# FIRST SPONSOR GROUP LIMITED
**(Incorporated in the Cayman Islands)**
**(Registration No. AT-195714)**

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**UNAUDITED FIRST QUARTER FINANCIAL STATEMENTS**
**FOR THE PERIOD ENDED 31 MARCH 2017**

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**PART I – INFORMATION REQUIRED FOR ANNOUNCEMENT OF QUARTERLY (Q1, Q2 & Q3), HALF YEAR AND FULL YEAR RESULTS**

**1(a) An income statement and statement of comprehensive income, for the group, together with comparative statements for the corresponding period of the immediately preceding financial year.**

| | The Group Three months ended 31 March | | |
|---|---|---|---|
| | 2017 S$'000 | 2016 S$'000 | Incr / (Decr) % |
| Revenue | 81,347 | 45,557 | 78.6 |
| Cost of sales | (57,938) | (31,199) | 85.7 |
| **Gross profit** | 23,409 | 14,358 | 63.0 |
| Administrative expenses | (7,210) | (7,253) | (0.6) |
| Selling expenses | (2,814) | (2,724) | 3.3 |
| Other income/(expenses) (net) | 885 | (1,518) | n.m. |
| Other losses | - | (4) | n.m. |
| **Results from operating activities** | 14,270 | 2,859 | 399.1 |
| | | | |
| Finance income | 6,552 | 8,039 | (18.5) |
| Finance costs | (2,067) | (1,874) | 10.3 |
| **Net finance income** | 4,485 | 6,165 | (27.3) |
| | | | |
| Share of after-tax profit of associates | 500 | 6,842 | (92.7) |
| | | | |
| **Profit before tax** | 19,255 | 15,866 | 21.4 |
| Tax expense | (5,133) | (3,239) | 58.5 |
| **Profit for the period** | 14,122 | 12,627 | 11.8 |
| | | | |
| **Attributable to:** | | | |
| Equity holders of the Company | 14,235 | 12,233 | 16.4 |
| Non-controlling interests | (113) | 394 | n.m. |
| **Profit for the period** | 14,122 | 12,627 | 11.8 |
| | | | |
| **Earnings per share (cents)** | | | |
| - **Basic** | 2.41 | 2.07 | 16.4 |
| - **Diluted** | 2.41 | 2.07 | 16.4 |

n.m.: not meaningful

**Consolidated Statement of Comprehensive Income**

| | The Group Three months ended 31 March | |
|---|---|---|
| | 2017 S$'000 | 2016 S$'000 |
| **Profit for the period** | 14,122 | 12,627 |
| **Other comprehensive income** | | |
| **Items that are or may be reclassified subsequently to profit or loss:** | | |
| Share of translation differences on financial statements of foreign associates, net of tax | (89) | (42) |
| Translation differences on financial statements of foreign subsidiaries, net of tax | (23,126) | (35,124) |
| Translation differences on monetary items forming part of net investment in foreign subsidiaries, net of tax | (1,671) | (2,040) |
| **Total other comprehensive income for the period, net of tax** | (24,886) | (37,206) |
| **Total comprehensive income for the period** | (10,764) | (24,579) |
| **Total comprehensive income attributable to:** | | |
| Equity holders of the Company | (10,073) | (24,930) |
| Non-controlling interests | (691) | 351 |
| **Total comprehensive income for the period** | (10,764) | (24,579) |

**Notes to the Group's Income Statement:**

Profit before tax includes the following:

| | The Group Three months ended 31 March | |
|---|---|---|
| | 2017 S$'000 | 2016 S$'000 |
| Other losses comprise: | | |
| Property, plant and equipment written off | - | (4) |
| Profit before income tax includes the following expenses/(income): | | |
| Depreciation of property, plant and equipment | 1,301 | 324 |
| Exchange loss/(gain) (net) | 2,310 | (160) |
| Operating lease expense | 95 | 106 |
| Net investment return from a PRC government linked entity | (214) | (480) |

**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.**

| | The Group | | The Company | |
|---|---|---|---|---|
| | **As at 31 March 2017 S$'000** | **As at 31 December 2016 S$'000** | **As at 31 March 2017 S$'000** | **As at 31 December 2016 S$'000** |
| **Non-current assets** | | | | |
| Property, plant and equipment | 226,753 | 234,537 | 351 | 367 |
| Investment properties | 228,043 | 231,197 | - | - |
| Interests in subsidiaries | - | - | 694,808 | 694,808 |
| Interests in associates | 55,465 | 55,055 | - | - |
| Deferred tax assets | 18,620 | 16,694 | - | - |
| Other receivables | 189,096 | 185,938 | 214,101 | 209,912 |
| Derivative asset | 751 | - | 751 | - |
| | 718,728 | 723,421 | 910,011 | 905,087 |
| **Current assets** | | | | |
| Development properties | 355,829 | 403,199 | - | - |
| Inventories | 295 | 80 | - | - |
| Trade and other receivables | 323,000 | 388,877 | 259,288 | 229,837 |
| Cash and cash equivalents | 304,141 | 280,567 | 19,351 | 99,896 |
| | 983,265 | 1,072,723 | 278,639 | 329,733 |
| **Total assets** | 1,701,993 | 1,796,144 | 1,188,650 | 1,234,820 |
| **Equity** | | | | |
| Share capital | 736,404 | 736,404 | 736,404 | 736,404 |
| Reserves | 278,112 | 288,185 | 117,344 | 82,511 |
| **Equity attributable to owners of the Company** | 1,014,516 | 1,024,589 | 853,748 | 818,915 |
| **Non-controlling interests** | 4,417 | 5,108 | - | - |
| **Total equity** | 1,018,933 | 1,029,697 | 853,748 | 818,915 |
| **Non-current liabilities** | | | | |
| Deferred tax liabilities | 6,461 | 6,446 | - | - |
| Loans and borrowings | 285,675 | 347,186 | 254,883 | 316,166 |
| Derivative liabilities | 421 | 2,763 | 421 | 2,763 |
| | 292,557 | 356,395 | 255,304 | 318,929 |
| **Current liabilities** | | | | |
| Trade and other payables | 168,725 | 196,254 | 79,559 | 87,512 |
| Receipts in advance | 201,290 | 189,735 | - | - |
| Loans and borrowings | - | 9,452 | - | 9,452 |
| Current tax payable | 20,488 | 14,611 | 39 | 12 |
| | 390,503 | 410,052 | 79,598 | 96,976 |
| **Total liabilities** | 683,060 | 766,447 | 334,902 | 415,905 |
| **Total equity and liabilities** | 1,701,993 | 1,796,144 | 1,188,650 | 1,234,820 |

**1(b)(ii) Aggregate amount of the Group's borrowings and debt securities.**

The Group's net borrowings refer to aggregate borrowings from banks and financial institutions, after deducting cash and cash equivalents. Unamortised balance of transaction costs have not been deducted from the gross borrowings.

| | The Group | |
|---|---|---|
| | **As at 31 March 2017 S$'000** | **As at 31 December 2016 S$'000** |
| **Unsecured** | | |
| - repayable within one year | - | 9,452 |
| - repayable after one year | 254,883 | 316,166 |
| Total | 254,883 | 325,618 |
| **Secured** | | |
| - repayable within one year | - | - |
| - repayable after one year | 30,792 | 31,020 |
| Total | 30,792 | 31,020 |
| **Grand total** | **285,675** | **356,638** |
| Gross borrowings | 290,326 | 361,894 |
| Less: Cash and cash equivalents as shown in the statement of financial position | (304,141) | (280,567) |
| Net (cash)/borrowings | (13,815) | 81,327 |

**Details of any collateral**

Secured borrowing is secured by a mortgage on a subsidiary's investment property, assignment of its bank accounts, lease receivables and insurance proceeds (where applicable).

**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.**

| | Three months ended 31 March | |
|---|---|---|
| | **2017** | **2016** |
| | **S$'000** | **S$'000** |
| **Cash flows from operating activities** | | |
| Profit for the period | 14,122 | 12,627 |
| Adjustments for: | | |
| Depreciation of property, plant and equipment | 1,301 | 324 |
| Fair value gain on derivative instruments | (3,093) | (1,291) |
| Finance costs | 2,067 | 1,874 |
| Finance income | (6,552) | (8,039) |
| Property, plant and equipment written off | - | 4 |
| Share of after-tax profit of associates | (500) | (6,842) |
| Tax expense | 5,133 | 3,239 |
| | 12,478 | 1,896 |
| Changes in: | | |
| - Development properties | 37,561 | 5,291 |
| - Inventories | (224) | (24) |
| - Trade and other receivables | (20,638) | 48,701 |
| - Trade and other payables | (24,452) | (8,739) |
| - Receipts in advance | 17,133 | (14,129) |
| **Cash generated from operations** | 21,858 | 32,996 |
| Interest received | 4,863 | 2,000 |
| Tax paid | (1,028) | (3,866) |
| **Net cash from operating activities** | 25,693 | 31,130 |
| | | |
| **Cash flows from investing activities** | | |
| Interest received | 13,663 | 9,010 |
| Payment for additions to: | | |
| - investment properties | (11) | (87) |
| - property, plant and equipment | (72) | (9,406) |
| Repayment of loans by a third party | 68,053 | 4,513 |
| Advances of loans to associates | (6,390) | - |
| Repayment of loans by an associate | - | 72,639 |
| **Net cash from investing activities** | 75,243 | 76,669 |
| | | |
| **Cash flows from financing activities** | | |
| Advances from associates | - | 9,180 |
| Decrease in restricted cash | 263 | - |
| Interest paid | (1,197) | (1,326) |
| Payment of transaction costs related to borrowings | - | (55) |
| Proceeds from bank borrowings | 240,083 | 69,721 |
| Repayment of bank borrowings | (309,775) | (155,334) |
| **Net cash used in financing activities** | (70,626) | (77,814) |
| | | |
| **Net increase in cash and cash equivalents** | 30,310 | 29,985 |
| Cash and cash equivalents at beginning of the period | 280,304 | 112,044 |
| Effect of exchange rate changes on balances held in foreign currencies | (6,473) | (4,052) |
| **Cash and cash equivalents at end of the period** | 304,141 | 137,977 |

**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.**

| The Group | Share capital S$'000 | Share premium S$'000 | Statutory reserve S$'000 | Capital reserve S$'000 | Foreign currency translation reserve S$'000 | Retained earnings S$'000 | Total attributable to equity holders of the Company S$'000 | Non-controlling interests S$'000 | Total equity S$'000 |
|---|---|---|---|---|---|---|---|---|---|
| At 1 January 2017 | 736,404 | 9,609 | 27,445 | 225 | 53,923 | 196,983 | 1,024,589 | 5,108 | 1,029,697 |
| **Total comprehensive income for the period** | | | | | | | | | |
| Profit for the period | - | - | - | - | - | 14,235 | 14,235 | (113) | 14,122 |
| **Other comprehensive income** | | | | | | | | | |
| Share of translation differences on financial statements of foreign associates, net of tax | - | - | - | - | (89) | - | (89) | - | (89) |
| Translation differences on financial statements of foreign subsidiaries, net of tax | - | - | - | - | (22,548) | - | (22,548) | (578) | (23,126) |
| Translation differences on monetary items forming part of net investment in foreign subsidiaries, net of tax | - | - | - | - | (1,671) | - | (1,671) | - | (1,671) |
| **Total other comprehensive income** | - | - | - | - | (24,308) | - | (24,308) | (578) | (24,886) |
| **Total comprehensive income for the period** | - | - | - | - | (24,308) | 14,235 | (10,073) | (691) | (10,764) |
| At 31 March 2017 | 736,404 | 9,609 | 27,445 | 225 | 29,615 | 211,218 | 1,014,516 | 4,417 | 1,018,933 |

| The Group | Share capital S$'000 | Share premium S$'000 | Statutory reserve S$'000 | Capital reserve S$'000 | Foreign currency translation reserve S$'000 | Retained earnings S$'000 | Total attributable to equity holders of the Company S$'000 | Non-controlling interests S$'000 | Total equity S$'000 |
|---|---|---|---|---|---|---|---|---|---|
| At 1 January 2016 | 736,404 | 9,609 | 22,680 | 225 | 105,365 | 100,455 | 974,738 | 3,359 | 978,097 |
| **Total comprehensive income for the period** | | | | | | | | | |
| Profit for the period | - | - | - | - | - | 12,233 | 12,233 | 394 | 12,627 |
| **Other comprehensive income** | | | | | | | | | |
| Share of translation differences on financial statements of foreign associates, net of tax | - | - | - | - | (42) | - | (42) | - | (42) |
| Translation differences on financial statements of foreign subsidiaries, net of tax | - | - | - | - | (35,081) | - | (35,081) | (43) | (35,124) |
| Translation differences on monetary items forming part of net investment in foreign subsidiaries, net of tax | - | - | - | - | (2,040) | - | (2,040) | - | (2,040) |
| **Total other comprehensive income** | - | - | - | - | (37,163) | - | (37,163) | (43) | (37,206) |
| **Total comprehensive income for the period** | - | - | - | - | (37,163) | 12,233 | (24,930) | 351 | (24,579) |
| At 31 March 2016 | 736,404 | 9,609 | 22,680 | 225 | 68,202 | 112,688 | 949,808 | 3,710 | 953,518 |

| The Company | Share capital S$'000 | Share premium S$'000 | Capital reserve S$'000 | Retained earnings S$'000 | Total equity S$'000 |
|---|---|---|---|---|---|
| At 1 January 2017 | 736,404 | 9,821 | (5,988) | 78,678 | 818,915 |
| **Total comprehensive income for the period** | | | | | |
| Profit for the period | - | - | - | 34,833 | 34,833 |
| **Total comprehensive income for the period** | - | - | - | 34,833 | 34,833 |
| At 31 March 2017 | 736,404 | 9,821 | (5,988) | 113,511 | 853,748 |
| | | | | | |
| At 1 January 2016 | 736,404 | 9,821 | (5,988) | 33,804 | 774,041 |
| **Total comprehensive income for the period** | | | | | |
| Profit for the period | - | - | - | 15,384 | 15,384 |
| **Total comprehensive income for the period** | - | - | - | 15,384 | 15,384 |
| At 31 March 2016 | 736,404 | 9,821 | (5,988) | 49,188 | 789,425 |

**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.**

There was no change in the Company's issued share capital during the three months ended 31 March 2017. As at 31 March 2017 and 31 December 2016, the issued and fully paid up share capital of the Company was US$589,814,949 comprising 589,814,949 ordinary shares of US$1 each.

There were also no outstanding convertible instruments and treasury shares as at 31 March 2017 and 31 March 2016.

**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.**

The total number of issued ordinary shares (excluding treasury shares) as at 31 March 2017 and 31 December 2016 is 589,814,949.

**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.**

There were no sales, transfers, disposal, cancellation and/or use of treasury shares during the three months ended 31 March 2017.

**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 our 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.**

Except as disclosed in Note 5 below, 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 2016.

**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.**

The Group adopted various new standards, amendments to standards and interpretations that are effective for the financial period beginning on 1 January 2017. The adoption of these IFRSs did not result in any significant impact on the financial statements of the Group.

**6. Earnings per ordinary share 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.**

| | **Three months ended 31 March** | |
|---|---|---|
| | **2017** | **2016** |
| Basic and diluted earnings per share (cents) | 2.41 | 2.07 |
| a) Profit attributable to equity holders of the Company (S$'000) | 14,235 | 12,233 |
| b) Weighted average number of ordinary shares in issue: | | |
| - basic and diluted | 589,814,949 | 589,814,949 |

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 financial period reported on; and**
**(b) immediately preceding financial year.**

| | The Group | | The Company | |
|---|---|---|---|---|
| | As at 31 March 2017 | As at 31 December 2016 | As at 31 March 2017 | As at 31 December 2016 |
| Net asset value per ordinary share (cents) based on 589,814,949 issued ordinary shares (excluding treasury shares) as at 31 March 2017 and 31 December 2016 | 172.01 | 173.71 | 144.75 | 138.84 |

8. **A review of the 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**

**<u>Group performance</u>**

**Revenue and cost of sales**

The breakdown of our revenue (net of business tax/value added tax) for the period under review is as follows:

| | Three months ended 31 March | |
|---|---|---|
| | 2017 S$'000 | 2016 S$'000 |
| Revenue from sale of properties | 74,372 | 38,428 |
| Rental income from investment properties | 2,975 | 3,709 |
| Revenue from hotel operations | 3,097 | 825 |
| Revenue from property financing | 903 | 2,595 |
| Total | 81,347 | 45,557 |

Revenue of the Group in 1Q 2017, increased by S$35.7 million or 78.6%, from S$45.6 million in 1Q 2016 to S$81.3 million in 1Q 2017. The increase in 1Q 2017 was due mainly to the increase in revenue from sale of properties and hotel operations by S$35.9 million and S$2.3 million respectively. The increase was partially offset by the decrease in rental income from investment properties and revenue from property financing of S$0.7 million and S$1.7 million respectively.

Revenue from sale of properties is recognised when the construction of the properties has been completed and ready for delivery to the purchasers pursuant to the sale and purchase agreements and collectability of related receivables is reasonably assured. The significant increase in revenue from sale of properties in 1Q 2017 compared to 1Q 2016 mainly resulted from the higher number of residential in the Millennium Waterfront project being handed over in the current quarter (1Q 2017: 600 residential units, 1Q 2016: 324 residential units).

Rental income from investment properties decreased by S$0.7 million or 19.8%, from S$3.7 million in 1Q 2016 to S$3.0 million in 1Q 2017. The decrease was due mainly to lower rental revenue from the Zuiderhof I property as a result of lease incentives granted for a lease extension of another 7 years.

Rental income from hotel operations increased by S$2.3 million or 275.4%, from S$0.8 million in 1Q 2016 to S$3.1 million in 1Q 2017. This increase was due mainly to the commencement of operations for the Crowne Plaza Chengdu Wenjiang and Holiday Inn Express Chengdu Wenjiang Hotspring hotels in Wenjiang, Chengdu, in December 2016.

Revenue from property financing decreased by S$1.7 million or 65.2%, from S$2.6 million in 1Q 2016 to S$0.9 million in 1Q 2017. The decrease was due mainly to a lower average interest servicing entrusted loan balance during 1Q 2017 as compared to 1Q 2016, arising from the various loan defaults in January 2016.

Cost of sales mainly comprises land costs, development expenditure and cost adjustments, borrowing costs, hotel-related depreciation charge, and other related expenditure. Cost of sales increased by S$26.7 million or 85.7%, from S$31.2 million in 1Q 2016 to S$57.9 million in 1Q 2017. The increase in cost of sales is in line with the increase in revenue from sale of properties in 1Q 2017 and a full quarter's hotel-related depreciation charge of S$1.0 million included since the Wenjiang hotels commenced operations in late December 2016.

The Group's gross profit increased by S$9.0 million or 63.0%, from S$14.4 million in 1Q 2016 to S$23.4 million in 1Q 2017. The increase was due mainly to the higher gross profit generated from sale of properties of S$11.7 million which was partially offset by lower gross profit generated from investment properties, hotel operations and property financing of S$0.8 million, S$0.2 million and S$1.7 million respectively.

The Group's gross profit margin decreased from 31.5% in 1Q 2016 to 28.8% in 1Q 2017. This reflected the change in the profit composition as 3.9% of the Group's gross profit for 1Q 2017 was from the higher yielding property financing segment which has a 100.0% gross profit margin whereas 18.1% of the total gross profit in 1Q 2016 was generated by the property financing segment.

**Administrative expenses**

Administrative expenses mainly comprise staff costs, rental expenses and depreciation charge in relation to non-hotel assets, professional fees, and other expenses such as office, telecommunications and travelling expenses, stamp duties and other indirect PRC taxes.

Administrative expenses remained constant at S$7.2 million.

**Selling expenses**

Selling expenses increased by 3.3% or S$0.1 million, from S$2.7 million in 1Q 2016 to S$2.8 million in 1Q 2017. These expenses mainly comprise staff costs of our sales and marketing staff, advertising and promotion expenses, sales commissions paid to external sales agents and other expenses.

**Other income/(expenses) (net)**

In 1Q 2017, the Group recorded S$0.9 million of other income mainly comprising fair value gain on derivatives of S$3.1 million, partially offset by foreign exchange loss of S$2.3 million.

In 1Q 2016, the Group recorded S$1.5 million of other expenses mainly comprising cost adjustments relating to M Hotel Chengdu and investment properties of S$1.5 million.

**Net finance income**

Net finance income decreased by 27.3% or S$1.7 million, from S$6.2 million in 1Q 2016 to S$4.5 million in 1Q 2017. This was due mainly to lower finance income of S$1.5 million from loans to FSMC NL Property Group B.V. ("FSMC"), a 33% owned associated company.

**Share of after-tax profit of associates**

Share of after-tax profit of associates decreased by 92.7% or S$6.3 million from S$6.8 million in 1Q 2016 to S$0.5 million in 1Q 2017. This was due mainly to the absence of FSMC's gain on disposal of eight non-core properties of S$6.6 million in 1Q 2016.

**Income tax expense**

The Group recorded total income tax expense of S$5.1 million on the profit before tax of S$19.3 million. After adjusting for the share of after-tax profit of associates and the tax effect of non-deductible expenses of S$1.0 million and non-taxable income of S$1.7 million, the effective tax rate of the Group would be approximately 24.2% for 1Q 2017.

**(b) any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current financial period reported on.**

**Non-current assets**

Other receivables increased by S$3.2 million, from S$185.9 million as at 31 December 2016 to S$189.1 million as at 31 March 2017. This was due mainly to disbursement of loans to FSMC group amounting to S$5.8 million, which was partially offset by the depreciation of RMB and Euro against SGD currency by S$2.6 million.

**Current assets**

Development properties decreased by S$47.4 million, from S$403.2 million as at 31 December 2016 to S$355.8 million as at 31 March 2017, due mainly to the recognition of profit in respect of Plot A of the Millennium Waterfront project upon the handover of residential units in March 2017. The decrease was partially offset by the development costs incurred for Plot D of the Millennium Waterfront project in 1Q 2017.

Trade and other receivables decreased by S$65.9 million, from S$388.9 million as at 31 December 2016 to S$323.0 million as at 31 March 2017. The decrease was due mainly to the repayment of loans receivable from the Chengdu Wenjiang government of S$62.8 million (RMB310.0 million) and recovery of S$18.1 million (RMB89.5 million) relating to a RMB70.0 million defaulted loan principal and associated interest income in March 2017, following the successful auctions of the mortgaged properties in late 2016. The decrease was partially offset by deposits of S$20.1 million placed for the investment in Dongguan East Sun Limited ("East Sun") pursuant to an agreement entered into on 9 March 2017 to acquire a 90% equity interest in East Sun. The acquisition was completed on 7 April 2017 with the property portfolio owned by the entity valued at RMB260.0 million.

**Current liabilities**

Trade and other payables decreased by S$27.6 million, from S$196.3 million in 31 December 2016 to S$168.7 million in 31 March 2017, due mainly to the payment of construction costs for the Millennium Waterfront project during the period.

Receipts in advance increased by S$11.6 million, from S$189.7 million as at 31 December 2016 to S$201.3 million as at 31 March 2017, due mainly to strong pre-sales achieved for the Millennium Waterfront project, partially offset by profit recognition of the Millennium Waterfront project.

**Loans and borrowings**

Gross bank borrowings decreased by S$71.6 million, from S$361.9 million as at 31 December 2016 to S$290.3 million as at 31 March 2017. This is due mainly to the repayment of the Group's borrowings during the period.

The Group was in a net cash position as at 31 March 2017.

**Foreign currency risk management**

The Group is exposed to volatility of the RMB due to its operations in the PRC. Therefore, any depreciation in the RMB against the S$ will adversely affect the Group's earnings, net assets, value of any dividends we pay to our shareholders in S$ or require us to use more RMB funds to service the same amount of any S$ debt. Fluctuations in RMB exchange rates are affected by, amongst others, changes in political and economic conditions and the PRC's foreign exchange regime and policy.

Since the Group's entry to the Dutch property market in February 2015, the Group has hedged its currency exposure by financing all its Dutch acquisitions with a combination of euro-denominated borrowings and financial derivatives involving cross currency swaps and forward contracts whereby the end result is also to achieve a corresponding euro liability. The Group has 'locked in' a certain portion of its annual net profit from its Dutch operations in S$ terms by taking a short position in euros equivalent to the amount of forward profit that it attempts to 'lock in' in S$ terms. The Group takes an economic hedge rather than an accounting hedge approach with regard to the management of its euro asset exposure.

As at 31 March 2017, the Group has a cumulative translation gain of S$29.6 million recorded as part of the reserves in its shareholders' equity. This has mainly arisen from the translation of the net assets and income and expenses of the Group's foreign operations in the PRC to S$ at the exchange rates prevailing at the end of each reporting period. The Group has been benefitting from cumulative favourable exchange rate movements between the RMB and S$ so far although the exchange rate has fluctuated against the Group during 1Q 2017.

We do not currently have a formal hedging policy with respect to our foreign exchange exposure and have not used any financial hedging instruments to actively manage our foreign exchange risk. The cost of entering into such hedging instruments to manage the Group's exposure to RMB remains fairly expensive. We will continue to monitor our foreign exchange exposure and take appropriate actions when necessary. There is no assurance as to the effectiveness and success of any hedging action that we might or might not take.

**Statement of cash flows of the Group**

Net cash from operating activities of S$25.7 million in 1Q 2017 was due mainly to sales receipts from the Millennium Waterfront project, recovery of the loan principal of S$14.4 million in respect of a RMB70.0 million defaulted loan, and interest received of S$4.9 million (primarily from the property financing business and associated penalty interest on the defaulted loan of RMB70.0 million). This had been partially offset by payment of income tax of S$1.0 million and payment of construction costs for the Millennium Waterfront project.

Net cash generated from investing activities of S$75.2 million in 1Q 2017 comprised repayment of loan principal of S$68.1 million by the Chengdu Wenjiang government and interest received of S$13.7 million (primarily in respect of the loans to the Chengdu Wenjiang government and associates). This was partially offset by advances to associates of S$6.4 million.

Net cash used in financing activities amounted to S$70.9 million in 1Q 2017 due mainly to net repayment of bank borrowings of S$69.7 million and interest paid of S$1.2 million.

*Note:*

*The figures stated in our statement of financial position have been translated based on the exchange rates at the end of each reporting period; and the figures in our income statement, statement of comprehensive income and statement of cash flows have been translated based on the average exchange rate for the relevant period and exchange rate at the date of the transaction, where applicable.*

**9. Where a forecast, or a prospect statement, has been previously disclosed to shareholders, any variance between it and the actual results.**

No forecast or prospect statement for the current financial period has been previously disclosed to the shareholders.

**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.**

**Industry Outlook**

**People's Republic of China**

Gross Domestic Product (GDP) growth for China in 2016 was 6.7% with the property sector being a key contributor. As the Chinese economy is expected to face considerable headwinds in 2017, the initial estimate of China's 2017 GDP growth has been revised downwards to 6.5%. In contrast, the National Bureau of Statistics of China reported a 6.9% GDP growth in the first quarter which is better than forecasted. However, as reported by Reuters, analysts expect a slowdown in the coming quarters of the year, based on China's GDP in January to March 2017 which rose 1.3% quarter to quarter as compared to a growth of 1.7% in October to December 2016.

Central bank data published in March 2017 indicated that household loans, mostly mortgages, accounted for 25.7% of new loans in February, down from 37.0% in January and 50.0% in 2016. China's Central Bank also raised its interest rate for the third time this year.

Although home sales volume remained strong in the first two months of the year, growth in real estate investment and price showed signs of easing. According to the National Bureau of Statistics of China, more than half of the 70 large and medium-sized cities studied recorded month-on-month price declines or price increases that were less than 0.5% in February 2017. In addition, the final version of the annual government work report included a pledge to "contain excessive home price rises in hot markets".

Beijing municipality has also increased down payment requirements for buyers of a second home from 50% to 60% of purchase price. Beijing residents who have been divorced for less than a year will no longer qualify as "first-time" home buyers to crack down on couples dissolving their marriage as a way to skirt restrictions on second-home purchases. Similar measures to contain speculative buying were also announced in other major cities like Guangzhou, Fuzhou, Shijiazhuang and Zhengzhou. In Chengdu, policymakers expanded purchase curbs on existing homes, raised the social security payment threshold for non-local buyers and disallowed the sale of residential units purchased in certain restricted areas of the city within the first three years of purchase.

**The Netherlands**

According to the CBS Business Cycle Tracer, the economic situation in the Netherlands is improving further as economic indicators such as investments, exports and household consumption published in March 2017 performed above the long term average.

Driven by the growing economy, low mortgage rates and high levels of consumer confidence, a record 214,793 homes were sold in 2016, over 20% more than in 2015. The house pricing index also rose by an average of 5% during the same period, with the Randstad region which comprises Amsterdam, Rotterdam, The Hague and Utrecht recording the largest price increases. Based on a Rabobank research paper, this growth trend is expected to continue with 220,000 to 230,000 transactions and average price forecasted to increase by approximately 5%.

On the residential front, there is an estimated shortage of 178,000 residential units in early 2017. This is expected to peak at approximately 200,000 units in 2018. In the short term, it is difficult to increase building production as seen by the relatively small number of building permits granted in 2016, representing production of only 51,000 dwellings.

On the office front, market sentiments were strong in 2016 with office take-up reaching 383,000 sqm in Amsterdam, a 70% increase from 2015. As a result, office vacancy in Amsterdam is trending down with offices in the city centre seeing vacancy rates of below 5%.

## Company Outlook

### Property Development

The Group has recorded its best quarterly residential sales for the Millennium Waterfront project with over one thousand units sold. This is equivalent to more than 70% of the entire residential sales for this project in FY2016. As at 31 March 2017, only 969 out of the total 7,302 residential units in the Millennium Waterfront project remain unsold. In Dongguan, the Star of East River project has regained its development momentum after a smooth handover to Vanke in 4Q2016. Pre-sales is expected to commence in 4Q2017.

The Group is in preliminary discussion with a third party for the sale of a proposed additional residential apartment block next to the existing Dreeftoren office via a forward funded scheme. Additional residential apartment blocks are also being contemplated for the nearby Oliphant office property. These residential developments would entail re-zoning application for which the Amsterdam Southeast municipal’s approval is required.

In addition, the Group is in the midst of planning a capital expenditure program to enhance the quality and organically expand its existing property portfolio, including the Dreeftoren, Oliphant and Munthof office properties, all of which are located in Amsterdam.

### Property Holding

The performance of the Crowne Plaza Chengdu Wenjiang and Holiday Inn Express Chengdu Wenjiang Hotspring Hotels has been encouraging with a steady growth in patrons especially for the conference and banqueting facilities.

On 9 March 2017, the Group has, together with a third party, signed an agreement to acquire a 90% and 10% equity interest respectively in Dongguan East Sun Limited (“East Sun”). East Sun principally owns a number of outdated commercial and industrial properties in Dongguan for which the Group sees redevelopment potential in some of these properties. Most of these properties are currently tenanted with a positive running yield. The acquisition was completed on 7 April 2017 with the property portfolio owned by East Sun being valued at RMB260 million.

**Property Financing**

The Group has recovered RMB89.5 million cash proceeds representing full collection of a RMB70 million loan principal and associated penalty interest in March 2017. The positive enforcement result of the aforementioned defaulted loan is encouraging. The Group remains optimistic of the recoverability of the other property financing loans in default. As at 31 March 2017, the cumulative unrecognised penalty interest in respect to the loans in default amounts to S$34.5 million.

**11. If a decision regarding dividend has been made:—**

**(a) Current Financial Period Reported On**

**Any dividend declared for the current financial period reported on?**

No.

**(b) Corresponding Period of the Immediately Preceding Financial Year**
**Any dividend declared for the corresponding period of the immediately preceding financial year?**

No dividend was declared for the corresponding period of the immediately preceding financial year.

**(c) Date payable**

Not applicable.

**(d) Books closure date**

Not applicable.

**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 IPTs, 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 does not have a shareholders' general mandate for IPTs.

**14. CONFIRMATION THAT THE ISSUER HAS PROCURED UNDERTAKINGS FROM ALL OF ITS DIRECTORS AND EXECUTIVE OFFICERS (IN THE FORMAT SET OUT IN APPENDIX 7.7) UNDER RULE 720(1)**

The Company confirms that it has procured undertakings from all of 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**

Neo Teck Pheng
Group Chief Executive Officer
27 April 2017

**CONFIRMATION BY THE BOARD**

The Directors of the Company hereby confirm, to the best of their knowledge, nothing has come to the attention of the Board of Directors which may render the Group's unaudited financial results for the three months ended 31 March 2017 to be false or misleading in any material respect.

On behalf of the Board of Directors

| | |
|---|---|
| Ho Han Leong Calvin | Neo Teck Pheng |
| Chairman | Group Chief Executive Officer |

27 April 2017