,198	33,198
	36,324	26,787	63,111
	41,424	108,006	149,430

Profit or Loss

The Group	(unaudited) (IAS 17 basis) Six months ended 31 March 2020 S$'000	Effects of adoption of IFRS 16 S$'000	(IFRS 16 basis) Six months ended 31 March 2020 S$'000
Revenue	59,632	(8,013)	51,619
Cost of sales	(40,795)	11,092	(29,703)
Gross profit	18,837	3,079	21,916
Other income	1,665	1,092	2,757
Other operating expenses	(641)	–	(641)
Selling and distribution expenses	(751)	–	(751)
Administrative expenses	(13,723)	538	(13,185)
Finance cost	(903)	(1,673)	(2,576)
Share of results of associates and joint ventures, net of tax	560	19	579
Fair value losses on investment properties	(507)	(3,810)	(4,317)
Profit before income tax	4,537	(755)	3,782

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED 31 MARCH 2020

3. ACCOUNTING POLICIES (CONT'D)

An explanation of the differences between the operating lease commitments previously disclosed in the Group's financial statements as at 30 September 2019 and the lease liabilities recognised in the balance sheet as at 1 October 2019 are as follows:

	S$'000
Operating lease commitments disclosed as at 30 September 2019	107,751
Discounted using the group's incremental borrowing rate of 3.05%	(7,728)
(Less): short-term leases recognised on a straight-line basis as expense	(18,784)
(Less): low-value leases recognised on a straight-line basis as expense	(96)
Add/(less): adjustments as a result of a different treatment of extension and termination options	28,435
Lease liability recognised as at 1 October 2019	109,578

(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
Amendments to IAS 1 and IAS 8	Definition of material	1 January 2020	
Amendments to IFRS 9, IAS 39 and IFRS 7	Interest rate benchmark reform	1 January 2020	
Amendments to IAS 1	Classification of liabilities as current or non-current	1 January 2022	
IFRS 3 (amendments)	Business combinations (Definition of a business)	1 January 2020	*i*
IFRS 17	Insurance Contracts	1 January 2021	*ii*
IFRS 10	Consolidated financial statement and IAS 28 Investment in associates and joint venture (Sale or contribution of assets between an investor and its associate or joint venture)	To be determined	

Note i:

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 arising from applying these amendments.

Note ii:

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED 31 MARCH 2020

3. ACCOUNTING POLICIES (CONT'D)

3.1. Leases

(a) The accounting policy for leases before 1 October 2019 are as follows:

Where the Group is lessee

The Group leases buildings, motor vehicles and certain plant and equipment under finance and operating leases from non-related parties.

(i) *Finance leases*

Leases of assets in which the Group assumes substantially the risks and rewards of ownership, including hire purchase contracts, are classified as finance leases. The leased assets and the corresponding lease liabilities (net of finance charges) under finance leases are recognised on the balance sheet as property, plant and equipment and obligations under finance lease 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 allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. 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 of assets in which a significant portion of the risks and rewards of the ownership are retained by the lessor are classified as operating leases. Payment made under operating leases are charged to the statement of profit or loss on a straight-line basis over the period of the lease.

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

Where the Group is lessor

The Group subleases its leased premises under operating leases to non-related parties. The Group also leases its investment properties under operating leases to non-related parties.

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.

(b) The accounting policy for leases from 1 October 2019 are as follows:

Where the Group is lessee

At the inception of the contract, the Group assesses if the contract contains a lease. A contract contains a lease if the contract convey the right to control the use of an identified asset for a period of time in exchange for consideration. Reassessment is only required when the terms and conditions of the contract are changed.

(i) *Right-of-use assets*

The Group recognised a right-of-use asset and lease liability at the date which the underlying asset is available for use. Right-of use assets are measured at cost which comprises the initial measurement of lease liabilities adjusted for any lease payments made at or before the commencement date and lease incentive received. Any initial direct costs that would not have been incurred if the lease had not been obtained are added to the carrying amount of the right-of-use assets.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED 31 MARCH 2020

3. ACCOUNTING POLICIES (CONT'D)

3.1. Leases (Cont'd)

(b) The accounting policy for leases from 1 October 2019 are as follows: (Cont'd)

Where the Group is lessee (Cont'd)

(i) *Right-of-use assets (Cont'd)*

These right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term.

Right-of-use assets (except for those which meets the definition of an investment property) are presented within "Right-of-use assets".

Right-of-use asset which meets the definition of an investment property is presented within "Investment properties".

(ii) *Lease liabilities*

The initial measurement of lease liability is measured at the present value of the lease payments discounted using the implicit rate in the lease, if the rate can be readily determined. If that rate cannot be readily determined, the Group shall use its incremental borrowing rate.

Lease payments include the following:

- Fixed payment (including in-substance fixed payments), less any lease incentives receivables;
- Variable lease payment that are based on an index or rate, initially measured using the index or rate as at the commencement date;
- Amount expected to be payable under residual value guarantees;
- The exercise price of a purchase option if is reasonably certain to exercise the option; and
- Payment of penalties for terminating the lease, if the lease term reflects the Group exercising that option.

For contract that contain both lease and non-lease components, the Group allocates the consideration to each lease component on the basis of the relative stand-alone price of the lease and non-lease component. The Group has elected to not separate lease and non-lease component for property leases and account these as one single lease component.

Lease liability is measured at amortised cost using the effective interest method. Lease liability shall be remeasured when:

- There is a change in future lease payments arising from changes in an index or rate;
- There is a changes in the Group's assessment of whether it will exercise an extension option; or
- There are modification in the scope or the consideration of the lease that was not part of the original term.

Lease liability is remeasured with a corresponding adjustment to the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED 31 MARCH 2020

3. ACCOUNTING POLICIES (CONT'D)

3.1. Leases (Cont'd)

(b) The accounting policy for leases from 1 October 2019 are as follows: (Cont'd)

Where the Group is lessee (Cont'd)

(iii) *Short term and low value leases*

The Group has elected to not recognise right-of-use assets and lease liabilities for short-term leases that have lease terms of 12 months or less and leases of low value leases, except for sublease arrangements. Lease payments relating to these leases are expensed to profit or loss on a straight-line basis over the lease term.

(iv) *Variable lease payments*

Variable lease payments that are not based on an index or a rate are not included as part of the measurement and initial recognition of the lease liability. The Group shall recognise those lease payments in profit or loss in the periods that triggered those lease payments.

Where the Group is lessor

The accounting policy applicable to the Group as a lessor in the comparative period were the same under IFRS 16 except when the Group is an intermediate lessor.

In classifying a sublease, the Group as an intermediate lessor classifies the sublease as a finance or an operating lease with reference to the right-of-use asset arising from the head lease, rather than the underlying asset.

When the sublease is assessed as a finance lease, the Group derecognises the right-of-use asset relating to the head lease that it transfers to the sublessee and recognised the net investment in the sublease as "Lease receivables". Any differences between the right-of-use asset derecognised and the net investment in sublease is recognised in profit or loss. Lease liability relating to the head lease is retained in the balance sheet, which represents the lease payments owed to the head lessor.

When the sublease is assessed as an operating lease, the Group recognise lease income from sublease in profit or loss within "Revenue". The right-of-use asset relating to the head lease is not derecognised.

For contract which contains lease and non-lease components, the Group allocates the consideration based on a relative stand-alone selling price basis.

4. ESTIMATES

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

In preparing this unaudited condensed consolidated interim financial information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 30 September 2019 except for the following:

1. Determining the lease term

In determining the lease term, management considered all factors and circumstances that create an economic incentive to exercise an extension option or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated). The assessment is reviewed if a significant event or a significant change in circumstances occurs which affects this assessment and that is within the control of the lessee.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED 31 MARCH 2020

5. FINANCIAL RISK MANAGEMENT

5.1 Financial risk factors

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

The unaudited condensed consolidated interim financial information do not include all financial risk management information and disclosures required in the annual financial statements (except for the following credit risk disclosure), and should be read in conjunction with the annual financial statements for the year ended 30 September 2019.

There have been no changes in the risk management policies since 30 September 2019.

(i) Trade and other receivables

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

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

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

Receivables are written off when there is no reasonable expectation of recovery, such as a debtor failing to engage in a repayment plan with the Group. The Group 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.

The Group's credit risk exposure in relation to trade receivables as at 31 March 2020 and 30 September 2019 are set out in the provision matrix as follows:

31 March 2020	Current S$'000	Past due 1 to 30 days S$'000	Past due 31 to 60 days S$'000	Past due 61 to 90 days S$'000	Past due 91 to 180 days S$'000	Past due 181 to 365 days S$'000	Past due over 365 days S$'000	Total S$'000
Trade receivables								
Expected loss rate	0.1%	1.4%	1.6%	1.0%	9.5%	32.2%	88.7%	
Gross carrying amount	3,503	3,457	885	397	307	426	2,241	11,216
Loss allowances	3	48	14	4	29	137	1,988	2,223

30 September 2019	Current S$'000	Past due 1 to 30 days S$'000	Past due 31 to 60 days S$'000	Past due 61 to 90 days S$'000	Past due 91 to 180 days S$'000	Past due 181 to 365 days S$'000	Past due over 365 days S$'000	Total S$'000
Trade receivables								
Expected loss rate	0.1%	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

5. FINANCIAL RISK MANAGEMENT (CONT'D)

5.1 Financial risk factors (Cont'd)

(i) 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 reorganisation

(ii) Movement in credit loss allowance

	Trade receivables S$'000	Other receivables S$'000	Total S$'000
Balance as at 30 September 2019	2,026	18	2,044
Provision for loss allowance recognised in profit or loss for the period	197	–	197
Balance as at 31 March 2020	2,223	18	2,241

5.2 Fair value estimation

Financial assets and financial liabilities measured at fair value in the statement of financial position are grouped into three levels of a fair value hierarchy. The three levels are defined based on the observability of significant inputs to the measurement, as follows:

(i) Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.

(ii) Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

(iii) Level 3: unobservable inputs for the asset or liability.

The following table shows the levels within the hierarchy of non-financial assets measured at fair value on a recurring basis as at 31 March 2020 and 30 September 2019:

	Level 1 S$'000	Level 2 S$'000	Level 3 S$'000	Total S$'000
As at 31 March 2020 (unaudited)				
Investment properties (owned):				
Industrial and commercial properties	–	–	66,165	66,165
Investment properties (right-of-use):				
Industrial, commercial and residential properties	–	–	41,879	41,879
	–	–	108,044	108,044
As at 30 September 2019 (audited)				
Investment properties (owned):				
Industrial and commercial properties	–	–	67,309	67,309

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.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED 31 MARCH 2020

5. FINANCIAL RISK MANAGEMENT (CONT'D)

5.2 Fair value estimation (Cont'd)

Fair value of the Group's right-of-use assets (classified as investment properties) including Level 3 fair values, are performed by the finance department of the Group. Discussions of valuation processes and results are held at least once every half-year, in line with the Group's reporting dates.

Fair value measurements of 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 each financial statement date 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.

Reconciliation of movements in Level 3 fair value measurement

	Investment properties S$'000
For the six months ended 31 March 2020 (unaudited)	
Balance at 30 September 2019	67,309
Adoption of IFRS 16	40,790
Balance at 1 October 2019	108,099
Additions	7,243
Derecognition of assets of right-of-use properties	(2,323)
Fair value loss recognised in profit or loss	(4,317)
Currency translation	(658)
End of financial period	108,044
Change in unrealised losses for assets held at the end of the financial period included in profit or loss	(4,317)
For the financial year ended 30 September 2019 (audited)	
Beginning of financial year	46,054
Additions	20,446
Fair value 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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED 31 MARCH 2020

5. FINANCIAL RISK MANAGEMENT (CONT'D)

5.2 Fair value estimation (Cont'd)

Valuation techniques and inputs used in Level 3 fair value measurements

The following table presents the valuation techniques and key inputs that were used to determine the fair value of investment properties and property, plant and equipment categorised under Level 3 of the fair value hierarchy:

Description	Fair value S$'000	Valuation technique	Unobservable inputs[(a)]	Range of Unobservable inputs	Relationship of unobservable inputs to fair value
As at 31 March 2020 (unaudited)					
Singapore (Owned properties)	60,440	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
Singapore (Right-of-use properties)	41,879	Discounted cash flow	Discount rate	7.5%	The higher the rate, the lower the fair value
Indonesia (Owned properties)	5,725	Direct comparison method	Transacted price of comparable properties	S$3,300 to S$3,700 per square metre	The higher the comparable value, the higher the fair value
	108,044				
As at 30 September 2019 (audited)					
Singapore (Owned properties)	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 (Owned properties)	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				

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED 31 MARCH 2020

6. SEGMENT INFORMATION

The Group Managing Director monitors the operating results of its operating segments for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on segment results which in certain respects, set out below, are presented differently from operating profit or loss in the consolidated financial statements of the Group. The Group's reportable operating segments are as follows:

1. Industrial group

2. Commercial group

3. Residential group

4. Logistics group

5. Facilities management group

Industrial, Commercial and Residential groups form the space optimisation business.

The Group does not have a single customer whose revenue reports more than 5% of the Group's total revenue. Group taxation is managed on a group basis and is not allocated to operating segments.

Allocation basis and transfer pricing

Segment results include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly income tax expense and non-controlling interests.

Transfer prices between operating segments are on an arm's length basis in a manner similar to transactions with third parties, if any.

Sales

Sales between segments are carried out at market terms. The revenue from external parties reported to the Group Managing Director is measured in a manner consistent with that in the statement of comprehensive income.

The Group Managing Director assesses the performance of the operating segments based on the segment result, being a measure of earnings before tax, interest, finance costs, share of results of associates and joint ventures and fair value gain or loss on investment properties from continuing operations.

Segment assets and liabilities

The amounts reported to the Group Managing Director with respect to the total assets and liabilities are measured in a manner consistent with that of the financial information. Segment assets and liabilities include, investment properties, property, plant and equipment, right-of-use assets, other asset, trade and other receivables, lease receivables, bank borrowings, lease liabilities and trade and other payables, which are directly attributable to a segment as well as items that can be allocated on a reasonable basis.

6. SEGMENT INFORMATION (CONT'D)

Segment breakdown for the period ended 31 March 2020 are as follows:

	Industrial S$'000	Commercial S$'000	Residential S$'000	Logistics Services S$'000	Facilities Management S$'000	Corporate and Eliminations S$'000	Consolidated S$'000
Sales							
Total segment sales	17,050	9,311	5,099	14,242	10,464	6,773	62,939
Inter-segment sales	(1,760)	(498)	(41)	(1,498)	(750)	(6,773)	(11,320)
External sales	15,290	8,813	5,058	12,744	9,714	–	51,619
Segment results	**3,796**	**1,487**	**1,862**	**1,671**	**924**	**356**	**10,096**
Fair value losses on investment properties	(2,744)	(1,198)	(375)	–	–	–	(4,317)
Finance cost	(1,076)	(358)	(653)	(256)	(215)	(18)	(2,576)
	(24)	(69)	834	1,415	709	338	3,203
Share of results of associates and joint ventures	358	–	–	230	(9)	–	579
Profit before taxation	334	(69)	834	1,645	700	338	3,782
Taxation							(315)
Net profit after taxation							3,467
Non-controlling interests							(291)
Net profit attributable to equity holders of the Company							3,176
Segment assets	105,420	35,348	73,411	33,815	15,415	717	264,126
Investment in associates	–	–	–	271	–	–	271
Investment in joint ventures	13,384	–	–	–	4,685	–	18,069
Total segment assets							282,466
Total segment liabilities	81,312	41,303	39,930	24,448	15,836	2,299	205,128
Capital expenditures	627	109	5,323	14,236	195	68	20,558
Depreciation of property, plant and equipment	778	584	1,007	1,246	410	221	4,246

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED 31 MARCH 2020

6. SEGMENT INFORMATION (CONT'D)

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

	Industrial S$'000	Commercial S$'000	Residential S$'000	Logistics Services S$'000	Facilities Management S$'000	Corporate and Eliminations S$'000	Consolidated S$'000
Sales							
Total segment sales	20,248	11,118	1,283	13,066	11,406	6,265	63,386
Inter-segment sales	(858)	(540)	–	(1,255)	(869)	(6,265)	(9,787)
External sales	19,390	10,578	1,283	11,811	10,537	–	53,599
Segment results	**(886)**	**691**	**(1,020)**	**2,123**	**692**	**344**	**1,944**
Finance cost	(367)	(22)	(44)	(79)	(19)	(38)	(569)
	(1,253)	669	(1,064)	2,044	673	306	1,375
Share of results of associates and joint ventures	246	–	–	304	1,403	–	1,953
Profit before taxation	(1,007)	669	(1,064)	2,348	2,076	306	3,328
Taxation							(232)
Net profit after taxation							3,096
Non-controlling interests							(281)
Net profit attributable to equity holders of the Company							2,815

Segment breakdown for its comparative period ended 30 September 2019 are as follows:

	Industrial S$'000	Commercial S$'000	Residential S$'000	Logistics Services S$'000	Facilities Management S$'000	Corporate and Eliminations S$'000	Consolidated S$'000
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 expenditures	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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED 31 MARCH 2020

6. SEGMENT INFORMATION (CONT'D)

Reconciliation of segments' total assets and total liabilities

	31 March 2020 S$'000	30 September 2019 S$'000
Reportable segments' assets are reconciled to total assets:		
Segment assets	282,466	152,555
Deferred tax assets	159	341
Long-term prepayment	188	322
Intangible assets	74	108
Financial assets, at FVOCI	700	492
Inventories	47	3
Loans to joint ventures	5,828	2,432
Prepayment	3,124	3,338
Cash and bank balances	18,140	18,218
Fixed deposits	4,991	9,135
	315,717	186,944
Reportable segments' liabilities are reconciled to total liabilities:		
Segment liabilities	205,128	86,511
Provisions	1,675	2,557
Current income tax liabilities	957	463
Deferred tax liabilities	3,229	533
	210,989	90,064

Geographical segment

The following table shows the distribution of the Group's revenue from external customers based on the location where goods are sold and services are derived:

	Revenue from external customers six months ended 31 March	
	2020 S$'000	2019 S$'000
Singapore	46,376	50,409
Thailand	1,958	1,639
Hong Kong	1,297	278
Myanmar	881	333
Indonesia	438	615
Other countries	669	325
	51,619	53,599

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

	Non-current assets as at	
	31 March 2020 S$'000	30 September 2019 S$'000
Singapore	217,415	106,663
Thailand	3,120	1,330
Hong Kong	626	76
Myanmar	5,117	5,268
Indonesia	5,834	6,787
Cambodia	13,302	12,771
Other countries	5,957	3,001
	251,371	135,896

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED 31 MARCH 2020

7. REVENUE

	Six months ended 31 March 2020 S$'000	Six months ended 31 March 2019 S$'000
Rental and warehousing lease income from leased properties	23,838	26,493
Rental and warehousing lease income from owned properties	2,072	1,521
Car park services	8,458	7,194
Logistics services		
– Trucking services	6,032	5,278
– Storage services	1,108	1,403
– Container repair services	1,489	1,361
– Logistics management	4,115	3,769
Facilities services	3,822	5,990
Licence fee	8	44
Management services fee income	557	425
Others	120	121
	51,619	53,599

8. OTHER INCOME

	Six months ended 31 March 2020 S$'000	Six months ended 31 March 2019 S$'000
Handling charges	158	112
Gain on disposal of property, plant and equipment	–	84
Interest income	759	183
Gain from net investment in subleases	433	–
Vehicle related income	181	154
Government grants	4	88
Wage credit scheme and special employment credit*	101	243
Forfeiture of tenant deposit	448	29
Foreign exchange gain	–	129
Services charges	121	97
Miscellaneous charge to tenant	70	66
Other income	482	621
	2,757	1,806

* Wage credit scheme and special employment credit are incentives introduced by the Singapore Government to help business alleviate business costs in a tight labour market and to support business investments. These incentives are in the form of cash payout.

9. OTHER OPERATING EXPENSES

	Six months ended 31 March 2020 S$'000	Six months ended 31 March 2019 S$'000
Impairment loss on trade receivables	197	171
Provision for onerous contract	270	–
Foreign exchange loss	174	–
Other expenses	–	19
	641	190

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FOR THE SIX MONTHS ENDED 31 MARCH 2020

10. EXPENSE BY NATURE

	Six months ended 31 March 2020 S$'000	Six months ended 31 March 2019 S$'000
Advertising expenses	224	182
Commission fees	419	406
Entertainment expenses	95	86
Marketing expenses	13	2
Transportation costs	920	862
Container depot management charges	1,198	1,344
Rental expenses	11,943	29,118
Upkeep and maintenance costs	5,475	4,158
Consultancy fees	7	1
Depreciation of property, plant and equipment	4,246	2,978
Depreciation of right-of-use assets	5,964	–
Amortisation of intangible assets	34	34
Loss on disposal of property, plant and equipment	39	–
Write-off of property, plant and equipment	39	7
Professional fees	525	478
Vehicle-related expenses	38	45
Employee benefit costs	9,860	11,054
Insurance fees	308	294
IT Maintenance expenses	244	210
Printing expenses	142	131
Property management fees	217	218
Telephone expenses	161	159
Auditor's remuneration		
– Audit services	142	127
– Non-audit services	67	–
Other expenses	1,319	1,377
	43,639	53,271

11. FINANCE COST

	Six months ended 31 March 2020 S$'000	Six months ended 31 March 2019 S$'000
Interest expense on borrowings	810	484
Interest expense on finance leases from hire purchase arrangement	–	85
Interest expense on lease liabilities from hire purchase arrangement	93	–
Interest expense on lease liabilities from lease arrangement	1,673	–
	2,576	569

12. INCOME TAX EXPENSE

	Six months ended 31 March 2020 S$'000	Six months ended 31 March 2019 S$'000
Current income tax	764	519
Deferred income tax	(432)	(317)
	332	202
(Over)/under provision in respect of prior years		
– current taxation	(17)	30
	315	232

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED 31 MARCH 2020

13. DIVIDEND

The Board has resolved to declare an interim dividend of 0.25 Singapore cents (equivalent to HK$0.014) per share for the six months ended 31 March 2020 (2019: Nil).

During the six months ended 31 March 2020, the shareholders of the Company (the "**Shareholders**") had approved the final dividend of 0.5 Singapore cents per share for the year ended 30 September 2019. The dividend recognised as distribution of approximately S$2,043,000 was paid in February 2020.

14. EARNINGS PER SHARE

Basic earnings per share are calculated by dividing the profit of the Group attributable to equity holders of the Company by the weighted average number of ordinary shares deemed to be in issue during each of the period ended 31 March 2020 and 2019:

	Six months ended 31 March	
	2020	**2019**
Net profit attributable to equity holders of the Company (S$'000)	3,176	2,815
Weighted average number of ordinary shares ('000)	402,445	402,445
Basic earnings per share (Singapore cents)	0.79	0.70

The basic and diluted earnings per share are the same as there were no potentially dilutive ordinary securities in issue as at 31 March 2020 and 31 March 2019.

15. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 31 March 2020, the Group has an addition of property, plant and equipment of approximately S$20,409,000 (2019: S$9,976,000). As at 31 March 2020, the carrying amount of property, plant and equipment held under finance lease was S$7,191,000 (2019: S$7,564,000).

16. LEASE RECEIVABLES

On 1 October 2019, the Group has adopted IFRS 16 and the following table shows the maturity analysis of the undiscounted lease payments to be received:

	31 March 2020 S$'000	1 October 2019 S$'000
Not later than one year	16,255	15,931
Between one and two years	12,488	13,178
Between two and three years	7,849	10,441
Between three and four years	4,320	4,320
Between four and five years	4,320	4,320
More than five years	–	2,160
Total undiscounted lease payments	45,232	50,350
Less: Unearned finance income	(2,239)	(2,781)
	42,993	47,569
Presented as:		
Current	15,223	14,745
Non-current	27,770	32,824
	42,993	47,569

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED 31 MARCH 2020

17. OTHER ASSET

The Group has recognised other asset in relation to the progress billing of Block 1A of Axis Residences in Cambodia. The date of completion of the construction of the building is estimated to be by the end of our financial year ending 30 September 2020.

18. TRADE AND OTHER RECEIVABLES

	31 March 2020 S$'000	30 September 2019 S$'000
Trade receivables		
– Third parties	10,598	10,445
– Related parties	127	100
– Associates	138	41
– Joint ventures	353	–
	11,216	10,586
Accrued rental income	308	962
Goods and service tax receivables	1,601	999
Deposits with external parties	5,343	5,982
Unpaid deposits from customers	290	220
Tax recoverable	–	656
Other receivables	317	220
	7,551	8,077
Less:		
– Impairment loss on trade receivables	(2,223)	(2,026)
– Impairment loss on other receivables	(18)	(18)
	16,834	17,581

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

	31 March 2020 S$'000	30 September 2019 S$'000
0 to 30 days	5,860	5,061
31 to 60 days	1,889	1,875
61 to 90 days	479	670
91 to 180 days	317	441
181 to 365 days	430	399
Over 365 days	2,241	2,140
	11,216	10,586

19. SHARE CAPITAL

	No. of shares Issued share capital	Nominal Amount Share capital S$'000
Balance as at 1 October 2019 and 31 March 2020	402,445,400	63,407

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED 31 MARCH 2020

20. TRADE AND OTHER PAYABLES

	31 March 2020 S$'000	30 September 2019 S$'000
Trade payables		
– Third parties	3,521	3,899
– Related parties	11	–
– Associates	–	82
– Joint ventures	108	–
	3,640	3,981
Contract liabilities		
– Rental received in advance	615	701
– Advances received from customers	2,417	2,533
	3,032	3,234
Other payables and accruals		
– Goods and services tax payables	574	660
– Provision of directors' fees	48	63
– Accruals	5,106	4,967
– Accrued rental expenses	115	4,098
– Rental deposits received from customers	14,852	14,750
– Rental deposits received from related parties	81	81
– Unpaid deposits	308	518
– Withholding tax	48	41
– Sundry creditors	396	308
– Other payables	20	34
	28,220	32,735
Less:		
– Non-current portion: other payables	(20)	(34)
Total trade and other payables included in current liabilities	28,200	32,701

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

	31 March 2020 S$'000	30 September 2019 S$'000
0 to 30 days	2,596	2,758
31 to 60 days	508	754
61 to 90 days	212	116
Over 90 days	324	353
	3,640	3,981

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

21. BANK BORROWINGS

	31 March 2020 S$'000	30 September 2019 S$'000
Non-current, secured		
Bank borrowings repayable later than 1 year and no later than 2 years	9,455	7,510
Bank borrowings repayable later than 2 years and no later than 5 years	16,222	11,216
Bank borrowings repayable later than 5 years	24,228	22,408
	49,905	41,134
Current, secured		
Bank borrowings repayable no later than 1 year	11,923	7,009
Total borrowings	61,828	48,143

The bank borrowings of approximately S$61.8 million (2019: S$48.1 million) obtained by our subsidiaries are secured by (i) legal mortgage of leasehold property at 72 Eunos Avenue 7, 100 Eunos Avenue 7, 71 Lorong 23 Geylang and 7 Gul Avenue; (ii) corporate guarantees provided by the Group; (iii) assignment of rental proceeds of the mortgaged properties; and (iv) 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**"), where applicable.

22. COMMITMENTS

(a) Capital commitments

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

	31 March 2020 S$'000	30 September 2019 S$'000
Investment property	5,343	5,201
Property, plant and equipment	289	5,541
	5,632	10,742

(b) Operating lease commitments – where the Group is a lessee

The Group leases property, plant and equipment from non-related parties under non-cancellable operating lease agreements. These leases have varying terms, escalation clauses and renewal rights.

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

	30 September 2019 S$'000
Not later than one year	52,697
Between one and five years	52,458
Later than five years	2,596
	107,751

As disclosed in Note 3, the Group has adopted IFRS 16 on 1 October 2019. These lease payments have been recognised as ROU assets and lease liabilities on the balance sheet as at 31 March 2020, except for short-term and low value leases which amounted to S$8,200,000 and S$57,000 respectively.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED 31 MARCH 2020

22. COMMITMENTS (CONT'D)

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

The Group leases out investment properties to non-related parties under non-cancellable operating lease agreements. These leases are required to pay either absolute fixed annual increase to the lease payments or contingent rents computed based on their sales achieved during the lease period.

As at 30 September 2019, the future minimum lease receivables under non-cancellable operating leases contracted for but not recognised as receivables, are as follows:

	30 September 2019 S$'000
Not later than one year	48,125
Between one and five years	32,260
	80,385

On 1 October 2019, the Group has adopted IFRS 16 and the undiscounted lease payments from the operating leases from leased properties and owned investment properties to be received after 31 March 2020 is disclosed as follows:

	31 March 2020 S$'000	1 October 2019 S$'000
Operating leases from leased properties		
Not later than one year	19,343	28,745
Between one and two years	7,172	5,862
Between two and three years	2,292	3,577
	28,807	38,184

	31 March 2020 S$'000	1 October 2019 S$'000
Operating leases from owned investment properties		
Not later than one year	3,593	3,010
Between one and two years	2,210	2,112
Between two and three years	617	1,265
	6,420	6,387

(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$57,800,000 (2019: S$43,800,000). As at 31 March 2020, the outstanding amount of guaranteed loans drawn down by joint ventures amounted to S$42,776,000 (2019: S$37,466,000).

The Group has determined that the corporate guarantees had insignificant fair values as at 31 March 2020 and 30 September 2019.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED 31 MARCH 2020

23. RELATED PARTY TRANSACTIONS

In addition to those disclosed elsewhere in the financial statements, the following is a summary of significant related party transactions which, in the opinion of the Directors, are entered into the ordinary course of business between the Group and its related parties.

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

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

	Six months ended 31 March	
	2020	**2019**
	S$'000	**S$'000**
Rental and service income from:		
Work Plus Store (AMK) Pte. Ltd.	477	287
Metropolitan Parking Pte. Ltd.	60	59
Four Star Industries Pte Ltd	288	201
Work Plus Store (Kallang) Pte. Ltd.	48	30
Master Care Services Pte. Ltd.	156	229
PJS Companies	90	119
9 Plus Cafe Pte. Ltd.	87	80
HLA Logistics Pte. Ltd.	744	708
Auxiliary services from:		
Work Plus Store (AMK) Pte. Ltd.	–	9
Four Star Industries Pte Ltd	53	–
Panselatan Sdn Bhd	42	20
Loan to:		
Work Plus Store (AMK) Pte. Ltd.	850	–
Metropolitan Parking Pte. Ltd.	260	150
Four Star Industries Pte Ltd	–	700
Work Plus Store (Kallang Bahru) Pte. Ltd.	2,415	–
Repayment of loan from:		
Work Plus Store (AMK) Pte. Ltd.	–	5,143
Four Star Industries Pte Ltd	181	27
Other transactions with:		
Work Plus Store (AMK) Pte. Ltd.	149	132
Metropolitan Parking Pte. Ltd.	568	532
Four Star Industries Pte Ltd	40	74

Notes:

i Sales and purchases are made at prices mutually agreed by the relevant parties

ii Terms of services are mutually agreed between the relevant parties

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

For the six months ended 31 March 2020 ("**1H2020**"), the Group recorded a decrease in revenue of 3.6%, mainly due to the decrease in revenue from the Industrial and Commercial Properties under the Space Optimisation Business, as well as the Facilities Management Business. The Group's results for 1H2020 are reported based on the adoption of IFRS 16 from 1 October 2019, which is the first annual reporting period of the Company which begins on or after the IFRS 16 effective date of 1 January 2019. Accordingly, the Group has applied the modified transition approach and has not restated comparative amounts for the year prior to first adoption. The effects of adoption of IFRS 16 on the Group's financial statements as at 1 October 2019 is set out under note 3 of this report.

During 1H2020, the Group's Industrial Properties and Commercial Properties recorded an average occupancy rate of approximately 89.9% and 84.5% respectively, as compared to 87.8% and 90.5%, respectively, for the six months ended 31 March 2019 ("**1H2019**"), with the Commercial Properties facing pressure on its occupancy and rental rates.

Three master leases were renewed under the Space Optimisation Business comprising one renewal each under the Industrial Properties, Commercial Properties and Residential Properties.

The Group had also secured one new master lease under the Industrial Properties and successfully re-tendered for the tenancy at 1557 Keppel Road upon expiration of the existing tenancy on 31 December 2019. We will be doing asset enhancement on the property at 1557 Keppel Road to convert it into a mixed-use development supporting commercial spaces, co-living residential apartments and recreational facilities. However, due to the outbreak of the coronavirus disease 2019 ("**COVID-19**") and circuit breaker measures announced by the Government of the Republic of Singapore (the "**Singapore Government**") as mentioned hereinafter, the renovation is expected to commence on or after 1 June 2020, subject to any further directive from the Singapore Government.

In addition, the Group is pleased to announce that our student hostel at 1A Lutheran Road, a master lease secured in September 2019 under the Residential Properties, has recently completed renovations and commenced operations in the first quarter of 2020.

Our Facilities Management Business continues to expand further in Singapore as a result of five new car park contracts secured and the successful re-tender for the operation and management of Parliament House carpark as announced in November 2019. The Group had also secured one new car park contract in Hong Kong during 1H2020.

For the Logistics Services Business, the Group has announced the completion of acquisition of the Gul Avenue property in December 2019 which will support the future stable growth of our transportation business by providing a more stable and fixed place of operations for the transportation business.

Business Outlook

The COVID-19 pandemic has led to a severe contraction in economic activity both in Singapore and globally, due to the combination of supply chain disruptions, travel restrictions imposed in many countries and a sudden decline in demand. The Singapore economy will enter a recession this year, with GDP growth projected at –4% to –1%[1].

Based on advance estimates as announced in the press release dated 26 March 2020 issued by the Ministry of Trade and Industry Singapore[2], the Singapore economy contracted by 2.2% on a year-on-year basis in the first quarter of 2020, reversing the 1.0% growth in the preceding quarter. On a quarter-on-quarter seasonally-adjusted annualised basis, the economy shrank by 10.6%, a sharp pullback from the 0.6% growth in the previous quarter.

As announced on 29 April 2020, the Group is assessing the potential impact of the circuit breaker measures announced by the Singapore Government on 3 April 2020[3] and 21 April 2020[4] and the Covid-19 (Temporary Measures) Act 2020 which was passed on 7 April 2020. For further details, please refer to the Company's announcement dated 29 April 2020.

In view of the abovementioned, the Group expects that rental collections under its Space Optimisation Business are likely to be affected, in particular, for rental collections for subleases of the Group's commercial and industrial properties.

[1] https://www.mas.gov.sg/-/media/MAS/EPG/MR/2020/Apr/MRApr20.pdf
[2] https://www.singstat.gov.sg/-/media/files/news/advgdp1q2020.pdf
[3] https://www.moh.gov.sg/news-highlights/details/circuit-breaker-to-minimise-further-spread-of-covid-19
[4] https://www.moh.gov.sg/news-highlights/details/strong-national-push-to-stem-spread-of-covid-19

MANAGEMENT DISCUSSION AND ANALYSIS

For our overseas projects under the Space Optimisation Business, the spread of COVID-19 around the world has also resulted in the delay of the renovation of our leased property in Nanan City, Quanzhou, Fujian Province, the People's Republic of China and the construction of our Axis Residences property in Cambodia. However, the Group expects both projects to be operational by the end of our financial year ending 30 September 2020.

As announced on 4 February 2020, Work Plus Store (Kallang Bahru) Pte. Ltd., a joint venture company of the Group, has completed the acquisition of a property at 202 Kallang Bahru in Singapore and is expected to commence renovations on or after 1 June 2020 due to the circuit breaker measures and subject to any further directive(s) from the Singapore Government.

With respect to the Facilities Management Business, the Group continues 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.

For the carpark business in Singapore, the Group expects a potential decrease in parking activity in view of the circuit breaker measures and safe distancing measures implemented by the Singapore Government since March 2020.

With respect to the Logistics Services Business, the Group remains cautious as a decrease in logistics services and a delay in collection of receivables may be possible in the coming periods given the decline in global economic activity.

Looking ahead, the Group will monitor the situation carefully and will make further announcement(s) as and when there are material development(s) to the abovementioned matters.

Financial Review

For the period six months ended 31 March 2020 ("1H2020") vs six months ended 31 March 2019 ("1H2019")

Revenue

	1H2020 S$'000 (unaudited)	**1H2019 S$'000 (unaudited)**	**Variance**	
			S$'000	**%**
Industrial Properties	15,290	19,390	(4,100)	(21.1)
Commercial Properties	8,813	10,578	(1,765)	(16.7)
Residential Properties	5,058	1,283	3,775	294.2
Space Optimisation Business	29,161	31,251	(2,090)	(6.7)
Facilities Management Business	9,714	10,537	(823)	(7.8)
Logistics Services Business	12,744	11,811	933	7.9
Total	51,619	53,599	(1,980)	(3.7)

The Group's revenue decreased by approximately S$2.0 million or 3.7% from approximately S$53.6 million in 1H2019 to approximately S$51.6 million in 1H2020 primarily due to the decrease in revenue from (i) the Industrial Properties and Commercial Properties under the Space Optimisation Business; and (ii) the Facilities Management Business. The decrease was partially offset by the increase in revenue from the Residential Properties under the Space Optimisation Business and Logistics Services Business.

(a) Space Optimisation Business

Industrial Properties

Revenue derived from Industrial Properties decreased by approximately S$4.1 million or 21.1% from approximately S$19.4 million in 1H2019 to approximately S$15.3 million in 1H2020 mainly due to derecognition of revenue of approximately S$5.1 million from subleases classified as finance lease and the net gain was recognised to retained earnings on 1 October 2019 upon adoption of IFRS 16.

MANAGEMENT DISCUSSION AND ANALYSIS

The decrease was partially offset by (i) increase in rental income as a result of higher occupancy rates; and (ii) the contribution of rental income from one new property acquired and tenanted since the second quarter of our financial year ended 30 September 2019 ("**FY2019**").

The average occupancy rate of the Group's Industrial Properties increased by 2.1 percentage points to approximately 89.9% in 1H2020 as compared to 87.8% in 1H2019.

Commercial Properties

Revenue derived from Commercial Properties decreased by approximately S$1.8 million or 16.7% from approximately S$10.6 million in 1H2019 to approximately S$8.8 million in 1H2020 mainly due to (i) the movement of tenants due to expiry of subleases; (ii) renewal of subleases at lower rate; and (iii) derecognition of revenue of approximately S$0.8 million from subleases classified as finance lease and the net gain was recognised to retained earnings on 1 October 2019 upon adoption of IFRS 16.

The average occupancy rate of the Group's Commercial Properties decreased by 6.0 percentage points to approximately 84.5% in 1H2020 as compared to 90.5% in 1H2019.

Residential Properties

Revenue derived from Residential Properties increased by approximately S$3.8 million or 294.2% from approximately S$1.3 million in 1H2019 to approximately S$5.1 million in 1H2020 mainly due to increase in (i) revenue of approximately S$3.2 million mainly from the co-work co-live business at 31 Boon Lay Drive Singapore which started to generate revenue from the second quarter of FY2019; and (ii) revenue of approximately S$0.6 million from our new serviced residence project in Myanmar which started to generate revenue in the fourth quarter of FY2019.

Besides the above projects, our co-work co-live business at 150 Cantonment had also started to generate revenue from the third quarter of FY2019. However, there was no increase in revenue recorded for this project in 1H2020 as compared to 1H2019 due to the adoption of IFRS 16 as revenue of approximately S$2.1 million in 1H2020 was derecognised from subleases classified as finance lease and the net gain was recognised to retained earnings on 1 October 2019.

(b) Facilities Management Business

Revenue derived from our Facilities Management Business decreased by approximately S$0.8 million or 7.8% from approximately S$10.5 million in 1H2019 to approximately S$9.7 million in 1H2020 mainly due to the absence of revenue of approximately S$2.6 million from the security services business as a result of the completion of the disposal of the security services business as disclosed in the announcement dated 31 May 2019. This was partially offset by the increase in (i) revenue of approximately S$1.5 million from the management of new carparks in Singapore and Hong Kong; and (ii) revenue of approximately S$0.3 million from the increase in facilities management services provided.

(c) Logistics Services Business

Revenue derived from our Logistics Services Business increased by approximately S$0.9 million or 7.9% from approximately S$11.8 million in 1H2019 to approximately S$12.7 million in 1H2020 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.

Cost of Sales

Cost of sales decreased by approximately S$11.7 million or 28.3% from approximately S$41.4 million in 1H2019 to approximately S$29.7 million in 1H2020.

The decrease was mainly due to decrease in (i) direct labour costs of approximately S$2.1 million from a decrease in manpower cost under the Facilities Management Business as a result of the disposal of the security services business which was completed in May 2019; and (ii) rental costs of approximately S$17.1 million due to the adoption of IFRS 16, of which approximately S$5.9 million has been recognised as depreciation of right-of-use assets, S$3.8 million has been recognised as fair value loss on investment properties (right-of-use) and the remaining balance was largely due to the derecognition of rental cost to retained earnings as a result of subleases classified as finance lease and fair value loss to retained earnings upon adoption of IFRS 16 on 1 October 2019.

MANAGEMENT DISCUSSION AND ANALYSIS

The decrease was partially offset by the increase in (i) depreciation of right-of-use assets of approximately S$5.9 million due to adoption of IFRS 16; (ii) upkeep and maintenance costs of approximately S$1.3 million mainly from the Facilities Management Business and Logistics Services Business in line with the increase in revenue (excluding the impact of the absence of revenue contribution from the security services business); and (iii) depreciation of property, plant and equipment of approximately S$0.3 million.

Gross Profit

In view of the above mentioned, gross profit increased by approximately S$9.7 million from approximately S$12.2 million in 1H2019 to approximately S$21.9 million in 1H2020.

Other Income

Other income increased by approximately S$1.0 million or 52.7% from approximately S$1.8 million in 1H2019 to approximately S$2.8 million in 1H2020 mainly due to the increase in (i) forfeiture of tenants' deposit of approximately S$0.4 million; (ii) interest income of approximately S$0.6 million mainly arising from the interest charged on lease receivables upon the adoption of IFRS 16; and (iii) gains from subleases of approximately S$0.4 million upon the adoption of IFRS 16 which were derived based on differences between the right-of-use asset derecognised and the net investment in sublease. These were partially offset by the (i) decrease in government grants of approximately S$0.2 million; (ii) the absence of foreign exchange gain of approximately S$0.1 million recognised in 1H2019; and (iii) the absence of gain on disposal of property, plant and equipment of approximately S$0.1 million recognised in 1H2019.

Other Operating Expenses

Other operating expenses increased by approximately S$0.4 million or 237.4% from approximately S$0.2 million in 1H2019 to approximately S$0.6 million in 1H2020 mainly due to (i) provision of losses from onerous contracts of approximately S$0.2 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) foreign exchange losses of approximately S$0.2 million in 1H2020.

Selling and Distribution Expenses

Selling and distribution expenses increased by approximately S$0.1 million or 11.1% from approximately S$0.7 million in 1H2019 to approximately S$0.8 million in 1H2020 mainly due to increase in advertising and marketing expenses of approximately S$0.1 million.

Administrative Expenses

Administrative expenses increased by approximately S$2.0 million or 18.0% from approximately S$11.2 million in 1H2019 to approximately S$13.2 million in 1H2020 mainly due to increase in (i) depreciation of property, plant and equipment of approximately S$0.9 million arising from the Residential Properties; (ii) staff costs of approximately S$0.9 million mainly from the Space Optimisation Business which is in line with the increase in revenue from the Residential Properties business; and (iii) miscellaneous expenses of approximately S$0.2 million.

Finance Cost

Finance cost increased by approximately S$2.0 million or 352.7% from approximately S$0.6 million in 1H2019 to approximately S$2.6 million in 1H2020 mainly due to (i) increased interest expenses of approximately S$0.3 million due to the increase in bank borrowings; and (ii) interest expenses on lease liabilities of approximately S$1.7 million as a result of the adoption of IFRS 16.

Share of Results of Associates and Joint Ventures

Share of results of associates and joint ventures decreased by approximately S$1.4 million or 70.4% from approximately S$2.0 million in 1H2019 to approximately S$0.6 million in 1H2020 mainly due to (i) decrease in share of operating profits of approximately S$0.1 million in 1H2020; and (ii) fair value loss on investment property of approximately S$0.2 million in 1H2020 as compared to a net fair value gain on investment properties of approximately S$1.1 million in 1H2019.

Fair Value Losses on Investment Properties

Fair value losses on investment properties in 1H2020 arose mainly from a decrease in valuation of an industrial property in Singapore of approximately S$0.5 million and from our investment properties (right-of-use) of approximately S$3.8 million which was recognised as a result of the adoption of IFRS 16.

MANAGEMENT DISCUSSION AND ANALYSIS

Profit before Income Tax

As a result of the aforementioned, the Group's profit before income tax increased by approximately S$0.5 million or 13.6% from approximately S$3.3 million in 1H2019 to approximately S$3.8 million in 1H2020.

Income Tax Expense

Income tax expenses increased by approximately S$0.1 million or 35.8% from approximately S$0.2 million in 1H2019 to approximately S$0.3 million in 1H2020 mainly due to higher taxable profit.

Profit for the Period

As a result of the above, the Group's net profit increased by approximately S$0.4 million or 12.0% from approximately S$3.1 million in 1H2019 to approximately S$3.5 million in 1H2020.

Review of Statement of Financial Position

Non-current assets

Non-current assets increased by approximately S$115.3 million from approximately S$136.2 million as at 30 September 2019 to approximately S$251.5 million as at 31 March 2020 mainly due the factors as set out below:

Property, plant and equipment ("**PPE**") increased by approximately S$11.0 million due to additions amounting to approximately S$20.4 million mainly for renovation costs for our new student hostel project in Singapore and hotel project in China under the Space Optimisation Business and the purchase of property at 7 Gul Avenue under the Logistics Services Business. This was partially offset by depreciation of PPE of approximately S$4.2 million and the net derecognition of PPE of approximately S$5.0 million to retained earnings on 1 October 2019 upon the adoption of IFRS 16.

Investment properties increased by approximately S$40.7 million mainly due to additions of investment properties (right-of-use) of approximately S$48.0 million upon the adoption of IFRS 16, partially offset by fair value losses of approximately S$4.3 million, derecognition of investment properties (right-of-use) to net investment in subleases of approximately S$2.3 million and foreign currency translation losses of approximately S$0.7 million.

Right-of-use assets of approximately S$34.6 million was recognised due to adoption of IFRS 16.

Financial assets, at fair value through other comprehensive income ("**FVOCI**") increased by approximately S$0.2 million mainly from additional investment in a company principally engaged in the provision of storage solutions of approximately S$0.5 million. This was partially offset by the disposal of another financial asset, at FVOCI of approximately S$0.3 million.

Investment in associates and joint ventures increased by approximately S$0.8 million mainly arising from the share of profit of associates and joint ventures recognised for 1H2020 of approximately S$0.6 million and injection of share capital of S$0.5 million into a joint venture company in 1H2020. This was partially offset by dividends received from an associate of approximately S$0.3 million.

Lease receivables of approximately S$27.8 million was recognised due to the recognition of receivables from subleases upon adoption of IFRS 16.

Other asset increased by approximately S$0.5 million mainly due to foreign currency translation gains.

The increase in non-current assets was partially offset by a decrease in (i) prepayment of approximately S$0.1 million; and (ii) deferred tax assets of approximately S$0.2 million.

Current assets

Current assets increased by approximately S$13.5 million from approximately S$50.7 million as at 30 September 2019 to approximately S$64.2 million as at 31 March 2020 mainly due to the factors as set out below.

Trade and other receivables decreased by approximately S$0.7 million mainly due to (i) decrease in other receivables of approximately S$0.5 million which was largely due to the capitalisation of deposit paid upon the completion of acquisition of 7 Gul Avenue property; and (ii) increase in allowance for impairment of trade receivables of approximately S$0.2 million.

MANAGEMENT DISCUSSION AND ANALYSIS

Loans to joint ventures increased by approximately S$3.4 million mainly due to loans to our joint venture companies of approximately S$1.4 million for working capital and approximately S$2.0 million partial payment for the acquisition of an industrial property in Singapore under Work Plus Store (Kallang Bahru) Pte. Ltd..

Lease receivables of approximately S$15.2 million was recognised due to the recognition of receivables from subleases upon adoption of IFRS 16.

Prepayments decreased by approximately S$0.2 million.

Cash and bank balances and fixed deposits decreased by approximately S$4.2 million.

Non-current liabilities

Non-current liabilities increased by approximately S$86.7 million from approximately S$46.3 million as at 30 September 2019 to approximately S$133.0 million as at 31 March 2020 mainly due to the factors as set out below.

Bank borrowings increased by approximately S$8.7 million mainly for the purchase of property at 7 Gul Avenue under our Logistics Services Business.

Lease liabilities increased by approximately S$79.8 million due to the adoption of IFRS 16 which includes the recognition of liabilities payable to landlords for lease arrangements of approximately S$76.6 million and reclassification from finance lease liabilities of approximately S$3.5 million less repayment of approximately S$0.3 million during 1H2020.

Deferred tax liabilities increased by approximately S$2.7 million mainly due to recognition of tax liabilities arising from net investment in subleases upon adoption of IFRS 16 on 1 October 2019.

These were partially offset by the decrease in provisions of approximately S$1.0 million mainly due to reclassification of provision for onerous contract under the Industrial Properties to right-of-use assets due to adoption of IFRS 16 of approximately S$0.3 million and reclassification of provision of reinstatement cost from non-current liabilities to current liabilities of approximately S$0.7 million.

In addition, finance lease liabilities of approximately S$3.5 million has been reclassified to lease liabilities due to the adoption of IFRS 16.

Current liabilities

Current liabilities increased by approximately S$34.1 million from approximately S$43.8 million as at 30 September 2019 to approximately S$77.9 million as at 31 March 2020 mainly due to the factors as set out below.

Provisions increased by approximately S$0.2 million mainly due to the reclassification of provision of reinstatement cost from non-current liabilities to current liabilities of approximately S$0.7 million. This was partially offset by the decrease in provision for onerous contract under the Industrial Properties of approximately S$0.5 million.

Bank borrowings increased by approximately S$4.9 million mainly for the purchase of property at 7 Gul Avenue under our Logistics Services Business.

Lease liabilities increased by approximately S$35.2 million due to the adoption of IFRS 16 which includes the recognition of liabilities payable to landlords for lease arrangements of approximately S$33.2 million and reclassification from finance lease liabilities of approximately S$2.2 million less repayment of approximately S$0.1 million during 1H2020.

Current tax payable increased by approximately S$0.5 million mainly due to income tax provided for the period.

The increase in current liabilities was partially offset by a decrease in (i) trade and other payables of approximately S$4.5 million largely due to the adjustment of accrued lease expenses to right-of-use assets upon adoption of IFRS 16; and (ii) finance lease liabilities of approximately S$2.2 million which has been reclassified to lease liabilities due to the adoption of IFRS 16.

MANAGEMENT DISCUSSION AND ANALYSIS

Working Capital

As at 30 September 2019, the Group had positive working capital of approximately S$6.9 million.

Due to the adoption of IFRS 16, the Group recorded negative working capital of approximately S$13.8 million as at 31 March 2020 as a result of inclusion of current lease liabilities of approximately S$33.2 million while the corresponding assets were recognised under non-current assets as investment properties (right-of-use) or right-of-use assets. The exclusion of these current lease liabilities offset by current lease receivables of approximately S$15.2 million due to adoption of IFRS 16, would have resulted in a positive working capital of approximately S$4.2 million.

Despite the negative working capital of approximately S$13.8 million due to the adoption of IFRS 16, the Board confirms that the Group is able to operate as a going concern and meet its debt obligations as and when they fall due in view of the sufficiency in cash flows based on the Group's cash flow forecast and the support from banks through its available banking facilities and temporary bridging loans which demonstrates the Group's ability to continue its operations and meet its obligations in the next 12 months.

Review of Statement of Cash Flows

In 1H2020, the Group recorded net cash generated from operating activities of approximately S$18.0 million, which was a result of operating profit before changes in working capital of approximately S$19.7 million, increase in trade and other receivables of approximately S$0.4 million and decrease in trade and other payables of approximately S$1.7 million, adjusted for net income tax refunded of approximately S$0.4 million.

Net cash used in investing activities amounted to approximately S$22.7 million, which was mainly due to (i) additions to PPE of approximately S$19.6 million for renovation costs paid for our new student hostel project in Singapore and hotel project in China under the Space Optimisation Business and purchase of property at 7 Gul Avenue under the Logistics Services Business; (ii) loans to joint ventures of approximately S$3.5 million mainly for the acquisition of an industrial property and working capital; (iii) cash paid on acquisition of joint venture of approximately S$0.5 million; (iv) additions to other asset of approximately S$0.1 million. These were partially offset by (i) dividend received from associate of approximately S$0.3 million; (ii) proceeds received from disposal of PPE of approximately S$0.2 million; (iii) proceeds received from disposal of financial assets, at FVOCI of approximately S$0.3 million; and (iv) interest received of approximately S$0.2 million.

Net cash generated from financing activities amounted to approximately S$5.2 million, which were due to (i) repayment of lease liabilities of approximately S$15.7 million; (ii) repayment of finance lease of approximately S$1.1 million for logistics and carpark equipment; (iii) repayment of bank borrowings of approximately S$3.7 million; (iv) interest expense paid of approximately S$2.6 million; (v) dividend paid of approximately S$2.0 million; and (vi) dividend paid to non-controlling shareholder of approximately S$0.1 million. These were partially offset by (i) proceeds from bank borrowings of approximately S$17.7 million for the acquisition of property at 7 Gul Avenue and renovation loans for our Space Optimisation Business; (ii) decrease in pledged fixed deposits of approximately S$4.7 million due to the release of charges by bankers; (iii) receipts from lease receivables of approximately S$7.4 million; and (iv) interest received from lease receivables of approximately S$0.6 million.

As a result of the above, cash and cash equivalents increased by approximately S$0.5 million, amounting to approximately S$21.8 million as at 31 March 2020.

Liquidity and Financial Resources

During 1H2020, 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 (the "**Shares**") on the Main Board of the SEHK on 29 December 2017 (the "**HK Listing**").

The Group primarily obtained bank borrowings to finance its acquisition of properties and logistics equipment. The Group also had revolving loans for its short-term finance needs. The Group's borrowings as at 31 March 2020 were denominated in Singapore dollars and United States dollars with interest charged on these borrowings ranging from 2.48% to 6.00% per annum. As at 31 March 2020, the Group had outstanding bank borrowings of S$61.8 million. These borrowings were secured by (i) legal mortgage of the Group's leasehold properties at 72 Eunos Avenue 7, 100 Eunos Avenue 7, Geylang Property and 7 Gul Avenue; (ii) corporate guarantees by the Group; (iii) assignment of rental proceeds of the mortgaged properties; and (iv) personal guarantees provided by directors and shareholders of certain non-wholly owned subsidiaries, who are not controlling shareholders of the Company (the "**Subsidiaries Directors**"), where applicable.

As at 31 March 2020, cash and cash equivalents held by the Group were mainly cash in the banks and on hand denominated in Singapore dollars and deposits denominated in Singapore dollars that are readily convertible into cash.

MANAGEMENT DISCUSSION AND ANALYSIS

Gearing Ratio

Gearing ratio is equal to interest-bearing debt divided by total capital and multiplied by 100%. Total capital is calculated as interest-bearing debt plus total equity. Gearing ratio as at 31 March 2020 was 62.8%, increased from 35.7% as at 30 September 2019 primarily due to increase in debts as at 31 March 2020 mainly from lease liabilities and the purchase of the Gul Avenue property.

Lease Liabilities

Since 1 October 2019, the Group has adopted IFRS 16 "Leases" ("**IFRS 16**") without restating comparatives as permitted under the standard. 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. For details of impact of the adoption of IFRS 16, please refer to Note 3 of this report.

As at 31 March 2020, the Group had lease liabilities of S$115.1 million in respect of the Group's leased properties, plant and machinery, logistics equipment and motor vehicles. Certain lease liabilities of the Group are secured by the underlying assets of certain plant and machinery, logistics equipment and motor vehicles, personal guarantees provided by the Subsidiaries Directors and corporate guarantees provided by the Group.

Capital Commitment

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

	31 March 2020 S$'000	30 September 2019 S$'000
Investment properties	5,343	5,201
Property, plant and equipment	289	5,541
	5,632	10,742

Capital Expenditure

During 1H2020, the Group's capital expenditure consists of additions to property, plant and equipment, investment properties and other asset amounting to approximately S$20.6 million for the renovation costs for our Space Optimisation Business, purchase of logistics equipment, purchase of the 7 Gul Avenue property and additions to Block 1A of Axis Residences in Cambodia (FY2019: approximately S$48.5 million).

Contingent Liabilities

As at 31 March 2020, the Group did not have any material contingent liabilities.

Material Acquisitions and Disposals of Subsidiaries, Associates and Joint Ventures

The Company's indirect wholly-owned subsidiary, WPS KB Pte. Ltd., had established a joint venture, Work Plus Store (Kallang Bahru) Pte. Ltd., with its joint venture partner W&S Flexi Pte. Ltd., with the intention to acquire an industrial property located at 202 Kallang Bahru Singapore 339339 in November 2019. The consideration of S$17 million plus GST has been paid in full to the seller and the acquisition of this property has been completed on 4 February 2020. This property is intended to be used for self-storage with automated retrieval cum logistics activities and ancillary office. Please refer to the announcements of the Company dated 19 November 2019, 10 December 2019, 7 January 2020 and 4 February 2020, and the circular dated 24 January 2020 for details.

Save as disclosed in this report, there was no material acquisition and disposal of subsidiaries, associates and joint ventures for 1H2020.

MANAGEMENT DISCUSSION AND ANALYSIS

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 1H2020 (including any investment in an investee company with a value of 5% or more of the total assets of the Company as at 31 March 2020).

Off-balance Sheet Arrangements

For 1H2020, the Group did not have any off-balance sheet arrangements.

Future Plans for Material Investment and Capital Assets

Save as disclosed in the prospectus of the Company for the global offering dated 15 December 2017 (the "**Prospectus**") and this report, the Group did not have any other plans for material investment and capital assets as at 31 March 2020.

Exposure to Fluctuations in Exchange Rates

The Group mainly operates in Singapore, Indonesia, Thailand, Myanmar, Malaysia and Hong Kong during 1H2020. 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 1H2020, the Group recorded an exchange loss of S$174,000.

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.

Employees and Remuneration Policies

As at 31 March 2020, there were 390 (as at 30 September 2019: 370) employees in the Group. The remuneration to its employees includes salaries and allowances, which is determined based on their performance, experience and prevailing industry practices. The compensation policies and packages are reviewed on a regular basis.

Significant Event after the Reporting Period

Save as disclosed in the Company's announcement dated 29 April 2020 in relation to the Group's business update due to COVID-19, up to the date of this report, there was no other significant event relevant to the business or financial or operational performance of the Group that has come to the attention of the Directors after 1H2020.

Disclosure Pursuant to Rule 13.22 of the Listing Rules

As at 31 March 2020, the Group has provided financial assistance, by way of shareholders' loans or advances and guarantees for facilities granted to its affiliated companies (which includes associated companies and joint ventures of the Group), the details of which are set out below:

Name of affiliated companies (the "Affiliated Companies")	Effective interest held	Loans to the affiliated companies S$'000	Committed capital injection yet to be injected S$'000	Guarantees for facilities granted to the affiliated companies S$'000	Unutilised guaranteed facilities granted to the affiliated companies S$'000	Guaranteed facilities utilised by the affiliated companies S$'000
Work Plus Store (AMK) Pte. Ltd.	50.0%	1,394[(1)]	–	24,000	–	23,457
Four Star Industries Pte Ltd	50.0%	863[(1)]	–	6,925	–	6,846
Metropolitan Parking Pte. Ltd.	50.0%	1,141[(1)]	–	12,900	–	12,900
Work Plus Store (Kallang Bahru) Pte. Ltd.	50.0%	2,430[(1)]	–	14,000	7,200	6,800

Note:

(1) Interest charged at 3% per annum with no fixed terms of repayment. The loans were funded through internal source of funding of the Group.

MANAGEMENT DISCUSSION AND ANALYSIS

The total amount of financial assistance provided to the Affiliated Companies, in aggregate, amount to approximately 20.2% as at 31 March 2020 under the assets ratio as defined under Rule 14.07(1) of the Listing Rules.

Pursuant to Rule 13.22 of the Listing Rules, a proforma combined statement of financial position of the Affiliated Companies and the Group's attributable interest in the Affiliated Companies are set out below:

	Proforma combined statement of financial position S$'000	**Group's attributable interest S$'000**
Non-current assets	147,683	73,842
Current assets	7,429	3,715
Current liabilities	(24,323)	(12,162)
Non-current liabilities	(94,595)	(47,298)
	36,194	18,097

The proforma combined statement of financial position of the Affiliated Companies is prepared by combining their statements of financial position, after making adjustment to confirm with the Group's significant accounting policies and re-grouping into significant classification in the statement of financial position, as at 31 March 2020.

Issue of Securities and Share Capital

During 1H2020, there has been no change to the Shares in issued and capital structure of the Company.

Use of Proceeds from Initial Public Offering

Under the global offering in Hong Kong which was completed on 29 December 2017, the Company had allotted and issued 42,000,000 ordinary Shares at a price of HK$1.90 per share and raised HK$79.8 million (equivalent to S$13.6 million) in total gross proceeds. The net proceeds from the global offering 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 global offering as at the date of this report:

S/N	**Purpose of Net Proceeds**	**Amount Allocated HK$'000**	**Amount Utilised HK$'000**	**Balance HK$'000**
1	Expansion of our space optimisation business by acquiring a new property in Singapore	26,815	26,815	–
2	Acquiring a property in Singapore for our logistics services management business	10,611	10,611	–
3	Set out our first operation in the PRC	1,776	–	1,776
4	General working capital	4,439	4,439	–
5	Acquiring transportation equipment for our logistics services business	755	562	193
	Total	**44,396**	**42,427**	**1,969**

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.

MANAGEMENT DISCUSSION AND ANALYSIS

Approximately HK$10.6 million (equivalent to S$1.8 million) allocated for the acquisition of property of a property in Singapore for our logistics services management business had been utilised as the partial payment for 7 Gul Avenue property acquisition, as announced by the Company on 27 December 2019.

The above utilisations are in accordance with the intended use of the Net Proceeds and percentage allocated, as stated in the Prospectus. The Company expects to utilise the remaining balance of the Net Proceeds of approximately HK$2.0 million (equivalent to S$0.3 million) by the end of calendar year 2020, in accordance with the intended use of the Net Proceeds as stated in the Prospectus.

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

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

During 1H2020, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

Proposed Interim Dividend

The Board has resolved to declare an interim dividend of S$0.0025 (equivalent to HK$0.014) per ordinary share for 1H2020 which will be paid on Friday, 19 June 2020, to the Shareholders whose names shall appear on the register of members of the Company on Wednesday, 27 May 2020 (Close of business).

Closure of Register of Members

For determining the entitlement to the Interim Dividend

For Shareholders in Singapore

The Share Transfer Books and Register of Members of the Company will be closed at **5:00 p.m. on Wednesday, 27 May 2020** for the purpose of determining Shareholders' entitlements to the interim dividend. Duly completed registrable transfers in respect of the Shares received by the Company's Singapore principal share registrar, Boardroom Corporate & Advisory Services Pte. Ltd., at 50 Raffles Place #32-01 Singapore Land Tower, Singapore 048623 up to **5:00 p.m. on Wednesday, 27 May 2020** will be registered to determine Shareholders' entitlements to the interim dividend.

For Shareholders in Hong Kong

The branch register of members of the Company in Hong Kong will be closed from **Thursday, 28 May 2020 to Friday, 29 May 2020** (both days inclusive), during which period no transfer of Shares of the Company will be registered in Hong Kong. In order to determine Shareholders' entitlements to the interim dividend, all share transfers in Hong Kong, accompanied by the relevant share certificates, must be lodged with the Company's Hong Kong branch share registrar, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong no later than **4:30 p.m. on Wednesday, 27 May 2020**.

For the purpose of determination of Shareholders registered under the Singapore principal register of members and the Hong Kong branch register of members of the Company, all necessary documents, remittances accompanied by the relevant share certificates in respect of removal of Shares between the two (2) register of members, must be submitted no later than **5:00 p.m. and 4:30 p.m. on Friday, 15 May 2020** to the Company's Singapore principal share registrar, Boardroom Corporate & Advisory Services Pte. Ltd., at 50 Raffles Place, #32-01 Singapore Land Tower, Singapore 048623 (for Singapore Shareholders) and the Company's Hong Kong branch share registrar, Tricor Investor Services Limited, Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong (for Hong Kong Shareholders), respectively.

OTHER INFORMATION

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

As at 31 March 2020, the interest or short position in the Shares, underlying Shares or debentures of the Company and/or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong (the "**SFO**")) that Directors and chief executive of the Company as recorded in the register required to be kept under section 352 of the SFO, or otherwise notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code are as follows:

Long positions in the Shares and underlying Shares

Name of Director/Chief Executive	Capacity/Nature of Interest	Number of Shares held/Interested	Approximate Percentage of Shareholding
Lim Lung Tieng(1)(2)	Founder of discretionary trusts, beneficiary of a trust	216,930,000	53.90%

Notes:

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

(2) Lim Lung Tieng is one of the beneficiaries of The LHN Capital Trust of which LHN Capital Pte. Ltd. is the trustee. LHN Capital Pte. Ltd., in its capacity as the trustee, holds the entire issued share capital of HN Capital Ltd., which in turn holds 85% of the total issued share capital of Hean Nerng Group Pte. Ltd.. Hean Nerng Group Pte. Ltd. holds the entire issued share capital of Fragrance Ltd.. Fragrance Ltd. is the beneficial owner of 216,930,000 Shares. Lim Lung Tieng is deemed under the SFO to be interested in the Shares held by LHN Capital Pte. Ltd.. LHN Capital Pte. Ltd. is deemed under the SFO interested in the interests held by HN Capital Ltd.. HN Capital Ltd. is deemed under the SFO interested in the interests held by Hean Nerng Group Pte. Ltd.. Hean Nerng Group Pte. Ltd. is deemed under the SFO interested in the interests held by Fragrance Ltd..

Save as disclosed above, as at 31 March 2020, none of the Directors or chief executive of the Company had or was deemed to have any interest or short position in the Shares, underlying Shares and debentures of the Company and/or its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under section 352 of the SFO, or otherwise notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code.

Common Directors

For information of the Shareholders, as at 31 March 2020, Lim Lung Tieng and Lim Bee Choo, the executive Directors of the Company, are also directors of Fragrance Ltd., Hean Nerng Group Pte. Ltd., HN Capital Ltd. and LHN Capital Pte. Ltd..

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

OTHER INFORMATION

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

As at 31 March 2020, the interests or short positions in the Shares or underlying Shares of the persons which would fall to be disclosed to the Company under the provisions of Part XV of the SFO, or which were recorded in the register required to be kept under section 336 of the SFO are as follow:

Long position in the Shares and underlying Shares

Name of Shareholder	Capacity/Nature of Interest	Number of Shares held/Interested	Approximate Percentage of Shareholding
Fragrance Ltd.[(1)(2)]	Beneficial owner	216,930,000	53.90%
Wang Jialu[(1)(3)]	Deemed interest by virtue of interest held by spouse	216,930,000	53.90%
Hean Nerng Group Pte. Ltd.[(1)(2)]	Interest in a controlled corporation	216,930,000	53.90%
HN Capital Ltd.[(1)(2)]	Interest in a controlled corporation	216,930,000	53.90%
LHN Capital Pte. Ltd.[(1)(2)]	Trustee	216,930,000	53.90%
Trident Trust Company (B.V.I) Limited.[(1)(2)]	Trustee	216,930,000	53.90%
Lim Hean Nerng[(1)(2)]	Founder of discretionary trusts	216,930,000	53.90%
Foo Siau Foon[(1)(2)]	Founder of discretionary trusts	216,930,000	53.90%

Notes:

(1) Fragrance Ltd., which is wholly-owned by Hean Nerng Group Pte. Ltd., which in turn is owned as to 5% by Lim Lung Tieng, 10% by Lim Bee Choo and 85% by HN Capital Ltd., is the beneficial owner of 216,930,000 Shares. By virtue of the SFO, Lim Lung Tieng, Wang Jialu, Hean Nerng Group Pte. Ltd., HN Capital Ltd., LHN Capital Pte. Ltd., Trident Trust Company (B.V.I.) Limited, Lim Hean Nerng and Foo Siau Foon are deemed to be interested in all of the Shares held by Fragrance Ltd..

(2) Lim Hean Nerng, Foo Siau Foon and Lim Lung Tieng are the founders of The LHN Capital Trust and The Land Banking Trust. Trident Trust Company (B.V.I.) Limited, in its capacity as the trustee of The Land Banking Trust, holds the entire issued share capital of LHN Capital Pte. Ltd.. LHN Capital Pte. Ltd., in its capacity as the trustee of The LHN Capital Trust, holds the entire issued share capital of HN Capital Ltd., which in turn holds 85% of the total issued share capital of Hean Nerng Group Pte. Ltd.. Hean Nerng Group Pte. Ltd. holds the entire issued share capital of Fragrance Ltd.. Lim Hean Nerng, Foo Siau Foon and Lim Lung Tieng are deemed under the SFO to be interested in the Shares held by Trident Trust Company (B.V.I.) Limited and LHN Capital Pte. Ltd.. Trident Trust Company (B.V.I.) Limited is deemed under the SFO interested in the interests held by LHN Capital Pte. Ltd.. LHN Capital Pte. Ltd. is deemed under the SFO interested in the interests held by HN Capital Ltd.. HN Capital Ltd. is deemed under the SFO interested in the interests held by Hean Nerng Group Pte. Ltd.. Hean Nerng Group Pte. Ltd. is deemed under the SFO interested in the interests held by Fragrance Ltd..

(3) Wang Jialu, the spouse of Lim Lung Tieng, is deemed under the SFO to be interested in the interests held by Lim Lung Tieng.

Save as disclosed above, as at 31 March 2020, the Directors are not aware of any other person who had an interest or a short position in any Shares which would be required to be disclosed to the Company and the Hong Kong Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept under section 336 of the SFO.

Share Option Scheme

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

Life of the Scheme

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

OTHER INFORMATION

Option granted

No option has been granted, cancelled, outstanding, exercised or lapsed under the Scheme since the Adoption Date and up to the date of this report.

Arrangements to Purchase Shares or Debentures

At no time during the year was the Company or any of its subsidiaries, a party to any arrangements to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other corporate body.

Competition and Conflict of Interests

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

Corporate Governance

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

In the opinion of the Directors, the Company had complied with the HK CG Code and SG CG Code during 1H2020 except for code provision A.2.1 under the HK CG Code. Under code provision A.2.1 of the HK CG Code, the roles of chairman and chief executive should be separate and should not be performed by the same individual. The Group does not have the role of chief executive officer but has the role of managing Director, which is responsible for the day-to-day management of business and currently performed by Mr. Lim Lung Tieng ("**Mr. Kelvin Lim**"), who is also the executive chairman of the Board. Throughout the Group's business history, Mr. Kelvin Lim has held the key leadership position of the Group since 1998 and has been deeply involved in the formulation of corporate strategies and management of business and operations of the Group. Taking into account the consistent leadership within the Group and in order to enable more effective and efficient overall strategic planning and continuation of the implementation of such plans, the Directors (including the independent non-executive Directors) consider that Mr. Kelvin Lim is the best candidate for both positions and the present arrangements are beneficial and in the interests of the Group and our Shareholders as a whole.

Model Code of Securities Transactions by Directors

In addition to compliance to Rule 1204(19) of the SGX-ST Listing Manual Section B: Rules of the Catalist, the Company has updated its policy with the requirements set out in the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 to the HK Listing Rules which is also applicable to its employees who are likely to be in possession of unpublished inside information (the "**Relevant Employees**").

The Company and its Officers (including the Directors, Management and Executives) are not allowed to deal in the Company's shares during the period commencing 30 days immediately before the announcement of the Company's interim results and 60 days immediately before the announcement of the Company's full year results, and ending on the date of the announcement of the relevant results.

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

The Company confirms that specific enquiry has been made to all the Directors and the Relevant Employees and all have confirmed that they have complied with the Model Code during 1H2020.

OTHER INFORMATION

Audit Committee

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

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

The financial information in this report has not been audited by the auditor of the Company, but the Audit Committee has reviewed the unaudited consolidated results of the Group for 1H2020 and is of the opinion that such results complied with the applicable accounting standards, the requirements under the HK Listing Rules and other applicable legal requirements, and that adequate disclosures had been made.

Public Float

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

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

Singapore, 13 May 2020

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