

**FRAGRANCE GROUP LIMITED**

Company Registration No.: 200006656M

RESPONSE TO SGX QUERIES TO THE ANNOUNCEMENT OF FRAGRANCE GROUP LIMITED FULL YEAR 2020 RESULTS

Reference to SGX queries on 1st March 2020, the Company has clarified its position as follows:

1. Page 4: Current liabilities - Term loans

Explain the reasons for the significant increase in term loans to \$403,224,000 from \$8,813,000.

The comparison on the term loans as at 31 Dec 2019 should be read as \$172,362,000. There was a misalignment between the account balances description and the numbers on the presentation of the comparative. Kindly take note and the revised presentation for para 1(b) (i) has been replicated below.

	Group		Company	
	31 Dec 2020 S\$'000	31 Dec 2019 S\$'000	31 Dec 2020 S\$'000	31 Dec 2019 S\$'000
Current liabilities				
Trade and other payables	59,637	48,699	51,779	16,060
Notes interest payable	2,835	2,821	2,835	2,821
Notes payable due in next 12 months ³	266,023	-	266,023	-
Term loans	403,224	172,362	22,623	22,623
Income tax payable	9,498	8,813	8,390	8,760
Total current liabilities	741,217	232,695	351,650	50,264

The increase in term loans arose mainly due to the reclassification of development loans for Premier Tower and Jervois Treasures from long-term term loans to term loans due in next 12 months in FY2020, as both developments will be completed in FY2021 and early FY2022, respectively. A revolving short-term loan was also undertaken in FY2020 leading to the overall increase.

Note 4 under para 1(b) (i) page 5 further clarifies the position on the Group's repayment of its current obligations due in the next 12 months. \$133.6 million of the term loans classified as current liabilities will be repaid using the proceeds from settlement of Premier Tower (whose certificate of completion was received on 22 December 2020 for Phase I). The Group is in the progress of refinancing the remaining \$269.6 million and is confident of securing it.

2. Page 6: Aggregate amount of group's borrowings and debt securities

Explain the reasons for the significant increase in unsecured amount repayable in one year or less, or on demand to \$268,858,000 from \$2,821,000.

The increase in unsecured amount repayable in the next 12 months to \$268,858,000 from \$2,821,000 was due to the reclassification of the outstanding principal amount of three tranches of Medium-Term Notes ("MTN") from non-current to current. The maturity dates of these MTN are due within the 12 months in FY2021 as explained in Note 3 under para 1(b) (i) page 5 and as shown below:

Maturity Date	Coupon rate	Outstanding Principal Amount (\$ million)
26 April 2021	6.125%	115.0
23 August 2021	3.25%	81.0
23 November 2021	4.75%	70.0

Note 3 under para 1(b) (i) page 5 further clarifies the position on its repayment that these Term Notes payable is expected to be repaid using the proceeds from the settlement of Premier Tower (whose certificate of completion for Phase I was received on 22 December 2020), available cash balances, unutilized bank facilities and new bank facilities.

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3. Page 7: Net cash used in operating activities
Explain the reasons for the material deficit of (\$98,061,000).

Net cash used towards the costs incurred on our development properties constitute majority of our cash outflow from operations. Typically, the Group is expected to experience negative cash flow from operations to fund these development projects during the years in which development of properties is underway. Development Costs including land, construction and other relevant costs incurred are all capitalised until the development project is completed and sold. Typically, development projects are expected to extend beyond one financial year.

For projects in Singapore, revenue will be recognised based on percentage of completion method and cash from sold units will also be collected progressively based on stages of completion of construction.

For projects in Australia, both revenue and cash collections will only crystallise upon completion of construction of the project and settlement of sales contract.

In 2020, the Group continued to incur cash outlay towards the development costs on our development properties namely, Premier Tower, Urban Treasures and Jervois Treasures. In summary, the significant cash outlay incurred for the development costs is the main reason for the \$98,061,000 net cash used in operating activities for the year.

By order of the Board
Fragrance Group Limited

Periakaruppan Aravindan
Executive Director & Deputy CEO

2 Mar 2021