FIRST SPONSOR GROUP LIMITED

(Incorporated in the Cayman Islands)
(Registration No. AT-195714)

UNAUDITED SECOND QUARTER AND HALF YEAR FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 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 Second quarter ended 30 June 2017 S$'000	 2016 S$'000	Incr / (Decr) %	The Group Half year ended 30 June 2017 S$'000	 2016 S$'000	Incr / (Decr) %
Revenue	53,923	42,212	27.7	135,270	87,769	54.1
Cost of sales	(30,611)	(28,167)	8.7	(88,549)	(59,366)	49.2
Gross profit	23,312	14,045	66.0	46,721	28,403	64.5
Administrative expenses	(4,232)	(4,574)	(7.5)	(11,442)	(11,827)	(3.3)
Selling expenses	(1,309)	(1,784)	(26.6)	(4,123)	(4,508)	(8.5)
Other (expenses)/income	(6,057)	848	n.m.	(5,172)	(670)	671.9
Other losses	(46)	(50)	(8.0)	(46)	(54)	(14.8)
Results from operating activities	11,668	8,485	37.5	25,938	11,344	128.6
Finance income	4,648	6,522	(28.7)	11,200	14,561	(23.1)
Finance costs	(2,367)	(2,058)	15.0	(4,434)	(3,932)	12.8
Net finance income	2,281	4,464	(48.9)	6,766	10,629	(36.3)
Share of after-tax profit of associates	418	176	137.5	918	7,018	(86.9)
Profit before tax	14,367	13,125	9.5	33,622	28,991	16.0
Tax expense	(4,889)	(4,148)	17.9	(10,022)	(7,387)	35.7
Profit for the period	9,478	8,977	5.6	23,600	21,604	9.2
Attributable to:						
Equity holders of the Company	9,368	8,608	8.8	23,603	20,841	13.3
Non-controlling interests	110	369	(70.2)	(3)	763	n.m.
Profit for the period	9,478	8,977	5.6	23,600	21,604	9.2
Earnings per share (cents)						
- **basic**	1.59	1.46	8.8	4.00	3.53	13.3
- **diluted**	1.59	1.46	8.8	4.00	3.53	13.3

n.m.: not meaningful

Consolidated Statement of Comprehensive Income

	The Group Second quarter ended 30 June		The Group Half year ended 30 June	
	2017	**2016**	**2017**	**2016**
	S$'000	**S$'000**	**S$'000**	**S$'000**
Profit for the period	9,478	8,977	23,600	21,604
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	188	(566)	99	(608)
Translation differences on financial statements of foreign subsidiaries, net of tax	3,558	(31,083)	(19,568)	(66,207)
Translation differences on monetary items forming part of net investment in foreign subsidiaries, net of tax	473	(1,870)	(1,198)	(3,910)
Other comprehensive income for the period, net of tax	4,219	(33,519)	(20,667)	(70,725)
Total comprehensive income for the period	13,697	(24,542)	2,933	(49,121)
Total comprehensive income attributable to:				
Equity holders of the Company	13,459	(24,508)	3,386	(49,762)
Non-controlling interests	238	(34)	(453)	641
Total comprehensive income for the period	13,697	(24,542)	2,933	(49,121)

Notes to the Group's Income Statement:

Profit before tax includes the following:

	The Group Second quarter ended 30 June		The Group Half year ended 30 June	
	2017 S$'000	**2016 S$'000**	**2017 S$'000**	**2016 S$'000**
Other losses comprise:				
Property, plant and equipment written off	-	-	-	(4)
Loss on disposal of investment properties	(46)	(50)	(46)	(50)
Profit before income tax includes the following expenses/(income):				
Depreciation of property, plant and equipment	1,247	390	2,548	714
Exchange gain (net)	(4,123)	(57)	(1,813)	(217)
Impairment loss on investment properties	602	-	602	-
Impairment loss on trade receivables	13	-	13	-
Operating lease expenses	105	104	200	210
Net investment return from a PRC government linked entity	(189)	(463)	(403)	(943)

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 June 2017 S$'000	**As at 31 Dec 2016 S$'000**	**As at 30 June 2017 S$'000**	**As at 31 Dec 2016 S$'000**
Non-current assets				
Property, plant and equipment	227,359	234,537	405	367
Investment properties	232,285	231,197	-	-
Interests in subsidiaries	-	-	654,490	694,808
Interests in associates	55,065	55,055	-	-
Financial asset	27,219	-	-	-
Deferred tax assets	21,404	16,694	-	-
Other receivables	156,241	185,938	222,023	209,912
	719,573	723,421	876,918	905,087
Current assets				
Development properties	346,219	403,199	-	-
Inventories	193	80	-	-
Trade and other receivables	242,327	388,877	273,050	229,837
Cash and cash equivalents	379,663	280,567	42,528	99,896
	968,402	1,072,723	315,578	329,733
Total assets	1,687,975	1,796,144	1,192,496	1,234,820
Equity				
Share capital	736,404	736,404	736,404	736,404
Reserves	285,673	288,185	116,869	82,511
Equity attributable to owners of the Company	1,022,077	1,024,589	853,273	818,915
Non-controlling interests	4,655	5,108	-	-
Total equity	1,026,732	1,029,697	853,273	818,915
Non-current liabilities				
Loans and borrowings	229,939	347,186	198,269	316,166
Derivative liabilities	6,199	2,763	6,199	2,763
Deferred tax liabilities	6,695	6,446	-	-
	242,833	356,395	204,468	318,929
Current liabilities				
Trade and other payables	127,092	196,254	120,503	87,512
Receipts in advance	258,928	189,735	-	-
Loans and borrowings	11,037	9,452	11,037	9,452
Derivative liability	3,215	-	3,215	-
Current tax payables	18,138	14,611	-	12
	418,410	410,052	134,755	96,976
Total liabilities	661,243	766,447	339,223	415,905
Total equity and liabilities	1,687,975	1,796,144	1,192,496	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 June 2017 S$'000	**As at 31 Dec 2016 S$'000**
Unsecured		
- repayable within one year	11,037	9,452
- repayable after one year	198,269	316,166
Total	209,306	325,618
Secured		
- repayable within one year	-	-
- repayable after one year	31,670	31,020
Total	31,670	31,020
Grand total	**240,976**	**356,638**
Gross borrowings	247,424	361,894
Less: cash and cash equivalents as shown in the statement of financial position	(379,663)	(280,567)
Net (cash)/borrowings	(132,239)	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	
	Second quarter ended 30 June		Half year ended 30 June	
	2017	2016	2017	2016
	S$'000	S$'000	S$'000	S$'000
Cash flows from operating activities				
Profit for the period	9,478	8,977	23,600	21,604
Adjustments for:				
Depreciation of property, plant and equipment	1,247	390	2,548	714
Fair value loss/(gain) on derivative instruments	9,744	(878)	6,651	(2,169)
Finance income	(4,648)	(6,522)	(11,200)	(14,561)
Finance costs	2,367	2,058	4,434	3,932
Impairment loss on investment properties	602	-	602	-
Loss on disposal of investment properties	46	50	46	50
Impairment loss on trade receivables	13	-	13	-
Property, plant and equipment written off	-	-	-	4
Share of after-tax profit of associates	(418)	(176)	(918)	(7,018)
Tax expense	4,889	4,148	10,022	7,387
	23,320	8,047	35,798	9,943
Changes in:				
Development properties	12,234	6,404	49,795	11,695
Inventories	109	80	(115)	56
Trade and other receivables	(7,923)	(6,564)	(28,561)	42,137
Trade and other payables	(14,454)	(51,079)	(38,906)	(59,818)
Receipts in advance	56,690	11,996	73,823	(2,133)
Cash generated from/(used in) operations	69,976	(31,116)	91,834	1,880
Interest received	775	1,268	5,638	3,268
Tax paid	(9,923)	(7,608)	(10,951)	(11,474)
Net cash from/(used in) operating activities	60,828	(37,456)	86,521	(6,326)

	The Group Second quarter ended 30 June		The Group Half year ended 30 June	
	2017 S$'000	2016 S$'000	2017 S$'000	2016 S$'000
Cash flows from investing activities				
Payment for acquisition of available-for-sale financial asset	(20,938)	-	(20,938)	-
Interest received	6,032	9,215	19,695	18,225
Payment for additions to:				
- investment properties	-	(2,559)	(11)	(2,646)
- property, plant and equipment	(811)	(16,238)	(883)	(25,644)
Proceeds from disposal of investment properties	352	400	352	400
Repayment of loans by a third party	41,916	4,366	109,969	8,879
Repayment of loans by an associate	-	-	-	72,164
Advances to associates	(3,753)	(475)	(10,143)	-
Receipt of deferred consideration from dilution of interest in subsidiaries	41,000	-	41,000	-
Deposit received for sales of a subsidiary	1,184	-	1,184	-
Deposit paid for purchase of investment property	(4,026)	-	(4,026)	-
Receipt of investment principal and returns from a PRC government linked entity	9,663	2,114	9,663	2,114
Net cash from/(used in) investing activities	70,619	(3,177)	145,862	73,492
Cash flows from financing activities				
Decrease in restricted cash	-	-	263	-
Advances from associates	-	(60)	-	9,120
Dividends paid to the owners of the Company	(5,898)	(5,898)	(5,898)	(5,898)
Interest paid	(776)	(1,758)	(1,973)	(3,084)
Payment of transaction costs related to borrowings	(2,500)	(2,834)	(2,500)	(2,889)
Proceeds from bank borrowings	246,562	257,868	486,645	327,589
Repayment of bank borrowings	(244,501)	(208,735)	(554,276)	(364,069)
Redemption of medium term notes	(50,500)	-	(50,500)	-
Net cash (used in)/ from financing activities	(57,613)	38,583	(128,239)	(39,231)
Net increase/(decrease) in cash and cash equivalents	73,834	(2,050)	104,144	27,935
Cash and cash equivalents at beginning of the period	304,141	137,977	280,304	112,044
Effect of exchange rate changes on balances held in foreign currencies	1,688	(3,768)	(4,785)	(7,820)
Cash and cash equivalents at end of the period (rounding)	379,663	132,159	379,663	132,159

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**	**Share premium**	**Statutory reserve**	**Capital reserve**	**Foreign currency translation reserve**	**Retained earnings**	**Total attributable to equity holders of the Company**	**Non-controlling interests**	**Total equity**
At 1 January 2017	736,404	9,609	27,445	225	53,923	196,983	1,024,589	5,108	1,029,697
Total comprehensive income for the period									
Profit for the period	-	-	-	-	-	23,603	23,603	(3)	23,600
Other comprehensive income									
Share of translation differences on financial statements of foreign associates, net of tax	-	-	-	-	99	-	99	-	99
Translation differences on financial statements of foreign subsidiaries, net of tax	-	-	-	-	(19,118)	-	(19,118)	(450)	(19,568)
Translation differences on monetary items forming part of net investment in foreign subsidiaries, net of tax	-	-	-	-	(1,198)	-	(1,198)	-	(1,198)
Total other comprehensive income	-	-	-	-	(20,217)	-	(20,217)	(450)	(20,667)
Total comprehensive income for the period	-	-	-	-	(20,217)	23,603	3,386	(450)	2,933
Transaction with owners, recognised directly in equity									
Distributions to owners									
Dividends paid to the owners of the Company	-	-	-	-	-	(5,898)	(5,898)	-	(5,898)
Total distributions to owners	-	-	-	-	-	(5,898)	(5,898)	-	(5,898)
Total transactions with owners of the Company	-	-	-	-	-	(5,898)	(5,898)	-	(5,898)
At 30 June 2017	736,404	9,609	27,445	225	33,706	214,688	1,022,077	4,655	1,026,732

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	-	-	-	-	-	20,841	20,841	763	21,604
Other comprehensive income									
Share of translation differences on financial statements of foreign subsidiaries, net of tax	-	-	-	-	(608)	-	(608)	-	(608)
Translation differences on financial statements of foreign subsidiaries, net of tax	-	-	-	-	(66,085)	-	(66,085)	(122)	(66,207)
Translation differences on monetary items forming part of net investment in foreign subsidiaries, net of tax	-	-	-	-	(3,910)	-	(3,910)	-	(3,910)
Total other comprehensive income	-	-	-	-	(70,603)	-	(70,603)	(122)	(70,725)
Total comprehensive income for the period	-	-	-	-	(70,603)	20,841	(49,762)	641	(49,121)
Transaction with owners, recognised directly in equity									
Distributions to owners									
Dividends paid to the owners of the Company	-	-	-	-	-	(5,898)	(5,898)	-	(5,898)
Total distributions to owners	-	-	-	-	-	(5,898)	(5,898)	-	(5,898)
Total transactions with owners of the Company	-	-	-	-	-	(5,898)	(5,898)	-	(5,898)
At 30 June 2016	736,404	9,609	14,683	225	34,762	123,395	919,078	4,000	923,078

The Company	Share capital S$'000	Share premium S$'000	Capital reserve S$'000	Retained earnings S$'000	Total equity S$'000
At 1 January 2017	736,404	9,821	(5,988)	78,678	818,915
Total comprehensive income for the period					
Profit for the period	-	-	-	40,256	40,256
Total comprehensive income for the period	-	-	-	40,256	40,256
Transaction with owners, recognised directly in equity					
Distributions to owners					
Dividends paid to the owners of the Company	-	-	-	(5,898)	(5,898)
Total distributions to owners	-	-	-	(5,898)	(5,898)
Total transactions with owners of the Company	-	-	-	(5,898)	(5,898)
At 30 June 2017	736,404	9,821	(5,988)	113,036	853,273
At 1 January 2016	736,404	9,821	(5,988)	33,804	774,041
Total comprehensive income for the period					
Profit for the period	-	-	-	30,615	30,615
Total comprehensive income for the period	-	-	-	30,615	30,615
Transaction with owners, recognised directly in equity					
Distributions to owners					
Dividends paid to the owners of the Company	-	-	-	(5,898)	(5,898)
Total distributions to owners	-	-	-	(5,898)	(5,898)
Total transactions with owners of the Company	-	-	-	(5,898)	(5,898)
At 30 June 2016	736,404	9,821	(5,988)	58,521	798,758

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

There was no change in the Company's issued share capital during the three months ended 30 June 2017. As at 30 June 2017 and 31 December 2016, the issued and fully paid up share capital of the Company was US$589,814,949 comprising 589,814,949 ordinary shares of US$1 each.

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

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

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

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

Not applicable.

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

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

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

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

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

	Second quarter ended 30 June		**Half year ended 30 June**	
	2017	**2016**	**2017**	**2016**
Basic and diluted earnings per share (cents)	1.59	1.46	4.00	3.53
a) Profit attributable to equity holders of the Company (S$'000)	9,368	8,608	23,603	20,841
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 June 2017	**As at 31 Dec 2016**	**As at 30 June 2017**	**As at 31 Dec 2016**
Net asset value per ordinary share (cents) based on 589,814,949 issued ordinary shares (excluding treasury shares) as at 30 June 2017 and 31 December 2016	173.29	173.71	144.67	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

Group performance

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:

	Second quarter ended 30 June		Half year ended 30 June	
	2017 S$'000	**2016 S$'000**	**2017 S$'000**	**2016 S$'000**
Revenue from sale of properties	46,619	36,760	120,991	75,188
Rental income from investment properties	3,031	3,745	6,006	7,454
Hotel operations	3,409	929	6,506	1,754
Revenue from property financing	864	778	1,767	3,373
Total	53,923	42,212	135,270	87,769

2Q 2017 vs 2Q 2016

Revenue increased by 27.7% or S$11.7 million, from S$42.2 million in 2Q 2016 to S$53.9 million in 2Q 2017. The increase in 2Q 2017 was due mainly to higher revenue from sale of properties and hotel operations of S$9.9 million and S$2.5 million respectively, partially offset by a decrease in revenue from rental income from investment properties of S$0.7 million.

Revenue from sale of properties is recognised when the construction of the properties has been completed and ready for delivery to the purchasers pursuant to the sale and purchase agreements and collectability of related receivables is reasonably assured. The significant increase in revenue from sale of properties in 2Q 2017 compared to 2Q 2016 mainly resulted from the higher number of units in the Millennium Waterfront project being handed over in the current quarter (2Q 2017: 319 residential units, 10 commercial units and 23 car park lots; 2Q 2016: 242 residential units, 17 commercial units and 49 car park lots).

Revenue from hotel operations increased by 267.0% or S$2.5 million, from S$0.9 million in 2Q 2016 to S$3.4 million in 2Q 2017. This increase was due mainly to the commencement of operations for the Crowne Plaza Chengdu Wenjiang and Holiday Inn Express Chengdu Wenjiang Hotspring hotels in Wenjiang, Chengdu, in December 2016.

Rental income from investment properties decreased by 19.0% or S$0.7 million, from S$3.7 million in 2Q 2016 to S$3.0 million in 2Q 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 mainly comprises land costs, development expenditure and cost adjustments, borrowing costs, hotel-related depreciation charge, and other related expenditure. Cost of sales increased by 8.7% or S$2.4 million, from S$28.2 million in 2Q 2016 to S$30.6 million in 2Q 2017. The increase in cost of sales was in line with the increase in revenue from sale of properties in 2Q 2017.

The Group's gross profit increased by 66.0% or S$9.3 million, from S$14.0 million in 2Q 2016 to S$23.3 million in 2Q 2017. The increase was due mainly to higher gross profit generated from the sale of properties of S$9.9 million, which was partially offset by lower gross profit from investment properties of S$0.5 million.

The Group's gross profit margin increased from 33.3% in 2Q 2016 to 43.2% in 2Q 2017. This was due mainly to the higher margins achieved for the sale of properties as the Group has recognized revenue from the higher margin residential and commercial units of the Millennium Waterfront project during the period.

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.

Other (expenses)/income

In 2Q 2017, the Group recorded other expenses of S$6.1 million which comprised mainly fair value loss on financial derivatives of S$9.7 million, which was partially offset by foreign exchange gain of S$4.1 million.

In 2Q 2016, the Group recorded other income of S$0.8 million which comprised mainly fair value gain on financial derivatives of S$0.9 million.

1H 2017 vs 1H 2016

Revenue of the Group has increased by 54.1% or S$47.5 million in 1H 2017, from S$87.8 million in 1H 2016 to S$135.3 million in 1H 2017. The increase in 1H 2017 was due mainly to higher revenue from sale of properties and hotel operations of S$45.8 million and S$4.8 million respectively, partially offset by lower revenue from property financing of S$1.6 million and a decrease in rental income from investment properties of S$1.4 million.

The increase in revenue from the sale of properties was due mainly to the higher number of units in the Millennium Waterfront project being handed over in the current period (1H 2017: 915 residential units, 44 commercial units and 103 car park lots; 1H 2016: 566 residential units, 19 commercial units and 114 car park lots).

Revenue from hotel operations increased by S$4.8 million or 270.0%, from S$1.8 million in 1H 2016 to S$6.5 million in 1H 2017. This increase was due mainly to the commencement of operations for the Crowne Plaza Chengdu Wenjiang and Holiday Inn Express Chengdu Wenjiang Hotspring hotels in Wenjiang, Chengdu, in December 2016.

Revenue from property financing decreased by S$1.6 million or 47.6%, from S$3.4 million in 1H 2016 to S$1.8 million in 1H 2017. The decrease was due mainly to a lower average interest servicing entrusted loan balance during 1H 2017 as compared to 1H 2016, arising from the various loan defaults in January 2016.

Rental income from investment properties decreased by 19.4% or S$1.5 million, from S$7.5 million in 1H 2016 to S$6.0 million in 1H 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 49.2% or S$29.2 million, from S$59.4 million in 1H 2016 to S$88.5 million in 1H 2017. The increase in cost of sales was in line with the increase in revenue from sale of properties in 1H 2017.

The Group's gross profit increased by 64.5% or S$18.3 million, from S$28.4 million in 1H 2016 to S$46.7 million in 1H 2017. The increase was due mainly to the higher gross profit generated from sale of properties of S$21.6 million, partially offset by a decrease in revenue from investment properties and property financing of S$1.6 million and S$1.3 million respectively.

The Group's gross profit margin had increased from 32.4% for 1H 2016 to 34.5% for 1H 2017. The increase was due mainly to higher margins achieved from the sale of properties.

Selling expenses

Selling expenses decreased by 8.5% or S$0.4 million, from S$4.5 million in 1H 2016 to S$4.1 million in 1H 2017. These expenses mainly comprise staff costs of our sales and marketing staff, advertising and promotion expenses, sales commissions paid to external sales agents and other expenses.

Other (expenses)/income

In 1H 2017, the Group recorded other expenses of S$5.2 million which mainly comprised fair value loss on financial derivatives of S$6.7 million, partially offset by foreign exchange gain of S$1.8 million.

In 1H 2016, the Group recorded other expenses of S$0.7 million which was net of a fair value gain on financial derivatives of S$2.2 million.

Net finance income

Net finance income decreased by 36.3% or S$3.9 million, from S$10.6 million in 1H 2016 to S$6.8 million in 1H 2017. This was due mainly to the decrease in finance income from loans to the Chengdu Wenjiang government of S$4.8 million in 1H 2017 as a result of partial repayment of loan principal by the Chengdu Wenjiang government in March and April 2017.

Share of after-tax profit of associates

Share of after-tax profit of associates decreased by 86.9% or S$6.1 million from S$7.0 million in 1H 2016 to S$0.9 million in 1H 2017. The 1H 2016 figures included a share of the gain on disposal of eight non-core properties by FSMC NL Property Group B.V. ("FSMC") of S$6.5 million in 1H 2016.

Tax expense

The Group recorded tax expense of S$10.0 million on profit before tax of S$33.6 million in 1H 2017, which included land appreciation tax of S$4.0 million. After adjusting for the share of after-tax profit of associates and the tax effect of non-deductible expenses of S$1.5 million and non-taxable income of S$2.1 million, the effective tax rate of the Group would be approximately 24.0%.

(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

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$29.7 million or 16.0%, from S$185.9 million as at 31 December 2016 to S$156.2 million as at 30 June 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 advances to FSMC of S$10.0 million.

Current assets

Development properties decreased by S$57.0 million or 14.1%, from S$403.2 million as at 31 December 2016 to S$346.2 million as at 30 June 2017, due mainly to the recognition of profit in respect of Plot A of the Millennium Waterfront project upon the handover of residential units in 1H 2017. The decrease was partially offset by the development costs incurred for Plot D of the Millennium Waterfront project in 1H 2017.

Trade and other receivables decreased by S$146.6 million or 37.7%, from S$388.9 million as at 31 December 2016 to S$242.3 million as at 30 June 2017. The decrease was due mainly to the repayment of loan principal from the Chengdu Wenjiang government of S$110.4 million, recovery of S$18.2 million relating to a RMB70.0 million defaulted loan principal and associated interest income in March 2017, receipt of deferred consideration of S$40.7 million in April 2017 for the dilution of interest in subsidiaries in FY2016 and the receipt of investment principal and returns from a PRC government linked entity of S$9.7 million. The decrease was partially offset by loans to East Sun of S$20.5 million and a deposit of S$4.0 million placed for the acquisition of the Utrecht hotels pursuant to the sales and purchase agreement entered into on 20 June 2017.

Current liabilities

Trade and other payables decreased by S$69.2 million or 35.2%, from S$196.3 million in 31 December 2016 to S$127.1 million in 30 June 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 which is due in June 2018.

Receipts in advance increased by S$69.1 million or 36.5%, from S$189.7 million as at 31 December 2016 to S$258.9 million as at 30 June 2017, due mainly to strong pre-sales achieved for the Millennium Waterfront project, partially offset by profit recognition of the Millennium Waterfront project.

Loans and borrowings

Gross borrowings decreased by S$114.5 million or 31.6%, from S$361.9 million as at 31 December 2016 to S$247.4 million as at 30 June 2017. This is due mainly to the net repayment of the Group's borrowings and redemption of medium term notes during the period.

The Group was in a net cash position as at 30 June 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 has 'locked in' a certain portion of its annual net profit from its Dutch operations in S$ terms by taking a short position in Euros equivalent to the amount of forward profit that it attempts to 'lock in' in S$ terms. The Group takes an economic hedge rather than an accounting hedge approach with regard to the management of its Euro asset exposure.

As at 30 June 2017, the Group had 4 cross currency swaps ("CCS") with an aggregate notional amount of EUR117.2 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 profit or loss arising from the CCS and underlying Euro-denominated assets as at 30 June 2017 was approximately S$3.8 million.

As at 30 June 2017, the Group has a cumulative translation gain of S$33.7 million recorded as part of the reserves in its shareholders' equity. This has mainly arisen from the translation of the net assets and income and expenses of the Group's foreign operations in the PRC to S$ 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 1H 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

2Q 2017

Net cash from operating activities of S$60.8 million in 2Q 2017 was due mainly to sales receipts from the Millennium Waterfront project. This had been partially offset by payment of income tax of S$9.9 million and payment of construction costs for the Millennium Waterfront project.

Net cash from investing activities of S$70.6 million in 2Q 2017 was due mainly to interest received of S$6.0 million, repayment of loan principal of S$41.9 million by the Chengdu Wenjiang government, receipt of deferred consideration from dilution of interest in subsidiaries of S$41.0 million and receipt of investment principal and returns from a PRC government linked entity of S$9.7 million. This was partially offset by the payment for acquisition of available-for-sale financial asset of S$20.9 million and deposit of S$4.0 million paid for the Utrecht hotels.

Net cash used in financing activities amounted to S$57.6 million in 2Q 2017 due mainly to the redemption of medium term notes, payment of transaction costs related to borrowings and payment of dividends to the owners of the Company of S$50.5 million, S$2.5 million and S$5.9 million respectively.

1H 2017

Net cash from operating activities of S$86.5 million in 1H 2017 was due mainly to sales receipts from the Millennium Waterfront project, recovery of the loan principal of S$14.4 million in respect of a RMB70.0 million defaulted loan, and interest received of S$5.6 million (primarily from the property financing business and associated penalty interest on the defaulted loan of RMB70.0 million). This had been partially offset by payment of income tax of S$11.0 million and payment of construction costs for the Millennium Waterfront project.

Net cash generated from investing activities of S$145.9 million in 1H 2017 was due mainly to interest received of S$19.7 million, repayment of loan principal of S$110.0 million by the Chengdu Wenjiang government, receipt of deferred consideration from dilution of interest in subsidiaries 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 payment for acquisition of available-for-sale financial asset of S$20.9 million and deposit of S$4.0 million paid for the Utrecht hotels.

Net cash used in financing activities amounted to S$128.2 million in 1H 2017 due mainly to the net repayment of bank borrowings of S$67.6 million and redemption of medium term notes of S$50.5 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$2.0 million, S$2.5 million and S$5.9 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

According to The Business Times, more than 150 restrictive policies on home purchases and prices were enacted by about 60 cities since March 2017. Tighter purchasing policies and mortgage quotas that came under the directives of the Chinese central government have shown results with the easing of sales volume and rising prices in the first and second-tier cities.

The regulations that restrict bank lending have forced developers to raise funds through other measures which have prompted reactions by the Chinese central government. The central bank included off-balance sheet wealth management products in its examination of credit as a means to tackle shadow banking. The risk of growing credit in the country is recognised by the People's Bank of China which places its focus on preventive measures as reported in the annual China Financial Stability Report.

The Netherlands

The Dutch economy looks positive with gross domestic product growth continuing on a rising trend based on the national statistics bureau of the Netherlands (CBS).

In terms of the Dutch residential market, CBS reported steady increase in house prices for the past three years, with May 2017 registering an almost 8% higher rise as compared to the same period a year ago. According to CBS, there is still room for price increase as the average home price is approximately 8% lower than the highest point recorded in August 2008.

On the Amsterdam office front, strong demand and the shortage of prime office space supply have led to more office leases committed prior to building completion. Research reports from Savills and Knight Frank forecast an upward pressure on rents due largely to tightening availability of prime offices in central locations, with Savills expecting the demand to spill-over to other competitive regions such as De Omval and Southeast areas.

In the hotel sector, the outlook for the Dutch hospitality industry is promising with expectation for revenues to rise by 3% in 2017 due partly to higher room rates from increased tourist arrivals.

Company Outlook

Property Development

The sales performance of the residential units in the Millennium Waterfront project has been positive despite the continued property cooling measures directed by the Chinese central government. Of the aggregate 7,302 residential units in Plot A, B, C and D, more than 99% have been sold as at 30 June 2017. As at 30 June 2017, the Group has pre-sold S$689.9 million of residential units in Plot A, B and C, and recognised cumulative gross revenue of S$494.0 million. The Group will continue to recognise the substantial part of these pre-sales during the course of 2017. The Group will carefully assess the development feasibility of Plot E and F, the remaining phase of the Millennium Waterfront project, which are designated as commercial land, in view of the current market conditions.

In the Netherlands, the Group is in an advanced stage of discussion with an investor for the sale of a residential apartment block envisaged to be built next to the Dreeftoren office on a forward funding basis. The project is subject to the application for re-zoning and building permit with the Amsterdam Southeast municipal.

The Group has also commenced construction works for the redevelopment of the Oliphant office property, involving a more than 50% increase in lettable floor area from 14,109 sqm to approximately 21,395 sqm, and expects completion by the end of 2018. Leasing efforts are expected to intensify in 2018.

Property Holding

The Holiday Inn Express Chengdu Wenjiang Hotspring Hotel has been profitable for the past two quarters even though it has only commenced operations in late December 2016. On the other hand, the Crowne Plaza Chengdu Wenjiang Hotel is still not profitable. The Group is looking at rolling out the hotspring facilities at the end of 2017 which is expected to further boost the trading performance of both hotels. M Hotel Chengdu has been recording positive operating profit. Revenue per available room improved by 5% quarter-on-quarter bolstered by an increase in occupancy despite a drop in average room rate. The Group will further evaluate its options in light of the changing market conditions so as to maximise shareholder value.

Following the Group’s successful acquisition of Dongguan East Sun Limited (“East Sun”) in April 2017, East Sun is working on realising the potential of its property portfolio, including the application to re-zone certain properties.

On 12 July 2017, the Group completed the acquisition of the right of leasehold relating to the third floor up to and including the ninth floor of the Poortgebouw Hoog Catharijne, a bare shell hotel property, located next to the Utrecht central railway station which is also the largest and busiest railway station in the Netherlands. The Group has also taken physical delivery of around 92% of the total lettable floor area and expects the delivery of the remaining 8% of the total lettable floor area to take place in 2019. The Group will also be working with the lessee, for which an initial lease term of 25 years has been signed, to refurbish the property into two hotels, a Hampton by Hilton and a Crowne Plaza, which are expected to be completed and operational in late 2018. Fit out of the hotels is expected to commence in 3Q2017.

As announced on 3 July 2017, the Group, through its 33% owned FSMC NL Property Group B.V., intends to acquire a 95% equity stake in a portfolio of quality hotels with a strong Dutch heritage (the “Bilderberg Portfolio”). The envisaged acquisition will catapult the Group to become one of the largest hotel owners in the Netherlands. The Group’s recurrent income assets will increase to more than 50% of its total asset base upon the successful completion of this envisaged acquisition which will further strengthen the business resilience of the Group.

Property Financing

The Group has concluded a court arranged settlement agreement with the borrower for one of the defaulted loans amounting to RMB50 million in principal, thereby ending the court appeal process commenced by the Group. The Group expects that mortgaged properties for a substantial number of the defaulted loans would be auctioned during the second half of the year. During the quarter, the Group has also disbursed a new loan of RMB50 million. As at 30 June 2017, the cumulative unrecognised penalty interest in respect of the loans in default amounted to S$43.2 million.

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

(a) Current Financial Period Reported On

Any dividend declared for the current financial period reported on?

Yes.

Name of dividend	Interim tax-exempt (one-tier) dividend
Dividend Type	Cash
Dividend Amount	1.00 Singapore cent per ordinary share

(b) Corresponding Period of the Immediately Preceding Financial Year

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

Yes.

Name of dividend	Interim tax-exempt (one-tier) dividend
Dividend Type	Cash
Dividend Amount	1.00 Singapore cent per ordinary share

(c) Date payable

20 September 2017

(d) Books closure date

5 pm on 31 August 2017

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
26 July 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 second quarter and the half year ended 30 June 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

26 July 2017