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

UNAUDITED FIRST QUARTER FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 MARCH 2018

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

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

	The Group Three months ended 31 March		
	2018 S$'000	**2017 S$'000 (Restated)[1]**	**Incr / (Decr) %**
Revenue	47,804	83,285	(42.6)
Cost of sales	(17,148)	(58,923)	(70.9)
Gross profit	30,656	24,362	25.8
Administrative expenses	(6,048)	(6,694)	(9.7)
Selling expenses	(1,492)	(2,814)	(47.0)
Other income (net)	403	885	(54.5)
Results from operating activities	23,519	15,739	49.4
Finance income	3,895	4,614	(15.6)
Finance costs	(2,153)	(1,598)	34.7
Net finance income	1,742	3,016	(42.2)
Share of after-tax (loss)/profit of associates and joint ventures	(3,367)	500	n.m.
Profit before tax	21,894	19,255	13.7
Tax expense	(4,658)	(5,133)	(9.3)
Profit for the period	17,236	14,122	22.1
Attributable to:			
Equity holders of the Company	17,122	14,235	20.3
Non-controlling interests	114	(113)	n.m.
Profit for the period	17,236	14,122	22.1
Earnings per share (cents)			
- **Basic**	2.90	2.41	20.3
- **Diluted**	2.90	2.41	20.3

n.m. not meaningful

[1] Comparatives have been restated. Please see paragraph 5.

Consolidated Statement of Comprehensive Income

	The Group Three months ended 31 March	
	2018 S$'000	2017 S$'000
Profit for the period	17,236	14,122
Other comprehensive income		
Items that are or may be reclassified subsequently to profit or loss:		
Share of translation differences on financial statements of foreign associates and joint ventures, net of tax	424	(89)
Translation differences on financial statements of foreign subsidiaries, net of tax	13,945	(23,126)
Translation differences on monetary items forming part of net investment in foreign subsidiaries, net of tax	720	(1,671)
Total other comprehensive income for the period, net of tax	15,089	(24,886)
Total comprehensive income for the period	32,325	(10,764)
Total comprehensive income attributable to:		
Equity holders of the Company	32,123	(10,073)
Non-controlling interests	202	(691)
Total comprehensive income for the period	32,325	(10,764)

Notes to the Group's Income Statement:

Profit before tax includes the following:

	The Group Three months ended 31 March	
	2018 S$'000	2017 S$'000
Profit before income tax includes the following expenses/(income):		
Depreciation of property, plant and equipment	2,257	1,301
Exchange (gain)/loss (net)	(10,402)	2,310
Operating lease expense	164	95
Net investment return from a PRC government linked entity	-	(214)

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

	The Group		The Company	
	As at 31 March 2018 S$'000	As at 31 December 2017 S$'000	As at 31 March 2018 S$'000	As at 31 December 2017 S$'000
Non-current assets				
Property, plant and equipment	232,702	230,844	366	389
Investment properties	287,019	282,634	-	-
Interests in subsidiaries	-	-	653,581	653,581
Interests in associates and joint ventures	79,914	64,361	-	-
Derivative assets	-	350	-	350
Other investments	23,800	23,380	-	-
Deferred tax assets	26,845	25,905	-	-
Trade and other receivables	260,040	284,455	477,302	370,608
	910,320	911,929	1,131,249	1,024,928
Current assets				
Development properties	402,119	390,704	-	-
Inventories	308	175	-	-
Trade and other receivables	669,217	445,534	661,442	570,997
Other investments	257,769	38,863	-	-
Cash and cash equivalents	105,274	319,298	1,381	4,527
	1,434,687	1,194,574	662,823	575,524
Total assets	2,345,007	2,106,503	1,794,072	1,600,452
Equity				
Share capital	73,640	73,640	73,640	73,640
Reserves	1,038,637	1,006,514	821,925	807,067
Equity attributable to owners of the Company	1,112,277	1,080,154	895,565	880,707
Non-controlling interests	6,929	6,727	-	-
Total equity	1,119,206	1,086,881	895,565	880,707
Non-current liabilities				
Loans and borrowings	747,918	609,988	709,942	574,171
Derivative liabilities	21,647	13,122	21,647	13,122
Other payable	12,981	12,811	-	-
Deferred tax liabilities	3,703	3,870	-	-
	786,249	639,791	731,589	587,293
Current liabilities				
Loans and borrowings	32,363	-	32,363	-
Current tax payable	28,040	30,306	213	145
Trade and other payables	175,570	166,093	129,764	128,139
Receipts in advance	199,001	179,264	-	-
Derivative liabilities	4,578	4,168	4,578	4,168
	439,552	379,831	166,918	132,452
Total liabilities	1,225,801	1,019,622	898,507	719,745
Total equity and liabilities	2,345,007	2,106,503	1,794,072	1,600,452

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

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

	The Group	
	As at 31 March 2018 S$'000	**As at 31 December 2017 S$'000**
Unsecured		
- repayable within one year	32,363	-
- repayable after one year	709,874	572,513
Total	742,237	572,513
Secured		
- repayable within one year	-	-
- repayable after one year	38,044	37,475
Total	38,044	37,475
Grand total	**780,281**	**609,988**
Gross borrowings	791,527	619,869
Less:		
(i) cash and cash equivalents	(105,274)	(319,298)
(ii) other investments (current) (Note 1)	(257,769)	(38,863)
Net borrowings	428,484	261,708

Note 1:
Other investments (current) relate to principal-guaranteed structured deposits placed with the financial institutions.

Details of any collateral

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

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

	Three months ended 31 March	
	2018	**2017**
	S$'000	**S$'000**
		(Restated)[1]
Cash flows from operating activities		
Profit for the period	17,236	14,122
Adjustments for:		
Depreciation of property, plant and equipment	2,257	1,301
Fair value loss/(gain) on derivative assets/liabilities	9,285	(3,093)
Finance costs	2,153	1,598
Finance income	(3,895)	(4,614)
Share of after-tax loss/(profit) of associates and joint ventures	3,367	(500)
Tax expense	4,658	5,133
	35,061	13,947
Changes in:		
- Development properties	(9,545)	37,561
- Inventories	(129)	(224)
- Trade and other receivables	(191,676)	(27,199)
- Trade and other payables	(26,748)	(25,155)
- Loans and borrowings	165,358	10,892
- Receipts in advance	16,525	17,133
Cash (used in)/ generated from operations	(11,154)	26,955
Interest received	11,353	6,801
Interest paid	(3,292)	(470)
Tax paid	(6,748)	(1,028)
Net cash (used in)/from operating activities	(9,841)	32,258
Cash flows from investing activities		
Interest received	3,385	11,757
Payment for additions to:		
- investment properties	(514)	(11)
- property, plant and equipment	(11)	(72)
Payment for investments in associates and joint ventures	(20,097)	-
Payment for other investments	(218,130)	-
Repayment of loans by a third party	-	68,053
Advances from/(to) associates	21,080	(627)
Net cash (used in)/from investing activities	(214,287)	79,100
Cash flows from financing activities		
Decrease in restricted cash	-	263
Interest paid	(680)	(727)
Payment of transaction costs related to borrowings	(2,217)	-
Proceeds from bank borrowings	12,001	195,278
Repayment of bank borrowings	(4,464)	(275,862)
Net cash from/(used in) financing activities	4,640	(81,048)

[1] Comparatives have been restated. Please see paragraph 5.

	Three months ended 31 March	
	2018	2017
	S$'000	S$'000
Net (decrease)/increase in cash and cash equivalents	(219,488)	30,310
Cash and cash equivalents at beginning of the period	319,298	280,304
Effect of exchange rate changes on balances held in foreign currencies	5,464	(6,473)
Cash and cash equivalents at end of the period	105,274	304,141

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

	Share capital S$'000	Share premium S$'000	Statutory reserve S$'000	Capital reserve S$'000	Distributable reserve S$'000	Fair value reserve S$'000	Foreign currency translation reserve S$'000	Retained earnings S$'000	Total attributable to equity holders of the Company S$'000	Non-controlling interests S$'000	Total equity S$'000
The Group											
At 1 January 2018, as previously stated	73,640	9,609	33,447	225	662,764	(3,949)	36,950	267,468	1,080,154	6,727	1,086,881
Impact of adoption of IFRS 9	-	-	-	-	-	3,949	-	(3,949)	-	-	-
At 1 January 2018, as restated	73,640	9,609	33,447	225	662,764	-	36,950	263,519	1,080,154	6,727	1,086,881
Total comprehensive income for the period											
Profit for the period	-	-	-	-	-	-	-	17,122	17,122	114	17,236
Other comprehensive income											
Share of translation differences on financial statements of foreign associates and joint ventures, net of tax	-	-	-	-	-	-	424	-	424	-	424
Translation differences on financial statements of foreign subsidiaries, net of tax	-	-	-	-	-	-	13,857	-	13,857	88	13,945
Translation differences on monetary items forming part of net investment in foreign subsidiaries, net of tax	-	-	-	-	-	-	720	-	720	-	720
Total other comprehensive income	-	-	-	-	-	-	15,001	-	15,001	88	15,089
Total comprehensive income for the period	-	-	-	-	-	-	15,001	17,122	32,123	202	32,325
At 31 March 2018	**73,640**	**9,609**	**33,447**	**225**	**662,764**	**-**	**51,951**	**280,641**	**1,112,277**	**6,929**	**1,119,206**

	Share capital S$'000	Share premium S$'000	Statutory reserve S$'000	Capital reserve S$'000	Foreign currency translation reserve S$'000	Retained earnings S$'000	Total attributable to equity holders of the Company S$'000	Non-controlling interests S$'000	Total equity S$'000
The Group									
At 1 January 2017	736,404	9,609	27,445	225	53,923	196,983	1,024,589	5,108	1,029,697
Total comprehensive income for the period									
Profit for the period	-	-	-	-	-	14,235	14,235	(113)	14,122
Other comprehensive income									
Share of translation differences on financial statements of foreign associates, net of tax	-	-	-	-	(89)	-	(89)	-	(89)
Translation differences on financial statements of foreign subsidiaries, net of tax	-	-	-	-	(22,548)	-	(22,548)	(578)	(23,126)
Translation differences on monetary items forming part of net investment in foreign subsidiaries, net of tax	-	-	-	-	(1,671)	-	(1,671)	-	(1,671)
Total other comprehensive income	-	-	-	-	(24,308)	-	(24,308)	(578)	(24,886)
Total comprehensive income for the period	-	-	-	-	(24,308)	14,235	(10,073)	(691)	(10,764)
At 31 March 2017	736,404	9,609	27,445	225	29,615	211,218	1,014,516	4,417	1,018,933

	Share capital S$'000	Share premium S$'000	Capital reserve S$'000	Distributable reserve S$'000	Retained earnings S$'000	Total equity S$'000
The Company						
At 1 January 2018	73,640	9,821	(5,988)	662,764	140,470	880,707
Total comprehensive income for the period						
Profit for the period	-	-	-	-	14,858	14,858
Total comprehensive income for the period	-	-	-	-	14,858	14,858
At 31 March 2018	**73,640**	**9,821**	**(5,988)**	**662,764**	**155,328**	**895,565**
At 1 January 2017	736,404	9,821	(5,988)	-	78,678	818,915
Total comprehensive income for the period						
Profit for the period	-	-	-	-	34,833	34,833
Total comprehensive income for the period	-	-	-	-	34,833	34,833
At 31 March 2017	736,404	9,821	(5,988)	-	113,511	853,748

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

There was no change in the Company's issued share capital during the three months ended 31 March 2018.

There were also no outstanding convertible instruments and treasury shares as at 31 March 2018 and 31 March 2017.

<u>Bonus shares issue</u>

On 18 April 2018, 58,981,032 bonus shares were allotted and issued pursuant to the 1-for-10 bonus issue undertaken by the Company.

<u>Rights issue of up to S$162.2 million in aggregate principal amount of 3.98% perpetual convertible capital securities ("PCCS") in the denomination of S$1.10 for each PCCS</u>

On 19 April 2018, the Company issued 147,453,737 PCCS on the basis of one PCCS for every four existing ordinary shares at an issue price of S$1.10 for each PCCS. Each PCCS shall entitle the PCCS holder to convert such PCCS into one new ordinary share of the Company at a conversion price of S$1.10 (subject to adjustments under certain conditions).

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

The total number of issued ordinary shares (excluding treasury shares) as at 31 March 2018 and 31 December 2017 is 589,814,949.

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

There were no sales, transfers, disposal, cancellation and/or use of treasury shares during the three months ended 31 March 2018.

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

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

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

Not applicable.

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

Except as disclosed in Note 5 below, the Group has applied the same accounting policies and methods of computation in the financial statements for the current reporting period as that of the audited financial statements for the financial year ended 31 December 2017.

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

The Group adopted various new standards, amendments to standards and interpretations that are effective for the financial period beginning on 1 January 2018. Except as disclosed below, the adoption of these IFRSs did not result in any significant impact on the financial statements of the Group.

IFRS 9
For financial assets previously designated as available-for-sale financial assets, the Group has designated these assets as financial assets measured at fair value through profit or loss upon adoption of IFRS 9.

Accordingly, the fair value reserve had been reclassified to retained earnings as at 1 January 2018, resulting in a decrease in retained earnings by S$3,949,000.

Comparatives
As highlighted in the FY2017 full year results announcement, the Group has changed the classification of interest income and expenses for loans extended to its Dutch associates to be part of its property financing income and expenses. In addition, interest income from counterparties in respect of the cross-currency swaps (“CCSs”) taken up to hedge the Group’s investments in its subsidiaries previously offset against the corresponding interest costs incurred on bank borrowings, has been reclassified to finance income. The comparatives had been restated accordingly to follow the same classification.

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

	Three months ended 31 March	
	2018	**2017**
Basic and diluted earnings per share (cents)	2.90	2.41
a) Profit attributable to equity holders of the Company (S$'000)	17,122	14,235
b) Weighted average number of ordinary shares in issue:		
- basic and diluted	589,814,949	589,814,949

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

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

	The Group		The Company	
	As at 31 March 2018	**As at 31 December 2017**	**As at 31 March 2018**	**As at 31 December 2017**
Net asset value per ordinary share (cents) based on 589,814,949 issued ordinary shares (excluding treasury shares)	188.58	183.13	151.84	149.32

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

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

<u>Group performance</u>

Revenue and cost of sales

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

	Three months ended 31 March	
	2018 S$'000	**2017 S$'000**
Revenue from sale of properties	13,930	74,372
Rental income from investment properties	3,619	2,975
Revenue from hotel operations	9,182	3,097
Revenue from property financing	21,073	2,841
Total	47,804	83,285

Revenue of the Group decreased by S$35.5 million or 42.6%, from S$83.3 million in 1Q2017 to S$47.8 million in 1Q2018. The decrease in 1Q2018 was due mainly to the decrease in revenue from sale of properties by S$60.4 million. The decrease was offset by the increase in revenue from property financing, hotel operations and rental income from investment properties of S$18.2 million, S$6.1 million and S$0.6 million respectively.

Revenue from sale of properties is recognised when the construction of the properties has been completed and ready for delivery to the purchasers pursuant to the sale and purchase agreements and collectability of related receivables is reasonably assured. The significant decrease in revenue from sale of properties in 1Q2018 compared to 1Q2017 was due mainly to the recognition of revenue from fewer residential units in the Millennium Waterfront project (1Q2018: 62 residential units, 1Q2017: 600 residential units).

Rental income from investment properties increased by S$0.6 million or 21.6%, from S$3.0 million in 1Q2017 to S$3.6 million in 1Q2018. The increase was due mainly to service income of S$0.4 million charged to a joint venture.

Revenue from hotel operations increased by S$6.1 million or 196.5%, from S$3.1 million in 1Q2017 to S$9.2 million in 1Q2018. The increase was due mainly to the contribution from the recent acquisition of Hilton Rotterdam hotel in February 2018, and the commencement of the hotspring operations in October 2017, which complemented the two Wenjiang hotels' operations.

Revenue from property financing increased by S$18.2 million or 641.7%, from S$2.8 million in 1Q2017 to S$21.1 million in 1Q2018. The significant increase mainly arose from the recognition of net penalty interest of S$7.7 million (RMB36.9 million) on the receipt of net auction proceeds by the court in March 2018 in relation to the successful enforcement on one of the defaulted PRC loans. Higher interest income was also generated from loans to the associates and joint ventures in Europe and the PRC amounting to S$6.0 million and S$3.8 million respectively. The interest from PRC property financing loans had also contributed to an increase of S$0.7 million due mainly to additional property financing loans disbursed in December 2017.

Cost of sales mainly comprises land costs, development expenditure and cost adjustments (if any), borrowing costs, hotel-related depreciation charge, rental expense and other related expenditure. Cost of sales decreased by S$41.8 million or 70.9%, from S$58.9 million in 1Q2017 to S$17.1 million in 1Q2018. The decrease in cost of sales was in line with the decrease in revenue from sale of properties in 1Q2018 by S$47.6 million. The decrease was partially offset by the increase of hotel operations and property financing costs of S$4.2 million and S$1.6 million respectively.

The Group's gross profit increased by S$6.3 million or 25.8%, from S$24.4 million in 1Q2017 to S$30.7 million in 1Q2018. The increase was due mainly to the higher gross profit generated from property financing, hotel operations and profit generated from investment properties of S$16.7 million, S$1.9 million and S$0.6 million respectively. This was partially offset by lower gross profit from sale of properties of S$12.8 million in 1Q2018. Out of the property financing gross profit growth of S$16.7 million, the gross profit in respect of defaulted loans, loans to associates and joint ventures in Europe and associates in the PRC, and secured PRC property financing loans contributed S$7.4 million, S$4.3 million, S$4.0 million and S$1.0 million respectively.

The gross profit generated from property financing for 1Q2018 amounted to S$19.0 million, of which the net penalty interest of defaulted loans contributed S$7.4 million. Gross profit generated from net interest income from loans to Dongguan East Sun Limited ("East Sun"), associates and joint ventures in Europe and associates in the PRC, and secured PRC property financing loans amounted to S$0.4 million, S$6.2 million, S$4.0 million and S$8.4 million respectively.

The Group's gross profit margin increased from 29.3% in 1Q2017 to 64.1% in 1Q2018. This reflected the change in the profit composition as 62.1% of the Group's gross profit for 1Q2018 was from the higher yielding property financing segment which has a close to 90% gross profit margin whereas only 9.7% of the total gross profit in 1Q2017 was generated by the property financing segment.

Administrative expenses

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

Administrative expenses remained fairly constant at S$6.0 million (1Q2017: S$6.7 million) for both financial periods.

Selling expenses

Selling expenses decreased by 47.0% or S$1.3 million, from S$2.8 million in 1Q2017 to S$1.5 million in 1Q2018. These expenses mainly comprise staff costs of our sales and marketing staff, advertising and promotion expenses, sales commissions paid to external sales agents and other expenses. The decrease was in line with the decrease in development sale activity.

Other income (net)

In 1Q2018, the Group recorded S$0.4 million of other income mainly comprising foreign exchange gain of S$10.4 million, partially offset by fair value loss on derivatives, hotel management fees and maintenance expenses of S$9.3 million, S$0.3 million and S$0.3 million respectively.

In 1Q2017, the Group recorded S$0.9 million of other income mainly comprising fair value gain on derivatives of S$3.1 million, partially offset by foreign exchange loss of S$2.3 million.

Net finance income

Net finance income decreased by 42.2% or S$1.3 million, from S$3.0 million in 1Q2017 to S$1.7 million in 1Q2018. This was due mainly to the absence of finance income from loans to the Chengdu Wenjiang government of S$3.1 million as a result of the full repayment of loan principal by the Chengdu Wenjiang Government in the course of 2017.

Share of after-tax (loss)/profit of associates and joint ventures

Share of after-tax results of associates and joint ventures decreased by S$3.9 million from a profit of S$0.5 million in 1Q2017 to a loss of S$3.4 million in 1Q2018. This was attributable mainly to the share of loss of S$3.5 million from associates offset by the positive contribution from the 50% owned joint venture holding the Le Méridien Frankfurt hotel of S$0.1 million. The share of loss from associates arose mainly from the interest expenses incurred by the associates to finance the acquisition of the Bilderberg Portfolio and refinancing of bank loans of the 31.4% owned Queens Bilderberg Nederland ("QBN"), and additional loans taken up by the project company of the Star of East River project.

Income tax expense

The Group recorded total income tax expense of S$4.7 million on the profit before tax of S$21.9 million. After adjusting for the share of after-tax profit of associates and joint ventures and the tax effect of non-deductible expenses of S$3.3 million and non-taxable income of S$4.6 million, the effective tax rate of the Group would be approximately 24.8% for 1Q2018.

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

Non-current assets

Interests in associates and joint ventures increased by S$15.5 million or 24.2%, from S$64.4 million as at 31 December 2017 to S$79.9 million as at 31 March 2018. The increase was due mainly to the Group's acquisition of 24.7% interest in FSMCR Hilton Rotterdam B.V. which owns the Hilton Rotterdam hotel.

Trade and other receivables decreased by S$24.5 million, from S$284.5 million as at 31 December 2017 to S$260.0 million as at 31 March 2018. This was due mainly to the reclassification of a property financing loan of S$124.9 million (RMB600.0 million) due on 19 March 2019 to current assets. The decrease was partially offset by the increase of loans to associates and a joint venture of S$75.2 million and S$20.2 million respectively.

Current assets

Trade and other receivables increased by S$223.7 million, from S$445.5 million as at 31 December 2017 to S$669.2 million as at 31 March 2018. The increase was due mainly to the reclassification of property financing loan of S$124.9 million from non-current assets as mentioned above, new loans disbursed to FSMC group of S$67.6 million, accrued penalty interest of S$7.7 million (RMB36.9 million) as mentioned above, increase in loan receivables of S$5.6 million due to the appreciation of Euro and RMB against the Singapore dollar, additional prepaid taxes of S$4.4 million, and loans to East Sun for the purpose of its acquisition of the Wanli portfolio amounting to S$3.5 million.

Other investments of S$257.8 million relate to principal-guaranteed structured deposits placed with the financial institutions.

Current liabilities

Receipts in advance increased by S$19.7 million, from S$179.3 million as at 31 December 2017 to S$199.0 million as at 31 March 2018, due mainly to sales proceeds received in advance from pre-sale of Plot D of the Millennium Waterfront project during the period.

Loans and borrowings

Gross bank borrowings increased by S$171.6 million, from S$619.9 million as at 31 December 2017 to S$791.5 million as at 31 March 2018. This was due mainly to the net drawdown of the Group's borrowings to fund the acquisition of the Hilton Rotterdam and Le Méridien Frankfurt hotels, refinancing of bank loans of QBN, as well as the construction of the Oliphant and Boompjes in the Netherlands.

The Group maintained a net gearing ratio of 0.41 as at 31 March 2018.

Foreign currency risk management

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

Since the Group's entry to the Dutch property market in February 2015, the Group has hedged its currency exposure by financing all its Dutch acquisitions with a combination of euro-denominated borrowings and financial derivatives involving cross currency swaps and forward contracts whereby the end result is also to achieve a corresponding euro liability. The Group has 'locked in' a certain portion of its annual net profit from its Dutch operations in S$ terms by taking a short position in euros equivalent to the amount of forward profit that it attempts to 'lock in' in S$ terms. The Group takes an economic hedge rather than an accounting hedge approach with regard to the management of its euro asset exposure.

As at 31 March 2018, the Group had 11 CCSs with an aggregate notional amount of €333.2 million. The CCSs are measured at fair value with changes in fair value recognised in the profit and loss account. The fair values of the CCSs are mainly dependent on the forward foreign exchange rates, discount rates and yield curves of the notional amounts. On the other hand, the changes in fair value of the CCSs will be largely offset by the corresponding changes in fair values of the underlying Euro-denominated assets when the respective CCS approaches their maturity dates and Euro-denominated borrowings are taken up to close out the CCS, thereby resulting in a minimal cumulative impact to the profit or loss. The cumulative negative impact to the retained earnings arising from the CCSs and underlying Euro-denominated assets as at 31 March 2018 was approximately S$0.7 million.

As at 31 March 2018, the Group has a cumulative translation gain of S$52.0 million recorded as part of the reserves in its shareholders' equity. This has mainly arisen from the translation of the net assets and income and expenses of the Group's foreign operations in the PRC to S$ at the exchange rates prevailing at the end of each reporting period.

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

Statement of cash flows of the Group

Net cash used in operating activities of S$9.8 million in 1Q2018 was due mainly to the net drawdown of bank borrowings of S$165.4 million for on-lending to associates and a joint venture, tax paid of S$6.7 million and payment of construction costs for the Millennium Waterfront project.

Net cash used in investing activities of S$214.3 million in 1Q2018 was due mainly to placement of structured deposits of S$218.1 million.

Net cash from financing activities amounted to S$4.6 million in 1Q2018 due mainly to the net drawdown of bank borrowings of S$7.5 million, offset by payment of transaction costs and interests of S$2.2 million and S$0.7 million respectively.

Note:

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

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

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

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

<u>People's Republic of China ("PRC")</u>

Fears of a trade war between the PRC and the United States created some uncertainties for the global economic market. Despite achieving a growth of 6.9% in 2017, Premier Li Keqiang announced at the annual parliamentary gathering a modest growth target of around 6.5% for 2018. In a survey conducted by China Beige Book International, most analysts attributed the expectation of tapered economic growth mainly to cooling property market and higher borrowing costs.

On the residential housing market, based on data from the National Bureau of Statistics ("NBS"), Reuters reported that average new home prices grew by 0.2% in February 2018 from the previous month, a slowdown as compared to a 0.3% growth in January 2018. In a statement released by NBS, it was stated that the slowdown of home prices in the first and second tier cities was more pronounced while the third tier cities contributed substantially to the price increase. The minister of housing and urban-rural development said at the annual parliamentary gathering that the momentum of excessive gains in housing had been curbed and the PRC will maintain a consistent housing policy. It was also mentioned that the PRC government will step up property market regulation and fight illegal conduct by property companies and intermediaries.

<u>The Netherlands</u>

Netherlands Bureau for Economic Policy Analysis ("CPB") projects better performance by the Dutch economy compared to the Eurozone by 0.6 percentage points in each of 2018 and 2019 backed by expansionary monetary policy, low interest rates, strong housing market and favourable international economy.

Home prices in February 2018 were 9.5% higher than the same month last year, the highest increase since October 2001. In the same report, Statistics Netherlands ("CBS") reported that the home prices were still 1% lower than the peak in 2008. Rabobank predicted that home prices will increase by an average 8% in 2018 as compared to 7.6% in 2017.

In terms of offices, according to Cushman & Wakefield, yield compression will continue, vacancy will fall and prime office rental rates will increase due to a lack of supply of quality offices vis-à-vis demand. Savills also reported that yield gap in Amsterdam and other large cities such as Rotterdam will narrow in 2018 with continued investment interest from foreign investors to expand to other key cities in the Netherlands.

On the hospitality front, CBS reported in March 2018 that tourism has become a substantial sector of the Dutch economy with total tourist expenditure contributing €75.7 billion or 3.9% of the Dutch GDP. CBS further reported that the number of guests staying overnight in the Netherlands in 2017 saw a year-on-year growth rate of nearly 9%, the strongest growth since 2006. The Dutch tourism office said that the number of international visits may hit 18.5 million in 2018 (2017: 17.6 million) and over 20 million by 2020.

Company Outlook

Property Development

The Group expects to commence the handover of its fully pre-sold residential units in Plot D of the Millennium Waterfront project from 4Q2018 to 2019. Correspondingly, the development profit will be recognised progressively from late 2018 to 2019. The relevant construction permits for Plots E and F, which are the last development plots of the Millennium Waterfront project and which will encompass elderly living quarters along with a hospital and ancillary commercial facilities, had been obtained. Construction will commence in the second half of 2018.

1Q2018 saw the launch of two additional blocks of residential units in the Star of East River project which were also almost fully pre-sold owing to the strong demand. The two remaining residential blocks are expected to be launched for sale in late April 2018. Handover of these residential units is expected to commence from 1Q2019.

In the Netherlands, the Group's 33% owned FSMC is currently redeveloping the 1969-built Munthof office property in the city centre of Amsterdam. Construction is expected to commence soon and will involve the conversion of certain car park spaces into additional office space as well as the addition of an office loft at the top of the building. The redevelopment will increase the property's lettable floor area by 95% to 3,355 sqm.

Property Holding

The Crowne Plaza Chengdu Wenjiang and Holiday Inn Express Chengdu Wenjiang Hotspring hotels continued to gain market share with a substantial quarter on quarter increase in occupancy. RevPar for both hotels more than doubled that achieved in the same period last year. The quarter also included the first income contribution from the Le Méridien Frankfurt and Hilton Rotterdam hotels. The Bilderberg Portfolio also traded well with an increase of 51.4% in operating profit compared to the same quarter last year.

Property Financing

On the defaulted loans recovery front, the Group recognised another S$7.7 million of penalty interest income during the quarter upon the receipt of net auction proceeds by the Court in respect of the successful enforcement on a RMB64.0 million defaulted loan under Case 2. Including the RMB64.0 million principal sum held by the Court pending release to the Group, RMB429.4 million out of the total RMB470.0 million defaulted loan principal (91% recovery) for Case 2 has been recovered as at 31 March 2018. The cumulative interest income earned on Case 2 defaulted loans to-date is RMB189.5 million.

Rights Issue

The Company successfully completed its 1-for-4 rights issue of 3.98% perpetual convertible capital securities in April 2018 which raised net cash proceeds of S$161.5 million. This equity fund raising exercise has further strengthened the Group's balance sheet so that it is able to capitalise on any acquisition opportunities.

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

(a) Current Financial Period Reported On

Any dividend declared for the current financial period reported on?

No.

(b) Corresponding Period of the Immediately Preceding Financial Year
Any dividend declared for the corresponding period of the immediately preceding financial year?

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

(c) Date payable

Not applicable.

(d) Books closure date

Not applicable.

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

Not applicable.

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

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

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

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

BY ORDER OF THE BOARD

Neo Teck Pheng
Group Chief Executive Officer and Executive Director
25 April 2018

CONFIRMATION BY THE BOARD

The Directors of the Company hereby confirm, to the best of their knowledge, that nothing has come to the attention of the Board of Directors which may render the Group's unaudited financial results for the three months ended 31 March 2018 to be false or misleading in any material respect.

On behalf of the Board of Directors

Ho Han Leong Calvin	Neo Teck Pheng
Non-Executive Chairman	Group Chief Executive Officer and Executive Director

25 April 2018