Roxy-Pacific

Holdings Limited

NEWS RELEASE

ROXY-PACIFIC ACHIEVES 42% INCREASE IN FY2019 NET PROFIT ON THE BACK OF 234% SURGE IN REVENUE

- ***Stronger performance driven by revenue recognition of properties under the Property Development segment***
- ***Six projects launched for sale in FY2019, comprising a total of 606 units***
- ***Total attributable pre-sale revenue of S$471.2 million to be progressively recognised from 1Q2020 to FY2023***
- ***Steady recurring income base with total of four hotels/resorts in Singapore, Japan and Maldives, with another targeted to open in Phuket in 2021***
- ***Expands footprint in Japan with acquisition of retail property at Ginza and Shibuya***
- ***Good headroom with cash and bank balances of S$331.0 million and low gearing at 0.58 time***
- ***Declares final cash dividend of 1.09 Singapore cent per share, 55% higher compared to 2018***

Singapore, 20 February 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 year ended 31 December 2019 ("**FY2019**") of S$444.0 million and S$30.3 million, respectively.

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A member of Roxy-Pacific Group

Mr Teo Hong Lim (张丰霖), Executive Chairman and CEO of Roxy-Pacific, said, "In 2019, we successfully launched all six remaining developments during the year, comprising a total of 606 units. We are greatly encouraged by the warm response received for our residential projects, which demonstrates the market's appreciation of our well-differentiated and quality developments. Most recently, NEU at Novena, which was launched in October 2019, experienced strong demand and has already sold 77% of the total units."

Mr Teo added, "Our diversified revenue streams across geographical markets and asset classes continue to deliver positive and resilient results. Apart from the significant revenue contributions from our property developments in Singapore and Sydney, our investment properties in Australia and New Zealand enjoy high occupancy rates and continue to provide us with good recurring income. Meanwhile, the Hotel Ownership segment continues to provide a stream of recurring income, which is expected to grow gradually as our newer assets mature and stabilise."

Financial Highlights

Roxy-Pacific reported FY2019 revenue of S$444.0 million, a 234% increase from S$132.9 million in the corresponding period a year ago ("**FY2018**"). This was due to significantly higher revenue from the Property Development segment, supported by an increase in revenue from the Hotel Ownership segment, partially offset by a marginal decline in revenue contribution from the Property Investment segment.

The Property Development segment reported higher revenue of S$385.9 million in FY2019, a 415% surge from S$75 million in FY2018, mainly driven by revenue recognition from The Hensley and West End Glebe upon settlement in 1Q2019 and 4Q2019 respectively and progressive revenue recognition from 120 Grange, The Navian and Harbour View Gardens. This was partially offset by the absence of revenue recognition from Trilive and Straits Mansions which obtained TOP in June 2018 and October 2018, respectively.

In line with the higher revenue, gross profit for the Property Development segment was 268% higher at S$75.2 million despite an eight percentage point decline in gross profit margin to 19% in FY2019 due to lower margins from The Hensley and West End Glebe.

As at 12 February 2020, based on units sold from the ongoing development projects, the Group has total attributable pre-sale revenue of S$471.2 million, the profits of which will be progressively recognised from 1Q2020 to FY2023.

Revenue from the Hotel Ownership segment increased by 1% to S$50.4 million in FY2019 from S$50.0 million in FY2018. *Noku Maldives*, which commenced its full operation in August 2018, made its first full year contribution to the Group's Hotel Ownership segment in FY2019.

Revenue from the Property Investment segment declined 3% to S$7.7 million in FY2019. Contributions from the segment comprised rental income from shop units in Roxy Square and NZI Centre.

Overall, the Group's gross profit margin for FY2019 was 14 percentage points lower at 24%, from 38% in FY2018 as a result of higher contribution from the Property Development segment, which recorded a lower profit margin in FY2019. Gross profit for FY2019 increased 109% to S$106.2 million from S$50.8 million over the previous corresponding year.

Share of results of associates declined by 58% to S$8.5 million in FY2019 compared to S$20.1 million in FY2018, mainly due to the absence of fair value gains on 117 Clarence Street. In FY2019, share of profit was mainly contributed from Wisma Infinitum and fair value gain from investment properties at St Kilda Road, 33 Argyle Street and Ginza, Japan, partially offset by share of losses from Wilshire Residences and NEU At Novena due to showflat expenses incurred.

Other operating income was 46% lower at S$7.2 million in FY2019, as compared to S$13.2 million in FY2018, mainly due to higher fair value gain from NZI Centre as well as higher foreign exchange gain in FY2018.

Overall, the Group reported a 42% increase in net profit attributable to equity holders to S$30.3 million in FY2019, compared to S$21.3 million in FY2018.

Roxy-Pacific's balance sheet remained healthy with cash and bank balances of S$331.0 million and a comfortable net debt-to-adjusted net asset value ratio of 0.58 time.

Fully diluted earnings per share for FY2019 was 2.32 Singapore cent, compared to 1.63 Singapore cent in FY2018. Net Asset Value per share was 39.16 Singapore cents as at 31 December 2019.

Proposed Dividend

To reward its shareholders for their continuous support, the Board has proposed a final cash dividend of 1.09 Singapore cent per share. Coupled with the interim dividend of 0.195 Singapore cent per share, this brings the total distributions for the financial year to 1.285 Singapore cent per share, representing a dividend payout ratio of 55%.

Industry Outlook

The Ministry of Trade and Industry ("**MTI**") announced that Singapore's economy grew by 1.0% year-on-year in the fourth quarter of 2019, extending the 0.7% growth in the previous quarter. On a quarter-on-quarter, seasonally-adjusted annualised basis, the economy expanded by 0.6%, a slower pace as compared to the 2.2% growth in the preceding quarter. For the whole of 2019, the Singapore economy expanded by 0.7% as compared to 3.4% in 2018[1].

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[1] *Ministry of Trade and Industry Singapore, 17 February 2020 – MTI Downgrades 2020 GDP Growth Forecast to "-0.5 to 1.5 Per Cent"*

Looking ahead, the MTI has downgraded its 2020 gross domestic product ("GDP") growth forecast for Singapore to between -0.5% to 1.5%, from 0.5% to 2.5% in its previous forecast. This comes on the back of the outbreak of the coronavirus disease ("COVID-19"), coupled with uncertainties surrounding US-China trade relations and geopolitical tensions in the Middle East[1].

In Australia, the economy expanded 0.4% quarter-on-quarter on a seasonally adjusted basis in 3Q2019, or 1.7% through the year[2]. According to the Reserve Bank of Australia, GDP is expected to grow by 2.25% for the year ending December 2019, supported by accommodative monetary policy and some recovery in household income growth, boosted by tax cuts[3].

A preliminary estimate by the Cabinet Office showed that Japan's economy contracted by an annualised 6.3% between September to December 2019, as a sales tax hike impacted consumer and business spending. On a quarter-on-quarter basis GDP contracted 1.6%, compared with a 0.1% growth in the previous quarter[4].

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[2] *Australia Bureau of Statistics, 4 December 2019 – Australian National Accounts: National Income, Expenditure and Product, Sep 2019*

[3] *Reserve Bank of Australia, November 2019 – Statement on Monetary Policy – November 2019*

[4] *Cabinet Office, Government of Japan, 17 February 2020 – Quarterly Estimates of GDP for Oct.-Dec. 2019 (The First Preliminary)*

For 2020, the COVID-19 outbreak could result in a negative impact to the global economy, in particularly towards sectors such as retail, tourism and hospitality. Currently, the Group is monitoring the situation closely and stepping up precautionary measures. Amidst the current situation, the Singapore government has proposed a $4 billion Stabilisation and Support Package in Budget 2020, which includes economy-wide measures for workers such as an 8% cash grant on the gross monthly wage of each local employee for the months of October 2019 to December 2019, subject to a monthly wage cap of $3,600 per employee. Additional measures will also be introduced to support sectors that have taken a direct impact such as tourism, aviation, retail and food services. Companies in the tourism sector will receive a Property Tax Rebate of 30% for the year 2020, for qualifying commercial properties including accommodation and function room components of licensed hotels and serviced apartments[5].

Property Development

Singapore

Data from the Urban Redevelopment Authority ("**URA**") showed a 0.5% increase in the private residential property index in 4Q2019, compared to the 1.3% increase in 3Q2019. During the quarter, 2,226 uncompleted private residential units were launched for sale and 2,443 private residential units were sold. This compared to 3,628 units launched and 3,281 units sold in 3Q2019[6].

As at the end of 4Q2019, there was a total of 49,173 uncompleted private residential units (excluding executive condominiums) in the pipeline with planning approvals as compared to 50,964 in 3Q2019. Of these units, 30,162 remain unsold as at the end of 4Q2019, compared to 31,948 units in 3Q2019[6].

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[5] *Ministry of Finance, 18 February 2020 – Budget 2020 - Stabilisation And Support Package*
[6] *Urban Redevelopment Authority, 23 January 2020 – Release of 4th Quarter 2019 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 six residential projects launched in 2019 and will place priority on the sale and delivery of the units. On the replenishment of land bank sites, the Group maintains a prudent approach with a focus on strategically-located and attractive development sites.

Australia

In Australia, the price index for residential properties for the weighted average of eight capital cities rose 2.4% in the September quarter 2019 on a quarter-on-quarter basis as four out of eight capital cities recorded gains in property prices. Sydney and Melbourne led the gains in the September quarter 2019, both capital cities registering a 3.6% increase. Through the year, the price index registered a 3.7% decline, with all capital cities except for Hobart recording declines[7].

In Sydney, the Group has obtained the Interim Occupancy Certificate for the residential development project, West End Residences, on 10 October 2019. As at 12 February 2020, approximately 97% of the 231 units have been sold and the revenue had been recognised from 4Q2019 onwards upon settlement of the payment from the buyers. Meanwhile, with only one unsold unit, Octavia Killara had also obtained Final Occupancy Certificate on 17 December 2019 and the revenue had been recognised from 1Q2020 onwards upon settlement of the payment from the buyers.

As at 31 December 2019, based on units sold from the following ongoing development projects, the Group has total attributable pre-sale revenue of $471.2 million, the profits of which will be recognised from 1Q2020 to FY2023 (see next page).

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[7] *Australian Bureau of Statistics, 10 December 2019 - Residential Property Price Indexes: Eight Capital Cities, Sep 2019*

	Project name	Type of development	Group stake %	Total units in project Unit	Unit sold %	Attributable total sale value (i) (ii) $'m	Attributable revenue recognised up to 31 December 2019 $'m	Balance attributable progress billings to be recognised from 1Q2020 $'m
	Singapore							
1	Harbour View Gardens	Residential	100%	57	100%	$ 73.7	$ 35.7	$ 38.0
2	120 Grange	Residential	90%	56	80%	$ 74.9	$ 17.4	$ 57.5
3	Bukit 828	Residential	80%	34	47%	$ 14.5	$ 2.7	$ 11.8
4	Arena Residences	Residential	50%	98	72%	$ 46.8	$ 8.6	$ 38.2
5	RV Altitude	Residential	100%	140	30%	$ 67.0	$ 4.2	$ 62.8
6	Fyve Derbyshire	Residential	100%	71	34%	$ 46.0	$ 1.3	$ 44.7
7	Wilshire Residences	Residential	40%	85	12%	$ 7.1	$ 0.1	$ 7.0
8	Dunearn 386	Residential	100%	35	23%	$ 12.5	$ 0.3	$ 12.2
9	VIEW AT Kismis	Residential	60%	186	37%	$ 51.6	$ 0.7	$ 50.9
10	NEU AT Novena	Residential	50%	87	77%	$ 59.3	-	$ 59.3
	Malaysia							
11	Wisma Infinitum - The Colony	Residential	47%	423	81%	$ 62.1	$ 31.7	$ 30.4
	Wisma Infinitum - The Luxe	Residential	47%	300(v)	53%	$ 34.2	$ 16.6	$ 17.6
	Australia							
12	Octavia Killara	Residential	100%	43	98%	$ 40.8	-	$ 40.8
	Total			**1,615**		**$ 590.5**	**$ 119.3**	**$ 471.2**

Hotel Ownership

Latest statistics from the Singapore Tourism Board ("**STB**") showed a 2.9% year-on-year growth in international visitor arrivals for the first 11 months of 2019[8]. Latest hotel statistics also showed positive results in the third quarter of 2019 – average occupancy rate improved by 1.4 percentage points quarter-on-quarter, average room rate gained 2.5% while revenue per available room rose 4.2%[9]. Data from the STB also showed tourism receipts register a 1.3% decline in the second quarter of 2019 to S$6.5 billion[10]. For 2019, STB has forecast tourism receipts to grow by 1% to 3% and international visitor arrivals to increase by 1% to 4%[11].

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[8] *Singapore Tourism Board, 30 December 2019 – International Visitor Arrivals Statistics*
[9] *Singapore Tourism Board, 30 December 2019 – Hotel Statistics*
[10] *Singapore Tourism Board, 16 October 2019 – Tourism Sector Performance for Quarter 2 2019*
[11] *Singapore Tourism Board, 13 February 2019 – Third consecutive year of growth for Singapore tourism sector in 2018*

Looking ahead, Japan's hospitality sector is expected to be impacted by the COVID-19 outbreak. According to the Japan National Tourism Organisation the estimated number of international travelers to Japan in December 2019 was about 2.5 million, a year-on-year decrease of 4.0%. For the whole of 2019, the estimated number of international travelers to Japan was 31.9 million, representing an increase of 2.2% from the previous year[12].

The Group's flagship Grand Mercure Singapore Roxy hotel, and self-managed hospitality assets under the *Noku hotels* hospitality brand – *Noku Kyoto*, *Noku Osaka*, and first upscale resort in Maldives, *Noku Maldives* – continue to contribute recurring income. The Group's second resort asset in Phuket, Thailand, *Noku Phuket,* is targeted to launch in 2021.

<u>Property Investment</u>

For the Australian office sector, the overall sentiment in commercial property markets, as measured by the NAB Commercial Property Index, fell four points to +3 in 3Q2019. By sector, Office and Industrial sentiment remained the highest, despite a decline as below average business conditions persisted.

In the CBD Hotels sector, sentiment fell to a new survey low, with sentiment waning further amid reports that major markets are experiencing lower room rates and occupancy as new supply enters the market. Overall confidence levels in commercial property markets have also softened against a backdrop of below trend economic growth. Confidence 12 months forward was down three to +14, with the longer-term outlook unchanged at +23.[13].

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[12] *Japan National Tourism Organization, December 2019 – Japan Tourism Statistics*
[13] *National Australia Bank, 30 October 2019 – NAB Quarterly Australian Commercial Property Survey Q3 2019*

The Group's investment properties in Australia and New Zealand enjoy high occupancy rates and continue to provide the Group with a steady stream of recurring income.

In June 2019, the Group expanded into Japan's retail property sector with the acquisition of a 53.07% stake in a retail building situated at Ginza, which is widely known as a popular upscale shopping and entertainment district of Tokyo.

In February 2020, the Group built on its successful entry into Japan's retail property sector with its second investment, through the acquisition of a 49% stake in a retail building situated at Shibuya, which is one of the most popular retail districts of Tokyo. Going forward, both of the Group's newly acquired investment properties in Japan are expected to widen the Group's recurring income base.

Outlook

The Group will continue to monitor market developments closely, including the potential effects of the COVID-19 outbreak on the property market and hospitality sector. Barring any unforeseen circumstances, the directors expect the Group to be profitable in 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 owns a 53.07% interest in a retail property at the popular upscale shopping and entertainment of Ginza and a recent acquisition of 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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