



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 2016**

**FRAGRANCE GROUP LIMITED**

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Unaudited Results and Dividend Announcement for the Third Quarter and Nine Months Ended 30/09/2016**PART 1 - INFORMATION REQUIRED FOR ANNOUNCEMENTS OF QUARTERLY (Q1, Q2 & Q3), HALF-YEAR AND FULL YEAR RESULTS – 30 SEPTEMBER 2016**

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					
	Third Quarter (Jul to Sep) Three months ended 30 Sep			Nine Months (Jan to Sep) Nine months ended 30 Sep		
	2016	2015	Change	2016	2015	Change
	S\$'000	S\$'000	%	S\$'000	S\$'000	%
Turnover	32,969	64,027	(48.5)	86,354	244,578	(64.7)
Cost of sales	(19,905)	(44,336)	(55.1)	(55,183)	(164,407)	(66.4)
Gross profit	13,064	19,691	(33.7)	31,171	80,171	(61.1)
Other operating income	793	21,916	(96.4)	7,912	22,856	(65.4)
Other operating expenses	(5,160)	(6,797)	(24.1)	(15,179)	(20,357)	(25.4)
Finance costs	(4,395)	(3,103)	41.6	(13,899)	(8,428)	64.9
Share of results of a joint venture	247	(387)	163.8	1,854	(1,868)	199.3
Profit before income tax	4,549	31,320	(85.5)	11,859	72,374	(83.6)
Taxation	(1,327)	(2,381)	(44.3)	849	(9,988)	(108.5)
Profit for the period	3,222	28,939	(88.9)	12,708	62,386	(79.6)

Attributable to:						
Equity holders of the Company	3,104	27,824	(88.8)	12,050	59,435	(79.7)
Non-controlling interests	118	1,115	(89.4)	658	2,951	(77.7)

Other comprehensive income						
Exchange difference on translation of foreign operations	10,268	(8,352)	222.9	2,887	(19,499)	114.8
Share of other comprehensive income of a joint venture						
Exchange difference on translation of foreign operations	379	1,036	(63.4)	(4,797)	(492)	875.0
Fair value loss on investment securities	(99)	(34)	191.2	(64)	(58)	10.3
Net other comprehensive Income (loss)	10,548	(7,350)	243.5	(1,974)	(20,049)	90.2
Total comprehensive income	13,770	21,589	(36.2)	10,734	42,337	(74.6)

Attributable to:						
Equity holders of the Company	13,652	20,474	(33.3)	10,076	39,386	(74.4)
Non-controlling interests	118	1,115	(89.4)	658	2,951	(77.7)

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

	Third Quarter (Jul to Sep) Three months ended 30 Sep				Nine Months (Jan to Sep) Nine months ended 30 Sep		
	2016	2015	Change		2016	2015	Change
	S\$'000	S\$'000	%		S\$'000	S\$'000	%
Allowance for doubtful debts	-	(19)	(100.0)		(1)	(19)	(94.7)
Amortisation and depreciation	(296)	(300)	(1.4)		(598)	(928)	(35.6)
Finance costs	(4,395)	(3,103)	41.6		(13,899)	(8,428)	64.9
<u>Other operating income</u>							
Change in fair value of held for trading investments	-	101	(100.0)		1,104	607	81.9
Net loss on disposal of held for trading investments	-	-	N.M		(636)	-	N.M
Net foreign exchange gain (loss)	31	(212)	114.6		46	(44)	204.5
Interest income	166	170	(2.4)		514	329	56.2
Fair value gain on investment properties	92	21,808	(99.6)		6,062	21,808	(72.2)
Gain on foreign exchange options	382	-	N.M		524	-	N.M
Others	122	49	149.0		298	156	91.0
Total	793	21,916	(96.4)		7,912	22,856	(65.4)

N.M – Not Meaningful

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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.*

Statement of financial position	Group		Company	
S\$'000	30-Sep-2016	31-Dec-2015	30-Sep-2016	31-Dec-2015
<u>Non-current assets</u>				
Property, plant and equipment	19,025	19,166	-	-
Investment properties	1,174,435	1,141,782	-	-
Prepayments	8,323	8,908	-	-
Subsidiaries	-	-	753,777	633,324
Investment in a joint venture	95,055	66,312	92,063	60,313
Deferred tax asset	750	743	-	-
Total non-current assets	1,297,588	1,236,911	845,840	693,637
<u>Current assets</u>				
Cash and cash equivalents	60,525	94,354	24,629	59,000
Trade and other receivables	107,931	265,920	68,771	175,928
Held for trading investments	-	4,155	-	4,155
Development properties	468,079	442,811	194,566	216,554
Properties held for sale	66,927	29,162	636	-
Asset held for sale	-	86,797	-	-
Total current assets	703,462	923,199	288,602	455,637
<u>Current liabilities</u>				
Trade and other payables	105,617	113,400	103,066	140,052
Notes payable	85,672	1,476	85,672	1,476
Term loans	90,515	439,887	-	46,000
Income tax payable	15,584	20,599	11,570	310
Total current liabilities	297,388	575,362	200,308	187,838
Net current assets	406,074	347,837	88,294	267,799
<u>Non-current liabilities</u>				
Trade and other payables	-	-	2,295	1,411
Notes payable	-	85,000	-	85,000
Term loans	641,929	435,701	105,725	108,305
Deferred taxation	1,650	14,698	1,650	11,347
Total non-current liabilities	643,579	535,399	109,670	206,063
Net Assets	1,060,083	1,049,349	824,464	755,373

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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	
S\$'000	30 Sep 2016	31 Dec 2015	30 Sep 2016	31 Dec 2015
Shareholders' equity				
Share capital	150,000	150,000	150,000	150,000
Treasury shares	(1,050)	(1,050)	(1,050)	(1,050)
Performance share reserves	308	308	308	308
Revaluation reserves	33,266	33,266	-	-
Foreign translation reserves	(28,631)	(26,721)	-	-
Investment revaluation reserve	(136)	(72)	-	-
Retained earnings	891,894	879,844	675,206	606,115
Equity attributable to the owners of the Company	1,045,651	1,035,575	824,464	755,373
Non-controlling interests	14,432	13,774	-	-
Total Equity	1,060,083	1,049,349	824,464	755,373

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

	As at 30 Sep 2016		As at 31 Dec 2015	
	Secured	Unsecured	Secured	Unsecured
	S\$'000	S\$'000	S\$'000	S\$'000
Amount repayable in one year or less, or on demand	90,515	85,672	439,887	1,476
Amount repayable after one year	641,929	-	435,701	85,000

Details of collaterals

The credit facilities for the Group are secured by the following:

- the legal mortgage of company's office premises, investment and development properties and properties held for sale;
- assignment of sale and rental proceeds, construction contracts, performance bonds and/or insurance policies; and
- corporate guarantees by 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	Third Quarter Ended 30 Sep		Nine Months Ended 30 Sep	
Group (S\$'000)	2016	2015	2016	2015
<u>Operating activities</u>				
Profit before income tax	4,549	31,320	11,859	72,374
Adjustments for:				
Amortisation and depreciation	125	24	361	78
Amortisation of land lease	195	195	585	585
Net amortisation of rental incentive granted	(72)	49	(492)	15
Amortisation of processing fee on debt note issued	48	32	144	96
Interest income	(166)	(170)	(514)	(329)
Interest expense	4,395	4,934	13,899	14,173
Net gain on held for trading investments	-	(101)	(468)	(607)
Change in fair value of investment property	(92)	(21,808)	(6,062)	(21,808)
Net foreign exchange difference	12	212	13	44
Share of results of a joint venture	(247)	387	(1,854)	1,868
Allowance for doubtful debt	-	19	1	19
Operating cash flow before movements in working capital	8,747	15,093	17,472	66,508
Trade and other receivables	62,540	24,553	158,548	55,345
Development properties and properties held for sale	(2,201)	33,879	(881)	62,809
Trade and other payables	2,296	18,219	272	29,923
Net cash from operations	71,382	91,744	175,411	214,585
Interest paid	(6,440)	(8,052)	(18,770)	(18,717)
Income taxes paid	(8,317)	(15,582)	(17,214)	(30,872)
Net cash from operating activities	56,625	68,110	139,427	164,996
<u>Investing activities</u>				
Purchase of held for trading investments	-	-	(1,354)	-
Investment in a joint venture	-	(320)	(31,750)	(54,501)
Interest received	166	170	514	329
Purchase of property, plant and equipment	(140)	(1)	(220)	(10)
Additions to investment properties	(385)	(8,607)	(3,110)	(26,226)
Proceeds from disposal of held for trading investments	-	-	5,976	-
Net cash used in investing activities	(359)	(8,758)	(29,944)	(80,408)

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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	Third Quarter Ended 30 Sep		Nine Months Ended 30 Sep	
Group (S\$'000)	2016	2015	2016	2015
<u>Financing activities</u>				
Advance (to) from non-controlling interests	-	(4,800)	-	2,100
Proceeds from borrowings	2,500	-	5,357	44,000
Proceeds from debt note issued	-	-	-	84,616
Repayment of borrowings	(67,305)	(29,875)	(148,343)	(141,627)
Repurchase of shares	-	(623)	-	(623)
Dividend paid	-	(10,068)	-	(34,783)
Net cash used in financing activities	(64,805)	(45,366)	(142,986)	(46,317)
Net (decrease) increase in cash and cash equivalents	(8,539)	13,986	(33,503)	38,271
Cash and cash equivalents at beginning of period	69,072	100,033	94,354	76,543
Effect of exchange rate on foreign currency balances	(8)	(1,300)	(326)	(2,095)
Cash and cash equivalents at end of period	60,525	112,719	60,525	112,719

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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)										
Balance as at 1 January 2015	150,000	828,463	(503)	271	15,906	(14,396)	-	979,741	58,586	1,038,327
Total comprehensive income for the period	-	16,441	-	-	-	(7,241)	1	9,201	764	9,965
Dividend paid	-	(6,715)	-	-	-	-	-	(6,715)	-	(6,715)
Balance as at 31 March 2015	150,000	838,189	(503)	271	15,906	(21,637)	1	982,227	59,350	1,041,577
Total comprehensive income for the period	-	15,170	-	-	-	(5,434)	(25)	9,711	1,072	10,783
Dividend paid to non-controlling interests	-	-	-	-	-	-	-	-	(40,000)	(40,000)
Balance as at 30 June 2015	150,000	853,359	(503)	271	15,906	(27,071)	(24)	991,938	20,422	1,012,360
Total comprehensive income for the period	-	27,824	-	-	-	(7,316)	(34)	20,474	1,115	21,589
Repurchase of shares	-	-	(623)	-	-	-	-	(623)	-	(623)
Dividend paid	-	(10,068)	-	-	-	-	-	(10,068)	-	(10,068)
Balance as at 30 September 2015	150,000	871,115	(1,126)	271	15,906	(34,387)	(58)	1,001,721	21,537	1,023,258

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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	Revaluation Reserves	Foreign Currency Translation Reserve	Investment Revaluation Reserve	Attributable to Equity Holders	Non-Controlling Interests	Total
Group (S\$'000)										
Balance as at 1 January 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	-	5,293	-	-	-	(2,470)	30	2,853	495	3,348
Balance as at 31 March 2016	150,000	885,137	(1,050)	308	33,266	(29,191)	(42)	1,038,428	14,269	1,052,697
Total comprehensive income for the period	-	3,653	-	-	-	(10,087)	5	(6,429)	45	(6,384)
Balance as at 30 June 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 September 2016	150,000	891,894	(1,050)	308	33,266	(28,631)	(136)	1,045,651	14,432	1,060,083

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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)					
Balance as at 1 January 2015	150,000	291,483	(503)	271	441,251
Total comprehensive income for the period	-	6,478	-	-	6,478
Dividend paid	-	(6,715)	-	-	(6,715)
Balance as at 31 March 2015	150,000	291,246	(503)	271	441,014
Total comprehensive income for the period	-	64,272	-	-	64,272
Balance as at 30 June 2015	150,000	355,518	(503)	271	505,286
Total comprehensive income for the period	-	245,874	-	-	245,874
Repurchase of shares	-	-	(623)	-	(623)
Dividend paid	-	(10,068)	-	-	(10,068)
Balance as at 30 September 2015	150,000	591,324	(1,126)	271	740,469
Balance as at 1 January 2016	150,000	606,115	(1,050)	308	755,373
Total comprehensive income for the period	-	592	-	-	592
Balance as at 31 March 2016	150,000	606,707	(1,050)	308	755,965
Total comprehensive income for the period	-	53,171	-	-	53,171
Balance as at 30 June 2016	150,000	659,878	(1,050)	308	809,136
Total comprehensive income for the period	-	15,328	-	-	15,328
Balance as at 30 September 2016	150,000	675,206	(1,050)	308	824,464

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

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- 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 2016	As at 31 Dec 2015
Total number of Ordinary Shares issued and fully paid	6,720,000,000	6,720,000,000
Treasury Shares	(7,600,000)	(7,600,000)
	6,712,400,000	6,712,400,000

- 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 2016	7,600,000
Add: Purchases during the year	-
Less: Sales, transfers, disposals or cancellation	-
Balance as at 30 September 2016	7,600,000

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.

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 2015.

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.

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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 6,712,400,000 shares (2015: 6,714,070,000) (excluding treasury shares)	Third Quarter Ended 30 Sep		Nine Months Ended 30 Sep	
	2016	2015	2016	2015
Based on the weighted average number of ordinary shares in issue	0.05 cents	0.41 cents	0.18 cents	0.89 cents
On a fully diluted basis	0.05 cents	0.41 cents	0.18 cents	0.89 cents

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-2016	31-Dec-2015	30 -Sep-2016	31-Dec-2015
Net asset value per ordinary share based on 6,712,400,000 shares (2015: 6,712,400,000) (excluding treasury shares)	15.6 cents	15.4 cents	12.3 cents	11.3 cents

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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. It must include a discussion of the following:*
- (a) *any significant factors that affected the turnover, costs and earnings of the group for the current financial period reported on, including (where applicable) seasonal or cyclical factors; and*
- (b) *any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current financial period reported on.*

REVIEW OF GROUP PERFORMANCE

GROUP	Third Quarter Ended 30 Sep				Nine Months Ended 30 Sep		
	2016	2015	Change %		2016	2015	Change %
<u>REVENUE (\$\$'000)</u>							
Property development	28,269	59,277	(52.3)		72,728	230,474	(68.4)
Property investment	4,700	4,750	(1.1)		13,626	14,104	(3.4)
Total	32,969	64,027	(48.5)		86,354	244,578	(64.7)
<u>GROSS PROFIT (\$\$'000)</u>							
Property development	8,364	14,941	(44.0)		17,545	66,067	(73.4)
Property investment	4,700	4,750	(1.1)		13,626	14,104	(3.4)
Total	13,064	19,691	(33.7)		31,171	80,171	(61.1)
<u>GROSS PROFIT MARGIN</u>							
Property development	29.6%	25.2%			24.1%	28.7%	
Property investment	N.A	N.A			N.A	N.A	
Consolidated Total	39.6%	30.8%			36.1%	32.8%	
<u>PROFIT BEFORE TAXATION (\$\$'000)</u>							
Property development	4,717	8,468	(44.3)		8,141	45,954	(82.3)
Property investment	(168)	22,852	(100.8)		3,718	26,420	(85.9)
Total	4,549	31,320	(85.5)		11,859	72,374	(83.6)

N.A- Not Applicable



Third quarter 2016 Vs Third quarter 2015

Revenue

The Group recorded a turnover of \$32.97 million in third quarter of 2016, a 48.5% decrease from \$64.03 million recorded in the corresponding period of 2015.

- (a) Property development segment contributed \$28.27 million or 85.7% of the consolidated revenue. Revenue contribution from this segment decreased by 52.3% compared to the same quarter in 2015. With the commencement of the construction works in second quarter of 2016, *City Gate* has become the main contributor to revenue during this period. Other project that contributed to the revenue during this period was *Kensington Square*, which obtained Temporary Occupation Permit in August 2016.
- (b) Property investment segment contributed \$4.70 million or 14.3% to the total consolidated revenue. This represents a decrease of 1.1% from the \$4.75 million recorded in the corresponding period of 2015. This was mainly due to a decrease of income from *Tower 15*, partly offset by increase in rental income from *Fragrance Empire Building* and *Victory Centre*.

Gross Profit

Our overall gross profit decreased by 33.7% to \$13.06 million in line with the less ongoing development projects. However, there is an increase in gross profit margin – 39.6% in third quarter of 2016 compared to 30.8% achieved during the same period in 2015.

Profit before taxation

Other operating expenses decreased from \$6.80 million in the third quarter of 2015 to \$5.16 million in the third quarter of 2016 mainly because of the following factors:

- 1. Decrease in commission and promotion expenses relating to the development projects;
- 2. Decrease in performance related bonuses to executive directors;
- 3. Decrease in utilities expenses due to the commencement of construction activities on *City Gate*, whose utilities expenses were expensed off in the same period of 2015; and partly offset by
- 4. Increase in property tax expenses pertaining to the investment properties;
- 5. Increase in depreciation expenses relating to owner-occupied office premises.

Finance costs increased by \$1.30 million in the third quarter of 2016 mainly due to:

- i) interests incurred on *Fragrance Empire Building* and *Icon @ Pasir Panjang* were capitalised in third quarter of 2015, but expensed off in 2016 following their completion and issuance of Temporary Occupation Permit; and
- ii) general increase of overall interest rates across all the floating rate borrowings.

Overall profit before taxation decreased by 85.5% from \$31.32 million in the third quarter of 2015 to \$4.55 million in the same period of 2016.



Nine Months 2016 Vs Nine Months 2015

Revenue

The Group recorded a turnover of \$86.35 million during the first nine months of 2016, a 64.7% decrease from \$244.58 million recorded in the corresponding period in 2015.

- (a) Property development segment contributed \$72.73 million in the first nine months of 2016 which is 68.4% lower than \$230.47 million recorded in the corresponding period of 2015. This was mainly due to the less ongoing development projects as compared to the first nine months of 2015. Projects that contributed to revenue during this period include *City Gate*, *Kensington Square*, *Urban Vista* and *Novena Regency*.
- (b) Rental from our investment properties namely *Tower 15*, *The Punggol Point*, *Victory Centre* and *Fragrance Empire Building* are the main contributors to revenue from this segment during this period. The lower rental income in the first nine months of 2016 was due mainly to lower occupancy status in *Tower 15*. The decrease is partly offset by increase in rental income from *Fragrance Empire Building* and *Victory Centre*.

Gross Profit

Our overall gross profit decreased by 61.1% to \$31.17 million in line with less ongoing development projects. Gross profit margin for first nine months of 2016, at 36.1%, is higher as compared to the same period in 2015 at 32.8%.

Other Operating Income

The decrease in other operating income was largely due to the one time fair value gain recorded in third quarter of 2015 when transferring *Victory Centre* to investment properties.

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 taxation

Other operating expenses decreased from \$20.36 million in the first nine months of 2015 to \$15.18 million in the first nine months of 2016 mainly because of the following factors:

1. Decrease in commission and promotion expenses relating to the development projects;
2. Decrease in repair and maintenance expenses as prior year's expenses included certain significant expenditure for *Tower 15*;
3. Decrease in utilities expenses due to the commencement of construction activities on *City Gate*;
4. Decrease in performance related bonuses to executive directors; and partly offset by
5. Increase in property tax expenses pertaining to the investment properties;
6. Increase in depreciation expenses relating to owner-occupied office premises.

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Finance costs increased by \$5.47 million in the first nine months of 2016 mainly due to:

- i) full period interest expenses relating to *Fragrance Empire Building*, *Victory Centre* and *Icon @ Pasir Panjang* were expensed off following completion of development and issuance of Temporary Occupation Permit in 2016. However, major part of these interest costs were capitalised in 2015; and
- ii) general increase in overall interest rates across the floating rate borrowings.

Overall profit before taxation decreased by 83.6% from \$72.37 million in the first nine months of 2015 to \$11.86 million in the same period of 2016.

Taxation

Income tax credit for first nine months of 2016 arose from an over provision recorded in prior years.

Statements of financial position & Statement of cash flows

Non-current assets mainly comprise land and building of our investment properties and office. The Group's investment properties totaled at \$1,174.44 million as at 30 September 2016.

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 cash. As at 30 September 2016, the Group's current assets totaled \$703.46 million.

Development properties include land costs, development costs, interest capitalised and other related costs and this accounted for \$468.08 million or 66.5% of total current assets as at 30 September 2016. The increase of \$25.27 million compared to the balance as at 31 December 2015 was mainly due to additional costs incurred during the period, and the reclassification of development costs relating to the property at 555 Collins Street, Melbourne, Victoria from Asset held for Sale, following a change in business plans. The planning permit for this property has since been obtained from the local authority. This increase is partially offset by the progressive recognition of costs to the income statement.

Trade and other receivables of \$107.93 million include \$73.19 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. Decrease of 59.4% compared to the balance as at 31 December 2015 was mainly due to the collections from the buyers partly offset by additional revenue recognised, yet to be billed.

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Trade and other payables, which mainly comprise trade creditors, related party balances and accrual for project costs decreased from \$113.40 million as at 31 December 2015 to \$105.62 million.

Progressive collections from development properties have been used to repay some bank loans resulting in decrease in the Group's total borrowings by 16.3% to \$732.44 million from \$875.59 million as at 31 December 2015.

During the first nine months ended 30 September 2016, the Group generated net cash inflow of \$139.43 million from operating activities. Cash outflow from investing activities amounted to \$29.94 million which was substantially used towards investing in AF Corporation Pte Ltd. Net cash outflow from financing activities amounted to \$142.99 million which comprise cash outflow on the repayment of borrowings partly offset by proceeds from project related loans. Cash and cash equivalents stood at \$60.53 million as at the end of 30 September 2016 compared to \$94.35 million as at the end of 31 December 2015.

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 that the Group is expected to remain profitable in FY2016 as previously disclosed to shareholders in the results announcement for the second quarter ended 30 June 2016.

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 2016 real estate statistics released by the Urban Redevelopment Authority, indicate that the prices of private residential properties decreased by 1.5% in third quarter of 2016, following the 0.4% decline in the previous quarter. The market sentiment continues to be weak given the global economic uncertainties.

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

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Project name	Type	Total No. of units	Percentage of units sold ¹
<i>City Gate</i> (Group has 50% interest)	Flats & Commercial units	499	85% Sold

Construction works for City Gate commenced during the second quarter of 2016. The Group has started to, and may progressively recognise revenue from sales of about \$326 million (our 50% share of the joint operations), based on the percentage of completion method.

Australia:

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

Project Name/Location	Type	Tenure	Land Area (Sq ft)
<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
<i>Premier Tower</i> 134-160 Spencer Street Melbourne, Victoria	Mixed-use Skyscraper Development	Freehold	19,375
555 Collins Street Melbourne, Victoria	Mixed-use Development	Freehold	24,757
173-177 Macquarie Street Hobart, Tasmania	Hotel Development	Freehold	21,528
28 – 30 Davey Street Hobart, Tasmania	Mixed-use Development	Freehold	12,411
171 Macquarie Street Hobart, Tasmania	Commercial Development	Freehold	5,651
2-6 Collins Street Hobart, Tasmania	Mixed-use Development	Freehold	32,389
234-250 Elizabeth Street Hobart, Tasmania	Mixed-use Development	Freehold	37,684

¹ Sales info represents the % of sold units over total units and is updated with Option to Purchase which has already been exercised up to 9 November 2016.

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Australia:

Of the above, Premier Tower has been launched for sale and about 70% of residential units are sold². NV Apartments has been launched for sale in 2016 and is 19% sold. Based on 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 development works at 173-177 Macquarie Street, Hobart is progressing well for the development of a hotel building with 296 rooms, with retail/restaurant and full amenities.

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

Property Investment Segment:

The real estate statistics for the third quarter 2016 released by the URA indicate that rental of office space had declined by 1.1% for the third quarter compared to second quarter of 2016. The island-wide vacancy rate of office space at the end of third quarter of 2016 increased to 10.4% from 9.1% at the end of second quarter of 2016. The Group's two major properties *Tower 15* and *Fragrance Empire Building*, are located in/near CBD thus giving us the competitive edge in our marketing efforts.

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

Name/Location	Type	Occupancy Status³
<i>Fragrance Empire Building</i> 456 Alexandra Road (Freehold)	Office/Retail/ Medical Suites/F&B	32%
<i>Tower 15</i> 15 Hoe Chiang road (Freehold)	Office/Hotel/F&B	71%
<i>Fragrance Building</i> 168 Changi Road (Freehold)	Office/Retail/Café	79%
<i>The Colonial Settlement</i> 3 Punggol Point Road (15-years lease)	F&B	80%
Victory Centre 110 LOR 23 Geylang Road (60-years lease)	Business 1/ Industrial	40%

² Sales status presents the % of units sold as of 9 November 2016.

³ Occupancy Status represents the % of committed lettable space over total lettable space in the building as of 9 November 2016.

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Name/Location	Type	Occupancy Status ³
Commercial units at <i>Novena Regency</i> (Freehold)	Restaurant/Shop	34%
Commercial units at <i>Icon @ Pasir Panjang</i> (Freehold)	Restaurant/Shop	7%
Commercial unit at <i>Kensington Village</i> (Freehold)	Retail	100%

Overall Summary

In summary, the Group is well positioned to seize new market opportunities in Singapore, having sold almost all of its residential properties in Singapore. With the timely diversification of operations into Australia, the Group has laid a good foundation for sustainable growth in future years.

However, the revenue stream for the near to mid-term will be subject to potentially significant amount of fluctuations due to the following factors:

- i) Construction of City Gate has commenced in the second quarter of 2016. Approximately 283 million of balance attributable revenue, from the units sold, will be recognised progressively henceforth.
- ii) Revenue from sales of our Australian property portfolio will only be recognised on completion of development of the respective properties. As of 9 November 2016, sales of units in Premier Tower and NV Apartments amounts to approximately \$440 million. The remaining Australian properties, subject to the Group obtaining all necessary regulatory approvals and depending upon the level of sales and completion of construction, will contribute significantly to the Group's revenue and profits in future years.

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11. Dividend**(a) Current Financial Period Reported on**Any dividend declared for the current financial period reporting on: **YES**

Name of Dividend	Interim (ordinary)
Dividend Type	Cash
Dividend Amount per share	S\$0.001 per share
No of shares in issue (excluding treasury shares)	6,712,400,000
Total Dividend Amount	S\$6,712,400/-
Tax Rate	Tax-exempt (one-tier tax) dividend
Date of payment	1 December 2016

(b) Corresponding Period of the Immediately Preceding Financial Year : No**(c) Date payable : 1 December 2016****(d) Books closure date :**

Notice is hereby given that the Register of Members of Transfer Books of the Company will be closed at the close of market day on 21 November 2016 for the purpose of determining shareholders' entitlements to dividends.

Registrable transfers received by the Company's Registrar, Tricor Singapore Pte Ltd at 80 Robinson Road #02-00 Singapore 068898, up to 5:00 p.m. on 21 November 2016 will be registered before entitlements to the dividend are determined.

12. If no dividend has been declared/recommended, a statement to that effect.

Not applicable.

13. If the Group has obtained a general mandate from Shareholders for IPT, the aggregate value of such transactions as required under Rule 920(1)(a)(ii). If no IPT mandate has been obtained, a statement to that effect.

The Group has not obtained a general mandate from Shareholders for Interested Person Transactions ("IPT").

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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 2016 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.

ON BEHALF OF THE BOARD

KOH WEE MENG
Executive Chairman and CEO

PERIAKARUPPAN ARAVINDAN
Executive Director

9 November 2016