BREAKING NEW BOUNDARIES

FIRST SPONSOR GROUP LIMITED
ANNUAL REPORT 2018

Oliphant, Amsterdam Southeast, the Netherlands

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Hilton Rotterdam Hotel,
Rotterdam, the Netherlands

*Bilderberg Garden Hotel,
Amsterdam, the Netherlands*

FINANCIAL **HIGHLIGHTS**

YEAR	2015	2016	2017	2018
	(S$'million)	(S$'million)	(S$'million)	(S$'million)
(A) Consolidated Statement of Profit or Loss				
Property development	165.4	162.1	308.1	139.4
Property holding[1]	14.1	18.9	28.5	55.7
Property financing	36.3	18.1	47.8	82.3
Revenue	**215.8**	**199.1**	**384.4**	**277.4**
Property development	46.3	20.8	98.6	65.7
Property holding[1]	10.9	15.2	11.4	22.0
Property financing	36.2	15.8	43.0	73.8
Gross profit	**93.4**	**51.8**	**153.0**	**161.5**
Profit before tax	**91.0**	**118.4**	**121.2**	**144.5**
Net profit attributable to equity holders of the Company	**67.4**	**113.1**	**88.3**	**113.0**
(B) Consolidated Statement of Financial Position				
Cash and cash equivalents	112.0	280.6	261.7	530.7
Other investments (current)[2]	–	–	38.9	39.3
Net debt[3]	368.8	81.3	261.7	530.7
Total assets	1,800.8	1,796.1	2,106.5	2,381.8
Contract liabilities	181.0	188.3	177.7	161.3
Receipts in advance	1.1	1.4	1.5	8.2
Equity attributable to owners of the Company	**974.7**	**1,024.6**	**1,080.2**	**1,150.5**
Perpetual convertible capital securities	**–**	**–**	**–**	**161.3**
Total equity	**978.1**	**1,029.7**	**1,086.9**	**1,323.5**
(C) Ratio Analysis				
Net gearing ratio[4]	0.38	0.08	0.24	0.40
(D) Per Share				
Net asset value (cents)[5]	165.26	173.71	183.13	202.21
Basic earnings (cents)[6]	10.38[7]	17.43[7]	13.61[7]	16.72
Diluted earnings (cents)	10.38[7]	17.43[7]	13.61[7]	15.02
Dividends (tax-exempt (one-tier))				
– interim ordinary dividend (cents)	0.70	1.00	1.00	1.00
– final ordinary dividend (cents)[8]	1.00	1.00	1.20	1.30

Notes:

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

(2) Other investments (current) relate to principal-guaranteed structured deposits placed with financial institutions.

(3) Net debt = gross borrowings – cash and cash equivalents – other investments (current) as defined in (2) above.

(4) Net gearing ratio is net debt divided by total equity including non-controlling interests and perpetual convertible capital securities.

(5) Computed based on the equity attributable to owners of the Company (including perpetual convertible capital securities and excluding non-controlling interests) and the number of shares in issue (excluding treasury shares) as at the end of each respective financial year.

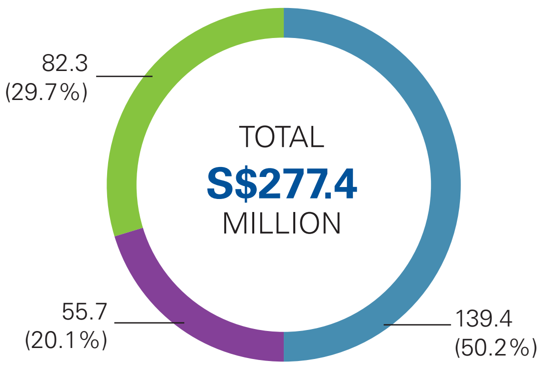
(6) Computed based on the net profit attributable to equity holders of the Company and the weighted average number of shares for the respective financial year. The weighted average number of shares excluded 307,682 shares in the Company held by a subsidiary since August 2018 which are accounted for as treasury shares in the consolidated financial statements of the Group in accordance with IAS 32 *Financial Instruments: Presentation*.

(7) For comparative purposes, the number of ordinary shares for the prior years have been adjusted to include the effect of the issue of one bonus share for every ten (10) existing ordinary shares in April 2018.

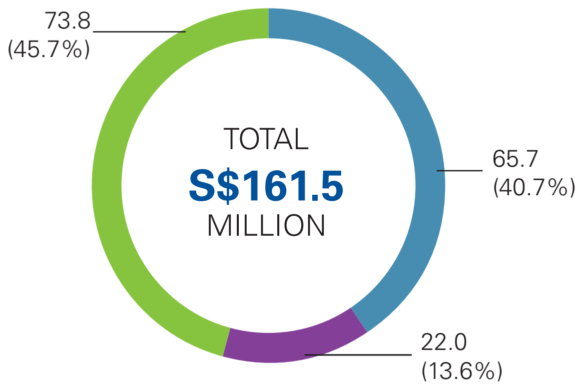
(8) Final tax-exempt (one-tier) ordinary dividends proposed for FY2018 will be subject to the approval of the ordinary shareholders at the forthcoming annual general meeting.

FINANCIAL **HIGHLIGHTS**

FY2018 REVENUE BY SEGMENT
(S$'MILLION)

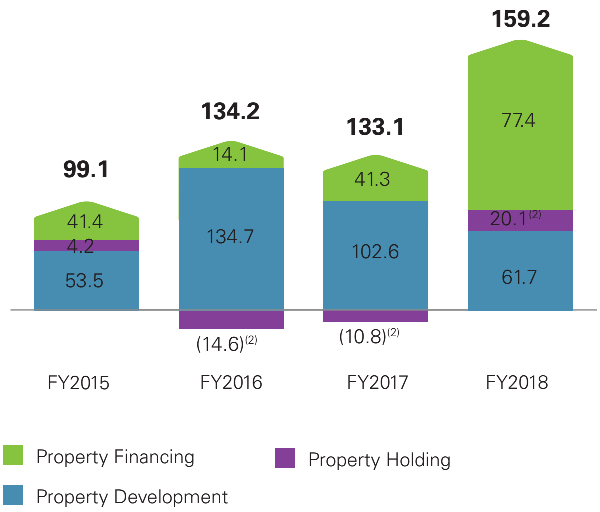


FY2018 GROSS PROFIT BY SEGMENT
(S$'MILLION)

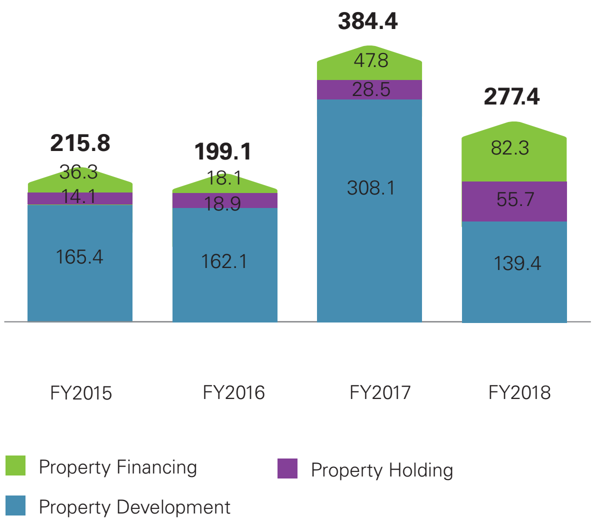


PROPERTY DEVELOPMENT PROPERTY HOLDING PROPERTY FINANCING

SEGMENT PROFIT BEFORE TAX[1]
(S$'MILLION)



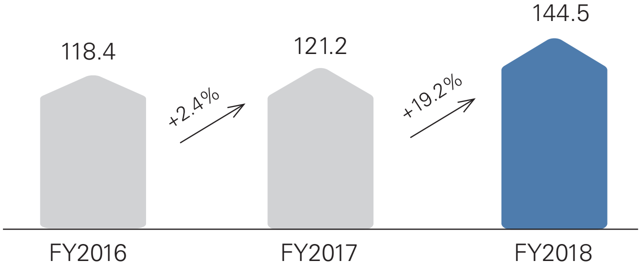
REVENUE BY SEGMENT
(S$'MILLION)



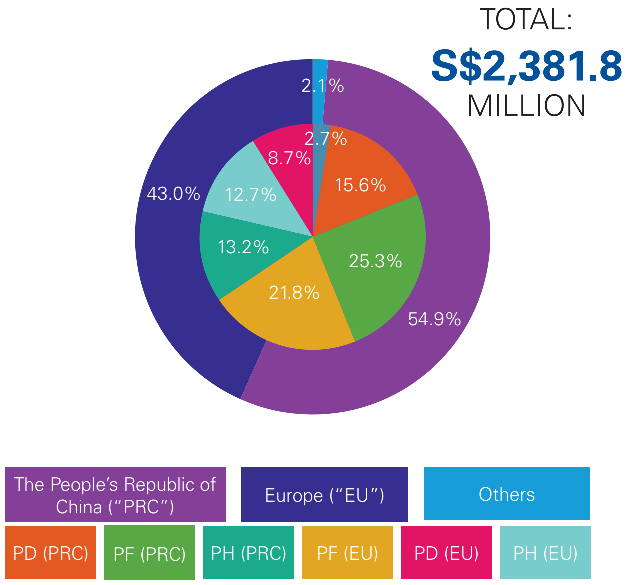
(1) This is excluding unallocated expenses of S$14.7 million (FY2017: S$11.9 million, FY2016: S$15.8 million and FY2015: S$8.1 million).

(2) This is net of impairment charge of S$14.1 million (FY2017: S$9.3 million, FY2016: S$10.3 million and FY2015: Nil), depreciation charge of S$5.8 million (FY2017: S$5.1 million, FY2016:S$1.2 million and FY2015: S$1.2 million) and pre-opening expenses and base stocks written off in relation to the Crowne Plaza Chengdu Wenjiang Hotel and Holiday Inn Express Chengdu Wenjiang Hotspring Hotel and a hotspring facility within the Millennium Waterfront project of Nil (FY2017:S$3.2 million, FY2016:S$4.9 million and FY2015: Nil).

PROFIT BEFORE TAX
(S$'MILLION)

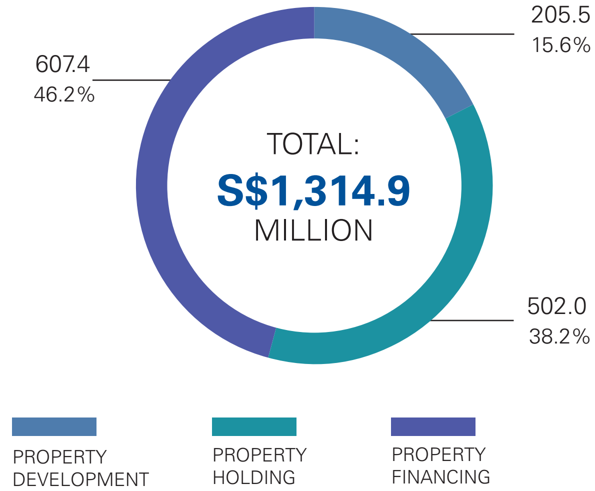


TOTAL ASSETS – BY BUSINESS AND GEOGRAPHIC SEGMENTS AS AT 31 DECEMBER 2018



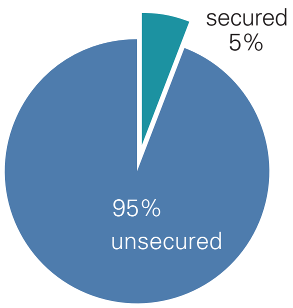
PD: PROPERTY DEVELOPMENT
PF: PROPERTY FINANCING
PH: PROPERTY HOLDING

NET ASSETS BY SEGMENT AS AT 31 DECEMBER 2018[3]



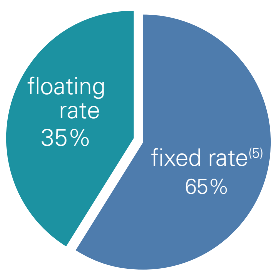
(3) This is excluding unallocated net assets of S$8.6 million.

Debt[4] Composition – Secured vs Unsecured as at 31 December 2018



TOTAL:
S$695.7
MILLION

Debt[4] Composition – Fixed vs Floating Rate as at 31 December 2018



(4) Debt represents gross borrowings.
(5) Done via cross currency swaps.

Based on artist's impression of Star of East River Project, Dongguan, PRC

CHAIRMAN'S **STATEMENT**

"Despite the volatile global economic conditions, the Group managed to achieve another good set of results for the year... A net profit of S$113.0 million for FY2018, an increase of 28% over that of FY2017. We are conscious of the need to build sustainable growth and value for our shareholders. First Sponsor is considering to undertake a second equity fund raising exercise to further strengthen its balance sheet so as to arm the Group with the necessary financial resources to capitalise on expansion opportunities."

DEAR SHAREHOLDERS,

On behalf of the Board of Directors, I am pleased to report that the Group achieved a net profit of S$113.0 million for FY2018, an increase of 28% over that of FY2017. Despite the volatile global economic conditions, the Group managed to achieve another good set of results for the year. Therefore, in recognition of your continued support, the Board is recommending a final tax-exempt (one-tier) dividend of 1.30 Singapore cents per ordinary share, which is an increase of 8.3% from FY2017's final dividend. In absolute terms, the total proposed dividend payout amounts to an increase of 9.2% from that of FY2017. The Board aims to maintain a stable dividend payout with steady growth, subject to the successful implementation of the Group's business strategy and prevailing market conditions.

First Sponsor is currently considering undertaking a second renounceable rights issue to further strengthen its balance sheet so as to arm the Group with the necessary financial resources to capitalise on expansion opportunities, as well as a bonus issue to reward you for your continuous support. The structure and terms of such rights issue and bonus issue will be announced as soon as these are decided upon.

We are conscious of the need to build sustainable growth and value for our shareholders. While the pace of property acquisition slowed down in 2018 due to the increasing scarcity of good opportunities brought about by the influx of competitive capital which compressed yield returns, the Group maintained its prudent investment approach and will continue to exercise discipline in the deployment of its capital for growth.

GROUP PERFORMANCE

The Group recorded revenue and net profit of S$277.4 million (FY2017: S$384.4 million) and S$113.0 million (FY2017: S$88.3 million) respectively for FY2018. Net profit for the Group increased due mainly to the significant revenue and gross profit growth of over 70% in its property financing business segment for FY2018 underpinned by the full year effect of loans disbursed in the prior year, new loans disbursed to associates for property acquisitions and the strong demand for credit in the PRC. This is also the first time since the Group's IPO that the property financing business segment has surpassed the property development business segment as the largest gross profit contributor, accounting for over 45% of FY2018's gross profit.

CHAIRMAN'S **STATEMENT**

Based on artist's impression of Plots E & F, Millennium Waterfront Project, Chengdu

Based on artist's impression of Star of East River Project, Dongguan

As at 31 December 2018, total shareholders' equity of the Group (inclusive of perpetual convertible capital securities of S$161.3 million) amounted to approximately S$1.3 billion. Consolidated gross borrowings increased to approximately S$695.7 million with a consolidated net gearing ratio of approximately 0.40 times as at the end of FY2018.

Foreign exchange risk continues to be one of the key risks that the Group faces. While the Group has funded its growing European investment portfolio over the years via a combination of Euro-denominated borrowings and financial derivatives which effectively hedged its Euro foreign exchange exposure, the Group remains exposed to RMB volatility in S$ terms. The Board will monitor the Group's overall foreign exchange exposure and take appropriate actions when necessary after considering the cost of hedging such risk. As at 31 December 2018, the Group had a cumulative translation gain of S$12.9 million (FY2017: S$37.0 million) arising mainly from the Group's exposure to RMB.

PROPERTY DEVELOPMENT

In FY2018, the property development segment generated net revenue of S$139.4 million and a gross profit of S$65.7 million. The decline in both revenue and gross profit was due mainly to the lower number of residential units handed over for the Chengdu Millennium Waterfront project.

Millennium Waterfront Project, Chengdu, PRC

The Group has sold all 7,302 residential units in Plots A to D of the Chengdu Millennium Waterfront project and has recognised profit from the handover of approximately 6,400 residential units to date. Profits from the remaining 900 residential units are expected to be recognised in FY2019.

The construction of Plots E and F of the Chengdu Millennium Waterfront project commenced in the third quarter of 2018. The development of these two plots encompasses elderly care living quarters, a hospital and ancillary commercial facilities. The primary focus will be initially on the smaller Plot F which is expected to comprise approximately 770 elderly care units with approximately 25,000 sqm of retail and commercial spaces.

Star of East River Project, Dongguan, PRC

All 1,221 residential units of the Star of East River project were fully sold in the course of 2018. In January 2019, two of the six residential apartment blocks were handed over and the remaining four residential blocks are expected to be handed over in the second half of 2019. 1,528 units in the two blocks of SOHO apartments launched for pre-sale in late September 2018 are 60% sold. In addition, the sales permit for the 250-metre high office tower was obtained in late November 2018 and pre-sales performance had been encouraging. The retail mall which will be operational in late 2019 is currently 49% pre-leased.

Emerald of the Orient, Dongguan, PRC

In FY2018, the Group acquired a 20.4% stake in the Emerald of the Orient project in Dongguan via a partnership with Vanke and other experienced local PRC developers. This mixed development project consists of 168 villas and 1,076 residential apartments for sale and lease as well as approximately 89,500 sqm of office space, residential apartments, a kindergarten and other general amenities to be built for the municipal as per the land tender conditions. In December 2018, the first phase of 91 villas was launched for sale, with more than half sold in the same month. The residential apartments are expected to be launched for sale in phases from mid-2019.

Redevelopment of Dreeftoren, Amsterdam Southeast, the Netherlands

Construction works to upgrade the office tower as well as to increase its net lettable floor area by approximately 28% are not expected to commence before September 2019. The delay is primarily due to the increasing difficulty in securing a main contractor within budget, and further mandatory design adjustments which resulted in delays to the building permit application. On the residential redevelopment front, the escalating cost of construction has impacted the financial feasibility of the project. The Group will manage the development of the Dreeftoren residential plan with its usual financial prudence.

Redevelopment of Oliphant, Amsterdam Southeast, the Netherlands

The refurbishment of the Oliphant office property was completed in 1Q2019. The net lettable floor area has increased in excess of 50% to over 21,000 sqm. In addition, the Group has achieved a record rental level for office properties in Amsterdam Southeast. Approximately 60% of the property was let to reputable tenants with long term leases. The Group is also in advanced discussions with other potential tenants and is hopeful that the property will be substantially leased by the end of FY2019. The Group continues to explore the feasibility of adding residential components to the site.

Property Holding

Revenue and gross profit from the Group's property holding business segment registered a significant growth of approximately 96% and 93% to S$55.7 million and S$22.0 million respectively over FY2017. This was due largely to the 11 months' profit contribution from the Hilton Rotterdam hotel which was leased by the Group with effect from 1 February 2018 and higher profit contributions from Crowne Plaza Chengdu Wenjiang Hotel and Holiday Inn Express Chengdu Wenjiang Hotspring Hotel. The Wenjiang hotspring operations recorded an operating loss of RMB4.6 million for FY2018 which triggered an impairment assessment which resulted in an impairment charge of RMB68.9 million taken to the profit and loss account in FY2018. Notwithstanding this, the Group is optimistic that the performance of the Wenjiang hotspring operations will improve over time.

Artist's impression
Dreeftoren, Amsterdam Southeast

Crowne Plaza Chengdu Wenjiang Hotel and Holiday Inn Express Chengdu Wenjiang Hotspring Hotel, Chengdu

CHAIRMAN'S **STATEMENT**

Artist's impression
Poortgebouw Hoog Catharijne, Utrecht

Hilton Rotterdam Hotel, Rotterdam

As at 31 December 2018, the Dutch office portfolio and European leased hotels (excluding properties under redevelopment) had a lettable floor area of approximately 122,349 sqm, an occupancy of approximately 89% and a weighted average lease term of approximately 9.7 years. In FY2018, the Dutch office properties generated net property income of approximately S$20.0 million and the European hotel properties recorded an EBITDA of approximately S$40.1 million.

The Netherlands

The Group's 31.4%-owned Bilderberg Hotel Portfolio recorded a gross operating profit ("GOP") of €23.5 million for FY2018, a 4.3% growth from FY2017, having achieved a 9.6% GOP growth in FY2017 over FY2016. Further, in FY2018 and January 2019, Queens Bilderberg (Nederland) B.V. ("QBN") completed the disposal of five non-core Bilderberg hotels for an aggregate gross consideration of €23.6 million which represents a premium of more than 140% over the hotels' allocated cost. QBN expects to invest approximately €10.0 million in capital expenditure from 2019 to improve the quality of the remaining 11 Bilderberg hotels to further enhance its earnings potential.

The Hilton Rotterdam hotel managed to secure a higher market share while increasing the average room rate in FY2018. The hotel achieved a GOP of €4.8 million for FY2018 which translates to a growth of 14.9% over FY2017.

The development works in respect of the third floor up to and including the ninth floor of the Poortgebouw Hoog Catharijne into two hotels, namely a 128-room Crowne Plaza and a 192-room Hampton by Hilton, are expected to be completed in the course of 2019. Given that the hotels are strategically located within a large scale shopping mall situated next to the Utrecht Central Station, the Group is confident that the hotels will be able to capture a fair market share of the upbeat Utrecht hospitality market. The transfer of the hotel operations from the Borealis Hotel Group to the Group in February 2019 is expected to provide the Group with the opportunity to further capitalise on the upside potential of the hotels.

The Group completed the redevelopment of the Munthof office property located in the Amsterdam city centre in January 2019. The office component of the property (approximately 92% of the total lettable floor area of 3,355 sqm) is fully leased to a utility supplier in the Netherlands for 8 years. The office will house approximately 300 people. The rest of the property comprising retail units and car park lots are also substantially leased.

Germany

In February 2019, the Group entered into a sale and purchase agreement to acquire a 94.9% equity stake in a hotel in Dresden, Germany, namely the Westin Bellevue Dresden, valuing the hotel at approximately €49.5 million including estimated acquisition costs. The 340-room hotel is situated directly on the banks of the River Elbe and a short walk away from the city centre and attractions such as the Semper Opera House, Dresden Cathedral and the Church of our Lady. The hotel is well connected to public transport, approximately one kilometre away from Dresden-Neustadt Station, three kilometres away from the Dresden Central Station and 100 metres away from the Tram Stop "Neustädter Markt". It is also one of Dresden's landmark hotels, situated within a historic 17th-century building with two modern purpose built building wings. The acquisition is expected to be completed within the first half of 2019. This will be the second German hotel owned by the Group.

Italy

In January 2019, the Group expanded its footprint into the Italian hospitality market through the acquisition of a bare shell 65-room hotel located in the heart of one of Milan's busiest high streets, Corso Buenos Aires, for a total consideration of approximately €10.7 million including estimated acquisition costs. The Group will fully refurbish the hotel into a hostel to tap on the youth hospitality market. The hotel's central location of just 2.5 km (or 4 metro stops) from Milan's city centre and Duomo, the busiest tourist area, as well as its proximity to transportation infrastructure (two minute walk to the metro and ten minute walk to Milan's central train station) make it an attractive initial investment into a new market for the Group.

The two acquisitions will further expand the recurrent income base of the Group's property holding business segment and further diversify the Group's geographic exposure.

The PRC

Crowne Plaza Chengdu Wenjiang Hotel and Holiday Inn Express Chengdu Wenjiang Hotspring Hotel have achieved strong revenue growth in both room and F&B segments which underpin the significant growth in GOP of the Wenjiang hotels to RMB16.3 million in FY2018 as compared to a mere breakeven in FY2017.

The Group had entered into a sale and purchase agreement on 30 May 2018 and subsequent various supplemental agreements in relation to the disposal of certain parts of Chengdu Cityspring, including the 196-room M Hotel Chengdu, bare shell commercial spaces and basement car park lots, for a total cash consideration of approximately RMB465.0 million. To-date, the Group has collected RMB284.2 million in cash proceeds including RMB45.4 million in deposits, and another RMB10.8 million cash in liquidated damages. The disposal is to be completed in tranches, with the last tranche expected to be completed in May 2019. The disposal allows the Group to recycle its capital for deployment into other better yielding businesses.

Property Financing

The Group's property financing business segment registered significant revenue and gross profit growth of more than 70% in FY2018. Revenue and gross profit from the Group's property financing business segment amounted to S$82.3 million and S$73.8 million respectively in FY2018. The positive performance was underpinned by the full year effect of loans disbursed in the prior year, new loans disbursed to associates for property acquisitions and the strong demand for credit in the PRC. The average PRC property financing loan book has more than doubled for FY2018. The PRC property financing loan book stood at a record RMB2.8 billion as at 31 December 2018.

Capitalising on the tightening of banking credit in the Australian real estate market, the Group, via a 50-50 joint venture with Tai Tak, entered the Australian property financing market with the disbursement of a A$50 million loan, secured on a prime income producing property located on Collins Street, Melbourne. This expansion into the Australian property financing market marks another milestone achieved for the property financing business.

CORPORATE SOCIAL RESPONSIBILITY

Crowne Plaza Chengdu Wenjiang Hotel, Holiday Inn Express Chengdu Wenjiang Hotspring Hotel and the Hilton Rotterdam Hotel organised, hosted and initiated a series of corporate social activities in 2018.

The Wenjiang hotels teamed up with World of Art Brut Culture ("WABC") and invited 5 students with intellectual disabilities to participate in the "5.20 Name of Love" charity event hosted at Crowne Plaza Chengdu Wenjiang Hotel. The students showcased their individual artworks and painted a "graffiti" style art piece together. The artworks were put up for sale at the hotel and all proceeds from the sale of the artworks were donated to WABC. During the annual Lantern Festival period, the Wenjiang hotels also hosted a dinner for 26 sanitation workers and their families as a token of appreciation for their contribution to society.

Employees of the Hilton Rotterdam hotel organised a mini event to sell lost and found items and items donated by employees, to raise funds for various charity groups. Unsold items were donated to the Salvation Army. The team also started an initiative to donate leftover stationery from corporate events held at the hotel to schools in third world countries.

These events aim to foster the appreciation of those who contribute to society by taking up jobs that are generally perceived as undesirable, as well as to establish greater environmental awareness and promote community sharing.

CHAIRMAN'S **STATEMENT**

FUTURE PROSPECTS

2019 appears to be a year with a number of economic uncertainties, with rising US-China trade tensions, Brexit and other volatilities in the European market. The Group continues to keep a watchful eye on the economic risks and opportunities that are developing worldwide, and to stay vigilant and responsive to the changing market trends in the PRC and in Europe. With the Group's proposed second equity fund raising exercise to further strengthen its balance sheet by arming the Group with the necessary financial resources to capitalise on any expansion opportunity, the Group will continue to be on the lookout for suitable growth opportunities in the Netherlands, the greater European region, PRC and other Asia Pacific regions.

APPRECIATION

First Sponsor has continued to grow from strength to strength over the years. As we embark on new journeys to create further value for our shareholders, we would like to thank you for your support and patience. We would also like to acknowledge the collective judgement, unwavering support and hard work of the Board, management team and staff in the past year. I would also like to personally thank Mr Tan Kian Seng, who has retired from the Board recently, for his contribution during his tenure of service. On behalf of the Board, I would also like to welcome Mr Kingston Kwek to the Board. As one, together with our shareholders, we look forward to another great year of success for First Sponsor.

Ho Han Leong Calvin
Chairman
19 March 2019

Le Méridien Frankfurt Hotel
Frankfurt, Germany

OUR **MILESTONES**

2018

Jan 2018

Completed acquisition of Hilton Rotterdam Hotel (Rotterdam, the Netherlands)

Jan 2018

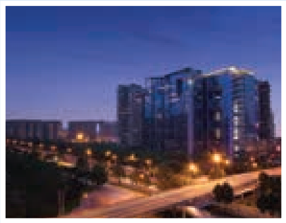
Completed acquisition of Le Méridien Frankfurt Hotel (Frankfurt, Germany)

Apr 2018

Completed equity fund raising exercise by way of a 1-for-4 rights issue of 3.98% perpetual convertible capital securities which raised net cash proceeds of approximately S$161.5 million. In addition, the Board approved a bonus issue of one bonus share for every 10 ordinary shares in issue as a reward to shareholders (Singapore)

May 2018

Entered into a sale and purchase agreement in relation to the disposal of certain parts of Chengdu Cityspring, including the 196-room M Hotel Chengdu, bare shell commercial spaces and basement carpark lots (Chengdu, PRC)

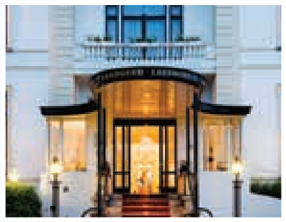


Jul 2018

Completed acquisition of an indirect effective stake of 20.4% in the Emerald of the Orient project, a primarily residential project with a saleable GFA of approximately 146,700 sqm (Dongguan, PRC)

Jul 2018

Completed disposal of Bilderberg Landgoed Lauswolt Hotel at 186% premium over its allocated cost (Beetsterzwaag, the Netherlands)



Sept 2018

Successful resolution of Case 2 defaulted loans via positive rulings in the Group's favour from the Shanghai courts. RMB470 million principal sum was fully recovered, plus cumulative RMB216.1 million penalty interest collected (Shanghai, PRC)

Oct 2018

All 1,221 residential units (6 residential blocks) of the Star of East River project fully sold (Dongguan, PRC)

Oct 2018

Entered into a conditional sale and purchase agreement to sell four non-core Bilderberg hotels as well as their inventory and stocks at a premium of more than 140% over their allocated cost. The disposals were completed in Dec 2018 and Jan 2019 (Heelsum, Hoevelaken and Wolfheze, the Netherlands)

Nov 2018

First entry into the Australian property financing market with a A$50 million loan disbursement via a 50-50 joint venture with Tai Tak (Melbourne, Australia)

Dec 2018

Property financing business saw significant revenue growth of 70% for FY2018, becoming the largest profit contributor for the Group. The PRC property financing loan book stood at a record RMB2.8 billion as at 31 December 2018

2018

Arena Towers, Amsterdam Southeast, the Netherlands

BOARD OF **DIRECTORS**

MR HO HAN LEONG CALVIN

Age 67
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 57
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 KINGSTON KWEK EIK HUIH

Age 37
Non-Executive Director

Mr Kwek was appointed as a Non-Executive Director of the Company on 5 March 2019.

Mr Kwek is a private investor in the stock market as well as in the tech and private equity space. Mr Kwek previously worked at Hong Leong Management Services Pte Ltd, a subsidiary of Hong Leong Group Singapore which provides management, consultancy and other services to members of Hong Leong Group Singapore from 2010 to 2012, where he held the position of Assistant Vice President (Investment). He was also a director of various subsidiaries of Hong Leong Group Singapore.

Mr Kwek currently sits on the board of Beijing Fortune Hotel Co. Ltd., an indirect subsidiary of Millennium & Copthorne Hotels plc ("M&C") which owns and operates hotels in the PRC, and is an alternate director of Welland Investments Limited, an indirect subsidiary of City Developments Limited which engages in UK-directed real estate investments. He is also a Governor of Hong Leong Foundation, the charity arm of Hong Leong Group Singapore.

Mr Kwek holds a Master of Arts degree from Columbia University, a Bachelor of Science degree from the Wharton School of Business and a Bachelor of Arts degree from the University of Pennsylvania. Mr Kwek is the son of Mr Kwek Leng Beng, the Chairman of M&C.

MR NEO TECK PHENG

Age 48
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.

BOARD OF **DIRECTORS**

MS TING PING EE, JOAN MARIA

Age 63
Independent Director

Ms Ting was appointed as an Independent Director of the Company on 19 May 2014. She is currently an Independent Director of 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 Ms Ting 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, Singapore Biotech Ltd and Grandland Shipping Limited.

MR YEE CHIA HSING

Age 47
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 more than 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 Chua Chu Kang Group Representation Constituency in Singapore.

MR WEE GUAN OEI DESMOND

Age 49
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 Corporate Commercial Practice Group 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 is currently the Independent Director of Popular Holdings Limited and Non-Executive Director of Spartans Rugby Singapore Limited.

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 Company 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.

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 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.

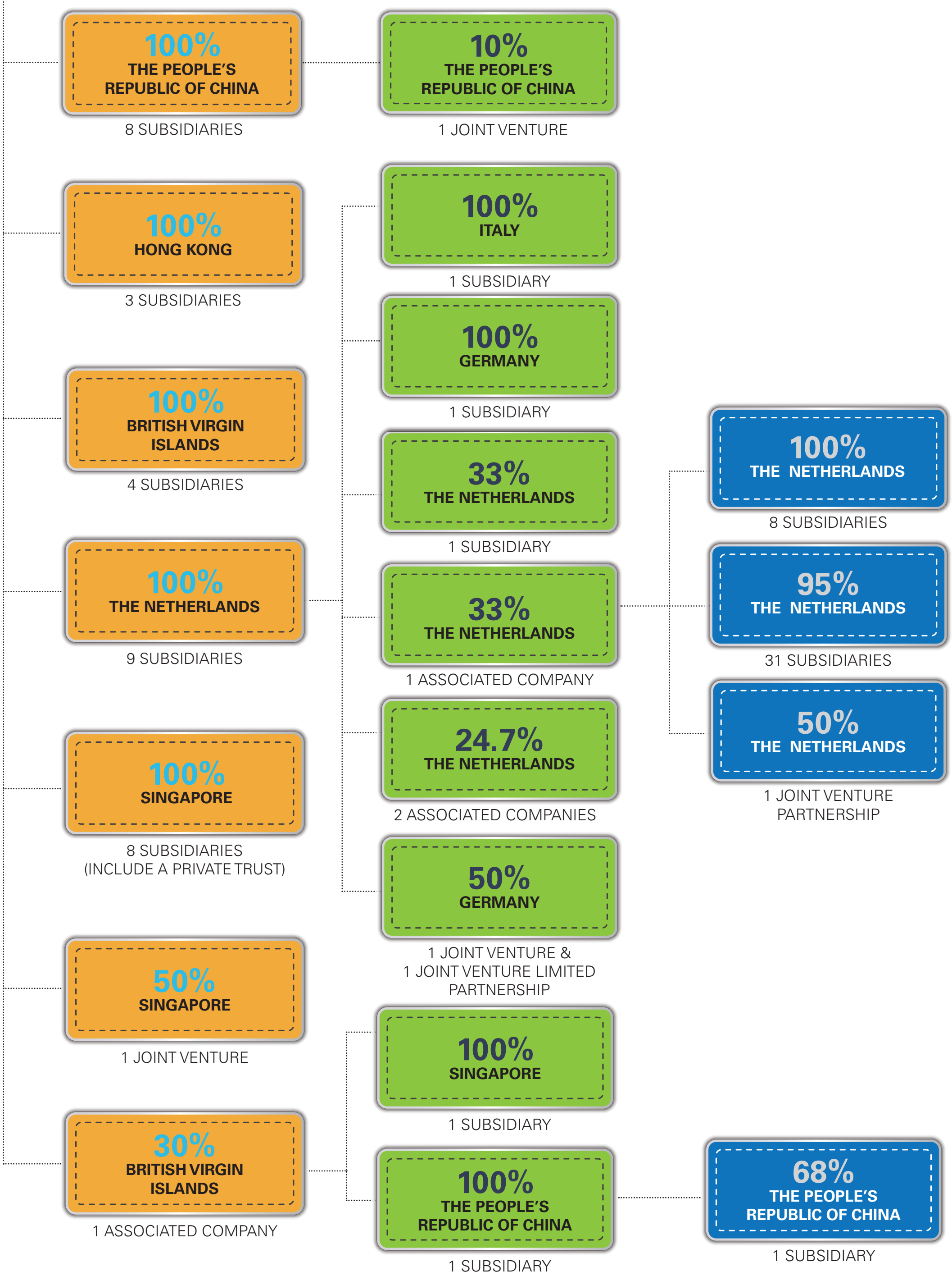
Ms Zhang holds a Bachelor Degree in Economics from the School of Economics, Aoyama Gakuin University, Japan.

Mondriaan Tower,
Amsterdam, the Netherlands

CORPORATE **STRUCTURE**

As at 19 March 2019

FIRST SPONSOR GROUP LIMITED
(Cayman Islands)
(including a branch in Singapore)



Note: The above shareholding includes direct and indirect shareholdings.

CORPORATE **DIRECTORY**

BOARD OF DIRECTORS

Mr Ho Han Leong Calvin
Non-Executive Chairman

Mr Ho Han Khoon
Alternate Director to Mr Ho Han Leong Calvin

Mr Kingston Kwek Eik Huih
Non-Executive Director

Mr Neo Teck Pheng
Group Chief Executive Officer and Executive Director

Ms Ting Ping Ee, Joan Maria
Independent Director

Mr Yee Chia Hsing
Lead Independent Director

Mr Wee Guan Oei Desmond
Independent Director

AUDIT COMMITTEE

Mr Yee Chia Hsing
Chairman

Ms Ting Ping Ee, Joan Maria
Mr Ho Han Leong Calvin

(Mr Ho Han Khoon
Alternate Director to
Mr Ho Han Leong Calvin)

NOMINATING COMMITTEE

Ms Ting Ping Ee, Joan Maria
Chairman

Mr Yee Chia Hsing
Mr Neo Teck Pheng

REMUNERATION COMMITTEE

Mr Wee Guan Oei Desmond
Chairman

Ms Ting Ping Ee, Joan Maria
Mr Ho Han Leong Calvin

(Mr Ho Han Khoon
Alternate Director to
Mr Ho Han Leong Calvin)

COMPANY SECRETARY

Ms Goh Siew Geok

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: Mr Koh Wei Peng, appointment commenced from the audit of the financial statements for the year ended 31 December 2015)

PRINCIPAL BANKERS

Bank of China
China Construction Bank
DBS Bank Ltd
Industrial and Commercial Bank of China
ING Bank N.V.
Oversea-Chinese Banking Corporation Limited
Sumitomo Mitsui Banking Corporation, Singapore Branch
The Bank of East Asia, Limited, Singapore Branch
The Hong Kong and Shanghai Banking Corporation Limited
United Overseas Bank Limited

Crowne Plaza Chengdu Wenjiang Hotel
Chengdu, PRC

CORPORATE **GOVERNANCE**

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

The Group is pleased to confirm that it has complied in all material respects with the principles, guidelines and recommendations in the Code of Corporate Governance 2012 ("**Code**") in the financial year ended 31 December 2018 ("**FY2018**"). Where there are deviations from any of the guidelines, an explanation has been provided within this report.

A. BOARD MATTERS

Principle 1: THE BOARD'S CONDUCT OF AFFAIRS

Every company should be headed by an effective Board to lead and control the company. The Board is collectively responsible for the long-term success of the company. The Board works with Management to achieve this objective and Management remains accountable to the Board.

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 Kingston Kwek Eik Huih (Appointed on 5 March 2019)	(Non-Executive Director)
Mr Neo Teck Pheng	(Group Chief Executive Officer and Executive Director)
Ms Ting Ping Ee, Joan Maria	(Independent Director)
Mr Yee Chia Hsing	(Lead Independent Director)
Mr Wee Guan Oei Desmond	(Independent Director)

The profile of each member of the Board is provided on pages 17 and 18 of this Annual Report.

Board's Duties and Responsibilities

The Board oversees the strategic direction, performance and affairs of the Group and provides overall guidance to management.

The duties and responsibilities of the Board include:

(a) approving the strategic direction of the Group and monitoring its progress;

(b) approving the financial plan (including annual budgets) and monitoring the financial performance of the Group;

(c) reviewing the adequacy and effectiveness of the Group's risk management and internal controls framework in relation to financial, operational, compliance and information technology controls, and safeguarding shareholders' interests and the Group's assets;

(d) deliberating on and accepting recommendations by the Audit Committee ("**AC**"), the Remuneration Committee ("**RC**") and the Nominating Committee ("**NC**"); and

(e) considering sustainability issues such as environmental and social factors as part of the Group's strategic formulation.

CORPORATE **GOVERNANCE**

Matters requiring the Board's decision and approval include:

(a) quarterly financial results announcements and annual audited financial statements;

(b) appointment of directors and key management staff, including review of their performance and remuneration packages;

(c) corporate or financial restructuring, major acquisitions and divestments;

(d) share issuances and funding proposals;

(e) interested person transactions; and

(f) declarations of interim dividends, proposals of final dividends and other returns to shareholders.

To facilitate effective management, the Board has granted management mandates to carry out transactions below certain thresholds. The Independent Directors and Non-Executive Directors are always available to provide guidance to management on business issues and in areas in which they specialise.

Board Committees
All Directors are expected to objectively discharge their duties and responsibilities at all times as fiduciaries in the interests of the Group. However, to ensure that specific issues are subject to in-depth and timely review, certain functions have been delegated to Board committees. The Board has established three Board committees, namely (1) the AC; (2) the RC; and (3) the NC, which are chaired by Mr Yee Chia Hsing, Mr Wee Guan Oei Desmond and Ms Ting Ping Ee, Joan Maria respectively. Each of these Board committees operates under delegated authority from the Board with the Board retaining overall oversight and has its own written terms of reference. The establishment of the AC, RC and NC is consistent with the recommendations in the Code. The duties and responsibilities of the above Board committees are set out in this report.

The Board regularly undertakes a review of its Board committees including their membership and terms of reference. The last review was undertaken in FY2018. In FY2018, the Board approved amendments to the terms of reference of the AC to take into account the recent revisions of the Code and certain amendments to the SGX-ST Listing Manual consequential to such revisions.

Meetings of Board and Board Committees
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. Where exigencies prevent a Director from attending a Board meeting in person, the Company's Articles of Association permit the Director to participate via teleconferencing or video conferencing. The Board and Board committees may also make decisions by way of resolutions in writing. Except where a Director is required to abstain from participating in the deliberation on a transaction or proposed transaction due to a potential conflict of interest situation, in each meeting where matters requiring the Board's approval are to be considered, all members of the Board participate in the discussions and deliberations; and resolutions in writing are circulated to all Directors for their consideration and approval. This principle of collective decisions adopted by the Board ensures that no individual influences or dominates the decision-making process.

In FY2018, the Board held four meetings and on numerous occasions used circular resolutions in writing to approve certain decisions. The Directors' attendance at the annual general meeting of the Company ("**AGM**"), and Board and Board committee meetings as well as the frequency of such meetings held in FY2018 are as follows:

	Board	AC	NC	RC	AGM
Number of meetings held in FY2018	4	4	1	1	1
Name of Directors	**Number of meetings attended in FY2018**				
Mr Ho Han Leong Calvin	4	–	NA	–	1
Mr Ho Han Khoon (Alternate Director to Mr Ho Han Leong Calvin)	4	4	NA	1	1
Mr Tan Kian Seng*	2	NA	NA	NA	1
Mr Neo Teck Pheng	4	NA	1	NA	1
Ms Ting Ping Ee, Joan Maria	4	4	1	1	1
Mr Yee Chia Hsing	4	4	1	NA	1
Mr Wee Guan Oei Desmond	4	NA	NA	1	1

Note:
* Mr Tan Kian Seng resigned as Non-Executive Director of the Company on 5 March 2019. He was replaced by Mr Kingston Kwek Eik Huih who was appointed on the same date.

Directors' Development
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 Directors are 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 given 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 funds the training of its Directors where applicable.

In addition, all newly appointed Directors would be provided with background information about the Group's history and core values, its strategic direction and industry specific knowledge. For any newly appointed Directors who have no prior experience as a director of a listed company, directorship courses from the Singapore Institute of Directors and training in relevant areas such as finance and compliance, as well as industry-related areas would be provided if required. The terms of reference of all Board committees would also be provided to each newly appointed Director.

CORPORATE **GOVERNANCE**

Principle 2: BOARD COMPOSITION AND GUIDANCE

There should be a strong and independent element on the Board, which is able to exercise objective judgement on corporate affairs independently, in particular, from Management and 10% shareholders. No individual or small group of individuals should be allowed to dominate the Board's decision making.

The Board, through the NC, reviews from time to time the size and composition of the Board, with a view to ensuring that the size of the Board is appropriate in facilitating effective decision-making taking into account the scope and nature of the Group's operations, and that the Board has a strong independent element.

The Board consists of six Directors of whom three are Independent Directors, two are Non-Executive Directors and one is an Executive Director.

The Company recognises and embraces the benefits of diversity on the Board and views diversity at the Board level as an essential element in supporting the attainment of its strategic objectives and its sustainable development. The Board comprises business leaders and professionals with real estate, hospitality, banking, financial (including audit and accounting), legal, risk management and business management backgrounds. The Board currently includes one female member, Directors with ages ranging from their 30s to 60s, who have served on the Board for different tenures. The profile of each member of the Board is provided on pages 17 and 18 of this Annual Report. The Board and the NC are of the view that the current composition of the Board encompasses an appropriate balance and diversity of skills, experience, knowledge and competencies.

The Board and the NC are satisfied that the Board's size and composition are appropriate for the Company's needs taking into account the scope and nature of the operations of the Group, the requirements of the business and the need to avoid undue disruptions from changes to the composition of the Board and Board committees.

The Board, taking into account the views of the NC, assesses the independence of each Director in accordance with the guidance in the Code.

None of the Independent Directors has any relationship with the Company, its related corporations, shareholders who have an interest or interests in 10% or more of the voting shares in the Company or its officers that could interfere, or be reasonably perceived to interfere, with the exercise of the Director's independent business judgement. 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 half of the Board, which complies with the recommendations in 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. They also review and monitor management's performance. To facilitate this, they are kept informed of the Company's businesses and performances through regular reporting from management, and have unrestricted access to management. The Non-Executive and Independent Directors would also confer among themselves without the presence of management as and when the need should arise.

All Directors are obliged to act honestly and with due diligence, and in the best interests of the Company. Directors, who are in any way, directly or indirectly, interested in a transaction or proposed transaction, will declare the nature of their interests, and also abstain from participating in the deliberation of the Board and/or the committees on such transactions, with abstention duly recorded within the minutes and/or the resolutions of the Board and/or the committees.

Principle 3: CHAIRMAN AND THE CHIEF EXECUTIVE OFFICER

There should be a clear division of responsibilities between the leadership of the Board and the executives responsible for managing the company's business. No one individual should represent a considerable concentration of power.

The roles and responsibilities of the Non-Executive Chairman and the Group Chief Executive Officer are held by separate individuals.

The Non-Executive Chairman, Mr Ho Han Leong Calvin, 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, Mr Neo Teck Pheng, is the most senior executive in the Company and has overall responsibility for management, operations and growth of the Group's businesses.

The Non-Executive Chairman and the Group Chief Executive Officer are not immediate family members. The separation of the roles of Non-Executive Chairman and Group Chief Executive Officer and the resulting clarity of roles provide a healthy professional relationship between the Board and management, and facilitate robust deliberations on the Group's business activities and the exchange of ideas and views to help shape the strategic process.

The Board 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 FY2018.

Principle 4: BOARD MEMBERSHIP

There should be a formal and transparent process for the appointment and reappointment of directors to the Board.

The Board has established the NC, which makes recommendations to the Board on all appointments to the Board and Board committees.

The NC comprises the following three members, majority of whom, including the Chairman of the 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)

CORPORATE **GOVERNANCE**

Under its terms of reference, the NC's scope of duties and responsibilities is as follows:

(a) 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;

(b) 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 AGM. The Articles of Association of the Company requires all Directors to submit themselves for re-nomination and re-election at least every three years;

(c) reviewing the effectiveness of the Board annually;

(d) 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;

(e) reviewing and determining annually, and as and when circumstances require, if a Director is independent;

(f) 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;

(g) reviewing succession plans for Directors and senior management and recommending to the Board for approval;

(h) reviewing and recommending to the Board the employment of related persons and their proposed terms of employment;

(i) reviewing that no individual member of the Board dominates the Board's decision making process; and

(j) reviewing training and professional development programs for the Board.

The evaluation of appointment and re-appointment of a Director takes into consideration, among others, the composition and progressive renewal of the Board and each Director's competencies, commitment, contribution and performance.

The Company has in place a process for selecting and appointing new Directors. This process includes, *inter alia*, an evaluation of the candidate's capabilities by taking into consideration diversity of skills, experience, background, gender, age, ethnicity and other relevant factors and how the candidate fits into the overall desired competency matrix of the Board. The NC may refer to both internal sources as well as external sources to draw up a list of potential candidates. Short-listed candidates would be required to furnish their curriculum vitae stating in detail their qualification, working experience, employment history to enable the NC to assess the candidate's independence status and compliance with the Company's established internal guidelines.

As Mr Tan Kian Seng wishes to devote more time to his work commitments with Millennium & Copthorne Hotels plc ("**M&C**"), the Chairman of M&C has nominated and the M&C Board has consented to the nomination of Mr Kingston Kwek Eik Huih as Non-Executive Director of the Company. The NC has reviewed the professional qualifications and experience of Mr Kingston Kwek Eik Huih and made a recommendation to the Board for the approval of his appointment.

The NC reviewed the independence of Ms Ting Ping Ee, Joan Maria, Mr Yee Chia Hsing and Mr Wee Guan Oei Desmond and is satisfied that there are no relationships which would deem any of them not to be independent. The NC, in its deliberation as to the independence of a Director, took into account examples of relationships as set out in the Code, considered whether a Director had business relationships with the Group, and if so, whether such relationships could interfere, or be reasonably perceived to interfere, with the exercise of the Director's independent judgements. 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 above is in line with the guidelines in the Code.

Guideline 4.4 of the Code recommends that the Board determines the maximum number of listed company board representations which any director may hold, and discloses this in the Annual Report. In view of the responsibilities of a director, the Board is cognisant of the need for Directors to be able to devote sufficient time and attention to adequately perform their roles. However, the Board has not imposed any limit as it has taken the view that the limit on the number of listed company directorships that an individual may hold should be considered on a case-by-case basis, as a person's available time and attention may be affected by many different factors, such as whether he or she is in full-time employment and the nature of his or her other responsibilities. All Directors are required to confirm on an annual basis, and for FY2018, have confirmed that they were able to devote sufficient time and attention to their duties as Directors. 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 experienced minimal competing time commitments among its members as Board meetings are planned and scheduled well in advance of the meeting dates.

The Articles of Association of the Company requires each Director to retire at least once every three years and subject himself/herself to re-election by shareholders. In addition, any Director appointed by the Board shall retire at the next AGM and shall then be eligible for re-election at that meeting. With regard to the re-election of existing Directors each year, the NC advises the Board of those Directors who are retiring or due for consideration to retire in accordance with the Articles of Association, and makes recommendations to the Board as to whether the Board should support the re-election of a Director who is retiring. In making recommendations, the NC will undertake a process of review of the retiring Director's performance during the period in which he has been a member of the board. Each member of the NC will abstain from deliberations on his or her own re-election. Mr Kingston Kwek Eik Huih is subject to retirement at the forthcoming AGM pursuant to the Articles of Association of the Company. The NC has assessed and recommended his re-election during the NC meeting held in February 2019. The Board has concurred with the NC to recommend the re-election of Mr Kingston Kwek Eik Huih who has offered himself for re-election as Director by shareholders at the forthcoming AGM.

The Board believes in carrying out succession planning for itself and the Board Chairman to ensure continuity of leadership. Board renewal is a continuing process and in this regard, the NC reviews annually the composition of the Board and Board committees, which includes size and mix, and recommends to the Board the selection and appointment of new Directors, whether in addition to the existing Board members or as replacement of retiring Board members, with a view to identifying any gaps in the Board's skills set taking into consideration the Group's business operations. The Board would be able to function smoothly notwithstanding any resignation or retirement of any Director given the present number of members and mix of competencies on the Board.

CORPORATE **GOVERNANCE**

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/ 26 April 2017	• Tai Tak Estates Sendirian Berhad (Director)	–
Mr Ho Han Khoon (Alternate Director to Mr Ho Han Leong Calvin)[(1)]	Alternate Director to the Non-Executive Chairman	19 May 2014/–	• Tai Tak Estates Sendirian Berhad (Director)	–
Mr Kingston Kwek Eik Huih[(2)]	Non-Executive Director	5 March 2019/–	• Beijing Fortune Hotel Co., Ltd. (Director) • Hong Leong Foundation (Governor) • Welland Investments Limited (Alternate Director)	–
Mr Neo Teck Pheng	Group Chief Executive Officer and Executive Director	1 October 2007/ 26 April 2017	–	–
Ms Ting Ping Ee, Joan Maria	Independent Director	19 May 2014/ 24 April 2018	• Grand Union Holdings and Investments Incorporated (Independent Director)	• Grandland Shipping Limited (Independent Director)
Mr Yee Chia Hsing	Lead Independent Director	19 May 2014/ 24 April 2018	• CIMB Bank Berhad, Singapore Branch (Head of Catalist) • Elected Member of the Parliament of Singapore • Ezion Holdings Limited (Independent Director) • Ren Ci Hospital (Audit Committee member)	–
Mr Wee Guan Oei Desmond	Independent Director	6 February 2017/ 26 April 2017	• Rajah & Tann Singapore LLP (Partner and Head, Corporate Commercial Practice Group) • Popular Holdings Limited (Independent Director) • Spartans Rugby Singapore Limited (Non-Executive Director)	–

Notes:

(1) The alternate Director bears all the duties and responsibilities of a Director.

(2) Mr Kingston Kwek Eik Huih is the son of Mr Kwek Leng Beng, the Chairman of M&C which is a controlling shareholder of the Company.

Principle 5: BOARD PERFORMANCE

There should be a formal annual assessment of the effectiveness of the Board as a whole and its board committees and the contribution by each director to the effectiveness of the Board.

Whilst Board performance is ultimately reflected in the long-term performance of the Group, the Board believes that engaging in a regular process of assessment and evaluation of Board performance in order to identify key strengths and areas for improvement is essential to effective stewardship and to attaining success for the Company.

Each year, the NC undertakes a formal process to assess the effectiveness of the Board as a whole and the Board committees. The NC uses objective and appropriate criteria to assess the performance of the Board and effectiveness of Board committees. 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 the 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. No external facilitator has been used.

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

In order to fulfil their responsibilities, directors should be provided with complete, adequate and timely information prior to board meetings and on an on-going basis so as to enable them to make informed decisions to discharge their duties and responsibilities.

The Company recognises the importance of providing the Board with relevant information on a timely basis prior to Board meetings and on an ongoing basis, to enable the Directors to make informed decisions to discharge their duties and responsibilities. The Board is provided with reports on the Group's operational and financial performance as well as budget variances, on a regular basis. Board papers are distributed in advance of board meetings so that the Directors have sufficient time to understand the matters to be discussed at the board meetings. The Directors are entitled to request from management and be provided with additional information as needed to make informed decisions.

The Board meets regularly. At each Board meeting, the Group Chief Executive Officer provides updates on the Group's business and operations and the Group Chief Financial Officer presents the financial performance. Presentations in relation to specific business areas may also be made by senior executives. This allows the Board to develop a better understanding of the progress of the Group's business as well as the issues and challenges facing the Group and promotes active engagement with management.

Where appropriate, informal meetings are also held for management to brief Directors on prospective transactions and potential developments in the early stages before formal Board approval is sought.

CORPORATE **GOVERNANCE**

Under the direction of the Chairman, the Company Secretary ensures good information flow within the Board and its Board committees and between 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 have separate and independent access to management and the Company Secretary and may communicate directly with management and the Company Secretary on all matters whenever they deem necessary, to ensure adherence to the Board procedures, and relevant rules and regulations which are applicable to the Company. In FY2018, the Company Secretary 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, at the expense of the Company.

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

The AC meets with the internal auditors and the external auditors without the presence of management at least once a year.

B. REMUNERATION MATTERS

Principle 7: PROCEDURES FOR DEVELOPING REMUNERATION POLICIES

There should be a formal and transparent procedure for developing policy on executive remuneration and for fixing the remuneration packages of individual directors. No director should be involved in deciding his own remuneration.

Principle 8: LEVEL AND MIX OF REMUNERATION

The level and structure of remuneration should be aligned with the long-term interest and risk policies of the company, and should be appropriate to attract, retain and motivate (a) the directors to provide good stewardship of the company, and (b) key management personnel to successfully manage the company. However, companies should avoid paying more than is necessary for this purpose.

Principle 9: DISCLOSURE ON REMUNERATION

Every company should provide clear disclosure of its remuneration policies, level and mix of remuneration, and the procedure for setting remuneration, in the company's annual report. It should provide disclosure in relation to its remuneration policies to enable investors to understand the link between remuneration paid to directors and key management personnel, and performance.

The Board has established the RC to oversee executive compensation and development.

The RC consists of:

Mr Wee Guan Oei Desmond (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)

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

Under its terms of reference, the RC's scope of duties and responsibilities of the RC is as follows:

(a) 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 and Chief Executive Officers of the respective regions;

(b) determining specific remuneration packages for each Executive Director, including the Group Chief Executive Officer;

(c) 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;

(d) 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;

(e) 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

(f) reviewing the Company's obligations arising in the event of termination of each Executive Director's and key executive's contract of services, to ensure that such contract of services contain fair and reasonable clauses which are not overly generous.

In FY2018, the RC 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 established the First Sponsor Employee Share Option Scheme on 19 May 2014 but no options had been granted under the scheme to-date, which details can be found in the Directors' Statement.

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

(a) to ensure that the remuneration packages are competitive in attracting and retaining employees capable of meeting the Company's needs;

(b) to reward employees for achieving corporate performance targets in a fair and equitable way; and

(c) to ensure that the remuneration reflects the employees' duties and responsibilities.

The remuneration packages of the Executive Director 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 are 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 Director 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 will consider the implementation of contractual provisions to reclaim long term incentives from the Executive Director 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.

CORPORATE **GOVERNANCE**

The remuneration packages of Non-Executive Directors and Independent Directors comprise base director's fees and additional fees for services rendered on the various Board committees. In reviewing the structure and level of such fees, the RC takes into consideration factors such as the roles and responsibilities of, effort and time spent by, the Directors, changes in the business, corporate governance practices and regulatory rules, and the interval since the last fee review. The RC also compared the Company's fee structure against industry practices. Such fee is subject to shareholders' approval at the AGM. No remuneration consultants were appointed in FY2018. The First Sponsor Employee Share Option Scheme allows for participation by Non-Executive Directors and Independent Directors. The Company believes that this inclusion will allow the Company to attract experienced and qualified persons from different professional backgrounds to join the Company as Non-Executive Directors and Independent Directors and will better align the interests of such Non-Executive Directors and Independent Directors with the interests of shareholders.

A breakdown in percentage terms of each Director's and the Group Chief Executive Officer's remuneration paid/payable in fees, salary, bonus and benefits-in-kind for FY2018 is set out below:

Name of Directors	Fees[1] %	Salary[2] %	Bonus[2] %	Benefits-in-kind %	Total %
Non-Executive Directors					
Below S$250,000 each					
Mr Ho Han Leong Calvin[3]	–	–	–	–	–
Mr Tan Kian Seng*[3]	–	–	–	–	–
Ms Ting Ping Ee, Joan Maria	100	–	–	–	100
Mr Yee Chia Hsing	100	–	–	–	100
Mr Wee Guan Oei Desmond	100	–	–	–	100
Executive Director and Group Chief Executive Officer					
S$4,250,000 to S$4,500,000					
Mr Neo Teck Pheng[3]	–	19	81	#	100

* Mr Tan Kian Seng resigned as Non-Executive Director of the Company on 5 March 2019. He was replaced by Mr Kingston Kwek Eik Huih who was appointed on the same date.

# Denotes less than 0.5%.

Notes:
(1) The fees for FY2018 were approved by the Company's shareholders at the AGM held on 24 April 2018.
(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 FY2018 to the Company.

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

In view of the highly competitive human resource environment and so as not to hamper the Company's efforts to retain and nurture its talent pool, the Company has decided not to disclose the names and remuneration of its top five key executives (who are not Directors) in bands of S$250,000 as well as the total remuneration paid to them in accordance with Guideline 9.3 of the Code.

For FY2018, there were no termination, retirement or post-employment benefits granted to Directors and key executives.

There was no employee in the Group who was an immediate family member of a Director or the Group Chief Executive Officer and whose remuneration exceeded S$50,000 in FY2018.

C. ACCOUNTABILITY AND AUDIT

Principle 10: ACCOUNTABILITY

The Board should present a balanced and understandable assessment of the company's performance, position and prospects.

The Company provides shareholders with quarterly results announcements and annual financial statements within the relevant periods prescribed by the SGX-ST Listing Manual. The releases of quarterly results announcements and annual financial statements are accompanied by news releases issued to the media and which are also posted on SGXNET. In presenting the quarterly results announcements and annual financial statements 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 management is accountable to the Board. The Board meets to review and approve the Group's quarterly and annual financial results prior to release to shareholders. All board papers are given to the Board members prior to any meeting to facilitate effective discussion and decision making.

For FY2018, the Group Chief Executive Officer and the Group Chief Financial Officer provided assurance to the Board on the integrity of the quarterly unaudited financial results and the Board in turn provided a negative assurance confirmation in respect of the unaudited financial results for the first, second and third quarters in accordance with the regulatory requirements.

In addition to quarterly results announcements and annual financial statements, the Company also keeps its shareholders and analysts informed of the performance and changes in the Group or its business which would be likely to materially affect the price or value of the Company's securities on a timely and consistent basis, so as to assist shareholders and investors in their investment decisions. The Company complies with its disclosure obligations under the SGX-ST Listing Manual.

Principle 12: AUDIT COMMITTEE

The Board should establish an Audit Committee ("AC") with written terms of reference which clearly set out its authority and duties.

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 external or internal audit firms within the previous 12 months.

CORPORATE **GOVERNANCE**

The AC has the authority to investigate any matter within its terms of reference. The AC has full access to and cooperation by management and full discretion to invite any director or executive officer to attend its meetings, and reasonable resources to enable it to discharge its functions properly. The AC has full access to the external and internal auditors, and to facilitate a more effective check on management, the AC meets (a) with the external auditors, and (b) with the internal auditors, in each case without the presence of management at least once a year. Similarly, both the external and internal auditors are given full access to the AC.

In FY2018, the Board approved amendments to the terms of reference of the AC to take into account the recent revisions of the Code and certain amendments to the SGX-ST Listing Manual consequential to such revisions. Under its terms of reference, the AC's scope of duties and responsibilities is as follows:

(a) reviewing the audit plan of the Company's external auditors, their evaluation of the system of internal accounting controls, their letter to management and management's response, and results of the Company's audit conducted by the internal and external auditors;

(b) reviewing the reports of the Company's external auditors including key audit matters, as well as the adequacy, effectiveness, independence, objectivity, scope and results of the external audit;

(c) reporting to the Board on the AC's assessment of the independence and objectivity of the external auditors and the quality of the work carried out by the external auditors;

(d) reviewing the co-operation given by the Company's officers to the external auditors;

(e) reviewing and discussing with the external auditors, where applicable, 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 management's response;

(f) making recommendations to the Board on the proposals to the shareholders, on the appointment, reappointment and removal of external auditors, and approving the remuneration and terms of engagement of the external auditors;

(g) ensuring co-ordination between the external auditors and management, review the assistance given by management to the auditors, and discuss problems and concerns, if any, arising from audits, and any matters which the auditors may wish to discuss (in the absence of management, where necessary);

(h) approving the Company's internal audit plans;

(i) monitoring the implementation of internal controls over outstanding internal control weaknesses highlighted by the auditors;

(j) deciding on the appointment, termination and remuneration of the internal auditors; if applicable, reviewing the adequacy, effectiveness, independence, scope and results of the Company's internal audit function, reporting to the Board on the AC's assessment of the adequacy, effectiveness and independence of the internal audit function and commenting on whether the internal audit function is independent, effective and adequately resourced;

(k) 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;

(l) 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 and reporting to the Board on such issues (including how these issues were addressed);

(m) reviewing the material internal control procedures addressing financial, operational, compliance and information technology risks;

(n) commissioning an independent audit on internal controls and risk management systems if it deems necessary for its assurance, or where it is not satisfied with the systems of internal controls and risk management;

(o) reviewing interested person transactions falling within the scope of Chapter 9 of the SGX-ST Listing Manual above certain thresholds;

(p) reviewing the grant of any entrusted loans 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);

(q) reviewing potential conflicts of interest, if any;

(r) reviewing and considering transactions in which there may be potential conflicts of interests between the Company and interested persons and recommend 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 to ensure that proper measures to mitigate such conflicts of interest have been put in place;

(s) 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;

(t) 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 in relation to the Company's initial public offering and listing of its shares on the Mainboard of the SGX-ST on 22 July 2014 and considering, where appropriate, additional measures for the management of such conflicts;

(u) reviewing our key financial risk areas with a view to providing an independent oversight on the Group's financial reporting;

(v) reviewing and recommending hedging policies and instruments, if any, to be implemented by the Company to the Directors;

(w) reviewing the suitability of the Group Chief Financial Officer;

(x) 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;

(y) reviewing the policy and arrangements for concern about possible improprieties in financial reporting or other matters to be safely raised, independently investigated and appropriately followed up and reporting to the Board any significant issues raised through such channels;

(z) 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

(aa) apart from the abovementioned duties, the commissioning and reviewing of the findings of internal investigations in the event of suspected fraud, irregularity, failure of internal controls or infringement of any applicable law, rule or regulation which has or is likely to have a material adverse impact on the Group's operating results and/or financial position.

CORPORATE **GOVERNANCE**

The AC held four AC meetings in FY2018. Management, including the Group Chief Executive Officer and Group Chief Financial Officer, was present at the meetings. In addition, the AC met (a) with the external auditors and (b) with the internal auditors, in each case without the presence of management in FY2018.

The AC considered the report from the external auditors, including their findings on the significant risks and audit focus areas. Significant matters that were discussed with management and the external auditors have been included as Key Audit Matters ("**KAM**") in the audit report for FY2018 on pages 71 to 73 of this Annual Report.

In assessing the KAM, the AC took into consideration the approach and methodology applied as well as the reasonableness of the estimates and key assumptions used. The AC concluded that management's accounting treatment and estimates in the KAM were appropriate.

To facilitate a more effective check on management, the AC meets with the external auditors without the presence of 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 in FY2018 and the fees paid for such services, the AC is satisfied that the independence and objectivity of the external auditors has not been impaired by the provision of those services and recommends to the Board, the nomination of the external auditors for re-appointment. The external auditors have also provided confirmation of their independence to the AC. The amount of fees paid/payable to the external auditors for audit and non-audit services for the FY2018 is set out in Note 25 of the Financial Statements in this Annual Report.

WHISTLE-BLOWING POLICY

The Company has put in place a whistle-blowing policy where staff of the Group can raise in confidence, whether anonymously or otherwise, concerns on possible improprieties relating to accounting, financial reporting, internal controls and auditing matters or other operational matters without fear of reprisals in any form. While the whistle-blowing policy is meant to protect genuine whistle-blowers from any unfair treatment as a result of their report, it strictly prohibits frivolous and bogus complaints. The policy is also not a route for taking up personal grievances.

A mechanism for the submission of issues/concerns has been established which includes a dedicated e-mail address allowing whistle-blowers to contact the AC directly, and in confidence so that his/her identity will be protected from reprisals within the limits of the law.

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: RISK MANAGEMENT AND INTERNAL CONTROLS

The Board is responsible for the governance of risk. The Board should ensure that Management maintains a sound system of risk management and internal controls to safeguard shareholders' interests and the company's assets, and should determine the nature and extent of the significant risks which the Board is willing to take in achieving its strategic objectives.

Principle 13: INTERNAL AUDIT

The company should establish an effective internal audit function that is adequately resourced and independent of the activities it audits.

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 put in place a risk management framework which outlines all key risks of the Group as well as the recommended action plans in the strategic, operational, financial and treasury, information technology and compliance areas.

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

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 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. The audit work carried out by PwC is in accordance with the standards set by internationally recognised professional bodies including the Standards for the Professional Practice of Internal Auditing of the Institute of Internal Auditors. PwC has unfettered access to the AC, the Board and management as well as the Group's documents, records, properties and personnel. 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 management at least once a year. The AC also reviews the adequacy and effectiveness of the outsourced internal audit function annually.

The Board has reviewed the adequacy and effectiveness 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 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 opinion 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 2018.

The Board also received assurance from the Group Chief Executive Officer and the Group Chief Financial Officer that the financial records have been properly maintained and the financial statements for FY2018 give a true and fair view of the Company's operations and finances.

C. SHAREHOLDER RIGHTS AND RESPONSIBILITIES

Principle 14: SHAREHOLDER RIGHTS

Companies should treat all shareholders fairly and equitably, and should recognise, protect and facilitate the exercise of shareholders' rights, and continually review and update such governance arrangements.

CORPORATE **GOVERNANCE**

Principle 15: COMMUNICATION WITH SHAREHOLDERS

Companies should actively engage their shareholders and put in place an investor relations policy to promote regular, effective and fair communication with shareholders.

Principle 16: CONDUCT OF SHAREHOLDER MEETINGS

Companies should encourage greater shareholder participation at general meetings of shareholders, and allow shareholders the opportunity to communicate their views on various matters affecting the company.

The Company is committed to treating all shareholders fairly and equitably. The Company 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 interested investors immediately after each release of its quarterly financial 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. The Non-Executive Chairman, the chairpersons of the NC, RC and AC, and the external auditors were present at the last AGM, and will endeavor to be present at the 2019 AGM to assist the Directors in addressing queries raised by the shareholders. 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 up to two proxies to attend and vote on his/her behalf at general meetings. A shareholder who is a "relevant intermediary" may appoint more than two proxies each. 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.

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 shareholders upon request.

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.

The Board will work towards a stable payout with a steady growth when appropriate, subject to the successful implementation of the Group's business strategy and prevailing market conditions. For FY2018, the Board has recommended a final tax exempt (one-tier) dividend of 1.30 Singapore cents per ordinary share for approval of shareholders at the forthcoming AGM.

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. Interested person transactions were carried out on normal commercial terms and were not prejudicial to the interests of the Company and its minority shareholders. Interested person transactions entered into by the Group is submitted to the AC for review on a quarterly basis. Under the SGX-ST Listing Manual, where any interested person transaction requires shareholders' approval, the interested person will abstain from voting and the decision will be made by the other non-interested shareholders. When a potential conflict of interest arises, the Director concerned neither takes part in discussions nor exercises any influence over other members of the Board.

The AC reviewed interested person transactions entered into by the Group during FY2018. During FY2018, there were no interested person transactions with an aggregate value of S$100,000 and above, except for the following:

Name of interested person	Aggregate value of all interested person transactions entered into during the financial year under review (excluding transactions less than S$100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920 of the SGX-ST Listing Manual) (S$'000)	Aggregate value of all interested person transactions conducted under shareholders' mandate pursuant to Rule 920 of the SGX-ST Listing Manual (excluding transactions less than S$100,000) (S$'000)
Tai Tak Industries Pte. Ltd. ("TTIPL")[(1)] – Joint venture equity injection and shareholders' loans to FS Nieuw Holland Pte. Ltd. ("JVCo"), a joint venture entity in which each of TTIPL and the Group has a 50% shareholding interest	9,669[(2)]	Not applicable[(3)]

Notes:

(1) TTIPL is an indirect wholly-owned subsidiary of Tai Tak Estates Sendirian Berhad ("Tai Tak"), which is a controlling shareholder of the Company.

(2) The figure comprises the aggregate value of the equity injected by the Group into JVCo and the interest-free shareholders' loans extended by the Group to JVCo. Shareholders' loans were extended by TTIPL and the Group on an interest-free basis in proportion to their respective equity interest in the JVCo and on the same terms and conditions. These loans were subsequently fully capitalised into equity of JVCo. As announced by the Company on 26 October 2018, the participation by the Company in the JVCo constitutes an interested person transaction, which amount at risk (taken together with that of other transactions entered into with the Tai Tak group in FY2018) was less than 3% of the then latest audited net tangible assets of the Group.

(3) The Company does not have a general mandate from shareholders pursuant to Rule 920 of the SGX-ST Listing Manual.

The above interested person transaction was carried out on normal commercial terms and was not prejudicial to the interests of the Company and its minority shareholders.

CORPORATE **GOVERNANCE**

MATERIAL CONTRACTS

Other than as disclosed in the financial statements, there were no material contracts of the Company or its subsidiaries involving the interest of any director or controlling shareholder subsisting as at 31 December 2018.

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 results for each of the first three quarters of its financial year and one month before the announcement of the Company's full year financial results. 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.

Holiday Inn Express Chengdu Wenjiang Hotspring Hotel, Chengdu, PRC

SUSTAINABILITY **REPORT**

For the year ended 31 December 2018

Board Statement

The Board of Directors (the "Board") of First Sponsor Group Limited ("First Sponsor") is pleased to present the Group's Sustainability Report for the year ended 31 December 2018 ("FY2018"). Our second Sustainability Report demonstrates First Sponsor's continued commitment to sustainability and encapsulates the Group's approach to Environmental, Social and Governance ("ESG") performance and targets for FY2018. This report is aligned with the SGX-ST Listing Rules Practice Note 7.6: "Sustainability Reporting Guide" and is also prepared with reference to the Global Reporting Initiative ("GRI") Standards.

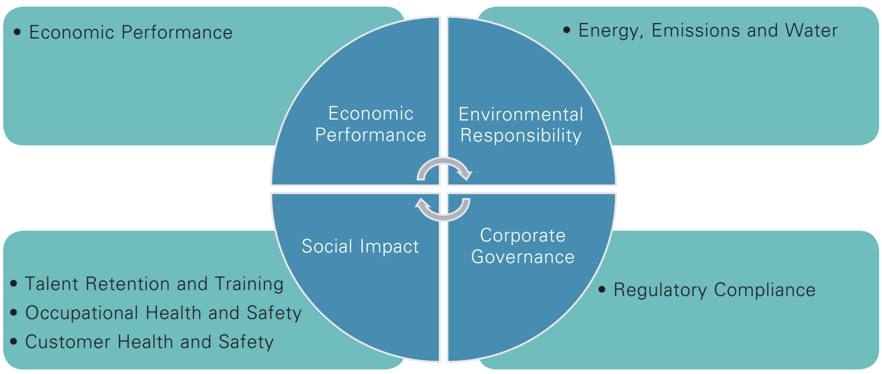
Over the years, First Sponsor has built up a diverse portfolio property across China, the Netherlands and Germany and grown our shareholders' funds from strength to strength. As part of its long-term strategy formulation, the Board oversees the direction of sustainability and considers sustainability issues.

In 2018, the Sustainability Steering Committee ("SSC"), formed by senior management reviewed and re-validated the material ESG factors selected in 2017 to best reflect the Group's sustainability priorities. These material factors fall into four areas of sustainability; namely Economic Performance, Environmental Responsibility, Social Impact and Corporate Governance.

Supported by the SSC, the Board continues to oversee the management of ESG risks and opportunities. The Board has approved the disclosure of sustainability performance and targets in this report. Going forward, the Board will continue to integrate sustainability into the Group's overall business strategy and goals by focusing on the areas where the Group can make the most impact. First Sponsor will publish the Sustainability Report annually to update our progress and achievements in sustainability.

Sustainability at First Sponsor

First Sponsor believes that sustainability considerations can contribute to our overall aim to provide quality products and services and become the preferred choice for customers and investors. First Sponsor has identified four priority areas of sustainability, which support the Group's business strategy and represent key risks and opportunities. These priority areas are underpinned by the six material ESG factors[1] as shown in the chart below.



By holistically managing these high-impact areas, First Sponsor can bring about positive environmental and social value for our employees, customers and investors alike.

1. **Economic Performance:** First Sponsor aspires to create stable, long-term and healthy economic returns for our investors and shareholders. The Group strives to stay relevant and competitive, capitalising on new growth opportunities.

[1] For more information on ESG factors, please refer to the "Materiality Review" section.

2. **Environmental Responsibility:** First Sponsor is committed to consuming responsibly and minimising our environmental footprint. The Group has adopted various resource-efficient practices to reduce our energy and water consumption, and carbon emissions.

3. **Social Impact:** As a responsible corporate citizen, First Sponsor strives to create a positive social impact. For our employees, First Sponsor seeks to create a rewarding, collaborative and inclusive working environment. The Group tailors training programmes to align with industry needs and to retain and develop the right talent for growth. First Sponsor is also committed to cultivating a strong safety culture to safeguard the health and safety of our employees and customers.

4. **Corporate Governance:** First Sponsor believes transparency and high ethical standards are essential for building stakeholder trust. First Sponsor exercises strong corporate governance to prevent corruption and monitor regulatory compliance. Robust corporate governance also lays the foundation for efficient management of ESG issues and upholds the Group's core values.

First Sponsor's consideration for ESG issues also extends to its business partners. When a third party service provider, such as a main contractor for project development or a hotel manager, is involved in delivering products and services, First Sponsor works closely with them to create synergy in our sustainability approach. For example, in our property holding business, First Sponsor partners with trusted hotel managers, such as Intercontinental Hotel Group ("IHG") and Hilton Worldwide Holding Inc. ("Hilton") to drive sustainability practices across our properties. These groups have their own high standards and committed approach to sustainability.

2018 at a Glance[2]

Material factors	Performance Highlights for FY2018	Target for FY2019
Economic Performance		
Economic Performance	Details of the financial performance in 2018 can be found in the Financial Review and the FY2018 Financial Statements section of this Annual Report.	
Environment Responsibility		
Energy, Emissions and Water	• Energy intensity at 124 kWh per occupied room • Greenhouse gas ("GHG") emissions intensity at 0.0500 tonnes of carbon dioxide equivalent per occupied room • Water intensity at 0.94 m^3 per occupied room	• Maintain or reduce current levels of energy and water intensity
Social Impact		
Talent Retention and Training	• 436 permanent employees • Female to male gender ratio at 1.24:1 • Average monthly new hires rate at 4.6% • Average monthly turnover rate at 4.2% • 100% eligible[3] permanent employees receiving regular performance review	• Provide performance review to all eligible employees

[2] For information on the scope of the performance highlights and targets, please refer to the "Reporting Scope" section of this report.
[3] Exclude permanent employees who were under traineeship programmes or probation.

SUSTAINABILITY **REPORT**

For the year ended 31 December 2018

Material factors	Performance Highlights for FY2018	Target for FY2019
Social Impact		
Occupational Health and Safety	• Zero workplace fatalities • Accident Frequency Rate (AFR) at 5.64 incidents per million man-hours worked • Accident Severity Rate (ASR) at 132 man-days lost per million man-hours worked	• Pass safety audits with no serious breaches reported • Maintain a safe workplace with zero work-related fatalities • Maintain zero cases of non-compliance concerning customer health and safety
Customer Health and Safety	• Zero cases of non-compliance concerning customer health and safety	
Corporate Governance		
Regulatory Compliance	• Zero confirmed incidents of corruption • Zero incidents of non-compliance with environmental and socio-economic laws and regulations	• Maintain zero incidents of confirmed corruption • Maintain zero non-compliance with all laws and regulations

About This Report

This Sustainability Report summarises First Sponsor's sustainability practices and performance from 1 January 2018 to 31 December 2018.

The report has been prepared in accordance with the requirements of SGX-ST Listing Rules Practice Note 7.6: "Sustainability Reporting Guide". The report also makes reference to the Global Reporting Initiative (GRI) Standards (2016), referencing the following topic-specific disclosures:

- Disclosure 205-3 from GRI 205: Anti-corruption
- Disclosure 302-1 and 302-3 from GRI 302: Energy 2016
- Disclosure 303-1 GRI 303: Water 2016
- Disclosure 305-1, 305-2, 305-4 from GRI 305: Emissions 2016
- Disclosure 307-1 from GRI 307: Environmental Compliance 2016
- Disclosure 401-1 from GRI 401: Employment 2016
- Disclosure 403-2 (a) from GRI 403: Occupational Health and Safety 2016
- Disclosure 404-3 from GRI 404: Training and Education 2016
- Disclosure 416-2 from GRI: Customer Health and Safety 2016
- Disclosure 419-1 from GRI 419: Socioeconomic Compliance 2016

No external assurance has been sought for this report. Please forward any enquiries or feedback to ir@1st-sponsor.com.sg.

Reporting Scope

The report covers the listed entity, First Sponsor[4], and three hotels from the Group's property holding business, namely, Crowne Plaza Chengdu Wenjiang Hotel, Holiday Inn Express Chengdu Wenjiang Hotspring Hotel in China (hereafter referred together as "Wenjiang Hotels[5]"), as well as Hilton Rotterdam Hotel[6] ("Hilton Rotterdam") in the Netherlands. Unless otherwise specified, the practices, performance, and targets disclosed in this report apply to the same aforementioned reporting scope.

4 Refers to the Singapore branch office of First Sponsor, which is also the corporate headquarters of the Group.
5 The Wenjiang Hotels are jointly managed by IHG.
6 The Hilton Rotterdam Hotel under the management of Hilton was acquired by an associated company of the Group in January 2018 and leased by the Group since 1 February 2018. This is the first year for the Hilton Rotterdam Hotel to be included as part of First Sponsor's sustainability reporting scope.

As the corporate headquarters consumes an insignificant amount of environmental resources, the "Energy, Emissions and Water" section of this report focuses on the three above-mentioned hotels only, with qualitative case studies on property development projects. All environmental data excludes tenant consumption. Compared to the Sustainability Report for FY2017, M Hotel Chengdu has been removed from the reporting scope due to the cessation of its operations in July 2018.

Stakeholder Engagement

Stakeholder engagement communicates expectations and supports improvement in sustainability practices. The following table summarises how First Sponsor has interacted with our key stakeholders.

Key stakeholders	Main objective	Engagement methods	Frequency
Shareholders and investors	To disseminate accurate and timely information on the Group's progress and direction	• Release of financial results, announcements, annual reports, press releases, and other relevant disclosures through SGXNET and First Sponsor's website • Updates through one-on-one/ group meetings and investor roadshows • Annual General Meeting and Extraordinary General Meeting (where necessary)	• Throughout the year • Throughout the year • Once a year
Tenants and guests	To understand expectations and improve satisfaction	• Tenant engagement activities (where applicable) • Informal gatherings and networking sessions • Management circulars and notices	• Throughout the year
Employees	To create a safe, inclusive and rewarding working environment to sustain employee morale	• Training and development programmes • Formal and informal feedback channels for employees • Recreational and team building activities	• Throughout the year
Analysts and the media	To make announcements and gain feedback	• Analysts' briefings for quarterly and full-year results, conducted by senior management • Updates through one-on-one/ group meetings	• Quarterly
Government and regulators	To comply with relevant laws and regulations	• Industry networking (where applicable) • Annual regulatory audits (where applicable)	• Throughout the year

SUSTAINABILITY **REPORT**

For the year ended 31 December 2018

Materiality Review

In 2018, SSC reviewed the material ESG factors as selected in 2017. The review process was guided by the GRI Principles of Materiality and Stakeholder Engagement, and considered the following aspects:

- Global and local emerging sustainability trends;
- Industrial hot topics and future challenges for the real estate and hospitality sector, as identified by peers;
- Insights gained from interactions with internal and external stakeholders; and
- First Sponsor's sustainability focuses and priorities for FY2018.

The SSC concluded that the material factors identified in Sustainability Report 2017 ("SR2017") continue to be relevant to First Sponsor's business and stakeholders. First Sponsor's material factors remain unchanged.

Energy, Emissions and Water

The hospitality industry is moving towards greater environmental sustainability. Green practices are a way to appeal to a growing number of sustainability-conscious guests. First Sponsor strives to reduce energy consumption and greenhouse gas emissions in line with the global agenda to mitigate global climate change. At the same time, the Group recognises water is a scarce resource and aims to reduce our water consumption.

The hotels place great importance on consuming responsibly. Guided by global standards set by IHG and Hilton, the hotels have established respective resource management frameworks to better manage and monitor resource consumption. These frameworks set out the structure of an Energy Committee to govern and champion conservation of water and energy, as well as other environmental causes such as supply chain management and waste reduction. The Energy Committee closely tracks and monitors energy and water consumption. To encourage the best environmental practices, the environmental performance of the hotels are compared with other IHG or Hilton peers. Good performance is recognised by the various energy saving reward mechanisms. In Hilton Rotterdam, the LightStay system, certified under internationally-recognised standards ISO 9001 Quality Management, 14001 Environmental Management and ISO 50001 Energy Management, helps to measure and monitor the environmental and social impact of the hotel. During Earth Week 2018, Hilton Rotterdam celebrated its achievement in sustainability as captured by LightStay with its employees and the local community.

More about LightStay

LightStay is a proprietary sustainability data management system used across Hilton hotels worldwide, to measure its environmental impact (energy, carbon emissions, water and waste etc.), as well as social impact (volunteering hours, communities impacted, donations, and local partnerships etc.). LightStay provides peer benchmarking tools that allow properties to compare their own performance with peers. It also features a Meeting Impact Calculator that calculates the sustainability impact of meetings or conferences, thus, raising awareness among guests. Annually, Hilton commissions third-party audits of LightStay and its compliance with ISO standards.

During the year, the hotels put into place various initiatives to improve resource efficiency, including:

- Utilising energy-efficient features such as LED lights and motion sensors for light switches
- Utilising water-efficient fittings such as water aerators and controlled water valve systems
- Optimising lighting schedule to maximise utilisation of day light and reduce wastage
- Customising indoor temperature based on needs through the HVAC (heating, ventilation and air conditioning) system
- (Wenjiang Hotels) closing down the escalator and only operating lifts during the night
- (Wenjiang Hotels) sourcing environmentally-friendly materials for maintenance and repairs
- (Hilton Rotterdam) evaluating potential suppliers in the tender process based on their environmental policies

- (Hilton Rotterdam) removing all plastic straws and plastic disposable water bottles in its operations
- Utilising Building Management System ("BMS") for real-time control and monitoring of electrical and water usage

Smart buildings: Automated Building Management System ("BMS")
Across its hotels mentioned in this report, First Sponsor has installed the computer based BMS to control and monitor the building's mechanical and electrical equipment, such as the HVAC system, hot and cold water supply, as well as the drainage system. For example, through the BMS, the hotel manager is able to obtain real-time updates on the operation status of all boilers within the premise. The hotels have also installed sub-meters for electricity, water and gas to offer greater visibility of the consumption breakdown, helping to identify equipment defects and specific areas for improvement.

To inspire a sense of ownership on environmental sustainability among employees, the hotels incorporated environmental education as part of the formal training for employees and organised various activities to raise awareness on environmental issues. In 2018, Hilton Rotterdam introduced the "Clean Your Plate" initiative to champion the reduction of food waste. The operator of its employee canteen planned ahead to offer zero-waste menus. During the event, rubbish bins were removed and employees were encouraged to only take food portions that they could finish. This initiative raised environmental awareness and encouraged a positive behavioural change, as demonstrated by post-event feedback shown below.

Team Members have said:

"This event has raised my awareness of food wastage. I didn't notice I have so much leftovers on my plate!"

"Encourages our Chefs to create more innovative and healthy dishes"

"Feels like we are saving the earth!"

"Today's lunch is very different and delicious, this activity is very meaningful, we do enjoy it very much!"

In its property development business, the Group is equally committed to promoting environmental sustainability. One example is the renovation of the Munthof office building, located in the heart of Amsterdam. The Group was not required to conform to energy efficiency requirements under Dutch Law for the building as it is a monumental building. Nonetheless, the Group went the extra mile to fit energy efficient installations, such as high-efficiency lighting and VRF climate systems as part of the redevelopment project, thus improving the energy rating of the building from C-Label to A-Label. Charging points for electric cars were also added into the car park to facilitate low-carbon transport. The Munthof building is expected to achieve a 4-star rating (Excellent) in the BREEAM In-use Scheme upon completion[7].

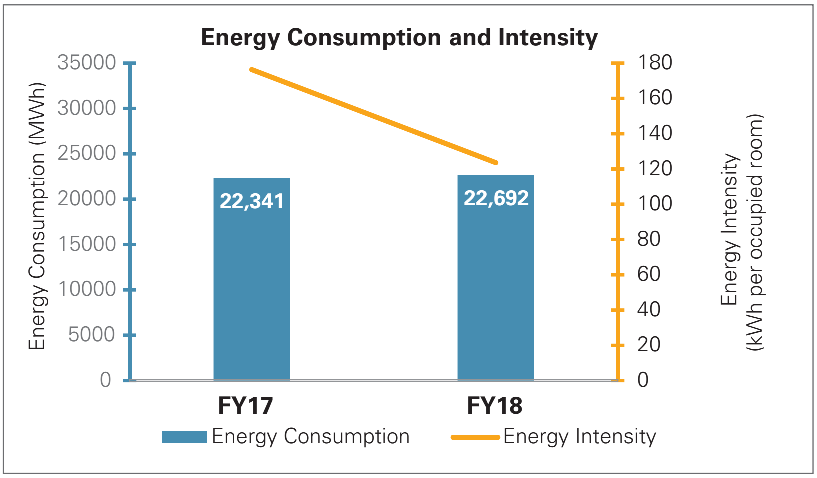
Similarly, First Sponsor has also incorporated the concept of resource efficiency into the redevelopment of the Oliphant office building in Amsterdam. Set to achieve a 3-star rating (Very Good) in the BREEAM-NL Scheme[8], the building has been fitted with a range of environmentally friendly features, including insulated facades and roofs, energy-efficient LED lighting and lifts, an electric car and bicycle friendly car park, as well as an efficient climate system controlled by an automated BMS. Moreover, sustainable wood materials, certified by Forest Stewardship Council (FSC) under the Chain of Custody (CoC) Programme, were used in the construction. Construction waste were also sorted and recycled, where possible. The completed Oliphant building will offer modern office spaces with the best-in-class interior climate control and flexible operations.

7 The final assessment result is expected to be released by the end of April 2019.
8 The final assessment result is expected to be released by the end of 2019.

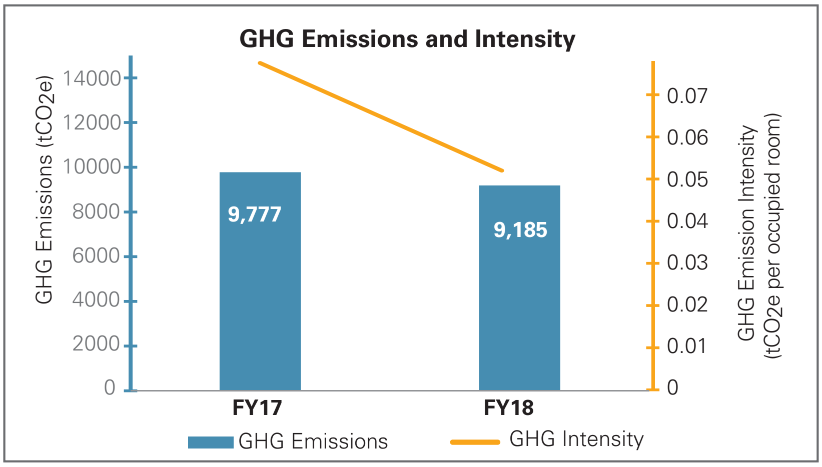
SUSTAINABILITY **REPORT**

For the year ended 31 December 2018

In 2018, the Group's total energy consumption amounted to 22,692 mega-watt hours ("MWh"), a slight increase from 22,341 MWh[9] in 2017[10]. This increase corresponded with a significant increase in the number of occupied rooms and thus higher levels of business activities. However, the energy intensity actually decreased by 30% from 176 kWh per occupied room in 2017 to 124 kWh per occupied room in 2018.



The Group's greenhouse gas ("GHG") emissions decreased 6% from 9,777 tonnes of carbon dioxide equivalent (tCO_2e) in 2017 to 9,185 tCO_2e in 2018[10] and its GHG emission intensity decreased 35% from 0.0772 tCO_2e per occupied room to 0.0500 tCO_2e per occupied room, respectively[11]. The significant decrease in GHG emission intensity was consistent with a decrease in energy intensity and the lower grid emission factor in the Netherlands arising from the change in reporting scope.

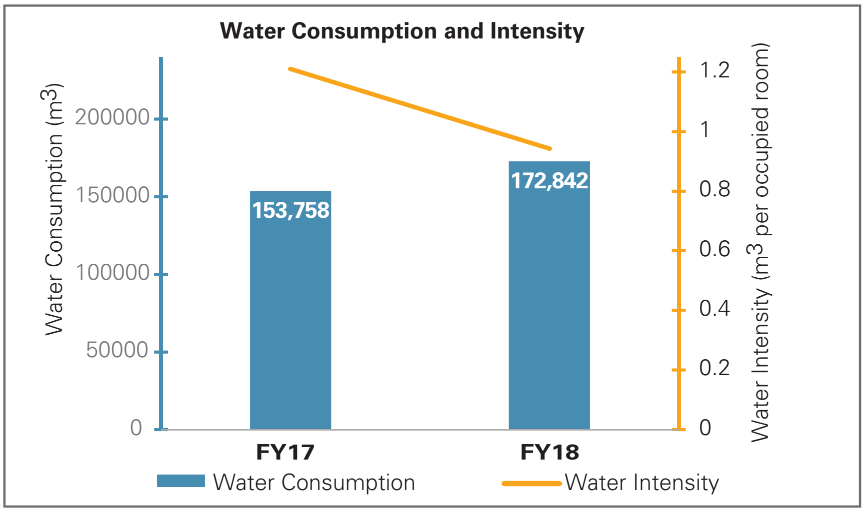


9 In SR2017, energy consumption was presented separately as electricity consumption in megawatt-hours (MWh) and gas consumption in cubic metres (m^3), with different units. The total energy consumption for 2017 disclosed here was the sum of electricity and gas consumption, using a common unit of MWh. Conversion factors was referenced from IPCC 2006.

10 Due to the scope change, the environmental performance of 2017 and 2018 is not directly comparable and should be interpreted with this consideration in mind. For details of scope change, please refer to the "Reporting Scope" section of this report.

11 The emission factors were referenced from Regional Grid Emission Factor Report 2015 by National Development and Reform Commissions of China (NDRC), The Emission Factors by Covenant of Mayors (EU-27), Emission Factors from Stationary Combustion Tools by Greenhouse Gas Protocol (2015) and 2018 List of CO_2 Emission Factors of Netherlands jointly developed by Ministry of Infrastructure and Water Management (Netherlands) and partners. GHG emissions and GHG intensity for 2017 were adjusted from SR2017 numbers due to updates on grid emission factors.

The municipal water consumption has increased 12% from 153,758 m^3 in 2017 to 172,842 m^3 in 2018. Similar to energy consumption, this increase can be attributed to a higher number of occupied rooms. When considering the amount of water used per occupied room, there was, in fact, a 22% decrease in water intensity from 1.21 m^3 per occupied room in 2017 to 0.94 m^3 per occupied room in 2018. We are pleased to report that First Sponsor has achieved its environmental targets for 2018, which is to maintain or reduce energy and water intensity based on 2017 levels.



Going forward, First Sponsor will continue its efforts to improve environmental efficiency. In FY2019, First Sponsor aims to maintain or reduce current levels of energy and water intensity.

Talent Retention and Training

First Sponsor takes pride in our workforce. The Group recognises that retaining and investing in the development of our human capital is the key to high-quality products and services. First Sponsor's human resource policies are grounded in equal opportunities and fair employment practices.

First Sponsor seeks to maintain a diverse workforce. All qualified candidates are considered for employment without discrimination of gender, age, ethnicity, religion and national origin. Compensation is objectively determined based on position, competency and performance, and in the case of the Netherlands, the Collective Labour Agreement too, where applicable. In Hilton Rotterdam, all key personnel are required to attend training on "Diversity and Inclusion" to integrate these values into the daily operations of the hotel. As at 31 December 2018, the corporate headquarters office and the three hotels have a total of 436 permanent employees. We have achieved a higher female representation in our workforce, with a gender ratio of females to males at 1.24 to 1. The charts below provide a quantitative measure of employee diversity.

FY2018 Workforce

By Location
China: 316
The Netherlands: 102
Singapore: 18

By Gender
Female: 241
Male: 195

By Age Group
<30 years old: 206
30 – 50 years old: 203
> 50 years old: 27

SUSTAINABILITY **REPORT**

For the year ended 31 December 2018

First Sponsor promotes open and two-way communications between employees and management. Employees can voice concerns and expectations through various communication channels, including a monthly lunch with the General Manager and quarterly town hall meetings in the Wenjiang Hotels, as well as employee forums in Hilton Rotterdam. Employee surveys are also held in both hotels at least once a year. In turn, management teams strive to address issues raised to improve employee satisfaction.

In 2018, the average monthly new hires rate for permanent employees was 4.6%. The average monthly turnover rate for permanent employees was 4.2%. The table below provides a breakdown of new employee hires and turnover by age, gender and region.

FY2018	Monthly new hires rate	Monthly turnover rate
By age group		
< 30 years old	6.7%	5.9%
30 – 50 years old	2.8%	2.8%
> 50 years old	1.9%	1.2%
By gender		
Male	4.4%	4.5%
Female	4.7%	3.9%
By region		
China	4.9%	4.7%
The Netherlands	4.1%	3.4%
Singapore	1.4%	0%
Overall		
Overall	4.6%	4.2%

In our effort to continually develop the workforce, First Sponsor provides training and development programmes to cater to the learning needs of our employees. The learning programmes cover a wide range of topics, both professionally and personally, such as new employee orientation, personal grooming, time management, job-specific skills and leadership skills. Employees are also encouraged to conduct cross trainings with other departments to improve interpersonal skills and encourage interdepartmental cooperation. In 2018, Wenjiang Hotels and First Sponsor's corporate office[12] have achieved an average of 46 hours of training per employee, exceeding the target of 40 hours of training per employee set for the year.

"Women at Hilton" programme

Hilton Rotterdam participated in the "Women at Hilton" programme, which aims to nurture female talent in management positions. Under the mentorship of the General Manager, an external career coach was appointed as the change agent, who would support the nominated candidate to develop a personalised career development plan and identify development opportunities. In 2018, 2 female employees from Hilton Rotterdam were enrolled in this programme and benefited from career coaching.

[12] Training hours from Hilton Rotterdam is not reported due to unavailability of data.

To support long-term career development, First Sponsor offers regular performance reviews to communicate employees' performance and career goals. The review provides feedback on areas of improvement and communicates decisions such as bonus, promotion and internal transfers. It also helps to evaluate employees' progress towards their career goals and identify needs for skill upgrades. In 2018, 100% of eligible[13] permanent employees have received at least one performance review in the three aforementioned hotels and First Sponsor corporate office.

Going forward, First Sponsor will stay committed to maintaining a positive and engaging working environment for our staff. In FY2019, First Sponsor targets to conduct performance reviews for all eligible permanent employees.

Health and Safety

First Sponsor recognises our responsibility to provide a safe and healthy environment for our employees, tenants, customers and all other building users. The Group continuously identifies potential safety hazards and implements precautions to minimise the risks.

First Sponsor is committed to ensuring that safety risks are properly identified and mitigated, wherever possible. As part of the management system, the hotels have established their respective Workplace Safety and Health (WSH) Policy. The policy sets out a chain of command and accountability regarding health and safety issues. Safety personnel assess the physical, environmental and safety practices to identify areas of high risks. Corresponding preventive or corrective action plans are developed to address identified risks. To improve transparency and accountability, First Sponsor also provides communication channels across all levels to gather feedback on safety and health-related issues. On an annual basis, internal and/or external safety audits are conducted in all three hotels. For example, Hilton Rotterdam conducts a third-party Risk Inventory Assessment ("RIA"), while the Wenjiang Hotels conducts an annual on-site fire audit.

The Group aims to inculcate a safety culture among our employees through training and education. Employees are required to undergo compulsory safety training prior to the commencement of their work, during which they are trained to exercise safety precautions and administer necessary personal protective equipment.

Promote employee wellness – "Thrive@Hilton": a healthy body, mind and spirit

In line with the Group's aspiration to promote employee wellness, Hilton Rotterdam has introduced a quarterly chair massage session for all employees and purchased ergonomic computer mice for all administrative employees. Meanwhile, the hotel launched the "Eat Well" programme, to provide employees with healthy and nutritious workplace meals. The hotel has also appointed an external sick leave expert ("ARGO") to reduce sick leave and facilitate the reintegration of employees returning from prolonged sick leave.

First Sponsor is also committed to protecting the health and safety of customers. The hotels have established standard operating procedures ("SOPs") and contingency plans to prevent and minimise safety hazards. Proper alert systems have been put into place in the hotels. The systems enable any crisis to be escalated promptly to the appropriate personnel and facilitate follow-up on the situation. To enhance emergency preparedness, the hotels conduct regular fire drills, so that employees are properly trained to facilitate a safe evacuation for all. Firefighting equipment is inspected and maintained regularly in line with local laws and regulation. Necessary First Aid training is also provided to the team so that employees can provide necessary assistance to guests in need.

In the Wenjiang Hotels, the Food Safety Management System ("FSMS") is updated regularly to follow the latest IHG Group requirements. The FSMS manager is directly accountable to the Executive Office. Every six months, the FSMS manager leads a drill on foodborne illness response, to reinforce the SOPs in handling food safety emergencies. In Hilton Rotterdam, all employees involved in the food service line have been trained on HACCP (Hazard Analysis and Critical Control Points) food hygiene procedures and are re-trained regularly.

[13] Exclude permanent employees who were under traineeship programmes or probation.

SUSTAINABILITY **REPORT**

For the year ended 31 December 2018

Enhancing the security of guests and their property is another key focus area. The entrance and exit of personnel are tightly controlled by the security team. The hotel premises are also under camera surveillance. In Hilton Rotterdam, burglary alarms are placed across key locations in the hotel, with a direct connection to the local police station.

In 2018, across the Singapore corporate office and the three hotels, there were zero workplace fatalities. There was no incident of non-compliance with laws and regulations concerning the health and safety of guests, tenants and building users which resulted in a fine, penalty or warning. Thus, First Sponsor is pleased to report that we have achieved our target on occupational and customer health and safety set in SR2017. In 2018, the Accident Frequency Rate (AFR) for permanent employees was 5.64[14] and Accident Severity Rate was 132[15]. The year on year comparison of safety data is shown in the table below[16]. The high ASR rate in 2018 was largely due to a slip-and-fall accident in Hilton Rotterdam, during which an employee slipped and fell on a wet floor and broke her shoulder. The management in Hilton Rotterdam took this accident seriously. Since the incident, Hilton Rotterdam has reviewed the case and implemented appropriate safety measures to prevent future incidents of a similar nature. For example, anti-slip mats were installed in the area. Employees were also given safety shoes when cleaning and were reminded to put up the "Wet Floor" sign whenever applicable.

	2017	2018
Number of Workplace Fatalities *Number of workplace deaths*	0	0
Accident Frequency Rate (AFR) *Number of lost-time injuries per million man-hours worked*	8.86	5.64
Accident Severity Rate (ASR) *Number of lost days per million man-hours worked*	103	132
Number of non-compliance cases concerning health and safety of customers	0	0

Going forward, First Sponsor will stay committed to promoting occupational and customer health and safety, targeting to pass safety audits with no serious breaches reported. In 2019, First Sponsor aims to maintain a safe workplace with zero work-related fatalities and maintain zero cases of non-compliance concerning customer health and safety.

Regulatory Compliance

First Sponsor is committed to upholding a high level of business ethics and adhering to relevant laws and regulations. First Sponsor does not condone any form of corruption. The Employee Code of Conduct directs employees on issues like the prohibition of bribery, acceptance of lavish gifts and entertainment, as well as independence issues. All new hires are required to go through a mandatory induction programme on anti-corruption related policies and procedures. As part of the monitoring and assurance procedure, First Sponsor has established a whistleblowing channel for employees to report any suspected violation without the fear of reprisals. Any concerns raised would effect a careful investigation or an internal audit.

14 As per definition of Ministry of Manpower (MOM) of Singapore, Accident Frequency Rate $= \frac{\text{Number of Reportable Injuries}}{\text{Number of Man-hours Worked}} \times 1{,}000{,}000$.
A reportable injury is any workplace or work-related traffic injury that results in at least 24 hours of hospitalisation or more than 3 days of MC due to a single work-related accident (whether consecutive or not).

15 Accident Severity Rate (as per Ministry of Manpower of Singapore) $= \frac{\text{Number of Lost Days}}{\text{Number of Man-hours Worked}} \times 1{,}000{,}000$
A lost day is a day of medical leave as a result of a lost-time injury.

16 Due to the scope change, the health and safety performance of 2017 and 2018 is not directly comparable and should be interpreted with this consideration in mind. For details of scope change, please refer to the "Reporting Scope" section of this report.

First Sponsor actively identifies and manages regulatory risks. The Group adheres to relevant environmental and other laws concerning issues like effluents and waste, environmental reporting requirements, labour practices, health and safety and customer privacy. First Sponsor conforms to all the required audit requirements to demonstrate compliance. For example, in 2018, Hilton Rotterdam has passed spot checks by the Ministry of Social Affairs and Employment regarding labour conditions and practices, with no breaches found.

The management team monitors changes to the applicable laws and regulations. First Sponsor's internal risk management policies and employee communications are updated accordingly to keep abreast of regulatory changes. On an annual basis, all key personnel are required to complete mandatory training on relevant policies and laws where applicable, such as the ones listed below:

- Anti-Corruption Policy
- Employee Code of Conduct
- Legal Compliance Policy
- Trade Secrets, Anti-trust and Competition Policy
- Information Privacy and Security Policy
- Trade Sanctions in EMEA (Europe, the Middle East and Africa) and APEC (Asia-Pacific Economic Cooperation) (applicable to Hilton Rotterdam only)
- European Union's General Data Protection Regulation (applicable for Hilton Rotterdam only)

In 2018, regarding the Group's Singapore operations and the operations in the three hotels, there were no confirmed incidence of corruption. First Sponsor has also fulfilled our target of achieving zero incidents of non-compliance with environmental and socio-economic laws and regulations which resulted in significant fines or sanctions.

In the coming year, the Group targets to uphold the same high standard of conduct and to stay tuned for substantial new areas of law. First Sponsor aims to maintain zero incidences of confirmed corruption and zero non-compliance with environmental and social-economic laws and regulations in 2019.

Bilderberg Kasteel Vaalsbroek,
Vaals, the Netherlands

FINANCIAL **REVIEW**

PROPERTY DEVELOPMENT

Revenue from sale of properties decreased by S$168.7 million or 54.8% from S$308.1 million in FY2017 to S$139.4 million in FY2018. This decrease was due mainly to the recognition of revenue from fewer residential and commercial units in the Chengdu Millennium Waterfront project. Property development revenue for FY2018 was mainly generated by the recognition of sales from 647 residential units, 71 commercial units and 976 car park lots of the Chengdu Millennium Waterfront project (FY2017: 2,353 residential units, 93 commercial units and 213 car park lots).

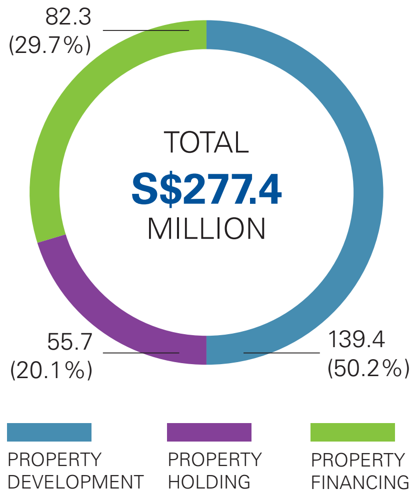
PROPERTY HOLDING

Revenue from the property holding segment almost doubled from S$28.5 million in FY2017 to S$55.7 million in FY2018. This growth was due mainly to the S$19.3 million revenue contribution from the 24.7%-owned Hilton Rotterdam hotel leased by the Group since February 2018. The Crowne Plaza Chengdu Wenjiang, Holiday Inn Express Chengdu Wenjiang Hotspring hotels, and the adjoining hotspring operations which opened in late October 2017 also contributed partially to the revenue growth for the year.

PROPERTY FINANCING

Property financing revenue increased by S$34.5 million or 72.3% from S$47.8 million in FY2017 to S$82.3 million in FY2018, underpinned by the full year effect of loans disbursed in the prior year, new loans disbursed to associates for property acquisitions and the strong demand for credit in the PRC. The average PRC property financing loan book has more than doubled for FY2018. The property financing segment has overtaken the property development business segment as the largest profit contributor for the Group in FY2018, accounting for 45.7% of the Group's gross profit. This is despite a decline in recognition of net penalty interest income from the successful enforcement action on the defaulted PRC loans to S$12.9 million (2017: S$26.4 million). The PRC property financing loan book stood at a record RMB2.8 billion as at 31 December 2018.

FY2018 Revenue by Segment (S$'million)



PROFIT BEFORE TAX

During the financial year, the Group recorded a profit before tax of S$144.5 million, an increase of S$23.3 million or 19.2% compared to S$121.2 million in FY2017.

The growth was largely due to the better performing property holding and property financing business segments as compared to the prior year. The increase was also contributed by higher share of profits from associates and joint venture companies, fair value gain on other investments (equity investments at fair value through profit or loss), investment properties and fair value gain on derivative assets/liabilities net of foreign exchange loss of S$5.5 million, S$12.9 million and S$4.6 million respectively. This was partially offset by the impairment loss on the Wenjiang hotspring operations and write-down on unsold car park lots in the Chengdu Cityspring project of S$14.1 million and S$3.2 million respectively.

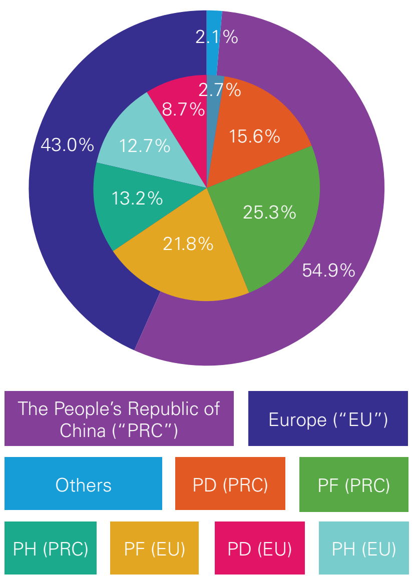
TOTAL ASSET COMPOSITION

The Group's consolidated assets increased by S$275.3 million or 13.1% from S$2,106.5 million in FY2017 to S$2,381.8 million in FY2018.

Since 2015, the Group has progressively acquired and holds interests in various properties (including hotels) in key cities in the Netherlands (such as Amsterdam, Rotterdam, Utrecht and The Hague) and Germany. As at 31 December 2018, the Group owned interests in 28 properties in Europe which contributed 43.0% to the Group's gross assets as at 31 December 2018 compared to 38.6% at the end of the prior financial year. The property holding and property financing segments contributed approximately two thirds in aggregate to the Group's total assets as at 31 December 2018.

Total Assets – by Business and Geographic Segments as at 31 December 2018

S$2,381.8
MILLION



PD: PROPERTY DEVELOPMENT
PF: PROPERTY FINANCING
PH: PROPERTY HOLDING

Based on artist's impression of Munthof, Amsterdam, the Netherlands

MAJOR **PROPERTIES**

As at 31 December 2018

	Effective Group Interest (%)	Title/Year of Expiry of Land Use Rights	Approximate Lettable Floor Area (sq m)[(1)]
INVESTMENT PROPERTIES			
1) Arena Towers (Holiday Inn Amsterdam/Holiday Inn Express Amsterdam Hotels) Hoogoorddreef 66 and 68, Amsterdam, the Netherlands. Comprising 443 hotel rooms in aggregate, and 509 car park lots.	100	Perpetual leasehold interest with ground rent paid until year 2053	17,396
2) Poortgebouw Property 3rd floor up to and including the 9th floor of the Poortgebouw Hoog Catharijne Catharijne Esplanade 13, 3511WK Utrecht, the Netherlands. Expected to comprise two hotels with 320 hotel rooms in total on completion.	100	Leasehold interest to year 2069	11,604
3) Le Méridien Frankfurt Wiesenhüttenplatz 28, 30, 32 and Wiesenhüttenstrateße 36-38 Frankfurt am Main, 60329, Germany Comprising 300 hotel rooms and suites and 48 car park lots.	50	Freehold	15,602
4) Mondriaan Tower Amstelplein 6 and 8, Amsterdam, the Netherlands. Comprising office space and 241 car park lots.	33	Freehold	24,796
5) Zuiderhof I Jachthavenweg 121, Amsterdam, the Netherlands. Comprising office space, archive space and 111 car park lots.	33	Perpetual leasehold interest with ground rent paid until year 2050	12,538
6) Munthof Reguliersdwarsstraat 50 – 64, Amsterdam, the Netherlands. Comprising mainly office space and 57 car park lots.	33	Freehold	3,355
7) Herengracht 21 Property situated at Herengracht 21, The Hague, the Netherlands. Comprising office space.	33	Freehold	473
			85,764

MAJOR **PROPERTIES**

As at 31 December 2018

	Effective Group Interest (%)	Title/Year of Expiry of Land Use Rights	Approximate Gross Floor Area (sq m)(2)
HOTELS(3)			
1) 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, and a hotspring facility.	100	Leasehold interest to year 2051	81,041
2) Bilderberg Garden Hotel Amsterdam Dijsselhofplantsoen 7, 1077 BJ, Amsterdam, the Netherlands. Comprising 124 hotel rooms and suites.	31.4	Perpetual leasehold interest with ground rent paid until year 2020	6,920
3) Bilderberg Parkhotel Rotterdam Westersingel 70, 3015 LB, Rotterdam, the Netherlands. Comprising 189 hotel rooms and suites.	31.4	Freehold	12,875
4) Bilderberg Europa Hotel Scheveningen Zwolsestraat 2, 2587 VJ, The Hague, the Netherlands. Comprising 174 hotel rooms and suites.	31.4	Temporary leasehold interest with ground rent paid until year 2026	9,950
5) Bilderberg Kasteel Vaalsbroek Vaalsbroek 1, 6291 NH, Vaals, the Netherlands. Comprising 130 hotel rooms and suites.	31.4	Freehold	16,270
6) Hotel de Bilderberg Utrechtseweg 261, 6862 AK, Oosterbeek, the Netherlands. Comprising 146 hotel rooms and suites.	31.4	Freehold	12,685
7) Bilderberg Hotel De Keizerskroon Koningstraat 7, 7315 HR, Apeldoorn, the Netherlands. Comprising 93 hotel rooms and suites.	31.4	Freehold	7,588
8) Bilderberg Hotel 't Speulderbos Speulderbosweg 54, 3886 AP, Garderen, the Netherlands. Comprising 102 hotel rooms and suites.	31.4	Freehold	10,150
9) Bilderberg Résidence Groot Heideborgh Hogesteeg 50, 3886 MA, Garderen, the Netherlands. Comprising 84 hotel rooms and suites.	31.4	Freehold	7,530
10) Bilderberg Grand Hotel Wientjes Stationsweg 7, 8011 CZ, Zwolle, the Netherlands. Comprising 57 hotel rooms and suites.	31.4	Freehold	4,087
11) Bilderberg Hotel De Bovenste Molen Bovenste Molenweg 12, 5912 TV, Venlo, the Netherlands. Comprising 82 hotel rooms and suites.	31.4	Freehold	6,575
12) Bilderberg Château Holtmühle Kasteellaan 10, 5932 AG, Tegelen, the Netherlands. Comprising 66 hotel rooms and suites.	31.4	Freehold	5,600
13) Hilton Rotterdam Weena 10, 3012 CM, Rotterdam, the Netherlands Comprising 254 hotel rooms and suites	24.7	Freehold	21,000
			202,271

MAJOR **PROPERTIES**

As at 31 December 2018

	Effective Group Interest (%)	Title/Year of Expiry of Land Use Rights	Project Construction Commencement Date	Expected Project Handover/ Completion 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 D** (partially completed and handed over) Comprising 53 commercial units and 566 underground car park lots.	100	Leasehold interest to year 2051	October 2016	Handover in phases from 4Q2018	32,198	7,470
b) **Plots E & F** Expected to comprise elderly care living quarters, a hospital and ancillary commercial facilities.	100	Leasehold interest to year 2051	February 2018	–[4]	48,237	534,409
2) Meerparc Amstelveenseweg 638-730, Amsterdam, the Netherlands. Comprising majority apartment rights corresponding to approximately 12,200 sq m of office space, 4,952 sq m retail/commercial space and 224 car park lots. Excludes the remaining 438 sq m of retail/commercial space and 9 car park lots which are owned by third parties.	100	Apartment rights (parcel of land involved: freehold)	Under planning	–[4]	9,744	–[4]
3) Oliphant Haaksbergweg 4-98 (even numbers), Amsterdam, the Netherlands. Expected to comprise office space and over 200 car park lots.	100	Perpetual leasehold interest with ground rent paid until year 2040	June 2017	February 2019	7,910	25,955
4) Dreeftoren Haaksbergweg 3-73 (odd numbers), Amsterdam, the Netherlands. Comprising office space and 207 car park lots.	100	Perpetual leasehold interest with ground rent paid until year 2039	Under planning	–[4]	5,740	–[4]
5) The Terraced Tower Boompjes 55 and 57, Rotterdam, the Netherlands. Expected to comprise 340 residential units, retail spaces and 212 car park lots.	33	Freehold	October 2017	Expected to be in 2020	1,220	39,539
6) 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, amidst a rich green landscape and 627 car park lots.	33	Freehold	Under planning	–[4]	415,799	–[4]
7) Star of East River Project Located in Wanjiang District and Nancheng District, Dongguan, Guangdong Province, PRC. Expected to have approximately 1,221 residential units, 2,328 SOHO apartment units, 178,000 sq m of commercial space and 1,157 underground car park lots.	30	Leasehold interest to years 2054 to 2055 (commercial); and years 2084 to 2085 (residential)	April 2017	Handover in phases from January 2019	49,136	367,726
8) Emerald of the Orient Project Located in Nancheng District, Dongguan, Guangdong Province, PRC. Comprising 168 villas and 1,076 residential units for sale and lease as well as approximately 89,500 sqm of office space, residential units, a kindergarten and other general amenities to be built for the municipal as per the land tender conditions.	20.4	Leasehold interest to years 2058 (commercial); and years 2088 (residential)	October 2018	End of 2020	67,477	235,876
					637,461	1,210,975

Notes:
1. Lettable floor area excludes car park space.
2. Gross floor area ("GFA") excludes underground GFA and/or car park area.
3. Comprises hotels owned and operated by the Group.
4. Yet to be ascertained as the development plan relating to this project is currently in the preliminary stage.

MILLENNIUM WATERFRONT PROJECT IN CHENGDU, PRC

Plot A

- 2,000 residential units, 118 commercial units and 1,722 car park lots
- % of total saleable GFA launched for sale sold(1):
  - Residential: 100%
  - Commercial: 80.1%
- Cumulative handover of 2,000 residential and 90 commercial units as at 31 December 2018

Plot B

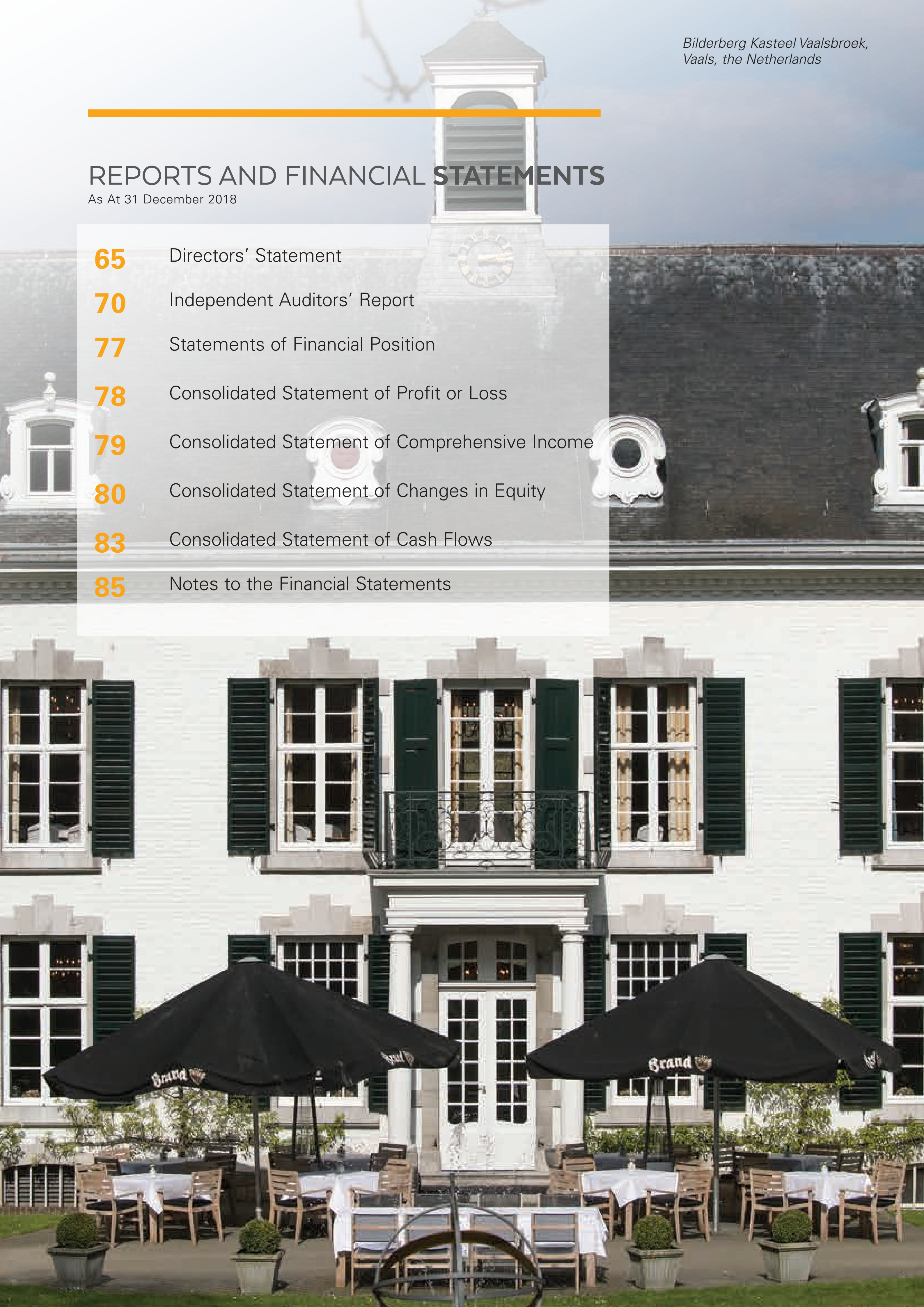
- 2,250 residential units, 96 commercial units, 1,905 car park lots and a three-storey commercial building
- % of total saleable GFA launched for sale sold(1):
  - Residential: 100%
  - Commercial: 94.8%
- Cumulative handover of 2,249 residential, 88 commercial units and a three-storey commercial building as at 31 December 2018

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

Note:

(1) As at 31 December 2018 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: 100%
– Commercial: 80.4%
■ Cumulative handover of 1,778 residential and 65 commercial units as at 31 December 2018
Plot C
■ Expected to comprise elderly care living quarters, a hospital and ancillary commercial facilities
■ Commenced construction in 3Q2018 with primary focus initially on Plot F
Plot E
Plot D
■ 1,274 residential units, 66 commercial units, 1,295 car park lots and two commercial blocks
■ % of total saleable GFA launched for sale sold:
– Residential 100%
– Commercial 95.3%
■ Cummulative handover of 408 residential and 9 commercial units as at 31 December 2018
Plot F
Plot G
■ Commencement of operations of Crowne Plaza Chengdu Wenjiang Hotel and Holiday Inn Express Chengdu Wenjiang Hotspring Hotel on 28 December 2016 and ancillary hotspring facility on 27 October 2017



Bilderberg Kasteel Vaalsbroek, Vaals, the Netherlands

REPORTS AND FINANCIAL **STATEMENTS**

As At 31 December 2018

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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 2018.

In our opinion:

(a) the financial statements set out on pages 77 to 172 are drawn up so as to give a true and fair view of the consolidated financial positions of the Group and the financial position of Company as at 31 December 2018 and the consolidated financial performance, consolidated changes in equity and consolidated 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)
Kingston Kwek Eik Huih	(Appointed on 5 March 2019)
Neo Teck Pheng	
Ting Ping Ee, Joan Maria	
Yee Chia Hsing	
Wee Guan Oei Desmond	

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 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 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	1,300,000	2,050,000	265,264,991	291,791,490
Ho Han Khoon (Alternate Director to Ho Han Leong Calvin)	700,000	1,050,000	260,694,791	286,764,270
Neo Teck Pheng	–	–	274,146,791	301,561,470
Ting Ping Ee, Joan Maria	–	110,000	–	–
Yee Chia Hsing	100,000	220,000	–	–
$162.2 million 3.98% Perpetual convertible capital securities				
Ho Han Leong Calvin	–	425,000	–	66,316,247
Ho Han Khoon (Alternate Director to Ho Han Leong Calvin)	–	225,000	–	–
Neo Teck Pheng	–	3,363,000	–	–
Ting Ping Ee, Joan Maria	–	25,000	–	–
Yee Chia Hsing	–	100,000	–	–

Except as disclosed in this statement, no director who held office at the end of the financial year had interests in shares, debentures, warrants or share options 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 2019.

Except as disclosed under the "Share options" section of this statement, 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 the options.

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 since the last directors' statement. 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

6 March 2019

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 2018, 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 77 to 172.

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 2018 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 ($259.1 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, where appropriate. The valuation models applied to determine the value of investment properties are sensitive to assumptions around occupancy rates, capitalisation rates, rental yield, sales prices and discount rates, where applicable.	**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 and management 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 and rental yield by comparing to the actual occupancy rates and rental yield, and analysed trends of these key assumptions. **Our findings:** The valuers are members of 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 our expectations.

INDEPENDENT AUDITORS' **REPORT**

Valuation of property, plant and equipment ($170.4 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 two hotels (Crowne Plaza Wenjiang and Holiday Inn Express Wenjiang) and the adjoining hotspring property in Wenjiang as at 31 December 2018. Crowne Plaza Wenjiang incurred an accounting loss during the year and the hotspring property did not perform as well as expected. Indicators of impairment for these assets were identified. The Group performed an impairment assessment of Crowne Plaza Wenjiang and hotspring property separately as at 31 December 2018. The estimation of the recoverable amount of Crowne Plaza Wenjiang and the hotspring property is dependent on assumptions about the future. Specifically, significant judgement is required in relation to the appropriate occupancy rate, average daily rate, revenue growth rate and the discount rate to use in determining the recoverable amount. No indicator of impairment was identified for Holiday Inn Express Wenjiang as at 31 December 2018.	**Our response:** We reviewed the key assumptions adopted by management in determining the recoverable amounts of Crowne Plaza Wenjiang and hotspring property. This included a comparison of occupancy rate, average daily rate and revenue growth rate to historical rates and trends. We also compared the discount rate against externally derived data. **Our findings:** The valuation methodology applied was consistent with generally accepted market practices. The key assumptions used were within the range of market data and our expectations.

INDEPENDENT AUDITORS' **REPORT**

Valuation of investment in Dongguan East Sun Limited ("East Sun") (Refer to Note 9 to the financial statements)	
The key audit matter	*How the matter was addressed in our audit*
The Group accounted for the investment in East Sun as a financial asset measured at fair value through profit or loss. In estimating the fair value of this investment, the Group has used the net asset value of the investee, adjusted for the fair values of the underlying properties held by the investee based on independent external valuations, and applied a discount to take into consideration the non-marketable nature of the investment, where applicable. Judgement is involved in determining an appropriate valuation method and the key assumptions to be applied in fair valuing the investment.	**Our response:** We engaged internal valuation specialists to assess the valuation approach and assumptions used by the Group in deriving the fair value of the equity securities against those applied for similar equity securities. We assessed the reasonableness of the fair values of the underlying properties held by the investee as well as the discount rate applied, by considering comparable properties and available industry market data. **Our findings:** The valuation approach used by the Group in deriving the fair value of the investment in East Sun is in line with generally accepted market practices and data.

INDEPENDENT AUDITORS' **REPORT**

Other information

Management is responsible for the other information contained in the annual report. Other information is defined as all information in the annual report other than the financial statements and our auditors' report thereon.

We have obtained the Directors' Statement prior to the date of this auditors' report. The Financial Highlights, Chairman's Statement, Milestones Since IPO, Board of Directors, Senior Management, Corporate Structure, Corporate Directory, Sustainability Reporting, Corporate Governance, Financial Review, Major Properties, and Statistics of Ordinary Shareholdings (the "Reports") are expected to be made available to us after that date.

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.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditors' report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

When we read the Reports, 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.

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.

INDEPENDENT AUDITORS' **REPORT**

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.

- 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.

INDEPENDENT AUDITORS' **REPORT**

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
6 March 2019

STATEMENTS OF **FINANCIAL POSITION**

AS AT 31 DECEMBER 2018

		Group		Company	
		2018	**2017**	**2018**	**2017**
	Note	**$'000**	**$'000**	**$'000**	**$'000**
Non-current assets					
Property, plant and equipment	4	**170,435**	230,844	**306**	389
Investment properties	5	**259,135**	282,634	**–**	–
Subsidiaries	6	**–**	–	**720,981**	653,581
Interests in associates and joint ventures	7	**80,817**	64,361	**9,669**	–
Derivative assets	8	**19,385**	350	**19,385**	350
Other investments	9	**78,131**	23,380	**–**	–
Deferred tax assets	10	**33,387**	25,905	**–**	–
Trade and other receivables	11	**660,948**	284,455	**779,204**	370,608
		1,302,238	911,929	**1,529,545**	1,024,928
Current assets					
Development properties	12	**356,890**	390,704	**–**	–
Inventories		**215**	175	**–**	–
Trade and other receivables	11	**505,887**	445,534	**389,902**	570,997
Assets held-for-sale	13	**51,610**	–	**–**	–
Other investments	9	**39,262**	38,863	**–**	–
Cash and cash equivalents	14	**125,711**	319,298	**18,139**	4,527
		1,079,575	1,194,574	**408,041**	575,524
Total assets		**2,381,813**	2,106,503	**1,937,586**	1,600,452
Equity					
Share capital	15	**81,405**	73,640	**81,405**	73,640
Reserves	16	**1,069,091**	1,006,514	**868,766**	807,067
Equity attributable to owners of the Company		**1,150,496**	1,080,154	**950,171**	880,707
Perpetual convertible capital securities	17	**161,285**	–	**161,285**	–
Non-controlling interests		**11,713**	6,727	**–**	–
Total equity		**1,323,494**	1,086,881	**1,111,456**	880,707
Non-current liabilities					
Loans and borrowings	18	**641,390**	609,988	**604,732**	574,171
Derivative liabilities	8	**5,564**	13,122	**5,564**	13,122
Other payables	19	**12,527**	12,811	**–**	–
Deferred tax liabilities	10	**8,638**	3,870	**–**	–
		668,119	639,791	**610,296**	587,293
Current liabilities					
Loans and borrowings	18	**45,338**	–	**45,338**	–
Current tax payable		**36,994**	30,306	**30**	145
Trade and other payables	19	**138,381**	166,093	**170,466**	128,139
Contract liabilities	20	**161,279**	177,726	**–**	–
Receipts in advance	21	**8,208**	1,538	**–**	–
Derivative liability	8	**–**	4,168	**–**	4,168
		390,200	379,831	**215,834**	132,452
Total liabilities		**1,058,319**	1,019,622	**826,130**	719,745
Total equity and liabilities		**2,381,813**	2,106,503	**1,937,586**	1,600,452

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

CONSOLIDATED STATEMENT OF **PROFIT OR LOSS**
YEAR ENDED 31 DECEMBER 2018

	Note	Group 2018 $'000	Group 2017 $'000
Revenue	22	**277,361**	384,392
Cost of sales		**(115,861)**	(231,360)
Gross profit		**161,500**	153,032
Administrative expenses		**(27,997)**	(24,146)
Selling expenses		**(7,782)**	(5,319)
Other income/(expenses) (net)		**3,257**	(13,998)
Other gains/(losses) (net)	23	**2,838**	(56)
Results from operating activities		**131,816**	109,513
Finance income		**17,132**	17,082
Finance costs		**(9,902)**	(9,010)
Net finance income	24	**7,230**	8,072
Share of after-tax profit of associates and joint ventures		**5,502**	3,648
Profit before tax	25	**144,548**	121,233
Tax expense	26	**(26,298)**	(27,940)
Profit for the year		**118,250**	93,293
Attributable to:			
Equity holders of the Company		**113,008**	88,283
Non-controlling interests		**5,242**	5,010
Profit for the year		**118,250**	93,293
Earnings per share			
– Basic (cents)	27	**16.72**	13.61[1]
– Diluted (cents)	27	**15.02**	13.61[1]

[1] The figures have been restated for the effect of the bonus issue undertaken in April 2018.

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

CONSOLIDATED STATEMENT OF **COMPREHENSIVE INCOME**

YEAR ENDED 31 DECEMBER 2018

		Group	
	Note	**2018** **$'000**	**2017** **$'000**
Profit for the year		**118,250**	93,293
Other comprehensive income			
Items that are or may be reclassified subsequently to profit or loss:			
Foreign currency translation differences on financial statements arising from liquidation of subsidiaries reclassified to profit or loss		**1,187**	–
Share of translation differences on financial statements of foreign associates and joint ventures, net of tax	7	**(1,589)**	893
Translation differences on financial statements of foreign subsidiaries, net of tax		**(22,464)**	(16,574)
Translation differences on monetary items forming part of net investment in foreign subsidiaries, net of tax		**(1,486)**	(1,470)
Net change in fair value of other investments, net of tax		**–**	(3,949)
Total other comprehensive income for the year, net of tax		**(24,352)**	(21,100)
Total comprehensive income for the year		**93,898**	72,193
Total comprehensive income attributable to:			
Equity holders of the Company		**88,912**	67,361
Non-controlling interests		**4,986**	4,832
Total comprehensive income for the year		**93,898**	72,193

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

CONSOLIDATED STATEMENT OF **CHANGES IN EQUITY**

YEAR ENDED 31 DECEMBER 2018

	Share capital $'000	Share premium $'000	Statutory reserve $'000	Capital reserve $'000	Distributable reserve $'000	Fair value reserve $'000	Foreign currency translation reserve $'000	Retained earnings $'000	Total attributable to equity holders of the Company $'000	Perpetual convertible capital securities $'000	Non-controlling interests $'000	Total equity $'000
Group												
At 1 January 2018	73,640	9,609	33,447	225	662,764	(3,949)	36,950	267,468	1,080,154	–	6,727	1,086,881
Adjustment on initial application of IFRS 9	–	–	–	–	–	3,949	–	(3,949)	–	–	–	–
Adjusted balance at 1 January 2018	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 year												
Profit for the year	–	–	–	–	–	–	–	113,008	113,008	–	5,242	118,250
Other comprehensive income												
Foreign currency translation differences on financial statements arising from liquidation of subsidiaries reclassified to profit or loss	–	–	–	–	–	–	1,187	–	1,187	–	–	1,187
Share of translation differences on financial statements of foreign associates and joint ventures, net of tax	–	–	–	–	–	–	(1,589)	–	(1,589)	–	–	(1,589)
Translation differences on financial statements of foreign subsidiaries, net of tax	–	–	–	–	–	–	(22,208)	–	(22,208)	–	(256)	(22,464)
Translation differences on monetary items forming part of net investment in foreign subsidiaries, net of tax	–	–	–	–	–	–	(1,486)	–	(1,486)	–	–	(1,486)
Total other comprehensive income	–	–	–	–	–	–	(24,096)	–	(24,096)	–	(256)	(24,352)
Total comprehensive income for the year	–	–	–	–	–	–	(24,096)	113,008	88,912	–	4,986	93,898

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

CONSOLIDATED STATEMENT OF **CHANGES IN EQUITY**

YEAR ENDED 31 DECEMBER 2018

	Share capital $'000	Share premium $'000	Statutory reserve $'000	Capital reserve $'000	Distributable reserve $'000	Fair value reserve $'000	Foreign currency translation reserve $'000	Retained earnings $'000	Total attributable to equity holders of the Company $'000	Perpetual convertible capital securities $'000	Non-controlling interests $'000	Total equity $'000
Transaction with owners, recognised directly in equity												
Contributions by and distributions to owners												
Dividends paid to owners of the Company (Note 16)	–	–	–	–	–	–	–	(14,271)	(14,271)	–	–	(14,271)
Issuance of bonus shares (Note 15)	7,735	–	–	–	(7,735)	–	–	–	–	–	–	–
Issuance of perpetual convertible capital securities ("PCCS") (Note 17)	–	–	–	–	–	–	–	–	–	162,199	–	162,199
PCCS issue expenses	–	–	–	–	–	–	–	–	–	(672)	–	(672)
Distributions of PCCS	–	–	–	–	–	–	–	(4,541)	(4,541)	–	–	(4,541)
Issuance of new shares pursuant to conversion of PCCS	30	212	–	–	–	–	–	–	242	(242)	–	–
Liquidation of subsidiaries	–	–	(2,588)	20	–	–	–	2,568	–	–	–	–
Transfer to statutory reserve	–	–	5,748	–	–	–	–	(5,748)	–	–	–	–
Total contributions by and distributions to owners	7,765	212	3,160	20	(7,735)	–	–	(21,992)	(18,570)	161,285	–	142,715
Total transactions with owners of the Company	7,765	212	3,160	20	(7,735)	–	–	(21,992)	(18,570)	161,285	–	142,715
At 31 December 2018	81,405	9,821	36,607	245	655,029	–	12,854	354,535	1,150,496	161,285	11,713	1,323,494

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

CONSOLIDATED STATEMENT OF **CHANGES IN EQUITY**

YEAR ENDED 31 DECEMBER 2018

	Share capital $'000	Share premium $'000	Statutory reserve $'000	Capital reserve $'000	Distributable reserve $'000	Fair value 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 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 year											
Profit for the year	–	–	–	–	–	–	–	88,283	88,283	5,010	93,293
Other comprehensive income											
Share of translation differences on financial statements of foreign associates, net of tax	–	–	–	–	–	–	893	–	893	–	893
Translation differences on financial statements of foreign subsidiaries, net of tax	–	–	–	–	–	–	(16,396)	–	(16,396)	(178)	(16,574)
Translation differences on monetary items forming part of net investment in foreign subsidiaries, net of tax	–	–	–	–	–	–	(1,470)	–	(1,470)	–	(1,470)
Net change in fair value of available-for-sale equity securities, net of tax	–	–	–	–	–	(3,949)	–	–	(3,949)	–	(3,949)
Total other comprehensive income	–	–	–	–	–	(3,949)	(16,973)	–	(20,922)	(178)	(21,100)
Total comprehensive income for the year	–	–	–	–	–	(3,949)	(16,973)	88,283	67,361	4,832	72,193
Transaction with owners, recognised directly in equity											
Contributions by and distributions to owners											
Dividends paid to owners of the Company (Note 16)	–	–	–	–	–	–	–	(11,796)	(11,796)	–	(11,796)
Capital reduction by a subsidiary	–	–	–	–	–	–	–	–	–	(3,213)	(3,213)
Disposal of a subsidiary	–	–	(1,261)	–	–	–	–	1,261	–	–	–
Transfer to statutory reserve	–	–	7,263	–	–	–	–	(7,263)	–	–	–
Total contributions by and distributions to owners	–	–	6,002	–	–	–	–	(17,798)	(11,796)	(3,213)	(15,009)
Capital reduction (Note 15)	(662,764)	–	–	–	662,764	–	–	–	–	–	–
Total transactions with owners	(662,764)	–	6,002	–	662,764	–	–	(17,798)	(11,796)	(3,213)	(15,009)
At 31 December 2017	73,640	9,609	33,447	225	662,764	(3,949)	36,950	267,468	1,080,154	6,727	1,086,881

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

CONSOLIDATED STATEMENT OF **CASH FLOWS**

YEAR ENDED 31 DECEMBER 2018

	Note	Group 2018 $'000	Group 2017 $'000
Cash flows from operating activities			
Profit for the year		**118,250**	93,293
Adjustments for:			
Depreciation of property, plant and equipment	4	**6,172**	5,510
Fair value (gain)/loss on:			
– derivative assets/liabilities (net)		**(30,761)**	14,177
– investment properties	5	**(6,930)**	(4,038)
– other investments		**(12,850)**	–
Finance income	24	**(17,132)**	(17,082)
Finance costs	24	**9,902**	9,010
(Gain)/loss on disposal of:			
– a subsidiary	23	**(1)**	–
– assets held-for-sale	23	**(6,253)**	–
– investment properties	23	**(272)**	62
– property, plant and equipment	23	**1**	(6)
Impairment loss on:			
– assets held-for-sale	13	**4,088**	–
– investment properties	5	**–**	602
– property, plant and equipment	4	**14,053**	9,345
Loss on liquidation of subsidiaries (net)	23	**85**	–
Property, plant and equipment written off	23	**1**	–
Share of after-tax profit of associates and joint ventures	7	**(5,502)**	(3,648)
Tax expense	26	**26,298**	27,940
Trade receivables written off		**–**	13
Write down of development properties	12	**3,153**	987
		102,302	136,165
Changes in:			
– development properties		**24,172**	5,910
– inventories		**(42)**	(97)
– trade and other receivables		**(458,197)**	(370,367)
– trade and other payables		**(126,488)**	(29,034)
– loans and borrowings		**128,173**	277,923
– contract liabilities		**(12,226)**	(6,877)
Cash (used in)/generated from operating activities		**(342,306)**	13,623
Interest received		**80,705**	54,611
Interest paid		**(13,054)**	(7,012)
Tax paid		**(22,074)**	(24,070)
Net cash (used in)/from operating activities		**(296,729)**	37,152

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

CONSOLIDATED STATEMENT OF **CASH FLOWS**
YEAR ENDED 31 DECEMBER 2018

	Note	Group 2018 $'000	Group 2017 $'000
Cash flows from investing activities			
Deposits received in respect of disposal of assets held-for-sale		**6,839**	–
Deposits received in respect of sales of a subsidiary	28	**–***	2,200
Dividends received from an associate		**18,295**	–
Interest received		**15,366**	16,179
Loans to a third party		**–**	(57,073)
Payment for acquisition of other investments		**(3,395)**	–
Payment for additions to:			
– investment properties		**(15,851)**	(42,391)
– property, plant and equipment		**(421)**	(6,423)
Payment for investments in associate and joint ventures		**(36,778)**	(6,187)
Placement of other investments		**(1,427)**	(62,554)
Proceeds from disposal of:			
– assets held-for-sale		**29,665**	–
– investment properties		**3,278**	745
– property, plant and equipment		**68**	18
Receipt of deferred consideration from dilution of interest in subsidiaries		**–**	41,000
Receipt of investment principal and returns from a PRC government linked entity		**–**	9,663
Repayment of loans by third parties		**–**	139,168
Return of capital from an associate		**5,369**	1,533
Net cash from investing activities		**21,008**	35,878
Cash flows from financing activities			
Advances from associates		**3,009**	13,484
Decrease in restricted cash		**–**	263
Distributions to PCCS holders	27	**(4,541)**	–
Dividends paid to the owners of the Company	16	**(14,271)**	(11,796)
Interest paid		**(5,038)**	(7,255)
Loan from a non-controlling interest		**–**	12,490
Payment of transaction costs related to:			
– bank borrowings		**(3,153)**	(7,545)
– PCCS		**(672)**	–
Proceeds from bank borrowings		**293,551**	766,308
Proceeds from disposal of a subsidiary		**–***	–
Proceeds from issuance of PCCS		**162,199**	–
Redemption of medium term notes		**–**	(50,000)
Repayment of bank borrowings		**(345,950)**	(744,192)
Return of capital to non-controlling interests		**–**	(3,213)
Net cash from/(used in) financing activities		**85,134**	(31,456)
Net (decrease)/increase in cash and cash equivalents		**(190,587)**	41,574
Cash and cash equivalents at beginning of the year		**319,298**	280,304
Effect of exchange rate changes on balances held in foreign currencies		**(3,000)**	(2,580)
Cash and cash equivalents at end of the year	14	**125,711**	319,298

* Amount less than $1,000.

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 6 March 2019.

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 2018 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

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

This is the first set of the Group's annual financial statements in which IFRS 15 *Revenue from Contracts with Customers* and IFRS 9 *Financial Instruments* have been applied. Changes to significant accounting policies are described in Note 2.5.

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.

Information about critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements are included in Notes 3.1 and 9 – Assessment of ability to control or exert significant influence over partly-owned investment.

NOTES TO **THE FINANCIAL STATEMENTS**

2 BASIS OF PREPARATION (CONT'D)

2.4 Use of estimates and judgements (cont'd)

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 3.18 – 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 11 – Measurement of recoverable amounts of interests in and balances with subsidiaries
- Note 7 – Measurement of recoverable amounts of interests in associates and joint ventures
- Notes 10 and 26 – Estimation of provisions for withholding tax and land appreciation tax
- Note 11 – Estimation of recoverability of trade receivables, balances with associates and loans to third parties
- Note 12 – Measurement of realisable amounts of properties under development and completed properties for sale
- Notes 9 and 30 – 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
- Notes 9 and 30 – Valuation of financial instruments

2.5 Changes in accounting policies

The Group has applied the following standards for the first time for the annual period beginning on 1 January 2018:

- IFRS 15 *Revenue from Contract with Customers; and*
- IFRS 9 *Financial Instruments*

A number of other new standards are also effective from 1 January 2018 but they do not have a material effect on the Group's financial statements and the Company's statement of financial position.

Due to the transition methods chosen by the Group in applying these standards, comparative information throughout these financial statements has not been restated to reflect the requirements of the new standards, except for separately presenting impairment loss on trade receivables (see B).

NOTES TO **THE FINANCIAL STATEMENTS**

2 BASIS OF PREPARATION (CONT'D)

2.5 Changes in accounting policies (cont'd)

A. IFRS 15 Revenue from Contracts with Customers

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaced IAS 18 *Revenue*, IAS 11 *Construction Contracts* and related interpretations. Under IFRS 15, revenue is recognised when a customer obtains control of the goods or services. Determining the timing of the transfer of control – at a point in time or over time – requires judgement.

The Group has adopted IFRS 15 using the cumulative effect method (without practical expedients), with the effect of initially applying this standard recognised at the date of initial application (i.e. 1 January 2018). Accordingly, the information presented for 2017 has not been restated – i.e. it is presented, as previously reported, under IAS 18, IAS 11 and related interpretations. Additionally, the disclosure requirements in IFRS 15 have not generally been applied to comparative information.

There was no material impact on the Group's financial statements for the years ended 31 December 2017 and 2018 upon the adoption of IFRS 15.

For additional information about the Group's accounting policies relating to revenue recognition, see Notes 3.13 and 22.

B. IFRS 9 Financial Instruments

IFRS 9 sets out requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. It also introduces a new expected credit loss model and a new general hedge accounting model.

As a result of the adoption of IFRS 9, the Group has adopted consequential amendments to IAS 1 *Presentation of Financial Statements*, which require impairment of financial assets to be presented in a separate line item in the statement of profit or loss and other comprehensive income.

Additionally, the Group has adopted consequential amendments to IFRS 7 *Financial Instruments: Disclosures* that are applied to disclosures about 2018 but have not been generally applied to comparative information.

The following table summarises the impact, net of tax, of transition to IFRS 9 on the opening balance of fair value reserve and retained earnings.

NOTES TO **THE FINANCIAL STATEMENTS**

2 BASIS OF PREPARATION (CONT'D)

2.5 Changes in accounting policies (cont'd)

B. IFRS 9 Financial Instruments (cont'd)

	Impact of adopting IFRS 9 on opening balance Group $'000
Fair value reserve	
Closing balance under IAS 39 (31 December 2017)	3,949
Cumulative change in fair value of available-for-sale equity securities	(3,949)
Opening balance under IFRS 9 (1 January 2018)	–
Retained earnings	
Closing balance under IAS 39 (31 December 2017)	267,468
Cumulative change in fair value of available-for-sale equity securities	(3,949)
Opening balance under IFRS 9 (1 January 2018)	263,519

The impact upon adoption of IFRS 9 is described below.

(i) *Classification and measurement of financial assets and financial liabilities*

IFRS 9 contains three principal classification categories for financial assets: measured at amortised cost, fair value through other comprehensive income and fair value through profit or loss. The classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. IFRS 9 eliminates the previous 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 separated. Instead, the hybrid financial instrument as a whole is assessed for classification.

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

The adoption of IFRS 9 has not had a significant effect on the Group's accounting policies related to financial liabilities.

For an explanation of how the Group classifies and measures financial instruments and accounts for related gains and losses under IFRS 9, see Note 3.7(ii).

The following tables and the accompanying notes below explain the original measurement categories under IAS 39 and the new measurement categories under IFRS 9 for each class of the Group's financial assets as at 1 January 2018.

NOTES TO **THE FINANCIAL STATEMENTS**

2 BASIS OF PREPARATION (CONT'D)
2.5 Changes in accounting policies (cont'd)
B. IFRS 9 Financial Instruments (cont'd)

(i) Classification and measurement of financial assets and financial liabilities (cont'd)

Group	Note	**Original classification under IAS 39**	**New classification under IFRS 9**	**Original carrying amount under IAS 39 $'000**	**New carrying amount under IFRS 9 $'000**
Financial assets					
Trade and other receivables		Loans and receivables	Amortised cost	717,896	717,896
Cash and cash equivalents		Loans and receivables	Amortised cost	319,298	319,298
Other investments – structured deposits	(a)	Loans and receivables	Fair value through profit or loss	38,863	38,863
Other investments – equity securities	(b)	Available-for-sale	Fair value through profit or loss	23,380	23,380
Total financial assets				1,099,437	1,099,437
Company					
Financial assets					
Redeemable preference shares		Out-of-scope	Amortised cost	507,712	507,712
Trade and other receivables		Loans and receivables	Amortised cost	941,566	941,566
Cash and cash equivalents		Loans and receivables	Amortised cost	4,527	4,527
Total financial assets				1,453,805	1,453,805

(a) The structured deposits categorised as available-for-sale under IAS 39 are held by the Group in a separate portfolio to provide interest income, but may be sold to meet liquidity requirements arising in the normal course of business. These assets have therefore been classified as financial assets at fair value through profit or loss under IFRS 9.

(b) These equity investments were designated as measured at fair value through profit or loss because they where managed on a fair value basis and their performance was monitored on this basis. The Group has designated these investments at 1 January 2018 as measured at fair value through profit or loss.

NOTES TO **THE FINANCIAL STATEMENTS**

2 BASIS OF PREPARATION (CONT'D)

2.5 Changes in accounting policies (cont'd)

B. IFRS 9 Financial Instruments (cont'd)

(ii) Impact of financial assets

IFRS 9 replaces the "incurred loss" model in IAS 39 with an expected credit loss model. The new impairment model applies to financial assets measured at amortised cost, contract assets and debt investments at fair value through other comprehensive income, but not to investments in equity instruments.

Under IFRS 9, credit losses are recognised earlier than under IAS 39 – see Note 3.9(i). For assets in the scope of the IFRS 9 impairment model, impairment losses are generally expected to increase and become more volatile. The Group and the Company have determined that the application of IFRS 9's impairment requirements at 1 January 2018 do not result in significant additional allowance for impairment.

Additional information about how the Group measure the allowance for impairment is described in Note 3.9(i).

(iii) Transition

Changes in accounting policies resulting from the adoption of IFRS 9 have been applied retrospectively, except as described below.

- The Group has used an exemption not to restate comparative information for prior periods with respect to classification and measurement (including impairment) requirements. Difference in the carrying amounts of financial assets resulting from the adoption of IFRS 9 are recognised in retained earnings and reserves as at 1 January 2018. Accordingly, the information presented for 2017 does not generally reflect the requirement of IFRS 9, but rather those of IAS 39.

- The determination of the business model within which a financial asset is held has been made on the basis of the facts and circumstances that existed at the date of initial application.

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, except as explained in Note 2.5, which addresses changes in accounting policies.

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 date of acquisition 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.

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.

NOTES TO **THE FINANCIAL STATEMENTS**

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.1 Basis of consolidation (cont'd)

(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.

(iv) Loss of control

When the Group loses the control over a subsidiary, it derecognises the assets and liabilities of the subsidiary, and any related non-controlling interests and the other components of equity. Any resulting gain or loss is recognised in profit or loss. Any interest retained in the former subsidiary is measured at fair value when control is lost.

(v) Investments in associates and joint ventures (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. A joint venture is an arrangement in which the Group has joint control, whereby the Group has rights to the net assets of the arrangement, rather than rights to its assets and obligations for its liabilities.

Investments in associates and joint ventures 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 or joint control commences until the date that significant influence or joint control 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.

NOTES TO **THE FINANCIAL STATEMENTS**

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.1 Basis of consolidation (cont'd)

(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.

Subsidiaries, associates and joint ventures in the separate financial statements

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

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 date. 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 are translated at the exchange rates at the reporting date.

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 or joint control 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 or a joint venture that includes a foreign operation while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

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 that are considered to form part of a net investment in a foreign operation are recognised in other comprehensive income, and are presented in the foreign currency translation reserve in equity.

NOTES TO **THE FINANCIAL STATEMENTS**

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.3 Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are measured at cost, which includes capitalised borrowing costs, 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.

(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.

NOTES TO **THE FINANCIAL STATEMENTS**

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.3 Property, plant and equipment (cont'd)

(iii) Depreciation (cont'd)

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

Buildings	
• Core component of hotel and hotspring buildings	35 years
• Other buildings	50 years
• Surface, finishes and services of hotel and hotspring buildings	30 to 35 years
Plant and machinery	5 to 15 years
Equipment and furniture	3 to 10 years
Motor vehicles	5 to 10 years

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

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

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 and joint ventures, 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 and joint ventures.

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.

NOTES TO **THE FINANCIAL STATEMENTS**

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.5 Investment properties (cont'd)

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.

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 consolidated statement of financial position.

3.7 Financial instruments

(i) Recognition and initial measurement

Non-derivative financial assets and financial liabilities

Trade receivables are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the Group becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at fair value through profit or loss, transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

(ii) Classification and subsequent measurement

Non-derivative financial assets – Policy applicable from 1 January 2018

On initial recognition, a financial asset is classified as measured at: amortised cost or fair value through profit or loss.

Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

NOTES TO **THE FINANCIAL STATEMENTS**

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.7 Financial instruments (cont'd)

(ii) Classification and subsequent measurement (cont'd)

Non-derivative financial assets – Policy applicable from 1 January 2018 (cont'd)

Financial assets at amortised cost

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at fair value through profit or loss:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and

- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at fair value through profit or loss

All other financial assets are measured at fair value through profit or loss. On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at fair value through other comprehensive income as at fair value through profit or loss if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial assets: Business model assessment – Policy applicable from 1 January 2018

The Group makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realising cash flows through the sale of the assets;

- how the performance of the portfolio is evaluated and reported to the Group's management;

- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;

- how managers of the business are compensated – e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and

- the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales for this purpose, consistent with the Group's continuing recognition of the assets.

Financial assets that are held-for-trading or are managed and whose performance is evaluated on a fair value basis are measured at fair value through profit or loss.

NOTES TO **THE FINANCIAL STATEMENTS**

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.7 Financial instruments (cont'd)

(ii) Classification and subsequent measurement (cont'd)

Non-derivative financial assets: Assessment whether contractual cash flows are solely payments of principal and interest – Policy applicable from 1 January 2018

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Group considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Group considers:

- contingent events that would change the amount or timing of cash flows;
- terms that may adjust the contractual coupon rate, including variable rate features;
- prepayment and extension features; and
- terms that limit the Group's claim to cash flows from specified assets (e.g. non-recourse features).

A prepayment feature is consistent with the solely payments of principal and interest criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable additional compensation for early termination of the contract. Additionally, for a financial asset acquired at a significant discount or premium to its contractual par amount, a feature that permits or requires prepayment at an amount that substantially represents the contractual par amount plus accrued (but unpaid) contractual interest (which may also include reasonable additional compensation for early termination) is treated as consistent with this criterion if the fair value of the prepayment feature is insignificant at initial recognition.

Non-derivative financial assets: Subsequent measurement and gains and losses – Policy applicable from 1 January 2018

Financial assets at fair value through profit or loss

These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss.

Financial assets at amortised cost

These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

Non-derivative financial assets – Policy applicable before 1 January 2018

The Group classifies non-derivative financial assets into loans and receivables, and available-for-sale financial assets.

NOTES TO **THE FINANCIAL STATEMENTS**

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.7 Financial instruments (cont'd)

(ii) Classification and subsequent measurement (cont'd)

Non-derivative financial assets: Subsequent measurement and gains and losses – Policy applicable before 1 January 2018

Loans and receivables

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

Loans and receivables comprised cash and cash equivalents, and trade and other receivables.

Available-for-sale financial assets

Available-for-sale financial assets were non-derivative financial assets that were designated as available-for-sale or were not classified in any of the above categories of financial assets. Available-for-sale financial assets were initially measured at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, they were measured at fair value and changes therein, other than impairment losses, interest income and foreign currency differences on available-for-sale debt investments, were recognised in other comprehensive income and accumulated in the fair value reserve in equity. When these amounts were derecognised, the gain or loss accumulated in equity was reclassified to profit or loss.

Available-for-sale financial assets comprised equity securities and structured deposits.

Non-derivative financial liabilities: Classification, subsequent measurement and gains and losses

Financial liabilities are classified as measured at amortised cost.

Financial liabilities are initially measured at fair value less directly attributable transaction costs. They are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. These financial liabilities comprised loans and borrowings, and trade and other payables.

(iii) Derecognition

Financial assets

The Group derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

Financial liabilities

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire. The Group also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in profit or loss.

NOTES TO **THE FINANCIAL STATEMENTS**

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.7 Financial instruments (cont'd)

(iv) Offsetting

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

(v) 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 that 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.

(vi) Derivative financial instruments

Derivatives are initially measured at fair value and any directly 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 generally recognised in profit or loss.

(vii) Share capital

Ordinary shares and perpetual convertible capital securities

Ordinary shares are classified as equity. Perpetual convertible capital securities are classified as equity when there is no contractual obligation to deliver cash or other financial assets to another person or entity to exchange financial assets or liabilities with another person or entity that are potentially unfavourable to the issuer.

Incremental costs directly attributable to the issue of ordinary shares and perpetual convertible capital securities 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.

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 is 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 measured at the lower of cost or net realisable value. Cost is determined by apportionment of the total land costs, development costs and capitalised borrowing costs if any, 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 contract liabilities in the consolidated statement of financial position.

3.9 Impairment

(i) Non-derivative financial assets

Policy applicable from 1 January 2018

The Group recognises loss allowances for expected credit losses on financial assets measured at amortised costs.

Loss allowances of the Group are measured on either of the following bases:

- 12-month expected credit losses: these are expected credit losses that result from default events that are possible within the 12 months after the reporting date (or for a shorter period if the expected life of the instrument is less than 12 months); or

- Lifetime expected credit losses: these are expected credit losses that result from all possible default events over the expected life of a financial instrument.

Simplified approach

The Group applies the simplified approach to provide for expected credit losses for all trade receivables. The simplified approach requires the loss allowance to be measured at an amount equal to lifetime expected credit losses.

NOTES TO **THE FINANCIAL STATEMENTS**

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.9 Impairment (cont'd)

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

Policy applicable from 1 January 2018 (cont'd)

General approach

The Group applies the general approach to provide for expected credit losses on all other financial instruments. Under the general approach, the loss allowance is measured at an amount equal to 12-month expected credit losses at initial recognition.

At each reporting date, the Group assesses whether the credit risk of a financial instrument has increased significantly since initial recognition. When credit risk has increased significantly since initial recognition, loss allowance is measured at an amount equal to lifetime expected credit losses.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating expected credit losses, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and includes forward-looking information.

If credit risk has not increased significantly since initial recognition or if the credit quality of the financial instruments improves such that there is no longer a significant increase in credit risk since initial recognition, loss allowance is measured at an amount equal to 12-month expected credit losses.

The Group considers a financial asset to be in default when the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held).

The maximum period considered when estimating expected credit losses is the maximum contractual period over which the Group is exposed to credit risk.

Measurement of expected credit losses

Expected credit losses are probability-weighted estimates of credit losses. Credit losses are measured at the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive). Expected credit losses are discounted at the effective interest rate of the financial asset.

Credit-impaired financial assets

At each reporting date, the Group assesses whether financial assets carried at amortised costs are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- the restructuring of a loan or advance by the Group on terms that the Group would not consider otherwise;
- it is probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for a security because of financial difficulties.

NOTES TO **THE FINANCIAL STATEMENTS**

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.9 Impairment (cont'd)

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

Policy applicable from 1 January 2018 (cont'd)

Presentation of allowance for expected credit losses in the statement of financial position

Loss allowances for financial assets measured at amortised cost and contract assets are deducted from the gross carrying amount of these assets.

Write-off

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

Policy applicable before 1 January 2018

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

Objective evidence that financial assets (including equity investments) were impaired included 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 would 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. In addition, for an investment in an equity security, a significant or prolonged decline in its fair value below its cost was objective evidence of impairment.

Loans and receivables

The Group considered evidence of impairment for loans and receivables, at both an individual asset and collective level. All individually significant assets were individually assessed for impairment. Those found not to be impaired were then collectively assessed for any impairment that had been incurred but not yet identified. Assets that were not individually significant were collectively assessed for impairment. Collective assessment was carried out by grouping together assets with similar risk characteristics.

In assessing collective impairment, the Group used historical information on the timing of recoveries and the amount of loss incurred, and made an adjustment if current economic and credit conditions were such that the actual losses were likely to be greater or lesser than suggested by historical trends.

An impairment loss was 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 were recognised in profit or loss and reflected in an allowance account against loans and receivables. When the Group considered that there were no realistic prospects of recovery of the asset, the relevant amounts were written off. If the amount of impairment loss subsequently decreased and the decrease was related objectively to an event occurring after the impairment was recognised, then the previously recognised impairment loss was 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)

Available-for-sale financial assets

Impairment losses on available-for-sale financial assets were recognised by reclassifying the losses accumulated in the fair value reserve in equity to profit or loss. The amount reclassified was the difference between the acquisition cost (net of any principal repayment and amortisation) and the current fair value, less any impairment loss recognised previously in profit or loss. If the fair value of an impaired available-for-sale debt security subsequently increased and the increase was related objectively to an event occurring after the impairment loss was recognised, then the impairment loss was reversed through profit or loss. Impairment losses recognised in profit or loss for an investment in an equity instrument classified as available-for-sale were not reversed through profit or loss.

(ii) Associates and joint ventures

An impairment loss in respect of an associate or a joint venture is measured by comparing the recoverable amount of the investment with its carrying amount in accordance with the requirements for non-financial assets. 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.

(iii) 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.

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.

NOTES TO **THE FINANCIAL STATEMENTS**

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.9 Impairment (cont'd)

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

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

3.10 Non-current assets held-for-sale

Non-current assets, or disposal groups comprising assets and liabilities, that are highly probable to be recovered primarily through sale rather than through continuing use, are classified as held-for-sale. Immediately before classification as held-for-sale, the assets, or components of a disposal group, are remeasured in accordance with the Group's accounting policies. Thereafter, the assets, or disposal group, classified as held-for-sale are generally measured at the lower of their carrying amount and fair value less costs to sell.

Any impairment loss on a disposal group is first allocated to goodwill, and then to remaining assets and liabilities on *pro rata* basis, except that no loss is allocated to inventories, financial assets, deferred tax assets and investment property, which continue to be measured in accordance with the Group's accounting policies. Impairment losses on initial classification as held-for-sale and subsequent gains or losses on remeasurement are recognised in profit or loss. Gains are not recognised in excess of any cumulative impairment loss.

Property, plant and equipment once classified as held-for-sale are not depreciated. In addition, equity accounting of associates and joint ventures ceases once classified as held-for-sale.

3.11 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)

3.11 Employee benefits (cont'd)

(iii) Share-based payment transactions

The grant date fair value of share-based payment awards granted to employees 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.

3.12 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.

3.13 Revenue

(i) Sale of properties

Revenue is recognised when control over a development property has been transferred to the customer by determining when (a) the construction of the relevant property has been completed; (b) the property is ready for handover to the purchasers; and (c) collectability of the proceeds is reasonably assured.

Revenue is measured at the transaction price agreed under the contract. Progress billings to the customer are based on terms set out in the sales and purchase agreement.

Where the period between the satisfaction of a performance obligation and payment by the customer exceeds a year, the Group adjusts the transaction price with its customer and recognises a financing component. In adjusting for the financing component, the Group uses a discount rate that would reflect that of a separate financing transaction between the Group and its customer at contract inception. The Group has elected to apply the practical expedient not to adjust the transaction price for the existence of significant financing component when the period between the transfer of control of good or service to a customer and the payment date is one year or less.

(ii) Rental income

Rental income from investment properties are 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.

NOTES TO **THE FINANCIAL STATEMENTS**

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.13 Revenue (cont'd)

(iii) Hotel income

Hotel revenue from accommodation, sales of food and beverages and other ancillary services is recognised when the Group satisfied a performance obligation by transferring control of a promised good or services to the customer. The amount of revenue recognised is the amount of the transaction price allocated to the satisfied performance obligation.

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

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

3.14 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.

3.15 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.

3.16 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, which comprises perpetual convertible capital securities.

NOTES TO **THE FINANCIAL STATEMENTS**

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.17 Finance income and finance costs

The Group's finance income and finance costs include:

- interest income on funds invested and other receivables (other than entrusted loans, vendor financing arrangements and loans to associates); and
- interest expense on borrowings and financial derivatives.

Interest income or expense is recognised using the effective interest method.

The 'effective interest rate' is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to:

- the gross carrying amount of the financial asset; or
- the amortised cost of the financial liability.

In calculating interest income and expense, the effective interest rate is applied to the gross carrying amount of the asset (when the asset is not credit-impaired) or to the amortised cost of the liability. However, for financial assets that have become credit-impaired subsequent to initial recognition, interest income is calculated by applying the effective interest rate to the amortised cost of the financial asset. If the asset is no longer credit-impaired, then the calculation of interest income reverts to the gross basis.

Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

3.18 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.

The Group has determined that interest and penalties related to income taxes, including uncertain tax treatments, do not meet the definition of income taxes, and therefore accounted for them under IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*.

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 to related income taxes, if any.

Current tax assets and liabilities are offset only if certain criteria are met.

NOTES TO **THE FINANCIAL STATEMENTS**

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.18 Tax (cont'd)

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, associates and joint arrangements 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.

Where investment properties are carried at their fair values 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.

NOTES TO **THE FINANCIAL STATEMENTS**

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.19 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 and tax assets and liabilities.

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

3.20 New standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are not yet effective and have not been applied in preparing these financial statements. An explanation of the impact, if any, on adoption of these new requirements is provided in Note 35.

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 2017	29,581	183,372	7,871	2,000	2,621	24,472	249,917
Additions	–	160	763	300	509	10,041	11,773
Written off during the year	–	–	–	(46)	(38)	–	(84)
Disposals	–	–	(1)	(10)	(101)	–	(112)
Reclassification	–	29,677	4,245	111	–	(34,033)	–
Transfer from development properties	–	3,897	–	–	–	–	3,897
Translation differences on consolidation	(575)	(3,524)	(147)	(35)	(27)	(480)	(4,788)
At 31 December 2017	29,006	213,582	12,731	2,320	2,964	–	260,603
At 1 January 2018	**29,006**	**213,582**	**12,731**	**2,320**	**2,964**	**–**	**260,603**
Additions	**–**	**36**	**149**	**128**	**31**	**77**	**421**
Written off during the year	**–**	**–**	**–**	**(2)**	**–**	**–**	**(2)**
Disposals	**–**	**–**	**(116)**	**(2)**	**(153)**	**–**	**(271)**
Reclassification to assets held-for-sale	**(8,692)**	**(47,576)**	**(1,630)**	**(528)**	**5**	**–**	**(58,421)**
Transfer to development properties	**(613)**	**(738)**	**–**	**–**	**–**	**–**	**(1,351)**
Translation differences on consolidation	**(534)**	**(4,354)**	**(290)**	**(44)**	**(37)**	**(2)**	**(5,261)**
At 31 December 2018	**19,167**	**160,950**	**10,844**	**1,872**	**2,810**	**75**	**195,718**

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 2017		845	12,085	584	630	1,236	–	15,380
Charge for the year	25	825	2,660	1,376	346	303	–	5,510
Impairment loss	25	–	9,345	–	–	–	–	9,345
Written off during the year		–	–	–	(46)	(38)	–	(84)
Disposals		–	–	–	(8)	(92)	–	(100)
Translation differences on consolidation		(15)	(220)	(10)	(7)	(40)	–	(292)
At 31 December 2017		1,655	23,870	1,950	915	1,369	–	29,759
At 1 January 2018		**1,655**	**23,870**	**1,950**	**915**	**1,369**	**–**	**29,759**
Charge for the year	25	**695**	**3,196**	**1,670**	**320**	**291**	**–**	**6,172**
Impairment loss	25	**–**	**14,053**	**–**	**–**	**–**	**–**	**14,053**
Written off during the year		**–**	**–**	**–**	**(1)**	**–**	**–**	**(1)**
Disposals		**–**	**–**	**(83)**	**(1)**	**(118)**	**–**	**(202)**
Transfer to development properties		**(77)**	**(15)**	**–**	**–**	**–**	**–**	**(92)**
Reclassification to assets held-for-sale		**(1,146)**	**(21,293)**	**(888)**	**(427)**	**–**	**–**	**(23,754)**
Translation differences on consolidation		**(30)**	**(519)**	**(66)**	**(17)**	**(20)**	**–**	**(652)**
At 31 December 2018		**1,097**	**19,292**	**2,583**	**789**	**1,522**	**–**	**25,283**
Carrying amounts								
At 1 January 2017		28,736	171,287	7,287	1,370	1,385	24,472	234,537
At 31 December 2017		27,351	189,712	10,781	1,405	1,595	–	230,844
At 31 December 2018		**18,070**	**141,658**	**8,261**	**1,083**	**1,288**	**75**	**170,435**

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 2017	47	356	403
Additions	108	–	108
Written off during the year	(1)	–	(1)
At 31 December 2017	154	356	510
Additions	21	–	21
At 31 December 2018	**175**	**356**	**531**
Accumulated depreciation			
At 1 January 2017	11	25	36
Charge for the year	36	50	86
Written off during the year	(1)	–	(1)
At 31 December 2017	46	75	121
Charge for the year	55	49	104
At 31 December 2018	**101**	**124**	**225**
Carrying amounts			
At 1 January 2017	36	331	367
At 31 December 2017	108	281	389
At 31 December 2018	**74**	**232**	**306**

(i) Reclassification

In 2018, the Group reclassified one hotel building and related assets in the Chengdu Cityspring project to assets held-for-sale as the Group had entered into a sale and purchase agreement to dispose these assets by May 2019.

(ii) Transfer(to)/from development properties

In 2018, certain parts of the Chengdu Cityspring project used to accommodate M Hotel Chengdu staff amounting to $1,259,000 were transferred from property, plant and equipment to development properties as these properties were no longer used by the Group upon the closure of the hotel. The Group intends to sell these assets to third parties.

In 2017, 174 car park lots, amounting to $3,897,000, were transferred from development properties to property, plant and equipment as the Group decided to retain these car park lots for its hotel operations in Chengdu.

(iii) Capitalisation of staff costs

Included in the Group's property, plant and equipment are staff costs capitalised of Nil (2017: $650,000) during the financial year ended 31 December 2018 (Note 25).

NOTES TO **THE FINANCIAL STATEMENTS**

4 PROPERTY, PLANT AND EQUIPMENT (CONT'D)

(iv) 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 by 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.

(v) Impairment loss

Management undertook their annual review of the carrying amount of hotels and hotspring facility for indicators of impairment and, where appropriate, external valuation was also undertaken.

Hotspring facility

In 2018, based on this assessment, an impairment charge of $14,053,000, included in other expenses, was made in relation to the hotspring facility located in the PRC. The impairment in relation to the hotspring facility was a result of market conditions in Chengdu, affecting the operating performance of hotspring facility. In particular, the revenue generated by the hotspring facility were lower than expected. The estimated recoverable amount was based on the value-in-use of the hotspring facility determined by management.

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	• Revenue growth rate: 54% at the first year and 6% to 8% at subsequent years (2017: Not applicable)(1) • Discount rate: 8% (2017: Not applicable)(1)	A significant increase in revenue growth rate and a significant decrease in discount rate would result in a significantly higher fair value measurement.

(1) Commenced operations on 27 October 2017.

NOTES TO **THE FINANCIAL STATEMENTS**

4 PROPERTY, PLANT AND EQUIPMENT (CONT'D)

(v) Impairment loss (cont'd)

Hotspring facility (cont'd)

The carrying amount of hotspring facility 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.

M Hotel Chengdu

In 2017, based on management's assessment, an impairment charge of $9,345,000 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 was 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: Not applicable in 2018 (2017: 60% to 70%) • Average daily rate ("ADR"): Not applicable in 2018 (2017: RMB420 to RMB610) • Discount rate: Not applicable in 2018 (2017: 8%)	A significant increase in occupancy rate and 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. In May 2018, the Group entered into a sale and purchase agreement for the disposal of M Hotel Chengdu. The assets were reclassified to assets held-for-sale (Note 13). The sale has not yet been completed as at 31 December 2018.

NOTES TO **THE FINANCIAL STATEMENTS**

5 INVESTMENT PROPERTIES

		Group	
		2018	**2017**
	Note	**$'000**	**$'000**
At 1 January		**282,634**	231,197
Additions		**15,863**	42,391
Capitalised interest expense		**105**	–
Impairment loss	25	**–**	(602)
Disposals		**(3,006)**	(3,269)
Fair value gain (net)	25	**6,930**	4,038
Lease incentives		**(724)**	46
Reclassification to assets held-for-sale		**(36,722)**	–
Translation differences on consolidation		**(5,945)**	8,833
At 31 December		**259,135**	282,634
Analysed between:			
Completed properties		**205,708**	201,902
Properties under construction		**53,427**	80,732
		259,135	282,634

In July 2017, the Group completed the acquisition of a property located at Poortgebouw Hoog Catharijne in Utrecht, the Netherlands. The property is part of a newly built bare-shell building with a total lettable floor area of approximately 11,604 square metres ("sq m") which will be developed into two hotels with 320 rooms in total. This property, together with 1,381 sq m (2017: 21,875 sq m) of commercial space in Chengdu completed in bare-shell condition constitutes the investment properties under construction.

In May 2018, the Group entered into a sale and purchase agreement for the disposal of certain commercial space in the Chengdu Cityspring project completed in bare-shell condition. Accordingly, the properties were reclassified to assets held-for-sale (Note 13). The sale has not yet been fully completed as at 31 December 2018.

Completed investment properties comprise a number of commercial properties including two hotels in Amsterdam Southeast and adjoining car parks that are leased to external tenants. The leases contain initial non-cancellable periods of ten to twenty five years (2017: one to twenty five years). No contingent rents are charged.

(i) Impairment loss

During the financial year ended 31 December 2017, an impairment charge of $602,000, included in other expenses, was made in relation to investment properties in Dongguan, which were subsequently disposed by the Group in July 2017 via the sale of the shares in the subsidiary owning the properties.

(ii) Security

An investment property of the Group with a total carrying amount of $99,582,000 (2017: $91,069,000) is mortgaged to a financial institution to secure a credit facility (refer to Note 18 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 $10,851,000 (2017: $9,999,000) has been categorised as a Level 2 fair value based on contracted sale prices.

The fair value measurement for investment properties of $248,284,000 (2017: $272,635,000) 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 2018 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 balance to the ending balance of investment properties for which fair value measurements are categorised under Level 3 of the fair value hierarchy.

	Group	
	2018	**2017**
	$'000	**$'000**
At 1 January	**272,635**	221,577
Additions	**15,863**	42,391
Capitalised interest expense	**105**	–
Disposals	**(1,311)**	(3,217)
Fair value gain recognised in profit or loss – unrealised (net)	**7,138**	4,038
Lease incentives	**(724)**	46
Reclassification to assets held-for-sale	**(36,722)**	–
Change in fair value hierarchy to level 2 [i]	**(3,045)**	(1,221)
Translation differences on consolidation	**(5,655)**	9,021
At 31 December	**248,284**	272,635

[i] During the financial years ended 31 December 2018 and 2017, 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 measurements of such investment properties were reclassified from level 3 to level 2, with the fair value of the investment properties being 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 6.3% (2017: 5.5% to 7.4%) • Discount rate of 8.3% (2017: 5.0% to 8.3%)	A significant decrease in rental yield and discount rate would result in a significantly higher fair value measurement.
	Market comparable method	• Average sales price of RMB18,895 to RMB25,740 (2017: RMB37,009 to RMB38,029) 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 5.9% (2017: 6.6%) • Occupancy rate of 100.0% (2017: 100.0%)	A significant decrease in capitalisation rate and a significant increase in occupancy rate would result in a significantly higher fair value measurement.
Properties under construction	Discounted cash flow method	• Rental yield of 6.5% (2017: 6.3% to 7.2%) • Discount rate of 8.5% (2017: 6.0% to 8.3%)	A significant decrease in rental yield and discount rate would result in a significantly higher fair value measurement.
	Market comparable method	• Average sales price: Not applicable in 2018 (2017: RMB8,156 to RMB8,316) per sq m	A significant increase in average sales prices would result in a significantly higher fair value measurement.

NOTES TO **THE FINANCIAL STATEMENTS**

6 SUBSIDIARIES

	Company	
	2018	**2017**
	$'000	**$'000**
Unquoted equity shares, at cost	**145,869**	145,869
Redeemable preference shares	**575,112**	507,712
	720,981	653,581

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. The investment is not expected to be redeemed in the next 12 months.

In 2017, the wholly-owned subsidiary redeemed 40,318,594 redeemable preference shares held by the Company at the redemption price of $1.00 each. No redemption was made in 2018.

Details of significant subsidiaries are as follows:

Name of subsidiaries	Principal activity	Principal place of business/Country of incorporation	Effective equity interest held by the Group 2018 %	2017 %
Held by the Company				
^ FS Investment Holdings Limited	Investment holding	British Virgin Islands	**100**	100
Held through subsidiaries				
** Chengdu Gaeronic Real Estate Co., Ltd ("CGRE")	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 ("CMZRRE")	Property development, hotel ownership and operations, and property investment	People's Republic of China	**100**	100
** Chengdu Ming Ming Management Consultancy Co., Ltd [(i)]	Consultancy and management services	People's Republic of China	**–**	100
** Chengdu Yong Chang Real Estate Co., Ltd ("CYCRE")	Property development and property investment	People's Republic of China	**100**	100
** First Sponsor (Guangdong) Group Limited ("FSGGL")	Investment holding	People's Republic of China	**100**	100

NOTES TO **THE FINANCIAL STATEMENTS**

6 SUBSIDIARIES (CONT'D)

Name of subsidiaries	Principal activity	Principal place of business/Country of incorporation	Effective equity interest held by the Group 2018 %	2017 %
^ FS Euro Capital Limited	Property financing	British Virgin Islands	**100**	100
^ FS NL Amstel Development 16 B.V.	Property investment	The Netherlands	**100**	100
^ FS NL Property 2 B.V.	Property investment	The Netherlands	**100**	100
^ FS NL Zuid Property 12 B.V. (ii)	Property investment and property development	The Netherlands	**100**	100
^ FS NL Zuidoost Property 11 B.V.	Property investment and property development	The Netherlands	**100**	100
^ FS NL Zuidoost Property 15 B.V.	Property investment and property development	The Netherlands	**100**	100
^ NL Property 1 B.V. (iii) ("NLP1")	Property investment	The Netherlands	**33**	33
** Shanghai Sigma Investment Co., Ltd (iv)	Provision of property financing services	People's Republic of China	**100**	100

** Audited by other member firms of KPMG International.

^ Not subject to audit by law of country of incorporation.

(i) The subsidiary was liquidated on 9 November 2018.

(ii) The subsidiary was incorporated on 17 November 2017 to hold a development property acquired from a third party during the financial year ended 31 December 2017.

(iii) The entire equity interest in NLP1 was acquired from a third party by an indirect subsidiary of the Company and three co-investors in 2015. Pursuant to a call option agreement entered amongst the Company and the three co-investors in 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"). As a result of this Call Option, the Company is deemed to have control over NLP1 and consolidates NLP1 as a subsidiary. To date, the Company has not exercised the Call Option.

(iv) CMZRRE and CYCRE hold 33.3% equity interest each and CGRE and FSGGL hold 16.7% equity interest each (2017: CGRE and FSGGL held 50.0% equity interest each).

NOTES TO **THE FINANCIAL STATEMENTS**

7 INTERESTS IN AND BALANCES WITH ASSOCIATES AND JOINT VENTURES

		Group		Company	
	Note	**2018 $'000**	**2017 $'000**	**2018 $'000**	**2017 $'000**
Interests in associates		**58,245**	58,015	**–**	–
Interests in joint ventures		**22,572**	6,346	**9,669**	–
Total interests in associates and joint ventures		**80,817**	64,361	**9,669**	–
Balances with associates and joint ventures					
Loans to associates (trade)	11	**608,379**	497,882	**–**	–
Loans to joint ventures (trade)	11	**59,388**	–	**–**	–
Amounts due from associates (non-trade)	11	**41,831**	42,895	**–**	–
Amounts due from a joint venture (non-trade)	11	**521**	–	**–**	–
Amounts due to associates (non-trade)	19	**(14,124)**	(12,437)	**–**	–

The loans to associates as at 31 December 2018 were unsecured and interest bearing with nominal interest rates that range between 3.7% and 12.9% per annum (2017: 3.6% to 12.9% per annum). $119,580,000 (2017: $122,727,000) of the year end balance will mature within the twelve months after the year end. The remaining loans will mature between 2023 to 2027 (2017: 2018 to 2026).

$39,860,000 of the loans to joint ventures as at 31 December 2018 was secured. The loans to joint ventures were interest bearing with nominal interest rate of between 6.0% and 7.5% per annum. The loans are due between 2021 to 2024.

The non-trade amounts due from associates and a joint venture were unsecured and interest-free. $39,051,000 (2017: $40,078,000) of the year end balance is not expected to be receivable within the twelve months after the year end. The remaining balance of $3,301,000 (2017: $2,817,000) is repayable on demand.

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

NOTES TO **THE FINANCIAL STATEMENTS**

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

Details of significant associates are as follows:

Name of associates	Principal activity	Principal place of business/Country of incorporation	Effective equity interest held by the Group 2018 %	2017 %
Held by the Company				
^ FS Dongguan Investment Holdings Limited ("FSDIH")	Investment holding	British Virgin Islands	**30**	30
Held through subsidiaries				
* FSMC NL Property Group B.V. ("FSMC")	Property investment and investment holding	The Netherlands	**33**	33
^ FSMCR Hilton Rotterdam B.V.	Investment holding	The Netherlands	**24.7**	–

^ Not subject to audit by law of country of incorporation.

* Audited by BDO Audit Assurance B.V. and KPMG Accountants N.V. for the financial year ended 31 December 2018 and 2017, respectively.

The following summarises in aggregate, the financial information of the Group's interests in its associates, based on the amounts reported in the Group's consolidated financial statements.

	2018 $'000	2017 $'000
Carrying amounts of interests in associates	**58,245**	58,015
Group's share of:		
– net profit	**5,091**	3,648
– other comprehensive income	**(1,285)**	893
– total comprehensive income	**3,806**	4,541

NOTES TO **THE FINANCIAL STATEMENTS**

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

Details of significant joint ventures are as follows:

Name of joint ventures	Principal activity	Principal place of business/Country of incorporation	Effective equity interest held by the Group 2018 %	2017 %
Held by the Company				
* FS Nieuw Holland Pte. Ltd. [i]	Investment holding	Singapore	**50**	–
Held through subsidiaries				
^ FSCT DE Property 1 GmbH & Co. KG ("KG")	Property investment	Germany	**50**	50
^ FSCT DE Property 1 GmbH	Property investment and general partner of KG	Germany	**50**	50
^ Dongguan Huijing Hotel Co., Ltd ("DGHH") [ii]	Hotel ownership	People's Republic of China	**10**	–

^ Not subject to audit by law of country of incorporation.

* Not required to be audited for the financial period ended 31 December 2018.

[i] The joint venture was incorporated on 17 September 2018.

[ii] Although the Group holds only 10% ownership interest in DGHH, pursuant to a shareholder's agreement between the Group and its joint venture partner, joint control is exercised by both parties over the activities of DGHH. Accordingly, DGHH is classified as a joint venture of the Group.

The following summarises, in aggregate, the financial information of the Group's interests in joint ventures, based on the amounts reported in the Group's consolidated financial statements.

	2018 $'000	2017 $'000
Carrying amounts of interests in joint ventures	**22,572**	6,346
Group's share of:		
– net profit	**411**	–
– other comprehensive income	**(304)**	–
– total comprehensive income	**107**	–

NOTES TO **THE FINANCIAL STATEMENTS**

8 DERIVATIVE ASSETS AND LIABILITIES

	Group and Company	
	2018	**2017**
	$'000	**$'000**
Non-current derivative assets		
Cross currency swaps	**18,310**	350
Foreign currency swap	**1,075**	–
	19,385	350
Derivative liabilities		
Cross currency swaps	**(5,564)**	(17,290)
Non-current	**(5,564)**	(13,122)
Current	**–**	(4,168)
	(5,564)	(17,290)

As part of the Group's strategy to hedge its exposure to fluctuation in Euros against S$ arising from its acquisitions in Europe, the Group and Company has entered into various financial derivatives involving cross currency swap contracts ("CCSs") and foreign currency swaps ("FCSs") with financial institutions whereby the end result is also to achieve a corresponding Euro liability. In November 2018, the Group entered into the property financing market in Australia via a 50-50 owned joint venture with Tai Tak. The Group has also adopted the same approach as its European assets, which is to fully hedge its Australian dollar ("AUD") cost base.

As at 31 December 2018, the Group and Company had 14 CCSs and one FCS outstanding. The total notional amount of such contracts amounted to approximately EUR447,505,000 and AUD10,000,000 (2017: EUR333,154,000) with remaining tenors of between approximately 1 year to 5 years (2017: 0.5 years to 5 years). Under these contracts, the Group and Company would pay the fixed EUR denominated notional amounts and receive fixed amounts of $550,559,000 and US$196,280,000 in aggregate (2017: $335,672,000 and US$135,176,000) on the maturity dates of the financial derivatives.

NOTES TO **THE FINANCIAL STATEMENTS**

9 OTHER INVESTMENTS

	Group	
	2018	**2017**
	$'000	**$'000**
Non-current		
Available-for-sale equity securities	**–**	23,380
Financial assets measured at fair value through profit or loss		
– equity securities	**38,631**	–
– debt securities	**39,500**	–
	78,131	23,380
Current		
Available-for-sale financial assets – structured deposits	**–**	38,863
Financial assets measured at fair value through profit or loss		
– structured deposits	**39,262**	–
	117,393	62,243

As at 31 December 2018, the financial assets measured at fair value through profit or loss comprised:

(a) the Group's 90% (2017: 85%) equity interest (unquoted) in Dongguan East Sun Limited ("East Sun") of $35,305,000 (2017: $23,380,000 in available-for-sale equity securities);

(b) a 3-year S$ denominated convertible bond with principal value of $39,500,000 (2017: Nil), and a coupon of 12% (2017: Nil) per annum, which the Group had subscribed from a joint venture in late December 2018. The convertible bond is secured by (a) 100% equity shares of (i) the joint venture and (ii) the joint venture's wholly-owned subsidiary, (b) corporate guarantees from the holding company and a related company of the joint venture and (c) personal guarantee from a director of the joint venture; and

(c) a quoted equity investment of $3,326,000 (2017: Nil).

The Group has determined that it has no control nor significant influence over East Sun as the Group does not have any power over the relevant activities of East Sun, and it is not involved in East Sun's business activities including policy making processes.

Structured deposits relate to amounts placed with financial institutions in the PRC, which are principal-guaranteed. The structured deposits are not publicly traded and bear interest at 2.45% to 3.5% (2017: 4.1%) per annum.

Information about the Group's exposure to credit and market risks, and fair value measurement, is included in Note 30.

NOTES TO **THE FINANCIAL STATEMENTS**

10 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 2017 $'000	Recognised in profit or loss (Note 26) $'000	Translation differences on consolidation $'000	At 31 December 2017 $'000	Recognised in profit or loss (Note 26) $'000	Translation differences on consolidation $'000	At 31 December 2018 $'000
Group							
Deferred tax assets							
Development properties	11,644	4,554	(225)	15,973	(1,040)	(391)	**14,542**
Property, plant and equipment	–	2,066	2	2,068	2,932	(119)	**4,881**
Contract liabilities	6,792	3,493	(128)	10,157	2,353	(314)	**12,196**
Receipts in advance	–	–	–	–	328	(7)	**321**
Trade and other receivables	–	1,420	2	1,422	1,035	(77)	**2,380**
Others	1,125	2,023	48	3,196	(92)	(84)	**3,020**
Total	19,561	13,556	(301)	32,816	5,516	(992)	**37,340**
Deferred tax liabilities							
Investment properties	(7,923)	(2,284)	(92)	(10,299)	45	234	**(10,020)**
Property, plant and equipment	(597)	585	12	–	–	–	**–**
Contract liabilities	(35)	34	1	–	–	–	**–**
Trade and other receivables	(758)	261	15	(482)	68	11	**(403)**
Other investments	–	–	–	–	(2,218)	50	**(2,168)**
Total	(9,313)	(1,404)	(64)	(10,781)	(2,105)	295	**(12,591)**

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

	Group 2018 $'000	Group 2017 $'000
Deferred tax assets	**33,387**	25,905
Deferred tax liabilities	**(8,638)**	(3,870)

Unrecognised deferred tax liabilities

As at 31 December 2018, deferred tax liabilities of $15,079,000 (2017: $13,408,000) in respect of temporary differences of $266,161,000 (2017: $237,727,000) related to the withholding tax on the distributable profit of the Group's subsidiaries in the PRC were not recognised because the Group controls whether the liability will be incurred and it is satisfied that it will not be incurred in the foreseeable future.

NOTES TO **THE FINANCIAL STATEMENTS**

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

Unrecognised deferred tax assets

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

	Group	
	2018	**2017**
	$'000	**$'000**
Tax losses	**4,083**	16,879

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	
	2018	**2017**
	$'000	**$'000**
Expiry date:		
– After 5 years	**–**	13,763

NOTES TO **THE FINANCIAL STATEMENTS**

11 TRADE AND OTHER RECEIVABLES

		Group		Company	
		2018	2017	**2018**	2017
	Note	**$'000**	$'000	**$'000**	$'000
Trade receivables	(i)	**370,378**	137,790	**–**	–
Loans to associates (trade)	7	**608,379**	497,882	**–**	–
Loans to joint ventures (trade)	7	**59,388**	–	**–**	–
Amounts due from associates (non-trade)	7	**41,831**	42,895	**–**	–
Amounts due from a joint venture (non-trade)	7	**521**	–	**–**	–
Loans to third parties (non-trade)	(ii)	**35,713**	35,051	**–**	–
Non-trade amounts due from subsidiaries	(iii)	**–**	–	**1,166,483**	940,662
Security deposits		**25,839**	218	**–**	–
Other receivables	(iv)	**7,736**	4,060	**2,566**	904
		1,149,785	717,896	**1,169,049**	941,566
Prepayments	(v)	**17,050**	12,093	**57**	39
		1,166,835	729,989	**1,169,106**	941,605
Non-current		**660,948**	284,455	**779,204**	370,608
Current		**505,887**	445,534	**389,902**	570,997
		1,166,835	729,989	**1,169,106**	941,605

(i) Included in trade receivables are (i) entrusted loans to third parties of $241,153,000 (2017: $119,568,000) via entrusted banks in the PRC bearing interest (including penalty interest) ranging from 10.0% to 18.0% (2017: 6.5% to 30.4%) per annum and (ii) a loan to a third party of $115,594,000 (2017: Nil) bearing interest of 12.0% (2017: Nil) per annum. $241,153,000 (2017: $95,022,000) of the aforementioned loans are secured. Refer to Note 30 for more details.

(ii) The loans outstanding as at 31 December 2018 relate to unsecured interest-free loans which are repayable on demand.

(iii) The non-trade amounts due from subsidiaries as at 31 December 2018 were unsecured and comprised the following:

- an amount of $721,311,000 (2017: $657,637,000) bearing interest ranging from 1.2% to 1.9% (2017: 1.3% to 2.3%) per annum and due on 2021 (2017: 2018 to 2026); and
- an amount of $445,172,000 (2017: $283,025,000) which is interest-free and repayable on demand.

(iv) Included in the other receivables of the Group as at 31 December 2018 was interest receivable of $2,056,000 (2017: $1,747,000).

(v) Included in the prepayments of the Group as at 31 December 2018 was prepaid taxes of $12,102,000 (2017: $11,450,000).

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 30 for more details.

NOTES TO **THE FINANCIAL STATEMENTS**

12 DEVELOPMENT PROPERTIES

	Group 2018 $'000	Group 2017 $'000
Properties under development for sale	**334,335**	326,382
Completed properties for sale	**26,695**	65,309
	361,030	391,691
Write down	**(4,140)**	(987)
	356,890	390,704

The movement of write down in respect of development properties during the year is as follows:

	Note	Group 2018 $'000	Group 2017 $'000
At 1 January		**987**	–
Allowance made	25	**3,153**	987
At 31 December		**4,140**	987
Net interest expense capitalised in properties under development during the year		**985**	314

Net interest has been capitalised at rates ranging from 1.4% to 2.3% (2017: 0.9% to 2.3%) per annum for development properties during the financial year ended 31 December 2018.

Included in development properties are staff costs capitalised of $1,201,000 (2017: $2,105,000) during the financial year ended 31 December 2018 (Note 25).

During the financial year ended 31 December 2018, development properties recognised in cost of sales amounted to $73,668,000 (2017: $208,675,000).

Management assesses properties under development for sale for impairment 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. The write down is included in "other expenses".

NOTES TO **THE FINANCIAL STATEMENTS**

13 ASSETS HELD-FOR-SALE

In May 2018, the Group entered into a sale and purchase agreement with a third party (the "Purchaser") in relation to the disposal of certain assets within the Chengdu Cityspring project for a total cash consideration of approximately $94.8 million (RMB465.0 million), to be paid over several tranches.

Property, plant and equipment and investment properties amounting to $34,667,000 and $36,722,000 respectively, were accordingly reclassified to assets held-for-sale.

The assets were to be transferred to the Purchaser over three tranches. The first instalment had been paid by the Purchaser and the first tranche of assets had been transferred to the Purchaser resulting in a gain on disposal of $6,253,000 recorded in other gains in the profit or loss account. An impairment loss of $4,088,000 has been taken on part of the remaining assets held-for-sale which would be transferred by May 2019.

Cumulative income or expenses recognised in other comprehensive income

There are no cumulative income or expenses included in other comprehensive income relating to the assets held-for-sale.

14 CASH AND CASH EQUIVALENTS

	Group		Company	
	2018	**2017**	**2018**	**2017**
	$'000	**$'000**	**$'000**	**$'000**
Fixed deposits	**23,779**	150	**7,264**	115
Cash at bank and in hand	**101,932**	319,148	**10,875**	4,412
	125,711	319,298	**18,139**	4,527

The balance as at 31 December 2018 included Nil (2017: $40,295,000) 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 2018 included $111,581,000 (2017: $296,319,000) 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.

NOTES TO **THE FINANCIAL STATEMENTS**

15 SHARE CAPITAL

	Group and Company			
	2018		2017	
	Number of shares	US$'000	Number of shares	US$'000
Authorised share capital:				
At 1 January	**2,000,000,000**	**200,000**	2,000,000,000	2,000,000
Capital reduction	**–**	**–**	–	(1,800,000)
At 31 December	**2,000,000,000**	**200,000**	2,000,000,000	200,000

	Group and Company			
	2018		2017	
	Number of shares	$'000	Number of shares	$'000
Ordinary shares issued and fully paid				
At 1 January	**589,814,949**	**73,640**	589,814,949	736,404
Issue of bonus shares	**58,981,032**	**7,735**	–	–
Conversion of perpetual convertible capital securities ("PCCS") during the year	**219,687**	**30**	–	–
Capital reduction – transfer to distributable reserve (Note 16)	**–**	**–**	–	(662,764)
At 31 December	**649,015,668**	**81,405**	589,814,949	73,640

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.

Issuance of ordinary shares

On 18 April 2018, the Company issued 58,981,032 ordinary shares of US$0.10 each on the basis of one bonus shares for every 10 existing ordinary shares (2017: Nil).

Additionally, 219,687 (2017: Nil) ordinary shares were issued as a result of the conversion of PCCS (see Note 17).

Capital reduction

On 31 August 2017, following the capital reduction carried out by the Company, the issued and fully paid up share capital of the Company had reduced from US$589,814,949 comprising 589,814,949 ordinary shares of US$1.00 each to US$58,981,494.90 comprising 589,814,949 ordinary shares of US$0.10 each. The credit arising from such reduction of approximately US$530,833,000 (approximately $662,764,000) was transferred to a distributable reserve account of the Company (see Note 16). In addition, the authorised share capital of the Company was reduced from US$2,000,000,000 divided into 2,000,000,000 shares with a par value of US$1.00 each to US$200,000,000 divided into 2,000,000,000 shares with a par value of US$0.10 each.

NOTES TO **THE FINANCIAL STATEMENTS**

15 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.

16 RESERVES

	Group		Company	
	2018	**2017**	**2018**	**2017**
	$'000	**$'000**	**$'000**	**$'000**
Share premium	**9,821**	9,609	**10,033**	9,821
Statutory reserve	**36,607**	33,447	**–**	–
Capital reserve	**245**	225	**(5,988)**	(5,988)
Distributable reserve	**655,029**	662,764	**655,029**	662,764
Fair value reserve	**–**	(3,949)	**–**	–
Foreign currency translation reserve	**12,854**	36,950	**–**	–
Retained earnings	**354,535**	267,468	**209,692**	140,470
	1,069,091	1,006,514	**868,766**	807,067

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.

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.

NOTES TO **THE FINANCIAL STATEMENTS**

16 RESERVES (CONT'D)

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 a subsidiary of the Company during the year ended 31 December 2015.

Distributable reserve

Distributable reserve arises from the capital reduction carried out by the Company in August 2017 (see Note 15). In 2018, distributable reserve of $7,735,000 (2017: Nil) was utilised for issuance of bonus shares (see Note 15).

Fair value reserve

In 2017, the fair value reserve comprised the cumulative net change in the fair value of available-for-sale equity securities until the assets are derecognised or impaired.

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**

16 RESERVES (CONT'D)

Dividends

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

	Group		Company	
	2018	**2017**	**2018**	**2017**
	$'000	**$'000**	**$'000**	**$'000**
For the year ended 31 December				
Final tax-exempt (one-tier) ordinary dividend paid of 1.20 cents (2017: 1.00 cent) per ordinary share in respect of financial year ended 31 December 2017 (2017: 31 December 2016)	**7,785**	5,898	**7,785**	5,898
Interim tax-exempt (one-tier) ordinary dividend paid of 1.00 cent (2017: 1.00 cent) per ordinary share in respect of financial year ended 31 December 2018 (2017: 31 December 2017)	**6,486**	5,898	**6,489**	5,898
	14,271	11,796	**14,274**	11,796

After the respective reporting dates, 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.

	Group		Company	
	2018	**2017**	**2018**	**2017**
	$'000	**$'000**	**$'000**	**$'000**
1.30 cents per qualifying ordinary share (2017: 1.20 cents)	**8,434**	7,078	**8,438**	7,078

17 PERPETUAL CONVERTIBLE CAPITAL SECURITIES

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, subject to adjustments under certain conditions.

During the financial year, 219,687 PCCS were converted into 219,687 ordinary shares of the Company (see Note 15).

The PCCS confer a right to the holder to receive a distribution of 3.98% per annum but the Company may, at its sole discretion, elect to defer the distribution. Any arrears of PCCS distribution will have to be paid prior to any dividend distribution by the Company to its ordinary shareholders. In the event the conversion rights are exercised, any arrears of PCCS distribution will be extinguished.

NOTES TO **THE FINANCIAL STATEMENTS**

18 LOANS AND BORROWINGS

	Group		Company	
	2018	**2017**	**2018**	**2017**
	$'000	**$'000**	**$'000**	**$'000**
Non-current liabilities				
Secured bank loan	**36,658**	35,817	**–**	–
Unsecured bank loans	**604,732**	574,171	**604,732**	574,171
	641,390	609,988	**604,732**	574,171
Current liabilities				
Unsecured bank loans	**45,338**	–	**45,338**	–
Total loans and borrowings	**686,728**	609,988	**650,070**	574,171

The term loans are obtained from banks and financial institutions.

Terms and debt repayment schedule

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

	Group		Company	
	2018	**2017**	**2018**	**2017**
	$'000	**$'000**	**$'000**	**$'000**
Secured term loans				
Repayable:				
– After 1 year but within 5 years	**36,658**	35,817	**–**	–
	36,658	35,817	**–**	–

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).

The Group's secured term loans bore interest rate of 1.37% (2017: 1.37%) per annum at the end of the year.

	Group		Company	
	2018	**2017**	**2018**	**2017**
	$'000	**$'000**	**$'000**	**$'000**
Unsecured term loans				
Repayable:				
– Within 1 year	**45,338**	–	**45,338**	–
– After 1 year but within 5 years	**604,732**	574,171	**604,732**	574,171
	650,070	574,171	**650,070**	574,171

The unsecured term loans of the Group and Company bore interest rates ranging from 1.20% to 3.91% (2017: 1.20% to 2.84%) per annum at the end of the year.

NOTES TO **THE FINANCIAL STATEMENTS**

18 LOANS AND BORROWINGS (CONT'D)

Reconciliation of movements of liabilities to cash flows arising from financing activities

	Liabilities				
	Bank loans $'000	**Notes $'000**	**Other payable $'000**	**Non-trade amounts due to associates $'000**	**Total $'000**
Balance at 1 January 2018	609,988	–	12,811	12,437	635,236
Changes from financing cash flows					
Advances from associates	–	–	–	3,009	3,009
Payment of transaction costs related to borrowings	(3,153)	–	–	–	(3,153)
Proceeds from bank borrowings	293,551	–	–	–	293,551
Repayment of bank borrowings	(345,950)	–	–	–	(345,950)
	(55,552)	–	–	3,009	(52,543)
The effect of changes in foreign exchange rates	75	–	(284)	(1,322)	(1,531)
Other changes					
Liability-related					
Amortisation of transaction costs	4,044	–	–	–	4,044
Net proceeds from bank borrowings in operating cash flows (i)	128,173	–	–	–	128,173
Total liability-related other changes	132,217	–	–	–	132,217
Balance at 31 December 2018	**686,728**	**–**	**12,527**	**14,124**	**713,379**
Balance at 1 January 2017	306,688	49,950	–	39,167	395,805
Changes from financing cash flows					
Advances from associates	–	–	–	13,484	13,484
Payment of transaction costs related to borrowings	(7,545)	–	–	–	(7,545)
Proceeds from bank borrowings	766,308	–	–	–	766,308
Repayment of bank borrowings	(744,192)	–	–	–	(744,192)
Redemption of medium term notes	–	(50,000)	–	–	(50,000)
Loan from a non-controlling interest	–	–	12,490	–	12,490
	14,571	(50,000)	12,490	13,484	(9,455)
The effect of changes in foreign exchange rates	7,976	–	321	(1,047)	7,250
Other changes					
Liability-related					
Amortisation of transaction costs	2,830	50	–	–	2,880
Net proceeds from bank borrowings in operating cash flows (i)	277,923	–	–	–	277,923
Offset against non-trade balances due from associates (ii)	–	–	–	(39,167)	(39,167)
Total liability-related other changes	280,753	50	–	(39,167)	241,636
Balance at 31 December 2017	609,988	–	12,811	12,437	635,236

(i) This relates to the net proceeds from bank borrowings for on-lending to the Group's European associates and joint ventures, which is part of the Group's property financing operations.

(ii) In 2017, an amount due to associates of $39,167,000 was offset against an amount due from associates of $39,167,000.

NOTES TO **THE FINANCIAL STATEMENTS**

19 TRADE AND OTHER PAYABLES

		Group		Company	
		2018	**2017**	**2018**	**2017**
	Note	**$'000**	**$'000**	**$'000**	**$'000**
Trade payables		**65,668**	106,851	**–**	–
Accruals		**25,228**	21,150	**7,466**	6,927
Value added tax, business tax and other taxes payable		**4,312**	6,772	**–**	–
Non-trade amounts due to:					
– former shareholders and affiliates of subsidiaries		**1,738**	1,748	**–**	–
– subsidiaries		**–**	–	**160,813**	120,120
– associates	7	**14,124**	12,437	**–**	–
Loan from a non-controlling interest of a subsidiary		**12,527**	12,811	**–**	–
Other payables		**27,311**	17,135	**2,187**	1,092
		150,908	178,904	**170,466**	128,139

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

The loan from a non-controlling interest of a subsidiary is unsecured, bears interest at 8.9% (2017: 8.9%) per annum and is due in 2022.

	Group		Company	
	2018	**2017**	**2018**	**2017**
	$'000	**$'000**	**$'000**	**$'000**
Non-current	**12,527**	12,811	**–**	–
Current	**138,381**	166,093	**170,466**	128,139
	150,908	178,904	**170,466**	128,139

20 CONTRACT LIABILITIES

Contract liabilities mainly represent advance consideration received from customers for sale of development properties.

Contract liabilities are recognised as revenue when the Group fulfils its performance obligations under contract with its customers. The significant changes in the contract liabilities during the year are as follows:

	Group	
	2018	**2017**
	$'000	**$'000**
Revenue recognised that was included in contract liabilities at the beginning of the year	**(90,243)**	(178,525)
Increases due to cash received, excluding amounts recognised as revenue during the year	**73,796**	167,910

NOTES TO **THE FINANCIAL STATEMENTS**

21 RECEIPTS IN ADVANCE

Receipts in advance comprise advance receipts received from the disposal of assets held-for-sale and rental income collected in advance.

22 REVENUE

	Group 2018 $'000	Group 2017 $'000
Sale of properties	**139,336**	308,162
Rental income from investment properties	**13,732**	12,270
Interest income under the effective interest method on:		
– loans to third parties	**44,459**	30,635
– loans to associates and joint ventures	**37,672**	17,093
– vendor financing arrangements	**209**	56
	82,340	47,784
Hotel operations	**41,953**	16,176
	277,361	384,392

The following tables provide information about the nature and timing of the satisfaction of performance obligations in contracts with customers, including significant payment terms, and the related revenue recognition policies:

Property development

Nature of goods or services	The Group constructs residential, commercial and mixed development properties for sale in the PRC and Europe.
When revenue is recognised	**Properties under development for which revenue is recognised at a point in time** For the contracts to sell residential properties and commercial properties in the PRC, the Group assessed that revenue is recognised when, (i) the construction of the relevant properties has been completed, (ii) the properties are ready for handover to the purchasers, and (iii) collectability of the proceeds is reasonably assured. **Completed properties for which revenue is recognised at a point in time** Where contracts relate to the sale of completed properties, revenue is recognised when collectability of the proceeds is reasonably assured.
Significant payment terms	**Properties under development and completed properties** Billings to customers are based on terms set out in the sale and purchase agreement.

NOTES TO **THE FINANCIAL STATEMENTS**

22 REVENUE (CONT'D)

Property financing

Nature of goods or services	The Group generates interest income from property financing and vendor financing.
When revenue is recognised	Interest income is recognised as revenue using the effective interest method.
Significant payment terms	Interest is received according to the terms set out in the loan agreement.

Hotel operations

Nature of goods or services	The Group generates hotel income from owning and operating hotels.
When revenue is recognised	Hotel income is recognised at the point at which the accommodation and related services are provided.
Significant payment terms	For hotel room income, payment is received when the accommodation and related services are provided to the customers. For hotel banquet sales, contract consideration will be billed in stages with the final payment to be received when the goods and services are provided to the customers (i.e. at the end of the event). For protective reasons, a portion of the contract consideration is received upfront upon signing of the contract, and the remaining consideration will be billed in stages with the final payment to be received from the customers when goods and services are provided to the customers. As such, no financing component has been recognised as the payment terms are for reasons other than financing. For hotel food and beverages sales, payment is received when the goods are provided to the customers.

Disaggregation of revenue from contracts with customers

In the following table, revenue from contracts with customers is disaggregated by primary geographical markets and timing of revenue recognition. The table also includes a reconciliation of the disaggregated revenue with the Group's reportable segments.

	Reportable segments							
	Property development		Property financing		Hotel operations		Total*	
	2018 $'000	2017 $'000	2018 $'000	2017 $'000	2018 $'000	2017 $'000	2018 $'000	2017 $'000
Primary geographical markets								
PRC	**134,066**	306,573	**47,200**	31,183	**22,646**	16,176	**203,912**	353,932
Europe	**5,270**	1,589	**35,140**	16,601	**19,307**	–	**59,717**	18,190
	139,336	308,162	**82,340**	47,784	**41,953**	16,176	**263,629**	372,122
Timing of revenue recognition								
Products transferred at a point in time	**139,336**	308,162	**82,340**	47,784	**41,953**	16,176	**263,629**	372,122

* This excludes rental income from investment properties.

NOTES TO THE FINANCIAL STATEMENTS

23 OTHER GAINS/(LOSSES) (NET)

Other gains/(losses) comprise:

		Group	
	Note	2018 $'000	2017 $'000
Gain/(loss) on disposal of:			
– assets held-for-sale		**6,253**	–
– a subsidiary	28	**1**	–
– investment properties		**272**	(62)
– property, plant and equipment (net)		**(1)**	6
Impairment loss on assets held-for-sale		**(4,088)**	–
Loss on liquidation of subsidiaries (net)		**(85)**	–
Property, plant and equipment written off		**(1)**	–
Others		**487**	–
		2,838	(56)

24 NET FINANCE INCOME

	Group	
	2018 $'000	2017 $'000
Finance income		
Interest income under the effective interest method on:		
– bank deposits	**1,149**	1,271
– loans to local government authority in the PRC	**–**	3,546
Total interest income arising from financial assets measured at amortised cost	**1,149**	4,817
Interest income on:		
– structured deposits	**7,130**	8,253
– financial derivatives	**8,853**	4,012
	17,132	17,082
Finance costs		
Amortisation of transaction costs	**(4,044)**	(2,880)
Interest expense on bank loans	**(4,550)**	(4,874)
Interest expense on financial derivatives	**(1,259)**	(1,112)
Interest expense on third party loan	**(1,139)**	(458)
	(10,992)	(9,324)
Less: Amount capitalised	**1,090**	314
	(9,902)	(9,010)
Net finance income	**7,230**	8,072

NOTES TO **THE FINANCIAL STATEMENTS**

25 PROFIT BEFORE TAX

Profit before tax includes the following:

	Note	Group 2018 $'000	Group 2017 $'000
Audit fees paid/payable to:			
– auditors of the Company		**243**	249
– other auditors		**112**	139
Non-audit fees paid/payable to:			
– auditors of the Company		**161**	96
– other auditors		**44**	–
Depreciation of property, plant and equipment	4	**6,172**	5,510
Direct operating expenses arising from rental of investment properties		**5,785**	1,627
Exchange loss/(gain) (net)		**26,248**	(10,933)
Fair value (gain)/loss (net) on:			
– investment properties	5	**(6,930)**	(4,038)
– derivative assets/liabilities		**(30,761)**	14,177
– other investments		**(12,850)**	–
Write down of development properties	12	**3,153**	987
Impairment loss on:			
– investment properties	5	**–**	602
– property, plant and equipment	4	**14,053**	9,345
Hotel and hotspring base stocks written off		**–**	756
Hotel and hotspring pre-opening expenses		**–**	2,425
Net investment return from a PRC government linked entity		**–**	(403)
Operating lease expense		**483**	450
Staff costs		**19,665**	17,673
Trade receivables written off		**–**	13

	Note	2018 $'000	2017 $'000
Staff costs			
Wages and salaries		**19,019**	18,724
Contributions to defined contribution plans		**1,591**	1,672
Termination benefits		**256**	32
		20,866	20,428
Less: Amounts capitalised in			
– development properties	12	**(1,201)**	(2,105)
– property, plant and equipment	4	**–**	(650)
		19,665	17,673

NOTES TO **THE FINANCIAL STATEMENTS**

26 TAX EXPENSE

	Group 2018 $'000	Group 2017 $'000
Current tax expense		
Current year	**23,475**	30,783
(Over)/under provision in respect of prior years	**(101)**	744
	23,374	31,527
Withholding tax	**1,714**	27
Land appreciation tax expense	**4,621**	8,538
	29,709	40,092
Deferred tax (credit)/expense		
Origination and reversal of temporary differences	**(2,845)**	(12,152)
Under provision in respect of prior years	**100**	–
Effect of changes in tax rates	**(666)**	–
Total tax expense	**26,298**	27,940
Reconciliation of effective tax rate		
Profit for the year	**118,250**	93,293
Tax expense	**26,298**	27,940
Profit before tax	**144,548**	121,233
Tax calculated using tax rate of 25% (2017: 25%)	**36,137**	30,308
Effect of changes in tax rates	**(666)**	–
Effect of different tax rates in other jurisdictions	**(2,975)**	(648)
Effect of deferred tax assets not recognised	**1,546**	1,459
Expenses not deductible for tax purposes	**8,161**	1,563
Income not subject to tax	**(16,979)**	(7,588)
Recognition of previously unrecognised deferred tax assets	**(2,729)**	(3,417)
Land appreciation tax expense	**4,621**	8,538
Effect of tax deduction on land appreciation tax expense	**(1,155)**	(2,134)
(Over)/under provision in respect of prior years	**(1)**	744
Withholding tax	**1,714**	27
Effect of results of associates and joint ventures	**(1,376)**	(912)
	26,298	27,940

The Company is established under the laws of the Cayman Islands and is not subject to income tax in that jurisdiction. The Company is a Singapore tax resident 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 during the financial year ended 31 December 2018 are 25% (2017: 25%).

NOTES TO **THE FINANCIAL STATEMENTS**

26 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 10). The Group considered that the applicable withholding tax rate to be 5% to 10% (2017: 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.

Effect of changes in tax rates

The credit in 2018 of $666,000 (2017: Nil) relates to the effect of a reduction in the corporate income tax rates in the Netherlands on opening deferred tax balances. Specifically, a reduction to 22.55% in the rate applicable from 1 January 2020 and a further reduction to 20.5% in the rate applicable from 1 January 2021 were substantively enacted as at 31 December 2018 and this has reduced the deferred tax liability accordingly as at 31 December 2018.

NOTES TO **THE FINANCIAL STATEMENTS**

27 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	
	2018	**2017**
	$'000	**$'000**
Profit for the year, attributable to the owners of the Company	**113,008**	88,283
Distributions on PCCS	**(4,541)**	–
Profit attributable to ordinary shareholders	**108,467**	88,283

Weighted average number of ordinary shares

	Group	
	2018	**2017**
	'000	**'000**
		Restated[1]
Issued ordinary shares at 1 January	**589,815**	589,815
Issuance of bonus shares	**58,981**	–
Effect of own shares held [2]	**(129)**	–
Effect of PCCS converted during the year	**50**	–
Adjustment for the effect of bonus issue	**–**	58,981
Weighted average number of ordinary shares during the year	**648,717**	648,796

(1) Restated for the effect of bonus issue undertaken in April 2018.

(2) Adjusted for the effect of shares in the Company held by a subsidiary. As at 31 December 2018, the subsidiary held 307,682 (2017: Nil) of the Company's shares.

Diluted earnings per share

	Group	
	2018	**2017**
	$'000	**$'000**
Profit attributable to ordinary shareholders (basic)	**108,467**	88,283
Distributions on PCCS	**4,541**	–
Profit attributable to ordinary shareholders (diluted)	**113,008**	88,283

Weighted average number of ordinary shares (diluted)

	Group	
	2018	**2017**
	'000	**'000**
		Restated[1]
Weighted average number of ordinary shares (basic)	**648,667**	648,796
Effect of conversion of PCCS	**103,773**	–
Weighted-average number of ordinary shares (diluted) during the year	**752,440**	648,796

(1) Restated for the effect of bonus issue undertaken in April 2018.

NOTES TO **THE FINANCIAL STATEMENTS**

28 DISPOSAL OF A SUBSIDIARY

On 18 December 2018, the Group disposed of its entire equity interest in FS Dongguan No. 8 Co. Ltd for a consideration of RMB1.

The net assets and cash flows of the subsidiary disposed are provided below:

	2018 $'000
Other payables	**(1)**
Identified net liabilities disposed	**(1)**
Consideration	**–***
Less:	
Cash and cash equivalents disposed	**–**
Net cash inflow	**–***
Total consideration	**–***
Less:	
Net identified liabilities on disposal	**(1)**
Gain on disposal	**1**

* Amount less than $1,000.

On 3 July 2017, the Group disposed of its entire equity interest in Guangdong Idea Valley Advertisement Limited for a consideration of $2,874,000.

The net assets and cash flows of the subsidiary disposed in 2017 are provided below:

	2017 $'000
Investment property	2,462
Trade and other receivables	25
Cash and cash equivalents	674
Trade and other payables	(225)
Current tax payable	(62)
Identified net assets disposed	2,874
Consideration	2,874
Less:	
Cash and cash equivalents disposed	(674)
Net cash inflow	2,200
Total consideration	2,874
Less:	
Net identified assets on disposal	(2,874)
Gain on disposal	–

NOTES TO **THE FINANCIAL STATEMENTS**

29 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 interest bearing loans to associates, joint ventures and third parties, subscription of debt securities, and vendor financing arrangements
- Hotel operations – hotels and hotspring 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**

29 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
2018							
Segment revenue	139,336	13,734	82,340	42,513	277,923	10,100	288,023
Elimination of inter-segment revenue	–	(2)	–	(560)	(562)	(10,100)	(10,662)
External revenue	139,336	13,732	82,340	41,953	277,361	–	277,361
Profit/(loss) from operating activities	54,378	36,849	75,194	(20,873)	145,548	(13,732)	131,816
Finance income	9,772	5,206	2,015	8	17,001	131	17,132
Finance costs	(2,208)	(6,630)	–	–	(8,838)	(1,064)	(9,902)
Share of after-tax (loss)/profit of associates and joint ventures	(231)	10,847	180	(5,294)	5,502	–	5,502
Segment profit/(loss) before tax	61,711	46,272	77,389	(26,159)	159,213	(14,665)	144,548
Other material non-cash items:							
Depreciation	(77)	–	(97)	(5,794)	(5,968)	(204)	(6,172)
Impairment loss on assets held-for-sale	(4,088)	–	–	–	(4,088)	–	(4,088)
Impairment loss on property, plant and equipment	–	–	–	(14,053)	(14,053)	–	(14,053)
Fair value gain on other investments	–	12,850	–	–	12,850	–	12,850
Fair value gain on investment properties (net)	–	6,930	–	–	6,930	–	6,930
Fair value gain on derivatives (net)	6,482	5,492	18,744	–	30,718	–	30,718
Assets							
Segment assets	534,378	385,145	1,116,569	209,233	2,245,325	55,671	2,300,996
Interests in associates and joint ventures	43,218	22,463	15,136	–	80,817	–	80,817
	577,596	407,608	1,131,705	209,233	2,326,142	55,671	2,381,813
Liabilities							
Segment liabilities	(372,210)	(103,367)	(524,257)	(11,447)	(1,011,281)	(47,038)	(1,058,319)
Other segment information:							
Capital expenditure	–	15,863	–	291	16,154	130	16,284

NOTES TO **THE FINANCIAL STATEMENTS**

29 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
2017							
Segment revenue	308,162	12,273	47,784	16,500	384,719	7,517	392,236
Elimination of inter-segment revenue	–	(3)	–	(324)	(327)	(7,517)	(7,844)
External revenue	308,162	12,270	47,784	16,176	384,392	–	384,392
Profit/(loss) from operating activities	93,125	12,754	36,321	(20,266)	121,934	(12,421)	109,513
Finance income	10,241	1,232	4,971	7	16,451	631	17,082
Finance costs	(2,173)	(6,728)	–	–	(8,901)	(109)	(9,010)
Share of after-tax profit of associates	1,433	4,574	–	(2,359)	3,648	–	3,648
Segment profit/(loss) before tax	102,626	11,832	41,292	(22,618)	133,132	(11,899)	121,233
Other material non-cash items:							
Depreciation	(151)	–	–	(5,074)	(5,225)	(285)	(5,510)
Impairment loss on property, plant and equipment	–	–	–	(9,345)	(9,345)	–	(9,345)
Impairment loss on investment properties	–	(602)	–	–	(602)	–	(602)
Fair value gain on investment properties (net)	–	4,038	–	–	4,038	–	4,038
Fair value gain/(loss) on derivatives (net)	350	(5,041)	(9,486)	–	(14,177)	–	(14,177)
Other items:							
Hotel and hotspring base stocks written off	–	–	–	(756)	(756)	–	(756)
Hotel and hotspring pre-opening expenses	–	–	–	(2,425)	(2,425)	–	(2,425)
Assets							
Segment assets	623,553	353,879	803,282	232,615	2,013,329	28,813	2,042,142
Interests in associates and joint ventures	44,159	20,202	–	–	64,361	–	64,361
	667,712	374,081	803,282	232,615	2,077,690	28,813	2,106,503
Liabilities							
Segment liabilities	(485,168)	(104,043)	(388,211)	(9,223)	(986,645)	(32,977)	(1,019,622)
Other segment information:							
Capital expenditure	–	42,391	–	11,610	54,001	163	54,164

NOTES TO **THE FINANCIAL STATEMENTS**

29 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 Europe.

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.

	2018 $'000	2017 $'000
Revenue		
PRC	**204,972**	354,343
Europe	**72,389**	30,049
	277,361	384,392
Non-current assets*		
PRC	**221,312**	301,121
Europe	**278,494**	269,803
Other countries	**10,581**	6,915
	510,387	577,839

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

30 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.

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 three (2017: two) borrowers that represented 48% (2017: 41%) of the trade receivables as at 31 December 2018.

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

NOTES TO **THE FINANCIAL STATEMENTS**

30 FINANCIAL RISK MANAGEMENT (CONT'D)

Credit risk (cont'd)

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 its 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 generally 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, except for loans to third parties for which the Group has an equity interest. The loan disbursed is capped at a pre-set loan to value ratio of the property collateral.

Comparative information under IAS 39

In 2017, the Group established an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables. The main components of this allowance were 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 had have been incurred but not yet identified. The collective loss allowance was determined based on historical data of payment statistics for similar financial assets.

The ageing of trade receivables of the Group that were not impaired on 31 December 2017 was:

	Group **$'000**
Not past due	81,138
Past due 1 – 60 days	236
Past due 61 – 90 days	112
More than 90 days	56,304
	137,790

NOTES TO **THE FINANCIAL STATEMENTS**

30 FINANCIAL RISK MANAGEMENT (CONT'D)

Credit risk (cont'd)

Trade and other receivables (cont'd)

Expected credit loss assessment as at 1 January and 31 December 2018

There is no change on impairment loss allowance on the initial application of IFRS 9.

The Group uses a provision matrix to measure the lifetime expected credit loss allowance for trade receivables.

In measuring the expected credit losses, trade receivables are grouped based on shared credit risk characteristics and days past due.

In calculating the expected credit loss rates, the Group benchmarks to historical data for similar financial assets and adjusts for forward-looking macroeconomic factors.

The Group considers a financial asset to be in default if the counterparty fails to make contractual payments when they fall due, and writes off the financial asset only when the Group is satisfied that no recovery of the amount owing is possible. Where receivables are written off, the Group continues to engage in enforcement activity to attempt to recover the receivables due. Where recoveries are made, these are recognised in profit or loss.

The following table provides information about the exposure to credit risk and ECLs for trade receivables as at 31 December 2018:

	Group	
	Gross carrying amount $'000	**Credit impaired**
Not past due	**336,467**	**No**
Past due 1 – 60 days	**11**	**No**
Past due 61 – 90 days	**–**	**No**
More than 90 days	**33,900**	**Yes**
	370,378	

Out of the gross trade receivable balances past due more than 90 days, $33.9 million (RMB170.0 million) (2017: $56,159,000 (RMB274.6 million)) relate to entrusted loan receivables, 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. The Group had successfully enforced on part of the defaulted loans during the financial years ended 31 December 2018 and 2017 which resulted in the partial settlement of outstanding loan receivables during both years and the recognition of penalty interest included as part of property financing revenue income in the profit or loss account.

NOTES TO **THE FINANCIAL STATEMENTS**

30 FINANCIAL RISK MANAGEMENT (CONT'D)

Credit risk (cont'd)

Trade and other receivables (cont'd)

Expected credit loss assessment as at 1 January and 31 December 2018 (cont'd)

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 where applicable, 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 no impairment allowance is required at the reporting date.

Non-trade amounts due from subsidiaries

The Company held non-trade receivables from its subsidiaries of $1,166,483,000 (2017: $940,662,000). These balances represent amounts lent to its subsidiaries to satisfy their long and short term funding requirements. Impairment on these balances has been measured on the 12-month expected loss basis which reflects the low credit risk of the exposure. No allowance of these balances is required at the reporting date.

Derivatives and structured deposits

Derivatives and structured deposits are only entered into with bank and financial institution counterparties with sound credit ratings.

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 2018, the Group has issued guarantees to banks of up to $229,527,000 (2017: $321,315,000) 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.

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.

NOTES TO **THE FINANCIAL STATEMENTS**

30 FINANCIAL RISK MANAGEMENT (CONT'D)

Liquidity risk (cont'd)

The Group has contractual commitments to incur expenditure on its development properties, investment properties and property, plant and equipment (see Note 31).

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					
2018					
Non-derivative financial liabilities					
Loans and borrowings	**686,728**	**695,718**	**45,870**	**649,848**	**–**
Trade and other payables	**150,908**	**154,955**	**138,381**	**16,574**	**–**
Recognised financial liabilities	**837,636**	**850,673**	**184,251**	**666,422**	**–**
Financial guarantees	**–**	**229,527**	**229,527**	**–**	**–**
	837,636	**1,080,200**	**413,778**	**666,422**	**–**
Derivative financial instruments					
Cross currency and foreign currency swaps (gross settled)	**(19,385)**				
– Outflow		**(107,019)**	**(65,254)**	**(41,765)**	**–**
– Inflow		**105,281**	**65,129**	**40,152**	**–**
Cross currency swaps (gross settled)	**5,564**				
– Outflow		**(689,120)**	**(57,691)**	**(631,429)**	**–**
– Inflow		**713,430**	**73,715**	**639,715**	**–**
2017					
Non-derivative financial liabilities					
Loans and borrowings	609,988	652,165	13,271	638,894	–
Trade and other payables	178,904	184,183	166,093	18,090	–
Recognised financial liabilities	788,892	836,348	179,364	656,984	–
Financial guarantees	–	321,315	321,315	–	–
	788,892	1,157,663	500,679	656,984	–
Derivative financial instruments					
Cross currency swaps (gross settled)	(350)				
– Outflow		(128,388)	(1,201)	(127,187)	–
– Inflow		128,669	2,954	125,715	–
Cross currency swaps (gross settled)	17,290				
– Outflow		(462,701)	(58,639)	(404,062)	–
– Inflow		441,961	60,545	381,416	–

NOTES TO **THE FINANCIAL STATEMENTS**

30 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					
2018					
Non-derivative financial liabilities					
Loans and borrowings	**650,070**	**695,216**	**45,719**	**649,497**	**–**
Trade and other payables	**170,466**	**170,466**	**170,466**	**–**	**–**
Recognised financial liabilities	**820,536**	**865,682**	**216,185**	**649,497**	**–**
Derivative financial instruments					
Cross currency and foreign currency swaps (gross settled)	**(19,385)**				
– Outflow		**(107,019)**	**(65,254)**	**(41,765)**	**–**
– Inflow		**105,281**	**65,129**	**40,152**	**–**
Cross currency swaps (gross settled)	**5,564**				
– Outflow		**(689,120)**	**(57,691)**	**(631,429)**	**–**
– Inflow		**713,430**	**73,715**	**639,715**	**–**
2017					
Non-derivative financial liabilities					
Loans and borrowings	574,171	612,418	12,750	599,668	–
Trade and other payables	128,139	128,139	128,139	–	–
Recognised financial liabilities	702,310	740,557	140,889	599,668	–
Derivative financial instruments					
Cross currency swaps (gross settled)	(350)				
– Outflow		(128,388)	(1,201)	(127,187)	–
– Inflow		128,669	2,954	125,715	–
Cross currency swaps (gross settled)	17,290				
– Outflow		(462,701)	(58,639)	(404,062)	–
– Inflow		441,961	60,545	381,416	–

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 flows 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**

30 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	
	2018	**2017**	**2018**	**2017**
	$'000	**$'000**	**$'000**	**$'000**
Fixed rate instruments				
Financial assets	**1,073,104**	617,598	**7,264**	115
Financial liabilities	**(500,806)**	(380,716)	**(488,279)**	(367,904)
	572,298	236,882	**(481,015)**	(367,789)
Variable rate instruments				
Financial assets	**157,414**	357,948	**732,186**	662,049
Financial liabilities	**(207,439)**	(251,965)	**(170,728)**	(216,077)
	(50,025)	105,983	**561,458**	445,972

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 (2017: 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**

30 FINANCIAL RISK MANAGEMENT (CONT'D)

Market risk (cont'd)

Interest rate risk (cont'd)

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

	(Decrease)/increase in profit before tax	
	100 bps increase $'000	100 bps decrease $'000
Group		
31 December 2018		
Variable rate instruments	**(500)**	**500**
31 December 2017		
Variable rate instruments	1,060	(1,060)

	Increase/(decrease) in profit before tax	
	100 bps increase $'000	100 bps decrease $'000
Company		
31 December 2018		
Variable rate instruments	**5,615**	**(5,615)**
31 December 2017		
Variable rate instruments	4,460	(4,460)

NOTES TO **THE FINANCIAL STATEMENTS**

30 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 Australian dollar.

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

	Euro $'000	Singapore dollar $'000	Renminbi $'000	US dollar $'000	Malaysian Ringgit $'000	Australian dollar $'000
Group						
2018						
Cash and cash equivalents	**11,420**	**–**	**7,443**	**84**	**–**	**20**
Trade and other receivables	**–**	**–**	**–**	**597**	**44**	**–**
Trade and other payables	**(1,374)**	**(451)**	**(152)**	**(547)**	**(1,687)**	**–**
Intercompany balances	**879,144**	**–**	**–**	**–**	**–**	**–**
Loans and borrowings	**(170,503)**	**–**	**–**	**(268,650)**	**–**	**–**
Net statement of financial position exposure	**718,687**	**(451)**	**7,291**	**(268,516)**	**(1,643)**	**20**
Cross currency swaps	**(745,958)**	**–**	**–**	**268,650**	**–**	**(9,669)**
Net exposure	**(27,271)**	**(451)**	**7,291**	**134**	**(1,643)**	**(9,649)**
2017						
Cash and cash equivalents	3,589	44	210	94	–	–
Trade and other receivables	–	–	–	–	44	–
Trade and other payables	(133)	(7)	(142)	(26)	(1,696)	–
Intercompany balances	708,767	–	–	–	–	–
Loans and borrowings	(216,077)	–	–	(181,906)	–	–
Net statement of financial position exposure	496,146	37	68	(181,838)	(1,652)	–
Cross currency swaps	(532,280)	–	–	181,906	–	–
Net exposure	(36,134)	37	68	68	(1,652)	–

NOTES TO **THE FINANCIAL STATEMENTS**

30 FINANCIAL RISK MANAGEMENT (CONT'D)

Market risk (cont'd)

Foreign currency risk (cont'd)

	Euro $'000	Renminbi $'000	US dollar $'000	Australian dollar $'000
Company				
2018				
Cash and cash equivalents	**10,003**	**7,314**	**27**	**20**
Trade and other receivables	**4**	**–**	**594**	**–**
Trade and other payables	**(1,374)**	**–**	**(547)**	**–**
Intercompany balances	**879,144**	**(35,104)**	**(66)**	**–**
Loans and borrowings	**(170,503)**	**–**	**(268,650)**	**–**
Net statement of financial position exposure	**717,274**	**(27,790)**	**(268,642)**	**20**
Cross currency swaps	**(745,958)**	**–**	**268,650**	**(9,669)**
Net exposure	**(28,684)**	**(27,790)**	**8**	**(9,649)**
2017				
Cash and cash equivalents	3,589	79	48	–
Trade and other receivables	3	–	334	–
Trade and other payables	(136)	–	(236)	–
Intercompany balances	708,767	(50)	(268)	–
Loans and borrowings	(216,077)	–	(181,906)	–
Net statement of financial position exposure	496,146	29	(182,028)	–
Cross currency swaps	(532,280)	–	181,906	–
Net exposure	(36,134)	29	(122)	–

Sensitivity analysis

A 10% (2017: 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 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 Increase/(decrease) in profit before tax		Company Increase/(decrease) in profit before tax	
	2018 $'000	2017 $'000	2018 $'000	2017 $'000
Euro	**(2,727)**	(3,613)	**(2,868)**	(3,613)
Singapore dollar	**(45)**	4	**–**	–
Renminbi	**729**	7	**(2,779)**	3
US dollar	**13**	7	**1**	(12)
Malaysian Ringgit	**(164)**	(165)	**–**	–
Australian dollar	**(965)**	–	**(965)**	–

NOTES TO **THE FINANCIAL STATEMENTS**

30 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	Amortised cost $'000	Other financial liabilities $'000	Designated at fair value through profit or loss $'000	Total $'000	Level 1 $'000	Level 2 $'000	Level 3 $'000
Group								
2018								
Financial assets not measured at fair value								
Trade and other receivables, excluding prepayments	11	1,149,785	–	–	1,149,785		1,145,600	
Cash and cash equivalents	14	125,711	–	–	125,711			
		1,275,496	–	–	1,275,496			
Financial assets measured at fair value								
Derivative assets	8	–	–	19,385	19,385		19,385	
Other investments:								
– Equity securities	9	–	–	38,631	38,631	3,326		35,305
– Debt securities*	9	–	–	39,500	39,500			
– Structured deposits	9	–	–	39,262	39,262		39,262	
		–	–	136,778	136,778			

* As the investment was made towards the year end, management has assessed that the initial investment value approximates the fair value.

NOTES TO **THE FINANCIAL STATEMENTS**

30 FINANCIAL RISK MANAGEMENT (CONT'D)

Market risk (cont'd)

Accounting classifications and fair values (cont'd)

Fair values versus carrying amounts (cont'd)

		Carrying amount				Fair value		
	Note	Amortised cost $'000	Other financial liabilities $'000	Designated at fair value through profit or loss $'000	Total $'000	Level 1 $'000	Level 2 $'000	Level 3 $'000
Group								
2018								
Financial liabilities not measured at fair value								
Loans and borrowings	18	**–**	**(686,728)**	**–**	**(686,728)**			
Trade and other payables	19	**–**	**(150,908)**	**–**	**(150,908)**			
		–	**(837,636)**	**–**	**(837,636)**			
Financial liabilities measured at fair value								
Derivative liabilities	8	**–**	**–**	**(5,564)**	**(5,564)**		**(5,564)**	

		Carrying amount					Fair value	
	Note	Loans and receivables $'000	Available-for-sale $'000	Other financial liabilities $'000	Designated at fair value through profit or loss $'000	Total $'000	Level 2 $'000	Level 3 $'000
Group								
2017								
Financial assets not measured at fair value								
Trade and other receivables, excluding prepayments	11	717,896	–	–	–	717,896	714,490	
Cash and cash equivalents	14	319,298	–	–	–	319,298		
		1,037,194	–	–	–	1,037,194		
Financial assets measured at fair value								
Derivative assets	8	–	–	–	350	350	350	
Other investments:								
– Available-for-sale equity securities	9	–	23,380	–	–	23,380		23,380
– Structured deposits	9	–	38,863	–	–	38,863	38,863	
		–	62,243	–	350	62,593		

NOTES TO **THE FINANCIAL STATEMENTS**

30 FINANCIAL RISK MANAGEMENT (CONT'D)

Market risk (cont'd)

Accounting classifications and fair values (cont'd)

Fair values versus carrying amounts (cont'd)

		Carrying amount					Fair value	
	Note	Loans and receivables $'000	Available-for-sale $'000	Other financial liabilities $'000	Designated at fair value through profit or loss $'000	Total $'000	Level 2 $'000	Level 3 $'000
Group								
2017								
Financial liabilities not measured at fair value								
Loans and borrowings	18	–	–	(609,988)	–	(609,988)		
Trade and other payables	19	–	–	(178,904)	–	(178,904)		
		–	–	(788,892)	–	(788,892)		
Financial liabilities measured at fair value								
Derivative liabilities	8	–	–	–	(17,290)	(17,290)	(17,290)	

NOTES TO **THE FINANCIAL STATEMENTS**

30 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
		Amortised cost $'000	Financial liabilities $'000	Designated at fair value through profit or loss $'000	Total $'000	Level 2 $'000
Company						
2018						
Financial assets not measured at fair value						
Investment in redeemable preference shares	6	575,112	–	–	575,112	
Trade and other receivables, excluding prepayments	11	1,169,049	–	–	1,169,049	
Cash and cash equivalents	14	18,139	–	–	18,139	
		1,762,300	–	–	1,762,300	
Financial assets measured at fair value						
Derivative assets	8	–	–	19,385	19,385	19,385
Financial liabilities not measured at fair value						
Loans and borrowings	18	–	(650,070)	–	(650,070)	
Trade and other payables	19	–	(170,466)	–	(170,466)	
		–	(820,536)	–	(820,536)	
Financial liabilities measured at fair value						
Derivative liabilities	8	–	–	(5,564)	(5,564)	(5,564)

NOTES TO **THE FINANCIAL STATEMENTS**

30 FINANCIAL RISK MANAGEMENT (CONT'D)

Market risk (cont'd)

Accounting classifications and fair values (cont'd)

Fair values versus carrying amounts (cont'd)

		Carrying amount				Fair value
	Note	Loans and receivables $'000	Other financial liabilities $'000	Designated at fair value through profit or loss $'000	Total $'000	Level 2 $'000
2017						
Financial assets not measured at fair value						
Trade and other receivables, excluding prepayments	11	941,566	–	–	941,566	
Cash and cash equivalents	14	4,527	–	–	4,527	
		946,093	–	–	946,093	
Financial assets measured at fair value						
Derivative assets	8	–	–	350	350	350
Financial liabilities not measured at fair value						
Loans and borrowings	18	–	(574,171)	–	(574,171)	
Trade and other payables	19	–	(128,139)	–	(128,139)	
		–	(702,310)	–	(702,310)	
Financial liabilities measured at fair value						
Derivative liabilities	8	–	–	(17,290)	(17,290)	(17,290)

NOTES TO **THE FINANCIAL STATEMENTS**

30 FINANCIAL RISK MANAGEMENT (CONT'D)

Market risk (cont'd)

Measurement of fair value

Valuation techniques and significant unobservable inputs

The following tables show the valuation techniques used in measuring Level 2 and Level 3 fair values, as well as the significant unobservable inputs used.

Financial instruments measured at fair value

Type	Valuation technique	Significant unobservable inputs	Inter-relationship between significant unobservable inputs and fair value measurement
Group			
Equity securities – at fair value through profit or loss (2017: Available-for-sale financial assets – Equity securities)	Net asset value of the investee entity adjusted for the fair value of the underlying properties held by the investee	Discount rate of 0% (2017: 0%)	An increase in the discount rate would result in a lower fair value measurement
Financial assets – Structured deposits	Market comparison technique – bank's price quotation	Not applicable	Not applicable
Group and Company			
Derivative financial instruments	Market comparison technique – bank's price quotation	Not applicable	Not applicable

Financial instruments not measured at fair value

Type	Valuation technique
Group	
Trade and other receivables, excluding prepayments	Discounted cash flows

NOTES TO **THE FINANCIAL STATEMENTS**

30 FINANCIAL RISK MANAGEMENT (CONT'D)

Market risk (cont'd)

Measurement of fair value (cont'd)

Level 3 fair values

The following table shows a reconciliation of the opening balances to the ending balances for Level 3 fair values:

	Group Equity instrument- at fair value through profit or loss $'000
At 1 January 2018 [1]	**23,380**
Acquisition	**42,896**
Change in fair value included in profit or loss	**12,850**
Effect of movements in exchange rates	**(995)**
At 31 December 2018	**78,131**

[1] Before 1 January 2018, these equity securities were classified as available-for-sale in accordance with IAS 39. From 1 January 2018, these securities are classified as fair value through profit or loss in accordance with IFRS 9 (Note 9).

Sensitivity analysis

For the Group's equity investment at fair value through profit or loss, a 10% increase in the discount rate applied, where applicable, would have decreased the Group's profit before tax by $7,813,000. A decrease in the discount rate applied at the reporting date would have and equal but opposite effect.

	Group Available-for-sale equity securities $'000
At 1 January 2017	–
Acquisition	27,301
Unrealised losses for the year included in other comprehensive income	(3,949)
Effect of movements in exchange rates	28
At 31 December 2017	23,380

Sensitivity analysis

For the Group's available-for-sale equity securities in 2017, a 10% increase in the discount rate applied, where applicable, would have decreased the Group's profit before tax by $6,287,000 and increased the Group's other comprehensive income by $3,949,000 after tax.

NOTES TO **THE FINANCIAL STATEMENTS**

31 COMMITMENTS

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

(a) Capital commitments

	Group	
	2018	**2017**
	$'000	**$'000**
Contracted but not provided for in the financial statements:		
– Expenditure in respect of investment properties and development properties	**72,220**	68,187
– Commitment in respect of an investment in a joint venture	**–**	1,678

As at 31 December 2018, the Group entered into an irrevocable binding agreement to acquire a hotel for a purchase consideration of approximately $14.4 million (EUR9.3 million). Please refer to Note 34 Subsequent events for further details.

(b) Operating lease commitments

Leases as lessee

The Group leases three offices and a hotel under operating leases. The leases run for a period of two to twenty-nine years (2017: 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	
	2018	**2017**
	$'000	**$'000**
Within 1 year	**5,461**	958
After 1 year but within 5 years	**19,983**	2,804
After 5 years	**100,830**	1,058
	126,274	4,820

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	
	2018	**2017**
	$'000	**$'000**
Within 1 year	**19,473**	18,368
After 1 year but within 5 years	**79,925**	76,769
After 5 years	**135,382**	212,932
	234,780	308,069

NOTES TO **THE FINANCIAL STATEMENTS**

32 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	
	2018	**2017**
	$'000	**$'000**
Associates and joint ventures		
Interest income received and receivable	**50,080**	17,093
Consultancy fees received and receivable	**292**	149
Service income received and receivable	**36**	157
Lease expenses paid and payable	**4,067**	–
Affiliated corporations		
Service income received and receivable	**19**	78
Information technology fees paid and payable	**3**	18
Licence fees, hotel management fees and reservation system fees paid and payable	**68**	56

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	
	2018	**2017**
	$'000	**$'000**
Directors' fees	**298**	298
Short-term employee benefits	**6,860**	5,729
Defined contribution plans	**71**	68
	7,229	6,095

NOTES TO **THE FINANCIAL STATEMENTS**

33 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% 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% 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 2018 and 2017, no options have been granted under the Share Option Scheme.

NOTES TO **THE FINANCIAL STATEMENTS**

34 SUBSEQUENT EVENTS

(i) On 24 January 2019, FS Milan Property 1 S.r.l. ("FSP1"), an indirect wholly-owned subsidiary of the Company incorporated in Italy on 11 January 2019, acquired a six-storey building with a basement ("Property") situated in Milan from a third party seller. The Property was formerly a 65-room four-star hotel named Grand Hotel Puccini which has since closed and is currently vacant and not leased under any valid lease agreement. The current designation of use of the Property is as a hotel. The Group will completely refurbish the Property into a hostel to tap on the youth hospitality market.

The purchase consideration of the Property which has been fully paid on the date of acquisition amounted to approximately $14.4 million (EUR9.3 million). This is excluding related acquisition costs of $1.4 million (EUR0.9 million) incurred to-date, which comprise (a) related tax and legal advisory fees of $0.5 million (EUR0.3 million) and (b) $1.1 million (EUR0.7 million) insurance premium and taxes paid in respect of the Insurance Policy as further defined below.

There is an on-going litigation brought by a former tenant of the Property ("Ex-Tenant") against the seller with respect to the Property in the courts of Milan ("Litigation"). Based on documents available to the Purchaser, the Ex-Tenant has alleged that (a) a preliminary sale and purchase agreement in relation to the Property exists between the seller and the Ex-Tenant and (b) the seller is obliged, but has failed, to execute the sale and purchase agreement to sell the Property to the Ex-Tenant. The Ex-Tenant has sought a court ruling in order to declare, *inter alia*, the existence of such preliminary sale and purchase agreement and to give effect to the sale of the Property to the Ex-Tenant.

The next hearing of the Litigation is expected to be held in late March 2019 at which the court is likely to set deadlines for the parties to file their final pleadings. Thereafter, a court ruling is expected to be issued sometime at the end of 2019. Assuming that appeals are made up to the Supreme Court in Italy, the litigation process may take up to approximately eight (8) years.

The seller is obliged under the sale and purchase agreement entered with FSP1 to, among other things, continue with the Litigation, consult with FSP1 on the appropriate defences and not to compromise, dispose or settle the Litigation without FSP1's prior consent. The seller has undertaken to transfer to FSP1 the entire price actually paid by the Ex-Tenant for the purchase of the Property in the unlikely event of loss in the Litigation. Based on information available to the Purchaser, the Ex-Tenant has alleged that the seller has agreed to sell the Property to it for approximately $9.4 million (EUR6.1 million).

Based on a legal opinion dated 29 March 2018 issued by the seller's lawyers to the seller, they are of the opinion that the seller has good prospects of succeeding in the Litigation. Notwithstanding this, FSP1 has taken up an insurance policy to cover, in particular the price paid for the Property and the cost and expenses suffered by it should the Ex-Tenant succeed in the Litigation ("Insurance Policy").

(ii) On 21 February 2019, the Group has, through a newly German-incorporated indirect wholly-owned subsidiary, FS DE Property 2 GmbH, entered into a conditional sale and purchase agreement for the proposed acquisition from a third party seller of 94.9% equity interest in two German companies which own and operate the 340-room Westin Bellevue Dresden Hotel in Germany. The property acquisition cost is valued at approximately $75.7 million (EUR49.5 million), including estimated transaction costs. The proposed acquisition would be made in collaboration with Event Hotels Group ("Event"), which manages the hotel and owns the remaining 5.1% equity stake in both target companies. Event is also the Group's joint venture partner in the Bilderberg portfolio in the Netherlands acquired in August 2017. The completion of the proposed acquisition is expected to take place within the first half of 2019 after which the two target companies will become subsidiaries of the Group.

NOTES TO **THE FINANCIAL STATEMENTS**

35 NEW STANDARDS AND INTERPRETATIONS NOT YET ADOPTED

A number of new standards and interpretations and amendments to standards are effective for annual periods beginning after 1 January 2018 and earlier application is permitted; however, the Group has not early adopted the new or amended standards and interpretations in preparing these financial statements.

Of those standards that are not yet effective, IFRS 16 is expected to have a material impact on the Group's statement of financial position in the period of initial application.

IFRS 16 *Leases*

The Group is required to adopt IFRS 16 *Leases* from 1 January 2019. The Group has assessed the estimated impact that initial application of IFRS 16 will have on its consolidated financial statements, as described below. The actual impact of adopting the standard on 1 January 2019 may change because the new accounting policies are subject to change until the Group presents its first financial statements that include the date of initial application.

IFRS 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognises a right-of-use asset ("ROU") representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items. Lessor accounting remains similar to the current standard- i.e. lessors continue to classify leases as finance or operating leases.

IFRS 16 replaces existing leases guidance, including IAS 17 *Leases*, 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*.

i Leases which the Group is a lessee

The Group will recognise new assets and liabilities for its portfolio of operating leases. The nature of expenses related to those leases will now change because the Group will recognise a depreciation charge for ROU assets and interest expense on lease liabilities.

Previously, the Group recognised operating lease expense on a straight-line basis over the term of the leases, and recognised assets and liabilities only to the extent that there was a timing difference between actual lease payments and the expense recognised.

Based on the information currently available, the Group expects an increase in ROU assets of $78,294,000, an increase in lease liabilities of $80,258,000 and a decrease in retained earnings of $1,964,000 as at 1 January 2019. The Company expects an increase in ROU assets of $303,000, an increase in lease liabilities of $312,000 and a decrease in retained earnings of $9,000 as at 1 January 2019.

ii Leases in which the Group is a lessor

IFRS 16 substantially carries forward the current existing lessor accounting requirement.

No significant impact is expected for leases in which the Group is a lessor.

NOTES TO **THE FINANCIAL STATEMENTS**

35 NEW STANDARDS AND INTERPRETATIONS NOT YET ADOPTED (CONT'D)

IFRS 16 *Leases* (cont'd)

iii Transition

The Group plans to apply IFRS 16 initially on 1 January 2019, using the modified retrospective approach. Therefore, the cumulative effect of adopting IFRS 16 will be recognised as an adjustment to the opening balance of retained earnings at 1 January 2019, with no restatement of comparative information.

The Group plans to apply the practical expedient to grandfather the definition of a lease on transition. This means that it will apply IFRS 16 to all contracts entered into before 1 January 2019 and identified as leases in accordance with IAS 17 and IFRIC 4.

Other standards

The following amended standards and interpretations are not expected to have a significant impact on the Group's consolidated financial statements.

- IFRIC 23 *Uncertainty over Tax Treatments*.
- *Prepayment Features with Negative Compensation (Amendments to IFRS 9).*
- *Long-term Interests in Associates and Joint Ventures (Amendments to IAS 28).*
- *Plan Amendment, Curtailment or Settlement (Amendments to IAS 19).*
- *Annual Improvements to IFRS Standards 2015-2017 Cycle – various standards.*
- *Amendments to References to Conceptual Framework in IFRS Standards.*
- IFRS 17 *Insurance Contracts*.

STATISTICS OF **ORDINARY SHAREHOLDING**

AS AT 19 MARCH 2019

No. of Issued Shares (excluding treasury shares)	:	**649,969,130 ordinary shares of US$0.10 each**
Voting Rights	:	**1 vote per share**
No. of Treasury Shares	:	**Nil**

Size of Shareholdings	No. of Shareholders	%	No. of Shares	%
1 – 99	43	2.06	530	0.00
100 – 1,000	759	36.33	383,821	0.06
1,001 – 10,000	1,000	47.87	3,278,866	0.51
10,001 – 1,000,000	269	12.88	20,438,431	3.14
1,000,001 and above	18	0.86	625,867,482	96.29
Total	**2,089**	**100.00**	**649,969,130**	**100.00**

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

No.	Name	No. of Shares	%
1	FIRST SPONSOR CAPITAL LIMITED	286,764,270	44.12
2	REPUBLIC HOTELS & RESORTS LIMITED	206,648,706	31.79
3	M&C HOSPITALITY INTERNATIONAL LIMITED	25,953,747	3.99
4	RHB SECURITIES SINGAPORE PTE LTD	25,007,692	3.85
5	DBS NOMINEES PTE LTD	23,228,525	3.57
6	BPSS NOMINEES SINGAPORE (PTE.) LTD.	12,211,448	1.88
7	ARARAT HOLDINGS LIMITED	7,663,700	1.18
8	MAGNIFICENT OPPORTUNITY LIMITED	7,133,500	1.10
9	MELLFORD PTE LTD	7,095,000	1.09
10	DBS VICKERS SECURITIES (SINGAPORE) PTE LTD	5,398,902	0.83
11	HOCKSONS PTE LTD	4,114,000	0.63
12	CITIBANK NOMINEES SINGAPORE PTE LTD	3,540,565	0.54
13	JCL CAPITAL PTE LTD	3,223,000	0.50
14	HO HAN LEONG CALVIN	2,600,000	0.40
15	OCBC SECURITIES PRIVATE LTD	1,667,327	0.26
16	HO HAN KHOON	1,350,000	0.21
17	ONG KIAN GIAP DANIEL	1,144,000	0.18
18	KGI SECURITIES (SINGAPORE) PTE. LTD.	1,123,100	0.17
19	LEE SAU HUN	990,000	0.15
20	UOB KAY HIAN PTE LTD	896,140	0.14
	Total:	**627,753,622**	**96.58**

SHAREHOLDING IN THE HANDS OF THE PUBLIC AS AT 19 MARCH 2019

The percentage of shareholding in the hands of the public was approximately 14.29% 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 SHAREHOLDING**

AS AT 19 MARCH 2019

SUBSTANTIAL SHAREHOLDERS

	Shares			
	Direct Interest		Deemed Interest	
	Number of Shares	% of Issued Shares	Number of Shares	% of Issued Shares
Ho Han Leong Calvin[(1)]	2,600,000	0.40	291,791,490	44.89
Ho Han Khoon[(2)]	1,350,000	0.21	286,764,270	44.12
Neo Teck Pheng[(3)]	–	–	301,561,470	46.40
First Sponsor Capital Limited	286,764,270	44.12	–	–
Tai Tak Asia Properties Limited[(4)]	–	–	291,791,490	44.89
Tai Tak Industries Pte. Ltd.[(5)]	–	–	291,791,490	44.89
Tai Tak Estates Sendirian Berhad[(6)]	–	–	291,791,490	44.89
SG Investments Pte. Ltd.[(7)]	–	–	291,791,490	44.89
First Sponsor Management Limited[(8)]	–	–	286,764,270	44.12
TT Properties (Asia) Ltd.[(9)]	–	–	286,764,270	44.12
Republic Hotels & Resorts Limited	206,648,706	31.79	–	–
M&C Hotel Investments Pte. Ltd.[(10)]	–	–	206,648,706	31.79
M&C Hospitality International Limited[(11)]	25,953,747	3.99	206,648,706	31.79
M&C Singapore Holdings (UK) Limited[(12)]	–	–	232,602,453	35.79
Millennium & Copthorne Hotels plc[(13)]	–	–	232,602,453	35.79
Singapura Developments (Private) Limited[(14)]	–	–	232,602,453	35.79
City Developments Limited[(15)]	–	–	232,602,453	35.79
Hong Leong Investment Holdings Pte. Ltd.[(16)]	–	–	232,602,453	35.79

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 291,791,490 ordinary shares of the Company ("Shares") held directly by First Sponsor Capital Limited and Chengdu Tianfu Properties Ltd., which holds 286,764,270 Shares and 5,027,220 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 286,764,270 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 301,561,470 Shares held directly by First Sponsor Capital Limited, Ararat Holdings Limited and Magnificent Opportunity Limited, which holds 286,764,270 Shares, 7,663,700 Shares and 7,133,500 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.

(4) Tai Tak Asia Properties Limited is deemed under Section 4 of the SFA to have an interest in 291,791,490 Shares held directly by First Sponsor Capital Limited and Chengdu Tianfu Properties Ltd., which holds 286,764,270 Shares and 5,027,220 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 291,791,490 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 291,791,490 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.

STATISTICS OF **ORDINARY SHAREHOLDING**

AS AT 19 MARCH 2019

(7) SG Investments Pte. Ltd. is deemed under Section 4 of the SFA to have an interest in 291,791,490 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 286,764,270 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 286,764,270 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 206,648,706 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 206,648,706 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 232,602,453 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 232,602,453 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 232,602,453 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 232,602,453 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 232,602,453 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.

ADDITIONAL INFORMATION **ON DIRECTOR SEEKING RE-ELECTION**

Mr Kingston Kwek Eik Huih is seeking re-election as a Director of the Company at the forthcoming annual general meeting of the Company to be convened on 24 April 2019 ("AGM").

Pursuant to Rule 720(6) of the Listing Manual of the SGX-ST, the information relating to Mr Kwek as set out in Appendix 7.4.1 to the Listing Manual of the SGX-ST is set out below:

Date of Appointment	5 March 2019
Age	37
Country of principal residence	Singapore
The Board's comments on this appointment (including rationale, selection criteria, and the search and nomination process)	As Mr Tan Kian Seng wishes to devote more time to his work commitments with Millennium & Copthorne Hotels plc ("M&C"), the Chairman of M&C has nominated and the M&C board has consented to the nomination of Mr Kingston Kwek Eik Huih as Non-Executive Director of the Company in place of Mr Tan Kian Seng. Mr Kingston Kwek Eik Huih does not hold any executive position with the M&C group. The Nominating Committee of the Company has reviewed the professional qualifications and experience of Mr Kingston Kwek Eik Huih and recommended his appointment to the Board of Directors. The Board has accepted the recommendation and approved the appointment of Mr Kingston Kwek Eik Huih as a Non-Executive Director of the Company. The Board is of the view that he will make a positive contribution to the Company.
Whether appointment is executive, and if so, the area of responsibility	Non-Executive Director
Job Title (e.g. Lead ID, AC Chairman, AC Member etc.)	Non-Executive Director
Professional qualifications	– Master of Arts, Columbia University. – Bachelor of Arts and Bachelor of Science, University of Pennsylvania.
Any relationship (including immediate family relationships with any existing director, existing executive officer, the issuer and/or substantial shareholder of the listed issuer or of any of its principal subsidiaries	Mr Kingston Kwek Eik Huih is the son of Mr Kwek Leng Beng, the Chairman of M&C.
Conflict of Interest (including any competing business)	Nil

ADDITIONAL INFORMATION ON DIRECTOR SEEKING RE-ELECTION

<table>
<tr><td>Working experience and occupation(s) during the past 10 years</td><td>September 2012 – Present
Private Investor in disruptive and new technologies, private equity investing and opportunistic investments.

January 2012 – August 2012
Business Development Associate, Thomson Medical Center.

March 2010 – January 2012
Assistant Vice-President (Investments), Hong Leong Management Services Pte Ltd.

March 2009 – March 2010
Management Associate, Starwood Japan.</td></tr>
<tr><td>Undertaking submitted to the listed issuer in the form of Appendix 7.7 (Listing Rule 704(7)) Or Appendix 7H (Catalist Rule 704(6))</td><td>Yes</td></tr>
<tr><td>Shareholding interest in the listed issuer and its subsidiaries</td><td>No</td></tr>
<tr><td>Other Principal Commitments* Including Directorships# (for the last 5 years)

Present</td><td>Past (for the last 5 years)
– Adelphia Holdings Limited
– Beaumont Properties Limited
– Chania Holdings Limited
– Jayland Properties Limited
– Keygate Holdings Limited

Present
– Beijing Fortune Hotel Co., Ltd. (Director)
– Hong Leong Foundation (Governor)
– Welland Investments Limited (Alternate Director)</td></tr>
<tr><td colspan="2">Disclose the following matters concerning an appointment of director, chief executive officer, chief financial officer, chief operating officer, general manager or other officer of equivalent rank. If the answer to any question is “yes”, full details must be given.</td></tr>
<tr><td>(a) Whether at any time during the last 10 years, an application or a petition under any bankruptcy law of any jurisdiction was filed against him or against a partnership of which he was a partner at the time when he was a partner or at any time within 2 years from the date he ceased to be a partner?</td><td>No</td></tr>
</table>

ADDITIONAL INFORMATION **ON DIRECTOR SEEKING RE-ELECTION**

(b)	Whether at any time during the last 10 years, an application or a petition under any law of any jurisdiction was filed against an entity (not being a partnership) of which he was a director or an equivalent person or a key executive, at the time when he was a director or an equivalent person or a key executive of that entity or at any time within 2 years from the date he ceased to be a director or an equivalent person or a key executive of that entity, for the winding up or dissolution of that entity or, where that entity is the trustee of a business trust, that business trust, on the ground of insolvency?	No
(c)	Whether there is any unsatisfied judgement against him?	No
(d)	Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving fraud or dishonesty which is punishable with imprisonment, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such purpose?	No
(e)	Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such breach?	No
(f)	Whether at any time during the last 10 years, judgement has been entered against him in any civil proceedings in Singapore or elsewhere involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or a finding of fraud, misrepresentation or dishonesty on his part, or he has been the subject of any civil proceedings (including any pending civil proceedings of which he is aware) involving an allegation of fraud, misrepresentation or dishonesty on his part?	No

ADDITIONAL INFORMATION **ON DIRECTOR SEEKING RE-ELECTION**

(g)	Whether he has ever been convicted in Singapore or elsewhere of any offence in connection with the formation or management of any entity or business trust?	No
(h)	Whether he has ever been disqualified from acting as a director or an equivalent person of any entity (including the trustee of a business trust), or from taking part directly or indirectly in the management of any entity or business trust?	No
(i)	Whether he has ever been the subject of any order, judgement or ruling of any court, tribunal or governmental body, permanently or temporarily enjoining him from engaging in any type of business practice or activity?	No
(j)	Whether he has ever, to his knowledge, been concerned with the management or conduct, in Singapore or elsewhere, of the affairs of:-	
	(i) any corporation which has been investigated for a breach of any law or regulatory requirement governing corporations in Singapore or elsewhere; or	No
	(ii) any entity (not being a corporation) which has been investigated for a breach of any law or regulatory requirement governing such entities in Singapore or elsewhere; or	No
	(iii) any business trust which has been investigated for a breach of any law or regulatory requirement governing business trusts in Singapore or elsewhere; or	No
	(iv) any entity or business trust which has been investigated for a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, in connection with any matter occurring or arising during that period when he was so concerned with the entity or business trust?	No
(k)	Whether he has been the subject of any current or past investigation or disciplinary proceedings, or has been reprimanded or issued any warning, by the Monetary Authority of Singapore or any other regulatory authority, exchange, professional body or government agency, whether in Singapore or elsewhere?	No

ADDITIONAL INFORMATION **ON DIRECTOR SEEKING RE-ELECTION**

Disclosure applicable to the appointment of Director only.	
Any prior experience as a director of an issuer listed on the Exchange?	No
If yes, please provide details of prior experience. If no, please state if the director has attended or will be attending training on the roles and responsibilities of a director of a listed issuer as prescribed by the Exchange.	The Company will be providing a brief orientation program for Mr Kingston Kwek Eik Huih in order for him to be familiarised with the roles and responsibilities of a director of the Company as a listed company.
Please provide details of relevant experience and the nominating committee's reasons for not requiring the director to undergo training as prescribed by the Exchange (if applicable).	Not applicable.

USE OF **PROCEEDS FROM THE 2018 RIGHTS ISSUE**

The Company has fully utilised the gross proceeds of approximately S$162.2 million raised from the Company's rights issue undertaken in April 2018 as follows:

(a) approximately S$46.8 million has been used to finance part of the property development activities of the Group (including the office redevelopment of Oliphant in Amsterdam Southeast and the Chengdu Millennium Waterfront project);

(b) approximately S$29.7 million has been used to finance part of the property holding activities of the Group, mainly the fit out of the hotels at the Poortgebouw Property in Utrecht and the acquisition of a hotel in Milan, Italy;

(c) approximately S$85.0 million has been used to finance part of the property financing activities of the Group in Europe, the PRC and Australia; and

(d) approximately S$0.7 million has been used to pay for professional fees and related expenses incurred in connection with the rights issue.

The above utilisation is in accordance with the intended use of proceeds as stated in the offer information statement dated 23 March 2018 lodged with the Monetary Authority of Singapore.

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 ("**Company**") will be held at Grand Copthorne Waterfront Hotel Singapore, Riverfront Ballroom, Level 2, 392 Havelock Road, Singapore 169663 on Wednesday, 24 April 2019 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 2018, the Directors' Statement and the Auditors' Report thereon. **(Resolution 1)**

2. To declare a final tax-exempt (one-tier) dividend of 1.30 Singapore cents per ordinary share in the capital of the Company ("**Share**") for the financial year ended 31 December 2018. **(Resolution 2)**

3. To approve the Directors' fees of S$339,370 for the financial year ending 31 December 2019 (payable quarterly in arrears) (2018: S$298,000). **(Resolution 3)**

4. To re-elect Mr Kingston Kwek Eik Huih, a Director retiring pursuant to Article 85(6) of the Company's Articles of Association and who, being eligible, offers himself for re-election. (See Explanatory Note 1) **(Resolution 4)**

5. To re-appoint KPMG LLP as Auditors of the Company for the financial year ending 31 December 2019 and to authorise the Directors to fix their remuneration. **(Resolution 5)**

AS SPECIAL BUSINESS

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

6. **AUTHORITY TO ISSUE SHARES**

That, authority be and is hereby given to the Directors of the Company 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

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

at any time and upon such terms and conditions and for such purposes and to such persons as the Directors may in their absolute discretion deem fit; and

NOTICE OF **ANNUAL GENERAL MEETING**

(b) (notwithstanding that the authority conferred by this Resolution may have ceased to be in force) issue Shares in pursuance of any Instrument made or granted by the Directors while this Resolution was 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 exceed fifty per cent. (50%) of the total number of issued Shares (excluding treasury shares) or such other limit as may be prescribed by the SGX-ST at the time of passing of this Resolution;

(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 shareholders of the Company shall not exceed 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 at the time of passing of this Resolution;

(iii) (subject to such manner of calculation as may be prescribed by the SGX-ST) 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 based on the total number of issued Shares (excluding treasury shares) at the time of passing of this Resolution after adjusting for any new Shares arising from the conversion or exercise of any convertible securities or share options or vesting of share awards which are outstanding or subsisting at the time of passing of this Resolution and any subsequent bonus issue, consolidation or subdivision of the Shares; and

(iv) unless revoked or varied by the Company in general meeting, such authority shall continue in force until the conclusion of 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 2) **(Resolution 6)**

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

BY ORDER OF THE BOARD

Goh Siew Geok
Company Secretary

2 April 2019
Singapore

NOTICE OF **ANNUAL GENERAL MEETING**

Explanatory Notes:

1. **Resolution 4** – Mr Kingston Kwek Eik Huih was appointed to the board on 5 March 2019. He is a non-independent non-executive Director.

2. **Resolution 6** – is to empower the Directors of the Company to issue Shares and/or Instruments. The aggregate number of Shares to be issued pursuant to Resolution 6 (including Shares to be issued in pursuance of Instruments made or granted) shall not exceed fifty per cent. (50%) of the total number of issued Shares (excluding treasury shares), with a sub-limit of twenty per cent. (20%) for Shares issued other than on a pro-rata basis (including Shares to be issued in pursuance of Instruments made or granted pursuant to Resolution 6) to shareholders. For the purpose of determining the aggregate number of Shares that may be issued, the percentage of the total number of issued Shares (excluding treasury shares) will be based on the total number of issued Shares (excluding treasury shares) at the time of the passing of Resolution 6, after adjusting for (i) new Shares arising from the conversion or exercise of any convertible securities; (ii) new Shares arising from the exercise of share options or vesting of share awards outstanding or subsisting at the time of the passing of Resolution 6; and (iii) any subsequent bonus issue, consolidation or subdivision of Shares. The authority conferred by Resolution 6 will continue in force until the next Annual General Meeting is held or is required by law to be held, whichever is earlier, unless previously varied or revoked by the Company in a general meeting.

Notes:

1. POLL

All the resolutions proposed at the Annual General Meeting will be voted on by way of poll.

2. DEPOSITORS

Under the Articles of Association of the Company ("**Articles**"), unless The Central Depository (Pte) Limited ("**CDP**") specifies otherwise in a written notice to the Company, CDP is deemed to have appointed as CDP's proxies to vote on behalf of CDP at the Annual General Meeting each of the persons (who are individuals) holding shares in the capital of the Company through CDP and whose shares are entered in the Depository Register (as defined in Section 81SF of the Securities and Futures Act, Chapter 289 of Singapore) ("**Depositors**"), whose names are shown in the records of CDP as at a time not earlier than seventy-two (72) hours prior to the time of the Annual General Meeting supplied by CDP to the Company, and such appointment of proxies shall not require an instrument of proxy or the lodgement of any instrument of proxy.

A Depositor who is not a relevant intermediary may appoint not more than two persons (who shall be natural persons) to attend and vote in his place as proxy or proxies of CDP in respect of his shareholding, and a Depositor who is a relevant intermediary may appoint more than two persons (who shall be natural persons) to attend and vote in its place as proxy or proxies of CDP in respect of its shareholding, by completing and submitting the Depositor Proxy Form. "**Relevant intermediary**" has the meaning ascribed to it in section 181 of the Singapore Companies Act, Chapter 50.

The submission of a Depositor Proxy Form shall not preclude a Depositor appointed as a proxy by virtue of the Articles from attending and voting at the Annual General Meeting but in the event of attendance by such Depositor, the Depositor Proxy Form submitted bearing his name as the Nominating Depositor (as defined in the Articles) shall be deemed to be revoked. The Company will reject a Depositor Proxy Form if the Nominating Depositor's name is not shown in the records of CDP as at a time not earlier than seventy-two (72) hours prior to the time of the Annual General Meeting supplied by CDP to the Company.

Where a Depositor is a corporation and wishes to be represented at the Annual General Meeting, it must appoint a person or persons (who shall be natural persons) to attend and vote as proxy or proxies of CDP at the Annual General Meeting in respect of its shareholding, by completing and submitting the Depositor Proxy Form.

NOTICE OF **ANNUAL GENERAL MEETING**

3. MEMBERS

A member of the Company (other than CDP) who is not a relevant intermediary and who is the holder of two or more shares is entitled to appoint not more than two proxies to attend and vote instead of him, and a member of the Company (other than CDP) who is a relevant intermediary and who is the holder of two or more shares is entitled to appoint more than two proxies to attend and vote instead of him, by completing and submitting the Shareholder Proxy Form. "**Relevant intermediary**" has the meaning ascribed to it in section 181 of the Singapore Companies Act, Chapter 50.

A proxy need not be a shareholder of the Company. Delivery of the Shareholder Proxy Form shall not preclude a shareholder from attending and voting in person at the Annual General Meeting and in such event, the Shareholder Proxy Form shall be deemed to be revoked.

4. DEPOSIT OF INSTRUMENT OF PROXY

The instrument appointing a proxy or proxies (together with the power of attorney, if any, under which it is signed or a certified copy thereof) must be duly completed, signed and deposited at the office of the Company's Share Registrar and Share Transfer Office in Singapore either by hand at 80 Robinson Road, #11-02 Singapore 068898 or by post at 80 Robinson Road, #02-00 Singapore 068898, not less than seventy-two (72) hours before the time appointed for holding the Annual General Meeting.

5. 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 or service providers) for the purpose of the processing, administration and analysis by the Company (or its agents or service providers) 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 or service providers) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, "**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 or service providers), 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 or service providers) 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.

BOOKS CLOSURE DATE AND PAYMENT DATE FOR FINAL DIVIDEND

Subject to the approval of 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 6 May 2019 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 6 May 2019 will be registered to determine shareholders' entitlements to the proposed dividend. Subject as aforesaid, shareholders whose securities accounts with The Central Depository (Pte) Limited are credited with shares of the Company as at 5.00 p.m. on 6 May 2019 will be entitled to the proposed dividend.

The proposed dividend, if approved by the shareholders at the Annual General Meeting, will be paid on 16 May 2019.

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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