FPA FINANCIAL
Investment Perspectives
11 April 2023

REAL ESTATE EQUITY RESEARCH

Wing Tai Holdings Limited

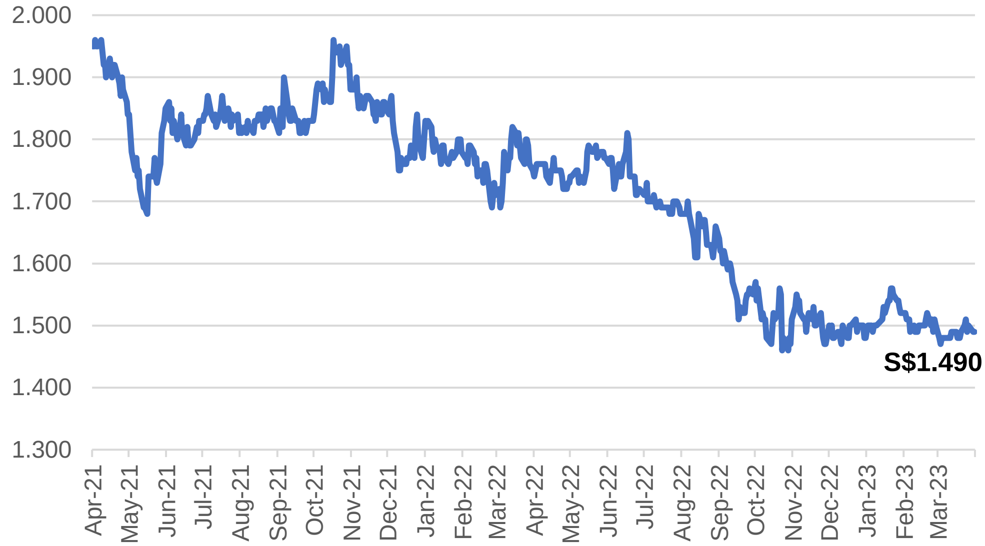
SGX: WTHS
Bloomberg: WINGT:SP
ISIN code: SG1K66001688
Country: Singapore
Industry: Real Estate,
Real Estate Development & Operations

11 April 2023
RECOMMENDATION: BUY

Current price: S$1.490
Target price: S$1.810
Issued units: 759.97 million (31 Dec 22)
Market capitalisation: S$1,182.95 million

52-week range: S$1.450 - S$1.810

PRICE PERFORMANCE



COMPANY DESCRIPTION

Wing Tai Holdings Limited is incorporated and domiciled in Singapore and is listed on the Singapore Exchange Securities Trading Limited. Wing Tai Holdings Limited and its subsidiaries' (collectively defined herein as Wing Tai) principal activity is that of an investment holding company focused on key markets in the Asia Pacific, with core businesses in property investment and development, and lifestyle retail.

SUMMARY

For the half year ended 31 December 2022 (1H2023), Wing Tai recorded a 15% yoy decrease in revenue to S$260.8 million from S$306.6 million over the same period a year ago. This decrease was mainly due to the lower contribution from development properties. Cost of sales also decreased by 14% yoy from S$209.9 million in 1H2022 to S$179.7 million in 1H2023. Consequently, Wing Tai recorded a 17% yoy decrease in gross profit of S$81.1 million in 1H2023 compared to S$97.3 million the same period a year ago. During the period, Wing Tai reported profit attributable to equity holder of the company of S$63.3 million, representing a 18% yoy increase from 1H2022. This was due to higher share of profits of associated and joint venture companies. This translates to an earnings per share of 7.88 cents. Meanwhile, no dividend has been recommended for the current financial period.

RECOMMENDATION

Based on Wing Tai's reported NAV of S$4.26 and trailing 12-months EPS of 18.36 cents, Wing Tai currently has a P/B multiple of 0.35x and a P/E multiple of 8.12x. Our peer comparison results show that Wing Tai could be undervalued compared to its peer average P/B and P/E multiple of 0.67x and 16.87x respectively. In addition, Wing Tai's dividend yield of 4.03% is also relatively more attractive than the peer average dividend yield of 3.08%. Adopting a relative valuation approach, we estimate a target price of S$2.854, S$3.100 and S$1.950 if Wing Tai were to adjust to the peer average P/B, P/E and dividend yield respectively. By taking the average of our 3 estimated target price from peer comparison analysis, we derived an estimated target price of S$2.635, representing an upside potential of 76.85%. However, based on the current market environment, we do not think it is possible for Wing Tai's share price to achieve an upside of 76.85%. We believe that it could be more reasonable for Wing Tai's share price to trade at S$1.810, which is its 52-week high, representing a 21.48% upside. In addition, in an event of a privatisation, we estimate a privatisation offer of S$2.047 per share, representing a price premium of 37.4%. Given the above, we maintain our buy recommendation on Wing Tai.

KEY FINANCIALS

Year ended Jun 30	Revenue (S$ million)	Profit (1) (S$ million)	EPU (cents)	P/E (x)	DPU (cents)	Dividend yield (%)	NAV per unit (S$)	P/B (x)
2021 actual	463.4	43.6	3.99	37.34	5.00	3.4%	4.14	0.36
2022 actual	514.6	140.2	16.64	8.95	6.00	4.0%	4.32	0.34
2023 forecast (2)	422.8	90.9	11.07	13.46	6.00	4.0%	4.26	0.35
2024 forecast	307.9	56.8	6.59	22.60	5.00	3.4%		-

Figures have been rounded. P/E, P/B and dividend yield figures are based on current price of S$1.490

(1) Return attributable to equity holders of the Company

(2) NAV as at 31.12.22

Source: Wing Tai, FPA Financial

Contributor: Tan Jiong Wen
(+65 6323 1788)

CONTENTS

FINANCIAL ANALYSIS

In this section, we will provide a review of Wing Tai's financial performance and capital management.

(I) Financial Review

Review of Half-Year 2023 Results

Revenue

For the half year ended 31 December 2022 (1H2023), Wing Tai recorded a total revenue of S$260.8 million. This represents a 15% yoy decrease from the S$306.6 million revenue recorded for the half year ended 31 December 2021 (1H2022). This decrease is mainly due to the lower contribution from development properties. Revenue for the current period was largely attributable to the last unit sold in Le Nouvel Ardmore and the progressive sales recognised from The M at Middle Road in Singapore. Cost of sales also decreased by 14% yoy from S$209.3 million in 1H2022 to S$179.7 million in 1H2023. Consequently, Wing Tai recorded a 17% yoy decrease in gross profit of S$81.1 million in 1H2023 compared to S$97.3 million the same period a year ago.

Accounting for distribution and administrative & other expenses of S$18.3 million and S$38.4 million for 1H2023 respectively, Wing Tai recorded an operating profit of S$29.1 million in the current period as compared to S$51.0 million in the corresponding period. Wing Tai's share of profits from associated and joint venture companies was S$33.4 million in the current period as compared to S$21.5 million in the corresponding period.

As a result, Wing Tai reported profit before income tax of S$501 million in 1H2023 compared to S$59.3 million in 1H2022. For the period, income tax credit of S$13.5 million was recorded as compared to the income tax expense of S$5.3 million a year ago. The income tax credit in the current period is mainly due to the write-back of deferred tax provision that is no longer required. After adjusting for income tax credit / expense, total profit after tax amounted to S$63.6 million versus S$54.0 million the same period a year ago. In the current period, Wing Tai's net profit attributable to shareholders was S$63.3 million compared to S$53.8 million recorded last year. Accordingly, Wing Tai reported an earnings per share of 7.88 cents for 1H2023. No dividend was declared for 1H2023.

Wing Tai's 1H2023 and 1H2022 financial results are summarised in **Exhibit 1** on the next page.

Exhibit 1: Wing Tai's 1H2023 and 1H2022 Financial Results

S$'000	1H2023	1H2022	y-o-y change
Revenue	260,771	306,607	-14.9%
Cost of sales	(179,664)	(209,323)	-14.2%
Gross profit	**81,107**	**97,284**	**-16.6%**
Other gains-net	4,706	5,023	-6.3%
Expenses			
Distribution	(18,297)	(16,409)	11.5%
Administrative and other	(38,443)	(34,916)	10.1%
Operating profit	**29,073**	**50,982**	**-43.0%**
Finance costs	(12,404)	(13,171)	-5.8%
Share of profits from associated and joint venture companies	33,405	21,494	55.4%
Profit before income tax	**50,074**	**59,305**	**-15.6%**
Income tax expense	13,476	(5,291)	NM
Total profit	**63,550**	**54,014**	**17.7%**
Attributable to:			
Equity holders of the Company	63,303	53,788	17.7%
Non-controlling interest	247	226	9.3%
Earnings per share attributable to ordinary shareholders of the Company (cents)	**7.88**	**6.16**	**27.9%**

Source: Wing Tai

(II) Capital Management

Review of Balance Sheet

Net Asset Value

Wing Tai reported total assets of S$4,273.0 million as at 31 December 2022 compared to S$4,261.9 million as at 30 June 2022. The increase in total assets were mainly attributable to the increase in Wing Tai's development properties owing to the acquisition of the leasehold residential development site located at Yuan Ching Road within the Jurong Lake District. The increase was partially offset by the decrease in Wing Tai's other current assets due to the lower unbilled revenue for The M at Middle Road. At the same time, total liabilities increased to S$815.3 million as at 31 December 2022 from S$750.8 million as at 30 June 2022 mainly due to the increase in borrowings due to the drawdown of bank loan to finance a development project.

Consequently, Wing Tai recorded total equity or net assets of S$3,457.6 million as at 31 December 2022 compared to S$3,511.1 million as at 30 June 2022. Excluding perpetual securities and non-controlling interests, net assets attributable to ordinary shareholders amounted to S$3,234.8 million as at 31 December 2022. Accordingly, Wing Tai's net asset value (NAV) per ordinary share stood at S$4.26 based on 760.0 million units in issued share capital.

A summary of Wing Tai's balance sheet as at 31 December 2022 and 30 June 2022 is shown in **Exhibit 2** on the next page.

Exhibit 2: Summary of Wing Tai's Balance Sheet as at 31 Dec 2022 and 30 Jun 2022

S$'000	31-Dec-22	30-Jun-22
Total assets	4,272,959	4,261,936
Total liability	815,344	750,795
Total equity/ net assets	3,457,615	3,511,141
Net assets attributable to ordinary shareholders	3,234,791	3,286,313
Issued share capital	759,965,610	760,841,960
Net asset value per ordinary share (S$)	4.26	4.32

Source: Wing Tai

Bank Borrowings

We note that Wing Tai's total borrowings increased from S$591.1 million as at 30 June 2022 to S$691.7 million as at 31 December 2022. Of Wing Tai's total bank borrowings of S$691.7 million, S$169.9 million are current borrowings and S$521.8 million are non-current borrowings as shown in **Exhibit 3**.

Exhibit 3: Breakdown of Wing Tai's Bank Borrowings

S$'000	31-Dec-22	30-Jun-22
Amount repayable within one year or less or on demand		
Secured	-	43,274
Unsecured	169,896	250,789
Total current borrowings	**169,896**	**294,063**
Amount repayable after one year		
Secured	250,847	26,033
Unsecured	271,000	271,000
Total non-current borrowings	**521,847**	**297,033**
Total borrowings	**691,743**	**591,096**

Source: Wing Tai

Net Gearing Ratio

Net gearing ratio is calculated as total borrowings less cash and cash equivalents divided by total equity. As at 31 December 2022, Wing Tai's borrowings were S$691.7 million and its cash & cash equivalents were S$412.8 million. Hence, Wing Tai's net gearing ratio as at 31 December 2021 was 0.08x compared to 0.02x as at 30 June 2022, as shown in **Exhibit 4**.

Exhibit 4: Wing Tai's Net Gearing Ratio as at 31 December 2022 and 30 June 2022

S$'000	31-Dec-22	30-Jun-22
Borrowings	691,743	591,096
Cash and cash equivalents	412,813	513,817
Total equity	3,457,615	3,511,141
Net gearing ratio	0.08	0.02

Source: Wing Tai

OPERATIONAL UPDATES

Since our initiation report on 19 May 2022, there has been a development announced by Wing Tai. We will now provide an operational update on this development.

(I) Changes to the Composition of the Board Committees

On 26 October 2022, Wing Tai announced the Retirement of Independent Non-Executive Director - Christopher Lau Loke Sam. Mr Christopher was the Independent Non-Executive Director, Chairman of Remuneration Committee and Member of Audit & Risk Committee. Following the retirement of Mr Christopher, the updated composition of the Audit & Risk Committee and the Remuneration Committee is shown in **Exhibit 5**.

Exhibit 5: Updated Composition of the Audit & Risk Committee and the Remuneration Committee

1. **Audit & Risk Committee**

   Eric Ang Teik Lim (Chairman)
   Sim Beng Mei Mildred (Mildred Tan)
   Kwa Kim Li

2. **Remuneration Committee**

   Sim Beng Mei Mildred (Mildred Tan) (Chairman)
   Guy Daniel Harvey-Samuel
   Kwa Kim Li

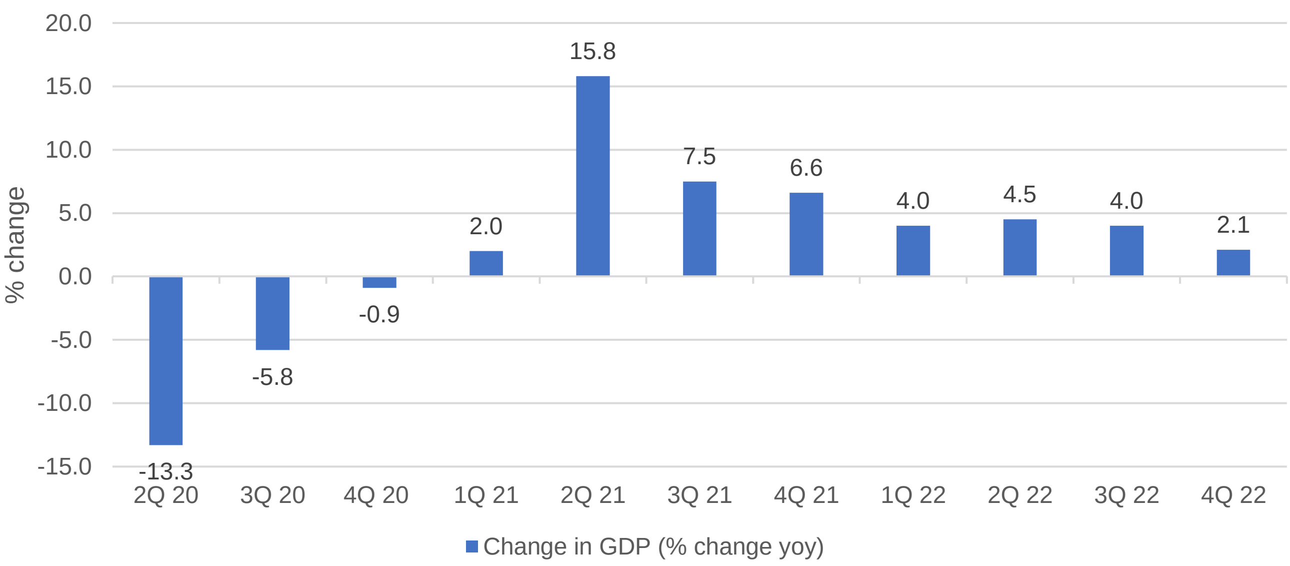
Source: Wing Tai

INDUSTRY OUTLOOK

(I) Singapore's Economy

The Ministry of Trade and Industry (MTI) reported that based on advance estimates, the Singapore economy grew by 2.1% on a yoy basis in the fourth quarter of 2022, moderating from the 4.0% yoy growth in the previous quarter as shown in **Exhibit 6**. For the whole of 2022, the economy grew by 3.6% yoy.

Exhibit 6: Change in Singapore quarterly GDP (%, yoy)



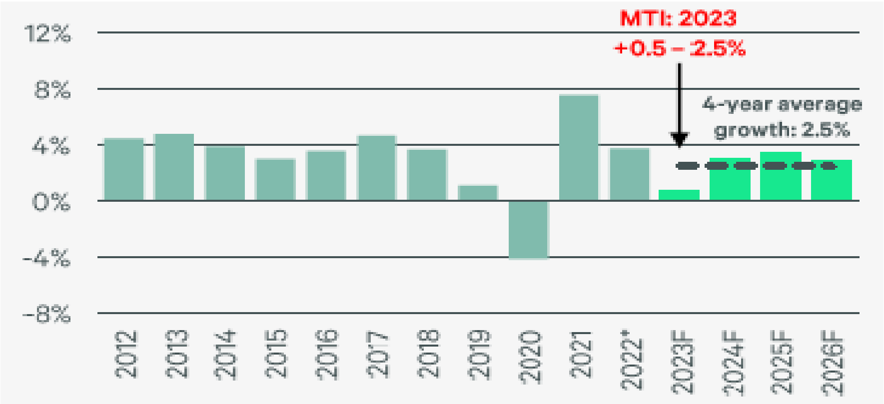
Source: Data compiled from MTI

For 2023, MTI expects GDP growth rates in most major economies to moderate further from 2022 levels, with sharp slowdowns projected in the US and Eurozone. Meanwhile, global supply disruptions are likely to continue into 2023 as the war in Ukraine drags on, even though the extent and frequency of disruptions are expected to ease. MTI also highlighted significant uncertainties and downside risks in the global economy. First, with many advanced economies raising interest rates simultaneously to combat high inflation, the impact of tightening financial conditions on global growth could be larger than expected. Second, financial stability risks could intensify if there are disorderly market adjustments to monetary policy tightening in the advanced economies. A sharp re-pricing of assets could trigger capital outflows from the region and increase debt servicing burdens, thereby dampening regional economies' growth outlook. Third, further escalations in the war in Ukraine and geopolitical tensions among major global powers could worsen supply disruptions, dampen consumer and business confidence, as well as weigh on global trade.

Considering the above, MTI expects the growth of outward-oriented sectors in Singapore to weaken in tandem with the deterioration in external demand conditions. However, the growth prospects of several sectors remain positive. In particular, the continued recovery in air travel and international visitor arrivals will support the expansion of aviation- and tourism-related sectors. Taking these factors into account, and barring the materialisation of downside risks, MTI expects the Singapore economy to grow by "0.5 to 2.5 per cent" in 2023.

CBRE noted that GDP growth in 2022 was largely supported by the services sector following the reopening of Singapore's borders, with retail and labour market indicators in 2022 exceeding pre-pandemic levels. This has helped to offset sluggish performance in the manufacturing sector. Significant headwinds lie ahead for Singapore's economy in 2023. A global economic slowdown is expected amid tighter financial conditions from repeated rate hikes in the US and Europe as central banks attempt to rein in inflation. This slump is likely to weigh further on Singapore outward-oriented manufacturing sector. However, growth prospects remain positive in several sectors with the reopening of China's borders and the continued recovery in international travel and tourism which could lend support to aviation & tourism-related sectors and cushion the overall slowdown. Beyond the MTI's 2023 GDP forecast of between 0.5% -2.5%, CBRE believes the Singapore's 4-year average growth would be 2.5% as shown in **Exhibit 7**.

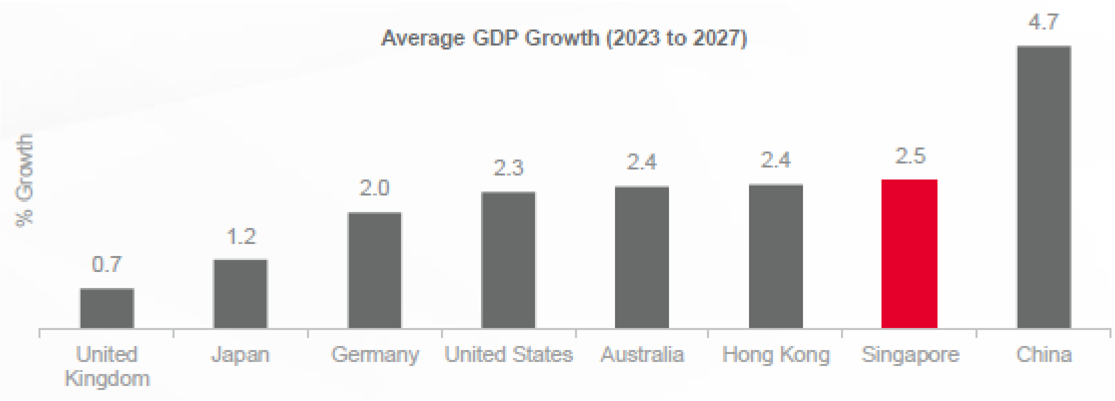
Exhibit 7: Singapore Projected Growth (CBRE) (% change yoy)



Source: CBRE

Similarly, Cushman & Wakefield (C&W) believes that Singapore remains supported from a flight to safety as capital gravitates towards "safe havens" for wealth preservation and diversification amidst global uncertainties. Singapore's strategic geographical location, pro business policies and stable political situation are key advantages that continue to attract inbound investments. Companies with a long-term South-east Asia or Asia Pacific strategy would be less inclined to drastically cut budgets in Singapore, supporting Singapore's resilience. Over the mid term, Singapore's GDP growth is expected to average about 2.5% per annum from 2023 to 2027, outperforming the US, Australia, Hong Kong, Japan, Germany and the UK as shown in **Exhibit 8**. This bodes well for property demand.

Exhibit 8: Singapore Projected Growth (C&W) (% change yoy)

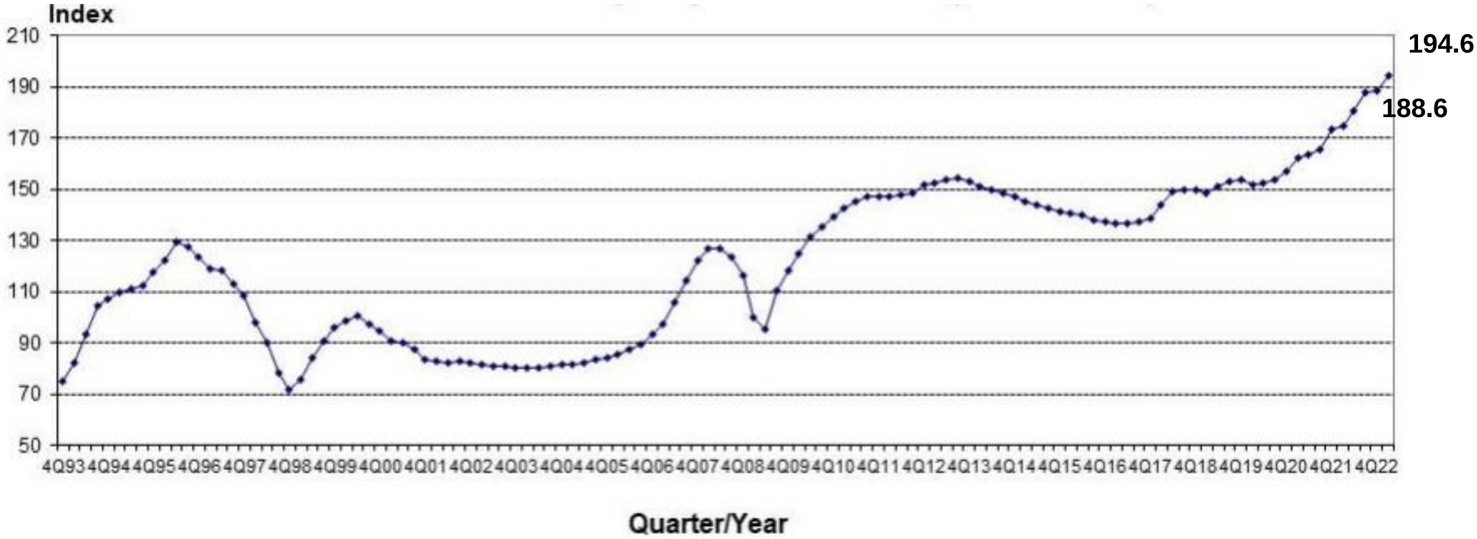


Source: C&W

(II) Singapore Private Residential Market

According to flash estimate data from URA, the private residential property index increased by 6.0 points from 188.6 points in 4th Quarter 2022 to 194.6 points in 1st Quarter 2023. This represents an increase of 3.2%, compared to the 0.4% increase in the previous quarter as shown in **Exhibit 9**.

Exhibit 9: Property Price Index for Residential Properties



Source: URA

Prices of landed properties increased by 5.7% qoq in 1st Quarter 2023, compared with the 0.6% qoq increase in the previous quarter. Prices of non-landed properties increased by 2.5% qoq in 1st Quarter 2023, compared with the 0.3% qoq increase in the previous quarter.

Prices of non-landed properties in Core Central Region (CCR) increased by 1.0% qoq in 1st Quarter 2023, compared with the 0.7% qoq increase in the previous quarter. Prices of non-landed properties in Rest of Central Region (RCR) increased by 4.0%, qoq in 1st Quarter 2023 compared with the 3.1% qoq increase in the previous quarter. Prices of non-landed properties in Outside Central Region (OCR) increased by 1.9% qoq in 1st Quarter 2023, compared with the 2.6% qoq decrease in the previous quarter, as shown in **Exhibit 10** on the next page.

Exhibit 10: Breakdown of URA Property Price Index for 3Q22 and 4Q22

	Price Index		% Change over Previous Quarter	
	4Q22	1Q23	4Q22	1Q23
Residential (1Q09 = 100)	188.6	194.6	0.4	3.2
Landed Property	216.0	228.3	0.6	5.7
Non-Landed Property	182.1	186.7	0.3	2.5
CCR[1]	145.4	146.9	0.7	1.0
RCR[2]	204.9	213.1	3.1	4.0
OCR[3]	218.2	222.3	-2.6	1.9

(1) Core Central Region (CCR) comprises Postal Districts 9, 10, 11 Downtown Core Planning Area and Sentosa

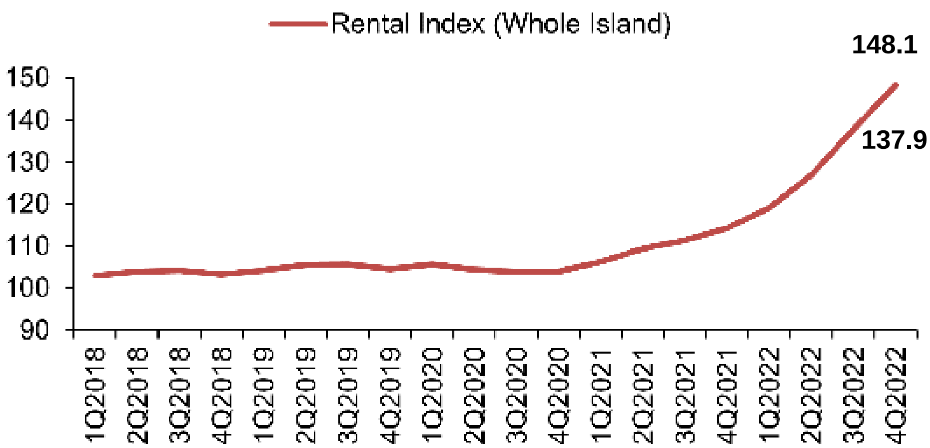
(2) Rest of Central Region (RCR) comprises area within Central Region that is outside those covered by CCR

(3) Outside Central Region (OCR)

Source: URA

Based on URA's data, rentals of private residential properties increased by 7.4% qoq in 4th Quarter 2022, compared with the 8.6% qoq increase in the previous quarter as reflected by an increase in the Rental Index to 148.1 from 137.9, as shown in **Exhibit 11**. For the whole of 2022, rentals of private residential properties increased by 29.7% compared with the 9.9% increase in 2021.

Exhibit 11: Rental Index Of Private Residential Properties



Source: URA

Rentals of landed properties increased by 6.3% qoq in 4th Quarter 2022, compared with the 10.9% qoq increase in the previous quarter. Rentals of non-landed properties increased by 7.5% qoq, compared with the 8.3% qoq increase in the previous quarter. For the whole of 2022, rentals of landed properties increased by 28.1% while rentals of non-landed properties increased by 29.8%.

Rentals of non-landed properties in CCR increased by 7.3% qoq in 4th Quarter 2022, compared with the 7.0% qoq increase in the previous quarter. Rentals in RCR increased by 7.3% qoq, compared with the 9.6% qoq increase in the previous quarter. Rentals in OCR increased by 8.2% qoq, compared with the 8.8% qoq increase in the previous quarter as shown in **Exhibit 12** on the next page. For the whole of 2022, rentals of non-landed properties in CCR, RCR and OCR increased by 28.2%, 30.3% and 31.8% respectively.

Exhibit 12: Breakdown of URA Property Rental Index for 3Q22 and 4Q22

	Rental Index		% Change over Previous Quarter	
	3Q22	4Q22	3Q22	4Q22
Residential (1Q09 = 100)	137.9	148.1	8.6	7.4
Landed Property	121.1	128.7	10.9	6.3
Non-Landed Property	139.5	150.0	8.3	7.5
CCR[1]	133.4	143.1	7.0	7.3
RCR[2]	145.4	156.0	9.6	7.3
OCR[3]	144.3	156.1	8.8	8.2

(1) Core Central Region (CCR) comprises Postal Districts 9, 10, 11 Downtown Core Planning Area and Sentosa

(2) Rest of Central Region (RCR) comprises area within Central Region that is outside those covered by CCR

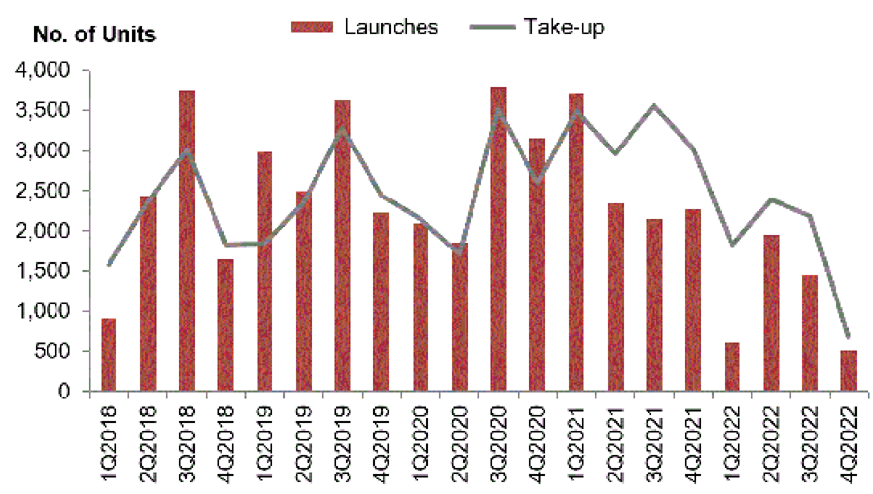
(3) Outside Central Region (OCR)

Source: URA

URA also noted that developers launched 504 uncompleted private residential units (excluding ECs) for sale in 4th Quarter 2022, compared with the 1,455 units in the previous quarter. For the whole of 2022, developers launched 4,528 uncompleted private residential properties for sale, compared with the 10,496 units in the previous year.

Developers sold 690 private residential units (excluding ECs) in 4th Quarter 2022, compared with the 2,187 units sold in the previous quarter. For the whole of 2022, developers sold 7,099 private residential units, compared with the 13,027 units in the previous year. The summary of the launches and take-up on residential property is shown in **Exhibit 13**.

Exhibit 13: Number Of Private Housing Units Launched And Sold By Developers (excluding ECs)



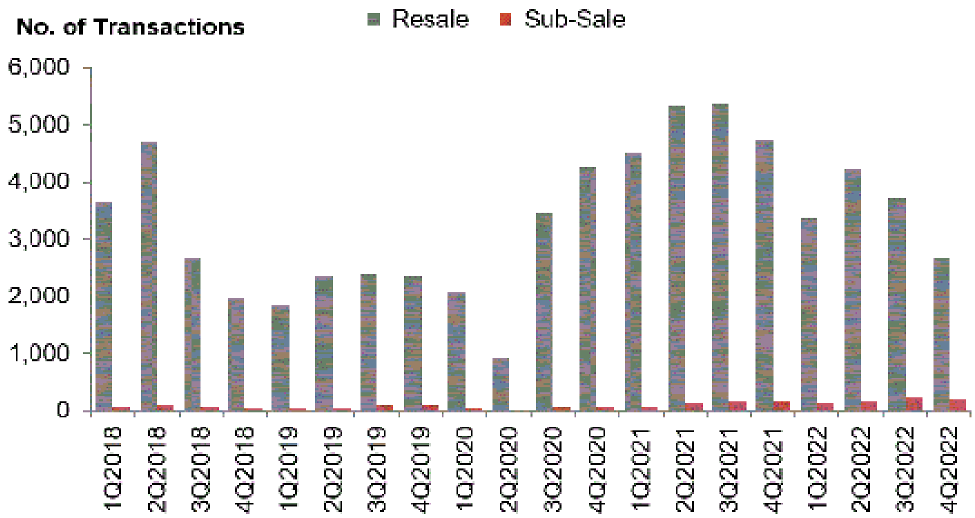
Source: URA

Developers launched 1,257 EC units for sale in 4th Quarter 2022 and sold 1,127 EC units in the quarter. For the whole of 2022, developers launched 1,873 EC units for sale and sold 1,479 EC units, compared with the 1,609 units launched and 2,119 units sold in 2021.

URA noted that there were 2,694 resale transactions in 4th Quarter 2022, compared with the 3,719 units transacted in the previous quarter. Resale transactions accounted for 75.1% of all sale transactions in 4th Quarter 2022, compared with 60.5% in the previous quarter. For the whole of 2022, there were 14,026 resale transactions, compared with the 19,962 resale transactions in 2021.

There were 204 sub-sale transactions in 4th Quarter 2022, compared with the 242 units transacted in the previous quarter. Sub-sales accounted for 5.7% of all sale transactions in 4th Quarter 2022, compared with 3.9% in the previous quarter. For the whole of 2022, there were 765 sub-sale transactions, compared with the 568 sub-sale transactions in 2021. the summary of the resale and sub-sales is shown in **Exhibit 14**.

Exhibit 14: Number Of Resale And Sub-sale Transactions For Private Residential Units (excluding ECs)

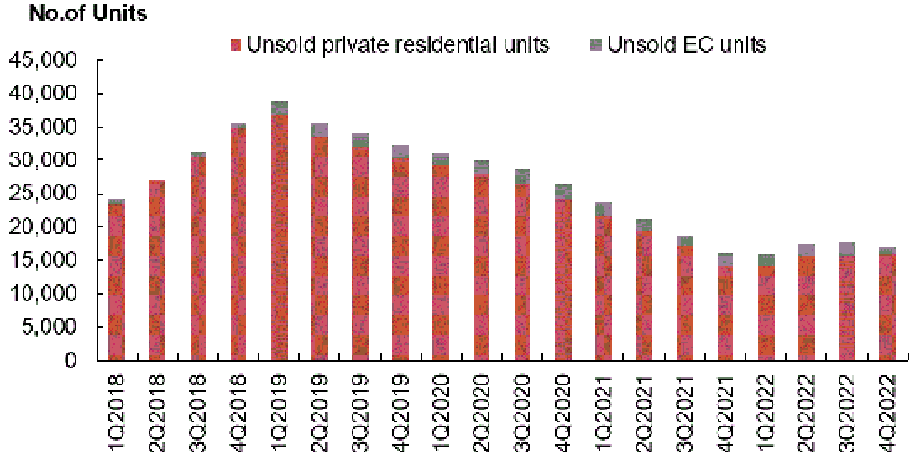


Source: URA

As at the end of 4th Quarter 2022, there was a total supply of 46,041 uncompleted private residential units (excluding ECs) in the pipeline with planning approvals, compared with the 49,384 units in the previous quarter. Of this number, 16,024 units remained unsold as at the end of 4th Quarter 2022, compared with the 15,677 units in the previous quarter.

After adding the supply of 5,706 EC units in the pipeline, there were 51,747 units in the pipeline with planning approvals. Of the EC units in the pipeline, 937 units remained unsold. In total, 16,961 units with planning approvals (including ECs) remained unsold, compared to 17,737 units in the previous quarter and 16,139 units a year ago as shown in **Exhibit 15** on the next page.

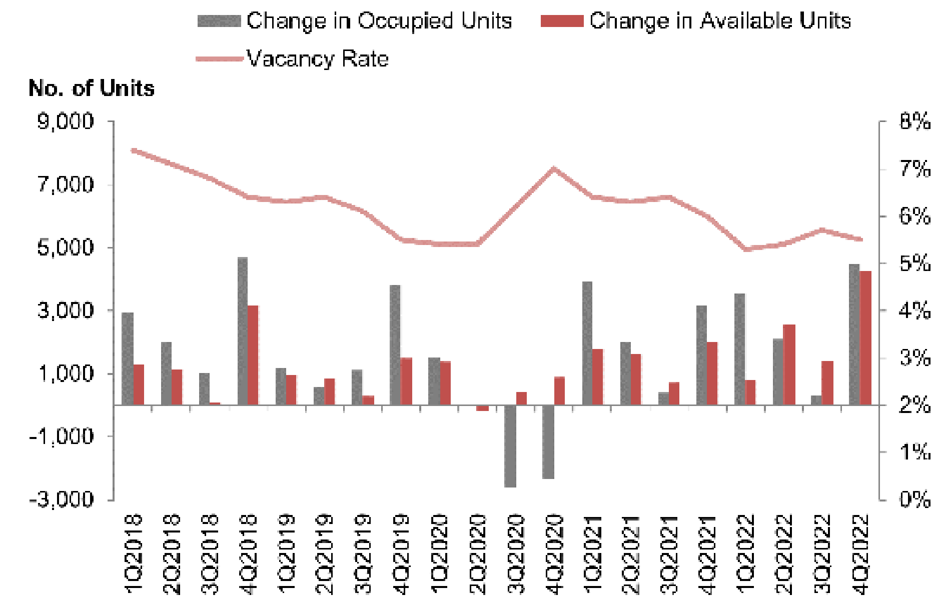
Exhibit 15: Total Number Of Unsold Private Residential Units In The Pipeline



Source: URA

The stock of completed private residential units (excluding ECs) increased by 4,245 units in 4th Quarter 2022, compared with the increase of 1,424 units in the previous quarter. The stock of occupied private residential units (excluding ECs) increased by 4,496 units in 4th Quarter 2022, compared with the increase of 291 units in the previous quarter. As a result, the vacancy rate of completed private residential units (excluding ECs) decreased to 5.5% as at the end of 4th Quarter 2022, from 5.7% in the previous quarter as shown in **Exhibit 16**.

Exhibit 16: Stock And Vacancy Of Private Residential Units (excluding ECs)



Source: URA

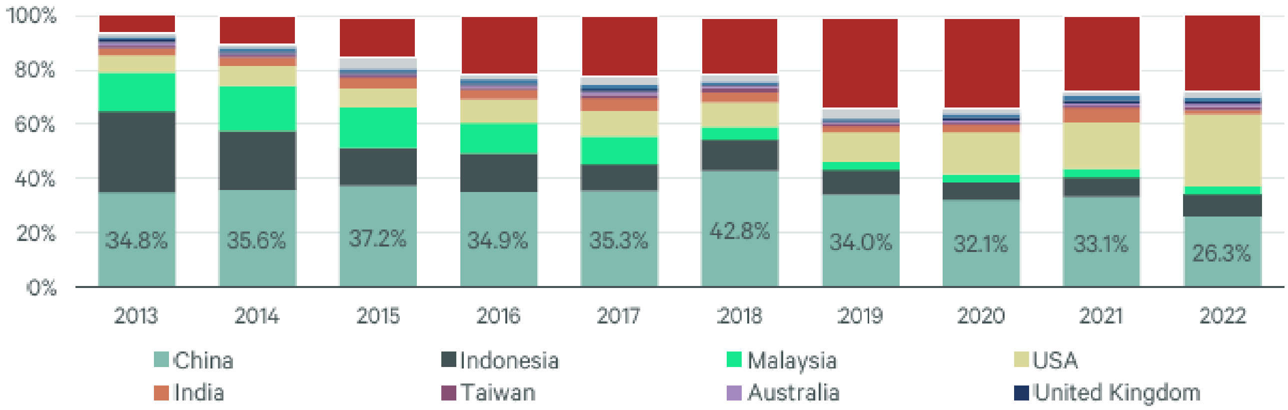
(II) Healthy Launch Pipeline to Support Sales

CBRE noted that new home sales in 2022 hit a 14-year low amid repeated rounds of cooling measures, a softening economic backdrop and sharp mortgage rate hikes. 7,099 new private homes changed hands in 2022, even lower than the 7,316 units in 2014, following 2013's cooling measures. Take-up was also held back by limited supply from new launches as developers stood on the sideline after December 2021's and September 2022's cooling measures, coupled with the souring global macroeconomic backdrop. CBRE believes that the take-up is likely to pick up significantly in 2023 as deadline for Additional Buyer's Stamp Duty (ABSD) remission draws nearer for numerous projections. An estimated 10,000 – 12,000 units could potentially be launched in 2023, with the bulk of supply in the RCR and OCR from Government Land Sales (GLS) and collective sale sites acquired in 2021 and 2022.

(III) Returning of Chinese Buyers

CBRE highlighted that foreign buying dwindled in 2022 despite the full reopening of Singapore's borders. This was largely attributed to less participation from Chinese buyers due to strict travel restrictions and lockdowns. Since 2013, Chinese investors have been the top foreign homebuyers in Singapore by nationality, typically accounting for about 32%-37% of foreigner private home sales as shown in **Exhibit 17.**

Exhibit 17: % of Foreigner Sales By Nationality (2013-2022)



Source: CBRE

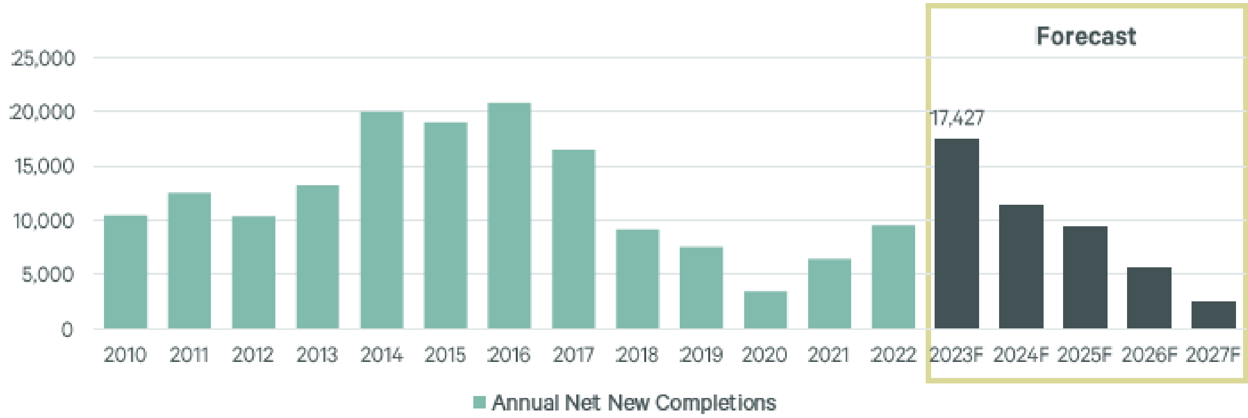
CBRE noted that the percentage of foreigner's sales declined significantly to 26.3% in 2022. Looking ahead, the earlier-than-expected reopening of China borders from 8 Jan 2023 is expected to bode well for foreigner sales. With increased activity and pent-up demand from mainlanders, CBRE believes the number of units sold to Chinese homebuyers in 2023 could normalize to 350 – 400 units, recovering from 2022's low level

(IV) Outlook

(a) Rental

CBRE noted that the rental market has been seeing a historic run-up, with the URA rental index of private residential properties posting a 29.7% yoy surge in 2022, as noted on page 6. The rapid rise in rents is being driven by a confluence of tight supply and robust demand. Singapore population grew by more than 180,000 in 2022, contributing to increased rental demand. Meanwhile, new supply from the clearing of construction backlog has yet to keep pace with the strong demand. Moving forward, the 17,427 private residential units projected to complete in 2023, as shown in **Exhibit 18**, would inject a significant amount of stock into the market and alleviate the tight supply situation. Correspondingly, rental growth momentum is expected to face resistance and moderate.

Exhibit 18: Historical and Future Private Home Completions (excl. Ecs) (CBRE)



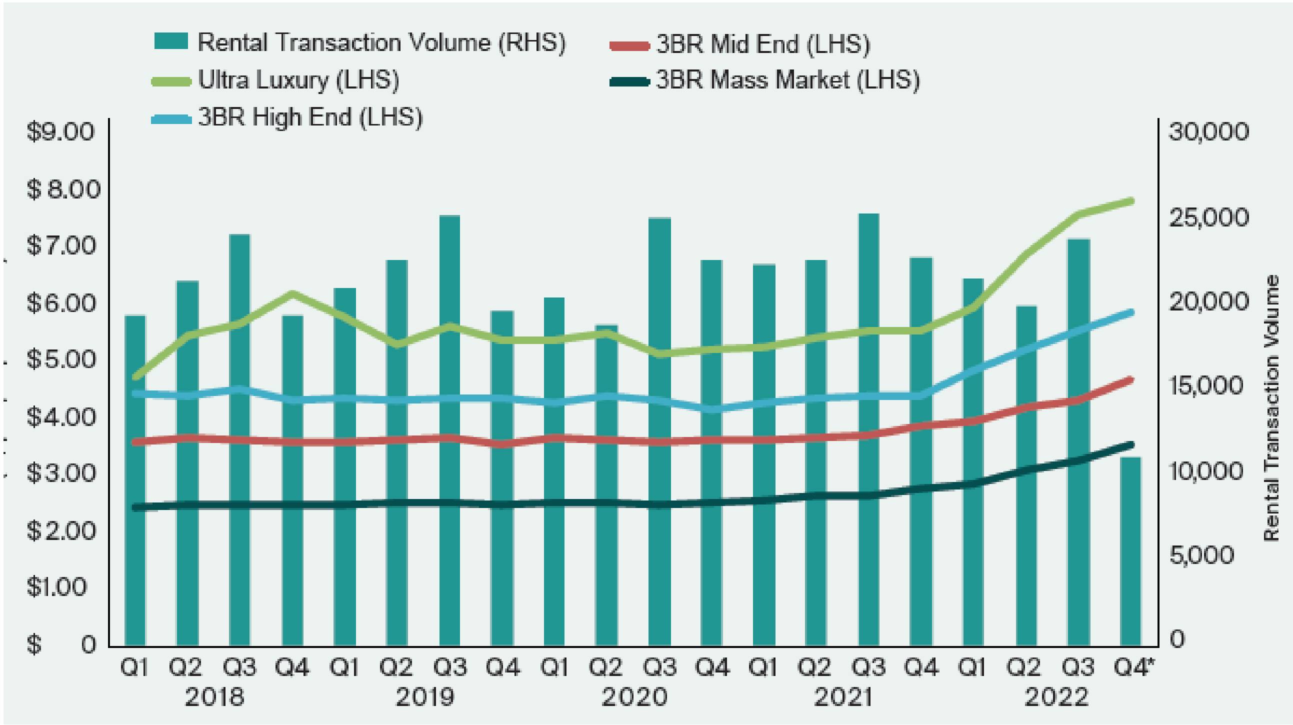
Source: CBRE

C&W noted that private residential rental market has been the star outperformer amongst all other property segments. The robust growth in rents was driven by limited supply, transient leasing demand due to construction delays of new homes in 2020 and 2021, and higher expat demand, which was accentuated by Singapore's increasing prominence as a regional business hub due to a swift economic reopening in 2022. Rent growth is expected to ease in 2023, as an influx of new supply enters the market. C&W believes private residential rents are expected to grow by up to 5% in 2023.

JLL noted that strong leasing demand amid limited stock available for lease drove rents up at a faster qoq pace for the fourth consecutive quarter. However, JLL believes that prime rents could grow at a slower pace in 2023 as a large influx of new supply is expected, coupled with a weaker economic performance, which could affect leasing demand and vacancy rates.

Knight Frank noted that island wide leasing contracts for non-landed private homes in 4Q2022 decreased significantly compared to 4Q2021 as shown in **Exhibit 19**. Despite the decrease in rental volume, demand pressures in the leasing market remained high as rents increased between 3% and 9% q-o-q across the different segments. With ongoing geopolitical tensions in various parts of Asia and the world, Singapore offered foreign professionals and executives a stable environment in which to live and work characterized by connectivity to quality schools, retail amenities and modern workplaces. In addition, locals waiting for their new homes to complete also added to the ongoing demand for rental accommodation.

Exhibit 19: Average Rents and Rental Transaction Volume of Non-Landed Private Residential Properties (excluding EC)

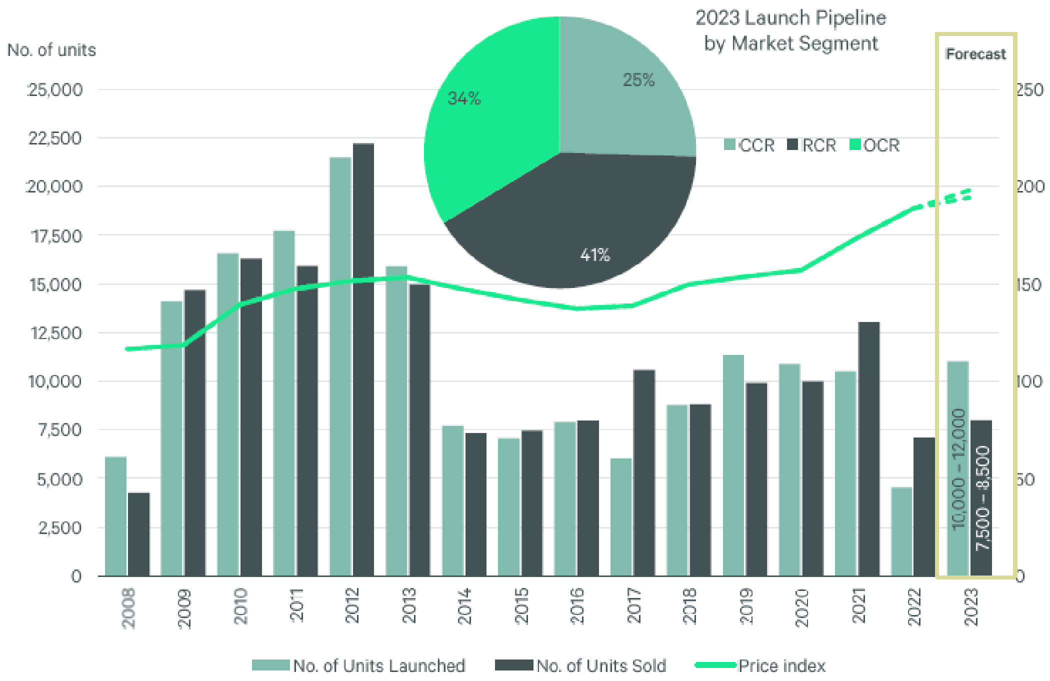


Source: Knight Frank

(b) Price

In view of the healthy pipeline of launches which could provide homebuyers with more options, CBRE expects new home sales to improve to 7,500 – 8,500 units in 2023 as shown in **Exhibit 20**. Correspondingly, barring widespread retrenchments and a sustained recession, private home prices which rose 8.6% in 2022 are projected to moderate to 3- 5% in 2023 due mainly to a weaker economic outlook.

Exhibit 20: CBRE New Home Launch and Sales Volume Forecast



Source: CBRE

C&W noted that while underlying private residential demand remains strong, a confluence of headwinds has dampened demand. This includes rising financing costs, an uncertain economic outlook and another round of cooling measures in September 2022. However, this is balanced by a robust rental market, low levels of unsold inventory and rising property replacement costs. As such, private residential prices could still inch higher, by up to 3% in 2023. On the other hand, volumes are expected to fall as some buyers might hold their purchases given a combination of higher borrowing costs, weaker economic growth and an expected slowdown in resale HDB prices. As such, total private residential volumes in 2023 could moderate to below 20,000 units.

In addition, Knight Frank noted that even though some 17,000 plus new private homes are slated for completion in 2023, the leasing market is unlikely to cool off immediately in 2023 due to the persistent leasing demand in the private residential market. Private home downgrades affected by the latest cooling measures would also put pressure on the leasing market. The lack of saleable inventory continues to crimp transaction activity with homeowners hesitant to sell their homes without securing a new one to occupy, even though price premiums were offered. However, come 2023, some 34 new projects could possibly launch island-wide consisting of around 12,000 units that will bring some relief to the undersupplied situation and provide homebuyers with more product choices in a buffet spread of locations. However, the greater volume and variety of new private stock comes at a time of economic uncertainty, employee layoffs in the technology sector, continued rising interest rates as well as the increased cost of consumption. Therefore in 2023, demand might turn more conservative with 7,000 to 8,000 new sales and an estimated overall private residential transaction volume ranging between 21,000 to 25,000 units. In view of the above, private home prices are projected to grow by a more moderate 5% to 7% for the whole of 2023.

For 2023, Savills believes that if mortgage rates move towards 5% and buyers hold the expectation that they will remain sticky, both new and resale demand may be softer than this year. However, as the successful land bid prices in the 2022 land tenders did not moderate, and with inflation still at heady levels, the total cost of production for new launches should be higher than this year. Higher new sale prices would then lend support to resale prices. Savills is forecasting overall prices to rise 7% yoy in 2023. If interest rates begin to fall by mid-2023, this would boost buyer confidence and may see prices rise by up to 10%.

(V) Summary

Considering the above, we note that the rental market has been experiencing an unprecedented rise; in fact, the URA rental index for private residential properties showed a yoy increase of 29.7% in 2022. The rapid rise in rents was being driven by a combination of limited supply and increased demand from expat, which was accentuated by Singapore's growing importance as a regional business hub as a result of the economic recovery in 2022. Looking ahead, we note that real estate houses believe that rental growth may slow down in 2023 due to an anticipated large influx of new supply and a weaker economic performance, both of which may have an impact on leasing demand and vacancy rates.

In terms of private home prices, while underlying private residential demand remains strong, a confluence of headwinds has dampened demand. Additionally, there are rising financing costs, a cloudy economic future, and additional cooling measures beginning in September 2022. Volumes are also expected to decline as some buyers decide to hold off on making purchases due to a combination of higher borrowing costs, slower economic growth, and anticipated price declines for resale HDB units. Various real estate houses believe that demand might turn more conservative and private home prices are projected to grow by a more moderate 3% to 10% for the whole of 2023 as shown in **Exhibit 21**.

Exhibit 21: Summary Of Real Estate Houses' 2023 Residential Rental and Price Growth Forecast

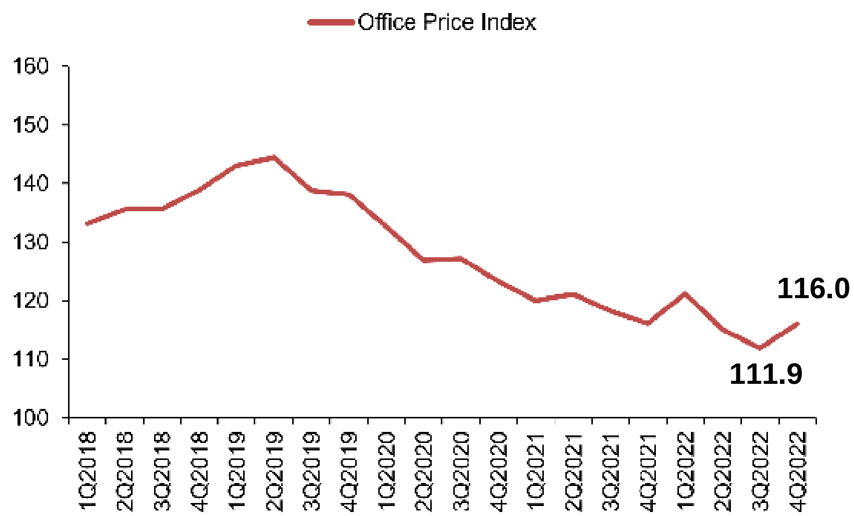
	2023 Growth Forecast	
	Rental	Price
CBRE	Face resistance and moderate	3%-5%
C&W	5%	3%
Knight Frank	-	5%-7%
Savills	-	7%-10%

Source: Respectively real estate houses

(III) Singapore Office Market

According to data from the Urban Redevelopment Authority (URA), prices of office space increased by 3.7% quarter-on-quarter (q-o-q), as reflected by an increase in the Office Price Index to 116.0 from 111.9, as shown in **Exhibit 22**. For the whole of 2022, prices of office space decreased by 0.1%, compared with the decrease of 5.8% in 2021

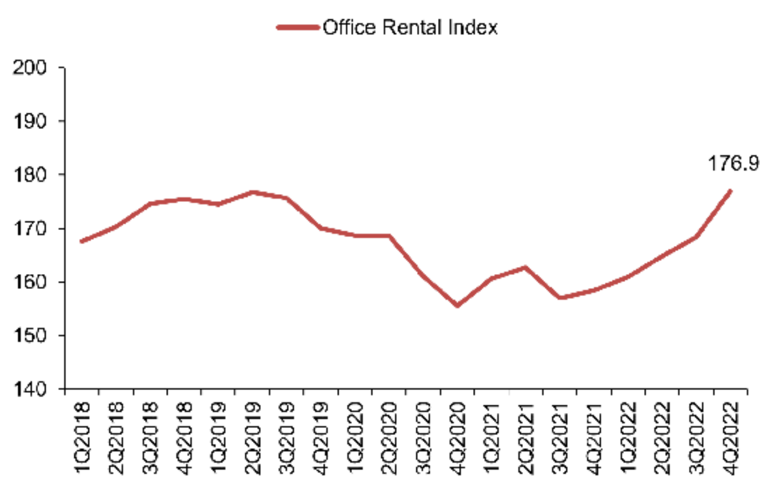
Exhibit 22: Property Price Index Of Office Space



Source: URA

According to URA, rentals of office space increased by 5.1% qoq in 4th Quarter 2022, compared with the 2.1% qoq increase in the previous quarter, as reflected by an increase in the Office Rental Index to 116.0 from 111.9, as shown in **Exhibit 23**. For the whole of 2022, rentals of office space increased by 11.7%, compared with the increase of 1.9% in 2021.

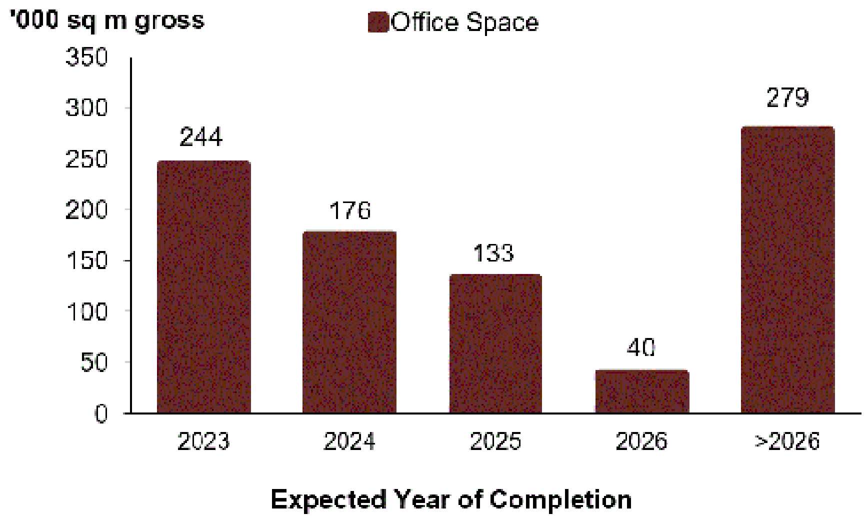
Exhibit 23: Rental Index Of Office Space



Source: URA

URA noted that as at the end of 4th Quarter 2022, there was a total new supply of about 872,000 sq m GFA of office space in the pipeline, compared with that of 858,000 sq m in the previous quarter. Of which, 244,000 sq m are expected to be completed in 2023 as shown in **Exhibit 24**.

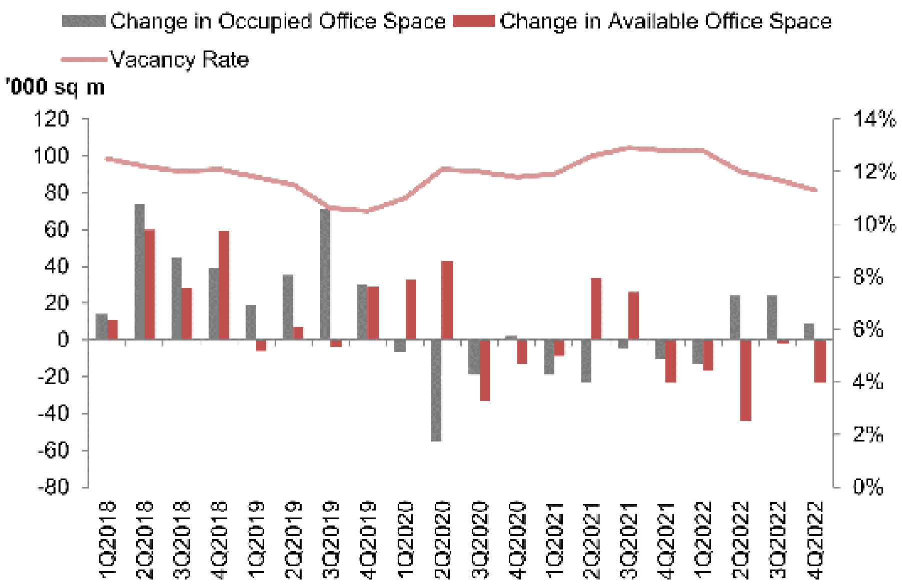
Exhibit 24: Pipeline Supply Of Office Space



Source: URA

The amount of occupied office space increased by 9,000 sq m in 4th Quarter 2022, compared with the increase of 24,000 sq m in the previous quarter. The stock of office space decreased by 23,000 sq m in 4th Quarter 2022, compared with the decrease of 2,000 sq m in the previous quarter. As a result, the island-wide vacancy rate of office space decreased to 11.3% as at the end of 4th Quarter 2022, from 11.7% as at the end of the previous quarter as shown in **Exhibit 25**.

Exhibit 25: Stock And Vacancy Of Office Space

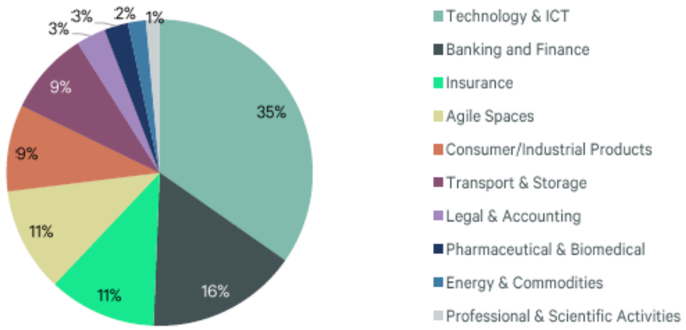


Source: URA

Broad-based Demand Drivers in 2023

CBRE noted that 2022 ended on a high note for the office sector, as it continued to outperform expectations with the full relaxation of pandemic-related measures and gradual return to office. Island wide net absorption for the year totaled 1.15 mil sq ft, which was 3.6 times 2021's net demand of 0.32 mil sq ft, and 17.9% higher than the 10-year average of 0.97 mil sq ft. In terms of leasing demand, the tech sector accounted for 35% of leasing demand among the top 10 sectors in 2022 as shown in **Exhibit 26**. Although it has traditionally been a dominant force, having taken up some of the best quality space in CBD, expansion activity from this sector is likely to take a breather due to cost cutting measures. Some tech companies have also begun rightsizing or offering their office space on an early surrender basis.

Exhibit 26: CBRE 2022's Leasing Demand Among Top 10 Sectors



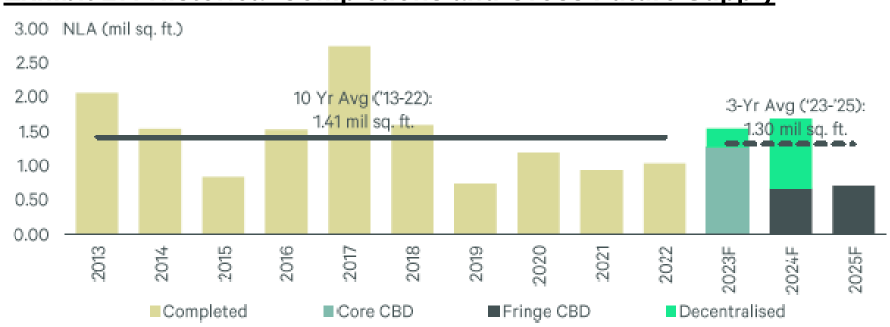
Source: CBRE

CBRE believes leasing demand in 2023 is likely to be more broad-based. Given Singapore's status as a key financial and wealth management hub, non-banking financial sectors, such as private wealth and asset managers have been expanding. This has also created higher demand for supporting industries, such as legal & tax advisory, real estate and insurance sectors.

New Supply To Be Below Historical Average

According to CBRE, over the next three years (2023-2025), total new supply is estimated at 1.30 mil sq ft per annum, which is 7.6% lower than the historical 10-year annual average new supply as shown in **Exhibit 27**. Core CBD future supply remains extremely limited in the horizon with IOI Central Boulevard Towers, the only new CBD Grade A development in 2023. The tight supply situation will also be compounded by the removal of existing stock in the CBD as well as potential redevelopments.

Exhibit 27: Historical Completions and Gross Future Supply

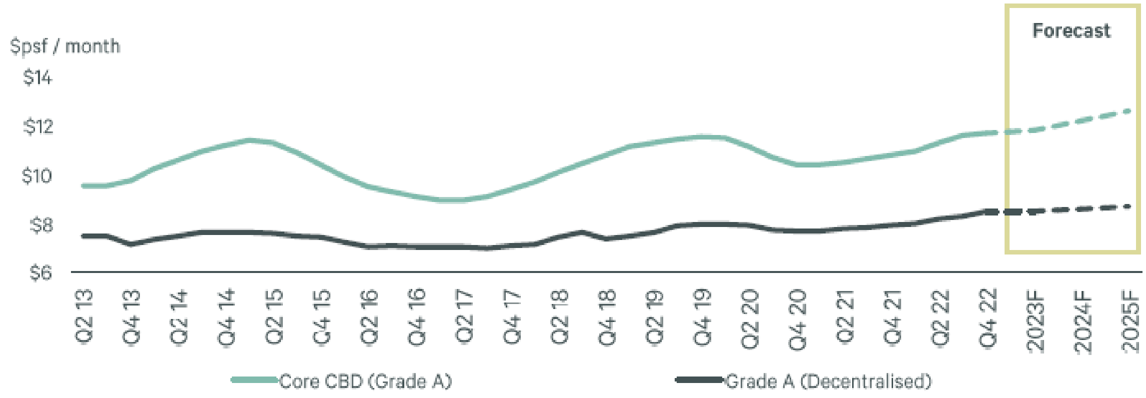


Source: CBRE

Outlook

CBRE noted that on the back of firm return-to-office demand and healthy building occupancies, Core CBD rents grew by 8.3% to $11.70 psf/month in 2022, surpassing rental growth of 3.8% in 2021. That said, the pace of rental increase in the last quarter of 2022 has slowed as sentiment soured and turned more cautious. On the back of weaker economic conditions and a pullback in expansionary activity from the tech sector, vacancy rates could potentially increase. CBRE expects mild rental growth in the short-term and Core CBD rents could rise by about 1.0% yoy in 2023, while Decentralized rents are likely to remain stable before making a more meaningful recovery in the next couple of years as the economy picks up. CBRE's rental forecast is shown in **Exhibit 28**.

Exhibit 28: CBRE's Office Rental Forecast for Core CBD and Decentralized



Source: CBRE

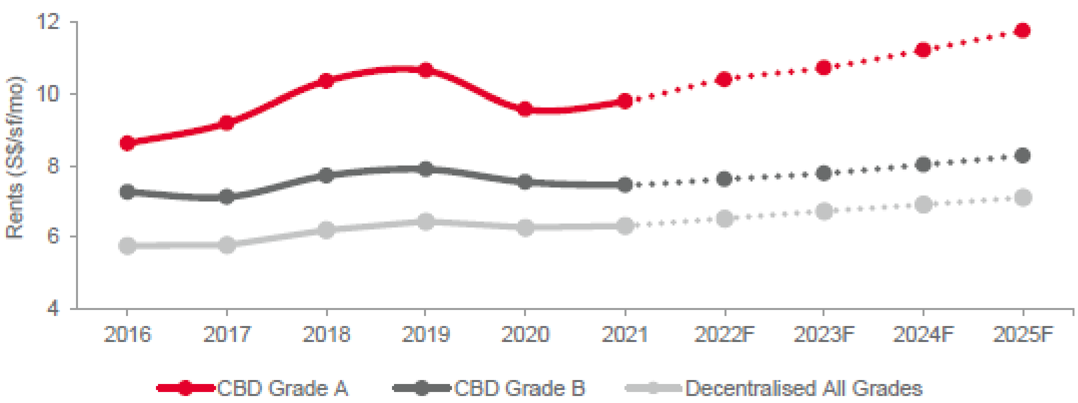
Colliers noted that leasing demand continued to be broad-based, with net absorption coming in stronger in the fourth quarter. However, the changing economic outlook and drought in funding has led to a slowdown in demand from technology firms. These firms have switched their focus from growth to profitability; hence, many are putting their expansion plans on hold, reducing their footprints or withdrawing from prior commitments. This trend is likely to extend to the other sectors, particularly the financial sector, and lead to more shadow space emerging, thereby capping rental growth. However, there should be other industries or new entrants backfilling this space, unless there is a prolonged economic downturn.

For 2023, rental growth would come in at a more modest pace due to weaker GDP growth, but this will be mitigated by the lower supply situation, as well as the fact that Singapore remains an attractive destination for businesses regionally and globally. Colliers expects full year 2023 rental growth forecast for the core CBD Premium & Grade A segment to ease to between 2 to 3% yoy. The availability of higher quality offices in the Core CBD remains tight due to a lack of new supply and withdrawal of existing office stock for redevelopment. In addition, Colliers expects more global firms to set up their regional headquarters in Singapore to hedge against geopolitical risks. There are also more family offices and asset managers setting up here, attracted to Singapore's reputation as an international financial hub. In turn, this will lead to the growth of ancillary business services such as law firms, management consultancies, insurance companies and accounting firms expanding their operations and looking for office space. It is likely to remain a landlord's market for the next few quarters due to the tight supply situation, with most maintaining their rents. However, with leasing activity slowing, and should there be a sharp downturn in economic conditions, landlords might have to start prioritizing occupancy and offer more competitive incentives and/or rents.

C&W noted that as firms reassess expansion plans against the backdrop of economic headwinds, leasing demand for office spaces could cool in 2023 and lead to slower office rental growth. CBD Grade A office rental growth is projected to grow by 2% to 4% yoy in 2023, With higher supply in 2023, vacancy rates are expected to increase, though remain at relatively tight levels. Potential redevelopments in the CBD could tighten office supply and drive displacement demand.

Also, the progressive expiry of transitional office sites over the next few years would accentuate this trend and bolster pre commitment rates at upcoming developments. Limited available space in the CBD Grade A market has driven some demand to the Grade B office market, where rents are lower and there are more available options. CBD Grade B office rents are poised to rise by 2.1% yoy in 2023. Given a combination of higher CBD office rents and uncertain economic conditions, some occupiers could look towards the more cost-efficient decentralized office space. Given the rental gap between CBD and decentralized office markets, and an expected increase in property service charge, C&W could see a faster rent growth in decentralized markets, growing by 3 to 5% yoy in 2023. The office could emerge stronger post 2023 as an economic slowdown may encourage higher office attendance, which would stimulate future office demand. C&W's rental forecast is shown in **Exhibit 29**.

Exhibit 29: C&W's Office Rental Forecast



Source: C&W

Meanwhile, Jones Lang LaSalle (JLL) noted that demand slowed in 4Q22 as global economic headwinds intensified and weighed on business sentiment. The ongoing consolidation in the tech sector also moderated its appetite for office space. CBD investment grade office rent growth decelerated for the first time since recovering from the COVID-19 pandemic in 2Q21. With interest rates climbing further and investors staying on the sidelines in 4Q22, CBD investment grade office capital values fell for the first time since turning around in 2Q21. Singapore's office market is expected to cool further over 2023 with limited impetus for rental growth. This could put office investment assets under greater re-pricing pressure as interest rates are expected to stay elevated.

Knight Frank believes that slower growth is expected in 2023, due to inflation and volatility in the technology sector. Nevertheless, demand is likely to be sustained by corporates shifting business functions from other parts of Asia with Singapore as a flight-to-safety destination as uncertainty grows. International firms poised to gain from the receding pandemic in growth regions such as South-East Asia are also looking to set up or expand in the city-state from which to reach the steadily growing middle class in these countries. With these sources of demand and with IOI Central Boulevard Towers the only substantial new office development completing in the CBD, rents are likely to increase by around 3% for the whole of 2023, barring any further substantial pre-termination or reduction of space from technology companies.

Savills believes that coming into 2023, a new movement is gaining greater momentum, namely the need for multinational tenants to comply with the ESG standards of their respective country of origin. As shareholders and clients expect greener practices, tenants from countries with strict ESG standards may have little choice but to locate in offices, even for their branches offshore, which are graded Green. This mandate would result in skewed demand towards green rated Grade A offices. While the challenges encountered on the economic front may take away demand, for Grade A offices, it may be partially offset by the flight of MNCs to these buildings. In conjunction with inflation working its way through the service charge component, and the constant flow of family offices setting up here, the overall gross rents for its basket of offices may still eke out a 2% yoy increase in 2023. However, there may be quarters which we may see either no or slight negative qoq rental changes amongst the sub-grades in our basket of CBD Grade A offices.

It was recently reported on Business Times (BT) that office rents in the Central Business District (CBD) rose in the first quarter of 2023, driven by tight supply and buoyant demand for flexible and scalable office space. This is despite worsening economic sentiment and layoffs in the tech sector. Knight Frank Singapore indicated that prime-grade office rents in the Raffles Place/Marina Bay precinct increased 1.3% quarter on quarter in Q1 while occupancy levels in the CBD remained broadly unchanged compared with the previous quarter, with 94.1% of office buildings occupied. It was also reported that there is a high demand for quality office spaces that foster a superior work experience. This comes as companies seek to attract their employees to return to the office as productivity becomes key, in view of the deteriorating business outlook. As supply of new office inventory continues to remain tight, especially in the CBD, the upward rental trend continued to reflect a resilient market.

Summary

The outlook for the Singapore office market appears to have improved, and leasing demand has remained broad-based. Vacancy rates, however, could potentially rise as a result of weaker economic conditions and a slowdown in expansionary activity from the tech sector. The tech industry's ongoing consolidation has also reduced its appetite for office space. For 2023, office rental growth would come in at a more modest pace due to weaker GDP growth, but this would likely be offset by the lower supply situation and the fact that Singapore is still a desirable location for businesses on a regional and international scale. The summary of the rental growth projections from various real estate firms is shown in **Exhibit 30**.

Exhibit 30: Summary Of Real Estate Firms' 2023 Office Rental Growth Forecast

	2023 Rental Growth Forecast	
	CBD	Decentralized
CBRE	1.00%	0.00%
Colliers	2.00%-3.00%	-
C&W	2.00%-4.00%	2.10%
Knight Frank	3.00%	-
Savills	2.00%	-

Source: Respective real estate firms

SHARE PRICE DEVELOPMENT REVIEW

Since our initiation report issued on 19 May 2022, when Wing Tai's share price closed at S$1.730, we note that the share price has fallen. From then till present, the share price is down by about 13.87% to the current price of S$1.490 as shown in **Exhibit 31**.

Exhibit 31: Wing Tai's Share Price

Source: Yahoo Finance, FPA Financial

The 52-week low of S$1.450 was reached on 10 November 2022 and the 52-week high of S$1.810 was reached on 29 June 2022.

On 25 August 2022, Wing Tai reported its financial results for 12 months ended 30 June 2022 (FY2022). Revenue for FY2022 came in 12% yoy higher at S$514.6 million while net profit attributable to equity holder of the company grew by 222% yoy from to S$140.2 million in FY2022 from S$45.6 million in FY2021. The revenue from development properties largely came from progressive sales recognised from residential developments The M at Middle Road and the additional units sold in Le Nouvel Ardmore. Earnings per share for FY2022 was 16.6 cents, compared to 3.99 cents in FY2021. Wing Tai also declared a final dividend of 3 cents per share and a special dividend of 3 cents per share. As a result, Wing Tai's share price closed 4.35% higher at S$1.680 on the next day.

On 9 February 2023, Wing Tai reported its financial results for 6 months ended 31 December 2022 (1H2023). Revenue for 1H2023 decreased by 15% yoy to S$260.8 million while net profit attributable to equity holder of the company grew by 18% yoy to S$63.3 million in 1H2023 from S$53.8 million in 1H2022. Net profit rose due to the higher share of profits from its joint venture companies as well as a write-back of deferred tax provision that is no longer required. However, no dividend was declared for 1H2023. Wing Tai's shares closed at S$1.520, 0.65% lower on the day of the announcement.

On 15 March 2023, Wing Tai announced that its whollyowned subsidiary, Wincove Investment Pte. Ltd., has entered into a contract for the collective purchase of the freehold site known as Holland Tower located at 10 Holland Heights, Singapore (the "Acquisition"), having an approximate site area of 2032.6 square metres at the price of S$76,300,000. Following the announcement, Wing Tai's share price rose by 0.68% and closed the day at S$1.480.

In terms of insider trades, Wing Tai has a Share Purchase Mandate which authorises the directors of Wing Tai to make purchases of ordinary shares in the capital of the Company representing up to a maximum of ten per cent (10%) of the issued Shares (excluding treasury shares and subsidiary holdings) at a price of up to but not exceeding the maximum price.

Given the Share Purchase Mandate, Wing Tai had since conducted a series of share buyback. From our initiation report dated 19 May 2022 till date, Wing Tai has conducted a total of 14 share buybacks for a total consideration of S$7.6 million for 4,582,000 shares as shown in **Exhibit 32**. This represents a total of 0.62% stake in Wing Tai

Exhibit 32: Details of Wing Tai's Share Buyback Transactions

Date	No. of shares purchased	Price paid per share	Total consideration	Cumulative No. of shares purchased to date	Percentage
26/5/2022	314,700	1.77652	$ 560,208	314,700	0.06%
31/5/2022	343,500	1.77892	$ 612,302	658,200	0.11%
2/6/2022	111,600	1.77491	$ 198,483	769,800	0.12%
6/6/2022	159,300	1.77197	$ 282,849	929,100	0.14%
10/6/2022	212,800	1.77423	$ 378,324	1,141,900	0.17%
13/6/2022	346,800	1.75811	$ 610,952	1,488,700	0.22%
14/6/2022	147,700	1.75971	$ 260,438	1,636,400	0.23%
24/6/2022	155,100	1.76303	$ 274,002	1,791,500	0.25%
28/6/2022	495,700	1.79747	$ 892,818	2,287,200	0.32%
10/10/2022	494,900	1.55000	$ 768,655	2,782,100	0.38%
11/10/2022	961,600	1.55961	$ 1,502,770	3,743,700	0.51%
12/10/2022	353,300	1.55727	$ 551,303	4,097,000	0.55%
13/10/2022	283,000	1.54310	$ 437,585	4,380,000	0.59%
14/10/2022	202,000	1.54880	$ 313,494	4,582,000	0.62%

Source: Wing Tai, FPA Financial

We also noted that Wing Tai announced one 17 August 2022 that Abigail P. Johnson ceased to be substantial shareholder of the company. It was announced that Abigail P. Johnson's deemed interest in Wing Tai has decreased from 5.01% to 4.99%. 57,900 shares were sold via market transaction for a consideration of S$97,301.

However, on 28 March 2023, Wing Tai announced that Abigail P. Johnson's deem interest in Wing Tai has increased from 4.99% to 5.01%. 45,300 shares were bought via market transaction for a consideration of S$67,473.

POTENTIAL CATALYSTS

(I) Tender For Lakeside Apartments Collective Sale Site

On 26 May 2022, Wing Tai announced that its wholly owned subsidiary, Winville Investment Pte. Ltd. has successfully tendered for the collective purchase of the leasehold Lakeside Apartments site at 9E & 9F Yuan Ching Road for S$273,888,888. Located on the edge of the Jurong Lake Gardens, the site spans 12,465.4 square metres with a plot ratio of 2.1. Wing Tai plans to redevelop the site into an iconic residential development of more than 300 units with unobstructed waterfront views of Jurong Lake as well as the lush greenery of the Jurong Lake, Chinese and Japanese Gardens.

The site is well-served by the Lakeside MRT station on the East-West Line, and easily accessible by major roads and expressways, such as the Ayer Rajah Expressway and the Pan Island Expressway. Its connectivity will be further enhanced with the completion of the Jurong East Integrated Transport Hub slated for completion in 2027, which will provide seamless connection between MRT stations (East-West and North-South Lines and future Jurong Region Line), bus interchanges as well as offices, public facilities, and retail spaces.

In addition, the site is near well-established amenities including the regional shopping malls such as Jem, Westgate, IMM, JCube, as well as community healthcare facilities.

The site is strategically located within the Jurong Lake District (JLD) which has been earmarked by the government as the second Central Business District. Additionally, it is a 10-minute drive to the future Jurong Innovation District which will become the centre for advanced manufacturing and R&D in Singapore. Plans to develop an integrated tourism attraction within the JLD are also underway. With expected completion in 2028, this will transform the Jurong region into a key commercial and lifestyle hub of Singapore.

(II) Tender For Freehold Holland Tower Collective Sale Site

On 15 March 2023, Wing Tai announced that its wholly-owned subsidiary, Wincove Investment Pte. Ltd. has successfully tendered for the collective purchase of the freehold Holland Tower site for S$76,300,000 which translates to S$1,746 per square foot per plot ratio (psf ppr). Located at 10 Holland Heights in the prime District 10, the site area is 2,032.6 square meters with a gross floor area of 4,059.05 square meters. Wing Tai plans to redevelop the elevated site into a luxurious residential development overlooking the unblocked lush greenery of Holland Park Good Class Bungalow area.

The site is located within a 5-minute drive or 15-minute walk to Dempsey Hill and Holland Village, offering easy access to a myriad of dining and lifestyle options. It is about a 5-minute drive to The Singapore Botanic Gardens and a 10-minute drive to the Orchard Road shopping belt. Wellserved by Farrer Road and Holland Village MRT stations, the site is easily accessible by major roads and well connected to other parts of Singapore via the Ayer Rajah Expressway and the Pan Island Expressway. It is in close proximity to well-known schools such as ACS International and Nanyang Primary School.

FINANCIAL PROJECTION

In this section, we will be providing our projections for Wing Tai's revenue, earnings and distribution for FY2023 and FY2024

(I) Revenue Projection

(a) Sale of Development Properties

Singapore

As noted on page 3, the last unit of Nouvel Ardmore has been sold as at 1H2023. Hence, Wing Tai Singapore development property for sale would only be The M. To determine the total sales value of the property, we calculated the average sales price of the last 20 transactions of the property and multiply the average sales value by total number of units for each project. The average sales price (based on last 20 transactions) of one unit The M is estimated to be S$2.1 million as shown in **Exhibit 33**.

Exhibit 33: Average Sales Value of The M

No.	Project name	Price ($)	Area (Sqft)	Unit Price ($psf)	Date of Sale
1	THE M	1,857,000	657	2,828	Mar-23
2	THE M	2,480,000	764	3,245	Mar-23
3	THE M	2,540,000	893	2,843	Mar-23
4	THE M	2,429,000	861	2,821	Mar-23
5	THE M	1,928,000	592	3,257	Mar-23
6	THE M	1,898,000	635	2,989	Feb-23
7	THE M	1,940,000	592	3,277	Feb-23
8	THE M	2,480,000	947	2,618	Feb-23
9	THE M	2,369,000	743	3,190	Jan-23
10	THE M	2,334,000	732	3,189	Jan-23
11	THE M	1,921,000	592	3,245	Dec-22
12	THE M	2,274,000	753	3,018	Nov-22
13	THE M	1,913,000	635	3,012	Nov-22
14	THE M	1,879,000	635	2,959	Nov-22
15	THE M	2,259,000	753	2,998	Oct-22
16	THE M	2,440,000	764	3,193	Oct-22
17	THE M	1,555,000	527	2,914	Sep-22
18	THE M	1,650,000	657	2,482	Aug-22
19	THE M	1,692,000	527	3,174	Aug-22
20	THE M	1,650,000	657	2,486	Aug-22
Average	**THE M**	**2,074,400**	**696**	**2,987**	**-**

Source: URA, FPA Financial

With the average sales value of one unit, the estimated attributable total sales value of The M would be S$1,082.8 million =[522 units (total number of units) x S$2.1 million(average sales price)].

For The M, as at 30 June 2022, the project was 61% completed and the percentage of sales completion was at 90%. The attributable revenue recognised of S$660.53 million up to 30 June 2022 was based on the 61% completion as at 30 June 2022. The balance attributable revenue to be recognised for FY2023 and FY2024 would be recognised based on the completion of the project in FY2023 and FY2024. In addition, The M is expected to be completed in 2023. In our projections, we would assume for the construction of The M to be fully completed by 31 December 2023 (FY2024).

The summary of the total units, sales completion as at 30 June 2022, attributable total sales value, completion as at 30 June 2022, attributable revenue recognised up to 30 June 2022, balance attributable revenue to be recognised for FY2023 and FY2024 and the expected completion date is shown in **Exhibit 34**.

Exhibit 34: Summary of The M as at 30 June 2022

Project name	Total units	Sales completion as at 30 June 2022		Attributable total sales value	% Completion as at 30 June 2022	Attributable revenue recognised up to 30 June 2022	Balance attributable revenue to be recognised for FY2023 and FY2024	Expected completion
Singapore	**Unit**	**Unit sold [(1)]**	**% sold**	**S$ million**	**%**	**S$ million**	**S$ million**	**Period**
The M	522	469	90%	1,082.84	61%	660.53	422.31	2023

(1) Estimated based on percentage of sales completion as at 30.06.22

Source: Wing Tai, URA, FPA Financial

As highlighted in the ‘Industry Overview’ section, the demand for Singapore private residential market remains strong. Buying sentiment is expected to remain strong with the re-opening of China borders and the decline in number of new launches. According to flash estimates, the URA property price index also rose by 3.2% qoq in 1Q2023. Various commercial real estate services companies also forecasted growth in private residential prices of between 3% and 10% in 2023, as shown on page 18 Hence, we believe the positive buying momentum will continue into 2H2023 and FY2024.

Projected Sales for The M

As at 31 March 2023, according to URA data, a total of 506 units have been sold. Out of the 506 units, 10 units were sold in 1H2023. With the strong demand for private residences, we project that 3 more units will be sold for the remaining 3 months of FY2023. For FY2024, we expect the remaining 13 units to be sold as shown in **Exhibit 35**.

Exhibit 35: Projected Sales for The M for 2H2023 and FY2024

Project name	Sales completion as at 31 December 2022		Projected units sold		Projected % of units sold	
Singapore	**Unit**	**%**	**2H2023**	**FY2024**	**2H2023**	**FY2024**
The M	496	95%	13	13	98%	100%

Projected Revenue to Recognise for The M

As for The M project, the balance attributable revenue to be recognised for FY2023 and FY2024 would be recognised based on the completion of the project. As noted on **Exhibit 35**, we are projecting 98% and 100% of the units to be sold by end of 2H2023 and FY2024. In addition, as noted on **Exhibit 34**, 61% of the project was completed as at FY2022.

According to Housing Developers Rules, payments for uncompleted projections or building under construction will be collected progressively as shown in **Exhibit 36**.

Exhibit 36:Progressive Payment Schedule

Stage of construction	Description	Percentage of purchase price
1	Signing the Sales and Purchase Agreement	20%
2	Foundation work	10%
3	Reinforced concrete work	10%
4	Partition walls	5%
5	Roofing	5%
6	Door sub-frames/ door frames, window frames, electrical wiring (without fittings), internal plastering, and plumbing	5%
7	Car parks roads, and drains serving the housing project	5%
8	Building; roads, drainage, and sewage works; connection of water; and electricity and gas supplies (At this stage, the Temporary Occupation permit (TOP) is normally released)	25%
9	Final Payment Date and/ or Completion	15%

Source: Singapore Statutes Online

Considering the above, with the expected completion date of The M to be by 2023, we would assume that stages 1-8 would be completed by 2H2023 and stage 9 to be completed by FY2024. Accordingly, the projected percentage completion to recognise for FY2023 and FY2024 would be 85% and 100% as shown in **Exhibit 37**. As a result, the projected revenue recognised for The M for FY2023 and FY2024 would be S$259.9 million and S$162.4 million respectively as follows:

- Projected revenue to recognise for The M for FY2023: = [85%-61% (projected % completion for the year) x S$1,082.84 million (attributable total sales value)] = S$259.9 million

- Projected revenue to recognise for The M for FY2024: = [100%-85% (projected % completion for the year) x S$1,082.84 million (attributable total sales value)] = S$162.4 million

Exhibit 37: Projected Revenue to Recognise for The M for FY2023 and FY2024

Project name	Completion as at 30 June 2022	Attributable total sales value	Projected % completion to recognise		Attributable revenue recognised up to	Projected revenue recognised (S$ million)	
Singapore	%	S$ million	FY2023	FY2024	S$ million	FY2023	FY2024
The M	61%	1,082.84	85%	100%	660.53	259.88	162.43

Source: Wing Tai, FPA Financial

We note that for 1H2023, Singapore development properties revenue amounted to S$195.4 million. As noted on page 3, the last unit of Le Nouvel Ardmore was sold in 1H2023. We also noted from URA that 1 unit of Le Nouvel Ardmore was sold in 1H2023 for S$22.3 million. Given the above, we would assume the revenue contribution from Le Nouvel Ardmore for 1H2023 would be S$22.3 million and the remaining amount would be attributable to the M. Considering the above, the projected 2H2023 and FY2024 revenue for Singapore's development properties would be S$86.8 million and S$162.4 million respectively as follows:

- Projected revenue for Singapore's development properties for 2H2023 = [S$259.9 million - (S$195.4 million (1H2023 actual) –S$22.3 million (Revenue contribution from Le Nouvel Ardmore)] = S$86.8 million

- Projected revenue for Singapore's development properties for FY2023 = S$195.4 million (1H2023 actual) + S$86.8 million (2H2023 projected) = S$282.2 million

- Projected revenue for Singapore's development properties for FY2024 = S$162.4 million (projected FY2024 revenue from The M)

Our projected revenue for Singapore's development properties for FY2023 and FY2024 are summarized in **Exhibit 38**.

Exhibit 38: Projected Revenue for Singapore Development Properties for FY2023 and FY2024

Development properties (S$'000)	Actual	Forecast		
	1H2023	2H2023	FY2023	FY2024
Singapore	195,406	86,764	282,170	162,426

Source: Wing Tai, FPA Financial

Malaysia

We note that historically, Malaysia's development properties revenue contributes approximately S$40.6 million and S$43.4 million for FY2021 and FY2022 respectively as shown in **Exhibit 39**.

Exhibit 39: Wing Tai's Historical Development Properties Revenue

Development properties(S$'000)	FY2021	Contribution (%)	FY2022	Contribution (%)	1H2023	Contribution (%)
Singapore	316,886	89%	375,862	90%	195,406	93%
Malaysia	40,554	11%	43,361	10%	15,079	7%
Total development properties revenue	**357,440**	**100%**	**419,223**	**100%**	**210,485**	**100%**

Source: Wing Tai, FPA Financial

For our projection for Malaysia's development properties revenue, we would assume the same revenue contribution in FY2021 of S$40.6 million for FY2023. Accordingly, the projected Malaysia's development properties revenue contribution amounted to S$25.5 million =[S$40.6 million (FY2023 projected) – S$15.1 million (1H2023 actual)]. For FY2024, we would assume that the revenue contribution increased to S$43.4 million as recorded in FY2022. Our projected revenue for the development properties for FY2023 and FY2024 are summarized in **Exhibit 40**.

Exhibit 40: Projected Revenue for Development Properties for FY2023 and FY2024

Development properties (S$'000)	Actual		Forecast					
	1H2023	Contribution (%)	2H2023	Contribution (%)	FY2023	Contribution (%)	FY2024	Contribution (%)
Singapore	195,406	93%	86,764	77%	282,170	87%	162,426	79%
Malaysia	15,079	7%	25,475	23%	40,554	13%	43,361	21%
Total development properties revenue	**210,485**	**100%**	**112,239**	**100%**	**322,724**	**100%**	**205,787**	**100%**

Source: Wing Tai, FPA Financial

(b) Investment Properties

For our investment properties revenue projection, we will consider the percentage contribution of each individual geographical segments. With reference to **Exhibit 41**, we note that except for Japan, the contribution of each geographical segments has been relatively stable. Hence, we would be projecting the revenue for Singapore, which contributed 69% of the total investment properties revenue in FY2022, then using the same revenue contribution proportion for Malaysia, Australia, China and Japan to project the total investment properties revenue for 2H2023 and FY2024.

Exhibit 41: Wing Tai's Historical Investment Properties Revenue

Investment properties (S$'000)	1H2022	Contribution (%)	2H2022	Contribution (%)	FY2022	Contribution (%)	1H2023	Contribution (%)
Singapore	14,409	70%	13,480	69%	27,889	69%	14,948	76%
Malaysia	164	1%	188	1%	352	1%	176	1%
Australia	4,794	23%	4,509	23%	9,303	23%	4,095	21%
China	418	2%	437	2%	855	2%	406	2%
Japan	915	4%	855	4%	1,770	4%	7	0%
Total investment properties revenue	**20,700**	**100%**	**19,469**	**100%**	**40,169**	**100%**	**19,632**	**100%**

Source: Wing Tai, FPA Financial

Wing Tai's Singapore investment properties comprise of Winsland House I & II and Lanson Place Winsland. Winsland House I & II are commercial building used primarily for office rental while Lanson Place Winsland is a serviced residence. Hence, for our revenue projection, we will consider both the outlook for Singapore office rental and private residences rental.

As noted on page 18, URA data shows that the rentals of office space increased by 5.1% qoq in 4Q2022 and various commercial real estate services companies are positive on the outlook for office rentals and are projecting rentals to grow by between 1.00% and 4.00% in 2023. We also noted on page 10 that the rentals of private residential properties increased by 7.4% qoq in 4Q2022, according to URA data. Similarly, various commercial real estate services companies are positive on the outlook for office rentals, with C&W projecting residential rents to grow by 5% in 2023.

Given the above, while we do not have sufficient information on the revenue contribution of each of the respective properties, we will estimate the revenue contribution of each of Wing Tai's Singapore investment properties based on the lettable area (Sq m) as shown in **Exhibit 42**. Hence, using the midway point of the projected rental growth for office rent and the projected revenue growth for residential rents of 2.50% =[(1.00% + 4.00%) /2] and 5.0% respectively as the proxy for growth in 2H2023, the projected revenue for Singapore investment properties for 2H2023 would be S$15.4 million as shown in **Exhibit 42**.

Exhibit 42: Projected Singapore Investment Properties Revenue for 2H2023

Property	Actual 1H2023			Forecast	
	Interest in property	Lettable area (Sq m)	Estimated revenue contribution (S$'000)	Projected rental growth	2H2023 revenue (S$'000)
Commercial					
Winsland House I	100%	13,528	7,629	2.50%	7,819
Winsland House II (163 Penang Road)	100%	7,309	4,122	2.50%	4,225
Winsland House II (165 Penang Road)	100%	584	329	2.50%	338
Residential					
Lanson Place Winsland Serviced Residences	100%	5,087	2,869	5.00%	3,012
Total	-	**26,508**	**14,948**		**15,393**

Source: Wing Tai, FPA Financial

Assuming the same revenue contribution as at FY2022 of 1%, 23%, 2% and 4% for Malaysia, Australia, China, and Japan respectively, we would project the total revenue for 2H2023. We note that Japan's revenue for 1H2023 was S$7,000. This is because the Japan's hotel was undergoing refurbishment and is expected to be completed by second half of 2022. Hence, we would assume the hotel's performance to resume in 2H2023. Given the above, the projected total revenue for 2H2023 would be S$22.2 million as follows:

- Projected revenue for Malaysia's investment properties for 2H2023 = 1% (revenue contribution) x (S$15.4 million / 69%) (rebasing to 100%) = S$0.2 million
- Projected revenue for Australia's investment properties for 2H2023= (23% (revenue contribution) x (S$15.4 million / 69%) (rebasing to 100%) = S$5.1 million
- Projected revenue for China's investment properties for 2H2023 = 2% (revenue contribution) x (S$15.4 million / 69%) (rebasing to 100%) = S$0.5 million
- Projected revenue for Japan's investment properties for 2H2023= 4% (revenue contribution) x (S$15.4 million / 69%) (rebasing to 100%) = S$1.0 million

Given the above, the projected total investment properties revenue for FY2023 would be S$41.8 million as follows:

- Projected revenue for Singapore's investment properties for FY2023 = S$14.9 million (1H2023 actual) + S$15.4 million (2H2023 projected) = S$30.3 million
- Projected revenue for Malaysia's investment properties for FY2023 = S$0.18 million (1H2023 actual) + S$0.19 million (2H2023 projected) = S$0.37 million
- Projected revenue for Australia's investment properties for FY2023= S$4.1 million (1H2023 actual) + S$5.1 million (2H2023 projected) = S$9.2 million
- Projected revenue for China's investment properties for FY2023 = S$0.41 million (1H2023 actual) + S$0.47 million (2H2023 projected) = S$0.88 million
- Projected revenue for Japan's investment properties for FY2023= S$7,000 (1H2023 actual) + S$0.98 million (2H2023 projected) = S$0.99 million

Our projected revenue for investment properties for 2H2023 and FY2023 are summarized in **Exhibit 43**.

Exhibit 43: Projected Revenue for Investment Properties for 2H2023 and FY2023

Investment properties (S$'000)	Actual				Forecast			
	FY2022	Contribution (%)	1H2023	Contribution (%)	2H2023	Contribution (%)	FY2023	Contribution (%)
Singapore	27,889	69%	14,948	76%	15,393	69%	30,341	73%
Malaysia	352	1%	176	1%	194	1%	370	1%
Australia	9,303	23%	4,095	21%	5,135	23%	9,230	22%
China	855	2%	406	2%	472	2%	878	2%
Japan	1,770	4%	7	0%	977	4%	984	2%
Total investment properties revenue	**40,169**	**100%**	**19,632**	**100%**	**22,171**	**100%**	**41,803**	**100%**

Source: Wing Tai, FPA Financial

Looking ahead in FY2024, we expect a stronger revenue performance amid the end to China's Covid-Zero policy and the reopening of its borders. The continuing increase in visitor arrivals and resumption of business events could increase the demand for office space, leading to the increase in rental rates of Wing Tai's properties and thus raising the revenue.

Considering the above, we would assume International Monetary Fund's (IMF) 5-year GDP growth projections as a proxy for the revenue growth in FY2024. According to IMF, in its 5-year GDP projections, Singapore's GDP is expected to grow by 2.50%, Malaysia by 3.90%, Australia by 2.30%, China by 4.60% and Japan by 0.4% in 2027. Considering the above, we would project the revenue of each respective country to grow according to IMF's GDP forecasts. As a result, the projected total revenue for investment properties in FY2024 would be S$42.8 million as follows:

- Projected revenue for Singapore investment properties for FY2024 = S$30.3 million (projected FY2023 revenue) x 102.5% (expected growth rate) =S$31.1 million

- Projected revenue for Malaysia investment properties for FY2024 = S$0.37 million (projected FY2023 revenue) x 103.9% (expected growth rate) =S$0.39 million

- Projected revenue for Australia investment properties for FY2024 = S$9.2 million (projected FY2023 revenue) x 102.3% (expected growth rate) =S$9.4 million

- Projected revenue for China investment properties for FY2024 = S$0.88 million (projected FY2023 revenue) x 104.6% (expected growth rate) =S$0.92 million

- Projected revenue for Japan investment properties for FY2024 = S$0.98 million (projected FY2023 revenue) x 100.4% (expected growth rate) =S$0.99 million

Our projected revenue for the investment properties for FY2023 and FY2024 are summarized in **Exhibit 44**.

Exhibit 44: Projected Revenue for Investment Properties for FY2023 and FY2024

Investment properties (S$'000)	Actual				Forecast					
	FY2022	Contribution (%)	1H2023	Contribution (%)	2H2023	Contribution (%)	FY2023	Contribution (%)	FY2024	Contribution (%)
Singapore	27,889	69%	14,948	76%	15,393	69%	30,341	73%	31,100	73%
Malaysia	352	1%	176	1%	194	1%	370	1%	385	1%
Australia	9,303	23%	4,095	21%	5,135	23%	9,230	22%	9,442	22%
China	855	2%	406	2%	472	2%	878	2%	918	2%
Japan	1,770	4%	7	0%	977	4%	984	2%	988	2%
Total investment properties revenue	**40,169**	**100%**	**19,632**	**100%**	**22,171**	**100%**	**41,803**	**100%**	**42,833**	**100%**

Source: Wing Tai, FPA Financial

(c) Retail

For the retail revenue projections, we will consider the percentage contribution each of the geographical markets. With reference to **Exhibit 45**, we note that the contribution for Singapore has decreased from 70% in 1H2022 to 57% in 1H2023. For our projections, we would be projecting the revenue for Singapore, which contributed 57% of the total retail revenue in 1H2023, then rebasing it to 100% to estimate the retail revenue contribution for Malaysia.

Exhibit 45: Wing Tai's Historical Retail Revenue

Retail (S$'000)	1H2022	Contribution (%)	2H2022	Contribution (%)	1H2023	Contribution (%)
Singapore	13,352	70%	12,969	55%	13,714	57%
Malaysia	5,854	30%	10,631	45%	10,167	43%
Total retail revenue	**19,206**	**100%**	**23,600**	**100%**	**23,881**	**100%**

Source: Wing Tai, FPA Financial

We note that in FY2022, Wing Tai's retail business in Singapore saw improvements with the easing of COVID-19 restrictions, in particular, during the festive periods of Christmas, Chinese New Year and Hari Raya. Following the announcement that all workers could return to the office, there was increased demand for formal wear. Wing Tai also expanded the Adidas stores in Causeway Point and Tampines 1, offering a wider range of products to cater to consumer demand for athleisure products. A new store also opened in Waterway Point to serve the north-eastern region in Singapore.

According to Singapore's Department of Statistics (SingStat), in January, Singapore's retail sales excluding motor vehicles rose by 2.1% yoy compared to the 9.5% yoy increase in December. Given the above, we expect Wing Tai's retail revenue to increase in 2H2023. We would be using the January retail sales excluding motor vehicles as a proxy for the growth in retail revenue in Singapore for Wing Tai. Adopting the 2.1% growth in retail sales (ex motor vehicles) as a proxy, the projected revenue for Singapore's retail for 2H2023 would be S$14.0 million as follows:

- Projected revenue for Singapore retail for 2H2023 = S$13.7 million (1H2023 actual) x 102.1% (expected growth rate) =S$14.0 million

Assuming the same revenue contribution as at 1H2023 of 43%, we would derive a projected total revenue of S$24.4 million for 2H2023. The projected revenue for Malaysia would be S$10.4 million as follows:

- Projected Malaysia retail revenue for 2H20223 = 43% (revenue contribution) x (S$14.0 million / 57%) (rebasing to 100%) = S$10.4 million

Accordingly, the projected retail revenue for FY2023 for Singapore and Malaysia would amount to S$27.7 million and S$20.5 million respectively as follows:

- Projected Singapore retail revenue for FY2023 = S$13.7 million (1H2023 actual) + S$14.0 million (2H2023 projected) =S$27.7 million

- Projected Malaysia retail revenue for FY2023 = S$10.2 million (1H2023 actual) + S$10.4 million (2H2023 projected) =S$20.5 million

Consequently, the projected total revenue for FY2023 would be SS$48.3 million =[S$27.7 million (Singapore) + S$20.5 million (Malaysia)].

Our projected retail revenue for 2H2023 and FY2023 are summarized in **Exhibit 46**.

Exhibit 46: Projected Retail Revenue for 2H2023 and FY2023

Retail (S$'000)	Actual	Forecast	
	1H2023	2H2023	FY2023
Singapore	13,714	14,002	27,716
Malaysia	10,167	10,381	20,548
Total retail revenue	**23,881**	**24,383**	**48,264**

Source: Wing Tai, FPA Financial

For FY2024, with the gradual recovery from Covid-19 globally and international travel recovers, we believe a stronger retail recovery is likely in FY2023 due to more flexibility in border reopening and allowing for a significant increase in visitor arrivals. Considering the above, we would assume a 10% increase in total retail revenue for FY2024. As a result, the projected total retail revenue for FY2024 would be S$53.1 million, which is similar to the levels recorded in FY2021 as follows:

- Projected Singapore retail revenue for FY2024 = S$27.7 million (projected FY2023 revenue) x 110.0% (expected growth rate) =S$30.5 million

- Projected Malaysia retail revenue for FY2024 = S$20.5 million (projected FY2023 revenue) x 110.0% (expected growth rate) =S$22.6 million

Our projected retail revenue for FY2023 and FY2024 are summarized in **Exhibit 47**.

Exhibit 47: Projected Retail Revenue for FY2023 and FY2024

Retail (S$'000)	Actual		Forecast	
	FY2021	FY2022	FY2023	FY2024
Singapore	37,164	26,321	27,716	30,488
Malaysia	16,195	16,485	20,548	22,602
Total retail revenue	53,359	42,806	48,264	53,090

Source: Wing Tai, FPA Financial

(d) Total Revenue

We note that historically, “Others” comprise of management fees, sale of goods and dividend income and represent around 2% to 3% of Wing Tai’s total revenue from FY2021 to 1H2023 as shown in **Exhibit 48**.

Exhibit 48: Wing Tai’s Historical Total Revenue

Revenue (S$'000)	FY2021	Contribution (%)	FY2022	Contribution (%)	1H2023	Contribution (%)
Sale of development properties	357,440	77%	419,223	81%	210,485	81%
Investment properties	40,621	9%	40,169	8%	19,632	8%
Retail	53,028	11%	42,806	8%	23,881	9%
Others	10,307	2%	12,387	2%	6,773	3%
Total revenue	**461,396**	**100%**	**514,585**	**100%**	**260,771**	**100%**

Source: Wing Tai, FPA Financial

Given the above, we would assume the revenue contribution of 2% for “Others” for total revenue projections for 2H2023 and FY2024. Accordingly, the projected “Others” revenue would amount to S$3.2 million and S$6.2 million for 2H2023 and FY2024 respectively as follows:

- Projected revenue for “Others” for 2H2023= 2% (revenue contribution) x ((S$112.2 million (2H2023 sale of development properties revenue) + S$22.2 million (2H2023 investment properties revenue) + S$24.4 million (2H2023 retail revenue))/ (69% (2H2023 sale of development properties contribution) + 14% (2H2023 investment properties contribution) + 15% (2H2023 retail contribution)) (rebasing to 100%) = S$3.2 million

- Projected revenue for “Others” for FY2023 = S$6.8 million (1H2023 actual) + S$3.2 million (2H2023 projected) = S$10.0 million

- Projected revenue for “Others” for FY2024= 2% (revenue contribution) x ((S$205.8 million (FY2024 sale of development revenue) +S$42.8 million (FY2024 investment properties revenue) + S$53.1 million (FY2024 retail revenue))/ (67% (FY2024 sale of development properties contribution) + 14% (FY2024 investment properties contribution) + 17% (FY2024 retail contribution)) (rebasing to 100%) = S$6.2 million

Our projected total revenue for FY2023 and FY2024 are summarized in **Exhibit 49**.

Exhibit 49: Projected Total Revenue for FY2023 and FY2024

S$'000	Actual		Forecast					
	1H2023	Contribution (%)	2H2023	Contribution (%)	FY2023	Contribution (%)	FY2024	Contribution (%)
Sale of development properties	210,485	81%	112,239	69%	322,724	76%	205,787	67%
Investment properties	19,632	8%	22,171	14%	41,803	10%	42,833	14%
Retail	23,881	9%	24,383	15%	48,264	11%	53,090	17%
Others	6,773	3%	3,241	2%	10,014	2%	6,157	2%
Total revenue	**260,771**	**100%**	**162,034**	**100%**	**422,805**	**100%**	**307,867**	**100%**

Source: Wing Tai, FPA Financial

(II) Earnings Projection

Given our projected revenue figures for FY2023 and FY2024, we will now estimate Wing Tai's earnings for these periods.

Gross Profit

For our gross profit projections, we will consider Wing Tai's historical gross profit margins. We note that from FY2023 to 1H2023, Wing Tai's gross profit margins had decreased from 39.7% to 31.1%. For 2H2022 and FY2023, we would assume the same gross profit margin of 32.0% as in FY2022. Accordingly, the projected gross profit for FY2023 and FY2024 would be S$132.9 million and S$98.5 million as shown in **Exhibit 50**.

Exhibit 50: Projected Gross Profit for FY2023 and FY2024

S$'000	Actual			Forecast		
	FY2021	FY2022	1H2023	2H2023	FY2023	FY2024
Total revenue	461,396	514,585	260,771	162,034	422,805	307,867
Cost of sales	(278,329)	(350,018)	(179,664)	(110,215)	(289,879)	(209,409)
Gross profit	**183,067**	**164,567**	**81,107**	**51,819**	**132,926**	**98,457**
Gross profit margin	39.7%	32.0%	31.1%	32.0%	31.4%	32.0%

Source: Wing Tai, FPA Financial

Other gains/(losses) - net

As shown on **Exhibit 1** on page 4, other gains-net remained relatively stable between 1H2022 and 1H2023. However, we note that in 2H2022, other gains-net was relatively higher at S$5.9 million. Considering the above, we would assume the same other gains-net of S$5.9 million as recorded in 2H2022 for 2H2023. For FY2024, we would assume the same other gain-net of S$10.7 million as recorded in FY2023 as shown in **Exhibit 51**.

Exhibit 51: Projected Other Gains/(Losses)-net for FY2023 and FY2024

S$'000	Actual			Forecast		
	1H2022	2H2022	1H2023	2H2023	FY2023	FY2024
Other gains/(losses) - net	5,023	5,945	4,706	5,945	10,651	10,651

Source: Wing Tai, FPA Financial

Expenses

There are two types of expenses for Wing Tai: Distribution and Administrative & other. We note that the distribution expense as percentage of revenue fell from 9% to 6% from FY2021 to FY2022. The decrease in distribution expenses is mainly due to lower operating expense for retail stores. We would assume the average full year distribution expense as a percentage of revenue from FY2021 to FY2022 as a proxy for projections for 2H2023 and FY2024. The average distribution expense as a percentage of revenue of 7% is as follows:

- Average distribution expense as percentage of revenue from FY2021 to FY2022 = (9% (FY2021) + 6% (FY2022)) / 2 = 7%

Accordingly, the distribution expense for 2H2023, FY2023 and FY2024 are S$11.7 million, S$30.0 million and S$22.2 million respectively as follows:

- Projected distribution expense for 2H2023 = 7% (projected distribution expense as percentage of revenue) x S$162.0 million (projected total revenue for 2H2023) = S$11.7 million

- Projected distribution expense for FY2023 = S$18.3 million (actual 1H2023) + S$11.7 million (projected 2H2023) = S$30.0 million

- Projected distribution expense for FY2024 = 7% (projected distribution expense as percentage of revenue) x S$307.9 million (projected total revenue for FY2024) = S$22.2 million

Meanwhile, the administrative and other expense as percentage of revenue fell from 18% to 16% from FY2021 to FY2022. We would assume the average full year administrative & other expense as a percentage of revenue from FY2021 to FY2022 as a proxy for projections for 2H2023 and FY2024. The average administrative and other expense as a percentage of revenue from FY2020 to FY2021 of 17% is as follows:

- Average administrative & other expense as a percentage of revenue from FY2021 to FY2022 = (18% (FY2021) +16% (FY2022)) / 2 = 17%

Accordingly, the administrative & other expense for 2H2023, FY2023 and FY2024 would be S$28.1 million, S$66.6 million and S$53.4 million as follows:

- Projected administrative & other expense for 2H2023 = 17% (projected administrative & other expense as percentage of revenue) x S$162.0 million (projected total revenue for 2H2023) = S$28.1 million

- Projected distribution expense for FY2023 = S$38.4 million (actual 1H2023) + S$28.1 million (projected 2H2023) = S$66.6 million

- Projected administrative & other expense for FY2024 = 17% (projected administrative & other expense as percentage of revenue) x S$307.9 million (projected total revenue for FY2024) = S$53.4 million

Given the above, the total expenses for FY2023 and FY2024 amounted to S$96.6 million and S$75.7 million respectively as shown in **Exhibit 52**.

Exhibit 52: Projected Total Expenses for FY2023 and FY2024

S$'000	Actual				Forecast		
	FY2021	FY2022	Average	1H2023	2H2023	FY2023	FY2024
Total revenue	461,396	514,585	-	260,771	162,034	422,805	307,867
Expenses							
Distribution	(40,393)	(29,320)	-7%	(18,297)	(11,709)	(30,006)	(22,247)
as % of revenue	-9%	-6%		-7%	*-7%*	*-7%*	*-7%*
Administrative and other	(84,799)	(83,952)	-17%	(38,443)	(28,107)	(66,550)	(53,405)
as % of revenue	-18%	-16%		-15%	*-17%*	*-16%*	*-17%*
Total expenses	**(125,192)**	**(113,272)**	-	**(56,740)**	**(39,816)**	**(96,556)**	**(75,651)**

Source: Wing Tai, FPA Financial

Finance Cost

As at 31 December 2022, Wing Tai's total borrowings were S$691.7 million and the finance cost were S$12.4 million. Hence, the estimated effective interest on Wing Tai's borrowings for the full year would be 3.59% = [S$12.4 million (finance cost in FY2022) / S$691.7 million (total borrowings in FY2022) x 2 (interest rate for full year)].

According to Monetary Authority of Singapore (MAS), the average Singapore's SGS 10-year bond yield for FY2022 was 1.98% while the average 10-year bond yield for the first 10 months of FY2023 was 3.08%. The average Singapore's SGS 10- year bond yield for the first 10 months of FY2023 increased by 1.10 percentage points (ppts) = [3.08% (FY2023) – 1.98% (FY2022)] versus the average yield for FY2022 as shown in **Exhibit 53**.

Exhibit 53: Singapore SGS 10-Year Bond Yield

FY2022	10-year bond yield (%)	FY2023	10-year bond yield (%)
Jul-21	1.30%	Jul-22	2.66%
Aug-21	1.41%	Aug-22	2.98%
Sep-21	1.59%	Sep-22	3.48%
Oct-21	1.84%	Oct-22	3.43%
Nov-21	1.70%	Nov-22	3.07%
Dec-21	1.67%	Dec-22	3.09%
Jan-22	1.77%	Jan-23	2.97%
Feb-22	1.90%	Feb-23	3.34%
Mar-22	2.34%	Mar-23	2.94%
Apr-22	2.53%	Apr-23 (1)	2.87%
May-22	2.71%		
Jun-22	2.98%		
Average	**1.98%**	**Average**	**3.08%**

(1) As at 4 Apr 2023

Source: MAS, FPA Financial

Considering that the SGS 10-year bond yield increased by 1.10ppts in the first 10 months of FY2023 from FY2022, we would assume the increase in SGS 10-year bond yield as a proxy for the increase in effective interest rate for 2H2023. Accordingly, the effective interest rate for 2H2023 would be 4.69% =[3.59% (1H2023) +1.10ppt]. For FY2024, we would assume the effective interest rate to remain unchanged at 4.69%.

As noted earlier, Wing Tai's total borrowings for 1H2023 were S$691.7 million. In addition, as noted on page 26, Wing Tai's wholly-owned subsidiary has successfully tendered for the collective purchase of the freehold Holland Tower site for S$76,300,000. We would assume the consideration of S$76.3 million be fully funded by borrowings. Accordingly, the projected total borrowings for 2H2023 and FY2024 would amount to S$768.0 million = [S$691.7 million (1H2023 actual) + S$76.3 million (Holland Tower site)].

According to Bondsupermart, Wing Tai has 1 unsecured medium term notes due February 2024 with coupon rate of 4.700%, 1 unsecured medium term note due May 2027 with coupon rate of 4.100% and 1 unsecured medium term notes due Jan 2030 with coupon rate of 3.680%.

We would assume for Wing Tai to repay the medium term notes when it matures and calculate the interest payment based on the number of months Wing Tai is liable for interest payment for the medium term notes. For the unsecured medium term note due February 2024, we would be including 8 months of interest contribution for FY2024. Given the above, the projected total finance cost for 2H20223 would be S$17.2 million. For FY2024, after factoring the 8 month interest expense from the medium note due February 2024, the projected total finance cost would amount to S$33.3 million as shown in **Exhibit 54**.

Exhibit 54: Projected Finance Cost for 2H2023 and FY2024

S$'000	2H2023			FY2024		
	Borrowings	Interest rate	Interest expense	Borrowings	Interest rate	Interest expense
Secured bank loans	327,147	4.69%	7,673	327,147	4.69%	15,346
Unsecured bank loans	169,896	4.69%	3,985	169,896	4.69%	7,970
Unsecured medium term notes due Feb 2024	71,000	4.70%	1,669	71,000	4.70%	2,225
Unsecured medium term notes due May 2027	100,000	4.10%	2,050	100,000	4.10%	4,100
Unsecured medium term notes due Jan 2030	100,000	3.68%	1,840	100,000	3.68%	3,680
Total	**768,043**	**-**	**17,217**	**-**	**-**	**33,321**

Source: Wing Tai, Bondsupermart, FPA Financial

The summary of the projected finance cost for FY2023 and FY2024 is shown in **Exhibit 55**.

Exhibit 55: Projected Finance Cost for FY2023 and FY2024

S$'000	Actual			Forecast		
	FY2021	FY2022	1H2023	2H2023	FY2023	FY2024
Total finance cost	30,677	(25,296)	(12,404)	(17,217)	(29,621)	(33,321)

Source: Wing Tai, FPA Financial

Share of Profits from Associated and Joint Venture Companies

Share of profits from associated and joint venture companies comprise of Wing Tai Properties Limited, Uniqlo Singapore & Malaysia and other individually immaterial joint venture companies. We note that the share of profits from associated and joint venture companies in FY2022 was significantly much higher than FY2021. This increase is primarily due to the higher contributions from Wing Tai Properties Limited in Hong Kong as well as Uniqlo in Singapore and Malaysia.

We note that joint venture brand Uniqlo saw steady recovery following the economic reopening of Singapore and Malaysia. It continued to expand its footprint in both markets, operating a total of 28 stores in Singapore and 50 stores in Malaysia as at 30 June 2022. In March 2022, Uniqlo opened its first sustainable and inclusive store in Singapore at 51 @ Ang Mo Kio, designed to create an inclusive shopping environment for every shopper across generations and needs. Besides conducive in-store features to cater to shoppers with special needs, the store is also a pilot of community partnership projects and sustainability initiatives.

Considering the above, we would adopt a conservative approach and assume the share of profits from associated and joint venture companies to increase by 10% in 2H2023 from 1H2023 and another 10% increase in FY2024 from FY2023.

Accordingly, the projected 2H2023, FY2023 and FY2024 share of profits from associated and joint venture companies would amount to S$36.7 million, S$70.2 million and S$77.2 million respectively as follows:

- Projected share of profits from associated and joint venture companies for 2H2023 = S$33.4 million (1H2023 actual) x 110% (projected growth)) = S$36.7 million

- Projected share of profits from associated and joint venture companies for FY2023 = S$33.4 million (1H2023 actual) + S$36.7 million (2H2023 projected) = S$70.2 million

- Projected share of profits from associated and joint venture companies for FY2024 = S$70.2 million (FY2024 projected) x 110% (projected growth)) = S$77.2 million

Our projected share of profits from associated and joint venture companies for FY2023 and FY2024 are summarized in **Exhibit 56**.

Exhibit 56: Projected Share of Profits from Associated and Joint Venture Companies for FY2023 and FY2024

S$'000	Actual			Forecast		
	FY2021	FY2022	1H2023	2H2023	FY2023	FY2024
Share of profits from associated and joint venture companies	36,290	112,180	33,405	36,746	70,151	77,166

Source: Wing Tai, FPA Financial

Profit Before Income Tax

Given the above projections, we estimate a profit before tax of S$87.6 million in FY2023 and S$77.3 million in FY2024 as shown in **Exhibit 57**.

Exhibit 57: Projected Profit Before Income Tax for FY2023 and FY2024

S$'000	Actual	Forecast		
	1H2023	2H2023	FY2023	FY2024
Revenue				
Sale of development properties	210,485	112,239	322,724	205,787
Investment properties	19,632	22,171	41,803	42,833
Retail	23,881	24,383	48,264	53,090
Others	6,773	3,241	10,014	6,157
Total revenue	**260,771**	**162,034**	**422,805**	**307,867**
Cost of sales	(179,664)	(110,215)	(289,879)	(209,409)
Gross profit	**81,107**	**51,819**	**132,926**	**98,457**
Other gains/(losses) - net	4,706	5,945	10,651	10,651
Expenses				
Distribution	(18,297)	(11,709)	(30,006)	(22,247)
Administrative and other	(38,443)	(28,107)	(66,550)	(53,405)
Operating profit	**29,073**	**17,948**	**47,021**	**33,457**
Finance costs	(12,404)	(17,217)	(29,621)	(33,321)
Share of profits from associated and joint venture companies	33,405	36,746	70,151	77,166
Profit before income tax	**50,074**	**37,477**	**87,551**	**77,302**

Source: Wing Tai, FPA Financial

Income Tax Expense

We will proxy our income tax expense projections for FY2023 and FY2024 based on FY2021's and FY2022's tax expense. Given the limited access to information relating to the components of the income tax expense, we would assume the average percentage of each income tax expense component of its profit before tax as recorded in FY2021 and FY2022 as shown in **Exhibit 58**.

Exhibit 58: Income Tax Expense for FY2021 and FY2022

[S$'000]	Actual				Projected
	FY2021	% of profit before tax	FY2022	% of profit before tax	Average % of profit before tax
Profit before tax	**75,255**		**149,147**		
Tax calculated at Singapore standard rate of income tax	6,624	8.8%	6,284	4.2%	8.6%
Effect of taxable distributions from a foreign subsidiary company	10,581	14.1%	-	0.0%	7.0%
Different tax rate in other countries	2,390	3.2%	1,821	1.2%	2.8%
Expenses not deductible for tax purposes	11,985	15.9%	10,590	7.1%	15.1%
Land appreciation tax	11,554	15.4%	-	0.0%	7.7%
Income not subjected to tax	(7,526)	-10.0%	(6,844)	-4.6%	-9.6%
Overprovision of tax	(6,880)	-9.1%	(9,463)	-6.3%	-10.9%
Unrecognised tax losses	4,575	6.1%	3,077	2.1%	5.1%
Income tax expense	**33,303**	**44.3%**	**5,465**	**3.7%**	**25.8%**

Source: Wing Tai, FPA Financial

Accordingly, adopting the average percentage of profit before tax for each of the items for Wing Tai's income tax expense, our projected income tax expense for 2H2023 and FY2024 would be S$9.7 million and S$19.9 million respectively as shown in **Exhibit 59**.

Exhibit 59: Projected Income Tax Expense for FY2023 and FY2024

[S$'000]	Projected				
	Average % of profit before tax	2H2023	% of profit before tax	FY2024	% of profit before tax
Profit before tax	-	**37,477**	-	**77,302**	
Tax calculated at Singapore standard rate of income tax	8.6%	3,228	8.6%	6,659	8.6%
Effect of taxable distributions from a foreign subsidiary company	7.0%	2,635	7.0%	5,434	7.0%
Different tax rate in other countries	2.8%	1,053	2.8%	2,171	2.8%
Expenses not deductible for tax purposes	15.1%	5,645	15.1%	11,644	15.1%
Land appreciation tax	7.7%	2,877	7.7%	5,934	7.7%
Income not subjected to tax	-9.6%	(3,594)	-9.6%	(7,413)	-9.6%
Overprovision of tax	-10.9%	(4,091)	-10.9%	(8,438)	-10.9%
Unrecognised tax losses	5.1%	1,912	5.1%	3,944	5.1%
Income tax expense	**25.8%**	**9,666**	**25.8%**	**19,937**	**25.8%**

Source: Wing Tai, FPA Financial

Total Profit

Adjusted for tax expense, the projected total profit for FY2023 and FY2024 would be S$91.4 million and S$57.4 million respectively. We note that in 1H2023, the income tax credit is mainly due to the write-back of deferred tax provision that is no longer required.

We note that profit attributable to non-controlling interest (NCI) for 1H2023 was S$0.2 million. We would assume for NCI to remain unchanged at S$0.2 million in 2H2023. For FY2024, as we are projecting an increase in revenue, we would assume a 10% yoy increase in NCI to S$0.5 million =[S$494,000 x 110%]. Accordingly, profit attributable to equity holders of the company would amount to S$90.9 million and S$56.8 million for FY2023 and FY2024 respectively, as shown in **Exhibit 60**.

Exhibit 60: Projected Total Profit for FY2023 and FY2024

S$'000	Actual	Forecast		
	1H2023	2H2023	FY2023	FY2024
Revenue				
Sale of development properties	210,485	112,239	322,724	205,787
Investment properties	19,632	22,171	41,803	42,833
Retail	23,881	24,383	48,264	53,090
Others	6,773	3,241	10,014	6,157
Total revenue	**260,771**	**162,034**	**422,805**	**307,867**
Cost of sales	(179,664)	(110,215)	(289,879)	(209,409)
Gross profit	**81,107**	**51,819**	**132,926**	**98,457**
Other gains/(losses) - net	4,706	5,945	10,651	10,651
Expenses				
Distribution	(18,297)	(11,709)	(30,006)	(22,247)
Administrative and other	(38,443)	(28,107)	(66,550)	(53,405)
Operating profit	**29,073**	**17,948**	**47,021**	**33,457**
Finance costs	(12,404)	(17,217)	(29,621)	(33,321)
Share of profits from associated and joint venture companies	33,405	36,746	70,151	77,166
Profit before income tax	**50,074**	**37,477**	**87,551**	**77,302**
Income tax expense	13,476	(9,666)	3,810	(19,937)
Total profit	**63,550**	**27,811**	**91,361**	**57,365**
Attributable to:				
Equity holders of the Company	63,303	27,564	90,867	56,821
Non-controlling interest	247	247	494	543

Source: Wing Tai, FPA Financial

Earnings Per Share

Earnings per share is calculated by dividing the profit attributable to ordinary shareholders of the company by the weighted average number of ordinary shares outstanding during the financial year. Profit attributable to ordinary shareholders is derived from deducting profit attributable to holders of perpetual securities from profit attributable to equity holders of the company.

On 28 June 2017, Wing Tai issued $150,000,000 4.08% senior perpetual securities at an issue price of 100%, excluding transaction costs. Holders of the perpetual securities are conferred a right to receive distribution on a semi- annual basis from their issue date at the rate of 4.08% per annum, subject to a step-up rate from 28 June 2027. The perpetual securities were fully redeemed on 28 June 2022.

On 24 May 2019, Wing Tai issued $150,000,000 4.48% senior perpetual securities at an issue price of 100%, excluding transaction costs. Holders of the perpetual securities are conferred a right to receive distribution on a semi- annual basis from their issue date at the rate of 4.48% per annum, subject to a step-up rate from 24 May 2029.

Given the above, profit attributable to holders of perpetual securities would amount to S$6.7 million for both FY2023 and FY2024 = [(S$150,000,000 x 4.48%)].

Considering the above, assuming the latest available issued number of ordinary shares of 760.0 million, we projected an earnings per share of 11.06 cents in FY2023 and 6.59 cents in FY2024 as shown in **Exhibit 61**.

Exhibit 61: Projected Earnings Per Share for FY2023 and FY2024

S$'000	Actual	Forecast		
	1H2023	2H2023	FY2023	FY2024
Earnings per share attributable to ordinary shareholders of the Company (cents):				
Profit attributable to equity holders of the company	63,303	27,564	90,867	56,821
Profit attributable to holders of perpetual securities	(3,360)	(3,360)	(6,720)	(6,720)
Profit attributable to ordinary shareholders	59,943	24,204	84,147	50,101
Weighted average number of ordinary shares ('000)	759,966	759,966	759,966	759,966
Earnings per share	**7.88**	**3.18**	**11.06**	**6.59**

Source: Wing Tai, FPA Financial

(III) Dividends Projection

We note that from FY2017 to FY2022, Wing Tai's cash dividend per share is between 3.00 cents and 8.00 cents with a 5-year average of 5.50 cents. Considering that our projected earning per share would be approximately 11.06 cents in FY2023, we would project cash dividend of 6.00 cents. For FY2024, with an estimated earning per share of 6.59 cents, we would project a cash dividend of 5.00 cents as shown in **Exhibit 62**.

Exhibit 62: Projected Dividend for FY2023 and FY2024

Cents	Actual							Forecast	
	FY2017	FY2018	FY2019	FY2020	FY2021	FY2022	Average	FY2023	FY2024
Earnings per share	2.59	28.29	5.21	0.4	3.99	16.64	-	11.06	6.59
Cash dividend per share	6.00	8.00	5.00	3.00	5.00	6.00	5.50	6.00	5.00

Source: Wing Tai, FPA Financial

VALUATION ANALYSIS

(I) Peer Comparison Analysis

We will perform an updated peer comparison analysis to account for the changes in the financial position of Wing Tai and its selected peer companies. The results of our updated peer comparison analysis are summarized in **Exhibit 63**.

Exhibit 63: Peer Comparison

Company	Stock code	Price ($) as at 11 April 2023	Market cap (S$ million)	EPU [1] (cents)	P/E (x)	DPU [1] (cents)	Dividend yield (%)	NAV per share [2] (S$)	P/B (x)
Wing Tai Holdings	W05	1.490	1,182.95	18.36	8.12	6.00	4.03	4.26	0.35
Peer companies:									
Bukit Sembawang Estates Ltd [3]	B61	4.090	1,058.95	16.28	25.12	16.00	3.91	5.61	0.73
GuocoLand Limited	F17	1.610	1,905.23	32.91	4.89	6.00	3.73	3.78	0.43
Hotel Properties Limited	H15	3.600	1,876.68	12.65	28.46	4.00	1.11	3.16	1.14
Ho Bee Land Limited	H13	2.250	1,494.04	24.98	9.01	8.00	3.56	5.90	0.38
Peer average	-	-	-	-	**16.87**	-	**3.08**	-	**0.67**

Figures have been rounded
(1) Trailing 12-month data
(2) NAV as at 31 Dec 22
(3) NAV as at 31 Sep 22
Source: Respective company data, FPA Financial

(a) P/B Multiple

Based on the results in **Exhibit 63** on the previous page, we note that Wing Tai is currently trading at a P/B multiple of 0.35x, which is lower than the peer average P/B of 0.67x, which may suggest that it is undervalued at the current share price of S$1.490. Adopting a relative valuation approach, we estimate a target price of S$2.854 if Wing Tai were to trade at the peer average P/B multiple of 0.67x as follows:

- Estimated target price = [peer average P/B] x [Wing Tai's NAV per share] = 0.67 x S$4.26 = S$2.854

The estimated target price of S$2.854 would imply an upside potential of 91.54% from the current price of S$1.490.

(b) P/E Multiple

Furthermore, based on the results in **Exhibit 63**, we also note that Wing Tai is currently trading at a P/E multiple of 8.12x, which is lower than the peer average P/E of 16.87x, which may suggest that it is undervalued at the current share price of S$1.490. Similarly, adopting a relative valuation approach, we estimated a target price of S$3.100 if Wing Tai were to trade at the peer average P/E of 16.87x as follows:

- Estimated target price = [peer average P/E] x [Wing Tai's EPS] = 16.87 x S$0.1836 = S$3.100

The estimated target price of S$3.100 would imply an upside potential of 108.05% from the current price of S$1.490.

(c) Dividend Yield

Furthermore, based on the results in **Exhibit 63** on the previous page, we note that Wing Tai's dividend yield of 4.03% is relatively more attractive than the peer average dividend yield of 3.08%. Adopting a relative valuation approach, we estimate a target price of S$1.950 as follows:

- Estimated target price = [(Wing Tai's dividend yield/ peer average dividend yield) x Wing Tai's current price] = (4.03% / 3.08%) x S$1.490 = S$1.950

The estimated target price of S$1.950 would imply an upside potential of 30.87% from the current price of S$1.490.

(d) Estimated Target Price

Considering the above, Wing Tai is currently undervalued compared to its peers in terms of P/B and P/E. In addition, Wing Tai is also relatively more attractive in terms of dividend yield. Adopting a relative valuation approach, we estimate a target price of S$2.854, S$3.100 and S$1.950 based on the peer average P/B, P/E and dividend yield comparison analysis respectively. By taking the average of our estimated target price, we derived a target price of S$2.635 as follows:

- Estimated target price = [(Estimated target price from P/B analysis + Estimated target price from P/E analysis + Estimated target price from dividend yield analysis) / 3] = (S$2.854 + S$3.100 +S$1.950) / 3 = S$2.635

The estimated target price of S$2.635 would imply an upside potential of 76.85% from the current price of S$1.490. However, based on the current market environment, we do not think it is possible for Wing Tai's share price to achieve an upside of 76.85%. Considering the above, we believe that it could be more reasonable for Wing Tai's share price to trade at S$1.810, which is its 52-week high. Accordingly, this estimated target price would represent a 21.48% upside from the current price of S$1.490.

(II) Potential Wing Tai Privatisation

Wing Tai's Chairman & family, are deemed to hold 60.85% stake in Wing Tai, comprising of direct interest of 214,400 units and deemed interest of 462,783,459 units.

We note that the Singapore Exchange (SGX) had seen an increasing trend of privatisation offer during the past 2 years. Further, Wing Tai is currently trading at S$1.490 as at 11 April 2023, which represents a 65% discount to NAV per share of S$4.26 as at 31 December 2022. Given the increasing trend of privatisation offers for SGX-listed companies within the past year and that Wing Tai is trading at more than 50% discount to NAV, we identify a possibility of a privatisation offer for Wing Tai's Chairman and family.

To estimate the potential takeover cost for Wing Tai, we will review privatisation offers for SGX-listed companies. After reviewing 23 privatisation offers, we shortlisted 9 privatisation offers which we deemed to be similar to Wing Tai. The average price premium of the 9 privatisation offers was 37.4% as shown in **Exhibit 64**.

Exhibit 64: Privatization offers for SGX-listed Companies

Target	Acquirer	Currency	Last transaction (1)		Offer price per share	Price premium (2)
			Date	Price		
GL Limited	Guoco Group Limited	SGD	14-Jan-21	0.560	0.800	42.9%
World Class Global Limited	Aspial Corporation Limited	SGD	11-Mar-21	0.099	0.210	112.1%
Fragrance Group Limited	JK Global Treasures Pte Ltd	SGD	8-Jul-21	0.118	0.138	16.9%
SPH	Cuscaden Peak Pte Ltd	SGD	2-Aug-21	1.500	2.360	57.3%
Roxy-Pacific Holdings Limited	TKL & Family Pte Ltd	SGD	14-Sep-21	0.405	0.485	19.8%
SingHaiyi Group	Haiyi Treasure Pte. Ltd	SGD	8-Nov-21	0.108	0.117	8.3%
Hwa Hong Corporation Limited	Sanjuro United Pte. Ltd.	SGD	17-May-22	0.290	0.400	37.9%
GYP Properties Limited	Rumah & Co. Pte. Ltd.	SGD	8-Jul-22	0.149	0.200	34.2%
Boustead Projects	Boutstead Singapore	SGD	6-Feb-23	0.840	0.900	7.1%
Average						**37.4%**

(1) Refers to last transaction prior to takeover announcement

(2) Refers to premium of offer price over last traded share price prior to takeover announcement

Source: Respective companies' announcements

In the case of Wing Tai, as mentioned earlier, Wing Tai's Chairman hold approximately 60.85% stake in the company, which means that it would need to acquire the remaining 39.15% to privatise the company. This equates to S$463.13 million in market capitalisation at the current price of S$1.490 =[39.15% x current market capitalisation of S$1,182.95 million].

While we are not aware of any proposed privatisation plan, in the event that a privatisation was to happen, we projected 3 scenarios for the estimated acquisition cost with a price premium of 8.3%, 37.4% and 57.3% for scenario 1, 2 and 3 respectively. Scenario 1 represents the 12th percentile, scenario 2 represents the average and scenario 3 represents the 78th percentile of the 9 privatization offers. The total acquisition cost for scenario 1, 2 and 3 would be S$501.7 million, S$636.4 million and S$728.7 million respectively as shown in **Exhibit 65** on the next page.

Our base scenario would be scenario 2. With a 37.4% average privatisation price premium, the estimated acquisition cost to privatise Wing Tai would be approximately S$2.047 per share which would be equivalent to a total cost of S$636.4 million =[137.4% x 463.13 million] as shown in **Exhibit 65**.

Exhibit 65: Estimated Total Cost for the Potential Wing Tai Privatisation

Scenario	Current share price (S$)	Price premium	Estimated offer price per share (S$)	Estimated total cost (S$ million)
1	1.490	8.3%	1.614	501.7
2	1.490	37.4%	2.047	636.4
3	1.490	57.3%	2.344	728.7

Source: FPA Financial

(IV) Valuation Summary

The results from our peer comparison analysis suggest that Wing Tai is currently undervalued compared to its peers in terms of P/B and P/E multiples. In addition, Wing Tai's dividend yield is relatively more attractive than its peers. Adopting a relative valuation approach, we estimate a target price of S$2.854, S$3.100 and S$1.950 based on its P/B, P/E and dividend yield analysis respectively. By taking the average of our estimated target price based on its P/B and dividend yield analysis, we derived a target price of S$2.635.

Meanwhile, our base case is that Wing Tai will continue to be listed publicly. However, as Wing Tai's Chairman and family are deemed to hold 60.85% stake in the company and that Wing Tai is trading at more than 50% discount to NAV, there is a possibility for Wing Tai to be taken private. If Wing Tai were to be privatized, based on our base scenario we estimate a privatisation offer price of S$2.047 per share based on the average price premium of 37.4% across the 9 privatisation offers for SGX-listed companies

Considering the above, the estimated target price of S$2.635 from our peer comparison analysis would imply an upside potential of 76.85% from the current price of S$1.490. However, based on the current market environment, we do not think it is possible for Wing Tai's share price to achieve an upside of 76.85%. Considering the above, we believe that it could be more reasonable for Wing Tai's share price to trade at S$1.810, which is its 52-week high. Accordingly, this estimated target price would represent a 21.48% upside from the current price of S$1.490.

INVESTMENT RECOMMENDATION

Based on the reported NAV per share of S$4.26 as at 31 December 2022, Wing Tai is currently trading at a P/B of 0.35x, representing a discount of approximately 65% to NAV. While we note that the other comparable real estate companies are also trading at a discount to NAV, our peer comparison results suggest that Wing Tai is trading at a steeper discount. Wing Tai's current P/B of 0.35x is lower compared to the peer average P/B of 0.67x. Adopting a relative valuation approach, we estimate a target price of S$2.854 if Wing Tai were to trade at the peer average P/B of 0.67x.

At the same time, based on Wing Tai's trailing 12 months earnings of 18.36 cents as at 31 December 2022, it current has a P/E of 8.12x. Our peer comparison analysis results show that Wing Tai's P/E of 8.12x is lower than the peer average P/E of 16.87x, which suggest that it could be undervalued. We adopted a relative valuation approach to derive an estimated target price of S$3.100 if Wing Tai were to trade at its peer average P/E of 16.87x

Our peer comparison analysis results also show that Wing Tai's dividend yield of 4.03% is relatively more attractive than the peer average dividend yield of 3.08%. Adopting a relative valuation approach, we estimate a target price of S$1.950.

Taken together, by calculating the average of our estimated target price based on the P/B, P/E and dividend yield peer comparison analysis, we derived a target price of S$2.635 = [(S$2.854 + S$3.100 +S$1.950) / 3].

In addition, while we note that there is no indication of a privatisation of Wing Tai, our base scenario estimates a privatisation offer of S$2.047 per share, representing a price premium of 37.4%.

In terms of financials, we note that Wing Tai has maintained a healthy set of financial results over the years and has managed to provide stable returns to its shareholders. Considering the positive outlook in Singapore's economy and the strong positive momentum in the property market, we are expecting a stable financial performance for Wing Tai for FY2023 and FY2024. This could provide some upside potential for Wing Tai.

The estimated target price of S$2.635 from our peer comparison analysis would imply an upside potential of 76.85% from the current price of S$1.490. However, based on the current market environment, we do not think it is possible for Wing Tai's share price to achieve an upside of 76.85%. Considering the above, we believe that it could be more reasonable for Wing Tai's share price to trade at S$1.810, which is its 52-week high. Accordingly, this estimated target price would represent a 21.48% upside from the current price of S$1.490. Given the above, we will maintain our buy recommendation on Wing Tai. However, there are still risks to our target price which we will highlight in the next section.

RISKS TO THE TARGET PRICE

In this section, we highlight below risk factors that may limit the potential upside to Wing Tai's target price.

(I) Weak Economic Recovery in Singapore

The Ministry of Trade and Industry (MTI) has stated that the aviation and tourism sectors in Singapore's economy are expected to experience improved growth in 2023 due to the anticipated acceleration in international air travel and inbound tourism, following China's faster-than-expected relaxation of border restrictions. These sectors comprise air transport, accommodation, and arts, entertainment & recreation, including the aerospace segment within the transport engineering cluster.

However, outward-oriented sectors are projected to experience weak growth due to the global economic slowdown. For example, the electronics cluster's semiconductors segment is expected to be negatively affected by weaker global semiconductor demand, while the precision engineering cluster may be impacted by a reduction in capital spending by semiconductor manufacturers. Furthermore, the slowdown in major external economies will also dampen growth in the wholesale trade, water transport, and finance & insurance sectors. This could derail Singapore's economic recovery and negatively impact Wing Tai's financial performance.

(II) Currency Risk

We note that Wing Tai operates in Asia-Pacific with dominant operations in Singapore, Malaysia, Australia, Japan and Hong Kong SAR. Entities in Wing Tai may also transact in currencies other than their respective functional currencies. Amid the current COVID-19 situation, there is a possibility that Singapore Dollar (SGD) could strengthen due to higher vaccination rates and an increase in capital inflow as a result of its safe-haven status. This would imply a reduction in revenue when foreign currency earnings in MYR, AUD, JPY and HKD are translated to SGD. Hence, a stronger SGD could have a negative impact on Wing Tai's earnings due to currency exchange losses.

To manage the currency risk, Wing Tai enters into cross currency swaps, currency forwards and uses natural hedging opportunities, like borrowing in the currency of the country in which these investments are located whenever practicable. The exchange differences arising from such translations are captured under the currency translation reserve. These currency translation differences are reviewed and monitored on a regular basis.

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