



FRAGRANCE GROUP LIMITED

Company Registration No.: 200006656M

FRAGRANCE GROUP LIMITED

**UNAUDITED FINANCIAL STATEMENT AND DIVIDEND ANNOUNCEMENT
FOR THE THIRD QUARTER AND NINE MONTHS ENDED 30 SEPTEMBER 2019**

FRAGRANCE GROUP LIMITED
UNAUDITED FINANCIAL STATEMENT AND DIVIDEND ANNOUNCEMENT FOR
THE THIRD QUARTER AND NINE MONTHS ENDED 30 SEPTEMBER 2019

1(a)(i) **Consolidated Statement of Profit and Loss and Other Comprehensive Income**

	Group					
	3Q 2019	3Q 2018	Change	9M 2019	9M 2018	Change
	S\$'000	S\$'000 (Restated)	%	S\$'000	S\$'000 (Restated)	%
Revenue	15,820	44,667	(64.6)	43,420	167,218	(74.0)
Cost of sales ¹	(4,361)	(25,512)	(82.9)	(11,701)	(98,878)	(88.2)
Gross profit	11,459	19,155	(40.2)	31,719	68,340	(53.6)
Other operating income/(loss)	110,919	(104)	N.M	106,743	(761)	N.M
Other operating expenses	(7,054)	(8,134)	(13.3)	(20,810)	(24,312)	(14.4)
Finance costs ¹	(7,962)	(7,215)	10.4	(22,838)	(19,381)	17.8
Share of results of a joint venture ²	(426)	113	N.M	7,450	1,123	563.4
Profit before income tax	106,936	3,815	N.M	102,264	25,009	308.9
Taxation	(8,594)	(1,513)	468.0	(7,942)	(6,065)	30.9
Profit for the period	98,342	2,302	N.M	94,322	18,944	397.9
Profit attributable to:						
Equity holders of the Company	98,431	2,390	N.M	94,598	19,191	392.9
Non-controlling interests	(89)	(88)	1.1	(276)	(247)	11.7
Other comprehensive loss						
Exchange difference on translation of foreign operations	(8,459)	(11,175)	(24.3)	(17,006)	(26,372)	(35.5)
Fair value loss on derivative financial instrument	-	(6,003)	N.M	-	(10,554)	N.M
Share of other comprehensive income of a joint venture						
Exchange difference on translation of foreign operations	961	(300)	N.M	4,062	125	N.M
Fair value gain/(loss) on investment securities	74	26	184.6	(12)	(26)	(53.8)
Net other comprehensive loss	(7,424)	(17,452)	(57.5)	(12,956)	(36,827)	(64.8)
Total comprehensive profit/(loss)	90,918	(15,150)	N.M	81,366	(17,883)	N.M
Total comprehensive income attributable to:						
Equity holders of the Company	91,007	(15,062)	N.M	81,642	(17,636)	N.M
Non-controlling interests	(89)	(88)	1.1	(276)	(247)	11.7

N.M – Not Meaningful

Notes:

1. An agenda decision on a clarification in relation to capitalisation of borrowing costs by property developer under IFRS(I) 15 Revenue from Contracts with Customers was finalised by the International Financial Reporting Standards Interpretations Committee during the year. As the financial reporting framework applied by the Group is equivalent to International Financial Reporting Standards, the agenda decision has relevant impact to the Group's property development segment in Singapore. Consequently, the results for the third quarter and nine months ended 30 September 2018 are restated. Details are disclosed in paragraph 4.

2. The share of results of a joint venture arising from the Group's investment in AF Global Limited, through AF Corporation Pte Ltd.

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1(a)(ii) Notes to Statement of Comprehensive income:-

	Group					
	3Q 2019	3Q 2018	Change	9M 2019	9M 2018	Change
	S\$'000	S\$'000 (Restated)	%	S\$'000	S\$'000 (Restated)	%
<u>Profit before taxation is determined after (charging)/crediting:-</u>						
Write back/(Write off) of bad debts	-	11	N.M	(1)	30	N.M
Amortisation and depreciation	(780)	(877)	(11.1)	(2,349)	(2,197)	6.9
Finance costs	(7,962)	(7,215)	10.4	(22,838)	(19,381)	17.8
<u>Components of tax expenses recognised in profit and loss include:</u>						
Over/(Under) provision of income tax in prior years	-	380	N.M	(22)	321	N.M
<u>Other operating income/(loss)</u>						
Net foreign exchange loss	(735)	(278)	164.4	(1,296)	(1,432)	(9.5)
Interest income	308	408	(24.5)	1,454	1,188	22.4
Gain on disposal of financial assets at fair value through profit or loss	1	-	N.M	167	-	N.M
Gain on settlement of financial liabilities	229	-	N.M	1,020	-	N.M
Change in fair value of financial assets at fair value through profit or loss	-	-	-	52	-	N.M
Change in fair value of financial liabilities at fair value through profit or loss	35	-	N.M	52	-	N.M
Fair value gain/(loss) on investment Properties, net [#]	116,506	(375)	N.M	115,756	(1,125)	N.M
Fair value (loss)/gain on derivative financial instrument	(5,510)	-	N.M	(10,771)	94	N.M
Loss on disposal of fixed assets	-	-	-	-	(8)	N.M
Others	85	141	(39.7)	309	522	(40.8)
Total	110,919	(104)	N.M	106,743	(761)	N.M

N.M – Not Meaningful

[#] The Group has obtained a Grant of Provisional Permission for its investment property located on Lot 01958P MK01 for a hotel development. The change of use has resulted in a substantial uplift to the fair value of the property of \$116.9 million in 3Q 2019.

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1(b)(i) Statements of Financial Position as at 30 Sep 2019 vs 31 Dec 2018

	Group		Company	
	30 Sep 2019 S\$'000	31 Dec 2018 S\$'000 (Restated)	30 Sep 2019 S\$'000	31 Dec 2018 S\$'000 (Restated)
<u>Non-current assets</u>				
Property, plant and equipment	76,800	97,875	-	-
Other receivables and prepayment	18,141	18,388	872	1,258
Investment properties	1,858,564	1,578,208	-	-
Subsidiaries	-	-	810,627	987,796
Investment in a joint venture	-	113,444	-	90,313
Deferred tax assets	-	4,259	-	-
Total non-current assets	1,953,505	1,812,174	811,499	1,079,367
<u>Current assets</u>				
Cash and cash equivalents	73,227	136,129	58,666	95,691
Trade and other receivables	36,016	82,598	267,053	74,396
Development properties	862,982	692,541	-	-
Financial assets at fair value through profit or loss	4,034	1,419	4,034	1,419
Properties held for sale	89,971	94,066	31,847	35,965
Investment in a joint venture ¹	105,584	-	70,953	-
Inventories	90	97	-	-
Total current assets	1,171,904	1,006,850	432,553	207,471
<u>Current liabilities</u>				
Trade and other payables	42,207	70,673	27,661	34,404
Notes interest payable	5,264	2,802	5,264	2,802
Term loans ²	514,622	273,241	70,978	64,000
Income tax payable	1,723	20,131	1,789	10,942
Derivative financial instruments	4,409	7,576	2,800	4,759
Finance lease liability	8	8	-	-
Total current liabilities	568,233	374,431	108,492	116,907
Net current assets	603,671	632,419	324,061	90,564
<u>Non-current liabilities</u>				
Trade and other payables	-	-	2,871	3,417
Notes payable	271,370	302,931	271,370	302,931
Term loans ²	874,108	811,066	-	-
Deferred tax liabilities	11,341	11,660	517	1,874
Finance lease liability	20	25	-	-
Total non-current liabilities	1,156,839	1,125,682	274,758	308,222
Net assets	1,400,337	1,318,911	860,802	861,709

Notes:

1. Reclassified to current assets in view of the proposed distribution of shares in AF Global Limited as dividend-in-specie.
2. Certain property loans of about \$276.2 million was restructured from term loans to development loan and the restructuring exercise was completed in Nov 2019. This sum will be reclassified to Non-Current liabilities in 4Q 2019.

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1(b)(i) **Statements of Financial Position as at 30 Sep 2019 vs 31 Dec 2018**

	Group		Company	
	30 Sep 2019 S\$'000	31 Dec 2018 S\$'000 (Restated)	30 Sep 2019 S\$'000	31 Dec 2018 S\$'000 (Restated)
<u>Shareholders' equity</u>				
Share capital	150,000	150,000	150,000	150,000
Treasury shares	(885)	(945)	(885)	(945)
Performance share reserve	325	325	325	325
Revaluation reserve	51,550	51,550	-	-
Foreign currency translation reserve	(81,612)	(68,668)	-	-
Investment revaluation reserve	(592)	(580)	-	-
Retained earnings	1,273,074	1,178,476	711,362	712,329
Equity attributable to the owners of the Company	1,391,860	1,310,158	860,802	861,709
Non-controlling interests	8,477	8,753	-	-
Total equity	1,400,337	1,318,911	860,802	861,709

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

	As at 30 Sep 2019		As at 31 Dec 2018	
	Secured	Unsecured	Secured	Unsecured
	S\$'000	S\$'000	S\$'000	S\$'000
Amount repayable in one year or less, or on demand	514,630	5,264	273,249	2,802
Amount repayable after one year	874,128	271,370	811,091	302,931

Details of collaterals

The credit facilities for the Group are secured by the following:

- i) the legal mortgage of company's office premises, investment and development properties and properties held for sale;
- ii) assignment of sale and rental proceeds, construction contracts, performance bonds and/or insurance policies; and
- iii) corporate guarantees by Fragrance Group Limited.

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1(c) **Consolidated Statement of Cash Flows**

	Group			
	3Q 2019 S\$'000	3Q 2018 S\$'000 (Restated)	9M 2019 S\$'000	9M 2018 S\$'000 (Restated)
<u>Operating activities</u>				
Profit before income tax	106,936	3,815	102,264	25,009
<i>Adjustments for:</i>				
Amortisation and depreciation	450	553	1,361	1,354
Amortisation of land lease	195	195	585	585
Amortisation of rental incentive granted	214	220	458	555
Amortisation of processing fee on debt notes issued	135	129	403	258
Fair value on derivative financial instrument	5,510	-	10,771	(94)
Interest income	(308)	(408)	(1,454)	(1,188)
Interest expense	7,962	7,215	22,838	19,381
Change in fair value of investment properties	(116,506)	375	(115,756)	1,125
Loss on disposal of property, plant and equipment	-	-	-	8
Net foreign loss/(gain) exchange difference	2,547	-	1,296	(417)
Bad debt written off/(recovered)	-	(11)	1	(30)
Share of results of a joint venture	426	(113)	(7,450)	(1,123)
Change in fair value of financial assets at fair value through profit or loss	-	-	(52)	-
Gain on disposal of financial assets at fair value through profit or loss	(1)	-	(167)	-
Change in fair value of financial liabilities at fair value through profit or loss	(229)	-	(1,020)	-
Gain on settlement of financial liabilities	(35)	-	(52)	-
Operating cash flow before movements in working capital	7,296	11,970	14,026	45,423
Inventories	(4)	7	7	41
Trade and other receivables	(4,677)	4,884	34,776	(24,469)
Development properties and properties held for sale	(44,718)	(52,299)	(158,883)	(172,571)
Trade and other payables	(14,592)	3,572	(38,776)	(153)
Net cash used in operations	(56,695)	(31,866)	(148,850)	(151,729)
Interest paid	(10,464)	(7,232)	(33,703)	(23,790)
Income tax paid	(5,511)	(695)	(20,118)	(1,336)
Net cash used in operating activities	(72,670)	(39,793)	(202,671)	(176,855)
<u>Investing activities</u>				
Investment in a joint venture	(50)	(900)	(500)	(1,000)
Repayment of loans from a joint venture	-	-	19,860	-
Payment for derivative financial instrument	(5,238)	(7,804)	(13,874)	(6,836)
Interest received	407	408	1,351	1,188
Purchase of property, plant and equipment	(49)	(126)	(110)	(270)
Additions to investment properties	(5,977)	(2,444)	(144,139)	(43,246)
Proceeds from disposal of financial assets at fair value through profit or loss	-	-	1,638	-
Proceeds from disposal of property, plant and equipment	-	-	-	13
Net cash used in investing activities	(10,907)	(10,866)	(135,774)	(50,151)

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1(c) **Consolidated Statement of Cash Flows – Continued**

	Group			
	3Q 2019 S\$'000	3Q 2018 S\$'000 (Restated)	9M 2019 S\$'000	9M 2018 S\$'000 (Restated)
<u>Financing activities</u>				
Proceeds from (Advances to) non-controlling interests	120	(200)	360	(440)
Repayment of finance lease payable	(2)	(2)	(5)	(5)
Proceeds from borrowings	58,901	-	369,575	67,318
Proceeds from medium term note issued	-	-	-	125,000
Repurchased of medium term note issued	(6,520)	-	(32,962)	-
Repayment of borrowings	(24,672)	(9,509)	(61,136)	(34,095)
Net cash from/(used in) financing activities	27,827	(9,711)	275,832	157,778
Net decrease in cash and cash equivalents	(55,750)	(60,370)	(62,613)	(69,228)
Cash and cash equivalents at beginning of period	128,937	112,258	136,129	121,530
Effects of exchange rate on foreign currency balances	40	(336)	(289)	(750)
Cash and cash equivalents at end of period	73,227	51,552	73,227	51,552

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1(d)(i) **Statements of Changes in Equity**

Statement of changes in equity	Share Capital	Retained Earnings	Treasury Shares	Performance Share Reserves	Revaluation Reserves	Foreign Currency Translation Reserve	Investment Revaluation Reserve	Other Reserve ¹	Attributable to Equity Holders	Non-Controlling Interests	Total
Group	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
Balance as at 1 Jan 2018	150,000	929,181	(945)	325	50,892	(27,580)	(120)	-	1,101,753	10,080	1,111,833
Effect of adopting of SFRS(I) 9 by a joint venture	-	73	-	-	-	-	-	-	73	-	73
Effect of adopting of SFRS(I) 15	-	(4,533)	-	-	-	-	-	-	(4,533)	(881)	(5,414)
As restated	150,000	924,721	(945)	325	50,892	(27,580)	(120)	-	1,097,293	9,199	1,106,492
Total comprehensive income for the period	-	16,801	-	-	-	(14,772)	(52)	(4,551)	(2,574)	(159)	(2,733)
Balance as at 30 Jun 2018	150,000	941,522	(945)	325	50,892	(42,352)	(172)	(4,551)	1,094,719	9,040	1,103,759
Total comprehensive income for the period	-	2,390	-	-	-	(11,475)	26	(6,003)	(15,062)	(88)	(15,150)
Balance as at 30 Sep 2018	150,000	943,912	(945)	325	50,892	(53,827)	(146)	(10,554)	1,079,657	8,952	1,088,609

Statement of changes in equity	Share Capital	Retained Earnings	Treasury Shares	Performance Share Reserves	Revaluation Reserves	Foreign Currency Translation Reserve	Investment Revaluation Reserve	Other Reserve ¹	Attributable to Equity Holders	Non-Controlling Interests	Total
Group	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
Balance as at 1 Jan 2019	150,000	1,181,848	(945)	325	51,550	(68,668)	(580)	-	1,313,530	9,634	1,323,164
Effect of adopting of SFRS(I) 15	-	(3,372)	-	-	-	-	-	-	(3,372)	(881)	(4,253)
As restated	150,000	1,178,476	(945)	325	51,550	(68,668)	(580)	-	1,310,158	8,753	1,318,911
Award performance shares	-	-	60	-	-	-	-	-	60	-	60
Total comprehensive loss for the period	-	(3,833)	-	-	-	(5,446)	(86)	-	(9,365)	(187)	(9,552)
Balance as at 30 Jun 2019	150,000	1,174,643	(885)	325	51,550	(74,114)	(666)	-	1,300,853	8,566	1,309,419
Total comprehensive income for the period	-	98,431	-	-	-	(7,498)	74	-	91,007	(89)	90,918
Balance as at 30 Sep 2019	150,000	1,273,074	(885)	325	51,550	(81,612)	(592)	-	1,391,860	8,477	1,400,337

Note: ⁽¹⁾ Other reserve includes hedging reserve of \$10.6 million in 9M 2018.

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1(d)(i) **Statements of Changes in Equity**

Statement of changes in equity	Share Capital	Retained Earnings	Treasury Shares	Performance Share Reserve	Other Reserve	Total
Company	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
Balance as at 1 Jan 2018	150,000	714,832	(945)	325	-	864,212
Effect of adopting of SFRS(I) 15	-	(2,879)	-	-	-	(2,879)
As restated	150,000	711,953	(945)	325	-	861,333
Total comprehensive income for the period	-	15,410	-	-	(3,049)	12,361
Balance as at 30 Jun 2018	150,000	727,363	(945)	325	(3,049)	873,694
Total comprehensive income for the period	-	1,925	-	-	(3,663)	(1,738)
Balance as at 30 Sep 2018	150,000	729,288	(945)	325	(6,712)	871,956

Statement of changes in equity	Share Capital	Retained Earnings	Treasury Shares	Performance Share Reserve	Other Reserve	Total
Company	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
Balance as at 1 Jan 2019	150,000	714,047	(945)	325	-	863,427
Effect of adopting of SFRS(I) 15	-	(1,718)	-	-	-	(1,718)
As restated	150,000	712,329	(945)	325	-	861,709
Award performance shares	-	-	60	-	-	60
Total comprehensive loss for the period	-	(268)	-	-	-	(268)
Balance as at 30 Jun 2019	150,000	712,061	(885)	325	-	861,501
Total comprehensive loss for the period	-	(699)	-	-	-	(699)
Balance as at 30 Sep 2019	150,000	711,362	(885)	325	-	860,802

1(d)(ii) **Details of any changes in the company's share capital**

There was no movement in the issued and paid-up capital of the Company since 31 December 2018.

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

	As at 30 Sep 2019	As at 31 Dec 2018
Total number of Ordinary Shares issued and fully paid	6,720,000,000	6,720,000,000
Treasury Shares	(6,400,000)	(6,840,000)
Total number of issued shares excluding treasury shares	6,713,600,000	6,713,160,000

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

	No. of shares
Balance as at 1 January 2019	6,840,000
Less: Sales, transfers, disposals or cancellation	(440,000)
Balance as at 30 September 2019	6,400,000

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

The figures have neither been audited nor reviewed by the Company's auditors.

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

Not applicable.

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

The Group has applied the same accounting policies and methods of computation in the financial statements for the current reporting period as that of the audited financial statements for the year ended 31 December 2018, except for the adoption of new or amended SFRS(I) applicable for the financial period beginning 1 January 2019 which did not have any significant impact on the financial statements of the Group except for the following:

SFRS(I) 16: Leases

SFRS(I) 16 introduces a single, on-balance sheet lease accounting model for lessees. The adoption of SFRS(I) 16 results in almost all leases being recognised on the balance sheet, as the distinction between operating and finance leases is removed. Exceptions to this standard are short-term and low-value leases. The accounting for lessors was not changed significantly.

The Group applied the practical expedients on the recognition exemptions for short-term leases and leases of low value item in accordance with the principles of SFRS(I) 16.

SFRS(I) 15 Revenue from Contracts with Customers

In 2018, the international Financial Reporting Standards interpretations Committee ("IFRS Interpretations Committee"), which works with the International Accounting Standards Board in supporting the application of IFRS Standards, received a submission on whether a real estate developer capitalises borrowing costs as part of the cost of units for a residential multi-unit real estate development, for which the developer recognises revenue over time for the sale of individual units in the development based on IFRS 15 Revenue from Contracts with Customers.

In November 2018, the Committee issued a Tentative Agenda Decision containing explanatory material for the decision and how the applicable principles and requirements in IAS 23 Borrowing costs apply to the fact pattern in the submission. The IFRS Interpretations Committee tentatively concluded that such an entity should not capitalise the borrowing costs. This tentative agenda decision was finalised in its original form on 20 March 2019.

As the financial reporting framework applied by the Group is equivalent to IFRS, the agenda decision has relevant impact to the Group's Property development segment. Following this Agenda Decision, borrowing costs on portion of property not ready for transfer of control to customers are capitalised until the time when control is capable of being transferred to customers. As this constitutes a change in accounting policy, comparatives were restated accordingly.

The impact on the Group's financial statements arising from the adoption of SFRS(I) 15 are as follows:

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Consolidated Statement of Profit and Loss

Group

Decrease in cost of sales
 Increase in finance costs
Total impact to profit and loss

	3Q 2018	9M 2018
	S\$'000	S\$'000
	1,545	6,103
	(1,357)	(4,383)
	188	1,720
	Cents	Cents
Increase in basic EPS	0.001	0.022
Increase in diluted EPS	0.001	0.022

Consolidated Statement of Financial Position

Group

Decrease in development properties
 Decrease in properties held for sale
Total impact on net assets

Decrease in retained earnings
 Decrease in non-controlling interests
Total impact on equity

	31 Dec 2018	1 Jan 2018
	S\$'000	S\$'000
	-	(2,879)
	(4,253)	(2,535)
	(4,253)	(5,414)
	(3,372)	(4,533)
	(881)	(881)
	(4,253)	(5,414)

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

Please refer to item 4 above.

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

In computing the EPS, the weighted average number of shares (excluding treasury shares) as at the end of each period is used for the computation. The diluted EPS is the same as the basic EPS as there are no dilutive instruments in issue during the period.

	Group			
	3Q 2019	3Q 2018	9M 2019	9M 2018
Weighted average number of shares in issue	6,713,600,000	6,713,160,000	6,713,482,345	6,713,098,346
Earnings per share ("EPS")¹	Cents	Cents (Restated)	Cents	Cents (Restated)
Based on weighted average number of shares in issue	1.46	0.03	1.41	0.28
Based on fully diluted basis	1.46	0.03	1.41	0.28
Number of shares in issue at end of period	6,713,600,000	6,713,160,000	6,713,600,000	6,713,160,000

Footnote:

1. EPS for the period is calculated based on profit attributable to the equity holders of the Company.

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7. **Net asset value (for the issuer and group) per ordinary share based on the total number of issued shares excluding treasury shares of the issuer at the end of the (a) current period reported on and (b) immediately preceding financial year.**

	Group		Company	
	30 Sep 2019 Cents	31 Dec 2018 Cents (Restated)	30 Sep 2019 Cents	31 Dec 2018 Cents (Restated)
Net asset value ("NAV") per ordinary share	20.9	19.6	12.8	12.8

The NAV per ordinary share as at 30 September 2019 and 31 December 2018 was calculated based on 6,713,600,000 and 6,713,160,000 issued shares (excluding treasury shares) respectively.

8. **A review of the Group's performance**

	Group					
	3Q 2019 S\$'000	3Q 2018 S\$'000	Change %	9M 2019 S\$'000	9M 2018 S\$'000	Change %
<u>REVENUE</u>						
Property development	3,302	32,388	(89.8)	6,469	130,003	(95.0)
Commercial investment	5,602	5,971	(6.2)	16,647	17,694	(5.9)
Hotel operations	5,531	5,550	(0.3)	17,317	17,457	(0.8)
Hospitality investment	1,385	758	82.7	2,987	2,064	44.7
Total	15,820	44,667	(64.6)	43,420	167,218	(74.0)
<u>GROSS PROFIT</u>						
Property development	1,569	9,456	(83.4)	2,600	39,168	(93.4)
Commercial investment	5,602	5,971	(6.2)	16,647	17,694	(5.9)
Hotel operations	2,903	2,970	(2.3)	9,485	9,414	0.8
Hospitality investment	1,385	758	82.7	2,987	2,064	44.7
Total	11,459	19,155	(40.2)	31,719	68,340	(53.6)
<u>PROFIT BEFORE TAXATION</u>						
Property development	(9,385)	2,991	N.M	(12,903)	22,362	N.M
Commercial investment	114,192	(1,373)	N.M	109,214	(2,652)	N.M
Hotel operations	1,111	1,714	(35.2)	4,055	4,121	(1.6)
Hospitality investment	1,018	483	110.8	1,898	1,178	61.1
Total	106,936	3,815	N.M	102,264	25,009	308.9

	Group			
	3Q 2019 %	3Q 2018 %	9M 2019 %	9M 2018 %
<u>GROSS PROFIT MARGIN</u>				
Property development	47.5	29.2	40.2	30.1
Commercial investment	100.0	100.0	100.0	100.0
Hotel operations	52.5	53.5	54.8	53.9
Hospitality investment	100.0	100.0	100.0	100.00
Consolidated total	72.4	42.9	73.1	40.9

N.M – Not Meaningful

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3Q 2019 vs 3Q 2018

Revenue

The Group's revenue for 3Q 2019 decreased by 64.6% to \$15.8 million mainly due to the lower revenue contribution from property development segment which decreased by 89.8% as compared to the same quarter in 2018. Two new development projects in Singapore, namely, Jervois Treasures and Urban Treasures, are in their early stages with no revenue contribution to-date. Property development segment contributed \$3.3 million in 3Q 2019 due to sales of 3 units in City Gate project.

Overall there was an improvement in occupancy for Group's commercial investment properties, save for Tower 15 for which redevelopment plans are in progress. As a result, the Group's commercial investment revenue decreased by 6.2% to \$5.6 million.

Revenue from Hotel operations which stemmed from i) ibis Styles Hobart, Australia; and ii) The Imperial Hotel, United Kingdom contributed \$5.5 million in 3Q 2019.

Revenue from Hospitality investment segment increased by 82.7% to \$1.4 million mainly due to adjustment in rental rates in second year of operations and contribution from our newly acquired hotel, Duke of Cornwall. The contribution was derived from a portfolio of five hotel properties namely, i) Lyndene Hotel; ii) The Townhouse Hotel; iii) The Crown Hotel; iv) St Chads Hotel; and v) Duke of Cornwall, all located in the United Kingdom.

Gross Profit

Gross profit decreased by 40.2% to \$11.5 million which was in line with the decrease in revenue for both property development and commercial investment segments. Gross profit margin is 72.4% in 3Q 2019 compared with 42.9% achieved during the same period in 2018 is largely due to the change in revenue mix from our four segments as commercial and hotel investments has no cost of sales.

Other Operating Income

Other operating income of \$110.9 million in 3Q 2019 was largely due to fair value gain on an investment property, and net off by fair value loss on derivative financial instruments and foreign exchange loss on bank balance denominated in foreign currency.

Other Operating Expenses

Other operating expenses for 3Q 2019 decreased by 13.3%, or \$1.1 million to \$7.1 million mainly due to the following factors:

1. decrease in commission expenses relating to the City Gate project and leasing of commercial units; and
2. decrease in city council charges.

The above decreased was partly offset by:

3. increase in showflat cost which relating to our new projects in Singapore; and
4. increase in repair and maintenance and legal and professional fee.

Finance Costs

Finance costs increased by \$0.7 million or 10.4% to \$8.0 million in 3Q 2019 mainly due to:

- i) increase in finance costs relating to additional loans drawn down; and
- ii) general increase in average interest rates across the floating rate borrowings in 3Q 2019; and
- iii) expensed off finance cost due to launch of Jervois Treasures where the borrowing cost was previously capitalised under development properties.

Taxation

Taxation for 3Q 2019 increased by \$7.1 million as compared to prior year mainly due to reversal of overprovision of deferred tax assets and withholding tax on interest income from overseas companies.

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9M 2019 vs 9M 2018

Revenue

City Gate development project in Singapore was the main revenue contributor of our property development segment which obtained TOP in November 2018. As our Group's ongoing projects are mainly in Australia and the revenue from these projects will only be recognised on a completed contract method upon its completion, the Group's turnover for 9M 2019 decreased by 74.0%, or \$123.8 million to \$43.4 million. Two new development projects in Singapore, namely, Jervois Treasures and Urban Treasures are in their early stages with no revenue contribution to-date. Property development segment contributed \$6.5 million in 9M 2019 due to sales of 7 units in City Gate this year.

Overall there was an improvement in occupancy for the Group's commercial investment properties, save for Tower 15 for which redevelopment plans are in progress. As a result, the Group's commercial investment revenue slight decreased by 5.9% to \$16.6 million.

Revenue from Hotel operations which stemmed from ibis Styles Hobart, Australia and The Imperial Hotel, United Kingdom contributed \$17.3 million in 9M 2019 and \$17.4 million in 9M 2018 respectively.

Hospitality investment segment increased by 44.7% to \$3.0 million mainly due to adjustment in rental rates in second year of operations and contribution from our newly acquired hotel, Duke of Cornwall. The contribution was derived from a portfolio of five hotel properties namely, i) Lyndene Hotel; ii) The Townhouse Hotel; iii) The Crown Hotel, iv) St Chads Hotel; and v) Duke of Cornwall, all located in the United Kingdom.

Gross Profit

Gross profit decreased by 53.6% to \$31.7 million which was in line with the decrease in revenue for both property development and commercial investment segments. Gross profit margin is 73.1% in 9M 2019 compared with 40.9% achieved during the same period in 2018 is largely due to the change in revenue mix from our four segments as commercial and hotel investments has no cost of sales.

Other Operating Income

Other operating Income of \$106.7 million on 9M 2019 was largely due to fair value gain on an investment property partly, gain on settlement of financial liabilities and gain on disposal of financial assets and higher interest income recognised which partly offset by fair value loss on derivative financial instruments; foreign exchange loss on bank balance denominated in foreign currency.

Other Operating Expenses

Other operating expenses for 9M 2019 decreased by 14.4%, or \$3.5 million to \$20.8 million mainly due to the following factors:

1. decrease in commission expenses relating to the City Gate project and leasing of commercial units; and
2. decrease in city council charges.

The above decreased was partly offset by:

3. increase in showflat cost which relating to our new projects in Singapore; and
4. increase in depreciation & amortisation, repair and maintenance, legal and professional fee and payroll expenses.

Finance Costs

Finance costs increased by \$3.5 million or 17.8% to \$22.8 million in 9M 2019 mainly due to:

- i) increase in finance costs relating to additional loans drawn down and issuance of new debt notes;
- ii) general increase in average interest rates across the floating rate borrowings in 9M 2019; and
- iii) expensed off finance cost due to launch of Jervois Treasures where the borrowing cost was previously capitalised under development properties.

Taxation

Taxation for 9M 2019 increased by \$1.9 million as compared to prior year mainly due to reversal of overprovision of deferred tax assets and withholding tax on interest income from overseas companies.

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Statements of financial position & Statement of cash flows

Non-current assets mainly comprise of i) land and building of our investment properties and ii) hotel properties and office which are accounted as property, plant and equipment. The Group's investment properties totaled at \$1.9 billion as at 30 September 2019.

Property, plant and equipment which primarily comprise i) office premises; and ii) hotel properties totaled \$76.8 million as at 30 September 2019. The decrease was attributed to the depreciation and foreign currency movement of properties in United Kingdom and Australia; and transfer of office premises of \$17.6 million to investment property.

Investment in a joint venture comprises the Group's investment in AF Global Limited, through AF Corporation Pte Ltd.

Development properties include land costs, development costs, interest capitalized, mainly relating to our overseas projects, and other related costs and these accounted for \$863.0 million or 73.6% of total current assets as at 30 September 2019. The net increase of \$170.4 million compared to the balance as at 31 December 2018 was mainly due to the additional costs incurred for Australia and Singapore projects.

Trade and other receivables of \$36.0 million include \$10.1 million of revenue from our completed City Gate project in Singapore. The decrease compared to the balance as at 31 December 2018 was mainly due to the collections from the buyers and refund of GST receivable from our Australia development projects.

Trade and other payables, which mainly comprise trade creditors, amount due to non-controlling interests and accrual for on going development projects cost which decrease from \$70.7 million as at 31 December 2018 to \$42.2 million. The decrease was primarily due to the payment of GST payable on the sale of property at 555 Collins Street, Melbourne in 1Q 2019.

Total borrowings increase by \$272.9 million, or 19.7% was due to the additional drawdown of \$369.6 million term loans during the year and was partially offset by repayment of certain borrowings and repurchased of debt notes during the year.

During the year ended 30 September 2019, the net cash outflow from operating activities amounted to \$202.7 million. Cash used in investing activities amounted to \$135.8 million which was mainly due to additions of investment properties. Net cash inflow from financing activities amounted to \$275.8 million which mainly due to drawdown of additional loans, partially offset by repayment certain borrowings and repurchased of medium term note issued. Cash and cash equivalents stood at \$73.2 million as at the end of 30 September 2019 compared to \$136.1 million as at the end of 31 December 2018.

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

The current announced results are in line with the general prospect commentary as disclosed to shareholders in the second quarter 2019 results announcement.

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

Singapore

The prices of private residential properties increased by 1.3% in 3Q 2019, compared with the 1.5% increase in the previous quarter¹. The Group expect the overall market for residential properties to remain competitive with developers launching more projects in near term giving more options to the home buyers. Take-up rates for private residential units (excluding ECs) increased by 39.6% in 3rd quarter 2019 as compared with the previous quarter¹. The Group has two residential projects in Singapore, namely, Jervois Treasures located at 31 Jervois Road (previewed for sale recently) and Urban Treasures located at 205 Jalan Eunus. The Group intends to bring Urban Treasures to the market before end of the year.

The Group has obtained a Grant of Provisional Permission for its investment property located on Lot 01958P MK01 for a comprehensive hotel development. This approval for the alternate usage has resulted in value uplift to the underlying land value of the property which has been accounted as a fair value gain in this reporting period. The Group is working on the redevelopment scheme for its property located on

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Lot 01343W & 01344V TS23 and will work towards applying for the CBD rejuvenation incentive scheme which may potentially add another 25% more GFA to the project. Subject to obtaining all relevant approvals from the authorities and payment of the relevant development charge for this 25% additional GFA, this will bring value uplift to the property; As announced earlier, the two properties located at 62 and 64 Waterloo Street will be combined to form a comprehensive hotel development.

Office space rentals decreased by 0.6% in 3Q 2019, compared with 1.3% increase in the previous quarter¹. The Group will continue its marketing efforts to increase the occupancy of its investment properties through proactive lease management. The Group has recently contracted to sell one of its commercial properties located at 168 Changi Road for a consideration of \$28.8 million and the sale is expected to be completed in 4Q 2019.

Australia

The Group is actively working on its various development projects in Australia. Construction works for Premier Tower and NV Apartments are in progress with approximate completion of 61.3%² for Premier Tower and 97.7%² for NV Apartments. Marketing efforts are ongoing to sell the remaining units in these two projects.

The Group has a total contracted and unconditional sale of A\$464.3 million³ from these two projects recording 76.0% and 27.4% of the residential units sales, respectively. Such revenue will only be recognised upon the completion of development of the respective properties.

The Group expect Ibis Style Hobart, to continue to provide a stable stream of revenue in FY 2019. The hotel component of NV Apartments project in Perth is slated for completion in 4Q 2019. This hotel, with 431 guest rooms, is planned to be an international luxury hotel with full suite of facilities & amenities. The Group has recently incorporated a wholly-owned subsidiary in Australia named Fragrance WA-Murray Hotel Pty Ltd intended to be the operating company for this new hotel.

United Kingdom

The Group's existing hotel investment properties, namely, The Crown Hotel, Lyndene Hotel, St Chads Hotel, The Townhouse Hotel and Duke of Cornwall, will continue to provide stable recurring rental income in FY 2019. The Imperial Hotel in Blackpool which is self-operated is expected to add to the Group's recurring income.

The Group has obtained planning permission for three of its hotel projects, namely, i) refurbishment of existing Municipal building in Liverpool (Grade II* listed) into a luxury hotel; ii) redevelopment of former Park Hotel in Paignton; and iii) redevelopment of former Corbyn Head Hotel in Torquay both of which are to be operated as international brand hotels.

The Group is actively working on the redevelopment plans or refurbishment works for the rest of the UK properties.

Summary

Following the completion of City Gate in 4Q 2018, the Group does not have any ongoing development projects in Singapore, save for Jervois Treasures and Urban Treasures projects which are in early development & sales stage. The Group's on-going key development projects are in Australia (Premier Tower & NV Apartments) whose revenue will only be recognised upon completion in accordance with the relevant accounting standards. The Group expects that the development works at NV Apartments in Perth to complete by 1Q 2020.

Going forward, the Group's results will be dependent on i) the sales and progress of Singapore development projects; ii) fair value changes in the investment properties; iii) performance of the hotel properties; and iv) the prevailing exchange rates of AUD and GBP against SGD.

Footnotes:

- 1. According to the Urban Redevelopment Authority 3Q 2019 real estate statistics released on 25 October 2019.*
- 2. As at 30 September 2019.*
- 3. Unconditional sales status represents the percentage of units sold as at 14 November 2019.*

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11. **Dividend**

- (a) Any dividend declared for the current financial period/year? No
- (b) Any dividend declared for the previous corresponding period? No
- (c) *Date payable* : Not applicable
- (d) *Books closure date* : Not applicable

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

No dividend has been declared/recommended in view of the results of the Group.

13. **If the Group has obtained a general mandate from Shareholders for IPT, the aggregate value of such transactions as required under Rule 920(1)(a)(ii). If no IPT mandate has been obtained, a statement to that effect.**

The Group has not obtained a general mandate from Shareholders for Interested Person Transactions ("IPT").

14. **Negative confirmation pursuant to Rule 705(5).**

To the best of our knowledge, nothing has come to the attention of the Board of Directors which may render the unaudited interim financial results of the Group and the Company (comprising the statements of financial position and the result of business, consolidated statement of profit or loss and other comprehensive income, statements of changes in equity and consolidated statement of cash flows, together with their accompanying notes) as at 30 September 2019, to be false or misleading in any material respect.

15. **Confirmation that the issuer has procured undertakings from all its directors and executive officers (in the format set out in Appendix 7.7) under Rule 720(1)**

The Company has procured undertakings from all its directors and executive officers (in the format set out in Appendix 7.7) under Rule 720(1) of the Listing Manual.

BY ORDER OF THE BOARD

KOH WEE MENG
Executive Chairman and CEO

PERIAKARUPPAN ARAVINDAN
Executive Director and Deputy CEO

14 November 2019