



# FIRST SPONSOR GROUP LIMITED

(Incorporated in the Cayman Islands)

(Registration No. AT-195714)

## UNAUDITED THIRD QUARTER AND NINE-MONTH FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 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			The Group		
	Third quarter ended		Incr / (Decr)	9-month period ended		Incr / (Decr)
	30 September			30 September		
	2019	2018		2019	2018	
	S\$'000	S\$'000	%	S\$'000	S\$'000	%
Revenue	44,596	53,493	(16.6)	169,371	145,409	16.5
Cost of sales	(16,148)	(20,519)	(21.3)	(54,564)	(53,901)	1.2
<b>Gross profit</b>	<b>28,448</b>	<b>32,974</b>	<b>(13.7)</b>	<b>114,807</b>	<b>91,508</b>	<b>25.5</b>
Administrative expenses	(8,334)	(5,697)	46.3	(28,512)	(19,410)	46.9
Selling expenses	(2,145)	(1,790)	19.8	(5,586)	(5,897)	(5.3)
Other income/ (expenses) (net)	2,500	3,820	(34.6)	(8,022)	941	n.m.
Other gains (net)	1,512	1,683	(10.2)	6,171	1,683	266.7
<b>Results from operating activities</b>	<b>21,981</b>	<b>30,990</b>	<b>(29.1)</b>	<b>78,858</b>	<b>68,825</b>	<b>14.6</b>
Finance income	6,353	3,761	68.9	15,101	12,555	20.3
Finance costs	(6,120)	(2,504)	144.4	(14,654)	(7,297)	100.8
<b>Net finance income</b>	<b>233</b>	<b>1,257</b>	<b>(81.5)</b>	<b>447</b>	<b>5,258</b>	<b>(91.5)</b>
Share of after-tax results of associates and joint ventures	15,107	1,115	1,254.9	19,859	(3,165)	n.m.
<b>Profit before tax</b>	<b>37,321</b>	<b>33,362</b>	<b>11.9</b>	<b>99,164</b>	<b>70,918</b>	<b>39.8</b>
Tax expense	(4,768)	(7,711)	(38.2)	(27,656)	(15,878)	74.2
<b>Profit for the period</b>	<b>32,553</b>	<b>25,651</b>	<b>26.9</b>	<b>71,508</b>	<b>55,040</b>	<b>29.9</b>
<b>Attributable to:</b>						
Equity holders of the Company	33,321	25,575	30.3	72,178	54,770	31.8
Non-controlling interests	(768)	76	n.m.	(670)	270	n.m.
<b>Profit for the period</b>	<b>32,553</b>	<b>25,651</b>	<b>26.9</b>	<b>71,508</b>	<b>55,040</b>	<b>29.9</b>
<b>Earnings per share (cents)</b>						
- basic	4.00	3.69	8.4	9.45	7.99	18.3
- diluted	3.03	3.21	(5.6)	7.73	7.42	4.2

n.m.: not meaningful

## Consolidated Statement of Comprehensive Income

	The Group Third quarter ended 30 September		The Group 9-month period ended 30 September	
	2019 S\$'000	2018 S\$'000	2019 S\$'000	2018 S\$'000
<b>Profit for the period</b>	32,553	25,651	71,508	55,040
<b>Other comprehensive income 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	560	(341)	(4,820)	(937)
Translation differences on financial statements of foreign subsidiaries, net of tax	12,034	(43,608)	(24,925)	(21,812)
Translation differences on monetary items forming part of net investment in foreign subsidiaries, net of tax	236	(1,586)	(1,468)	(178)
<b>Other comprehensive income for the period, net of tax</b>	12,830	(45,535)	(31,213)	(22,927)
<b>Total comprehensive income for the period</b>	45,383	(19,884)	40,295	32,113
<b>Total comprehensive income attributable to:</b>				
Equity holders of the Company	44,750	(20,016)	41,882	31,886
Non-controlling interests	633	132	(1,587)	227
<b>Total comprehensive income for the period</b>	45,383	(19,884)	40,295	32,113

## Notes to the Group's Income Statement:

Profit before tax includes the following:

	The Group Third quarter ended 30 September		The Group 9-month period ended 30 September	
	2019 S\$'000	2018 S\$'000	2019 S\$'000	2018 S\$'000
Other gains/(losses) comprise:				
Gain/(loss) on disposal of:				
- assets held-for-sale	1,203	5,349	6,128	5,349
- investment properties	336	41	613	41
- other investments	76	-	76	-
- property, plant and equipment	(11)	-*	(11)	-*
Impairment loss on assets held- for-sale	-	(3,707)	-	(3,707)
Loss on deconsolidation of a subsidiary	(92)	-	(613)	-
Property, plant and equipment written off	-*	-	(22)	-
Profit before tax includes the following (expenses)/income:				
Depreciation of property, plant and equipment	(2,211)	(1,477)	(4,735)	(5,344)
Depreciation of right-of-use ("ROU") assets	(870)	-	(2,605)	-
Exchange (loss)/gain (net)	(21,643)	3,950	(30,285)	(12,616)
Fair value gain/(loss) on:				
- derivative assets/ liabilities (net)	25,751	881	27,129	16,393
- other investments	118	-	450	-
Hotel base stocks written off	15	-	(497)	-
Hotel pre-opening expenses	(178)	-	(779)	-

\* Amount less than S\$1,000

**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 30 September 2019 S\$'000	As at 31 December 2018 S\$'000	As at 30 September 2019 S\$'000	As at 31 December 2018 S\$'000
<b>Non-current assets</b>				
Property, plant and equipment	250,535	170,435	365	306
Investment properties	94,413	259,135	-	-
Subsidiaries	-	-	774,562	720,981
Interests in associates and joint ventures	182,141	80,817	9,681	9,669
Derivative assets	32,792	19,385	32,792	19,385
Other investments	74,689	78,131	-	-
Deferred tax assets	29,914	33,387	-	-
Right-of-use assets	75,657	-	671	-
Trade and other receivables	808,156	660,948	955,463	779,204
	<u>1,548,297</u>	<u>1,302,238</u>	<u>1,773,534</u>	<u>1,529,545</u>
<b>Current assets</b>				
Development properties	513,669	356,890	-	-
Inventories	311	215	-	-
Trade and other receivables	356,134	505,887	470,596	389,902
Assets held-for-sale	88,202	51,610	-	-
Derivative assets	9,537	-	9,537	-
Other investments	235,476	39,262	-	-
Cash and cash equivalents	93,380	125,711	12,609	18,139
	<u>1,296,709</u>	<u>1,079,575</u>	<u>492,742</u>	<u>408,041</u>
<b>Total assets</b>	<u>2,845,006</u>	<u>2,381,813</u>	<u>2,266,276</u>	<u>1,937,586</u>
<b>Equity</b>				
Share capital	101,251	81,405	101,251	81,405
Reserves	1,229,906	1,069,091	1,023,684	868,766
<b>Equity attributable to owners of the Company</b>	<u>1,331,157</u>	<u>1,150,496</u>	<u>1,124,935</u>	<u>950,171</u>
<b>Perpetual convertible capital securities</b>	146,548	161,285	146,548	161,285
<b>Non-controlling interests</b>	30,956	11,713	-	-
<b>Total equity</b>	<u>1,508,661</u>	<u>1,323,494</u>	<u>1,271,483</u>	<u>1,111,456</u>
<b>Non-current liabilities</b>				
Loans and borrowings	518,151	641,390	518,151	604,732
Derivative liabilities	1,380	5,564	1,380	5,564
Other payables	49,475	12,527	-	-
Lease liabilities	76,242	-	517	-
Deferred tax liabilities	6,421	8,638	-	-
	<u>651,669</u>	<u>668,119</u>	<u>520,048</u>	<u>610,296</u>

	The Group		The Company	
	As at 30 September 2019 S\$'000	As at 31 December 2018 S\$'000	As at 30 September 2019 S\$'000	As at 31 December 2018 S\$'000
<b>Current liabilities</b>				
Loans and borrowings	221,946	45,338	221,946	45,338
Current tax payable	50,390	36,994	1,343	30
Trade and other payables	281,073	138,381	251,300	170,466
Contract liabilities	124,217	161,279	-	-
Receipts in advance	3,958	8,208	-	-
Lease liabilities	2,278	-	156	-
Liabilities held-for-sale	814	-	-	-
	<u>684,676</u>	<u>390,200</u>	<u>474,745</u>	<u>215,834</u>
<b>Total liabilities</b>	<u>1,336,345</u>	<u>1,058,319</u>	<u>994,793</u>	<u>826,130</u>
<b>Total equity and liabilities</b>	<u>2,845,006</u>	<u>2,381,813</u>	<u>2,266,276</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 and structured deposits. Unamortised balance of transaction costs have not been deducted from the gross borrowings.

	<b>The Group</b>	
	<b>As at 30 September 2019 S\$'000</b>	<b>As at 31 December 2018 S\$'000</b>
<b>Unsecured</b>		
- repayable within one year	221,946	45,338
- repayable after one year	518,151	604,732
Total	<u>740,097</u>	<u>650,070</u>
<b>Secured</b>		
- repayable within one year	-	-
- repayable after one year	-	36,658
Total	<u>-</u>	<u>36,658</u>
<b>Grand total</b>	<u><b>740,097</b></u>	<u><b>686,728</b></u>
Gross borrowings	748,483	695,719
Less:		
(i) cash and cash equivalents	(93,380)	(125,711)
(ii) other investments (current) <sup>Note 1</sup>	(235,476)	(39,262)
Net borrowings	<u>419,627</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 as at 31 December 2018 was 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.**

	The Group		The Group	
	Third quarter ended 30 September		9-month period ended 30 September	
	2019 S\$'000	2018 S\$'000	2019 S\$'000	2018 S\$'000
<b>Cash flows from operating activities</b>				
Profit for the period	32,553	25,651	71,508	55,040
Adjustments for:				
Depreciation of property, plant and equipment	2,211	1,477	4,735	5,344
Depreciation of ROU assets	870	-	2,605	-
Fair value (gain)/loss on:				
- derivative assets/liabilities (net)	(25,751)	(881)	(27,129)	(16,393)
- other investments	(118)	-	(450)	-
Finance income	(6,353)	(3,761)	(15,101)	(12,555)
Finance costs	6,120	2,504	14,654	7,297
Impairment loss on assets held-for-sale	-	3,707	-	3,707
(Gain)/loss on disposal of:				
- assets held-for-sale	(1,203)	(5,349)	(6,128)	(5,349)
- investment properties	(336)	(41)	(613)	(41)
- other investments	(76)	-	(76)	-
- property, plant and equipment	11	-*	11	-*
Loss on deconsolidation of a subsidiary	92		613	
Property, plant and equipment written off	-*	-	22	-
Share of after-tax results of associates and joint ventures	(15,107)	(1,115)	(19,859)	3,165
Tax expense	4,768	7,711	27,656	15,878
	(2,319)	29,903	52,448	56,093
Changes in:				
Development properties	(13,535)	2,912	(23,178)	(14,305)
Inventories	(6)	69	151	(36)
Trade and other receivables	(512,920)	(71,835)	(428,121)	(370,647)
Trade and other payables	535,786	(28,184)	555,582	(42,046)
Contract liabilities	11,070	(3,966)	(33,325)	74,409
Loans and borrowings	(3)	12,231	40,474	123,464
<b>Cash generated from/(used in) operations</b>	18,073	(58,870)	164,031	(173,068)
Interest received	11,145	20,520	34,766	58,354
Interest paid	(7,320)	(1,550)	(18,212)	(8,541)
Tax paid	(2,644)	(3,342)	(6,891)	(18,597)
<b>Net cash generated from/(used in) operating activities</b>	19,254	(43,242)	173,694	(141,852)

\* Amount less than S\$1,000

	The Group Third quarter ended 30 September		The Group 9-month period ended 30 September	
	2019 S\$'000	2018 S\$'000	2019 S\$'000	2018 S\$'000
<b>Cash flows from investing activities</b>				
Acquisition of subsidiaries, net of cash acquired	(940)	-	(157,610)	-
Repayment from/(advances to) associates	19,940	84,443	(88,700)	(19,501)
Deconsolidation of a subsidiary	-	-	(2,323)	-
Deposits received in respect of assets held-for-sale	1,735	-	4,127	-
Dividends received from associates	-	-	-	18,372
Dividends received from joint ventures	268	-	432	-
Interest received	3,940	1,143	11,127	10,452
Loans to third parties	-	(1,235)	-	(1,235)
Loan to non-controlling interests	(265)	-	(32,123)	-
Payment for acquisition of other investments	(108)	-	(357)	-
Payment for additions to:				
- investment properties	12	(4,874)	(4,998)	(11,292)
- property, plant and equipment	(2,591)	(121)	(18,842)	(145)
Payment for investments in associate and joint venture	(1,336)	-	(81,205)	(21,140)
Proceeds from disposal of:				
- investment properties	7,206	1,750	9,048	1,750
- property, plant and equipment	2	34	2	34
- assets held-for-sale	3,429	29,301	37,699	30,340
- other investments	3,235	-	3,235	-
(Placement of)/decrease in other investments	(73,323)	62,110	(202,637)	(48,775)
Return of capital from associate	-	2,974	-	5,369
<b>Net cash (used in)/from investing activities</b>	<b>(38,796)</b>	<b>175,525</b>	<b>(523,125)</b>	<b>(35,771)</b>



	The Group Third quarter ended 30 September		The Group 9-month period ended 30 September	
	2019 S\$'000	2018 S\$'000	2019 S\$'000	2018 S\$'000
<b>Cash flows from financing activities</b>				
Distributions to PCCS holders	-	-	(516)	-
Dividends paid to the owners of the Company	(8,747)	(6,485)	(19,078)	(14,271)
Interest paid	(4,207)	(1,112)	(7,936)	(3,473)
Loan from a third party	472		46,962	
Payment of lease liabilities	(1,308)	-	(4,123)	-
Payment of transaction costs related to:				
- borrowings	(1,938)	(409)	(2,838)	(2,625)
- PCCS	-	-	(1,200)	(710)
Proceeds from issuance of PCCS	-	-	147,649	162,199
Advances from/(repayment from) associates	37,106	(63,661)	108,568	(10,303)
Redemption of PCCS	-	-	(952)	-
Proceeds from bank borrowings	829	25,197	323,049	274,577
Repayment of bank borrowings	123	(9,409)	(270,201)	(336,779)
<b>Net cash from/(used in) financing activities</b>	<b>22,330</b>	<b>(55,879)</b>	<b>319,384</b>	<b>68,615</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>2,788</b>	<b>76,404</b>	<b>(30,047)</b>	<b>(109,008)</b>
Cash and cash equivalents at beginning of the period	92,051	139,290	125,711	319,298
Effect of exchange rate changes on balances held in foreign currencies	(1,459)	(9,323)	(2,284)	(3,919)
<b>Cash and cash equivalents at end of the period</b>	<b>93,380</b>	<b>206,371</b>	<b>93,380</b>	<b>206,371</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	-	-	-	-	-	-	72,178	72,178	-	(670)	71,508
<b>Other comprehensive income</b>											
Share of translation differences on financial statements of foreign associates and joint ventures, net of tax	-	-	-	-	-	(4,820)	-	(4,820)	-	-	(4,820)
Translation differences on financial statements of foreign subsidiaries, net of tax	-	-	-	-	-	(24,008)	-	(24,008)	-	(917)	(24,925)
Translation differences on monetary items forming part of net investment in foreign subsidiaries, net of tax	-	-	-	-	-	(1,468)	-	(1,468)	-	-	(1,468)
<b>Total other comprehensive income</b>	-	-	-	-	-	(30,296)	-	(30,296)	-	(917)	(31,213)
<b>Total comprehensive income for the period</b>	-	-	-	-	-	(30,296)	72,178	41,882	-	(1,587)	40,295

	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>											
Dividends paid to the owners of the Company	-	-	-	-	-	-	(19,078)	(19,078)	-	-	(19,078)
Issuance of new shares pursuant to conversion of perpetual convertible capital securities ("PCCS")	19,846	140,492	-	-	-	-	-	160,338	(160,338)	-	-
Distributions of PCCS	-	-	-	-	-	-	(516)	(516)	-	-	(516)
Redemption of PCCS	-	-	-	-	-	-	-	-	(948)	-	(948)
Issuance of PCCS	-	-	-	-	-	-	-	-	147,649	-	147,649
PCCS issue expenses	-	-	-	-	-	-	-	-	(1,100)	-	(1,100)
<b>Total contributions by and distributions to owners</b>	<b>19,846</b>	<b>140,492</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(19,594)</b>	<b>140,744</b>	<b>(14,737)</b>	<b>-</b>	<b>126,007</b>
<b>Changes in ownership interests in subsidiaries</b>											
Acquisition of subsidiaries with non-controlling interests	-	-	-	-	-	-	-	-	-	32,564	32,564
Derecognition of a subsidiary with non-controlling interests	-	-	-	-	-	-	-	-	-	(11,734)	(11,734)
<b>Total changes in ownership interests in subsidiaries</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>20,830</b>	<b>20,830</b>
<b>Total transactions with owners</b>	<b>19,846</b>	<b>140,492</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(19,594)</b>	<b>140,744</b>	<b>(14,737)</b>	<b>20,830</b>	<b>146,837</b>
<b>At 30 September 2019</b>	<b>101,251</b>	<b>150,313</b>	<b>36,607</b>	<b>245</b>	<b>655,029</b>	<b>(17,442)</b>	<b>405,154</b>	<b>1,331,157</b>	<b>146,548</b>	<b>30,956</b>	<b>1,508,661</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	Perpetual convertible capital securities S\$'000	Non-controlling interests S\$'000	Total equity S\$'000
<b>The 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
Impact of adoption of IFRS 9	-	-	-	-	-	3,949	-	(3,949)	-	-	-	-
At 1 January 2018, as restated	73,640	9,609	33,447	225	662,764	-	36,950	263,519	1,080,154	-	6,727	1,086,881
<b>Total comprehensive income for the period</b>												
Profit for the period	-	-	-	-	-	-	-	54,770	54,770	-	270	55,040
<b>Other comprehensive income</b>												
Share of translation differences on financial statements of foreign associates and joint ventures, net of tax	-	-	-	-	-	-	(937)	-	(937)	-	-	(937)
Translation differences on financial statements of foreign subsidiaries, net of tax	-	-	-	-	-	-	(21,769)	-	(21,769)	-	(43)	(21,812)
Translation differences on monetary items forming part of net investment in foreign subsidiaries, net of tax	-	-	-	-	-	-	(178)	-	(178)	-	-	(178)
<b>Total other comprehensive income</b>	-	-	-	-	-	-	(22,884)	-	(22,884)	-	(43)	(22,927)
<b>Total comprehensive income for the period</b>	-	-	-	-	-	-	(22,884)	54,770	31,886	-	227	32,113

	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	Perpetual convertible capital securities S\$'000	Non-controlling interests S\$'000	Total equity S\$'000
<b>The Group</b>												
<b>Transactions with owners, recognised directly in equity</b>												
<b>Contributions by and distributions to owners</b>												
Dividends paid to the owners of the Company	-	-	-	-	-	-	-	(14,271)	(14,271)	-	-	(14,271)
Issuance of bonus shares	7,735	-	-	-	(7,735)	-	-	-	-	-	-	-
Issuance of PCCS	-	-	-	-	-	-	-	-	-	162,199	-	162,199
PCCS issue expenses	-	-	-	-	-	-	-	-	-	(672)	-	(672)
Issuance of new shares pursuant to conversion of PCCS	13	93	-	-	-	-	-	-	106	(106)	-	-
<b>Total contributions by and distributions to owners</b>	<b>7,748</b>	<b>93</b>	<b>-</b>	<b>-</b>	<b>(7,735)</b>	<b>-</b>	<b>-</b>	<b>(14,271)</b>	<b>(14,165)</b>	<b>161,421</b>	<b>-</b>	<b>147,256</b>
<b>Total transactions with owners of the Company</b>	<b>7,748</b>	<b>93</b>	<b>-</b>	<b>-</b>	<b>(7,735)</b>	<b>-</b>	<b>-</b>	<b>(14,271)</b>	<b>(14,165)</b>	<b>161,421</b>	<b>-</b>	<b>147,256</b>
<b>At 30 September 2018</b>	<b>81,388</b>	<b>9,702</b>	<b>33,447</b>	<b>225</b>	<b>655,029</b>	<b>-</b>	<b>14,066</b>	<b>304,018</b>	<b>1,097,875</b>	<b>161,421</b>	<b>6,954</b>	<b>1,266,250</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	161,285	1,111,447
<b>Total comprehensive income for the period</b>								
Profit for the period	-	-	-	-	34,036	34,036	-	34,036
<b>Total comprehensive income for the period</b>	-	-	-	-	34,036	34,036	-	34,036
<b>Transaction with owners, recognised directly in equity</b>								
<b>Contribution by and distributions to owners</b>								
Dividends paid to the owners of the Company	-	-	-	-	(19,085)	(19,085)	-	(19,085)
Issuance of new shares pursuant to conversion of PCCS	19,846	140,492	-	-	-	160,338	(160,338)	-
Distributions of PCCS	-	-	-	-	(516)	(516)	-	(516)
Redemption of PCCS	-	-	-	-	-	-	(948)	(948)
Issuance of PCCS	-	-	-	-	-	-	147,649	147,649
PCCS issue expenses	-	-	-	-	-	-	(1,100)	(1,100)
<b>Total contributions by and distributions to owners</b>	19,846	140,492	-	-	(19,601)	140,737	(14,737)	126,000
<b>Total transactions with owners of the Company</b>	19,846	140,492	-	-	(19,601)	140,737	(14,737)	126,000
<b>At 30 September 2019</b>	<b>101,251</b>	<b>150,525</b>	<b>(5,988)</b>	<b>655,029</b>	<b>224,118</b>	<b>1,124,935</b>	<b>146,548</b>	<b>1,271,483</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 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	-	-	-	-	41,442	41,442	-	41,442
<b>Total comprehensive income for the period</b>	-	-	-	-	41,442	41,442	-	41,442
<b>Transaction with owners, recognised directly in equity</b>								
<b>Contribution by and distributions to owners</b>								
Dividends paid to the owners of the Company	-	-	-	-	(14,274)	(14,274)	-	(14,274)
Issuance of bonus shares	7,735	-	-	(7,735)	-	-	-	-
Issuance of PCCS	-	-	-	-	-	-	162,199	162,199
PCCS issue expenses	-	-	-	-	-	-	(672)	(672)
Issuance of new shares pursuant to conversion of PCCS	13	93	-	-	-	106	(106)	-
<b>Total contributions by and distributions to owners</b>	7,748	93	-	(7,735)	(14,274)	(14,168)	161,421	147,253
<b>Total transactions with owners of the Company</b>	7,748	93	-	(7,735)	(14,274)	(14,168)	161,421	147,253
At 30 September 2018	81,388	9,914	(5,988)	655,029	167,638	907,981	161,421	1,069,402

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

	Number of Shares	Share Capital (S\$'000)
Balance at 1 July 2019 and 30 September 2019	795,384,155	101,251

The total number of issued ordinary shares excluding treasury shares as at 30 September 2019 and 30 September 2018 was 795,384,155 and 648,892,481 respectively.

As at 30 September 2019 and 30 September 2018, a subsidiary of the Company held 307,682 ordinary shares, representing 0.04% and 0.05% of the Company's total number of issued ordinary shares on the two dates respectively.

As at 30 September 2018, pursuant to the rights issue of up to S\$162.2 million in aggregate principal amount of 3.98% Series 1 Perpetual Convertible Capital Securities ("PCCS 1") in the denomination of S\$1.10 for each PCCS 1, 147,357,237 PCCS 1 were outstanding. Assuming (a) full conversion of the PCCS 1 and no adjustments to the conversion price of S\$1.10, an aggregate of 147,357,237 new ordinary shares will be issued, which will increase the total number of issued ordinary shares at 30 September 2018 to 796,249,718. The outstanding PCCS 1 were fully redeemed by the Company on 14 June 2019. There were no warrants outstanding at 30 September 2018.

As at 30 September 2019, pursuant to the 2019 Rights Issue<sup>1</sup> on 31 May 2019, 113,576,237 PCCS 2 and 192,797,846 warrants were outstanding. Assuming (a) full conversion of the PCCS 2 and no adjustments to the conversion price of S\$1.30 and (b) full exercise of the warrants and no adjustments to the exercise price of S\$1.30, an aggregate of 306,374,083 new ordinary shares will be issued, which will increase the total number of issued ordinary shares to 1,101,758,238.

As at 30 September 2019, a subsidiary of the Company held 30,768 warrants (30 September 2018: Nil).

The Company did not hold any treasury shares as at 30 September 2019 and 30 September 2018.

**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 30 September 2019 and 31 December 2018 was 795,384,155 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 30 September 2019.

<sup>1</sup> 2019 Rights Issue refers to the rights issue of up to S\$147.6 million in aggregate principal amount of 3.98% Series 2 Perpetual Convertible Capital Securities ("PCCS 2") in the denomination of S\$1.30 for each PCCS 2, on the basis of one PCCS 2 for every seven existing ordinary shares, at an issue price of S\$1.30 for each PCCS 2, with up to 113,576,237 free detachable warrants, on the basis of one warrant for every one PCCS 2 subscribed for. 79,221,609 warrants were also allotted and issued on 31 May 2019, on the basis of one warrant for every ten existing ordinary shares, pursuant to a bonus issue.



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 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 adopted IFRS 16 *Leases* from 1 January 2019.

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 unchanged 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 S\$80,258,000, with a corresponding decrease in retained earnings of S\$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.**

	Third quarter ended 30 September		9-month period ended 30 September	
	2019	2018	2019	2018
Earnings per share (cents)				
- basic	4.00	3.69	9.45	7.99
- diluted	3.03	3.21	7.73	7.42
Profit attributable to ordinary shareholders (S\$'000)	31,840	23,949	70,181	51,854
Profit attributable to ordinary shareholders and PCCS holders (S\$'000)	33,321	25,575	72,178	54,770
Weighted average number of ordinary shares in issue:				
- basic	795,076,473 <sup>2</sup>	648,641,273 <sup>2</sup>	742,961,556 <sup>2</sup>	648,743,845 <sup>2</sup>
- diluted	1,101,450,556 <sup>2</sup>	795,998,510 <sup>2</sup>	933,457,460 <sup>2</sup>	737,805,911 <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 30 September 2019	As at 31 December 2018	As at 30 September 2019	As at 31 December 2018
Net asset value per ordinary share (cents)	185.86	202.21	159.86	171.25
Number of issued ordinary shares (excluding treasury shares)	795,076,473 <sup>2</sup>	648,707,986 <sup>2</sup>	795,384,155	649,015,668

<sup>2</sup> Excludes 307,682 shares in the Company held by a subsidiary which are accounted for as treasury shares in the consolidated financial statements of the Group in accordance with IAS 32 *Financial Instruments: Presentation*.

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

### 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:

	Third quarter ended 30 September		9-month period ended 30 September	
	2019 S\$'000	2018 S\$'000	2019 S\$'000	2018 S\$'000
Revenue from sale of properties	7,457	20,686	58,455	42,631
Rental income from investment properties	1,765	3,140	7,912	9,938
Hotel operations	16,416	9,682	42,374	30,735
Revenue from property financing	18,958	19,985	60,630	62,105
Total	<u>44,596</u>	<u>53,493</u>	<u>169,371</u>	<u>145,409</u>

#### 3Q 2019 vs 3Q 2018

Revenue decreased by S\$8.9 million or 16.6%, from S\$53.5 million in 3Q 2018 to S\$44.6 million in 3Q 2019. This was due mainly to decline in revenue from sale of properties, rental income from investment properties and revenue from property financing of S\$13.2 million, S\$1.4 million and S\$1.0 million respectively. The decrease was partially offset by the increase in revenue from hotel operations of S\$6.7 million respectively.

Revenue from sale of properties is recognised when the construction of the properties has been completed and ready for delivery to the purchasers pursuant to the sale and purchase agreements and collectability of related receivables is reasonably assured. The decrease in revenue from sale of properties in 3Q 2019 compared to 3Q 2018 was due mainly to the recognition of revenue from fewer units in the Chengdu Millennium Waterfront project (3Q 2019: 1 residential unit and 11 commercial units, 3Q 2018: 83 residential units, 12 commercial units and 124 car park lots).

Revenue from hotel operations increased by S\$6.7 million or 69.6%, from S\$9.7 million in 3Q 2018 to S\$16.4 million in 3Q 2019. The significant increase was due mainly to a full quarter's contribution from the 340-room Westin Bellevue Dresden Hotel acquired by the Group via a share deal in late March 2019, as well as the 193-room Hampton by Hilton hotel in Utrecht, the Netherlands which commenced operations in June 2019.

Cost of sales comprise mainly land costs, development expenditure and cost adjustments (if any), borrowing costs, hotel-related depreciation charge and rental expense, and other related expenditure. Cost of sales decreased by S\$4.4 million or 21.3%, from S\$20.5 million in 3Q 2018 to S\$16.1 million in 3Q 2019. The decrease in revenue recognised from sale of properties had led to a quarter-on-quarter decrease in related cost of sales of S\$6.6 million. The decrease was partially offset by the higher cost of sales incurred in respect of the hotel operations of S\$2.7 million.

The Group's gross profit decreased by S\$4.6 million or 13.7%, from S\$33.0 million in 3Q 2018 to S\$28.4 million in 3Q 2019. The decrease was due mainly to the lower gross profit from sale of properties, rental income from investment properties and property financing of S\$6.6 million, S\$1.2 million and S\$0.8 million respectively. This was partially offset by higher gross profit from hotel operations of S\$4.0 million in 3Q 2019.

The Group's gross profit margin for 3Q 2019 remained fairly constant at 63.8% (3Q 2018: 61.6%).

### **Administrative expenses**

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

Administrative expenses increased by S\$2.6 million or 46.3%, from S\$5.7 million to S\$8.3 million. This was due mainly to the consolidation of a full quarter's results of the 94.9%-owned Westin Bellevue Dresden Hotel.

### **Selling expenses**

Selling expenses comprise mainly staff costs of the Group's sales and marketing staff, advertising and promotion expenses, sales commissions paid to external sales agents and other related expenses.

### **Other income/(expenses) (net)**

In 3Q 2019, the Group recorded other income of S\$2.5 million which comprised mainly net fair value gain on financial derivatives of S\$25.8 million. This was partially offset by net foreign exchange loss of S\$21.6 million, hotel management fees of S\$0.8 million and hotel pre-opening expenses of S\$0.2 million.

In 3Q 2018, the Group recorded other income of S\$3.8 million which comprised mainly net foreign exchange gain of S\$4.0 million.

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

In 3Q 2019, the Group recorded other gains of S\$1.5 million which comprised mainly S\$1.2 million gain from the disposal of certain commercial spaces of the Chengdu Cityspring project classified as assets held-for-sale and S\$0.3 million gain on disposal of investment properties.

In 3Q 2018, the Group recorded other gains of S\$1.7 million which comprised S\$5.3 million gain from the disposal of certain commercial spaces of the Chengdu Cityspring project classified as assets held-for-sale. This was partially offset by an impairment loss on the assets held-for-sale of S\$3.7 million.

### **Net finance income**

Lower net finance income for 3Q 2019 was due mainly to the amortisation of lease liabilities recorded under IFRS 16, amounting to S\$0.8 million.

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

Share of after-tax results of associates and joint ventures increased by S\$14.0 million from S\$1.1 million in 3Q 2018 to S\$15.1 million in 3Q 2019. The significant increase was attributable mainly to the commencement of handover of the remaining four residential blocks of the 30%-owned Star of East River project in September 2019. The handover of the first two residential blocks took place in January 2019.

### **YTD September 2019 vs YTD September 2018**

Revenue of the Group increased by S\$24.0 million or 16.5%, from S\$145.4 million in YTD September 2018 to S\$169.4 million in YTD September 2019. This was due mainly to a S\$15.8 million and S\$11.7 million increase in revenue from sale of properties and hotel operations respectively. The increase was partially offset by the decrease in revenue from property financing and rental income from investment properties of S\$1.5 million and S\$2.0 million respectively.

The significant increase in revenue from sale of properties in YTD September 2019 compared to YTD September 2018 was due mainly to the recognition of revenue from more commercial units in the Millennium Waterfront project (YTD September 2019: 121 units, YTD September 2018: 15 units).

Revenue from hotel operations increased by S\$11.7 million or 37.9%, from S\$30.7 million in YTD September 2018 to S\$42.4 million in YTD September 2019. The increase was due to the additional contribution from Westin Bellevue Dresden Hotel and Hampton by Hilton in Utrecht.

The Group's gross profit increased by S\$23.3 million or 25.5%, from S\$91.5 million in YTD September 2018 to S\$114.8 million in YTD September 2019. The increase was due mainly to the higher gross profit generated from sale of properties and hotel operations of S\$18.4 million and S\$7.6 million respectively. This was partially offset by lower gross profit from rental income from investment properties and property financing of S\$1.8 million and S\$0.9 million in YTD September 2019 respectively.

The Group's gross profit margin increased from 62.9% in YTD September 2018 to 67.8% in YTD September 2019.

### **Administrative expenses**

Administrative expenses increased by S\$9.1 million or 46.9%, from S\$19.4 million to S\$28.5 million in YTD September 2019. The increase during the period was due mainly to the inclusion of operating expenses of Westin Bellevue Dresden Hotel and Hampton by Hilton as well as S\$1.3 million professional fees incurred by the Group in relation to the acquisition of the entities owning and operating the Westin Bellevue Dresden Hotel.

### **Other income/ (expenses) (net)**

In YTD September 2019, the Group recorded other expenses of S\$8.0 million which comprised mainly net foreign exchange loss of S\$30.3 million, hotel management fees of S\$2.1 million, bank charges of S\$0.9 million, hotel pre-opening expenses of S\$0.8 million and hotel base stocks written off of S\$0.5 million, partially offset by net fair value gain on financial derivatives of S\$27.1 million.

In YTD September 2018, the Group recorded other income of S\$1.0 million which comprised mainly net fair value gain on financial derivatives of S\$16.4 million. This was partially offset by net foreign exchange loss, hotel management fees and maintenance expenses of S\$12.6 million, S\$1.3 million and S\$0.7 million respectively.

### **Net finance income**

Net finance income for YTD September 2019 of S\$0.5 million is net of amortisation of lease liabilities recorded under IFRS 16, amounting to S\$2.5 million.

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

The Group recorded a share of after-tax profit of associates and joint ventures of S\$19.9 million in YTD September 2019 compared to a share of after-tax loss of S\$3.2 million in YTD September 2018. This is led by the first time profit recognition from the handover of six residential blocks of the Star of East River project in Dongguan since January 2019. The completion of the disposal of three hotels by the 31.4%-owned Queens Bilderberg (Nederland) B.V. in January 2019 further boosted the Group's share of results in YTD September 2019.

**(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\$80.1 million or 47.0%, from S\$170.4 million as at 31 December 2018 to S\$250.5 million as at 30 September 2019. The increase was due mainly to the Group's acquisition of the Westin Bellevue Dresden Hotel in late March 2019 and a bare-shell vacant former hotel in Milan in January 2019.

In particular, a provisional value of S\$71.0 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\$16.5 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\$164.7 million or 63.6%, from S\$259.1 million as at 31 December 2018 to S\$94.4 million as at 30 September 2019. S\$99.6 million of the decrease was due to the de-recognition of Zuiderhof I, an office building in Amsterdam, in June 2019. Zuiderhof I is held by NL Property 1 B.V. ("NLP1"), a 33%-owned entity of the Group which was deconsolidated as a subsidiary on 28 June 2019 when the Group forfeited its unilateral right to exercise a call option entered with the other three co-investors of NLP1 which would have entitled the Group to hold majority voting rights in NLP1. Accordingly, NLP1 is accounted for by the Group as an associated company with effect from 28 June 2019.

In addition, the reclassification of the two hotels located within the Hoog Catharijne shopping mall in Utrecht to assets held-for-sale under current assets in the current period has contributed a decrease of S\$53.4 million to the investment properties balance. 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. Development works for the 193-room Hampton by Hilton hotel has since been completed and commenced operations in June 2019 whilst the development works of the Crowne Plaza hotel on the same site is expected to be completed in late 2019/ early 2020. 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.

Further to that, the Group has disposed investment properties of Chengdu Cityspring of S\$8.2 million during the current financial period.

Interests in associates and joint ventures increased by S\$101.3 million or 125.4%, from S\$80.8 million as at 31 December 2018 to S\$182.1 million as at 30 September 2019. S\$78.3 million of the increase is attributable to the Group's co-investment with China Poly Group in June 2019 via a 27%-owned project company that would develop a mixed development site in Wanjiang, Dongguan ("Wanjiang Victory Project"). China Poly Group owns 70% equity interest in the project company. Further to that, the share of the profit from the Star of East River project also boosted the Group's interest in the 30%-owned associated company by S\$19.9 million.

The increase was also partly due to the Group accounting for its 33% equity interest in NLP1 amounting to S\$5.8 million as at 30 September 2019, as an associate with effect from 28 June 2019 arising from the afore-mentioned deconsolidation of the entity as a subsidiary.

Non-current trade and other receivables increased by S\$147.3 million or 22.3%, from S\$660.9 million as at 31 December 2018 to S\$808.2 million as at 30 September 2019. The increase was due mainly to the net disbursement of property financing loans of \$108.4 million (RMB560.0 million) and an interest bearing loan to a non-controlling interest of S\$31.3 million (RMB161.6 million) during the current financial period.

## **Current assets**

Development properties increased by S\$156.8 million or 43.9%, from S\$356.9 million as at 31 December 2018 to S\$513.7 million as at 30 September 2019. The increase was due mainly to the Group's acquisition of three land parcels at Chang'an Town in Dongguan, Guangdong province, in May 2019 via a share deal ("Concord Acquisition").

Trade and other receivables decreased by S\$149.8 million or 29.6%, from S\$505.9 million as at 31 December 2018 to S\$356.1 million as at 30 September 2019. The decrease was due mainly to the repayment of loan from an associate of S\$116.2 million (RMB600.0 million) and net repayment of third party PRC property financing loans of S\$133.8 million (RMB691.0 million). This is partially offset by the disbursement of a pro-rata shareholder's loan amounting to S\$85.2 million (RMB440.2 million) to fund the Wanjiang Victory Project.

Assets held-for-sale increased by S\$36.6 million or 70.9%, from S\$51.6 million as at 31 December 2018 to S\$88.2 million as at 30 September 2019. S\$65.8 million of the balance as at 30 September 2019 relates to the assets of the two subsidiaries that own and operate the Utrecht hotels earmarked for disposal as mentioned above. The increase was partially offset by S\$29.2 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 period.

Other investments of S\$235.5 million relate to principal-guaranteed structured deposits placed with the financial institutions.

## **Current liabilities**

Trade and other payables increased by S\$142.7 million or 103.1%, from S\$138.4 million as at 31 December 2018 to S\$281.1 million as at 30 September 2019. This was due mainly to increase in interest-free advances from a 30%-owned PRC associate of S\$102.6 million (RMB531.8 million) and a third party shareholder of the 30%-owned PRC associate of S\$28.4 million (RMB146.9 million) during the period.

## **Loans and borrowings**

Gross bank borrowings increased by S\$52.8 million of 7.6%, from S\$695.7 million as at 31 December 2018 to S\$748.5 million as at 30 September 2019. This was due mainly to the drawdown of the Group's borrowings to fund the acquisition of a bare-shell vacant former hotel in Milan, redevelopment of Oliphant in Amsterdam and construction of the two Utrecht hotels and a disbursement of S\$-denominated property financing loan, which is partially offset by the de-recognition of bank borrowing of S\$36.7 million, arising from the deconsolidation of NLP1.

The Group maintained a net gearing ratio of 0.28 as at 30 September 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 financial derivatives such as 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 loan asset base.

As at 30 September 2019, the Group had 16 CCSs and one FCS outstanding with an aggregate notional amount of €492.1 million, A\$10.0 million and RMB490.6 million. These financial instruments are measured at fair value with changes in fair value recognised in the profit and loss account. The fair value of these instruments is 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 value of the underlying foreign currency-denominated assets when the respective instruments approach their maturity dates and foreign currency-denominated borrowings are taken up to close out the instruments, thereby resulting in a minimal cumulative impact to the profit or loss. The cumulative negative impact to the retained earnings arising from the financial derivatives and underlying foreign currency-denominated assets as at 30 September 2019 amounted to approximately S\$3.2 million.

As at 30 September 2019, the Group recorded a cumulative translation loss of S\$17.4 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 actively used financial hedging instruments to 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. However, the Group has started to hedge its new exposure to the PRC property development and property financing operations to the extent that these are not funded by onshore RMB assets by drawing CNH-denominated borrowings and/or executing CNH CCS.

We will continue to monitor our foreign exchange exposure vis-à-vis the associated hedging 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**

### **3Q 2019**

Net cash generated from operating activities amounted to S\$19.3 million in 3Q 2019 which included the effect of advance receipts collected from the pre-sale of Plot F of the Millennium Waterfront project which was launched in August 2019.

Net cash used in investing activities of S\$38.8 million in 3Q 2019 was due mainly to placement of structured deposits of S\$73.3 million. This was partially offset by net repayment from associates of S\$19.9 million, interest received of S\$3.9 million, proceeds from disposal of investment properties and other investments of S\$7.2 million and S\$3.2 million respectively and collection of sale proceeds amounting to S\$3.4 million from the disposal of certain parts of the Chengdu Cityspring project classified as assets held for sale.

Net cash generated from financing activities amounted to S\$22.3 million in 3Q 2019 due mainly to the net advances from associates of S\$37.1 million, which is partially offset by payments of dividends to the shareholders of the Company of S\$8.7 million and payment of interest expense, transaction costs related to borrowings and lease liabilities of S\$4.2 million, S\$1.9 million and S\$1.3 million respectively.



## YTD September 2019

Net cash generated from operating activities of S\$173.7 million in YTD September 2019 was due mainly to the net repayment of PRC property financing loans of S\$71.8 million, repayment of loan from a PRC associate of S\$119.9 million (RMB600.0 million) and net interest received of S\$16.6 million, partially offset by tax paid of S\$6.9 million and payment of construction costs incurred for the Millennium Waterfront project.

Net cash used in investing activities of S\$523.1 million in YTD September 2019 was due mainly to (i) payment of S\$157.6 million for the acquisition of subsidiaries comprising S\$87.6 million relating to the Concord Acquisition and S\$70.0 million relating to the Westin Bellevue Dresden Hotel (subject to completion adjustments), (ii) placement of structured deposits of S\$202.6 million, (iii) the investment in and net advances to the 27%-owned project company for the Wanjiang Victory Project amounting to S\$80.9 million and S\$87.5 million, (iv) the acquisition of a vacant property in Milan amounting to S\$16.5 million, and (v) a loan to a non-controlling interest of S\$32.1 million. This was partially offset by proceeds from the disposal of M Hotel Chengdu and bare commercial space of the Chengdu Cityspring project, sale of investment properties and other investments of S\$37.7 million, S\$9.0 million and S\$3.2 million respectively.

Net cash generated from financing activities amounted to S\$319.4 million in YTD September 2019 and was due mainly to the net proceeds of S\$146.4 million from the issuance of PCCS Series 2, net drawdown of bank borrowings of S\$52.8 million, advances from associates of S\$108.6 million for the period, and a loan from a third party of S\$47.0 million. This was partially offset by payment of dividends to the shareholders of the Company of S\$19.1 million, distributions to PCCS holders of S\$0.5 million, redemption of remaining PCCS Series 1 of S\$1.0 million, and the payment of interest expense, transaction costs related to borrowings and lease liabilities of S\$7.9 million, S\$2.8 million and S\$4.1 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 reporting period has been previously disclosed to 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")**

The PRC saw a drop in GDP growth rate to 6.0% in the third quarter of 2019, according to the National Bureau of Statistics China. This shows that the ongoing trade tensions between the PRC and the United States have begun to adversely impact the PRC economy. A report by Deloitte suggests that there will likely be a mild deceleration in GDP growth in the second half of 2019 although the growth target of approximately 6.2% will likely be met. Despite GDP growth, the South China Morning Post reported in October 2019 that the RMB was the second-worst performing currency in Asia, having weakened by 3.7% to the US\$ this year.

Based on data from NBS, the new residential real estate market saw price increases in 55 out of the 70 tracked PRC cities in August 2019, with new home prices rising by an average of 0.58%. Moody's reported that residential property sales increased by 11% in August 2019 as compared to a year ago. However, Moody's expects a slow down for the rest of 2019 citing challenging financing conditions and policy restrictions.

## **The Netherlands**

The Dutch Centraal Planbureau announced in August 2019 that it had revised its GDP growth forecast for 2020 downwards to 1.4% from an earlier estimate of 1.5%, attributing the negative impact on the Dutch economy to the United States trade policies and its consequences, the growing risk of Brexit, political developments in Italy and tensions in the Middle East as the key reasons for the downward revision.

Despite the gloomy economic outlook, demand for Amsterdam's office spaces remains high with a significantly lower office space availability vis-à-vis other comparable cities according to a report released by Colliers in September 2019. The same report showed that office vacancy rate has hovered between 5% and 7% and only one-tenth of the total supply offers more than 3,000 sqm of floor space which made it difficult for large and medium-sized corporations attempting to establish a base within the Amsterdam region to find an appropriate location.

According to Statistics Netherlands ("CBS"), the average sales price of existing owner-occupied homes in August 2019 was 5.7% higher than in the same month last year. House prices have been on an upward trend since about 6 years ago with the average purchase price reaching its highest point of €316,000 in August 2019. However, while the increase in home prices appeared to slow down with August's increase being the lowest in nearly three years, the Dutch capital was identified by Swiss bank UBS in its 30 September 2019 report as the third most likely city to be experiencing a housing market bubble. The study showed that Amsterdam recorded the strongest price increase among all cities since 2015 with price increases of close to 10% a year, outpacing income growth significantly. Such price increases were attributed to a strong regional economy, rapidly easing financing conditions and speculative buying.

In an August report released by CBS, business confidence in the accommodation and food service sectors stood at 7.4%, over 1 percentage point lower than a quarter ago. CBS attributed the poor business sentiment to manpower shortage citing nearly 26,000 vacancies as at the end of the second quarter of 2019. In September 2019, Horwath HTL forecasted a less positive outlook for the coming years, projecting growth in average room rates but modest RevPAR growth due to economic uncertainties such as Brexit and the ongoing trade wars.

## **Company Outlook**

### **Property Development**

In Dongguan, the Star of East River and Emerald of the Orient projects continue to generate good cash flows through strong pre-sales performance. The residential units of The Pinnacle and Wanjiang Victory Land projects are expected to be launched for pre-sale in late 2019/early 2020 and late 2020 respectively. The Group's various Dongguan projects are expected to be handed over in phases over the next few years.

In Chengdu, the Group's Millennium Waterfront project has launched 781 out of a total of 807 loft SOHO units at Plot F for pre-sales in August 2019 and sales performance for these launched units has been satisfactory. The development at Plot F is expected to be completed around early 2021. The Group is considering its development options for Plot E, the last development plot of the Chengdu Millennium Waterfront project.

The Group has received the conditional building permits to (i) redevelop the Dreeftoren Amsterdam office building by increasing its net lettable area by approximately 74% to 15,272 sqm; and (ii) develop a new 312-unit residential tower next to the office building. The Group expects both building permits to be irrevocable by late 2019. As construction costs in the Netherlands remain high, the Group will monitor the construction market and will only commence construction if it is able to secure a construction contract for the developments at a reasonable contract price.

## Property Holding

The 193-room Hampton by Hilton hotel in Utrecht, the Netherlands has traded well with an average occupancy rate of 72.7% since its opening on 17 June 2019 to 30 September 2019. The hotel achieved an EBITDA of €1.0 million in its first 3.5 months of operation. Encouraged by the stellar performance of its first owner managed hotel in the Netherlands, the Group looks forward to the completion of the 144-room Crowne Plaza hotel in April 2020 which will also be owner managed and is within the same building.

## Property Financing

The PRC property financing (“PRC PF”) loan book stood at approximately RMB2.0 billion as at 30 September 2019. The Group is working towards the disbursement of additional PRC PF loans before the end of 2019. The Group expects 2019 to be a record year for the PRC PF business.

The Group has successfully recovered the entire RMB170.0 million loan principal in respect of the Case 1 defaulted loan in October 2019. After working with the Shanghai court and due to the public interest arising from the criminal cases involving the legal representative of the borrower, the Group has accepted a lower interest of RMB24.2 million, being interest accrued at 4.75% per annum, with the remaining auction proceeds to be distributed to the victims of the criminal cases. This marks the conclusion of the litigation in relation to the Case 1 defaulted loan. Since the commencement of the Group’s property financing (“PF”) business in 2012, the Group has experienced defaults on only two PF loans and has not suffered any bad debt loss.

Following the Group’s maiden entry into Australia in late 2018, the Group is keen to increase its business footprint in the key cities of Australia which may be by way of equity participation in, and financing of, property development projects. Given the ongoing tightening of the credit market in Australia, the Group is upbeat that it will be able to expand its Australia property financing portfolio and/or participate in property holding opportunities for prime real estate properties or developments under the current favourable macro-economic conditions.

### 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 October 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 third quarter and the nine-month period ended 30 September 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 October 2019