LHN GROUP
SPACE OPTIMISED

**LHN Limited**
**10 Raeburn Park #02-18**
**Singapore 088702**
**www.lhngroup.com**

(Company Registration No.: 201420225D)
(Incorporated in the Republic of Singapore on 10 July 2014)

**For Immediate Release**

**LHN Delivers Net Earnings of S$24.7 million in FY2020**

- *Revenue from the Group's Residential Properties under the Space Optimisation Business in FY2020 increased by 407.3% from FY2019.*
- *Revenue under the Facilities Management Business in FY2020 increased by 94.2% from FY2019.*

**Table 1 – Key Financial Highlights**

| S$ '000 | FY2020 | FY2019 | Change (%) |
|---|---|---|---|
| Revenue | 134,213 | 111,094 | 20.8 |
| Cost of sales | (70,570) | (83,680) | (15.7) |
| Gross profit | 63,643 | 27,414 | >100 |
| Selling and distribution expenses | (1,433) | (1,820) | (21.3) |
| Profit after tax | 24,687 | 8,723 | >100 |

**Singapore, 27 November 2020** – Real estate management services group LHN Limited ("**LHN**", and together with its subsidiaries, the "**Group**") reported a revenue of approximately S$134.2 million for its full year ended 30 September 2020 ("**FY2020**"), an increase of 20.8% compared to the last financial year ("**FY2019**"). The rise was mainly attributed to an increase in revenue from (i) the Residential Properties of our Space Optimisation Business; and (ii) the Facilities Management Business.

The Group's cost of sales decreased by approximately S$13.1 million or 15.7% from approximately S$83.7 million in FY2019 to approximately S$70.6 million in FY2020, while gross profit increased by approximately S$36.2 million from approximately S$27.4 million in FY2019 to approximately S$63.6 million in FY2020.

As a result of the attainment of higher revenue for this financial year, the Group's net profit in FY2020 is S$24.7 million which is an increase of approximately S$16.0 million or 183.0% from approximately S$8.7 million in FY2019.

**Table 2 – Segmental Revenue Breakdown**

| S$'000 | FY2020 | FY2019 | Change (%) |
|---|---|---|---|
| Industrial Properties | 26,886 | 39,239 | (31.5) |
| Commercial Properties | 15,606 | 21,232 | (26.5) |
| Residential Properties | 26,985 | 5,319 | 407.3 |
| **Space Optimisation Business** | 69,477 | 65,790 | 5.6 |
| **Facilities Management Business** | 39,551 | 20,367 | 94.2 |
| **Logistics Services Business** | 25,185 | 24,937 | 1.0 |
| **Total** | **134,213** | **111,094** | **20.8** |

Revenue from the Group's largest business segment, Space Optimisation Business, increased 5.6% year-on-year which was mainly contributed by the increase in revenue from the Group's Residential Properties portfolio, namely its co-living residence at 31 Boon Lay Drive Singapore, the new serviced residence project in Myanmar, the new student hostel at 1A Lutheran Road Singapore as well as non-recurring revenue from the Group's new dormitory business. The above was partially offset due to decrease in revenue from the Industrial Properties and Commercial Properties of our Space Optimisation Business.

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Revenue derived from our Facilities Management Business increased by approximately S$19.2 million or 94.2% from approximately S$20.4 million in FY2019 to about S$39.6 million in FY2020 mainly due to an increase in facilities management services provided for the new dormitory business where such contracts are expected to be over a short-term period between six to twelve months. The increase was partially offset by the absence of revenue from the security services business due to the completion of the disposal of the business as disclosed in the announcement dated 31 May 2019.

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

**Business Outlook**

Singapore's economic performance improved in the third quarter this year as more business activities gradually resumed under the phased re-opening of the economy following the Circuit Breaker period. As announced in the press release dated 23 November 2020 issued by the Ministry of Trade and Industry Singapore[1], the Singapore economy contracted by 5.8% on a year-on-year basis in the third quarter of 2020, moderating from the 13.3% contraction in the second quarter of 2020. In addition, as indicated in the MAS Monetary Policy Statement - October 2020 dated 14 October 2020[2], beyond the immediate rebound, gross domestic product (GDP) growth momentum is likely to be modest against a sluggish external backdrop and the pace of expansion is expected to moderate in the quarters ahead.

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

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

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

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

[1] https://www.mti.gov.sg/-/media/MTI/Resources/Economic-Survey-of-Singapore/2020/Economic-Survey-of-Singapore-Third-Quarter-2020/PR_3Q20.pdf
[2] https://www.mas.gov.sg/news/monetary-policy-statements/2020/mas-monetary-policy-statement-14oct20
[3] https://www.sgpc.gov.sg/media_releases/jtc/press_release/P-20201022-1

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

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

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

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

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

According to the Singapore Economic Development Board monthly manufacturing performance for September 2020, the manufacturing output of chemicals increased 0.4% year-on-year in September 2020[4]. The Group's trucking business is expected to remain stable in FY2021, attributable to the Group's competitive pricing, on-time delivery and good relationships with our customers. The Group also has plans to grow its transportation fleet in Singapore and Malaysia to better support its customers who require cross border trucking.

As announced by the Maritime and Port Authority of Singapore, container throughput in the first half of this year has remained robust compared with the same period last year, slightly dipping to 17.8 million twenty-foot equivalent units ("**TEUs**") against 18 million TEUs in the first half of last year[5]. In Thailand, exports are expected to slowly recover in the remaining months this year and are expected to contract by less than projected for the remainder of this year[6]. Nevertheless, the Group's container depot business is expected to remain cautious in view of the business uncertainties brought about by the Covid-19 pandemic. In anticipation for a gradual recovery in container traffic in the ASEAN region in the coming year, the Group will continue to cautiously expand its container depot network throughout Asia. The Group is currently preparing to commence operations for its newest container depot in Yangon, Myanmar in December 2020.

[4] https://www.edb.gov.sg/content/dam/edbsite/news-and-resources/resources/Monthly-Manufacturing-Performance-Sep%202020_Final.pdf
[5] https://www.straitstimes.com/singapore/port-resilient-as-container-throughput-remains-robust
[6] https://www.bangkokpost.com/business/2006111/brighter-export-outlook-for-the-rest-of-the-year

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

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**<u>About LHN Limited</u>**

LHN Limited (the "**Company**", and together with its subsidiaries, the "**Group**") 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.

Under its Space Optimisation Business, the Group primarily secures master leases of unused, old and under-utilised commercial, industrial and residential properties and through re-designing and planning, transforms them into more efficient usable spaces, which are then leased out by the Group to its tenants. Space optimisation generally allows the Group to enhance the value of properties by increasing their net lettable area as well as potential rental yield per square feet.

The Group's Facilities Management Business offers car park management services and property maintenance services such as cleaning, landscaping, provision of amenities and utilities, and repair and general maintenance principally to the properties it leases and manages, as well as to external parties.

Under its Logistics Services Business, the Group provides transportation services, container depot management services and container depot services. The Group transports mainly ISO tanks, containers, base oil and bitumen, provides container depot management services and provides container depot services which include container surveying, container cleaning, on-site repair and storage of empty general purpose and refrigerated containers (reefer).

The Group currently operates mainly in Singapore, Malaysia, Indonesia, Thailand, Myanmar, Cambodia and Hong Kong.

Issued for and on behalf of LHN Limited

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[7] https://www.mlaw.gov.sg/news/press-releases/2020-11-02-re-align-framework