General Announcement::Announcements by First Sponsor Group Limited, an associate of Millennium & Copthorne Hotels plc

Issuer & Securities

Issuer/ Manager	CITY DEVELOPMENTS LIMITED
Securities	CITY DEVELOPMENTS LIMITED - SG1R89002252 - C09
Stapled Security	No

Announcement Details

Announcement Title	General Announcement
Date & Time of Broadcast	16-Mar-2018 07:52:54
Status	New
Announcement Sub Title	Announcements by First Sponsor Group Limited, an associate of Millennium & Copthorne Hotels plc
Announcement Reference	SG180316OTHRTWVK
Submitted By (Co./ Ind. Name)	Enid Ling Peek Fong
Designation	Company Secretary
Description (Please provide a detailed description of the event in the box below)	First Sponsor Group Limited ("FSGL"), an associate of Millennium & Copthorne Hotels plc, has on 15 March 2018 released the following announcements:- 1. Proposed Renounceable and Non-underwritten Rights Issue of Perpetual Convertible Capital Securities - Supplemental Announcement and Notice of Books Closure Date 2. Audited Consolidated Financial Statements of FSGL and its Subsidiaries for Financial Year Ended 31 December 2017 For details, please refer to the announcements released by FSGL on the SGX website www.sgx.com.

REPL::Rights::Voluntary

Issuer & Securities

Issuer/ Manager	FIRST SPONSOR GROUP LIMITED
Security	FIRST SPONSOR GROUP LIMITED - KYG3488W1078 - ADN

Announcement Details

Announcement Title	Outcome of Regulatory Review
Date & Time of Broadcast	15-Mar-2018 23:38:16
Status	Replacement
Corporate Action Reference	SG180208RHDI1MJV
Submitted By (Co./ Ind. Name)	Neo Teck Pheng
Designation	Group Chief Executive Officer and Executive Director
Event Status	Pending Record Date Announcement
Underwritten	No
Shareholders' Approval Required?	No
Shareholders' Approval Obtained	No
Financial Year End	31/12/2018
Foreign Shareholder Eligibility	No
Attachment for Intent	
FSGL - Announcement of Rights Issue.pdf	

Event Narrative

Narrative Type	**Narrative Text**
Additional Text	PROPOSED RENOUNCEABLE AND NON-UNDERWRITTEN RIGHTS ISSUE OF PERPETUAL CONVERTIBLE CAPITAL SECURITIES

Dates

Record Date and Time	23/03/2018 17:00:00
Ex Date	21/03/2018
Attachment for Record Date	
FSGL - Notice of BCD.pdf FSGL - Rights Issue of PCCS - Supplemental Announcement.pdf	

Rights Details

Security Not Found?	No
Renounceable	Yes
Rights Security Distribution Ratio- Underlying	4
Rights Security Distribution Ratio- Rights Security	1

Option Exercise

Issue Price (Per Rights)	SGD 1.1

Renounceable Conditions

Allow Over Subscription	Yes
Attachments	FSGL - Announcement of Rights Issue.pdf FSGL - Rights Issue - Receipt of AIP Announcement.pdf FSGL - Notice of BCD.pdf FSGL - Rights Issue of PCCS - Supplemental Announcement.pdf Total size =725K
Related Announcements	21/02/2018 12:05:27 08/02/2018 06:58:42

Not for publication or distribution in the United States, Canada, Japan or Australia

This announcement is not an offer for sale of securities into the United States or elsewhere. The Convertible Securities (as defined below) are not being registered under the United States Securities Act of 1933, as amended (the "**Securities Act**"), and may not be offered or sold in the United States unless registered under the Securities Act or pursuant to an exemption from registration under the Securities Act. There will be no public offering of securities in the United States.

FIRST SPONSOR GROUP LIMITED

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

PROPOSED RENOUNCEABLE AND NON-UNDERWRITTEN RIGHTS ISSUE OF PERPETUAL CONVERTIBLE CAPITAL SECURITIES
- NOTICE OF BOOKS CLOSURE DATE

The board of directors (the "**Board**") of First Sponsor Group Limited (the "**Company**") refers to the Company's announcements on 8 February 2018, 21 February 2018 and 15 March 2018 (together, the "**Announcements**") in relation to the proposed renounceable and non-underwritten rights issue of up to S$162,199,110.70 in aggregate principal amount of 3.98 per cent. perpetual convertible capital securities (the "**Convertible Securities**") in the denomination of S$1.10 for each Convertible Security to Entitled Shareholders (the "**Rights Issue**").

Unless otherwise defined herein or the context otherwise requires, all capitalised terms used in this announcement shall bear the same meanings ascribed to them in the Announcements.

Notice of Books Closure

NOTICE IS HEREBY GIVEN THAT the Register of Members and the Register of Transfers of the Company will be closed at 5.00 p.m. (Singapore time) on 23 March 2018 (the "**Books Closure Date**"), for the purpose of determining the provisional allotments of Convertible Securities of Entitled Shareholders under the Rights Issue.

The Shares will trade on a "cum-rights" basis on the SGX-ST up to 5.00 p.m. (Singapore time) on 20 March 2018. The Shares will trade on an "ex-rights" basis from 9.00 a.m. (Singapore time) on 21 March 2018 and any person who purchases Shares on and from 21 March 2018 will not be entitled to any provisional allotment of the Convertible Securities under the Rights Issue.

Eligibility to Participate in the Rights Issue

Entitled Shareholders are at liberty to accept (in full or in part) or decline their provisional allotment of the Convertible Securities, and are eligible to apply for additional Convertible Securities in excess of their provisional allotments under the Rights Issue. Entitled Shareholders are also at liberty to renounce or, in the case of Entitled Depositors only, trade on the SGX-ST (during the provisional allotment trading period prescribed by the SGX-ST) their provisional allotment of Convertible Securities.

Entitled Depositors whose securities accounts with The Central Depository (Pte) Limited ("**CDP**") are credited with Shares as at 5.00 p.m. (Singapore time) on the Books Closure Date will be provisionally allotted Convertible Securities under the Rights Issue on the basis of the number of Shares standing to the credit of their securities accounts with CDP as at 5.00 p.m. (Singapore time) on the Books Closure Date.

Entitled Scripholders will have to submit duly completed and stamped transfers (in respect of Shares not registered in the name of CDP), together with all relevant documents of title, so as to be received by the Company's share registrar, Tricor Barbinder Share Registration Services (a division of Tricor Singapore Pte. Ltd.), by 5:00 pm on the Books Closure Date, in order to be registered to determine the Entitled Scripholder's provisional allotments of Convertible Securities under the Rights Issue.

The Convertible Securities will initially be represented by a global certificate registered in the name of, and deposited with, CDP and, except in the limited circumstances described in the provisions of the global certificate, owners of interests in Convertible Securities represented by the global certificate will not be entitled to receive definitive security certificates in respect of their individual holdings of Convertible Securities.

Accordingly, Entitled Scripholders and their renouncees who wish to accept their provisional allotments of Convertible Securities and (if applicable) apply for excess Convertible Securities, and who wish to trade the Convertible Securities issued to them on the SGX-ST under the book-entry (scripless) settlement system, must open Securities Accounts if they have not already done so, and provide their Securities Account numbers and/or NRIC/passport numbers (for individuals) or registration numbers (for corporations) in the forms comprised in their PALs. Entitled Scripholders or their renouncees who fail to provide their Securities Account numbers and/or NRIC/passport numbers (for individuals) or registration numbers (for corporations) in the forms comprised in their PALs or who have given incorrect or invalid Securities Account numbers and/or NRIC/passport numbers (for individuals) or registration numbers (for corporations) or whose Securities Account numbers provided are not otherwise accepted by CDP for the credit of the Convertible Securities that may be allotted to them or whose particulars as provided in the forms comprised in the PALs differ from those particulars given to CDP for the opening of their Securities Accounts or whose particulars as provided in the forms comprised in the PALs differ from those particulars currently maintained with CDP are liable to have their acceptances of their provisional allotments of Convertible Securities and (if applicable) applications for excess Convertible Securities rejected.

Foreign Shareholders will not be allowed to participate in the Rights Issue. Accordingly, no provisional allotment of Convertible Securities will be made to Foreign Shareholders and no purported acceptance or application for Convertible Securities by Foreign Shareholders will be valid.

The addresses of CDP and the share registrar, Tricor Barbinder Share Registration Services (a division of Tricor Singapore Pte. Ltd.) are as follows:

(i) CDP

The Central Depository (Pte) Limited
9 North Buona Vista Drive
#01-19/20 The Metropolis
Singapore 138588

(ii) Share Registrar

Tricor Barbinder Share Registration Services
(a division of Tricor Singapore Pte. Ltd.)
80 Robinson Road
#11-02
Singapore 068898

Approval In-Principle

Approval in-principle has been obtained from the SGX-ST for the dealing in, listing of and quotation for (a) the Convertible Securities, (b) the Conversion Shares, and (c) such other Conversion Shares which may be issued pursuant to any adjustments as set out in the Terms and Conditions on the Official List of the SGX-ST, subject to certain conditions which have been disclosed in the Company's announcement dated 21 February 2018.

The approval in-principle granted by the SGX-ST is not to be taken as an indication of the merits of the Rights Issue, the Company and/or its subsidiaries.

BY ORDER OF THE BOARD

Neo Teck Pheng
Group Chief Executive Officer and Executive Director
15 March 2018

Important Notice

This announcement is for information only and does not constitute or form part of any offer or invitation to sell or issue, or any solicitation of any offer to acquire, any provisional allotments of Convertible Securities or Convertible Securities or to take up any provisional allotments of Convertible Securities in any jurisdiction in which such an offer or solicitation is unlawful. No person should acquire any provisional allotments of Convertible Securities or Convertible Securities except on the basis of the information contained in the Offer Information Statement. The information contained in this announcement is not for release, publication or distribution to persons in the United States and should not be distributed, forwarded to or transmitted in or into any jurisdiction where to do so might constitute a violation of applicable securities laws or regulations. The issue, exercise or sale of provisional allotments of Convertible Securities and the acquisition or purchase of the Convertible Securities is subject to specific legal or regulatory restrictions in certain jurisdictions. The Company assumes no responsibility in the event there is a violation by any person of such restrictions.

The distribution of this announcement, the Offer Information Statement, the provisional allotment letters and/or the application forms for Convertible Securities and excess Convertible Securities into jurisdictions other than Singapore may be restricted by law. Persons into whose possession this announcement and such other documents come should inform themselves about and observe any such restrictions. Any failure to comply with these restrictions may constitute a violation of the securities laws of any such jurisdiction. Neither the content of the Company's website nor any website accessible by hyperlinks on the Company's website is incorporated in, or forms part of, this announcement.

The value of the Convertible Securities and the income derived from them may fall as well as rise. The Convertible Securities are not obligations of, deposits in, or guaranteed by, the Company or any of its affiliates. An investment in the Convertible Securities is subject to investment risks, including the possible loss of the principal amount invested.

Investors have no right to request that the Company redeem or purchase the Convertible Securities while the Convertible Securities are listed. It is intended that holders of the Convertible Securities may only deal in the Convertible Securities through trading on the SGX-ST.

Listing of the Convertible Securities on the SGX-ST does not guarantee a liquid market for the Convertible Securities.

This announcement is not an offer for sale of securities into the United States or elsewhere. The provisional allotments of Convertible Securities and Convertible Securities may not be offered or sold in the United States absent registration or an exemption from registration under the Securities Act. The Company does not intend to register any portion of any offering in the United States or to conduct a public offering of securities in the United States.

Not for publication or distribution in the United States, Canada, Japan or Australia

This announcement is not an offer for sale of securities into the United States or elsewhere. The Convertible Securities are not being registered under the United States Securities Act of 1933, as amended (the "**Securities Act**"), and may not be offered or sold in the United States unless registered under the Securities Act or pursuant to an exemption from registration under the Securities Act. There will be no public offering of securities in the United States.

FIRST SPONSOR GROUP LIMITED

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

PROPOSED RENOUNCEABLE AND NON-UNDERWRITTEN RIGHTS ISSUE OF PERPETUAL CONVERTIBLE CAPITAL SECURITIES

Further to the announcements made by First Sponsor Group Limited (the "Company") on 8 February 2018 (the "**First Announcement**") and 21 February 2018 (the "**Second Announcement**") in relation to the proposed Rights Issue, the board of directors (the "**Board**") of the **Company** is pleased to announce the updated principal Terms and Conditions of the Convertible Securities as summarised below[1]. Unless otherwise defined herein or the context otherwise requires, all capitalised terms used in this announcement shall bear the same meanings ascribed to them in the First Announcement and the Second Announcement.

<u>Principal Terms</u>

Basis of Provisional Allotment	:	The Rights Issue will be made on a renounceable basis to Entitled Shareholders on the basis of one (1) Convertible Security for every four (4) existing Shares held by Entitled Shareholders as at the Books Closure Date, fractional entitlements to be disregarded.
Issue Size	:	Up to S$162,199,110.70 in aggregate principal amount of Convertible Securities (the "**Issue Size**"). Assuming no adjustments to the Conversion Price, based on the Issue Size and the Conversion Price of S$1.10, the maximum number of Conversion Shares that may be issued is 147,453,737 Shares, representing in aggregate 25.0% of the total number of issued Shares as at the date of this announcement.
Issue Price	:	100 per cent. of the principal amount of the Convertible Securities at S$1.10 for each Convertible Security.
Maturity Date	:	The Convertible Securities are perpetual securities in respect of which there is no fixed redemption date.
Distributions	:	Each Convertible Security confers a right to receive distributions on its outstanding principal amount ("**Distributions**") from (and including) the Issue Date. Subject to "Optional Deferral of Distribution" below and unless

[1] For ease of reference, certain terms and conditions set out in the First Announcement have been repeated in this announcement.

		otherwise provided in the Terms and Conditions, Distributions shall be payable on the Convertible Securities at the Distribution Rate (as defined below) semi-annually in arrear and from and on the date falling six (6) months following the Issue Date and every six (6) months thereafter (each a "**Distribution Payment Date**").
Distribution Rate	:	The rate of Distribution ("**Distribution Rate**") applicable to the Convertible Securities shall be 3.98 per cent. per annum and shall be calculated on the principal amount of S$1.10 for each Convertible Security.
Form and Denomination	:	The Convertible Securities will be issued in registered form and in the specified denomination of S$1.10 each and integral multiples thereof and will initially be represented by a global certificate registered in the name of, and deposited with, CDP.
Optional Deferral of Distributions	:	The Company may, at its sole discretion, elect to defer any Distribution, in whole or in part, which is otherwise scheduled to be paid on a Distribution Payment Date by giving notice (an "**Optional Deferral Notice**") of such election to the Trustee (as defined below), the Paying Agent (as defined below), the Conversion Agent (as defined below), the Transfer Agent (as defined below), the Calculation Agent (as defined below), the Registrar (as defined below) and the Securityholders not more than 15 nor less than five business days prior to a scheduled Distribution Payment Date. Each Optional Deferral Notice shall be conclusive and binding on the Securityholders.
Arrears of Distribution	:	Any Distribution deferred shall constitute "**Arrears of Distribution**". The Company may, at its sole discretion, elect to further defer any Arrears of Distribution by complying with the notice requirement applicable to any deferral of an accrued Distribution. The Company is not subject to any limit as to the number of times Distributions and Arrears of Distribution can or shall be deferred except that "Restrictions in the case of Deferral" below shall be complied with until all outstanding Arrears of Distribution have been paid in full. In any event, no interest on any Arrears of Distribution will be payable to Securityholders.
Restrictions in the case of Deferral	:	If on any Distribution Payment Date, payment of Distributions (including Arrears of Distribution) scheduled to be made on such date is not made in full, the Company shall not: (i) declare or pay any dividends, distributions or make any other payment on, and will procure that no dividend, distribution or other payment is made on, any of the Company's Junior Obligations or (except on a *pro rata* basis with the Convertible Securities) any of the Company's Parity Obligations; or (ii) redeem, reduce, cancel, buy-back or acquire for any consideration, any of the Company's Junior

Obligations or (except on a *pro rata* basis with the Convertible Securities) any of the Company's Parity Obligations,

in each case, other than (1) in connection with any employee benefit plan or similar arrangements with or for the benefit of the employees, officers, directors or consultants of the Company or (2) as a result of the exchange or conversion of the Company's Parity Obligations for the Company's Junior Obligations unless and until (A) the Company has satisfied in full all outstanding Arrears of Distribution or (B) the Company is permitted to do so by a resolution passed at a meeting of Securityholders duly convened and held in accordance with the Trust Deed by a majority of at least 75 per cent. of the votes cast.

Where:

"**Junior Obligation**" means any ordinary shares of the Company and any class of the Company's share capital and any other instruments or securities (including without limitation any preference shares, preferred units or subordinated perpetual securities) issued, entered into or guaranteed by the Company that ranks or is expressed to rank, whether by its terms or by operation of law, junior to the Convertible Securities; and

"**Parity Obligation**" means any instrument or security (other than shares) issued, entered into or guaranteed by the Company (1) which ranks or is expressed to rank, by its terms or by operation of law, *pari passu* with the Convertible Securities and (2) the terms of which provide that the making of payments thereon or distributions in respect thereof are fully at the discretion of the Company and/or, in the case of an instrument or security guaranteed by the Company, the issuer thereof.

Extinction of Arrears of Distribution upon exercise of Conversion Right	:	Any Arrears of Distribution due in respect of a Convertible Security shall be extinguished by the Company in full through the delivery by the Company of the Conversion Shares upon the exercise of the Securityholder's Conversion Right (as defined below) in respect of such Convertible Security. Upon compliance in full of the requirement under the Terms and Conditions to deliver the Conversion Shares, the Company shall have no liability to pay the Arrears of Distribution due in respect of the converted Convertible Security and, no converting Securityholder shall have any claim in respect of such Arrears of Distribution.
Conversion Terms	:	Securityholders will have the right to convert any Convertible Security into Conversion Shares, credited as fully-paid ("**Conversion Right**"), at any time on or after the 41st day after the Issue Date subject to the Terms and Conditions. The number of Conversion Shares to be issued on the conversion of each Convertible Security will be determined by

dividing the principal amount of the Convertible Security to be converted by the Conversion Price. If more than one (1) Convertible Security held by the same Securityholder is converted at any one time, the number of Conversion Shares to be issued upon such conversion will be calculated on the basis of the aggregate principal amount of the Convertible Securities to be converted and rounded down to the nearest whole number of Conversion Shares. Fractions of Conversion Shares will not be issued on conversion and no cash payment or other adjustment will be made in lieu thereof.

Conversion Price : Subject to adjustments referred to in "Adjustment to the Conversion Price" below and provided always that the Conversion Price shall not be less than the nominal or par value of a Share, the price at which one (1) Convertible Security will be converted into one (1) Conversion Share shall be S$1.10 (the "**Conversion Price**"). The Conversion Price of S$1.10 represents a discount of approximately 20.3% and 24.1% over the last transacted price of the Shares on the SGX-ST on 6 February 2018 and 13 March 2018, being the last trading day on which trades were done on the Shares prior to the date of the First Announcement and prior to the date of this announcement respectively.

For the avoidance of doubt, no further cash outlay will be required from the Securityholders for the conversion of the Convertible Securities into Conversion Shares.

Adjustment to the Conversion Price : The Conversion Price will be subject to adjustments under certain circumstances, including, without limitation, the following:

(a) consolidation or subdivision;

(b) capitalisation of profits or reserves;

(c) capital distribution (excluding cash dividends);

(d) rights issues of ordinary shares or options over shares at less than 95 per cent. of the market price (excluding for the avoidance of doubt, the current Rights Issue);

(e) rights issues of other securities;

(f) issues of ordinary shares or other securities at less than 95 per cent. of the market price;

(g) other issues by the Company or any other person (at the direction or request of or pursuant to any arrangements with the Company) of other securities at less than 95 per cent. of the market price;

(h) modifications of rights of conversion, exchange or subscription attaching to any other securities issued and which are convertible into Shares such that the consideration per Share is less than 95 per cent. of the market price;

(i) issues of securities in the context of an offer to holders of at least 60 per cent. of the Shares outstanding (at the time such offer is made) and there is no adjustment carried out under other provisions of the Terms and Conditions; and

(j) in events or circumstances not otherwise provided in the Terms and Conditions, subject to, among other things, the use by the Company of an independent financial adviser to determine if such adjustment is fair and reasonable.

Conversion Shares	:	Assuming no adjustments to the Conversion Price, based on the Issue Size and the Conversion Price, 147,453,737 new Shares will be allotted and issued by the Company upon conversion of all the Convertible Securities.
Status of the Convertible Securities	:	The Convertible Securities constitute direct, unconditional, subordinated and unsecured obligations of the Company and shall at all times rank *pari passu*, without any preference or priority among themselves, and *pari passu* with any Parity Obligations of the Company. Subject to the insolvency laws of the Cayman Islands and other applicable laws, in the event of the winding-up of the Company, the rights of the Securityholders to payment of the principal amount of the relevant Convertible Security together with accrued and unpaid Distributions (including any Arrears of Distribution) are expressly subordinated and subject in right of payment to the prior payment in full of all claims of senior creditors of the Company but at least *pari passu* with all other subordinated obligations of the Company that are not expressed by their terms to rank junior to the Convertible Securities, but always in priority to the claims of Shareholders.
No Set-Off	:	Subject to applicable law, no Securityholder may exercise, claim or plead any right of set-off, deduction, withholding or retention in respect of any amount owed to it by the Company in respect of, arising under or in connection with the Convertible Securities, and each Securityholder shall, by virtue of his holding of any Convertible Securities, be deemed to have waived all such rights of set-off, deduction, withholding or retention against the Company. If at any time any Securityholder receives payment or benefit of any amount in respect of the Convertible Securities (including any benefit received pursuant to any set-off, deduction, withholding or retention) other than in accordance with the Terms and Conditions, the payment of such amount or receipt of such benefit shall, to the fullest extent permitted by law, be deemed void for all purposes and such Securityholder shall immediately pay an amount equal to the amount of such discharge to the Company (or, in the event of its winding-up or administration, the liquidator or, as appropriate, administrator of the Company)

and, until such time as payment is made, shall hold such amount in trust for the Company (or the liquidator or, as appropriate, administrator of the Company) and accordingly any such discharge shall be deemed not to have taken place.

Ranking of the Conversion Shares	:	The Conversion Shares issued and delivered on exercise of Conversion Rights will in all respects rank *pari passu* with the fully paid Shares in issue on the relevant conversion date, save for any dividends, rights, distributions or payments the record date for which falls prior to the relevant conversion date, subject to the Terms and Conditions.
Redemption at the Option of the Company	:	The Company may, at its option, at any time on or after the date falling six (6) months from the Issue Date, on giving not less than 30 nor more than 60 days' irrevocable notice to the Securityholders, redeem all or some of the Convertible Securities at their specified denomination or integral multiples thereof in the manner set out in the Terms and Conditions.
Redemption for Taxation Reasons	:	The Convertible Securities may be redeemed at the option of the Company in whole or in part, at any time on giving not less than 30 nor more than 60 days' notice to the Securityholders, the Trustee and the Paying Agent (which notice shall be irrevocable), at their specified denomination or integral multiples thereof, (together with Distribution (including Arrears of Distribution) accrued to (but excluding) the date fixed for redemption), if:

(a) the Company receives a ruling by the Comptroller of Income Tax in Singapore (or other relevant authority) which confirms that:

(i) the Convertible Securities will not be regarded as "debt securities" for the purposes of Section 43N(4) of the Income Tax Act, Chapter 134 of Singapore ("**ITA**"), and Regulation 2 of the Income Tax (Qualifying Debt Securities) Regulations; or

(ii) the Distributions (including any Arrears of Distribution) will not be regarded as interest payable by the Company for the purposes of the withholding tax exemption on interest for "qualifying debt securities" under the ITA; or

(b) (i) the Company has or will become obliged to pay additional amounts as provided or referred to in the Terms and Conditions, or increase the payment of such additional amounts, as a result of any change in, or amendment to, the laws (or any regulations, rulings or other administrative pronouncements promulgated thereunder) of Singapore or any political subdivision or any authority thereof or therein having power to tax;

(ii) any change in, or amendment to, the application or official interpretation of any such laws, regulations, rulings or other administrative pronouncements by any legislative body, court, governmental agency or regulatory authority (including the enactment of any legislation and the publication of any judicial decision or regulatory determination) which is enacted, promulgated, issued, becomes effective or is made public otherwise on or after the Issue Date; and

(iii) such obligations cannot be avoided by the Company taking reasonable measures available to it (which shall not require the Company to incur unreasonable costs),

provided that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Company would be obliged to pay such additional amounts were a payment in respect of the Convertible Securities then due.

Redemption for Accounting Reasons : The Convertible Securities may be redeemed at the option of the Company in whole or in part, at any time on giving not less than 30 nor more than 60 days' notice to the Securityholders, the Trustee and the Paying Agent (which notice shall be irrevocable), at their specified denomination or integral multiples thereof (together with Distribution (including Arrears of Distribution) accrued to (but excluding) the date fixed for redemption) if, as a result of any changes or amendments to the International Financial Reporting Standards ("**IFRS**") or any other accounting standards that may replace IFRS or otherwise adopted by the Company for the purposes of the consolidated financial statements of the Company (the "**Relevant Accounting Standard**"), the Convertible Securities will not or will no longer be recorded as "equity" of the Company pursuant to the Relevant Accounting Standard.

Redemption for Tax Deductibility : The Convertible Securities may be redeemed at the option of the Company in whole or in part, at any time on giving not less than 30 nor more than 60 days' notice to the Securityholders, the Trustee and the Paying Agent (which notice shall be irrevocable), at their specified denomination or integral multiples thereof (together with Distribution (including Arrears of Distribution) accrued to (but excluding) the date fixed for redemption), if:

(a) the Company receives a ruling by the Comptroller of Income Tax in Singapore (or other relevant authority) which confirms that the Distributions (including any Arrears of Distribution) will not be regarded as sums "payable by way of interest upon any money borrowed" for the purpose of Section 14(1)(a) of the ITA; or

(b) as a result of:

(i) any change in, or amendment to, the laws (or any regulations, rulings or other administrative pronouncements promulgated thereunder) of Singapore or any political subdivision or any authority thereof or therein having the power to tax;

(ii) any change in, or amendment to, the application or official interpretation of any such laws, regulations, rulings or other administrative pronouncements by any legislative body, court, governmental agency or regulatory authority (including the enactment of any legislation and the publication of any judicial decision or regulatory determination) which is enacted, promulgated, issued, becomes effective or is made public otherwise on or after the Issue Date; or

(iii) any generally applicable official interpretation or pronouncement which is issued or announced on or after the Issue Date that provides for a position with respect to such laws or regulations that differs from the previously generally accepted position which is announced before the Issue Date,

the Distributions (including any Arrears of Distribution) by the Company are no longer, or would no longer be, regarded as sums "payable by way of interest upon any money borrowed" for the purpose of Section 14(1)(a) of the ITA.

Redemption in the case of Minimal Outstanding Amount	:	The Convertible Securities may be redeemed at the option of the Company in whole or in part, at any time on giving not less than 30 nor more than 60 days' notice to the Securityholders, the Trustee and the Paying Agent (which notice shall be irrevocable), at their specified denomination or integral multiples thereof (together with Distribution (including Arrears of Distribution) accrued to (but excluding) the date fixed for redemption) if, before giving such notice, the aggregate principal amount of the Convertible Securities outstanding is less than 10 per cent. of the aggregate principal amount originally issued.
Clearing and Settlement	:	The Convertible Securities will be cleared through CDP and represented by a global certificate registered in the name of, and deposited with, CDP as authorised depository.
Listing of the Convertible Securities and the Conversion Shares	:	On 20 February 2018, the SGX-ST granted its Approval In-Principle for the dealing in, listing of and quotation for the Convertible Securities, the Conversion Shares and such other Conversion Shares which may be issued pursuant to any adjustments as set out in the Terms and Conditions on the Main Board of the SGX-ST, subject to certain conditions set out in the Second Announcement. The Approval In-Principle is not to be taken as an indication of

		the merits of the Company and/or its subsidiaries, the Rights Issue, the Convertible Securities and the Conversion Shares. It should be noted that the Convertible Securities may not be listed and quoted on the SGX-ST in the event of an insufficient spread of holdings of the Convertible Securities to provide for an orderly market in the Convertible Securities. Accordingly, in such event, Securityholders will not be able to trade their Convertible Securities on the SGX-ST. However, if a Securityholder were to exercise his right, subject to the Terms and Conditions, to convert the Convertible Securities into Conversion Shares, such Conversion Shares will be listed and quoted on the Main Board of the SGX-ST.
Trading	:	Upon the listing of and quotation of the Convertible Securities and Conversion Shares on the SGX-ST, the Convertible Securities and Conversion Shares, when issued, will be traded on the SGX-ST under the book-entry (scripless) settlement system. All dealings in and transactions (including transfers) of the Convertible Securities and Conversion Shares effected through the SGX-ST and/or CDP shall be made in accordance with the "Terms and Conditions for Operation of Securities Accounts with The Central Depository (Pte) Limited" and (in the case of the Convertible Securities) the application form executed by the Company and accepted by CDP (together with the terms and conditions for the provision of depository services by CDP referred to therein), as the same may be amended from time to time. For the purposes of trading on the Main Board of the SGX-ST, each board lot of Convertible Securities will comprise 100 Convertible Securities with a principal amount of S$110 and each board lot of Conversion Shares will comprise 100 Shares. Shareholders who hold odd lots of Convertible Securities (that is, lots other than board lots of 100 Convertible Securities with a principal amount of S$110) or odd lots of Shares (that is, lots other than board lots of 100 Shares) and who wish to trade in odd lots on the SGX-ST are able to trade odd lots of S$1.10 in principal amount of Convertible Securities and odd lots of Shares in board lots of one Share on the Unit Share Market. Shareholders who hold odd lots of Convertible Securities or Shares may have difficulty and/or have to bear disproportionate transaction costs in realising the fair market price of such Convertible Securities or Shares, as the case may be.
Acceptances, Excess Application and Payment Procedures	:	Please see the section titled "Participation by Entitled Shareholders in the Rights Issue" of the First Announcement.
Undertakings	:	Please see the section titled "Irrevocable Undertakings" of the First Announcement on details of the irrevocable undertakings provided by M&C UK, CDTF, FSCL and TTAPL. However, the reference to "4,567,200" Relevant CDTF Shares should be replaced with "4,570,200" and the reference to a total of "476,718,767" Shares held by FSCL, CDTF, RHRL and MCHIL

		should be replaced with "476,721,767" in the section titled "Irrevocable Undertakings" on page 7 of the First Announcement. The Company and CDTF have executed a supplemental to the CDTF Undertaking to clarify that (a) CDTF's undertaking is in respect of all its 4,570,200 Shares (not 4,567,200 Shares) and that (b) the maximum number of excess Convertible Securities which CDTF will (or will procure its nominee(s) to) accept, subscribe and pay in full for is 28,273,296 (not 28,274,046). Therefore, the information on the CDTF Undertaking set out on page 8 of the First Announcement should be read accordingly.
Taxation	:	All payments of principal and Distributions (including any Arrears of Distribution) by or on behalf of the Company in respect of the Convertible Securities shall be made free and clear of, and without deduction or withholding for or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or within Singapore or any authority thereof or therein having power to tax, unless such deduction or withholding is required by law. In such event, the Company shall pay such additional amounts as will result in the receipt by the Securityholders of such amounts as would have been received by them had no such deduction or withholding been required, except that no such additional amounts shall be payable in respect of any Convertible Security presented in certain circumstances as set out in the Terms and Conditions.
Trustee	:	Perpetual (Asia) Limited
Paying Agent	:	Perpetual (Asia) Limited
Registrar	:	Tricor Barbinder Share Registration Services (a division of Tricor Singapore Pte. Ltd.)
Calculation Agent	:	Perpetual (Asia) Limited
Conversion Agent	:	Tricor Barbinder Share Registration Services (a division of Tricor Singapore Pte. Ltd.)
Transfer Agent	:	Tricor Barbinder Share Registration Services (a division of Tricor Singapore Pte. Ltd.)
Governing Law	:	Laws of Singapore (except for "Status of the Convertible Securities" and "No Set-Off" which are governed by laws of the Cayman Islands).

The terms and conditions of the Rights Issue (including the Terms and Conditions) are subject to such changes as the Directors may in their absolute discretion, deem fit. The final terms and conditions of the Rights Issue (including the Terms and Conditions) will be contained in the offer information statement to be despatched by the Company to Entitled Shareholders in due course.

BY ORDER OF THE BOARD

Neo Teck Pheng
Group Chief Executive Officer and Executive Director
15 March 2018

Important Notice

This announcement is for information only and does not constitute or form part of any offer or invitation to sell or issue, or any solicitation of any offer to acquire, any provisional allotments of Convertible Securities or Convertible Securities or to take up any provisional allotments of Convertible Securities in any jurisdiction in which such an offer or solicitation is unlawful. No person should acquire any provisional allotments of Convertible Securities or Convertible Securities except on the basis of the information contained in the Offer Information Statement. The information contained in this announcement is not for release, publication or distribution to persons in the United States and should not be distributed, forwarded to or transmitted in or into any jurisdiction where to do so might constitute a violation of applicable securities laws or regulations. The issue, exercise or sale of provisional allotments of Convertible Securities and the acquisition or purchase of the Convertible Securities is subject to specific legal or regulatory restrictions in certain jurisdictions. The Company assumes no responsibility in the event there is a violation by any person of such restrictions.

The distribution of this announcement, the Offer Information Statement, the provisional allotment letters and/or the application forms for Convertible Securities and excess Convertible Securities into jurisdictions other than Singapore may be restricted by law. Persons into whose possession this announcement and such other documents come should inform themselves about and observe any such restrictions. Any failure to comply with these restrictions may constitute a violation of the securities laws of any such jurisdiction. Neither the content of the Company's website nor any website accessible by hyperlinks on the Company's website is incorporated in, or forms part of, this announcement.

The value of the Convertible Securities and the income derived from them may fall as well as rise. The Convertible Securities are not obligations of, deposits in, or guaranteed by, the Company or any of its affiliates. An investment in the Convertible Securities is subject to investment risks, including the possible loss of the principal amount invested.

Investors have no right to request that the Company redeem or purchase the Convertible Securities while the Convertible Securities are listed. It is intended that holders of the Convertible Securities may only deal in the Convertible Securities through trading on the SGX-ST.

Listing of the Convertible Securities on the SGX-ST does not guarantee a liquid market for the Convertible Securities.

This announcement is not an offer for sale of securities into the United States or elsewhere. The provisional allotments of Convertible Securities and Convertible Securities may not be offered or sold in the United States absent registration or an exemption from registration under the Securities Act. The Company does not intend to register any portion of any offering in the United States or to conduct a public offering of securities in the United States.

Financial Statements and Related Announcement::Full Yearly Results

Issuer & Securities

Issuer/ Manager	FIRST SPONSOR GROUP LIMITED
Securities	FIRST SPONSOR GROUP LIMITED - KYG3488W1078 - ADN
Stapled Security	No

Announcement Details

Announcement Title	Financial Statements and Related Announcement
Date & Time of Broadcast	15-Mar-2018 23:44:24
Status	New
Announcement Sub Title	Full Yearly Results
Announcement Reference	SG180315OTHR5YAI
Submitted By (Co./ Ind. Name)	Neo Teck Pheng
Designation	Group Chief Executive Officer and Executive Director
Description (Please provide a detailed description of the event in the box below - Refer to the Online help for the format)	Please see attached.

Additional Details

For Financial Period Ended	31/12/2017

Attachments	FSGL - Annc Audited FY2017 Financial Statements.pdf Appendix - FSGL FY2017 Audited Financial Statements.pdf Total size =1391K

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

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF FIRST SPONSOR GROUP LIMITED AND ITS SUBSIDIARIES FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

The board of directors (the "**Board**") of First Sponsor Group Limited (the "**Company**", and together with its subsidiaries, the "**Group**"), wishes to announce that the consolidated financial statements of the Group for the financial year ended 31 December 2017 ("**FY2017**") have been audited and the Group's audited consolidated financial statements for FY2017 are attached as an Appendix to this announcement.

BY ORDER OF THE BOARD

Neo Teck Pheng
Group Chief Executive Officer and Executive Director
15 March 2018

First Sponsor Group Limited
and its subsidiaries
(Incorporated in the Cayman Islands)

Annual Report
Year ended 31 December 2017

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 2017.

In our opinion:

(a) the financial statements set out on pages FS1 to FS81 are drawn up so as to give a true and fair view of the financial positions of the Group and the Company as at 31 December 2017 and the financial performance, changes in equity and cash flows of the Group for the year ended on that date in accordance with International Financial Reporting Standards; and

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

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

Directors

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

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

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	500,000	1,300,000	265,264,991	265,264,991
Ho Han Khoon (Alternate Director to Ho Han Leong Calvin)	370,200	700,000	260,694,791	260,694,791

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

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 date of appointment if later, 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 2018.

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.

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.

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.

Auditors

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

On behalf of the Board of Directors

Ho Han Leong Calvin
Director

Neo Teck Pheng
Director

28 February 2018

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

Telephone +65 6213 3388
Fax +65 6225 0984
Internet www.kpmg.com.sg

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 2017, 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 FS1 to FS81.

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 2017 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.

Valuation of investment properties ($282.6 million) (Refer to Note 3.5 and Note 5 to the financial statements)	
The key audit matter	*How the matter was addressed in our audit*
The Group owns a portfolio of investment properties in China and the Netherlands. These investment properties are carried at their fair values. The Group engaged external valuers to value its properties. The valuation models applied to determine the value of investment properties are sensitive to assumptions around occupancy rates, 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 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 were appropriate based on historical data and trends.

Valuation of property, plant and equipment ($230.8 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 three hotel properties in Chengdu. M Hotel Chengdu has been in operations since 2012 and the remaining two hotels in Wenjiang have been in operations since December 2016. M Hotel Chengdu did not perform as well as expected, therefore an indication of impairment for this asset was identified. M Hotel Chengdu had been impaired based on the assessment carried out as at 31 December 2016. The Group further performed an impairment assessment of M Hotel Chengdu as at 31 December 2017. The Group engaged an external valuer to ascertain the recoverable amount of this hotel. The estimation of the recoverable amount of the hotel is dependent on assumptions about the future. Specifically, significant judgement is required in relation to the appropriate occupancy rates, average daily rates and the discount rate to use in determining the recoverable amount. No indicator of impairment was identified for the two hotels in Wenjiang as at 31 December 2017.	**Our response:** We assessed the competency and objectivity of the valuer engaged and held discussions with the valuer to understand the valuer's valuation method and assumptions used. We reviewed the key assumptions adopted by the valuer in determining the recoverable amount of the hotel. This included a comparison of occupancy rates and average daily rates to historical rates and trends. We also compared the discount rate against externally derived data. **Our findings:** The valuer is a member of recognised professional bodies for valuers. The valuation methodology applied was consistent with generally accepted market practices. The key assumptions used were within the range of market data and were appropriate based on historical data and trends.

Recoverability of entrusted loans with third parties ($119.6 million) (Refer to Note 3.9 and Note 11 to the financial statements)	
The key audit matter	*How the matter was addressed in our audit*
The Group has $119.6 million of entrusted loans with third parties from its property financing operations in China. Entrusted loans amounting to $56.2 million were in default as at 31 December 2017. The Group had commenced legal proceedings to recover its receivables and initiated partial recovery of the loan principal via court conducted auctions of the mortgaged properties. Judgement and estimates were required to determine the estimated proceeds expected to be recovered from these defaulted loans and the ability of the Group to enforce its rights under the terms of the loan agreements.	**Our response:** We challenged the Group's estimates of proceeds to be recovered from court conducted auctions of the mortgaged properties to, where available, recently transacted prices of comparable properties, adjusting for specific attributes such as size and locations. We considered the Group's past experience in recovering the defaulted loans via court conducted auctions of the mortgaged properties. **Our findings:** We found management's assessment of the recoverability of defaulted loans was within an acceptable range of outcomes.

Classification and 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*
In April 2017, the Group acquired 90% equity interest in East Sun. Its stake was diluted to 85% as at 31 December 2017. East Sun owns warehouses, industrial, commercial and residential properties in China. Management assessed the Group does not have control nor significant influence over East Sun and accounted for the investment as available-for-sale equity securities. Judgement is required in determining if the Group has control or significant influence over East Sun. The available-for-sale equity securities are carried at fair value. 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 enquired management to understand its plans and intention for the investment in East Sun. We checked if the Group has control or significant influence over East Sun through shareholder's rights given in the shareholders' agreement. We engaged internal valuation specialists to assess the valuation approach 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:** We found the classification of the investment in East Sun as available-for-sale equity securities to be appropriate. The valuation approach used by the Group in deriving the fair value of the equity securities is in line with generally accepted market practices and data.

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.

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.

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

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

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

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

KPMG LLP
Public Accountants and
Chartered Accountants

Singapore
28 February 2018

Statements of Financial Position
As at 31 December 2017

		Group		Company	
	Note	2017 $'000	2016 $'000	2017 $'000	2016 $'000
Non-current assets					
Property, plant and equipment	4	230,844	234,537	389	367
Investment properties	5	282,634	231,197	–	–
Interests in subsidiaries	6	–	–	653,581	694,808
Interests in associates and joint ventures	7	64,361	55,055	–	–
Derivative assets	8	350	–	350	–
Other investments	9	23,380	–	–	–
Deferred tax assets	10	25,905	16,694	–	–
Trade and other receivables	11	284,455	185,938	370,608	209,912
		911,929	723,421	1,024,928	905,087
Current assets					
Development properties	12	390,704	403,199	–	–
Inventories		175	80	–	–
Trade and other receivables	11	445,534	388,877	570,997	229,837
Other investments	9	38,863	–	–	–
Cash and cash equivalents	13	319,298	280,567	4,527	99,896
		1,194,574	1,072,723	575,524	329,733
Total assets		2,106,503	1,796,144	1,600,452	1,234,820
Equity					
Share capital	14	73,640	736,404	73,640	736,404
Reserves	15	1,006,514	288,185	807,067	82,511
Equity attributable to owners of the Company		1,080,154	1,024,589	880,707	818,915
Non-controlling interests		6,727	5,108	–	–
Total equity		1,086,881	1,029,697	880,707	818,915
Non-current liabilities					
Loans and borrowings	16	609,988	347,186	574,171	316,166
Derivative liabilities	8	13,122	2,763	13,122	2,763
Other payable	17	12,811	–	–	–
Deferred tax liabilities	10	3,870	6,446	–	–
		639,791	356,395	587,293	318,929
Current liabilities					
Loans and borrowings	16	–	9,452	–	9,452
Current tax payable		30,306	14,611	145	12
Trade and other payables	17	166,093	196,254	128,139	87,512
Receipts in advance	18	179,264	189,735	–	–
Derivative liabilities	8	4,168	–	4,168	–
		379,831	410,052	132,452	96,976
Total liabilities		1,019,622	766,447	719,745	415,905
Total equity and liabilities		2,106,503	1,796,144	1,600,452	1,234,820

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

Consolidated Statement of Profit or Loss
Year ended 31 December 2017

	Note	Group 2017 $'000	Group 2016 $'000 Restated*
Revenue	19	384,392	199,051
Cost of sales		(231,360)	(147,300)
Gross profit		153,032	51,751
Administrative expenses		(24,146)	(27,008)
Selling expenses		(5,319)	(5,633)
Other expenses (net)		(13,998)	(24,468)
Other (losses)/gains (net)	20	(56)	98,335
Results from operating activities		109,513	92,977
Finance income		17,082	21,262
Finance costs		(9,010)	(8,128)
Net finance income	21	8,072	13,134
Share of after-tax profit of associates		3,648	12,278
Profit before tax	22	121,233	118,389
Tax expense	23	(27,940)	(3,473)
Profit for the year		93,293	114,916
Attributable to:			
Equity holders of the Company		88,283	113,089
Non-controlling interests		5,010	1,827
Profit for the year		93,293	114,916
Earnings per share			
Basic and diluted (cents)	24	14.97	19.17

* see note 34

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

Consolidated Statement of Comprehensive Income
Year ended 31 December 2017

	Note	Group 2017 $'000	Group 2016 $'000
Profit for the year		93,293	114,916
Other comprehensive income			
Items that are or may be reclassified subsequently to profit or loss:			
Realisation of foreign currency translation differences arising from dilution of interests in subsidiaries (net of tax) reclassified to profit or loss	26	–	(3,618)
Share of translation differences on financial statements of foreign associates, net of tax	7	893	(203)
Translation differences on financial statements of foreign subsidiaries, net of tax		(16,574)	(45,177)
Translation differences on monetary items forming part of net investment in foreign subsidiaries, net of tax		(1,470)	(2,522)
Net change in fair value of available-for-sale equity securities, net of tax		(3,949)	–
Total other comprehensive income for the year, net of tax		(21,100)	(51,520)
Total comprehensive income for the year		72,193	63,396
Total comprehensive income attributable to:			
Equity holders of the Company		67,361	61,647
Non-controlling interests		4,832	1,749
Total comprehensive income for the year		72,193	63,396

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

Consolidated Statement of Changes in Equity
Year ended 31 December 2017

	Share capital $'000	Share premium $'000	Statutory reserve $'000	Capital reserve $'000	Foreign currency translation reserve $'000	Retained earnings $'000	Total attributable to equity holders of the Company $'000	Non-controlling interests $'000	Total equity $'000
Group									
At 1 January 2016	736,404	9,609	22,680	225	105,365	100,455	974,738	3,359	978,097
Total comprehensive income for the year									
Profit for the year	–	–	–	–	–	113,089	113,089	1,827	114,916
Other comprehensive income									
Realisation of foreign currency translation differences arising from dilution of interests in subsidiaries (net of tax) reclassified to profit or loss (note 26)	–	–	–	–	(3,618)	–	(3,618)	–	(3,618)
Share of translation differences on financial statements of foreign associates, net of tax	–	–	–	–	(203)	–	(203)	–	(203)
Translation differences on financial statements of foreign subsidiaries, net of tax	–	–	–	–	(45,099)	–	(45,099)	(78)	(45,177)
Translation differences on monetary items forming part of net investment in foreign subsidiaries, net of tax	–	–	–	–	(2,522)	–	(2,522)	–	(2,522)
Total other comprehensive income	–	–	–	–	(51,442)	–	(51,442)	(78)	(51,520)
Total comprehensive income for the year	–	–	–	–	(51,442)	113,089	61,647	1,749	63,396
Transaction with owners, recognised directly in equity									
Contributions by and distributions to owners									
Dividends paid to owners of the Company (note 15)	–	–	–	–	–	(11,796)	(11,796)	–	(11,796)
Transfer to statutory reserve	–	–	4,765	–	–	(4,765)	–	–	–
Total contributions by and distributions to owners	–	–	4,765	–	–	(16,561)	(11,796)	–	(11,796)
Total transactions with owners	–	–	4,765	–	–	(16,561)	(11,796)	–	(11,796)
At 31 December 2016	736,404	9,609	27,445	225	53,923	196,983	1,024,589	5,108	1,029,697

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

Consolidated Statement of Changes in Equity (cont'd)
Year ended 31 December 2017

	Share capital $'000	Share premium $'000	Statutory reserve $'000	Capital reserve $'000	Distributable reserve $'000	Fair value reserve $'000	Foreign currency translation reserve S'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

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

Consolidated Statement of Changes in Equity (cont'd)
Year ended 31 December 2017

	Share capital $'000	Share premium $'000	Statutory reserve $'000	Capital reserve $'000	Distributable reserve $'000	Fair value reserve $'000	Foreign currency translation reserve S'000	Retained earnings $'000	Total attributable to equity holders of the Company $'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 15)	–	–	–	–	–	–	–	(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 14)	(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 2017

	Note	Group 2017 $'000	Group 2016 $'000 Restated*
Cash flows from operating activities			
Profit for the year		93,293	114,916
Adjustments for:			
Allowance for foreseeable losses on development properties	12	987	–
Depreciation of property, plant and equipment	4	5,510	1,541
Fair value (gain)/loss (net) on:			
- investment properties	5	(4,038)	9,478
- derivative assets/liabilities		14,177	(564)
Finance income	21	(17,082)	(21,262)
Finance costs	21	9,010	8,128
Gain on dilution of interests in subsidiaries	26	–	(97,322)
Impairment loss on:			
- investment properties	5	602	–
- property, plant and equipment	4	9,345	10,312
(Gain)/loss on disposal of:			
- property held for sale	20	–	(1,836)
- investment properties	20	62	319
- property, plant and equipment (net)	20	(6)	2
Property, plant and equipment written off		–	5
Share of after-tax profit of associates		(3,648)	(12,278)
Tax expense	23	27,940	3,473
Trade receivables written off		13	–
		136,165	14,912
Changes in:			
Development properties		5,910	(23,241)
Inventories		(97)	61
Trade and other receivables		(370,367)	115,231
Trade and other payables		(29,034)	41,464
Loans and borrowings		277,923	(49,976)
Receipts in advance		(6,877)	15,106
Cash from operating activities		13,623	113,557
Interest received		54,611	18,061
Interest paid		(7,012)	(2,235)
Tax paid		(24,070)	(22,463)
Net cash from operating activities		37,152	106,920

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

Consolidated Statement of Cash Flows (cont'd)
Year ended 31 December 2017

	Note	Group 2017 $'000	Group 2016 $'000 Restated*
Cash flows from investing activities			
Payment for investment in available-for-sale financial assets		(62,554)	–
Payment for investment in joint ventures		(6,187)	–
Interest received		16,179	19,973
Payment for additions to:			
- investment properties		(42,391)	(2,744)
- property, plant and equipment		(6,423)	(71,340)
Proceeds from disposal of:			
- investment properties		745	1,779
- property, plant and equipment		18	148
- property held for sale		–	3,968
Repayment of loans by third parties		139,168	27,952
Loans to a third party		(57,073)	–
Return of capital from an associate		1,533	10,775
Proceeds from disposal of a subsidiary	25	2,200	–
Net cash inflows from dilution of interests in subsidiaries		–	116,138
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	4,263
Net cash from investing activities		35,878	110,912
Cash flows from financing activities			
Decrease/(increase) in restricted cash		263	(263)
Dividends paid to the owners of the Company		(11,796)	(11,796)
Advances from associates		13,484	39,167
Interest paid		(7,255)	(4,773)
Payment of transaction costs related to borrowings		(7,545)	(4,605)
Proceeds from bank borrowings		766,308	288,997
Repayment of bank borrowings		(744,192)	(351,914)
Redemption of medium term notes		(50,000)	–
Loan from a non-controlling interest		12,490	–
Return of capital to non-controlling interests		(3,213)	–
Net cash used in financing activities		(31,456)	(45,187)
Net increase in cash and cash equivalents		41,574	172,645
Cash and cash equivalents at beginning of the year		280,304	112,044
Effect of exchange rate changes on balances held in foreign currencies		(2,580)	(4,385)
Cash and cash equivalents at end of the year	13	319,298	280,304

* see note 34

Significant non-cash transaction

During the financial year ended 31 December 2017, the Group acquired property, plant and equipment, amounting to $11,773,000 (2016: $101,543,000), of which $5,350,000 (2016: $30,203,000) remained unpaid as at 31 December 2017.

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

Notes to the financial statements

These notes form an integral part of the financial statements.

The financial statements were authorised for issue by the Board of Directors on 28 February 2018.

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 2017 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").

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 note 3.1 – Assessment of ability to control or exert significant influence over partly-owned investments and note 9 – Other investments.

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

- Note 3.17 – Estimation of provisions for current and deferred taxation
- Note 4 – Estimation of useful lives, residual values and recoverable amounts of property, plant and equipment
- Note 5 – Valuation of investment properties
- Notes 6 and 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 23 – 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 28 – 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.

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 28 – Valuation of financial instruments

2.5 *Changes in accounting policies*

Revised standards

The Group has applied the following amendments for the first time for the annual period beginning on 1 January 2017:

- Disclosure Initiative (Amendments to IAS 7);
- Recognition of Deferred Tax Assets for Unrealised Losses (Amendments to IAS 12); and
- Clarification of the scope of IFRS 12 (Improvements to IFRSs 2016).

Other than the amendments to IAS 7, the adoption of these amendments did not have any impact on the current or prior period and is not likely to affect future periods.

Disclosure Initiative (Amendments to IAS 7)

From 1 January 2017, as a result of the amendments to IAS 7, the Group has provided additional disclosure in relation to the changes in liabilities arising from financing activities for the year ended 31 December 2017. Comparative information has not been presented (see note 16).

3 Significant accounting policies

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

3.1 Basis of consolidation

(i) ***Business combinations***

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

The Group measures goodwill at the 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.

(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

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

(v) Investments in associates 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.

(vi) Transactions eliminated on consolidation

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

(vii) Subsidiaries and associates in the separate financial statements

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

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.

(iii) Net investment in a foreign operation

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

3.3 Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are 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.

The estimated useful lives for the current and comparative year 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 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.

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) Non-derivative financial assets

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

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

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

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

Loans and receivables

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

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

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, bank deposits, term deposits and other short-term highly liquid investments that are readily convertible to a known amount of cash and have maturities of three months or less from the date of acquisition 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.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative assets that are designated as available-for-sale or are not classified in any of the above categories of financial assets. Available-for-sale financial assets are initially measured at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses and foreign currency differences on available-for-sale debt instruments (see note 3.2(i)), are recognised in other comprehensive income and presented in the fair value reserve in equity. When an investment is derecognised, the gain or loss accumulated in equity is reclassified to profit or loss.

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

(ii) Non-derivative financial liabilities

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

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

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

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

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

(iii) Intra-group financial guarantees

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

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

(iv) Share capital

Ordinary shares

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

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

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

(v) Derivative financial instruments

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

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 receipts in advance in the consolidated statement of financial position.

3.9 *Impairment*

(i) Non-derivative financial assets

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

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

Loans and receivables

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

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

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

Available-for-sale financial assets

Impairment losses on available-for-sale financial assets are recognised by reclassifying the losses accumulated in the fair value reserve in equity to profit or loss. The cumulative loss that is reclassified from equity to profit or loss is 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. Changes in cumulative impairment provisions attributable to application of the effective interest method are reflected as a component of interest income. If, in a subsequent period, the fair value of an impaired available-for-sale debt security increases and the increase can be related objectively to an event occurring after the impairment loss was recognised, then the impairment loss is reversed. The amount of the reversal is recognised in profit or loss. However, any subsequent recovery in the fair value of an impaired available-for-sale equity security is recognised in OCI.

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 note 3.9(ii). An impairment loss is recognised in profit or loss. An impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount.

(ii) Non-financial assets

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

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

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

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

Goodwill that forms part of the carrying amount of an investment in an associate 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 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.

(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.

3.11 Provisions and contingent liabilities

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

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

3.12 Revenue

(i) Sale of properties

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

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

(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.

(iii) Hotel income

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

(iv) Interest income on entrusted loans, 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.

3.13 Government grants

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

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

3.14 Lease payments

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

3.15 Earnings per share

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

3.16 Finance income and costs

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

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

3.17 Tax

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

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

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

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

- temporary differences related to investments in subsidiaries, 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.

3.18 Segment reporting

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

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

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 2016	9,926	47,611	1,744	1,117	2,703	91,900	155,001
Additions	–	9	4	251	135	101,144	101,543
Written off during the year	–	–	–	(19)	–	–	(19)
Disposals	–	–	(8)	(180)	(163)	–	(351)
Reclassification	20,061	137,701	6,202	893	–	(164,857)	–
Dilution of interests in subsidiaries	–	–	–	(20)	–	–	(20)
Translation differences on consolidation	(406)	(1,949)	(71)	(42)	(54)	(3,715)	(6,237)
At 31 December 2016	29,581	183,372	7,871	2,000	2,621	24,472	249,917
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

Group	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
Accumulated depreciation, amortisation and impairment loss								
At 1 January 2016		601	1,228	425	505	1,132	–	3,891
Charge for the year	22	269	595	179	224	274	–	1,541
Impairment of property, plant and equipment	22	–	10,312	–	–	–	–	10,312
Written off during the year		–	–	–	(14)	–	–	(14)
Disposals		–	–	(3)	(63)	(135)	–	(201)
Dilution of interests in subsidiaries		–	–	–	(3)	–	–	(3)
Translation differences on consolidation		(25)	(50)	(17)	(19)	(35)	–	(146)
At 31 December 2016		845	12,085	584	630	1,236	–	15,380
At 1 January 2017		845	12,085	584	630	1,236	–	15,380
Charge for the year	22	825	2,660	1,376	346	303	–	5,510
Impairment of property, plant and equipment	22	–	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
Carrying amounts								
At 1 January 2016		9,325	46,383	1,319	612	1,571	91,900	151,110
At 31 December 2016		28,736	171,287	7,287	1,370	1,385	24,472	234,537
At 31 December 2017		27,351	189,712	10,781	1,405	1,595	–	230,844

	Equipment and furniture $'000	Motor vehicles $'000	Total $'000
Company			
Cost			
At 1 January 2016	–	–	–
Additions	47	356	403
At 31 December 2016	47	356	403
Additions	108	–	108
Written off during the year	(1)	–	(1)
At 31 December 2017	154	356	510
Accumulated depreciation			
At 1 January 2016	–	–	–
Charge for the year	11	25	36
At 31 December 2016	11	25	36
Charge for the year	36	50	86
Written off during the year	(1)	–	(1)
At 31 December 2017	46	75	121
Carrying amounts			
At 1 January 2016	–	–	–
At 31 December 2016	36	331	367
At 31 December 2017	108	281	389

(i) Reclassification

In 2017, the Group reclassified a hotspring facility from construction-in-progress to buildings, plant and machinery, and equipment and furniture upon commencement of the hotspring operations.

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

(ii) Transfer from development properties

In 2017, 174 car park lots amounting to $3,897,000 (2016: nil), 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 $650,000 (2016: $1,381,000) during the financial year ended 31 December 2017 (note 22).

(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 for indicators of impairment and, where appropriate, external valuation was also undertaken. Based on this assessment, an impairment charge of $9,345,000 (2016: $10,312,000), 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 is categorised as Level 3 on the fair value hierarchy.

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

Valuation technique	Key unobservable inputs	Inter-relationship between key unobservable inputs and fair value measurement
Discounted cash flow method	• Occupancy rate: 60.0% to 70.0% (2016: 60.0% to 75.0%) • Average daily rate ("ADR"): RMB420 to RMB610 (2016: RMB470 to RMB682) • Discount rate: 8.0% (2016: 8.0%)	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. Therefore, any adverse movement in the key assumptions would lead to a further impairment.

5 Investment properties

	Note	Group 2017 $'000	Group 2016 $'000
At 1 January		231,197	245,624
Additions		42,391	2,744
Impairment loss	22	(602)	–
Disposals		(3,269)	(2,098)
Fair value gain/(loss) (net)	22	4,038	(9,478)
Lease incentives		46	1,033
Translation differences on consolidation		8,833	(6,628)
At 31 December		282,634	231,197
Analysed between:			
Completed properties		201,902	186,932
Properties under construction		80,732	44,265
		282,634	231,197

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 21,875 sq m of commercial space in Chengdu completed in bare-shell condition constitutes the investment properties under construction.

Completed investment properties comprise a number of commercial properties including two hotels in Amsterdam Southeast that are leased to external customers. The leases contain initial non-cancellable periods of 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 (2016: nil), 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 $91,069,000 (2016: $79,587,000) is mortgaged to a financial institution to secure a credit facility (refer to note 16 for more details of the facility).

Measurement of fair value

(i) Fair value hierarchy

The fair value measurement for investment properties of $9,999,000 (2016: $9,620,000) has been categorised as a Level 2 fair value based on contracted sale prices and comparable market transactions which consider sales of similar properties that have been transacted in the open market.

The fair value measurement for investment properties of $272,635,000 (2016: $221,577,000) 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 2017 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	
	2017	**2016**
	$'000	**$'000**
At 1 January	221,577	244,928
Additions	42,391	2,744
Disposals	(3,217)	(2,098)
Fair value gain/(loss) recognised in profit or loss – unrealised (net)	4,038	(9,478)
Lease incentives	46	1,033
Change in fair value hierarchy to level 2 [(i)]	(1,221)	(8,953)
Translation differences on consolidation	9,021	(6,599)
At 31 December	272,635	221,577

[(i)] During the financial years ended 31 December 2017 and 2016, the Group had entered into various sale and purchase agreements with third parties for the sale of retail and commercial units. In this respect, the fair value 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.

(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 5.5% to 7.4% (2016: 4.9% to 7.1%) • Discount rate of 5.0% to 8.3% (2016: 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 RMB37,009 to RMB38,029 (2016: RMB5,563 to RMB39,515) 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 6.6% (2016: 7.3%) • Occupancy rate of 100.0% (2016: 100.0%)	A significant increase in capitalisation rate and a significant decrease in occupancy rate would result in a significantly lower fair value measurement.
Properties under construction [(i)]	Discounted cash flow method	• Rental yield of 6.3% - 7.2% (2016: 7.1%) • Discount rate of 6.0% - 8.3% (2016: 6.0%)	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 RMB8,156 – RMB8,316 (2016: RMB9,657 to RMB9,944) per sq m	A significant increase in average sales prices would result in a significantly higher fair value measurement.

[(i)] In 2016, the Group had assessed the highest and best use of the properties under construction in Chengdu and changed it from hotel to office use in view of the challenging hospitality market in Chengdu. Accordingly, the valuation of the investment properties was derived based on the discounted cash flow and market comparable methods.

6 Interests in subsidiaries

	Company 2017 $'000	Company 2016 $'000
Investment in subsidiaries		
Unquoted equity shares, at cost	145,869	146,778
Redeemable preference shares	507,712	548,030
Total interests in subsidiaries	653,581	694,808

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

During the financial year, the wholly-owned subsidiary redeemed 40,318,594 (2016: 185,620,318) redeemable preference shares held by the Company at the redemption price of $1.00 each.

Details of significant subsidiaries are as follows:

	Name of subsidiary	Principal activity	Principal place of business/ Country of incorporation	Effective equity interest held by the Group 2017 %	Effective equity interest held by the Group 2016 %
	Held by the Company				
**	First Sponsor Investment Limited	Investment holding	Hong Kong	100	100
^	FS Investment Holdings Limited	Investment holding	British Virgin Islands	100	100
^	Wenjiang (BVI) Limited	Investment holding	British Virgin Islands	100	100
	Held through subsidiaries				
**	Chengdu Gaeronic Real Estate Co., Ltd	Property development, property investment, hotel ownership and operations, and investment holding	People's Republic of China	100	100
**	Chengdu Millennium Zhong Ren Real Estate Co., Ltd	Property development, hotel ownership and operations, and property investment	People's Republic of China	100	100

	Name of subsidiary	Principal activity	Principal place of business/ Country of incorporation	Effective equity interest held by the Group 2017	2016
				%	%
**	Chengdu Ming Ming Management Consultancy Co., Ltd (i)	Consultancy and management services	People's Republic of China	100	100
**	Chengdu Yong Chang Real Estate Co., Ltd	Property development and property investment	People's Republic of China	100	100
**	First Sponsor (Guangdong) Group Limited	Investment holding	People's Republic of China	100	100
*	FS Chengdu No. 1 Pte. Ltd.	Investment holding	Singapore	100	100
^	FS Euro Capital Limited	Investment holding	British Virgin Islands	100	100
^	FS NL Amstel Development 16 B.V (ii)	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 (iii)	Property investment and property development	The Netherlands	100	–
^	FS NL Zuidoost Property 11 B.V. (iv)	Property investment and property development	The Netherlands	100	100
^	FS NL Zuidoost Property 15 B.V. (v)	Property investment and property development	The Netherlands	100	100
^	NL Property 1 B.V. (vi) ("NLP1")	Property investment	The Netherlands	33	33
**	Shanghai Sigma Investment Co., Ltd (vii)	Provision of property financing services	People's Republic of China	100	100
*	Wenjiang Singapore Pte. Ltd.	Investment holding	Singapore	100	100

* Audited by KPMG LLP Singapore

** Audited by other member firms of KPMG International

^ Not subject to audit by law of country of incorporation

(i) In 2017, the paid-up share capital of the subsidiary was reduced from RMB253.9 million to RMB53.9 million via a capital reduction exercise. The subsidiary has since commenced voluntary liquidation in January 2018.

(ii) The subsidiary was incorporated on 2 December 2016 to hold an investment property acquired from a third party during the financial year ended 31 December 2017 (see note 5).

(iii) 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.

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

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

(vi) 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.

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

7 Interests in and balances with associates and joint ventures

	Note	Group 2017 $'000	Group 2016 $'000
Interests in associates		58,015	55,055
Interests in joint ventures		6,346	–
Total interests in associates and joint ventures		64,361	55,055
Balances with associates			
Loans to associates (trade)	11	497,882	106,359
Amounts due from associates (non-trade)	11	42,895	96,463
Amounts due to associates (non-trade)	17	(12,437)	(39,167)

The loans to associates as at 31 December 2017 were unsecured and interest bearing with nominal interest rates of 3.6% to 12.9% per annum. The loans are due between 2018 to 2026.

The loans to associates as at 31 December 2016 were unsecured and interest bearing with nominal interest rates of 7.0% to 7.4% per annum. $23,378,000 was repaid in 2017 and the repayment date for the remaining principal of $82,981,000 was extended to 2023.

As at 31 December 2017 and 2016, the non-trade amounts due from associates were unsecured and interest-free. A balance of $40,078,000 (2016: $79,579,000) is repayable in 2019 while the remaining balance of $2,817,000 (2016: $16,884,000) is repayable on demand.

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

Details of the associates are as follows:

	Name of associate	Principal activity	Principal place of business/Country of incorporation	Effective equity interest held by the Group 2017 %	2016 %
	Held by the Company				
^	FS Dongguan Investment Holdings Limited [(i)] ("FSDIH") and its subsidiaries	Investment holding	British Virgin Islands	30	30
	Held through subsidiaries				
*	FSMC NL Property Group B.V. ("FSMC") and its subsidiaries	Property investment and investment holding	The Netherlands	33	33

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

* Audited by Ernst & Young Accountants LLP for the financial year ended 31 December 2016. FSMC is in the process of appointing new auditors for the financial year ended 31 December 2017.

(i) On 12 October 2016, the Group diluted its shareholding interests in FSDIH from 100% to 30% via issuance of new shares in FSDIH to a third party and an affiliated corporation. FSDIH held, via its subsidiaries, a development project in Dongguan, China (note 26). Following the transaction, the Group has significant influence over FSDIH. Accordingly, FSDIH was reclassified as an associate of the Group.

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

	2017 $'000	2016 $'000
Carrying amounts of interests in associates	58,015	55,055
Group's share of:		
- net profit	3,648	12,278
- other comprehensive income	893	(203)
- total comprehensive income	4,541	12,075

Details of the joint ventures are as follows:

	Name of joint venture	Principal activity	Principal place of business/Country of incorporation	Effective equity interest held by the Group 2017 %	2016 %
^	FSCT DE Property 1 GmbH & Co. KG ("KG")	Property investment	Germany	50	–
^	FSCT DE Property 1 GmbH	Property investment and general partner of KG	Germany	50	–

^ Not subject to audit by law of country of incorporation

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.

	2017 $'000	2016 $'000
Carrying amounts of interests in joint ventures	6,346	–
Group's share of:		
- net profit	–	–
- other comprehensive income	–	–
- total comprehensive income	–	–

8 Derivative assets and liabilities

	Group and Company 2017 $'000	2016 $'000
Non-current derivative assets		
Cross currency swaps	350	–
Derivative liabilities		
Cross currency swaps	(17,290)	(2,763)
Non-current	(13,122)	(2,763)
Current	(4,168)	–
	(17,290)	(2,763)

As part of the Group's strategy to hedge its exposure to fluctuation in Euros against S$ arising from its acquisitions in the Netherlands, the Group and Company has entered into various cross currency swap contracts with financial institutions. As at 31 December 2017, the total notional amount of such contracts amounted to EUR333,154,000 (2016: EUR73,898,000) with remaining tenors of approximately between 0.5 years to 5 years (2016: 1.5 years to 3 years). Under these contracts, the Group and Company would pay the fixed EUR denominated notional amount and receive fixed amounts of $335,672,000 and US$135,176,000 in aggregate (2016: S$110,520,000) on the maturity dates of the cross currency swaps.

9 Other investments

	Group	
	2017	**2016**
	$'000	**$'000**
Non-current		
Available-for-sale equity securities	23,380	–
Current		
Available-for-sale financial assets - structured deposits	38,863	–
	62,243	–

The available-for-sale equity securities relate to the Group's 85% equity interest (unquoted) in Dongguan East Sun Limited ("East Sun") as at 31 December 2017. 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 4.1% (2016: nil) per annum.

Information about the Group's exposure to credit and market risks, and fair value measurement, is included in note 28.

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:

Group	At 1 January 2016 $'000	Recognised in profit or loss (note 23) $'000	Translation differences on consolidation $'000	At 31 December 2016 $'000	Recognised in profit or loss (note 23) $'000	Translation differences on consolidation $'000	At 31 December 2017 $'000
Deferred tax assets							
Development properties	4,726	7,141	(223)	11,644	4,554	(225)	15,973
Property, plant and equipment	–	–	–	–	2,066	2	2,068
Receipts in advance	6,775	294	(277)	6,792	3,493	(128)	10,157
Trade and other receivables	–	–	–	–	1,420	2	1,422
Others	812	345	(32)	1,125	2,023	48	3,196
Total	12,313	7,780	(532)	19,561	13,556	(301)	32,816
Deferred tax liabilities							
Investment properties	(9,191)	896	372	(7,923)	(2,284)	(92)	(10,299)
Property, plant and equipment	(3,742)	2,992	153	(597)	585	12	–
Receipts in advance	(68)	30	3	(35)	34	1	–
Trade and other receivables	(3,907)	2,989	160	(758)	261	15	(482)
Total	(16,908)	6,907	688	(9,313)	(1,404)	(64)	(10,781)

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

	Group 2017 $'000	Group 2016 $'000
Deferred tax assets	25,905	16,694
Deferred tax liabilities	(3,870)	(6,446)

Unrecognised deferred tax liabilities

As at 31 December 2017, deferred tax liabilities of $16,377,000 (2016: $14,987,000) in respect of temporary differences of $296,011,000 (2016: $246,725,000) 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.

Unrecognised deferred tax assets

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

	Group 2017 $'000	Group 2016 $'000
Deductible temporary differences	–	13,137
Tax losses	16,879	15,900
	16,879	29,037

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 2017 $'000	Group 2016 $'000
Expiry date:		
- After 1 year but less than 5 years	–	10,794
- After 5 years	13,763	2,092
	13,763	12,886

11 Trade and other receivables

	Note	Group 2017 $'000	Group 2016 $'000	Company 2017 $'000	Company 2016 $'000
Trade receivables	(i)	137,790	171,158	–	–
Loans to associates (trade)	7	497,882	106,359	–	–
Amounts due from associates (non-trade)	7	42,895	96,463	–	–
Loans to third parties (non-trade)	(ii)	35,051	119,162	–	–
Advance to a third party	(iii)	–	9,387	–	–
Non-trade amounts due from subsidiaries	(iv)	–	–	940,662	439,357
Security deposits	(v)	218	7,255	–	–
Deferred consideration	(vi)	–	41,720	–	–
Other receivables	(vii)	4,060	7,582	904	359
		717,896	559,086	941,566	439,716
Prepayments	(viii)	12,093	15,729	39	33
		729,989	574,815	941,605	439,749
Non-current		284,455	185,938	370,608	209,912
Current		445,534	388,877	570,997	229,837
		729,989	574,815	941,605	439,749

(i) Included in trade receivables are entrusted loans to third parties of $119,568,000 (2016: $152,278,000) via entrusted banks in the PRC bearing interest (including penalty interest) ranging from 6.5% to 30.4% (2016: 17.0% to 30.4%) per annum. $95,022,000 (2016: $152,728,000) of these entrusted loans are secured. Refer to note 28 for more details.

(ii) The loans outstanding as at 31 December 2017 relate to unsecured interest-free loans which are repayable on demand. The unsecured loans outstanding from a local government authority in the PRC as at 31 December 2016 have been fully repaid in 2017 when due. These loans bore interest of 10.0% to 13.0% per annum.

(iii) This represents an unsecured advance granted to a PRC government linked entity ("PRC Entity"), bearing interest of 10.0% per annum which was fully repaid in 2017.

(iv) The non-trade amounts due from subsidiaries as at 31 December 2017 were unsecured and comprised the following:

- an amount of $657,637,000 bearing interest ranging from 1.3% to 2.3% per annum and due between 2018 to 2026; and
- an amount of $283,025,000 which is interest-free and repayable on demand.

The non-trade amounts due from subsidiaries as at 31 December 2016 were unsecured and comprised the following:

- an amount of $209,912,000 bearing interest ranging from 1.6% to 2.6% per annum which is due in 2018;

- an amount of $41,892,000 bearing interest ranging from 2.1% to 2.2% per annum which is due in 2017; and

- an amount of $187,553,000 which is interest-free and repayable on demand.

(v) The balance as at 31 December 2016 mainly consisted of deposits paid to a local PRC government authority in relation to the construction of civil air defence facilities for a project carried out by the Group. These deposits have been refunded to the Group in 2017.

(vi) The deferred consideration of $41,720,000 related to the dilution of interests in subsidiaries (note 26) and was fully received in 2017.

(vii) Included in the other receivables of the Group as at 31 December 2017 was interest receivable of $1,747,000 (2016: $5,803,000).

The Group's other receivables as at 31 December 2016 included investment return receivable of $2,379,000 from the PRC Entity.

(viii) Included in the prepayments of the Group as at 31 December 2017 was prepaid taxes of $11,450,000 (2016: $15,346,000).

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 28 for more details.

12 Development properties

		Group	
	Note	**2017**	**2016**
		$'000	**$'000**
Properties under development for sale		326,382	343,193
Completed properties for sale		65,309	60,006
		391,691	403,199
Allowance for foreseeable losses	22	(987)	–
		390,704	403,199

The movement in allowance for foreseeable losses in respect of development properties during the year is as follows:

	Group	
	2017	**2016**
	$'000	**$'000**
At 1 January	–	–
Allowance made	987	–
At 31 December	987	–
Net interest expense capitalised in properties under development during the year	314	2,108

Net interest has been capitalised at rates ranging from 0.9% to 2.3% (2016: 1.2% to 2.6%) per annum for development properties during the financial year ended 31 December 2017.

Included in development properties are staff costs capitalised of $2,105,000 (2016: $2,780,000) during the financial year ended 31 December 2017 (note 22).

During the financial year ended 31 December 2017, development properties recognised in cost of sales amounted to $208,675,000 (2016: $141,297,000).

Management assesses allowances for foreseeable losses on properties under development for sale 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 allowance for foreseeable losses is included in "other expenses".

13 Cash and cash equivalents

	Group		Company	
	2017	**2016**	**2017**	**2016**
	$'000	**$'000**	**$'000**	**$'000**
Fixed deposits	150	66,260	115	66,208
Cash at bank and in hand	319,148	214,307	4,412	33,688
Cash and cash equivalents in the statements of financial position	319,298	280,567	4,527	99,896
Less: Restricted cash	–	(263)		
Cash and cash equivalents in the consolidated statement of cash flows	319,298	280,304		

The balance as at 31 December 2017 included $40,295,000 (2016: $49,271,000) 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 2017 included $296,319,000 (2016: $173,427,000) 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.

14 Share capital

	Group and Company			
	2017		2016	
	Number of shares	US$'000	Number of shares	US$'000
Authorised share capital:				
At 1 January	2,000,000,000	2,000,000	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	2,000,000

	Group and Company			
	2017		2016	
	Number of shares	$'000	Number of shares	$'000
Ordinary shares issued and fully paid				
At 1 January	589,814,949	736,404	589,814,949	736,404
Capital reduction - transfer to distributable reserve (note 15)	–	(662,764)	–	–
At 31 December	589,814,949	73,640	589,814,949	736,404

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

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 15). 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.

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.

15 Reserves

	Group		Company	
	2017	2016	2017	2016
	$'000	$'000	$'000	$'000
Share premium	9,609	9,609	9,821	9,821
Statutory reserve	33,447	27,445	–	–
Capital reserve	225	225	(5,988)	(5,988)
Distributable reserve	662,764	–	662,764	–
Fair value reserve	(3,949)	–	–	–
Foreign currency translation reserve	36,950	53,923	–	–
Retained earnings	267,468	196,983	140,470	78,678
	1,006,514	288,185	807,067	82,511

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.

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 14).

Fair value reserve

The fair value reserve comprises 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.

Dividends

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

	Group and Company	
	2017	**2016**
	$'000	**$'000**
For the year ended 31 December		
Final tax-exempt (one-tier) ordinary dividend paid of 1.00 cent (2016: 1.00 cent) per ordinary share in respect of financial year ended 31 December 2016 (2016: 31 December 2015)	5,898	5,898
Interim tax-exempt (one-tier) ordinary dividend paid of 1.00 cent (2016: 1.00 cent) per ordinary share in respect of financial year ended 31 December 2017 (2016: 31 December 2016)	5,898	5,898
	11,796	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 and Company	
	2017	**2016**
	$'000	**$'000**
1.20 cents per qualifying ordinary share (2016: 1.00 cent)	7,078	5,898

16 Loans and borrowings

	Group		Company	
	2017	**2016**	**2017**	**2016**
	$'000	**$'000**	**$'000**	**$'000**
Non-current liabilities				
Secured bank loan	35,817	31,020	–	–
Unsecured bank loans	574,171	266,216	574,171	266,216
Unsecured notes	–	49,950	–	49,950
	609,988	347,186	574,171	316,166
Current liabilities				
Unsecured bank loans	–	9,452	–	9,452
Total loans and borrowings	609,988	356,638	574,171	325,618

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

Unsecured notes pertained to the issuance of $50.0 million fixed rate notes by the Company in 2015. The notes were issued pursuant to a $1.0 billion Multicurrency Debt Issuance Programme established in 2015. They bore a fixed interest of 4.0% per annum and were due in 2018. In 2017, the Company had fully redeemed the $50.0 million fixed rate notes at 101.0% of the principal amount of the notes.

Terms and debt repayment schedule

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

	Currency	Nominal interest rate %	Year of maturity	2017 Face value $'000	2017 Carrying amount $'000	2016 Face value $'000	2016 Carrying amount $'000
Group							
Bank loan (secured)	EUR	1.4	2022	35,888	35,817	31,104	31,020
Bank loans (unsecured)	EUR	1.1 – 1.8	2019 – 2020	216,077	210,591	220,264	216,221
Bank loans (unsecured)	US$	1.6	2019 – 2020	181,906	180,134	–	–
Bank loans (unsecured)	$	1.2 – 1.5	2019 – 2020	185,998	183,446	60,520	59,447
Notes (unsecured)	$	4.0	2018	–	–	50,000	49,950
				619,869	609,988	361,888	356,638
Company							
Bank loans (unsecured)	EUR	1.1 – 1.8	2019 – 2020	216,077	210,591	220,264	216,221
Bank loans (unsecured)	US$	1.6	2019 – 2020	181,906	180,134	–	–
Bank loans (unsecured)	$	1.2 – 1.5	2019 – 2020	185,998	183,446	60,520	59,447
Notes (unsecured)	$	4.0	2018	–	–	50,000	49,950
				583,981	574,171	330,784	325,618

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 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	2,829	50	–	–	2,879
Net proceeds from bank borrowings in operating cash flows (i)	277,924	–	–	–	277,924
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	632,236

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

(ii) During the financial year ended 31 December 2017, an amount due to associates of $39,167,000 was offset against an amount due from associates of $39,167,000.

17 Trade and other payables

	Note	Group 2017 $'000	Group 2016 $'000	Company 2017 $'000	Company 2016 $'000
Trade payables		106,851	122,206	–	–
Accruals		21,150	18,732	6,927	6,870
Value added tax, business tax and other taxes payable		6,772	5,541	–	–
Non-trade amounts due to:					
- former shareholders and affiliates of subsidiaries		1,748	1,716	–	–
- subsidiaries		–	–	120,120	79,997
- associates	7	12,437	39,167	–	–
Loan from a non-controlling interest		12,811	–	–	–
Other payables		17,135	8,892	1,092	645
		178,904	196,254	128,139	87,512

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

The loan from a non-controlling interest is unsecured, bears interest at 8.9% (2016: nil) per annum and is due in 2022.

	Group 2017 $'000	Group 2016 $'000	Company 2017 $'000	Company 2016 $'000
Non-current	12,811	–	–	–
Current	166,093	196,254	128,139	87,512
	178,904	196,254	128,139	87,512

18 Receipts in advance

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

19 Revenue

	Group 2017 $'000	Group 2016 $'000 (Restated)
Sale of properties	308,162	162,095
Rental income from investment properties	12,270	14,150
Interest income on:		
- entrusted loans to third parties	30,635	8,670
- loans to associates	17,093	9,336
- vendor financing arrangements	56	55
	47,784	18,061
Hotel operations	16,176	3,969
Others	–	776
	384,392	199,051

20 Other (losses)/gains (net)

Other (losses)/gains comprise:

	Note	Group 2017 $'000	Group 2016 $'000
Gain/(loss) on disposal of:			
- property held for sale		–	1,836
- property, plant and equipment (net)		6	(2)
- investment properties		(62)	(319)
Gain on dilution of interests in subsidiaries	26	–	97,322
Property, plant and equipment written off		–	(5)
Others		–	(497)
		(56)	98,335

21 Net finance income

	Group 2017 $'000	Group 2016 $'000 (Restated)
Finance income		
Interest income on:		
- bank deposits	1,271	121
- structured deposits	8,253	2,386
- loans to local government authority in the PRC	3,546	16,632
- cross currency swaps	4,012	2,128
	17,082	21,267
Less: Amount capitalised	–	(5)
	17,082	21,262

	Group 2017 $'000	Group 2016 $'000 (Restated)
Finance costs		
Amortisation of transaction costs	(2,879)	(3,494)
Interest expense on bank loans	(2,707)	(4,619)
Interest expense on cross currency swaps	(3,738)	(2,128)
	(9,324)	(10,241)
Less: Amount capitalised	314	2,113
	(9,010)	(8,128)
Net finance income	8,072	13,134

22 Profit before tax

Profit before tax includes the following:

	Note	Group 2017 $'000	Group 2016 $'000
Audit fees paid/payable to:			
- auditors of the Company		249	172
- other auditors		139	141
Non-audit fees paid/payable to:			
- auditors of the Company		96	44
- other auditors		–	10
Depreciation of property, plant and equipment	4	5,510	1,541
Direct operating expenses arising from rental of investment properties		1,627	997
Exchange gain (net)		(10,933)	(1,002)
Fair value (gain)/loss (net) on:			
- investment properties	5	(4,038)	9,478
- derivative assets/liabilities		14,177	(564)
Allowance for foreseeable losses on development properties	12	987	–
Impairment loss on:			
- investment properties	5	602	–
- property, plant and equipment	4	9,345	10,312
Hotel and hotspring base stocks written off		756	2,451
Hotel and hotspring pre-opening expenses		2,425	2,432
Net investment return from a PRC government linked entity		(403)	(1,765)
Operating lease expense		450	415
Staff costs		17,673	19,434
Trade receivables written off		13	–

	Note	Group 2017 $'000	Group 2016 $'000
Staff costs			
Wages and salaries		18,724	21,801
Contributions to defined contribution plans		1,672	1,456
Termination benefits		32	338
		20,428	23,595
Less: Amounts capitalised in			
- development properties	12	(2,105)	(2,780)
- property, plant and equipment	4	(650)	(1,381)
		17,673	19,434

23 Tax expense

	Group 2017 $'000	Group 2016 $'000
Current tax expense		
Current year	30,783	16,305
Under/(over) provision in respect of prior years	744	(17)
	31,527	16,288
Withholding tax	27	33
Land appreciation tax expense	8,538	1,839
	40,092	18,160
Deferred tax credit		
Origination and reversal of temporary differences	(12,152)	(14,687)
Total tax expense	27,940	3,473

Reconciliation of effective tax rate

	Group 2017 $'000	Group 2016 $'000
Profit for the year	93,293	114,916
Tax expense	27,940	3,473
Profit before tax	121,233	118,389
Tax calculated using tax rate of 25% (2016: 25%)	30,308	29,597
Effect of different tax rates in other jurisdictions	(648)	(1,410)
Effect of deferred tax assets not recognised	1,459	3,374
Expenses not deductible for tax purposes	1,563	781
Income not subject to tax	(7,588)	(27,038)
Recognition of previously unrecognised deferred tax assets	(3,417)	(156)
Land appreciation tax expense	8,538	1,839
Effect of tax deduction on land appreciation tax expense	(2,134)	(460)
Under/(over) provision in respect of prior years	744	(17)
Withholding tax	27	33
Effect of results of associates	(912)	(3,070)
	27,940	3,473

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

The Group's operations are mainly in the PRC and the Netherlands. Pursuant to the PRC and Dutch Corporate Income Tax Law, the statutory tax rates applicable to the Group's subsidiaries in the PRC and the Netherlands are 25% (2016: 25%).

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% (2016: 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.

24 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	
	2017	**2016**
	$'000	**$'000**
Profit attributable to ordinary shareholders	88,283	113,089

Weighted average number of ordinary shares

	Group	
	2017	**2016**
	'000	**'000**
Weighted average number of ordinary shares during the year	589,815	589,815

Diluted earnings per share

There were no dilutive potential ordinary shares in existence for the financial years ended 31 December 2017 and 2016.

25 Disposal of a subsidiary

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 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	–

26 Dilution of interests in subsidiaries

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

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

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

	Note	2016 $'000
Property, plant and equipment		17
Development properties		253,500
Trade and other receivables		1,005
Cash and cash equivalents		852
Trade and other payables		(57,011)
Identified net assets disposed		198,363
Total consideration		256,238
Portion of consideration for which payment is deferred	11	(41,720)
Transaction costs		(3,500)
Cash and cash disposed		(852)
Cash inflows from dilution of interests in subsidiaries		210,166
Effects of loans to associates arising from dilution of interests		(94,028)
Net cash inflows from dilution of interests in subsidiaries		116,138
Total consideration		256,238
Net identified assets on disposal		(198,363)
Transaction costs		(3,500)
Realisation of foreign currency translation reserve		3,618
Fair value of retained interests in associates		39,329
Gain on dilution of interests in subsidiaries	20	97,322

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

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

27 Operating segments

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

- Property development – development and/or purchase of properties for sale
- Property investment – development and/or purchase of investment properties (including hotels) for lease
- Property financing – provision of entrusted loans via entrustment banks, vendor financing arrangements, and loans to associates
- 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.

Information about reportable segments

2017	Property development $'000	Property investment $'000	Property financing $'000	Hotel operations $'000	Total reportable segments $'000	Unallocated $'000	Total $'000
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)

Information about reportable segments

	Property development $'000	Property investment $'000	Property financing $'000	Hotel operations $'000	Total reportable segments $'000	Unallocated $'000	Total $'000
2017							
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	(471,566)	(104,043)	(388,211)	(9,223)	(973,043)	(46,579)	(1,019,622)
Other segment information:							
Capital expenditure	54	42,391	–	11,610	54,055	109	54,164

Information about reportable segments

	Property development $'000	Property investment $'000	Property financing $'000	Hotel operations $'000	Total reportable segments $'000	Unallocated $'000	Total $'000
2016 (restated)							
Segment revenue	162,222	14,930	18,061	4,025	199,238	8,504	207,742
Elimination of inter-segment revenue	(127)	(4)	–	(56)	(187)	(8,504)	(8,691)
External revenue	162,095	14,926	18,061	3,969	199,051	–	199,051
Profit/(loss) from operating activities	108,308	3,562	12,407	(16,129)	108,148	(15,171)	92,977
Finance income	17,067	2,128	1,702	1	20,898	364	21,262
Finance costs	(79)	(7,074)	–	–	(7,153)	(975)	(8,128)
Share of after-tax profit of associates	9,334	2,944	–	–	12,278	–	12,278
Segment profit/(loss) before tax	134,630	1,560	14,109	(16,128)	134,171	(15,782)	118,389
Other material non-cash items:							
Depreciation	(254)	–	(1)	(1,150)	(1,405)	(136)	(1,541)
Impairment loss on property, plant and equipment	–	–	–	(10,312)	(10,312)	–	(10,312)
Fair value loss on investment properties (net)	–	(9,478)	–	–	(9,478)	–	(9,478)
Fair value gain on derivative liabilities (net)	–	564	–	–	564	–	564
Other items:							
Gain on dilution of interests in subsidiaries	97,322	–	–	–	97,322	–	97,322
Gain on disposal of asset held for sale	1,836	–	–	–	1,836	–	1,836
Hotel base stocks written off	–	–	–	(2,451)	(2,451)	–	(2,451)
Hotel pre-opening expenses	–	–	–	(2,432)	(2,432)	–	(2,432)

Information about reportable segments

	Property development $'000	Property investment $'000	Property financing $'000	Hotel operations $'000	Total reportable segments $'000	Unallocated $'000	Total $'000
2016 (restated)							
Assets							
Segment assets	727,480	378,038	368,010	238,787	1,712,315	28,774	1,741,089
Interests in associates	43,437	11,618	–	–	55,055	–	55,055
	770,917	389,656	368,010	238,787	1,767,370	28,774	1,796,144
Liabilities							
Segment liabilities	(388,960)	(175,082)	(146,188)	(9,317)	(719,547)	(46,900)	(766,447)
Other segment information:							
Capital expenditure	443	2,744	–	101,079	104,266	21	104,287

Geographical information

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

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

	2017 $'000	2016 $'000 (Restated)
Revenue		
PRC	354,343	175,830
The Netherlands	30,049	23,221
	384,392	199,051
Non-current assets*		
PRC	301,121	339,167
The Netherlands	269,803	180,631
Other countries	6,915	991
	577,839	520,789

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

28 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 two (2016: one) groups of borrowers that represented 41% (2016: 57%) of the trade receivables as at 31 December 2017 (see below).

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

Trade and other receivables

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

The Group assesses the credit risk in respect of its property development operations to be relatively low as payments are usually received from property buyers in advance. In respect of the credit risk arising from 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 entrusted 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.

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

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

Impairment losses

The ageing of trade receivables of the Group that were not impaired at the reporting date is:

	2017	**2016**
	$'000	**$'000**
Group		
Not past due	81,138	37,481
Past due 1 – 60 days	236	173
Past due 61 – 90 days	112	–
More than 90 days	56,304	133,504
	137,790	171,158

Out of the gross trade receivable balances past due more than 90 days, \$56,159,000 (RMB274.6 million) (2016: \$133,504,000 (RMB640.0 million)) relate to the entrusted loans, for which the borrowers defaulted on their interest payments. The Group had called for an event of default and accelerated the principal loan repayment date on these defaulted loans. The Group holds the first legal mortgage to the properties pledged as loan collateral, and has also successfully placed numerous first preservation orders on various properties and other assets owned by the personal and corporate guarantors of the loans. The Group had successfully enforced on part of the defaulted loans during the financial year ended 31 December 2017 which resulted in the partial settlement of outstanding loan receivables during the year and the recognition of penalty interest included as part of property financing revenue income in the profit or loss.

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

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

Cash and cash equivalents

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

Financial guarantees

As at 31 December 2017, the Group has issued guarantees to banks of up to \$321,315,000 (2016: \$246,812,000) 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.

The Group has contractual commitments to incur expenditure on its development properties, investment properties and property, plant and equipment (see note 29).

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					
2017					
Non-derivative financial liabilities					
Loans and borrowings	609,988	652,165	13,271	638,894	–
Trade and other payables	178,904	178,904	178,904	–	–
Recognised financial liabilities	788,892	831,069	192,175	638,894	–
Financial guarantees	–	321,315	321,315	–	–
	788,892	1,152,384	513,490	638,894	–
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	–
2016					
Non-derivative financial liabilities					
Loans and borrowings	356,638	362,368	10,007	321,120	31,241
Trade and other payables	196,254	196,254	196,254	–	–
Recognised financial liabilities	552,892	558,622	206,261	321,120	31,241
Financial guarantees	–	246,812	246,812	–	–
	552,892	805,434	453,073	321,120	31,241
Derivative financial instruments					
Cross currency swap (gross settled)	2,763				
- Outflow		(122,596)	(1,965)	(120,631)	–
- Inflow		119,775	3,640	116,135	–

	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					
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	–
2016					
Non-derivative financial liabilities					
Loans and borrowings	325,618	329,026	9,587	319,439	–
Trade and other payables	87,512	87,512	87,512	–	–
Recognised financial liabilities	413,130	416,538	97,099	319,439	–
Derivative financial instruments					
Cross currency swap (gross settled)	2,763				
- Outflow		(122,596)	(1,965)	(120,631)	–
- Inflow		119,775	3,640	116,135	–

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.

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**	
	2017 $'000	**2016 $'000**	**2017 $'000**	**2016 $'000**
Fixed rate instruments				
Financial assets	617,598	347,087	115	66,208
Financial liabilities	(380,716)	(110,520)	(367,904)	(110,520)
	236,882	236,567	(367,789)	(44,312)
Variable rate instruments				
Financial assets	357,948	320,628	662,049	243,599
Financial liabilities	(251,965)	(251,368)	(216,077)	(220,264)
	105,983	69,260	445,972	23,335

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 (2016: 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.

	Profit before tax	
	100 bps increase $'000	**100 bps decrease $'000**
Group		
31 December 2017		
Variable rate instruments	1,060	(1,060)
31 December 2016		
Variable rate instruments	693	(693)

	Profit before tax	
	100 bps increase $'000	100 bps decrease $'000
Company		
31 December 2017		
Variable rate instruments	4,460	(4,460)
31 December 2016		
Variable rate instruments	233	(233)

Foreign currency risk

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

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

	Euro $'000	Singapore dollar $'000	Renminbi $'000	US dollar $'000	Malaysian Ringgit $'000	Hong Kong dollar $'000
Group						
2017						
Cash and cash equivalents	3,589	44	210	94	–	21
Trade and other receivables	–	–	–	–	44	–
Trade and other payables	(26)	(7)	(142)	(26)	(1,696)	(8)
Intercompany balances	708,660	–	–	–	–	–
Loans and borrowings	(216,077)	–	–	(181,906)	–	–
Net statement of financial position exposure	496,146	37	68	(181,838)	(1,652)	13
Cross currency swaps	(532,280)	–	–	181,906	–	–
Net exposure	(36,134)	37	68	68	(1,652)	13
2016						
Cash and cash equivalents	12,435	44	213	130	–	40
Trade and other receivables	–	–	41,893	5	45	–
Trade and other payables	(402)	(7)	(45)	(6)	(1,672)	(47)
Intercompany balances	266,132	–	–	–	–	–
Loans and borrowings	(220,264)	–	–	–	–	–
Net statement of financial position exposure	57,901	37	42,061	129	(1,627)	(7)
Cross currency swaps	(112,122)	–	–	–	–	–
Net exposure	(54,221)	37	42,061	129	(1,627)	(7)

	Euro $'000	Renminbi $'000	US dollar $'000	Hong Kong dollar $'000
Company				
2017				
Cash and cash equivalents	3,589	79	48	3
Trade and other receivables	713,084	–	–	–
Trade and other payables	(4,450)	(50)	(170)	(1)
Loans and borrowings	(216,077)	–	(181,906)	–
Net statement of financial position exposure	496,146	29	(182,028)	2
Cross currency swaps	(532,280)	–	181,906	–
Net exposure	(36,134)	29	(122)	2
2016				
Cash and cash equivalents	12,435	80	20	5
Trade and other receivables	266,132	–	–	4
Trade and other payables	(402)	(58)	(30)	(6)
Loans and borrowings	(220,264)	–	–	–
Net statement of financial position exposure	57,901	22	(10)	3
Cross currency swaps	(112,122)	–	–	–
Net exposure	(54,221)	22	(10)	3

Sensitivity analysis

A 10% (2016: 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	
	2017 $'000	2016 $'000	2017 $'000	2016 $'000
Euro	(3,613)	(5,422)	(3,613)	(5,422)
Singapore dollar	4	4	–	–
Renminbi	7	4,206	3	2
US dollar	7	13	(12)	(1)
Malaysian Ringgit	(165)	(163)	–	–
Hong Kong dollar	1	(1)	–	–

Accounting classifications and fair values

Fair values versus carrying amounts

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

		Carrying amount					Fair value	
	Note	Loans and receivables $'000	Available-for-sale $'000	Other financial liabilities $'000	Financial liabilities 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	13	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		

	Note	Carrying amount: Loans and receivables $'000	Carrying amount: Available-for-sale $'000	Carrying amount: Other financial liabilities $'000	Carrying amount: Financial liabilities at fair value through profit or loss $'000	Carrying amount: Total $'000	Fair value: Level 2 $'000	Fair value: Level 3 $'000
Financial liabilities not measured at fair value								
Loans and borrowings	16	–	–	(609,988)	–	(609,988)		
Trade and other payables	17	–	–	(178,904)	–	(178,904)		
		–	–	(788,892)	–	(788,892)		
Financial liabilities measured at fair value								
Derivative liabilities	8	–	–	–	(17,290)	(17,290)	(17,290)	
2016								
Financial assets not measured at fair value								
Trade and other receivables, excluding prepayments	11	559,086	–	–	–	559,086	555,264	
Cash and cash equivalents	13	280,567	–	–	–	280,567		
		839,653	–	–	–	839,653		
Financial liabilities not measured at fair value								
Loans and borrowings	16	–	–	(356,638)	–	(356,638)		
Trade and other payables	17	–	–	(196,254)	–	(196,254)		
		–	–	(552,892)	–	(552,892)		
Financial liabilities measured at fair value								
Derivative liabilities	8	–	–	–	(2,763)	(2,763)	(2,763)	

	Note	Carrying amount: Loans and receivables $'000	Other financial liabilities $'000	Financial liabilities at fair value through profit or loss $'000	Total $'000	Fair value: Level 2 $'000
Company						
2017						
Financial assets not measured at fair value						
Trade and other receivables, excluding prepayments	11	941,566	–	–	941,566	
Cash and cash equivalents	13	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	16	–	(574,171)	–	(574,171)	
Trade and other payables	17	–	(128,139)	–	(128,139)	
		–	(702,310)	–	(702,310)	
Financial liabilities measured at fair value						
Derivative liabilities	8	–	–	(17,290)	(17,290)	(17,290)
2016						
Financial assets not measured at fair value						
Trade and other receivables, excluding prepayments	11	439,716	–	–	439,716	
Cash and cash equivalents	13	99,896	–	–	99,896	
		539,612	–	–	539,612	
Financial liabilities not measured at fair value						
Loans and borrowings	16	–	(325,618)	–	(325,618)	
Trade and other payables	17	–	(87,512)	–	(87,512)	
		–	(413,130)	–	(413,130)	
Financial liabilities measured at fair value						
Derivative liabilities	8	–	–	(2,763)	(2,763)	(2,763)

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			
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%	An increase in the discount rate would result in a lower fair value measurement.
Available-for-sale financial assets – Structured deposits	Market comparison technique - bank's price quotation	Not applicable	Not applicable
Group and Company			
Cross currency swaps	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

Level 3 fair values

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

	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, 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.

29 Commitments

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

(a) Capital commitments

	Group	
	2017	**2016**
	$'000	**$'000**
Contracted but not provided for in the financial statements:		
- Expenditure in respect of investment properties and development properties	68,187	55,349
- Expenditure in respect of property, plant and equipment	–	1,060
- Commitment in respect of an investment in a joint venture	1,678	–

(b) Operating lease commitments

Leases as lessee

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

	Group	
	2017	**2016**
	$'000	**$'000**
Within 1 year	958	390
After 1 year but within 5 years	2,804	674
After 5 years	1,058	–
	4,820	1,064

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	
	2017	**2016**
	$'000	**$'000**
Within 1 year	18,368	14,244
After 1 year but within 5 years	76,769	39,778
After 5 years	212,932	105,895
	308,069	159,917

30 Contingent liabilities

In 2013, the Group filed a lawsuit in the Sichuan Chengdu Municipal Intermediate People's Court (the "Court") against a contractor engaged for the installation of the external glass curtain wall of its commercial buildings within the Chengdu Cityspring project. The Group claimed for, amongst others, (i) a late completion penalty of $0.3 million (RMB1.6 million); and (ii) a refund of overpayment of $0.7 million (RMB3.4 million). The contractor made a counter-claim for, amongst others, late penalty payment of $2,045 (RMB10,000) per day starting from 30 April 2014 up to the date of payment and an additional payment of $3.6 million (RMB17.5 million). In November 2014, the Group made a further application to the Court to seek further claims for a refund of an overpayment to the contractor of an additional $1.9 million (RMB9.2 million) and to revoke the 17 project confirmation sheets signed by the Group and the contractor.

The Court issued a ruling in May 2016, which both the Group and the contractor appealed against. In October 2017, the Sichuan Provincial High Court issued a final ruling that the Group was liable to pay $2.1 million (RMB10.2 million) (excluding interest) to the contractor. The Group will be submitting an application for a re-trial of the case. The Group has cumulatively accrued for $16.0 million (RMB78.4 million) on the basis that it is an amount that is similar to the amount of the claim made by the contractor, of which $13.0 million (RMB63.6 million) had been paid to the contractor as at 31 December 2017.

31 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	
	2017	**2016**
	$'000	**$'000**
Associates		
Interest income received and receivable	17,093	9,336
Consultancy fees received and receivable	149	10
Service income received and receivable	157	776
Affiliated corporations		
Service income received and receivable	78	153
Information technology fees paid and payable	18	13
Licence fees, hotel management fees and reservation system fees paid and payable	56	66

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	
	2017	**2016**
	$'000	**$'000**
Directors' fees	298	208
Short-term employee benefits	5,729	11,029
Defined contribution plans	68	66
	6,095	11,303

32 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 2017 and 2016, no options have been granted under the Share Option Scheme.

33 Subsequent events

(i) On 7 December 2017, the Group, in partnership with its two key shareholders, City Developments Limited and Tai Tak Estates Sendirian Berhad entered into a sales and purchase agreement through a joint venture (the "Joint Venture") for the acquisition of Le Méridien Frankfurt Hotel in Germany.

The acquisition of the hotel was completed on 11 January 2018. The total consideration for this acquisition was $135.8 million (EUR 85.0 million) (the "LMF Consideration"). As at 31 December 2017, the Joint Venture had placed a deposit of $12.6 million (EUR7.9 million) with the seller, of which the Group's pro-rata share was $6.3 million (EUR4.0 million).

The Group's aggregate share of the LMF Consideration amounted to $28.0 million (EUR17.5 million) comprising its pro rata share of equity contribution of $8.0 million (EUR5.0 million) and pro-rata share of junior loans of $20.0 million (EUR12.5 million).

(ii) On 25 January 2018, the Group, together with four co-investors (collectively, the "Purchasers"), entered into a sale and purchase agreement to *inter alia*, acquire the entire equity interest of Hotelmaatschappij Rotterdam B.V. (subsequently renamed to FSMCR Hilton Rotterdam B.V. ("FSMCR")). FSMCR owns the Hilton Rotterdam hotel, a five-star hotel in Rotterdam, the Netherlands, which was valued at $81.5 million (EUR 51.0 million) for the purpose of the acquisition.

The acquisition was completed on 31 January 2018 with the Group owning 24.7% equity interest in FSMCR. The Group has since leased the hotel from FSMCR on a long term basis and acquired the business operations of the hotel with effect from 31 January 2018.

34 Comparative information

Certain comparative information in the financial statements have been adjusted as described below:

The Group has financially supported the expansion plan of its associate, FSMC, via interest bearing loans disbursed pursuant to the acquisition of Queens Bilderberg (Nederland) B.V. ("QBN") in August 2017. Arising from a business review, the Group is of the view that it is more appropriate to classify interest income from loans extended to its Dutch associates as part of its property financing income given that such income would be earned on a recurrent basis. The associated financing costs for such loans are also reclassified to cost of sales. In addition, interest income from counterparties in respect of the cross currency swaps taken up to hedge the Group's investments in its subsidiaries previously offset against the corresponding interest costs incurred on bank borrowings, has been reclassified to finance income. Accordingly, the comparatives have been restated to conform to such presentation.

The effects of the restatement on the Group's financial statements are set out below.

	As previously reported $'000	Adjustments $'000	As restated $'000
31 December 2016			
Group			
Consolidated statement of profit or loss			
Revenue	189,715	9,336	199,051
Cost of sales	(145,065)	(2,235)	(147,300)
Finance income	28,470	(7,208)	21,262
Finance costs	(8,235)	107	(8,128)
Consolidated statement of cash flows			
Cash flows from operating activities			
- Finance income	(28,470)	7,208	(21,262)
- Finance costs	8,235	(107)	8,128
- Changes in trade and other receivables	40,673	74,558	115,231
- Changes in trade and other payables	52,859	(11,395)	41,464
- Changes in loans and borrowings	–	(49,976)	(49,976)
- Interest received	4,793	13,268	18,061
- Interest paid	–	(2,235)	(2,235)
Cash flows from investing activities			
- Interest received	31,113	(11,140)	19,973
- Loans to associates	(13,630)	13,630	–
- Repayment of loans by an associate	83,894	(83,894)	–
Cash flows from financing activities			
- Interest paid	(4,880)	107	(4,773)
- Proceeds from bank borrowings	669,716	(380,719)	288,997
- Repayment of bank borrowings	(782,609)	430,695	(351,914)

35 Adoption of new standards

A number of new standards are effective for annual periods beginning after 1 January 2017 and earlier application is permitted; however, the Group has not early adopted the new or amended standards in preparing these financial statements.

Applicable to financial statements for the year 2018

(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 also introduces new cost guidance which requires certain costs of obtaining and fulfilling contracts to be recognised as separate assets when specified criteria are met.

The Group plans to use the practical expedients for completed contracts. This means that completed contracts that began and ended in the same comparative reporting period, as well as completed contracts at the beginning of the earliest period presented, are not restated.

The expected impact upon the adoption of IFRS 15 is described below.

(i) Sale of properties

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

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

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

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

During 2017, the Group has substantially completed its assessment of the impact on these financial statements. Based on its assessment, the impact is not expected to be material therefore no restatement is expected to be required upon adoption of IFRS 15.

(ii) Hotel income

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

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

(b) IFRS 9 Financial Instruments

IFRS 9 contains new requirements for classification and measurement of financial instruments, a new expected credit loss model for calculating impairment of financial assets, and new general hedge accounting requirements.

Changes in accounting policies resulting from the adoption of IFRS 9 will generally be applied by the Group retrospectively.

The expected impact on adoption of IFRS 9 is described below. The information below reflects the Group’s expectation of the implications arising from changes in the accounting treatment, however, the actual tax effect may change when the transition adjustments are finalised.

(i) Classification and measurement

Loans and receivables currently accounted for at amortised cost will continue to be accounted for using amortised cost model under IFRS 9.

For financial assets currently designated as available-for-sale financial assets, the Group expect to measure these assets at fair value through profit or loss under IFRS 9.

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

(ii) Impairment

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

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

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

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

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

The Group plans to apply the simplified approach and record lifetime ECL on all trade receivables. On adoption of IFRS 9, the Group does not expect a significant increase to its impairment loss allowance.

Applicable to financial statements for the year 2019 and thereafter

The following new IFRSs, amendments to and interpretations of IFRSs are effective for annual periods beginning after 1 January 2018:

Applicable to 2019 financial statements

- IFRS 16 *Leases*
- IFRIC 23 *Uncertainty over Income Tax Treatments*
- Long-term Interests in Associates and Joint Ventures (Amendments to IAS 28)

Applicable to 2021 financial statements

- IFRS 17 *Insurance Contracts*

Mandatory effective date deferred

- *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture* (Amendments to IFRS 10 and IAS 28)

The Group is still in the process of assessing the impact of the new IFRSs, amendments to and interpretations of IFRSs on the financial statements. The Group's preliminary assessment of IFRS 16, which is expected to have a more significant impact on the Group, is as described below. The Group also preliminarily assessed that IFRS 17 is not relevant to the Group as the Group does not issue insurance contracts nor account for financial guarantee contracts as insurance contracts.

IFRS 16

IFRS 16 replaces existing lease accounting guidance. IFRS 16 is effective for annual periods beginning on or after 1 January 2019, with early adoption permitted if IFRS 15 is also applied. IFRS 16 eliminates the lessee's classification of leases as either operating leases or finance leases and introduces a single lessee accounting model. Applying the new model, a lessee is required to recognise right-of-use ("ROU") assets and lease liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value.

The Group plans to adopt the standard when it becomes effective in 2019 and expects to apply the standard using the modified retrospective approach. The Group also expects the ROU assets recognised at the date of initial application to be equal to their lease liabilities.

The Group is likely to elect the practical expedient approach of not to reassess whether a contract contains a lease at the date of initial application, 1 January 2019. Accordingly, existing lease contracts that are still effective on 1 January 2019 continue to be accounted for as lease contracts under IFRS 16. The Group has performed a preliminary assessment of the impact on its financial statements based on its existing operating lease arrangements (refer to note 29).

Until 2018, the approximate financial impact of the standard is unknown due to factors that impact calculation of lease liabilities such as discount rate, expected term of leases including renewal options and exemptions for short-term leases. The Group will continue to assess its portfolio of leases to calculate the impending impact of transition to the new standard.

The Group as lessee

The Group expects its existing operating lease arrangements to be recognised as ROU assets with corresponding lease liabilities under IFRS 16. The operating lease commitments on an undiscounted basis amount to approximately 0.2% of the consolidated total assets and approximately 0.5% of consolidated total liabilities. Under the new standard, remaining lease payments of the operating leases will be recognised at their present value discounted using appropriate discount rates. In addition, the nature of expenses related to those leases will now change as IFRS 16 replaces the straight-line operating lease expense with depreciation charge of ROU assets and interest expense on lease liabilities.

The Group as lessor

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