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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)

DISCLOSEABLE TRANSACTION DISPOSAL OF THE ICS SECURITY SERVICES BUSINESS

THE DISPOSAL

The Board announces that the Seller, being Industrial & Commercial Security Pte Ltd, and LHN Group, both are wholly-owned subsidiaries of the Company, have entered into the Business Purchase Agreement on 1 March 2019 relating to the disposal of the ICS Security Services Business under the Group's facilities management business which comprises security services, cleaning and related services and carpark management.

HKEX LISTING RULES IMPLICATIONS

As one or more than one of the applicable percentage ratios in respect of the Disposal is more than 5% and below 25% under the HKEx Listing Rules, the Disposal constitutes a discloseable transaction for the Company, and is therefore subject to the notification and announcement requirements but exempt from Shareholders' requirement pursuant to Chapter 14 of the HKEx Listing Rules.

Shareholders and potential investors of the Company should note that the Business Purchase Agreement is subject to certain conditions precedent. As such, the Disposal may or may not proceed. Accordingly, Shareholders and potential investors of the Company shall exercise caution when dealing in the shares of the Company.

INTRODUCTION

The Board announces that the Seller and LHN Group, both of which are wholly-owned subsidiaries of the Company, have entered into the Business Purchase Agreement on 1 March 2019 relating to the Disposal.

THE BUSINESS PURCHASE AGREEMENT

The principal terms of the Business Purchase Agreement are set out below:

- Date** : 1 March 2019
- Parties** :
- (1) Industrial & Commercial Security Pte Ltd, an indirect wholly-owned subsidiary of the Company, as the Seller.
 - (2) LHN Group, a direct wholly-owned subsidiary of the Company and the sole shareholder of the Seller.
 - (3) Prosegur Singapore Pte Ltd, a limited liability company incorporated in Singapore and wholly-owned by Prosegur Compania de Seguridad SA, a company listed on the Madrid Stock Exchange (Stock Code:PSG), as the Purchaser.

To the best knowledge, information and belief of the Directors after having made all reasonable enquiries, as at the date of this announcement, the Purchaser and its ultimate beneficial owners are third parties independent of and not connected with the Company and its connected persons as defined under the HKEx Listing Rules.

- Subject matter** : Seller shall sell or procure to be sold, and the Purchaser shall purchase, the ICS Security Services Business and Assets as a going concern on the basis that they are sold as at and with effect from the Completion or if referable to a Novated Contract not novated at Completion, the relevant start date, free from any encumbrance and together with all rights attached to them at the date of the Business Purchase Agreement and at completion or subsequently becoming attached to them.

- Information about the Assets** : The Assets comprise the following:
- (1) the business records;
 - (2) the benefit of, and the burden attaching to, all Novated Contracts;
 - (3) the information technology and the subsisting agreements relating to information technology in relation to the ICS Security Services Business;
 - (4) the plant and equipment of the ICS Security Services Business; and
 - (5) all other property, assets, rights and causes of action of the Seller used or held primarily related to the Novated Contracts excluding all Seller's receivables, any cash on hand or at bank and any contract that is not novated on or before the completion adjustment payment date, being a date eight months after the Completion.

- Consideration** : The consideration is the amount equal to the aggregate of:
- (1) the completion payment, being an amount equal to the aggregate of the value of each Novated Contract novated on Completion, which is derived from the following formula:
$$0.95 \times (\text{applicable valuation multiple (by reference to the contract duration)} \times \text{applicable Valuation Pro-Forma EBIT}), \text{ being completion date price.}$$
 - (2) the completion payment adjustment, being an amount equal to the aggregate of the value of each Novated Contract novated between Completion and the completion payment adjustment date, which is derived from the following formula:
$$0.95 \times (\text{applicable valuation multiple (by reference to the contract duration)} \text{ calculated at the effective date of novation} \times \text{applicable Valuation Pro-Forma EBIT}), \text{ being completion payment adjustment date price.}$$

(3) If there was a subsequent renewal of a Novated Contract between the effective date of novation and the completion payment adjustment date, a top-up amount will be payable, which is derived from the following formula:

(A) $0.95 \times (\text{applicable valuation multiple (by reference to the contract duration) calculated at the effective date of novation} \times \text{applicable Valuation Pro-Forma EBIT})$; minus

(B) the completion date price or the completion payment adjustment date price as calculated above.

“Valuation Pro-Forma EBIT” means agreed pro-forma earnings before interest and tax attributable to each Novated Contract as agreed between the parties.

Based on the above, the maximum consideration of the Disposal is estimated to be approximately S\$1.509 million assuming if 100% of the contracts are novated and renewed. In the case where such amount is exceeded, the Company will make further announcement and will comply with the applicable HKEx Listing Rules and Catalyst Rules if and when appropriate.

Basis of consideration	:	The consideration in respect of the Disposal was determined following commercial negotiations between the parties on an arm's length basis with reference to the aggregate value of the Valuation Pro-Forma EBIT.
Payment and Payment Schedule	:	<p>(1) The completion payment is payable by the Purchaser to the Seller on Completion by way of cashier's order or electronic wire transfer (or other modes as agreed between the parties).</p> <p>(2) The completion payment adjustment is payable by the Purchaser to the Seller on the date falling eight months after Completion by way of cashier's order or electronic wire transfer (or other modes as agreed between the parties).</p>
Transition Period and arrangements	:	During the Transition Period, the Seller shall provide certain services to the Purchaser as requested by the Purchaser in writing (acting reasonably) for the purpose of allowing the Purchaser to transition into and conduct the Business substantially as conducted by the Seller in the eight (8) month period immediately after Completion, which the Seller shall not charge for such advice other than direct security labour cost. Other services to be provided by the Seller during the Transition Period includes finance and administrative support as requested by the Purchaser.
Conditions precedent	:	<p>The Completion is conditional on certain conditions being satisfied or waived on or before the Longstop Date, which include (but is not limited to) the following:</p> <p>(1) the Purchaser and the Seller obtaining relevant approvals from its respective shareholders and board of directors;</p> <p>(2) the receipt of all third party consents by the Seller, if required;</p> <p>(3) the Purchaser having received a signed counterpart of the new employment agreement from each transferring employee referable to a Novated Contract; and</p> <p>(4) the receipt by the Seller of signed deeds of novation in respect of client contracts in the agreed form, which comprise together a minimum of 70% of the annualized revenues of all the client contracts of the ICS Security Services Business.</p>

Non-Competition	:	<p>Each of the Seller and LHN Group undertakes to the Purchaser that it will not and will procure that the Seller's Group will not, without the prior written consent of the board of directors of the Purchaser and for a period of three years from Completion in Singapore, either alone or jointly through or as an adviser to, or an agent of, or a manager for any person (including on his own account or in connection with or on behalf of any other person):</p> <p>(A) directly or indirectly carry on, be engaged in, hold an interest in shares or other beneficial interest in (other than shares in a publicly listed corporation which represents no more than 5% of total shareholding of such corporation), or assist, a business which is a Restricted Business; and/or</p> <p>(B) in respect of any of the products or services related to the Restricted Business, either:</p> <p>(1) seek to obtain orders from or do business with, a person who has been a customer of the ICS Security Services Business; and/or</p> <p>(2) encourage directly or indirectly, another person to obtain orders from, or do business with a person who has been a customer of the ICS Security Services Business,</p> <p>except:</p> <p>(i) for a period of eight (8) months following Completion where the Seller shall be permitted to continue to provide security services only to those existing client contracts that are not yet novated and/or for which any third party consents are still pending;</p> <p>(ii) pursuant to the first right of refusal under the Business Purchase Agreement, the Purchaser has been given the opportunity to provide security services and the Purchaser does not give an offer and/or does not provide an alternative acceptance proposal in respect of any such security services; and</p> <p>(iii) for business activities engaged by a member of the Seller's Group where supply, installation, and maintenance of security cameras are provided and utilised for the sole purpose of recording (without any additional direct or indirect surveillance of such recording) as part of a full suite of facilities management services at premises owned or managed by the Seller's Group.</p>
Right of First Refusal	:	<p>For a period of three years following Completion, each time a member of the Seller's Group proposes to engage any third party(s) to perform security and security related services at any premises owned or managed by the Seller's Group and/or any third party(s) in Singapore, it shall first offer to the Purchaser the right to perform such security services.</p>
Completion	:	<p>The Completion date is five business days following satisfaction or waiver of all the conditions, or at such other time as agreed by the parties in writing.</p>
Termination	:	<p>The Purchaser may terminate the Business Purchase Agreement prior to the Completion in writing to the Seller if, among others, (i) the Purchaser becomes aware that any of the Seller's warranties is materially untrue or misleading or has been materially breached; (ii) the Seller commits a material breach of its obligations under the Business Purchase Agreement prior to Completion; (iii) a material adverse change event occurs prior to the Completion.</p> <p>The Seller may terminate the Business Purchase Agreement prior to the Completion in writing to the Purchaser if, among others, (i) the Seller becomes aware that any of the Purchaser's warranties is materially untrue or misleading or has been materially breached; (ii) the Purchaser commits a material breach of its obligations under the Business Purchase Agreement prior to Completion; (iii) a material adverse change event occurs prior to the Completion.</p>

INFORMATION OF THE ICS SECURITY SERVICES BUSINESS

The ICS Security Services Business includes the security and security related services carried out by the Seller and being the subject matter of the Disposal as contemplated under the Business Purchase Agreement, including guarding security services, security technology and solutions, and the supply, installation, and maintenance of security-related equipment and services. Upon the Completion, other than those contracts that will not be novated to the Purchaser and as disclosed above in the summary of the Business Purchase Agreement, the Seller will no longer engage in ICS Security Services Business.

Based on the accounts of the Seller for the financial years ended 30 September 2017 and 30 September 2018, the external revenue and proportionate net profit attributable to the ICS Security Services Business were as follows:

	For the year ended 30 September 2017 (audited) S\$	For the year ended 30 September 2018 (unaudited) S\$
Revenue	4,967,411	5,823,959
Net profit before taxation	579,809	99,014
Net profit after taxation	547,507	127,001

Relative Bases Computed on the Bases set out in Catalist Rule 1006

Based on latest announced unaudited financial statements of the Group for the first quarter financial period ended 31 December 2018 ("1Q2019"), the relative figures of the Disposal computed on the bases set out in Rule 1006 (a) to (e) of the Catalist Rules are as follows:

(a) Rule 1006(a)	
Net asset value of the asset to be disposed of (S\$'000)	530 ¹
Net asset value of the Group as at 1Q2019 (S\$'000)	89,483
Size of relative figure	0.59%

(b) Rule 1006(b)	
Net profits attributable to the assets to be disposed (S\$'000)	56
Net profits of the Group (S\$'000)	1,134
Size of relative figure	4.94%

(c) Rule 1006(c)	
Aggregate value of the consideration received (S\$'000)	1,509 ²
The Company's market capitalisation as at 28 February 2019 based on the total number of issued shares, excluding treasury shares (S\$'000) ³	64,391
Size of relative figure	2.34%

(d) Rule 1006(d)	
Number of equity securities issued by the Company as consideration	Not applicable ⁴
Number of equity securities of the Company previously in issue	
Size of relative figure	

(e) Rule 1006(e)	
The aggregate volume or amount of proven and probable reserves to be disposed of, compared with the aggregate of the Group's proven and probable reserves. This basis is not applicable to a disposal of mineral, oil or gas assets by a mineral, oil and gas company, but not to an acquisition of such assets	Not applicable ⁵

Notes:

- (1) The net asset value of the ICS Security Services Business is based on the aggregate value of the Valuation Pro-Forma EBIT.
- (2) Assuming 100% of the contracts are novated and renewed, the maximum consideration received would be approximately S\$1.509 million.
- (3) The Company's market capitalisation of approximately S\$64.391 million is based on its total number of Shares of 402,445,400 Shares and the weighted average price of S\$0.1600 per Share on 28 February 2019, being the last trading day for the Shares preceding the signing of the Business Purchase Agreement.
- (4) Not applicable, as the transaction is a Disposal and no equity securities will be issued.
- (5) Not applicable, as the Disposal is not a disposal of mineral, oil and gas assets.

Notwithstanding that none of the relative figures computed on the bases set out under Catalist Rule 1006 exceed 5% and that the Disposal is classified as a "Non-Discloseable Transaction" under Chapter 10 of the Catalist Rules, the Disposal has been classified as a discloseable transaction under the HKEx Listing Rules. Accordingly, to comply with the more onerous rules and requirements as a dual primary listed company on the SGX-ST and HKEx, the Company will be complying with the disclosure requirements for a "Discloseable Transaction" under Chapter 10 of the Catalist Rules.

FINANCIAL EFFECTS OF THE DISPOSAL

As at 30 September 2018, the book value of the ICS Security Services Business was approximately S\$1.520 million. Based on the consideration range between approximately S\$893,000 to S\$1.509 million, assuming 100% of the contracts are novated and subject to the Novated Contracts duration, the Company is expected to recognise a gain (net of legal costs and tax) of approximately S\$731,000 to S\$1.243 million from the Disposal for the financial year ending 30 September 2019.

Net Tangible Asset per Share

For illustrative purposes only and assuming that the Disposal had been completed at the end of the financial year ended 30 September 2018, the pro forma financial effects of the Disposal on the consolidated NTA of the Group as at 30 September 2018 will be as follows:

	Before Completion of the Disposal ¹	After Completion of the Disposal ²
Consolidated NTA attributable to the shareholders of the Company (S\$'000)	87,358	88,601
Number of Shares	402,445,400	402,445,400
Consolidated NTA per Share attributable to the shareholders of the Company (Singapore Cents)	21.71	22.02

Notes:

1. "Before Completion of the Disposal" is based on the Group's audited balance sheet as at 30 September 2018.
2. "After Completion of the Disposal" includes the gain on Disposal (net of legal costs and tax) based on the maximum consideration received of approximately S\$1.509 million.

Earnings per Share

For illustrative purposes only and assuming that the Disposal had been completed on 1 October 2017, the pro forma financial effects of the Disposal on the consolidated EPS of the Group will be as follows:

	Before Completion of the Disposal ¹	After Completion of the Disposal ²
Net Profit attributable to the shareholders of the Company (S\$'000)	5,407	6,608
Weighted average number of Shares	392,204,304	392,204,304
Consolidated EPS (Singapore Cents)	1.38	1.68

Notes:

1. "Before Completion of the Disposal" is based on the period from 1 October 2017 to 30 September 2018.
2. "After Completion of the Disposal" assumes that the ICS Security Services Business was disposed on 1 October 2017 based on the maximum consideration received of approximately S\$1.509 million.

USE OF PROCEEDS FROM THE DISPOSAL

Based on the maximum consideration of approximately S\$1.509 million and the associated estimated cost of the Disposal of approximately S\$12,000, the Group is expected to receive net proceeds of approximately S\$1.497 million from the Disposal, which are intended for general working capital purposes of the Group.

REASONS FOR THE DISPOSAL

As disclosed in "Risk Factors – Risks relating to our Business" in the Prospectus, it was highlighted that our facilities management business relies on foreign workers for more labour intensive jobs as we find it more difficult to hire Singaporeans for such jobs, including security personnel. Also, in Singapore we are required to meet the wage and training requirements for our security officers in accordance to the relevant regulations and/or laws, where applicable.

In 2018, the security industry in general was faced with a lack of qualified and trained manpower and high staff turnover rates. Our business is also facing the constant challenges in the hiring and retaining security personnel.

For the reasons outlined above, the Disposal of the ICS Security Services Business and Assets to the Purchaser, who is a well established security services provider, will (i) enable the Group to better allocate more resources to focus on the Group's other businesses and (ii) allow the Group to procure better quality security services from a more stable source through the first right of refusal business arrangement with the Purchaser that is part of the Business Purchase Agreement.

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

INFORMATION OF THE COMPANY

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.

INFORMATION OF THE PARTIES

The Seller is an indirect wholly-owned subsidiary of our Company held through LHN Group, which primarily engages in manpower security services. LHN Group, on the other hand, is an investment holding company of the Group.

The principal activities of the Purchaser are to provide security and security-related services, including security technology and solutions, and/or the supply, installation, and maintenance of security-related equipment and services. The Purchaser, its ultimate beneficial owners and its respective associates are independent third parties to the Group and its connected persons as defined under the HKEx Listing Rules to the best of the Directors' knowledge. Accordingly, no Director has a material interest and none of the Directors are required to abstain from voting on the board resolutions approving the Disposal under the Business Purchase Agreement.

HKEX LISTING RULES IMPLICATIONS

As one or more than one of the applicable percentage ratios in respect of the Disposal is more than 5% and below 25%, the Disposal constitutes a discloseable transaction for the Company, and is therefore subject to the notification and announcement requirements but exempt from Shareholders' approval requirement pursuant to Chapter 14 of the HKEx Listing Rules.

COMPLIANCE WITH RULE 1010 OF THE CATALIST RULES

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 Disposal.

Directors' service contracts

No person is proposed to be appointed as a Director in connection with the Disposal. Accordingly, no service contract is proposed to be entered into between the Company and any such person.

Document for inspection

A copy of the Business Purchase Agreement is available for inspection at the Company's registered office at No. 02-18, 10 Raeburn Park, Singapore 088702, for a period of three (3) months from the date of this announcement.

Shareholders and potential investors of the Company should note that the Business Purchase Agreement is subject to certain conditions precedent. As such, the Disposal 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:

"Assets"	property and assets agreed to be sold and purchased pursuant to the Business Purchase Agreement as detailed above under "The Business Purchase Agreement – Information about the Assets"
"Board"	the board of Directors of the Company
"Business Purchase Agreement"	the business purchase agreement dated 1 March 2019 entered into among the Seller, the Purchaser and LHN Group relating to the sale and purchase of the ICS Security Services Business and Assets
"Catalist Rules"	SGX-ST Listing Manual Section B: Rules of Catalist

“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 HKEx (stock code: 1730) and Catalist of the SGX-ST (SGX symbol: 410)
“Completion”	the completion of the Disposal as detailed above under “The Business Purchase Agreement – Completion”
“Director(s)”	director(s) of the Company
“Disposal”	The disposal of the legal and beneficial title of ICS Security Services Business and Assets as contemplated under the Business Purchase Agreement
“EPS”	earnings per Share
“Group”	the Company and its subsidiaries
“HKEx”	The Stock Exchange of Hong Kong Limited
“HKEx Listing Rules”	The Rules Governing the Listing of Securities on the HKEx, as amended from time to time
“ICS Security Services Business”	the business agreed to be sold and purchased pursuant to the Business Purchase Agreement as detailed above under “The Business Purchase Agreement – Information about the ICS Security Services Business”
“LHN Group”	LHN Group Pte. Ltd., a limited liability company incorporated in Singapore on 4 March 2005 and a direct wholly-owned subsidiary of the Company
“Longstop Date”	the date falling three (3) months after the date of the Business Purchase Agreement or such other date as may be agreed by the parties in writing
“Novated Contracts”	client contracts that have been successfully novated/transferred from the Seller to the Purchaser or its designated entity
“NTA”	net tangible asset
“Prospectus”	the prospectus of the Company published in Hong Kong dated 15 December 2017 in relation to the global offering of the Company
“Purchaser”	Prosegur Singapore Pte Ltd, a limited liability company incorporated in Singapore, and wholly-owned by Prosegur Compania de Seguridad SA, a company listed on the Madrid Stock Exchange (Stock Code:PSG)
“Restricted Business”	business of providing security services and integrated technology solutions relating to security, subject to the first right of refusal under the Business Purchase Agreement, except for business activities engaged by a member of the Seller’s Group where supply, installation, and maintenance of security cameras are provided and utilised for the sole purpose of recording (without any additional direct or indirect surveillance of such recording) as part of a full suite of facilities management services at premises owned or managed by the Seller’s Group.
“Seller”	Industrial & Commercial Security Pte Ltd, a limited liability company incorporated in Singapore on 11 January 2005 and an indirect wholly-owned subsidiary of the Company

“Seller’s Group”	LHN Group and any of its group undertakings and affiliates (being in relation to any person, any other person directly or indirectly Controlled by, or controlling of, or under common control with, that person and, in the case of a trust, any trustee or beneficiary (actual or potential) of that trust and, in the case of an individual, any person connected with him within the meaning of Sections 25D of the Singapore Companies Act)
“SGX-ST”	Singapore Exchange Securities Trading Limited
“Shares”	ordinary shares in the capital of the Company
“S\$”	Singapore dollars, the lawful currency of Singapore
“Transition Period”	being the period commencing on and from the date of Completion until the date falling until eight (8) months thereafter. Unless otherwise agreed by the parties to the Business Purchase Agreement
“Valuation Pro-Forma EBIT”	the agreed pro-forma earnings before interest and tax attributable to each Novated Contract as agreed between the parties

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

Singapore, 1 March 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*