



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 2019**

FRAGRANCE GROUP LIMITED
UNAUDITED FINANCIAL STATEMENT AND DIVIDEND ANNOUNCEMENT FOR
THE SECOND QUARTER AND HALF YEAR ENDED 30 JUNE 2019

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

	Group					
	2Q 2019	2Q 2018	Change	1H 2019	1H 2018	Change
	S\$'000	S\$'000	%	S\$'000	S\$'000	%
Turnover	13,131	56,813	(76.9)	27,600	122,551	(77.5)
Cost of sales	(3,432)	(35,531)	(90.3)	(7,340)	(77,924)	(90.6)
Gross profit	9,699	21,282	(54.4)	20,260	44,627	(54.6)
Other operating (loss)/gain	(4,013)	81	N.M	(4,176)	(657)	535.6
Other operating expenses	(6,929)	(7,847)	(11.7)	(13,756)	(16,178)	(15.0)
Finance costs	(7,589)	(5,227)	45.2	(14,876)	(9,140)	62.8
Share of results of a joint venture*	8,043	574	1,301.2	7,876	1,010	679.8
(Loss)/Profit before income tax	(789)	8,863	N.M	(4,672)	19,662	N.M
Taxation	539	(2,171)	N.M	652	(4,552)	N.M
(Loss)/Profit for the period	(250)	6,692	N.M	(4,020)	15,110	N.M
Profit attributable to:						
Equity holders of the Company	(153)	6,771	N.M	(3,833)	15,269	N.M
Non-controlling interests	(97)	(79)	22.8	(187)	(159)	17.6
Other comprehensive income/(loss)						
Exchange difference on translation of foreign operations	(8,419)	(1,038)	711.1	(8,547)	(15,197)	(43.8)
Fair value gain/(loss) on derivative financial instrument	-	1,829	(100.0)	-	(4,551)	(100.0)
Share of other comprehensive income of a joint venture						
Exchange difference on translation of foreign operations	1,103	(2,136)	N.M	3,101	425	629.6
Fair value loss on investment securities	(144)	(43)	234.9	(86)	(52)	65.4
Net other comprehensive loss	(7,460)	(1,388)	437.5	(5,532)	(19,375)	(71.4)
Total comprehensive (loss)/income	(7,710)	5,304	N.M	(9,552)	(4,265)	124.0
Total comprehensive income attributable to:						
Equity holders of the Company	(7,613)	5,383	N.M	(9,365)	(4,106)	128.1
Non-controlling interests	(97)	(79)	22.8	(187)	(159)	17.6

N.M – Not Meaningful

* The share of results of a joint venture arising from the Group's investment in AF Global Limited, through AF Corporation Pte Ltd.

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

	Group					
	2Q 2019	2Q 2018	Change	1H 2019	1H 2018	Change
	S\$'000	S\$'000	%	S\$'000	S\$'000	%
<u>Profit before taxation is determined after (charging)/crediting:-</u>						
(Write off)/Write back of bad debts	(1)	1	N.M	(1)	19	N.M
Amortisation and depreciation	(791)	(641)	23.4	(1,569)	(1,320)	18.9
Finance costs	(7,589)	(5,227)	45.2	(14,876)	(9,140)	62.8
<u>Components of tax expenses recognised in profit and loss include:-</u>						
Under provision of income tax in prior years	(7)	(59)	(88.1)	(22)	(59)	(62.7)
<u>Other operating income/(loss)</u>						
Net foreign exchange loss	(714)	(21)	N.M	(561)	(1,154)	(51.4)
Interest income	469	370	26.8	1,146	780	46.9
Gain on disposal of financial assets at fair value through profit or loss	28	-	-	166	-	-
Gain on settlement of financial liabilities	791	-	-	791	-	-
Change in fair value of financial assets at fair value through profit or loss	(24)	-	-	52	-	-
Change in fair value of financial liabilities at fair value through profit or loss	17	-	-	17	-	-
Fair value loss on investment properties	(375)	(375)	-	(750)	(750)	-
Fair value (loss)/gain on derivative financial instrument	(4,316)	-	N.M	(5,261)	94	N.M
Loss on disposal of fixed assets	-	-	-	-	(8)	-
Others	111	107	3.7	224	381	(41.2)
Total	(4,013)	81	N.M	(4,176)	(657)	535.6

N.M – Not Meaningful

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1(b)(i) **Statements of Financial Position as at 30 Jun 2019 vs 31 Dec 2018**

	Group		Company	
	30 Jun 2019 S\$'000	31 Dec 2018 S\$'000	30 Jun 2019 S\$'000	31 Dec 2018 S\$'000
<u>Non-current assets</u>				
Property, plant and equipment	95,943	97,875	-	-
Other receivables and prepayment	7,178	18,388	1,000	1,258
Investment properties	1,715,256	1,578,208	-	-
Subsidiaries	-	-	801,881	987,796
Investment in a joint venture	104,925	113,444	70,903	90,313
Deferred tax assets	6,646	4,259	-	-
Total non-current assets	1,929,948	1,812,174	873,784	1,079,367
<u>Current assets</u>				
Cash and cash equivalents	128,937	136,129	104,655	95,691
Trade and other receivables	42,776	82,598	243,804	74,396
Development properties	820,380	692,541	-	-
Financial assets at fair value through profit or loss	3,999	1,419	3,999	1,419
Properties held for sale	96,205	98,319	35,557	37,683
Inventories	86	97	-	-
Total current assets	1,092,383	1,011,103	388,015	209,189
<u>Current liabilities</u>				
Trade and other payables	48,597	70,673	28,479	34,404
Notes interest payable	2,752	2,802	2,752	2,802
Term loans	328,552	273,241	75,127	64,000
Income tax payable	6,912	20,131	7,031	10,942
Derivative financial instruments	4,166	7,576	2,226	4,759
Lease liability	8	8	-	-
Total current liabilities	390,987	374,431	115,615	116,907
Net current assets	701,396	636,672	272,400	92,282
<u>Non-current liabilities</u>				
Trade and other payables	-	-	3,521	3,417
Notes payable	278,934	302,931	278,934	302,931
Term loans	1,028,183	811,066	-	-
Deferred tax liabilities	10,533	11,660	510	1,874
Lease liability	22	25	-	-
Total non-current liabilities	1,317,672	1,125,682	282,965	308,222
Net assets	1,313,672	1,323,164	863,219	863,427

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1(b)(i) **Statements of Financial Position as at 30 Jun 2019 vs 31 Dec 2018**

	Group		Company	
	30 Jun 2019 S\$'000	31 Dec 2018 S\$'000	30 Jun 2019 S\$'000	31 Dec 2018 S\$'000
<u>Shareholders' equity</u>				
Share capital	150,000	150,000	150,000	150,000
Treasury shares	(885)	(945)	(885)	(945)
Performance share reserve	325	325	325	325
Revaluation reserve	51,550	51,550	-	-
Foreign currency translation reserve	(74,114)	(68,668)	-	-
Investment revaluation reserve	(666)	(580)	-	-
Retained earnings	1,178,015	1,181,848	713,779	714,047
Equity attributable to the owners of the Company	1,304,225	1,313,530	863,219	863,427
Non-controlling interests	9,447	9,634	-	-
Total equity	1,313,672	1,323,164	863,219	863,427

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

	As at 30 Jun 2019		As at 31 Dec 2018	
	Secured S\$'000	Unsecured S\$'000	Secured S\$'000	Unsecured S\$'000
Amount repayable in one year or less, or on demand	328,560	2,752	273,249	2,802
Amount repayable after one year	1,028,205	278,934	811,091	302,931

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 2019 S\$'000	2Q 2018 S\$'000	1H 2019 S\$'000	1H 2018 S\$'000
<u>Operating activities</u>				
Profit before income tax	(789)	8,863	(4,672)	19,662
<i>Adjustments for:</i>				
Amortisation and depreciation	457	350	911	801
Amortisation of land lease	195	195	390	390
Rent free income/ net amortisation of rental incentive granted	171	260	244	335
Amortisation of processing fee on debt notes issued	139	96	268	129
Fair value on derivative financial instrument	4,316	-	5,261	(94)
Interest income	(469)	(370)	(1,146)	(780)
Interest expense	7,589	5,227	14,876	9,140
Change in fair value of investment properties	375	375	750	750
Loss on disposal of fixed assets	-	-	-	8
Net foreign gain exchange difference	(1,098)	(322)	(1,251)	(417)
Bad debt written off (recovered)	1	(1)	1	(19)
Share of results of a joint venture	(8,043)	(574)	(7,876)	(1,010)
Change in fair value of financial assets at fair value through profit or loss	24	-	(52)	-
Gain on disposal of financial assets at fair value through profit or loss	(28)	-	(166)	-
Change in fair value of financial liabilities at fair value through profit or loss	(17)	-	(17)	-
Gain on settlement of financial liabilities	(791)	-	(791)	-
Operating cash flow before movements in working capital	2,032	14,099	6,730	28,895
Inventories	(1)	(12)	11	34
Trade and other receivables	36,491	28,659	39,453	(29,353)
Development properties and properties held for sale	(49,778)	(121,099)	(114,165)	(115,714)
Trade and other payables	(3,464)	(2,037)	(24,184)	(3,725)
Net cash used in operations	(14,720)	(80,390)	(92,155)	(119,863)
Interest paid	(13,204)	(8,202)	(23,239)	(16,558)
Income tax paid	(14,568)	(492)	(14,607)	(641)
Net cash used in operating activities	(42,492)	(89,084)	(130,001)	(137,062)
<u>Investing activities</u>				
Investment in a joint venture	-	(400)	(450)	(100)
Repayment of loans from a joint venture	19,860	-	19,860	-
(Payment) Proceeds from derivative financial instrument	(2,654)	(1,453)	(8,636)	968
Interest received	267	370	944	780
Purchase of property, plant and equipment	(18)	(80)	(61)	(144)
Additions to investment properties	(136,920)	3,322	(138,162)	(40,802)
Proceeds from disposal of financial assets through profit or loss	235	-	1,638	-
Proceeds from disposal of property, plant and equipment	-	-	-	13
Net cash (used in) from investing activities	(119,230)	1,759	(124,867)	(39,285)

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

	Group			
	2Q 2019 S\$'000	2Q 2018 S\$'000	1H 2019 S\$'000	1H 2018 S\$'000
<u>Financing activities</u>				
Proceeds from (Advance to) non-controlling interests	120	-	240	(240)
Repayment of finance lease payable	(2)	(1)	(3)	(3)
Proceeds from borrowings	236,489	42,318	310,674	67,318
Proceeds from medium term note issued	-	125,000	-	125,000
Repurchased of medium term note issued	(26,442)	-	(26,442)	-
Repayment of borrowings	(7,259)	(12,050)	(36,464)	(24,586)
Net cash from financing activities	202,906	155,267	248,005	167,489
Net increase (decrease) in cash and cash equivalents	41,184	67,942	(6,863)	(8,858)
Cash and cash equivalents at beginning of period	87,299	45,272	136,129	121,530
Effect of exchange rate on foreign currency balances	454	(956)	(329)	(414)
Cash and cash equivalents at end of period	128,937	112,258	128,937	112,258

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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 Reserves	Revaluation Reserves	Foreign Currency Translation Reserve	Investment Revaluation Reserve	Other Reserve ¹	Attributable to Equity Holders	Non-Controlling Interests	Total
<u>Group</u>	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) 9 by a joint venture	-	73	-	-	-	-	-	-	73	-	73
As restated	150,000	929,254	(945)	325	50,892	(27,580)	(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	937,752	(945)	325	50,892	(39,178)	(129)	(6,427)	1,092,290	10,000	1,102,290
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	944,523	(945)	325	50,892	(42,352)	(172)	(4,551)	1,097,720	9,921	1,107,641

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
<u>Group</u>	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 2019	150,000	1,181,848	(945)	325	51,550	(68,668)	(580)	-	1,313,530	9,634	1,323,164
Award performance shares	-	-	60	-	-	-	-	-	60	-	60
Total comprehensive income for the period	-	(3,680)	-	-	-	1,870	58	-	(1,752)	(90)	(1,842)
Balance as at 31 Mar 2019	150,000	1,178,168	(885)	325	51,550	(66,798)	(522)	-	1,311,838	9,544	1,321,382
Total comprehensive income for the period	-	(153)	-	-	-	(7,316)	(144)	-	(7,613)	(97)	(7,710)
Balance as at 30 Jun 2019	150,000	1,178,015	(885)	325	51,550	(74,114)	(666)	-	1,304,225	9,447	1,313,672

Note: other reserve includes hedging reserve of \$4.6 million in 1H 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 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

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 2019	150,000	714,047	(945)	325	-	863,427
Award performance shares	-	-	60	-	-	60
Total comprehensive income for the period	-	(1,143)	-	-	-	(1,143)
Balance as at 31 Mar 2019	150,000	712,904	(885)	325	-	862,344
Total comprehensive income for the period	-	875	-	-	-	875
Balance as at 30 Jun 2019	150,000	713,779	(885)	325	-	863,219

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 2018.

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 2019	As at 31 Dec 2018
Total number of Ordinary Shares issued and fully paid	6,720,000,000	6,720,000,000
Treasury Shares	(6,400,000)	(6,840,000)
Total number of issued shares excluding treasury shares	6,713,600,000	6,713,160,000

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 2019	6,840,000
Less: Sales, transfers, disposals or cancellation	(440,000)
Balance as at 30 June 2019	6,400,000

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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.

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 financial statements for the current reporting period as that of the audited financial statements for the year ended 31 December 2018, except for the adoption of new or amended SFRS(I) applicable for the financial period beginning 1 January 2019 which did not have any significant impact on the financial statements of the Group except for the following:

SFRS(I) 16: Leases

SFRS(I) 16 introduces a single, on-balance sheet lease accounting model for lessees. The adoption of SFRS(I) 16 results in almost all leases being recognised on the balance sheet, as the distinction between operating and finance leases is removed. Exceptions to this standard are short-term and low-value leases. The accounting for lessors was not changed significantly.

Finance lease payable now classified as lease liability is included as part of net debt and is taken in consideration when deriving the net debt equity ratio.

The Group applied the practical expedients on the recognition exemptions for short-term leases and leases of low value item in accordance with the principles of SFRS(I) 16.

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 2019	2Q 2018	1H 2019	1H 2018
Weighted average number of shares in issue	6,713,160,000	6,713,160,000	6,713,422,541	6,713,067,348
(Loss)/earnings per share ("EPS") ¹	Cents	cents	cents	cents
Based on weighted average number of shares in issue	(0.002)	0.10	(0.06)	0.23
Based on fully diluted basis	(0.002)	0.10	(0.06)	0.23
Number of shares in issue at end of period	6,713,600,000	6,713,160,000	6,713,600,000	6,713,160,000

Footnote:

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

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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 2019 Cents	31 Dec 2018 Cents	30 Jun 2019 Cents	31 Dec 2018 Cents
Net asset value ("NAV") per ordinary share	19.4	19.6	12.9	12.9

The NAV per ordinary share as at 30 June 2019 and 31 December 2018 was calculated based on 6,713,600,000 and 6,713,160,000 issued shares (excluding treasury shares) respectively.

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

	Group					
	2Q 2019 S\$'000	2Q 2018 S\$'000	Change %	1H 2019 S\$'000	1H 2018 S\$'000	Change %
<u>REVENUE</u>						
Property development	1,184	44,479	(97.3)	3,167	97,615	(96.8)
Commercial investment	5,579	5,925	(5.8)	11,045	11,723	(5.8)
Hotel operations	5,567	5,691	(2.2)	11,786	11,907	(1.0)
Hospitality investment	801	718	11.6	1,602	1,306	22.7
Total	13,131	56,813	(76.9)	27,600	122,551	(77.5)
<u>GROSS PROFIT</u>						
Property development	315	11,005	(97.1)	1,031	24,493	(95.8)
Commercial investment	5,579	5,925	(5.8)	11,045	11,723	(5.8)
Hotel operations	3,004	3,634	(17.3)	6,582	7,105	(7.4)
Hospitality investment	801	718	11.6	1,602	1,306	22.7
Total	9,699	21,282	(54.4)	20,260	44,627	(54.6)
<u>(LOSS)/PROFIT BEFORE TAXATION</u>						
Property development	108	8,365	(98.7)	(3,518)	17,839	(119.7)
Commercial investment	(2,551)	(750)	240.1	(4,978)	(1,279)	289.2
Hotel operations	1,215	839	44.8	2,944	2,407	22.3
Hospitality investment	439	409	7.3	880	695	26.6
Total	(789)	8,863	N.M	(4,672)	19,662	(123.8)

	Group			
	2Q 2019 %	2Q 2018 %	1H 2019 %	1H 2018 %
<u>GROSS PROFIT MARGIN</u>				
Property development	26.6	24.7	32.6	25.1
Commercial investment	100.0	100.0	100.0	100.0
Hotel operations	54.0	63.9	55.8	59.7
Hospitality investment	100.0	100.0	100.0	100.00
Consolidated total	73.9	37.5	73.4	36.4

N.M – Not Meaningful

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2Q 2019 vs 2Q 2018

Revenue

City Gate development project in Singapore was the main revenue contributor of our property development segment which obtained TOP in November 2018. As our Group's ongoing projects are mainly in Australia and the revenue from these projects will only be recognized on a completed contract method upon its completion, the Group's turnover for 2Q 2019 decreased by 76.9%, or \$43.7 million to \$13.1 million. Two new development projects in Singapore, namely, Jervois Project and Jalan Eunus Project, are in their early stages with no revenue contribution to-date. Property development segment contributed \$1.2 million in 2Q 2019 due to sales of additional 2 units and deposit forfeited for 1 unit sold in 2018.

Overall there was an improvement in occupancy for the Group's commercial investment properties, save for Tower 15 for which redevelopment plans are in progress. As a result, the Group's commercial investment revenue decreased by 5.8% to \$5.6 million.

Hotel operations revenue from both hotels, ibis Styles Hobart, in Australia and The Imperial Hotel, in the United Kingdom which contributed revenue of \$5.6 million in 2Q 2019.

Hospitality investment segment increased by 11.6% to \$0.8 million mainly due to adjustment in rental rates in second year of operations. The contribution was derived from the three hotel properties namely, i) Lyndene Hotel; ii) The Townhouse Hotel; and iii) The Crown Hotel, all located in the United Kingdom.

Gross Profit

Gross profit decreased by 54.4% to \$9.7 million which was in line with the decrease in revenue for both property development and commercial investment segments. Gross profit margin is 73.9% in 2Q 2019 compared with 37.5% achieved during the same period in 2018 is largely due to the change in revenue mix from our four segments, with commercial and hotel investments contributing higher margin.

Other Operating Loss

Other operating loss of \$4.0 million 2Q 2019 was largely due to fair value loss on derivative financial instruments, foreign exchange loss on bank balance denominated in foreign currency and fair value loss on investment properties partly offset by gain on settlement of financial liabilities and gain on disposal of financial assets and higher interest income recognized.

Other Operating Expenses

Other operating expenses for 2Q 2019 decreased by 11.7%, or \$0.9 million to \$6.9 million mainly due to the following factors:

1. decrease in commission expenses relating to the City Gate project and leasing of commercial units; and
2. decrease in property tax

The above decreased was partly offset by:

3. increase in showflat cost which relating to our new projects in Singapore; and
4. increase in depreciation & amortisation, repair and maintenance, managing agent fee, legal and professional fee and payroll expenses.

Finance Costs

Finance costs increased by \$2.4 million or 45.2% to \$7.6 million in 2Q 2019 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 2019;

Taxation

Taxation for 2Q 2019 decreased by \$2.7 million as compared to prior year mainly due to the losses during the period which was partially offset by provision of income tax and withholding tax on interest income from overseas companies.

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1H 2019 vs 1H 2018

Revenue

City Gate development project in Singapore was the main revenue contributor of our property development segment which obtained TOP in November 2018. As our Group's ongoing projects are mainly in Australia and the revenue from these projects will only be recognized on a completed contract method upon its completion, the Group's turnover for 1H 2019 decreased by 77.5%, or \$95.0 million to \$27.6 million. Two new development projects in Singapore, namely, Jervois Project and Jalan Eunus Project, are in their early stages with no revenue contribution to-date. Property development segment contributed \$3.2 million in 1H 2019 due to sales of additional 4 units and deposit forfeited for 1 unit sold in 2018.

Overall there was an improvement in occupancy for the Group's commercial investment properties, save for Tower 15 for which redevelopment plans are in progress. As a result, the Group's commercial investment revenue decreased by 5.8% to \$11.0 million.

Hotel operations revenue from both hotels, ibis Styles Hobart, in Australia and The Imperial Hotel, in the United Kingdom which contributed revenue of \$11.8 million in 1H 2019.

Hospitality investment segment increased by 22.7% to \$1.6 million mainly due to adjustment in rental rates in second year of operations. The contribution was derived from the three hotel properties namely, i) Lyndene Hotel; ii) The Townhouse Hotel; and iii) The Crown Hotel, all located in the United Kingdom.

Gross Profit

Gross profit decreased by 54.6% to \$20.3 million which was in line with the decrease in revenue for both property development and commercial investment segments. Gross profit margin is 73.4% in 1H 2019 compared with 36.4% achieved during the same period in 2018 is largely due to the change in revenue mix from our four segments, with commercial and hotel investments contributing higher margin.

Other Operating Loss

Other operating loss of \$4.2 million 1H 2019 was largely due to fair value loss on derivative financial instruments; foreign exchange loss on bank balance denominated in foreign currency and fair value loss on investment properties partly offset by gain on settlement of financial liabilities and gain disposal of financial assets and higher interest income recognized.

Other Operating Expenses

Other operating expenses for 1H 2019 decreased by 15.0%, or \$2.4 million to \$13.8 million mainly due to the following factors:

1. decrease in commission expenses relating to the City Gate project and leasing of commercial units; and
2. decrease in city council charges and property tax.

The above decreased was partly offset by:

3. increase in showflat cost which relating to our new projects in Singapore; and
4. increase in depreciation & amortisation, repair and maintenance, security services, legal and professional fee and payroll expenses.

Finance Costs

Finance costs increased by \$5.7 million or 62.8% to \$14.9 million in 1H 2019 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 1H 2019;

Taxation

Taxation for 1H 2019 decreased by \$5.2 million as compared to prior year mainly due to the losses during the period which was partially offset by provision of income tax and withholding tax on interest income from overseas companies.

FRAGRANCE GROUP LIMITED
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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 \$1.7 billion as at 30 June 2019.

Property, plant and equipment which primarily comprise i) office premises; and ii) hotel properties totaled \$95.9 million as at 30 June 2019 (31 December 2018 : \$97.9 million). The slight decrease was attributed to the depreciation which was partially offset by the foreign currency movement of properties in 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 capitalized, mainly relating to our overseas projects, and other related costs and these accounted for \$820.4 million or 75.1% of total current assets as at 30 June 2019. The net increase of \$127.8 million compared to the balance as at 31 December 2018 was mainly due to the additional costs incurred for Australia and Singapore projects.

Trade and other receivables of \$42.8 million include \$14.0 million of revenue from our completed City Gate project in Singapore. The decrease compared to the balance as at 31 December 2018 was mainly due to the collections from the buyers and refund of GST receivable from our Australia development projects.

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 \$70.7 million as at 31 December 2018 to \$48.6 million. The decrease was primarily due to the payment of GST payable on the sale of property at 555 Collins Street, Melbourne in 1Q 2019.

Total borrowings increase by \$248.3 millions, or 17.9% was due to the additional drawdown of \$310.7 million term loans during the year and was partially offset by repayment of certain borrowings during the year.

During the year ended 30 June 2019, the net cash outflow from operating activities amounted to \$130.0 million. Cash used in investing activities amounted to \$124.9 million which was mainly due to additions of investment properties. Net cash inflow from financing activities amounted to \$248.0 million which mainly due to drawdown of additional loans, partially offset by repayment certain borrowings and repurchased of medium term note issued. Cash and cash equivalents stood at \$128.9 million as at the end of 30 June 2019 compared to \$136.1 million as at the end of 31 December 2018.

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 first quarter 2019 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 1.5% in 2Q 2019, compared with the 0.1% decrease in the previous quarter¹. The Group expect the overall market for residential properties to remain competitive with developers launching more projects in 2019 giving more options to the home buyers. Take-up rates for private residential units (excluding ECs) increased by 27.9% in 2nd quarter 2019 as compared with the previous quarter¹. The Group has launched one of the residential development projects located at 31 Jervois Road in 3Q 2019 and is actively working on the sales launch of the project located at 205 Jalan Eunos Road.

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As part of our continuing efforts in enhancing value of our investment properties, i) the Group will work towards applying for the CBD rejuvenation incentive scheme for property located on Lot 01343W & 01344V TS23 which may potentially add another 25% more GFA to the project. Subject to obtaining all relevant approvals from the authorities and payment of the relevant development charge for this 25% additional GFA, this will increase the value of the property; ii) the Group has obtained a Grant of Provisional Permission for its investment property located on Lot 01958P MK01 for a comprehensive hotel development. This approval for the alternate usage will substantially enhance the underlying land value of the property which will be accounted as a fair value gain in the ensuing period in FY 2019.

Office space rentals increased by 1.3% in 2Q 2019, compared with 0.6% decrease in the previous quarter¹. The Group will continue its marketing efforts to increase the occupancy of its investment properties through proactive lease management.

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 with approximate completion of 50.9%² for Premier Tower and 92.4%² for NV Apartments. Marketing efforts are ongoing to sell the remaining units in these two projects.

The Group has a total contracted and unconditional sale of A\$461.4 million³ from these two projects recording 75.8% and 26.7% of the residential units sales, respectively. Such revenue will only be recognised upon the completion of development of the respective properties.

The Group expect Ibis Style Hobart, to continue to provide a stable stream of revenue in FY 2019. The hotel component of NV Apartments project in Perth is slated for completion in 2H 2019. This hotel, with 431 guest rooms, is planned to be an international luxury hotel with full suite of facilities & amenities.

United Kingdom

The Group has recently acquired a hotel property in Plymouth, United Kingdom, namely, Duke of Cornwall hotel recently. This property will add to the existing portfolio of hotels to provide a stable recurring rental income to the Group.

The Group's existing hotel investment properties, namely, The Crown Hotel, Lyndene Hotel, St Chads Hotel and The Townhouse Hotel, will continue to provide stable recurring rental income in FY 2019. The Imperial Hotel in Blackpool which is self-operated is expected to add to the Group's recurring income.

The Group has obtained planning permission for two of its hotel projects, namely, i) refurbishment of existing Municipal building in Liverpool (Grade II* listed) into a luxury hotel; and ii) redevelopment of former Park Hotel in Paignton to be operated as an international brand hotel.

The Group is actively working on the redevelopment plans or refurbishment works for the rest of the UK properties.

Summary

Following the completion of City Gate in 4Q 2018, the Group does not have any ongoing development projects in Singapore, save for 31 Jervois Road and 205 Jalan Eunus Road projects which are in early development & sales stage. The Group's on-going key development projects are in Australia (Premier Tower & NV Apartments) whose revenue will only be recognised upon completion in accordance with the relevant accounting standards. This may cause the Group to report negative results for certain quarters in FY 2019.

The Group expects that the development works at NV Apartments in Perth to complete in 2H 2019 which may contribute positively to the results of the Group in FY 2019. In addition, the Group's results will be dependent on i) the sales and progress of Singapore development projects; ii) fair value changes in the investment properties; iii) performance of the hotel properties; and iv) the prevailing exchange rates of AUD and GBP against SGD.

Footnotes:

1. According to the Urban Redevelopment Authority 2Q 2019 real estate statistics released on 26 July 2019.

2. As at 30 June 2019.

3. Unconditional sales status represents the percentage of units sold as at 7 August 2019.

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FOR THE SECOND QUARTER AND HALF YEAR ENDED 30 JUNE 2019

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/recommendeded in view of the results of the Group.

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 2019, 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

7 August 2019