



# FIRST SPONSOR GROUP LIMITED

(Incorporated in the Cayman Islands)

(Registration No. AT-195714)

## UNAUDITED FIRST QUARTER FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2019

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

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

	The Group Three months ended 31 March		Incr / (Decr) %
	2019 S\$'000	2018 S\$'000	
Revenue	45,340	47,804	(5.2)
Cost of sales	(12,978)	(17,148)	(24.3)
<b>Gross profit</b>	<b>32,362</b>	<b>30,656</b>	<b>5.6</b>
Administrative expenses	(9,393)	(6,048)	55.3
Selling expenses	(1,572)	(1,492)	5.4
Other income (net)	2,858	403	609.2
Other gains	3,063	-	n.m.
<b>Results from operating activities</b>	<b>27,318</b>	<b>23,519</b>	<b>16.2</b>
Finance income	3,713	3,895	(4.7)
Finance costs	(3,978)	(2,153)	84.8
<b>Net finance (costs)/income</b>	<b>(265)</b>	<b>1,742</b>	<b>n.m.</b>
Share of after-tax results of associates and joint ventures	5,020	(3,367)	n.m.
<b>Profit before tax</b>	<b>32,073</b>	<b>21,894</b>	<b>46.5</b>
Tax expense	(8,150)	(4,658)	75.0
<b>Profit for the period</b>	<b>23,923</b>	<b>17,236</b>	<b>38.8</b>
<b>Attributable to:</b>			
Equity holders of the Company	23,804	17,122	39.0
Non-controlling interests	119	114	4.4
<b>Profit for the period</b>	<b>23,923</b>	<b>17,236</b>	<b>38.8</b>
<b>Earnings per share (cents)</b>			
- Basic	3.43	2.64	29.9
- Diluted	2.99	2.64	13.3

n.m. not meaningful

## Consolidated Statement of Comprehensive Income

	<b>The Group</b>	
	<b>Three months ended</b>	
	<b>31 March</b>	
	<b>2019</b>	<b>2018</b>
	<b>S\$'000</b>	<b>S\$'000</b>
<b>Profit for the period</b>	23,923	17,236
<b>Other comprehensive income</b>		
<b>Items that are or may be reclassified subsequently to profit or loss:</b>		
Share of translation differences on financial statements of foreign associates and joint ventures, net of tax	(18)	424
Translation differences on financial statements of foreign subsidiaries, net of tax	7,878	13,945
Translation differences on monetary items forming part of net investment in foreign subsidiaries, net of tax	385	720
<b>Total other comprehensive income for the period, net of tax</b>	8,245	15,089
<b>Total comprehensive income for the period</b>	<u>32,168</u>	<u>32,325</u>
<b>Total comprehensive income attributable to:</b>		
Equity holders of the Company	32,314	32,123
Non-controlling interests	(146)	202
<b>Total comprehensive income for the period</b>	<u>32,168</u>	<u>32,325</u>

### Notes to the Group's Income Statement:

Profit before tax includes the following:

	<b>The Group</b>	
	<b>Three months ended</b>	
	<b>31 March</b>	
	<b>2019</b>	<b>2018</b>
	<b>S\$'000</b>	<b>S\$'000</b>
Other gains comprise:		
Gain on disposal of assets held-for-sale	3,063	-
Profit before tax includes the following (expenses)/income:		
Depreciation of property, plant and equipment	(1,267)	(2,257)
Depreciation of right-of-use ("ROU") assets	(892)	-
Exchange (loss)/gain (net)	(11,691)	10,402
Fair value gain/(loss) on derivative assets/liabilities (net)	15,464	(9,285)
Fair value gain on other investments	336	-
Hotel pre-opening expenses	140	-

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

	The Group		The Company	
	As at 31 March 2019 S\$'000	As at 31 December 2018 S\$'000	As at 31 March 2019 S\$'000	As at 31 December 2018 S\$'000
<b>Non-current assets</b>				
Property, plant and equipment	258,874	170,435	284	306
Investment properties	201,194	259,135	-	-
Subsidiaries	-	-	774,562	720,981
Interests in associates and joint ventures	85,158	80,817	9,669	9,669
Derivative assets	32,099	19,385	32,099	19,385
Other investments	78,855	78,131	-	-
Deferred tax assets	32,963	33,387	-	-
Right-of-use assets	77,340	-	255	-
Trade and other receivables	768,410	660,948	811,778	779,204
	<u>1,534,893</u>	<u>1,302,238</u>	<u>1,628,647</u>	<u>1,529,545</u>
<b>Current assets</b>				
Development properties	366,020	356,890	-	-
Inventories	456	215	-	-
Trade and other receivables	354,117	505,887	456,958	389,902
Assets held-for-sale	87,992	51,610	-	-
Other investments	219,702	39,262	-	-
Cash and cash equivalents	106,502	125,711	22,714	18,139
	<u>1,134,789</u>	<u>1,079,575</u>	<u>479,672</u>	<u>408,041</u>
<b>Total assets</b>	<u>2,669,682</u>	<u>2,381,813</u>	<u>2,108,319</u>	<u>1,937,586</u>
<b>Equity</b>				
Share capital	82,048	81,405	82,048	81,405
Reserves	1,104,014	1,069,091	886,833	868,766
<b>Equity attributable to owners of the Company</b>	<u>1,186,062</u>	<u>1,150,496</u>	<u>968,881</u>	<u>950,171</u>
<b>Perpetual convertible capital securities</b>	156,068	161,285	156,068	161,285
<b>Non-controlling interests</b>	13,111	11,713	-	-
<b>Total equity</b>	<u>1,355,241</u>	<u>1,323,494</u>	<u>1,124,949</u>	<u>1,111,456</u>
<b>Non-current liabilities</b>				
Loans and borrowings	731,949	641,390	696,115	604,732
Derivative liabilities	2,631	5,564	2,631	5,564
Other payables	14,575	12,527	-	-
Lease liabilities	77,303	-	84	-
Deferred tax liabilities	8,651	8,638	-	-
	<u>835,109</u>	<u>668,119</u>	<u>698,830</u>	<u>610,296</u>

	The Group		The Company	
	As at 31 March 2019 S\$'000	As at 31 December 2018 S\$'000	As at 31 March 2019 S\$'000	As at 31 December 2018 S\$'000
<b>Current liabilities</b>				
Loans and borrowings	63,623	45,338	63,623	45,338
Current tax payable	40,921	36,994	966	30
Trade and other payables	209,037	138,381	219,592	170,466
Contract liabilities	161,196	161,279	-	-
Receipts in advance	2,038	8,208	-	-
Lease liabilities	2,189	-	176	-
Liabilities held-for-sale	145	-	-	-
Derivative liabilities	183	-	183	-
	<u>479,332</u>	<u>390,200</u>	<u>284,540</u>	<u>215,834</u>
<b>Total liabilities</b>	<u>1,314,441</u>	<u>1,058,319</u>	<u>983,370</u>	<u>826,130</u>
<b>Total equity and liabilities</b>	<u>2,669,682</u>	<u>2,381,813</u>	<u>2,108,319</u>	<u>1,937,586</u>

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

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

	The Group	
	As at 31 March 2019 S\$'000	As at 31 December 2018 S\$'000
<b>Unsecured</b>		
- repayable within one year	63,623	45,338
- repayable after one year	696,115	604,732
Total	<u>759,738</u>	<u>650,070</u>
<b>Secured</b>		
- repayable within one year	-	-
- repayable after one year	35,834	36,658
Total	<u>35,834</u>	<u>36,658</u>
<b>Grand total</b>	<u>795,572</u>	<u>686,728</u>
Gross borrowings	804,327	695,719
Less:		
(i) cash and cash equivalents	(106,502)	(125,711)
(ii) other investments (current) <sup>Note 1</sup>	(219,702)	(39,262)
Net borrowings	<u>478,123</u>	<u>530,746</u>

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

**Details of any collateral**

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

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

	Three months ended 31 March	
	2019 S\$'000	2018 S\$'000
<b>Cash flows from operating activities</b>		
Profit for the period	23,923	17,236
Adjustments for:		
Depreciation of property, plant and equipment	1,267	2,257
Depreciation of ROU assets	892	-
Fair value loss/(gain) on:		
- Derivative assets/liabilities (net)	(15,464)	9,285
- Other investments	(336)	-
Finance costs	3,978	2,153
Finance income	(3,713)	(3,895)
Gain on disposal of assets held-for-sale	(3,063)	-
Share of after-tax results of associates and joint ventures	(5,020)	3,367
Tax expense	8,150	4,658
	10,614	35,061
Changes in:		
- Development properties	(11,814)	(9,545)
- Inventories	7	(129)
- Trade and other receivables	100,426	(191,676)
- Trade and other payables	(39,385)	(27,046)
- Contract liabilities	(1,531)	16,823
- Loans and borrowings	40,480	165,358
	98,797	(11,154)
<b>Cash generated from/(used in) operations</b>	98,797	(11,154)
Interest received	22,233	11,353
Interest paid	(4,296)	(3,292)
Tax paid	(1,438)	(6,748)
	115,296	(9,841)
<b>Net cash from/(used in) operating activities</b>	115,296	(9,841)
<b>Cash flows from investing activities</b>		
Acquisition of subsidiaries, net of cash acquired	(69,384)	-
Advances from associates	-	21,080
Interest received	1,181	3,385
Dividend received from a joint venture	164	-
Deposits received in respect of disposal of assets held-for-sale	2,397	-
Deposits placed for acquisition of subsidiaries	(30,105)	-
Payment for acquisition of other investments	(152)	-
Payment for additions to:		
- investment properties	(5,009)	(514)
- property, plant and equipment	(16,227)	(11)
Payment for investments in associates and joint ventures	-	(20,097)
Placement of other investments	(179,727)	(218,130)
Proceeds from disposal of assets held-for-sale	27,007	-
Repayment of loans by an associate	273	-
	(269,582)	(214,287)
<b>Net cash used in investing activities</b>	(269,582)	(214,287)

	<b>Three months ended</b>	
	<b>31 March</b>	
	<b>2019</b>	<b>2018</b>
	<b>S\$'000</b>	<b>S\$'000</b>
<b>Cash flows from financing activities</b>		
Interest paid	(805)	(680)
Payment of transaction costs related to borrowings	(900)	(2,217)
Payment of lease liabilities	(1,524)	-
Proceeds from bank borrowings	151,720	12,001
Repayment of bank borrowings	(73,628)	(4,464)
Advances from associates	57,312	-
<b>Net cash from financing activities</b>	<b>132,175</b>	<b>4,640</b>
<b>Net decrease in cash and cash equivalents</b>	<b>(22,111)</b>	<b>(219,488)</b>
Cash and cash equivalents at beginning of the period	125,711	319,298
Effect of exchange rate changes on balances held in foreign currencies	2,902	5,464
<b>Cash and cash equivalents at end of the period</b>	<b>106,502</b>	<b>105,274</b>

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

	Share capital S\$'000	Share premium S\$'000	Statutory reserve S\$'000	Capital reserve S\$'000	Distributable reserve S\$'000	Foreign currency translation reserve S\$'000	Retained earnings S\$'000	Total attributable to equity holders of the Company S\$'000	Perpetual convertible capital securities S\$'000	Non-controlling interests S\$'000	Total equity S\$'000
<b>Group</b>											
At 1 January 2019, as previously stated	81,405	9,821	36,607	245	655,029	12,854	354,535	1,150,496	161,285	11,713	1,323,494
Adjustment on initial recognition of IFRS 16	-	-	-	-	-	-	(1,965)	(1,965)	-	-	(1,965)
Adjusted balance at 1 January 2019	81,405	9,821	36,607	245	655,029	12,854	352,570	1,148,531	161,285	11,713	1,321,529
<b>Total comprehensive income for the period</b>											
Profit for the period	-	-	-	-	-	-	23,804	23,804	-	119	23,923
<b>Other comprehensive income</b>											
Share of translation differences on financial statements of foreign associates and joint ventures, net of tax	-	-	-	-	-	(18)	-	(18)	-	-	(18)
Translation differences on financial statements of foreign subsidiaries, net of tax	-	-	-	-	-	8,143	-	8,143	-	(265)	7,878
Translation differences on monetary items forming part of net investment in foreign subsidiaries, net of tax	-	-	-	-	-	385	-	385	-	-	385
<b>Total other comprehensive income</b>	-	-	-	-	-	8,510	-	8,510	-	(265)	8,245
<b>Total comprehensive income for the period</b>	-	-	-	-	-	8,510	23,804	32,314	-	(146)	32,168

	Share capital S\$'000	Share premium S\$'000	Statutory reserve S\$'000	Capital reserve S\$'000	Distributable reserve S\$'000	Foreign currency translation reserve S\$'000	Retained earnings S\$'000	Total attributable to equity holders of the Company S\$'000	Perpetual convertible capital securities S\$'000	Non-controlling interests S\$'000	Total equity S\$'000
<b>Transaction with owners, recognised directly in equity</b>											
<b>Contributions by and distributions to owners</b>											
Issuance of new shares pursuant to conversion of perpetual convertible capital securities ("PCCS")	643	4,574	-	-	-	-	-	5,217	(5,217)	-	-
<b>Total contributions by and distributions to owners</b>	643	4,574	-	-	-	-	-	5,217	(5,217)	-	-
<b>Changes in ownership interests in subsidiaries</b>											
Acquisition of subsidiaries with non-controlling interests	-	-	-	-	-	-	-	-	-	1,544	1,544
<b>Total changes in ownership interests in subsidiaries</b>	-	-	-	-	-	-	-	-	-	1,544	1,544
<b>Total transactions with owners</b>	643	4,574	-	-	-	-	-	5,217	(5,217)	1,544	1,544
<b>At 31 March 2019</b>	<b>82,048</b>	<b>14,395</b>	<b>36,607</b>	<b>245</b>	<b>655,029</b>	<b>21,364</b>	<b>376,374</b>	<b>1,186,062</b>	<b>156,068</b>	<b>13,111</b>	<b>1,355,241</b>



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

	Share capital S\$'000	Share premium S\$'000	Capital reserve S\$'000	Distributable reserve S\$'000	Retained earnings S\$'000	Total attributable to equity holders of the Company S\$'000	Perpetual convertible capital securities S\$'000	Total equity S\$'000
<b>The Company</b>								
At 1 January 2019, as previously stated	81,405	10,033	(5,988)	655,029	209,692	950,171	161,285	1,111,456
Adjustment on initial recognition of IFRS 16	-	-	-	-	(9)	(9)	-	(9)
Adjusted balance at 1 January 2019	81,405	10,033	(5,988)	655,029	209,683	950,162	-	1,111,447
<b>Total comprehensive income for the period</b>								
Profit for the period	-	-	-	-	13,502	13,502	-	13,502
<b>Total comprehensive income for the period</b>	-	-	-	-	13,502	13,502	-	13,502
<b>Transaction with owners, recognised directly in equity</b>								
<b>Contribution by and distributions to owners</b>								
Issuance of new shares pursuant to conversion of PCCS	643	4,574	-	-	-	5,217	(5,217)	-
<b>Total contributions by and distributions to owners</b>	643	4,574	-	-	-	5,217	(5,217)	-
<b>Total transactions with owners of the Company</b>	643	4,574	-	-	-	5,217	(5,217)	-
<b>At 31 March 2019</b>	<b>82,048</b>	<b>14,607</b>	<b>(5,988)</b>	<b>655,029</b>	<b>223,185</b>	<b>968,881</b>	<b>156,068</b>	<b>1,124,949</b>
At 1 January 2018	73,640	9,821	(5,988)	662,764	140,470	880,707	-	880,707
<b>Total comprehensive income for the period</b>								
Profit for the period	-	-	-	-	14,858	14,858	-	14,858
<b>Total comprehensive income for the period</b>	-	-	-	-	14,858	14,858	-	14,858
<b>At 31 March 2018</b>	<b>73,640</b>	<b>9,821</b>	<b>(5,988)</b>	<b>662,764</b>	<b>155,328</b>	<b>895,565</b>	<b>-</b>	<b>895,565</b>

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

	Number of Shares	Share Capital (S\$'000)
Balance at 1 January 2019	649,015,668	81,405
Issuance of new shares pursuant to conversion of PCCS during the period	4,764,376	643
Balance at 31 March 2019	653,780,044	82,048

The total number of issued ordinary shares (excluding treasury shares) as at 31 March 2019 and 31 March 2018 was 653,780,044 and 589,814,949 respectively.

As at 31 March 2019, 142,469,674 PCCS (31 March 2018: Nil) were outstanding. Each PCCS shall entitle the PCCS holder to convert such PCCS into one new ordinary share of the Company, subject to adjustments under certain conditions.

The Company did not hold any treasury shares as at 31 March 2019 and 31 March 2018.

As at 31 March 2019, a subsidiary of the Company held 307,682 shares (31 March 2018: Nil), representing 0.05% of the Company's total number of issued ordinary shares.

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

The total number of issued ordinary shares (excluding treasury shares) as at 31 March 2019 and 31 December 2018 was 653,780,044 and 649,015,668 respectively.

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

There were no sales, transfers, disposal, cancellation and/or use of treasury shares during the three months ended 31 March 2019.

**1(d)(v) A statement showing all sales, transfers, cancellation and/or use of subsidiary holdings as at the end of the current financial period reported on.**

There were no sales, transfers, disposal, cancellation and/or use of subsidiary holdings during the three months ended 31 March 2019.

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

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

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

Not applicable.

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

Except as disclosed in Note 5 below, the Group has applied the same accounting policies and methods of computation in the financial statements for the current reporting period as that of the audited financial statements for the financial year ended 31 December 2018.

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

The Group adopted various new standards, amendments to standards and interpretations that are effective for the financial period beginning on 1 January 2019.

#### **IFRS 16 Leases**

In particular, the Group is required to adopt IFRS 16 *Leases* from 1 January 2019. The Group has assessed the impact that initial application of IFRS 16 will have on its consolidated financial statements.

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

For leases which the Group is a lessee, the Group is required to recognise new assets and liabilities for its portfolio of operating leases. The nature of expenses related to those leases has changed because the Group will recognise a depreciation charge for ROU assets and interest expense on lease liabilities.

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

The Group has recognised ROU assets of S\$78,293,000 and lease liabilities of \$80,258,000, with a corresponding decrease in retained earnings of \$1,965,000 as at 1 January 2019.

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

	Three months ended 31 March	
	2019	2018
Earnings per share (cents)		
- basic	3.43	2.64
- diluted	2.99	2.64
Profit attributable to ordinary shareholders (S\$'000)	22,266	17,122
Profit attributable to ordinary shareholders and PCCS holders (S\$'000)	23,804	17,122
Weighted average number of ordinary shares in issue:		
- basic	649,487,766 <sup>1</sup>	648,795,981 <sup>2</sup>
- diluted	795,942,036 <sup>1</sup>	648,795,981 <sup>2</sup>

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

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

	The Group		The Company	
	As at 31 March 2019	As at 31 December 2018	As at 31 March 2019	As at 31 December 2018
Net asset value per ordinary share (cents)	205.38	202.21	172.07	171.25
Number of issued ordinary shares (excluding treasury shares)	653,472,362 <sup>1</sup>	648,707,986 <sup>1</sup>	653,780,044	649,015,668

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

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

<sup>1</sup> Excludes 307,682 shares in the Company held by a subsidiary since August 2018 which are accounted for as treasury shares in the consolidated financial statements of the Group in accordance with IAS 32 *Financial Instruments: Presentation*.

<sup>2</sup> For comparative purposes, the number of ordinary shares as at and for the period ended 31 March 2018 was adjusted to include the effect of the issue of one bonus share for every ten (10) existing ordinary shares in April 2018.

## **Group performance**

### **Revenue and cost of sales**

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

	<b>Three months ended</b>	
	<b>31 March</b>	
	<b>2019</b>	<b>2018</b>
	<b>S\$'000</b>	<b>S\$'000</b>
Revenue from sale of properties	8,782	13,930
Rental income from investment properties	3,050	3,619
Revenue from hotel operations	10,001	9,182
Revenue from property financing	23,507	21,073
Total	<u>45,340</u>	<u>47,804</u>

Revenue of the Group decreased by S\$2.5 million or 5.2%, from S\$47.8 million in 1Q 2018 to S\$45.3 million in 1Q 2019. This decrease was due to the decrease in revenue from sale of properties by S\$5.1 million and rental income from investment properties of S\$0.6 million. The decrease was offset by the increase in revenue from property financing and hotel operations of S\$2.4 million and S\$0.8 million respectively.

Revenue from sale of properties decreased by S\$5.1 million or 37.0% to S\$8.8 million 1Q 2019 due mainly to the recognition of revenue from fewer units in the Millennium Waterfront project (1Q 2019: 1 residential unit, 10 commercial units and 180 car park lots; 1Q 2018: 62 residential units, 2 commercial units and 150 car park lots).

Rental income from investment properties decreased by S\$0.6 million or 15.0% to S\$3.0 million in 1Q 2019. The decrease was due mainly to the absence of a one-off service income of S\$0.4 million charged in 1Q 2018 by the Group to its 50%-held joint venture which owns the leased Le Meridien Frankfurt Hotel.

Revenue from hotel operations increased marginally by S\$0.8 million or 8.9% to reach S\$10.0 million in 1Q 2019. The increase was due mainly to the full quarter's contribution from the Hilton Rotterdam Hotel leased by the Group since February 2018, partially offset by the absence of contribution from M Hotel Chengdu which ceased operations in July 2018.

Revenue from property financing increased by S\$2.4 million or 11.6% to S\$23.5 million in 1Q 2019. On the back of a record RMB2.8 billion PRC property financing loan book at the end of the last financial year, the higher average secured PRC loan portfolio for the current quarter contributed to an increase in interest income of S\$9.6 million, a more than eight-fold growth over 1Q 2018. This has been partially offset by the absence of net penalty interest income from the successful enforcement action on the defaulted PRC loans under Case 2 which contributed S\$7.7 million to property financing revenue in 1Q 2018.

Cost of sales mainly comprises land costs, development expenditure and cost adjustments (if any), borrowing costs, hotel-related depreciation charge, ROU depreciation charge and other related expenditure. Cost of sales decreased by S\$3.3 million or 19.3%, from S\$17.1 million in 1Q 2018 to S\$13.8 million in 1Q 2019. The decrease in revenue recognised from the sale of properties had led to a decrease in related cost of sales of S\$3.9 million. The decrease was partially offset by the lower cost of sales incurred in respect of the hotel operations of S\$0.7 million.

The Group's gross profit increased marginally from S\$30.7 million in 1Q 2018 to S\$32.4 million in 1Q 2019. Overall gross profit margin increased from 64.1% in 1Q 2018 to 71.4% in 1Q 2019, due to increased contribution from the higher yielding property financing segment.

### **Administrative expenses**

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

Administrative expenses increased by S\$3.4 million or 55.3%, from S\$6.0 million in 1Q 2018 to S\$9.4 million in 1Q 2019. The increase was due mainly to the higher staff costs and professional fees (including estimated acquisition costs of S\$1.6 million in relation to the acquisition of the Westin Bellevue Dresden Hotel) incurred during the current period.

### **Other income (net)**

In 1Q 2019, the Group recorded other income of S\$2.9 million which comprised mainly net fair value gain on derivatives of S\$15.5 million, partially offset by net foreign exchange loss of S\$11.7 million and bank charges of S\$0.5 million.

In 1Q 2018, the Group recorded other income of S\$0.4 million which comprised mainly net foreign exchange gain of S\$10.4 million, partially offset by net fair value loss on derivatives, hotel management fees and maintenance expenses of S\$9.3 million, S\$0.3 million and S\$0.3 million respectively.

### **Other gains (net)**

Other gains of S\$3.1 million recorded in 1Q 2019 relates to the gain on disposal of certain commercial spaces of the Chengdu Cityspring project, which were classified as assets held-for-sale since 2Q 2018.

### **Net finance (costs)/income**

Net finance costs for 1Q 2019 comprises S\$0.9 million of amortisation of lease liabilities recorded under IFRS 16.

### **Share of after-tax results of associates and joint ventures**

Share of after-tax results of associates and joint ventures increased by S\$8.4 million from a loss of S\$3.4 million in 1Q 2018 to a profit of S\$5.0 million in 1Q 2019. The significant increase was attributable mainly to the Group's 30% share of the first time profit recognised from the handover of two residential blocks of the Star of East River project in Dongguan. The completion of the disposal of three hotels by the 31.4%-owned Queens Bilderberg (Nederland) B.V. in January 2019 further boosted the results in 1Q 2019.

### **Income tax expense**

The Group recorded a tax expense of S\$8.2 million on profit before tax of S\$32.1 million in 1Q 2019, which included land appreciation tax of S\$1.4 million and under provision in respect of prior year of S\$0.5 million. After adjusting for the share of after-tax results of associates and joint ventures, the tax effect of non-deductible expenses and unrecognised deferred tax assets of S\$6.4 million in aggregate, and the tax effect of non-taxable income and recognition of previously unrecognised tax benefits of S\$6.4 million in aggregate, the effective tax rate of the Group would be approximately 24.4%.

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

**Non-current assets**

Property, plant and equipment increased by S\$88.4 million or 51.9%, from S\$170.4 million as at 31 December 2018 to S\$258.9 million as at 31 March 2019. The increase was due mainly to the Group's acquisition of the 340-room Westin Bellevue Dresden Hotel (via a share deal) in end March 2019, and a bare-shell vacant former hotel in Milan in January 2019.

In particular, a provisional value of S\$71.8 million (EUR47.0 million) was ascribed by the Group to the Westin Bellevue Dresden Hotel as part of the accounting of the acquisition of its 94.9% equity interest in the entities that own and operate the hotel. Under the relevant *Business Combination* accounting standard, the Group has up to 12 months to finalise the financial effects of its acquisition. The property in Milan was acquired at a cost of approximately S\$16.3 million (EUR 10.7 million) including acquisition costs in January 2019. The Group intends to completely refurbish the property into a hostel to tap on the youth hospitality market.

Investment properties decreased by S\$57.9 million or 22.4%, from S\$259.1 million as at 31 December 2018 to S\$201.2 million as at 31 March 2019. Other than the effect of a weaker Euro against S\$, S\$53.4 million of the decrease was due to the reclassification of the two Utrecht hotels located within the shopping mall of Hoog Catharijne to assets held-for-sale under current assets in the current quarter. In February 2019, the Borealis Hotel Group B.V. ("Borealis") transferred the hotel operations to a subsidiary of the Group and accordingly the previous lease agreement and pre-development agreements entered with Borealis for the two hotels were terminated. The development of the two hotels is expected to be completed within 2019. The Group will explore the sale of its shareholding in the two subsidiaries that own and operate the hotels respectively, to its 33%-owned associate, FSMC in due course. Accordingly, the assets and liabilities of the subsidiaries have been reclassified to assets-held-for sale and liabilities held-for-sale respectively at 31 March 2019.

Non-current trade and other receivables increased by S\$107.5 million or 16.3%, from S\$660.9 million as at 31 December 2018 to S\$768.4 million as at 31 March 2019. The increase was due mainly to the disbursement of a 3-year property financing loan during the current quarter.

**Current assets**

Assets held-for-sale increased by S\$36.4 million or 70.5% to S\$88.0 million as at 31 March 2019. S\$57.6 million of the balance at 31 March 2019 relates to the assets of the subsidiaries earmarked for disposal as mentioned above. The increase was partially offset by a S\$21.3 million reduction in assets held-for-sale upon the recognition of gain on disposal of M Hotel Chengdu and certain bare shell commercial spaces of the Chengdu Cityspring project in the current quarter.

Trade and other receivables decreased by S\$151.8 million or 30.0%, from S\$505.9 million as at 31 December 2018 to S\$354.1 million as at 31 March 2019. The decrease was due mainly to the repayment of loan from a PRC associate of S\$120.7 million (RMB600.0 million) and net repayment of third party PRC property financing loans of S\$77.3 million, partially offset by the deposit of S\$30.2 million (RMB150.0 million) paid for the proposed acquisition of shares in Concord Focus Development Limited, a Hong Kong-incorporated company from three individuals. The target entity owns three land parcels situated at Chang'an in Dongguan, Guangdong province, the PRC via a wholly owned PRC incorporated subsidiary.

Other investments of S\$219.7 million at 31 March 2019 relate to principal-guaranteed structured deposits placed with financial institutions.



## **Current liabilities**

Trade and other payables increased by S\$70.6 million or 51.1%, from S\$138.4 million as at 31 December 2018 to S\$209.0 million as at 31 March 2019. This was due mainly to additional advances from a PRC associate of S\$57.3 million (RMB284.6 million). The increase was partially offset by the payment of construction costs for the Millennium Waterfront project during the year.

## **Loans and borrowings**

Gross bank borrowings increased by S\$108.6 million of 15.6%, from S\$695.7 million as at 31 December 2018 to S\$804.3 million as at 31 March 2019. This was due mainly to the drawdown of the Group's borrowings to fund the acquisition of the Westin Bellevue Dresden Hotel and the property in Milan, as well as to fund a S\$ denominated property financing loan.

The Group maintained a net gearing ratio of 0.35 as at 31 March 2019.

## **Foreign currency risk management**

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

Since the Group's entry to the Dutch and German property markets in February 2015 and January 2018 respectively, the Group has hedged its currency exposure to Euro by financing all its Dutch and German acquisitions with a combination of Euro-denominated borrowings and/or financial derivatives involving cross currency swaps ("CCSs") and foreign currency swaps ("FCSs") whereby the end result is also to achieve a corresponding Euro liability. The Group takes an economic hedge rather than an accounting hedge approach with regard to the management of its Euro asset exposure.

In November 2018, the Group entered into the property financing market in Australia via a 50-50 owned joint venture with Tai Tak. The Group has also adopted the same approach as its European assets, which is to fully hedge its Australian dollar cost base.

As at 31 March 2019, the Group had 14 CCSs and one FCS outstanding with an aggregate notional amount of €477.5 million and A\$10.0 million. These financial instruments are measured at fair value with changes in fair value recognised in the profit and loss account. The fair values of the instruments are mainly dependent on the forward foreign exchange rates, discount rates and yield curves of the notional amounts, as applicable. On the other hand, the changes in fair value of the instruments will be largely offset by the corresponding changes in fair values of the underlying Euro/A\$-denominated assets when the respective instruments approach their maturity dates and Euro/A\$-denominated borrowings are taken up to close out the instruments, thereby resulting in a minimal cumulative impact to the profit or loss. The cumulative positive impact to the retained earnings arising from the financial derivatives and underlying Euro-denominated assets as at 31 March 2019 amounted to approximately S\$5.4 million.

As at 31 March 2019, the Group recorded a cumulative translation gain of S\$21.4 million as part of reserves in its shareholders' equity. This mainly arose from the translation of the net assets and income and expenses of the Group's foreign operations in the PRC to S\$ at the exchange rates prevailing at the end of each reporting period.

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

### **Statement of cash flows of the Group**

Net cash from operating activities of S\$115.3 million in 1Q 2019 was due mainly to the repayment of loan from a PRC associate of S\$120.4 million (RMB600.0 million) and net interest received of S\$17.9 million, partially offset by tax paid of S\$1.4 million and payment of construction costs for the Millennium Waterfront project.

Net cash used in investing activities of S\$269.6 million in 1Q 2019 was due mainly to placement of structured deposits of S\$179.7 million, payment for acquisition of subsidiaries of S\$69.4 million (EUR46.3 million) relating to the Westin Bellevue Dresden Hotel (subject to completion adjustments), payment of deposit amounting to S\$30.1 million (RMB150.0 million) for the proposed acquisition of an equity interest in the Chang'an mixed use site, and the acquisition of the vacant property in Milan amounting to S\$16.2 million. This was partially offset by the collection of sale proceeds amounting to S\$27.0 million from the disposal of M Hotel Chengdu and bare commercial space of the Chengdu Cityspring project.

Net cash from financing activities amounted to S\$132.2 million in 1Q 2019 due mainly to the net drawdown of bank borrowings of S\$78.1 million and advances from associates of S\$57.3 million. This was partially offset by payment of lease liabilities, transaction costs of borrowings and interest of S\$1.5 million, S\$0.9 million and S\$0.8 million respectively.

*Note:*

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

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

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

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

### **Industry Outlook**

#### **People's Republic of China ("PRC")**

In March 2019, Premier Li Keqiang indicated in his government work report to the National People's Congress in Beijing that the 2019 GDP growth target has been revised down to a range of 6% to 6.5% after factoring a variety of economic uncertainties. Premier Li further added that the PRC government will continue to pursue a proactive fiscal policy and keep the RMB exchange rate relatively stable. The economic climate for the PRC will likely remain challenging given that the US – PRC trade conflict has still not been resolved, a high corporate debt leverage and financing bottlenecks for small and medium size enterprises.

A re-accelerating real estate sector could however help bring forward stabilisation in China's economy. The Business Times reported that project sales of nine major developers rose 20% in March from a year earlier after contracting in the first two months of 2019. The uplift in sales performance was attributed to easier financing from banks, looser restrictions on home buying and lower mortgage rates. It was also reported that developers appear to have received faster cash proceeds from banks in January and February, according to Bloomberg calculation based on official data.

The PRC government also unveiled the timeline for the development of the Guangdong-Hong Kong-Macao Greater Bay Area ("GBA") in February 2019. 11 cities in the Pearl River Delta area within a two-hour radius of Hong Kong comprising Hong Kong, Macau, Guangzhou, Shenzhen, Zhuhai, Dongguan, Huizhou, Zhongshan, Foshan, Zhaoqing and Jiangmen will boost collaboration by 2022 in areas including the central pillar of science and technology, intellectual property rights and even ecological conservation. The GBA region in Southern China is envisaged to be developed into a cluster of vibrant world-class cities with an economic system largely driven by innovation by 2035.

### **The Netherlands**

For 2019, the Dutch economy is forecasted to have a growth of 1.5%, a downward revision on the previous estimate of 2.2% that was provided by the Dutch Central Planning Bureau ("CPB"). The CPB attributes the downward forecast to the growing uncertainties in the global economy, such as the US trade policy, Brexit and the state of the PRC economy. As a result of a slower growth rate in international trade, the CPB forecasted that the Dutch budget will contribute less than initially planned. Notwithstanding this, an ABN Amro report indicates that the Dutch economy is likely to continue to outperform the Eurozone average. The European Central Bank ("ECB") has recently confirmed the slowing growth momentum and reaffirmed that the ECB is committed to restoring inflation and stabilising the economy.

Prices of owner-occupied houses were on average 7.5% higher in February 2019 than during the same period last year. Reports by Bouwinvest, a property management company, and Savills suggest that the main drivers behind the price increases were the low interest rates, growing consumer confidence in the housing market, restrictive government policies, rising construction costs and most critically, an insufficient pipeline of new supply. Savills reports that approximately 100,000 new homes are needed every year in the Netherlands, but only 70,000 permits were issued in the last two years. In the same Savills report, it was indicated that despite the apparent mismatch of demand and supply, municipalities remain relatively restrictive when it comes to granting permits for new developments. In addition, strict requirements were set which limits the financial viability of development projects for developers – for example, Amsterdam has set a social housing quota for new residential developments and plans are also being formulated to limit the maximum price for new rental housing developments. In combination with rising land prices, fewer new developments are likely to get off the ground.

### **Company Outlook**

#### **Property Development**

The Emerald of the Orient development project in Dongguan has done well, having sold all the 137 residential villas which were launched for sale since December 2018. The Group has an effective stake of 20.4% in the project which also has (i) 854 residential apartments to be launched for sale during the second half of 2019; and (ii) 31 residential villas and 222 residential apartments for lease for a period up to the expiry of 5 years after the housing title certificates have been obtained, after which they would be available for sale as per the land tender conditions.

Following the signing of a framework agreement in March 2019, the Group is targeting to acquire a 100% equity interest in a mixed use development site with a GFA of approximately 76,570 sqm in Chang'an, Dongguan. The site is situated close to the Chang'an city hall and will be easily accessible to intercity train services (under planning) and highways which connect to Shenzhen city within a 30-minute drive. The Group intends to designate a third party to be one of the purchasers, subject to the Group retaining a controlling stake. If the acquisition is successful, the Group will take the lead in the management of the development project and work towards the pre-sale launch of Phase 1 as soon as possible.

The Group's investment in Dongguan is timely as the PRC government also unveiled the timeline for the development of the Guangdong-Hong Kong-Macao Greater Bay Area ("GBA") in February 2019. 11 cities in the Pearl River Delta area which include Dongguan that has been targeted to boost collaboration by 2022. The GBA region is envisaged to be developed into a cluster of vibrant world-class cities with an economic system largely driven by innovation by 2035.

In Amsterdam, the Group's newly developed Oliphant office property with 21,136 sqm of net lettable area is currently 61% leased with a WALT of 12.0 years. The Group is in advanced discussions with various potential tenants to lease the bulk of the remaining spaces within FY2019. The Group is considering the sale of the Oliphant office property to its associated company, FSMC, to generate development profit while retaining a meaningful stake for future capital appreciation.

The development of two Utrecht hotels, namely a 142-room Crowne Plaza hotel and a 193-room Hampton by Hilton hotel, is expected to be completed within FY2019. These hotels, which will be managed by the Group, are strategically located adjacent to the approximately 85,700 sqm large scale shopping mall Hoog Catharijne which is situated next to the Utrecht Central Station. The Group will also explore the sale of the hotels to FSMC in due course, thereby generating further profit while still maintaining a meaningful stake for future capital gains and recurrent income.

### **Property Holding**

The Group continues to strengthen its European property holding recurrent income base with the completion of the acquisition of a 94.9% equity stake in the 340-room Westin Bellevue Dresden Hotel, Germany, based on a commercial property value of approximately €49.5 million (S\$75.7 million) including estimated acquisition costs. The Group aims to undertake a major capital expenditure program to upgrade the hotel during the course of this year. This acquisition has further expanded the recurrent income base of the Group's property holding business segment in Germany following the acquisition of a 50% equity interest in the Le Méridien Frankfurt last year.

### **Property Financing**

The Group's property financing business recorded a strong performance during 1Q2019 with a gross profit of S\$21.8 million, a 87% quarter on quarter increase over 1Q2018's S\$11.6 million (excluding one-off penalty interest). The Group started off the year with a record RMB2.8 billion of PRC loan book and whilst RMB1.1 billion of the PRC loan book has been repaid in March and April 2019, the Group aims to maintain a healthy PRC loan book with a few potential deals in the pipeline.

## **Rights Issue and Bonus Issue**

The Company will be undertaking (i) a 1-for-7 rights issue of 3.98% perpetual convertible capital securities ("Series-2 PCCS") with free detachable warrants ("Warrants") ("Rights Issue") and (ii) a 1-for-10 bonus issue of Warrants ("Bonus Issue"). Each Series-2 PCCS shall be in the denomination of S\$1.30 and shall be convertible to one ordinary share in the Company ("Share"), and each Warrant issued pursuant to the Rights Issue or the Bonus Issue shall carry the right to subscribe for one Share at the exercise price of S\$1.30 per Share. The Company expects to raise up to approximately S\$147.9 million in gross cash proceeds from the subscription of the Series-2 PCCS under the Rights Issue and intends to redeem all the outstanding Series-1 PCCS on a date falling after the completion of the Rights Issue and Bonus Issue. The exercise of the Warrants may raise gross proceeds of up to approximately S\$251.4 million. The Rights Issue which is the second equity fund raising exercise of the Group after its IPO in July 2014 is expected to close in June 2019 and will further strengthen the Group's balance sheet so as to arm the Group with the necessary financial resources to capitalise on any expansion opportunity.

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

#### **(a) Current Financial Period Reported On**

**Any dividend declared for the current financial period reported on?**

No.

#### **(b) Corresponding Period of the Immediately Preceding Financial Year**

**Any dividend declared for the corresponding period of the immediately preceding financial year?**

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

#### **(c) Date payable**

Not applicable.

#### **(d) Books closure date**

Not applicable.

### **12. If no dividend has been declared (recommended), a statement to that effect and the reason(s) for the decision.**

Not applicable.

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

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

**14. Confirmation that the issuer has procured undertakings from all of its directors and executive officers (in the format set out in Appendix 7.7) under Rule 720(1)**

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

**BY ORDER OF THE BOARD**

Neo Teck Pheng  
Group Chief Executive Officer and Executive Director  
25 April 2019

## **FIRST SPONSOR GROUP LIMITED**

(Registration No. AT-195714)

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### **CONFIRMATION BY THE BOARD**

The Directors of the Company hereby confirm, to the best of their knowledge, that nothing has come to the attention of the Board of Directors which may render the Group's unaudited financial results for the three months ended 31 March 2019 to be false or misleading in any material respect.

On behalf of the Board of Directors

Ho Han Leong Calvin  
Non-Executive Chairman

Neo Teck Pheng  
Group Chief Executive Officer and Executive Director

25 April 2019