Roxy-Pacific
Holdings Limited

NEWS RELEASE

ROXY-PACIFIC ACHIEVES 1H2018 NET PROFIT OF S$13.4 MILLION ON REVENUE OF S$83.3 MILLION

- ***Excluding fair value gain from 59 Goulburn Street in 1H2017, pre-tax profit increases by 168% to S$16.6 million***
- ***Overseas developments – The Hensley, Octavia and West End Glebe in Australia – receive warm reception***
- ***Prudent expansion in Australia and New Zealand well on track***
    - ***Successful sale of 117 Clarence Street office building in Sydney for A$153 million***
    - ***Redeployed proceeds from sale of 59 Goulburn Street to yield-accretive investments in Auckland and Melbourne***
- ***Recurring revenue broadens with total of four hotels in Singapore, Japan and Maldives and another targeted to open in Phuket in 2019***
- ***To launch five development sites in Singapore for sale in FY2018***
- ***Increased total attributable pre-sale revenue of S$605.0 million to be progressively recognised from 3Q2018 to FY2021***
- ***Good headroom with cash and bank balances of S$297.3 million and low gearing at 0.70 time***
- ***Proposes interim cash dividend of 0.195 Singapore cent per share***

***Singapore, July 31, 2018* –** 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 shareholders for the financial period ended June 30, 2018 ("**1H2018**") of S$83.3 million and S$13.4 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, "We've always aimed to be nimble, and our strategies are a testament of this – we've over the years diversified our revenue streams, both geographically and across asset classes. We also have a preference for smaller projects, which allows for quicker execution and adaptability to emerging market conditions. The merit in such a strategy can be seen in our recent launches – Straits Mansions and Harbour View Garden – that are 100% and 96% sold, respectively."

"Overseas, our property investments are also doing well, such as the recent divestment of 117 Clarence Street in Sydney, Australia, that has fetched an attractive yield. Just as what we've done with the proceeds from the sale of 59 Goulburn Street in Sydney, we're on the lookout for yield-accretive investments to redeploy our capital, while we strengthen our recurring income streams through our Hotel Ownership business, which is seeing a growth in contributions in recent quarters."

Financial Highlights

Roxy-Pacific reported 1H2018 revenue of S$83.3 million, a 42% decline from S$143.2 million in the corresponding period a year ago ("**1H2017**"). This was mainly due to lower revenue from the Property Development and Property Investment business segments, partially offset by an 18% growth in the Hotel Ownership segment that was lifted by higher contributions from self-managed hotels, *Noku Osaka* and *Noku Maldives*.

The property development segment reported lower revenue of S$54.0 million, a 53% decline from S$115.5 million in 1H2017, mainly due to comparatively lower revenue recognised from Trilive and an absence of revenue recognised from development projects completed in FY2017.

This was partially offset by higher revenue recognised on construction progress and sales of recent launches – The Navian and Straits Mansions. Although Roxy-Pacific's projects in Australia and Malaysia made good progress during the period, these projects can only recognise revenue upon completion, unlike its counterparts in Singapore.

Despite the lower revenue from the Property Development segment, margins improved 7 percentage points to 19% in 1H2018 compared to 12% in 1H2017, a testament of the Group's project execution abilities.

Roxy-Pacific has accumulated total attributable pre-sale revenue of S$605.0 million, the profits of which will be progressively recognised from 3Q2018 to FY2021.

Revenue from the property investment segment declined mainly due to sale of the Sydney office building, 59 Goulburn Street, in October 2017. The proceeds were redeployed into the acquisition of NZI Centre in Auckland, New Zealand, in December 2017, which has started contributing positively to the Group.

Share of results of associates rose 56% to S$11.4 million in 1H2018 compared to S$7.3 million in 1H2017, lifted mainly due to a fair value gain from the 50%-owned 117 Clarence Street asset in Sydney, Australia. Roxy-Pacific had on June 25, 2018 announced the sale of the Grade-B office building for A$153.0 million, compared to its purchase price of A$81.0 million in 2016. Fair value gains from 205 Queen Street in New Zealand and share of results from the St Kilda Road office building also contributed to the improvement.

Other operating income reduced 78% to S$6.3 million in 1H2018 compared to S$28.3 million in the absence of a S$28.3 million fair value gain recorded for 59 Goulburn Street last year, compared to a S$3.5 million fair value gain recorded for NZI Centre in 1H2018.

Excluding the effects of the fair value gains in both periods, the Group would have reported a 25% increase in profit before tax in 1H2018 of S$13.2 million compared to S$10.6 million a year ago.

Overall, the Group reported a 35% decrease in net profit attributable to equity holders of S$13.4 million in 1H2018, compared to S$20.7 million a year ago.

For the financial quarter ended June 30, 2018, the Group's revenue declined 52% to S$37.0 million from S$77.8 million in the corresponding quarter a year ago. Consequentially, net profit for the quarter decreased 57% to S$6.4 million from S$14.7 million across the same comparative periods.

Roxy-Pacific's balance sheet remained healthy with cash and bank balances of S$297.3 million and a comfortable net debt-to-adjusted net asset value ratio of 0.70 time.

Fully diluted earnings per share for 1H2018 was 0.49 Singapore cents, compared to 1.12 Singapore cents in 1H2017. Net Asset Value per share was 38.10 Singapore cents as at June 30, 2018.

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 19%.

Industry Outlook

According to latest flash estimates from the Ministry of Trade and Industry, Singapore's economy expanded 3.8 per cent year-on-year in the second quarter of 2018, moderating from the 4.3% year-on-year growth in the first quarter of 2018. For the second quarter of 2018, the economy grew at a slower pace of 1.0% quarter-on-quarter, slower than the 1.5% growth achieved in 1Q2018[1].

Australia's economy also posted growth of 1.0% in the first quarter of 2018 on a seasonally-adjusted basis[2]. The Reserve Bank of Australia had projected the country's GDP to grow around 3.0% on average for the year ending December 2018[3].

On the other hand, Japan's economy showed a contraction of 0.6% on a quarter-on-quarter basis in the first quarter of 2018 but forecasts project a full-year GDP growth of 1.1% in 2018[4].

Latest statistics from the Urban Redevelopment Authority ("**URA**") showed a 3.4% increase in the prices of private residential properties in 2Q2018, compared to the 3.9% increase in 1Q2018[5]. This marks the fourth consecutive quarter of price increase and leaves the URA's overall private residential price index at just 3.6% below its last peak of 3Q2013 and 9.1% above the last trough of 2Q2017.

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[1] *Ministry of Trade and Industry Singapore, July 13, 2018 – Singapore's GDP Grew by 3.8 Per Cent in the Second Quarter of 2018*

[2] *Australian Bureau of Statistics, June 2018 – Australian National Accounts: National Income, Expenditure and Product, March 2018*

[3] *Reserve Bank of Australia, February 2018 – Statement on Monetary Policy, Table 6.1: Output Growth and Inflation Forecasts*

[4] *DBS Treasures Research, May 16, 2018 – Japan: Recovery intact but faces more risks*

[5] *Urban Redevelopment Authority, July 27, 2018 – Release of 2nd Quarter 2018 real estate statistics*

The Government recently announced a raise of Additional Buyer's Stamp Duty ("**ABSD**") rates and tightening of Loan-to-Value limits to cool the property market and align price increments with economic fundamentals[6]. Whilst the cooling measures have the potential to slow market developments, it does not equate a total standstill. Analysts believe that the cooling measures are unlikely to dampen the market psychology severely as the market is still in the nascent stage of recovery and the adjusted property prices may still be affordable to buyers[7].

Notably, a majority of the Group's buyers are first-timers who are less affected by the cooling measures in terms of ABSD hikes, discounting the slight reduction in borrowing.

Following Roxy-Pacific's acquisition of a freehold site at 27 Moulmein Rise in May 2018, it currently has eight development sites in its pipeline, of which five are planned to be launched for sale in FY2018, subject to market conditions.

"We've replenished our sites relatively early into the cycle, before the en bloc fever, at very reasonable prices. Our past track record of successful sales launches in Singapore also demonstrates our ability to launch projects that are well-differentiated, which has been well-received by the market. We will continue to monitor the Singapore residential market closely to time our upcoming launches appropriately, and continue to take a prudent stance to land acquisitions with a preference for freehold sites, which is a rare attribute in land-scarce Singapore," added Mr Teo.

For the Australian residential sector, the price index for residential properties for the weighted average of eight capital cities rose 2.0% to the March quarter 2018 on a year-on-year basis albeit a 0.7% decline on a quarter-on-quarter basis. On a quarter-to-quarter basis, Sydney and Brisbane registered a decline of 0.7% and 0.6%

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[6] *Monetary Authority of Singapore, July 5, 2018 – Raising Additional Buyer's Stamp Duty Rates and Tightening Loan-to-Value Limits to Promote a Stable and Sustainable Property Market*

[7] *Business Times, July 10, 2018 – What cooling measures? Weekend buyers still flocking to showflats*

respectively but on a year-on-year basis, they registered a 2.0% and 6.2% growth respectively[8].

Notwithstanding a slower market, the Group's residential development projects in Australia have received warm reception – The Hensley and Octavia in Sydney are only left with two units and one unit for sale each, while the West End Glebe project that was launched in two phases is currently overall 80% sold.

Roxy-Pacific also plans to redevelop the newly-acquired freehold commercial and retail building, Melbourne House, in Melbourne's central business district into a mixed-use development comprising hotel and retail units.

For the Australian office sector, the NAB Commercial Property Index showed a 4% rise in 1Q2018, with expectations for the overall property market, excluding Queensland, to continue growing in the next one to two years. New South Wales and Victoria are expected to lead the growth, while Western Australia is expected to improve the most[9].

On the hospitality front, latest statistics from the Singapore Tourism Board ("**STB**") showed a 6.7% year-on-year growth in international visitor arrivals for the first four months of 2018[10]. Hotel statistics also recorded growth– average occupancy rate grew 1.4%, total room revenue jumped 9.4%, average room rates increased 2.8% while revenue per available room rose 4.4%[11].

STB remains optimistic on its outlook for 2018, forecasting tourism receipts to be in the range of $27.1 billion to $27.6 billion, an increase of 1% to 3%, while international visitor arrivals are expected to be in the range of 17.6 million to 18.1 million, an increase of 1% to 4%.

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[8] *Australian Bureau of Statistics, March 2018 – Residential Property Price Indexes: Eight Capital Cities*

[9] *National Australia Bank, April 18, 2018 – NAB Quarterly Australian Commercial Property Survey Q1 2018*

[10] *Singapore Tourism Board, June 19, 2018 – International Visitor Arrivals Statistics*

[11] *Singapore Tourism Board, June 19, 2018 – Hotel Statistics 2018*

The hospitality outlook in Japan shows positive signs as well. According to Japan National Tourism Organisation, the estimated number of international travellers to Japan in February 2018 was about 2.5 million which was an increase of 23.3% from the previous year, making it the best February ever. As of May 2018, it has reached 2.675 million, an increase of 16.6% from the previous year[12].

Mr Teo commented, "Our self-managed hospitality brand, Noku Roxy, with operating assets in Kyoto, Osaka and Maldives, continue to perform well and contribute positive recurring income to the Group as we continuously fine-tune our business model to optimise yields in its niche upscale segment. Meanwhile, our flagship hotel in Singapore, Grand Mercure Singapore Roxy, continues to enjoy healthy occupancy and reports stable and resilient performance. We look forward to the launch of Noku Phuket in 2019."

Barring unforeseen circumstances, the Group is expected to be profitable in FY2018.

About Roxy-Pacific Holdings Limited

Established in May 1967, Roxy-Pacific Holdings Limited, an established property and hospitality group with an Asia-Pacific focus, was listed on the SGX Mainboard on March 12, 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 in the heart of historical Katong, Grand Mercure Singapore Roxy hotel, self-managed upscale boutique hotel, Noku Kyoto and Noku Osaka, Japan, and other investment properties in Asia-Pacific ("Hotel Ownership and Property Investment").

[12] *Japan National Tourism Organisation – Japan Tourism Statistics*

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 2017, the Group developed and launched 44 small-to-medium sized developments comprising a total of more than 4,300 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 first upscale boutique hotel under the *Noku Roxy* brand name in Kyoto, Japan, followed by Osaka, Japan, and has acquired a resort in Maldives and other land parcels intended for development into hotels in Phuket, Thailand.

For Property Investment, the Group owns 52 retail shops at The 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 in Melbourne's CBD and Melbourne House, a freehold six-storey commercial and retail building in Melbourne's CBD. In Auckland, the Group owns NZI Centre and has a 50% interest in the office building at 205 Queen Street, marking Roxy-Pacific's maiden foray into New Zealand.

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

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