Securities Investors Association (Singapore)
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Email: admin@sias.org.sg www.sias.org.sg
UEN No: S99SS0111B
GST Reg No: M90367530Y

Issuer: Fragrance Group Limited

Stock code: F31

Meeting details:
Date: 27 April 2021
Time: 9.00 a.m.

Due to the current COVID-19 pandemic, SIAS encourage shareholders to participate at AGMs via other means and not to attend any AGM physically. Where the AGM is webcast, they can stay on top of their investments by watching the webcast and submitting their question to the company in advance. Senior citizens should avoid attending AGMs altogether and stay home.

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Q1. In the letter to shareholders, the executive chairman and CEO, along with the executive director and deputy CEO, presented an overview of the company's 20-year journey, 15 of which were as a listed company on the SGX. Since 2005 when it was listed with a market capitalisation of $50 million (page 2 of the annual report), the group has scaled many new heights and has paid a total dividend of $536 million ($287 million in cash and $249 million as Dividend-in-Specie).

The group's total assets amount to $3.3 billion as at 31 December 2020. The group's portfolio of real estate spans across the three continents and includes prime office, hotel, industrial, retail and lifestyle properties and upcoming residential, hotel and mixed-use developments.

The group has laid out its 2021 plans which, inter alia, is to complete Phase 2 of the Premier Tower (an iconic 796-unit luxury apartment in Melbourne's CBD) and the grand opening of a 172-room 5-star hotel in Melbourne. The group is also developing 2 hotel properties in Singapore – 15 Hoe Chiang Road and 62 & 64 Waterloo Street.

As at 31 December 2020, the group has cash and cash equivalents of $12.8 million and total borrowings of $1.93 billion. Properties held for sale increased from $89.97 million to $199.69 million. The debt-equity ratio (net of cash) of 1.48 times (page 7 – 5-year financial highlights).

It was noted that Premier Tower received its practical completion certificate for 401 residential units in Phase 1 in late December 2020 and expects the practical completion certificate for the remaining 395 units and the hotel (Phase 2) to be received in April 2021. Total contracted sale at Premier Tower amounts to AUD468.2 million (page 12).

The group has medium term note issuances under the multi-currency debt issuance programme amounting to $266.0 million expiring between April 2021 and November 2021 (page 12).

(i) **Can management update shareholders on the progress of the settlement of units at Premier Tower?**

(ii) **Given that the pandemic has caused unprecedented disruption to businesses and livelihoods, has the group experienced slower settlements, requests for delays and/or higher-than-expected defaults?**

(iii) **When will the settlements of phase 1 and phase 2 of Premier Tower be completed?**

(iv) **What is the expected capital expenditure to develop the two new hotels in Singapore? How will the group be funding the development of these two hotels?**

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(v) **Can the board provide shareholders with greater clarity on the pace of its growth going forward given that the pandemic has hit the hospitality sector badly?**

Q2. In the performance review, the group disclosed that, subsequent to the financial year-end, it took over four hotel properties from a former hotel-operator tenant and will be operating these hotels in 2021. The group incorporated a new wholly owned subsidiary, Fragrance UK-Hotel Management Limited, on 12 February 2021, for the purpose of operating these hotels.

Following the shift in business strategy, Hospitality Investment will be subsumed into Hotel Operations in 2021.

(i) **What is the financial status of the former hotel-operator tenant (probably Bespoke Hotels based on online reports)? What is the amount owed by the former hotel-operator tenant to the group?**

(ii) **Can management confirm that the four affected hotels are The Lyndene and St Chads in Blackpool, The Townhouse in Manchester and The Duke in Plymouth? What are the statuses of the affected hotels? Can management confirm that the four hotels are set to re-open next month?**

(iii) **Has management reviewed the performance and financial position of any other operators in the portfolio?**

(iv) **Does management have the experience and the bandwidth to take over the operations of the four UK hotels and to get them running efficiently?** There are still restrictions on international travel and ongoing lockdowns in the UK.

On page 13, the company has disclosed that its hotel properties in UK are located strategically in coastal areas in Paignton and Blackpool, to heritage areas in Harrogate and city centre in Liverpool and Manchester. Details of its investment properties can be found in Note 14 (pages 107 to 112 – Investment properties).

(v) **Can the company help shareholders better understand the current scale of its hotel operations and the impact of COVID on the operations in 2020?**

Q3. As disclosed in the corporate governance report, the company outsourced the internal audit function to professional firms since FY 2018. However, the engagement was delayed in FY2020 and no internal audit was conducted in view of the pandemic and travel restrictions (page 36).

(i) **Can the company disclose the professional firm(s) that it engaged for the group's internal audit function?**

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(ii) **Can the audit committee help shareholders understand if the group's internal audit plan covers its major operations in Singapore, Australia and the UK?**

(iii) **Has the audit committee reviewed the internal audit plans and scheduled the re-start of the internal audit engagements in Singapore, Australia and in the UK (where permitted by the local laws with regard to COVID safety measures)?**

^On 1 October 2020, the Accounting and Corporate Regulatory Authority ("ACRA"), the Monetary Authority of Singapore ("MAS") and Singapore Exchange Regulation ("SGX RegCo") published an updated checklist to guide listed entities on the conduct of general meetings arising from the latest updates from the Multi-Ministry Taskforce.

Issuers may continue to conduct their general meetings held on or before 30 June 2021 via electronic means, and are encouraged to do so.

Issuers who, after due consideration of public health and other risks, wish to provide for physical attendance at their general meetings must ensure that they implement all relevant measures to comply with the safe management measures imposed by the Singapore Government.

Shareholders are welcome to use and/or adapt the questions prepared by SIAS and to forward them to the company.

Can't attend the AGM or view the webcast? Check out the latest questions on the annual reports of listed companies on SIAS website

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^ Guidance on the Conduct of General Meetings Amid Evolving COVID-19 Situation (https://www.sgx.com/media-centre/20201001-guidance-conduct-general-meetings-amid-evolving-covid-19-situation)