Roxy-Pacific
Holdings Limited

NEWS RELEASE

ROXY-PACIFIC ACHIEVES 1H2019 NET PROFIT OF S$9.3 MILLION ON REVENUE OF S$139.9 MILLION

- ***Excluding fair value gain from 117 Clarence Street in 1H2018, pre-tax profit increases by 98% to S$11.7 million***
- ***To launch six projects for sale in FY2019, comprising a total of 604 units***
- ***Total attributable pre-sale revenue of S$620.6 million to be progressively recognised from 3Q2019 to FY2023***
- ***Strengthens recurring income with total of four hotels in Singapore, Japan and Maldives and another targeted to open in Phuket in 2021***
- ***Expands footprint in Japan with acquisition of retail property at Ginza***
- ***Good headroom with cash and bank balances of S$228.0 million and low gearing at 0.84 time***
- ***Declares interim cash dividend of 0.195 Singapore cent per share***

Singapore, 31 July 2019 – 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 2019 ("**1H2019**") of S$139.9 million and S$9.3 million, respectively.

Mr Teo Hong Lim (张丰霖), Executive Chairman and CEO of Roxy-Pacific, said, "Locally, we have launched five developments this year with NEU AT NOVENA scheduled as the next launch in the pipeline. In July, we launched Dunearn 386 followed by View at Kismis, both located in the prime district of Bukit Timah. Our well-differentiated projects, such as View at Kismis which feature exceptional location, unique concepts and at enticing price points, continue to offer an attractive value proposition for both investors and homebuyers."

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Located in Lorong Kismis, the design concept for View at Kismis was inspired by a Modern Tuscany theme, a first-of-its-kind in Singapore. Situated on elevated ground and capitalising on its undulating terrain, View at Kismis emulates the Tuscan wine valleys with six residential blocks lined in two staggered parallel blocks. The development comprises six blocks of five-storey apartments totaling 186 residential units and two shop units. Residential unit sizes range from 517 square feet ("**sq ft**") for a two-bedroom apartment, to 1,292 sq ft for a five-bedroom apartment.

Mr Teo added, "Our strategy to diversify our revenue streams across geographical markets and asset classes has started to deliver positive results. We have commenced revenue recognition for our development in Sydney, The Hensley, which has contributed significantly to our revenue in 1H2019. Meanwhile, we look forward to receiving stronger recurring income from our Hotel Ownership segment as our newer assets under our self-managed hospitality brand, *Noku hotels*, mature and stabilise. Recently, we signed a management deal with Park Hotel Group to open Park Hotel Melbourne in 2022, marking our entry into the Australian hospitality sector."

Financial Highlights

Roxy-Pacific reported 1H2019 revenue of S$139.9 million, a 68% increase from S$83.3 million in the corresponding period a year ago ("**1H2018**"). This was due to significantly higher revenue from the Property Development segment, partially offset by a slight decline in contributions from the Hotel Ownership and Property Investment segments.

The Property Development segment reported higher revenue of S$111.4 million in 1H2019, a 106% increase from S$54.0 million in 1H2018, mainly driven by revenue recognition from The Hensley upon settlement and progressive revenue recognition from The Navian and Habour 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.

Although Roxy-Pacific's remaining projects in Australia have made good progress during the period, these projects can only recognise revenue upon completion, unlike its counterparts in Singapore and Malaysia.

In line with the higher revenue, gross profit for the Property Development segment was 91% higher at S$22.6 million as gross profit margin held relatively stable at 20% in 1H2019 as compared to 22% in 1H2018.

As at 30 June 2019, based on units sold from the following ongoing development projects, the Group has total attributable pre-sale revenue of S$620.6 million, the profits of which will be progressively recognised from 3Q2019 to FY2023.

Revenue from the Hotel Ownership segment, which made up 18% of Group revenue in 1H2019, fell marginally by 2% to S$24.7 million from S$25.2 million over the same period. *Noku Maldives*, which commenced its full operation in August 2018, will make its first full year contribution to the Group's Hotel Ownership segment in FY2019.

Revenue from the Property Investment segment declined 5% to S$3.9 million in 1H2019. Contributions from the segment comprised rental income from shop units in Roxy Square and NZI Centre.

Overall, the Group's gross profit margin fell six percentage points to 27% in 1H2019, from 33% in 1H2018 as a result of higher contribution from the Property Development segment, which has a lower profit margin. Gross profit increased 37% to S$37.7 million from S$27.5 million over the same comparative periods.

Share of results of associates declined by 81% to S$2.1 million in 1H2019 compared to S$11.2 million in 1H2018, mainly due to the absence of fair value gains on 117 Clarence Street, coupled with the Group's share of loss arising from showflat expenses incurred for Wilshire Residences and NEU AT NOVENA. The weaker segment performance was partially offset by profit recognised from Wisma Infinitum, St Kilda Road and 205 Queen Street.

Other operating income was 27% lower at S$4.5 million in 1H2019, as compared to S$6.3 million in 1H2018, mainly due to higher fair value gain from NZI Centre as well as higher foreign exchange gain in 1H2018, partially offset by higher finance income and forfeiture of deposit of aborted units in The Hensley.

Overall, the Group reported a 27% decrease in net profit attributable to equity holders to S$9.3 million in 1H2019, compared to S$12.8 million in 1H2018.

Roxy-Pacific's balance sheet remained healthy with cash and bank balances of S$228.0 million and a comfortable net debt-to-adjusted net asset value ratio of 0.84 time.

Fully diluted earnings per share for 1H2019 was 0.72 Singapore cent, compared to 0.97 Singapore cent in 1H2018. Net Asset Value per share was 37.83 Singapore cents as at 30 June 2019.

Proposed Dividend

To reward its shareholders for their continuous support, the Board has proposed an interim cash dividend of 0.195 Singapore cent per share, representing a dividend payout ratio of 27%.

Industry Outlook

Latest flash estimates from the Ministry of Trade and Industry showed that Singapore's economy expanded by 0.1% on a year-on-year basis in 2Q2019. This was a significant decrease from the 1.1% growth in 1Q2019. On a quarter-on-quarter seasonally-adjusted annualised basis, the economy shrank by 3.4% as compared to the 3.8% growth in the preceding quarter[1].

[1] *Ministry of Trade and Industry Singapore, July 12, 2019 – Singapore's GDP Grew by 0.1 Per Cent in the Second Quarter of 2019*

Australia's economy also posted growth of 0.4% in 1Q2019 on a seasonally-adjusted basis[2]. The Reserve Bank of Australia had projected that the country's GDP will grow around 2.0% on average for the year ending December 2019[3].

In Japan, the economy expanded by 0.6% quarter-on-quarter in 1Q2019[4] while full-year GDP growth is forecasted to be between 0.7% to 0.9%[5].

Property Development

Latest statistics from the Urban Redevelopment Authority ("**URA**") showed a 1.5% increase in the private residential property index in 2Q2019, compared to the 0.7% decrease in 1Q2019[6]. During the quarter, 2,502 private residential units were launched for sale and 2,350 were sold. This is compared to 2,989 units launched and 1,838 units sold in 1Q2019.

As at the end of 2Q2019, there were a total of 50,674 uncompleted private residential units in the pipeline with planning approvals as compared to 53,284 in 1Q2019. Of these units, 33,673 remain unsold as at the end of 2Q2019, compared with the 36,839 units in 1Q2019.

Taking into consideration the decrease in demand following the latest round of property cooling measures and a large supply in the pipeline, the Government has reduced the supply of private housing from confirmed sites under the Government Land Sales ("**GLS**") Programme for 2H2019. The private home supply of 1,715 units from the confirmed list sites is 15.3% less than the 2,025 units from confirmed list sites under the 1H2019 GLS Programme[7].

[2] *Australian Bureau of Statistics, June 2019 – Australian National Accounts: National Income, Expenditure and Product, Mar 2019*
[3] *Reserve Bank of Australia, May 2019 – Statement on Monetary Policy, Table 5.1: Output Growth and Inflation Forecasts*
[4] *Ministry of Foreign Affairs of Japan, June 27, 2019 – Japanese Economy*
[5] *Bank of Japan, April 2019, Outlook for Economic Activity and Prices April 2019*
[6] *Urban Redevelopment Authority, July 26, 2019 – URA releases of 2nd Quarter 2019 real estate statistics*
[7] *Ministry of National Development, June 6, 2019 - Release of Second Half 2019 Government Land Sales (GLS) Programme*

"As we focus on the sale and delivery of the units in our landbank at this stage of the property cycle, we will continue to keep a close watch on Singapore's private residential market, timing our upcoming launches to achieve the best possible results. In view of the current private housing environment, we will maintain a prudent stance as we look out for opportunities to replenish our landbank in a more selective manner, with a preference for freehold sites at popular locations," added Mr Teo.

In Australia, the price index for residential properties for the weighted average of eight capital cities fell 3.0% in the March quarter 2019 on a year-on-year basis as all capital cities recorded falls in property prices. On a quarter-on-quarter basis, the price index registered a 7.4% decline. During the quarter, the key city of Sydney, where the Group has a presence in, registered the largest decline of 3.9% year-on-year and 10.3% quarter-on-quarter[8].

The Group's residential development projects in Australia have been successful. Only one unsold unit remains at Octavia Killara, while the West End Residences that was launched in two phases is currently overall close to 90% sold. The Hensley has obtained its interim occupation certificate in December 2018, and the Group has started to recognise revenue for the project in 1Q2019.

Hotel Ownership

On the hospitality front, latest statistics from the Singapore Tourism Board ("**STB**") showed a 1.5% year-on-year growth in international visitor arrivals for the first five months of 2019[9]. Hotel statistics held steady over the same period – average occupancy rate fell marginally by 0.5%, total room revenue increased by 2.4%, average room rate edged up 0.6% while revenue per available room was flat[10].

[8] *Australian Bureau of Statistics, March 2019 - Residential Property Price Indexes: Eight Capital Cities, Mar 2019*
[9] *Singapore Tourism Board, July 5, 2019 – International Visitor Arrivals Statistics*
[10] *Singapore Tourism Board, July 5, 2019 – Hotel Statistics 2019*

STB remains cautiously optimistic on its outlook for 2019, forecasting tourism receipts to be in the range of $27.3 billion to $27.9 billion, an increase of 1.0% to 3.0%, while international visitor arrivals is expected to be in the range of 18.7 million to 19.2 million, an increase of 1.0% to 4.0%[11].

The hospitality outlook in Japan remains positive, supported by the country's strong tourism industry. According to Japan National Tourism Organisation, the estimated number of international travellers to Japan in the first five months of 2019 was about 13.8 million, an increase of 4.2% from 13.2 million in the first five months of 2018[12].

The Group's flagship Grand Mercure Singapore Roxy hotel, and self-managed boutique hotels in Japan – *Noku Kyoto* and *Noku Osaka* – continue to contribute healthy recurring income. The Group's first upscale resort in Maldives, *Noku Maldives*, which was officially opened in August 2018, has been well-received since its opening. The Group's second resort asset in Thailand, *Noku Phuket*, is targeted to be operational in 2021.

The Group's entry into the Australian hospitality sector is progressing well, having obtained Melbourne City Council's approval to redevelop Melbourne House, a freehold commercial and retail building located in Melbourne's central business district into a 319-room hotel. The Group has since signed a management agreement with Park Hotel Group to open Park Hotel Melbourne in 2022, which will be located on the site of the former Melbourne House.

Property Investment

For the Australian office sector, the overall sentiment in commercial property markets, as measured by the NAB Commercial Property Index, fell 11 points to -2 in 1Q2019, the first negative read in over four years. The weaker sentiment was led by a sharp decline in the retail sentiment across all states. Office and industrial sentiment continued to track well above long-term averages[13].

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[11] Singapore Tourism Board, February 13, 2019 – Third consecutive year of growth for Singapore tourism sector in 2018
[12] Japan National Tourism Organisation, Japan Tourism Statistics
[13] National Australia Bank, May 2, 2019 – NAB Quarterly Australian Commercial Property Survey Q1 2019

Funds from the divestments of 59 Goulburn Street and 117 Clarence Street had been redeployed into other yield-accretive property investments, namely the completion of acquisitions of 33 Argyle Street in New South Wales, Australia, in January 2019 and 312 St Kilda in Melbourne, Australia, in January 2018.

Expanding its footprint into Japan's retail property sector, the Group has acquired 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.

Mr Teo commented, "In line with our strategy of maintaining a balance between property development income and recurring income, we will continue to explore opportunities to expand the *Noku hotels* brand as well as our portfolio of investment properties. Our presence in Japan – *Noku Kyoto* and *Noku Osaka* – has provided the Group with valuable insights on Japan's business environment, allowing us to successfully acquire a retail property in Ginza, Tokyo, marking our first foray into Japan's retail property sector."

Barring any unforeseen circumstances, the Group is expected to be profitable in FY2019.

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 2018, the Group developed and launched 48 small-to-medium sized developments comprising a total of more than 4,400 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, 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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