



珍惜土地 用心铸造

# First Sponsor Group Limited

Investor Presentation

5 February 2015

The initial public offering of the Company's shares was sponsored by DBS Bank Ltd., who assumes no responsibility for the contents of this presentation.

# Disclaimer

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This document may contain forward-looking statements that involve assumptions, risks and uncertainties. Actual future performance, outcomes and results may differ materially from those expressed in forward-looking statements as a result of a number of risks, uncertainties and assumptions. Representative examples of these factors include (without limitation) general industry and economic conditions, interest rate trends, cost of capital and capital availability, availability of real estate properties, competition from other developments or companies, shifts in customer demands, customers and partners, expected levels of occupancy rate, property rental income, changes in operating expenses (including employee wages, benefits and training costs), governmental and public policy changes and the continued availability of financing in the amounts and the terms necessary to support future business. You are cautioned not to place undue reliance on these forward-looking statements, which are based on the current view of management on future events.

We had on 10 July 2014 issued a prospectus which was lodged for registration by the Monetary Authority of Singapore (the “Prospectus”). The results contained in this document should be reviewed in conjunction with the Prospectus.

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**Section 1**

**Key Message**

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# Key Message

- 1. 226.8% increase in profit before tax from S\$9.2m in 4Q2013 to S\$30.2m in 4Q2014, mainly due to the first time profit recognition of the sale of 746 residential units of the Millennium Waterfront project. On an adjusted basis, the Group reported a year-on-year 26.9% increase in its pre-tax profit to S\$48.7m.**
- 2. Achieved credible property development sales performance in the Millennium Waterfront project with a 7.9% increase in sales value\* from RMB683.0m in FY2013 to RMB736.8m in FY2014.**
- 3. Strong growth in the property financing business, with a 129.4% year-on-year increase in revenue from S\$8.5m in FY2013 to S\$19.5m in FY2014 (4Q2014 vs 4Q2013: increased by 156.5%). The property financing business contributed 45.2% or S\$22.0m to the Group's adjusted profit before tax for FY2014. Management continues to seek opportunities to grow the property financing loan portfolio.**

\* Includes sales under option agreements or sale and purchase agreements, as the case may be.

## Key Message

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4. **On the property holding front, as announced on 5 February 2015, the Group has entered into an agreement to acquire its first investment property outside of the PRC. This transaction is carried out by leveraging on the business network of one of our key controlling shareholders, the Tai Tak Group, which has been in the Netherlands for more than 20 years. The Group will continue to explore investment opportunities in the Netherlands to build up a more diversified property holding business base.**
5. **Strong balance sheet backed by net cash of S\$47.0m and unutilised committed credit facilities of S\$218.0m as at 31 December 2014. The Group is ready to seize any new business opportunities in the Netherlands and the PRC.**
6. **The Board has proposed a final dividend for FY2014 of 0.76 Singapore cents per share amounting to approximately S\$4.5m, representing S\$10.0m adjusted on a *pro rata* basis for the period from our listing to 31 December 2014, in line with what was disclosed in the IPO prospectus.**
7. **Site preparation works are in progress for the Star of East River Project, with the project design being re-evaluated in light of recent change in building regulations. This may cause a delay in the main construction work and sales launch.**

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## Section 2

## Financial Highlights

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# Statement of Profit or Loss - Highlights

Statement of Profit or Loss - Highlights						
In S\$'000	4Q2014	4Q2013	Change %	FY2014	FY2013	Change %
Revenue	84,461	8,390	906.7%	153,211	157,532	(2.7)%
Gross Profit	29,678	3,256	811.5%	57,115	46,995	21.5%
PBT	30,225	9,249	226.8%	40,520	59,518	(31.9)%
PAT	19,257	9,088	111.9%	21,704	47,631	(54.4)%
Basic EPS (cents)	3.26	3.17	3.0%	4.33	16.54	(73.8)%
Adjusted PBT <sup>(1)</sup>	30,225	9,249	226.8%	48,725	38,410	26.9%
Adjusted PAT <sup>(1)</sup>	19,257	9,088	111.9%	29,909	26,523	12.8%

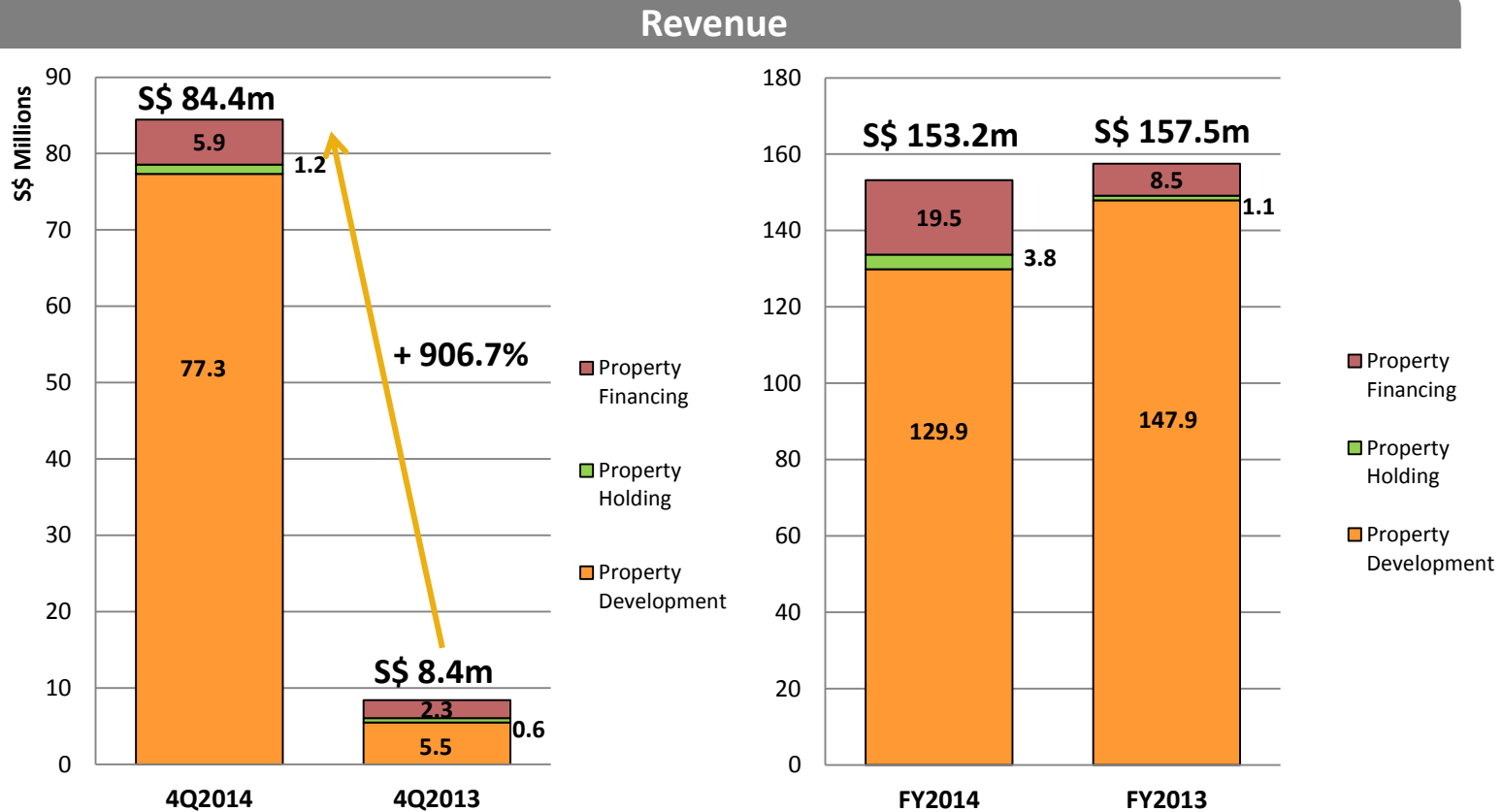
(1) Adjusted PBT and PAT

- Adjusted PBT and PAT for FY2014 exclude IPO expenses of S\$3.5m and share-based charge of S\$4.7m.
- Adjusted PBT and PAT for FY2013 exclude impairment loss reversal of S\$21.1m.

Note: The accounting for the share-based charge does not have an impact on the total equity of the Group.



# Statement of Profit or Loss – Revenue



## Property Development

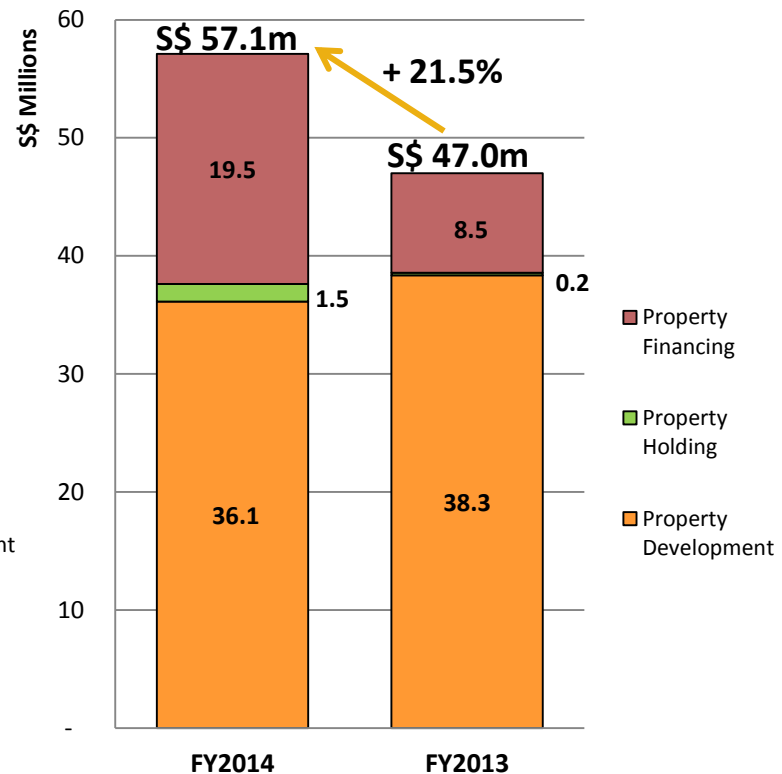
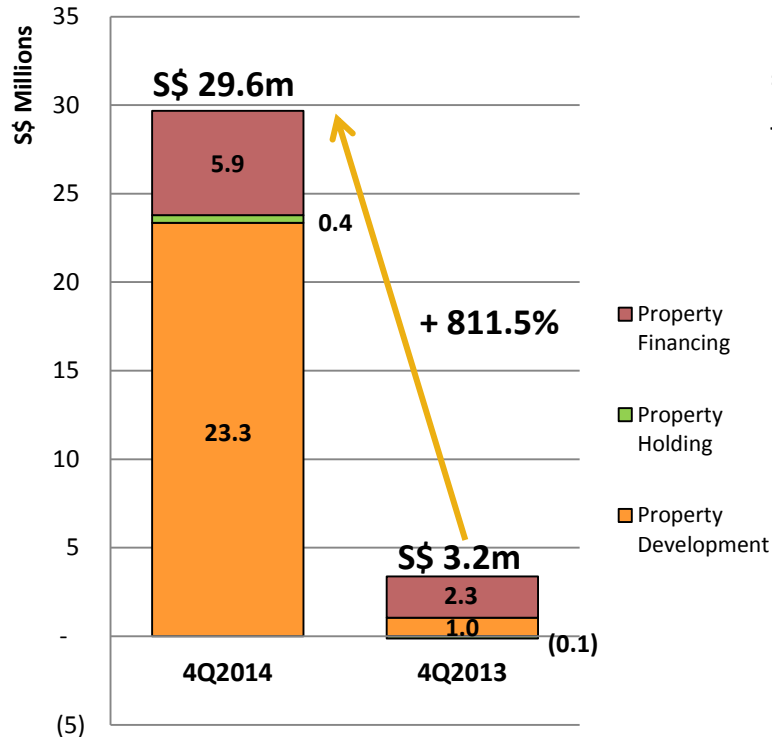
- The increase is mainly due to the first time project handover of 6 residential blocks in Dec 2014 for Plot B of the Millennium Waterfront project, with S\$76.1m of net revenue (gross revenue of S\$80.7m less business tax of S\$4.6m) recognised.

## Property Financing

- 4Q2014 recorded higher property financing revenue due to a larger entrusted loan portfolio.

# Statement of Profit or Loss – Gross Profit

## Gross Profit



### Property Development

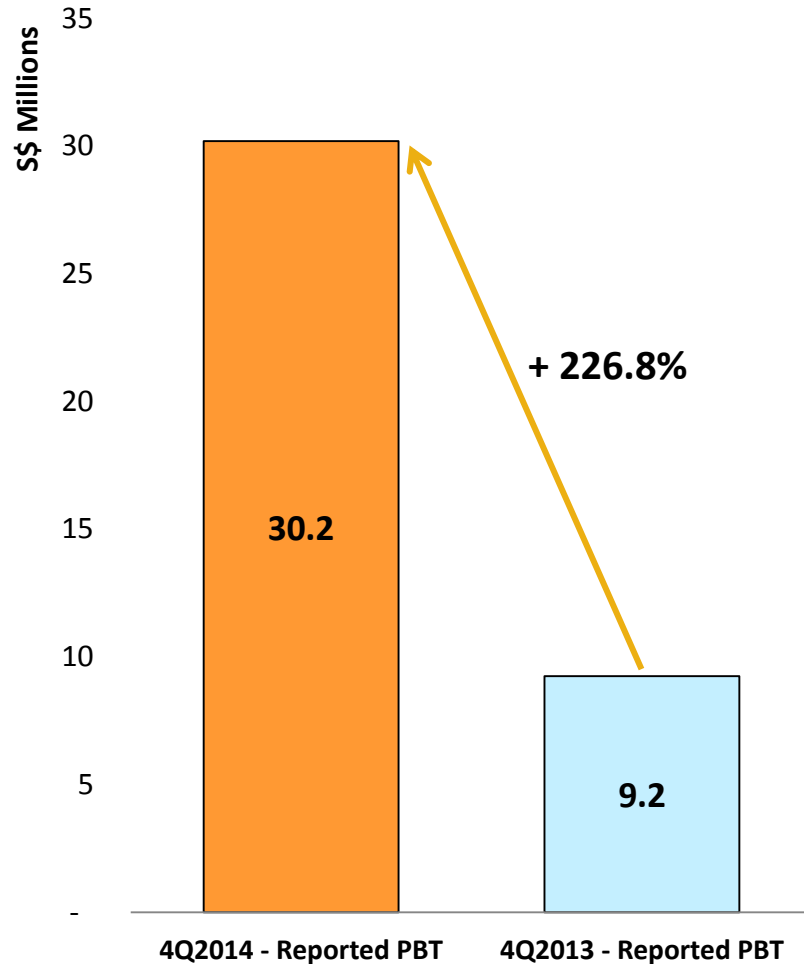
- The first time profit recognition of the sale of residential units in the Millennium Waterfront project contributed S\$23.6m to the Group's gross profit in 4Q2014.
- Overall gross profit of S\$23.3m in 4Q2014 due mainly to contribution from the Millennium Waterfront project partially offset by increased costs recognised in the Chengdu Cityspring project.

### Property Financing

- Higher gross profit from the property financing business recorded in 4Q2014 due to a larger entrusted loan portfolio. The gross profit in FY2014 has more than doubled that achieved in FY2013.

# Statement of Profit or Loss – Profit before Tax (4Q2014 vs 4Q2013)

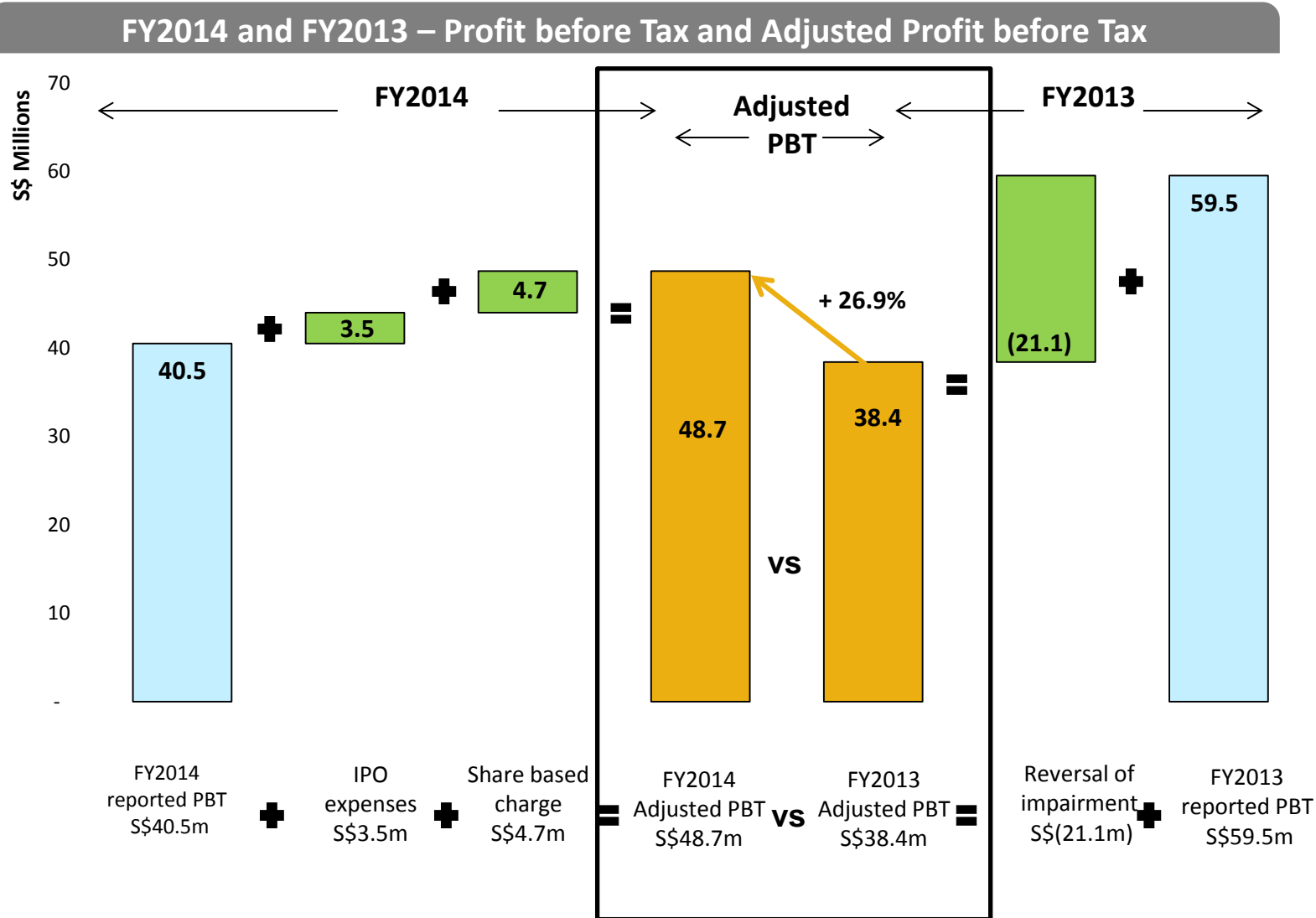
## 4Q2014 and 4Q2013 – Profit before Tax



The S\$21.0m quarter-on-quarter increase is mainly due to:

- First time profit recognition of the sale of residential units of the Millennium Waterfront project in December 2014.
- Higher income contribution from the property financing business due to a larger entrusted loan portfolio.

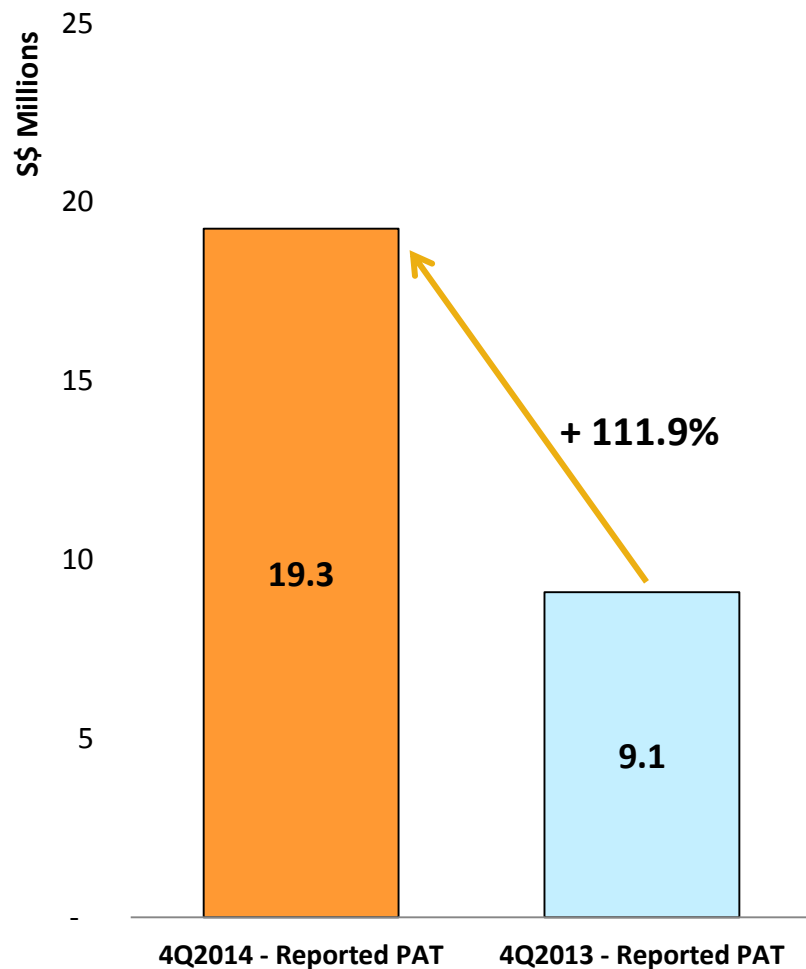
# Statement of Profit or Loss – Profit before Tax (FY2014 vs FY2013)



The year-on-year S\$10.3m increase in adjusted profit before tax mainly arises from the profit recognition of the Millennium Waterfront project and higher income contribution from the property financing business.

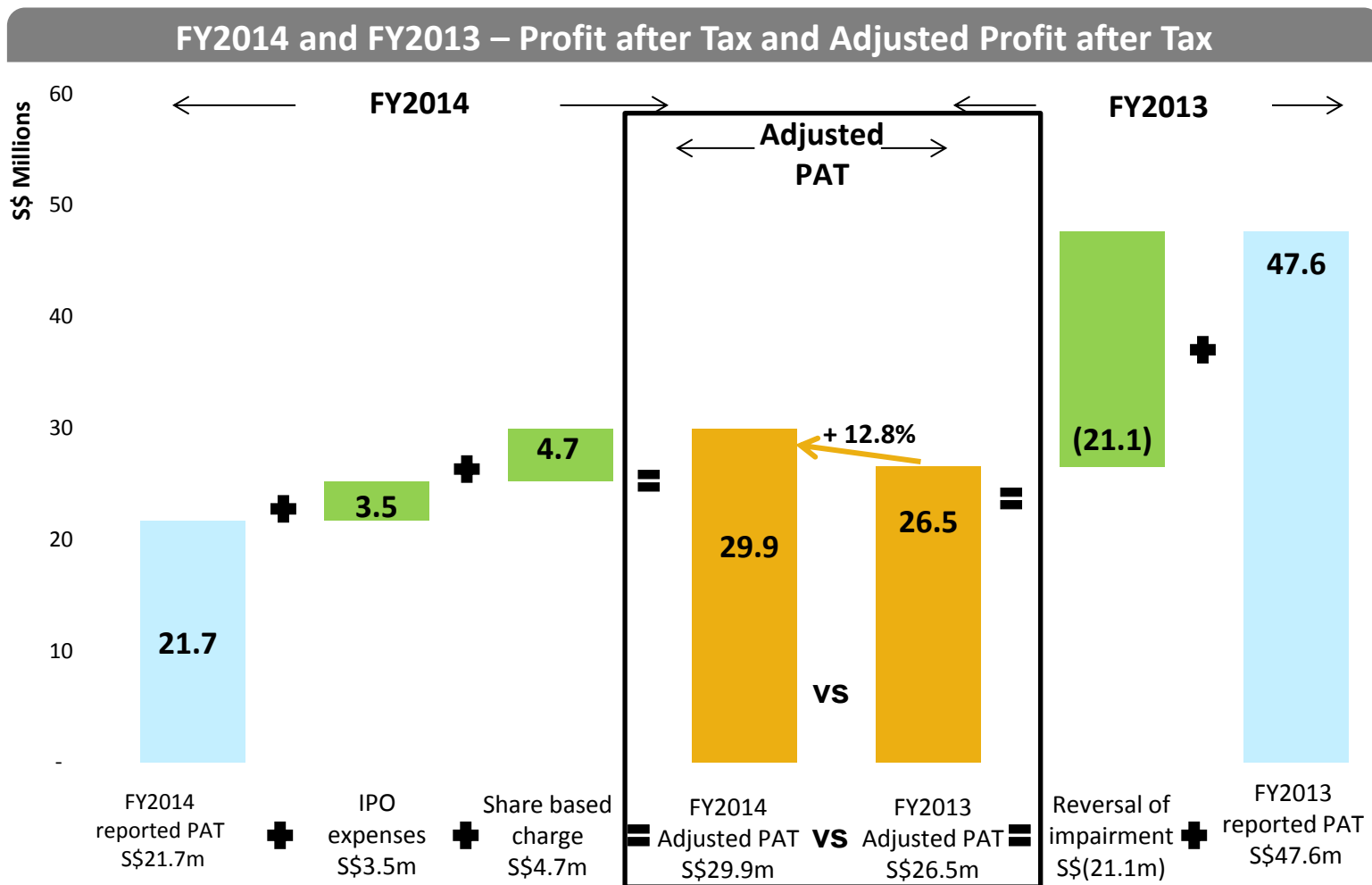
# Statement of Profit or Loss – Profit after Tax (4Q2014 vs 4Q2013)

## 4Q2014 and 4Q2013 – Profit after Tax



1. Profit after tax increased by S\$10.2m which is mainly due to a S\$21.0m increase in profit before tax for 4Q2014 partially offset by a S\$10.8m increase in tax expense.
2. Effective tax rate of the Group for 4Q2014: 36.3% (4Q2013: 1.7%).
3. The increase in effective tax rate for 4Q2014 is mainly due to land appreciation tax accrued for:
  - a. Relinquishment of Chengdu Wenjiang Factory Land and Chengdu Wenjiang Factory.
  - b. Profit recognition for the Millennium Waterfront project.
4. The low effective tax rate for 4Q2013 is mainly due to prior year tax credit adjustments.

# Statement of Profit or Loss – Profit after Tax (FY2014 vs FY2013)



- Adjusted profit after tax increased by S\$3.4m to S\$29.9m in FY2014, mainly due to a S\$10.3m increase in adjusted profit before tax for FY2014 partially offset by a S\$6.9m increase in tax expense.
- Effective tax rate (based on adjusted PBT) of the Group for FY2014 : 38.6% (FY2013 : 31.0%)
- Effective tax rate for both FY2014 and FY2013 include one off prior year tax adjustments. Adjusted effective tax rate (excluding these one off prior year tax adjustments) for both FY2014 and FY2013 are approximately 33.0% and 33.2% respectively.

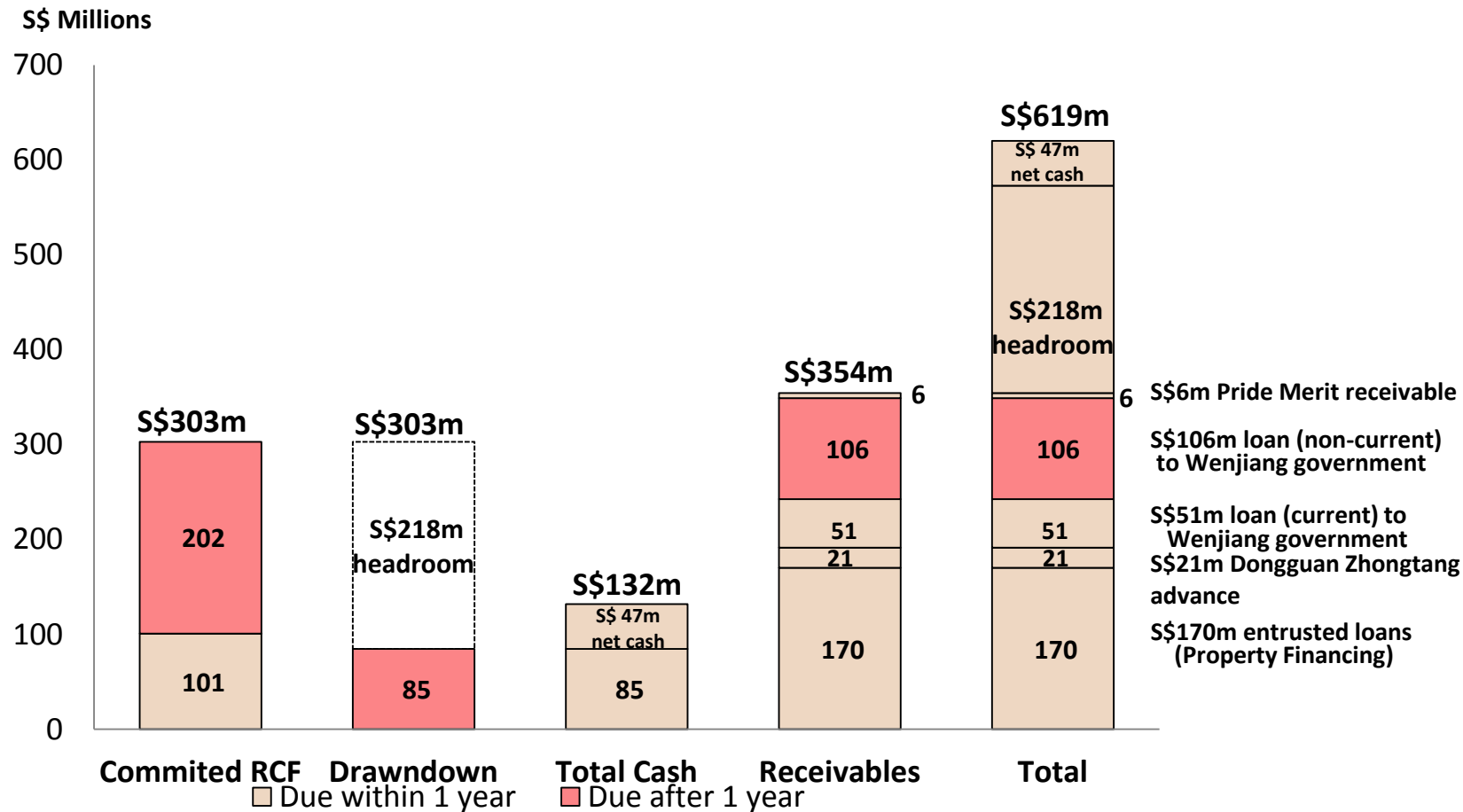
# Statement of Financial Position - Highlights

Statement of Financial Position - Highlights			
In S\$'000	31 Dec 2014	30 Sep 2014	Change %
<b>Total cash</b>	131,797	179,125	(26.4)%
<b>Receipts in advance</b>	200,158	243,840	(17.9)%
<b>Total debt</b>	83,003 <sup>(1)</sup>	77,484	7.1%
<b>Net Asset Value (NAV)</b>	894,474	851,660	5.0%
<b>NAV per share (cents)</b>	151.65	144.39	5.0%
<b>Gearing ratio <sup>(2)</sup></b>	Net Cash	Net Cash	

(1) Comprises gross borrowings of S\$84.6m net of unamortised upfront fee of S\$1.6m.

(2) Computed as net debt / total equity.

# Liquidity Management as at 31 December 2014



- Net cash of S\$47m computed based on total cash and cash equivalents less gross borrowings of S\$85m.
- The Group has S\$619m of monetary receivables, net cash and unutilised committed credit facilities as at 31 Dec 2014.
- Repayment date of Dongguan Zhongtang advance of S\$21m has been extended to no later than 25 Nov 2015, yielding a 10% per annum return with effect from 26 Nov 2014.

Please refer to the section “Property Development – Dongguan Zhongtang Project” for more details.



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**Section 3**

**Key Business Review 4Q2014 – Property Development**

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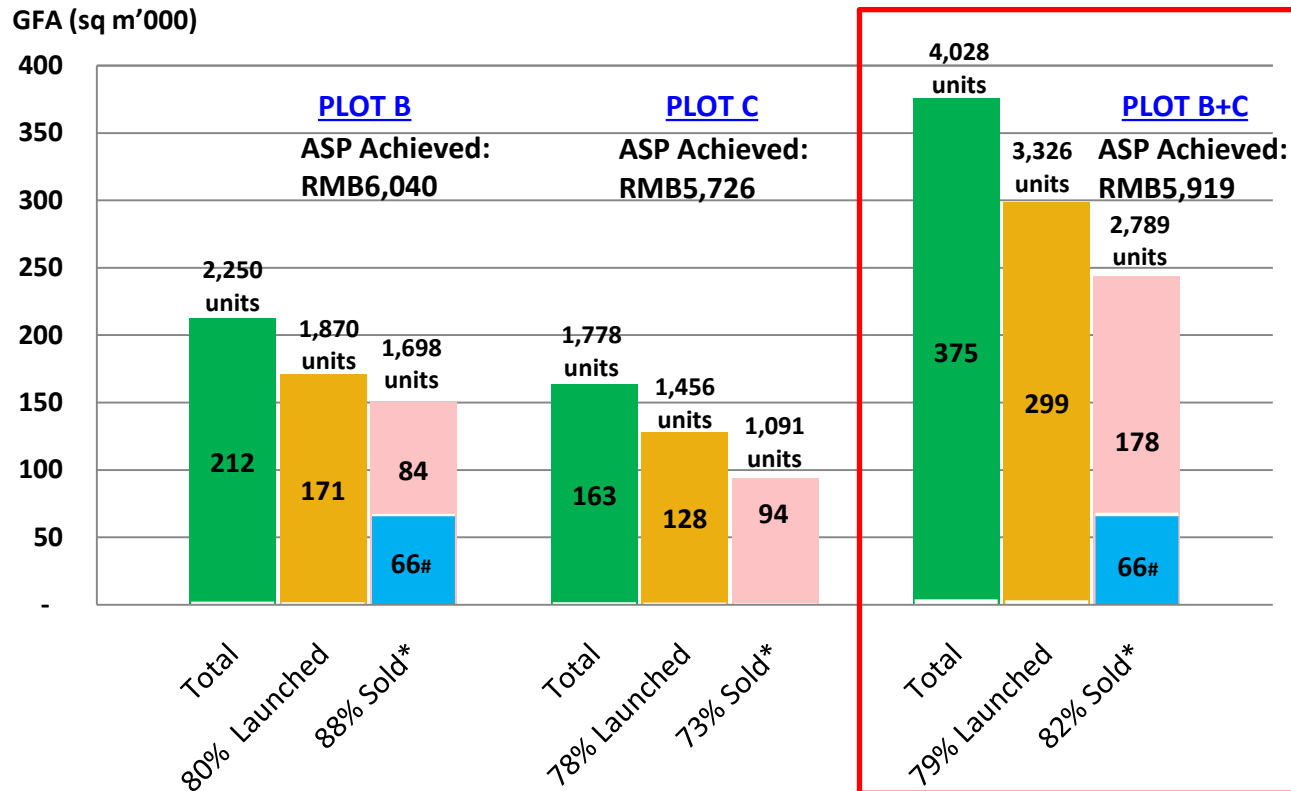
# Property Development – Millennium Waterfront Project

## 3.1 Millennium Waterfront Project – Chengdu

FY2014	Plot B	Plot C	Total
Launched residential units sold*	142 units	1,091 units	1,233 units

- 82% cumulative pre-sale rate for the residential units launched for sale in Plot B and Plot C.

Plot B and C Residential Pre-sale Performance as of 31 December 2014



\* Includes sales under option agreements or sale and purchase agreements, as the case may be.

# Sales of 746 residential units (GFA of 65,589 sq m) with a gross sales value of S\$80.7m has been recognised in FY2014.

# Property Development – Millennium Waterfront Project

## 3.1 Millennium Waterfront Project – Chengdu

- Construction of Plots B and C are on schedule, with further handover of Plot B units (commercial and residential) and Plot C units (residential) expected in FY2015.



Plot B residential blocks

Plot C residential blocks

# Property Development – Millennium Waterfront Project

## 3.1 Millennium Waterfront Project – Chengdu

- Construction for Plot A has commenced in 4Q2014.
- Pre-sales launch is expected in 1Q2015.



Plot A aerial view



Ongoing construction at a residential block



# Property Development – Star of East River Project

## 3.2 Star of East River Project

- Site preparation works are in progress for the Star of East River project.
- In view of the current property market conditions and arising from the recent change in building regulations which allows offices to have a larger floor plate, the Group is studying the feasibility of building a super high-rise office building with a larger floor plate instead of the currently approved twin-tower structure. This may result in a delay in the commencement of main construction work and sales launch.



# Property Development – Dongguan Zhongtang Project

## 3.3 Dongguan Zhongtang Project

- Pursuant to the Zhongtang Agreements (as defined in the announcement on 14 January 2015), the Group has made a payment of RMB100.0m (“Initial Fund”) to a management company affiliated with the Zhongtang local government in November 2013 to facilitate the resettlement of the properties on the land site in connection to the Dongguan Zhongtang project.
- The management company is unable to fulfil certain of its contractual obligations, in particular with regards to the timely completion of the approval process for putting up for tender a land plot of not less than 100,000 sq m in connection with the Dongguan Zhongtang project. On 14 January 2015, The Group entered into a termination agreement to mutually terminate the Zhongtang Agreements.
- Pursuant to the termination agreement:
  - i. the management company shall refund the Initial Fund to the Group no later than 25 November 2015;
  - ii. In lieu of paying the Agreed Return (as defined in the IPO prospectus), the management company has paid a sum of RMB16.5m to the Group on 14 January 2015;
  - iii. the management company shall pay a return on the Initial Fund at a rate of 10.0% per annum, for the period from 26 November 2014 to the repayment date, no later than 25 November 2015.
  - iv. the Group would have the opportunity but not the obligation to participate in a tender process for the land use rights relating to the Dongguan Zhongtang project in the future.

# Property Development – SSCIP Project and Wenjiang Lake Project

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## 3.4 Updates on the SSCIP Project and Wenjiang Lake Project

There have been delays in the official works in preparing the development land in connection with the SSCIP project and the Wenjiang Lake project for the relevant land tender process. In view of the current PRC property market conditions, the Group will continue to work with the relevant local government bodies and monitor the progress of these preparation works. The Group will in the meantime focus its efforts in developing the Millennium Waterfront project and Star of East River project.

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**Section 4**

**Key Business Review 4Q2014 – Property Holding**

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# Property Holding – M Hotel Chengdu and Millennium Waterfront Chengdu

## 4.1 M Hotel Chengdu

- FY2014 occupancy of 29.7%, ADR of RMB410 and RevPar of RMB122, which is an improvement from YTD Sep 2014.
- Profitable at the operating level in 4Q2014, mainly due to
  - ✓ 4Q being traditionally a peak season.
  - ✓ Phase II (which includes meeting and banquet facilities) boosted the hotel's performance.

## 4.2 Millennium Waterfront Chengdu Hotel

- Construction is currently ongoing as planned with target hotel commencement date in FY2017.



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**Section 5**

**Key Business Review 4Q2014 – Property Financing**

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## Property Financing - Overview of Financial Performance

	Revenue (S\$' m) <sup>(1)</sup>	As a % of Group Revenue	Profit before tax (S\$' m)	As a % of Group Adjusted PBT
<b>4Q2014<sup>(2)</sup></b>	5.9	7.0%	6.3	20.8%
<b>4Q2013<sup>(3)</sup></b>	1.7	20.3%	1.4	15.1%

	Revenue (S\$' m) <sup>(1)</sup>	As a % of Group Revenue	Profit before tax (S\$' m)	As a % of Group Adjusted PBT
<b>FY2014<sup>(2)</sup></b>	19.5	12.7%	22.0	45.2%
<b>FY2013<sup>(3)</sup></b>	6.0	3.8%	5.2	13.5%

	Total no. of loans as at	Third Party Loan Balance as at	Average Third Party Loan Balance for the year ended
<b>31 December 2014</b>	11	RMB 801.0m (S\$170.3m)	RMB 553.0m (S\$113.9m)
<b>31 December 2013</b>	2	RMB 150.0m (S\$31.3m)	RMB 145.0m (S\$29.5m)

**To-date, we have not experienced any loan default and interest servicing on all loans has been current.**

- (1) Comprises interest income on entrusted loans to third parties, interest income on vendor financing arrangements and financial consultancy fee income.
- (2) PBT is higher than revenue as interest income generated from surplus funds is higher than expenses incurred for the period.
- (3) Excludes entrusted loans to an affiliated corporation.

# Property Financing - Overview of Financial Performance

## Current loan book

11 secured loans amounting to RMB801.0m with interest ranging from 17.5% to 20.0% per annum.



Strata office units in Beijing as loan collateral



Hotel building in Shanghai as loan collateral



Two levels of office units in Guangzhou as loan collateral

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## Section 6

## Acquisition in the Netherlands – Zuiderhof I

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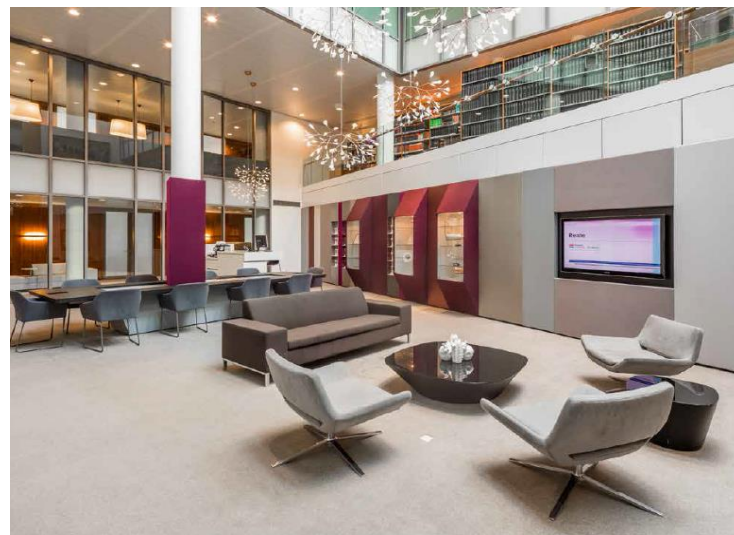
# Acquisition in the Netherlands – Zuiderhof I

- The acquisition relates to an office building, Zuiderhof I, located at the South Axis, the CBD of Amsterdam. It has excellent transport accessibility to the Schiphol Airport and Amsterdam South train station. The property is built on perpetual leasehold land with ground rent paid up to May 2050.
- Zuiderhof I consists of an office building, archives and a two storey indoor parking garage offering 111 parking spaces. The building achieved energy cost reduction through its heat and cold storage in the ground, and has a A-label energy certificate. The total net lettable floor area of the property is 12,538 sq m excluding parking spaces.
- The acquisition cost of the property is Euro 51.5m. The office building is fully leased to one tenant - Van Doorne, which is one of the largest legal firms in the Netherlands.



# Acquisition in the Netherlands – Zuiderhof I

- The remaining lease term of the current tenant is approximately 4.5 years (until 31<sup>st</sup> July 2019). Gross rent on the lease of the office building (inclusive of the carpark) is approximately Euro 4.3m per annum.
- Rental is adjusted annually on the 1<sup>st</sup> of August with reference to the CPI (the index limit set at 4.5%).
- The current lease will expire in July 2019, with options to renew the lease on the part of the tenant.





# Acquisition in the Netherlands – Zuiderhof I

