

For Immediate Release

LHN Records Net Profit of S\$15.3 million for 1H2021, Boosted by Growth in its Facilities Management Business

- Revenue derived from our Facilities Management Business registered a growth of 225.5% for the six months ended 31 March 2021 (“1H2021”) as compared to the six months ended 31 March 2020 (“1H2020”).

Table 1 – Key Financial Highlights

S\$'000	1H2021	1H2020	Change (%)
Revenue	64,478	51,619	24.9
Cost of sales	(29,295)	(29,703)	(1.4)
Gross profit	35,183	21,916	60.5
Profit after tax	15,264	3,467	>100

Singapore, 12 May 2021 – Real estate management services group LHN Limited (“LHN”, and together with its subsidiaries, the “Group”) is pleased to announce a net profit after tax of approximately S\$15.3 million for 1H2021.

The Group’s revenue increased by 24.9% to approximately S\$64.5 million in 1H2021, due to the increase in revenue from (i) Residential Properties within the Space Optimisation Business; and (ii) the Facilities Management Business. This increase was partially offset by the decrease in revenue from Industrial and Commercial Properties of our Space Optimisation Business.

Cost of sales decreased by 1.4% to approximately S\$29.3 million in 1H2021, due to (i) decrease in rental cost arising from the expiry of four master leases between the second to fourth quarters of the financial year ended 30 September 2020 (“FY2020”); and (ii) renewal of leases previously classified as short-term leases in FY2020 which have been capitalised as lease liabilities in 1H2021, with partial derecognition of rental costs to other income. The decrease was partially offset mainly by the increase in staff costs and upkeep and maintenance costs, depreciation of right-of-use assets and other expenses.

Table 2 – Segmental Revenue Breakdown

S\$'000	1H2021	1H2020	Change (%)
Industrial Properties	8,760	15,290	(42.7)
Commercial Properties	4,075	8,813	(53.8)
Residential Properties	6,518	5,058	28.9
Space Optimisation Business	19,353	29,161	(33.6)
Facilities Management Business	31,622	9,714	225.5
Logistics Services Business	13,503	12,744	6.0
Total	64,478	51,619	24.9

Space Optimisation Business contributed 30.0% of the Group's total revenue for 1H2021. Residential Properties segment contributed a rise of 28.9% in revenue as compared to 1H2020 mainly due to increase in revenue of approximately S\$1.5 million mainly from the commencement of operation of our new serviced residence in Cambodia and increase in revenue at 1A Lutheran Road Singapore.

However, revenue from Industrial Properties declined by 42.7% in 1H2021 as compared to 1H2020 mainly due to (i) decrease in revenue from subleases as a result of the expiry of four master leases between the second to fourth quarters of FY2020; and (ii) more derecognition of revenue from subleases classified as finance lease pursuant to IFRS 16.

The average occupancy rate of the Group's Industrial Properties decreased slightly by 0.9 percentage points to approximately 89.0% in 1H2021 as compared to 89.9% in 1H2020.

For the Commercial Properties, revenue declined by 53.8% in 1H2021 as compared to 1H2020 mainly due to (i) decrease in revenue from subleases as a result of the expiry of two master leases during 1H2021; (ii) renewal of subleases at lower rates; (iii) decrease in revenue from 1557 Keppel Road Singapore since it has been undergoing progressive renovations following the Group's successful retender for the site in December 2019; and (iv) more derecognition of revenue from subleases classified as finance lease pursuant to IFRS 16.

The average occupancy rate of the Group's Commercial Properties decreased by 15.3 percentage points to approximately 69.2% in 1H2021 as compared to 84.5% in 1H2020.

The Group's Facilities Management Business increased by 225.5% to approximately S\$31.6 million in 1H2021 due to the increase in facilities management services provided for short-term contracts under the dormitory business.

The Group's Logistics Services Business continued to produce incremental revenue growth, rising 6.0% to approximately S\$13.5 million in 1H2021 mainly due to increase in transportation services provided from the trucking business.

In view of the good financial performance for 1H2021, the Group proposed an interim dividend of S\$0.0075 (equivalent to HK\$0.0439) per share.

Business Outlook

As released in the Singapore Market Outlook 2021 report issued by CBRE Research¹, although slow and uneven, the Singapore economy is on track towards a 5.6 per cent year-on-year GDP growth in 2021, with the pandemic contained locally and access to vaccination secured.

Further, based on advance estimates as announced in the press release dated 14 April 2021 issued by the Ministry of Trade and Industry Singapore², the Singapore economy grew by 0.2 per cent on a year-on-year basis in the first quarter of 2021, a turnaround from the 2.4 per cent contraction recorded in the previous quarter.

¹ <https://www.cbre.com.sg/research-reports/Singapore-Market-Outlook-2021#:~:text=ECONOMY%3A%20With%20the%20pandemic%20contained,favourable%20real%20estate%20investment%20environment>

² https://www.mti.gov.sg/-/media/MTI/Newsroom/Press-Releases/2021/04/AdvEst_1Q21.pdf

Riding on more favourable business conditions moving forward and the intention to grow its residential business, the Group and its joint venture companies entered into a few options to purchase properties in Singapore namely at 40 and 42 Amber Road (joint venture property), 75 Beach Road and 115 Geylang Road as announced on 24 March 2021, 12 April 2021 and 28 April 2021 respectively. The Group looks forward to the completion of acquisition of these properties as this will further expand its offerings under the Space Optimisation Business. The Company will make further announcement(s) as and when there are material development(s) to the proposed acquisition of the properties at 40 and 42 Amber Road, 75 Beach Road and 115 Geylang Road. Regarding our operation in Myanmar, as the revenue contribution is less than 1% of the Group's revenue and the total assets contribution is less than 2% of the Group's total assets as at 31 March 2021, the recent military coup does not have any material impact to our Group's financial performance.

For the 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 to its customers. In addition, the Group plans to set up electric vehicle charging stations across its industrial properties and carparks under its management and will continue to look for more locations for its carpark management business in both Singapore and Hong Kong.

For the Logistics Services Business, the Group will continue to look for more opportunities to grow its transport fleet and expand its logistics customer base.

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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, Cambodia and Hong Kong.

Issued for and on behalf of LHN Limited

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