



INTERIM REPORT 2022



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

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Lim Lung Tieng

Executive Chairman
Executive Director
Group Managing Director

Lim Bee Choo

Executive Director
Group Deputy Managing Director

Ch'ng Li-Ling

Lead Independent Non-executive Director

Yong Chee Hiong

Independent Non-executive Director

Chan Ka Leung Gary

Independent Non-executive Director

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

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

NOMINATING COMMITTEE

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

COMPANY SECRETARY

Chong Eng Wee

REGISTERED OFFICE

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Singapore 189689
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PRINCIPAL PLACE OF BUSINESS

IN HONG KONG

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22 Tak Fung Street
Hunghom, Kowloon
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CONTINUING SPONSOR (SGX-ST)

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HONG KONG LEGAL ADVISER

Morgan, Lewis & Bockius

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SINGAPORE PRINCIPAL SHARE

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

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Keppel Bay Tower #14-07
Singapore 098632

HONG KONG BRANCH SHARE REGISTRAR

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Level 54, Hopewell Centre
183 Queen's Road East
Hong Kong

AUDITORS

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Registered Public Interest Entity Auditor
7 Straits View
Marina One East Tower
Singapore 018936

Partner-in-charge: **Lee Zhen Jian**
(since financial year 2022)

PRINCIPAL BANKERS

DBS Bank Ltd.

12 Marina Boulevard
Marina Bay Financial Centre Tower 3
Singapore 018982

Hong Leong Finance Limited

16 Raffles Quay
#01-05 Hong Leong Building
Singapore 048581

Malayan Banking Berhad

2 Battery Road
#16-01 Maybank Tower
Singapore 049907

**Oversea-Chinese Banking Corporation
Limited**

65 Chulia Street
#09-00 OCBC Centre
Singapore 049513

RHB Bank Berhad

90 Cecil Street
#01-00 RHB Bank Building
Singapore 069531

United Overseas Bank Limited

325 Boon Lay Place
#02-00
Singapore 649886

INVESTOR RELATIONS

LHN Limited

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WEBSITE

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STOCK CODES

Singapore: 410
Hong Kong: 1730

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

FOR THE SIX MONTHS ENDED 31 MARCH 2022

The board (the “Board”) of directors (the “Directors”) of LHN Limited (the “Company”) hereby announces the interim condensed consolidated results of the Company and its subsidiaries (collectively referred to as the “Group”) for the six months ended 31 March 2022, together with the comparative figures for the six months ended 31 March 2021. The Group’s interim results for the six months ended 31 March 2022 are unaudited, but have been reviewed by the audit committee of the Company (the “Audit Committee”).

	Note	2022 (unaudited) S\$'000	2021 (unaudited) S\$'000
Revenue	7	59,181	64,478
Cost of sales	10	(27,962)	(29,295)
Gross profit		31,219	35,183
Other income	8	9,981	5,963
Other operating expenses			
– Impairment loss on trade, other and lease receivables		(253)	(1,050)
– Others	9	(637)	(1,062)
Selling and distribution expenses	10	(706)	(843)
Administrative expenses	10	(19,413)	(15,612)
Finance cost	11	(2,344)	(2,508)
Share of results of associates and joint ventures, net of tax		9,418	925
Fair value gains/(losses) on investment properties		8,630	(2,720)
Profit before income tax		35,895	18,276
Income tax expense	12	(2,043)	(3,012)
Profit for the period		33,852	15,264
Other comprehensive income/(loss)			
<u>Item that will be reclassified subsequently to profit or loss</u>			
Currency translation differences arising from consolidation		11	(6)
<u>Item that will not be reclassified subsequently to profit or loss</u>			
Revaluation gains on leasehold building		230	–
Share of other comprehensive (loss)/income of joint venture		(313)	5
Other comprehensive loss		(72)	(1)
Total comprehensive income for the period		33,780	15,263
Profit attributable to:			
Equity holders of the Company		32,196	14,809
Non-controlling interests		1,656	455
Profit for the period		33,852	15,264
Total comprehensive income attributable to:			
Equity holders of the Company		32,123	14,814
Non-controlling interests		1,657	449
Total comprehensive income for the period		33,780	15,263
Earnings per share for profit attributable to equity holders of the Company			
Basic and diluted (cents)	14	7.87	3.68

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 MARCH 2022

	Note	31 March 2022 (unaudited) S\$'000	30 September 2021 (audited) S\$'000
ASSETS			
Non-current assets			
Property, plant and equipment	15	61,047	54,167
Right-of-use assets		30,559	30,629
Investment properties		197,096	166,570
Investment in associates		485	295
Investment in joint ventures		29,450	20,641
Deferred tax assets		205	60
Long-term prepayments		117	99
Lease receivables	16	19,144	13,808
		<u>338,103</u>	<u>286,269</u>
Current assets			
Inventories		105	90
Trade and other receivables	17	32,869	31,754
Loans to joint ventures and associates		13,243	9,152
Prepayments		1,738	1,342
Lease receivables	16	17,590	20,031
Cash and bank balances		34,833	36,786
Fixed deposits		4,564	1,384
		<u>104,942</u>	<u>100,539</u>
TOTAL ASSETS		<u>443,045</u>	<u>386,808</u>
EQUITY			
Capital and Reserves			
Share capital	18	65,496	65,496
Reserves		108,272	80,230
		<u>173,768</u>	<u>145,726</u>
Non-controlling interests		4,234	2,557
TOTAL EQUITY		<u>178,002</u>	<u>148,283</u>
LIABILITIES			
Non-current liabilities			
Deferred tax liabilities		4,716	3,653
Other payables	19	21	22
Provisions		30	684
Bank borrowings	20	115,390	89,822
Lease liabilities		55,376	54,630
		<u>175,533</u>	<u>148,811</u>
Current liabilities			
Trade and other payables	19	34,133	35,392
Provisions		708	65
Bank borrowings	20	17,303	11,556
Lease liabilities		33,853	37,706
Current income tax liabilities		3,513	4,995
		<u>89,510</u>	<u>89,714</u>
TOTAL LIABILITIES		<u>265,043</u>	<u>238,525</u>
TOTAL EQUITY AND LIABILITIES		<u>443,045</u>	<u>386,808</u>

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 31 MARCH 2022

	Share capital S\$'000	Retained profits S\$'000	Merger reserve S\$'000	Fair value reserve S\$'000	Asset revaluation reserve S\$'000	Exchange translation reserve S\$'000	Total attributable to equity holders of the Company S\$'000	Non-controlling interests S\$'000	Total equity S\$'000
Group									
Balance at 1 October 2021	65,496	108,542	(30,727)	(1,350)	4,612	(847)	145,726	2,557	148,283
Dividend paid	-	(4,081)	-	-	-	-	(4,081)	-	(4,081)
Capital contribution from non-controlling shareholder	-	-	-	-	-	-	-	20	20
Profit for the period	-	32,196	-	-	-	-	32,196	1,656	33,852
Other comprehensive income/(loss)	-	-	-	-	(83)	10	(73)	1	(72)
Total comprehensive income for the period	-	32,196	-	-	(83)	10	32,123	1,657	33,780
Balance at 31 March 2022 (unaudited)	65,496	136,657	(30,727)	(1,350)	4,529	(837)	173,768	4,234	178,002
	Share capital S\$'000	Retained profits S\$'000	Merger reserve S\$'000	Fair value reserve S\$'000	Asset revaluation reserve S\$'000	Exchange translation reserve S\$'000	Total attributable to equity holders of the Company S\$'000	Non-controlling interests S\$'000	Total equity S\$'000
Group									
Balance at 1 October 2020	63,407	87,498	(30,727)	(1,350)	3,708	(895)	121,641	1,939	123,580
Dividend paid	-	(4,003)	-	-	-	-	(4,003)	-	(4,003)
Profit for the period	-	14,809	-	-	-	-	14,809	455	15,264
Other comprehensive income/(loss)	-	-	-	-	5	-	5	(6)	(1)
Total comprehensive income for the period	-	14,809	-	-	5	-	14,814	449	15,263
Balance at 31 March 2021 (unaudited)	63,407	98,304	(30,727)	(1,350)	3,713	(895)	132,452	2,388	134,840

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW

FOR THE SIX MONTHS ENDED 31 MARCH 2022

	Six months ended 31 March	
	2022 (unaudited) S\$'000	2021 (unaudited) S\$'000
Cash flows from operating activities:		
Profit before income tax	35,895	18,276
Share of results of associates and joint ventures, net of tax	(9,418)	(925)
Adjustments for:		
Amortisation of intangible assets	–	34
Depreciation of property, plant and equipment	4,144	3,175
Depreciation of right-of-use assets	6,087	7,102
Gain on disposal of property, plant and equipment	(55)	(26)
Property, plant and equipment written off	–	13
Fair value (gains)/losses on investment properties	(8,630)	2,720
Gain from net investment in subleases	(5,345)	(1,880)
Gain from termination of lease	–	(2)
Lease modification (gains)/losses	(77)	698
Impairment loss on property, plant and equipment	480	–
Impairment loss on trade, other and lease receivables	253	1,050
Finance income	(688)	(714)
Finance cost	2,344	2,508
	24,990	32,029
Operating cash flows before working capital changes		
Changes in working capital:		
– Inventories	(15)	(16)
– Trade and other receivables	(1,209)	5,091
– Trade and other payables	(1,559)	(10,246)
	22,207	26,858
Cash generated from operations		
Interest expenses paid	(40)	(28)
Income tax paid	(2,873)	(2,072)
Income tax refunded	264	62
	19,558	24,820
Net cash generated from operating activities		
Cash flows from investing activities:		
Additions to property, plant and equipment	(6,533)	(5,596)
Additions to right-of-use assets	(914)	–
Additions to investment properties	(23,576)	(17,238)
Purchase of financial assets, at FVOCI	–	(115)
Cash outflow on acquisition of joint venture	(140)	–
Proceeds from disposal of property, plant and equipment	119	81
Loans to joint ventures and associates, net	(4,050)	(1,591)
Receipts from lease receivables	10,560	9,931
Interest received from lease receivables	496	609
Cash outflow on incorporation of associate	–	(80)
Dividend from associate	245	309
Interest received	84	50
	(23,709)	(13,640)
Net cash used in investing activities		
Cash flows from financing activities:		
Increase in fixed deposits – pledged	(180)	–
Proceeds from bank borrowings	44,265	18,377
Repayment of bank borrowings	(12,947)	(5,998)
Repayment of lease liabilities	(19,642)	(19,850)
Capital contribution from non-controlling shareholders	20	–
Interest expenses paid	(2,225)	(2,451)
Dividends paid	(4,081)	(4,003)
	5,210	(13,925)
Net cash generated from/(used in) financing activities		
Net increase/(decrease) in cash and cash equivalents	1,059	(2,745)
Cash and cash equivalents at beginning of period	36,801	39,127
Effect of currency translation on cash and cash equivalents	(12)	(20)
	37,848	36,362
Cash and cash equivalents at end of period		
Consolidated cash and cash equivalents are represented by:		
Cash and bank balances	34,833	36,348
Fixed deposits	4,564	1,379
	39,397	37,727
Less: Pledged fixed deposits	(1,549)	(1,365)
Cash and cash equivalents as per consolidated statement of cash flows	37,848	36,362

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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 the Company’s registered office was at 10 Raeburn Park #02-18, Singapore 088702 (up to 24 March 2022). With effect from 25 March 2022, the address of the Company’s registered office is at 75 Beach Road #04-01, Singapore 189689.

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

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

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

2. BASIS OF PREPARATION

This unaudited condensed consolidated interim financial statements for the six months ended 31 March 2022 has been prepared in accordance with IAS 34, “Interim financial reporting”. The unaudited condensed consolidated interim financial statements should be read in conjunction with the annual financial statements for the year ended 30 September 2021, which have been prepared in accordance with the International Financial Reporting Standards (“**IFRSs**”).

This unaudited condensed consolidated interim financial statements has been prepared under the historical cost convention, as modified by the revaluation of investment properties and leasehold buildings (under Property, plant and equipment), 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 2021.

- (a) Amendments to IFRSs effective for the financial year ending 30 September 2022 do not have a material impact on the Group.
- (b) The following new standards and amendments to standards have been published but are not yet effective for the current financial year and which the Group has not early adopted:

		Effective for accounting periods beginning on or after
Amendments to IFRS 3	Business Combinations (Reference to Conceptual Framework)	1 October 2022
IAS 16	Property, Plant and Equipment (Proceeds before Intended Use)	1 October 2022
IAS 37	Provisions, Contingent Liabilities and Contingent Assets (Onerous Contracts – Cost of Fulfilling a Contract)	1 October 2022
Amendments to IFRS 1	Presentation of Financial Statements on classification of Liabilities as Current or Non-current	1 October 2023
IAS 1	Presentation of Financial Statements and IFRS Practice Statement 2 (Disclosure of Accounting Policies)	1 October 2023
IAS 8	Accounting Policies, Changes in Accounting Estimates and Errors (Definition of Accounting Estimates)	1 October 2023
IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction	1 October 2023
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

3. ACCOUNTING POLICIES (CONT'D)

3.1 Leases

Where the Group is lessee

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

(i) Right-of-use assets

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

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

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

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

(ii) Lease liabilities

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

Lease payments include the following:

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

For contract that contain both lease and non-lease components, the Group allocates the consideration to each lease component on the basis of the relative stand-alone price of the lease and non-lease component.

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

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

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

3. ACCOUNTING POLICIES (CONT'D)

3.1 Leases (Cont'd)

Where the Group is lessee (Cont'd)

(iii) Short term and low value leases

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

(iv) Variable lease payments

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

Where the Group is lessor

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

(i) Lessor – Operating leases

Leases where the Group retains substantially all risks and rewards incidental to ownership are classified as operating leases. Rental income from operating leases (net of any incentives given to the lessees) is recognised in profit or loss on a straight-line basis over the lease term.

Initial direct costs incurred by the Group in negotiating and arranging operating leases are added to the carrying amount of the leased assets and recognised as an expense in profit or loss over the lease term on the same basis as the lease income.

Contingent rents are recognised as income in profit or loss when earned.

(ii) Lessor – Subleases

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

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

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

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

3. ACCOUNTING POLICIES (CONT'D)

3.1 Leases (Cont'd)

The reconciliation of profit or loss from Pre-IFRS 16 basis to Post-IFRS 16 basis is as follows.

Income Statement	6 Months Ended 31 March 2022			6 Months Ended 31 March 2021		
	Pre-IFRS 16	Effects of IFRS 16	Post-IFRS 16	Pre-IFRS 16	Effects of IFRS 16	Post-IFRS 16
<u>The Group</u>	<u>S\$'000</u>	<u>S\$'000</u>	<u>S\$'000</u>	<u>S\$'000</u>	<u>S\$'000</u>	<u>S\$'000</u>
Revenue	70,537	(11,356)	59,181	74,938	(10,460)	64,478
Cost of sales	(42,265)	14,303	(27,962)	(42,428)	13,133	(29,295)
Gross profit	28,272	2,947	31,219	32,510	2,673	35,183
Other income	4,064	5,917	9,981	3,471	2,492	5,963
Other operating expenses						
– Reversal/(impairment loss) on trade, other and lease receivables	6	(259)	(253)	130	(1,180)	(1,050)
– Others	(637)	–	(637)	(364)	(698)	(1,062)
Selling and distribution expenses	(706)	–	(706)	(843)	–	(843)
Administrative expenses	(20,132)	719	(19,413)	(16,121)	509	(15,612)
Finance cost	(1,313)	(1,031)	(2,344)	(1,065)	(1,443)	(2,508)
Share of results of associates and joint ventures, net of tax	9,387	31	9,418	846	79	925
Fair value gains/(losses) on investment properties	13,567	(4,937)	8,630	(690)	(2,030)	(2,720)
Profit before income tax	<u>32,508</u>	<u>3,387</u>	<u>35,895</u>	<u>17,874</u>	<u>402</u>	<u>18,276</u>

The reconciliation of segment revenue and profit before taxation from Pre-IFRS 16 basis to Post-IFRS 16 basis is as follows.

Revenue	6 Months Ended 31 March 2022			6 Months Ended 31 March 2021		
	Pre-IFRS 16	Effects of IFRS 16	Post-IFRS 16	Pre-IFRS 16	Effects of IFRS 16	Post-IFRS 16
<u>The Group</u>	<u>S\$'000</u>	<u>S\$'000</u>	<u>S\$'000</u>	<u>S\$'000</u>	<u>S\$'000</u>	<u>S\$'000</u>
Industrial	16,170	(6,716)	9,454	15,133	(6,373)	8,760
Commercial	6,175	(2,440)	3,735	5,959	(1,884)	4,075
Residential						
– Co-living (Singapore)	9,203	(2,200)	7,003	7,185	(2,203)	4,982
– 85 SOHO (Overseas)	378	–	378	1,494	–	1,494
– Dormitory set up & retrofit	–	–	–	42	–	42
	<u>9,581</u>	<u>(2,200)</u>	<u>7,381</u>	<u>8,721</u>	<u>(2,203)</u>	<u>6,518</u>
Space Optimisation	31,926	(11,356)	20,570	29,813	(10,460)	19,353
Facilities Management	25,044	–	25,044	31,622	–	31,622
Logistics Services	13,567	–	13,567	13,503	–	13,503
	<u>70,537</u>	<u>(11,356)</u>	<u>59,181</u>	<u>74,938</u>	<u>(10,460)</u>	<u>64,478</u>

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

3. ACCOUNTING POLICIES (CONT'D)

3.1 Leases (Cont'd)

The reconciliation of segment revenue and profit before taxation from Pre-IFRS 16 basis to Post-IFRS 16 basis is as follows. (Cont'd)

Profit before taxation	6 Months Ended 31 March 2022			6 Months Ended 31 March 2021		
	Pre-IFRS 16	Effects of IFRS 16	Post-IFRS 16	Pre-IFRS 16	Effects of IFRS 16	Post-IFRS 16
The Group	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
Industrial	3,508	(1,101)	2,407	2,232	3,102	5,334
Commercial	(141)	4,363	4,222	(489)	(546)	(1,035)
Residential						
– Co-living (Singapore)	23,652	228	23,880	1,124	(1,978)	(854)
– 85 SOHO (Overseas)	(2,087)	(16)	(2,103)	(895)	(18)	(913)
– Dormitory set up & retrofit	–	–	–	(80)	–	(80)
	<u>21,565</u>	<u>212</u>	<u>21,777</u>	<u>149</u>	<u>(1,996)</u>	<u>(1,847)</u>
Space Optimisation	<u>24,932</u>	<u>3,474</u>	<u>28,406</u>	<u>1,892</u>	<u>560</u>	<u>2,452</u>
Facilities Management	6,155	(46)	6,109	11,827	(108)	11,719
Logistics Services	1,479	(41)	1,438	2,085	(50)	2,035
Corporate	<u>(58)</u>	<u>–</u>	<u>(58)</u>	<u>2,070</u>	<u>–</u>	<u>2,070</u>
	<u>32,508</u>	<u>3,387</u>	<u>35,895</u>	<u>17,874</u>	<u>402</u>	<u>18,276</u>

4. ESTIMATES

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

In preparing this unaudited condensed consolidated interim financial statements, 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 2021.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Information about significant judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements is included in Note 5.2.

5. FINANCIAL RISK MANAGEMENT

5.1 Financial risk factors

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

The unaudited condensed consolidated interim financial information do not include all financial risk management information and disclosures required in the annual financial statements (except for the following credit risk disclosure), and should be read in conjunction with the annual financial statements for the year ended 30 September 2021.

There have been no changes in the risk management policies since 30 September 2021.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

5. FINANCIAL RISK MANAGEMENT (CONT'D)

5.1 Financial risk factors (Cont'd)

(i) Trade and other receivables

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

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

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

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

Receivables are written off when there is no reasonable expectation of recovery, such as a debtor failing to engage in a repayment plan with the Group. The Group categorises a receivable for write off when a debtor fails to make contractual payment greater than 365 days past due based on historical collection trend. When receivables have been written off, the Group continues to engage in enforcement activity to attempt to recover the receivables due. Where recoveries are made, these are recognised in profit or loss.

As at 31 March 2022 and 30 September 2021, management has identified a group debtors from space optimisation business to be credit impaired as they experienced significant financial difficulties. Hence, management has assessed the recoverability of the outstanding balances separately from the provision matrix below.

	31 March 2022 S\$'000	30 September 2021 S\$'000
Gross carrying amount	717	913
Less: Loss allowance	(658)	(744)
Carrying amount net of allowance	59	169

The Group's credit risk exposure in relation to trade receivables as at 31 March 2022 and 30 September 2021 are set out in the provision matrix as follows:

	Current	Past due 1 to 30 days	Past due 31 to 60 days	Past due 61 to 90 days	Past due 91 to 180 days	Past due 181 to 365 days	Past due over 365 days	Total
31 March 2022	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
Space Optimisation								
Expected loss rate	0.0%	0.0%	0.0%	0.0%	45.5%	100.0%	100.0%	
Gross carrying amount	305	548	176	117	11	2	9	1,168
Loss allowances	-	-	-	-	5	2	9	16
Logistics, Facilities and Other								
Expected loss rate	0.0%	0.0%	0.0%	1.5%	80.0%	100.0%	-	
Gross carrying amount	16,447	2,035	480	131	45	18	-	19,156
Loss allowances	-	-	-	2	36	18	-	56

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

5. FINANCIAL RISK MANAGEMENT (CONT'D)

5.1 Financial risk factors (Cont'd)

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

30 September 2021	Current	Past due	Past due	Past due	Past due	Past due	Past due	Total
S\$'000	S\$'000	1 to 30	31 to 60	61 to 90	91 to 180	181 to 365	over 365	S\$'000
		days	days	days	days	days	days	
		S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
Space Optimisation								
Expected loss rate	0.0%	0.0%	0.0%	0.0%	84.4%	100.0%	100.0%	
Gross carrying amount	331	372	63	15	45	7	27	860
Loss allowances	-	-	-	-	38	7	27	72
Logistics, Facilities and Other								
Expected loss rate	0.0%	0.0%	0.0%	0.0%	88.1%	10.0%	-	
Gross carrying amount	11,263	1,527	464	76	42	20	-	13,392
Loss allowances	-	-	-	-	37	2	-	39

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

The Group considered that there was evidence if any of the following indicators were present:

- There is significant difficulty of the debtor
- Breach of contract, such as default or past due event
- It is becoming probable that the debtor will enter bankruptcy or other financial reorganisation

(ii) Movement in credit loss allowance

	Trade	Other	Total
	receivables	receivables	S\$'000
	S\$'000	S\$'000	S\$'000
Balance as at 30 September 2020	2,679	3	2,682
Reversal of loss allowance recognised in profit or loss for the period, net	(156)	-	(156)
Balance as at 31 March 2021	2,523	3	2,526
	Trade	Other	Total
	receivables	receivables	S\$'000
	S\$'000	S\$'000	S\$'000
Balance as at 30 September 2021	855	3	858
Loss allowance recognised in profit or loss for the period, net	20	-	20
Written off	(145)	-	(145)
Balance as at 31 March 2022	730	3	733

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

5. FINANCIAL RISK MANAGEMENT (CONT'D)

5.2 Fair value estimation

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

- (i) Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- (ii) Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- (iii) Level 3: unobservable inputs for the asset or liability.

The following table shows the levels within the hierarchy of non-financial assets measured at fair value on a recurring basis as at 31 March 2022 and 30 September 2021:

	Level 1 S\$'000	Level 2 S\$'000	Level 3 S\$'000	Total S\$'000
As at 31 March 2022 (unaudited)				
Investment properties (owned):				
Industrial, commercial and residential properties	–	–	154,204	154,204
Investment properties (right-of-use):				
Industrial, commercial and residential properties	–	–	42,892	42,892
	–	–	197,096	197,096
Property, plant and equipment:				
Leasehold buildings	–	–	30,840	30,840
As at 30 September 2021 (audited)				
Investment properties (owned):				
Industrial, commercial and residential properties	–	–	125,239	125,239
Investment properties (right-of-use):				
Industrial, commercial and residential properties	–	–	41,331	41,331
	–	–	166,570	166,570
Property, plant and equipment:				
Leasehold buildings	–	–	22,502	22,502

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

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

5. FINANCIAL RISK MANAGEMENT (CONT'D)

5.2 Fair value estimation (Cont'd)

Fair value measurements of investment properties

Investment properties are carried at fair values at the end of reporting period. Valuations are made at each financial statement date based on the properties' highest-and-best-use using the direct market comparison method, discounted cash flow approach and income capitalization method in determining the open market values.

Reconciliation of movements in Level 3 fair value measurement

	Investment properties S\$'000
For the six months ended 31 March 2022 (unaudited)	
Beginning of financial period	166,570
Additions – investment properties	33,150
Additions – capitalised expenditure	2,074
Reclassification to property, plant and equipment	(8,286)
Derecognition of assets of right-of-use properties	(4,880)
Net gain from fair value adjustment	8,630
Currency translation	(162)
End of financial period	<u>197,096</u>
For the financial year ended 30 September 2021 (audited)	
Beginning of financial year	115,578
Additions – investment properties	60,634
Reclassification from right-of-use assets	12,084
Derecognition of assets of right-of-use properties	(8,407)
Lease modification adjustments	(1,808)
Net loss from fair value adjustment	(11,598)
Currency translation	87
End of financial year	<u>166,570</u>

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

5. FINANCIAL RISK MANAGEMENT (CONT'D)

5.2 Fair value estimation (Cont'd)

Valuation techniques and inputs used in Level 3 fair value measurements

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

<u>Description</u>	<u>Fair value S\$'000</u>	<u>Valuation technique</u>	<u>Unobservable inputs^(a)</u>	<u>Range of Unobservable inputs</u>	<u>Relationship of unobservable inputs to fair value</u>
As at 31 March 2022 (unaudited)					
Singapore (Owned investment properties)	131,704	Direct comparison method	Transacted price of comparable properties	S\$1,400 to S\$35,000 per square metre	The higher the comparable value, the higher the fair value
		Discounted cash flow	Discount rate	7.25%-7.5%	The higher the rate, the lower the fair value
		Discounted cash flow	Terminal yield	5.25%-6%	The higher the rate, the lower the fair value
		Capitalisation rate	Capitalisation rate	3.0%-5.75%	The higher the rate, the lower the fair value
Singapore (Right-of-use properties)	42,892	Income capitalisation method	Capitalisation rate	10.5%	The higher the rate, the lower the fair value
Indonesia (Owned investment properties)	6,110	Direct comparison method	Transacted price of comparable properties	S\$3,600 to S\$4,700 per square metre	The higher the comparable value, the higher the fair value
Cambodia (Owned investment properties)	16,390	Direct comparison method	Transacted price of comparable properties	S\$1,400 to S\$3,900 per square metre	The higher the comparable value, the higher the fair value
		Capitalisation rate	Capitalisation Rate	4.0%-5.0%	The higher the rate, the lower the fair value
	<u>197,096</u>				
Singapore (Leasehold buildings)	31,143	Direct comparison method	Transacted price of comparable properties	S\$1,100 to S\$22,700 per square metre	The higher the comparable value, the higher the fair value
	<u>31,143</u>				

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

5. FINANCIAL RISK MANAGEMENT (CONT'D)

5.2 Fair value estimation (Cont'd)

Valuation techniques and inputs used in Level 3 fair value measurements (Cont'd)

Description	Fair value S\$'000	Valuation technique	Unobservable inputs ^(a)	Range of Unobservable inputs	Relationship of unobservable inputs to fair value
As at 30 September 2021 (audited)					
Singapore (Owned investment properties)	101,628	Direct comparison method	Transacted price of comparable properties	S\$1,600 to S\$41,000 per square metre	The higher the comparable value, the higher the fair value
		Discounted cash flow	Discount rate	7.25%-7.5%	The higher the rate, the lower the fair value
		Discounted cash flow	Terminal yield	5.25%-6%	The higher the rate, the lower the fair value
		Capitalisation rate	Capitalisation rate	5.0%-5.75%	The higher the rate, the lower the fair value
Singapore (Right-of-use properties)	41,331	Income capitalisation method	Capitalisation rate	10.5%	The higher the rate, the lower the fair value
Indonesia (Owned investment properties)	6,175	Direct comparison method	Transacted price of comparable properties	S\$3,400 to S\$3,800 per square metre	The higher the comparable value, the higher the fair value
Cambodia (Owned investment properties)	17,436	Direct comparison method	Transacted price of comparable properties	S\$1,800 to S\$6,700 per square metre	The higher the comparable value, the higher the fair value
		Capitalisation rate	Capitalisation rate	6.0%	The higher the rate, the lower the fair value
	<u>166,570</u>				
Singapore (Leasehold buildings)	22,502	Direct comparison method	Transacted price of comparable properties	S\$1,300 to S\$2,000 per square metre	The higher the comparable value, the higher the fair value
	<u>22,502</u>				

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

6. SEGMENT INFORMATION

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

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

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

For the six months ended 31 March 2022, revenue attributable to the Group's largest customer accounted for approximately 17.8% (2021: 29.3%) of the Group's total revenue and aggregate revenue attributable to the five largest customers of the Group accounted for approximately 25.9% (2021: 35.1%) of the Group's total pre-IFRS 16 revenue.

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

Allocation basis and transfer pricing

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

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

Sales

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

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

Segment assets and liabilities

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

6. SEGMENT INFORMATION (CONT'D)

Segment breakdown for the six months ended 31 March 2022 are as follows:

	Industrial S\$'000	Commercial S\$'000	Residential S\$'000	Logistics Services S\$'000	Facilities Management S\$'000	Corporate and Eliminations S\$'000	Consolidated S\$'000
Sales							
Total segment sales	9,991	4,113	8,171	14,441	28,265	10,171	75,152
Inter-segment sales	(537)	(378)	(790)	(874)	(3,221)	(10,171)	(15,971)
External sales	9,454	3,735	7,381	13,567	25,044	–	59,181
Segment results	3,803	5,687	2,661	1,271	6,808	(39)	20,191
Fair value (losses)/gains on investment properties	(991)	(1,186)	10,807	–	–	–	8,630
Finance cost	(801)	(279)	(833)	(269)	(143)	(19)	(2,344)
Share of results of associates and joint ventures	2,011	4,222	12,635	1,002	6,665	(58)	26,477
Profit before taxation	396	–	9,142	436	(556)	–	9,418
Taxation	2,407	4,222	21,777	1,438	6,109	(58)	35,895
Net profit after taxation							(2,043)
Non-controlling interests							33,852
Net profit attributable to equity holders of the Company							(1,656)
							32,196
Segment assets	109,543	32,145	135,495	33,726	33,961	13,435	358,305
Investment in associates	–	–	–	429	56	–	485
Investment in joint ventures	18,543	–	9,222	–	1,685	–	29,450
Total segment assets	79,143	22,327	96,448	22,075	23,379	13,442	388,240
Total segment liabilities	22,876	721	6,160	910	192	948	31,807
Capital expenditures	585	801	1,253	825	527	153	4,144
Depreciation of property, plant and equipment	108	133	54	982	4,806	4	6,087
Depreciation of right-of-use assets							

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

6. SEGMENT INFORMATION (CONT'D)

Segment breakdown for the six months ended 31 March 2021 are as follows:

	Industrial S\$'000	Commercial S\$'000	Residential S\$'000	Logistics Services S\$'000	Facilities Management S\$'000	Corporate and Eliminations S\$'000	Consolidated S\$'000
Sales							
Total segment sales	9,872	4,375	6,590	14,788	36,837	11,975	84,437
Inter-segment sales	(1,112)	(300)	(72)	(1,285)	(5,215)	(11,975)	(19,959)
External sales	8,760	4,075	6,518	13,503	31,622	–	64,478
Segment results	4,540	1,665	385	1,985	11,914	2,090	22,579
Fair value gains/(losses) on investment properties	1,068	(2,287)	(1,501)	–	–	–	(2,720)
Finance cost	(864)	(413)	(730)	(331)	(150)	(20)	(2,508)
Share of results of associates and joint ventures	4,744	(1,035)	(1,846)	1,654	11,764	2,070	17,351
Profit before taxation	591	–	(1)	381	(46)	–	925
Taxation	5,335	(1,035)	(1,847)	2,035	11,718	2,070	18,276
Net profit after taxation							(3,012)
Non-controlling interests							15,264
Net profit attributable to equity holders of the Company							(455)
							14,809

Segment breakdown for its comparative period ended 30 September 2021 are as follows:

Segment assets	94,117	30,916*	125,435*	32,560	22,456	11,475	316,959
Investment in associates	–	–	–	238	57	–	295
Investment in joint ventures	18,400	–	–	–	2,241	–	20,641
Total segment assets							337,895
Total segment liabilities	64,625	26,458	78,256	22,410	22,192	15,936	229,877
Capital expenditures	643	11,950	38,799	2,849	2,211	10,343	66,795
Depreciation of property, plant and equipment	736	1,248	2,456	1,526	825	356	7,147
Depreciation of right-of-use assets	277	266	105	1,974	9,046	–	11,668

* 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.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

6. SEGMENT INFORMATION (CONT'D)

Reconciliation of segments' total assets and total liabilities

	31 March 2022 S\$'000	30 September 2021 S\$'000
Reportable segments' assets are reconciled to total assets:		
Segment assets	388,240	337,895
Deferred tax assets	205	60
Long-term prepayment	117	99
Inventories	105	90
Loans to associates and joint ventures	13,243	9,152
Prepayment	1,738	1,342
Cash and bank balances	34,833	36,786
Fixed deposits	4,564	1,384
	<u>443,045</u>	<u>386,808</u>
Reportable segments' liabilities are reconciled to total liabilities:		
Segment liabilities	256,814	229,877
Current income tax liabilities	3,513	4,995
Deferred tax liabilities	4,716	3,653
	<u>265,043</u>	<u>238,525</u>

Geographical segment

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

	Revenue from external customers six months ended 31 March	
	2022 S\$'000	2021 S\$'000
Singapore	53,832	58,813
Thailand	2,333	1,969
Malaysia	1,246	988
Hong Kong	1,212	1,028
Myanmar	229	522
Indonesia	179	186
Cambodia	150	972
	<u>59,181</u>	<u>64,478</u>

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

	Non-current assets as at	
	31 March 2022 S\$'000	30 September 2021 S\$'000
Singapore	302,069	248,912
Thailand	2,440	2,311
Malaysia	1,593	1,223
Hong Kong	220	354
Myanmar	3,158	3,964
Indonesia	6,171	7,593
Cambodia	16,424	16,137
People's Republic of China	5,823	5,715
	<u>337,898</u>	<u>286,209</u>

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

7. REVENUE

	Six months ended 31 March	
	2022	2021
	S\$'000	S\$'000
Rental and warehousing lease income from		
– Leased properties	12,557	12,839
– Owned properties	2,928	3,285
Car park services	9,389	7,817
Dormitory management services	–	42
Logistics services		
– Trucking services	5,880	6,042
– Storage services	1,322	1,310
– Container repair services	1,342	1,345
– Logistics management	5,022	4,806
Facilities services	19,414	26,188
Management services fee income	885	747
Others	442	57
	<u>59,181</u>	<u>64,478</u>

8. OTHER INCOME

	Six months ended 31 March	
	2022	2021
	S\$'000	S\$'000
Handling charges	134	177
Gain on disposal of property, plant and equipment	55	26
Interest income	688	714
Gain from net investment in subleases	5,345	1,880
Gain from termination of lease	–	2
Lease modification gains	77	–
Vehicle related income	83	62
Government grants	497	79
Wage credit scheme and special employment credit*	267	183
Job support scheme**	–	714
Forfeiture of tenant deposit	125	91
Services charges	111	94
Miscellaneous charge to tenant	127	67
Rental rebates, net***	1,519	1,277
Other income	953	597
	<u>9,981</u>	<u>5,963</u>

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

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

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

9. OTHER OPERATING EXPENSES

	Six months ended 31 March	
	2022	2021
	S\$'000	S\$'000
Impairment loss on property, plant and equipment	480	–
Lease modification loss	–	698
Foreign exchange loss	157	364
	<u>637</u>	<u>1,062</u>

10. EXPENSE BY NATURE

	Six months ended 31 March	
	2022	2021
	S\$'000	S\$'000
Advertising expenses	153	120
Commission fees	306	559
Entertainment expenses	144	146
Marketing expenses	94	18
Transportation costs	640	710
Container depot management charges	1,255	1,362
Rental expenses	2,718	3,095
Upkeep, maintenance, set up and retrofit costs	9,893	9,932
Consultancy fees	80	67
Depreciation of property, plant and equipment	4,144	3,175
Depreciation of right-of-use assets	6,087	7,102
Amortisation of intangible assets	–	34
Listing expenses*	883	–
Write-off of property, plant and equipment	–	13
Professional fees	1,024	594
Vehicle-related expenses	38	39
Employee benefit costs	16,499	15,643
Insurance fees	411	397
IT Maintenance expenses	375	296
Printing expenses	148	130
Property management fees	167	167
Telephone expenses	153	151
Auditor's remuneration		
– Audit services – current	209	157
– Audit services – under provision in prior year	11	104
– Non-audit services	75	166
Other expenses	2,574	1,573
	<u>48,081</u>	<u>45,750</u>

* Relates to listing expenses incurred for the spin-off and separate listing of our Logistics business.

11. FINANCE COST – NET

	Six months ended 31 March	
	2022	2021
	S\$'000	S\$'000
Interest expense on borrowings	1,316	979
Interest expense on lease liabilities from hire purchase arrangements	71	86
Interest expense on lease liabilities from lease arrangements	1,031	1,443
Interest expense on others	40	–
	<u>2,458</u>	<u>2,508</u>
Less: Amount capitalised	(114)	–
Finance cost – net	<u>2,344</u>	<u>2,508</u>

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

12. INCOME TAX EXPENSE

	Six months ended 31 March	
	2022	2021
	S\$'000	S\$'000
Current income tax	1,208	2,938
Deferred income tax	917	8
	<u>2,125</u>	<u>2,946</u>
(Over)/Under provision in respect of prior years – current taxation	(82)	66
	<u>2,043</u>	<u>3,012</u>

13. DIVIDEND

The Board has resolved to declare an interim dividend of S\$0.006 (equivalent to HK\$0.0339) per share for the six months ended 31 March 2022 (2021: S\$0.0075 per share).

Pursuant to the successful listing of LHN Logistics Limited as announced on 29 April 2022, the Board has resolved to declare a special dividend of S\$0.0015 per share (equivalent to HK\$0.0085 for reference only) per share, which is subject to shareholders' approval at the extraordinary general meeting of the Company to be convened in due course.

During the six months ended 31 March 2022, the shareholders had approved the final dividend for the financial year 30 September 2021 of S\$0.01 per share. The dividend was recognised as a distribution of approximately S\$4,081,000 was paid in February 2022.

14. EARNINGS PER SHARE

Basic earnings per share are calculated by dividing the profit of the Group attributable to equity holders of the Company by the weighted average number of ordinary shares deemed to be in issue during each of the period ended 31 March 2022 and 2021:

	Six months ended 31 March	
	2022	2021
Net profit attributable to equity holders of the Company (S\$'000)	32,196	14,809
Weighted average number of ordinary shares ('000)	408,945	402,445
Basic earnings per share (Singapore cents)	7.87	3.68

The basic and diluted earnings per share are the same as there were no potentially dilutive ordinary securities in issue as at 31 March 2022 and 31 March 2021.

15. PROPERTY, PLANT AND EQUIPMENT

The Group had additions of property, plant and equipment of approximately S\$6,669,000 (2021: S\$5,424,000) for the six months ended 31 March 2022.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

16. LEASE RECEIVABLES

	31 March 2022 S\$'000	30 September 2021 S\$'000
Not later than one year	18,367	20,685
Between one and two years	8,822	7,647
Between two and three years	8,121	4,404
Between three and four years	2,853	2,160
Between four and five years	–	–
Later than 5 years	–	–
Total undiscounted lease payments	38,163	34,896
Less: Unearned finance income	(1,429)	(1,057)
	<u>36,734</u>	<u>33,839</u>
Presented as:		
Current	17,590	20,031
Non-current	19,144	13,808
	<u>36,734</u>	<u>33,839</u>

17. TRADE AND OTHER RECEIVABLES

	31 March 2022 S\$'000	30 September 2021 S\$'000
Trade receivables		
– Third parties	20,176	14,544
– Related parties	4	–
– Associates and Joint ventures	861	621
	<u>21,041</u>	<u>15,165</u>
Accrued rental income	392	354
Goods and service tax receivables	2,077	2,970
Deposits with external parties	9,187	12,984
Other receivables	905	1,139
	<u>12,169</u>	<u>17,093</u>
Less:		
– Impairment loss on trade receivables	(730)	(855)
– Impairment loss on other receivables	(3)	(3)
	<u>32,869</u>	<u>31,754</u>

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

	31 March 2022 S\$'000	30 September 2021 S\$'000
0 to 30 days	18,166	13,310
31 to 60 days	1,621	549
61 to 90 days	448	240
91 to 180 days	74	90
181 to 365 days	18	184
Over 365 days	714	792
	<u>21,041</u>	<u>15,165</u>

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

18. SHARE CAPITAL

	6 months ended 31 March 2022		Year ended 30 September 2021	
	No. of shares Issued	Nominal Amount S\$'000	No. of shares Issued	Nominal Amount S\$'000
Beginning of financial year	408,945,400	65,496	402,445,400	63,407
Issuance of placement shares*	–	–	6,500,000	2,089
End of financial period/year	408,945,400	65,496	408,945,400	65,496

* As announced on 24 June 2021, 6,500,000 ordinary shares of the Company at the issue price of S\$0.3351 were issued following the completion of the placement. The placement shares were issued free from all claims, charges, liens and other encumbrances whatsoever and rank pari passu in all respects with and carry all rights similar to the existing issued shares.

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All shares rank equally with regard to the Company's residual assets.

19. TRADE AND OTHER PAYABLES

	31 March 2022 S\$'000	30 September 2021 S\$'000
Trade payables		
– Third parties	4,624	5,086
– Associates and Joint ventures	530	149
	5,154	5,235
Contract liabilities		
– Rental received in advance	182	174
– Advances received from customers	2,893	2,298
	3,075	2,472
Other payables and accruals		
– Goods and services tax payables	812	1,029
– Loan from shareholder of a non-wholly owned subsidiary	2,679	717
– Provision of directors' fees	58	60
– Accruals	8,052	10,349
– Accrued rental expenses	127	82
– Rental deposits received from customers	12,048	11,374
– Rental deposits received from related parties	–	38
– Withholding tax	94	95
– Sundry creditors*	2,034	3,941
– Other payables	21	22
	34,154	35,414
Less:		
– Non-current portion: other payables	(21)	(22)
Total trade and other payables included in current liabilities	34,133	35,392

* Include loans of approximately S\$2,658,000 from external parties as at 30 September 2021. The parties are registered as shareholders of a subsidiary on 1 October 2021.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

19. TRADE AND OTHER PAYABLES (CONT'D)

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

	31 March 2022 S\$'000	30 September 2021 S\$'000
0 to 30 days	3,123	3,585
31 to 60 days	1,371	949
61 to 90 days	169	219
Over 90 days	491	482
	<u>5,154</u>	<u>5,235</u>

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

20. BANK BORROWINGS

	31 March 2022 S\$'000	30 September 2021 S\$'000
Non-current, secured		
Bank borrowings repayable later than 1 year and no later than 2 years	16,473	9,919
Bank borrowings repayable later than 2 years and no later than 5 years	31,070	23,742
Bank borrowings repayable later than 5 years	67,847	56,161
	<u>115,390</u>	<u>89,822</u>
Current, secured		
Bank borrowings repayable no later than 1 year	17,303	11,556
Total borrowings	<u>132,693</u>	<u>101,378</u>

The bank borrowings of approximately S\$132.7 million as at 31 March 2022 (30 September 2021 – S\$101.4 million) obtained by our subsidiaries are secured by (i) legal mortgage of leasehold property at 72 Eunos Avenue 7, 100 Eunos Avenue 7, 71 Lorong 23 Geylang, 7 Gul Avenue, 75 Beach Road, 320 Balestier Road, 115 Geylang Road, 55 Tuas South Avenue 1 in Singapore and Axis Residences in Cambodia; (ii) corporate guarantees provided by the Group; (iii) assignment of rental proceeds of the mortgaged properties; and (iv) personal guarantees provided by non-controlling interest shareholders of certain non-wholly owned subsidiaries of the Company, where applicable.

21. COMMITMENTS

(a) Capital commitments

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

	31 March 2022 S\$'000	30 September 2021 S\$'000
Investment property	1,284	1,005
Property, plant and equipment	26,862	1,884
	<u>28,146</u>	<u>2,889</u>

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

21. COMMITMENTS (CONT'D)

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

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

These lease payments have been recognised as ROU assets and lease liabilities on the balance sheet, except for short-term and low value leases which amounted to S\$2,504,000 and S\$214,000 (2021: S\$2,893,000 and S\$202,000) respectively.

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

The Group leases out investment properties to non-related parties under non-cancellable operating lease agreements. These leases are required to pay either absolute fixed annual increase to the lease payments or contingent rents computed based on their sales achieved during the lease period. When considered necessary to reduce the credit risk, the Group may obtain bank guarantees equivalent to few months of the lease payments.

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

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

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

The undiscounted lease payments from the operating leases from leased properties and owned investment properties to be received after 31 March 2022 and 30 September 2021 is disclosed as follows:

	31 March 2022 S\$'000	30 September 2021 S\$'000
Operating leases from leased properties		
Not later than one year	13,201	15,157
Between one and two years	3,422	2,648
Between two and three years	2,079	16
	18,702	17,821
	31 March 2022 S\$'000	30 September 2021 S\$'000
Operating leases from owned investment properties		
Not later than one year	3,310	2,617
Between one and two years	274	116
Between two and three years	84	–
	3,668	2,733

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

21. COMMITMENTS (CONT'D)

(d) Corporate guarantees

The Group has provided corporate guarantees in favour of financial institutions in respect of facilities granted to certain joint ventures and associate amounting to S\$84,219,000 (2021: S\$63,030,000). As at 31 March 2022, the outstanding amount of guaranteed loans drawn down by joint ventures and associate amounted to S\$69,659,000 (2021: S\$51,180,000).

The Group has determined that the corporate guarantees had insignificant fair values as at 31 March 2022 and 30 September 2021.

22. RELATED PARTY TRANSACTIONS

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

Name of the related party	Relationship with the Group
Lim Lung Tieng	Executive Director and Shareholder
Lim Bee Choo	Executive Director and Shareholder
Pang Joo Siang	Spouse of Lim Bee Choo, an executive Director of the Company
Work Plus Store (AMK) Pte. Ltd.	A joint venture
Metropolitan Parking Pte. Ltd.	A joint venture
Four Star Industries Pte Ltd	A joint venture
Work Plus Store (Kallang Bahru) Pte. Ltd.	A joint venture
Motorway Automotive Pte. Ltd.	A joint venture
Coliwoo East Pte. Ltd.	A joint venture
471 Balestier Pte. Ltd.	A joint venture
Work Plus Store (Kallang) Pte. Ltd.	A subsidiary of the joint venture company of the Group
HLA Logistics Pte. Ltd.	An associate
Metropolitan Parking (BTSC) Pte. Ltd.	An associate
Master Care Services Pte. Ltd.	A non-controlling shareholder of a subsidiary of the Group
PJS Companies	Related group of companies controlled by Pang Joo Siang (<i>Note 1</i>)
9 Plus Cafe Pte. Ltd.	The owner is the brother-in-law of an executive Director of the Company

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

	Six months ended 31 March	
	2022	2021
	S\$'000	S\$'000
Rental and service income from:		
Work Plus Store (AMK) Pte. Ltd.	307	421
Metropolitan Parking Pte. Ltd.	47	44
Four Star Industries Pte Ltd	335	331
Work Plus Store (Kallang) Pte. Ltd.	21	50
Work Plus Store (Kallang Bahru) Pte. Ltd.	115	–
PJS Companies	–	15
HLA Logistics Pte. Ltd.	814	810
Motorway Automotive Pte. Ltd.	94	98
Receipts of lease payment from:		
Master Care Services Pte. Ltd.	168	164
Auxiliary services from:		
PJS Companies	–	53

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

22. RELATED PARTY TRANSACTIONS (CONT'D)

	Six months ended 31 March	
	2022 S\$'000	2021 S\$'000
Loan to:		
Work Plus Store (AMK) Pte. Ltd.	100	–
Metropolitan Parking Pte. Ltd.	650	–
Metropolitan Parking (BTSC) Pte. Ltd.	80	590
Four Star Industries Pte Ltd	1,080	–
Work Plus Store (Kallang Bahru) Pte. Ltd.	450	–
Motorway Automotive Pte. Ltd.	232	244
Coliwoo East Pte. Ltd.	355	1,077
471 Balestier Pte. Ltd.	2,078	–
Repayment of loan from:		
Four Star Industries Pte Ltd	830	378
471 Balestier Pte. Ltd.	220	–
Other transactions with:		
Work Plus Store (AMK) Pte. Ltd.	157	151
Metropolitan Parking Pte. Ltd.	496	453
Metropolitan Parking (BTSC) Pte. Ltd.	319	204
Work Plus Store (Kallang Bahru) Pte. Ltd.	168	58
Four Star Industries Pte Ltd	32	35
Motorway Automotive Pte. Ltd.	32	20
Coliwoo East Pte. Ltd.	45	–
471 Balestier Pte. Ltd.	27	–

Notes:

- i Sales and purchases are made at prices mutually agreed by the relevant parties
- ii Terms of services are mutually agreed between the relevant parties

23. SUBSEQUENT EVENTS

The Group entered into an option to purchase on 22 February 2022 to acquire a property at 298 River Valley Road, Singapore 238339, for a consideration of S\$8.5 million. On 29 April 2022, the Group had completed the acquisition of the property in accordance with the terms and conditions as set out in the option to purchase.

On 29 April 2022, LHN Logistics Limited shares were listed on the Catalist Board of the SGX-ST and trading of its shares had commenced on the same date. Following the completion of the spin-off of the Logistics Services Business and as at the date of this report, LHN Limited holds an indirect shareholding interest in LHN Logistics Limited of approximately 84.1%.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

In 1H2022, the Space Optimisation Business had renewed one master lease under the Commercial Properties and one master lease under the Residential Properties. In addition, the Group had completed the acquisition of two joint venture properties, namely at 55 Tuas South Avenue 1 and 471 Balestier Road under its Industrial Properties and co-living Residential Properties business respectively. The Group continues to expand further by entering into a new master lease for a block of serviced residence at 2 Mount Elizabeth Link, Singapore, for a term of three years commencing on 1 December 2021 with four options to renew, each for a further term of three years. The property is currently under renovation and is expected to commence operations in the first quarter of the financial year ending 30 September 2023 (“FY2023”) with 411 keys.

Under the co-living residential business, the Group is pleased to announce that its own property at 320 Balestier Road and joint venture property at 40 and 42 Amber Road have completed renovations and commenced operations in 1H2022.

As at 31 March 2022, the occupancy rates across certain properties (excluding joint venture properties) under the Space Optimisation Business are as follows:

Industrial Properties	
– Work+Store space:	97.9%
– Industrial space:	95.4%
Commercial Properties	
– Commercial space:	92.7%
Residential Properties	
– Co-living space (Singapore):	96.5%

The Facilities Management Business primarily provides integrated facilities management services, carpark management services and dormitory management services. The carpark business continues to perform well in 1H2022, however, a lower demand in facilities management services has resulted in an overall decrease in the Facilities Management Business revenue in 1H2022.

Our Logistics Services Business which provides transportation services and container depot services continues to perform well in 1H2022.

Business Outlook

As released in the press release dated 17 February 2022 by the Singapore’s Ministry of Trade and Industry¹, the Singapore economy grew by 6.1 per cent on a year-on-year basis in the fourth quarter of 2021, moderating from the 7.5 per cent expansion in the preceding quarter. On a quarter-on-quarter seasonally-adjusted basis, the economy expanded by 2.3 per cent, faster than the 1.5 per cent growth recorded in the previous quarter.

Further, based on the report in CBRE’s 2022 Asia Pacific Real Estate Market Outlook² and the press release dated 29 April 2022 by EdgeProp³, they foresee that a rebound in leasing demand will bring an end to the downward rental cycle in the office and retail sectors, with the logistics sector also expected to enjoy another strong year of growth and occupancies for industrial sector are likely to bounce back in the coming quarters due to resilient industrial leasing demand respectively.

However, the Group is also mindful of the rising operating costs to its business due to Russia’s invasion of Ukraine, interest rate hikes and the global recovery from the COVID-19 pandemic.

Taking into consideration the challenges above, the Group will exercise caution in implementing our growth strategy and be more selective in our investments target while striving to deliver our spaces at a competitive price to our customers.

¹ <https://www.singstat.gov.sg/-/media/files/news/gdp4q2021.ashx#:~:text=For%20the%20whole%20of%202021,per%20cent%20growth%20in%202020>

² <https://apacresearch.cbre.com/en/research-and-reports/apac-real-estate-market-outlook-2022>

³ <https://www.edgeprop.sg/property-news/industrial-rents-increased-sixth-straight-quarter-1q2022>

MANAGEMENT DISCUSSION AND ANALYSIS

Riding on the promising prospect of the residential rental market in Singapore, the Group is looking to launch four new Coliwoo properties in the second half of the financial year ending 30 September 2022 adding another 135 keys into its existing portfolio of 925 keys, as part of its co-living residential business expansion plans.

In the pipeline, the Group is also expecting new Coliwoo properties to be launched in Singapore which will comprise a block of serviced residence at 2 Mount Elizabeth Link comprising of 411 keys, a recently acquired freehold serviced residence property at 298 River Valley Road comprising of 13 keys as well as a newly signed master lease arrangement for a row of shophouses along Lavender Street.

Based on the press release dated 6 February 2022 by CNBC⁴, property prices in Singapore have climbed in the past two years, and will likely keep going up despite the government's efforts to cool the market. The Group also envision that this segment has good growth potential, with more expats returning to Singapore as borders reopen and also aim to provide flexible and affordable residential offerings, on the back of the continued increase in rental rates in Singapore.

For the Facilities Management Business, the Group will continue to seek more external facilities management contracts by providing integrated facilities management services covering estate and building management, repair, maintenance and cleaning, pest control and fumigation of buildings and offices to its customers. In addition, the Group plans to build up its market share in the carpark business by offering smart parking solutions to optimise space utilisation.

For the Logistics Services Business, the Group is pleased to announce the successful spin-off of its subsidiary, LHN Logistics Limited on the Catalist Board of the SGX-ST (stock code: GIH) on 29 April 2022. The successful spin-off will open the door to opportunities for growth and investments to allow LHN Logistics Limited to strengthen its position in the market as well as expand their operations in Singapore, Malaysia and the ASEAN region, thereby delivering more value to their shareholders.

Financial Review

For 1H2022 vs 1H2021

Revenue

	1H2022 S\$'000 (unaudited)	1H2021 S\$'000 (unaudited)	Variance	
			S\$'000	%
Industrial Properties	9,454	8,760	694	7.9
Commercial Properties	3,735	4,075	(340)	(8.3)
Residential Properties				
– Co-living (Singapore)	7,003	4,982	2,021	40.6
– 85 SOHO (Overseas)	378	1,494	(1,116)	(74.7)
– Dormitory set up & retrofit	–	42	(42)	NM
	7,381	6,518	863	13.2
Space Optimisation Business	20,570	19,353	1,217	6.3
Facilities Management Business	25,044	31,622	(6,578)	(20.8)
Logistics Services Business	13,567	13,503	64	0.5
Total	59,181	64,478	(5,297)	(8.2)

The Group's revenue decreased by approximately S\$5.3 million or 8.2% from approximately S\$64.5 million in 1H2021 to approximately S\$59.2 million in 1H2022 primarily due to the decrease in revenue from the Facilities Management Business which was partially offset by the increase in revenue from the Space Optimisation Business.

⁴ <https://www.cnbc.com/2022/02/07/singapore-property-prices-rents-to-rise-in-2022-but-at-a-slower-pace.html>

MANAGEMENT DISCUSSION AND ANALYSIS

(a) Space Optimisation Business

Industrial Properties

Revenue derived from Industrial Properties increased by approximately S\$0.7 million or 7.9% from approximately S\$8.8 million in 1H2021 to approximately S\$9.5 million in 1H2022 was mainly due to contribution of revenue from the new property acquired and tenanted at 55 Tuas South Avenue 1 in the first quarter of the financial year ending 30 September 2022 (“FY2022”).

Commercial Properties

Revenue derived from Commercial Properties decreased by approximately S\$0.3 million or 8.3% from approximately S\$4.1 million in 1H2021 to approximately S\$3.7 million in 1H2022 was mainly due to decrease in revenue from subleases as a result of the expiry of three master leases during the financial year ended 30 September 2021 (“FY2021”).

This was partially offset by the (i) revenue contribution from 1557 Keppel Road due to occupancy build-up as renovation was completed in the third quarter of FY2021; and (ii) increase in revenue due to higher occupancy rates in other properties.

Residential Properties

Revenue derived from Residential Properties increased by approximately S\$0.9 million or 13.2% from approximately S\$6.5 million in 1H2021 to approximately S\$7.4 million in 1H2022 was mainly due to the increase in revenue of approximately S\$2.0 million from our co-living business in Singapore. This was partially offset by the decrease in revenue of approximately S\$1.1 million from our overseas Residential Properties.

The increase in revenue from our co-living business in Singapore arose mainly from (i) the co-living space at 1557 Keppel Road which started generating revenue from the third quarter of FY2021 after completion of progressive renovations; (ii) the property at 320 Balestier Road which was acquired in the first quarter of FY2021 and contributed to the increase in revenue upon completion of progressive renovations in 1H2022; and (iii) higher occupancy rates from other co-living spaces in 1H2022.

For the overseas Residential Properties, the decrease in revenue was mainly due to the decrease in revenue from our serviced residences in Cambodia and Myanmar due to lower occupancy rates.

(b) Facilities Management Business

Revenue derived from our Facilities Management Business decreased by approximately S\$6.6 million or 20.8% from approximately S\$31.6 million in 1H2021 to approximately S\$25.0 million in 1H2022 mainly due to decrease in facilities management services of approximately S\$8.2 million from the dormitory business. This was partially offset by the increase in revenue of approximately S\$1.6 million from the increase in number of carparks secured in Singapore in the second quarter of FY2021.

(c) Logistics Services Business

Revenue derived from our Logistics Services Business increased slightly by approximately S\$0.1 million or 0.5% from approximately S\$13.5 million in 1H2021 to approximately S\$13.6 million in 1H2022.

Cost of Sales

Cost of sales decreased by approximately S\$1.3 million or 4.6% from approximately S\$29.3 million in 1H2021 to approximately S\$28.0 million in 1H2022. The decrease was mainly due to a decrease in (i) rental costs arising from the expiry of two short-term master leases in FY2021; and (ii) costs from the Facilities Management Business, in line with the decrease in revenue.

Gross Profit

In view of the above mentioned, gross profit decreased by approximately S\$4.0 million from approximately S\$35.2 million in 1H2021 to approximately S\$31.2 million in 1H2022 mainly due to decrease in dormitory business under the Facilities Management Business, partially offset by the increase from the co-living business of the Residential Properties.

MANAGEMENT DISCUSSION AND ANALYSIS

Other Income

Other income increased by approximately S\$4.0 million or 67.4% from approximately S\$6.0 million in 1H2021 to approximately S\$10.0 million in 1H2022 mainly due to (i) increase in gains from subleases of approximately S\$3.5 million which were derived based on differences between the right-of-use asset derecognised and the net investment in sublease; and (ii) increase in governments grants of approximately S\$0.4 million.

Other Operating Expenses

Other operating expenses decreased by approximately S\$1.2 million or 57.9% from approximately S\$2.1 million in 1H2021 to approximately S\$0.9 million in 1H2022 mainly due to (i) decrease in impairment losses on receivables of approximately S\$0.8 million under the Space Optimisation Business; and (ii) the absence of lease modification loss of approximately S\$0.7 million recorded in 1H2021. The decrease was partially offset by the impairment loss on property, plant and equipment of approximately S\$0.5 million under the Space Optimisation Business.

Selling and Distribution Expenses

Selling and distribution expenses decreased slightly by approximately S\$0.1 million or 16.3% from approximately of S\$0.8 million in 1H2021 to approximately S\$0.7 million in 1H2022 due to a decrease in commission expenses for the overseas Residential Properties.

Administrative Expenses

Administrative expenses increased by approximately S\$3.8 million or 24.3% from approximately S\$15.6 million in 1H2021 to approximately S\$19.4 million in 1H2022 mainly due to increase in (i) staff costs of approximately S\$0.9 million in line with the expansion of the co-living business; (ii) depreciation of property, plant and equipment of approximately S\$0.9 million mainly from the renovation under our Space Optimisation Business and additional carparks managed under the Facilities Management Business; (iii) listing expenses of LHN Logistics Limited of approximately S\$0.9 million and professional fees of approximately S\$0.4 million incurred mainly for the listing and spin-off of our logistics business; and (iv) other miscellaneous expenses of approximately S\$0.7 million due to business expansion.

Finance Cost

Finance cost decreased by approximately S\$0.2 million or 6.5% from approximately S\$2.5 million in 1H2021 to approximately S\$2.3 million in 1H2022 mainly due to decrease in interest expenses on lease liabilities of approximately S\$0.4 million. This was partially offset by increase in interest expenses of approximately S\$0.2 million due to the increase in bank borrowings.

Share of Results of Associates and Joint Ventures

Share of results of associates and joint ventures increased by approximately S\$8.5 million from approximately S\$0.9 million in 1H2021 to approximately S\$9.4 million in 1H2022 mainly due to a net fair value gain on investment properties of approximately S\$8.3 million in 1H2022 as compared to a net fair value loss on investment properties of approximately S\$0.2 million in 1H2021.

Fair Value Gains/(Losses) on Investment Properties

Fair value gain on investment properties was approximately S\$8.6 million in 1H2022 as compared to a fair value loss on investment properties of approximately S\$2.7 million 1H2021.

Profit before Income Tax

As a result of the aforementioned, the Group's profit before income tax increased by approximately S\$17.6 million or 96.4% from approximately S\$18.3 million in 1H2021 to approximately S\$35.9 million in 1H2022.

Income Tax Expense

Income tax expenses decreased by approximately S\$1.0 million or 32.2% from approximately S\$3.0 million in 1H2021 to approximately S\$2.0 million in 1H2022 mainly due to lower taxable profit.

MANAGEMENT DISCUSSION AND ANALYSIS

Profit for the Period

As a result of the above, the Group's net profit increased by approximately S\$18.6 million or 121.8% from approximately S\$15.3 million in 1H2021 to approximately S\$33.9 million in 1H2022.

Review of Statement of Financial Position

Non-current assets

Non-current assets increased by approximately S\$51.8 million from approximately S\$286.3 million as at 30 September 2021 to approximately S\$338.1 million as at 31 March 2022 mainly due to the factors set out below.

Property, plant and equipment ("PPE") increased by approximately S\$6.9 million due to (i) additions of approximately S\$6.7 million mainly for renovation costs incurred under the Space Optimisation Business; (ii) reclassification of property at 72 Eunos from investment properties of approximately S\$8.3 million due to partial change in usage of the property to owner-occupied; and (iii) net revaluation gains of approximately S\$0.2 million. This was partially offset by the (i) depreciation of PPE of approximately S\$4.1 million; (ii) net derecognition of PPE of approximately S\$3.7 million due to recognition of the net investment in sublease, pursuant to IFRS 16; and (iii) impairment loss on PPE of approximately S\$0.5 million.

Investment properties increased by approximately S\$30.5 million due to (i) additions to investment properties of approximately S\$23.8 million mainly for the purchase of property at 55 Tuas South Avenue 1; (ii) net additions to investment properties (right-of-use) of approximately S\$6.5 million mainly from the Residential Properties; and (iii) fair value gain of approximately S\$8.6 million. These were partially offset by the (i) abovementioned reclassification of property at 72 Eunos to PPE of approximately S\$8.3 million; and (ii) foreign currency translation loss of approximately S\$0.2 million.

Investment in associates and joint ventures increased by approximately S\$9.0 million mainly arising from the share of profit and other comprehensive income of associates and joint ventures recognised in 1H2022.

Lease receivables increased by approximately S\$5.3 million mainly due to recognition of receivables from new subleases in 1H2022.

Current assets

Current assets increased by approximately S\$4.4 million from approximately S\$100.5 million as at 30 September 2021 to approximately S\$104.9 million as at 31 March 2022 mainly due to the factors set out below.

Trade and other receivables increased by approximately S\$1.1 million mainly due to increase in trade receivables of approximately S\$5.9 million mainly due to outstanding amount from the dormitory business. This was partially offset by the decrease in other receivables of approximately S\$4.8 million which was largely due to the capitalisation of deposit paid upon completion of acquisition of property at 55 Tuas South Avenue 1.

Loans to associates and joint ventures increased by approximately S\$4.1 million mainly for the partial payment of acquisition of property under 471 Balestier Pte. Ltd. and for working capital.

Prepayments increased by approximately S\$0.4 million mainly due to higher prepaid rental expenses as at 31 March 2022.

Lease receivables decreased by approximately S\$2.4 million mainly due to receipts in 1H2022.

Cash and bank balances and fixed deposits increased by approximately S\$1.2 million.

Non-current liabilities

Non-current liabilities increased by approximately S\$26.7 million from approximately S\$148.8 million as at 30 September 2021 to approximately S\$175.5 million as at 31 March 2022 mainly due to the factors set out below.

Deferred tax liabilities increased by approximately S\$1.1 million.

MANAGEMENT DISCUSSION AND ANALYSIS

Bank borrowings increased by approximately S\$25.6 million mainly for the purchase of property at 55 Tuas South Avenue 1, renovation and working capital for the co-living business.

Lease liabilities increased by approximately S\$0.7 million mainly due to recognition of liabilities payable to landlords for lease arrangements relating to Residential Properties under the Space Optimisation Business and new carparks managed under our Facilities Management Business.

Provisions decreased by approximately S\$0.7 million mainly due to reclassification of provision of reinstatement cost from non-current liabilities to current liabilities of approximately S\$0.7 million as certain master leases are near expiry.

Current liabilities

Current liabilities decreased by approximately S\$0.2 million from approximately S\$89.7 million as at 30 September 2021 to approximately S\$89.5 million as at 31 March 2022 mainly due to the factors set out below.

Trade and other payables decreased by approximately S\$1.2 million largely due to decrease in accrued expenses.

Provisions increased by approximately S\$0.6 million mainly due to reclassification of provision of reinstatement cost from non-current liabilities to current liabilities as mentioned above.

Bank borrowings increased by approximately S\$5.7 million mainly for the purchase of property at 55 Tuas South Avenue 1, renovation and working capital for the co-living business.

Lease liabilities decreased by approximately S\$3.8 million mainly due to repayments in 1H2022.

Current tax payable decreased by approximately S\$1.5 million mainly due to lower income tax provision for 1H2022.

Review of Statement of Cash Flows

In 1H2022, the Group recorded net cash generated from operating activities of approximately S\$19.6 million, which was a result of operating cash flows before changes in working capital of approximately S\$25.0 million, increase in trade and other receivables of approximately S\$1.2 million and decrease in trade and other payables of approximately S\$1.6 million, adjusted for net income tax paid of approximately S\$2.6 million.

Net cash used in investing activities amounted to approximately S\$23.7 million, which was mainly due to (i) additions to PPE of approximately S\$6.5 million mainly for renovation costs incurred under the Space Optimisation Business; (ii) additions to right-of-use assets of approximately S\$0.9 million for equipment costs; (iii) additions to investment properties of approximately S\$23.5 million mainly for the purchase of property at 55 Tuas South Avenue 1; and (iv) loans to joint ventures and associates of approximately S\$4.0 million mainly for the partial payment of acquisition of property under 471 Balestier Pte. Ltd. and for working capital. These were partially offset by (i) receipts from lease receivables of approximately S\$10.6 million; and (ii) interest received from lease receivables of approximately S\$0.5 million.

Net cash generated from financing activities amounted to approximately S\$5.2 million, which were due to proceeds from bank borrowings of approximately S\$44.2 million for the purchase of property at 55 Tuas South Avenue 1, renovation and working capital for the co-living business. This was partially offset by (i) repayment of bank borrowings of approximately S\$12.9 million; (ii) repayment of lease liabilities of approximately S\$19.6 million; (iii) interest expenses on bank borrowings and lease liabilities paid of approximately S\$2.2 million; (iv) dividend paid to shareholders of approximately S\$4.1 million; and (v) increase in pledged fixed deposit of approximately S\$0.2 million.

As a result of the above, cash and cash equivalents increased by approximately S\$1.1 million, amounting to approximately S\$37.8 million as at 31 March 2022.

MANAGEMENT DISCUSSION AND ANALYSIS

Liquidity and Financial Resources

During 1H2022, the Group financed its operations primarily through a combination of cash flow generated from our operations, bank borrowings and finance leases.

The Group primarily obtained bank borrowings to finance its acquisition of properties and logistics equipment. The Group also had revolving loans for its short-term finance needs. The Group's borrowings as at 31 March 2022 were denominated in Singapore dollars, United States dollars and Renminbi with interest charged on these borrowings ranging from 1.38% to 5.70% per annum. As at 31 March 2022, the Group had outstanding bank borrowings of S\$132.7 million. These borrowings were secured by (i) legal mortgage of leasehold properties at 72 Eunos Avenue 7, 100 Eunos Avenue 7, 71 Lorong 23 Geylang, 7 Gul Avenue, 75 Beach Road, 320 Balestier Road, 115 Geylang Road, 55 Tuas South Avenue 1 in Singapore and Axis Residences in Cambodia; (ii) corporate guarantees provided by the Group; (iii) assignment of rental proceeds of the mortgaged properties; and (iv) personal guarantees provided by non-controlling interest shareholders of certain non-wholly owned subsidiaries of the Company, where applicable.

As at 31 March 2022, cash and cash equivalents held by the Group were mainly cash in the banks and on hand denominated in Singapore dollars, Hong Kong dollars ("HK\$"), United States dollars ("USD"), Indonesian rupiah ("IDR"), Renminbi and Thai baht ("THB") and deposits denominated in Singapore dollars that are readily convertible into cash.

Gearing Ratio

Gearing ratio is equal to interest-bearing debt divided by total capital and multiplied by 100%. Total capital is calculated as interest-bearing debt plus total equity. Gearing ratio as at 31 March 2022 was 55.5%, a slight decrease from 56.6% as at 30 September 2021.

Lease Liabilities

Since 1 October 2019, the Group has adopted IFRS 16 "Leases" ("IFRS 16") without restating comparatives as permitted under the standard. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rental are recognised. The only exceptions are short-term and low-value leases.

As at 31 March 2022, the Group had lease liabilities of S\$89.2 million in respect of the Group's leased properties, plant and machinery, logistics equipment and motor vehicles. Certain lease liabilities of the Group are secured by the underlying assets of certain plant and machinery, logistics equipment and motor vehicles, personal guarantees provided by non-controlling interest shareholders of certain non-wholly owned subsidiaries of the Company and corporate guarantees provided by the Group.

Capital Commitment

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

	31 March 2022 S\$'000	30 September 2021 S\$'000
Investment property	1,284	1,005
Property, plant and equipment	26,862	1,884
	<u>28,146</u>	<u>2,889</u>

Capital Expenditure

During 1H2022, the Group's capital expenditure consists of additions to property, plant and equipment and investment properties amounting to approximately S\$31.8 million for the purchase of properties at 55 Tuas South Avenue 1 and renovation costs for the Space Optimisation Business and purchase of logistics and carpark equipment (FY2021: approximately S\$66.8 million).

Contingent Liabilities

As at 31 March 2022, the Group did not have any material contingent liabilities.

MANAGEMENT DISCUSSION AND ANALYSIS

Material Acquisitions and Disposals of Subsidiaries, Associates and Joint Ventures

Save as disclosed in this report, there was no material acquisition and disposal of subsidiaries, associates and joint ventures for 1H2022.

Guarantee Performance in relation to the Acquisitions

The Group did not enter into any acquisition, which is required to be disclosed under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**HK Listing Rules**”), that the party in contract required to commit or guarantee on the financial performance in any kinds for 1H2022.

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 1H2022.

Off-balance Sheet Arrangements

For 1H2022, the Group did not have any off-balance sheet arrangements.

Securities Investments

The Group did not have any securities investment in any investee company with a value of 5% or more of the total assets of the Group as at 31 March 2022, which is required to be disclosed under the HK Listing Rules.

Future Plans for Material Investment and Capital Assets

Save as disclosed in the prospectus of the Company dated 15 December 2017 and this report, the Group did not have any plans for material investment and capital assets as at 31 March 2022. The Company will make further announcements in accordance with HK Listing Rules and Catalist Rules, where applicable, if any investments and acquisition opportunities materialise.

Exposure to Fluctuations in Exchange Rates

The Group mainly operates in Singapore, Indonesia, Thailand, Myanmar, Malaysia, Hong Kong and Cambodia during 1H2022. Currency exposure arises within entities of the Group when transactions are mainly denominated in foreign currencies such as USD, IDR, HK\$ and 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 1H2022, the Group recorded an exchange loss of S\$157,000.

The Group has not carried out any hedging activities against foreign exchange fluctuations.

Employees and Remuneration Policies

As at 31 March 2022, there were 611 (as at 30 September 2021: 567) employees in the Group. The remuneration to its employees includes salaries and allowances, which is determined based on their performance, experience and prevailing industry practices. The compensation policies and packages are reviewed on a regular basis.

Significant Event after the Reporting Period

Saved as disclosed in this report, there was no significant event relevant to the business or financial performance of the Group that has come to the attention of the Directors after 1H2022.

MANAGEMENT DISCUSSION AND ANALYSIS

Disclosure Pursuant to Rule 13.22 of the HK Listing Rules

As at 31 March 2022, the Group has provided financial assistance, by way of shareholders' loans or advances and guarantees for facilities granted to its affiliated companies (which includes associated companies and joint ventures of the Group), the details of which are set out below:

Name of affiliated companies (the "Affiliated Companies")	Effective interest held	Loans to the affiliated companies S\$'000	Committed capital injection yet to be injected S\$'000	Guarantees for facilities granted to the affiliated companies S\$'000	Unutilised guaranteed facilities granted to the affiliated companies S\$'000	Guaranteed facilities utilised by the affiliated companies S\$'000
471 Balestier Pte. Ltd.	70.0%	1,885 ⁽¹⁾	–	9,100	700	8,400
Coliwoo East Pte. Ltd.	50.0%	3,501 ⁽¹⁾	–	11,620	193	11,427
Four Star Industries Pte Ltd	50.0%	263 ⁽¹⁾	–	7,536	21	7,424
Metropolitan Parking Pte. Ltd.	50.0%	1,063 ⁽¹⁾	–	15,400	–	15,400
Metropolitan Parking (BTSC) Pte. Ltd.	40.0%	624 ⁽¹⁾	–	5,184	–	5,184
Motorway Automotive Pte. Ltd.	40.0%	1,201 ⁽¹⁾	–	–	–	–
Work Plus Store (AMK) Pte. Ltd.	50.0%	100 ⁽¹⁾	–	25,500	–	24,957
Work Plus Store (Kallang Bahru) Pte. Ltd.	50.0%	4,606 ⁽¹⁾	–	9,879	100	9,779

Note:

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

The total amount of financial assistance provided to the Affiliated Companies, in aggregate, amount to approximately 22.1% as at 31 March 2022 under the assets ratio as defined under Rule 14.07(1) of the HK Listing Rules.

Pursuant to Rule 13.22 of the HK Listing Rules, a proforma combined statement of financial position of the Affiliated Companies and the Group's attributable interest in the Affiliated Companies as at 31 March 2022 are set out below:

	Proforma combined statement of financial position S\$'000	Group's attributable interest S\$'000
Non-current assets	246,724	123,918
Current assets	13,393	6,768
Current liabilities	(57,054)	(28,716)
Non-current liabilities	(143,858)	(72,683)
	<u>59,205</u>	<u>29,287</u>

The proforma combined statement of financial position of the Affiliated Companies is prepared by combining their statements of financial position, after making adjustment to confirm with the Group's significant accounting policies and re-grouping into significant classification in the statement of financial position, as at 31 March 2022.

Issue of Securities and Share Capital

During 1H2022, there has been no change to the shares in issued and capital structure of the Company.

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

During 1H2022, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

Proposed Interim Dividend

The Board has resolved to declare an interim dividend of S\$0.006 (equivalent to HK\$0.0339) per share for 1H2022 which will be paid on Friday, 17 June 2022 (to the shareholders whose names shall appear on the register of members of the Company on Thursday, 26 May 2022 (close of business)).

OTHER INFORMATION

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

As at 31 March 2022, the interest or short position in the Shares, underlying Shares or debentures of the Company and/or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong (the "SFO")) that Directors and chief executive of the Company as recorded in the register required to be kept under section 352 of the SFO, or otherwise notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code are as follows:

Long positions in the Shares and underlying Shares

<u>Name of Director/Chief Executive</u>	<u>Capacity/Nature of Interest</u>	<u>Number of Shares held/Interested</u>	<u>Approximate Percentage of Shareholding</u>
Lim Lung Tieng ⁽¹⁾⁽²⁾	Founder of discretionary trusts, beneficiary of a trust	220,982,600	54.04%
Lim Bee Choo	Beneficial owner	4,000,000	0.98%

Notes:

- (1) Lim Lung Tieng is one of the founders of The LHN Capital Trust and The Land Banking Trust. Trident Trust Company (B.V.I.) Limited, in its capacity as the trustee of The Land Banking Trust, holds the entire issued share capital of LHN Capital Pte. Ltd.. LHN Capital Pte. Ltd., in its capacity as the trustee of The LHN Capital Trust, holds the entire issued share capital of HN Capital Ltd., which in turn holds 85% of the total issued share capital of Hean Nerng Group Pte. Ltd.. Hean Nerng Group Pte. Ltd. holds the entire issued share capital of Fragrance Ltd.. Fragrance Ltd. is the beneficial owner of 220,982,600 Shares. Lim Lung Tieng is deemed under the SFO to be interested in the Shares held by Trident Trust Company (B.V.I.) Limited and LHN Capital Pte. Ltd.. Trident Trust Company (B.V.I.) Limited is deemed under the SFO interested in the interests held by LHN Capital Pte. Ltd.. LHN Capital Pte. Ltd. is deemed under the SFO interested in the interests held by HN Capital Ltd.. HN Capital Ltd. is deemed under the SFO interested in the interests held by Hean Nerng Group Pte. Ltd.. Hean Nerng Group Pte. Ltd. is deemed under the SFO interested in the interests held by Fragrance Ltd..
- (2) Lim Lung Tieng is one of the beneficiaries of The LHN Capital Trust of which LHN Capital Pte. Ltd. is the trustee. LHN Capital Pte. Ltd., in its capacity as the trustee, holds the entire issued share capital of HN Capital Ltd., which in turn holds 85% of the total issued share capital of Hean Nerng Group Pte. Ltd.. Hean Nerng Group Pte. Ltd. holds the entire issued share capital of Fragrance Ltd.. Fragrance Ltd. is the beneficial owner of 220,982,600 Shares. Lim Lung Tieng is deemed under the SFO to be interested in the Shares held by LHN Capital Pte. Ltd.. LHN Capital Pte. Ltd. is deemed under the SFO interested in the interests held by HN Capital Ltd.. HN Capital Ltd. is deemed under the SFO interested in the interests held by Hean Nerng Group Pte. Ltd.. Hean Nerng Group Pte. Ltd. is deemed under the SFO interested in the interests held by Fragrance Ltd..

Save as disclosed above, as at 31 March 2022, none of the Directors or chief executive of the Company had or was deemed to have any interest or short position in the Shares, underlying Shares and debentures of the Company and/or its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under section 352 of the SFO, or otherwise notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code.

Common Directors

For information of the Shareholders, as at 31 March 2022, Lim Lung Tieng and Lim Bee Choo, the executive Directors of the Company, are also directors of Fragrance Ltd., Hean Nerng Group Pte. Ltd., HN Capital Ltd. and LHN Capital Pte. Ltd..

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

OTHER INFORMATION

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

As at 31 March 2022, the interests or short positions in the Shares or underlying Shares of the persons which would fall to be disclosed to the Company under the provisions of Part XV of the SFO, or which were recorded in the register required to be kept under section 336 of the SFO are as follow:

Long position in the Shares and underlying Shares

Name of Shareholder	Capacity/Nature of Interest	Number of Shares held/Interested	Approximate Percentage of Shareholding
Fragrance Ltd. ⁽¹⁾⁽²⁾	Beneficial owner	220,982,600	54.04%
Wang Jialu ⁽¹⁾⁽³⁾	Deemed interest by virtue of interest held by spouse	220,982,600	54.04%
Hean Nerng Group Pte. Ltd. ⁽¹⁾⁽²⁾	Interest in a controlled corporation	220,982,600	54.04%
HN Capital Ltd. ⁽¹⁾⁽²⁾	Interest in a controlled corporation	220,982,600	54.04%
LHN Capital Pte. Ltd. ⁽¹⁾⁽²⁾	Trustee	220,982,600	54.04%
Trident Trust Company (B.V.I.) Limited. ⁽¹⁾⁽²⁾	Trustee	220,982,600	54.04%
Lim Hean Nerng ⁽¹⁾⁽²⁾	Founder of discretionary trusts	220,982,600	54.04%
Foo Siau Foon ⁽¹⁾⁽²⁾	Founder of discretionary trusts	220,982,600	54.04%

Notes:

- Fragrance Ltd., which is wholly-owned by Hean Nerng Group Pte. Ltd., which in turn is owned as to 5% by Lim Lung Tieng, 10% by Lim Bee Choo and 85% by HN Capital Ltd., is the beneficial owner of 220,982,600 Shares. By virtue of the SFO, Lim Lung Tieng, Wang Jialu, Hean Nerng Group Pte. Ltd., HN Capital Ltd., LHN Capital Pte. Ltd., Trident Trust Company (B.V.I.) Limited, Lim Hean Nerng and Foo Siau Foon are deemed to be interested in all of the Shares held by Fragrance Ltd..
- Lim Hean Nerng, Foo Siau Foon and Lim Lung Tieng are the founders of The LHN Capital Trust and The Land Banking Trust. Trident Trust Company (B.V.I.) Limited, in its capacity as the trustee of The Land Banking Trust, holds the entire issued share capital of LHN Capital Pte. Ltd.. LHN Capital Pte. Ltd., in its capacity as the trustee of The LHN Capital Trust, holds the entire issued share capital of HN Capital Ltd., which in turn holds 85% of the total issued share capital of Hean Nerng Group Pte. Ltd.. Hean Nerng Group Pte. Ltd. holds the entire issued share capital of Fragrance Ltd.. Lim Hean Nerng, Foo Siau Foon and Lim Lung Tieng are deemed under the SFO to be interested in the Shares held by Trident Trust Company (B.V.I.) Limited and LHN Capital Pte. Ltd.. Trident Trust Company (B.V.I.) Limited is deemed under the SFO interested in the interests held by LHN Capital Pte. Ltd.. LHN Capital Pte. Ltd. is deemed under the SFO interested in the interests held by HN Capital Ltd.. HN Capital Ltd. is deemed under the SFO interested in the interests held by Hean Nerng Group Pte. Ltd.. Hean Nerng Group Pte. Ltd. is deemed under the SFO interested in the interests held by Fragrance Ltd..
- Wang Jialu, the spouse of Lim Lung Tieng, is deemed under the SFO to be interested in the interests held by Lim Lung Tieng.

Save as disclosed above, as at 31 March 2022, the Directors are not aware of any other person who had an interest or a short position in any Shares which would be required to be disclosed to the Company and the Hong Kong Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept under section 336 of the SFO.

Share Option Scheme

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

Life of the Scheme

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

Option granted

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

OTHER INFORMATION

Arrangements to Purchase Shares or Debentures

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

Competition and Conflict of Interests

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

Corporate Governance

The Company has adopted the code provisions of the corporate governance code in Appendix 14 (the “**HK CG Code**”) to the HK Listing Rules as part of its corporate governance code effective upon the HK Listing, in addition to the requirements under Singapore Code of Corporate Governance 2018 (“**SG CG Code**”). As such, the Company will comply with the more stringent requirements among the HK CG Code and the SG CG Code.

In the opinion of the Directors, the Company had complied with the HK CG Code and SG CG Code during 1H2022 except for code provision A.2.1 under the HK CG Code. Under code provision A.2.1 of the HK CG Code, the roles of chairman and chief executive should be separate and should not be performed by the same individual. The Group does not have the role of chief executive officer but has the role of managing Director, which is responsible for the day-to-day management of business and currently performed by Mr. Lim Lung Tieng (“**Mr. Kelvin Lim**”), who is also the executive chairman of the Board. Throughout the Group’s business history, Mr. Kelvin Lim has held the key leadership position of the Group since 1998 and has been deeply involved in the formulation of corporate strategies and management of business and operations of the Group. Taking into account the consistent leadership within the Group and in order to enable more effective and efficient overall strategic planning and continuation of the implementation of such plans, the Directors (including the independent non-executive Directors) consider that Mr. Kelvin Lim is the best candidate for both positions and the present arrangements are beneficial and in the interests of the Group and our shareholders as a whole.

Model Code of Securities Transactions by Directors

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

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

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

The Company confirms that specific enquiry has been made to all the Directors and the Relevant Employees and all have confirmed that they have complied with the Model Code during 1H2022.

Audit Committee

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

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

OTHER INFORMATION

The financial statements in this report has not been audited by the auditor of the Company, but the Audit Committee has reviewed the unaudited consolidated results of the Group for 1H2022 and is of the opinion that such results complied with the applicable accounting standards, the requirements under the HK Listing Rules and other applicable legal requirements, and that adequate disclosures had been made.

Public Float

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

By Order of the Board of Directors of

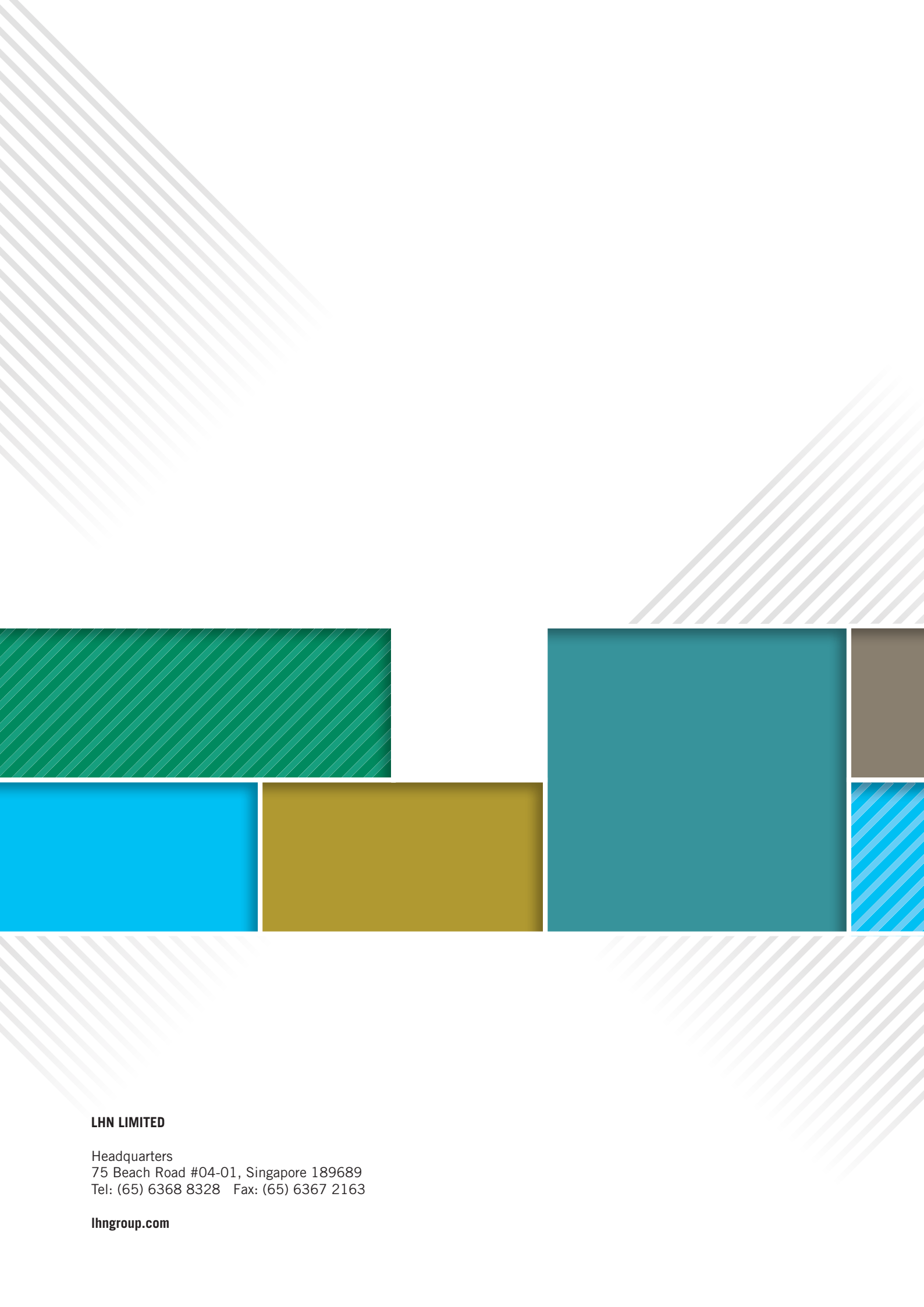
LHN Limited

Lim Lung Tieng

Executive Chairman and Group Managing Director

Singapore, 12 May 2022

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