



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

INTERIM
2021 REPORT

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Lim Lung Tieng

Executive Chairman
Group Managing Director

Lim Bee Choo

Executive Director
Group Deputy Managing Director

Ch'ng Li-Ling

Lead Independent Non-executive Director

Yong Chee Hiong

Independent Non-executive Director

Chan Ka Leung Gary

Independent Non-executive Director

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

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

NOMINATING COMMITTEE

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

JOINT COMPANY SECRETARIES

Chong Eng Wee**Ng Chit Sing** (HKICS, ICSA)

REGISTERED OFFICE

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PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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Hong Kong

CONTINUING SPONSOR

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#10-00 Income at Raffles
Singapore 049318

HONG KONG LEGAL ADVISER

Morgan, Lewis & Bockius

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Edinburgh Tower, The Landmark
15 Queen's Road Central
Hong Kong

SINGAPORE PRINCIPAL

SHARE REGISTRAR

**Boardroom Corporate & Advisory Services
Pte. Ltd.**

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Singapore 048623

HONG KONG BRANCH SHARE REGISTRAR

Tricor Investor Services Limited

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183 Queen's Road East
Hong Kong

AUDITORS

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Registered Public Interest Entity Auditor
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Marina One East Tower
Singapore 018936

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

PRINCIPAL BANKERS

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12 Marina Boulevard
Marina Bay Financial Centre Tower 3
Singapore 018982

Hong Leong Finance Limited

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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
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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

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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 2021

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 2021, together with the comparative figures for the six months ended 31 March 2020. The Group’s interim results for the six months ended 31 March 2021 are unaudited, but have been reviewed by the audit committee of the Company (the “Audit Committee”).

	Note	2021 (unaudited) S\$'000	2020 (unaudited) S\$'000
Revenue	7	64,478	51,619
Cost of sales	10	(29,295)	(29,703)
Gross profit		35,183	21,916
Other income	8	5,963	2,757
Other operating expenses			
– Impairment loss on trade, other and lease receivables		(1,050)	(197)
– Others	9	(1,062)	(444)
Selling and distribution expenses	10	(843)	(751)
Administrative expenses	10	(15,612)	(13,185)
Finance cost	11	(2,508)	(2,576)
Share of results of associates and joint ventures, net of tax		925	579
Fair value losses on investment properties		(2,720)	(4,317)
Profit before income tax		18,276	3,782
Income tax expense	12	(3,012)	(315)
Profit for the period		15,264	3,467
Other comprehensive (loss)/income			
<u>Item that will not be reclassified subsequently to profit or loss</u>			
Currency translation differences arising from consolidation		(6)	(26)
Financial assets, at FVOCI			
– Fair value gain – equity investment		–	13
Share of other comprehensive income of joint venture		5	4
Other comprehensive loss		(1)	(9)
Total comprehensive income for the period		15,263	3,458
Profit attributable to:			
Equity holders of the Company		14,809	3,176
Non-controlling interests		455	291
Profit for the period		15,264	3,467
Total comprehensive income attributable to:			
Equity holders of the Company		14,814	3,184
Non-controlling interests		449	274
Total comprehensive income for the period		15,263	3,458
Earnings per share for profit attributable to equity holders of the Company			
Basic and diluted (cents)	14	3.68	0.79

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 MARCH 2021

	Note	31 March 2021 (unaudited) S\$'000	30 September 2020 (audited) S\$'000
ASSETS			
Non-current assets			
Property, plant and equipment	15	42,460	40,363
Right-of-use assets		44,387	35,184
Investment properties		140,230	115,578
Intangible assets		6	40
Investment in associates		250	178
Investment in joint ventures		17,816	17,186
Deferred tax assets		149	77
Long-term prepayments		142	116
Lease receivables	16	21,585	26,149
		<u>267,025</u>	<u>234,871</u>
Current assets			
Inventories		91	75
Trade and other receivables	17	36,306	43,366
Grant receivables		494	1,058
Loans to joint ventures and associates		6,598	4,959
Prepayments		1,778	1,823
Lease receivables	16	18,596	17,104
Cash and bank balances		36,348	38,446
Fixed deposits		1,379	2,046
		<u>101,590</u>	<u>108,877</u>
TOTAL ASSETS		<u>368,615</u>	<u>343,748</u>
EQUITY			
Capital and Reserves			
Share capital	18	63,407	63,407
Reserves		69,045	58,234
		<u>132,452</u>	<u>121,641</u>
Non-controlling interests		2,388	1,939
TOTAL EQUITY		<u>134,840</u>	<u>123,580</u>
LIABILITIES			
Non-current liabilities			
Deferred tax liabilities		3,568	3,573
Other payables	19	21	21
Provisions		781	212
Bank borrowings	20	68,767	55,997
Lease liabilities		72,276	66,182
		<u>145,413</u>	<u>125,985</u>
Current liabilities			
Trade and other payables	19	33,363	43,701
Deferred grant income		885	927
Provisions		287	1,106
Bank borrowings	20	10,263	10,725
Lease liabilities		37,960	33,193
Current income tax liabilities		5,604	4,531
		<u>88,362</u>	<u>94,183</u>
TOTAL LIABILITIES		<u>233,775</u>	<u>220,168</u>
TOTAL EQUITY AND LIABILITIES		<u>368,615</u>	<u>343,748</u>

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 31 MARCH 2021

	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 2020	63,407	87,498	(30,727)	-	(1,350)	3,708	(895)	121,641	1,939	123,580
Dividend paid	-	(4,003)	-	-	-	-	-	(4,003)	-	(4,003)
Profit for the period	-	14,809	-	-	-	-	-	14,809	455	15,264
Other comprehensive income/ (loss)	-	-	-	-	-	5	-	5	(6)	(1)
Total comprehensive income for the period	-	14,809	-	-	-	5	-	14,814	449	15,263
Balance at 31 March 2021 (unaudited)	63,407	98,304	(30,727)	-	(1,350)	3,713	(895)	132,452	2,388	134,840
	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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW

FOR THE SIX MONTHS ENDED 31 MARCH 2021

	Six months ended 31 March	
	2021 (unaudited) S\$'000	2020 (unaudited) S\$'000
Cash flows from operating activities:		
Profit before income tax	18,276	3,782
Share of results of associates and joint ventures, net of tax	(925)	(579)
Adjustments for:		
Amortisation of intangible assets	34	34
Depreciation of property, plant and equipment	3,175	4,246
Depreciation of right-of-use assets	7,102	5,964
(Gain)/loss on disposal of property, plant and equipment	(26)	39
Property, plant and equipment written off	13	39
Fair value losses on investment properties	2,720	4,317
Gain from net investment in subleases	(1,880)	(433)
Gain from termination of lease	(2)	–
Lease modification losses	698	–
Impairment loss on trade, other and lease receivables	1,050	197
Provision for losses from onerous contract	–	270
Finance income	(714)	(759)
Finance cost	2,508	2,576
	32,029	19,693
Operating profit before working capital changes		
Changes in working capital:		
– Inventories	(16)	(44)
– Trade and other receivables	5,091	(388)
– Trade and other payables	(10,246)	(1,683)
	26,858	17,578
Cash generated from operations		
Interest expenses paid	(28)	–
Income tax paid	(2,072)	(414)
Income tax refunded	62	825
	24,820	17,989
Net cash generated from operating activities		
Cash flows from investing activities:		
Additions to property, plant and equipment	(5,596)	(19,602)
Additions to investment property	(17,238)	(21)
Purchase of financial assets, at FVOCI	(115)	–
Additions to other asset	–	(128)
Cash outflow on acquisition of joint venture	–	(500)
Proceeds from disposal of property, plant and equipment	81	253
Disposal of financial assets, at FVOCI	–	330
Loans to joint ventures and associates, net	(1,591)	(3,525)
Receipts from lease receivables	9,931	7,472
Interest received from lease receivables	609	658
Cash outflow on incorporation of associate	(80)	–
Dividend from associate	309	264
Interest received	50	213
	(13,640)	(14,586)
Net cash used in investing activities		
Cash flows from financing activities:		
Decrease in fixed deposits – pledged	–	4,710
Proceeds from bank borrowings	18,377	17,761
Repayment of bank borrowings	(5,998)	(3,729)
Repayment of lease liabilities	(19,850)	(16,858)
Refund of capital to non-controlling shareholder	–	(1)
Interest expenses paid	(2,451)	(2,612)
Dividend paid	(4,003)	(2,043)
Dividend paid to non-controlling shareholder	–	(120)
	(13,925)	(2,892)
Net cash used in financing activities		
Net (decrease)/increase in cash and cash equivalents	(2,745)	511
Cash and cash equivalents at beginning of period	39,127	21,300
Effect of currency translation on cash and cash equivalents	(20)	(23)
	36,362	21,788
Cash and cash equivalents at end of period		
Consolidated cash and cash equivalents are represented by:		
Cash and bank balances	36,348	18,140
Fixed deposits	1,379	4,991
	37,727	23,131
Less: Pledged fixed deposits	(1,365)	(1,343)
	36,362	21,788
Cash and cash equivalents as per consolidated statement of cash flows		

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

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 2021 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 2020, 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 2020.

- (a) Amendments to IFRSs effective for the financial year ending 30 September 2021 do not have a material impact on the Group.
- (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
IAS 16 (amendments)	Property, Plant and Equipment (Proceeds before intended use)	1 January 2022	i

Note i:

The amendment to IAS 16 Property, Plant and Equipment (PPE) prohibits an entity from deducting from the cost of an item of PPE any proceeds received from selling items produced while the entity is preparing the asset for its intended use. It also clarifies that an entity is ‘testing whether the asset is functioning properly’ when it assesses the technical and physical performance of the asset. The financial performance of the asset is not relevant to this assessment.

Entities must disclose separately the amounts of proceeds and costs relating to items produced that are not an output of the entity’s ordinary activities.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

3. ACCOUNTING POLICIES (CONT'D)

3.1. Leases

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.

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 it 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.

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 change 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

3. ACCOUNTING POLICIES (CONT'D)

3.1. Leases (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 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.

(i) *Lessor – 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.

(ii) *Lessor – Subleases*

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.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

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 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 2020.

There have been no changes in the risk management policies since 30 September 2020.

(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 Company applies the general IFRS 9 3-stage approach when determining ECL for other receivables. No additional loss allowance is recognised upon adoption of IFRS 9 as all strategies indicate that the Company could fully recover the outstanding balances.

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

As at 31 March 2021 and 30 September 2020, management has identified a group debtors from space optimisation business to be credit impaired as they experienced significant financial difficulties. Hence, management has assessed the recoverability of the outstanding balances separately from the provision matrix below.

	2021	2020
	S\$'000	S\$'000
Gross carrying amount	2,643	2,866
Less: loss allowance	(2,168)	(2,311)
Carrying amount net of allowance	475	575

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

5. FINANCIAL RISK MANAGEMENT (CONT'D)

5.1 Financial risk factors (Cont'd)

(i) Trade and other receivables (Cont'd)

The Group's credit risk exposure in relation to trade receivables as at 31 March 2021 and 30 September 2020 are set out in the provision matrix as follows:

	Current	Past due 1 to 30 days	Past due 31 to 60 days	Past due 61 to 90 days	Past due 91 to 180 days	Past due 181 to 365 days	Past due over 365 days	Total
<u>31 March 2021</u>	<u>S\$'000</u>	<u>S\$'000</u>	<u>S\$'000</u>	<u>S\$'000</u>	<u>S\$'000</u>	<u>S\$'000</u>	<u>S\$'000</u>	<u>S\$'000</u>
Space Optimisation								
Expected loss rate	0.0%	1.0%	17.0%	37.1%	98.6%	98.8%	100.0%	
Gross carrying amount	252	593	306	62	72	161	14	1,460
Loss allowances	–	6	52	23	71	159	14	325
Logistics, Facilities and Other								
Expected loss rate	0.0%	0.0%	0.0%	0.0%	14.0%	29.2%	–	
Gross carrying amount	19,248	1,631	357	178	114	48	–	21,576
Loss allowances	–	–	–	–	16	14	–	30
<u>30 September 2020</u>	<u>S\$'000</u>	<u>S\$'000</u>	<u>S\$'000</u>	<u>S\$'000</u>	<u>S\$'000</u>	<u>S\$'000</u>	<u>S\$'000</u>	<u>S\$'000</u>
Space Optimisation								
Expected loss rate	0.0%	9.3%	47.3%	60.0%	71.3%	80.0%	100.0%	
Gross carrying amount	193	804	275	10	157	15	19	1,473
Loss allowances	–	75	130	6	112	12	19	354
Logistics, Facilities and Other								
Expected loss rate	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	100.0%	
Gross carrying amount	29,771	1,440	348	73	30	22	14	31,698
Loss allowances	–	–	–	–	–	–	14	14

Loans to subsidiaries, joint ventures and staff loans are considered to have low credit risk as they have financial capacity to meet the contractual obligation.

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

5. FINANCIAL RISK MANAGEMENT (CONT'D)

5.1 Financial risk factors (Cont'd)

(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, net	197	–	197
Balance as at 31 March 2020	2,223	18	2,241
	Trade receivables S\$'000	Other receivables S\$'000	Total S\$'000
Balance as at 30 September 2020	2,679	3	2,682
Reversal of loss allowance recognised in profit or loss for the period, net	(156)	–	(156)
Balance as at 31 March 2021	2,523	3	2,526

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 2021 and 30 September 2020:

	Level 1 S\$'000	Level 2 S\$'000	Level 3 S\$'000	Total S\$'000
As at 31 March 2021 (unaudited)				
Investment properties (owned):				
Industrial, commercial and residential properties	–	–	100,122	100,122
Investment properties (right-of-use):				
Industrial, commercial and residential properties	–	–	40,108	40,108
	–	–	140,230	140,230
Property, plant and equipment:				
Leasehold buildings	–	–	12,003	12,003

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

5. FINANCIAL RISK MANAGEMENT (CONT'D)

5.2 Fair value estimation (Cont'd)

	Level 1 S\$'000	Level 2 S\$'000	Level 3 S\$'000	Total S\$'000
As at 30 September 2020 (audited)				
Investment properties (owned):				
Industrial, commercial and residential properties	–	–	81,177	81,177
Investment properties (right-of-use):				
Industrial, commercial and residential properties	–	–	34,401	34,401
	–	–	115,578	115,578
Property, plant and equipment:				
Leasehold buildings	–	–	12,521	12,521

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

Fair value of the Group's right-of-use assets (classified as investment properties) including Level 3 fair values, are estimated based on appraisals performed by independent, professionally-qualified property valuers.

Fair value measurements of investment properties

Investment properties are carried at fair values at the end of reporting period. 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 2021 (unaudited)	
Balance of financial period	115,578
Additions	34,513
Derecognition of assets of right-of-use properties	(6,854)
Fair value loss recognised in profit or loss	(2,720)
Currency translation	(287)
End of financial period	140,230
Change in unrealised losses for assets held at the end of the financial period included in profit or loss	(2,720)
For the financial year ended 30 September 2020 (audited)	
Balance at 30 September 2019	67,309
Adoption of IFRS 16	40,790
Balance at 1 October 2019	108,099
Additions	9,766
Reclassification from other asset	16,676
Derecognition of assets of right-of-use properties	(6,548)
Fair value loss recognised in profit or loss	(11,809)
Currency translation	(606)
End of financial year	115,578
Change in unrealised losses for assets held at the end of the financial year included in profit or loss	(11,809)

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

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 2021 (unaudited)					
Singapore (Owned properties)	77,302	Direct comparison method	Transacted price of comparable properties	S\$1,500 to S\$33,300 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)	40,108	Income capitalisation method	Capitalisation rate	10.5%	The higher the rate, the lower the fair value
Indonesia (Owned properties)	5,980	Direct comparison method	Transacted price of comparable properties	S\$3,600 to S\$4,600 per square metre	The higher the comparable value, the higher the fair value
Cambodia (Owned properties)	16,840	Capitalisation rate	Capitalisation rate	7.0%	The higher the rate, the lower the fair value
	<u>140,230</u>				
As at 30 September 2020 (audited)					
Singapore (Owned properties)	57,430	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)	34,401	Multiperiod earnings excess method	Discount rate	10.5%	The higher the rate, the lower the fair value
Indonesia (Owned properties)	6,016	Direct comparison method	Transacted price of comparable properties	S\$3,500 to S\$3,900 per square metre	The higher the comparable value, the higher the fair value
Cambodia (Owned properties)	17,731	Capitalisation rate	Capitalisation rate	7.0%-8.0%	The higher the rate, the lower the fair value
	<u>115,578</u>				

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

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.

For the six months ended 31 March 2021, revenue attributable to the Group's largest customer accounted for approximately 34.0% of the Group's total revenue and aggregate revenue attributable to the five largest customers of the Group accounted for approximately 40.5% of the Group's total revenue.

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

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, 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.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

6. SEGMENT INFORMATION (CONT'D)

Segment breakdown for the six months ended 31 March 2021 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	9,872	4,375	6,590	14,788	36,837	11,975	84,437
Inter-segment sales	(1,112)	(300)	(72)	(1,285)	(5,215)	(11,975)	(19,959)
External sales	8,760	4,075	6,518	13,503	31,622	-	64,478
Segment results	4,540	1,665	385	1,985	11,914	2,090	22,579
Fair value gains/(losses) on investment properties	1,068	(2,287)	(1,501)	-	-	-	(2,720)
Finance cost	(864)	(413)	(730)	(331)	(150)	(20)	(2,508)
Share of results of associates and joint ventures	4,744	(1,035)	(1,846)	1,654	11,764	2,070	17,351
Profit before taxation	591	-	(1)	381	(46)	-	925
Taxation	5,335	(1,035)	(1,847)	2,035	11,718	2,070	18,276
Net profit after taxation							(3,012)
Non-controlling interests							15,264
Net profit attributable to equity holders of the Company							(455)
Segment assets	117,244	43,063	100,078	32,652	27,667	1,420	322,124
Investment in associates	-	-	-	220	30	-	250
Investment in joint ventures	14,577	-	-	-	3,239	-	17,816
Total segment assets							340,190
Total segment liabilities	75,857	29,849	64,540	24,933	24,707	4,717	224,603
Capital expenditures	107	9,908	13,329	1,444	1,718	99	26,605
Depreciation of property, plant and equipment	389	308	1,221	743	335	179	3,175
Depreciation of right-of-use assets	192	223	1,406	997	4,284	-	7,102

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

6. SEGMENT INFORMATION (CONT'D)

Segment breakdown for the six months 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)
Share of results of associates and joint ventures	(24)	(69)	834	1,415	709	338	3,203
Profit before taxation	358	—	—	230	(9)	—	579
Taxation	334	(69)	834	1,645	700	338	3,782
Net profit after taxation							(315)
Non-controlling interests							3,467
Net profit attributable to equity holders of the Company							(291)
							3,176

Segment breakdown for its comparative period ended 30 September 2020 are as follows:

Segment assets	93,360	42,701	98,033	31,813	11,666	1,229	278,802
Investment in associates	—	—	—	148	30	—	178
Investment in joint ventures	13,981	—	—	—	3,205	—	17,186
Total segment assets							296,166
Total segment liabilities	76,126	41,493	48,871	24,503	14,509	6,562	212,064
Capital expenditures	830	1,966	9,463	14,778	418	238	27,693
Depreciation of property, plant and equipment	1,471	1,044	2,230	1,383	544	446	7,118
Depreciation of right-of-use assets	596	402	2,784	1,895	8,075	—	13,752

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

6. SEGMENT INFORMATION (CONT'D)

Reconciliation of segments' total assets and total liabilities

	31 March 2021 S\$'000	30 September 2020 S\$'000
Reportable segments' assets are reconciled to total assets:		
Segment assets	322,124	296,166
Deferred tax assets	149	77
Long-term prepayment	142	116
Intangible assets	6	40
Inventories	91	75
Loans to joint ventures	6,598	4,959
Prepayment	1,778	1,823
Cash and bank balances	36,348	38,446
Fixed deposits	1,379	2,046
	<u>368,615</u>	<u>343,748</u>
Reportable segments' liabilities are reconciled to total liabilities:		
Segment liabilities	224,603	212,064
Current income tax liabilities	5,604	4,531
Deferred tax liabilities	3,568	3,573
	<u>233,775</u>	<u>220,168</u>

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	
	2021 S\$'000	2020 S\$'000
Singapore	58,813	46,376
Thailand	1,969	1,958
Hong Kong	1,028	1,297
Myanmar	522	881
Indonesia	186	438
Cambodia	972	1
Other countries	988	668
	<u>64,478</u>	<u>51,619</u>

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 2021 S\$'000	30 September 2020 S\$'000
Singapore	229,925	196,681
Thailand	2,671	2,840
Hong Kong	482	623
Myanmar	4,228	4,608
Indonesia	7,410	6,118
Cambodia	15,540	17,779
Other countries	6,620	6,145
	<u>266,876</u>	<u>234,794</u>

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

7. REVENUE

	Six months ended 31 March	
	2021	2020
	S\$'000	S\$'000
Rental and warehousing lease income from leased properties	8,946	20,595
Rental and warehousing lease income from owned properties	3,285	2,072
Services fees income	3,893	3,243
Car park services	7,817	8,458
Dormitory management services	42	–
Logistics services		
– Trucking services	6,042	6,032
– Storage services	1,310	1,108
– Container repair services	1,345	1,489
– Logistics management	4,806	4,115
Facilities services	26,188	3,822
Licence fee	–	8
Management services fee income	747	557
Others	57	120
	<u>64,478</u>	<u>51,619</u>

8. OTHER INCOME

	Six months ended 31 March	
	2021	2020
	S\$'000	S\$'000
Handling charges	177	158
Gain on disposal of property, plant and equipment	26	–
Interest income	714	759
Gain from net investment in subleases	1,880	433
Gain from termination of lease	2	–
Vehicle related income	62	181
Government grants	79	4
Wage credit scheme and special employment credit*	183	101
Job support scheme**	714	–
Forfeiture of tenant deposit	91	448
Services charges	94	121
Miscellaneous charge to tenant	67	70
Rental rebates, net***	1,277	–
Other income	597	482
	<u>5,963</u>	<u>2,757</u>

* 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.

** Job support scheme (“JSS”) are introduced by Singapore Government to help employers to retain their local employees during the period of economic uncertainty as a result of global pandemic outbreak of COVID-19. JSS will be allocated over the period of uncertainty to match its relevant cost incurred. The unallocated amount which has been received and any amount to be received as at year end are recognised as Deferred grant income and Grant receivables, respectively.

*** Rental rebates are introduced by Governments, mainly to help tenants with their rental payments during the global pandemic outbreak of COVID-19. These are net of rental reliefs received from landlords and rental relief paid to eligible tenants.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

9. OTHER OPERATING EXPENSES

	Six months ended 31 March	
	2021	2020
	S\$'000	S\$'000
Provision for onerous contract	–	270
Lease modification loss	698	–
Foreign exchange loss	364	174
	<u>1,062</u>	<u>444</u>

10. EXPENSE BY NATURE

	Six months ended 31 March	
	2021	2020
	S\$'000	S\$'000
Advertising expenses	120	224
Commission fees	559	419
Entertainment expenses	146	95
Marketing expenses	18	13
Transportation costs	710	920
Container depot management charges	1,362	1,198
Rental expenses	3,095	11,943
Upkeep and maintenance costs	9,630	5,475
Consultancy fees	67	7
Dormitory management expenses	302	–
Depreciation of property, plant and equipment	3,175	4,246
Depreciation of right-of-use assets	7,102	5,964
Amortisation of intangible assets	34	34
Loss on disposal of property, plant and equipment	–	39
Write-off of property, plant and equipment	13	39
Professional fees	594	525
Vehicle-related expenses	39	38
Employee benefit costs	15,643	9,860
Insurance fees	397	308
IT Maintenance expenses	296	244
Printing expenses	130	142
Property management fees	167	217
Telephone expenses	151	161
Auditor's remuneration		
– Audit services – current	157	142
– Audit services – under provision in prior year	104	–
– Non-audit services	166	67
Other expenses	<u>1,573</u>	<u>1,319</u>
	<u>45,750</u>	<u>43,639</u>

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

11. FINANCE COST – NET

	Six months ended 31 March	
	2021	2020
	S\$'000	S\$'000
Interest expense on borrowings	979	938
Interest expense on lease liabilities from hire purchase arrangement	86	93
Interest expense on lease liabilities from lease arrangement	1,443	1,673
	<u>2,508</u>	<u>2,704</u>
Less: Amount capitalised	–	(128)
Finance cost – net	<u>2,508</u>	<u>2,576</u>

12. INCOME TAX EXPENSE

	Six months ended 31 March	
	2021	2020
	S\$'000	S\$'000
Current income tax	2,938	764
Deferred income tax	8	(432)
	<u>2,946</u>	<u>332</u>
Under/(over) provision in respect of prior years – current taxation	66	(17)
	<u>3,012</u>	<u>315</u>

13. DIVIDEND

The Board has resolved to declare an interim dividend of S\$0.0075 (equivalent to HK\$0.0439) per share for the six months ended 31 March 2021 (2020: S\$0.0025 per share).

During the six months ended 31 March 2021, the shareholders had approved the 2020 final dividend of S\$0.01 per share. The dividend recognised as distribution of approximately S\$4,003,000 was paid in February 2021.

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 2021 and 2020:

	Six months ended 31 March	
	2021	2020
Net profit attributable to equity holders of the Company (S\$'000)	14,809	3,176
Weighted average number of ordinary shares ('000)	402,445	402,445
Basic earnings per share (Singapore cents)	3.68	0.79

The basic and diluted earnings per share are the same as there were no potentially dilutive ordinary securities in issue as at 31 March 2021 and 31 March 2020.

15. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 31 March 2021, the Group had an addition of property, plant and equipment of approximately S\$5,424,000 (2020: S\$20,409,000).

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

16. LEASE RECEIVABLES

	31 March 2021 S\$'000	30 September 2020 S\$'000
Not later than one year	19,444	18,111
Between one and two years	13,075	14,897
Between two and three years	4,837	5,719
Between three and four years	4,320	4,320
Between four and five years	–	2,160
Total undiscounted lease payments	41,676	45,207
Less: Unearned finance income	(1,495)	(1,954)
	<u>40,181</u>	<u>43,253</u>
Presented as:		
Current	18,596	17,104
Non-current	21,585	26,149
	<u>40,181</u>	<u>43,253</u>

17. TRADE AND OTHER RECEIVABLES

	31 March 2021 S\$'000	30 September 2020 S\$'000
Trade receivables		
– Third parties	25,143	35,857
– Related parties	134	196
– Associates	179	–
– Joint ventures	223	4
	<u>25,679</u>	<u>36,057</u>
Accrued rental income	323	252
Goods and service tax receivables	1,246	663
Deposits with external parties	10,274	8,232
Other receivables	1,310	844
	<u>12,830</u>	<u>9,739</u>
Less:		
– Impairment loss on trade receivables	(2,523)	(2,679)
– Impairment loss on other receivables	(3)	(3)
	<u>36,306</u>	<u>43,366</u>

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

	31 March 2021 S\$'000	30 September 2020 S\$'000
0 to 30 days	22,267	32,542
31 to 60 days	568	773
61 to 90 days	243	70
91 to 180 days	545	1,136
181 to 365 days	863	414
Over 365 days	1,193	1,122
	<u>25,679</u>	<u>36,057</u>

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

18. SHARE CAPITAL

	No. of shares Issued share capital	Nominal Amount Share capital S\$'000
Balance as at 1 October 2020 and 31 March 2021	402,445,400	63,407

19. TRADE AND OTHER PAYABLES

	31 March 2021 S\$'000	30 September 2020 S\$'000
Trade payables		
– Third parties	5,285	14,146
– Related parties	91	–
– Associates	–	3
– Joint ventures	194	1
	<u>5,570</u>	<u>14,150</u>
Contract liabilities		
– Rental received in advance	345	394
– Advances received from customers	2,166	1,766
	<u>2,511</u>	<u>2,160</u>
Other payables and accruals		
– Goods and services tax payables	1,772	1,304
– Provision of directors' fees	48	54
– Accruals	8,541	9,927
– Accrued rental expenses	208	129
– Rental deposits received from customers	11,136	10,850
– Rental deposits received from related parties	38	48
– Withholding tax	66	61
– Sundry creditors	3,473	5,018
– Other payables	21	21
	<u>33,384</u>	<u>43,722</u>
Less:		
– Non-current portion: other payables	(21)	(21)
Total trade and other payables included in current liabilities	<u>33,363</u>	<u>43,701</u>

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

	31 March 2021 S\$'000	30 September 2020 S\$'000
0 to 30 days	2,403	7,420
31 to 60 days	1,133	2,975
61 to 90 days	348	1,162
Over 90 days	1,686	2,593
	<u>5,570</u>	<u>14,150</u>

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

20. BANK BORROWINGS

	31 March 2021 S\$'000	30 September 2020 S\$'000
Non-current, secured		
Bank borrowings repayable later than 1 year and no later than 2 years	9,818	9,304
Bank borrowings repayable later than 2 years and no later than 5 years	21,621	20,486
Bank borrowings repayable later than 5 years	37,328	26,207
	<u>68,767</u>	<u>55,997</u>
Current, secured		
Bank borrowings repayable no later than 1 year	10,263	10,725
Total borrowings	<u>79,030</u>	<u>66,722</u>

The bank borrowings of approximately S\$79.0 million (2019: S\$66.7 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, 7 Gul Avenue, 320 Balestier Road in Singapore and Axis Residences in Cambodia; (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 certain non-wholly owned subsidiary, who is not a controlling shareholder of the Company, where applicable.

21. COMMITMENTS

(a) Capital commitments

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

	31 March 2021 S\$'000	30 September 2020 S\$'000
Property, plant and equipment	2,194	4,948
	<u>2,194</u>	<u>4,948</u>

(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.

These lease payments have been recognised as ROU assets and lease liabilities on the balance sheet, except for short-term and low value leases which amounted to S\$2,893,000 and S\$202,000 (2020: S\$11,738,000 and S\$205,000) respectively.

(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. When considered necessary to reduce the credit risk, the Group may obtain bank guarantees equivalent to few months of the lease payments.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

21. COMMITMENTS (CONT'D)

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

The Group is exposed to changes in the residual value of properties at the end of current lease agreements. The residual value risk born by the Group is mitigated by active management of its property portfolio with the objective of optimising tenant mix in order to:

- achieve the longest weighted average lease term possible;
- minimise vacancy rates across all properties; and
- minimise the turnover of tenants with high quality credit ratings.

Lease agreements may also include a clause requiring the tenant to reinstate the leased space to its original state when the lease expires and the tenant decides not to renew the lease agreement. This contributes to the maintenance of the property and allows for the space to be re-let quickly once a tenant has departed.

The undiscounted lease payments from the operating leases from leased properties and owned investment properties to be received after 31 March 2021 and 30 September 2020 is disclosed as follows:

	31 March 2021 S\$'000	30 September 2020 S\$'000
Operating leases from leased properties		
Not later than one year	23,918	15,199
Between one and two years	9,485	8,413
Between two and three years	1,033	19
	<u>34,436</u>	<u>23,631</u>
	31 March 2021 S\$'000	30 September 2020 S\$'000
Operating leases from owned investment properties		
Not later than one year	3,188	3,500
Between one and two years	757	1,739
Between two and three years	1	20
	<u>3,946</u>	<u>5,259</u>

(d) Corporate guarantees

The Group has provided corporate guarantees in favour of financial institutions in respect of facilities granted to certain joint ventures and associate amounting to S\$63,030,000 (2020: S\$57,800,000). As at 31 March 2021, the outstanding amount of guaranteed loans drawn down by joint ventures and associate amounted to S\$ 51,180,000 (2020: S\$42,776,000).

The Group has determined that the corporate guarantees had insignificant fair values as at 31 March 2021 and 30 September 2020.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

22. RELATED PARTY TRANSACTIONS

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

<u>Name of the related party</u>	<u>Relationship with the Group</u>
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
Motorway Automotive Pte. Ltd.	A joint venture
Work Plus Store (Kallang) Pte. Ltd.	A subsidiary of the joint venture company of the Group
HLA Logistics Pte. Ltd.	An associate
Metropolitan Parking (BTSC) 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 (<i>Note 1</i>)
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	
	2021	2020
	S\$'000	S\$'000
Rental and service income from:		
Work Plus Store (AMK) Pte. Ltd.	421	477
Metropolitan Parking Pte. Ltd.	44	60
Four Star Industries Pte Ltd	331	288
Work Plus Store (Kallang) Pte. Ltd.	50	48
Master Care Services Pte. Ltd.	–	156
PJS Companies	15	90
9 Plus Cafe Pte. Ltd.	–	87
HLA Logistics Pte. Ltd.	810	744
Motorway Automotive Pte. Ltd.	98	–
Panselatan Sdn Bhd	165	–
Receipts of lease payment from:		
Master Care Services Pte. Ltd.	164	–
Auxiliary services from:		
Four Star Industries Pte Ltd	14	53
PJS Companies	53	–
Panselatan Sdn Bhd	57	42
Loan to:		
Work Plus Store (AMK) Pte. Ltd.	–	850
Metropolitan Parking Pte. Ltd.	–	260
Metropolitan Parking (BTSC) Pte. Ltd.	590	–
Work Plus Store (Kallang Bahru) Pte. Ltd.	–	2,415
Motorway Automotive Pte. Ltd.	244	–
Coliwoo East Pte. Ltd.	1,077	–

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

22. RELATED PARTY TRANSACTIONS (CONT'D)

	Six months ended 31 March	
	2021	2020
	S\$'000	S\$'000
Repayment of loan from:		
Four Star Industries Pte Ltd	378	181
Other transactions with:		
Work Plus Store (AMK) Pte. Ltd.	151	149
Metropolitan Parking Pte. Ltd.	453	568
Metropolitan Parking (BTSC) Pte. Ltd.	204	–
Work Plus Store (Kallang Bahru) Pte. Ltd.	58	–
Four Star Industries Pte Ltd	35	40

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

23. SUBSEQUENT EVENTS

On 12 April 2021, the Group entered into an option to purchase four strata-titled units #05-01, #05-02, #06-01 and #06-02 at 75 Beach Road, Singapore 189689, for a consideration of S\$8.4 million, with the intention to operate them as a co-work co-live space. On the same day, the Group entered into another option to purchase four strata-titled units #03-01, #03-02, #04-01 and #04-02 at 75 Beach Road, Singapore 189689, for a consideration of S\$8.4 million, with the intention to convert them into the Group's headquarters.

On 28 April 2021, the Group entered into an option to purchase a property at 115 Geylang Road, Singapore 389218, for a consideration of S\$13.5 million, with the intention to operate the property as a co-living space.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

For the six months ended 31 March 2021 (“1H2021”), the Group recorded an increase in revenue of 24.9% as compared to the six months ended 31 March 2020 (“1H2020”), mainly due to increase in revenue from the Facilities Management Business partially offset by the decrease in revenue from the Industrial Properties and Commercial Properties under the Space Optimisation Business.

During 1H2021, for the Space Optimisation Business, the Group had renewed three master leases under the Industrial Properties, one master lease under the Residential Properties and completed the acquisition of a freehold property at 320 Balestier Road, Singapore, in December 2020. The property is expected to undergo renovations in the second half of 2021 and will be operated as a co-living space.

The Group is pleased to announce that its mixed-use development supporting commercial spaces, co-living residential apartments and recreational facilities at 1557 Keppel Road has recently completed renovations and will be fully operational in the third quarter of the financial year ending 30 September 2021 (“FY2021”). In addition, operations has commenced at 5 Toa Payoh, Singapore, a joint venture property, in 1H2021 which offers storage of cars, spare parts, vehicle inspection (without servicing and repair activities) and ancillary office.

Our Facilities Management Business, which primarily provides integrated facilities management services and carpark management services, continues to expand further arising from the joint venture acquisition of Bukit Timah Shopping Centre carpark which was completed in December 2020 and the commencement of operations of 33 new carparks in January 2021 awarded by JTC Corporation.

Our Logistics Services Business which provides transportation services and container depot services continues to perform well in 1H2021.

Business Outlook

As released in the Singapore Market Outlook 2021 report issued by CBRE Research¹, although slow and uneven, the Singapore economy is on track towards a 5.6 per cent year-on-year GDP growth in 2021, with the pandemic contained locally and access to vaccination secured.

Further, based on advance estimates as announced in the press release dated 14 April 2021 issued by the Ministry of Trade and Industry Singapore², the Singapore economy grew by 0.2 per cent on a year-on-year basis in the first quarter of 2021, a turnaround from the 2.4 per cent contraction recorded in the previous quarter.

Riding on more favourable business conditions moving forward and the intention to grow its residential business, the Group and its joint venture companies entered into a few options to purchase properties in Singapore namely at 40 and 42 Amber Road (joint venture property), 75 Beach Road and 115 Geylang Road as announced on 24 March 2021, 12 April 2021 and 28 April 2021 respectively. The Group looks forward to the completion of acquisition of these properties as this will further expand its offerings under the Space Optimisation Business. The Company will make further announcement(s) as and when there are material development(s) to the proposed acquisition of the properties at 40 and 42 Amber Road, 75 Beach Road and 115 Geylang Road. Regarding our operation in Myanmar, as the revenue contribution is less than 1% of the Group’s revenue and the total assets contribution is less than 2% of the Group’s total assets as at 31 March 2021, the recent military coup does not have any material impact to our Group’s financial performance.

For the Facilities Management Business, the Group will continue to seek more external facilities management contracts by providing integrated facilities management services covering estate and building management, repair, maintenance and cleaning, landscaping, pest control and fumigation of buildings and offices to its customers. In addition, the Group plans to set up electric vehicle charging stations across its industrial properties and carparks under its management and will continue to look for more locations for its carpark management business in both Singapore and Hong Kong.

For the Logistics Services Business, the Group will continue to look for more opportunities to grow its transport fleet and expand its logistics customer base.

¹ <https://www.cbre.com.sg/research-reports/Singapore-Market-Outlook-2021#:~:text=ECONOMY%3A%20With%20the%20pandemic%20contained,favourable%20real%20estate%20investment%20environment>

² https://www.mti.gov.sg/-/media/MTI/Newsroom/Press-Releases/2021/04/AdvEst_1Q21.pdf

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

For 1H2021 vs 1H2020

Revenue

	1H2021 S\$'000 (unaudited)	1H2020 S\$'000 (unaudited)	Variance	
			S\$'000	%
Industrial Properties	8,760	15,290	(6,530)	(42.7)
Commercial Properties	4,075	8,813	(4,738)	(53.8)
Residential Properties	6,518	5,058	1,460	28.9
Space Optimisation Business	19,353	29,161	(9,808)	(33.6)
Facilities Management Business	31,622	9,714	21,908	225.5
Logistics Services Business	13,503	12,744	759	6.0
Total	64,478	51,619	12,859	24.9

The Group's revenue increased by approximately S\$12.9 million or 24.9% from approximately S\$51.6 million in 1H2020 to approximately S\$64.5 million in 1H2021 primarily due to the increase in revenue from the Residential Properties under the Space Optimisation Business and Facilities Management Business. The increase was partially offset by the decrease in revenue from the Industrial Properties and Commercial Properties under the Space Optimisation Business.

(a) Space Optimisation Business

Industrial Properties

Revenue derived from Industrial Properties decreased by approximately S\$6.5 million or 42.7% from approximately S\$15.3 million in 1H2020 to approximately S\$8.8 million in 1H2021 mainly due to (i) decrease in revenue from subleases as a result of the expiry of four master leases between the second to fourth quarters of the financial year ended 30 September 2020 ("FY2020"); and (ii) more derecognition of revenue from subleases classified as finance lease pursuant to IFRS 16.

The average occupancy rate of the Group's Industrial Properties decreased slightly by 0.9 percentage points to approximately 89.0% in 1H2021 as compared to 89.9% in 1H2020.

Commercial Properties

Revenue derived from Commercial Properties decreased by approximately S\$4.7 million or 53.8% from approximately S\$8.8 million in 1H2020 to approximately S\$4.1 million in 1H2021 mainly due to (i) decrease in revenue from subleases as a result of the expiry of two master leases during 1H2021; (ii) renewal of subleases at lower rates; (iii) decrease in revenue from 1557 Keppel Road Singapore since it has been undergoing progressive renovations following the Group's successful retender for the site in December 2019; and (iv) more derecognition of revenue from subleases classified as finance lease pursuant to IFRS 16.

The average occupancy rate of the Group's Commercial Properties decreased by 15.3 percentage points to approximately 69.2% in 1H2021 as compared to 84.5% in 1H2020.

Residential Properties

Revenue derived from Residential Properties increased by approximately S\$1.5 million or 28.9% from approximately S\$5.0 million in 1H2020 to approximately S\$6.5 million in 1H2021 mainly arising from the commencement of operations of the new serviced residence in Cambodia which started generating revenue from the first quarter of the financial year ending 30 September 2021 ("FY2021") and the increase in revenue from our master lease at 1A Lutheran Road Singapore which started generating revenue from the second quarter of FY2020.

MANAGEMENT DISCUSSION AND ANALYSIS

(b) Facilities Management Business

Revenue derived from our Facilities Management Business increased by approximately S\$21.9 million or 225.5% from approximately S\$9.7 million in 1H2020 to approximately S\$31.6 million in 1H2021 mainly due to the increase in facilities management services provided for short-term contracts under the dormitory business which started to generate revenue from the third quarter of FY2020.

(c) Logistics Services Business

Revenue derived from our Logistics Services Business increased by approximately S\$0.8 million or 6.0% from approximately S\$12.7 million in 1H2020 to approximately S\$13.5 million in 1H2021 mainly due to increase in transportation services provided from the trucking business.

Cost of Sales

Cost of sales decreased by approximately S\$0.4 million or 1.4% from approximately S\$29.7 million in 1H2020 to approximately S\$29.3 million in 1H2021.

The decrease was mainly due to a decrease in rental costs of approximately S\$8.8 million arising from (i) the expiry of four master leases between the second to fourth quarters of FY2020; and (ii) renewal of leases previously classified as short-term leases in FY2020 which have been capitalised as lease liabilities in 1H2021, with partial derecognition of rental costs to other income (gains from subleases) as a result of subleases classified as finance leases pursuant to IFRS 16.

The decrease was partially offset by the increase in (i) staff costs of approximately S\$3.2 million and upkeep and maintenance costs of approximately S\$4.3 million mainly from the Facilities Management Business which is in line with the increase in revenue; (ii) depreciation of right-of-use assets and property, plant and equipment of approximately S\$0.6 million; and (iii) other expenses of approximately S\$0.3 million.

Gross Profit

In view of the above mentioned, gross profit increased by approximately S\$13.3 million from approximately S\$21.9 million in 1H2020 to approximately S\$35.2 million in 1H2021.

Other Income

Other income increased by approximately S\$3.2 million or 116.3% from approximately S\$2.8 million in 1H2020 to approximately S\$6.0 million in 1H2021 mainly due to (i) increase in gains from subleases of approximately S\$1.4 million which were derived based on differences between the right-of-use asset derecognised and the net investment in sublease, pursuant to IFRS 16; (ii) recognition of Job Support Scheme from the Singapore Government of approximately S\$0.7 million; and (iii) net rental rebates received from Governments and landlords of approximately S\$1.2 million mainly for the carpark business division.

Other Operating Expenses

Other operating expenses increased by approximately S\$1.5 million or 229.5% from approximately S\$0.6 million in 1H2020 to approximately S\$2.1 million in 1H2021 mainly due to (i) increase in impairment losses on receivables of approximately S\$0.8 million under the Space Optimisation Business due to uncertainty on recoverability; and (ii) loss on lease modification of approximately S\$0.7 million due to a change in the carrying amount of lease receivables.

Selling and Distribution Expenses

Selling and distribution expenses increased slightly by approximately S\$0.1 million or 12.3% from approximately of S\$0.7 million in 1H2020 to approximately S\$0.8 million in 1H2021.

MANAGEMENT DISCUSSION AND ANALYSIS

Administrative Expenses

Administrative expenses increased by approximately S\$2.4 million or 18.4% from approximately S\$13.2 million in 1H2020 to approximately S\$15.6 million in 1H2021 mainly due to increase in (i) staff costs of approximately S\$2.6 million in line with the increase in revenue from the Residential Properties and Facilities Management Business; and (ii) miscellaneous expenses of approximately S\$0.3 million. These were partially offset by the decrease in depreciation of property, plant and equipment of approximately S\$0.5 million mainly due to depreciation of renovation being fully depreciated during 1H2021 at certain sites under the Space Optimisation Business.

Finance Cost

Finance cost decreased slightly by approximately S\$0.1 million or 2.6% from approximately S\$2.6 million in 1H2020 to approximately S\$2.5 million in 1H2021.

Share of Results of Associates and Joint Ventures

Share of results of associates and joint ventures increased by approximately S\$0.3 million or 59.8% from approximately S\$0.6 million in 1H2020 to approximately S\$0.9 million in 1H2021 mainly due to an increase in share of operating profits.

Fair Value Losses on Investment Properties

Fair value loss on investment properties decreased by approximately S\$1.6 million or 37.0% from approximately S\$4.3 million in 1H2020 to approximately S\$2.7 million in 1H2021 mainly due to lower fair value loss on investment properties.

Profit before Income Tax

As a result of the aforementioned, the Group's profit before income tax increased by approximately S\$14.5 million or 383.2% from approximately S\$3.8 million in 1H2020 to approximately S\$18.3 million in 1H2021.

Income Tax Expense

Income tax expenses increased by approximately S\$2.7 million from approximately S\$0.3 million in 1H2020 to approximately S\$3.0 million in 1H2021 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\$11.8 million or 340.3% from approximately S\$3.5 million in 1H2020 to approximately S\$15.3 million in 1H2021.

Review of Statement of Financial Position

Non-current assets

Non-current assets increased by approximately S\$32.2 million from approximately S\$234.8 million as at 30 September 2020 to approximately S\$267.0 million as at 31 March 2021 mainly due the factors as set out below:

Property, plant and equipment ("PPE") increased by approximately S\$2.1 million due to additions amounting to approximately S\$5.3 million mainly from renovation costs relating to our new co-work co-live project in Singapore under the Space Optimisation Business and new carparks managed under the Facilities Management Business. This was partially offset by depreciation of PPE of approximately S\$3.2 million.

Investment properties increased by approximately S\$24.6 million mainly due to (i) purchase of property at 320 Balestier Road of approximately S\$19.9 million; and (ii) net additions to investment properties (right-of-use) of approximately S\$7.7 million mainly from the Industrial Properties. These were partially offset by (i) fair value loss of approximately S\$2.7 million; and (ii) foreign currency translation loss of approximately S\$0.3 million.

MANAGEMENT DISCUSSION AND ANALYSIS

Right-of-use assets increased by approximately S\$9.2 million mainly due to net additions of approximately S\$16.3 million mainly from new carparks managed under the Facilities Management Business. This was partially offset by depreciation of right-of-use assets of approximately S\$7.1 million.

Investment in associates and joint ventures increased by approximately S\$0.7 million mainly arising from the share of profit of associates and joint ventures recognised in 1H2021 of approximately S\$0.9 million and share capital injection of S\$0.1 million in an associated company. This was partially offset by dividends received from an associated company of approximately S\$0.3 million.

Lease receivables decreased by approximately S\$4.5 million mainly due to receipts in 1H2021.

Current assets

Current assets decreased by approximately S\$7.3 million from approximately S\$108.9 million as at 30 September 2020 to approximately S\$101.6 million as at 31 March 2021 mainly due to the factors as set out below.

Trade and other receivables decreased by approximately S\$7.1 million mainly due to decrease in trade receivables of approximately S\$10.3 million mainly due to the receipt of payment from our dormitory business. This was partially offset by (i) the increase in other receivables of approximately S\$3.1 million which was largely due to the development charge paid for the purchase of property at 75 Beach Road, Singapore; and (ii) decrease in allowance for impairment of trade receivables of approximately S\$0.1 million.

Grant receivables relating to job support scheme to be received from the Singapore Government decreased by approximately S\$0.6 million due to payouts received.

Loans to joint ventures and associates increased by approximately S\$1.6 million mainly for the partial payment of acquisition of a residential property in Singapore under Coliwoo East Pte. Ltd. and carpark property in Singapore under Metropolitan Parking (BTSC) Pte. Ltd..

Lease receivables increased by approximately S\$1.5 million due to recognition of receivables from new subleases.

Cash and bank balances and fixed deposits decreased by approximately S\$2.7 million.

Non-current liabilities

Non-current liabilities increased by approximately S\$19.4 million from approximately S\$126.0 million as at 30 September 2020 to approximately S\$145.4 million as at 31 March 2021 mainly due to the factors as set out below.

Bank borrowings increased by approximately S\$12.8 million mainly for the (i) purchase of property at 320 Balestier Road; and (ii) renovation costs for our co-work co-live project in Singapore.

Lease liabilities increased by approximately S\$6.1 million mainly due to recognition of liabilities payable to landlords for lease arrangements relating to new carparks managed under our Facilities Management Business.

Provisions increased by approximately S\$0.6 million mainly due to reclassification of provision of reinstatement cost from current liabilities to non-current liabilities of approximately S\$0.6 million due to the renewal of our master leases.

Current liabilities

Current liabilities decreased by approximately S\$5.8 million from approximately S\$94.2 million as at 30 September 2020 to approximately S\$88.4 million as at 31 March 2021 mainly due to the factors as set out below.

Trade and other payables decreased by approximately S\$10.3 million largely due to decrease in (i) trade payables of approximately S\$8.6 million relating to the dormitory business and payment to suppliers; and (ii) other payables of approximately S\$1.7 million relating to accrued expenses and rental rebates payable to tenants.

Provisions decreased by approximately S\$0.8 million mainly due to reclassification of provision of reinstatement cost from current liabilities to non-current liabilities as mentioned above.

Bank borrowings decreased by approximately S\$0.5 million mainly due to repayment of bank borrowings.

MANAGEMENT DISCUSSION AND ANALYSIS

Lease liabilities increased by approximately S\$4.7 million mainly due to recognition of liabilities payable to landlords for lease arrangements relating to new carparks managed under our Facilities Management Business.

Current tax payable increased by approximately S\$1.1 million mainly due to income tax provision for 1H2021.

Review of Statement of Cash Flows

In 1H2021, the Group recorded net cash generated from operating activities of approximately S\$24.8 million, which was a result of operating profit before changes in working capital of approximately S\$32.0 million, decrease in trade and other receivables of approximately S\$5.1 million and decrease in trade and other payables of approximately S\$10.3 million, adjusted for net income tax paid of approximately S\$2.0 million.

Net cash used in investing activities amounted to approximately S\$13.6 million, which was mainly due to (i) additions to PPE of approximately S\$5.6 million for our new co-work co-live project in Singapore under the Space Optimisation Business and new carparks managed in Singapore under the Facilities Management Business; (ii) additions to investment property of approximately S\$17.2 million for the purchase of property at 320 Balestier Road; and (iii) loans to joint ventures and associates of approximately S\$1.6 million mainly for the partial payment of acquisition of a residential property and a carpark property in Singapore. These were partially offset by (i) receipts from lease receivables of approximately S\$9.9 million; (ii) interest received from lease receivables of approximately S\$0.6 million; and (iii) dividend received from associate of approximately S\$0.3 million.

Net cash used in financing activities amounted to approximately S\$13.9 million, which were due to (i) repayment of bank borrowings of approximately S\$6.0 million; (ii) repayment of lease liabilities of approximately S\$19.8 million; (iii) interest expenses on bank borrowings and lease liabilities paid of approximately S\$2.5 million; and (iv) dividend paid to shareholders of approximately S\$4.0 million. These were partially offset by proceeds from bank borrowings of approximately S\$18.4 million for the purchase of property at 320 Balestier Road and renovation costs for our co-work co-live project in Singapore.

As a result of the above, cash and cash equivalents decreased by approximately S\$2.7 million, amounting to approximately S\$36.4 million as at 31 March 2021.

Liquidity and Financial Resources

During 1H2021, the Group financed its operations primarily through a combination of cash flow generated from our operations, bank borrowings and hire purchase.

The Group primarily obtained bank borrowings to finance its acquisition of properties and logistics equipment. The Group's borrowings as at 31 March 2021 were denominated in Singapore dollars, United States dollars and Renminbi with interest charged on these borrowings ranging from 1.48% to 5.70% per annum. As at 31 March 2021, the Group had outstanding bank borrowings of S\$79.0 million. These borrowings were secured by (i) legal mortgage of the Group's leasehold properties at 72 Eunos Avenue 7, 100 Eunos Avenue 7, 71 Lorong 23 Geylang, 7 Gul Avenue, 320 Balestier Road in Singapore and Axis Residences in Cambodia; (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 of the Company, who are not controlling shareholders of the Company (the "Subsidiaries Directors"), where applicable.

As at 31 March 2021, cash and cash equivalents held by the Group were mainly cash in the banks and on hand denominated in SGD, HKD, USD, IDR, RMB, THB and deposits denominated in SGD that are readily convertible into cash.

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 2021 was 58.4%, a slight increase from 57.3% as at 30 September 2020.

Lease Liabilities

As at 31 March 2021, the Group had lease liabilities of S\$110.2 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.

MANAGEMENT DISCUSSION AND ANALYSIS

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 2021 S\$'000	30 September 2020 S\$'000
Property, plant and equipment	2,194	4,948
	<u>2,194</u>	<u>4,948</u>

Capital Expenditure

During 1H2021, the Group's capital expenditure consists of additions to property, plant and equipment and investment properties amounting to approximately S\$26.6 million mainly for the renovation costs for our Space Optimisation Business, purchase of carpark equipment and purchase of 320 Balestier Road property (FY2020: approximately S\$27.7 million).

Contingent Liabilities

As at 31 March 2021, the Group did not have any material contingent liabilities.

Material Acquisitions and Disposals of Subsidiaries, Associates and Joint Ventures

Save as disclosed in this report, there was no material acquisition and disposal of subsidiaries, associates and joint ventures for 1H2021.

Guarantee Performance in relation to the Acquisitions

The Group did not enter into any acquisition, which is required to be disclosed under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "HK Listing Rules"), that the party in contract required to commit or guarantee on the financial performance in any kinds for 1H2021.

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 1H2021.

Off-balance Sheet Arrangements

For 1H2021, the Group did not have any off-balance sheet arrangements.

Securities Investments

The Group did not have any securities investment in any investee company with a value of 5% or more of the total assets of the Group as at 31 March 2021, which is required to be disclosed under the HK Listing Rules.

Future Plans for Material Investment and Capital Assets

Save as disclosed in the prospectus of the Company dated 15 December 2017 and this report, the Group did not have any other plans for material investment and capital assets as at 31 March 2021.

Exposure to Fluctuations in Exchange Rates

The Group mainly operates in Singapore, Indonesia, Thailand, Myanmar, Malaysia, Hong Kong and Cambodia during 1H2021. 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 1H2021, the Group recorded an exchange loss of S\$364,000.

MANAGEMENT DISCUSSION AND ANALYSIS

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 2021, there were 544 (as at 30 September 2020: 633) 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

Saved as disclosed in this report, there was no significant event relevant to the business or financial performance of the Group that has come to the attention of the Directors after 1H2021.

Disclosure Pursuant to Rule 13.22 of the Listing Rules

As at 31 March 2021, 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
Coliwoo East Pte. Ltd.	50.0%	1,077 ⁽¹⁾	500	–	–	–
Getgo Technologies Pte. Ltd.	30.0%	30 ⁽¹⁾	–	–	–	–
Four Star Industries Pte Ltd	50.0%	–	–	6,940	–	6,860
Metropolitan Parking Pte. Ltd.	50.0%	–	–	15,400	–	15,400
Metropolitan Parking (BTSC) Pte. Ltd.	40.0%	595 ⁽¹⁾	–	5,184	–	5,184
Motorway Automotive Pte. Ltd.	40.0%	860 ⁽¹⁾	–	–	–	–
Work Plus Store (AMK) Pte. Ltd.	50.0%	–	–	25,500	–	24,957
Work Plus Store (Kallang Bahru) Pte. Ltd.	50.0%	4,036 ⁽¹⁾	–	10,006	2,904	7,102

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.

The total amount of financial assistance provided to the Affiliated Companies, in aggregate, amount to approximately 19.0% as at 31 March 2021 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 as at 31 March 2021 are set out below:

	Proforma combined statement of financial position S\$'000	Group's attributable interest S\$'000
Non-current assets	171,316	82,949
Current assets	11,523	5,641
Current liabilities	(30,886)	(14,598)
Non-current liabilities	(116,017)	(56,345)
	35,936	17,647

MANAGEMENT DISCUSSION AND ANALYSIS

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 2021.

Issue of Securities and Share Capital

During 1H2021, there has been no change to the shares in issued and capital structure of the Company.

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

During 1H2021, 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\$0.0075 (equivalent to HK\$0.0439) per ordinary share for 1H2021 which will be paid on Friday, 18 June 2021, to the Shareholders whose names shall appear on the register of members of the Company on Thursday, 27 May 2021 (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 Thursday, 27 May 2021** 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 Thursday, 27 May 2021** 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 **Friday, 28 May 2021 to Monday, 31 May 2021** (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 Thursday, 27 May 2021**.

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, 14 May 2021** 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 2021, 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

<u>Name of Director/Chief Executive</u>	<u>Capacity/Nature of Interest</u>	<u>Number of Shares held/Interested</u>	<u>Approximate Percentage of Shareholding</u>
Lim Lung Tieng ⁽¹⁾⁽²⁾	Founder of discretionary trusts, beneficiary of a trust	220,982,600	54.91%
Lim Bee Choo	Beneficial owner	4,000,000	0.99%

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 220,982,600 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 220,982,600 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 2021, 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 2021, 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 2021, 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	220,982,600	54.91%
Wang Jialu ⁽¹⁾⁽³⁾	Deemed interest by virtue of interest held by spouse	220,982,600	54.91%
Hean Nerng Group Pte. Ltd. ⁽¹⁾⁽²⁾	Interest in a controlled corporation	220,982,600	54.91%
HN Capital Ltd. ⁽¹⁾⁽²⁾	Interest in a controlled corporation	220,982,600	54.91%
LHN Capital Pte. Ltd. ⁽¹⁾⁽²⁾	Trustee	220,982,600	54.91%
Trident Trust Company (B.V.I) Limited. ⁽¹⁾⁽²⁾	Trustee	220,982,600	54.91%
Lim Hean Nerng ⁽¹⁾⁽²⁾	Founder of discretionary trusts	220,982,600	54.91%
Foo Siau Foon ⁽¹⁾⁽²⁾	Founder of discretionary trusts	220,982,600	54.91%

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 220,982,600 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 2021, the Directors are not aware of any other person who had an interest or a short position in any Shares which would be required to be disclosed to the Company and the Hong Kong Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept under section 336 of the SFO.

Share Option Scheme

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

Life of the Scheme

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

Option granted

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

OTHER INFORMATION

Arrangements to Purchase Shares or Debentures

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

Competition and Conflict of Interests

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

Corporate Governance

The Company has adopted the code provisions of the corporate governance code in Appendix 14 (the “**HK CG Code**”) to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**HK Listing Rules**”) as part of its corporate governance code effective upon the HK Listing, in addition to the requirements under Singapore Code of Corporate Governance 2018 (“**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 1H2021 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 1H2021.

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.

OTHER INFORMATION

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 1H2021 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, 12 May 2021

**LHN
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