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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)

**DISCLOSEABLE TRANSACTION
ACQUISITION OF RIGHT-OF-USE ASSETS
BOON LEAT PROPERTY IN SINGAPORE**

ACQUISITION OF RIGHT-OF-USE ASSETS

The Board is pleased to announce that LHN Space Resources, an indirect wholly-owned subsidiary of the Company, has renewed the lease with the Landlord for the Boon Leat Property. LHN Space Resources has entered into the Lease Agreement on 22 December 2020 for the Boon Leat Property as tenant.

LISTING RULES IMPLICATIONS

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 Lease Agreement is more than 5% and below 25%, such transaction 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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** For identification purpose only*

Lease Agreement

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

- Date** : 22 December 2020
- Parties** : (1) LHN Space Resources, an indirect wholly-owned subsidiary of the Company as the tenant
(2) the Landlord, an independent third party, as the landlord
- The Property** : 34 Boon Leat Terrace Singapore 119866 (the whole of Lot 1434V of Mukim 3) as comprised in Certificate of Title Volume 285 Folio 188 with a land area of 15,274.3 square metres together with the Building
- Term** : Three years commencing from 1 October 2020 and ending on 30 September 2023
- Total aggregate value of consideration payable** : Base rent plus an additional turnover rent on gross rental sales for the relevant month. The consideration was arrived at based on comparison of current market rates in the vicinity and on mutually agreed commercial terms and conditions.
- Security deposit** : The Tenant must pay to and maintain with the Landlord during the term a security deposit equivalent to four months of base rent by way of insurance guarantee issued by a reputable financial institution approved by the Monetary Authority of Singapore or such other relevant authorities that is responsibly acceptable by the Landlord. The Tenant shall furnish such insurance guarantee no later than 14 days before the Commencement Date
- Property tax** : The Tenant shall pay to the Landlord on demand, any additional property tax imposed by the relevant authority on the Boon Leat Property, in respect of the Term, which is payable on account of:
- (i) the annual value assessed by the relevant authority (as at the Commencement Date and as may be increased from time to time after the Commencement Date, whether retrospectively or otherwise) which is in excess of the annual rent payable by the Tenant;
 - (ii) an increase in the property tax rate above the rate applicable as at the Commencement Date; and/or
 - (iii) any new imposition or charge imposed by the relevant authority on or after the Commencement Date
- Such additional property tax will be recoverable from the Tenant as if it is rent in arrears.
- Permitted use** : The Boon Leat Property shall only be used for warehousing, ancillary office and/or such other use as approved by the Landlord and the relevant authorities.
- Repairs and replacement works** : During the Term, the Tenant shall at its own cost and expense maintain and carry out all repair and/or replacement works in respect of any part(s) of the Boon Leat Property as well as the Mechanical and Electrical Equipment, other than any relevant internal and/or external structural parts of the Building that the Landlord would be responsible for.

- Insurances** : At all times during the Term and during any period of holding over, the Tenant shall at its cost and expense take out and keep in force the following insurance policies with an insurance company or companies as may be approved by the Landlord and on terms and conditions to be approved by the Landlord, (i) an insurance policy over all of the Tenant's property; (ii) an insurance policy in the joint names of the Landlord and the Tenant against all risks and damage to the Building at the Boon Leat Property, plant and equipment (including the Mechanical and Electrical Equipment) and permanent installations, the furniture, plate and tempered glass, fixtures and fittings in the Boon Leat Property and all parts thereof in an amount not less than S\$50,000,000; (iii) a comprehensive public liability insurance policy in the joint names of the Landlord and the Tenant in an amount not less than S\$5,000,000; and (iv) such other insurance policies in such amounts as the Landlord may reasonably specify from time to time, having regard to market practice and after consultation with the Tenant.
- Other payment obligations of the Tenant** : The Tenant must pay:
- (1) the cost of utilities provided and supplied to the Boon Leat Property and used by the Tenant or any occupier of the Boon Leat Property;
 - (2) all costs and expenses for the operation of the Building and all the Mechanical and Electrical Equipment located at the Boon Leat Property; and
 - (3) the Tenant must be responsible and pay for all Outgoings in relation to the Boon Leat Property from the Commencement Date.
- Payment terms** : Base rent to be paid prior to the month, and the base rent for the first month shall be paid on or before the Commencement Date.
- Turnover rent to be paid within thirty days after the last day of the relevant month.
- Termination** : If the Boon Leat Property is destroyed or damaged and the Landlord, in its absolute discretion, decides that the damage is such as to make its repair impracticable or undesirable, the Landlord may, within 60 days after such damage has been sustained, serve a written notification on the Tenant notifying the Tenant of the Landlord's decision not to reinstate or replace the Boon Leat Property and to terminate the lease without compensation whatsoever. Upon the service of the said notification on the Tenant, the lease will terminate on the expiry of 30 days from the date of such notification of the Landlord, without affecting the rights of either party for any previous default by the other party arising out of or in connection with the lease.
- Renewal** : If the Tenant is desirous of renewing the lease for a further term of three years, the Tenant shall serve on the Landlord a written renewal notice not later than six months prior to the expiry of the Term.
- Sale of property** : In the event that the Landlord decides to sell the Boon Leat Property, the Landlord shall in good faith notify the Tenant of its intention to sell and the Tenant shall provide a firm offer to purchase the Boon Leat Property for the Landlord's acceptance within 14 days of the Landlord's notification to the Tenant. If the offer to purchase is not given by the Tenant as aforesaid or not accepted by the Landlord within seven days from the Landlord's receipt of the Tenant's offer to purchase, the Landlord shall be at liberty to sell the Boon Leat Property, together with the Lease Agreement, to any other party at its discretion.

The lease agreement was entered into on 22 December 2020 after the lease commencement date on 1 October 2020 due to the COVID-19 pandemic which delayed the Landlord's approval process.

RIGHT-OF-USE ASSETS

Pursuant to IFRS16, the tenancy of the Boon Leat Property will be recognised as right-of-use asset and lease liability for an amount of approximately S\$10.3 million, which is calculated with reference to the present value of the aggregated lease payments to be made under the Lease Agreement.

REASONS FOR TRANSACTION

As disclosed in the Prospectus, the Boon Leat Property is an industrial property under the Space Optimisation Business of the Group. The Boon Leat Property has a GFA of approximately 25,000 sq.m and with an additional 185 parking lots managed by the Group's Facilities Management Business. The Group is subleasing the Boon Leat Property to its tenants for warehousing and ancillary office. By renewing the lease with the Landlord, LHN Space Resources can continue to offer the property to its tenants under the Space Optimisation Business and to offer the carpark spaces under the Facilities Management Business.

The entering into the Lease Agreement by renewing the lease of the Boon Leat Property allows the Group to continue its space optimisation business and facilities management 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 Boon Leat Property allows the Company to continue to offer the property to its tenants under the Space Optimisation business and carpark users under the Facilities Management business to generate revenue.

Taking into account of the above factors, the Directors consider that the terms of the Lease 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

Information about the Company and LHN Space Resources

The Company is a real estate management services group, with the expertise and experience 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 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, Malaysia and Cambodia.

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

Information about the Landlord

The Landlord, Diethelm Keller Property & Investment Pte. Ltd., is a limited liability company incorporated in Singapore, which is wholly-owned by Diethelm Keller Holding AG. The Landlord is under the Diethelm Keller Real Estate of Diethelm Keller Group, which is a fourth-generation family enterprise with a wide range of investments.

The Landlord, its ultimate beneficial owner and its respective associates are third parties independent of the Group and its connected persons (as defined under the Listing Rules) as well as the Company's Directors, substantial shareholders and their respective associates (as defined under the Catalist Rules) to the best of the Directors' knowledge.

LISTING RULES IMPLICATIONS

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 Lease Agreement is more than 5% and below 25%, such acquisition of right-of-use assets of the Boon Leat 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 Lease Agreement of the Boon Leat 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 with the disclosure requirements of Chapter 14 of the Listing Rules.

The Lease Agreement of the Boon Leat Property 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 2021.

DEFINITIONS

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

“Board”	the board of Directors
“Boon Leat Property”	34 Boon Leat Terrace, Singapore (being the whole of Lot 1434V of Mukim 3)
“Building”	building(s) and structure(s) erected on the Boon Leat Property
“Catalist”	the Catalist board of the SGX-ST
“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: 410)
“Commencement Date”	the date of the commencement of the Term, being 1 October 2020
“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)
“Landlord”	Diethelm Keller Property & Investment Pte. Ltd., a limited liability company incorporated in Singapore on 20 December 1968, which is wholly-owned by Diethelm Keller Holding AG
“Lease Agreement”	the lease agreement dated 22 December 2020 entered into between the Landlord as the landlord and LHN Space Resources as the tenant in relation to the lease of the Boon Leat Property
“LHN Space Resources” or the “Tenant”	LHN Space Resources Pte. Ltd., a limited liability company incorporated in Singapore on 15 July 2009 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
“Mechanical and Electrical Equipment”	all air-conditioning and mechanical ventilation systems, compressors, boilers, fire protection systems, cargo and passenger lifts, dock leveller, car parking systems and all other mechanical and electrical equipment located in or on or which otherwise relate to the Boon Leat Property, and including any replacement and/or additional mechanical and electrical equipment installed by the Tenant
“Outgoings”	all amounts assessable, chargeable, paid or payable or otherwise incurred in respect of the Boon Leat Property or the ownership, control, operation, administration, management or maintenance of the Boon Leat Property plus GST on those amounts including but not limited to rates and levies, taxes, insurance premiums, maintenance and repair, and compliance costs
“Prospectus”	the prospectus of the Company published in Hong Kong dated 15 December 2017 in relation to the global offering of the Company

“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
“Term”	the term of the lease of the Boon Leat Property as contemplated under the Lease Agreement, namely, three years commencing from 1 October 2020 and ending on 30 September 2023
“%”	per cent.

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

Singapore, 22 December 2020

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.