



FRAGRANCE GROUP LIMITED
Company Registration No.: 200006656M

FRAGRANCE GROUP LIMITED

**UNAUDITED RESULTS AND DIVIDEND ANNOUNCEMENT
FOR THE SECOND QUARTER AND HALF YEAR ENDED 30 JUNE 2016**



FRAGRANCE GROUP LIMITED

Company Registration No.: 200006656M

Unaudited Results and Dividend Announcement for the Second Quarter and Half Year Ended 30/06/2016

PART 1 - INFORMATION REQUIRED FOR ANNOUNCEMENTS OF QUARTERLY (Q1, Q2 & Q3), HALF-YEAR AND FULL YEAR RESULTS – 30 JUNE 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					
	Second Quarter (Apr to Jun) Three months ended 30 Jun			Half Year (Jan to Jun) Six months ended 30 Jun		
	2016	2015	Change	2016	2015	Change
	S\$'000	S\$'000	%	S\$'000	S\$'000	%
Turnover	30,667	92,758	(66.9)	53,385	180,551	(70.4)
Cost of sales	(19,713)	(61,911)	(68.2)	(35,278)	(120,071)	(70.6)
Gross profit	10,954	30,847	(64.5)	18,107	60,480	(70.1)
Other operating income	362	29	1,148.3	7,119	940	657.3
Other operating expenses	(5,873)	(6,959)	(15.6)	(10,019)	(13,560)	(26.1)
Finance costs	(4,676)	(2,991)	56.3	(9,504)	(5,325)	78.5
Share of results of a joint venture	529	(407)	230.0	1,607	(1,481)	208.5
Profit before income tax	1,296	20,519	(93.7)	7,310	41,054	(82.2)
Taxation	2,402	(4,277)	(156.2)	2,176	(7,607)	(128.6)
Profit for the period	3,698	16,242	(77.2)	9,486	33,447	(71.6)
Attributable to:						
Equity holders of the Company	3,653	15,170	(75.9)	8,946	31,611	(71.7)
Non-controlling interests	45	1,072	(95.8)	540	1,836	(70.6)



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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. – Continued

GROUP	Statement of comprehensive income					
	Second Quarter (Apr to Jun) Three months ended 30 Jun			Half Year (Jan to Jun) Six months ended 30 Jun		
	2016	2015	Change	2016	2015	Change
	S\$'000	S\$'000	%	S\$'000	S\$'000	%
Other comprehensive income						
Exchange difference on translation of foreign operations	(7,793)	(3,544)	119.9	(7,381)	(11,147)	(33.8)
Share of other comprehensive income of a joint venture						
Exchange difference on translation of foreign operations	(2,294)	(1,890)	21.4	(5,176)	(1,528)	238.7
Fair value gain (loss) on investment securities	5	(25)	120.0	35	(24)	245.8
Net other comprehensive income	(10,082)	(5,459)	84.7	(12,522)	(12,699)	(1.4)
Total comprehensive income	(6,384)	10,783	(159.2)	(3,036)	20,748	(114.6)

Attributable to:						
Equity holders of the Company	(6,429)	9,711	(166.2)	(3,576)	18,912	(118.9)
Non-controlling interests	45	1,072	(95.8)	540	1,836	(70.6)

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

	Second Quarter (Apr to Jun) Three months ended 30 Jun				Half Year (Jan to Jun) Six months ended 30 Jun		
	2016	2015	Change		2016	2015	Change
	S\$'000	S\$'000	%		S\$'000	S\$'000	%
Amortisation and depreciation	(100)	(345)	(71.0)		(302)	(628)	(51.9)
Finance costs	(4,676)	(2,991)	56.3		(9,504)	(5,325)	78.5
Other operating income							
Change in fair value of held for trading investments	-	(304)	(100.0)		1,104	506	118.2
Gain on disposal of held for trading investments	-	-	N.M		(636)	-	N.M
Net foreign exchange gain	17	214	(92.1)		15	168	(91.1)
Interest income	153	87	75.9		348	159	118.9
Fair value gain on investment property	-	-	N.M		5,970	-	N.M
Others	192	32	500.0		318	107	197.2
Total	362	29	1,148.3		7,119	940	657.3

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-Jun-2016	31-Dec-2015	30-Jun-2016	31-Dec-2015
<u>Non-current assets</u>				
Property, plant and equipment	19,010	19,166	-	-
Investment properties	1,162,613	1,141,782	-	-
Prepayments	8,518	8,908	-	-
Subsidiaries	-	-	648,371	633,324
Investment in a joint venture	94,528	66,312	92,063	60,313
Deferred tax asset	722	743	-	-
Total non-current assets	1,285,391	1,236,911	740,434	693,637
<u>Current assets</u>				
Cash and cash equivalents	69,072	94,354	55,392	59,000
Trade and other receivables	169,930	265,920	130,128	175,928
Held for trading investments	-	4,155	-	4,155
Development properties	434,214	442,811	206,555	216,554
Properties held for sale	13,701	29,162	636	-
Asset held for sale	84,420	86,797	-	-
Total current assets	771,337	923,199	392,711	455,637
<u>Current liabilities</u>				
Trade and other payables	102,155	113,400	117,163	140,052
Notes payable	86,458	1,476	86,458	1,476
Term loans	153,369	439,887	-	46,000
Income tax payable	19,999	20,599	11,625	310
Total current liabilities	361,981	575,362	215,246	187,838
Net current assets	409,356	347,837	177,465	267,799
<u>Non-current liabilities</u>				
Trade and other payables	-	-	2,421	1,411
Notes payable	-	85,000	-	85,000
Term loans	644,209	435,701	105,725	108,305
Deferred taxation	4,225	14,698	617	11,347
Total non-current liabilities	648,434	535,399	108,763	206,063
Net Assets	1,046,313	1,049,349	809,136	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 Jun 2016	31 Dec 2015	30 Jun 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	(39,278)	(26,721)	-	-
Investment revaluation reserve	(37)	(72)	-	-
Retained earnings	888,790	879,844	659,878	606,115
Equity attributable to the owners of the Company	1,031,999	1,035,575	809,136	755,373
Non-controlling interests	14,314	13,774	-	-
Total Equity	1,046,313	1,049,349	809,136	755,373

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

	As at 30 Jun 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	153,369	86,458	439,887	1,476
Amount repayable after one year	644,209	-	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;
- 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	Second Quarter Ended 30 Jun		Half Year Ended 30 Jun	
Group (S\$'000)	2016	2015	2016	2015
<u>Operating activities</u>				
Profit before income tax	1,296	20,519	7,310	41,054
Adjustments for:				
Amortisation and depreciation	119	27	236	54
Amortisation of land lease	195	195	390	390
Net amortisation of rental incentive granted	(262)	(63)	(420)	(34)
Amortisation of processing fee on debt note issued	48	32	96	64
Interest income	(153)	(87)	(348)	(159)
Interest expense	4,676	5,068	9,504	9,239
Net gain (loss) on held for trading investments	-	304	(468)	(506)
Change in fair value of investment property	-	-	(5,970)	-
Net foreign exchange difference	(1)	(214)	1	(168)
Share of results of a joint venture	(529)	407	(1,607)	1,481
Allowance for doubtful debt	-	-	1	-
Operating cash flow before movements in working capital	5,389	26,188	8,725	51,415
Trade and other receivables	72,451	10,761	96,008	30,792
Development properties and properties held for sale	1,391	40,514	1,320	28,930
Trade and other payables	101	2,727	(2,024)	11,704
Net cash from operations	79,332	80,190	104,029	122,841
Interest paid	(5,141)	(5,537)	(12,330)	(10,665)
Income taxes paid	(9,062)	(6,460)	(8,897)	(15,290)
Net cash from operating activities	65,129	68,193	82,802	96,886
<u>Investing activities</u>				
Purchase of held for trading investments	-	-	(1,354)	-
Investment in a joint venture	(28,150)	(900)	(31,750)	(54,181)
Interest received	153	87	348	159
Purchase of property, plant and equipment	(1)	(4)	(80)	(9)
Additions to investment properties	(1,086)	(12,924)	(2,725)	(17,619)
Proceeds from disposal of held for trading investments	-	-	5,976	-
Net cash used in investing activities	(29,084)	(13,741)	(29,585)	(71,650)



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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	Second Quarter Ended 30 Jun		Half Year Ended 30 Jun	
Group (S\$'000)	2016	2015	2016	2015
<u>Financing activities</u>				
Advance from non-controlling interests	14	3,400	-	6,900
Proceeds from borrowings	2,857	-	2,857	44,000
Proceeds from debt note issued	-	-	-	84,616
Repayment of borrowings	(46,648)	(32,093)	(81,038)	(111,752)
Dividend paid	-	(6,715)	-	(24,715)
Net cash used in financing activities	(43,777)	(35,408)	(78,181)	(951)
Net (decrease) increase in cash and cash equivalents	(7,732)	19,044	(24,964)	24,285
Cash and cash equivalents at beginning of period	76,972	81,070	94,354	76,543
Effect of exchange rate on foreign currency balances	(168)	(81)	(318)	(795)
Cash and cash equivalents at end of period	69,072	100,033	69,072	100,033



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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



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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

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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
Dividend paid	-	-	-	-	-
Balance as at 30 June 2015	150,000	355,518	(503)	271	505,286
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

1(d)(ii) Details of any changes in the company's share capital arising from rights issue, bonus issue, share buy-backs, exercise of share options or warrants, conversion of other issues of equity securities, issue of shares for cash or as consideration for acquisition or for any other purpose since the end of the previous period reported on. State also the number of shares that may be issued on conversion of all the outstanding convertibles, as well as the number of shares held as treasury shares, if any, against the total number of issued shares excluding treasury shares of the issuer, as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year.

Nil

1(d)(iii) To show the total number of issued shares excluding treasury shares as at the end of the current financial period and as at the end of the immediately preceding year.

	As at 30 Jun 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

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- 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 June 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 second 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: 6,714,850,000) (excluding treasury shares)	Second Quarter Ended 30 Jun		Half Year Ended 30 Jun	
	2016	2015	2016	2015
Based on the weighted average number of ordinary shares in issue	0.05 cents	0.24 cents	0.13 cents	0.47 cents
On a fully diluted basis	0.05 cents	0.24 cents	0.13 cents	0.47 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 -Jun-2016	31-Dec-2015	30 -Jun-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)	15.4 cents	15.4 cents	12.1 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	Second Quarter Ended 30 Jun			Half Year Ended 30 Jun		
	2016	2015	Change %	2016	2015	Change %
<u>REVENUE (\$\$'000)</u>						
Property development	26,199	88,010	(70.2)	44,459	171,197	(74.0)
Property investment	4,468	4,748	(5.9)	8,926	9,354	(4.6)
Total	30,667	92,758	(66.9)	53,385	180,551	(70.4)
<u>GROSS PROFIT (\$\$'000)</u>						
Property development	6,486	26,099	(75.1)	9,181	51,126	(82.0)
Property investment	4,468	4,748	(5.9)	8,926	9,354	(4.6)
Total	10,954	30,847	(64.5)	18,107	60,480	(70.1)
<u>GROSS PROFIT MARGIN</u>						
Property development	24.8%	29.7%		20.7%	29.9%	
Property investment	N.A	N.A		N.A	N.A	
Consolidated Total	35.7%	33.3%		33.9%	33.5%	
<u>PROFIT BEFORE TAXATION (\$\$'000)</u>						
Property development	2,178	18,557	(88.3)	3,424	37,486	(90.9)
Property investment	(882)	1,962	(145.0)	3,886	3,568	8.9
Total	1,296	20,519	(93.7)	7,310	41,054	(82.2)

N.A- Not Applicable



Second quarter 2016 Vs Second quarter 2015

Revenue

The Group recorded a turnover of \$30.67 million in second quarter of 2016, a 66.9% decrease from \$92.76 million recorded in the corresponding period of 2015.

- (a) Property development segment contributed \$26.20 million or 85.5% of the consolidated revenue. Revenue contribution from this segment decreased by 70.2% compared to the same quarter in 2015. With the commencement of the construction works, *City Gate* has made its maiden contribution to revenue during this period. Other projects that contributed to the revenue during this period were *Urban Vista* and *Kensington Square*.
- (b) Property investment segment contributed \$4.47 million or 14.5% to the total consolidated revenue. This represents a decrease of 5.9% 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 64.5% to \$10.95 million in line with the less ongoing development projects. However, there is an increase in gross profit margin – 35.7% in second quarter of 2016 compared to 33.3% achieved during the same period in 2015.

Profit before taxation

Other operating expenses decreased from \$6.96 million in the second quarter of 2015 to \$5.87 million in the second quarter of 2016 mainly because of the following factors:

- 1. Decrease in commission, advertising and promotion expenses relating to the development projects;
- 2. Decrease in performance related bonuses to executive directors; and partly offset by
- 3. Increase in property tax expenses pertaining to the investment properties;
- 4. Increase in depreciation expenses relating to owner-occupied office premises.

Finance costs increased by \$1.69 million in the second quarter of 2016 mainly due to:

- i) interests incurred on *Fragrance Empire Building*, *Victory Centre* and *Icon @ Pasir Panjang* were capitalised in 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 93.7% from \$20.52 million in the second quarter of 2015 to \$1.30 million in the same period of 2016.



Taxation

The income tax credit arose from an over provision recorded in prior years.

Half Year 2016 Vs Half Year 2015

Revenue

The Group recorded a turnover of \$53.39 million during the first half of 2016, a 70.4% decrease from \$180.55 million recorded in the corresponding period in 2015.

- (a) Property development segment contributed \$44.46 million in the first half of 2016 which is 74.0% lower than \$171.20 million recorded in the corresponding period of 2015. This was mainly due to the less ongoing development projects as compared to the first half of 2015. Other projects that contributed to revenue during this period include *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 half 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 70.1% to \$18.11 million in line with less ongoing development projects. Gross profit margin for first half of 2016 remain relatively consistent at 33.9% as compared to the same period in 2015.

Other Operating Income

The increase in other operating income was largely due to the fair value gain arising from the transfer of certain properties from Properties Held for Sale 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 \$13.56 million in the first half of 2015 to \$10.02 million in the first half of 2016 mainly because of the following factors:

1. Decrease in commission, advertising 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 performance related bonuses to executive directors; 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 \$4.18 million in the first half 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 of overall interest rates across the floating rate borrowings.

Overall profit before taxation decreased by 82.2% from \$41.05 million in the first half of 2015 to \$7.31 million in the same period of 2016.

Taxation

Income tax credit for first half 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 \$1,162.61 million as at 30 June 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 June 2016, the Group's current assets totaled \$771.34 million.

Development properties include land costs, development costs, interest capitalised and other related costs and this accounted for \$434.21 million or 56.3% of total current assets as at 30 June 2016. The decrease of \$8.60 million compared to the balance as at 31 December 2015 is mainly due to transfer of cost of properties sold to the income statement, partly offset by additional costs incurred during the period.

Trade and other receivables of \$169.93 million include \$72.91 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 36.1% compared to the balance as at 31 December 2015 is 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 \$102.16 million.

Progressive collections from development properties sold have been used to repay some bank loans resulting in decrease in the Group's total borrowings by 8.9% to \$797.58 million from \$875.59 million as at 31 December 2015.

During the first half ended 30 June 2016, the Group generated net cash inflow of \$82.80 million from operating activities. Cash outflow from investing activities amounted to \$29.59 million which was substantially used towards investing in AF Corporation Pte Ltd. Net cash outflow from financing activities amounted to \$78.18 million which comprise cash outflow on the repayment of borrowings partly offset by proceeds from project related loans. Cash and cash equivalents stood at \$69.07 million as at the end of 30 June 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 first quarter ended 31 March 2016. The Group reported profits during the second quarter. Other comprehensive income was a negative amount of \$10.08 million for second quarter 2016 due to currency translation losses for foreign subsidiaries and share of currency translation losses of a joint venture.

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 second quarter 2016 real estate statistics released by the Urban Redevelopment Authority, indicate that the prices of private residential properties decreased by 0.4% in second quarter of 2016, following the 0.7% 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	84% Sold

Construction works for City Gate commenced during the second quarter of 2016. The Group has started to and will progressively recognise revenue from sales of about \$321 million (our 50% share of the joint operations), based on the percentage of completion method.

The Group has obtained the Temporary Occupation Permit for *Kensington Square* in August 2016.

Australia:

The Group has the following properties held for development and/or sale 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
<i>Premier Tower</i> 134-160 Spencer Street Melbourne, Victoria	Mixed-use Skyscraper Development	Freehold	19,375
39-47 Milligan Street and 453-471 Murray Street, Perth, Western Australia	Mixed-use Development	Freehold	38,320
555 Collins Street Melbourne, Victoria	Mixed-use Skyscraper Development	Freehold	24,757
173-177 Macquarie Street Hobart, Tasmania	Commercial 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 11 August 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 first half 2016 and sales are gradually moving. 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 Group is currently working on the redevelopment plans for the rest of the Australian portfolio of properties.

Update on the Proposed Restructuring of Property Business in Australia

In 2014, the Group announced its plans on the proposed spin-off of its property business in Australia to be listed on the Catalist board of Singapore Exchange Securities Trading Limited (the "Proposed Restructuring"). The Proposed Restructuring will streamline the Group's business activities and add positively to the net tangible assets of the Group.

Due to the prolonged weakness in the real estate market and the economic uncertainties, investors interest and market valuation of real estate companies remain weak. In the best interest of the Group and its shareholders, the Proposed Restructuring plan is put on hold until market conditions improve. The Board wish to remind shareholders that there is no assurance or certainty that the Proposed Restructuring will eventually materialise. Subject to applicable regulatory requirements, the Company will keep shareholders updated on material developments as and when appropriate.

Property Investment Segment:

The real estate statistics for the second quarter 2016 released by the URA indicate that rental of office space had declined by 3.5% for the second quarter compare to first quarter of 2016. At the same time, the island-wide vacancy rate of office space at the end of second quarter of 2016 fell to 9.1% from 9.5% at the end of year 2015. 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 Status ³
<i>Fragrance Empire Building</i> 456 Alexandra Road (Freehold)	Office/Retail/ Medical Suites/F&B	27%
<i>Tower 15</i> 15 Hoe Chiang road (Freehold)	Office/Hotel/F&B	71%

² Sales status presents the % of units sold as of 11 August 2016.

³ Occupancy Status represents the % of committed lettable space over total lettable space in the building as of 11 August 2016.

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Name/Location	Type	Occupancy Status³
<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	100%
Victory Centre 110 LOR 23 Geylang Road (60-years lease)	Business 1/ Industrial	32%
Commercial units at <i>Novena Regency</i> (Freehold)	Restaurant/Shop	34%
Commercial units at <i>Icon @ Pasir Panjang</i> (Freehold)	Restaurant/Shop	7%

Overall Summary

In summary, the Group is well positioned to seize new market opportunities, having sold almost all of its residential properties in Singapore.

However, the revenue stream in 2016 is subject to potentially significant amount of fluctuations due to the following factors:

- i) Construction of City Gate has recently commenced in the second quarter of 2016. Approximately \$303 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 these properties. As of 11 August 2016, sales of units in Premier Tower amounts to approximately \$392 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.
- iii) Revenue contribution from the Property Investment segment will be highly dependent on the occupancy and rental rates for these investment properties.
- iv) The Group's acquisitions of properties in Australia result in sensitivity to fluctuation in exchange rate of the Australian dollar relative to Singapore dollar, the reporting currency. Such fluctuations may continue to have a significant impact on other comprehensive income and the foreign exchange translation reserve of the Group.

Barring unforeseen circumstances, the Group is expected to remain profitable in FY2016 taken as a whole.



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11. Dividend

(a) Current Financial Period Reported on

Any dividend declared for the current financial period reporting on: **NO**

(b) Corresponding Period of the Immediately Preceding Financial Year :

Name of Dividend	Interim (ordinary)
Dividend Type	Cash
Dividend Amount per share	S\$0.0015 per share
No of shares in issue (excluding treasury shares)	6,711,850,000
Total Dividend Amount	S\$10,067,775/-
Tax Rate	Tax-exempt (one-tier tax) dividend
Date of payment	8 September 2015

(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 or recommended for the current reporting period.

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

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

14. Negative confirmation pursuant to Rule 705(5). (Not required for announcement on full year results).

The Directors confirm that, to the best of our knowledge, nothing has come to the attention of the Board of Directors of the Company which may render the financial results for the second quarter and half year ended 30 June 2016 to be false or misleading in any material aspect.



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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.

ON BEHALF OF THE BOARD

KOH WEE MENG

Executive Chairman and CEO

PERIAKARUPPAN ARAVINDAN

Executive Director

11 August 2016