

(Company Registration No.: 201420225D)
(Incorporated in the Republic of Singapore on 10 July 2014)

ENTRY INTO A PUT AND CALL OPTION AGREEMENT

The Board of Directors (the “**Board**”) of LHN Limited (the “**Company**” and together with its subsidiaries, the “**Group**”) wishes to announce that its wholly owned subsidiary Singapore Handicrafts Pte Ltd (“**SHPL**”) has on 8 December 2016 entered into a sale and leaseback arrangement with HSBC Institutional Trust Services (Singapore) Limited (the “**Trustee**”) as trustee of Sabana Shari’ah Compliant Industrial Real Estate Investment Trust (“**Sabana REIT**”), for the property located at 72 Eunos Avenue 7, Singapore 409570 (the “**Property**”) via a put and call option agreement (“**PCOA**”) for a sale price of S\$20 million (the “**Sale Price**”).

1. Information on the Property

The Property is a 6-storey single-user light industrial building with a built-up gross floor area (“**Gross Floor Area**”) of approximately 67,977 square feet. The land area of the site on which the Property is situated is approximately 27,191 square feet. The Property is a HDB leasehold estate of 30 years tenure commencing from 1 January 2011. The remaining tenure in respect of the Property is approximately 24 years. The Property is currently used by SHPL’s subsidiary in the manufacturing and trading of furniture while the remaining part of the premises is leased.

2. Purchase Consideration

The Sale Price is arrived at based on a willing buyer and willing seller basis. The book value of the Property as at 30 November 2016 is S\$20 million. The Trustee had also commissioned a valuation on the Property which was conducted by Knight Frank Pte Ltd.

A refundable option fee of S\$214,000, with the Goods and Services Tax (“**GST**”) thereon, which is equivalent to 1% of the Sale Price (“**Option Fee**”) has been paid by the Trustee to SHPL upon entry into the PCOA. The Sale Price will be wholly-satisfied in cash (the “**Sale Proceeds**”) by the Trustee in the event that the PCOA is exercised upon the fulfillment of the Purchase Conditions (as defined herein).

3. Rationale for Disposal of the Property

The Board is of the view that the entry into the PCOA and Lease Agreement (as defined herein) is in the best interest of the Group and the PCOA will provide an opportunity for the Group to monetize the value of the Property while the Lease Agreement would allow the Company to, *inter-alia*, continue its existing operations in the Property.

The Group intends to utilise the Sale Proceeds for further expansion of the Group’s space optimisation business.

4. Information on the Trustee and Sabana REIT

Sabana REIT was listed on Singapore Exchange Securities Trading Limited ("**SGX-ST**") on 26 November 2010. It is Singapore's first listed Shari'ah compliant real estate investment trust. Sabana REIT owns and invests in income-producing real estate used for industrial purposes, as well as real estate-related assets, in line with Shari'ah investment principles. Sabana REIT is managed by an external manager Sabana Real Estate Investment Management Pte. Ltd. (the "**Manager**").

The Manager and the Trustee are independent of the Group. The Manager is legally responsible for assets held in Sabana REIT. The Trustee gives legal approval to proposals made by the Manager and authorises collective investment schemes under the Singapore's Securities and Futures Act.

5. Terms of the PCOA

It is a condition precedent of the PCOA to obtain the written confirmation and approval of the Housing & Development Board ("**HDB**") for the proposed disposal of the Property ("**Sale**"), before the exercise of the put and call option under the PCOA. SHPL shall use its best endeavours to obtain the written confirmation and approval of HDB for the Sale within sixteen (16) weeks from the date of the PCOA (the "**Target Date**") and the Target Date shall be automatically extended by a further sixteen (16) weeks in the event that the approval from HDB is not obtained. In the event that HDB's approval and written confirmation is not received, SHPL or the Trustee may rescind the PCOA and the Option Fee shall be refunded to the Trustee.

In addition, other key conditions to be fulfilled prior to the right of exercise of the put option by SHPL under the PCOA include, *inter-alia*, (i) no breach of any provisions in the lease between SHPL and HDB (as head lessor); (ii) there being no notice received from the Trustee to rescind the PCOA due to SHPL's failure to complete any environmental baseline study works if required by HDB; (iii) there being no compulsory acquisition or notice of compulsory acquisition or intended acquisition affecting the Property in whole or in part; and (iv) the receipt of approvals from the shareholders of SHPL for the Sale.

6. Purchase Conditions

In the event that either SHPL or the Trustee exercises its put or call option respectively pursuant to the PCOA, SHPL and the Trustee shall be deemed to have entered into a sale and purchase agreement for the Sale (the "**SPA**"), which would include certain terms and conditions to the Sale (the "**Purchase Conditions**") including, *inter-alia*, upon completion of the SPA: (i) the entry into a lease agreement between SHPL (as tenant) and the Trustee (as landlord), for the lease of parts of the Property for a period of up to ten (10) years (the "**Lease Agreement**"); (ii) the entry into a service agreement for SHPL to carry out lease management services ("**Service Agreement**") for a moderate gratuity of S\$1,000 (plus GST thereon) per month in relation to tenancy agreements assigned to the Trustee; and (iii) the assignment of tenancy agreements from SHPL to the Trustee ("**Tenancy Agreements**").

If executed, under the terms of the Lease Agreement, SHPL shall pay a fixed monthly rent to the Trustee for the lease of parts of the Property which shall include areas used for the current activities of SHPL's subsidiary in the manufacturing and trading of furniture. Contemporaneously, SHPL shall be appointed as the Trustee's agent to provide lease and property management services to the Trustee in accordance with the terms of the Service Agreement.

Under the Lease Agreement to be entered into between SHPL and the Trustee:

1. SHPL will assume all capital expenditures for the first five (5) years of the Lease Agreement and will pay all outgoings (inclusive of property tax and maintenance charges) for the entire ten-year master lease;
2. SHPL will indemnify and make good the rental shortfall arising from any departing sub-tenants for the entire ten-year master lease; and
3. SHPL's parent company, LHN Group Pte. Ltd., will be providing a corporate guarantee to the Trustee in respect of SHPL's obligations under the ten-year master lease.

7. Relative Bases Computed on the Bases set out in Catalist Rule 1006

Based on latest announced unaudited financial statements of the Group for the fourth quarter financial period ended 30 September 2016 ("4Q2016"), the relative figures of the Sale computed on the bases set out in Rule 1006 (a) to (e) of the Singapore Exchange Securities Trading Limited ("SGX-ST") Listing Manual Section B: Rules of Catalist ("Catalist Rules") are as follows:

(a) Rule 1006(a)	
Net asset value of the asset to be disposed of (S\$'000)	20,000 ¹
Net asset value of the Group as at 4Q2016 (S\$'000)	69,429
Size of relative figure	28.81%

(b) Rule 1006(b)	
Net profits attributable to the assets to be disposed (S\$'000) ²	398
Net profits of the Company (S\$'000) ²	16,227
Size of relative figure	2.45%

(c) Rule 1006(c)	
Aggregate value of the consideration received (S\$'000)	20,000
The Company's market capitalisation as at 7 December 2016 based on the total number of issued shares, excluding treasury shares (S\$'000) ³	71,065
Size of relative figure	28.14%

(d) Rule 1006(d)	
Number of equity securities issued by the Company as consideration for the Sale	Not applicable
Number of equity securities of the Company previously in issue	Not applicable
Size of relative figure	Not applicable

(e) Rule 1006(e)	
The aggregate volume or amount of proven and probable reserves to	Not applicable

be disposed of, compared with the aggregate of the Group's proven and probable reserves. This basis is not applicable to a disposal of mineral, oil or gas assets by a mineral, oil and gas company, but not to an acquisition of such assets	
---	--

Notes:

- (1) *The book value of the Property as of 30 September 2016 was S\$20 million.*
- (2) *"net profits" means profit or loss before income tax, minority interests and extraordinary items. The Sale is conducted in the ordinary course of business of the Group and prior to the Sale, the Property was used as a capital asset for the conduct of SHPL ordinary course of business in the furniture business and leased to other tenants. Accordingly, "net profits" attributable to the Property are based on rental income derived from the areas of the Property that are leased to tenants.*
- (3) *The Company's market capitalisation of approximately S\$71.065 million is based on its total number of issued ordinary shares in the capital of the Company ("**Shares**") of 360,004,200 Shares (excluding 1,853,000 treasury shares) and the weighted average price of S\$0.1974 per Share on 7 December 2016, being the last trading day for the Shares preceding the signing of the PCOA.*

Notwithstanding that the Sale is in the ordinary course of business of the Group, the Board notes that the relative figures computed under Catalist Rule 1006(a) and Rule 1006(c) exceed 5% but are less than 50%. Accordingly, this Sale constitutes a "Discloseable Transaction" as defined under Chapter 10 of the Catalist Rules.

8. Financial Effects of the Sale

8.1. Net Tangible Asset ("NTA") per Share

For illustrative purposes only and assuming that the Sale had been completed at the end of the financial year ended 30 September 2015 ("**FY2015**"), the proforma financial effects of the Sale on the consolidated NTA of the Group for FY2015 will be as follows:

	Before Completion of the Sale ¹	After Completion of the Sale ²
Consolidated NTA attributable to the shareholders of the Company (S\$'000)	55,434	55,434
Number of Shares (excluding treasury shares)	361,524,300	361,524,300
Consolidated NTA per Share attributable to the shareholders of the Company (Singapore Cents)	15.33	15.33

Notes:

1. *"Before Completion of the Sale" is based on the Group's audited balance sheet as at 30 September 2015.*
2. *"After Completion of the Sale" excludes the book value cost of the Property from the Group's audited balance sheet as at 30 September 2015.*

8.2. Earnings per Share ("EPS")

For illustrative purposes only and assuming that the Sale had been completed on 1 October 2014, the proforma financial effects of the Sale on the consolidated EPS of the Group for FY2015 will be as follows:

	Before Completion of the Sale ¹	After Completion of the Sale ²
Net Profit attributable to the shareholders of the Company (S\$'000)	4,223	4,098
Weighted average number of Shares (excluding treasury shares)	316,019,763	316,019,763
Consolidated EPS (Singapore Cents)	1.34	1.30

Notes:

1. "Before Completion of the Sale" is based on the period from 1 October 2014 to 30 September 2015.
2. "After Completion of the Sale" assumes that the Property was disposed on 1 October 2014.

9. Interest of the Directors and Controlling Shareholders

None of the Directors (other than in his capacity as a Director or shareholder of the Company) or controlling shareholders of the Company (other than through their respective shareholdings in the Company) as well as their respective associates, have any interest, direct or indirect, in the Sale.

10. Details of Service Contracts

No person is proposed to be appointed to the Board and/or the Company in connection with the Sale.

11. Documents for Inspection

A copy of the PCOA will be made available for inspection during normal business hours at the Company's registered office at 10 Raeburn Park, #02-18, Singapore 088702 for a period of three (3) months from the date of this announcement.

12. Directors' Responsibility Statement

The Directors collectively and individually accept full responsibility for the accuracy of the information given in this announcement and confirm after making all reasonable enquiries, that to the best of their knowledge and belief, this announcement constitutes full and true disclosure of all material facts about the Sale, the Company and its subsidiaries, and the Directors are not aware of any facts the omission of which would make any statement in this announcement misleading. Where information in the announcement has been extracted from published or otherwise publicly available sources or obtained from a named source, the sole responsibility of the Directors has been to ensure that such information has been accurately and correctly extracted from those sources and/or reproduced in the announcement in its proper form and context.

By Order of the Board

Kelvin Lim
Executive Chairman and Group Managing Director
8 December 2016

*LHN Limited (the "**Company**") was listed on Catalist of the Singapore Exchange Securities Trading Limited ("**SGX-ST**") on 13 April 2015. The initial public offering of the Company was sponsored by PrimePartners Corporate Finance Pte. Ltd. (the "**Sponsor**").*

*This announcement has been prepared by the Company and its contents have been reviewed by the Sponsor for compliance with the Singapore Exchange Securities Trading Limited (the "**SGX-ST**") Listing Manual Section B: Rules of Catalist. The Sponsor has not verified the contents of this announcement.*

This announcement has not been examined or approved by the SGX-ST. The Sponsor and the SGX-ST assume no responsibility for the contents of this announcement, including the accuracy, completeness or correctness of any of the information, statements or opinions made or reports contained in this announcement.

The contact person for the Sponsor is Mr Thomas Lam, Associate Director, Continuing Sponsorship, at 16 Collyer Quay, #10-00 Income at Raffles, Singapore 049318, telephone (65) 6229 8088.