

**Issuer:** Oxley Holdings Limited

**Security:** Oxley Holdings Limited

**Meeting details:**

Date: 31 October 2017

Time: 10.00 a.m.

Venue: Polaris I, Level 1, Novotel & Mercure Singapore on Stevens, 28 Stevens Road, Singapore 257878

**Company Description**

Oxley Holdings Limited, an investment holding company, engages in property investment and development, and project management activities in Singapore, the United Kingdom, Ireland, Cambodia, Malaysia, Indonesia, China, Japan, Myanmar, Italy, and Cyprus. Its property development portfolio includes residential, commercial, industrial, and hospitality projects. The company also sells and markets homes; and provides property construction and homes letting services, as well as consultancy services. Oxley Holdings Limited was incorporated in 2010 and is based in Singapore.

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

**Q1.** The group has expanded its global footprint by going into a development project in Limassol, Cyprus.

As noted in the profile for upcoming developments, the planned development of the mixed-used project will be a future landmark in Limassol (extracted from page 17 of the annual report).

## LIMASSOL OXLEY CYPRUS DEVELOPMENT

### Limassol, CYPRUS

Oxley has entered into a joint venture in Cyprus with a local company. In June 2017, the Group commenced the concept design process. Situated at the eastern part of the Greater Limassol Area where all the major tourist developments are concentrated, and with an extensive coastal frontage on the Mediterranean Sea, the development will be accessible to both locals and tourists. This upcoming development of mixed hotel and high rise residential towers is expected to be a signature project for Limassol. Estimated gross floor area of 33,400 sqm.

- a) **Can management provide more details of its joint venture partner?**
- b) **Shareholder would like to understand how the company came across and decided to venture into the Limassol market.**
- c) **What was the amount of due diligence done on the market potential and on the joint venture partner? What are the indicators/trends that helped the group decide that Limassol market is ready to absorb such a “signature project”?**

In addition, Oxley completed the acquisition of a 20% stake in the enlarged share capital of Galliard (Group) Limited, a leading developer in the UK in July 2015. In February 2017, the group acquired a 40% stake in Pindan Group Pty Ltd, a leading property and construction company in Western Australia with an order book of over A\$1.1 billion.

- d) **While the investments into local property and construction companies (e.g. Galliard and Pindan) are synergistic to the group’s growth in the local markets, are there plans to nurture this segment into a global network of local developers in the group’s strategic plans?**

**Q2.** The company made a disclosure in Note 35 (page 108 – Events after the end of the reporting year) that it has acquired equity shares in United Engineers Limited (“UEL”) which has key business activities in property rental and hospitality, property development, engineering and distribution, as well as manufacturing. As of 29 September 2017, the company has acquired 93.4 million shares in the capital of UEL for total cash consideration of \$250.3 million.

Considering just the shares of UEL held by the company, this translate into a 14.7% non-controlling minority stake in UEL.

- a) **Can the board elaborate further on the rationale for the acquisition of a 14.7% non-controlling minority stake in UEL?**

Based on the audited consolidated NTA of the group as at 30 June 2017 of \$1,088.88 million, the \$250.3 million investment into UEL is nearly 23% of the NTA.

- b) **Can the board help shareholders understand why this is efficient use of the group’s capital, given that the group has an asset-light strategy for its own development projects?**
- c) **As the group’s core business of property development is capital intensive (even for an asset-light model) and requires a long gestation period, can the board explain what are its options if and when it needs to exit this UEL investment?**

**Q3.** Shareholders would like to ask for more clarity on remuneration for the executive directors, Mr Ching Chiat Kwong and Mr Low See Ching. The executive directors have service agreements which entitle each of them to be paid incentive bonuses if the profit before tax less minority interests of the group exceeds \$3 million.

As shown in the Financial highlights (page 8), the profit before income tax dropped to \$299.5 million in 2017 from \$363.4 million in 2016.

## FINANCIAL HIGHLIGHTS

Revenue

**\$S\$1.3 BILLION**

\$S\$981.4 million in 2016

Profit Before Income Tax

**\$S\$299.5 MILLION**

\$S\$363.4 million in 2016

Based on the disclosure in the Corporate Governance Report (page 40), the incentive bonus due to Mr Ching Chiat Kwong was \$15.3 million in 2017 when the profit before tax was \$299.5 million. For FY2016, the incentive bonus was \$8.8 million when the profit before tax was \$363.4 million.

- a) Can the board clarify if the higher incentive bonus in 2017 is due to the higher profit before income tax less minority interests in 2017 than in 2016? For better clarity, can the group disclose the profit before tax less minority interests for both years?

The footnote detailing the structure of the incentive bonus is shown below:

<sup>(3)</sup> Based on his service agreement, Mr Ching Chiat Kwong is eligible to be paid an incentive bonus, if the profit before tax less minority interests of the Group ("PBT") exceeds \$S\$3.0 million based on the audited financial statements, equivalent to 3% of the first \$S\$2.0 million of the PBT exceeding \$S\$3.0 million, 4% of the next \$S\$2.5 million of the PBT, and 5% of the PBT in excess of \$S\$7.5 million. Based on the audited financial statements for FY2017, an incentive bonus of \$S\$15.3 million would be paid to Mr Ching Chiat Kwong.

Profit before tax less minority interests (\$S' million)	Rate	Bonus incentive (\$S' million)
0-3	0%	0
3-5	3%	0.06
5-7.5	4%	0.10
>7.5	5%	?

Based on the calculations above following the incentive bonus structure, a \$15.3 million incentive is possible only if the 5% of the PBT contributed \$15.14 million in incentive bonus. That would mean a total of \$310.3 million in profit before tax less minority interests of the group. This is higher than the \$299.5 million in profit before tax reported in the Financial highlight (page 8).

- b) For better transparency on remuneration matters, can the remuneration committee (RC) help shareholders reconcile the \$15.3 million incentive bonus to the profit before income tax less minority interests and the bonus structure as disclosed on page 40?

- c) Mr Low See Ching is eligible to receive an incentive bonus based on the adjusted PBT of the Group (“Adjusted PBT”). **Can the RC explain what adjustments are made to the PBT to get the “Adjusted PBT”?**

A copy of the questions for the Annual Report for the financial year ended 30 June 2016 could be found here:

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

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