

For Immediate Release

LHN Group Increases Interim Dividend By 67% as Strategic Investments in Coliwoo Properties Bear Fruits

- Space Optimisation Business adjusted profit surges 44%, spearheaded by its industrial and residential properties
- Declares higher interim dividend of 1.0 Singapore cent (+67% vs. 1H2022)
- Group is exploring various options to further enhance shareholders' value

SINGAPORE, 14 May 2023 – LHN Limited (SGX: 410/ SEHK: 1730) (“LHN” or the “Company”, and together with its subsidiaries, the “Group”), achieved profit attributable to equity holders of the Company (“Net Profit”) of S\$16.9 million for the six months ended 31 March 2023 (“1H2023”), down from S\$32.2 million for the six months ended 31 March 2022 (“1H2022”), primarily due to fair value losses associated with the Group’s investment properties and joint ventures’ investment properties in 1H2023, as compared to fair value gains in 1H2022 (“FV Gain/(Loss)”).

The Group is currently also evaluating various initiatives aimed at enhancing shareholders' value. One of these initiatives involves actively seeking capital recycling opportunities to fund the growth of its Coliwoo business. Despite this, the Group maintains a strong interest coverage ratio of 6.8x (excluding FV Gain/(Loss)) and remains comfortable with its future funding access. Additionally, the Company intends to recommend a dividend payout for the financial years ending 30 September 2023 and 2024, to distribute dividends amounting to not less than 30% of adjusted Net Profit after excluding fair value gains and losses on owned and joint venture investment properties, impairment/write-off of assets, non-recurring and one-off items.

1H2023 Financial Highlights (Table 1)

S\$'000 (except per share)	1H2023	1H2022	Y-o-Y % change
Revenue	55,618	59,181	(6.0)
Gross Profit	33,019	31,219	5.8
Gross Profit Margin	59.4%	52.8%	NM
Net Profit	16,937	32,196	(47.4)
Interim DPS (SG cents)	1.0	0.6	66.7

NM - Not Meaningful

During 1H2023, the Group experienced a 6% decline in revenue, which decreased from S\$59.2 million to S\$55.6 million. The decrease was primarily attributed to a reduction in revenue from the dormitory business in its Facilities Management Business. Excluding revenue contributions from its dormitory business, adjusted revenue in 1H2023 would have increased by 19.3% year-on-year (“Y-o-Y”) (see Table 2).

Adjusted Segmental Revenue Breakdown (Table 2)

	1H2023 S\$'000	1H2022 S\$'000	Variance	
			S\$'000	%
Industrial Properties	13,581	9,454	4,127	43.7
Commercial Properties	2,936	3,735	(799)	(21.4)
Residential Properties				
- Co-living (Singapore)	10,473	7,003	3,470	49.6
- 85 SOHO (Overseas)	444	378	66	17.5
	10,917	7,381	3,536	47.9
Space Optimisation Business	27,434	20,570	6,864	33.4
Facilities Management Business	15,183	12,481	2,702	21.6
Energy Business	267	-	267	NM
Logistics Services Business	12,734	13,567	(833)	(6.1)
Adjusted Revenue	55,618	46,618	9,000	19.3
Dormitory Business Revenue	-	12,563	(12,563)	(100.0)
Group Total	55,618	59,181	(3,563)	(6.0)

Adjusted Segmental Profit before Taxation Breakdown (Table 3)

	1H2023 S\$'000	1H2022 S\$'000	Variance	
			S\$'000	%
Industrial Properties	12,520	4,096	8,424	205.7
Commercial Properties	1,278	5,408	(4,130)	(76.4)
Residential Properties				
- Co-living (Singapore)	2,986	2,769	217	7.8
- 85 SOHO (Overseas)	(806)	(1,154)	348	30.2
	2,180	1,615	565	35.0
Space Optimisation Business	15,978	11,119	4,859	43.7
Facilities Management Business	2,685	2,625	60	2.3
Energy Business	165	-	165	NM
Logistics Services Business	2,387	1,438	949	66.0
Corporate	(3,029)	(58)	(2,971)	(5,122.4)
Adjusting for/(deducting):				
FV Gain/(Loss)	(5,537)	16,782	(22,319)	NM
Gain on Disposal of Associate	7,753	-	7,753	NM
Dormitory Business (Loss)/Profit	(66)	3,989	(4,055)	NM
Group Total	20,336	35,895	(15,559)	(43.3)

Business Review

Space Optimisation Business

Revenue grew 33.4% Y-o-Y to S\$27.4 million, primarily driven by stronger top-line contributions from both industrial and residential properties, although it was partially offset by weaker results in commercial properties. Excluding FV Gain/(Loss), the Space Optimisation Business witnessed a substantial 43.7% rise in adjusted profit before tax.

During 1H2023, the Space Optimisation Business successfully renewed three master leases for its industrial properties and two master leases for its commercial properties. Additionally, the business acquired two new co-living properties located at 404 Pasir Panjang Road and 48 Arab Street.

In February 2023, the Group launched Coliwoo Orchard, its second largest Coliwoo property, located at 2 Mount Elizabeth Link. This 22-storey building comprises 135 units with a total of 411 keys. Coliwoo Lavender Collection, which is a newly renovated mixed-use development comprising a row of shophouses along Lavender Street, has also commenced operations. Both properties have displayed healthy occupancy rates since their launch and are expected to contribute significantly in the second half of our financial year ending 30 September 2023 ("2H2023").

As of 31 March 2023, the Space Optimisation Business has achieved the following occupancy rates across certain properties (excluding joint venture properties and those under progressive handover):

Industrial Properties	
Work+Store space:	97.9%
Industrial space:	95.6%
Commercial Properties	
Commercial space:	91.1%
Residential Properties	
Co-living space (Singapore):	96.7%

Facilities Management Business

1H2023 revenue witnessed a 21.6% Y-o-Y improvement to S\$15.2 million after excluding revenue contribution from its dormitory business. Both Cleaning & Related Services ("ICFM") and Car Park Management businesses generated higher revenue in 1H2023 vs. 1H2022. Excluding a one-off gain from the disposal of an associate in 1H2023 and contributions from the dormitory business in 1H2022, core profits showed a marginal improvement of 2.3% Y-o-Y.

Energy Business

The Group's Energy Business made its maiden contribution in 1H2023. This business focuses on providing renewable energy services, including electricity retailing, electric vehicle ("EV") charging station provision, and solar power system installation primarily for industrial clients. As of end-1H2023, the Group has successfully installed solar panels across 14 internal and 3 external locations. Although it currently represents a minor portion of the Group's overall revenue (1H2023: S\$0.3 million), the Energy Business is already profitable for 1H2023.

Logistics Services Business

The Group's Logistics Services Business, (which is carried out through the Company's indirect non-wholly owned subsidiary, LHN Logistics Limited (SGX stock code: GIH), saw revenue dropped 6.1% Y-o-Y to S\$12.7 million in 1H2023. This decrease was mainly due to lower demand for transportation and container depot services in Singapore. Nonetheless, adjusted segmental profit before tax increased by 66.0% in 1H2023 to S\$2.4 million (1H2022: S\$1.4 million) due to the absence of listing expenses that was incurred in 1H2022.

Overall

The Group's profit before tax declined 43.3% to S\$20.3 million in 1H2023 vs. S\$35.9 million in 1H2022. Further removing the effect of FV Gain/(Loss), gain on disposal of associate and dormitory business, the Group would have recorded a 20.2% Y-o-Y growth in 1H2023 adjusted profit before tax to S\$18.2 million vs. S\$15.1 million in 1H2022.

Business Outlook

In the **Space Optimisation Business**, the Coliwoo properties are expected to continue driving the Group's residential business. The newly launched 22-storey Coliwoo Orchard property at Mount Elizabeth Link is expected to contribute significantly to the Group in 2H2023, along with multiple new Coliwoo properties, including those at 298 River Valley Road and 404 Pasir Panjang, both expected to commence operations in 2H2023. New co-living shophouse apartments at 48 and 50 Arab Street, are expected to be launched in the next financial year ending 30 September 2024 ("**FY2024**"). In addition, the Group has also tendered for the GSM building at 141 Middle Road, with plans to convert the third to sixth levels of the property into co-living serviced apartments.

According to a report from Cushman & Wakefield¹, several factors are driving the co-living market in Singapore, including the higher adoption of hybrid work, recovering foreign demand, and an expanding demand pool from young singles or couples.

The **Property Development Business** will commence asset enhancement works at 55 Tuas South in 2H2023 to redevelop it into a 9-storey multi-user food processing industrial development with 49 units (floor areas range from 190 sqm to 237 sqm each). This development is expected to be completed and available for sale in FY2024.

The **Facilities Management Business** remains focused on securing additional external facilities management contracts, encompassing estate and building management, repair and maintenance, cleaning, pest control, and fumigation services. The carpark business will continue to build up its market share with the intelligent use of cutting-edge technology and a fully-equipped operations team. This business will see the commencement of the Defu Industrial City Car Park in April 2023. At 2,800 equivalent parking lots, this car park contract alone accounts for 13.0% of the total parking lots managed by the Group.

The **Logistics Services Business** expects the completion of the ISO tank depot at 7 Gul Avenue in 2H2023. This depot will enable the business to provide empty ISO tank storage services and laden ISO tank storage services for hazardous substances, petroleum and flammable materials. The chemical cleaning and repair services for ISO tanks will be undergoing trial runs in the fourth quarter of our financial year ending 30 September 2023 or first quarter of FY2024, depending on the delivery of equipment. The Group is also actively seeking opportunities in ASEAN to establish our new office and depot for the container depot services business.

The Group has initiated growth opportunities by expanding its **Energy Business** to include electricity retailing, EV charging stations and solar panel installation.

Recently, the Group partnered with a subsidiary of Yinson GreenTech to launch cross-border EV charging services in Singapore and expects to install EV charging stations at up to 5 locations across the island, thus facilitating cross-border charging capability with Malaysia.

Overall, the Group expects the contributions from its Coliwoo properties to drive its growth into FY2024. With renewed confidence in its core businesses, the Group is proposing an interim dividend of 1.0 Singapore cent per share (1H2022: 0.6 Singapore cents).

#End#

¹ Shaun Poh, Wong Xian Yang, Lydia Tan. The Appeal of Co-living in Singapore. Cushman & Wakefield, 2023

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 five (5) main business segments, namely: (i) Space Optimisation Business; (ii) Facilities Management Business; (iii) Energy Business; (iv) Property Development Business; and (v) Logistics Services Business (which is carried out through the Company’s indirect non-wholly owned subsidiary, LHN Logistics Limited (SGX stock code: GIH)).

Under its Space Optimisation Business, the Group acquires its own properties, 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, provision of amenities and utilities, and repair and general maintenance principally to the properties it leases and manages, as well as to external parties.

The Energy Business offers sustainable energy solutions including the electricity retailing business, provision of electric vehicle charging stations and installation of solar power systems for properties we manage and for our customers.

The Property Development Business engages in (a) property development activities such as the acquisition, development and/or sale of various types of properties; and (b) property investment activities relating to the business of property development, property investment and property management.

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, Cambodia and Hong Kong.

Issued for and on behalf of LHN Limited

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