



Securities Investors Association (Singapore)
7 Maxwell Road #05-03 MND Building Annexe B Singapore 069111
Tel: (65) 6227 2683 Fax: (65) 6220 6614
Email: admin@sias.org.sg www.sias.org.sg
UEN No: S99SS0111B
GST Reg No: M90367530Y

Issuer: First Sponsor Group Limited

Stock code: ADN

Meeting details:

Date: 20 May 2020

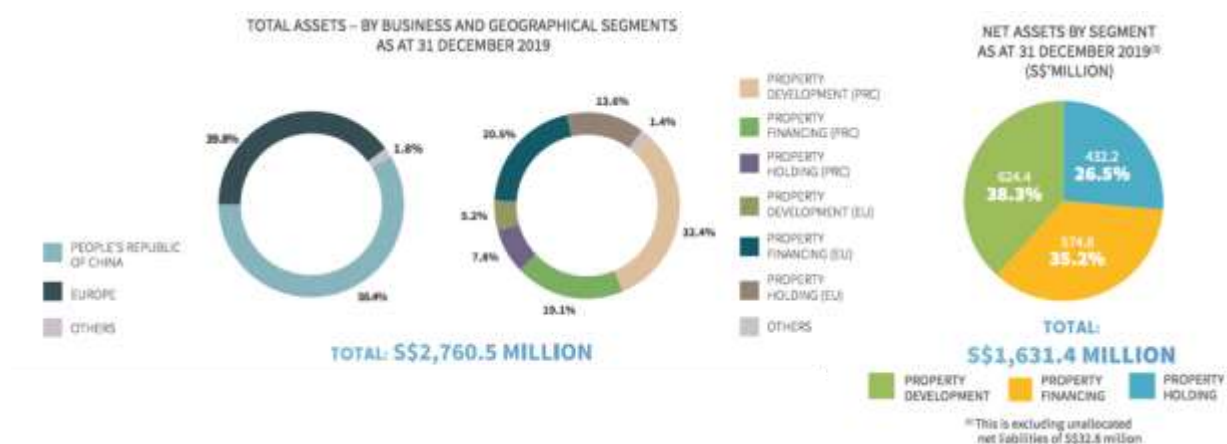
Time: 10.30 a.m.

Due to the current COVID-19 pandemic, SIAS encourage shareholders to participate at AGMs via other means and not to attend any AGM physically. Where the AGM is webcast, they can stay on top of their investments by watching the webcast and submitting their question to the company in advance. Senior citizens should avoid attending AGMs altogether and stay home.

Q1. FY2019 was an eventful year as the group acquired its first hospitality asset in Milan, Italy, commenced operations of an owner-managed hotel in Utrecht, the Netherlands and ventured into a redevelopment project of the iconic 125-year old City Tattersalls Club in Sydney, Australia.

The chairman's statement (pages 7 to 16 of the annual report) provides shareholders with a comprehensive overview of the major achievements in 2019.

In addition, on page 6, shareholders can see the distribution of assets by geography and by business segment (reproduced below):



(Source: adapted from company annual report)

- (i) **For the benefit of new and long-standing shareholders, can the board explain in greater detail its strategic growth plans and the targeted capital allocation by geography and by business segments?**

Q2. As noted in the chairman's statement, the group grew its PRC property financing business to a record average loan book of RMB2.2 billion for FY2019. This was 40% higher than the average amount of RMB1.6 billion in FY2018.

The group also successfully resolved its first case of its defaulted property loan, referred to as "Case 1".

While the entire RMB170.0 million loan principal was recovered, the group accepted a lower interest rate of 4.75% per annum for a total of RMB24.2 million in interest. The remaining auction proceeds were distributed to the victims of the criminal cases related to the legal representative of the borrower, thus reducing the penalty interest rate of 24% to 4.75%.

Since the commencement of the property financing business in 2012, the group has experienced defaults on only two such loans and has fully recovered the loan principal in both cases. However, management has also disclosed that it consented to two borrowers to

defer their interest payment for the short term due to the economic uncertainties resulting from the Covid-19 pandemic (page 15).

- (i) **Given how long Case 1 took, together with the reduction in the penalty interest rate of 24% per annum to 4.75% per annum, was Case 1 still a profitable transaction once the group's legal costs and cost of capital are included?**
- (ii) **Can management help shareholders understand how it has further finetuned its property financing business based on the experience of the two default cases?**
- (iii) **Are there signs of a severe credit deterioration due to the Covid-19 pandemic?**

Q3. In the previous annual report, the group reported that it had entered into a sale and purchase agreement on 30 May 2018 and subsequent various supplemental agreements to sell certain parts of Chengdu Cityspring, including the 196-room M Hotel Chengdu, bare shell commercial spaces and basement car park lots, for a total cash consideration of approximately RMB465.0 million.

Cash proceeds of RMB284.2 million and another RMB10.8 million in liquidated damages in cash were collected.

The disposal was slated to be completed in tranches, with the last tranche expected to be completed in May 2019.

- (i) **Can management update shareholders on the progress of the sale?**

In addition, as disclosed in page 5 (Financial highlight), an impairment charge of \$46.2 million was made in relation to the Crowne Plaza Chengdu Wenjiang hotel (\$38.3 million) and the adjoining hotspring facility (\$7.9 million).

This was even before the global economy was affected by the Covid-19 pandemic in January 2020.

In FY2018, management had expressed its optimism that the Wenjiang hotspring operations will perform better over time.

Between FY2016 and FY2018, the group recognised impairment charges of \$10.3 million (for M Hotel), \$9.3 million (for M Hotel) and \$14.1 million (Wenjiang hotspring operations) respectively. These assets were part of the group at the IPO. Total impairment amount to approximately \$80 million.

- (ii) **Can management/audit committee help shareholders understand if there have been any major changes in the operating environment that led to approximately \$80 million in impairment for its Chengdu hospitality assets?**
- (iii) **What is the level of contribution (in terms of expertise and experience) and the level of oversight by the independent members of the audit and risk committee (“ARC”) in the valuation of hospitality assets?**
- (iv) **How can the ARC give shareholders the added assurance that the group’s assets are valued fairly, or even conservatively?**

^Amid the global COVID-19 outbreak, issuers who choose to proceed with the AGM before 30 April 2020 must provide opportunities for shareholders to ask questions. Shareholders are encouraged to read the annual report and submit any questions they might have to the companies in advance. Issuers would then publicly address the questions at the general meeting via the issuer’s website, through “live” webcast and on SGXNet.

Shareholders are welcome to use and/or adapt the questions prepared by SIAS and to forward them to the company.

Can’t attend the AGM or view the webcast? Check out the latest questions on the annual reports of listed companies on [SIAS website](http://www.sias.org.sg)

Join our mailing list [here](#) to receive latest news and upcoming events.

CONNECT WITH US



^ Joint Statement by Accounting and Corporate Regulatory Authority, Monetary Authority of Singapore and Singapore Exchange Regulation dated 31 Mar 2020 (<https://www.sgx.com/media-centre/20200331-acra-mas-and-sgx-regco-update-guidance-general-meetings>)