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**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)**

## **OVERSEAS REGULATORY ANNOUNCEMENT**

This overseas regulatory announcement is made by LHN Limited (the “**Company**”) pursuant to Rule 13.10B of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, which requires a listed issuer to announce any information released to any other stock exchange on which its securities are listed at the same time as the information is released to that other exchange.

Please refer to the following pages of the document which has been published by the Company on the website of the Singapore Exchange Securities Trading Limited on 24 January 2024. In case of any inconsistency between the English version and the Chinese version, the English version shall prevail.

By Order of the Board

**LHN Limited**

**Lim Lung Tieng**

*Executive Chairman and Group Managing Director*

Singapore, 24 January 2024

*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*

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

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## **RESPONSES TO QUESTIONS RECEIVED FOR ANNUAL GENERAL MEETING TO BE HELD ON 30 JANUARY 2024**

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The Board of Directors (the “**Board**”) of LHN Limited (the “**Company**”, and together with its subsidiaries, the “**Group**”) refers to the notice of annual general meeting dated 8 January 2024 in relation to the Company’s annual general meeting to be held on 30 January 2024 (the “**AGM**”).

The Company would like to thank all shareholders of the Company (the “**Shareholders**”) for their active participation in the upcoming AGM by submitting their questions in advance.

The Company has consolidated the substantial and relevant questions to the proposed resolutions to be tabled in the AGM submitted by Shareholders and have set out our responses to the questions in Annex A of this announcement.

By Order of the Board

Lim Lung Tieng  
Executive Chairman and Group Managing Director  
24 January 2024

## Annex A

### Responses to Questions from Shareholders

#### Question 1:

*The audit fee had increased, particularly the non-audit service:*

- (a) Why is there an increase in the above, particularly the non-audit fee?*
- (b) Are these services from the same Group External Auditor? If yes, is the independence reviewed by the Audit Committee?*
- (c) Does the company have a guideline on a threshold (eg. a cap %) on non-audit fee, especially if it is provided by the same audit firm for independence sake?*
- (d) With the sale of the logistics company in HK, can we expect the audit fee to be lower going forward?*

#### Company's Response:

- (a) The increase in non-audit fee is mainly due to services relating to:
  - the Group's circulars issued for major transactions as required under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited; and
  - the offeree circular issued by LHN Logistics Limited as required by the Securities and Futures Act of Singapore.These services are typically performed by the statutory auditor of a company.
- (b) Yes. The Board, with the concurrence of the audit committee, is of the opinion that the independence and objectivity of the external auditors, PricewaterhouseCoopers LLP ("**PwC**"), have not been affected due to the following reasons:
  - The non-audit services are within the permitted scope of services under section 290.219A of the Code of Professional Conduct and Ethics for Public Accountants issued by the Institute of Singapore Chartered Accountants ("**EP100**") and Accounting Entities in the Fourth Schedule of the Accountants (Public Accountants) (Amendment) Rules 2015 of Singapore; and
  - The audit engagement team of PwC was not involved in any management decision making and its role was limited to provide review services based on the objective assessment of the facts.Please refer to page 77 of the Company's annual report for the financial year ended 30 September 2023 ("**FY2023**") for more details.
- (c) The Company does not have a cap on the percentage or amount of non-audit fees. Instead, it takes reference to the 50% ratio on non-audit fees to the total annual audit fees ("**Non-audit Fee Ratio**") as defined in EP100 (Revised on 7 July 2021 and applicable for FY2023) to determine if additional auditor independence assessment is required. For FY2023, notwithstanding that the ratio exceeded 50%, the Company is satisfied that PwC remains independent as explained in the responses to Question 1(a) and 1(b) above. In addition, based on the revised definition of Non-audit Fee Ratio in EP100 (Revised on 7 September 2022 and applicable for FY2024), the Non-audit Fee Ratio (which does not include fees for audit-related services) will be below the 50% reference.
- (d) Audit fee depends on a number of factors including but not limited to, the number of entities within the Group, the volume and complexity of the business transactions, etc. However, with the sale of LHN Logistics Limited and its group of companies, there will not be any audit fees incurred for this business segment going forward.

#### Question 2:

*There is no revenue from PRC China? Or immaterial to report here?*

#### Company's Response:

There is no revenue from China for FY2023 as we have not commenced operations yet.

**Question 3:**

*The finance cost almost doubled to \$8.9M. A large portion \$6.2M is from bank borrowings.*

*(a) Are these secured lending?*

*(b) Are the borrowings on fixed or floating rate or a mix?*

**Company's Response:**

(a) The Group's bank borrowings are mainly secured.

(b) The Group's bank borrowings are on a mix of fixed and floating rates.

**Question 4:**

*Property Development - when is the TOP and has marketing started for the 49 units? To date, what are the confirmed units sold or percentage sold?*

**Company's Response:**

The expected TOP date is 31 August 2024. As we have yet to commence marketing of the units, we do not have any units sold to date.

**Question 5:**

*2 Mount Elizabeth Link - How was the lease of 6 years commencing 1 Dec 2021 for the property determined? Should it not be 15 years as there are options for four renewals of 3 years each after the initial 3-year term?*

**Company's Response:**

The lease is for a period of 15 years comprising an initial term of three years commencing on 1 December 2021 with four options to renew, each for a further term of three years. We have accounted for the lease as investment property for a period of six years which consists of the initial term of three years plus an option to renew for a further term of three years. Generally, the Group recognises the first two terms of the lease on initial recognition.

**Question 6:**

*43 Keppel Rd - What caused the value of the property, whose lease expires on 30 Sep 2027, to decline from \$3.8m to next to nothing?*

**Company's Response:**

The bulk of the value of the property which is the right-of-use asset has been derecognised in FY2023 due to the classification of the sublease as finance lease pursuant to IFRS 16. The value of the property of S\$74,000 as at 30 September 2023 relates to a small portion of the value of the property which has not been derecognised.

**Question 7:**

*18 Tampines Industrial Crescent - The value of the property, with a remaining lease of less than 6 years, was \$48.5m as of 30 Sep 2023. On 30 Sep 2022, the value was \$2m with a remaining lease of 2 years. What accounted for the disparity?*

**Company's Response:**

Please note that as at 30 September 2022, the value of the property was approximately S\$0.3 million with a remaining lease of less than one month. As at 30 September 2023, the value of the property was approximately S\$48.5 million with a remaining lease of approximately six years due to the lease renewal in FY2023. The difference in value is due to different remaining lease tenure.

**Question 8:**

*150 Cantonment Road - What is the property classified as? The property is being subleased to Hmlet. Is the rental from Hmlet recognised as revenue?*

**Company's Response:**

The value of the property and rental revenue from Hmlet have been derecognised in the financial year ended 30 September 2020. Hence, rental from Hmlet is not recognised as revenue in FY2023.

**Question 9:**

*10 Raeburn Park - Are the coliving units at 10 Raeburn Park classified as investment property?*

**Company's Response:**

The value of the property has been derecognised in the financial year ended 30 September 2022 and is no longer classified as investment properties as at 30 September 2023.

**Question 10:**

*450 & 452 Serangoon Road - What are the properties classified as? Are they owned by JV?*

**Company's Response:**

These properties are held by a company which the Group holds a small shareholding percentage in it. The investment in the aforementioned company is being classified as other financial assets.

**Question 11:**

*Gain from net investment in subleases - What are the properties being subleased? In the past three financial years, gain from net investment in subleases fluctuated from \$4.6m in FY21 to \$10.8m in FY22, and to \$6.4m in FY23. In 2HFY23, the gain was a mere \$0.3m. What accounted for this?*

**Company's Response:**

Gain from net investment in subleases mainly relates to industrial and commercial properties being subleased. As long as there is a renewal of sublease which is almost back-to-back with the head lease, there will be a gain from net investment in sublease.

**Question 12:**

*When a property is subleased, is the gain equal to the difference between the rental LHN receives from the third party and the rent LHN pays to the property owner?*

**Company's Response:**

Gain from net investment in subleases is derived based on differences between the right-of-use asset derecognised and the net investment in sublease, pursuant to IFRS 16.

**Question 13:**

*471 Balestier Rd - (a) Why was the profit negligible? (b) Was \$154k the management fee paid to LHN in FY23 (\$85k in the prior FY)?*

**Company's Response:**

(a) During FY2023, there were some renovation works carried out and as a result, there was no revenue during this period.

(b) The related party transaction amount of \$154k in FY2023 (FY2022: \$85k) is not only management fee but also includes other service fees.

**Question 14:**

*Amber Rd hotels - Was \$121k the management fee received from the owner of the hotels in FY23 (\$123k in the prior FY)?*

**Company's Response:**

The related party transaction amount of S\$121k (FY2022: S\$123k) is not only management fee but also includes other service fees. The management fee was received from Coliwoo East Pte Ltd, a joint venture of the Group, prior to the disposal of the Group's shareholding interest in the aforementioned in April 2023.

**Question 15:**

*Car park at Golden Mile Tower - Is the en bloc sale of Golden Mile Tower off?*

**Company's Response:**

We are unable to comment on the en bloc sale.

**Question 16:**

*Accommodation for healthcare staff - Has LHN participated in the tenders?*

**Company's Response:**

We will make the necessary announcements, if any.