LHN GROUP
SPACE OPTIMISED

COMMERCIAL
LOGISTICS
RESIDENTIAL
FACILITIES
INDUSTRIAL
CAR PARK
ENERGY

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

INTERIM REPORT 2023

CONTENTS

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

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CONTINUING SPONSOR (SGX-ST)
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Edinburgh Tower, The Landmark
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SINGAPORE PRINCIPAL SHARE REGISTRAR
Boardroom Corporate & Advisory Services Pte. Ltd.
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Keppel Bay Tower #14-07
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HONG KONG BRANCH SHARE REGISTRAR
Tricor Investor Services Limited
17/F, Far East Finance Centre
16 Harcourt Road
Hong Kong

AUDITORS
PricewaterhouseCoopers LLP
Registered Public Interest Entity
Auditor in Hong Kong
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Singapore 018936

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

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Singapore 049513

United Overseas Bank Limited
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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 2023

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 2023, together with the comparative figures for the six months ended 31 March 2022. The Group's interim results for the six months ended 31 March 2023 are unaudited, but have been reviewed by the audit committee of the Company (the "Audit Committee").

	Note	2023 (unaudited) S$'000	2022 (unaudited) S$'000
Revenue	7	55,618	59,181
Cost of sales	9	(22,599)	(27,962)
Gross profit		33,019	31,219
Other gains/(losses) – net and other income	8	16,620	9,344
Other operating expenses			
– Impairment loss on trade, other and finance lease receivables		(203)	(253)
Selling and distribution expenses	9	(1,962)	(706)
Administrative expenses	9	(20,266)	(19,413)
Finance cost – net	10	(4,424)	(2,344)
Share of results of associates and joint ventures, net of tax		1,404	9,418
Fair value (loss)/gain on investment properties, net		(3,852)	8,630
Profit before taxation		20,336	35,895
Taxation	11	(2,029)	(2,043)
Profit for the period		18,307	33,852
Other comprehensive (loss)/income			
Item that may be reclassified subsequently to profit or loss			
Currency translation differences arising from consolidation		(76)	11
Item that will not be reclassified subsequently to profit or loss			
Revaluation gains on leasehold properties, net		617	230
Share of other comprehensive loss of joint venture		(113)	(313)
Other comprehensive income/(loss)		428	(72)
Total comprehensive income for the period		18,735	33,780
Profit attributable to:			
Equity holders of the Company		16,937	32,196
Non-controlling interests		1,370	1,656
Profit for the period		18,307	33,852
Total comprehensive income attributable to:			
Equity holders of the Company		17,346	32,123
Non-controlling interests		1,389	1,657
Total comprehensive income for the period		18,735	33,780
Earnings per share for profit attributable to equity holders of the Company			
Basic and diluted (cents)	13	4.14	7.87

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 MARCH 2023

	Note	31 March 2023 (unaudited) S$'000	30 September 2022 (audited) S$'000
ASSETS			
Non-current assets			
Property, plant and equipment	14	56,707	48,241
Right-of-use assets		24,930	25,114
Investment properties		315,892	233,267
Investment in associates		462	420
Investment in joint ventures		26,891	35,791
Financial assets, at FVOCI		11	11
Deferred tax assets		515	60
Long-term prepayments		7,001	633
Finance lease receivables	15	28,152	24,702
Fixed deposits with banks		500	500
		461,061	368,739
Current assets			
Inventories		173	136
Trade and other receivables	16	17,965	25,406
Loans to associates and joint ventures		14,877	14,458
Prepayments		2,454	1,894
Finance lease receivables	15	18,844	16,814
Fixed deposits with banks		1,580	1,584
Cash and bank balances		36,233	39,727
		92,126	100,019
Non-current assets classified as held for sale	17	13,300	128
		105,426	100,147
TOTAL ASSETS		566,487	468,886
EQUITY			
Capital and Reserves			
Share capital	18	65,496	65,496
Reserves		133,711	120,408
		199,207	185,904
Non-controlling interests		7,303	6,274
TOTAL EQUITY		206,510	192,178
LIABILITIES			
Non-current liabilities			
Deferred tax liabilities		6,581	5,598
Other payables	19	761	21
Provisions		549	39
Bank borrowings	20	160,521	128,854
Lease liabilities	21	90,611	51,517
		259,023	186,029
Current liabilities			
Trade and other payables	19	41,892	37,094
Provisions		420	700
Bank borrowings	20	19,862	19,319
Lease liabilities	21	35,580	29,859
Current income tax liabilities		3,200	3,707
		100,954	90,679
TOTAL LIABILITIES		359,977	276,708
TOTAL EQUITY AND LIABILITIES		566,487	468,886

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 31 MARCH 2023

	Note	Share capital S$'000	Retained profits S$'000	Merger reserve S$'000	Capital reserve S$'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 2022		65,496	147,237	(30,727)	2,179	(1,350)	4,030	(961)	185,904	6,274	192,178
Dividend paid	12	–	(4,043)	–	–	–	–	–	(4,043)	(360)	(4,403)
Profit for the period		–	16,937	–	–	–	–	–	16,937	1,370	18,307
Other comprehensive income/(loss)		–	–	–	–	–	504	(95)	409	19	428
Total comprehensive income for the period		–	16,937	–	–	–	504	(95)	17,346	1,389	18,735
Balance at 31 March 2023 (unaudited)		65,496	160,131	(30,727)	2,179	(1,350)	4,534	(1,056)	199,207	7,303	206,510

	Note	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	12	–	(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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW

FOR THE SIX MONTHS ENDED 31 MARCH 2023

	Six months ended 31 March 2023 (unaudited) S$'000	2022 (unaudited) S$'000
Cash flows from operating activities:		
Profit before taxation	20,336	35,895
Share of results of associates and joint ventures, net of tax	(1,404)	(9,418)
Adjustments for:		
Depreciation of property, plant and equipment	3,396	4,144
Depreciation of right-of-use assets	6,402	6,087
Gain on disposal of property, plant and equipment	(247)	(55)
Gain on disposal of right-of-use assets	(82)	–
Write-off and impairment loss of property, plant and equipment	272	480
Fair value loss/(gain) on investment properties	3,852	(8,630)
Gain on disposal of associate	(7,753)	–
Gain from net investment in subleases	(6,653)	(5,345)
Loss from termination of lease	53	–
Lease modification gains – net	(60)	(77)
Impairment loss on trade, other and finance lease receivables	203	253
Finance income	(818)	(688)
Finance cost	4,424	2,344
Operating cash flows before working capital changes	21,921	24,990
Changes in working capital:		
– Inventories	(37)	(15)
– Trade and other receivables	7,015	(1,209)
– Trade and other payables	945	(1,559)
Cash generated from operations	29,844	22,207
Interest expenses paid	(8)	(40)
Income tax paid	(2,515)	(2,873)
Income tax refunded	429	264
Net cash generated from operating activities	27,750	19,558
Cash flows from investing activities:		
Additions to property, plant and equipment	(8,502)	(6,533)
Additions to right-of-use assets	–	(914)
Additions to investment properties	(40,878)	(23,576)
Deposit paid for acquisition of investment properties	(6,395)	–
Cash outflow on acquisition of joint venture	–	(140)
Loans to associates and joint ventures, net	(331)	(4,050)
Proceeds from disposal of property, plant and equipment	367	119
Proceeds from disposal of right-of-use assets	85	–
Proceeds from disposal of associate	7,926	–
Proceeds from disposal of joint venture	438	–
Receipts from finance lease receivables	10,607	10,560
Interest received from finance lease receivables	595	496
Dividend from associate and joint ventures	865	245
Interest received	132	84
Net cash used in investing activities	(35,091)	(23,709)
Cash flows from financing activities:		
Decrease/(Increase) in fixed deposits – pledged	3	(180)
Proceeds from bank borrowings	44,817	44,265
Repayment of bank borrowings	(12,193)	(12,947)
Repayment of lease liabilities	(20,276)	(19,642)
Loan from shareholders of a non-wholly owned subsidiary	600	–
Capital contribution from non-controlling shareholders	–	20
Interest expenses paid	(4,501)	(2,225)
Dividends paid to equity holders	(4,043)	(4,081)
Dividends paid to non-controlling interests	(360)	–
Net cash generated from financing activities	4,047	5,210
Net (decrease)/increase in cash and cash equivalents	(3,294)	1,059
Cash and cash equivalents at beginning of period	39,743	36,801
Effect of currency translation on cash and cash equivalents	(201)	(12)
Cash and cash equivalents at end of period	36,248	37,848
Consolidated cash and bank deposits are represented by:		
Cash and bank balances	36,233	34,833
Fixed deposits that mature within one year	1,580	4,564
	37,813	39,397
Less: Pledged fixed deposits	(1,565)	(1,549)
Cash and cash equivalents as per consolidated statement of cash flows	36,248	37,848

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 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) property development; (iii) facilities management services; (iv) energy business; and (v) logistics services (which is carried out through LHN Logistics Limited and has a primary listing on Catalist of the SGX-ST since 29 April 2022).

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 2023 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 2022, which have been prepared in accordance with the International Financial Reporting Standards ("**IFRSs**") issued by International Accounting Standards Board (the "**IASB**") and Singapore Financial Reporting Standards (International) ("**SFRS(I)**") issued by Accounting Standards Council Singapore.

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 properties (classified under Property, plant and equipment), which are carried at fair value and revaluation of investments held at fair value through other comprehensive income.

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 2022.

(a) Amendments to IFRSs effective for the financial year ending 30 September 2023 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 IAS 8	Accounting Policies, Changes in Accounting Estimates and Errors (Definition of Accounting Estimates)	1 October 2023
Amendments to IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction	1 October 2023
Amendments to IAS 1	Presentation of Financial Statements and IFRS Practice Statement 2 (Disclosure of Accounting Policies)	1 October 2023
Amendments to IAS 1	Presentation of Financial Statements on classification of Liabilities as Current or Non-current	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 conveys 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 contracts 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. 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 recognises 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. The Group will assess a sublease to be a finance lease If it transfers substantially all the risks and rewards incidental to ownership of the right-of-use asset (e.g. the lease term is for the major part of the economic life of the right-of-use asset, even if title is not transferred).

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 "Finance 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 statement of financial position, 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 for informational purpose are as follows.

Income Statement	**6 Months Ended 31 March 2023**			**6 Months Ended 31 March 2022**		
The Group	**Pre-IFRS 16 S$'000**	**Effects of IFRS 16 S$'000**	**Post-IFRS16 S$'000**	**Pre-IFRS 16 S$'000**	**Effects of IFRS 16 S$'000**	**Post-IFRS16 S$'000**
Revenue	66,888	(11,270)	55,618	70,537	(11,356)	59,181
Cost of sales	(38,482)	15,883	(22,599)	(42,265)	14,303	(27,962)
Gross profit	28,406	4,613	33,019	28,272	2,947	31,219
Other gains/(losses) – net and other income	9,365	7,255	16,620	3,427	5,917	9,344
Other operating expenses						
– Reversal/(impairment loss) on trade, other and finance lease receivables	101	(304)	(203)	6	(259)	(253)
Selling and distribution expenses	(1,962)	–	(1,962)	(706)	–	(706)
Administrative expenses	(21,855)	1,589	(20,266)	(20,132)	719	(19,413)
Finance cost	(2,795)	(1,629)	(4,424)	(1,313)	(1,031)	(2,344)
Share of results of associates and joint ventures, net of tax	1,435	(31)	1,404	9,387	31	9,418
Fair value gains/(losses) on investment properties	2,125	(5,977)	(3,852)	13,567	(4,937)	8,630
Profit before income tax	14,820	5,516	20,336	32,508	3,387	35,895

The reconciliation of Segment revenue and profit before taxation from Pre-IFRS 16 basis to Post-IFRS 16 basis for informational purpose are as follows.

Revenue	**6 Months Ended 31 March 2023**			**6 Months Ended 31 March 2022**		
The Group	**Pre-IFRS 16 S$'000**	**Effects of IFRS 16 S$'000**	**Post-IFRS16 S$'000**	**Pre-IFRS 16 S$'000**	**Effects of IFRS 16 S$'000**	**Post-IFRS16 S$'000**
Industrial	17,848	(4,267)	13,581	16,170	(6,716)	9,454
Commercial	6,953	(4,017)	2,936	6,175	(2,440)	3,735
Residential						
– Co-living (Singapore)	13,459	(2,986)	10,473	9,203	(2,200)	7,003
– 85 SOHO (Overseas)	444	–	444	378	–	378
	13,903	(2,986)	10,917	9,581	(2,200)	7,381
Space Optimisation	38,704	(11,270)	27,434	31,926	(11,356)	20,570
Facilities Management	15,183	–	15,183	25,044	–	25,044
Energy	267	–	267	–	–	–
Logistics Services	12,734	–	12,734	13,567	–	13,567
	66,888	(11,270)	55,618	70,537	(11,356)	59,181

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 for informational purpose are as follows. (Cont'd)

Profit before taxation	6 Months Ended 31 March 2023			6 Months Ended 31 March 2022		
The Group	Pre-IFRS 16 S$'000	Effects of IFRS 16 S$'000	Post-IFRS16 S$'000	Pre-IFRS 16 S$'000	Effects of IFRS 16 S$'000	Post-IFRS16 S$'000
Industrial	3,777	3,724	7,501	3,508	(1,101)	2,407
Commercial	665	203	868	(141)	4,363	4,222
Residential						
– Co-living (Singapore)	769	1,493	2,262	23,652	228	23,880
– 85 SOHO (Overseas)	(184)	(13)	(197)	(2,087)	(16)	(2,103)
	585	1,480	2,065	21,565	212	21,777
Space Optimisation	5,027	5,407	10,434	24,932	3,474	28,406
Facilities Management	10,175	204	10,379	6,155	(46)	6,109
Energy	165	–	165	–	–	–
Logistics Services	2,481	(94)	2,387	1,479	(41)	1,438
Corporate	(3,028)	(1)	(3,029)	(58)	–	(58)
	14,820	5,516	20,336	32,508	3,387	35,895

4. USE OF JUDGEMENT AND 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 2022.

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.

(a) Recoverable values of property, plant and equipment

In determining the recoverable values of certain property, plant and equipment, the Group used value-in-use calculations which involved significant judgements and assumptions, including revenue growth rates, EBITDA (earnings before interest, tax, depreciation and amortisation) margins and discount rates, which are affected by expected future market or economic conditions. Based on the recoverable values determined, the Group has recognised an impairment loss of S$179,000.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

5. FINANCIAL RISK MANAGEMENT

5.1 Financial risk factors

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

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 2022.

There have been no changes in the risk management policies since 30 September 2022.

(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 and adjusts to reflect current macroeconomic factors affecting the ability of the customers to settle the receivables.

The Company applies the general IFRS 9 3-stage approach when determining ECL for other receivables. The expected loss rate of other receivables is assessed to be low and no loss allowance provision is made for other receivables during the period.

Receivables are written off when there is no reasonable expectation of recovery, such as a debtor failing to engage in a repayment plan with the Group. The Group categories a receivable for write off when a debtor fails to make contractual payment greater than 90 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 2023 and 30 September 2022, 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 2023 S$'000	30 September 2022 S$'000
Gross carrying amount	638	585
Less: Loss allowance	(477)	(479)
Carrying amount net of allowance	161	106

The Group's credit risk exposure in relation to trade receivables as at 31 March 2023 and 30 September 2022 are set out in the provision matrix as follows:

31 March 2023	Current[1] S$'000	Past due 1 to 30 days S$'000	Past due 31 to 60 days S$'000	Past due 61 to 90 days S$'000	Past due 91 to 180 days S$'000	Past due 181 to 365 days S$'000	Past due over 365 days S$'000	Total S$'000
Space Optimisation								
Expected loss rate	0.0%	0.0%	0.0%	0.0%	2.6%	3.0%	64.7%	
Gross carrying amount	379	472	49	54	39	33	17	1,043
Loss allowances	–	–	–	–	(1)	(1)	(11)	(13)
Logistics, Facilities and Other								
Expected loss rate	0.0%	0.0%	0.0%	0.0%	6.6%	33.3%	–	
Gross carrying amount	3,234	2,146	465	142	290	75	–	6,352
Loss allowances	–	–	–	–	(19)	(25)	–	(44)

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 2022	Current[1] S$'000	Past due 1 to 30 days S$'000	Past due 31 to 60 days S$'000	Past due 61 to 90 days S$'000	Past due 91 to 180 days S$'000	Past due 181 to 365 days S$'000	Past due over 365 days S$'000	Total S$'000
Space Optimisation								
Expected loss rate	0.0%	0.0%	0.0%	0.0%	53.7%	86.4%	100.0%	
Gross carrying amount	736	380	82	39	41	59	4	1,341
Loss allowances	–	–	–	–	(22)	(51)	(4)	(77)
Logistics, Facilities and Other								
Expected loss rate	0.0%	0.0%	0.0%	0.0%	23.5%	45.5%	100.0%	
Gross carrying amount	10,437	1,758	583	342	294	11	11	13,436
Loss allowances	–	–	–	–	(69)	(5)	(11)	(85)

1 Includes unbilled receivables of S$385,000 (2022: S$7,083,000)

Loans to subsidiaries, associates, 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:

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

(ii) Movement in credit loss allowance

	Trade receivables S$'000	Other receivables S$'000	Total 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

	Trade receivables S$'000	Other receivables S$'000	Total S$'000
Balance as at 30 September 2022	641	3	644
Reversal of loss allowance recognised in profit or loss for the period, net	(102)	–	(102)
Written off	(5)	–	(5)
Balance as at 31 March 2023	534	3	537

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 2023 and 30 September 2022:

	Level 1 S$'000	Level 2 S$'000	Level 3 S$'000	Total S$'000
As at 31 March 2023 (unaudited)				
Investment properties (owned):				
Industrial, commercial and residential properties	–	–	212,691	212,691
Investment properties (right-of-use):				
Industrial, commercial and residential properties	–	–	103,201	103,201
	–	–	315,892	315,892
Property, plant and equipment:				
Leasehold properties	–	–	25,178	25,178
As at 30 September 2022 (audited)				
Investment properties (owned):				
Industrial, commercial and residential properties	–	–	178,188	178,188
Investment properties (right-of-use):				
Industrial, commercial and residential properties	–	–	55,079	55,079
	–	–	233,267	233,267
Property, plant and equipment:				
Leasehold properties	–	–	24,707	24,707

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.

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 and leasehold properties

Investment properties and leasehold 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 method, income capitalisation method and residual value 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 2023 (unaudited)	
Beginning of financial period	233,267
Additions – investment properties	96,441
Additions – capitalised expenditure	5,653
Reclassification to assets held for sale	(4,500)
Derecognition of assets of right-of-use properties	(9,422)
Lease modification adjustments	(125)
Net loss from fair value adjustment	(3,852)
Currency translation	(1,570)
End of financial period	315,892
For the financial year ended 30 September 2022 (audited)	
Beginning of financial year	166,570
Additions – investment properties	54,678
Additions – capitalised expenditure	21,611
Reclassification to property, plant and equipment	(8,286)
Derecognition of assets of right-of-use properties	(15,421)
Lease modification adjustments	1,062
Net gain from fair value adjustment	12,261
Currency translation	792
End of financial year	233,267

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 leasehold properties categorised under Level 3 of the fair value hierarchy:

Description	Fair value S$'000	Valuation technique	Unobservable inputs[a]	Range of Unobservable inputs	Relationship of unobservable inputs to fair value
As at 31 March 2023 (unaudited)					
Singapore (Owned investment properties)	190,936	Direct comparison method	Transacted price of comparable properties	S$1,600 to S$37,500 per square metre	The higher the comparable value, the higher the fair value
		Discounted cash flow method	Discount rate	7.25%-7.5%	The higher the rate, the lower the fair value
		Discounted cash flow method	Terminal yield	5.25%-6%	The higher the rate, the lower the fair value
		Income capitalisation method	Capitalisation rate	3.0%-5.75%	The higher the rate, the lower the fair value
Singapore (Right-of-use leased properties)	103,201	Income capitalisation method	Capitalisation rate	10.5%	The higher the rate, the lower the fair value
Indonesia (Owned investment properties)	5,785	Direct comparison method	Transacted price of comparable properties	S$3,300 to S$3,600 per square metre	The higher the comparable value, the higher the fair value
Cambodia (Owned investment properties)	15,970	Direct comparison method	Transacted price of comparable properties	S$1,500 to S$4,600 per square metre	The higher the comparable value, the higher the fair value
		Income capitalisation method	Capitalisation rate	6.0%	The higher the rate, the lower the fair value
	315,892				
Singapore (Leasehold properties)	25,178	Direct comparison method	Transacted price of comparable properties	S$500 to S$25,800 per square metre	The higher the comparable value, the higher the fair value
	25,178				

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 2022 (audited)					
Singapore (Owned investment properties)	155,472	Direct comparison method	Transacted price of comparable properties	S$1,900 to S$37,600 per square metre	The higher the comparable value, the higher the fair value
		Discounted cash flow method	Discount rate	7.25%-7.5%	The higher the rate, the lower the fair value
		Discounted cash flow method	Terminal yield	5.25%-6%	The higher the rate, the lower the fair value
		Income capitalisation method	Capitalisation rate	3.0%-5.75%	The higher the rate, the lower the fair value
		Residual value method	Gross development value	S$9.3m to S$13.5m	The higher the amount,the higher the fair value
		Residual value method	Estimated costs to completion	S$0.5m to S$1.8m	The higher the amount, the lower the fair value
Singapore (Right-of-use leased properties)	55,079	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$3,700 to S$4,700 per square metre	The higher the comparable value, the higher the fair value
Cambodia (Owned investment properties)	16,606	Direct comparison method	Transacted price of comparable properties	S$1,300 to S$4,100 per square metre	The higher the comparable value, the higher the fair value
		Income capitalisation method	Capitalisation rate	6.0%	The higher the rate, the lower the fair value
	233,267				
Singapore (Leasehold properties)	24,707	Direct comparison method	Transacted price of comparable properties	S$500 to S$26,900 per square metre	The higher the comparable value, the higher the fair value
	24,707				

(a) There were no significant inter-relationships between unobservable inputs except that under the Discounted Cash Flow Method, the discount rate should conceptually approximate the summation of the terminal yield and the growth rate.

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

6. Energy Group

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

For the six months ended 31 March 2023, revenue attributable to the Group's largest customer accounted for approximately 3.3% (2022: 17.8%) of the Group's total revenue and aggregate revenue attributable to the five largest customers of the Group accounted for approximately 10.0% (2022: 25.9%) 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, financial assets at FVOCI, prepayments, inventories, loans to associate and joint ventures, trade and other receivables, finance lease receivables, bank borrowings, lease liabilities and trade and other payables that are directly attributable to a segment as well as items that can be allocated on a reasonable basis.

6. SEGMENT INFORMATION (CONT'D)

Segment breakdown for the six months ended 31 March 2023 are as follows:

	Industrial S$'000	Commercial S$'000	Residential S$'000	Logistics Services S$'000	Facilities Management S$'000	Energy S$'000	Corporate and Eliminations S$'000	Consolidated S$'000
Sales								
Total segment sales	13,698	3,094	12,203	12,735	16,033	1,478	8,371	67,612
Inter-segment sales	(117)	(158)	(1,286)	(1)	(850)	(1,211)	(8,371)	(11,994)
External sales	13,581	2,936	10,917	12,734	15,183	267	–	55,618
Segment results	**11,950**	**1,492**	***4,012**	**1,943**	**10,588**	**177**	**(2,954)**	**27,208**
Fair value (loss)/gain on investment properties	(4,027)	(410)	#585	–	–	–	–	(3,852)
Finance cost	(1,689)	(214)	^(2,106)	(146)	(182)	(12)	(75)	(4,424)
	6,234	868	2,491	1,797	10,406	165	(3,029)	18,932
Share of results of associates and joint ventures								
– Operating profit/(loss)	2,259	–	274	590	(34)	–	–	3,089
– Fair value (loss)/gain on investment properties	(992)	–	(700)	–	7	–	–	(1,685)
Total share of results of associates and joint ventures	1,267	–	(426)	590	(27)	–	–	1,404
Profit before taxation	7,501	868	2,065	2,387	10,379	165	(3,029)	20,336
Included in segments results:								
Depreciation of property, plant and equipment	413	424	1,372	346	546	84	211	3,396
Depreciation of right-of-use assets	85	1	50	977	5,250	15	24	6,402
Impairment loss on property, plant and equipment	–	–	179	–	–	–	–	179
Segment assets	168,735	29,441	226,483	34,889	23,469	3,493	13,796	500,306
Investment in associates	–	–	2	460	–	–	–	462
Investment in joint ventures	22,347	–	2,926	–	1,618	–	–	26,891
Total segment assets								527,659
Total segment liabilities	153,857	16,895	124,917	21,728	19,105	1,047	12,647	350,196
Capital expenditures	233	81	45,484	8,899	391	78	490	55,656

* Includes 85 SOHO (Overseas) segment results of S$(431,000).
# Includes 85 SOHO (Overseas) fair value gain on investment properties of S$609,000.
^ Includes 85 SOHO (Overseas) finance cost of S$(375,000).

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 (loss)/gain on investment properties	(991)	(1,186)	#10,807	–	–	–	8,630
Finance cost	(801)	(279)	^(833)	(269)	(143)	(19)	(2,344)
	2,011	4,222	12,635	1,002	6,665	(58)	26,477
Share of results of associates and joint ventures							
– Operating profit/(loss)	1,094	–	(213)	436	(51)	–	1,266
– Fair value (loss)/gain on investment properties	(698)	–	9,355	–	(505)	–	8,152
Total share of results of associates and joint ventures	396	–	9,142	436	(556)	–	9,418
Profit before taxation	2,407	4,222	21,777	1,438	6,109	(58)	35,895
Included in segments results:							
Depreciation of property, plant and equipment	585	801	1,253	825	527	153	4,144
Depreciation of right-of-use assets	108	133	54	982	4,806	4	6,087
Impairment loss on property, plant and equipment	–	–	480	–	–	–	480

* Includes 85 SOHO (Overseas) segment results of S$(845,000).
# Includes 85 SOHO (Overseas) fair value loss of S$(949,000).
^ Includes 85 SOHO (Overseas) finance cost of S$(309,000).

Segment breakdown for its comparative period ended 30 September 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
Segment assets	111,816	34,100	173,575	27,295	31,862	12,156	390,804
Investment in associates	–	–	60	360	–	–	420
Investment in joint ventures	21,940	–	12,162	–	1,689	–	35,791
Total segment assets							427,015
Total segment liabilities	73,440	19,444	120,365	19,855	20,262	14,037	267,403
Capital expenditures	22,059	757	34,576	3,487	2,452	1,096	64,427

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

6. SEGMENT INFORMATION (CONT'D)

Reconciliation of segments' total assets and total liabilities

	31 March 2023 S$'000	30 September 2022 S$'000
Reportable segments' assets are reconciled to total assets:		
Segment assets	527,659	427,015
Deferred tax assets	515	60
Non-current fixed deposits with banks	500	500
Current fixed deposits with banks	1,580	1,584
Cash and bank balances	36,233	39,727
	566,487	468,886
Reportable segments' liabilities are reconciled to total liabilities:		
Segment liabilities	350,196	267,403
Current income tax liabilities	3,200	3,707
Deferred tax liabilities	6,581	5,598
	359,977	276,708

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 provided:

	Revenue from external customers six months ended 31 March	
	2023 S$'000	2022 S$'000
Singapore	49,643	53,832
Thailand	2,137	2,333
Malaysia	1,277	1,246
Hong Kong	1,255	1,212
Myanmar	941	229
Indonesia	213	179
Cambodia	152	150
	55,618	59,181

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 2023 S$'000	30 September 2022 S$'000
Singapore	431,040	336,959
Thailand	1,742	1,915
Malaysia	1,425	1,500
Hong Kong	1	96
Myanmar	1,223	1,961
Indonesia	5,818	6,160
Cambodia	16,063	16,633
People's Republic of China	3,234	3,455
	460,546	368,679

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

7. REVENUE

	Six months ended 31 March	
	2023	2022
	S$'000	S$'000
Rental and warehousing lease income from		
– Leased properties	15,393	12,557
– Owned properties	4,357	2,928
Car park services	11,942	9,389
Logistics services		
– Trucking services	5,221	5,880
– Storage services	1,718	1,322
– Container repair services	1,091	1,342
– Logistics management	4,705	5,022
Facilities services	9,144	19,414
Management services fee income	1,426	885
Others	621	442
	55,618	59,181

8. OTHER GAINS/(LOSSES) – NET AND OTHER INCOME

	Six months ended 31 March	
	2023	2022
	S$'000	S$'000
Other gains/(losses) – net		
Gain on disposal of property, plant and equipment	247	55
Gain on disposal of right-of-use assets	82	–
Write-off and impairment loss of property, plant and equipment	(272)	(480)
Gain on disposal of associate	7,753	–
Gain from net investment in subleases	6,653	5,345
Loss from termination of lease	(53)	–
Lease modification gains – net	60	77
Foreign exchange losses – net	(1,890)	(157)
	12,580	4,840
Other income		
Handling and services charges	449	372
Interest income	818	688
Government grants	147	35
Wage credit scheme and special employment credit*	317	267
Job support scheme**	275	–
Job growth incentive***	176	462
Forfeiture of tenant deposit	221	125
Rental rebates, net****	881	1,519
Other income	756	1,036
	4,040	4,504
	16,620	9,344

* 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.

*** Job growth incentive ("**JGI**") are introduced by Singapore Government to support employers to expand their local hiring.

**** 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. EXPENSE BY NATURE

	Six months ended 31 March	
	2023	2022
	S$'000	S$'000
Advertising expenses	172	153
Commission fees	1,360	306
Entertainment expenses	241	144
Marketing expenses	111	94
Transportation costs	410	640
Container depot management charges	742	1,255
Rental expenses	2,813	2,718
Upkeep and maintenance costs	7,241	9,893
Consultancy fees	120	80
Depreciation of property, plant and equipment	3,396	4,144
Depreciation of right-of-use assets	6,402	6,087
Listing expenses*	–	883
Professional fees	818	1,024
Vehicle-related expenses	50	38
Employee benefit costs	16,626	16,499
Insurance fees	369	411
IT Maintenance expenses	493	375
Printing expenses	135	148
Property management fees	240	167
Telephone expenses	185	153
Auditor's remuneration		
– Audit services – current	269	209
– Audit services – under provision in prior year	20	11
– Non-audit services	121	75
Other expenses	2,493	2,574
	44,827	48,081

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

10. FINANCE COST – NET

	Six months ended 31 March	
	2023	2022
	S$'000	S$'000
Interest expense on borrowings	2,938	1,316
Interest expense on lease liabilities from hire purchase arrangements	59	71
Interest expense on lease liabilities from lease arrangements	1,629	1,031
Interest expense on others	41	40
	4,667	2,458
Less: Amount capitalised	(243)	(114)
Finance cost – net	4,424	2,344

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

11. TAXATION

	Six months ended 31 March	
	2023	2022
	S$'000	S$'000
Current income tax	1,614	1,208
Deferred income tax	408	917
	2,022	2,125
(Over)/Under provision in respect of prior years		
– current taxation	(15)	(82)
– deferred taxation	22	–
	2,029	2,043

12. DIVIDEND

	Six months ended 31 March	
	2023	2022
	S$'000	S$'000
Ordinary dividends:		
– Final dividend paid in respect of the previous financial year of 1.0 Singapore cent (2022: 1.0 Singapore cent) per share	4,043	4,081
	4,043	4,081

The Board has resolved to recommend an interim dividend of S$0.01 (equivalent to HK$0.0589) per share for the six months ended 31 March 2023 (2022: S$0.006). These financial statements do not reflect this dividend, which will be accounted for in shareholders' equity as an appropriation of retained earnings in the financial year ending 30 September 2023.

During the six months ended 31 March 2023, the shareholders of the Company had approved the final dividend for the financial year ended 30 September 2022 of S$0.01 (equivalent to HK$0.0567) per share. The dividend was recognised as a distribution of approximately S$4,043,000 and was paid on 21 February 2023.

13. EARNINGS PER SHARE

Basic earnings per share are calculated by dividing the profit of the Group attributable to equity holders of the Company by the weighted average number of ordinary shares deemed to be in issue during each of the period ended 31 March 2023 and 2022:

	Six months ended 31 March	
	2023	2022
Net profit attributable to equity holders of the Company (S$'000)	16,937	32,196
Weighted average number of ordinary shares ('000)	408,945	408,945
Basic earnings per share (Singapore cents)	4.14	7.87

The basic and diluted earnings per share are the same as there were no potentially dilutive ordinary securities in issue as at 31 March 2023 and 2022.

14. PROPERTY, PLANT AND EQUIPMENT

The Group had additions to property, plant and equipment of approximately S$12,103,000 (2022: S$6,669,000) for the six months ended 31 March 2023.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

15. FINANCE LEASE RECEIVABLES

	31 March 2023 S$'000	30 September 2022 S$'000
Not later than one year	19,845	17,634
Between one and two years	18,948	13,922
Between two and three years	8,314	10,401
Between three and four years	1,002	967
Between four and five years	498	–
Later than 5 years	–	–
Total undiscounted lease payments	48,607	42,924
Less: Unearned finance income	(1,611)	(1,408)
	46,996	41,516
Presented as:		
Current	18,844	16,814
Non-current	28,152	24,702
	46,996	41,516

16. TRADE AND OTHER RECEIVABLES

	31 March 2023 S$'000	30 September 2022 S$'000
Trade receivables:		
– Third parties	7,406	14,555
– Associates and Joint ventures	627	807
	8,033	15,362
Accrued rental income	337	310
Other receivables:		
– Goods and service tax receivables	580	648
– Deposits with external parties	8,107	8,719
– Other receivables	1,445	1,011
	10,132	10,378
Less:		
– Impairment loss on trade receivables	(534)	(641)
– Impairment loss on other receivables	(3)	(3)
	17,965	25,406

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

	31 March 2023 S$'000	30 September 2022 S$'000
0 to 30 days	4,526	13,296
31 to 60 days	2,066	396
61 to 90 days	331	426
91 to 180 days	239	530
181 to 365 days	284	113
Over 365 days	587	601
	8,033	15,362

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

17. NON-CURRENT ASSETS CLASSIFIED AS HELD FOR SALE

On 30 November 2022, the Group and its joint venture partner entered into a sale and purchase agreement to sell their collective interests in the joint venture company, Coliwoo East Pte Ltd (the "**JV Company**") (now known as Amber 4042 Hotel Pte. Ltd.), which owns a co-living property, to a third party for an aggregate property value of S$46,600,000 plus the sum of the closing adjusted net assets of the JV Company and, on the occurrence of the hotel room demolition of a hotel room at 42 Amber Road, Singapore (comprised in Land Lot 99728T of Mukim 25) (the "**Hotel Room Demolition**"), a deduction of S$388,333. The disposal was completed on 11 April 2023 and there was no deduction of S$388,333 as the Hotel Room Demolition did not occur. The investment in joint venture of approximately S$8,800,000 is classified as held for sale as at 31 March 2023.

On 7 February 2023, the Group had entered into the Sales and Purchase Agreement for the sale of our property at 52 Arab Street, Singapore 199749. The asset of approximately S$4,500,000 is classified as held for sale as the disposal is expected to be completed in the next 12 months.

18. SHARE CAPITAL

	6 months ended 31 March 2023		Year ended 30 September 2022	
	No. of shares Issued	Nominal Amount S$'000	No. of shares Issued	Nominal Amount S$'000
Beginning and end of financial period/year	408,945,400	65,496	408,945,400	65,496

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 2023 S$'000	30 September 2022 S$'000
Trade payables		
– Third parties	3,605	2,614
– Associates and Joint ventures	480	319
	4,085	2,933
Contract liabilities		
– Advances received from customers	4,282	3,432
	4,282	3,432
Other payables and accruals		
– Goods and services tax payables	1,023	1,079
– Loan from shareholder of a non-wholly owned subsidiary	3,378	2,736
– Provision of directors' fees	58	64
– Accruals	11,048	12,406
– Accrued rental expenses	384	191
– Rental deposits received from customers	15,175	13,157
– Rental received in advance	417	108
– Withholding tax	25	73
– Sundry creditors	2,017	915
– Other payables	761	21
	42,653	37,115
Less:		
– Non-current portion: other payables	(761)	(21)
Total trade and other payables included in current liabilities	41,892	37,094

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 2023 S$'000	30 September 2022 S$'000
0 to 30 days	2,802	1,796
31 to 60 days	647	477
61 to 90 days	77	74
Over 90 days	559	586
	4,085	2,933

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

20. BANK BORROWINGS

	31 March 2023 S$'000	30 September 2022 S$'000
Non-current		
Bank borrowings repayable later than 1 year and no later than 2 years	19,916	18,760
Bank borrowings repayable later than 2 years and no later than 5 years	38,146	32,578
Bank borrowings repayable later than 5 years	102,459	77,516
	160,521	128,854
Current		
Bank borrowings repayable no later than 1 year	19,862	19,319
Total borrowings	180,383	148,173

The bank borrowings of approximately S$177.5 million as at 31 March 2023 (30 September 2022 – S$144.6 million) obtained by our subsidiaries are secured by (i) legal mortgage of 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, 298 River Valley Road, 52 Arab Street, 404 Pasir Panjang and 48 Arab Street 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. LEASE LIABILITIES

	31 March 2023 S$'000	30 September 2022 S$'000
No later than 1 year	35,580	29,859
Later than 1 year and no later than 2 years	27,646	20,476
Later than 2 years and no later than 5 years	47,140	26,026
Later than 5 years	15,825	5,015
Total lease liabilities	126,191	81,376

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

21. LEASE LIABILITIES (CONT'D)

Included in the lease liabilities are:

	31 March 2023 S$'000	30 September 2022 S$'000
Current		
Lease liabilities from hire purchase arrangements	1,043	1,133
Lease liabilities from lease arrangements	34,537	28,726
	35,580	29,859
Non-current		
Lease liabilities from hire purchase arrangements	1,430	1,763
Lease liabilities from lease arrangements	89,181	49,754
	90,611	51,517
Total lease liabilities	126,191	81,376

22. 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 2023 S$'000	30 September 2022 S$'000
Investment property	478	5,342
Property, plant and equipment	7,624	15,350
	8,102	20,692

(b) 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$2,599,000 and S$214,000 (31 March 2022: S$2,504,000 and S$214,000) 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. The lessees 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.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

22. COMMITMENTS (CONT'D)

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

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 2023 and 30 September 2022 is disclosed as follows:

	31 March 2023 S$'000	30 September 2022 S$'000
Operating leases from leased properties		
Not later than one year	20,891	9,854
Between one and two years	8,346	142
Between two and three years	7,294	61
Between three and four years	2,936	–
	39,467	10,057

	31 March 2023 S$'000	30 September 2022 S$'000
Operating leases from owned investment properties		
Not later than one year	3,503	3,434
Between one and two years	590	281
Between two and three years	172	36
	4,265	3,751

(d) Corporate guarantees

The Group has provided corporate guarantees in favour of financial institutions in respect of facilities granted to certain associate and joint ventures amounting to S$85,600,000 (31 March 2022: S$84,219,000). As at 31 March 2023, the outstanding amount of guaranteed loans drawn down by associate and joint ventures amounted to S$64,700,000 (31 March 2022: S$69,659,000).

The Group has determined that the corporate guarantees had insignificant fair values as at 31 March 2023 and 30 September 2022.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

23. 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
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. (now known as Amber 4042 Hotel Pte. Ltd.)	A joint venture
471 Balestier Pte. Ltd.	A joint venture
AMB Hotel Pte. Ltd. (formerly known as Work Plus Store (Kallang) Pte. Ltd.)	A subsidiary of the joint venture company of the Group
Metropolitan Parking (BTSC) Pte. Ltd.	An associate
HLA Logistics Pte. Ltd.	An associate
The Bus Hotel Pte. Ltd.	An associate
Master Care Services Pte. Ltd.	A non-controlling shareholder of a subsidiary of the Group
Lim Hock San	A non-controlling shareholder of a subsidiary of the Group
Way Assets Pte. Ltd.	A non-controlling shareholder of a subsidiary of the Group

	Six months ended 31 March	
	2023	2022
	S$'000	S$'000
Rental and service income from:		
Work Plus Store (AMK) Pte. Ltd.	397	307
Metropolitan Parking Pte. Ltd.	54	47
Four Star Industries Pte Ltd	461	335
Work Plus Store (Kallang Bahru) Pte. Ltd.	436	115
Motorway Automotive Pte. Ltd.	87	94
Coliwoo East Pte. Ltd.	104	–
471 Balestier Pte. Ltd.	95	–
Metropolitan Parking (BTSC) Pte. Ltd.	40	–
HLA Logistics Pte. Ltd.	918	814
Receipts of lease payment from:		
Master Care Services Pte. Ltd.	168	168
Auxiliary services from:		
Four Star Industries Pte Ltd	510	–
Loan to:		
Work Plus Store (AMK) Pte. Ltd.	600	100
Metropolitan Parking Pte. Ltd.	620	650
Four Star Industries Pte Ltd	–	1,080
Work Plus Store (Kallang Bahru) Pte. Ltd.	–	450
Motorway Automotive Pte. Ltd.	–	232
Coliwoo East Pte. Ltd.	125	355
471 Balestier Pte. Ltd.	–	2,078
Metropolitan Parking (BTSC) Pte. Ltd.	120	80
The Bus Hotel Pte Ltd	60	–

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

23. RELATED PARTY TRANSACTIONS (CONT'D)

	Six months ended 31 March	
	2023	2022
	S$'000	S$'000
Repayment of loan from:		
Four Star Industries Pte Ltd	–	830
Motorway Automotive Pte. Ltd.	1,268	–
471 Balestier Pte. Ltd.	–	220
Loan from:		
Lim Hock San	300	1,329
Way Assets Pte. Ltd.	300	1,329
Other transactions with:		
Work Plus Store (AMK) Pte. Ltd.	179	157
Metropolitan Parking Pte. Ltd.	588	496
Work Plus Store (Kallang Bahru) Pte. Ltd.	128	168
Motorway Automotive Pte. Ltd.	62	32
Coliwoo East Pte. Ltd.	–	45
Metropolitan Parking (BTSC) Pte. Ltd.	376	319

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
iii Other transactions mainly pertain to interest income, collection and payment on behalf.

24. SUBSEQUENT EVENTS

On 7 February 2023, the Group entered into an agreement to dispose its property at 52 Arab Street, Singapore, for a consideration of S$4.5 million. On the same day, the Group entered into another agreement to acquire a property at 50 Arab Street, Singapore, for a consideration of S$5.09 million. On 2 May 2023, the Group had completed the disposal of 52 Arab Street and acquisition of 50 Arab Street in accordance with the terms and conditions as set out in the respective agreements.

On 11 April 2023, the Group had completed the disposal of its joint venture, Coliwoo East Pte. Ltd. (now known as Amber 4042 Hotel Pte. Ltd.), in accordance with the terms of the sale and purchase agreement.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

In 1H2023, the Space Optimisation Business had renewed three master leases under the Industrial Properties and two master leases under the Commercial Properties and acquired two new co-living properties at 404 Pasir Panjang Road and 48 Arab Street.

In February 2023, we launched our second largest Coliwoo property, named Coliwoo Orchard, the 22-storey property located at 2 Mount Elizabeth Link houses a total of 411 keys across 135 units. Another newly renovated Coliwoo mixed-use development comprising a row of shophouses along Lavender Street, named Coliwoo Lavender Collection, has also recently commenced full operations. Both properties have seen healthy build-up occupancy rates since commencement of operations.

As at 31 March 2023, the occupancy rates across certain properties (excluding joint venture properties and properties that are under progressive handover) under the Space Optimisation Business are as follows:

Industrial Properties	
– Work+Store space:	97.9%
– Industrial space:	95.6%
Commercial Properties	
– Commercial space:	91.1%
Residential Properties	
– Co-living space (Singapore):	96.7%

The Facilities Management Business primarily provides integrated facilities management services and carpark management services. The carpark business continues to perform well in 1H2023, however, a lower demand in facilities management services has resulted in an overall decrease in the Facilities Management Business revenue in 1H2023.

Our Logistics Services Business which provides transportation services and container depot services continues to contribute positively to the Group despite a decrease in revenue in 1H2023 due to an overall decrease of business volume.

Business Outlook

In the **Space Optimisation Business**, the Coliwoo properties are expected to continue driving the Group's residential business. The newly launched 22-storey Coliwoo Orchard property at Mount Elizabeth Link is expected to contribute significantly to the Group in 2H2023, along with multiple new Coliwoo properties, including those at 298 River Valley Road and 404 Pasir Panjang, both expected to commence operations in 2H2023. New co-living shophouse apartments at 48 and 50 Arab Street, are expected to be launched in the next financial year ending 30 September 2024 ("**FY2024**"). In addition, the Group has also tendered for the GSM building at 141 Middle Road, with plans to convert the third to sixth levels of the property into co-living serviced apartments.

According to a report from Cushman & Wakefield[1], several factors are driving the co-living market in Singapore, including the higher adoption of hybrid work, recovering foreign demand, and an expanding demand pool from young singles or couples.

The **Property Development Business** will commence asset enhancement works at 55 Tuas South in 2H2023 to redevelop it into a 9-storey multi-user food processing industrial development with 49 units (floor areas range from 190 sqm to 237 sqm each). This development is expected to be completed and available for sale in FY2024.

The **Facilities Management Business** remains focused on securing additional external facilities management contracts, encompassing estate and building management, repair and maintenance, cleaning, pest control, and fumigation services. The carpark business will continue to build up its market share with the intelligent use of cutting-edge technology and a fully-equipped operations team. This business will see the commencement of the Defu Industrial City Car Park in April 2023. At 2,800 equivalent parking lots, this car park contract alone accounts for 13.0% of the total parking lots managed by the Group.

[1] Shaun Poh, Wong Xian Yang, Lydia Tan. The Appeal of Co-living in Singapore. Cushman & Wakefield, 2023

MANAGEMENT DISCUSSION AND ANALYSIS

The **Logistics Services Business** expects the completion of the ISO tank depot at 7 Gul Avenue in 2H2023. This depot will enable the business to provide empty ISO tank storage services and laden ISO tank storage services for hazardous substances, petroleum and flammable materials. The chemical cleaning and repair services for ISO tanks will be undergoing trial runs in the fourth quarter of our financial year ending 30 September 2023 or first quarter of FY2024, depending on the delivery of equipment. The Group is also actively seeking opportunities in ASEAN to establish our new office and depot for the container depot services business. For details of the Logistics Services Business, please refer to the unaudited condensed interim financial statements for 1H2023 of LHN Logistics available on its website at **www.lhnlogistics.com** and on the website of SGX-ST at **www.sgx.com/securities/company-announcements**.

The Group has initiated growth opportunities by expanding its **Energy Business** to include electricity retailing, EV charging stations and solar panel installation.

Recently, the Group partnered with a subsidiary of Yinson GreenTech to launch cross-border EV charging services in Singapore and expects to install EV charging stations at up to 5 locations across the island, thus facilitating cross-border charging capability with Malaysia.

Overall, the Group expects the contributions from its Coliwoo properties to drive its growth into FY2024.

Financial Review

For 1H2023 vs 1H2022

Revenue

	1H2023 S$'000 (unaudited)	**1H2022 S$'000 (unaudited)**	**Variance**	
			S$'000	**%**
Industrial Properties	13,581	9,454	4,127	43.7
Commercial Properties	2,936	3,735	(799)	(21.4)
Residential Properties				
– Co-living (Singapore)	10,473	7,003	3,470	49.6
– 85 SOHO (Overseas)	444	378	66	17.5
	10,917	7,381	3,536	47.9
Space Optimisation Business	27,434	20,570	6,864	33.4
Facilities Management Business	15,183	25,044	(9,861)	(39.4)
Energy Business	267	–	267	NM
Logistics Services Business	12,734	13,567	(833)	(6.1)
Total	55,618	59,181	(3,563)	(6.0)

The Group's revenue decreased by approximately S$3.6 million or 6.0% from approximately S$59.2 million in 1H2022 to approximately S$55.6 million in 1H2023 primarily due to decrease in revenue from the Facilities Management Business, partially offset by increase in revenue from the Space Optimisation Business.

(a) Space Optimisation Business

Industrial Properties

Revenue derived from Industrial Properties increased by approximately S$4.1 million or 43.7% from approximately S$9.5 million in 1H2022 to approximately S$13.6 million in 1H2023 mainly due to revenue contribution from new subleases classified as operating leases that were entered into in 1H2023.

Commercial Properties

Revenue derived from Commercial Properties decreased by approximately S$0.8 million or 21.4% from approximately S$3.7 million in 1H2022 to approximately S$2.9 million in 1H2023 mainly due to more derecognition of investment properties from subleases classified as finance lease in the fourth quarter of the financial year ended 30 September 2022 ("**FY2022**").

MANAGEMENT DISCUSSION AND ANALYSIS

Residential Properties

Revenue derived from Residential Properties increased by approximately S$3.5 million or 47.9% from approximately S$7.4 million in 1H2022 to approximately S$10.9 million in 1H2023 mainly due to the (i) increase in revenue of approximately S$3.4 million from our co-living business in Singapore; and (ii) a slight increase in revenue of approximately S$0.1 million from our overseas Residential Properties.

The increase in revenue from our co-living business in Singapore arose mainly from (i) the new co-living space at Lavender Collection and 2 Mount Elizabeth Link which started generating revenue in 1H2023; and (ii) higher occupancy rates and rental rates from our other co-living spaces in 1H2023.

(b) Facilities Management Business

Revenue derived from our Facilities Management Business decreased by approximately S$9.9 million or 39.4% from approximately S$25.0 million in 1H2022 to approximately S$15.2 million in 1H2023 mainly due to decrease in facilities management services from the dormitory business. This was partially offset by the increase in revenue from the carpark business due to increase in number of carparks secured in Singapore in the fourth quarter of FY2022.

(c) Energy Business

Revenue derived from our Energy Business amounted to approximately S$0.3 million comprising mainly revenue generated from the supply of electricity and solar energy.

(d) Logistics Services Business

Revenue derived from our Logistics Services Business decreased by approximately S$0.8 million or 6.1% from approximately S$13.6 million in 1H2022 to approximately S$12.7 million in 1H2023 mainly due to lower demand from the transportation business and container depot business in Singapore.

Cost of Sales

Cost of sales decreased by approximately S$5.4 million or 19.2% from approximately S$28.0 million in 1H2022 to approximately S$22.6 million in 1H2023. The decrease was mainly due to a decrease in costs from the Facilities Management Business and Logistics Services Business, in line with the decrease in revenue.

Gross Profit

In view of the above mentioned, gross profit increased by approximately S$1.7 million from approximately S$31.2 million in 1H2022 to approximately S$32.9 million in 1H2023 mainly from the increase under the Industrial Properties and the co-living business of the Residential Properties, partially offset by the decrease in dormitory business under the Facilities Management Business.

Other Gains/(Losses) – net and Other Income

Other gains/(losses) – net and other income increased by approximately S$7.3 million or 77.9% from approximately S$9.3 million in 1H2022 to approximately S$16.6 million in 1H2023 mainly due to (i) a non-recurring gain on disposal of an associate under our Facilities Management Business; and (ii) increase in gains from subleases which were derived based on differences between the right-of-use asset derecognised and the net investment in sublease.

The increase was partially offset by an increase in unrealised foreign exchange losses due to the weakening currency of IDR and USD against SGD.

Other Operating Expenses

Other operating expenses decreased slightly by approximately S$0.1 million or 19.8% from approximately S$0.3 million in 1H2022 to approximately S$0.2 million in 1H2023 mainly due to decrease in impairment loss on receivables under the Logistics Services Business.

MANAGEMENT DISCUSSION AND ANALYSIS

Selling and Distribution Expenses

Selling and distribution expenses increased by approximately S$1.3 million or 177.9% from approximately S$0.7 million in 1H2022 to approximately S$2.0 million in 1H2023 mainly due to an increase in commission expenses incurred for the sale of shares in our joint venture and for renewal of tenancy with our tenants largely arising from the Space Optimisation Business.

Administrative Expenses

Administrative expenses increased by approximately S$0.8 million or 4.4% from approximately S$19.4 million in 1H2022 to approximately S$20.2 million in 1H2023 mainly due to increase in staff costs which is in line with the expansion of the co-living business. This was partially offset by the absence of listing expenses of LHN Logistics Limited incurred in 1H2022.

Finance Cost

Finance cost increased by approximately S$2.1 million or 88.7% from approximately S$2.3 million in 1H2022 to approximately S$4.4 million in 1H2023 mainly due to increase in interest expenses as a result of increase in bank borrowings and lease liabilities.

Share of Results of Associates and Joint Ventures

Share of results of associates and joint ventures decreased by approximately S$8.0 million from approximately S$9.4 million in 1H2022 to approximately S$1.4 million in 1H2023 mainly due to (i) share of net fair value loss on investment properties in 1H2023 as compared to a net fair value gain on investment properties in 1H2022; and (ii) increase in operating profit from our joint ventures.

Fair Value (Loss)/Gain on Investment Properties

Fair value loss on investment properties was approximately S$3.9 million in 1H2023 as compared to a fair value gain on investment properties of approximately S$8.7 million 1H2022.

Profit before Taxation

As a result of the aforementioned, the Group's profit before taxation decreased by approximately S$15.6 million or 43.3% from approximately S$35.9 million in 1H2022 to approximately S$20.3 million in 1H2023.

Taxation

Income tax expenses remain stable at approximately S$2.0 million in 1H2022 and 1H2023.

Profit for the Period

As a result of the above, the Group's net profit decreased by approximately S$15.5 million or 45.9% from approximately S$33.9 million in 1H2022 to approximately S$18.3 million in 1H2023.

Review of Statement of Financial Position

Non-current assets

Non-current assets increased by approximately S$92.3 million from approximately S$368.7 million as at 30 September 2022 to approximately S$461.1 million as at 31 March 2023 mainly due to the factors set out below.

Property, plant and equipment ("**PPE**") increased by approximately S$8.5 million mainly due to additions to PPE mainly incurred under the Space Optimisation Business and leasehold building at 7 Gul Avenue under the Logistics Services Business. The increase was partially offset by (i) depreciation of PPE; (ii) net derecognition of PPE due to recognition of net investment in sublease; and (iii) impairment loss on PPE.

Right-of-use assets decreased by approximately S$0.2 million mainly due to depreciation, partially offset by the addition of right-of-use assets in 1H2023 for additional leases entered into during 1H2023 for the carpark business.

MANAGEMENT DISCUSSION AND ANALYSIS

Investment properties increased by approximately S$82.6 million mainly due to (i) additions to investment properties from the purchase of properties at 404 Pasir Panjang and 48 Arab Street; and (ii) net additions to investment properties (right-of-use) mainly from the master leases entered for Industrial Properties. These were partially offset by the (i) net derecognition of investment properties (right-of-use) due to recognition of net investment in sublease; (ii) reclassification of property at 52 Arab Street to non-current assets classified as held for sale; and (iii) fair value losses and currency translation differences.

Investment in associates and joint ventures decreased by approximately S$8.8 million mainly due to (i) the reclassification of investment in a joint venture company, Coliwoo East Pte. Ltd. (now known as Amber 4042 Pte. Ltd.), to non-current assets classified as held for sale; and (ii) dividend received from associates and joint ventures. These were partially offset by share of profit and other comprehensive income of associates and joint ventures recognised in 1H2023.

Prepayments increased by approximately S$6.4 million mainly due to deposit paid for the acquisition of GSM Property at 141 Middle Road.

Finance lease receivables increased by approximately S$3.5 million mainly due to recognition of receivables from new subleases in 1H2023.

Long term fixed deposits remained at S$0.5 million in 1H2023.

Current assets

Current assets decreased by approximately S$7.9 million from approximately S$100.0 million as at 30 September 2022 to approximately S$92.1 million as at 31 March 2023 mainly due to the factors set out below.

Trade and other receivables decreased by approximately S$1.0 million mainly due to decrease in trade receivables from the dormitory business.

Loans to associates and joint ventures increased by approximately S$0.4 million mainly for working capital in 1H2023.

Prepayments increased by approximately S$0.6 million mainly due to expenses paid for materials for the Energy Business.

Finance lease receivables increased by approximately S$2.0 million mainly due to recognition of receivables from new subleases in 1H2023.

Cash and bank balances and fixed deposits decreased by approximately S$3.5 million, variance as illustrated in the movement in cashflow below.

Non-current liabilities

Non-current liabilities increased by approximately S$73.0 million from approximately S$186.0 million as at 30 September 2022 to approximately S$259.0 million as at 31 March 2023 mainly due to the factors set out below.

Deferred tax liabilities increased by approximately S$1.0 million.

Bank borrowings increased by approximately S$31.7 million, mainly for the purchase of properties at 404 Pasir Panjang, 48 Arab Street and renovation costs for the co-living business.

Lease liabilities increased by approximately S$39.1 million mainly due to recognition of liabilities payable to landlords for lease arrangements mainly from the Industrial Properties.

Other payables increased by approximately S$0.7 million mainly relates to accrual of retention sum for the construction of leasehold building at 7 Gul Avenue under the Logistics Services Business.

Provisions increased by approximately S$0.5 million mainly due to reclassification of provision of reinstatement cost from current liabilities to non-current liabilities due to the renewal of our master leases.

MANAGEMENT DISCUSSION AND ANALYSIS

Current liabilities

Current liabilities increased by approximately S$10.3 million from approximately S$90.7 million as at 30 September 2022 to approximately S$101.0 million as at 31 March 2023 mainly due to the factors set out below.

Trade and other payables increased by approximately S$4.8 million largely due to increase in deposits and advances received from customers for the new co-living space business and increase in sundry creditors mainly for the construction of leasehold building at 7 Gul Avenue under the Logistics Services Business.

Provisions decreased by approximately S$0.3 million mainly due to reclassification of provision of reinstatement cost from current liabilities to non-current liabilities as mentioned above.

Bank borrowings increased by approximately S$0.5 million, mainly for the purchase of properties at 404 Pasir Panjang, 48 Arab Street and renovation costs for the co-living business.

Lease liabilities increased by approximately S$5.7 million mainly due to recognition of liabilities payable to landlords for lease arrangements mainly from the Industrial Properties.

Current tax payable decreased by approximately S$0.5 million mainly due to lower income tax provision for 1H2023.

Review of Statement of Cash Flows

In 1H2023, the Group recorded net cash generated from operating activities of approximately S$27.8 million, which was a result of positive operating profit before changes in working capital, decrease in trade and other receivables and increase in trade and other payables. This was partially offset by net income tax paid.

Net cash used in investing activities amounted to approximately S$35.1 million, which was mainly due to (i) additions to PPE incurred under the Space Optimisation Business and Logistics Services Business; (ii) additions to investment properties mainly for the purchase of properties at 404 Pasir Panjang and 48 Arab Street and renovation costs incurred at 2 Mount Elizabeth Link and Lavender Collection; and (iii) deposit paid for the acquisition of GSM Property at 141 Middle Road. These were partially offset by (i) receipts and interest from finance lease receivables; (ii) proceeds from disposal of associate and joint venture; and (iii) dividend received from associate and joint ventures.

Net cash generated from financing activities amounted to approximately S$4.0 million, which was mainly due to proceeds from bank borrowings for the purchase of properties at 404 Pasir Panjang and 48 Arab Street and renovation costs for the co-living business. This was partially offset by (i) repayment of bank borrowings and lease liabilities; (ii) interest expenses on bank borrowings and lease liabilities paid; and (iii) dividend paid to shareholders.

As a result of the above, cash and cash equivalents decreased by approximately S$3.3 million, amounting to approximately S$36.2 million as at 31 March 2023.

Liquidity and Financial Resources

During 1H2023, the Group financed its operations primarily through a combination of cash flow generated from our operations, bank borrowings and lease liabilities.

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 2023 were denominated in Singapore dollars, United States dollars and Renminbi with interest charged on these borrowings ranging from 1.38% to 7.85% per annum. As at 31 March 2023, the Group had outstanding bank borrowings of S$180.4 million. These borrowings were secured by (i) legal mortgage of 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, 298 River Valley Road, 52 Arab Street, 404 Pasir Panjang, 48 Arab Street 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 2023, 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.

MANAGEMENT DISCUSSION AND ANALYSIS

Gearing Ratio

Gearing ratio is equal to interest-bearing debt divided by total capital and multiplied by 100%. Interest-bearing debt is calculated as the sum of bank borrowings and lease liabilities. Total capital is calculated as interest-bearing debt plus total equity. Gearing ratio as at 31 March 2023 was 59.8%, increased from 54.4% as at 30 September 2022. This was primarily due to increase in bank borrowings mainly from the purchase of properties at 404 Pasir Panjang and 48 Arab Street, renovation costs for our Space Optimisation Business and lease liabilities from the Industrial Properties.

Lease Liabilities

As at 31 March 2023, the Group had lease liabilities of S$126.2 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 2023 S$'000	30 September 2022 S$'000
Investment property	478	5,342
Property, plant and equipment	7,624	15,350
	8,102	20,692

Capital Expenditure

During 1H2023, the Group's capital expenditure consists of additions to property, plant and equipment and investment properties amounting to approximately S$55.7 million for the purchase of properties at 404 Pasir Panjang Road and 48 Arab Street, construction of the ISO tank depot at 7 Gul Avenue and renovation costs for the Space Optimisation Business (FY2022: approximately S$64.4 million).

Contingent Liabilities

As at 31 March 2023, the Group did not have any material contingent liabilities.

Material Acquisitions and Disposals of Subsidiaries, Associates and Joint Ventures

Save as disclosed in this report, there was no material acquisition and disposal of subsidiaries, associates and joint ventures for 1H2023.

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 1H2023.

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 1H2023.

MANAGEMENT DISCUSSION AND ANALYSIS

Off-balance Sheet Arrangements

For 1H2023, 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 2023, which is required to be disclosed under the HK Listing Rules.

Future Plans for Material Investment and Capital Assets

Save as disclosed in this report, the Group did not have any plans for material investment and capital assets as at 31 March 2023. 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 1H2023. 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 1H2023, the Group recorded an exchange loss of approximately S$1.9 million.

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

Dividend Payout for the Financial Years Ending 30 September 2023 and 2024

The dividend policy of the Company was approved by the Board on 1 January 2019, which established procedures on declaring and recommending the dividend payment of the Company (the "**2019 Dividend Policy**"). Under the 2019 Dividend Policy, the Company will declare and/or recommend the payment of dividends to the Shareholders for approval after considering the Company's ability to pay dividends, which will depend upon, among other things, its cash flow, financial conditions, shareholders' interests, general business conditions and strategies, current and future operations, future business plans, liquidity and capital requirements, taxation considerations, amount of distributable profits, statutory, contractual and regulatory restrictions and any other factors the Board may deem relevant (the "**Dividend Consideration Factors**").

On 12 May 2023, the Board resolved that, subject to the Dividend Consideration Factors, the Board intends to recommend and distribute dividends of not less than 30.0% of the Group's profit attributable to equity holders of the Company after excluding fair value gains/losses on owned and joint venture investment properties, impairment/write-off of assets, non-recurring and one-off items, for the financial years ending 30 September 2023 and 2024.

Employees and Remuneration Policies

As at 31 March 2023, there were 654 (as at 30 September 2022: 615) 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 1H2023.

MANAGEMENT DISCUSSION AND ANALYSIS

Disclosure Pursuant to Rule 13.22 of the HK Listing Rules

As at 31 March 2023, 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%	1,838[1]	–	9,100	–	9,080
Coliwoo East Pte. Ltd. (now known as Amber 4042 Hotel Pte. Ltd.)	50.0%	3,678[1]	–	11,620	100	11,520
Four Star Industries Pte Ltd	50.0%	–	–	7,686	461	7,134
Metropolitan Parking Pte. Ltd.	50.0%	2,197[1]	–	15,400	–	15,400
Metropolitan Parking (BTSC) Pte. Ltd.	40.0%	786[1]	–	5,184	–	5,184
The Bus Hotel Pte. Ltd.	30.0%	390[1]	–	918	759	159
Work Plus Store (AMK) Pte. Ltd.	50.0%	1,250[1]	–	25,500	–	24,957
Work Plus Store (Kallang Bahru) Pte. Ltd.	50.0%	4,737[1]	–	10,168	–	10,140

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 17.9% as at 31 March 2023 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 2023 are set out below:

	Proforma combined statement of financial position S$'000	Group's attributable interest S$'000
Non-current assets	245,464	125,642
Current assets	15,206	7,608
Current liabilities	(61,909)	(31,397)
Non-current liabilities	(126,553)	(64,242)
	72,208	37,611

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 2023.

Issue of Securities and Share Capital

During 1H2023, 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 1H2023, 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$0.01 (equivalent to HK$0.0589) per share for 1H2023 which will be paid on Wednesday, 21 June 2023 (to the shareholders whose names shall appear on the register of members of the Company on Wednesday, 31 May 2023 (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 2023, the interests or short positions of the Directors and chief executive of the Company 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**")) 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 for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the HK Listing Rules (the "**Model Code**") are as follows:

Long positions in the Shares and underlying Shares

Name of Director/Chief Executive	Capacity/Nature of Interest	Number of Shares held/Interested	Approximate Percentage of Shareholding
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 2023, 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 2023, 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 2023, 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:

(1) Fragrance Ltd., which is wholly-owned by Hean Nerng Group Pte. Ltd., which in turn is owned as to 5% by Lim Lung Tieng, 10% by Lim Bee Choo and 85% by HN Capital Ltd., is the beneficial owner of 220,982,600 Shares. By virtue of the SFO, Lim Lung Tieng, Wang Jialu, Hean Nerng Group Pte. Ltd., HN Capital Ltd., LHN Capital Pte. Ltd., Trident Trust Company (B.V.I.) Limited, Lim Hean Nerng and Foo Siau Foon are deemed to be interested in all of the Shares held by Fragrance Ltd..

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

(3) Wang Jialu, the spouse of Lim Lung Tieng, is deemed under the SFO to be interested in the interests held by Lim Lung Tieng.

Save as disclosed above, as at 31 March 2023, 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.

OTHER INFORMATION

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.

As at 1 October 2022, options representing 40,894,540 shares were available for grant under the Scheme, representing approximately 10% of the issued share capital of the Company. As at 31 March 2023, options representing 40,894,540 shares were available for grant under the Scheme, representing approximately 10% of the issued share capital of the Company.

The number of shares that may be issued in respect of options granted under the Scheme during the six months ended 31 March 2023 divided by the weighted average number of shares in issue during the six months ended 31 March 2023 was 10%.

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 set out in Part 2 of Appendix 14 (Corporate Governance Code) (the "**HK CG Code**") to the HK Listing Rules as part of its corporate governance code 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 1H2023 except for code provision C.2.1 under the HK CG Code. Under code provision C.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 ("**Catalist Rule 1204(19)**"), the Company has updated its policy with the requirements set out in 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**"), and the terms of such policy are no less exacting than the required standard set out in the Model Code (the "**Dealing in Securities Policy**").

Based on the Company's Dealing in Securities Policy, 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.

OTHER INFORMATION

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 and Catalist Rule 1204(19) during 1H2023.

Audit Committee

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

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

The Audit Committee has reviewed the consolidated results of the Group for 1H2023 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 2023

SPACE OPTIMISED

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