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@ ROXY-PACIFIC's AGM: Seeking Opportunities Post-Property Boom In S'pore

Written by Leong Chan Teik
Sunday, 30 March 2014 12:08



Time & date: 10 am, 28 March 2014.

Venue: Grand Mercure Roxy Hotel

ABOUT 80 SHAREHOLDERS packed the function room, the biggest AGM turnout that Roxy-Pacific Holdings has seen since its listing in 2008.

It's probably a measure of its rising popularity, aided no doubt by the fact that many have made strong gains on their shareholding: In 2012, the stock price rose 121% and last year, 33%.

This rode on the steep rise in the profitability of Roxy-Pacific, which achieved its ninth consecutive year of record profit last year. (See: [ROXY-PACIFIC: 9th consecutive year of record profit, heading for No. 10?](#))

At the AGM, shareholder Mano Sabnani complimented the board and management for the "good performance which exceeded expectations" and thanked them for the 50% increase in full-year dividend to 1.913 cents a share.

He asked a strategic question: What next?

Q: The bulk of your revenue has come from property development. You have two more small projects in Singapore and a big one in KL. Is the Malaysian market still positive instead of topish as it is in Singapore? Where are you going to make money?

Executive chairman Teo Hong Lim: Yes, Singapore has been a great market in the last few years. The margins are coming down. The good thing is, we have some lead time as have sold a lot of properties whose revenue and profit will be recognised over the next few years.

The KL market is still OK -- there's a strong core market for real use, rather than one of investment and speculation, and there isn't substantial foreign buying.

Our project is a good deal -- we paid over RM100 ppr psf. It faces the [Quill City](#) project, which has been revitalised. The whole retail mall has been sold to the Malaysian EPF (Employees Provident Fund) and is supposed to open end of this year. And Quill is targeting to launch residential units at more than RM1,000 psf.

Since we got our project, we have made other offers and searched hard for properties but have not found the next one.

We recognise that we need to go overseas but we are reasonably careful. We don't want to rush. We recognise that not being a local player, we are not likely to get cheap land. Just as in Singapore, it's the local players who get the good deals, not the foreign players.

Overseas, we have to find land, control construction costs, find the right agent, and price the units well.

We will do property development but property investment is another area to consider. We can buy buildings with recurring income and take our time to do submissions. That protects the capital and yet we can have development play.

Recently in Hong Kong, our joint venture had a very good return. The idea was to buy the building, sub-divide it and sell. But what if we couldn't sell? We would rent it and, based on our assessment, we would be able to cover the interest cost, at least earn a small spread or break even.



Roxy-Pacific executive chairman Teo Hong Lim fielding more questions from interested shareholders after the AGM.
Photo by Leong Chan Teik



Mano Sabnani, shareholder.

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Share Prices >>

Share Prices	Change	Last
ChinaNTown	+0.001	0.103
ChipEngS	0.00	0.74
Cordlife	+0.005	1.175
Dukang	0.00	0.22
FoodEmpire	0.00	0.40
Geo Energy	-0.005	0.305
Goodpack	+0.02	2.20
HanKore	-0.004	0.129
Hiap Hoe	-0.025	0.88
Hi-P	0.00	0.54
JES	-0.001	0.134
KingWan	+0.005	0.275
MIDAS	+0.015	0.455
OxleyHldg	-0.005	0.685
\$ Rex Intl	-0.005	0.595
Roxy-Pacific	+0.005	0.58
Serial	0.00	0.137
SindHldg	+0.005	0.365
SinoGrandness	+0.01	0.715
Siraco	-0.01	0.605
Tiong Seng	0.00	0.192
Uni-Asia	-0.003	0.192
XMTI	+0.005	0.325
Yangzijiang	+0.025	1.13

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Chua Ghim Hock, shareholder.

Q: Regarding the HK property -- you bought for investment purposes. Subsequently, you sold 14 floors and there are 7 left. I wish to understand the rationale for this investment and why you sold out so fast?

Teo Hong Lim: It's actually a serviced apartment/hotel (Shama Serviced Apartments). The usage is retail or commercial. We completed the purchase close to Chinese New Year this year and immediately went to the market. If we couldn't sell, we had a rental strategy. But it was too good not to sell. Our purchase price was HKD18,000-20,000 psf and we sold at HKD28,000-30,000 psf. As an update, we have now sold 18 floors.

Q: Segment result for property investment amounted to only about S\$700,000 last year while the revenue was S\$1.6 million. That seems low when you have a number of shops in Roxy Square and in Kovan. Is there a reason for that?

Teo Hong Lim: A few years ago, we had investment income from Kovan. We have redeveloped the whole site -- and sold all the shops and residential units. Our investment income comes only from shops in Roxy Square and we haven't bought more. A shop must give us a good return or we would not invest.



Executive director Teo Hong Hee (left) and executive director & CFO Koh Seng Geok. Photo by Leong Chan Teik

Q: Do you consider your Roxy shops' value to be high and the yield low? In that case, would you sell them?

Teo Hong Lim: Our shops in Roxy are a strategic holding. The hotel gives us more than 40% votes and our retail shops take us to over 60%. If we sell down our shops for cashflow or to recognise profits, our control over the management of the whole building may be affected.

Q: You have only 1 hotel. There are people who are quite bullish on the sector. Do you regret not expanding your hotel assets in the past few years? There are hotel groups which have expanded in the last 10 years and are doing well.

Teo Hong Lim: We did bid for a few hotel sites -- in Jurong, Rangoon Road... We were among the top 3 or 4 bidders.

Recently, Chris Teo (executive director) did some review of hotels and chances are quite high we will be able to find something. The cycle has changed and we cannot always be focused on property development.



At the post-AGM buffet, a shareholder in the queue was overheard saying to his friend: "Not to worry, the food will not run out because it can easily be replenished from Roxy's own hotel kitchen." Indeed, shareholders were seen going back for their second or third helping. Photo by Leong Chan Teik

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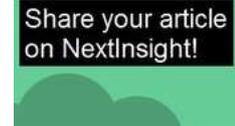
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