



Securities Investors Association (Singapore)

7 Maxwell Road #05-03 MND Building Annexe B Singapore 069111

Tel: (65) 6227 2683 Fax: (65) 6220 6614

Email: admin@sias.org.sg www.sias.org.sg

UEN No: S99SS0111B

GST Reg No: M90367530Y

Issuer: Wing Tai Holdings Limited

Security: Wing Tai Holdings Limited

Meeting details:

Date: 26 October 2018

Time: 11.00 a.m.

Venue: Marina Bay Sands Expo and Convention Centre, Level 3 Begonia Junior Ballroom, 10 Bayfront Avenue, Singapore 018956

Company Description

Wing Tai Holdings Limited, an investment holding company, engages in property development, property investment, and retailing businesses in Singapore, Malaysia, the People's Republic of China, and Australia. 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 in Hong Kong. It is also involved in the manufacture and retail of textile garments; the 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, 2017, the company operated 206 stores. 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)

1. The unexpected additional cooling measures introduced on 5 July increased the additional buyer's stamp duty (ABSD) and tightened mortgage terms, raising the amount of cash that buyers have to fork out for their properties. This took the market by surprise and many stakeholders have called the latest round of cooling measure unnecessarily "harsh".

The group currently has exposure to the Singapore market through Le Nouvel Ardmore, The Crest and The Garden Residences.

- (i) Would the board/management help shareholders understand the strategy for the Singapore market, in terms of future capital allocation and opportunities?**
- (ii) With 65% of the units at Le Nouvel Ardmore, ~30% at The Crest and an estimated 90% of The Garden Residences remaining unsold, what are management's plans to maximise the value from these projects? Are there pro-active plans to market the properties more aggressively?**

The group's theme of the annual report is "Diversification by design". In the Chairman's message (page 2), it was mentioned that the group *"has taken a considered approach to broadening its property investments through a diversified portfolio both geographically and across asset class"*.

In addition to projects in Singapore, Hong Kong, China and Malaysia, the group further deepened its exposure in the Australian market.

- (iii) Has the board determined a capital allocation target for each of the geographical markets?**
- (iv) Similarly, what is the targeted allocation by asset class envisaged in the group's diversification strategy?**
- (v) Lastly, what guidance has the board given to management on the target return on equity? What is the optimal capital structure that can best support the group's growth plans, risk appetite and business model?**

2. In the retail division, its footprint was increased to 229 stores, up from 206 stores in the previous year. The group presents 14 brands in Singapore and 13 brands in Malaysia in 2018. This is an increase from the 12 brands in the portfolio for Singapore and for Malaysia in 2016.

Based on the information in the Five-year financial summary (page 34), the group's retail revenue has dropped from \$213.5 million in FY2014 to \$136.1 million in FY2018. Revenue has slipped year-on-year over the period from FY2014, leading to a cumulative drop of more than 35% although the group's joint venture, Uniqlo, is performing well in Singapore and Malaysia.

Five-Year Financial Summary

	2018 \$'000	2017 \$'000	2016 \$'000	2015 \$'000	2014 \$'000
Revenue	373,230	263,203	544,531	676,715	803,393
Property	228,064	111,462	367,234	467,720	581,497
Retail	136,126	143,948	169,640	199,012	213,519
Investment and others	9,040	7,793	7,657	9,983	8,377
Earnings before interest and tax	264,210	54,744	78,893	215,069	184,889
Profit before income tax	239,437	19,679	41,373	175,295	312,471
Total profit	221,109	26,399	15,661	165,943	276,342
Profit attributable to equity holders of the Company	218,803	20,119	7,079	150,304	254,390

(Source: Company annual report)

- (i) **Has management evaluated the same-store performance of its 229 stores? Which brands have been the most resilient?**
- (ii) **How successful has the group been in its digital transformation? How much of its revenue was derived from the omni-channel strategy?**
- (iii) **Has the group pro-actively adapted to the big shift in consumer behaviour and habits? Does the group need to upgrade the in-store retail experience and to further improve the customer experience?**
- (iv) **What is the long term future of the group's retail division given that revenue has been on the decline in recent years? Has the board carried out scenario planning to prepare for the structural challenges and possible decline in the retail operations?**

3. Following the retirement of Tan Sri Dato' Paduka Dr Mazlan bin Ahmad and Mr Lee Kim Wah from the board on 23 October 2017 and 2 January 2018 respectively, there are ten members on the board, three of whom are executive directors, six of whom are independent non-executive directors.

Mr Boey Tak Hap, Mr Loh Soo Eng and Mr Paul Hon To Tong were first appointed to the board on 2 May 1997, 22 February 1991 and 16 August 2007 respectively. Accordingly, Mr Boey, Mr Loh and Mr Tong have served on the board for 21 years 5 months, 27 years 8 months and 11 year 2 months respectively.

As recommended by the 2012 Code of Corporate Governance (Code), the independence of any director who has served on the board beyond nine years from the date of his first appointment should be subject to particularly rigorous review.

- (i) **While the board has stated that it is "fully satisfied as to the performance and continued independent judgment of each of these directors", can the**

board clarify if it has carried out particular rigorous review of the independence of the long tenured directors?

In addition, Mr Guy Harvey-Samuel and Tan Sri Dr Zulkurnain bin Hj. Awang were appointed to the board on 2 January 2018 as independent directors.

(ii) What are the company's other near-term plans to continue the board renewal process?

Further, in August 2018, the Monetary Authority of Singapore issued a revised Code of Corporate Governance ("2018 Code"). As a consequence of the revised 2018 Code, the Singapore Exchange will be making amendments to its Listing Rules. The Listing Rule changes will come into effect on 1 January 2019, except for the rules on the 9-year tenure for independent directors and the requirement for independent directors to comprise one-third of the board which come into effect on 1 January 2022. Under the revised Listing Rules, the term of an independent director will be limited to nine years after which the long tenured directors will be subject to a two-tier vote by shareholders.

(iii) Has the board evaluated the impact of the 2018 Code and the amendments to the Listing Rules on the board?

In addition, has the nominating committee considered and/or made recommendations to the board on the board succession plans for executive directors, in particular the chairman, deputy chairman, managing director and deputy managing director?

[Additional comments: The company has not discussed in the annual report how its sustainability efforts have been incorporated into its strategy. The annual report (and the website) only discusses the company's CSR efforts which is non-strategic in nature.

Under Chapter 7 of the Listing Manual on Continuing Listing Obligations, Rule 711B states that the sustainability report must describe the issuer's sustainability practices with reference to the following primary components: (a) material environmental, social and governance factors; (b) policies, practices and performance; (c) targets; (d) sustainability reporting framework; and (e) board statement.

Could the board/management clarify if it will be publishing a full Sustainability Report, in accordance to Rule 711B?]

A copy of the questions for the Annual Report for the financial year ended 30 June 2017 could be found here:

<https://sias.org.sg/qa-on-annual-reports/?company=Wing%20Tai%20Holdings%20Ltd>

The company's response could be found here: -----