

**LHN LIMITED**

(Incorporated in the Republic of Singapore)

Company Registration No. 201420225D

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**UNAUDITED FINANCIAL STATEMENTS AND DIVIDEND ANNOUNCEMENT FOR THE SECOND QUARTER AND HALF YEAR ENDED 31 MARCH 2016**

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LHN Limited (the “**Company**”) was listed on Catalist of the Singapore Exchange Securities Trading Limited (the “**SGX-ST**”) on 13 April 2015. The initial public offering of the Company was sponsored by PrimePartners Corporate Finance Pte. Ltd. (the “**Sponsor**” or “**PPCF**”).

This announcement has been prepared by the Company and its contents have been reviewed by the Sponsor for compliance with the SGX-ST Listing Manual Section B: Rules of the Catalist. The Sponsor has not verified the contents of this announcement.

This announcement has not been examined or approved by the SGX-ST. The Sponsor and the SGX-ST assume no responsibility for the contents of this announcement, including the accuracy, completeness or correctness of any of the information, statements or opinions made or reports contained in this announcement.

The contact person for the Sponsor is Mr Thomas Lam, Associate Director, Continuing Sponsorship, at 16 Collyer Quay, #10-00 Income at Raffles, Singapore 049318, telephone (65) 6229 8088.

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**PART I - INFORMATION REQUIRED FOR QUARTERLY (Q1, Q2, Q3), HALF-YEAR AND FULL YEAR ANNOUNCEMENT**

- 1(a) (i) An income statement and statement of comprehensive income, or a statement of comprehensive income, for the group, together with a comparative statement for the corresponding period of the immediately preceding financial year.

**STATEMENT OF COMPREHENSIVE INCOME FOR THE SECOND QUARTER ("2Q2016") AND HALF YEAR ENDED 31 MARCH 2016 ("1H2016")**

	Group					
	3 Months Ended 31 March			6 Months Ended 31 March		
	2016 (unaudited)	2015 (unaudited)	Change	2016 (unaudited)	2015 (unaudited)	Change
	S\$'000	S\$'000		S\$'000	S\$'000	
<b>Revenue</b>	26,020	24,170	7.7	51,967	46,761	11.1
Cost of sales	(18,819)	(17,355)	8.4	(38,346)	(34,554)	11.0
<b>Gross profit</b>	7,201	6,815	5.7	13,621	12,207	11.6
Other operating income	1,032	886	16.5	1,603	1,346	19.1
Selling and distribution expenses	(470)	(351)	33.9	(1,051)	(776)	35.4
Administrative expenses	(5,094)	(4,178)	21.9	(9,499)	(8,205)	15.8
Other operating expenses	(42)	-	NM	(42)	-	NM
Finance costs	(153)	(100)	53.0	(304)	(195)	55.9
Share of associated companies' results, net of tax	13	9	44.4	19	16	18.8
<b>Profit from operations</b>	2,487	3,081	(19.3)	4,347	4,393	(1.0)
IPO listing expenses	-	(1,173)	NM	-	(1,420)	NM
<b>Profit before taxation</b>	2,487	1,908	30.3	4,347	2,973	46.2
Taxation	5	141	(96.5)	(330)	(186)	77.4
<b>Profit after taxation for the period</b>	2,492	2,049	21.6	4,017	2,787	44.1
<b>Other comprehensive income/(expenses) after tax</b>						
<u>Item that will be reclassified subsequently to profit or loss</u>						
Currency translation differences arising from consolidation	11	(39)	NM	184	3	6033.3
Other comprehensive income/(expenses) after tax	11	(39)	NM	184	3	6033.3
Total comprehensive income for the year, net of tax	2,503	2,010	24.5	4,201	2,790	50.6
Profit attributable to:						
<b>Equity owners of the Company</b>	2,477	2,061	20.2	4,011	2,787	43.9
Non-controlling interests	15	(12)	NM	6	-	NM
<b>Profit for the period</b>	2,492	2,049	21.6	4,017	2,787	44.1
Total comprehensive income attributable to:						
<b>Equity owners of the Company</b>	2,486	2,023	22.9	4,192	2,790	50.3
Non-controlling interests	17	(13)	NM	9	-	NM
<b>Total comprehensive income for the period</b>	2,503	2,010	24.5	4,201	2,790	50.6
<i>NM – Not Meaningful</i>						

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**1(a) (ii) Profit before income tax is arrived at after charging / (crediting) the following:**

	Group			
	3 Months Ended 31 March		6 Months Ended 31 March	
	2016 (unaudited)	2015 (unaudited)	2016 (unaudited)	2015 (unaudited)
	S\$'000	S\$'000	S\$'000	S\$'000
Depreciation of property, plant and equipment	1,618	1,344	3,279	2,626
Interest income	(38)	(14)	(80)	(30)
Finance costs	153	100	304	195
Allowance/(reversal) for impairment of trade receivables	42	-	42	(9)
Foreign exchange (gain)/loss, net	163	50	(119)	5
Loss/(gain) on disposal of property, plant and equipment, net	44	13	33	(13)
Property, plant and equipment written off	-	-	-	3

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**1(b) (i) A statement of financial position (for the issuer and group), together with a comparative statement as at the end of the immediately preceding financial year.**

**Statements of Financial Position**

	<b>Group</b>		<b>Company</b>	
	<b>As At 31/03/16 (unaudited) S\$'000</b>	<b>As At 30/09/15 (audited) S\$'000</b>	<b>As At 31/03/16 (unaudited) S\$'000</b>	<b>As At 30/09/15 (audited) S\$'000</b>
<b>ASSETS</b>				
<b>Non-current assets</b>				
Property, plant and equipment	27,418	26,635	-	-
Investment properties	31,679	31,305	-	-
Investment in subsidiaries	-	-	32,727	32,727
Investment in associated companies	108	88	-	-
Deferred tax assets	334	334	-	-
Long-term prepayment	262	285	-	-
	59,801	58,647	32,727	32,727
<b>Current assets</b>				
Inventories	55	163	-	-
Trade and other receivables	15,699	14,346	14,957	11,445
Prepayments	3,775	3,212	27	13
Cash and bank balances	16,728	15,604	891	1,180
Fixed deposits	11,701	14,680	5,044	9,028
	47,958	48,005	20,919	21,666
<b>TOTAL ASSETS</b>	<b>107,759</b>	<b>106,652</b>	<b>53,646</b>	<b>54,393</b>
<b>EQUITY</b>				
<b>Capital and reserves attributable to equity holders of the Company</b>				
Share capital	51,287	51,243	51,287	51,243
Reserves	7,298	4,191	1,789	2,128
	58,585	55,434	53,076	53,371
<b>Non-controlling interests</b>	(118)	(127)	-	-
<b>TOTAL EQUITY</b>	<b>58,467</b>	<b>55,307</b>	<b>53,076</b>	<b>53,371</b>
<b>LIABILITIES</b>				
<b>Non-current liabilities</b>				
Deferred tax liabilities	230	230	-	-
Obligations under finance lease	1,900	2,294	-	-
Bank borrowings	18,229	18,054	-	-
	20,359	20,578	-	-
<b>Current liabilities</b>				
Trade and other payables	24,952	26,466	570	1,022
Obligations under finance lease	1,481	1,533	-	-
Bank borrowings	1,427	1,421	-	-
Current tax payable	1,073	1,347	-	-
	28,933	30,767	570	1,022
<b>TOTAL LIABILITIES</b>	<b>49,292</b>	<b>51,345</b>	<b>570</b>	<b>1,022</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>107,759</b>	<b>106,652</b>	<b>53,646</b>	<b>54,393</b>

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1(b) (ii) In relation to the aggregate amount of the group's borrowings and debt securities, specify the following as at the end of the current financial period reported on with comparative figures as at the end of the immediately preceding financial year:

	Group	
	As At 31/03/16 (unaudited)	As At 30/09/15 (audited)
	S\$'000	S\$'000
<b>Amount repayable in one year or less (secured and guaranteed)</b>		
- Bank borrowings	1,427	1,421
- Obligations under finance lease	1,481	1,533
	2,908	2,954
<b>Amount repayable after one year (secured and guaranteed)</b>		
- Bank borrowings	18,229	18,054
- Obligations under finance lease	1,900	2,294
	20,129	20,348
<b>Total borrowings</b>	23,037	23,302

The Group does not have any unsecured borrowings and debt securities as at 31 March 2016 and 30 September 2015.

**Details of any collaterals:**

- Bank borrowings of approximately S\$19.7 million (30 September 2015 – S\$19.5 million) obtained by our subsidiaries are secured by legal mortgage of leasehold property at 72 Eunos Avenue 7 and 100 Eunos Avenue 7 and a corporate guarantee by the Group.
- Finance 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 certain directors of the Group and corporate guarantees provided by the Group.

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- 1(c) A statement of cash flows (for the group), together with a comparative statement for the corresponding period of the immediately preceding financial year.

**Consolidated Statement of Cash Flows for Second Quarter and Half Year Ended 31 March 2016**

	Group			
	3 Months Ended 31 March		6 Months Ended 31 March	
	2016 (unaudited)	2015 (unaudited)	2016 (unaudited)	2015 (unaudited)
	S\$'000	S\$'000	S\$'000	S\$'000
<b>Cash flows from operating activities:</b>				
Profit before income tax	2,487	1,908	4,347	2,973
Share of associated companies' results	(13)	(9)	(19)	(16)
Adjustments for:				
Depreciation of property, plant and equipment	1,618	1,344	3,279	2,626
Loss/(gain) on disposal of property, plant and equipment	44	13	33	(13)
Property, plant and equipment written off	-	-	-	3
Waiver of debt from a director of subsidiaries	(36)	-	(36)	-
Employee performance shares expenses	44	-	44	-
Interest income	(38)	(14)	(80)	(30)
Interest expenses	153	100	304	195
<b>Operating profit before working capital changes</b>	<b>4,259</b>	<b>3,342</b>	<b>7,872</b>	<b>5,738</b>
Decrease in inventories	5	108	108	5
Increase in work-in-progress	-	(66)	-	(82)
Increase in operating receivables	(736)	(6,023)	(1,943)	(5,826)
Decrease in operating payables	(260)	(764)	(1,620)	(134)
<b>Cash generated from/(used in) operations</b>	<b>3,268</b>	<b>(3,403)</b>	<b>4,417</b>	<b>(299)</b>
Interest expense paid	(121)	(100)	(272)	(195)
Income tax paid	(453)	(253)	(526)	(318)
<b>Net cash generated/(used in) from operating activities</b>	<b>2,694</b>	<b>(3,756)</b>	<b>3,619</b>	<b>(812)</b>
<b>Cash flows from investing activities:</b>				
Acquisition of property, plant and equipment	(1,766)	(783)	(3,927)	(1,166)
Purchase of investment properties	-	-	-	(500)
Proceeds from disposals of property, plant and equipment	4	32	258	54
Interest received	8	14	49	30
<b>Net cash used in investing activities</b>	<b>(1,754)</b>	<b>(737)</b>	<b>(3,620)</b>	<b>(1,582)</b>
<b>Cash flows from financing activities:</b>				
Repayment of obligations under finance lease	(404)	(330)	(802)	(696)
Placements of deposits - current	-	-	(10)	(12)
Effect on non-controlling interest on newly incorporated subsidiaries	-	46	-	177
Bank borrowings obtained	890	-	890	-
Bank borrowings repaid	(355)	(205)	(709)	(412)
Proceeds from Pre-IPO convertible loans	-	2,000	-	2,000
Repayment to a director of subsidiaries	-	(250)	(166)	(477)
Dividend paid	(1,085)	-	(1,085)	(2,000)
<b>Net cash (used in)/ generated from financing activities</b>	<b>(954)</b>	<b>1,261</b>	<b>(1,882)</b>	<b>(1,420)</b>
Net decrease in cash and cash equivalents	(14)	(3,232)	(1,883)	(3,814)
Cash and cash equivalents at beginning of period	22,791	13,849	24,638	14,425
Effect of currency translation on cash and cash equivalents	(4)	(2)	18	4
<b>Cash and cash equivalents at end of period</b>	<b>22,773</b>	<b>10,615</b>	<b>22,773</b>	<b>10,615</b>
Consolidated cash and cash equivalents are represented by:				
Cash and bank balances	16,728	10,615	16,728	10,615
Fixed deposits	11,701	5,588	11,701	5,588
	28,429	16,203	28,429	16,203
Less: Pledged fixed deposits	(5,656)	(5,588)	(5,656)	(5,588)
<b>Cash and cash equivalents as per consolidated statement of cash flows</b>	<b>22,773</b>	<b>10,615</b>	<b>22,773</b>	<b>10,615</b>

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1(d)(i) A statement (for the issuer and group) showing either (i) all changes in equity or (ii) changes in equity other than those arising from capitalisation issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial year.

**Statements of Changes in Equity**

<b>GROUP (unaudited)</b>	<b>Share capital</b>	<b>Retained profits</b>	<b>Merger reserves</b>	<b>Reserve on disposal of non- controlling interests</b>	<b>Asset revaluation reserves</b>	<b>Currency translation reserves</b>	<b>Total attributable to equity holders of the Company</b>	<b>Non- controlling interests</b>	<b>Total equity</b>
	<b>S\$'000</b>	<b>S\$'000</b>	<b>S\$'000</b>	<b>S\$'000</b>	<b>S\$'000</b>	<b>S\$'000</b>	<b>S\$'000</b>	<b>S\$'000</b>	<b>S\$'000</b>
<b>Balance at 01/01/15</b>	2,000	29,724	-	269	2,189	(689)	33,493	14	33,507
Effect on non-controlling interest on the newly incorporated subsidiaries	-	-	-	-	-	-	-	45	45
Adjustment arising from the restructuring exercise	(2,000)	-	(30,727)	-	-	-	(32,727)	-	(32,727)
New shares issued pursuant to restructuring exercise	35,047	-	-	-	-	-	35,047	-	35,047
Profit for the period	-	2,061	-	-	-	-	2,061	(12)	2,049
Other comprehensive expenses	-	-	-	-	-	(38)	(38)	(1)	(39)
Total comprehensive income/(expenses) for the period	-	2,061	-	-	-	(38)	2,023	(13)	2,010
<b>Balance at 31/03/15</b>	<b>35,047</b>	<b>31,785</b>	<b>(30,727)</b>	<b>269</b>	<b>2,189</b>	<b>(727)</b>	<b>37,836</b>	<b>46</b>	<b>37,882</b>
<b>Balance at 01/01/16</b>	51,243	34,756	(30,727)	269	2,443	(844)	57,140	(135)	57,005
Performance share plan scheme	44	-	-	-	-	-	44	-	44
Final dividend for FY2015	-	(1,085)	-	-	-	-	(1,085)	-	(1,085)
Profit for the period	-	2,477	-	-	-	-	2,477	15	2,492
Other comprehensive income	-	-	-	-	-	9	9	2	11
Total comprehensive income for the period	-	2,477	-	-	-	9	2,486	17	2,503
<b>Balance at 31/03/16</b>	<b>51,287</b>	<b>36,148</b>	<b>(30,727)</b>	<b>269</b>	<b>2,443</b>	<b>(835)</b>	<b>58,585</b>	<b>(118)</b>	<b>58,467</b>

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- 1(d)(i) A statement (for the issuer and group) showing either (i) all changes in equity or (ii) changes in equity other than those arising from capitalisation issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial year.

**Statements of Changes in Equity (Cont'd)**

<b>COMPANY (unaudited)</b>	<b>Share capital</b>	<b>Retained Profits</b>	<b>Total</b>
	<b>S\$'000</b>	<b>S\$'000</b>	<b>S\$'000</b>
<b>Balance at 01/01/15</b>	-	(1)	(1)
New shares issued pursuant to restructuring exercise	35,047	-	35,047
Total comprehensive expenses for the period	-	(425)	(425)
<b>Balance at 31/03/15</b>	<b>35,047</b>	<b>(426)</b>	<b>34,621</b>
<b>Balance at 01/01/16</b>	51,243	2,146	53,389
Performance share plan scheme	44	-	44
Final dividend for FY2015	-	(1,085)	(1,085)
Total comprehensive income for the period	-	728	728
<b>Balance at 31/03/16</b>	<b>51,287</b>	<b>1,789</b>	<b>53,076</b>



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- 1(d)(ii) Details of any changes in the company's share capital arising from rights issue, bonus issue, share buy-backs, exercise of share options or warrants, conversion of other issues of equity securities, issue of shares for cash or as consideration for acquisition or for any other purpose since the end of the previous period reported on. State also the number of shares that may be issued on conversion of all the outstanding convertibles, as well as the number of shares held as treasury shares, if any, against the total number of issued shares excluding treasury shares of the issuer, as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year.**

The share capital of the Company was S\$51,286,998 comprising 361,857,200 ordinary shares as at 31 March 2016 following the allotment and issuance of 332,900 shares under the LHN Performance Share Plan on 11 March 2016. As at 31 December 2015, the share capital of the Company was S\$51,243,056 comprising 361,524,300 ordinary shares.

The Company did not have any outstanding options, convertibles or treasury shares as at 31 March 2015 and 31 March 2016.

- 1(d)(iii) To show the total number of issued shares excluding treasury shares as at the end of the current financial period and as at the end of the immediately preceding year.**

The total number of issued ordinary shares as at 31 March 2016 was 361,857,200 (as at 30 September 2015: 361,524,300). The Company does not have any treasury shares during and as at the end of the current financial year reported on.

- 1(d)(iv) A statement showing all sales, transfers, disposal, cancellation and/or use of treasury shares as at the end of the current financial period reported on.**

Not applicable. The Company did not have any treasury shares as at 31 March 2016.

- 2. Where the figures have been audited or reviewed, and in accordance with which auditing standard or practice.**

The figures have not been audited or reviewed by the Company's auditors.

- 3. Where the figures have been audited or reviewed, the auditors' report (including any qualifications or emphasis of a matter).**

Not applicable.

- 4. Whether the same accounting policies and methods of computation as in the issuer's most recently audited annual financial statements have been applied.**

Save as disclosed in paragraph 5 below, the Group and the Company have applied the same accounting policies and methods of computation in preparation of the financial statements for the current reporting period compared with the audited financial statements as at 30 September 2015.

- 5. If there are any changes in the accounting policies and methods of computation, including any required by an accounting standard, what has changed, as well as the reasons for, and the effect of, the change.**

In the current financial period, the Group and the Company have adopted all the new revised Financial Reporting Standards (FRSs) and Interpretations of FRS ("INT FRS") that are relevant to its operations and effective for annual periods beginning on or after 1 October 2015. The adoption of these new/revised FRSs and INT FRSs does not result in changes to the Group's and Company's accounting policies and has no material effect on the amounts reported for the current or prior period.

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6. Earnings per ordinary share of the group for the current financial period reported on and the corresponding period of the immediately preceding financial year, after deducting any provision for preference dividends.

	Group			
	3 Months Ended 31 March		6 Months Ended 31 March	
	2016 (unaudited)	2015 (unaudited)	2016 (unaudited)	2015 (unaudited)
<b>Earnings per ordinary share ("EPS")</b>				
(i) Basic EPS - Based on weighted average number of ordinary shares in issue (Singapore cents)	0.69	0.75	1.11	1.01
(ii) On a fully diluted basis (Singapore cents)	0.69	0.75	1.11	1.01
Weighted average number of shares (in '000)	361,601	275,280	361,563	275,139

The basic and diluted earnings per share are the same as there were no potentially dilutive ordinary shares in issue as at 31 March 2016 and 31 March 2015.

For comparative and illustrative purposes, the earnings per ordinary share for the financial period ended 31 March 2015 was computed based on the number of ordinary shares issued after share split of 275,000,000 which was completed on 10 March 2015.

7. Net asset value (for the issuer and group) per ordinary share based on the total number of issued shares excluding treasury shares of the issuer at the end of the  
 (a) current financial period reported on; and  
 (b) immediately preceding financial year.

	Group		Company	
	As at 31/03/16 (unaudited)	As at 30/09/15 (audited)	As at 31/03/16 (unaudited)	As at 30/09/15 (audited)
Net asset value (S\$'000)	58,585	55,434	53,076	53,371
Number of ordinary shares in issue (in '000)	361,857	361,524	361,857	361,524
Net asset value per ordinary share (Singapore cents)	16.19	15.33	14.67	14.76

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8. A review of the performance of the group, to the extent necessary for a reasonable understanding of the group's business. It must include a discussion of the following:

- (a) any significant factors that affected the turnover, costs, and earnings of the group for the current financial period reported on, including (where applicable) seasonal or cyclical factors; and  
(b) any material factors that affect the cash flow, working capital, assets or liabilities of the group during the current financial period reported on.

**Review on Group's Financial Results**

**Revenue**

S\$ (in million)	2Q2016	2Q2015	Variance		1H2016	1H2015	Variance	
			S\$	%			S\$	%
Industrial Properties	13.4	11.6	1.8	15.5	26.7	22.2	4.5	20.3
Commercial Properties	5.8	6.1	(0.3)	(4.9)	11.8	11.6	0.2	1.7
Residential Properties	0.1	0.6	(0.5)	(83.3)	0.3	1.2	(0.9)	(75.0)
<b>Space Optimisation Business</b>	19.3	18.3	1.0	5.5	38.8	35.0	3.8	10.9
<b>Facilities Management Business</b>	3.0	2.3	0.7	30.4	5.9	4.6	1.3	28.3
<b>Logistics Services Business</b>	3.7	3.6	0.1	2.8	7.3	7.2	0.1	1.4
<b>Total</b>	26.0	24.2	1.8	7.7	52.0	46.8	5.2	11.1

**6 months ended 31 March 2016 (1H2016) vs 6 months ended 31 March 2015 (1H2015)**

The Group's revenue increased by approximately S\$5.2 million or 11.1% from approximately S\$46.8 million in 1H2015 to approximately S\$52.0 million in 1H2016. The increase was due to increase in rental income (which includes warehousing service fees) from our Group's Space Optimisation Business, primarily driven by our Industrial Properties, as well as increased revenue from our Facilities Management Business.

**(a) Space Optimisation Business**

**Industrial Properties**

Revenue derived from Industrial Properties increased by approximately S\$4.5 million or 20.3% from approximately S\$22.2 million in 1H2015 to approximately S\$26.7 million in 1H2016. The increase in revenue was mainly due to an increase in rental income as a result of new master leases secured by the Group.

The average occupancy rate of industrial properties managed by the Group in 1H2016 was approximately 93%.

**Commercial Properties**

Revenue derived from Commercial Properties increased by approximately S\$0.2 million or 1.7% from approximately S\$11.6 million in 1H2015 to approximately S\$11.8 million in 1H2016. The increase in revenue was mainly due to an increase in rental income from our existing Commercial Properties as a result of the increase in rental rate in the first quarter ended 31 December 2015.

The average occupancy rate of the Group's commercial properties was approximately 94% in 1H2016.

**Residential Properties**

Revenue derived from Residential Properties decreased by approximately S\$0.9 million or 75.0% from approximately S\$1.2 million in 1H2015 to approximately S\$0.3 million in 1H2016. The decrease was mainly due to the expiry of the lease of its managing agent contract on a residential property at 15 Robin Road in October 2015.

**(b) Facilities Management Business**

Revenue derived from our Facilities Management Business increased by approximately S\$1.3 million or 28.3% from approximately S\$4.6 million in 1H2015 to approximately S\$5.9 million in 1H2016. The increase was mainly due to an increase in revenue from security services and car park management services arising from both the existing sites and new car parks managed by our Group.

**(c) Logistics Services Business**

Revenue derived from our Logistics Services Business increased by approximately S\$0.1 million or 1.4% from approximately S\$7.2 million in 1H2015 to approximately S\$7.3 million in 1H2016. The increase was mainly due to an increase in revenue from our container depot business in Thailand.

Cost of sales increased by approximately S\$3.8 million or 11.0% from approximately S\$34.6 million in 1H2015 to approximately S\$38.3 million in 1H2016. The increase in cost of sales was mainly due to rental costs (which includes warehousing service charges and free fittings period adjustment of approximately S\$0.6 million) of approximately S\$4.2 million as a result of the new sites secured and managed by our Group. This was partially offset by decrease in upkeep and maintenance costs of approximately S\$0.4 million.

Gross profit increased by approximately S\$1.4 million from approximately S\$12.2 million in 1H2015 to approximately S\$13.6 million in 1H2016 whereas gross profit margin as a percentage of revenue increased from 26.1% in 1H2015 to 26.2% in 1H2016. The increase in gross profit was mainly due to higher rental income from our Industrial Properties.

Other operating income increased by approximately S\$0.3 million or 19.1%, from approximately S\$1.3 million in 1H2015 to approximately S\$1.6 million in 1H2016. The increase was mainly due to higher income from administrative services of approximately S\$0.1 million, interest income from the Company's fixed deposit of approximately S\$0.1 million and forfeiture of rental deposit of approximately S\$0.1 million.

Selling and distribution expenses increased by approximately S\$0.3 million or 35.4% from approximately S\$0.8 million in 1H2015 to approximately S\$1.1 million in 1H2016. The increase was mainly due to an increase in payment of agent commission of approximately S\$0.3 million arising from new master leases secured by our Group.

Administrative expenses increased by approximately S\$1.3 million or 15.8% from approximately S\$8.2 million in 1H2015 to approximately S\$9.5 million in 1H2016. The increase in administrative expenses was mainly due to increase in depreciation of approximately S\$0.7 million arising from the increase in property plant and equipment and increase in employee benefit cost of approximately S\$0.5 million and increase in miscellaneous expenses of approximately S\$0.1 million.

Finance costs increased by approximately S\$0.1 million or 55.9% from approximately S\$0.2 million in 1H2015 to approximately S\$0.3 million in 1H2016. The increase was mainly due to increase in interest expense as a result of higher borrowings as compared to the previous corresponding period.

There were no IPO expenses incurred for 1H2016 as compared to approximately S\$1.4 million incurred for 1H2015.

As a result of the aforementioned, the Group's profit before income tax increased by approximately S\$1.4 million or 46.2% from approximately S\$3.0 million in 1H2015 to approximately S\$4.4 million in 1H2016.

Taxation increased by approximately S\$0.1 million from S\$0.2 million in 1H2015 to S\$0.3 million in 1H2016.

**3 months ended 31 March 2016 (2Q2016) vs 3 months ended 31 March 2015 (2Q2015)**

The Group's revenue increased by approximately S\$1.8 million or 7.7% from approximately S\$24.2 million in 2Q2015 to approximately S\$26.0 million in 2Q2016. The increase was mainly due to increase in rental income from our Industrial Properties, as well as increased revenue from our Facilities Management Business.

**(a) Space Optimisation Business****Industrial Properties**

Revenue derived from Industrial Properties increased by approximately S\$1.8 million or 15.5% from approximately S\$11.6 million in 2Q2015 to approximately S\$13.4 million in 2Q2016. The increase in revenue was mainly due to an increase in rental income as a result of new master leases secured by the Group.

Commercial Properties

Revenue derived from Commercial Properties decreased by approximately S\$0.3 million or 4.9% from approximately S\$6.1 million in 2Q2015 to approximately S\$5.8 million in 2Q2016. The decrease in revenue was mainly due to movement of tenants upon renewal of site lease.

Residential Properties

Revenue derived from Residential Properties decreased by approximately S\$0.5 million or 83.3% from approximately S\$0.6 million in 2Q2015 to approximately S\$0.1 million in 2Q2016. The decrease was mainly due to the expiry of the lease of its managing agent contract on a residential property at 15 Robin Road in October 2015.

**(b) Facilities Management Business**

Revenue derived from our Facilities Management Business increased by approximately S\$0.7 million or 30.4% from approximately S\$2.3 million in 2Q2015 to approximately S\$3.0 million in 2Q2016. The increase was mainly due to an increase in revenue from security services and car park management services arising from both the existing sites and new car parks managed by our Group.

**(c) Logistics Services Business**

Revenue derived from our Logistics Services Business increased by approximately S\$0.1 million or 2.8% from approximately S\$3.6 million in 2Q2015 to approximately S\$3.7 million in 2Q2016. The increase was mainly due to an increase in revenue from our container depot business in Thailand.

Cost of sales increased by approximately S\$1.4 million or 8.4% from approximately S\$17.4 million in 2Q2015 to approximately S\$18.8 million in 2Q2016. Our cost of sales comprises mainly rental costs, direct labour costs, upkeep and maintenance costs, transportation costs, sub-contracting costs and others. The increase in cost of sales was mainly due to rental costs (which includes warehousing service charges and free fittings period adjustment of approximately S\$0.3 million) of approximately S\$1.7 million relating to the new sites secured and managed by our Group. This was partially offset by decrease in upkeep and maintenance costs of approximately S\$0.3 million.

Gross profit increased by approximately S\$0.4 million from approximately S\$6.8 million in 2Q2015 to approximately S\$7.2 million in 2Q2016. The increase was mainly due to higher rental income from our Industrial Properties.

Other operating income increased by approximately S\$0.1 million or 16.5%, from approximately S\$0.9 million in 2Q2015 to approximately S\$1.0 million in 2Q2016. The increase was mainly due to higher income from administrative services.

Selling and distribution expenses increased by approximately S\$0.1 million or 33.9% from approximately S\$0.4 million in 2Q2015 to approximately S\$0.5 million in 2Q016. The increase was mainly due to an increase in agent commission of approximately S\$0.1 million arising from new master leases secured by our Group.

Administrative expenses increased by approximately S\$0.9 million or 21.9% from approximately S\$4.2 million in 2Q2015 to approximately S\$5.1 million in 2Q2016. The increase in administrative expenses was mainly due to increase in depreciation of approximately S\$0.3 million arising from the increase in property plant and equipment, increase in employee benefit cost of approximately S\$0.3 million and increase in miscellaneous expenses of approximately S\$0.3 million.

Finance costs increased by approximately S\$0.1 million or 53.0% from approximately S\$0.1 million in 2Q2015 to approximately S\$0.2 million in 2Q2016. The increase was mainly due to increase in interest expense as result of higher borrowings as compared to the previous corresponding period.

There were no IPO expenses incurred for 2Q2016 as compared to approximately S\$1.2 million incurred for 2Q2015.

As a result of the aforementioned, the Group's profit before income tax increased by approximately S\$0.6 million or 30.3% from approximately S\$1.9 million in 2Q2015 to approximately S\$2.5 million in 2Q2016.

Taxation increased by approximately S\$0.1 million due to lower Group Relief received.

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**Review of Statements of Financial Position****Group****Non-current assets**

Non-current assets increased by approximately S\$1.2 million from approximately S\$58.6 million as at 30 September 2015 to approximately S\$59.8 million as at 31 March 2016. The increase was mainly due to increase in property, plant and equipment, largely attributable to the capitalisation of renovation costs of new leased sites and increase in investment properties.

**Current assets**

Current assets were approximately S\$48.0 million as at 30 September 2015 and 31 March 2016. Fixed deposits decreased by approximately S\$3.0 million, partially utilised for expansion of our operations. This was offset by increase in trade and other receivables of approximately S\$1.3 million, prepayment of approximately S\$0.6 million and cash and balances of approximately S\$1.1 million. Increase in trade and other receivables of approximately S\$1.3 million was mainly due to increase in trade receivables of approximately S\$0.4 million and increase in other receivables of approximately S\$0.9 million. Increase in other receivables consist of mainly loan advanced to joint venture company of approximately S\$2.1m partially offset by the decrease in net GST receivables of approximately S\$1.0 million.

**Non-current liabilities**

Non-current liabilities decreased by approximately S\$0.2 million from approximately S\$20.6 million as at 30 September 2015 to approximately S\$20.4 million as at 31 March 2016. The decrease was mainly due to repayment of bank borrowings of approximately S\$0.7 million and decrease in obligations under finance lease of approximately S\$0.4 million. This was partially offset by an increase bank borrowings of approximately S\$0.9 million.

**Current liabilities**

Current liabilities decreased by approximately S\$1.9 million from approximately S\$30.8 million as at 30 September 2015 to approximately S\$28.9 million as at 31 March 2016. The decrease was mainly due to decrease in trade and other payables of approximately S\$1.5 million, decrease in obligations under finance lease of approximately S\$0.1 million and decrease in current tax payables of approximately S\$0.3 million.

**Review of Statement of Cash Flows****1H2016**

In 1H2016, we recorded net cash generated from operating activities of approximately S\$3.6 million, which was a result of operating cash flows before changes in working capital of S\$7.9 million and net working capital outflow of approximately S\$3.5 million, adjusted for income tax paid of approximately S\$0.5 million and net interest expense paid of approximately S\$0.3 million. Our working capital outflows were mainly due to an increase in operating receivables of approximately S\$1.9 million and a decrease in operating payables of approximately S\$1.7 million. These were partially offset by a decrease in inventories of approximately S\$0.1 million.

Net cash used in investing activities amounted to approximately S\$3.6 million, which was mainly due to the acquisition of property, plant and equipment.

Net cash used in financing activities amounted to approximately S\$1.9 million which was due to the repayment of finance lease of approximately S\$0.8 million, repayment of bank borrowings of approximately S\$0.7 million, repayment of amount due to a director of our subsidiaries of approximately S\$0.2 million and dividend paid of approximately S\$1.1 million. These were partially offset by proceeds received from bank borrowings obtained of approximately S\$0.9 million.

As a result of the above, the cash and cash equivalents decreased by of approximately S\$1.9 million, amounting to S\$22.8 million as at 31 March 2016.



**2Q2016**

In 2Q2016, we recorded net cash used in operating activities of approximately S\$2.7 million, which was a result of operating cash flows before changes in working capital of S\$4.3 million and net working capital outflow of approximately S\$1.0 million, adjusted for income tax paid of approximately S\$0.5 million and net interest expense paid of approximately S\$0.1 million. Our working capital outflows were mainly due to an increase in operating receivables of approximately S\$0.7 million and a decrease in operating payables of approximately S\$0.3 million.

Net cash used in investing activities amounted to approximately S\$1.7 million, which was mainly due to the acquisition of property, plant and equipment.

Net cash used in financing activities amounted to approximately S\$1.0 million which was due to the repayment of finance lease liabilities of approximately S\$0.4 million, repayment of bank borrowings of approximately S\$0.4 million and dividend paid of approximately S\$1.1 million. These were partially offset by proceeds received from bank borrowings obtained of approximately S\$0.9 million.

As a result of the above, the cash and cash equivalents remained at S\$22.8 million as at 31 March 2016.

**9. Where a forecast, or a prospect statement, has been previously disclosed to shareholders, any variance between it and the actual results.**

There was no forecast or prospect statements previously disclosed to shareholders.

**10. A commentary at the date of the announcement of the significant trends and competitive conditions of the industry in which the group operates and any known factors or events that may affect the group in the next reporting period and the next 12 months.**

LHN Group's main revenue generator remains its Space Optimisation Business. Its strategy to focus on its portfolio of industrial and commercial properties outside the CBD has continued to pay off. Specially, the response to its new project at 18 Tampines Industrial Crescent has been very encouraging.

The weak global economy has led to a slowdown in the real estate sector as businesses hold off expansion plans. However, the Group remains cautiously optimistic about the mid to long term period because of several factors including:

- The government's active backing of technology growth is likely to continue driving growth of the infocomm industry which is in line with the Smart Nation initiative. Companies in this sector tend to favour affordable space in decentralised business parks outside the CBD<sup>1</sup>.
- The rapidly expanding e-commerce sector is fueling demand for self-storage industrial spaces. The Group expects its newly launched Work + Store concept to be supported by the growing community of start-ups and SMEs in the e-commerce trade that require flexible, affordable work and storage spaces with dedicated services<sup>2</sup>.

Barring unforeseen circumstances, the Group is cautiously optimistic about the average occupancy rate across its property portfolio remaining stable. It is in active negotiations with landlords to secure more master leases of strategically located properties with good leasing potential.

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

<sup>1</sup> "Tech companies – the future drivers of office space demand" – The Business Times, April 7, 2016, <http://www.businesstimes.com.sg/hub/property-2016/tech-companies-the-future-drivers-of-office-space-demand>

<sup>2</sup> "Self-storage industrial space poised to expand" – The Business Times April 7, 2016, <http://www.business-times.com.sg/hub/property-2016/self-storage-industrial-space-poised-to-expand>

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**11. Dividend**

- (a) **Current Financial Period Reported On:** Any dividend declared for the current financial period reported on?

Name of Dividend	Interim Dividend
Dividend Type	Cash
Dividend Amount per share	S\$0.002 per ordinary share
Tax rate	Tax exempt (one-tier)

- (b) **Corresponding Period of the Immediately Preceding Financial Year:** Any dividend declared for the corresponding period of the immediately preceding financial year?

Nil.

- (c) **The date the dividend is payable.**

The date payable for the proposed interim dividend will be announced at a later date.

- (d) **Books closure date.**

The books closure date will be announced at a later date.

**12. If no dividend has been declared (recommended), a statement to that effect.**

Not applicable.



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13. If the group has obtained mandate from shareholders for IPTs, the aggregate value of such transactions as required under Rule 920 (1)(a)(ii). If no IPT mandate has been obtained, a statement to that effect.

Other than the Restructuring Exercise and interested person transactions as disclosed on pages 82 to 84, 235 to 236 and 239 to 240 of the Offer Document dated 1 April 2015, there were additional interested person transactions of S\$100,000 and above during the financial period under review. Details of the additional interested person transactions of S\$100,000 and above are as follows:

Name of Interested Persons and Transactions	Aggregate value of all interested person transactions during the period under review (excluding transactions less than S\$100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920)		Aggregate value of all interested person transactions conducted under shareholders' mandate pursuant to Rule 920 (excluding transactions less than S\$100,000)	
	3 months ended 31 March 2016 S\$'000	6 months ended 31 March 2016 S\$'000	3 months ended 31 March 2016 S\$'000	6 months ended 31 March 2016 S\$'000
<u>Payments received by our Group</u>				
PJS Companies*				
- Property leases or sub-leases	-	-	96	242
- Facilities management services	-	-	2	10
	-	-	98	252
<u>Payments paid by our Group</u>				
PJS Companies*				
- Purchase of food and beverage products and services	-	-	2	3
	-	-	2	3
<b>Total</b>	-	-	<b>100</b>	<b>255</b>

- \* PJS Companies comprises Café @ Phoenix Pte. Ltd. and DJ Culinary Concepts Pte. Ltd. as disclosed on page 241 of the Offer Document dated 1 April 2015.

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**14. Utilisation of Proceeds from the Initial Public Offering (“IPO”)**

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

S/N	Purpose of IPO Proceeds	Amount Allocated S\$'000	Amount Utilised S\$'000	Balance S\$'000
1	To grow our property portfolio and acquire our own properties	5,000	5,000	-
2	Expansion of our Logistics Services Business and Facilities Management Business	3,000	-	3,000
3	Expansion of our operations in existing markets and into new markets	3,000	3,000	-
4	Development of technological capability	500	142	358
5	General working capital	2,931	2,489	442
6	Listing expenses	2,569	2,569	-
	<b>Total</b>	<b>17,000</b>	<b>13,200</b>	<b>3,800</b>

The above utilisation is in accordance with the intended use of proceeds of IPO as stated in the Offer Document dated 1 April 2015.

Amount utilised for general working capital of approximately S\$2.5 million consisted of payment for (i) partial rental cost and security deposit of approximately S\$0.4 million in relation to master lease secured for our second GreenHub Suited Offices in Jakarta and (ii) renovation cost of approximately S\$2.1 million in relation to master leases secured for our Space Optimisation Business.

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

**15. Negative Confirmation of Interim Financial Results pursuant to Rule 705(5) of the Catalist Listing Manual**

The Board of Directors of the Company confirms that to the best of their knowledge, nothing has come to their attention which may render the unaudited financial statements of the Company and the Group for the second quarter and six months ended 31 March 2016 to be false or misleading in any material aspect.

**16. Confirmation that the issuer has procured undertakings from all its directors and executive Officers (in the format set out in Appendix 7H) under Rule 720(1) of the Catalist Listing Manual**

The Company confirms that it has procured undertakings from all its directors and executive officers (in the format set out in Appendix 7H) under Rule 720(1) of the Catalist Listing Manual.

**By Order of the Board**  
**Kelvin Lim**  
**Executive Chairman and Group Managing Director**  
**12 May 2016**