

LHN LIMITED

(Incorporated in the Republic of Singapore)
Company Registration No. 201420225D

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 FIRST QUARTER (“1Q2018”) ENDED 31 DECEMBER 2017

	Group		
	Three months ended 31 December		Change
	2017 (unaudited)	2016 (unaudited)	
	S\$'000	S\$'000	%
Revenue	25,909	26,440	(2.0)
Cost of sales	(20,017)	(20,094)	(0.4)
Gross profit	5,892	6,346	(7.2)
Other income	743	875	(15.1)
Selling and distribution expenses	(408)	(285)	43.2
Administrative expenses	(7,228)	(5,395)	34.0
Finance cost	(202)	(150)	34.7
Share of results of associates and joint ventures, net of tax	(100)	3,886	NM
(Loss)/profit before income tax	(1,303)	5,277	NM
Income tax credit/(expenses)	296	(230)	NM
(Loss)/profit for the period	(1,007)	5,047	NM
Other comprehensive (loss)/income			
<u>Item that will be reclassified subsequently to profit or loss</u>			
Currency translation differences arising from consolidation	(33)	50	NM
Other comprehensive (loss)/income	(33)	50	NM
Total comprehensive (loss)/income for the period	(1,040)	5,097	NM
(Loss)/profit attributable to:			
Equity holders of the Company	(1,017)	4,884	NM
Non-controlling interests	10	163	(93.9)
(Loss)/profit for the period	(1,007)	5,047	NM
Total comprehensive (loss)/income attributable to:			
Equity holders of the Company	(1,050)	4,935	NM
Non-controlling interests	10	162	(93.8)
Total comprehensive (loss)/income for the period	(1,040)	5,097	NM
<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	
	Three months ended 31 December	
	2017 (unaudited)	2016 (unaudited)
	S\$'000	S\$'000
Depreciation of property, plant and equipment	1,493	1,547
Interest income	(96)	(21)
Finance cost	202	150
Foreign exchange loss/(gain), net	174	(326)
Gain on disposal of property, plant and equipment, net	(359)	(8)
Property, plant and equipment written off	–	1
Dual Listing expenses	1,842	–

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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

	Group		Company	
	As At 31 December 2017 (unaudited)	As At 30 September 2017 (audited)	As At 31 December 2017 (unaudited)	As At 30 September 2017 (audited)
	S\$'000	S\$'000	S\$'000	S\$'000
ASSETS				
Non-current assets				
Property, plant and equipment	21,668	21,794	—	—
Investment properties	43,221	43,352	—	—
Available for sale financial assets	107	107	—	—
Investment in subsidiaries	—	—	32,727	32,727
Investment in associates	138	132	—	—
Investment in joint ventures	11,238	11,344	—	—
Deferred tax assets	728	651	—	—
Long-term prepayments	495	536	—	—
	77,595	77,916	32,727	32,727
Current assets				
Inventories	8	33	—	—
Trade and other receivables	15,214	13,212	21,829	20,378
Loans to joint ventures	11,472	10,492	—	—
Prepayments	3,407	3,131	48	33
Cash and bank balances	24,271	13,262	12,860	1,034
Fixed deposits	5,942	6,270	—	—
	60,314	46,400	34,737	21,445
TOTAL ASSETS	137,909	124,316	67,464	54,172
EQUITY				
Capital and Reserves				
Share capital	63,407	51,287	63,407	51,287
Treasury shares	—	(186)	—	(186)
Reserves	18,458	19,508	1,692	2,524
	81,865	70,609	65,099	53,625
Non-controlling interests	343	333	—	—
TOTAL EQUITY	82,208	70,942	65,099	53,625
LIABILITIES				
Non-current liabilities				
Deferred tax liabilities	318	222	—	—
Provision for reinstatement costs	206	204	—	—
Other payables	18	18	—	—
Finance lease liabilities	3,508	3,417	—	—
Bank borrowings	16,103	16,380	—	—
	20,153	20,241	—	—
Current liabilities				
Trade and other payables	27,152	25,054	2,273	466
Provision for reinstatement costs	169	169	—	—
Finance lease liabilities	1,695	1,750	—	—
Bank overdrafts	75	—	—	—
Bank borrowings	5,001	4,894	—	—
Current tax payable	1,456	1,266	92	81
	35,548	33,133	2,365	547
TOTAL LIABILITIES	55,701	53,374	2,365	547
TOTAL EQUITY AND LIABILITIES	137,909	124,316	67,464	54,172

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Company Registration No. 201420225D

- 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 December 2017 (unaudited)	As At 30 September 2017 (audited)
	S\$'000	S\$'000
Amount repayable in one year or less (secured and guaranteed)		
– Bank overdrafts	75	–
– Bank borrowings	5,001	4,894
– Finance lease liabilities	1,695	1,750
	6,771	6,644
Amount repayable after one year (secured and guaranteed)		
– Bank borrowings	16,103	16,380
– Finance lease liabilities	3,508	3,417
	19,611	19,797
Total borrowings	26,382	26,441

The Group does not have any unsecured borrowings and debt securities as at 31 December 2017 and 30 September 2017.

Details of any collaterals:

- Bank overdrafts of the Group are secured by corporate guarantee provided by the Group and personal guarantee provided by a director and shareholder of a non-wholly owned subsidiary, who is not a controlling shareholder of the Company, proportional to his shareholdings in the non-wholly owned subsidiary (the "**Subsidiary Director**").
- Bank borrowings of approximately S\$21.1 million (30 September 2017 – S\$21.3 million) obtained by our subsidiaries are secured by legal mortgage of leasehold property at 72 Eunos Avenue 7 and 100 Eunos Avenue 7, corporate guarantees provided by the Group, personal guarantees provided by the Subsidiary Director proportional to his shareholdings in the non-wholly owned subsidiary and assignment of rental proceeds of the mortgaged properties.
- 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 the Subsidiary Director proportional to his shareholdings in the non-wholly owned subsidiary and corporate guarantees provided by the Group.

LHN LIMITED

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 Company Registration No. 201420225D

- 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 First Quarter Ended 31 December 2017

	Group	
	Three months ended 31 December	
	2017 (unaudited) S\$'000	2016 (unaudited) S\$'000
Cash flows from operating activities:		
(Loss)/profit before income tax	(1,303)	5,277
Share of results of associates and joint ventures	100	(3,886)
Adjustments for:		
Depreciation of property, plant and equipment	1,493	1,547
Gain on disposal of property, plant and equipment	(359)	(8)
Property, plant and equipment written off	—	1
Waiver of debt from a director of subsidiaries	—	(21)
Dual Listing expenses	1,842	—
Interest income	(96)	(21)
Interest expenses	202	150
Operating profit before working capital changes	1,879	3,039
Decrease/(Increase) in inventories	25	(3)
Increase in operating receivables	(2,228)	(722)
Increase in operating payables	541	1,202
Cash generated from operations	217	3,516
Interest expense paid	(196)	(100)
Income tax refunded/(paid)	507	(27)
Net cash generated from operating activities	528	3,389
Cash flows from investing activities:		
Acquisition of property, plant and equipment	(972)	(1,497)
Proceeds from disposal of property, plant and equipment	480	8
Acquisition of a joint venture	—	(150)
(Loans to)/repayment from joint ventures, net	(900)	80
Interest received	6	8
Net cash used in investing activities	(1,386)	(1,551)
Cash flows from financing activities:		
Repayment of finance lease	(555)	(406)
Placements of deposits – current	—	(5)
Bank borrowings obtained	1,300	—
Bank borrowings repaid	(1,471)	(385)
Repayment amount owing to a director of subsidiaries	—	(19)
Proceeds from issuance of shares	13,638	—
Share issue costs	(1,332)	—
Dual Listing expenses paid	(99)	—
Net cash generated from/(used in) financing activities	11,481	(815)
Net increase in cash and cash equivalents	10,623	1,023
Cash and cash equivalents at beginning of period	14,885	19,926
Effect of currency translation on cash and cash equivalents	(19)	40
Cash and cash equivalents at end of period	25,489	20,989
Consolidated cash and cash equivalents are represented by:		
Cash and bank balances	24,271	20,989
Fixed deposits	5,942	5,711
	30,213	26,700
Less: Pledged fixed deposits	(4,649)	(5,711)
Less: Bank overdrafts	(75)	—
Cash and cash equivalents as per consolidated statement of cash flows	25,489	20,989

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

GROUP (unaudited)	Share capital	Treasury shares	Retained profits	Merger reserves	Other reserve	Asset revaluation reserves	Exchange translation reserves	Total attributable to equity holders of the Company			Non-controlling interests	Total equity
								S\$'000	S\$'000	S\$'000		
Balance at 1 October 2016	51,287	(245)	46,507	(30,727)	269	3,202	(744)	69,549	(120)			69,429
Profit for the period	–	–	4,884	–	–	–	–	4,884			163	5,047
Other comprehensive income/(loss)	–	–	–	–	–	–	51	51		(1)		50
Total comprehensive income for the period	–	–	4,884	–	–	–	51	4,935		162		5,097
Balance at 31 December 2016	51,287	(245)	51,391	(30,727)	269	3,202	(693)	74,484	42			74,526
Balance at 1 October 2017	51,287	(186)	47,197	(30,727)	298	3,576	(836)	70,609	333			70,942
New Shares issued pursuant to Dual Listing	13,638	–	–	–	–	–	–	13,638	–			13,638
Share issue costs	(1,332)	–	–	–	–	–	–	(1,332)	–			(1,332)
Cancellation of treasury shares	(186)	186	–	–	–	–	–	–	–			–
(Loss)/profit for the period	–	–	(1,017)	–	–	–	–	(1,017)	10			(1,007)
Other comprehensive loss	–	–	–	–	–	–	(33)	(33)		–		(33)
Total comprehensive (loss)/income for the period	–	–	(1,017)	–	–	–	(33)	(1,050)	10			(1,040)
Balance at 31 December 2017	63,407	–	46,180	(30,727)	298	3,576	(869)	81,865	343			82,208

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)

COMPANY (unaudited)	Share capital	Treasury shares	Other reserve	Retained profits	Total
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
Balance at 1 October 2016	51,287	(245)	–	3,070	54,112
Total comprehensive income for the period	–	–	–	27	27
Balance at 31 December 2016	51,287	(245)	–	3,097	54,139
Balance at 1 October 2017	51,287	(186)	29	2,495	53,625
New Shares issued pursuant to Dual Listing	13,638	–	–	–	13,638
Share issue costs	(1,332)	–	–	–	(1,332)
Cancellation of treasury shares	(186)	186	–	–	–
Total comprehensive loss for the period	–	–	–	(832)	(832)
Balance at 31 December 2017	63,407	–	29	1,663	65,099

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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 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 and subsidiary holdings, 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. State also the number of shares held as treasury shares and the number of subsidiary holdings, if any, and the percentage of the aggregate number of treasury shares and subsidiary holdings held against the total number of shares outstanding in a class that is listed 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.**

Pursuant to the dual listing on the Main Board of The Stock Exchange of Hong Kong Limited ("SEHK") (the "Dual Listing") since 29 December 2017 (the "Listing Date"), the Company had issued 42,000,000 ordinary shares and cancelled 1,411,800 treasury shares during the first quarter ended 31 December 2017.

As such, as at 31 December 2017, the share capital of the Company amounted to S\$63,406,836 comprising 402,445,400 issued ordinary shares (as at 31 December 2016: S\$51,286,998 comprising 360,004,200 issued ordinary shares excluding treasury shares).

The Company had nil treasury shares as at 31 December 2017 (31 December 2016: 1,853,000).

Save as disclosed, the Company did not have any outstanding options, convertibles or subsidiary holdings as at 31 December 2017 and 31 December 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.**

	Total Number of Issued Shares Excluding Treasury Shares
As at 30 September 2017	360,445,400
Add: new shares issued pursuant to Dual Listing	42,000,000
As at 31 December 2017	402,445,400

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

	Number of Treasury Shares	Treasury Shares S\$'000
Balance at 1 October 2017	1,411,800	186
Treasury shares cancelled	(1,411,800)	(186)
Balance at 31 December 2017	–	–

During the financial period ended 31 December 2017, all of the treasury shares were cancelled pursuant to Section 76K of the Singapore Companies Act, Cap.50.

1(d)(v) A statement showing all sales, transfers, cancellation and/or use of subsidiary holdings as at the end of the current financial period reported on.

Not applicable as the Company did not hold any subsidiary holdings as at the end of the current financial period reported on.

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 financial period ended 31 December 2017 compared with the audited financial statements for the financial year ended 30 September 2017.

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 ended 31 December 2017 and financial year ended 30 September 2017, the Group and the Company have adopted International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board (the "IASB") under the historical cost convention. The adoption of the IFRS did not result in substantial changes to the accounting policies of the Group and the Company and there is no material effect on the amounts reported for the current or prior financial periods.

The Company has adopted IFRS since the financial year ended 30 September 2017 as the Group is required to adopt IFRS to prepare its financial statements subsequent to obtaining the listing approval of its shares on The Stock Exchange of Hong Kong Limited.

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	
	Three months Ended 31 December	
	2017 (unaudited)	2016 (unaudited)
<u>(Loss)/earnings per ordinary share</u>		
(i) Based on weighted average number of ordinary shares in issue (Singapore Cents)	(0.28)	1.36
(ii) On a fully diluted basis (Singapore Cents)	(0.28)	1.36
Weighted average number of shares (in '000)	361,815	360,004

The basic and diluted earnings per share are the same as there were no potentially dilutive ordinary securities in issue as at 31 December 2017 and 31 December 2016.

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 December 2017 (unaudited)	As at 30 September 2017 (audited)	As at 31 December 2017 (unaudited)	As at 30 September 2017 (audited)
Net asset attributable to Shareholders (S\$ '000)	81,865	70,609	65,099	53,625
Number of ordinary shares in issue (in '000)	402,445	360,445	402,445	360,445
Net asset value per ordinary share (Singapore Cents)	20.34	19.59	16.18	14.88

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

For the period three months ended 31 December 2017 ("1Q2018") vs three months ended 31 December 2016 ("1Q2017")

Revenue

	1Q2018 S\$'000 (unaudited)	1Q2017 S\$'000 (unaudited)	Variance	
			S\$'000	%
Industrial Properties	10,214	10,939	(725)	(6.6)
Commercial Properties	5,250	5,996	(746)	(12.4)
Residential Properties	1,006	279	727	260.6
Space Optimisation Business	16,470	17,214	(744)	(4.3)
Facilities Management Business	4,629	3,802	827	21.8
Logistics Services Business	4,810	5,424	(614)	(11.3)
Total	25,909	26,440	(531)	(2.0)

The Group's revenue decreased by approximately S\$0.5 million to approximately S\$25.9 million in 1Q2018 primarily due to a decrease in revenue from the Industrial and Commercial Properties from the Space Optimisation Business ("**SOB**"), as well as the Logistics Services Business. The decrease was partially offset by the increase in revenue from the Residential Properties of our SOB and Facilities Management Business.

(a) Space Optimisation Business

Industrial Properties

Revenue derived from Industrial Properties decreased by 6.6% to approximately S\$10.2 million in 1Q2018 mainly due to (i) the expiry of two master leases in the west zone of Singapore during the financial year ended 30 September 2017 ("FY2017"), which were not renewed; (ii) movement of tenants due to expiry of sub-leases; and (iii) expiry and renewal of sub-leases at lower rental rates in 1Q2018.

The average occupancy rate of Industrial Properties managed by the Group in 1Q2018 was approximately 86% as compared to approximately 89% in 1Q2017.

Commercial Properties

Revenue derived from Commercial Properties decreased by 12.4% to approximately S\$5.3 million in 1Q2018 mainly due to (i) movement of tenants as a result of expiry of sub-leases and the renewal of two of our master leases that expired during the last quarter of FY2017 in the central and north-east zones in Singapore; and (ii) expiry and renewal of sub-leases at lower rental rates in 1Q2018.

The average occupancy rate of the Group's Commercial Properties was approximately 87% in 1Q2018 as compared to 92% in 1Q2017.

Residential Properties

Revenue derived from Residential Properties increased by 260.6% to approximately S\$1.0 million in 1Q2018 mainly due to increase in rental income from our residential property in Myanmar and design consultancy fees.

(b) Facilities Management Business

Revenue derived from our Facilities Management Business increased by 21.8% to approximately S\$4.6 million in 1Q2018 mainly due to an increase in demand of security services and facilities management services.

(c) Logistics Services Business

Revenue derived from our Logistics Services Business decreased by 11.3% to approximately S\$4.8 million in 1Q2018 mainly due to a lower demand of storage and repairs of leasing containers in 1Q2018.

Cost of sales decreased by 0.4% to approximately S\$20.0 million in 1Q2018 mainly due to a decrease in (i) rental costs of approximately S\$0.4 million; (ii) transportation costs of approximately S\$0.2 million from our Logistics Services Business due to the decrease in the services rendered; and (iii) upkeep and maintenance costs of approximately S\$0.1 million. The decrease was partially offset by an increase in direct labour costs of approximately S\$0.6 million as a result of increase in manpower cost of the Facilities Management Business.

In view of the above mentioned, gross profit decreased by approximately S\$0.4 million from approximately S\$6.3 million in 1Q2017 to approximately S\$5.9 million in 1Q2018.

Other income decreased by 15.1% to approximately S\$0.7 million in 1Q2018 mainly due to foreign exchange loss of approximately S\$0.2 million recognised in 1Q2018 as compared to foreign exchange gain of approximately S\$0.3 million recognised in 1Q2017. The increase in foreign exchange loss of approximately S\$0.5 million was partially offset by gain on disposal of property, plant and equipment of approximately S\$0.4 million relating to the sale of logistics and carpark equipment.

Selling and distribution expenses increased by 43.2% to approximately S\$0.4 million in 1Q2018 mainly due to increase in real estate agent commission of approximately S\$0.1 million to secure tenants in relation to the renewal of sub-leases under our SOB.

Administrative expenses increased by 34.0% to approximately S\$7.2 million in 1Q2018 mainly due to expenses of approximately S\$1.8 million relating to dual primary listing on the Main Board of SEHK.

Finance cost increased by 34.7% to approximately S\$0.2 million in 1Q2018 mainly due to increase in bank borrowings and higher interest rate as compared to 1Q2017.

Share of results of associates and joint ventures amounted to a loss of approximately S\$0.1 million in 1Q2018 as compared to a profit of approximately S\$3.9 million in 1Q2017. The decrease of approximately S\$4.0 million was mainly due to a non-recurring gain recognised in 1Q2017 on acquisition of Four Star Industries Pte. Ltd. which was a result of the excess for our proportionate share of the excess net fair value of the joint venture's identifiable assets and liabilities over the cost of investment.

As a result of the aforementioned, the Group's loss before income tax was approximately S\$1.3 million in 1Q2018 as compared to a profit before income tax of approximately S\$5.3 million in 1Q2017.

Income tax credit amounted to approximately S\$0.3 million in 1Q2018 as compared to an income tax expense of approximately S\$0.2 million in 1Q2017. The decrease in income tax expense of approximately S\$0.5 million was mainly due to Group tax relief received in 1Q2018.

Review of Statements of Financial Position

Non-current assets

Non-current assets decreased by approximately S\$0.3 million to approximately S\$77.6 million as at 31 December 2017 mainly due to (i) decrease in investment in joint ventures of approximately S\$0.1 million due to the share of loss of joint ventures in 1Q2018; (ii) decrease in property, plant and equipment ("PPE") of approximately S\$0.1 million as a result of depreciation offset by the additions of PPE; and (iii) decrease in investment properties of approximately S\$0.1 million due to currency exchange translation.

Current assets

Current assets increased by approximately S\$13.9 million to approximately S\$60.3 million as at 31 December 2017 mainly due to the increase in (i) trade receivables of approximately S\$1.2 million due to slower collection of trade receivables under the Logistics Services Business and Facilities Management Business; (ii) other receivables of approximately S\$0.8 million from tender deposits paid; (iii) loans to joint ventures of approximately S\$1.0 million provided to our joint venture companies for working capital and renovation of the property; (iv) prepayments of approximately S\$0.3 million; and (v) cash and bank balances of approximately S\$11.0 million largely due to the proceeds received from Dual Listing of approximately S\$13.6 million. These were partially offset by a decrease in fixed deposits of approximately S\$0.4 million.

Non-current liabilities

Non-current liabilities decreased by approximately S\$0.1 million to approximately S\$20.2 million as at 31 December 2017 mainly due to net repayment of bank borrowings of approximately S\$0.3 million and partially offset by an increase in deferred tax liabilities of approximately S\$0.1 million and finance lease liabilities of approximately S\$0.1 million.

Current liabilities

Current liabilities increased by approximately S\$2.4 million to approximately S\$35.5 million as at 31 December 2017 mainly due to the increase in (i) trade and other payables of approximately S\$2.1 million which largely consists of accruals for the expenses with respect to the Dual Listing; (ii) bank borrowings and overdrafts of approximately S\$0.2 million; and (iii) current tax payable of approximately S\$0.2 million.

Review of Statement of Cash Flows

In 1Q2018, the Group recorded net cash generated from operating activities of approximately S\$0.5 million, which was a result of operating profit before changes in working capital of S\$1.9 million, increase in operating receivables of approximately S\$2.2 million and operating payables of approximately S\$0.5 million, adjusted for income tax refunded of approximately S\$0.5 million and interest expense paid of approximately S\$0.2 million.

Net cash used in investing activities amounted to approximately S\$1.4 million, which was mainly due to the acquisition of property, plant and equipment for carpark equipment and renovation costs paid of approximately S\$1.0 million and loans to joint ventures of approximately S\$0.9 million. These were partially offset by the proceeds received from disposal of property, plant and equipment of approximately S\$0.5 million.

Net cash generated from financing activities amounted to approximately S\$11.5 million, which was due to proceeds received from issuance of shares of approximately S\$13.6 million and proceeds from bank borrowings of approximately S\$1.3 million. These were partially offset by the repayment of finance lease of approximately S\$0.6 million for logistics and carpark equipment, repayment of bank borrowings of approximately S\$1.5 million, expenses with respect to the Dual Listing of approximately S\$0.1 million and share issuance costs of approximately S\$1.3 million, that has been capitalised.

As a result of the above, cash and cash equivalents increased by approximately S\$10.6 million, amounting to S\$25.5 million as at 31 December 2017.

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 statement 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.

The Ministry of Trade and Industry reported in its advance estimates on 2 January 2018 that the Singapore economy grew by 3.1% on a year-on-year basis (“y-o-y”) in the fourth quarter of 2017 (“4Q2017”), easing from the 5.4% growth in the previous quarter while the manufacturing sector grew by 6.2% on a y-o-y basis in 4Q2017, moderating from the 19.2% growth in the previous quarter¹. Hence, our Group remains cautiously optimistic of the operating environment as market conditions continues to be challenging.

JTC Corporation (“JTC”) revealed in its latest quarterly market report² that occupancy rate of overall industrial property market in 4Q2017 rebounded by 0.3% compared to the previous quarter but fell by 0.6% compared to the previous full year. Rentals of industrial space in 4Q2017 fell by 0.1% compared to the previous quarter and fell by 2.8% compared to the previous year. It was also reported that with supply of new industrial space tapering in the coming years, industrial space rental is expected to stabilise in tandem with occupancy rates. In view of the abovementioned, the Group will continue to focus on tenant retention to maintain a stable occupancy for its industrial properties.

¹ URA/JTC Realis as at 22 January 2018

² <http://www.jtc.gov.sg/industrial-property-market-statistics/Pages/default.aspx>

Based on latest statistics from the Urban Redevelopment Authority (“**URA**”), rentals of office space rose 2.6% y-o-y in the 4Q2017³. Office rentals inched up 0.4% y-o-y in 2017, contrasting with a drop of 8.2% y-o-y in 2016. As at the end of 4Q2017, there was a total supply of about 597,000 square metres (“**sq m**”) of gross floor area (“**GFA**”) of office space in the pipeline, slightly lower than the 607,000 sq m of GFA in 3Q2017. Our Space Optimisation Business which leases out commercial properties, is expected to benefit from this slight recovery in the office rental market moving forward.

Our Group will continue to look for new properties and opportunities to grow and expand our Space Optimisation Business in the countries and regions that we currently have presence in and into other countries and regions with particular focus in Asian countries including the People’s Republic of China (“**PRC**”) and Cambodia.

Our Facilities Management Business is expected to expand further this year as a result of new carpark contracts recently secured in Hong Kong and Singapore. Our Group would continue to build-up our carpark management portfolio.

Our Logistics Services Business is expected to have a busy year. With the recently announced joint venture entered into by our indirect 60% owned subsidiary, more container volume is expected to flow through our Singapore depots. Our second depot in Bangkok, Thailand with a capacity of 10,000 twenty-foot equivalent units is also expected to be operational in 3Q2018.

Following our successful dual listing on the Main Board of The Stock Exchange of Hong Kong, our Group intends to utilise the net proceeds to acquire a new property site to expand our Space Optimisation Business. Balance of the funds will be harnessed to operate a parking yard and ISO (“**International Organisation for Standardisation**”) tank depot to expand our Logistics Services Business. Some of the funds would be directed into setting up our very first operations in PRC particularly the co-work and co-living space businesses and to purchase equipment for our Logistics Services Business etc.

11. Dividend

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

None.

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

None.

(c) The date the dividend is payable.

Not applicable.

(d) Books closure date.

Not applicable

³ <http://www.businesstimes.com.sg/real-estate/office-rentals-rose-26-q-o-q-in-q4-2017-taking-full-year-gain-to-04-ura>

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

No dividend has been declared or recommended for 1Q2018.

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.

The mandate for interested person transactions was renewed on 23 January 2017 (the “**Mandate**”) and will expire upon the completion of the forthcoming annual general meeting of the Company to be held on 19 March 2018. Please refer to the Appendix to the Annual Report 2016 dated 6 January 2017 for details of the Mandate. A proposed resolution for the renewal of the Mandate will be sought at the forthcoming annual general meeting of the Company to be held on 19 March 2018. Please refer to the circular and notice of the annual general meeting of the Company dated 31 January 2018 for further details.

There were no interested persons transactions that exceeded S\$100,000 entered into during the financial period reported on.

14. Utilisation of Proceeds from the listing in Hong Kong

On 29 December 2017, the Company was successfully dual listed on the Main Board of the SEHK and raised HK\$79.8 million (equivalent to S\$13.6 million) in total gross proceeds from the allotment and issuance of 42,000,000 new shares at a price of HK\$1.90 per share. The net proceeds from the Dual Listing amounted to approximately HK\$44.4 million (equivalent to S\$7.4 million) after deduction of related expenses of approximately HK\$35.4 million (equivalent to S\$6.2 million) (the “**Net Proceeds**”).

As at the date of this announcement, the Company did not utilise any of the Net Proceeds from the listing in Hong Kong. The unutilised Net Proceeds were deposited in a licensed bank in Hong Kong as at the date of this announcement. The Company will announce as and when the Net Proceeds are materially disbursed and disclose the same in the annual report of the Company.

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

The Board of Directors of the Company confirm 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 three months ended 31 December 2017 to be false or misleading in any material aspect.

LHN LIMITED

(Incorporated in the Republic of Singapore)
Company Registration No. 201420225D

- 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 February 2018