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 : 41O)

ANNOUNCEMENT OF FULL YEAR RESULTS FOR THE YEAR ENDED 30 SEPTEMBER 2019

FINANCIAL HIGHLIGHTS

	For the year ended 30 September		
	2019	2018	Change
	S$'000	S$'000	%
Revenue	111,094	109,285	1.7
Gross Profit	27,414	28,890	(5.1)
Profit for the year and attributable to owners of the Company	8,186	5,407	51.4
Basic earnings per share (Singapore cents)	2.03	1.38	47.1

* *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 2019, together with the comparative figures for the year ended 30 September 2018. The Group's full year results for the year ended 30 September 2019 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 2019

	Note	**2019**	**2018**
		S$'000	**S$'000**
Revenue	*6*	111,094	109,285
Cost of sales	*9*	(83,680)	(80,395)
Gross profit		27,414	28,890
Other income	*7*	5,012	3,658
Other operating expenses	*8*	(1,687)	(1,289)
Selling and distribution expenses	*9*	(1,820)	(1,613)
Administrative expenses	*9*	(23,668)	(24,571)
Finance cost	*10*	(1,332)	(827)
Share of results of associates and joint ventures, net of tax		4,527	1,954
Fair value gain on investment properties		480	4
Profit before income tax		8,926	6,206
Income tax expense	*11*	(203)	(436)
Profit for the year		8,723	5,770
Other comprehensive income/(loss)			
Item that will be reclassified subsequently to profit or loss			
Currency translation differences arising from consolidation		52	(92)
Item that will not be reclassified subsequently to profit or loss			
Revaluation gains on leasehold building		-	12
Share of other comprehensive income of joint venture		31	92
Other comprehensive income		83	12
Total comprehensive income for the year		8,806	5,782
Profit attributable to:			
Equity holders of the Company		8,186	5,407
Non-controlling interests		537	363
Profit for the year		8,723	5,770
Total comprehensive income attributable to:			
Equity holders of the Company		8,243	5,417
Non-controlling interests		563	365
Total comprehensive income for the year		8,806	5,782
Earnings per share for profit attributable to equity holders of the Company			
Basic and diluted (cents)	*13*	2.03	1.38

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 SEPTEMBER 2019

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

CONSOLIDATED STATEMENT OF CASH FLOW
FOR THE YEAR ENDED 30 SEPTEMBER 2019

	2019 S$'000	2018 S$'000
Cash flows from operating activities:		
Profit before income tax	8,926	6,206
Share of results of associates and joint ventures, net of tax	(4,527)	(1,954)
Adjustments for:		
Amortisation of intangible assets	68	29
Depreciation of property, plant and equipment	6,605	5,851
Gain on disposal of property, plant and equipment	(83)	(378)
Property, plant and equipment written off	14	14
Fair value gain on investment properties	(480)	(4)
Bad and doubtful debts	239	755
Waiver of debt from a director of subsidiaries	-	(73)
Provision for losses from onerous contract	1,430	-
Dual Listing expenses	-	1,842
Finance income	(289)	(447)
Finance cost	1,332	827
Operating profit before working capital changes	13,235	12,668
Changes in working capital:		
- Inventories	43	(13)
- Trade and other receivables	(30)	(5,097)
- Trade and other payables	4,297	3,635
Cash generated from operations	17,545	11,193
Interest expense paid	(3)	(9)
Income tax paid	(1,534)	(1,406)
Income tax refunded	906	542
Net cash generated from operating activities	16,914	10,320
Cash flows from investing activities:		
Additions to property, plant and equipment	(19,585)	(6,896)
Purchase of investment properties	(20,336)	-
Purchase of available for sale financial assets	-	(31)
Purchase of financial assets, at FVOCI	(354)	-
Additions to intangible assets	-	(205)
Additions to other asset	(8,997)	(3,418)
Repayment from/(loans to) joint ventures, net	10,299	(1,725)
Proceeds from disposal of property, plant and equipment	96	503
Cash outflow on incorporation of associate	-	(20)
Cash inflow on distribution from associate	38	-
Dividend from associate	441	100
Interest received	105	112
Net cash used in investing activities	(38,293)	(11,580)
Cash flows from financing activities:		
Repayment of finance lease	(2,112)	(1,875)
Increase in fixed deposit - pledged	(1,372)	(34)
Proceeds from bank borrowings	42,376	5,701
Repayment of bank borrowings	(15,643)	(5,601)
Proceeds from issuance of ordinary shares	-	13,638
Share issue expense	-	(1,332)
Dual Listing expenses paid	-	(2,067)
Capital contribution from non-controlling shareholders	2	274
Interest expense paid	(1,299)	(817)
Dividends paid	-	(798)
Net cash generated from financing activities	21,952	7,089
Net increase in cash and cash equivalents	573	5,829
Cash and cash equivalents at beginning of the year	20,667	14,885
Exchange gains/(losses) on cash and cash equivalents	60	(47)
Cash and cash equivalents at end of year	21,300	20,667
Consolidated cash and cash equivalents are represented by:		
Cash and bank balances	18,218	15,319
Fixed deposits	9,135	10,029
	27,353	25,348
Less: Pledged fixed deposits	(6,053)	(4,681)
Cash and cash equivalents as per consolidated statement of cash flows	21,300	20,667

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

The Group has adopted the same accounting policies and methods of computation in the preparation of the financial statements for the current reporting period compared with those of the audited financial statements for the year ended 30 September 2018.

(a) New and amendments to IFRSs effective for the financial year ended 30 September 2019 do not have a material impact on the Group except for the following:

Adoption of IFRS 9 Financial Instruments

The Group has adopted the new standard retrospectively from 1 October 2018, in line with the transition provision permitted under the standards. Comparatives for the financial year ended 30 September 2018 are not restated and the Group has recognised any difference between the carrying amounts at 30 September 2018 and 1 October 2018 in the opening retained earnings.

(i) Equity investments reclassified from AFS to FVOCI

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

(ii) Impairment of financial assets

The Group has the following financial assets subject to the expected credit loss impairment model under IFRS 9:

- Cash and bank deposits measured at amortised cost;
- Trade and other receivables and contract assets recognised under IFRS 15; and
- Loan to related parties at amortised cost.

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

The effects on adoption of IFRS 9 are as follows:

	Note	Financial assets, available-for-sale (AFS) S$'000	Financial assets, at FVOCI (FVOCI) S$'000	Financial assets at amortised cost S$'000	Retained earnings S$'000
Balances at 30 September 2018 before adoption of IFRS 9		138	-	-	-
- Reclassifying investments from AFS to FVOCI	(i)	(138)	138	-	-
- Impairment allowances on trade receivables	(ii)	-	-	(434)	434
Balances at 1 October 2018 after adoption of IFRS 9		-	138	(434)	434

(b) The following new standards and amendments to standards have been published but are not yet effective for the current financial year and which the Group has not early adopted:

		Effective for accounting periods beginning on or after	Note
IFRS 16	Leases	1 January 2019	*i*
IFRIC 23	Uncertainty over income tax	1 January 2019	*ii*
IFRS 3 (amendments)	Business combinations (Definition of a business)	1 January 2020	*iii*

Note i:

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

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

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

	As at 30 September 2019 S$'000	**Effects of adoption of IFRS 16** S$'000	**As at 1 October 2019** S$'000
Investment properties (right-of-use assets)	-	105,081	105,081
Lease liabilities - current	-	31,041	31,041
Lease liabilities - non-current	-	78,537	78,537

Note ii:

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

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

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

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

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

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

The Group does not expect additional tax liability to be recognised arising from the uncertain tax positions on the adoption of the interpretation on 1 January 2019.

Note iii:

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

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

In preparing this consolidated financial information, the significant judgements made by management in applying the Group’s accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 30 September 2018 except of the following:

Expected credit losses (“**ECLs**”)

ECLs are unbiased probability-weighted estimates of credit losses which are determined by evaluating a range of possible outcomes and taking into account past events, current conditions and assessment of future economic conditions

The Group has used relevant historical information and loss experience to determine the probability of default of the instruments, which involved significant estimates and judgements.

In determining the ECLs of trade receivables, the Group has used one year of historical losses data to determine the loss rate and applied an adjustment against the historical loss rate. As at the date of the balance sheet, the ECLs for trade receivables were S$2,026,000.

5. SEGMENT INFORMATION

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

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

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

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

Allocation basis and transfer pricing

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

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

Sales

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

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

Segment assets and liabilities

The amounts reported to the Group Managing Director with respect to the total assets and liabilities are measured in a manner consistent with that of the financial 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 2019 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	41,842	22,298	5,319	27,498	22,165	12,871	131,993
Inter-segment sales	(2,603)	(1,066)	-	(2,561)	(1,798)	(12,871)	(20,899)
External sales	39,239	21,232	5,319	24,937	20,367	-	111,094
Segment results	**(2,208)**	**1,564**	**(1,879)**	**4,701**	**2,525**	**548**	**5,251**
Fair value gain on investment properties	473	7	-	-	-	-	480
Finance cost	(808)	(43)	(205)	(171)	(36)	(69)	(1,332)
	(2,543)	1,528	(2,084)	4,530	2,489	479	4,399
Share of results of associates and joint ventures	601	-	-	508	3,418	-	4,527
Profit before taxation	(1,942)	1,528	(2,084)	5,038	5,907	479	8,926
Taxation							(203)
Net profit after taxation							8,723
Non-controlling interests							(537)
Net profit attributable to equity holders of the Company							8,186
Segment assets	69,543	11,446	33,686	15,408	3,676	1,275	135,034
Investment in associates	-	-	-	306	-	-	306
Investment in joint ventures	12,522	-	-	-	4,693	-	17,215
Total segment assets							152,555
Total segment liabilities	41,617	8,207	21,383	8,505	4,064	2,735	86,511
Capital expenditures	22,158	679	20,011	4,937	490	181	48,456
Depreciation of property, plant and equipment	1,586	1,069	918	1,760	818	454	6,605

Segment breakdown for its comparative 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	*48,230	*15,682	*12,706	*11,232	*3,964	*1,290	93,104
Investment in associates	-	-	-	239	38	-	277
Investment in joint ventures	11,891	-	-	-	1,274	-	13,165
Total segment assets							106,546
Total segment liabilities	*30,316	*8,720	*5,960	*7,582	*4,107	*1,473	58,158
Capital 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

* 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 2019 S$'000	30 September 2018 S$'000
Reportable segments' assets are reconciled to total assets:		
Segment assets	152,555	106,546
Deferred tax assets	341	476
Long-term prepayment	322	396
Intangible assets	108	176
Financial assets, available for sale	-	138
Financial assets, at FVOCI	492	-
Inventories	3	46
Loans to joint ventures	2,432	12,557
Prepayment	3,338	2,468
Cash and bank balances	18,218	15,319
Fixed deposits	9,135	10,029
	186,944	148,151
Reportable segments' liabilities are reconciled to total liabilities:		
Segment liabilities	86,511	58,158
Provisions	2,557	450
Current income tax liabilities	463	675
Deferred tax liabilities	533	362
	90,064	59,645

Geographical segment

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

	Revenue from external customers Year ended 30 September	
	2019 S$'000	2018 S$'000
Singapore	103,221	99,148
Hong Kong	1,026	363
Indonesia	1,209	1,359
Thailand	4,039	2,763
Cambodia	-	4,472
Myanmar	815	873
Other countries	784	307
	111,094	109,285

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 2019 S$'000	30 September 2018 S$'000
Singapore	106,663	70,582
Hong Kong	76	19
Indonesia	6,787	6,677
Thailand	1,330	143
Cambodia	12,771	7,690
Myanmar	5,268	3,214
Other countries	3,001	425
	135,896	88,750

6. Revenue

	Year ended 30 September 2019 S$'000	2018 S$'000
Rental and warehousing lease income	58,886	56,657
Car park services	15,402	12,522
Logistics services		
- Trucking services	11,116	10,258
- Storage services	2,941	2,935
- Container repair services	3,021	2,596
- Logistics management	7,859	6,414
Facilities services	10,603	12,223
Licence fee	78	3,926
Management services fee income	889	718
Others	299	1,036
	111,094	109,285

7. Other income

	Year ended 30 September 2019 S$'000	2018 S$'000
Handling charges	269	290
Gain on disposal of property, plant and equipment	83	378
Interest income	289	447
Vehicle related income	302	397
Government grants	127	371
Wage credit scheme and special employment credit*	284	374
Waiver of debt from a director of subsidiaries	-	73
Forfeiture of tenant deposit	148	158
Foreign exchange gain	660	-
Services charges	230	180
Rubbish disposal	-	2
Miscellaneous charge to tenant	190	221
Sales of contract from security services	1,427	-
Other income	1,003	767
	5,012	3,658

* 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.

8. Other operating expenses

	Year ended 30 September 2019 S$'000	2018 S$'000
Bad debts expenses	19	29
Impairment loss on trade receivables	220	726
Provision for losses from onerous contract	1,430	-
Other expenses	18	-
Foreign exchange loss	-	534
	1,687	1,289

9. Expense by nature

	Year ended 30 September 2019 S$'000	2018 S$'000
Advertising expenses	382	407
Commission fees	1,212	937
Entertainment expenses	220	212
Marketing expenses	6	57
Transportation costs	1,884	1,852
Container depot management charges	2,568	2,409
Rental expenses	59,275	55,858
Upkeep and maintenance costs	9,380	7,919
Consultancy fees	4	133
Depreciation of property, plant and equipment	6,605	5,851
Amortisation of intangible assets	68	29
Write-off of property, plant and equipment	14	14
Listing expenses in relation to the Dual Listing*	-	1,842
Professional fees	1,019	861
Vehicle-related expenses	110	75
Employee benefit costs	21,246	23,942
Insurance fees	538	564
IT Maintenance expenses	450	426
Printing expenses	185	160
Property management fees	434	-
Telephone expenses	332	317
Auditor's remuneration		
- Audit services	310	259
- Non-audit services	-	233
Other expenses	2,926	2,222
	109,168	106,579

* Dual Listing represents the dual primary listing of the Shares on the Main Board of SEHK and Catalist of the SGX-ST.

10. Finance cost

	Year ended 30 September 2019 S$'000	2018 S$'000
Interest expense on borrowings	1,151	679
Interest expense on finance leases	181	148
	1,332	827

11. Income Tax Expense

	Year ended 30 September	
	2019	**2018**
	S$'000	**S$'000**
Current income tax	665	241
Deferred income tax	331	283
	996	524
(Over)/Under provision in respect of prior years		
- current taxation	(768)	(120)
- deferred taxation	(25)	32
	203	436

12. Dividend

	Year ended 30 September	
	2019	**2018**
	S$'000	**S$'000**
Dividend recognised as distribution:		
- 2017 final dividend of 0.20 Singapore cents per share	-	798
	-	798

The Board has resolved to recommend a final dividend of S$0.005 per share for the financial year ended 30 September 2019.

13. Earnings per share

Basic earnings per share are calculated by dividing the profit of the Group attributable to equity holders of the Company by the weighted average number of ordinary shares deemed to be in issue during each of the years ended 30 September 2019 and 2018:

	Year ended 30 September	
	2019	**2018**
Net profit attributable to equity holders of the Company (S$'000)	8,186	5,407
Weighted average number of ordinary shares ('000)	402,445	392,204
Basic earnings per share (Singapore cents)	2.03	1.38

The basic and diluted earnings per share are the same as there were no potentially dilutive securities in issue as at 30 September 2019 and 2018.

14. Other asset

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

15. Trade and other receivables

	30 September 2019 S$'000	30 September 2018 S$'000
Trade receivables		
- Third parties	10,445	13,014
- Related parties	100	86
- Associates	41	-
- Joint ventures	-	138
	10,586	13,238
Accrued rental income	962	953
GST receivables	999	448
Deposits with external parties	5,982	4,462
Unpaid deposits from customers	220	158
Tax recoverable	656	154
Other receivables	220	489
	8,077	5,711
Less:		
- Impairment loss on trade receivables	(2,026)	(1,378)
- Impairment loss on other receivables	(18)	(18)
	17,581	18,506

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

	30 September 2019 S$'000	30 September 2018 S$'000
0 to 30 days	5,061	4,927
31 to 60 days	1,875	1,722
61 to 90 days	670	240
91 to 180 days	441	721
181 to 365 days	399	3,786
Over 365 days	2,140	1,842
	10,586	13,238

16. Share capital

	No. of shares Issued share capital	Nominal Amount Share capital S$'000
Balance as at 1 October 2018 and 30 September 2019	402,445,400	63,407

17. Trade and other payables

	30 September 2019 S$'000	30 September 2018 S$'000
Trade payables		
- Third parties	3,899	4,079
- Associates	82	-
	3,981	4,079
Contract liabilities		
- Rental received in advance	701	331
- Advances received from customers	2,533	1,692
	3,234	2,023
Other payables and accruals		
- Goods and services tax payables	660	652
- Provision for directors' fees	63	61
- Accruals	4,967	7,960
- Accrued rental expenses	4,098	3,706
- Rental deposits received from customers	14,750	12,969
- Rental deposits received from related parties	81	75
- Unpaid deposits	518	365
- Withholding tax	41	39
- Sundry creditors	308	236
- Other payables	34	33
	32,735	32,198
Less:		
- Non-current portion: other payables	(34)	(33)
Total trade and other payables included in current liabilities	32,701	32,165

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

	30 September 2019 S$'000	30 September 2018 S$'000
0 to 30 days	2,588	2,689
31 to 60 days	876	763
61 to 90 days	165	335
Over 90 days	352	292
	3,981	4,079

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

Management Discussion and Analysis

Business Review

For the financial year ended 30 September 2019 ("**FY2019**"), the Group recorded an increase in revenue of 1.7%, mainly contributed by the Residential Properties under the Space Optimisation Business, as well as the Facilities Management Business and Logistics Services Business.

Space Optimisation Business

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

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

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

In January 2019, the Group announced that its wholly-owned subsidiary Work Plus Store (Joo Seng) Pte. Ltd. had completed the acquisition of the property at 71 Lorong 23 Geylang, THK Building, Singapore 388386 (the "**Geylang Property**"). The purchase consideration of S$18 million (plus goods and services tax), of which, approximately S$4.5 million (equivalent to HK$26.8 million) was funded from the net proceeds from the global offering of the Company in Hong Kong and the remaining balance through a combination of internal sources of funding and bank borrowings. For further details on the acquisition, please refer to the Company's announcements dated 31 October 2018 and 7 January 2019. The property has commenced operations since the second half of FY2019 and is being used for self-storage and last mile logistics services.

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

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

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

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

Expansion in Myanmar

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

Facilities Management Business

Under the Group's Facilities Management Business, the Group announced that it had completed the disposal of the Industrial & Commercial Security Pte Ltd ("**ICS**") security services business on 31 May 2019 (the "**Completion Date**"). As there may be additional client contracts to be novated to Prosegur Singapore Pte Ltd (the "**Purchaser**"), additional adjustments to the completion payment may be payable by the Purchaser to ICS on the date falling eight months after the Completion Date. With the completion of the disposal, other than those contracts that are not novated to the Purchaser in accordance with the business purchase agreement, the Group will no longer engage in ICS security services business except for the supply, installation, and maintenance of security cameras as part of a full suite of facilities management services at premises owned or managed by the Group. Please refer to the announcement of the Company dated 31 May 2019 for further details.

Besides the security services division under the Facilities Management Business, the Group also provides integrated facilities management services and carpark management under the Facilities Management Business. During FY2019, the Group secured five new carpark contracts in Singapore and one new carpark contract in Hong Kong. On 9 July 2019, the Group announced that it had secured a third carpark contract in Hong Kong from the Government of the Hong Kong Special Administrative Region. Situated on an estimated land area of 19,100 square metres at Tuen Yee Street, Area 16, Tuen Mun, New Territories, the carpark offers private car parking and lorry parking of all sizes including trailer parking which is in high demand.

Logistics Services Business

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

As announced on 17 May 2019, the Group has received an option to purchase a property at 7 Gul Avenue, Singapore 629651, where the property will be used to operate a parking yard for our logistics vehicles, ISO tank depot and provide logistics services. The property has a total land area of approximately 22,479.7 square meters, gross floor area of approximately 8,284 square meters with a remaining leasehold life of approximately 13 years. The consideration of the property is S$13.0 million and a 5% deposit has been paid. In the event that our Group accepts the offer to purchase the property, the consideration will be funded from net proceeds of approximately S$1.8 million from the global offering of the Company in Hong Kong and the balance will be funded by internal sources of funding and bank borrowings. The sale and purchase of the property is conditional upon, among others, the Group obtaining approval from JTC Corporation ("**JTC**") for the sale and purchase of the property within 12 weeks from the date of the option to purchase (being 9 August 2019) which has been extended to 27 December 2019. All other terms of the option to purchase remain the same. Please refer to the announcements of the Company dated 17 May 2019, 8 August 2019 and 26 September 2019 for further details. As at the date of this announcement, the option to purchase has yet to be counter-signed by the Group and still remains non-binding on the Group. The Company will make further announcement(s) as and when there are material development(s) to the proposed acquisition.

Industry Overview

Space Optimisation Business

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

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

Logistics Services Business

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

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

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

Business Outlook

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

In China, the Group had entered into a 15-year lease agreement to set up the co-living and co-working space business in Nanan City, Quanzhou, Fujian Province, the People’s Republic of China (the “**Nanan Project**”). The leased property of the Nanan Project is a 10-storey building with a total gross floor area of approximately 7,400 square metres. It is expected that the renovation will be completed in the first quarter of our financial year ending 30 September 2020 with operation commencing in the following quarter. As at the date of this announcement, the Group has injected capital of RMB9.9 million (equivalent to approximately S$2.0 million) into its wholly-owned subsidiary in Nanan to fund part of the renovation costs of the building of the Nanan Project. For further details, please refer to the Company’s announcement dated 22 March 2019.

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

Besides focusing on growing the co-living space business under the Space Optimisation Business, we will continue to look for new properties and opportunities to grow and expand our Space Optimisation Business in Singapore and in China, in other regions that we currently have a presence in as well as into other countries in Asia.

In Singapore, our carpark management under the Facilities Management Business had successfully re-tendered for a 3-year carpark lease for the second time by the Parliamentary Secretariat on behalf of the Government of Singapore.

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

With respect to the Logistics Services Business, the Group is optimistic on the demand for container storage and repair services and transportation services. As part of the expansion plan in ASEAN countries, the Group has incorporated a subsidiary in Myanmar and intends to set up a new container depot there. In addition, the Group intends to set up a joint venture in Thailand to provide logistics services there.

Financial Review

For the year ended 30 September 2019 ("FY2019") vs year ended 30 September 2018 ("FY2018")

Revenue

	FY2019 S$'000	FY2018 S$'000	Variance S$'000	Variance %
Industrial Properties	39,239	40,498	(1,259)	(3.1)
Commercial Properties	21,232	24,970	(3,738)	(15.0)
Residential Properties	5,319	2,133	3,186	149.4
Space Optimisation Business	65,790	67,601	(1,811)	(2.7)
Facilities Management Business	20,367	19,480	887	4.6
Logistics Services Business	24,937	22,204	2,733	12.3
Total	111,094	109,285	1,809	1.7

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

(a) Space Optimisation Business

Industrial Properties

Revenue derived from Industrial Properties decreased by approximately S$1.3 million or 3.1% from approximately S$40.5 million in FY2018 to approximately S$39.2 million in FY2019 mainly due to (i) movement of tenants due to expiry of sub-leases; and (ii) renewal of sub-leases at lower rental rates.

The average occupancy rate of the Group's Industrial Properties decreased slightly by 0.9 percentage points to approximately 87.9% in FY2019 as compared to 88.8% in FY2018.

Commercial Properties

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

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

Residential Properties

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

(b) Facilities Management Business

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

(c) Logistics Services Business

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

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

Cost of Sales

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

Gross Profit

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

Other Income

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

Other Operating Expenses

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

Selling and Distribution Expenses

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

Administrative Expenses

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

Finance Cost

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

Share of Results of Associates and Joint Ventures

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

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

Fair Value Gain on Investment Properties

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

Profit before Income Tax

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

Income Tax Expense

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

Profit for the Year

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

Review of Statement of Financial Position

Non-current assets

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

Approximately S$0.1 million of investment in WeOffices ApS has been reclassified in FY2019 from financial assets, available-for-sale to financial assets, at FVOCI, due to the adoption of IFRS 9 as explained in Paragraph 5 above.

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

Current assets

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

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

Trade and other receivables decreased by approximately S$0.9 million mainly due to (i) a decrease in trade receivables of approximately S$2.6 million due to receipt of balance payment from the billing of rights to use 85 SOHO brand in Cambodia; and (ii) an increase in allowance for impairment of approximately S$0.6 million due to the adoption of IFRS 9 as explained in Paragraph 5 above. These were offset by an increase in other receivables of approximately S$2.3 million which consist largely of deposits paid to the landlord in Hong Kong for the new carpark site secured.

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

Non-current liabilities

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

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

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

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

Current liabilities

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

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

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

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

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

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

Review of Statement of Cash Flows

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

Net cash used in investing activities amounted to approximately S$38.3 million, which was mainly due to (i) additions to PPE for renovation costs paid for our new co-work co-live business and serviced residence property under the Space Optimisation Business, renovation costs for our container depot and purchase of logistics equipment under the Logistics Services Business of approximately S$19.6 million; (ii) additions to investment property, being the Geylang Property, of approximately S$20.3 million; (iii) purchase of financial assets, at FVOCI of approximately S$0.3 million; and (iv) additions to other asset of approximately S$9.0 million for Axis Residences. These were partially offset by (i) the repayment of loans from joint ventures of approximately S$10.3 million; (ii) dividend received from associate of approximately S$0.4 million; (iii) proceeds received from disposal of PPE of approximately S$0.1 million; and (iv) interest received of approximately S$0.1 million.

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

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

Liquidity and Financial Resources

During FY2019, the Group financed its operations primarily through a combination of cash flow generated from our operations, bank borrowings, finance leases and proceeds from the listing of the Company's shares on the Main Board of the SEHK on 29 December 2017 (the "**HK Listing**").

The Group primarily obtained bank borrowings to finance its acquisition of properties and logistics equipment. The Group also had revolving loans for its short-term finance needs. The Group's borrowings as at 30 September 2019 were denominated in Singapore dollars, United States dollars and Renminbi with interest charged on these borrowings ranging from 2.18% to 6.00% per annum. As at 30 September 2019, the Group had outstanding bank borrowings of S$48.1 million. These borrowings were secured by (i) legal mortgage of the Group's leasehold properties at 72 Eunos Avenue 7, 100 Eunos Avenue 7 and the Geylang Property; (ii) corporate guarantees provided by the Group; (iii) personal guarantees provided by a director and shareholder of a non-wholly owned subsidiary, who is not a controlling shareholder of the Company (the "**Subsidiary Director**"); and (iv) assignment of rental proceeds of the mortgaged properties.

As at 30 September 2019, cash and cash equivalents held by the Group were mainly cash in the banks and on hand denominated in SGD, HKD, IDR, RMB and THB 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 2019 was 55.5%, increased from 29.3% as at 30 September 2018 primarily due to increase in total debts as at 30 September 2019 mainly for the purchase of the Geylang Property and renovation loans for our Space Optimisation Business.

Finance Lease Liabilities and Contingent Liabilities

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

As at 30 September 2019, the Group had finance lease liabilities of S$5.6 million. The obligations under the finance lease are secured by the underlying assets of certain plant and machinery, logistics equipment and motor vehicles, personal guarantees provided by the Subsidiary Director and corporate guarantees provided by the Group.

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 2019 S$'000	**30 September 2018 S$'000**
Investment properties	5,201	9,399
Property, plant and equipment	4,497	7,531
	9,698	16,930

Capital Expenditure

During FY2019, the Group's capital expenditure consists of additions to property, plant and equipment, investment properties and other asset amounting to approximately S$48.5 million for the renovation costs for our Space Optimisation Business, purchase of logistics equipment, purchase of the Geylang Property and the progress billing of Block 1A of Axis Residences in Cambodia (FY2018: approximately S$16.1 million).

Contingent Liabilities

As at 30 September 2019, 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 FY2019.

Significant Investment

Except for investments in subsidiaries, associates and joint ventures, the Group did not hold any significant investment in equity interest in any other company for FY2019.

Off-balance Sheet Arrangements

For FY2019, 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 and this announcement, the Group did not have any other plans for material investment and capital assets as at 30 September 2019.

Exposure to Fluctuations in Exchange Rates

The Group mainly operates in Singapore, Indonesia, Thailand, Myanmar, Malaysia and Hong Kong during FY2019. Currency exposure arises within entities of the Group when transactions are mainly denominated in foreign currencies such as United States dollars ("**USD**"), Indonesian Rupiah ("**IDR**"), Hong Kong dollars ("**HK$**") and Thai Baht ("**THB**"). In addition, the Group is exposed to currency translation risk upon translation of the net assets in foreign operations into the Group's reporting currency in SGD. During FY2019, the Group recorded an exchange gain of S$660,000.

The Group is planning to expand its business into other countries and regions including Vietnam which may be subject to foreign exchange rate risk arising from future commercial transactions and assets and liabilities to be recognised. The Group has not carried out any hedging activities against foreign exchange fluctuations.

Employees and Remuneration Policies

As at 30 September 2019, there were 370 (as at 30 September 2018: 414) employees in the Group. The remuneration to its employees includes salaries and allowances, which is determined based on their performance, experience and prevailing industry practices. The compensation policies and packages are reviewed on a regular basis.

Significant Event after the Reporting Period

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

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 FY2019.

Issue of Securities and Share Capital

During FY2019, there has been no change to the shares in issue and capital structure of the Company.

Use of Proceeds from Initial Public Offering

Under the global offering in Hong Kong which was completed on 29 December 2017, the Company had allotted and issued 42,000,000 ordinary shares at a price of HK$1.90 per share and raised HK$79.8 million (equivalent to S$13.6 million) in total gross proceeds. The net proceeds from the 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	Amount Utilised	Balance
		HK$'000	HK$'000	HK$'000
1	Expansion of our space optimisation business by acquiring a new property in Singapore	26,815	26,815	-
2	Acquiring a property in Singapore for our logistics services management business	10,611	-	10,611
3	Set out our first operation in the PRC	1,776	-	1,776
4	General working capital	4,439	4,439	-
5	Acquiring transportation equipment for our logistics services business	755	562	193
	Total	44,396	31,816	12,580

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

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

The above utilisations are in accordance with the intended use of the Net Proceeds and percentage allocated, as stated in the Company's prospectus for the global offering dated 15 December 2017. The Company expects to utilise the remaining balance of the Net Proceeds of approximately HK$12.6 million (equivalent to S$2.1 million) by the end of year 2020.

The Company will continue to update in periodic announcements on the utilisation of the balance of the proceeds from the 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, interim and full year financial results announcements.

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

During FY2019, 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 recommended the payment of a final dividend of S$0.005 (equivalent to HK$0.029) per ordinary share for FY2019. The proposed dividend payment is subject to approval by the Shareholders at the annual general meeting to be held on Thursday, 30 January 2020 (the "**AGM**") at 10.00 a.m. (Singapore Time). Subject to Shareholders' approval at the upcoming AGM, the proposed final dividend will be paid on Friday, 21 February 2020, to the Shareholders whose names shall appear on the register of members of the Company on Tuesday, 11 February 2020.

Corporate Governance

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

In the opinion of the Directors, the Company had complied with the HK CG Code and SG CG Code during FY2019 except for code provision A.2.1 under the HK CG Code. Under code provision A.2.1 of the HK CG Code, the roles of chairman and chief executive should be separate and should not be performed by the same individual. The Group does not have the role of chief executive officer but has the role of managing Director, which is responsible for the day-to-day management of business and currently performed by Mr. 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 during FY2019.

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 FY2019 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 2020 (Thursday). 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, together with the Company's annual report, in due course.

Closure of Register of Members

For determining the entitlement to attend and vote at the AGM

For Shareholders in Singapore
The Share Transfer Books and Register of Members of the Company will be closed at **5:00 p.m. on Monday, 27 January 2020** 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 Wednesday, 22 January 2020** 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 from **Thursday, 23 January 2020 to Thursday, 30 January 2020** (both days inclusive), during which period no transfer of Shares of the Company will be registered in Hong Kong. In order to determine shareholders' entitlements to 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 54, Hopewell Centre, 183 Queen's Road East, Hong Kong no later than **4:30 p.m. on Wednesday, 22 January 2020**.

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

For determining the entitlement to the Proposed Final Dividend

For Shareholders in Singapore
The Share Transfer Books and Register of Members of the Company will be closed at **5:00 p.m. on Tuesday, 11 February 2020** for the purpose of determining shareholders' entitlements to the proposed final dividend. Duly completed registrable transfers in respect of the Shares received by the Company's Singapore principal share registrar, Boardroom Corporate & Advisory Services Pte. Ltd., at 50 Raffles Place #32-01 Singapore Land Tower, Singapore 048623 up to **5:00 p.m. on Friday, 7 February 2020** will be registered to determine shareholders' entitlements to the proposed final dividend.

For Shareholders in Hong Kong
The branch register of members of the Company in Hong Kong will be closed between **Monday, 10 February 2020 and Tuesday, 11 February 2020** (both days inclusive), during which period no transfer of Shares of the Company will be registered in Hong Kong. In order to determine shareholders' entitlements to the proposed final dividend, all share transfers in Hong Kong, accompanied by the relevant share certificates, must be lodged with the Company's Hong Kong branch share registrar, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong no later than **4:30 p.m. on Friday, 7 February 2020**.

For the purpose of determination of shareholders registered under the Singapore principal register of members and the Hong Kong branch register of members of the Company, all necessary documents, remittances accompanied by the relevant share certificates in respect of removal of Shares between the two (2) register of members, must be submitted no later than **5:00 p.m. and 4:30 p.m. on Friday, 31 January 2020** to the Company's Singapore principal share registrar, Boardroom Corporate & Advisory Services Pte. Ltd., at 50 Raffles Place, #32-01 Singapore Land Tower, Singapore 048623 (for Singapore shareholders) and the Company's Hong Kong branch share registrar, Tricor Investor Services Limited, Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong (for Hong Kong shareholders), respectively.

Publication of Financial Information

The annual results announcement for FY2019 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 FY2019 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, 27 November 2019

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.