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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
MOUNT ELIZABETH PROPERTY IN SINGAPORE**

ACQUISITION OF RIGHT-OF-USE ASSETS

The Board is pleased to announce that Erinite Properties, an indirect wholly-owned subsidiary of the Company, as the tenant, had entered into the Lease Agreement with Eastern Realty, the landlord, on 29 November 2021 for the Mount Elizabeth Property for a term of three years commencing on 1 December 2021 and expiring on 30 November 2024 (both dates inclusive).

LISTING RULES IMPLICATIONS

Pursuant to IFRS16, the transactions contemplated under the Lease Agreement by the Group will require the Group to recognise the Mount Elizabeth Property as the right-of-use assets, thus by entering into the Lease Agreement, the transactions contemplated under the Lease Agreement will be regarded as an acquisition of assets by the Group under Chapter 14 of the Listing Rules.

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.

ACQUISITION OF RIGHT-OF-USE ASSETS

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Lease Agreement

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

- Date** : 29 November 2021
- Parties** : (1) Erinite Properties, an indirect wholly-owned subsidiary of the Company, as the tenant; and
(2) Eastern Realty, an independent third party, as the landlord
- The property** : 2 Mount Elizabeth Link Singapore 227973, comprising whole of lot 1093A of Town Subdivision 27 together with a 22-storey building erected thereon with currently 72 residential units, basement car park lots, swimming pool, wading pool, spa pool, children play area, barbecue area, sauna, gymnasium and landscaped garden.
- Term** : Three years commencing on 1 December 2021 and expiring on 30 November 2024 (both dates inclusive).
- Total aggregate value of consideration payable** : Base rent plus an additional turnover rent on gross operating revenue. The consideration was arrived at based on mutually agreed commercial terms and conditions.
- Payment terms** : The base rent is payable on the first day of each calendar month.
- The turnover rent is payable every month after the rent-free period. A certificate signed by the Tenant's financial controller or director certifying the amount of turnover rent shall be submitted within 20 days after each month Turnover Period. The Tenant shall pay to the Landlord the turnover rent within 14 days after the receipt of the invoice after the presentation of such certificate. The Tenant shall also deliver the audited statements to the Landlord within 6 months after the accounting period. If there is a difference between the signed certificate and the audited statements, the difference shall be paid to or by the Tenant within 7 days of service of the Landlord's notice stating such difference.
- The base rent and the turnover rent will be paid by the internal sources of funding of Erinite Properties.
- Security deposit** : The Tenant must pay to and maintain with the Landlord during the Term a security deposit by way of a banker's guarantee issued by a reputable financial institution approved by the Monetary Authority of Singapore or such other relevant authorities that is acceptable by the Landlord, furnished on or before the commencement of the lease. The date of expiry of such banker's guarantee shall be on a date falling three months after the date of expiry of the Term.
- Tax** : The Landlord shall pay the property tax imposed by the relevant authority on the Mount Elizabeth Property but only to the extent that the annual property tax paid or to be paid by the Landlord shall not exceed S\$392,000. In the event that the annual property tax exceeds S\$392,000 for any reason whatsoever, the Tenant shall bear all such property tax in excess of S\$392,000 and make payment of the same to the Landlord on demand.
- The Tenant shall pay the goods and services tax, imposition, duty and levy in respect to the sums payable by the Tenant under the Lease Agreement (save for the rent), or reimburse the Landlord for the payment of such tax.
- Permitted use** : The Mount Elizabeth Property shall only be used as a serviced apartment or as a co-living residential property in the event such approval is not obtained.

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 insurance policies with a reputable insurance company or companies in Singapore as approved by the Landlord, commencing from the date of possession of the Mount Elizabeth Property to the expiry date of the Term and the period of holding over.

Other payment obligations of the Tenant : The Tenant must pay:

- (i) the cost of utilities and other services provided and supplied to the Mount Elizabeth Property (including any taxes imposed in respect thereof) and all necessary hire charges for any equipment or appliances supplied to the Tenant;
- (ii) the stamp duty expenses in respect of the Lease Agreement;
- (iii) all the Landlord's legal costs and expenses incurred in enforcing any provision of the Lease Agreement; and
- (iv) all the Landlord's costs and expenses reasonably incurred in connection with every application made by the Tenant for any consent or approval under this Lease Agreement whether or not such consent or approval shall be granted or given.

Termination : If the Tenant wishes to terminate the lease for any reason prior to expiry of the Term, such termination must be subject to the following conditions:

- (i) the Tenant shall pay the Landlord agreed liquidated damages of the amount equivalent to the aggregate base rent for the Term less any base rent actually received by the Landlord as at the date of termination;
- (ii) if the Tenant finds a replacement tenant to assume the obligations and responsibilities under this lease for the period from the day immediately following the termination date of the lease to the expiry date of the Term, the Tenant shall not be required to pay any liquidated damages; and
- (iii) the Tenant shall bear all the Landlord's legal costs, expenses and fees incurred in connection with the termination of this lease.

The date of termination of this lease shall be mutually agreed upon by the Landlord and the Tenant.

Option to renew : The Landlord shall grant to the Tenant four further options to renew this lease for a further term of three years each for each renewal, with each renewal commencing immediately after the expiry of the preceding term. The same terms and conditions of this Lease Agreement will apply to each renewal. To exercise such option to renew, the Tenant shall serve on the Landlord a written notice not less than six and not more than nine months prior to the expiry of the Term and each renewed term thereafter.

The rent for each of the four renewal terms shall be base rent for the renewal plus an additional turnover rent on gross operating revenue.

RIGHT-OF-USE ASSETS

Pursuant to IFRS16, the tenancy of the Mount Elizabeth Property will be recognised as right-of-use assets for an amount of approximately S\$11.3 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

The Mount Elizabeth Property is a residential property with a GFA of approximately 104,375 sq.ft, and comprising a 22-storey building with currently 72 residential units, basement car park lots, swimming pool, wading pool, spa pool, children play area, barbecue area, sauna, gymnasium and landscaped garden. The Group intends to renovate the Mount Elizabeth Property and operate it as a serviced apartment which is planned to create dual and triple room units, or as a co-living residential space, both under its Coliwoo brand. By entering into the Lease Agreement, the Group can further expand its Coliwoo brand residential properties portfolio under its space optimisation business as part of its ordinary course of business.

The Board is of the view that the acquisition of the right-of-use assets of the Mount Elizabeth Property would enable the Group to expand its offerings of Coliwoo brand residential property under the space optimisation business of the Group.

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, and in the interests of the Shareholders and the Company as a whole.

INFORMATION OF THE PARTIES

Information about the Company and the Tenant

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 business segments, namely: (i) space optimisation business; (ii) facilities management business; and (iii) logistics services business. The Group currently mainly operates in Singapore, Indonesia, Thailand, Myanmar, Hong Kong, Malaysia and Cambodia.

The Tenant, Erinite Properties, is an indirect wholly-owned subsidiary of the Company, which primarily engages in space optimisation business.

Information about the Landlord

The Landlord, Eastern Realty, is a limited liability company incorporated in Singapore and is wholly-owned by Oversea-Chinese Banking Corporation Limited which is listed on the Singapore Exchange (Singapore Exchange stock code: O39). The Landlord is a company holding properties for investment and rental purposes.

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

LISTING RULES IMPLICATIONS

Pursuant to IFRS16, the transactions contemplated under the Lease Agreement by the Group will require the Group to recognise the Mount Elizabeth Property as the right-of-use assets, thus by entering into the Lease Agreement, the transactions contemplated under the Lease Agreement will be regarded as an acquisition of assets by the Group in accordance with the Listing Rules.

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 Mount Elizabeth 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 disclosed above under “Information about Parties – Information about the Company and Tenant”, the Group has three main business segments, namely; (i) space optimisation business; (ii) facilities management business; and (iii) logistics services business. The entry into the Lease Agreement of the Mount Elizabeth Property is part of the Group’s strategy and plan to expand its portfolio under its space optimisation business as part of its ordinary course of business. Profits generated from the Mount Elizabeth Property would be accounted for under the space optimisation business.

The disclosure requirements of this announcement are referenced from Chapter 7 of the Catalist Rules. The entry into the Lease Agreement of the Mount Elizabeth 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 2022. Being dual-primary listed on both the Catalist of the SGX-ST and the Stock Exchange, the Company has undertaken to comply with the more onerous set of listing rules. Accordingly, this announcement was prepared in accordance with the disclosure requirements of Chapter 14 of the Listing Rules.

DEFINITIONS

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

“ Board ”	the board of Directors
“ 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)
“ Director(s) ”	director(s) of the Company
“ Eastern Realty ” or the “ Landlord ”	Eastern Realty Company Private Limited., a limited liability company incorporated in Singapore on 30 December 1932, is wholly-owned by Oversea-Chinese Banking Corporation Limited
“ Erinite Properties ” or the “ Tenant ”	Erinite Properties Pte. Ltd., a limited liability company incorporated in Singapore on 5 April 2021 is an indirect wholly-owned subsidiary of the Company
“ GFA ”	gross floor area
“ Gross Operating Revenue ”	aggregate of all sums of money or consideration for the rental income of all the units within the Mount Elizabeth Property
“ 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%
“ Independent Third Party(ies) ”	third party(ies) independent from the Company and its connected persons, as well as the Company’s Directors, substantial shareholders and their respective associates (as defined under the Listing Rules and the Catalist Rules)
“ IFRS ”	the International Financial Reporting Standard(s)
“ Lease Agreement ”	the lease agreement dated 29 November 2021 entered into between Eastern Realty as the landlord and Erinite Properties as the tenant in relation to the lease of the Mount Elizabeth Property
“ Listing Rules ”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended from time to time

“ Mount Elizabeth Property ”	2 Mount Elizabeth Link, Singapore 227973, with the building(s) and structure(s) erected thereon
“ Shareholder(s) ”	shareholder(s) of the Company
“ SGX-ST ”	Singapore Exchange Securities Trading Limited
“ sq.ft ”	square feet
“ 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 Mount Elizabeth Property as contemplated under the Lease Agreement, namely, three years commencing on 1 December 2021 and expiring on 30 November 2024 (both dates inclusive).
“ Turnover Period ”	the first turnover period will commence after the rent-free period and shall be on the first (1st) day of each calendar month till the end on the last day of the same month
“ URA ”	Urban Redevelopment Authority of Singapore, Singapore’s land use planning and conservation authority
“ % ”	per cent.

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

Singapore, 29 November 2021

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; and Ms. Ch’ng Li-Ling, Mr. Yong Chee Hiong and Mr. Chan Ka Leung Gary as independent non-executive directors.

** For identification purpose only*