

**Issuer:** Wing Tai Holdings Limited

**Security:** Wing Tai Holdings Limited

**Meeting details:**

Date: 23 October 2017

Time: 10.30 a.m

Venue: Stephen Riady Auditorium @ NTUC, NTUC Centre Level 7, One Marina Boulevard, Singapore 018989

**Company Description**

Wing Tai Holdings Limited, an investment holding company, develops properties in Singapore, Malaysia, and the People's Republic of China. It operates through three segments: Development Properties, Investment Properties, and Retail. The company develops residential and commercial properties; and invests in and manages serviced residences under the Lanson Place brand name, as well as manages a boutique hotel. It is also involved in the manufacture and retail of textile garments; provision of consultancy and advisory services; and project management and property maintenance activities, as well as in the fund management business. As of June 30, 2016, the company operated 229 stores in Singapore and Malaysia. Wing Tai Holdings Limited was founded in 1955 and is headquartered in Singapore.

(Source: [http://www.sgx.com/wps/portal/sgxweb/home/company\\_disclosure/stockfacts?code=W05](http://www.sgx.com/wps/portal/sgxweb/home/company_disclosure/stockfacts?code=W05))

**Q1.** To better understand the strategy and performance of the group, shareholders would like to ask for better clarity on the following property development projects.

- **The Crest:** Having obtained its Temporary Occupation Permit (TOP) in February 2017, the group has continued to market the 40% sold (as at 30 June 2017) project and has earmarked selected units for leasing. Under the Additional Buyer's Stamp Duty (ABSD) remission rules, developers do not have to pay ABSD on the purchase of land if they complete and sell all their units within five years of the acquisition date.
- a) **Can management quantify the impact of failing to develop and sell all the units at The Crest to meet the criteria for the ABSD remission? Can management elaborate further on its plans to maximise the returns of this project?**
- **Le Nouvel Ardmore:** In the financial year, an additional unit in this 43-unit freehold project was sold, bringing the total number of units sold to eight. The TOP was obtained in April 2014 and the project has been affected by the Qualifying Certificate (QC) rules since April 2016.
- b) **What are the cumulative extension fees related to QC rules paid since April 2016?**
- c) **What are the options available to the group for the remaining 35 units in Le Nouvel Ardmore? Has management/ the board evaluated the options? What assumptions were made in terms of timing and prices in the company's evaluation?**

**Q2.** In addition, shareholders would like to ask the company on its strategy for its overseas operations.

- **Shanghai, China:** The office and commercial site at Huai Hai Middle Road was to be developed into an urban upscale retail and office development with over 473,000 square feet of construction floor area, and scheduled to open for operations by end of 2018, with construction expected to commence in the third quarter of 2016.

Instead, on 7 June 2017, the company announced that the group has entered into a Sale and Purchase Agreement for the sale of the 100% interest in the issued share capital of and shareholders' loans to Winnamax Investment Pte. Ltd. ("Winnamax") for a cash consideration of SGD 270,788,000, subject to adjustment.

On 5 September 2017, the company announced that completion of the disposal has taken place on 5 September 2017. At this juncture, the company announced that Winnamax through its subsidiary company owns a piece of land located at Huai Hai Middle Road, Huangpu District, Shanghai.

- a) **Can the management help shareholders understand the change in the strategy for the Huai Hai Middle Road project? What led to the seemingly abrupt sale?**
- b) **How has the group's strategy for China changed?**
- c) **Would it be more prudent if the group had carried out a valuation before the disposal of the asset through the sale of shares in Winnamax?**
- d) **As providers of capital for the company, shareholders would like the board to consider how it could improve the quality of its disclosure so that shareholders and the market get a better understanding of the group's strategy and performance.**

**Q3.** In Note 33(b) (Related party transactions) of the 2016 Annual Report, the company has disclosed that the compensation to directors of the company amounted to \$5.5 million for the financial year ended 30 June 2016.

**(b) Key management personnel compensation**

	Group	
	2016 \$'000	2015 \$'000
Salaries and other short term employee benefits	8,516	9,435
Share-based payment	707	951
	<b>9,223</b>	<b>10,386</b>

Included in the above is compensation to directors of the Company which amounted to \$5.5 million (2015: \$5.6 million).

(Source: Company Annual Report 2016)

In the same Note 33(b) (page 107 – Related party transactions) of the 2017 Annual Report, the group has disclosed that directors of the company received \$6.7 million for the financial year ended 30 June 2016 (instead of \$5.5 million as reported in the 2016 Annual Report).

**(b) Key management personnel compensation**

	Group	
	2017 \$'000	2016 \$'000
Salaries and other short term employee benefits	12,894	10,079
Share-based payment	411	707
	<b>13,305</b>	<b>10,786</b>

Included in the above is compensation to paid/payable to directors of the Company which amounted to \$9.1 million (2016: \$6.7 million).

(Source: Company Annual Report 2017)

**a) Can the company help shareholders understand why the compensation to directors of the company for the financial year ended 30 June 2016 was stated as \$6.7 million in the 2017 Annual Report but was disclosed as \$5.5 million in the 2016 Annual Report?**

In addition, for the financial year ended 30 June 2017, directors of the company received \$9.1 million (page 107). At the Annual General Meeting, shareholders' approval is being sought to approve directors' fees of \$545,000.

The remuneration bands of the directors as shown on page 21 are reproduced below.

Remuneration Bands	Fees (%)	Salary (%)	Bonus (%)	Other benefits (%)	Total (%)	Shares granted during the year
<b>\$2,250,001 to \$2,500,000</b>						
Cheng Wai Keung	–	53	32	15 <sup>#</sup>	100	–
Edmund Cheng Wai Wing	–	53	32	15 <sup>#</sup>	100	–
<b>\$1,250,001 to \$1,500,000</b>						
Tan Hwee Bin	–	45	43	12 <sup>^</sup>	100	204,000
<b>Below \$250,000</b>						
Boey Tak Hap	100	–	–	–	100	–
Cheng Man Tak	100	–	–	–	100	–
Christopher Lau Loke Sam	100	–	–	–	100	–
Lee Kim Wah	73	–	–	27	100	–
Loh Soo Eng	100	–	–	–	100	–
Paul Tong	100	–	–	–	100	–
Tan Sri Dato' Dr Mazlan bin Ahmad	65	–	–	35 <sup>#</sup>	100	–

# Includes fees, allowances or other benefits from Wing Tai Malaysia Berhad (where applicable)  
<sup>^</sup> Includes the fair value of restricted shares and performance shares

(Source: Company Annual Report 2017)

An estimation of the total remuneration received by the directors is as follows:

Director	Maximum remuneration (as indicated by the remuneration bands)
Cheng Wai Keung	\$2,500,000
Edmund Cheng Wai Wing	\$2,500,000
Tan Hwee Bin	\$1,500,000
Boey Tak Hap	\$545,000
Cheng Man Tak	
Christopher Lau Loke Sam	
Lee Kim Wah	
Loh Soo Eng	
Paul Tong	
Tan Sri Dato' Dr Mazlan bin Ahmad	
Total estimated remuneration	\$7,045,000

- b) Can the remuneration committee help shareholders reconcile the difference between the \$9.1 million (as reported on page 107 under Related party transactions) and the \$7.0 million (as estimated based on the remuneration bands on page 21)?**

Lastly, the remuneration band of Ms Helen Chow is disclosed as "Above \$750,000". Ms Helen Chow is the spouse of the Managing Director (MD), as shown below.

The breakdown of the remuneration of the 5 key management personnel (Ms Helen Chow is the spouse of the MD) in bands of \$250,000 for FY2017 is set out below.

The total remuneration paid to the 5 key management personnel for FY2017 amounted to \$3.9 million.

Remuneration Bands	Salary (%)	Bonus (%)	Share awards <sup>^</sup> (%)	Other benefits (%)	Total (%)
<b>Above \$750,000</b>					
Helen Chow	56	36	–	8	100
<b>\$500,001 to \$750,000</b>					
Helen Khoo	56	33	5	6	100
Ng Kim Huat	57	30	7	6	100
Karine Lim	56	30	8	6	100
Stacey Ow Yeong	55	32	6	7	100

<sup>^</sup> Includes the fair value of restricted shares and performance shares (where applicable)

Mrs Kit Cheng, who is the spouse of the Deputy Chairman, Mr Edmund Cheng Wai Wing, received remuneration that is between \$250,000 and \$300,000 during FY2017.

(Source: Company Annual Report)

Although the company has stated that it will disclose the remuneration of key management in bands of \$250,000, the disclosure on remuneration of Ms Helen Chow (being the spouse of the MD) is subjected to Guideline 9.4 of the 2012 Code of Corporate Governance (CG Code).

Guideline 9.4 states that:

*"For transparency, the annual remuneration report should disclose the details of the remuneration of employees who are immediate family members of a director or the CEO, and whose remuneration exceeds S\$50,000 during the year. This will*

*be done on a named basis with clear indication of the employee's relationship with the relevant director or the CEO. Disclosure of remuneration should be in incremental bands of S\$50,000. The company need only show the applicable bands”.*

- c) **To comply with the CG Code, specifically Guideline 9.4, can the company disclose the remuneration band of Ms Helen Chow in incremental bands of S\$50,000?** The company has already done so for Mrs Kit Cheng, who is the spouse of the Deputy Chairman.