

Issuer: Oxley Holdings Limited
Security: Oxley Holdings Limited

Meeting details:

Date: 28 Oct 2016

Time: 10:00AM

Venue: Albatross Room (Level 2) of Raffles Country Club at 450 Jalan Ahmad Ibrahim, Singapore 639932

Company Description

Oxley Holdings Limited, an investment holding company, develops and sells properties in Singapore. The company operates through two segments, Property Development and Investment Properties. It develops residential, commercial, and industrial properties. The company is also involved in property investment activities. It operates in Singapore, the United Kingdom, Cambodia, Malaysia, and Japan. Oxley Holdings Limited was incorporated in 2010 and is headquartered in Singapore.

(Source: http://www.sgx.com/wps/portal/sgxweb/home/company_disclosure/stockfacts?code=5UX)

Q1. On 27 June 2016, the company released a statement on the implication of “Brexit” and the impact on its real estate business in the United Kingdom. Since then, the GBP/SGD exchange rate has dropped further to below 1.7 and there is still a lot of uncertainty from investors and from businesses about the long-term impact on Britain’s trade, growth and immigration.

- a) **Could management give a further update on the ground sentiment in the United Kingdom with regard to the UK/London property market?**
- b) **Since the announcement, has there been any notable impact (especially on the contracted sales) on the group’s Royal Wharf project? As the units in Phase 1 of the Royal Wharf project are being handled over, has the group observed any increased default/completion risk?**
- c) **Did the interests shown by potential overseas buyer translate into more sales?**
- d) **Has the Brexit referendum affected Galliard in any significant way and has it delayed the development plans for Deanston Wharf?**

Q2. The group has business presence across nine geographical markets – Singapore, UK, Cambodia, Malaysia, Ireland, Indonesia, China, Japan and Myanmar. In each market, the group has to find the right partners to work with to ensure that the projects will be successfully completed without major hiccups, cost over-runs or delays.

- a) **The many stakeholders include the land-owners, the local governments, the local partners, the contractors and, in some cases, the management companies. Just looking at the hotel management companies, the group already has quite a few of such partners such as Accor, Jumeirah, Shangri-La and Swiss-Belhotel. Can management help shareholders understand how the team is able to manage all these relationships with all the stakeholders in the different markets?**
- b) **In terms of internal controls and risk management, how much oversight does the company have for their overseas ventures and how does the company mitigate the execution risks?**
- c) **The group has been very nimble and agile and has executed its growth plans well since the listing in 2010. What guidance has the board given to management to balance being agile and responsive, and building up deep managerial depth?**

Q3. The net gearing ratio has decreased to 2.2 times as at 30 June 2016, down from 2.6 times at the end of the last financial year. It is set to decrease even further, as sales proceeds are collected upon the handing-over of units to the buyers of the Phase 1 of the Royal Wharf project. The net gearing ratio was as high as 4.1 times in 2014.

In note 25 (page 94, 95 – Share capital), it is disclosed that:

The management does not set a target level of gearing but uses capital opportunistically to support its business and to add value for shareholders. The key discipline adopted is to widen the margin between the return on capital employed and the cost of that capital.

The management monitors the capital on the basis of the debt-to-adjusted capital ratio. This ratio is calculated as net debt / adjusted capital (as shown below). Net debt is calculated as total borrowings less cash and cash equivalents.

While shareholders believe that management will never go into a project without the sufficient margin, the fact is that real estate development has long gestation periods and there are black-swan type events such as geo-political risks, terrorism, currency and capital control risks.

As at the end of the financial year, the total equity of the group is \$985 million. A lot can be done with close to \$1 billion of (total) equity without excessive leverage.

- a) **Would the board consider it prudent to set a target for the maximum gearing for the group?**
- b) **To better manage the group's risks, should the board also consider geographical exposure limits and single-project limits?** This will ensure that the group has a diversified portfolio of development projects and the group will not be materially affected by any single negative event.