



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 2016

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			The Group		
	Second quarter ended 30 June 2016	2015	Incr / (Decr) %	Half year ended 30 June 2016	2015	Incr / (Decr) %
	S\$'000	S\$'000	%	S\$'000	S\$'000	%
Revenue	42,212	29,978	40.8	87,769	42,628	105.9
Cost of sales	(28,167)	(14,102)	99.7	(59,366)	(16,171)	267.1
Gross profit	14,045	15,876	(11.5)	28,403	26,457	7.4
Administrative expenses	(4,574)	(4,920)	(7.0)	(11,827)	(8,652)	36.7
Selling expenses	(1,784)	(2,845)	(37.3)	(4,508)	(4,300)	4.8
Other income/(expenses)	848	(496)	n.m.	(670)	4,326	n.m.
Other (losses)/gains	(50)	(1)	4,900.0	(54)	277	n.m.
Results from operating activities	8,485	7,614	11.4	11,344	18,108	(37.4)
Finance income	6,522	5,802	12.4	14,561	11,122	30.9
Finance costs	(2,058)	(913)	125.4	(3,932)	(1,826)	115.3
Net finance income	4,464	4,889	(8.7)	10,629	9,296	14.3
Share of after-tax profit of associates	176	-	n.m.	7,018	-	n.m.
Profit before tax	13,125	12,503	5.0	28,991	27,404	5.8
Tax expense	(4,148)	(4,543)	(8.7)	(7,387)	(8,550)	(13.6)
Profit for the period	8,977	7,960	12.8	21,604	18,854	14.6
Attributable to:						
Equity holders of the Company	8,608	7,624	12.9	20,841	18,354	13.6
Non-controlling interests	369	336	9.8	763	500	52.6
Profit for the period	8,977	7,960	12.8	21,604	18,854	14.6
Earnings per share (cents)						
- basic	1.46	1.29	12.9	3.53	3.11	13.6
- diluted	1.46	1.29	12.9	3.53	3.11	13.6

n.m.: not meaningful

Consolidated Statement of Comprehensive Income

	The Group Second quarter ended 30 June		The Group Half year ended 30 June	
	2016 S\$'000	2015 S\$'000	2016 S\$'000	2015 S\$'000
Profit for the period	8,977	7,960	21,604	18,854
Other comprehensive income				
Items that are or may be reclassified subsequently to profit or loss:				
Realisation of foreign currency translation differences arising from liquidation of a subsidiary, net of tax	-	59	-	(344)
Share of translation differences on financial statements of associates, net of tax	(566)	-	(608)	-
Translation differences on financial statements of foreign subsidiaries, net of tax	(31,083)	(15,582)	(66,207)	15,127
Translation differences on monetary items forming part of net investment in foreign subsidiaries, net of tax	(1,870)	(991)	(3,910)	917
Other comprehensive income for the period, net of tax	(33,519)	(16,514)	(70,725)	15,700
Total comprehensive income for the period	(24,542)	(8,554)	(49,121)	34,554
Total comprehensive income attributable to:				
Equity holders of the Company	(24,508)	(8,871)	(49,762)	34,237
Non-controlling interests	(34)	317	641	317
Total comprehensive income for the period	(24,542)	(8,554)	(49,121)	34,554

Notes to the Group's Income Statement:

Profit before income tax includes the following:

	The Group Second quarter ended 30 June		The Group Half year ended 30 June	
	2016 S\$'000	2015 S\$'000	2016 S\$'000	2015 S\$'000
Other (losses)/gains comprise:				
Gain on liquidation of a subsidiary	-	-	-	285
Loss on disposal of investment properties	(50)	-	(50)	-
Property, plant and equipment written off	-	(1)	(4)	(8)
	<u>(50)</u>	<u>(1)</u>	<u>(54)</u>	<u>277</u>
Profit before income tax includes the following expenses/(income):				
Depreciation of property, plant and equipment	390	421	714	828
Exchange gain (net)	(57)	(778)	(217)	(1,469)
IPO expenses	-	-	-	(562)
Operating lease expense	104	99	210	198
Net investment return from a PRC government linked entity	(463)	(504)	(943)	(4,580)

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 2016 S\$'000	As at 31 Dec 2015 S\$'000	As at 30 June 2016 S\$'000	As at 31 Dec 2015 S\$'000
Non-current assets				
Property, plant and equipment	165,680	151,110	386	-
Investment properties	238,080	245,624	-	-
Interests in subsidiaries	-	-	881,329	881,329
Interests in associates	20,843	14,426	-	-
Amounts due from subsidiaries	-	-	207,654	287,222
Other receivables	112,421	310,327	-	-
Deferred tax assets	7,780	7,368	-	-
	<u>544,804</u>	<u>728,855</u>	<u>1,089,369</u>	<u>1,168,551</u>
Current assets				
Development properties	609,292	660,187	-	-
Inventories	84	148	-	-
Amounts due from subsidiaries	-	-	154,004	133,696
Trade and other receivables	331,906	299,560	255	1,653
Cash and cash equivalents	132,159	112,044	694	1,257
	<u>1,073,441</u>	<u>1,071,939</u>	<u>154,953</u>	<u>136,606</u>
Total assets	<u>1,618,245</u>	<u>1,800,794</u>	<u>1,244,322</u>	<u>1,305,157</u>
Equity				
Share capital	736,404	736,404	736,404	736,404
Reserves	182,674	238,334	62,354	37,637
Equity attributable to owners of the Company	<u>919,078</u>	<u>974,738</u>	<u>798,758</u>	<u>774,041</u>
Non-controlling interests	4,000	3,359	-	-
Total equity	<u>923,078</u>	<u>978,097</u>	<u>798,758</u>	<u>774,041</u>
Non-current liabilities				
Loans and borrowings	298,988	260,824	268,330	229,181
Derivative liability	1,158	3,327	1,158	3,327
Deferred tax liabilities	10,856	11,963	-	-
	<u>311,002</u>	<u>276,114</u>	<u>269,488</u>	<u>232,508</u>
Current liabilities				
Amounts due to subsidiaries	-	-	80,795	80,447
Trade and other payables	109,261	127,838	5,327	1,881
Receipts in advance	168,486	182,059	-	-
Loans and borrowings	89,954	216,280	89,954	216,280
Current tax payables	16,464	20,406	-	-
	<u>384,165</u>	<u>546,583</u>	<u>176,076</u>	<u>298,608</u>
Total liabilities	<u>695,167</u>	<u>822,697</u>	<u>445,564</u>	<u>531,116</u>
Total equity and liabilities	<u>1,618,245</u>	<u>1,800,794</u>	<u>1,244,322</u>	<u>1,305,157</u>

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 2016 S\$'000	As at 31 Dec 2015 S\$'000
Unsecured		
- repayable within one year	89,954	216,280
- repayable after one year	268,331	229,181
Total	<u>358,285</u>	<u>445,461</u>
Secured		
- repayable within one year	-	-
- repayable after one year	30,657	31,643
Total	<u>30,657</u>	<u>31,643</u>
Grand total	<u>388,942</u>	<u>477,104</u>
Gross borrowings	393,754	480,892
Less: cash and cash equivalents as shown in the statement of financial position	<u>(132,159)</u>	<u>(112,044)</u>
Net borrowings	<u>261,595</u>	<u>368,848</u>

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		Half year ended	
	30 June		30 June	
	2016	2015	2016	2015
	S\$'000	S\$'000	S\$'000	S\$'000
Cash flows from operating activities				
Profit for the period	8,977	7,960	21,604	18,854
Adjustments for:				
Depreciation of property, plant and equipment	390	421	714	828
Fair value (gain)/loss on derivative liability	(878)	1,018	(2,169)	1,018
Finance income	(6,522)	(5,802)	(14,561)	(11,122)
Finance costs	2,058	913	3,932	1,826
Gain on liquidation of a subsidiary	-	-	-	(285)
Loss on disposal of investment properties	50	-	50	-
Property, plant and equipment written off	-	1	4	8
Share of after-tax profit of associates	(176)	-	(7,018)	-
Tax expense	4,148	4,543	7,387	8,550
	8,047	9,054	9,943	19,677
Change in working capital:				
Development properties	6,404	(37,565)	11,695	(65,696)
Inventories	80	6	56	(34)
Trade and other receivables	(6,564)	9,704	42,137	(75,100)
Trade and other payables	(51,079)	22,615	(59,818)	(1,108)
Receipts in advance	11,996	14,763	(2,133)	56,020
Cash (used in)/generated from operations	(31,116)	18,577	1,880	(66,241)
Interest received	1,268	9,434	3,268	15,711
Tax paid	(7,608)	(6,461)	(11,474)	(9,986)
Net cash (used in)/generated from operating activities	(37,456)	21,550	(6,326)	(60,516)

	The Group Second quarter ended 30 June		The Group Half year ended 30 June	
	2016 S\$'000	2015 S\$'000	2016 S\$'000	2015 S\$'000
Cash flows from investing activities				
Acquisition of a subsidiary	-	184	-	(74,244)
Interest received	9,215	3,171	18,225	8,913
Payment for additions to:				
- investment properties	(2,559)	(82,837)	(2,646)	(82,837)
- property, plant and equipment	(16,238)	(6,056)	(25,644)	(12,269)
Proceeds from disposal of investment properties	400	-	400	-
Repayment of loans by a third party	4,366	-	8,879	-
Repayment of loans by an associate	(475)	-	72,164	-
Receipt of investment return from a PRC government linked entity	2,114	-	2,114	3,567
Net cash (used in)/generated from investing activities	(3,177)	(85,538)	73,492	(156,870)
Cash flows from financing activities				
Advances from associates	(60)	-	9,120	-
Dividends paid to the owners of the Company	(5,898)	(4,483)	(5,898)	(4,483)
Interest paid	(1,758)	(907)	(3,084)	(1,375)
Payment of transaction costs related to borrowings	(2,834)	(270)	(2,889)	(1,058)
Proceeds from issue of medium-term notes	-	50,000	-	50,000
Proceeds from bank borrowings	257,868	110,931	327,589	225,519
Repayment of bank borrowings	(208,735)	(71,399)	(364,069)	(86,147)
Net cash generated from/(used in) financing activities	38,583	83,872	(39,231)	182,456
Net (decrease)/increase in cash and cash equivalents	(2,050)	19,884	27,935	(34,930)
Cash and cash equivalents at beginning of the period	137,977	76,125	112,044	131,797
Effect of exchange rate changes on balances held in foreign currencies	(3,768)	2,979	(7,820)	2,121
Cash and cash equivalents at end of the period	132,159	98,988	132,159	98,988

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.

	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
The Group									
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									
Translation differences on financial statements of foreign subsidiaries, net of tax	-	-	-	-	(66,085)	-	(66,085)	(122)	(66,207)
Share of translation differences on financial statements of foreign associates, net of tax	-	-	-	-	(608)	-	(608)	-	(608)
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									
Contributions by and distributions to owners									
Dividends paid to the owners of the Company	-	-	-	-	-	(5,898)	(5,898)	-	(5,898)
Total contributions by and 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 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 2015	736,404	9,570	14,835	(1,497)	83,891	51,271	894,474	-	894,474
Total comprehensive income for the period									
Profit for the period	-	-	-	-	-	18,354	18,354	500	18,854
Other comprehensive income									
Realisation of foreign currency translation differences arising from liquidation of a subsidiary	-	-	-	-	(344)	-	(344)	-	(344)
Translation differences on financial statements of foreign subsidiaries, net of tax	-	-	-	-	15,310	-	15,310	(183)	15,127
Translation differences on monetary items forming part of net investment in foreign subsidiaries, net of tax	-	-	-	-	917	-	917	-	917
Total comprehensive income	-	-	-	-	15,883	-	15,883	(183)	15,700
Total comprehensive income for the period	-	-	-	-	15,883	18,354	34,237	317	34,554
Transaction with owners, recognised directly in equity									
Contributions by and distributions to owners									
Dividends paid to the owners of the Company	-	-	-	-	-	(4,483)	(4,483)	-	(4,483)
Reversal of share issue expenses	-	39	-	-	-	-	39	-	39
Transfer from statutory reserves	-	-	(165)	-	-	165	-	-	-
Total contributions by and distributions to owners	-	39	(165)	-	-	(4,318)	(4,444)	-	(4,444)
Changes in ownership interests in subsidiaries									
Acquisition of a subsidiary with non-controlling interests	-	-	-	-	-	-	-	5,455	5,455
Liquidation of a subsidiary	-	-	(686)	1,722	-	(1,036)	-	-	-
Total changes in ownership interests in subsidiaries	-	-	(686)	1,722	-	(1,036)	-	5,455	5,455
Total transactions with owners of the Company	-	39	(851)	1,722	-	(5,354)	(4,444)	5,455	1,011
At 30 June 2015	736,404	9,609	13,984	225	99,774	64,271	924,267	5,772	930,039

	Share capital S\$'000	Share premium S\$'000	Reserve for own shares S\$'000	Capital reserve S\$'000	Retained earnings S\$'000	Total equity S\$'000
The Company						
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						
Contributions by and distributions to owners						
Dividends paid to the owners of the Company	-	-	-	-	(5,898)	(5,898)
Total contributions by and 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
At 1 January 2015						
At 1 January 2015	736,404	9,821	-	245	(15,916)	730,554
Total comprehensive income for the period						
Profit for the period	-	-	-	-	30,272	30,272
Total comprehensive income for the period	-	-	-	-	30,272	30,272
Transaction with owners, recognised directly in equity						
Contributions by and distributions to owners						
Dividends paid to the owners of the Company	-	-	-	-	(4,483)	(4,483)
Total contributions by and distributions to owners	-	-	-	-	(4,483)	(4,483)
Total transactions with owners of the Company	-	-	-	-	(4,483)	(4,483)
At 30 June 2015	736,404	9,821	-	245	9,873	756,343

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 2016. As at 30 June 2016 and 31 December 2015, 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 2016 and 30 June 2015.

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 2016 and 31 December 2015 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 2016.

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 2015.

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 2016. 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	
	2016	2015	2016	2015
Basic and diluted earnings per share (cents)	1.46	1.29	3.53	3.11
a) Profit attributable to equity holders of the Company (S\$'000)	8,608	7,624	20,841	18,354
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 2016	As at 31 Dec 2015	As at 30 June 2016	As at 31 Dec 2015
Net asset value per ordinary share (cents) based on 589,814,949 issued ordinary shares (excluding treasury shares) as at 30 June 2016 and 31 December 2015	155.82	165.26	135.43	131.23

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

Revenue of the Group mainly comprises revenue arising from the sale of properties, rental income from investment properties, revenue from hotel operations and interest income from the provision of property financing services. 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	
	2016 S\$'000	2015 S\$'000	2016 S\$'000	2015 S\$'000
Revenue from sale of properties	36,760	19,034	75,188	21,143
Rental income from investment properties	3,745	2,227	7,454	3,357
Hotel operations	929	735	1,754	1,426
Revenue from property financing	778	7,982	3,373	16,702
Total	<u>42,212</u>	<u>29,978</u>	<u>87,769</u>	<u>42,628</u>

2Q 2016 vs 2Q 2015

Revenue of the Group in 2Q 2016, increased by 40.8% or S\$12.2 million, from S\$30.0 million in 2Q 2015 to S\$42.2 million in 2Q 2016. The increase in 2Q 2016 is due mainly to higher revenue from sale of properties of S\$17.7 million and rental income from investment properties of S\$1.5 million, partially offset by a decrease in revenue from property financing of S\$7.2 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 2016 compared to 2Q 2015 mainly resulted from the higher number of units in the Millennium Waterfront project being handed over in the current quarter (2Q 2016: 242 residential units, 17 commercial units and 49 car park lots; 2Q 2015: 76 residential units and 20 commercial units).

Rental income from investment properties increased by 68.2% or S\$1.5 million, from S\$2.2 million in 2Q 2015 to S\$3.7 million in 2Q 2016. The increase in 2Q 2016 is due mainly to the contribution of a full quarter's rental income from the Arena Towers properties in the Netherlands which were acquired in June 2015.

Revenue from property financing decreased by 90.3% or S\$7.2 million, from S\$8.0 million in 2Q 2015 to S\$0.8 million in 2Q 2016. This decrease was due mainly to various loan defaults in December 2015 and January 2016. No interest was recognised on the S\$130.4 million (RMB640.0 million) loans after the point of default.

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 99.7% or S\$14.1 million, from S\$14.1 million in 2Q 2015 to S\$28.2 million in 2Q 2016. The increase in cost of sales is in line with the increase in revenue from sale of properties in 2Q 2016.

Our gross profit decreased by 11.5% or S\$1.9 million, from S\$15.9 million in 2Q 2015 to S\$14.0 million in 2Q 2016. The decrease was due mainly to lower gross profit generated from property financing of S\$7.2 million, which was partially offset by higher gross profit generated from the sale of properties of S\$3.8 million and from investment properties of S\$1.5 million.

The Group's gross profit margin for each business segment has remained fairly constant but the overall gross profit margin has decreased from 53.0% in 2Q 2015 to 33.3% in 2Q 2016. This reflected the change in profit composition as only 5.5% of the Group's gross profit for 2Q 2016 was from the higher yielding property financing segment which contributed 100.0% gross profit margin whereas 50.3% of the total gross profit in 2Q 2015 was generated by the property financing segment.

Selling expenses

Our selling expenses mainly comprise staff costs of our sales and marketing staff, advertising and promotion expenses, sales commissions paid to external sales agents and other related expenses.

Other income/(expenses)

In 2Q 2016, the Group recorded other income of S\$0.8 million which comprised mainly fair value gain on cross-currency swap of S\$0.9 million.

In 2Q 2015, the Group recorded other expenses of S\$0.5 million mainly comprising fair value loss on cross-currency swap of S\$1.0 million offset by net investment return from a PRC government linked entity of S\$0.5 million.

1H 2016 vs 1H 2015

Revenue of the Group in 1H 2016, increased by 105.9% or S\$45.2 million, from S\$42.6 million in 1H 2015 to S\$87.8 million in 1H 2016. The increase in 1H 2016 is due mainly to higher revenue from sale of properties of S\$54.0 million and increase in rental income from investment properties of S\$4.1 million, partially offset by a decrease in revenue from property financing of S\$13.3 million.

The increase in revenue from the sale of properties is due mainly to the higher number of units in the Millennium Waterfront project being handed over in the current period (1H 2016: 566 residential units, 19 commercial units and 114 car park lots; 1H 2015: 85 residential units and 20 commercial units).

Rental income from investment properties increased by 122.0% or S\$4.1 million, from S\$3.4 million in 1H 2015 to S\$7.5 million in 1H 2016. The increase is due mainly to the higher contribution in 1H 2016 from Zuiderhof I and Arena Towers in the Netherlands, which were acquired in February 2015 and June 2015 respectively.

Revenue from property financing decreased by 79.8% or S\$13.3 million, from S\$16.7 million in 1H 2015 to S\$3.4 million in 1H 2016. This decrease was due mainly to no interest income recognised on the S\$130.4 million (RMB640.0 million) loans in default.

Cost of sales increased by 267.1% or S\$43.2 million, from S\$16.2 million in 1H 2015 to S\$59.4 million in 1H 2016. The increase in cost of sales is in line with the increase in revenue from sale of properties in 1H 2016.

Our gross profit increased by 7.4% or S\$1.9 million, from S\$26.5 million in 1H 2015 to S\$28.4 million in 1H 2016. The increase was due mainly to the higher gross profit generated from sale of properties of S\$11.1 million and from investment properties of S\$4.1 million, offset by a decrease from property financing of S\$13.3 million.

The Group's gross profit margin for each business segment has remained fairly constant but the overall gross profit margin has decreased from 62.1% in 1H 2015 to 32.4% in 1H 2016.

This reflected the lower profit contribution by the higher yielding property financing segment. Specifically, this segment contributed 11.9% of the Group's gross profit for 1H 2016 compared to 63.1% in 1H 2015.

Administrative expenses

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

Administrative expenses increased by 36.7% or S\$3.1 million, from S\$8.7 million in 1H 2015 to S\$11.8 million in 1H 2016. This was due mainly to legal fees of S\$2.4 million in respect of the recovery of the property financing loans in default and higher staff costs of S\$1.1 million.

Other (expenses)/income

In 1H 2016, we recorded other expenses of S\$0.7 million which is net of a fair value gain on cross-currency swap of S\$2.2 million.

In 1H 2015, we recorded other income of S\$4.3 million which comprised mainly net investment return from a PRC government linked entity of S\$4.6 million and reversal of overprovision for IPO expenses of S\$0.6 million, partially offset by a fair value loss on cross-currency swap of S\$1.0 million.

Net finance income

Net finance income increased by 14.3% or S\$1.3 million, from S\$9.3 million in 1H 2015 to S\$10.6 million in 1H 2016. This was due mainly to finance income of S\$5.1 million from loans to FSMC NL Property Group B.V. ("FSMC"), a 33% owned associated company, partially offset by a decrease in finance income from loans to the Chengdu Wenjiang government of S\$1.8 million in 1H 2016 as a result of partial repayment of loan principal by the Chengdu Wenjiang government.

Share of after-tax profit of associates

Share of after-tax profit of associates of S\$7.0 million for 1H 2016 related to the Group's share of results of FSMC, which was mainly attributable to a share of profit of S\$6.5 million from the disposal of eight non-core properties in the Netherlands in February 2016.

Income tax expense

The Group recorded total income tax expense of S\$7.4 million on profit before tax of S\$29.0 million in 1H 2016, which included land appreciation tax of S\$0.2 million. After adjusting for the share of after-tax profit of associates and the tax effect of non-deductible expenses of S\$2.9 million, the effective tax rate of the Group would be approximately 27.8%.

(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

Interests in associates increased by S\$6.4 million, from S\$14.4 million as at 31 December 2015 to S\$20.8 million as at 30 June 2016. This is due mainly to the share of profit from the disposal of non-core properties by FSMC.

Other receivables decreased by S\$197.9 million, from S\$310.3 million as at 31 December 2015 to S\$112.4 million as at 30 June 2016. This was due mainly to the partial repayment of unsecured loans amounting to S\$70.6 million by FSMC to the Group upon the disposal of its non-core properties in February 2016. In addition, S\$101.9 million of the loans receivable from the Chengdu Wenjiang government had been reclassified to current assets as they are due in March 2017.

Current assets

Trade and other receivables increased by S\$32.3 million, from S\$299.6 million as at 31 December 2015 to S\$331.9 million as at 30 June 2016. This is due mainly to the abovementioned reclassification of loans receivable from the Chengdu Wenjiang government amounting to S\$101.9 million from non-current assets. This has been partially offset by the repayment of short-term entrusted loans to third parties amounting to S\$50.9 million, bringing the total property financing loan portfolio as at 30 June 2016 to S\$148.7 million (RMB730.0 million) from S\$213.2 million (RMB980.0 million) as at 31 December 2015; repayment of loans receivable from the Chengdu Wenjiang government of S\$8.6 million and interest on these loans of S\$5.0 million, as well as receipts of investment return from a PRC government linked entity of S\$2.0 million.

Current liabilities

Trade and other payables decreased by S\$18.5 million, from S\$127.8 million as at 31 December 2015 to S\$109.3 million as at 30 June 2016, due mainly to payments made for the Millennium Waterfront project and Star of East River project, and favourable foreign exchange rate movement arising from the weakening of RMB against S\$.

Loans and borrowings

The Group's gross borrowings had decreased by S\$87.1 million, from S\$480.9 million as at 31 December 2015 to S\$393.8 million as at 30 June 2016. This was due mainly to the repayment of bridging loans of S\$67.5 million with the net proceeds from the partial repayment of loans granted to FSMC upon its disposal of its non-core properties. The Group maintained a healthy net gearing ratio of 0.29 as at 30 June 2016.

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.

With the Group's entry to the Dutch property market, whilst the Group tries to fully hedge its currency exposure by financing all its Dutch acquisitions with euro-denominated borrowings and non-euro-denominated borrowings swapped to euros, the Group's earnings is still exposed to the volatility of the euro against S\$ to the extent that these are unhedged.

As at 30 June 2016, the Group has a cumulative translation gain of S\$34.8 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 favourable exchange rate movements between the RMB and S\$ so far.

We do not currently have a formal hedging policy with respect to our foreign exchange exposure and have not used any financial hedging instruments to actively manage our foreign exchange risk. We will continue to monitor our foreign exchange exposure and may employ hedging instruments to manage our foreign exchange exposure should the need arise. The cost of such hedging instruments may fluctuate significantly over time and can outweigh the potential benefit from the reduced exposure to currency volatility. 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 2016

Net cash used in operating activities of S\$37.5 million in 2Q 2016 was due mainly to the payment of income tax of S\$7.6 million and the payment of construction costs for the Millennium Waterfront project and Star of East River project. This had been offset by repayment of secured entrusted loans of S\$52.9 million (RMB250.0 million) and interest received of S\$1.3 million (primarily from the property financing business) in the current quarter.

Net cash used in investing activities of S\$3.2 million in 2Q 2016 was due mainly to the payments for the additions of property, plant and equipment and investment properties totalling S\$18.8 million, partially offset by interest received of S\$9.2 million (primarily in respect of the loans to the Chengdu Wenjiang government), repayment of loan principal of S\$4.4 million by the Chengdu Wenjiang government and receipts of investment return from a PRC government linked entity of S\$2.1 million.

Net cash generated from financing activities amounted to S\$38.6 million in 2Q 2016 due mainly to the net drawdown of bank borrowings of S\$49.1 million, partially offset by interest paid, payment of transaction costs related to borrowings and payment of dividends to the owners of the Company of S\$1.8 million, S\$2.8 million and S\$5.9 million respectively.

1H 2016

Net cash used in operating activities of S\$6.3 million in 1H 2016 was due mainly to payment of income tax of S\$11.5 million and payment of construction costs for the Millennium Waterfront project and Star of East River project. This had been partially offset by repayment of secured entrusted loans of S\$52.9 million (RMB250.0 million) and interest received of S\$3.3 million (primarily from the property financing business).

Net cash generated from investing activities amounting to S\$73.5 million in 1H 2016 comprised partial repayment of unsecured loans amounting to S\$72.2 million by FSMC following the disposal of its non-core properties, interest received of S\$18.2 million (primarily in respect of the loans to the Chengdu Wenjiang government), and repayment of loan principal of S\$8.9 million by the Chengdu Wenjiang government, partially offset by the payments for the additions of property, plant and equipment and investment properties of S\$28.3 million.

Net cash used in financing activities amounted to S\$39.2 million in 1H 2016 due mainly to net repayment of bank borrowings of S\$36.5 million and interest paid, payment of transaction costs related to borrowings and payment of dividends to the owners of the Company of S\$3.1 million, S\$2.9 million and S\$5.9 million respectively, partially offset by advances from associates of S\$9.1 million.

Note:

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

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

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

The referendum by the United Kingdom ("UK") to leave the European Union ("EU") on 24 June ("Brexit") caused analysts to cut their post Brexit real Gross Domestic Product ("GDP") growth for all Asian countries (excluding Japan and Australia) from 5.9% to 5.5%. China was not spared with a predicted cut of 0.2% from 6.2% to 6.0%.

The recovery in China's housing market that helped underpin the economy in the first half of 2016 is showing signs of tapering off. According to the National Bureau of Statistics ("NBS"), 60 out of the 70 large and medium-sized cities tracked recorded an increase in prices of newly built residential properties (excluding government subsidized housing) in May, a decrease from 65 in April. NBS also reported that out of 60 cities with price gains in May 2016, 36 had slower increase than in April. Notwithstanding this, demand for the Dongguan residential market continues to grow with the further decrease of inventory turnover from 4 months in January to 3 months in April.

The Netherlands

In June, the Dutch Bureau for Economic Policy Analysis ("Central Plan Bureau" or "CPB") predicted 1.8% GDP growth in the Netherlands in 2016 and 2.1% in 2017. In its press release, CPB listed specific risks including Brexit that may stunt the projected economic growth. While CPB reported a possibility of EU profiting from the uncertainty in the UK as investors move out from the UK to other countries within the EU, CPB cited that EU will suffer in the longer term due to higher cost in trades. In particular to the Netherlands, CPB predicted a GDP loss as a result of Brexit due to its highly connected trade to the UK than the rest of the EU. As Brexit will take a while to effect, market movements remain to be observed.

The Dutch consumers remain confident of the future with the Dutch Bureau of Statistics ("CBS") reporting a 4-point rise in Dutch consumer confidence from May to June. Such positive sentiment is supported by the annual attractiveness survey conducted by Ernst & Young, which shows that the foreign investors remain attracted to the Netherlands market, in particular Amsterdam.

Residential prices have increased in the Netherlands in the second quarter of 2016. According to Bloomberg, such increase was due to a supply shortage in the market. Based on CBS, the home prices in the Netherlands have increased by 0.4% from April to May and by 4.3% from a year ago. The number of houses purchased has also increased by approximately 25% from the same period last year. In Amsterdam city, the official portal web site of the City of Amsterdam quoted the need for about 10,000 new residential units to be developed annually over the next few years. CBS added that the investment climate in the Netherlands is more favourable in June than in April and May.

As for the office market, Savills reported a lower occupancy rate in June but expects greater activity due to a temporary mismatch of demand and supply, limited number of office developments and decreasing supplies at prime office spots. Savills forecasts continued high investment volumes in the remainder of the year for office market.

Company Outlook

Property Development

Arising from the positive outlook of the Dongguan residential market, the Group has been approached by a few interested parties to collaborate with them in the development of the Star of East River project. The Group is currently evaluating such proposals and will make an announcement if and when there is material development. Whilst the Group will continue to evaluate such proposals, it plans to still commence construction of Phase 1 of the project in 2016.

In Chengdu, Plot A of the Millennium Waterfront Project is on track for partial handover of the residential blocks by the end of the year. The Group will start the construction of Plot D in 2016 to replenish its stock of residential units for sale.

The Group's Boompjes redevelopment project in Rotterdam, held through a wholly owned subsidiary of the 33%-owned FSMC NL Property Group B.V. ("FSMC"), has received much interest from potential fund investors to buy a substantial portion of the project for leasing purposes. The remaining project will be opened to the public for sale. The Boompjes redevelopment project is currently at the final stage of its conceptual design.

In addition, FSMC has teamed up with Provast once again to redevelop the Terminal Noord property located in close proximity to the Central Station in The Hague. Provast would be a 50% equity partner in the redevelopment project. In view of the redevelopment potential of the property, FSMC has redesignated the Terminal Noord property to a "property with redevelopment potential". The proposed redevelopment will transform the current vacant office property into a high rise residential project with approximately 500 residential units, 275 parking spaces and commercial space. The redevelopment will have a longer time-frame than the Boompjes Rotterdam project as it involves a change in zoning and/or master plan. However, similar to the Boompjes Rotterdam project, FSMC will look for a party to acquire at least a substantial portion of the project before the commencement of construction.

Property Holding

The Group has entered into long term hotel management contracts with InterContinental Hotels Group (Shanghai) Ltd on 22 April 2016 to operate the two hotels of the Millennium Waterfront project in Wenjiang, Chengdu. The hotels will be known as Crowne Plaza Chengdu Wenjiang and Holiday Inn Express Chengdu Wenjiang Hotspring respectively. Construction of the hotels are progressing as planned, with hotel operations expected to commence in early 2017. The hotspring component is expected to commence operations in the later part of 2017.

Negotiations with several existing tenants for lease extension and potential new leases are ongoing for the Dutch property holding portfolio of the Group.

Property Financing

There are positive developments on the loan recovery process for the two problematic loans amounting to RMB640.0 million (S\$130.4 million). For the first loan of RMB170.0 million (S\$34.6 million), the court had issued a judgment on 6 May 2016 in favour of the Group whereby the loan principal and interest are due with penalty interest fixed at 24% per annum from the date of default. The ruling will become effective around early August 2016 if the borrower does not file an appeal by then. Thereafter, the Group can apply for court enforcement to foreclose and auction the debt collaterals if the principal and penalty interest are not duly repaid on time. From this point onwards, the penalty interest increases to approximately 30.4% per annum.

For the second loan of RMB470.0 million (S\$95.7 million) which comprises eight related loans disbursed to six different borrowing entities, the court presiding over five of these loans amounting to RMB324.0 million (S\$66.0 million) had issued judgements in favour of the Group whereby the respective loan principals and interests are due with penalty interest fixed at 24% per annum from the date of default. The court hearing dates for the remaining three loans have been set in August and October 2016. In connection to the court rulings of the four loans amounting to RMB254.0 million (S\$51.7 million), the borrowers have lodged or are in the process of lodging appeals to the court to contest mainly for a lower penalty interest rate of 17%. The ruling for the remaining loan amounting to RMB70 million (S\$14.3 million) has become effective and with effect from 24 July 2016, the penalty interest increases to approximately 30.4% per annum. The Group will proceed with the court foreclosure process to recover its debt.

The Group has adopted a conservative approach and has not recognised any interest income from these two cases.

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	0.70 Singapore cents per ordinary share

(c) Date payable

15 September 2016

(d) Books closure date

5 pm on 31 August 2016

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

Not applicable.

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

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

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

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

BY ORDER OF THE BOARD
Neo Teck Pheng
Group Chief Executive Officer
27 July 2016

FIRST SPONSOR GROUP LIMITED

(Registration No. AT-195714)

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 2016 to be false or misleading in any material respect.

On behalf of the Board of Directors

Ho Han Leong Calvin
Chairman

Neo Teck Pheng
Group Chief Executive Officer

27 July 2016