

**Issuer:** LHN Limited  
**Security:** LHN Limited

**Meeting details:**

Date: 23 January 2017

Time: 10:00H

Venue: Six Battery Road #10-01 Singapore 049909

**Company Description**

LHN Limited, an investment holding company, provides real estate management services in Singapore, Indonesia, Thailand, Malaysia, and Myanmar. It operates through Industrial, Commercial, Residential, Logistics, Facilities Support, and Investment Holding segments. The company leases and manages industrial spaces, such as warehouses, storages, and factories; commercial spaces consisting of offices, serviced offices, sports and recreation centers, lifestyle hubs, enrichment and tuition centers, retail spaces, and food and beverage establishments; and residential spaces, including private condominiums and HDB flats. It also offers facilities management services, including repair, maintenance, cleaning, pest control and fumigation, landscaping, car park management and operation, and security services; and renovation and general contracting services. In addition, the company provides logistics services that consist of transportation of tanks, containers, base oil, and bitumen between ports and bulk liquid loading terminals; and container depot management services, which include container surveying, and on-site repair and storage of empty general purpose and refrigerated containers, as well as general warehousing services. Further, it is also involved in the sale of furniture. Additionally, the company provides suited offices under the GreenHub brand name. LHN Limited was founded in 1991 and is headquartered in Singapore. LHN Limited operates as a subsidiary of Hean Nerng Group Pte. Ltd.

(Source: [http://www.sgx.com/wps/portal/sgxweb/home/company\\_disclosure/stockfacts?code=410](http://www.sgx.com/wps/portal/sgxweb/home/company_disclosure/stockfacts?code=410))

**Q1.** In the Chairman’s Message (page 8 of the annual report), it was disclosed that the group had purchased two properties (38 Ang Mo Kio Industrial Park 2 and Golden Mile Tower). The acquisition of Four Star Industries Pte Ltd appears to be mainly for the asset at 44 Kallang Place. The group has always maintained an asset light strategy. These acquisitions appear to be a marked deviation from that.

- a) **Can the company help shareholders understand the rationale for making direct investments? Is this a strategic shift in the group’s plans? What are the projected returns for any new acquisitions?**
- b) **The group has acquired the operations of manufacturing and wholesale trading of mattresses and related furniture products. Together with the direct investments into properties, has the risk profile of the group changed significantly?**

Net debt has increased from \$25.1 million in 2015 to \$30.2 million in 2016. The gearing ratio, calculated as net debt divided by total capital, is now at 0.30x as the total capital increased from \$80.6 million in 2015 to \$99.8 million in 2016. The increase was driven substantially by non-cash items such as fair value gain on investment properties of approximately S\$2.07 million (page 50) and fair value gain on investment properties by joint ventures of approximately S\$7.1 million (page 17).

It was also disclosed that the group has a gearing ratio policy of between 0.2 and 0.6.

- c) **Does the company expect to leverage up to the gearing ratio of 0.6x in the near future?** In times of falling asset prices, the revaluation gains may reverse and the gearing ratio could jump to a high level, even without additional investments.

**Q2.** Under Catalist rule 1204(21), it was disclosed that:

*For FY2016, the Company paid to its sponsor, PrimePartners Corporate Finance Pte. Ltd. fees of S\$20,000 as advisory services.*

- a) **Can the board provide further clarification on the advisory services rendered by the sponsor?**
- b) **Has the board instituted a system to review the non-sponsor services provided by the sponsor fees to ensure that such additional non-sponsor fees will not compromise the independence and objectivity of the sponsor?**

**Q3.** In the section on Corporate Social Responsibility (page 18-19), it was disclosed that the group has made “cash contributions of over S\$57,000 to various organisations for activities organised in support of community development and the needy and underprivileged”.

The organisations/activities included:

- National Arthritis Foundation (Charity Golf Tournament and Charity Gala Dinner)
- Bukit Batok East CCC CDWF
- SICC May Day Charity 2016 (Golf and Gala package)
- Yio Chu Kang CCC CD & Welfare Fund Committee
- Bone Marrow Donor Programme
- President’s Challenge Charity Sprint

In addition, it was also disclosed that the group and its employees have taken part in various activities such as the Community Chest Heartstrings Walk, volunteering activities with Sunshine Welfare Action Mission and Christmas Party with Lions Club.

- a) **Does the company have an overarching policy on how the group's resources are best spent to maximise the impact on the communities? How does the board ensure accountability of the use of funds for such donations?**

Getting the group's employees involved with the different communities generally generate an impact that goes over the monetary value.

- b) **Specifically, how does the company allocate its budget to the various events and activities, such as participating in a Charity Golf event versus hosting a Christmas party for a non-profit/community group?**
- c) **How does the group decide which organisations to work with?** For instance, the group has made direct cash contribution to Bukit Batok East Citizens' Consultative Committee Community Development Welfare Fund. **How was this selected? Does the group have operations or have its headquarters in Bukit Batok East?**
- d) **Would the board consider more in-kind contributions rather than cash donations?** For instance, as the group is in the business of space optimisation and facilities management, it would be more meaningful if the group carries out pro-bono work to spruce up the facilities of a non-profit/community group.