



FRAGRANCE GROUP LIMITED

Company Registration No.: 200006656M

FRAGRANCE GROUP LIMITED

**UNAUDITED RESULTS AND DIVIDEND ANNOUNCEMENT
FOR THE THIRD QUARTER AND NINE MONTHS ENDED 30 SEPTEMBER 2017**



FRAGRANCE GROUP LIMITED

Company Registration No.: 200006656M

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					
	3Q 2017	3Q 2016	Change	9M 2017	9M 2016	Change
	S\$'000	S\$'000	%	S\$'000	S\$'000	%
Turnover	55,921	32,969	69.6	134,537	86,354	55.8
Cost of sales	(37,797)	(19,905)	89.9	(86,392)	(55,183)	56.6
Gross profit	18,124	13,064	38.7	48,145	31,171	54.5
Other operating (loss) income	324	793	(59.1)	(185)	7,912	N.M
Other operating expenses	(9,062)	(5,160)	75.6	(20,911)	(15,179)	37.8
Finance costs	(4,466)	(4,395)	1.6	(12,053)	(13,899)	(13.3)
Share of results of a joint venture	820	247	232.0	2,372	1,854	27.9
Profit before income tax	5,740	4,549	26.2	17,368	11,859	46.5
Taxation	(1,555)	(1,327)	17.2	(4,276)	849	N.M
Profit for the period	4,185	3,222	29.9	13,092	12,708	3.0

Attributable to:						
Equity holders of the Company	4,198	3,104	35.2	13,354	12,050	10.8
Non-controlling interests	(13)	118	N.M	(262)	658	N.M

GROUP	Statement of comprehensive income					
	3Q 2017	3Q 2016	Change	9M 2017	9M 2016	Change
	S\$'000	S\$'000	%	S\$'000	S\$'000	%
Other comprehensive income						
Exchange difference on translation of foreign operations	2,146	10,268	(79.1)	8,664	2,887	200.1
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	822	379	116.9	433	(4,797)	N.M
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	10	(99)	N.M	32	(64)	N.M
Net other comprehensive income (loss)	3,232	10,548	(69.4)	9,290	(1,974)	N.M
Total comprehensive income	7,417	13,770	(46.1)	22,382	10,734	108.5

Attributable to:						
Equity holders of the Company	7,430	13,652	(45.6)	22,644	10,076	124.7
Non-controlling interests	(13)	118	N.M	(262)	658	N.M

N.M – Not Meaningful

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

GROUP	3Q 2017	3Q 2016	Change		9M 2017	9M 2016	Change
	S\$'000	S\$'000	%		S\$'000	S\$'000	%
Allowance for doubtful debts	(170)	-	N.M		(170)	(1)	16,900.0
Amortisation and depreciation	(528)	(296)	78.4		(790)	(598)	32.1
Finance costs	(4,466)	(4,395)	1.6		(12,053)	(13,899)	(13.3)
Under/(over) provision of income tax in prior years	70	-	N.M		24	(3,407)	N.M
<u>Other operating (loss) income</u>							
Change in fair value of held for trading investments	-	-	N.M		-	1,104	N.M
Net loss on disposal of held for trading investments	-	-	N.M		-	(636)	N.M
Net foreign exchange gain	687	31	N.M		325	46	N.M
Interest income	95	166	(42.8)		278	514	(45.9)
Fair value (loss) gain on investment properties	(201)	92	N.M		(721)	6,062	N.M
Loss on disposal of investment property	(808)	-	N.M		(808)	-	N.M
Gain on foreign exchange options premium	402	382	5.2		490	524	(6.5)
Others	149	122	22.1		251	298	(15.8)
Total	324	793	(59.1)		(185)	7,912	N.M

N.M – Not Meaningful


FRAGRANCE GROUP LIMITED

Company Registration No.: 200006656M

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.

Statements of financial position	Group		Company	
	30-Sep-2017 S\$'000	31-Dec-2016 S\$'000	30-Sep-2017 S\$'000	31-Dec-2016 S\$'000
<u>Non-current assets</u>				
Property, plant and equipment	126,517	18,903	-	-
Other receivables	-	1,238	-	1,238
Investment properties	1,240,317	1,172,223	-	-
Prepayments	7,663	8,128	120	-
Subsidiaries	-	-	659,924	750,152
Investment in a joint venture	98,023	93,566	89,013	87,313
Deferred tax asset	1,278	1,254	-	-
Total non-current assets	1,473,798	1,295,312	749,057	838,703
<u>Current assets</u>				
Cash and cash equivalents	56,968	45,513	43,623	8,621
Trade and other receivables	135,458	75,276	183,450	40,583
Development properties	445,312	476,476	129,909	181,795
Properties held for sale	38,597	67,731	636	636
Inventories	117	-	-	-
Total current assets	676,452	664,996	357,618	231,635
<u>Current liabilities</u>				
Trade and other payables	42,425	32,920	32,847	40,159
Notes payable	285	76,048	285	76,048
Term loans	204,122	151,734	-	-
Income tax payable	4,006	16,848	6	11,440
Derivative financial instrument	116	87	-	-
Total current liabilities	250,954	277,637	33,138	127,647
Net current assets	425,498	387,359	324,480	103,988
<u>Non-current liabilities</u>				
Trade and other payables	-	-	1,370	2,000
Notes payable	82,008	-	82,008	-
Term loans	738,353	626,692	130,225	105,725
Deferred taxation	6,466	2,692	6,465	2,692
Total non-current liabilities	826,827	629,384	220,068	110,417
Net Assets	1,072,469	1,053,287	853,469	832,274

**FRAGRANCE GROUP LIMITED**

Company Registration No.: 200006656M

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. - Continued*

Statement of financial position	Group		Company	
	30-Sep-2017 S\$'000	31-Dec-2016 S\$'000	30-Sep-2017 S\$'000	31-Dec-2016 S\$'000
<u>Shareholders' equity</u>				
Share capital	150,000	150,000	150,000	150,000
Treasury shares	(999)	(999)	(999)	(999)
Performance share reserves	318	318	318	318
Revaluation reserves	35,922	35,682	-	-
Foreign currency translation reserves	(17,236)	(26,254)	-	-
Investment revaluation reserve	(109)	(141)	-	-
Retained earnings	890,789	880,635	704,150	682,955
Equity attributable to the owners of the Company	1,058,685	1,039,241	853,469	832,274
Non-controlling interests	13,784	14,046	-	-
Total Equity	1,072,469	1,053,287	853,469	832,274

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

	As at 30 Sep 2017		As at 31 Dec 2016	
	Secured	Unsecured	Secured	Unsecured
	S\$'000	S\$'000	S\$'000	S\$'000
Amount repayable in one year or less, or on demand	204,122	285	151,734	76,048
Amount repayable after one year	738,353	82,008	626,692	-

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.


FRAGRANCE GROUP 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			
	3Q 2017 S\$'000	3Q 2016 S\$'000	9M 2017 S\$'000	9M 2016 S\$'000
<u>Operating activities</u>				
Profit before income tax	5,740	4,549	17,368	11,859
Adjustments for:				
Amortisation and depreciation	460	125	748	361
Amortisation of land lease	195	195	585	585
Net amortisation of rental incentive granted	(132)	(72)	(548)	(492)
Amortisation of processing fee on debt notes issued	5	48	5	144
Fair value on derivative financial instrument	116	-	29	-
Interest income	(95)	(166)	(278)	(514)
Interest expense	4,466	4,395	12,053	13,899
Net gain on held for trading investments	-	-	-	(468)
Change in fair value of investment properties	201	(92)	721	(6,062)
Loss on disposal of investment property	808	-	808	-
Net foreign exchange difference	(423)	12	-	13
Share of results of a joint venture	(820)	(247)	(2,372)	(1,854)
Allowance for doubtful debt	170	-	170	1
Operating cash flow before movements in working capital	10,691	8,747	29,289	17,472
Inventories	(26)	-	(117)	-
Trade and other receivables	(60,744)	62,540	(63,450)	158,548
Development properties and properties held for sale	17,957	(2,201)	(4,809)	(881)
Trade and other payables	(8,945)	2,296	9,343	272
Net cash (used in) generated from operations	(41,067)	71,382	(29,744)	175,411
Interest paid	(3,856)	(6,440)	(14,074)	(18,770)
Income taxes paid	(6,092)	(8,317)	(13,344)	(17,214)
Net cash (used in) generated from operating activities	(51,015)	56,625	(57,162)	139,427
<u>Investing activities</u>				
Purchase of held for trading investments	-	-	-	(1,354)
Investment in a joint venture	-	-	(1,699)	(31,750)
Interest received	95	166	278	514
Purchase of property, plant and equipment	(432)	(140)	(44,961)	(220)
Additions to investment properties	(46,286)	(385)	(47,116)	(3,110)
Proceeds from disposal of held for trading investments	-	-	-	5,976
Proceeds from disposal of investment property	1,688	-	1,688	-
Net cash used in investing activities	(44,935)	(359)	(91,810)	(29,944)

**FRAGRANCE GROUP 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. – Continued*

Statement of cash flows	Group			
	3Q 2017 S\$'000	3Q 2016 S\$'000	9M 2017 S\$'000	9M 2016 S\$'000
<u>Financing activities</u>				
Advance to non-controlling interests	(2,880)	-	(5,880)	-
Dividend paid	(3,200)	-	(3,200)	-
Proceeds from borrowings	56,500	2,500	200,000	5,357
Repayment of debt notes issued	-	-	(74,750)	-
Proceeds from debt notes issued	78,615	-	78,615	-
Repayment of borrowings	(7,504)	(67,305)	(36,785)	(148,343)
Net cash from (used in) financing activities	121,531	(64,805)	158,000	(142,986)
Net increase (decrease) in cash and cash equivalents	25,581	(8,539)	9,028	(33,503)
Cash and cash equivalents at beginning of period	30,858	69,072	45,513	94,354
Effect of exchange rate on foreign currency balances	529	(8)	2,427	(326)
Cash and cash equivalents at end of period	56,968	60,525	56,968	60,525

**FRAGRANCE GROUP LIMITED**

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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	Foreign Currency Translation Reserve	Investment Revaluation 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
Balance as at 1 Jan 2016	150,000	879,844	(1,050)	308	33,266	(26,721)	(72)	1,035,575	13,774	1,049,349
Total comprehensive income for the period	-	8,946	-	-	-	(12,557)	35	(3,576)	540	(3,036)
Balance as at 30 Jun 2016	150,000	888,790	(1,050)	308	33,266	(39,278)	(37)	1,031,999	14,314	1,046,313
Total comprehensive income for the period	-	3,104	-	-	-	10,647	(99)	13,652	118	13,770
Balance as at 30 Sep 2016	150,000	891,894	(1,050)	308	33,266	(28,631)	(136)	1,045,651	14,432	1,060,083

Statement of changes in equity	Share Capital	Retained Earnings	Treasury Shares	Performance Share Reserves	Revaluation Reserves	Foreign Currency Translation Reserve	Investment Revaluation 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
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	-	(3,200)	-	-	-	-	-	(3,200)	-	(3,200)
Balance as at 30 Sep 2017	150,000	890,789	(999)	318	35,922	(17,236)	(109)	1,058,685	13,784	1,072,469

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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. – Continued*

Statement of changes in equity	Share Capital	Retained Earnings	Treasury Shares	Performance Share Reserves	Total
Company	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
Balance as at 1 Jan 2016	150,000	606,115	(1,050)	308	755,373
Total comprehensive income for the period	-	53,763	-	-	53,763
Balance as at 30 Jun 2016	150,000	659,878	(1,050)	308	809,136
Total comprehensive income for the period	-	15,328	-	-	15,328
Balance as at 30 Sep 2016	150,000	675,206	(1,050)	308	824,464
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

- 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 30-Sep-2017	As at 31-Dec-2016
Total number of Ordinary Shares issued and fully paid	6,720,000,000	6,720,000,000
Treasury Shares	(7,230,000)	(7,230,000)
Total number of issued shares excluding treasury shares	6,712,770,000	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.*

There were no sales, transfer, disposal, cancellation and/or use of treasury shares for the period ended 30 September 2017.

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.

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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 third quarter announcement for the current financial period as those of the audited financial statements for the year ended 31 December 2016.

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.*

Not applicable.

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 6,712,770,000 shares (2016: 6,712,400,000) (excluding treasury shares)	GROUP			
	3Q 2017 Cents	3Q 2016 Cents	9M 2017 Cents	9M 2016 Cents
Based on the weighted average number of ordinary shares in issue	0.06	0.05	0.20	0.18
On a fully diluted basis	0.06	0.05	0.20	0.18

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-2017 Cents	31-Dec-2016 Cents	30 -Sep-2017 Cents	31-Dec-2016 Cents
Net asset value ("NAV") per ordinary share	15.8	15.5	12.7	12.4

The NAV per ordinary share as at 30 September 2017 and 31 December 2016 was calculated based on 6,712,770,000 issued shares (excluding treasury shares).



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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.*

REVIEW OF GROUP PERFORMANCE

GROUP	3Q 2017	3Q 2016	Change %		9M 2017	9M 2016	Change %
<u>REVENUE (\$\$'000)</u>							
Property development	45,070	28,269	59.4		109,794	72,728	51.0
Property investment	5,789	4,700	23.2		16,232	13,626	19.1
Hotel	5,062	-	N.M		8,511	-	N.M
Total	55,921	32,969	69.6		134,537	86,354	55.8
<u>GROSS PROFIT (\$\$'000)</u>							
Property development	9,740	8,364	16.5		27,441	17,545	56.4
Property investment	5,789	4,700	23.2		16,274	13,626	19.4
Hotel	2,595	-	N.M		4,430	-	N.M
Total	18,124	13,064	38.7		48,145	31,171	54.5
<u>GROSS PROFIT MARGIN</u>							
Property development	21.6	29.6			25.0	24.1	
Property investment	N.A	N.A			N.A	N.A	
Hotel	51.3	N.A			52.1	N.A	
Consolidated Total	32.4	39.6			35.8	36.1	
<u>PROFIT BEFORE TAXATION (\$\$'000)</u>							
Property development	5,701	4,717	20.9		17,061	8,141	109.6
Property investment	(407)	(168)	142.3		(735)	3,718	N.M
Hotel	446	-	N.M		1,042	-	N.M
Total	5,740	4,549	26.2		17,368	11,859	46.5

N.A- Not Applicable

N.M – Not Meaningful

**3Q 2017 Vs 3Q 2016***Revenue*

The Group recorded a turnover of \$55.92 million in the third quarter of 2017, a 69.6% increase from \$32.97 million recorded in the corresponding period in 2016. Property development and hotel segments contributed mainly to this increase.

- (a) Property development segment contributed \$45.07 million in the third quarter of 2017 which is 59.4% higher than \$28.27 million recorded in the corresponding period of 2016. This was mainly due to the substantial revenue contribution from the *City Gate* project, for which construction commenced in the second quarter of 2016. In addition, we sold one of our property held for sale (bungalow at *Wak Hassan*) which contributed \$5.3 million to the revenue and no such revenue was recorded in the third quarter of 2016.
- (b) Rental from our investment properties namely *Tower 15*, *Fragrance Empire Building*, *The Punggol Point* and *Victory Centre* were the main contributors to revenue for this segment in the third quarter of 2017. The higher rental income in the third quarter of 2017 was due mainly to higher occupancy status in *Fragrance Empire Building* and *Victory Centre*. The increase is partly offset by the decrease in rental income from *The Punggol Point*.
- (c) Contribution of \$5.1 million from hotel segment came from the Group's hotels, *ibis Styles Hobart*, in Australia; and hotels in United Kingdom namely the *Lyndene Hotel*, *The Townhouse Hotel*, *The Crown Hotel*, and *The Imperial Hotel*.

Gross Profit

Our overall gross profit increased by 38.7% to \$18.1 million in line with the increase in overall revenue. The decrease in gross profit margin to 32.4% in the third quarter of 2017 compared with 39.6% achieved during the same period in 2016 was mainly due to the lower margin contributed by the *City Gate* project and the sale of one of our property held for sale (bungalow at *Wak Hassan*).

Other Operating Income

Other operating income decreased by 59.1% to \$0.32 million was mainly due to recognition of foreign exchange gain in relation to the translation of Pounds Sterling at lower exchange rates vis- a- vis the Singapore dollar between date of transaction and 30 September 2017 which was partially offset by loss on disposal of one investment property and fair value loss on investment properties.

Other Operating Expenses

Other operating expenses increased from \$5.16 million in the third quarter of 2016 to \$9.06 million in the third quarter of 2017. The increase was mainly due to the following:

- 1. Increase in depreciation on additional fixed assets, utilities and payroll expenses due to operation of hotels in the United Kingdom and Australia; and
- 2. Increase in commission expenses relating to the development projects and leasing of investment properties.



Finance Costs

Finance costs increased marginally by \$0.07 million in the third quarter of 2017 mainly due to:

- i) the finance costs relating to the debt notes issued during third quarter 2017;
- ii) finance costs relating to additional loans drawn down; and partly offset by
- iii) full redemption of the \$85.0 million debt notes in January 2017, thus reducing the related interest expense;

Share of Results of Joint Venture

The share of results of a joint venture was attributable to the equity accounting of the Group's share of results in AF Global Limited, through AF Corporation Pte Ltd.

Profit before Income Tax

Overall profit before taxation increased by 26.2% from \$4.5 million in the third quarter of 2016 to \$5.74 million in the third quarter of 2017.

Taxation

Taxation for the third quarter of 2017 amounted to approximately 27.1% of the profit before tax and 29.1% of the profit before tax for the corresponding period.

9M 2017 Vs 9M 2016

Revenue

The Group recorded a turnover of \$134.5 million during the nine months of 2017, a 55.8% increase from \$86.35 million recorded in the corresponding period in 2016.

- (a) Property development segment contributed \$109.79 million in the nine months of 2017 which is 51.0% higher than \$72.73 million recorded in the corresponding period of 2016. This was mainly due to the substantial revenue contribution from the *City Gate* project, for which construction commenced in the second quarter of 2016. In addition, the sale of one bungalow unit at *Wak Hassan* also contributed to the increase of revenue. The increase in revenue is partly offset by the decrease in revenue from other projects namely *Kensington Square*, *Urban Vista* and *Novena Regency* as majority of these projects were completed in prior years.
- (b) Rental from our investment properties namely *Tower 15*, *Fragrance Empire Building*, *The Punggol Point* and *Victory Centre* were the main contributors to revenue for this segment in the nine months of 2017. The higher rental income in the nine months of 2017 was mainly due to higher occupancy status in *Fragrance Empire Building* and *Victory Centre*. The increase is partly offset by decrease in rental income from *Tower 15* and *The Punggol Point*.
- (c) Hotel income of \$8.5 million was derived from our hotel segment namely,
 - i) *ibis Styles Hobart*, in the Australia; and
 - ii) *Lyndene Hotel*, *The Townhouse Hotel*, *The Crown Hotel*, and *The Imperial Hotel*, all in the United Kingdom.



Gross Profit

Our overall gross profit increased by 54.5% to \$48.15 million in line with the increase in overall revenue. The slight decrease in gross profit margin to 35.8% in the nine months of 2017 compared with 36.1% achieved during the same period in 2016 was mainly due to the lower margin contributed by the *City Gate* project and the sale of one of our property held for sale (bungalow at *Wak Hassan*).

Other Operating (Loss) Income

Other operating loss was largely due to i) loss on disposal of one investment property; and ii) fair value loss on investment properties in the nine months of 2017 compared to fair value gain of \$6.06 million in the nine months of 2016.

Other Operating Expenses

Other operating expenses increased from \$15.18 million in the nine months of 2016 to \$20.91 million in the nine months of 2017 mainly because of the following factors:

1. Increase in commission expenses relating to the development projects and leasing of investment properties;
2. Increase in depreciation on additional fixed assets, utilities, repair and maintenance and payroll expenses due to operation of hotels in Australia and United Kingdom;
3. Increase in submission fee for the development properties in Australia; and partly offset by
4. Decrease in advertising and promotion costs due to less sales activities.

Finance Costs

Finance costs decreased by \$1.85 million in the nine months of 2017 mainly due to:

- i) full redemption of the \$85 million debt notes in January 2017, thus reducing the related interest expense;
- ii) general decrease in overall interest rates across the floating rate borrowings; and partly offset by
- iii) finance costs relating to additional loans drawn down and debt notes issued during the period.

Profit before Income Tax

Overall profit before taxation increased by 46.5% from \$11.86 million in the nine months of 2016 to \$17.37 million in the same period of 2017.

Taxation

Taxation for the nine months of 2017 amounted to approximately 24.6% of the profit before tax whereas for the corresponding period, the tax credit was due to the adjustment of the estimated tax provision.



Statements of financial position & Statement of cash flows

Non-current assets mainly comprise 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 \$1.24 billion as at 30 September 2017.

Property, plant and equipment which primarily comprise i) office premises; and ii) hotel properties totaled \$126.52 million as at 30 September 2017 (31 Dec 2016 : \$18.90 million). The increase was attributed to the addition of two UK properties, namely, the *Imperial Hotel*, Blackpool and *The municipal offices building* in Liverpool, and the transfer of *ibis Styles Hobart* hotel in Tasmania, Australia from properties under development. The acquisition of the *Imperial Hotel*, Blackpool and its on-going business is a business combination to be accounted for in accordance with FRS 103. This hotel property is provisionally recorded at the value as per the Sale & Purchase agreement for the purposes of this quarterly and nine months reporting.

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

Current assets comprise mainly development properties, trade and other receivables and properties held for sale. As at 30 September 2017, the Group's current assets totaled \$676.45 million.

Development properties include land costs, development costs, interest capitalised and other related costs and these accounted for \$445.3 million or 65.8% of total current assets as at 30 September 2017. The net decrease of \$31.16 million compared to the balance as at 31 December 2016 was mainly due to the transfer of *ibis Styles Hobart* hotel, Tasmania, Australia to Property, Plant and Equipment following its completion of construction, and the progressive billing for City Gate. This decrease is partially offset by the additional costs incurred for Australia and Singapore projects during the period, and the addition to the Group's development properties from the recent acquisition of *The Palace Hotel* in Torquay, the United Kingdom.

Trade and other receivables of \$135.46 million include \$65.07 million of revenue from our property development projects in Singapore which are recognised based on the percentage of completion method and have yet to be billed. Billing is based on the payment schedule in the standard sale and purchase agreement. The increase compared to the balance as at 31 December 2016 was mainly due to the additional revenue recognised, yet to be billed partly offset by collections from the buyers.

Trade and other payables, which mainly comprise trade creditors, amount due to joint operator and accrual for on going development projects cost which increased from \$32.92 million as at 31 December 2016 to \$42.43 million.

The additional drawdown of certain term loans and issuance of pounds sterling debt notes, which was partially offset by repayment of Singapore Dollars debt notes and certain term loans during the period, resulted in the increase in the Group's total borrowings by 19.9% to \$1.02 billion from \$854.47 million as at 31 December 2016.



During the period ended 30 September 2017, the net cash outflow from operating activities amounted to \$57.16 million. Cash used in investing activities amounted to \$91.81 million which was substantially used towards acquisition of hotel properties in the United Kingdom. Net cash inflow from financing activities amounted to \$158.0 million which comprise proceeds from project related loans and issuance of new debt notes which was partially offset by repayment of debt notes issued and certain borrowings. Cash and cash equivalents stood at \$56.97 million as at the end of 30 September 2017 compared to \$45.51 million as at the end of 31 December 2016.

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 previous results announcements.

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 Segment:

Singapore:

The third quarter 2017 real estate statistics released by the Urban Redevelopment Authority, indicate that the prices of private residential properties increased by 0.7% in third quarter of 2017, compared with the 0.1% decline in the previous quarter.

Having sold almost all of its residential units in Singapore, the Group has only one ongoing development project currently which is as follows.

Project Name	Type	Total No. of units	Percentage of units sold ¹
<i>City Gate</i> (Group has 50% interest)	Residential flats	311	100% Sold
	Commercial units	188	69.1% Sold

Construction works for City Gate commenced during the third quarter of 2016. The Group has started to, and will progressively recognise revenue from sales of about \$337.0 million (our 50% share of the joint operations), based on the percentage of completion method.

¹ Sales information represents the percentage of sold units over total units and is updated with Option to Purchase which has already been exercised up to 9 November 2017.

**FRAGRANCE GROUP LIMITED**

Company Registration No.: 200006656M

Australia:

The Group has the following properties held for development in Australia.

Project Name/Location	Type	Tenure	Land Area (Sq ft)
<i>Premier Tower</i> 134-160 Spencer Street Melbourne, Victoria	Mixed-use Skyscraper Development	Freehold	19,375
<i>555 Collins</i> 555 Collins Street Melbourne, Victoria	Mixed-use Development	Freehold	24,757
<i>NV Apartments & Hotel</i> 374-396 Murray Street, Perth, Western Australia	Mixed-use Development	Freehold	53,023
39-47 Milligan Street and 453-471 Murray Street, Perth, Western Australia	Mixed-use Development	Freehold	38,320
28 – 30 Davey Street Hobart, Tasmania	Hotel Development	Freehold	12,411
171 Macquarie Street Hobart, Tasmania	Commercial Development	Freehold	5,651
2-6 Collins Street Hobart, Tasmania	Hotel Development	Freehold	32,389
234-250 Elizabeth Street Hobart, Tasmania	Mixed-use Development	Freehold	37,680
5-7 Sandy Bay Road; 9, 11 & 13 Wilmot Street and 4, 6 & 8 Heathfield Avenue Hobart, Tasmania	Residential Development	Freehold	52,399

Of the above, *Premier Tower*, *NV Apartments* and *555 Collins* have been launched for sale. About 74.0%, 21.2% and 39.4% of the residential units are sold, respectively². Slated for completion in 2021, construction works for Premier Tower has started in early December 2016 and is ongoing. Demolition works of NV Apartments has already commenced. Owing to the nature of the sales and purchase agreement and payment terms, revenue and profits from sale of properties in Australia will be recognised on completion of development in accordance with financial reporting standards.

The Group is actively working on the redevelopment plans/works for the rest of the Australian properties.

During the period, the Group incorporated Fragrance HF Pty Ltd as part of its Australian property development operations.

² Sales status represents the percentage of units sold as at 9 November 2017.

**FRAGRANCE GROUP LIMITED**

Company Registration No.: 200006656M

United Kingdom:

The Group has the following property held for development in United Kingdom.

Project Name/Location	Type	Tenure	Land Area (Sq ft)
<i>The Palace Hotel</i> Babbacombe Road, Torquay, TQ1 3TG, United Kingdom	Mixed-use Development	Freehold	866,851

The Group, through its subsidiary – Fragrance UK-Torquay Limited, entered into a contract to acquire *The Palace Hotel*, Torquay in June 2017. The Group intends to re-develop this property into a mixed-use development.

Property Investment Segment:*Singapore:*

Based on the statistics released by Urban Redevelopment Authority, the rental rate for office space rose by 2.4% in third quarter of 2017 as compared with 1.1% decline in the previous quarter.

The table below summarises the Group's portfolio of investment properties.

Name/Location	Type	Tenure	Occupancy Status ³
<i>Fragrance Empire Building</i> 456 Alexandra Road	Office/Retail/ Medical Suites/F&B	Freehold	53.9%
<i>Tower 15</i> 15 Hoe Chiang Road	Office/Hotel/F&B	Freehold	74.0%
<i>Fragrance Building</i> 168 Changi Road	Office/Retail/Café	Freehold	98.4%
<i>The Colonial Settlement</i> 3 Punggol Point Road	F&B	15-years lease	75.0%
<i>Victory Centre</i> 110 Lorong 23 Geylang Road	Business 1/ Industrial	60-years lease	65.1%
Commercial units at <i>Novena Regency</i>	Restaurant/Shop	Freehold	27.3%
Commercial units at <i>Icon @ Pasir Panjang</i>	Restaurant/Shop	Freehold	23.2%
Commercial units at <i>Kensington Village</i>	Retail/Restaurant	Freehold	100%

³Occupancy Status represents the percentage of committed lettable space over total lettable space in the building as of 9 November 2017.

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Hotel Segment:***Australia:***

The table below summarises the Group's hotel in Australia.

Name/Location	Type	Tenure
<i>ibis Styles Hobart</i> 173 Macquarie Street Hobart, Tasmania	Hotel	Freehold

The new-build hotel located at 173 Macquarie Street, Hobart, Tasmania began its operation on 1 July 2017. This hotel is managed by AccorHotels - a world-leading travel & lifestyle group. With 296-rooms spanning 10 floors, *ibis Styles Hobart* is now the largest hotel in Tasmania, offering excellent value to travellers seeking world-class quality accommodation. *ibis Styles Hobart* boasts a rooftop indoor heated lap pool, two saunas, a gymnasium and wifi throughout the hotel. This hotel is centrally located, being just a short walk from Hobart CBD and major tourist attractions such as the famous Salamanca market and Battery Point.

United Kingdom:

The table below summarises the Group's portfolio of hotels in the United Kingdom.

Name/Location	Type	Tenure
<i>Imperial Hotel</i> North Promenade, Blackpool FY1 2HB, United Kingdom	Hotel	Freehold
<i>The Municipal office Building^(Note 1)</i> Dale Street, Liverpool, L2 2DH, United Kingdom	Hotel	250 years-lease with an option to purchase the freehold title
<i>The Townhouse Hotel</i> 101 Portland Street, Manchester M1 6DF, United Kingdom	Hotel	Freehold
<i>The Crown Hotel</i> Crown Place, Harrogate, North Yorkshire, HG1 2RK, United Kingdom	Hotel	Freehold
<i>Lyndene Hotel</i> 303-315 Promenade Blackpool, Lancashire FY1 6AN, United Kingdom	Hotel	Freehold

Note 1 : This property will be undergoing Additions and Alteration works with change of use to hotel usage.

**FRAGRANCE GROUP LIMITED**

Company Registration No.: 200006656M

During the period, the Group incorporated the following entities as part of its UK hotel operations:

- (a) Fragrance UK-Torquay 2 Limited;
- (b) Fragrance UK-Paignton Limited; and
- (c) Fragrance UK-Torbay Limited.

Overall Summary

In summary, in the recent past few years, the Group has remained resilient to the challenges in local market and sold almost all of its residential properties in Singapore. Meanwhile, with the timely diversification of operations into Australia and the United Kingdom, the Group has laid a good foundation for sustainable growth in future years.

For the remaining three months of FY2017, the Group's profits and cashflows will highly depend on the following factors:

- i) Construction of *City Gate* is in full swing in FY2017 and will contribute significantly to the property development revenue of the Group. Approximately S\$165.0 million of balance attributable revenue, from the units sold, will be recognised progressively henceforth and attributable profits will be recognised from fourth quarter of FY2017 and beyond.
- ii) Revenue from property investment segment will be highly dependent on the occupancy rate of the investment properties. The Group is working closely with marketing agents to increase the occupancy rate.
- iii) As for Australian property portfolio, as of 9 November 2017, sales of units in *Premier Tower*, *NV Apartments* and *555 Collins* amounts to approximately S\$655.0 million. Such revenue will only be recognised on completion of development of the respective properties. No revenue and profits are expected to be reported in FY2017. The *ibis style Hobart* has already commenced operations and is expected to generate stable stream of revenue.
- iv) Our hotels portfolio in the United Kingdom, is also expected to generate stable income stream.

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: 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.

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). (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 third quarter and nine months ended 30 September 2017 to be false or misleading in any material aspect.

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

9 November 2017