

NEWS RELEASE

**ROXY-PACIFIC REPORTS REVENUE OF S\$118.1 MILLION AND
NET PROFIT ATTRIBUTABLE TO SHAREHOLDERS OF S\$2.8
MILLION IN 1H2020**

- *Actively markets 9 residential projects through virtual channels, comprising a total of 794 units*
- *Total attributable pre-sale revenue of S\$454.5 million to be recognised from 3Q2020 to FY2023*
- *Capital recycling to potentially higher-yielding assets with prudent divestment*
 - *Divested retail building in Ginza, Tokyo, Japan*
 - *Acquired freehold commercial property in Melbourne, Australia*
 - *Acquired retail building in Shibuya-ku, Tokyo, Japan*
- *Good headroom with cash and bank balances of S\$398.1 million and low gearing at 0.58 time*

Singapore, 11 August 2020 – Roxy-Pacific Holdings Limited (“**Roxy-Pacific**”, 乐斯太平洋控股有限公司, or the “**Group**”), an established property and hospitality group with an Asia-Pacific focus, today reported its revenue and net profit attributable to equity holders for the financial period ended 30 June 2020 (“**1H2020**”) of S\$118.1 million and S\$2.8 million, respectively.

Mr Teo Hong Lim (张丰霖), Executive Chairman and CEO of Roxy-Pacific, said, “Economies across the world are facing an unprecedented crisis brought about by the global pandemic. During this time, we adopted a pro-active approach to adapt to the situation. For our Hotel segment, we took up the Singapore government’s contract to provide accommodation facilities to persons who are required to serve the mandatory 14-day “Stay-Home Notice” period or any person(s) that need to be isolated from the general population in a “Government Quarantine Facility”, minimising the impact from the travel restrictions. At the same time, we have put in place strategies to manage our hospitality assets more effectively to offset the substantial decrease in demand.

“Likewise, our residential projects were affected by the Circuit Breaker measures in Singapore, in terms of sales and progress of construction. Nevertheless, we remain focused on the fundamentals of our business model and adopted an online marketing strategy for our ongoing projects. For the tenants of our investment properties, we recognise the challenges brought about by the crisis and have actively engaged them to provide assistance where applicable, as we tide through these trying times together. Through our proactive asset management, we are pleased to maintain a high average occupancy of 91%.”

Financial Highlights

Roxy-Pacific reported 1H2020 revenue of S\$118.1 million, a 16% decrease from S\$139.9 million in the corresponding period a year ago (“**1H2019**”). This was mainly due to lower revenue from the Property Development and the Hotel Ownership segments.

The Property Development segment reported revenue of S\$99.3 million in 1H2020, an 11% decrease from S\$111.4 million in 1H2019, mainly due to the absence of revenue recognition from The Hensley and The Navian. In addition, the closure of construction sites due to COVID-19 restrictions resulted in delays for residential projects such as 120 Grange and Harbour View Gardens, resulting in a lower recognition of revenue.

Gross profit for the Property Development segment was 64% lower at S\$8.1 million, while gross profit margin fell 12 percentage points to 8% in 1H2020 due to losses incurred in Octavia Killara.

As at 26 July 2020, the Group's total attributable pre-sale revenue of S\$454.5 million, the profits of which will be progressively recognised from 3Q2020 to FY2023. The lower total attributable pre-sale revenue was mainly due to the temporary closure of showflats, which resulted in lower sales, as well as the suspension of works at construction sites due to COVID-19 restrictions, which led to delays in the progress of construction.

The Group's hotel operations were affected by the COVID-19 outbreak as many countries imposed border control measures, impacting the tourism industry. Revenue from the Hotel Ownership segment fell 39% to S\$15.1 million in 1H2020 from S\$24.7 million in 1H2019.

Revenue from the Property Investment segment remained relatively stable at S\$3.7 million in 1H2020, supported by rental income from Roxy Square and NZI Centre.

Overall, the Group's gross profit margin for 1H2020 was 12 percentage points lower at 15%, from 27% in 1H2019 as the Property Development segment, which contributed 84% of the Group's revenue, recorded a lower profit margin in 1H2020. Gross profit for 1H2020 decreased 53% to S\$17.8 million from S\$37.7 million over the previous corresponding year.

Share of results of associates surged to S\$11.9 million in 1H2020 compared to S\$2.1 million in 1H2019, mainly due to profit from the sale of the property at Ginza, Japan.

Overall, the Group reported net profit attributable to equity holders of S\$2.8 million in 1H2020, compared to S\$9.3 million in 1H2019.

Roxy-Pacific's balance sheet remained healthy with cash and bank balances of S\$398.1 million and a comfortable net debt-to-adjusted net asset value ratio of 0.58 time.

Fully diluted earnings per share for 1H2020 was 0.21 Singapore cent, compared to 0.72 Singapore cent in 1H2019. Net Asset Value per share was 38.80 Singapore cents as at 30 June 2020.

Investments and Divestment in 1H2020

In February, the Group acquired a 49% stake in a 5-storey retail building, VIVEL Shibuya, located at Shibuya-Ku, Tokyo, Japan, at a purchase price of approximately JPY5.2 billion. VIVEL Shibuya is well-positioned in the central hub for youth culture in Tokyo where masses of young people come in search of the latest in fashion and music, is strategically located in close proximity to the Shibuya Station and adjacent to the famous Shibuya scramble crossing, enjoying immense amounts of foot traffic from both foreign tourists and domestic shoppers.

In March 2020, the Group successfully divested its 53.07% stake in the retail building at Ginza, Tokyo, Japan, at a sale price of approximately JPY8.6 billion. The retail building was acquired in June 2019 at a purchase price of JPY6.0 billion and the sale price represents a premium of JPY2.6 billion or 43% from the initial purchase price.

Recently, in July 2020, the Group announced the investment in a 40% interest in a commercial tower located at 350 Queen Street, Melbourne, Australia. The freehold property, situated in the Central Business District of Melbourne, comprises a commercial tower with offices, retail offerings and community amenities.

Mr Teo added, "We continue to demonstrate our ability to identify and unlock the potential in our investments, delivering strong gains within a short period of time. At the same time, we have recycled our capital to pursue potentially higher-yielding reinvestment opportunities as we seek to achieve rolling returns on our investment."

Impact of COVID-19

The COVID-19 pandemic has caused a severe disruption to global economic activity and the impact on economies across the world has been broad and significant, in particular, towards sectors such as retail, tourism and hospitality. As a result of the challenging market conditions, the Group financial results will be adversely affected, and the extent of the impact will depend on the future trajectory of the pandemic and its recovery.

In response to the crisis, governments across the world have introduced various support measures to cushion the impact of COVID-19. The Group will tap onto the government support schemes, where available, to maximise the value of the support.

The Group has also taken conservative approach with a primary focus on preserving cash by reduce operating expenses where applicable and deferring all non-essential capital expenditures. At the same time, the Group will keep a look out for opportunities and adopt a more stringent evaluation process.

Industry Outlook

Taking into account the significant deterioration in the external economic environment, the deterioration in the external demand outlook for Singapore as well as the expected economic impact of the Circuit Breaker measures, the MTI has downgraded its gross domestic product (“**GDP**”) growth forecast for the Singapore economy to -7.0% to -5.0% in August 2020¹, from May’s forecast of -7.0% to -4.0% in 2020.

¹ Ministry of Trade and Industry, Aug 11, 2020 – MTI Narrows 2020 GDP Growth Forecast to “-7.0 to -5.0 Per Cent”
https://www.mti.gov.sg/-/media/MTI/Resources/Economic-Survey-of-Singapore/2020/Economic-Survey-of-Singapore-Second-Quarter-2020/PR_2Q20.pdf

Reflecting the beginning of the expected economic effects of COVID-19, Australia's GDP fell 0.3% in 1Q2020 on a seasonally-adjusted basis². In a 'gradual recovery' scenario, the Reserve Bank of Australia ("RBA") had projected that the country's GDP will fall by 6.0% for the year ending December 2020³. To ensure that Australia is well placed for the recovery the RBA reaffirmed targets for the cash rate and the yield on 3-year Australian government bonds of 25 bps⁴.

In Japan, the economy contracted by 2.2% quarter-on-quarter in 1Q2020⁵. The Bank of Japan has forecasted the GDP growth for fiscal year 2020 to be between -5.7% to -4.5%⁶.

Property Development

Singapore

According to the Urban Redevelopment Authority ("URA") the private residential property index increased by 0.3% in 2Q2020, compared to the 1.0% decrease in 1Q2020⁷. For the whole of 2020, property analysts expect private residential property prices to decrease by 3% to 8%.

While the Group's showrooms were ordered to close during the Circuit Breaker period, which affected the sales of its residential projects, the Group continued to engage buyers through online marketing channels including virtual showrooms to showcase the apartment units. The Group's showrooms have since reopened with precautionary measures in place, following the easing of restrictions.

Construction of the Group's residential projects are also expected to continue to be delayed due to the Circuit Breaker period.

² Australian Bureau of Statistics, June 3, 2020 – [Australian National Accounts: National Income, Expenditure and Product, Mar 2020](#)

³ Reserve Bank of Australia, May 7, 2020 – [Statement on Monetary Policy, Table 6.1: Output Growth and Inflation Baseline Forecasts](#)

⁴ Reserve Bank of Australia, July 7, 2020 – [Statement by Philip Lowe, Governor: Monetary Policy Decision](#)

⁵ Ministry of Foreign Affairs of Japan, July 10, 2020 – [Japanese Economy](#)

⁶ Bank of Japan, July 16, 2020, [Outlook for Economic Activity and Prices April 2020](#)

⁷ Urban Redevelopment Authority, July 24, 2020 – [Release of 2nd Quarter 2020 real estate statistics](#)

Following the launch of NEU AT Novena in October 2019, the Group has since launched all the sites in its land bank with a total of 10 ongoing residential projects and will place priority on the sale and delivery of the units.

Australia

In Australia, the majority of restrictions relating to COVID-19 came into effect in late March 2020 and therefore did not have a noticeable impact on property prices in the March quarter 2020. The price index for residential properties for the weighted average of eight capital cities increased by 1.6% in the March quarter 2020 on a year-on-year basis with rises in all capital cities except Perth and Darwin. During the quarter, the key city of Sydney, where the Group has a presence in, registered a gain of 10.0% year-on-year.⁸ Over the rest of 2020, the Commonwealth Bank of Australia has forecast a 10% decrease in property prices across Australia⁹.

In Sydney, Australia, the Group's residential development projects, Octavia Killara and West End Glebe, have been fully sold.

As at 26 July 2020, based on units sold from the following ongoing development projects, the Group's total attributable pre-sale revenue of S\$454.5 million, the profits of which will be recognised from 3Q2020 to FY2023.

Hotel Ownership

The Group's hotel operations were affected by the COVID-19 outbreak as many countries imposed border control measures, impacting the tourism industry.

⁸ Australian Bureau of Statistics, June 16, 2020 – [Residential Property Price Indexes: Eight Capital Cities, Mar 2020](#)

⁹ Commonwealth Bank of Australia, July 1, 2020 – [Melbourne house prices hit hard by COVID-19](#)

Singapore recorded 750 visitor arrivals in April 2020, a 100% year-on-year decline, as the Circuit Breaker came into force. Visitor arrivals rose slightly to 880 visitor arrivals in May 2020, a year-on-year decline of 99.9 per cent. The Group's flagship Grand Mercure Singapore Roxy hotel joined a large number of hotels in providing their entire accommodation facilities to persons who are required to serve the mandatory 14-day "Stay-Home Notice" period or any person(s) that need to be isolated from the general population in a "Government Quarantine Facility" as a matter of precaution.

To curb the spread of COVID-19, Japan has travel bans in place for travellers from around 129 countries and regions, which resulted in a significant decrease in international visitor arrivals. As part of its efforts to revive the domestic tourism industry, the government has unveiled a US\$16 billion "Go To" campaign to subsidise domestic tourism. The Group's self-managed boutique hotels, *Noku Kyoto* and *Noku Osaka*, have stepped up its marketing activities to capture the domestic market.

Meanwhile, the Maldives reopened its tourist resorts on 15 July 2020 and received its first international flight in over three months. The Group's upscale resort in Maldives, *Noku Maldives*, has received a strong level of enquiries since the travel restriction was lifted.

The Group's second resort asset in Thailand, *Noku Phuket*, is expected to operate in 2021.

Property Investment

Singapore

Amidst the lockdown, the Group has extended rental rebates and waivers to some tenants who faced cashflow difficulties due to the temporary closure of business operations. In Singapore, the Group has also passed on the property tax rebates announced in the Singapore Government's Unity and Resilience Budgets, and will provide rental waivers to its eligible tenants upon receipt of the cash grant under the Fortitude Budget, to qualifying property owners.

Australia

The office segment is not anticipated to experience an immediate structural shift in demand¹⁰, notwithstanding that office towers in core commercial markets are largely unoccupied due to remote working measures implemented in response to COVID-19. To further enhance its recurring income stream, the Group, together with its joint venture partner, has recently announced the investment in a 40% interest in a commercial tower located at 350 Queen Street, Melbourne, Australia. The freehold property comprises a commercial tower with offices, retail offerings and community amenities, situated in the Central Business District of Melbourne, Australia.

Together with its partners, the Group will continue to actively engage its tenants and extend support, where applicable, forging stronger relationships through this crisis.

Overall, the Group's investment properties maintained a high level of occupancy at 91% as at 30 June 2020.

¹⁰ Savills, April 24, 2020 – [Asia Pacific – Q1 2020](#)

The Group will continue to monitor the evolving pandemic situation and adjust and react proactively with appropriate countermeasures to minimise financial impact for the financial year ending 31 December 2020.

About Roxy-Pacific Holdings Limited

Established in May 1967, Roxy-Pacific Holdings Limited (“**Roxy-Pacific**” or the “**Group**”), an established property and hospitality group with an Asia-Pacific focus, was listed on the SGX Mainboard on 12 March 2008. The Group is principally engaged in the development and sale of residential and commercial properties (“**Property Development**”). The Group’s recurring income streams are strengthened through its flagship hotel Grand Mercure Singapore Roxy hotel, self-managed upscale boutique hotels, *Noku Kyoto* and *Noku Osaka*, Japan, and first self-managed upscale resort *Noku Maldives*, and other investment properties in Asia-Pacific (“**Hotel Ownership** and **Property Investment**”).

The Group’s residential development projects typically comprise small-to-medium sized residential developments such as apartments and condominiums targeted at middle-to-upper income segments. Between 2004 and 2019, the Group developed and launched 54 small-to-medium sized developments comprising a total of more than 5,006 residential and commercial units in Singapore, Malaysia and Australia.

Grand Mercure Singapore Roxy hotel, a major asset of the Group, is self-managed under franchise agreement with international hotel operator, Accor Group. Beyond Singapore, the Group has opened its upscale boutique hotels under the *Noku hotels* brand name in Kyoto and Osaka, Japan, and upscale resort in Maldives. The Group’s second upscale resort in Phuket, Thailand, is targeted to operate in 2021.

For Property Investment, the Group owns 52 retail shops at Roxy Square Shopping Centre in Singapore. In Australia, Roxy-Pacific owns a 45% interest in a freehold six-storey commercial building at 312 St Kilda Road on the fringe of the Melbourne CBD. The Group also owns a 40% interest in a centrally-located, 10-storey commercial building at 33 Argyle Street, Parramatta, New South Wales. In Auckland, the Group owns NZI Centre and has a 50% interest in the office building at 205 Queen Street. In Tokyo, the Group recently acquired 49% interest in a retail property at renowned retail districts at Shibuya, expanding Roxy-Pacific's hospitality presence in Japan to the retail property sector.

For more information, please visit: <http://roxypacific.com.sg>

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