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

UNAUDITED THIRD QUARTER AND NINE-MONTH FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 2017

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

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

	The Group Third quarter ended 30 September		Incr / (Decr)	The Group 9-month period ended 30 September		Incr / (Decr)
	2017	2016 (Restated)		2017	2016 (Restated)	
	S$'000	S$'000	%	S$'000	S$'000	%
Revenue	64,821	82,431	(21.4)	204,113	175,340	16.4
Cost of sales	(35,177)	(58,022)	(39.4)	(124,701)	(118,544)	5.2
Gross profit	29,644	24,409	21.4	79,412	56,796	39.8
Administrative expenses	(5,691)	(4,310)	32.0	(17,133)	(16,137)	6.2
Selling expenses	(997)	(602)	65.6	(5,120)	(5,110)	0.2
Other income/(expenses)	2,590	1,420	82.4	(2,582)	750	n.m.
Other gains/(losses)	6	(453)	n.m.	(40)	(507)	(92.1)
Results from operating activities	25,552	20,464	24.9	54,537	35,792	52.4
Finance income	4,006	4,337	(7.6)	11,184	13,758	(18.7)
Finance costs	(1,734)	(1,404)	23.5	(5,193)	(4,180)	24.2
Net finance income	2,272	2,933	(22.5)	5,991	9,578	(37.5)
Share of after-tax profit of associates	90	187	(51.9)	1,008	7,205	(86.0)
Profit before tax	27,914	23,584	18.4	61,536	52,575	17.0
Tax expense	(5,772)	(3,958)	45.8	(15,794)	(11,345)	39.2
Profit for the period	22,142	19,626	12.8	45,742	41,230	10.9
Attributable to:						
Equity holders of the Company	22,020	19,333	13.9	45,623	40,174	13.6
Non-controlling interests	122	293	(58.4)	119	1,056	(88.7)
Profit for the period	22,142	19,626	12.8	45,742	41,230	10.9
Earnings per share (cents)						
- **basic**	3.73	3.28	13.9	7.74	6.81	13.6
- **diluted**	3.73	3.28	13.9	7.74	6.81	13.6

n.m.: not meaningful

Consolidated Statement of Comprehensive Income

	The Group Third quarter ended 30 September		The Group 9-month period ended 30 September	
	2017	2016	2017	2016
	S$'000	S$'000	S$'000	S$'000
Profit for the period	22,142	19,626	45,742	41,230
Other comprehensive income				
Items that are or may be reclassified subsequently to profit or loss:				
Share of translation differences on financial statements of foreign associates, net of tax	814	347	913	(261)
Translation differences on financial statements of foreign subsidiaries, net of tax	5,186	1,214	(14,382)	(64,993)
Translation differences on monetary items forming part of net investment in foreign subsidiaries, net of tax	567	86	(631)	(3,824)
Other comprehensive income for the period, net of tax	6,567	1,647	(14,100)	(69,078)
Total comprehensive income for the period	28,709	21,273	31,642	(27,848)
Total comprehensive income attributable to:				
Equity holders of the Company	28,399	20,915	31,785	(28,847)
Non-controlling interests	310	358	(143)	999
Total comprehensive income for the period	28,709	21,273	31,642	(27,848)

Notes to the Group's Income Statement:

Profit before tax includes the following:

	The Group Third quarter ended 30 September		The Group 9-month period ended 30 September	
	2017	**2016**	**2017**	**2016**
	S$'000	**S$'000**	**S$'000**	**S$'000**
Other gains/(losses) comprise:				
Property, plant and equipment written off	-	-	-	(4)
Gain on disposal of property, plant and equipment	6	-	6	-
Loss on disposal of investment properties	-	(204)	(46)	(254)
Others	-	(249)	-	(249)
	6	(453)	(40)	(507)
Profit before income tax includes the following expenses/(income):				
Depreciation of property, plant and equipment	1,275	367	3,823	1,081
Exchange gain (net)	(9,560)	(266)	(11,373)	(483)
Hotel and hotspring pre-opening expenses	182	521	182	521
Impairment loss on investment property	-	-	602	-
Impairment loss on trade receivables	-	-	13	-
Operating lease expenses	120	104	320	314
Net investment return from a PRC government linked entity	-	(459)	(403)	(1,402)

1(b)(i) A statement of financial position (for the issuer and group), together with a comparative statement as at the end of the immediately preceding financial year.

	The Group		The Company	
	As at 30 September 2017 S$'000	As at 31 December 2016 S$'000	As at 30 September 2017 S$'000	As at 31 December 2016 S$'000
Non-current assets				
Property, plant and equipment	229,865	234,537	383	367
Investment properties	279,683	231,197	-	-
Interests in subsidiaries	-	-	654,491	694,808
Interests in associates	55,922	55,055	-	-
Financial asset	27,378	-	-	-
Deferred tax assets	21,286	16,694	-	-
Other receivables	162,403	185,938	293,372	209,912
	776,537	723,421	948,246	905,087
Current assets				
Development properties	334,944	403,199	-	-
Inventories	165	80	-	-
Trade and other receivables	499,765	388,877	530,758	229,837
Cash and cash equivalents	405,167	280,567	1,757	99,896
	1,240,041	1,072,723	532,515	329,733
Total assets	2,016,578	1,796,144	1,480,761	1,234,820
Equity				
Share capital	73,640	736,404	73,640	736,404
Reserves	970,938	288,185	788,397	82,511
Equity attributable to owners of the Company	1,044,578	1,024,589	862,037	818,915
Non-controlling interests	4,965	5,108	-	-
Total equity	1,049,543	1,029,697	862,037	818,915
Non-current liabilities				
Loans and borrowings	468,487	347,186	435,568	316,166
Derivative liabilities	11,882	2,763	11,882	2,763
Deferred tax liabilities	7,010	6,446	-	-
Other payables	12,906	-	-	-
	500,285	356,395	447,450	318,929
Current liabilities				
Trade and other payables	127,933	196,254	121,940	87,512
Receipts in advance	271,398	189,735	-	-
Loans and borrowings	45,191	9,452	45,191	9,452
Derivative liability	4,143	-	4,143	-
Current tax payables	18,085	14,611	-	12
	466,750	410,052	171,274	96,976
Total liabilities	967,035	766,447	618,724	415,905
Total equity and liabilities	2,016,578	1,796,144	1,480,761	1,234,820

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

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

	The Group	
	As at 30 September 2017 S$'000	**As at 31 December 2016 S$'000**
Unsecured		
- repayable within one year	45,191	9,452
- repayable after one year	435,568	316,166
Total	480,759	325,618
Secured		
- repayable within one year	-	-
- repayable after one year	32,919	31,020
Total	32,919	31,020
Grand total	**513,678**	**356,638**
Gross borrowings	521,804	361,894
Less: cash and cash equivalents as shown in the consolidated statement of financial position	(405,167)	(280,567)
Net borrowings	116,637	81,327

Details of any collateral

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

1(c) **A statement of cash flows (for the group), together with a comparative statement for the corresponding period of the immediately preceding financial year.**

	The Group		The Group	
	Third quarter ended 30 September		9-month period ended 30 September	
	2017	2016	2017	2016
	S$'000	S$'000 (Restated)	S$'000	S$'000 (Restated)
Cash flows from operating activities				
Profit for the period	22,142	19,626	45,742	41,230
Adjustments for:				
Depreciation of property, plant and equipment	1,275	367	3,823	1,081
Fair value loss/(gain) on derivative instruments	6,610	608	13,261	(1,561)
Finance income	(4,006)	(4,337)	(11,184)	(13,758)
Finance costs	1,734	1,404	5,193	4,180
Impairment loss of investment properties	-	-	602	-
Loss on disposal of investment properties	-	204	46	254
Gain on disposal of property, plant and equipment	(6)	-	(6)	-
Impairment loss on trade receivables	-	-	13	-
Property, plant and equipment written off	-	-	-	4
Share of after-tax profit of associates	(90)	(187)	(1,008)	(7,205)
Tax expense	5,772	3,958	15,794	11,345
	33,431	21,643	72,276	35,570
Changes in:				
Development properties	15,195	21,256	64,990	32,951
Inventories	29	(2)	(86)	54
Trade and other receivables	(260,792)	(5,214)	(296,030)	113,067
Trade and other payables	(2,492)	38,707	(40,423)	(19,955)
Loans and borrowings	282,888	1,524	297,727	(69,755)
Receipts in advance	10,842	(48,232)	84,665	(50,365)
Cash generated from operations	79,101	29,682	183,119	41,567
Interest received	11,256	4,906	16,894	18,454
Interest paid	(1,305)	(526)	(2,280)	(1,683)
Tax paid	(5,429)	(4,016)	(16,380)	(15,490)
Net cash from operating activities	83,623	30,046	181,353	42,848

	The Group Third quarter ended 30 September		The Group 9-month period ended 30 September	
	2017 S$'000	2016 S$'000 (Restated)	2017 S$'000	2016 S$'000 (Restated)
Cash flows from investing activities				
Payment for investment in available-for-sale financial asset	(2,752)	-	(23,690)	-
Interest received	4,346	4,290	11,525	12,235
Payment for additions to:				
- investment properties	(41,185)	(45)	(41,196)	(2,691)
- property, plant and equipment	(2,451)	(37,940)	(3,334)	(63,584)
Proceeds from disposal of:				
- investment properties	-	344	351	744
- property, plant and equipment	18	-	18	-
Repayment of loans by a third party	4,277	4,294	114,246	13,173
Proceeds from disposal of a subsidiary	1,014	-	2,198	-
Receipt of deferred consideration from dilution of interest in subsidiaries	-	48,592	41,000	48,592
Receipt of investment principal and returns from a PRC government linked entity	-	(23)	9,663	2,091
Net cash (used in)/from investing activities	(36,733)	19,512	110,781	10,560
Cash flows from financing activities				
Decrease in restricted cash	-	-	263	-
Dividends paid to the owners of the Company	(5,898)	(5,898)	(11,796)	(11,796)
Interest paid	(2,395)	(804)	(3,893)	(2,731)
Payment of transaction costs related to borrowings	(2,395)	(1,716)	(4,895)	(4,605)
Proceeds from bank borrowings	236,414	57,996	609,984	203,608
Repayment of bank borrowings	(250,244)	(102,517)	(706,284)	(213,330)
Redemption of medium term notes	-	-	(50,000)	-
Return of capital from associates	-	-	1,006	-
Net cash used in financing activities	(24,518)	(52,939)	(165,615)	(28,854)
Net increase/(decrease) in cash and cash equivalents	22,372	(3,381)	126,519	24,554
Cash and cash equivalents at beginning of the period	379,663	132,159	280,304	112,044
Effect of exchange rate changes on balances held in foreign currencies	3,132	1,267	(1,656)	(6,553)
Cash and cash equivalents at end of the period	405,167	130,045	405,167	130,045

1(d)(i) A statement (for the issuer and group) showing either (i) all changes in equity or (ii) changes in equity other than those arising from capitalisation issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial year.

The Group	Share capital S$'000	Share premium S$'000	Statutory reserve S$'000	Capital reserve S$'000	Distributable reserve S$'000	Foreign currency translation reserve S$'000	Retained earnings S$'000	Total attributable to equity holders of the Company S$'000	Non-controlling interests S$'000	Total Equity S$'000
At 1 January 2017	736,404	9,609	27,445	225	-	53,923	196,983	1,024,589	5,108	1,029,697
Capital reduction	(662,764)	-	-	-	662,764	-	-	-	-	-
Total comprehensive income for the period										
Profit for the period	-	-	-	-	-	-	45,623	45,623	119	45,742
Other comprehensive income										
Share of translation differences on financial statements of foreign associates, net of tax	-	-	-	-	-	913	-	913	-	913
Translation differences on financial statements of foreign subsidiaries, net of tax	-	-	-	-	-	(14,120)	-	(14,120)	(262)	(14,382)
Translation differences on monetary items forming part of net investment in foreign subsidiaries, net of tax	-	-	-	-	-	(631)	-	(631)	-	(631)
Total other comprehensive income	-	-	-	-	-	(13,838)	-	(13,838)	(262)	(14,100)
Total comprehensive income for the period	-	-	-	-	-	(13,838)	45,623	31,785	(143)	31,642
Transaction with owners, recognised directly in equity										
Distributions to owners										
Dividends paid to the owners of the Company	-	-	-	-	-	-	(11,796)	(11,796)	-	(11,796)
Total distributions to owners	-	-	-	-	-	-	(11,796)	(11,796)	-	(11,796)
Total transactions with owners of the Company	-	-	-	-	-	-	(11,796)	(11,796)	-	(11,796)
At 30 September 2017	73,640	9,609	27,445	225	662,764	40,085	230,810	1,044,578	4,965	1,049,543

The Group	Share capital S$'000	Share premium S$'000	Statutory reserve S$'000	Capital reserve S$'000	Foreign currency translation reserve S$'000	Retained earnings S$'000	Total attributable to equity holders of the Company S$'000	Non-controlling interests S$'000	Total equity S$'000
At 1 January 2016	736,404	9,609	14,683	225	105,365	108,452	974,738	3,359	978,097
Total comprehensive income for the period									
Profit for the period	-	-	-	-	-	40,174	40,174	1,056	41,230
Other comprehensive income									
Translation differences on financial statements of foreign subsidiaries, net of tax	-	-	-	-	(64,936)	-	(64,936)	(57)	(64,993)
Share of translation differences on financial statements of associates, net of tax	-	-	-	-	(261)	-	(261)	-	(261)
Translation differences on monetary items forming part of net investment in foreign subsidiaries, net of tax	-	-	-	-	(3,824)	-	(3,824)	-	(3,824)
Total other comprehensive income	-	-	-	-	(69,021)	-	(69,021)	(57)	(69,078)
Total comprehensive income for the period	-	-	-	-	(69,021)	40,174	(28,847)	999	(27,848)
Transaction with owners, recognised directly in equity									
Contributions by and distributions to owners									
Dividends paid to the owners of the Company	-	-	-	-	-	(11,796)	(11,796)	-	(11,796)
Total contributions by and distributions to owners	-	-	-	-	-	(11,796)	(11,796)	-	(11,796)
Total transactions with owners of the Company	-	-	-	-	-	(11,796)	(11,796)	-	(11,796)
At 30 September 2016	736,404	9,609	14,683	225	36,344	136,830	934,095	4,358	938,453

The Company	Share capital S$'000	Share premium S$'000	Capital reserve S$'000	Distributable reserve S$'000	Retained earnings S$'000	Total equity S$'000
At 1 January 2017	736,404	9,821	(5,988)	-	78,678	818,915
Capital reduction	(662,764)	-	-	662,764	-	-
Total comprehensive income for the period						
Profit for the period	-	-	-	-	54,918	54,918
Total comprehensive income for the period	-	-	-	-	54,918	54,918
Transaction with owners, recognised directly in equity						
Distributions to owners						
Dividends paid to the owners of the Company	-	-	-	-	(11,796)	(11,796)
Total distributions to owners	-	-	-	-	(11,796)	(11,796)
Total transactions with owners of the Company	-	-	-	-	(11,796)	(11,796)
At 30 September 2017	73,640	9,821	(5,988)	662,764	121,800	862,037
At 1 January 2016	736,404	9,821	(5,988)	-	33,804	774,041
Total comprehensive income for the period						
Profit for the period	-	-	-	-	45,456	45,456
Total comprehensive income for the period	-	-	-	-	45,456	45,456
Transaction with owners, recognised directly in equity						
Distributions to owners						
Dividends paid to the owners of the Company	-	-	-	-	(11,796)	(11,796)
Total distributions to owners	-	-	-	-	(11,796)	(11,796)
Total transactions with owners of the Company	-	-	-	-	(11,796)	(11,796)
At 30 September 2016	736,404	9,821	(5,988)	-	67,464	807,701

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

Pursuant to the letter to shareholders dated 3 April 2017 and the announcements dated 7 and 11 September 2017 relating to the Company's Proposed Capital Reduction, the Proposed Capital Reduction has taken effect on 31 August 2017. As at 30 September 2017, 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 each to US$58,981,494.90 comprising 589,814,949 ordinary shares of US$0.10 each.

There were also no outstanding convertible instruments and treasury shares as at 30 September 2017 and 30 September 2016.

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

The total number of issued ordinary shares (excluding treasury shares) as at 30 September 2017 and 31 December 2016 is 589,814,949.

1(d)(iv) A statement showing all sales, transfers, disposal, cancellation and/or use of treasury shares as at the end of the current financial period reported on.

There were no sales, transfers, disposal, cancellation and/or use of treasury shares during the three months ended 30 September 2017.

2. Whether the figures have been audited or reviewed, and in accordance with which auditing standard or practice.

The figures have neither been audited nor reviewed by our auditors.

3. Where the figures have been audited or reviewed, the auditors' report (including any qualifications or emphasis of a matter).

Not applicable.

4. Whether the same accounting policies and methods of computation as in the issuer's most recently audited annual financial statements have been applied.

Except as disclosed in Note 5 below, the Group has applied the same accounting policies and methods of computation in the financial statements for the current reporting period as that of the audited financial statements for the year ended 31 December 2016.

5. **If there are any changes in the accounting policies and methods of computation, including any required by an accounting standard, what has changed, as well as the reasons for, and the effect of, the change.**

The Group has financially supported the expansion plan of its 33% owned FSMC NL Property Group B.V. ("FSMC") via interest bearing loans disbursed pursuant to the acquisition of the Bilderberg Portfolio. 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. Accordingly, the prior period comparatives have been restated to conform to such presentation.

The effect of this reclassification resulted in a change in presentation and had no effect on profit before tax, profit for the period or earnings per share for any period presented.

The comparative figures have been restated as follows:

	Third quarter ended 30 September 2016		**9-month period ended 30 September 2016**	
	S$'000 As restated	**S$'000 As previously stated**	**S$'000 As restated**	**S$'000 As previously stated**
Revenue	82,431	80,350	175,340	168,119
Cost of sales	(58,022)	(57,495)	(118,544)	(116,861)
Finance income	4,337	6,418	13,758	20,979
Finance costs	(1,404)	(1,931)	(4,180)	(5,863)

6. **Earnings per ordinary share of the group for the current financial period reported on and the corresponding period of the immediately preceding financial year, after deducting any provision for preference dividends.**

	Third quarter ended 30 September		**9-month period ended 30 September**	
	2017	**2016**	**2017**	**2016**
Basic and diluted earnings per share (cents)	3.73	3.28	7.74	6.81
a) Profit attributable to equity holders of the Company (S$'000)	22,020	19,333	45,623	40,174
b) Weighted average number of ordinary shares in issue: - basic and diluted	589,814,949	589,814,949	589,814,949	589,814,949

7. **Net asset value (for the issuer and group) per ordinary share based on the total number of issued shares excluding treasury shares of the issuer at the end of the:—**

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

	The Group		The Company	
	As at 30 September 2017	**As at 31 December 2016**	**As at 30 September 2017**	**As at 31 December 2016**
Net asset value per ordinary share (cents) based on 589,814,949 issued ordinary shares (excluding treasury shares)	177.10	173.71	146.15	138.84

8. **A review of the performance of the group, to the extent necessary for a reasonable understanding of the group's business. It must include a discussion of the following:—**

(a) any significant factors that affected the turnover, costs, and earnings of the group for the current financial period reported on, including (where applicable) seasonal or cyclical factors; and

<u>Group performance</u>

Revenue and cost of sales

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

	Third quarter ended 30 September		**9-month period ended 30 September**	
	2017	**2016 (Restated)**	**2017**	**2016 (Restated)**
	S$'000	**S$'000**	**S$'000**	**S$'000**
Revenue from sale of properties	46,154	74,721	167,145	149,909
Rental income from investment properties	3,105	3,763	9,111	11,216
Hotel operations	4,224	1,083	10,730	2,838
Revenue from property financing	11,338	2,864	17,127	11,377
Total	64,821	82,431	204,113	175,340

<u>3Q 2017 vs 3Q 2016</u>

Revenue decreased by 21.4% or S$17.6 million, from S$82.4 million in 3Q 2016 to S$64.8 million in 3Q 2017. The decrease in 3Q 2017 was due mainly to lower revenue from sale of properties of S$28.6 million and lower rental income from investment properties of S$0.7 million, partially offset by an increase in revenue from property financing and hotel operations of S$8.5 million and S$3.1 million respectively.

Revenue from sale of properties is recognised when the construction of the properties has been completed and ready for delivery to the purchasers pursuant to the sale and purchase agreements and collectability of related receivables is reasonably assured. The decrease in revenue from sale of properties in 3Q 2017 compared to 3Q 2016 mainly resulted from the lower number of units in the Millennium Waterfront project being handed over in the current quarter (3Q 2017: 354 residential units, 4 commercial units and 33 car park lots; 3Q 2016: 731 residential units, 7 commercial units and 4 car park lots).

Rental income from investment properties decreased by 17.5% or S$0.7 million, from S$3.8 million in 3Q 2016 to S$3.1 million in 3Q 2017. The decrease was due mainly to lower rental revenue from the Zuiderhof I property as a result of lease incentives granted for a lease extension of another 7 years.

Revenue from property financing increased by nearly threefold from S$2.9 million in 3Q 2016 to S$11.3 million in 3Q 2017. The Group had recognised net penalty interest of S$4.3 million (RMB20.9 million) in 3Q 2017 upon the successful foreclosure auction of 13 out of 15 mortgaged properties in respect of a defaulted loan with principal amount of S$12.3 million (RMB60.0 million). The loan principal was also fully collected in the current quarter. The increase was also due to higher interest income of S$3.8 million from loans to the associated companies of the Group. This was largely led by the additional loans granted in respect of the Bilderberg Portfolio acquisition during the current quarter.

Revenue from hotel operations increased by 290.0% or S$3.1 million, from S$1.1 million in 3Q 2016 to S$4.2 million in 3Q 2017. This significant increase reflects a full quarter's revenue contribution from the Crowne Plaza Chengdu Wenjiang and Holiday Inn Express Chengdu Wenjiang Hotspring hotels which commenced operations in December 2016.

Cost of sales mainly comprises land costs, development expenditure and cost adjustments, borrowing costs, hotel-related depreciation charge, and other related expenditure. Cost of sales decreased by 39.4% or S$22.8 million, from S$58.0 million in 3Q 2016 to S$35.2 million in 3Q 2017. The decrease in cost of sales was in line with the decrease in revenue from sale of properties in 3Q 2017, partially offset by higher borrowing costs in 3Q 2017 related to the increase in loans to the associated companies.

The Group's gross profit increased by 21.4% or S$5.2 million, from S$24.4 million in 3Q 2016 to S$29.6 million in 3Q 2017. The increase was due mainly to higher gross profit generated from property financing of S$7.7 million which was partially offset by the lower gross profit from sale of properties of S$2.4 million.

The Group's gross profit margin increased from 29.6% in 3Q 2016 to 45.7% in 3Q 2017. This was due mainly to the higher contribution from the higher yielding property financing business during the current quarter.

Administrative expenses

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

The increase during the period was due mainly to the administrative expenses incurred by the Crowne Plaza Chengdu Wenjiang and Holiday Inn Express Chengdu Wenjiang Hotspring hotels.

Other income/(expenses)

In 3Q 2017, the Group recorded other income of S$2.6 million which comprised mainly net foreign exchange gain of S$9.6 million which was partially offset by fair value loss on derivative instruments of S$6.6 million.

In 3Q 2016, the Group recorded other income of S$1.4 million, which consisted of net investment return from a PRC government linked entity of S$0.5 million and net foreign exchange gain of S$0.3 million.

Tax expense

The Group recorded tax expense of S$5.8 million on profit before tax of S$27.9 million in 3Q 2017, which included land appreciation tax of S$1.3 million. After adjusting for the share of after-tax profit of associates and the tax effect of non-deductible expenses of S$2.7 million and non-taxable income of S$4.4 million, the effective tax rate of the Group would be approximately 23.7%.

YTD September 2017 vs YTD September 2016

Group revenue increased by 16.4% or S$28.8 million, from S$175.3 million in YTD September 2016 to S$204.1 million in YTD September 2017. The increase was due mainly to higher revenue from sale of properties, hotel operations and property financing of S$17.2 million, S$7.9 million and S$5.7 million respectively. This was partially offset by the lower rental income from investment properties of S$2.1 million.

The growth in revenue from the sale of properties was due mainly to the recognition of sales on a higher number of Plot B riverfront residential units which have a higher net selling price and the higher number of commercial units in the Millennium Waterfront project being handed over in the current period.

Revenue from hotel operations increased by S$7.9 million or 278.1%, from S$2.8 million in YTD September 2016 to S$10.7 million in YTD September 2017. This increase was due mainly to the commencement of operations for the two Wenjiang hotels in December 2016.

Revenue from property financing increased by 50.5% or S$5.7 million, from S$11.4 million in YTD September 2016 to S$17.1 million in YTD September 2017. This was led by the recognition of net penalty interest income of S$4.3 million (RMB20.9 million) in 3Q 2017 from the successful enforcement action on a defaulted loan with principal of S$12.3 million (RMB60.0 million). Higher interest income from loans to the associated companies of the Group also contributed to the increase.

Rental income from investment properties decreased by 18.8% or S$2.1 million, from S$11.2 million in YTD September 2016 to S$9.1 million in YTD September 2017. The decrease was due mainly to lower rental revenue from the Zuiderhof I property as a result of lease incentives granted for a lease extension of another 7 years.

Cost of sales increased by 5.2% or S$6.2 million, from S$118.5 million in YTD September 2016 to S$124.7 million in YTD September 2017. The increase in cost of sales was in line with the increase in revenue from sale of properties in YTD September 2017 and higher borrowing costs in the period related to the increase in loans to the associated companies.

The Group’s gross profit increased by 39.8% or S$22.6 million, from S$56.8 million in YTD September 2016 to S$79.4 million in YTD September 2017. The increase was due mainly to the higher gross profit generated from sale of properties of S$19.3 million and higher property financing gross profit of S$5.1 million. This was partially offset by a decrease in gross profit from investment properties of S$1.8 million.

The Group's gross profit margin had increased from 32.4% for YTD September 2016 to 38.9% for YTD September 2017. The increase was due mainly to higher margins achieved from the sale of properties as sales from more Plot B riverfront residential units were recognised, and higher contribution from the higher yielding property financing business during the period.

Other income/(expenses)

In YTD September 2017, the Group recorded other expenses of S$2.6 million which mainly comprised S$0.6 million impairment on investment properties in Dongguan which were disposed in July 2017 and fair value loss on derivative instruments of S$13.3 million, partially offset by net foreign exchange gain of S$11.4 million.

In YTD September 2016, we recorded other income of S$0.8 million which consisted of net investment return from a PRC government linked entity of S$1.4 million partially offset by the pre-opening expenses of the two hotels under construction in Wenjiang of S$0.5 million.

Net finance income

Net finance income decreased by 37.5% or S$3.6 million, from S$9.6 million in YTD September 2016 to S$6.0 million in YTD September 2017. This was due mainly to the decrease in interest income from loans to the Chengdu Wenjiang government of S$8.5 million in YTD September 2017 as a result of partial repayment of loan principal by the Chengdu Wenjiang government in March and April 2017. This was partially offset by the higher interest income from RMB cash deposits of S$4.3 million during the period.

Share of after-tax profit of associates

Share of after-tax profit of associates decreased by 86.0% or S$6.2 million from S$7.2 million in YTD September 2016 to S$1.0 million in YTD September 2017. The YTD September 2016 figures included a share of the gain on disposal of eight non-core properties by FSMC of S$6.5 million in YTD September 2016.

Tax expense

The Group recorded tax expense of S$15.8 million on profit before tax of S$61.5 million in YTD September 2017, which included land appreciation tax of S$5.3 million. After adjusting for the share of after-tax profit of associates and the tax effect of non-deductible expenses of S$4.6 million and non-taxable income of S$6.5 million, the effective tax rate of the Group would be approximately 23.1%.

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

Non-current assets

Investment properties increased by S$48.5 million or 20.9%, from S$231.2 million as at 31 December 2016 to S$279.7 million as at 30 September 2017. This was due mainly to the acquisition of the Poortgebouw Hoog Catharijne investment property in Utrecht, the Netherlands amounting to S$42.7 million (EUR26.5 million) in July 2017.

The Group acquired 90% equity interest in Dongguan East Sun Limited ("East Sun") in April 2017, which is accounted for as an available-for-sale financial asset. East Sun principally owns a number of commercial and industrial properties in Dongguan for which the Group sees redevelopment potential in some of these properties.

Other receivables decreased by S$23.5 million or 12.7%, from S$185.9 million as at 31 December 2016 to S$162.4 million as at 30 September 2017. This was due mainly to a set off of an amount due from an associate with amounts due to the associate of S$39.2 million, which was partially offset by additional loans to FSMC of S$9.4 million.

Current assets

Development properties decreased by S$68.3 million or 16.9%, from S$403.2 million as at 31 December 2016 to S$334.9 million as at 30 September 2017, due mainly to the recognition of profit in respect of Plot A of the Millennium Waterfront project upon the handover of residential and commercial units in YTD September 2017. The decrease was partially offset by the development costs incurred for Plot D of the Millennium Waterfront project in YTD September 2017.

Trade and other receivables increased by S$110.9 million or 28.5%, from S$388.9 million as at 31 December 2016 to S$499.8 million as at 30 September 2017. The increase was due mainly to S$270.5 million of loans to associates and loans to East Sun of S$29.0 million. The increase was partially offset by the repayment of loan principal from the Chengdu Wenjiang government of S$102.4 million, recovery of S$26.6 million (RMB130.0 million) defaulted loan principal and associated interest income, receipt of S$40.7 million deferred consideration of in respect of the Group's dilution of interests in the Star of East River project in Dongguan and the receipt of investment principal and returns from a PRC government linked entity of S$9.7 million.

Current liabilities

Trade and other payables decreased by S$68.4 million or 34.8%, from S$196.3 million in 31 December 2016 to S$127.9 million in 30 September 2017, due mainly to the payment of construction costs for the Millennium Waterfront project during the period.

The derivative liability relates to fair value loss on a cross-currency swap ("CCS") which matures in June 2018. The derivative liabilities under non-current liabilities relate to fair value loss on CCS which mature beyond 2018. Refer to further details in the foreign currency risk management section below.

Receipts in advance increased by S$81.7 million or 43.0%, from S$189.7 million as at 31 December 2016 to S$271.4 million as at 30 September 2017, due mainly to strong pre-sales achieved for the Millennium Waterfront project, partially offset by profit recognition of the project during the period.

Loans and borrowings

Gross borrowings increased by S$159.9 million or 44.2%, from S$361.9 million as at 31 December 2016 to S$521.8 million as at 30 September 2017. This is due mainly to the net drawdown of the Group's borrowings to fund the acquisitions in the Netherlands which include the Bilderberg Portfolio and the Poortgebouw Hoog Catharijne investment property, as well as the Oliphant redevelopment. This is partially offset by the redemption of medium term notes and repayment of bank borrowings during the period. Such repayment was funded from cash proceeds from the dilution of interest in the Star of East River project and repayment of loans by FSMC upon its disposal of a non-core property in December 2016.

The Group maintained a healthy net gearing ratio of 0.13 as at 30 September 2017.

Foreign currency risk management

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

Since the Group's entry to the Dutch property market in February 2015, the Group has hedged its exposure to fluctuation in Euros against S$ by financing all its Dutch acquisitions with a combination of Euro-denominated borrowings and financial derivatives involving cross currency swaps and forward contracts whereby the end result is also to achieve a corresponding Euro liability. The Group takes an economic hedge rather than an accounting hedge approach with regard to the management of its Euro asset exposure.

As at 30 September 2017, the Group had 9 CCS with an aggregate notional amount of EUR283.2 million. The CCS are measured at fair value with changes in fair value recognised in the profit and loss account. The fair values of the CCS are mainly dependent on the forward foreign exchange rates, discount rates and yield curves of the notional amounts. On the other hand, the changes in fair value of the CCS will be largely offset by the corresponding changes in fair values of the underlying Euro-denominated assets when the respective CCS approaches their maturity dates and Euro-denominated borrowings are taken up to close out the CCS, thereby resulting in a minimal cumulative impact to the profit or loss. The cumulative negative impact to the retained earnings arising from the CCS and underlying Euro-denominated assets as at 30 September 2017 was approximately S$1.9 million.

As at 30 September 2017, the Group has a cumulative translation gain of S$40.1 million recorded as part of the reserves in its shareholders' equity. This has mainly arisen from the translation of the net assets and income and expenses of the Group's foreign operations in the PRC to S$ at the exchange rates prevailing at the end of each reporting period. The Group has been benefitting from cumulative favourable exchange rate movements between the RMB and S$ so far although the exchange rate has fluctuated against the Group during YTD September 2017.

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

Statement of cash flows of the Group

3Q 2017

With the reclassification of interest income on loans to associates from finance income to property financing revenue, and the associated borrowing costs from finance costs to cost of sales, the Group's net cash from operating activities now capture the associated cash flows relating to the loans made to the associates. Total net cash generated from operating activities amounted to S$83.6 million in 3Q 2017. This was boosted by the recovery of loan principal of S$12.3 million and related penalty interest of S$4.3 million in respect of the successful enforcement action on PRC property financing loan in default with principal amount of RMB60.0 million. The Group's acquisition of the Bilderberg Portfolio via FSMC also led to higher interest received from the higher loans disbursed to FSMC group and higher interest paid on the loans procured by the Group to fund such loans.

Net cash used in investing activities of S$36.7 million in 3Q 2017 was due mainly to payments for the purchase consideration of the Poortgebouw Hoog Catharijne investment property in the Netherlands and the second tranche purchase consideration for the investment in East Sun of S$41.2 million and S$2.8 million respectively. This was partially offset by the repayment of loan principal of S$4.3 million by the Chengdu Wenjiang government.

Net cash used in financing activities amounted to S$24.5 million in 3Q 2017. This included the net repayment of bank borrowings, payment of interest, payment of transaction costs related to borrowings and payment of dividends to the owners of the Company of S$13.8 million, S$2.4 million, S$2.4 million and S$5.9 million respectively.

YTD September 2017

Total net cash generated from operating activities amounted to S$181.4 million in YTD September 2017. Apart from the sales receipts from the Millennium Waterfront project, the Group recovered loan principal amounting to S$26.8 million (RMB130.0 million) and related penalty interest of S$8.7 million (RMB42.6 million) arising from the successful enforcement actions during the current period. The Group's acquisition of the Bilderberg Portfolio via FSMC also led to higher interest received from the higher loans disbursed to FSMC group and higher interest paid on the loans procured by the Group to fund such loans.

Net cash from investing activities of S$110.8 million in YTD September 2017 was due mainly to interest received of S$11.5 million, repayment of loan principal of S$114.2 million by the Chengdu Wenjiang government, receipt of deferred consideration from dilution of interest in the Star of East River project of S$41.0 million and receipt of the investment principal and returns from a PRC government linked entity of S$9.7 million. This was partially offset by the payments for the investment in East Sun and the purchase of the Poortgebouw Hoog Catharijne investment property amounting to S$23.7 million and $41.2 million respectively.

Net cash used in financing activities amounted to S$165.6 million in YTD September 2017. This was due mainly to the net repayment of bank borrowings of S$96.3 million and the redemption of medium term notes of S$50.0 million. The decrease was also attributable to the interest paid, payment of transaction costs related to borrowings and payment of dividends to the owners of the Company of S$3.9 million, S$4.9 million and S$11.8 million respectively.

Note:

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

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

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

10. A commentary at the date of the announcement of the significant trends and competitive conditions of the industry in which the group operates and any known factors or events that may affect the group in the next reporting period and the next 12 months.

Industry Outlook

People's Republic of China

China's central bank recently announced a cut in reserve requirement ratio by 0.5% starting from January 2018 with the intended effect of pumping more credit into the economy, especially in the small and medium enterprise (SME) sector. At the same time, Standard & Poor has downgraded China's credit rating, citing warnings of economic and financial risks due to prolonged period of strong credit growth.

In the real estate sector, based on the August 2017 data of 70 major cities tracked by China's National Bureau of Statistics (NBS), the average new home prices in China rose at the slowest pace in seven months, rising just 0.2% in August 2017 from the previous month. In Chengdu, the Chengdu Municipal Bureau issued a residential land supply plan indicating that the average annual supply of residential land will increase by 13% from 2017 to 2021 as compared to the previous five years. Notwithstanding the above, Savills reported that land sales in the second quarter of 2017 were transacted at a high premium. For the commercial property market in Chengdu, excess supply continues with current inventory turnover recorded between 5.5 years to 6 years.

The Netherlands

The Netherlands' Bureau for Economic Policy Analysis (CPB) released a macro economic outlook for 2018 in September 2017 and speaks of a buoyant market with economic growth projected at 3.3% in 2017 and 2.5% in 2018. These growth rates are above the expected 2.0% and 1.8% in the Eurozone respectively.

Jones Lang LaSalle (JLL) reported that the European office vacancy has reached its lowest at 7.8% since the fourth quarter of 2008 in its August 2017 global market report. It was further mentioned that rental growth in the European office market in the first half of 2017 almost doubled that of the 10-year average of 1.2%, with projections of a 2% growth in prime office rental and rise in rental rates across Europe in 2017 and 2018. In the Netherlands, vacancy level in Amsterdam has fallen by one-third over the past year and reached its lowest since 2002. Cushman & Wakefield reported a 1.9% increase in rent in the Dutch capital.

House prices in the Netherlands continue on a rising trend. Statistics Netherlands (CBS) and Land Registry Office of the Netherlands reported a trend in rising residential property prices since June 2013. RaboResearch attributed the rise to a shortage of supply, improving economy and consumer confidence, and increased buy-to-let investments. JLL and RaboResearch expect house prices to increase by 5% and 7% respectively in 2018.

To prevent possible shortage of social and mid-price rental housing in the future, the municipality of Amsterdam has on 19 July 2017 introduced a new 40-40-20 ratio (regulated social housing, mid-price housing, and non-subsidised housing respectively) in which developers will have to take into consideration for new residential developments.

The hotel and restaurant sector saw a 9.1% turnover growth in the second quarter of 2017 compared to a year ago. In the same CBS report, the 6.3% increase in the volume of sales for this period was the highest in 12 years.

Company Outlook

Property Development

Sales performance of the Millennium Waterfront project has been robust with all 7,302 residential units and 297 out of 371 commercial units within the residential development of the project launched to-date sold. As at 30 September 2017, the Group has sold S$689.7 million of residential units in Plot A, B and C, and recognised cumulative gross revenue of S$535.7 million. Pursuant to the exceptional sales performance, the Group will continue to recognise revenue on a substantial part of these residential units in Plot A, B and C in 4Q 2017 and Plot D in 2018.

The 30% owned Star of East River project in Dongguan had also recorded impressive pre-sale results with all initial 272 residential units launched snapped up in the first day of sale. The Group remains optimistic on the sales of the remaining 949 residential units which are expected to be launched for sale during the course of 2018.

In the Netherlands, the Group had signed a conditional agreement with a Dutch residential fund for the sale of a residential apartment block of approximately 268 apartments to be developed next to the Dreeftoren office on a forward funding basis. With this, revenue and funding of the development are secured, reducing the development risk substantially. The project is subject to the successful application for re-zoning and building permit with the Amsterdam Southeast municipal.

Property Holding

The hotspring facility, located within the same premises as the Group's Crowne Plaza Chengdu Wenjiang and Holiday Inn Express Chengdu Wenjiang Hotspring hotels, is set to commence operations in late October 2017. The hotspring facility will be managed by the Group and is expected to complement the operations of both hotels.

As announced on 3 August 2017, the Group, through its 33% owned FSMC NL Property Group B.V., has completed the acquisition of its 95% equity stake in the Bilderberg Portfolio. The portfolio's year to-date EBITDA performance has been encouraging, exhibiting a 20% growth over the same period in 2016.

Property Financing

On the PRC property financing business, while the Group has secured a favourable court ruling in relation to penalty interest for Case 1, it may have to compromise and accept a lower interest entitlement due to the need to balance public interest arising from the criminal charges involving the legal representative of the borrower. For Case 2, the original defaulted loan exposure of RMB470 million has been reduced to RMB340 million with penalty interest amounting to RMB42.6 million (of which S$4.3m had been recognised in 3Q 2017) associated with the RMB130 million loan repayment collected by the Group. Another mortgaged property was successfully auctioned off in October 2017 and the Group is set to recognise more penalty interest income in 4Q 2017 when the net auction proceeds are received by the court. Preparations for the auction of the mortgaged properties associated with the remaining loans are at various stages of progress.

Following a business review, the Group felt 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.

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

(a) Current Financial Period Reported On

Any dividend declared for the current financial period reported on?

No.

(b) Corresponding Period of the Immediately Preceding Financial Year

Any dividend declared for the corresponding period of the immediately preceding financial year?

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

(c) Date payable

Not applicable.

(d) Books closure date

Not applicable.

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

Not applicable.

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

The Group does not have a shareholders' general mandate for IPTs.

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

The Company confirms that it has procured undertakings from all of its directors and executive officers in the format set out in Appendix 7.7 under Rule 720 (1) of the Listing Manual.

BY ORDER OF THE BOARD

Neo Teck Pheng
Group Chief Executive Officer
25 October 2017

CONFIRMATION BY THE BOARD

The Directors of the Company hereby confirm, to the best of their knowledge, nothing has come to the attention of the Board of Directors which may render the Group's unaudited financial results for the third quarter and the nine months ended 30 September 2017 to be false or misleading in any material respect.

On behalf of the Board of Directors

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

25 October 2017