



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 2018**

FRAGRANCE GROUP LIMITED
UNAUDITED FINANCIAL STATEMENT AND DIVIDEND ANNOUNCEMENT FOR
THE THIRD QUARTER AND NINE MONTHS ENDED 30 SEPTEMBER 2018

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

	Group					
	3Q 2018	3Q 2017	Change	9M 2018	9M 2017	Change
	S\$'000	S\$'000	%	S\$'000	S\$'000	%
Revenue	44,667	55,921	(20.1)	167,218	134,537	24.3
Cost of sales	(27,057)	(37,797)	(28.4)	(104,981)	(86,392)	21.5
Gross profit	17,610	18,124	(2.8)	62,237	48,145	29.3
Other operating (loss)/income	(104)	324	N.M	(761)	(185)	311.4
Other operating expenses	(8,134)	(9,062)	(10.2)	(24,312)	(20,911)	16.3
Finance costs	(5,858)	(4,466)	31.2	(14,998)	(12,053)	24.4
Share of results of a joint venture	113	820	(86.2)	1,123	2,372	(52.7)
Profit before income tax	3,627	5,740	(36.8)	23,289	17,368	34.1
Taxation	(1,513)	(1,555)	(2.7)	(6,065)	(4,276)	41.8
Profit for the period	2,114	4,185	(49.5)	17,224	13,092	31.6
Attributable to:						
Equity holders of the Company	2,202	4,198	(47.5)	17,471	13,354	30.8
Non-controlling interests	(88)	(13)	576.9	(247)	(262)	(5.7)
Other comprehensive (loss)/income						
Exchange difference on translation of foreign operations	(11,175)	2,146	N.M	(26,372)	8,664	N.M
Fair value loss on derivative financial instrument	(6,003)	-	N.M	(10,554)	-	N.M
Transfer of depreciation of building to revaluation reserve	-	240	N.M	-	240	N.M
Share of other comprehensive income of a joint venture						
Exchange difference on translation of foreign operations	(300)	822	N.M	125	433	(71.1)
Transfer from foreign currency translation reserve to income statement upon deregistration of a foreign subsidiary company	-	14	N.M	-	(79)	N.M
Fair value gain/(loss) on investment securities	26	10	160.0	(26)	32	N.M
Net other comprehensive (loss)/income	(17,452)	3,232	N.M	(36,827)	9,290	N.M
Total comprehensive (loss)/income	(15,338)	7,417	N.M	(19,603)	22,382	N.M
Attributable to:						
Equity holders of the Company	(15,250)	7,430	N.M	(19,356)	22,644	N.M
Non-controlling interests	(88)	(13)	576.9	(247)	(262)	(5.7)

N.M – Not Meaningful

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

	Group				
	3Q 2018	3Q 2017	Change	9M 2018	9M 2017
	S\$'000	S\$'000	%	S\$'000	S\$'000
<u>Profit before taxation is determined after (charging)/crediting</u>					
Write back/(Allowance) of doubtful debts	11	(170)	N.M	30	(170)
Amortisation and depreciation	(877)	(660)	32.9	(2,197)	(1,338)
Finance costs	(5,858)	(4,466)	31.2	(14,998)	(12,053)
<u>Components of tax expense recognised in profit and loss include:</u>					
Over provision of income tax in prior years	380	70	442.9	321	24
<u>Other operating income</u>					
Net foreign exchange (loss)/gain	(278)	687	N.M	(1,432)	325
Interest income	408	95	329.5	1,188	278
Fair value loss on investment properties	(375)	(201)	86.6	(1,125)	(721)
Fair value gain on derivative financial instrument	-	402	N.M	94	490
Loss on disposal of investment property	-	(808)	N.M	-	(808)
Loss on disposal of plant and equipment	-	-	N.M	(8)	-
Others	141	149	(5.4)	522	251
Total	(104)	324	N.M	(761)	(185)

N.M – Not Meaningful

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1(b)(i) **Statements of Financial Position as at 30 Sep 2018 vs 31 Dec 2017**

	Group		Company	
	30 Sep 2018 S\$'000	31 Dec 2017 S\$'000	30 Sep 2018 S\$'000	31 Dec 2017 S\$'000
<u>Non-current assets</u>				
Property, plant and equipment	100,091	104,532	-	-
Other receivables and prepayment	8,149	7,839	1,386	491
Investment properties	1,333,942	1,290,235	-	-
Subsidiaries	-	-	1,010,370	834,193
Investment in a joint venture	115,958	113,664	90,163	89,163
Deferred tax assets	2,699	2,494	-	-
Total non-current assets	1,560,839	1,518,764	1,101,919	923,847
<u>Current assets</u>				
Cash and cash equivalents	51,552	121,530	35,573	93,068
Trade and other receivables	225,272	159,263	167,552	98,752
Development properties	441,865	427,988	36,925	104,686
Properties held for sale	157,925	61,443	636	636
Inventories	91	132	-	-
Total current assets	876,705	770,356	240,686	297,142
<u>Current liabilities</u>				
Trade and other payables	42,268	42,627	29,945	33,715
Notes interest payable	5,278	1,452	5,278	1,452
Term loans	323,463	469,952	111,725	84,225
Income tax payable	1,926	1,608	127	607
Derivative financial instruments	4,504	904	2,186	474
Finance lease payable	7	-	-	-
Total current liabilities	377,446	516,543	149,261	120,473
Net current assets	499,259	253,813	91,425	176,669
<u>Non-current liabilities</u>				
Trade and other payables	-	-	2,060	2,193
Notes payable	305,456	180,941	305,456	180,941
Term loans	641,227	463,438	-	45,000
Deferred taxation	21,084	16,365	12,713	8,170
Finance lease payable	28	-	-	-
Total non-current liabilities	967,795	660,744	320,229	236,304
Net assets	1,092,303	1,111,833	873,115	864,212

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1(b)(i) **Statements of Financial Position as at 30 Sep 2018 vs 31 Dec 2017**

	Group		Company	
	30 Sep 2018 S\$'000	31 Dec 2017 S\$'000	30 Sep 2018 S\$'000	31 Dec 2017 S\$'000
<u>Shareholders' equity</u>				
Share capital	150,000	150,000	150,000	150,000
Treasury shares	(945)	(945)	(945)	(945)
Performance share reserve	325	325	325	325
Revaluation reserve	50,892	50,892	-	-
Foreign currency translation reserve	(48,843)	(27,580)	-	-
Investment revaluation reserve	(146)	(120)	-	-
Other reserve	(10,554)	-	(6,712)	-
Retained earnings	941,741	929,181	730,447	714,832
Equity attributable to the owners of the Company	1,082,470	1,101,753	873,115	864,212
Non-controlling interests	9,833	10,080	-	-
Total equity	1,092,303	1,111,833	873,115	864,212

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

	As at 30 Sep 2018		As at 31 Dec 2017	
	Secured S\$'000	Unsecured S\$'000	Secured S\$'000	Unsecured S\$'000
Amount repayable in one year or less, or on demand	323,470	-	469,952	-
Amount repayable after one year	641,255	305,456	463,438	180,941

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 2018 S\$'000	3Q 2017 S\$'000	9M 2018 S\$'000	9M 2017 S\$'000
<u>Operating activities</u>				
Profit before income tax	3,627	5,740	23,289	17,368
<i>Adjustments for:</i>				
Amortisation and depreciation	553	460	1,354	748
Amortisation of land lease	195	195	585	585
Rent free income/ net amortisation of rental incentive granted	220	(132)	555	(548)
Amortisation of processing fee on debt notes issued	129	5	258	5
Fair value on derivative financial instrument	-	116	(94)	29
Interest income	(408)	(95)	(1,188)	(278)
Interest expense	5,858	4,466	14,998	12,053
Change in fair value of investment properties	375	201	1,125	721
Loss on disposal of investment property	-	808	-	808
Net foreign gain exchange difference	-	(423)	(417)	-
Loss on disposal of property, plant and equipment	-	-	8	-
(Write back)/ Allowance for doubtful debts	(11)	170	(30)	170
Share of results of a joint venture	(113)	(820)	(1,123)	(2,372)
Operating cash flow before movements in working capital	10,425	10,691	39,320	29,289
Payment for derivative financial instrument	(7,804)	-	(6,836)	-
Inventories	7	(26)	41	(117)
Trade and other receivables	4,884	(60,744)	(24,469)	(63,450)
Development properties and properties held for sale	(50,754)	17,957	(166,468)	(4,809)
Trade and other payables	3,572	(8,945)	(153)	9,343
Net cash used in operations	(39,670)	(41,067)	(158,565)	(29,744)
Interest paid	(7,232)	(3,856)	(23,790)	(14,074)
Income tax paid	(695)	(6,092)	(1,336)	(13,344)
Net cash used in operating activities	(47,597)	(51,015)	(183,691)	(57,162)
<u>Investing activities</u>				
Investment in a joint venture	(900)	-	(1,000)	(1,699)
Interest received	408	95	1,188	278
Purchase of property, plant and equipment	(126)	(432)	(270)	(44,961)
Proceeds from disposal of property, plant and equipment	-	-	13	-
Additions to investment properties	(2,444)	(46,286)	(43,246)	(47,116)
Proceeds from disposal of investment property	-	1,688	-	1,688
Net cash used in investing activities	(3,062)	(44,935)	(43,315)	(91,810)

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

	Group			
	3Q 2018 S\$'000	3Q 2017 S\$'000	9M 2018 S\$'000	9M 2017 S\$'000
<u>Financing activities</u>				
Advance to non-controlling interests	(200)	(2,880)	(440)	(5,880)
Dividend paid to non-controlling interest	-	(3,200)	-	(3,200)
Proceeds from borrowings	-	56,500	67,318	200,000
Proceeds from medium term notes issued	-	78,615	125,000	78,615
Repayment of medium term notes issued	-	-	-	(74,750)
Repayment of borrowings	(9,509)	(7,504)	(34,095)	(36,785)
Payment of shares issue expenses	(2)	-	(5)	-
Net cash (used in)/from financing activities	(9,711)	121,531	157,778	158,000
Net (decrease) increase in cash and cash equivalents	(60,370)	25,581	(69,228)	9,028
Cash and cash equivalents at beginning of period	112,258	30,858	121,530	45,513
Effect of exchange rate on foreign currency balances	(336)	529	(750)	2,427
Cash and cash equivalents at end of period	51,552	56,968	51,552	56,968

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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	Revaluation Reserve	Foreign Currency Translation Reserve	Investment Revaluation Reserve	Other Reserve	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 2017	150,000	880,635	(999)	318	35,682	(26,254)	(141)	-	1,039,241	14,046	1,053,287
Total comprehensive income for the period	-	9,156	-	-	-	6,036	22	-	15,214	(249)	14,965
Balance as at 30 Jun 2017	150,000	889,791	(999)	318	35,682	(20,218)	(119)	-	1,054,455	13,797	1,068,252
Total comprehensive income for the period	-	4,198	-	-	240	2,982	10	-	7,430	(13)	7,417
Dividends paid to non-controlling interest	-	-	-	-	-	-	-	-	-	(3,200)	(3,200)
Balance as at 30 Sep 2017	150,000	893,989	(999)	318	35,922	(17,236)	(109)	-	1,061,885	10,584	1,072,469

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)1 by a joint venture	-	(4,984)	-	-	-	4,984	-	-	-	-	-
Effect of adopting of SFRS(I)9 by a joint venture	-	73	-	-	-	-	-	-	73	-	73
As restated	150,000	924,270	(945)	325	50,892	(22,596)	(120)	-	1,101,826	10,080	1,111,906
Total comprehensive income for the period	-	15,269	-	-	-	(14,772)	(52)	(4,551)	(4,106)	(159)	(4,265)
Balance as at 30 Jun 2018	150,000	939,539	(945)	325	50,892	(37,368)	(172)	(4,551)	1,097,720	9,921	1,107,641
Total comprehensive income for the period	-	2,202	-	-	-	(11,475)	26	(6,003)	(15,250)	(88)	(15,338)
Balance as at 30 Sep 2018	150,000	941,741	(945)	325	50,892	(48,843)	(146)	(10,554)	1,082,470	9,833	1,092,303

Note 1: Other reserve includes hedging reserve of \$10.6 million as at 30 Sep 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 2017	150,000	682,955	(999)	318	-	832,274
Total comprehensive income for the period	-	12,641	-	-	-	12,641
Balance as at 30 Jun 2017	150,000	695,596	(999)	318	-	844,915
Total comprehensive income for the period	-	8,481	-	-	-	8,481
Balance as at 30 Sep 2017	150,000	704,077	(999)	318	-	853,396

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
Total comprehensive income for the period	-	13,878	-	-	(3,049)	10,829
Balance as at 30 Jun 2018	150,000	728,710	(945)	325	(3,049)	875,041
Total comprehensive income for the period	-	1,737	-	-	(3,663)	(1,926)
Balance as at 30 Sep 2018	150,000	730,447	(945)	325	(6,712)	873,115

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 2017.

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 2018	As at 31 Dec 2017
Total number of Ordinary Shares issued and fully paid	6,720,000,000	6,720,000,000
Less: Treasury Shares	(6,840,000)	(7,230,000)
Total number of issued shares excluding treasury shares	6,713,160,000	6,712,770,000

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 2018	7,230,000
Less: Sales, transfers, disposals or cancellation	(390,000)
Balance as at 30 September 2018	6,840,000

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.**

In December 2017, the Accounting Standards Council (ASC) issued the Singapore Financial Reporting Standards (International) (SFRS(I)). SFRS(I) comprises standards and interpretations that are equivalent to International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB). The Group's financial statements for the financial year ending 31 December 2018 will be prepared in accordance with SFRS(I) issued by the ASC, and IFRS issued by the IASB.

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 2017, except for the adoption of new/revised SFRS(I) applicable for the financial period beginning 1 January 2018 and by a joint venture as follows:

SFRS(I) 1 First-time Adoption of Singapore Financial Reporting Standards (International)
SFRS(I) 9 Financial Instruments
SFRS(I) 15 Revenue from Contracts with Customers

SFRS(I) 1 First-time Adoption of Singapore Financial Reporting Standards (International)

SFRS(I) requires that the Group applies SFRS(I) on a retrospective basis and restatement of comparatives may be required because SFRS(I) 1 requires both the opening balance sheet and comparative information to be prepared using the most current accounting policies. SFRS(I) 1 provides mandatory exceptions and optional exemptions from retrospective application, but these are often different from those specific transition provisions in individual FRSs applied to FRS financial statements. The application of the mandatory exceptions and the optional exemptions in SFRS(I) 1 does not have any significant impact on the Group's financial statements.

SFRS(I) 9 Financial Instruments

SFRS(I) 9 introduces new requirements for classification and measurement of financial assets, impairment of financial assets and hedge accounting. Overall, the Group does not expect a significant change to the measurement basis arising from adopting the new classification and measurement model under SFRS(I) 9. The Group's existing hedges that are designated in effective hedging relationship continue to qualify for hedge accounting under SFRS(I) 9.

SFRS(I) 9 requires the Group to record expected credit losses on all of its loans and trade receivables, either on a 12-month or lifetime basis. The Group adopts the simplified approach and records lifetime expected losses on all trade receivables. The impairment calculated using the expected credit loss model does not have a significant impact on the financial statements.

SFRS(I) 15 Revenue from Contracts with Customers

SFRS(I) 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It also introduces new cost guidance which requires certain costs of obtaining and fulfilling contracts to be recognised as separate assets when specified criteria are met.

Based on the existing contractual arrangement for revenue, management has assessed that the implementation of SFRS(I) 15 does not result in a change in the amounts and timing of revenue recognition by the company in respect of properties under development as at 30 September 2018.

The impact on the Group's financial statements arising from the adoption of SFRS(I) 1 and SFRS(I) 9 by a joint venture is as follows:

	2018 Increase/ (decrease)
	S\$'000
Group	
Balance sheet as at 1 Jan 2018	
Retained earnings	-
Foreign currency translation reserve	(4,911)
	4,984
Total impact on equity as at 30 Sep 2018	73

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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 2018	3Q 2017	9M 2018	9M 2017
Weighted average number of shares in issue	6,713,160,000	6,712,770,000	6,713,098,346	6,712,770,000
Earnings per share ("EPS")¹	cents	cents	cents	cents
Based on weighted average number of shares in issue	0.03	0.06	0.26	0.20
Based on fully diluted basis	0.03	0.06	0.26	0.20
Number of shares in issue at end of period	6,713,160,000	6,712,770,000	6,713,160,000	6,712,770,000

Footnote:

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

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 2018 Cents	31 Dec 2017 Cents	30 Sep 2018 Cents	31 Dec 2017 Cents
Net asset value ("NAV") per ordinary share	16.1	16.4	13.0	12.9

The NAV per ordinary share as at 30 Sep 2018 and 31 December 2017 was calculated based on 6,713,160,000 and 6,712,770,000 issued shares (excluding treasury shares) respectively.

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

	Group					
	3Q 2018 S\$'000	3Q 2017 S\$'000	Change %	9M 2018 S\$'000	9M 2017 S\$'000	Change %
<u>REVENUE</u>						
Property development	32,388	45,070	(28.1)	130,003	109,794	18.4
Commercial investment	5,971	5,789	3.1	17,694	16,232	9.0
Hotel operations	5,550	5,062	9.6	17,457	8,511	105.1
Hospitality investment	758	-	N.M	2,064	-	N.M
Total	44,667	55,921	(20.1)	167,218	134,537	24.3
<u>GROSS PROFIT</u>						
Property development	8,572	9,740	(12.0)	33,065	27,441	20.5
Commercial investment	5,971	5,789	3.1	17,694	16,274	8.7
Hotel operations	2,309	2,595	(11.0)	9,414	4,430	112.5
Hospitality investment	758	-	N.M	2,064	-	N.M
Total	17,610	18,124	(2.8)	62,237	48,145	29.3
<u>PROFIT BEFORE TAXATION</u>						
Property development	2,803	5,701	(50.8)	20,642	17,061	21.0
Commercial investment	(1,373)	(407)	237.3	(2,652)	(735)	260.8
Hotel operations	1,714	446	284.3	4,121	1,042	295.5
Hospitality investment	483	-	N.M	1,178	-	N.M
Total	3,627	5,740	(36.8)	23,289	17,368	34.1

	Group			
	3Q 2018 %	3Q 2017 %	9M 2018 %	9M 2017 %
<u>GROSS PROFIT MARGIN</u>				
Property development	26.5	21.6	25.4	25.0
Commercial investment	100.0	100.0	100.0	100.3
Hotel operations	41.6	51.3	53.9	52.1
Hospitality investment	100.0	-	100.0	-
Consolidated total	39.4	32.4	37.2	35.8

N.M – Not Meaningful

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3Q 2018 vs 3Q 2017

Revenue

The Group revenue for 3Q 2018 decreased by 20.1%, or \$11.3 million to \$44.7 million on account of lower contributions from our City Gate development project in Singapore in 3Q 2018; the decrease are partly offsetted by higher rental revenue from our investment properties and hotel operations income from Australia and United Kingdom. The one-off revenue recognition on sales of 1 property unit at Wak Hassan in 3Q 2017 also attributed the decreased of revenue in 3Q 2018.

Hospitality investment segment also contributed a full quarter revenue of \$0.76 million in 3Q 2018. The contribution was derived from the four hotel properties namely, i) Corbyn Head Hotel; ii) Lyndene Hotel; iii) The Townhouse Hotel; and iv) The Crown Hotel, all located in the United Kingdom.

Gross Profit

Gross profit slightly decreased by 2.8% to \$17.6 million which was in line with the decrease in overall revenue. The increase in gross profit margin to 39.4% in the 3Q 2018 compared with 32.4% achieved during the same period in 2017 was mainly due to the higher margin contributed by the City Gate project in 3Q2018.

Other Operating Loss

Other operating loss of \$0.1 million for 3Q 2018 was largely due to foreign exchange loss on bank balance denominated in foreign currency.

Other Operating Expenses

Other operating expenses for 3Q 2018 decreased by 10.2%, or \$0.9 million to \$8.1 million mainly due to the following factors:

1. decrease in commission expenses relating to the development projects and leasing of commercial units; and
2. decrease in property tax resulting from the capitalisation of property tax for the Australian development projects following commencement of construction activities.
3. decrease in utilities and legal and professional fee;

The above decreased was partly offset by:

1. higher sales activities resulted in increase in advertising and promotion costs;
2. increase in city council rate charges on hotel properties in Australia and UK; and
3. increase in depreciation on additional fixed assets and security services.

Finance Costs

Finance costs increased by \$1.4 million in 3Q 2018 mainly due to:

- i) increase in finance costs relating to additional loans drawn down and issuance of new debt notes; and
- ii) general increase in average interest rates across the floating rate borrowings in 3Q 2018;

The increased was partly offset by the capitalisation of \$3.4 million of interest expenses for the development projects in Australia and United Kingdom.

Taxation

Taxation for 3Q 2018 slightly decreased by 2.7% or \$0.04 million over 3Q 2017 mainly due to lower profit before tax.

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9M 2018 vs 9M 2017

Revenue

The Group revenue for 9M 2018 increased by 24.3%, or \$32.7 million to \$167.2 million on account of higher contributions from our City Gate development project in Singapore; rental revenue from our commercial properties and hotel operations income from ibis Styles Hobart, in Australia, which commenced operations in July 2017 and The Imperial Hotel, in the United Kingdom, which we acquired in February 2017.

Hospitality investment segment also contributed full nine months revenue of \$2.1 million in 9M 2018. The contribution was derived from the four hotel properties namely, i) Corbyn Head Hotel; ii) Lyndene Hotel; iii) The Townhouse Hotel; and iv) The Crown Hotel, all located in the United Kingdom.

Gross Profit

Gross profit increased by 29.3% to \$62.2 million which was in line with the increase in overall revenue. Gross profit margin increased by 37.2% in the 9M 2018 compared with 35.8% achieved during the same period in 2017.

Other Operating Loss

Other operating loss for 9M 2018 increased by \$0.6 million was largely due to foreign exchange loss on bank balance denominated in foreign currency.

Other Operating Expenses

Other operating expenses for 9M 2018 increased by 16.3%, or \$3.4 million to \$24.3 million mainly due to the following factors:

1. increase in commission expenses relating to the development projects and leasing of commercial units; and
2. increase in depreciation on additional fixed assets, utilities, repair and maintenance, security services and payroll expenses due to the two hotel operations in Australia and United Kingdom;
3. increase in city council rate charges on hotel properties in Australia and UK.

The above increased was partly offset by:

1. lower sales activities resulted in decrease in advertising and promotion costs; and
2. decrease in property tax resulting from the capitalisation of property tax for the Australian development projects following commencement of construction activities;

Finance Costs

Finance costs increased by \$2.9 million or 24.4% in 9M 2018 mainly due to:

- iii) increase in finance costs relating to additional loans drawn down and issuance of new debt notes; and
- iv) general increase in average interest rates across the floating rate borrowings in 9M 2018;

The increased was partly offset by the capitalisation of \$8.8 million of interest expenses for the development projects in Australia and United Kingdom.

Taxation

Taxation for 9M 2018 increased by 41.8% or \$1.8 million over 9M 2017 mainly due to higher profit before tax.

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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 \$1.3 billion as at 30 Sep 2018.

Property, plant and equipment which primarily comprise i) office premises; and ii) hotel properties totaled \$100.1 million as at 30 Sep 2018 (31 Dec 2017 : \$104.5 million). The slight decrease was attributed to the depreciation and the foreign currency movement of properties in Australia and United Kingdom.

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 capitalised and other related costs and these accounted for \$441.9 million or 50.4% of total current assets as at 30 Sep 2018. The net increase of \$13.9 million compared to the balance as at 31 December 2017 was mainly due to the additional costs incurred for Australia and Singapore projects. This increase is partially offset by the progressive billing for City Gate project and transfer of 555 collins street to properties held for sale during the year.

Trade and other receivables of \$225.3 million include \$165.9 million of revenue from our property development projects in Singapore. The increase compared to the balance as at 31 December 2017 was mainly due to deposit paid for one of our development at 205 Jalan Eunos and the additional revenue recognised, which was partially offset by collections from the buyers.

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 marginally from \$42.6 million as at 31 December 2017 to \$42.3 million.

Total borrowings increase by \$155.8 millions, or 14.0% was due to the additional drawdown of \$67.3 million term loan and issuance of \$125.0 medium term notes during the year. The increase was partially offset by repayment of certain borrowings during the year.

During the year ended 30 Sep 2018, the net cash outflow from operating activities amounted to \$183.7 million. Cash used in investing activities amounted to \$43.3 million which was substantially used towards acquisition of properties in the United Kingdom. Net cash inflow from financing activities amounted to \$157.8 million which mainly drawdown down of additional loan and issuance of medium term notes, partially offset by repayment certain borrowings. Cash and cash equivalents stood at \$51.6 million as at the end of 30 Sep 2018 compared to \$121.5 million as at the end of 31 December 2017.

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

The current results are broadly in line with the prospects statement made in the second quarter 2018 financial 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 0.5% in 3Q 2018, compared with the 3.4% increase in the previous quarter¹.

The Group has completed the purchase of two sites for development namely 205 Jalan Eunos and 31 Jervois Road. The Group is actively working on the redevelopment plans of these two projects. City Gate, the mixed development project in which the Group has 50% interest is nearing its completion. With 99.7%² of the residential units and 77.1%² of the commercial units already sold, the Group expects to receive healthy cashflow upon its completion.

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The Group has recently incorporated a wholly-owned subsidiary, Fragrance Victory Pte Ltd, with an initial paid up capital S\$1,000,000. Fragrance Victory Pte Ltd has successfully tendered for a property located at Waterloo Street Singapore ("Waterloo Property") for a consideration of S\$131,100,000.00. This purchase is subject to the approval of the Strata Titles Board and the Group is intending to redevelop the property into a hotel.

The Group has applied to Urban Redevelopment Authority for a change of use in respect of the property at 15 Hoe Chiang Road, Singapore to full hotel usage and has obtained their advice that rezoning is allowed subject to various conditions inter alia payment of rezoning fee, submission of full redevelopment proposal, etc. The Group has paid the rezoning fee and noted that the proposed amendment to the master plan has been processed. The Group has made a planning submission and obtained an advice from URA in October 2018 and is in the midst of complying to the various technical requirements. The change of use will result in a substantial uplift to the fair value of the property, of approximately S\$210 million.

Rental of office space increased by 2.5%¹ in 3Q 2018, compared to 2Q 2018. The Group is continuing its efforts to increase the occupancy of its investment properties in Singapore.

Australia

The Group is actively working on its various development projects in Australia. Construction works for Premier Tower and NV Apartments are in full swing and marketing efforts are ongoing to sell the remaining units in these two projects.

The Group has a total contracted and unconditional sale of A\$441.9³ million from these two projects recording 73.5% and 23.2% of the residential units sales, respectively. Such revenue will only be recognised on completion of development of the respective properties. No revenue and profits from these projects are expected to be reported in FY 2018.

On 26 Oct 2018, the Group has sold the property located at 555 Collins Street, Melbourne, Victoria, Australia for a cash consideration of A\$140.0 million. The Sale will contribute positively to the financial results of the Group in the financial year ending 31 December 2018.

With more than one year of stabilized operations, the Group expect the Ibis Style Hobart hotel in Tasmania to continue to provide a stable stream of revenue in FY 2018.

United Kingdom

The Group's hotel investment properties, namely, The Crown Hotel, Lyndene Hotel, St Chads Hotel and The Townhouse Hotel, will provide stable recurring income in FY 2018. The Imperial Hotel in Blackpool which is self-operated also expected to provide stable hotel operating income to the Group. The Group is actively working on the redevelopment plans or refurbishment works for the rest of the properties.

Footnotes:

1. According to the Urban Redevelopment Authority flash estimates
2. Sales status represents the percentage of units sold as at 30 September 2018
3. Unconditional sales status represents the percentage of units sold as at 31 October 2018

11. Dividend

(a) Any dividend declared for the current financial period/year? Yes

Name of Dividend	Interim (ordinary)
Dividend Type	Cash
Dividend Amount per share	\$0.002 per share
No of shares in issue (excluding treasury shares)	6,713,160,000
Total Dividend Amount	S\$13,426,320/-
Tax Rate	Tax-exempt (one-tier tax) dividend

(b) Any dividend declared for the previous corresponding period? No

(c) Date payable : 30 November 2018

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(d) Books closure date :

Notice is hereby given that the Register of Members of Transfer Books of the Company will be closed at the close of market day on 22 November 2018 for the purpose of determining shareholders' entitlements to dividends.

Registrable transfers received by the Company's Registrar, Tricor Singapore Pte Ltd at 80 Robinson Road #02-00 Singapore 068898, up to 5:00 p.m. on 22 November 2018 will be registered before entitlements to the dividend are determined

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").

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 2018, 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 2018