

Issuer: Weiye Holdings Limited

Security: Weiye Holdings Limited

Meeting details:

Date: 30 April 2018

Time: 10.00 a.m.

Venue: Paprika Meeting Room, 5th floor, Novotel Singapore Clarke Quay Hotel, 177A River Valley Road, Singapore 179031

Company Description

Weiye Holdings Limited, an investment holding company, develops residential and commercial properties. It operates through Property Development, Housing Construction, and Equipment Manufacturing segments. The company's property portfolio comprises 16 completed property projects with a total GFA of approximately 1,265,241 square meters; 8 property projects under development with a total completed and estimated GFA of approximately 1,756,898 square meters; and 1 project with planned GFA of approximately 203,770 square meters. It is also involved in the leasing of investment properties; and construction of resettlement houses, as well as provides property management services. In addition, the company manufactures and trades in heating, ventilation, air-conditioning, air purification, and clean room equipment, including fan filter units, air showers, clean booths, pass boxes, clean hand dryers, clean benches, deflection grilles, and air diffusers. Further, it trades in building construction materials; and provides logistics management services. The company operates in the People's Republic of China, Singapore, and other countries. The company was incorporated in 1984 and is headquartered in Zhengzhou, the People's Republic of China.

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

1. As noted in the Chairman's Statement (page 4 of the annual report), revenue from property development jumped 146% to RMB1.7 billion due to the strong sales performance and recognition of projects in the core markets of Henan and Hainan provinces.

From the Operations Review, the outstanding projects under development are:

- (a) In Henan Province: Weiye Central Park Phase V, Weiye Paris Impression, Weiye Shangcheng Yihaoyuan and Weiye Shangcheng Erhaoyuan
- (b) In Hainan Province: Weiye Oxygen Cube A Phase III and Weiye Yehai Shangcheng
- (c) In Pearl River Delta region: Weiye Lantingwan, Weiye Meiyuewan and Taihu Tiancui

The group also has the Weiye Hanwei project in Zhengzhou, Henan Province, held by its 51% joint venture that has a site area of 58,222 square meters (page 159).

Management has attributed the dip in gross profit margin to the higher project construction costs and lower average selling prices of Weiye Shangcheng Yihaoyuan as a result of group sales.

- (i) **Can management help shareholders understand the rationale of a group sale of the units at Weiye Shangcheng Yihaoyuan?**
- (ii) In addition, the group's joint venture has recognised a net gain of RMB60.0 million on the disposal of right to sell development property units in Weiye Paris Impression. **Similarly, can management update shareholders on the market conditions and the justification for the "group sale"?**
- (iii) On pages 157-159, the company has provided shareholders with a summary of its properties under development. **Can the company also include the percentage of properties sold and the average selling price?**
- (iv) **What are management's plans to replenish the land bank?**
- (v) **How does management identify and collaborate with third-party owners of land bank to develop the land to create value for all stakeholders in a sustainable manner?**

In addition, what is the current state of the working relationship with the joint venture partner of Hanfang Yaoye Co., Ltd? Following the courts' judgement requiring the joint venture partner to repay the interest-bearing loan in September 2017, how has management followed-up with the joint venture partners to collect the outstanding amounts?

2. The group has another reportable operating segment which is involved in the manufacturing and trading of clean room equipment, heating, ventilation and air-conditioning products, and air purifiers. The business is conducted through its 66.8%-held Eindec Corporation Limited.

- (i) **Can management explain if the clean room/ventilation business is synergistic with the group's core business of property development?**

Even though revenue increased to RMB69.1 million in FY2017, the segment losses increased to RMB(17.7) million (2016: RMB(12.0) million). The reasons given for the increased losses were the stiff market competition resulting in lower average selling prices and higher costs of raw materials such as steel.

- (ii) **What are managements' plans to turnaround the business? What are the key priorities for the segment in FY2018?**
- (iii) **Can management identify the key drivers and the key success factors for the business?**

- (iv) **Has the board considered it necessary to review the business model, including an operational review to evaluate the strengths and weaknesses of the cleanroom/ventilation equipment business?**
- (v) **Does Eindec have the right team in place, including senior management, to drive the business to perform better?**

3. On 13 March 2018, an offeror, wholly owned by Mr Zhang Wei, the Executive chairman and Chief Executive Officer, is seeking a voluntary delisting of the Company from the Official List of the SGX-ST pursuant to Rules 1307 and 1309 of the SGX-ST Listing Manual.

It was stated that the delisting is not a privatisation exercise and following the completion of the delisting, the Company will continue to maintain its primary listing on the Main Board of the Stock Exchange of Hong Kong Limited.

- (i) **Can the board help shareholders understand the level of liquidity of the trading of the company's shares on the SEHK?**

For minority shareholders whose shares are registered on the Singapore register, their shares will be transferred, at the company's costs, to the Hong Kong register should the delisting be approved.

- (ii) **Can the board update shareholders on the main differences of the Listing Rules of the SEHK and of the SGX-ST?**
- (iii) **If the delisting is approved, does it mean that future annual general meetings will be held in Hong Kong?**