



FRAGRANCE GROUP LIMITED

Company Registration No.: 200006656M

FRAGRANCE GROUP LIMITED

**UNAUDITED FINANCIAL STATEMENT AND DIVIDEND ANNOUNCEMENT
FOR THE SECOND QUARTER AND HALF YEAR ENDED 30 JUNE 2018**

FRAGRANCE GROUP LIMITED
UNAUDITED FINANCIAL STATEMENT AND DIVIDEND ANNOUNCEMENT FOR
THE SECOND QUARTER AND HALF YEAR ENDED 30 JUNE 2018

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

	Group					
	2Q 2018	2Q 2017	Change	1H 2018	1H 2017	Change
	S\$'000	S\$'000	%	S\$'000	S\$'000	%
Turnover	56,813	34,959	62.5	122,551	78,616	55.9
Cost of sales	(35,531)	(20,428)	73.9	(77,924)	(48,595)	60.4
Gross profit	21,282	14,531	46.5	44,627	30,021	48.7
Other operating income/(loss)	81	(103)	N.M	(657)	(509)	29.1
Other operating expenses	(7,847)	(6,073)	29.2	(16,178)	(11,849)	36.5
Finance costs	(5,227)	(3,953)	32.2	(9,140)	(7,587)	20.5
Share of results of a joint venture	574	501	14.6	1,010	1,552	(34.9)
Profit before income tax	8,863	4,903	80.8	19,662	11,628	69.1
Taxation	(2,171)	(1,242)	74.8	(4,552)	(2,721)	67.3
Profit for the period	6,692	3,661	82.8	15,110	8,907	69.6
Attributable to:						
Equity holders of the Company	6,771	3,767	79.7	15,269	9,156	66.8
Non-controlling interests	(79)	(106)	(25.5)	(159)	(249)	(36.1)
Other comprehensive (loss)/income						
Exchange difference on translation of foreign operations	(1,038)	(554)	87.4	(15,197)	6,518	N.M
Fair value gain/(loss) on derivative financial instrument	1,829	-	N.M	(4,551)	-	N.M
Share of other comprehensive income of a joint venture						
Exchange difference on translation of foreign operations	(2,136)	1,408	N.M	425	(389)	N.M
Transfer from foreign currency translation reserve to income statement upon deregistration of a foreign subsidiary company	-	(93)	N.M	-	(93)	N.M
Fair value/(loss) gain on investment securities	(43)	(60)	(28.3)	(52)	22	N.M
Net other comprehensive (loss)/income	(1,388)	701	N.M	(19,375)	6,058	N.M
Total comprehensive (loss)/income	5,304	4,362	21.6	(4,265)	14,965	N.M
Attributable to:						
Equity holders of the Company	5,383	4,468	20.5	(4,106)	15,214	N.M
Non-controlling interests	(79)	(106)	(25.5)	(159)	(249)	(36.1)

N.M – Not Meaningful

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

	Group					
	2Q 2018	2Q 2017	Change	1H 2018	1H 2017	Change
	S\$'000	S\$'000	%	S\$'000	S\$'000	%
<u>Profit before taxation is determined after (charging)/crediting</u>						
Write back of bad debts	1	-	N.M.	19	-	N.M.
Amortisation and depreciation	(641)	(362)	77.1	(1,320)	(678)	94.7
Finance costs	(5,227)	(3,953)	32.2	(9,140)	(7,587)	20.5
<u>Components of tax expense recognised in profit and loss include:</u>						
Under provision of income tax in prior years	(59)	-	N.M	(59)	-	N.M
<u>Other operating income</u>						
Net foreign exchange loss	(21)	(67)	(68.7)	(1,154)	(362)	218.8
Interest income	370	98	277.6	780	183	326.2
Fair value loss on investment properties	(375)	(174)	115.5	(750)	(520)	44.2
Fair value gain on derivative financial instrument	-	-	-	94	88	6.8
Loss on disposal of fixed assets	-	-	-	(8)	-	N.M
Others	107	40	167.5	381	102	273.5
Total	81	(103)	N.M	(657)	(509)	29.1

N.M – Not Meaningful

FRAGRANCE GROUP LIMITED
UNAUDITED FINANCIAL STATEMENT AND DIVIDEND ANNOUNCEMENT FOR
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1(b)(i) **Statements of Financial Position as at 30 Jun 2018 vs 31 Dec 2017**

	Group		Company	
	30 Jun 2018 S\$'000	31 Dec 2017 S\$'000	30 Jun 2018 S\$'000	31 Dec 2017 S\$'000
<u>Non-current assets</u>				
Property, plant and equipment	101,799	104,532	-	-
Other receivables and prepayment	8,473	7,839	1,515	491
Investment properties	1,331,697	1,290,235	-	-
Subsidiaries	-	-	918,716	834,193
Investment in a joint venture	115,220	113,664	89,263	89,163
Deferred tax assets	2,428	2,494	-	-
Total non-current assets	1,559,617	1,518,764	1,009,494	923,847
<u>Current assets</u>				
Cash and cash equivalents	112,258	121,530	90,678	93,068
Trade and other receivables	230,594	159,263	195,887	98,752
Development properties	492,861	427,988	53,598	104,686
Properties held for sale	61,525	61,443	636	636
Inventories	98	132	-	-
Total current assets	897,336	770,356	340,799	297,142
<u>Current liabilities</u>				
Trade and other payables	38,426	42,627	30,854	33,715
Notes interest payable	2,790	1,452	2,790	1,452
Term loans	450,837	469,952	70,725	84,225
Income tax payable	1,935	1,608	367	607
Derivative financial instruments	6,314	904	4,959	474
Finance lease payable	7	-	-	-
Total current liabilities	500,309	516,543	109,695	120,473
Net current assets	397,027	253,813	231,104	176,669
<u>Non-current liabilities</u>				
Trade and other payables	-	-	3,310	2,193
Notes payable	305,559	180,941	305,559	180,941
Term loans	523,475	463,438	45,000	45,000
Deferred taxation	19,940	16,365	11,688	8,170
Finance lease payable	29	-	-	-
Total non-current liabilities	849,003	660,744	365,557	236,304
Net assets	1,107,641	1,111,833	875,041	864,212

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

Statement of financial position	Group		Company	
	30 Jun 2018 S\$'000	31 Dec 2017 S\$'000	30 Jun 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	(37,368)	(27,580)	-	-
Investment revaluation reserve	(172)	(120)	-	-
Other reserve	(4,551)	-	(3,049)	-
Retained earnings	939,539	929,181	728,710	714,832
Equity attributable to the owners of the Company	1,097,720	1,101,753	875,041	864,212
Non-controlling interests	9,921	10,080	-	-
Total equity	1,107,641	1,111,833	875,041	864,212

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

	As at 30 Jun 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	450,844	-	469,952	-
Amount repayable after one year	523,504	305,559	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			
	2Q 2018 S\$'000	2Q 2017 S\$'000	1H 2018 S\$'000	1H 2017 S\$'000
<u>Operating activities</u>				
Profit before income tax	8,863	4,903	19,662	11,628
<i>Adjustments for:</i>				
Amortisation and depreciation	350	167	801	288
Amortisation of land lease	195	195	390	390
Rent free income/ net amortisation of rental incentive granted	260	(322)	335	(416)
Amortisation of processing fee on debt notes issued	96	-	129	-
Fair value on derivative financial instrument	-	-	(94)	(87)
Interest income	(370)	(98)	(780)	(183)
Interest expense	5,227	3,953	9,140	7,587
Change in fair value of investment properties	375	174	750	520
Loss on disposal of fixed assets	-	-	8	-
Net foreign (gain)/loss exchange difference	(322)	(68)	(417)	423
Write back of bad debt	(1)	-	(19)	-
Share of results of a joint venture	(574)	(501)	(1,010)	(1,552)
Operating cash flow before movements in working capital	14,099	8,403	28,895	18,598
(Payment) Receipts from derivative financial instrument	(1,453)	-	968	-
Inventories	(12)	(11)	34	(91)
Trade and other receivables	28,659	(2,413)	(29,353)	(2,706)
Development properties and properties held for sale	(121,099)	(26,938)	(115,714)	(22,766)
Trade and other payables	(2,037)	13,410	(3,725)	18,288
Net cash (used in)/generated from operations	(81,843)	(7,549)	(118,895)	11,323
Interest paid	(8,202)	(4,631)	(16,558)	(10,218)
Income tax paid	(492)	(6,094)	(641)	(7,252)
Net cash used in operating activities	(90,537)	(18,274)	(136,094)	(6,147)
<u>Investing activities</u>				
Investment in a joint venture	(400)	(199)	(100)	(1,699)
Interest received	370	98	780	183
Purchase of property, plant and equipment	(80)	(3,186)	(144)	(44,529)
Additions to investment properties	3,322	(445)	(40,802)	(830)
Proceeds from disposal of property, plant and equipment	-	-	13	-
Net cash generated from/(used in) investing activities	3,212	(3,732)	(40,253)	(46,875)

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

	Group			
	2Q 2018 S\$'000	2Q 2017 S\$'000	1H 2018 S\$'000	1H 2017 S\$'000
<u>Financing activities</u>				
Advance to non-controlling interests	-	(200)	(240)	(3,000)
Repayment of finance lease payable	(1)	-	(3)	-
Proceeds from borrowings	42,318	38,500	67,318	143,500
Proceeds from medium term notes issued	125,000	-	125,000	-
Repayment of medium term notes issued	-	-	-	(74,750)
Repayment of borrowings	(12,050)	(14,595)	(24,586)	(29,281)
Net cash from financing activities	155,267	23,705	167,489	36,469
Net increase (decrease) in cash and cash equivalents	67,942	1,699	(8,858)	(16,553)
Cash and cash equivalents at beginning of period	45,272	27,020	121,530	45,513
Effect of exchange rate on foreign currency balances	(956)	2,139	(414)	1,898
Cash and cash equivalents at end of period	112,258	30,858	112,258	30,858

FRAGRANCE GROUP LIMITED
UNAUDITED FINANCIAL STATEMENT AND DIVIDEND ANNOUNCEMENT FOR THE SECOND QUARTER AND HALF YEAR ENDED 30 JUNE 2018
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	-	5,389	-	-	-	5,275	82	-	10,746	(143)	10,603
Balance as at 31 Mar 2017	150,000	886,024	(999)	318	35,682	(20,979)	(59)	-	1,049,987	13,903	1,063,890
Total comprehensive income for the period	-	3,767	-	-	-	761	(60)	-	4,468	(106)	4,362
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

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	-	(4,826)	-	-	-	4,826	-	-	-	-	-
Effect of adopting of SFRS(I)9 by a joint venture	-	73	-	-	-	-	-	-	73	-	73
As restated	150,000	924,428	(945)	325	50,892	(22,754)	(120)	-	1,101,826	10,080	1,111,906
Total comprehensive income for the period	-	8,498	-	-	-	(11,598)	(9)	(6,427)	(9,536)	(80)	(9,616)
Balance as at 31 Mar 2018	150,000	932,926	(945)	325	50,892	(34,352)	(129)	(6,427)	1,092,290	10,000	1,102,290
Effect of adopting of SFRS(I)1 by a joint venture	-	(158)	-	-	-	158	-	-	-	-	-
Total comprehensive income for the period	-	6,771	-	-	-	(3,174)	(43)	1,876	5,430	(79)	5,351
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

Note 1: Other reserve includes hedging reserve of \$4.6 million as at 30 Jun 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
<u>Company</u>	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	-	7,075	-	-	-	7,075
Balance as at 31 Mar 2017	150,000	690,030	(999)	318	-	839,349
Total comprehensive income for the period	-	5,566	-	-	-	5,566
Balance as at 30 Jun 2017	150,000	695,596	(999)	318	-	844,915

Statement of changes in equity	Share Capital	Retained Earnings	Treasury Shares	Performance Share Reserve	Other Reserve	Total
<u>Company</u>	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	-	1,262	-	-	-	1,262
Balance as at 31 Mar 2018	150,000	716,094	(945)	325	-	865,474
Total comprehensive income for the period	-	12,616	-	-	(3,049)	9,567
Balance as at 30 Jun 2018	150,000	728,710	(945)	325	(3,049)	875,041

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 Jun 2018	As at 31 Dec 2017
Total number of Ordinary Shares issued and fully paid	6,720,000,000	6,720,000,000
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 June 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 June 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:

Group

Balance sheet as at 1 Jan 2018

Retained earnings

Foreign currency translation reserve

Total impact on equity as at 30 Jun 2018

2018 Increase/ (decrease)	
S\$'000	
	(4,911)
	4,984
	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			
	2Q 2018	2Q 2017	1H 2018	1H 2017
Weighted average number of shares in issue	6,713,160,000	6,712,770,000	6,713,067,348	6,712,770,000
Earnings per share ("EPS")¹	cents	cents	cents	cents
Based on weighted average number of shares in issue	0.10	0.06	0.23	0.14
Based on fully diluted basis	0.10	0.06	0.23	0.14
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 Jun 2018 Cents	31 Dec 2017 Cents	30 Jun 2018 Cents	31 Dec 2017 Cents
Net asset value ("NAV") per ordinary share	16.4	16.4	13.0	12.9

The NAV per ordinary share as at 30 Jun 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					
	2Q 2018 S\$'000	2Q 2017 S\$'000	Change %	1H 2018 S\$'000	1H 2017 S\$'000	Change %
<u>REVENUE</u>						
Property development	44,479	26,862	65.6	97,615	64,724	50.8
Commercial investment	5,925	5,486	8.0	11,723	10,443	12.3
Hotel operations	5,691	2,611	118.0	11,907	3,449	245.2
Hospitality investment	718	-	N.M	1,306	-	N.M
Total	56,813	34,959	62.5	122,551	78,616	55.9
<u>GROSS PROFIT</u>						
Property development	11,005	7,573	45.3	24,493	17,701	38.4
Commercial investment	5,925	5,528	7.2	11,723	10,485	11.8
Hotel operations	3,634	1,430	154.1	7,105	1,835	287.2
Hospitality investment	718	-	N.M	1,306	-	N.M
Total	21,282	14,531	46.5	44,627	30,021	48.7
<u>PROFIT BEFORE TAXATION</u>						
Property development	8,365	4,476	86.9	17,839	11,360	57.0
Commercial investment	(750)	(79)	849.4	(1,279)	(328)	289.9
Hotel operations	839	506	65.8	2,407	596	303.9
Hospitality investment	409	-	N.M	695	-	N.M
Total	8,863	4,903	80.8	19,662	11,628	69.1

	Group			
	2Q 2018 %	2Q 2017 %	1H 2018 %	1H 2017 %
<u>GROSS PROFIT MARGIN</u>				
Property development	24.7	28.2	25.1	27.3
Commercial investment	100.0	100.8	100.0	100.4
Hotel operations	63.9	54.8	59.7	53.2
Hospitality investment	100.0	-	100.0	-
Consolidated total	37.5	41.6	36.4	38.2

N.M – Not Meaningful

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2Q 2018 vs 2Q 2017

Revenue

The Group turnover for 2Q 2018 increased by 62.5%, or \$21.9 million to \$56.8 million on account of higher contributions from our City Gate development project in Singapore; rental revenue from our commercial properties and full quarter hotel operations income from ibis Styles Hobart, in Australia, which commenced operations in July 2017.

Hospitality investment segment also contributed a full quarter revenue of \$0.7 million in 2Q 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 46.5% to \$21.3 million which was in line with the increase in overall revenue. The decrease in gross profit margin to 37.5% in the 2Q 2018 compared with 41.6% achieved during the same period in 2017 was mainly due to the lower margin contributed by the City Gate project.

Other Operating Income

Other operating income of \$0.08 million for 2Q 2018 was largely due to interest income earned from fixed deposits placed with financial institutions.

Other Operating Expenses

Other operating expenses for 2Q 2018 increased by 29.2%, or \$1.8 million to \$7.8 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, security services and payroll expenses due to the two hotel operations in Australia and United Kingdom;

The above increased was partly offset by:

1. lower sales activities resulted in decrease in advertising and promotion costs; and
2. decrease in submission fee for the development properties.

Finance Costs

Finance costs increased by \$1.3 million in 2Q 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 2Q 2018;

The increased was partly offset by the capitalisation of \$2.9 million of interest expenses for the development projects in Australia and United Kingdom.

Taxation

Taxation for 2Q 2018 increased by 74.8% or \$0.9 million over 2Q 2017 mainly due to higher profit before tax.

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1H 2018 vs 1H 2017

Revenue

The Group turnover for 1H 2018 increased by 55.9%, or \$43.9 million to \$122.6 million on account of higher contributions from our City Gate development project in Singapore; rental revenue from our commercial properties and half year 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 half year revenue of \$1.3 million in 1H 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 48.7% to \$44.6 million which was in line with the increase in overall revenue. The decrease in gross profit margin to 36.4% in the 1H 2018 compared with 38.2% achieved during the same period in 2017 was mainly due to the reduction in margin contributed by the City Gate project.

Other Operating Loss

Other operating loss for 1H 2018 increased by \$0.1 million was largely due to foreign exchange loss on bank balance denominated in foreign currency.

Other Operating Expenses

Other operating expenses for 1H 2018 increased by 36.5%, or \$4.3 million to \$16.2 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;

The above increased was partly offset by:

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

Finance Costs

Finance costs increased by \$1.6 million in 1H 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 1H 2018;

The increased was partly offset by the capitalisation of \$5.4 million of interest expenses for the development projects in Australia and United Kingdom.

Taxation

Taxation for 1H 2018 increased by 67.3% or \$1.8 million over 1H 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 June 2018.

Property, plant and equipment which primarily comprise i) office premises; and ii) hotel properties totaled \$101.8 million as at 30 June 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 \$492.9 million or 54.9% of total current assets as at 30 June 2018. The net increase of \$64.9 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 during the year.

Trade and other receivables of \$230.6 million include \$152.2 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 from \$42.6 million as at 31 December 2017 to \$38.4 million.

Total borrowings increase marginally by \$165.5 millions, or 14.9% 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 June 2018, the net cash outflow from operating activities amounted to \$136.1 million. Cash used in investing activities amounted to \$40.3 million which was substantially used towards acquisition of a property in the United Kingdom. Net cash inflow from financing activities amounted to \$167.5 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 \$112.3 million as at the end of 30 June 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 first 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 3.4% in 2Q 2018, compared with the 3.9% increase in the previous quarter¹.

With the latest round of cooling measure effective on 6 July 2018, property market sentiments are expected to be affected in the short term.

The Group has secured two sites for development namely 205 Jalan Eunos and 31 Jervois Road. The Group has completed the purchase of 31 Jervois Road and expects to complete the purchase of 205 Jalan Eunos in 2H 2018. 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 76.1%² of the commercial units already sold, the Group expects to receive healthy cashflow upon its completion.

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Rental of office space increased by 1.6%¹ in 2Q 2018, compared to 1Q 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 as well as the 555 Collins project.

The Group has a total contracted and unconditional sale of A\$643.15³ million from these three projects recording 73.4%, 20.7% and 46.4% 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.

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 three hotel investment properties, namely, The Crown Hotel, Lyndene 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 June 2018
3. Unconditional sales status represents the percentage of units sold as at 31 July 2018

11. **Dividend**

- (a) Any dividend declared for the current financial period/year? No
- (b) Any dividend declared for the previous corresponding period? 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).**

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 June 2018, to be false or misleading in any material respect.

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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

8 August 2018