LHN GROUP
SPACE OPTIMISED

COMMERCIAL
LOGISTICS
RESIDENTIAL
FACILITIES
INDUSTRIAL
CAR PARK

Business innovations
driven by technology

ANNUAL REPORT 2016

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OUR MISSION

A SPACE RESOURCE OPTIMISATION COMPANY THAT GENERATES VALUE AND IS DRIVEN BY TECHNOLOGY.

With a history dating back to 1991, we are a real estate management services group with the ability to generate value through our expertise in space optimisation. We also provide facilities management services and logistics services, which serve to complement our space optimisation business.

CORPORATE PROFILE

SPACE OPTIMISATION

- INDUSTRIAL
  - WORK+STORE
  - PICKJUNCTION
- COMMERCIAL
  - GREENHUB
- RESIDENTIAL
  - 85SOHO

FACILITIES MANAGEMENT

- CAR PARK
- SECURITY
- FACILITIES

LOGISTICS SERVICES

- TRANSPORTATION
- CONTAINER DEPOT

3
main business segments

active in

4
countries in ASEAN

YANGON, MYANMAR
- GreenHub branded SOHO-style Serviced Residence

LAEM CHABANG, THAILAND
- Container depot able to handle up to 7,000 TEUs

SINGAPORE
- Regional HQ
- 33 commercial, industrial and residential properties, including 3 GreenHub Suited Offices
- Facilities Management services for our properties and other properties
- Container depot at 27 Benoi Sector able to handle up to 6,200 TEUs
- Transportation services business

JAKARTA, INDONESIA
- 2 GreenHub branded Suited Offices at strategic locations, 88 Kota Kasablanka and Plaza Marein

■ Space Optimisation ■ Facilities Management ■ Logistics Services

10+
prestigious awards

25
years of expertise

ESTABLISHED
1991

1200+
customers

4.3M+
sqft managed

38
car park locations and 7000+ carpark lots

300+
experienced and dedicated staff

A YEAR OF ACHIEVEMENTS

- Record sales performance with total revenue hitting S$104.7 million in FY2016.
- Interim dividend of 0.20 Singapore cents per share paid in June 2016 and proposed final dividend of 0.45 Singapore cents per share, totalling 0.65 Singapore cents per share for FY2016, which is more than twice the dividend paid out in FY2015.
- Acquired first carpark property at Golden Mile Tower comprising 540 carpark lots with joint venture partner.
- Acquired 38 Ang Mo Kio Industrial Park 2 with joint venture partner, for which the space would be purposed for "Work+Store" concept.
- Acquired Four Star Industries Pte Ltd with joint venture partner. Acquisition included a leased property at 44 Kallang Place – a 6-storey 123,000 sqft purpose built flatted factory building, paving the way for LHN to employ its space optimisation expertise on the furniture business and property.
- Completed major space revamp at 27 West Coast Highway which offers attractive recreational and dining options for individuals, corporates and families.
- Obtained master lease renewal for 20-25 Depot Lane and 10 Raeburn Park, both for tenures of another 3 + 3 + 3 years.
- Expansion of "GreenHub" premium suited offices by 200 more workstations with fourth location in Singapore to open at Beach Road in February 2017 and more workstations being added to the branch at Raeburn Park.
- Launched "PickJunction", an innovative and experiential space concept to support small, independent entrepreneurs of furnishing and lifestyle products.
- Expansion of "Work+Store" concept. Currently 3 locations with 2 more in the pipeline undergoing renovations.
- Winner of Singapore Prestige Brand Award 2016 – Established Brands category.

▲8.6%
in Group revenue

▲200
new GreenHub workstations

NEW ACQUISITIONS AND BUSINESS EXPANSIONS ARE THE HIGHLIGHTS OF FY2016

NEW SPACE CONCEPTS

WORK+STORE

Comprising Work+Store Space and Work+Store Valet Storage, our Work+Store concept caters to business owners seeking dual-purpose work space arrangements as well as households or individuals in need of temporary storage solutions.

Work+Store Space meets the work and storage requirements of business owners by allowing them to perform order fulfillment duties and store their goods conveniently within the same facility. It was purposefully conceptualised to cater to the needs of e-commerce businesses, e-retailers, and trading companies.

Sporting the catchy tagline 'You Pack, We Pick Up', Work+Store Valet Storage provides temporary and affordable storage solutions to anyone looking to de-clutter their existing space without the hassle of leaving the comfort of their home. As compared to traditional self-storage operations, Work+Store Valet Storage provides the flexibility of pay-per-use itemised storage so users only pay for the storage they use.

Work+Store provides added convenience in the form of a mobile application, which enables users to manage the booking process, monitoring of the space, and selection of services through their mobile devices.

PICKJUNCTION

PickJunction is a platform that brings people closer to their local community of artisans, boutiques, and studios. The team curates a tight selection of independent brands offering a range of goods and services from furniture to lifestyle and fashion. It is targeted at small business owners and specifically addresses their concerns about marketing, manpower and display space rental costs. PickJunction comprises three main features including a dedicated brand page to tell the story of each independent business; an e-commerce component to showcase the product offerings of each business for purchase; and an experiential centre for consumers to visit to have a touch and feel of the actual products. This helps businesses tell their story, sell more, and sell better.

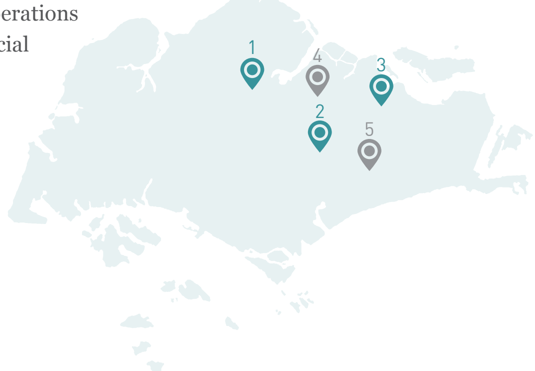
PickJunction also allows these businesses to focus on sales and operations by taking care of marketing and social media campaigns for its clients.

HOW PICKJUNCTION SUPPORTS OUR PARTNERS

- MULTI-CHANNEL APPROACH
- MANPOWER SUPPORT
- MARKETING SUPPORT
- ENHANCED EXPERIENCE WITH TECHNOLOGY

WORK+STORE SPACE IN STRATEGIC LOCATIONS ACROSS SINGAPORE

[1]680 Upper Thomson Road
[2]18 New Industrial Road
[3]18 Tampines Industrial Crescent
[4]38 Ang Mo Kio Industrial Park 2 (Under Renovation)
[5]100 Eunos Avenue 7 (Under Renovation)



OUR NEW SPACE CONCEPTS PROMISE A WHOLE NEW WAY OF INTERACTION BETWEEN BUSINESS OWNERS AND THEIR CLIENTS.

CHAIRMAN'S MESSAGE

Dear Shareholders,

What a remarkable financial year ended 30 September 2016 ("**FY2016**") we had! FY2016 was probably one of the better performing years for the Group despite it being one of the most challenging years for the real estate industry because of market cooling measures. We achieved several notable milestones as well as a great set of results, which served to affirm the strategic direction we had taken since our IPO in April 2015.

There were two events that stood out this financial year, namely the purchase of the property at 38 Ang Mo Kio Industrial Park 2 and the purchase of our first car park property at Golden Mile Tower. Both were transacted with our joint venture partners, with the Group holding 50% shareholding for each project.

Although the Group had always maintained an asset light strategy, we would consider acquiring attractively priced assets if the opportunity arises.

PLANS FOR NEW ACQUISITIONS

Our newly acquired property at 38 Ang Mo Kio Industrial Park 2 which is currently undergoing refurbishments has been purposed for our "Work+Store" concept. Launched at the end of 2015, this space concept targets the burgeoning e-commerce and start-ups segment in Singapore. The Work+Store Space is designed to meet the work and storage requirements of business owners by allowing them to perform order fulfillment duties and store their goods within the same facility and is complemented by last mile logistics services.

Our target audience's response to this concept has been very encouraging so far and it has proven to be a particularly attractive option for e-commerce businesses, e-retailers, and trading companies. Our existing Work+Store facilities at 680 Upper Thomson Road, 18 New Industrial Road and 18 Tampines Industrial Crescent are all operating at between 85% - 100% occupancy. We will also be launching our fourth Work+Store facility at 100 Eunos Avenue 7 in January 2017 in time for the festive season to cater to our customers' storage needs.

We are also excited about our first carpark acquisition at the Golden Mile Tower which adds a further 540 car park lots to our portfolio. In view of the recent nation-wide increase of car parking charges, we believe that the acquisition of this carpark property was extremely timely and can contribute positively to the operating margins of the car park division.

FY2016 BUSINESS REVIEW

In FY2016, the Group achieved a year-on-year revenue increase of 8.6% to S$104.7 million with all our business segments contributing towards the growth. The Group's largest revenue contributor, our Space Optimisation Business, continued to perform well due to the focus on commercial and industrial space and our complementary Facilities Management Business reaped the benefits of higher demand for such services. Revenue derived from our Logistics Business has also increased by approximately 6.1% to S$15.6 million mainly due to increase in revenue from our container depot business.

Net attributable profit in FY2016 more than tripled to S$15.1 million buoyed by a significant improvement in the Group's operational profits as well as fair value gains on the investment properties. The increase in our operational profits is a result of strong rental income coming on-stream from our newly acquired leases from the previous financial year and better margins from our Logistics Business. Fair value gains from the investment properties are derived from the increase in gross floor area ("**GFA**") from our industrial property at 100 Eunos Avenue 7 and the property at 38 Ang Mo Kio Industrial Park 2 which was acquired through our joint venture company at a price significantly below current valuation.

"THERE WERE TWO EVENTS THAT STOOD OUT THIS FINANCIAL YEAR, NAMELY THE PURCHASE OF PROPERTY AT 38 ANG MO KIO INDUSTRIAL PARK 2 AND THE PURCHASE OF OUR FIRST CAR PARK PROPERTY AT GOLDEN MILE TOWER. "

FY2017 DEVELOPMENTS

In the new financial year, we expect our properties at 100 Eunos Avenue 7 and 38 Ang Mo Kio Industrial Park 2 to start contributing revenue to the Group while refurbishment works at our 44 Kallang Place property has commenced and is targeted to be completed by August 2017.

Four Star Industries, our most recent acquisition, has a leased property at 44 Kallang Place, which is a 6-storey purpose built flatted factory building with approximately 123,000 sqft in GFA and about 17 years remaining on the lease. The acquisition of Four Star Industries also presented us with the opportunity to apply our space optimisation expertise on the property that came with it. It is also involved in the manufacture and wholesale trade of mattresses and related furniture products. This acquisition shares synergies with our wholly-owned subsidiary, Singapore Handicrafts Pte. Ltd., which specialises in the manufacture and trading of rosewood furniture.

I would like to announce our new home furnishings related e-commerce space concept which we have named "PickJunction".

PickJunction aims to connect discerning consumers to a community of local and international curated home furnishing brands we intend to bring onboard through the e-commerce platform that is complemented with an experiential centre to be integrated with our manufacturing facility. We envisage the launch of PickJunction at 44 Kallang Place will also help to raise the brand awareness of Four Star, for which we are planning to roll out a series of rebranding activities to reconnect local consumers to this homegrown heritage mattress brand.

We are also excited to share that we had entered into a put and call option agreement for the proposed sale and leaseback of our industrial property at 72 Eunos Avenue 7 for a consideration of S$20 million which will give us the opportunity to monetise the value of this property while allowing us to continue our existing operations there.

On the commercial front, the Group will be expanding its GreenHub premium fitted office brand to a fourth location at Beach Road in February 2017 and we will also be expanding the branch at 10 Raeburn Park in January 2017. Together they will add another 200 workstations under this brand, making it to a total of 606 workstations in Singapore and more than 1,000 workstations regionally.

Beyond Singapore, the Group's operations in Indonesia, Thailand and Myanmar remain stable and the Group continues to be on the lookout for expansion opportunities in the ASEAN region through acquisitions, joint ventures and strategic alliances which will give it access to new markets and customers.

DIVIDEND

To share the fruits of a good year with shareholders, the Group has proposed a final one-tier tax-exempt dividend of 0.45 Singapore cents per share, subject to approval by shareholders at the forthcoming annual general meeting to be convened. In addition to the interim dividend of 0.20 Singapore cents per share paid out in June 2016, this will bring the total dividend payout for the year to 0.65 Singapore cents per share. This represents a dividend payout ratio of approximately 39% in FY2016, excluding fair value adjustments.

APPRECIATION

The year we had was made possible by the hard work of all our employees and I would like to close by first thanking them for their dedication to their work. I hope you will continue to work together with the management team to achieve higher levels of growth for LHN.

I also want to thank my fellow Directors on the Board for their strategic guidance and support especially in relation to the investments we made in FY2016.

Lastly, I want to thank all our business partners, landlords, tenants and shareholders for your faith and commitment to our Group. We will regularly review our operations and monitor market trends and best practices closely so that we can continue to innovate with new concepts in order to stay in the forefront of our industry.

Mr Kelvin Lim
Executive Chairman &
Group Managing Director

BOARD OF DIRECTORS

1	2
3	4
5	

[1]Mr Kelvin Lim Executive Chairman & Group Managing Director
[2]Ms Jess Lim Executive Director & Group Deputy Managing Director
[3]Mr Lee Gee Aik Lead Independent Director
[4]Ms Ch'ng Li-Ling Independent Director
[5]Mr Eddie Yong Independent Director

Mr Kelvin Lim 1

Executive Chairman & Group Managing Director

Mr Kelvin Lim is the Group's Executive Chairman and Group Managing Director. He was appointed to the Board on 10 July 2014. He is a member of the Nominating Committee.

Mr Kelvin Lim has over 17 years of experience in the leasing and facilities management business. He is primarily responsible for the business development and overall management of the Group. He also oversees the Group's investment activities, operations and marketing efforts.

Mr Lim's present major appointments include assistant secretary of the Bukit Batok East Citizen's Consultative Committee, Chairman of the Bukit Batok East Community Development Welfare Fund, the Lions Club and the National Arthritis Foundation of Singapore. He was awarded the public service medal (Pingat Bakti Masyarakat ("**PBM**")) in 2012 for contribution to society.

Ms Jess Lim 2

Executive Director & Group Deputy Managing Director

Ms Jess Lim is the Group's Executive Director and Group Deputy Managing Director. She was appointed to the Board on 10 July 2014 and was last re-elected on 28 January 2016.

Ms Jess Lim has over 18 years of extensive and varied experience in business management. She is responsible for the corporate development and overall administration for the Group and oversees the Group's finance, human resource, information systems and contracts administration functions.

Ms Lim graduated with a Bachelor of Business Administration degree from the National University of Singapore ("**NUS**"). She also holds an Executive Diploma in Directorship from the Singapore Management University and the Singapore Institute of Directors.

Mr Lee Gee Aik 3

Lead Independent Director

Mr Lee Gee Aik was appointed the Group's Lead Independent Director on 10 March 2015 and was last re-elected on 28 January 2016. He is the Chairman of the Audit Committee and member of the Remuneration and Nominating Committees.

Mr Lee Gee Aik has over 30 years of extensive and varied experience in accounting, tax and financial matters. He is currently a practicing Director of R Chan & Associates PAC, a member firm of the KS International network of professional accountancy firms and a fellow member of the Association of Chartered Certified Accountants, United Kingdom. He is also a practicing fellow member of the Institute of Singapore Chartered Accountants and appointed by the Ministry of Health to serve as Lay Person Member of the Complaints Panel of the Singapore Pharmacy Council.

He is currently Independent Director of SGX-ST listed Anchun International Holdings Ltd, Astaka Holdings Limited, SHS Holdings Limited and Uni-Asia Holdings Limited. His previous directorships and appointments in other listed companies in the preceding three years include appointments as Executive Vice Chairman of SGX-ST listed E2-Capital Holdings Limited (currently known as Astaka Holdings Limited), Independent Director of SGX-ST listed International Healthway Corporation Limited, Leader Environmental Technologies Limited and Ley Choon Group Holdings Limited.

He obtained a Master of Business Administration degree from Henley Management College, United Kingdom in 2004.

BOARD OF DIRECTORS

Ms Ch'ng Li-Ling [4]

Independent Director

Ms Ch'ng Li-Ling was appointed the Group's Independent Director on 10 March 2015 and was last re-elected on 28 January 2016. She is the Chairman of the Remuneration Committee and member of the Audit and Nominating Committees.

Ms Ch'ng Li-Ling is a corporate practitioner whose areas of practice include corporate and securities laws, capital markets, mergers and acquisitions, regulatory compliance and corporate governance advisory. She is currently a Partner in the Capital Markets Practice of RHTLaw Taylor Wessing LLP. She has been named one of AsiaLaw Leading Lawyers in 2014 and 2015 (Capital Markets), and was recognised as 'Leading Lawyers' in the 2011, 2013-2017 editions of IFLR1000.

She is also an Independent Director of SGX-ST listed DeClout Limited and Anchor Resources Limited, member of the Singapore Academy of Law, Legal Practitioner of New South Wales, Australia and qualified as a solicitor of England and Wales.

Ms Ch'ng graduated with a Bachelor of Arts (Honours) degree from NUS in 1994 and obtained her Bachelor of Laws (Honours) and Master of Laws (Merit) from the University of London in 1995 and 2011 respectively.

Mr Eddie Yong [5]

Independent Director

Mr Eddie Yong was appointed the Group's Independent Director on 10 March 2015 and was last re-elected on 28 January 2016. He is the Chairman of the Nominating Committee and member of the Audit and Remuneration Committees.

Mr Eddie Yong has over 30 years' experience in the real estate business ranging from land acquisition, planning and development, marketing and asset management. He is currently the Managing Partner of Equity & Land LLP.

He was an Executive Director of SGX-ST listed Far East Orchard Limited (formerly Orchard Parade Holdings Limited) from 2008 to 2012. He was also the Deputy Chairman of the industry and development committee and board member of the Singapore Corporation of Rehabilitative Enterprises between 1996 and 2012. He served as the management committee member of Real Estate Developers' Association of Singapore between 1997 and 2009, holding various positions including Honorary Treasurer and Honorary Secretary. Mr Eddie Yong was awarded the PBM in 2010 for his public service contributions.

He holds a Master of Science (Property and Maintenance Management) degree from NUS and a Bachelor of Science (Honours) degree in Urban Real Estate Management from Liverpool Polytechnic. He has professional affiliations with the Institute of Real Estate Management (USA), the Singapore Institute of Surveyors & Valuers, Marketing Institute of Singapore and The Chartered Institute of Marketing.

EXECUTIVE OFFICERS

Ms Yeo Swee Cheng
Chief Financial Officer

Ms Yeo Swee Cheng is the Group's Chief Financial Officer. She is primarily responsible for all finance related areas of the Group including its treasury, audit and taxation functions. She supports the management on all strategic and financial planning matters in relation to the Group's business to ensure sound management of the Group's funds.

Ms Yeo has over 15 years of extensive experience in financial accounting, corporate finance, treasury and taxation matters, having previously worked with GP Batteries International Limited and several other well established companies from various industries. She joined the Group as Group Finance Manager in May 2011 and was promoted to Group Financial Controller in July 2014, before advancing to her current position in July 2015.

Ms Yeo has a Bachelor of Accountancy degree from NUS and is also a member of the Institute of Singapore Chartered Accountants.

Mr Danny Wong
General Manager

Mr Danny Wong is the Group's General Manager. He is primarily responsible for the marketing and property management functions of the Group. He plans, directs and co-ordinates with the marketing and property management departments to ensure smooth operations. He is involved in promoting the Group's projects, sourcing for potential customers and conducting negotiations with them.

Mr Wong has over 10 years of experience in the real estate industry. He started his career in an associate company, HN Holdings Pte Ltd, as a management trainee in February 2005 after which he rose through the ranks and was promoted to Marketing Manager in April 2007. He was later transferred to the Group in 2008 and subsequently became the Group's Assistant General Manager in July 2010 before advancing to his current position in June 2012.

Mr Wong has a Bachelor of Science (Honours) degree in Real Estate from NUS.

FINANCIAL HIGHLIGHTS

2016 BUSINESS AT A GLANCE

S$12.5M
FACILITIES MANAGEMENT REVENUE

S$15.6M
LOGISTICS SERVICES REVENUE

S$104.7M
GROUP REVENUE

S$76.6M
SPACE OPTIMISATION REVENUE

94%
AVERAGE OCCUPANCY RATE OF INDUSTRIAL PROPERTIES

94%
AVERAGE OCCUPANCY RATE OF COMMERCIAL PROPERTIES

S$15.1M
PROFIT AFTER TAX

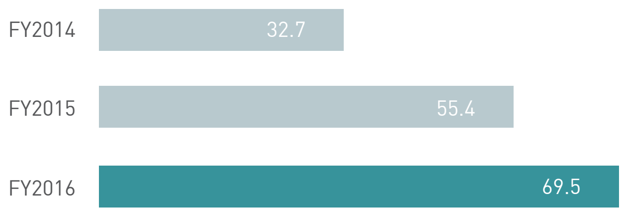
19.32 CENTS
NET ASSET VALUE PER SHARE

REVENUE (S$'M)

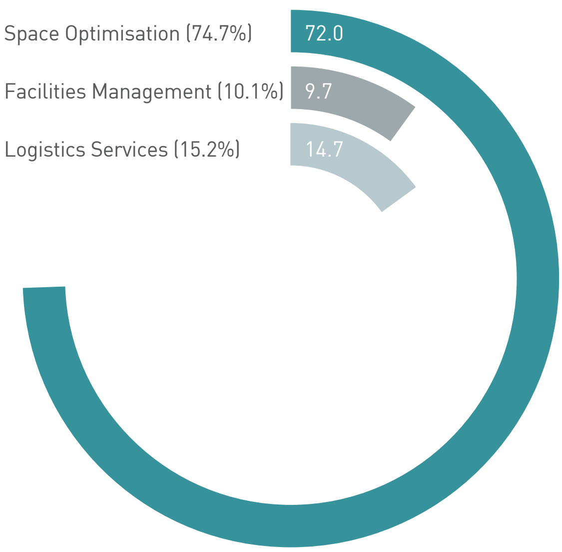
PROFIT ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY (S$'M)

TOTAL ASSETS (S$'M)

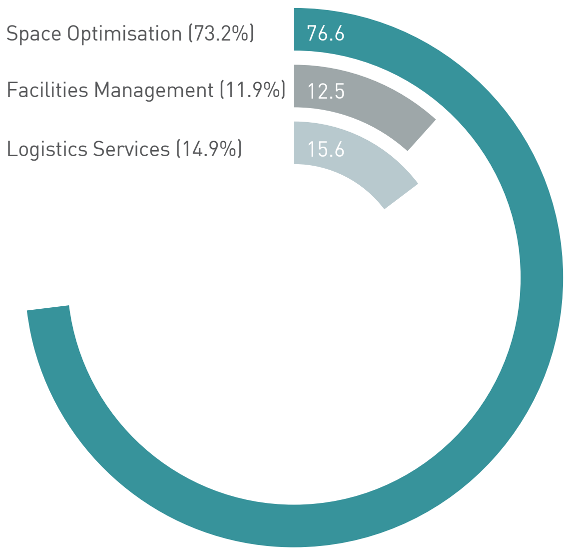
NET ASSETS (S$'M)



REVENUE BY SEGMENT FY2015 (S$'M)



REVENUE BY SEGMENT FY2016 (S$'M)



OPERATIONS AND FINANCIAL REVIEW

INCOME STATEMENT

REVENUE

The Group's revenue increased by approximately S$8.3 million or 8.6% from approximately S$96.4 million in FY2015 to approximately S$104.7 million in FY2016. The increase was due to increase in rental income (which includes warehousing service fees) from our Group's Space Optimisation Business, primarily driven by Industrial and Commercial Properties, as well as increased revenue from our Facilities Management Business and Logistics Services Business.

Space Optimisation Business

This business segment is the largest revenue contributor for the Group and comprises three business units, namely Industrial Properties, Commercial Properties and Residential Properties. In recent years, the Group had embarked on a strategy to reduce its portfolio of residential properties so as to focus on the more lucrative industrial and commercial property segments.

Revenue derived from Industrial Properties increased by approximately S$6.1 million or 13.3% from approximately S$45.9 million in FY2015 to approximately S$52.0 million in FY2016. The increase in revenue was mainly due to an increase in rental income from the new master leases secured by the Group. The average occupancy rate of industrial properties managed by the Group in FY2016 was approximately 94%.

Revenue derived from Commercial Properties increased by approximately S$0.2 million or 0.9% from approximately S$23.5 million in FY2015 to approximately S$23.7 million in FY2016. The increase in revenue was mainly due to an increase in rental income from our Indonesia office. The average occupancy rate of the Group's commercial properties was approximately 94% in FY2016.

With the intentional reduction of this segment, revenue derived from Residential Properties decreased by approximately S$1.7 million or 65.4% from approximately S$2.6 million in FY2015 to approximately S$0.9 million in FY2016. The decrease was mainly due to the expiry of the lease of its managing agent contract on a residential property at 15 Robin Road in October 2015.

Facilities Management Business

Revenue derived from our Facilities Management Business increased by approximately S$2.8 million or 28.9% from approximately S$9.7 million in FY2015 to approximately S$12.5 million in FY2016. The increase was mainly due to an increase in revenue generated from security services and car park management services from both existing sites and new car parks managed by our Group.

Logistics Services Business

Revenue derived from our Logistics Services Business increased by approximately S$0.9 million or 6.1% from approximately S$14.7 million in FY2015 to approximately S$15.6 million in FY2016. The increase was mainly due to increase in revenue from our container depot business.

COST OF SALES

Cost of sales rose by approximately S$4.3 million or 5.9% from approximately S$72.9 million in FY2015 to approximately S$77.2 million in FY2016 mainly due to an increase in rental costs of approximately S$3.1 million from the new secured sites managed by our Group and also an increase in direct labour costs of approximately S$1.1 million.

GROSS PROFIT & GROSS PROFIT MARGIN

As a result of the abovementioned, gross profit increased by approximately S$4.0 million from approximately S$23.5 million in FY2015 to approximately S$27.5 million in FY2016 and gross profit margin as a percentage of revenue rose from 24.3% in FY2015 to 26.3% in FY2016. The growth in gross profit was mainly due to higher rental income from our Industrial Properties.

OTHER OPERATING INCOME

Other operating income increased by approximately S$0.3 million or 12.9% from approximately S$2.7 million in FY2015 to approximately S$3.0 million in FY2016. The increase was mainly due to foreign exchange gain of approximately S$0.3 million.

EXPENSES

Selling and distribution expenses fell by approximately S$0.5 million or 22.3% from approximately S$2.3 million in FY2015 to approximately S$1.8 million in FY2016 mainly due to a reduction in advertising cost of approximately S$0.5 million.

Administrative expenses increased by approximately S$2.6 million or 14.5% from approximately S$17.8 million in FY2015 to approximately S$20.4 million in FY2016 mainly due to higher depreciation of approximately S$1.0 million arising from the increase in property, plant and equipment and increase in employee benefit cost of approximately S$1.7 million. This was offset by a decrease in miscellaneous expenses of approximately S$0.1 million.

Other operating expenses remained at approximately S$0.3 million for both FY2015 and FY2016.

Finance costs increased by approximately S$0.2 million or 34.5% from approximately S$0.4 million in FY2015 to approximately

Revenue

	FY2016 (S$'M)	FY2015 (S$'M)	VARIANCE (S$'M)	VARIANCE (%)
SPACE OPTIMISATION BUSINESS	76.6	72.0	4.6	6.4
(A) INDUSTRIAL PROPERTIES	52.0	45.9	6.1	13.3
(B) COMMERCIAL PROPERTIES	23.7	23.5	0.2	0.9
(C) RESIDENTIAL PROPERTIES	0.9	2.6	(1.7)	(65.4)
FACILITIES MANAGEMENT BUSINESS	12.5	9.7	2.8	28.9
LOGISTICS SERVICES BUSINESS	15.6	14.7	0.9	6.1
TOTAL	104.7	96.4	8.3	8.6

S$0.6 million in FY2016. The increase was mainly due to increase in interest expense as a result of higher borrowings.

SHARE OF RESULTS OF ASSOCIATED COMPANIES & JOINT VENTURES

Share of results of associated companies and joint ventures increased by approximately S$6.7 million from approximately S$0.03 million in FY2015 to S$6.7 million in FY2016 mainly due to fair value gain on investment properties in Singapore of approximately S$7.1 million, which was partially offset by operating loss of approximately S$0.4 million.

FAIR VALUE GAINS

Fair value gain on investment properties of approximately S$2.1 million for FY2016 was mainly due to the increase in valuation of industrial properties in Singapore. The fair value gain of approximately S$0.6 million recognised in FY2015 was due to the higher valuation of commercial property in Indonesia.

PROFIT BEFORE TAX

As a result of the aforementioned, the Group's profit before income tax increased by approximately S$11.9 million or 280.2% from approximately S$4.3 million in FY2015 to approximately S$16.2 million in FY2016.

BALANCE SHEET

Non-current assets rose by approximately S$13.8 million from approximately S$58.6 million as at 30 September 2015 to approximately S$72.4 million as at 30 September 2016 mainly due to an increase in investment in joint ventures of approximately S$7.3 million which was largely due to fair value gain on investment properties of approximately S$7.1 million. This is in addition to an increase in investment properties of approximately S$6.1 million which was largely due to capitalisation of renovation cost of approximately S$3.5 million and fair value gain on investment properties in Singapore of approximately S$2.1 million.

Trade and other receivables rose approximately S$5.5 million mainly due to increase in trade receivables of approximately S$0.5 million and increase in other receivables of approximately S$5.0 million. Increase in other receivables consist of mainly loan advances to joint venture companies of approximately S$7.0 million, partially offset by the decrease in net GST receivables of approximately S$0.9 million and decrease in deposit paid to suppliers and landlords of approximately S$1.1 million.

Non-current liabilities increased by approximately S$0.6 million from approximately S$20.6 million as at 30 September 2015 to approximately S$21.2 million as at 30 September 2016 mainly due to increase in provision for reinstatement cost for leased properties of approximately S$0.4 million, increase in obligations under finance lease of approximately S$0.1 million and bank borrowings of approximately S$0.1 million.

CASH FLOW STATEMENT

NET CASH GENERATED FROM OPERATING ACTIVITIES

In FY2016, we recorded net cash generated from operating activities of approximately S$13.4 million, which was a result of operating cash flows before changes in working capital of S$14.3 million and net working capital inflow of approximately S$0.6 million, adjusted for income tax paid of approximately S$1.1 million and net interest expense paid of approximately S$0.4 million. Our working capital inflows were mainly due to a decrease in operating receivables of approximately S$1.0 million and decrease in inventories of approximately S$0.2 million which were partially offset by decrease in operating payables of approximately S$0.6 million.

NET CASH USED IN INVESTING ACTIVITIES

Net cash used in investing activities amounted to approximately S$8.3 million mainly due to the acquisition of property, plant and equipment of approximately S$4.8 million, purchase of investment property of approximately S$3.0 million, deposit paid for acquisition of a joint venture of approximately S$0.3 million and incorporation of joint ventures of approximately S$0.6 million. These were partially offset by proceeds from disposal of property, plant and equipment of approximately S$0.3 million and interest received of approximately S$0.1 million.

NET CASH USED IN FINANCING ACTIVITIES

Net cash used in financing activities amounted to approximately S$9.8 million which was due to the loan advances to joint venture companies of approximately S$7.0 million, repayment of finance lease of approximately S$1.1 million, repayment of bank borrowings of approximately S$1.5 million, repayment of amount due to a director of our subsidiaries of approximately S$0.2 million, purchase of treasury shares of approximately S$0.2 million and dividend paid of approximately S$1.8 million. These were partially offset by proceeds received from bank borrowings obtained of approximately S$2.0 million.

As a result of the above, the Group's cash and cash equivalents decreased by approximately S$4.7 million, amounting to S$19.9 million as at 30 September 2016.

Cash Flow Statement

	FY2016 (S$'M)	FY2015 (S$'M)
NET CASH GENERATED FROM OPERATING ACTIVITIES	13.4	7.7
NET CASH USED IN INVESTING ACTIVITIES	(8.3)	(20.6)
NET CASH (USED IN) / GENERATED FROM FINANCING ACTIVITIES	(9.8)	23.1
CASH AND CASH EQUIVALENTS AS AT 30 SEPT	19.9	24.6

CORPORATE SOCIAL RESPONSIBILITY

SUSTAINABILITY POLICIES AND OBJECTIVES

The Group seeks to be a responsible corporate entity and give back to the society and community that has contributed to our success over the years. To ensure that our actions and initiatives are effective and relevant, we regularly review the impact of our operations and policies on our shareholders, customers, landlords, employees, suppliers, the community and the environment and we aim to exercise prudence, efficiency and accountability in all that we do.

COMMITMENT TO SHAREHOLDERS

We are committed to uphold sound corporate governance in accordance to SGX guidelines. We keep shareholders informed of the Group's performance and latest corporate developments through timely and accurate announcements to the investment community and media.
We provide public access to information about our Group via the following platforms:

- Singapore Stock Exchange's SGXNET and our website (www.lhngroup.com). All our corporate announcements, press releases, presentation slides and annual reports are available simultaneously on these two channels;
- A dedicated investor relations (IR) section within our corporate website;
- IR email: enquiry@lhngroup.com.sg;
- E-mail service via our IR website that the public can subscribe to receive alerts whenever an announcement is posted on the website; and
- Analyst and media briefings every quarter in relation to our financial results.

COMMITMENT TO TENANTS AND LANDLORDS

We are committed to our vision to "Create Productive Environments" through our space optimisation expertise and also our ability to provide value added integrated solutions. In addition, we continually innovate to develop new concepts that cater to the changing business needs of today's entrepreneurs. Landlords benefit because we enhance the value of their properties by increasing the net lettable area, and our tenants get to enjoy the conducive work environment that we create for them.

COMMITMENT TO EMPLOYEES

Our business is driven by human capital and we value our 300 over employees.

STAFF TRAINING

We are committed to help our employees in their personal development and career advancement by equipping them with the necessary skills and knowledge. Department heads appraise each employee annually to identify gaps in their skill sets so that we can send them for the appropriate training that will enable them to do their jobs better or to take on more responsibilities and leadership roles.

Another major area of focus for our Group is workplace safety. We aim to create a safe and conducive working environment for our employees. We constantly remind our employees to be mindful of safety procedures and also put up prominent signs in areas of concern, particularly sites that are undergoing renovation and refurbishment. Relevant employees are also sent for certified training in workplace safety and first aid.

In addition, we are committed to create an inclusive and harmonious workplace and we respect workplace diversity.
We treat our employees fairly and with respect, regardless of nationality, gender, race and religion. We provide open platforms for feedback and ideas exchange. We organise employee townhall and department sharing session on a regular basis which provide opportunities for employees to communicate and understand each other.

OCCUPATIONAL SAFETY AND HEALTH

The Group also promotes workplace health through development programmes such as Work at Height training, occupational first

FINANCIAL YEAR ENDED 30 SEPTEMBER 2016

FINANCIAL CALENDAR

04/02/2016
Announcement of 1Q2016 Financial Results

12/05/2016
Announcement of HY2016 Financial Results

10/08/2016
Announcement of 9M2016 Financial Results

28/11/2016
Announcement of FY2016 Financial Results

06/01/2017
Notice of Annual General Meeting

23/01/2017
Annual General Meeting

ANALYST, INVESTOR AND MEDIA EVENTS

17/02/2016
1Q2016 Financial Results Briefing

17/03/2016
SGX-Corporate Connect Seminar

13/05/2016
HY2016 Financial Results Briefing

11/07/2016
Presentation to Astral Asset Management and EFA Group

21/07/2016
Presentation to Philips Securities

21/07/2016
Site Tours for Investors

08/08/2016
Site Tours for Investors

11/08/2016
9M2016 Financial Results Briefing and Site Tours

22/08/2016
Presentation to RHB Capital

14/09/2016
Remisier Luncheon at Maybank Kim Eng

05/10/2016
Presentation to OCBC Investment Research and Macquarie Securities

12/10/2016
Presentation to Tomlinson Capital and GT Capital

30/11/2016
FY2016 Financial Results Briefing

aid courses, Workforce Skill Qualification courses for compliance to Workplace Safety and Health Policies and Procedures. In 2014 and 2015, we were also awarded the bizSAFE certificate by the Workplace Safety & Health Council for our efforts to create a safe and healthy working environment for our employees.

EMPLOYEE WELFARE

We celebrate special occasions such as Christmas, New Year, Chinese New Year, Mid-Autumn Festival, Family Day, Team Building activities and our annual Dinner and Dance with our employees, where we organise activities and share meals outside of a work setting. We have monthly birthday celebrations and we also have weekly fruit day and healthy dessert soup day to promote and encourage healthy eating.

In 2016, we implemented a Fitness Benefits Scheme, where employees' fitness activities are subsidised by LHN. We also started a department welfare fund for team bonding activities within each department. To show our appreciation to long serving employees, we give out long service awards together with a small token to thank them for their contribution to the company.

COMMITMENT TO THE COMMUNITY

In 2016, LHN kick-started the Community Chest SHARE Programme, where our employees opted to contribute a part of their monthly salary to Community Chest, with LHN matching employees' total contribution dollar-for-dollar. We also took part in the Community Chest Heartstrings Walk to create awareness for people with disabilities. For our Family Day, we partnered with Sunshine Welfare Action Mission (SWAMI) to volunteer packing and distributing goodie bags and meals to the home-bound elderly in Yishun. LHN had also jointly organised a Christmas Party with Lions Club of Neesoon Mandarin for Thuja Home at Pelangi Village, a welfare home that caters to female destitute persons.

We believe in giving back and making an impact on the community. In FY2016, we made cash contributions of over S$57,000 to various organisations for activities organised in support of community development and the needy and underprivileged. Some of the organisations include:

- S$10,000 to National Arthritis Foundation through their Charity Golf Tournament 2015.
- S$5,308 to Bukit Batok East CCC CDWF for Donation of Outright Cash.
- 1 flight for golf & gala package worth S$2,288 for SICC May Day Charity 2016.
- S$10,000 to Low Income Family in Ang Mo Kio through Yio Chu Kang CCC CD & Welfare Fund Committee.
- S$10,000 for National Arthritis Foundation Charity Gala Dinner 2016.
- S$8,000 in support of the Bone Marrow Donor Programme.
- S$5,000 to President's Challenge Charity Sprint.

COMMITMENT TO THE ENVIRONMENT

We have a strong culture of recycling in the office. Employees avoid printing as much as possible and where necessary, we print double-sided. All waste paper are shredded and sent to recycling centres and we only purchase paper from environmentally friendly sources. Our collaterals are printed on FSC certified paper. Recycling bins are also placed in the office to allow proper segregation of office waste.

The same environmental consciousness is applied throughout our operations, at our properties and our container depots. We use only energy saving light bulbs and tubes integrated with motion sensors and timer switches to reduce electricity wastage. Our Facilities Management Business, which provides cleaning services for our properties and tenants, uses only environmentally friendly chemicals and cleaning agents and our taps are all installed with water saving devices to prevent wastage.

Community Chest Programme Briefing at Employee Townhall Session 2016

STRIVING FOR EXCELLENCE

BIZSAFE LEVEL 3 CERTIFICATE
Awarded to:
– LHN Group Pte. Ltd. ("**LHN Group**")
– Industrial and Commercial Security Pte. Ltd. ("**ICS**")
– Industrial and Commercial Facilities Management Pte. Ltd. ("**ICFM**")
– Nopest Pte. Ltd.
– HLA Container Services Pte. Ltd.
– Hean Nerng Logistics Pte. Ltd. ("**HNL**")
– LHN Parking Pte. Ltd.
by Workplace Safety and Health Council

ISO 9001:2008 QUALITY MANAGEMENT SYSTEM CERTIFICATE FOR LEASING OF SPACE
Awarded to LHN Group
by Certification International (Singapore) Pte Ltd and Certification International (UK) Ltd.

ISO 9001:2008 QUALITY MANAGEMENT SYSTEM CERTIFICATE FOR FACILITIES MANAGEMENT SERVICES
Awarded to ICFM
by Certification International (Singapore) Pte Ltd

ISO 9001:2008 QUALITY MANAGEMENT SYSTEM CERTIFICATE FOR SECURITY MANAGEMENT SERVICES
Awarded to ICS
by Certification International (Singapore) Pte Ltd

ISO 9001:2008 QUALITY MANAGEMENT SYSTEM CERTIFICATE FOR TRANSPORTATION OF BASE OIL, BITUMEN, CHEMICAL & CONTAINERS
Awarded to HNL
by Certification International (Singapore) Pte Ltd

SECURITY AGENCY GRADING AWARD
(Grade A in the Security Agency Grading Exercise for 2016)
Awarded to ICS
by Police Licensing & Regulatory Department

CLEAN MARK GOLD AWARD UNDER THE CLEAN MARK ACCREDITATION SCHEME
(for cleaning services in the conservancy/public areas, commercial premises and food & beverage establishments sectors)
Awarded to ICFM
by National Environment Agency

SINGAPORE PRESTIGE BRAND AWARD 2016 – ESTABLISHED BRAND
Awarded to LHN Group
by Association of Small and Medium Enterprises (ASME) and Lianhe Zaobao

CORPORATE INFORMATION

BOARD OF DIRECTORS

Kelvin Lim
Executive Chairman
Group Managing Director

Jess Lim
Executive Director
Group Deputy Managing Director

Lee Gee Aik
Lead Independent Director

Ch'ng Li-Ling
Independent Director

Eddie Yong
Independent Director

AUDIT COMMITTEE

Lee Gee Aik (Chairman)
Ch'ng Li-Ling
Eddie Yong

REMUNERATION COMMITTEE

Ch'ng Li-Ling (Chairman)
Lee Gee Aik
Eddie Yong

NOMINATING COMMITTEE

Eddie Yong (Chairman)
Ch'ng Li-Ling
Lee Gee Aik
Kelvin Lim

COMPANY SECRETARY

Leong Chee Meng, Kenneth

REGISTERED OFFICE

10 Raeburn Park
#02-18
Singapore 088702
Tel: (65) 6368 8328
Fax: (65) 6367 2163

SPONSOR

PrimePartners Corporate Finance Pte. Ltd.
16 Collyer Quay
#10-00 Income at Raffles
Singapore 049318

SHARE REGISTRAR

Boardroom Corporate & Advisory Services Pte. Ltd.
50 Raffles Place
#32-01 Singapore Land Tower
Singapore 048623

AUDITORS

Foo Kon Tan LLP
Chartered Accountants
24 Raffles Place
#07-03 Clifford Centre
Singapore 048621

Partner-in-charge: **Tei Tong Huat**
(since financial year 2016)

PRINCIPAL BANKERS

DBS Bank Ltd.
12 Marina Boulevard
Marina Bay Financial Centre Tower 3
Singapore 018982

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

Malayan Banking Berhad
2 Battery Road
#16-01 Maybank Tower
Singapore 049907

Oversea-Chinese Banking Corporation Limited
65 Chulia Street
#09-00 OCBC Centre
Singapore 049513

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

INVESTOR RELATIONS

LHN Limited
enquiry@lhngroup.com.sg

August Consulting
Wrisney Tan
(wrisneytan@august.com.sg)

WEBSITE

www.lhngroup.com

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REPORT ON CORPORATE GOVERNANCE

The Board of Directors (the "**Board**") and the management (the "**Management**") of LHN Limited (the "**Company**" and together with its subsidiaries, the "**Group**") are committed to maintain a high degree of corporate governance and transparency for the benefit of all its stakeholders. For the financial year ended 30 September 2016 ("**FY2016**"), the Board and the Management are pleased to confirm that the Company has adhered to the principles and guidelines of the Code of Corporate Governance 2012 (the "**Code**") where applicable, pursuant to Rule 710 of the Listing Manual Section B: Rules of Catalist (the "**Catalist Rules**") issued by the Singapore Exchange Securities Trading Limited ("**SGX-ST**").

This report outlines the Company's corporate governance processes and structure that were in place during FY2016, with specific reference to the principles and guidelines of the Code and the disclosure guide developed by the SGX-ST in January 2015 (the "**Guide**"). Where there is a deviation from the Code and/or the Guide, proper explanation has been provided.

(A) BOARD MATTERS

Principle 1 – The Board's Conduct of its Affairs

The Board oversees the corporate policy and overall strategy for the Group. The principal roles and responsibilities of the Board, amongst others, include:

(a) Oversees the overall strategic plans including sustainability and environmental issues as part of its strategic formulation, strategic human resources framework, and financial objectives of the Group; and

(b) Oversees and safeguards shareholders' interest and the Company's assets through a robust system of effective internal controls, risk management, financial reporting and compliance.

The Board is the highest authority of approval and specific functions of the Board are either carried out by the Board or through various committees established by the Board, namely, the Audit Committee (the "**AC**"), the Nominating Committee (the "**NC**") and the Remuneration Committee (the "**RC**") (collectively, the "**Board Committees**"). Each committee has the authority to examine issues relevant to their term of references and to make fair, proper and appropriate recommendations to the Board when required. The ultimate responsibility for the final decision on all matters, however, lies with the entire Board.

The Board has in place an authority matrix to provide guidelines on the approval for material transactions. Matters that require the Board's approval include, amongst others, the following:

- Board authorisation limits;
- Appointment and re-election of Directors at general meeting;
- Salaries and benefits/allowances of the members of the Board and Key Management Personnel (as defined herein);
- Evaluation and approval of investments, mergers and acquisitions ("**M&A**") transactions and divestments;
- Significant capital expenditure;
- Public announcements and responses to the SGX-ST/regulators, if any;
- Dividend decisions; and
- Auditor's reports if deemed satisfactory and free of material errors after review.

REPORT ON CORPORATE GOVERNANCE

The Board conducts scheduled meetings on a quarterly basis. Additional meetings are convened as and when circumstances warrant. The Constitution of the Company (the "**Constitution**") allows Board meetings to be conducted via any form of audio or audio-visual communication. The Directors are free to discuss any information or views presented by any member of the Board and the Management.

The Company adopts a policy which welcomes Directors to request for further explanations, briefings or informal discussions on any aspect of the Group's operations or business from the Management.

When necessary or appropriate, members of the Board exchange views outside the formal environment of board meetings. Each Board member is expected to objectively discharge his or her duties and fiduciary responsibilities at all times in the best interests of the Company.

The attendance record of each Director at meetings of the Board and Board Committees during FY2016 is disclosed below:

	Board	**AC**	**NC**	**RC**
Number of meetings held in FY2016	4	4	1	1
Name of Director	**Number of meetings attended in FY2016**			
Lim Lung Tieng ("**Kelvin Lim**")	4	4[(1)]	1	1[(1)]
Lim Bee Choo ("**Jess Lim**")	4	4[(1)]	1[(1)]	1[(1)]
Ch'ng Li-Ling	4	4	1	1
Lee Gee Aik	4	4	1	1
Yong Chee Hiong ("**Eddie Yong**")	4	4	1	1

Note:

(1) Attended as an invitee.

Newly appointed directors will be given briefings and orientation by the Executive Directors and Management to familiarise them with the businesses and operations of the Group. Upon appointment, the Director will receive a letter of appointment setting out his/her duties and responsibilities. All newly appointed Directors who do not have prior experience as a director of a public listed company in Singapore would attend relevant training courses when applicable.

The Directors may join institutes and group associations of specific interests, and attend relevant training seminars or informative talks from time to time to enable them to better discharge their duties. The Company encourages the directors to attend courses in areas of directors' duties and responsibilities, corporate governance, changes in financial reporting standards, insider trading, changes in the Companies Act (Chapter 50) of Singapore (the "**Companies Act**") and industry-related matters, to develop themselves professionally, at the Company's expense.

For FY2016, briefings and updates for the Directors include:

- briefing by the external auditors on changes or amendments to accounting standards at the AC meetings; and
- updates by the Company Secretary on proposed amendments to the Companies Act, and Catalist Rules, from time to time.

Principle 2 – Board Composition and Guidance

Currently, the Board comprises five Directors, as set out below. There are two Executive Directors namely Kelvin Lim who is the Executive Chairman and Group Managing Director of the Company, and Jess Lim who is the Executive Director and Group Deputy Managing Director of the Company. The Non-Executive and Independent Directors comprise Mr Lee Gee Aik, Ms Ch'ng Li-Ling and Mr Eddie Yong.

Director	Designation	Date of Initial Appointment as Director	Date of Last Re-Election	AC	NC	RC
Kelvin Lim[1]	Executive Chairman and Group Managing Director	10 July 2014	Nil	–	Member	–
Jess Lim	Executive Director and Group Deputy Managing Director	10 July 2014	28 January 2016	–	–	–
Lee Gee Aik[2]	Lead Independent Director	10 March 2015	28 January 2016	Chairman	Member	Member
Ch'ng Li-Ling	Independent Director	10 March 2015	28 January 2016	Member	Member	Chairman
Eddie Yong	Independent Director	10 March 2015	28 January 2016	Member	Chairman	Member

Notes:

(1) Mr Kelvin Lim will retire pursuant to Regulation 98 of the Constitution of the Company and is subject to re-election as a Director at the forthcoming Annual General Meeting ("**AGM**") of the Company.

(2) Mr Lee Gee Aik will retire pursuant to Regulation 98 of the Constitution of the Company and is subject to re-election as a Director at the forthcoming AGM of the Company.

Details of the Directors' qualifications and experiences are set out on pages 11 and 12 of this Annual Report.

The NC evaluates on an annual basis whether or not a Director is independent in accordance with the Code. The NC has reviewed and confirmed the independence of the Independent Directors, Mr Lee Gee Aik, Ms Ch'ng Li-Ling and Mr Eddie Yong in accordance with the Code. The Independent Directors have also confirmed their independence in accordance with the Code.

Each member of the NC has abstained from deliberations in respect of the assessment of his or her independence.

There is no Independent Director who has served beyond nine years since the date of his or her first appointment.

The requirement of the Code that at least half of the Board comprises Independent Directors where the Chairman and the chief executive officer (or equivalent) is the same person, is part of the management team and/or is not an independent director, is satisfied as more than half of the Board is independent.

For FY2016, the NC had reviewed the size and composition of the Board for effective decision making, taking into account factors such as the scope and nature of the operations of the Group and the core competencies of Board members in the fields of accounting and finance, as well as professional legal services. The Non-Executive Directors are able to constructively challenge and assist in the development of the business strategies and in reviewing and monitoring of the Management's performance against set targets.

The Independent Directors are encouraged to meet separately without the presence of Management. Led by the Lead Independent Director, the Independent Directors have met in FY2016 without the presence of Management.

REPORT ON CORPORATE GOVERNANCE

The Board's policy in identifying director nominees is primarily to have an appropriate mix of members with complementary skills, core competencies and experience for the Group. The current Board composition provides a diversity of skills, gender, experience, and knowledge to the Company as follows:–

Balance and Diversity of the Board		
	Number of Directors	**Proportion of the Board**
Core Competencies		
Accounting or finance related	2	40%
Business and management experience	5	100%
Legal or corporate governance	3	60%
Relevant industry knowledge	3	60%
Strategic planning experience	5	100%
Gender Diversity		
Male	3	60%
Female	2	40%

The Board will take the following steps to maintain or enhance its balance and diversity:

- Annual review by the NC to assess if the existing attributes and core competencies of the Board are complementary and will enhance the efficacy of the Board; and

- Annual evaluation by the Directors of the skill sets the other Directors possess, with a view to understand the range of expertise which is lacking by the Board.

The NC will consider the results of these exercises in its recommendation for the appointment of new Directors and/or the re-appointment of incumbent Directors.

Principle 3 – Chairman and Chief Executive Officer

The Company does not have a Chief Executive Officer. However, this position is carried out by the Group Managing Director (the "**MD**"). Kelvin Lim is our Executive Chairman (the "**Chairman**") and the MD. The Board is of the opinion that it is not necessary for the role of the MD and Chairman to be separated after taking into account the size, scope and operations of the Group. Furthermore, pursuant to Guideline 3.3 of the Code, the Board has appointed Mr Lee Gee Aik as the Lead Independent Director.

The Chairman provides overall leadership to the Board. The Chairman, with the help of the Company Secretary, ensures that Board meetings are held as and when necessary and sets the meeting agenda in consultation with fellow Directors and other Key Management Personnel, and if warranted, with professional advisors.

The Chairman also ensures the quality, quantity and timeliness of the flow of information between the Management, the Board and shareholders. He promotes high standards of corporate governance as well as the culture of openness and debate at Board meetings. He also encourages constructive relationship within the Board and between the Board and Management while facilitating the effective contributions of Independent Directors during the Board meetings.

The MD is responsible for the overall operations, market development, strategic management and business expansion of the Group.

Principle 4 – Board Membership

The Company has established the NC to make recommendations to the Board on all Board appointments and re-appointments. The key terms of reference of the NC include:

(a) making recommendations to the Board on relevant matters relating to:

  (i) the review of board succession plans for Directors, in particular, the Chairman and the MD;

  (ii) the reviewing of training and professional development programs for the Board; and

  (iii) the appointment and re-appointment of Directors (including alternate Directors, if applicable);

(b) reviewing and determining annually, and as and when circumstances require, if a Director is independent, in accordance with the Code and any other salient factors;

(c) reviewing the composition of the Board annually to ensure that the Board and its committees comprise Directors who as a group provide an appropriate balance and diversity of skills, expertise, gender and knowledge of the Group and provide core competencies such as accounting or finance, business or management experience, industry knowledge, strategic planning experience and customer-based experience and knowledge; and

(d) where a Director has multiple board representations, deciding whether the Director is able to and has been adequately carrying out his or her duties as a Director, taking into consideration the Director's number of listed company board representation and other principal commitments.

In addition, the NC will make recommendations to the Board on the development of a process for the evaluation and performance of the Board, its Board Committees and individual Directors. In this regard, the NC will decide how the Board's performance is to be evaluated and propose objective performance criteria which addresses how the Board will enhance long-term shareholder value.

The NC has also implemented a process for assessing the effectiveness of the Board as a whole and its Board Committees, and for assessing the contribution of the Chairman and each individual Director to the effectiveness of the Board. The NC Chairman will act on the results of the evaluation, and in consultation with the NC to propose, where appropriate, any new member to be appointed to the Board or seek the resignation of an existing Director.

The NC comprises four directors, three of whom including the NC Chairman, are non-executive and independent.

The NC members are:

- Eddie Yong (Chairman)
- Ch'ng Li-Ling
- Lee Gee Aik
- Kelvin Lim

At each AGM of the Company, the Constitution requires one-third of the Directors (or, if their number is not a multiple of three, the number nearest to but not less than one-third) shall retire from office by rotation, being one-third of those who have been longest in office since their last re-election. Newly appointed Directors will have to retire at the next AGM following their appointments. The retiring Directors are eligible to offer themselves for re-election.

REPORT ON CORPORATE GOVERNANCE

The NC has noted that the following directors will retire by rotation at the forthcoming AGM pursuant to the Constitution:

Name of Director	Designation	Retiring Pursuant to Regulation of the Constitution
Kelvin Lim	Executive Chairman and Group Managing Director	98
Lee Gee Aik	Lead Independent Director	98

The NC had reviewed and recommended that Mr Kelvin Lim who will retire by rotation pursuant to Regulation 98 of the Constitution, being eligible and having consented, be nominated for re-election as Director at the forthcoming AGM. Upon re-election, Mr Kelvin Lim will remain as the Chairman and MD. Key information details on Mr Kelvin Lim are set out on page 11 of this Annual Report.

Pursuant to Regulation 98 of the Constitution, Mr Lee Gee Aik will retire at the forthcoming AGM. The NC, with Mr Lee Gee Aik having abstained from the deliberations, had reviewed and recommended Mr Lee Gee Aik for re-election at the forthcoming AGM. Upon re-election, Mr Lee Gee Aik will remain as the Lead Independent Director, the AC Chairman and a member of NC and RC. Mr Lee Gee Aik will be considered independent for the purposes of Rule 704(7) of the Catalist Rules. Key information details on Mr Lee Gee Aik are set out on page 11 of this Annual Report.

In assessing and recommending a candidate for appointment to the Board, the NC takes into consideration the background, qualifications, experience and knowledge that the candidate brings and which could benefit the Board. Other important issues to be considered as part of the process for the selection, appointment and re-appointment of Directors include the composition and progressive renewal of the Board and each Director's competencies, commitment, contribution and performance (e.g. attendance, preparedness, participation and candor). The independence of a director is also determined in accordance with the recommendations of Guideline 2.3 of the Code.

The NC may also engage external search consultants to search for new Directors at the Company's expense. There were no external search consultants engaged during FY2016 as the Board was not in the process of identifying any new appointments to the Board. New Directors are appointed by way of a board resolution after the NC recommends the appointment for the consideration and approved by the Board.

As a broad-based NC policy, the Board nomination process for evaluating an Executive Director vis-à-vis a Non-Executive or Independent Director is different. For an Executive Director, the nomination process would in general be tied to his or her ability to contribute through his or her business acumen and strategic thinking process for the business. As for a Non-Executive or Independent Director, his or her nominations are hinged on myriad of criteria whereby he or she should possess the independence of mind despite confirmation via in writing, as evaluated by the NC. The existing Independent Directors were selected from contacts as recommended to the Management, where the Management had in their opinion, deemed that these professionals will be able to give an independent view to take the Group's business to a higher level as the current Executive Directors lack listed company directorship experience and would depend on the stewardship of more experienced Independent Directors.

Furthermore, the NC also had considered, and is of the opinion, that based on the following considerations evaluated; they had not impeded any Director's performance in FY2016 from carrying out their duties to the Company:

(a) expected and/or competing time commitments of each Director;

(b) number of board representation held by each Director;

(c) size and composition of the Board; and

(d) nature and scope of the Group's operations and size.

In consideration of the above mentioned, the Board did not set any cap on the number of listed company directorships given that all Independent Directors were able to dedicate their time to the Group for FY2016. Nevertheless, if the Board finds that time commitment is lacking from any particular Director, they may consider imposing a cap in future. There is no alternate director appointed by any Director in FY2016.

The following key information regarding Directors are set out on the following pages of this Annual Report:

(a) Pages 11, 12 and 25 – Academic and professional qualifications, date of first appointment as Director, date of last re-election as Director, if any, directorships or chairmanships both present and those held over the preceding three years in other listed companies and other principal commitments, whether appointment is executive or non-executive, or considered by the NC to be independent; and

(b) Pages 42 and 43 – Shareholdings, if any, in the Company and its subsidiaries.

Principle 5 – Board Performance

The NC is responsible for assessing the effectiveness of the Board as a whole, the Board committees and each individual Director. The NC decides how the Board's performance may be evaluated and proposes objective performance criteria that are approved by the Board.

The criteria for evaluation of the performance of individual directors include qualitative and quantitative factors such as performance of principal functions and fiduciary duties, Director's attendance at meetings and his or her contribution and performance at such meetings. The NC and the Board strives to ensure that each Director, with his or her contributions, brings to the Board an independent and objective perspective to enable balanced and well-considered decisions to be made.

The NC meets once a year, and as warranted by circumstances, to discharge its functions. In FY2016, one NC meeting was held in November 2015.

The NC has in place an annual performance evaluation process for assessing the effectiveness of the Board as a whole and its Board Committees and for assessing the contribution by the Chairman and each individual Director to the effectiveness of the Board. The Company Secretary will collate the Board's and Directors' evaluations and provide the summarised results to the NC Chairman for presentation to the Board. The NC would then discuss the evaluation and conclude the performance results during the NC meeting.

The NC had at a meeting held in November 2016 assessed the performance of the Board, the Board Committees and individual Directors (including the Chairman) for FY2016.

(A) The assessment of the Board and the Board Committees is done via a confidential questionnaire, covering areas such as Board composition, Board processes managing the Group's performance and the effectiveness of the Board in its monitoring role and the effectiveness of the respective Board Committees.

(B) The assessment of the individual Directors is done through peer assessments through a confidential questionnaire completed by each Director. The assessment parameters for such individual evaluation include attendance and contributions during Board and Board Committee meetings as well as commitment to their roles as Directors.

The NC, having reviewed the performance of the Board in terms of its roles and responsibilities and the conduct of its affairs as a whole, is of the view that the Board and the Board Committees have operated efficiently and each Director (including the Chairman) has contributed to the overall effectiveness of the Board in FY2016. No external facilitator was used in the process to conduct the evaluations.

All NC members have abstained from the voting or review process of any matters in connection with the assessment of his/her performance.

REPORT ON CORPORATE GOVERNANCE

Principle 6 – Access to Information

The Management keeps the Board appraised of the Group's operations and performance through quarterly updates and reports as well as through informal discussions. Key Management Personnel who can provide additional insight onto the matters at hand would be invited to Board meetings.

Prior to any meetings of the Board or Board Committees, Directors are provided, where appropriate, with sufficient relevant information to enable them to be prepared for the meetings. On an ongoing basis, all Board members have separate and independent access to Management should they have any queries or require additional information on the affairs of the Group.

Before each meeting, Management would provide the Board members with the required explanatory documents relating to matters to be brought before the Board. The Management also provides the Board with quarterly updates on financial results, operational performance, business developments and other important and relevant information.

The Directors also have access to the Company Secretary who attends all Board and its Board Committees' meetings. The Company Secretary assists the Chairman and the Board to implement and strengthen corporate governance practices and processes. The Company Secretary also assists the Directors in the preparation of Directors' resolution, recording of minutes of meetings, the facilitation of the annual general meeting proceedings, the preparation and release of routine SGXNet announcements as well as updates on the relevant changes to the Companies Act.

The Board is given the names and contact details of the Management and the Company Secretary to facilitate direct, separate and independent access. The appointment and removal of the Company Secretary is subject to the approval of the Board as a whole.

Where the Directors either individually or as a group, in the furtherance of their duties, require independent professional advice, assistance is available to assist them in obtaining such advice at the Company's expense.

(B) REMUNERATION MATTERS

Principle 7 – Procedures for Developing Remuneration Policies

The terms of reference of the RC cover the functions described in the Code including but not limited to, the following:

(a) reviewing and recommending to the Board, in consultation with the Chairman of the Board for endorsement, a comprehensive remuneration policy framework and guidelines for remuneration of Directors, the Chairman and MD and other persons having authority and responsibility for planning, directing and controlling the activities of our Company ("**Key Management Personnel**");

(b) reviewing and recommending to the Board for endorsement, the specific remuneration packages for each Director and Key Management Personnel;

(c) reviewing and approving the design of all share option plans, performance share plans and/or other equity based plans;

(d) in the case of service contracts, reviewing the Company's obligations arising in the event of termination of the Directors' or Key Management Personnels' contracts of service, to ensure that such contracts of service contain fair and reasonable termination clauses which are not overly generous, with a view to being fair and avoiding the reward of poor performance; and

(e) reviewing the link between performance and reward in the remuneration structure of each of the Director and Key Management Personnel and recommend such targets for each of such Director and Key Management Personnel, for endorsement by the Board.

The RC comprises entirely of Non-Executive Directors, all of whom are independent. The RC meets at least once a year, and as warranted by circumstances, to discharge its functions. The RC members are:

- Ch'ng Li-Ling (Chairman)
- Lee Gee Aik
- Eddie Yong

All recommendations made by the RC on remuneration of Directors and Key Management Personnel will be submitted to endorsement by the Board. No member of the RC is involved in setting his or her remuneration package. As and when deemed appropriate by the RC, independent expert advice will be sought at the Company's expense. The RC shall ensure that existing relationships, if any, between the Company and its appointed remuneration consultants will not affect the independence and objectivity of the remuneration consultants.

Principle 8 – Level and Mix of Remuneration

The RC recommends to the Board the quantum of directors' fees and the Board in turn endorses the recommendation for Shareholders' approval at each AGM. To facilitate timely payment of directors' fees, the Company has recommended for the Directors' fees amounting to S$168,000 to be paid on a quarterly basis in arrears for FY2017 once approval is obtained from Shareholders at the forthcoming AGM.

The remuneration packages take into consideration the performance of the Group and individual assessment of each Non-Executive Director, the level of contribution to the Company and Board, taking into account various factors including but not limited to efforts and time spent, responsibilities and duties of the Directors.

For the Executive Directors and Key Management Personnel, each of their service agreements and/or compensation packages is reviewed by the RC. These service agreements cover the terms of employment and specifically, the salaries and bonuses of the Executive Directors and Key Management Personnel. The Company may terminate a service agreement if, *inter alia*, the relevant Executive Director or Key Management Personnel is guilty of dishonesty or serious or persistent misconduct, become bankrupt or otherwise act to the Company's prejudice. Executive Directors of the Company are not entitled to any Directors' fees.

The Company has entered into separate service agreements (the "**Service Agreements**") with the Executive Directors, namely, Kelvin Lim and Jess Lim. Please refer to pages 291 to 294 of our Offer Document dated 1 April 2015 (the "**Offer Document**"), for the details of the Service Agreements.

The RC will ensure that the Independent Directors are not overcompensated to the extent that their independence may be compromised. Non-Executive Directors are able to participate in the PSP (as defined herein) and hold shares in the Company so as to better align their interests with the interests of Shareholders.

During FY2016, the RC had reviewed the compensation and remuneration packages and believes that the remuneration of Directors and Key Management Personnel commensurate with their respective roles and responsibilities. For FY2016, the Company did not engage any external remuneration consultants to assist in the review of compensation and remuneration packages. For FY2016, the RC had reviewed the performance of the Executive Directors in accordance with the performance objectives set forth in the Service Agreements; as well as the evaluation of the performance of Key Management Personnel and were satisfied that the performance objectives had been met.

There are no termination, retirement and post-employment benefits that may be granted to the Directors, the Chairman and MD and top two Key Management Personnel.

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Principle 9 – Disclosure on Remuneration

The Group links its remuneration policy to the achievement of key performance indicators. Key performance indicators of the Group are aimed towards retention of customers and financial performance; these could include project management capabilities and profitability of various business units across the Group's business segments. The remuneration of Executive Directors are also in accordance with the Service Agreements and a portion of their remunerations (in dollar terms) are in the form of variable or performance related bonuses calculated based on the Group's profitability. For the Key Management Personnel and other senior executives, their variable or performance related bonuses, beside individual performance, are also based on the Group's profitability.

The breakdown (in percentage terms) of the remuneration of Directors of the Company for FY2016 is set out as below:

Directors	Salary and allowance[1] (%)	Fixed Bonus[1] (%)	Variable Bonus[1] (%)	Director's Fees (%)	Total[2] (100%) (S$'000)
Kelvin Lim	67	6	27	–	1,067
Jess Lim	67	6	27	–	449
Lee Gee Aik	–	–	–	100	63
Ch'ng Li-Ling	–	–	–	100	53
Eddie Yong	–	–	–	100	53

There were only two top Key Management Personnel in the Company for FY2016. The breakdown (in percentage terms) of the remuneration of two top Key Management Personnel of the Group for FY2016 is set out as below:

Remuneration Band and Name of Key Management Personnel	Designation	Salary and allowance[1] (%)	Variable Bonus[1] and PSP (%)	Total (%)
From S$250,001 to S$500,000				
Yeo Swee Cheng	Chief Financial Officer	71	29	100
Wong Sze Peng, Danny ("**Danny Wong**")	General Manager	74	26	100

Notes:

(1) The amounts for salary, allowance and variable bonus shown are inclusive of Singapore's Central Provident Funds.

(2) Rounded to the nearest one thousand Singapore dollars.

In aggregate, the total remuneration paid to the two top Key Management Personnel was S$533,532 in FY2016. There was no employee who is an immediate family member of a Director and/or the Chairman and MD whose remuneration exceeded S$50,000 during FY2016.

The remuneration received by the Executive Directors and Key Management Personnel takes into consideration his or her individual performance and contribution toward the overall performance of the Group for FY2016. Their remuneration is made up of fixed and variable compensations. The Executive Directors fixed compensation consists of an annual base salary, fixed allowance and bonus as set out on pages 291 and 292 of the Offer Document. For the Key Management Personnel, the variable compensation is determined based on the level of achievement of corporate and individual performance objectives.

PERFORMANCE SHARE PLAN

On 10 March 2015, the shareholders adopted the "LHN Performance Share Plan" (the "**PSP**"). The PSP has been assigned by the Board of Directors to be administered by a committee comprising of members of the RC, which as of the date of this Annual Report comprises Mr Lee Gee Aik, Ms Ch'ng Li-Ling and Mr Eddie Yong.

The primary objective of establishing the PSP is to recognise and reward the Directors and employees for their valuable contributions to the growth and success of the Group as well as to retain employees whose services are vital to our success in order to achieve greater growth in the Group. Eligible participants (the "**Participants**") under the PSP will have the opportunity to participate in the equity of the Company, thereby aligning their interests with the interests of the Company and shareholders, motivating them towards long-term growth and profitability of the Group and better performance through increased dedication and incentives.

The PSP aims to promote higher performance goals, and recognise and reward the contributions made by employees. The PSP contemplates the contingent award of fully-paid shares after certain pre-determined benchmarks have been met (the "**Awards**"). The Company believes that the PSP will be more effective than pure cash bonuses in motivating employees to work towards pre-determined goals.

Under the PSP, the size of the Award granted to a Participant will be determined based on, amongst others, his rank, job performance, potential for future development and his contribution to the success and development of the Group as determined by the RC prior to the date of grant. The performance period here is a forward-looking period for which performance conditions and targets are set and measured over the performance period. The final Award is determined by the performance achievement over the performance period. The performance period, vesting period and other conditions will be determined by the RC administering the PSP.

The PSP allows for participation by full-time employees of the Group and Directors (including Independent Directors) who have attained the age of 21 years on or before the relevant date of grant of the Award. The aggregate number of shares which may be delivered to the controlling shareholder and their respective associates under the PSP shall not exceed 25% of the total number of shares available under the PSP, with the number of shares which may be delivered to each controlling shareholder and his respective associates not exceeding 10% of the total number of shares available under the PSP.

The total number of shares over which may be delivered pursuant to the vesting of Awards, when added to the number of shares issued and issuable in respect of all Awards granted under the PSP (including shares issued and/or issuable under any other share-based incentive schemes or share plans of the Company) shall not exceed 15% of the total number of issued shares (excluding treasury shares) of the Company from time to time.

Further details on the Company's PSP are set out on pages 295 to 305 of the Offer Document.

In accordance with Rule 704(32) of the Catalist Rules, the Board had announced the details of the grant of share awards pursuant to the PSP to the employees of the Group (the "**PSP Recipients**"), disclosed as follows:

Date of grant of Awards under the LHN PSP	11 March 2016
Number of shares which are the subject of the Awards granted under the LHN PSP	332,900
Market price of shares on the date of grant	S$0.132 per share
Number of shares granted to each director and controlling shareholder (and each of their associates), if any	Nil
Vesting date of shares awarded	Shares are vested on 11 March 2016

Following the grant of the Awards, 332,900 fully paid ordinary shares have been allotted and issued on 11 March 2016 to the PSP Recipients. Accordingly, the number of issued and paid up ordinary shares of the Company has increased from 361,524,300 to 361,857,200 ordinary shares.

Pursuant to Rule 851 of the Catalist Rules, during FY2016, there were no Awards granted to the Directors, controlling shareholders of the Company or their associates; as well as any other persons as specified in Catalist Rules 851(b)(iii) and 851(c).

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(C) ACCOUNTABILITY AND AUDIT

Principle 10 – Accountability

The Board is responsible for providing a balanced and understandable assessment of the Group's performance, position and prospects, including interim and other price sensitive public information and reports to regulators (if required). Management provides the Board and Board Committees on a timely basis, with sufficient relevant information on the Group's financial performance and commentary of the competitive conditions of the industry in which the Group operates, in order that it may effectively discharge its duties. The Company adopts a policy which welcomes directors to request for further explanations, briefings or informal discussions on any aspect of the Group's operations or business from Management.

For further accountability, the announcements containing the quarterly and full year financial statements are signed by the Chairman and MD, Mr Kelvin Lim, for and on behalf of the Board, to confirm that it is to the best of the Board's knowledge, nothing has come to the attention of the Board which may render the unaudited interim financial results contained in the announcement to be false or misleading in any material aspects. The Board approves the financial results after review and authorises the release of the results on SGXnet and the public. The Company also uploads latest announcement(s) which has been disseminated via SGXnet on its website www.lhngroup.com.

Principle 11 – Risk Management and Internal Controls

The Board has the overall responsibility for the Group's risk management and internal controls in safeguarding Shareholders' interests and the Group's assets. The Group's internal controls and systems are designed to provide reasonable assurance as to the integrity and reliability of the financial information, and to safeguard and maintain accountability of assets. Procedures are in place to identify major business risks and evaluate potential financial implications, as well as for the authorisation of capital expenditure and investments.

The AC, on behalf of the Board, reviews the adequacy and effectiveness of the Group's system of internal controls, including financial, operational, compliance and information technology controls, and risk management policies and systems established by Management on an annual basis. They are:

- Code of Ethics
- Risk Appetite and Risk Tolerance guidance
- Authority and Risk Control Matrix
- Key Control Activities
- Key Reporting and Monitoring Activities

Management also regularly reviews the Group's business and operations to identify areas of significant business risks and controls to mitigate the risks. The Management will highlight all significant matters to the Board and AC.

For FY2016, the Board had received assurance from the Chairman and MD and the Chief Financial Officer (the "**CFO**") that:

- the financial records have been properly maintained and the financial statements give a true and fair view of the Group's operations and finances; and
- the Company's risk management and internal control systems are adequate and effective.

The design, implementation and operation of the accounting and internal control systems are intended to prevent and detect fraud and errors. The Board notes that the system of internal controls provides reasonable, but not absolute, assurance that the Group will not be adversely affected by any event that can be reasonably foreseen as it strives to achieve its business objectives. The Board also notes that no system of internal controls can provide absolute assurance against the occurrence of material misstatement or loss, poor judgment in decision making, human error, losses, fraud or other irregularities.

Based on the framework of risk management and internal controls established and maintained by the Management, reviews carried out by the AC, the report on the enterprise risk management of the Group, work performed by the internal auditors and external auditors, and assurance from the Management, the Board, with the concurrence of the AC, is of the opinion that the Group's risk management systems and system of internal controls is adequate and effective as at 30 September 2016 in addressing financial, operational, compliance and information technology risks.

The Company is gradually placing emphasis on sustainability and sustainability risks, and would implement appropriate policies and programmes when the opportunities arise.

Principle 12 – Audit Committee

The AC comprises three members, all of whom are Non-Executive and Independent Directors. The members of the AC are:

– Lee Gee Aik (Chairman)

– Ch'ng Li-Ling

– Eddie Yong

The terms of reference of the AC include the following:

(a) review the relevance and consistency of the accounting standards, the significant financial reporting issues, recommendations and judgments made by the external auditors so as to ensure the integrity of the financial statements of the Group and any announcements relating to the Group's financial performance;

(b) review and report to the Board at least annually the adequacy and effectiveness of the Group's internal controls, including financial, operational, compliance and information technology controls and risks management systems (such review can be carried out internally or with the assistance of any competent third parties);

(c) review the effectiveness and adequacy of the Group's internal audit function at least annually, including the determination whether the internal auditor has direct and unrestricted access to the Chairman of the Board and AC, and is able to meet separately to discuss matters/concerns;

(d) review the scope and results of the external audit, and the independence and objectivity of the external auditors;

(e) make recommendations to the Board on the proposals to the shareholders on the appointment, re-appointment and removal of the external auditors, and approve the remuneration and terms of engagement of the external auditors;

(f) review the system of internal controls and management of financial risks with the internal and external auditors;

(g) review the co-operation given by the Management to the external auditors and the internal auditors, where applicable;

(h) keep abreast of changes in accounting standards and issues which have a direct impact on financial statements;

(i) conduct an annual assessment of its performance against its terms of reference duties and responsibilities and provide a report of the findings to the Board;

(j) review the assurance provided by the Chairman and MD and the CFO regarding the financial records being properly maintained and the financial statements giving a true and fair view of the company's operations and finances;

(k) participate in the appointment, replacement or dismissal of the head of internal audit or, if an external party, the internal auditor;

(l) review the Group's compliance with such functions and duties as may be required under the relevant statutes or the Catalist Rules, including such amendments made thereto from time to time;

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(m) review and approve interested person transactions and review procedures thereof;

(n) review potential conflicts of interest (if any) and to set out a framework to resolve or mitigate any potential conflicts of interests;

(o) review the risk management framework with a view to providing an independent oversight on the Group's financial reporting, the outcome of such review to be disclosed in the annual reports or, where the findings are material, announced immediately via SGXNet;

(p) investigate any matters within its terms of reference;

(q) review the policy and arrangements, by which the staff or any third party may, in confidence, raise concerns about possible improprieties including matters of financial reporting and to ensure that arrangements are in place for the independent investigations of such matter and for appropriate follow-up;

(r) where the AC deems necessary, to commission and review the findings of any internal investigations into matters where there is any suspected fraud or irregularity, or failure of internal controls or suspected infringement of any Singapore law, rule or regulation which has or is likely to have a material impact on our Group's operating results and/or financial position;

(s) where the AC deems necessary, to commission an annual internal control audit until such time as the AC is satisfied that the Group's internal controls are robust and effective enough to mitigate the Group's internal control weaknesses (if any);

(t) To report to the Board its findings from time to time on matters arising and requiring the attention of the Committee or to undertake such other reviews and projects as may be requested by the Board; and

(u) To undertake such other functions and duties as may be required by statute or the Catalist Rules, and by such amendments made thereto from time to time.

The AC has explicit authority to investigate any matter within its terms of references. It has full access to Management and full discretion to invite any Director or Key Management Personnel to attend its meetings, and to be provided with reasonable resources to enable it to discharge its functions properly. The Executive Directors and Key Management Personnel, as and when required, were invited to be present at the AC meetings to report and brief the AC members on the financial and operating performance of the Group and to answer any queries from the AC members on any aspect of the operations of the Group.

The AC had met up with the internal auditors without the presence of the Management during FY2016 and the external auditors without the presence of Management in November 2016. The external auditors were also invited to be present at AC meetings, as and when required, held during FY2016 to, *inter alia*, answer or clarify any matter on accounting and auditing or internal controls.

The aggregate amount of fees paid or payable to Foo Kon Tan LLP ("**FKT**") for FY2016 are as follows:

Description of Services	Amount	Percentage
Audit fees	S$209,000	65%
Non-audit fees	S$112,746	35%
Total	S$321,746	100%

The AC has reviewed the non-audit services in relation to tax services and other advisory services provided by FKT. As the non-audit services rendered by FKT comprises mainly tax compliance services carried by a separate engagement team, as well as financial due diligence services for the acquisition of Four Star Industries Pte Ltd, the Board, with the concurrence of the AC, is of the opinion that the independence and objectivity of the external auditors have not been affected.

The AC and the Board are of the view that the audit firms engaged by the Group are adequately resourced and registered with the Accounting and Corporate Regulatory Authority or registered with and/or regulated by an independent audit oversight body acceptable to the SGX-ST. The AC has recommended to the Board the re-appointment of FKT as external auditors of the Company at the forthcoming AGM of the Company.

The Group has appointed different auditors for its overseas subsidiaries during the financial year under review.

The Board and the AC have reviewed the appointment of different auditors for its subsidiaries and were satisfied that the appointment of different auditors would not compromise the standard and effectiveness of the audit of the Group. The Company is in compliance with Rules 712 and 715 of the Catalist Rules in relation to its external auditors.

The Company's whistle-blowing programme serves to encourage and to provide a channel for staff of the Group and any external parties to report and raise, in good faith and in confidence, their concerns about possible improprieties in matters of financial reporting or other matters. To facilitate independent investigation of such matters and appropriate follow up actions, all whistle-blowing reports are directed to the AC via a dedicated email address (geeaik.lee@lhngroup.com.sg). The whistle-blowing programme has been communicated to all staff and it has also been posted on the Company's website at www.lhngroup.com.

The AC has power to conduct or authorise investigations into any matter within the AC's scope of responsibility. Depending on the nature of the concern raised or information provided, the investigation may be conducted involving one or more of these persons or entities:

- The investigation panel directed by the AC;
- The external or internal auditor; and/or
- Forensic professionals.

For FY2016, the Board had concluded, with the concurrence of the NC, that the members of the AC are appropriately qualified to discharge their duties and responsibilities. The Board's view is that adequate and reasonable assistance and support has been properly rendered by the Management to the AC and that the AC has effectively and efficiently contributed to the Board and the Group. The AC chairman is a fellow of the Institute of Singapore Chartered Accountants and a fellow of the Chartered Association of Certified Accountants, United Kingdom and is currently, a director of R Chan & Associates PAC, a public accounting corporation in Singapore. During the last quarter of FY2016, the AC was provided with information such as updates on the changes to the Singapore's Financial Reporting Standards by the external auditors in the course of their report to AC.

Principle 13 – Internal Audit

The AC relies on reports from the Management, external and internal auditors on any material non-compliance and internal control weaknesses. Thereafter, the AC oversees and monitors the implementations thereto.

Currently, the Group has outsourced its internal audit function to Ernst & Young Advisory Pte. Ltd. (the "**IA**") which reports directly to the AC. The IA has an administrative reporting function to Management where planning, co-ordinating, managing and implementing internal audit work cycle are concerned. The work undertaken by the IA, are carried out in accordance with the standards set by internationally recognised professional bodies including Standards for the Professional Practice of Internal Auditing set by the Institute of Internal Auditors. The IA will report their audit findings and recommendations directly to the AC. The IA has unfettered access to all the Group's documents, records, properties and personnel, including access to the AC.

The AC reviews and approves the internal audit plan to ensure the adequacy of the scope of audit. The AC is satisfied that the IA is adequately qualified (given, *inter alia*, its adherence to standards set by internationally recognised professional bodies) and resourced, and has the appropriate standing in the Company to discharge its duties effectively.

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(D) SHAREHOLDER RIGHTS AND RESPONSIBILITIES

Principle 14 – Shareholder Rights

Principle 15 – Communication with Shareholders

Principle 16 – Conduct of Shareholder Meetings

The Company strives to disclose information on a timely basis to shareholders and ensure any disclosure of price sensitive information is not made to a selective group. The information is communicated to our shareholders via:

- annual reports – the Board strives to include all relevant information about the Group, including future developments and disclosures required by the Companies Act, Financial Reporting Standards and the Catalist Rules;

- SGXnet and press releases on major developments of the Group. SGXnet disclosures and press releases of the Group are also available on the Company's website at www.lhngroup.com; and

- quarterly investor briefings on its results announcements shortly after the results announcement are published via SGXnet.

The Company also publishes the presentation slides used during the investor briefings on SGXnet and on its website – www.lhngroup.com. A copy of the Annual Report for FY2016 will be made available on the Company's website and published via SGXnet, together with the notice of AGM for FY2016.

At the forthcoming AGM, Shareholders will be given the opportunity to air their views and ask Directors or Management questions regarding the Company and the Group. The notice of AGM will be sent together with the Annual Report, released on SGXnet and on the Company's website as well as published in the newspapers to inform shareholders of the upcoming meeting.

The Board, Management and the external auditors will also be present to address any relevant queries the Shareholders may have. At the forthcoming AGM, the Company will prepare the minutes of the AGM which would include substantial or relevant comments from Shareholders, if any, and these minutes of the AGM will be made available to Shareholders, upon their request.

The Company's Constitution does not allow for absentia voting at general meetings of Shareholders as authentication of Shareholder identity information and other related security issues remains a concern. However, the Constitution of the Company does allow a shareholder (who is not a relevant intermediary, as defined in Section 181(6) of the Companies Act) to vote either in person or appoint not more than two proxies to attend and vote in his stead. Such proxy to be appointed need not be a Shareholder. Pursuant to the Companies (Amendment) Act 2014, a shareholder of the Company who is a relevant intermediary (as defined in Section 181(6) of the Companies Act), may appoint more than two proxies to attend, speak and vote at the AGM.

Pursuant to Catalist Rule 730A(2), all resolutions will be put to vote by way of a poll at the forthcoming AGM, and their detailed results will be announced via SGXnet after the conclusion of the AGM.

Although the Company does not have a fixed dividend policy, as disclosed on page 63 of the Offer Document and subject to the factors described therein, the Directors intend to recommend not less than 20.0% of the Group's net profits after tax attributable to Shareholders for each of FY2015 and FY2016. As such, the Board has proposed a final tax exempt (one-tier) dividend of S$0.0045 per ordinary share for FY2016 which will be subjected to shareholders' approval at the forthcoming AGM. The Company had declared a first interim tax exempt (one-tier) dividend of S$0.002 per ordinary share for the second quarter ended 31 March 2016 which was paid on 1 June 2016.

(E) DEALINGS IN SECURITIES

The Company has adopted an internal code on dealings in securities, which has been disseminated to all Directors and officers within the Group. The Company will also send a notification via email to notify all its Directors and officers at least a day prior to the close of window for trading of the Company's securities.

The Company, its Directors and officers of the Company are reminded not to deal (whether directly or indirectly) in the Company's securities on short-term considerations and be mindful of the law on insider trading as prescribed by the Securities and Futures Act, Chapter 289 of Singapore. The internal code on dealings in securities also makes clear that the Company, its Directors and officers should not deal in the Company's securities and securities of other listed companies, while in possession of unpublished price-sensitive information and prohibits trading as well as in the following periods:

(i) the period commencing two weeks before the announcement of the Company's financial statements for the first, second and third quarters of its financial year; and

(ii) the period commencing one month before the announcement of the Company's financial statements for its full financial year.

Each of the above periods will end on the date of the announcement of the relevant financial results of the Company.

(F) INTERESTED PERSON TRANSACTIONS ("IPT")

The Company has established procedures to ensure that all transactions with interested persons are reported on a timely manner to the AC and that the transactions are carried out on normal commercial terms and are not prejudicial to the interests of the Company and its minority shareholders.

Other than the Restructuring Exercise and interested person transactions as disclosed on pages 82 to 84, 235 to 236 and 239 to 240 of the Offer Document, there were additional interested person transactions valued at S$100,000 and above during the financial year under review. Details of the additional interested person transactions of S$100,000 and above are as follows:

Name of Interested Persons and Transactions	**Aggregate value of all interested person transactions during the period under review (excluding transactions less than S$100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920)**	**Aggregate value of all interested person transactions conducted under shareholders' mandate pursuant to Rule 920 (excluding transactions less than S$100,000)**
	Full Year ended 30 September 2016 S$'000	**Full Year ended 30 September 2016 S$'000**
Payments received by our Group		
PJS Companies*		
– Property leases or sub-leases	–	505
– Facilities management services	–	14
LHN Culinary Group and its subsidiaries**		
– Facilities management services	–	84
	–	603

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Name of Interested Persons and Transactions	Aggregate value of all interested person transactions during the period under review (excluding transactions less than S$100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920)	Aggregate value of all interested person transactions conducted under shareholders' mandate pursuant to Rule 920 (excluding transactions less than S$100,000)
	Full Year ended 30 September 2016 S$'000	Full Year ended 30 September 2016 S$'000
Payments paid by our Group		
PJS Companies*		
– Purchase of food and beverage products and services	-	6
LHN Culinary Group and its subsidiaries**		
– Purchase of food and beverage products and services	-	39
	–	45
Total	–	648

* PJS Companies comprises Café @ Phoenix Pte. Ltd. and DJ Culinary Concepts Pte. Ltd. as disclosed on page 241 of the Offer Document.

** LHN Culinary Group and its subsidiaries comprise LHN Culinary Concepts Pte. Ltd. and its subsidiaries, namely, Alkaff Mansion Ristorante Pte. Ltd. and Parco Caffe Holdings Pte. Ltd. as disclosed on page 236 of the Offer Document.

(G) USE OF PROCEEDS (CATALIST RULES 1204(5F) AND (22))

The utilisation of the Company's IPO net proceeds as at 20 December 2016 is set out below:

S/N	Purpose of IPO Proceeds	Amount Allocated S$'000	Amount Utilised S$'000	Balance S$'000
1	To grow our property portfolio and acquire our own properties	5,000	5,000	–
2	Expansion of our Logistics Services Business and Facilities Management Business	3,000	3,000	–
3	Expansion of our operations in existing markets and into new markets	3,000	3,000	–
4	Development of technological capability	500	142	358
5	General working capital	2,931	2,931	–
6	Listing expenses	2,569	2,569	–
	Total	**17,000**	**16,642**	**358**

The above utilisation is in accordance with the intended use of proceeds of IPO as stated in the Offer Document.

Amount utilised for general working capital of approximately S$2.9 million consisted of payment for:

(i) partial rental cost and security deposit of approximately S$0.4 million in relation to master lease secured for our second GreenHub Suited Offices in Jakarta; and

(ii) renovation costs of approximately S$2.5 million in relation to master leases secured for our Space Optimisation Business.

The Company will continue to make periodic announcement via SGXnet on the utilisation of the balance of the gross proceeds from the IPO as and when such proceeds are materially disbursed.

(H) MATERIAL CONTRACTS

Save for the service agreements entered with the Executive Directors as disclosed on pages 291 to 294 of the Offer Document, there was no other material contract involving the interests of any Director or controlling shareholders of the Company which has been entered into by the Group, which are either still subsisting at the end of FY2016 or if not then subsisting, entered into since the end of the previous financial year.

(I) NON-SPONSOR FEES (CATALIST RULE 1204(21))

For FY2016, the Company paid to its sponsor, PrimePartners Corporate Finance Pte. Ltd. fees of S$20,000 as advisory services.

DIRECTORS' STATEMENT

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2016

The directors present their statement to the members together with the audited financial statements of the Group for the financial year ended 30 September 2016 and the statement of financial position of the Company as at 30 September 2016.

Opinion of the directors

In the opinion of the directors,

(a) the accompanying financial statements of the Group and Company are drawn up so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at 30 September 2016 and of the financial performance, changes in equity and cash flows of the Group for the year ended on that date in accordance with the provisions of the Singapore Companies Act, Chapter 50 and Singapore Financial Reporting Standards; and

(b) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

The Board of Directors has, on the date of this statement, authorised these financial statements for issue.

Names of directors

The directors of the Company in office at the date of this report are:

Lim Lung Tieng (Executive Chairman and Group Managing Director)
Lim Bee Choo (Executive Director and Group Deputy Managing Director)
Lee Gee Aik (Lead Independent Director)
Ch'ng Li-Ling (Independent Director)
Yong Chee Hiong (Independent Director)

Directors' interest in shares or debentures

According to the Register of Directors' Shareholdings kept by the Company under Section 164 of the Companies Act, Cap. 50, none of the directors who held office at the end of the financial year had any interest in the shares or debentures of the Company or its related corporations, except as follows:

	Number of ordinary shares			
	Holdings registered in the name of director or nominee		**Holdings in which director is deemed to have an interest**	
Name of directors	**As at 1.10.2015**	**As at 30.9.2016 and 21.10.2016#**	**As at 1.10.2015**	**As at 30.9.2016 and 21.10.2016#**
The Company – LHN Limited				
Lim Bee Choo	–	**–**	275,000,000	**275,000,000**
Lim Lung Tieng	–	**–**	275,000,000	**275,000,000**
Immediate holding company – Hean Nerng Group Pte. Ltd.				
Lim Lung Tieng	30,000	**30,000**	–	**–**
Lim Bee Choo	60,000	**60,000**	–	**–**

There are no changes to the above shareholdings as at 21 October 2016.

Directors' interest in shares or debentures (Cont'd)

By virtue of the provisions of Section 7 of the Singapore Companies Act, Cap. 50, Lim Lung Tieng and Lim Bee Choo are deemed to have an interest in the whole of the issued share capital of all the wholly-owned subsidiaries of the Company, and in the shares held by the Company in the following subsidiaries that are not wholly-owned by the Group.

	As at 1.10.2015	As at 30.9.2016
	Number of ordinary shares	
LHN Management Services Pte. Ltd.	12,750	**12,750**
HLA Holdings Pte. Ltd.	429,408	**429,408**
HLA Container Services Pte. Ltd.	480,000	**480,000**
PT. Hean Nerng Group	2,970	**2,970**
PT. Hub Hijau Serviced Offices	3,500	**3,500**
HLA Holdings (Thailand) Limited	23,040	**23,040**
HLA Container Services (Thailand) Limited	34,790	**34,790**

Share options

No options to take up unissued shares of the Company or any subsidiaries have been granted during the financial year.

No shares were issued during the financial year to which this report relates by virtue of the exercise of options to take up unissued shares of the Company or any subsidiaries.

There were no unissued shares of the Company or any subsidiaries under option at the end of the financial year.

Audit Committee

The Audit Committee at the end of the financial year comprises the following members:

Lee Gee Aik (Chairman)
Ch'ng Li-Ling
Yong Chee Hiong

All members of the Audit Committee are non-executive directors and all members are independent.

The Audit Committee performs the functions set out in Section 201B(5) of the Companies Act, Cap. 50, the SGX Listing Manual and the Code of Corporate Governance. In performing those functions, the Committee reviewed the following:

(i) overall scope of both the internal and external audits and the assistance given by the Company's officers to the auditors. It met with the Company's internal and external auditors to discuss the results of their respective examinations and their evaluation of the Company's system of internal accounting controls;

(ii) the audit plan of the Company's independent auditor and any recommendations on internal accounting controls arising from the statutory audit;

(iii) the quarterly financial information and the statement of financial position of the Company and the consolidated financial statements of the Group for the financial year ended 30 September 2016 as well as the auditor's report thereon;

(iv) effectiveness of the Company's material internal controls, including financial, operational and compliance controls and information technology controls and risk management systems via reviews carried out by the internal auditors;

(v) met with the external auditor, other committees, and management in separate executive sessions to discuss any matters that these groups believe should be discussed privately with the Audit Committee;

DIRECTORS' STATEMENT

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2016

Audit Committee (Cont'd)

(vi) reviewed legal and regulatory matters that may have a material impact on the financial statements, related compliance policies and programmes and any reports received from regulators;

(vii) reviewed the cost effectiveness and the independence and objectivity of the external auditor;

(viii) reviewed the nature and extent of non-audit services provided by the external auditor;

(ix) recommended to the Board of Directors the external auditor to be nominated, approved the compensation of the external auditor, and reviewed the scope and results of the audit;

(x) reported actions and minutes of the Audit Committee to the Board of Directors with such recommendations as the Audit Committee considered appropriate; and

(xi) interested person transactions (as defined in Chapter 9 of the Listing Manual of the Singapore Exchange).

The Audit Committee has full access to management and is given the resources required for it to discharge its functions. It has full authority and the discretion to invite any director or executive officer to attend its meetings. The Audit Committee also recommends the appointment of the external auditor and reviews the level of audit and non-audit fees.

The Audit Committee is satisfied with the independence and objectivity of the external auditor and has recommended to the Board of Directors that the auditor, Foo Kon Tan LLP, be nominated for re-appointment as auditor at the forthcoming Annual General Meeting of the Company.

Full details regarding the Audit Committee are provided in the Report on Corporate Governance.

In appointing our auditors for the Company, subsidiaries and significant associated companies, we have complied with Rules 712 & 715 of the SGX Listing Manual.

Independent auditor

The independent auditor, Foo Kon Tan LLP, Chartered Accountants, has expressed its willingness to accept re-appointment.

Other information required by the SGX-ST

Material information

Apart from the Service Agreements between two executive directors and the Company, there is no material contract to which the Company or any of its subsidiaries, is a party which involve directors' interests subsisted or have been entered into during the financial year ended 30 September 2016.

Interested person transactions

There was no interested person transaction as defined in Chapter 9 of the Listing Manual of the Singapore Exchange conducted during the financial year except as disclosed under "Interested Person Transactions" in the "Corporate Governance" section of the Annual Report and on Note 33 to the financial statements.

On behalf of the Directors

....

LIM LUNG TIENG

....

LIM BEE CHOO

Dated: 23 December 2016

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF LHN LIMITED

Report on the financial statements

We have audited the accompanying financial statements of LHN Limited ("the Company") and its subsidiaries (the "Group"), which comprise the consolidated statements of financial position of the Group and the statement of financial position of the Company as at 30 September 2016, and the consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows of the Group for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Singapore Companies Act, Chapter 50 (the "Act") and Singapore Financial Reporting Standards, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair financial statements and to maintain accountability of assets.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Singapore Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements of the Group and the statement of financial position of the Company are properly drawn up in accordance with the provisions of the Act and Singapore Financial Reporting Standards so as to give a true and fair view of the financial position of the Group and of the Company as at 30 September 2016 and of the financial performance, changes in equity and cash flows of the Group for the year ended on that date.

Report on other legal and regulatory requirements

In our opinion, the accounting and other records required by the Act to be kept by the Company and by those subsidiaries incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.

Foo Kon Tan LLP
Public Accountants and
Chartered Accountants

Tei Tong Huat
Partner in charge of the audit
Date of appointment: 1 July 2016

Singapore, 23 December 2016

STATEMENTS OF FINANCIAL POSITION

AS AT 30 SEPTEMBER 2016

		The Company		The Group	
		30 September 2016	30 September 2015	30 September 2016	30 September 2015
	Note	$	$	$	$
ASSETS					
Non-Current Assets					
Property, plant and equipment	4	**–**	–	**26,452,933**	26,634,910
Investment properties	5	**–**	–	**37,471,922**	31,304,654
Subsidiaries	6	**32,726,595**	32,726,595	**–**	–
Associates	7	**–**	–	**110,939**	88,533
Joint ventures	8	**–**	–	**7,293,790**	–
Deferred tax assets	16(a)	**–**	–	**441,469**	334,000
Long-term prepayments	9	**–**	–	**658,405**	285,358
		32,726,595	32,726,595	**72,429,458**	58,647,455
Current Assets					
Inventories	10	**–**	–	**17,972**	162,732
Trade and other receivables	11	**19,823,973**	11,445,188	**19,830,532**	14,345,649
Prepayments	9	**19,110**	13,508	**3,652,387**	3,212,569
Cash and bank balances	12	**2,871,829**	1,180,371	**19,926,106**	15,603,692
Fixed deposits	13	**–**	9,027,549	**5,705,661**	14,679,917
		22,714,912	21,666,616	**49,132,658**	48,004,559
Total assets		**55,441,507**	54,393,211	**121,562,116**	106,652,014
EQUITY AND LIABILITIES					
Capital and Reserves					
Share capital	14	**51,286,998**	51,243,056	**51,286,998**	51,243,056
Treasury shares	14	**(244,885)**	–	**(244,885)**	–
Reserves	15	**3,070,250**	2,128,214	**18,506,574**	4,190,894
		54,112,363	53,371,270	**69,548,687**	55,433,950
Non-controlling interests		**–**	–	**(119,271)**	(126,988)
Total equity		**54,112,363**	53,371,270	**69,429,416**	55,306,962
Non-Current Liabilities					
Deferred tax liabilities	16(b)	**–**	–	**266,483**	230,000
Provision for reinstatement cost	17	**–**	–	**351,442**	–
Other payables	18	**–**	–	**6,612**	–
Obligations under finance lease	19	**–**	–	**2,400,966**	2,293,660
Bank borrowings	20	**–**	–	**18,187,385**	18,054,235
		–	–	**21,212,888**	20,577,895
Current Liabilities					
Trade and other payables	18	**1,254,965**	1,021,941	**26,389,962**	26,466,151
Obligations under finance lease	19	**–**	–	**1,362,739**	1,533,703
Bank borrowings	20	**–**	–	**1,816,621**	1,420,443
Current tax payable		**74,179**	–	**1,350,490**	1,346,860
		1,329,144	1,021,941	**30,919,812**	30,767,157
Total liabilities		**1,329,144**	1,021,941	**52,132,700**	51,345,052
Total equity and liabilities		**55,441,507**	54,393,211	**121,562,116**	106,652,014

The annexed notes form an integral part of and should be read in conjunction with these financial statements.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2016

	Note	Year ended 30 September 2016 $	Year ended 30 September 2015 $
Revenue	3	**104,704,574**	96,374,123
Cost of sales		**(77,207,874)**	(72,926,144)
Gross profit		**27,496,700**	23,447,979
Other operating income	21	**3,016,282**	2,672,153
Selling and distribution expenses	22	**(1,804,001)**	(2,321,332)
Administrative expenses	23	**(20,350,993)**	(17,778,828)
Other operating expenses	24	**(318,450)**	(348,971)
Finance costs	25	**(599,948)**	(445,949)
Share of results of associates and joint ventures, net of tax		**6,716,194**	26,303
Fair value gain on investment properties	5	**2,071,057**	574,655
IPO listing expenses		**–**	(1,558,366)
Profit before taxation	27	**16,226,841**	4,267,644
Taxation	28	**(1,126,405)**	(213,548)
Profit after taxation for the year		**15,100,436**	4,054,096
Other comprehensive income after tax			
Item that will be reclassified subsequently to profit or loss			
Currency translation differences arising from consolidation	31	**272,245**	(290,231)
Item that will not be reclassified subsequently to profit or loss			
Revaluation gains on leasehold buildings	31	**759,003**	253,883
Other comprehensive income/(expense) after tax		**1,031,248**	(36,348)
Total comprehensive income for the year, net of tax		**16,131,684**	4,017,748
Profit attributable to:			
Equity holders of the Company		**15,093,615**	4,222,630
Non-controlling interests		**6,821**	(168,534)
Profit for the year		**15,100,436**	4,054,096
Total comprehensive income attributable to:			
Equity holders of the Company		**16,123,967**	4,190,894
Non-controlling interests		**7,717**	(173,146)
Total comprehensive income for the year		**16,131,684**	4,017,748
Earnings per share (cents)	29		
– Basic		**4.18**	1.34
– Diluted		**4.18**	1.34

The annexed notes form an integral part of and should be read in conjunction with these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2016

	Attributable to owners of the Company									
	Share capital	Treasury shares	Retained profits	Merger reserve	Reserve on disposal of non-controlling interests	Asset revaluation reserve	Exchange fluctuation reserve	Total attributable to owners of the Company	Non-controlling interests	Total equity
	$	$	$	$	$	$	$	$	$	$
Balance at 1 October 2015	51,243,056	–	33,221,543	(30,726,559)	268,690	2,442,845	(1,015,625)	55,433,950	(126,988)	55,306,962
Profit for the year	–	–	15,093,615	–	–	–	–	15,093,615	6,821	15,100,436
Other comprehensive income	–	–	–	–	–	759,003	271,349	1,030,352	896	1,031,248
Total comprehensive income for the year	–	–	15,093,615	–	–	759,003	271,349	16,123,967	7,717	16,131,684
Issue of shares for employee performance	43,942	–	–	–	–	–	–	43,942	–	43,942
Purchase of treasury shares	–	(244,885)	–	–	–	–	–	(244,885)	–	(244,885)
Dividends paid in respect of financial year ended 30 September 2015 (Note 32)	–	–	(1,084,573)	–	–	–	–	(1,084,573)	–	(1,084,573)
Dividends paid in respect of financial year ended 30 September 2016 (Note 32)	–	–	(723,714)	–	–	–	–	(723,714)	–	(723,714)
Transactions with owners	43,942	(244,885)	(1,808,287)	–	–	–	–	(2,009,230)	–	(2,009,230)
Balance at 30 September 2016	51,286,998	(244,885)	46,506,871	(30,726,559)	268,690	3,201,848	(744,276)	69,548,687	(119,271)	69,429,416

The annexed notes form an integral part of and should be read in conjunction with these financial statements.

	Attributable to owners of the Company								
	Share capital	Retained profits	Merger reserve	Reserve on disposal of non-controlling interests	Asset revaluation reserve	Exchange fluctuation reserve	Total attributable to owners of the Company	Non-controlling interests	Total equity
	$	$	$	$	$	$	$	$	$
Balance at 1 October 2014	2,000,001	28,998,913	–	268,690	2,188,962	(730,006)	32,726,560	(130,548)	32,596,012
Profit/(loss) for the year	–	4,222,630	–	–	–	–	4,222,630	(168,534)	4,054,096
Other comprehensive income/(expense)	–	–	–	–	253,883	(285,619)	(31,736)	(4,612)	(36,348)
Total comprehensive income/(expense) for the year	–	4,222,630	–	–	253,883	(285,619)	4,190,894	(173,146)	4,017,748
Effect on non-controlling interest on:									
– newly incorporated subsidiaries	–	–	–	–	–	–	–	45,184	45,184
– a newly acquired subsidiary	–	–	–	–	–	–	–	31,522	31,522
	–	–	–	–	–	–	–	76,706	76,706
Effect on issuance of shares to a non-controlling interest of a subsidiary	–	–	–	–	–	–	–	100,000	100,000
Adjustment arising from the share swap agreement [see Note 1(a)(g)]	(2,000,000)	–	(30,726,559)	–	–	–	(32,726,559)	–	(32,726,559)
Issue of new shares pursuant to the Restructuring Exercise	32,726,559	–	–	–	–	–	32,726,559	–	32,726,559
Issue of Pre-IPO shares	2,000,000	–	–	–	–	–	2,000,000	–	2,000,000
Issue of shares as part payment of sponsor fee	320,000	–	–	–	–	–	320,000	–	320,000
Issuance of placement shares	16,999,990	–	–	–	–	–	16,999,990	–	16,999,990
Less: share issue costs	(803,494)	–	–	–	–	–	(803,494)	–	(803,494)
	51,243,055	–	–	–	–	–	51,243,055	–	51,243,055
Transactions with owners	49,243,055	–	(30,726,559)	–	–	–	18,516,496	176,706	18,693,202
Balance at 30 September 2015	51,243,056	33,221,543	(30,726,559)	268,690	2,442,845	(1,015,625)	55,433,950	(126,988)	55,306,962

Share issue costs relate to incremental costs that are directly attributable to issuing new shares.

The annexed notes form an integral part of and should be read in conjunction with these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2016

	Financial year ended 30 September 2016 $	2015 $
Cash flows from Operating Activities		
Profit before taxation	**16,226,841**	4,267,644
Share of results of associates and joint ventures	**(6,716,194)**	(26,303)
	9,510,647	4,241,341
Adjustments for:		
Depreciation of property, plant and equipment	**6,545,550**	5,531,502
Gain on disposal of property, plant and equipment (Note B)	**(24,399)**	(24,784)
Property, plant and equipment written off	**52,332**	21,663
Fair value gain on investment properties	**(2,071,057)**	(574,655)
Waiver of debt from a director of subsidiaries	**(86,313)**	(127,138)
Interest income	**(225,196)**	(114,859)
Interest expense	**599,948**	445,949
Employee performance shares expenses	**43,942**	–
Shares issued as part payment of Sponsor fee (Note 14)	**–**	320,000
Operating profit before working capital changes	**14,345,454**	9,719,019
Decrease in inventories	**144,760**	93,729
Decrease in work-in-progress	**–**	58,159
Decrease/(increase) in operating receivables	**1,018,577**	(6,113,087)
(Decrease)/increase in operating payables	**(600,315)**	5,157,346
Cash generated from operations	**14,908,476**	8,915,166
Interest expense paid	**(411,657)**	(445,949)
Income tax paid	**(1,735,558)**	(909,677)
Income tax refunded	**621,141**	91,190
Net cash generated from operating activities	**13,382,402**	7,650,730
Cash flows from Investing Activities		
Acquisition of property, plant and equipment (Note A)	**(4,811,733)**	(10,670,862)
Purchase of investment properties	**(2,968,077)**	(10,687,177)
Proceeds from disposal of property, plant and equipment (Note B)	**275,238**	96,070
Acquisition of a subsidiary, net of cash acquired (Note C)	**–**	591,370
Deposit paid for acquisition of a joint venture [Note 41(a)]	**(300,000)**	–
Incorporation of joint ventures	**(600,001)**	–
Incorporation of associate	**(1)**	–
Interest received	**126,780**	114,859
Net cash used in investing activities	**(8,277,794)**	(20,555,740)
Cash flows from Financing Activities		
Repayment of obligations under hire-purchase contracts	**(1,112,213)**	(1,423,452)
Placements of deposits pledged	**(59,500)**	(70,692)
Effect on non-controlling interest on newly incorporated subsidiaries	**–**	45,184
Proceeds from issuance of shares to a non-controlling interest of a subsidiary	**–**	100,000
Bank borrowings obtained	**2,000,000**	10,280,000
Bank borrowings repaid	**(1,470,671)**	(875,251)
Proceeds from pre-IPO convertible loans	**–**	2,000,000
Proceeds from issuance of placement shares	**–**	16,999,990
Share issue costs	**–**	(803,494)
Purchase of treasury shares	**(244,885)**	–
Advances to joint venture, net	**(7,002,288)**	–
Advances to related parties, net	**–**	(1,795)
Repayment to a director of subsidiaries	**(145,709)**	(1,105,177)
Dividends paid	**(1,808,287)**	(2,000,000)
Net cash (used in)/generated from financing activities	**(9,843,553)**	23,145,313
Net (decrease)/increase in cash and cash equivalents	**(4,738,945)**	10,240,303
Exchange differences on translation of cash and bank balances at beginning of year	**27,603**	(27,940)
Cash and cash equivalents at beginning of year	**24,637,448**	14,425,085
Cash and cash equivalents at end of year	**19,926,106**	24,637,448

The annexed notes form an integral part of and should be read in conjunction with these financial statements.

	Note	Financial year ended 30 September 2016 $	2015 $
The cash and cash equivalents comprise:			
Bank balances	12	**19,926,106**	15,603,692
Fixed deposits	13	**5,705,661**	14,679,917
		25,631,767	30,283,609
Less:			
Fixed deposits pledged	13	**(5,705,661)**	(5,646,161)
		19,926,106	24,637,448

Note:

A Property, plant and equipment

During the financial year ended 30 September 2016, the Group acquired property, plant and equipment with an aggregate cost of $6,350,987 (2015 – $12,254,552) of which $1,048,554 (2015 – $1,049,453) was acquired by means of hire-purchase and $350,000 (2015 – $Nil) pertains to capitalisation of reinstatement costs (Note 17). Cash payments of $4,811,733 (2015 – $10,670,862) was made to purchase property, plant and equipment. The remaining balance of $140,700 (2015 – $534,237) is payable to suppliers of property, plant and equipment as at 30 September 2016.

B Proceeds from disposal of property, plant and equipment

During the financial year ended 30 September 2016, the Group disposed of property, plant and equipment with a net book value of $250,839 (2015 – $71,286) of which proceeds of $275,238 (2015 – $96,070) was received. The resulting gain on disposal of property, plant and equipment is therefore $24,399 (2015 – gain of $24,784).

C Acquisition of a subsidiary

The Group acquired a subsidiary, HLA Holdings Pte. Ltd. on 1 October 2014. The carrying value of assets acquired and liabilities assumed were as follows:

	30 September 2015 $
Net assets/(liabilities) acquired	
Trade and other receivables	124,943
Cash and bank balances	638,650
Trade and other payables	(681,172)
Current tax payable	(3,619)
Identifiable net assets acquired	78,802
Less:	
Non-controlling interests of 40%	(31,522)
Purchase consideration	47,280
Less: cash and cash equivalents of a subsidiary acquired	(638,650)
Cash inflow on acquisition	(591,370)

CONSOLIDATED STATEMENT OF CASH FLOWS (CONT'D)

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2016

D Disposal of a subsidiary

The Group disposed of a subsidiary, Maple Creek Global Inc., whose functional currency was in Singapore Dollar, during the financial year ended 30 September 2016. The carrying value of assets disposed of and liabilities discharged were as follows:

	30 September 2016 $
Net assets disposed of	
Cash and bank balances	179,432
Identifiable net assets disposed of	179,432
Sales proceeds received	179,432
Less: cash and cash equivalent of subsidiary disposed of	(179,432)
Cash outflow on disposal	–
The gain on disposal of a subsidiary is computed as follows:	
Sales proceeds received	179,432
Less:	
Identifiable net assets disposed of	179,432
Gain on disposal of a subsidiary	–

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2016

1 GENERAL INFORMATION

The financial statements of the Company and of the Group for the year ended 30 September 2016 were authorised for issue in accordance with a resolution of the directors on the date of the Statement by Directors.

The Company was incorporated in Singapore on 10 July 2014 under the name LHN Pte. Ltd. as a private limited company.

On 16 March 2015, the Company was converted into a public limited company and assumed the present name, LHN Limited.

The Company was listed on the Catalist of the Singapore Exchange Securities Trading Limited (the "SGX-ST") on 13 April 2015.

The registered office of the Company is at 10 Raeburn Park #02-18, Singapore 088702.

The principal activity of the Company is that of investment holding. The principal activities of the subsidiaries are described in Note 6 to the financial statements.

The holding companies are as follows:

	Name of companies
Ultimate holding company	LHN Capital Pte. Ltd.
Intermediate holding company	HN Capital Ltd.
Immediate holding company	Hean Nerng Group Pte. Ltd.

1(a) Restructuring Exercise

The Group was formed through the Restructuring Exercise ("Restructuring Exercise"). The rationale for the Restructuring Exercise was to streamline the corporate structure and business activities of the Group for the purposes of the Placement of shares. Pursuant to the Restructuring Exercise, the Company became the holding company of the subsidiaries. The Restructuring Exercise involved the following:

(a) Incorporation of the Company

The Company was incorporated on 10 July 2014 in Singapore in accordance with the Companies Act as a private company limited by shares with an issued and paid-up share capital of $1 comprising one Share held by Hean Nerng Group Pte. Ltd.

(b) Sale of shares in LHN Culinary Concepts Pte. Ltd. to Hean Nerng Group Pte. Ltd. by LHN Group Pte. Ltd.

On 1 October 2012, LHN Group Pte. Ltd. sold 3,000,000 shares representing the entire issued and paid-up share capital of LHN Culinary Concepts Pte. Ltd. ("LHN Culinary") to the controlling shareholder, Hean Nerng Group Pte. Ltd., for a nominal cash consideration of $1. LHN Culinary was disposed of at a nominal cash consideration on the basis that the net tangible assets of LHN Culinary is negative and the operating results has been loss-making for the past years.

The disposal of LHN Culinary and its subsidiaries, which are involved in the food and beverage business, was intended to enable the Group to focus on its Space Optimisation Business, its Facilities Management Business and its Logistics Services Business.

(c) Sale of shares in HN Holdings Pte. Ltd. to Lim Hean Nerng by LHN Group Pte. Ltd.

On 30 September 2013, LHN Group Pte. Ltd. sold 350,000 shares representing the entire issued and paid-up share capital of HN Holdings Pte. Ltd. ("HN Holdings") to Lim Hean Nerng, for a nominal cash consideration of $1. HN Holdings was disposed of at a nominal cash consideration on the basis that the net tangible assets in HN Holdings is negative and has been inactive.

The disposal of HN Holdings, which is currently dormant, was intended to streamline the Group's corporate structure.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2016

1 GENERAL INFORMATION (CONT'D)

1(a) Restructuring Exercise (Cont'd)

(d) Sale of shares in HN Management Pte. Ltd. to Lim Hean Nerng by LHN Group Pte. Ltd.

On 1 October 2013, LHN Group Pte. Ltd. sold 100,000 shares representing the entire issued and paid-up share capital of HN Management Pte. Ltd. ("HN Management") to Lim Hean Nerng, for a cash consideration of $100,000. The consideration was based on the net tangible assets of HN Management at the time of disposal.

The disposal of HN Management, which is currently dormant, was intended to streamline the Group's corporate structure.

(e) Sale of shares in HLA Holdings Pte. Ltd. to LHN Group Pte. Ltd. by Lim Hean Nerng and Wang Jialu

On 1 October 2014, pursuant to a sale and purchase agreement dated 1 October 2014 entered into between LHN Group Pte. Ltd., Hew Chee Fatt, Lim Hean Nerng and Wang Jialu, Lim Hean Nerng and Wang Jialu collectively sold 715,680 shares representing the entire issued and paid-up share capital of HLA Holdings Pte. Ltd. to LHN Group Pte. Ltd. and Hew Chee Fatt for a total cash consideration of $47,280 and $31,522 respectively, representing 60% and 40% of the shareholding of HLA Holdings Pte. Ltd. respectively. The consideration was based on the audited net tangible assets of HLA Holdings Pte. Ltd. of approximately $78,802 as at 30 September 2014. The assets of this entity are mainly current receivables and cash balances.

The acquisition of HLA Holdings Pte. Ltd. by the Group was intended to consolidate all the entities involved in the Group's Logistics Services Business within the Group's corporate structure.

(f) Purchase of shares in HLA Holdings (Thailand) Limited ("HLA Holdings (Thailand)") by HLA Container Services Pte. Ltd. ("HLA") and incorporation of HLA Container Services (Thailand) Limited ("HLA Container Services (Thailand)")

HLA Holdings (Thailand), the associated company, was incorporated on 22 December 2014 in Thailand. The initial shareholders of HLA Holdings (Thailand) were Wasawatt Thongjoo (who subscribed for 19,999 ordinary shares at THB 25 each and 39,200 preference shares at THB 25 each), Somsri Puyatho (who subscribed for 20,800 ordinary shares at THB 25 each) and Pratumporn Somboonpoonpol (who subscribed for 1 ordinary share at THB 25 each). Somsri Puyatho is the spouse of one of the depot manager at HLA.

On 22 December 2014, Wasawatt Thongjoo transferred 38,400 preference shares and 800 preference shares to HLA and Hew Chee Fatt respectively, for a total cash consideration of THB 576,000 and THB 12,000 respectively. The consideration was based on the par value per share. On 22 December 2014, Pratumporn Somboonpoonpol transferred one ordinary share to Wasawatt Thongjoo. As at the date of listing of the Company, Wasawatt Thongjoo, Somsri Puyatho, HLA and Hew Chee Fatt each holds 20,000 ordinary shares, 20,800 ordinary shares, 38,400 preference shares and 800 preference shares respectively, representing approximately 25.0%, 26.0%, 48.0% and 1.0% of the equity interest in HLA Holdings (Thailand) respectively. As at the date of listing of the Company, all ordinary and preference shares of HLA Holdings (Thailand) have been fully paid-up.

On 23 December 2014, HLA Container Services (Thailand) was incorporated with an issued and paid-up share capital of THB 2,000,000, comprising 40,800 ordinary shares at THB 25 each and 39,200 preference shares at THB 25 each. The initial shareholders of HLA Container Services (Thailand) were HLA Holdings (Thailand) (who subscribed for 40,799 ordinary shares), Wasawatt Thongjoo (who subscribed for 39,199 preference shares), Somsri Puyatho (who subscribed for 1 preference share) and Pratumporn Somboonpoonpol (who subscribed for 1 ordinary share).

1 GENERAL INFORMATION (CONT'D)

1(a) Restructuring Exercise (Cont'd)

(f) Purchase of shares in HLA Holdings (Thailand) Limited ("HLA Holdings (Thailand)") by HLA Container Services Pte. Ltd. ("HLA") and incorporation of HLA Container Services (Thailand) Limited ("HLA Container Services (Thailand)") (Cont'd)

On 23 December 2014, Wasawatt Thongjoo transferred 38,399 preference shares and 800 preference shares to HLA and Hew Chee Fatt respectively, for a total cash consideration of THB 959,975 and THB 20,000 respectively. The consideration was based on the par value per share. On 23 December 2014, Somsri Puyatho transferred one preference share to HLA for a total cash consideration of THB 25. The consideration was based on the par value per share. On 23 December 2014, Pratumporn Somboonpoonpol transferred one ordinary share to HLA Holdings (Thailand) for a total cash consideration of THB 25. The consideration was based on the par value per share. As at the date of listing of the Company, HLA Holdings (Thailand), HLA and Hew Chee Fatt each holds 40,800 ordinary shares, 38,400 preference shares and 800 preference shares respectively, representing approximately 51.0%, 48.0% and 1.0% of the equity interest of HLA Container Services (Thailand) respectively. As at the date of listing of the Company, the ordinary and preference shares of HLA Container Services (Thailand) have been fully paid-up.

Accordingly, the Group has 53.2% and 56.0% effective voting rights in HLA Holdings (Thailand) and HLA Container Services (Thailand) respectively on the basis that the preference shares held by the Group has voting proportion of 1 preference share to 10 voting rights [Note 2(a)]. As a result, the Group has substantive rights to the respective companies.

Through HLA Holdings (Thailand) and HLA Container Services (Thailand), the Group intends to expand the container depot management services business in Thailand.

(g) Acquisition of LHN Group Pte. Ltd. and its subsidiaries by the Company

Pursuant to a share swap agreement dated 10 March 2015 entered into between the Company and Hean Nerng Group Pte. Ltd., the Company acquired from Hean Nerng Group Pte. Ltd. the entire issued and paid-up share capital of LHN Group Pte. Ltd. held by Hean Nerng Group Pte. Ltd., comprising an aggregate of 2,000,000 ordinary shares for a total consideration of $32,726,559 based on the audited net tangible assets of LHN Group Pte. Ltd. and its subsidiaries of approximately $32,726,559 as at 30 September 2014.

The purchase consideration was satisfied by the allotment and issuance of an aggregate of 999,999 Shares in the capital of the Company to Hean Nerng Group Pte. Ltd., at an issue price of $32.7 per Share, credited as fully paid-up and was arrived at on a willing buyer willing seller basis.

The consolidated financial statements of the Group for the financial year ended 30 September 2015 were prepared in a manner similar to the "pooling of interest" method under the Restructuring Exercise. Such manner of presentation reflects the economic substance of the combining companies, which were under common control throughout the relevant period, as a single economic enterprise, although the legal parent-subsidiary relationships were not established.

2(a) Basis of preparation

The financial statements are prepared in accordance with Singapore Financial Reporting Standards ("FRS") including related Interpretations promulgated by the Accounting Standards Council ("ASC"). The financial statements have been prepared under the historical cost convention, except as disclosed in the accounting policies below.

The financial statements are presented in Singapore Dollar which is the Company's functional currency. All financial information is presented in Singapore Dollar, unless otherwise stated.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2016

2(a) Basis of preparation (Cont'd)

Significant accounting estimates and judgements

The preparation of the financial statements in conformity with FRS requires the use of judgements, estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the financial year. Although these estimates are based on management's best knowledge of current events and actions, actual results may differ from those estimates.

The critical accounting estimates and assumptions used and areas involving a significant judgement are described below.

Significant judgements in applying accounting policies

Deferred taxation on leasehold buildings under property, plant and equipment and investment properties (Notes 4, 5 and 16)

For the purposes of measuring deferred tax liabilities or deferred tax assets arising from leasehold buildings that are measured using the fair value model, the directors have reviewed the Group's property portfolios and concluded that the Group's leasehold buildings are not held under the business model whose objective is to consume substantially all of the economic benefits embodied in the leasehold buildings over time, rather than through sale. Therefore, in determining the Group's deferred taxation on leasehold buildings, the directors have determined that the presumption that the carrying amounts of leasehold buildings measured using the fair value model are recovered entirely through sale is not rebutted. As a result, the Group has not recognised any deferred taxes on changes in fair value of leasehold buildings as the Group is not subject to any income taxes on the fair value changes of the leasehold buildings on disposal, except for the property in Jakarta, Indonesia which is subject to a capital gain tax of 5%. However, the amount is insignificant.

Income tax (Note 28)

The Group has exposure to income taxes in several jurisdictions, namely Singapore, Malaysia, Indonesia, Thailand and Myanmar. Significant judgement is required in determining the capital allowances and deductibility of certain expenses during the estimation of the provision for income tax. There are also claims for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for expected tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recognised, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

Significant influence over Nopest Pte. Ltd. (Note 7)

In Note 7 to the financial statements, Nopest Pte. Ltd. is described as an associate of the Group. The Group has significant influence over Nopest Pte. Ltd. by virtue of the contractual right to appoint two directors of that company, namely Lim Lung Tieng and Lim Bee Choo. Further details are disclosed in Note 7 to the financial statements. The Group has significant influence, being the power to participate in the financial and operating policy decisions of the Nopest Pte. Ltd. (but not control or joint control).

Joint ventures (Note 8)

The Group holds 50% ownership interest in Metropolitan Parking Pte. Ltd., Work Plus Store (AMK) Pte. Ltd. and Automobile Pre Delivery Base Pte. Ltd. recognised in the consolidated accounts using the equity method in accordance with the percentage owned. Management has assessed that the holdings are joint arrangements as there are contractual arrangement with the parties resulting in the Group having joint control. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control. As the joint arrangements provide the Group with rights to the net assets of the arrangements, the arrangements are joint ventures to the Group. Further details are disclosed in Note 8 to the financial statements.

2(a) Basis of preparation (Cont'd)

Significant judgements in applying accounting policies (Cont'd)

Control over HLA Holdings (Thailand) Limited ("HLA Holdings (Thailand)") and HLA Container Services (Thailand) Limited ("HLA Container Services (Thailand)") (Note 6)

In Note 6 to the financial statements, HLA Holdings (Thailand) and HLA Container Services (Thailand) are described as subsidiaries of the Group although the Group has only 28.8% and 43.5% effective ownership interests respectively. However, the Group has 53.2% and 56.0% effective voting rights in HLA Holdings (Thailand) and HLA Container Services (Thailand) respectively. Details of HLA Holdings (Thailand) and HLA Container Services (Thailand) are set out in Note 6 to the financial statements. The varying rights of the Group is by way of voting rights whereby the preference shares held by the Group has voting proportion of 1 preference share to 10 voting rights.

The directors assessed whether or not the Group has control over HLA Holdings (Thailand) and HLA Container Services (Thailand) based on whether the Group has the practical ability to direct the relevant activities of HLA Holdings (Thailand) and HLA Container Services (Thailand) unilaterally. In making their judgements, the directors considered the Group's absolute size of holdings and voting rights of HLA Holdings (Thailand) and HLA Container Services (Thailand) and the relative size of and dispersion of the shareholdings owned by the other shareholders as well as to the extent of managerial involvement. After the assessment, the directors concluded that the Group has sufficiently dominant voting interests to direct the relevant activities of HLA Holdings (Thailand) and HLA Container Services (Thailand) and therefore the Group has control over HLA Holdings (Thailand) and HLA Container Services (Thailand).

Control over LHN Management Services Pte. Ltd. ("LHNMS") (Note 6)

In Note 6 to the financial statements, LHNMS is described as a subsidiary of the Group as the Group has 51% effective ownership interests and effective voting rights in LHNMS. The directors of the Group concluded that the Group has the practical ability to direct the relevant activities of LHNMS unilaterally in making their judgements based on the extent of managerial involvement. The remaining 49% effective ownership interests is held by a third party who has no significant involvement in LHNMS.

Critical accounting estimates and assumptions used in applying accounting policies

Depreciation of property, plant and equipment (Note 4)

Property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives. Management estimates the useful lives of property, plant and equipment to be within the range as indicated in the accounting policy for property, plant and equipment and depreciation. The carrying amount of the Group's property, plant and equipment as at 30 September 2016 was $26,452,933 (2015 – $26,634,910). Changes in the expected level of usage and technological developments could impact the economic useful lives and the residual values of these assets, therefore future depreciation charges could be revised. If depreciation on property, plant and equipment increases/decreases by 10% from management, the Group's profit for the financial year ended 30 September 2016 will decrease/increase by $654,555 (2015 – $553,150).

Allowance for inventory obsolescence (Note 10)

The Group reviews the ageing analysis of inventories at each reporting date, and makes provision for obsolete and slow moving inventory items identified that are no longer suitable for sale. The net realisable value for such inventories are estimated based primarily on the latest invoice prices and current market conditions. Possible changes in these estimates could result in revisions to the valuation of inventories.

If the net realisable value of the inventories increase/decrease by 10% from management estimate, the Group's profit will decrease/increase by $1,797 (2015 – $16,732). The carrying amount of the inventories is disclosed in Note 10 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2016

2(a) Basis of preparation (Cont'd)

Critical accounting estimates and assumptions used in applying accounting policies (Cont'd)

Impairment of loans and receivables (Note 11)

The Group assesses at the end of each reporting period whether there is any objective evidence that a financial asset is impaired. To determine whether there is objective evidence of impairment, the Group considers factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments.

Where there is objective evidence of impairment, the amount and timing of future cash flows are estimated based on historical loss experience for assets with similar credit risk characteristics. Full impairment is made for specific debts for which the directors of the Group are of the opinion that debts are not recoverable. The carrying amount of the Group's loans and receivables at the end of the reporting period is disclosed in Note 11 to the financial statements. If the present value of estimated future cash flows decrease by 10% from management's estimates, the Group's allowance for impairment will increase by $201,785 (2015 – increase by $165,404).

Provision for reinstatement of leased properties (Note 17)

The Group has recognised a provision for reinstatement of leased properties obligations associated with properties leased by certain subsidiaries. In determining the fair value of the provision, assumptions and estimates are made in relation to discount rates, the expected cost to dismantle and remove plant from the site and the expected timing of those costs. The carrying amount of the provision as at 30 September 2016 was $351,442 (2015 – $Nil). If the estimated pre-tax discount rate used in the calculation had been 1% higher than management's estimates, the carrying amount of the provision would have been lower by $7,453 (2015 – $Nil).

The accounting policies used by the Group have been applied consistently to all periods presented in these financial statements.

2(b) Interpretations and amendments to published standards effective in 2015/2016

On 1 October 2015, the Group adopted FRSs that are mandatory for application from that date. Changes to the Group's accounting policies have been made as required, in accordance with the transitional provisions in the respective FRS. The amended FRSs are not relevant to the Group and the adoption of these amended FRSs did not result in substantial changes to the Group's accounting policies and had no material effect on the amounts reported for the current or prior financial years.

2(c) FRS not yet effective

The Accounting Standards Council announced on 29 May 2014 that Singapore-incorporated companies listed on the SGX-ST will apply a new financial reporting framework identical to the International Financial Reporting Standards ("IFRS") for financial year ending 31 December 2018 onwards. Singapore-incorporated companies listed on the SGX-ST will have to assess the impact of IFRS 1 First-time adoption of IFRS when transitioning to the new reporting framework. The Group is currently assessing the impact of transitioning to the new reporting framework on its financial statements.

2(c) FRS not yet effective (Cont'd)

The following are the new or amended FRS issued that are not yet effective but may be early adopted for the current financial year:

Reference	Description	Effective date (Annual periods beginning on or after)
FRS 114	Regulatory Deferral Accounts	1 January 2016
FRS 115	Revenue from Contracts with Customers	1 January 2018
Clarification to FRS 115	Revenue from Contracts with Customers	1 January 2018
FRS 109	Financial Instruments	1 January 2018
FRS 116	Leases	1 January 2019
INT FRS 122	Foreign Currency Transactions and Advance Consideration	1 January 2018
Amendments to:		
FRS 1	Disclosure Initiative	1 January 2016
FRS 7	Disclosure Initiative	1 January 2017
FRS 40	Transfers of Investment Property	1 January 2018
FRS 111	Accounting for Acquisitions of Interests in Joint Operations	1 January 2016
FRS 110 and FRS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined
Improvement to FRSs (November 2014)		
FRS 19	Employee Benefits	1 January 2016
FRS 107	Financial Instruments: Disclosures	1 January 2016
Improvement to FRSs (December 2016)		
FRS 101	First-time Adoption of Financial Reporting Standards	1 January 2018
FRS 112	Disclosure of Interests in Other Entities	1 January 2017
FRS 28	Investments in Associates and Joint Ventures	1 January 2018

The directors do not anticipate that the adoption of the above FRSs in future periods will have a material impact on the financial statements of the Group and the Company in the period of their initial adoption, except for the following:

Amendments to FRS 1 *Presentation of Financial Statements*

The Amendments to FRS 1 *Presentation of Financial Statements* clarify, rather than significantly change, existing FRS 1 requirements. The amendments clarify:

- The materiality requirements in FRS 1
- That specific line items in the statement(s) of profit or loss and OCI and the statement of financial position may be disaggregated
- That entities should adopt a systemic order in which they present the notes to financial statements
- That the share of OCI of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, and classified between those items that will or will not be subsequently reclassified to profit or loss

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2016

2(c) FRS not yet effective (Cont'd)

Amendments to FRS 1 *Presentation of Financial Statements (Cont'd)*

Furthermore, the amendments clarify the requirements that apply when additional subtotals are presented in the statement of financial position and the statement(s) of profit or loss and OCI. The amendments to FRS 1 are effective for annual periods beginning on or after 1 January 2016. As this is a disclosure standard, it will have no impact to the financial position and performance of the Group when applied in.

Amendments to FRS 7 *Statement of Cash Flows*

The Amendments to FRS 7 *Statement of Cash Flows* required entities to reconcile cash flows arising from financing activities as reported in the statement of cash flows – excluding contributed equity – to the corresponding liabilities in the opening and closing statements of financial position and to disclose on any restrictions over the decisions of an entity to use cash and cash equivalent balances, in particular way – e.g. any tax liabilities that would arise on repatriation of foreign cash and cash equivalent balances. These amendments are effective on beginning or after 1 January 2017. As this is a disclosure standard, it will have no impact to the financial position and performance of the Group when applied in.

FRS 115 *Revenue from Contracts with Customers*

FRS 115 *Revenue from Contracts with Customers* establishes a framework for determining when and how to recognise revenue. The objective of the standard is to establish the principles that an entity shall apply to report useful information about the nature, amount, timing and uncertainty of revenue and cash flows arising from a contract with a customer. It established a new five-step model that will apply to revenue arising from contracts with customers. Under FRS 115, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods and services to a customer.

The standard replaces FRS 11 *Construction Contracts*, FRS 18 *Revenue*, INT FRS 113 *Customer Loyalty Programmes*, INT FRS 115 *Agreements for Construction of Real Estate*, INT FRS 118 *Transfer of Assets from Customers* and INT FRS 31 *Revenue – Barter Transactions involving Advertising Services*. The new standard applies to contracts with customers. However, it does not apply to insurance contracts, financial instruments or lease contracts, which fall into the scope of other standards.

FRS 115 is effective for annual periods beginning on or after 1 January 2018. The Group is currently assessing the impact to the consolidated financial statements.

Clarifications to FRS 115 *Revenue from Contracts with Customers*

The amendments clarify how to:

- Identify a performance obligation (the promise to transfer a good or a service to a customer) in a contract
- Determine whether a company is a principal (the provider of a good or service) or an agent (responsible for arranging for the good or service to be provided)
- Determine whether the revenue from granting a licence should be recognised at a point in time or over time.

The amendments have the same effective date as the Standard, FRS 115, i.e. on 1 January 2018.

FRS 109 *Financial Instruments*

FRS 109 *Financial Instruments* replaces the FRS 39 and it is a package of improvements introduced by FRS 109 which include a logical model for:

- Classification and measurement;
- A single, forward – looking "expected loss" impairment model; and
- A substantially reformed approach to hedge accounting.

FRS 109 is effective for annual periods beginning on or after 1 January 2018. The Group is currently assessing the impact to the consolidated financial statements.

2(c) FRS not yet effective (Cont'd)

FRS 116 *Leases*

FRS 116 *Leases* replaces accounting requirements introduced more than 30 years ago in accordance with FRS 17 *Leases* that are no longer considered fit for purpose, and is a major revision of the way in which companies where it requires lessees to recognise most leases on their balance sheets. Lessor accounting is substantially unchanged from current accounting in accordance with FRS 17. FRS 116 *Leases* will be effective for accounting periods beginning on or after 1 January 2019. Early adoption will be permitted, provided the company has adopted FRS 115. The Group is currently assessing the impact to the consolidated financial statements.

Amendments to FRS 40 *Transfers of Investment Property*
Under the amendments in FRS 40 *Transfers of Investment Property* has been amended to state that an entity shall transfer a property to, or from, investment property when, and only when, there is evidence of a change in use. A change of use occurs if property meets, or ceases to meet, the definition of investment property. A change in management's intentions for the use of a property by itself does not constitute evidence of a change in use.

The amendments are effective on 1 January 2018. However, if finalised, earlier adoption is permitted. The amendments would be applied retrospectively in accordance with FRS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*. The Group is currently assessing the impact to the consolidated financial statements.

Improvements to FRSs (December 2016) FRS 112: *Disclosure of Interests in Other Entities*
To clarify that the election to measure at fair value through profit or loss an investment in an associate or a joint venture that is held by an entity that is a venture capital organisation, or other qualifying entity, is available for each investment in an associate or joint venture on an investment-by-investment basis, upon initial recognition.

This annual improvements are effective from annual periods beginning on or after 1 January 2017. The Group is currently assessing the impact to the consolidated financial statements.

INT FRS 122 *Foreign Currency Transactions and Advance Consideration*
This Interpretation provides requirements about which exchange rate to use in reporting foreign currency transactions (such as revenue transactions) when payment is made or received in advance. The Interpretations are effective from 1 January 2018.

On initial application, entities would have the option of applying the Interpretations either retrospectively or prospectively in accordance with FRS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*. The Group is currently assessing the impact to the consolidated financial statements.

2(d) Summary of significant accounting policies

Common control

Acquisition of entities that were under common control have been consolidated using the "pooling of interest" method.

Under this method, all the combining entities or businesses were ultimately controlled by the same party or parties both before and after the business combination, and that control was not transitory. For such common control business combinations, the merger accounting principles were used to include the assets, liabilities, results, equity changes and cash flows of the combining entities in the consolidated financial statements of the Group.

In applying merger accounting, financial statement items of the combining entities or businesses for the relevant period in which the common control combination occurs were included in the consolidated financial statements of the combined entity as if the combination had occurred from the date when the combining entities or businesses first came under the control of the controlling party or parties.

A single uniform set of accounting policies was adopted by the combined entity. Therefore, the combined entity recognised the assets, liabilities and equity of the combining entities or businesses at the carrying amounts in the consolidated financial statements of the controlling party or parties prior to the common control combination.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2016

2(d) Summary of significant accounting policies (Cont'd)

Common control (Cont'd)

The carrying amounts were included as if such consolidated financial statements of the Group had been prepared by the controlling party, including adjustments required for conforming the combined entity's accounting policies and applying those policies to all years presented. There was no recognition of any goodwill or excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over cost at the time of the common control combination. The effects of all transactions between the combining entities or businesses, whether occurring before or after the combination, were eliminated in preparing the consolidated financial statements of the combined entity.

The cost of an acquisition was measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination were measured initially at their fair values at the acquisition date, irrespective of the extent of any non-controlling interests.

The consolidated financial statements of LHN Group Pte. Ltd. (i.e. the "Consolidated Group") was prepared under the acquisition method of accounting.

Consolidation

The acquisition method of accounting is used to account for business combinations by the Consolidated Group.

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at the end of the reporting period. The financial statements of the subsidiaries used in the preparation of the consolidated financial statements are prepared for the same reporting date as the Company. Consistent accounting policies are applied to like transactions and events in similar circumstances.

All intra-group balances, income and expenses and unrealised gains and losses resulting from intra-group transactions and dividends are eliminated in full.

Subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control and continue to be consolidated until the date that such control ceases.

Losses and other comprehensive income are attributable to the non-controlling interest even if that results in a deficit balance.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

– de-recognises the assets (including goodwill, if any) and liabilities of the subsidiary at their carrying amounts as at that date when control is lost;

– de-recognises the carrying amount of any non-controlling interest;

– de-recognises the cumulative translation differences recorded in equity;

– recognises the fair value of the consideration received;

– recognises the fair value of any investment retained;

– recognises any surplus or deficit in profit or loss;

– re-classifies the Group's share of components previously recognised in other comprehensive income to profit or loss or retained earnings, as appropriate.

2(d) Summary of significant accounting policies (Cont'd)

Consolidation (Cont'd)

A subsidiary is an investee that is controlled by the Group. The Group controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Thus, the Group controls an investee if and only if the Group has all of the following:

- power over the investee;
- exposure, or rights or variable returns from its involvement with the investee; and
- the ability to use its power over the investee to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Group has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Group considers all relevant facts and circumstances in assessing whether or not the Group's voting rights in an investee are sufficient to give it power, including:

- the size of the Group's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Group, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Group has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Group.

When the Group loses control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill, if any), and liabilities of the subsidiary and any non-controlling interest. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable FRSs).

The fair value of any investment retained in the former subsidiary at the date when the control is lost is regarded as the fair value on the initial recognition for subsequent accounting under FRS 39, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

<u>Transactions with non-controlling interest</u>

Non-controlling interest represents the equity in subsidiaries not attributable, directly or indirectly, to owners of the Company, and are presented separately in the consolidated statement of comprehensive income and within equity in the consolidated statement of financial position, separately from equity attributable to owners of the Company.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2016

2(d) Summary of significant accounting policies (Cont'd)

Consolidation (Cont'd)

Transactions with non-controlling interest (Cont'd)

Changes in the Company owners' ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. In such circumstances, the carrying amounts of the controlling and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interest is adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

Property, plant and equipment and depreciation

Leasehold buildings

Leasehold buildings are initially recognised at cost and subsequently stated at their revalued amounts. The revalued amounts are the fair values at the date of revaluation less any subsequent accumulated depreciation and impairment losses. Revaluations are carried out annually by independent professional valuers such that the carrying amount of these assets does not differ materially from that which would be determined using fair value at the end of reporting period.

When an asset is revalued, any increase in the carrying amount is credited directly to revaluation surplus unless it reverses a previous revaluation decrease relating to the same asset which was previously recognised as an expense. In these circumstances the increase is recognised as income to the extent of the previous write down.

Depreciation of leasehold buildings are computed utilising the straight-line method over their remaining estimated useful lives.

When an asset's carrying amount is decreased as a result of a revaluation, the decrease is recognised as an expense unless it reverses a previous increment relating to that asset, in which case it is charged against any related revaluation surplus, to the extent that the decrease does not exceed the amount held in the revaluation surplus in respect of that same asset. Any balance remaining in the revaluation surplus in respect of an asset, is transferred directly to retained earnings when the asset is derecognised.

Other property, plant and equipment

All other items of property, plant and equipment are stated at cost less accumulated depreciation and impairment losses, if any. Depreciation is calculated using the straight-line method to allocate their depreciable amount over their estimated useful lives as follows:

Renovation works	3 – 15 years (on the basis of the tenure period)
Plant and machinery	5 years
Furniture and fittings	10 years
Office equipment, kitchen equipment, digital and visual equipment	3 – 10 years
Logistics equipment	5 years
Motor vehicles	5 years
Computers	1 – 3 years
Containers	1 – 5 years

No depreciation was provided for construction-in-progress.

The cost of property, plant and equipment includes expenditure that is directly attributable to the acquisition of the items. Dismantlement, removal or restoration costs are included as part of the cost of property, plant and equipment if the obligation for dismantlement, removal or restoration is incurred as a consequence of acquiring or using the asset. Cost may also include transfers from equity of any gains/losses on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment, if any.

2(d) Summary of significant accounting policies (Cont'd)

Property, plant and equipment and depreciation (Cont'd)

Other property, plant and equipment (Cont'd)

Subsequent expenditure relating to property, plant and equipment that have been recognised is added to the carrying amount of the asset when it is probable that future economic benefits, in excess of the standard of performance of the asset before the expenditure was made, will flow to the Company and the Group and the cost can be reliably measured. Other subsequent expenditure is recognised as an expense during the financial year in which it is incurred.

For acquisitions and disposals during the financial year, depreciation is provided from the month of acquisition and to the month before disposal respectively. Fully depreciated property, plant and equipment are retained in the books of accounts until they are no longer in use.

Depreciation methods, useful lives and residual values are reviewed, and adjusted as appropriate, at each reporting date as a change in estimates.

Investment properties

Investment properties include leasehold buildings that are held for long term rental yields and/or for capital appreciation and land under operating leases that are held for long-term capital appreciation or for a currently indeterminate use, and where an insignificant portion is held for the Group's own occupation. Investment properties comprise completed investment properties and properties under construction or development for future use as investment properties.

Investment properties are initially recognised at cost and subsequently carried at fair value, determined annually by independent professional valuers on the highest-and-best-use basis. Changes in fair values are recognised in the profit or loss.

Investment properties are subject to renovations or improvements at regular intervals. The cost of major renovations and improvements is capitalised as addition and the carrying amounts of the replaced components are written off to profit or loss. The cost of maintenance, repairs and minor improvement is charged to profit or loss when incurred.

Investment properties are derecognised when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. On disposal or retirement of an investment property, the difference between any disposal proceeds and the carrying amount is recognised in profit or loss.

Transfers are made to investment property when, and only when, there is a change in use, evidenced by ending of owner-occupation or commencement of an operating lease to another party. Transfers are made from investment property when and only when, there is a change in use, evidenced by the commencement of owner-occupation or commencement of development with a view to sell.

Investment in subsidiaries

In the Company's separate financial statements, investments in subsidiaries are stated at cost less accumulated impairment losses on an individual subsidiary basis.

Investment in associates

An associate is an entity over which the Group has the power to participate in the financial and operating policy decisions of the investee but not control or joint control of those policies.

The Group account for its investments in associates using the equity method from the date on which it becomes an associate.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2016

2(d) Summary of significant accounting policies (Cont'd)

Investment in associates (Cont'd)

On acquisition of the investment, any excess of the cost of the investment over the Group's share of the net fair value of the investee's identifiable assets and liabilities is accounted as goodwill and is included in the carrying amount of the investment. Any excess of the Group's share of the net fair value of the investee's identifiable assets and liabilities over the cost of the investment is included as income in the determination of the entity's share of the associate's profit or loss in the period in which the investment is acquired.

Under the equity method, the investment in associates are carried in the statements of financial position at cost plus post-acquisition changes in the Group's share of net assets of the associates. The profit or loss reflects the share of results of operations of the associates. Distributions received from associates reduce the carrying amount of the investment. Where there has been a change recognised in other comprehensive income by the associates, the Group recognises its share of such changes in other comprehensive income. Unrealised gains and loss resulting from transaction between the Group and the associate are eliminated to the extent of the interest in the associates.

When the Group's share of losses in an associate equals or exceeds its interest in the associate, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

After application of the equity method, the Group determines whether it is necessary to recognise an additional impairment loss, on the Group's investment in associate. The Group determines at the end of each reporting period whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount in profit or loss.

The financial statements of the associates are prepared as the same reporting date as the Company. Where necessary, adjustments are made to bring the accounting policies in line with those of the Group.

Upon loss of significant influence or joint control over the associate, the Group measures the retained interest at fair value. Any difference between the fair value of the aggregate of the retained interest and proceeds from disposal and the carrying amount of the investment at the date the equity method was discontinued is recognised in profit or loss.

The Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate on the same basis as would have been required if that associate or joint venture had directly disposed of the related assets or liabilities.

When an investment in an associate becomes an investment in a joint venture, the Group continues to apply the equity method and does not remeasure the retained interest.

If the Group's ownership interest in an associate is reduced, but the Group continues to apply the equity method, the Group reclassifies to profit or loss the proportion of the gain or loss that had previously been recognised in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be required to be reclassified to profit or loss on the disposal of the related assets or liabilities.

Joint arrangements

A joint arrangement is a contractual arrangement whereby two or more parties have joint control. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

A joint arrangement is classified either as joint operation or joint venture, based on the rights and obligations of the parties to the arrangement.

To the extent the joint arrangement provides the Group with rights to the assets and obligations for the liabilities relating to the arrangement, the arrangement is a joint operation. To the extent the joint arrangement provides the Group with rights to the net assets of the arrangement, the arrangement is a joint venture.

2(d) Summary of significant accounting policies (Cont'd)

Joint arrangements (Cont'd)

The Group reassesses whether the type of joint arrangement in which it is involved has changed when facts and circumstances change. The Group does not have any joint arrangement classified as joint operation.

Investments in joint ventures at company level are stated at cost. The Group recognises its interest in a joint venture as an investment and accounts for the investment using the equity method. Refer to the accounting policy on "Investment in associates".

Financial assets

Financial assets, other than hedging instruments, if any, can be divided into the following categories: financial assets at fair value through profit or loss, held-to-maturity investments, loans and receivables and available-for-sale financial assets. Financial assets are assigned to the different categories by management on initial recognition, depending on the purpose for which the assets were acquired. The designation of financial assets is re-evaluated and classification may be changed at the reporting date with the exception that the designation of financial assets at fair value through profit or loss is not revocable.

All financial assets are recognised on their trade date – the date on which the Company and the Group commit to purchase or sell the asset. Financial assets are initially recognised at fair value, plus directly attributable transaction costs except for financial assets at fair value through profit or loss, which are recognised at fair value.

Derecognition of financial instruments occurs when the rights to receive cash flows from the investments expire or are transferred and substantially all of the risks and rewards of ownership have been transferred. An assessment for impairment is undertaken at least at the end of each reporting period whether or not there is objective evidence that a financial asset or a group of financial assets is impaired.

Financial assets and financial liabilities are offset and the net amount presented in the statements of financial position when, and only when, the Group currently has a legally enforceable right to set off the recognised amounts; and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Non-compounding interest and other cash flows resulting from holding financial assets are recognised in profit or loss when received, regardless of how the related carrying amount of financial assets is measured.

Other than loan and receivables, the Group does not designate any financial assets at fair value through profit or loss, held-to-maturity investments or available-for-sale.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money, goods or services directly to a debtor with no intention of trading the receivables. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets, if any.

Loans and receivables include trade and other receivables, related party balances and deposits held in banks. They are subsequently measured at amortised cost using the effective interest method, less provision for impairment. If there is objective evidence that the asset has been impaired, the financial asset is measured at the present value of the estimated future cash flows discounted at the original effective interest rate. Impairment losses are reversed in subsequent periods when an increase in the asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to a restriction that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised. The impairment or write-back is recognised in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2016

2(d) Summary of significant accounting policies (Cont'd)

Related parties

A related party is defined as follows:

(a) A person or a close member of that person's family is related to the Group and the Company if that person:

(i) has control or joint control over the Company;

(ii) has significant influence over the Company; or

(iii) is a member of the key management personnel of the Group or Company or of a parent of the Company.

(b) An entity is related to the Group and the Company if any of the following conditions applies:

(i) the entity and the Company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others);

(ii) one entity is an associate or joint venture of the other entity (or an associate of joint venture of a member of a group of which the other entity is a member);

(iii) both entities are joint ventures of the same third party;

(iv) one entity is a joint venture of a third party and the other entity is an associate of the third entity;

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Company or an entity related to the Company. If the Company is itself such a plan, the sponsoring employees are also related to the Company;

(vi) the entity is controlled or jointly controlled by a person identified in (a);

(vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); or

(viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the reporting entity or to the parent of the reporting entity.

Cash and cash equivalents

Cash and cash equivalents include cash balances and bank deposits which are readily convertible to cash and which are subject to an insignificant risk of changes in value.

For the purpose of the consolidated statement of cash flows, cash and cash equivalents are presented net of pledged fixed deposits.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on a first-in, first-out basis, and includes all costs in bringing the inventories to their present location and condition.

Allowance is made for obsolete, slow-moving and defective inventories in arriving at the net realisable value.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale.

2(d) Summary of significant accounting policies (Cont'd)

Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issuance of new ordinary shares are deducted against the share capital account.

When any entity within the Group purchases the Company's ordinary shares ("treasury shares"), the consideration paid including any directly attributable incremental cost is presented as a component within equity attributable to the Company's equity holders, until they are cancelled, sold or reissued.

When treasury shares are subsequently cancelled, the cost of treasury shares are deducted against the share capital account if the shares are purchased out of capital of the Company, or against the retained earnings of the Company if the shares are purchased out of earnings of the Company.

When treasury shares are subsequently sold or reissued pursuant to the LHN Employee Performance Share Plan, the cost of treasury shares is reversed from the treasury share account and the realised gain or loss on sales or reissue, net of any directly attributable incremental transaction costs and related income tax, is recognised in the capital reserve of the Company.

Dividends

Final dividends proposed by the directors are not accounted for in shareholders' equity as an appropriation of retained profit, until they have been approved by the shareholders in a general meeting. When these dividends have been approved by the shareholders and declared, they are recognised as a liability.

Interim dividends are simultaneously proposed and declared, because the articles of association of the Company grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognised directly as a liability when they are proposed and declared.

Financial liabilities

The Group's financial liabilities include trade and other payables, related party balances, bank borrowings, obligations under finance lease and provision for reinstatement cost.

Financial liabilities are recognised when the Group becomes a party to the contractual agreements of the instrument. All interest-related charges are recognised as an expense in "finance cost" in the profit or loss.

Financial liabilities are derecognised if the Group's obligations specified in the contract expire or are discharged or cancelled.

Financial assets and financial liabilities are offset and the net amount presented in the statements of financial position when, and only when, the Group currently has a legally enforceable right to set off the recognised amounts; and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Borrowings are recognised initially at the fair value of proceeds received less attributable transaction costs, if any. Borrowings are subsequently stated at amortised cost which is the initial fair value less any principal repayments. Any difference between the proceeds (net of transaction costs) and the redemption value is taken to the profit or loss over the period of the borrowings using the effective interest method. The interest expense is chargeable on the amortised cost over the period of the borrowings using the effective interest method.

Gains and losses are recognised in the profit or loss when the liabilities are derecognised as well as through the amortisation process.

Borrowings which are due to be settled within 12 months after the end of reporting period are included in current borrowings in the statement of financial position even though the original terms was for a period longer than twelve months and an agreement to refinance, or to reschedule payments, on a long-term basis is completed after the end of reporting period. Borrowings to be settled within the Group's normal operating cycle are classified as current. Other borrowings due to be settled more than twelve months after the end of reporting period are included in non-current borrowings in the statements of financial position.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2016

2(d) Summary of significant accounting policies (Cont'd)

Financial liabilities (Cont'd)

Finance lease liabilities are measured at initial value less the capital element of lease repayments (see policy on "Finance leases").

Trade and other payables and related company balances are initially measured at fair value, and subsequently measured at amortised cost, using the effective interest method.

Financial guarantees

The Company and a subsidiary, LHN Group Pte. Ltd. ("LHN Group") have issued corporate guarantees to banks for bank facilities granted to its subsidiaries. These guarantees are financial guarantee contracts as they require the Company and LHN Group to reimburse the banks if the respective parties fail to make principal or interest payments when due in accordance with the terms of their borrowings.

Financial guarantee contracts are initially recognised at their fair value plus transaction costs in the statements of financial position.

Financial guarantee contracts are subsequently amortised to the profit or loss over the period of the subsidiaries' borrowings, unless the Company and LHN Group have incurred an obligation to reimburse the bank for an amount higher than the unamortised amount. In this case, the financial guarantee contracts shall be carried at the expected amount payable to the bank.

Provisions

Provisions are recognised when the Group have a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Present obligations arising from onerous contracts are recognised as provisions.

The Group recognises the estimated costs of dismantlement, removal or restoration of items of property, plant and equipment arising from the acquisition or use of assets. This provision is estimated based on the best estimate of the expenditure required to settle the obligation, taking into consideration time value.

Changes in the estimated timing or amount of the expenditure or discount rate for asset dismantlement, removal and restoration costs are adjusted against the cost of the related property, plant and equipment, unless the decrease in the liability exceeds the carrying amount of the asset or the asset has reached the end of its useful life. In such cases, the excess of the decrease over the carrying amount of the asset or the changes in the liability is recognised in consolidated income statement immediately.

The directors review the provisions annually and where in their opinion, the provision is inadequate or excessive, due adjustment is made.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as finance costs.

Employee benefits

Pension obligations

The Company and the Group participate in the defined contribution national pension schemes as provided by the laws of the countries in which it has operations. In particular, the Singapore incorporated companies in the Group contribute to the Central Provident Fund ("CPF"), a defined contribution plan regulated and managed by the Government of Singapore, which applies to the majority of the employees. The contributions to national pension schemes are charged to the profit or loss in the period to which the contributions relate.

2(d) Summary of significant accounting policies (Cont'd)

Employee benefits (Cont'd)

Employee leave entitlements

Employee entitlements to annual leave are recognised when they accrue to employees. Accrual is made for the unconsumed leave as a result of services rendered by employees up to the end of reporting period.

Key management personnel

Key management personnel are those persons having the authority and responsibility for planning, directing and controlling the activities of the Group. Directors and certain managerial personnel are considered key management personnel.

Leases

Where the Group is the lessee,

Finance leases

Where assets are financed by lease agreements that give rights approximating to ownership, the assets are capitalised as if they have been purchased outright at values equivalent to the lower of the fair values of the leased assets and the present value of the total minimum lease payments during the periods of the leases. The corresponding lease commitments are included under liabilities. The excess of the lease payments over the recorded lease obligations are treated as finance charges which are amortised over each lease term to give a constant effective rate of charge on the remaining balance of the obligation.

The leased assets are depreciated on a straight-line basis over their estimated useful lives as detailed in the accounting policy on "Property, plant and equipment and depreciation".

Operating leases

Rentals on operating leases are charged to the profit or loss on a straight-line basis over the lease term. Lease incentives, if any, are recognised as an integral part of the net consideration agreed for the use of the leased asset. Penalty payments on early termination of lease, if any, are recognised in the profit or loss when incurred.

Contingent rents, if any, are mainly determined as a percentage of revenue in excess of a specified amount during the month. They are charged to the profit or loss when incurred.

Where the Group is the lessor,

Operating leases

Assets leased out under operating leases are included in investment properties and are stated at revalued amounts and not depreciated. Rental income (net of any incentives given to lessees) is recognised in the profit or loss on a straight-line basis over the lease term.

Income taxes

Current income tax for current and prior years is recognised at the amount expected to be paid to or recovered from the tax authorities, using the tax rates and tax laws that have been enacted or substantively enacted by the end of reporting period.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2016

2(d) Summary of significant accounting policies (Cont'd)

Income taxes (Cont'd)

Deferred income tax is recognised for all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements except when the deferred income tax arises from the initial recognition of an asset or liability in a transaction that is not a business combination and affects neither accounting or taxable profit or loss at the time of the transaction.

A deferred income tax liability is recognised on temporary differences arising on investments in subsidiaries, associates and joint ventures, except where the Group is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

A deferred income tax asset is recognised to the extent that is probable that future taxable profit will be available against which the deductible temporary differences and tax losses can be utilised.

Deferred income tax is measured:

(i) at the tax rates that are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted by the date of financial position; and

(ii) based on the tax consequence that will follow from the manner in which the Group expects, at the date of financial position, to recover or settle the carrying amounts of its assets and liabilities.

Current and deferred income taxes are recognised as income or expense in the profit or loss, except to the extent that the tax arises from a business combination or a transaction which is recognised either in other comprehensive income or directly in equity. Deferred tax arising from a business combination is adjusted against goodwill on acquisition.

Impairment of non-financial assets

The carrying amounts of the Group's non-financial assets subject to impairment are reviewed at end of each reporting period to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

If it is not possible to estimate the recoverable amount of the individual asset, then the recoverable amount of the cash-generating unit to which the assets belong will be identified.

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level.

Individual assets or cash-generating units that include intangible assets, if any, with an indefinite useful life or those not yet available for use are tested for impairment at least annually. All other individual assets or cash-generating units are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised for the amount by which the asset's or cash-generating unit's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of fair value, reflecting market conditions less costs to sell and value-in-use, based on an internal discounted cash flow evaluation. All assets are subsequently reassessed for indications that an impairment loss previously recognised may no longer exist.

Any impairment loss is charged to the profit or loss unless it reverses a previous revaluation in which case it is charged to equity.

2(d) Summary of significant accounting policies (Cont'd)

Impairment of non-financial assets (Cont'd)

An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount or when there is an indication that the impairment loss recognised for the asset no longer exists or decreases.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined if no impairment loss had been recognised.

A reversal of an impairment loss on a revalued asset, if any, is credited directly to equity under the heading revaluation surplus. However, to the extent that an impairment loss on the same revalued asset was previously recognised as an expense in the profit or loss, a reversal of that impairment loss is recognised as income in the profit or loss.

Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions are complied with. When the grant is related to an expense item, it is recognised in the profit or loss over the period necessary to match them on a systematic basis to the costs that it is intended to compensate.

Revenue recognition

Revenue is recognised when the significant risks and rewards of ownership have been transferred to the buyer. Revenue excludes goods and services taxes and is arrived at after deduction of trade discounts. No revenue is recognised if there are significant uncertainties regarding recovery of the consideration due, associated costs or the possible return of goods.

Rental income is recognised upon acceptance of the tenancy. Rental and related income from investment properties are recognised on a straight-line basis over the lease term. Lease incentives, if any, are recognised as an integral part of total lease income. Penalty payments on early termination, if any, are recognised when incurred.

Revenue from warehousing, logistics services, maintenance and facility services, security services, management services fee and parking income are recognised when services are rendered.

Revenue from sales of furniture is recognised upon the transfer of significant risks and rewards of ownership of the goods to the customer. Revenue is not recognised to the extent where there are significant uncertainties regarding recovery of the consideration due, associated costs or the possible return of goods.

Interest income is recognised on a time-apportioned basis using the effective interest method.

Government grants are recognised as income when there is reasonable assurance that the Group complies with the conditions attaching to them and the grants are received.

Functional currencies

Functional and presentation currency

Items included in the consolidated financial statements of the Company and the Group are measured using the currency that best reflects the economic substance of the underlying events and circumstances relevant to the Company and the Group ("the functional currency"). The consolidated financial statements of the Company and the Group are presented in Singapore Dollar, which is also the functional currency of the Company.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2016

2(d) Summary of significant accounting policies (Cont'd)

Conversion of foreign currencies

Transactions and balances

Transactions in a currency other than the functional currency ("foreign currency") are translated into the functional currency using the exchange rates at the dates of the transactions. Currency translation differences resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at the end of reporting date are recognised in the profit or loss. However, in the consolidated financial statements, currency translation differences arising from borrowings in foreign currencies and other currency instruments designated and qualifying as net investment hedges and net investment in foreign operations, are recognised in other comprehensive income and accumulated in the currency translation reserve.

When a foreign operation is disposed of or any borrowings forming part of the net investment of the foreign operation are repaid, a proportionate share of the accumulated translation differences is reclassified to profit or loss, as part of the gain or loss on disposal.

Foreign exchange gains and losses that relate to borrowings are presented in the profit or loss within "finance cost". Foreign currency gains and losses are reported on a net basis as either other income or other operating expense depending on whether foreign currency movements are in a net gain or net loss position.

Non-monetary items that are measured at fair values in foreign currencies are translated using the exchange rates at the date when the fair values are determined.

Group entities

The results and financial position of all entities within the Group that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(i) Assets and liabilities are translated at the closing exchange rates at the end of that statement of financial position;

(ii) Income and expenses for each statement presenting profit or loss and other comprehensive income (i.e. including comparatives) shall be translated at the exchange rates at the dates of the transactions; and

(iii) All resulting currency translation differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve.

Operating segments

For management purposes, operating segments are organised based on their products and services which are independently managed by the respective segment managers responsible for the performance of the respective segments under their charge. The segment managers are directly accountable to the Group Managing Director who regularly review the segment results in order to allocate resources to the segments and to assess segment performance.

3 PRINCIPAL ACTIVITIES AND REVENUE

The principal activity of the Company is that of investment holding. The principal activities of the subsidiaries are described in Note 6 to the financial statements.

The significant categories of revenue, excluding inter-company transactions and applicable goods and services tax, are detailed as follows:

The Group	2016 $	2015 $
Rental income	**36,960,272**	33,384,689
Warehousing	**33,931,234**	36,076,339
Parking revenue	**9,084,188**	7,125,749
Logistics services	**9,059,682**	8,942,070
Container services	**6,297,006**	4,805,065
Facility revenue	**3,569,577**	1,927,331
Security services	**2,981,373**	2,278,353
Licence fee	**1,439,216**	27,548
Maintenance income	**741,380**	665,864
Trading in furniture	**271,875**	836,668
General contract works	**218,500**	–
Management services fee income	**113,678**	297,905
Others	**36,593**	6,542
	104,704,574	96,374,123

The segment analysis of the Group is disclosed in Note 35 to the financial statements.

4 PROPERTY, PLANT AND EQUIPMENT

	Leasehold buildings At valuation	Renovation works At cost	Construction-in-progress At cost	Plant and machinery At cost	Furniture and fittings At cost	Office equipment, kitchen equipment, digital and visual equipment At cost	Logistics equipment At cost	Motor vehicles At cost	Computers At cost	Containers At cost	Total
	$	$	$	$	$	$	$	$	$	$	$
The Group											
Cost or valuation											
At 1 October 2014	6,664,428	18,528,269	45,000	5,432,167	1,624,702	1,059,018	4,569,117	527,799	1,524,402	63,486	40,038,388
Additions	3,042,923	4,841,052	865,040	1,330,709	532,691	59,229	1,002,434	133,460	445,475	1,539	12,254,552
Transfers	–	23,500	(50,000)	26,500	–	–	–	–	–	–	–
Written off	–	(61,833)	–	–	–	(2,280)	–	–	–	(2,000)	(66,113)
Disposals	–	(83,703)	–	(27,367)	(61,285)	–	(99,510)	(11,315)	–	–	(283,180)
Currency translation differences	–	(99,108)	–	–	(13,321)	(11,867)	–	(1,777)	(11,617)	–	(137,690)
At 30 September 2015	**9,707,351**	**23,148,177**	**860,040**	**6,762,009**	**2,082,787**	**1,104,100**	**5,472,041**	**648,167**	**1,958,260**	**63,025**	**51,805,957**
Additions	**–**	**1,888,325**	**2,404,629**	**330,300**	**384,540**	**164,483**	**953,364**	**24,066**	**161,886**	**39,394**	**6,350,987**
Transfers	**696,216**	**2,344,732**	**(3,022,675)**	**(34,473)**	**–**	**16,200**	**–**	**–**	**–**	**–**	**–**
Written off	**–**	**(127,282)**	**–**	**–**	**(75,973)**	**(5,531)**	**–**	**–**	**(9,236)**	**–**	**(218,022)**
Disposals	**–**	**(1,453,309)**	**–**	**(3,000)**	**(33,384)**	**(11,675)**	**(165,896)**	**(21,117)**	**(3,350)**	**–**	**(1,691,731)**
Transfer to investment properties (Note 5)	**(529,204)**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(529,204)**
Adjustment arising from revaluation	**495,065**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**495,065**
Currency translation differences	**–**	**104,086**	**(18,835)**	**(4,264)**	**6,124**	**11,882**	**–**	**1,521**	**14,959**	**–**	**115,473**
At 30 September 2016	**10,369,428**	**25,904,729**	**223,159**	**7,050,572**	**2,364,094**	**1,279,459**	**6,259,509**	**652,637**	**2,122,519**	**102,419**	**56,328,525**
Representing:											
As at 30 September 2016											
Cost	**–**	**25,904,729**	**223,159**	**7,050,572**	**2,364,094**	**1,279,459**	**6,259,509**	**652,637**	**2,122,519**	**102,419**	**45,959,097**
Valuation	**10,369,428**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**10,369,428**
	10,369,428	**25,904,729**	**223,159**	**7,050,572**	**2,364,094**	**1,279,459**	**6,259,509**	**652,637**	**2,122,519**	**102,419**	**56,328,525**
As at 30 September 2015											
Cost	–	23,148,177	860,040	6,762,009	2,082,787	1,104,100	5,472,041	648,167	1,958,260	63,025	42,098,606
Valuation	9,707,351	–	–	–	–	–	–	–	–	–	9,707,351
	9,707,351	23,148,177	860,040	6,762,009	2,082,787	1,104,100	5,472,041	648,167	1,958,260	63,025	51,805,957

4 PROPERTY, PLANT AND EQUIPMENT (CONT'D)

	Leasehold buildings At valuation	Renovation works At cost	Construction-in-progress At cost	Plant and machinery At cost	Furniture and fittings At cost	Office equipment, kitchen equipment, digital and visual equipment At cost	Logistics equipment At cost	Motor vehicles At cost	Computers At cost	Containers At cost	Total
	$	$	$	$	$	$	$	$	$	$	$
The Group											
Accumulated depreciation											
At 1 October 2014	–	12,145,349	–	2,341,426	705,397	493,182	2,611,345	382,700	1,435,054	54,870	20,169,323
Depreciation	253,883	2,991,461	–	1,082,848	186,382	170,928	657,211	55,721	129,175	3,893	5,531,502
Written off	–	(40,170)	–	–	–	(2,280)	–	–	–	(2,000)	(44,450)
Disposals	–	(83,703)	–	(19,394)	(18,165)	–	(87,777)	(2,855)	–	–	(211,894)
Adjustment arising from revaluation	(253,883)	–	–	–	–	–	–	–	–	–	(253,883)
Currency translation differences	–	(14,025)	–	–	(1,650)	(1,525)	–	(444)	(1,907)	–	(19,551)
At 30 September 2015	–	14,998,912	–	3,404,880	871,964	660,305	3,180,779	435,122	1,562,322	56,763	25,171,047
Depreciation	**263,938**	**3,726,653**	**–**	**1,238,434**	**235,464**	**176,950**	**701,941**	**50,795**	**145,954**	**5,421**	**6,545,550**
Written off	**–**	**(125,074)**	**–**	**–**	**(27,237)**	**(4,830)**	**–**	**–**	**(8,549)**	**–**	**(165,690)**
Disposals	**–**	**(1,238,670)**	**–**	**(2,750)**	**(7,233)**	**(10,027)**	**(165,896)**	**(15,665)**	**(651)**	**–**	**(1,440,892)**
Adjustment arising from revaluation	**(263,938)**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(263,938)**
Currency translation differences	**–**	**21,212**	**–**	**(39)**	**2,168**	**2,205**	**–**	**618**	**3,351**	**–**	**29,515**
At 30 September 2016	**–**	**17,383,033**	**–**	**4,640,525**	**1,075,126**	**824,603**	**3,716,824**	**470,870**	**1,702,427**	**62,184**	**29,875,592**
Net book value											
At 30 September 2016	**10,369,428**	**8,521,696**	**223,159**	**2,410,047**	**1,288,968**	**454,856**	**2,542,685**	**181,767**	**420,092**	**40,235**	**26,452,933**
At 30 September 2015	9,707,351	8,149,265	860,040	3,357,129	1,210,823	443,795	2,291,262	213,045	395,938	6,262	26,634,910

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2016

4 PROPERTY, PLANT AND EQUIPMENT (CONT'D)

(a)

The Group	Note	2016 $	2015 $
Depreciation charged to administrative expenses	23	**6,545,550**	5,531,502

(b) Included within additions in the consolidated financial statements are plant and machinery and logistics equipment acquired under finance lease amounting to $159,215 (2015 – $533,229) and $889,339 (2015 – $516,224) respectively.

During the financial year ended 30 September 2016, the Group had obtained finance leases on its existing motor vehicles amounting to $148,880 (2015 – $Nil).

The carrying amounts of plant and machinery, logistic equipments and motor vehicles held under finance leases are as follows:

The Group	2016 $	2015 $
At net book value,		
– plant and machinery	**1,813,549**	2,295,455
– logistics equipment	**2,393,333**	2,130,808
– motor vehicles	**111,330**	24,352
	4,318,212	4,450,615

(c) The leasehold buildings comprise:

	Location & Description	Area sq. metres	Tenure	Fair value 2016 $	Fair value 2015 $
(i)	72 Eunos Avenue 7, Singapore* 6-storey multiple-user light industrial building	1,950.0	30 years lease commencing from 1 January 2011	**6,664,428****	6,664,428
(ii)	100 Eunos Avenue 7, Singapore* 4-storey multiple-user light industrial building	1,216.1	60 years lease commencing from 1 July 1980	**3,705,000*****(1)	3,042,923
				10,369,428	9,707,351

* held by wholly-owned subsidiaries

** per agreed price entered as at 8 December 2016 to be $20.0 million (property, plant and equipment of $6.7 million and investment properties of $13.3 million)

*** revalued as a whole to be $19.5 million (property, plant and equipment of $3.7 million and investment properties of $15.8 million) for financial year ended 30 September 2016

(1) During the financial year ended 30 September 2016, there has been a decrease in the proportion of the floor area of 100 Eunos Avenue 7 used for owner-occupation by the Group from 23% to 19% as a result of the change in the total floor area from 4,227.6 sq. metres to 6,315.3 sq. metres due to the alteration and addition made to the industrial building.

4 PROPERTY, PLANT AND EQUIPMENT (CONT'D)

Notes:

(i) Subsequent to the end of reporting period, the Group's wholly-owned subsidiary, Singapore Handicrafts Pte. Ltd., had entered into a sale and leaseback arrangement with a third party for the leasehold property located at 72 Eunos Avenue 7, Singapore 409570, together with that held as investment property [Note 5(b)(i)], via a put and call option agreement ("PCOA") for a sale price of $20 million (the "Sale Price"). The Sale Price is arrived at based on a willing buyer and willing seller basis (Note 41).

The directors of the Group estimated that the market values were $6,664,428 for 72 Eunos Avenue 7 (2015 – $6,664,428 on the basis of open market value using the Direct Market Comparison Method by Jones Lang LaSalle Property Consultants Pte. Ltd.) for the financial year ended 30 September 2016 based on the indicative Sales Price. A revaluation surplus amounting to $263,938 (2015 – $253,883) have been recognised in the other comprehensive income and transferred to the asset revaluation reserve of the Group. The carrying amount of the leasehold buildings of the Group would have been $4,186,000 (2015 – $4,359,000) had the leasehold buildings been carried at historical cost less depreciation and impairment loss.

(ii) During the financial year ended 30 September 2016, the leasehold building of the Group were valued by Jones Lang LaSalle Property Consultants Pte. Ltd. (2015 – Jones Lang LaSalle Property Consultants Pte. Ltd.), a firm of independent professional valuers. The open market value for the leasehold building was $3,705,000 for 100 Eunos Avenue 7 (2015 – $3,402,923) for the financial year ended 30 September 2016 based on the properties' highest-and-best-use using the Direct Market Comparison Method. A revaluation surplus amounting to $495,065 (2015 – $Nil) have been recognised in the other comprehensive income and transferred to the asset revaluation reserve of the Group. The carrying amount of the leasehold buildings of the Group would have been $2,381,000 (2015 – $3,033,000) had the leasehold buildings been carried at historical cost less depreciation and impairment loss.

(iii) The direct comparison method involves the analysis of comparable sales of similar properties and adjusting the sale prices to that reflect of the leasehold building.

At each financial year end, the Group assesses property valuation movements when compared to prior year valuation report.

Changes in Level 2 and 3 fair values are analysed at each reporting date during the Audit Committee Meetings.

Further details of fair value measurement are disclosed in Note 40.1.

(d) Bank borrowings are secured on industrial buildings at 72 Eunos Avenue 7 and 100 Eunos Avenue 7, Singapore, with carrying amounts of $6,664,428 and $3,705,000 (2015 – $6,664,428 and $3,042,923), respectively [Notes 20(a) and 20(b)].

5 INVESTMENT PROPERTIES

The Group	Note	2016 $	2015 $
At beginning of year		**31,304,654**	20,630,972
Acquisition during the year		**2,968,077**	10,687,177
Reclassification from property, plant and equipment	4	**529,204**	–
Net fair value gain recognised in the profit or loss	27	**2,071,057**	574,655
Currency translation differences		**598,930**	(588,150)
Fair value at the end of year		**37,471,922**	31,304,654

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2016

5 INVESTMENT PROPERTIES (CONT'D)

(a) Investment properties are carried at fair values at the end of reporting period as determined by independent professional valuers. Valuations are made at least annually based on the properties' highest-and-best-use using the Direct Market Comparison Method in determining the open market values.

The direct comparison method involves the analysis of comparable sales of similar properties and adjusting the sale prices to that reflective of the investment properties.

At each financial year end, the Group assesses property valuation movements when compared to prior year valuation report.

Changes in Level 2 and 3 fair values are analysed at each reporting date during the Audit Committee Meetings.

Further details of fair value measurement are disclosed in Note 40.1.

(b) The investment properties comprise:

			Fair value	
Location & Description	**Area sq. metres**	**Tenure**	**2016 $**	**2015 $**
72 Eunos Avenue 7, Singapore* 6-storey multiple-user light industrial building	4,143.7	30 years lease commencing from 1 January 2011	**13,335,572**[(1)]**	13,335,572
100 Eunos Avenue 7, Singapore* 4-storey multiple-user light industrial building	5,099.2[(5)]	60 years lease commencing from 1 July 1980	**15,795,000**[(2)]***	10,187,177
23 Woodlands Industrial Park* A flatted industrial unit	160.0	60 years lease commencing from 9 January 1995	**480,000**[(3)]	520,000
38th floor, 88 Building, Jalan Kasablanka Raya Kav, Jakarta, Indonesia[#] 4 units of office building	1,737.0	14 years lease commencing from 1 July 2013	**7,861,350**[(4)]	7,261,905
			37,471,922	31,304,654

* held by wholly-owned subsidiaries

\# held by 99% owned subsidiary

** per agreed price entered as at 8 December 2016 to be $20.0 million (property, plant and equipment of $6.7 million and investment properties of $13.3 million)

*** revalued as a whole to be $19.5 million (property, plant and equipment of $3.7 million and investment properties of $15.8 million) for financial year ended 30 September 2016

(1) Estimated by directors based on the indicative sales price of $20 million entered into through a sale and leaseback arrangement with a third party subsequent to the end of reporting period [Notes 4(c)(i) and 41(b)].

(2) Valued by Jones Lang LaSalle Property Consultants Pte. Ltd. on 30 September 2016 for FY2016

(3) Valued by Sterling Property Consultants Pte. Ltd. on 31 August 2016 for FY2016

(4) Valued by KJPP Sarwono, Indrastuti & Rekan on 22 September 2016 for FY2016

(5) During the financial year ended 30 September 2016, there has been a decrease in the proportion of the floor area of 100 Eunos Avenue 7 used for owner-occupation by the Group from 23% to 19% as a result of the change in the total floor area from 4,227.6 sq. metres to 6,315.3 sq. metres due to the alteration and addition made to the industrial building.

5 INVESTMENT PROPERTIES (CONT'D)

(c) Industrial buildings at 100 Eunos Avenue 7 and 72 Eunos Avenue 7, Singapore, are mortgaged for bank borrowings [Notes 20(a) and 20(b)].

(d) The investment properties are leased to related and non-related parties under operating leases. Please refer to Note 34.2 for operating leases to non-related parties.

(e) The following amounts are recognised in profit or loss:

The Group	2016 $	2015 $
Rental income	**1,618,208**	1,421,707
Direct operating expenses arising from investment properties that generated rental income	**338,180**	361,348
Direct operating expenses arising from investment properties that did not generate rental income	**57,992**	3,535

6 SUBSIDIARIES

The Company	2016 $	2015 $
Unquoted equity investments, at cost	**32,726,595**	32,726,595

The subsidiaries are:

Name	Country of incorporation/ principal place	Cost of investments		Proportion of ownership interests of business held by the Group		Principal activities
		2016 $	2015 $	2016 %	2015 %	
Held by the Company						
LHN Group Pte. Ltd.[1]	Singapore	**32,726,559**	32,726,559	**100**	100	Other investment holding and space resource management
LHN Group Sdn. Bhd.[5]	Malaysia	**36**	36	**100**	100	Investment holding and space resource management
Held by LHN Group Pte. Ltd.						
Hean Nerng Logistics Pte. Ltd.[1]	Singapore	**–**	–	**100**	100	Freight transport by road and warehousing logistics
Work Plus Store Pte. Ltd.[1]	Singapore	**–**	–	**100**	100	Space resource management
GREENHUB Suited Offices Pte. Ltd.[1]	Singapore	**–**	–	**100**	100	Space resource management
Chua Eng Chong Holdings Pte. Ltd.[1]	Singapore	**–**	–	**100**	100	Space resource management
Balance carried forward		**32,726,595**	32,726,595			

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FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2016

6 SUBSIDIARIES (CONT'D)

Name	Country of incorporation/ principal place	Cost of investments		Proportion of ownership interests of business held by the Group		Principal activities
		2016	2015	2016	2015	
		$	$	%	%	
Balance brought forward		**32,726,595**	32,726,595			
Held by LHN Group Pte. Ltd.						
Industrial and Commercial Security Pte. Ltd.[1]	Singapore	**–**	–	**100**	100	Commercial and industrial real estate management and security services
LHN Group (China) Asset Management Pte. Ltd. (formerly known as 2IN1 Space Pte. Ltd.)[1]	Singapore	**–**	–	**100**	100	Real estate activities
Hean Nerng Facilities Management Pte. Ltd.[1]	Singapore	**–**	–	**100**	100	Space resource management and general warehousing
Hean Nerng Corporation Pte. Ltd.[1]	Singapore	**–**	–	**100**	100	Space resource management
LHN Properties Investments Pte. Ltd.[1]	Singapore	**–**	–	**100**	100	Space resource management
LHN Management Services Pte. Ltd.[1]	Singapore	**–**	–	**51**	51	Space resource management
LHN Facilities Management Pte. Ltd.[1]	Singapore	**–**	–	**100**	100	Space resource management
LHN Industrial Space Pte. Ltd.[1]	Singapore	**–**	–	**100**	100	Space resource management
LHN Residence Pte. Ltd.[1]	Singapore	**–**	–	**100**	100	General contractors
Industrial and Commercial Facilities Management Pte. Ltd.[1]	Singapore	**–**	–	**100**	100	General contractors and facilities management services
LHN Space Resources Pte. Ltd.[1]	Singapore	**–**	–	**100**	100	Space resource management
LHN Parking Pte. Ltd.[1]	Singapore	**–**	–	**100**	100	Carpark management and operation services
Competent Builders Pte. Ltd.[6]	Singapore	**–**	–	**100**	100	Renovation and general contractors
Soon Wing Investments Pte. Ltd.[1]	Singapore	**–**	–	**100**	100	Space resource management
Maple Creek Global Inc.	British Virgin Islands	**–**	–	**–**	100	Inactive
Singapore Handicrafts Pte. Ltd.[1]	Singapore	**–**	–	**100**	100	Investment holding
HLA Holdings Pte. Ltd.[1]	Singapore	**–**	–	**60**	60	Container depot management and related services
HLA Container Services Pte. Ltd. [1]	Singapore	**–**	–	**60**	60	Container depot management and related services
Balance carried forward		**32,726,595**	32,726,595			

6 SUBSIDIARIES (CONT'D)

Name	Country of incorporation/ principal place	Cost of investments		Proportion of ownership interests of business held by the Group		Principal activities
		2016	**2015**	**2016**	**2015**	
		$	**$**	**%**	**%**	
Balance brought forward		**32,726,595**	32,726,595			
Held by LHN Group Pte. Ltd.						
Pickjunction Pte. Ltd.[1]	Singapore	**–**	–	**100**	100	Public relations consultancy services and web portals
PT. Hean Nerng Group[2]	Indonesia	**–**	–	**99**	99	Space resource management
Greenhub Serviced Offices Yangon Limited[3]	Myanmar	**–**	–	**1**	1	Space resource management
LHN Automobile Pte. Ltd.[1][7]	Singapore	**–**	–	**100**	–	Freight transport by road and value added logistics provider
LHN Parking (GMT) Pte. Ltd.[1][7]	Singapore	**–**	–	**100**	–	Carpark management and operation services
Subsidiaries held by GREENHUB Suited Offices Pte. Ltd.						
PT. Hub Hijau Serviced Offices[2]	Indonesia	**–**	–	**99**	99	Space resource management
Greenhub Serviced Offices Yangon Limited[3]	Myanmar	**–**	–	**99**	99	Space resource management
Greenhub Ventures Pte. Ltd.[8]	Singapore	**–**	–	**100**	–	Inactive
Subsidiaries held by HLA Container Services Pte. Ltd.						
HLA Holdings (Thailand) Limited[4]#	Thailand	**–**	–	**48**	48	Container depot management and related services
HLA Container Services (Thailand) Limited[4]^	Thailand	**–**	–	**48**	48	Container depot management and related services
Subsidiary held by HLA Holdings (Thailand) Limited						
HLA Container Services (Thailand) Limited[4]^	Thailand	**–**	–	**51**	51	Container depot management and related services
Subsidiary held by Singapore Handicrafts Pte. Ltd.						
Singapore Handicrafts (2012) Pte. Ltd.[1]	Singapore	**–**	–	**100**	100	Sales of furniture
Subsidiary held by PT. Hean Nerng Group						
PT. Hub Hijau Serviced Offices[2]	Indonesia	**–**	–	**1**	1	Space resource management
		32,726,595	32,726,595			

(1) Audited by Foo Kon Tan LLP, Singapore

(2) Audited by Grant Thornton Gani Sigiro & Handayani, Indonesia

(3) Audited by Ngwe Inzaly, Myanmar

(4) Audited by Proact Services, Thailand

(5) Audited by HLB Ler Lum

(6) Struck-off in-progress

(7) Incorporated on 24 June 2016

(8) Incorporated on 21 March 2016

effective voting rights of 53.2% and effective ownership interest of 28.8% held by the Group

^ effective voting rights of 56.0% and effective ownership interest of 43.5% held by the Group

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6 SUBSIDIARIES (CONT'D)

In accordance with Rule 715 of The Singapore Exchange Securities Trading Limited – Listing Rules, the Group has engaged suitable auditing firms for its significant foreign-incorporated subsidiaries.

Acquisition of subsidiaries

LHN Group Pte. Ltd. and its subsidiaries

The details of the acquisition of LHN Group Pte. Ltd. and its subsidiaries is found in Note 1(a)(g) to the financial statements.

The acquisition of the entities that are under common control have been consolidated using the "pooling of interest" method.

Incorporation of subsidiaries

During the financial year ended 30 September 2016, the Group incorporated the following subsidiaries:

- Greenhub Ventures Pte. Ltd. with a paid-up capital of $1;
- LHN Automobile Pte. Ltd. with a paid-up capital of $1; and
- LHN Parking (GMT) Pte. Ltd. with a paid-up capital of $1.

Strike off of a wholly-owned subsidiary

During the financial year ended 30 September 2016, the Group had struck off Maple Creek Global Inc., a company incorporated in the British Virgin Islands. The subsidiary was inactive.

Non wholly-owned subsidiaries that have material non-controlling interests

The Group has not identified non wholly-owned subsidiaries that have material non-controlling interests.

7 ASSOCIATES

	2016	2015
The Group	**$**	**$**
Unquoted equity investment, at cost	**10,001**	10,000
Share of post-acquisition profits and reserves	**100,938**	78,533
	110,939	88,533
Share of results of associates, net of tax	**22,405**	26,303

Set out below are the associates of the Group as at 30 September 2016, which, in the opinion of the directors are not material to the Group. The associates as listed below have share capital consisting solely of ordinary shares, which are held directly by the Group; the country of the incorporation is also their principal place of business.

7 ASSOCIATES (CONT'D)

The associates are as follows:

Name	Country of incorporation/ principal place of business	Cost of investments		Proportion of ownership interests and voting rights held by the Group		Principal activities
		2016	2015	2016	2015	
		$	$	%	%	
Nopest Pte. Ltd.[(1)]	Singapore	**10,000**	10,000	**50**	50	Pest control and pest consultancy services
Epika Pte. Ltd.[(2)]	Singapore	**1**	–	**33.3**	–	Inactive
		10,001	10,000			

(1) Audited by Foo Kon Tan LLP, Singapore

(2) Incorporated on 23 March 2016 and struck-off on 4 November 2016

There are no contingent liabilities relating to the Group's interest in the associates.

Details of associates that are not individually material

The following table summarises, in aggregate, the Group's share of profit and other comprehensive income of the Group's individually immaterial associates accounted for using the equity method.

The Group	2016 $	2015 $
Share of profit after taxation	**22,405**	26,303
Share of other comprehensive income	**–**	–
Share of total comprehensive income	**22,405**	26,303

Reconciliation of summarised financial information

Reconciliation of the summarised financial information presented, to the carrying amount of the Group's interests in the associates, is as follows:

The Group	2016 $	2015 $
Carrying value of individually immaterial associates, in aggregate	**221,879**	177,066
Carrying value of the Group's interests in the associates	**110,939**	88,533

8 JOINT VENTURES

The Group	2016 $	2015 $
Unquoted equity investment, at cost	**600,001**	–
Share of post-acquisition profits and reserves	**6,693,789**	–
	7,293,790	–

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2016

8 JOINT VENTURES (CONT'D)

Set out below are the joint ventures of the Group as at 30 September 2016. The joint ventures as listed below have share capital consisting solely of ordinary shares, which are held directly by the Group; the country of the incorporation is also their principal place of business.

Details of the joint ventures at the end of the reporting period are as follows:

Name of joint ventures	Country of incorporation/ principal place of business	Proportion of ownership interests and voting rights held by the Group	Principal activities
Metropolitan Parking Pte. Ltd.*	Singapore	50%	Carpark management and operation services
Work Plus Store (AMK) Pte. Ltd.*	Singapore	50%	General warehousing and other business support services
Automobile Pre Delivery Base Pte. Ltd.*	Singapore	50%	Inactive

* Audited by Foo Kon Tan LLP, Singapore

There are no contingent liabilities relating to the Group's interest in the joint ventures.

Details of material joint ventures

Summarised financial information in respect of the Group's material joint ventures is set out below. The summarised financial information below represents amounts shown in the joint venture's financial statements (and not the Group's share of those amounts) prepared in accordance with FRSs, adjusted for differences in accounting policies between the Group and joint ventures.

Summarised statement of financial position

2016	Metropolitan Parking Pte. Ltd. $	Work Plus Store (AMK) Pte. Ltd. $	Total $
Current assets	**274,426**	**3,986,830**	**4,261,256**
Includes:			
– Cash and cash equivalents	**251,384**	**2,388,182**	**2,639,566**
Non-current assets	**27,000,756**	**45,000,000**	**72,000,756**
Current liabilities	**(6,945,456)**	**(9,771,402)**	**(16,716,858)**
Includes:			
– Financial liabilities (excluding trade and other payables and provisions)	**(832,000)**	**(1,515,576)**	**(2,347,576)**
– Other current liabilities (including trade and other payables and provisions)	**(6,113,456)**	**(8,255,826)**	**(14,369,282)**
Non-current liabilities	**(19,968,000)**	**(24,989,573)**	**(44,957,573)**
Includes:			
– Financial liabilities (excluding trade and other payables and provisions)	**(19,968,000)**	**(24,989,573)**	**(44,957,573)**
Net assets	**361,726**	**14,225,855**	**14,587,581**

8 **JOINT VENTURES (CONT'D)**

Summarised statement of comprehensive income

2016	Metropolitan Parking Pte. Ltd. $	Work Plus Store (AMK) Pte. Ltd. $	Total $
Revenue	**66,851**	**23,111**	**89,962**
Net profit and total comprehensive income for the period	**161,726**	**13,225,854**	**13,387,580**

The above profit for the period includes the following:

2016	Metropolitan Parking Pte. Ltd. $	Work Plus Store (AMK) Pte. Ltd. $	Total $
Depreciation	**(44)**	**–**	**(44)**
Interest expense	**(66,751)**	**(261,491)**	**(328,242)**
Fair value gain on investment properties	**225,400**	**13,882,291**	**14,107,691**

Details of a joint venture that is not individually material

The following table summarises, in aggregate, the Group's share of loss and other comprehensive expenses of the Group's individually immaterial joint venture accounted for using the equity method.

The Group	2016 $
Share of loss after taxation and total comprehensive expenses for the period	**(1)**

Unrecognised share of losses of a joint venture

The Group	2016 $
The unrecognised share of loss of a joint venture for the period	**(1,126)**
Cumulative share of loss of a joint venture	**(1,126)**

Reconciliation of summarised financial information

Reconciliation of the above summarised financial information to the carrying amount of the interest in the joint ventures recognised in the consolidated financial statements is as follows:

The Group	2016 $
Carrying value of material joint ventures	**14,587,580**
Carrying value of the Group's interests in material joint ventures	**7,293,790**
Carrying value of the Group's interests in an immaterial joint venture	**–**
Carrying value of Group's interest in joint ventures	**7,293,790**

9 **PREPAYMENTS**

	The Company		The Group	
	2016 $	2015 $	2016 $	2015 $
Prepaid operating expenses				
Current	**19,110**	13,508	**3,652,387**	3,212,569
Non-current	**–**	–	**658,405**	285,358
	19,110	13,508	**4,310,792**	3,497,927

The non-current relates to prepayment for rental, insurance guarantee and stamp duty.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2016

10 INVENTORIES

The Group	2016 $	2015 $
At cost,		
Finished goods	**17,972**	162,732
Cost of inventories included in cost of sales	**351,229**	543,102

11 TRADE AND OTHER RECEIVABLES

	Note	The Company 2016 $	The Company 2015 $	The Group 2016 $	The Group 2015 $
Trade receivables					
– external parties		**–**	–	**7,079,355**	6,159,351
– subsidiaries		**1,202,794**	1,196,393	**–**	–
– related parties		**–**	–	**297,658**	233,578
– associated company		**–**	–	**–**	4,062
		1,202,794	1,196,393	**7,377,013**	6,396,991
Accrued rental income		**–**	–	**1,196,585**	1,406,224
		1,202,794	1,196,393	**8,573,598**	7,803,215
Less:					
Impairment loss on trade receivables					
Balance at beginning of year		**–**	–	**495,070**	307,697
Allowance for the year	24, 27	**–**	–	**304,371**	368,432
Allowance utilised		**–**	–	**(25,734)**	(138,321)
Allowance no longer required	24, 27	**–**	–	**(7,439)**	(42,738)
Balance at end of year		**–**	–	**766,268**	495,070
Net trade receivables	(i)	**1,202,794**	1,196,393	**7,807,330**	7,308,145
GST/VAT receivables		**–**	–	**389,263**	1,371,888
Non-trade amount owing by					
– subsidiaries		**18,621,179**	10,244,192	**–**	–
– related parties		**–**	–	**57,515**	–
– joint ventures		**–**	–	**7,002,288**	–
Advance payments to suppliers		**–**	–	**18,215**	–
Advances to staff		**–**	–	**13,801**	5,300
Deposits with external parties		**–**	–	**3,836,398**	4,784,374
Unpaid deposits from customers		**–**	–	**208,925**	381,885
Tax recoverable		**–**	–	**89,463**	84,379
Other receivables		**–**	4,603	**422,021**	419,883
		18,621,179	10,248,795	**12,037,889**	7,047,709
Less:					
Impairment loss on other receivables					
Balance at beginning of year		**–**	–	**10,205**	–
Allowance for the year	24, 27	**–**	–	**16,108**	10,205
Allowance utilised		**–**	–	**(4,696)**	–
Allowance no longer required	24, 27	**–**	–	**(6,930)**	–
Balance at end of year		**–**	–	**14,687**	10,205
Net other receivables	(ii)	**18,621,179**	10,248,795	**12,023,202**	7,037,504
	(i)+(ii)	**19,823,973**	11,445,188	**19,830,532**	14,345,649

11 TRADE AND OTHER RECEIVABLES (CONT'D)

Trade and other receivables are denominated in the following currencies:

	The Company		The Group	
	2016	**2015**	**2016**	**2015**
	$	**$**	**$**	**$**
Singapore Dollar	**19,823,973**	11,445,188	**17,595,803**	12,111,183
Indonesian Rupiah	**–**	–	**566,155**	466,432
Malaysian Ringgit	**–**	–	**49,665**	52,515
Thai Baht	**–**	–	**249,511**	172,631
United States Dollar	**–**	–	**1,369,398**	1,542,888
	19,823,973	11,445,188	**19,830,532**	14,345,649

The Company and The Group

Trade receivables are usually due within 30 days and do not bear any effective interest rate.

All trade receivables are subject to credit risk exposure. However, the Company and the Group do not identify specific concentrations of credit risk with regards to trade receivables, as the amounts recognised resemble a large number of receivables from various customers. Impairment on trade receivables is made when certain debtors are identified to be irrecoverable. Impairment on trade receivables is made on specific debts for which the directors of the Company and the Group are of the opinion that debts are not recoverable.

The credit risk for trade and other receivables based on the information provided to key management is as follows:

(i) Financial assets that are neither past due nor impaired

Trade receivables that are neither past due nor impaired are substantially customers with a good collection track record with the Company and the Group is as follows:

	The Company		The Group	
	2016	**2015**	**2016**	**2015**
	$	**$**	**$**	**$**
Current	**1,202,794**	1,196,393	**4,592,892**	4,247,882

Other receivables of the Company and the Group that are neither past due nor impaired amounted to $18,621,179 (2015 – $10,248,795) and $11,544,476 (2015 – $5,581,237) respectively.

(ii) Financial assets that are past due but not impaired

The ageing analysis of trade receivables past due but not impaired is as follows:

	The Company		The Group	
	2016	**2015**	**2016**	**2015**
	$	**$**	**$**	**$**
Past due over 1 month but not over 2 months	**–**	–	**551,709**	650,219
Past due over 2 months but not over 3 months	**–**	–	**159,027**	242,666
More than 3 months	**–**	–	**1,307,117**	761,154
	–	–	**2,017,853**	1,654,039

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2016

11 TRADE AND OTHER RECEIVABLES (CONT'D)

(ii) Financial assets that are past due but not impaired (Cont'd)

Based on historical default rates, the Group believes that no impairment allowance is necessary in respect of trade receivables not past due or past due but not impaired. These receivables are mainly arising by customers that have a good credit record with the Group.

(iii) Financial assets that are past due and impaired

Trade receivables

The ageing analysis of trade receivables past due and impaired is as follows:

	The Company		The Group	
	2016	**2015**	**2016**	**2015**
	$	**$**	**$**	**$**
Past due over 1 month but not over 2 months	**–**	–	**206,956**	8,497
Past due over 2 months but not over 3 months	**–**	–	**–**	1,738
More than 3 months	**–**	–	**559,312**	484,835
Gross amount	**–**	–	**766,268**	495,070
Provision for impairment	**–**	–	**(766,268)**	(495,070)
	–	–	**–**	–

Other receivables

The carrying amount of other receivables individually determined to be impaired is as follows:

	The Company		The Group	
	2016	**2015**	**2016**	**2015**
	$	**$**	**$**	**$**
Gross amount	**–**	–	**14,687**	10,205
Provision for impairment	**–**	–	**(14,687)**	(10,205)
	–	–	**–**	–

Impairment on trade and other receivables is made on specific debts for which the directors of the Company and the Group are of the opinion that debts are not recoverable.

The Company

The non-trade amounts owing by subsidiaries represent advances which are unsecured and interest-free. They have no fixed terms of repayment and are repayable only when the cash flows of the borrowers permit.

The Group

The accrued rental income relates to the apportionment of the free rental period over the lease term.

The non-trade amounts owing by related parties and joint ventures represent advances which are unsecured and interest-free. They have no fixed terms of repayment and are repayable only when the cash flows of the borrowers permit.

Related parties refer to the following companies with a shareholder related to the Group:

(1) LHN Culinary Concepts Pte. Ltd.;

(2) Alkaff Mansion Ristorante Pte. Ltd.; and

(3) Café @ Phoenix Pte. Ltd.

Deposits with external parties comprise mainly security deposits placed with landlord of leased properties and deposit for the acquisition of a joint venture company, Four Star Industries Pte. Ltd. [Note 41(a)].

Other receivables comprise mainly warehouse storage fee and sundry receivables.

12 CASH AND BANK BALANCES

	The Company		The Group	
	2016	2015	2016	2015
	$	$	$	$
Cash on hand	**–**	1	**33,958**	27,750
Cash at banks	**2,871,829**	1,180,370	**19,892,148**	15,575,942
	2,871,829	1,180,371	**19,926,106**	15,603,692

Cash and bank balances are denominated in the following currencies:

	The Company		The Group	
	2016	2015	2016	2015
	$	$	$	$
Singapore Dollar	**2,871,829**	1,180,371	**18,512,107**	14,086,058
Indonesian Rupiah	**–**	–	**467,113**	453,931
United States Dollar	**–**	–	**880,905**	919,045
Thai Baht	**–**	–	**42,501**	130,413
Malaysian Ringgit	**–**	–	**12,450**	14,164
Myanmar Kyat	**–**	–	**11,030**	81
	2,871,829	1,180,371	**19,926,106**	15,603,692

13 FIXED DEPOSITS

	The Company		The Group	
	2016	2015	2016	2015
	$	$	$	$
Fixed deposits				
– mature within 3 months	**–**	9,027,549	**970,687**	9,993,991
– mature within one year	**–**	–	**4,734,974**	4,685,926
	–	9,027,549	**5,705,661**	14,679,917

The fixed deposits mature between:

	The Company		The Group	
	2016	2015	2016	2015
<u>Fixed deposits that mature within a year</u>				
Earliest date	**–**	14.10.2015	**17.10.2016**	10.10.2015
Latest date	**–**	23.12.2015	**10.07.2017**	09.07.2016

The fixed deposits earn weighted average effective interest rates of Nil% (2015 – 1.35%) and 0.93% (2015 – 1.01%) per annum for the Company and the Group respectively.

Certain fixed deposits have been pledged to financial institutions for providing banker guarantees facilities:

	The Group	
	2016	2015
	$	$
Pledged fixed deposits		
– mature within 3 months	**970,687**	966,442
– mature within one year	**4,734,974**	4,679,719
	5,705,661	5,646,161

Fixed deposits are denominated in Singapore Dollar.

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FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2016

14 SHARE CAPITAL AND TREASURY SHARES

The Group and The Company	No. of shares: Issue share capital	No. of shares: Treasury shares	Amount: Share capital $	Amount: Treasury shares $
2016				
Balance at beginning of year	**361,524,300**	**–**	**51,243,056**	**–**
Shares issued for employee performance	**332,900**	**–**	**43,942**	**–**
Purchase of treasury shares	**–**	**(1,853,000)**	**–**	**(244,885)**
Balance at end of year	**361,857,200**	**(1,853,000)**	**51,286,998**	**(244,885)**
2015				
Balance at beginning of year	2,000,001	–	2,000,001	–
Adjustment arising from the share swap agreement	(2,000,000)	–	(2,000,000)	–
	1	–	1	–
Shares issued under the share swap	999,999	–	32,726,559	–
	1,000,000	–	32,726,560	–
After share split	275,000,000	–	32,726,560	–
Pre-IPO New Shares issued	11,220,000	–	2,000,000	–
Shares issued as part payment of Sponsor fee	1,391,300	–	320,000	–
Shares issued for cash	73,913,000	–	16,999,990	–
Less: share issue costs	–	–	(803,494)	–
Balance at end of year	361,524,300	–	51,243,056	–

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.

The Company acquired 1,853,000 (2015 – Nil) of its own shares through purchase on the Singapore Exchange during the financial year. The total amount paid to acquire the shares was $244,885 (2015 – $Nil) and has been deducted from the shareholder's equity. The shares are held as 'treasury shares'.

15 RESERVES

	The Company 2016 $	The Company 2015 $	The Group 2016 $	The Group 2015 $
Reserve on disposal of non-controlling interests	**–**	–	**268,690**	268,690
Exchange fluctuation reserve	**–**	–	**(744,276)**	(1,015,625)
Asset revaluation reserve	**–**	–	**3,201,848**	2,442,845
Merger reserve	**–**	–	**(30,726,559)**	(30,726,559)
Retained profits	**3,070,250**	2,128,214	**46,506,871**	33,221,543
	3,070,250	2,128,214	**18,506,574**	4,190,894
Represented by:				
Distributable	**3,070,250**	2,128,214	**16,049,002**	2,763,674
Non-distributable	**–**	–	**2,457,572**	1,427,220
	3,070,250	2,128,214	**18,506,574**	4,190,894

15 RESERVES (CONT'D)

Reserve on disposal of non-controlling interests arises from the consideration received on disposal of part of a subsidiary.

Exchange fluctuation reserve arises from the translation of the financial statements of foreign entities whose functional currencies are different from the functional currency of the Company.

Asset revaluation reserve arises from surplus on revaluation of leasehold buildings as at the end of the reporting period.

Merger reserve arises from the difference between the purchase consideration and the carrying value of the share capital acquired under the pooling-of-interests method of consolidation in the restructuring exercise undertaken with the intention of the Company's listing on the SGX-ST. Please see Note 1(a)(g) to the financial statements.

16 DEFERRED TAX

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current income tax assets against current income tax liabilities and when the deferred income taxes relate to the same fiscal authority. The amounts, determined after appropriate offsetting, are shown on the statements of financial position as follows:

16(a) Deferred tax assets

The Group	Note	2016 $	2015 $
Balance at beginning of year		**334,000**	–
Charged to profit or loss	28	**107,469**	334,000
Balance at end of year		**441,469**	334,000

Deferred tax assets are to be recovered after one year.

The balance comprises tax on lease incentives recognised on rental expenses.

16(b) Deferred tax liabilities

The Group	Note	2016 $	2015 $
Balance at beginning of year		**230,000**	223,143
Charged to profit or loss	28	**36,483**	6,857
Balance at end of year		**266,483**	230,000

Deferred tax liabilities are to be settled after one year.

The balance comprises tax on excess of net book value over tax written down value of qualifying property, plant and equipment.

At the end of the reporting period, there are no deferred tax liabilities on net investment in subsidiaries as they were in loss making position and have accumulated losses at 30 September 2016 and 2015.

There are no income tax consequences (2015 – $Nil) attached to the dividends to the shareholders proposed by the Company but are not recognised as a liability in the financial statements (Note 32).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2016

17 PROVISION FOR REINSTATEMENT COSTS

Provision for reinstatement costs were recognised for the expected costs associated with restoring the leased industrial buildings by certain subsidiaries upon expiry of leases from landlords to its original condition based on the requirements of the lease contract. Provision for reinstatement costs is the present value of the estimated costs of dismantlement, removal and restoration to be incurred for the leased industrial buildings. The provision is based on estimates made from historical data associated with reinstatement works on contracts of similar nature using technology and materials that are currently available. The total expected costs to be incurred is $365,299 (2015 – $Nil).

Movements in provision for reinstatement of premises are as follows:

The Group	2016 $	2015 $
Balance at beginning of year	**–**	–
Provision for the year	**350,000**	–
Amortisation of discount	**1,442**	–
Balance at end of year	**351,442**	–

Provision for reinstatement costs are denominated in Singapore Dollar.

18 TRADE AND OTHER PAYABLES

		The Company		The Group	
		2016 $	2015 $	2016 $	2015 $
Current					
Trade payables					
– external parties		**–**	–	**2,102,401**	2,650,328
– related parties		**–**	–	**2,247**	137,113
– a director of subsidiaries		**–**	–	**–**	8,973
	(i)	**–**	–	**2,104,648**	2,796,414
GST/VAT payables		**73,389**	71,306	**545,771**	662,271
Non-trade amount owing to a subsidiary		**498,630**	641,654	**–**	–
Amount owing to a director of subsidiaries		**–**	–	**25,962**	165,552
Provision for directors' fees		**42,000**	93,935	**42,000**	93,935
Accruals		**606,577**	208,013	**3,868,117**	3,982,412
Accrued rental expense		**–**	–	**3,384,464**	2,392,153
Rental deposits received from customers		**–**	–	**14,244,213**	13,927,969
Rental deposits received from related parties[1]		**–**	–	**140,008**	141,608
Rental received in advance		**–**	–	**442,393**	658,345
Advances received from customers		**–**	–	**838,857**	898,523
Unpaid deposits – external parties		**–**	–	**185,736**	381,885
Withholding tax		**–**	–	**36,870**	37,120
Sundry creditors		**34,369**	7,033	**530,923**	327,964
	(ii)	**1,254,965**	1,021,941	**24,285,314**	23,669,737
Total	(i)+(ii)	**1,254,965**	1,021,941	**26,389,962**	26,466,151
Non-Current					
Other payables		**–**	–	**6,612**	–

(1) This refers to Master Care Services Pte. Ltd., a non-controlling shareholder of a subsidiary and Café @ Phoenix Pte. Ltd., wholly owned by the spouse of a director

18 TRADE AND OTHER PAYABLES (CONT'D)

Trade and other payables are denominated in the following currencies:

	The Company		The Group	
	2016	2015	2016	2015
	$	$	$	$
Singapore Dollar	**1,254,965**	1,021,941	**24,950,445**	25,736,974
Indonesian Rupiah	**–**	–	**946,584**	608,861
United States Dollar	**–**	–	**406,356**	995
Thai Baht	**–**	–	**92,432**	116,856
Malaysian Ringgit	**–**	–	**757**	2,465
	1,254,965	1,021,941	**26,396,574**	26,466,151

The Company and The Group

The fair value of trade and other payables have not been disclosed as, due to their short duration, management considers the carrying amounts recognised in the statements of financial position to be reasonable approximation of their fair values.

The Company

The non-trade amount owing to a subsidiary represents advances which are unsecured and interest-free. They have no fixed terms of repayment and are repayable only when the cash flow of the Company permits.

The Group

Amount owing to a director of subsidiaries comprise the following:

	2016	2015
The Group	$	$
Interest-free advances*	**25,962**	–
Notional interest advances#	**–**	165,552
	25,962	165,552

* The non-trade amount owing to a director of subsidiaries represents advances which is unsecured and interest-free. It has no fixed terms of repayment and is repayable only when the cash flow of the Group permits.

A director of two of the subsidiaries has granted the Group to repay the consideration sum of $3,000,000 owing to him for the acquisition of interest in Singapore Handicrafts Pte. Ltd. and its subsidiary in 36 monthly equal instalments of $83,333 commencing December 2012. This loan was outstanding at the time of acquisition.

A notional discount rate of 5.35% has been applied to calculate the liability to its fair value on the monthly repricing basis. In the opinion of the directors of the Group, this discounted rate reflected the prevailing average banking prime lending rate of the group local banks. On this premise, the notional interest expense of $1,114 (2015 – $37,896) is reported in FY2016. Please see Note 25 to the financial statements.

The table below analyses the maturity profile of the amount owing to a director of subsidiaries based on contractual undiscounted cash flows:

	2016		2015	
	Carrying amount	Contractual cash flows	Carrying amount	Contractual cash flows
The Group	$	$	$	$
Less than one year	**–**	**–**	165,552	166,667
Between one to five years	**–**	**–**	–	–
	–	**–**	165,552	166,667

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2016

19 OBLIGATIONS UNDER FINANCE LEASE

The Group	2016 $	2015 $
Minimum lease payments due:		
Due not later than one year	**1,446,965**	1,617,425
Due later than one year and not later than five years	**2,504,634**	2,358,383
Due later than five years	**–**	–
	3,951,599	3,975,808
Less:		
Finance charges allocated to future periods	**(187,894)**	(148,445)
Present value of finance lease liabilities	**3,763,705**	3,827,363
Present value of finance lease liabilities		
Due not later than one year	**1,362,739**	1,533,703
Due later than one year and not later than five years	**2,400,966**	2,293,660
Due later than five years	**–**	–
	3,763,705	3,827,363

The Group leases property, plant and equipment from non-related parties under finance lease. The lease agreements do not have renewal clause but provide the Group with options to purchase the leased asset at nominal value at the end of the lease term. The obligations under finance lease are secured by the underlying assets of certain plant and machinery, logistics equipment and motor vehicles [Note 4(b)], personal guarantees provided by certain directors of the Group and corporate guarantees provided by the Group.

The amount payable within one year is included under current liabilities whilst that payable after one year is included under non-current liabilities.

The obligations under finance lease are denominated in Singapore Dollar.

Effective interest rates

The effective interest rate on hire purchase contracts ranged between 1.87% and 3.01% (2015 – between 2.29% and 3.01%) per annum which reflect the prevailing market rate.

Carrying amounts and fair values

The carrying amounts of current finance lease liabilities approximate their fair value. The carrying amounts and fair values of non-current finance lease liabilities are as follows:

	2016		2015	
The Group	Carrying amounts $	Fair values $	Carrying amounts $	Fair values $
Between one and five years	**2,400,966**	**2,346,942**	2,293,660	2,099,992

The fair value is determined from the discounted cash flow analysis, using a discount rate based upon the borrowing rate of an equivalent instrument which the directors expect would be available to the Company at the end of the reporting period. No adjustment has been made to fair values as the differences between the carrying amount and fair values are not significant to the Company. The fair values are within Level 2 of the fair values hierarchy.

20 BANK BORROWINGS

The Group	Note	2016 $	2015 $
Bank loan			
– #1 (secured)	(a)	**11,611,464**	10,228,670
– #2 (secured)	(b)	**8,392,542**	9,246,008
		20,004,006	19,474,678
Amount repayable:			
Not later than one year		**1,816,621**	1,420,443
Later than one year and not later than five years		**7,755,512**	5,805,599
Later than five years		**10,431,873**	12,248,636
		18,187,385	18,054,235
		20,004,006	19,474,678

Bank borrowings are denominated in Singapore Dollar.

(a) The bank loan facility #1 comprises two loans of $12,280,000 granted to a subsidiary by a bank. The first loan of $10,280,000 is repayable in 180 monthly instalments of $63,581 commencing August 2015 and the second loan of $2,000,000 is repayable in 60 monthly instalments commencing January 2017.

The bank loans are secured by:

(i) legal mortgage of leasehold property at 100 Eunos Avenue 7 [Note 5(d)];

(ii) corporate guarantee by LHN Group Pte. Ltd.; and

(iii) assignment of rental proceeds of the mortgaged property.

Interest is charged between 1.45% and 2.95% (2015 – between 1.45% and 2.95%) per annum. The interest rate is repriced monthly.

(b) The bank loan facility #2 comprises two loans of $10,300,000 granted to a subsidiary by a bank. The first loan of $7,300,000 is repayable in 180 monthly instalments commencing 2 November 2012 and the second loan of $3,000,000 is repayable in 96 monthly instalments commencing 1 August 2014.

The bank loans are secured by:

(i) legal mortgage of leasehold property at 72 Eunos Avenue 7 [Note 5(d)];

(ii) corporate guarantees by the Company and LHN Group Pte. Ltd.; and

(iii) assignment of rental proceeds of the mortgaged property.

Interest is charged between 2.90% and 4.75% (2015 – between 1.45% and 4.25%) per annum. The interest rate is repriced monthly.

The amount repayable within one year is included under current liabilities whilst the amount repayable after one year is included under non-current liabilities.

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20 BANK BORROWINGS (CONT'D)

The interest rates are repriced monthly.

The carrying amounts of the Group's borrowings approximate their fair values.

The table below analyses the maturity profile of the Group's borrowings based on contractual undiscounted cash flows:

The Group	2016 Carrying amount $	2016 Contractual cash flows $	2015 Carrying amount $	2015 Contractual cash flows $
Less than one year	**1,816,621**	**2,280,265**	1,420,443	1,910,890
Between one to five years	**7,755,512**	**9,492,238**	5,805,599	7,804,411
More than five years	**10,431,873**	**11,657,186**	12,248,636	14,085,976
	18,187,385	**21,149,424**	18,054,235	21,890,387
	20,004,006	**23,429,689**	19,474,678	23,801,277

As at the end of reporting period, the Group has unutilised bank facilities of $10,459,128 (2015 – $11,534,000).

21 OTHER OPERATING INCOME

The Group	Note	2016 $	2015 $
Administrative charges		**223,378**	233,505
Gain on disposal of property, plant and equipment	27	**24,399**	24,784
Interest income	27	**225,196**	114,859
Vehicle rental and parking		**157,370**	130,068
Government grants		**306,933**	427,937
Special employment credit		**595,468**	471,812
Waiver of debt from a director of subsidiaries	27	**86,313**	127,138
Forfeiture of tenant deposit		**108,836**	62,542
Foreign exchange gain		**341,404**	–
Services charges		**490,995**	405,525
Rubbish disposal		**13,573**	73,602
Interior design income		**–**	90,000
Miscellaneous charge to tenant		**82,580**	38,286
Other income		**359,837**	472,095
		3,016,282	2,672,153

22 SELLING AND DISTRIBUTION EXPENSES

The Group	2016 $	2015 $
Advertising	**373,239**	798,046
Commission	**978,866**	1,177,829
Entertainment	**158,756**	213,583
Marketing	**293,140**	130,921
Others	**–**	953
	1,804,001	2,321,332

23 ADMINISTRATIVE EXPENSES

The Group	Note	2016 $	2015 $
Depreciation of property, plant and equipment	4	**6,545,550**	5,531,502
Employee benefit costs	26	**9,641,848**	7,938,009
Professional fees		**463,672**	536,555
Consultancy fees		**320,594**	303,341
Insurance		**508,521**	490,565
Donations		**57,786**	40,519
Property, plant and equipment written off	4	**52,332**	21,663
Rental expenses	27	**436,817**	424,478
IT maintenance expenses		**363,857**	210,997
Telephone expenses		**307,522**	255,444
Vehicle related expenses		**175,331**	112,310
Printing expenses		**105,232**	109,775
Bank charges		**60,903**	58,939
Others		**1,311,028**	1,744,731
		20,350,993	17,778,828

24 OTHER OPERATING EXPENSES

The Group	Note	2016 $	2015 $
Impairment loss on trade receivables	11,27	**304,371**	368,432
Less: impairment loss on trade receivables no longer required	11,27	**(7,439)**	(42,738)
		296,932	325,694
Impairment loss on other receivables	11,27	**16,108**	10,205
Less: impairment loss on non trade receivables no longer required	11,27	**(6,930)**	–
		9,178	10,205
Bad debts	27	**12,340**	13,072
		318,450	348,971

25 FINANCE COSTS

The Group	Note	2016 $	2015 $
Interest expenses:			
– bank loans		**491,977**	306,018
– finance lease		**106,857**	102,035
– amount owing to a director of subsidiaries	18	**1,114**	37,896
	27	**599,948**	445,949

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FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2016

26 EMPLOYEE BENEFIT COSTS

		2016	2015
The Group	**Note**	**$**	**$**
Directors of the Company			
– Salaries and related costs		**1,534,639**	551,518
– CPF contributions		**33,660**	23,630
– Directors' fees	27	**168,000**	93,935
Directors of subsidiaries			
– Salaries and related costs		**248,200**	888,583
– CPF contributions		**14,961**	27,341
– Directors' fees	27	**40,000**	12,000
Key management personnel (other than directors)			
– Salaries and related costs		**686,662**	502,053
– CPF contributions		**45,260**	38,332
Other than directors and key management personnel			
– Salaries and related costs		**15,367,637**	13,399,343
– CPF contributions		**1,378,433**	1,171,108
		19,517,452	16,707,843
Charged to:			
Cost of sales		**9,875,604**	8,769,834
Administrative expenses	23	**9,641,848**	7,938,009
		19,517,452	16,707,843

27 PROFIT BEFORE TAXATION

The Group	Note	2016 $	2015 $
Profit before taxation has been arrived at after charging:			
Depreciation of property, plant and equipment	4	**6,545,550**	5,531,502
Property, plant and equipment written off	4	**52,332**	21,663
Directors' fees	26	**168,000**	93,935
Fees paid to a director of subsidiaries	26	**40,000**	12,000
Impairment loss on			
– trade receivables	11,24	**304,371**	368,432
– other receivables	11,24	**16,108**	10,205
Bad debts (trade)	24	**12,340**	13,072
Operating lease rental charged to			
– cost of sales		**54,863,873**	51,140,773
– administrative expenses	23	**436,817**	424,478
		55,300,690	51,565,251
Audit fees paid to			
– Auditor of the Company		**209,000**	210,379
– Other auditors		**71,791**	75,082
Non-audit fees paid to			
– Auditor of the Company		**112,746**	104,600
– Other auditors		**6,901**	6,414
IPO fees paid to auditor of the Company		**–**	94,040
Interest expenses	25	**599,948**	445,949
and crediting:			
Net fair value gain of investment properties recognised in the profit or loss	5	**2,071,057**	574,655
Gain on disposal of property, plant and equipment	21	**24,399**	24,784
Impairment loss on trade receivables no longer required	11,24	**7,439**	42,738
Impairment loss on other receivables no longer required	11,24	**6,930**	–
Interest income	21	**225,196**	114,859
Waiver of debt from a director of subsidiaries	21	**86,313**	127,138

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2016

28 TAXATION

The Group	Note	2016 $	2015 $
Current taxation		**1,372,282**	1,364,833
Group relief utilised		**(399,366)**	(766,174)
		972,916	598,659
Deferred taxation	16(a),16(b)	**(182,253)**	(327,143)
		790,663	271,516
Under/(over) provision in respect of prior years			
– current taxation		**224,475**	(57,968)
– deferred taxation	16(a),16(b)	**111,267**	–
		335,742	(57,968)
Tax expense		**1,126,405**	213,548

The tax expense on the results of the financial year varies from the amount of income tax determined by applying the Singapore's statutory rate of income tax on the Group's results as a result of the following:

The Group	2016 $	2015 $
Profit before taxation	**16,226,841**	4,267,644
Tax at the domestic rates applicable to the profits in the countries concerned[1]	**2,725,631**	608,334
Tax effect on non-taxable income	**(1,739,020)**	(612,327)
Tax effect on non-deductible expenses	**805,154**	1,266,668
Group relief utilised	**(399,366)**	(766,174)
Enhanced PIC deduction	**(661,468)**	(598,901)
Deferred tax assets on temporary differences not recognised	**493,778**	786,432
Utilisation of deferred tax assets not recognised in prior years	**(12,305)**	(92,245)
Effect of different tax rates in different jurisdictions	**172,734**	107,469
Singapore statutory stepped income exemption	**(592,140)**	(419,079)
Under/(over) provision of taxation in respect of prior years	**335,742**	(57,968)
Others	**(2,335)**	(8,661)
Tax expense	**1,126,405**	213,548

(1) This is prepared by aggregating separate reconciliations for each national jurisdiction.

Subject to agreement with Tax Authority, the Group has unutilised tax losses and unabsorbed capital allowances of $1,062,000 (2015 – $355,000) and $2,421,000 (2015 – $224,000) respectively, available for offset against future taxable profits provided that the provision of tax legislation are complied with. The related tax benefits of $592,000 (2015 – $98,000) have not been recognised in the financial statements of the Group as there is no reasonable certainty of their realisation in future periods.

In the financial years ended 30 September 2016, the Group has utilised the unabsorbed capital allowances and unutilised tax losses totalling to $2,350,000 (2015 – $4,656,000) in respect of financial years ended 30 September 2014 (2015 – 30 September 2013) under the group tax relief scheme from its subsidiaries.

Expenses not deductible for tax purposes comprise exchange loss arising from revaluation of non-trade balances and restricted deductions for entertainment and transportation expenses incurred.

Income not taxable for tax purposes comprise mainly fair value gains from investment properties.

The Group is not exposed to any significant deferred tax on foreign subsidiaries in Indonesia and Thailand as the business relates mainly to owning of investment properties and provision of container depot management services respectively.

The Myanmar subsidiary has no income to be subject to tax as it has incurred losses during the financial year.

There is no significant business activities for the Malaysia and Myanmar entities.

29 EARNINGS PER SHARE

Basic and diluted earnings per share are calculated by dividing the net profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the financial year.

The following table reflects the consolidated income statement and share data used in the computation of basic and diluted earnings per share from continuing operations for the financial years ended 30 September:

The Group	2016 $	2015 $
Net profit attributable to equity holders of the Group	**15,093,615**	4,222,630
Weighted average number of ordinary shares for purpose of calculating basic and diluted earnings per share	**361,334,660**	316,019,763
Basic and diluted earnings per share (cents)	**4.18**	1.34

As there are no dilutive potential ordinary shares that were outstanding during the financial year, the basic earnings per share is the same as the diluted earnings per share.

30 OTHER MATTERS

The following are commitments not provided for in the financial statements of the Group:

(a) Letters of undertaking

A subsidiary, LHN Group Pte. Ltd., has given letters of undertaking to provide financial support for the following subsidiaries which had aggregate net tangible deficits of $3.2 million (2015 – $4.3 million) and for subsidiaries and joint ventures with aggregate net current liabilities of $19.8 million (2015 – $19.4 million) and $11.6 million (2015 – $Nil) respectively as at 30 September 2016 to enable them to continue to operate as going concern and to meet their respective obligations as and when they fall due:

Subsidiaries
LHN Group Sdn. Bhd.
Greenhub Serviced Offices Yangon Limited
HLA Container Services Pte. Ltd.
HLA Container Services (Thailand) Limited
LHN Industrial Space Pte. Ltd.
LHN Management Services Pte. Ltd.
LHN Parking Pte. Ltd.
LHN Properties Investments Pte. Ltd.
LHN Residence Pte. Ltd.
Pickjunction Pte. Ltd.
PT. Hean Nerng Group
PT. Hub Hijau Serviced Offices
Singapore Handicrafts Pte. Ltd.
Singapore Handicrafts (2012) Pte. Ltd.
Soon Wing Investments Pte. Ltd.
Work Plus Store Pte. Ltd.
LHN Automobile Pte. Ltd.
LHN Parking (GMT) Pte. Ltd.
Greenhub Ventures Pte. Ltd.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2016

30 OTHER MATTERS (CONT'D)

(a) Letters of undertaking (Cont'd)

Joint Ventures
Metropolitan Parking Pte. Ltd.
Work Plus Store (AMK) Pte. Ltd.

In respect of the above subsidiaries, all obligations owing to the banks for hire-purchase and credit facilities and liabilities to the third parties, if any, are settled by the respective subsidiaries and joint ventures, with the financial support from LHN Group Pte. Ltd.. Other than as disclosed elsewhere in this financial statements, there is no other commitments by the subsidiaries and joint ventures which needs to be disclosed in the financial statements.

(b) Corporate guarantees

As at 30 September 2016, the Company provided corporate guarantees of $1,483,995 (2015 – $17,416), $8,392,543 (2015 – $Nil) and $3,440,872 (2015 – $3,366,466) to institutions for hire-purchase facilities (Note 19), bank loan facilities (Note 20) and banker guarantee facilities respectively granted to certain subsidiaries.

As at 30 September 2016, LHN Group Pte. Ltd., a subsidiary of the Group, provided corporate guarantees of $1,859,920 (2015 – $3,205,151) and $20,004,006 (2015 – $19,474,768) to institutions for hire-purchase facilities (Note 19) and bank loan facilities (Note 20) respectively granted to certain subsidiaries.

Corporate guarantees of $23,652,575 (2015 – $Nil) were provided to banks for bank loan facilities granted to certain joint ventures as at 30 September 2016 by LHN Group Pte. Ltd. and Work Plus Store Pte. Ltd., subsidiaries of the Group.

There is no effect on the financial guarantees as to the interest cost since the variable interest rate debt obligations are at prevailing market interest rates.

31 OTHER COMPREHENSIVE INCOME

		2016 Total	
	Before tax	Tax expense	Net of tax
The Group	**$**	**$**	**$**
Item that will be reclassified subsequently to profit or loss			
Currency translation differences arising from consolidation	**272,245**	**–**	**272,245**
Item that will not be reclassified subsequently to profit or loss			
Revaluation gains on leasehold buildings	**759,003**	**–**	**759,003**
Total other comprehensive income	**1,031,248**	**–**	**1,031,248**

31 OTHER COMPREHENSIVE INCOME (CONT'D)

The Group	Before tax $	2015 Total Tax expense $	Net of tax $
Item that will be reclassified subsequently to profit or loss			
Currency translation differences arising from consolidation	(290,231)	–	(290,231)
Item that will not be reclassified subsequently to profit or loss			
Revaluation gains on leasehold buildings	253,883	–	253,883
Total other comprehensive expense	(36,348)	–	(36,348)

32 DIVIDENDS

The Group and The Company	2016 $	2015 $
Dividends proposed		
– Ordinary dividends:		
Final dividend of 0.45 (2015 – 0.3) cents per share, tax exempt	**1,620,019**	1,084,573
Dividends paid		
– Ordinary dividends:		
Final dividend of 0.3 (2015 – Nil) cents per share, tax exempt paid in respect of the financial year ended 30 September 2015	**1,084,573**	–
Interim dividend of 0.2 (2015 – Nil) cents per share, tax exempt paid in respect of the financial year ended 30 September 2016	**723,714**	–
	1,808,287	–

At the forthcoming Annual General Meeting, a final tax-exempt (one-tier) dividend of 0.45 cents (2015 – 0.3 cents) per ordinary share amounting to $1,620,019 (2015 – $1,084,573) will be proposed. These financial statements do not reflect these dividends payable, which will be accounted for as a reduction in equity as a distribution of retained profits in the financial year ending 30 September 2017.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2016

33 SIGNIFICANT RELATED PARTY TRANSACTIONS

Other than the related party information disclosed elsewhere in the financial statements, the following are significant related party transactions entered into by the Group and the related parties at agreed rates:

The Group	2016 $	2015 $
Security services charged to related parties	**103,223**	82,010
Facility management fees charged to related parties	**18,723**	12,968
Rental charged to related parties	**797,419**	653,358
Utilities charged to related parties	**10,589**	51,755
Management fee charged to related parties	**6,335**	–
Repair and maintenance service charged by related parties	**187,596**	200,114
Purchase of investment property from a related party	**–**	500,000
Staff welfare charged by related parties	**–**	16,575
Staff wages charged by related parties	**–**	16,299
Settlement of liabilities on behalf of		
– related parties	**5,387**	7,847
– a joint venture	**16,500**	–
Settlement of liabilities on behalf by		
– related parties	**32,626**	3,271
– joint ventures	**13,622**	–
– an associate	**1,005**	–
Income received from an associate		
– Management fee	**33,024**	26,617
– Rental income	**19,200**	19,200
Interest income received from joint ventures	**79,155**	–
Loans to joint ventures	**7,002,288**	–

34 COMMITMENTS

34.1 Capital commitment

The Group	2016 $	2015 $
Capital expenditure contracted for purchase of property, plant and equipment but not provided for in the financial statement	**326,700**	–

34.2 Operating lease commitments (non-cancellable)

Where the Group is the lessor

As at the end of reporting period, the Group had the following rental income under non-cancellable lease for rental of premises with an original term of more than one year:

The Group	2016 $	2015 $
Not later than one year	**41,234,644**	48,093,118
Later than one year and not later than five years	**26,441,715**	32,559,681
Later than five years	**699,413**	1,698,575

The leases on the Group's premises on which rentals are received will expire between 12 October 2016 (2015 – 7 October 2015), the earliest date and 12 June 2022 (2015 – 12 June 2022), the latest date, with renewals at the then prevailing rates.

Where the Group is the lessee

As at the end of reporting period, the Group was committed to making the following rental payments in respect of non-cancellable operating lease for rental of premises with an original term of more than one year:

The Group	2016 $	2015 $
Not later than one year	**43,905,810**	40,237,296
Later than one year and not later than five years	**76,543,032**	67,879,852
Later than five years	**13,749,473**	24,891,484

The lease on the Group's premises on which rentals are payable will expire between 31 October 2016 (2015 – 14 October 2015), the earliest date and 27 March 2027 (2015 – 27 March 2027), the latest date. The current rent payable on the leases is between $10 and $660,000 (2015 – between $10 and $660,000) per month, which is subject to revision on renewal of lease agreements.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2016

35 OPERATING SEGMENTS

For management purposes, the Group's operating businesses are organised and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets. The Group's reportable operating segments are as follows:

(1) Industrial group

(2) Commercial group

(3) Residential group

(4) Logistics group

(5) Facilities support group

(6) Investment holding

Industrial, commercial and residential groups form the space optimisation business.

There are no other operating segments that have been aggregated to form the above reportable operating segments.

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 operating profit or loss which in certain respects, as set out below, is measured differently from operating profit or loss in the consolidated financial statements of the Group. Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

Insofar as to the analysis of major customers, the Group does not have a single customer whose revenue reports more than 5% of the Group's total revenue.

Group taxation is managed on a group basis and is not allocated to operating segments.

Allocation basis and transfer pricing

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

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

35 OPERATING SEGMENTS (CONT'D)

(a) Business segments

	Industrial		Commercial		Residential		Logistics		Facilities support	
	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
	$	$	$	$	$	$	$	$	$	$
REVENUE										
Total sales	**52,286,441**	47,326,596	**25,197,464**	25,557,616	**11,278,143**	11,941,611	**19,069,812**	17,173,462	**15,828,475**	13,103,134
Inter-segment sales	**(246,607)**	(1,462,328)	**(1,457,980)**	(2,112,214)	**(10,394,227)**	(9,297,714)	**(3,488,291)**	(2,500,609)	**(3,368,656)**	(3,355,431)
External sales	**52,039,834**	45,864,268	**23,739,484**	23,445,402	**883,916**	2,643,897	**15,581,521**	14,672,853	**12,459,819**	9,747,703
RESULTS										
Segment results	**3,876,336**	3,541,136	**2,450,903**	1,544,226	**(609,692)**	1,963,977	**2,149,778**	1,263,410	**(97,882)**	(618,388)
Dividend income	**–**	–	**–**	–	**5,150,000**	4,200,000	**–**	–	**–**	–
Fair value gain on investment properties	**2,070,542**	20,000	**515**	554,655	**–**	–	**–**	–	**–**	–
Finance costs	**(493,382)**	(338,664)	**(179,118)**	(150,356)	**–**	(6,292)	**(79,344)**	(75,727)	**(32,639)**	(30,666)
	5,453,496	3,222,472	**2,272,300**	1,948,525	**4,540,308**	6,157,685	**2,070,434**	1,187,683	**(130,521)**	(649,054)
Share of results of associates and joint ventures, net of tax	**6,612,927**	–	**–**	–	**–**	–	**(1)**	–	**103,268**	26,303
Profit before taxation	**12,066,423**	3,222,472	**2,272,300**	1,948,525	**4,540,308**	6,157,685	**2,070,433**	1,187,683	**(27,253)**	(622,751)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2016

35 OPERATING SEGMENTS (CONT'D)

(a) Business segments (Cont'd)

	Investment holding		Eliminations		Consolidated	
	2016	**2015**	**2016**	**2015**	**2016**	**2015**
	$	**$**	**$**	**$**	**$**	**$**
REVENUE						
Total sales	**2,671,646**	1,120,767	**–**	–	**126,331,981**	116,223,186
Inter-segment sales	**(2,671,646)**	(1,120,767)	**–**	–	**(21,627,407)**	(19,849,063)
External sales	**–**	–	**–**	–	**104,704,574**	96,374,123
RESULTS						
Segment results	**127,222**	(1,571,786)	**142,873**	(2,009,940)	**8,039,538**	4,112,635
Dividend income	**2,700,000**	3,700,000	**(7,850,000)**	(7,900,000)	**–**	–
Fair value gain on investment properties	**–**	–	**–**	–	**2,071,057**	574,655
Finance costs	**–**	–	**184,535**	155,756	**(599,948)**	(445,949)
	2,827,222	2,128,214	**(7,522,592)**	(9,754,184)	**9,510,647**	4,241,341
Share of results and associates and joint ventures, net of tax	**–**	–	**–**	–	**6,716,194**	26,303
Profit before taxation	**2,827,222**	2,128,214	**(7,522,592)**	(9,754,184)	**16,226,841**	4,267,644
Taxation					**(1,126,405)**	(213,548)
Non-controlling interests					**(6,821)**	168,534
Net profit for the year, net of tax					**15,093,615**	4,222,630

35 OPERATING SEGMENTS (CONT'D)

(a) Business segments (Cont'd)

	Industrial		Commercial		Residential		Logistics		Facilities support	
	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
	$	$	$	$	$	$	$	$	$	$
OTHER INFORMATION										
Segment assets	**68,136,097**	58,133,615	**29,946,105**	27,230,958	**43,617,453**	38,520,746	**12,583,299**	8,985,197	**8,817,406**	7,566,523
Investment in associates	**–**	–	**1**	–	**–**	–	**–**	–	**110,938**	88,533
Investment in joint ventures	**7,112,927**	–	**–**	–	**–**	–	**–**	–	**180,863**	–
Consolidated total assets (excluding taxation)	**75,249,024**	58,133,615	**29,946,106**	27,230,958	**43,617,453**	38,520,746	**12,583,299**	8,985,197	**9,109,207**	7,655,056
Segment liabilities (excluding taxation)	**46,787,586**	40,730,830	**21,875,499**	20,065,133	**26,763,564**	23,282,083	**9,033,745**	6,203,405	**6,285,324**	5,335,555
Capital expenditure										
– property, plant and equipment	**3,036,057**	6,883,382	**1,236,482**	2,150,769	**645,654**	882,758	**1,287,522**	1,744,769	**375,872**	722,134
– investment properties	**2,968,077**	10,187,177	**–**	–	**–**	500,000	**–**	–	**–**	–
	6,004,134	17,070,559	**1,236,482**	2,150,769	**645,654**	1,382,758	**1,287,522**	1,744,769	**375,872**	722,134
Depreciation of property, plant and equipment	**1,526,777**	872,750	**3,242,697**	3,132,310	**167,350**	132,260	**1,244,009**	1,095,518	**766,728**	741,326
Property, plant and equipment written off	**700**	21,663	**2,208**	–	**49,424**	–	**–**	–	**–**	–

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2016

35 OPERATING SEGMENTS (CONT'D)

(a) Business segments (Cont'd)

	Investment holding		Eliminations		Consolidated	
	2016	2015	2016	2015	2016	2015
	$	$	$	$	$	$
OTHER INFORMATION						
Segment assets	**55,441,507**	54,393,211	**(105,304,675)**	(90,057,036)	**113,237,192**	104,773,214
Investment in associates	**–**	–	**–**	–	**110,939**	88,533
Investment in joint venture	**–**	–	**–**	–	**7,293,790**	–
Consolidated total assets (excluding taxation)	**55,441,507**	54,393,211	**(105,304,675)**	(90,057,036)	**120,641,921**	104,861,747
Segment liabilities (excluding taxation)	**1,181,576**	950,636	**(61,994,207)**	(47,498,841)	**49,933,087**	49,068,801
Capital expenditure						
– property, plant and equipment	**–**	–	**(230,600)**	(129,260)	**6,350,987**	12,254,552
– investment properties	**–**	–	**–**	–	**2,968,077**	10,687,177
	–	–	**(230,600)**	(129,260)	**9,319,064**	22,941,729
Depreciation of property, plant and equipment	**–**	–	**(402,011)**	(442,662)	**6,545,550**	5,531,502
Property, plant and equipment written off	**–**	–	**–**	–	**52,332**	21,663

35 OPERATING SEGMENTS (CONT'D)

(a) Business segments (Cont'd)

Reconciliation of segments' total assets and total liabilities

	30 September 2016 $	30 September 2015 $
Reportable segments' assets are reconciled to total assets as follows:		
Segment assets	**113,237,192**	104,773,214
Investment in associates	**110,939**	88,533
Investment in joint ventures	**7,293,790**	–
GST/VAT receivables	**389,263**	1,371,888
Deferred tax assets	**441,469**	334,000
Tax recoverable	**89,463**	84,379
Total assets	**121,562,116**	106,652,014
Reportable segments' liabilities are reconciled to total liabilities as follows:		
Segment liabilities	**49,933,086**	49,068,801
Deferred tax liabilities	**266,483**	230,000
GST/VAT payables	**545,771**	662,271
Withholding tax	**36,870**	37,120
Current tax payable	**1,350,490**	1,346,860
Total liabilities	**52,132,700**	51,345,052

(b) Geographical segment

(i) Consolidated sales

The following table shows the distribution of the Group's consolidated revenue based on geographical location of customers:

Revenue by Geographical Market

	Financial years ended 30 September 2016 $	Financial years ended 30 September 2015 $
Singapore	**102,860,825**	95,818,629
Indonesia	**1,100,910**	489,815
Thailand	**507,521**	65,679
Myanmar	**235,318**	–
	104,704,574	96,374,123

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2016

35 OPERATING SEGMENTS (CONT'D)

(b) Geographical segment (Cont'd)

(ii) Non-current assets

The following table shows the Group's non-current assets information other than financial instruments by geographical areas in which the assets are located:

Non-current Assets by Geographical Areas

	30 September	
	2016	**2015**
	$	**$**
Singapore	**61,448,601**	48,638,086
Indonesia	**9,253,459**	8,830,854
Thailand	**104,188**	116,924
Myanmar	**1,181,741**	727,591
	71,987,989	58,313,455

36 DISCLOSURE OF DIRECTORS' REMUNERATION

As required by the Listing Manual of the Singapore Exchange, the remuneration of directors of the Company is disclosed in bands as follows:

	Number of directors	
	2016	**2015**
	$	**$**
Above $1,249,999	**–**	–
$1,000,000 to $1,249,999	**1**	–
$750,000 to $999,999	**–**	–
$500,000 to $749,999	**–**	–
$250,000 to $499,999	**1**	1
Below $250,000	**3**	4
Total	**5**	5

37 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Company and the Group financial risk management policies set out the Company's and the Group's overall business strategies and its risk management philosophy. The Company and the Group are exposed to financial risks arising from its operations and the use of financial instruments. The key financial risks included credit risk, liquidity risk, interest rate risk and foreign currency risk. The Company's and the Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise adverse effects from the unpredictability of financial markets on the Company's and the Group's financial performance. The Company and the Group do not hold or issue derivative financial instruments for trading purposes or to hedge against fluctuations, if any, in interest rates and foreign exchange.

Risk management is carried out by the Finance Division under policies approved by the Board of Directors. The Finance Division identifies, evaluates and hedges financial risks in close co-operation with the Company's and the Group's operating units. The Board provides principles for overall risk management, as well as policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative and non-derivative financial instruments and investing excess liquidity.

As at 30 September 2016 and 2015, the Group's financial instruments mainly consisted of cash and cash equivalents, receivables, payables, bank borrowings and obligations under finance lease.

There has been no change to the Group's and the Company's exposures to these financial risks or the manner in which it manages and measures the risk. Market risk exposures are measured using sensitivity analysis indicated below.

37.1 Foreign currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. Currency risk arises when transactions are denominated in foreign currencies.

The Group operates in Singapore, Indonesia, Thailand, Malaysia and Myanmar. Entities in the Group regularly transact in currencies other than their respective functional currencies ("foreign currencies") and are therefore exposed to transactional currency exposures. Exposures to foreign currency risk are monitored on an on-going basis. There is no significant business activities in the Malaysia and Myanmar entities.

Currency risk arises within entities in the Group when transactions are denominated in foreign currencies such as the Indonesian Rupiah ("IDR"), United States Dollar ("US$"), Thai Baht ("THB"), Malaysian Ringgit ("MYR") and Myanmar Kyat ("MMK"). However, the currency risk in the Myanmar entity is insignificant as transactions in MMK are minimal. The Group also holds cash and cash equivalents denominated in foreign currencies for working capital purposes.

The Group is exposed to currency translation risk on the net assets in foreign operations. Currency exposure to the net assets of the Group's foreign operations in Indonesia, Thailand, Malaysia and Myanmar are managed primarily through bank borrowings and sales and purchases, denominated in the relevant foreign currencies to mitigate the risk of currency exposure.

However, the Group does not use any financial derivative such as foreign currency forward contracts, foreign currency options or swaps for hedging purposes. The Group will continue to monitor its foreign exchange exposure and may employ forward currency contracts to manage its foreign exchange exposure should the need arise.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2016

37 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

37.1 Foreign currency risk (Cont'd)

The exposure to major currencies of the Group is as follows:

	MYR	THB	IDR	US$
At 30 September 2016				
Financial assets				
Cash and bank balances	**12,450**	**42,501**	**467,113**	**880,905**
Trade and other receivables	**49,665**	**249,511**	**566,155**	**1,369,398**
	62,115	**292,012**	**1,033,268**	**2,250,303**
Financial liabilities				
Trade and other payables	**757**	**92,432**	**946,584**	**406,356**
Net currency exposure on financial assets and liabilities	**61,358**	**199,580**	**86,684**	**1,843,947**
At 30 September 2015				
Financial assets				
Cash and bank balances	14,164	130,413	453,931	919,045
Trade and other receivables	52,515	172,631	466,432	1,542,888
	66,679	303,044	920,363	2,461,933
Financial liabilities				
Trade and other payables	2,465	116,856	608,861	995
Net currency exposure on financial assets and liabilities	64,214	186,188	311,502	2,460,938

Sensitivity analysis

With all other variables being held constant, a 5% strengthening/weakening of the MYR, THB, IDR and US$ against Singapore Dollar at the reporting date would have either increased or decreased the Group's net profit after tax and equity by the amounts (nearest thousand) shown below:

The Group	**2016** **$**	**2015** **$**
MYR	**3,000**	3,000
THB	**8,000**	8,000
IDR	**4,000**	13,000
US$	**77,000**	102,000

37.2 Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of the Company's and the Group's financial instruments will fluctuate due to changes in market interest rates.

The Company's exposure to fluctuations in interest rates relates primarily to cash placed with financial institutions (Note 13).

37 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

37.2 Interest rate risk (Cont'd)

The Group's exposure to fluctuations in interest rates relates primarily to its debt obligations to a director of subsidiaries (Note 18), obligations under finance lease (Note 19), debt obligations with financial institutions (Note 20) and cash placed with financial institutions (Note 13). The Group manages its interest cost by using a mix of fixed and variable rate debt and to obtain the most favourable interest rates available.

The following table sets out the carrying amount, by maturity, of the Company's and the Group's financial instruments that are exposed to interest rate risk:

	Within 1 year $	1 – 5 years $	More than 5 years $	Total $
The Company				
2016				
Fixed rate				
Fixed deposits	–	–	–	–
2015				
Fixed rate				
Fixed deposits	9,027,549	–	–	9,027,549
The Group				
2016				
Fixed rate				
Fixed deposits	**5,705,661**	**–**	**–**	**5,705,661**
Obligations under finance lease	**1,362,739**	**2,400,966**	**–**	**3,763,705**
Floating rate				
Bank borrowings	**1,816,621**	**7,755,512**	**10,431,873**	**20,004,006**
2015				
Fixed rate				
Fixed deposits	14,679,917	–	–	14,679,917
Obligations under finance lease	1,533,703	2,293,660	–	3,827,363
Debt obligations to a director of subsidiaries	165,552	–	–	165,552
Floating rate				
Bank borrowings	1,420,443	5,805,599	12,248,636	19,474,678

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2016

37 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

37.2 Interest rate risk (Cont'd)

Sensitivity analysis for interest rate risk

At the end of the reporting period, if interest rate increases/decreases by 1% per annum with all other variables held constant, the Company's and the Group's profit net of tax and equity would have increased/decreased as follows:

	Increase/(decrease) Profit net of tax		Increase/(decrease) Equity	
	2016	**2015**	**2016**	**2015**
	$	**$**	**$**	**$**
The Company				
Interest rate				
– decreased by 1% per annum	**–**	(75,000)	**–**	(75,000)
– increased by 1% per annum	**–**	75,000	**–**	75,000
The Group				
Interest rate				
– decreased by 1% per annum	**150,000**	73,000	**150,000**	73,000
– increased by 1% per annum	**(150,000)**	(73,000)	**(150,000)**	(73,000)

This arises mainly as a result of lower/higher interest expense on debt obligations to a director of subsidiaries, bank borrowings and obligations under finance lease and higher/lower interest income from fixed deposits.

37.3 Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the Company or the Group to incur a financial loss. The Company's and the Group's exposure to credit risk arises primarily from trade and other receivables, bank deposits and advances to subsidiaries.

Credit risk is controlled by the application of credit approvals, limits and monitoring procedures. Cash terms, advance payments, and letter of credits are required for customers of lower credit standing.

The Company's and the Group's objective is to seek continual growth while minimizing losses incurred due to increased credit risk exposure.

Exposure to credit risk

As the Company and the Group do not hold any collateral, the maximum exposure to credit risk for each class of financial instruments is the carrying amount of that class of financial instruments presented on the statement of financial position.

The Group's policy is to provide financial guarantees only to subsidiaries and joint ventures. The maximum exposure to credit risk is the amount that the Company and LHN Group Pte. Ltd. could have to pay if the corporate guarantees are called on for hire-purchase facilities of $3.3 million (2015 – $3.2 million), bank loan facilities of $52.0 million (2015 – $19.5 million) and banker's guarantee of $3.4 million (2015 – $3.4 million). Please see Note 30(b) to the financial statements. As at the reporting date, the Group does not consider it probable that a claim will be made against the Company and LHN Group Pte. Ltd. under the corporate guarantees.

The Company's and the Group's major classes of financial assets are trade and other receivables, deposits and bank deposits.

37 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

37.3 Credit risk (Cont'd)

Exposure to credit risk (Cont'd)

For trade receivables, the Group adopt the policy of dealing only with customers of appropriate credit history, and obtaining sufficient security where appropriate to mitigate credit risk. For other financial assets, the Company and the Group adopt the policy of dealing only with high credit quality counterparties.

The Company's and the Group's maximum exposure to credit risk (not taking into account the value of any collateral or other security held) in the event that the counterparties fail to perform their obligations as of 30 September 2016 in relation to each class of recognised financial assets is the carrying amount of those assets as indicated in the statements of financial position. Cash is held with reputable financial institutions.

Further details of credit risks on trade and other receivables are disclosed in Note 11.

37.4 Liquidity risk

Liquidity or funding risk is the risk that the Company or the Group will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from an inability to sell a financial asset quickly at close to its fair value.

The Company's and the Group's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities.

The Company and the Group manage their liquidity risk by ensuring the availability of funding through an adequate amount of credit facilities from financial institutions.

The table below analyses the maturity profile of the Company's and the Group's financial liabilities based on contractual undiscounted cash flows:

	Less than 1 year $	Between 1 and 5 years $	More than 5 years $	Total $
The Company				
At 30 September 2016				
Trade and other payables	**1,181,576**	**–**	**–**	**1,181,576**
Financial guarantee	**2,084,057**	**2,840,810**	**8,392,543**	**13,317,410**
	3,265,633	**2,840,810**	**8,392,543**	**14,498,986**
At 30 September 2015				
Trade and other payables	950,635	–	–	950,635
Financial guarantee	2,872,967	510,915	–	3,383,882
	3,823,602	510,915	–	4,334,517
The Group				
At 30 September 2016				
Obligations under finance lease	**1,446,965**	**2,504,634**	**–**	**3,951,599**
Bank borrowings	**2,280,265**	**9,492,238**	**11,657,186**	**23,429,689**
Provision for reinstatement costs	**–**	**326,470**	**38,829**	**365,299**
Trade and other payables	**22,422,857**	**–**	**6,612**	**22,429,469**
	26,150,087	**12,323,342**	**11,702,627**	**50,176,056**
At 30 September 2015				
Obligations under finance lease	1,617,425	2,358,383	–	3,975,808
Bank borrowings	1,910,890	7,804,411	14,085,976	23,801,277
Trade and other payables	23,374,607	–	–	23,374,607
	26,902,922	10,162,794	14,085,976	51,151,692

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2016

37 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

37.4 Liquidity risk (Cont'd)

The Company and the Group manage the liquidity risk by maintaining sufficient cash to enable them to meet their normal operating commitments and by ensuring the availability of funding through an adequate amount of credit facilities from financial institutions as disclosed in Note 19 to the financial statements.

37.5 Market price risk

The Group does not hold any quoted or marketable financial instruments, hence, is not exposed to any movement in market price.

38 CAPITAL MANAGEMENT

The Group's objectives when managing capital are:

(a) To safeguard the Group's ability to continue as a going concern;

(b) To support the Group's stability and growth;

(c) To provide capital for the purpose of strengthening the Group's risk management capability; and

(d) To provide an adequate return to shareholders.

The Group actively and regularly reviews and manages its capital structure to ensure optimal capital structure and shareholder returns, taking into consideration the future capital requirements of the Group and capital efficiency, prevailing and projected profitability, projected operating cash flows, projected capital expenditures and projected strategic investment opportunities. The Group currently does not adopt any formal dividend policy.

There were no changes in the Group's approach to capital management during the financial year ended 30 September 2016.

The Group is not subject to externally imposed capital requirements.

Gearing has a significant influence on the Group's capital structure and the Group monitors capital using a gearing ratio. The Group's policy is to keep the gearing ratio between 0.2 and 0.6. The gearing ratio is calculated as net debt divided by total capital. Net debt is calculated as the sum of bank borrowings, trade and other payables and obligations under finance lease less cash and cash equivalents.

Total capital is calculated as equity plus net debt.

		2016	2015
The Group	**Note**	**$**	**$**
Obligations under finance lease	19	**3,763,705**	3,827,363
Bank borrowings	20	**20,004,006**	19,474,678
Trade and other payables	18	**26,396,574**	26,466,151
		50,164,285	49,768,192
Less: Cash and cash equivalent		**(19,926,106)**	(24,637,448)
Net debt		**30,238,179**	25,130,744
Total equity		**69,548,687**	55,433,950
Total capital		**99,786,866**	80,564,694
Gearing ratio		**0.30**	0.31

39 FINANCIAL INSTRUMENTS

Fair value

FRS 113 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability which market participants would take into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for leasing transactions that are within the scope of FRS 17 Leases, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in FRS 2 Inventories or value in use in FRS 36 Impairment of Assets.

The carrying amount of financial assets and financial liabilities with a maturity of less than one year is assumed to approximate their fair values.

(i) Financial instruments by category

The carrying amount of the different categories of financial instrument is as disclosed on the face of the statements of financial position, except for the following:

	The Company		The Group	
	2016	**2015**	**2016**	**2015**
	$	**$**	**$**	**$**
Loans and receivables	**22,695,802**	21,653,108	**43,786,988**	41,766,767
Financial liabilities at amortised cost	**1,181,576**	950,635	**46,548,622**	46,676,648

40 FAIR VALUE MEASUREMENT

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:

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2016

40 FAIR VALUE MEASUREMENT (CONT'D)

40.1 Fair value measurement of non-financial assets

The following table shows the levels within the hierarchy of non-financial assets measured at fair value on a recurring basis at 30 September 2016 and 2015:

	Level 1	Level 2	Level 3	Total
	$	$	$	$
At 30 September 2016				
Investment properties:				
Commercial – Offices	**–**	**24,136,350**	**13,335,572**	**37,471,922**
Property, plant and equipment:				
Commercial – Offices	**–**	**3,705,000**	**6,664,428**	**10,369,428**
At 30 September 2015				
Investment properties:				
Commercial – Offices	–	31,304,654	–	31,304,654
Property, plant and equipment:				
Commercial – Offices	–	9,707,351	–	9,707,351

Measurement of fair value of non-financial assets

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

Further information is set out below.

Investment properties and property, plant and equipment – Commercial offices (Level 2)

Commercial offices are carried at fair values at the end of reporting period as determined by independent professional valuers. Valuations are made annually based on the properties' highest-and-best-use using the Direct Market Comparison Method that considers sales of similar properties that have been transacted in the open market. The most significant input into this valuation approach is selling price per square metre.

Investment properties and property, plant and equipment – Commercial offices (Level 3)

Commercial offices are carried at fair values at the end of reporting period as determined by directors. Valuation is made based on the indicative sale price of the property [Note 41(b)].

40 FAIR VALUE MEASUREMENT (CONT'D)

40.1 Fair value measurement of non-financial assets (Cont'd)

Level 3 fair value measurements

The reconciliation of the carrying amounts of non-financial assets classified within Level 3 was as follows:

	Investment properties Commercial offices		Property plant and equipment Commercial offices	
	2016	**2015**	**2016**	**2015**
The Group	**$**	**$**	**$**	**$**
Balance at beginning of the year	–	–	–	–
Transfer from Level 2 assets	**13,335,572**	–	**6,664,428**	–
Balance at end of the year	**13,335,572**	–	**6,664,428**	–

41 EVENTS AFTER END OF REPORTING DATE

The Group

(a) Acquisition of a joint venture company

The Group's wholly-owned subsidiary, Singapore Handicrafts Pte. Ltd. ("SHPL"), together with its joint venture partner, W&S Star Pte. Ltd. ("WSPL"), have completed the acquisition of a joint venture company, Four Star Industries Pte. Ltd. ("Four Star") on 10 October 2016. The total issued and paid-up share capital of Four Star is $3,000,000, comprising 3,000,000 shares. The purchase consideration of $900,000 was based on the net tangible assets of Four Star as at 31 March 2016 and borne equally between SHPL and WSPL of $450,000 each. As at 30 September 2016, a deposit of $300,000 has been paid by SHPL for this acquisition. Four Star is engaged in the business of manufacture and wholesale trade of mattresses and related furniture products at a leased property at 44 Kallang Place, Four Star Building, Singapore 339172. The Group expects to employ its space optimisation expertise on the furniture business and the leased property.

(b) Entry into a call and put option agreement

The Group's wholly-owned subsidiary, SHPL, entered into a sale and leaseback arrangement with HSBC Institutional Trust Services (Singapore) Limited (the "Trustee") as trustee of Sabana Shari'ah Compliant Industrial Real Estate Investment Trust ("Sabana REIT") on 8 December 2016, for the property located at 72 Eunos Avenue 7, Singapore 409570 (the "Property") via a put and call option agreement ("PCOA") for a sale price of $20 million (the "Sale Price"). The Sale Price is arrived at based on a willing buyer and willing seller basis. The book value of the Property as at 30 November 2016 is $20 million. The Group intends to utilise the sale proceeds for further expansion of the Group's business.

(c) Incorporation of a wholly-owned subsidiary – LHN Asset Management (Xiamen) Co. Limited

On 30 November 2016, LHN Group (China) Asset Management Pte. Ltd. (formerly known as 2IN1 Space Pte. Ltd.), a wholly-owned subsidiary of the Group, has incorporated a wholly-owned subsidiary, LHN Asset Management (Xiamen) Co. Limited, in the People's Republic of China. LHN Asset Management (Xiamen) Co. Limited has a registered capital of RMB1,000,000 and its principal activities are space resource management and facilities management. On 15 December 2016, LHN Asset Management (Xiamen) Co. Limited had increased its registered capital to RMB50,000,000.

STATISTICS OF SHAREHOLDINGS

AS AT 9 DECEMBER 2016

Number of Ordinary Shares in Issue (excluding treasury shares)	:	360,004,200
Number of Treasury Shares held	:	1,853,000
Class of Shares	:	Ordinary
Voting Rights	:	One vote for each ordinary share held

DISTRIBUTION OF SHAREHOLDINGS

SIZE OF SHAREHOLDINGS	NO. OF SHAREHOLDERS	%	NO. OF SHARES	%
1 – 99	0	0.00	0	0.00
100 – 1,000	76	12.02	69,000	0.02
1,001 – 10,000	125	19.78	986,400	0.27
10,001 – 1,000,000	420	66.46	36,512,200	10.14
1,000,001 AND ABOVE	11	1.74	322,436,600	89.57
TOTAL	**632**	**100.00**	**360,004,200**	**100.00**

TWENTY LARGEST SHAREHOLDERS

NO.	NAME	NO. OF SHARES	%
1	HEAN NERNG GROUP PTE. LTD.	275,000,000	76.39
2	DBS NOMINEES (PRIVATE) LIMITED	12,289,000	3.41
3	UOB KAY HIAN PRIVATE LIMITED	11,861,500	3.29
4	1ROCKSTEAD GIP FUND II PTE LTD	7,354,100	2.04
5	PHILLIP SECURITIES PTE LTD	4,562,500	1.27
6	RAFFLES NOMINEES (PTE) LIMITED	2,848,500	0.79
7	IFS CAPITAL LIMITED	2,805,000	0.78
8	OCBC SECURITIES PRIVATE LIMITED	1,888,000	0.52
9	DBS VICKERS SECURITIES (SINGAPORE) PTE LTD	1,690,000	0.47
10	LIM CHER KHIANG	1,127,500	0.31
11	SEAH CHOON SOON	1,010,500	0.28
12	MAYBANK KIM ENG SECURITIES PTE. LTD.	975,400	0.27
13	HONG LEONG FINANCE NOMINEES PTE LTD	947,900	0.26
14	FOO CHOON WAH	900,000	0.25
15	TAN KOK CHUAN	730,000	0.20
16	CITIBANK NOMINEES SINGAPORE PTE LTD	719,000	0.20
17	KOH EY LOW NANCY	620,000	0.17
18	CHEN YEN SIONG	597,800	0.17
19	CIMB SECURITIES (SINGAPORE) PTE. LTD.	543,400	0.15
20	ZHOU RONGQIN	500,000	0.14
	TOTAL	**328,970,100**	**91.36**

PUBLIC FLOAT

Based on the information available to the Company as at 9 December 2016, approximately 23.58% of the issued ordinary shares of the Company are held by the public. Accordingly the Company has complied with Rule 723 of the Listing Manual Section B: Rules of the Catalist of the Singapore Exchange Securities Trading Limited.

SUBSTANTIAL SHAREHOLDERS

As recorded in the Register of Substantial Shareholders

	DIRECT INTEREST		DEEMED INTEREST	
NAME	NO. OF SHARES	%[1]	NO. OF SHARES	%[1]
Kelvin Lim[2][3][4][5][6]	–	–	275,000,000	76.39
Jess Lim[2][3][4][5][6]	–	–	275,000,000	76.39
Trident Trust Company (B.V.I.) Limited[3]	–	–	275,000,000	76.39
LHN Capital Pte. Ltd.[4]	–	–	275,000,000	76.39
HN Capital Ltd.[5]	–	–	275,000,000	76.39
Hean Nerng Group Pte. Ltd.[6]	275,000,000	76.39	–	–
Lim Hean Nerng[6]	–	–	275,000,000	76.39
Foo Siau Foon[6]	–	–	275,000,000	76.39
Lim Yun En[6]	–	–	275,000,000	76.39
Lim Wei Yong Matthew[6]	–	–	275,000,000	76.39
Lim Wei Yee[6]	–	–	275,000,000	76.39
Lin Weichen[6]	–	–	275,000,000	76.39
Lim Wei Kheng (Lin Weiqing)[6]	–	–	275,000,000	76.39

Notes:

(1) Based on the total issued share capital of 360,004,200 ordinary shares of the Company as at 9 December 2016.

(2) Kelvin Lim and Jess Lim are siblings. They are therefore deemed interested in each other's interests in the shares of the Company.

(3) Trident Trust Company (B.V.I.) Limited, a licensed trust company incorporated in BVI, holds the entire issued and paid-up share capital in LHN Capital Pte. Ltd. as trustee of The Land Banking Trust in BVI. LHN Capital Pte. Ltd., a company incorporated in Singapore, is the trustee of The LHN Capital Trust in Singapore. LHN Capital Pte. Ltd. holds the entire issued and paid-up share capital in HN Capital Ltd., a company incorporated in BVI. The Land Banking Trust is a discretionary purpose trust with the principal purpose of (a) promoting the operation of the businesses owned directly or indirectly by LHN Capital Pte. Ltd. ("**LHN Capital Business**"); and (b) to enable the operation of the LHN Capital Business in accordance with the terms of the business plan. Accordingly, there are no beneficiaries to The Land Banking Trust. The LHN Capital Trust is a discretionary irrevocable trust which the trustee, LHN Capital Pte. Ltd., has all powers in relation to the property comprised in The LHN Capital Trust as the legal owner of such property, subject to any express restrictions contained in The LHN Capital Trust. The beneficial owners of the property in the trust fund are the beneficiaries of The LHN Capital Trust which comprise Lim Hean Nerng, Foo Siau Foon, Kelvin Lim and Kelvin Lim's direct lineal issues (namely, Lim Yun En, Lim Wei Yong Matthew, Lim Wei Yee, Lin Weichen and Lim Wei Kheng (Lin Weiqing)) ("**LHN Capital Trust Beneficiaries**"). Trident Trust Company (Singapore) Pte. Limited is the trust administrator of The LHN Capital Trust.

HN Capital Ltd., Jess Lim and Kelvin Lim hold 85.0%, 10.0% and 5.0% respectively of the entire issued and paid-up share capital in Hean Nerng Group Pte. Ltd.. Kelvin Lim and Jess Lim are also directors of Hean Nerng Group Pte. Ltd..

As Trident Trust Company (B.V.I.) Limited and its associates, namely LHN Capital Pte. Ltd. and HN Capital Ltd., are entitled to exercise control of not less than 20.0% of the votes attached to the voting shares in Hean Nerng Group Pte. Ltd., Trident Trust Company (B.V.I.) Limited is deemed to have an interest in the issued and paid-up share capital of the Company held by Hean Nerng Group Pte. Ltd..

(4) Kelvin Lim and Jess Lim are directors of LHN Capital Pte. Ltd.. In connection with footnote (3) above, as LHN Capital Pte. Ltd. and its associate, namely HN Capital Ltd. are entitled to exercise control of not less than 20.0% of the votes attached to the voting shares in Hean Nerng Group Pte. Ltd., LHN Capital Pte. Ltd. is deemed to have an interest in the issued and paid-up share capital of the Company held by Hean Nerng Group Pte. Ltd..

(5) Kelvin Lim and Jess Lim are directors of HN Capital Ltd.. In connection with footnote (3) above, as HN Capital Ltd. is entitled to exercise control of not less than 20.0% of the votes attached to the voting shares in Hean Nerng Group Pte. Ltd., HN Capital Ltd. is deemed to have an interest in the issued and paid-up share capital of the Company held by Hean Nerng Group Pte. Ltd..

(6) Section 4(3) of the Securities and Futures Act, Chapter 289 of Singapore ("**SFA**") provides that "where any property held in trust consists of or includes securities and a person knows, or has reasonable grounds for believing, that he has an interest under the trust, he shall be deemed to have an interest in those securities". In connection with footnote (3) above and pursuant to Section 4(3) of the SFA, the LHN Capital Trust Beneficiaries are deemed to have an interest in the issued and paid-up share capital of the Company held by Hean Nerng Group Pte. Ltd..

Notwithstanding that each of Lim Hean Nerng, Foo Siau Foon and Kelvin Lim's direct lineal issues (namely, Lim Yun En, Lim Wei Yong Matthew, Lim Wei Yee, Lin Weichen and Lim Wei Kheng (Lin Weiqing)), being a beneficiary of The LHN Capital Trust, is deemed to be interested in 15.0% or more of the voting shares of the Company, each of them only receives an economic benefit under The LHN Capital Trust but has no control over the property comprised in The LHN Capital Trust and also does not, in fact, have any voting rights in or exercise control over the Company. Pursuant to the Fourth Schedule of the Securities and Futures (Offers of Investments) (Shares and Debentures) Regulations 2005 of Singapore ("**SFR**"), a controlling shareholder in relation to a corporation means (a) a person who has an interest in the voting shares of the corporation and who exercises control over the corporation; or (b) a person who has an interest in the voting shares of the corporation of an aggregate of not less than 30.0% of the total votes attached to all voting shares in the corporation, unless he does not exercise control over the corporation. Accordingly, it is not meaningful to consider them as controlling shareholders of the Company within the meaning of the Fourth Schedule of the SFR.

STATISTICS OF SHAREHOLDINGS

AS AT 9 DECEMBER 2016

Notes (Cont'd):

However, as Lim Hean Nerng was one of the initial founders of the Group and is deemed to be interested in 15.0% or more of the voting shares of the Company through the LHN Capital Trust, as disclosed in the Company's offer document dated 1 April 2015, he is considered to be a Controlling Shareholder.

However, Foo Siau Foon and each of Kelvin Lim's direct lineal issues are considered Substantial Shareholders of the Company because they are deemed interested in the Shares held by Hean Nerng Group Pte. Ltd., being not less than 5.0% of the total votes attached to all the voting shares of the Company.

However, Kelvin Lim, a beneficiary of The LHN Capital Trust, is also a director of LHN Capital Pte. Ltd., HN Capital Ltd., Hean Nerng Group Pte. Ltd. and the Company. Accordingly, he is deemed to be able to exercise control over the Company and is deemed to be a Controlling Shareholder of the Company.

Jess Lim is Kelvin Lim's sibling and is also a director of LHN Capital Pte. Ltd., HN Capital Ltd., Hean Nerng Group Pte. Ltd. and the Company. Accordingly, she is deemed to be able to exercise control over the Company and is deemed to be a Controlling Shareholder of the Company.

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Annual General Meeting of **LHN LIMITED** will be held at Six Battery Road #10-01 Singapore 049909 on Monday, 23 January 2017 at 10.00 a.m. to transact the following business:–

ORDINARY BUSINESS

1. To receive and adopt the Directors' Statement and the Audited Financial Statements for the financial year ended 30 September 2016 together with the Independent Auditor's Report thereon. **(Resolution 1)**

2. To declare a final dividend of 0.45 Singapore cents (S$0.0045) per ordinary share tax exempt (one-tier) for the financial year ended 30 September 2016. **(Resolution 2)**

3. To re-elect the following Directors of the Company retiring pursuant to Regulation 98 of the Constitution of the Company, and who have, being eligible, offered themselves for re-election as Directors:

   Mr Kelvin Lim **(Resolution 3)**
   Mr Lee Gee Aik **(Resolution 4)**

   The detailed information of the above mentioned directors as recommended under Guideline 4.7 of the Code of Corporate Governance 2012 can be found under the section entitled "Board of Directors" and the "Corporate Governance Report" in the Annual Report.
   [See Explanatory Note (i)]

4. To approve the payment of Directors' fees of S$168,000 for the financial year ending 30 September 2017, payable quarterly in arrears (FY2016: S$168,000). **(Resolution 5)**

5. To re-appoint Messrs Foo Kon Tan LLP as the Independent Auditors of the Company to hold office until the conclusion of the next Annual General Meeting and to authorise the Directors of the Company to fix their remuneration. **(Resolution 6)**

6. To transact any other ordinary business which may properly be transacted at an Annual General Meeting.

AS SPECIAL BUSINESS

To consider and if thought fit, to pass the following resolutions as Ordinary Resolutions, with or without any modifications:

7. **Authority to issue shares**

   That pursuant to Section 161 of the Singapore Companies Act, Cap. 50 and Rule 806 of Section B of the Singapore Exchange Securities Trading Limited (the "**SGX-ST**") Listing Manual: Rules of Catalist (the "**Catalist Rules**"), the Directors of the Company be authorised and empowered to:

   (a) (i) issue shares in the capital of the Company ("**shares**") whether by way of rights, bonus or otherwise; and/or

   (ii) make or grant offers, agreements or options (collectively, "**Instruments**") that might or would require shares to be issued, including but not limited to the creation and issue of (as well as adjustments to) options, warrants, debentures or other instruments convertible into shares,

   at any time and upon such terms and conditions and for such purposes and to such persons as the Directors of the Company may in their absolute discretion deem fit; and

NOTICE OF ANNUAL GENERAL MEETING

(b) (notwithstanding the authority conferred by this Resolution may have ceased to be in force) issue shares in pursuance of any Instruments made or granted by the Directors of the Company while this Resolution was in force,

provided that:

(1) the aggregate number of shares (including shares to be issued in pursuance of the Instruments, made or granted pursuant to this Resolution) to be issued pursuant to this Resolution shall not exceed one hundred per centum (100%) of the total number of issued shares (excluding treasury shares) in the capital of the Company (as calculated in accordance with sub-paragraph (2) below), of which the aggregate number of shares (including shares to be issued in pursuance of the Instruments made or granted pursuant to this Resolution) to be issued other than on a *pro-rata* basis to shareholders of the Company shall not exceed fifty per centum (50%) of the total number of issued shares (excluding treasury shares) in the capital of the Company (as calculated in accordance with sub-paragraph (2) below);

(2) (subject to such manner of calculation as may be prescribed by the SGX-ST) for the purpose of determining the aggregate number of shares that may be issued under sub-paragraph (1) above, the total number of issued shares (excluding treasury shares) in the capital of the Company shall be based on the total number of issued shares (excluding treasury shares) in the capital of the Company at the time of the passing of this Resolution, after adjusting for:

   (a) new shares arising from the conversion or exercise of any convertible securities;

   (b) new shares arising from the exercising of share options or vesting of share awards which are outstanding or subsisting at the time of the passing of this Resolution, provided the options or awards were granted in compliance with Part VIII of Chapter 8 of the Catalist Rules; and

   (c) any subsequent bonus issue, consolidation or subdivision of shares;

(3) in exercising the authority conferred by this Resolution, the Company shall comply with the provisions of the Catalist Rules for the time being in force (unless such compliance has been waived by the SGX-ST) and the Constitution, for the time being, of the Company; and

(4) unless revoked or varied by the Company in a general meeting, such authority shall continue in force until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is earlier.

[See Explanatory Note (ii)] **(Resolution 7)**

8. **Authority to allot and issue shares under the LHN Performance Share Plan**

That pursuant to Section 161 of the Singapore Companies Act, Cap. 50, the Directors of the Company be authorised and empowered to grant awards in accordance with the provisions of the LHN Performance Share Plan and to allot and issue from time to time, such number of shares in the capital of the Company as may be required to be issued pursuant to the vesting of awards under the LHN Performance Share Plan, provided always that the aggregate number of shares issued and issuable pursuant to vesting of awards granted under the LHN Performance Share Plan, when added to (i) the number of shares issued and issuable in respect of all awards granted or awarded thereunder; and (ii) all shares issued and issuable in respect of all options granted under any other share option, share incentive, performance share or restricted share plan implemented by the Company for the time being in force, shall not exceed fifteen per centum (15%) of the total number of issued shares (excluding treasury shares) of the Company on the day preceding the relevant date of the award.

[See Explanatory Note (iii)] **(Resolution 8)**

9. **Proposed Renewal of the Shareholders' Mandate for Interested Person Transactions**

That:

(a) approval be and is hereby given, for the purposes of Chapter 9 of the Catalist Rules of the SGX-ST ("**Chapter 9**"), for the Company, its subsidiaries and associated companies that are "entities at risk" (as that term is used in Chapter 9), or any of them, to enter into any of the transactions falling within the types of interested person transactions described in the Appendix dated 6 January 2017 accompanying the Annual Report (the "**Appendix**") with any party who is of the class of interested persons described in the Appendix, provided that such transactions are made on normal commercial terms and in accordance with the review procedures for such interested person transactions;

(b) the approval given in sub-paragraph (a) above (the "**IPT Mandate**") shall, unless revoked or varied by the Company in general meeting, continue in force until the conclusion of the next Annual General Meeting of the Company;

(c) the Audit Committee of the Company be and is hereby authorised to take such action as it deems proper in respect of procedures and/or to modify or implement such procedures as may be necessary to take into consideration any amendments to Chapter 9 of the Catalist Rules which may be prescribed by the SGX-ST from time to time; and

(d) the Directors of the Company be and are hereby authorised to complete and do all such acts and things (including executing all such documents as may be required) as they may consider expedient or necessary or in the interests of the Company to give effect to the IPT Mandate and/or this Resolution.

[See Explanatory Note (iv)] **(Resolution 9)**

10. **Proposed Renewal of the Share Buy-Back Mandate**

That:

(a) for the purposes of Sections 76C and 76E of the Companies Act (Chapter 50 of Singapore) (the "**Act**"), approval be and is hereby given for the renewal of the Share Buy-Back Mandate (as defined therein the Appendix dated 6 January 2017 accompanying the Annual Report); and the Directors of the Company be and are hereby authorised to exercise all the powers of the Company to purchase or otherwise acquire ordinary shares of the Company ("**Shares**") not exceeding in aggregate the Prescribed Limit (as hereinafter defined), at such price(s) as may be determined by the Directors of the Company from time to time up to the Maximum Price (as hereinafter defined), whether by way of:

(i) on-market purchases (each a "**Market Purchase**") on the SGX-ST; and/or

(ii) off-market purchases (each an "**Off-Market Purchase**") effected otherwise than on the SGX-ST in accordance with any equal access schemes as may be determined or formulated by the Directors of the Company as they consider fit, which scheme(s) shall satisfy all the conditions prescribed by the Act,

and otherwise in accordance with all other laws and regulations, including but not limited to, the Company's Constitution, the provisions of the Act and the Catalist Rules as may for the time being be applicable (the "**Share Buy-Back Mandate**");

(b) any Share that is purchased or otherwise acquired by the Company pursuant to the Share Buy-Back Mandate shall, at the discretion of the Directors of the Company, either be cancelled or held in treasury and dealt with in accordance with the Act;

(c) unless varied or revoked by the Company in general meeting, the authority conferred on the Directors of the Company pursuant to the Share Buy-Back Mandate may be exercised by the Directors at any time and from time to time during the period commencing from the passing of this Resolution and expiring on the earlier of:

(i) the conclusion of the next Annual General Meeting or the date by which such Annual General Meeting is required by law to be held;

(ii) the date on which the buy-back of the shares is carried out to the full extent mandated; or

(iii) the date on which the authority conferred in the Share Buy-Back Mandate is varied or revoked by the shareholders in a general meeting;

NOTICE OF ANNUAL GENERAL MEETING

(d) for purposes of this Resolution:–

"**Prescribed Limit**" means ten per cent (10%) of the issued ordinary share capital of the Company as at the date of passing of this Resolution unless the Company has effected a reduction of the share capital of the Company in accordance with the applicable provisions of the Act, at any time during the Relevant Period (as hereinafter defined), in which event the issued ordinary share capital of the Company shall be taken to be the amount of the issued ordinary share capital of the Company as altered (excluding any treasury shares that may be held by the Company from time to time);

"**Relevant Period**" means the period commencing from the date of passing of this Resolution and expiring on the date the next Annual General Meeting is held or is required by law to be held, the date on which the buy-back of the Shares are carried out to the full extent mandated, or the date the said mandate is revoked or varied by the Shareholders of the Company in a general meeting, whichever is the earlier; and

"**Maximum Price**" in relation to a Share to be purchased, means an amount (excluding brokerage, commission, stamp duties, applicable goods and services tax, clearance fees and other related expenses) not exceeding:

(i) in the case of a Market Purchase, 105% of the Average Closing Price; and

(ii) in the case of an Off-Market Purchase, 110% of the Average Closing Price, where:

"**Average Closing Price**" means the average of the closing market prices of a Share over the last five (5) market days, on which transactions in the Shares were recorded, preceding the day of the Market Purchase by the Company or, as the case may be, the day of the making of the offer pursuant to the Off-Market Purchase, and deemed to be adjusted for any corporate action that occurs after the relevant five (5)-day period;

"**day of the making of the offer**" means the day on which the Company announces its intention to make an offer for the purchase of Shares from shareholders of the Company stating the purchase price (which shall not be more than the Maximum Price calculated on the foregoing basis) for each Share and the relevant terms of the equal access scheme for effecting the Off-Market Purchase; and

"**market day**" means a day on which the SGX-ST is open for trading in securities; and

(e) any of the Directors of the Company be and are hereby authorised to complete and do all such acts and things (including without limitation, to execute all such documents as may be required and to approve any amendments, alterations or modifications to any documents), as they or he may consider desirable, expedient or necessary to give effect to the transactions contemplated by this Resolution.

[See Explanatory Note (v)] **(Resolution 10)**

By Order of the Board

Kenneth Leong
Company Secretary
Singapore,
6 January 2017

Explanatory Notes:

(i) Mr Kelvin Lim, upon re-election as a Director of the Company, will remain as the Executive Chairman and Group Managing Director, and a member of the Nominating Committee.

Mr Lee Gee Aik, upon re-election as a Director of the Company, will remain as the Chairman of the Audit Committee and a member of the Nominating and Remuneration Committees, and the Board of Directors (save for Mr Lee Gee Aik) considers him independent for the purposes of Rule 704(7) of the Catalist Rules of the SGX-ST. Mr Lee will also remain as the Lead Independent Director of the Company.

(ii) The Ordinary Resolution 7 in item 7 above, if passed, will empower the Directors of the Company, effective until the conclusion of the next Annual General Meeting of the Company, or the date by which the next Annual General Meeting of the Company is required by law to be held or such authority is varied or revoked by the Company in a general meeting, whichever is the earlier, to issue shares, make or grant Instruments convertible into shares and to issue shares pursuant to such Instruments, up to a number not exceeding, in total, one hundred per centum (100%) of the total number of issued shares (excluding treasury shares) in the capital of the Company, of which up to fifty per centum (50%) may be issued other than on a pro-rata basis to shareholders.

For determining the aggregate number of shares that may be issued, the total number of issued shares (excluding treasury shares) will be calculated based on the total number of issued shares (excluding treasury shares) in the capital of the Company at the time this Ordinary Resolution is passed after adjusting for new shares arising from the conversion or exercise of any convertible securities or share options or vesting of share awards which are outstanding or subsisting at the time when this Ordinary Resolution is passed and any subsequent bonus issue, consolidation or subdivision of shares.

(iii) The Ordinary Resolution 8 in item 8 above, if passed, will empower the Directors of the Company, effective until the conclusion of the next Annual General Meeting of the Company, or the date by which the next Annual General Meeting of the Company is required by law to be held or such authority is varied or revoked by the Company in a general meeting, whichever is the earlier, to grant awards under the LHN Performance Share Plan in accordance with the provisions of the LHN Performance Share Plan and to allot and issue from time to time such number of fully-paid shares as may be required to be issued pursuant to the vesting of the awards under the LHN Performance Share Plan subject to the maximum number of shares prescribed under the terms and conditions of the LHN Performance Share Plan.

The aggregate number of ordinary shares which may be allotted and issued pursuant to the LHN Performance Share Plan and under any other share incentive scheme or share plan adopted by the Company for the time being in force, is limited to fifteen per centum (15%) of the total number of issued shares (excluding treasury shares) of the Company from time to time. This authority is in addition to the general authority to issue shares sought under Ordinary Resolution 7.

(iv) The Ordinary Resolution 9 proposed in item 9 above, if passed, will allow the Company and its subsidiaries to enter into transactions with interested persons as defined in Chapter 9 of the Catalist Rules of the SGX-ST. Please refer to the Appendix to the Annual Report for details.

(v) The Ordinary Resolution 10 in item 10 above, if passed, will empower the Directors of the Company, effective period commencing from the date on which the ordinary resolution in relation to the Share Buy-Back Mandate is passed in a general meeting and expiring on the earliest of the date on which the next Annual General Meeting is held or is required by law to be held, or the date the said mandate is revoked or varied by the Company in a general meeting to repurchase ordinary shares of the Company by way of market purchases or off-market purchases of up to ten per cent (10%) of the total number of issued shares (excluding treasury shares) in the capital of the Company at the Maximum Price as defined in this Notice of Annual General Meeting.

The rationale for, the authority and limitation on, the sources of funds to be used for the purchase or acquisition including the amount of financing and the financial effects of the purchase or acquisition of ordinary shares by the Company pursuant to the Share Buy-Back Mandate on the audited consolidated financial statements of the Group for the financial year ended 30 September 2016 are set out in greater detail in the Appendix to the Annual Report.

Notes:

1. (a) A member who is not a relevant intermediary is entitled to appoint one or two proxies to attend and vote at the annual general meeting ("**Meeting**") of the Company.

   (b) A member who is a relevant intermediary is entitled to appoint more than two proxies to attend and vote at the Meeting of the Company, but each proxy must be appointed to exercise the rights attached to a different Share or Shares held by such member.

   "Relevant intermediary" has the meaning ascribed to it in Section 181 of the Act.

2. A proxy need not be a member of the Company.

3. A member of the Company which is a corporation is entitled to appoint its authorised representatives or proxies to vote on his behalf.

4. The instrument appointing a proxy or proxies must be deposited at the principal place of business of the Company at **10 Raeburn Park**, **#02-18**, **Singapore 088702** not less than **forty-eight (48)** hours before the time appointed for holding the Meeting of the Company.

NOTICE OF ANNUAL GENERAL MEETING

Personal data privacy:

By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the Meeting and/or any adjournment thereof, a member of the Company:

(i) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents) for the purpose of the processing and administration by the Company (or its agents) of proxies and representatives appointed for the Meeting (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the Meeting (including any adjournment thereof), and in order for the Company (or its agents) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the "**Purposes**");

(ii) warrants that where the member discloses the personal data of the member's proxy(ies) and/or representative(s) to the Company (or its agents), the member has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents) of the personal data of such proxy(ies) and/or representative(s) for the Purposes; and

(iii) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member's breach of warranty.

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

IMPORTANT
A relevant intermediary may appoint more than two proxies to attend the Annual General Meeting and vote (please see note 4 for the definition of "relevant intermediary").

PROXY FORM
(Please see notes overleaf before completing this form)

I/We* ______________________________ (Name) ______________________ (NRIC/Passport No.*)

of ____ (Address)
being a Member/Members* of LHN Limited ("**Company**"), hereby appoint:

Name	NRIC/Passport Number	Proportion of Shareholdings to be represented by Proxy	
		Number of Shares	%
Address			

and/or*

Name	NRIC/Passport Number	Proportion of Shareholdings to be represented by Proxy	
		Number of Shares	%
Address			

or failing the person, or either or both of the persons, referred to above, the Chairman of the Meeting as my/our* proxy/proxies* to vote for me/us* on my/our* behalf at the Annual General Meeting (the "**Meeting**") of the Company, to be held at Six Battery Road #10-01 Singapore 049909 on Monday, 23 January 2017 at 10.00 a.m. and at any adjournment thereof. I/We* direct my/our* proxy/proxies* to vote for or against the Resolutions to be proposed at the Meeting as indicated hereunder. If no specified direction as to voting is given, the proxy/proxies* will vote or abstain from voting at his/her/their* discretion, as he/she/they* will on any other matter arising at the Meeting and at any adjournment thereof.

No.	Resolutions relating to:	For	Against
Ordinary Business			
1.	Directors' Statement, Independent Auditor's Report and Audited Financial Statements for the financial year ended 30 September 2016.		
2.	Declaration of a final dividend of 0.45 Singapore cents (S$0.0045) per ordinary share tax exempt (one-tier) for the financial year ended 30 September 2016.		
3.	Re-election of Mr Kelvin Lim as a Director.		
4.	Re-election of Mr Lee Gee Aik as a Director.		
5.	Approval of Directors' fees amounting to S$168,000 for the financial year ending 30 September 2017, payable quarterly in arrears.		
6.	Re-appointment of Messrs Foo Kon Tan LLP as Independent Auditors of the Company.		
Special Business			
7.	Authority to issue new shares.		
8.	Authority to allot and issue shares under the LHN Performance Share Plan.		
9.	Renewal of the Shareholders' Mandate for Interested Person Transactions.		
10.	Renewal of the Share Buy-Back Mandate.		

Notes: If you wish to exercise all your votes "For" or "Against", please tick within the box provided. Alternatively, please indicate the number of votes "For" or "Against" for each resolution.

Dated this __________ day of ______________________ 2017

Total Number of Shares Held

____
Signature of Member(s) or, Common Seal of Corporate Member

* *Delete accordingly*

Notes:

1. Please insert the total number of shares held by you. If you have shares entered against your name in the Depository Register (as defined in Section 81SF of the Securities and Futures Act, Chapter 289), you should insert that number of Shares. If you have shares registered in your name in the Register of Members, you should insert that number of Shares. If you have Shares entered against your name in the Depository Register and shares registered in your name in the Register of Members, you should insert the aggregate number of shares entered against your name in the Depository Register and registered in your name in the Register of Members. If no number is inserted, the instrument appointing a proxy or proxies shall be deemed to relate to all the shares held by you.

2. A member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint one or two proxies to attend and vote in his/her stead. A proxy need not be a member of the Company.

3. Where a member appoints two proxies, he/she shall specify the proportion of his/her shareholding (expressed as a percentage of the whole) to be represented by each proxy. If no proportion is specified, the Company shall be entitled to treat the first named proxy as representing the entire number of shares entered against his/her name in the Depository Register and any second named proxy as an alternate to the first named or at the Company's option to treat the instrument of proxy as invalid.

4. A member who is a relevant intermediary entitled to attend the meeting and vote is entitled to appoint more than two proxies to attend and vote instead of the member, but each proxy must be appointed to exercise the rights attached to a different share or shares held by such member. Where such member appoints more than two proxies, the appointments shall be invalid unless the member specifies the number of shares in relation to which each proxy has been appointed.

   "Relevant intermediary" means:

   (a) a banking corporation licensed under the Banking Act (Cap. 19) or a wholly-owned subsidiary of such a banking corporation, whose business includes the provision of nominee services and who holds shares in that capacity;

   (b) a person holding a capital markets services licence to provide custodial services for securities under the Securities and Futures Act (Cap. 289) and who holds shares in that capacity; or

   (c) the Central Provident Fund Board established by the Central Provident Fund Act (Cap. 36), in respect of shares purchased under the subsidiary legislation made under that Act providing for the making of investments from the contributions and interest standing to the credit of members of the Central Provident Fund, if the Board holds those shares in the capacity of an intermediary pursuant to or in accordance with that subsidiary legislation.

5. Completion and return of this instrument appointing a proxy shall not preclude a member from attending and voting at the Meeting. Any appointment of a proxy or proxies shall be deemed to be revoked if a member attends the meeting in person, and in such event, the Company reserves the right to refuse to admit any person or persons appointed under the instrument of proxy to the Meeting.

6. The instrument appointing a proxy or proxies must be deposited at the principal place of business of the Company at 10 Raeburn Park, #02-18, Singapore 088702 not less than forty-eight (48) hours before the time appointed for the Meeting.

7. The instrument appointing a proxy or proxies must be under the hand of the appointor or of his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed either under its seal or under the hand of an officer or attorney duly authorised. Where the instrument appointing a proxy or proxies is executed by an attorney on behalf of the appointor, the letter or power of attorney or a duly certified copy thereof must be lodged with the instrument.

8. A corporation which is a member of the Company may authorise by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the Meeting, in accordance with its Constitution and Section 179 of the Companies Act, Chapter 50 of Singapore.

General:

The Company shall be entitled to reject the instrument appointing a proxy or proxies if it is incomplete, improperly completed or illegible, or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the instrument appointing a proxy or proxies. In addition, in the case of shares entered in the Depository Register, the Company may reject any instrument appointing a proxy or proxies lodged if the member, being the appointor, is not shown to have shares entered against his name in the Depository Register as at 72 hours before the time appointed for holding the Meeting, as certified by The Central Depository (Pte) Limited to the Company.

PERSONAL DATA PRIVACY

By submitting an instrument appointing a proxy(ies) and/or representative(s), the member accepts and agrees to the personal data privacy terms set out in the Notice of Annual General Meeting dated 6 January 2017.

AFFIX
STAMP

The Company Secretary
LHN LIMITED
10 Raeburn Park
#02-18
Singapore 088702

LHN LIMITED
10 Raeburn Park #02-18
Singapore 088702
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