



Securities Investors Association (Singapore)

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UEN No: S99SS0111B

GST Reg No: M90367530Y

Issuer: LHN Limited

Stock code: 410

Meeting details:

Date: 30 January 2023

Time: 10.00 a.m.

Venue: << live webcast>>

Q1. Would the board/management provide shareholders greater clarity on the following operational and financial matters? Specifically:

- (i) **40 and 42 Amber Road:** The properties were acquired in June 2021 and renovation work was carried out and completed in February 2022. The properties operate as co-living properties since. **What are the reasons for the sale of 40 and 42 Amber Road (via the disposal of shares in the JV company, Coliwoo East Pte. Ltd) given that they were recently acquired? Will the group continue to manage the properties after the sale?**
- (ii) **Co-living:** With the addition of an estimated 600 keys in 2023, the group's co-living portfolio will be expanded to 1,600. **How much capital has the board earmarked to grow the co-living business? What is the optimal/targeted size of the co-living portfolio in terms of the number of properties and keys?**
- (iii) **Licensing:** Which of the group's properties are approved as hotels or serviced apartments? How does the board/management ensure that the co-living business adheres to the licensing requirements with regard to the minimum lease period?
- (iv) **China:** The group recognised an impairment loss of \$2.0 million based on the recoverable value using value-in-use calculations for its operations in China. As at 30 September 2022, the carrying value of the property, plant and equipment, net of the impairment loss recognised, is \$2.2 million for China. **What is the status of the 158-room business hotel in Nan'an, Quanzhou? In addition, can management help shareholders better understand the group's long-term growth plans in China? How has the strategy changed given the trends in China in the past 3 years and with the anticipated re-opening?**

Q2. Under LHN Energy, the group started with three solar assets in 2019 and it has now completed its first two photovoltaic (PV) enterprise projects as a renewable energy solutions provider at two locations at Kallang Place and Loyang Way. As of 2022, the group's PV systems currently generate more than 2,500 kWp of renewable energy (page 31).

- (i) **What is the group's competitive advantage as a renewable energy solutions provider?**
- (ii) **What are the major opportunities in the next 2-3 years in enterprise PV projects?**
- (iii) **Are there plans to fit large scale PVs at all of the group's owned properties?**

The group is also providing electric vehicle (EV) charging stations at 8 carpark locations across the island.

- (iv) **Has the group evaluated developing an island-wide network of EV chargers?**

Q3. As at 30 September 2022, the group has outstanding bank borrowings of \$148.2 million (2021: \$101.4 million) and lease liabilities of \$81.4 million (2021: \$92.3 million). The group's net debt amounts to \$224.9 million as compared to total equity of \$192.2 million.

As seen in Note 34 (page 174 – Bank borrowings), interest is charged between 1.38% and 5.70% (2021: between 1.40% and 6.00%) per annum and the interest rate is repriced monthly. Finance cost increased to \$4.9 million in FY2022 mainly due to increase in interest expenses as a result of the increase in bank borrowings.

In particular, interest expense on borrowings increased from \$2.0 million in 2021 to \$3.1 million in 2022 (Note 10 – Finance cost – net).

10 FINANCE COST – NET

	Year ended 30 September	
	2022	2021
	S\$'000	S\$'000
Interest expense on borrowings	3,056	2,035
Interest expense on lease liabilities from hire purchase arrangements	138	165
Interest expense on lease liabilities from lease arrangements	1,928	2,663
Interest expense on others	79	–
	5,201	4,863
Less: Amount capitalised	(271)	–
Finance cost – net	4,930	4,863

(Source: company annual report)

- (i) **What is the current weighted average cost of borrowings?**
- (ii) **What is management's view on interest rates going forward? How does management intend to better manage/optimize its financing costs? Are there plans to lock in its borrowing costs?**
- (iii) **Is the board/management exploring other sources of financing?**

[^]On 1 October 2020, the Accounting and Corporate Regulatory Authority (“ACRA”), the Monetary Authority of Singapore (“MAS”) and Singapore Exchange Regulation (“SGX RegCo”) published an updated checklist to guide listed entities on the conduct of general meetings arising from the latest updates from the Multi-Ministry Taskforce.

Issuers may continue to conduct their general meetings held on or before 30 June 2021 via electronic means, and are encouraged to do so. On 9 April 2021, it was announced that the alternate arrangements for meetings (“Meetings Order”) would be extend beyond 30

[^] Guidance on the Conduct of General Meetings Amid Evolving COVID-19 Situation
 (<https://www.sgx.com/media-centre/20201001-guidance-conduct-general-meetings-amid-evolving-covid-19-situation>)

June 2021 until it is revoked or amended by the Ministry of Law. Accordingly, until such time, issuers may continue to utilise the Checklist issued by ACRA, MAS and SGX RegCo to guide entities on the conduct of their general meetings.

Issuers who, after due consideration of public health and other risks, wish to provide for physical attendance at their general meetings must ensure that they implement all relevant measures to comply with the safe management measures imposed by the Singapore Government.

Shareholders are welcome to use and/or adapt the questions prepared by SIAS and to forward them to the company.

Can't attend the AGM or view the webcast? Check out the latest questions on the annual reports of listed companies on [SIAS website](http://www.sias.org.sg)

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