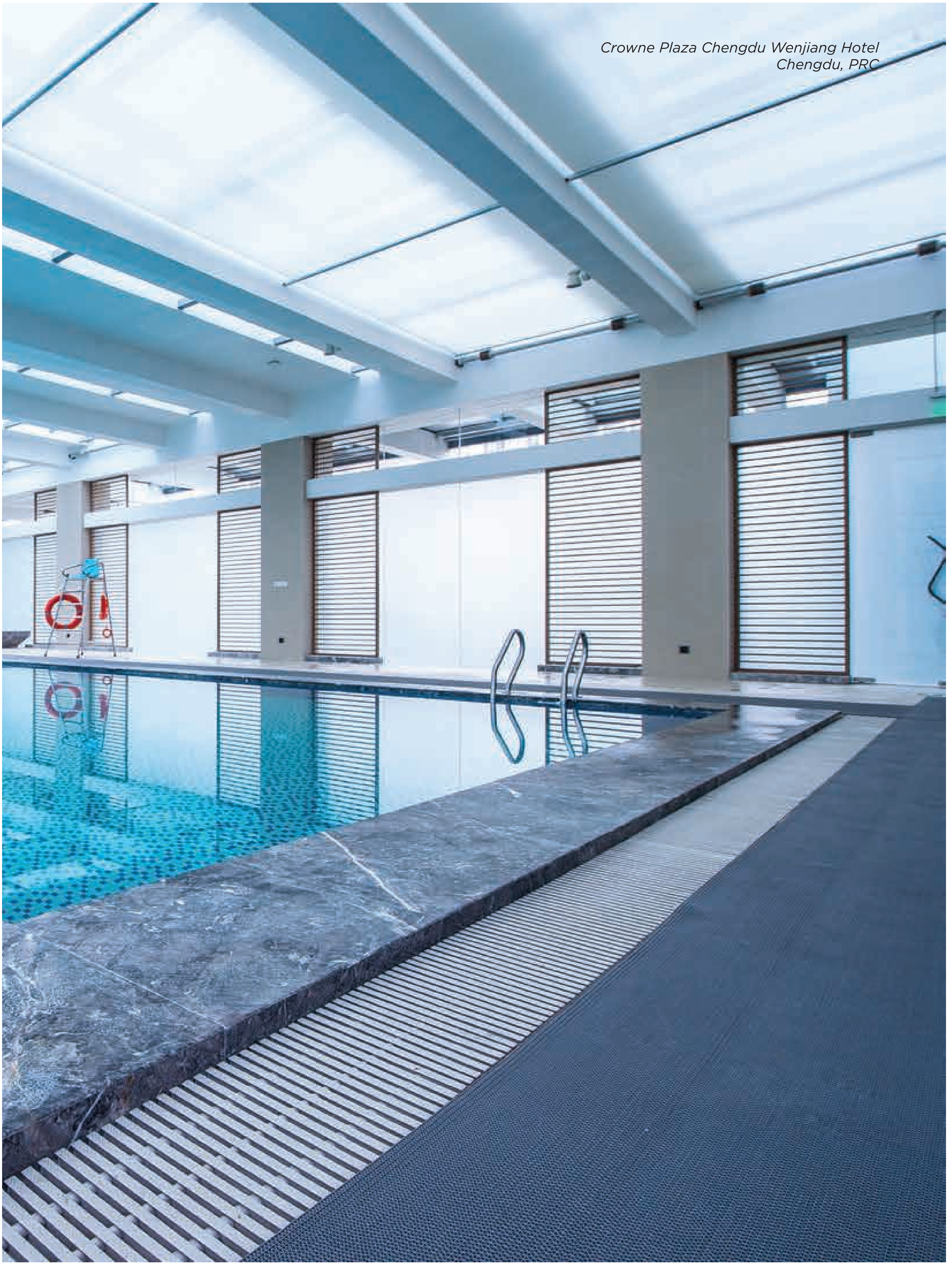
FIRST SPONSOR GROUP LIMITED

ANNUAL REPORT 2016

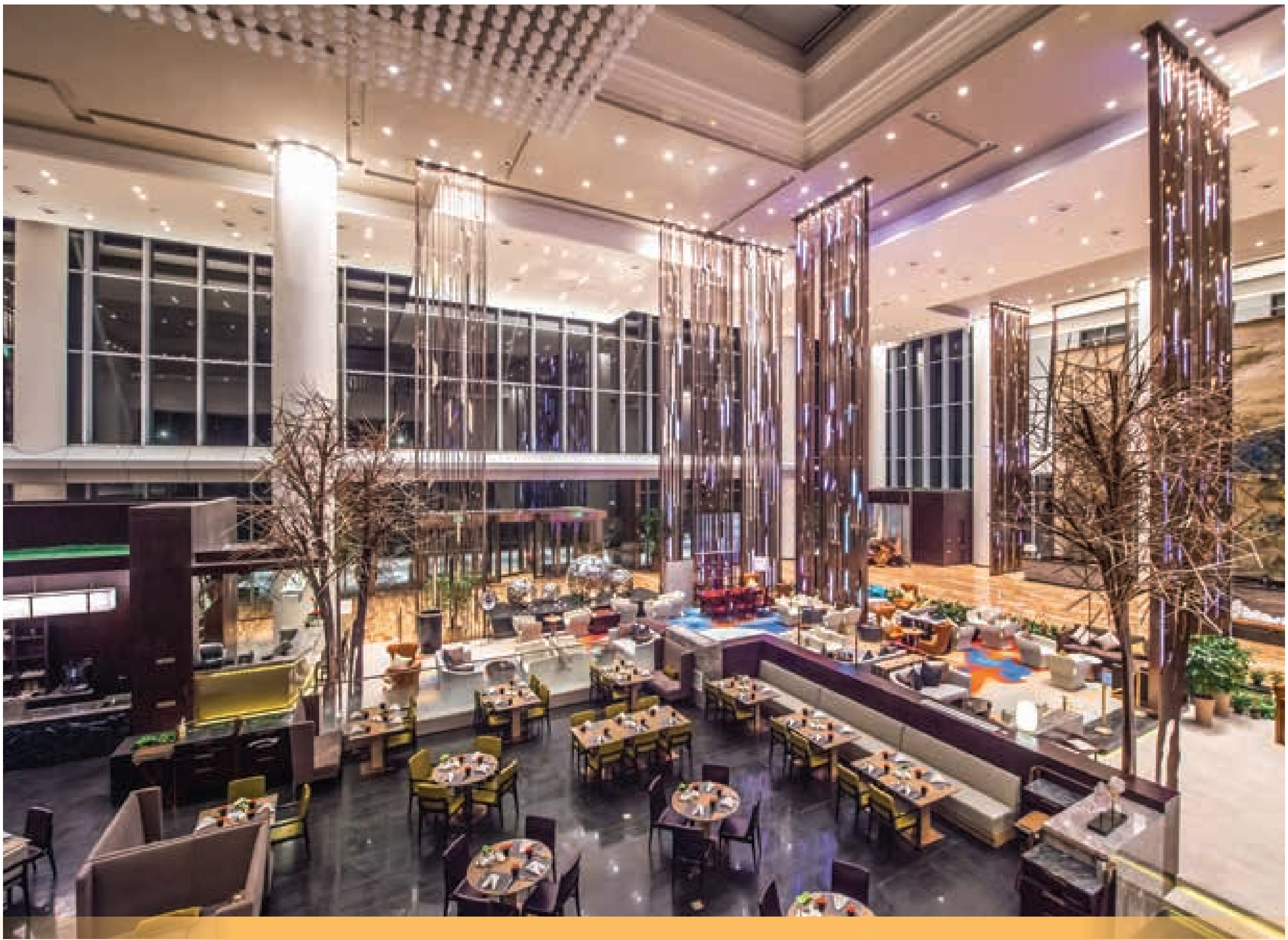
Based on artist's impression, The Terraced Tower, Boompjes Rotterdam, The Netherlands

CONTENTS



Crowne Plaza Chengdu Wenjiang Hotel
Chengdu, PRC

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

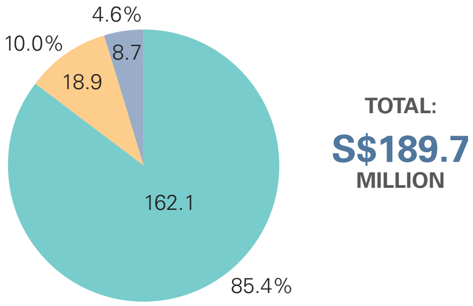


CROWNE PLAZA CHENGDU WENJIANG HOTEL

FINANCIAL HIGHLIGHTS

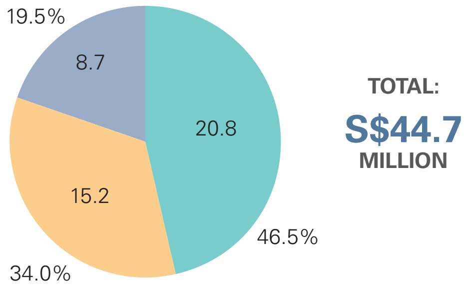
FY2016 Revenue By Segment

S$'MILLION



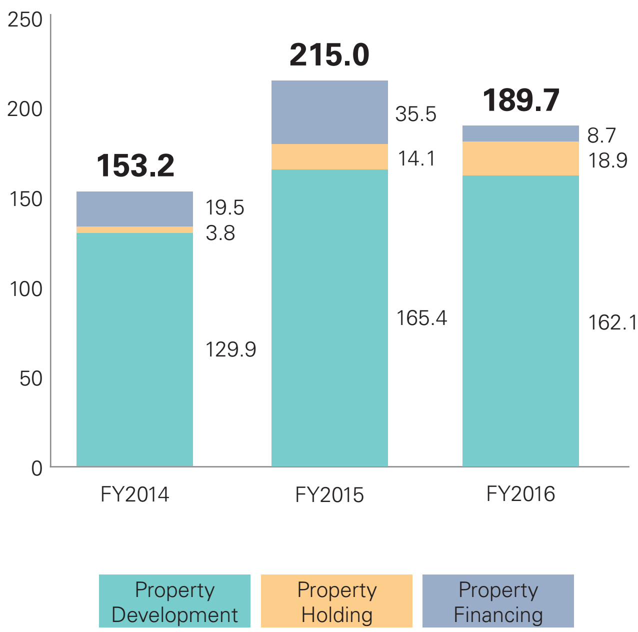
FY2016 Gross Profit By Segment

S$'MILLION



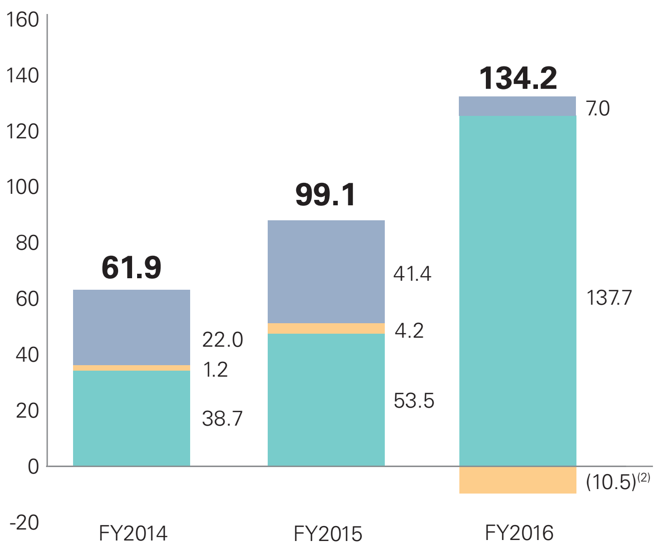
Revenue By Segment

S$'MILLION



Segment Profit Before Tax[1]

S$'MILLION

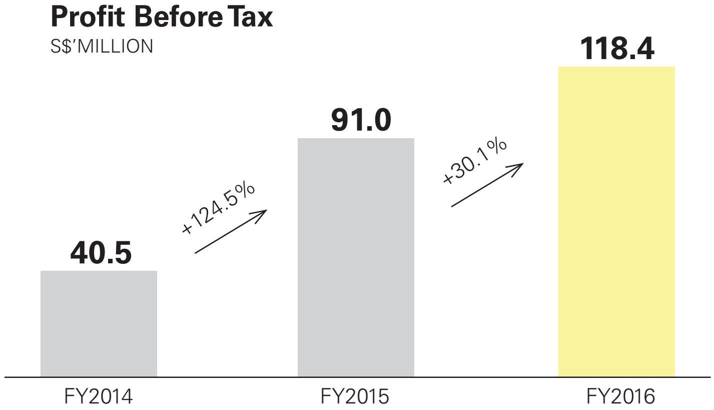


(1) This is excluding unallocated expenses of S$15.8 million (2015: S$8.1 million and 2014: S$21.4 million).

(2) This is net of an impairment charge of S$10.3 million, and pre-opening expenses and base stocks written off in relation to the two hotels in Wenjiang, Chengdu of S$2.4 million and S$2.5 million respectively.

Profit Before Tax

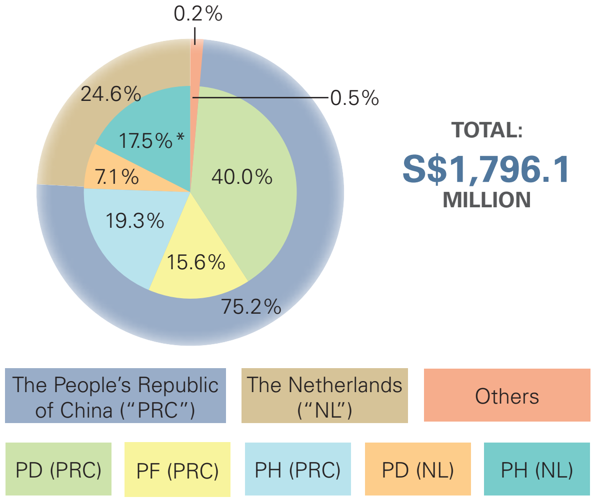
S$'MILLION



FINANCIAL HIGHLIGHTS

Total Assets – By Business and Geographic Segments

as at 31 December 2016



PD: Property Development

PF: Property Financing

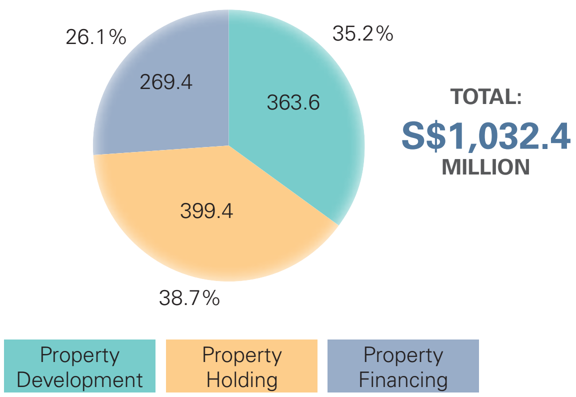
PH: Property Holding

* Includes S$100.0 million cash and cash equivalents held in Singapore/Hong Kong.

Net Assets(3) By Segment

as at 31 December 2016

S$'MILLION

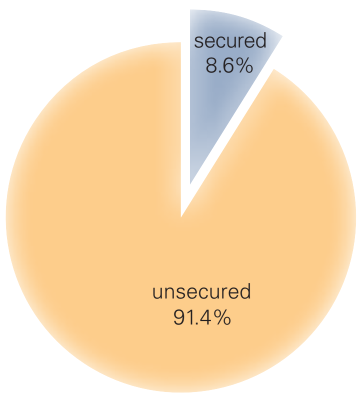


(3) This is excluding unallocated net liabilities of S$2.7 million.

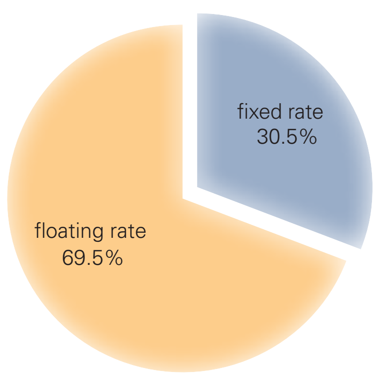
Debt(4) Composition – S$361.9 MILLION

as at 31 December 2016

Secured vs Unsecured



Fixed vs Floating Rate



(4) Debt represents gross borrowings.

FINANCIAL HIGHLIGHTS

YEAR	2014	2015	2016
	(S$'million)	(S$'million)	(S$'million)
(A) Consolidated Statement of Profit or Loss			
Property development	129.9	165.4	162.1
Property holding[(1)]	3.8	14.1	18.9
Property financing	19.5	35.5	8.7
Revenue	**153.2**	**215.0**	**189.7**
Property development	36.1	46.3	20.8
Property holding[(1)]	1.5	10.9	15.2
Property financing	19.5	35.5	8.7
Gross profit	**57.1**	**92.7**	**44.7**
Profit before tax	40.5	91.0	118.4
Net profit attributable to equity holders of the Company	21.7	67.4	113.1
(B) Consolidated Statement of Financial Position			
Cash and cash equivalents	131.8	112.0	280.6
Net cash/(debt)[(2)]	47.2	(372.2)	(84.1)
Total assets	1,293.0	1,800.8	1,796.1
Receipts in advance	200.2	182.1	189.7
Equity attributable to owners of the Company	894.5	974.7	1,024.6
Total equity	894.5	978.1	1,029.7
(C) Ratio Analysis			
Net gearing ratio[(3)]	Net Cash	0.38	0.08
Net asset value per share (cents)[(4)]	151.65	165.26	173.71
Earnings per share (cents)[(5)]	4.33	11.42	19.17
Weighted average number of shares	501,629,770	589,814,949	589,814,949
Dividends (tax-exempt (one-tier))			
– interim ordinary dividend per share (cents)	–	0.70	1.00
– final ordinary dividend per share (cents)	0.76	1.00	1.00[(6)]

Notes:

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

(2) Net debt = gross borrowings + derivative liability – cash and cash equivalents.

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

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

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

(6) Final tax-exempt (one-tier) ordinary dividends proposed for FY2016 will be subject to the approval of the ordinary shareholders at the forthcoming annual general meeting.

CHAIRMAN'S STATEMENT

"The Group has yet another record-breaking year with net profit of S$113.1 million. First Sponsor's improved performance has helped increase shareholders' funds to S$1.0 billion and led to the Board recommending a final dividend of 1.00 cent per share bringing total dividends for FY2016 to 2.00 cents per share, representing a 17.6% increase over FY2015."

Dear Shareholders,

It is with great pleasure that I present to you the results of First Sponsor Group Limited for FY2016. The Group has continued to grow and build upon its strengths to achieve yet another record-breaking year with a net profit of S$113.1 million. In conjunction with the exceptional performance, the Board is recommending a final tax-exempt (one-tier) ordinary dividend of 1.00 Singapore cent per share, adding up to a total dividend for FY2016 of 2.00 Singapore cents per share which represents a 17.6% increase from FY2015. The Board aims to maintain the 2.00 cents per share total dividend payout in FY2016 and will work towards a steady growth when appropriate, subject to the successful implementation of the Group's business strategy and prevailing market conditions.

Global turbulence over the past year has brought about much economic volatility and uncertainty to the market conditions in the PRC. In view of this, the Group has continued its expansion into the Netherlands to further diversify our business risk. Our FY2016 financial performance reflects the Group's financial resilience and our ability to navigate through challenging times. The Group is well positioned to capitalise on the right opportunities as and when they arise. We look forward to another promising year of sustained growth and profitability.

GROUP PERFORMANCE

The Group has achieved another record-breaking year with revenue and net profit of S$189.7 million (FY2015: S$215.0 million) and S$113.1 million (FY2015: S$67.4 million) respectively. This outstanding performance is largely due to the gain on dilution of the Group's interest in the Star of East River Project in Dongguan. The capital gain realised from this partial divestment has enabled the Group to recoup its entire cash capital previously invested with a surplus cash return of approximately S$23.2 million and a remaining 30% equity stake in the project. The Group will work closely with Vanke to realise the full potential of this project for the benefit of all investors.

The Group ended FY2016 with a strong balance sheet as reflected by a gearing ratio of 0.08 times. Total shareholders' funds increased to S$1.0 billion, a 13.7% annualised compounded growth since the Company's initial public offering in July 2014. In view of the recent RMB exchange rate volatility, we have assessed the use of hedging instruments to manage our RMB exposure. However, the cost of entering into such hedging arrangements is currently fairly expensive. We will actively monitor our foreign exchange exposure and take appropriate actions when necessary. As of 31 December 2016, the Group has a cumulative translation gain of S$53.9 million.

CHAIRMAN'S STATEMENT

Based on artist's impression of Plot D, Millennium Waterfront Project, Chengdu, PRC

PROPERTY DEVELOPMENT

The property development segment saw a slight decline in revenue of approximately 2.0% to S$162.1 million in FY2016. Gross profit decreased by approximately 55.0% to S$20.8 million in FY2016. The significant reduction in gross profit is due mainly to a one-off non-cash cost of S$18.8 million caused by the re-allocation of all costs relating to car parks of the Millennium Waterfront Project to their respective residential and commercial units.

All the non-core Dutch properties bought as part of a portfolio acquisition in November 2015 have been disposed in the course of FY2016 achieving an attributable gain of S$11.5 million.

Millennium Waterfront Project, Chengdu, PRC

Despite the various measures to cool the PRC property market, the Millennium Waterfront Project recorded healthy sales performance in FY2016 with 1,486 residential units sold, an almost 50% increase over the 994 units sold in FY2015. This was achieved on a gross sales value of RMB1,125.6 million in FY2016 compared to RMB515.6 million in FY2015. As at the date of this report, the Group has sold a further 879 residential units, with approximately 1,154 unsold residential units in the Millennium Waterfront Project.

Property development profit recognition in FY2016 was largely driven by the continuing handover of residential and commercial units in Plot C. The development of Plot A is progressing as scheduled and handover is expected to commence from March 2017. Plot A will be the primary profit driver on the property development front in FY2017.

CHAIRMAN'S STATEMENT

"The Terraced Tower", Boompjes 55 and 57 Project, Rotterdam, The Netherlands

Through its 33% owned FSMC, the Group has secured the sale for 75% of the residential units by signing a sales and purchase agreement with CBRE Global Investors. In addition, FSMC retains the right to sell the remaining 25% to individuals at a higher price within twelve months from delivery of the residential units, failing which CBRE Global Investors has agreed to purchase the remaining unsold units at a pre-determined price. With this, the project is substantially de-risked with financing secured via the forward funding sale. Construction is expected to commence on schedule in FY2017 and delivery is expected to be in FY2019. This project marks the Group's first foray into property development in the Netherlands.

Dreeftoren and Oliphant Redevelopment Projects, Amsterdam Southeast, The Netherlands

During FY2016, the Group acquired two commercial office towers located in Amsterdam Southeast, namely the Dreeftoren and Oliphant. Both properties are in close proximity to each other and have been earmarked for redevelopment through a capital expenditure program to maximise rental potential. Furthermore, the Group is exploring the possibility of adding residential apartments for sale on both sites. Amsterdam Southeast is ranked the number 2 office location in the Netherlands for 2016 by Jones Lang LaSalle. These development projects, together with the nearby hotels at the Arena Towers acquired in 2015, would build up a strong business presence for the Group in Amsterdam Southeast.

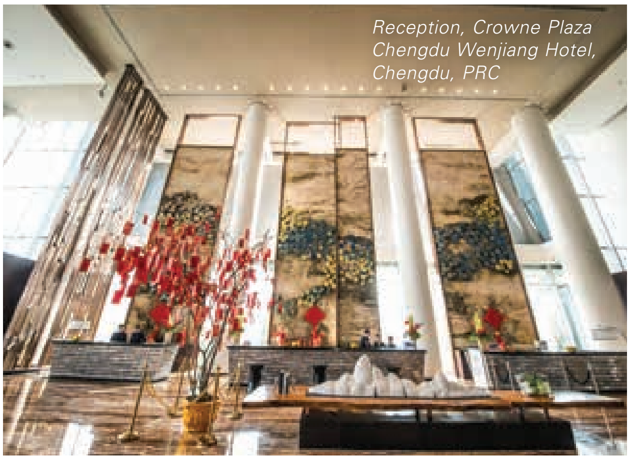

Oliphant, Amsterdam, The Netherlands

CHAIRMAN'S STATEMENT

PROPERTY HOLDING

The Group's property holding business segment continues to show improvement and growth in FY2016 mainly arising from the acquisitions made in the Netherlands. Revenue has grown by 34.0% to S$18.9 million in FY2016. This improvement was attributable to a full year contribution in FY2016 from Zuiderhof I and Arena Towers, which were acquired in February 2015 and June 2015 respectively.

On the PRC property holding business front, the Crowne Plaza Chengdu Wenjiang Hotel and Holiday Inn Express Chengdu Wenjiang Hotspring Hotel had their soft opening on 28 December 2016. These hotels, which are part of the Millennium Waterfront Project, have an aggregate of 608 rooms and are significant additions to the property holding business of the Group.



Reception, Crowne Plaza Chengdu Wenjiang Hotel, Chengdu, PRC

The Netherlands

The Dutch property portfolio of the Group is geographically spread across the Netherlands in key cities including Amsterdam, Rotterdam and The Hague. The Dutch leasing properties, with a lettable floor area of 92,293 sq m, occupancy of 90% and a weighted average lease term of approximately 9.0 years as at 31 December 2016, have a net property income in excess of S$24.0 million per annum.

The PRC

The PRC property holding portfolio for FY2016 has grown substantially with the addition of the two hotels in Wenjiang. The Crowne Plaza Chengdu Wenjiang Hotel features a large banqueting function room which can seat up to 1,000 people. Since its soft opening, many corporates and individuals have held events such as annual dinners and weddings banquets in the hotel. The Holiday Inn Express Chengdu Wenjiang Hotspring Hotel is a limited service hotel that caters to the budget conscious travellers. The hot spring facilities are set to commence operations in late 2017 which will further complement the hotels.

While M Hotel Chengdu has seen continued improvement in its performance, due to the hotel oversupply situation in Chengdu, the Group has made an impairment charge of S$10.3 million in FY2016. The Group will further evaluate its options with regard to this property in light of the changing market conditions so as to maximise shareholders' value.

PROPERTY FINANCING

The Group started FY2016 with challenges from defaulted loans amounting to RMB640.0 million in aggregate. The non-recognition of interest income from such defaulted loans until the successful foreclosure of the underlying loan collaterals has resulted in a 75.4% decrease in revenue contribution from the property financing business segment to S$8.7 million in FY2016. In spite of these challenges, the Group has managed to obtain positive court rulings for all the problematic loans. There is currently only one defaulted loan which is still subject to appeal by the Group. The Group is also pleased to report that it has recovered RMB89.5 million of loan principal and associated interest income in March 2017 with the successful auctions of the mortgaged properties relating to a RMB70.0 million defaulted loan in late 2016. As the Group holds the first legal mortgage to the properties pledged as loan collaterals, coupled with the fact that the loan-to-value ratios are relatively conservative, we remain confident of the full recovery of our defaulted loan principals and the associated default interest. As at 31 December 2016, cumulative unrecognised interest in respect of the loans in default amounted to S$26.7 million.

CHAIRMAN'S STATEMENT

M Hotel Chengdu staff organising charity sale

CORPORATE SOCIAL RESPONSIBILITY

The Group has engaged in several corporate social responsibility activities throughout the year. The efforts this year were predominantly spearheaded by the team from M Hotel Chengdu organising a "charity sale" for the Children Cancer society. They also organised a "New or Used" clothes donation campaign which saw staff donating over 800 pieces of clothes and visited the "Home for the Aged" at Fangcao Community where the Group has also donated some amenities.

FUTURE PROSPECTS

2017 is likely to be another challenging year for businesses in general. Nonetheless, the Group remains ready to capture any good opportunities with its robust balance sheet. The Group will also continue to be on the lookout for growth opportunities in the Netherlands, PRC and other regions.

APPRECIATION

We owe our success to all our stakeholders and would like to thank them for working alongside with us to ride through a challenging year. We wish to express our utmost appreciation to our shareholders, customers and business partners for their strong and continuous support. On the same note, we also want to acknowledge the dedication and hard work of the Board members, management team and staff in the past year. I would also like to personally thank Mr Aloysius Lee and Mr Basil Hwang who have just retired from the Board recently. They have provided insightful knowledge and added tremendous value during their tenure. Furthermore, on behalf of the Board, I would also like to welcome Mr Tan Kian Seng and Mr Desmond Wee on board. Together, we look forward to another promising year of sustained growth and steady performance.

Ho Han Leong Calvin
Chairman

10 March 2017

MILESTONES SINCE IPO

22 July 2014
Listed on
SGX mainboard

Feb 2015
Acquired Zuiderhof I
(The Netherlands)

Jun 2015
Acquired Arena Towers
(The Netherlands)

Nov 2015
Acquired DL Portfolio
(The Netherlands)

Dec 2015
Won land tender for
East River Plot Two of
Star of East River Project
(PRC)

Feb 2016
Divestment of eight
non-core properties
in DL Portfolio at
41% premium to cost
(The Netherlands)

MILESTONES SINCE IPO

Oct 2016
Dilution of interests in the Star of East River Project with net gain of S$97.3m; collaboration with Vanke for the project going forward
(PRC)

Oct 2016
Acquired Dreeftoren and Blue Wings
(The Netherlands)

Nov 2016
Signed a bulk sale agreement for Boompjes Rotterdam – the Group's first property development project
(The Netherlands)

4Q 2016
Completed sales of last two non-core properties at 81% and 96% premium to cost
(The Netherlands)

Dec 2016
Grand opening of Crowne Plaza Chengdu Wenjiang Hotel and Holiday Inn Express Chengdu Wenjiang Hotspring Hotel under Millennium Waterfront Project
(PRC)

Dec 2016
Acquired Oliphant
(The Netherlands)

BOARD OF DIRECTORS

Mr Ho Han Leong Calvin

Age 65

Non-Executive Chairman

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

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

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

Mr Ho Han Khoon

Age 55

Alternate Director to Non-Executive Chairman

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

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

Mr Tan Kian Seng

Age 63

Non-Executive Director

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

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

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

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

BOARD OF DIRECTORS

Mr Neo Teck Pheng

Age 46

Group Chief Executive Officer and Executive Director

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

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

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

Ms Ting Ping Ee, Joan Maria

Age 61

Independent Director

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

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

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

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

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

Mr Yee Chia Hsing

Age 45

Lead Independent Director

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

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

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

Mr Desmond Wee Guan Oei

Age 47

Independent Director

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

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

SENIOR MANAGEMENT

Ms Lee Sau Hun

Group Chief Financial Officer

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

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

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

Mr Wang Gongyi

Chief Executive Officer (Chengdu Operations)

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

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

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

Mr Shu Zhen

Chief Executive Officer (Guangdong Operations)

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

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

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

Ms Zhang Jing

Chief Executive Officer (Shanghai Operations)

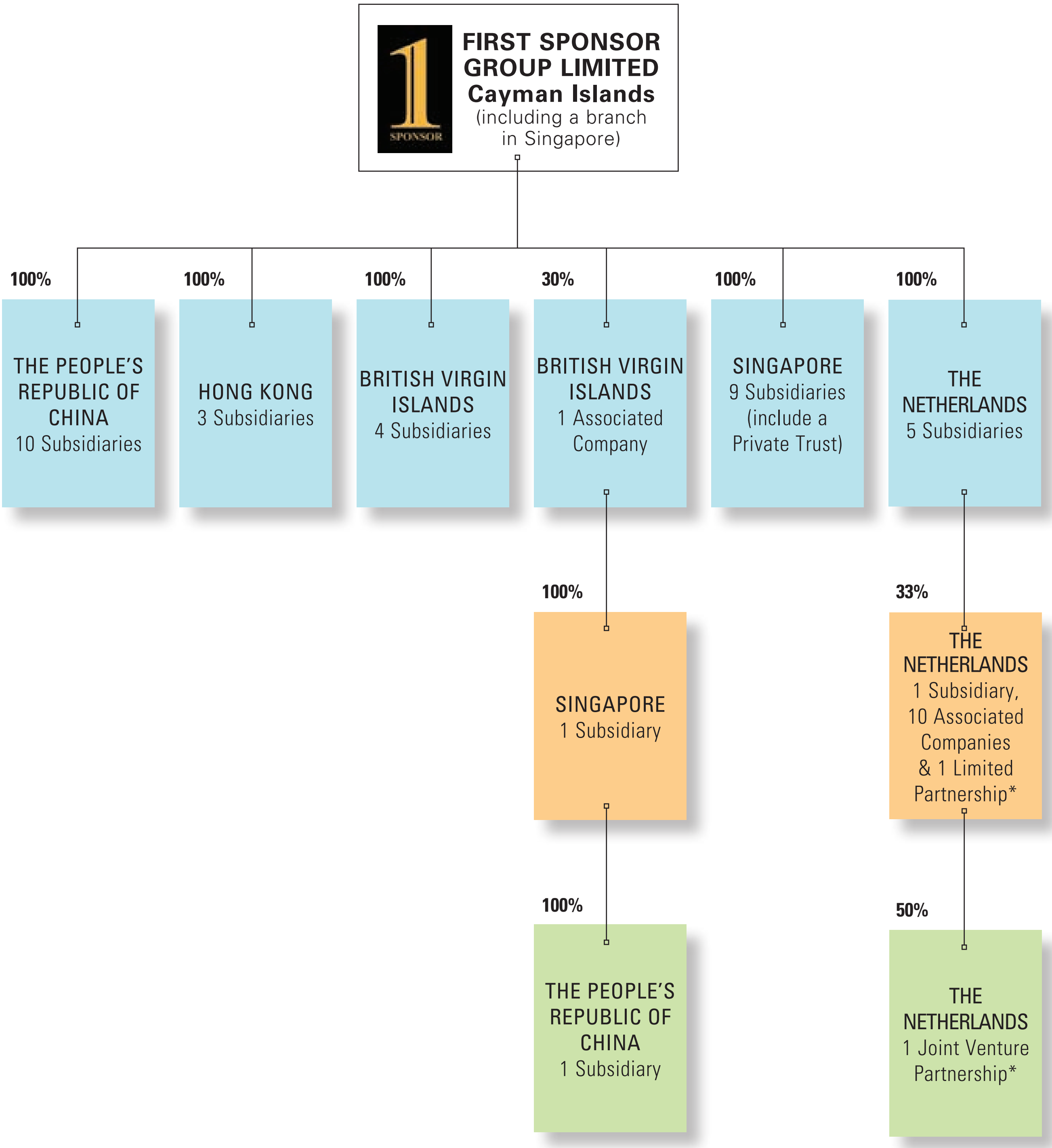
Ms Zhang was appointed as the Chief Executive Officer (Shanghai Operations) of the Group in November 2011. From her Shanghai office, Ms Zhang is responsible for the management and expansion of the Group's property financing business in the PRC.

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

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

CORPORATE STRUCTURE

AS AT 10 MARCH 2017



Note: The above shareholding includes direct and indirect shareholdings.
* Held by an associated company

CORPORATE DIRECTORY

BOARD OF DIRECTORS

Ho Han Leong Calvin
Non-Executive Chairman

Ho Han Khoon
Alternate Director to Ho Han Leong Calvin

Tan Kian Seng
Non-Executive Director

Neo Teck Pheng
Group Chief Executive Officer and Executive Director

Ting Ping Ee, Joan Maria
Independent Director

Yee Chia Hsing
Lead Independent Director

Desmond Wee Guan Oei
Independent Director

AUDIT COMMITTEE

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

NOMINATING COMMITTEE

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

REMUNERATION COMMITTEE

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

COMPANY SECRETARY

Loo Choon Keow

SHARE REGISTRAR & SHARE TRANSFER OFFICE

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

REGISTERED OFFICE

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

BUSINESS ADDRESS

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

AUDITORS

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

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

PRINCIPAL BANKERS

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

*Mondriaan Tower
Amsterdam,
The Netherlands*

CORPORATE GOVERNANCE

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

This report outlines the Company's corporate governance processes and activities with specific reference to the Code of Corporate Governance 2012 (the "Code"). The Group is pleased to confirm it has adhered to principles and guidelines set out in the Code, where applicable, and has identified and explained areas of non-compliance in this report.

BOARD MATTERS
BOARD OF DIRECTORS

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

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

The profile of each member of the Board is provided on pages 14 and 15 of this Annual Report.

BOARD FUNCTIONS

The duties and responsibilities of the Board are:

- to supervise and approve the strategic direction of the Group;
- to review the management performance of the Group;
- to review the business practices and risk management of the Group;
- to review the financial plans and performance of the Group;
- to approve matters beyond the authority of the management;
- to ensure that there are policies and safeguards in the internal controls systems to preserve the integrity of the assets;
- to ensure compliance with legal and regulatory requirements;
- to deliberate on and approve recommendations made by the Audit Committee ("AC"), Remuneration Committee ("RC") and Nominating Committee ("NC"); and
- to consider sustainability issues such as environmental and social factors, as part of the Group's strategic formulation.

Decisions on approval of quarterly financial results announcements and annual audited financial statements, appointment of new directors, annual budgets, material acquisitions or disposals, corporate or financial restructuring and share issuances, funding proposals, interested person transactions, declaration of interim dividends, proposal of final dividends and other returns to shareholders, are reserved for the Board. To facilitate effective management, the Board has granted management mandates to carry out transactions below certain thresholds.

CORPORATE GOVERNANCE

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

The Board meets on a quarterly basis to review, *inter alia*, the Group's quarterly results. Additional meetings may be convened on an ad-hoc basis as and when necessary.

Principle 1: BOARD'S CONDUCT OF AFFAIRS

The directors' attendance at the board and committee meetings for the financial year ended 31 December 2016 is as follows:

	Board of Directors		Audit Committee		Remuneration Committee		Nominating Committee	
	Number of Meetings							
Name of Directors	**Held**	**Attended**	**Held**	**Attended**	**Held**	**Attended**	**Held**	**Attended**
Mr Ho Han Leong Calvin	4	4	4	–	1	–	NA	NA
Mr Ho Han Khoon (Alternate Director to Mr Ho Han Leong Calvin)	4	4	4	4	1	1	NA	NA
Mr Lee Tse Sang Aloysius[(1)]	4	4	NA	NA	NA	NA	NA	NA
Mr Neo Teck Pheng	4	4	NA	NA	NA	NA	1	1
Ms Ting Ping Ee, Joan Maria	4	4	4	4	1	1	1	1
Mr Yee Chia Hsing	4	4	4	4	NA	NA	1	1
Mr Hwang Han-Lung Basil[(2)]	4	4	NA	NA	1	1	NA	NA

Notes:

(1) Mr Lee Tse Sang Aloysius resigned as Non-Executive Director of the Company on 6 February 2017.

(2) Mr Hwang Han-Lung Basil resigned as Independent Director of the Company on 6 February 2017.

For the financial year under review, the Board held four meetings and has on numerous occasions used circular resolutions in writing to approve certain decisions. As provided for in the Company's Articles of Association, directors may convene board meetings by teleconferencing or video conferencing. All directors are provided with relevant information on the Company's policies, procedures and practices relating to governance issues, including disclosure of interests in securities, restrictions on disclosure of price sensitive information and disclosure of interests relating to the Group's businesses.

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

CORPORATE GOVERNANCE

In addition, all new directors have been provided with background information about the Group's history and core values, its strategic direction and industry specific knowledge. For any newly-appointed director who has no prior experience as a director of a listed company, training in relevant areas such as finance and compliance, as well as industry-related areas will be provided if required.

Principle 2: COMPOSITION AND BALANCE

The Board consists of three Independent Directors, two Non-Executive Directors and one Executive Director. In consideration of the scope and nature of the operations of the Group, the Board's size and composition are considered appropriate for the Company's needs. The Board is satisfied that the current composition and size of the Board provide for a good mix and diversity of skills, experiences, gender and knowledge of the Company, to ensure that the Board will be able to make satisfactory and independent decisions regarding the affairs of the Company. All board appointments will be made based on merit and candidates will be considered against objective criteria, having due regard to the benefits of diversity of the Board and the contribution that the selected candidates will bring to the Board.

None of the Independent Directors has any relationship with the Company, its related companies, its 10% shareholders or its officers that could interfere, or be reasonably perceived to interfere, with the exercise of the director's independent business judgement with a view to the best interests of the Company. No individual or group of individuals dominates the Board's decision making.

The Chairman of the Company is not an independent director. The Independent Directors constitute 50% of the Board, which complies with the requirements set out under Guideline 2.2 of the Code. This provides a strong and independent element for the Board.

The Non-Executive Directors and Independent Directors participate actively in the meetings of the Board. They provide strategic guidance to the Company based on their professional knowledge, in particular, assisting to constructively develop proposals on strategy.

Principle 3: CHAIRMAN AND THE GROUP CHIEF EXECUTIVE OFFICER

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

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

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

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

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

CORPORATE GOVERNANCE

Principle 4: BOARD MEMBERSHIP
NOMINATING COMMITTEE

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

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

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

The duties and responsibilities of the NC include, *inter alia*:

- reviewing and assessing the appointment of any proposed new directors (including alternate directors if applicable) before recommending the proposed new directors for approval by the Board;
- reviewing and recommending to the Board the re-election and re-appointment of any directors (including alternate directors if applicable) who are retiring by rotation or appointed during the year at the next annual general meeting. The Articles of Association of the Company requires all directors to submit themselves for re-nomination and re-election at least every three years;
- reviewing the effectiveness of the Board annually;
- reviewing annually whether the size and composition of the Board is appropriate to ensure that the Board has an appropriate balance of expertise, skills, attributes and abilities;
- reviewing and determining annually, and as and when circumstances require, if a director is independent;
- reviewing and determining whether the director is able to and has been adequately carrying out his duties as director where a director has multiple board representations, taking into consideration other board representations and principal commitments;
- reviewing succession plans for directors and senior management and recommending to the Board for approval;
- reviewing and recommending to the Board the employment of related persons and their proposed terms of employment;
- reviewing that no individual member of the Board dominates the Board's decision making process; and
- reviewing of training and professional development programs for the Board.

The NC has met once in the financial year ended 31 December 2016 when it reviewed the independence of the Independent Directors and discussed the re-appointment of a director who was subject to retirement at the annual general meeting held on 26 April 2016. During its meeting held in February 2017, the NC has endorsed the appointment of Mr Tan Kian Seng as Non-Executive Director of the Company and Mr Desmond Wee Guan Oei as Independent Non-Executive Director of the Company and Chairman of the RC of the Company. The NC took into consideration the directors' academic qualifications, experience and expertise and has made a recommendation to the Board for the approval of the appointments. All committee members participated in the meetings and discussions.

CORPORATE GOVERNANCE

The NC has reviewed the independence of Ms Ting Ping Ee, Joan Maria, Mr Yee Chia Hsing and Mr Desmond Wee Guan Oei and is satisfied that there are no relationships which would deem any of them not to be independent. As of the date of this report, there is no Independent Director who has been appointed for more than nine years from the date of his/her first appointment. The aforementioned is in line with the undertakings described in the Code.

The NC is satisfied that the directors have devoted sufficient time and attention to the Company. Although some Board members have multiple board representations, the Board has experienced minimal competing time commitments among its members as board meetings are planned and scheduled well in advance of the meeting dates. As such, the NC has decided not to fix a limit on the number of directorships a director can hold.

Mr Ho Han Leong Calvin, Mr Neo Teck Pheng, Mr Tan Kian Seng and Mr Desmond Wee Guan Oei are subject to retirement at the forthcoming annual general meeting pursuant to the Articles of Association of the Company. The NC has assessed and recommended for their re-election in the NC meeting held in February 2017. The Board has concurred with the NC to recommend the re-election of Mr Ho Han Leong Calvin, Mr Neo Teck Pheng, Mr Tan Kian Seng and Mr Desmond Wee Guan Oei who have offered themselves for re-election as director, by shareholders at the forthcoming annual general meeting.

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

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

CORPORATE GOVERNANCE

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

Principle 5: BOARD PERFORMANCE

A formal assessment process is in place to assess the effectiveness of the Board as a whole on an annual basis. The NC uses objective and appropriate criteria to assess the performance of the Board. Assessment parameters include evaluation of Board structure, conduct of meetings, corporate strategy, corporate planning, risk management, internal controls, measuring and monitoring performance, compensation, financial reporting and communication with shareholders.

As part of the process, the directors individually complete appraisal forms which are collated by the Company Secretary. The Company Secretary then presents the results to the Chairman of the NC who then presents a report to the NC and the Board. The feedback, comments and recommendations by directors will be reviewed and discussed constructively by the NC and the Board to identify areas for improvements and relevant follow up action to be taken by the Board and management.

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

Principle 6: ACCESS TO INFORMATION

The Board is provided with reports as well as financial statements on a regular basis. Board papers are also distributed in advance of board meetings so that the directors would have sufficient time to understand the matters which are to be discussed. The directors are entitled to request from the management and should be provided with additional information as needed to make informed decisions.

The Independent Directors and Non-Executive Directors are always available to provide guidance to the management on business issues and in areas which they specialise in.

CORPORATE GOVERNANCE

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

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

Principles 7, 8 and 9: REMUNERATION MATTERS
The RC consists of:

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

* Mr Desmond Wee Guan Oei was appointed as Independent Non-Executive Director of the Board and Chairman of the RC with effect from 6 February 2017 in place of Mr Huang Han-Lung Basil who resigned on 6 February 2017.

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

The duties and responsibilities of the RC are:

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

During the year ended 31 December 2016, the RC has met and discussed various remuneration matters and recorded its decisions by way of minutes. All the RC members were involved in the deliberations. No director was involved in the fixing of his/her own remuneration.

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

CORPORATE GOVERNANCE

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

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

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

The remuneration of the Non-Executive Directors and Independent Directors is in the form of a fixed fee which is fixed after taking into consideration factors such as responsibilities of, effort and time spent by the directors. Such fee is subject to shareholders' approval at the annual general meeting.

Board of Directors and Key Executives

The remuneration (in percentage terms) of the directors paid or payable for FY2016 is set out below:

Name of Directors	**Fees**(1)	**Salary**(2)	**Bonus**(2)	**Benefits-in-kind**	**Total**
	%	**%**	**%**	**%**	**%**
$4,250,000 to S$4,500,000					
Mr Neo Teck Pheng(3)	–	18	81	*	100
Below $250,000 each					
Mr Ho Han Leong Calvin(3)	–	–	–	–	–
Mr Lee Tse Sang Aloysius(3), (4)	–	–	–	–	–
Ms Ting Ping Ee, Joan Maria	100	–	–	–	100
Mr Yee Chia Hsing	100	–	–	–	100
Mr Hwang Han-Lung Basil(5)	100	–	–	–	100

** denotes less than 0.5%.*

Notes:

(1) The fees for FY2016 had been approved by shareholders at the Annual General Meeting held on 26 April 2016.

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

(3) Each director renounced his director's fees for FY2016 to the Company.

(4) Mr Lee Tse Sang Aloysius resigned as Non-Executive Director of the Company on 6 February 2017. He was replaced by Mr Tan Kian Seng who was appointed on 6 February 2017.

(5) Mr Hwang Han-Lung Basil resigned as Independent Director of the Company on 6 February 2017. He was replaced by Mr Desmond Wee Guan Oei on 6 February 2017.

CORPORATE GOVERNANCE

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

The Company also does not believe it to be in its best interest to disclose the identity and remuneration of its top 5 key executives (who are not directors) in bands of S$250,000 as well as the total remuneration paid to them, having regard to the highly competitive human resource environment and so as not to hamper the Company's efforts to retain and nurture its talent pool.

For the financial year ended 31 December 2016, there was no termination, retirement or post-employment benefits granted to the directors and key executives. There was also no employee related to a director or the Group Chief Executive Officer whose remuneration exceeds S$50,000 in the Group's employment for the financial year ended 31 December 2016.

Principle 10: ACCOUNTABILITY AND AUDIT

In presenting the annual financial statements and announcements of financial results to shareholders, it is the aim of the Board to provide shareholders with a balanced and understandable assessment of the performance, position and prospects of the Company and Group. The Board is mindful of its obligation to provide timely and fair disclosure of material information. The Board is accountable to the shareholders while the management is accountable to the Board.

The Board meets to approve the Group's quarterly and full year financial results. All board papers are given to the Board members prior to any meeting to facilitate effective discussion and decision making.

Principle 12: AUDIT COMMITTEE

The members of the AC are:

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

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

There were four AC meetings held during the year. Management, including the Group Chief Executive Officer and Group Chief Financial Officer, was present at the meetings. In addition, the AC had met with the external auditors without the presence of the management during the year.

Below are the key duties and responsibilities of the AC:

- reviewing the audit plan of the Company's external auditors, their evaluation of the system of internal accounting controls, their letter to the management and the management's response, and results of the Company's audit conducted by the external auditors;
- reviewing the reports of the Company's external auditors including key audit matters, as well as the independence and objectivity of the external auditors;
- reviewing the co-operation given by the Company's officers to the external auditors;
- reviewing any suspected fraud or irregularity, or suspected infringement of any relevant laws, rules and regulations, which has or likely to have a material adverse impact on the Group's operating results or financial position, and the management's response and discuss with the external auditors as appropriate;

CORPORATE GOVERNANCE

- making recommendations to the Board on the proposal to the shareholders, on the appointment, reappointment and removal of external auditors, and approving the remuneration and terms of engagement of the external auditors;
- reviewing the appointment, reappointment and removal of internal auditors and approval of the internal audit plans, remuneration and terms of engagement of the internal auditors;
- reviewing the quarterly, half yearly and annual financial statements, focusing in particular on changes in accounting policies and practices, major risk areas, significant adjustments resulting from the audit, compliance with accounting standards, and compliance with the SGX-ST Listing Manual and any other relevant statutory or regulatory requirements;
- reviewing significant financial reporting issues so as to ensure integrity of the financial statements of the Company and any announcements relating to the Company's financial performance;
- reviewing the material internal control procedures, comprising financial, operational, compliance and information technology controls, ensuring co-ordination between the external auditors and the management, reviewing the assistance given by the management to the auditors, and discussing problems and concerns, if any, arising from audits, and any matters which the internal and external auditors may wish to discuss (in the absence of the management, where necessary);
- monitoring the implementation of outstanding internal control weaknesses highlighted by the internal and external auditors;
- reviewing interested person transactions (if any) falling within the scope of Chapter 9 of the SGX-ST Listing Manual (including any entrusted loans that may be provided to interested persons prior to such loans being entered into, to ensure that (i) the terms and (ii) the grant of the entrusted loans (taking into account various factors that may include, but are not limited to, the rationale for the grant, the creditworthiness of the borrower and the interest rate payable to the Group) are not prejudicial to the Group and the shareholders);
- reviewing potential conflicts of interest, if any;
- reviewing and considering transactions in which there may be potential conflicts of interests between the Company and interested persons and recommending whether those who are in a position of conflict should abstain from participating in any discussions or deliberations of the Board or voting on resolutions of the Board or the shareholders in relation to such transactions as well as ensuring that proper measures to mitigate such conflicts of interest have been put in place;
- reviewing and assessing from time to time the prevailing processes put in place to manage any material conflicts of interest in relation to the Controlling Shareholders;
- monitoring the investments in the customers, suppliers and competitors made by our directors, Controlling Shareholders and their respective associates who are involved in the management of the Company or have shareholding interests in similar or related business of the Company and making assessments on whether there are any potential conflicts of interests and ensuring that proper measures to mitigate such conflicts of interests have been put in place;
- reviewing and assessing from time to time the prevailing processes put in place to manage any material conflicts of interest in relation to the Controlling Shareholders as described in the section titled "Interested Person Transactions and Conflicts of Interest – Conflicts of Interest – Conflict of Interests in relation to First Sponsor Capital Limited and First Sponsor Management Limited" in the prospectus registered by the Monetary Authority of Singapore on 10 July 2014 ("Prospectus") in relation to the Company's initial public offering (the "IPO") and listing of its shares on the Mainboard of the SGX-ST on 22 July 2014 and consider, where appropriate, additional measures for the management of such conflicts;
- reviewing our key financial risk areas, with a view to providing an independent oversight on the Group's financial reporting, the outcome of such review will be disclosed in the annual reports or if there are material findings, to be immediately announced via SGXNET;

CORPORATE GOVERNANCE

- reviewing and recommending hedging policies and instruments, if any, to be implemented by the Company to the directors;
- reviewing the suitability of the Group Chief Financial Officer;
- undertaking such other reviews and projects as may be requested by the Board, and reporting to the Board its findings from time to time on matters arising and requiring the attention of the AC;
- generally undertaking such other functions and duties as may be required by statute or the SGX-ST Listing Manual, or by such amendments as may be made thereto from time to time on a quarterly basis; and
- apart from the abovementioned duties, the AC shall commission and review the findings of internal investigations in the event of suspected fraud, irregularity, failure of internal controls or infringement of any laws and regulations including in the People's Republic of China, the Netherlands and Singapore, which has or is likely to have a material adverse impact on the Group's operating results and/or financial position. In addition, all future transactions with related parties shall comply with the requirements of the SGX-ST Listing Manual.

To facilitate a more effective check on the management, the AC meets with the external auditors, without the presence of the management, at least once a year.

In appointing the audit firms for the Group, the AC is satisfied that the Company has complied with Rules 712 and 715 of the SGX-ST Listing Manual in relation to the appointment of its external auditors. After reviewing the non-audit services provided by the external auditors, the AC is satisfied with the independence and objectivity of the external auditors and recommends to the Board, the nomination of the external auditors for re-appointment.

The amount of fees paid/payable to the external auditors for audit and non-audit services for the financial year ended 31 December 2016 are set out on Note 20 of the Financial Statements in this Annual Report.

WHISTLE-BLOWING POLICY

The Company has put in place a whistle-blowing policy and the AC has the authority to conduct independent investigations into any complaints. To-date, no reports of fraudulent or inappropriate activities or malpractices have been received.

Principle 11 and 13: RISK MANAGEMENT, INTERNAL CONTROLS AND INTERNAL AUDIT

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

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

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

The Group has appointed PricewaterhouseCoopers LLP ("PwC") as its internal auditor to review the Group's existing systems of internal controls and it reports to the Chairman of the AC directly. All audit findings and recommendations made by PwC are reported to and discussed by the AC. In addition, the AC meets with the internal auditors without the presence of the management, at least once a year.

CORPORATE GOVERNANCE

The Board has reviewed the adequacy of the Group's internal controls framework in relation to financial, operational, compliance and information technology controls as well as risk management systems of the Group, with the assistance of the management, the internal auditors and the external auditors. The Board acknowledges that no system of internal controls can provide absolute assurance against the occurrence of human and system errors, poor judgement in decision-making, losses, fraud or other irregularities. Based on its assessment of the work performed by the internal and external auditors as well as confirmation from the Group Chief Executive Officer and Group Chief Financial Officer, the Board, with the concurrence of AC, is of the view that the Group's internal controls in addressing the financial, operational, compliance and information technology risks which the Group considers to be relevant and material to its operations, and the risk management systems are effective and adequate as at 31 December 2016.

The Board has also received assurance from the Group Chief Executive Officer and the Group Chief Financial Officer that the financial records as at 31 December 2016 have been properly maintained and the financial statements for the financial year under review give a true and fair view of the Company's operations and finances.

Principle 14, 15 and 16: SHAREHOLDERS RIGHTS, COMMUNICATION WITH SHAREHOLDERS AND GREATER SHAREHOLDER PARTICIPATION

The Company treats all shareholders fairly and equitably as well as recognises, protects and facilitates the exercise of shareholders' rights. It is the Company's policy to be transparent and open with its shareholders and this is achieved through timely announcements and meaningful disclosures, which are made on a non-selective basis.

Shareholders can contact the Company or access information on the Company at its website at www.1st-sponsor.com.sg which has a dedicated "Investor Relations" link that provides, *inter alia*, information on the annual reports and the latest financial results as released by the Company on SGXNET and other information which may be relevant to shareholders.

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

The Board supports and encourages shareholders' participation at the Company's general meetings. The Board believes that general meetings serve as an opportune forum for shareholders to meet the Board and key management, and to interact with them. Sufficient explanations of all resolutions are included in the notice of general meetings.

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

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

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

CORPORATE GOVERNANCE

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

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

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

During the financial year ended 31 December 2016, the Board has recommended a final tax exempt (one-tier) dividend of 1.00 Singapore cent per ordinary share for approval by the shareholders at the forthcoming annual general meeting of the Company.

INTERESTED PERSON TRANSACTIONS

The Company has adopted an internal policy in respect of any transactions with interested persons and has set out procedures for review and approval of such interested person transactions.

During the financial year ended 31 December 2016, there were no interested person transactions with the aggregate value of S$100,000 and above. The Company does not have a shareholders' general mandate for interested person transactions.

MATERIAL CONTRACTS

Other than as disclosed in the financial statements, there are no material contracts of the Company or its subsidiaries involving the interest of any director or controlling shareholder subsisting as at the end of the financial year ended 31 December 2016.

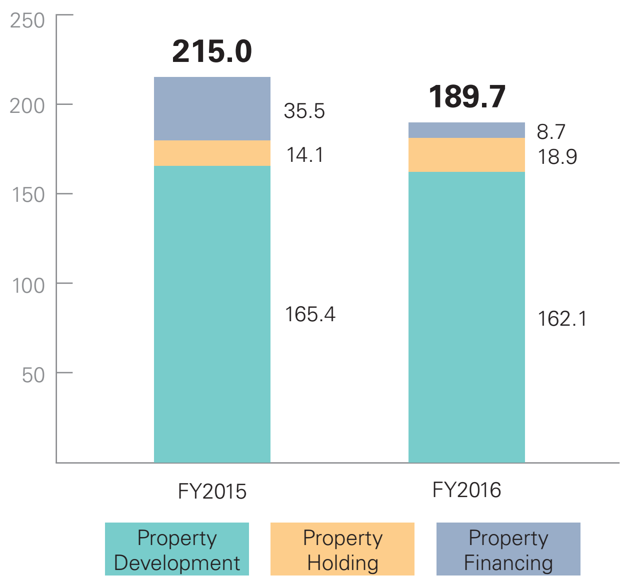
DEALING IN THE COMPANY'S SECURITIES

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

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

FINANCIAL REVIEW

Revenue By Segment
S$'MILLION



The Group's total revenue decreased by 11.7% or S$25.3 million to S$189.7 million in FY2016. The decrease was due mainly to a slight decline from sale of properties of S$3.3 million from S$165.4 million in FY2015 to S$162.1 million in FY2016 and lower revenue from property financing of S$26.8 million, from S$35.5 million in FY2015 to S$8.7 million in FY2016. This was partially offset by an increase in rental income from investment properties of S$3.7 million, from S$10.5 million in FY2015 to S$14.2 million in FY2016.

PROPERTY DEVELOPMENT

Revenue from sale of properties decreased by 2.0% or S$3.3 million to S$162.1 million in FY2016. The decrease was due mainly to the weakening of RMB against Singapore dollars. FY2016's revenue was mainly recognised from the sale of 1,285 residential units, 26 commercial units and 29 car park lots from Plot C, and 70 residential units, 19 commercial units and 136 car park lots from Plot B of the Millennium Waterfront Project. In FY2015, revenue was mainly recognised from the sale of 367 residential units from Plot C, and 971 residential units, 44 commercial units and 142 car park lots from Plot B.

PROPERTY HOLDING

Rental income from investment properties increased by 34.8% or S$3.7 million to S$14.2 million in FY2016 (FY2015: S$10.5 million) due mainly to the full year contribution from Zuiderhof I and Arena Towers in the Netherlands, which were acquired in February 2015 and June 2015, respectively.

For the hotel operations, revenue remained constant at approximately S$4.0 million.

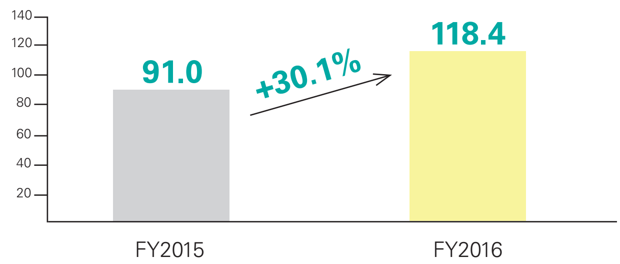
PROPERTY FINANCING

Revenue from property financing decreased by 75.4% or S$26.8 million, from S$35.5 million in FY2015 to S$8.7 million in FY2016. The decrease reflects the cessation of recognition of interest income from the loans with aggregate principal amount of S$133.5 million (RMB640.0 million) in default since December 2015/ January 2016. The Group recognised penalty interest of S$3.5 million (RMB16.8 million) during the year upon the successful foreclosure auctions of the mortgaged properties for a S$14.6 million (RMB70.0 million) loan in default.

As at 31 December 2016, the entrusted loan balance was S$152.3 million (RMB730.0 million) (31 December 2015: S$213.2 million or RMB980.0 million). The loan-to-value ratio for the entrusted loan portfolio ranged from 48.9% to 54.0% as at 31 December 2016 (31 December 2015: 28.7% to 54.0%).

FINANCIAL REVIEW

Profit Before Tax
S$'MILLION



Profit before tax increased by 30.1% or S$27.4 million to S$118.4 million in FY2016.

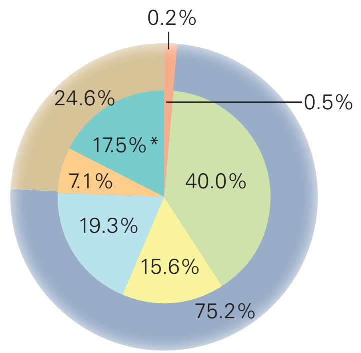
The increase was due mainly to a S$97.3 million gain on dilution of interests in subsidiaries in relation to the Star of East River ("SoER") Project in Dongguan and higher contribution from share of after-tax profit of associates of S$12.3 million. The Group's share of after-tax profit of associates relates mainly to its 33% share of results of FSMC NL Property Group B.V. ("FSMC"). The increase in FY2016 is mainly attributable to FSMC's disposal of nine non-core properties in the Netherlands and fair value gain on its investment properties. The Group recorded higher fair value gain on cross-currency swaps of S$3.9 million, increase in net finance income of S$3.0 million, and a gain on sale of a non-core property in the Netherlands of S$1.8 million.

The above mentioned income growth is partially offset by lower gross profit contribution of S$33.5 million in aggregate from the property development and property financing business segments, a re-allocation of all costs relating to car parks of the Millennium Waterfront Project to their respective residential and commercial units of S$18.8 million, higher impairment of property, plant and equipment and net fair value loss on investment properties of S$21.6 million, higher administrative expenses of S$10.6 million due mainly to variable bonus and legal fee provisions, and one-off hotel pre-opening expenses and hotel base stocks written off of S$4.9 million in aggregate.

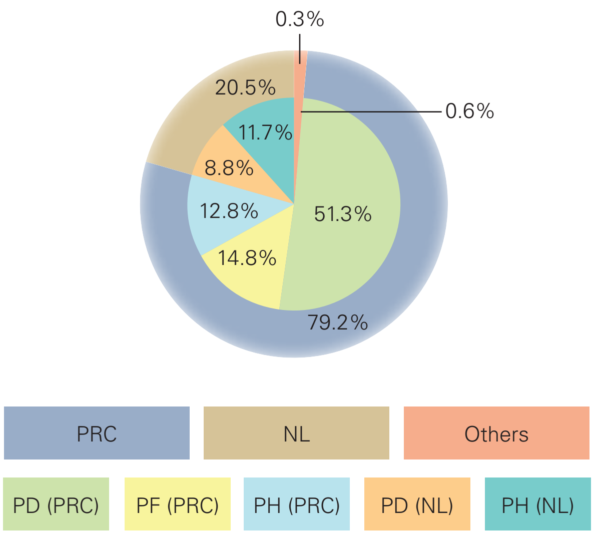
TOTAL ASSET COMPOSITION

During FY2016, the Group has further expanded its footprint in the Netherlands, which constitute 24.6% of the Group's total assets as at 31 December 2016 (2015: 20.5%). Assets from both the property holding and property financing segments represent 52.4% of the Group's total assets as at 31 December 2016 compared to 39.3% a year ago. This is reflective of the Group's dilution of its interests in the SoER Project during FY2016. The property holding business from the Netherlands contributed 17.5% (2015: 11.7%) to the Group's assets.

TOTAL ASSETS
As at 31 December 2016
S$1,796.1 Million



TOTAL ASSETS
As at 31 December 2015
S$1,800.8 Million



MAJOR PROPERTIES

	Effective Group Interest (%)	Tenure of Land Use Rights	Approximate Lettable Floor Area (Sq m)[(1)]
INVESTMENT PROPERTIES			
1) **Chengdu Cityspring** North Yizhou Avenue, Gaoxin District, Chengdu, Sichuan Province, PRC. Comprising commercial and retail units.	100	Leasehold to year 2049	27,251
2) **Arena Towers (Holiday Inn/Holiday Inn Express hotels)** Hoogoorddreef 66 and 68, Amsterdam, the Netherlands. Comprising 443 hotel rooms and 509 car park lots.	100	Perpetual leasehold. Ground rent paid until year 2053	17,396
3) **Mondriaan Tower** Amstelplein 6 and 8, Amsterdam, the Netherlands. Comprising office space and 241 car park lots.	33	Freehold	24,796
4) **Zuiderhof I** Jachthavenweg 121, Amsterdam, the Netherlands. Comprising office space, archive space and 111 car park lots.	33	Perpetual leasehold. Ground rent paid until year 2050	12,538
5) **Villa Nuova** Utrechtseweg 46 and 46a, Zeist, the Netherlands. Comprising office space and 40 car park lots.	33	Freehold	1,428
6) **Herengracht 21** Property situated at Herengracht 21, The Hague, the Netherlands. Comprising office space.	33	Freehold	473
			83,882

	Effective Group Interest (%)	Tenure of Land Use Rights	Approximate Gross Floor Area (Sq m)[(2)]
HOTELS			
1) **M Hotel Chengdu** No. 388, North Yizhou Avenue, Gaoxin District, Chengdu, Sichuan Province, PRC. Comprising 196 hotel rooms and suites.	100	Leasehold to year 2049	19,228
2) **Crowne Plaza Chengdu Wenjiang Hotel & Holiday Inn Express Chengdu Wenjiang Hotspring Hotel** No. 619A/B North Phoenix Street, Wenjiang District, Chengdu, Sichuan Province, PRC. Comprising 608 hotel rooms and suites.	100	Leasehold to year 2051	81,041
			100,269

MAJOR PROPERTIES

	Effective Group Interest (%)	Tenure of Land Use Rights	Project Construction Commencement Date	Project Handover Date	Site Area (Sq m)	Approximate Gross Floor Area (Sq m)[2]
DEVELOPMENT PROPERTIES – UNDER DEVELOPMENT						
1) Millennium Waterfront Located in Wenjiang District, Chengdu, Sichuan Province, PRC.						
a) **Plot A** (partially completed) Expected to have 2,000 residential units, 118 commercial units, and 1,718 car park lots.	100	Leasehold to year 2051 (commercial); year 2081 (residential)	December 2014	Handover in phases from March 2017	51,300	206,095
b) **Plot B** (partially completed and handed over) Comprises 380 residential units and 12 commercial units.	100	Leasehold to year 2051 (commercial); year 2081 (residential)	November 2012	Handover in phases from December 2014	57,192	43,155
c) **Plot D** Expected to have 1,274 residential units with ancillary commercial units, two commercial blocks and 1,295 car park lots.	100	Leasehold to year 2051 (commercial); year 2081 (residential)	October 2016	Handover in phases from 2018	32,198	135,853
d) **Plots E & F** Expected to comprise commercial, office buildings and car park lots.	100	Leasehold to year 2051	Under planning	–[4]	48,237	551,619
2) Oliphant Haaksbergweg 4-98 (even numbers), Amsterdam, the Netherlands. Comprising office space and 239 car park lots.	100	Perpetual leasehold. Ground rent paid until year 2040	Under planning	–[4]	7,910	–[4]
3) Dreeftoren Haaksbergweg 3-73 (odd numbers), Amsterdam, the Netherlands. Comprising office space and 207 car park lots.	100	Perpetual leasehold. Ground rent paid until year 2039	Under planning	–[4]	5,740	–[4]
4) Berg & Bosch Professor Bronkhorstlaan 4, 4A, 6, 8, 10A – 10M, 12 – 20 and 26, Bilthoven, the Netherlands. Comprising buildings, some of which are national monuments, amongst a rich greenery landscape and 627 car park lots.	33	Freehold	Under planning	–[4]	415,799	–[4]
5) Terminal Noord Schedeldoekshaven 127,129 and 131, The Hague, the Netherlands. Comprising office space and 97 car park lots.	33	Effective freehold[3]	Under planning	–[4]	3,637	–[4]

MAJOR PROPERTIES

	Effective Group Interest (%)	Tenure of Land Use Rights	Project Construction Commencement Date	Project Handover Date	Site Area (Sq m)	Approximate Gross Floor Area (Sq m)[(2)]
6) Munthof Reguliersdwarsstraat 50 – 64, Amsterdam, the Netherlands. Comprising commercial space and 147 car park lots.	33	Freehold	Under planning	–[(4)]	1,532	–[(4)]
7) Boompjes 55 and 57 (The Terraced Tower) Property situated at Boompjes 55 and 57, Rotterdam, the Netherlands. Expected to comprise 344 residential units, retail spaces and 210 car park lots.	33	Freehold	Expected to be in 3Q 2017	–[(4)]	1,310	39,539
8) Star of East River Project Located in Wanjiang and Nancheng District, Dongguan, Guangdong Province, PRC.						
a) East River Plot One	30	Leasehold to year 2054 (commercial); year 2084 (residential)	Under planning	–[(4)]	37,104	337,646
b) East River Plot Two	30	Leasehold to year 2055 (commercial); year 2085 (residential)	Under planning	–[(4)]	12,032	30,080
					673,991	1,343,987

Notes:

(1) Lettable floor area excludes car park space.

(2) Gross floor area ("GFA") excludes underground GFA.

(3) Refers to perpetual leasehold with all ground rent paid in advance.

(4) Yet to be ascertained as the development plans relating to these plots are currently in the preliminary stage.

MILLENNIUM WATERFRONT PROJECT IN CHENGDU, PRC

Plot B

- 2,250 residential units, 96 commercial units, 1,905 car park lots and a three-storey commercial building
- % of total saleable GFA launched for sale sold[1]:
  - Residential: 85%
  - Commercial: 73%
- Pre-sales of residential units commenced in November 2012
- Cumulative handover of 1,787 residential and 63 commercial units as at 31 December 2016

Plot A

- 2,000 residential units, 118 commercial units and 1,718 car park lots
- Pre-sales of residential units commenced in March 2015
- % of total saleable GFA launched for sale sold[1]:
  - Residential: 76%
  - Commercial: 47%
- Expected to handover the residential units in phases in 2017

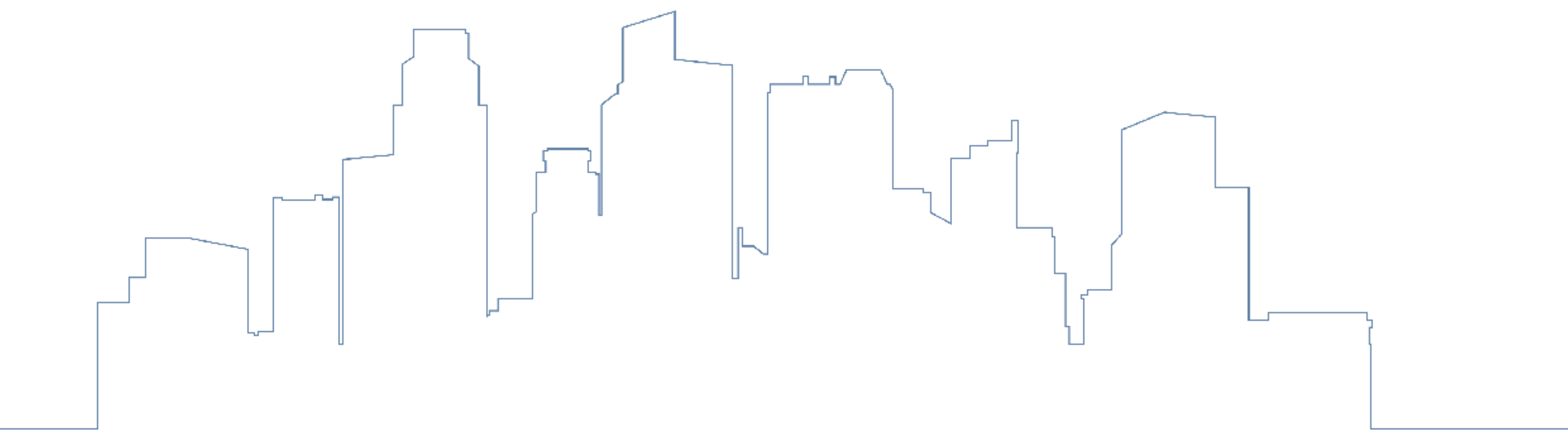
Based on artist's impression which may not be fully representative of the actual development.

Note:

(1) As at 31 December 2016 and includes sales under option agreements or sale and purchase agreements, as the case may be.

■ 1,778 residential units, 91 commercial units and 1,508 car park lots
■ % of total saleable GFA launched for sale sold(1):
– Residential: 98%
– Commercial: 41%
■ Pre-sales of residential units commenced in January 2014
■ Cumulative handover of 1,652 residential and 26 commercial units as at 31 December 2016
Plot C
Plot E
Plot D
Plot F
Plot G
■ Construction work had commenced in October 2016
■ Expected to comprise 1,274 residential units with ancillary commercial units, two commercial blocks and 1,295 car park lots
■ Residential units from 2 blocks were soft launched in December 2016
■ Crowne Plaza Chengdu Wenjiang Hotel and Holiday Inn Express Chengdu Wenjiang Hotspring Hotel had their soft opening on 28 December 2016

REPORTS AND FINANCIAL STATEMENTS



DIRECTORS' STATEMENT

We are pleased to submit this annual report to the members of the Company together with the audited financial statements for the financial year ended 31 December 2016.

In our opinion:

(a) the financial statements set out on pages 54 to 137 are drawn up so as to give a true and fair view of the financial positions of the Group and the Company as at 31 December 2016 and the financial performance, changes in equity and cash flows of the Group for the year ended on that date in accordance with International Financial Reporting Standards; and

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

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

DIRECTORS

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

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

DIRECTORS' STATEMENT

DIRECTORS' INTERESTS

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

	Holdings in the name of the director, spouse and/or infant children		Holdings in which directors are deemed to have an interest	
	At beginning of the year	At end of the year	At beginning of the year	At end of the year
The Company				
Ordinary shares				
Ho Han Leong Calvin	500,000	500,000	264,656,391	265,264,991
Ho Han Khoon (Alternate Director to Ho Han Leong Calvin)	250,000	370,200	260,694,791	260,694,791
Neo Teck Pheng	–	–	274,146,791	274,146,791
Yee Chia Hsing	100,000	100,000	–	–
$50.0 million 4.0% Fixed Rate Notes due 2018 ($)				
Ho Han Leong Calvin	–	–	15,000,000	15,000,000
Ting Ping Ee, Joan Maria	250,000	250,000	–	–

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

There were no changes in any of the above mentioned interests in the Company between the end of the financial year and 21 January 2017.

Neither at the end of, nor at any time during the financial year, was the Company a party to any arrangement whose objects are, or one of whose objects is, to enable the directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

DIRECTORS' STATEMENT

SHARE OPTIONS

Employee share option scheme

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

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

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

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

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

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

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

During the financial year, there were:

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

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

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

DIRECTORS' STATEMENT

AUDIT COMMITTEE

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

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

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

The Audit Committee has held 4 meetings during the financial year ended 31 December 2016. In performing its functions, the Audit Committee met with the Company's external and internal auditors to discuss the scope of their work, the results of their examination and evaluation of the Company's internal accounting control system.

The Audit Committee also reviewed the following:

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

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

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

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

DIRECTORS' STATEMENT

AUDITORS

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

On behalf of the Board of Directors

Ho Han Leong Calvin
Director

Neo Teck Pheng
Director

28 February 2017

INDEPENDENT AUDITORS' REPORT

Members of the Company
First Sponsor Group Limited

Opinion

We have audited the financial statements of First Sponsor Group Limited (the "Company") and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position of the Group and the statement of financial position of the Company as at 31 December 2016, the consolidated statement of profit or loss, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 54 to 137.

In our opinion, the accompanying consolidated financial statements of the Group and the statement of financial position of the Company are properly drawn up in accordance with the International Financial Reporting Standards ("IFRSs") so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at 31 December 2016 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group for the year ended on that date.

Basis for opinion

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

Key audit matters

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

INDEPENDENT AUDITORS' REPORT

Valuation of investment properties ($231.2 million) (Refer to Note 3.5 and Note 5 to the financial statements)	
The key audit matter	*How the matter was addressed in our audit*
The Group owns a portfolio of investment properties in China and the Netherlands. These investment properties are carried at their fair values. The Group engaged external valuers to value its properties. The valuation models applied to determine the value of investment properties are sensitive to assumptions around occupancy rates, average daily rates, capitalisation rates, rental yield, sales prices and discount rates.	**Our response:** We assessed the competency and objectivity of the valuers engaged and held discussions with the valuers to understand their valuation methods and assumptions used, when necessary. We reviewed the valuation methodologies and assumptions used by the valuers in arriving at the valuations of the Group's investment properties. This includes a comparison of capitalisation rates, sales prices and discount rates with externally derived data. We also tested the data and information used by the valuers including the occupancy rates, average daily rates and rental yield by comparing to the actual occupancy rates, average daily rates and rental yield, and analysed trends of these key assumptions. We also assessed whether the disclosures in the financial statements appropriately describe the subjectivity and judgement inherent in the valuations and met the requirements of the relevant accounting standards. **Our findings:** The valuers belong to generally-recognised professional bodies for valuers. The valuation methodologies applied were consistent with generally accepted market practices. The key assumptions used were within the range of market data and were appropriate based on historical data and trends. We also found that the disclosures in the financial statements appropriately describe the degree of subjectivity and judgement inherent in the key assumptions used in the valuations, including the inter-relationship between the key unobservable inputs and the fair values.

INDEPENDENT AUDITORS' REPORT

Valuation of development properties ($403.2 million) (Refer to Note 3.8 and Note 10 to the financial statements)	
The key audit matter	*How the matter was addressed in our audit*
The Group has significant residential development properties held for sale in China. Development properties are carried at the lower of their costs and net realisable values. The determination of the estimated net realisable values of these development properties is critically dependent upon the Group's expectation of future selling prices. The slowdown in economic growth and cooling measures implemented in China might exert downward pressure on transaction volume and residential property prices in China. This could lead to a risk that the estimate of net realisable values exceeding future selling prices, resulting in a loss when these properties are sold.	**Our response:** We challenged the Group's forecast selling prices by comparing these forecast selling prices to, where available, recently transacted sales prices of units in the same project as well as comparable properties, adjusting for specific attributes such as size and locations. **Our findings:** We found that reasonable estimates were used in the determination of the net realisable values.

INDEPENDENT AUDITORS' REPORT

Valuation of property, plant and equipment ($234.5 million) (Refer to Note 3.3 and Note 4 to the financial statements)	
The key audit matter	*How the matter was addressed in our audit*
The Group owns hotel properties in Chengdu. M Hotel Chengdu has been in operations since 2012. The remaining hotel properties consist of two hotels which are part of the Millennium Waterfront Project in Wenjiang. These hotels had their soft opening in late December 2016. During the year, M Hotel Chengdu did not perform as well as expected. Therefore an indication of impairment for this asset was identified. The Group performed an impairment assessment of M Hotel Chengdu as at 31 December 2016. The Group engaged an external valuer to ascertain the recoverable amount of this hotel. The estimation of the recoverable amount of the hotel is dependent on assumptions about the future. Specifically, significant judgement is required in relation to the appropriate occupancy rates, average daily rates and the discount rate to use in determining the recoverable amount.	**Our response:** We assessed the competency and objectivity of the valuer engaged and held discussions with the valuer to understand their valuation method and assumptions used. We reviewed the key assumptions adopted by the valuer in determining the recoverable amount of the hotel. This included a comparison of occupancy rates and average daily rates to historical rates and trends. We also compared the discount rate against externally derived data. We also considered the adequacy of the disclosures in respect of the impairment loss presented in the financial statements. **Our findings:** The valuer belongs to a generally-recognised professional body for valuers. The valuation methodology applied was consistent with generally accepted market practices. The key assumptions used were within the range of market data and were appropriate based on historical data and trends. We also found the disclosures to be appropriate in describing the impairment loss recognised on M Hotel Chengdu.

INDEPENDENT AUDITORS' REPORT

Impairment of trade receivables ($171.2 million) (Refer to Note 3.9 and Note 9 to the financial statements)	
The key audit matter	*How the matter was addressed in our audit*
The Group has $152.3 million of secured entrusted loans from the property financing operations in China. Entrusted loans amounting to $133.5 million were in default as at 31 December 2016. The Group had commenced legal proceedings to recover its receivables and initiated partial recovery of the loan principal via court conducted auctions of the mortgaged properties. Judgement and estimates were required to determine the estimated proceeds expected to be recovered for these defaulted loans and the ability of the Group to enforce its rights under the terms of the loan agreements.	**Our response:** We challenged the Group's estimates of proceeds to be recovered from court conducted auctions of the mortgaged properties to, where available, recently transacted prices of comparable properties, adjusting for specific attributes such as size and locations. We obtained legal opinions on the enforceability of the Group's mortgages and recovery process. We also assessed whether the financial statement disclosures appropriately reflected the Group's exposure to credit risk. **Our findings:** We found that cautious estimates were applied by the Group to determine the expected proceeds. We found disclosures made by the Group to be balanced.

INDEPENDENT AUDITORS' REPORT

Dilution of interests in subsidiaries (Refer to Note 24 to the financial statements)	
The key audit matter	*How the matter was addressed in our audit*
On 12 October 2016, the Group diluted its shareholding interests in FS Dongguan Investment Holdings Limited ("FSDIH") from 100% to 30% via issuance of new shares in FSDIH to a third party and an affiliated corporation. FSDIH held, via its subsidiaries, a development project in Dongguan, China. The Group recognised a gain of $97.3 million from the dilution of shareholding interests in FSDIH when the transaction was completed in October 2016. The gain on dilution of $97.3 million was significant as it represented 82% of the Group's profit before tax for the year ended 31 December 2016.	**Our response:** We reviewed the share subscription agreement and shareholders' agreement to check if the Group had retained control over FSDIH upon completion of the share issuance to new shareholders. We checked management's estimate of fair value of its remaining 30% stake in FSDIH and recomputed the gain from dilution. We also considered the adequacy of the disclosures in respect of the dilution of interest presented in the financial statements. **Our findings:** We found the classification of FSDIH as an associate upon completion of the dilution was appropriate. The gain on dilution was appropriately recognised. We found the disclosures made by the Group to be balanced.

Other Information

Management is responsible for the other information. The other information comprises the annual report, but does not include the financial statements and our auditors' report thereon. The annual report is expected to be made available to us after the date of this auditors' report.

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

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

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

INDEPENDENT AUDITORS' REPORT

Responsibilities of management and directors for the financial statements

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

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

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

Auditors' responsibilities for the audit of the financial statements

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

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

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

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

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

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

INDEPENDENT AUDITORS' REPORT

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

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

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

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

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

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

KPMG LLP
Public Accountants and
Chartered Accountants

Singapore
28 February 2017

STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2016

		Group		Company	
		2016	**2015**	**2016**	**2015**
	Note	**$'000**	**$'000**	**$'000**	**$'000**
Non-current assets					
Property, plant and equipment	4	**234,537**	151,110	**367**	–
Investment properties	5	**231,197**	245,624	**–**	–
Interests in subsidiaries	6	**–**	–	**694,808**	881,329
Interests in associates	7	**55,055**	14,426	**–**	–
Deferred tax assets	8	**16,694**	7,368	**–**	–
Other receivables	9	**185,938**	310,327	**209,912**	287,222
		723,421	728,855	**905,087**	1,168,551
Current assets					
Development properties	10	**403,199**	660,187	**–**	–
Inventories		**80**	148	**–**	–
Trade and other receivables	9	**388,877**	299,560	**229,837**	135,349
Cash and cash equivalents	11	**280,567**	112,044	**99,896**	1,257
		1,072,723	1,071,939	**329,733**	136,606
Total assets		**1,796,144**	1,800,794	**1,234,820**	1,305,157
Equity					
Share capital	12	**736,404**	736,404	**736,404**	736,404
Reserves	13	**288,185**	238,334	**82,511**	37,637
Equity attributable to owners of the Company		**1,024,589**	974,738	**818,915**	774,041
Non-controlling interests		**5,108**	3,359	**–**	–
Total equity		**1,029,697**	978,097	**818,915**	774,041
Non-current liabilities					
Deferred tax liabilities	8	**6,446**	11,963	**–**	–
Loans and borrowings	14	**347,186**	260,824	**316,166**	229,181
Derivative liabilities	15	**2,763**	3,327	**2,763**	3,327
		356,395	276,114	**318,929**	232,508
Current liabilities					
Trade and other payables	16	**196,254**	127,838	**87,512**	82,328
Receipts in advance	17	**189,735**	182,059	**–**	–
Loans and borrowings	14	**9,452**	216,280	**9,452**	216,280
Current tax payable		**14,611**	20,406	**12**	–
		410,052	546,583	**96,976**	298,608
Total liabilities		**766,447**	822,697	**415,905**	531,116
Total equity and liabilities		**1,796,144**	1,800,794	**1,234,820**	1,305,157

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

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

YEAR ENDED 31 DECEMBER 2016

	Note	Group 2016 $'000	Group 2015 $'000
Revenue	18	**189,715**	214,963
Cost of sales		**(145,065)**	(122,232)
Gross profit		**44,650**	92,731
Administrative expenses		**(27,008)**	(16,407)
Selling expenses		**(5,633)**	(6,496)
Other (expenses)/income (net)		**(24,468)**	4,135
Other gains/(losses) (net)	20	**98,335**	(236)
Results from operating activities		**85,876**	73,727
Finance income		**28,470**	21,841
Finance costs		**(8,235)**	(4,636)
Net finance income	19	**20,235**	17,205
Share of after-tax profit of associates		**12,278**	39
Profit before tax	20	**118,389**	90,971
Tax expense	21	**(3,473)**	(22,651)
Profit for the year		**114,916**	68,320
Attributable to:			
Equity holders of the Company		**113,089**	67,362
Non-controlling interests		**1,827**	958
Profit for the year		**114,916**	68,320
Earnings per share			
Basic and diluted (cents)	22	**19.17**	11.42

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

YEAR ENDED 31 DECEMBER 2016

	Note	Group 2016 $'000	Group 2015 $'000
Profit for the year		**114,916**	68,320
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		**–**	(364)
Realisation of foreign currency translation differences arising from dilution of interests in subsidiaries (net of tax) reclassified to profit or loss	24	**(3,618)**	–
Share of translation differences on financial statements of foreign associates, net of tax	7	**(203)**	1
Translation differences on financial statements of foreign subsidiaries, net of tax		**(45,177)**	20,563
Translation differences on monetary items forming part of net investment in foreign subsidiaries, net of tax		**(2,522)**	1,257
Total other comprehensive income for the year, net of tax		**(51,520)**	21,457
Total comprehensive income for the year		**63,396**	89,777
Total comprehensive income attributable to:			
Equity holders of the Company		**61,647**	88,836
Non-controlling interests		**1,749**	941
Total comprehensive income for the year		**63,396**	89,777

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

YEAR ENDED 31 DECEMBER 2016

	Share capital $'000	Share premium $'000	Statutory reserve $'000	Capital reserve $'000	Foreign currency translation reserve $'000	Retained earnings $'000	Total attributable to equity holders of the Company $'000	Non-controlling interests $'000	Total equity $'000
Group									
At 1 January 2015	736,404	9,570	14,835	(1,497)	83,891	51,271	894,474	–	894,474
Total comprehensive income for the year									
Profit for the year	–	–	–	–	–	67,362	67,362	958	68,320
Other comprehensive income									
Realisation of foreign currency translation differences arising from liquidation of a subsidiary, net of tax	–	–	–	–	(364)	–	(364)	–	(364)
Share of translation differences on financial statements of foreign associates, net of tax	–	–	–	–	1	–	1	–	1
Translation differences on financial statements of foreign subsidiaries, net of tax	–	–	–	–	20,580	–	20,580	(17)	20,563
Translation differences on monetary items forming part of net investment in foreign subsidiaries, net of tax	–	–	–	–	1,257	–	1,257	–	1,257
Total other comprehensive income	–	–	–	–	21,474	–	21,474	(17)	21,457
Total comprehensive income for the year	–	–	–	–	21,474	67,362	88,836	941	89,777
Transaction with owners, recognised directly in equity									
Contributions by and distributions to owners									
Dividend paid to owners of the Company (note 13)	–	–	–	–	–	(8,611)	(8,611)	–	(8,611)
Dividend paid to non-controlling interests	–	–	–	–	–	–	–	(2,847)	(2,847)
Reversal of share issue expenses	–	39	–	–	–	–	39	–	39
Transfer to statutory reserve	–	–	8,531	–	–	(8,531)	–	–	–
Total contributions by and distributions to owners	–	39	8,531	–	–	(17,142)	(8,572)	(2,847)	(11,419)
Changes in ownership interests in subsidiaries									
Acquisition of a subsidiary with non-controlling interests	–	–	–	–	–	–	–	5,265	5,265
Liquidation of a subsidiary	–	–	(686)	1,722	–	(1,036)	–	–	–
Total changes in ownership interests in subsidiaries	–	–	(686)	1,722	–	(1,036)	–	5,265	5,265
Total transactions with owners of the Company	–	39	7,845	1,722	–	(18,178)	(8,572)	2,418	(6,154)
At 31 December 2015	736,404	9,609	22,680	225	105,365	100,455	974,738	3,359	978,097

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

YEAR ENDED 31 DECEMBER 2016

	Share capital $'000	Share premium $'000	Statutory reserve $'000	Capital reserve $'000	Foreign currency translation reserve $'000	Retained earnings $'000	Total attributable to equity holders of the Company $'000	Non-controlling interests $'000	Total equity $'000
Group									
At 1 January 2016	**736,404**	**9,609**	**22,680**	**225**	**105,365**	**100,455**	**974,738**	**3,359**	**978,097**
Total comprehensive income for the year									
Profit for the year	–	–	–	–	–	113,089	113,089	1,827	114,916
Other comprehensive income									
Realisation of foreign currency translation differences arising from dilution of interests in subsidiaries (net of tax) reclassified to profit or loss (note 24)	–	–	–	–	(3,618)	–	(3,618)	–	(3,618)
Share of translation differences on financial statements of foreign associates, net of tax	–	–	–	–	(203)	–	(203)	–	(203)
Translation differences on financial statements of foreign subsidiaries, net of tax	–	–	–	–	(45,099)	–	(45,099)	(78)	(45,177)
Translation differences on monetary items forming part of net investment in foreign subsidiaries, net of tax	–	–	–	–	(2,522)	–	(2,522)	–	(2,522)
Total other comprehensive income	–	–	–	–	(51,442)	–	(51,442)	(78)	(51,520)
Total comprehensive income for the year	–	–	–	–	(51,442)	113,089	61,647	1,749	63,396
Transaction with owners, recognised directly in equity									
Contributions by and distributions to owners									
Dividend paid to owners of the Company (note 13)	–	–	–	–	–	(11,796)	(11,796)	–	(11,796)
Transfer to statutory reserve	–	–	4,765	–	–	(4,765)	–	–	–
Total contributions by and distributions to owners	–	–	4,765	–	–	(16,561)	(11,796)	–	(11,796)
Total transactions with owners of the Company	–	–	4,765	–	–	(16,561)	(11,796)	–	(11,796)
At 31 December 2016	**736,404**	**9,609**	**27,445**	**225**	**53,923**	**196,983**	**1,024,589**	**5,108**	**1,029,697**

CONSOLIDATED STATEMENT OF CASH FLOWS

YEAR ENDED 31 DECEMBER 2016

	Note	Group 2016 $'000	Group 2015 $'000
Cash flows from operating activities			
Profit for the year		**114,916**	68,320
Adjustments for:			
Depreciation of property, plant and equipment	4	**1,541**	1,625
Finance costs	19	**8,235**	4,636
Finance income	19	**(28,470)**	(21,841)
(Gain)/Loss on disposal of:			
– property held for sale		**(1,836)**	–
– property, plant and equipment		**2**	(1)
– investment properties		**319**	478
Gain on dilution of interests in subsidiaries	24	**(97,322)**	–
Gain on liquidation of a subsidiary		**–**	(287)
Net fair value loss/(gain) on:			
– investment properties	5	**9,478**	(1,816)
– derivative liabilities		**(564)**	3,327
Property, plant and equipment written off		**5**	46
Impairment loss on property, plant and equipment	4	**10,312**	–
Share of after-tax profit of associates		**(12,278)**	(39)
Tax expense	21	**3,473**	22,651
		7,811	77,099
Changes in:			
– Development properties		**(23,241)**	(84,629)
– Inventories		**61**	321
– Trade and other receivables		**40,673**	(87,003)
– Trade and other payables		**52,859**	44,138
– Receipts in advance		**15,106**	(22,771)
Cash generated from/(used in) operations		**93,269**	(72,845)
Interest received		**4,793**	34,463
Tax paid		**(22,463)**	(23,952)
Net cash from/(used in) operating activities		**75,599**	(62,334)
Cash flows from investing activities			
Acquisition of a subsidiary	23	**–**	(73,963)
Acquisition of associates		**–**	(14,884)
Loans to associates		**(13,630)**	(179,108)
Repayment of advances/loans by third parties		**27,952**	18,304
Interest received		**31,113**	24,992
Net cash inflows from dilution of interests in subsidiaries	24	**116,138**	–
Proceeds from disposal of:			
– property, plant and equipment		**148**	11
– investment property		**1,779**	4,936
– property held for sale		**3,968**	–
Payment for additions to:			
– investment properties		**(2,744)**	(83,960)
– property, plant and equipment		**(71,340)**	(33,702)
Receipt of investment return from a PRC government linked entity		**4,263**	3,567
Return of capital from an associate		**10,775**	–
Repayment of loans by an associate		**83,894**	–
Net cash from/(used in) investing activities		**192,316**	(333,807)

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

CONSOLIDATED STATEMENT OF CASH FLOWS (CONT'D)

YEAR ENDED 31 DECEMBER 2016

	Note	Group 2016 $'000	Group 2015 $'000
Cash flows from financing activities			
Advances from an associate		**39,167**	–
Dividends paid to:			
– owners of the Company		**(11,796)**	(8,611)
– non-controlling interests		**–**	(2,847)
Interest paid		**(4,880)**	(4,812)
Restricted cash		**(263)**	–
Payment of transaction costs related to borrowings		**(4,605)**	(3,048)
Proceeds from issue of medium-term notes		**–**	50,000
Proceeds from bank borrowings		**669,716**	655,758
Repayment of bank borrowings		**(782,609)**	(313,121)
Net cash (used in)/from financing activities		**(95,270)**	373,319
Net increase/(decrease) in cash and cash equivalents		**172,645**	(22,822)
Cash and cash equivalents at beginning of the year		**112,044**	131,797
Effect of exchange rate changes on balances held in foreign currencies		**(4,385)**	3,069
Cash and cash equivalents at end of the year	11	**280,304**	112,044

Significant non-cash transaction

During the financial year ended 31 December 2016, the Group acquired property, plant and equipment, amounting to $101,543,000 (2015: $33,702,000), of which $30,203,000 (2015: nil) remained unpaid as at 31 December 2016.

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

NOTES TO THE FINANCIAL STATEMENTS

These notes form an integral part of the financial statements.

The financial statements were authorised for issue by the Board of Directors on 28 February 2017.

1 DOMICILE AND ACTIVITIES

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

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

The financial statements of the Group as at and for the year ended 31 December 2016 comprise the Company and its subsidiaries (together referred to as the "Group" and individually as "Group entities"), and the Group's interests in equity-accounted investees.

2 BASIS OF PREPARATION

2.1 Statement of compliance

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

2.2 Basis of measurement

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

2.3 Functional and presentation currency

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

2.4 Use of estimates and judgements

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

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

NOTES TO THE FINANCIAL STATEMENTS

2 BASIS OF PREPARATION (CONT'D)

2.4 Use of estimates and judgements (cont'd)

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

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

- Note 3.17 – Estimation of provisions for current and deferred taxation
- Note 4 – Estimation of useful lives, residual values and recoverable amounts of property, plant and equipment
- Note 5 – Valuation of investment properties
- Notes 6 and 9 – Measurement of recoverable amounts of interests in and balances with subsidiaries
- Note 7 – Measurement of recoverable amounts of interests in and balances with associates
- Notes 8 and 21 – Estimation of provisions for withholding tax and land appreciation tax
- Note 9 – Estimation of recoverability of trade receivables, loans to associates and third parties and deferred consideration
- Note 10 – Measurement of realisable amounts of properties under development and completed properties for sale
- Note 26 – Valuation of financial instruments

Measurement of fair values

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

2 BASIS OF PREPARATION (CONT'D)

2.4 Use of estimates and judgements (cont'd)

Measurement of fair values (cont'd)

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

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

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

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

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

- Note 5 – Valuation of investment properties
- Note 26 – Valuation of financial instruments

2.5 Changes in accounting policies

The Group has adopted various new standards and amendments to standards, including any consequential amendments to other standards with an initial application of 1 January 2016. The adoption of the new standards and amendments to standards did not have a significant impact on these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

3 SIGNIFICANT ACCOUNTING POLICIES

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

3.1 Basis of consolidation

(i) Business combinations

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

The Group measures goodwill at the acquisition date as:

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

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.1 Basis of consolidation (cont'd)

(i) Business combinations (cont'd)

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

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

(ii) Subsidiaries

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

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

(iii) Acquisitions from entities under common control

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

NOTES TO THE FINANCIAL STATEMENTS

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.1 Basis of consolidation (cont'd)

(iv) Loss of control

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

(v) Investments in associates (equity-accounted investees)

Associates are those entities in which the Group has significant influence, but not control or joint control, over the financial and operating policies of these entities. Significant influence is presumed to exist when the Group holds 20% or more of the voting power of another entity.

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

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

(vi) Transactions eliminated on consolidation

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

(vii) Subsidiaries and associates in the separate financial statements

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

NOTES TO THE FINANCIAL STATEMENTS

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.2 Foreign currency

(i) Foreign currency transactions

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

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

(ii) Foreign operations

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

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

NOTES TO THE FINANCIAL STATEMENTS

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.2 Foreign currency (cont'd)

(iii) Net investment in a foreign operation

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

3.3 Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.3 Property, plant and equipment (cont'd)

(ii) Subsequent costs

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

(iii) Depreciation

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

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

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.4 Intangible assets

Goodwill

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

Subsequent measurement

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

3.5 Investment properties

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

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

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

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

Transfers

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.6 Leased assets

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

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

3.7 Financial instruments

(i) Non-derivative financial assets

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

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

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

The Group classifies non-derivative financial assets into the loans and receivables category.

NOTES TO THE FINANCIAL STATEMENTS

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.7 Financial instruments (cont'd)

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

Loans and receivables

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

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

Cash and cash equivalents

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

(ii) Non-derivative financial liabilities

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.7 Financial instruments (cont'd)

(iii) Financial guarantees

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

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

(iv) Share capital

Ordinary shares

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

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

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

(v) Derivative financial instruments

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

NOTES TO THE FINANCIAL STATEMENTS

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.8 Development properties

Properties under development for sale

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

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

Completed properties for sale

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

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

3.9 Impairment

(i) Non-derivative financial assets

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

NOTES TO THE FINANCIAL STATEMENTS

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.9 Impairment (cont'd)

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

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

Loans and receivables

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.9 Impairment (cont'd)

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

Associates

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

(ii) Non-financial assets

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.9 Impairment (cont'd)

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

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

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

3.10 Employee benefits

(i) Short-term employee benefits

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

(ii) Defined contribution plans

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.10 Employee benefits (cont'd)

(iii) Share-based payment transactions

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

3.11 Provisions and contingent liabilities

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

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

3.12 Revenue

(i) Sale of properties

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

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

NOTES TO THE FINANCIAL STATEMENTS

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.12 Revenue (cont'd)

(ii) Rental income

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

(iii) Hotel income

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

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

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

3.13 Government grants

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

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

3.14 Lease payments

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

3.15 Earnings per share

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

NOTES TO THE FINANCIAL STATEMENTS

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.16 Finance income and costs

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

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

3.17 Tax

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

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

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.17 Tax (cont'd)

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

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

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

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

3.18 Segment reporting

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.19 New standards and interpretations not adopted

A number of new standards and amendments to standards are effective for annual periods beginning after 1 January 2016 and earlier application is permitted; however, the Group has not early applied the following new or amended standards in preparing these statements. None of these are expected to have a significant effect on the financial statements of the Group and the Company except as set out below.

(a) IFRS 9 Financial Instruments

In July 2014, the International Accounting Standards Board issued the final version of IFRS 9 *Financial Instruments*.

IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early adoption permitted. The Group currently plans to apply IFRS 9 initially on 1 January 2018.

The actual impact of adopting IFRS 9 on the Group's consolidated financial statements in 2018 is not known and cannot be reliably estimated because it will be dependent on the financial instruments that the Group holds and economic conditions at that time as well as accounting elections and judgements that it will make in the future. The new standard will require the Group to revise its accounting processes and internal controls related to reporting financial instruments and these changes are not yet complete. However, the Group has performed a preliminary assessment of the potential impact of adoption of IFRS 9 based on its position as at 31 December 2016.

(i) Classification – Financial assets

IFRS 9 contains a new classification and measurement approach for financial assets that reflects the business model in which assets are managed and their cash flow characteristics.

IFRS 9 contains three principal classification categories for financial assets: measured at amortised cost, fair value through other comprehensive income ("FVOCI") and fair value through profit or loss ("FVTPL"). The standard eliminates the existing IAS 39 categories of held-to-maturity, loans and receivables and available-for-sale.

Under IFRS 9, derivatives embedded in contracts where the host is a financial asset in the scope of the standard are never bifurcated. Instead, the hybrid financial instrument as a whole is assessed for classification.

Based on its preliminary assessment, the Group does not believe that the new classification requirements, if applied at 31 December 2016, would have had a material impact on its accounting for trade and other receivables (excluding prepayments).

NOTES TO THE FINANCIAL STATEMENTS

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.19 New standards and interpretations not adopted (cont'd)

(a) IFRS 9 Financial Instruments (cont'd)

(ii) Impairment – Financial assets and contract assets

IFRS 9 replaces the 'incurred loss' model in IAS 39 with a forward-looking 'expected credit loss' ("ECL") model. This will require considerable judgement as to how changes in economic factors affect ECLs, which will be determined on a probability-weighted basis.

The new impairment model will apply to financial assets measured at amortised cost or FVOCI, except for investments in equity instruments, and to contract assets.

Under IFRS 9, loss allowances will be measured on either of the following bases:

- 12-month ECLs. These are ECLs that result from possible default events within the 12 months after the reporting date; and

- lifetime ECLs. These are ECLs that result from all possible default events over the expected life of a financial instrument.

Lifetime ECL measurement applies if the credit risk of a financial asset at the reporting date has increased significantly since initial recognition and 12-month ECL measurement applies if it has not. An entity may determine that a financial asset's credit risk has not increased significantly if the asset has low credit risk at the reporting date. However, lifetime ECL measurement always applies for trade receivables and contract assets without a significant financing component; an entity may choose to apply this policy also for trade receivables and contract assets with a significant financing component.

Based on preliminary assessment, the Group does not believe that the new impairment model, if applied at 31 December 2016, would have a material impact on the financial statements of the Group and the Company.

NOTES TO THE FINANCIAL STATEMENTS

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.19 New standards and interpretations not adopted (cont'd)

(a) IFRS 9 Financial Instruments (cont'd)

(iii) Classification – Liabilities

IFRS 9 largely retains the existing requirements in IAS 39 for the classification of financial liabilities.

However, under IAS 39 all fair value changes of liabilities designated as FVTPL are recognised in profit or loss, whereas under IFRS 9 these fair value changes are generally presented as follows:

- the amount of change in the fair value that is attributable to changes in the credit risk of the liability is presented in OCI; and
- the remaining amount of change in the fair value is presented in profit or loss.

The Group has not designated any financial liabilities at FVTPL and the Group has no current intention to do so. The Group's preliminary assessment did not indicate any material impact if IFRS 9's requirements regarding the classification of financial liabilities were applied at 31 December 2016.

(iv) Hedge accounting

IFRS 9 will require the Group to ensure that hedge accounting relationships are aligned with the Group's risk management objectives and strategy and to apply a more qualitative and forward-looking approach to assessing hedge effectiveness. IFRS 9 also introduces new requirements regarding rebalancing of hedge relationships and prohibiting voluntary discontinuation of hedge accounting. Under the new model, it is possible that more risk management strategies, particularly those involving hedging a risk component (other than foreign currency risk) of a non-financial item, will be likely to qualify for hedge accounting. The Group currently does not undertake hedges of such risk components.

(v) Disclosures

IFRS 9 will require extensive new disclosures, in particular about hedge accounting, credit risk and expected credit losses.

NOTES TO THE FINANCIAL STATEMENTS

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.19 New standards and interpretations not adopted (cont'd)

(a) IFRS 9 Financial Instruments (cont'd)

(vi) Transition

Changes in accounting policies resulting from the adoption of IFRS 9 will generally be applied retrospectively, except as described below.

- New hedging accounting requirements should generally be applied prospectively.
- The following assessments have to be made on the basis of the facts and circumstances that exist at the date of initial application.
  - The determination of the business model within which a financial asset is held.
  - The designation and revocation of previous designations of certain financial assets and financial liabilities as measured at FVTPL.
  - The designation of certain investments in equity instruments not held for trading as at FVOCI.

(b) IFRS 15 Revenue from Contracts with Customers

IFRS 15 *Revenue from Contracts with Customers* establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It also introduces new cost guidance which requires certain costs of obtaining and fulfilling contracts to be recognised as separate assets when specified criteria are met. It replaces existing revenue recognition guidance, including IAS 18 *Revenue*, IAS 11 *Construction Contracts,* IFRIC 13 *Customer Loyalty Programmes*, IFRIC 15 *Agreements for the Construction of Real Estate* and IFRIC 18 *Transfers of Assets from Customers*. It is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted.

(i) Sale of properties

Revenue from sale of properties is currently recognised when the construction of the properties has been completed and they are ready for delivery to the purchasers pursuant to the sale and purchase agreements and the collectability of related receivables are reasonably assured.

The Group does not expect significant changes to the basis of revenue recognition for its development projects.

Significant financing component – There could be deemed financing component arising from the sale of development projects in the PRC due to cash received in advance from the buyers prior to the handing over of the units. Any deemed interest cost would be capitalised as part of the development costs and recognised as cost of sales when the units are handed over to the buyers.

Sales commission – The Group pays sales commission for secured sales contracts. The Group currently recognises the sales commission as an expense in profit or loss when incurred. Under IFRS 15, an entity capitalises incremental costs to obtain a contract with a customer if these costs are recoverable. The capitalised cost will be amortised to match the transfer of the development property to the customer under the contract.

The Group is currently assessing the impact of significant financing component and capitalisation of sales commission upon adoption of IFRS 15.

NOTES TO THE FINANCIAL STATEMENTS

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.19 New standards and interpretations not adopted (cont'd)

(b) IFRS 15 Revenue from Contracts with Customers (cont'd)

(ii) Hotel income

The Group currently recognises hotel revenue from accommodation, sales of food and beverages and other ancillary services at the point which the services are rendered.

The Group does not expect the adoption of IFRS 15 to have a significant impact on the revenue recognition for hotel income.

(iii) Transition

The Group is currently performing a detailed assessment of the impact resulting from the application of IFRS 15 and an analysis of the available transitional option exemptions under IFRS 15, and expects to disclose additional quantitative information before it adopts IFRS 15. The preliminary assessments may be subject to changes arising from the detailed analyses.

(c) IFRS 16 Leases

IFRS 16 *Leases* eliminates the lessee's classification of leases as either operating leases or finance leases and introduces a single lessee accounting model. Applying the new model, a lessee is required to recognise right-of-use ("ROU") assets and lease liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value.

IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17 *Leases*. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for these two types of leases using the IAS 17 operating lease and finance lease accounting models respectively. However, IFRS 16 requires more extensive disclosures to be provided by a lessor.

When effective, IFRS 16 replaces existing lease accounting guidance, including IAS 17, IFRIC 4 *Determining whether an Arrangement contains a Lease*, SIC 15 *Operating Leases – Incentives*, and SIC 27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*.

IFRS 16 is effective for annual periods beginning on or after 1 January 2019, with early adoption permitted if IFRS 15 is also applied.

The Group does not expect the adoption of IFRS 16 to have any significant effect on the financial statements of the Group and the Company.

NOTES TO THE FINANCIAL STATEMENTS

4 PROPERTY, PLANT AND EQUIPMENT

	Interests in leasehold land held for own use under operating leases $'000	Buildings $'000	Plant and machinery $'000	Equipment and furniture $'000	Motor vehicles $'000	Construction-in-progress $'000	Total $'000
Group							
Cost							
At 1 January 2015	9,702	46,518	1,730	1,064	2,645	57,145	118,804
Additions	–	21	29	72	57	33,523	33,702
Written off during the year	–	–	(55)	(42)	–	–	(97)
Disposals	–	–	–	–	(28)	–	(28)
Translation differences on consolidation	224	1,072	40	23	29	1,232	2,620
At 31 December 2015	9,926	47,611	1,744	1,117	2,703	91,900	155,001
At 1 January 2016	**9,926**	**47,611**	**1,744**	**1,117**	**2,703**	**91,900**	**155,001**
Additions	**–**	**9**	**4**	**251**	**135**	**101,144**	**101,543**
Written off during the year	**–**	**–**	**–**	**(19)**	**–**	**–**	**(19)**
Disposals	**–**	**–**	**(8)**	**(180)**	**(163)**	**–**	**(351)**
Reclassification	**20,061**	**137,701**	**6,202**	**893**	**–**	**(164,857)**	**–**
Dilution of interests in subsidiaries	**–**	**–**	**–**	**(20)**	**–**	**–**	**(20)**
Translation differences on consolidation	**(406)**	**(1,949)**	**(71)**	**(42)**	**(54)**	**(3,715)**	**(6,237)**
At 31 December 2016	**29,581**	**183,372**	**7,871**	**2,000**	**2,621**	**24,472**	**249,917**

NOTES TO THE FINANCIAL STATEMENTS

4 PROPERTY, PLANT AND EQUIPMENT (CONT'D)

	Note	Interests in leasehold land held for own use under operating leases $'000	Buildings $'000	Plant and machinery $'000	Equipment and furniture $'000	Motor vehicles $'000	Construction-in-progress $'000	Total $'000
Group								
Accumulated depreciation, amortisation and impairment loss								
At 1 January 2015		313	596	232	342	804	–	2,287
Charge for the year	20	281	619	207	187	331	–	1,625
Written off during the year		–	–	(20)	(31)	–	–	(51)
Disposals		–	–	–	–	(18)	–	(18)
Translation differences on consolidation		7	13	6	7	15	–	48
At 31 December 2015		601	1,228	425	505	1,132	–	3,891
At 1 January 2016		**601**	**1,228**	**425**	**505**	**1,132**	**–**	**3,891**
Charge for the year	20	**269**	**595**	**179**	**224**	**274**	**–**	**1,541**
Impairment of property, plant and equipment	20	**–**	**10,312**	**–**	**–**	**–**	**–**	**10,312**
Written off during the year		**–**	**–**	**–**	**(14)**	**–**	**–**	**(14)**
Disposals		**–**	**–**	**(3)**	**(63)**	**(135)**	**–**	**(201)**
Dilution of interests in subsidiaries		**–**	**–**	**–**	**(3)**	**–**	**–**	**(3)**
Translation differences on consolidation		**(25)**	**(50)**	**(17)**	**(19)**	**(35)**	**–**	**(146)**
At 31 December 2016		**845**	**12,085**	**584**	**630**	**1,236**	**–**	**15,380**
Carrying amounts								
At 1 January 2015		9,389	45,922	1,498	722	1,841	57,145	116,517
At 31 December 2015		9,325	46,383	1,319	612	1,571	91,900	151,110
At 31 December 2016		**28,736**	**171,287**	**7,287**	**1,370**	**1,385**	**24,472**	**234,537**

NOTES TO THE FINANCIAL STATEMENTS

4 PROPERTY, PLANT AND EQUIPMENT (CONT'D)

	Equipment and furniture $'000	Motor vehicles $'000	Total $'000
Company			
Cost			
At 1 January and 31 December 2015	–	–	–
Additions	47	356	403
At 31 December 2016	**47**	**356**	**403**
Accumulated depreciation			
At 1 January and 31 December 2015	–	–	–
Charge for the year	11	25	36
At 31 December 2016	**11**	**25**	**36**
Carrying amounts			
At 1 January and 31 December 2015	–	–	–
At 31 December 2016	**36**	**331**	**367**

(i) Reclassification

During the financial year ended 31 December 2016, the Group reclassified two hotel buildings from construction-in-progress to interests in leasehold land held for own use under operating leases, buildings, plant and machinery, and equipment and furniture upon commencement of the hotel operations.

(ii) Capitalisation of staff costs

Included in property, plant and equipment are staff costs capitalised of $1,381,000 (2015: $378,000) during the financial year ended 31 December 2016 (note 20(b)).

NOTES TO THE FINANCIAL STATEMENTS

4 PROPERTY, PLANT AND EQUIPMENT (CONT'D)

(iii) Significant accounting estimates

Depreciation of property, plant and equipment

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

Impairment assessment of property, plant and equipment

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

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

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

(iv) Impairment loss

The management undertook their annual review of the carrying amount of hotels for indicators of impairment and, where appropriate, external valuation was also undertaken. Based on this assessment, an impairment charge of $10,312,000 (2015: nil), included in other expenses, was made in relation to M Hotel Chengdu, located in the PRC. The impairment loss was a result of the challenging hospitality market in Chengdu, affecting the operating performance of the hotel. In particular, the room rates achieved by the hotel were lower than expected. The estimated recoverable amount was based on the fair value of the hotel determined by a professional valuer. The fair value measurement is categorised as Level 3 on the fair value hierarchy.

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

Valuation technique	Key unobservable inputs	Inter-relationship between key unobservable inputs and fair value measurement
Discounted cash flow method	• Occupancy rate: 60.0% to 75.0% (2015: 50.0% to 68.0%) • Average daily rate ("ADR"): RMB470 to RMB682 (2015: RMB540 to RMB784) • Discount rate: 8.0% (2015: 8.0%)	A significant increase in occupancy rate, ADR and a significant decrease in discount rate would result in a significantly higher fair value measurement.

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

NOTES TO THE FINANCIAL STATEMENTS

5 INVESTMENT PROPERTIES

		Group	
		2016	**2015**
	Note	**$'000**	**$'000**
At 1 January		**245,624**	80,979
Additions		**2,744**	83,960
Acquisition of a subsidiary	23	**–**	79,588
Disposals		**(2,098)**	(5,414)
Fair value (loss)/gain (net)	20	**(9,478)**	1,816
Lease incentives		**1,033**	1,517
Translation differences on consolidation		**(6,628)**	3,178
At 31 December		**231,197**	245,624
Analysed between:			
Completed properties		**186,932**	194,511
Properties under construction		**44,265**	51,113
		231,197	245,624

On 27 April 2015, the Group entered into a sale and purchase agreement to acquire two hotels with a total lettable floor area of 17,396 square metres ("sq m"), as well as 509 car park lots in Amsterdam, The Netherlands, at a net purchase consideration of $79.4 million (EUR54.6 million). The acquisition was completed on 17 June 2015. The two hotels operate under the brands "Holiday Inn" and "Holiday Inn Express", and together with 440 car park lots, are leased to a third party (the "lessee") for 25 years from May 2014 with two renewal options of ten years each exercisable at the option of the lessee. The remaining 69 car park lots are currently leased by a second lessee for ten years from August 2012.

As at 31 December 2016 and 2015, all the investment properties were completed, except for 21,875 sq m of commercial space completed in bare-shell condition.

Completed investment properties comprise hotels, a number of commercial properties and residential units that are leased to external customers. The leases contain initial non-cancellable periods of one to twenty-four years (2015: one to twenty-five years). No contingent rents are charged.

Security

An investment property of the Group with a total carrying amount of $79,587,000 (2015: $80,208,000) is mortgaged to a financial institution to secure a credit facility (refer to note 14 for more details of the facility).

NOTES TO THE FINANCIAL STATEMENTS

5 INVESTMENT PROPERTIES (CONT'D)

Measurement of fair value

(i) Fair value hierarchy

The fair value measurement for investment properties of $9,620,000 (2015: $696,000) has been categorised as a Level 2 fair value based on contracted sale prices and comparable market transactions which consider sales of similar properties that have been transacted in the open market.

The fair value measurement for investment properties of $221,577,000 (2015: $244,928,000) has been categorised as a Level 3 fair value based on the inputs to the valuation technique used.

The fair value of the investment properties as at 31 December 2016 were based on valuations undertaken by independent valuers. The fair values at the reporting date were based on market values, being the estimated amount for which a property could be exchanged on the date of the valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.

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

Level 3 fair value

The following table shows a reconciliation from the beginning balances to the ending balances for fair value measurements in Level 3 of the fair value hierarchy.

	Group	
	2016	**2015**
	$'000	**$'000**
At 1 January	**244,928**	80,299
Additions	**2,744**	83,960
Acquisition of a subsidiary	**–**	79,588
Disposals	**(2,098)**	(5,414)
Fair value (loss)/gain recognised in profit or loss – unrealised (net)	**(9,478)**	1,816
Lease incentives	**1,033**	1,517
Change in fair value hierarchy to level 2 [(i)]	**(8,953)**	–
Translation differences on consolidation	**(6,599)**	3,162
At 31 December	**221,577**	244,928

(i) During the financial year ended 31 December 2016, the Group had entered into various sale and purchase agreements with third parties for the sale of retail and commercial units. In this respect, the fair value of the investment properties were based on the contracted sale prices.

NOTES TO THE FINANCIAL STATEMENTS

5 INVESTMENT PROPERTIES (CONT'D)

Measurement of fair value (cont'd)

(ii) Valuation technique and key unobservable inputs

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

Type	Valuation technique	Key unobservable inputs	Inter-relationship between key unobservable inputs and fair value measurement
Completed properties	Discounted cash flow method	• Rental yield of 4.9% to 7.1% (2015: 5.3% to 7.0%) • Discount rate of 5.0% to 8.3% (2015: 5.0% to 8.3%) • ADR with increases of 2.0% to 3.9% (2015: 4.8% to 5.5%) • Occupancy rate of 75.0% to 77.0% (2015: 70.0% to 77.0%)	A significant increase in rental yield, ADR and occupancy rate and a significant decrease in discount rate would result in a significantly higher fair value measurement.
	Market comparable method	• Average sales price of RMB9,567 to RMB39,515 (2015: RMB10,300 to RMB43,441) per sq m	A significant increase in average sales prices would result in a significantly higher fair value measurement.
	Income capitalisation method	• Capitalisation rate of 7.3% (2015: 7.3%) • Occupancy rate of 100.0% (2015: 100.0%)	A significant increase in capitalisation rate and a significant decrease in occupancy rate would result in a significantly lower fair value measurement.
Properties under construction (i)	Discounted cash flow method	• Rental yield of 7.1% • Discount rate of 6.0%	A significant increase in rental yield and a significant decrease in discount rate would result in a significantly higher fair value measurement.
	Market comparable method	• Average sales price of RMB9,657 to RMB9,944 per sq m	A significant increase in average sales prices would result in a significantly higher fair value measurement.
	Residual value method (applicable for 2015)	• ADR with increases of 3.0% to 5.0% • Occupancy of 50.0% to 68.0% • Discount rate of 8.0%	A significant increase in ADR and occupancy rate and a significant decrease in discount rate would result in a significantly higher fair value measurement.

(i) During the financial year ended 31 December 2016, the Group had reassessed the highest and best use of the properties under construction and changed it from hotel to office use in view of the challenging hospitality market in the PRC. Accordingly, the valuation of the investment properties was derived based on the discounted cash flow and market comparable methods (2015: residual method).

NOTES TO THE FINANCIAL STATEMENTS

6 INTERESTS IN SUBSIDIARIES

	Company 2016 $'000	Company 2015 $'000
Investments in subsidiaries		
Unquoted equity shares, at cost	**146,778**	147,678
Redeemable preference shares	**548,030**	733,651
Total interests in subsidiaries	**694,808**	881,329

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

During the financial year ended 31 December 2016, the wholly-owned subsidiary redeemed 185,620,318 redeemable preference shares held by the Company at the redemption price of $1.00 each.

During the financial year ended 31 December 2015, the Company redeemed 21,640,000 redeemable preference shares from another wholly-owned subsidiary at the redemption price of $1.00 each and subsequently, subscribed for 21,640,000 new ordinary shares in the share capital of the wholly-owned subsidiary at the subscription price of $1.00 each.

Details of significant subsidiaries are as follows:

	Name of subsidiary	Principal activity	Principal place of business/ Country of incorporation	Effective equity interest held by the Group 2016 %	Effective equity interest held by the Group 2015 %
	Held by the Company				
**	First Sponsor Investment Limited	Investment holding	Hong Kong	**100**	100
^	FS Dongguan Investment Holdings Limited ("FSDIH") (i)	Investment holding	British Virgin Islands	**–**	100
^	FS Investment Holdings Limited	Investment holding	British Virgin Islands	**100**	100
^	Wenjiang (BVI) Limited	Investment holding	British Virgin Islands	**100**	100

NOTES TO THE FINANCIAL STATEMENTS

6 INTERESTS IN SUBSIDIARIES (CONT'D)

	Name of subsidiary	Principal activity	Principal place of business/ Country of incorporation	Effective equity interest held by the Group 2016 %	2015 %
	Held through subsidiaries				
**	Chengdu Gaeronic Real Estate Co., Ltd	Property development, property investment, hotel ownership and operations, and investment holding	People's Republic of China	**100**	100
**	Chengdu Millennium Zhong Ren Real Estate Co., Ltd	Property development and property investment	People's Republic of China	**100**	100
**	Chengdu Ming Ming Management Consultancy Co., Ltd (ii)	Consultancy and management services	People's Republic of China	**100**	100
**	Chengdu Yong Chang Real Estate Co., Ltd	Property development and property investment	People's Republic of China	**100**	100
**	First Sponsor (Guangdong) Group Limited	Investment holding	People's Republic of China	**100**	100
**	First Sponsor No. 1 (Dongguan) Real Estate Co., Ltd (i)	Property development and property investment	People's Republic of China	**–**	100
*	FS Chengdu No. 1 Pte. Ltd.	Investment holding	Singapore	**100**	100
*	FS Dongguan No. 1 Pte. Ltd. (i)	Investment holding	Singapore	**–**	100
^	FS Euro Capital Limited	Investment holding	British Virgin Islands	**100**	100
^	FS NL Property 2 B.V. (iii)	Property investment	The Netherlands	**100**	100
^	FS NL Zuidoost Property 11 B.V. (iv)	Property investment and property development	The Netherlands	**100**	–
^	FS NL Zuidoost Property 15 B.V. (v)	Property investment and property development	The Netherlands	**100**	–
^	NL Property 1 B.V. ("NLP1") (vi)	Property investment	The Netherlands	**33**	33
**	Shanghai Sigma Investment Co., Ltd (vii)	Provision of property financing services	People's Republic of China	**100**	100
*	Wenjiang Singapore Pte. Ltd.	Investment holding	Singapore	**100**	100

NOTES TO THE FINANCIAL STATEMENTS

6 INTERESTS IN SUBSIDIARIES (CONT'D)

* Audited by KPMG LLP Singapore

** Audited by other member firms of KPMG International

^ Not subject to audit by law of country of incorporation

(i) On 12 October 2016, the Group diluted its shareholding interests in FSDIH from 100% to 30% via issuance of new shares in FSDIH to a third party and an affiliated corporation. FSDIH held, via its subsidiaries, a development project in Dongguan, China (note 24). Following the transaction, the Group has significant influence over FSDIH. Accordingly, FSDIH is reclassified as an associate of the Group.

(ii) Subsequent to the reporting date, the paid-up share capital of the subsidiary was reduced from RMB253.9 million to RMB53.9 million via a capital reduction exercise.

(iii) The subsidiary was incorporated on 22 April 2015 to hold an investment property acquired from a third party during the financial year ended 31 December 2015.

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

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

(vi) On 18 February 2015, the Group completed the acquisition of the entire equity interest in NLP1 (formerly known as "Euroffice 445 B.V.") from a third party together with three co-investors. Upon the completion of the acquisition, the Group owns 33% equity interest in NLP1. Pursuant to a call option agreement entered amongst the Company and the three co-investors on 4 February 2015, the three co-investors have irrevocably and unconditionally granted to the Company, or its nominee, the right (but not the obligation) to acquire such number of new non-redeemable and non-convertible preference voting shares in the capital of NLP1 at EUR1 each, such that the Group would have majority voting interest in NLP1 (the "Call Option"). To date, the Company has not exercised the Call Option. As a result of this Call Option, the Company is deemed to have control over NLP1 and consolidates NLP1 as a subsidiary.

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

NOTES TO THE FINANCIAL STATEMENTS

7 INTERESTS IN AND BALANCES WITH ASSOCIATES

		Group	
		2016	**2015**
	Note	**$'000**	**$'000**
Interests in associates		**55,055**	14,426
Balances with associates			
Loans to associates	9	**202,822**	181,540
Amounts due to associates	16	**(39,167)**	(81)

As at 31 December 2016, the loans to associates are unsecured and comprise the following:

- a principal of $106,359,000 which bore a nominal interest rate of 7.0% to 7.4% per annum and is due in 2017;
- a principal of $79,579,000 which is interest-free and due in 2019; and
- a balance due from the associates of $16,884,000 which is interest-free and repayable on demand.

The loans to associates as at 31 December 2015 were unsecured and comprise the following:

- a principal of $96,159,000 which bore a nominal interest rate of 7.4% per annum and due in 2017; and
- a principal of $85,381,000 which bore a nominal interest rate of 8.4% per annum and due in 2023. This was repaid during the financial year ended 31 December 2016.

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

NOTES TO THE FINANCIAL STATEMENTS

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

Details of the associates are as follows:

	Name of associate	Principal activity	Principal place of business/Country of incorporation	Effective equity interest held by the Group 2016 %	2015 %
^	FS Dongguan Investment Holdings Limited ("FSDIH") (i)	Investment holding	British Virgin Islands	30	–
***	FSMC NL Property Group B.V. ("FSMC") (ii)	Property investment and investment holding	The Netherlands	33	33
	Held through FSDIH				
*	FS Dongguan No. 1 Pte. Ltd. (i)	Investment holding	Singapore	30	–
**	First Sponsor No. 1 (Dongguan) Real Estate Co., Ltd (i)	Property development and property investment	People's Republic of China	30	–
	Held through FSMC				
^	NL Herengracht Property 3 B.V. (iii)	Property investment	The Netherlands	33	33
^	NL Boompjes Property 5 B.V. (iii)	Property investment and property development	The Netherlands	33	33
^	NL Reguliersdwarsstraat Property 6 B.V. (iii)	Property investment and property development	The Netherlands	33	33
^	NL Terminal Noord Property 7 B.V. (iii)	Property investment and property development	The Netherlands	33	33
^	NL Mondriaan Property 8 B.V. (iii)	Property investment	The Netherlands	33	33
^	NL Bilthoven Property 9 B.V. (iii)	Property investment and property development	The Netherlands	33	33
^	NL D&P Property 10 B.V. (iii)	Property trading	The Netherlands	33	33

NOTES TO THE FINANCIAL STATEMENTS

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

* Audited by KPMG LLP Singapore

** Audited by other member firms of KPMG International

*** Audited by Ernst & Young Accountants LLP

^ Not subject to audit by law of country of incorporation

(i) On 12 October 2016, the Group diluted its shareholding interests in FSDIH from 100% to 30% via issuance of new shares in FSDIH to a third party and an affiliated corporation. FSDIH held, via its subsidiaries, a development project in Dongguan, China (note 24). Following the transaction, the Group has significant influence over FSDIH. Accordingly, FSDIH is reclassified as an associate of the Group.

(ii) On 30 November 2015, the Group completed the acquisition of the equity interest in FSMC (formerly known as "Delta Lloyd Vastgoed Kantoren B.V.") from a third party, together with three co-investors, and owns 33% equity interest in FSMC. On the date of acquisition, FSMC held the titles to 16 properties and a 50% interest in VOF De Omval through a joint venture partnership with a third party. In December 2015, FSMC incorporated seven wholly-owned subsidiaries and transferred the titles of 15 properties to these wholly-owned subsidiaries.

(iii) The associate was incorporated on 1 December 2015.

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

	2016 $'000	**2015 $'000**
Carrying amounts of interests in associates	**55,055**	14,426
Group's share of:		
– net profit	**12,278**	39
– other comprehensive income	**(203)**	1
– total comprehensive income	**12,075**	40

NOTES TO THE FINANCIAL STATEMENTS

8 DEFERRED TAX ASSETS/(LIABILITIES)

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

	At 1 January 2015 $'000	Recognised in profit or loss (note 21) $'000	Translation differences on consolidation $'000	At 31 December 2015 $'000	Recognised in profit or loss (note 21) $'000	Translation differences on consolidation $'000	At 31 December 2016 $'000
Group							
Deferred tax assets							
Development properties	5,003	(399)	122	4,726	7,141	(223)	**11,644**
Receipts in advance	7,521	(921)	175	6,775	294	(277)	**6,792**
Others	660	136	16	812	345	(32)	**1,125**
Total	13,184	(1,184)	313	12,313	7,780	(532)	**19,561**
Deferred tax liabilities							
Investment properties	(9,175)	205	(221)	(9,191)	896	372	**(7,923)**
Property, plant and equipment	(4,319)	678	(101)	(3,742)	2,992	153	**(597)**
Trade and other receivables	(3,551)	(275)	(81)	(3,907)	2,989	160	**(758)**
Others	(224)	159	(3)	(68)	30	3	**(35)**
Total	(17,269)	767	(406)	(16,908)	6,907	688	**(9,313)**

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

	Group 2016 $'000	Group 2015 $'000
Deferred tax assets	**16,694**	7,368
Deferred tax liabilities	**(6,446)**	(11,963)

NOTES TO THE FINANCIAL STATEMENTS

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

Unrecognised deferred tax liabilities

As at 31 December 2016, deferred tax liabilities of $14,987,000 (2015: $11,708,000) in respect of temporary differences of $246,725,000 (2015: $198,860,000) related to the withholding tax on the distributable profit of the Group's subsidiaries in the PRC were not recognised because the Company controls whether the liability will be incurred and it is satisfied that it will not be incurred in the foreseeable future.

Unrecognised deferred tax assets

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

	Group	
	2016	**2015**
	$'000	**$'000**
Deductible temporary differences	**13,011**	6,748
Tax losses	**12,395**	5,685
	25,406	12,433

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

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

The tax losses with expiry dates are as follows:

	Group	
	2016	**2015**
	$'000	**$'000**
Expiry date:		
– Within 1 year	**–**	130
– After 1 year but less than 5 years	**9,674**	1,992
– After 5 years	**647**	360
	10,321	2,482

NOTES TO THE FINANCIAL STATEMENTS

9 TRADE AND OTHER RECEIVABLES

		Group		Company	
		2016	**2015**	**2016**	**2015**
	Note	**$'000**	**$'000**	**$'000**	**$'000**
Trade receivables	(i)	**171,158**	229,286	**–**	–
Impairment losses		**–**	(15)	**–**	–
Net receivables		**171,158**	229,271	**–**	–
Loans to associates	7	**202,822**	181,540	**–**	–
Loans to third parties	(ii)	**119,162**	147,058	**–**	–
Advances to third party	(iii)	**9,387**	20,663	**–**	–
Non-trade amounts due from:					
– subsidiaries	(iv)	**–**	–	**439,357**	420,918
– non-controlling interests	(v)	**–**	1,488	**–**	–
Security deposits	(vi)	**7,255**	7,331	**–**	–
Deferred consideration	(vii)	**41,720**	–	**–**	–
Other receivables	(viii)	**7,582**	7,477	**359**	1,637
		559,086	594,828	**439,716**	422,555
Prepayments	(ix)	**15,729**	15,059	**33**	16
		574,815	609,887	**439,749**	422,571
Non-current		**185,938**	310,327	**209,912**	287,222
Current		**388,877**	299,560	**229,837**	135,349
		574,815	609,887	**439,749**	422,571

(i) Included in trade receivables are secured entrusted loans to third parties of $152,278,000 (2015: $213,150,000) via entrusted banks in the PRC which bore interest (including penalty interest) ranging from 17.0% to 30.4% (2015: 17.0% to 18.0%) per annum. Refer to note 26 for more details.

(ii) As at 31 December 2016, the balance mainly comprised the following:

- unsecured loans of $103,102,000 (2015: $112,044,000) to a local government authority in the PRC which bore a nominal interest rate of 13.0% (2015: 13.0%) per annum and are due in 2017; and

- an unsecured loan of $16,060,000 (2015: $35,014,000) to a local government authority in the PRC which bore a nominal interest rate of 10.0% (2015: 10.0%) per annum and is due in 2017.

NOTES TO THE FINANCIAL STATEMENTS

9 TRADE AND OTHER RECEIVABLES (CONT'D)

(iii) An advance of $20,880,000 (RMB100.0 million) (the "Initial Fund") was granted to a PRC government linked entity (the "PRC Entity") in November 2013 for the preliminary development and compensation for resettlement of occupants on a parcel of land which the Group intended to purchase under a memorandum of understanding and a framework agreement (together, the "Zhongtang Agreements"). The advance was unsecured and interest-free.

In January 2015, the Group entered into an agreement with the PRC Entity to mutually terminate the Zhongtang Agreement (the "Termination Agreement"). Pursuant to the Termination Agreement,

- the PRC Entity paid the Group an agreed return of $3,508,000 (RMB16.5 million);
- the repayment date of the Initial Fund was extended to no later than 25 November 2015; and
- the PRC Entity shall pay a return of 10.0% per annum on the Initial Fund (the "Investment Return") for the period from 26 November 2014 to the settlement date.

On 25 November 2015, the Group and the PRC Entity entered into a supplemental agreement. Pursuant to the supplemental agreement,

- the repayment date of the Initial Fund and the Investment Return accrued thereon was extended to no later than 25 November 2016;
- the PRC Entity made a partial repayment of the Initial Fund amounting to $1,090,000 (RMB5.0 million) on 22 December 2015; and
- an interest of 10.0% per annum would be imposed on the outstanding Initial Fund to the settlement date.

During the financial year ended 31 December 2016, the PRC Entity made a payment of the Investment Return of $4,263,000 (RMB20.4 million) and a partial repayment of the Initial Fund amounting to $10,430,000 (RMB50.0 million). On 25 November 2016, the Group and the PRC Entity entered into a second supplementary agreement. Pursuant to the second supplemental agreement,

- the repayment date of remaining Initial Fund of $9,387,000 (RMB45.0 million) was extended to no later than 30 June 2017; and
- an interest of 10.0% per annum would be imposed on the outstanding Initial Fund to the settlement date.

NOTES TO THE FINANCIAL STATEMENTS

9 TRADE AND OTHER RECEIVABLES (CONT'D)

(iv) The non-trade amounts due from subsidiaries as at 31 December 2016 and 2015 were unsecured and comprise the following:

- an amount of $209,912,000 (2015: $287,222,000) which bore interests ranging from 1.6% to 2.6% (2015: 1.6% to 2.4%) per annum and are due in 2018;
- an amount of $41,892,000 (2015: nil) which bore interests ranging from 2.1% to 2.2% (2015: nil) per annum and are due in 2017; and
- an amount of $187,553,000 (2015: $133,696,000) which is interest-free and repayable on demand.

(v) The non-trade amounts due from non-controlling interests were unsecured, interest-free and repayable on demand.

(vi) The security deposits were paid to a local PRC government authority in relation to the construction of civil air defence facilities for a project carried out by the Group. These deposits have been refunded to the Group subsequent to the reporting date.

(vii) The deferred consideration of $41,720,000 relates to the dilution of interests in subsidiaries and is due in April 2017 (note 24).

(viii) Included in the other receivables of the Group as at 31 December 2016 was a penalty interest receivable of $3,500,000 for an entrusted loan in default.

The Group's other receivables as at 31 December 2015 included Investment Return receivable of $2,379,000 from the PRC Entity.

(ix) Included in the prepayments of the Group as at 31 December 2016 was prepaid taxes of $15,346,000 (2015: $14,721,000).

The Group's historical experience in the collection of accounts receivable falls within the recorded allowances. Due to these factors, management believes that no additional credit risk beyond the amounts provided for collection losses is inherent in the Group's trade receivables. Refer to note 26 for more details.

NOTES TO THE FINANCIAL STATEMENTS

10 DEVELOPMENT PROPERTIES

	Group	
	2016	**2015**
	$'000	**$'000**
Properties under development for sale	**343,193**	594,619
Completed properties for sale	**60,006**	65,568
	403,199	660,187
Net interest expense capitalised in properties under development during the year	**2,108**	3,492

Net interest has been capitalised at rates ranging from 1.2% to 2.6% (2015: 1.2% to 3.8%) per annum for development properties.

Included in development properties are staff costs capitalised of $2,780,000 (2015: $3,569,000) during the financial year ended 31 December 2016 (note 20(b)).

During the financial year ended 31 December 2016, development properties recognised in cost of sales amounted to $141,297,000 (2015: $118,912,000).

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

Management also assesses if any write-down of completed properties for sale is required based on their estimates of selling prices which are based on recent selling prices and the prevailing market conditions.

NOTES TO THE FINANCIAL STATEMENTS

11 CASH AND CASH EQUIVALENTS

	Group		Company	
	2016	2015	2016	2015
	$'000	$'000	$'000	$'000
Fixed deposits	**66,260**	753	**66,208**	112
Cash at bank and in hand	**214,307**	111,291	**33,688**	1,145
Cash and cash equivalents in the statements of financial position	**280,567**	112,044	**99,896**	1,257
Less: Restricted cash	**(263)**	–		
Cash and cash equivalents in the consolidated statement of cash flows	**280,304**	112,044		

The balance as at 31 December 2016 included $49,271,000 (2015: $18,473,000) which were held under PRC development project rules, where the utilisation of the funds is restricted to project related payments.

Cash and cash equivalents at 31 December 2016 included $173,427,000 (2015: $104,227,000) which were deposited with financial institutions in the PRC. The remittance of these funds by the Group out of the PRC is subject to currency exchange restrictions.

12 SHARE CAPITAL

	Group and Company			
	2016		2015	
	Number of shares	US$'000	Number of shares	US$'000
Authorised share capital:				
At 1 January and 31 December	**2,000,000,000**	**2,000,000**	2,000,000,000	2,000,000

	Group and Company			
	2016		2015	
	Number of shares	$'000	Number of shares	$'000
Ordinary shares of US$1 each issued and fully paid				
At 1 January and 31 December	**589,814,949**	**736,404**	589,814,949	736,404

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

NOTES TO THE FINANCIAL STATEMENTS

12 SHARE CAPITAL (CONT'D)

Capital management

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

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

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

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

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

13 RESERVES

	Group		Company	
	2016	**2015**	**2016**	**2015**
	$'000	**$'000**	**$'000**	**$'000**
Share premium	**9,609**	9,609	**9,821**	9,821
Statutory reserve	**27,445**	22,680	**–**	–
Capital reserve	**225**	225	**(5,988)**	(5,988)
Foreign currency translation reserve	**53,923**	105,365	**–**	–
Retained earnings	**196,983**	100,455	**78,678**	33,804
	288,185	238,334	**82,511**	37,637

Share premium

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

During the financial year ended 31 December 2015, the Company made a reversal of share issue expenses of $39,000 following the finalisation of billings with the professional parties.

NOTES TO THE FINANCIAL STATEMENTS

13 RESERVES (CONT'D)

Statutory reserve

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

Capital reserve

The capital reserve of the Group comprises:

(a) interest waived on intercompany loans;

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

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

The capital reserve of the Company comprises:

(a) interest waived on intercompany loans;

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

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

Foreign currency translation reserve

The foreign currency translation reserve comprises:

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

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

NOTES TO THE FINANCIAL STATEMENTS

13 RESERVES (CONT'D)

Dividends

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

	Group and Company 2016 $'000	Group and Company 2015 $'000
For the year ended 31 December		
Final tax exempt (one-tier) ordinary dividend paid of 1.00 cent (2015: 0.76 cents) per ordinary share in respect of financial year ended 31 December 2015 (2015: 31 December 2014)	**5,898**	4,483
Interim tax exempt (one-tier) ordinary dividend paid of 1.00 cent (2015: 0.70 cents) per ordinary share in respect of financial year ended 31 December 2016 (2015: 31 December 2015)	**5,898**	4,128
	11,796	8,611

	Group 2015 $'000
Paid by a subsidiary to non-controlling interests	
Interim ordinary dividend paid of EUR152.43 per share in respect of financial period ended 31 December 2015	2,847

No dividend was declared and paid by the Group to the non-controlling interests during the financial year ended 31 December 2016.

After the reporting date, the following exempt (one-tier) ordinary dividend was proposed by the directors of the Company. The exempt (one-tier) ordinary dividend has not been provided for in the financial statements of the Group and Company.

	Group and Company 2016 $'000	Group and Company 2015 $'000
1.00 cent per qualifying ordinary share (2015: 1.00 cent)	**5,898**	5,898

NOTES TO THE FINANCIAL STATEMENTS

14 LOANS AND BORROWINGS

	Group		Company	
	2016	**2015**	**2016**	**2015**
	$'000	**$'000**	**$'000**	**$'000**
Non-current liabilities				
Secured bank loan	**31,020**	31,643	**–**	–
Unsecured bank loans	**266,216**	179,266	**266,216**	179,266
Unsecured notes	**49,950**	49,915	**49,950**	49,915
	347,186	260,824	**316,166**	229,181
Current liabilities				
Unsecured bank loans	**9,452**	216,280	**9,452**	216,280
Total loans and borrowings	**356,638**	477,104	**325,618**	445,461

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

Unsecured notes pertain to the issuance of $50.0 million fixed rate notes by the Company in 2015. The notes were issued pursuant to a $1.0 billion Multicurrency Debt Issuance Programme established in 2015. They bear a fixed interest of 4.0% per annum and are due in 2018. The Company may elect to redeem all or some of the notes on the fourth interest payment date of the notes in 2017 at 101.0% of the principal amount of the notes.

Terms and debt repayment schedule

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

				2016		2015	
	Currency	**Nominal interest rate %**	**Year of maturity**	**Face value $'000**	**Carrying amount $'000**	**Face value $'000**	**Carrying amount $'000**
Group							
Bank loan (secured)	EUR	1.4	2022	**31,104**	**31,020**	31,743	31,643
Bank loans (unsecured)	EUR	1.1 – 1.8	2017 – 2019	**220,264**	**216,221**	284,876	283,088
Bank loans (unsecured)	$	1.6	2017 – 2019	**60,520**	**59,447**	114,273	112,458
Notes (unsecured)	$	4.0	2018	**50,000**	**49,950**	50,000	49,915
				361,888	**356,638**	480,892	477,104
Company							
Bank loans (unsecured)	EUR	1.1 – 1.8	2017 – 2019	**220,264**	**216,221**	284,876	283,088
Bank loans (unsecured)	$	1.6	2017 – 2019	**60,520**	**59,447**	114,273	112,458
Notes (unsecured)	$	4.0	2018	**50,000**	**49,950**	50,000	49,915
				330,784	**325,618**	449,149	445,461

NOTES TO THE FINANCIAL STATEMENTS

15 DERIVATIVE LIABILITIES

	Group and Company	
	2016	2015
	$'000	$'000
Non-current		
Cross currency swaps	**2,763**	3,327

The Company entered into two cross currency swaps with financial institutions. These swaps will be settled:

(a) in June 2018 when the Company will pay EUR33,898,000 and receive an agreed amount of $50,000,000; and

(b) in December 2019 when the Company will pay EUR40,000,000 and receive an agreed amount of $60,520,000.

16 TRADE AND OTHER PAYABLES

		Group		Company	
		2016	2015	2016	2015
	Note	$'000	$'000	$'000	$'000
Trade payables		**122,206**	105,787	**–**	–
Accruals		**18,732**	10,805	**6,870**	1,881
Other payables		**8,892**	6,062	**645**	–
Value added tax, business tax and other taxes payable		**5,541**	3,360	**–**	–
Non-trade amounts due to:					
– former shareholders and affiliates of subsidiaries		**1,716**	1,743	**–**	–
– subsidiaries		**–**	–	**79,997**	80,447
– associates	7	**39,167**	81	**–**	–
		196,254	127,838	**87,512**	82,328

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

17 RECEIPTS IN ADVANCE

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

NOTES TO THE FINANCIAL STATEMENTS

18 REVENUE

	Group 2016 $'000	Group 2015 $'000
Sale of properties	**162,095**	165,429
Rental income from investment properties	**14,150**	10,494
Interest income on:		
– entrusted loans to third parties	**8,670**	35,025
– vendor financing arrangements	**55**	82
	8,725	35,107
Hotel operations	**3,969**	3,590
Others	**776**	343
	189,715	214,963

19 NET FINANCE INCOME

	Group 2016 $'000	Group 2015 $'000
Finance income		
Interest income on:		
– bank deposits	**2,507**	2,294
– loans to local government authority in the PRC	**16,632**	18,802
– loans to associates	**9,336**	852
	28,475	21,948
Less: Amount capitalised	**(5)**	(107)
	28,470	21,841
Finance costs		
Amortisation of transaction costs	**(3,494)**	(3,651)
Interest expense on bank loans	**(6,854)**	(4,584)
	(10,348)	(8,235)
Less: Amount capitalised	**2,113**	3,599
	(8,235)	(4,636)
Net finance income	**20,235**	17,205

NOTES TO THE FINANCIAL STATEMENTS

20 PROFIT BEFORE TAX

(a) Other gains/(losses) comprise:

		Group	
		2016	**2015**
	Note	**$'000**	**$'000**
Gain/(Loss) on disposal of:			
– property held for sale		**1,836**	–
– property, plant and equipment (net)		**(2)**	1
– investment properties		**(319)**	(478)
Gain on liquidation of a subsidiary		**–**	287
Gain on dilution of interests in subsidiaries	24	**97,322**	–
Property, plant and equipment written off		**(5)**	(46)
Others		**(497)**	–
		98,335	(236)

(b) Profit before tax includes the following:

		Group	
		2016	**2015**
	Note	**$'000**	**$'000**
Audit fees paid/payable to:			
– auditors of the Company		**172**	124
– other auditors		**141**	145
Non-audit fees paid to:			
– auditors of the Company		**44**	22
– other auditors		**10**	11
Depreciation of property, plant and equipment	4	**1,541**	1,625
Direct operating expenses arising from rental of investment properties		**997**	487
Exchange gain (net)		**(1,002)**	(2,879)
Fair value loss/(gain) on investment properties (net)	5	**9,478**	(1,816)
Impairment of property, plant and equipment	4	**10,312**	–
Fair value (gain)/loss on derivative liabilities		**(564)**	3,327
Hotel base stocks written off		**2,451**	–
Hotel pre-opening expenses		**2,432**	–
Net investment return from a PRC government linked entity		**(1,765)**	(5,644)
Operating lease expense		**415**	400
Staff costs		**19,434**	11,603
Staff costs			
Wages and salaries		**21,801**	14,031
Contributions to defined contribution plans		**1,456**	1,502
Termination benefits		**338**	17
		23,595	15,550
Less: Amounts capitalised in			
– development properties	10	**(2,780)**	(3,569)
– property, plant and equipment	4	**(1,381)**	(378)
		19,434	11,603

NOTES TO THE FINANCIAL STATEMENTS

21 TAX EXPENSE

	Group 2016 $'000	Group 2015 $'000
Current tax expense		
Current year	**16,305**	20,015
(Over)/Under provision in respect of prior years	**(17)**	141
	16,288	20,156
Withholding tax	**33**	131
Land appreciation tax expense	**1,839**	1,947
	18,160	22,234
Deferred tax expense		
Origination and reversal of temporary differences	**(14,687)**	578
Overprovision in respect of prior years	**–**	(161)
	(14,687)	417
Total tax expense	**3,473**	22,651
Reconciliation of effective tax rate		
Profit for the year	**114,916**	68,320
Tax expense	**3,473**	22,651
Profit before tax	**118,389**	90,971
Tax calculated using tax rate of 25% (2015: 25%)	**29,597**	22,743
Effect of different tax rates in other jurisdictions	**(1,410)**	976
Effect of deferred tax assets not recognised	**3,374**	933
Expenses not deductible for tax purposes	**781**	1,572
Income not subject to tax	**(27,038)**	(4,971)
Recognition of previously unrecognised deferred tax assets	**(156)**	(163)
Land appreciation tax expense	**1,839**	1,947
Effect of tax deduction on land appreciation tax expense	**(460)**	(487)
Overprovision in respect of prior years	**(17)**	(20)
Withholding tax	**33**	131
Effect of results of associates	**(3,070)**	(10)
	3,473	22,651

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

The Group's operations are mainly in the PRC and the Netherlands. Pursuant to the PRC and Dutch Corporate Income Tax Law, the statutory tax rates applicable to the Group's subsidiaries in the PRC and the Netherlands are 25% (2015: 25%).

NOTES TO THE FINANCIAL STATEMENTS

21 TAX EXPENSE (CONT'D)

Withholding tax arising from the distribution of dividends

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

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

The Group's determination as to whether to accrue for withholding taxes arising from the distribution of dividends by certain subsidiaries is subject to judgement on the timing of the payment of the dividends (note 8). The Group considered that the applicable withholding tax rate to be 5% to 10% (2015: 5% to 10%).

PRC Land Appreciation Tax ("LAT")

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

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

NOTES TO THE FINANCIAL STATEMENTS

22 EARNINGS PER SHARE

Basic earnings per share

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

Profit attributable to ordinary shareholders

	Group	
	2016	**2015**
	$'000	**$'000**
Profit attributable to ordinary shareholders	**113,089**	67,362

Weighted average number of ordinary shares

	Group	
	2016	**2015**
	'000	**'000**
Weighted average number of ordinary shares during the year	**589,815**	589,815

Diluted earnings per share

There were no dilutive potential ordinary shares in existence for the financial years ended 31 December 2016 and 2015.

23 ACQUISITION OF A SUBSIDIARY

On 4 February 2015, the Group, together with three co-investors (collectively, the "Purchasers"), entered into a sale and purchase agreement to, *inter alia*, acquire the entire equity interest of NLP1. NLP1 is principally engaged in property investment and owns a commercial real estate property in Amsterdam, the Netherlands, which was valued at $79.6 million (EUR51.5 million) for the purposes of the acquisition.

The acquisition was completed on 18 February 2015, with the Group owning 33% equity interest in NLP1. The Group's aggregate purchase consideration amounted to approximately $74.0 million (EUR49.9 million), including loans to NLP1.

In addition, pursuant to a call option agreement entered amongst the Purchasers on 4 February 2015, the three co-investors had irrevocably and unconditionally granted to the Company, or its nominee, the right (but not the obligation) to acquire new non-redeemable and non-convertible preference voting shares in the capital of NLP1, at EUR1 each, such that the Group would have majority voting interest in NLP1. To date, the Company has not exercised the call option. As a result of this call option, NLP1 is considered to be a subsidiary of the Company and is therefore consolidated.

NOTES TO THE FINANCIAL STATEMENTS

23 ACQUISITION OF A SUBSIDIARY (CONT'D)

The cash flow and identifiable assets and liabilities of the subsidiary acquired are provided below:

	$'000
Investment property	79,588
Cash and cash equivalents	1,870
Trade and other payables	(360)
Net assets acquired	81,098
Total consideration	81,098
Less: Cash acquired	(1,870)
Less: Consideration by non-controlling interests	(5,265)
Total net cash outflow	73,963

The above acquisition was accounted for as acquisition of assets and was out of scope of IFRS 3 *Business Combinations*.

24 DILUTION OF INTERESTS IN SUBSIDIARIES

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

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

NOTES TO THE FINANCIAL STATEMENTS

24 DILUTION OF INTERESTS IN SUBSIDIARIES (CONT'D)

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

	Note	$'000
Property, plant and equipment		17
Development properties		253,500
Trade and other receivables		1,005
Cash and cash equivalents		852
Trade and other payables		(57,011)
Identified net assets disposed		198,363
Total consideration		256,238
Portion of consideration for which payment is deferred	9	(41,720)
Transaction costs		(3,500)
Cash and cash disposed of		(852)
Cash inflows from dilution of interests in subsidiaries		210,166
Effects of loans to associates arising from dilution of interests		(94,028)
Net cash inflows from dilution of interests in subsidiaries		116,138
Total consideration		256,238
Net identified assets on disposal		(198,363)
Transaction costs		(3,500)
Realisation of foreign currency translation reserve		3,618
Fair value of retained interests in associates		39,329
Gain on dilution of interests in subsidiaries	20	97,322

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

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

25 OPERATING SEGMENTS

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

25 OPERATING SEGMENTS (CONT'D)

Information about reportable segments

	Property development $'000	Property investment $'000	Property financing $'000	Hotel operations $'000	Total reportable segments $'000	Unallocated $'000	Total $'000
2016							
Segment revenue	**162,222**	**14,930**	**8,725**	**4,025**	**189,902**	**8,504**	**198,406**
Elimination of inter-segment revenue	**(127)**	**(4)**	**–**	**(56)**	**(187)**	**(8,504)**	**(8,691)**
External revenue	**162,095**	**14,926**	**8,725**	**3,969**	**189,715**	**–**	**189,715**
Profit/(Loss) from operating activities	**108,308**	**3,562**	**5,306**	**(16,129)**	**101,047**	**(15,171)**	**85,876**
Finance income	**24,230**	**2,173**	**1,702**	**1**	**28,106**	**364**	**28,470**
Finance costs	**(4,182)**	**(3,078)**	**–**	**–**	**(7,260)**	**(975)**	**(8,235)**
Share of after-tax profit of associates	**9,334**	**2,944**	**–**	**–**	**12,278**	**–**	**12,278**
Segment profit/(loss) before tax	**137,690**	**5,601**	**7,008**	**(16,128)**	**134,171**	**(15,782)**	**118,389**
Other material non-cash items:							
Depreciation	**(254)**	**–**	**(1)**	**(1,150)**	**(1,404)**	**(137)**	**(1,541)**
Impairment loss on property, plant and equipment	**–**	**–**	**–**	**(10,312)**	**(10,312)**	**–**	**(10,312)**
Fair value loss on investment properties (net)	**–**	**(9,478)**	**–**	**–**	**(9,478)**	**–**	**(9,478)**
Fair value gain on derivative liabilities (net)	**–**	**564**	**–**	**–**	**564**	**–**	**564**
Other items:							
Gain on dilution of interests in subsidiaries	**97,322**	**–**	**–**	**–**	**97,322**	**–**	**97,322**
Gain on disposal of asset held for sale	**1,836**	**–**	**–**	**–**	**1,836**	**–**	**1,836**
Hotel base stocks written off	**–**	**–**	**–**	**(2,451)**	**(2,451)**	**–**	**(2,451)**
Hotel pre-opening expenses	**–**	**–**	**–**	**(2,432)**	**(2,432)**	**–**	**(2,432)**

NOTES TO THE FINANCIAL STATEMENTS

25 OPERATING SEGMENTS (CONT'D)

Information about reportable segments (cont'd)

	Property development $'000	Property investment $'000	Property financing $'000	Hotel operations $'000	Total reportable segments $'000	Unallocated $'000	Total $'000
2016							
Assets							
Segment assets	801,900	411,453	279,559	238,787	1,731,699	9,390	1,741,089
Interests in associates	43,437	11,618	–	–	55,055	–	55,055
	845,337	423,071	279,559	238,787	1,786,754	9,390	1,796,144
Liabilities							
Segment liabilities	(481,748)	(253,190)	(10,137)	(9,317)	(754,392)	(12,055)	(766,447)
Other segment information:							
Capital expenditure	443	2,744	–	101,079	104,266	21	104,287

NOTES TO THE FINANCIAL STATEMENTS

25 OPERATING SEGMENTS (CONT'D)

Information about reportable segments (cont'd)

	Property development $'000	Property investment $'000	Property financing $'000	Hotel operations $'000	Total reportable segments $'000	Unallocated $'000	Total $'000
2015							
Segment revenue	169,619	10,497	35,450	3,618	219,184	5,881	225,065
Elimination of inter-segment revenue	(4,190)	(3)	–	(28)	(4,221)	(5,881)	(10,102)
External revenue	165,429	10,494	35,450	3,590	214,963	–	214,963
Profit/(Loss) from operating activities	39,807	8,664	34,377	(2,454)	80,394	(6,667)	73,727
Finance income	13,830	756	7,064	3	21,653	188	21,841
Finance costs	(184)	(2,857)	–	–	(3,041)	(1,595)	(4,636)
Share of after-tax profit of associates	–	39	–	–	39	–	39
Segment profit/(loss) before tax	53,453	6,602	41,441	(2,451)	99,045	(8,074)	90,971
Other material non-cash items:							
Depreciation	(238)	–	(1)	(1,212)	(1,451)	(174)	(1,625)
Fair value gain on investment properties	–	1,816	–	–	1,816	–	1,816
Gain on liquidation of a subsidiary	287	–	–	–	287	–	287
Property, plant and equipment written off	(46)	–	–	–	(46)	–	(46)
Fair value loss on derivative liabilities	–	(3,327)	–	–	(3,327)	–	(3,327)

For the financial year ended 31 December 2015, the hotel operations segment includes cost adjustments to construction costs for a hotel of $1.0 million.

NOTES TO THE FINANCIAL STATEMENTS

25 OPERATING SEGMENTS (CONT'D)

Information about reportable segments (cont'd)

	Property development $'000	Property investment $'000	Property financing $'000	Hotel operations $'000	Total reportable segments $'000	Unallocated $'000	Total $'000
2015							
Assets							
Segment assets	1,077,628	282,517	266,289	150,032	1,776,466	9,902	1,786,368
Interests in associates	6,231	8,195	–	–	14,426	–	14,426
	1,083,859	290,712	266,289	150,032	1,790,892	9,902	1,800,794
Liabilities							
Segment liabilities	(412,473)	(371,355)	(722)	(686)	(785,236)	(37,461)	(822,697)
Other segment information:							
Capital expenditure	166	163,548	–	33,523	197,237	13	197,250

NOTES TO THE FINANCIAL STATEMENTS

25 OPERATING SEGMENTS (CONT'D)

Geographical information

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

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

	2016 $'000	2015 $'000
Revenue		
PRC	**175,830**	205,862
The Netherlands	**13,885**	9,101
	189,715	214,963
Non-current assets*		
PRC	**339,167**	230,034
The Netherlands	**180,631**	179,988
Other countries	**991**	1,138
	520,789	411,160

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

26 FINANCIAL RISK MANAGEMENT

Overview

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

Risk management framework

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

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

NOTES TO THE FINANCIAL STATEMENTS

26 FINANCIAL RISK MANAGEMENT (CONT'D)

Credit risk

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

The trade receivables of the Group comprise a group of borrowing entities related to each other that represented 57% (2015: 45%) of the trade receivables as at 31 December 2016 (see below).

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

Trade and other receivables

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

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

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

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

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

Impairment losses

The ageing of trade receivables of the Group at the reporting date is:

	2016		2015	
	Gross $'000	Impairment losses $'000	Gross $'000	Impairment losses $'000
Group				
Not past due	**37,481**	**–**	192,296	–
Past due 1 – 60 days	**173**	**–**	36,975	–
Past due 61 – 90 days	**–**	**–**	–	–
More than 90 days	**133,504**	**–**	15	15
	171,158	**–**	229,286	15

NOTES TO THE FINANCIAL STATEMENTS

26 FINANCIAL RISK MANAGEMENT (CONT'D)

Credit risk (cont'd)

Impairment losses (cont'd)

The gross trade receivable balances past due more than 90 days of $133,504,000 (RMB640.0 million) (2015: nil) relate to nine entrusted loans, for which the borrowers defaulted on their interest payments. The Group had called for an event of default and accelerated the principal loan repayment date on these defaulted loans. The Group holds the first legal mortgage to the properties pledged as loan collateral, and has also successfully placed numerous first preservation orders on various properties and other assets owned by the personal and corporate guarantors of the loans.

As at the date of report, favourable court rulings were received for all the defaulted loans. The Group had also successfully conducted foreclosure auctions of the mortgaged properties for one of the loans with principal amounting to RMB70.0 million as at 31 December 2016, leading to recognition of penalty interest income of $3.5 million during the financial year ended 31 December 2016.

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

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

Cash and cash equivalents

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

Financial guarantees

As at 31 December 2016, the Group has issued guarantees to banks of up to $246,812,000 (2015: $208,710,000) to secure the mortgage arrangements of the buyers of the Group's development properties held for sale. The guarantees would be terminated upon the completion of the transfer of legal title of the properties to the buyers. At the reporting date, the directors did not consider it probable that the Group will sustain a loss under these guarantees as the Group has the authority to sell the property to recover any outstanding loan balance should the buyers default on payment. The Group had not recognised any liabilities in respect of these guarantees.

Liquidity risk

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

NOTES TO THE FINANCIAL STATEMENTS

26 FINANCIAL RISK MANAGEMENT (CONT'D)

Liquidity risk (cont'd)

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

The Group has contractual commitments to incur expenditure on its development properties, investment properties and property, plant and equipment (see note 27).

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

	Carrying amount $'000	Contractual cash flows $'000	Cash flows within 1 year $'000	Cash flows after 1 year but within 5 years $'000	Cash flows after 5 years $'000
Group					
2016					
Non-derivative financial liabilities					
Loans and borrowings	**356,638**	**362,368**	**10,007**	**321,120**	**31,241**
Trade and other payables	**196,254**	**196,254**	**196,254**	**–**	**–**
Recognised financial liabilities	**552,892**	**558,622**	**206,261**	**321,120**	**31,241**
Financial guarantees	**–**	**246,812**	**246,812**	**–**	**–**
	552,892	**805,434**	**453,073**	**321,120**	**31,241**
Derivative financial liabilities					
Cross currency swaps (gross settled)	**2,763**				
– Outflow		**(122,596)**	**(1,965)**	**(120,631)**	**–**
– Inflow		**119,775**	**3,640**	**116,135**	**–**
2015					
Non-derivative financial liabilities					
Loans and borrowings	477,104	496,876	224,477	240,065	32,334
Trade and other payables	127,838	127,838	127,838	–	–
Recognised financial liabilities	604,942	624,714	352,315	240,065	32,334
Financial guarantees	–	208,710	208,710	–	–
	604,942	833,424	561,025	240,065	32,334
Derivative financial liabilities					
Cross currency swap (gross settled)	3,327				
– Outflow		(58,390)	(1,231)	(57,159)	–
– Inflow		55,003	2,011	52,992	–

NOTES TO THE FINANCIAL STATEMENTS

26 FINANCIAL RISK MANAGEMENT (CONT'D)

Liquidity risk (cont'd)

	Carrying amount $'000	Contractual cash flows $'000	Cash flows within 1 year $'000	Cash flows after 1 year but within 5 years $'000	Cash flows after 5 years $'000
Company					
2016					
Non-derivative financial liabilities					
Loans and borrowings	**325,618**	**329,026**	**9,587**	**319,439**	**–**
Trade and other payables	**87,512**	**87,512**	**87,512**	**–**	**–**
Recognised financial liabilities	**413,130**	**416,538**	**97,099**	**319,439**	**–**
Derivative financial liabilities					
Cross currency swaps (gross settled)	**2,763**				
– Outflow		**(122,596)**	**(1,965)**	**(120,631)**	**–**
– Inflow		**119,775**	**3,640**	**116,135**	**–**
2015					
Non-derivative financial liabilities					
Loans and borrowings	445,461	462,319	224,032	238,287	–
Trade and other payables	82,328	82,328	82,328	–	–
Recognised financial liabilities	527,789	544,647	306,360	238,287	–
Derivative financial liabilities					
Cross currency swap (gross settled)	3,327				
– Outflow		(58,390)	(1,231)	(57,159)	–
– Inflow		55,003	2,011	52,992	–

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

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

NOTES TO THE FINANCIAL STATEMENTS

26 FINANCIAL RISK MANAGEMENT (CONT'D)

Market risk

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

Interest rate risk

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

Interest rate profile

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

	Group Nominal amount		Company Nominal amount	
	2016	**2015**	**2016**	**2015**
	$'000	**$'000**	**$'000**	**$'000**
Fixed rate instruments				
Financial assets	**347,087**	381,622	**66,208**	112
Financial liabilities	**(110,520)**	(50,000)	**(110,520)**	(50,000)
	236,567	331,622	**(44,312)**	(49,888)
Variable rate instruments				
Financial assets	**320,628**	292,817	**243,599**	288,367
Financial liabilities	**(251,368)**	(430,892)	**(220,264)**	(399,149)
	69,260	(138,075)	**23,335**	(110,782)

Sensitivity analysis

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

Cash flow sensitivity analysis for variable rate instruments

A change of 100 (2015: 100) basis points ("bps") in interest rates at the reporting date would have increased/(decreased) profit before tax by the amounts shown below. There is no impact on other components of equity. This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

NOTES TO THE FINANCIAL STATEMENTS

26 FINANCIAL RISK MANAGEMENT (CONT'D)

Market risk (cont'd)

Interest rate risk (cont'd)

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

	Profit before tax	
	100 bps increase $'000	100 bps decrease $'000
Group		
31 December 2016		
Variable rate instruments	**693**	**(693)**
31 December 2015		
Variable rate instruments	(1,381)	1,381

	Profit before tax	
	100 bps increase $'000	100 bps decrease $'000
Company		
31 December 2016		
Variable rate instruments	**233**	**(233)**
31 December 2015		
Variable rate instruments	(1,108)	1,108

NOTES TO THE FINANCIAL STATEMENTS

26 FINANCIAL RISK MANAGEMENT (CONT'D)

Market risk (cont'd)

Foreign currency risk

The Group is exposed to foreign currency risk on sales, purchases and borrowings that are denominated in a currency other than the respective functional currencies of the Group entities. The currencies giving rise to this risk are primarily the Euro, Singapore dollar, Renminbi, US dollar, Malaysian Ringgit and Hong Kong dollar.

The exposure of the Group and Company to foreign currencies based on nominal amounts are as follows:

	Euro $'000	Singapore dollar $'000	Renminbi $'000	US dollar $'000	Malaysian Ringgit $'000	Hong Kong dollar $'000
Group						
2016						
Cash and cash equivalents	**12,435**	**44**	**213**	**130**	**–**	**40**
Trade and other receivables	**–**	**–**	**41,893**	**5**	**45**	**–**
Trade and other payables	**(402)**	**(7)**	**(45)**	**(6)**	**(1,672)**	**(47)**
Intercompany balances	**266,132**	**–**	**–**	**–**	**–**	**–**
Loans and borrowings	**(220,264)**	**–**	**–**	**–**	**–**	**–**
Net statement of financial position exposure	**57,901**	**37**	**42,061**	**129**	**(1,627)**	**(7)**
Cross currency swaps	**(112,122)**	**–**	**–**	**–**	**–**	**–**
Net exposure	**(54,221)**	**37**	**42,061**	**129**	**(1,627)**	**(7)**
2015						
Cash and cash equivalents	931	44	196	25	–	7
Trade and other receivables	1,402	–	64	12	–	–
Trade and other payables	(2,457)	(7)	(145)	(10)	(1,688)	(8)
Intercompany balances	326,395	–	1,221	–	–	–
Loans and borrowings	(284,876)	–	–	–	–	–
Net statement of financial position exposure	41,395	37	1,336	27	(1,688)	(1)
Cross currency swap	(52,490)	–	–	–	–	–
Net exposure	(11,095)	37	1,336	27	(1,688)	(1)

NOTES TO THE FINANCIAL STATEMENTS

26 FINANCIAL RISK MANAGEMENT (CONT'D)

Market risk (cont'd)

Foreign currency risk (cont'd)

	Euro $'000	Renminbi $'000	US dollar $'000	Hong Kong dollar $'000
Company				
2016				
Cash and cash equivalents	**12,435**	**80**	**20**	**5**
Trade and other receivables	**266,132**	**–**	**–**	**4**
Trade and other payables	**(402)**	**(58)**	**(30)**	**(6)**
Loans and borrowings	**(220,264)**	**–**	**–**	**–**
Net statement of financial position exposure	**57,901**	**22**	**(10)**	**3**
Cross currency swaps	**(112,122)**	**–**	**–**	**–**
Net exposure	**(54,221)**	**22**	**(10)**	**3**
2015				
Cash and cash equivalents	931	67	20	5
Trade and other receivables	327,797	–	–	4
Trade and other payables	(2,457)	(118)	(17)	–
Loans and borrowings	(284,876)	–	–	–
Net statement of financial position exposure	41,395	(51)	3	9
Cross currency swap	(52,490)	–	–	–
Net exposure	(11,095)	(51)	3	9

Sensitivity analysis

A 10% (2015: 10%) strengthening of the following major currencies against the functional currency of each of the Group's entities at the reporting date would impact the profit before any tax effects of the Group and the Company by the amounts shown below. A 10% weakening of the above major currencies against the functional currency of each of the Group's entities at the reporting date would have an equal but opposite effect. There is no impact on other components of equity. This analysis assumes that all other variables, in particular interest rates, remain constant.

	Group		Company	
	Increase/ (Decrease) in profit before tax 2016 $'000	Increase/ (Decrease) in profit before tax 2015 $'000	Increase/ (Decrease) in profit before tax 2016 $'000	Increase/ (Decrease) in profit before tax 2015 $'000
Euro	**(5,422)**	(1,110)	**(5,422)**	(1,110)
Singapore dollar	**4**	4	**–**	–
Renminbi	**4,206**	134	**2**	(5)
US dollar	**13**	3	**(1)**	–
Malaysian Ringgit	**(163)**	(169)	**–**	–
Hong Kong dollar	**(1)**	–	**–**	1

NOTES TO THE FINANCIAL STATEMENTS

26 FINANCIAL RISK MANAGEMENT (CONT'D)

Market risk (cont'd)

Accounting classifications and fair values

Fair values versus carrying amounts

The carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy are set out below. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

		Carrying amount				Fair value
	Note	Loans and receivables $'000	Other financial liabilities $'000	Financial liabilities at fair value through profit or loss $'000	Total $'000	Level 2 $'000
Group						
2016						
Financial assets not measured at fair value						
Trade and other receivables, excluding prepayments	9	**559,086**	**–**	**–**	**559,086**	**555,264**
Cash and cash equivalents	11	**280,567**	**–**	**–**	**280,567**	
		839,653	**–**	**–**	**839,653**	
Financial liabilities not measured at fair value						
Loans and borrowings	14	**–**	**(356,638)**	**–**	**(356,638)**	
Trade and other payables	16	**–**	**(196,254)**	**–**	**(196,254)**	
		–	**(552,892)**	**–**	**(552,892)**	
Financial liabilities measured at fair value						
Derivative liabilities	15	**–**	**–**	**(2,763)**	**(2,763)**	**(2,763)**
2015						
Financial assets not measured at fair value						
Trade and other receivables, excluding prepayments	9	594,828	–	–	594,828	585,498
Cash and cash equivalents	11	112,044	–	–	112,044	
		706,872	–	–	706,872	
Financial liabilities not measured at fair value						
Loans and borrowings	14	–	(477,104)	–	(477,104)	
Trade and other payables	16	–	(127,838)	–	(127,838)	
		–	(604,942)	–	(604,942)	
Financial liabilities measured at fair value						
Derivative liabilities	15	–	–	(3,327)	(3,327)	(3,327)

NOTES TO THE FINANCIAL STATEMENTS

26 FINANCIAL RISK MANAGEMENT (CONT'D)

Market risk (cont'd)

Accounting classifications and fair values (cont'd)

Fair values versus carrying amounts (cont'd)

	Note	Carrying amount				Fair value
		Loans and receivables $'000	Other financial liabilities $'000	Financial liabilities at fair value through profit or loss $'000	Total $'000	Level 2 $'000
Company						
2016						
Financial assets not measured at fair value						
Trade and other receivables, excluding prepayments	9	**439,716**	**–**	**–**	**439,716**	
Cash and cash equivalents	11	**99,896**	**–**	**–**	**99,896**	
		539,612	**–**	**–**	**539,612**	
Financial liabilities not measured at fair value						
Loans and borrowings	14	**–**	**(325,618)**	**–**	**(325,618)**	
Trade and other payables	16	**–**	**(87,512)**	**–**	**(87,512)**	
		–	**(413,130)**	**–**	**(413,130)**	
Financial liabilities measured at fair value						
Derivative liabilities	15	**–**	**–**	**(2,763)**	**(2,763)**	**(2,763)**
2015						
Financial assets not measured at fair value						
Trade and other receivables, excluding prepayments	9	422,555	–	–	422,555	
Cash and cash equivalents	11	1,257	–	–	1,257	
		423,812	–	–	423,812	
Financial liabilities not measured at fair value						
Loans and borrowings	14	–	(445,461)	–	(445,461)	
Trade and other payables	16	–	(82,328)	–	(82,328)	
		–	(527,789)	–	(527,789)	
Financial liabilities measured at fair value						
Derivative liabilities	15	–	–	(3,327)	(3,327)	(3,327)

NOTES TO THE FINANCIAL STATEMENTS

26 FINANCIAL RISK MANAGEMENT (CONT'D)

Market risk (cont'd)

Measurement of fair value

Valuation techniques

Type	Valuation technique
Trade and other receivables	Discounted cash flows
Cross currency swaps	Market comparison technique – bank's price quotation

There were no transfers between levels during the year.

27 COMMITMENTS

The Group has the following commitments as at the reporting date:

(a) Capital commitments

	Group	
	2016	**2015**
	$'000	**$'000**
Contracted but not provided for in the financial statements:		
– Expenditure in respect of investment properties and development properties	**55,349**	34,241
– Expenditure in respect of property, plant and equipment	**1,060**	11,843

(b) Operating lease commitments

Leases as lessee

The Group leases three offices under operating leases. The leases typically run for a period of two to four years, with an option to renew the lease after that date. At the reporting date, the Group has commitments for future minimum lease payments under non-cancellable operating leases as follows:

	Group	
	2016	**2015**
	$'000	**$'000**
Within 1 year	**390**	391
After 1 year but within 5 years	**674**	374
	1,064	765

NOTES TO THE FINANCIAL STATEMENTS

27 COMMITMENTS (CONT'D)

(b) Operating lease commitments (cont'd)

Leases as lessor

The Group is a lessor in respect of its investment properties. At the reporting date, the Group has non-cancellable operating lease rental receivables as follows:

	Group	
	2016	**2015**
	$'000	**$'000**
Within 1 year	**14,244**	13,515
After 1 year but within 5 years	**39,778**	47,722
After 5 years	**105,895**	122,644
	159,917	183,881

Refer to note 31 for further developments subsequent to the reporting date.

28 CONTINGENT LIABILITIES

The Group filed a lawsuit against a contractor, engaged for the installation of the external glass curtain wall of the commercial buildings within the Chengdu Cityspring Project, in the Sichuan Chengdu Municipal Intermediate People's Court (the "Court"). The Group claimed for, amongst others, (i) late completion penalty of $0.3 million (RMB1.6 million); and (ii) a refund of overpayment of $0.7 million (RMB3.4 million). The contractor countersued the Group, for amongst others, an additional payment of $3.7 million (RMB17.5 million) plus late penalty payment of $2,086 (RMB10,000) per day starting from 30 April 2014 to the date when payment is fully settled. In November 2014, the Group made a further application to the Court to seek further claims for an additional refund of overpayment to the contractor of $1.9 million (RMB9.2 million) and to revoke the 17 project confirmation sheets signed by the Group and the contractor.

The Court issued a ruling in May 2016, which both the Group and the contractor appealed against. As at 31 December 2016, no judgement has been made on the appeals. The Group has cumulatively accrued for $16.4 million (RMB78.4 million) on the basis that it is an amount that is similar to that of the claim made by the contractor, of which $11.7 million (RMB56.0 million) had been paid to the contractor as at 31 December 2016.

NOTES TO THE FINANCIAL STATEMENTS

29 RELATED PARTIES

Other than as disclosed elsewhere in the financial statements, the transactions with related parties based on terms agreed between the parties are as follows:

	Group	
	2016	**2015**
	$'000	**$'000**
Associates		
Interest income received and receivable	**9,336**	852
Consultancy fees received and receivable	**10**	–
Service income received and receivable	**776**	–
Affiliated corporations		
Service income received and receivable	**153**	27
Fees paid and payable for accounting services rendered	**–**	19
Information technology fees paid and payable	**13**	8
Licence fees, hotel management fees and reservation system fees paid and payable	**66**	67
Management fees paid	**–**	38

An affiliated corporation is defined as a corporation:

(a) in which a director of the Group has substantial financial interests or who is in a position to exercise significant influence; and/or

(b) which directly or indirectly, through one or more intermediaries is under the control of a common shareholder.

Transactions with key management personnel

The key management personnel compensation comprises:

	Group	
	2016	**2015**
	$'000	**$'000**
Directors' fees	**208**	212
Short-term employee benefits	**11,029**	5,271
Defined contribution plans	**66**	91
	11,303	5,574

NOTES TO THE FINANCIAL STATEMENTS

30 EMPLOYEE SHARE OPTION SCHEME

On 19 May 2014, the shareholders of the Company adopted a share option scheme known as the First Sponsor Employee Share Option Scheme (the "Share Option Scheme") that entitles eligible participants (which include the non-executive directors) to purchase shares in the Company. The Share Option Scheme shall continue in operation for a maximum period of 10 years commencing from 19 May 2014, and may continue for any further period thereafter with the approval of the shareholders by ordinary resolution in general meeting and of any relevant authorities which may then be required.

The Share Option Scheme is administered by the Administration Committee, comprising members of the Remuneration Committee and the Nominating Committee.

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

The exercise price of the options granted under the Share Option Scheme shall be determined at the discretion of the Administration Committee and may be:

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

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

Options granted under the Share Option Scheme will have a life span of 10 years.

During the years ended 31 December 2016 and 2015, no options have been granted under the Share Option Scheme.

31 SUBSEQUENT EVENT

Subsequent to the end of the financial year, the Group extended the lease term of a tenant from 1 August 2019 to 31 July 2026.

The non-cancellable operating lease rental receivables of the Group, after taking into account the above mentioned revised lease at the end of the financial year, is as follows:

	Group 2016 $'000
Within 1 year	**13,000**
After 1 year but within 5 years	**50,145**
After 5 years	**127,726**
	190,871

STATISTICS OF ORDINARY SHAREHOLDINGS

AS AT 10 MARCH 2017

No. of Issued Shares (excluding treasury shares)	:	**589,814,949 ordinary shares of US$1.00 each**
Voting Rights	:	**1 vote per share**
No. of Treasury Shares	:	**Nil**

Size of Shareholdings	No. of Shareholders	%	No. of Shares	%
1 – 99	9	0.41	190	0.00
100 – 1,000	925	42.10	566,913	0.10
1,001 – 10,000	1,017	46.29	3,874,884	0.65
10,001 – 1,000,000	227	10.33	16,490,188	2.80
1,000,001 and above	19	0.87	568,882,774	96.45
Total	**2,197**	**100.00**	**589,814,949**	**100.00**

TWENTY LARGEST SHAREHOLDERS REGISTERED WITH THE CENTRAL DEPOSITORY (PTE) LIMITED

No.	Name	No. of Shares	%
1	FIRST SPONSOR CAPITAL LIMITED	260,694,791	44.20
2	REPUBLIC HOTELS & RESORTS LIMITED	187,862,460	31.85
3	M&C HOSPITALITY INTERNATIONAL LIMITED	23,594,316	4.00
4	RHB SECURITIES SINGAPORE PRIVATE LIMITED	20,700,911	3.51
5	DBS NOMINEES PTE LTD	19,212,211	3.26
6	BNP PARIBAS SECURITIES SERVICES	12,167,349	2.06
7	DBS VICKERS SECURITIES (SINGAPORE) PTE LTD	7,710,313	1.31
8	ARARAT HOLDINGS LIMITED	6,967,000	1.18
9	MAGNIFICENT OPPORTUNITY LIMITED	6,485,000	1.10
10	MELLFORD PTE LTD	6,450,000	1.09
11	OCBC SECURITIES PRIVATE LIMITED	4,350,350	0.74
12	HOCKSONS PTE LTD	2,200,000	0.37
13	CITIBANK NOMINEES SINGAPORE PTE LTD	2,079,073	0.35
14	JCL CAPITAL PTE LTD	2,000,000	0.34
15	KWEK LENG BENG	1,471,500	0.25
16	HOCK ANN (SPORTS) PTE LIMITED	1,400,000	0.24
17	WATERWORTH PTE LTD	1,332,000	0.23
18	LEE SAU HUN	1,200,000	0.20
19	ONG KIAN GIAP DANIEL	1,005,500	0.17
20	ONG AI LING JULIA	813,300	0.14
	Total:	**569,696,074**	**96.59**

SHAREHOLDING IN THE HANDS OF THE PUBLIC AS AT 10 MARCH 2017

The percentage of shareholding in the hands of the public was approximately 14.65% of the total number of issued and fully paid-up ordinary shares of the Company. Accordingly, Rule 723 of the Listing Manual of the Singapore Exchange Securities has been complied with.

STATISTICS OF ORDINARY SHAREHOLDINGS

AS AT 10 MARCH 2017

SUBSTANTIAL SHAREHOLDERS

	Shares			
	Direct Interest		Deemed Interest	
	Number of Shares	% of Issued Shares	Number of Shares	% of Issued Shares
Ho Han Leong Calvin(1)	500,000	0.08	265,264,991	44.97
Ho Han Khoon(2)	370,200	0.06	260,694,791	44.20
Neo Teck Pheng(3)	–	–	274,146,791	46.48
First Sponsor Capital Limited	260,694,791	44.20	–	–
Tai Tak Asia Properties Limited(4)	–	–	265,264,991	44.97
Tai Tak Industries Pte. Ltd.(5)	–	–	265,264,991	44.97
Tai Tak Estates Sendirian Berhad(6)	–	–	265,264,991	44.97
SG Investments Pte. Ltd.(7)	–	–	265,264,991	44.97
First Sponsor Management Limited(8)	–	–	260,694,791	44.20
TT Properties (Asia) Ltd.(9)	–	–	260,694,791	44.20
Republic Hotels & Resorts Limited	187,862,460	31.85	–	–
M&C Hotel Investments Pte. Ltd.(10)	–	–	187,862,460	31.85
M&C Hospitality International Limited(11)	23,594,316	4.00	187,862,460	31.85
M&C Singapore Holdings (UK) Limited(12)	–	–	211,456,776	35.85
Millennium & Copthorne Hotels plc(13)	–	–	211,456,776	35.85
Singapura Developments (Private) Limited(14)	–	–	211,456,776	35.85
City Developments Limited(15)	–	–	211,456,776	35.85
Hong Leong Investment Holdings Pte. Ltd.(16)	–	–	211,456,776	35.85

Notes:

(1) Mr Ho Han Leong Calvin is deemed under Section 4 of the Securities and Futures Act, Chapter 289 ("SFA") to have an interest in 265,264,991 ordinary shares of the Company ("Shares") held directly by First Sponsor Capital Limited and Chengdu Tianfu Properties Ltd., which holds 260,694,791 Shares and 4,570,200 Shares respectively. These two entities are entities in which he is entitled to exercise or control the exercise of not less than 20% of the votes attached to the voting shares thereof. He is also deemed interested in the Shares held indirectly by Tai Tak Asia Properties Limited, Tai Tak Industries Pte. Ltd., Tai Tak Estates Sendirian Berhad, SG Investments Pte. Ltd., First Sponsor Management Limited and TT Properties (Asia) Ltd., in which he is entitled to exercise or control the exercise of not less than 20% of the votes attached to the voting shares thereof.

(2) Mr Ho Han Khoon is deemed under Section 4 of the SFA to have an interest in 260,694,791 Shares held directly by First Sponsor Capital Limited and indirectly by First Sponsor Management Limited and TT Properties (Asia) Ltd., in which he is entitled to exercise or control the exercise of not less than 20% of the votes attached to the voting shares thereof.

(3) Mr Neo Teck Pheng is deemed under Section 4 of the SFA to have an interest in 274,146,791 Shares held directly by First Sponsor Capital Limited, Ararat Holdings Limited and Magnificent Opportunity Limited, which holds 260,694,791 Shares, 6,967,000 Shares and 6,485,000 Shares respectively. These three entities are entities in which he is entitled to exercise or control the exercise of not less than 20% of the votes attached to the voting shares thereof. He is deemed interested in the Shares held indirectly by First Sponsor Management Limited, in which he is entitled to exercise or control the exercise of not less than 20% of the votes attached to the voting shares thereof.

STATISTICS OF ORDINARY SHAREHOLDINGS

AS AT 10 MARCH 2017

(4) Tai Tak Asia Properties Limited is deemed under Section 4 of the SFA to have an interest in 265,264,991 Shares held directly by First Sponsor Capital Limited and Chengdu Tianfu Properties Ltd., which holds 260,694,791 Shares and 4,570,200 Shares respectively, in which it is entitled to exercise or control the exercise of not less than 20% of the votes attached to the voting shares thereof.

(5) Tai Tak Industries Pte. Ltd. is deemed under Section 4 of the SFA to have an interest in 265,264,991 Shares held indirectly by Tai Tak Asia Properties Limited, in which it is entitled to exercise or control the exercise of not less than 20% of the votes attached to the voting shares thereof.

(6) Tai Tak Estates Sendirian Berhad is deemed under Section 4 of the SFA to have an interest in 265,264,991 Shares held indirectly by Tai Tak Industries Pte. Ltd., in which it is entitled to exercise or control the exercise of not less than 20% of the votes attached to the voting shares thereof.

(7) SG Investments Pte. Ltd. is deemed under Section 4 of the SFA to have an interest in 265,264,991 Shares held indirectly by Tai Tak Estates Sendirian Berhad, in which it is entitled to exercise or control the exercise of not less than 20% of the votes attached to the voting shares thereof.

(8) First Sponsor Management Limited is deemed under Section 4 of the SFA to have an interest in 260,694,791 Shares held directly by First Sponsor Capital Limited, in which it is entitled to exercise or control the exercise of not less than 20% of the votes attached to the voting shares thereof.

(9) TT Properties (Asia) Ltd. is deemed under Section 4 of the SFA to have an interest in 260,694,791 Shares held indirectly by First Sponsor Management Limited, in which it is entitled to exercise or control the exercise of not less than 20% of the votes attached to the voting shares thereof.

(10) M&C Hotel Investments Pte. Ltd. is deemed under Section 4 of the SFA to have an interest in 187,862,460 Shares held directly by Republic Hotels & Resorts Limited, in which it is entitled to exercise or control the exercise of not less than 20% of the votes attached to the voting shares thereof.

(11) M&C Hospitality International Limited is deemed under Section 4 of the SFA to have an interest in 187,862,460 Shares held indirectly by M&C Hotel Investments Pte. Ltd., in which it is entitled to exercise or control the exercise of not less than 20% of the votes attached to the voting shares thereof.

(12) M&C Singapore Holdings (UK) Limited is deemed under Section 4 of the SFA to have an interest in 211,456,776 Shares held directly and indirectly by M&C Hospitality International Limited, in which it is entitled to exercise or control the exercise of not less than 20% of the votes attached to the voting shares thereof.

(13) Millennium & Copthorne Hotels plc is deemed under Section 4 of the SFA to have an interest in 211,456,776 Shares held indirectly by M&C Singapore Holdings (UK) Limited, in which it is entitled to exercise or control the exercise of not less than 20% of the votes attached to the voting shares thereof.

(14) Singapura Developments (Private) Limited is deemed under Section 4 of the SFA to have an interest in 211,456,776 Shares, held indirectly by Millennium & Copthorne Hotels plc, in which it is entitled to exercise or control the exercise of not less than 20% of the votes attached to the voting shares thereof.

(15) City Developments Limited is deemed under Section 4 of the SFA to have an interest in 211,456,776 Shares held indirectly by Singapura Developments (Private) Limited, in which it is entitled to exercise or control the exercise of not less than 20% of the votes attached to the voting shares thereof.

(16) Hong Leong Investment Holdings Pte. Ltd. is deemed under Section 4 of the SFA to have an interest in 211,456,776 Shares held indirectly by City Developments Limited, in which it is entitled to exercise or control the exercise of not less than 20% of the votes attached to the voting shares thereof.

NOTICE OF ANNUAL GENERAL MEETING

FIRST SPONSOR GROUP LIMITED
(Company Registration No. AT-195714)
(Incorporated in the Cayman Islands on 24 September 2007)

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Annual General Meeting of First Sponsor Group Limited (the "Company") will be held at Grand Copthorne Waterfront Hotel Singapore, Riverfront Ballroom, Level 2, 392 Havelock Road, Singapore 169663 on Wednesday, 26 April 2017 at 3.00 p.m. to transact the following businesses:

AS ORDINARY BUSINESS

1. To receive and adopt the Audited Financial Statements of the Company for the financial year ended 31 December 2016, the Directors' Statement and the Auditors' Report thereon. **(Resolution 1)**

2. To declare a final tax-exempt (one-tier) dividend of 1.00 Singapore cent per ordinary share in the capital of the Company ("Share") for the financial year ended 31 December 2016. **(Resolution 2)**

3. To approve the Directors' fees of S$298,000 for the financial year ending 31 December 2017 (payable quarterly in arrears) (2016: S$194,000). **(Resolution 3)**

4. To re-elect the following Directors pursuant to the Company's Articles of Association:

   (i) Mr Ho Han Leong Calvin (Article 86(1)) (See Explanatory Note 1) **(Resolution 4)**

   (ii) Mr Neo Teck Pheng (Article 86(1)) (See Explanatory Note 2) **(Resolution 5)**

   (iii) Mr Tan Kian Seng (Article 85(6)) **(Resolution 6)**

   (iv) Mr Desmond Wee Guan Oei (Article 85(6)) (See Explanatory Note 3) **(Resolution 7)**

5. To re-appoint KPMG LLP as Auditors for the financial year ending 31 December 2017 and to authorise the Directors to fix their remuneration. **(Resolution 8)**

AS SPECIAL BUSINESS

To consider and, if thought fit, to pass the following as ordinary resolution with or without modifications:

6. AUTHORITY TO ISSUE SHARES

"That, authority be and is hereby given to the Directors of the Company at any time to such persons and upon such terms and conditions and for such purposes as the Directors may in their absolute discretion deem fit, to:

(a) (i) issue Shares whether by way of bonus, rights or otherwise; and/or

(ii) make or grant offers, agreements or options (collectively, "Instruments") that might or would require Shares to be issued, including but not limited to the creation and issue of (as well as adjustments to) warrants, options, debentures or other instruments convertible into Shares; and/or

NOTICE OF ANNUAL GENERAL MEETING

(iii) issue additional Instruments arising from adjustments made to the number of Instruments previously issued in the event of rights, bonus or capitalisation issue; and

(b) (notwithstanding the authority conferred by this resolution ("Resolution") may have ceased to be in force) issue Shares in pursuance of any Instrument made or granted by the Directors while this Resolution is in force,

provided that:

(i) the aggregate number of Shares to be issued pursuant to this Resolution (including Shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution) shall not be more than 50% of the total number of issued Shares (excluding treasury shares) or such other limit as may be prescribed by the SGX-ST as at the date this general mandate is passed;

(ii) the aggregate number of Shares (including Shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution) to be issued other than on a *pro-rata* basis to existing shareholders shall not be more than twenty per cent (20%) of the total number of issued Shares (excluding treasury shares) or such other limit as may be prescribed by the SGX-ST as at the date this general mandate is passed;

(iii) for the purpose of determining the aggregate number of Shares that may be issued under sub-paragraphs (i) and (ii) above, the total number of issued Shares (excluding treasury shares) shall be calculated based on the total number of issued Shares (excluding treasury shares) as at the date this general mandate is passed after adjusting for new Shares arising from the conversion or exercise of any convertible securities or employee stock options or vesting of share awards which are outstanding or subsisting at the date this general mandate is passed and any subsequent bonus issue, consolidation or subdivision of the Shares; and

(iv) unless earlier revoked or varied by the Company in general meeting, such authority shall continue in force until the next Annual General Meeting or the date by which the next Annual General Meeting is required by law to be held, whichever is earlier." (See Explanatory Note 4)
(Resolution 9)

To consider and, if thought fit, to pass the following as special resolution (unless otherwise defined herein, capitalised terms used in the resolution below shall have the same meaning ascribed thereto in the Company's Letter to Shareholders dated 3 April 2017):

7. THE PROPOSED CAPITAL REDUCTION

"That, conditional upon:

(a) (i) an order being made by the Court confirming the Proposed Capital Reduction (as defined below);

(ii) the registration by the Registrar of Companies of the Cayman Islands of the order of the Court confirming the Proposed Capital Reduction and Minute approved by the Court;

NOTICE OF ANNUAL GENERAL MEETING

(iii) compliance with any conditions as may be imposed by the Court in relation to the Proposed Capital Reduction;

(iv) compliance with all relevant legal procedures and requirements under the laws of the Cayman Islands and Singapore (if any) to effect the Proposed Capital Reduction; and

(v) the receipt of all necessary approvals (if any) from the regulatory authorities, including but not limited to, the SGX-ST, as may be required in respect of the transactions contemplated by the Proposed Capital Reduction,

upon the Effective Date on which the aforesaid conditions are fulfilled:

(b) (i) the issued and paid-up share capital of the Company be reduced from US$589,814,949 divided into 589,814,949 shares with a par value of US$1.00 each in the capital of the Company to US$58,981,494.90 divided into 589,814,949 shares with a par value of US$0.10 each in the capital of the Company by the cancellation of the paid-up share capital of the Company to the extent of US$0.90 on each of the shares with a par value of US$1.00 in the capital of the Company in issue on the Effective Date so that each issued share with a par value of US$1.00 in the capital of the Company shall be treated as one (1) fully paid-up share with a par value of US$0.10 in the capital of the Company as at the Effective Date and any liability of the holders of such shares to make any further contribution to the share capital of the Company on each such share shall be treated as satisfied (the "Proposed Capital Reduction");

(ii) subject to and forthwith upon the Proposed Capital Reduction taking effect, all the authorised but unissued shares with a par value of US$1.00 each in the capital of the Company (which shall include the authorised but unissued shares resulting from the Proposed Capital Reduction) be cancelled and the authorised share capital of the Company of US$2,000,000,000 be diminished by US$1,941,018,505.10 representing the amount of shares so cancelled and, forthwith upon such cancellation, the authorised share capital of the Company be increased to US$200,000,000 by the creation of 1,410,185,051 shares with a par value of US$0.10 each in the capital of the Company (representing the difference between 2,000,000,000 shares with a par value of US$0.10 each and the number of shares with a par value of US$0.10 each in the capital of the Company in issue after the Proposed Capital Reduction);

(iii) subject to and forthwith upon the Proposed Capital Reduction taking effect, the credit amount of US$530,833,454.10 arising from the Proposed Capital Reduction be applied to a distributable reserve account of the Company where it may be utilised by the Directors of the Company in accordance with the Memorandum and Articles of Association of the Company and the Cayman Companies Law; and

(iv) the Directors of the Company be and are (or any one of them be and is) hereby authorised to take any and all steps, and to do and/or procure to be done any and all acts and things, and to approve, sign and execute any documents which they (or he/she) in their (or his/her) absolute discretion consider to be necessary, desirable or expedient to implement and carry into effect this special resolution and to exercise such discretion in connection with, relating to or arising from the Proposed Capital Reduction and/or the matters contemplated therein, with such modifications thereto (if any) as they (or he/she) may from time to time consider necessary, expedient and/or appropriate in order to implement, finalise and give full effect to the Proposed Capital Reduction." (See Explanatory Note 5) **(Resolution 10)**

NOTICE OF ANNUAL GENERAL MEETING

8. To transact any other ordinary business which may be properly transacted at an Annual General Meeting.

BY ORDER OF THE BOARD

LOO CHOON KEOW (MS)
Company Secretary

3 April 2017

Explanatory Notes:

1. Resolution 4, if passed, Mr Ho Han Leong Calvin will, upon re-election as Director of the Company, remain as member of the Audit Committee and Remuneration Committee.

2. Resolution 5, if passed, Mr Neo Teck Pheng will, upon re-election as Director of the Company, remain as member of the Nominating Committee.

3. Resolution 7, if passed, Mr Desmond Wee Guan Oei will, upon re-election as Director of the Company, remain as Chairman of the Remuneration Committee.

4. Resolution 9, if passed, will authorise and empower the Directors of the Company from the date of the above Meeting until the next annual general meeting to issue Shares and/or Shares to be issued in pursuance of Instruments made or granted pursuant to this item 6 in the Company up to an amount not exceeding in aggregate fifty per cent (50%) of the total number of issued Shares (excluding treasury shares) of which the total number of Shares and Shares to be issued in pursuance of Instruments made or granted pursuant to item 6 issued other than on a *pro-rata* basis to existing shareholders shall not exceed 20% of the total number of issued Shares (excluding treasury shares) of the Company at the time the resolution is passed, for such purposes as they consider would be in the interests of the Company. This authority will, unless revoked or varied at a general meeting, expire at the next annual general meeting of the Company.

5. Resolution 10, if passed, will authorise and empower the Directors of the Company to exercise all powers of the Company to carry into effect the Proposed Capital Reduction. Please refer to the Letter to Shareholders dated 3 April 2017 for further details.

Notes:

1. (a) A Shareholder who is not a Depositor whose name appears in the Register (as defined in the Amended and Restated Articles of Association of the Company) is entitled to appoint not more than two proxies to attend and vote in his/her stead at the Annual General Meeting.

   (b) A Shareholder who is a Depositor whose name appears in the Register (as defined in Amended and Restated Articles of Association of the Company) may nominate not more than two appointees to attend and vote in his/her place as proxy for The Central Depository (Pte) Limited at the Annual General Meeting.

2. A proxy need not be a Shareholder of the Company.

NOTICE OF ANNUAL GENERAL MEETING

3. A Shareholder who wishes to appoint more than one proxy/appointee must specify in the instrument of proxy the proportion of the number of the Shares (expressed as a percentage of the whole) to be represented by each proxy/appointee. If no proportion of number of the Shareholder's Shares is specified, the proxy/appointee whose name appears first be deemed to carry 100 per cent of the number of the Shareholder's Shares of his/her appointer and the proxy/appointee whose name appears second shall deemed to be appointed in the alternate.

4. If the appointor is a corporation, the Proxy Form/Depository Proxy Form must be executed under its common seal or under the hand of its officer or attorney duly authorised in writing.

5. The Proxy Form/Depository Proxy Form must be duly completed, signed and deposited at the office of the Singapore Share Registrar and Share Transfer Office either by hand at 80 Robinson Road, #11-02 Singapore 068898 or by post to 80 Robinson Road, #02-00 Singapore 068898, not less than forty-eight (48) hours before the time appointed for holding the Annual General Meeting.

BOOKS CLOSURE DATE AND PAYMENT DATE FOR FINAL DIVIDEND

Subject to the approval of the Shareholders for the final dividend being obtained at the Annual General Meeting, the Register of Members and Share Transfer Books of the Company will be closed on 11 May 2017 at 5.00 p.m. to determine Shareholders' entitlements to the proposed dividend.

Duly completed transfers of shares received by the Company's Share Registrar, Tricor Barbinder Share Registration Services (a business division of Tricor Singapore Pte. Ltd.) at 80 Robinson Road, #02-00 Singapore 068898, up to 5.00 p.m. on 11 May 2017 will be registered to determine Shareholders' entitlements to the proposed dividend.

The proposed dividend, if approved by the Shareholders at the Annual General Meeting, will be paid on 26 May 2017.

Personal data privacy:

By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the Annual General Meeting of the Company and/or any adjournment thereof, a shareholder of the Company (i) consents to the collection, use and disclosure of the shareholder's personal data by the Company (or its agents) for the purpose of the processing and administration by the Company (or its agents) of proxies and representatives appointed for the Annual General Meeting of the Company (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the Annual General Meeting of the Company (including any adjournment thereof), and in order for the Company (or its agents) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the "Purposes"), (ii) warrants that where the shareholder discloses the personal data of the shareholder's proxy(ies) and/or representative(s) to the Company (or its agents), the shareholder has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents) of the personal data of such proxy(ies) and/or representative(s) for the Purposes, and (iii) agrees that the shareholder will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the shareholder's breach of warranty.

This page has been intentionally left blank

This page has been intentionally left blank

This page has been intentionally left blank

FIRST SPONSOR GROUP LIMITED
Company Registration No.: AT-195714
Incorporated in the Cayman Islands on 24 September 2007
63 Market Street #06-03
Bank of Singapore Centre
Singapore 048942