REAL ESTATE EQUITY RESEARCH

Roxy-Pacific Holdings Limited

SGX: E8Z
Bloomberg: ROXY:SP
ISIN Code: SG1W66939735

Country: Singapore
Industry: Real estate, Hospitality

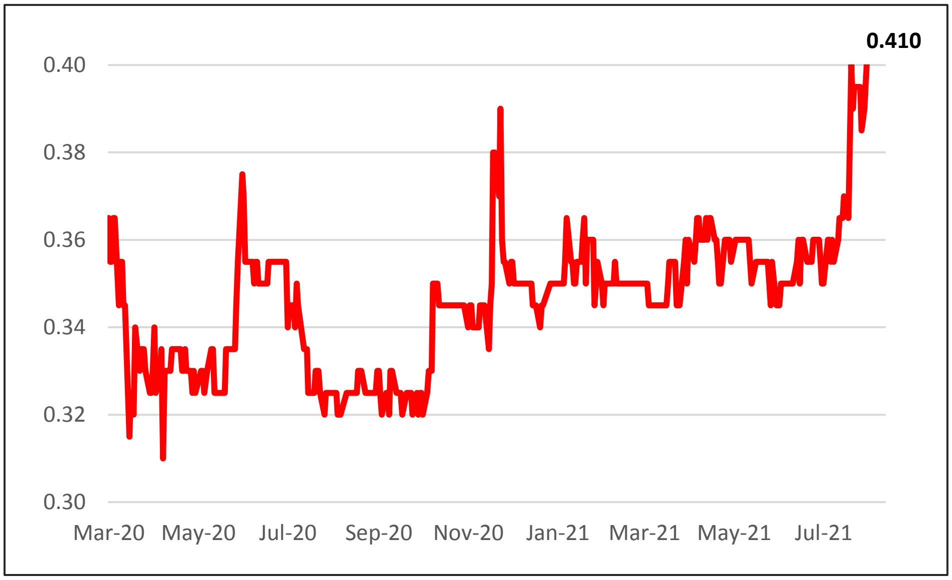
RECOMMENDATION: NEUTRAL

Current Price: S$0.410
Target Price: S$0.428

Issued shares: 1,303.98 million
Market capitalisation: S$534.63 million

52-week range: S$0.305 - S$0.500

Price Performance



Company description

Roxy-Pacific Holdings Limited (Roxy-Pacific or the Company) is a property and hospitality group with an Asia-Pacific focus. The Group, comprising Roxy-Pacific and its subsidiaries, is principally engaged in the development and sale of residential and commercial properties. It also has business operations in hotel ownership and property investment.

Summary

For the half-year ended 30 June 2021 (1H FY2021), the Group's revenue increased by 20% year-on-year (y-o-y) to S$141.2 million, mainly due to stronger performance from its property development and property investment segments. Gross profit rose by 43% y-o-y to S$25.4 million and resulting gross profit margin of 18% was higher than 15% a year ago. During the period, distribution & selling expenses rose by 5% y-o-y, while administrative expenses declined by 3% y-o-y. Other operating expenses rose by 2% y-o-y on lower depreciation, while finance costs fell by 25% y-o-y mainly due to lower interest rates. Share of results from associates and joint ventures fell by 80%, mainly due to absence of profit from the sale of property at Ginza, Japan which was completed in 1H FY2020. For the period, shareholders' profit amounted to S$5.9 million compared to S$2.8 million a year ago, translating to an earnings per share (EPS) of 0.45 cents. No dividends were declared for the period.

Recommendation

Based on an adjusted NAV per share of 72.57 cents as at 30 June 2021, Roxy-Pacific is currently trading at a P/NAV of 0.56x. The results from our peer comparison analysis suggest that the Company is trading close to the peers' average of 0.59x. If its P/NAV were to adjust to the peers' average P/NAV, the estimated target price would be S$0.428. This estimated target price represents a marginal upside of 4.39% from the current share price of S$0.410. We believe this could suggest that any potential share price upside has already been priced in. However, upside potential in the share price may be possible, given strong development profits to be recognised over the next few years from the Group's existing residential launches in Singapore. Moreover, the Group's upcoming residential developments at Jalan Molek and Guillemard Road and Institution Hill are potential catalysts which could bolster future earnings. The Group is also expanding its recurring income stream through the acquisition of new commercial properties in Melbourne and Tokyo as well as the development of a new resort in Phuket. Nevertheless, we are adopting a conservative approach to issue a neutral recommendation on Roxy-Pacific.

Key Financials

Full year, ended Dec 31	Revenue (S$ million)	Shareholders' profit (S$ million)	EPS (cents)	P/E (x)	DPS (cents)	Dividend yield (%)	NAV per share* (S$)	P/NAV (x)
2019 actual	444.0	30.3	2.33	17.60	1.09	2.66	0.78	0.53
2020 actual	198.4	(29.5)	(2.26)	n/m	-	-	0.72	0.57
2021 forecast**	328.7	20.6	1.58	25.98	0.63	1.54	0.73	0.56
2022 forecast	374.5	31.0	2.38	17.23	0.95	2.32	-	-

P/E, P/B and dividend yield figures are computed based on current price of S$0.410. n/m: not meaningful

**Based on adjusted net asset value per share which accounts for revaluation surplus of certain hotels and office premises*

***Adjusted NAV per share as at 30 Jun 2021*

Source: Company, FPA Financial

Contributor: Glendon Hoon
(+65 6323 1788)

CONTENTS

COMPANY OVERVIEW

(I) Corporate profile

Roxy-Pacific Holdings Limited (Roxy-Pacific or the Company) is a property and hospitality group with an Asia-Pacific focus. The Company was established in May 1967 and listed on the Mainboard of the Singapore Exchange on 12 March 2008.

The Group, comprising Roxy-Pacific and its subsidiaries, is principally engaged in the development and sale of residential and commercial properties. It also has business operations in hotel ownership and property investment.

As at 30 June 2021, the Group had total assets of S$1.7 billion and adjusted net assets attributable to shareholders of S$1.0 billion after accounting for revaluation surplus of the Group's hotel properties and own use premises.

(II) Major shareholders of the Company

The Company's major controlling shareholder is Mr. Teo Hong Lim, its current Executive Chairman and Chief Executive Officer. Currently, Mr. Teo holds a total stake of 63.08%, or 822,553,167 shares, in Roxy-Pacific. This comprises a direct interest of 9.99%, or 130,295,687 shares, and a total deemed interest of 53.09% equivalent to 692,257,480 shares.

His deemed interest comprises 521,760,945 shares held by Kian Lam Investment Pte Ltd (Kian Lam), 146,293,125 shares held by Sen Lee Development Private Limited (Sen Lee), and 24,204,410 shares registered in the name of nominees. Kian Lam is the immediate and ultimate holding company of Roxy-Pacific and has a deemed interest in the 146,293,125 shares held by Sen Lee.

The Company's register of substantial shareholders as at 15 March 2021 is shown in **Exhibit 1**.

Exhibit 1: Roxy-Pacific's register of substantial shareholders

	Number of Shares			
Substantial shareholders	Direct Interest	%[1]	Deemed Interest	%[1]
Kian Lam Investment Pte Ltd[2]	521,760,945	40.01	146,293,125	11.22
Sen Lee Development Private Limited	146,293,125	11.22	–	–
Teo Hong Lim[3][4]	130,295,687	9.99	692,257,480	53.09
Sutantio[5]	39,100,875	3.00	37,046,625	2.84
Tjandrawati[5]	37,046,625	2.84	39,100,875	3.00

Notes:

(1) Percentage of substantial shareholdings is computed based on the total number of issued shares excluding treasury shares.

(2) Kian Lam Investment Pte Ltd ("**Kian Lam**") holds more than 50% of the issued share capital of Sen Lee Development Private Limited ("**Sen Lee**") and is deemed to be interested in the shares of the Company held by Sen Lee.

(3) Teo Hong Lim holds more than 20% of the issued share capital of Kian Lam. In this respect, pursuant to Section 7 of the Companies Act, Cap. 50, Teo Hong Lim is deemed to be interested in the shares of the Company held by Kian Lam and Sen Lee.

(4) 24,203,410 shares held by Teo Hong Lim are registered in the name of nominees.

(5) Sutantio is the husband of Tjandrawati. Each of them is deemed to be interested in the shares held by each other.

Source: Company

(III) Business overview

The Group's business can be categorized into three individual operating segments: property development, hotel ownership and property investment. We will provide an overview of the individual segments, and also the Group's available land bank.

Property development

The property development segment relates to the development of properties for sale. The Group's residential development projects typically comprise small-to-medium sized residential developments such as apartments and condominiums targeted at the middle-to-upper income segments.

The Group currently has a total of 11 properties for sale under development – 10 in Singapore and 1 in Malaysia. Most of these residential projects are slated for completion in 2022 and 2023, except for Harbour View Gardens and Wisma Infinitum which are expected to be completed in Q3 2021. A summary of the details of the individual projects is shown in **Exhibit 2.**

Exhibit 2: Details of the Group's properties for sale under development

Project name	Location	Description	Tenure	Approximate land area (sqm)	Gross floor area (sqm)	Effective interest	Stage of completion (1) (%)	Expected completion
Wilshire Residences	30 Farrer Road	85 residential units	Freehold	3,635	6,572	40%	15%	Q1 2023
Dunearn 386	386 Dunearn Road	35 residential units	Freehold	1,784	2,747	100%	21%	Q2 2022
Fyve Derbyshire	5 Derbyshire Road	71 residential units	Freehold	1,777	4,976	100%	15%	Q4 2022
Neu at Novena	27 Moulmein Rise, Singapore	87 residential units	Freehold	2,062	6,084	50%	3%	Q1 2023
View at Kismis	15, 17, 19, 21, 23 & 25 Lorong Kismis	186 residential units & 2 commercial units	Leasehold	9,322	13,050	60%	7%	Q1 2023
RV Altitude	344 River Valley Road	140 residential units	Freehold	2,675	7,491	100%	25%	Q2 2022
Harbour View Gardens	221 & 223 Pasir Panjang Road	57 residential units	Freehold	2,856	3,998	100%	83%	Q3 2021
120 Grange	120 Grange Road	56 residential units	Freehold	1,466	3,079	90%	32%	2Q 2022
Bukit 828	828 Upper Bukit Timah Road	34 residential units	Freehold	953	2,382	80%	45%	Q1 2022
Arena Residences	20 Guillemard Crescent	98 residential units	Freehold	2,458	6,882	50%	25%	Q1 2022
Wisma Infinitum	18 Jalan Dewan Sultan Sulaiman, Kuala Lumpur, Malaysia	423 residential units in Block A, and 300 residential units in Block B & 31 commercial units	Freehold	5,622	64,912	47%	81%	Q3 2021

(1) As at 31 December 2020

Source: Company

As of 27 July 2021, the attributable total sale value for the units sold from the above-listed development projects was S$930.1 million, of which S$365.7 million has been recognized up to 30 June 2021, as shown in **Exhibit 3** on the next page. Accordingly, the Group has total attributable pre-sale revenue of S$564.4 million, the profits of which will be recognised from 1 July 2021 to FY2023.

Exhibit 3: Pre-sale revenue as at 27 July 2021

Project name	Total residential units	No. of units sold	No. of units sold as a % of total units	Attributable total sale value (1) (2)	Attributable revenue recognised up to 30 Jun 2021	Balance attributable progress billings to be recognised from 1 Jul 2021
Singapore	**Unit**	**Unit**	**%**	**S$ million**	**S$ million**	**S$ million**
Wilshire Residences	85	29	34%	21.2	2.6	18.6
Dunearn 386	35	18	51%	31.5	10.0	21.5
Fyve Derbyshire	71	53	75%	95.9	21.6	74.3
Neu at Novena	87	72	83%	64.0	7.2	56.8
View at Kismis	186	182	98%	139.5	24.5	115.0
RV Altitude	140	140	100%	218.8	69.7	149.1
Harbour View Gardens	57	57	100%	73.7	71.8	1.9
120 Grange	56	56	100%	92.3	43.3	49.0
Bukit 828	34	34	100%	32.2	18.8	13.4
Arena Residences	98	98	100%	67.1	26.5	40.6
Malaysia						
Wisma Infinitum - The Luxe	300 (3)	166	56%	34.5	25.4	9.1
Wisma Infinitum - The Colony	423	337	80%	59.4	44.3	15.1
Total	**1,572**	**1,242**	**79%**	**930.1**	**365.7**	**564.4**

(1) For Singapore projects, sale value is based on Option to Purchase granted up to 27 Jul 2021

(2) For overseas projects, sale value is based on contract signed up to 27 Jul 2021

(3) Represents Block B - The Luxe by Infinitum. An additional 31 commercial units are pending launch.

Source: Company, FPA Financial

Hotel ownership

The hotel ownership segment relates to the Group's ownership of hotels across the geographical markets of Singapore, Japan and the Maldives.

In Singapore, the Group owns the 536-room Grand Mercure Singapore Roxy (Grand Mercure) situated in 50 East Coast Road. The flagship hotel is self-managed under franchise agreement with international hotel operator Accor Group. In Japan, the Group owns two upscale boutique hotels in Kyoto and Osaka which are self-managed under the "NOKU hotels" brand. This comprises of the 81-room Noku Kyoto and 154-room Noku Osaka. In the Maldives, the Group's self-managed Noku Maldives is an upscale resort with a total of 50 villas.

The Group also has a second resort in Thailand, Noku Phuket, which is currently under development. The 91-room/villa resort is expected to commence operations in 2022.

As at 30 June 2021, the Group's hotel portfolio, excluding Noku Phuket, consisted of 861 rooms and had a total valuation of S$613.1 million. Including Noku Phuket, the total number of rooms would add up to 952 and the portfolio valuation was S$663.7 million.

The details of the Group's hotel portfolio as at 30 June 2021 are summarized in **Exhibit 4** on the next page.

Exhibit 4: Details of the Group's hotel portfolio as at 30 June 2021

Name of hotel/resort	Managed by	No. of rooms/villas	Valuation (1) (S$ million)	Tenure	Effective interest
Hotel properties					
Grand Mercure Singapore Roxy	Roxy under franchise with Accor Group	576	501.0	Freehold	100%
Noku Kyoto	Roxy under "NOKU hotels"	81	33.0	Freehold	100%
Noku Osaka	Roxy under "NOKU hotels"	154	34.1	Freehold	100%
Noku Maldives	Roxy under "NOKU hotels"	50	45.0	Remaining 36 years leasehold	100%
Sub-total	-	861	613.1	-	-
Hotel under development					
Noku Phuket	Roxy under "NOKU hotels"	91	50.6 (2)	Freehold	99% (3)
Sub-total	-	91	50.6	-	-
Total	**-**	**952**	**663.7**	**-**	**-**

(1) As at 31 Dec 2020 as determined by an independent firm of professional valuers
(2) Based on net book value as at 30 Jun 2021
(3) Based on voting rights
Source: Company, FPA Financial

Property investment

The property investment relates to the Group's business of investing in commercial properties to earn rentals and for capital appreciation. Currently, the Group, through its subsidiaries and associates, owns investment properties in Australia, Japan, New Zealand and Singapore.

In February 2020, the Group acquired a 49% stake in a 5-storey retail building, Vivel Shibuya, located at Shibuya-Ku, Tokyo, Japan, at a purchase price of JPY5.2 billion, or approximately S$63.5 million (excluding consumption tax). The building has a net lettable area (NLA) of 679 sqm and is strategically located in close proximity to the Shibuya Station and adjacent to the famous Shibuya scramble crossing, which is in close proximity to immense amounts of foot traffic from both foreign tourists and domestic shoppers. The latest reported valuation for the property as at 30 June 2021 was S$65.8 million. Subsequently, in March 2020, the Group also divested its 53.07% stake in a retail building at Ginza, Chuo-Ku, Tokyo, Japan, for approximately JPY8.7 billion (inclusive of consumption tax). The retail building was earlier acquired by the Group in June 2019 for JPY6.0 billion (excluding consumption tax).

More recently, in January 2021, the Group, together with its joint venture partner, announced the investment for a 40% interest in a commercial tower located at 350 Queen Street, Melbourne, Australia, at a purchase consideration of A$145.0 million. The 21,823 sqm NLA freehold property comprises a commercial tower with offices, retail offerings and community amenities, situated in the Central Business District of Melbourne, Australia. As part of the above, Roxy-Pacific had invested a 40% interest in a Singapore master trust, TE-Roxy Commercial Trust I (TE Roxy), at a committed capital of A$27 million which was financed by internal funds. The other 60% in TE-Roxy is held by TE2 Group, the private family office of Teo Tong Lim, Tong Eng Group's Managing Director.

As at 30 June 2021, the valuation of the Group's investment property portfolio held by its subsidiaries and associates were S$140.0 million and S$554.0 million respectively, as shown in **Exhibit 5** on the next page.

Exhibit 5: Details of the Group's investment property portfolio

Project name	Location	Description	Date of TOP/ acquisition	Group's stake (%)	Total purchase consideration ($)	Valuation as at 30 Jun 2021 ($)
Held by subsidiary company						
Roxy Square	50 East Coast Road, Roxy Square, Singapore	49 shop units (1)	1984/1998	100%	-	S$67.3m
NZI Centre	NZI Centre, 1 Fanshawe Street, Auckland, New Zealand	6-Storey commercial building	15-Dec-17	100%	S$59.3m (2) (NZ$63.0m)	S$72.7m (NZ$63.0m)
Total	**Total**	**-**	**-**	**-**	**S$59.3m**	**S$140.0m**
Held by associate company						
205 Queen Street	205 Queen Street, Auckland, New Zealand	2 office towers with retail podium	20-Dec-17	50%	S$164.1m (2) (NZ$174.0m)	S$181.7m (NZ$193.0m)
312 St Kilda	312 St Kilda Road, Melbourne, Australia	6 levels of office and 4 basement levels	23-Jan-18	45%	S$78.3m (2) (A$74.1m)	S$88.0m (A$87.0m)
33 Argyle Street	33 Argyle Street, Parramatta NSW, Australia	Office building comprising retail ground floor suite and café, 3 levels of above ground parking, 6 office levels and roof top plant rooms	8-Jan-19	40%	S$39.5m (2) (A$40.8m)	S$46.6m (A$40.8m)
Vivel Shibuya	23-10 Udagawacho, Shibuya-ku, Tokyo	5-storey retail building	28-Feb-20	49%	S$63.5m (JPY5.20b)	S$65.8m (JPY5.40b)
350 Queen Street	350 Queen Street, Melbourne, Australia	21 levels of Commercial Office Tower	19-Jan-21	40%	S$148.3m (A$145.0m)	S$171.9m (A$170.0m)
Total	**-**	**-**	**-**	**-**	**S$493.7m**	**S$554.0m**

(1) Excludes 3 units which are for owner-use premises

(2) Conversion based on SGD/NZD or SGD/AUD exchange rate from Oanda for the respective TOP/acquisition dates

Source: Company, FPA Financial

Given occupancy as at 30 June 2021, the Group's investment properties held by subsidiaries, Roxy Square and NZI centre, are expected to generate an estimated annual gross income of S$7.9 million, as shown in **Exhibit 6**. Meanwhile, estimated total annual gross income for the Group's investment properties held by associates would be S$31.1 million.

Exhibit 6: Details of the Group's investment property portfolio - continued

Project name	Approx. Net Lettable Area (sqm)	Occupany (%) as at 30 Jun 2021 (on lettable area)	Estimated total annual gross income ($ million) (1)	Tenure
Held by subsidiary company				
Roxy Square	2,371	82%	1.3	Freehold
NZI Centre	9,446	100%	6.6	Leasehold
Total	**11,817**	**-**	**7.9**	**-**
Held by associate company				
205 Queen Street	25,368	70%	12.1	Leasehold
312 St Kilda	9,887	85%	5.5	Freehold
33 Argyle Street	5,281	67%	2.4	Freehold
Vivel Shibuya	679	100%	1.1	Freehold
350 Queen Street	21,823	86%	10.0	Freehold
Total	**63,038**	**-**	**31.1 (2)**	**-**

(1) Based on occupancy as at 30 Jun 2021

(2) Based on 100% ownership

Source: Company, FPA Financial

Land held for development/investment

The Group's current land held for development/investment comprises 6 sites which cover the geographical markets of Singapore, Australia and Indonesia.

Singapore

In Singapore, the Group's development land bank comprises two sites – one at Jalan Molek and Guillemard Road and the other at Institution Hill.

The freehold residential site located at 1-21A Jalan Molek and 217-223A Guillemard Road was acquired by the Group in November 2020 at a purchase price of S$93.0 million. This was done through its wholly-owned subsidiary, RL East Pte Ltd, and thus the Group's has a 100% effective interest. The site has an approximate land area of 3,450 sqm with a Gross Floor Area (GFA) of approximately 9,659 sqm, given a plot ratio of 2.8. We note from the official developer website that the 137-unit residential development, Mori Condo, is expected to be launched in Q3 2021 and achieve its Temporary Occupation Permit (TOP) in 2024.

On 14 May 2021, the Group acquired a 999-year leasehold residential site at 10A & 10B Institution Hill, through a joint venture with Macly Capital Pte Ltd (Macly Capital) and LWH Holdings Pte Ltd (LWH), at the purchase price of S$33.6 million. The acquisition was done through Mequity Hills Ptd Ltd (Mequity Hills), in which the Group's wholly-owned subsidiary, RP Ventures Pte Ltd, has a 42% stake. Accordingly, the Group has a 42% effective interest. Macly Capital and LWH hold a 48% and 10% stake respectively.

Further on 17 May 2021, the Group announced that Mequity Hills entered into an agreement to acquire a 999-year leasehold residential site at 11 Institution Hill at a purchase price of S$23.0 million. The Group intends to amalgamate the sites at 10A & 10B Institution Hill and 11 Institution Hill. The amalgamated site will have an estimated total land area of approximately 1,329 sqm with a total GFA of 3,720 sqm for a 60-unit residential development. The Group last updated in its 1H FY2021 financial results on 5 August 2021 that it plans to launch the development site for sale from 2H2021, depending on market conditions.

A summary of the details of the Group's land held for development/investment in Singapore is shown **in Exhibit 7**.

Exhibit 7: Details of the Group's development lank bank in Singapore

Project name	Location	Description	Tenure	Approximate land area (sqm)	Gross floor area (sqm)	Effective interest	Stage of completion (%)	Expected completion
Mori Condo	1/1A, 3/3A, 5/5A, 7/7A, 9/9A, 11/11A, 13/13A, 15/15A, 17/17A, 19/19A and 21/21A all of Jalan Molek and 217/217A, 219/219A, 221/221A and 223/223A all of Guillemard Road, Singapore	137 units residential development	Freehold	3,450	9,659	100%	Construction has yet to commence as of 31 Dec 2020	Expected date of TOP in 2024
Institution Hill (1)	Lot 99458P and 99470L of TS 21 at 10A & 10B Institution Hill and Lot 99474V of TS 21 at 11 Institution Hill	60 units residential development	999-years leasehold	1,329	3,720	42%	Construction has yet to commence as of 31 Dec 2020	TBC

(1) Refers to amalgamated site

Source: Company, Mori Condo developer website, FPA Financial

Australia

In March 2021, the Group had completed the sale of a land situated at 34-36 Mavis Street, Revesby, Australia at a sale price of A$10.8 million. It was earlier acquired in August 2018 for a total purchase consideration of A$9.0 million. Currently, the Group has 3 land sites for commercial and residential development, namely, New World Towers, Bracks Street and Little Bourke.

New World Towers is a freehold commercial and residential development located at 64 Peel Street and 9 Cordelia Street, South Brisbane, Australia, with an approximate land area of 2,597 sqm. The Group had in March 2015 acquired a 40% interest in the site for an aggregate purchase consideration of A$33.6 million. The acquisition was done through the Group's indirect wholly-owned subsidiary Roxy-Pacific Developments Pty Ltd (RP Developments), which holds a 40% stake in Peel Street JV Pty Ltd (Peel Street JV). The remaining 60% stake in Peel Street JV is held by HOSTPLUS Peel Street Pty Ltd (HPSPL), an indirect wholly-owned subsidiary of HOSTPLUS Superannuation Fund, which has over A$17 billion in funds under management. The Group last updated that construction has yet to commence as of 31 December 2020.

Bracks Street is located at 54 & 85 Bracks Street, North Fremantle, Perth, Australia, with an aggregate land area of approximately 45,456 sqm. The properties at 54 & 85 Bracks Street (Properties) are zoned as "industrial" and to be rezoned for commercial and residential use. The Group had in March 2015 acquired a 20% interest in the Properties an aggregate purchase consideration of A$59.0 million. The acquisition was done through, Roxy NF Pty Ltd (Roxy NF), the Group's 50.5% owned indirect subsidiary, which holds a 40% stake in North Fremantle JV Pty Ltd (NFJV). The remaining 60% stake in Peel Street JV is held by HOSTPLUS North Fremantle Pty Ltd (HPNF), an indirect wholly-owned subsidiary of HOSTPLUS Superannuation Fund. The Group last updated that construction has yet to commence as of 31 December 2020.

Little Bourke is a freehold property located at 360 Little Bourke Street, Melbourne, Australia. The property comprises a six-storey commercial and retail building known as Melbourne House, situated in Melbourne's Central Business District. It has a total site area of approximately 939 sqm with a total GFA of 10,726 sqm. In December 2017, the Group, through its indirect wholly-owned subsidiary, Roxy-Pacific Melbourne House Pty Ltd, acquired a 100% interest in the property for an aggregate purchase consideration of A$33.0 million. The Group's redevelopment of the former Melbourne House will be converted into a commercial office building with a NLA of 8,019 sqm. The estimated completion will be in June 2023.

A summary of the details of the Group's land held for development/investment in Australia is shown in **Exhibit 8**.

Exhibit 8: Details of the Group's development lank bank in Australia

Project name	Location	Description	Tenure	Approximate land area (sqm)	Gross floor area (sqm)	Effective interest	Stage of completion (%)	Expected completion
New World Towers	64 Peel Street and 9 Cordelia Street, South Brisbane, Australia	Commercial and residential development	Freehold	2,597	TBC	40%	Construction has yet to commence as of 31 Dec 2020	TBC
Bracks Street	54 & 85 Bracks Street, North Fremantle, Perth, Australia	Industrial land; to be rezoned for commercial and residential use	Freehold	45,456	TBC	20%	Construction has yet to commence as of 31 Dec 2020	TBC
Little Bourke (1)	360 Little Bourke Street, Melbourne, Australia	Commercial development	Freehold	939	10,276	100%	Construction has yet to commence as of 31 Dec 2020	TBC

(1) The Group's re-development of the property into a hotel will be converted into a commercial development for rental income

Source: Company, FPA Financial

Indonesia

Kramat Jakarta is a freehold commercial development situated on a land parcel at Jalan Kramat, Raya No 110, Jakarta, Indonesia. The site has an approximate land area of 1,703 sqm with a GFA of 7,350 sqm.

In June 2015, the Group's wholly-owned subsidiary, Roxy Jakarta Hotels Pte Ltd (Roxy Jakarta Hotels), along with Tjandrawati, Heru Sutantio and Jenny Sutantio (collectively, the Purchasers) entered into a conditional sale and purchase agreement to acquire the land parcel for purchase consideration of Rp68.1 billion, or S$6.4 million based on conversion using SGD/IDR = 10,601.4, to be paid by each Purchaser in the Agreed Proportion: 49% for Roxy Jakarta Hotels; 21% for Tjandrawati; 12% for Heru Sutantio; and 6 for Jenny Sutantio. As noted in **Exhibit 1** on page 3, Tjandrawati and her spouse are shareholders of Roxy-Pacific.

A summary of the details of the Group's land held for development/investment in Indonesia is shown in **Exhibit 9**.

Exhibit 9: Details of the Group's development lank bank in Indonesia

Project name	Location	Description	Tenure	Approximate land area (sqm)	Gross floor area (sqm)	Effective interest	Stage of completion (%)	Expected completion
Kramat, Jakarta	Jalan Kramat, Raya No 110, Jakarta, Indonesia	Commercial development	Freehold	1,703	7,350	49%	Construction has yet to commence as of 31 Dec 2020	TBC

Source: Company, FPA Financial

INDUSTRY OVERVIEW

Here, we will provide an overview of the Singapore residential real estate market, as well as the hotel markets in Japan and Singapore.

(I) Singapore residential real estate market

Despite the Covid-19 pandemic, Singapore's private residential market has remained resilient amid strong home buying demand. According to Knight Frank, the current resilience of the private housing market coincides with low interest rates and increased household incomes.

Private new home sales

In Q2 2021, the take-up of private residential units declined from the previous quarter, as launches were held back owing to tightened Covid-19 restrictions in mid-May. Latest statistics by the Urban Redevelopment Authority (URA) showed that total new sales of private residential units in Q2 2021 was 2,966 units, a 15.1% drop from 3,493 in Q1 2021. Meanwhile, developers launched 2,356 uncompleted private residential units (excluding Executive Condominiums) for sale during the period, compared with 3,716 units in Q1 2021. Nevertheless, total private new home sales in 1H 2021 reached 6,459 units, which is 67.2% higher than a year ago, and nearly two-thirds of the volume achieved for the whole of 2020.

In terms of individual projects, CBRE's latest July report highlighted strong sales performance for project launches in Q2 2021 like Irwell Hill Residences, Provence Residence and Normanton Park. Earlier in the year, GuocoLand's Midtown Modern project at Tan Quee Lan Street achieved more than 60% sales over its launch weekend starting 19 March 2021. More recently, we note strong sales were recorded at Pasir Ris 8, a 487-unit condominium developed by Allgreen and Kerry Properties. The Business Times (BT) recently reported that the project sold 85% of total units over its launch weekend in late July 2021, at a price range of S$1,400 to S$2,000 per square foot (psf).

Looking ahead, CBRE believes strong new home sales momentum is likely to continue as developers are encouraged to proceed with launches given the relaxation of safe distancing measures at show galleries. Barring any unforeseen circumstances, CBRE expects new home sales to range within 10,000 to 11,000 units for 2021. In the longer term, potential reopening of borders will also bring about the return of foreign investors and buying interest into the luxury segment.

In addition, Knight Frank believes the market continues to be bolstered by genuine demand from buyers in sectors such as technology and pharmaceuticals that have benefitted economically from the Covid-19 climate. HDB upgraders or former collective sale owners will also contribute to the demand. Similarly, Savills believes that market feedback returns show that potential buyers are still holding onto strong positive attitudes to owning private residential properties, which could underpin demand.

Private residential property prices

In Q2 2021, prices of private residential properties rose by 0.8% quarter-on-quarter (q-o-q) as reflected by an increase in the URA Property Price Index (PPI) to 163.5 from 163.2, as shown in **Exhibit 10**. This was a moderation from the 3.3% q-o-q growth in Q1 2021. Within the non-landed segment, prices rose on a q-o-q basis by 1.1%, 0.1% and 1.9% in the Core Central Region (CCR), Rest of Central Region (RCR) and Outside Central Region (OCR) respectively, as shown in **Exhibit 10**. Stronger price growth was seen in the CCR and OCR, while the pace of gains moderated for the RCR. According to CBRE, slower price growth could be attributed to a slower pace of launches owing to restrictions in the first half of May, thus pushing buyers to the resale market. Further, the trend for larger homes may have resulted in lower psf prices for some projects.

Exhibit 10: URA private residential property price index for Q1 2021 and Q2 2021

Category	Price Index		q-o-q change	
	Q1 2021	Q2 2021	Q1 2021	Q2 2021
All Residential (Q1 2009=100)	162.2	163.5	3.3%	0.8%
Landed property	185.4	184.8	6.7%	-0.3%
Non-landed property	157.1	158.8	2.5%	1.1%
CCR (1)	134.3	135.8	0.5%	1.1%
RCR (2)	170.4	170.6	6.1%	0.1%
OCR (3)	185.6	189.1	1.1%	1.9%

(1) Core Central Region (CCR) comprises Postal Districts 9, 10, 11 Downtown Core Planning Area and Sentosa
(2) Rest of Central Region (RCR) comprises area within Central Region that is outside those covered by CCR
(3) Outside Central Region (OCR)
Source: URA

Given the moderation in price growth, CBRE highlighted that this may have lowered the risks of cooling measures being implemented. In the same vein, Savills believes the case for another round of cooling measures is very weak, given that the rise in URA PPI has lagged nominal GDP and household income growth.

On the outlook, CBRE, Savills and Knight Frank are expecting residential prices to rise further. CBRE highlighted that while the Singapore government is expecting a GDP growth forecast of 4-6%, the launch of some upcoming projects at higher psf may continue to push the URA PPI higher to exceed this forecast. In the same vein, Savills believes that given the correlation between the URA PPI and nominal GDP growth rates, private residential prices are expected to rise by 5.5% y-o-y if nominal GDP grows by 9% in 2021. Recent projections by Knight Frank suggest even stronger price growth, with overall residential prices set to increase within the range of around 7-9% in 2021.

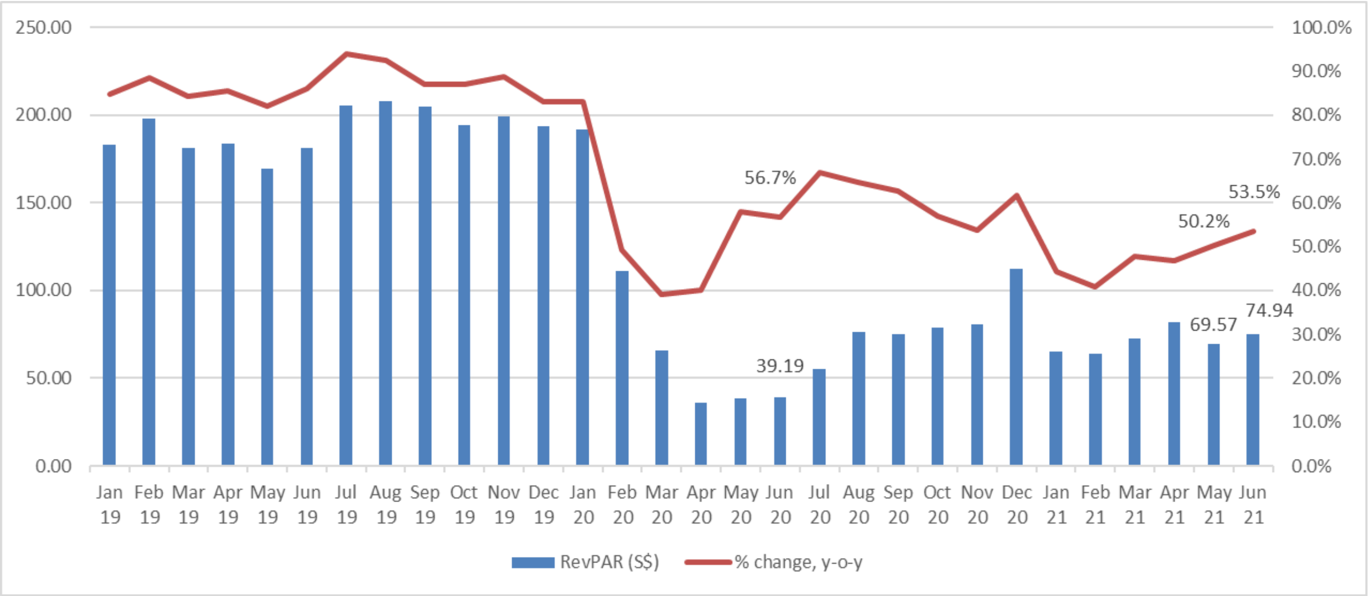
Meanwhile, BT recently reported that rising residential land prices suggest that developers are optimistic on the outlook on private home prices. Recently, strong land bids were recorded at the tenders for a land plot at Lentor Central and Executive Condominium site at Tampines Street 62. The highest bidder for the Lentor Central site was GuocoLand, which secured the tender for S$784.1 million, or S$1,204 psf per plot ratio (psf ppr). The tender for the Tampines plot was won by a consortium comprising of Qingjian Realty and Octava Pte Ltd joint venture, and Santarli Realty, at a bid price of S$422 million or S$659 psf ppr. As reported by BT, the keen tender participation and optimistic top bids are indicative of strong demand for residential sites by developers to replenish their land banks.

(II) Hotel market review

Singapore

Latest hotel statistics by the Singapore Tourism Board (STB) showed that hotel performance improved in June 2021. During the month, average occupancy rate (AOR) increased by 3.3 percentage points (pps) to 53.5% from 50.2% in May. However, AOR was down by 3.2 pps from 56.7% in June 2020. Meanwhile, revenue per available room (RevPAR) rose by 7.7% to S$74.94 in June 2021 from S$69.57 in May 2021, as shown in **Exhibit 11**. Compared to a year ago, RevPAR registered a 91.2% gain from S$39.19 in June 2020.

Exhibit 11: Monthly trend of AOR and RevPAR



Source: STB, FPA Financial

Still, the monthly recovery in June was likely attributed to the easing of Covid-19 measures from June 14, after Singapore entered Phase 2 (Heightened Alert) in mid-May. Further, the y-o-y growth in RevPAR could be largely due to low base effects. Compared to June 2019, RevPAR was still down by nearly 60% in June 2021. Moreover, given the spike in Covid-19 cases in July, containment measures were recently re-tightened.

Currently, daily infection numbers remain high and there is a risk for tightened Covid-19 measures to be prolonged. If so, domestic demand for hotel stays could continue to be negatively impacted, albeit Singapore hotels' efforts to promote staycation deals. Meanwhile, international demand is expected to remain weak amid subdued inbound travel. In June, Singapore's tourist arrivals declined to 10,030 from 14,190 in May, according to latest STB data. The international travel outlook remains clouded by the spread of the Delta variant globally. Against this backdrop, we foresee hotel performance in Q3 2021 to be weaker.

In the longer term, accelerating vaccination progress could support a hotel recovery. Singapore appears to be on track to achieve the national vaccination rate target of above 75% as set by the government. This will allow for a further resumption of economic activities, as well as facilitate the reopening of Singapore's borders. The main concern is that many parts of Asia, and more recently the US, are now affected by the spread of the Delta variant. This could limit the scope for Singapore to successfully implement travel bubble agreements with other nations.

Japan

As with most hotel markets globally, Japan’s hotel market has been negatively impacted by the Covid-19 pandemic. In its Hotel Insights Q2 2021 report issued in June 2021, Colliers International (Colliers) highlighted that room rate and the occupancy index both fell in February 2020 for the inner city hotels and business hotels in Japan due to the effects of COVID 19, reaching a trough period in May and June.

However, with the lifting of the second emergency declaration, the implementation of the “Go To” Travel campaign, other public policies that were advantageous to the accommodation market, and initiatives by travel agencies to pivot towards micro tourism, the occupancy index improved and trended upwards toward recovery until October 2020. Although the “Go To” travel campaign is temporarily suspended due to the declaration of another state of emergency, Colliers expects supportive government policies and pent up travel demand to continue to drive the performance of Japan’s hotel industry going forward.

Looking ahead beyond 2021, Colliers believes Japan’s accommodation market will be supported mostly by domestic demand, with little accommodation demand from international visitors. Based on the performance recovery period required by accommodation facilities after past natural disasters, economic recessions, etc., Colliers expects that it will take approximately two to three years for accommodation facilities to recover close to the levels posted in 2019, with some variation between hotel types and regions.

In the same vein, Savills is positive on the outlook for Japan’s hospitality sector. While Savills has noted that the situation facing the sector has not improved much since February 2021, it believes that with progress in the vaccination rollout and the number of those vaccinated increasing in both Japan (where about 40% of the total population had received at least one dose by July 2021) and overseas, the recovery phase appears to be coming closer. Savills also highlighted that Japan’s tourism industry was experiencing an unprecedented level of growth prior to the pandemic with strong support from the government, and with so much invested in hard and soft infrastructure for tourism, the country was poised for further transformation. Savills believes inbound tourism should come back strongly boosted by substantial pent-up demand. The large budget earmarked for the “Go To” campaign suggests that the government also appears highly committed to facilitating the industry’s return.

FINANCIAL ANALYSIS

In this section, we review the Group's financial results for 1H FY2021 as well as its historical financial performance over the last 5 years.

(I) Financial review

Review of latest half-year 2021 results

For the half-year ended June 2021 (1H FY2021), the Group reported a 20% y-o-y increase in revenue to S$141.2 million from S$118.1 million, mainly due to stronger performance from its property development and property investment segments.

Revenue from the property development segment, which made up 90% of total Group revenue in 1H FY2021, rose by 27.4% y-o-y to S$126.5 million from S$99.3 million. The increase was largely due to higher percentage of revenue recognition from several of the Group's residential projects in Singapore including RV Altitude, View at Kismis and 120 Grange. This was partially offset by absence of revenue recognition from Octavia Killara and West End Glebe in Australia which obtained TOP in FY2020. The breakdown of the Group's property development revenue (in terms of contribution by its individual residential projects) in 1H FY2020 and 1H FY2021 are summarized in **Exhibit 12**.

Exhibit 12: Breakdown of the Group's property development revenue in 1H FY2021 and 1H FY2020

		1H FY2021		1H FY2020	
Property name	Effective interest (%)	Revenue (2) (S$ million)	% of total	Revenue (2) (S$ million)	% of total
RV Altitude	100%	48.9	39%	6.1	6%
View at Kismis	60%	28.9	23%	1.3	1%
120 Grange	90%	16.4	13%	2.4	2%
Harbour View Gardens	100%	10.8	9%	12.5	13%
Fyve Derbyshire	100%	10.7	8%	1.6	2%
Bukit 828	80%	5.8	5%	6.3	6%
Dunearn 386	100%	5.0	4%	2.4	2%
The Hensley (1)	100%	-	-	1.4	1%
Octavia Killara (1)	100%	-	-	42.4	43%
West End Residences (1)	100%	-	-	22.9	23%
Total	**-**	**126.5**	**100%**	**99.3**	**100%**

(1) Units' settlement were completed by FY2020

(2) Refers to revenue attributable to the Group based on its effective interest

Source: Company, FPA Financial

Meanwhile, property investment revenue, comprising rental income from shop units in Roxy Square and NZI Centre, rose by 8.5% y-o-y to $4.0 million from S$3.7 million. This contributed to about 3% of total Group revenue during the period. However, revenue from the hotel ownership segment, which contributed 7% to total Group revenue in 1H FY2021, fell by 29.2% y-o-y to S$10.7 million from $15.1 million. The decline came as the Group's hotel operations continued to be affected by the Covid-19 outbreak as many countries imposed border control measures, impacting the tourism industry. The breakdown of the Group's total revenue in 1H FY2020 and 1H FY2021 are summarized in **Exhibit 13** on the next page.

Exhibit 13: Breakdown of the Group's total revenue in 1H FY2020 and 1H FY2021

Segment	1H FY2021 Revenue (S$ million)	1H FY2021 % of total	1H FY2020 Revenue (S$ million)	1H FY2020 % of total	% change, y-o-y
Property development	126.5	89.6%	99.3	84.1%	27.4%
Hotel ownership	10.7	7.6%	15.1	12.8%	-29.1%
Property investment	4.0	2.8%	3.7	3.1%	8.1%
Total	**141.2**	**100.0%**	**118.1**	**100.0%**	**19.6%**

Source: Company

In line with the increase in total revenue, cost of sales rose by 16% y-o-y to $115.8 million from $100.3 million. As a result, gross profit amounted to S$25.4 million, which was 42% higher than S$17.8 million a year ago. Overall gross profit margin was 18.0%, higher than the 15.1% recorded in 1H FY2020, mainly due to higher contribution from the property development segment with an improved profit margin.

During the period, other operating income increased to S$10.3 million from S$5.1 million from a year ago. This was mainly contributed by higher fair value gain from the Group's investment property at NZI Centre in New Zealand and higher foreign exchange gain. However, interest income was lower as compared to 1H FY2020 mainly due to lower interest rate on fixed deposits.

Meanwhile, distribution & selling expenses increased by 5% to S$2.1 million from S$2.0 million a year ago, while administrative expenses fell by 3% y-o-y to S$4.5 million. Other operating expenses, which comprise mainly depreciation and payroll expenses, rose by 2% y-o-y to S$12.6 million, as depreciation decreased slightly mainly due to depreciation of JPY and USD against SGD when translation of depreciation of property, plant & equipment in Japan and the Maldives. At the same time, finance costs fell by 25% y-o-y to S$9.6 million from S$12.7 million, mainly due to lower interest rates.

During the period, the Group's share of results from associates & joint ventures declined by 80% to S$2.4 million from S$11.9 million a year ago, mainly due to absence of profit from the sale of property at Ginza, Japan which was completed in 1H FY2020.

As a result, pre-tax profit recorded in 1H FY2021 was S$9.1 million, higher compared to S$3.0 million a year ago. During the period, the Group incurred taxation of S$1.8 million, comprising of current tax expense of S$0.4 million and deferred tax expense of S$1.4 million in 1H FY2020. Net of taxation, the Group reported a profit of S$7.4 million compared to S$2.2 million a year ago. This comprised S$5.9 million in profit attributable to shareholders and non-controlling interests of S$1.5 million which was mainly due to profit from the View At Kismis project. Given shareholder's profit of S$5.9 million, the Group's earnings per share (EPS) amounted to 0.45 cents in 1H FY2021 compared to 0.21 cents a year ago. No dividends were declared for the period.

The Group's financial results for 1H FY2020 and 1H FY2021 are summarized in **Exhibit 14** on the next page.

Exhibit 14: Group’s financial results for 1H FY2020 and 1H FY2021

[S$ million]	1H FY2021	1H FY2020	Change (%)
Revenue	141.2	118.1	20%
Cost of sales	(115.8)	(100.3)	16%
Gross profit	25.4	17.8	42%
Other operating income	10.3	5.1	>100%
Distribution & selling expenses	(2.1)	(2.0)	5%
Administrative expenses	(4.5)	(4.7)	-3%
Other operating expenses	(12.6)	(12.4)	2%
Finance costs	(9.6)	(12.7)	-25%
Share of results from associates and joint ventures (net of income tax)	2.4	11.9	-80%
Profit before taxation	9.1	3.0	>100%
Taxation	(1.8)	(0.8)	>100%
Profit after taxation	7.4	2.2	>100%
Profit attributable to:			
Equity holders of the Company	5.9	2.8	>100%
Non-controlling interests	1.5	(0.6)	n/m
	7.4	2.2	>100%
Profit attributable to equity holders	5.9	2.8	>100%
Weighted average no. of shares in issue (million)	1,303.98	1,303.98	-
EPS (cents)	0.45	0.21	>100%

Figures have been rounded. n/m: not meaningful

Source: Company, FPA Financial

Review of historical financials

Having reviewed the Group's latest 1H FY2021 results, we will also evaluate its 5-year historical financial performance. In terms of revenue performance, the trend has been inconsistent over the last few years, mainly due to the non-recurring income nature of the property development business.

In particular, property development revenue dropped to a 5-year low in FY2018 mainly due to lower recognition upon the Temporary Occupation Permits (TOP) obtained for the Group's Trilive project in June 2018, as well as the completion of its other projects in 2017. However, during FY2019, property development revenue rebounded sharply by 415% y-o-y mainly due to revenue recognition upon settlement for The Hensley and West End Residences in Australia, as well as progressive revenue recognition from 120 Grange, The Navian and Harbour View Gardens in Singapore. Nevertheless, as noted on page 4, the Group is expected to recognize strong pre-sale revenue of S$564.4 million across its ongoing development projects over FY2021 to FY2023. Meanwhile, hotel ownership revenue has broadly trended upwards over the years, except for recent decline in FY2020 owing to the negative impact of the Covid-19 pandemic. While revenue from the property investment business has declined over the last 5 years, it could be less concerning given the segment's relatively minor contribution to overall Group revenue.

Meanwhile, profit attributable to shareholders has trended in-line with revenue performance over the past few years. However, a loss of S$29.5 million was recorded in FY2020 owing to weaker revenue performance, as well as losses from associates & joint ventures. As a result, no dividends were declared and paid in respect to FY2020. Nevertheless, given the potential for strong property sales revenue recognition in the next few years, we foresee dividends to be paid in FY2021. Further, it is also worth noting that the Group's payout ratio has generally increased over the years, excluding FY2020.

A summary of the Group's 5-year historical financials from FY2016 to FY2020 is shown in **Exhibit 15**.

Exhibit 15: Group's 5-year historical financial results

	For year ended Dec 31				
[S$ million]	**2016**	**2017**	**2018**	**2019**	**2020**
Property development revenue	325.6	191.8	75.0	385.9	165.8
Hotel ownership revenue	46.3	44.3	50.0	50.4	25.2
Property investment revenue	12.2	10.8	7.9	7.7	7.4
Total revenue	384.0	246.9	132.9	444.0	198.4
Profit attributable to shareholders	65.6	49.6	21.3	30.3	(29.5)
EPS (cents)	4.17	2.42	1.63	2.33	(2.26)
DPS (cents)*	1.67	0.99	0.90	1.29	-
Payout ratio (%)	40.0%	40.7%	55.2%	55.2%	-

Figures have been rounded

**Includes final and special dividends*

Source: Company, FPA Financial

(II) Capital management

The Group reported total assets of S$1,655.7 million as at 30 June 2021, compared to S$1,616.3 million as at 31 December 2020. The increase in total assets was mainly contributed by a S$20.0 million increase in development properties for sale and a S$32.5 million increase in contract assets. The rise in development properties for sale was mainly due to completion of acquisition of development land at Jalan Molek in Singapore during 1H FY 2021, partially offset by progress billing from existing on-going projects. At the same time, contract assets rose mainly as the Group recognized the right to consideration for work completed at 120 Grange, Harbour View Gardens and Bukit 828, though this were not yet billed at the reporting date on the construction of development properties.

Meanwhile, total liabilities increased to S$1,171.5 million as at 30 June 2021 from S$1,138.8 million as at 31 December 2020. The higher total liabilities was mainly due to an increase in current borrowings of S$56.8 million to S$687.5 million. Taken together with non-current borrowings of S$340.5 million, the Group's total borrowings amounted to S$1,028.0 million as at 30 June 2021, of which S$290.4 million will be repayable within one year and S$737.6 million repayable after one year.

Consequently, the Group recorded total equity of S$484.1 million as at 31 December 2020, compared to S$477.5 million a year ago. Equity attributable to shareholders was S$486.8 million after accounting for non-controlling interests. Consequently, the Group reported a net asset value (NAV) per share of 37.33 cents, based on approximately 1,304.0 million issued ordinary shares. A summary of the Group's balance sheet as at 31 December 2020 and 30 June 2021 is shown in **Exhibit 16**.

Exhibit 16: Summary of Group's balance sheet as at 31 Dec 2020 and 30 Jun 2021

[S$ million]	As at 31-Dec-20	As at 30-Jun-21
Total assets	1,616.3	1,655.7
Total liabilities	1,138.8	1,171.5
Total equity	477.5	484.1
Equity attributable to equity holders	482.1	486.8
No. of issued ordinary shares (million)	1,303.98	1,303.98
NAV per share (cents)	36.97	37.33

Figures have been rounded
Source: Company

The Group's NAV as discussed above is based on Group's adoption of the cost model under SFRS(I)1-16 Property, Plant and Equipment, and measures its property, plan and equipment at cost less depreciation and impairment loss. If it had applied the fair value model under SFRS(I)1-16, a revaluation surplus would arise as a result of the excess of the fair value of its hotel properties (includes Grand Mercure Roxy Hotel in Singapore, Noku Kyoto Hotel in Kyoto, Japan, Noku Osaka Hotel in Osaka, Japan, Noku Maldives and hotel property in Phuket, Thailand) and own use premises, over their carrying amounts. As disclosed in Roxy-Pacific's 1H FY2021 financial statements, the fair value of these properties was estimated to be S$679.6 million as at 30 June 2021 (31 December 2020: $680.3 million) based on valuation carried out by independent valuers on 31 December 2020, using the direct comparison methods. Accordingly, the revaluation surplus is estimated to be approximately S$463.4 million (31 December 2020: $458.8 million).

Taking into account the revaluation surplus of S$463.4 million, the Group's reported adjusted NAV amounted to S$950.2 million as at 31 December 2020, which translates to an adjusted NAV per share of 72.87 cents, as shown in **Exhibit 17** on the next page. Taking the summation of total borrowings of S$1,028.0 million and lease liabilities of S$29.1 million, and subtracting cash & bank balances of S$391.0 million, the Group's net debt was S$666.1 million. Accordingly, the net debt to adjusted NAV ratio stood at 0.70 times as at 31 December 2020, as shown in **Exhibit 17** on the next page.

Exhibit 17: Group's adjusted NAV, net debt and net debt to adjusted NAV ratio

[S$' million]	As at 31-Dec-20	As at 30-Jun-21
Current borrowings	630.6	340.5
Non-current borrowings	341.7	687.5
Total borrowings	972.3	1,028.0
Lease liabilities (amortised cost)	28.8	29.1
Less: total cash and bank balances	(395.6)	(391.0)
Net debt	605.5	666.1
Equity attributable to equity holders	482.1	486.8
Revaluation surplus	458.8	463.4
Adjusted NAV	940.9	950.2
No. of issued ordinary shares (million)	1,304.0	1,304.0
Adjusted NAV per share (cents)	72.16	72.87
Net debt to adjusted NAV ratio (x)	0.64	0.70

Source: Company

POTENTIAL CATALYSTS

We identify the development projects to be constructed on the following land sites held by the Group as potential catalysts. The Group's Noku Phuket resort, which is slated to commence operations in 2022, could also provide a boost to hotel ownership revenue.

(I) Mori Condo residential development

As earlier noted on page 8, Roxy-Pacific will be developing a 137-unit condominium, Mori Condo, on the residential site at 1-21A Jalan Molek and 217-223A Guillemard Road. The residential development is strategically located in 2 fast-growing areas under the URA Master Plan 2019 – Kallang Riverside & Paya Lebar Regional Commercial Hub. It will provide good connectivity to MRT stations like Aljunied and Mountbatten, which are within short walking distance and popular dining locations like Old Airport Road Market & Food Centre and Geylang Serai Food Center & Wet Market. There will also be convenient access to shopping centres such as Kinex Mall, Kallang Wave Mall, Paya Lebar Square, SingPost and Suntec City, as well as entertainment facilities including Singapore Sports Centre, Singapore Indoor Stadium and Kallang ActiveSG Tennis Centre, among others. The development is also within a short driving distance to the Central Business District.

Situated close to the Mori Condo site is the Group's Arena Residences residential development at 20 Guillemard Crescent. The 98-unit freehold condominium was launched in late 2018 and is currently sold out. Prices ranged from S$1,317 to S$1,989 psf, with an average psf of approximately S$1,811, according to URA data. Also in the vicinity is Macly Group's freehold condominium NoMa along Guillemard Road, which was launched in August 2020. Latest URA data showed that the project achieved strong sales of 64% during the month it was launched, having sold 32 out of 50 total units. Currently, it has achieved 94% sales completion, with 47 units sold. Prices have ranged from S$1,480 to S$1,808 psf, with an average psf of approximately S$1,641.

Considering the above, we are inclined to believe that Mori Condo could see strong sales when it launches shortly in Q3 2021, given its attractive location as well as recent strong buying interest for residential units within the Guillemard Road area.

<u>Total development sales</u>

Given an approximate land area of 37,131 sq ft and plot ratio of 2.8, the development site would have an estimated GFA of approximately 103,967 sq ft. Assuming an average psf of S$1,726 for Mori Condo, as proxied by the average of the average psf for Arena Residences and NoMa, we would estimate total development sales to be S$179.4 million = [S$1,726 psf x 103,967 sq ft]. We will be considering this in our 'Financial Projection' section on page 32.

Given projected total development sales, we will also consider the development costs such as land cost, construction costs, interest costs, project management fees and marketing fees.

<u>Land cost</u>

The Company announced that the approximate attributable land cost would be S$93.0 million.

<u>Construction costs</u>

In our projection, we would assume construction costs at S$300 psf, which would imply total construction costs of S$31.2 million = [S$300 psf x 103,967 sq ft].

Development gross profit

Net of land cost and construction costs, the projected development gross profit would be S$55.2 million, which would imply a gross margin of 31%, as shown in **Exhibit 18**.

Exhibit 18: Projected development gross profit and gross margin for Mori Condo

	(S$ million)
Total development sales	179.4
Less:	
Land cost	(93.0)
Construction costs	(31.2)
Development gross profit	**55.2**
Gross margin	**31%**

Source: FPA Financial

The projected gross margin of 31% for Mori Condo is relatively attractive when drawing comparison with the historical gross margin for the Group's property development segment, as shown in **Exhibit 19**. Nevertheless, we note that this could be an optimistic estimate given rising construction costs.

Exhibit 19: Historical gross margin for the Group's property development segment

Segment	Gross margin (%)					
	FY2016	FY2017	FY2018	FY2019	FY2020	1H FY2021
Property development	14%	15%	27%	19%	10%	14%

Source: Company

(II) Amalgamated site at Institution Hill

As earlier noted on page 8, the Group intends to amalgamate its acquired sites at 10A and 10B Institution Hill and 11 Institution Hill. The proposed development on the site is a 60-unit residential development. Details of the new project are yet to be announced.

According to Cushman & Wakefield (C&W), who were the exclusive agents handling the Expression of Interest for the sale of the residential plots at 10A and 10B Institution Hill, interest in districts 9, 10 and 11 and those residential plots on the fringe of the Central Business District (CBD) are especially popular due to the scarcity of supply of small to mid-sized plots. C&W noted in February 2021 that transacted prices in the vicinity have taken a hike, with prices of new strata units in projects nearby like 8 St. Thomas, The Avenir and RV Altitude (one of the Group's residential projects which is currently fully sold) averaging between S$2,700 psf and S$3,000 psf. C&W also highlighted that with the surrounding neighborhood of Orchard Road, Robertson Quay, Clarke Quay and River Valley precincts filled with a plethora of entertainment, retail and F&B outlets, Institution Hill is possibly one of the best locations to work, live and play.

Given an estimated total land area of approximately 14,300 sq ft and plot ratio of 2.8, the amalgamated site would have a total GFA of approximately 40,040 sq ft. Assuming a psf of S$2,850 for the residential development, as proxied by mid-point of the psf range provided by C&W in relation to prices of residential projects within the Institution Hill area, we would estimate total development sales to be S$114.1 million = [S$2,850 psf x 40,040 sq ft].

(III) Redevelopment of former Melbourne House

As earlier noted on page 9, the Group's redevelopment of the former Melbourne House at 360 Little Bourke Street in Melbourne will be converted into a commercial office building with a NLA of 8,019 sqm. The site is located in a prime retail area in the centre of Melbourne's CBD, close to Melbourne's General Post Office, Bourke Street Mall and the cosmopolitan Hardware Lane. The new office building is expected to benefit from dual street frontages to Little Bourke Street and White Hart Lane. The estimated date of completion is in June 2023.

(IV) Noku Phuket resort

Noku Phuket is the Group's second resort asset which is currently under development. The 91 rooms/villa resort has an approximate land area of 46,878 sqm with total GFA of 17,973 sqm. It is slated to commence operations in 2022.

RECENT SHARE PRICE DEVELOPMENT

During the first half of 2021, Roxy-Pacific's share price was relatively stable and traded between S$0.345 to S$0.360 (based on closing price). Since around mid-July, the share price has gained momentum and risen sharply to reach above S$0.400. We note that the rise in share price coincides with recent market developments and latest real estate data releases (as highlighted on page 11-12) which reflect positively on the health of Singapore's residential market. We believe that the strong residential market outlook in Singapore provides optimism over the performance of the Group's property development segment in the coming years. Accordingly, we expect strong earnings growth potential to support share price upside.

In terms of insider trades, we note that the Mr. Teo's stake in the Company had increased through share purchases by Kian Lam. From 16 January to 2 November 2020, Kian Lam had purchased a total of 2.4 million shares over 16 separate transactions at a price per share ranging from S$0.320 to S$0.380. The latest acquisition was on 2 November 2020 when it purchased 100,000 shares at S$0.330 per share. Following the acquisitions, Mr. Teo held a total of 822,553,167 shares in the Company, equivalent to a 63.08% stake.

The details of the share acquisitions by Kian Lam over 16 January to 2 November 2020 are summarised in **Exhibit 20**.

Exhibit 20: Details of share acquisitions by Kian Lam

Date of acquisition	Acquirer	No. of shares acquired	Total acquisition price (S$)	Price per share (S$)	Closing share price (S$)	Total interest after acquisition [1]	
						No. of shares	Shareholding %
16-Jan-20	Kian Lam	658,000	250,040	0.380	0.380	820,793,917	62.94%
24-Sep-20	Kian Lam	100,000	32,050	0.321	0.325	820,893,917	62.95%
25-Sep-20	Kian Lam	100,000	32,100	0.321	0.320	820,993,917	62.96%
28-Sep-20	Kian Lam	100,000	32,200	0.322	0.325	821,093,917	62.97%
29-Sep-20	Kian Lam	100,000	32,150	0.322	0.320	821,193,917	62.97%
30-Sep-20	Kian Lam	100,000	32,212	0.322	0.325	821,293,917	62.98%
1-Oct-20	Kian Lam	100,000	32,250	0.323	0.325	821,393,917	62.99%
2-Oct-20	Kian Lam	100,000	32,000	0.320	0.320	821,493,917	63.00%
5-Oct-20	Kian Lam	100,000	32,250	0.323	0.325	821,593,917	63.00%
6-Oct-20	Kian Lam	100,000	32,500	0.325	0.330	821,693,917	63.01%
7-Oct-20	Kian Lam	100,000	32,800	0.328	0.330	821,793,917	63.02%
8-Oct-20	Kian Lam	100,000	33,000	0.330	0.330	821,893,917	63.03%
13-Oct-20	Kian Lam	330,000	105,600	0.320	0.345	822,223,917	63.05%
15-Oct-20	Kian Lam	129,250	42,006	0.325	0.345	822,353,167	63.06%
30-Oct-20	Kian Lam	100,000	33,000	0.330	0.345	822,453,167	63.07%
2-Nov-20	Kian Lam	100,000	33,000	0.330	0.340	822,553,167	63.08%
Total		**2,417,250**	**819,158**	**-**	**-**	**-**	**-**

(1) Refers to interests held by Mr. Teo. Comprises of direct and deemed interests.

Source: Company, FPA Financial

Since the above-mentioned transactions, we note that there have been no share transactions by Kian Lam or Mr. Teo himself. Accordingly, Mr. Teo's current stake in the Company remains at 63.08%, as noted on page 3.

We also note that Mr. Tan Tien Hin Winston, an Independent Director of the Company, has been increasing his stake in the Company through numerous share transactions since 2020. More recently, since the start of 2021 till time of writing, Mr. Tan purchased a total of 292,000 shares over 12 separate transactions at a price per share ranging from S$0.345 to S$0.355. The latest acquisition was on 29 March 21 when he purchased 20,000 shares at S$0.355 per share. Following the acquisitions, Mr. Tan held a total of 12,131,362 shares in the Company, equivalent to a 0.93% stake. This comprised a direct interest of 250,000 shares and a deemed interest of 11,881,362 shares held by his spouse and Winmark Investments Pte Ltd, a company wholly-owned by him and his wife.

The details of Mr. Tan's recent share acquisitions are summarised in **Exhibit 21**.

Exhibit 21: Details of Mr. Tan's recent share acquisitions

Date of acquisition	No. of shares acquired	Total acquisition price (S$)	Price per share (S$)	Closing share price (S$)	Total interest after acquisition [1]	
					No. of shares	Shareholding %
6-Jan-21	25,000	8,750	0.350	0.350	11,864,362	0.910%
25-Feb-21	40,000	14,000	0.350	0.350	11,904,362	0.913%
26-Feb-21	20,000	7,000	0.350	0.350	11,924,362	0.914%
2-Mar-21	15,000	5,250	0.350	0.350	11,939,362	0.915%
3-Mar-21	20,000	7,000	0.350	0.350	11,959,362	0.917%
4-Mar-21	20,000	7,000	0.350	0.350	11,979,362	0.919%
5-Mar-21	30,000	10,350	0.345	0.345	12,009,362	0.921%
8-Mar-21	30,000	10,350	0.345	0.345	12,039,362	0.923%
9-Mar-21	12,000	4,140	0.345	0.345	12,051,362	0.924%
10-Mar-21	30,000	10,350	0.345	0.345	12,081,362	0.926%
11-Mar-21	30,000	10,350	0.345	0.345	12,111,362	0.929%
29-Mar-21	20,000	7,100	0.355	0.355	12,131,362	0.930%
Total	**292,000**	**101,640**	**-**	**-**	**-**	**-**

(1) Comprising direct and deemed interests

Source: Company, FPA Financial

FINANCIAL PROJECTION

In this section, we provide our projections for the Group's revenue, earnings and dividends for FY2021 and FY2022.

(I) Revenue projection

In our revenue projection for FY2021 and FY2022, we will estimate revenue generated by the Group's individual business segments to derive a total projected revenue for each period.

Property development revenue

As highlighted in the 'Industry Overview' section, the Singapore private residential market remains underpinned by strong new home sales. Buying sentiment is expected to remain strong amid low interest rates. The strong demand has translated into rising home prices, as the URA PPI rose by 0.8% q-o-q in Q2 2021. In particular, price growth was seen to be stronger in the CCR and OCR. Looking ahead, home prices are expected to rise further in 2021. Further, rising residential land prices and strong interest expressed in recent land tenders suggest that property developers are optimistic on the outlook for the residential market. Meanwhile, property cooling measures could be less of a concern given that the rise in private residential prices has lagged nominal GDP growth, according to Savills. Also, CBRE believes recent moderation in prices could reduce the risk of government cooling measures.

Looking at the Group's residential projects in Singapore, we note that sales performance has been in line with the overall strength in the residential market. According to data compiled from URA, a total of 250 units were sold across the Group's projects over the period from 1 July 2020 to 31 July 2021, with total sales price of S$371.3 million, as shown in **Exhibit 22**.

Exhibit 22: New sales transactions for the Group's residential projects in Singapore

	New sale transactions from 1 Jul 2020 till 31 Jul 2021									
	No. of units				Total sales price ($ million)				Price psf (S$)	
Project name	2H 2020	1H 2021	YTD 2H 2021 (1)	Total	2H 2020	1H 2021	YTD 2H 2021	Total	Min.	Max.
Dunearn 386	7	1	1	9	13.5	2.3	2.1	17.9	2,249	2,565
Fyve Derbyshire	14	13	-	27	24.6	21.5	-	46.1	2,191	2,419
View at Kismis	54	40	1	95	66.6	54.6	2.1	123.3	1,589	1,839
RV Altitude	15	84	-	99	24.5	129.0	-	153.6	2,446	3,168
Harbour View Gardens (2)	-	-	-	-	-	-	-	-	-	-
120 Grange (3)	11	-	-	11	19.4	-	-	19.4	2,669	2,815
Bukit 828 (3)	9	-	-	9	11.1	-	-	11.1	1,462	1,671
Total	**110**	**138**	**2**	**250**	**159.7**	**207.4**	**4.2**	**371.3**	**-**	**-**

(1) Period from 1 Jul 2021 to 31 Jul 2021
(2) Project was sold out prior to 2H 2020
(3) Project was sold out during 2H 2020
Source: URA, FPA Financial

In terms of specific periods, we note that sales performance has been strong in both 2H 2020 and 1H 2021, with 110 units and 138 units transacted respectively, as shown in **Exhibit 22** on the previous page. If not for the tightened measures under Phase 2 (Heightened Alert) in mid-May 2021, performance in 1H 2021 could potentially be much stronger. Naturally, with the recent re-tightening of measures owing to the formation of new large clusters, weaker sales have been observed for the month of July. Nevertheless, in light of the Singapore government's latest announcement on the easing of measures in mid-August, we expect sales performance to improve with a pickup in viewing activity at project showflats. Thus, we foresee the strong sales momentum in 2H 2020 and 1H 2021 to continue in 2H 2021, barring any unforeseen adverse virus situation in Singapore. This should overcompensate the weaker performance of the Group's Wisma Infinitum project in Kuala Lumpur, given the deteriorating virus situation in Malaysia.

As noted in **Exhibit 3** on page 5, the Group has a total attributable pre-sale revenue of S$564.4 million to be recognized from 1 July 2021 across its residential projects in Singapore and Malaysia. Specifically, the attributable pre-sale revenue for the Group's Singapore projects, excluding Wilshire Residences, Neu at Novena and Arena Residences which are held by associates, would be S$424.2 million, as shown in **Exhibit 23**.

<u>Exhibit 23: Pre-sale revenue as at 27 July 2021 for the Group's Singapore projects excluding those held by associates</u>

Project name	Total residential units	Sales completion		Attributable total sale value (1) (2)	Attributable revenue recognised up to 30 Jun 2021	Balance attributable progress billings to be recognised from 1 Jul 2021	Expected completion	Adjusted expected completion
Singapore	**Unit**	**Unit**	**%**	**S$ million**	**S$ million**	**S$ million**	**Period**	**Period**
Dunearn 386	35	18	51%	31.5	10.0	21.5	Q2 2022	Q3 2022
Fyve Derbyshire	71	53	75%	95.9	21.6	74.3	Q4 2022	Q1 2023
View at Kismis	186	182	98%	139.5	24.5	115.0	Q1 2023	Q2 2023
RV Altitude	140	140	100%	218.8	69.7	149.1	Q2 2022	Q3 2022
Harbour View Gardens	57	57	100%	73.7	71.8	1.9	Q3 2021	Q4 2021
120 Grange	56	56	100%	92.3	43.3	49.0	Q2 2022	Q3 2022
Bukit 828	34	34	100%	32.2	18.8	13.4	Q1 2022	Q2 2022
Total	**579**	**540**	**93%**	**683.9**	**259.7**	**424.2**	**-**	**-**

(1) For Singapore projects, sale value is based on Option to Purchase granted up to 27 Jul 2021

Source: Company, FPA Financial

<u>Revenue from projects which are currently fully sold – RV Altitude, Harbour View Gardens, 120 Grange and Bukit 828</u>

As noted in **Exhibit 23** above, 4 out of 7 projects are fully sold as of 27 July 2021, and thus full sales recognition would be achieved immediately upon completion. Owing to recent tightened measures in Singapore, construction progress is expected to be delayed and thus we would assume that completion of the individual projects will be pushed back by one quarter, as reflected in the 'Adjusted expected completion' column in **Exhibit 23** above.

Considering the period from 1 July 2021 to the completion quarter for the projects, we would assume a constant rate of completion for each quarter. This would imply that the remaining revenue to be recognized from 1 July 2021 would be evenly distributed over each quarter till completion. Taking RV Altitude for example, the balance pre-sale revenue of S$149.1 million would be recognized evenly across 5 quarters (Q3 2021 to Q3 2022), with approximately S$29.8 million recognized per quarter. Thus, the project would recognize S$59.6 million during 2H 2021 and S$89.5 million over the period from Q1 2022 to Q3 2022, as shown in **Exhibit 24** on the next page. Adopting the same approach for all of the 4 fully sold projects, the projected revenue recognized during 2H 2021 and 2022 would be S$87.8 million and S$125.6 million respectively, as shown in **Exhibit 24** on the next page.

Exhibit 24: Projected revenue recognized in 2H 2021 and 2022 for fully sold projects

Project name	Balance attributable progress billings to be recognised from 1 Jul 2021 (S$ million)	No. of quarters for balance revenue to be recognised over	Projected revenue recognised (S$ million)	
			2H 2021	2022 (1)
RV Altitude	149.1	5	59.6	89.5
Harbour View Gardens	1.9	1	1.9	-
120 Grange	49.0	5	19.6	29.4
Bukit 828	13.4	4	6.7	6.7
Total	**213.4**	**-**	**87.8**	**125.6**

(1) Or up till point of completion during the period

Source: FPA Financial

Revenue from projects which are not yet fully sold – Dunearn 386, Fyve Derbyshire and View at Kismis

As noted in **Exhibit 23** on the previous page, the sales percentage as at 27 July 2021 for Dunearn 386, Fyve Derbyshire and View at Kismis would be 51%, 75% and 98%. Respectively, the total attributable sale value for these projects up till this point would be S$31.5 million, S$95.9 million and S$139.5 million.

As a proxy, we would estimate the total attributable sale for the whole of these projects based on the attributable sale value per 1% of sales completion, as per data for sold units up till 27 July 2021. In the case of Dunearn 386, the attributable sale value per 1% of sales percentage (up till 27 July 2021) would be about S$0.6 million = [S$31.5 million / 51%]. Accordingly, the projected total attributable sale value for the whole project would be S$61.3 million = [S$0.6 million x 100%]. Adopting the same approach, the projected total attributable sale value for Fyve Derbyshire and View at Kismis would be S$128.5 million and S$142.6 million.

As noted in **Exhibit 23** on the previous page, attributable revenue of S$10.0 million, S$21.6 million and S$24.5 million have been recognized as at 30 June 2021 for Dunearn 386, Fyve Derbyshire and View at Kismis respectively. Accordingly, the balance attributable revenue available for recognition from 1 July 2021 till the completed construction of these projects would be S$51.3 million, S$106.9 million and S$118.1 million respectively, as shown in **Exhibit 25**.

Exhibit 25: Attributable revenue available for recognition from 1 July 2021 till completion

Project name	Projected attributable total sale value when fully sold	Attributable revenue recognised up to 30 Jun 2021	Attributable revenue available for recognition from 1 Jul 2021 till completion
	S$ million	S$ million	S$ million
Dunearn 386	61.3	10.0	51.3
Fyve Derbyshire	128.5	21.6	106.9
View at Kismis	142.6	24.5	118.1

Source: Company, FPA Financial

To determine how much revenue would be recognized during 2H FY2021 and FY2022, we will estimate the progression of sales.

In projecting the sales progress for the 3 projects, we would assume a 5% sales completion per quarter during 2H 2021, considering restricted showflat viewing activity due to tightened Covid-19 measures. In 2022 and beyond, we would assume a 20% sales completion per quarter, in view of stronger sales activity as showflat restrictions ease and foreign demand potentially returns. Using Dunearn 386 as an example, the projected sales completion at the end of 2021 would be 61% = [51% sold as at 27 July 2021 + 5% sales in Q3 2021 + 5% sales in Q4 2021]. The project will then be expected to be fully sold by the end of Q2 2022, given 20% sales completion in Q1 2022 and Q2 2022 respectively. Adopting the same approach, Fyve Derbyshire would be 85% sold at the end of 2021 and fully sold by Q1 2022, while View at Kismis would be fully sold by the end of 2021.

We have summarized the projected sales progression for the individual projects in **Exhibit 26**.

Exhibit 26: Projected sales progression for Dunearn 386, Fyve Derbyshire and View at Kismis

Project name	Actual sales	Projected sales % completion		
	27-Jul-21	31-Dec-21	31-Mar-22	30-Jun-22
Dunearn 386	51%	61%	81%	100%
Fyve Derbyshire	75%	85%	100%	100%
View at Kismis	98%	100%	100%	100%

Source: Company, FPA Financial

Meanwhile, we note that the Group accounts for revenue from the sale of development properties using the percentage of completion method, which is measured by reference to the stage of completion based on the value of the main contractor costs incurred to date as certified by third party architects or quantity surveyors and the estimated total main contractor costs on completion. For sales of properties where the Group transfers control of the property to the buyer at a point in time, revenue is recognised when the property is delivered, and legal title thereto has passed to the customer upon the customer's payment of the remainder of the purchase price after construction is complete.

Given limited access to information relating to the value of the main contractor costs incurred to date and the estimated total main contractor costs on completion, we would assume a constant rate of completion in each quarter for the projects starting from 1 July 2021. As noted in **Exhibit 23** on page 27, the adjusted expected completion date for Dunearn 386, Fyve Derbyshire and View at Kismis would be Q3 2022, Q1 2023 and Q2 2023 respectively. Accordingly, the required number of quarters till completion (from 1 July 2021) for these projects would be 5, 7 and 8 respectively. Assuming a constant rate of completion in each quarter, and this would imply that the balance attributable revenue available for recognition for the projects will be evenly distributed over every quarter till completion.

For Dunearn 386, the balance attributable revenue of S$51.3 million would be recognized evenly across 5 quarters (Q3 2021 to Q3 2022), with approximately S$10.6 million recognized per quarter. Accordingly, the project would recognize S$20.5 million during 2H 2021, as shown in **Exhibit 27** on the next page. This would imply a sales revenue recognition of 50% as at 31 December 2021. Adopting the same approach, we would project attributable revenue of S$30.5 million and S$29.5 million to be recognized during 2H 2021 for Fyve Derbyshire and View at Kismis respectively, as shown in **Exhibit 27** on the next page. Respectively, this would imply a sales revenue recognition of 41% and 38% as at 31 December 2021.

Exhibit 27: Projected revenue recognition up till 31 December 2021

Project name	Projected attributable total sale value when fully sold	Attributable revenue recognised up to 30-Jun-21	Projected revenue recognised in 2H 2021	Projected revenue recognised	
				Up till 31-Dec-21	
	(S$ million)	(S$ million)	(S$ million)	S$ million	% recognition
Dunearn 386	61.3	10.0	20.5	30.5	50%
Fyve Derbyshire	128.5	21.6	30.5	52.1	41%
View at Kismis	142.6	24.5	29.5	54.0	38%
Total	**332.4**	**56.1**	**80.5**	**136.6**	**41%**

Source: Company, FPA Financial

By the end of 2022, full revenue recognition would be expected for Dunearn 386, given expected completion in Q3 2022. Accordingly, the project is projected to recognize S$30.8 million in FY2022.

Meanwhile, Fyve Derbyshire and View at Kismis are not expected to be completed within 2022. Based on the Housing Developers Rules in Singapore, payment of up to 60% of purchase price would be made prior to TOP. Within 14 days immediately after the TOP is received, payment of 25% of purchase price would be made. The payment of the last 15% of purchase price would be done upon completion date. As disclosed on the official project websites, Fvye Derbyshire is expected to attain TOP in November 2022, while that for View at Kismis is beyond 2022. This would suggest that the maximum sales revenue recognition for Fyve Derbyshire and View at Kismis as at the end of 2022 would be 85% and 60% respectively. Accordingly, the projected revenue up till 31 December 2022 for these projects would be S$109.2 million and S$85.6 million respectively, as shown in **Exhibit 28**.

Exhibit 28: Projected revenue recognition up till 31 Dec 2021 and 31 Dec 2022

Project name	Projected attributable total sale value when fully sold	Projected revenue recognised			
		Up till 31-Dec-21		Up till 31-Dec-22	
	(S$ million)	S$ million	% recognition	S$ million	% recognition
Dunearn 386	61.3	30.5	50%	61.3	100%
Fyve Derbyshire	128.5	52.1	41%	109.2	85%
View at Kismis	142.6	54.0	38%	85.6	60%
Total	**332.4**	**136.6**	**41%**	**256.1**	**77%**

Source: FPA Financial

Based on 85% and 60% sales revenue recognition for Fyve Derbyshire and View at Kismis respectively as at 31 December 2022, this would imply a projected revenue recognition of S$57.1 million and S$31.6 million respectively during FY2022, as shown in **Exhibit 29** on the next page.

Exhibit 29: Projected revenue recognition in 2H 2021 and 2022

Project name	Projected attributable total sale value when fully sold	Attributable revenue recognised up to 30-Jun-21	Projected revenue recognised		Projected revenue recognised	
			2H 2021	2022	Up till 31-Dec-22	
	(S$ million)	(S$ million)	(S$ million)	(S$ million)	S$ million	% recognition
Dunearn 386	61.3	10.0	20.5	30.8	61.3	100%
Fyve Derbyshire	128.5	21.6	30.5	57.1	109.2	85%
View at Kismis	142.6	24.5	29.5	31.6	85.6	60%
Total	**332.4**	**56.1**	**80.5**	**119.5**	256.1	**77%**

Source: Company, FPA Financial

Total projected revenue recognition for the Group's Singapore projects in 2H FY2021 and FY2022

Given the projected figures across all of the Group's Singapore projects, excluding those held by associates, the total projected revenue recognition would be S$168.4 million and S$245.0 million for 2H FY2021 and FY2022 respectively, as shown in **Exhibit 30.**

Exhibit 30: Projected revenue recognition for the Group's Singapore projects excluding those held by associates for 2H FY2021 and FY2022

Project name	Projected revenue recognised (S$ million)	
	2H FY2021	FY2022
Dunearn 386	20.5	30.8
Fyve Derbyshire	30.5	57.1
View at Kismis	29.5	31.6
RV Altitude	59.6	89.5
Harbour View Gardens	1.9	-
120 Grange	19.6	29.4
Bukit 828	6.7	6.7
Total	**168.4**	**245.0**

Source: FPA Financial

Revenue from new Mori Condo development

Meanwhile, as discussed on page 21, the projected total development sales for the Group's Mori Condo at Jalan Molek and Guillemard Road would be S$179.4 million. Given that the project is expected to launch shortly in Q3 2021, we will consider the contribution to the Group's property development revenue.

As highlighted on page 21, we are expecting strong sales for Mori Condo when it launches, given its attractive location as well as recent strong buying interest for residential units within the Guillemard Road area. Thus, we would assume that the project would be fully sold by end of 2022. Nevertheless, as construction has yet to commence, we expect progressive sales recognition to only kick in during 2022. We will thus assume no contribution to property development revenue during 2H FY2021, and only in FY2022.

In our projection, we will assume the project to achieve 50% construction completion in 2022, barring any significant delay due to virus resurgence. Accordingly, the projected revenue recognition for the period would be S$89.7 million = [50% x S$179.4 million]. Given a 100% Group effective interest, total contribution to property development revenue would be the full amount of S$89.7 million.

Total property development revenue projection for FY2021 and FY2022

Considering the projected figures in **Exhibit 30** on the previous page and the projected revenue contribution from Mori Condo, we would derive projected total property development revenue of S$294.9 million for FY2021 and S$334.7 million for FY2022, as shown in **Exhibit 31**.

Exhibit 31: Projected property development revenue for FY2021 and FY2022

Period	Revenue (S$ million)	% change, y-o-y
1H FY2020 actual	99.3	-11%
2H FY2020 actual	66.5	-76%
FY2020 actual	**165.8**	**-57%**
1H FY2021 actual	126.5	27%
2H FY2021 forecast	168.4	20%
FY2021 forecast	**294.9**	**78%**
FY2022 forecast	**334.7**	**14%**

Source: Company, FPA Financial

Hotel ownership revenue

Amid accelerating vaccination progress and higher vaccination rates, the global virus situation has improved significantly compared to last year. The easing of health concerns has allowed for a gradual resumption of international travel, and parts of the world such as the Europe and US have relaxed travel restrictions. However, virus uncertainty remains, as many parts of Asia, and more recently the US, are currently affected by the spread of the Delta variant.

In Singapore, the recent outbreak of new large virus clusters have prompted a re-tightening of measures, which has likely hampered domestic hotel demand. Meanwhile, international demand has been subdued given border controls, as tourist arrivals in June declined to 10,030 from 14,190 in May, according to latest STB data. Against this backdrop, we foresee hotel performance in Q3 2021 to be negatively impacted. Nevertheless, the Singapore government recently announced that the nation is on track to achieve a sufficiently high national vaccination rate of above 75% which would allow for a further resumption of economic activities, as well as facilitate the reopening of Singapore’s borders. Barring prolonged health concerns due to the spread of the Delta variant, we could see travel bubbles being successfully arranged with other countries. Thus, we believe hotel performance in 2H 2021 should be stronger compared to 2H 2020.

In Japan, the current virus situation is unstable, given the spread of the Delta variant. This has also affected the ongoing Tokyo Olympics which has seen record daily Covid-19 cases. Nevertheless, we note that real estate firms like Colliers and Savills are positive on the outlook for Japan’s hospitality sector. Progress in the vaccination rollout, and the number of those vaccinated increasing in both Japan and overseas, suggest the recovery phase appears to be coming closer. Supportive government policies and pent-up travel demand are expected to continue to drive the performance of Japan’s hotel industry going forward.

Considering the above, we expect a much stronger revenue performance by the Group’s hotel ownership segment in 2H FY2021 compared to 2H FY2020. For this, we would assume a 50% y-o-y increase in hotel ownership revenue to S$15.3 million in 2H FY2021. Accordingly, the projected total revenue generated by the hotel ownership segment for FY2021 would be S$26.0 million, as shown in **Exhibit 32**.

Exhibit 32: Projected hotel ownership revenue for 2H FY2021 and full-year FY2021

Period	Revenue (S$ million)	% change, y-o-y
1H FY2020 actual	15.1	-39%
2H FY2020 actual	10.2	-61%
FY2020 actual	**25.2**	**-50%**
1H FY2021 actual	10.7	-29%
2H FY2021 forecast	15.3	50%
FY2021 forecast	**26.0**	**3%**

Source: Company, FPA Financial

For FY2022, we could see a more substantial hotel recovery as international travel improves. This will be supported by higher global vaccination rates which would allow for further border reopenings and the establishment of more extensive travel bubbles. We would thus assume a 20% y-o-y increase in hotel ownership revenue for FY2022 to S$31.2 million = [120% x S$25.9 million in projected revenue for FY2021], as shown in **Exhibit 33**.

Exhibit 33: Summary of projected hotel ownership revenue for FY2021 and FY2022

Period	Revenue (S$ million)	% change, y-o-y
FY2020 actual	25.2	-50%
FY2021 forecast	26.0	3%
FY2022 forecast	31.2	20%

Source: Company, FPA Financial

Property investment revenue

Revenue from the Group's property investment segment comprise of rental income from Roxy Square in Singapore and NZI Centre in New Zealand, which are held by the Group's subsidairies. As noted in **Exhibit 6** on page 7, Roxy Square and NZI Centre achieved occupancy of 82% and 100% respectively as at 30 June 2021. Accordingly, the estimated annual gross income for the two properties would be S$7.9 million, as reported by the Company. We would assume this figure for property investment revenue for full-year FY2021.

In FY2022, with an improvement in office leasing demand as more people return to the workplace, vacancy rates could decline and there could be larger scope for a rise in rents. Thus, rental income generated by NZI Centre could potentially improve. Meanwhile, rental income from the shop units at Roxy Square could also improve given a rebound in retail rents as improved mall footfall and spending help to boost retail leasing demand. To account for this, we would a 10% y-o-y increase in property investment revenue for FY2022 to S$8.7 million = [110% x S$7.9 million in projected revenue for FY2021], as shown in **Exhibit 34**.

Exhibit 34: Summary of projected property investment revenue for FY2021 and FY2022

Period	Revenue (S$ million)	% change, y-o-y
FY2020 actual	7.4	-4%
FY2021 forecast	7.9	7%
FY2022 forecast	8.7	10%

Source: Company, FPA Financial

Given the above projections for the Group's individual segments in FY2021 and FY2022, the projected total revenue in the respective periods would be S$328.7 million and S$374.5 million, as summarized in **Exhibit 35**.

Exhibit 35: Summary of projected total revenue for FY2021 and FY2022

	FY2021 forecast		FY2022 forecast	
Segment	Revenue (S$ million)	% of total	Revenue (S$ million)	% of total
Property development	294.9	89.7%	334.7	89.4%
Hotel ownership	25.9	7.9%	31.1	8.3%
Property investment	7.9	2.4%	8.7	2.3%
Total	**328.7**	**100.0%**	**374.5**	**100.0%**

Source: FPA Financial

(II) Earnings projection

Given our projected revenue figures for FY2021 and FY2022, we now estimate Group earnings for these periods.

Gross profit

To estimate gross profit, we will consider the Group's gross margin for its individual business segments, as well as the overall business. As noted on page 16, overall gross profit margin stood at 18.0% in 1H FY2021, an improvement from 15.1% recorded in 1H FY2020. This was mainly due to higher contribution from the property development segment with an improved profit margin, as shown in **Exhibit 36**.

Exhibit 36: Breakdown of gross margin in 1H FY2020 and 1H FY2021

Segment	1H FY2020			1H FY2021		
	Revenue (S$'m)	Gross profit ($'m)	Gross margin (%)	Revenue (S$'m)	Gross profit ($'m)	Gross margin (%)
Property development	99.3	8.1	8%	126.5	17.5	14%
Hotel ownership	15.1	6.8	45%	10.7	4.7	44%
Property Investment	3.7	2.9	78%	4.0	3.2	80%
Total	118.1	17.8	15%	141.2	25.4	18%

Source: Company

Meanwhile, looking back at historical data over the last 5 years, we note that gross margin for the property development segment rose over the period from FY2016 to FY2018, followed by a decline thereafter in FY2019 and FY2020. Periods of strong revenue performance had not necessarily corresponded with higher profitability for the segment. Meanwhile, a consistent downward trend was observed for the hotel ownership segment from FY2016 to FY2020. In contrast, the trend was mixed for the property investment segment, with gross margin decreasing over FY2016 to FY2018 before rising sharply in FY2019, and subsequently falling in FY2020. Importantly, we note that the trend for the overall business was closely in line with that for the property development segment.

The breakdown of historical gross margin for the Group's individual business segments is shown in **Exhibit 37**.

Exhibit 37: Breakdown of historical gross margin for the Group's individual business segments

Segment	FY2016			FY2017			FY2018			FY2019			FY2020		
	Revenue (S$'m)	Gross profit ($'m)	Gross margin (%)	Revenue (S$'m)	Gross profit ($'m)	Gross margin (%)	Revenue (S$'m)	Gross profit ($'m)	Gross margin (%)	Revenue (S$'m)	Gross profit ($'m)	Gross margin (%)	Revenue (S$'m)	Gross profit ($'m)	Gross margin (%)
Property development	326.6	45.3	14%	191.8	28.0	15%	75.0	20.4	27%	385.9	75.2	19%	165.8	17.4	10%
Hotel ownership	46.3	26.9	58%	44.3	24.0	54%	50.0	25.0	50%	50.4	24.4	48%	25.2	9.9	39%
Property Investment	12.5	9.0	72%	10.8	7.6	70%	7.9	5.4	68%	7.7	6.6	86%	7.4	6.0	81%
Total	385.4	81.2	21%	246.8	59.5	24%	132.9	50.8	38%	444.0	106.2	24%	198.4	33.3	17%

Source: Company

Based on our gross margin review, we expect the gross margin trend for the property development segment to largely determine that for the overall business. Meanwhile, with the potential for rising construction costs, which BT recently reported to be a main concern by property executives, profit margins for property developments could be negatively impacted. Thus, we foresee that the gross margin for the Group's property development segment, and in turn the overall business, could remain low.

Given the above, we would assume overall gross margin for full year FY2021 to be the unchanged from the current level of 18.0% for 1H FY2021 as shown in **Exhibit 38**. For FY2022 we would assume a higher margin of 20% considering the potential for an improvement in gross margin for the hotel ownership segment with further recovery in international travel. If the Covid-19 situation in Asia – especially those which contribute significantly to Singapore's migrant workforce – stabilizes, there is also a possibility for a moderation in construction costs as labour shortages are gradually resolved.

Exhibit 38: Projected overall gross margin in FY2021 and FY2022

Period	Revenue (S$ million)	Gross profit (S$ million)	Gross margin (%)
FY2020 actual	198.4	33.3	17%
FY2021 forecast	328.7	59.2	18%
FY2022 forecast	374.5	74.9	20%

Source: Company, FPA Financial

Other operating income

As noted on page 16, other operating income increased to S$10.3 million from S$5.1 million from a year ago. This increase was mainly contributed by higher fair value gain from the Group's investment property at NZI Centre in New Zealand and higher foreign exchange gain. However, interest income was lower as compared to 1H FY2020 mainly due to lower interest rate on fixed deposits.

In our projections, we would assume the same operating income in 2H FY2021 as in 2H FY2020, on the basis that interest income could increase on the back of rising interest rates, which may offset the impact of no fair gain from investment property and foreign exchange losses due to strengthening of the JPY and USD against SGD. Accordingly, projected total operating income for FY2021 would be S$20.6 million. We further assume this figure for FY2022.

Distribution & selling expenses

During 1H FY2021, distribution & selling expenses increased by 4.7% y-o-y to S$2.1 million as revenue rose. In Q3 2021, these expenses could moderate given increased restrictions at showflats as Singapore tightened measures in July. Nevertheless, showflat viewings, and in turn marketing activities, could pick up with the potential easing of measures in the later part of Q3 2021 and into Q4 2021, thereby pushing up distribution & selling expenses. For 2H FY2021, we would a 10% y-o-y increase to S$3.8 million from S$3.5 in 2H FY2020. Accordingly, projected total distribution & selling expenses for FY2021 would be about S$6.0 million. For FY2022, we would assume a 20% y-o-y increase to approximately S$7.2 million = [120% x S$5.9 million], in view of more aggressive marketing efforts.

Administrative expenses

As noted on page 16, administrative expenses fell by 2.6% y-o-y to S$4.5 million in 1H FY2021. For 2H FY2021, we would assume the same amount of administrative expenses as in 1H FY2021, implying total administrative expenses of S$9.1 million for full-year FY2021. Factoring potential increases in items such as utilities expenses, insurance expenses and executive wages, we will assume a 20% y-o-y increase to S$10.9 million in FY2022.

Other operating expenses

Other operating expenses comprise mainly depreciation and payroll expenses. In 1H FY2021, other operating expenses rose by 1.8% y-o-y to S$12.6 million. During the period, depreciation decreased slightly mainly due to depreciation of JPY and USD against SGD. For 2H FY2021, we foresee higher depreciation as JPY and USD may strengthen against SGD amid potential risk aversion induced by renewed Covid-19 health concerns. Thus, we would assume a 5% increase in other operating expenses to S$13.3 million in 2H FY2021 from S$12.6 million during 1H FY2021. Accordingly, this will bring other operating expenses for full-year FY2021 to S$25.9 million. We will further assume this figure for FY2022.

Finance costs

As noted on page 16, finance costs fell by 24.6% y-o-y to S$9.6 million in 1H FY2021 from S$12.7 million, mainly due to lower interest rates. Given recent rising interest rates due to increasing inflationary pressures, we foresee finance costs to increase as interest expense rises. For this, we would assume a 5% increase in finance costs to S$10.1 million in 2H FY2021 from S$9.6 million during 1H FY2021. Accordingly, this will bring finance costs for full-year FY2021 to S$19.7 million.

In anticipation of the completion of most of the Group's residential projects in Singapore, the Group could potentially draw down debt in order to finance the increased construction costs of its development projects. Coupled with expected rising interest rates, finance costs could rise substantially in FY2022. In our projection, we would assume a 15% y-o-y increase in finance costs to S$22.6 million = [115% x S$19.7 million projected finance costs for FY2021].

Consequently, the projected profit before taxation and share of results from associates and joint ventures would be S$19.1 million for FY2021 and S$28.9 million for FY2022, as shown in **Exhibit 39**.

Exhibit 39: Projected profit before taxation and share of results from associates and joint ventures for FY2021 and FY2022

[S$ million]	FY2021 forecast	FY2022 forecast
Revenue	328.7	374.5
Cost of sales	(269.5)	(299.6)
Gross profit	59.2	74.9
Other operating income	20.6	20.6
Distribution & selling expenses	(6.0)	(7.2)
Administrative expenses	(9.1)	(10.9)
Other operating expenses	(25.9)	(25.9)
Finance costs	(19.7)	(22.6)
Profit before taxation and share of results from associates and joint ventures	19.1	28.9

Source: FPA Financial

Share of results of associates and joint ventures

As noted on page 16, the Group's share of results from associates & joint ventures declined by 80.3% to S$2.4 million in 1H FY2021 from S$11.9 million a year ago, mainly due to absence of profit from the sale of property at Ginza, Japan which was completed in 1H FY2020. The breakdown of the Group's share of results from associates & joint ventures in 1H FY2020 and 1H FY2021 are summarized in **Exhibit 40**.

Exhibit 40: Breakdown of Group share of results from associates & joint ventures in 1H FY2020 and 1H FY2021

		1H FY2021	1H FY2020
Property name	Effective interest (%)	Share of profit (S$ million)	Share of profit (S$ million)
350 Queen Street (1)	50%	4.6	-
205 Queen Street	40%	(3.3)	1.5
Arena Residences	50%	1.7	0.1
Ginza (2)	53%	(1.3)	9.1
Vivel Shibuya	49%	(1.1)	1.2
Wisma Infinitum	47%	0.8	0.5
33 Argyle Street	40%	0.8	(0.6)
312 St Kilda	45%	(0.6)	1.2
Neu at Novena	50%	0.4	(0.6)
Wilshire Residences	40%	0.3	(0.4)
The Mavis Quad (3)	50%	0.3	-
North Fremantle	20%	-	0.1
Total	**-**	**2.4**	**11.9**

Figures may not add up due to rounding

(1) The Group completed the purchase of the investment property in January 2021

(2) The Group has sold the investment property in March 2020

(3) The Group has sold the investment property in March 2021

Source: Company, FPA Financial

For 2H FY2021, we would assume the same share of results as in 1H FY2021, implying a total share of results from associates & joint ventures of S$4.7 million. For FY2022, we would expect share of results from associates & joint ventures to improve, given the expectation of strong profit recognition from Arena Residences, Neu at Novena and Wilshire Residences, which are the Group's Singapore properties under development held by associates. Further, there could also be potential profit recognition from the Group's upcoming residential development on the amalgamated site at Institution Hill. Thus, we will assume a 50% y-o-y increase in share of results to S$7.1 million in FY2022.

Taxation

In our projections, we would assume a 17% Singapore income tax rate on the Group's profit before taxation and share of results from associates & joint ventures to derive projected tax expenses of S$3.3 million and S$4.9 million for FY2021 and FY2022 respectively, as follows:

- Projected tax expense for FY2021 = [17% x S$20.9 million] = S$3.3 million
- Projected tax expense for FY2022 = [17% x S$39.9 million] = S$4.9 million

Projected after-tax profit

Adjusting for the projected share of results from associates & joint ventures and tax expenses as discussed on the previous page, the projected after-tax profit for FY2021 and FY2022 would be S$20.6 million and S$31.0 million respectively. Assuming zero non-controlling interests for both periods, the projected shareholders' profit would be S$20.6 million and S$31.0 million respectively. As a result, projected EPS for FY2021 and FY2022 would be 1.58 cents and 2.38 cents for FY2021 and FY2022 respectively.

We have summarized our projected earnings for FY2021 and FY2022 in **Exhibit 41**.

Exhibit 41: Earnings projection for FY2021 and FY2022

[S$ million]	FY2021 forecast	FY2022 forecast
Revenue	328.7	374.5
Cost of sales	(269.5)	(299.6)
Gross profit	59.2	74.9
Other operating income	20.6	20.6
Distribution & selling expenses	(6.0)	(7.2)
Administrative expenses	(9.1)	(10.9)
Other operating expenses	(25.9)	(25.9)
Finance costs	(19.7)	(22.6)
Profit before taxation and share of results from associates and joint ventures	19.1	28.9
Share of results from associates and joint ventures (net of income tax)	4.7	7.1
Taxation	(3.3)	(4.9)
Profit after taxation	20.6	31.0
Profit attributable to:		
Equity holders of the Company	20.6	31.0
Non-controlling interests	-	-
	20.6	31.0
Profit attributable to equity holders	20.6	31.0
Weighted average no. of shares in issue (million)	1,304.0	1,304
EPS (cents)	1.58	2.38

Source: FPA Financial

(III) Dividends projection

The Group's payout ratio was about 40.0% during FY2016 and FY2017, before increasing to 55.2% in FY2018, and maintaining at the same level in FY2019. For FY2020, no dividends were declared amid the negative impact of the Covid-19 pandemic.

Nevertheless, in view of improved earnings results in FY2021 and FY2022, we foresee the Group to declare dividends in these periods. We would adopt a conservative approach to assume a payout ratio of 40% for both periods. Accordingly, the projected DPS would be 0.63 cents and 0.95 cents for FY2021 and FY2022 respectively, as shown in **Exhibit 42**.

Exhibit 42: Projected dividends for FY2021 and FY2022

	For year ended Dec 31						
	2016	**2017**	**2018**	**2019**	**2020**	**2021F**	**2022F**
EPS (cents)	4.17	2.42	1.63	2.33	(2.26)	1.58	2.38
DPS (cents)*	1.67	0.99	0.90	1.29	-	0.63	0.95
Payout ratio (%)	40.0%	40.7%	55.2%	55.2%	-	40.0%	40.0%

**Includes final and special dividends*

Source: Company, FPA Financial

VALUATION ANALYSIS

(I) Peer comparison analysis

In our valuation analysis, we first performed a peer comparison analysis to review how Roxy-Pacific is faring against industry peers in terms of valuation metrics. We selected peer companies which have similar business operations to Roxy-Pacific. The peer companies as listed in **Exhibit 43** have business operations relating to property development, hotel ownership and property investment.

Exhibit 43: Peer comparison analysis

Company	SGX code	Closing price (S$) as at 13 Aug 21	Market cap (S$ million)	EPS (1) (cents)	P/E (x)	DPS (2) (cents)	Dividend yield (%)	NAV per share (3) (S$)	P/NAV (x)
Roxy-Pacific Holdings Ltd (4)	E8Z	0.410	534.63	(2.03)	n/m	-	-	0.73	0.56
Peer companies:									
GuocoLand Ltd (5)	F17	1.650	1,831.17	3.92	42.09	6.00	3.64	3.44	0.48
City Developments Ltd	C09	6.830	6,194.13	(216.70)	n/m	12.00	1.76	9.22	0.74
Ho Bee Land	H13	2.840	1,885.82	22.88	12.41	10.00	3.52	5.58	0.51
UOL Group Ltd	U14	7.250	6,121.03	22.12	32.78	15.00	2.07	11.76	0.62
Peers' average	-	-	-	-	**29.09**	-	**2.75**	-	**0.59**

Figures have been rounded
(1) Trailing 12-month diluted EPS
(2) Trailing 12-month or last annual DPS
(3) NAV per share as at 30 Jun 2021, unless stated otherwise
(4) Based on adjusted NAV per share of 72.57 cents as at 30 Jun 2021
(5) NAV per share as at 31 Dec 2020
Source: Respective company data, FPA Financial

Based on the results in **Exhibit 43** above, we note that Roxy-Pacific is currently trading at a P/NAV of 0.56x based on an adjusted NAV per share of 72.57 cents, slightly lower than the peers' average P/NAV of 0.59x. If the Company's P/NAV were to adjust to the peers' average P/NAV, the estimated target price would be as as follows:

- Estimated target price = [peers' average P/NAV] x [adjusted NAV per share] = 0.59 x S$0.7257 = S$0.428

The above estimated target price represents an upside of 4.39% from the current share price of S$0.410. We believe this could suggest that any potential share price upside has already been priced in. Nevertheless, we have seen a recent upward trend in the share price amid positive market developments regarding the Singapore residential market.

In the long term, we believe that there is further upside potential given the Company's strong growth potential, which is expected to be underpinned by strong development profits to be recognised over the next few years from the Group's residential projects in Singapore. Moreover, upcoming residential developments at the Jalan Molek & Guillemard Road site and amalgamated site at Institution Hill are potential catalysts which could bolster future earnings. The Group is also expanding its recurring income stream through the acquisition of 350 Queen Street in Melbourne and Vivel Shibuya in Tokyo, as well as the development of Noku Phuket resort.

SWOT AND COMPETITIVE ANALYSIS

In this section, we undertake a SWOT analysis in **Exhibit 44** to evaluate the various components of the analysis thus far.

Exhibit 44: SWOT analysis

SWOT analysis	
Strengths • Strong pre-sale revenue from ongoing development projects • Strong land bank for new development projects	Weaknesses • Heavy concentration of non-recurring revenue stream
Opportunities • Return of foreign residential investment in Singapore	Threats • Health concerns due to spread of new Covid-19 variants • Subdued recovery in international travel

(I) Strengths

As noted on page 4, the Group has a total pre-sale revenue of S$564.4 million as at 27 July 2021 from its ongoing residential projects in Singapore and Malaysia. Profits are expected to be recognized over the coming years and will provide strong earnings growth potential.

Meanwhile, the Group also has a strong land bank comprising sites in Singapore, Australia and Indonesia. As noted on page 21, we believe the Group's land sites at Institution Hill and Jalan Molek & Guillemard Road in Singapore are potential catalysts which could bolster future earnings growth.

(II) Weaknesses

Historically, the Group's revenue has been pre-dominantly driven by its property development business, which contributed 84% of total revenue during FY2020. Given the non-recurring income nature of property development, we see that the Group's revenue performance has been relatively inconsistent over the last few years.

Increasingly, property developers in Singapore are placing greater emphasis on strengthening their recurring income base. While Roxy-Pacific has been taking steps to further enhance its recurring income stream, such as investing in new commercial properties in Australia and Japan, the revenue proportion of its property investment segment remains relatively low.

(III) Opportunities

As highlighted in the ‘Industry Overview’ section on pages 8 and 9, the Singapore private residential market continues to see strong buying demand. Domestically, buying sentiment is expected to remain strong amid low interest rates, and set to push property prices higher going forward. There has also been strong interest in recent land tenders, and residential land prices are increasing, which suggest that property developers are optimistic on the outlook for the residential market.

Meanwhile, border controls have restricted foreign investors’ ability to physically inspect residential projects in Singapore. This may have a limiting impact on foreign residential investments. However, in the longer term, CBRE believes the potential reopening of borders will bring about the return of foreign investors. This could potentially underpin sales at the Group’s upcoming residential developments at Institution Hill and Jalan Molek & Guillemard Road as construction takes place in the coming years

(IV) Threats

The acceleration of vaccination progress globally has provided optimism over a strong global economic recovery in 2021. However, ongoing virus uncertainty remains a key concern. Domestically, the recent formation of new large clusters relating to the spread of the Delta variant have led to tightened measures. Many parts of Asia, and more recently the US, are also seeing a rise in infection cases relating to the Delta variant. A further deterioration in the global virus situation could derail the economy recovery. This could negatively impact the Group’s hotel ownership business as international travel and tourism spending remains stifled. Moreover, construction progress of the Group’s development properties could be delayed.

INVESTMENT RECOMMENDATION

Based on an adjusted NAV per share of 72.57 cents as at 30 June 2021, Roxy-Pacific is currently trading at a P/NAV of 0.56x.

The results from our peer comparison analysis suggest that the Company is trading close to the peers' average of 0.59x. If its P/NAV were to adjust to the peers' average P/NAV, the estimated target price would be S$0.428. This estimated target price represents a marginal upside of 4.39% from the current share price of S$0.410. We believe this could suggest that any potential share price upside has already been priced in.

However, upside potential in the share price may be possible. This is expected to be underpinned by strong development profits to be recognised over the next few years from the Group's existing residential launches in Singapore. Moreover, upcoming residential developments such as Mori Condo and the proposed residential project at the Group's amalgamated site at Institution Hill are potential catalysts which could bolster future earnings, given the strong residential market in Singapore. The Group is also expanding its recurring income stream through the acquisition of new commercial properties in Melbourne and Tokyo as well as the development of a new resort in Phuket.

Nevertheless, we are adopting a conservative approach to issue a neutral recommendation on Roxy-Pacific. However, there are still risks to our target price which we will highlight in the Risk section.

RISKS TO THE UPSIDE IN TARGET PRICE

Below, we highlight the risk factors that could limit the upside in our target price.

(I) Risk of global virus resurgence

With the acceleration of vaccination progress globally, the growth outlook for the global economy has improved as many countries gradually reopen their economies. In its latest July World Economic Outlook, the International Monetary Fund (IMF) maintained its 2021 global growth projection at 6.0%.

However, virus uncertainty remains as we see that many parts of Asia and the US are currently affected by the spread of the Delta variant. There is a risk of a global economic slowdown if the global virus situation deteriorates. This could potentially hurt the Group’s hotel ownership revenue performance given the correlation between hotel demand and economic growth. The property development segment could also be negatively impacted due to the delay in construction of development projects

(II) Risk of rising construction costs and property cooling measures

Recently, BT reported that property executives are concerned about rising construction costs in Singapore. The report highlighted that rising construction costs were flagged by 87% of respondents polled in the latest Real Estate Sentiment Index (RESI) study by the National University of Singapore Real Estate as the top potential risk that could temper sentiment in the next six months. Respondents also highlighted rising inflation and interest rates as the next top concern.

Meanwhile, amid rising property prices in Singapore, there have been ongoing concerns over the potential of government cooling measures. As noted on page 9, real estate firms like CBRE and Savills are less concerned about this. CBRE highlighted recent price moderation may have lowered the risks of cooling measures being implemented. Savills believes the case for another round of cooling measures is very weak, given that the rise in URA PPI has lagged nominal GDP and household income growth. Nevertheless, given the possibility that residential prices could rise further, the risk of cooling measures remain.

(III) Currency fluctuation risk

The Group’s earnings are susceptible to foreign exchange risk given that transactions and investments may not be denominated in SGD. Recently, the US dollar (USD) has strengthened on the back of rising interest rates and strong economic growth in the US. Increased risk aversion owing to renewed virus concerns have also supported inflows into safe haven currencies like the USD and JPY. A significant strengthening of the USD or JPY against the SGD could have a negative impact on the Group’s earnings arising from currency exchange losses

SUSTAINABILITY INFORMATION

Governance structure and stakeholders

The Group's sustainability efforts are under the oversight of the Board of Director and supported by its Sustainability Steering Committee (SSC). The senior executive officers drive the sustainability initiatives together with the Sustainability Task Force (STF). The STF comprises of the department representatives, which are the data owners, and they assist in the development of sustainability efforts. Together, the SSC and STF monitors the performance of each factor. The Group's sustainability governance structure is as summarized in **Exhibit 45**.

Exhibit 45: Group's sustainability governance structure

Source: Company

Stakeholder engagement

The Group's stakeholders include shareholders & investors, business/strategic partners (joint venture partners, contractors, service providers, banks etc), employees, customers, community and regulators. As part of its stakeholder engagement, the Group maintains an open communication channel with its stakeholders through various platforms.

A summary of the Group's stakeholder engagement framework, which details the topics raised by individual stakeholders, the method and frequency of engagement and outcome of the engagement, is shown in **Exhibit 46** on the next page.

Exhibit 46: Group's stakeholder engagement framework

Stakeholder	Topic Raised	Method & Frequency	Outcome
Shareholders & Investors	Sustainable growth and future goals/ vision Timely and transparent reporting	• Annual Report • Annual General Meeting • The Group's Investor Relations webpage	Refer to Chairman's Statement, Financial & Operations Review in the Annual Report
Business/ Strategic Partners (joint venture partners, contractors, service providers, banks etc)	Profitable and dependable partnerships Satisfactory corporate governance	• Weekly regular meeting with partners when project is on-going • Annual Report	Refer to Statement of Corporate Governance in Annual Report Refer to Governance section below
Employees	Stability of the company and health & safety in the workplace	• Annual appraisal • New Hires survey • Formal or informal internal meeting and discussion	Refer to Employment, Occupational Health and Safety, and Training and Education sections below
Customers	Consistent products and service quality	• On-going and constant review on customer's satisfactory score and feedback form, both online and offline	Refer to Compliance with Laws and Regulations section below
Community	Responsible business practices and positive contribution towards the environment and community	• Annual corporate charity event • Accessible feedback channel for residents within development's vicinity	Refer to Corporate Social Responsibility and Compliance with Laws and Regulations sections below
Regulators	Compliance to regulations and corporate governance	• Regulatory briefings and filings	Refer to Governance section below

Source: Company

DISCLOSURES/DISCLAIMERS

This report is prepared for general circulation. It does not have regard to the specific investment objectives, financial situation and the particular needs of any recipient hereof. Advice should be sought from a financial adviser regarding the suitability of the investment product, taking into account the specific investment objectives, financial situation or particular needs of any person in receipt of the recommendation, before the person makes a commitment to purchase the investment product.

This report is confidential. This report may not be published, circulated, reproduced or distributed in whole or in part by any recipient of this report to any other person without the prior written consent of FPA Financial Corporation Pte Ltd (“FPA”). This report is not directed to or intended for distribution to or use by any person or any entity who is a citizen or resident of or located in any locality, state, country or any other jurisdiction as FPA may determine in its absolute discretion, where the distribution, publication, availability or use of this report would be contrary to applicable law or would subject FPA and its connected persons (as defined in the Financial Advisers Act, Chapter 110 of Singapore) to any registration, licensing or other requirements within such jurisdiction.

The information or views in the report (“Information”) has been obtained or derived from sources believed by FPA to be reliable. However, FPA makes no representation as to the accuracy or completeness of such sources or the Information and FPA accepts no liability whatsoever for any loss or damage arising from the use of or reliance on the Information. FPA and its connected persons may have issued other reports expressing views different from the Information and all views expressed in all reports of FPA and its connected persons are subject to change without notice. FPA reserves the right to act upon or use the Information at any time, including before its publication herein.