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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 ACQUISITION OF RIGHT-OF-USE ASSETS FROM THE SUCCESSFUL RE-TENDER OF 1557 KEPPEL ROAD SINGAPORE

ACQUISITION OF RIGHT-OF-USE ASSETS

The Board is pleased to announce that the Group had successfully re-tendered for the tenancy of the 1557 Keppel Road Property through an open tender, which will allow LHN Properties to continue its space optimisation business at the 1557 Keppel Road Property upon expiration of the existing tenancy on 31 December 2019 as part of its ordinary and usual course of business. On 14 October 2019, the Singapore Land Authority has awarded the tenancy at 1557 Keppel Road Property to LHN Properties, an indirect wholly-owned subsidiary of the Company. On 23 December 2019, LHN Properties has entered into the Tenancy Agreement as the tenant with the Government of the Republic of Singapore (c/o the Singapore Land Authority) as the landlord, pursuant to which LHN Properties will lease the 1557 Keppel Road Property from the Government of the Republic of Singapore.

LISTING RULES IMPLICATIONS

Pursuant to IFRS16, the transactions contemplated under the Tenancy Agreement by the Group will require the Group to recognise the 1557 Keppel Road Property as the right-of-use assets, thus by entering into the Tenancy Agreement, and the transactions contemplated thereunder will be regarded as acquisition of assets by the Group in accordance to the Listing Rules.

As one or more than one of the applicable percentage ratios for the acquisition of right-of-use assets in respect of the transactions contemplated under the Tenancy Agreement is more than 5% and below 25%, such acquisition of right-of-use assets of the 1557 Keppel Road Property constitutes a discloseable transaction for the Company, and is therefore subject to the notification and announcement requirements pursuant to Chapter 14 of the Listing Rules.

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Tenancy Agreement

The major terms of the Tenancy Agreement are set out below:

Date	: 23 December 2019
Parties	: (1) LHN Properties, an indirect wholly-owned subsidiary of the Company as the tenant (2) The Government of the Republic of Singapore c/o The Singapore Land Authority, an independent third party, as the landlord
Premises	: All land comprised in State land lots 694X (PT), 98650T (PT), 98651A (PT), 98653N (PT) and 99183X (PT) of TS 23 at 1557 Keppel Road Singapore 089066.
Approximate Land Area Buildings	: 57,242.95 sqft (i.e. 5,318 sqm) (1) Two blocks of 4-storey building; and (2) One block of 3-storey building with a mezzanine floor (3) Car park comprising 35 car park lots
Gross Floor Area	: 96,299.05 sqft (i.e. 8,946.4 sqm)
Permitted use	: Serviced apartments, office, indoor sports facility, and/or medical suites (with gross floor area capped at 1,700 sq.m)
Terms of tenancy	: Three years commencing from 1 January 2020 to 31 December 2022 (including the rent-free period).
Rent-free period	: Four months commencing from 1 January 2020 and ending 30 April 2020
Renewal term	: If the tenant wishes to renew the tenancy of the property (in whole or in part) for a further term of three years, the tenant shall give the landlord not less than ten months written notice before the expiration of the initial term. If the landlord agrees to the renewal, the renewal shall be at a rent and on terms and conditions (including a condition for renewal of such further term for another further term of three years) to be mutually agreed. Renewal, if any, is at the sole discretion of the landlord.
Monthly rent	: S\$130,001 (exclusive of GST), to be paid in advance, on the 1st day of each month during the term.
Security deposit	: Six months' rent (being a total of S\$780,006), which may be furnished by way of a cashier's order, or a banker's guarantee, or an insurance performance bond/guarantee from MAS-approved bank or MAS-approved insurance companies.
Joint fire insurance	: Fire insurance to be taken out by LHN Properties as the tenant against loss or damage by fire, lightning, riot, explosion or any inevitable cause for a sum of S\$16,861,800 (or such higher amount as may be stipulated by the landlord) in joint names of LHN Properties, the Government of Singapore and the Commissioner of Lands.

The deposit of S\$780,006 will be provided by way of banker's guarantee for the period from 1 January 2020 to 31 December 2022 prior to the commencement of the term of the tenancy. The monthly rent for the 1557 Keppel Road Property will be satisfied by internal sources of funding.

RIGHT-OF-USE ASSETS

Pursuant to IFRS16, the tenancy of the 1557 Keppel Road Property will be recognised as right-of-use assets for an amount of approximately S\$8.06 million, which is calculated with reference to the present value of the aggregated payments to be made under the Tenancy Agreement.

REASONS FOR TRANSACTION

LHN Properties is currently the tenant of the 1557 Keppel Road Property and the current tenancy will expire on 31 December 2019. The property is one of the commercial properties in the Company's space optimisation business properties portfolio. The car park lots on the property are also managed and operated under the Facilities Management Business. 1557 Keppel Road Property is located in the fringe of the central business district in Singapore. The property comprises of a three-storey main block comprising of office spaces, a warehouse, and two separate four-storey blocks comprising of office spaces, and also 35 car park lots. LHN Properties is currently subleasing the units in the property to its tenants as part of its ordinary and usual course of business.

The entering into the Tenancy Agreement from the successful retendering of the 1557 Keppel Road Property allows the Group to continue its space optimisation business operations as part of its ordinary course of business at the property. The Board is of the view that the acquisition of right-of-use asset of the 1557 Keppel Road Property allows the Company to continue its space optimisation business at the said location and to generate revenue.

Taking into account of the above factors, the Directors consider that the terms of the Tenancy Agreement are fair and reasonable, on normal commercial terms, in the interests of the Shareholders 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.

LHN Properties is an indirect wholly-owned subsidiary of the Company, which primarily engages in space resource management and general warehousing.

The landlord is the Government of the Republic of Singapore. The 1557 Keppel Road Property is under the management of Singapore Land Authority, a statutory board under the Singapore Ministry of Law. Singapore Land Authority optimises land resources for the economic and social development of Singapore and to ensure that land is used for a wide range of activities in Singapore. They are also responsible for managing State land through land sales, leases, acquisitions and allocations. The Government of the Republic of Singapore and the Singapore Land Authority are third parties independent of the Group and its connected persons to the best of the Directors' knowledge.

LISTING RULES IMPLICATIONS

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As one or more than one of the applicable percentage ratios for the acquisition of right-of-use assets in respect of the transactions contemplated under the Tenancy Agreement is more than 5% and below 25%, such acquisition of right-of-use assets of the 1557 Keppel Road Property constitutes a discloseable transaction for the Company, and is therefore subject to the notification and announcement requirements pursuant to Chapter 14 of the Listing Rules.

CATALIST RULES IMPLICATIONS

As the entry into the Tenancy Agreement of the 1557 Keppel Road Property is in the ordinary course of business of the Group, the disclosure requirements of this announcement are referenced from Chapter 7 of the Catalist Rules. As the Company has undertaken to comply with the more onerous set of listing rules, this announcement was prepared in accordance to the disclosure requirements of Chapter 14 of the Listing Rules.

The abovementioned is not expected to have any material financial impact on the consolidated net tangible asset per share and the consolidated earnings per share of the Group for the financial year ending 30 September 2020.

DEFINITIONS

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

“1557 Keppel Road Property”	the premises of 1557 Keppel Road, Singapore
“Board”	the board of Directors
“Catalist Rules”	Section B of the listing manual of the SGX-ST: Rules of Catalist 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)
“Director(s)”	director(s) of the Company
“GFA”	gross floor area
“Group”	the Company and its subsidiaries
“GST”	the Singapore Goods and Service Tax, and the prevailing rate as at the date of the announcement is 7%
“IFRS”	the International Financial Reporting Standard(s)
“LHN Properties”	LHN Properties Investments Pte. Ltd., a limited liability company incorporated in Singapore on 16 August 2007 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
“MAS”	Monetary Authority of Singapore
“SGX-ST”	Singapore Exchange Securities Trading Limited
“sq.m”	square meter(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“S\$”	Singapore dollars, the lawful currency of Singapore
“Tenancy Agreement”	the tenancy agreement entered into between LHN Properties as tenant and the Government of the Republic of Singapore (c/o The Singapore Land Authority) as landlord dated 23 December 2019 in relation to the tenancy at the 1557 Keppel Road Property
“%”	per cent.

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

Singapore, 23 December 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 of the Company; and Ms. Ch'ng Li-Ling, Mr. Yong Chee Hiong and Mr. Chan Ka Leung Gary as independent non-executive directors of the Company.

*** For identification purpose only**