



**Securities Investors Association (Singapore)**

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UEN No: S99SS0111B

GST Reg No: M90367530Y

**Issuer:** First Sponsor Group Limited

**Security:** First Sponsor Group Limited

**Meeting details:**

Date: 24 April 2019

Time: 3.00 p.m.

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

**Company Description**

First Sponsor Group Limited (FSGL) is a Singapore-based investment holding company. The principal activities of the Company's subsidiaries are those relating to investment holding, property development and sales, property investment, hotel ownership and operations, and provision of property financing services. Its segments are Property development, Property investment, Property financing and Hotel operations. The Property development segment includes the development and/or purchase of properties for sale. The Property investment segment includes the development and/or purchase of investment properties for lease. The Property financing segment includes the provision of entrusted loans through entrustment banks and financial consultancy services. The Hotel operations segment includes the hotel ownership. Its subsidiaries include Chengdu Industries Pte. Ltd., First Kaiser Company Limited, First Sponsor Management Pte. Ltd. and First Sponsor Investment Limited.

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

1. In April 2018, the company completed an equity fund raising exercise by way of a 1-for-4 rights issue of 3.98% perpetual convertible capital securities (PCCS) which raised net cash proceeds of approximately S\$161.5 million. In addition, the board approved a bonus issue of one bonus share for every 10 ordinary shares in issue as a reward to shareholders.

The rights issue, the bonus issue and the dividend ex-date all happened during a very tight window from 21 March 2018 to 26 April that could have confused shareholders.

Eight months after shareholders had supported the company in the issue of the PCCS, in the middle of February 2019, the company surprised shareholders and PCCS holders with a new rights issue of Series 2 PCCS with free detachable warrants exercisable into Series 2 perpetual convertible capital securities. At the same time, the company once again announced a proposed bonus issue of warrants exercisable into Series 2 PCCS.

The company also informed the PCCS holders that it would redeem all of the Series 1 convertible securities if they were not converted.

- (i) Would the board and management help shareholders understand the necessity of such complex fund raising by the company?**
- (ii) Would the board evaluate how it could avoid multiple corporate actions at the same time, especially if the corporate actions are related and affect the pricing of its securities?**

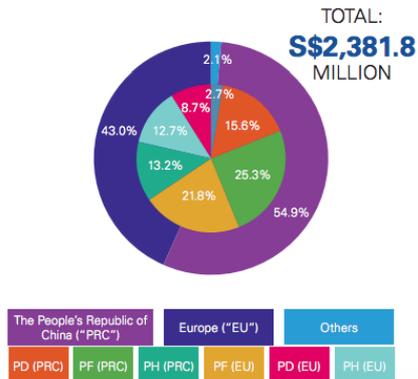
SGX-ST has provided feedback to the company that the proposed rights issue involving warrants exercisable into convertible securities was not suitable for distribution to retail investors. The company has since amended the proposed exercise such that the warrants are exercisable into shares (instead of perpetual convertible capital securities).

- (iii) Can the board, especially the independent directors, re-evaluate and simplify its fund raising methods?** “Plain vanilla” corporate actions would be easily understood by the market and probably easier and cheaper to administer.

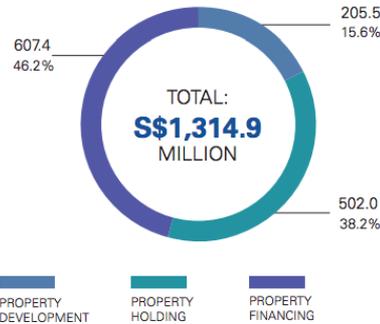
2. Would the board/management provide shareholders with better clarity on the following operational and financial matters? Specifically:

- (i) Capital allocation: Can the board update shareholders on the capital allocation strategy in terms of geographical allocation and business for the next 3-5 years?** The current distribution is shown in the charts below.

**TOTAL ASSETS – BY BUSINESS AND GEOGRAPHIC SEGMENTS AS AT 31 DECEMBER 2018**



**NET ASSETS BY SEGMENT AS AT 31 DECEMBER 2018<sup>(3)</sup>**



(3) This is excluding unallocated net assets of S\$8.6 million.

(Source: Company annual report)

**a. What is the targeted allocation for China, Europe and Australia?**

**b. How much capital will be for property development, property investment and property financing?**

**(ii) Net gearing:** Net gearing is at 0.40x but is expected to decrease with the proposed rights issue. **What is the internal limit for net gearing set by the board?**

**(iii) Management team:** The group has operations from Australia to China to Germany and in different businesses (such as development, financing, investment). **What is the management depth of the senior management team to oversee and drive the various businesses that requires different skillsets?**

3. Mr Ho Han Khoon is the alternate director to Mr Ho Han Leong Calvin, the non-executive chairman of the board.

The attendance of directors at board and board committee meetings is shown in the table below:

In FY2018, the Board held four meetings and on numerous occasions used circular resolutions in writing to approve certain decisions. The Directors' attendance at the annual general meeting of the Company ("AGM"), and Board and Board committee meetings as well as the frequency of such meetings held in FY2018 are as follows:

	Board	AC	NC	RC	AGM
Number of meetings held in FY2018	4	4	1	1	1
Name of Directors	Number of meetings attended in FY2018				
Mr Ho Han Leong Calvin	4	–	NA	–	1
Mr Ho Han Khoon (Alternate Director to Mr Ho Han Leong Calvin)	4	4	NA	1	1
Mr Tan Kian Seng*	2	NA	NA	NA	1
Mr Neo Teck Pheng	4	NA	1	NA	1
Ms Ting Ping Ee, Joan Maria	4	4	1	1	1
Mr Yee Chia Hsing	4	4	1	NA	1
Mr Wee Guan Oei Desmond	4	NA	NA	1	1

Note:

\* Mr Tan Kian Seng resigned as Non-Executive Director of the Company on 5 March 2019. He was replaced by Mr Kingston Kwok Eik Huih who was appointed on the same date.

(Source: Company annual report)

As shown in the table above, the Mr Ho Han Khoon attends board meetings as an alternate director even when the principal director attends the board meeting.

Guideline 4.5 of the 2012 Code of Corporate Governance (CG Code) states that boards should generally avoid approving the appointment of alternate directors. Alternate directors should only be appointed for limited periods in exceptional cases such as when a director has a medical emergency. The CG Code further recommends that alternate directors be appointed for limited periods only.

- (i) Can the board help shareholders understand the rationale for the appointment of Mr Ho Han Khoon as an alternate director?**
- (ii) If the alternate director plays active roles and attend board meetings notwithstanding the attendance or presence of their respective principal director, does it mean that the company may not have independent directors making up more than half of the board?**
- (iii) Would the nominating committee consider "converting" the alternate director to non-executive directors if the NC deem the alternate director qualified and able to contribute to the board**

A copy of the questions for the Annual Report for the financial year ended 31 December 2017 and 31 December 2016 could be found here:

<https://sias.org.sg/qa-on-annual-reports/?company=First%20Sponsor%20Group%20Ltd&cid=6488,4552,4282>

The company's response could be found here: -----



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