



FRAGRANCE GROUP LIMITED

Company Registration No.: 200006656M

FRAGRANCE GROUP LIMITED

**UNAUDITED RESULTS AND DIVIDEND ANNOUNCEMENT
FOR THE FIRST QUARTER ENDED 31 MARCH 2014**

**FRAGRANCE GROUP LIMITED**

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Unaudited Results and Dividend Announcement for the First Quarter Ended 31/03/2014**PART 1 - INFORMATION REQUIRED FOR ANNOUNCEMENTS OF QUARTERLY (Q1, Q2 & Q3), HALF-YEAR AND FULL YEAR RESULTS – 31 MARCH 2014**

1(a)(i) *An income statement and statement of comprehensive income or a statement of comprehensive income (for the group) together with a comparative statement for the corresponding period of the immediately preceding financial year.*

Group	Statement of comprehensive income for the first quarter ended 31 March		
	2014	2013	Change
	S\$'000	S\$'000	%
Turnover	125,267	110,997	12.9
Cost of sales	(74,243)	(62,323)	19.1
Gross profit	51,024	48,674	4.8
Other operating income	153	296	(48.3)
Other operating expenses	(12,189)	(11,466)	6.3
Finance costs	(4,646)	(3,702)	25.5
Profit before income tax	34,342	33,802	1.6
Taxation	(6,463)	(5,858)	10.3
Profit for the period	27,879	27,944	(0.2)
Attributable to:			
Equity holders of the Company	24,261	17,629	37.6
Non-controlling interests	3,618	10,315	(64.9)
Other comprehensive income			
Transfer of depreciation on revaluation of leasehold land & buildings to revaluation reserve	953	857	11.2
Net other comprehensive income	953	857	11.2
Total comprehensive income	28,832	28,801	0.1
Attributable to:			
Equity holders of the Company	24,759	18,077	37.0
Non-controlling interests	4,073	10,724	(62.0)

N.M – Not Meaningful

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1(a)(ii) Profit before taxation is determined after (charging)/crediting:-

	First Quarter ended 31 March		
	2014	2013	Change
	S\$'000	S\$'000	%
Amortisation & Depreciation	(1,394)	(1,145)	21.7
Finance costs	(4,646)	(3,702)	25.5
<u>Other operating income</u>			
Change in fair value of held for trading investment	(656)	(209)	(213.9)
Interest income	333	284	17.3
Others	476	221	115.4
Total	153	296	(48.3)

N.M – Not Meaningful



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

Statement of financial position	Group		Company	
S\$'000	31 Mar 2014	31 Dec 2013	31 Mar 2014	31 Dec 2013
<u>Non-current assets</u>				
Property, plant and equipment	1,201,191	1,199,153	-	-
Investment properties	890,720	889,305	-	-
Prepayments	10,274	10,469	-	-
Investment in subsidiaries	-	-	186,870	186,488
Investment in joint operations	-	-	7,766	7,766
Total non-current assets	2,102,185	2,098,927	194,636	194,254
<u>Current assets</u>				
Cash and cash equivalents	137,243	127,791	59,359	59,451
Trade and other receivables	382,850	325,020	445,295	437,116
Held for trading investments	2,531	3,188	2,531	3,188
Properties under development	719,439	758,398	-	-
Properties held for sale	39,710	42,030	-	-
Total current assets	1,281,773	1,256,427	507,185	499,755
<u>Current liabilities</u>				
Trade and other payables	182,243	121,279	165,432	132,180
Term loans	169,284	210,942	-	-
Income tax payable	16,843	18,460	48	34
Total current liabilities	368,370	350,681	165,480	132,214
Net current assets	913,403	905,746	341,705	367,541
<u>Non-current liabilities</u>				
Trade and other payables	-	-	3,113	3,750
Term loans	1,359,665	1,354,221	-	-
Deferred taxation	75,274	70,473	-	-
Total non-current liabilities	1,434,939	1,424,694	3,113	3,750
Net assets	1,580,649	1,579,979	533,228	558,045
<u>Shareholders' equity</u>				
Share capital	150,000	150,000	150,000	150,000
Treasury shares	(565)	(565)	(565)	(565)
Performance share reserves	201	201	201	201
Revaluation reserves	715,063	714,565	-	-
Retained earnings	338,369	340,965	383,592	408,409
Equity attributable to the owners of the Company	1,203,068	1,205,166	533,228	558,045
Non-controlling interests	377,581	374,813	-	-
Total Equity	1,580,649	1,579,979	533,228	558,045

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

	As at 31 Mar 2014	As at 31 Dec 2013
	Secured	Secured
	S\$'000	S\$'000
Amount repayable in one year or less, or on demand	169,284	210,942
Amount repayable after one year	1,359,665	1,354,221

Details of collaterals

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

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

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

Statement of cash flows Group (S\$'000)	First Quarter Ended 31 March	
	2014	2013
<u>OPERATING ACTIVITIES</u>		
Profit before income tax	34,342	33,802
Adjustments for:		
Depreciation of property, plant and equipment	1,167	1,113
Amortisation of facility fee	32	32
Amortisation of land lease	195	-
Interest expense	6,222	4,654
Gain on disposal of held for trading investment	-	-
Change in fair value of held for trading investments	656	209
Interest income	(333)	(284)
Operating cash flow before movements in working capital	42,281	39,526
Trade and other receivables	(57,828)	(48,220)
Development properties and properties held for sale	41,358	32,868
Trade and other payables	35,821	13,821
Net cash from (used in) operations	61,632	37,995
Interest paid	(6,910)	(6,949)
Income tax paid	(3,279)	(1,889)
Net cash from (used in) operating activities	51,443	29,157
<u>INVESTING ACTIVITIES</u>		
Purchase of property, plant and equipment	(3,963)	(2,044)
Purchase of investment property	(1,415)	(95,030)
Purchase of held for trading investments	-	(381)
Proceeds from disposal of held for trading investments	-	-
Interest received	333	284
Net cash (used in) from investing activities	(5,045)	(97,171)
<u>FINANCING ACTIVITIES</u>		
Proceeds from borrowings	5,396	31,120
Repayment of borrowings	(42,342)	(20,336)
Dividend paid to non-controlling interest	-	(1,004)
Net cash from financing activities	(36,946)	9,780
Net decrease in cash and cash equivalents	9,452	(58,234)
Cash and cash equivalents at beginning of period	127,791	152,695
Cash and cash equivalents at end of period	137,243	94,461

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

Statement of changes in equity	Share Capital	Retained Earnings	Treasury Shares	Performance Share Reserves	Revaluation Reserves	Attributable to Equity Holders	Non-Controlling Interests	Total
Group (\$S'000)								
Balance as at 1 January 2013	150,000	147,942	(616)	137	581,563	879,026	218,851	1,097,877
Total comprehensive income for the period	-	17,629	-	-	448	18,077	10,724	28,801
Dividend paid to non-controlling interest	-	-	-	-	-	-	(5,070)	(5,070)
Dividend paid	-	(8,392)	-	-	-	(8,392)	-	(8,392)
Balance as at 31 March 2013	150,000	157,179	(616)	137	582,011	888,711	224,505	1,113,216
Balance as at 1 January 2014	150,000	340,965	(565)	201	714,565	1,205,166	374,813	1,579,979
Total comprehensive income for the period	-	24,261	-	-	498	24,759	4,073	28,832
Dividend paid to non-controlling interest	-	-	-	-	-	-	(1,305)	(1,305)
Dividend paid	-	(26,857)	-	-	-	(26,857)	-	(26,857)
Balance as at 31 March 2014	150,000	338,369	(565)	201	715,063	1,203,068	377,581	1,580,649

Statement of changes in equity	Share Capital	Retained Earnings	Treasury Shares	Performance Share Reserves	Total
Company (\$S'000)					
Balance as at 1 January 2013	150,000	415,354	(616)	137	564,875
Total comprehensive income for the period	-	6,548	-	-	6,548
Dividend paid	-	(8,392)	-	-	(8,392)
Balance as at 31 March 2013	150,000	413,510	(616)	137	563,031
Balance as at 1 January 2014	150,000	408,409	(565)	201	558,045
Total comprehensive income for the period	-	2,040	-	-	2,040
Dividend paid	-	(26,857)	-	-	(26,857)
Balance as at 31 March 2014	150,000	383,592	(565)	201	533,228

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

Nil

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

	As at 31 Mar 2014	As at 31 Dec 2013
Total number of Ordinary Shares issued and fully paid	6,720,000,000	6,720,000,000
Treasury Shares	(5,775,000)	(5,775,000)
	6,714,225,000	6,714,225,000

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

	No. of shares
Balance as at 1 January 2014	5,775,000
Add: Bonus shares issued during the period	-
Less: Sales, transfers, disposals or cancellation	-
Balance as at 31 March 2014	5,775,000

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.

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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 first quarter announcement for the current financial period as those of the audited financial statements for the year ended 31 December 2013, as well as all the applicable Financial Reporting Standards ("FRS") which became effective for financial years beginning on or after 1 January 2014. The adoption of these new and revised FRSs has no material effect on the first quarter announcement for the current financial period.

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 paragraph 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.*

Earnings per share for the financial period based on 6,714,225,000 shares (2013: 6,713,706,000) (excluding treasury shares)	First Quarter Ended 31 March	
	2014	2013
Based on the weighted average number of ordinary shares in issue	0.4 cents	0.3 cents
On a fully diluted basis	0.4 cents	0.3 cents

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	
	31-Mar-2014	31-Dec-2013	31-Mar-2014	31-Dec-2013
Net asset value per ordinary share based on 6,714,225,000 shares (2013: 6,713,706,000) (excluding treasury shares)	17.9 cents	18.0 cents	7.9 cents	8.3 cents

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

REVIEW OF GROUP PERFORMANCE

GROUP	First Quarter Ended 31 March		
	2014	2013	Change %
<u>REVENUE (\$S'000)</u>			
Property	111,495	96,445	15.6
Hotel	13,772	14,552	(5.4)
Total	125,267	110,997	12.9
<u>GROSS PROFIT (\$S'000)</u>			
Property	38,877	36,059	7.8
Hotel	12,147	12,615	(3.7)
Total	51,024	48,674	4.8
<u>GROSS PROFIT MARGIN (%)</u>			
Property	34.9	37.4	
Hotel	88.2	86.7	
Consolidated Total	40.7	43.9	
<u>PROFIT BEFORE TAXATION (\$S'000)</u>			
Property	29,484	28,492	3.5
Hotel	4,858	5,310	(8.5)
Total	34,342	33,802	1.6

Revenue

The Group recorded a turnover of \$125.27 million in the first quarter of 2014, a 12.9% increase from \$111.00 million recorded in the corresponding period in 2013. Property sector contributed to this increase while the hotel sector's revenue has dropped during the period under review.

- (a) Property development sector contributed \$111.50 million in the first quarter of 2014 which is 15.6% higher than \$96.45 million recorded in the corresponding period of 2013. This was mainly due to the revenue contribution from the various ongoing development projects. Projects that contributed to revenue during this period include Urban Vista, Kensington Square, Parc Rosewood, Suites @ Bukit Timah, Le

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Regal, Icon @ Pasir Panjang and Novena Regency. Rental income from our investment properties located at Hoe Chiang Road and Alexandra Road have also contributed to the increase in revenue during this period.

- (b) Hotel room revenue for first quarter 2014 decreased by \$0.8 million, or 5.2% over the corresponding period in 2013. This was mainly due to i) lower contribution from Fragrance Hotel – Pearl of \$0.3 million due to temporary closure in order to carry out Asset Enhancement Initiatives (“AEI”) to achieve stronger positioning and better yield; ii) lower revenue of \$0.2 million recognised from the remaining hotels; and iii) absence of revenue from Fragrance Hotel – Elegance in the fourth quarter in 2013 due to cessation of tenancy agreement.

Gross Profit

In line with the increased revenue, our overall gross profit increased by 4.8% to \$51.02 million. Gross profit margin of the property sector has slid to 34.9% in first quarter of 2014 from 37.4% of 2013. This was mainly due to the higher profit margin achieved for the projects that contributed revenue during first quarter of 2013. The gross profit margin of our hotel sector has increased slightly by 1.5% to 88.2% during first quarter of 2014 compared to 86.7% achieved in the corresponding period of 2013.

Profit before taxation

Other operating expenses increased from \$11.47 million in first quarter of 2013 to \$12.19 million in first quarter of 2014 mainly because of the following factors:

1. Increase in commission expenses relating to the projects launched and expensed off in proportion to the revenue recognised;
2. Increase in amortization of land lease which relate to the investment property located at Punggol Point;
3. Increase in staff costs mainly due to additional staff employed for the hotel sector and general increase in wages;
4. Increase in performance related bonuses to executive directors in line with their service agreements; and partly offset by
5. Decrease in advertising expenses relating to our property division.

Finance costs increased by \$0.94 million in first quarter of 2014 mainly due to:

- i) the drawdown of terms loans pertaining to the investment properties deriving rental income for the Group; and
- ii) higher average interest rate in first quarter in 2014 as compared to the corresponding period in 2013.

Overall profit before taxation was increased by 1.6% from \$33.80 million in first quarter of 2014 to \$34.34 million in the same period of 2013.



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Profit attributable to Equity holders of the Company increased by 37.6% from S\$17.63 million in the first quarter of 2013 to S\$24.26 million during the current period reported, mainly due to decreased profit contribution by Parc Rosewood project in which non-controlling shareholders share 40% interest.

Statements of financial position & Statement of cash flows

Non-current assets mainly comprise of land and building of our hotels and office, which currently stood at \$1,201.19 million as at 31 March 2014. The hotel properties are carried at their fair value. Group's investment properties, mainly Tower 15 and NOL building, currently stood at \$890.72 million as at 31 March 2014.

Current assets comprise mainly of development properties, trade and other receivables and cash. As at 31 March 2014, the Group's current assets totaled \$1,281.77 million. Development properties include land costs, development costs, interest capitalized and other related costs and this accounted for \$719.44 million or 56.1% of total current assets as at 31 March 2014. This saw a decrease of \$38.96 million compared to the balance as at 31 December 2013 mainly due to progressive recognition of revenue to the income statement partly offset by additional costs incurred on our existing development properties.

Trade and other receivables, mainly the unbilled revenue portion of the recognised sales of our property units stood at \$382.85 million. This was an increase of 17.8% compared to the balance as at 31 December 2013 and this was mainly due to additional revenue recognition partly offset by the collections from the buyers. Unbilled revenue relates to the revenue recognised on our development properties. Revenue from our property development projects are recognised based on the percentage of completion method. However the respective purchasers will only be billed in accordance with the terms of the payment scheme. Consequently, unbilled revenue will arise in circumstances whereby revenue has been recognised based on the percentage of completion but the purchaser has not been billed as billing is not due as per the terms of the payment scheme.

The Group's total borrowings reduced to \$1,528.95 million from \$1,565.16 million as at 31 December 2013 mainly due to the loan repayments made from the progressive payments received during the period.

During the year ended 31 March 2014, the Group generated a net cash flow of \$51.44 million from operating activities. Cash flow used in financing activities amounted to \$36.95 million which was primarily used towards the repayment of the term loans. Cash and cash equivalents stood at S\$137.24 million as at the end of 31 March 2014.

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 previously disclosed to shareholders in the results announcement for the full year ended 31 December 2013.

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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.*

Property Development:

As per the real estate statistics for the first quarter of 2014 released by the URA, prices of private residential properties declined by 1.3% in the first Quarter 2014, compared with the 0.9% decrease in the previous quarter. Buyer's sentiments continued to be relatively gloomy especially in the residential sector. However, with the low interest rate environment, demand from genuine home buyers who intends to buy for own-stay or long term investment is expected to remain stable. The government has released fewer sites for sale through its land sale programme, moderating the supply aspect.

The table below provides an update of our current portfolio of development projects:

Project name/ Location	Type	Total No. of units	Sales info¹
Suites @ Bukit Timah	Flats & Commercial units	114	100% Sold
Parc Rosewood (Group has 60% interest)	Condominium	691	100% Sold
Urban Vista (Group has 50% interest)	Condominium	585	99% Sold
Le Regal	Flats & Commercial units	136	95% Sold
Kensington Square (Group has 60% interest)	Flats & Commercial units	198	87% Sold
Novena Regency	Flats & Commercial units	100	73% Sold
Icon @ Pasir Panjang	Flats & Commercial units	49	55% Sold

In addition to the above, the group also owns the following significant properties.

Location/ Tenure	Type	Land Purchase Cost	Land Area (Sq ft)	GFA (Sq ft)	Group's Interest
Alexandra Road (Freehold)	Commercial - Investment property	\$380 Mill	108,060	302,568	100%
Hoe Chiang Road (Freehold)	Commercial - Investment property	\$360 Mill	39,337	253,455	100%
Sims Drive (Residual balance of 60- years leasehold)	Industrial development	\$43.3 Mill	67,945	169,861	100%
Key Point (Residual balance of 99- years leasehold)	Residential & Commercial development	\$360 Mill	78,242	426,421	50%

¹ Sales info represents % of sold units over total units and is updated with Option to Purchase granted up to 30 April 2014.



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Hotel operations:

The Singapore Tourism Board has forecast visitor arrivals to grow between 16.3 million to 16.8 million this year. 2014 is expected to see another year of growth in visitor arrivals driven by various events planned throughout the year, including the opening of the Singapore Sports Hub. However, with the relatively uncertain economic climate and ample new supply of rooms in the pipeline, the hospitality market is expected to remain challenging and competitive going forward.

On 13 March 2014, the Group announced that it was proposing to distribute substantially all of the ordinary shares in the issued share capital of Global Premium Hotels Limited ("GPHL") held by the Company to the Shareholders of Fragrance Group Limited, by way of Dividend in Specie, subject to the approval of the Shareholders at the Extraordinary General Meeting to be held on 2 May 2014. A Circular to Shareholders has already been sent which include the details of the distribution, its financial impact on the Group, etc.

Barring unforeseen circumstances, the directors expect the Group to remain profitable in FY2014.

11. *Dividend*

(a) *Current Financial Period Reported on*

Any dividend declared for the current financial period reporting on: **NO**

(b) *Corresponding Period of the Immediately Preceding Financial Year*: **NIL**

(c) *Date payable* : Not Applicable

(d) *Books closure date* : Not Applicable

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

Not applicable.

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").

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14. *Negative confirmation pursuant to Rule 705(5). (Not required for announcement on full year results).*

The Directors confirm that, to the best of our knowledge, nothing has come to the attention of the Board of Directors of the Company which may render the financial results for the first quarter ended 31 March 2014 to be false or misleading in any material aspect.

ON BEHALF OF THE BOARD

KOH WEE MENG

Executive Chairman and CEO

PERIAKARUPPAN ARAVINDAN

Executive Director

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PART II - ADDITIONAL INFORMATION REQUIRED FOR FULL YEAR ANNOUNCEMENT

15. *Segmented revenue and results for operating segments (of the group) in the form presented in the issuer's most recently audited annual financial statements, with comparative information for the immediately preceding year.*

Not applicable.

16. *In the review of performance, the factors leading to any material changes in contributions to turnover and earnings by the operating segments.*

Not applicable

17. *A breakdown of sales*

Not applicable

18. *A breakdown of total annual dividend (in dollar value) for the issuer's latest full year and its previous full year.*

Not applicable

19. *Disclosure of person occupying a managerial position in the issuer or any of its principal subsidiaries who is a relative of a director or chief executive officer or substantial shareholder of the issuer pursuant to Rule 704(13) in the format below. If there are no such persons, the issuer must make an appropriate negative statement.*

Not applicable

BY ORDER OF THE BOARD

Periakaruppan Aravindan
Executive Director
30 April 2014