Roxy-Pacific
Holdings Limited

RESPONSE TO QUESTIONS FROM SECURITIES INVESTORS ASSOCIATION (SINGAPORE)

The Board of Directors (the "**Board**") of Roxy-Pacific Holdings Limited (the "**Company**") refers to:

(a) the annual report of the Company for the financial year ended 31 December 2020 (the "**Annual Report**");

(b) the notice of annual general meeting ("**AGM**") dated 30 March 2021 informing shareholders that the Company's AGM will be convened and held by way of electronic means on Friday, 16 April 2021 at 10:00 am; and

(c) the accompanying announcement issued by the Company on 29 March 2021 setting out, *inter alia*, the alternative arrangements relating to attendance at the AGM via electronic means.

Please refer to **Annex A** hereto for the list of questions received from Securities Investors Association (Singapore), and the Management and the Board's responses to these questions.

By order of the Board

Koh Seng Geok
Executive Director and Company Secretary

15 April 2021

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Annex A

ANNUAL GENERAL MEETING TO BE HELD ON 16 APRIL 2021
RESPONSE TO QUESTIONS FROM SIAS

Question 1.
As noted in the Chairman's statement, the Group has taken a conservative approach and re-aligned its businesses in view of the pandemic that sent economies around the world into a tailspin. The Group reported a new loss attributable to equity holders of $29.5 million in FY2020 (FY2019: net profit of $30.3 million), largely due to impairment charges on its hotel properties and properties held by its overseas associated companies.

Despite the pandemic, the Group executed on its development strategy, acquiring a freehold residential site at Jalan Molek and Guillemard Road and another site at Institution Hill.

(i) Can management share the reasons for its confidence in the small-mid sized freehold redevelopment projects that the Group has acquired since the pandemic?

Response:

- We remain prudent in our land acquisition strategy, focusing on small-mid sized freehold developments which we believe will have a stable demand in the long-term, given the scarcity of freehold sites in Singapore;
- It is noteworthy that of our ten developments that have been launched in Singapore, seven projects have been substantially sold to date and it's timely to be on the lookout to replenish our landbank;
- Additionally, with a low net gearing of 0.64 time, we have the headroom to prudently seek out quality and unique projects that are well-located. This is in line with our acquisition strategy both locally and abroad.

From February 2020 to February 2021, the Group sold about 21 units at RV Altitude (valued at $34 million), 27 units at Fyve Derbyshire ($47 million) and 4 units at Wilshire Residences ($2.2 million). The percentage sold at each project stands at 45%, 72% and 16% respectively.

(ii) Has management reviewed the reasons for the relatively slow sales progress of certain projects by the Group? Is this an indication that the market has turned more selective and thus the Group might have to restrategise to sell its remaining units?

Response:

- Our remaining freehold developments encompass well-designed space and are strategically located, with good connections to key amenities and public transportation;
- The ongoing global pandemic 'overhang' remains a cause of concern for the market, and we will continue to monitor closely;
- For the Group, since the Phase 3 re-opening in Singapore, our showrooms have stepped up engagement with buyers through physical and online marketing channels including virtual showrooms to showcase the apartment units. Through innovative marketing campaigns, we aim to maximise exposure and reach potential buyers via social media, and by providing immersive experiences with videos and virtual show suites. We will continue to explore a sensitive pricing strategy that's aligned to existing units and positioning, to match buyers' needs;
- With unique projects that are well-located, supported by active marketing strategies, we believe that these remaining projects will resonate well with homebuyers.

In the property investment segment, the Group had a profitable "flip" of a retail building situated in Ginza, Tokyo. Within a year of acquisition, the Group sold the asset for approximately JPY8.6 billion, which was a premium of over 43% in less than a year, from the initial purchase price of JPY6.0 billion.

(iii) Can management help shareholders understand how it was able to spot such a bargain in the market? What was the Group's value-add, if any, to the property?

Response:

- We have developed a good network of contacts from our years in Japan. The retail building situated at Ginza is widely known as a popular upscale shopping and entertainment district of Tokyo and we saw the potential to invest in this quality asset in 2019. As part of our capital recycling strategy, we will continue to identify and unlock the potential in our investments, to pursue other potentially higher-yielding reinvestment opportunities as we seek to achieve rolling returns on our investment.

Question 2.
The Group recognised a loss of $(6.8) million in FY2020 compared to a profit of S$8.5 million in FY2019 for its share of results of associates and joint venture (page 5). This was mainly due to additional tax expenses for the divested investment in 8 Russell Street, Hong Kong in 2H2020, and provision of impairment loss on the properties in overseas associated companies and partially offset by the profit from the sale of property at Ginza, Japan in 1H2020.

The sales of the units in 8 Russell Street were mostly completed in FY2014. In Note 9 (page 141 – Investment in associates and joint ventures), it can be seen that the loss for the year for Rolex Investment Ltd was $(33.654) million.

(i) Can management provide a breakdown to show the impact due to 8 Russell Street, the impairment loss on properties (the impairment and for which asset) and the gain from the sale or the Ginza property to reconcile the $(6.8) million loss in FY2020 due to associates and joint ventures?

Response:
The breakdown of share of loss in associates and joint ventures are as follows:

		S$' million
-	Impairment of land value in development site at Peel Street and Cordelia Street, South Brisbane	- 8.9
-	Impairment of land value in Bracks Street, North Fremantle, Perth	- 4.4
-	Additional tax expense on divested investment in 8 Russell Street	- 10.1
-	Share of results in Ginza Property	10.5
-	Share of results in 205 Queen Street, Auckland, New Zealand	5.0
-	Share of results in Wisma Infinitum	1.1
-	Share of results in investment property in Shibuya-ku, Tokyo	1.2
-	Share of loss in 350 Queen Street, Melbourne	- 0.6
-	Share of loss in associates and joint ventures – others	- 0.6
		- 6.8

(ii) Given that the sales of the units at 8 Russell Street were completed in FY2014, what caused the "additional tax expenses for the divested investment"? Did the Group fall short in its due diligence and tax/legal planning with regard to 8 Russell Street?

Response:

- The impact due to 8 Russell Street was $(10.1) million based on the Group's 30% effective interest in the associate;
- The associate had sold all the strata-title units that it owned in the Property at 8 Russell Street between FY2014 to FY2015. Based on the professional opinion obtained from the tax consultant of an international accounting firm, the profits arising from the sale of the Property should be capital in nature and not subject to tax. No provision for income tax was made during the years of disposal and this was concurred by the external auditors;
- In September 2020, the associate obtained a final tax determination letter from the tax authority in Hong Kong that the profit from the sale of the Property was taxable. Accordingly, provision for additional tax expense was made in FY2020;
- As disclosed in page 99 of our Annual Report, significant judgement is involved in determining the group-wide provision for income taxes. There are certain transactions and computations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for expected tax exposures based on estimates of whether additional taxes will be due. Although these estimates are based on management's best knowledge of current events and actions, actual results may differ from those estimates. Estimates and underlying assumptions are reviewed on an ongoing basis;
- Notwithstanding the additional tax expense in FY2020 for the divested investment, the Group has recognised a total profit after tax of approximately S$40 million from its share of the investment, representing a 100% return on investment to the Group.

Questions 3.
On 1 October 2020, the company announced the appointment of Mr Yeo Wee Kiong as an Independent Director of the Board, and member of the Audit Risk Management Committee, Nominating Committee and Remuneration Committee.

The biography of Mr Yeo can be found on page 19 of the annual report. Additional information on the Directors nominated for re-election at the forthcoming annual general meeting, including Mr Yeo, can be found on pages 76 to 82.

In addition, Mr Winston Tan Tien Hin will retire at the conclusion of the forthcoming annual general meeting and the Board will be searching for a new Independent Director as part of its continuing board renewal process.

(i) Has the Nominating Committee made use of professional organisations and/or external search consultants to search for director candidates? This would allow it to cast its net wider and further improve the robustness of its search process.

Response:

- Our Nominating Committee has a vigorous process when it comes to our search for suitable candidates, including consideration of the relevant experience and skillsets to our Company's business.

(ii) Mr Yeo Wee Kiong sits on other listed companies, such as AF Global Limited and Bonvests Holdings Limited, that also invest in hospitality assets, including in overseas real estate markets. In addition, Bonvests Holdings also has a hotel in Singapore that could be in direct competition with the Group's asset. Would Mr Yeo Wee Kiong be frequently put in a position where he would have conflicts of interests between the company and other listed companies he sits on?

Response:

- A Board Committee member is required to disclose his interest and recuse himself from discussions and decisions involving a conflict of interest;
- To the best of the Board's knowledge, AF Global has no hotels in Singapore, while there has been no direct competition from Bonvest's hotel in Singapore. In addition, neither of them has hospitality assets in Japan. In general, hotels as hospitality assets are routinely managed by international operators and do not usually involve any active board participation in their ordinary day-to-day operations.

(iii) How does the company ensure that its interests are protected? For instance, what safeguards are put in place to ensure that sensitive commercial information, such as participation in tenders, private treaty opportunities, are well protected?

Response:

- The Nominating Committee takes into consideration other listed board representations held by the Directors;
- Each of our Independent Directors is subject to a rigorous review where emphasis is placed on whether they have continued to demonstrate integrity, professionalism and independent judgement and/or decisions on matters with the interests of the Company at heart without undue reliance on and influence by others.

(iv) Even if a conflicted Director recuse himself from certain sensitive discussion either in the company or on the Board of the other companies, the act of recusing oneself would still provide competitive information. How does the company mitigate such risks?

Response:

- As shared, the Nominating Committee takes into consideration other listed board representations held by the Directors;
- Each of our Independent Directors is subject to a rigorous review where emphasis is placed on whether they have continued to demonstrate integrity, professionalism and independent judgement and/or decisions on matters with the interests of the Company at heart without undue reliance on and influence by others.