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**LHN  
GROUP**  
SPACE OPTIMISED  
**LHN LIMITED**

賢能集團有限公司\*

*(Incorporated in the Republic of Singapore with limited liability)*

**(Hong Kong stock code : 1730)**  
**(Singapore stock code : 410)**

**ANNOUNCEMENT OF FULL YEAR RESULTS  
FOR THE YEAR ENDED 30 SEPTEMBER 2020**

**FINANCIAL HIGHLIGHTS**

	For the year ended 30 September		Change
	2020	2019	
	S\$'000	S\$'000	%
Revenue	134,213	111,094	20.8
Gross Profit	63,643	27,414	132.2
Profit for the year and attributable to owners of the Company	24,144	8,186	194.9
Basic earnings per share (Singapore cents)	6.00	2.03	195.6

\* *For identification purpose only*

## FULL YEAR RESULTS

The board (the “Board”) of directors (the “Directors”) of LHN Limited (the “Company”) hereby announces the consolidated full year results of the Company and its subsidiaries (collectively referred to as the “Group”) for the year ended 30 September 2020, together with the comparative figures for the year ended 30 September 2019. The Group’s full year results for the year ended 30 September 2020 have been reviewed by the audit committee of the Company (the “Audit Committee”).

### FULL YEAR CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 SEPTEMBER 2020

	Note	2020 S\$'000	2019 S\$'000
<b>Revenue</b>	6	134,213	111,094
Cost of sales	9	(70,570)	(83,680)
<b>Gross profit</b>		63,643	27,414
Other income	7	17,103	5,012
Other operating expenses			
- Impairment loss on trade, other and lease receivables		(2,353)	(239)
- Others	8	(830)	(1,448)
Selling and distribution expenses	9	(1,433)	(1,820)
Administrative expenses	9	(30,429)	(23,668)
Finance cost	10	(5,127)	(1,332)
Share of results of associates and joint ventures, net of tax		555	4,527
Fair value (loss)/gain on investment properties		(11,809)	480
<b>Profit before income tax</b>		29,320	8,926
Income tax expense	11	(4,633)	(203)
<b>Profit for the year</b>		24,687	8,723
<b>Other comprehensive (loss)/income</b>			
<u>Item that will not be reclassified subsequently to profit or loss</u>			
Currency translation differences arising from consolidation		(11)	52
Financial assets, at FVOCI		(687)	-
- Fair value loss – equity investment		(653)	31
Share of other comprehensive income of joint venture		(1,351)	83
Other comprehensive income		(1,351)	83
Total comprehensive income for the year		23,336	8,806
<b>Profit attributable to:</b>			
Equity holders of the Company		24,144	8,186
Non-controlling interests		543	537
Profit for the year		24,687	8,723
<b>Total comprehensive income attributable to:</b>			
Equity holders of the Company		22,813	8,243
Non-controlling interests		523	563
Total comprehensive income for the year		23,336	8,806
<b>Earnings per share for profit attributable to equity holders of the Company</b>			
Basic and diluted (cents)	13	6.00	2.03

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
AS AT 30 SEPTEMBER 2020

	Note	30 September 2020 S\$'000	30 September 2019 S\$'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment		47,183	37,435
Right-of-use assets		28,364	-
Investment properties		115,578	67,309
Intangible assets		40	108
Financial assets, at FVOCI		-	492
Investment in associates		178	306
Investment in joint ventures		17,186	17,215
Deferred tax assets		77	341
Long-term prepayments		116	322
Lease receivables		26,149	-
Other asset	14	-	12,709
		234,871	136,237
<b>Current assets</b>			
Inventories		75	3
Trade and other receivables	15	43,366	17,581
Grant receivables		1,058	-
Loans to joint ventures		4,959	2,432
Prepayments		1,823	3,338
Lease receivables		17,104	-
Cash and bank balances		38,446	18,218
Fixed deposits		2,046	9,135
		108,877	50,707
<b>TOTAL ASSETS</b>		343,748	186,944
<b>EQUITY</b>			
<b>Capital and Reserves</b>			
Share capital	16	63,407	63,407
Reserves		58,234	31,936
		121,641	95,343
Non-controlling interests		1,939	1,537
<b>TOTAL EQUITY</b>		123,580	96,880
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Deferred tax liabilities		3,573	533
Other payables	17	21	34
Provisions		212	1,091
Finance lease liabilities		-	3,476
Bank borrowings		55,997	41,134
Lease liabilities		66,182	-
		125,985	46,268
<b>Current liabilities</b>			
Trade and other payables	17	43,701	32,701
Deferred grant income		927	-
Provisions		1,106	1,466
Finance lease liabilities		-	2,157
Bank borrowings		10,725	7,009
Lease liabilities		33,193	-
Current income tax liabilities		4,531	463
		94,183	43,796
<b>TOTAL LIABILITIES</b>		220,168	90,064
<b>TOTAL EQUITY AND LIABILITIES</b>		343,748	186,944

**CONSOLIDATED STATEMENT OF CASH FLOW**  
FOR THE YEAR ENDED 30 SEPTEMBER 2020

	<b>2020</b>	<b>2019</b>
	<b>S\$'000</b>	<b>S\$'000</b>
<b>Cash flows from operating activities:</b>		
Profit before income tax	29,320	8,926
Share of results of associates and joint ventures, net of tax	(555)	(4,527)
Adjustments for:		
Amortisation of intangible assets	68	68
Depreciation of property, plant and equipment	8,636	6,605
Depreciation of right-of-use assets	12,234	-
Loss/(gain) on disposal of property, plant and equipment	41	(83)
Property, plant and equipment written off	115	14
Fair value loss/(gain) on investment properties	11,809	(480)
Gain from net investment in subleases	(6,884)	-
Gain from termination of lease	(2)	-
Impairment loss on trade, other and lease receivables	2,353	239
Provision for losses from onerous contract	270	1,430
Finance income	(1,594)	(289)
Finance cost	5,127	1,332
<b>Operating profit before working capital changes</b>	<b>60,938</b>	<b>13,235</b>
Changes in working capital:		
- Inventories	(72)	43
- Trade and other receivables	(27,617)	(30)
- Trade and other payables	15,203	4,519
<b>Cash generated from operations</b>	<b>48,452</b>	<b>17,767</b>
Interest expense paid	(12)	(3)
Income tax paid	(669)	(1,534)
Income tax refunded	789	906
<b>Net cash generated from operating activities</b>	<b>48,560</b>	<b>17,136</b>
<b>Cash flows from investing activities:</b>		
Additions to property, plant and equipment	(22,494)	(19,585)
Additions to investment properties	(3,934)	(20,336)
Purchase of financial assets, at FVOCI	(410)	(354)
Additions to other asset	-	(9,108)
Cash outflow on acquisition of joint venture	(580)	-
(Loans to)/Repayment from joint ventures, net	(2,919)	9,945
Proceeds from disposal of property, plant and equipment	282	96
Disposal of financial assets, at FVOCI	330	-
Receipts from lease receivables	16,649	-
Interest received from lease receivables	1,312	-
Cash outflow on incorporation of associate	(30)	-
Return of capital from associate	-	38
Dividend from associate	669	441
Interest received	607	459
<b>Net cash used in investing activities</b>	<b>(10,518)</b>	<b>(38,404)</b>
<b>Cash flows from financing activities:</b>		
Repayment of finance lease	-	(2,112)
Decrease/(increase) in fixed deposit - pledged	4,688	(1,372)
Proceeds from bank borrowings	28,755	42,376
Repayment of bank borrowings	(9,631)	(15,643)
Repayment of lease liabilities	(35,568)	-
Capital contribution from non-controlling shareholders	-	2
Refund of capital to non-controlling shareholder	(1)	-
Interest expense paid	(5,226)	(1,410)
Dividends paid	(3,069)	-
Dividends paid to non-controlling shareholder	(120)	-
<b>Net cash (used in)/generated from financing activities</b>	<b>(20,172)</b>	<b>21,841</b>
Net increase in cash and cash equivalents	17,870	573
Cash and cash equivalents at beginning of the year	21,300	20,667
Exchange (losses)/gains on cash and cash equivalents	(43)	60
<b>Cash and cash equivalents at end of year</b>	<b>39,127</b>	<b>21,300</b>
Consolidated cash and cash equivalents are represented by:		
Cash and bank balances	38,446	18,218
Fixed deposits	2,046	9,135
	40,492	27,353
Less: Pledged fixed deposits	(1,365)	(6,053)
<b>Cash and cash equivalents as per consolidated statement of cash flows</b>	<b>39,127</b>	<b>21,300</b>

## NOTES TO THE CONSOLIDATED FINANCIAL INFORMATION

### 1. GENERAL

LHN Limited (the “**Company**”) was incorporated on 10 July 2014 in Singapore under the Companies Act as an investment holding private limited company under the name of “LHN Pte. Ltd.”. The Company’s registration number is 201420225D. The Company was converted into a public company and renamed as “LHN Limited” on 16 March 2015. The address of its registered office is at 10 Raeburn Park #02-18, Singapore 088702.

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

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

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

### 2. BASIS OF PREPARATION

The financial statements have been prepared in accordance with International Financial Reporting Standards (“**IFRS**”) issued by International Accounting Standards Board (the “**IASB**”). The financial statements have been prepared under the historical cost convention, as modified by the revaluation of investment properties and leasehold buildings, which are carried at fair value.

### 3. ACCOUNTING POLICIES

The Group has adopted the same accounting policies and methods of computation in the preparation of the financial statements for the current reporting period compared with those of the audited financial statements for the year ended 30 September 2019.

- (a) Amendments to IFRSs effective for the financial year ending 30 September 2020 do not have a material impact on the Group except for the following:

#### Adoption of IFRS 16 Leases

The group has adopted IFRS 16 Leases retrospectively from 1 October 2019 but has not restated comparatives for the 2019 reporting period as permitted under the specific transition provisions in the standard.

#### When the Group is the lessee

Prior to the adoption of IFRS 16, non-cancellable operating lease payments were not recognised as liabilities in the balance sheet. These payments were recognised as rental expenses over the lease term on a straight-line basis.

On initial application of IFRS 16, the Group has elected to apply the following practical expedients:

- (i) For all contracts entered into before 1 October 2019 and that were previously identified as leases under IAS 17 Lease and SFRS(I) INT 4 Determining whether an Arrangement contains a Lease, the Group has not reassessed if such contracts contain leases under IFRS 16; and
- (ii) On a lease-by-lease basis, the Group has:
- applied a single discount rate to a portfolio of leases with reasonably similar characteristics;
  - relied on previous assessments on whether leases are onerous as an alternative to performing an impairment review;
  - accounted for operating leases with a remaining lease term of less than 12 months as at 1 October 2019 as short-term leases;
  - excluded initial direct costs in the measurement of the right-of-use (“**ROU**”) asset at the date of initial application; and
  - used hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The provisions for onerous contracts amounted to S\$1,430,000 as at 1 October 2019.

For leases previously classified as operating leases on 1 October 2019, the Group has applied the following transition provisions:

- (i) On a lease-by-lease basis, the Group chose to measure its ROU assets at amount equal to lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the balance sheet immediately before the date of initial application (i.e. 1 October 2019).
- (ii) Recognised its lease liabilities by discounting the remaining lease payments as at 1 October 2019 using the incremental borrowing rate for each individual lease or, if applicable, the incremental borrowing rate for each portfolio of leases with reasonably similar characteristic.
- (iii) Right-of-use assets for lease classified as investment properties (“ROU-IP”) will be fair valued on 1 October 2019. The difference between the cost and fair value as at 1 October 2019 of the ROU-IP will be adjusted directly to opening retained profits. Comparative information is not restated.
- (iv) For leases previously classified as finance leases, the carrying amount of the leased asset and finance lease liability as at 1 October 2019 are determined as the carrying amount of the ROU assets and lease liabilities.

#### When the Group is a lessor

There are no material changes to accounting by the Group as a lessor except when the Group is an intermediate lessor.

#### When the Group is the intermediate lessor

The Group leases an underlying asset under a head lease arrangement and subleases the same asset to third parties as an intermediate lessor. Prior to the adoption of IFRS 16, the sublease is classified as an operating lease when the head lease is an operating lease. The intermediate lessor recorded rental income in respect of the sublease on a straight-line basis over the term of the sublease and recorded rental expense in respect of the head lease on a straight-line basis over the term of the head lease.

Under IFRS 16, accounting by the Group as an intermediate lessor depends on the classification of the sublease with reference to the ROU asset arising from the head lease rather than the underlying asset. On 1 October 2019, the Group has reassessed the classification of the sublease based on the remaining contractual terms and condition of the head lease. Based on this assessment, some subleases of office space are reassessed as finance lease and S\$47,569,000 of net investment in sublease was recognised on 1 October 2019 as “Lease receivables”.

#### Early adoption of Covid-19-Related Rent Concessions (Amendments to IFRS 16)

The Group has early adopted Covid-19-Related Rent Concessions (Amendments to IFRS 16) from 28 May 2020. The Group has elected to apply the practical expedient for lessees from assessing whether a rent concession related to COVID-19 is a lease modification. Under the practical expedient, the Group can elect to account for such rent concessions in the same way as they would if they were not lease modifications, which the Group has applied to all rent concessions that meet the conditions of the amendment. The amount recognised in profit or loss for the financial year to reflect changes in lease payments that arise from rent concessions is disclosed in Note 7.

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

<b>Balance Sheet</b>	<b>As at 30 September 2019</b>	<b>Effects of adoption of IFRS 16</b>	<b>As at 1 October 2019</b>
	<b>S\$'000</b>	<b>S\$'000</b>	<b>S\$'000</b>
<b>The Group</b>			
<b><u>Non-current assets</u></b>			
Investment properties	67,309	40,790	108,099
Property, plant and equipment	37,435	(4,837)	32,598
Right-of-use assets	-	31,928	31,928
Deferred tax assets	341	(245)	96
Long-term prepayments	322	(95)	227
Lease receivables	-	32,824	32,824
	105,407	100,365	205,772
<b><u>Current assets</u></b>			
Trade and other receivables	17,581	(502)	17,079
Prepayments	3,338	(48)	3,290
Lease receivables	-	14,745	14,745
	20,919	14,195	35,114
	126,326	114,560	240,886
<b><u>Retained profits</u></b>	59,587	6,554	66,141
<b><u>Non-current liabilities</u></b>			
Deferred tax liabilities	533	3,068	3,601
Provisions	1,091	(386)	705
Finance lease liabilities	3,476	(3,476)	-
Lease liabilities	-	82,013	82,013
	5,100	81,219	86,319
<b><u>Current liabilities</u></b>			
Trade and other payables	32,701	(3,888)	28,813
Provisions	1,466	(366)	1,100
Finance lease liabilities	2,157	(2,157)	-
Lease liabilities	-	33,198	33,198
	36,324	26,787	63,111
	41,424	108,006	149,430

<b>Income Statement</b>	<b>(unaudited) (IAS 17 basis) Full year ended 30 September 2020</b>	<b>Effects of adoption of IFRS 16</b>	<b>(IFRS 16 basis) Full year ended 30 September 2020</b>
	<b>S\$'000</b>	<b>S\$'000</b>	<b>S\$'000</b>
<b>The Group</b>			
Revenue	152,088	(17,875)	134,213
Cost of sales	(93,565)	22,995	(70,570)
Gross profit	58,523	5,120	63,643
Other income	8,904	8,199	17,103
Other operating expenses			
- Impairment loss on trade, other and lease receivables	(1,261)	(1,092)	(2,353)
- Others	(830)	-	(830)
Selling and distribution expenses	(1,433)	-	(1,433)
Administrative expenses	(31,470)	1,041	(30,429)
Finance cost	(1,897)	(3,230)	(5,127)
Share of results of associates and joint ventures, net of tax	555	-	555
Fair value losses on investment properties	(2,224)	(9,585)	(11,809)
Profit before income tax	28,867	453	29,320

An explanation of the differences between the operating lease commitments previously disclosed in the Group's financial statements as at 30 September 2019 and the lease liabilities recognised in the balance sheet as at 1 October 2019 are as follows:

	<b>S\$'000</b>
Operating lease commitments disclosed as at 30 September 2019	107,751
Discounted using the group's incremental borrowing rate of 3.05%	(7,728)
(Less): short-term leases recognised on a straight-line basis as expense	(18,784)
(Less): low-value leases recognised on a straight-line basis as expense	(96)
Add: adjustments as a result of a different treatment of extension and termination options	28,435
Add: reclassification from finance lease upon adoption of IFRS 16	<u>5,633</u>
<b>Lease liability recognised as at 1 October 2019</b>	<b><u>115,211</u></b>

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

		<u>Effective for</u> <u>accounting periods</u> <u>beginning on or after</u>	<u>Note</u>
IFRS 3 (amendments)	Business combinations (Definition of a business)	1 January 2020	<i>i</i>

*Note i:*

The amendments provide new guidance on the assessment of whether an acquisition meets the definition of a business under IFRS 3. To be considered a business, an acquisition would have to include an output and a substantive process that together significantly contribute to the ability to create outputs. A framework is introduced to evaluate when an input and substantive process are present. To be a business without outputs, there will now need to be an organised workforce.

The definition of the term 'outputs' is narrowed to focus on goods and services provided to customers, generating investment income and other income, and it excludes returns in the form of lower costs and other economic benefits.

It is also no longer necessary to assess whether market participants are capable of replacing missing elements or integrating the acquired activities and assets.

Entities can apply a 'concentration test' that, if met, eliminates the need for further assessment. Under this optional test, where substantially all of the fair value of gross assets acquired is concentrated in a single asset (or a group of similar assets), the assets acquired would not represent a business.

These amendments are applied to business combinations and asset acquisitions with acquisition date on or after 1 January 2020. Early application is permitted. The Group does not expect any significant impact arising from applying these amendments.

### 3.1. Leases

- (a) The accounting policy for leases before 1 October 2019 are as follows:

#### ***Where the Group is lessee***

The Group leases buildings, motor vehicles and certain plant and equipment under finance and operating leases from non-related parties.

#### *(i) Finance leases*

Leases of assets in which the Group assumes substantially the risks and rewards of ownership, including hire purchase contracts, are classified as finance leases. The leased assets and the corresponding lease liabilities (net of finance charges) under finance leases are recognised on the balance sheet as property, plant and equipment and obligations under finance lease respectively, at the inception of the leases based on the lower of the fair value of the leased assets and the present value of the minimum lease payments. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. Each lease payment is apportioned between the finance expense and the reduction of the outstanding lease liability. The finance expense is recognised in profit or loss on a basis that reflects a constant periodic rate of interest on the finance lease liability.



(ii) *Operating leases*

Leases of assets in which a significant portion of the risks and rewards of the ownership are retained by the lessor are classified as operating leases. Payment made under operating leases are charged to the statement of profit or loss on a straight-line basis over the period of the lease.

Contingent rents are recognised as an expense in profit or loss when incurred.

***Where the Group is lessor***

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

*Operating leases:*

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

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

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

(b) The accounting policy for leases from 1 October 2019 are as follows:

***Where the Group is lessee***

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

(i) *Right-of-use assets*

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

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

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

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

(ii) *Lease liabilities*

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

Lease payments include the following:

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

For contract that contain both lease and non-lease components, the Group allocates the consideration to each lease component on the basis of the relative stand-alone price of the lease and non-lease component. The Group has elected to not separate lease and non-lease component for property leases and account these as one single lease component.

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

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

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

(iii) *Short term and low value leases*

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

(iv) *Variable lease payments*

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

**Where the Group is lessor**

The accounting policy applicable to the Group as a lessor in the comparative period were the same under IFRS 16 except when the Group is an intermediate lessor.

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

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

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

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

#### **4. ESTIMATES**

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

In preparing this unaudited condensed consolidated interim financial information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 30 September 2019 except for the following:

1. **Determining the lease term**

In determining the lease term, management considered all factors and circumstances that create an economic incentive to exercise an extension option or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated). The assessment is reviewed if a significant event or a significant change in circumstances occurs which affects this assessment and that is within the control of the lessee.

## 5. SEGMENT INFORMATION

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

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

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

Group taxation is managed on a group basis and is not allocated to operating segments.

During FY2020, revenue attributable to the Group's largest customer accounted for approximately 28.4% of the Group's total revenue and aggregate revenue attributable to the five largest customers of the Group accounted for approximately 34.7% of the Group's total revenue.

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

### ***Allocation basis and transfer pricing***

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

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

### ***Sales***

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

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

### ***Segment assets and liabilities***

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

Segment breakdown for the year ended 30 September 2020 are as follows:

	Industrial	Commercial	Residential	Logistics Services	Facilities Management	Corporate and Eliminations	Consolidated
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
<b>Sales</b>							
Total segment sales	29,890	16,534	27,107	27,956	47,168	22,277	170,932
Inter-segment sales	(3,004)	(928)	(122)	(2,771)	(7,617)	(22,277)	(36,719)
External sales	26,886	15,606	26,985	25,185	39,551	-	134,213
<b>Segment results</b>	<b>6,455</b>	<b>8,168</b>	<b>8,478</b>	<b>4,050</b>	<b>11,934</b>	<b>6,616</b>	<b>45,701</b>
Fair value (loss)/gain on investment properties	(7,898)	(4,243)	332	-	-	-	(11,809)
Finance cost	(2,009)	(749)	(1,360)	(596)	(384)	(29)	(5,127)
	(3,452)	3,176	7,450	3,454	11,550	6,587	28,765
Share of results of associates and joint ventures	1,532	-	-	511	(1,488)	-	555
Profit before taxation	(1,920)	3,176	7,450	3,965	10,062	6,587	29,320
Taxation							(4,633)
Net profit after taxation							24,687
Non-controlling interests							(543)
Net profit attributable to equity holders of the Company							24,144
<b>Segment assets</b>	<b>93,360</b>	<b>42,701</b>	<b>98,033</b>	<b>31,813</b>	<b>11,666</b>	<b>1,229</b>	<b>278,802</b>
Investment in associates	-	-	-	148	30	-	178
Investment in joint ventures	13,981	-	-	-	3,205	-	17,186
Total segment assets							296,166
<b>Total segment liabilities</b>	<b>75,047</b>	<b>41,254</b>	<b>48,871</b>	<b>24,503</b>	<b>14,509</b>	<b>6,562</b>	<b>210,746</b>
<b>Capital expenditures</b>	<b>830</b>	<b>1,966</b>	<b>9,463</b>	<b>14,778</b>	<b>418</b>	<b>238</b>	<b>27,693</b>
Depreciation of property, plant and equipment	1,471	1,045	2,230	2,658	786	446	8,636

Segment breakdown for the year ended 30 September 2019 are as follows:

	Industrial	Commercial	Residential	Logistics Services	Facilities Management	Corporate and Eliminations	Consolidated
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
<b>Sales</b>							
Total segment sales	41,842	22,298	5,319	27,498	22,165	12,871	131,993
Inter-segment sales	(2,603)	(1,066)	-	(2,561)	(1,798)	(12,871)	(20,899)
External sales	39,239	21,232	5,319	24,937	20,367	-	111,094
<b>Segment results</b>	<b>(2,208)</b>	<b>1,564</b>	<b>(1,879)</b>	<b>4,701</b>	<b>2,525</b>	<b>548</b>	<b>5,251</b>
Fair value gain on investment properties	473	7	-	-	-	-	480
Finance cost	(808)	(43)	(205)	(171)	(36)	(69)	(1,332)
	(2,543)	1,528	(2,084)	4,530	2,489	479	4,399
Share of results of associates and joint ventures	601	-	-	508	3,418	-	4,527
Profit before taxation	(1,942)	1,528	(2,084)	5,038	5,907	479	8,926
Taxation							(203)
Net profit after taxation							8,723
Non-controlling interests							(537)
Net profit attributable to equity holders of the Company							8,186
Segment assets	69,543	11,446	33,686	15,408	3,676	1,275	135,034
Investment in associates	-	-	-	306	-	-	306
Investment in joint ventures	12,522	-	-	-	4,693	-	17,215
Total segment assets							152,555
Total segment liabilities	41,617	8,207	21,383	8,505	4,064	2,735	86,511
Capital expenditures	22,158	679	20,011	4,937	490	181	48,456
Depreciation of property, plant and equipment	1,586	1,069	918	1,760	818	454	6,605

## Reconciliation of segments' total assets and total liabilities

	30 September 2020 S\$'000	30 September 2019 S\$'000
<b>Reportable segments' assets are reconciled to total assets:</b>		
Segment assets	296,166	152,555
Deferred tax assets	77	341
Long-term prepayment	116	322
Intangible assets	40	108
Financial assets, at FVOCI	-	492
Inventories	75	3
Loans to joint ventures	4,959	2,432
Prepayment	1,823	3,338
Cash and bank balances	38,446	18,218
Fixed deposits	2,046	9,135
	343,748	186,944
<b>Reportable segments' liabilities are reconciled to total liabilities:</b>		
Segment liabilities	210,746	86,511
Provisions	1,318	2,557
Current income tax liabilities	4,531	463
Deferred tax liabilities	3,573	533
	220,168	90,064

## Geographical segment

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

	<b>Revenue from external customers</b>	
	<b>Year ended 30 September</b>	
	<b>2020</b>	<b>2019</b>
	<b>S\$'000</b>	<b>S\$'000</b>
Singapore	124,337	103,221
Hong Kong	2,405	1,026
Indonesia	709	1,209
Thailand	3,621	4,039
Cambodia	2	-
Myanmar	1,642	815
Other countries	1,497	784
	134,213	111,094

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

	<b>Non-current assets</b>	
	<b>as at</b>	
	<b>30 September 2020</b>	<b>30 September 2019</b>
	<b>S\$'000</b>	<b>S\$'000</b>
Singapore	196,681	106,663
Hong Kong	623	76
Indonesia	6,118	6,787
Thailand	2,840	1,330
Cambodia	17,779	12,771
Myanmar	4,608	5,268
Other countries	6,145	3,001
	234,794	135,896

## 6. Revenue

	Year ended 30 September	
	2020	2019
	S\$'000	S\$'000
Rental and warehousing lease income from leased properties	35,118	53,943
Rental and warehousing lease income from owned properties	4,302	3,146
Services fees income	7,311	1,797
Car park services	14,852	15,402
Dormitory management services	17,250	-
Logistics services		
- Trucking services	11,423	11,116
- Storage services	2,965	2,941
- Container repair services	2,726	3,021
- Logistics management	8,070	7,859
Facilities services	28,825	10,603
Management services fee income	1,062	889
Others	309	377
	<u>134,213</u>	<u>111,094</u>

## 7. Other income

	Year ended 30 September	
	2020	2019
	S\$'000	S\$'000
Handling charges	320	269
Gain on disposal of property, plant and equipment	-	83
Interest income	1,594	289
Gain from net investment in subleases	6,884	-
Gain from termination of lease	2	-
Vehicle related income	325	302
Government grants	121	127
Wage credit scheme and special employment credit*	211	284
Job support scheme**	1,811	-
Forfeiture of tenant deposit	1,188	148
Foreign exchange gain	-	660
Services charges	191	230
Miscellaneous charge to tenant	194	190
Sales of contract from security services	-	1,427
Rental rebates, net***	2,945	-
Other income	1,317	1,003
	<u>17,103</u>	<u>5,012</u>

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

\*\* Job support scheme are introduced by Singapore Government to help employers to retain their local employees during the period of economic uncertainty as a result of global pandemic outbreak of COVID-19.

\*\*\* Rental rebates are introduced by Governments mainly to help tenants with their rental payments during the global pandemic outbreak of COVID-19, which is net of rental reliefs received from landlords of S\$11,716,000 and rental relief paid to eligible tenants of S\$8,771,000.

## 8. Other operating expenses

	Year ended 30 September	
	2020	2019
	S\$'000	S\$'000
Provision for losses from onerous contract	270	1,430
Other expenses	-	18
Foreign exchange loss	560	-
	<u>830</u>	<u>1,448</u>

## 9. Expense by nature

	Year ended 30 September	
	2020	2019
	S\$'000	S\$'000
Advertising expenses	391	382
Commission fees	861	1,212
Entertainment expenses	161	220
Marketing expenses	20	6
Transportation costs	1,477	1,884
Container depot management charges	2,338	2,568
Rental expenses	21,348	59,275
Upkeep and maintenance costs	14,110	9,380
Consultancy fees	9	4
Dormitory management expenses	7,862	-
Depreciation of property, plant and equipment	8,636	6,605
Depreciation of right-of-use assets	12,234	-
Amortisation of intangible assets	68	68
Loss on disposal of property, plant and equipment	41	-
Write-off of property, plant and equipment	115	14
Professional fees	1,071	1,019
Vehicle-related expenses	66	110
Employee benefit costs	26,276	21,246
Insurance fees	620	538
IT Maintenance expenses	530	450
Printing expenses	193	185
Property management fees	409	434
Telephone expenses	311	332
Auditor's remuneration		
- Audit services	303	310
- Non-audit services	70	-
Other expenses	2,912	2,926
	<u>102,432</u>	<u>109,168</u>

## 10. Finance cost

	Year ended 30 September	
	2020	2019
	S\$'000	S\$'000
Interest expense on borrowings	1,889	1,262
Interest expense on finance leases from hire purchase arrangement	-	181
Interest expense on lease liabilities from hire purchase arrangement	186	-
Interest expense on lease liabilities from lease arrangement	3,230	-
	<u>5,305</u>	<u>1,443</u>
Less: Amount capitalised	(178)	(111)
Finance cost - net	<u>5,127</u>	<u>1,332</u>



## 11. Income Tax Expense

	Year ended 30 September	
	2020	2019
	S\$'000	S\$'000
Current income tax	4,628	665
Deferred income tax	72	331
	<hr/>	<hr/>
	4,700	996
	<hr/>	<hr/>
(Over)/Under provision in respect of prior years		
- current taxation	14	(768)
- deferred taxation	(81)	(25)
	<hr/>	<hr/>
	4,633	203
	<hr/>	<hr/>

## 12. Dividend

	Year ended 30 September	
	2020	2019
	S\$'000	S\$'000
Dividend recognised as distribution:		
- 2019 final dividend of 0.50 Singapore cents per share	2,043	-
- 2020 interim dividend of 0.25 Singapore cents per share	1,026	-
	<hr/>	<hr/>
	3,069	-
	<hr/>	<hr/>

The Board has resolved to recommend a final dividend of S\$0.01 per share for the financial year ended 30 September 2020.

## 13. Earnings per share

Basic earnings per share are calculated by dividing the profit of the Group attributable to equity holders of the Company by the weighted average number of ordinary shares deemed to be in issue during each of the years ended 30 September 2020 and 2019:

	Year ended 30 September	
	2020	2019
Net profit attributable to equity holders of the Company (S\$'000)	24,144	8,186
Weighted average number of ordinary shares ('000)	402,445	402,445
Basic earnings per share (Singapore cents)	6.00	2.03

The basic and diluted earnings per share are the same as there were no potentially dilutive securities in issue as at 30 September 2020 and 2019.

## 14. Other asset

The Group has recognised other asset in relation to the progress billing of Block 1A of Axis Residences in Cambodia in the financial year ended 30 September 2019. The other asset has been reclassified to investment properties upon the completion of the construction of the building in the third quarter of our financial year ended 30 September 2020.

## 15. Trade and other receivables

	30 September 2020 S\$'000	30 September 2019 S\$'000
Trade receivables		
- Third parties	35,857	10,445
- Related parties	196	100
- Associates	-	41
- Joint ventures	4	-
	<hr/> 36,057	<hr/> 10,586
Accrued rental income	<hr/> 252	<hr/> 962
Goods and service tax receivables	663	999
Deposits with external parties	8,232	6,202
Tax recoverable	-	656
Other receivables	844	220
	<hr/> 9,739	<hr/> 8,077
Less:		
- Impairment loss on trade receivables	(2,679)	(2,026)
- Impairment loss on other receivables	(3)	(18)
	<hr/> 43,366	<hr/> 17,581

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

	30 September 2020 S\$'000	30 September 2019 S\$'000
0 to 30 days	32,542	5,061
31 to 60 days	773	1,875
61 to 90 days	70	670
91 to 180 days	1,136	441
181 to 365 days	414	399
Over 365 days	1,122	2,140
	<hr/> 36,057	<hr/> 10,586

## 16. Share capital

	No. of shares Issued share capital	Nominal Amount Share capital S\$'000
Balance as at 1 October 2019 and 30 September 2020	<hr/> 402,445,400	<hr/> 63,407

## 17. Trade and other payables

	30 September 2020 S\$'000	30 September 2019 S\$'000
Trade payables		
- Third parties	14,146	3,899
- Associates	3	82
- Joint venture	1	-
	<hr/> 14,150	<hr/> 3,981
Contract liabilities		
- Rental received in advance	394	701
- Advances received from customers	1,766	2,533
	<hr/> 2,160	<hr/> 3,234
Other payables and accruals		
- Goods and services tax payables	1,304	660
- Provision for directors' fees	54	63
- Accruals	9,927	4,967
- Accrued rental expenses	129	4,098
- Rental deposits received from customers	10,850	15,268
- Rental deposits received from related parties	48	81
- Withholding tax	61	41
- Sundry creditors	5,018	308
- Other payables	21	34
	<hr/> 43,722	<hr/> 32,735
Less:		
- Non-current portion: other payables	(21)	(34)
<b>Total trade and other payables included in current liabilities</b>	<hr/> <hr/> 43,701	<hr/> <hr/> 32,701

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

	30 September 2020 S\$'000	30 September 2019 S\$'000
0 to 30 days	7,420	2,758
31 to 60 days	2,975	754
61 to 90 days	1,162	116
Over 90 days	2,593	353
	<hr/> 14,150	<hr/> 3,981

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

## 18. Subsequent events

The Company's indirect wholly-owned subsidiary, Coliwoo Holdings Pte. Ltd., had established a joint venture, Coliwoo East Pte. Ltd., with its joint venture partner Amber42 Pte. Ltd., with the intention to acquire a property at 40 and 42 Amber Road, Singapore, for a purchase price of S\$27 million. Please refer to the announcement dated 26 November 2020 for details.

Recently in November 2020, the Group has also been awarded a three-year carpark lease to operate and manage 33 JTC carparks with an option to extend yearly up to three years. Operations is expected to commence in January 2021 and the lease will be recognised as a right-of-use asset and lease liability in the financial year ending 30 September 2021. Please refer to the announcement dated 27 November 2020 for more details.

## Management Discussion and Analysis

### Business Review

For the financial year ended 30 September 2020 (“FY2020”), the Group recorded an increase in revenue of 20.8%, mainly due to the increase in revenue from the Residential Properties under the Space Optimisation Business, as well as the Facilities Management Business. The Group’s results for FY2020 are reported based on the adoption of IFRS 16 from 1 October 2019, which is the first annual reporting period of the Company which begins on or after the IFRS 16 effective date of 1 January 2019. Accordingly, the Group has applied the modified transition approach and has not restated comparative amounts for the year prior to first adoption. The effects of adoption of IFRS 16 on the Group’s financial statements as at 1 October 2019 is set out under note 3 of this announcement.

During FY2020, the Group faced pressure on occupancy and rental rates for its leasing business for the Industrial Properties and Commercial Properties with an average occupancy rate of approximately 85.8% and 78.6% respectively, as compared to 87.9% and 90.8%, respectively, for the financial year ended 30 September 2019 (“FY2019”).

The Group had renewed eight master leases under the Space Optimisation Business comprising three from Industrial Properties, four from Commercial Properties and one from Residential Properties. Another one new master lease was secured under the Industrial Properties.

In December 2019, the Group had successfully re-tendered for the tenancy at 1557 Keppel Road with a tenancy period of three years which includes a three years option to renew with a further option to renew for another three years. The property at 1557 Keppel Road is currently undergoing renovations and will be converted into a mixed-use development supporting commercial spaces, co-living residential apartments and recreational facilities.

The Group is also pleased to announce that our student hostel at 1A Lutheran Road, a master lease secured in September 2019 under the Residential Properties, has completed renovations and commenced operations in the first quarter of 2020.

During the second half of FY2020, the Group had also secured new contracts to manage dormitories which are expected to be over a short-term period between six to twelve months.

Our Facilities Management Business, which primarily provides integrated facilities management services and carpark management services, continues to expand further as a result of seven new car park contracts secured in Singapore and one new car park contract secured in Hong Kong during FY2020.

For the Logistics Services Business, the Group has announced the completion of acquisition of the Gul Avenue property in December 2019 which will support the future stable growth of our transportation business by providing a more stable and fixed place of operations for the transportation business.

### Industry Overview

#### *Space Optimisation Business*

Under the JTC Market Report for the industrial property market (3Q2020)<sup>1</sup>, the occupancy rate of the overall industrial property market rose slightly by 0.2 percentage points on a quarter-on-quarter basis and 0.3 percentage points on a year-on-year basis. The rise was driven by an increase in demand for storage amid a delay in new completions. However, the price and the rental index fell by 2.2% and 0.9% respectively as compared to the previous quarter; and 3.9% and 1.6% respectively as compared to a year ago.

#### *Logistics Services Business*

According to the Singapore Economic Development Board monthly manufacturing performance for September 2020, the manufacturing output of chemicals increased 0.4% year-on-year in September 2020<sup>2</sup>. The Group’s trucking business is expected to remain stable in FY2021, attributable to the Group’s competitive pricing, on-time delivery and good relationships with our customers.

As announced by the Maritime and Port Authority of Singapore, container throughput in the first half of this year has remained robust compared with the same period last year, slightly dipping to 17.8 million twenty-foot equivalent units (“TEUs”) against 18 million TEUs in the first half of last year<sup>3</sup>. In Thailand, exports are expected to slowly recover in the remaining months this year and are expected to contract by less than projected for the remainder of this year<sup>4</sup>. Nevertheless, the Group’s container depot business is expected to remain cautious in view of the business uncertainties brought about by the Covid-19 pandemic.

<sup>1</sup> [https://www.sgpc.gov.sg/media\\_releases/jtc/press\\_release/P-20201022-1](https://www.sgpc.gov.sg/media_releases/jtc/press_release/P-20201022-1)

<sup>2</sup> [https://www.edb.gov.sg/content/dam/edb/website/news-and-resources/resources/Monthly-Manufacturing-Performance-Sep%202020\\_Final.pdf](https://www.edb.gov.sg/content/dam/edb/website/news-and-resources/resources/Monthly-Manufacturing-Performance-Sep%202020_Final.pdf)

<sup>3</sup> <https://www.straitstimes.com/singapore/port-resilient-as-container-throughput-remains-robust>

<sup>4</sup> <https://www.bangkokpost.com/business/2006111/brighter-export-outlook-for-the-rest-of-the-year>

## Business Outlook

Singapore's economic performance improved in the third quarter this year as more business activities gradually resumed under the phased re-opening of the economy following the Circuit Breaker period. As announced in the press release dated 23 November 2020 issued by the Ministry of Trade and Industry Singapore<sup>5</sup>, the Singapore economy contracted by 5.8% on a year-on-year basis in the third quarter of 2020, moderating from the 13.3% contraction in the second quarter of 2020. In addition, as indicated in the MAS Monetary Policy Statement - October 2020 dated 14 October 2020<sup>6</sup>, beyond the immediate rebound, gross domestic product (GDP) growth momentum is likely to be modest against a sluggish external backdrop and the pace of expansion is expected to moderate in the quarters ahead.

Taking into consideration the challenges affecting the overall operating environment as a result of the Covid-19 pandemic worldwide and fresh hopes of a gradual economic recovery in the coming year due to the news of Covid vaccines reaching new milestones, the Group hopes to capitalise on the new norm and expects to continue to focus on its efforts to acquire new and retain existing customers in order to (i) maintain a stable occupancy rate across all its entire property portfolio; (ii) maintain a healthy utilisation rate of its logistics vehicle fleet and container depot facilities; and (iii) continue the provision of its integrated facilities management services in Singapore and the ASEAN region where the Group has business presence in while cautiously exploring new opportunities to expand its current business offerings.

Under the Space Optimisation Business, the Group is expecting to complete the asset enhancement works of its mixed-use master leased property at 1557 Keppel Road in December 2020, its joint venture industrial properties at 5 Toa Payoh in December 2020, and 202 Kallang Bahru in April 2021, thereby adding more Work+Store self-storage facilities into the Group's industrial property portfolio. These properties are expected to commence operations and contribute to the Group's income stream in the new financial year.

Following the Group's acceptance of the offer to purchase a freehold property at 320 Balestier Road, Singapore as announced on 16 September 2020, the Group also looks forward to the completion of the acquisition of the property as this will further expand its co-living space offerings for its residential properties under the Space Optimisation Business.

As announced recently, the Company's indirect wholly-owned subsidiary, Coliwoo Holdings Pte. Ltd., had established a joint venture, Coliwoo East Pte. Ltd., with its joint venture partner Amber42 Pte. Ltd., with the intention to acquire a property at 40 and 42 Amber Road, Singapore, for a purchase price of S\$27 million. Please refer to the announcement dated 26 November 2020 for details.

For the Group's overseas projects under the Space Optimisation Business, the Axis Residences property in Cambodia has commenced operations to accept residents into its 85SOHO serviced residences while the renovation of our 85SOHO business apartment cum hotel in our leased property in Nanan City, Quanzhou, Fujian Province, the People's Republic of China is almost complete and expecting to commence operations in the upcoming months.

Regarding the Group's Facilities Management Business, the Group will continue to seek more external facilities management contracts by providing integrated facilities management services covering estate and building management, repair, maintenance and cleaning, landscaping, pest control and fumigation of buildings and offices for our customers.

The Group has further expanded its Facilities Management Business under its carpark management business. It was recently awarded a three-year car park operations and management for 33 JTC carparks with option to extend yearly up to three years and is expecting to commence operations in January 2021. Please refer to the announcement dated 27 November 2020 for more details. The Group has also entered into a joint venture to acquire a carpark property at Bukit Timah Shopping Centre located at 170 Upper Bukit Timah Road, Singapore and is expecting the acquisition to be completed in December 2020. These transactions will bring the total number of carparks under its management to 74.

In addition, the Group will continue to look for more locations for its car park management business in both Singapore and Hong Kong.

For the Logistics Services Business, the Group has plans to grow its transportation fleet in Singapore and Malaysia to better support its customers who require cross border trucking. In anticipation for a gradual recovery in container traffic in the ASEAN region in the coming year, the Group will continue to cautiously expand its container depot network throughout Asia. The Group is currently preparing to commence operations for its newest container depot in Yangon, Myanmar in December 2020.

The Company will make further announcement(s) as and when there are material development(s) to the proposed acquisition of the property at 320 Balestier Road, 40 and 42 Amber, carpark at Bukit Timah Shopping Centre and the effects of the introduction of the Re-Align Framework Bill<sup>7</sup>, released by the Singapore's Ministry of Law, on the Group's Space Optimisation Business.

<sup>5</sup> [https://www.mti.gov.sg/-/media/MTI/Resources/Economic-Survey-of-Singapore/2020/Economic-Survey-of-Singapore-Third-Quarter-2020/PR\\_3Q20.pdf](https://www.mti.gov.sg/-/media/MTI/Resources/Economic-Survey-of-Singapore/2020/Economic-Survey-of-Singapore-Third-Quarter-2020/PR_3Q20.pdf)

<sup>6</sup> <https://www.mas.gov.sg/news/monetary-policy-statements/2020/mas-monetary-policy-statement-14oct20>

<sup>7</sup> <https://www.mlaw.gov.sg/news/press-releases/2020-11-02-re-align-framework>

## Financial Review

For the year ended 30 September 2020 (“FY2020”) vs year ended 30 September 2019 (“FY2019”)

### Revenue

	FY2020 S\$'000	FY2019 S\$'000	Variance	
			S\$'000	%
Industrial Properties	26,886	39,239	(12,353)	(31.5)
Commercial Properties	15,606	21,232	(5,626)	(26.5)
Residential Properties	26,985	5,319	21,666	407.3
<b>Space Optimisation Business</b>	69,477	65,790	3,687	5.6
<b>Facilities Management Business</b>	39,551	20,367	19,184	94.2
<b>Logistics Services Business</b>	25,185	24,937	248	1.0
<b>Total</b>	<b>134,213</b>	<b>111,094</b>	<b>23,119</b>	<b>20.8</b>

The Group’s revenue increased by approximately S\$23.1 million or 20.8% from approximately S\$111.1 million in FY2019 to approximately S\$134.2 million in FY2020 primarily due to the increase in revenue from the Residential Properties under the Space Optimisation Business and Facilities Management Business. The increase was partially offset by the decrease in revenue from the Industrial Properties and Commercial Properties under the Space Optimisation Business.

#### (a) Space Optimisation Business

##### Industrial Properties

Revenue derived from Industrial Properties decreased by approximately S\$12.4 million or 31.5% from approximately S\$39.2 million in FY2019 to approximately S\$26.9 million in FY2020 mainly due to (i) derecognition of revenue of approximately S\$11.4 million from subleases classified as finance lease due to the adoption of IFRS 16. The net gain, being the difference between the right-of-use asset and the net investment in sublease, was recognised to retained earnings on 1 October 2019 for existing subleases and other income in FY2020 for new subleases; and (ii) decrease in revenue from subleases of approximately S\$2.1 million was a result of four master leases which ended between the second to fourth quarters of FY2020.

The decrease in revenue was partially offset by the contribution of rental income from one new property acquired and tenanted in the second quarter of FY2019.

The average occupancy rate of the Group’s Industrial Properties decreased by 2.1 percentage points to approximately 85.8% in FY2020 as compared to 87.9% in FY2019.

##### Commercial Properties

Revenue derived from Commercial Properties decreased by approximately S\$5.6 million or 26.5% from approximately S\$21.2 million in FY2019 to approximately S\$15.6 million in FY2020 mainly due to (i) the movement of tenants due to expiry of subleases; (ii) renewal of subleases at lower rates; (iii) decrease in revenue from 1557 Keppel Road as the site was progressively undergoing renovations since the Group’s successful retender for the site in December 2019; and (iv) derecognition of revenue of approximately S\$2.0 million from subleases classified as finance lease due to the adoption of IFRS 16. The net gain, being the difference between the right-of-use asset derecognised and the net investment in sublease, was recognised to retained earnings on 1 October 2019 for existing subleases and other income in FY2020 for new subleases.

The average occupancy rate of the Group’s Commercial Properties decreased by 12.2 percentage points to approximately 78.6% in FY2020 as compared to 90.8% in FY2019.

##### Residential Properties

Revenue derived from Residential Properties increased by approximately S\$21.7 million or 407.3% from approximately S\$5.3 million in FY2019 to approximately S\$27.0 million in FY2020 mainly due to increase in (i) non-recurring revenue of approximately S\$16.1 million from the new dormitory business for services provided in the second half of FY2020; and (ii) revenue of approximately S\$6.4 million mainly from the co-living residence at 31 Boon Lay Drive Singapore, the new serviced residence project in Myanmar and our new student hostel at 1A Lutheran Road Singapore which started to generate revenue from the second quarter of FY2019, the fourth quarter of FY2019 and the second quarter of FY2020 respectively.

The increase was partially offset by a reduction of approximately S\$0.8 million in revenue contribution from the property at 150 Cantonment as no revenue was recognised in FY2020 due to the sublease being classified as a finance lease upon adoption of IFRS 16. A net gain, being the difference between the right-of-use asset derecognised and the net

investment in sublease, was recognised entirely to retained earnings on 1 October 2019. Assuming prior to adoption of IFRS 16, the revenue contribution at 150 Cantonment would have been approximately S\$4.2 million in FY2020.

## **(b) Facilities Management Business**

Revenue derived from our Facilities Management Business increased by approximately S\$19.2 million or 94.2% from approximately S\$20.4 million in FY2019 to approximately S\$39.6 million in FY2020 mainly due to increase in revenue of approximately S\$22.8 million from the increase in facilities management services provided for the new dormitory business which started to generate revenue from the third quarter of FY2020 and such contracts are expected to be over a short-term period between six to twelve months.

This was partially offset by the absence of revenue of approximately S\$3.6 million from the security services business as a result of the completion of the disposal of the security services business as disclosed in the announcement dated 31 May 2019.

## **(c) Logistics Services Business**

Revenue derived from our Logistics Services Business increased slightly by approximately S\$0.2 million or 1.0% from approximately S\$24.9 million in FY2019 to approximately S\$25.1 million in FY2020 mainly due to increase in transportation services provided from the trucking business.

## **Cost of Sales**

Cost of sales decreased by approximately S\$13.1 million or 15.7% from approximately S\$83.7 million in FY2019 to approximately S\$70.6 million in FY2020.

The decrease was mainly due to decrease in rental costs of approximately S\$37.8 million due to the adoption of IFRS 16 which resulted in the (i) recognition of depreciation of right-of-use assets which will remain in cost of sales; (ii) recognition of fair value loss on investment properties (right-of-use); and (iii) one-off derecognition of rental cost to retained earnings as a result of subleases classified as finance lease and fair value loss to retained earnings upon adoption of IFRS 16 on 1 October 2019.

The decrease was partially offset by the increase in (i) depreciation of right-of-use assets of approximately S\$12.1 million; (ii) dormitory management expenses of approximately S\$7.9 million; and (iii) upkeep and maintenance costs of approximately S\$4.7 million mainly from the Facilities Management Business in line with the increase in revenue.

## **Gross Profit**

In view of the above mentioned, gross profit increased by approximately S\$36.2 million from approximately S\$27.4 million in FY2019 to approximately S\$63.6 million in FY2020.

## **Other Income**

Other income increased by approximately S\$12.1 million or 241.2% from approximately S\$5.0 million in FY2019 to approximately S\$17.1 million in FY2020 mainly due to the increase in (i) gains from subleases of approximately S\$6.9 million upon the adoption of IFRS 16 which were derived based on differences between the right-of-use asset derecognised and the net investment in sublease; (ii) interest income of approximately S\$1.3 million mainly arising from the interest charged on lease receivables upon the adoption of IFRS 16; (iii) job support scheme of approximately S\$1.8 million; (iv) net rental rebates received of approximately S\$2.9 million mainly for the carpark business division; and (v) miscellaneous income such as forfeiture of tenants' deposit due to early termination of leases of approximately S\$1.2 million.

These were partially offset by the (i) absence of foreign exchange gain of approximately S\$0.6 million recognised in FY2019; and (ii) non-recurring gain on disposal of our security services business of approximately S\$1.4 million which was completed and recognised in May 2019.

## **Other Operating Expenses**

Other operating expenses increased by approximately S\$1.5 million or 88.7% from approximately S\$1.7 million in FY2019 to approximately S\$3.2 million in FY2020 mainly due to (i) foreign exchange losses of approximately S\$0.6 million in FY2020; and (ii) increase in impairment losses on receivables of approximately S\$2.1 million under the Space Optimisation Business comprising approximately S\$1.0 million from trade receivables and S\$1.1 million from lease receivables due to uncertainty on the recoverability. These were partially offset by the decrease in provision of losses from onerous contracts of approximately S\$1.2 million under the Industrial Properties for which the costs to meet the obligations are expected to exceed the economic benefits to be received under them as a result of the expiry of a master lease in relation to such contracts in FY2020.

## **Selling and Distribution Expenses**

Selling and distribution expenses decreased by approximately S\$0.4 million or 21.3% from approximately S\$1.8 million in FY2019 to approximately S\$1.4 million in FY2020 mainly due to decrease in real estate agent commission expenses of approximately S\$0.4 million under the Space Optimisation Business.

## Administrative Expenses

Administrative expenses increased by approximately S\$6.8 million or 28.6% from approximately S\$23.7 million in FY2019 to approximately S\$30.4 million in FY2020 mainly due to increase in (i) depreciation of property, plant and equipment of approximately S\$1.4 million mainly arising from the Residential Properties; (ii) staff costs of approximately S\$5.2 million which is in line with the increase in revenue from the Residential Properties and Facilities Management Business; and (iii) miscellaneous expenses of approximately S\$0.2 million.

## Finance Cost

Finance cost increased by approximately S\$3.8 million or 284.9% from approximately S\$1.3 million in FY2019 to approximately S\$5.1 million in FY2020 mainly due to (i) increased interest expenses of approximately S\$0.6 million due to the increase in bank borrowings; and (ii) interest expenses on lease liabilities of approximately S\$3.2 million as a result of the adoption of IFRS 16.

## Share of Results of Associates and Joint Ventures

Share of results of associates and joint ventures decreased by approximately S\$4.0 million or 87.7% from approximately S\$4.5 million in FY2019 to approximately S\$0.5 million in FY2020 mainly due to a net fair value gain on investment properties of approximately S\$3.1 million in FY2019 as compared to a net fair value loss on investment properties of approximately S\$1.3 million in FY2020. This was partially offset by the increase of approximately S\$0.4 million in share of operating profits from approximately S\$1.4 million in FY2019 to approximately S\$1.8 million in FY2020.

## Fair Value (Loss)/Gain on Investment Properties

Fair value gain on investment properties was approximately S\$0.5 million in FY2019 as compared to fair value loss on investment properties of approximately S\$11.8 million in FY2020. The fair value loss on investment properties in FY2020 arose mainly from (i) net valuation loss of approximately S\$2.2 million comprising fair value loss of S\$3.5 million from our industrial properties in Singapore offset by a fair value gain of S\$1.3 million from our residential property in Cambodia; and (ii) our investment properties (right-of-use) of approximately S\$9.6 million which was recognised as a result of the adoption of IFRS 16.

## Profit before Income Tax

As a result of the aforementioned, the Group's profit before income tax increased by approximately S\$20.4 million or 228.5% from approximately S\$8.9 million in FY2019 to approximately S\$29.3 million in FY2020.

## Income Tax Expense

Income tax expenses increased by approximately S\$4.4 million from approximately S\$0.2 million in FY2019 to approximately S\$4.6 million in FY2020 mainly due to higher taxable profit.

## Profit for the Year

As a result of the above, the Group's net profit increased by approximately S\$16.0 million or 183.0% from approximately S\$8.7 million in FY2019 to approximately S\$24.7 million in FY2020.

## Review of Statement of Financial Position

### Non-current assets

Non-current assets increased by approximately S\$98.6 million from approximately S\$136.2 million as at 30 September 2019 to approximately S\$234.8 million as at 30 September 2020 mainly due the factors as set out below:

Property, plant and equipment ("PPE") increased by approximately S\$9.7 million due to additions amounting to approximately S\$23.7 million mainly for renovation costs for our new student hostel project in Singapore and hotel project in China under the Space Optimisation Business and the purchase of property at 7 Gul Avenue, Singapore under the Logistics Services Business. This was partially offset by (i) depreciation of PPE of approximately S\$8.6 million; (ii) the net derecognition of PPE of approximately S\$4.8 million to retained earnings on 1 October 2019 upon the adoption of IFRS 16; and (iii) PPE written off and disposal of approximately S\$0.4 million.

Investment properties increased by approximately S\$48.3 million mainly due to (i) additions of investment properties (right-of-use) of approximately S\$50.6 million upon the adoption of IFRS 16, partially offset by fair value loss of approximately S\$9.6 million, derecognition of investment properties (right-of-use) to net investment in subleases of approximately S\$6.6 million; (ii) transfer from other asset of approximately S\$16.7 million upon the completion of construction of Axis Residences property. These were partially offset by (i) fair value loss of approximately S\$2.2 million; and (ii) foreign currency translation loss of approximately S\$0.6 million.

Right-of-use assets of approximately S\$28.3 million was recognised due to adoption of IFRS 16.



Lease receivables of approximately S\$26.1 million was recognised due to the recognition of receivables from subleases upon adoption of IFRS 16.

The increase in non-current assets was partially offset by an amount of approximately S\$13.8 million comprising (i) a decrease in financial assets, at fair value through other comprehensive income (“FVOCI”) of approximately S\$0.5 million mainly from the disposal of one financial asset, at FVOCI of approximately S\$0.3 million and fair value loss of another of S\$0.7 million through other comprehensive income. These were offset by additional investment of S\$0.5 million in a company principally engaged in the provision of storage solutions; (ii) a decrease in other asset of approximately S\$12.7 million which was transferred to investment property as abovementioned; (iii) a decrease in investment in associates of approximately S\$0.1 million; (iv) a decrease in deferred tax assets of approximately S\$0.3 million; and (v) a decrease in prepayment of approximately S\$0.2 million.

## **Current assets**

Current assets increased by approximately S\$58.2 million from approximately S\$50.7 million as at 30 September 2019 to approximately S\$108.9 million as at 30 September 2020 mainly due to the factors as set out below.

Trade and other receivables increased by approximately S\$25.8 million mainly due to (i) increase in trade receivables of approximately S\$25.4 million mainly from our new dormitory business; (ii) increase in other receivables of approximately S\$1.0 million which was largely due to the deposit paid for the purchase of property at 320 Balestier Road, Singapore; and (ii) increase in allowance for impairment of trade receivables of approximately S\$0.6 million.

Grant receivables of approximately S\$1.1 million relating to job support scheme to be received from the Singapore Government.

Loans to joint ventures increased by approximately S\$2.5 million mainly for the partial payment of acquisition of industrial properties in Singapore under Work Plus Store (Kallang Bahru) Pte. Ltd. and Motorway Automotive Pte. Ltd. of approximately S\$4.6 million. This was partially offset by the repayment of loan from our other joint venture companies of approximately S\$2.1 million.

Lease receivables of approximately S\$17.1 million was recognised due to the recognition of receivables from subleases upon adoption of IFRS 16.

Prepayments decreased by approximately S\$1.5 million mainly due to amortisation of rental expense in FY2020.

Cash and bank balances and fixed deposits increased by approximately S\$13.1 million.

## **Non-current liabilities**

Non-current liabilities increased by approximately S\$79.7 million from approximately S\$46.3 million as at 30 September 2019 to approximately S\$126.0 million as at 30 September 2020 mainly due to the factors as set out below.

Bank borrowings increased by approximately S\$14.9 million mainly for the (i) purchase of property at 7 Gul Avenue under our Logistics Services Business; (ii) payment for our property in Cambodia; and (iii) renovation costs for our residential property in Singapore.

Lease liabilities of approximately S\$66.2 million was recorded due to the adoption of IFRS 16 which includes the recognition of liabilities payable to landlords for lease arrangements of approximately S\$63.6 million and one-off reclassification from finance lease liabilities of approximately S\$3.5 million less repayment of approximately S\$0.9 million during FY2020.

Deferred tax liabilities increased by approximately S\$3.0 million mainly due to recognition of tax liabilities arising from net investment in subleases upon adoption of IFRS 16 on 1 October 2019.

These were partially offset by the decrease in provisions of approximately S\$0.9 million mainly due to the one-off reclassification of provision for onerous contract under the Industrial Properties to right-of-use assets due to adoption of IFRS 16 of approximately S\$0.4 million and reclassification of provision of reinstatement cost from non-current liabilities to current liabilities of approximately S\$0.5 million.

In addition, finance lease liabilities of approximately S\$3.5 million has been reclassified to lease liabilities due to the adoption of IFRS 16.

## **Current liabilities**

Current liabilities increased by approximately S\$50.4 million from approximately S\$43.8 million as at 30 September 2019 to approximately S\$94.2 million as at 30 September 2020 mainly due to the factors as set out below.

Trade and other payables increased by approximately S\$11.0 million largely due to increase in (i) trade payables of approximately S\$10.2 million relating to the dormitory business and slower payment to suppliers; and (ii) other payables of approximately S\$0.8 million mainly arising from rental rebates payable to tenants.

Deferred grant income of approximately S\$0.9 million relates to grant income to be recognised from job support scheme.

Bank borrowings increased by approximately S\$3.7 million mainly for the (i) purchase of property at 7 Gul Avenue under our Logistics Services Business; (ii) payment for our property in Cambodia; and (iii) renovation costs for our residential property in Singapore.

Lease liabilities of approximately S\$33.2 million was recorded due to the adoption of IFRS 16 which includes the recognition of liabilities payable to landlords for lease arrangements of approximately S\$31.2 million and one-off reclassification from finance lease liabilities of approximately S\$2.2 million less repayment of approximately S\$0.2 million during FY2020.

Current tax payable increased by approximately S\$4.1 million mainly due to income tax provision for FY2020.

The increase in current liabilities was partially offset by a decrease in (i) finance lease liabilities of approximately S\$2.2 million which has been reclassified to lease liabilities due to the adoption of IFRS 16; and (ii) provisions of approximately S\$0.4 million mainly due to the decrease in provision for onerous contract under the Industrial Properties of approximately S\$1.0 million, partially offset by the reclassification of provision of reinstatement cost from non-current liabilities to current liabilities of approximately S\$0.5 million.

## Review of Statement of Cash Flows

In FY2020, the Group recorded net cash generated from operating activities of approximately S\$48.6 million, which was a result of operating profit before changes in working capital of approximately S\$60.9 million, increase in trade and other receivables of approximately S\$27.6 million and increase in trade and other payables of approximately S\$15.2 million, adjusted for net income tax refunded of approximately S\$0.1 million.

Net cash used in investing activities amounted to approximately S\$10.5 million, which was mainly due to (i) additions to PPE of approximately S\$22.5 million for renovation costs paid for our new student hostel project at 1A Lutheran Road in Singapore and residential project in China under the Space Optimisation Business and purchase of property at 7 Gul Avenue under the Logistics Services Business; (ii) loans to joint ventures of approximately S\$2.9 million mainly for the acquisition of industrial properties and working capital; (iii) cash paid on acquisition of joint ventures of approximately S\$0.6 million; (iv) additions to investment property of approximately S\$3.9 million; and (v) additions to financial assets, at FVOCI of approximately S\$0.4 million. These were partially offset by (i) receipts from lease receivables of approximately S\$16.6 million; (ii) interest received from lease receivables of approximately S\$1.3 million; (iii) dividend received from associate of approximately S\$0.6 million; (iv) proceeds received from disposal of PPE of approximately S\$0.3 million; (v) proceeds received from disposal of financial assets, at FVOCI of approximately S\$0.3 million; and (vi) interest received of approximately S\$0.6 million.

Net cash used in financing activities amounted to approximately S\$20.2 million, which were due to (i) repayment of lease liabilities of approximately S\$35.6 million; (ii) repayment of bank borrowings of approximately S\$9.6 million; (iii) interest expense paid of approximately S\$5.2 million; and (iv) dividend paid of approximately S\$3.1 million. These were partially offset by (i) proceeds from bank borrowings of approximately S\$28.7 million for the acquisition of property at 7 Gul Avenue and renovation loans for our Space Optimisation Business; and (ii) decrease in pledged fixed deposits of approximately S\$4.7 million due to the release of charges by bankers.

As a result of the above, cash and cash equivalents increased by approximately S\$17.9 million, amounting to approximately S\$39.1 million as at 30 September 2020.

## Liquidity and Financial Resources

During FY2020, the Group financed its operations primarily through a combination of cash flow generated from our operations, bank borrowings, finance leases and proceeds from the listing of the Company's shares on the Main Board of the SEHK on 29 December 2017 (the "**HK Listing**").

The Group primarily obtained bank borrowings to finance its acquisition of properties and logistics equipment. The Group also had revolving loans for its short-term finance needs. The Group's borrowings as at 30 September 2020 were denominated in Singapore dollars, United States dollars and Renminbi with interest charged on these borrowings ranging from 1.75% to 6.00% per annum. As at 30 September 2020, the Group had outstanding bank borrowings of S\$66.7 million. These borrowings were secured by (i) legal mortgage of the Group's leasehold properties at 72 Eunos Avenue 7, 100 Eunos Avenue 7, 71 Lorong 23 Geylang (the "**Geylang Property**"), 7 Gul Avenue and Axis Residences in Cambodia; (ii) corporate guarantees provided by the Group; (iii) assignment of rental proceeds of the mortgaged properties; and (iv) personal guarantees provided by directors and shareholders of certain non-wholly owned subsidiaries of the Company, who are not controlling shareholders of the Company (the "**Subsidiaries Directors**"), where applicable.

As at 30 September 2020, cash and cash equivalents held by the Group were mainly cash in the banks and on hand denominated in SGD, HKD, IDR, RMB and THB and deposits denominated in SGD that are readily convertible into cash.

## Gearing Ratio

Gearing ratio is equal to interest-bearing debt divided by total capital and multiplied by 100%. Total capital is calculated as interest-bearing debt plus total equity. Gearing ratio as at 30 September 2020 was 57.3%, increased from 35.7% as at 30 September 2019 primarily due to increase in debts as at 30 September 2020 mainly from lease liabilities and the purchase of the Gul Avenue property.

## Lease Liabilities

Since 1 October 2019, the Group has adopted IFRS 16 “Leases” (“IFRS 16”) without restating comparatives as permitted under the standard. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rental are recognised. The only exceptions are short-term and low-value leases. For details of impact of the adoption of IFRS 16, please refer to Note 3 of this announcement.

As at 30 September 2020, the Group had lease liabilities of S\$99.4 million in respect of the Group’s leased properties, plant and machinery, logistics equipment and motor vehicles. Certain lease liabilities of the Group are secured by the underlying assets of certain plant and machinery, logistics equipment and motor vehicles, personal guarantees provided by the Subsidiaries Directors and corporate guarantees provided by the Group.

## Capital Commitment

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

	30 September 2020 S\$’000	30 September 2019 S\$’000
Investment properties	-	5,201
Property, plant and equipment	4,948	5,541
	<u>4,948</u>	<u>10,742</u>

## Capital Expenditure

During FY2020, the Group’s capital expenditure consists of additions to property, plant and equipment and investment properties amounting to approximately S\$27.7 million for the renovation costs for our Space Optimisation Business, purchase of logistics equipment, purchase of the 7 Gul Avenue property and additions to Block 1A of Axis Residences in Cambodia (FY2019: approximately S\$48.5 million).

## Contingent Liabilities

As at 30 September 2020, the Group did not have any material contingent liabilities.

## Material Acquisitions and Disposals of Subsidiaries, Associates and Joint Ventures

The Company’s indirect wholly-owned subsidiary, WPS KB Pte. Ltd., had established a joint venture, Work Plus Store (Kallang Bahru) Pte. Ltd., with its joint venture partner W&S Flexi Pte. Ltd., with the intention to acquire an industrial property located at 202 Kallang Bahru Singapore 339339 in November 2019. The consideration of S\$17 million plus GST has been paid in full to the seller and the acquisition of this property has been completed on 4 February 2020. This property is intended to be used for self-storage with automated retrieval cum logistics activities and ancillary office. Please refer to the announcements of the Company dated 19 November 2019, 10 December 2019, 7 January 2020 and 4 February 2020, and the circular dated 24 January 2020 for details.

The Company’s indirect wholly-owned subsidiary, WPS (TPY) Pte. Ltd., had established a joint venture, Motorway Automotive Pte. Ltd., with its joint venture partner Lion City Rentals Pte. Ltd., with the intention to acquire an industrial property located at 5 Toa Payoh West Singapore 318877 in June 2020. The consideration of S\$3.2 million plus GST has been paid in full to the seller and the acquisition of this property has been completed on 11 June 2020. This property is intended to be used as storage of cars, spare parts, vehicle inspection (without servicing and repair activities) and ancillary office and any other usages as approved by JTC. Please refer to the announcements of the Company dated 3 June 2020 and 11 June 2020 for details.

The Company’s indirect wholly-owned subsidiary, LHN Parking (GMT) Pte. Ltd., had established a joint venture, Metropolitan Parking (BTSC) Pte. Ltd., with its joint venture partners GMT Private Limited and SM Venture Pte Ltd, with the intention to acquire a carpark at Bukit Timah Shopping Centre located at 170 Upper Bukit Timah Road, Singapore. As at 23 September 2020, the joint venture company has entered into the option to purchase the carpark. Please refer to the announcement of the Company dated 23 September 2020 for details.

Save as disclosed in this announcement, there was no material acquisition and disposal of subsidiaries, associates and joint ventures for FY2020.

## Guarantee Performance in relation to the Acquisitions

The Group did not enter into any acquisition, which is required to be disclosed under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “HK Listing Rules”), that the party in contract required to commit or guarantee on the financial performance in any kinds for FY2020.

## **Significant Investment**

Except for investments in subsidiaries, associates and joint ventures, the Group did not hold any significant investment in equity interest in any other company for FY2020.

## **Off-balance Sheet Arrangements**

For FY2020, the Group did not have any off-balance sheet arrangements.

## **Securities Investments**

The Group did not have any securities investment in any investee company with a value of 5% or more of the total assets of the Group as at 30 September 2020, which is required to be disclosed under the HK Listing Rules.

## **Future Plans for Material Investment and Capital Assets**

Save as disclosed in the prospectus of the Company dated 15 December 2017 and this announcement, the Group did not have any other plans for material investment and capital assets as at 30 September 2020.

## **Exposure to Fluctuations in Exchange Rates**

The Group mainly operates in Singapore, Indonesia, Thailand, Myanmar, Malaysia, Hong Kong and Cambodia during FY2020. Currency exposure arises within entities of the Group when transactions are mainly denominated in foreign currencies such as United States dollars (“**USD**”), Indonesian Rupiah (“**IDR**”), Hong Kong dollars (“**HK\$**”) and Thai Baht (“**THB**”). In addition, the Group is exposed to currency translation risk upon translation of the net assets in foreign operations into the Group’s reporting currency in SGD. During FY2020, the Group recorded an exchange loss of S\$560,000.

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

## **Employees and Remuneration Policies**

As at 30 September 2020, there were 633 (as at 30 September 2019: 370) employees in the Group. The remuneration to its employees includes salaries and allowances, which is determined based on their performance, experience and prevailing industry practices. The compensation policies and packages are reviewed on a regular basis.

## **Significant Event after the Reporting Period**

Saved as disclosed in this announcement, there was no significant event relevant to the business or financial performance of the Group that has come to the attention of the Directors after FY2020.

## **Issue of Securities and Share Capital**

During FY2020, there has been no change to the Shares in issue and capital structure of the Company.

## **Use of Proceeds from Initial Public Offering**

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

The following table sets out the breakdown of the use of proceeds from the Dual Listing as at the date of this announcement:

S/N	Purpose of Net Proceeds	Amount Allocated HK\$'000	Amount Utilised HK\$'000	Balance HK\$'000
1	Expansion of our space optimisation business by acquiring a new property in Singapore	26,815	26,815	-
2	Acquiring a property in Singapore for our logistics services management business	10,611	10,611	-
3	Set out our first operation in the PRC	1,776	1,776	-
4	General working capital	4,439	4,439	-
5	Acquiring transportation equipment for our logistics services business	755	755	-
	<b>Total</b>	<b>44,396</b>	<b>44,396</b>	<b>-</b>

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

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

Approximately HK\$10.6 million (equivalent to S\$1.8 million) allocated for the acquisition of property of a property in Singapore for our logistics services management business had been utilised as the partial payment for 7 Gul Avenue property acquisition, as announced by the Company on 27 December 2019.

Approximately HK\$1.8 million (equivalent to S\$0.3 million) allocated for the set-up of our first operation in the PRC had been utilised as the partial payment for the renovation costs of the leased property.

The above utilisations are in accordance with the intended use of the Net Proceeds and percentage allocated, as stated in the Company's prospectus for the global offering dated 15 December 2017. The Company has fully utilised all of the Net Proceeds as at the date of this announcement.

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

During FY2020, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

### Proposed Final Dividend

The Board has recommended the payment of a final dividend of S\$0.01 (equivalent to HK\$0.0579) per ordinary share for FY2020. The proposed dividend payment is subject to approval by the shareholders of the Company (the "Shareholders") at the annual general meeting to be held on Friday, 29 January 2021 (the "AGM") at 10:00 a.m. (Singapore Time). Subject to Shareholders' approval at the upcoming AGM, the proposed final dividend will be paid on Monday, 22 February 2021, to the Shareholders whose names shall appear on the register of members of the Company on Monday, 8 February 2021.

### Corporate Governance

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

In the opinion of the Directors, the Company had complied with the HK CG Code and SG CG Code during FY2020 except for code provision A.2.1 under the HK CG Code. Under code provision A.2.1 of the HK CG Code, the roles of chairman and chief executive should be separate and should not be performed by the same individual. The Group does not have the role of chief executive officer but has the role of managing Director, which is responsible for the day-to-day management of business and currently performed by Mr. Lim Lung Tieng ("Mr. Kelvin Lim"), who is also the executive chairman of the Board. Throughout the Group's business history, Mr. Kelvin Lim has held the key leadership position of the Group since 1998 and has been deeply involved in the formulation of corporate strategies and management of business and operations of the Group. Taking into account the consistent leadership within the Group and in order to enable more effective and efficient overall strategic planning and continuation of the implementation of such plans, the Directors (including the independent non-executive Directors) consider that Mr. Kelvin Lim is the best candidate for both positions and the present arrangements are beneficial and in the interests of the Group and our shareholders as a whole.

## **Model Code of securities transactions by directors**

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

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

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

The Company confirms that specific enquiry has been made to all the Directors and the Relevant Employees and all have confirmed that they have complied with the Model Code during FY2020.

## **Audit Committee**

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

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

The Audit Committee has reviewed the consolidated results of the Group for FY2020 and is of the opinion that such results complied with the applicable accounting standards, the requirements under the HK Listing Rules and other applicable legal requirements, and that adequate disclosures had been made.

## **Scope of work of PricewaterhouseCoopers**

The figures in respect of the Group’s consolidated statement of financial position, consolidated statement of profit or loss, consolidated statement of comprehensive income, and the related notes thereto for the year ended 30 September 2020 as set out in this announcement have been agreed by the Group’s auditor, PricewaterhouseCoopers LLP, to the amounts set out in the Group’s audited consolidated financial statements for the reporting year. The work performed by PricewaterhouseCoopers LLP in this respect did not constitute an assurance engagement in accordance with International Standards on Auditing, International Standards on Review Engagements or International Standards on Assurance Engagements issued by the International Auditing and Assurance Standards Board (“**IAASB**”) and consequently no assurance has been expressed by PricewaterhouseCoopers LLP on this announcement.

## **Public Float**

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

## **Annual General Meeting**

The annual general meeting of the Company (the “**AGM**”) will be held on 29 January 2021 (Friday). The notice of the AGM will be published on the website of SEHK ([www.hkexnews.hk](http://www.hkexnews.hk)), SGX-ST ([www.sgx.com](http://www.sgx.com)) and the website of the Company ([www.lhngroup.com](http://www.lhngroup.com)), and will also be sent to the Shareholders, together with the Company’s annual report, in due course.

## **Closure of Register of Members**

### ***For determining the entitlement to attend and vote at the AGM***

#### For Shareholders in Singapore

The Share Transfer Books and Register of Members of the Company will be closed at **5:00 p.m. on Tuesday, 26 January 2021** for the purpose of determining shareholders’ entitlements to attend the AGM. Duly completed registrable transfers in respect of the Shares received by the Company’s Singapore principal share registrar, Boardroom Corporate & Advisory Services Pte. Ltd., at 50 Raffles Place #32-01 Singapore Land Tower, Singapore 048623 up to **5:00 p.m. on Monday, 25 January 2021** will be registered to determine shareholders’ entitlements to attend the AGM.

#### For Shareholders in Hong Kong

The branch register of members of the Company in Hong Kong will be closed from **Tuesday, 26 January 2021 to Friday, 29 January 2021** (both days inclusive), during which period no transfer of Shares of the Company will be registered in Hong Kong. In order to determine shareholders' entitlements to attend and vote at the AGM, all share transfers in Hong Kong, accompanied by the relevant share certificates, must be lodged with the Company's Hong Kong branch share registrar, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong no later than **4:30 p.m. on Monday, 25 January 2021**.

For the purpose of determination of shareholders registered under the Singapore principal register of members and the Hong Kong branch register of members of the Company, all necessary documents, remittances accompanied by the relevant share certificates in respect of removal of Shares between the two (2) register of members, must be submitted no later than **5:00 p.m. and 4:30 p.m. on Monday, 18 January 2021** to the Company's Singapore principal share registrar, Boardroom Corporate & Advisory Services Pte. Ltd., at 50 Raffles Place, #32-01 Singapore Land Tower, Singapore 048623 (for Singapore shareholders) and the Company's Hong Kong branch share registrar, Tricor Investor Services Limited, Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong (for Hong Kong shareholders), respectively.

#### ***For determining the entitlement to the Proposed Final Dividend***

#### For Shareholders in Singapore

The Share Transfer Books and Register of Members of the Company will be closed at **5:00 p.m. on Monday, 8 February 2021** for the purpose of determining shareholders' entitlements to the proposed final dividend. Duly completed registrable transfers in respect of the Shares received by the Company's Singapore principal share registrar, Boardroom Corporate & Advisory Services Pte. Ltd., at 50 Raffles Place #32-01 Singapore Land Tower, Singapore 048623 up to **5:00 p.m. on Monday, 8 February 2021** will be registered to determine shareholders' entitlements to the proposed final dividend.

#### For Shareholders in Hong Kong

The branch register of members of the Company in Hong Kong will be closed between **Tuesday, 9 February 2021 and Wednesday, 10 February 2021** (both days inclusive), during which period no transfer of Shares of the Company will be registered in Hong Kong. In order to determine shareholders' entitlements to the proposed final dividend, all share transfers in Hong Kong, accompanied by the relevant share certificates, must be lodged with the Company's Hong Kong branch share registrar, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong no later than **4:30 p.m. on Monday, 8 February 2021**.

For the purpose of determination of shareholders registered under the Singapore principal register of members and the Hong Kong branch register of members of the Company, all necessary documents, remittances accompanied by the relevant share certificates in respect of removal of Shares between the two (2) register of members, must be submitted no later than **5:00 p.m. and 4:30 p.m. on Monday, 1 February 2021** to the Company's Singapore principal share registrar, Boardroom Corporate & Advisory Services Pte. Ltd., at 50 Raffles Place, #32-01 Singapore Land Tower, Singapore 048623 (for Singapore shareholders) and the Company's Hong Kong branch share registrar, Tricor Investor Services Limited, Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong (for Hong Kong shareholders), respectively.

#### **Publication of Financial Information**

The annual results announcement for FY2020 is published on the website of SEHK ([www.hkexnews.hk](http://www.hkexnews.hk)), SGX-ST ([www.sgx.com](http://www.sgx.com)) and the website of the Company ([www.lhngroup.com](http://www.lhngroup.com)). The annual report of the Company for FY2020 will be despatched to shareholders of the Company and published on the above websites in due course.

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

Singapore, 27 November 2020

*As at the date of this announcement, the Board comprises Mr. Lim Lung Tieng and Ms. Lim Bee Choo as executive Directors of the Company; and Ms. Ch'ng Li-Ling, Mr. Yong Chee Hiong and Mr. Chan Ka Leung Gary as independent non-executive Directors of the Company.*