Roxy-Pacific
Holdings Limited

ROXY-PACIFIC HOLDINGS LIMITED

(Registration Number: 196700135Z)

UNAUDITED SECOND QUARTER AND HALF YEAR FINANCIAL STATEMENTS AND DIVIDEND ANNOUNCEMENT FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2011

Roxy-Pacific Holdings Limited

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PART I - INFORMATION REQUIRED FOR ANNOUNCEMENTS OF QUARTERLY (Q1, Q2, Q3 & Q4), HALF-YEAR AND FULL YEAR RESULTS

1 (a) (i) A statement of comprehensive income (for the group) together with a comparative statement for the corresponding period of the immediately preceding financial year

	Second quarter ended 30 June			Half year ended 30 June		
	2011	2010	Change	2011	2010	Change
	S$'000	S$'000	%	S$'000	S$'000	%
Revenue	46,694	55,384	-16%	97,127	116,283	-16%
Cost of sales	(31,378)	(36,594)	-14%	(65,689)	(80,537)	-18%
Gross profit	15,316	18,790	-18%	31,438	35,746	-12%
Other operating income	10,104	4,422	128%	10,523	4,476	135%
Distribution and selling expenses	(362)	(366)	-1%	(749)	(735)	2%
Administrative expenses	(3,273)	(3,355)	-2%	(5,011)	(5,654)	-11%
Other operating expenses	(3,324)	(2,848)	17%	(6,057)	(5,592)	8%
Finance costs	(954)	(899)	6%	(2,119)	(1,783)	-19%
Share of results of associates (net of income tax)	(279)	-	n/m	451	-	n/m
Profit before taxation	17,228	15,744	9%	28,476	26,458	8%
Taxation	(2,372)	(2,878)	-18%	(3,583)	(4,562)	-21%
Profit after taxation	14,856	12,866	15%	24,893	21,896	14%
Other comprehensive income , net of tax	-	-	-	-	-	-
Total comprehensive income for the period	14,856	12,866	15%	24,893	21,896	14%

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1 (a) (ii) Total comprehensive income is arrived at:

	Second quarter ended 30 June			Half year ended 30 June		
	2011	2010	Change	2011	2010	Change
	S$'000	S$'000	%	S$'000	S$'000	%
after charging:						
Impairment loss on trade receivables	15	6	150%	15	6	150%
Depreciation of property, plant and equipment	466	480	-3%	870	964	-10%
Directors' fees	39	36	8%	78	71	10%
Fair value loss on interest rate swaps	233	-	n/m	427	-	n/m
Interest on borrowings	954	899	6%	2,119	1,783	19%
Staff costs (including directors' remuneration)						
- salaries, wages and bonuses	4,518	3,787	19%	7,472	7,082	6%
- contribution to defined contribution plans	198	175	13%	403	376	7%
- other personnel expenses	266	220	21%	578	471	23%
and crediting:						
Fair value gain on investment Properties [(1)]	9,582	4,337	121%	9,582	4,337	121%
Over provision for tax in respect of prior year	500	-	n/m	1,563	-	n/m
Government grant – job credit scheme	-	29	n/m	-	87	n/m
Income from hotel money exchange operations	7	11	-36%	14	21	-33%
Interest income	51	67	-24%	129	109	18%

n/m: Not meaningful

[(1)] based on the valuation of Roxy Square shop units carried out by an independent valuer on 30 June 2011, on an open market value and existing use basis. Valuation of investment properties are performed on a half yearly basis.

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1(b)(i) A statement of financial position (for the issuer and group), together with a comparative statement as at the end of the immediately preceding financial year

	GROUP		COMPANY	
	30-Jun-11	31-Dec-10	**30-Jun-11**	31-Dec-10
	S$'000	S$'000	**S$'000**	S$'000
ASSETS				
Non-Current				
Goodwill	**1,672**	1,672	-	-
Property, plant and equipment	**69,830**	70,421	**70**	83
Investments in subsidiaries	-	-	**41,443**	40,443
Investments in associates	**2,576**	1,635	-	-
Investment properties	**88,349**	78,767	-	-
	162,427	152,495	**41,513**	40,526
Current				
Developed property for sale	**-**	985	-	-
Properties for sale under development [1]	**230,150**	235,305	-	-
Inventories	**133**	141	-	-
Trade receivables	**24,658**	24,846	**5**	19
Other receivables	**29,361**	16,329	**105**	47
Amount due from associates	**17,467**	12,920	**-**	6
Amount due from subsidiaries	-	-	**25,423**	25,460
Project accounts	**131,550**	75,700	-	-
Fixed deposits (Note 1(c))	**37,797**	38,754	**13,561**	9,069
Cash and bank balances	**27,169**	44,151	**2,748**	1,018
	498,285	449,131	**41,842**	35,619
Total assets	**660,712**	601,626	**83,355**	76,145
EQUITY AND LIABILITIES				
Capital and Reserves				
Share capital	**47,399**	47,399	**47,399**	47,399
Retained earnings	**137,781**	122,436	**28,637**	22,785
Total equity	**185,180**	169,835	**76,036**	70,184
Liabilities				
Non-Current				
Bank borrowings (secured)	**87,619**	84,733	-	-
Deferred income taxes	**15,833**	14,943	-	-
	103,452	99,676	-	-
Current				
Trade payables	**10,082**	7,740	**26**	360
Other payables	**47,258**	26,190	**2,306**	5,551
Amount due to subsidiaries	**-**	-	**4,951**	-
Provision for taxation	**6,109**	7,074	**36**	50
Bank borrowings (secured)	**308,631**	291,111	-	-
	372,080	332,115	**7,319**	5,961
Total liabilities	**475,532**	431,791	**7,319**	5,961
Total equity and liabilities	**660,712**	601,626	**83,355**	76,145

[1] $186.9 million (31-Dec-10: $128.8 million) relates to the Group's pre-sold development properties as at 30 June 2011.

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1(b)(ii) Aggregate amount of group's borrowings and debt securities

	30-Jun-11			31-Dec-10	
	Secured S$'000		**Unsecured S$'000**	Secured S$'000	Unsecured S$'000
Current					
- Amount repayable in one year or less, or on demand	**140,445**	(i)	-	149,218	-
- Amount repayable after one year but within the normal operating cycle of Property Development segment	**168,186**		-	141,893	-
	308,631		-	291,111	-
Non-current					
Amount repayable after one year	**87,619**		-	84,733	-
	396,250		-	375,844	-

Details of collaterals

The borrowings are secured by;

a) Freehold land and building;
b) Proceeds from the sale of investment properties;
c) Rental income from investment properties;
d) Joint guarantee of four directors and the Company; and
e) Properties for sale under development

(i) $101.7 million relates to our pre-sold development properties and is expected to be fully repaid by 30 June 2012 upon obtaining Temporary Occupation Permits ("TOP") and collections from purchasers.

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1(c) A statement of cash flows (for the group), together with a comparative statement for the corresponding period of the immediately preceding financial year

	Second quarter ended 30 Jun		Half year ended 30 Jun	
	2011	**2010**	**2011**	**2010**
	S$'000	**S$'000**	**S$'000**	**S$'000**
Cash Flows from Operating Activities				
Profit before taxation	**17,228**	15,744	**28,476**	26,458
Adjustments for:		-		
Depreciation of property, plant and equipment	**466**	480	**870**	964
Fair value loss on interest rate swaps	**233**	-	**427**	-
Share of associates' results	**279**	-	**(451)**	-
Interest income	**(51)**	(67)	**(129)**	(109)
Interest expense on bank borrowings	**954**	899	**2,119**	1,783
Fair value gain on investment properties	**(9,582)**	(4,337)	**(9,582)**	(4,337)
Operating profit before working capital changes	**9,527**	12,719	**21,730**	24,759
Decrease / (increase) in inventories	**10**	(8)	**8**	4
(Increase) / decrease in operating receivables	**(23,427)**	9,731	**(12,844)**	24,282
Increase in operating payables	**4,539**	321	**22,983**	651
(Decrease) / increase in properties for sale under development	**12,460**	(5,513)	**5,155**	(23,673)
Decrease in developed property for sale	**-**	-	**985**	-
Cash generated from operations	**3,109**	17,250	**38,017**	26,023
Income tax paid	**(3,529)**	(3,800)	**(3,658)**	(4,590)
Net cash (used in) / generated from operating activities	**(420)**	13,450	**34,359**	21,433
Cash Flows from Investing Activities				
Investment in associates	**(490)**	(200)	**(490)**	(200)
Advances to associates	**(2,147)**	(3,113)	**(4,547)**	(3,858)
Acquisition of property, plant and equipment	**(268)**	(978)	**(279)**	(992)
Acquisition of investment properties	**-**	(119)	**-**	(19,025)
Interest received	**51**	67	**129**	109
Net cash used in investing activities	**(2,854)**	(4,343)	**(5,187)**	(23,966)
Cash Flows from Financing Activities				
Proceeds from borrowings	**10,769**	24,241	**46,694**	65,205
Repayment of borrowings	**(12,878)**	(10,634)	**(26,288)**	(45,510)
Fixed deposit pledged to banks and financial institutions	**(539)**	-	**(545)**	(408)
Interest paid	**(954)**	(899)	**(2,119)**	(1,783)
Dividend paid	**(9,548)**	(6,366)	**(9,548)**	(6,366)
Net cash (used in) / generated from financing activities	**(13,150)**	6,342	**8,194**	11,138
Net (decrease) /increase in cash and cash equivalents	**(16,424)**	15,449	**37,366**	8,605
Cash and cash equivalents at beginning of period	**211,729**	101,471	**157,939**	108,315
Cash and cash equivalents at end of period	**195,305**	116,920	**195,305**	116,920

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	Second quarter ended 30 Jun		Half year ended 30 Jun	
	2011	**2010**	**2011**	**2010**
	S$'000	**S$'000**	**S$'000**	**S$'000**
Analysis of cash and cash equivalents:-				
Project accounts (Note 1)	**63,050**	16,824	**63,050**	16,824
Fixed deposits in project accounts (Note 1)	**68,500**	43,200	**68,500**	43,200
Fixed deposits	**37,797**	21,192	**37,797**	21,192
Cash and bank balances	**27,169**	36,369	**27,169**	36,369
Less: Fixed deposits pledged to banks and financial institution	**(1,211)**	(665)	**(1,211)**	(665)
	195,305	116,920	**195,305**	116,920

Note 1: The project accounts consist of monies held under the Housing Developers (Project Account) Rules 1997 from which withdrawals are restricted to payments for costs incurred on development of properties.

1(d)(i) A statement (for the issuer and group) showing either (i) all changes in equity or (ii) changes in equity other than those arising from capitalisation issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial year

Group	**Share capital S$'000**	**Retained earnings S$'000**	**Total S$'000**
Balance at 1 January 2010	47,399	86,020	133,419
Total comprehensive income for the period	-	9,030	9,030
Balance at 31 March 2010	47,399	95,050	142,449
Total comprehensive income for the period	-	12,866	12,866
Dividend paid	-	(6,366)	(6,366)
Balance at 30 June 2010	47,399	101,550	148,949
Balance at 1 January 2011	**47,399**	**122,436**	**169,835**
Total comprehensive income for the period	**-**	**10,037**	**10,037**
Balance at 31 March 2011	**47,399**	**132,473**	**179,872**
Total comprehensive income for the period	-	**14,856**	**14,856**
Dividend paid	-	**(9,548)**	**(9,548)**
Balance at 30 June 2011	**47,399**	**137,781**	**185,180**

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Company	Share capital S$'000	Retained earnings S$'000	Total S$'000
Balance at 1 January 2010	47,399	23,139	70,538
Total comprehensive income for the period	-	6,280	6,280
Balance at 31 March 2010	47,399	29,419	76,818
Total comprehensive income for the period	-	45	45
Dividend paid	-	(6,366)	(6,366)
Balance at 30 June 2010	47,399	23,098	70,497
Balance at 1 January 2011	**47,399**	**22,785**	**70,184**
Total comprehensive income for the period	**-**	**15,255**	**15,255**
Balance at 31 March 2011	**47,399**	**38,040**	**85,439**
Total comprehensive income for the period	**-**	**145**	**145**
Dividend paid	**-**	**(9,548)**	**(9,548)**
Balance at 30 June 2011	**47,399**	**28,637**	**76,036**

1(d)(ii) Details of any changes in the company's share capital arising from rights issue, bonus issue, share buy-backs, exercise of share options or warrants, conversion of other issues of equity securities, issue of shares for cash or as consideration for acquisition or for any other purpose since the end of the previous period reported on. State also the number of shares that may be issued on conversion of all the outstanding convertibles, as well as the number of shares held as treasury shares, if any, against the total number of issued shares excluding treasury shares of the issuer, as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year

Nil

1(d)(iii) To show the total number of issued shares excluding treasury shares as at the end of the current financial period and as at the end of the immediately preceding year.

	30-Jun-11	31-Dec-10
Total number of ordinary shares issued and fully paid	**636,560,000**	636,560,000

1(d)(iv) A statement showing all sales, transfers, disposal, cancellation and/or use of treasury shares as at the end of the current financial period reported on.

Not applicable

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2. Whether the figures have been audited, or reviewed and in accordance with which auditing standard or practice.

The figures have not been audited nor reviewed by the Company's auditors.

3. Where the figures have been audited or reviewed, the auditors' report (including any qualifications or emphasis of a matter)

Not applicable.

4. Whether the same accounting policies and methods of computation as in the issuer's most recently audited annual financial statements have been applied

The Group has applied the same accounting policies and methods of computation in the financial information for the current financial period compared with those for the audited financial statements for the year ended 31 December 2010.

5. If there are any changes in the accounting policies and methods of computation, including any required by an accounting standard, what has changed, as well as the reasons for, and the effect of, the change

The Group has adopted all the new and revised Financial Reporting Standards ("FRS") and Interpretations of FRS ("INT FRS") that are relevant to its operations and effective for accounting period beginning on 1 January 2011.

The following are the new or amended FRSs that are relevant to the Group:

INT FRS 115 Agreements for the Construction of Real Estate
Revised FRS 24 Related Party Disclosures
Improvements to FRSs issued in 2010

The adoption of these new/revised FRS and INT FRS did not result in substantial changes to the Group's accounting policies and has no material effect on the amounts reported for the current or prior reporting periods, including INT FRS 115 - *Agreements for the Construction of Real Estate* that was issued with an Accompanying Note that considers the application of the interpretation for uncompleted residential projects under Singapore legal framework..

INT FRS 115 clarifies when revenue and related expenses from a sale of a real estate unit should be recognised if an agreement between a developer and a buyer is reached before the construction of the real estate is completed. INT FRS 115 determines that contracts which are not classified as construction contracts in accordance with FRS 11 can only be accounted for under the percentage of completion (POC) method if the entity continuously transfers to the buyer control and the significant risks and rewards of the work in progress in its current state as construction progresses.

On the adoption of INT FRS 115, the Group continues to recognise revenue and profit based on POC method for sale of development properties under the progressive payment scheme in Singapore.

For sale of development properties under deferred payment scheme ("DPS"), the completion of construction method is used. Revenue and profits from sale of development properties under deferred payment scheme are recognised in entirety upon obtaining Temporary Occupation Permit. However, the Group does not have any development properties under DPS.

6. Earnings per ordinary share of the group for the current period reported on and the corresponding period of the immediately preceding financial year, after deducting any provision for preference dividends

	Second quarter ended 30-Jun		Half year ended 30-Jun	
Earnings per share for the financial period	**2011**	**2010**	**2011**	**2010**
(a) Based on the weighted average number of ordinary shares in issue (cents)	2.33	2.02	3.91	3.44
(b) On fully diluted basis (cents)	2.33	2.02	3.91	3.44
Profit attributable to shareholders of the Company ($'000)	14,856	12,866	24,893	21,896
Weighted average number of shares ('000)	636,560	636,560	636,560	636,560

The Company did not have any stock options or dilutive potential ordinary shares during the periods ended 30 June 2011 and 2010.

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7. Net asset value (for the issuer and group) per ordinary share based on the total number of issued shares excluding treasury shares of the issuer at the end of the:-

(a) current financial period reported on; and
(b) immediately preceding financial year

	Group		**Company**	
	30-Jun-11	**31-Dec-10**	**30-Jun-11**	**31-Dec-10**
Net asset value per ordinary shares based on total issued 636,560,000 ordinary shares (cents)	**29.09**	26.68	**11.94**	11.03

The Group adopts the cost model under *FRS16 Property, Plant and Equipment*, and measures its property, plant and equipment at cost less depreciation and impairment loss. If it had applied the fair value model under FRS16, a revaluation surplus would arise as a result of the excess of the fair value of the Grand Mercure Roxy Hotel and office premise over their carrying amounts. As at 30 June 2011, our directors estimated that such revaluation surplus to be approximately $259.9 million (31 December 2010: $256.3 million) based on the valuation carried out by an independent valuer on 5 May 2011, on an open market value basis and existing use basis. Had this revaluation surplus been recorded, the Group's revalued net asset value ("RNAV") per share would have been as follows:

	Group	
	30-Jun-11	**31-Dec-10**
RNAV per ordinary share based on total issued 636,560,000 ordinary shares (cents)	**69.92**	66.95

8. A review of the performance of the group, to the extent necessary for a reasonable understanding of the group's business. It must include a discussion of the following:-
(a) any significant factors that affected the turnover, costs, and earnings of the group for the current financial period reported on, including (where applicable) seasonal or cyclical factors; and
(b) any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current financial period reported on.

Breakdown of Performance by Segments

GROUP	Second quarter ended 30-Jun 2011 S$'000		Second quarter ended 30-Jun 2010 S$'000		Change Increase/ (Decrease)	Half year ended 30-Jun 2011 S$'000		Half year ended 30-Jun 2010 S$'000		Change Increase/ (Decrease)
REVENUE										
Property Development	33,887	73%	43,554	79%	-22%	71,832	74%	93,422	80%	-23%
Hotel Ownership	11,986	26%	11,016	20%	9%	23,655	24%	21,303	18%	11%
Property Investment	821	1%	814	1%	1%	1,640	2%	1,558	2%	5%
	46,694	100%	55,384	100%	-16%	97,127	100%	116,283	100%	-16%
GROSS PROFIT										
Property Development	6,401	42%	10,369	55%	-38%	13,910	44%	19,802	55%	-30%
Hotel Ownership	8,328	54%	7,830	42%	6%	16,361	52%	14,842	42%	10%
Property Investment	587	4%	591	3%	-1%	1,167	4%	1,102	3%	6%
	15,316	100%	18,790	100%	-18%	31,438	100%	35,746	100%	-12%
GROSS PROFIT MARGIN (%)										
Property Development	19%		24%		-5ppt	19%		21%		-2ppt
Hotel Ownership	69%		71%		-2ppt	69%		70%		-1ppt
Property Investment	71%		73%		-2ppt	71%		71%		-
Total	33%		34%		-1ppt	32%		31%		1ppt
PROFIT BEFORE TAXTION										
Property Development	4,118	24%	8,032	51%	-49%	11,990	42%	15,912	60%	-25%
Hotel Ownership and Property investment	3,528	20%	3,375	21%	5%	6,904	24%	6,209	23%	11%
Fair value gain on investment properties	9,582	56%	4,337	28%	121%	9,582	34%	4,337	17%	121%
	17,228	100%	15,744	100%	9%	28,476	100%	26,458	100%	8%

ppt: percentage point

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2Q2011 vs 2Q2010

(i) Revenue

The Group achieved revenue of $46.7 million in 2Q2011, 16% lower as compared to $55.4 million in 2Q2010. The decline was the result of 22% decrease in revenue from the Property Development segment, partly offset by 8% increase in revenue from the Hotel Ownership and Property Investment segments in 2Q2011.

(a) Property Development

The 22% decline in revenue from the Property Development segment in 2Q2011, was largely due to the absence of revenue recognised from 2 development projects, namely, The Ambrosia and The Adara, that were completed in 2010. The Group recognised revenue from eight development projects in 2Q2011, namely, The Azzuro, The Verte, The Florentine, Nova 48, Nova 88, The Lucent, Studios@Tembeling and Jupiter 18. The Group has obtained TOP for The Florentine in May 2011. This segment contributed to 73% of total Group's revenue in 2QFY2011.

(b) Hotel Ownership and Property Investment

The remaining 27% of the Group's turnover in 2Q2011 was attributable to the Hotel Ownership and Property Investment segments. Revenue from the Hotel Ownership segment increased 9% to $12.0 million in 2Q2011. The hotel's average occupancy rate ("AOR") decreased marginally from 95.0% in 2Q2010 to 94.3% in 2Q2011. On the other hand, its average room rate ("ARR"), was up 12% to $186.0 in 2Q2011 as compared to $166.2 in 2Q2010. As a result, the Group's revenue per available room ("RevPar") increased 11% from $157.9 in 2Q2010 to $175.4 in the current quarter.

Revenue from the Property Investment segment improved marginally by 1% for the current quarter as compared to 2Q2010.

(ii) Cost of sales and gross profit

In line with the decrease in revenue, direct cost of total revenue also decreased by $5.2 million or 14% from $36.6 million in 2Q2010 to $31.4 million in 2Q2011.

During the quarter, gross profit from the Property Development segment contributed $6.4 million or 42% of the total gross profit of the Group, with the balance 58% or $8.9 million contributed by the Hotel Ownership and Property Investment segments. The gross profit margin for the Property Development segment decreased by 5 percentage points from 24% in 2Q2010 to 19% in 2Q2011. The decrease was mainly due to the progressive recognition of profits in 2Q2011 from development projects with lower profit margins as compared to those development projects recognised in 2Q2010. The gross profit margin of the Hotel Ownership segment decreased by 2 percentage points from 71% in 2Q2010 to 69% in the current quarter due to an increase in payroll costs. Gross profit margin of the Property Investment segment decreased by 2 percentage points from 73% in 2Q2010 to 71% in the current quarter.

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Overall, the Group's gross profit margin in 2Q2011 decreased marginally by 1 percentage point from 34% in 2Q2010 to 33% in 2Q2011. The decrease was mainly due to lower gross profit margins from both Property Development and Hotel Ownership segments.

(iii) Profit for the period

The Group's other operating income in 2Q2011 increased from $4.4 million in 2Q2010 to $10.1 million largely due to higher fair value gain on its investment properties at Roxy Square.

Other operating expenses increased from $2.8 million in 2Q2010 to $3.3 million in 2Q2011 mainly due to the operating expenses of subsidiaries incorporated after 2Q2010.

Finance costs increased from $0.9 million in 2Q2010 to $1.0 million in 2Q2011 mainly due to additional loans drawdown in 1Q2011 for working capital.

The share of results of associates in 2Q2011 was a loss of 0.3 million mainly as a result of adjustment to project construction costs.

The Group's pre-tax profit improved by 9% or $1.5 million from $15.7 million in 2Q2010 to $17.2 million in the current quarter. The effective tax rate of 14% in 2Q2011 was lower than the applicable tax rate of 17% mainly due to over-provision of tax in respect of prior year.

Profit after taxation improved by $2.0 million or 15% to $14.9 million in the current quarter ended 30 June 2011.

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<u>1H2011 vs 1H2010</u>

(i) Revenue

In 1H2011, the Group achieved revenue of $97.1 million, 16% lower against $116.2 million in 1H2010. The decline was the result of 23% increase in revenue from the Property Development segment, partly offset by 11% increase in revenue from the Hotel Ownership segment and a 5% increase in revenue from its Property Investment segment in 1H2011.

(a) Property Development

The 23% decline in revenue from the Property Development segment in 1H2011, was largely due to the absence of revenue recognised from 3 development projects, namely The Ambrosia, The Adara and The Ambra, that were completed in 2010. The Group recognised revenue from eight development projects in 1H2011, namely, The Florentine, Nova 88, Nova 48, The Lucent, The Azzuro, The Verte, Studios@Tembeling and Jupiter 18. The Group has obtained TOP for The Florentine in May 2011. This segment contributed to 74% of total Group's revenue in 1H2011.

(b) Hotel Ownership and Property Investment

The remaining 26% of the Group's turnover in 1H2011 was attributable to the Hotel Ownership and Property Investment segments. Revenue from the Hotel Ownership segment increased by 11% to $23.7 million in 1H2011. Whilst the hotel's average occupancy rate ("AOR") decreased from 94.2% in 1H2010 to 93.0% in 1H2011, its average room rate ("ARR") was up 17% to $186.0 in 1H2011 as compared to $159.1 in 1H2010. As a result, the Group's revenue per available room ("RevPar") increased by 15% from $149.9 in 1H2010 to $173.0 in 1H2011.

Revenue from the Property Investment segment improved by 5% in the current half year compared to 1H2010. The increase was mainly due to higher rental on renewal of leases for some shop units at Roxy Square.

(ii) Cost of sales and gross profit

In line with the higher revenue achieved, direct cost of total revenue in 1H2011 decreased by $14.8 million or 18% from $80.5 million in 1H2010 to $65.7 million in 1H2011.

In the first half year of 2011, gross profit from the Property Development segment contributed $13.9 million or 44% of the total gross profit of the Group, with the balance 56% or $17.5 million contributed from the Hotel Ownership and Property Investment segments. The gross profit margin for the Property Development segment decreased from 21% in the 1H2010 to 19% in 1H2011. The decrease was mainly due to the progressive recognition of profits in 1H2011 from development projects with lower profit margins as compared to those development projects recognised in 1H2010. The gross profit margin of the Hotel Ownership segment decreased marginally from 70% in 1H2010 to 69% in 1H2011.

Overall, the Group's gross profit margin in 1H2011 improved by 1 percentage point from 31% in 1H2010 to 32% in 1H2011. The increase was mainly due to a higher revenue contribution from the Hotel Ownership segment which has a higher gross profit margin.

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(iii) Profit for the period

The Group's other operating income in 1H2011 increased from $4.5 million in 1H2010 to $10.5 million largely due to higher fair value gain on investment properties at Roxy Square.

Administrative expenses decreased from $5.7 million in 1H2010 to $5.0 million in 1H2011 mainly due to lower provision for performance bonuses.

Other operating expenses increased by $0.5 million in 1H2011 to $6.1 million mainly due to higher provision for management fees payable to hotel operator, which was in line with the higher turnover and profitability of the hotel, increase in replacement of hotel furniture, fittings and equipments and the operating expenses of subsidiaries incorporated after 2Q2010.

Depreciation of property, plant and equipment decreased from $1.0 million to $0.9 million mainly due to fully depreciated assets.

Finance costs increased from $1.8 million in 1H2010 to $2.1 million in 1H2011 mainly due to additional drawdowns after 2Q2010 for working capital.

The Group's pre-tax profit improved by 8% or $2.0 million from $26.5 million in 1H2010 to $28.5 million in 1H2011. The effective tax rate of 14% in 1H2011 was lower than the applicable tax rate of 17% mainly due to over-provision of tax in respect of prior year.

Profit after taxation improved by $3.0 million or 14% to $24.9 million in the current half year.

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(iv) Cashflow, working capital and Balance Sheet

The Group's non-current assets comprise property, plant and equipment, investment properties, investments in associates and goodwill. As at 30 June 2011, this amounted to $162.4 million and represented 25% of the total assets. Investment properties accounted for $88.3 million or 54% of total non-current assets as at 30 June 2011. The increase in investment properties from $78.8 million as at 31 December 2010 to $88.3 million as at 30 June 2011 was due to the fair gain on investment properties in 1H2011.

Investment in associates increase from $1.6 million as at 31 December 2010 to $2.6 million as at 30 June 2011. The increase was due to additional investment in an associate in 2Q2011 and share of results of associates during the period.

At Company's level, the increase in investments in subsidiaries from $40.4 million as at 31 December 2010 to $41.4 million as at 30 June 2011 was due to the increase in the Company's investment in one of its subsidiaries during the period.

The Group's current assets comprise mainly properties for sale under development, trade and other receivables and cash and bank balances. As at 30 June 2011, this amounted $498.3 million and represented 75% of the total assets. Properties for sale under development accounted for $230.2 million or 46% of total current assets as at 30 June 2011.

Other receivables comprise mainly deposits, prepayments and other receivables. The increase in other receivables from $16.3 million as at 31 December 2010 to $29.4 million as at 30 June 2011 was mainly due to the deposits paid for the acquisition of land sites for development during the period. Amount due from associates comprises mainly advances to associates for working capital.

As at 30 June 2011, project accounts, fixed deposits and cash and bank balances amounted to $196.5 million.

The Group recorded net cash inflows from operating activities of $34.4 million in 1H2011, as compared with net cash inflows of $21.4 million in 1H2010. The increase in cash flows from operating activities was mainly due to the increase in the operating payables which comprises mainly deposits and booking fees received for Space@Kovan, which was launched in December 2010 as well as the increase in operating receivables mainly due to the deposits paid for the acquisition of land sites for development during the period.

In the first half of 2011, the Group recorded net cash outflows from investing activities of $5.2 million, mainly due to advances to associates for working capital during the current period. During the same period, the net cash inflows from financing activities were mainly due to proceeds from land and construction loans, partially offset by repayment of development loans for project completed in 1H2011 and dividend paid to shareholders.

The Group's current liabilities comprise trade payables, other payables, provision for taxation and bank borrowings. As at 30 June 2011, this amounted to $372.1 million and represented 78% of the total liabilities. The increase in trade payables from $7.7 million as at 31 December 2010 to $10.1 million as at 30 June 2011 was mainly due to progressive claim from contractors for the projects during the first half 2011. Other payables comprise mainly deposits and booking fees received for pre-sale of properties, accruals for construction costs for completed projects, accrual of unbilled progress claims from contractors, hotel management fees and provision for performance bonuses. The increase in other payables from $26.2 million as at 31 December 2010 to $47.2 million as at 30 June 2011 was mainly due to deposits and booking fees received for Space@Kovan.

As at 30 June 2011, the Group's total borrowings amounted to $396.3 million with $140.4 million repayable within one year and $255.9 million repayable after one year. Of the $140.4 million borrowings repayable within one year, $101.7 million relates to sold development properties and is expected to be fully repaid by 30 June 2012 upon obtaining TOP and collections from purchasers. The increase in the total borrowings as at 30 June 2011 as compared to the balance as at 31 December 2010 was mainly due to loan drawdown for land acquisition in 1H2011, partially offset by the repayment of land and construction loans during the period.

9. Where a forecast, or a prospect statement, has been previously disclosed to shareholders, any variance between it and the actual results

The Group's performance for the period under review is in line with its expectations as disclosed in the announcement of results for the first quarter ended 31 March 2011.

10. A commentary at the date of the announcement of the significant trends and competitive conditions of the industry in which the group operates and any known factors or events that may affect the group in the next reporting period and the next 12 months

<u>Property Development</u>

According to the Ministry of Trade and Industry's announcement on 14 July 2011, the Singapore's economy is expected to grow by 0.5% on a year-on-year basis, down from the 9.3% growth in the previous quarter. In addition, based on latest real estate statistics released by Urban Redevelopment Authority on 22 July 2011, the rate of price increases continues to moderate. Prices of private residential properties increased by 2.0% in 2nd Quarter 2011, lower than the 2.2% increase in the previous quarter. This was the 7th consecutive quarter in which the rate of increase in private housing prices had moderated.

The uncertainty in the global environment such as the concern of sovereign debts default in Europe, a waning US economy and a slower than expected economic growth in Singapore had affected the general market sentiments as buyers have become more cautious. However, with the strong fundamentals of the Singapore's economy, a strong job market and low interest rate environment, property market in Singapore looks set to remain stable.

The Group have achieved good bottom-line growth for our first half performance notwithstanding a more challenging property development environment and global economic uncertainty.

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As of 2nd August 2011, the Group has a balance amount of attributable progress billings of approximately $531.1 million from the following projects which will be progressively recognised from 3Q2011 to FY2014.

Project name	**Group's stake**	**No. of units in the project**	**% sold**	**Attributable total sale value [1] ($'m)**	**Attributable revenue recognised @30 June 2011**	**Balance attributable progress billings to be recognised from 3Q2011**
Azzuro	100%	15	100%	11.9	9.7	2.2
Verte	100%	36	100%	51.1	40.0	11.1
Nova 88	100%	88	100%	75.7	52.9	22.8
Nova 48	100%	48	100%	45.6	37.5	8.1
Lucent	100%	42	100%	39.5	35.9	3.6
162 Haig	45%	99	100%	26.3	4.2	22.2
Straits Residences	100%	30	100%	20.1	-	20.1
Tembeling	100%	25	100%	18.5	4.7	13.8
Jupiter 18	100%	53	100%	35.8	1.6	34.1
Space@Kovan [2]	100%	196	98%	152.7	-	152.7
18 Spottiswoode	100%	251	96%	234.4	-	234.4
Nottinghill Suites [3]	45%	124	15%	6.0	-	6.0
Total		**1007**		**717.6**	**186.5**	**531.1**

(1) Based on Option to Purchase granted up to 2nd August 2011.

(2) The existing building, known as Kovan Centre, which comprises 37 commercial units and 14 residential units, will be demolished to give way to the construction of the new development. Notices have been served to terminate all existing leases and all tenants will handover their units on or before 31 August 2011. Since the date of acquisition, Kovan Centre has been accounted for as an Investment Property. The Group intends to transfer Kovan Centre from Investment Property to Development Property in 2H2011. In accordance with FRS 40, the transfer will be carried at the fair value of Kovan Centre at the date of transfer and any difference between that fair value and the carrying amount will be recognised in profit or loss.

(3) Launched in July 2011

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In addition, the Group has the following plots of land with a total attributable gross floor area of approximately 27,664 sqm for development:

Location / Description	Group's stake	Approximate Attributable Land Area	Approximate Attributable Gross Floor Area	Approximate Attributable Land Cost [1]
	%	**(sqm)**	**(sqm)**	$'m
70 Shenton Way (Marina House)	20%	367	3,915	39.2
55 Changi Road (Singapura Theatre)	48%	869	2,608	21.6
116 Changi Road (Everitt Building)	100%	1,576	4,728	35.5
80 Changi Road (New Changi Hotel)	100%	2,587	7,761	54.0
103, 105 Lorong N Telok Kurau	100%	1,313	1,839	15.0
131 Mackenzie Road (Mackenzie Mansions)	100%	1,198	2,516	24.7
12, 14, 16, 18, 20, 22 Hillview Terrace	49%	2,238	4,297	30.6
		10,148	27,664	220.6

[1] includes estimated state land premium and development charge, if any

The approximate attributable gross floor area for these land plots is 27,664 sqm. The sales value from these new land plots will further boost the existing strong balance amount of attributable progress billings of approximately $531.1 million as of 2nd August 2011.

Hotel Ownership

The latest tourism statistics released by the Singapore Tourism Board shows that visitors to Singapore rose 15.4% in June 2011, logging fifteen straight months of record arrivals. The Group believes that the demand for the hotel rooms should continue to be strong in 2011 due to the continual high visitors' arrivals to Singapore.

Outlook

Barring any unforeseen circumstances, the directors expect the Group to be profitable in 2011.

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11. Dividend

(a) Current Financial Period Reported On

Any dividend declared for the current financial period reported on? No.

(b) Corresponding Period of the Immediately Preceding Financial Year

Any dividend declared for the corresponding period of the immediately preceding financial year? No

(c) Date payable

Not applicable

(d) Books closure date

Not applicable

12. If no dividend has been declared / recommended, a statement to that effect

No dividend has been declared / recommended

ON BEHALF OF THE BOARD

Koh Seng Geok
Executive Director

3 August 2011
Singapore

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CONFIRMATION PURSUANT TO RULE 705 (5) OF THE LISTING MANUAL

We confirm on behalf of the Board of Directors that, to the best of our knowledge, nothing has come to the attention of the Board of Directors which may render the unaudited interim financial results of the Group and the Company for the three months ended 31 March 2011 to be false or misleading in any material respect.

ON BEHALF OF THE BOARD

Teo Hong Lim	Koh Seng Geok
Chairman & CEO	Executive Director

3 August 2011
Singapore