ANNUAL REPORT 2017

Bilderberg Kasteel Vaalsbroek
Vaals, the Netherlands

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BILDERBERG

Le Méridien Frankfurt Hotel
Frankfurt, Germany

FINANCIAL HIGHLIGHTS

YEAR	2015	2016	2017
	(S$'million)	(S$'million) Restated[1]	(S$'million)
(A) Consolidated Statement of Profit or Loss			
Property development	165.4	162.1	308.1
Property holding[2]	14.1	18.9	28.5
Property financing	35.5	18.1	47.8
Revenue	**215.0**	**199.1**	**384.4**
Property development	46.3	20.8	98.6
Property holding[2]	10.9	15.2	11.4
Property financing	35.5	15.8	43.0
Gross profit	**92.7**	**51.8**	**153.0**
Profit before tax	**91.0**	**118.4**	**121.2**
Net profit attributable to equity holders of the Company	**67.4**	**113.1**	**88.3**
(B) Consolidated Statement of Financial Position			
Cash and cash equivalents	112.0	280.6	319.3
Other investments (current)[3]	–	–	38.9
Net debt[4]	372.2	84.1	278.6
Total assets	1,800.8	1,796.1	2,106.5
Receipts in advance	182.1	189.7	179.3
Equity attributable to owners of the Company	**974.7**	**1,024.6**	**1,080.2**
Total equity	978.1	1,029.7	1,086.9
(C) Ratio Analysis			
Net gearing ratio[5]	0.38	0.08	0.26
(D) Per Share			
Net asset value (cents)[6]	165.26	173.71	183.13
Basic earnings (cents)[7]	11.42	19.17	14.97
Dividends (tax-exempt (one-tier))			
– interim ordinary dividend (cents)	0.70	1.00	1.00
– final ordinary dividend (cents)[8]	1.00	1.00	1.20

Notes:

(1) See note 34 of the Financial Statements in this Annual Report for details.

(2) Property holding represents property investment and hotel operations.

(3) Other investments relate to principal-guaranteed structured deposits placed with financial institutions.

(4) Net debt = gross borrowings + derivative liability – cash and cash equivalents – other investments as defined in (3) above.

(5) Net gearing ratio is net debt divided by total equity including non-controlling interests.

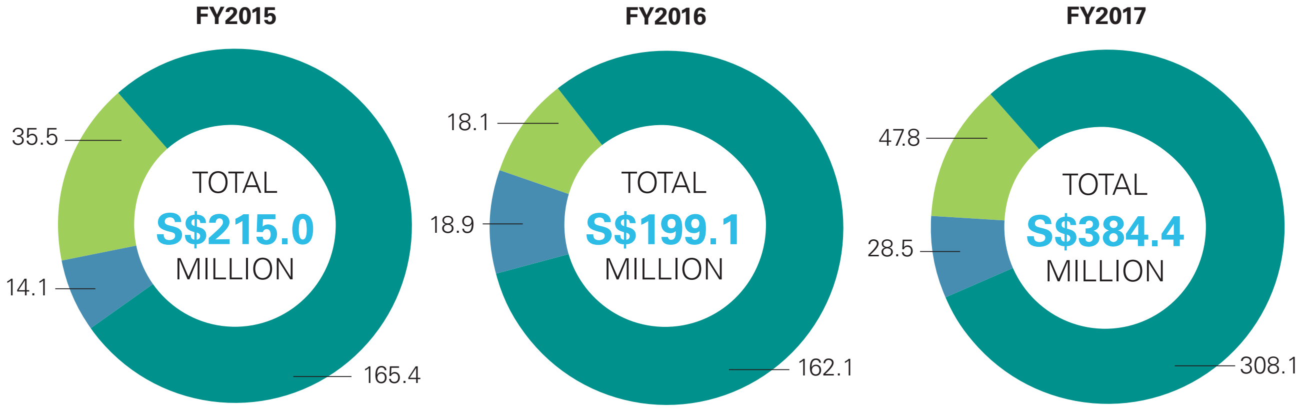
(6) Computed based on the equity attributable to owners of the Company and the number of shares in issue (excluding treasury shares) as at the end of each respective financial year.

(7) Computed based on the net profit attributable to equity holders of the Company and the weighted average number of shares for the respective year.

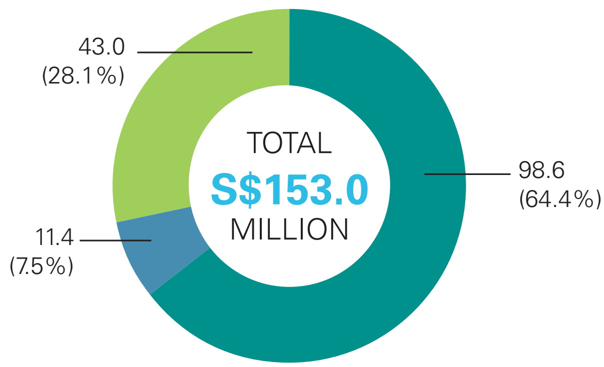
(8) Final tax-exempt (one-tier) ordinary dividends proposed for FY2017 will be subject to the approval of the ordinary shareholders at the forthcoming annual general meeting.

FINANCIAL HIGHLIGHTS

REVENUE BY SEGMENT
(S$'MILLION)

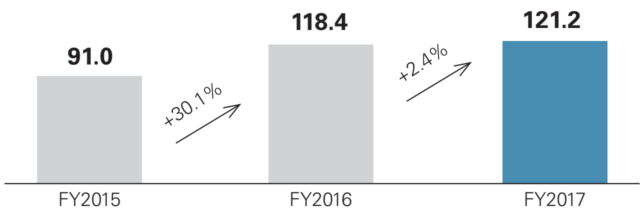


FY2017 GROSS PROFIT BY SEGMENT
(S$'MILLION)

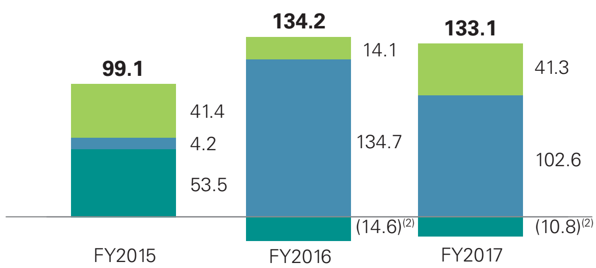


PROPERTY DEVELOPMENT | PROPERTY HOLDING | PROPERTY FINANCING

PROFIT BEFORE TAX
(S$'MILLION)



SEGMENT PROFIT BEFORE TAX[1]
(S$'MILLION)

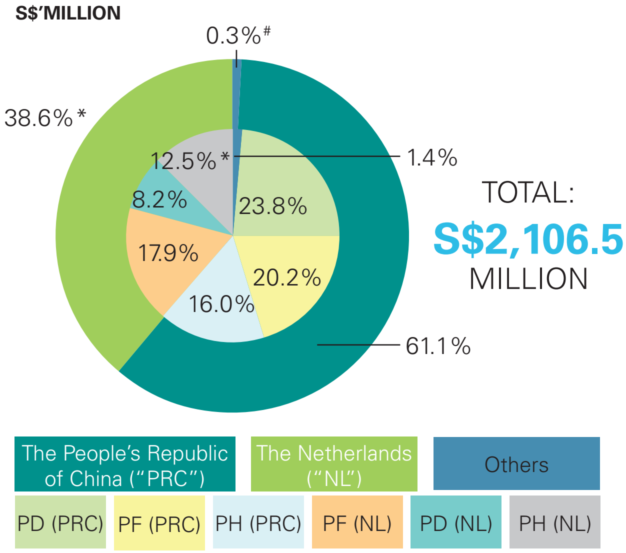


(1) This is excluding unallocated expenses of S$11.9 million (FY2016: S$15.8 million and FY2015: S$8.1 million)

(2) This is net of impairment charge of S$9.3 million (FY2016: S$10.3 million and FY2015: Nil), depreciation change of S$5.1 million (FY2016: S$1.2 million and FY2015: S$1.2 million) and pre-opening expenses and base stocks written off in relation to the Crowne Plaza Chengdu Wenjiang Hotel and Holiday Inn Express Chengdu Wenjiang Hotspring Hotel and a hotspring facility within the Millennium Waterfront project of S$3.2 million (FY2016: S$4.9 million and FY2015: Nil).

FINANCIAL HIGHLIGHTS

TOTAL ASSETS – BY BUSINESS AND GEOGRAPHIC SEGMENTS
AS AT 31 DECEMBER 2017



PD: Property Development

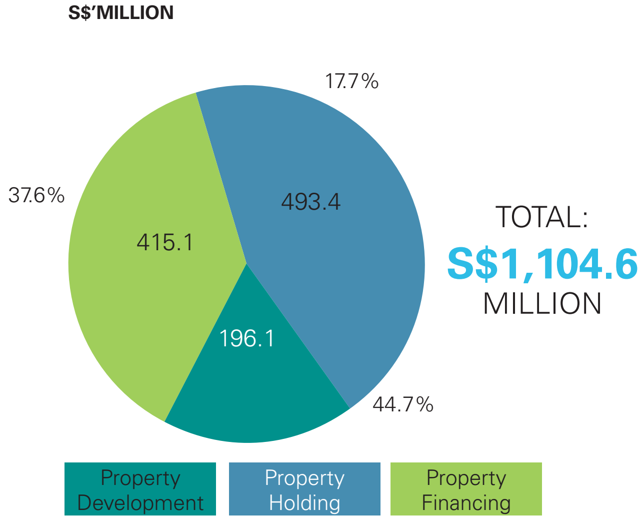
PF: Property Financing

PH: Property Holding

* Includes the Group's 50% interest in a German partnership to fund its share of the deposit for the acquisition of the Le Méridien Frankfurt hotel.

\# Includes S$4.5 million cash held in Singapore bank accounts.

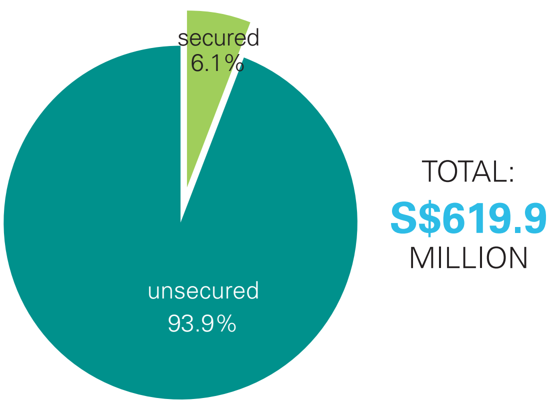
NET ASSETS(3) BY SEGMENT
AS AT 31 DECEMBER 2017



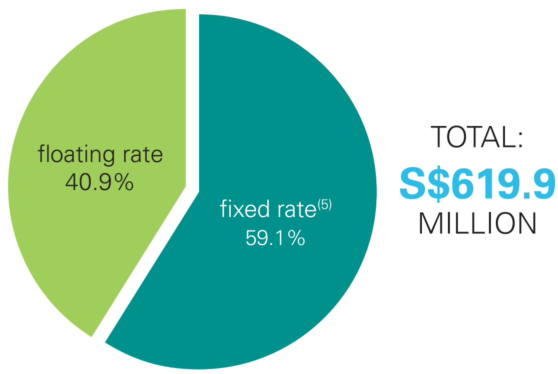
(3) This is excluding unallocated net liabilities of S$17.8 million.

DEBT(4) COMPOSITION
AS AT 31 DECEMBER 2017

SECURED VS UNSECURED



FIXED VS FLOATING RATE



(4) Debt represents gross borrowings.

(5) Done via cross currency swaps.

Based on artist's impression of Oliphant, Amsterdam Southeast, the Netherlands

CHAIRMAN'S STATEMENT

"2017 marked First Sponsor's 10th anniversary and the Board would like to thank our shareholders for their continuous support with a 1-for-10 bonus issue. The Group has since 2015 built up a portfolio of 30 property holding and development assets in the Netherlands and Germany…marking the Group's successful diversification into Europe. Its balance sheet has also grown from strength to strength with shareholders' funds increasing on a 9.0% annualised compounded basis to approximately S$1.1 billion since the Company's IPO in July 2014."

Dear Shareholders,

On behalf of the Board of Directors, I am pleased to report that First Sponsor Group Limited achieved a net profit of S$88.3 million for FY2017. The net profit of the Group increased more than 4.5 times excluding the substantial FY2016 one-off gain on dilution of the Group's interest in the Star of East River project in Dongguan.

As a further testament to the Group's strong performance, the Board has also recommended a final tax-exempt (one-tier) ordinary dividend of 1.20 Singapore cents per share, bringing the total dividend for FY2017 to 2.20 Singapore cents per share, a 10% increase from FY2016. The Board will work towards a stable payout with a steady growth, subject to the successful implementation of the Group's business strategy and prevailing market conditions.

2017 marked First Sponsor's 10th anniversary and the Board would like to thank you for your continuous support with a 1-for-10 bonus issue.

The Group, together with its co-investors, acquired 19 properties in the Netherlands and its first hotel investment in Germany in the past 12 months. Since its entry into the Netherlands in February 2015 and subsequent disposal of various non-core properties, the Group has built up a portfolio of 30 property holding (including hotels) and development assets in the Netherlands and Germany. This marks the Group's successful diversification into the European property market, shifting from the once PRC-centric property business focus. As at 31 December 2017, approximately 40% of the Group's total consolidated assets were in Europe with the remaining approximately 60% in the PRC.

As announced in February 2018, First Sponsor will be undertaking an equity fund raising exercise by way of a renounceable 1-for-4 rights issue of 3.98% perpetual convertible capital securities to further strengthen its balance sheet so that the Group can capitalise on any available acquisition opportunities. The estimated net cash proceeds from this exercise amount to S$161.5 million. We are keenly aware of the need to build sustainable growth and value for our shareholders and will continue to maintain prudence and discipline in the deployment of our capital for growth.

GROUP PERFORMANCE

The Group recorded revenue and net profit of S$384.4 million (FY2016: S$199.1 million) and S$88.3 million (FY2016: S$113.1 million) respectively. The majority of the Group's revenue and profit for FY2017 arose from the recognition of residential sales from the Chengdu Millennium Waterfront project as well as the recognition of interest recovered from defaulted loans by the Group's property financing business arm. The FY2016 comparatives have been restated to conform to the FY2017 presentation of interest income from loans extended to the Group's associated companies as part of its property financing income given that such income would be earned on a recurring basis.

CHAIRMAN'S STATEMENT

As at 31 December 2017, total consolidated shareholders' funds of the Group amounted to approximately S$1.1 billion, a 9.0% annualised compounded growth since the Company's initial public offering in July 2014. In line with the multiple property acquisitions made during the year, consolidated gross borrowings have increased to more than S$600 million with a consolidated gearing ratio of approximately 0.26 times as at the end of FY2017. With a more geographically balanced portfolio and the Group hedging its exposure to fluctuation in Euros to S$ by financing all its Dutch acquisitions with a combination of Euro-denominated borrowings and financial derivatives, the Group's overall currency risk exposure has been reduced. The Group continues to be mainly exposed to the volatility of the RMB against S$ and would monitor its foreign exchange exposure so as to take appropriate actions when necessary. As at 31 December 2017, the Group had a cumulative translation gain of S$37.0 million arising mainly from the Group's exposure to RMB.

PROPERTY DEVELOPMENT

In FY2017, the property development segment generated net revenue of S$308.1 million, almost double that reported in FY2016. Gross profit more than quadrupled to S$98.6 million year on year. The significant increase in gross profit is due mainly to the first-time recognition of residential sales from Plot A of the Chengdu Millennium Waterfront project, and the absence of a one-off S$18.8 million cost reallocation recorded in FY2016 relating to all the car parks in the project.

In addition, the Group, through its 33% owned FSMC NL Property Group B.V. ("FSMC"), completed the sale of the vacant Terminal Noord, an office property in The Hague, at a premium of 77% to cost.

Millennium Waterfront Project, Chengdu, PRC

Based on artist's impression of Plots E & F, Millennium Waterfront Project

After almost five years, the Group has sold all 7,302 residential units in Plots A to D of the Chengdu Millennium Waterfront project. The property development segment will be underpinned by profit recognition from the expected handover of the 1,274 residential units in Plot D in 4Q2018.

The Group obtained the relevant construction permits for the remaining Plots E and F of the project in late 2017. The development of these two plots encompasses an elderly and health care concept whereby elderly care living quarters and a hospital with ancillary commercial facilities will be built. Development on the two plots began in 2018 with a primary focus on Plot F.

Star of East River Project, Dongguan, PRC

Artist's impression

The Group holds a 30% equity interest in the Dongguan Star of East River project of which 272 residential units or two out of six residential blocks in the project were fully sold on the first day of their sales launch in September 2017. The Group is optimistic about the sales of the remaining 949 residential units which are expected to be launched for sale in 2018.

The Terraced Tower, Rotterdam, the Netherlands

With 75% of the residential units pre-sold on a forward funding basis in FY2016, the Group, through its 33% owned FSMC, launched the remaining residential units in The Terraced Tower for sale in December 2017. The Group's first foray into property development in the Netherlands was met with overwhelming response with buyers bidding for the individual residential units at a significant premium. The project is expected to be completed over the course of 2020.

CHAIRMAN'S STATEMENT

Redevelopment of Dreeftoren, Amsterdam Southeast, the Netherlands

Artist's impression

The Group plans to undertake an asset enhancement initiative to upgrade the office tower as well as to increase its net lettable floor area by approximately 25% to increase returns and capitalise on the high demand for office space in Amsterdam Southeast. In addition, the Group conceptualised the development of an additional residential tower next to the Dreeftoren office building within the same site. The Group signed a conditional sale and purchase agreement in 3Q2017 with a Dutch residential fund for the sale of the residential tower comprising 268 apartments on a forward funding basis. However, as the local municipality did not approve certain pre-requisites to the conditional sale and purchase agreement, the parties mutually agreed to terminate the agreement in 4Q2017. Nonetheless, the Group remains confident of the Dutch residential market and will be pursuing developmental sales of the units in the residential tower. Preparatory works have commenced and development works are expected to commence for both the office and residential components in early 2019.

Redevelopment of Oliphant, Amsterdam Southeast, the Netherlands

Artist's impression

The vacant office building acquired in December 2016 is undergoing a major refurbishment exercise whereby its net lettable floor area is expected to increase by 52% to 21,395 sq m. This redevelopment is expected to be completed towards the end of 2018. The Group is also exploring the feasibility of adding residential components to the site.

Meerparc, Amsterdam, the Netherlands

Meerparc, Amsterdam

In December 2017, the Group acquired the majority apartment rights of Meerparc, a strata-titled office building located in the South Axis, the main central business district of Amsterdam. The property is located next to Zuiderhof I, the Group's first office property investment acquired in the Netherlands in February 2015. Like Zuiderhof I, Meerparc has an excellent view of the Nieuwe Meer Lake amidst a vibrant business environment. Given its prime location and freehold tenure, the property has good redevelopment potential.

CHAIRMAN'S STATEMENT

PROPERTY HOLDING

Revenue from the Group's property holding business segment registered a growth of approximately 50% on the back of a full year contribution from Crowne Plaza Chengdu Wenjiang Hotel and Holiday Inn Express Chengdu Wenjiang Hotspring Hotel which commenced operations in late December 2016. Despite the increase in revenue, gross profit from the business segment decreased by approximately 25% to S$11.4 million due mainly to the non-cash depreciation charge from the hotels.

On the backdrop of the improving Dutch economy which is growing at its fastest pace in 10 years, the Group has been actively engaged in the acquisition of multiple properties with recurring income in the Netherlands and Germany. These acquisitions also complement the Group's property financing business segment.

The Netherlands

Artist's impression
Poortgebouw Hoog Catharijne, Utrecht

Artist's impression
Poortgebouw Hoog Catharijne, Utrecht

In July 2017, the Group acquired the third floor up to and including the ninth floor of the Poortgebouw Hoog Catharijne, a bare shell property in central Utrecht which will be refurbished into two hotels, namely a 128-room Crowne Plaza and a 192-room Hampton by Hilton. The property is leased to a tenant for a fixed rent with a variable rent component that is linked to the financial performance of the hotels, thereby protecting the Group's downside while providing the Group with upside participation.

Bilderberg Kasteel Vaalsbroek, Vaals

Through its 33% owned FSMC, the Group acquired the 1,695-room Bilderberg Portfolio in August 2017, which consists of 16 owned hotels and one leased hotel geographically spread across the Netherlands. The hotel portfolio registered an EBITDA growth of 15.5% year on year in FY2017.

Hilton Rotterdam Hotel, Rotterdam

In January 2018, the Group led a consortium in the acquisition of the 254-room Hilton Rotterdam Hotel in the Netherlands. The Hilton Rotterdam Hotel is a five-star hotel that sits on a freehold property located in the prime city centre of Rotterdam amidst a host of key visitor attractions and historic sights. It has monumental status and is a key landmark in Rotterdam.

As at 31 December 2017, the Dutch rental properties (excluding properties under redevelopment) had a lettable floor area of 104,715 sq m, an occupancy of 84% and a weighted average lease term of approximately 8.7 years. In FY2017, the Dutch rental properties generated net property income in excess of S$28.0 million (€18.0 million) and the EBITDA of the Bilderberg Portfolio was approximately S$24.2 million (€15.5 million) for the year.

CHAIRMAN'S STATEMENT

Germany

Le Méridien Frankfurt Hotel

In December 2017, in a move to expand its recurring income stream and further diversify its portfolio geographically, the Group, with its two key shareholders, City Developments Limited and Tai Tak Estates Sendirian Berhad, through a joint venture partnership, signed the property purchase agreement to acquire the Le Méridien Frankfurt Hotel in Germany. This acquisition was completed in January 2018 and marks the Group's first foray into Germany.

With its existing European property portfolio, the Group hopes to build a recurrent income base of approximately S$80 million (€50 million).

The PRC

Crowne Plaza Chengdu Wenjiang Hotel and Holiday Inn Express Chengdu Wenjiang Hotspring Hotel

Crowne Plaza Chengdu Wenjiang Hotel and Holiday Inn Express Chengdu Wenjiang Hotspring Hotel achieved encouraging results for FY2017 with a small gross operating profit recorded for their first full year of operations. The commencement of the hotspring operations in October 2017 within the same premises of these hotels complemented and enhanced the performance of the hotels.

The Group made an impairment charge of S$9.3 million for M Hotel Chengdu in FY2017 due partly to a contraction in the positive EBITDA generated by the property. The Group will evaluate its options with regard to this property in light of the changing market conditions with a view to maximise shareholders' value.

In March 2017, the Group acquired an equity interest in Dongguan East Sun Limited which holds the Dongguan East Sun Portfolio. In January 2018, Dongguan East Sun Limited acquired the entire equity interest in Dongguan Wan Li Group Limited and its subsidiary which hold the Wan Li Portfolio. The Dongguan East Sun Portfolio and Wan Li Portfolio mainly comprise 12 outdated commercial and industrial properties in Dongguan which are mostly tenanted with positive running yield. Some of these properties are located in prime city areas with redevelopment potential.

PROPERTY FINANCING

Revenue and gross profit from the Group's property financing business segment amounted to S$47.8 million and S$43.0 million respectively in FY2017, more than 2.5 times the revenue and gross profit achieved in FY2016. The positive performance was boosted by the recognition of net penalty interest income upon the successful recovery of defaulted loans and the provision of property financing loans to the Group's associated companies for their property acquisitions. After a business review, the Group was of the view that it is more appropriate to classify interest income from loans extended to its associated companies as part of its property financing income given that such income would be earned on a recurrent basis. Accordingly, the associated financing costs of such loans are also reclassified to cost of sales. The 2016 comparatives have been correspondingly restated.

The Group encountered default on its PRC loan portfolio in December 2015 and January 2016 and has been proactive in pursuing the recovery of these loans. The Group saw positive enforcement action in FY2017 for Case 2 which resulted in cumulative recovery of approximately RMB365.4 million or 78% of the RMB470.0 million defaulted loan principal and recognised net cumulative interest income of S$31.2 million (RMB152.6 million) up to 31 December 2017. The Group's downside risk is fully covered on the Case 2 defaulted loans as the cumulative interest income earned to date is more than sufficient to cover the outstanding loan principal. As at 31 December 2017, the cumulative unrecognised interest in respect of the defaulted loans under Case 2 amounted to approximately S$10.5 million (RMB51.4 million).

CHAIRMAN'S STATEMENT

With regard to the Case 1 defaulted loan principal of RMB170 million, whilst the Group secured a favourable court ruling in relation to the penalty interest in May 2017, foreclosure procedures have been suspended pending the closure of the various alleged criminal cases involving the legal representative of the borrower. In addition, due to the need to balance public interest arising from the criminal charges involving the legal representative of the borrower, the Group may have to compromise and accept a lower interest entitlement.

The Group remains positive about the recovery of the remaining outstanding defaulted loan principal of S$56.2 million (RMB274.6 million). On 8 March 2018, a mortgaged property in relation to one of the defaulted loans for Case 2 had been successfully auctioned off for S$21.4 million (RMB103.1 million).

In FY2017, the Group disbursed additional PRC property financing loans with loan principal amounting to RMB910.0 million bringing the total PRC property financing loan portfolio as at 31 December 2017 to S$242.3 million (RMB1,184.6 million). The Group remains confident of the business and will continue to be prudent and disciplined in the extension of property financing loans.

CORPORATE SOCIAL RESPONSIBILITY

On the corporate social responsibility front, teams from M Hotel Chengdu, Crowne Plaza Chengdu Wenjiang Hotel and Holiday Inn Express Chengdu Wenjiang Hotspring Hotel organised a series of corporate social activities throughout the year. The M Hotel Chengdu team visited, and raised funds through a charity sale for the First Social Welfare home in Chengdu which houses underprivileged elderly. The M Hotel Chengdu team also participated in a clothes donation campaign whereby over 400 pieces of clothing were donated to less fortunate children. The teams from Crowne Plaza Chengdu Wenjiang Hotel and Holiday Inn Express Chengdu Wenjiang Hotspring Hotel visited an orphanage in Chengdu during the year and donated amenities which were contributed by employees. The hotel engineering team constructed shelves which were also donated to the orphanage.

FUTURE PROSPECTS

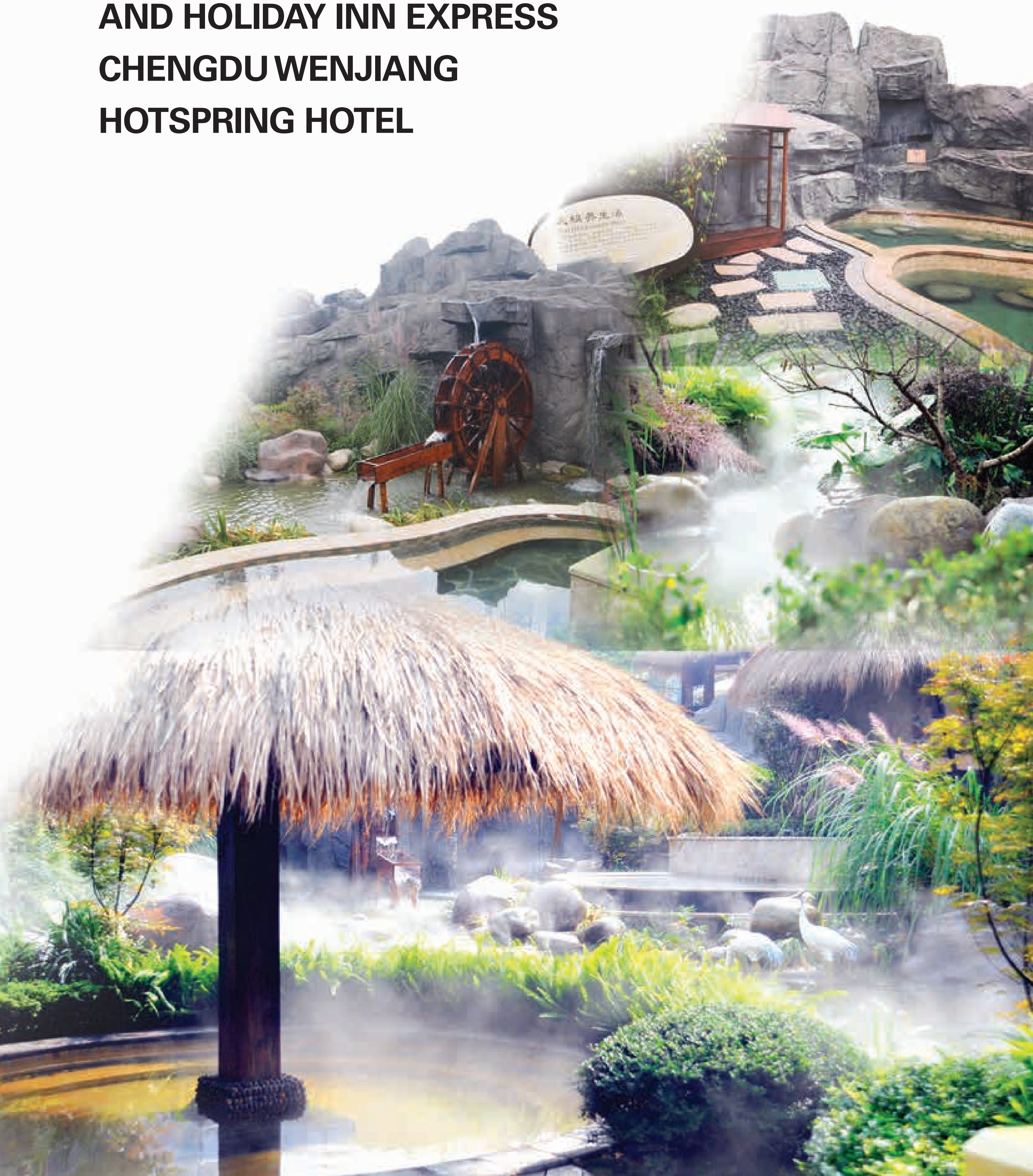
The Group will keep a watchful eye on the economic risks and opportunities that are developing worldwide, especially arising from Brexit and its potential ripple effects on the European economy. The Group will also be vigilant and stay responsive to the changing market trends in the PRC. With the equity fund raising exercise underway to further strengthen its balance sheet, the Group will continue to be on the lookout for suitable growth opportunities in the Netherlands, PRC and other regions.

APPRECIATION

First Sponsor has come a long way in a relatively short time from being a PRC-centric property developer to a geographically diversified property player which is also one of the largest hotel owners in the Netherlands. None of these would have been possible without the steadfast support from our shareholders. We would also like to acknowledge the collective wisdom, unwavering support and hard work of the Board, management team and staff in the past year. As one, together with our shareholders, we look forward to another great year of success for First Sponsor.

Ho Han Leong Calvin
Chairman
16 March 2018

CROWNE PLAZA
CHENGDU WENJIANG HOTEL
AND HOLIDAY INN EXPRESS
CHENGDU WENJIANG
HOTSPRING HOTEL

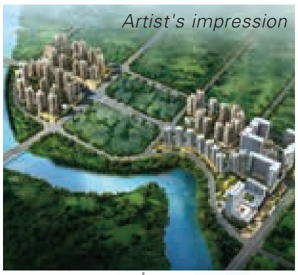


OUR MILESTONES

Apr 2017
Acquired Dongguan East Sun Portfolio (Dongguan, PRC)

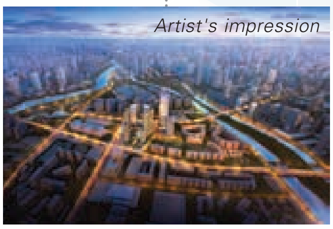
Aug 2017
Acquired the Bilderberg Portfolio (16 owned hotel properties in the Netherlands)

Sep 2017
All 7,302 residential units of Millennium Waterfront project fully sold (Chengdu, PRC)



2017

Jul 2017
Acquired property at Poortgebouw Hoog Catharijne (Utrecht, the Netherlands)

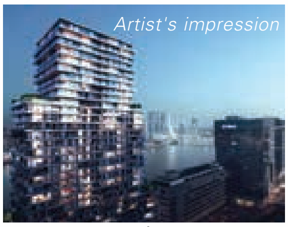


Sep 2017
272 residential units (2 out of 6 residential blocks) of Star of East River project fully sold (Dongguan, PRC)

OUR MILESTONES

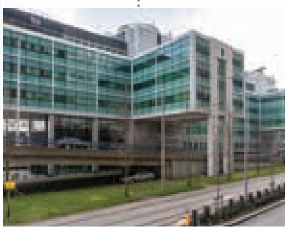
Oct 2017
Commenced hotspring operations (Chengdu, PRC)

Dec 2017
Overwhelming response during the public sales launch of the residential units in The Terraced Tower (Rotterdam, the Netherlands)



Dec 2017
Acquired Meerparc (Amsterdam, the Netherlands)

2018



Nov 2017
Completed sale of Terminal Noord at 77% premium to cost (The Hague, the Netherlands)

Dec 2017
First foray into Germany: announced the proposed acquisition of the Le Méridien Frankfurt Hotel with key shareholders, City Developments Limited and Tai Tak Estates Sendirian Berhad (Frankfurt, Germany)

BOARD OF DIRECTORS

MR HO HAN LEONG CALVIN

Age 66
Non-Executive Chairman

Mr Ho was appointed as the Non-Executive Chairman of the Company on 2 April 2015. Prior to this, Mr Ho served as the Non-Executive Vice-Chairman of the Company since 1 October 2007.

Mr Ho has accumulated extensive experience during his tenure as Chief Executive Officer of Singapore-incorporated Tai Tak Estates Sendirian Berhad ("Tai Tak"), having been involved in its businesses, including in plantations, listed and private equities, and property holding and development. He has also been instrumental in assisting the Group's senior management in the conceptualisation and setting of the strategic direction and corporate values of the Group.

Mr Ho holds a Higher National Diploma in Business Studies from Polytechnic of The South Bank, United Kingdom.

MR HO HAN KHOON

Age 56
Alternate Director to Non-Executive Chairman

Mr Ho was appointed as an Alternate Director to Mr Ho Han Leong Calvin on 19 May 2014. He is currently holding the position as an Executive Vice-President of Tai Tak, where he is responsible for overseeing Tai Tak group's overall business and financial strategy, investments and operations.

Mr Ho holds a Bachelor of Social Sciences Degree with Honours from the National University of Singapore.

MR TAN KIAN SENG

Age 64
Non-Executive Director

Mr Tan was appointed as a Non-Executive Director of the Company on 6 February 2017.

Mr Tan is the Interim Group Chief Executive Officer of Millennium & Copthorne Hotels plc ("M&C"), having been appointed on 1 March 2017. He is also a Non- Executive Director of Millennium & Copthorne Hotels New Zealand Limited and CDL Investments New Zealand Limited, both of which are listed on the New Zealand Stock Exchange, having been appointed on 28 February 2017. Mr Tan serves as President, Chairman of the board and a member of the nomination committee of Grand Plaza Hotel Corporation, which is listed in the Philippines, having been appointed on 15 February 2017.

Mr Tan has over 30 years of senior executive experience in operations and managing finance, legal, investor relations, purchasing, business development, human resources, information technology and other functions. Prior to joining M&C Group as Group Chief of Staff and interim President of Asia in October 2016, he served as advisor to the CEO and Chairman of Venture Corporation Limited ("Venture"), listed on the SGX-ST, a leading global provider of technology services, products and solutions that has over 12,000 employees and operations in markets worldwide. Mr Tan joined Venture in 2001 and held increasingly senior roles in various jurisdictions, including Vice President of Operations in Malaysia until February 2006, Chief Financial Officer until February 2012 and Group President from 2011 until February 2016.

Before joining Venture, Mr Tan was Finance Director and held other senior finance roles with LenovoEMC (formerly Iomega Corp.) and financial controller and accounting roles with various technology and toy manufacturers. He started his career as an accountant in the United Kingdom and audit manager in Malaysia with the audit firms currently known as Deloitte and PricewaterhouseCoopers respectively. Mr Tan is an associate of the Institute of Chartered Accountants in England and Wales.

MR NEO TECK PHENG

Age 47
Group Chief Executive Officer and Executive Director

Mr Neo was appointed as the Group Chief Executive Officer and Executive Director of the Company on 1 October 2007. He has overall responsibility for management, operations and growth of the Group's businesses.

Mr Neo began his career with KPMG in 1994. In 1996, Mr Neo joined Hong Leong Group Singapore and held various roles within Hong Leong Group Singapore. Mr Neo was also previously the board member of various entities within Hong Leong Group Singapore.

Mr Neo holds a Bachelor of Accountancy Degree (First Class Honours) from Nanyang Technological University, Singapore.

BOARD OF DIRECTORS

MS TING PING EE, JOAN MARIA

Age 62
Independent Director

Ms Ting was appointed as an Independent Director of the Company on 19 May 2014. She is currently an Independent Director of Grand Union Holdings and Investments Incorporated.

Ms Ting had spent her entire career from 1977 to 2013 at DBS Bank.

Prior to opting for early retirement in June 2013, she held the position of Managing Director, Head Corporate Credit Group with responsibility for the development, organisation and oversight of the credit approval and credit risk management functions of portfolios under Investment Banking, Financial Institutions including banks and Private Banking.

During her career with DBS Bank she had management responsibility and worked in various departments including Corporate Finance, Corporate Banking including Trade Services and Funds Transfer Operations, Global Operations Centre (responsible for the operations of all the overseas branches of DBS Bank including China, India, Taiwan, Indonesia, Malaysia, Seoul, Tokyo, London and USA), Chairman's Office and Group Credit.

Ms Ting graduated with a Bachelor of Accountancy (Honours) from the University of Singapore. She had previously served as a committee member of the Financial Industry Competency Standards Committee (and Chairman of the FICS Corporate banking Sub-Committee), the Association of Banks in Singapore/ Corporate Banking Committee, Singapore Shipping Association and the Singapore Business Federation/ Services Industries Executive Committee. She also held past directorships in Ecobulk Shipping Sdn Bhd, Singapore Petroleum Company, CWT Ltd, Singapore Biotech Ltd and Grandland Shipping Limited.

MR YEE CHIA HSING

Age 46
Lead Independent Director

Mr Yee was appointed as the Lead Independent Director of the Company on 19 May 2014. He is currently Head, Catalist of CIMB Bank Berhad, Singapore Branch, a position he has held since early 2011. At CIMB Bank, he is responsible for the introduction, supervision and continuing sponsorship of Catalist companies on the SGX-ST. Mr Yee has about 20 years of experience in the banking and finance industry.

Mr Yee holds a Bachelor of Accountancy Degree (First Class Honours) from the Nanyang Technological University, Singapore. He currently serves on the Audit Committee of Ren Ci Hospital (a Singapore charity) and Ezion Holdings Limited (a company listed on SGX-ST).

Mr Yee is an elected Member of Parliament for Chua Chu Kang Group Representation Constituency in Singapore.

MR WEE GUAN OEI DESMOND

Age 48
Independent Director

Mr Wee was appointed as an Independent Director of the Company on 6 February 2017. He is a partner and head of the Corporate Commercial Practice Group of Rajah & Tann Singapore LLP specialising in mergers and acquisitions, general commercial law and labour law. Mr Wee also has a particular focus in foreign direct investments into the emerging Asian economies. Mr Wee also has prior experience as a commercial litigator as well as being the group regional legal counsel of a Hong Kong public listed company.

Mr Wee is currently the Independent Director of Popular Holdings Limited and Non-Executive Director of Spartans Rugby Singapore Limited.

Mr Wee graduated with a Bachelor of Laws (Honours) from the University of Nottingham in 1994 and is admitted as an Advocate and Solicitor of the Supreme Court of Singapore and as a Barrister-at-law, Middle Temple in the United Kingdom.

SENIOR MANAGEMENT

MS LEE SAU HUN

Group Chief Financial Officer

Ms Lee was appointed as the Group Chief Financial Officer of the Company in May 2011.

Ms Lee began her career at PricewaterhouseCoopers where her last held position was senior manager. Ms Lee then joined Hong Leong Management Services Pte. Ltd. as the Vice-President (Investment) between January 2006 and April 2011 where she engaged in corporate advisory services within Hong Leong Group Singapore. She was also a director of various subsidiaries of Hong Leong Group Singapore prior to the listing of the Company.

Ms Lee holds a Bachelor of Accountancy Degree (Second Class Honours) from Nanyang Technological University, Singapore. She is a Non-Practising Member of the Institute of Singapore Chartered Accountants.

MR WANG GONGYI

Chief Executive Officer (Chengdu Operations)

Mr Wang was appointed as the Chief Executive Officer (Chengdu Operations) of the Group in October 2011. He oversees the management and operations of the Group's business in Chengdu, PRC.

Prior to that, from June 1998 to May 2011, Mr Wang held the position of general manager of the former candy business operations of the Group, in charge of its general management and operations.

Mr Wang holds a Bachelor Degree in Machinery Design and Manufacturing from Sichuan Chengdu University, Chengdu, PRC. Mr Wang also achieved several awards, including the Sichuan Provincial Fourth Session of Excellent Entrepreneur award and the Model Worker award granted by the Sichuan Provincial Government.

MR SHU ZHEN

Chief Executive Officer (Guangdong Operations)

Mr Shu was appointed as the Chief Executive Officer (Guangdong Operations) of the Group in August 2012. Mr Shu is currently responsible for overseeing the Group's business operations in Dongguan, PRC.

Mr Shu first joined the Group in December 2007 as a Director and Vice-President of the Group's key subsidiary, First Sponsor (Guangdong) Group Limited.

Mr Shu holds a Graduation Certificate in China Finance and Futures Higher Level Study from Beijing University, School of Economics, PRC.

MS ZHANG JING

Chief Executive Officer (Shanghai Operations)

Ms Zhang was appointed as the Chief Executive Officer (Shanghai Operations) of the Group in November 2011. From her Shanghai office, Ms Zhang is responsible for the management and expansion of the Group's property financing business in the PRC.

Ms Zhang has extensive experience in the PRC financing and leasing operations from her role as general manager in various financing companies prior to joining the Group.

Ms Zhang holds a Bachelor Degree in Economics from the School of Economics, Aoyama Gakuin University, Japan.

CORPORATE STRUCTURE

As at 16 March 2018

FIRST SPONSOR GROUP LIMITED

Cayman Islands

(including a branch in Singapore)

Note: The above shareholding includes direct and indirect shareholdings.

CORPORATE DIRECTORY

BOARD OF DIRECTORS

Mr Ho Han Leong Calvin
Non-Executive Chairman

Mr Ho Han Khoon
Alternate Director to Mr Ho Han Leong Calvin

Mr Tan Kian Seng
Non-Executive Director

Mr Neo Teck Pheng
Group Chief Executive Officer and Executive Director

Ms Ting Ping Ee, Joan Maria
Independent Director

Mr Yee Chia Hsing
Lead Independent Director

Mr Wee Guan Oei Desmond
Independent Director

AUDIT COMMITTEE

Mr Yee Chia Hsing – *Chairman*
Ms Ting Ping Ee, Joan Maria
Mr Ho Han Leong Calvin
(Mr Ho Han Khoon – *Alternate Director to Mr Ho Han Leong Calvin*)

NOMINATING COMMITTEE

Ms Ting Ping Ee, Joan Maria – *Chairman*
Mr Yee Chia Hsing
Mr Neo Teck Pheng

REMUNERATION COMMITTEE

Mr Wee Guan Oei Desmond – *Chairman*
Ms Ting Ping Ee, Joan Maria
Mr Ho Han Leong Calvin
(Mr Ho Han Khoon – *Alternate Director to Mr Ho Han Leong Calvin*)

COMPANY SECRETARY

Ms Goh Siew Geok

SHARE REGISTRAR & SHARE TRANSFER OFFICE

Tricor Barbinder Share Registration Services
(a division of Tricor Singapore Pte. Ltd.)
80 Robinson Road, #02-00
Singapore 068898
Tel: (65) 6236 3333
Fax: (65) 6236 4399

REGISTERED OFFICE

P.O. Box 31119, Grand Pavilion,
Hibiscus Way, 802 West Bay Road,
Grand Cayman, KY1-1205
Cayman Islands

BUSINESS ADDRESS

63, Market Street, #06-03
Bank of Singapore Centre
Singapore 048942
Tel: (65) 6436 4920
Fax: (65) 6438 3170

AUDITORS

KPMG LLP
16 Raffles Quay
#22-00 Hong Leong Building
Singapore 048581

(Partner-in-charge: Mr Koh Wei Peng, appointment commenced from the audit of the financial statements for the year ended 31 December 2015)

PRINCIPAL BANKERS

China Construction Bank
DBS Bank Ltd
Industrial and Commercial Bank of China
ING Bank N.V.
Oversea-Chinese Banking Corporation Limited
The Hong Kong and Shanghai Banking Corporation Limited
United Overseas Bank Limited

CORPORATE GOVERNANCE

First Sponsor Group Limited (the "Company", and together with its subsidiaries, the "Group") is committed to adopting and maintaining high standards of corporate governance to protect its shareholders' interests. The board of directors of the Company (the "Board") and management believe that good corporate governance is essential to the sustainability of the Group's business and performance.

The Company remains focused on complying with the substance and spirit of the principles of the Code of Corporate Governance 2012 (the "Code"). This report outlines the Company's corporate governance practices for the financial year ended 2017 ("FY2017") with specific reference to the Code. The Group is pleased to confirm it has adhered to the principles and guidelines set out in the Code, where applicable, and has identified and explained areas of deviations in this report.

A. BOARD MATTERS

Principle 1: THE BOARD'S CONDUCT OF AFFAIRS

Every company should be headed by an effective Board to lead and control the company. The Board is collectively responsible for the long-term success of the company. The Board works with management to achieve this objective and management remains accountable to the Board.

The Board is entrusted with the responsibility for the overall management of the Group. It comprises the following six members, three of whom are Independent Directors:

Mr Ho Han Leong Calvin	(Non-Executive Chairman)
Mr Ho Han Khoon	(Alternate Director to the Non-Executive Chairman)
Mr Tan Kian Seng (Appointed on 6 February 2017)	(Non-Executive Director)
Mr Neo Teck Pheng	(Group Chief Executive Officer and Executive Director)
Ms Ting Ping Ee, Joan Maria	(Independent Director)
Mr Yee Chia Hsing	(Lead Independent Director)
Mr Wee Guan Oei Desmond (Appointed on 6 February 2017)	(Independent Director)

The profile of each member of the Board is provided on pages 16 and 17 of this Annual Report.

The duties and responsibilities of the Board are:

- to supervise and approve the strategic direction of the Group;
- to review management performance;
- to review the business practices and risk management of the Group;
- to review the financial plans and performance of the Group;
- to approve matters beyond the authority of management;
- to ensure compliance with legal and regulatory requirements;
- to satisfy itself as to the adequacy and effectiveness of the Group's risk management and internal controls framework in relation to financial, operational, compliance, and information technology controls, the safeguarding of shareholders' interests and the Group's assets;
- to deliberate on and approve recommendations by the Audit Committee ("AC"), Remuneration Committee ("RC") and Nominating Committee ("NC"); and
- to consider sustainability issues such as environmental and social factors, as part of the Group's strategic formulation.

CORPORATE GOVERNANCE

Decisions on approval of quarterly financial results announcements and annual audited financial statements, appointment of new directors, annual budgets, material acquisitions or disposals, corporate or financial restructuring and share issuances, funding proposals, interested person transactions, declaration of interim dividends, proposal of final dividends and other returns to shareholders, are reserved for the Board. To facilitate effective management, the Board has granted management mandates to carry out transactions below certain thresholds. The Independent Directors and Non-Executive Directors are always available to provide guidance to management on business issues and in areas in which they specialise.

The Board has established three board committees, namely (1) AC; (2) RC; and (3) NC, which are chaired by Mr Yee Chia Hsing, Mr Wee Guan Oei Desmond and Ms Ting Ping Ee, Joan Maria respectively. Each board committee has its own written terms of reference, which are reviewed by the Board on a regular basis or as and when necessary. Actions of the three board committees are reported to and monitored by the Board. The establishment of the AC, RC and NC is consistent with the recommendations in the Code.

The Board meets on a quarterly basis to review, inter alia, the Group's quarterly results. Additional meetings may be convened on an ad-hoc basis as and when necessary. Where exigencies prevent a director from attending a Board meeting in person, the Company's Articles of Association permit the director to participate via teleconferencing or video conferencing. The Board and Board committees may also make decisions by way of resolutions in writing. Except where a director is required to abstain from participating in the deliberation on a transaction or proposed transaction due to a potential conflict of interest situation, in each meeting where matters requiring the Board's approval are to be considered, all members of the Board participate in the discussions and deliberations; and resolutions in writing are circulated to all directors for their consideration and approval. This principle of collective decisions adopted by the Board ensures that no individual influences or dominates the decision-making process.

In FY2017, the Board held four meetings and on numerous occasions used circular resolutions in writing to approve certain decisions. The directors' attendance at the annual general meeting of the Company ("AGM"), and Board and Board committee meetings as well as the frequency of such meetings held in FY2017 are as follows:

	Board	**AC**	**NC**	**RC**	**AGM**
Number of meetings held in FY2017	4	4	1	1	1
Name of Directors	**Number of meetings attended in FY2017**				
Mr Ho Han Leong Calvin	4	–	NA	–	1
Mr Ho Han Khoon (Alternate Director to Mr Ho Han Leong Calvin)	4	4	NA	1	1
Mr Tan Kian Seng*	4	NA	NA	NA	–
Mr Neo Teck Pheng	4	NA	1	NA	1
Ms Ting Ping Ee, Joan Maria	4	4	1	1	1
Mr Yee Chia Hsing	4	4	1	NA	1
Mr Wee Guan Oei Desmond*	4	NA	NA	NA	1
Mr Hwang Han-Lung Basil#	1	NA	NA	1	NA

Notes:

* Appointed on 6 February 2017

Resigned on 6 February 2017

All directors are provided with relevant information on the Company's policies, procedures and practices relating to governance issues, including disclosure of interests in securities, restrictions on disclosure of price sensitive information and disclosure of interests relating to the Group's businesses.

CORPORATE GOVERNANCE

The directors are provided with updates and/or briefings relating to developments relevant to the Group including changes in regulatory requirements, corporate governance and accounting standards. Such updates are given at Board meetings and where necessary also via presentations by external regulatory bodies, the Company's external professionals, auditors and management. The directors are at liberty to request further explanations, briefings or informal discussions on any aspect of the Group's operations or business issues from management. The Company funds the training of its directors where applicable.

In addition, all newly appointed directors would be provided with background information about the Group's history and core values, its strategic direction and industry specific knowledge. For any newly appointed directors who have no prior experience as a director of a listed company, directorship courses from the Singapore Institute of Directors and training in relevant areas such as finance and compliance, as well as industry-related areas would be provided if required. The terms of reference of all Board committees would also be provided to each newly appointed director.

Principle 2: BOARD COMPOSITION AND GUIDANCE

There should be a strong and independent element on the Board, which is able to exercise objective judgement on corporate affairs independently, in particular, from management and 10% shareholders. No individual or small group of individuals should be allowed to dominate the Board's decision making.

The Company recognises and embraces the benefits of diversity on the Board and views diversity at the Board level as an essential element in supporting the attainment of its strategic objectives and its sustainable development.

The Board consists of three Independent Directors, two Non-Executive Directors and one Executive Director. The Board comprises business leaders and professionals with real estate, hospitality, banking, financial (including audit and accounting), legal, risk management and business management backgrounds. The Board currently includes one female member, directors with ages ranging from mid-40s to mid-60s, who have served on the Board for different tenures. The profile of each member of the Board is provided on pages 16 and 17 of this Annual Report.

In consideration of the scope and nature of the operations of the Group, the requirements of the business and the need to avoid undue disruptions from changes to the composition of the Board and Board committees, the Board's size and composition are considered appropriate for the Company's needs. The Board is satisfied that the current composition and size of the Board provide for a good mix and diversity of skills, experiences, gender and knowledge of the Company, to ensure that the Board will be able to make satisfactory and independent decisions regarding the affairs of the Company. The Board welcomes the push for greater diversity in the boardroom which can provide a more diverse approach to business decision making. All board appointments are made based on merit and candidates will be considered against objective criteria, having due regard to the benefits of diversity of the Board and the contribution that the selected candidates will bring to the Board.

None of the Independent Directors has any relationship with the Company, its related corporations, shareholders who have an interest or interests in 10% or more of the voting shares in the Company or its officers that could interfere, or be reasonably perceived to interfere, with the exercise of the director's independent business judgement. No individual or group of individuals dominates the Board's decision making.

The Chairman of the Company is not an Independent Director. The Independent Directors constitute half of the Board, which complies with the recommendations in the Code. This provides a strong and independent element for the Board.

The Non-Executive Directors and Independent Directors participate actively in the meetings of the Board. They provide strategic guidance to the Company based on their professional knowledge, in particular, assisting to constructively develop proposals on strategy. They also review and monitor management's performance. To facilitate this, they are kept informed of the Company's businesses and performances through regular reporting

CORPORATE GOVERNANCE

from management, and have unrestricted access to management. The Non-Executive and Independent Directors would also confer among themselves without the presence of management as and when the need should arise.

All directors are obliged to act honestly and with due diligence, and in the best interests of the Company. Directors, who are in any way, directly or indirectly, interested in a transaction or proposed transaction, will declare the nature of their interests, and also abstain from participating in the deliberation of the Board and/or the committees on such transactions, with abstention duly recorded within the minutes and/or the resolutions of the Board and/or the committees.

Principle 3: CHAIRMAN AND THE CHIEF EXECUTIVE OFFICER

There should be a clear division of responsibilities between the leadership of the Board and the executives responsible for managing the company's business. No one individual should represent a considerable concentration of power.

Mr Ho Han Leong Calvin, the Non-Executive Chairman of the Board, has a clear role that is distinct from that of the Group Chief Executive Officer, Mr Neo Teck Pheng. The Non-Executive Chairman is not related to the Group Chief Executive Officer.

The Chairman is responsible for the workings of the Board. He leads all the board meetings and ensures that meetings are held on a timely basis to deliberate or approve matters which require the Board's attention. He is also responsible for promoting and maintaining high standards of corporate governance, ensures effective communication with shareholders and facilitates effective contributions from the Non-Executive Directors and Independent Directors. The Group Chief Executive Officer is the most senior executive in the Company and has overall responsibility for management, operations and growth of the Group's businesses.

The Board appointed Mr Yee Chia Hsing as the Lead Independent Director of the Company, who will be available to shareholders who have concerns and for which contact through the normal channels of Chairman, the Group Chief Executive Officer or the Group Chief Financial Officer has failed to resolve or is inappropriate.

The Lead Independent Director will meet the Independent Directors of the Company without the presence of the other directors as and when required, with feedback given to the Non-Executive Chairman after such meetings.

The Board is of the view that there are sufficient safeguards and checks to ensure that the process of decision-making by the Board is independent. The Board has no dissenting view on the Chairman's statement to the shareholders for FY2017.

Principle 4: BOARD MEMBERSHIP

There should be a formal and transparent process for the appointment and reappointment of directors to the Board.

The NC comprises the following three members, majority of whom, including the Chairman of the NC, are Independent Non-Executive Directors:

Ms Ting Ping Ee, Joan Maria (Independent Director)	(Chairman)
Mr Yee Chia Hsing (Lead Independent Director)	(Member)
Mr Neo Teck Pheng (Group Chief Executive Officer)	(Member)

The NC was set up for the purpose of ensuring that there is a formal and transparent process for all board appointments.

CORPORATE GOVERNANCE

Under its terms of reference, the NC's scope of duties and responsibilities is as follows:

- reviewing and assessing the appointment of any proposed new directors (including alternate directors if applicable) before recommending the proposed new directors for approval by the Board;

- reviewing and recommending to the Board the re-election and re-appointment of any directors (including alternate directors if applicable) who are retiring by rotation or appointed during the year at the next AGM. The Articles of Association of the Company requires all directors to submit themselves for re-nomination and re-election at least every three years;

- reviewing the effectiveness of the Board annually;

- reviewing annually whether the size and composition of the Board is appropriate to ensure that the Board has an appropriate balance of expertise, skills, attributes and abilities;

- reviewing and determining annually, and as and when circumstances require, if a director is independent;

- reviewing and determining whether the director is able to and has been adequately carrying out his/her duties as director where a director has multiple board representations, taking into consideration other board representations and principal commitments;

- reviewing succession plans for directors and senior management and recommending to the Board for approval;

- reviewing and recommending to the Board the employment of related persons and their proposed terms of employment;

- reviewing that no individual member of the Board dominates the Board's decision making process; and

- review of training and professional development programs for the Board.

The evaluation of appointment and re-appointment of a director takes into consideration, among others, the composition and progressive renewal of the Board and each director's competencies, commitment, contribution and performance.

The Company has in place a process for selecting and appointing new directors. This process includes, inter alia, an evaluation of the candidate's capabilities by taking into consideration diversity of skills, experience, background, gender, age, ethnicity and other relevant factors and how the candidate fits into the overall desired competency matrix of the Board. The NC may refer to both internal sources as well as external sources to draw up a list of potential candidates. Short-listed candidates would be required to furnish their curriculum vitae stating in detail their qualification, working experience, employment history to enable the NC to assess the candidate's independence status and compliance with the Company's established internal guidelines.

The NC met once in FY2017 when it reviewed the independence of the Independent Directors and endorsed the appointment of Mr Tan Kian Seng as Non-Executive Director of the Company and Mr Wee Guan Oei Desmond as Independent Non-Executive Director and Chairman of the RC of the Company. The NC took into consideration the directors' academic qualifications, experience and expertise and made a recommendation to the Board for the approval of the appointments. All NC members participated in the meetings and discussions.

CORPORATE GOVERNANCE

The NC reviewed the independence of Ms Ting Ping Ee, Joan Maria, Mr Yee Chia Hsing and Mr Wee Guan Oei Desmond and is satisfied that there are no relationships which would deem any of them not to be independent. The NC, in its deliberation as to the independence of a director, took into account examples of relationships as set out in the Code, considered whether a director had business relationships with the Group, and if so, whether such relationships could interfere, or be reasonably perceived to interfere, with the exercise of the director's independent judgement. As of the date of this report, there is no Independent Director who has been appointed for more than nine years from the date of his/her first appointment. The above is in line with the guidelines in the Code.

Guideline 4.4 of the Code recommends that the Board determines the maximum number of listed company board representations which any director may hold, and discloses this in the Annual Report. In view of the responsibilities of a director, the Board is cognisant of the need for directors to be able to devote sufficient time and attention to adequately perform their roles. However, the Board has not imposed any limit as it has taken the view that the limit on the number of listed company directorships that an individual may hold should be considered on a case-by-case basis, as a person's available time and attention may be affected by many different factors, such as whether he or she is in full-time employment and the nature of his or her other responsibilities. The NC is satisfied that the directors have devoted sufficient time and attention to the Company. Although some Board members have multiple board representations, the Board experienced minimal competing time commitments among its members as Board meetings are planned and scheduled well in advance of the meeting dates.

The Articles of Association of the Company requires each director to retire at least once every three years and subject himself/herself to re-election by shareholders. In addition, any director appointed by the Board shall retire at the next AGM and shall then be eligible for re-election at that meeting. With regard to the re-election of existing directors each year, the NC advises the Board of those directors who are retiring or due for consideration to retire in accordance with the Articles of Association, and makes recommendations to the Board as to whether the Board should support the re-election of a director who is retiring. In making recommendations, the NC will undertake a process of review of the retiring director's performance during the period in which he or she has been a member of the Board. Each member of the NC will abstain from deliberations on his or her own re-election. Ms Ting Ping Ee, Joan Maria and Mr Yee Chia Hsing are subject to retirement at the forthcoming AGM pursuant to the Articles of Association of the Company and have both duly abstained from voting on their own re-election. The NC has assessed and recommended their re-election in the NC meeting held in February 2018. The Board has concurred with the NC to recommend the re-election of Ms Ting Ping Ee, Joan Maria and Mr Yee Chia Hsing, who have offered themselves for re-election as directors at the forthcoming AGM for consideration and approval by shareholders.

The Board believes in carrying out succession planning for itself and the Board Chairman to ensure continuity of leadership. Board renewal is a continuing process and in this regard, the NC reviews annually the composition of the Board and Board committees, which includes size and mix, and recommends to the Board the selection and appointment of new directors, whether in addition to the existing Board members or as replacement of retiring Board members, with a view to identifying any gaps in the Board's skills set taking into consideration the Group's business operations. The Board would be able to function smoothly notwithstanding any resignation or retirement of any director given the present number of members and mix of competencies on the Board.

CORPORATE GOVERNANCE

Key information on the directors as at the date of this Annual Report is set out below:

Name of Directors	Appointment	Date of initial appointment/ Date of last re-election as Director	Directorships in other listed companies and other principal commitments: Current	Directorships in other listed companies and other principal commitments: Past 3 Years
Mr Ho Han Leong Calvin	Non-Executive Chairman	1 October 2007/ 26 April 2017	• Tai Tak Estates Sendirian Berhad (Director)	–
Mr Ho Han Khoon (Alternate Director to Mr Ho Han Leong Calvin)[(1)]	Alternate Director to the Non-Executive Chairman	19 May 2014/–	• Tai Tak Estates Sendirian Berhad (Director)	–
Mr Tan Kian Seng	Non-Executive Director	6 February 2017/ 26 April 2017	• Millennium & Copthorne Hotels plc (Interim Group Chief Executive Officer) (listed on the London Stock Exchange) • Millennium & Copthorne Hotels New Zealand Limited (Non-Executive Director) (listed on the New Zealand Stock Exchange) • CDL Investments New Zealand Limited (Non-Executive Director) (listed on the New Zealand Stock Exchange) • Grand Plaza Hotel Corporation (President, Chairman of the Nomination Committee) (listed on the Philippine Stock Exchange) • Millennium & Copthorne International Limited (Group Chief of Staff and interim President of Asia)	Venture Corporation Limited (Group President/ Advisor to the CEO and Chairman)
Mr Neo Teck Pheng	Group Chief Executive Officer and Executive Director	1 October 2007/ 26 April 2017	–	–
Ms Ting Ping Ee, Joan Maria	Independent Director	19 May 2014/ 27 April 2015	• Grand Union Holdings and Investments Incorporated (Independent Director)	• Grandland Shipping Limited (Independent Director)

CORPORATE GOVERNANCE

Name of Directors	Appointment	Date of initial appointment/ Date of last re-election as Director	Directorships in other listed companies and other principal commitments: Current	Directorships in other listed companies and other principal commitments: Past 3 Years
Mr Yee Chia Hsing	Lead Independent Director	19 May 2014/ 27 April 2015	• CIMB Bank Berhad, Singapore Branch (Head of Catalist) • Elected Member of the Parliament of Singapore • Ezion Holdings Limited (Independent Director) • Ren Ci Hospital (Audit Committee member)	–
Mr Wee Guan Oei Desmond	Independent Director	6 February 2017/ 26 April 2017	• Rajah & Tann Singapore LLP (Partner and Head, Corporate Commercial Practice Group) • Popular Holdings Limited (Independent Director) • Spartans Rugby Singapore Limited (Non-Executive Director)	–

Note:

(1) The alternate director bears all the duties and responsibilities of a director.

Principle 5: BOARD PERFORMANCE

There should be a formal annual assessment of the effectiveness of the Board as a whole and its board committees and the contribution by each director to the effectiveness of the Board.

Whilst Board performance is ultimately reflected in the long-term performance of the Group, the Board believes that engaging in a regular process of assessment and evaluation of Board performance in order to identify key strengths and areas for improvement is essential to effective stewardship and to attaining success for the Company.

Each year, the NC undertakes a formal process to assess the effectiveness of the Board as a whole and the Board committees. The NC uses objective and appropriate criteria to assess the performance of the Board and effectiveness of Board committees. Assessment parameters include evaluation of Board structure, conduct of meetings, corporate strategy, corporate planning, risk management, internal controls, measuring and monitoring performance, compensation, financial reporting and communication with shareholders.

As part of the process, the directors individually complete appraisal forms which are collated by the Company Secretary. The Company Secretary then presents the results to the Chairman of the NC who then presents a report to the NC and the Board. The feedback, comments and recommendations by the directors will be reviewed and discussed constructively by the NC and the Board to identify areas for improvements and relevant follow up action to be taken by the Board and management. No external facilitator has been used.

CORPORATE GOVERNANCE

The NC has determined that given the number of directors of the Company, size of the Board, the background, expertise and the participation in the board meetings of the Company, it would not be necessary for each director to perform a self-evaluation exercise.

Principle 6: ACCESS TO INFORMATION

In order to fulfil their responsibilities, directors should be provided with complete, adequate and timely information prior to Board meetings and on an on-going basis so as to enable them to make informed decisions to discharge their duties and responsibilities.

The Company recognises the importance of providing the Board with relevant information on a timely basis prior to Board meetings and on an ongoing basis, to enable the directors to make informed decisions to discharge their duties and responsibilities. The Board is provided with reports on the Group's operational and financial performance as well as budget variances, on a regular basis. Board papers are distributed in advance of Board meetings so that the directors have sufficient time to understand the matters to be discussed at the Board meetings. The directors are entitled to request from management and be provided with additional information as needed to make informed decisions.

The Board meets regularly. At each Board meeting, the Group Chief Executive Officer provides updates on the Group's business and operations and the Group Chief Financial Officer presents the financial performance. Presentations in relation to specific business areas may also be made by senior executives. This allows the Board to develop a better understanding of the progress of the Group's business as well as the issues and challenges facing the Group and promotes active engagement with management.

Where appropriate, informal meetings are also held for management to brief directors on prospective transactions and potential developments in the early stages before formal Board approval is sought.

Under the direction of the Chairman, the Company Secretary ensures good information flow within the Board and its Board committees and between management and Non-Executive Directors, advising the Board on all governance matters, as well as facilitating orientation and assisting with professional development as and when required. The directors have separate and independent access to management and the Company Secretary and may communicate directly with management and the Company Secretary on all matters whenever they deem necessary, to ensure adherence to the Board procedures, and relevant rules and regulations which are applicable to the Company. In FY2017, the Company Secretary attended all Board and Board committee meetings. In addition, the directors also have direct access to the Company's professional advisors if they require more information, at the expense of the Company.

The appointment and the removal of the Company Secretary is a matter for the Board as a whole.

The AC meets with the internal auditors and the external auditors without the presence of management at least once a year.

CORPORATE GOVERNANCE

B. REMUNERATION MATTERS

Principle 7: PROCEDURES FOR DEVELOPING REMUNERATION POLICIES

There should be a formal and transparent procedure for developing policy on executive remuneration and for fixing the remuneration packages of individual directors. No director should be involved in deciding his or her own remuneration.

Principle 8: LEVEL AND MIX OF REMUNERATION

The level and structure of remuneration should be aligned with the long-term interest and risk policies of the company, and should be appropriate to attract, retain and motivate (a) the directors to provide good stewardship of the company, and (b) key management personnel to successfully manage the company. However, companies should avoid paying more than is necessary for this purpose.

Principle 9: DISCLOSURE ON REMUNERATION

Every company should provide clear disclosure of its remuneration policies, level and mix of remuneration, and the procedure for setting remuneration, in the company's annual report. It should provide disclosure in relation to its remuneration policies to enable investors to understand the link between remuneration paid to directors and key management personnel, and performance.

The RC consists of:

Mr Wee Guan Oei Desmond (Independent Director)	(Chairman)
Mr Ho Han Leong Calvin (Non-Executive Chairman)	(Member)
Mr Ho Han Khoon (Alternate Director to Mr Ho Han Leong Calvin)	
Ms Ting Ping Ee, Joan Maria (Independent Director)	(Member)

The RC is chaired by an Independent Director and the members are all Non-Executive Directors.

Under its terms of reference, the RC's scope of duties and responsibilities of the RC is as follows:

- recommending to the Board a framework of remuneration for the directors and key executives of the Group, including the Group Chief Executive Officer, Group Chief Financial Officer, Group Chief Operating Officer and Chief Executive Officers of the respective regions;
- determining specific remuneration packages for each Executive Director, including the Group Chief Executive Officer;
- reviewing all aspects of remuneration of employees (including, among others, employees who are related to the directors and relatives of the directors and controlling shareholders, if any), including directors' fees, salaries, allowances, bonuses and other benefits-in-kind;
- reviewing and ensuring that the remuneration of Non-Executive Directors is appropriate to the level of contribution by them, taking into account factors such as effort and time spent, and responsibilities of the directors;
- recommending employee share option schemes or any long term incentive scheme which may be set up from time to time and to do all acts necessary in connection therewith; and
- reviewing the Company's obligations arising in the event of termination of the contract of services of each Executive Director and key executive, to ensure that such contract of services if any, contain fair and reasonable clauses which are not overly generous.

CORPORATE GOVERNANCE

In FY2017, the RC met and discussed various remuneration matters and recorded its decisions by way of minutes. All the RC members were involved in the deliberations. No director was involved in the fixing of his/her own remuneration.

The Company established the First Sponsor Employee Share Option Scheme on 19 May 2014 but no options had been granted under the scheme to-date, which details can be found in the Directors' Statement.

In reviewing the remuneration packages of the Executive Director and key executives, the RC considers the level of remuneration based on the Company's remuneration policy which comprises the following distinct objectives:

- to ensure that the remuneration packages are competitive in attracting and retaining employees capable of meeting the Company's needs;
- to reward employees for achieving corporate performance targets in a fair and equitable way; and
- to ensure that the remuneration reflects the employees' duties and responsibilities.

The remuneration packages of the Executive Director and key executives comprise a fixed component (in the form of a base salary and, where applicable, fixed allowances together with other benefits-in-kind determined by the Company's human resource policies), and variable components (which include variable bonuses) which are determined by, amongst other factors, the individual's performance, the Company's overall performance and industry practices in each specific year. The RC will consider granting long-term incentives to the Executive Director and key executives at the appropriate time, such as granting employee share options under the First Sponsor Employee Share Option Scheme and proposing performance share plans for shareholders' approval. The RC will consider the implementation of contractual provisions to reclaim long term incentives from the Executive Director and key executives in the event of exceptional circumstances of misstatement of financial results or of misconduct resulting in financial or other losses to the Company, only after the introduction of long-term incentives. Currently, variable bonus is given as a short-term incentive and employees' share options will be granted as a long-term incentive to the staff, to link rewards to corporate and individual performance so as to promote the long-term sustainability of the Company.

The remuneration packages of Non-Executive Directors and Independent Directors comprise base director's fees and additional fees for services rendered on the various Board committees. In reviewing the structure and level of such fees, the RC takes into consideration factors such as the roles and responsibilities of, effort and time spent by, the directors, changes in the business, corporate governance practices and regulatory rules, and the interval since the last fee review. The RC also compared the Company's fee structure against industry practices. Such fee is subject to shareholders' approval at the AGM. No remuneration consultants were appointed in FY2017. The First Sponsor Employee Share Option Scheme allows for participation by Non-Executive Directors and Independent Directors. The Company believes that this inclusion will allow the Company to attract experienced and qualified persons from different professional backgrounds to join the Company as Non-Executive Directors and Independent Directors and will better align the interests of such Non-Executive Directors and Independent Directors with the interests of shareholders.

CORPORATE GOVERNANCE

Board of Directors and Key Executives

A breakdown in percentage terms of each director's and the Group Chief Executive Officer's remuneration paid/payable in fees/salary, bonus and benefits-in-kind for FY2017 is set out below:

Name of Directors	Fees[1] %	Salary[2] %	Bonus[2] %	Benefits-in-kind %	Total
Non-Executive Directors					
Below S$250,000 each					
Mr Ho Han Leong Calvin[3]	–	–	–	–	–
Mr Tan Kian Seng[3]	–	–	–	–	–
Ms Ting Ping Ee, Joan Maria	100	–	–	–	100
Mr Yee Chia Hsing	100	–	–	–	100
Mr Wee Guan Oei Desmond	100	–	–	–	100
Mr Hwang Han-Lung Basil*	100	–	–	–	100
Executive Director and Group Chief Executive Officer					
S$3,250,000 to S$3,500,000					
Mr Neo Teck Pheng[3]	–	23	77	#	100

* Resigned on 6 February 2017

\# denotes less than 0.5%.

Notes:

(1) The fees for FY2017 were approved by the Company's shareholders at the AGM held on 26 April 2017.

(2) The salary is inclusive of allowances. The salary and bonus are inclusive of employer's contributions to Central Provident Fund.

(3) Each director renounced his director's fees for FY2017 to the Company.

Although Guideline 9.2 of the Code provides that the Company should disclose the remuneration of each individual director and the Group Chief Executive Officer to the nearest thousand dollars, the Company has decided not to disclose such figures as it believes that such disclosure may be prejudicial to its business interests given the highly competitive environment it is operating in.

In view of the highly competitive human resource environment and so as not to hamper the Company's efforts to retain and nurture its talent pool, the Company has also decided not to disclose the names and remuneration of its top five key executives (who are not directors) in bands of S$250,000 as well as the total remuneration paid to them in accordance with Guideline 9.3 of the Code.

For FY2017, there were no termination, retirement or post-employment benefits granted to directors and key executives.

There was no employee in the Group who was an immediate family member of a director or the Group Chief Executive Officer and whose remuneration exceeded S$50,000 in FY2017.

CORPORATE GOVERNANCE

C. ACCOUNTABILITY AND AUDIT

Principle 10: ACCOUNTABILITY

The Board should present a balanced and understandable assessment of the company's performance, position and prospects.

The Company provides shareholders with quarterly results announcements and annual financial statements within the relevant periods prescribed by the SGX-ST Listing Manual. The releases of quarterly results announcements and annual financial statements are accompanied by news releases issued to the media and which are also posted on SGXNET. In presenting the quarterly results announcements and annual financial statements to shareholders, it is the aim of the Board to provide shareholders with a balanced and understandable assessment of the performance, position and prospects of the Company and Group.

The Board is mindful of its obligation to provide timely and fair disclosure of material information. The Board is accountable to the shareholders while management is accountable to the Board. The Board meets to review and approve the Group's quarterly and full year financial results prior to release to shareholders. All board papers are given to the Board members prior to any meeting to facilitate effective discussion and decision making.

For FY2017, the Group Chief Executive Officer and the Group Chief Financial Officer provided assurance to the Board on the integrity of the quarterly unaudited financial results and the Board in turn provided a negative assurance confirmation in respect of the unaudited financial results for the first, second and third quarters in accordance with the regulatory requirements.

In addition to quarterly results announcements and annual financial statements, the Company also keeps its shareholders and analysts informed of the performance and changes in the Group or its business which would be likely to materially affect the price or value of the Company's securities on a timely and consistent basis, so as to assist shareholders and investors in their investment decisions. The Company complies with its disclosure obligations under the SGX-ST Listing Manual.

Principle 12: AUDIT COMMITTEE

The Board should establish an Audit Committee ("AC") with written terms of reference which clearly set out its authority and duties.

The members of the AC are:

Mr Yee Chia Hsing (Lead Independent Director)	(Chairman)
Ms Ting Ping Ee, Joan Maria (Independent Director)	(Member)
Mr Ho Han Leong Calvin (Non-Executive Chairman)	(Member)
Mr Ho Han Khoon (Alternate Director to Mr Ho Han Leong Calvin)	

Two of the members of the AC are Independent Directors. There is a good mix of expertise among the members who can handle financial as well as commercial issues relating to the Group's business. None of the members of the AC were previously partners or directors of the existing external or internal audit firms within the previous 12 months.

CORPORATE GOVERNANCE

The AC has the authority to investigate any matter within its terms of reference. The AC has full access to and cooperation by management and full discretion to invite any director or executive officer to attend its meetings, and reasonable resources to enable it to discharge its functions properly. The AC has full access to the external and internal auditors, and to facilitate a more effective check on management, the AC meets (a) with the external auditors, and (b) with the internal auditors, in each case without the presence of management at least once a year. Similarly, both the external and internal auditors are given full access to the AC.

Under its terms of reference, the AC's scope of duties and responsibilities is as follows:

- reviewing the audit plan of the Company's external auditors, their evaluation of the system of internal accounting controls, their letter to management and management's response, and results of the Company's audit conducted by the internal and external auditors;
- reviewing the reports of the Company's external auditors including key audit matters, as well as the independence and objectivity of the external auditors;
- reviewing the co-operation given by the Company's officers to the external auditors;
- reviewing any suspected fraud or irregularity, or suspected infringement of any relevant laws, rules and regulations, which has or is likely to have a material adverse impact on the Group's operating results or financial position, and management's response;
- making recommendations to the Board on the proposal to the shareholders, on the appointment, reappointment and removal of external auditors, and approving the remuneration and terms of engagement of the external auditors;
- reviewing the appointment and removal of internal auditors and approving the internal audit plans, remuneration and terms of engagement of the internal auditors;
- reviewing the effectiveness of the Company's internal audit function;
- reviewing the quarterly, half yearly and annual financial statements, focusing in particular on changes in accounting policies and practices, major risk areas, significant adjustments resulting from the audit, compliance with accounting standards, and compliance with the SGX-ST Listing Manual and any other relevant statutory or regulatory requirements;
- reviewing significant financial reporting issues and judgements so as to ensure integrity of the financial statements of the Company and any announcements relating to the Company's financial performance;
- reviewing the material internal control procedures comprising financial, operational, compliance and information technology controls, ensure co-ordination between the external auditors and management, review the assistance given by management to the auditors, and discuss problems and concerns, if any, arising from audits, and any matters which the internal and external auditors may wish to discuss (in the absence of management, where necessary);
- monitoring the implementation of recommendations over outstanding internal control weaknesses highlighted by the internal and external auditors;
- reviewing interested person transactions (if any) falling within the scope of Chapter 9 of the SGX-ST Listing Manual (including any entrusted loans that may be provided to interested persons prior to such loans being entered into, to ensure that (i) the terms and (ii) the grant of the entrusted loans (taking into account various factors that may include, but are not limited to, the rationale for the grant, the creditworthiness of the borrower and the interest rate payable to the Group) are not prejudicial to the Group and the shareholders);
- reviewing potential conflicts of interest, if any;

CORPORATE GOVERNANCE

- reviewing and considering transactions in which there may be potential conflicts of interests between the Company and interested persons and recommend whether those who are in a position of conflict should abstain from participating in any discussions or deliberations of the Board or voting on resolutions of the Board or the shareholders in relation to such transactions as well as to ensure that proper measures to mitigate such conflicts of interest have been put in place;

- monitoring the investments in the customers, suppliers and competitors made by our directors, controlling shareholders and their respective associated companies who are involved in the management of the Company or their shareholding interests in similar or related business of the Company and making assessments on whether there are any potential conflicts of interests and ensuring that proper measures to mitigate such conflicts of interests have been put in place;

- reviewing and assessing from time to time the prevailing processes put in place to manage any material conflicts of interest in relation to the controlling shareholders as described in the section titled "Interested Person Transactions and Conflicts of Interest – Conflicts of Interest – Conflict of Interests in relation to First Sponsor Capital Limited and First Sponsor Management Limited" in the prospectus registered by the Monetary Authority of Singapore on 10 July 2014 ("Prospectus") in relation to the Company's initial public offering (the "IPO") and listing of its shares on the Mainboard of the SGX-ST and considering, where appropriate, additional measures for the management of such conflicts;

- reviewing our key financial risk areas, with a view to providing an independent oversight on the Group's financial reporting, the outcome of such review will be disclosed in the annual reports or if there are material findings, to be immediately announced via SGXNET;

- reviewing and recommending hedging policies and instruments, if any, to be implemented by the Company to the directors;

- reviewing the suitability of the Group Chief Financial Officer;

- undertaking such other reviews and projects as may be requested by the Board, and reporting to the Board its findings from time to time on matters arising and requiring the attention of the AC;

- reviewing the Company's whistle-blowing policy and arrangements put in place for raising concerns about possible improprieties on matters of financial reporting or any other matters;

- generally undertaking such other functions and duties as may be required by statute or the SGX-ST Listing Manual, or by such amendments as may be made thereto from time to time on a quarterly basis; and

- apart from the abovementioned duties, the AC shall commission and review the findings of internal investigations in the event of suspected fraud, irregularity, failure of internal controls or infringement of any laws and regulations including in the People's Republic of China, the Netherlands and Singapore, which has or is likely to have a material adverse impact on the Group's operating results and/or financial position. In addition, all future transactions with related parties shall comply with the requirements of the SGX-ST Listing Manual.

The AC held four AC meetings in FY2017. Management, including the Group Chief Executive Officer and Group Chief Financial Officer, was present at the meetings. In addition, the AC met (a) with the external auditors, and (b) with the internal auditors, in each case without the presence of management in FY2017.

The AC considered the report from the external auditors, including their findings on the significant risks and audit focus areas. Significant matters that were discussed with management and the external auditors have been included as Key Audit Matters ("KAM") in the audit report for FY2017 on pages 66 to 73 of this Annual Report.

CORPORATE GOVERNANCE

In assessing the KAM, the AC took into consideration the approach and methodology applied as well as the reasonableness of the estimates and key assumptions used. The AC concluded that management's accounting treatment and estimates in the KAM were appropriate.

In appointing the audit firms for the Group, the AC is satisfied that the Company has complied with Rules 712 and 715 of the SGX-ST Listing Manual in relation to the appointment of its external auditors. After reviewing the non-audit services provided by the external auditors in FY2017 and the fees paid for such services, the AC is satisfied that the independence and objectivity of the external auditors has not been impaired by the provision of those services and recommends to the Board, the nomination of the external auditors for re-appointment. The external auditors have also provided confirmation of their independence to the AC. The amount of fees paid/payable to the external auditors for audit and non-audit services for the FY2017 is set out in Note 22 of the Financial Statements in this Annual Report.

WHISTLE-BLOWING POLICY

The Company has put in place a whistle-blowing policy where staff of the Group can raise in confidence, whether anonymously or otherwise, concerns on possible improprieties relating to accounting, financial reporting, accounting, internal controls and auditing matters or other operational matters without fear of reprisals in any form. While the whistle-blowing policy is meant to protect genuine whistle-blowers from any unfair treatment as a result of their report, it strictly prohibits frivolous and bogus complaints. The policy is also not a route for taking up personal grievances.

A mechanism for the submission of issues/concerns has been established which includes a dedicated e-mail address allowing whistle-blowers to contact the AC directly, and in confidence so that his/her identity will be protected from reprisals within the limits of the law.

The AC has the authority to conduct independent investigations into any complaints. To-date, no report of fraudulent or inappropriate activities or malpractices has been received.

Principle 11: RISK MANAGEMENT AND INTERNAL CONTROLS

The Board is responsible for the governance of risk. The Board should ensure that management maintains a sound system of risk management and internal controls to safeguard shareholders' interests and the company's assets, and should determine the nature and extent of the significant risks which the Board is willing to take in achieving its strategic objectives.

Principle 13: INTERNAL AUDIT

The company should establish an effective internal audit function that is adequately resourced and independent of the activities it audits.

The Board acknowledges that risks are inherent in business and views the taking of risks as a prelude to generating returns. However, the Board's policy is that risks should be managed in order to reduce the variability of returns. The Group has put in place a risk management framework which outlines all key risks of the Group as well as the recommended action plans in the strategic, operational, financial and treasury, information technology and compliance areas.

The primary responsibility for identifying business risks lies with management. The Board reviews and approves the processes for managing risks recommended by management.

CORPORATE GOVERNANCE

Management reviews the system of internal controls regularly in order to ensure that sufficient checks and balances exist within the system to safeguard the Company's assets, ensure maintenance of proper accounting records, and compliance with relevant legislation and best practices.

The Group appointed PricewaterhouseCoopers LLP ("PwC") as its internal auditor to review the Group's existing systems of internal controls and it reports to the Chairman of the AC directly. The audit work carried out by PwC is in accordance with the standards set by internationally recognised professional bodies including the Standards for the Professional Practice of Internal Auditing of the Institute of Internal Auditors. PwC has unfettered access to the AC, the Board and management as well as the Group's documents, records, properties and personnel. All audit findings and recommendations made by PwC are reported to and discussed by the AC. In addition, the AC meets with the internal auditors without the presence of management at least once a year. The AC also reviews the adequacy and effectiveness of the outsourced internal audit function annually.

The Board has reviewed the adequacy and effectiveness of the Group's internal controls framework in relation to financial, operational, compliance and information technology controls as well as risk management systems of the Group, with the assistance of management, the internal auditors and the external auditors. The Board acknowledges that no system of internal controls can provide absolute assurance against the occurrence of human and system errors, poor judgment in decision-making, losses, fraud or other irregularities. Based on its assessment of the work performed by the internal and external auditors as well as confirmation from the Group Chief Executive Officer and Group Chief Financial Officer, the Board, with the concurrence of AC, is of the opinion that the Group's internal controls in addressing the financial, operational, compliance and information technology risks which the Group considers to be relevant and material to its operations, and the risk management systems, are effective and adequate as at 31 December 2017.

The Board also received assurance from the Group Chief Executive Officer and the Group Chief Financial Officer that the financial records have been properly maintained and the financial statements for FY2017 give a true and fair view of the Company's operations and finances.

C. SHAREHOLDER RIGHTS AND RESPONSIBILITIES

Principle 14: SHAREHOLDER RIGHTS

Companies should treat all shareholders fairly and equitably, and should recognise, protect and facilitate the exercise of shareholders' rights, and continually review and update such governance arrangements.

Principle 15: COMMUNICATION WITH SHAREHOLDERS

Companies should actively engage their shareholders and put in place an investor relations policy to promote regular, effective and fair communication with shareholders.

Principle 16: CONDUCT OF SHAREHOLDER MEETINGS

Companies should encourage greater shareholder participation at general meetings of shareholders, and allow shareholders the opportunity to communicate their views on various matters affecting the company.

The Company is committed to treating all shareholders fairly and equitably. The Company recognises, protects and facilitates the exercise of shareholders' rights.

It is the Company's policy to be transparent and open with its shareholders and this is achieved through timely announcements and meaningful disclosures, which are made on a non-selective basis. Shareholders can contact the Company or access information on the Company at its website at www.1st-sponsor.com.sg which has a dedicated "Investor Relations" link that provides, inter alia, information on the annual reports and the latest financial results as released by the Company on SGXNET and other information which may be relevant to shareholders.

CORPORATE GOVERNANCE

In addition to the quarterly financial results released on SGXNET, the Company also concurrently provides a presentation pack highlighting key developments of the Group to its shareholders on SGXNET. These are also available on the Company's website. The Group Chief Executive Officer and Group Chief Financial Officer hold briefings for analysts and key shareholders immediately after each release of its quarterly financial results.

The Board supports and encourages shareholders' participation at the Company's general meetings. The Board believes that general meetings serve as an opportune forum for shareholders to meet the Board and key management, and to interact with them. The Non-Executive Chairman, the chairpersons of the NC, RC and AC, and the external auditors were present at the last AGM, and will endeavor to be present at the 2018 AGM to assist the directors in addressing queries raised by the shareholders. Sufficient explanations of all resolutions are included in the notice of general meetings.

The Company has put all resolutions tabled to vote by poll. The results of the poll for each resolution were announced on SGXNET in a timely manner.

The Company's Articles of Association allow a shareholder to appoint not more than two proxies to attend and vote instead of the shareholder at the general meetings. A proxy need not be a shareholder of the Company. The Company does not permit voting in absentia by mail, facsimile or e-mail due to the difficulty in verifying and ensuring authenticity of the vote.

All shareholders are and will be given an opportunity to participate effectively in and vote at general meetings. Separate resolutions on each distinct issue will be tabled at general meetings. "Bundling" of resolutions will be kept to a minimum and executed only where the resolutions are interdependent as to form one significant proposal and only where there are reasons and material implications involved.

The Company Secretary prepares minutes of the general meetings that include all comments or queries raised by shareholders relating to the agenda of the meeting and responses from the Board and key management. The minutes of the general meetings will be made available to shareholders upon request.

The Company does not practise selective disclosure as all material and price-sensitive information is released through SGXNET.

The Company does not have a fixed dividend policy. The form, frequency and amount of dividends will depend on the Company's earnings, financial position, results of operations, capital needs, plans for expansion and other factors which our directors may deem appropriate.

The Board will work towards a stable payout with a steady growth when appropriate, subject to the successful implementation of the Group's business strategy and prevailing market conditions. For FY2017, the Board has recommended a final tax-exempt (one-tier) dividend of 1.20 Singapore cents per ordinary share for approval of shareholders at the forthcoming AGM.

CORPORATE GOVERNANCE

INTERESTED PERSON TRANSACTIONS

The Company has adopted an internal policy in respect of any transactions with interested persons and has set out procedures for review and approval of such interested person transactions. Interested person transactions were carried out on normal commercial terms and were not prejudicial to the interests of the Company and its minority shareholders. Interested person transactions entered into by the Group is submitted to the AC for review on a quarterly basis. Under the SGX-ST Listing Manual, where any interested person transaction requires shareholders' approval, the interested person will abstain from voting and the decision will be made by the other non-interested shareholders. When a potential conflict of interest arises, the director concerned neither takes part in discussions nor exercises any influence over other members of the Board.

During FY2017, there were no interested person transactions with an aggregate value of S$100,000 and above. The Company does not have a shareholders' general mandate for interested person transactions.

MATERIAL CONTRACTS

Other than as disclosed in the financial statements, there were no material contracts of the Company or its subsidiaries involving the interest of any director or controlling shareholder subsisting as at 31 December 2017.

DEALING IN THE COMPANY'S SECURITIES

In line with Rule 1207 (19) of the SGX-ST Listing Manual on dealing in securities, the Group has adopted an internal code which provides guidance to its directors and key management in relation to dealing in securities.

The Company has informed its directors and key management not to deal in the Company's shares whilst they are in possession of unpublished material price-sensitive information and during the period commencing two weeks before the announcement of the Company's financial results for each of the first three quarters of its financial year and one month before the announcement of the Company's full year financial results. They are also advised not to deal in the Company's securities on short-term considerations. There has not been any incidence of non-compliance.

Bilderberg Hotel Klein Zwitserland
Michelin Star Restaurant De Kromme Dissel
Heelsum, the Netherlands

SUSTAINABILITY REPORT

For the year ended 31 December 2017

Board Statement

The Board of directors (the "Board") is pleased to present the inaugural Sustainability Report.

As a part of its long-term strategy formulation, the Board oversees the direction of sustainability and considers sustainability issues. The Board closely works with the Sustainability Steering Committee ("SSC"), formed by senior management, to obtain updates about the sustainability objectives, strategy and performance of the Group. The Board has overseen the identification of environmental, social and governance factors ("ESG factors") material to the Group's business and its stakeholders as part of our involvement in the process of sustainability reporting. From there, through close interaction with management, the Board will ensure these material factors are satisfactorily monitored and managed.

This Sustainability Report is aligned with the Singapore Exchange ("SGX") Reporting Guide and prepared with reference to the internationally recognized reporting framework – Global Reporting Initiative ("GRI") Standards (2016).

Moving forward, the Group intends to maintain its business presence in the PRC and the Netherlands and where possible expand into new markets. The Group recognises sustainability as an essential part of its business and wishes to further integrate it by focusing on the areas where it can make the most impact. By setting targets in material areas and managing our performance, we can translate our sustainability efforts into benefits for the environment, our employees, our business and the local communities at large.

Who We Are

First Sponsor Group Limited ("First Sponsor" or the "Company", and together with its subsidiaries and associated companies, the "Group"), is a mixed property developer in the Netherlands and the PRC, and owner of commercial properties (including hotels) and provider of property financing services in the Netherlands, Germany and the PRC.

About This Report

The Group's inaugural sustainability report addresses the Group's sustainability practices in ESG aspects from 1 January to 31 December 2017.

This report has been prepared in accordance with the requirements of SGX-ST Listing Rules Practice Note 7.6 Sustainability Reporting Guide. The report also makes reference to the "GRI" Standards (2016), which is one of the global commonly-used practice guides for reporting on ESG factors. The GRI's Reporting Principles were considered throughout the report, as indicated in the table below.

PRINCIPLE	HOW THE GROUP'S SUSTAINABILITY REPORTING DEMONSTRATES THIS
Stakeholder Inclusiveness	We engage and communicate with stakeholders on an ongoing basis to understand expectations and foster accountability. See pages 42 to 43 for details.
Sustainability Context	As an SGX-listed company with assets in the PRC and the Netherlands, we consider the various sustainability issues in a local context whilst maintaining a global perspective. This report identified material ESG factors within the broader context of industrial and global trends, to keep our sustainability activities relevant.
Materiality	We have identified material ESG factors and approached sustainability in a targeted way. See page 43 for details.
Completeness	All activities within our operational control are covered in this report.
Balance	A good report is one that is transparent and fair. The concept of balance has been kept in mind when making disclosures.

SUSTAINABILITY REPORT

For the year ended 31 December 2017

PRINCIPLE	HOW THE GROUP'S SUSTAINABILITY REPORTING DEMONSTRATES THIS
Comparability	The use of the GRI Standards has helped the Group to standardise this report to allow comparability across peers and over time.
Accuracy and Reliability	Various levels of checking of information within the organisation are in place to improve accuracy and reliability of this report.
Clarity	We aim to present our information in a concise, clear and jargon-free manner to improve reader-friendliness.
Timeliness	Our sustainability report is published within four months of the end of our financial year, in line with annual financial reporting and well within the stipulated timeline as granted by SGX.

First Sponsor welcomes all feedback to help us improve our sustainability practices and our Sustainability Report. Please forward any enquiries or feedback to ir@1st-sponsor.com.sg.

Reporting Scope

This first report will cover the activities and employees of the Company as well as three hotels (with 804 rooms in aggregate) from the Group's property holding business in Chengdu, China. These three hotels, namely M Hotel Chengdu, Crowne Plaza Chengdu Wenjiang Hotel and Holiday Inn Express Chengdu Wenjiang Hotspring Hotel (the latter two referred as "Wenjiang Hotels"), although under external management by Millennium & Copthorne Hotels plc and Intercontinental Hotel Group ("IHG") respectively, are under the Group's full operational control and thus their sustainability performance can be directly managed and monitored by the Group. Although not captured in the performance data disclosed here, we uphold the same high standard of sustainability in our investments across the PRC and the Netherlands. We plan to gradually expand our sustainability report scope to encompass our other activities and locations over the coming years.

Managing Sustainability

Sustainability Governance

Our first step towards formalising our commitment towards sustainability was to establish a robust structure for sustainability governance. At the highest level of leadership, is the Board, who has taken into account sustainability issues in formulating the Group's strategies. The Board also approves, monitors and manages ESG factors material to our business and our stakeholders. In addition, the Board is also responsible for ensuring that all questions raised with regards to our sustainability reporting are addressed.

At the management level, First Sponsor's sustainability comes under the control of its SSC, which includes the Group Chief Executive Officer, Chief Financial Officer and other members of the Group's senior management team. The SSC develops sustainability strategies and action plans, sets achievement targets, as well as monitors and manages the overall sustainable performance. Periodically, they will report to the Board regarding key sustainability issues and updates.

The SSC is supported by the Sustainability Task Force ("STF"), which consists of senior management representatives across business functions and operations. The STF implements, executes and monitors sustainability policies and practices across the organization.

Engaging Our Stakeholders

Engaging our key stakeholders is critical to our long-term success. This process not only helps the Group to understand the expectations and interests of our various stakeholder groups, but also enables ongoing learning within the organisation.

SUSTAINABILITY REPORT

For the year ended 31 December 2017

We interact with our stakeholders regularly via different platforms and channels, as summarised in the table below.

Stakeholders	Engagement methods
Shareholders and Investors	■ Release of financial results, announcements, annual reports, press releases, and other relevant disclosures through SGXNET and First Sponsor's website ■ Annual General Meeting ■ Extraordinary General Meeting, where necessary ■ Updates through one-on-one/group meetings and investor roadshows
Analysts and the Media	■ Analysts' briefings for quarterly and full-year results, conducted by senior management ■ Updates through one-on-one/group meetings
Tenants and Guests	■ Tenant engagement activities (where applicable) ■ Informal gatherings and networking sessions ■ Management circulars and notices
Employees	■ Training and development programmes ■ Annual performance reviews ■ Recreational and team building activities ■ Formal and informal feedback channels for employees
Government and Regulators	■ Industry networking functions (where applicable) ■ Annual regulatory audits (where applicable) ■ Compliance with mandatory reporting requirements

Materiality Assessment

Material factors are those most important ESG risks and opportunities that will potentially inhibit or enable us to achieve our business goals. Through the review and prioritisation of ESG factors, we can spearhead our sustainability approach in a strategic way.

The materiality assessment was conducted in accordance with the GRI Materiality Principle (2016) under the facilitation of an external consultant. The process started with a background research on the global sustainability trends and ESG "hot topics" within the Real Estate and Hospitality sectors, leading to a list of relevant ESG factors. During the materiality assessment workshop conducted by the external consultant, the significance of each factor was considered with respect to its impact on the Group's business and on its stakeholders. The workshop participants brought insights from both the Group's operations and engagement with internal and external stakeholders. Finally, the identified material ESG factors were validated by the Board.

As a result, 6 ESG factors are deemed material to the Group in FY2017, as shown in the table below.

Sustainability Focus Areas	Material Topics
Economic	■ Economic performance[1]
Environment	■ Energy, emissions and water (of hotel operation only)
Social	■ Talent retention & training ■ Occupational health & safety ■ Customer health & safety
Governance	■ Compliance (including anti-corruption, environmental and social compliance)

[1] Please refer to pages 61 to 157 of this annual report for a copy of the FY2017 Financial Statements.

SUSTAINABILITY REPORT

For the year ended 31 December 2017

ENVIRONMENT

Our Environmental Impact

The Group is committed to minimising its environmental impact through various eco-friendly and resource-efficient initiatives. This is in line with the global trend towards greater attention to environmental sustainability. Increasingly, our customers are more aware of their environmental footprint and expect corporates to take on greater environmental responsibility. Meanwhile, the regulatory landscapes regarding environmental issues are strengthened across our operating countries. Local communities are also paying more attention to the environmental impact of local businesses as there can be implications on their own living environment and health.

We recognise the importance to conserve natural resources, such as non-renewable energy sources and water. Natural resources are limited and being a responsible corporate citizen, we strive to improve our resource efficiency. Resource efficiency can also bring tangible benefits to the Group. Energy, water and gas account for a large proportion of our costs and a reduction in our consumption could lead to substantial cost savings.

With the objective of achieving a higher level of environmental sustainability, we have set out a number of relevant policies and initiatives on energy use, emission, as well as on wastes and effluents and environmentally-friendly materials.

Energy, Emissions and Water

FY2017 Highlights

Indicator	Performance	Target for FY2018
Building Energy Intensity		Maintain or reduce current energy and water intensity
– Electricity	62.2 kWh per occupied room	
– Natural Gas	10.5 m^3 per occupied room	
Greenhouse Gas ("GHG") Emissions Intensity[2]	0.0580 tCO_2e per occupied room	
Water Intensity	1.21 m^3 per occupied room	

Our overall approach towards resource efficiency is via technical improvement supplemented by better management. We have invested in resource-efficient infrastructure, such as LED lights, motion sensors for light switches, HVAC (heating, ventilation, and air conditioning) systems and a controlled water valve system. Our HVAC system can deliver a high level of technical sophistication to allow us to customise our need for efficient energy usage. For instance, in summer, the temperature of the public area of the three hotels is maintained at 23°C and over. For vacant rooms, the air conditioning only works at low speed intermittently. In this way, we can minimise energy usage while ensuring thermal comfort.

In our Wenjiang Hotels, we have installed a state-of-the-art automated Building Management System ("BMS"). BMS is a computer-based control system that controls and monitors the building's mechanical and electrical equipment, such as the air-conditioning ventilation, hot and cold water supply, as well as the drainage system. For instance, we can have real-time updates on the operation status of boilers in every corner of both hotels via the data center.

[2] GHS emissions include contribution from electricity and natural gas. The Grid Conversion Factor used is 0.000615 tonnes of Carbon Dioxide equivalent per kilowatt hours of electricity (tCO_2e/kWh), which is the average of Operating Margin ("OM") and Build Margin ("BM") of Central China Grid specific to Sichuan Province, according to National Development and Reform Commissions of China (NDRC, 2016). The Gas Conversion Factor used is 0.0018759 tonnes of Carbon Dioxide equivalent per meter cubic of natural gas (tCO_2e/m^3), as per U.S. Energy Information Administration (2016).

Together with BMS, we have fitted sub-meters on water and gas pipes serving defined areas, such as kitchens, laundries, pool etc. This allows us to benchmark and track resource usage in each specific sub-area, identify heavy users and thus improve resource management accordingly.

On top of technical improvement, we aim to better manage resource consumption through behavioural change. In all of the three hotels, we have established the Hotel Energy Management Committee, led by hotel managers and engineers. The committee has established a detailed guideline to conserve energy, while ensuring the quality of our service is not compromised. For example, we have clear guidelines on the operating time of outdoor lighting, like our logo lighting and street lighting in the peripheral areas of each hotel. In indoor areas with 24 hours lighting, the intensity of lighting is dimmed accordingly when daylight is sufficient or after 11 pm. Furthermore, we conduct daily inspections to ensure that our energy saving policies are strictly adhered to and our equipment is well-maintained. The inspection also covers non-electrical equipment such as stove, water and gas pipes. In this way, we can promptly fix faults, avoid unnecessary wastage of resources and strengthen our environmental management.

Environmental education is a key part of our sustainability initiatives. We have advocated for resource conservation through various staff activities. In our Wenjiang Hotels, environmental awareness is incorporated as part of formal training for staff. We have also adopted the "IHG Green Engage" initiative that provides hundreds of "Green Solutions[3]" to help the hotels reduce their energy, water and waste.

What are Green Solutions?
Green Solutions are action items that hotels can adopt in order to build and operate sustainable hotels. Each Green Solution outlines actions the hotel can take and provides detailed steps to implement the solution. These recommendations cover design, operations and technologies aimed at reducing energy, water and waste, cutting carbon emissions, improving guest health and comfort and reducing operating and maintenance costs.

Examples of Green Solutions include:

- Using energy-efficient lighting and lighting controls.
- Installing water-efficient bathroom fixtures.
- Using energy efficient appliances and systems.
- Rainwater harvesting.
- Alternative energy sourcing.
- Improving indoor air quality.
- Increasing waste diversion.
- Sustainable event management.

Furthermore, we also go the extra mile to educate our guests. For instance, we have launched the "World Wide Fund for Nature (WWF) – Earth Hour" program to switch off non-essential lights for one hour. This symbolises our commitment to play our part in combating global climate change and help to spread the message of energy conservation among our guests.

To assess our environmental performance, we carry out daily and monthly statistical analysis of our water, electricity and gas consumption. In our Wenjiang Hotels, the performance data is compared with other IHG peers to identify best practices. There is also an energy saving reward mechanism in place to incentivise hotel managers to take energy conservation more seriously.

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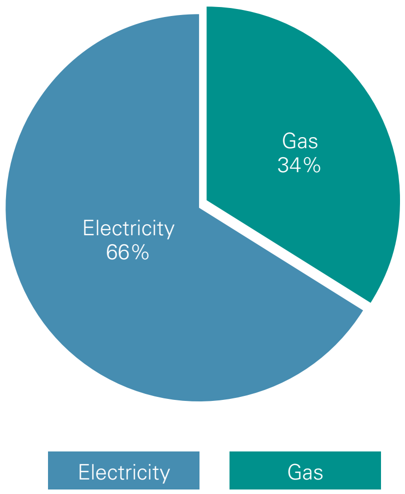
[3] Adapted from IHG Sustainability Report 2016.

SUSTAINABILITY REPORT

For the year ended 31 December 2017

GHG EMISSIONS BY SOURCE



In 2017, electrical energy consumption for the three Chengdu based hotels amounted to 7,880 megawatt-hours (MWh) and the overall building energy intensity was 62.2 kilowatt-hours per occupied room (kWh/occupied room). All of the hotels' electrical energy is purchased from the State Grid. As for gas consumption, the total consumption is 1.33 million m^3 and the intensity is 10.5 m^3/occupied room. Overall, the Group's GHG emissions and intensity approximately amounted to 7,350 tonnes of carbon dioxide equivalent (tCO_2e) and 0.058 tCO_2e/occupied room, respectively. Electricity contributes 66% of the total GHG emissions and gas contributes the other 34%, as shown in the diagram on the left.

The total building water consumption in FY2017 recorded 153,758 m^3 and water intensity was 1.21 m^3/occupied room.

We will continue our effort to better manage our resource consumption. In FY2018, we aim to maintain or reduce our current energy and water intensity.

SOCIETY

Our Society

As a responsible corporate citizen, we strive to create a positive social impact. For our employees, we wish to create a rewarding, collaborative and safe working environment. At the same time, we are doing our best to ensure the safety of our customers.

Talent Retention & Training[4]

FY2017 Highlights

Indicator	Performance	Target for FY2018
Average Monthly Rate of New Employee Hires	4.59%	Achieve an average of 40 hours of training per employee
Average Monthly Rate of Employee Turnover	4.38%	
Average Total Hours of Training Per Employee	63 hours per employee	

Human capital is a key asset to the Group. Satisfied and fulfilled employees are able to deliver high-quality work, which in turn contributes to the overall success of our business. As such, we have developed a comprehensive set of strategies and policies, governing our recruitment, promotion, termination, compensation and benefits, as well as learning and development.

[4] This section covers headcount under employment in the Singapore branch office of First Sponsor Group Limited and the three hotels in Chengdu.

SUSTAINABILITY REPORT

For the year ended 31 December 2017

Effective recruitment and selection are the key steps towards strengthening our human capital. Our human resource policies are grounded in equal opportunities and fair employment practices. All qualified candidates will be considered for employment without discrimination of gender, age, ethnicity, religion and national origin. Meanwhile, our staff are promoted based on merit and performance. Supervisors will also give timely feedback and suggestions for improvement to staff members so that they can stay on track to achieve their career goals.

The Group places emphasis on maintaining a diverse workforce and fostering an inclusive workplace. We believe diversity will encourage different perspectives and creativity, and thus help us to improve our quality of service. The disclosures below provide a quantitative measure of diversity within the Group. Average permanent headcount of the Group's Singapore branch office and the three hotels in Chengdu was 429 for FY2017 with a fairly even split between genders[4]. As at 31 December 2017, there were 445 permanent employees.

Our Employees

By Gender

Female: 225

Male: 220

Besides effective recruitment, retaining talent is equally important to us as high turnover can negatively impact productivity. We reward our staff with competitive salaries in line with market standards. Compensation to an individual employee is objectively determined based on position, competency and performance. Furthermore, employees are also entitled to a variety of benefits, including medical care, paid annual leave, staff discounts to food and accommodation in our hotels, as well as preferential rates to property purchase in our development projects.

The Group believes in investing in its people through training and development. In a dynamic business environment, we recognise the need to continually update our employees with the skills necessary for growth. Therefore, First Sponsor promotes an active approach to learning. We have launched a range of training programs to upgrade employee skills for the hotel employees. These programs are tailored to the needs of different roles and different levels of career progression so that the training will stay targeted and relevant. Chinese language programs are also created to increase accessibility for our Chengdu hotels. All training programs for the three hotels are managed and monitored by our Chengdu human resource department. For each compulsory course, attendance will be taken and employees have to present a valid excuse for absence. On average, each employee under our hotels has received 63 hours of training in FY2017. The higher average training hours achieved for FY2017 is due to the one-off training conducted for new hires for the Wenjiang Hotels in view of their commencement of operations in late December 2016. Below are a few examples of the training courses available.

Type	Programmes available
Orientation	■ New Staff Orientation ■ Management Orientation
Capacity Building	■ Coach for Peak Performance ■ Career Builder Program ■ Time Management ■ Accelerated Leadership Development
Specialised Training	■ First Aid ■ Service Recovery ■ Accounting System ■ Sales & Marketing Training

[4] This section covers headcount under employment in the Singapore branch office of First Sponsor Group Limited and the three hotels in Chengdu.

SUSTAINABILITY REPORT

For the year ended 31 December 2017

To create an engaging workplace, we value employee feedback and encourage regular communication between employees and the management. This provides a channel for employees to express their views and concerns, as well as supplies the management with timely feedback on corporate governance. A few examples of such communication channels include:

- Monthly lunchtime chat sessions between employees and hotel general manager
- Online discussion forum on the intranet
- Whistle-blowing channel to reach the Audit Committee and regional/Group CEOs
- Employee satisfaction survey
- Employee feedback sessions

In FY2017, our average monthly turnover rate stood at 4.38%. The majority of employee turnover occurs in our hotels, where the turnover rate tends to be intrinsically higher than other industries due to the transient nature of labour in the hospitality industry. Furthermore, the Wenjiang Hotels commenced operations in late December 2016. Our average monthly rate of new employee hires was 4.59%, which was higher than our turnover rate.

Going forward, we will stay committed to maintaining a positive and engaging working environment for our staff. In FY2018, we target to achieve an average of 40 hours of training per employee.

Workplace Health & Safety[4]

FY2017 Highlights

Indicator	Performance	Target for FY2018
Number of Workplace Fatalities	Zero	Maintain zero workplace fatalities
Accident Frequency Rate[5] ("AFR")	8.86 incidences per million man-hours worked	
Accident Severity Rate[6] ("ASR")	103 man-days lost per million man-hours worked	

The safety and well-being of our employees are of the utmost importance. In order to cultivate a strong safety culture in the workplace, the Group implemented the Workplace Safety and Health ("WSH") Policy for the three hotels, which is in compliance with local laws and regulations. Relevant information is covered in the standard employee contracts for the three hotels and published on the intranet.

We have ensured that all our hotel employees have received compulsory health and safety training prior to the commencement of their work. In our day-to-day operations, we strive to inculcate a culture of individual responsibility and ownership for workplace safety and health. Employees are required to exercise ample safety measures and put in place necessary personal protective equipment. We pay special attention to work at higher risk, such as work at heights, heavy lifting and operation of machinery, and establish respective standard procedures. We also respect the right of workers to refuse unsafe work without fear of reprisal.

5 AFR refers to the number of injury incidence that resulted in at least one day of medical leave per million man hours worked.

6 ASR refers to the number of man-days lost as a result of workplace injuries per million man hours worked.

SUSTAINABILITY REPORT

For the year ended 31 December 2017

Through our rigorous risk management on workplace health and safety, in FY2017, there were zero work-related fatalities across the Group's Singapore branch office and the three hotels in Chengdu. Our accident frequency rate ("AFR") and accident severity rate ("ASR") recorded 8.86[4] incidences per million man-hours worked and 103[4] man-days lost per million man-hours worked, respectively. The employees of the Group's Singapore branch are included in this calculation for consistency with the headcount data.

In our property development business, we work together with our contractors to ensure the safety of all on site. We oversee the operation of our contractors to make sure they have met the safety requirements in accordance to local laws.

Going forward, First Sponsor will continue engaging our employees to create a safe and healthy working environment. We aim to maintain zero workplace fatalities in FY2018.

Customer Health & Safety

FY2017 Highlights

Indicator	Performance	Target for FY2018
Non-compliance with laws and regulations concerning the health and safety of guests and building users which resulted in a fine, penalty or warning	Zero incidence of non-compliance	Maintain zero incidence of non-compliance

So as to provide our hotel guests and other building users with a safe, clean and enjoyable experience, as hotel owners and operators, we have developed a framework of rules and regulations governing customer health and safety.

One important focus area is food safety. We strictly adhere to local laws and regulations to ensure food safety and hygiene. For example, in our Wenjiang Hotels, when catering events for more than 100 people, we keep 100g of food sample in the refrigerator for 48 hours for inspection if deemed necessary, as per the IHG Food Safety Policies and Procedure. There are also weekly internal audits and monthly meetings regarding food safety. A WeChat group has been set up to respond to questions on food safety-related issues within 20 minutes.

The security department is responsible for the guarding of our hotel premises. The entrance and exit of personnel are controlled through strict identification verification to safeguard the safety of customers and their personal properties. Our surveillance is also supported by a sophisticated network of CCTVs.

Our management team has identified potential risks and proposed contingency plans. This helps us to be well prepared for emergencies and accidents. Our policies and procedures cover a wide range of incidents of different nature, such as fire hazards, terrorism, meteorological disasters, earthquakes and medical emergencies. For example, in M Hotel Chengdu, we conduct bi-annual fire escape drills. Moreover, our staff are also trained in basic first aid and firefighting, and thus can provide assistance to our hotel guests in case of need.

We have put in place a formal monitoring process to oversee health and safety at our Chengdu hotels. Our Wenjiang Hotels conduct annual internal Global Evaluation Manager ("GEM") audit and Food Safety Management System ("FSMS") audit in accordance with IHG group requirements. Meanwhile, M Hotel Chengdu engages external consultants to conduct health and safety audits to ensure compliance. The sub-district government also checks M Hotel Chengdu annually for operating licence renewal, while providing comments and respective rectification requirements.

SUSTAINABILITY REPORT

For the year ended 31 December 2017

As a testament to the abovementioned initiatives, there was no incident of non-compliance with laws and regulations concerning the health and safety of guests, tenants and building users which resulted in a fine, penalty or warning during FY2017.

Going forward, we will stay committed to ensuring the health and safety of our customers. We will keep up with our current practices and aim to achieve zero non-compliance with laws and regulations concerning health and safety in FY2018.

GOVERNANCE

Our Governance

Good governance is the key to effective corporate management and thus, an important cornerstone for success. The Group observes a high standard of corporate governance and transparency in its business operations. A robust corporate governance framework upholds the Group's core values.

Compliance

FY2017 Highlights

Indicator	Performance	Targets for FY2018
Confirmed incidents of corruption and actions taken	Zero confirmed incidents of corruption in FY2017	Maintain zero confirmed incidents of corruption
Non-compliance with environmental and socio-economic laws & regulations, which resulted in significant fines or sanctions.	Zero incidence of non-compliance in FY2017	Maintain zero incidence of non-compliance

Compliance with relevant laws and regulations is one of the most important pre-requisites for our continued operations and growth. As a responsible corporate citizen, we have ensured that we observe all relevant legal requirements, including anti-corruption, environmental as well as socio-economic laws and regulations.

In recent years, anti-corruption has increasingly come to the spotlight of public attention. We recognise the importance of anti-corruption and have developed policies with specific guidance on anti-corruption practices, such as the prohibition of bribery, acceptance or offer of lavish gifts and entertainment. Employees are required to adhere to the Employee Code of Conduct and maintain high levels of integrity throughout our operations. All new joiners are introduced to the company's anti-corruption policy. In M Hotel Chengdu, online anti-corruption training is also available on the intranet.

The Group has in place a whistle-blowing policy to provide a channel for its employees to report concerns about possible fraud, bribery and other ethics-related matters. This policy establishes procedures for reporting in good faith any improper conduct while protecting whistle-blowers from reprisals. All complaints or concerns received, if any, are carefully investigated by the Group.

SUSTAINABILITY REPORT

For the year ended 31 December 2017

Furthermore, the Group strives to stay in compliance with laws and regulations in their countries of operation including environmental regulations, labour practices, human rights related issues, health and safety etc. We seek professional advice to keep abreast of the latest legislative changes and updates to legislations relevant to the Group. The responsibility of compliance within the Group lies with the respective regional CEOs, with support from the legal department[7] and our external legal advisors where applicable, and the human resource department. For example, our hotels report their water usage to the local government on a quarterly basis, as required by the local government. The legal department reviews contracts for compliance before authorisation. The human resource department also conducts training for all employees on compliance-related issues relevant to their business functions. Every employee can report any suspected violation to the line manager or the human resource department.

In FY2017, there was no incidents of non-compliance with laws and regulations, including anti-corruption laws, environmental regulations and socio-economic regulations, which resulted in significant fines or sanctions in regards to the Group's Singapore operations or the operations in the three hotels.

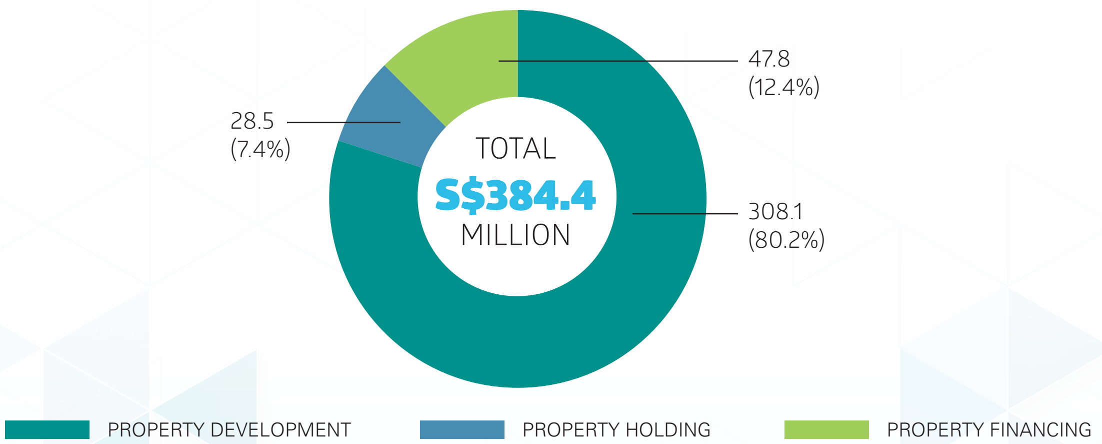
In FY2018, the Group targets to uphold the same high standard of conduct and to stay tuned for substantial new areas of law. In FY2018, we aim to maintain zero non-compliance with all laws and regulations which would result in significant fines or sanctions.

[7] Based in China and focuses on our China-based operations.

FINANCIAL REVIEW

Arising from a business review in FY2017, the Group reclassified interest income from loans extended to its associated companies to become part of its property financing revenue given that such income would be earned on a recurrent basis. On a restated basis, the Group's total revenue increased by 93.1% or S$185.3 million year on year to S$384.4 million in FY2017 as all three business segments experienced revenue growth for the year.

FY2017 REVENUE BY SEGMENT
(S$'MILLION)



PROPERTY DEVELOPMENT

Revenue from sale of properties increased by 90.1% or S$146.1 million from S$162.1 million in FY2016 to S$308.1 million in FY2017. This significant growth was due mainly to the recognition of sales on a higher number of residential and commercial units as well as car park lots in the Chengdu Millennium Waterfront project handed over in FY2017. This was in turn due partly to the first time handover of Plot A in FY2017. The property development revenue for FY2017 was mainly generated by the recognition of sales from the Chengdu Millennium Waterfront project of 2,353 residential units, 93 commercial units and 213 car park lots (FY2016: 1,355 residential units, 45 commercial units and 165 car park lots).

PROPERTY HOLDING

Rental income from property holding increased by 50.3% or S$9.5 million from S$18.9 million in FY2016 to S$28.5 million in FY2017 due mainly to the full year operations of the two Wenjiang hotels which opened in late December 2016. This was partially offset by lower rental revenue from the Zuiderhof I property as a result of lease incentives granted for a lease extension of another seven years.

PROPERTY FINANCING

Property financing revenue increased by 164.1% or S$29.7 million from S$18.1 million in FY2016 to S$47.8 million in FY2017. This was boosted by the recognition of net penalty interest income of S$26.4 million from the successful enforcement action on the defaulted loans during the year. The Group also disbursed loans to associated companies in the Netherlands, secured PRC property financing loans to third parties, unsecured loans to the Star of East River project company and Dongguan East Sun Limited which contributed revenue of S$16.6 million, S$3.6 million, S$0.5 million and S$0.3 million respectively for FY2017.

FINANCIAL REVIEW

Profit Before Tax

The Group's profit before tax increased by more than 4.5 times in FY2017, excluding the one off dilution gain of S$97.3 million arising from the partial Star of East River project divestment in FY2016.

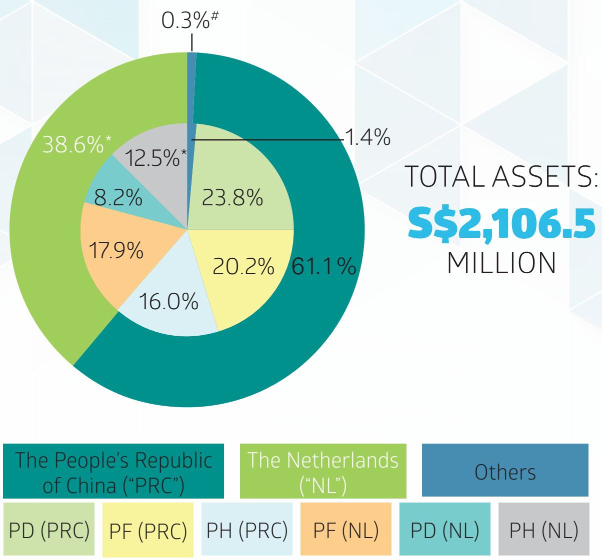
The healthy profit growth was underpinned by the higher gross profit contribution of S$105.0 million from the property development and property financing business segments and is net of an impairment loss of S$9.3 million on M Hotel Chengdu, allowance for foreseeable losses on development properties of S$1.0 million and one-off hotspring pre-opening expenses and base stocks written off amounting to S$3.2 million in aggregate.

TOTAL ASSET COMPOSITION

The Group's consolidated assets increased by 17.3% or S$310.4 million from S$1,796.1 million in FY2016 to S$2,106.5 million in FY2017.

As Europe continues to exhibit positive growth momentum, the Group, together with its co-investors, acquired 18 properties in the Netherlands in FY2017. This is reflected in the higher gross asset composition from the Netherlands from 24.6% as at 31 December 2016 to 38.6% as at 31 December 2017. This also included the Group's 50% interest in a German partnership to fund its share of the deposit for the acquisition of the Le Méridien Frankfurt hotel, the Group's first hotel investment in Germany. Assets from both the property holding and property financing segments represent approximately two thirds of the Group's total assets as at 31 December 2017 compared to 52.4% a year ago.

TOTAL ASSETS – BY BUSINESS AND GEOGRAPHIC SEGMENTS
AS AT 31 DECEMBER 2017



PD: Property Development
PF: Property Financing
PH: Property Holding

* Includes the Group's 50% interest in a German partnership to fund its share of the deposit for the acquisition of the Le Méridien Frankfurt hotel.

\# Includes S$4.5 million cash held in Singapore bank accounts.

Crowne Plaza Chengdu Wenjiang Hotel
Chengdu, PRC

MAJOR PROPERTIES

AS AT 31 DECEMBER 2017

	Effective Group Interest (%)	Title/Year of Expiry of Land Use Rights	Approximate Lettable Floor Area (sq m)[1]
INVESTMENT PROPERTIES			
1) Chengdu Cityspring North Yizhou Avenue, Gaoxin District, Chengdu, Sichuan Province, PRC. Comprising commercial and retail units.	100	Leasehold interest to year 2049	23,362
2) Arena Towers **(Holiday Inn Amsterdam/Holiday Inn Express Amsterdam Hotels)** Hoogoorddreef 66 and 68, Amsterdam, the Netherlands. Comprising 443 hotel rooms in aggregate, and 509 car park lots.	100	Perpetual leasehold interest with ground rent paid until year 2053	17,396
3) Poortgebouw Property 3rd floor up to and including the 9th floor of the Poortgebouw Hoog Catharijne Catharijne Esplanade 13, 3511WK Utrecht, the Netherlands. Expected to comprise two hotels with 320 hotel rooms in total on completion.	100	Leasehold interest to year 2069	11,604
4) Mondriaan Tower Amstelplein 6 and 8, Amsterdam, the Netherlands. Comprising office space and 241 car park lots.	33	Freehold	24,796
5) Zuiderhof I Jachthavenweg 121, Amsterdam, the Netherlands. Comprising office space, archive space and 111 car park lots.	33	Perpetual leasehold interest with ground rent paid until year 2050	12,538
6) Villa Nuova Utrechtseweg 46 and 46a, Zeist, the Netherlands. Comprising office space and 40 car park lots.	33	Freehold	1,428
7) Herengracht 21 Property situated at Herengracht 21, The Hague, the Netherlands. Comprising office space.	33	Freehold	473
			91,597

	Effective Group Interest (%)	Title/Year of Expiry of Land Use Rights	Approximate Gross Floor Area (sq m)[2]
HOTELS[3]			
1) Crowne Plaza Chengdu Wenjiang Hotel & Holiday Inn Express Chengdu Wenjiang Hotspring Hotel No. 619A/B North Phoenix Street, Wenjiang District, Chengdu, Sichuan Province, PRC Comprising 608 hotel rooms and suites, and a hotspring facility.	100	Leasehold interest to year 2051	81,041
2) M Hotel Chengdu No. 388, North Yizhou Avenue, Gaoxin District, Chengdu, Sichuan Province, PRC. Comprising 196 hotel rooms and suites.	100	Leasehold interest to year 2049	19,228
3) Bilderberg Garden Hotel Amsterdam Dijsselhofplantsoen 7, 1077 BJ Amsterdam, the Netherlands. Comprising 124 hotel rooms and suites.	31.4	Perpetual leasehold interest with ground rent paid until year 2020	6,920
4) Bilderberg Parkhotel Rotterdam Westersingel 70, 3015 LB Rotterdam, the Netherlands. Comprising 189 hotel rooms and suites.	31.4	Freehold	12,875

MAJOR
PROPERTIES
AS AT 31 DECEMBER 2017

	Effective Group Interest (%)	Title/Year of Expiry of Land Use Rights	Approximate Gross Floor Area (sq m)(2)
5) **Bilderberg Europa Hotel Scheveningen** Zwolsestraat 2, 2587 VJ, The Hague, the Netherlands. Comprising 174 hotel rooms and suites.	31.4	Temporary leasehold interest with ground rent paid until year 2026	9,950
6) **Bilderberg Kasteel Vaalsbroek** Vaalsbroek 1, 6291 NH, Vaals, the Netherlands. Comprising 130 hotel rooms and suites.	31.4	Freehold	16,270
7) **Hotel de Bilderberg** Utrechtseweg 261, 6862 AK, Oosterbeek, the Netherlands. Comprising 146 hotel rooms and suites.	31.4	Freehold	12,685
8) **Bilderberg Hotel De Keizerskroon** Koningstraat 7, 7315 HR, Apeldoorn, the Netherlands. Comprising 93 hotel rooms and suites.	31.4	Freehold	7,588
9) **Bilderberg Hotel 't Speulderbos** Speulderbosweg 54, 3886 AP, Garderen, the Netherlands. Comprising 102 hotel rooms and suites.	31.4	Freehold	10,150
10) **Bilderberg Résidence Groot Heideborgh** Hogesteeg 50, 3886 MA, Garderen, the Netherlands. Comprising 84 hotel rooms and suites.	31.4	Freehold	7,530
11) **Bilderberg Grand Hotel Wientjes** Stationsweg 7, 8011 CZ, Zwolle, the Netherlands. Comprising 57 hotel rooms and suites.	31.4	Freehold	4,087
12) **Bilderberg Hotel De Bovenste Molen** Bovenste Molenweg 12, 5912 TV, Venlo, the Netherlands. Comprising 82 hotel rooms and suites.	31.4	Freehold	6,575
13) **Bilderberg Château Holtmühle** Kasteellaan 10, 5932 AG, Tegelen, the Netherlands. Comprising 66 hotel rooms and suites.	31.4	Freehold	5,600
14) **Bilderberg Landgoed Lauswolt** Van Harinxmaweg 10, 9244 CJ, Beetsterzwaag, the Netherlands. Comprising 65 hotel rooms and suites.	31.4	Freehold	6,815
15) **Bilderberg Hotel De Klepperman** Oosterdorpsstraat 11, 3871 AA, Hoevelaken, the Netherlands. Comprising 79 hotel rooms and suites.	31.4	Freehold	5,885
16) **Bilderberg Hotel De Buunderkamp** Buunderkamp 8, 6874 NC, Wolfheze, the Netherlands. Comprising 101 hotel rooms and suites.	31.4	Freehold	9,882
17) **Bilderberg Hotel Wolfheze** Wolfhezerweg 17, 6874 AA, Wolfheze, the Netherlands. Comprising 70 hotel rooms and suites.	31.4	Freehold	9,000
18) **Bilderberg Hotel Klein Zwitserland** Klein Zwitserlandlaan 5, 6866 DS, Heelsum, the Netherlands. Comprising 71 hotel rooms and suites.	31.4	Freehold	5,880
			237,961

MAJOR PROPERTIES

AS AT 31 DECEMBER 2017

	Effective Group Interest (%)	Title/Year of Expiry of Land Use Rights	Project Construction Commencement Date	Expected Project Handover/ Completion Date	Site Area (sq m)	Approximate Gross Floor Area (sq m)[(2)]
DEVELOPMENT PROPERTIES – UNDER DEVELOPMENT						
1) Millennium Waterfront Located in Wenjiang District, Chengdu, Sichuan Province, PRC.						
a) Plot D Expected to have 1,274 residential units with ancillary commercial units, two commercial blocks and 1,295 underground car park lots.	100	Leasehold interest to year 2051 (commercial); and year 2081 (residential)	October 2016	Handover in phases from 4Q2018	32,198	135,853
b) Plots E & F Expected to comprise elderly care living quarters, a hospital and ancillary commercial facilities.	100	Leasehold interest to year 2051	February 2018	–[(4)]	48,237	534,409
2) Meerparc Amstelveenseweg 638-730, Amsterdam, the Netherlands. Comprising majority apartment rights corresponding to approximately 12,200 sq m of office space, 4,618 sq m retail/ commercial space and 218 car park lots. Excludes the remaining 772 sq m of retail/ commercial space and 15 car park lots which are owned by third parties.	100	Apartment rights (parcel of land involved: freehold)	Under planning	–[(4)]	9,744	–[(4)]
3) Oliphant Haaksbergweg 4-98 (even numbers), Amsterdam, the Netherlands. Expected to comprise office space and over 200 car park lots.	100	Perpetual leasehold interest with ground rent paid until year 2040	June 2017	December 2018	7,910	21,000
4) Dreeftoren Haaksbergweg 3-73 (odd numbers), Amsterdam, the Netherlands. Comprising office space and 207 car park lots.	100	Perpetual leasehold interest with ground rent paid until year 2039	Under planning	–[(4)]	5,740	–[(4)]
5) Munthof Reguliersdwarsstraat 50 – 64, Amsterdam, the Netherlands. Comprising commercial space and 147 car park lots.	33	Freehold	Under planning	–[(4)]	1,532	5,617
6) The Terraced Tower Property situated at Boompjes 55 and 57, Rotterdam, the Netherlands. Expected to comprise 340 residential units, retail spaces and 212 car park lots.	33	Freehold	October 2017	Expected to be in 2020	1,310	39,539
7) Berg & Bosch Professor Bronkhorstlaan 4, 4A, 6, 8, 10A – 10M, 12 – 20 and 26, Bilthoven, the Netherlands. Comprising buildings, some of which are national monuments, amidst a rich green landscape and 627 car park lots.	33	Freehold	Under planning	–[(4)]	415,799	–[(4)]
8) Star of East River Project Located in Wanjiang District and Nancheng District, Dongguan, Guangdong Province, PRC. Expected to have approximately 1,221 residential units, 2,332 SOHO apartment units, 178,000 sq m of commercial space and 1,157 underground car park lots.	30	Leasehold interest to years 2054 to 2055 (commercial); and years 2084 to 2085 (residential)	April 2017	Handover in phases from 1Q2019	49,136	367,726
					571,606	1,104,144

Notes:
1. Lettable floor area excludes car park space.
2. Gross floor area ("GFA") excludes underground GFA and/or car park area.
3. Comprises hotels owned and operated by the Group.
4. Yet to be determined as the development plan relating to this project is currently in the preliminary stage.

MILLENNIUM WATERFRONT PROJECT IN CHENGDU, PRC

Plot B

- 2,250 residential units, 96 commercial units, 1,905 car park lots and a three-storey commercial building
- Pre-sales of residential units commenced in November 2012
- % of total saleable GFA launched for sale sold[1]:
  - Residential: 100%
  - Commercial: 92.5%
- Cumulative handover of 2,126 residential and 75 commercial units as at 31 December 2017

Plot A

- 2,000 residential units, 118 commercial units and 1,718 car park lots
- Pre-sales of residential units commenced in March 2015
- % of total saleable GFA launched for sale sold[1]:
  - Residential: 100%
  - Commercial: 86.8%
- Cumulative handover of 1,893 residential and commercial units as at 31 December 2017

Based on artist's impression which may not be fully representative of the actual development.

Note:

(1) As at 31 December 2017 and includes sales under option agreements or sale and purchase agreements, as the case may be.

■ 1,778 residential units, 91 commercial units and 1,508 car park lots
■ Pre-sales of residential units commenced in January 2014
■ % of total saleable GFA launched for sale sold[1]:
– Residential: 100%
– Commercial: 74.0%
■ Cumulative handover of 1,773 residential and 46 commercial units as at 31 December 2017
Plot C
Plot E
Plot D
■ 1,274 residential units, 66 commercial units, 1,295 car park lots and two commercial blocks
■ Pre-sales of residential units commenced in December 2016
■ % of total saleable GFA launched for sale sold:
– Residential 100%
– Commercial 81.4%
■ Expected to commence handover of residential units in phases from 4Q2018
Plot F
Plot G
■ Commencement of operations of Crowne Plaza Chengdu Wenjiang Hotel and Holiday Inn Express Chengdu Wenjiang Hotspring Hotel on 28 December 2016 and ancillary hotspring facility on 27 October 2017

REPORTS AND FINANCIAL **STATEMENTS**

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DIRECTORS' STATEMENT

We are pleased to submit this annual report to the members of the Company together with the audited financial statements for the financial year ended 31 December 2017.

In our opinion:

(a) the financial statements set out on pages 74 to 157 are drawn up so as to give a true and fair view of the financial positions of the Group and the Company as at 31 December 2017 and the financial performance, changes in equity and cash flows of the Group for the year ended on that date in accordance with International Financial Reporting Standards; and

(b) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

The board of directors of the Company has, on the date of this statement, authorised these financial statements for issue.

DIRECTORS

The directors in office at the date of this statement are as follows:

Ho Han Leong Calvin	
Ho Han Khoon	(Alternate Director to Ho Han Leong Calvin)
Tan Kian Seng	(Appointed on 6 February 2017)
Neo Teck Pheng	
Ting Ping Ee, Joan Maria	
Yee Chia Hsing	
Wee Guan Oei Desmond	(Appointed on 6 February 2017)

DIRECTORS' STATEMENT

DIRECTORS' INTERESTS

According to the register kept by the Company, particulars of interests of directors who held office at the end of the financial year (including those held by their spouses and children) in shares, debentures, warrants and share options in the Company and in related corporations are as follows:

	Holdings in the name of the director, spouse and/or children		Holdings in which directors are deemed to have an interest	
	At beginning of the year	At end of the year	At beginning of the year	At end of the year
The Company				
Ordinary shares				
Ho Han Leong Calvin	500,000	1,300,000	265,264,991	265,264,991
Ho Han Khoon (Alternate Director to Ho Han Leong Calvin)	370,200	700,000	260,694,791	260,694,791
Neo Teck Pheng	–	–	274,146,791	274,146,791
Yee Chia Hsing	100,000	100,000	–	–
$50.0 million 4.0% Fixed Rate Notes due 2018 ($)				
Ho Han Leong Calvin	–	–	15,000,000	–
Ting Ping Ee, Joan Maria	250,000	–	–	–

Except as disclosed in this statement, no director who held office at the end of the financial year had interests in shares, debentures, warrants or share options of the Company, or of related corporations, either at the beginning of the financial year, or date of appointment if later, or at the end of the financial year.

There were no changes in any of the above mentioned interests in the Company between the end of the financial year and 21 January 2018.

Except as disclosed under the "Share options" section of this statement, neither at the end of, nor at any time during the financial year, was the Company a party to any arrangement whose objects are, or one of whose objects is, to enable the directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

SHARE OPTIONS

Employee share option scheme

On 19 May 2014, the shareholders of the Company adopted a share option scheme known as the First Sponsor Employee Share Option Scheme (the "Share Option Scheme").

The Share Option Scheme will provide eligible participants (which include the Non-Executive Directors) with an opportunity to participate in the equity of the Company and to motivate them towards better performance through increased dedication and loyalty.

The Share Option Scheme is administered by the Administration Committee, comprising members of the Remuneration Committee and the Nominating Committee. The exercise price of the options that are granted under the Share Option Scheme shall be determined at the discretion of the Administration Committee and may be:

(a) set at a discount to a price (the "Market Price") equal to the average of the last dealt prices for the shares on the Singapore Exchange Securities Trading Limited ("SGX-ST") for the five consecutive market days immediately preceding the relevant date of grant of the relevant option (subject to a maximum discount of 20.0%), in which event, such options may be exercised after the second anniversary from the date of grant of the options; or

(b) fixed at the Market Price. These options may be exercised after the first anniversary of the date of grant of the options.

The aggregate number of shares which may be offered by way of grant of options to all controlling shareholders of the Company and their respective associates under the Share Option Scheme shall not exceed 25.0% of the total number of shares available under the Share Option Scheme, with the number of shares which may be offered by way of granting options to each controlling shareholder of the Company and his respective associate not exceeding 10.0% of the total number of shares available under the Share Option Scheme.

During the financial year, no options have been granted under the Share Option Scheme.

During the financial year, there were:

(i) no options granted by the Company to any person to take up unissued shares in the Company; and

(ii) no shares issued by virtue of any exercise of option to take up unissued shares of the Company.

As at the end of the financial year, there were no unissued shares of the Company under option.

DIRECTORS' STATEMENT

AUDIT COMMITTEE

The members of the Audit Committee during the financial year and at the date of this statement are:

Yee Chia Hsing	(Chairman)
Ting Ping Ee, Joan Maria	(Member)
Ho Han Leong Calvin	(Member)
Ho Han Khoon (Alternate Director to Ho Han Leong Calvin)	

The Audit Committee performs the functions specified in the SGX-ST Listing Manual and the Code of Corporate Governance.

The Audit Committee has held 4 meetings since the last directors' statement. In performing its functions, the Audit Committee met with the Company's external and internal auditors to discuss the scope of their work, the results of their examination and evaluation of the Company's internal accounting control system.

The Audit Committee also reviewed the following:

- assistance provided by the Company's officers to the external and internal auditors;
- quarterly financial information and annual financial statements of the Group and the Company prior to their submission to the directors of the Company for adoption; and
- interested person transactions (as defined in Chapter 9 of the SGX-ST Listing Manual).

The Audit Committee has full access to management and is given the resources required for it to discharge its functions. It has full authority and the discretion to invite any director or executive officer to attend its meetings. The Audit Committee also recommends the appointment of the external auditors and reviews the level of audit and non-audit fees.

The Audit Committee is satisfied with the independence and objectivity of the external auditors and has recommended to the board of directors of the Company that the auditors, KPMG LLP, be nominated for re-appointment as auditors at the forthcoming annual general meeting of the Company.

In appointing our auditors for the Company and its subsidiaries, we have complied with Rules 712 and 715 of the SGX-ST Listing Manual.

DIRECTORS' STATEMENT

AUDITORS

The auditors, KPMG LLP, have indicated their willingness to accept re-appointment.

On behalf of the Board of Directors

Ho Han Leong Calvin
Director

Neo Teck Pheng
Director

28 February 2018

INDEPENDENT AUDITORS' REPORT

Members of the Company
First Sponsor Group Limited

Opinion

We have audited the financial statements of First Sponsor Group Limited (the "Company") and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position of the Group and the statement of financial position of the Company as at 31 December 2017, the consolidated statement of profit or loss, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 74 to 157.

In our opinion, the accompanying consolidated financial statements of the Group and the statement of financial position of the Company are properly drawn up in accordance with the International Financial Reporting Standards ("IFRSs") so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at 31 December 2017 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group for the year ended on that date.

Basis for opinion

We conducted our audit in accordance with Singapore Standards on Auditing ("SSAs"). Our responsibilities under those standards are further described in the *'Auditors' responsibilities for the audit of the financial statements'* section of our report. We are independent of the Group in accordance with the Accounting and Corporate Regulatory Authority *Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities* ("ACRA Code"), together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

INDEPENDENT AUDITORS' REPORT

Valuation of investment properties ($282.6 million) (Refer to Note 3.5 and Note 5 to the financial statements)	
The key audit matter	*How the matter was addressed in our audit*
The Group owns a portfolio of investment properties in China and the Netherlands. These investment properties are carried at their fair values. The Group engaged external valuers to value its properties. The valuation models applied to determine the value of investment properties are sensitive to assumptions around occupancy rates, capitalisation rates, rental yield, sales prices and discount rates, where applicable.	**Our response:** We assessed the competency and objectivity of the valuers engaged and held discussions with the valuers to understand their valuation methods and assumptions used, when necessary. We reviewed the valuation methodologies and assumptions used by the valuers in arriving at the valuations of the Group's investment properties. This includes a comparison of capitalisation rates, sales prices and discount rates with externally derived data. We also tested the data and information used by the valuers including the occupancy rates and rental yield by comparing to the actual occupancy rates and rental yield, and analysed trends of these key assumptions. **Our findings:** The valuers are members of recognised professional bodies for valuers. The valuation methodologies applied were consistent with generally accepted market practices. The key assumptions used were within the range of market data and were appropriate based on historical data and trends.

INDEPENDENT AUDITORS' **REPORT**

Valuation of property, plant and equipment ($230.8 million) (Refer to Note 3.3 and Note 4 to the financial statements)	
The key audit matter	*How the matter was addressed in our audit*
The Group owns three hotel properties in Chengdu. M Hotel Chengdu has been in operations since 2012 and the remaining two hotels in Wenjiang have been in operations since December 2016. M Hotel Chengdu did not perform as well as expected, therefore an indication of impairment for this asset was identified. M Hotel Chengdu had been impaired based on the assessment carried out as at 31 December 2016. The Group further performed an impairment assessment of M Hotel Chengdu as at 31 December 2017. The Group engaged an external valuer to ascertain the recoverable amount of this hotel. The estimation of the recoverable amount of the hotel is dependent on assumptions about the future. Specifically, significant judgement is required in relation to the appropriate occupancy rates, average daily rates and the discount rate to use in determining the recoverable amount. No indicator of impairment was identified for the two hotels in Wenjiang as at 31 December 2017.	**Our response:** We assessed the competency and objectivity of the valuer engaged and held discussions with the valuer to understand the valuer's valuation method and assumptions used. We reviewed the key assumptions adopted by the valuer in determining the recoverable amount of the hotel. This included a comparison of occupancy rates and average daily rates to historical rates and trends. We also compared the discount rate against externally derived data. **Our findings:** The valuer is a member of recognised professional bodies for valuers. The valuation methodology applied was consistent with generally accepted market practices. The key assumptions used were within the range of market data and were appropriate based on historical data and trends.

INDEPENDENT AUDITORS' **REPORT**

Recoverability of entrusted loans with third parties ($119.6 million) (Refer to Note 3.9 and Note 11 to the financial statements)	
The key audit matter	*How the matter was addressed in our audit*
The Group has $119.6 million of entrusted loans with third parties from its property financing operations in China. Entrusted loans amounting to $56.2 million were in default as at 31 December 2017. The Group had commenced legal proceedings to recover its receivables and initiated partial recovery of the loan principal via court conducted auctions of the mortgaged properties. Judgement and estimates were required to determine the estimated proceeds expected to be recovered from these defaulted loans and the ability of the Group to enforce its rights under the terms of the loan agreements.	**Our response:** We challenged the Group's estimates of proceeds to be recovered from court conducted auctions of the mortgaged properties to, where available, recently transacted prices of comparable properties, adjusting for specific attributes such as size and locations. We considered the Group's past experience in recovering the defaulted loans via court conducted auctions of the mortgaged properties. **Our findings:** We found management's assessment of the recoverability of defaulted loans was within an acceptable range of outcomes.

INDEPENDENT AUDITORS' **REPORT**

<table>
<tr><td colspan="2">Classification and valuation of investment in Dongguan East Sun Limited ("East Sun")
(Refer to Note 9 to the financial statements)</td></tr>
<tr><td>The key audit matter</td><td>How the matter was addressed in our audit</td></tr>
<tr><td>In April 2017, the Group acquired 90% equity interest in East Sun. Its stake was diluted to 85% as at 31 December 2017. East Sun owns warehouses, industrial, commercial and residential properties in China.

Management assessed the Group does not have control nor significant influence over East Sun and accounted for the investment as available-for-sale equity securities. Judgement is required in determining if the Group has control or significant influence over East Sun.

The available-for-sale equity securities are carried at fair value. In estimating the fair value of this investment, the Group has used the net asset value of the investee, adjusted for the fair values of the underlying properties held by the investee based on independent external valuations, and applied a discount to take into consideration the non-marketable nature of the investment, where applicable.

Judgement is involved in determining an appropriate valuation method and the key assumptions to be applied in fair valuing the investment.</td><td>Our response:
We enquired management to understand its plans and intention for the investment in East Sun.

We checked if the Group has control or significant influence over East Sun through shareholder's rights given in the shareholders' agreement.

We engaged internal valuation specialists to assess the valuation approach used by the Group in deriving the fair value of the equity securities against those applied for similar equity securities. We assessed the reasonableness of the fair values of the underlying properties held by the investee as well as the discount rate applied, by considering comparable properties and available industry market data.

Our findings:
We found the classification of the investment in East Sun as available-for-sale equity securities to be appropriate.

The valuation approach used by the Group in deriving the fair value of the equity securities is in line with generally accepted market practices and data.</td></tr>
</table>

INDEPENDENT AUDITORS' **REPORT**

Other Information

Management is responsible for the other information contained in the annual report. Other information is defined as all information in the annual report other than the financial statements and our auditors' report thereon.

We have obtained the Directors' Statement prior to the date of this auditors' report. The Financial Highlights, Chairman's Statement, Milestones Since IPO, Board of Directors, Senior Management, Corporate Structure, Corporate Directory, Sustainability Reporting, Corporate Governance, Financial Review, Major Properties, and Statistics of Ordinary Shareholdings (the "Reports") are expected to be made available to us after that date.

Our opinion on the financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditors' report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

When we read the Reports, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance and take appropriate actions in accordance with SSAs.

Responsibilities of management and directors for the financial statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with IFRSs, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair financial statements and to maintain accountability of assets.

In preparing the financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The directors' responsibilities include overseeing the Group's financial reporting process.

INDEPENDENT AUDITORS' REPORT

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with SSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.

- Obtain an understanding of internal controls relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal controls.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

INDEPENDENT AUDITORS' **REPORT**

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal controls that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless the law or regulations preclude public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditors' report is Koh Wei Peng.

KPMG LLP
Public Accountants and
Chartered Accountants

Singapore
28 February 2018

STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2017

	Note	Group 2017 $'000	Group 2016 $'000	Company 2017 $'000	Company 2016 $'000
Non-current assets					
Property, plant and equipment	4	**230,844**	234,537	**389**	367
Investment properties	5	**282,634**	231,197	**–**	–
Interests in subsidiaries	6	**–**	–	**653,581**	694,808
Interests in associates and joint ventures	7	**64,361**	55,055	**–**	–
Derivative assets	8	**350**	–	**350**	–
Other investments	9	**23,380**	–	**–**	–
Deferred tax assets	10	**25,905**	16,694	**–**	–
Trade and other receivables	11	**284,455**	185,938	**370,608**	209,912
		911,929	723,421	**1,024,928**	905,087
Current assets					
Development properties	12	**390,704**	403,199	**–**	–
Inventories		**175**	80	**–**	–
Trade and other receivables	11	**445,534**	388,877	**570,997**	229,837
Other investments	9	**38,863**	–	**–**	–
Cash and cash equivalents	13	**319,298**	280,567	**4,527**	99,896
		1,194,574	1,072,723	**575,524**	329,733
Total assets		**2,106,503**	1,796,144	**1,600,452**	1,234,820
Equity					
Share capital	14	**73,640**	736,404	**73,640**	736,404
Reserves	15	**1,006,514**	288,185	**807,067**	82,511
Equity attributable to owners of the Company		**1,080,154**	1,024,589	**880,707**	818,915
Non-controlling interests		**6,727**	5,108	**–**	–
Total equity		**1,086,881**	1,029,697	**880,707**	818,915
Non-current liabilities					
Loans and borrowings	16	**609,988**	347,186	**574,171**	316,166
Derivative liabilities	8	**13,122**	2,763	**13,122**	2,763
Other payable	17	**12,811**	–	**–**	–
Deferred tax liabilities	10	**3,870**	6,446	**–**	–
		639,791	356,395	**587,293**	318,929
Current liabilities					
Loans and borrowings	16	**–**	9,452	**–**	9,452
Current tax payable		**30,306**	14,611	**145**	12
Trade and other payables	17	**166,093**	196,254	**128,139**	87,512
Receipts in advance	18	**179,264**	189,735	**–**	–
Derivative liabilities	8	**4,168**	–	**4,168**	–
		379,831	410,052	**132,452**	96,976
Total liabilities		**1,019,622**	766,447	**719,745**	415,905
Total equity and liabilities		**2,106,503**	1,796,144	**1,600,452**	1,234,820

The accompanying notes form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF **PROFIT OR LOSS**

YEAR ENDED 31 DECEMBER 2017

	Note	Group 2017 $'000	Group 2016 $'000 Restated*
Revenue	19	**384,392**	199,051
Cost of sales		**(231,360)**	(147,300)
Gross profit		**153,032**	51,751
Administrative expenses		**(24,146)**	(27,008)
Selling expenses		**(5,319)**	(5,633)
Other expenses (net)		**(13,998)**	(24,468)
Other (losses)/gains (net)	20	**(56)**	98,335
Results from operating activities		**109,513**	92,977
Finance income		**17,082**	21,262
Finance costs		**(9,010)**	(8,128)
Net finance income	21	**8,072**	13,134
Share of after-tax profit of associates		**3,648**	12,278
Profit before tax	22	**121,233**	118,389
Tax expense	23	**(27,940)**	(3,473)
Profit for the year		**93,293**	114,916
Attributable to:			
Equity holders of the Company		**88,283**	113,089
Non-controlling interests		**5,010**	1,827
Profit for the year		**93,293**	114,916
Earnings per share			
Basic and diluted (cents)	24	**14.97**	19.17

* see note 34

The accompanying notes form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF
COMPREHENSIVE INCOME

YEAR ENDED 31 DECEMBER 2017

		Group	
		2017	2016
	Note	$'000	$'000
Profit for the year		**93,293**	114,916
Other comprehensive income			
Items that are or may be reclassified subsequently to profit or loss:			
Realisation of foreign currency translation differences arising from dilution of interests in subsidiaries (net of tax) reclassified to profit or loss	26	**–**	(3,618)
Share of translation differences on financial statements of foreign associates, net of tax	7	**893**	(203)
Translation differences on financial statements of foreign subsidiaries, net of tax		**(16,574)**	(45,177)
Translation differences on monetary items forming part of net investment in foreign subsidiaries, net of tax		**(1,470)**	(2,522)
Net change in fair value of available-for-sale equity securities, net of tax		**(3,949)**	–
Total other comprehensive income for the year, net of tax		**(21,100)**	(51,520)
Total comprehensive income for the year		**72,193**	63,396
Total comprehensive income attributable to:			
Equity holders of the Company		**67,361**	61,647
Non-controlling interests		**4,832**	1,749
Total comprehensive income for the year		**72,193**	63,396

The accompanying notes form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF **CHANGES IN EQUITY**

YEAR ENDED 31 DECEMBER 2017

	Share capital $'000	Share premium $'000	Statutory reserve $'000	Capital reserve $'000	Foreign currency translation reserve $'000	Retained earnings $'000	Total attributable to equity holders of the Company $'000	Non-controlling interests $'000	Total equity $'000
Group									
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 year									
Profit for the year	–	–	–	–	–	113,089	113,089	1,827	114,916
Other comprehensive income									
Realisation of foreign currency translation differences arising from dilution of interests in subsidiaries (net of tax) reclassified to profit or loss (note 26)	–	–	–	–	(3,618)	–	(3,618)	–	(3,618)
Share of translation differences on financial statements of foreign associates, net of tax	–	–	–	–	(203)	–	(203)	–	(203)
Translation differences on financial statements of foreign subsidiaries, net of tax	–	–	–	–	(45,099)	–	(45,099)	(78)	(45,177)
Translation differences on monetary items forming part of net investment in foreign subsidiaries, net of tax	–	–	–	–	(2,522)	–	(2,522)	–	(2,522)
Total other comprehensive income	–	–	–	–	(51,442)	–	(51,442)	(78)	(51,520)
Total comprehensive income for the year	–	–	–	–	(51,442)	113,089	61,647	1,749	63,396
Transaction with owners, recognised directly in equity									
Contributions by and distributions to owners									
Dividends paid to owners of the Company (note 15)	–	–	–	–	–	(11,796)	(11,796)	–	(11,796)
Transfer to statutory reserve	–	–	4,765	–	–	(4,765)	–	–	–
Total contributions by and distributions to owners	–	–	4,765	–	–	(16,561)	(11,796)	–	(11,796)
Total transactions with owners	–	–	4,765	–	–	(16,561)	(11,796)	–	(11,796)
At 31 December 2016	736,404	9,609	27,445	225	53,923	196,983	1,024,589	5,108	1,029,697

The accompanying notes form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF **CHANGES IN EQUITY**

YEAR ENDED 31 DECEMBER 2017

	Share capital $'000	Share premium $'000	Statutory reserve $'000	Capital reserve $'000	Distributable reserve $'000	Fair value reserve $'000	Foreign currency translation reserve S'000	Retained earnings $'000	Total attributable to equity holders of the Company $'000	Non-controlling interests $'000	Total equity $'000
Group											
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 year											
Profit for the year	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**88,283**	**88,283**	**5,010**	**93,293**
Other comprehensive income											
Share of translation differences on financial statements of foreign associates, net of tax	**–**	**–**	**–**	**–**	**–**	**–**	**893**	**–**	**893**	**–**	**893**
Translation differences on financial statements of foreign subsidiaries, net of tax	**–**	**–**	**–**	**–**	**–**	**–**	**(16,396)**	**–**	**(16,396)**	**(178)**	**(16,574)**
Translation differences on monetary items forming part of net investment in foreign subsidiaries, net of tax	**–**	**–**	**–**	**–**	**–**	**–**	**(1,470)**	**–**	**(1,470)**	**–**	**(1,470)**
Net change in fair value of available-for-sale equity securities, net of tax	**–**	**–**	**–**	**–**	**–**	**(3,949)**	**–**	**–**	**(3,949)**	**–**	**(3,949)**
Total other comprehensive income	**–**	**–**	**–**	**–**	**–**	**(3,949)**	**(16,973)**	**–**	**(20,922)**	**(178)**	**(21,100)**
Total comprehensive income for the year	**–**	**–**	**–**	**–**	**–**	**(3,949)**	**(16,973)**	**88,283**	**67,361**	**4,832**	**72,193**
Transaction with owners, recognised directly in equity											
Contributions by and distributions to owners											
Dividends paid to owners of the Company (note 15)	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(11,796)**	**(11,796)**	**–**	**(11,796)**
Capital reduction by a subsidiary	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(3,213)**	**(3,213)**
Disposal of a subsidiary	**–**	**–**	**(1,261)**	**–**	**–**	**–**	**–**	**1,261**	**–**	**–**	**–**
Transfer to statutory reserve	**–**	**–**	**7,263**	**–**	**–**	**–**	**–**	**(7,263)**	**–**	**–**	**–**
Total contributions by and distributions to owners	**–**	**–**	**6,002**	**–**	**–**	**–**	**–**	**(17,798)**	**(11,796)**	**(3,213)**	**(15,009)**
Capital reduction (note 14)	**(662,764)**	**–**	**–**	**–**	**662,764**	**–**	**–**	**–**	**–**	**–**	**–**
Total transactions with owners	**(662,764)**	**–**	**6,002**	**–**	**662,764**	**–**	**–**	**(17,798)**	**(11,796)**	**(3,213)**	**(15,009)**
At 31 December 2017	**73,640**	**9,609**	**33,447**	**225**	**662,764**	**(3,949)**	**36,950**	**267,468**	**1,080,154**	**6,727**	**1,086,881**

The accompanying notes form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

YEAR ENDED 31 DECEMBER 2017

	Note	Group 2017 $'000	Group 2016 $'000 Restated*
Cash flows from operating activities			
Profit for the year		**93,293**	114,916
Adjustments for:			
Allowance for foreseeable losses on development properties	12	**987**	–
Depreciation of property, plant and equipment	4	**5,510**	1,541
Fair value (gain)/loss (net) on:			
– investment properties	5	**(4,038)**	9,478
– derivative assets/liabilities		**14,177**	(564)
Finance income	21	**(17,082)**	(21,262)
Finance costs	21	**9,010**	8,128
Gain on dilution of interests in subsidiaries	26	**–**	(97,322)
Impairment loss on:			
– investment properties	5	**602**	–
– property, plant and equipment	4	**9,345**	10,312
(Gain)/loss on disposal of:			
– property held for sale	20	**–**	(1,836)
– investment properties	20	**62**	319
– property, plant and equipment (net)	20	**(6)**	2
Property, plant and equipment written off		**–**	5
Share of after-tax profit of associates		**(3,648)**	(12,278)
Tax expense	23	**27,940**	3,473
Trade receivables written off		**13**	–
		136,165	14,912
Changes in:			
Development properties		**5,910**	(23,241)
Inventories		**(97)**	61
Trade and other receivables		**(370,367)**	115,231
Trade and other payables		**(29,034)**	41,464
Loans and borrowings		**277,923**	(49,976)
Receipts in advance		**(6,877)**	15,106
Cash from operating activities		**13,633**	113,557
Interest received		**54,611**	18,061
Interest paid		**(7,012)**	(2,235)
Tax paid		**(24,070)**	(22,463)
Net cash from operating activities		**37,152**	106,920

The accompanying notes form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

YEAR ENDED 31 DECEMBER 2017

	Note	Group 2017 $'000	2016 $'000 Restated*
Cash flows from investing activities			
Payment for investment in available-for-sale financial assets		**(62,554)**	–
Payment for investment in joint ventures		**(6,187)**	–
Interest received		**16,179**	19,973
Payment for additions to:			
– investment properties		**(42,391)**	(2,744)
– property, plant and equipment		**(6,423)**	(71,340)
Proceeds from disposal of:			
– investment properties		**745**	1,779
– property, plant and equipment		**18**	148
– property held for sale		**–**	3,968
Repayment of loans by third parties		**139,168**	27,952
Loans to a third party		**(57,073)**	–
Return of capital from an associate		**1,533**	–
Proceeds from disposal of a subsidiary	25	**2,200**	–
Receipt of deferred consideration from dilution of interest in subsidiaries		**41,000**	–
Net cash inflows from dilution of interests in subsidiaries		**–**	116,138
Receipt of investment principal and returns from a PRC government linked entity		**9,663**	4,263
Net cash from investing activities		**35,878**	110,912
Cash flows from financing activities			
Decrease/(increase) in restricted cash		**263**	(263)
Dividends paid to the owners of the Company		**(11,796)**	(11,796)
Advances from associates		**13,484**	39,167
Interest paid		**(7,255)**	(4,773)
Payment of transaction costs related to borrowings		**(7,545)**	(4,605)
Proceeds from bank borrowings		**766,308**	288,997
Repayment of bank borrowings		**(744,192)**	(351,914)
Redemption of medium term notes		**(50,000)**	–
Loan from a non-controlling interest		**12,490**	–
Return of capital to non-controlling interests		**(3,213)**	–
Net cash used in financing activities		**(31,456)**	(45,187)
Net increase in cash and cash equivalents		**41,574**	172,645
Cash and cash equivalents at beginning of the year		**280,304**	112,044
Effect of exchange rate changes on balances held in foreign currencies		**(2,580)**	(4,385)
Cash and cash equivalents at end of the year	13	**319,298**	280,304

* See note 34

Significant non-cash transaction

During the financial year ended 31 December 2017, the Group acquired property, plant and equipment, amounting to $11,773,000 (2016: $101,543,000), of which $5,350,000 (2016: $30,203,000) remained unpaid as at 31 December 2017.

The accompanying notes form an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

These notes form an integral part of the financial statements.

The financial statements were authorised for issue by the Board of Directors on 28 February 2018.

1 DOMICILE AND ACTIVITIES

First Sponsor Group Limited ("FSGL" or the "Company") is incorporated in the Cayman Islands and has its registered office at P.O. Box 31119, Grand Pavilion, Hibiscus Way, 802 West Bay Road, Grand Cayman, KY1-1205, Cayman Islands.

The principal activities of the Company are those relating to investment holding. The principal activities of the subsidiaries are those relating to investment holding, property development and sales, property investment, hotel ownership and operations and provision of property financing services.

The financial statements of the Group as at and for the year ended 31 December 2017 comprise the Company and its subsidiaries (together referred to as the "Group" and individually as "Group entities"), and the Group's interests in equity-accounted investees.

2 BASIS OF PREPARATION

2.1 Statement of compliance

The financial statements have been prepared in accordance with the International Financial Reporting Standards ("IFRSs").

2.2 Basis of measurement

The financial statements have been prepared on the historical cost basis except as otherwise described in the notes below.

2.3 Functional and presentation currency

The financial statements are presented in Singapore dollars, which is the Company's functional currency. All financial information presented in Singapore dollars have been rounded to the nearest thousand, unless otherwise stated.

2.4 Use of estimates and judgements

The preparation of the financial statements in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

NOTES TO THE FINANCIAL STATEMENTS

2 BASIS OF PREPARATION (CONT'D)

2.4 Use of estimates and judgements (cont'd)

Information about critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements are included in note 3.1 – Assessment of ability to control or exert significant influence over partly-owned investments and note 9 – Other investments.

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year are included in the following notes:

- Note 3.17 – Estimation of provisions for current and deferred taxation
- Note 4 – Estimation of useful lives, residual values and recoverable amounts of property, plant and equipment
- Note 5 – Valuation of investment properties
- Notes 6 and 11 – Measurement of recoverable amounts of interests in and balances with subsidiaries
- Note 7 – Measurement of recoverable amounts of interests in associates and joint ventures
- Notes 10 and 23 – Estimation of provisions for withholding tax and land appreciation tax
- Note 11 – Estimation of recoverability of trade receivables, balances with associates and loans to third parties
- Note 12 – Measurement of realisable amounts of properties under development and completed properties for sale
- Notes 9 and 28 – Valuation of financial instruments

Measurement of fair values

A number of the Group's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities.

The Group has an established control framework with respect to the measurement of fair values. The Group Chief Executive Officer ("Group CEO") and Group Chief Financial Officer ("Group CFO") have overall responsibility for all significant fair value measurements, including Level 3 fair values.

If third party information, such as broker quotes or pricing services, is used to measure fair values, then the Group CEO and Group CFO assess the evidence obtained from the third parties to support the conclusion that such valuations meet the requirements of IFRS, including the level in the fair value hierarchy in which such valuations should be classified.

NOTES TO THE FINANCIAL STATEMENTS

2 BASIS OF PREPARATION (CONT'D)

2.4 Use of estimates and judgements (cont'd)

Measurement of fair values (cont'd)

When measuring the fair value of an asset or a liability, the Group uses observable market data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.

- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices).

- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or a liability fall into different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement (with Level 3 being the lowest).

The Group recognises transfers between levels of the fair value hierarchy as of the end of the reporting period during which the change has occurred.

Further information about the assumptions made in measuring fair values is included in the following notes:

- Note 5 – Valuation of investment properties

- Notes 9 and 28 – Valuation of financial instruments

2.5 Changes in accounting policies

Revised standards

The Group has applied the following amendments for the first time for the annual period beginning on 1 January 2017:

- Disclosure Initiative (Amendments to IAS 7);

- Recognition of Deferred Tax Assets for Unrealised Losses (Amendments to IAS 12); and

- Clarification of the scope of IFRS 12 (Improvements to IFRSs 2016).

Other than the amendments to IAS 7, the adoption of these amendments did not have any impact on the current or prior period and is not likely to affect future periods.

Disclosure Initiative (Amendments to IAS 7)

From 1 January 2017, as a result of the amendments to IAS 7, the Group has provided additional disclosure in relation to the changes in liabilities arising from financing activities for the year ended 31 December 2017. Comparative information has not been presented (see note 16).

NOTES TO THE FINANCIAL STATEMENTS

3 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these financial statements, and have been applied consistently by Group entities.

3.1 Basis of consolidation

(i) Business combinations

Business combinations are accounted for using the acquisition method in accordance with IFRS 3 Business Combinations as at the date of acquisition, which is the date on which control is transferred to the Group.

The Group measures goodwill at the date of acquisition as:

- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interests in the acquiree; plus
- if the business combination is achieved in stages, the fair value of the pre-existing equity interest in the acquiree,

over the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed. Any goodwill that arises is tested annually for impairment.

When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in profit or loss.

Any contingent consideration payable is recognised at fair value at the date of acquisition and included in the consideration transferred. If the contingent consideration that meets the definition of a financial instrument is classified as equity, it is not remeasured and settlement is accounted for within equity. Otherwise, subsequent changes to the fair value of the contingent consideration are recognised in profit or loss.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the acquiree's net assets in the event of liquidation are measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets, at the date of acquisition. The measurement basis taken is elected on a transaction-by-transaction basis. All other non-controlling interests are measured at acquisition-date fair value, unless another measurement basis is required by IFRSs.

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.1 Basis of consolidation (cont'd)

(i) Business combinations (cont'd)

Costs related to the acquisition, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as transactions with owners in their capacity as owners and therefore no adjustments are made to goodwill and no gain or loss is recognised in profit or loss. Adjustments to non-controlling interests arising from transactions that do not involve the loss of control are based on a proportionate amount of the net assets of the subsidiary.

(ii) Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

The accounting policies of subsidiaries have been changed when necessary to align them with the policies adopted by the Group. Losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

(iii) Acquisitions from entities under common control

Business combinations arising from transfer of interests in entities that are under the control of the shareholder that controls the Group are accounted for using book value accounting. The assets and liabilities acquired are recognised at the carrying amounts recognised previously in the Group controlling shareholder's consolidated financial statements. The components of equity of the acquired entities are added to the same components within Group equity and any gain or loss arising is recognised directly in equity.

NOTES TO THE FINANCIAL STATEMENTS

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.1 Basis of consolidation (cont'd)

(iv) Loss of control

Upon the loss of control, the Group derecognises the assets and liabilities of the subsidiary, any non-controlling interests and the other components of equity related to the subsidiary. Any surplus or deficit arising on the loss of control is recognised in profit or loss. If the Group retains any interest in the previous subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently, it is accounted for as an equity-accounted investee or as an available-for-sale financial asset depending on the level of influence retained.

(v) Investments in associates and joint ventures (equity-accounted investees)

Associates are those entities in which the Group has significant influence, but not control or joint control, over the financial and operating policies of these entities. Significant influence is presumed to exist when the Group holds 20% or more of the voting power of another entity. A joint venture is an arrangement in which the Group has joint control, whereby the Group has rights to the net assets of the arrangement, rather than rights to its assets and obligations for its liabilities.

Investments in associates and joint ventures are accounted for using the equity method. They are recognised initially at cost, which includes transaction costs. Subsequent to initial recognition, the consolidated financial statements include the Group's share of the profit or loss and other comprehensive income of equity-accounted investees, after adjustments to align the accounting policies with those of the Group, from the date that significant influence or joint control commences until the date that significant influence or joint control ceases.

When the Group's share of losses exceeds its interest in an equity-accounted investee, the carrying amount of the investment, together with any long-term interests that form part thereof, is reduced to zero, and the recognition of further losses is discontinued except to the extent that the Group has an obligation to fund the investee's operations or has made payments on behalf of the investee.

(vi) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with equity-accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

(vii) Subsidiaries and associates in the separate financial statements

Investments in subsidiaries and associates are stated in the Company's statement of financial position at cost less accumulated impairment losses.

NOTES TO THE FINANCIAL STATEMENTS

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.2 Foreign currency

(i) Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the year, adjusted for effective interest and payments during the year, and the amortised cost in foreign currency translated at the exchange rate at the end of the year.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are translated to the functional currency at the exchange rate at the date that the fair value was determined. Non-monetary items in a foreign currency that are measured in terms of historical cost are translated using the exchange rate at the date of the transaction. Foreign currency differences arising on translation are recognised in profit or loss.

(ii) Foreign operations

The assets and liabilities of foreign operations, excluding goodwill and fair value adjustments arising on acquisition, are translated to Singapore dollars at exchange rates at the reporting date. The income and expenses of foreign operations are translated to Singapore dollars at exchange rates at the dates of the transactions. Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and are translated at the exchange rates at the reporting date.

Foreign currency differences are recognised in other comprehensive income, and presented in the foreign currency translation reserve in equity. However, if the foreign operation is a non-wholly-owned subsidiary, then the relevant proportionate share of the translation difference is allocated to the non-controlling interests. When a foreign operation is disposed of such that control or significant influence or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. When the Group disposes of only part of its interest in a subsidiary that includes a foreign operation while retaining control, the relevant proportion of the cumulative amount is reattributed to non-controlling interests. When the Group disposes of only part of its investment in an associate or a joint venture that includes a foreign operation while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.3 Property, plant and equipment (cont'd)

(iii) Net investment in a foreign operation

When the settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely to occur in the foreseeable future, foreign exchange gains and losses arising from such a monetary item are considered to form part of a net investment in a foreign operation. These are recognised in other comprehensive income, and are presented in the foreign currency translation reserve in equity.

3.3 Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are measured at cost, which includes capitalised borrowing costs, less accumulated depreciation and accumulated impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes:

- the cost of materials and direct labour;
- any other costs directly attributable to bringing the assets to a working condition for their intended use;
- when the Group has an obligation to remove the asset or restore the site, an estimate of the costs of dismantling and removing the items and restoring the site on which they are located; and
- capitalised borrowing costs.

Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

The gain or loss on disposal of an item of property, plant and equipment (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognised net in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.3 Property, plant and equipment (cont'd)

(ii) Subsequent costs

The cost of replacing a component of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the component will flow to the Group, and its cost can be measured reliably. The carrying amount of the replaced component is derecognised. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

(iii) Depreciation

Depreciation is based on the cost of an asset less its residual value. Significant components of individual assets are assessed and if a component has a useful life that is different from the remainder of that asset, that component is depreciated separately.

Depreciation is recognised as an expense in profit or loss on a straight-line basis over the estimated useful lives of each component of an item of property, plant and equipment, unless it is included in the carrying amount of another asset. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term. No depreciation is recognised on construction-in-progress.

Depreciation is recognised from the date that property, plant and equipment are installed and are ready for use, or in respect of internally constructed assets, from the date that the asset is completed and ready for use.

The estimated useful lives for the current and comparative year are as follows:

Buildings	
• Core component of hotel and hotspring buildings	35 years
• Other buildings	50 years
• Surface, finishes and services of hotel and hotspring buildings	30 years
Plant and machinery	5 to 15 years
Equipment and furniture	3 to 10 years
Motor vehicles	5 to 10 years

Residual values ascribed to the core component of the hotel and hotspring buildings depend on the nature, location and tenure of the hotel and hotspring properties. No residual values are ascribed to building surface, finishes and services of the hotel and hotspring buildings.

Depreciation methods, useful lives and residual values are reviewed at the end of each reporting period and adjusted if appropriate.

NOTES TO THE FINANCIAL STATEMENTS

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.4 Intangible assets

Goodwill

Goodwill that arises upon the acquisition of subsidiaries is included in intangible assets. For the measurement of goodwill at initial recognition, see note 3.1(i).

Subsequent measurement

Goodwill is measured at cost less accumulated impairment losses. In respect of associates and joint ventures, the carrying amount of goodwill is included in the carrying amount of the investment, and an impairment loss on such an investment is not allocated to any asset, including goodwill, that forms part of the carrying amount of the associates and joint ventures.

3.5 Investment properties

Investment properties are properties (including interests in leasehold land under operating leases) held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes. Investment properties are measured at cost on initial recognition and subsequently at fair value with any change therein recognised in profit or loss.

Cost includes expenditure that is directly attributable to the acquisition of the investment property. The cost of self-constructed investment property includes the cost of materials and direct labour, any other costs directly attributable to bringing the investment property to a working condition for their intended use and capitalised borrowing costs.

Any gain or loss on disposal of an investment property (calculated as the difference between the net proceeds from disposal and the carrying amount of the property) is recognised in profit or loss.

Property that is being constructed for future use as investment property is accounted for at fair value.

Transfers

Transfers to, or from, investment properties are made when there is a change in use, evidenced by:

- commencement of development with a view to sell, for a transfer from investment properties to development properties;

- commencement of an operating lease to another party, for a transfer from development properties or property, plant and equipment to investment properties; or

- commencement of occupation by owner, for a transfer from investment properties to property, plant and equipment.

When the use of a property changes such that it is reclassified as property, plant and equipment, its fair value at the date of transfer becomes its cost for subsequent accounting.

NOTES TO THE FINANCIAL STATEMENTS

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.6 Leased assets

Leases in terms of which the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition, the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Other leases are operating leases and are not recognised in the Group's consolidated statement of financial position.

3.7 Financial instruments

(i) Non-derivative financial assets

The Group initially recognises loans and receivables on the date that they are originated. All other financial assets (including assets designated at fair value through profit or loss) are recognised initially on the trade date, which is the date the Group becomes a party to the contractual provisions of the instrument.

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred, or it neither transfers nor retains substantially all of the risks and rewards of ownership and does not retain control over the transferred asset. Any interest in transferred financial assets that is created or retained by the Group is recognised as a separate asset or liability.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group has a legally enforceable right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

The Group classifies non-derivative financial assets into the loans and receivables, and available-for-sale financial assets.

Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method, less any impairment losses.

Loans and receivables comprise cash and cash equivalents, and trade and other receivables (excluding prepayments).

NOTES TO THE FINANCIAL STATEMENTS

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.7 Financial instruments (cont'd)

(i) Non-derivative financial assets (cont'd)

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, bank deposits, term deposits and other short-term highly liquid investments that are readily convertible to a known amount of cash and have maturities of three months or less from the date of acquisition that are subject to an insignificant risk of changes in their fair value, and are used by the Group in the management of its short-term commitments.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative assets that are designated as available-for-sale or are not classified in any of the above categories of financial assets. Available-for-sale financial assets are initially measured at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses and foreign currency differences on available-for-sale debt instruments (see note 3.2(i)), are recognised in other comprehensive income and presented in the fair value reserve in equity. When an investment is derecognised, the gain or loss accumulated in equity is reclassified to profit or loss.

Available-for-sale financial assets comprise equity securities and structured deposits.

(ii) Non-derivative financial liabilities

All financial liabilities (including liabilities designated at fair value through profit or loss) are recognised initially on the trade date, which is the date that the Group becomes a party to the contractual provisions of the instrument.

The Group derecognises a financial liability when its contractual obligations are discharged, cancelled or expire.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group has a legally enforceable right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

The Group classifies non-derivative financial liabilities into the other financial liabilities category.

Other non-derivative financial liabilities are initially measured at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortised cost using the effective interest method. These financial liabilities comprise loans and borrowings, and trade and other payables.

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.7 Financial instruments (cont'd)

(iii) Intra-group financial guarantees

Financial guarantees are financial instruments issued by the Group that require the issuer to make specified payments to reimburse the holder for the loss it incurs because a specified debtor fails to meet payment when due in accordance with the original or modified terms of a debt instrument.

Financial guarantees are initially measured at fair value and are classified as financial liabilities. Subsequent to initial measurement, the financial guarantees are stated at the higher of the initial fair value less cumulative amortisation and the amount that would be recognised if they were accounted for as contingent liabilities. When financial guarantees are terminated before their original expiry date, the carrying amounts of the financial guarantees are transferred to profit or loss.

(iv) Share capital

Ordinary shares

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity, net of any tax effects.

Repurchase, disposal and reissue of share capital (treasury shares)

When share capital recognised as equity is repurchased, the amount of the consideration paid, which includes directly attributable costs, net of any tax effects, is recognised as a deduction from equity. Repurchased shares are classified as treasury shares and are presented in the reserve for own share account. When treasury shares are sold or reissued subsequently, the amount received is recognised as an increase in equity, and the resulting surplus or deficit on the transaction is presented in a non-distributable capital reserve.

(v) Derivative financial instruments

Derivatives are initially measured at fair value; any attributable transaction costs are recognised in profit or loss as incurred. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are recognised in profit or loss.

NOTES TO
THE FINANCIAL STATEMENTS

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.8 Development properties

Properties under development for sale

Properties under development are those properties which are held with the intention of development and sale in the ordinary course of business. They are stated at the lower of cost and estimated net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and selling expenses.

The cost of properties under development for sale comprises specifically identified costs, including the prepaid land lease payments, acquisition costs, development expenditure, capitalised borrowing costs and other related expenditure. Borrowing costs payable on loans funding a development property are capitalised, on a specific identification basis, as part of the cost of the properties under development for sale until the completion of development. When completed, the properties under development are classified as completed properties for sale.

Completed properties for sale

Completed properties for sale are measured at the lower of cost or net realisable value. Cost is determined by apportionment of the total land costs, development costs and capitalised borrowing costs if any, based on floor area of the unsold properties. Net realisable value is determined by reference to sale proceeds of properties sold in the ordinary course of business less all estimated selling expenses; or is estimated by management in the absence of comparable transactions after taking into consideration prevailing market conditions.

The aggregated costs are presented as development properties while progress billings are presented separately as receipts in advance in the consolidated statement of financial position.

3.9 Impairment

(i) Non-derivative financial assets

A financial asset not carried at fair value through profit or loss including an interest in an associate and a joint venture, is assessed at the end of each reporting period to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event(s) has occurred after the initial recognition of the asset, and that the loss event(s) has an impact on the estimated future cash flows of that asset that can be estimated reliably.

NOTES TO THE FINANCIAL STATEMENTS

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.9 Impairment (cont'd)

(i) Non-derivative financial assets (cont'd)

Objective evidence that financial assets (including equity securities) are impaired can include default or delinquency by a debtor, restructuring of an amount due to the Group on terms that the Group would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, adverse changes in the payment status of borrowers or issuers, economic conditions that correlate with defaults or the disappearance of an active market for a security. In addition, for an investment in an equity security, a significant or prolonged decline in its fair value below its cost is objective evidence of impairment.

Loans and receivables

The Group considers evidence of impairment for loans and receivables at both a specific asset and collective level. All individually significant loans and receivables are assessed for specific impairment. All individually significant receivables found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Loans and receivables that are not individually significant are collectively assessed for impairment by grouping together loans and receivables with similar risk characteristics.

In assessing collective impairment, the Group uses historical trends of the probability of default, the timing of recoveries and the amount of loss incurred, adjusted for management's judgement as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows, discounted at the asset's original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance account against loans and receivables. Interest on the impaired asset continues to be recognised. When the Group considers that there are no realistic prospects of recovery of the asset, the relevant amounts are written off. If the amount of impairment loss subsequently decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, then the previously recognised impairment loss is reversed through profit or loss.

Available-for-sale financial assets

Impairment losses on available-for-sale financial assets are recognised by reclassifying the losses accumulated in the fair value reserve in equity to profit or loss. The cumulative loss that is reclassified from equity to profit or loss is the difference between the acquisition cost, net of any principal repayment and amortisation, and the current fair value, less any impairment loss recognised previously in profit or loss. Changes in cumulative impairment provisions attributable to application of the effective interest method are reflected as a component of interest income. If, in a subsequent period, the fair value of an impaired available-for-sale debt security increases and the increase can be related objectively to an event occurring after the impairment loss was recognised, then the impairment loss is reversed. The amount of the reversal is recognised in profit or loss. However, any subsequent recovery in the fair value of an impaired available-for-sale equity security is recognised in OCI.

NOTES TO
THE FINANCIAL STATEMENTS

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.9 Impairment (cont'd)

(i) Non-derivative financial assets (cont'd)

Associates and joint ventures

An impairment loss in respect of an associate or a joint venture is measured by comparing the recoverable amount of the investment with its carrying amount in accordance with note 3.9(ii). An impairment loss is recognised in profit or loss. An impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount.

(ii) Non-financial assets

The carrying amounts of the Group's non-financial assets, other than investment properties, development properties, inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For goodwill, the recoverable amount is estimated each year at the same time. An impairment loss is recognised if the carrying amount of an asset or its related cash-generating unit ("CGU") exceeds its estimated recoverable amount.

The recoverable amount of an asset or CGU is the greater of its value-in-use and its fair value less costs to sell. In assessing value-in-use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs. Subject to an operating segment ceiling test, for the purposes of goodwill impairment testing, CGUs to which goodwill has been allocated are aggregated so that the level at which impairment testing is performed reflects the lowest level at which goodwill is monitored for internal reporting purposes. Goodwill acquired in a business combination is allocated to groups of CGUs that are expected to benefit from the synergies of the combination.

Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the CGU (group of CGUs), and then to reduce the carrying amounts of the other assets in the CGU (group of CGUs) on a *pro rata* basis.

NOTES TO THE FINANCIAL STATEMENTS

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.9 Impairment (cont'd)

(ii) Non-financial assets (cont'd)

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Goodwill that forms part of the carrying amount of an investment in an associate or joint venture is not recognised separately, and therefore is not tested for impairment separately. Instead, the entire amount of the investment in an associate or joint venture is tested for impairment as a single asset when there is objective evidence that the investment in an associate or joint venture may be impaired.

3.10 Employee benefits

(i) Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

(ii) Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts.

Payments to defined contribution plans are charged as an expense when employees have rendered the services entitling them to the contributions. Payments made to state-managed defined contribution schemes, such as the Singapore Central Provident Fund, are recognised as an employee benefit expense in profit or loss in the periods during which services are rendered by employees.

Pursuant to the relevant regulations of the People's Republic of China ("PRC") government, the PRC subsidiaries of the Group ("PRC Subsidiaries") have participated in central pension schemes (the "Schemes") operated by local municipal governments whereby the PRC Subsidiaries are required to contribute a certain percentage of the basic salaries of their employees to the Schemes to fund their retirement benefits. The local municipal governments undertake to assume the retirement benefit obligations of all existing and future retired employees of the PRC Subsidiaries. The only obligation of the PRC Subsidiaries with respect to the Schemes is to pay the ongoing required contributions under the Schemes mentioned above. Contributions under the Schemes are accounted for as contributions to defined contribution plans as described above.

NOTES TO THE FINANCIAL STATEMENTS

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.10 Employee benefits (cont'd)

(iii) Share-based payment transactions

The grant date fair value of share-based payment awards granted to employees is recognised as an employee expense, with a corresponding increase in equity, over the period that the employees unconditionally become entitled to the awards. The amount recognised as an expense is adjusted to reflect the number of awards for which the related service and non-market performance conditions are expected to be met, such that the amount ultimately recognised as an expense is based on the number of awards that meet the related service and non-market performance conditions at the vesting date. For share-based payment awards with non-vesting conditions, the grant date fair value of the share-based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes.

3.11 Provisions and contingent liabilities

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance cost.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

3.12 Revenue

(i) Sale of properties

Revenue from sale of properties is measured at the fair value of the consideration received or receivable, net of returns, trade discounts, sales taxes and volume rebates. Revenue is recognised when the significant risks and rewards of ownership have been transferred. Risks and rewards are considered to have been transferred when the construction of relevant properties has been completed and the properties are ready for delivery to the purchasers pursuant to the sales agreements, and collectability of related receivables is reasonably assured.

Deposits and instalments received on properties sold prior to the date of revenue recognition are included in the consolidated statement of financial position as receipts in advance.

NOTES TO THE FINANCIAL STATEMENTS

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.12 Revenue (cont'd)

(ii) Rental income

Rental income from investment properties are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives granted are recognised as an integral part of the total rental income, over the term of the lease. Contingent rentals are recognised as income in the accounting period in which they are earned.

(iii) Hotel income

Hotel revenue from accommodation, sales of food and beverages and other ancillary services is recognised at the point which the services are rendered.

(iv) Interest income on entrusted loans, vendor financing arrangements and loans to associates

Interest income on entrusted loans made via entrustment banks and from vendor financing arrangements with selected buyers of the Group's development properties, and on loans to associates is recognised as it accrues in profit or loss, using the effective interest method.

3.13 Government grants

An unconditional government grant is recognised in profit or loss as other income when the grant becomes receivable.

Government grants relating to assets are deducted against the carrying amount of the assets, and released to profit or loss over the expected useful life of the relevant asset or over the benefits received by the Group related to the assets.

3.14 Lease payments

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

3.15 Earnings per share

The Group presents basic and diluted earnings per share data for its ordinary shares. Basic earnings per share is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted-average number of ordinary shares outstanding during the year, adjusted for own shares held. Diluted earnings per share is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted-average number of ordinary shares outstanding, adjusted for own shares held, for the effects of all dilutive potential ordinary shares.

NOTES TO THE FINANCIAL STATEMENTS

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.16 Finance income and costs

Finance income comprises interest income on funds invested and other receivables (other than entrusted loans, vendor financing arrangements and loans to associates). Interest income is recognised as it accrues in profit or loss, using the effective interest method.

Finance costs comprise interest expense on borrowings and imputed interest on non-current financial instruments. All borrowing costs are recognised in profit or loss using the effective interest method, except to the extent that they are capitalised as being directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to be prepared for its intended use or sale.

3.17 Tax

Tax expense comprises current and deferred tax. Current tax and deferred tax are recognised in profit or loss except to the extent that they relate to a business combination, or items recognised directly in equity or in other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects uncertainty to related income taxes, if any.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;

- temporary differences related to investments in subsidiaries, associates and joint arrangements to the extent that the Group is able to control the timing of the reversal of the temporary difference and it is probable that they will not reverse in the foreseeable future; and

- taxable temporary differences arising on the initial recognition of goodwill.

The measurement of deferred taxes reflects the tax consequences that would follow the manner in which the Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

NOTES TO THE FINANCIAL STATEMENTS

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.17 Tax (cont'd)

Where investment properties are carried at their fair values in accordance with the accounting policy set out in note 3.5, the amount of deferred tax recognised is measured using the tax rates that would apply on sale of those assets at their carrying value at the reporting date unless the property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the property over time, rather than through sale. In all other cases, the amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are not discounted.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

In determining the amount of current and deferred tax, the Group takes into account the impact of uncertain tax positions and whether additional taxes and interest may be due. The Group believes that its accruals for tax liabilities are adequate for all open tax years based on its assessment of many factors, including interpretations of tax law and prior experience. This assessment relies on estimates and assumptions and may involve a series of judgements about future events. New information may become available that causes the Group to change its judgement regarding the adequacy of existing tax liabilities; such changes to tax liabilities will impact tax expense in the period that such a determination is made.

3.18 Segment reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. All operating segments' operating results are reviewed regularly by the Group CEO and Group CFO (the chief operating decision makers ("CODM")) to make decisions about resources to be allocated to the segment and to assess its performance, and for which discrete financial information is available.

Segment results that are reported to the CODM include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly corporate assets (primarily the Company's headquarters), head office expenses and tax assets and liabilities.

Segment capital expenditure is the total cost incurred during the year to acquire property, plant and equipment and investment properties.

NOTES TO
THE FINANCIAL STATEMENTS

4 PROPERTY, PLANT AND EQUIPMENT

	Interests in leasehold land held for own use under operating leases $'000	Buildings $'000	Plant and machinery $'000	Equipment and furniture $'000	Motor vehicles $'000	Construction-in-progress $'000	Total $'000
Group							
Cost							
At 1 January 2016	9,926	47,611	1,744	1,117	2,703	91,900	155,001
Additions	–	9	4	251	135	101,144	101,543
Written off during the year	–	–	–	(19)	–	–	(19)
Disposals	–	–	(8)	(180)	(163)	–	(351)
Reclassification	20,061	137,701	6,202	893	–	(164,857)	–
Dilution of interests in subsidiaries	–	–	–	(20)	–	–	(20)
Translation differences on consolidation	(406)	(1,949)	(71)	(42)	(54)	(3,715)	(6,237)
At 31 December 2016	29,581	183,372	7,871	2,000	2,621	24,472	249,917
At 1 January 2017	**29,581**	**183,372**	**7,871**	**2,000**	**2,621**	**24,472**	**249,917**
Additions	**–**	**160**	**763**	**300**	**509**	**10,041**	**11,773**
Written off during the year	**–**	**–**	**–**	**(46)**	**(38)**	**–**	**(84)**
Disposals	**–**	**–**	**(1)**	**(10)**	**(101)**	**–**	**(112)**
Reclassification	**–**	**29,677**	**4,245**	**111**	**–**	**(34,033)**	**–**
Transfer from development properties	**–**	**3,897**	**–**	**–**	**–**	**–**	**3,897**
Translation differences on consolidation	**(575)**	**(3,524)**	**(147)**	**(35)**	**(27)**	**(480)**	**(4,788)**
At 31 December 2017	**29,006**	**213,582**	**12,731**	**2,320**	**2,964**	**–**	**260,603**

NOTES TO THE FINANCIAL STATEMENTS

4 PROPERTY, PLANT AND EQUIPMENT (CONT'D)

	Note	Interests in leasehold land held for own use under operating leases $'000	Buildings $'000	Plant and machinery $'000	Equipment and furniture $'000	Motor vehicles $'000	Construction-in-progress $'000	Total $'000
Group								
Accumulated depreciation, amortisation and impairment loss								
At 1 January 2016		601	1,228	425	505	1,132	–	3,891
Charge for the year	22	269	595	179	224	274	–	1,541
Impairment of property, plant and equipment	22	–	10,312	–	–	–	–	10,312
Written off during the year		–	–	–	(14)	–	–	(14)
Disposals		–	–	(3)	(63)	(135)	–	(201)
Dilution of interests in subsidiaries		–	–	–	(3)	–	–	(3)
Translation differences on consolidation		(25)	(50)	(17)	(19)	(35)	–	(146)
At 31 December 2016		845	12,085	584	630	1,236	–	15,380
At 1 January 2017		**845**	**12,085**	**584**	**630**	**1,236**	**–**	**15,380**
Charge for the year	22	**825**	**2,660**	**1,376**	**346**	**303**	**–**	**5,510**
Impairment of property, plant and equipment	22	**–**	**9,345**	**–**	**–**	**–**	**–**	**9,345**
Written off during the year		**–**	**–**	**–**	**(46)**	**(38)**	**–**	**(84)**
Disposals		**–**	**–**	**–**	**(8)**	**(92)**	**–**	**(100)**
Translation differences on consolidation		**(15)**	**(220)**	**(10)**	**(7)**	**(40)**	**–**	**(292)**
At 31 December 2017		**1,655**	**23,870**	**1,950**	**915**	**1,369**	**–**	**29,759**
Carrying amounts								
At 1 January 2016		9,325	46,383	1,319	612	1,571	91,900	151,110
At 31 December 2016		28,736	171,287	7,287	1,370	1,385	24,472	234,537
At 31 December 2017		**27,351**	**189,712**	**10,781**	**1,405**	**1,595**	**–**	**230,844**

NOTES TO THE FINANCIAL STATEMENTS

4 PROPERTY, PLANT AND EQUIPMENT (CONT'D)

	Equipment and furniture $'000	Motor vehicles $'000	Total $'000
Company			
Cost			
At 1 January 2016	–	–	–
Additions	47	356	403
At 31 December 2016	47	356	403
Additions	108	–	108
Written off during the year	(1)	–	(1)
At 31 December 2017	**154**	**356**	**510**
Accumulated depreciation			
At 1 January 2016	–	–	–
Charge for the year	11	25	36
At 31 December 2016	11	25	36
Charge for the year	36	50	86
Written off during the year	(1)	–	(1)
At 31 December 2017	**46**	**75**	**121**
Carrying amounts			
At 1 January 2016	–	–	–
At 31 December 2016	36	331	367
At 31 December 2017	**108**	**281**	**389**

(i) Reclassification

In 2017, the Group reclassified a hotspring facility from construction-in-progress to buildings, plant and machinery, and equipment and furniture upon commencement of the hotspring operations.

In 2016, the Group reclassified two hotel buildings from construction-in-progress to interests in leasehold land held for own use under operating leases, buildings, plant and machinery, and equipment and furniture upon commencement of the hotel operations.

(ii) Transfer from development properties

In 2017, 174 car park lots amounting to $3,897,000 (2016: nil), were transferred from development properties to property, plant and equipment as the Group decided to retain these car park lots for its hotel operations in Chengdu.

(iii) Capitalisation of staff costs

Included in the Group's property, plant and equipment are staff costs capitalised of $650,000 (2016: $1,381,000) during the financial year ended 31 December 2017 (note 22).

NOTES TO THE FINANCIAL STATEMENTS

4 PROPERTY, PLANT AND EQUIPMENT (CONT'D)

(iv) Significant accounting estimates

Depreciation of property, plant and equipment

Property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives, after taking into account the estimated residual values. The Group reviews the estimated useful lives and residual values of the assets at each reporting date. Changes in the expected level of use of these assets and the Group's historical experience with similar assets after taking into account anticipated technological changes could impact the economic useful lives and the residual values of the assets. Any changes in the economic useful lives and residual values could impact the depreciation charge and consequently, impact the Group's results.

Impairment assessment of property, plant and equipment

Management's judgement is required in the area of asset impairment, particularly in assessing:

- whether an event has occurred that may indicate that the related asset values may not be recoverable;
- whether the carrying value of an asset can be supported by its estimated recoverable amount which may be determined by using its fair value or value-in-use; and
- the appropriate key assumptions to be applied in arriving at the recoverable amount.

Changing the assumptions used in determining the recoverable amount could impact the Group's financial conditions and results.

(v) Impairment loss

Management undertook their annual review of the carrying amount of hotels for indicators of impairment and, where appropriate, external valuation was also undertaken. Based on this assessment, an impairment charge of $9,345,000 (2016: $10,312,000), included in other expenses, was made in relation to M Hotel Chengdu, located in the PRC. The impairment loss was a result of the challenging hospitality market in Chengdu, affecting the operating performance of the hotel. In particular, the room rates achieved by the hotel were lower than expected. The estimated recoverable amount was based on the fair value of the hotel determined by a professional valuer. The fair value measurement is categorised as Level 3 on the fair value hierarchy.

The following table shows the key unobservable inputs used in the valuation model:

Valuation technique	Key unobservable inputs	Inter-relationship between key unobservable inputs and fair value measurement
Discounted cash flow method	• Occupancy rate: 60.0% to 70.0% (2016: 60.0% to 75.0%) • Average daily rate ("ADR"): RMB420 to RMB610 (2016: RMB470 to RMB682) • Discount rate: 8.0% (2016: 8.0%)	A significant increase in occupancy rate and ADR, and a significant decrease in discount rate would result in a significantly higher fair value measurement.

The carrying amount of M Hotel Chengdu is the same as its recoverable amount after the impairment loss. Therefore, any adverse movement in the key assumptions would lead to a further impairment.

NOTES TO THE FINANCIAL STATEMENTS

5 INVESTMENT PROPERTIES

	Note	Group 2017 $'000	Group 2016 $'000
At 1 January		**231,197**	245,624
Additions		**42,391**	2,744
Impairment loss	22	**(602)**	–
Disposals		**(3,269)**	(2,098)
Fair value gain/(loss) (net)	22	**4,038**	(9,478)
Lease incentives		**46**	1,033
Translation differences on consolidation		**8,833**	(6,628)
At 31 December		**282,634**	231,197
Analysed between:			
Completed properties		**201,902**	186,932
Properties under construction		**80,732**	44,265
		282,634	231,197

In July 2017, the Group completed the acquisition of a property located at Poortgebouw Hoog Catharijne in Utrecht, the Netherlands. The property is part of a newly built bare-shell building with a total lettable floor area of approximately 11,604 square metres ("sq m") which will be developed into two hotels with 320 rooms in total. This property, together with 21,875 sq m of commercial space in Chengdu completed in bare-shell condition constitutes the investment properties under construction.

Completed investment properties comprise a number of commercial properties including two hotels in Amsterdam Southeast that are leased to external customers. The leases contain initial non-cancellable periods of one to twenty-five years. No contingent rents are charged.

(i) Impairment loss

During the financial year ended 31 December 2017, an impairment charge of $602,000 (2016: nil), included in other expenses, was made in relation to investment properties in Dongguan, which were subsequently disposed by the Group in July 2017 via the sale of the shares in the subsidiary owning the properties.

(ii) Security

An investment property of the Group with a total carrying amount of $91,069,000 (2016: $79,587,000) is mortgaged to a financial institution to secure a credit facility (refer to note 16 for more details of the facility).

NOTES TO THE FINANCIAL STATEMENTS

5 INVESTMENT PROPERTIES (CONT'D)

Measurement of fair value

(i) Fair value hierarchy

The fair value measurement for investment properties of $9,999,000 (2016: $9,620,000) has been categorised as a Level 2 fair value based on contracted sale prices and comparable market transactions which consider sales of similar properties that have been transacted in the open market.

The fair value measurement for investment properties of $272,635,000 (2016: $221,577,000) has been categorised as a Level 3 fair value based on the inputs to the valuation technique used.

The fair value of the investment properties as at 31 December 2017 were based on valuations undertaken by independent valuers. The fair values at the reporting date were based on market values, being the estimated amount for which a property could be exchanged on the date of the valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.

The valuation of the investment properties was derived based on the discounted cash flow, income capitalisation and market comparable methods. The discounted cash flow method takes into consideration the estimated net rent (using the current and projected average rental rates and occupancy) and a discount rate applicable to the nature and type of asset in question. The income capitalisation approach takes into consideration the estimated net rent and a yield rate applicable to the nature and type of asset in question. The market comparable method takes into consideration the sales of similar properties that have been transacted in the open market.

Level 3 fair value

The following table shows a reconciliation from the beginning balance to the ending balance of investment properties for which fair value measurements are categorised under Level 3 of the fair value hierarchy.

	Group	
	2017	**2016**
	$'000	**$'000**
At 1 January	**221,577**	244,928
Additions	**42,391**	2,744
Disposals	**(3,217)**	(2,098)
Fair value gain/(loss) recognised in profit or loss – unrealised (net)	**4,038**	(9,478)
Lease incentives	**46**	1,033
Change in fair value hierarchy to level 2[(i)]	**(1,221)**	(8,953)
Translation differences on consolidation	**9,021**	(6,599)
At 31 December	**272,635**	221,577

(i) During the financial years ended 31 December 2017 and 2016, the Group had entered into various sale and purchase agreements with third parties for the sale of retail and commercial units. In this respect, the fair value measurements of such investment properties were reclassified from level 3 to level 2, with the fair value of the investment properties being the contracted sale prices.

NOTES TO THE FINANCIAL STATEMENTS

5 INVESTMENT PROPERTIES (CONT'D)

Measurement of fair value (cont'd)

(ii) Valuation technique and key unobservable inputs

The following table shows the key unobservable inputs used in the valuation models:

Type	Valuation technique	Key unobservable inputs	Inter-relationship between key unobservable inputs and fair value measurement
Completed properties	Discounted cash flow method	• Rental yield of 5.5% to 7.4% (2016: 4.9% to 7.1%) • Discount rate of 5.0% to 8.3% (2016: 5.0% to 8.3%)	A significant decrease in rental yield and discount rate would result in a significantly higher fair value measurement.
	Market comparable method	• Average sales price of RMB37,009 to RMB38,029 (2016: RMB5,563 to RMB39,515) per sq m	A significant increase in average sales prices would result in a significantly higher fair value measurement.
	Income capitalisation method	• Capitalisation rate of 6.6% (2016: 7.3%) • Occupancy rate of 100.0% (2016: 100.0%)	A significant increase in capitalisation rate and a significant decrease in occupancy rate would result in a significantly lower fair value measurement.
Properties under construction(i)	Discounted cash flow method	• Rental yield of 6.3% – 7.2% (2016: 7.1%) • Discount rate of 6.0% – 8.3% (2016: 6.0%)	A significant decrease in rental yield and discount rate would result in a significantly higher fair value measurement.
	Market comparable method	• Average sales price of RMB8,156 – RMB8,316 (2016: RMB9,657 to RMB9,944) per sq m	A significant increase in average sales prices would result in a significantly higher fair value measurement.

(i) In 2016, the Group had assessed the highest and best use of the properties under construction in Chengdu and changed it from hotel to office use in view of the challenging hospitality market in Chengdu. Accordingly, the valuation of the investment properties was derived based on the discounted cash flow and market comparable methods.

NOTES TO THE FINANCIAL STATEMENTS

6 INTERESTS IN SUBSIDIARIES

	Company 2017 $'000	Company 2016 $'000
Investment in subsidiaries		
Unquoted equity shares, at cost	**145,869**	146,778
Redeemable preference shares	**507,712**	548,030
Total interests in subsidiaries	**653,581**	694,808

The investment in redeemable preference shares relate to a wholly-owned subsidiary, which entitles the Company to receive a fixed cumulative preferential dividend of 9.00 Singapore cents per share per annum and to redeem at par the whole or any part of the redeemable preference shares held by the Company upon giving not less than 30 days prior written notice to the subsidiary. The wholly-owned subsidiary may redeem the whole or any part of the redeemable preference shares at the original issue price upon giving not less than 30 days prior written notice to the holders of the redeemable preference shares.

During the financial year, the wholly-owned subsidiary redeemed 40,318,594 (2016: 185,620,318) redeemable preference shares held by the Company at the redemption price of $1.00 each.

Details of significant subsidiaries are as follows:

	Name of subsidiary	Principal activity	Principal place of business/Country of incorporation	Effective equity interest held by the Group 2017 %	Effective equity interest held by the Group 2016 %
	Held by the Company				
**	First Sponsor Investment Limited	Investment holding	Hong Kong	**100**	100
^	FS Investment Holdings Limited	Investment holding	British Virgin Islands	**100**	100
^	Wenjiang (BVI) Limited	Investment holding	British Virgin Islands	**100**	100
	Held through subsidiaries				
**	Chengdu Gaeronic Real Estate Co., Ltd	Property development, property investment, hotel ownership and operations, and investment holding	People's Republic of China	**100**	100
**	Chengdu Millennium Zhong Ren Real Estate Co., Ltd	Property development, hotel ownership and operations, and property investment	People's Republic of China	**100**	100
**	Chengdu Ming Ming Management Consultancy Co., Ltd(i)	Consultancy and management services	People's Republic of China	**100**	100
**	Chengdu Yong Chang Real Estate Co., Ltd	Property development and property investment	People's Republic of China	**100**	100

NOTES TO THE FINANCIAL STATEMENTS

6 INTERESTS IN SUBSIDIARIES (CONT'D)

	Name of subsidiary	Principal activity	Principal place of business/Country of incorporation	Effective equity interest held by the Group 2017 %	2016 %
**	First Sponsor (Guangdong) Group Limited	Investment holding	People's Republic of China	**100**	100
*	FS Chengdu No. 1 Pte. Ltd.	Investment holding	Singapore	**100**	100
^	FS Euro Capital Limited	Investment holding	British Virgin Islands	**100**	100
^	FS NL Amstel Development 16 B.V(ii)	Property investment	The Netherlands	**100**	100
^	FS NL Property 2 B.V.	Property investment	The Netherlands	**100**	100
^	FS NL Zuid Property 12 B.V(iii)	Property investment and property development	The Netherlands	**100**	–
^	FS NL Zuidoost Property 11 B.V.(iv)	Property investment and property development	The Netherlands	**100**	100
^	FS NL Zuidoost Property 15 B.V.(v)	Property investment and property development	The Netherlands	**100**	100
^	NL Property 1 B.V.(vi) ("NLP1")	Property investment	The Netherlands	**33**	33
**	Shanghai Sigma Investment Co., Ltd(vii)	Provision of property financing services	People's Republic of China	**100**	100
*	Wenjiang Singapore Pte. Ltd.	Investment holding	Singapore	**100**	100

NOTES TO THE FINANCIAL STATEMENTS

6 INTERESTS IN SUBSIDIARIES (CONT'D)

* Audited by KPMG LLP Singapore

** Audited by other member firms of KPMG International

^ Not subject to audit by law of country of incorporation

(i) In 2017, the paid-up share capital of the subsidiary was reduced from RMB253.9 million to RMB53.9 million via a capital reduction exercise. The subsidiary has since commenced voluntary liquidation in January 2018.

(ii) The subsidiary was incorporated on 2 December 2016 to hold an investment property acquired from a third party during the financial year ended 31 December 2017 (see note 5).

(iii) The subsidiary was incorporated on 17 November 2017 to hold a development property acquired from a third party during the financial year ended 31 December 2017.

(iv) The subsidiary was incorporated on 13 September 2016 to hold a development property acquired from a third party during the financial year ended 31 December 2016.

(v) The subsidiary was incorporated on 2 December 2016 to hold a development property acquired from a third party during the financial year ended 31 December 2016.

(vi) The entire equity interest in NLP1 was acquired from a third party by an indirect subsidiary of the Company and three co-investors in 2015. Pursuant to a call option agreement entered amongst the Company and the three co-investors in 2015, the three co-investors have irrevocably and unconditionally granted to the Company, or its nominee, the right (but not the obligation) to acquire such number of new non-redeemable and non-convertible preference voting shares in the capital of NLP1 at EUR1 each, such that the Group would have majority voting interest in NLP1 (the "Call Option"). As a result of this Call Option, the Company is deemed to have control over NLP1 and consolidates NLP1 as a subsidiary. To date, the Company has not exercised the Call Option.

(vii) 50% equity interest is held through Chengdu Gaeronic Real Estate Co., Ltd and 50% equity interest is held through First Sponsor (Guangdong) Group Limited.

NOTES TO THE FINANCIAL STATEMENTS

7 INTERESTS IN AND BALANCES WITH ASSOCIATES AND JOINT VENTURES

		Group	
		2017	**2016**
	Note	**$'000**	**$'000**
Interests in associates		**58,015**	55,055
Interests in joint ventures		**6,346**	–
Total interests in associates and joint ventures		**64,361**	55,055
Balances with associates			
Loans to associates (trade)	11	**497,882**	106,359
Amounts due from associates (non-trade)	11	**42,895**	96,463
Amounts due to associates (non-trade)	17	**(12,437)**	(39,167)

The loans to associates as at 31 December 2017 were unsecured and interest bearing with nominal interest rates of 3.6% to 12.9% per annum. The loans are due between 2018 to 2026.

The loans to associates as at 31 December 2016 were unsecured and interest bearing with nominal interest rates of 7.0% to 7.4% per annum. $23,378,000 was repaid in 2017 and the repayment date for the remaining principal of $82,981,000 was extended to 2023.

As at 31 December 2017 and 2016, the non-trade amounts due from associates were unsecured and interest-free. A balance of $40,078,000 (2016: $79,579,000) is repayable in 2019 while the remaining balance of $2,817,000 (2016: $16,884,000) is repayable on demand.

The non-trade amounts due to associates are unsecured, interest-free and repayable on demand.

7 INTERESTS IN AND BALANCES WITH ASSOCIATES AND JOINT VENTURES (CONT'D)

Details of the associates are as follows:

	Name of associate	Principal activity	Principal place of business/Country of incorporation	Effective equity interest held by the Group 2017 %	2016 %
	Held by the Company				
^	FS Dongguan Investment Holdings Limited[(i)] ("FSDIH") and its subsidiaries	Investment holding	British Virgin Islands	**30**	30
	Held through subsidiaries				
*	FSMC NL Property Group B.V. ("FSMC") and its subsidiaries	Property investment and investment holding	The Netherlands	**33**	33

^ Not subject to audit by law of country of incorporation.

* Audited by Ernst & Young Accountants LLP for the financial year ended 31 December 2016. FSMC is in the process of appointing new auditors for the financial year ended 31 December 2017.

(i) On 12 October 2016, the Group diluted its shareholding interests in FSDIH from 100% to 30% via issuance of new shares in FSDIH to a third party and an affiliated corporation. FSDIH held, via its subsidiaries, a development project in Dongguan, China (note 26). Following the transaction, the Group has significant influence over FSDIH. Accordingly, FSDIH was reclassified as an associate of the Group.

The Group has interests in a number of individually immaterial associates. The following summarises, in aggregate, the financial information for the Group's interests in these immaterial associates, based on the amounts reported in the Group's consolidated financial statements.

	2017 $'000	2016 $'000
Carrying amounts of interests in associates	**58,015**	55,055
Group's share of:		
– net profit	**3,648**	12,278
– other comprehensive income	**893**	(203)
– total comprehensive income	**4,541**	12,075

NOTES TO THE FINANCIAL STATEMENTS

7 INTERESTS IN AND BALANCES WITH ASSOCIATES AND JOINT VENTURES (CONT'D)

Details of the joint ventures are as follows:

	Name of joint venture	Principal activity	Principal place of business/Country of incorporation	Effective equity interest held by the Group 2017 %	2016 %
^	FSCT DE Property 1 GmbH & Co. KG ("KG")	Property investment	Germany	**50**	–
^	FSCT DE Property 1 GmbH	Property investment and general partner of KG	Germany	**50**	–

^ Not subject to audit by law of country of incorporation

The following summarises, in aggregate, the financial information of the Group's interests in joint ventures, based on the amounts reported in the Group's consolidated financial statements.

	2017 $'000	2016 $'000
Carrying amounts of interests in joint ventures	**6,346**	–
Group's share of:		
– net profit	**–**	–
– other comprehensive income	**–**	–
– total comprehensive income	**–**	–

NOTES TO THE FINANCIAL STATEMENTS

8 DERIVATIVE ASSETS AND LIABILITIES

	Group and Company	
	2017	2016
	$'000	$'000
Non-current derivative assets		
Cross currency swaps	**350**	–
Derivative liabilities		
Cross currency swaps	**(17,290)**	(2,763)
Non-current	**(13,122)**	(2,763)
Current	**(4,168)**	–
	(17,290)	(2,763)

As part of the Group's strategy to hedge its exposure to fluctuation in Euros against S$ arising from its acquisitions in the Netherlands, the Group and Company has entered into various cross currency swap contracts with financial institutions. As at 31 December 2017, the total notional amount of such contracts amounted to EUR333,154,000 (2016: EUR73,898,000) with remaining tenors of approximately between 0.5 years to 5 years (2016: 1.5 years to 3 years). Under these contracts, the Group and Company would pay the fixed EUR denominated notional amount and receive fixed amounts of $335,672,000 and US$135,176,000 in aggregate (2016: S$110,520,000) on the maturity dates of the cross currency swaps.

9 OTHER INVESTMENTS

	Group	
	2017	2016
	$'000	$'000
Non-current		
Available-for-sale equity securities	**23,380**	–
Current		
Available-for-sale financial assets – structured deposits	**38,863**	–
	62,243	–

The available-for-sale equity securities relate to the Group's 85% equity interest (unquoted) in Dongguan East Sun Limited ("East Sun") as at 31 December 2017. The Group has determined that it has no control nor significant influence over East Sun as the Group does not have any power over the relevant activities of East Sun, and it is not involved in East Sun's business activities including policy making processes.

Structured deposits relate to amounts placed with financial institutions in the PRC, which are principal-guaranteed. The structured deposits are not publicly traded and bear interest at 4.1% (2016: nil) per annum.

Information about the Group's exposure to credit and market risks, and fair value measurement, is included in note 28.

NOTES TO
THE FINANCIAL STATEMENTS

10 DEFERRED TAX ASSETS/(LIABILITIES)

Movements in deferred tax assets and liabilities of the Group (prior to offsetting of balances) during the year are as follows:

	At 1 January 2016 $'000	Recognised in profit or loss (note 23) $'000	Translation differences on consolidation $'000	At 31 December 2016 $'000	Recognised in profit or loss (note 23) $'000	Translation differences on consolidation $'000	At 31 December 2017 $'000
Group							
Deferred tax assets							
Development properties	4,726	7,141	(223)	11,644	4,554	(225)	**15,973**
Property, plant and equipment	–	–	–	–	2,066	2	**2,068**
Receipts in advance	6,775	294	(277)	6,792	3,493	(128)	**10,157**
Trade and other receivables	–	–	–	–	1,420	2	**1,422**
Others	812	345	(32)	1,125	2,023	48	**3,196**
Total	12,313	7,780	(532)	19,561	13,556	(301)	**32,816**
Deferred tax liabilities							
Investment properties	(9,191)	896	372	(7,923)	(2,284)	(92)	**(10,299)**
Property, plant and equipment	(3,742)	2,992	153	(597)	585	12	**–**
Receipts in advance	(68)	30	3	(35)	34	1	**–**
Trade and other receivables	(3,907)	2,989	160	(758)	261	15	**(482)**
Total	(16,908)	6,907	688	(9,313)	(1,404)	(64)	**(10,781)**

The amounts determined after appropriate offsetting are included in the consolidated statement of financial position as follows:

	Group 2017 $'000	Group 2016 $'000
Deferred tax assets	**25,905**	16,694
Deferred tax liabilities	**(3,870)**	(6,446)

Unrecognised deferred tax liabilities

As at 31 December 2017, deferred tax liabilities of $16,377,000 (2016: $14,987,000) in respect of temporary differences of $296,011,000 (2016: $246,725,000) related to the withholding tax on the distributable profit of the Group's subsidiaries in the PRC were not recognised because the Company controls whether the liability will be incurred and it is satisfied that it will not be incurred in the foreseeable future.

NOTES TO THE FINANCIAL STATEMENTS

10 DEFERRED TAX ASSETS/(LIABILITIES) (CONT'D)

Unrecognised deferred tax assets

Deferred tax assets have not been recognised in respect of the following items:

	Group	
	2017	**2016**
	$'000	**$'000**
Deductible temporary differences	**–**	13,137
Tax losses	**16,879**	15,900
	16,879	29,037

The tax losses and deductible temporary differences are subject to agreement by the tax authorities and compliance with tax regulations in the respective countries in which certain subsidiaries operate.

Deferred tax assets have not been recognised in respect of the above items because it is not probable that future taxable profit will be available against which the Group can utilise the benefits.

The tax losses with expiry dates are as follows:

	Group	
	2017	**2016**
	$'000	**$'000**
Expiry date:		
– After 1 year but less than 5 years	**–**	10,794
– After 5 years	**13,763**	2,092
	13,763	12,886

NOTES TO
THE FINANCIAL STATEMENTS

11 TRADE AND OTHER RECEIVABLES

		Group		Company	
		2017	2016	2017	2016
	Note	$'000	$'000	$'000	$'000
Trade receivables	(i)	**137,790**	171,158	**–**	–
Loans to associates (trade)	7	**497,882**	106,359	**–**	–
Amounts due from associates (non-trade)	7	**42,895**	96,463	**–**	–
Loans to third parties (non-trade)	(ii)	**35,051**	119,162	**–**	–
Advance to a third party	(iii)	**–**	9,387	**–**	–
Non-trade amounts due from subsidiaries	(iv)	**–**	–	**940,662**	439,357
Security deposits	(v)	**218**	7,255	**–**	–
Deferred consideration	(vi)	**–**	41,720	**–**	–
Other receivables	(vii)	**4,060**	7,582	**904**	359
		717,896	559,086	**941,566**	439,716
Prepayments	(viii)	**12,093**	15,729	**39**	33
		729,989	574,815	**941,605**	439,749
Non-current		**284,455**	185,938	**370,608**	209,912
Current		**445,534**	388,877	**570,997**	229,837
		729,989	574,815	**941,605**	439,749

(i) Included in trade receivables are entrusted loans to third parties of $119,568,000 (2016: $152,278,000) via entrusted banks in the PRC bearing interest (including penalty interest) ranging from 6.5% to 30.4% (2016: 17.0% to 30.4%) per annum. $95,022,000 (2016: $152,728,000) of these entrusted loans are secured. Refer to note 28 for more details.

(ii) The loans outstanding as at 31 December 2017 relate to unsecured interest-free loans which are repayable on demand. The unsecured loans outstanding from a local government authority in the PRC as at 31 December 2016 have been fully repaid in 2017 when due. These loans bore interest of 10.0% to 13.0% per annum.

NOTES TO THE FINANCIAL STATEMENTS

11 TRADE AND OTHER RECEIVABLES (CONT'D)

(iii) This represents an unsecured advance granted to a PRC government linked entity ("PRC Entity"), bearing interest of 10.0% per annum which was fully repaid in 2017.

(iv) The non-trade amounts due from subsidiaries as at 31 December 2017 were unsecured and comprised the following:

- an amount of $657,637,000 bearing interest ranging from 1.3% to 2.3% per annum and due between 2018 to 2026; and

- an amount of $283,025,000 which is interest-free and repayable on demand.

The non-trade amounts due from subsidiaries as at 31 December 2016 were unsecured and comprised the following:

- an amount of $209,912,000 bearing interest ranging from 1.6% to 2.6% per annum which is due in 2018;

- an amount of $41,892,000 bearing interest ranging from 2.1% to 2.2% per annum which is due in 2017; and

- an amount of $187,553,000 which is interest-free and repayable on demand.

(v) The balance as at 31 December 2016 mainly consisted of deposits paid to a local PRC government authority in relation to the construction of civil air defence facilities for a project carried out by the Group. These deposits have been refunded to the Group in 2017.

(vi) The deferred consideration of $41,720,000 related to the dilution of interests in subsidiaries (note 26) and was fully received in 2017.

(vii) Included in the other receivables of the Group as at 31 December 2017 was interest receivable of $1,747,000 (2016: $5,803,000).

The Group's other receivables as at 31 December 2016 included investment return receivable of $2,379,000 from the PRC Entity.

(viii) Included in the prepayments of the Group as at 31 December 2017 was prepaid taxes of $11,450,000 (2016: $15,346,000).

The Group's historical experience in the collection of accounts receivable falls within the recorded allowances. Due to these factors, management believes that no additional credit risk beyond the amounts provided for collection losses is inherent in the Group's trade receivables. Refer to note 28 for more details.

NOTES TO
THE FINANCIAL STATEMENTS

12 DEVELOPMENT PROPERTIES

		Group	
	Note	2017 $'000	2016 $'000
Properties under development for sale		**326,382**	343,193
Completed properties for sale		**65,309**	60,006
		391,691	403,199
Allowance for foreseeable losses	22	**(987)**	–
		390,704	403,199

The movement in allowance for foreseeable losses in respect of development properties during the year is as follows:

	Group	
	2017 $'000	2016 $'000
At 1 January	**–**	–
Allowance made	**987**	–
At 31 December	**987**	–
Net interest expense capitalised in properties under development during the year	**314**	2,108

Net interest has been capitalised at rates ranging from 0.9% to 2.3% (2016: 1.2% to 2.6%) per annum for development properties during the financial year ended 31 December 2017.

Included in development properties are staff costs capitalised of $2,105,000 (2016: $2,780,000) during the financial year ended 31 December 2017 (note 22).

During the financial year ended 31 December 2017, development properties recognised in cost of sales amounted to $208,675,000 (2016: $141,297,000).

Management assesses allowances for foreseeable losses on properties under development for sale based on their estimates of selling prices and construction costs or independent professional valuations undertaken, where appropriate. Selling prices are based on recent selling prices and the prevailing market conditions. Construction costs are estimated based on contracted amounts and in respect of amounts not contracted for, management's estimates of the amounts to be incurred. Where independent professional valuations are undertaken, the valuations were based on the market comparable method which takes into consideration the sales of similar properties that have been transacted in the open market.

Management also assesses if any write-down of completed properties for sale is required based on their estimates of selling prices which are based on recent selling prices and the prevailing market conditions. The allowance for foreseeable losses is included in "other expenses".

NOTES TO THE FINANCIAL STATEMENTS

13 CASH AND CASH EQUIVALENTS

	Group		Company	
	2017	2016	2017	2016
	$'000	$'000	$'000	$'000
Fixed deposits	**150**	66,260	**115**	66,208
Cash at bank and in hand	**319,148**	214,307	**4,412**	33,688
Cash and cash equivalents in the statements of financial position	**319,298**	280,567	**4,527**	99,896
Less: Restricted cash	**–**	(263)		
Cash and cash equivalents in the consolidated statement of cash flows	**319,298**	280,304		

The balance as at 31 December 2017 included $40,295,000 (2016: $49,271,000) which were held under PRC development project rules, where the utilisation of the funds is restricted to project related payments.

Cash and cash equivalents at 31 December 2017 included $296,319,000 (2016: $173,427,000) which were deposited with financial institutions in the PRC. The remittance of these funds by the Group out of the PRC is subject to currency exchange restrictions.

14 SHARE CAPITAL

	Group and Company			
	2017		2016	
	Number of shares	US$'000	Number of shares	US$'000
Authorised share capital:				
At 1 January	**2,000,000,000**	2,000,000	**2,000,000,000**	2,000,000
Capital reduction	**–**	(1,800,000)	**–**	–
At 31 December	**2,000,000,000**	200,000	**2,000,000,000**	2,000,000

	Group and Company			
	2017		2016	
	Number of shares	$'000	Number of shares	$'000
Ordinary shares issued and fully paid				
At 1 January	**589,814,949**	736,404	**589,814,949**	736,404
Capital reduction – transfer to distributable reserve (note 15)	**–**	(662,764)	**–**	–
At 31 December	**589,814,949**	73,640	**589,814,949**	736,404

The holders of ordinary shares are entitled to receive dividends as declared from time to time, and are entitled to one vote per share at meetings of the Company. All shares rank equally with regard to the Company's residual assets.

NOTES TO THE FINANCIAL STATEMENTS

14 SHARE CAPITAL (CONT'D)

On 31 August 2017, following the capital reduction carried out by the Company, the issued and fully paid up share capital of the Company had reduced from US$589,814,949 comprising 589,814,949 ordinary shares of US$1.00 each to US$58,981,494.90 comprising 589,814,949 ordinary shares of US$0.10 each. The credit arising from such reduction of approximately US$530,833,000 (approximately $662,764,000) was transferred to a distributable reserve account of the Company (see note 15). In addition, the authorised share capital of the Company was reduced from US$2,000,000,000 divided into 2,000,000,000 shares with a par value of US$1.00 each to US$200,000,000 divided into 2,000,000,000 shares with a par value of US$0.10 each.

Capital management

The Group defines "capital" as including all components of equity. The Group's objectives when managing its capital are to safeguard the Group's ability to continue as a going concern and to maintain an optimal capital structure so as to maximise shareholder value. This will in turn maintain investor and creditor confidence and sustain the future development of the business.

In order to achieve an optimal capital structure, the Group may issue new shares, obtain new borrowings or sell its assets. Excess capital, if any, may also be returned to shareholders.

The Group's capital structure is regularly reviewed and managed with due regard to its capital management objectives and practices. Adjustments are made to the capital structure in light of changes in economic conditions affecting the Company or the Group, to the extent that these do not conflict with the directors' fiduciary duties towards the Company.

There were no changes in the Group's approach to capital management during the financial year.

The Company is not subject to any externally imposed capital requirements. However, the subsidiaries incorporated in the PRC are subject to currency exchange restrictions on the remittance of funds out of the PRC.

15 RESERVES

	Group		Company	
	2017	**2016**	**2017**	**2016**
	$'000	**$'000**	**$'000**	**$'000**
Share premium	**9,609**	9,609	**9,821**	9,821
Statutory reserve	**33,447**	27,445	**–**	–
Capital reserve	**225**	225	**(5,988)**	(5,988)
Distributable reserve	**662,764**	–	**662,764**	–
Fair value reserve	**(3,949)**	–	**–**	–
Foreign currency translation reserve	**36,950**	53,923	**–**	–
Retained earnings	**267,468**	196,983	**140,470**	78,678
	1,006,514	288,185	**807,067**	82,511

Share premium

The share premium account represents the excess of the issue price over the par value of ordinary shares issued by the Company and may be applied only for the purposes specified in the Cayman Islands Companies Law.

NOTES TO THE FINANCIAL STATEMENTS

15 RESERVES (CONT'D)

Statutory reserve

In accordance with the Foreign Enterprise Law applicable to the subsidiaries in the PRC, wholly-owned subsidiaries are required to make appropriation to a statutory reserve. At least 10.0% of the statutory after tax profits as determined in accordance with the applicable PRC accounting standards and regulations must be allocated to the statutory reserve until the cumulative total of the reserve reaches 50.0% of the subsidiaries' registered capital. Subject to approval from the relevant PRC authorities, the statutory reserve may be used to offset any accumulated losses or increase the registered capital of the subsidiaries. The statutory reserve is not available for dividend distribution to shareholders of the PRC subsidiaries.

Capital reserve

The capital reserve of the Group comprises:

(a) interest waived on intercompany loans;

(b) the difference between the adjustment to non-controlling interests and the fair value of consideration paid on acquisition of non-controlling interests in a subsidiary; and

(c) the difference between the fair value and the cost of the treasury shares reissued.

The capital reserve of the Company comprises:

(a) interest waived on intercompany loans;

(b) the difference between the fair value and the cost of the treasury shares reissued; and

(c) accrued dividend income on the redeemable preference shares waived by a subsidiary of the Company during the year ended 31 December 2015.

Distributable reserve

Distributable reserve arises from the capital reduction carried out by the Company in August 2017 (see note 14).

Fair value reserve

The fair value reserve comprises the cumulative net change in the fair value of available-for-sale equity securities until the assets are derecognised or impaired.

NOTES TO THE FINANCIAL STATEMENTS

15 RESERVES (CONT'D)

Foreign currency translation reserve

The foreign currency translation reserve comprises:

(a) foreign exchange differences arising from the translation of the financial statements of foreign operations whose functional currencies are different from the functional currency of the Company; and

(b) the exchange differences on monetary items which form part of the Group's net investment in foreign operations, provided certain conditions are met.

Dividends

The following dividends were declared and paid by the Group and Company:

	Group and Company	
	2017	**2016**
	$'000	**$'000**
For the year ended 31 December		
Final tax exempt (one-tier) ordinary dividend paid of 1.00 cent (2016: 1.00 cent) per ordinary share in respect of financial year ended 31 December 2016 (2016: 31 December 2015)	**5,898**	5,898
Interim tax-exempt (one-tier) ordinary dividend paid of 1.00 cent (2016: 1.00 cent) per ordinary share in respect of financial year ended 31 December 2017 (2016: 31 December 2016)	**5,898**	5,898
	11,796	11,796

After the respective reporting dates, the following exempt (one-tier) ordinary dividend was proposed by the directors of the Company. The exempt (one-tier) ordinary dividend has not been provided for.

	Group and Company	
	2017	**2016**
	$'000	**$'000**
1.20 cents per qualifying ordinary share (2016: 1.00 cent)	**7,078**	5,898

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THE FINANCIAL STATEMENTS

16 LOANS AND BORROWINGS

	Group		Company	
	2017	2016	2017	2016
	$'000	$'000	$'000	$'000
Non-current liabilities				
Secured bank loan	**35,817**	31,020	**–**	–
Unsecured bank loans	**574,171**	266,216	**574,171**	266,216
Unsecured notes	**–**	49,950	**–**	49,950
	609,988	347,186	**574,171**	316,166
Current liabilities				
Unsecured bank loans	**–**	9,452	**–**	9,452
Total loans and borrowings	**609,988**	356,638	**574,171**	325,618

The secured bank loan of the Group is secured by a mortgage of an investment property of a subsidiary (note 5), assignment of its bank accounts, lease receivables and insurance proceeds (where applicable).

Unsecured notes pertained to the issuance of $50.0 million fixed rate notes by the Company in 2015. The notes were issued pursuant to a $1.0 billion Multicurrency Debt Issuance Programme established in 2015. They bore a fixed interest of 4.0% per annum and were due in 2018. In 2017, the Company had fully redeemed the $50.0 million fixed rate notes at 101.0% of the principal amount of the notes.

Terms and debt repayment schedule

Terms and conditions of outstanding loans and borrowings are as follows:

	Currency	Nominal interest rate %	Year of maturity	2017 Face value $'000	2017 Carrying amount $'000	2016 Face value $'000	2016 Carrying amount $'000
Group							
Bank loan (secured)	EUR	1.4	2022	**35,888**	**35,817**	31,104	31,020
Bank loans (unsecured)	EUR	1.1 – 1.8	2019 – 2020	**216,077**	**210,591**	220,264	216,221
Bank loans (unsecured)	US$	1.6	2019 – 2020	**181,906**	**180,134**	–	–
Bank loans (unsecured)	$	1.2 – 1.5	2019 – 2020	**185,998**	**183,446**	60,520	59,447
Notes (unsecured)	$	4.0	2018	**–**	**–**	50,000	49,950
				619,869	**609,988**	361,888	356,638
Company							
Bank loans (unsecured)	EUR	1.1 – 1.8	2019 – 2020	**216,077**	**210,591**	220,264	216,221
Bank loans (unsecured)	US$	1.6	2019 – 2020	**181,906**	**180,134**	–	–
Bank loans (unsecured)	$	1.2 – 1.5	2019 – 2020	**185,998**	**183,446**	60,520	59,447
Notes (unsecured)	$	4.0	2018	**–**	**–**	50,000	49,950
				583,981	**574,171**	330,784	325,618

NOTES TO THE FINANCIAL STATEMENTS

16 LOANS AND BORROWINGS (CONT'D)

Terms and debt repayment schedule (cont'd)

Reconciliation of movements of liabilities to cash flows arising from financing activities

	Liabilities				
	Bank loans $'000	**Notes $'000**	**Other payable $'000**	**Non-trade amounts due to associates $'000**	**Total $'000**
Balance at 1 January 2017	306,688	49,950	–	39,167	395,805
Changes from financing cash flows					
Advances from associates	–	–	13,484	13,484	
Payment of transaction costs related to borrowings	(7,545)	–	–	–	(7,545)
Proceeds from bank borrowings	766,308	–	–	–	766,308
Repayment of bank borrowings	(744,192)	–	–	–	(744,192)
Redemption of medium term notes	–	(50,000)	–	–	(50,000)
Loan from a non-controlling interest	–	–	12,490	–	12,490
	14,571	(50,000)	12,490	13,484	(9,455)
The effect of changes in foreign exchange rates	7,976	–	321	(1,047)	7,250
Other changes					
Liability-related					
Amortisation of transaction costs	2,829	50	–	–	2,879
Net proceeds from bank borrowings in operating cash flows[(i)]	277,924	–	–	–	277,924
Offset against non-trade balances due from associates[(ii)]	–	–	–	(39,167)	(39,167)
Total liability-related other changes	280,753	50	–	(39,167)	241,636
Balance at 31 December 2017	609,988	–	12,811	12,437	632,236

(i) This relates to the net proceeds from bank borrowings for on-lending to the Group's Dutch associates, which is part of the Group's property financing operations.

(ii) During the financial year ended 31 December 2017, an amount due to associates of $39,167,000 was offset against an amount due from associates of $39,167,000.

NOTES TO THE FINANCIAL STATEMENTS

17 TRADE AND OTHER PAYABLES

		Group		Company	
		2017	2016	2017	2016
	Note	$'000	$'000	$'000	$'000
Trade payables		**106,851**	122,206	**–**	–
Accruals		**21,150**	18,732	**6,927**	6,870
Value added tax, business tax and other taxes payable		**6,772**	5,541	**–**	–
Non-trade amounts due to:					
– former shareholders and affiliates of subsidiaries		**1,748**	1,716	**–**	–
– subsidiaries		**–**	–	**120,120**	79,997
– associates	7	**12,437**	39,167	**–**	–
Loan from a non-controlling interest		**12,811**	–	**–**	–
Other payables		**17,135**	8,892	**1,092**	645
		178,904	196,254	**128,139**	87,512

The non-trade amounts due to former shareholders and affiliates of subsidiaries, subsidiaries and associates are unsecured, interest-free and are repayable on demand.

The loan from a non-controlling interest is unsecured, bears interest at 8.9% (2016: nil) per annum and is due in 2022.

	Group		Company	
	2017	2016	2017	2016
	$'000	$'000	$'000	$'000
Non-current	**12,811**	–	**–**	–
Current	**166,093**	196,254	**128,139**	87,512
	178,904	196,254	**128,139**	87,512

18 RECEIPTS IN ADVANCE

Receipts in advance mainly represent deposits and instalments received on development properties for sale.

19 REVENUE

	Group	
	2017	2016
	$'000	$'000
		(Restated)
Sale of properties	**308,162**	162,095
Rental income from investment properties	**12,270**	14,150
Interest income on:		
– entrusted loans to third parties	**30,635**	8,670
– loans to associates	**17,093**	9,336
– vendor financing arrangements	**56**	55
	47,784	18,061
Hotel operations	**16,176**	3,969
Others	**–**	776
	384,392	199,051

NOTES TO THE FINANCIAL STATEMENTS

20 OTHER (LOSSES)/GAINS (NET)

Other (losses)/gains comprise:

		Group	
		2017	**2016**
	Note	**$'000**	**$'000**
Gain/(loss) on disposal of:			
– property held for sale		**–**	1,836
– property, plant and equipment (net)		**6**	(2)
– investment properties		**(62)**	(319)
Gain on dilution of interests in subsidiaries	26	**–**	97,322
Property, plant and equipment written off		**–**	(5)
Others		**–**	(497)
		(56)	98,335

21 NET FINANCE INCOME

	Group	
	2017	**2016**
	$'000	**$'000**
		(Restated)
Finance income		
Interest income on:		
– bank deposits	**1,271**	121
– structured deposits	**8,253**	2,386
– loans to local government authority in the PRC	**3,546**	16,632
– cross currency swaps	**4,012**	2,128
	17,082	21,267
Less: Amount capitalised	**–**	(5)
	17,082	21,262
Finance costs		
Amortisation of transaction costs	**(2,879)**	(3,494)
Interest expense on bank loans	**(2,707)**	(4,619)
Interest expense on cross currency swaps	**(3,738)**	(2,128)
	(9,324)	(10,241)
Less: Amount capitalised	**314**	2,113
	(9,010)	(8,128)
Net finance income	**8,072**	13,134

NOTES TO THE FINANCIAL STATEMENTS

22 PROFIT BEFORE TAX

Profit before tax includes the following:

		Group	
		2017	**2016**
	Note	**$'000**	**$'000**
Audit fees paid/payable to:			
– auditors of the Company		**249**	172
– other auditors		**139**	141
Non-audit fees paid/payable to:			
– auditors of the Company		**96**	44
– other auditors		**–**	10
Depreciation of property, plant and equipment	4	**5,510**	1,541
Direct operating expenses arising from rental of investment properties		**1,627**	997
Exchange gain (net)		**(10,933)**	(1,002)
Fair value (gain)/loss (net) on:			
– investment properties	5	**(4,038)**	9,478
– derivative assets/liabilities		**14,177**	(564)
Allowance for foreseeable losses on development properties	12	**987**	–
Impairment loss on:			
– investment properties	5	**602**	–
– property, plant and equipment	4	**9,345**	10,312
Hotel and hotspring base stocks written off		**756**	2,451
Hotel and hotspring pre-opening expenses		**2,425**	2,432
Net investment return from a PRC government linked entity		**(403)**	(1,765)
Operating lease expense		**450**	415
Staff costs		**17,673**	19,434
Trade receivables written off		**13**	–

Staff costs			
Wages and salaries		**18,724**	21,801
Contributions to defined contribution plans		**1,672**	1,456
Termination benefits		**32**	338
		20,428	23,595
Less: Amounts capitalised in			
– development properties	12	**(2,105)**	(2,780)
– property, plant and equipment	4	**(650)**	(1,381)
		17,673	19,434

NOTES TO
THE FINANCIAL STATEMENTS

23 TAX EXPENSE

	Group	
	2017	2016
	$'000	$'000
Current tax expense		
Current year	**30,783**	16,305
Under/(over) provision in respect of prior years	**744**	(17)
	31,527	16,288
Withholding tax	**27**	33
Land appreciation tax expense	**8,538**	1,839
	40,092	18,160
Deferred tax credit		
Origination and reversal of temporary differences	**(12,152)**	(14,687)
Total tax expense	**27,940**	3,473
Reconciliation of effective tax rate		
Profit for the year	**93,293**	114,916
Tax expense	**27,940**	3,473
Profit before tax	**121,233**	118,389
Tax calculated using tax rate of 25% (2016: 25%)	**30,308**	29,597
Effect of different tax rates in other jurisdictions	**(648)**	(1,410)
Effect of deferred tax assets not recognised	**1,459**	3,374
Expenses not deductible for tax purposes	**1,563**	781
Income not subject to tax	**(7,588)**	(27,038)
Recognition of previously unrecognised deferred tax assets	**(3,417)**	(156)
Land appreciation tax expense	**8,538**	1,839
Effect of tax deduction on land appreciation tax expense	**(2,134)**	(460)
Under/(over) provision in respect of prior years	**744**	(17)
Withholding tax	**27**	33
Effect of results of associates	**(912)**	(3,070)
	27,940	3,473

The Company is established under the laws of the Cayman Islands and is not subject to income tax in that jurisdiction. The Company obtained clearance on its Singapore tax resident status from the Inland Revenue Authority of Singapore which is applicable from the Year of Assessment 2015 onwards.

The Group's operations are mainly in the PRC and the Netherlands. Pursuant to the PRC and Dutch Corporate Income Tax Law, the statutory tax rates applicable to the Group's subsidiaries in the PRC and the Netherlands are 25% (2016: 25%).

NOTES TO THE FINANCIAL STATEMENTS

23 TAX EXPENSE (CONT'D)

Withholding tax arising from the distribution of dividends

Pursuant to the Netherlands tax law, a 15% withholding tax is in principle levied on dividends declared to foreign investors from the foreign investment enterprises established in the Netherlands. However if, inter alia, the recipient of the dividends is a company which holds at least 25% of the share capital of the Dutch incorporated company (either directly or indirectly) paying the dividends, the tax treaty between Singapore and the Netherlands shall apply and no withholding tax shall be levied on the dividends. Based on the current structure, the Group is therefore exempted from withholding taxes on dividends distributed by those subsidiaries established in the Netherlands.

A 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in the PRC. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between the PRC and the jurisdiction of the foreign investors. The Group is therefore liable for withholding taxes on dividends distributed by those subsidiaries established in the PRC in respect of earnings generated from 1 January 2008.

The Group's determination as to whether to accrue for withholding taxes arising from the distribution of dividends by certain subsidiaries is subject to judgement on the timing of the payment of the dividends (note 10). The Group considered that the applicable withholding tax rate to be 5% to 10% (2016: 5% to 10%).

PRC Land Appreciation Tax ("LAT")

LAT is levied on properties developed by the Group for sale in the PRC, at prevailing progressive rates ranging from 30% to 60% on the appreciation of land value, which under the applicable regulations is calculated based on the proceeds of the sales of properties less deductible costs including borrowing costs and relevant development expenditures. However, the implementation and settlement of the tax varies amongst different tax jurisdictions in various cities of the PRC and certain projects of the Group have not finalised their land appreciation tax calculations and payments with the local tax authorities. The final outcome could be different from the amounts that were initially recorded, and any differences will impact the LAT expenses and the related provision in the period in which the differences realise.

Accordingly, significant judgement is required in determining the amount of land appreciation and the related income tax provision.

NOTES TO THE FINANCIAL STATEMENTS

24 EARNINGS PER SHARE

Basic earnings per share

The calculation of basic earnings per share was based on the profit attributable to ordinary shareholders as set out below, and the weighted average number of ordinary shares outstanding, calculated as follows:

Profit attributable to ordinary shareholders

	Group	
	2017	**2016**
	$'000	**$'000**
Profit attributable to ordinary shareholders	**88,283**	113,089

Weighted average number of ordinary shares

	Group	
	2017	**2016**
	'000	**'000**
Weighted average number of ordinary shares during the year	**589,815**	589,815

Diluted earnings per share

There were no dilutive potential ordinary shares in existence for the financial years ended 31 December 2017 and 2016.

25 DISPOSAL OF A SUBSIDIARY

On 3 July 2017, the Group disposed of its entire equity interest in Guangdong Idea Valley Advertisement Limited for a consideration of $2,874,000.

The net assets and cash flows of the subsidiary disposed are provided below:

	2017
	$'000
Investment property	2,462
Trade and other receivables	25
Cash and cash equivalents	674
Trade and other payables	(225)
Current tax payable	(62)
Identified net assets disposed	2,874
Consideration	2,874
Less:	
Cash and cash equivalents disposed	(674)
Net cash inflow	2,200
Total consideration	2,874
Less:	
Net identified assets on disposal	(2,874)
Gain on disposal	–

NOTES TO THE FINANCIAL STATEMENTS

26 DILUTION OF INTERESTS IN SUBSIDIARIES

On 12 October 2016, pursuant to a share subscription agreement, a third party and an affiliated corporation subscribed for 11 and 3 new ordinary shares in FSDIH, representing 55% and 15% of the issued shares of FSDIH respectively, for a consideration of $109.0 million (RMB530.3 million) and $19.7 million (RMB95.6 million) respectively. In addition, under the share subscription agreement, the third party and the affiliated corporation injected $22.1 million (RMB107.2 million) and $6.0 million (RMB29.3 million) via shareholders' loans into First Sponsor No. 1 (Dongguan) Real Estate Co., Ltd ("FSDGREL"), a wholly-owned indirect subsidiary of FSDIH, for it to repay 70% of the outstanding loans owing to the Group as at 12 October 2016.

Under an assignment agreement (intercompany loan), the Group also assigned and transferred all rights, title and interest in 70% of the aggregate intercompany loans between FSDIH and the Group to the third party and the affiliated corporation for a consideration of $148.8 million (RMB716.2 million) and $40.6 million (RMB195.3 million) respectively.

The cash flows and the net assets of the subsidiaries diluted are provided below:

	Note	2016 $'000
Property, plant and equipment		17
Development properties		253,500
Trade and other receivables		1,005
Cash and cash equivalents		852
Trade and other payables		(57,011)
Identified net assets disposed		198,363
Total consideration		256,238
Portion of consideration for which payment is deferred	11	(41,720)
Transaction costs		(3,500)
Cash and cash disposed		(852)
Cash inflows from dilution of interests in subsidiaries		210,166
Effects of loans to associates arising from dilution of interests		(94,028)
Net cash inflows from dilution of interests in subsidiaries		116,138
Total consideration		256,238
Net identified assets on disposal		(198,363)
Transaction costs		(3,500)
Realisation of foreign currency translation reserve		3,618
Fair value of retained interests in associates		39,329
Gain on dilution of interests in subsidiaries	20	97,322

The gain on dilution is recognised in other gains in the consolidated statement of profit or loss.

Fair value of retained interests in associates was determined based on the fair value of the development land held by FSDGREL, which is in turn based on the consideration paid by the affiliated corporation for its 15% share in FSDIH, and is within Level 2 of the fair value hierarchy.

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THE FINANCIAL STATEMENTS

27 OPERATING SEGMENTS

Information reported to the Group's CODM for the purpose of resource allocation and assessment of performance is specifically focused on the functionality of services provided. The following summary describes the operations in each of the Group's reportable segments:

- Property development – development and/or purchase of properties for sale
- Property investment – development and/or purchase of investment properties (including hotels) for lease
- Property financing – provision of entrusted loans via entrustment banks, vendor financing arrangements, and loans to associates
- Hotel operations – hotels and hotspring owner

Information regarding the results of each reportable segment is included below. Performance is measured based on segment profit before income tax, as included in the internal management reports that are reviewed by the Group's CODM. Segment profit is used to measure performance as management believes that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate within these industries.

Information about reportable segments

	Property development $'000	Property investment $'000	Property financing $'000	Hotel operations $'000	Total reportable segments $'000	Unallocated $'000	Total $'000
2017							
Segment revenue	308,162	12,273	47,784	16,500	384,719	7,517	392,236
Elimination of inter-segment revenue	–	(3)	–	(324)	(327)	(7,517)	(7,844)
External revenue	308,162	12,270	47,784	16,176	384,392	–	384,392
Profit/(loss) from operating activities	93,125	12,754	36,321	(20,266)	121,934	(12,421)	109,513
Finance income	10,241	1,232	4,971	7	16,451	631	17,082
Finance costs	(2,173)	(6,728)	–	–	(8,901)	(109)	(9,010)
Share of after-tax profit of associates	1,433	4,574	–	(2,359)	3,648	–	3,648
Segment profit/(loss) before tax	102,626	11,832	41,292	(22,618)	133,132	(11,899)	121,233
Other material non-cash items:							
Depreciation	(151)	–	–	(5,074)	(5,225)	(285)	(5,510)
Impairment loss on property, plant and equipment	–	–	–	(9,345)	(9,345)	–	(9,345)
Impairment loss on investment properties	–	(602)	–	–	(602)	–	(602)
Fair value gain on investment properties (net)	–	4,038	–	–	4,038	–	4,038
Fair value gain/(loss) on derivatives (net)	350	(5,041)	(9,486)	–	(14,177)	–	(14,177)
Other items:							
Hotel and hotspring base stocks written off	–	–	–	(756)	(756)	–	(756)
Hotel and hotspring pre-opening expenses	–	–	–	(2,425)	(2,425)	–	(2,425)

NOTES TO THE FINANCIAL STATEMENTS

27 OPERATING SEGMENTS (CONT'D)

Information about reportable segments (cont'd)

	Property development $'000	Property investment $'000	Property financing $'000	Hotel operations $'000	Total reportable segments $'000	Unallocated $'000	Total $'000
2017							
Assets							
Segment assets	**623,553**	**353,879**	**803,282**	**232,615**	**2,013,329**	**28,813**	**2,042,142**
Interests in associates and joint ventures	**44,159**	**20,202**	**–**	**–**	**64,361**	**–**	**64,361**
	667,712	**374,081**	**803,282**	**232,615**	**2,077,690**	**28,813**	**2,106,503**
Liabilities							
Segment liabilities	**(471,566)**	**(104,043)**	**(388,211)**	**(9,223)**	**(973,043)**	**(46,579)**	**(1,019,622)**
Other segment information:							
Capital expenditure	**54**	**42,391**	**–**	**11,610**	**54,055**	**109**	**54,164**
2016 (restated)							
Segment revenue	162,222	14,930	18,061	4,025	199,238	8,504	207,742
Elimination of inter-segment revenue	(127)	(4)	–	(56)	(187)	(8,504)	(8,691)
External revenue	162,095	14,926	18,061	3,969	199,051	–	199,051
Profit/(loss) from operating activities	108,308	3,562	12,407	(16,129)	108,148	(15,171)	92,977
Finance income	17,067	2,128	1,702	1	20,898	364	21,262
Finance costs	(79)	(7,074)	–	–	(7,153)	(975)	(8,128)
Share of after-tax profit of associates	9,334	2,944	–	–	12,278	–	12,278
Segment profit/(loss) before tax	134,630	1,560	14,109	(16,128)	134,171	(15,782)	118,389
Other material non-cash items:							
Depreciation	(254)	–	(1)	(1,150)	(1,405)	(136)	(1,541)
Impairment loss on property, plant and equipment	–	–	–	(10,312)	(10,312)	–	(10,312)
Fair value loss on investment properties (net)	–	(9,478)	–	–	(9,478)	–	(9,478)
Fair value gain on derivative liabilities (net)	–	564	–	–	564	–	564
Other items:							
Gain on dilution of interests in subsidiaries	97,322	–	–	–	97,322	–	97,322
Gain on disposal of asset held for sale	1,836	–	–	–	1,836	–	1,836
Hotel base stocks written off	–	–	–	(2,451)	(2,451)	–	(2,451)
Hotel pre-opening expenses	–	–	–	(2,432)	(2,432)	–	(2,432)

NOTES TO THE FINANCIAL STATEMENTS

27 OPERATING SEGMENTS (CONT'D)

Information about reportable segments (cont'd)

	Property development $'000	Property investment $'000	Property financing $'000	Hotel operations $'000	Total reportable segments $'000	Unallocated $'000	Total $'000
2016 (restated)							
Assets							
Segment assets	727,480	378,038	368,010	238,787	1,712,315	28,774	1,741,089
Interests in associates	43,437	11,618	–	–	55,055	–	55,055
	770,917	389,656	368,010	238,787	1,767,370	28,774	1,796,144
Liabilities							
Segment liabilities	(388,960)	(175,082)	(146,188)	(9,317)	(719,547)	(46,900)	(766,447)
Other segment information:							
Capital expenditure	443	2,744	–	101,079	104,266	21	104,287

Geographical information

The Group's main businesses are those relating to property development, property investment, property financing and hotel operations. Property financing and hotel operations are mainly in the PRC whilst property development and property investment are mainly in the PRC and the Netherlands.

In presenting information on the basis of geographical segments, segment revenue is based on the geographical location of customers and segment assets are based on the geographical location of the assets.

	2017 $'000	2016 $'000
Revenue (restated)		
PRC	**354,343**	175,830
The Netherlands	**30,049**	23,221
	384,392	199,051
Non-current assets*		
PRC	**301,121**	339,167
The Netherlands	**269,803**	180,631
Other countries	**6,915**	991
	577,839	520,789

* Include property, plant and equipment, investment properties and interests in associates and joint ventures.

NOTES TO THE FINANCIAL STATEMENTS

28 FINANCIAL RISK MANAGEMENT

Overview

Risk management is integral to the whole business of the Group. The management continually monitors the Group's risk management process to ensure that an appropriate balance between risk and control is achieved.

Risk management framework

The board of directors has overall responsibility for the establishment and oversight of the Group's risk management framework. The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities.

The Audit Committee oversees how management monitors compliance with the Group's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the Group.

Credit risk

Credit risk is the risk of potential financial loss resulting from the failure of a customer or counterparty to settle its financial and contractual obligations to the Group, as and when they fall due.

The trade receivables of the Group comprise two (2016: one) groups of borrowers that represented 41% (2016: 57%) of the trade receivables as at 31 December 2017 (see below).

The maximum exposure to credit risk is represented by the carrying amount of each financial asset on the statement of financial position.

Trade and other receivables

The Group has a credit policy in place which establishes credit limits for customers and monitors their balances on an ongoing basis.

The Group assesses the credit risk in respect of its property development operations to be relatively low as payments are usually received from property buyers in advance. In respect of the credit risk arising from its property investment operations, the Group manages the risk by collecting rental deposits in advance and monitors the outstanding balances on an ongoing basis.

In respect of the credit risk arising from the property financing operations, entrusted loans to third parties are generally secured by a first legal mortgage of land use rights and/or property as well as personal guarantees and/or corporate guarantees in favour of the entrusted bank, except for entrusted loans to third parties for which the Group has an equity interest. The loan disbursed is capped at a pre-set loan to value ratio of the property collateral.

The Group establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables. The main components of this allowance are a specific loss component that relates to individually significant exposures, and a collective loss component established for groups of similar assets in respect of losses that have been incurred but not yet identified. The collective loss allowance is determined based on historical data of payment statistics for similar financial assets.

The allowance account in respect of trade and other receivables is used to record impairment losses unless the Group is satisfied that no recovery of the amount owing is possible. At that point, the financial asset is considered irrecoverable and the amount charged to the allowance account is written off against the carrying amount of the impaired financial asset.

NOTES TO THE FINANCIAL STATEMENTS

28 FINANCIAL RISK MANAGEMENT (CONT'D)

Credit risk (cont'd)

Impairment losses

The ageing of trade receivables of the Group that were not impaired at the reporting date is:

	Group	
	2017	**2016**
	$'000	**$'000**
Not past due	**81,138**	37,481
Past due 1 – 60 days	**236**	173
Past due 61 – 90 days	**112**	–
More than 90 days	**56,304**	133,504
	137,790	171,158

Out of the gross trade receivable balances past due more than 90 days $56,159,000 (RMB274.6 million) (2016: $133,504,000 (RMB640.0 million)) relate to the entrusted loans, for which the borrowers defaulted on their interest payments. The Group had called for an event of default and accelerated the principal loan repayment date on these defaulted loans. The Group holds the first legal mortgage to the properties pledged as loan collateral, and has also successfully placed numerous first preservation orders on various properties and other assets owned by the personal and corporate guarantors of the loans. The Group had successfully enforced on part of the defaulted loans during the financial year ended 31 December 2017 which resulted in the partial settlement of outstanding loan receivables during the year and the recognition of penalty interest included as part of property financing revenue income in the profit or loss.

Based on the external valuation of the mortgaged properties and internal assessment of the value of the additional properties and assets owned by the personal and corporate guarantors of the loans which have been the subject of various layers of preservation orders placed by the Group under the various entrusted loan agreements, no impairment was deemed necessary for the outstanding loan principal due and interest accrued at the reporting date.

Based on the aforementioned and historical default rates, the Group believes that the impairment allowance at the reporting date is adequate.

Cash and cash equivalents

Cash and fixed deposits are placed with banks and financial institutions which are regulated. The Group limits its credit risk exposure in respect of investments by only investing in liquid securities and only with counterparties that have a sound credit rating.

Financial guarantees

As at 31 December 2017, the Group has issued guarantees to banks of up to $321,315,000 (2016: $246,812,000) to secure the mortgage arrangements of the buyers of the Group's development properties held for sale. The guarantees would be terminated upon the completion of the transfer of legal title of the properties to the buyers. At the reporting date, the directors did not consider it probable that the Group will sustain a loss under these guarantees as the Group has the authority to sell the property to recover any outstanding loan balance should the buyers default on payment. The Group had not recognised any liabilities in respect of these guarantees.

NOTES TO THE FINANCIAL STATEMENTS

28 FINANCIAL RISK MANAGEMENT (CONT'D)

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as and when they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

Typically, the Group ensures that it maintains sufficient reserves of cash on demand and adequate committed lines of funding from major financial institutions and its shareholders to meet its liquidity requirements in the short and longer term. This excludes the potential impact of extreme circumstances that cannot reasonably be predicted.

The Group has contractual commitments to incur expenditure on its development properties, investment properties and property, plant and equipment (see note 29).

The followings are the expected undiscounted cash outflows of financial liabilities, including interest payments, if any, and excluding netting agreements:

	Carrying amount $'000	Contractual cash flows $'000	Cash flows within 1 year $'000	Cash flows after 1 year but within 5 years $'000	Cash flows after 5 years $'000
Group					
2017					
Non-derivative financial liabilities					
Loans and borrowings	**609,988**	**652,165**	**13,271**	**638,894**	**–**
Trade and other payables	**178,904**	**178,904**	**178,904**	**–**	**–**
Recognised financial liabilities	**788,892**	**831,069**	**192,175**	**638,894**	**–**
Financial guarantees	**–**	**321,315**	**321,315**	**–**	**–**
	788,892	**1,152,384**	**513,490**	**638,894**	**–**
Derivative financial instruments					
Cross currency swaps (gross settled)	**(350)**				
– Outflow		**(128,388)**	**(1,201)**	**(127,187)**	**–**
– Inflow		**128,669**	**2,954**	**125,715**	**–**
Cross currency swaps (gross settled)	**17,290**				
– Outflow		**(462,701)**	**(58,639)**	**(404,062)**	**–**
– Inflow		**441,961**	**60,545**	**381,416**	**–**
2016					
Non-derivative financial liabilities					
Loans and borrowings	356,638	362,368	10,007	321,120	31,241
Trade and other payables	196,254	196,254	196,254	–	–
Recognised financial liabilities	552,892	558,622	206,261	321,120	31,241
Financial guarantees	–	246,812	246,812	–	–
	552,892	805,434	453,073	321,120	31,241
Derivative financial instruments					
Cross currency swap (gross settled)	2,763				
– Outflow		(122,596)	(1,965)	(120,631)	–
– Inflow		119,775	3,640	116,135	–

NOTES TO THE FINANCIAL STATEMENTS

28 FINANCIAL RISK MANAGEMENT (CONT'D)
Liquidity risk (cont'd)

	Carrying amount $'000	Contractual cash flows $'000	Cash flows within 1 year $'000	Cash flows after 1 year but within 5 years $'000	Cash flows after 5 years $'000
Company					
2017					
Non-derivative financial liabilities					
Loans and borrowings	**574,171**	**612,418**	**12,750**	**599,668**	**–**
Trade and other payables	**128,139**	**128,139**	**128,139**	**–**	**–**
Recognised financial liabilities	**702,310**	**740,557**	**140,889**	**599,668**	**–**
Derivative financial instruments					
Cross currency swaps (gross settled)	**(350)**				
Outflow		**(128,388)**	**(1,201)**	**(127,187)**	**–**
Inflow		**128,669**	**2,954**	**125,715**	**–**
Cross currency swaps (gross settled)	**17,290**				
– Outflow		**(462,701)**	**(58,639)**	**(404,062)**	**–**
– Inflow		**441,961**	**60,545**	**381,416**	**–**
2016					
Non-derivative financial liabilities					
Loans and borrowings	325,618	329,026	9,587	319,439	–
Trade and other payables	87,512	87,512	87,512	–	–
Recognised financial liabilities	413,130	416,538	97,099	319,439	–
Derivative financial instruments					
Cross currency swap (gross settled)	2,763				
– Outflow		(122,596)	(1,965)	(120,631)	–
– Inflow		119,775	3,640	116,135	–

The maturity analyses show the contractual undiscounted cash flows of the financial liabilities of the Group and the Company on the basis of their earliest possible contractual maturity.

The interest payments on variable interest rate loans in the table above reflect market forward interest rates at the period end and these amounts may change as market interest rates change. Except for these financial liabilities and the cash flows arising from the financial guarantees issued, it is not expected that the cash flows included in the maturity analyses above could occur significantly earlier, or at significantly different amounts.

NOTES TO THE FINANCIAL STATEMENTS

28 FINANCIAL RISK MANAGEMENT (CONT'D)

Market risk

Market risk is the risk that changes in market prices, such as interest rates and foreign exchange rates, will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

Interest rate risk

The Group's interest rate risk arises primarily from its cash and cash equivalents, trade and other receivables, and loans and borrowings. Presently, the Group does not use derivative financial instruments to hedge its interest rate risk.

Interest rate profile

At the reporting date, the interest rate profile of the interest bearing financial instruments of the Group and the Company were:

	Group Nominal amount		Company Nominal amount	
	2017	**2016**	**2017**	**2016**
	$'000	**$'000**	**$'000**	**$'000**
Fixed rate instruments				
Financial assets	**617,598**	347,087	**115**	66,208
Financial liabilities	**(380,716)**	(110,520)	**(367,904)**	(110,520)
	236,882	236,567	**(367,789)**	(44,312)
Variable rate instruments				
Financial assets	**357,948**	320,628	**662,049**	243,599
Financial liabilities	**(251,965)**	(251,368)	**(216,077)**	(220,264)
	105,983	69,260	**445,972**	23,335

Sensitivity analysis

The Group does not account for any fixed rate financial assets at fair value through profit or loss. Therefore, a change in interest rates at the reporting date would not affect profit or loss.

Cash flow sensitivity analysis for variable rate instruments

A change of 100 (2016: 100) basis points ("bps") in interest rates at the reporting date would have increased/(decreased) profit before tax by the amounts shown below. There is no impact on other components of equity. This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

NOTES TO THE FINANCIAL STATEMENTS

28 FINANCIAL RISK MANAGEMENT (CONT'D)

Market risk (cont'd)

Interest rate risk (cont'd)

Cash flow sensitivity analysis for variable rate instruments (cont'd)

	Profit before tax	
	100 bps increase $'000	100 bps decrease $'000
Group		
31 December 2017		
Variable rate instruments	**1,060**	**(1,060)**
31 December 2016		
Variable rate instruments	693	(693)

	Profit before tax	
	100 bps increase $'000	100 bps decrease $'000
Company		
31 December 2017		
Variable rate instruments	**4,460**	**(4,460)**
31 December 2016		
Variable rate instruments	233	(233)

NOTES TO THE FINANCIAL STATEMENTS

28 FINANCIAL RISK MANAGEMENT (CONT'D)

Market risk (cont'd)

Foreign currency risk

The Group is exposed to foreign currency risk on sales, purchases and borrowings that are denominated in a currency other than the respective functional currencies of the Group entities. The currencies giving rise to this risk are primarily the Euro, Singapore dollar, Renminbi, US dollar, Malaysian Ringgit and Hong Kong dollar.

The exposure of the Group and Company to foreign currencies based on nominal amounts is as follows:

	Euro $'000	Singapore dollar $'000	Renminbi $'000	US dollar $'000	Malaysian Ringgit $'000	Hong Kong dollar $'000
Group						
2017						
Cash and cash equivalents	**3,589**	**44**	**210**	**94**	**–**	**21**
Trade and other receivables	**–**	**–**	**–**	**–**	**44**	**–**
Trade and other payables	**(26)**	**(7)**	**(142)**	**(26)**	**(1,696)**	**(8)**
Intercompany balances	**708,660**	**–**	**–**	**–**	**–**	**–**
Loans and borrowings	**(216,077)**	**–**	**–**	**(181,906)**	**–**	**–**
Net statement of financial position exposure	**496,146**	**37**	**68**	**(181,838)**	**(1,652)**	**13**
Cross currency swaps	**(532,280)**	**–**	**–**	**181,906**	**–**	**–**
Net exposure	**(36,134)**	**37**	**68**	**68**	**(1,652)**	**13**
2016						
Cash and cash equivalents	12,435	44	213	130	–	40
Trade and other receivables	–	–	41,893	5	45	–
Trade and other payables	(402)	(7)	(45)	(6)	(1,672)	(47)
Intercompany balances	266,132	–	–	–	–	–
Loans and borrowings	(220,264)	–	–	–	–	–
Net statement of financial position exposure	57,901	37	42,061	129	(1,627)	(7)
Cross currency swaps	(112,122)	–	–	–	–	–
Net exposure	(54,221)	37	42,061	129	(1,627)	(7)

NOTES TO THE FINANCIAL STATEMENTS

28 FINANCIAL RISK MANAGEMENT (CONT'D)

Market risk (cont'd)

Foreign currency risk (cont'd)

	Euro $'000	Renminbi $'000	US dollar $'000	Hong Kong dollar $'000
Company				
2017				
Cash and cash equivalents	**3,589**	**79**	**48**	**3**
Trade and other receivables	**713,084**	**–**	**–**	**–**
Trade and other payables	**(4,450)**	**(50)**	**(170)**	**(1)**
Loans and borrowings	**(216,077)**	**–**	**(181,906)**	**–**
Net statement of financial position exposure	**496,146**	**29**	**(182,028)**	**2**
Cross currency swaps	**(532,280)**	**–**	**181,906**	**–**
Net exposure	**(36,134)**	**29**	**(122)**	**2**
2016				
Cash and cash equivalents	12,435	80	20	5
Trade and other receivables	266,132	–	–	4
Trade and other payables	(402)	(58)	(30)	(6)
Loans and borrowings	(220,264)	–	–	–
Net statement of financial position exposure	57,901	22	(10)	3
Cross currency swaps	(112,122)	–	–	–
Net exposure	(54,221)	22	(10)	3

Sensitivity analysis

A 10% (2016: 10%) strengthening of the following major currencies against the functional currency of each of the Group's entities at the reporting date would impact the profit before any tax of the Group and the Company by the amounts shown below. A 10% weakening of the above major currencies against the functional currency of each of the Group's entities at the reporting date would have an equal but opposite effect. There is no impact on other components of equity. This analysis assumes that all other variables, in particular interest rates, remain constant.

	Group Increase/ (Decrease) in profit before tax		Company Increase/ (Decrease) in profit before tax	
	2017 $'000	2016 $'000	2017 $'000	2016 $'000
Euro	**(3,613)**	(5,422)	**(3,613)**	(5,422)
Singapore dollar	**4**	4	**–**	–
Renminbi	**7**	4,206	**3**	2
US dollar	**7**	13	**(12)**	(1)
Malaysian Ringgit	**(165)**	(163)	**–**	–
Hong Kong dollar	**1**	(1)	**–**	–

NOTES TO THE FINANCIAL STATEMENTS

28 FINANCIAL RISK MANAGEMENT (CONT'D)

Market risk (cont'd)

Accounting classifications and fair values

Fair values versus carrying amounts

The carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy are set out below. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

		Carrying amount					Fair value	
	Note	Loans and receivables $'000	Available-for-sale $'000	Other financial liabilities $'000	Financial liabilities at fair value through profit or loss $'000	Total $'000	Level 2 $'000	Level 3 $'000
Group								
2017								
Financial assets not measured at fair value								
Trade and other receivables, excluding prepayments	11	717,896	–	–	–	717,896	714,490	
Cash and cash equivalents	13	319,298	–	–	–	319,298		
		1,037,194	–	–	–	1,037,194		
Financial assets measured at fair value								
Derivative assets	8	–	–	–	350	350	350	
Other investments:								
– Available-for-sale equity securities	9	–	23,380	–	–	23,380		23,380
– Structured deposits	9	–	38,863	–	–	38,863	38,863	
		–	62,243	–	350	62,593		
Financial liabilities not measured at fair value								
Loans and borrowings	16	–	–	(609,988)	–	(609,988)		
Trade and other payables	17	–	–	(178,904)	–	(178,904)		
		–	–	(788,892)	–	(788,892)		
Financial liabilities measured at fair value								
Derivative liabilities	8	–	–	–	(17,290)	(17,290)	(17,290)	

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THE FINANCIAL STATEMENTS

28 FINANCIAL RISK MANAGEMENT (CONT'D)
Market risk (cont'd)
Accounting classifications and fair values (cont'd)
Fair values versus carrying amounts (cont'd)

		Carrying amount					Fair value	
	Note	Loans and receivables $'000	Available-for-sale $'000	Other financial liabilities $'000	Financial liabilities at fair value through profit or loss $'000	Total $'000	Level 2 $'000	Level 3 $'000
Group								
2016								
Financial assets not measured at fair value								
Trade and other receivables, excluding prepayments	11	559,086	–	–	–	559,086	555,264	
Cash and cash equivalents	13	280,567	–	–	–	280,567		
		839,653	–	–	–	839,653		
Financial liabilities not measured at fair value								
Loans and borrowings	16	–	–	(356,638)	–	(356,638)		
Trade and other payables	17	–	–	(196,254)	–	(196,254)		
		–	–	(552,892)	–	(552,892)		
Financial liabilities measured at fair value								
Derivative liabilities	8	–	–	–	(2,763)	(2,763)	(2,763)	

NOTES TO THE FINANCIAL STATEMENTS

28 FINANCIAL RISK MANAGEMENT (CONT'D)

Market risk (cont'd)

Accounting classifications and fair values (cont'd)

Fair values versus carrying amounts (cont'd)

		Carrying amount				Fair value
	Note	Loans and receivables $'000	Other financial liabilities $'000	Financial liabilities at fair value through profit or loss $'000	Total $'000	Level 2 $'000
Company						
2017						
Financial assets not measured at fair value						
Trade and other receivables, excluding prepayments	11	**941,566**	**–**	**–**	**941,566**	
Cash and cash equivalents	13	**4,527**	**–**	**–**	**4,527**	
		946,093	**–**	**–**	**946,093**	
Financial assets measured at fair value						
Derivative assets	8	**–**	**–**	**350**	**350**	**350**
Financial liabilities not measured at fair value						
Loans and borrowings	16	**–**	**(574,171)**	**–**	**(574,171)**	
Trade and other payables	17	**–**	**(128,139)**	**–**	**(128,139)**	
		–	**(702,310)**	**–**	**(702,310)**	
Financial liabilities measured at fair value						
Derivative liabilities	8	**–**	**–**	**(17,290)**	**(17,290)**	**(17,290)**
2016						
Financial assets not measured at fair value						
Trade and other receivables, excluding prepayments	11	439,716	–	–	439,716	
Cash and cash equivalents	13	99,896	–	–	99,896	
		539,612	–	–	539,612	
Financial liabilities not measured at fair value						
Loans and borrowings	16	–	(325,618)	–	(325,618)	
Trade and other payables	17	–	(87,512)	–	(87,512)	
		–	(413,130)	–	(413,130)	
Financial liabilities measured at fair value						
Derivative liabilities	8	–	–	(2,763)	(2,763)	(2,763)

NOTES TO THE FINANCIAL STATEMENTS

28 FINANCIAL RISK MANAGEMENT (CONT'D)

Market risk (cont'd)

Measurement of fair value

Valuation techniques and significant unobservable inputs

The following tables show the valuation techniques used in measuring Level 2 and Level 3 fair values, as well as the significant unobservable inputs used.

Financial instruments measured at fair value

Type	Valuation technique	Significant unobservable inputs	Inter-relationship between significant unobservable inputs and fair value measurement
Group			
Available-for-sale financial assets – Equity securities	Net asset value of the investee entity adjusted for the fair value of the underlying properties held by the investee	Discount rate of 0%	An increase in the discount rate would result in a lower fair value measurement.
Available-for-sale financial assets – Structured deposits	Market comparison technique – bank's price quotation	Not applicable	Not applicable
Group and Company			
Cross currency swaps	Market comparison technique – bank's price quotation	Not applicable	Not applicable

Financial instruments not measured at fair value

Type	Valuation technique
Group	
Trade and other receivables, excluding prepayments	Discounted cash flows

Level 3 fair values

The following table shows a reconciliation from the opening balances to the ending balances for Level 3 fair values:

	Group Available-for-sale equity securities $'000
At 1 January 2017	–
Acquisition	27,301
Unrealised losses for the year included in other comprehensive income	(3,949)
Effect of movements in exchange rates	28
At 31 December 2017	23,380

Sensitivity analysis

For the Group's available-for-sale equity securities, a 10% increase in the discount rate applied, where applicable, would have decreased the Group's profit before tax by $6,287,000 and increased the Group's other comprehensive income by $3,949,000 after tax.

29 COMMITMENTS

The Group has the following commitments as at the reporting date:

(a) Capital commitments

	Group	
	2017	**2016**
	$'000	**$'000**
Contracted but not provided for in the financial statements:		
– Expenditure in respect of investment properties and development properties	**68,187**	55,349
– Expenditure in respect of property, plant and equipment	**–**	1,060
– Commitment in respect of an investment in a joint venture	**1,678**	–

(b) Operating lease commitments

Leases as lessee

The Group leases three offices under operating leases. The leases typically run for a period of two to four years, with an option to renew the lease after that date. At the reporting date, the Group has commitments for future minimum lease payments under non-cancellable operating leases as follows:

	Group	
	2017	**2016**
	$'000	**$'000**
Within 1 year	**958**	390
After 1 year but within 5 years	**2,804**	674
After 5 years	**1,058**	–
	4,820	1,064

Leases as lessor

The Group is a lessor in respect of its investment properties. At the reporting date, the Group has non-cancellable operating lease rental receivables as follows:

	Group	
	2017	**2016**
	$'000	**$'000**
Within 1 year	**18,368**	14,244
After 1 year but within 5 years	**76,769**	39,778
After 5 years	**212,932**	105,895
	308,069	159,917

NOTES TO THE FINANCIAL STATEMENTS

30 CONTINGENT LIABILITIES

In 2013, the Group filed a lawsuit in the Sichuan Chengdu Municipal Intermediate People's Court (the "Court") against a contractor engaged for the installation of the external glass curtain wall of its commercial buildings within the Chengdu Cityspring project. The Group claimed for, amongst others, (i) a late completion penalty of $0.3 million (RMB1.6 million); and (ii) a refund of overpayment of $0.7 million (RMB3.4 million). The contractor made a counter-claim for, amongst others, late penalty payment of $2,045 (RMB10,000) per day starting from 30 April 2014 up to the date of payment and an additional payment of $3.6 million (RMB17.5 million). In November 2014, the Group made a further application to the Court to seek further claims for a refund of an overpayment to the contractor of an additional $1.9 million (RMB9.2 million) and to revoke the 17 project confirmation sheets signed by the Group and the contractor.

The Court issued a ruling in May 2016, which both the Group and the contractor appealed against. In October 2017, the Sichuan Provincial High Court issued a final ruling that the Group was liable to pay $2.1 million (RMB10.2 million) (excluding interest) to the contractor. The Group will be submitting an application for a re-trial of the case. The Group has cumulatively accrued for $16.0 million (RMB78.4 million) on the basis that it is an amount that is similar to the amount of the claim made by the contractor, of which $13.0 million (RMB63.6 million) had been paid to the contractor as at 31 December 2017.

31 RELATED PARTIES

Other than as disclosed elsewhere in the financial statements, the transactions with related parties based on terms agreed between the parties are as follows:

	Group	
	2017	**2016**
	$'000	**$'000**
Associates		
Interest income received and receivable	**17,093**	9,336
Consultancy fees received and receivable	**149**	10
Service income received and receivable	**157**	776
Affiliated corporations		
Service income received and receivable	**78**	153
Information technology fees paid and payable	**18**	13
Licence fees, hotel management fees and reservation system fees paid and payable	**56**	66

An affiliated corporation is defined as a corporation:

(a) in which a director of the Group has substantial financial interests or who is in a position to exercise significant influence; and/or

(b) which directly or indirectly, through one or more intermediaries is under the control of a common shareholder.

NOTES TO THE FINANCIAL STATEMENTS

31 RELATED PARTIES (CONT'D)

Transactions with key management personnel

The key management personnel compensation comprises:

	Group 2017 $'000	Group 2016 $'000
Directors' fees	**298**	208
Short-term employee benefits	**5,729**	11,029
Defined contribution plans	**68**	66
	6,095	11,303

32 EMPLOYEE SHARE OPTION SCHEME

On 19 May 2014, the shareholders of the Company adopted a share option scheme known as the First Sponsor Employee Share Option Scheme (the "Share Option Scheme") that entitles eligible participants (which include the non-executive directors) to purchase shares in the Company. The Share Option Scheme shall continue in operation for a maximum period of 10 years commencing from 19 May 2014, and may continue for any further period thereafter with the approval of the shareholders by ordinary resolution in general meeting and of any relevant authorities which may then be required.

The Share Option Scheme is administered by the Administration Committee, comprising members of the Remuneration Committee and the Nominating Committee.

The aggregate number of shares which may be offered by way of grant of options to all controlling shareholders of the Company and their respective associates under the Share Option Scheme shall not exceed 25% of the total number of shares available under the Share Option Scheme, with the number of shares which may be offered by way of granting options to each controlling shareholder of the Company and his respective associate not exceeding 10% of the total number of shares available under the Share Option Scheme.

The exercise price of the options granted under the Share Option Scheme shall be determined at the discretion of the Administration Committee and may be:

(a) set at a discount to a price (the "Market Price") equal to the average of the last dealt prices for the shares on the SGX-ST for the five consecutive market days immediately preceding the relevant date of grant of the relevant option (subject to a maximum discount of 20.0%), in which event, such options may be exercised after the second anniversary from the date of grant of the options; or

(b) fixed at the Market Price. These options may be exercised after the first anniversary of the date of grant of that option.

Options granted under the Share Option Scheme will have a life span of 10 years.

During the years ended 31 December 2017 and 2016, no options have been granted under the Share Option Scheme.

NOTES TO
THE FINANCIAL STATEMENTS

33 SUBSEQUENT EVENTS

(i) On 7 December 2017, the Group, in partnership with its two key shareholders, City Developments Limited and Tai Tak Estates Sendirian Berhad entered into a sales and purchase agreement through a joint venture (the "Joint Venture") for the acquisition of Le Méridien Frankfurt Hotel in Germany.

The acquisition of the hotel was completed on 11 January 2018. The total consideration for this acquisition was $135.8 million (EUR 85.0 million) (the "LMF Consideration"). As at 31 December 2017, the Joint Venture had placed a deposit of $12.6 million (EUR7.9 million) with the seller, of which the Group's pro-rata share was $6.3 million (EUR4.0 million).

The Group's aggregate share of the LMF Consideration amounted to $28.0 million (EUR17.5 million) comprising its *pro rata* share of equity contribution of $8.0 million (EUR5.0 million) and pro-rata share of junior loans of $20.0 million (EUR12.5 million).

(ii) On 25 January 2018, the Group, together with four co-investors (collectively, the "Purchasers"), entered into a sale and purchase agreement to inter alia, acquire the entire equity interest of Hotelmaatschappij Rotterdam B.V. (subsequently renamed to FSMCR Hilton Rotterdam B.V. ("FSMCR")). FSMCR owns the Hilton Rotterdam hotel, a five-star hotel in Rotterdam, the Netherlands, which was valued at $81.5 million (EUR 51.0 million) for the purpose of the acquisition.

The acquisition was completed on 31 January 2018 with the Group owning 24.7% equity interest in FSMCR. The Group has since leased the hotel from FSMCR on a long term basis and acquired the business operations of the hotel with effect from 31 January 2018.

34 COMPARATIVE INFORMATION

Certain comparative information in the financial statements have been adjusted as described below:

The Group has financially supported the expansion plan of its associate, FSMC, via interest bearing loans disbursed pursuant to the acquisition of Queens Bilderberg (Nederland) B.V. ("QBN") in August 2017. Arising from a business review, the Group is of the view that it is more appropriate to classify interest income from loans extended to its Dutch associates as part of its property financing income given that such income would be earned on a recurrent basis. The associated financing costs for such loans are also reclassified to cost of sales. In addition, interest income from counterparties in respect of the cross currency swaps taken up to hedge the Group's investments in its subsidiaries previously offset against the corresponding interest costs incurred on bank borrowings, has been reclassified to finance income. Accordingly, the comparatives have been restated to conform to such presentation.

NOTES TO THE FINANCIAL STATEMENTS

34 COMPARATIVE INFORMATION (CONT'D)

The effects of the restatement on the Group's financial statements are set out below.

	As previously reported $'000	Adjustments $'000	As restated $'000
2016			
Group			
Consolidated statement of profit or loss			
Revenue	189,715	9,336	199,051
Cost of sales	(145,065)	(2,235)	(147,300)
Finance income	28,470	(7,208)	21,262
Finance costs	(8,235)	107	(8,128)
Consolidated statement of cash flows			
Cash flows from operating activities			
– Finance income	(28,470)	7,208	(21,262)
– Finance costs	8,235	(107)	8,128
– Changes in trade and other receivables	40,673	74,558	115,231
– Changes in trade and other payables	52,859	(11,395)	41,464
– Changes in loans and borrowings	–	(49,976)	(49,976)
– Interest received	4,793	13,268	18,061
– Interest paid	–	(2,235)	(2,235)
Cash flows from investing activities			
– Interest received	31,113	(11,140)	19,973
– Loans to associates	(13,630)	13,630	–
– Repayment of loans by an associate	83,894	(83,894)	–
Cash flows from financing activities			
– Interest paid	(4,880)	107	(4,773)
– Proceeds from bank borrowings	669,716	(380,719)	288,997
– Repayment of bank borrowings	(782,609)	430,695	(351,914)

35 ADOPTION OF NEW STANDARDS

A number of new standards are effective for annual periods beginning after 1 January 2017 and earlier application is permitted; however, the Group has not early adopted the new or amended standards in preparing these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

35 ADOPTION OF NEW STANDARDS (CONT'D)

Applicable to financial statements for the year 2018

(a) IFRS 15 *Revenue from Contracts with Customers*

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It also introduces new cost guidance which requires certain costs of obtaining and fulfilling contracts to be recognised as separate assets when specified criteria are met.

The Group plans to use the practical expedients for completed contracts. This means that completed contracts that began and ended in the same comparative reporting period, as well as completed contracts at the beginning of the earliest period presented, are not restated.

The expected impact upon the adoption of IFRS 15 is described below.

(i) Sale of properties

Revenue from sale of properties is currently recognised when the construction of the properties has been completed and they are ready for delivery to the purchasers pursuant to the sale and purchase agreements and the collectability of related receivables are reasonably assured.

The Group does not expect significant changes to the basis of revenue recognition for its development projects.

Significant financing component – There could be deemed financing component arising from the sale of development projects in the PRC due to cash received in advance from the buyers prior to the handing over of the units. Any deemed interest cost would be capitalised as part of the development costs and recognised as cost of sales when the units are handed over to the buyers.

Sales commission – The Group pays sales commission for secured sales contracts. The Group currently recognises the sales commission as an expense in profit or loss when incurred. Under IFRS 15, an entity capitalises incremental costs to obtain a contract with a customer if these costs are recoverable. The capitalised cost will be amortised to match the transfer of the development property to the customer under the contract.

During 2017, the Group has substantially completed its assessment of the impact on these financial statements. Based on its assessment, the impact is not expected to be material therefore no restatement is expected to be required upon adoption of IFRS 15.

(ii) Hotel income

The Group currently recognises hotel revenue from accommodation, sales of food and beverages and other ancillary services at the point which the services are rendered.

The Group does not expect the adoption of IFRS 15 to have a significant impact on the revenue recognition for hotel income.

NOTES TO THE FINANCIAL STATEMENTS

35 ADOPTION OF NEW STANDARDS (CONT'D)

Applicable to financial statements for the year 2018 (cont'd)

(b) IFRS 9 *Financial Instruments*

IFRS 9 contains new requirements for classification and measurement of financial instruments, a new expected credit loss model for calculating impairment of financial assets, and new general hedge accounting requirements.

Changes in accounting policies resulting from the adoption of IFRS 9 will generally be applied by the Group retrospectively.

The expected impact on adoption of IFRS 9 is described below. The information below reflects the Group's expectation of the implications arising from changes in the accounting treatment, however, the actual tax effect may change when the transition adjustments are finalised.

(i) Classification and measurement

Loans and receivables currently accounted for at amortised cost will continue to be accounted for using amortised cost model under IFRS 9.

For financial assets currently designated as available-for-sale financial assets, the Group expect to measure these assets at fair value through profit or loss under IFRS 9.

Accordingly, the fair value reserve will be reclassified to retained earnings as at 1 January 2018, resulting in a decrease to retained earnings by $3,949,000.

(ii) Impairment

IFRS 9 replaces the 'incurred loss' model in IAS 39 with a forward-looking 'expected credit loss' ("ECL") model. This will require considerable judgement as to how changes in economic factors affect ECLs, which will be determined on a probability-weighted basis.

The new impairment model will apply to financial assets measured at amortised cost or FVOCI, except for investments in equity instruments, and to contract assets.

Under IFRS 9, loss allowances will be measured on either of the following bases:

- 12-month ECLs. These are ECLs that result from possible default events within the 12 months after the reporting date; and
- lifetime ECLs. These are ECLs that result from all possible default events over the expected life of a financial instrument.

The Group plans to apply the simplified approach and record lifetime ECL on all trade receivables. On adoption of IFRS 9, the Group does not expect a significant increase to its impairment loss allowance.

NOTES TO THE FINANCIAL STATEMENTS

35 ADOPTION OF NEW STANDARDS (CONT'D)

Applicable to financial statements for the year 2019 and thereafter

The following new IFRSs, amendments to and interpretations of IFRSs are effective for annual periods beginning after 1 January 2018:

Applicable to 2019 financial statements

- IFRS 16 *Leases*
- IFRIC 23 *Uncertainty over Income Tax Treatments*
- *Long-term Interests in Associates and Joint Ventures* (Amendments to IAS 28)

Applicable to 2021 financial statements

- IFRS 17 *Insurance Contracts*

Mandatory effective date deferred

- *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture* (Amendments to IFRS 10 and IAS 28)

The Group is still in the process of assessing the impact of the new IFRSs, amendments to and interpretations of IFRSs on the financial statements. The Group's preliminary assessment of IFRS 16, which is expected to have a more significant impact on the Group, is as described below. The Group also preliminarily assessed that IFRS 17 is not relevant to the Group as the Group does not issue insurance contracts nor account for financial guarantee contracts as insurance contracts.

IFRS 16

IFRS 16 replaces existing lease accounting guidance. IFRS 16 is effective for annual periods beginning on or after 1 January 2019, with early adoption permitted if IFRS 15 is also applied. IFRS 16 eliminates the lessee's classification of leases as either operating leases or finance leases and introduces a single lessee accounting model. Applying the new model, a lessee is required to recognise right-of-use ("ROU") assets and lease liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value.

The Group plans to adopt the standard when it becomes effective in 2019 and expects to apply the standard using the modified retrospective approach. The Group also expects the ROU assets recognised at the date of initial application to be equal to their lease liabilities.

The Group is likely to elect the practical expedient approach of not to reassess whether a contract contains a lease at the date of initial application, 1 January 2019. Accordingly, existing lease contracts that are still effective on 1 January 2019 continue to be accounted for as lease contracts under IFRS 16. The Group has performed a preliminary assessment of the impact on its financial statements based on its existing operating lease arrangements (refer to note 29).

Until 2018, the approximate financial impact of the standard is unknown due to factors that impact calculation of lease liabilities such as discount rate, expected term of leases including renewal options and exemptions for short-term leases. The Group will continue to assess its portfolio of leases to calculate the impending impact of transition to the new standard.

35 ADOPTION OF NEW STANDARDS (CONT'D)

IFRS 16 (cont'd)

The Group as lessee

The Group expects its existing operating lease arrangements to be recognised as ROU assets with corresponding lease liabilities under IFRS 16. The operating lease commitments on an undiscounted basis amount to approximately 0.2% of the consolidated total assets and approximately 0.5% of consolidated total liabilities. Under the new standard, remaining lease payments of the operating leases will be recognised at their present value discounted using appropriate discount rates. In addition, the nature of expenses related to those leases will now change as IFRS 16 replaces the straight-line operating lease expense with depreciation charge of ROU assets and interest expense on lease liabilities.

The Group as lessor

IFRS 16 substantially carries forward the current existing lessor accounting requirements. Accordingly, the Group continues to classify its leases as operating leases or finance leases, and to account for these two types of leases using the existing operating lease and finance lease accounting models respectively. However, IFRS 16 requires more extensive disclosures to be provided by a lessor.

STATISTICS OF ORDINARY SHAREHOLDING

AS AT 16 MARCH 2018

No. of Issued Shares (excluding treasury shares) : **589,814,949 ordinary shares of US$0.10 each**
Voting Rights : **1 vote per share**
No. of Treasury Shares : **Nil**

Size of Shareholdings	No. of Shareholders	%	No. of Shares	%
1 – 99	16	0.76	224	0.00
100 – 1,000	904	42.90	544,068	0.09
1,001 – 10,000	924	43.85	3,458,718	0.59
10,001 – 1,000,000	246	11.68	21,016,203	3.56
1,000,001 and above	17	0.81	564,795,736	95.76
Total	**2,107**	**100.00**	**589,814,949**	**100.00**

TWENTY LARGEST SHAREHOLDERS REGISTERED WITH THE CENTRAL DEPOSITORY (PTE) LIMITED

No.	Name	No. of Shares	%
1	FIRST SPONSOR CAPITAL LIMITED	260,694,791	44.20
2	REPUBLIC HOTELS & RESORTS LIMITED	187,862,460	31.85
3	M&C HOSPITALITY INTERNATIONAL LIMITED	23,594,316	4.00
4	RHB SECURITIES SINGAPORE PTE LTD	20,368,711	3.45
5	DBS NOMINEES PTE LTD	18,542,561	3.14
6	BPSS NOMINEES SINGAPORE (PTE.) LTD.	12,167,349	2.06
7	DBS VICKERS SECURITIES (SINGAPORE) PTE LTD	7,105,200	1.20
8	ARARAT HOLDINGS LIMITED	6,967,000	1.18
9	MAGNIFICENT OPPORTUNITY LIMITED	6,485,000	1.10
10	MELLFORD PTE LTD	6,450,000	1.09
11	CITIBANK NOMINEES SINGAPORE PTE LTD	3,362,098	0.57
12	JCL CAPITAL PTE LTD	2,930,000	0.50
13	HOCKSONS PTE LTD	2,220,000	0.38
14	OCBC SECURITIES PRIVATE LTD	1,786,250	0.30
15	HO HAN LEONG CALVIN	1,700,000	0.29
16	HOCK ANN (SPORTS) PTE LIMITED	1,520,000	0.26
17	ONG KIAN GIAP DANIEL	1,040,000	0.18
18	CHATMORE INVESTMENTS LIMITED	1,000,000	0.17
19	HO HAN KHOON	900,000	0.15
20	LEE SAU HUN	900,000	0.15
	Total:	**567,595,736**	**96.22**

SHAREHOLDING IN THE HANDS OF THE PUBLIC AS AT 16 MARCH 2018

The percentage of shareholding in the hands of the public was approximately 14.38% of the total number of issued and fully paid-up ordinary shares of the Company. Accordingly, Rule 723 of the Listing Manual of the Singapore Exchange Securities has been complied with.

STATISTICS OF ORDINARY SHAREHOLDING

AS AT 16 MARCH 2018

SUBSTANTIAL SHAREHOLDERS

	Shares			
	Direct Interest		Deemed Interest	
	Number of Shares	% of Issued Shares	Number of Shares	% of Issued Shares
Ho Han Leong Calvin(1)	1,700,000	0.29	265,264,991	44.97
Ho Han Khoon(2)	900,000	0.15	260,694,791	44.20
Neo Teck Pheng(3)	–	–	274,146,791	46.48
First Sponsor Capital Limited	260,694,791	44.20	–	–
Tai Tak Asia Properties Limited(4)	–	–	265,264,991	44.97
Tai Tak Industries Pte. Ltd.(5)	–	–	265,264,991	44.97
Tai Tak Estates Sendirian Berhad(6)	–	–	265,264,991	44.97
SG Investments Pte. Ltd.(7)	–	–	265,264,991	44.97
First Sponsor Management Limited(8)	–	–	260,694,791	44.20
TT Properties (Asia) Ltd.(9)	–	–	260,694,791	44.20
Republic Hotels & Resorts Limited	187,862,460	31.85	–	–
M&C Hotel Investments Pte. Ltd.(10)	–	–	187,862,460	31.85
M&C Hospitality International Limited(11)	23,594,316	4.00	187,862,460	31.85
M&C Singapore Holdings (UK) Limited(12)	–	–	211,456,776	35.85
Millennium & Copthorne Hotels plc(13)	–	–	211,456,776	35.85
Singapura Developments (Private) Limited(14)	–	–	211,456,776	35.85
City Developments Limited(15)	–	–	211,456,776	35.85
Hong Leong Investment Holdings Pte. Ltd.(16)	–	–	211,456,776	35.85

Notes:

(1) Mr Ho Han Leong Calvin is deemed under Section 4 of the Securities and Futures Act, Chapter 289 ("SFA") to have an interest in 265,264,991 ordinary shares of the Company ("Shares") held directly by First Sponsor Capital Limited and Chengdu Tianfu Properties Ltd., which holds 260,694,791 Shares and 4,570,200 Shares respectively. These two entities are entities in which he is entitled to exercise or control the exercise of not less than 20% of the votes attached to the voting shares thereof. He is also deemed interested in the Shares held indirectly by Tai Tak Asia Properties Limited, Tai Tak Industries Pte. Ltd., Tai Tak Estates Sendirian Berhad, SG Investments Pte. Ltd., First Sponsor Management Limited and TT Properties (Asia) Ltd., in which he is entitled to exercise or control the exercise of not less than 20% of the votes attached to the voting shares thereof.

(2) Mr Ho Han Khoon is deemed under Section 4 of the SFA to have an interest in 260,694,791 Shares held directly by First Sponsor Capital Limited and indirectly by First Sponsor Management Limited and TT Properties (Asia) Ltd., in which he is entitled to exercise or control the exercise of not less than 20% of the votes attached to the voting shares thereof.

(3) Mr Neo Teck Pheng is deemed under Section 4 of the SFA to have an interest in 274,146,791 Shares held directly by First Sponsor Capital Limited, Ararat Holdings Limited and Magnificent Opportunity Limited, which holds 260,694,791 Shares, 6,967,000 Shares and 6,485,000 Shares respectively. These three entities are entities in which he is entitled to exercise or control the exercise of not less than 20% of the votes attached to the voting shares thereof. He is deemed interested in the Shares held indirectly by First Sponsor Management Limited, in which he is entitled to exercise or control the exercise of not less than 20% of the votes attached to the voting shares thereof.

(4) Tai Tak Asia Properties Limited is deemed under Section 4 of the SFA to have an interest in 265,264,991 Shares held directly by First Sponsor Capital Limited and Chengdu Tianfu Properties Ltd., which holds 260,694,791 Shares and 4,570,200 Shares respectively, in which it is entitled to exercise or control the exercise of not less than 20% of the votes attached to the voting shares thereof.

(5) Tai Tak Industries Pte. Ltd. is deemed under Section 4 of the SFA to have an interest in 265,264,991 Shares held indirectly by Tai Tak Asia Properties Limited, in which it is entitled to exercise or control the exercise of not less than 20% of the votes attached to the voting shares thereof.

(6) Tai Tak Estates Sendirian Berhad is deemed under Section 4 of the SFA to have an interest in 265,264,991 Shares held indirectly by Tai Tak Industries Pte. Ltd., in which it is entitled to exercise or control the exercise of not less than 20% of the votes attached to the voting shares thereof.

STATISTICS OF ORDINARY SHAREHOLDING

AS AT 16 MARCH 2018

(7) SG Investments Pte. Ltd. is deemed under Section 4 of the SFA to have an interest in 265,264,991 Shares held indirectly by Tai Tak Estates Sendirian Berhad, in which it is entitled to exercise or control the exercise of not less than 20% of the votes attached to the voting shares thereof.

(8) First Sponsor Management Limited is deemed under Section 4 of the SFA to have an interest in 260,694,791 Shares held directly by First Sponsor Capital Limited, in which it is entitled to exercise or control the exercise of not less than 20% of the votes attached to the voting shares thereof.

(9) TT Properties (Asia) Ltd. is deemed under Section 4 of the SFA to have an interest in 260,694,791 Shares held indirectly by First Sponsor Management Limited, in which it is entitled to exercise or control the exercise of not less than 20% of the votes attached to the voting shares thereof.

(10) M&C Hotel Investments Pte. Ltd. is deemed under Section 4 of the SFA to have an interest in 187,862,460 Shares held directly by Republic Hotels & Resorts Limited, in which it is entitled to exercise or control the exercise of not less than 20% of the votes attached to the voting shares thereof.

(11) M&C Hospitality International Limited is deemed under Section 4 of the SFA to have an interest in 187,862,460 Shares held indirectly by M&C Hotel Investments Pte. Ltd., in which it is entitled to exercise or control the exercise of not less than 20% of the votes attached to the voting shares thereof.

(12) M&C Singapore Holdings (UK) Limited is deemed under Section 4 of the SFA to have an interest in 211,456,776 Shares held directly and indirectly by M&C Hospitality International Limited, in which it is entitled to exercise or control the exercise of not less than 20% of the votes attached to the voting shares thereof.

(13) Millennium & Copthorne Hotels plc is deemed under Section 4 of the SFA to have an interest in 211,456,776 Shares held indirectly by M&C Singapore Holdings (UK) Limited, in which it is entitled to exercise or control the exercise of not less than 20% of the votes attached to the voting shares thereof.

(14) Singapura Developments (Private) Limited is deemed under Section 4 of the SFA to have an interest in 211,456,776 Shares, held indirectly by Millennium & Copthorne Hotels plc, in which it is entitled to exercise or control the exercise of not less than 20% of the votes attached to the voting shares thereof.

(15) City Developments Limited is deemed under Section 4 of the SFA to have an interest in 211,456,776 Shares held indirectly by Singapura Developments (Private) Limited, in which it is entitled to exercise or control the exercise of not less than 20% of the votes attached to the voting shares thereof.

(16) Hong Leong Investment Holdings Pte. Ltd. is deemed under Section 4 of the SFA to have an interest in 211,456,776 Shares held indirectly by City Developments Limited, in which it is entitled to exercise or control the exercise of not less than 20% of the votes attached to the voting shares thereof.

NOTICE OF
ANNUAL GENERAL MEETING

FIRST SPONSOR GROUP LIMITED
(Company Registration No. AT-195714)
(Incorporated in the Cayman Islands on 24 September 2007)

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Annual General Meeting of First Sponsor Group Limited (the "**Company**") will be held at Grand Copthorne Waterfront Hotel Singapore, Riverfront Ballroom, Level 3, 392 Havelock Road, Singapore 169663 on Tuesday, 24 April 2018 at 3.00 p.m. to transact the following businesses:

AS ORDINARY BUSINESS

1. To receive and adopt the Audited Financial Statements of the Company for the financial year ended 31 December 2017, the Directors' Statement and the Auditors' Report thereon. **(Resolution 1)**

2. To declare a final tax-exempt (one-tier) dividend of 1.20 Singapore cents per ordinary share in the capital of the Company ("**Share**") for the financial year ended 31 December 2017. **(Resolution 2)**

3. To approve the Directors' fees of S$298,000 for the financial year ending 31 December 2018 (payable quarterly in arrears) (2017: S$298,000). **(Resolution 3)**

4. To re-elect the following Directors who are retiring pursuant to Article 86(1) of the Company's Articles of Association and who, being eligible, offer themselves for re-election:

   (i) Ms Ting Ping Ee, Joan Maria (See Explanatory Note 1) **(Resolution 4)**

   (ii) Mr Yee Chia Hsing (See Explanatory Note 2) **(Resolution 5)**

5. To re-appoint KPMG LLP as Auditors of the Company for the financial year ending 31 December 2018 and to authorise the Directors to fix their remuneration. **(Resolution 6)**

AS SPECIAL BUSINESS

To consider and, if thought fit, to pass with or without modifications the following as an ordinary resolution:

6. **AUTHORITY TO ISSUE SHARES**

   "That, authority be and is hereby given to the Directors of the Company to:

   (a) (i) issue Shares whether by way of bonus, rights or otherwise; and/or

   (ii) make or grant offers, agreements or options (collectively, "**Instruments**") that might or would require Shares to be issued, including but not limited to the creation and issue of (as well as adjustments to) warrants, options, debentures or other instruments convertible into Shares; and/or

NOTICE OF
ANNUAL GENERAL MEETING

(iii) issue additional Instruments arising from adjustments made to the number of Instruments previously issued in the event of rights, bonus or capitalisation issue,

at any time and upon such terms and conditions and for such purposes and to such persons as the Directors may in their absolute discretion deem fit; and

(b) (notwithstanding that the authority conferred by this Resolution may have ceased to be in force) issue Shares in pursuance of any Instrument made or granted by the Directors while this Resolution was in force,

provided that:

(i) the aggregate number of Shares to be issued pursuant to this Resolution (including Shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution) shall not exceed fifty per cent. (50%) of the total number of issued Shares (excluding treasury shares) or such other limit as may be prescribed by the SGX-ST at the time of passing of this Resolution;

(ii) the aggregate number of Shares (including Shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution) to be issued other than on a pro-rata basis to shareholders of the Company shall not exceed twenty per cent. (20%) of the total number of issued Shares (excluding treasury shares) or such other limit as may be prescribed by the SGX-ST at the time of passing of this Resolution;

(iii) (subject to such manner of calculation as may be prescribed by the SGX-ST) for the purpose of determining the aggregate number of Shares that may be issued under sub-paragraphs (i) and (ii) above, the total number of issued Shares (excluding treasury shares) shall be based on the total number of issued Shares (excluding treasury shares) at the time of passing of this Resolution after adjusting for any new Shares arising from the conversion or exercise of any convertible securities or share options or vesting of share awards which are outstanding or subsisting at the time of passing of this Resolution and any subsequent bonus issue, consolidation or subdivision of the Shares; and

(iv) unless revoked or varied by the Company in general meeting, such authority shall continue in force until the conclusion of the next Annual General Meeting or the date by which the next Annual General Meeting is required by law to be held, whichever is earlier." (See Explanatory Note 3)

(Resolution 7)

NOTICE OF
ANNUAL GENERAL MEETING

7. To transact any other business which may be properly transacted at an Annual General Meeting.

BY ORDER OF THE BOARD

Goh Siew Geok
Company Secretary

6 April 2018
Singapore

Explanatory Notes:

1. Resolution 4 – Ms Ting Ping Ee, Joan Maria will, upon re-election as Director of the Company, continue to serve as Chairperson of the Nominating Committee and member of the Audit and Remuneration Committees. She is considered an independent Director.

2. Resolution 5 – Mr Yee Chia Hsing will, upon re-election as Director of the Company, continue to serve as Chairman of the Audit Committee and member of the Nominating Committee. He is considered an independent director.

3. Resolution 7 – is to empower the Directors of the Company to issue Shares and/or Instruments. The aggregate number of Shares to be issued pursuant to Resolution 7 (including Shares to be issued in pursuance of Instruments made or granted) shall not exceed fifty per cent. (50%) of the total number of issued Shares (excluding treasury shares), with a sub-limit of twenty per cent. (20%) for Shares issued other than on a pro-rata basis (including Shares to be issued in pursuance of Instruments made or granted pursuant to Resolution 7) to shareholders. For the purpose of determining the aggregate number of Shares that may be issued, the percentage of the total number of issued Shares (excluding treasury shares) will be based on the total number of issued Shares (excluding treasury shares) at the time of the passing of Resolution 7, after adjusting for (i) new Shares arising from the conversion or exercise of any convertible securities; (ii) new Shares arising from the exercise of share options or vesting of share awards outstanding or subsisting at the time of the passing of Resolution 7; and (iii) any subsequent bonus issue, consolidation or subdivision of Shares. The authority conferred by Resolution 7 will continue in force until the next Annual General Meeting is held or is required by law to be held, whichever is earlier, unless previously varied or revoked by the Company in a general meeting.

Notes:

1. (a) A Shareholder who is not a Depositor whose name appears in the Register (as defined in the Articles of Association of the Company) is entitled to appoint not more than two proxies to attend and vote in his/her stead at the Annual General Meeting.

   (b) A Shareholder who is a Depositor whose name appears in the Register may nominate not more than two appointees to attend and vote in his/her place as proxy for The Central Depository (Pte) Limited at the Annual General Meeting.

2. A proxy need not be a Shareholder of the Company.

NOTICE OF ANNUAL GENERAL MEETING

3. A Shareholder who wishes to appoint more than one proxy/appointee must specify in the instrument of proxy the proportion of the shareholding (expressed as a percentage of the whole) to be represented by each proxy/appointee. If no percentage is specified, the proxy/appointee whose name appears first shall be deemed to carry 100 per cent. of the shareholding of his/her appointer and the proxy/appointee whose name appears second shall deemed to be an alternate to the first-named.

4. If the appointor is a corporation, the Proxy Form/Depositor Proxy Form must be executed under its seal or under the hand of its officer or attorney duly authorised in writing.

5. The Proxy Form/Depositor Proxy Form must be duly completed, signed and deposited at the office of the Company's Share Registrar and Share Transfer Office in Singapore either by hand at 80 Robinson Road, #11-02 Singapore 068898 or by post at 80 Robinson Road, #02-00 Singapore 068898, not less than forty-eight (48) hours before the time appointed for holding the Annual General Meeting.

BOOKS CLOSURE DATE AND PAYMENT DATE FOR FINAL DIVIDEND

Subject to the approval of shareholders for the final dividend being obtained at the Annual General Meeting, the Register of Members and Share Transfer Books of the Company will be closed on 30 April 2018 at 5.00 p.m. to determine shareholders' entitlements to the proposed dividend.

Duly completed transfers of shares received by the Company's Share Registrar, Tricor Barbinder Share Registration Services (a business division of Tricor Singapore Pte. Ltd.) at 80 Robinson Road, #02-00 Singapore 068898, up to 5.00 p.m. on 30 April 2018 will be registered to determine shareholders' entitlements to the proposed dividend. Subject as aforesaid, shareholders whose securities accounts with The Central Depository (Pte) Limited are credited with shares of the Company as at 5.00 p.m. on 30 April 2018 will be entitled to the proposed dividend.

The proposed dividend, if approved by the shareholders at the Annual General Meeting, will be paid on 15 May 2018.

Personal data privacy:

*By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the Annual General Meeting of the Company and/or any adjournment thereof, a shareholder of the Company (i) consents to the collection, use and disclosure of the shareholder's personal data by the Company (or its agents or service providers) for the purpose of the processing, administration and analysis by the Company (or its agents or service providers) of proxies and representatives appointed for the Annual General Meeting of the Company (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the Annual General Meeting of the Company (including any adjournment thereof), and in order for the Company (or its agents or service providers) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the "**Purposes**"), (ii) warrants that where the shareholder discloses the personal data of the shareholder's proxy(ies) and/or representative(s) to the Company (or its agents or service providers), the shareholder has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents or service providers) of the personal data of such proxy(ies) and/or representative(s) for the Purposes, and (iii) agrees that the shareholder will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the shareholder's breach of warranty.*

FIRST SPONSOR GROUP LIMITED
(Incorporated in the Cayman Islands)
(Company Registration Number: AT-195714)

PROXY FORM
ANNUAL GENERAL MEETING

*I/We ______________________________ (Name), ____________________ (NRIC/Passport/Co. Reg No.)

of ____ (Address)

being *a member/members of First Sponsor Group Limited (the "**Company**"), hereby appoint:–

	Name	Address	NRIC/ Passport No.	Proportion of shareholdings to be represented by proxy	
				No. of shares	(%)
(a)					

and/or (delete as appropriate)

(b)					

or, failing whom, the Chairman of the annual general meeting of the Company ("**AGM**") as *my/our *proxy/proxies to attend, speak and vote for *me/us on *my/our behalf at the AGM to be held at Grand Copthorne Waterfront Hotel Singapore, Riverfront Ballroom, Level 3, 392 Havelock Road, Singapore 169663 on Tuesday, 24 April 2018 at 3.00 p.m. and at any adjournment thereof.

Voting will be conducted by poll. If you wish to exercise all your votes "For" or "Against", please indicate with an "X" in the appropriate box. Alternatively, please indicate the number of votes "For" or "Against" each resolution. If this Proxy Form is deposited without any indication as to how the *proxy/proxies are to vote, the *proxy/proxies may vote or abstain from voting at *his/her/their discretion on any of the resolutions and on any other matter arising at the AGM and at any adjournment thereof.

No.	Resolutions	For	Against
Ordinary Business			
1.	To receive and adopt the Audited Financial Statements for the financial year ended 31 December 2017, the Directors' Statement and the Auditors' Report thereon.		
2.	To declare a final tax-exempt (one-tier) dividend of 1.20 Singapore cents per ordinary share in the capital of the Company ("**Share**").		
3.	To approve the Directors' fees of S$298,000 for the financial year ending 31 December 2018 (payable quarterly in arrears) (2017: S$298,000).		
4.	To re-elect Ms Ting Ping Ee, Joan Maria as a Director.		
5.	To re-elect Mr Yee Chia Hsing as a Director.		
6.	To re-appoint KPMG LLP as Auditors of the Company and to authorise the Directors to fix their remuneration.		
Special Business			
7.	To authorise the Directors to allot and issue Shares.		

* Delete accordingly

Total No. of Shares held

Dated this ____________ day of __________________ 2018

____
Signature(s) of individual Shareholder/
Common Seal of corporate Shareholder

IMPORTANT: PLEASE READ NOTES BELOW

Notes:

1. A Shareholder entitled to attend and vote at the AGM is entitled to appoint another person as his/her proxy to attend and vote for him/her. A Shareholder who is the holder of two or more Shares may appoint not more than two (2) proxies to attend and vote in his/her stead provided that if the Shareholder is the Depository (as defined in the Company's articles of association), the Depository may appoint more than two (2) proxies to attend and vote in its stead.

2. A proxy need not be a Shareholder of the Company.

3. A Shareholder who wishes to appoint more than one proxy must specify the proportion of the shareholding (expressed as a percentage of the whole) to be represented by each proxy. If no percentage is specified, the proxy whose name appears first shall be deemed to carry 100 per cent. of the shareholding of his/her appointer and the proxy whose name appears second shall be deemed to be an alternate to the first-named.

4. If the appointor is a corporation, the Proxy Form must be executed under its seal or under the hand of its officer or attorney duly authorised in writing.

5. The Proxy Form must be duly completed, signed and deposited at the office of the Company's Share Registrar and Share Transfer Office in Singapore, Tricor Barbinder Share Registration Services (A division of Tricor Singapore Pte. Ltd.), either by hand at 80 Robinson Road, #11-02 Singapore 068898 or by post to 80 Robinson Road, #02-00 Singapore 068898, not less than forty-eight (48) hours before the time appointed for the AGM.

GENERAL

Completion and return of this Proxy Form will not prevent the Shareholder from attending and voting in person at the AGM if the Shareholder subsequently wishes to do so. The Company shall be entitled to reject any Proxy Form which is incomplete, improperly completed or illegible. It is the Shareholder(s)' responsibility to ensure that this Proxy Form is properly completed in all respects. Any decision to reject this Proxy Form on the grounds that it is incomplete, improperly completed or illegible will be final and binding and neither the Company nor Tricor Barbinder Share Registration Services accepts any responsibility for the consequences of such a decision.

PERSONAL DATA PROTECTION ACT CONSENT

By submitting an instrument appointing a proxy(ies) and/or representative(s), the member accepts and agrees to the personal data privacy terms set out in the Notice of AGM dated 6 April 2018.

FIRST SPONSOR GROUP LIMITED
Company Registration No.: AT-195714
Incorporated in the Cayman Islands on 24 September 2007
63 Market Street #06-03
Bank of Singapore Centre
Singapore 048942