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Issuer: LHN Limited

Stock code: 410

Meeting details:

Date: 24 Jan 2025

Time: 10.00 a.m.

Venue: 202 Kallang Bahru Singapore 339339

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

- (i) **Co-living:** Revenue from the segment increased by 85.5% to \$52.4 million, driven by an expansion in capacity and a high occupancy rate of 97.5%. **Can management elaborate on the risks and challenges faced by the co-living segment? Specifically, is there a risk of market saturation or overcapacity? Has the board established a cap on the group's exposure to this sector to manage potential risks effectively?**
- (ii) **Manpower:** How is management addressing labour shortages and rising cost of labour, especially in the facilities management business? How much automation has been introduced in the work processes?
- (iii) **Renewable energy business:** In FY2024, the group's total solar energy system capacity reached 8.8MW, and it operates 23 electric vehicle charging points. **Could the board/management provide insights into the strategic growth plan for this segment? How does the group intend to leverage its first-mover advantage to scale the renewable energy business meaningfully?**

Q2. Net cash used in investing activities increased significantly to \$99.8 million in FY2024, compared to \$13.3 million in FY2023. This increase was primarily due to higher bank borrowings for the property acquisitions at 288 River Valley Road, 99 Rangoon Road and 141 Middle Road.

As at 30 September 2024, the group's net gearing ratio increased to 51.6% from 43.6% a year earlier. Total debt rose from \$217.4 million to \$328.2 million, while net finance costs increased by 32.8% to \$11.8 million in FY2024 (FY2023: \$8.9 million).

- (i) **Has the board carried out stress tests to assess the group's financial resilience in light of the significant increase in borrowings?**
- (ii) **Has the board set a limit on the group's leverage?**

As disclosed in Note 3(a)(ii), if interest rates on variable rate borrowings had been increased/decreased by 100 (2023: 100) basis points, with all other variables held constant, the group's profit after tax for the year would have been decreased/increased by approximately S\$814,000 (2023: S\$659,000), mainly as a result of higher/lower interest expense on variable rate borrowings.

- (iii) **What is the view of management on interest rates trends and can management elaborate on its interest rate management strategy?**

Q3. At the annual general meeting scheduled to be held on 24 January 2025, shareholders are asked to approve the payment of directors' fees of \$281,797 for the financial year ended 30 September 2025 (FY2024: \$230,400). In addition, resolutions 13 to 16 relate to the proposed adoption of the LHN Performance Share Plan 2025 (LHN PSP 2025) and the termination of the LHN Employee Share Option Scheme (LHN ESOS), which was last amended in November 2023.

- (i) **What are the reasons for the nearly 25% increase in directors' fees from \$230,400 to \$281,797?**
- (ii) **Can the remuneration committee (RC) help shareholders better understand the rationale behind replacing the LHN ESOS with the LHN PSP 2025? What are the key differences between the two schemes that shareholders should consider before voting? What specific shortcomings of the LHN ESOS prompted the shift to the LHN PSP 2025?**
- (iii) **In assessing the ESOS, has the RC quantified its impact on employee retention, motivation, and alignment with long-term shareholder interests? How do these findings validate or support the transition to the PSP?**
- (iv) **Have the independent directors voluntarily opted out of participation in the proposed PSP, considering the potential conflict of interest and the risk it poses to their independence? What is the maximum number of PSP shares that could be awarded to the independent directors annually?**

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

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