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# LHN GROUP

SPACE OPTIMISED

LHN LIMITED  
賢能集團有限公司\*

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

(Hong Kong stock code: 1730)

(Singapore stock code: 410)

## INSIDE INFORMATION

### POTENTIAL DISCLOSEABLE TRANSACTION IN RELATION TO POTENTIAL ACQUISITION OF THE GUL AVENUE PROPERTY

### BUSINESS UPDATE IN THE EXPANSION OF THE LOGISTICS SERVICES BUSINESS

This announcement is made by the Company pursuant to Rule 13.09 of the Listing Rules and the Inside Information Provisions under Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

#### UPDATE IN THE EXPANSION OF THE LOGISTICS SERVICES BUSINESS

As disclosed in the Prospectus, the Group signed a letter of intent and received a binding offer of an option to purchase a property for expansion of its logistics services business in Singapore, which has a land area of approximately 322,647 sq.ft. with a single storey detached factory and three-storey office building. The transaction is subject to the approval from the relevant Singapore government authorities, including the JTC. In early 2019, JTC had declined to grant the approval for the proposed transaction as it intends to retain the waterfront facilities of this property for waterfront activities.

#### POTENTIAL ACQUISITION OF THE GUL AVENUE PROPERTY

The Board is pleased to announce that HN Logistics has received an option to purchase the Gul Avenue Property from the Grantor. For the avoidance of doubt, the Option to Purchase has yet to be counter-signed by HN Logistics and it is non-binding as at the date of this announcement. The Gul Avenue Property will be used to operate a parking yard for the Group's logistics vehicles, ISO tank depot and provide logistics services as contemplated under the expansion plan of the logistics services business as contemplated in the section "Business – Our Business Strategies – Continue to expand our current business operations in Singapore, Indonesia, Thailand, Myanmar and Hong Kong – Logistics Services Business" in the Prospectus.

#### Listing Rules Implications

As at the date of the Option to Purchase, as none of the applicable percentage ratios is more than 5%, the grant of the Option to Purchase to HN Logistics is not a discloseable transaction under Chapter 14 of the Listing Rules.

In the event that HN Logistics exercises the option to purchase the Property, and based on the facts available as at the date of this announcement, it is expected that one or more of the applicable percentage ratios in respect of the Potential Acquisition will exceed 5% but all of the percentage ratios are expected to be below 25%, the Potential Acquisition is expected to constitute a discloseable transaction under Chapter 14 of the Listing Rules, and therefore be subject to the announcement requirements. The Company would provide an update announcement with the relevant computations as required under the Listing Rules if HN Logistics will accept the option to purchase the Property.

**Shareholders and potential investors of the Company should note that the Option to Purchase is subject to certain conditions precedent and HN Logistics may or may not exercise the Option to Purchase. As such, the Potential Acquisition may or may not proceed. Accordingly, shareholders and potential investors of the Company shall exercise caution when dealing in the shares of the Company.**

This announcement is made by the Company pursuant to Rule 13.09 of the Listing Rules and the Inside Information Provisions under Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

Reference is made to the Prospectus. Unless otherwise provided, capitalised terms used in this announcement shall have the same meanings as those defined in the Prospectus.

## **UPDATE IN THE EXPANSION OF THE LOGISTICS SERVICES BUSINESS**

As disclosed in the section “Business – Our Business Strategies – Continue to expand our current business operations in Singapore, Indonesia, Thailand, Myanmar and Hong Kong – Logistics Services Business” in the Prospectus, the Group plans to acquire a property or part of a property as ISO tank depot and self-use logistics vehicle parking yard to expand its logistics services business. The Group signed a letter of intent and received a binding offer of an option to purchase a property for expansion of its logistics services business, which has a land area of approximately 322,647 sq.ft. with a single storey detached factory and three-storey office building in Singapore. The acquisition is subject to, among others, the approval from JTC. In early 2019, JTC had declined to grant the approval for the proposed transaction as it intends to retain the waterfront facilities of this property for waterfront activities.

Since the Group will not be able to proceed with the said acquisition, it will be replaced by the Potential Acquisition for expansion of the logistics services business in Singapore. The Board confirms that the Gul Avenue Property satisfies all of the Selection Criteria as set out in “Business – Our Business Strategies – Summary of Our Business Strategies by Business Segment and Associated Investment Costs – Logistics Services Business” of the Prospectus relating to acquiring a property in Singapore as ISO tank depot and self-use logistics vehicle parking yard and intends to utilise certain net proceeds from the global offering as part of the Consideration if HN Logistics will exercise the option. Details of the Potential Acquisition are set out below.

## **POTENTIAL ACQUISITION OF THE GUL AVENUE PROPERTY**

The Board is pleased to announce that HN Logistics has been granted with an option to purchase the Gul Avenue Property from the Grantor. The Gul Avenue Property will be used to operate a parking yard for our logistics vehicles, ISO tank depot and provide logistics services under the expansion plan of the logistics services business as contemplated in the section, “Business – Our Business Strategies – Continue to expand our current business operations in Singapore, Indonesia, Thailand, Myanmar and Hong Kong – Logistics Services Business” in the Prospectus.

### **The Option to Purchase**

The principal terms of the Option to Purchase are set out below:

<b>Date</b>	:	17 May 2019
<b>Grantor</b>	:	Amos Supply Pte. Ltd., is the grantor of the option, who is selling the Property, is an independent third party.
<b>Deposit paid for the Option to Purchase</b>	:	HN Logistics, a wholly-owned subsidiary of the Company, has paid a Deposit of S\$650,000 plus GST (being 5% of the Consideration) for the grant of the option by the Grantor to purchase the Gul Avenue Property from the Grantor.
<b>Long-stop date</b>	:	The offer under the Option to Purchase shall expire at 4:00 p.m. within seven days of receipt of the JTC’s approval and if such date is a Saturday, Sunday or public holiday, the expiry date shall be on the working day which immediately precedes such date.
<b>Information about the Property</b>	:	The Property is located at 7 Gul Avenue, Singapore 629651.
<b>Exercise price</b>	:	The exercise price, being the total Consideration for the Potential Acquisition, is S\$13,000,000 excluding GST. The Deposit will be applied against the Consideration as partial settlement of the Consideration.

The Parties have determined the Consideration through arm’s length negotiation on normal commercial terms, and taking into consideration, among others, the remaining leasehold life, the potential of the property, the value and the prevailing market prices of properties of similar nature available in the vicinity.

**Payment and Payment Schedule** : The Consideration is or will be satisfied (as the case may be) as follows:

- (i) The Deposit of S\$650,000 plus GST which has been fully paid as at the date of this announcement by HN Logistics through internal source of funding; and
- (ii) The remaining balance of S\$12,350,000 plus GST, being the purchase price less the Deposit, to be paid on completion, and funded by the net proceeds of S\$1,782,000 allocated for acquisition of logistics property from the global offering of the Company's shares on the Main Board of the Stock Exchange and the balance will be funded by internal source of funding and bank borrowings.

**Conditions precedent** : The sale and purchase of the Property is subject to certain conditions precedent, including HN Logistics obtaining approval from:

- (i) JTC in principle approval for the sale and purchase of the Property, including the approval for the proposed change of use if required by HN Logistics and such terms and conditions which JTC may impose; and
- (ii) shareholders of the Company (if applicable) for the purchase of the Property within 12 weeks from the date of the Option to Purchase.

If the approval from the shareholders of the Company (if applicable) is not obtained within 12 weeks from the date of the Option to Purchase, the Grantor shall be entitled to forfeit the Deposit, GST and all other moneys (if any) paid by HN Logistics without prejudice to any other remedy available to the Grantor.

If the JTC approval to the sale and purchase of the Property is refused or not obtained within 12 weeks from the date of the Option to Purchase (unless extended, such extension to be mutually agreed by both parties and subject to the date fixed for completion as set out below) and that it is not due to the default of HN Logistics, either party can rescind the sale and purchase and the Option to Purchase will be null and void, and of no further effect. The Deposit, GST and all other moneys (if any) paid by HN Logistics shall be refunded without interest or deduction.

Conversely, if the inability to obtain JTC approval is attributable to the action, omission, negligence or any default on the part of HN Logistics, the Deposit, GST and all other moneys (if any) paid shall be forfeited by the Grantor absolutely.

**Sale and purchase agreement** : The Option to Purchase, if accepted by HN Logistics, will become the agreement for the sale and purchase of the Gul Avenue Property. No further contract or agreement will be entered into between the parties.

**Vacant possession** : Subject to the terms in the Option to Purchase, the Property will be sold with vacant possession on completion.

**Completion** : The completion for the Potential Acquisition shall be:

- (i) 4 weeks from the date of exercise of the Option to Purchase;
- (ii) 4 weeks from the completion of the decontamination works if so required by JTC;
- (iii) 4 weeks from the completion of the rectification of any unauthorised works found on the Property to be carried out by the Grantor,

whichever is the latest date, but in any event, no later than 24 weeks from the date of the Option to Purchase.

For the avoidance of doubt, the Option to Purchase has yet to be signed and it is non-binding as at the date of this announcement.

## **Information of the Property**

The Property is located at 7 Gul Avenue, Singapore 629651, with a total land area of approximately 22,479.7 square meters and gross floor area of approximately 8,284 square meters. The Property is a leasehold estate comprising Lot 215W of MK 7 with a 60-year lease that commenced on 1 November 1972 and Lot 307T of MK7 with a 57-year lease that commenced on 1 November 1975, and hence with a remaining leasehold life of approximately 13 years.

## **Reasons for the Potential Acquisition**

As disclosed in “Business – Our Business Strategies” in the Prospectus, the Company plans to acquire a suitable property for its logistics services business and use part of the property as its parking yard for its logistics vehicles in Singapore as it currently leases the properties for the transportation business. The Group currently does not operate a parking yard for our logistics vehicles at our owned properties and could not proceed with the acquisition of the previously identified property as mentioned above, this may adversely affect the operations of the transportation business.

Further, the Board is of the view that the Potential Acquisition will support the future stable growth of our transportation business by providing a more stable and fixed place of operations for the transportation business.

For the reasons outlined above, the Board considers that the Property in all material respects matches the Group’s Selection Criteria and expansion plan as disclosed in the Prospectus.

Taking into account of the above factors, the Directors consider that the terms of the Potential Acquisition including the Consideration, are fair and reasonable, on normal commercial terms, and the Potential Acquisition is in the interests of the shareholders of the Company and the Company as a whole.

## **Information of the Parties**

The Company is a real estate management services group, with the ability to generate value for its landlords and tenants through its expertise in space optimisation, and logistics service provider headquartered in Singapore. The Group currently has three (3) main business segments, namely: (i) space optimisation business; (ii) facilities management business; and (iii) logistics services business, which are fully integrated and complement one another. The Group currently operates mainly in Singapore, Indonesia, Thailand, Myanmar, Hong Kong and Malaysia.

HN Logistics is an indirect wholly-owned subsidiary of our Company, which primarily engages in freight transport by road and warehousing logistics.

The principal activities of the Grantor, Amos Supply Pte. Ltd., are manufacturing of wire rope slings and repairing of ships. The Grantor is a wholly-owned subsidiary of Amos Group Limited, a company listed on the Mainboard of SGX-ST (Stock Code: RF7). The Grantor, its ultimate beneficial owners and its respective associates are independent third parties to the Group and its connected persons and associates (as defined under the Listing Rules and the Catalist Listing Manual, as the case may be) to the best of the Directors’ knowledge.

## **Listing Rules Implications**

As at the date of the Option to Purchase, as none of the applicable percentage ratios is more than 5%, the grant of the Option to Purchase to HN Logistics is not a discloseable transaction under Chapter 14 of the Listing Rules.

In the event that HN Logistics exercises the option to purchase the Property, and based on the facts available as at the date of this announcement, it is expected that one or more of the applicable percentage ratios in respect of the Potential Acquisition will exceed 5% but all of the percentage ratios are expected to be below 25%, the Potential Acquisition is expected to constitute a discloseable transaction under Chapter 14 of the Listing Rules, and therefore be subject to the announcement requirements. The Company would provide an update announcement with the relevant computations as required under the Listing Rules if HN Logistics will accept the option to purchase the Property.

## Interest of Directors and Controlling Shareholders

None of the directors or controlling shareholders of the Company, and/or their respective associates has any interest, direct or indirect (other than through their shareholdings in the Company), in the Potential Acquisition.

## Financial Impact of Payment of Deposit and the Proposed Acquisition

The payment of the Deposit and the Proposed Acquisition (assuming HN Logistics accepts the Option to Purchase the Property) is not expected to have a material impact on the Group's net tangible assets or earnings per share for the financial year ending 30 September 2019.

**Shareholders and potential investors of the Company should note that the Option to Purchase is subject to certain conditions precedent and HN Logistics may or may not exercise the Option to Purchase. As such, the Potential Acquisition may or may not proceed. Accordingly, shareholders and potential investors of the Company shall exercise caution when dealing in the shares of the Company.**

## DEFINITIONS

In this announcement, unless the context otherwise requires, the following expressions have the following meanings:

“Board”	the board of Directors
“Catalist Listing Manual”	The provisions of section B of the listing manual of the SGX-ST as amended, supplemented or modified from time to time
“Company”	LHN Limited (formerly known as LHN Pte. Ltd.) a company incorporated with limited liability on 10 July 2014 under the laws of Singapore, the shares of which are listed on the Main Board of the Stock Exchange (stock code: 1730) and Catalist of the SGX-ST (SGX symbol: 41O)
“Consideration”	the consideration for the Potential Acquisition for a total of S\$13,000,000 plus GST
“Deposit”	the deposit in the sum of S\$650,000 plus GST
“Director(s)”	director(s) of the Company
“Grantor”	Amos Supply Pte. Ltd.
“Group”	the Company and its subsidiaries
“GST”	Goods and services tax in Singapore (based on the prevailing rate as at the date of the Option to Purchase)
“Gul Avenue Property” or “Property”	the property located at 7 Gul Avenue, Singapore 629651, with a total land area of approximately 22,479.7 square meters
“HN Logistics”	Hean Nerng Logistics Pte Ltd, (formerly known as LHN Logistics Pte Ltd), a limited liability company incorporated in Singapore on 18 June 1997 and an indirect wholly-owned subsidiary of the Company
“Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange, as amended from time to time
“Option to Purchase”	the offer to purchase dated 17 May 2019 issued by the Grantor as the Grantor of the Property
“Prospectus”	the prospectus of the Company published in Hong Kong dated 15 December 2017 in relation to the global offering of the Company
“Potential Acquisition”	the acquisition of the Gul Avenue Property as contemplated under the Option to Purchase

“ <b>Selection Criteria</b> ”	the criteria for selecting a property in Singapore to acquire for ISO tank depot and self-use logistics vehicle parking yard to expand the logistics services business, the details of which are set out in “Business – Our Business Strategies – Summary of Our Business Strategies by Business Segment and Associated Investment Costs” of the Prospectus
“ <b>SGX-ST</b> ”	Singapore Exchange Securities Trading Limited
“ <b>sq.ft.</b> ”	square feet
“ <b>Stock Exchange</b> ”	The Stock Exchange of Hong Kong Limited
“ <b>S\$</b> ”	Singapore dollars, the lawful currency of Singapore
“ <b>%</b> ”	per cent.

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

Singapore, 17 May 2019

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

\* *For identification purpose only*