

LHN LIMITED

(Incorporated in the Republic of Singapore)
Company Registration No. 201420225D

PART I - INFORMATION REQUIRED FOR QUARTERLY (Q1, Q2, Q3), HALF-YEAR AND FULL YEAR ANNOUNCEMENT

1(a) (i) An income statement and statement of comprehensive income, or a statement of comprehensive income, for the group, together with a comparative statement for the corresponding period of the immediately preceding financial year.

STATEMENT OF COMPREHENSIVE INCOME FOR THE SECOND QUARTER ("2Q2019") AND HALF YEAR ENDED 31 MARCH 2019

	Group						
	3 Months Ended 31 March			Change	6 Months Ended 31 March		Change
	2019 (unaudited)	2018 (unaudited)	2019 (unaudited)		2018 (unaudited)		
	S\$'000	S\$'000	%	S\$'000	S\$'000	%	
Revenue	26,716	30,295	(11.8)	53,599	56,204	(4.6)	
Cost of sales	(20,786)	(20,738)	0.2	(41,422)	(40,755)	1.6	
Gross profit	5,930	9,557	(38.0)	12,177	15,449	(21.2)	
Other income	1,046	1,039	0.7	1,806	1,956	(7.7)	
Other operating expenses	(8)	(539)	(98.5)	(190)	(713)	(73.4)	
Selling and distribution expenses	(272)	(593)	(54.1)	(676)	(1,001)	(32.5)	
Administrative expenses	(5,688)	(5,800)	(1.9)	(11,173)	(13,028)	(14.2)	
Finance cost	(354)	(197)	79.7	(569)	(399)	42.6	
Share of results of associates and joint ventures, net of tax	1,540	748	>100	1,953	648	>100	
Profit before income tax	2,194	4,215	(47.9)	3,328	2,912	14.3	
Income tax expenses	(63)	(812)	(92.2)	(232)	(516)	(55.0)	
Profit for the period	2,131	3,403	(37.4)	3,096	2,396	29.2	
Other comprehensive (loss)/income							
<u>Item that will be reclassified subsequently to profit or loss</u>							
Currency translation differences arising from consolidation	15	(48)	NM	27	(81)	NM	
<u>Item that will not be reclassified subsequently to profit or loss</u>							
Revaluation gains on leasehold building	-	12	NM	-	12	NM	
Share of other comprehensive income of joint venture	14	44	(68.2)	14	44	(68.2)	
Other comprehensive income/(loss)	29	8	>100	41	(25)	NM	
Total comprehensive income for the period	2,160	3,411	(36.7)	3,137	2,371	32.3	
Profit attributable to:							
Equity holders of the Company	1,979	3,385	(41.5)	2,815	2,368	18.9	
Non-controlling interests	152	18	>100	281	28	>100	
Profit for the period	2,131	3,403	(37.4)	3,096	2,396	29.2	
Total comprehensive income attributable to:							
Equity holders of the Company	2,005	3,392	(40.9)	2,854	2,342	21.9	
Non-controlling interests	155	19	>100	283	29	>100	
Total comprehensive income for the period	2,160	3,411	(36.7)	3,137	2,371	32.3	
<i>NM – Not Meaningful</i>							

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1(a) (ii) Profit before income tax is arrived at after charging / (crediting) the following:

	Group			
	3 Months Ended 31 March		6 Months Ended 31 March	
	2019 (unaudited)	2018 (unaudited)	2019 (unaudited)	2018 (unaudited)
	S\$'000	S\$'000	S\$'000	S\$'000
Depreciation of property, plant and equipment	1,508	1,424	2,978	2,917
Amortisation of intangible assets	17	-	34	-
Interest income	(101)	(105)	(183)	(201)
Finance cost	354	197	569	399
Allowance for impairment of trade and other receivables	-	-	171	-
Bad debts written off	-	28	-	28
Foreign exchange loss/(gain), net	(40)	511	(129)	685
Gain on disposal of property, plant and equipment, net	(84)	-	(84)	(359)
Property, plant and equipment written off	7	1	7	1
Dual Listing expenses	-	-	-	1,842

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1(b) (i) A statement of financial position (for the issuer and group), together with a comparative statement as at the end of the immediately preceding financial year.

Statements of Financial Position

	Group		Company	
	As At 31 March 2019 (unaudited) S\$'000	As At 30 September 2018 (audited) S\$'000	As At 31 March 2019 (unaudited) S\$'000	As At 30 September 2018 (audited) S\$'000
ASSETS				
Non-current assets				
Property, plant and equipment	27,836	20,854	-	-
Investment properties	65,084	46,054	-	-
Intangible assets	143	176	-	-
Financial assets, available-for-sale	-	138	-	-
Financial assets, at FVOCI	180	-	-	-
Investment in subsidiaries	-	-	32,727	32,727
Investment in associates	481	277	-	-
Investment in joint ventures	14,830	13,165	-	-
Deferred tax assets	848	476	-	-
Long-term prepayments	397	396	9	10
Other asset	11,864	7,690	-	-
	121,663	89,226	32,736	32,737
Current assets				
Inventories	95	46	-	-
Trade and other receivables	18,717	18,506	29,485	25,195
Loans to joint ventures	8,358	12,557	-	-
Prepayments	2,782	2,468	65	32
Cash and bank balances	14,315	15,319	147	1,658
Fixed deposits	7,227	10,029	2,500	5,334
	51,494	58,925	32,197	32,219
TOTAL ASSETS	173,157	148,151	64,933	64,956
EQUITY				
Capital and Reserves				
Share capital	63,407	63,407	63,407	63,407
Reserves	26,547	24,127	939	887
	89,954	87,534	64,346	64,294
Non-controlling interests	1,255	972	-	-
TOTAL EQUITY	91,209	88,506	64,346	64,294
LIABILITIES				
Non-current liabilities				
Deferred tax liabilities	417	362	-	-
Other payables	32	33	-	-
Provision for reinstatement costs	436	52	-	-
Finance lease liabilities	3,738	2,934	-	-
Bank borrowings	30,974	16,520	-	-
	35,597	19,901	-	-
Current liabilities				
Trade and other payables	29,852	32,165	524	568
Provision for reinstatement costs	16	398	-	-
Finance lease liabilities	1,972	1,652	-	-
Bank overdrafts	136	-	-	-
Bank borrowings	13,180	4,854	-	-
Current income tax liabilities	1,195	675	63	94
	46,351	39,744	587	662
TOTAL LIABILITIES	81,948	59,645	587	662
TOTAL EQUITY AND LIABILITIES	173,157	148,151	64,933	64,956

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1(b) (ii) In relation to the aggregate amount of the group's borrowings and debt securities, specify the following as at the end of the current financial period reported on with comparative figures as at the end of the immediately preceding financial year:

	Group	
	As At 31 March 2019 (unaudited) S\$'000	As At 30 September 2018 (audited) S\$'000
	Amount repayable in one year or less (secured and guaranteed)	
- Bank overdrafts	136	-
- Bank borrowings	13,180	4,854
- Finance lease liabilities	1,972	1,652
	15,288	6,506
Amount repayable after one year (secured and guaranteed)		
- Bank borrowings	30,974	16,520
- Finance lease liabilities	3,738	2,934
	34,712	19,454
Total borrowings	50,000	25,960

The Group does not have any unsecured borrowings and debt securities as at 31 March 2019 and 30 September 2018.

Details of any collaterals:

- (a) Bank overdrafts of the Group are secured by corporate guarantee provided by the Group and personal guarantee provided by a director and shareholder of a non-wholly owned subsidiary, who is not a controlling shareholder of the Company (the "**Subsidiary Director**").
- (b) Bank borrowings of approximately S\$44.2 million as at 31 March 2019 (30 September 2018 – S\$21.4 million) obtained by our subsidiaries are secured by (i) legal mortgage of leasehold properties at 72 Eunos Avenue 7, 100 Eunos Avenue 7 and 71 Lorong 23 Geylang (the "**Geylang Property**"); (ii) corporate guarantees provided by the Group; (iii) personal guarantees provided by the Subsidiary Director; and (iv) assignment of rental proceeds of the mortgaged properties.
- (c) Finance 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 Subsidiary Director and corporate guarantees provided by the Group.

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1(c) A statement of cash flows (for the group), together with a comparative statement for the corresponding period of the immediately preceding financial year.

Consolidated Statement of Cash Flows for Second Quarter and Half Year Ended 31 March 2019

	Group			
	3 Months Ended 31 March		6 Months Ended 31 March	
	2019 (unaudited)	2018 (unaudited)	2019 (unaudited)	2018 (unaudited)
	S\$'000	S\$'000	S\$'000	S\$'000
Cash flows from operating activities:				
Profit before income tax	2,194	4,215	3,328	2,912
Share of results of associates and joint ventures, net of tax	(1,540)	(748)	(1,953)	(648)
Adjustments for:				
Amortisation of intangible assets	17	-	34	-
Depreciation of property, plant and equipment	1,508	1,424	2,978	2,917
Gain on disposal of property, plant and equipment	(84)	-	(84)	(359)
Property, plant and equipment written off	7	1	7	1
Bad and doubtful debts	-	28	171	28
Waiver of debt from a director of subsidiaries	-	(42)	-	(42)
Dual Listing expenses	-	-	-	1,842
Finance income	(101)	(105)	(183)	(201)
Finance cost	354	197	569	399
Operating profit before working capital changes	2,355	4,970	4,867	6,849
Changes in working capital:				
- Inventories	(8)	(3)	(49)	22
- Trade and other receivables	(727)	(2,770)	(1,265)	(4,998)
- Trade and other payables	1,774	723	1,351	1,264
Cash generated from operations	3,394	2,920	4,904	3,137
Interest expenses paid	-	(3)	(2)	(6)
Income tax paid	(710)	(764)	(790)	(798)
Income tax refunded	15	-	905	541
Net cash generated from operating activities	2,699	2,153	5,017	2,874
Cash flows from investing activities:				
Additions to property, plant and equipment	(2,907)	(916)	(7,399)	(1,888)
Purchase of investment property	(18,833)	-	(18,833)	-
Purchase of financial assets, at FVOCI	-	-	(42)	-
Additions to other asset	(4,215)	-	(8,487)	-
Proceeds from disposals of property, plant and equipment	84	-	84	480
Repayment from/(loans to) joint ventures, net	(373)	(350)	4,320	(1,250)
Dividend from associate	-	100	98	100
Interest received	28	12	42	18
Net cash used in investing activities	(26,216)	(1,154)	(30,217)	(2,540)
Cash flows from financing activities:				
Repayment of finance lease	(502)	(453)	(987)	(1,008)
Increase in fixed deposits - pledged	(31)	-	(33)	-
Proceeds from bank borrowings	23,180	1,146	28,137	2,446
Repayment of bank borrowings	(3,755)	(2,022)	(5,342)	(3,493)
Proceeds from issuance of shares	-	-	-	13,638
Share issue expense	-	-	-	(1,332)
Dual Listing expenses paid	-	(1,968)	-	(2,067)
Interest expenses paid	(350)	(194)	(565)	(387)
Net cash generated from/(used in) financing activities	18,542	(3,491)	21,210	7,797
Net (decrease)/increase in cash and cash equivalents	(4,975)	(2,492)	(3,990)	8,131
Cash and cash equivalents at beginning of period	21,662	25,489	20,667	14,885
Effect of currency translation on cash and cash equivalents	5	(27)	15	(46)
Cash and cash equivalents at end of period	16,692	22,970	16,692	22,970

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	Group			
	3 Months Ended 31 March		6 Months Ended 31 March	
	2019 (unaudited)	2018 (unaudited)	2019 (unaudited)	2018 (unaudited)
	S\$'000	S\$'000	S\$'000	S\$'000
Consolidated cash and cash equivalents comprise:				
Cash and bank balances	14,315	14,389	14,315	14,389
Fixed deposits	7,227	13,230	7,227	13,230
	21,542	27,619	21,542	27,619
Less: Pledged fixed deposits	(4,714)	(4,649)	(4,714)	(4,649)
Less: Bank overdrafts	(136)	-	(136)	-
Cash and cash equivalents as per consolidated statement of cash flows	16,692	22,970	16,692	22,970

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- 1(d)(i) A statement (for the issuer and group) showing either (i) all changes in equity or (ii) changes in equity other than those arising from capitalisation issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial year.

Statements of Changes in Equity

GROUP (unaudited)	Share capital	Retained profits	Merger reserve	Other reserve	Asset revaluation reserve	Exchange translation reserve	Total attributable to equity holders of the Company	Non- controlling interests	Total equity
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
Balance at 1 January 2018	63,407	46,180	(30,727)	298	3,576	(869)	81,865	343	82,208
Termination of LHN Performance Share Plan	-	29	-	(29)	-	-	-	-	-
Profit for the period	-	3,385	-	-	-	-	3,385	18	3,403
Other comprehensive income /(loss)	-	-	-	-	56	(49)	7	1	8
Total comprehensive income /(loss) for the period	-	3,385	-	-	56	(49)	3,392	19	3,411
Balance at 31 March 2018	63,407	49,594	(30,727)	269	3,632	(918)	85,257	362	85,619

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- 1(d)(i) A statement (for the issuer and group) showing either (i) all changes in equity or (ii) changes in equity other than those arising from capitalisation issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial year.

Statements of Changes in Equity (Cont'd)

GROUP (unaudited)	Share capital	Retained profits	Merger reserve	Other reserve	Asset revaluation reserve	Exchange translation reserve	Total attributable to equity holders of the Company	Non- controlling interests	Total equity
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
Balance at 1 January 2019	63,407	52,237	(30,727)	269	3,680	(917)	87,949	1,100	89,049
Profit for the period	-	1,979	-	-	-	-	1,979	152	2,131
Other comprehensive income	-	-	-	-	14	12	26	3	29
Total comprehensive income for the period	-	1,979	-	-	14	12	2,005	155	2,160
Balance at 31 March 2019	63,407	54,216	(30,727)	269	3,694	(905)	89,954	1,255	91,209

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- 1(d)(i) A statement (for the issuer and group) showing either (i) all changes in equity or (ii) changes in equity other than those arising from capitalisation issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial year.

Statements of Changes in Equity (Cont'd)

COMPANY (unaudited)	Share capital	Other reserve	Retained profits	Total
	S\$'000	S\$'000	S\$'000	S\$'000
Balance at 1 January 2018	63,407	29	1,663	65,099
Termination of LHN Performance Share Plan	-	(29)	29	-
Total comprehensive loss for the period	-	-	(226)	(226)
Balance at 31 March 2018	63,407	-	1,466	64,873
Balance at 1 January 2019	63,407	-	910	64,317
Total comprehensive income for the period	-	-	29	29
Balance at 31 March 2019	63,407	-	939	64,346

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- 1(d)(ii) Details of any changes in the company's share capital arising from rights issue, bonus issue, share buy-backs, exercise of share options or warrants, conversion of other issues of equity securities, issue of shares for cash or as consideration for acquisition or for any other purpose since the end of the previous period reported on. State the number of shares that may be issued on conversion of all the outstanding convertibles, as well as the number of shares held as treasury shares and subsidiary holdings, of the issuer, as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year. State also the number of shares held as treasury shares and the number of subsidiary holdings, if any, and the percentage of the aggregate number of treasury shares and subsidiary holdings held against the total number of shares outstanding in a class that is listed as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year.**

As at 31 March 2019 and 31 December 2018, the share capital of the Company amounted to S\$63,406,836 comprising 402,445,400 issued ordinary shares.

The Company did not have any outstanding options, treasury shares, convertibles or subsidiary holdings as at 31 March 2019 and 31 March 2018.

- 1(d)(iii) To show the total number of issued shares excluding treasury shares as at the end of the current financial period and as at the end of the immediately preceding year.**

The total number of issued ordinary shares (excluding treasury shares) as at 31 March 2019 and 30 September 2018 was 402,445,400.

- 1(d)(iv) A statement showing all sales, transfers, cancellation and/or use of treasury shares as at the end of the current financial period reported on.**

Not applicable as the Company did not hold any treasury shares as at the end of the current financial period reported on.

- 1(d)(v) A statement showing all sales, transfers, cancellation and/or use of subsidiary holdings as at the end of the current financial period reported on.**

Not applicable as the Company did not hold any subsidiary holdings as at the end of the current financial period reported on.

- 2. Where the figures have been audited or reviewed, and in accordance with which auditing standard or practice.**

The figures have not been audited or reviewed by the Company's auditors.

- 3. Where the figures have been audited or reviewed, the auditors' report (including any qualifications or emphasis of a matter).**

Not applicable.

- 4. Whether the same accounting policies and methods of computation as in the issuer's most recently audited annual financial statements have been applied.**

Save as disclosed in paragraph 5 below, the Group and the Company have applied the same accounting policies and methods of computation in preparation of the financial statements for the current financial period ended 31 March 2019 compared with the audited financial statements for the financial year ended 30 September 2018.

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5. If there are any changes in the accounting policies and methods of computation, including any required by an accounting standard, what has changed, as well as the reasons for, and the effect of, the change.

As at 1 October 2018, the Company and the Group applied new accounting standards (i) IFRS 9 Financial Instrument; and (ii) IFRS 15 Revenue from Contracts with Customers.

IFRS 9 replaces the “incurred loss” model with the “expected credit loss” model for assessing impairment of financial assets. As a result of adopting the new model, an additional impairment allowance of S\$605,000 against trade receivables was recognised. As allowed under the transition rules of the new standard, S\$434,000 was adjusted against the retained earnings as at 1 October 2018, and the remaining S\$171,000 was recognised in the 6-month period ended 31 March 2019. The effects on adoption of IFRS 9 would have resulted in a similar increase of S\$434,000 on impairment allowance on trade receivable and a corresponding decrease in the retained earnings and the reclassification of available for sale financial assets to financial assets, at FVOCI at 31 March 2019.

Management has assessed that there is no significant impact on the adoption of IFRS 15.

6. Earnings per ordinary share of the group for the current financial period reported on and the corresponding period of the immediately preceding financial year, after deducting any provision for preference dividends.

	Group			
	Three months Ended 31 March		Six months Ended 31 March	
	2019 (unaudited)	2018 (unaudited)	2019 (unaudited)	2018 (unaudited)
<u>Earnings per ordinary share</u>				
(i) Based on weighted average number of ordinary shares in issue (Singapore Cents)	0.49	0.84	0.70	0.62
(ii) On a fully diluted basis (Singapore Cents)	0.49	0.84	0.70	0.62
Weighted average number of shares (in '000)	402,445	402,445	402,445	381,907

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

7. Net asset value (for the issuer and group) per ordinary share based on the total number of issued shares excluding treasury shares of the issuer at the end of the (a) current financial period reported on; and (b) immediately preceding financial year.

	Group		Company	
	As at 31 March 2019 (unaudited)	As at 30 September 2018 (audited)	As at 31 March 2019 (unaudited)	As at 30 September 2018 (audited)
Net asset attributable to Shareholders (S\$ '000)	89,954	87,534	64,346	64,294
Number of ordinary shares in issue (in '000)	402,445	402,445	402,445	402,445
Net asset value per ordinary share (Singapore Cents)	22.35	21.75	15.99	15.98

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8. A review of the performance of the group, to the extent necessary for a reasonable understanding of the group's business. It must include a discussion of the following:
- (a) any significant factors that affected the turnover, costs, and earnings of the group for the current financial period reported on, including (where applicable) seasonal or cyclical factors; and
 - (b) any material factors that affect the cash flow, working capital, assets or liabilities of the group during the current financial period reported on.

Review on Group's Financial Results

For the period three months ended 31 March 2019 ("2Q2019") vs three months ended 31 March 2018 ("2Q2018")

Revenue

	2Q2019 S\$'000 (unaudited)	2Q2018 S\$'000 (unaudited)	Variance	
			S\$'000	%
Industrial Properties	9,655	10,092	(437)	(4.3)
Commercial Properties	5,287	9,414	(4,127)	(43.8)
Residential Properties	685	373	312	83.6
Space Optimisation Business	15,627	19,879	(4,252)	(21.4)
Facilities Management Business	5,354	5,222	132	2.5
Logistics Services Business	5,735	5,194	541	10.4
Total	26,716	30,295	(3,579)	(11.8)

The Group's revenue decreased by approximately S\$3.6 million or 11.8% from approximately S\$30.3 million in 2Q2018 to approximately S\$26.7 million in 2Q2019 primarily due to a decrease in revenue from the Industrial Properties and Commercial Properties from the Space Optimisation Business. The decrease was partially offset by the increase in revenue from the Residential Properties of our Space Optimisation Business, Facilities Management Business and Logistics Services Business.

(a) Space Optimisation Business

Industrial Properties

Revenue derived from Industrial Properties decreased by approximately S\$0.4 million or 4.3% from approximately S\$10.1 million in 2Q2018 to approximately S\$9.7 million in 2Q2019 mainly due to (i) movement of tenants due to expiry of sub-leases; and (ii) renewal of sub-leases at lower rental rates.

The average occupancy rate of the Group's Industrial Properties decreased slightly by 1.9 percentage points to approximately 88.2% in 2Q2019 as compared to approximately 90.1% in 2Q2018.

Commercial Properties

Revenue derived from Commercial Properties decreased by approximately S\$4.1 million or 43.8% from approximately S\$9.4 million in 2Q2018 to approximately S\$5.3 million in 2Q2019 mainly due to (i) the absence of the one-time revenue contribution of approximately S\$3.8 million from the rights to use 85 SOHO brand in Cambodia recognised in 2Q2018; and (ii) a net decrease in revenue of approximately S\$0.3 million from renewal of sub-leases at lower rental rates.

The average occupancy rate of the Group's Commercial Properties increased by 6.0 percentage points to approximately 90.5% in 2Q2019 as compared to approximately 84.5% in 2Q2018.

Residential Properties

Revenue derived from Residential Properties increased by approximately S\$0.3 million or 83.6% from approximately S\$0.4 million in 2Q2018 to approximately S\$0.7 million in 2Q2019 mainly due to increase in revenue from the new co-work co-live business.

(b) Facilities Management Business

Revenue derived from our Facilities Management Business increased by approximately S\$0.1 million or 2.5% from approximately S\$5.2 million in 2Q2018 to approximately S\$5.3 million in 2Q2019 mainly due to increase in revenue from the (i) management of carparks in Singapore and Hong Kong; and (ii) increase in demand of facilities management services.

(c) Logistics Services Business

Revenue derived from our Logistics Services Business increased by approximately S\$0.5 million or 10.4% from approximately S\$5.2 million in 2Q2018 to approximately S\$5.7 million in 2Q2019 mainly due to higher revenue from the trucking business for increase in transportation services provided in 2Q2019.

If the one-time revenue contribution of approximately S\$3.8 million from the rights to use 85 SOHO brand in Cambodia is excluded, the Group's revenue would be approximately S\$26.5 million in 2Q2018 as compared to approximately S\$26.7 million in 2Q2019, representing a marginal increase of approximately S\$0.2 million or 0.8%.

Cost of Sales

Cost of sales increased marginally by approximately S\$0.05 million or 0.2% from approximately S\$20.7 million in 2Q2018 to approximately S\$20.8 million in 2Q2019, which is in line with the marginal increase in revenue excluding the one-time revenue contribution from the rights to use 85 SOHO brand in Cambodia as mentioned above.

Gross Profit

In view of the above mentioned, gross profit decreased by approximately S\$3.6 million from approximately S\$9.5 million in 2Q2018 to approximately S\$5.9 million in 2Q2019.

Other Income

Other income remained relatively unchanged at approximately S\$1.0 million in 2Q2018 and 2Q2019.

Other Operating Expenses

Other operating expenses decreased by approximately S\$0.5 million or 98.5% from approximately S\$0.5 million in 2Q2018 to approximately S\$8,000 in 2Q2019 mainly due to the absence of foreign exchange loss of approximately S\$0.5 million incurred in 2Q2018 comprised of unrealised exchange loss of approximately S\$0.3 million from revaluation of SGD denominated loan in Indonesian subsidiaries and realised exchange loss of approximately S\$0.2 million on conversion of listing proceeds from HK\$ to SGD.

Selling and Distribution Expenses

Selling and distribution expenses decreased by approximately S\$0.3 million or 54.1% from approximately S\$0.6 million in 2Q2018 to approximately S\$0.3 million in 2Q2019 mainly due to decrease in agent commission of approximately S\$0.3 million incurred under our Space Optimisation Business.

Administrative Expenses

Administrative expenses decreased by approximately S\$0.1 million or 1.9% from approximately S\$5.8 million in 2Q2018 to approximately S\$5.7 million in 2Q2019 mainly due to decrease in employee benefit costs of approximately S\$0.3 million. This was partially offset by an increase in (i) depreciation of property, plant and equipment of approximately S\$0.1 million; and (ii) miscellaneous expenses of approximately S\$0.1 million.

Finance Cost

Finance cost increased by approximately S\$0.2 million or 79.7% from approximately S\$0.2 million in 2Q2018 to approximately S\$0.4 million in 2Q2019 mainly due to increased interest expenses from higher bank borrowings in 2Q2019.

Share of Results of Associates and Joint Ventures

Share of results of associates and joint ventures increased by approximately S\$0.8 million or 105.9% from approximately S\$0.7 million in 2Q2018 to approximately S\$1.5 million in 2Q2019 mainly due to an increase in share of operating profits of approximately S\$0.6 million in 2Q2019. In addition, there was a net fair value gain on investment properties of approximately S\$1.1 million in 2Q2019 comprised of fair value gain of approximately S\$1.4 million from a carpark property and fair value loss of approximately S\$0.3 million from an industrial property, compared to a fair value gain on investment properties of approximately S\$0.9 million from an industrial property in 2Q2018.

Profit before Income Tax

As a result of the aforementioned, the Group's profit before income tax decreased by approximately S\$2.0 million or 47.9% from approximately S\$4.2 million in 2Q2018 to approximately S\$2.2 million in 2Q2019.

Income Tax Expense

Income tax expenses decreased by approximately S\$0.7 million or 92.2% from approximately S\$0.8 million in 2Q2018 to approximately S\$0.1 million in 2Q2019 mainly due to lower taxable profit.

Profit for the Period

As a result of the above, the Group's net profit decreased by approximately S\$1.3 million or 37.4% from approximately S\$3.4 million in 2Q2018 to approximately S\$2.1 million in 2Q2019.

Review of Statements of Financial Position

Non-current assets

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

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

Current assets

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

Non-current liabilities

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

Current liabilities

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

Review of Statement of Cash Flows

In 2Q2019, the Group recorded net cash generated from operating activities of approximately S\$2.7 million, which was a result of operating profit before changes in working capital of S\$2.3 million, increase in trade and other receivables of approximately S\$0.7 million, increase in trade and other payables of approximately S\$1.8 million and adjusted for net income tax paid of approximately S\$0.7 million.

Net cash used in investing activities amounted to approximately S\$26.2 million, which was mainly due to (i) acquisition of investment property, the Geylang Property of approximately S\$18.8 million; (ii) additions to PPE for renovation costs paid for our new co-work co-live business and serviced residence property under the Space Optimisation Business of approximately S\$2.9 million; (iii) additions to other asset of approximately S\$4.2 million for Axis Residences; and (iv) loans to joint ventures of approximately S\$0.4 million. These were partially offset by the proceeds from disposal of PPE of approximately S\$0.1 million.

Net cash generated from financing activities amounted to approximately S\$18.5 million, which was due to proceeds from bank borrowings of approximately S\$23.2 million. These were partially offset by the repayment of finance lease of approximately S\$0.5 million for logistics and carpark equipment, repayment of bank borrowings of approximately S\$3.8 million and interest expenses paid of approximately S\$0.4 million.

As a result of the above, cash and cash equivalents decreased by approximately S\$5.0 million, amounting to S\$16.7 million as at 31 March 2019.

9. Where a forecast, or a prospect statement, has been previously disclosed to shareholders, any variance between it and the actual results.

There was no forecast or prospect statement previously disclosed to shareholders.

10. A commentary at the date of the announcement of the significant trends and competitive conditions of the industry in which the group operates and any known factors or events that may affect the group in the next reporting period and the next 12 months.

Based on advance estimates as announced in the press release dated 12 April 2019 issued by the Ministry of Trade and Industry Singapore¹, the Singapore economy grew by 1.3% on a year-on-year basis in the first quarter of 2019, moderating from the 1.9% growth in the fourth quarter of last year.

JTC Corporation (“JTC”) reported in its first quarter 2019 Industrial Properties Market Report² (“1Q2019”) that occupancy rate and rental index of the overall industrial property market in Singapore remained unchanged compared to the previous quarter. Compared to a year ago, occupancy rate of overall industrial property market rose by 0.3 percentage point while the rental index fell by 0.2%.

¹ https://www.mti.gov.sg/-/media/MTI/Newsroom/Press-Releases/2019/04/Adv_Est1Q19.pdf

² <https://stats.jtc.gov.sg/content/static/Documents/JTC%20Quarterly%20Market%20Report%20for%201Q2019.pdf>

Statistics³ from the Urban Redevelopment Authority (“URA”) also revealed that rentals of office space decreased by 0.6% in 1Q2019, compared with the 0.5% increase in the previous quarter and there was a total supply of about 733,000 sq m gross floor area of office space in the pipeline, compared with the 732,000 sq m gross floor area of office space in the pipeline in the previous quarter.

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

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

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

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

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

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

Besides the security services division under the Facilities Management Business, the Group also provides integrated facilities management services and carpark management under the Facilities Management Business. The Group will continue to seek more external facilities management contracts by providing integrated facilities management services covering security services, repair, maintenance and cleaning of buildings and offices, pest control and fumigation. In addition, the Group will continue to look for more locations for its car park management business in both Singapore and Hong Kong and also intends to expand the car park management business to Cambodia.

Our Logistics Services Business continues to be on track bringing in positive results and the Group is optimistic on the demand for container storage and repair services and transportation services. As part of the expansion plan in ASEAN countries, the Group has incorporated a subsidiary in Myanmar and intends to set up a new container depot there.

³ <https://www.ura.gov.sg/Corporate/Media-Room/Media-Releases/pr19-19>

LHN LIMITED

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11. Dividend

(a) Current Financial Period Reported On: Any dividend declared for the current financial period reported on?

None.

(b) Corresponding Period of the Immediately Preceding Financial Year: Any dividend declared for the corresponding period of the immediately preceding financial year?

None.

(c) The date the dividend is payable.

Not applicable.

(d) Books closure date.

Not applicable

12. If no dividend has been declared (recommended), a statement to that effect and the reason(s) for the decision.

No dividend has been declared or recommended for 2Q2019 as the Group intends to better use the cash for expansion and other business opportunities.

13. If the group has obtained mandate from shareholders for IPTs, the aggregate value of such transactions as required under Rule 920 (1)(a)(ii). If no IPT mandate has been obtained, a statement to that effect.

The Company has established procedures to ensure that all transactions with interested persons are reported on a timely manner to the AC and that the transactions are carried out on normal commercial terms and are not prejudicial to the interests of the Company and its minority shareholders. Details are set out in the Renewal of the Shareholders' Mandate for Interested Person Transactions.

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

Name of Interested Persons and Transactions	Aggregate value of all interested person transactions during the period under review (excluding transactions less than S\$100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920)		Aggregate value of all interested person transactions conducted under shareholders' mandate pursuant to Rule 920 (excluding transactions less than S\$100,000)	
	3 months ended 31 March 2019 S\$'000	6 months ended 31 March 2019 S\$'000	3 months ended 31 March 2019 S\$'000	6 months ended 31 March 2019 S\$'000
<u>Payments received by our Group</u>				
PJS Companies* - Property leases or sub-leases	-	-	59	119
	-	-	59	119
Total	-	-	59	119

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

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14. Utilisation of Proceeds from the Listing in Hong Kong

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

The following table sets out the breakdown of the use of proceeds from the Dual Listing as at the date of this 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	31,528	12,868

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

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

The above utilisations are in accordance with the intended use of the Net Proceeds and percentage allocated, as stated in the Company's prospectus for the global offering dated 15 December 2017. The Company expects to utilise the remaining balance of the Net Proceeds of approximately HK\$12.9 million (equivalent to S\$2.2 million) by the end of year 2020.

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

15. Negative Confirmation of Interim Financial Results pursuant to Rule 705(5) of the Catalyst Listing Manual

The Board of Directors of the Company confirm that to the best of their knowledge, nothing has come to their attention which may render the unaudited financial statements of the Company and the Group for the second quarter and six months ended 31 March 2019 to be false or misleading in any material aspect.

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16. Confirmation that the issuer has procured undertakings from all its directors and executive officers (in the format set out in Appendix 7H) under Rule 720(1) of the Catalist Listing Manual

The Company confirms that it has procured undertakings from all its directors and executive officers (in the format set out in Appendix 7H) under Rule 720(1) of the Catalist Listing Manual.

By Order of the Board of Directors of
LHN Limited
Lim Lung Tieng
Executive Chairman and Group Managing Director
14 May 2019