

**FRAGRANCE GROUP LIMITED**

Company Registration No.: 200006656M

RESPONSE TO SGX-ST'S QUERIES REGARDING FIRST HALF YEAR FINANCIAL RESULTS FOR FY 2020

On 17 September 2020, the Singapore Exchange Securities Trading Limited ("SGX-ST") requested Fragrance Group Limited (the "Company") to provide further information in respect to its announcement made on its 2020 First Half Year Financial Results, released on 14 August 2020.

The questions from the SGX-ST and the Company's corresponding responses are set out below.

1. Page 2 of announcement - Cost of sales
Provide a breakdown of the \$43,726,000 as compared to the \$7,340,000 in 1H 2019 and explain reasons for the material increase when revenue increased by a relatively lower percentage of 119.6% to \$60,606,000.

Response:

The breakdown of revenue and cost of sales by operating segments is as follows:

	1H 2020		1H 2019		Gross profit margin	
	Revenue S\$'000	Cost of sales S\$'000	Revenue S\$'000	Cost of sales S\$'000	1H 2020 %	1H 2019 %
Property development	42,775	39,370	3,167	2,136	8.0%	32.6%
Commercial investment	7,974	-	11,045	-	100.0%	100.0%
Hotel operations	8,867	4,356	11,786	5,204	50.9%	55.8%
Hospitality investment	990	-	1,602	-	100.0%	100.0%
	<u>60,606</u>	<u>43,726</u>	<u>27,600</u>	<u>7,340</u>		

The Company completed the development of NV Apartment in Australia in FY 2020, and this new property development project contributed a revenue of S\$38.5 million in 1H 2020.

The new property development project caused a shift in the Company's revenue mix in 1H 2020, with a higher concentration in the Property development segment that draws a lower profit margin.

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2. Page 13: Other Operating Expenses

Provide a breakdown of the increase in costs amounting to \$3.8 million attributable to each of the following factors:

1. expensed off commission expenses relating to the NV Apartments project which were previously being capitalised;
2. increase in depreciation & amortisation, managing agent fee, legal and professional fee, and payroll expenses due to operations of new hotel in Australia; and
3. grant expenses arising from property tax rebate of \$0.7 million.

Partly offset by:

1. decrease in show flat cost for Singapore development projects; and
2. decrease in repair and maintenance fee.

Response:

Other operating expenses for 1H 2020 increased by \$3.8 million to \$17.5 million mainly due to the factors mentioned above.

The breakdown of the increase in other operating expenses is as follows:

	1H 2020 S\$'000	1H 2019 S\$'000	Change S\$'000
Commission	1,837	497	1,340
Depreciation and amortisation	2,890	1,568	1,322
Grant expenses from property tax rebate	734	-	734
Hotel Pre-opening expenses	221	-	221
Legal and professional fee	583	428	155
Managing agent fee	870	518	352
Payroll expenses	2,845	2,734	111
Show flat cost for Singapore development projects	170	676	(506)
Repair and maintenance fee	784	1,011	(227)
Others	6,573	6,324	249
	<u>17,507</u>	<u>13,756</u>	<u>3,751</u>

By order of the Board

Periakaruppan Aravindan
Executive Director and Deputy CEO

21 September 2020