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**LHN
GROUP**

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)

BUSINESS UPDATE

CAPITAL INJECTION IN WHOLLY-OWNED SUBSIDIARY IN CHINA

NEW RESIDENTIAL PROJECTS IN CHINA AND SINGAPORE

UPDATE ON THE USE OF NET PROCEEDS FROM THE GLOBAL OFFERING

This is an announcement made by LHN Limited (the “**Company**”) for keeping the shareholders of the Company and potential investors informed of the latest business development of the Company and its subsidiaries (collectively the “**Group**”).

Background

Reference is made to the prospectus of the Company issued in relation to the dual primary listing and global offering of the Company in Hong Kong (the “**Global Offering**”) dated 15 December 2017 (the “**Prospectus**”).

As disclosed in the Prospectus, 福建自貿試驗區廈門片區 LHN 投資管理有限公司 (LHN Asset Management (Xiamen) Co. Limited*) (“**LHN Xiamen**”) was established as a limited liability company in the People’s Republic of China (the “**PRC**”, and for the purpose of this announcement, excludes the Hong Kong Special Administrative Region of the PRC, Macau Special Administrative Region of the PRC and Taiwan) on 30 November 2016 and that no registered capital has been injected yet as at the date of this announcement. LHN Xiamen is wholly-owned by LHN Group (China) Asset Management Pte. Ltd. (“**LHN Group China**”), a wholly-owned subsidiary of the Group incorporated in Singapore. It was also disclosed in the Prospectus that LHN Xiamen was established to expand the Group’s Space Optimisation Business into the PRC.

Furthermore, as disclosed in “Business – Our Business Strategies – Expand our business operations into other countries and regions with particular focus in Asian countries and regions” of the Prospectus, the Group has entered into a non-binding memorandum of understanding (“**Non-binding MOU**”) with a state-owned entity in Xiamen, the PRC (the “**Xiamen SOE**”) to manage one of its properties under the Group’s asset management model upon completion of the construction, and that the Group planned to rent one of the floors from the landlord to set-up the Group’s PRC headquarter and operate the Group’s first co-working and co-living space under the Group’s GreenHub brand on the property (the “**Xiamen Project**”). The Group also has been searching for business opportunities to expand its traditional industrial, commercial and residential properties in the PRC through master leases. For further details, see “Business – Our Business Strategies” of the Prospectus.

Update of the Xiamen Project

As at the date of this announcement, the Group has not concluded any formal agreement with the landlord for the Non-binding MOU as the parties have yet to finalise the terms of the asset management agreement and the master lease after more than two years' negotiation on various aspects (including marketing plan, design and space planning, pricing and fees). As such, the Board of Directors (the "**Board**") of the Company has decided not to proceed with the proposed transactions as contemplated under the Non-binding MOU and the Xiamen Project. The Xiamen SOE has also confirmed in writing that the negotiation for the Xiamen Project and the Non-binding MOU would not be proceeded, and that both parties would not be liable to each other.

The Board is of the view that the Non-binding MOU which did not proceed with would not have any material impact on the business operation and financial position of the Group.

Update of Co-living and Co-working space project in Nanan, Quanzhou

As disclosed in the latest annual report of the Company, the Group has 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 PRC (the "**Nanan Project**"). As such, the Group has established one additional wholly-owned subsidiary in China, 南安市賢能商務管理有限公司 ("**LHN Nanan**") on 25 May 2018 for the Space Optimisation Business in Nanan City. LHN Nanan is owned as to 0.69% by LHN Xiamen and 99.31% by LHN Group China.

Since the Group will not be proceeding with the Non-binding MOU, the Nanan Project would replace the Xiamen Project as the Group's first project under the Space Optimisation Business in the PRC. The Nanan Project was selected by the Company after due consideration from a number of potential projects in the PRC, which the Company has explored and reviewed. The Board confirms that the Nanan Project satisfies all of the selection criteria as set out in "Business – Our Business Strategies – Summary of Our Business Strategies by Business Segment and Associated Investment Costs – Space Optimisation Business – PRC" of the Prospectus relating to the setting-up of one co-working space or co-working and co-living space and intend to utilise certain net proceeds from the Global Offering for purposes as set out in the following paragraphs.

Information of 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 and is situated in the second-tier city near the Xiamen University and hospital. The renovation costs of the building will be approximately RMB16.6 million (equivalent to S\$3.4 million) inclusive of value-added tax, of which, approximately RMB1.5 million (equivalent to S\$0.3 million and HK\$1.8 million as set out under item number 3 in the Use of Net Proceeds table below) will be funded by net proceeds from the Global Offering allocated for the setting-up of one co-working space or co-working and co-living space in the PRC, and the balance will be funded by way of internal resources (which includes the Capital Injection (as defined below)) and bank borrowings. It is expected that the renovation will be completed in the fourth quarter of 2019.

The Nanan Project is one of the several projects that the Group has undertaken as part of its business expansion plan for the Residential Properties part of our Space Optimisation Business segment.

Update of Co-living Space Projects in Singapore

In August 2018, we had entered into a master lease agreement for three blocks of residential units at 31 Boon Lay Drive, being the Singapore Land Authority's first co-living project for students and white-collar workers, for a tenancy period of three years commencing from 1 October 2018 with an option to renew for another three years plus three years. Currently one of the blocks has completed renovation while the remaining two are still under renovation and the expected date of completion for the whole property is estimated to be in the third quarter of 2019.

In March 2019, the Group has signed a new master lease agreement for a period of three years for a property at 150 Cantonment Road, located on the fringe of the Central Business District, to expand its offerings of co-living spaces in Singapore. The lease includes an option to renew for three years, and a further option to renew for another three years and the premises is expected to be operational in the third quarter of 2019.

Capital Injection in LHN Nanan

As at the date of this announcement, LHN Xiamen has a registered capital of RMB5.0 million (equivalent to approximately S\$1.0 million) and LHN Nanan has a registered capital of RMB14.5 million (equivalent to approximately S\$2.9 million). No registered capital has been injected yet to either subsidiaries.

As part of the Group's business expansion plans in China, LHN Group China will be progressively making a total capital injection of RMB5.9 million (equivalent to approximately S\$1.2 million) into LHN Nanan ("Capital Injection"), which will be funded by internal resources. The Capital Injection will be used to fund part of the renovation costs of the building of the Nanan Project.

Update on the Use of Net Proceeds from the Global Offering

The following table sets out the breakdown of the use of net proceeds from the Global Offering of the Company as at the date of this announcement:

S/N	Purpose of Net Proceeds	Amount Allocated	Amount Utilised	Balance
		HK\$'000	HK\$'000	HK\$'000
1	Expansion of our space optimisation business by acquiring a new property in Singapore	26,815	26,815	–
2	Acquiring a property in Singapore for our logistics services management business	10,611	–	10,611
3	Set out our first operation in the PRC	1,776	–	1,776
4	General working capital	4,439	4,439	–
5	Acquiring transportation equipment for our logistics services business	755	274	481
	Total	44,396	31,528	12,868

Amount utilised for general working capital of approximately HK\$4.4 million (equivalent to S\$0.7 million) consisted of payment for renovation costs in relation to master lease secured under our Space Optimisation Business.

The above utilisations are in accordance with the intended use of the net proceeds and percentage allocated, as disclosed in the Prospectus.

The Board will continue to update in periodic announcements on the utilisation of the balance of the net proceeds from the Global Offering as and when the proceeds are materially disbursed and provide a status report on such use in its annual report and its quarterly and full year financial results announcements.

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

Singapore, 22 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 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