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LHN LIMITED

賢能集團有限公司*

(Incorporated in the Republic of Singapore with limited liability)

(Hong Kong stock code : 1730)
(Singapore stock code : 410)

**ANNOUNCEMENT OF FULL YEAR RESULTS
FOR THE YEAR ENDED 30 SEPTEMBER 2018**

FINANCIAL HIGHLIGHTS

	For the year ended 30 September		Change %
	2018	2017	
	S\$'000	S\$'000	
Revenue	109,285	106,253	2.9
Gross Profit	28,890	25,751	12.2
Profit for the year and attributable to owners of the Company	5,407	2,312	>100
Basic earnings per share (Singapore cents)	1.38	0.64	>100

* *For identification purpose only*

FULL YEAR RESULTS

The board (the “Board”) of directors (the “Directors”) of LHN Limited (the “Company”) hereby announces the consolidated full year results of the Company and its subsidiaries (collectively referred to as the “Group”) for the year ended 30 September 2018, together with the comparative figures for the year ended 30 September 2017. The Group’s full year results for the year ended 30 September 2018 have been reviewed by the audit committee of the Company (the “Audit Committee”).

FULL YEAR CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 SEPTEMBER 2018

	Note	2018 S\$'000	2017 S\$'000
Revenue	5	109,285	106,253
Cost of sales	8	(80,395)	(80,502)
Gross profit		28,890	25,751
Other income	6	3,658	2,544
Other operating expenses	7	(1,289)	(224)
Selling and distribution expenses	8	(1,613)	(1,298)
Administrative expenses	8	(24,571)	(24,438)
Finance cost	9	(827)	(636)
Share of results of associates and joint ventures, net of tax		1,954	3,384
Impairment loss on asset held-for-sale		-	(500)
Fair value gain/(loss) on investment properties		4	(1,439)
Profit before income tax		6,206	3,144
Income tax expense	10	(436)	(377)
Profit for the year		5,770	2,767
Other comprehensive (loss)/income			
<u>Item that will be reclassified subsequently to profit or loss</u>			
Currency translation differences arising from consolidation		(92)	(94)
<u>Item that will not be reclassified subsequently to profit or loss</u>			
Revaluation gains on leasehold building		12	137
Share of other comprehensive income of joint venture		92	237
Other comprehensive income		12	280
Total comprehensive income for the year		5,782	3,047
Profit attributable to:			
Equity holders of the Company		5,407	2,312
Non-controlling interests		363	455
Profit for the year		5,770	2,767
Total comprehensive income attributable to:			
Equity holders of the Company		5,417	2,594
Non-controlling interests		365	453
Total comprehensive income for the year		5,782	3,047
Earnings per share for profit attributable to equity holders of the Company			
Basic and diluted (cents)	12	1.38	0.64

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 SEPTEMBER 2018

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

CONSOLIDATED STATEMENT OF CASH FLOW
FOR THE YEAR ENDED 30 SEPTEMBER 2018

	2018	2017
	S\$'000	S\$'000
Cash flows from operating activities:		
Profit before income tax	6,206	3,144
Share of results of associates and joint ventures, net of tax	(1,954)	(3,384)
Adjustments for:		
Amortisation of intangible assets	29	-
Depreciation of property, plant and equipment	5,851	6,009
Gain on disposal of property, plant and equipment	(378)	(93)
Write-off of property, plant and equipment	14	40
Impairment loss on asset held-for-sale	-	500
Fair value (gain)/loss on investment properties	(4)	1,439
Bad and doubtful debts	755	96
Waiver of debt from a director of subsidiaries	(73)	(57)
Dual Listing expenses	1,842	3,007
Employee performance share expenses	-	88
Finance income	(447)	(315)
Finance cost	827	636
Operating profit before working capital changes	12,668	11,110
Increase in inventories	(13)	(15)
Increase in trade and other receivables	(5,097)	(199)
Increase/(decrease) in trade and other payables	3,635	(1,535)
Cash generated from operations	11,193	9,361
Interest expense paid	(9)	(7)
Income tax paid	(1,406)	(1,435)
Income tax refunded	542	723
Net cash generated from operating activities	10,320	8,642
Cash flows from investing activities:		
Additions to property, plant and equipment	(6,896)	(4,996)
Additions to investment properties	-	(994)
Purchase of available for sale financial assets	(31)	(107)
Additions to intangible assets	(205)	-
Additions to other asset	(3,418)	-
Loans to joint ventures, net	(1,725)	(3,170)
Proceeds from disposal of property, plant and equipment	503	103
Cash outflow on incorporation of joint venture	-	(150)
Cash outflow on incorporation of associate	(20)	-
Dividend from associate	100	-
Interest received	112	57
Net cash used in investing activities	(11,580)	(9,257)
Cash flows from financing activities:		
Repayment of finance lease	(1,875)	(1,703)
(Decrease)/increase in fixed deposit - pledged	(34)	1,059
Proceeds from bank borrowings	5,701	3,000
Repayment of bank borrowings	(5,601)	(1,730)
Proceeds from issuance of ordinary shares	13,638	-
Share issue expense	(1,332)	-
Dual Listing expenses paid	(2,067)	(2,783)
Capital contribution from non-controlling shareholders	274	-
Interest expense paid	(817)	(624)
Dividends paid	(798)	(1,622)
Net cash generated from/(used in) financing activities	7,089	(4,403)
Net increase/(decrease) in cash and cash equivalents	5,829	(5,018)
Cash and cash equivalents at beginning of the year	14,885	19,926
Exchange losses on cash and cash equivalents	(47)	(23)
Cash and cash equivalents at end of year	20,667	14,885
Consolidated cash and cash equivalents are represented by:		
Cash and bank balances	15,319	13,262
Fixed deposits	10,029	6,270
	25,348	19,532
Less: Pledged fixed deposits	(4,681)	(4,647)
Cash and cash equivalents as per consolidated statement of cash flows	20,667	14,885

NOTES TO THE CONSOLIDATED 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 consolidated 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

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

3. ACCOUNTING POLICIES

Amendments to IFRSs effective for the financial year ended 30 September 2018 do not have a material impact on the Group.

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:

		<u>Effective for</u> <u>accounting periods</u> <u>beginning on or after</u>	<u>Note</u>
IFRS 2 (Amendment)	Classification and Measurement of Share-based Payment Transactions	1 January 2018	
IFRS 9	Financial Instruments	1 January 2018	<i>i</i>
IFRS 15	Revenue from Contracts with Customers	1 January 2018	<i>ii</i>
IFRS 15 (Amendment)	Clarifications to IFRS 15	1 January 2018	
IFRS 16	Leases	1 January 2019	<i>iii</i>
IFRS 17	Insurance Contracts	1 January 2021	<i>iv</i>
IFRIC	Foreign Currency Transactions and Advance Consideration	1 January 2018	
IAS 40 (Amendment)	Investment Properties	1 January 2018	<i>v</i>

Note i:

IFRS 9 "Financial instruments" replaces the whole of IAS 39. IFRS 9 has three financial asset classification categories for investments in debt instruments: amortised cost, fair value through other comprehensive income ("OCI") and fair value through profit or loss. Classification is driven by the entity's business model for managing the debt instruments and their contractual cash flow characteristics. Investments in equity instruments are always measured at fair value. However, management can make an irrevocable election to present changes in fair value in OCI, provided the instrument is not held for trading. If the equity instrument is held for trading, changes in fair value are presented in profit or loss. For financial liabilities there are two classification categories: amortised cost and fair value through profit or loss. Where non-derivative financial liabilities are designated at fair value through profit or loss, the changes in the fair value due to changes in the liability's own credit risk are recognised in OCI, unless such changes in fair value would create an accounting mismatch in profit or loss, in which case, all fair value movements are recognised in profit or loss. There is no subsequent recycling of the amounts in OCI to profit or loss. For financial liabilities held for trading (including derivative financial liabilities), all changes in fair value are presented in profit or loss.

IFRS 9 also introduces a new model for the recognition of impairment losses — the expected credit losses (ECL) model, which constitutes a change from the incurred loss model in IAS 39. IFRS 9 contains a "three stage" approach, which is based on the change in credit quality of financial assets since initial recognition. Assets move through the three stages as credit quality changes and the stages dictate how an entity measures impairment losses and applies the effective interest rate method. The new rules mean that on initial recognition of a non-credit impaired financial asset carried at amortised cost a day-1 loss equal to the 12-month ECL is recognised in profit or loss. In the case of accounts receivables this day-1 loss will be equal to their lifetime ECL. Where there is a significant increase in credit risk, impairment is measured using lifetime ECL rather than 12-month ECL.

During the financial years 30 September 2018 and 2017, all of the Group's financial assets and financial liabilities were carried at amortised costs without significant impairment on the former. The implementation of IFRS 9 is not expected to result in any significant impact on the Group's financial position and results of operations.

Note ii:

IFRS 15 "Revenue from Contracts with Customers" — This new standard replaces the previous revenue standards: IAS 18 "Revenue" and IAS 11 "Construction Contracts", and the related Interpretations on revenue recognition. IFRS 15 establishes a comprehensive framework for determining when to recognise revenue and how much revenue to recognise through a 5-step approach: (1) Identify the contract(s) with customer; (2) Identify separate performance obligations in a contract; (3) Determine the transaction price; (4) Allocate transaction price to performance obligations; and (5) Recognise revenue when performance obligation is satisfied. The core principle is that the Group should recognise revenue to depict the transfer of promised goods or services to the customer in an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services. It moves away from a revenue recognition model based on an "earnings processes" to an "asset liability" approach based on transfer of control. IFRS 15 provides specific guidance on capitalisation of contract cost, license arrangements and principal versus agent considerations. It also includes a cohesive set of disclosure requirements about the nature, amount, timing and uncertainty of revenue and cash flows arising from the entity's contracts with customers.

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

Note iii:

IFRS 16 "Leases" — The Group is a lessee of its various properties which are currently classified as operating leases.

IFRS 16 provides new provisions for the accounting treatment of leases and will in the future no longer allow lessees to account for certain leases outside the consolidated statements of financial position. Instead, all long-term leases must be recognised in the consolidated statements of financial position in the form of assets (for the rights of use) and lease liabilities (for the payment obligations), both of which would carry initially at the discounted present value of the future operating lease commitments. Short-term leases with a lease term of twelve months or less and leases of low-value assets are exempt from such reporting obligations.

The new standard will therefore result in an increase in right-to-use asset and an increase in lease liability in the consolidated statement of financial position. In the consolidated statements of profit or loss, lease will be recognised in the future as depreciation and will no longer be recorded as rental expenses. Interest expense on the lease liability will be presented separately from depreciation under finance costs. The combination of a straight-line depreciation of the right-to-use asset and the effective interest rate method applied to the lease liability will result in a higher total charge to profit or loss in the initial year of the lease, and decreasing expenses during the latter part of the lease term on a lease by lease basis.

Nevertheless, it is expected that there will be no material impact on the total expenses to be recognised by us over the entire lease period and our total net profit over the lease period is not expected to be materially affected. The adoption of IFRS 16 would not affect our total cash flows in respect of the leases. We are continuing to assess the specific magnitude of the adoption of IFRS 16 to the relevant financial statement areas and will conduct a more detailed assessment on the impact as information become available closer to the planned initial date of the adoption of 1 October 2019.

Note iv:

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

Note v:

Under the amendments in IAS 40 Transfers of Investment Property has been amended to state that an entity shall transfer a property to, or from, investment property when, and only when, there is evidence of a change in use. A change of use occurs if property meets, or ceases to meet, the definition of investment property. A change in management's intentions for the use of a property by itself does not constitute evidence of a change in use. The amendments are effective on 1 January 2018. However, if finalised, earlier adoption is permitted. The Group is in the process of making an assessment on the impact of this new standard. Currently, management does not anticipate any significant impact on the Group's financial positions and results of operations upon adopting this new standard.

4. SEGMENT INFORMATION

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

1. Industrial group
2. Commercial group
3. Residential group
4. Logistics group
5. Facilities management group

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

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

Allocation basis and transfer pricing

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

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

Sales

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

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

Segment assets and liabilities

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

Segment breakdown for the year ended 30 September 2018 are as follows:

	Industrial	Commercial	Residential	Logistics Services	Facilities Management	Corporate and Eliminations	Consolidated
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
Sales							
Total segment sales	41,839	26,115	2,133	25,477	21,636	13,611	130,811
Inter-segment sales	(1,341)	(1,145)	-	(3,273)	(2,156)	(13,611)	(21,526)
External sales	40,498	24,970	2,133	22,204	19,480	-	109,285
Segment results	(211)	1,773	978	3,902	(67)	(1,300)	5,075
Fair value gain on investment properties	-	4	-	-	-	-	4
Finance cost	(612)	(27)	(2)	(146)	(21)	(19)	(827)
	(823)	1,750	976	3,756	(88)	(1,319)	4,252
Share of results of associates and joint ventures	599	-	-	219	1,136	-	1,954
Profit before taxation	(224)	1,750	976	3,975	1,048	(1,319)	6,206
Taxation							(436)
Net profit after taxation							5,770
Non-controlling interests							(363)
Net profit attributable to equity holders of the Company							5,407
Segment assets	44,148	10,382	10,894	5,978	2,103	1,093	74,598
Investment in associates	-	-	-	239	38	-	277
Investment in joint ventures	11,891	-	-	-	1,274	-	13,165
Total segment assets							88,040
Total segment liabilities	18,878	1,033	855	4,065	1,129	-	25,960
Capital expenditures	1,020	1,880	9,828	1,705	1,366	284	16,083
Depreciation of property, plant and equipment	1,535	1,505	173	1,434	814	390	5,851

Segment breakdown for its comparative year ended 30 September 2017 are as follows:

	Industrial	Commercial	Residential	Logistics Services	Facilities Management	Corporate and Eliminations	Consolidated
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
Sales							
Total segment sales	43,796	24,897	1,437 *	26,722	20,356	12,014 *	129,222
Inter-segment sales	(626)	(1,714)	(3) *	(5,555)	(3,057)	(12,014) *	(22,969)
External sales	43,170	23,183	1,434	21,167	17,299	-	106,253
Segment results	679	619	401	4,242	611	(4,217)	2,335
Fair value loss							
on investment properties	(473)	(966)	-	-	-	-	(1,439)
Impairment loss on non-current asset classified as held for sale	(500)	-	-	-	-	-	(500)
Finance cost	(501)	(1)	-	(105)	(27)	(2)	(636)
	(795)	(348)	401	4,137	584	(4,219)	(240)
Share of results of associates and joint ventures	3,400	-	-	-	(16)	-	3,384
Profit before taxation	2,605	(348)	401	4,137	568	(4,219)	3,144
Taxation							(377)
Net profit after taxation							2,767
Non-controlling interests							(455)
Net profit attributable to equity holders of the Company							2,312
Segment assets	44,664	10,672	1,235	5,702	1,681	1,192	65,146
Investment in associates	-	-	-	-	132	-	132
Investment in joint ventures	11,200	-	-	-	144	-	11,344
Total segment assets							76,622
Total segment liabilities	20,274	12	-	4,191	964	1,000	26,441
Capital expenditures	2,204	1,591	239	3,386	909	1,056	9,385
Depreciation of property, plant and equipment	1,434	1,981	177	1,372	866	179	6,009

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

Reconciliation of segments' total assets and total liabilities

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

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 Year ended 30 September	
	2018 S\$'000	2017 S\$'000
Singapore	99,455	102,250
Indonesia	1,359	1,432
Thailand	2,763	1,661
Cambodia	4,472	-
Myanmar	873	868
Other countries	363	42
	109,285	106,253

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	
	30 September 2018 S\$'000	30 September 2017 S\$'000
Singapore	70,582	68,140
Indonesia	6,677	7,646
Thailand	143	144
Cambodia	7,690	-
Myanmar	3,214	1,235
Other countries	444	100
	88,750	77,265

5. Revenue

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

6. Other income

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

7. Other operating expenses

	Year ended 30 September	
	2018	2017
	S\$'000	S\$'000
Bad debts expenses	29	5
Impairment loss on trade receivables	726	83
Impairment loss on other receivables	-	8
Out of court settlement	-	128
Foreign exchange loss	534	-
	<u>1,289</u>	<u>224</u>

8. Expense by nature

	Year ended 30 September	
	2018	2017
	S\$'000	S\$'000
Advertising expenses	407	365
Commission fees	937	574
Entertainment expenses	212	163
Marketing expenses	57	196
Transportation costs	1,852	1,611
Container depot management charges	2,409	2,218
Rental expenses	55,858	57,493
Upkeep and maintenance costs	7,919	8,599
Consultancy fees	133	263
Depreciation of property, plant and equipment	5,851	6,009
Amortisation of intangible assets	29	-
Write-off of property, plant and equipment	14	40
Listing expenses in relation to the Dual Listing*	1,842	3,007
Professional fees	861	625
Vehicle-related expenses	75	67
Employee benefit costs	23,942	20,741
Insurance fees	564	664
IT Maintenance expenses	426	462
Printing expenses	160	102
Telephone expenses	317	344
Auditor's remuneration		
- Audit services	259	236
- Non-audit services	233	89
Other expenses	2,222	2,370
	<u>106,579</u>	<u>106,238</u>

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

9. Finance cost

	Year ended 30 September	
	2018	2017
	S\$'000	S\$'000
Interest expense on borrowings	679	583
Interest expense on finance leases	148	53
	<u>827</u>	<u>636</u>

10. Income Tax Expense

	Year ended 30 September	
	2018	2017
	S\$'000	S\$'000
Current income tax	241	666
Deferred income tax	283	(250)
	<hr/> 524	<hr/> 416
(Over)/Under provision in respect of prior years		
- current taxation	(120)	(35)
- deferred taxation	32	(4)
	<hr/> 436	<hr/> 377

11. Dividend

	Year ended 30 September	
	2018	2017
	S\$'000	S\$'000
Dividend recognised as distribution:		
- 2017 final dividend of 0.20 Singapore cents per share	798	-
- 2016 final dividend of 0.45 Singapore cents per share	-	1,622
	<hr/> 798	<hr/> 1,622

12. Earnings per share

Basic earnings per share are calculated by dividing the profit of the Group attributable to equity holders of the Company by the weighted average number of ordinary shares deemed to be in issue during each of the years ended 30 September 2018 and 2017:

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

The basic and diluted earnings per share are the same as there were no potentially dilutive securities in issue as at 30 September 2018 and 2017.

13. Other asset

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

14. Trade and other receivables

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

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

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

15. Share capital and treasury shares

	No. of shares		Nominal Amount	
	Issued share capital	Treasury shares	Share capital	Treasury shares
			S\$'000	S\$'000
Balance as at 1 October 2017	361,857,200	(1,411,800)	51,287	(186)
New Shares issued pursuant to HK Listing	42,000,000	-	13,638	-
Share issue expense	-	-	(1,332)	-
Cancellation of treasury shares	(1,411,800)	1,411,800	(186)	186
Balance as at 30 September 2018	<u>402,445,400</u>	<u>-</u>	<u>63,407</u>	<u>-</u>

16. Trade and other payables

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

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

	30 September 2018 S\$'000	30 September 2017 S\$'000
0 to 30 days	2,689	2,447
31 to 60 days	763	610
61 to 90 days	335	284
Over 90 days	292	180
	<u>4,079</u>	<u>3,521</u>

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

17. Subsequent events

On 26 October 2018, GreenHub Suited Offices Pte. Ltd., an indirect wholly-owned subsidiary of the Company, contributed an additional capital amount of Danish Krone ("DKK") 148,125 (equivalent to S\$31,655) in WeOffices ApS, a company incorporated in Denmark and principally engaged in the business of rental of serviced office space in Denmark. Following the additional capital injection, our investment in WeOffices ApS amounted to DKK789,635 (equivalent to S\$169,808), representing approximately 52.7% of the investment amount under the first tranche subscription as disclosed in the prospectus of the Company dated 15 December 2017. Our shares in WeOffices ApS are recognised as available for sale financial assets in our financial statements.

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

Management Discussion and Analysis

Introduction

On 29 December 2017, the shares of the Company were listed on the Main Board of the SEHK (the "**HK Listing**"). Since then, the shares of the Company are dually listed on the Main Board of SEHK and Catalist of the SGX-ST. Under the global offering in Hong Kong which was completed on 29 December 2017 (the "**Global Offering**"), the Company had allotted and issued 42,000,000 ordinary shares at a final offer price of HK\$1.90 per share and raised HK\$79.8 million (equivalent to S\$13.6 million) in total gross proceeds. Details on the utilisation of proceeds are set out on page 24 of this announcement.

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

Business Review

For the financial year ended 30 September 2018 ("**FY2018**"), the Group recorded an increase in revenue of 2.9%, mainly contributed by the Commercial and Residential Properties, as well as the Facilities Management Business and Logistics Services Business.

Space Optimisation Business

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

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

Property name	Location	Type of property	GFA sqft (approx)	Lease term
Telepark	5 Tampines Central 6, Singapore, #03-32, #03-33, #03-34, #03-35, #03-36, #03-37, #03-38, #03-39, #03-40	Commercial	9,900	1 May 2018 to 30 April 2023

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

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

Expansion in China

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

Expansion in Cambodia

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

Expansion in Myanmar

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

Facilities Management Business

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

During FY2018, the Group obtained the lease to manage its second overseas car park at Carnarvon Plaza in Tsim Sha Tsui, Kowloon, Hong Kong, bringing the car parks operated by the Company in Hong Kong to two. In addition, the Group secured a car park contract in Singapore to license 10 car parks from Jurong Town Corporation and was also presented with a letter of award on 31 July 2018 to manage the car park and coach parking bays at the Singapore Cruise Centre for a period of two years from 1 September 2018.

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

Logistics Services Business

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

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

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

Industry Overview

Space Optimisation Business

JTC Corporation ("JTC") revealed in its latest quarterly market report for the third quarter 2018¹ ("3Q2018") that occupancy rate of the overall industrial property market in Singapore rose by 0.4 percentage points compared to the previous quarter. Compared to a year ago, occupancy rate of overall industrial property market rose by 0.5 percentage points. Rentals of industrial space in 3Q2018, however, fell by 0.1% compared to the previous quarter and fell by 0.4% compared to the previous year. It was also reported that with supply of new industrial space tapering in the coming years, industrial space rental is expected to stabilise in tandem with occupancy rates. In view of the abovementioned, the Group will continue to focus on tenant retention to maintain a stable occupancy rate for its industrial properties.

Based on the latest statistics from the Urban Redevelopment Authority² ("URA"), the rental index of office space increased by 2.5% in 3Q2018, compared with the 1.6% increase in the previous quarter. Our Space Optimisation Business which involves leasing out commercial properties, is expected to benefit from this slight recovery in the office rental market moving forward.

Logistics Services Business

According to the Singapore Economic Development Board monthly manufacturing performance for September 2018³, the manufacturing output of chemicals decreased 7.1% year-on-year in September 2018. This comprises the petrochemicals and petroleum segments which contracted 14.3% and 15.7% respectively, due to maintenance shutdowns. Despite the slowdown, the Group's trucking business performed relatively well in FY2018, attributable to our competitive pricing, on-time delivery and good relationships with our customers.

Due to the pick-up in global economy, the port of Singapore's container throughput rose by 8.9% in 2017, following flat growth in 2016⁴. In Thailand, the largest container terminal operator, Hutchison Ports Thailand, is expanding its handling capacity with some of the largest quay and gantry cranes in the world as part of its development of Terminal D in Laem Chabang Port which will increase its handling capacity by 3.5 million twenty-foot equivalent units to more than 6 million twenty-foot equivalent units⁵. Our container depot business is expected to benefit and expand from this positive outlook.

¹ <https://stats.jtc.gov.sg/content/static/Documents/JTC%20Quarterly%20Market%20Report%20for%203Q2018.pdf>

² <https://www.ura.gov.sg/Corporate/Media-Room/Media-Releases/pr18-63>

³ <https://www.edb.gov.sg/content/dam/edb-site/downloads/resources/Monthly-Manufacturing-Performance-Sep2018-final.pdf>

⁴ <http://www.seatrade-maritime.com/news/asia/singapore-port-container-volumes-grow-8-9-to-33-7m-teu-in-2017.html>

⁵ https://www.porttechnology.org/news/thailands_largest_port_receives_super_sized_cranes

Business Outlook

The Singapore economy grew by 2.2% on a year-on-year basis in the third quarter of 2018, slower than the 4.1% growth in the previous quarter according to data from the Ministry of Trade and Industry on 22 November 2018⁶. Despite the positive growth rate achieved by the Singapore economy, the Group remains cautious in its outlook as the global economic and business environment become more challenging and uncertain as a result of global political and trade tensions.

As disclosed in the prospectus of the Company dated 15 December 2017, the Group has extended its geographic exposure to Europe by acquiring 17.5% of interest in WeOffices ApS, a company incorporated in Denmark and principally engaged in the business of rental of serviced office space in Denmark. On 26 October 2018, GreenHub Suited Offices Pte. Ltd., an indirect wholly-owned subsidiary of the Company, contributed an additional capital amount of DKK148,125 (equivalent to S\$31,655) in WeOffices ApS. Following the additional capital injection, our investment in WeOffices ApS amounted to DKK789,635 (equivalent to S\$169,808), representing approximately 52.7% of the investment amount under the first tranche subscription as disclosed in the prospectus of the Company dated 15 December 2017. Our shares in WeOffices ApS are recognised as available for sale financial assets in our financial statements.

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

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

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

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

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

⁶ <https://www.channelnewsasia.com/news/business/singapore-economy-expands-2-2-in-q3-10956688>

Financial Review

For the year ended 30 September 2018 ("FY2018") vs year ended 30 September 2017 ("FY2017")

Revenue

	FY2018 S\$'000	FY2017 S\$'000	Variance	
			S\$'000	%
Industrial Properties	40,498	43,170	(2,672)	(6.2)
Commercial Properties	24,970	23,183	1,787	7.7
Residential Properties	2,133	1,434	699	48.7
Space Optimisation Business	67,601	67,787	(186)	(0.3)
Facilities Management Business	19,480	17,299	2,181	12.6
Logistics Services Business	22,204	21,167	1,037	4.9
Total	109,285	106,253	3,032	2.9

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

(a) Space Optimisation Business

Industrial Properties

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

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

Commercial Properties

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

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

Residential Properties

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

(b) Facilities Management Business

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

(c) Logistics Services Business

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

Cost of Sales

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

Gross Profit

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

Other Income

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

Other Operating Expenses

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

Selling and Distribution Expenses

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

Administrative Expenses

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

Finance Cost

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

Share of Results of Associates and Joint Ventures

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

Impairment Loss on Asset Held-for-Sale

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

Fair Value Gain/(Loss) on Investment Properties

Fair value loss on investment properties was approximately S\$1.4 million in FY2017 comprising a decrease in valuation of industrial properties in Singapore and a commercial property in Indonesia as compared to a fair value gain on investment properties of approximately S\$4,000 in FY2018 for the commercial property in Indonesia.

Profit before Income Tax

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

Income Tax Expense

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

Profit for the Year

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

Review of Statement of Financial Position

Non-current assets

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

Investment properties increased by approximately S\$2.7 million due to the reclassification of 72 Eunost Avenue 7 ("**72 Eunost**") from property, plant and equipment ("**PPE**") of approximately S\$3.3 million partly offset by currency exchange translation loss of approximately S\$0.6 million. The reclassification of 72 Eunost was a result of a change in the usage of the property as the owner-occupation had decreased from 17% to 2%.

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

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

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

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

Current assets

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

Non-current liabilities

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

Current liabilities

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

Review of Statement of Cash Flows

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

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

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

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

Liquidity and Financial Resources

During FY2018, the Group financed its operations primarily through a combination of cash flow generated from our operations, capital contribution, bank borrowings, finance leases and proceeds from the HK Listing.

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

As at 30 September 2018, cash and cash equivalents held by the Group were mainly cash in the banks and on hand denominated in SGD and deposits denominated in SGD that are readily convertible into cash.

Gearing Ratio

Gearing ratio is equal to total debt divided by total equity and multiplied by 100%. Total debt comprises our bank borrowings and finance lease payables. Gearing ratio as at 30 September 2018 was 29.3%, decreased from 37.3% as at 30 September 2017 primarily due to decrease in total debts and increase in total equity as at 30 September 2018.

Finance Lease Liabilities and Contingent Liabilities

The Group's finance lease liabilities primarily consisted of finance lease for its property, plant and equipment from independent third parties. The lease agreements do not have any renewal clause but provide us with options to purchase the leased assets at nominal value at the end of the lease term. The Group's finance lease liabilities as at 30 September 2018 were denominated in Singapore dollars.

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

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:

	30 September 2018 S\$'000	30 September 2017 S\$'000
Investment property	9,399	-
Property, plant and equipment	7,531	440
	<u>16,930</u>	<u>440</u>

Capital Expenditure

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

Contingent Liabilities

As at 30 September 2018, the Group did not have any material contingent liabilities.

Material Acquisitions and Disposals of Subsidiaries, Associates and Joint Ventures

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

Significant Investment

Except for investments in subsidiaries, associates and joint ventures, the Group did not hold any significant investment in equity interest in any other company for FY2018.

Off-balance Sheet Arrangements

For FY2018, the Group did not have any off-balance sheet arrangements.

Future Plans for Material Investment and Capital Assets

Save as disclosed in the prospectus of the Company dated 15 December 2017, the Group did not have any other plans for material investment and capital assets as at 30 September 2018.

Exposure to Fluctuations in Exchange Rates

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

Employees and Remuneration Policies

As at 30 September 2018, there were 416 (as at 30 September 2017: 403) employees in the Group. The remuneration to its employees includes salaries and allowances, which is determined based on their performance, experience and prevailing industry practices. The compensation policies and packages are reviewed on a regular basis.

Significant Event after the Reporting Period

On 26 October 2018, GreenHub Suited Offices Pte. Ltd., an indirect wholly-owned subsidiary of the Company, contributed an additional capital amount of DKK148,125 (equivalent to S\$31,655) in WeOffices ApS, a company incorporated in Denmark and principally engaged in the business of rental of serviced office space in Denmark. Following the additional capital injection, our investment in WeOffices ApS amounted to DKK789,635 (equivalent to S\$169,808), representing approximately 52.7% of the investment amount under the first tranche subscription as disclosed in the prospectus of the Company dated 15 December 2017. Our shares in WeOffices ApS are recognised as available for sale financial assets in our financial statements.

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

Save as disclosed above and up to the date of this announcement, 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 FY2018.

Issue of Securities and Share Capital

The shares of the Company have been listed on the Main Board of the SEHK on 29 December 2017 and pursuant to the global offering, the Company issued 42 million new shares in Hong Kong at the final offer price of HK\$1.90 per share. Since 29 December 2017, the shares of the Company are dually listed on the Main Board of SEHK and Catalist of the SGX-ST.

Save for the issuance of shares on 29 December 2017 under the global offering as disclosed above, there has been no change to the shares in issued and capital structure of the Company.

Use of Proceeds from Initial Public Offering

Under the Global Offering, the Company had allotted and issued 42,000,000 ordinary shares at a price of HK\$1.90 per share and raised HK\$79.8 million (equivalent to S\$13.6 million) in total gross proceeds. The net proceeds from the HK Listing amounted to approximately HK\$44.4 million (equivalent to S\$7.4 million) after deduction of related expenses of approximately HK\$35.4 million (equivalent to S\$6.2 million) (the “**Net Proceeds**”).

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

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

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

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

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

Purchase, Sales or Redemption of The Company's Listed Securities and Cancellation of Treasury Shares

Since the HK Listing and up to and including 30 September 2018, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

Proposed Final Dividend

The Board has resolved not to declare any final dividend for FY2018 (2017: S\$0.002 per ordinary share).

Corporate Governance

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

In the opinion of the Directors, the Company had complied with the HK CG Code and SG CG Code since the HK Listing up to and including 30 September 2018 except for code provision A.2.1 under the HK CG Code. Under code provision A.2.1 of the HK CG Code, the roles of chairman and chief executive should be separate and should not be performed by the same individual. The Group does not have the role of chief executive officer but has the role of managing Director, which is responsible for the day-to-day management of business and currently performed by Mr. Lim Lung Tieng (“**Mr. Kelvin Lim**”), who is also the executive chairman of the Board. Throughout the Group's business history, Mr. Kelvin Lim has held the key leadership position of the Group since 1998 and has been deeply involved in the formulation of corporate strategies and management of business and operations of the Group. Taking into account the consistent leadership within the Group and in order to enable more effective and efficient overall strategic planning and continuation of the implementation of such plans, the Directors (including the independent non-executive Directors) consider that Mr. Kelvin Lim is the best candidate for both positions and the present arrangements are beneficial and in the interests of the Group and our shareholders as a whole.

Model Code of securities transactions by directors

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

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

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

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

Audit Committee

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

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

The Audit Committee has reviewed the consolidated results of the Group for FY2018 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 announcement.

Annual General Meeting

The annual general meeting of the Company (the “**AGM**”) will be held on 30 January 2019 (Wednesday). The notice of the AGM will be published on the website of SEHK (www.hkexnews.hk), SGX-ST (www.sgx.com) and the website of the Company (www.lhngroup.com), and will also be sent to the shareholders of the Company, together with the Company's annual report, in due course.

Closure of Register of Members

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, 24 January 2019** for the purpose of determining shareholders' entitlements to attend the AGM. 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, 24 January 2019** will be registered to determine shareholders' entitlements to attend the AGM.

For Shareholders in Hong Kong

The branch register of members of the Company in Hong Kong will be closed between **Friday, 25 January 2019 and Wednesday, 30 January 2019** (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 attend and vote at the AGM, 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 22, Hopewell Centre, 183 Queen's Road East, Hong Kong no later than **4:30 p.m. on Thursday, 24 January 2019**.

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 Thursday, 17 January 2019** 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 22, Hopewell Centre, 183 Queen's Road East, Hong Kong (for Hong Kong shareholders), respectively.

Publication of Financial Information

The annual results announcement for FY2018 is published on the website of SEHK (www.hkexnews.hk), SGX-ST (www.sgx.com) and the website of the Company (www.lhngroup.com). The annual report of the Company for FY2018 will be despatched to shareholders of the Company and published on the above websites in due course.

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

Singapore, 28 November 2018

As at the date of this announcement, the Board comprises Mr. Lim Lung Tieng and Ms. Lim Bee Choo as executive Directors of the Company; and Ms. Ch'ng Li-Ling, Mr. Yong Chee Hiong and Mr. Chan Ka Leung Gary as independent non-executive Directors of the Company.