

Issuer: First Sponsor Group Limited

Security: First Sponsor Group Limited

Meeting details:

Date: 26 April 2017

Time: 15:00H

Venue: Grand Copthorne Waterfront Hotel Singapore, Riverfront Ballroom, Level 2, 392 Havelock Road, Singapore 169663

Company Description

First Sponsor Group Limited, an investment holding company, invests in, develops, and sells residential and commercial properties in the People's Republic of China and the Netherlands. It also owns and operates hotels; and provides entrusted loans and financial consultancy services. In addition, the company offers consultancy and management services, and property management services. First Sponsor Group Limited was incorporated in 2007 and is based in Singapore.

(Source: http://www.sgx.com/wps/portal/sgxweb/home/company_disclosure/stockfacts?code=ADN)

Q1. Based on the updates of the major developments and achievements of the group in 2016 (Chairman’s Statement - pages 7 to 11 of the annual report), shareholders would like to seek more clarity into the following matters:

- a) **Millennium Waterfront Project, Chengdu, PRC:** With the handing over of units in Phase C, and the pending handover of Phase A in 2017, does the group still have development projects in the pipeline for the PRC?
- b) **“The Terraced Tower”, Boompjes 55 and 57 Project, Rotterdam, The Netherlands:** With the sales and purchase agreement with CBRE Global Investors to divest 75% of the units, can management estimate the projected return on investment/internal rate of return of the group’s first property development in the Netherlands?
- c) **Chengdu Hotels:** Does the group own and manage all three hotels in Chengdu?
- d) **Property Financing:** The entrusted loan balance was S\$152.3 million (RMB730.0 million) (31 December 2015: S\$213.2 million or RMB980.0 million) (page 33), the lowest level in the past three years. Has the group made a conscious decision to scale down property financing in view of the recent default?

Q2. In the Chairman’s Statement, it was also mentioned that the group had assessed the use of hedging instruments to manage the group’s Renminbi (RMB) exposure.

In Note 26 (pages 130 to 131 - Financial risk management (Foreign currency risk)), the group’s net exposure was \$42.1 million to RMB and \$(54.2) million to Euro.

- a) **Can management help shareholders understand how expensive are the hedging instruments for RMB?**

The net exposure to the Euro resulted from the group’s cross currency swaps. As shown in Note 15 (page 111 – Derivative liabilities), the details of the swaps are as follows:

- (a) *Settlement in June 2018 when the Company will pay EUR33,898,000 and receive an agreed amount of \$50,000,000; and*
- (b) *Settlement in December 2019 when the Company will pay EUR40,000,000 and receive an agreed amount of \$60,520,000.*

- b) **Can shareholders understand why the company has gone into the two cross currency swaps for EUR/SGD? Are they put in place to meet certain obligations/cash flow requirements in June 2018 and December 2019?**

Q3. In the Corporate Governance Report, the group had disclosed, under Principle 5: Board Performance (page 25), that:

A formal assessment process is in place to assess the effectiveness of the Board as a whole on an annual basis. The NC uses objective and appropriate criteria to assess the performance of the Board. ... The NC has determined that given the number of directors of the Company, size of the Board, the background, expertise and the participation in the board meetings of the Company, it would not be necessary for each director to perform a self-evaluation exercise.

Principle 5 of the Code of Corporate Governance 2012 (Code) issued by the Monetary Authority of Singapore states that:

Principle 5 There should be a formal annual assessment of the effectiveness of the Board as a whole and its board committees and the contribution by each director to the effectiveness of the Board.

Guideline 5.3 further states that “individual evaluation should aim to assess whether each director continues to contribute effectively and demonstrate commitment to the role (including commitment of time for meetings of the Board and board committees, and any other duties)”.

- a) **Can the nominating committee confirm that the company only has a formal assessment process to evaluate the effectiveness of the board as a whole, but not on the board committees and the contributions by each director to the effectiveness of the board?**
- b) **Can the nominating committee elaborate on why it had determined that it would not be necessary for each director to perform a self-evaluation exercise “given the number of directors of the Company, size of the Board, the background, expertise and the participation in the board meetings”?**
- c) **Would the board and the nominating committee reconsider the company’s deviation from the Code?**