

Issuer: Stamford Land Corporation Ltd

Security: Stamford Land Corporation Ltd

Meeting details:

Date: 28 July 2017

Time: 2.30 a.m.

Venue: Singapore Chinese Cultural Centre, Multi-purpose Hall (Level 7), 1 Straits Boulevard, Singapore 018906

Company Description

Stamford Land Corporation Ltd, an investment holding company, owns, operates, and manages luxury hotels in Singapore, Australia, and New Zealand. It operates through Hotel Owning and Management, Property Development, Property Investment, and Trading segments. The company owns and operates hotels and resorts under the Sir Stamford Circular Quay, Stamford Plaza Sydney Airport, Stamford Grand Adelaide, Stamford Plaza Adelaide, Stamford Plaza Melbourne, Stamford Plaza Brisbane, and Stamford Plaza Auckland names. It also invests in, develops, constructs, trades in, and rents real estate properties. In addition, the company trades in wallcoverings and interior design products; and offers trustee, financier, travel agency, and management services. The company was formerly known as Hai Sun Hup Group Ltd. Stamford Land Corporation Ltd was incorporated in 1977 and is based in Singapore.

(Source: http://www.sgx.com/wps/portal/sgxweb/home/company_disclosure/stockfacts?code=H07)

Q1. In the Chairman’s Message (page 3 of the annual report), it was mentioned that the group would not be able to satisfy shareholders’ desire for growth in the business and for higher dividend payouts at the same time.

All Figures in \$’000	FY2013	FY2014	FY2015	FY2016	FY2017
Revenue	266,742	278,727	307,020	226,491	314,651
Net Profit	31,696	27,128	29,749	22,429	34,551
Earnings per Share (cents)	3.7	3.1	3.4	2.6	4.0
Dividend per Share (cents)	3.0	3.0	3.0	0.5	1.0

(Source: Company annual report)

As seen in the summary above, the company maintained a high dividend pay-out before FY2016.

In the FY2015 annual report, the company acknowledged that it is “amongst the foremost list of high dividend yielding stocks” and that the company “may consider other options such as scrip in lieu of cash dividends to support business growth” (pages 24-25). Instead, in FY2016, the dividend was cut to 0.5 cents and the pay-out ratio greatly reduced to 19% from 87% in the previous year. In FY2016, the CEO once again mentioned that the company is “evaluating the possibility of issuing scrip dividends which achieves the effect of giving shareholders stocks they can convert without affecting the cashflows of the Group” (page 20).

Shareholders are naturally surprised when the dividend and the pay-out ratio were cut drastically in FY2016.

- a) **Would the company consider taking this opportunity to lay out the group’s growth plans in a comprehensive manner and to formalise a dividend policy so that shareholders and the market can better understand the group’s growth plans and capital management approach?**
- b) **Has the company evaluated the possibility of issuing scrip dividends? If so, what is the conclusion?**

Q2. In the “Interview with Chief Executive Officer” (page 20), the CEO has mentioned that the group “may explore fund raising opportunities and/or corporate actions that maximise shareholders’ value which may, amongst others, include exploring the viability of forming a real estate investment trust (“REIT”), subject to the Board of Directors’ evaluation, financial analysis, regulatory approvals, etc”.

- a) **Can the CEO confirm that the board is carrying out a formal review of the group’s capital structure which may involve a formal feasibility study of spinning-off the group’s income generating assets into a real estate investment trust structure?**
- b) **If so, can the CEO provide visibility into the scope of the study and the timeline?**

Q3. In the Corporate Governance Report, under the section titled “Interested Person Transactions” (page 48), the group had disclosed that there were Interested Person Transactions whose aggregate value exceeded \$100,000 in the financial year. The disclosure in the annual report is reproduced below.

INTERESTED PERSON TRANSACTIONS (“IPTs”)

The Company has established procedures to ensure that IPTs are undertaken on an arm’s length basis, on normal commercial terms consistent with the Group’s usual business practices and policies and on terms which are generally no more favourable to those extended to unrelated third parties.

The Company maintains a register of all IPTs and details of significant IPTs in FY2017 are set out below:

Name of Interested Person	Aggregate value of all IPTs (excluding transactions less than S\$100,000 and transactions conducted under shareholders’ mandate pursuant to Rule 920)	Aggregate value of all IPTs conducted under shareholders’ mandate pursuant to Rule 920 (excluding transactions less than S\$100,000)
Received from related parties:		
- Rental income	S\$846,000	-
- Services rendered	S\$217,000	-

The above IPTs are undertaken on an arm’s the Group’s usual business practices and pol to those extended to unrelated third parties.

(Source: Company announcement dated 20 July 2017)

Based on a check on the last 5 annual reports, the group has made the same omission/partial omission as required by Listing Rule 907 to provide the names of the Interested Persons in the IPT table in each year: FY2017 (full omission), FY2016 (full omission), FY2015 (partial omission), FY2014 (partial omission), FY2013 (partial omission).

As noted in the Corporate Governance Report (page 41 & 42: Principle 12: Audit and Risk Management Committee (ARMC)), one of the four main responsibilities of the ARMC is to assist the Board in discharging its statutory and other responsibilities relating to interested person transactions. The functions of the ARMC include “review and approve processes to regulate interested person transactions to ensure compliance with the requirements of the Listing Manual” (page 42).

- a) **Would the ARMC confirm that it is familiar with the requirements in the Listing Manual to ensure compliance to the Listing Manual with regard to Interested Person Transactions?**
- b) **Can the company make the necessary disclosures that had been omitted in the annual reports from earlier financial years?**
- c) **Can the ARMC explain why it had presented the IPTs in such a manner in the FY2017 annual report?**
- d) **What were the services (amounting to \$707,000) that were provided to Singapore Shipping Corporation Limited and Subsidiaries?**

(Source: Company Annual Report)

Listing Rule 907 of the Listing Manual requires the company to disclose the name of the interested person(s) in the IPT table. In the response to the query raised by the Singapore Exchange Securities Trading Limited (“SGX-ST”) dated 19 July 2017, the company provided the following update:

Name of Interested Person	Aggregate value of all IPTs (excluding transactions less than S\$100,000 and transactions conducted under shareholders’ mandate pursuant to Rule 920)	Aggregate value of all IPTs conducted under shareholders’ mandate pursuant to Rule 920 (excluding transactions less than S\$100,000)
Singapore Shipping Corporation Limited (“SSC”) and Subsidiaries	S\$1,553,000 ¹	-
Gloxinia Investments Ltd (“GIL”)	S\$140,000 ²	-

Notes:

1. Receipts of rental income and income for services rendered. Mr Ow Chio Kiat is the controlling shareholder of SSC, therefore, SSC is an associate of Mr Ow Chio Kiat and is an interested person as defined under Chapter 9 of the Listing Manual of the SGX-ST.
2. Receipts of income for services rendered. Mr Ow Chio Kiat is the controlling shareholder of GIL, therefore, GIL is an associate of Mr Ow Chio Kiat and is an interested person as defined under Chapter 9 of the Listing Manual of the SGX-ST.

Remarks: There was a request for the company to provide better visibility into the operational numbers of its hospitality assets last year, based on the FY2016 annual report. Regrettably, the company has not done so and shareholders still do not have visibility of the performance of the group's hotels and investment properties.