

For Immediate Release
LHN Limited continues to deliver steady performance and achieves revenue of S\$111.1 million in FY2019; net profit of S\$8.7 million

- Revenue from the Group's Residential Properties under the Space Optimisation Business in FY2019 increased by 149.4% over the same period in 2018.
- Revenue under the Facilities Management Business in FY2019 increased by 4.6% over the same period in 2018.
- Revenue under the Logistics Services Business in FY2019 increased by 12.3% over the same period in 2018.
- The Group proposes final dividend of 0.5 Singapore cents per share

Table 1 – Key Financial Highlights

S\$'000	FY2019	FY2018	Change (%)
Revenue	111,094	109,285	1.7
Gross profit	27,414	28,890	(5.1)
Administrative expenses	(23,668)	(24,571)	(3.7)
Share of results of associates and JVs	4,527	1,954	>100
Fair value gain on investment properties	480	4	>100
Profit after tax	8,723	5,770	51.2

Singapore, 27 November 2019 – Real estate management services group LHN Limited (“**LHN**”, and together with its subsidiaries, the “**Group**”) reported a revenue of approximately S\$111.1 million for its full year ended 30 September 2019 (“**FY2019**”), an increase of 1.7% compared to the corresponding period last year (“**FY2018**”). Such increase was mainly attributed to an increase in revenue from the (i) commencement of operations of two new premises under the Residential Properties’ co-work co-live business; (ii) management of carparks under the Facilities Management Business; and (iii) Logistics Services Business.

FY2019 also recorded (i) a gain on disposal from our security business; and (ii) an increase in share of results of associates and joint ventures (“**JV**”) mainly from increase in share of operating profits and net increase in fair value gain on investment properties. These were partially offset by an increase in cost of sales mainly due to the increase in rental costs relating to the new co-work co-live business, upkeep and maintenance costs and container depot management charges. As a result of the above factors, the Group’s net profit increased by 51.2% to approximately S\$8.7 million in FY2019.

Table 2 – Segmental Revenue Breakdown

S\$'000	FY2019	FY2018	Change (%)
Industrial Properties	39,239	40,498	(3.1)
Commercial Properties	21,232	24,970	(15.0)
Residential Properties	5,319	2,133	149.4
Space Optimisation Business	65,790	67,601	(2.7)
Facilities Management Business	20,367	19,480	4.6
Logistics Services Business	24,937	22,204	12.3
Total	111,094	109,285	1.7

Revenue from the Group’s largest segment, Space Optimisation Business, dropped 2.7% year-on-year mainly due to movement of tenants due to expiry of sub-leases and renewal of sub-leases at lower rental rates. On a positive note, the average occupancy rate of the Commercial Properties increased by 4.6 percentage points to approximately 90.8% in FY2019.

Revenue derived from our Facilities Management Business increased by approximately S\$0.9 million or 4.6% from approximately S\$19.5 million in FY2018 to approximately S\$20.4 million in FY2019 mainly due to increase in revenue from the management of new carparks in Singapore and Hong Kong and full-year revenue contribution in FY2019 from some carparks secured in the second and fourth quarter of FY2018. This was partially offset by the decrease in revenue from the security services business as a result of the completion of the disposal of the business on 31 May 2019.

Revenue derived from our Logistics Services Business increased by approximately S\$2.7 million or 12.3% from approximately S\$22.2 million in FY2018 to approximately S\$24.9 million in FY2019 mainly due to increase in transportation services provided from the trucking business and increase in demand for storage and repairs of leasing containers in Thailand.

Having delivered a better performance this year, the Group proposed a final dividend of 0.5 Singapore cents per share, subject to approval by shareholders at the forthcoming annual general meeting.

Business Outlook

Under the JTC Market Report for the industrial property market (3Q2019)¹, the occupancy rate of the overall industrial property market in Singapore remained unchanged at 89.3%. However, compared to a year ago, occupancy rate of the overall industrial property market rose by 0.2 percentage points. The prices and rentals of the industrial spaces remained stable, with the price index of overall industrial space increased marginally by 0.1% as compared to the previous quarter while the rental index remained unchanged during the same period. In view of the abovementioned, the Group will continue to focus on tenant retention to maintain a stable occupancy rate for its industrial properties.

Based on the latest statistics from the Urban Redevelopment Authority², the rental index of office space decreased by 0.6% in 3Q2019, compared with the 1.3% increase in the previous quarter. Our Space Optimisation Business which involves leasing out commercial properties, is expected to remain cautious in view of the uncertainties in the business outlook.

Looking ahead, the Singapore economy is expected to remain volatile and the Group is cautiously exploring new opportunities in Singapore and also other growth markets in the ASEAN region to expand its current business offerings.

In China, the Group had entered into a 15-year lease agreement to set up the co-living and co-working space business in Nanan City, Quanzhou, Fujian Province, the People's Republic of China (the "**Nanan Project**"). The leased property of the Nanan Project is a 10-storey building with a total gross floor area of approximately 7,400 square metres. It is expected that the renovation will be completed in the first quarter of our financial year ending 30 September 2020 with operation commencing in the following quarter. As at the date of this announcement, the Group has injected capital of RMB9.9 million (equivalent to approximately S\$2.0 million) into its wholly-owned subsidiary in Nanan to fund part of the renovation costs of the building of the Nanan Project. For further details, please refer to the Company's announcement dated 22 March 2019.

In Cambodia, the construction of the serviced apartments, Axis Residences at Street Duong Ngeap III, Phum Teuk Thla, Sangkat Teuk Thla, Khan Sen Sok, Phnom Penh City, Kingdom of Cambodia is also expected to be completed in the second quarter of our financial year ending 30 September 2020.

Besides focusing on growing the co-living space business under the Space Optimisation Business, we will continue to look for new properties and opportunities to grow and expand our Space Optimisation Business in Singapore and in China, in other regions that we currently have a presence in as well as into other countries in Asia.

¹ <https://stats.jtc.gov.sg/content/static/Documents/JTC%20Quarterly%20Market%20Report%20for%203Q2019.pdf>

² <https://www.ur.gov.sg/Corporate/Media-Room/Media-Releases/pr19-47>

In Singapore, our carpark management under the Facilities Management Business had successfully re-tendered for a 3-year carpark lease for the second time by the Parliamentary Secretariat on behalf of the Government of Singapore.

With respect to the Facilities Management Business, the Group will continue to seek more external facilities management contracts by providing integrated facilities management services covering repair, maintenance and cleaning of buildings and offices, pest control and fumigation. In addition, the Group will continue to look for more locations for its car park management business in both Singapore and Hong Kong and also intends to expand the car park management business to Cambodia.

According to the Singapore Economic Development Board monthly manufacturing performance for September 2019, the manufacturing output of chemicals decreased 3.9% year-on-year in September 2019³. Despite the slowdown, the Group's trucking business performed relatively well in FY2019, attributable to our competitive pricing, on-time delivery and good relationships with our customers.

The Port of Singapore maintained a stable performance in 2018 with an 8.7% increase in container throughput from 2017⁴. In Thailand, Hutchison Ports Thailand opened Terminal D, a state-of-the-art facility, at Laem Chabang Port this year. Laem Chabang, already Thailand's biggest port, is also in line for an 88 billion baht infusion from the Thai government, which is keen to make the berthing spot a core piece of a grand economic project known as the Eastern Economic Corridor. Besides the Thai government's infusion, Hutchison Ports Thailand has announced that it will invest US\$600 million to further develop Terminal D. This will help the port as a whole increase its cargo handling capacity by 37%, to 13 million twenty-foot equivalent units⁵. Looking ahead, our container depot business is expected to benefit and expand from this positive outlook.

With respect to the Logistics Services Business, the Group is optimistic on the demand for container storage and repair services and transportation services. As part of the expansion plan in ASEAN countries, the Group has incorporated a subsidiary in Myanmar and intends to set up a new container depot there. In addition, the Group intends to set up a joint venture in Thailand to provide logistics services there.

As announced on 17 May 2019, the Group has received an option to purchase a property at 7 Gul Avenue, Singapore 629651, where the property will be used to operate a parking yard for our logistics vehicles, ISO tank depot and provide logistics services. The property has a total land area of approximately 22,479.7 square meters, gross floor area of approximately 8,284 square meters with a remaining leasehold life of approximately 13 years. The consideration of the property is S\$13.0 million and a 5% deposit has been paid. In the event that our Group accepts the offer to purchase the property, the consideration will be funded from net proceeds of approximately S\$1.8 million from the global offering of the Company in Hong Kong and the balance will be funded by internal sources of funding and bank borrowings. The sale and purchase of the property is conditional upon, among others, the Group obtaining approval from JTC Corporation ("JTC") for the sale and purchase of the property within 12 weeks from the date of the option to purchase (being 9 August 2019) which has been extended to 27 December 2019. All other terms of the option to purchase remain the same. Please refer to the announcements of the Company dated 17 May 2019, 8 August 2019 and 26 September 2019 for further details. As at the date of this announcement, the option to purchase has yet to be counter-signed by the Group and still remains non-binding on the Group. The Company will make further announcement(s) as and when there are material development(s) to the proposed acquisition.

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³ https://www.edb.gov.sg/content/dam/edb/edbsite/downloads/resources/Monthly%20Manufacturing%20Performance%20-Sep%202019_Final.pdf

⁴ <https://www.mpa.gov.sg/web/portal/home/media-centre/news-releases/detail/2f020aa2-cb44-4496-bab6-a73df5a5d619>

⁵ <https://asia.nikkei.com/Economy/Thailand-doubles-down-on-biggest-port-as-free-trade-hub>

About LHN Limited

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, Indonesia, Thailand, Myanmar, Malaysia and Hong Kong.

Issued for and on behalf of LHN Limited

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