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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 INTERIM RESULTS
FOR THE SIX MONTHS ENDED 31 MARCH 2020**

FINANCIAL HIGHLIGHTS

	For the six months ended 31 March		Change %
	2020	2019	
	S\$'000	S\$'000	
Revenue	51,619	53,599	(3.7)
Gross Profit	21,916	12,177	80.0
Profit for the period and attributable to owners of the Company	3,176	2,815	12.8
Basic earnings per share (Singapore cents)	0.79	0.70	12.9

* For identification purpose only

INTERIM RESULTS

The board (the “Board”) of directors (the “Directors”) of LHN Limited (the “Company”) hereby announces the interim condensed consolidated results of the Company and its subsidiaries (collectively referred to as the “Group”) for the six months ended 31 March 2020, together with the comparative figures for the six months ended 31 March 2019. The Group’s interim results for the six months ended 31 March 2020 are unaudited, but have been reviewed by the audit committee of the Company (the “Audit Committee”).

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

FOR THE SIX MONTHS ENDED 31 MARCH 2020

	Note	2020 (unaudited) S\$'000	2019 (unaudited) S\$'000
Revenue	6	51,619	53,599
Cost of sales	9	(29,703)	(41,422)
Gross profit		21,916	12,177
Other income	7	2,757	1,806
Other operating expenses	8	(641)	(190)
Selling and distribution expenses	9	(751)	(676)
Administrative expenses	9	(13,185)	(11,173)
Finance cost	10	(2,576)	(569)
Share of results of associates and joint ventures, net of tax		579	1,953
Fair value losses on investment properties		(4,317)	-
Profit before income tax		3,782	3,328
Income tax expense	11	(315)	(232)
Profit for the period		3,467	3,096
Other comprehensive (loss)/income			
<u>Item that will be reclassified subsequently to profit or loss</u>			
Currency translation differences arising from consolidation		(26)	27
<u>Item that will not be reclassified subsequently to profit or loss</u>			
Financial assets, at FVOCI			
- Fair value gain – equity investment		13	-
Share of other comprehensive income of joint venture		4	14
Other comprehensive (loss)/income		(9)	41
Total comprehensive income for the period		3,458	3,137
Profit attributable to:			
Equity holders of the Company		3,176	2,815
Non-controlling interests		291	281
Profit for the period		3,467	3,096
Total comprehensive income attributable to:			
Equity holders of the Company		3,184	2,854
Non-controlling interests		274	283
Total comprehensive income for the period		3,458	3,137
Earnings per share for profit attributable to equity holders of the Company			
Basic and diluted (cents)	13	0.79	0.70

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2020

		31 March 2020 (unaudited) S\$'000	30 September 2019 (audited) S\$'000
	<i>Note</i>		
ASSETS			
Non-current assets			
Property, plant and equipment		48,396	37,435
Investment properties		108,044	67,309
Right-of-use assets		34,614	-
Intangible assets		74	108
Financial assets, at FVOCI		700	492
Investment in associates		271	306
Investment in joint ventures		18,069	17,215
Deferred tax assets		159	341
Long-term prepayments		188	322
Lease receivables		27,770	-
Other asset	14	13,245	12,709
		<u>251,530</u>	<u>136,237</u>
Current assets			
Inventories		47	3
Trade and other receivables	15	16,834	17,581
Loans to joint ventures		5,828	2,432
Prepayments		3,124	3,338
Lease receivables		15,223	-
Cash and bank balances		18,140	18,218
Fixed deposits		4,991	9,135
		<u>64,187</u>	<u>50,707</u>
TOTAL ASSETS		<u>315,717</u>	<u>186,944</u>
EQUITY			
Capital and Reserves			
Share capital	16	63,407	63,407
Reserves		39,631	31,936
		<u>103,038</u>	<u>95,343</u>
Non-controlling interests		1,690	1,537
TOTAL EQUITY		<u>104,728</u>	<u>96,880</u>
LIABILITIES			
Non-current liabilities			
Deferred tax liabilities		3,229	533
Other payables	17	20	34
Provisions		53	1,091
Finance lease liabilities		-	3,476
Bank borrowings		49,905	41,134
Lease liabilities		79,834	-
		<u>133,041</u>	<u>46,268</u>
Current liabilities			
Trade and other payables	17	28,200	32,701
Provisions		1,622	1,466
Finance lease liabilities		-	2,157
Bank borrowings		11,923	7,009
Lease liabilities		35,246	-
Current income tax liabilities		957	463
		<u>77,948</u>	<u>43,796</u>
TOTAL LIABILITIES		<u>210,989</u>	<u>90,064</u>
TOTAL EQUITY AND LIABILITIES		<u>315,717</u>	<u>186,944</u>

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW
FOR THE SIX MONTHS ENDED 31 MARCH 2020**

	2020 (unaudited) S\$'000	2019 (unaudited) S\$'000
Cash flows from operating activities:		
Profit before income tax	3,782	3,328
Share of results of associates and joint ventures, net of tax	(579)	(1,953)
Adjustments for:		
Amortisation of intangible assets	34	34
Depreciation of property, plant and equipment	4,246	2,978
Depreciation of Right-of-use assets	5,964	-
Loss/(gain) on disposal of property, plant and equipment	39	(84)
Property, plant and equipment written off	39	7
Fair value losses on investment properties	4,317	-
Gain from net investment in subleases	(433)	-
Bad and doubtful debts	197	171
Provision for losses from onerous contract	270	-
Finance income	(759)	(183)
Finance cost	2,576	569
Operating profit before working capital changes	19,693	4,867
Changes in working capital:		
- Inventories	(44)	(49)
- Trade and other receivables	(388)	(1,265)
- Trade and other payables	(1,683)	1,351
Cash generated from operations	17,578	4,904
Interest expenses paid	-	(2)
Income tax paid	(414)	(790)
Income tax refunded	825	905
Net cash generated from operating activities	17,989	5,017
Cash flows from investing activities:		
Additions to property, plant and equipment	(19,602)	(7,399)
Additions to investment properties	(21)	(18,833)
Purchase of financial assets, at FVOCI	-	(42)
Additions to other asset	(128)	(8,487)
Cash outflow on acquisition of joint venture	(500)	-
Proceeds from disposal of property, plant and equipment	253	84
Disposal of financial assets, at FVOCI	330	-
(Loans to)/repayment from joint ventures, net	(3,525)	4,320
Dividend from associate	264	98
Interest received	213	42
Net cash used in investing activities	(22,716)	(30,217)
Cash flows from financing activities:		
Repayment of finance lease	(1,127)	(987)
Decrease/(increase) in fixed deposits - pledged	4,710	(33)
Proceeds from bank borrowings	17,761	28,137
Repayment of bank borrowings	(3,729)	(5,342)
Repayment of lease liabilities	(15,731)	-
Refund of capital to non-controlling shareholder	(1)	-
Receipts from lease receivables	7,472	-
Interest received from lease receivables	658	-
Interest expenses paid	(2,612)	(565)
Dividend paid	(2,043)	-
Dividend paid to non-controlling shareholder	(120)	-
Net cash generated from financing activities	5,238	21,210
 Net increase/(decrease) in cash and cash equivalents	 511	 (3,990)
Cash and cash equivalents at beginning of period	21,300	20,667
Effect of currency translation on cash and cash equivalents	(23)	15
Cash and cash equivalents at end of period	21,788	16,692

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW
FOR THE SIX MONTHS ENDED 31 MARCH 2020**

	2020 (unaudited) S\$'000	2019 (unaudited) S\$'000
Consolidated cash and cash equivalents are represented by:		
Cash and bank balances	18,140	14,315
Fixed deposits	4,991	7,227
	23,131	21,542
Less: Pledged fixed deposits	(1,343)	(4,714)
Less: Bank overdrafts	-	(136)
Cash and cash equivalents as per consolidated statement of cash flows	21,788	16,692

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

2. BASIS OF PREPARATION

This unaudited condensed consolidated interim financial information for the six months ended 31 March 2020 has been prepared in accordance with IAS 34, “Interim financial reporting”. The unaudited condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 30 September 2019, which have been prepared in accordance with the International Financial Reporting Standards (“**IFRSs**”).

This unaudited condensed consolidated interim financial information has 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 SFRS(I) 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 (except for ROU assets which meet the definition of investment property) at a carrying amount as if IFRS 16 had been applied since the commencement of the lease but discounted using the incremental borrowing rate at 1 October 2019. For ROU assets which meet the definition of an investment property, the Group had measured the ROU assets at their fair values at 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) The difference between the carrying amounts of the ROU assets and lease liabilities as at 1 October 2019 is 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".

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

Balance Sheet	As at 30 September 2019	Effects of adoption of IFRS 16	As at 1 October 2019
The Group	S\$'000	S\$'000	S\$'000
<u>Non-current assets</u>			
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
<u>Current assets</u>			
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
<u>Retained profits</u>	59,587	6,554	66,141
<u>Non-current liabilities</u>			
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
<u>Current liabilities</u>			
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

Profit or Loss	(unaudited) (IAS 17 basis) Six months ended 31 March 2020	Effects of adoption of IFRS 16	(IFRS 16 basis) Six months ended 31 March 2020
The Group	S\$'000	S\$'000	S\$'000
Revenue	59,632	(8,013)	51,619
Cost of sales	(40,795)	11,092	(29,703)
Gross profit	18,837	3,079	21,916
Other income	1,665	1,092	2,757
Other operating expenses	(641)	-	(641)
Selling and distribution expenses	(751)	-	(751)
Administrative expenses	(13,723)	538	(13,185)
Finance cost	(903)	(1,673)	(2,576)
Share of results of associates and joint ventures, net of tax	560	19	579
Fair value losses on investment	(507)	(3,810)	(4,317)
Profit before income tax	4,537	(755)	3,782

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:

	2019
	S\$'000
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/(less): adjustments as a result of a different treatment of extension and termination options	28,435
Lease liability recognised as at 1 October 2019	109,578

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

		Effective for accounting periods beginning on or after	Note
Amendments to IAS 1 and IAS 8	Definition of material	1 January 2020	
Amendments to IFRS 9, IAS 39 and IFRS 7	Interest rate benchmark reform	1 January 2020	
Amendments to IAS 1	Classification of liabilities as current or non-current	1 January 2022	
IFRS 3 (amendments)	Business combinations (Definition of a business)	1 January 2020	<i>i</i>
IFRS 17	Insurance Contracts	1 January 2021	<i>ii</i>
IFRS 10	Consolidated financial statement and IAS 28		
	Investment in associates and joint venture		
	(Sale or contribution of assets between an investor and its associate or joint venture)	To be determined	

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.

Note ii:

IFRS 17 establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts within the scope of this new standard. The objective of IFRS 17 is to ensure that an entity provides relevant information that faithfully represents those contracts. This information gives a basis for users of financial statements to assess the effect that insurance contracts have on the entity's financial position, financial performance and cash flows. The Group is in the process of making an assessment on the impact of this new standard and does not anticipate the implementation will result in any significant impact on the Group's financial position and results of operations.

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.

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

Allocation basis and transfer pricing

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

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

Sales

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

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

Segment assets and liabilities

The amounts reported to the Group Managing Director with respect to the total assets and liabilities are measured in a manner consistent with that of the financial information. Segment assets and liabilities include, investment properties, property, plant and equipment, right-of-use assets, 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 period ended 31 March 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
Sales							
Total segment sales	17,050	9,311	5,099	14,242	10,464	6,773	62,939
Inter-segment sales	(1,760)	(498)	(41)	(1,498)	(750)	(6,773)	(11,320)
External sales	15,290	8,813	5,058	12,744	9,714	-	51,619
Segment results	3,796	1,487	1,862	1,671	924	356	10,096
Fair value losses on investment properties	(2,744)	(1,198)	(375)	-	-	-	(4,317)
Finance cost	(1,076)	(358)	(653)	(256)	(215)	(18)	(2,576)
	(24)	(69)	834	1,415	709	338	3,203
Share of results of associates and joint ventures	358	-	-	230	(9)	-	579
Profit before taxation	334	(69)	834	1,645	700	338	3,782
Taxation							(315)
Net profit after taxation							3,467
Non-controlling interests							(291)
Net profit attributable to equity holders of the Company							3,176
Segment assets	105,420	35,348	73,411	33,815	15,415	717	264,126
Investment in associates	-	-	-	271	-	-	271
Investment in joint ventures	13,384	-	-	-	4,685	-	18,069
Total segment assets							282,466
Total segment liabilities	81,312	41,303	39,930	24,448	15,836	2,299	205,128
Capital expenditures	627	109	5,323	14,236	195	68	20,558
Depreciation of property, plant and equipment	778	584	1,007	1,246	410	221	4,246

Segment breakdown for its comparative period ended 31 March 2019 are as follows:

	Industrial	Commercial	Residential	Logistics Services	Facilities Management	Corporate and Eliminations	Consolidated
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
Sales							
Total segment sales	20,248	11,118	1,283	13,066	11,406	6,265	63,386
Inter-segment sales	(858)	(540)	-	(1,255)	(869)	(6,265)	(9,787)
External sales	19,390	10,578	1,283	11,811	10,537	-	53,599
Segment results	(886)	691	(1,020)	2,123	692	344	1,944
Finance cost	(367)	(22)	(44)	(79)	(19)	(38)	(569)
	(1,253)	669	(1,064)	2,044	673	306	1,375
Share of results of associates and joint ventures	246	-	-	304	1,403	-	1,953
Profit before taxation	(1,007)	669	(1,064)	2,348	2,076	306	3,328
Taxation							(232)
Net profit after taxation							3,096
Non-controlling interests							(281)
Net profit attributable to equity holders of the Company							2,815

Segment breakdown for its comparative period ended 30 September 2019 are as follows:

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

	31 March 2020 S\$'000	30 September 2019 S\$'000
Reportable segments' assets are reconciled to total assets:		
Segment assets	282,466	152,555
Deferred tax assets	159	341
Long-term prepayment	188	322
Intangible assets	74	108
Financial assets, at FVOCI	700	492
Inventories	47	3
Loans to joint ventures	5,828	2,432
Prepayment	3,124	3,338
Cash and bank balances	18,140	18,218
Fixed deposits	4,991	9,135
	<u>315,717</u>	<u>186,944</u>
Reportable segments' liabilities are reconciled to total liabilities:		
Segment liabilities	205,128	86,511
Provisions	1,675	2,557
Current income tax liabilities	957	463
Deferred tax liabilities	3,229	533
	<u>210,989</u>	<u>90,064</u>

Geographical segment

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

	Revenue from external customers six months ended 31 March	
	2020 S\$'000	2019 S\$'000
Singapore	46,376	50,409
Thailand	1,958	1,639
Hong Kong	1,297	278
Myanmar	881	333
Indonesia	438	615
Other countries	669	325
	<u>51,619</u>	<u>53,599</u>

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

	Non-current assets as at	
	31 March 2020 S\$'000	30 September 2019 S\$'000
Singapore	217,415	106,663
Thailand	3,120	1,330
Hong Kong	626	76
Myanmar	5,117	5,268
Indonesia	5,834	6,787
Cambodia	13,302	12,771
Other countries	5,957	3,001
	<u>251,371</u>	<u>135,896</u>

6. Revenue

	Six months ended 31 March	
	2020	2019
	S\$'000	S\$'000
Rental and warehousing lease income from leased properties	23,838	26,493
Rental and warehousing lease income from owned properties	2,072	1,521
Car park services	8,458	7,194
Logistics services		
- Trucking services	6,032	5,278
- Storage services	1,108	1,403
- Container repair services	1,489	1,361
- Logistics management	4,115	3,769
Facilities services	3,822	5,990
Licence fee	8	44
Management services fee income	557	425
Others	120	121
	<u>51,619</u>	<u>53,599</u>

7. Other income

	Six months ended 31 March	
	2020	2019
	S\$'000	S\$'000
Handling charges	158	112
Gain on disposal of property, plant and equipment	-	84
Interest income	759	183
Gain from net investment in subleases	433	-
Vehicle related income	181	154
Government grants	4	88
Wage credit scheme and special employment credit*	101	243
Forfeiture of tenant deposit	448	29
Foreign exchange gain	-	129
Services charges	121	97
Miscellaneous charge to tenant	70	66
Other income	482	621
	<u>2,757</u>	<u>1,806</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.

8. Other operating expenses

	Six months ended 31 March	
	2020	2019
	S\$'000	S\$'000
Impairment loss on trade receivables	197	171
Provision for onerous contract	270	-
Foreign exchange loss	174	-
Other expenses	-	19
	<u>641</u>	<u>190</u>

9. Expense by nature

	Six months ended 31 March	
	2020	2019
	S\$'000	S\$'000
Advertising expenses	224	182
Commission fees	419	406
Entertainment expenses	95	86
Marketing expenses	13	2
Transportation costs	920	862
Container depot management charges	1,198	1,344
Rental expenses	11,943	29,118
Upkeep and maintenance costs	5,475	4,158
Consultancy fees	7	1
Depreciation of property, plant and equipment	4,246	2,978
Depreciation of right-of-use assets	5,964	-
Amortisation of intangible assets	34	34
Loss on disposal of property, plant and equipment	39	-
Write-off of property, plant and equipment	39	7
Professional fees	525	478
Vehicle-related expenses	38	45
Employee benefit costs	9,860	11,054
Insurance fees	308	294
IT Maintenance expenses	244	210
Printing expenses	142	131
Property management fees	217	218
Telephone expenses	161	159
Auditor's remuneration		
- Audit services	142	127
- Non-audit services	67	-
Other expenses	1,319	1,377
	<u>43,639</u>	<u>53,271</u>

10. Finance cost

	Six months ended 31 March	
	2020	2019
	S\$'000	S\$'000
Interest expense on borrowings	810	484
Interest expense on finance leases from hire purchase arrangement	-	85
Interest expense on lease liabilities from hire purchase arrangement	93	-
Interest expense on lease liabilities from lease arrangement	1,673	-
	<u>2,576</u>	<u>569</u>

11. Income Tax Expense

	Six months ended 31 March	
	2020	2019
	S\$'000	S\$'000
Current income tax	764	519
Deferred income tax	(432)	(317)
	<u>332</u>	<u>202</u>
(Over)/under provision in respect of prior years		
- current taxation	(17)	30
	<u>315</u>	<u>232</u>

12. Dividend

The Board has resolved to declare an interim dividend of 0.25 Singapore cents per share for the six months ended 31 March 2020 (2019: Nil).

During the six months ended 31 March 2020, the shareholders had approved the 2019 final dividend of 0.5 Singapore cents per share. The dividend recognised as distribution of approximately S\$2,043,000 was paid in February 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 period ended 31 March 2020 and 2019:

	Six months ended 31 March 2020	2019
Net profit attributable to equity holders of the Company (S\$'000)	3,176	2,815
Weighted average number of ordinary shares ('000)	402,445	402,445
Basic earnings per share (Singapore cents)	0.79	0.70

The basic and diluted earnings per share are the same as there were no potentially dilutive ordinary securities in issue as at 31 March 2020 and 31 March 2019.

14. Other asset

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

15. Trade and other receivables

	31 March 2020 S\$'000	30 September 2019 S\$'000
Trade receivables		
- Third parties	10,598	10,445
- Related parties	127	100
- Associates	138	41
- Joint ventures	353	-
	11,216	10,586
Accrued rental income	308	962
Goods and service tax receivables	1,601	999
Deposits with external parties	5,343	5,982
Unpaid deposits from customers	290	220
Tax recoverable	-	656
Other receivables	317	220
	7,551	8,077
Less:		
- Impairment loss on trade receivables	(2,223)	(2,026)
- Impairment loss on other receivables	(18)	(18)
	16,834	17,581

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

	31 March 2020 S\$'000	30 September 2019 S\$'000
0 to 30 days	5,860	5,061
31 to 60 days	1,889	1,875
61 to 90 days	479	670
91 to 180 days	317	441
181 to 365 days	430	399
Over 365 days	2,241	2,140
	11,216	10,586

16. Share capital

	No. of shares Issued share capital	Nominal Amount Share capital S\$'000
Balance as at 1 October 2019 and 31 March 2020	402,445,400	63,407

17. Trade and other payables

	31 March 2020 S\$'000	30 September 2019 S\$'000
Trade payables		
- Third parties	3,521	3,899
- Related parties	11	-
- Associates	-	82
- Joint ventures	108	-
	<u>3,640</u>	<u>3,981</u>
Contract liabilities		
- Rental received in advance	615	701
- Advances received from customers	2,417	2,533
	<u>3,032</u>	<u>3,234</u>
Other payables and accruals		
- Goods and services tax payables	574	660
- Provision of directors' fees	48	63
- Accruals	5,106	4,967
- Accrued rental expenses	115	4,098
- Rental deposits received from customers	14,852	14,750
- Rental deposits received from related parties	81	81
- Unpaid deposits	308	518
- Withholding tax	48	41
- Sundry creditors	396	308
- Other payables	20	34
	<u>28,220</u>	<u>32,735</u>
Less:		
- Non-current portion: other payables	(20)	(34)
Total trade and other payables included in current liabilities	<u>28,200</u>	<u>32,701</u>

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

	31 March 2020 S\$'000	30 September 2019 S\$'000
0 to 30 days	2,596	2,758
31 to 60 days	508	754
61 to 90 days	212	116
Over 90 days	324	353
	<u>3,640</u>	<u>3,981</u>

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

Management Discussion and Analysis

Business Review

For the six months ended 31 March 2020 (“1H2020”), the Group recorded a decrease in revenue of 3.6%, mainly due to the decrease in revenue from the Industrial and Commercial Properties under the Space Optimisation Business, as well as the Facilities Management Business. The Group’s results for 1H2020 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 1H2020, the Group’s Industrial Properties and Commercial Properties recorded an average occupancy rate of approximately 89.9% and 84.5% respectively, as compared to 87.8% and 90.5%, respectively, for the six months ended 31 March 2019 (“1H2019”), with the Commercial Properties facing pressure on its occupancy and rental rates.

Three master leases were renewed under the Space Optimisation Business comprising one renewal each under the Industrial Properties, Commercial Properties and Residential Properties.

The Group had also secured one new master lease under the Industrial Properties and successfully re-tendered for the tenancy at 1557 Keppel Road upon expiration of the existing tenancy on 31 December 2019. We will be doing asset enhancement on the property at 1557 Keppel Road to convert it into a mixed-use development supporting commercial spaces, co-living residential apartments and recreational facilities. However, due to the outbreak of the coronavirus disease 2019 (“COVID-19”) and circuit breaker measures announced by the Government of the Republic of Singapore (the “Singapore Government”) as mentioned hereinafter, the renovation is expected to commence on or after 1 June 2020, subject to any further directive from the Singapore Government.

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

Our Facilities Management Business continues to expand further in Singapore as a result of five new car park contracts secured and the successful re-tender for the operation and management of Parliament House carpark as announced in November 2019. The Group had also secured one new car park contract in Hong Kong during 1H2020.

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.

Business Outlook

The COVID-19 pandemic has led to a severe contraction in economic activity both in Singapore and globally, due to the combination of supply chain disruptions, travel restrictions imposed in many countries and a sudden decline in demand. The Singapore economy will enter a recession this year, with GDP growth projected at -4% to -1%¹.

Based on advance estimates as announced in the press release dated 26 March 2020 issued by the Ministry of Trade and Industry Singapore², the Singapore economy contracted by 2.2% on a year-on-year basis in the first quarter of 2020, reversing the 1.0% growth in the preceding quarter. On a quarter-on-quarter seasonally-adjusted annualised basis, the economy shrank by 10.6%, a sharp pullback from the 0.6% growth in the previous quarter.

As announced on 29 April 2020, the Group is assessing the potential impact of the circuit breaker measures announced by the Singapore Government on 3 April 2020³ and 21 April 2020⁴ and the Covid-19 (Temporary Measures) Act 2020 which was passed on 7 April 2020. For further details, please refer to the Company’s announcement dated 29 April 2020.

In view of the abovementioned, the Group expects that rental collections under its Space Optimisation Business are likely to be affected, in particular, for rental collections for subleases of the Group’s commercial and industrial properties.

For our overseas projects under the Space Optimisation Business, the spread of COVID-19 around the world has also resulted in the delay of the renovation of our leased property in Nanan City, Quanzhou, Fujian Province, the People’s Republic of China and the construction of our Axis Residences property in Cambodia. However, the Group expects both projects to be operational by the end of our financial year ending 30 September 2020.

As announced on 4 February 2020, Work Plus Store (Kallang Bahru) Pte. Ltd., a joint venture company of the Group, has completed the acquisition of a property at 202 Kallang Bahru in Singapore and is expected to commence renovations on or after 1 June 2020 due to the circuit breaker measures and subject to any further directive(s) from the Singapore Government.

¹ <https://www.mas.gov.sg/-/media/MAS/EPG/MR/2020/Apr/MRApr20.pdf>

² <https://www.singstat.gov.sg/-/media/files/news/advgrp1q2020.pdf>

³ <https://www.moh.gov.sg/news-highlights/details/circuit-breaker-to-minimise-further-spread-of-covid-19>

⁴ <https://www.moh.gov.sg/news-highlights/details/strong-national-push-to-stem-spread-of-covid-19>

With respect to the Facilities Management Business, the Group continues to seek more external facilities management contracts by providing integrated facilities management services covering repair, maintenance and cleaning of buildings and offices, pest control and fumigation.

For the carpark business in Singapore, the Group expects a potential decrease in parking activity in view of the circuit breaker measures and safe distancing measures implemented by the Singapore Government since March 2020.

With respect to the Logistics Services Business, the Group remains cautious as a decrease in logistics services and a delay in collection of receivables may be possible in the coming periods given the decline in global economic activity.

Looking ahead, the Group will monitor the situation carefully and will make further announcement(s) as and when there are material development(s) to the abovementioned matters.

Financial Review

For the period six months ended 31 March 2020 ("1H2020") vs six months ended 31 March 2019 ("1H2019")

Revenue

	1H2020 S\$'000 (unaudited)	1H2019 S\$'000 (unaudited)	Variance	
			S\$'000	%
Industrial Properties	15,290	19,390	(4,100)	(21.1)
Commercial Properties	8,813	10,578	(1,765)	(16.7)
Residential Properties	5,058	1,283	3,775	294.2
Space Optimisation Business	29,161	31,251	(2,090)	(6.7)
Facilities Management Business	9,714	10,537	(823)	(7.8)
Logistics Services Business	12,744	11,811	933	7.9
Total	51,619	53,599	(1,980)	(3.7)

The Group's revenue decreased by approximately S\$2.0 million or 3.7% from approximately S\$53.6 million in 1H2019 to approximately S\$51.6 million in 1H2020 primarily due to the decrease in revenue from (i) the Industrial Properties and Commercial Properties under the Space Optimisation Business; and (ii) the Facilities Management Business. The decrease was partially offset by the increase in revenue from the Residential Properties under the Space Optimisation Business and Logistics Services Business.

(a) Space Optimisation Business

Industrial Properties

Revenue derived from Industrial Properties decreased by approximately S\$4.1 million or 21.1% from approximately S\$19.4 million in 1H2019 to approximately S\$15.3 million in 1H2020 mainly due to derecognition of revenue of approximately S\$5.1 million from subleases classified as finance lease and the net gain was recognised to retained earnings on 1 October 2019 upon adoption of IFRS 16.

The decrease was partially offset by (i) increase in rental income as a result of higher occupancy rates; and (ii) the contribution of rental income from one new property acquired and tenanted since the second quarter of our financial year ended 30 September 2019 ("FY2019").

The average occupancy rate of the Group's Industrial Properties increased by 2.1 percentage points to approximately 89.9% in 1H2020 as compared to 87.8% in 1H2019.

Commercial Properties

Revenue derived from Commercial Properties decreased by approximately S\$1.8 million or 16.7% from approximately S\$10.6 million in 1H2019 to approximately S\$8.8 million in 1H2020 mainly due to (i) the movement of tenants due to expiry of subleases; (ii) renewal of subleases at lower rate; and (iii) derecognition of revenue of approximately S\$0.8 million from subleases classified as finance lease and the net gain was recognised to retained earnings on 1 October 2019 upon adoption of IFRS 16.

The average occupancy rate of the Group's Commercial Properties decreased by 6.0 percentage points to approximately 84.5% in 1H2020 as compared to 90.5% in 1H2019.

Residential Properties

Revenue derived from Residential Properties increased by approximately S\$3.8 million or 294.2% from approximately S\$1.3 million in 1H2019 to approximately S\$5.1 million in 1H2020 mainly due to increase in (i) revenue of approximately S\$3.2 million mainly from the co-work co-live business at 31 Boon Lay Drive Singapore which started to generate revenue from the second quarter of FY2019; and (ii) revenue of approximately S\$0.6 million from our new serviced residence project in Myanmar which started to generate revenue in the fourth quarter of FY2019.

Besides the above projects, our co-work co-live business at 150 Cantonment had also started to generate revenue from the third quarter of FY2019. However, there was no increase in revenue recorded for this project in 1H2020 as compared to 1H2019 due to the adoption of IFRS 16 as revenue of approximately S\$2.1 million in 1H2020 was derecognised from subleases classified as finance lease and the net gain was recognised to retained earnings on 1 October 2019.

(b) Facilities Management Business

Revenue derived from our Facilities Management Business decreased by approximately S\$0.8 million or 7.8% from approximately S\$10.5 million in 1H2019 to approximately S\$9.7 million in 1H2020 mainly due to the absence of revenue of approximately S\$2.6 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. This was partially offset by the increase in (i) revenue of approximately S\$1.5 million from the management of new carparks in Singapore and Hong Kong; and (ii) revenue of approximately S\$0.3 million from the increase in facilities management services provided.

(c) Logistics Services Business

Revenue derived from our Logistics Services Business increased by approximately S\$0.9 million or 7.9% from approximately S\$11.8 million in 1H2019 to approximately S\$12.7 million in 1H2020 mainly due to increase in transportation services provided from the trucking business and an increase in demand for storage and repairs of leasing containers in Thailand.

Cost of Sales

Cost of sales decreased by approximately S\$11.7 million or 28.3% from approximately S\$41.4 million in 1H2019 to approximately S\$29.7 million in 1H2020.

The decrease was mainly due to decrease in (i) direct labour costs of approximately S\$2.1 million from a decrease in manpower cost under the Facilities Management Business as a result of the disposal of the security services business which was completed in May 2019; and (ii) rental costs of approximately S\$17.1 million due to the adoption of IFRS 16, of which approximately S\$5.9 million has been recognised as depreciation of right-of-use assets, S\$3.8 million has been recognised as fair value loss on investment properties (right-of-use) and the remaining balance was largely due to the 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\$5.9 million due to adoption of IFRS 16; (ii) upkeep and maintenance costs of approximately S\$1.3 million mainly from the Facilities Management Business and Logistics Services Business in line with the increase in revenue (excluding the impact of the absence of revenue contribution from the security services business); and (iii) depreciation of property, plant and equipment of approximately S\$0.3 million.

Gross Profit

In view of the above mentioned, gross profit increased by approximately S\$9.7 million from approximately S\$12.2 million in 1H2019 to approximately S\$21.9 million in 1H2020.

Other Income

Other income increased by approximately S\$1.0 million or 52.7% from approximately S\$1.8 million in 1H2019 to approximately S\$2.8 million in 1H2020 mainly due to the increase in (i) forfeiture of tenants' deposit of approximately S\$0.4 million; (ii) interest income of approximately S\$0.6 million mainly arising from the interest charged on lease receivables upon the adoption of IFRS 16; and (iii) gains from subleases of approximately S\$0.4 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. These were partially offset by the (i) decrease in government grants of approximately S\$0.2 million; (ii) the absence of foreign exchange gain of approximately S\$0.1 million recognised in 1H2019; and (iii) the absence of gain on disposal of property, plant and equipment of approximately S\$0.1 million recognised in 1H2019.

Other Operating Expenses

Other operating expenses increased by approximately S\$0.4 million or 237.4% from approximately S\$0.2 million in 1H2019 to approximately S\$0.6 million in 1H2020 mainly due to (i) provision of losses from onerous contracts of approximately S\$0.2 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; and (ii) foreign exchange losses of approximately S\$0.2 million in 1H2020.

Selling and Distribution Expenses

Selling and distribution expenses increased by approximately S\$0.1 million or 11.1% from approximately S\$0.7 million in 1H2019 to approximately S\$0.8 million in 1H2020 mainly due to increase in advertising and marketing expenses of approximately S\$0.1 million.

Administrative Expenses

Administrative expenses increased by approximately S\$2.0 million or 18.0% from approximately S\$11.2 million in 1H2019 to approximately S\$13.2 million in 1H2020 mainly due to increase in (i) depreciation of property, plant and equipment of approximately S\$0.9 million arising from the Residential Properties; (ii) staff costs of approximately S\$0.9 million mainly from the Space Optimisation Business which is in line with the increase in revenue from the Residential Properties business; and (iii) miscellaneous expenses of approximately S\$0.2 million.

Finance Cost

Finance cost increased by approximately S\$2.0 million or 352.7% from approximately S\$0.6 million in 1H2019 to approximately S\$2.6 million in 1H2020 mainly due to (i) increased interest expenses of approximately S\$0.3 million due to the increase in bank borrowings; and (ii) interest expenses on lease liabilities of approximately S\$1.7 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\$1.4 million or 70.4% from approximately S\$2.0 million in 1H2019 to approximately S\$0.6 million in 1H2020 mainly due to (i) decrease in share of operating profits of approximately S\$0.1 million in 1H2020; and (ii) fair value loss on investment property of approximately S\$0.2 million in 1H2020 as compared to a net fair value gain on investment properties of approximately S\$1.1 million in 1H2019.

Fair Value Losses on Investment Properties

Fair value losses on investment properties in 1H2020 arose mainly from a decrease in valuation of an industrial property in Singapore of approximately S\$0.5 million and from our investment properties (right-of-use) of approximately S\$3.8 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\$0.5 million or 13.6% from approximately S\$3.3 million in 1H2019 to approximately S\$3.8 million in 1H2020.

Income Tax Expense

Income tax expenses increased by approximately S\$0.1 million or 35.8% from approximately S\$0.2 million in 1H2019 to approximately S\$0.3 million in 1H2020 mainly due to higher taxable profit.

Profit for the Period

As a result of the above, the Group's net profit increased by approximately S\$0.4 million or 12.0% from approximately S\$3.1 million in 1H2019 to approximately S\$3.5 million in 1H2020.

Review of Statements of Financial Position

Non-current assets

Non-current assets increased by approximately S\$115.3 million from approximately S\$136.2 million as at 30 September 2019 to approximately S\$251.5 million as at 31 March 2020 mainly due the factors as set out below:

Property, plant and equipment ("PPE") increased by approximately S\$11.0 million due to additions amounting to approximately S\$20.4 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 under the Logistics Services Business. This was partially offset by depreciation of PPE of approximately S\$4.2 million and the net derecognition of PPE of approximately S\$5.0 million to retained earnings on 1 October 2019 upon the adoption of IFRS 16.

Investment properties increased by approximately S\$40.7 million mainly due to additions of investment properties (right-of-use) of approximately S\$48.0 million upon the adoption of IFRS 16, partially offset by fair value losses of approximately S\$4.3 million, derecognition of investment properties (right-of-use) to net investment in subleases of approximately S\$2.3 million and foreign currency translation losses of approximately S\$0.7 million.

Right-of-use assets of approximately S\$34.6 million was recognised due to adoption of IFRS 16.

Financial assets, at fair value through other comprehensive income ("FVOCI") increased by approximately S\$0.2 million mainly from additional investment in a company principally engaged in the provision of storage solutions of approximately S\$0.5 million. This was partially offset by the disposal of another financial asset, at FVOCI of approximately S\$0.3 million.

Investment in associates and joint ventures increased by approximately S\$0.8 million mainly arising from the share of profit of associates and joint ventures recognised for 1H2020 of approximately S\$0.6 million and injection of share capital of S\$0.5 million into a joint venture company in 1H2020. This was partially offset by dividends received from an associate of approximately S\$0.3 million.

Lease receivables of approximately S\$27.8 million was recognised due to the recognition of receivables from subleases upon adoption of IFRS 16.

Other asset increased by approximately S\$0.5 million mainly due to foreign currency translation gains.

The increase in non-current assets was partially offset by a decrease in (i) prepayment of approximately S\$0.1 million; and (ii) deferred tax assets of approximately S\$0.2 million.

Current assets

Current assets increased by approximately S\$13.5 million from approximately S\$50.7 million as at 30 September 2019 to approximately S\$64.2 million as at 31 March 2020 mainly due to the factors as set out below.

Trade and other receivables decreased by approximately S\$0.7 million mainly due to (i) decrease in other receivables of approximately S\$0.5 million which was largely due to the capitalisation of deposit paid upon the completion of acquisition of 7 Gul Avenue property; and (ii) increase in allowance for impairment of trade receivables of approximately S\$0.2 million.

Loans to joint ventures increased by approximately S\$3.4 million mainly due to loans to our joint venture companies of approximately S\$1.4 million for working capital and approximately S\$2.0 million partial payment for the acquisition of an industrial property in Singapore under Work Plus Store (Kallang Bahru) Pte. Ltd..

Lease receivables of approximately S\$15.2 million was recognised due to the recognition of receivables from subleases upon adoption of IFRS 16.

Prepayments decreased by approximately S\$0.2 million.

Cash and bank balances and fixed deposits decreased by approximately S\$4.2 million.

Non-current liabilities

Non-current liabilities increased by approximately S\$86.7 million from approximately S\$46.3 million as at 30 September 2019 to approximately S\$133.0 million as at 31 March 2020 mainly due to the factors as set out below.

Bank borrowings increased by approximately S\$8.7 million mainly for the purchase of property at 7 Gul Avenue under our Logistics Services Business.

Lease liabilities increased by approximately S\$79.8 million due to the adoption of IFRS 16 which includes the recognition of liabilities payable to landlords for lease arrangements of approximately S\$76.6 million and reclassification from finance lease liabilities of approximately S\$3.5 million less repayment of approximately S\$0.3 million during 1H2020.

Deferred tax liabilities increased by approximately S\$2.7 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\$1.0 million mainly due to reclassification of provision for onerous contract under the Industrial Properties to right-of-use assets due to adoption of IFRS 16 of approximately S\$0.3 million and reclassification of provision of reinstatement cost from non-current liabilities to current liabilities of approximately S\$0.7 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\$34.1 million from approximately S\$43.8 million as at 30 September 2019 to approximately S\$77.9 million as at 31 March 2020 mainly due to the factors as set out below.

Provisions increased by approximately S\$0.2 million mainly due to the reclassification of provision of reinstatement cost from non-current liabilities to current liabilities of approximately S\$0.7 million. This was partially offset by the decrease in provision for onerous contract under the Industrial Properties of approximately S\$0.5 million.

Bank borrowings increased by approximately S\$4.9 million mainly for the purchase of property at 7 Gul Avenue under our Logistics Services Business.

Lease liabilities increased by approximately S\$35.2 million due to the adoption of IFRS 16 which includes the recognition of liabilities payable to landlords for lease arrangements of approximately S\$33.2 million and reclassification from finance lease liabilities of approximately S\$2.2 million less repayment of approximately S\$0.1 million during 1H2020.

Current tax payable increased by approximately S\$0.5 million mainly due to income tax provided for the period.

The increase in current liabilities was partially offset by a decrease in (i) trade and other payables of approximately S\$4.5 million largely due to the adjustment of accrued lease expenses to right-of-use assets upon adoption of IFRS 16; and (ii) finance lease liabilities of approximately S\$2.2 million which has been reclassified to lease liabilities due to the adoption of IFRS 16.

Working Capital

As at 30 September 2019, the Group had positive working capital of approximately S\$6.9 million.

Due to the adoption of IFRS 16, the Group recorded negative working capital of approximately S\$13.8 million as at 31 March 2020 as a result of inclusion of current lease liabilities of approximately S\$33.2 million while the corresponding assets were recognised under non-current assets as investment properties (right-of-use) or right-of-use assets. The exclusion of these current lease liabilities offset by current lease receivables of approximately S\$15.2 million due to adoption of IFRS 16, would have resulted in a positive working capital of approximately S\$4.2 million.

Despite the negative working capital of approximately S\$13.8 million due to the adoption of IFRS 16, the Board confirms that the Group is able to operate as a going concern and meet its debt obligations as and when they fall due in view of the sufficiency in cash flows based on the Group's cash flow forecast and the support from banks through its available banking facilities and temporary bridging loans which demonstrates the Group's ability to continue its operations and meet its obligations in the next 12 months.

Review of Statement of Cash Flows

In 1H2020, the Group recorded net cash generated from operating activities of approximately S\$18.0 million, which was a result of operating profit before changes in working capital of approximately S\$19.7 million, increase in trade and other receivables of approximately S\$0.4 million and decrease in trade and other payables of approximately S\$1.7 million, adjusted for net income tax refunded of approximately S\$0.4 million.

Net cash used in investing activities amounted to approximately S\$22.7 million, which was mainly due to (i) additions to PPE of approximately S\$19.6 million for renovation costs paid for our new student hostel project in Singapore and hotel 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\$3.5 million mainly for the acquisition of an industrial property and working capital; (iii) cash paid on acquisition of joint venture of approximately S\$0.5 million; (iv) additions to other asset of approximately S\$0.1 million. These were partially offset by (i) dividend received from associate of approximately S\$0.3 million; (ii) proceeds received from disposal of PPE of approximately S\$0.2 million; (iii) proceeds received from disposal of financial assets, at FVOCI of approximately S\$0.3 million; and (iv) interest received of approximately S\$0.2 million.

Net cash generated from financing activities amounted to approximately S\$5.2 million, which were due to (i) repayment of lease liabilities of approximately S\$15.7 million; (ii) repayment of finance lease of approximately S\$1.1 million for logistics and carpark equipment; (iii) repayment of bank borrowings of approximately S\$3.7 million; (iv) interest expense paid of approximately S\$2.6 million; (v) dividend paid of approximately S\$2.0 million; and (vi) dividend paid to non-controlling shareholder of approximately S\$0.1 million. These were partially offset by (i) proceeds from bank borrowings of approximately S\$17.7 million for the acquisition of property at 7 Gul Avenue and renovation loans for our Space Optimisation Business; (ii) decrease in pledged fixed deposits of approximately S\$4.7 million due to the release of charges by bankers; (iii) receipts from lease receivables of approximately S\$7.4 million; and (iv) interest received from lease receivables of approximately S\$0.6 million.

As a result of the above, cash and cash equivalents increased by approximately S\$0.5 million, amounting to approximately S\$21.8 million as at 31 March 2020.

Liquidity and Financial Resources

During 1H2020, 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 31 March 2020 were denominated in Singapore dollars and United States dollars with interest charged on these borrowings ranging from 2.48% to 6.00% per annum. As at 31 March 2020, the Group had outstanding bank borrowings of S\$61.8 million. These borrowings were secured by (i) legal mortgage of the Group's leasehold properties at 72 Eunos Avenue 7, 100 Eunos Avenue 7, Geylang Property and 7 Gul Avenue; (ii) corporate guarantees 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, who are not controlling shareholders of the Company (the "**Subsidiaries Directors**"), where applicable.

As at 31 March 2020, cash and cash equivalents held by the Group were mainly cash in the banks and on hand denominated in Singapore dollars and deposits denominated in Singapore dollars that are readily convertible into cash.

Gearing Ratio

Gearing ratio is equal to interest-bearing debt divided by total capital and multiplied by 100%. Total capital is calculated as interest-bearing debt plus total equity. Gearing ratio as at 31 March 2020 was 62.8%, increased from 35.7% as at 30 September 2019 primarily due to increase in debts as at 31 March 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 rentals 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 31 March 2020, the Group had lease liabilities of S\$115.1 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:

	31 March 2020 S\$'000	30 September 2019 S\$'000
Investment properties	5,343	5,201
Property, plant and equipment	289	5,541
	<u>5,632</u>	<u>10,742</u>

Capital Expenditure

During 1H2020, the Group's capital expenditure consists of additions to property, plant and equipment, investment properties and other asset amounting to approximately S\$20.6 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 31 March 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.

Save as disclosed in this announcement, there was no material acquisition and disposal of subsidiaries, associates and joint ventures for 1H2020.

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 1H2020.

Off-balance Sheet Arrangements

For 1H2020, the Group did not have any off-balance sheet arrangements.

Future Plans for Material Investment and Capital Assets

Save as disclosed in the prospectus of the Company dated 15 December 2017 and this announcement, the Group did not have any other plans for material investment and capital assets as at 31 March 2020.

Exposure to Fluctuations in Exchange Rates

The Group mainly operates in Singapore, Indonesia, Thailand, Myanmar, Malaysia and Hong Kong during 1H2020. 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 1H2020, the Group recorded an exchange loss of S\$174,000.

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 31 March 2020, there were 390 (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

Save as disclosed in the Company’s announcement dated 29 April 2020 in relation to the Group’s business update due to COVID-19, up to the date of this announcement, there was no other significant event relevant to the business or financial or operational performance of the Group that has come to the attention of the Directors after 1H2020.

Issue of Securities and Share Capital

During 1H2020, there has been no change to the shares in issued 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 global offering 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 global offering 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	562	193
	Total	44,396	42,427	1,969

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.

The above utilisations are in accordance with the intended use of the Net Proceeds and percentage allocated, as stated in the Company's prospectus for the global offering dated 15 December 2017. The Company expects to utilise the remaining balance of the Net Proceeds of approximately HK\$2.0 million (equivalent to S\$0.3 million) by the end of calendar year 2020.

The Company will continue to update in periodic announcements on the utilisation of the balance of the proceeds from the global offering as and when the proceeds are materially disbursed and provide a status report on such use in its annual report and its interim and full year financial results announcements.

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

During 1H2020, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

Proposed Interim Dividend

The Board has resolved to declare an interim dividend of S\$0.0025 (equivalent to HK\$0.014) per ordinary share for 1H2020 which will be paid on Friday, 19 June 2020, to the Shareholders whose names shall appear on the register of members of the Company on Wednesday, 27 May 2020 (Close of business).

Corporate Governance

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

In the opinion of the Directors, the Company had complied with the HK CG Code and SG CG Code during 1H2020 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 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 1H2020.

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 financial information in this announcement has not been audited by the auditor of the Company, but the Audit Committee has reviewed the unaudited consolidated results of the Group for 1H2020 and is of the opinion that such results complied with the applicable accounting standards, the requirements under the HK Listing Rules and other applicable legal requirements, and that adequate disclosures had been made.

Public Float

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

Closure of Register of Members

For determining the entitlement to the Interim 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 Wednesday, 27 May 2020** for the purpose of determining shareholders’ entitlements to the interim 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 Wednesday, 27 May 2020** will be registered to determine shareholders’ entitlements to the interim dividend.

For Shareholders in Hong Kong

The branch register of members of the Company in Hong Kong will be closed from **Thursday, 28 May 2020 to Friday, 29 May 2020** (both days inclusive), during which period no transfer of Shares of the Company will be registered in Hong Kong. In order to determine shareholders’ entitlements to the interim 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 Wednesday, 27 May 2020**.

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

Publication of Financial Information

The interim results announcement for 1H2020 is published on the website of SEHK (www.hkexnews.hk), SGX-ST (www.sgx.com) and the website of the Company (www.lhngroup.com). The interim report of the Company for the six months ended 31 March 2020 containing, among others, the interim financial information of the Group 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, 13 May 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.