



珍惜土地 用心铸造

FIRST SPONSOR GROUP LIMITED

(Incorporated in the Cayman Islands)

(Registration No. AT-195714)

UNAUDITED SECOND QUARTER AND HALF YEAR FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2014

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		
	Second quarter ended 30 June 2014	2013	Incr / (Decr) %	Half year ended 30 June 2014	2013	Incr / (Decr) %
	S\$'000	S\$'000	%	S\$'000	S\$'000	%
Revenue	6,608	51,526	(87.2)	14,028	61,385	(77.1)
Cost of sales	(1,457)	(43,939)	(96.7)	(4,791)	(50,320)	(90.5)
Gross profit	5,151	7,587	(32.1)	9,237	11,065	(16.5)
Administrative expenses	(2,381)	(1,940)	22.7	(9,601)	(2,891)	232.1
Selling expenses	(1,370)	(1,070)	28.0	(2,331)	(1,710)	36.3
Other (expenses)/income	(4,005)	17,989	(122.3)	(10,219)	15,144	(167.5)
Other gains	-	42	(100.0)	-	81	(100.0)
Results from operating activities	(2,605)	22,608	(111.5)	(12,914)	21,689	(159.5)
Finance income	3,792	455	733.4	5,291	788	571.4
Finance costs	(828)	-	n.m.	(828)	-	n.m.
Net finance income	2,964	455	551.4	4,463	788	466.4
Profit/(loss) before income tax	359	23,063	(98.4)	(8,451)	22,477	(137.6)
Income tax expense	(3,606)	(3,240)	11.3	(3,971)	(2,772)	43.3
(Loss)/profit for the period	(3,247)	19,823	(116.4)	(12,422)	19,705	(163.0)
Attributable to:						
Equity holders of the Company	(3,247)	19,912	(116.3)	(12,422)	19,866	(162.5)
Non-controlling interests	-	(89)	(100.0)	-	(161)	(100.0)
(Loss)/profit for the period	(3,247)	19,823	(116.4)	(12,422)	19,705	(163.0)
Earnings per share (cents)						
- basic	(0.59)	6.86	(108.7)	(2.97)	6.84	(143.6)
- diluted	(0.59)	6.86	(108.7)	(2.97)	6.84	(143.6)

n.m.: not meaningful

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

Consolidated Statement of Comprehensive Income

	Second quarter ended 30 June		Half year ended 30 June	
	2014 S\$'000	2013 S\$'000	2014 S\$'000	2013 S\$'000
(Loss)/profit for the period	(3,247)	19,823	(12,422)	19,705
Other comprehensive income				
Items that are or may be reclassified subsequently to profit or loss:				
Translation differences on financial statements of foreign subsidiaries, net of tax	(10,841)	12,068	(25,887)	10,211
Translation differences on monetary items forming part of net investment in foreign subsidiaries, net of tax	(915)	(108)	(2,331)	(497)
Other comprehensive income for the period, net of tax	(11,756)	11,960	(28,218)	9,714
Total comprehensive income for the period	<u>(15,003)</u>	<u>31,783</u>	<u>(40,640)</u>	<u>29,419</u>
Total comprehensive income attributable to:				
Equity holders of the Company	(15,003)	31,808	(40,640)	29,495
Non-controlling interests	-	(25)	-	(76)
Total comprehensive income for the period	<u>(15,003)</u>	<u>31,783</u>	<u>(40,640)</u>	<u>29,419</u>

Notes to the Group's Income Statement:

(Loss)/profit before income tax includes the following:

	The Group Second quarter ended 30 June		The Group Half year ended 30 June	
	2014	2013	2014	2013
	S\$'000	S\$'000	S\$'000	S\$'000
Other gains comprise:				
Gain on disposal of:				
- property, plant and equipment (net)	-	52	-	56
- subsidiaries	-	-	-	35
Loss on dissolution of subsidiaries	-	(10)	-	(10)
	<u>-</u>	<u>42</u>	<u>-</u>	<u>81</u>

(Loss)/profit before income tax includes the following expenses/(income):

Amortisation of intangible assets	-	-	-	13
Amortisation of lease prepayments	10	130	21	497
Depreciation of property, plant and equipment	305	69	591	204
Exchange loss (net)	214	526	606	909
Fair value (gain)/loss on investment properties	(403)	24	(403)	24
Hotel pre-opening expenses	-	342	-	342
Impairment losses reversed on property, plant and equipment	(35)	-	(35)	-
Impairment losses reversed on trade and other receivables	-	(21,317)	-	(21,317)
IPO expenses	3,349	-	3,500	-
Operating lease expense	72	320	151	641
Share-based charge	-	-	4,705	-
	<u>-</u>	<u>-</u>	<u>4,705</u>	<u>-</u>

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 June 2014 S\$'000	As at 31 Dec 2013 S\$'000	As at 30 June 2014 S\$'000	As at 31 Dec 2013 S\$'000
Non-current assets				
Property, plant and equipment	88,122	81,023	-	-
Investment properties	76,952	80,137	-	-
Lease prepayments	2,905	3,009	-	-
Interest in subsidiaries	-	-	518,898	535,757
Other receivables	107,008	8,038	-	-
Deferred tax assets	9,735	10,303	-	-
	<u>284,722</u>	<u>182,510</u>	<u>518,898</u>	<u>535,757</u>
Current assets				
Lease prepayments	42	44	-	-
Development properties	532,116	333,839	-	-
Inventories	495	32	-	-
Trade and other receivables	171,734	128,103	343,288	39,975
Cash and cash equivalents	261,599	311,154	131	6,868
	<u>965,986</u>	<u>773,172</u>	<u>343,419</u>	<u>46,843</u>
Total assets	<u>1,250,708</u>	<u>955,682</u>	<u>862,317</u>	<u>582,600</u>
Equity attributable to equity holders of the Company				
Share capital	682,074	363,317	682,074	363,317
Reserves	60,411	92,563	(40,274)	(45,119)
Total equity	<u>742,485</u>	<u>455,880</u>	<u>641,800</u>	<u>318,198</u>
Non-current liabilities				
Loans and borrowings	197,252	-	197,252	-
Deferred tax liabilities	11,804	12,165	-	-
	<u>209,056</u>	<u>12,165</u>	<u>197,252</u>	<u>-</u>
Current liabilities				
Trade and other payables	261,074	460,302	2,499	264,402
Loans and borrowings	20,766	-	20,766	-
Current tax payables	17,327	27,335	-	-
	<u>299,167</u>	<u>487,637</u>	<u>23,265</u>	<u>264,402</u>
Total liabilities	<u>508,223</u>	<u>499,802</u>	<u>220,517</u>	<u>264,402</u>
Total equity and liabilities	<u>1,250,708</u>	<u>955,682</u>	<u>862,317</u>	<u>582,600</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. Unamortised balance of transaction costs have not been deducted from the gross borrowings.

	The Group	
	As at 30 June 2014 S\$'000	As at 31 Dec 2013 S\$'000
Unsecured		
- repayable within one year	20,766	-
- repayable after one year	197,252	-
Loans and borrowings	<u>218,018</u>	<u>-</u>
Gross borrowings	223,200	-
Less: cash and cash equivalents as shown in the statement of financial position	<u>(261,599)</u>	<u>(311,154)</u>
Net borrowings / (Net cash and cash equivalents)	<u>(38,399)</u>	<u>(311,154)</u>

The Group has no secured borrowings as at 30 June 2014 and 31 December 2013.

Details of any collateral

Not 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.**

	Second quarter ended 30 June		Half year ended 30 June	
	2014 S\$'000	2013 S\$'000	2014 S\$'000	2013 S\$'000
Cash flows from operating activities				
(Loss)/profit for the period	(3,247)	19,823	(12,422)	19,705
Adjustments for:				
Amortisation of intangible assets	-	-	-	13
Amortisation of lease prepayments	10	130	21	497
Depreciation of property, plant and equipment	305	69	591	204
Fair value (gain)/loss on investment properties	(403)	24	(403)	24
Finance income	(3,792)	(455)	(5,291)	(788)
Finance expenses	828	-	828	-
Gain on disposal of:				
- property, plant and equipment	-	(52)	-	(56)
- subsidiaries	-	-	-	(35)
Reversal of impairment loss on trade and other receivables	-	(21,317)	-	(21,317)
Reversal of impairment loss on property, plant and equipment	(35)	-	(35)	-
Loss on dissolution of subsidiaries	-	10	-	10
Share-based charge	-	-	4,705	-
Income tax expense	3,606	3,240	3,971	2,772
	(2,728)	1,472	(8,035)	1,029
Change in working capital:				
Development properties	(204,776)	21,624	(216,310)	11,661
Inventories	(46)	-	(473)	-
Trade and other receivables	5,454	(2,889)	(100,061)	(22,151)
Trade and other payables	39,185	(3,881)	76,399	7,377
Cash (used in)/generated from operations	(162,911)	16,326	(248,480)	(2,084)
Interest received	4,902	1,532	7,696	2,988
Income tax paid	(7,296)	(6,203)	(12,768)	(6,203)
Net cash (used in) /generated from operating activities	(165,305)	11,655	(253,552)	(5,299)

	Second quarter ended 30 June		Half year ended 30 June	
	2014 S\$'000	2013 S\$'000	2014 S\$'000	2013 S\$'000
Cash flows from investing activities				
Repayment of advances/loans by third parties	28,971	157	28,971	32,067
Advances/loans to third parties	(67,025)	-	(102,300)	-
Interest received	7,243	1,423	9,787	5,232
Lease prepayments	-	(782)	-	(22,601)
Proceeds from disposal of:				
- property, plant and equipment	-	402	-	408
- subsidiaries	4,447	169	9,573	16,780
Payment for additions to:				
- intangible assets	-	(1)	-	(29)
- investment properties	-	(4,910)	-	(8,997)
- property, plant and equipment	(6,583)	(325)	(10,587)	(657)
Receipt of remaining consideration on the disposal of a subsidiary in prior years from a former director of the Company	-	23,613	-	23,613
Refund of deposit for acquisition of an investee company	-	12	-	2,409
Net cash (used in)/ generated from investing activities	(32,947)	19,758	(64,556)	48,225
Cash flows from financing activities				
Advances from non-controlling interests	-	15	-	75
Contribution from non-controlling interests	-	13	-	3,000
Issue of ordinary share capital	-	-	59,650	-
Dividend paid to non-controlling interests of a subsidiary	-	(9)	-	(1,980)
Decrease in amount due to a shareholder	1,562	2,384	1,562	25,094
Interest paid	(6,317)	(1,133)	(6,317)	(2,265)
Proceeds from bank borrowings	322,500	-	322,500	-
Repayment of bank borrowings	(99,300)	-	(99,300)	-
Net cash generated from financing activities	218,445	1,270	278,095	23,924

	Second quarter ended 30 June		Half year ended 30 June	
	2014 S\$'000	2013 S\$'000	2014 S\$'000	2013 S\$'000
Net increase/(decrease) in cash and cash equivalents	20,193	32,683	(40,013)	66,850
Cash and cash equivalents at beginning of the period	245,757	131,984	311,154	97,415
Effect of exchange rate changes on balances held in foreign currencies	(4,351)	1,370	(9,542)	1,772
Cash and cash equivalents at end of the period	261,599	166,037	261,599	166,037

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	Reserve for own shares S\$'000	Statutory reserve S\$'000	Capital reserve S\$'000	Foreign currency translation reserve S\$'000	Retained earnings S\$'000	Total equity S\$'000
The Group							
At 1 January 2014	363,317	(3,717)	10,190	(1,563)	58,146	29,507	455,880
Total comprehensive income for the period							
Loss for the period	-	-	-	-	-	(12,422)	(12,422)
Translation differences on financial statements of foreign subsidiaries, net of tax	-	-	-	-	(25,887)	-	(25,887)
Translation differences on monetary items forming part of net investment in foreign subsidiaries, net of tax	-	-	-	-	(2,331)	-	(2,331)
Total comprehensive income for the period	-	-	-	-	(28,218)	(12,422)	(40,640)
Transaction with owners, recognised directly in equity							
Contributions by and distributions to owners							
Issue of ordinary shares	322,540	-	-	-	-	-	322,540
Issue of treasury shares	(3,783)	3,717	-	66	-	-	-
Share based payment transaction	-	-	-	-	-	4,705	4,705
Transfer from statutory reserves	-	-	(544)	-	-	544	-
Total contributions by and distributions to owners	318,757	3,717	(544)	66	-	5,249	327,245
Total transactions with owners of the Company	318,757	3,717	(544)	66	-	5,249	327,245
At 30 June 2014	682,074	-	9,646	(1,497)	29,928	22,334	742,485

	Share capital S\$'000	Reserve for own shares S\$'000	Capital reserve S\$'000	Foreign currency translation reserve S\$'000	Retained earnings S\$'000	Total attributable to equity holders of the Company S\$'000	Non-controlling interests S\$'000	Total equity S\$'000
The Group								
At 1 January 2013	363,317	(3,717)	(1,563)	26,578	(8,294)	376,321	5,903	382,224
Total comprehensive income for the period								
Profit/(loss) for the period	-	-	-	-	19,866	19,866	(161)	19,705
Translation differences on financial statements of foreign subsidiaries, net of tax	-	-	-	10,125	-	10,125	85	10,210
Translation differences on monetary items forming part of net investment in foreign subsidiaries, net of tax	-	-	-	(497)	-	(497)	-	(497)
Total comprehensive income for the period	-	-	-	9,628	19,866	29,494	(76)	29,418
Transaction with owners, recognised directly in equity								
Contributions by and distributions to owners								
Contribution by non-controlling interests	-	-	-	-	-	-	3,000	3,000
Dividend paid to non-controlling interests of a subsidiary	-	-	-	-	-	-	(1,980)	(1,980)
Total contributions by and distributions to owners	-	-	-	-	-	-	1,020	1,020
Changes in ownership interests in subsidiaries								
Disposal of subsidiaries	-	-	-	-	-	-	(7,357)	(7,357)
Total changes in ownership interests in subsidiaries	-	-	-	-	-	-	(7,357)	(7,357)
Total transactions with owners of the Company	-	-	-	-	-	-	(6,337)	(6,337)
At 30 June 2013	363,317	(3,717)	(1,563)	36,206	11,572	405,815	(510)	405,305

	Share capital S\$'000	Reserve for own shares S\$'000	Capital reserve S\$'000	Retained earnings S\$'000	Total equity S\$'000
The Company					
At 1 January 2014	363,317	(3,717)	179	(41,581)	318,198
Total comprehensive income for the period					
Loss for the period	-	-	-	(3,643)	(3,643)
Total comprehensive income for the period	-	-	-	(3,643)	(3,643)
Transaction with owners, recognised directly in equity					
Contributions by and distributions to owners					
Issue of ordinary shares	322,540	-	-	-	322,540
Issue of treasury shares	(3,783)	3,717	66	-	-
Share based payment transaction	-	-	-	4,705	4,705
Total contributions by and distributions to owners	318,757	3,717	66	4,705	327,245
Total transactions with owners of the Company	318,757	3,717	66	4,705	327,245
At 30 June 2014	682,074	-	245	(40,519)	641,800
At 1 January 2013	363,317	(3,717)	179	(50,077)	309,702
Total comprehensive income for the period					
Loss for the period	-	-	-	(4,609)	(4,609)
Total comprehensive income for the period	-	-	-	(4,609)	(4,609)
At 30 June 2013	363,317	(3,717)	179	(54,686)	305,093

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.

As at 30 June 2014, the issued and fully paid up share capital of the Company was US\$546,014,949 comprising 546,014,949 ordinary shares of US\$1 each (31 December 2013: US\$293,234,231 comprising 293,234,231 ordinary shares of US\$1 each). The details of the Company's issued and paid up share capital at the end of the relevant financial periods are as follows:

	Number of ordinary shares	S\$'000
Shares issued and fully paid as at 31 December 2013	290,234,231	359,600
Shares issued and fully paid up and held as treasury shares	3,000,000	3,717
As at 31 December 2013	<u>293,234,231</u>	<u>363,317</u>
As at 1 January 2014	293,234,231	363,317
Shares issued pursuant to the capitalisation of shareholder loans ⁽¹⁾	205,477,157	259,107
Shares issued and fully paid in cash	47,303,561	59,650
As at 30 June 2014	<u>546,014,949</u>	<u>682,074</u>

⁽¹⁾ This excludes the transfer of 3,000,000 treasury shares.

There were no shares held as treasury shares as at 30 June 2014 (30 June 2013: 3,000,000 treasury shares).

There were also no outstanding convertible instruments as at 30 June 2014 and 31 December 2013.

As at 30 June 2014, the issued and fully paid up share capital of the Company does not include the 43,800,000 shares issued by the Company pursuant to its initial public offering on 22 July 2014.

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 June 2014 is 546,014,949 (31 December 2013: 290,234,231).

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.

The Company had reissued 3,000,000 treasury shares which were held as treasury shares previously. As at 30 June 2014, the Company does not hold any treasury shares (31 December 2013: 3,000,000) pursuant to the capitalisation of shareholder loans.

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.**

Change in Functional Currency and Presentation Currency

With effect from 31 October 2013, as a result of a change in underlying transactions, events and conditions relevant to the Company, the functional currency of the Company was changed from the United States dollar (US\$) to the Singapore dollar (S\$).

In line with the change in functional currency, the presentation currency of the Company and Group was also changed from the US\$ to the S\$. The comparative information as disclosed in this announcement has been translated from the US\$ to the S\$ based on the exchange rate of US1: S\$1.239.

Except as disclosed above and under item 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 2013.

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 2014. The adoption of these IFRSs did not result in any significant impact on the financial statements of the Group.

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.

	Second quarter ended 30 June		Half year ended 30 June	
	2014	2013	2014	2013
Basic and diluted earnings per share (cents)	(0.59)	6.86	(2.97)	6.84
a) (Loss)/profit attributable to equity holders of the Company (S\$'000)	(3,247)	19,912	(12,422)	19,866
b) Weighted average number of ordinary shares in issue: - basic and diluted	546,014,949	290,234,231	418,124,590	290,234,231

The computation of the earnings per ordinary share above does not take into account the 43,800,000 shares issued by the Company pursuant to its initial public offering on 22 July 2014.

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 June 2014	As at 31 Dec 2013	As at 30 June 2014	As at 31 Dec 2013
Net asset value per ordinary share (cents) based on 546,014,949 issued ordinary shares (excluding treasury shares) as at 30 June 2014 (31 December 2013: 290,234,231 shares)	135.98	157.07	117.54	109.63

The computation of net asset value per ordinary share above does not take into account the 43,800,000 shares issued by the Company pursuant to its initial public offering on 22 July 2014.

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

Revenue of the Group mainly comprises revenue arising from the sale of properties, rental income from investment properties, revenue from hotel operations and interest income from the provision of property financing services. The breakdown of our revenue (net of business tax) for the period under review is as follows:

	Second quarter ended 30 June		Half year ended 30 June	
	2014 S\$'000	2013 S\$'000	2014 S\$'000	2013 S\$'000
Revenue from sale of properties	925	49,946	4,510	57,984
Rental income from investment properties	423	46	795	287
Hotel operations	361	-	780	-
Revenue from property financing	4,899	1,532	7,943	2,989
Others	-	2	-	125
Total	<u>6,608</u>	<u>51,526</u>	<u>14,028</u>	<u>61,385</u>

2Q 2014 vs 2Q 2013

Revenue of the Group in 2Q 2014, decreased by 87.2% or S\$44.9 million, from S\$51.5 million in 2Q 2013 to S\$6.6 million in 2Q 2014. The decrease is mainly due to lower revenue from sale of properties by S\$49.0 million, from S\$49.9 million in 2Q 2013 to S\$0.9 million in 2Q 2014, partially offset by the increase in revenue from property financing by S\$3.4 million, from S\$1.5 million in 2Q 2013 to S\$4.9 million in 2Q 2014.

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 Group has not yet recognised any revenue from the Millennium Waterfront project in the Wenjiang district of Chengdu which we first launched for pre-sale in November 2012.

The commercial units of the Chengdu Cityspring project were handed over to the purchasers in June 2013 resulting in the revenue recognition of 528 pre-sold commercial units in 2Q 2013. Revenue was recognised for 4 commercial units in 2Q 2014. This has mainly led to the significant reduction in revenue from sale of properties in 2Q 2014 as compared to 2Q 2013.

Revenue from property financing increased by 219.8% or S\$3.4 million, from S\$1.5 million in 2Q 2013 to S\$4.9 million in 2Q 2014. This is mainly due to the \$4.0 million increase in interest income generated on secured entrusted loans to third parties due to a larger loan portfolio in 2Q 2014 as compared to 2Q 2013. This was partially offset by the decrease in interest income of S\$0.6 million from entrusted loans to a subsidiary of a controlling shareholder (which was fully repaid in December 2013).

Cost of sales mainly comprises land costs, development expenditure, borrowing costs, hotel-related depreciation charge, and other related expenditure. Cost of sales decreased by 96.7% or S\$42.5 million, from S\$43.9 million in 2Q 2013 to S\$1.4 million in 2Q 2014. The decrease in cost of sales is in line with the decrease in revenue from sale of properties in 2Q 2014.

Our gross profit decreased by 32.1% or S\$2.4 million, from S\$7.6 million in 2Q 2013 to S\$5.2 million in 2Q 2014. The decrease was mainly due to the lower gross profit generated from the Chengdu Cityspring project of S\$5.8 million, partially offset by the higher gross profit generated from property financing of S\$3.4 million.

The Group's higher gross profit margin of 78.0% for 2Q 2014, as compared to 14.7% for 2Q 2013, is mainly due to the higher gross profit contribution from the property financing business in 2Q 2014 versus 2Q 2013. Furthermore, the 2Q 2013 gross profit margin was affected by a fair value gain of S\$11.1 million recognised in prior years on the commercial units delivered in that quarter.

Administrative expenses

Our administrative expenses mainly comprise staff costs, rental expenses, 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.

These expenses increased by 22.7% or S\$0.4 million to S\$2.4 million in 2Q 2014, mainly attributable to higher staff costs incurred due to the increase in headcount for M Hotel Chengdu and the property development operations in Chengdu.

Selling expenses

Our selling expenses mainly comprise staff costs of our sales and marketing staff, advertising and promotion expenses, sales commissions paid to external sales agents and other expenses. These expenses increased by 28.0% or S\$0.3 million to S\$1.4 million in 2Q 2014, which was in line with the Group's continuing pre-sale launches of the Millennium Waterfront project for the period under review.

Other (expenses)/income

In 2Q 2014, the Group recorded S\$4.0 million of other expenses mainly comprising IPO expenses accrued of S\$3.3 million and net foreign exchange loss of \$0.2 million. The other income of S\$18.0 million recorded in 2Q 2013 mainly comprised a S\$21.0 million reversal of impairment loss on consideration receivable from a nominee of a former director of the Company, Mr Cheung Ping Kwong, for the disposal of a subsidiary in prior years. The reversal was made on receipt of the receivable in 2Q 2013. This income was partially offset by net foreign exchange loss of \$0.5 million and the services fees charged by a controlling shareholder of S\$1.9 million for 2Q 2013 to reimburse the controlling shareholder for expenses incurred (including director's fees, interest expenses on the bank borrowings drawn by the controlling shareholder to fund our Group as well as operating expenses) plus a 10.0% mark up. This arrangement has since ceased in April 2014.

Income tax expense

The Group recorded total income tax expense of S\$3.6 million on S\$0.4 million of profit before tax in 2Q 2014. The income tax expense included a deferred tax charge of S\$2.7 million on the reversal of deferred tax assets in relation to development properties and investment properties as we foresee that it is no longer probable for the related tax benefits to be realised. Adjusting for the above charge and the tax effect on non-deductible expenses of S\$0.8 million for 2Q 2014, the effective tax rate of the Group would be approximately 25.0% for 2Q 2014.

1H 2014 vs 1H 2013

Revenue of the Group in 1H 2014, decreased by 77.1% or S\$47.4 million, from S\$61.4 million in 1H 2013 to S\$14.0 million in 1H 2014. The decrease is mainly due to lower revenue from sale of properties by S\$53.5 million from S\$58.0 million in 1H 2013 to S\$4.5 million in 1H 2014, partially offset by increased revenue from property financing by S\$4.9 million, from S\$3.0 million in 1H 2013 to S\$7.9 million in 1H 2014.

Revenue from sale of properties decreased principally due to lower revenue recognized on the Chengdu Cityspring project in 1H 2014. In relation to this project, we recognised revenue on 22 commercial units and 51 car park lots in 1H 2014 compared to 528 commercial units and 276 car park lots in 1H 2013.

Revenue from property financing increased by 165.8% or S\$4.9 million, from S\$3.0 million in 1H 2013 to S\$7.9 million in 1H 2014. This is contributed by a S\$6.0 million increase in interest income from secured entrusted loans to third parties, partially offset by a S\$1.2 million decline in interest income from entrusted loans to a subsidiary of a shareholder (which was fully repaid in December 2013). The third party entrusted loan portfolio amounted to S\$115.3 million (RMB575.0 million) as at 30 June 2014 compared to S\$20.1 million (RMB100.0 million) as at 30 June 2013.

Cost of sales decreased by 90.5% or S\$45.5 million, from S\$50.3 million in 1H 2013 to S\$4.8 million in 1H 2014. The decrease in cost of sales is in line with the decrease in revenue from sale of properties in 1H 2014.

Our gross profit decreased by 16.5% or S\$1.9 million, from S\$11.1 million in 1H 2013 to S\$9.2 million in 1H 2014. The decrease in our gross profit in 1H 2014 was mainly due to the lower gross profit generated from Chengdu Cityspring of S\$6.8 million, offset by the higher gross profit generated from property financing of S\$4.9 million.

The Group's higher gross profit margin of 65.8% for 1H 2014, as compared to 18.0% for 1H 2013 is mainly due to the increased contribution from the property financing business. The gross profit margin in 1H 2013 was also affected by fair value gain of S\$11.1 million recognised in prior years on the commercial units delivered in 1H 2013.

Administrative expenses

Administrative expenses grew by 232.1% or S\$6.7 million, from S\$2.9 million in 1H 2013 to S\$9.6 million in 1H 2014, mainly attributable to a share-based charge of S\$4.7 million in connection with the Company's issuance of 25,850,000 ordinary shares to certain management staff and employees of the Group at par value in March 2014. The charge represented the difference between the fair value and the par value of the new shares issued. The accounting for the share-based charge does not have an impact on the total equity of the Group. In addition, higher staff costs of S\$1.1 million were incurred due to the increase in headcount for M Hotel Chengdu and the property development operations in Chengdu.

Selling expenses

Selling expenses increased by 36.3% or S\$0.6 million to S\$2.3 million in 1H 2014. This was in line with the increase in sales activities of the Group including higher sales commissions paid based on the higher sales collections achieved for the period.

Other (expenses)/income

In 1H 2014, we recorded other expenses of S\$10.2 million which mainly comprised IPO expenses accrued of S\$3.5 million, service fees charged by a controlling shareholder of S\$5.7 million and net foreign exchange loss of S\$0.6 million. In 1H 2013, other income of S\$15.1 million was recorded which mainly arose from the S\$21.0 million reversal of impairment loss on consideration receivable from a nominee of a former director of the Company, Mr Cheung Ping Kwong, for the disposal of a subsidiary in prior years. This was partially offset by the service fees charged by a controlling shareholder of S\$3.7 million in 1H 2013, net foreign exchange loss of S\$0.9 million, amortization of lease prepayment of S\$0.8 million and pre-opening expenses of S\$0.3 million in relation to M Hotel Chengdu.

Income tax expense

The Group recorded total income tax expense of S\$4.0 million despite recording a loss before tax of S\$8.5 million in 1H 2014. The income tax expense included a deferred tax charge of S\$2.7 million as explained above. After adjusting for this charge, and the tax effect of non-deductible expenses of S\$3.4 million in 1H 2014, the effective tax rate of the Group would be approximately 24.7% for the current period.

(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

Other receivables increased by S\$99.0 million, from S\$8.0 million as at 31 December 2013 to S\$107.0 million at 30 June 2014. The increase is mainly due to the disbursement of unsecured loans for an aggregate amount of S\$100.3 million (RMB500.0 million) to the Chengdu Wenjiang government, to fund, among others, the compensation for resettlement of occupants on land which includes those that the Group intends to purchase. The loans are unsecured, bear interest at 13.0% per annum and are for a tenure of three years. This is partially offset by a S\$3.4 million refund of security deposit on civil air defence facilities for the Millennium Waterfront project.

Current assets

Development properties increased by S\$198.3 million, from S\$333.8 million as at 31 December 2013 to S\$532.1 million as at 30 June 2014, mainly due to the capitalisation of land grant premium and related acquisition taxes amounting to S\$185.3 million (RMB924.2 million) for East River Plot One of the Star of East River project in Dongguan in June 2014, and construction costs incurred for the Millennium Waterfront project in 1H 2014.

Trade and other receivables increased by S\$43.6 million, from S\$128.1 million as at 31 December 2013 to S\$171.7 million as at 30 June 2014. The increase is mainly due to the net disbursement of short term entrusted loans to third parties amounting to S\$85.2 million (RMB425.0 million) in 1H 2014, bringing the total property financing loan portfolio as at 30 June 2014 to S\$115.3 million (RMB575.0 million). This is partially offset by the repayment of loan principal and related interest accrued thereon of S\$33.3 million (RMB165.9 million) by the Chengdu Wenjiang government and receipt of outstanding proceeds of S\$10.1 million in 1H 2014 from the disposal of a subsidiary in FY2013.

Current liabilities

Trade and other payables decreased by S\$199.2 million, from S\$460.3 million as at 31 December 2013 to S\$261.1 million as at 30 June 2014, mainly due to the capitalisation of loan from a controlling shareholder amounting to S\$262.9 million in 1H 2014 and decrease in trade payables of S\$12.1 million. This is partially offset by the increase in receipts in advance from the Millennium Waterfront project of S\$75.9 million. Receipts in advance of the Group as at 30 June 2014 is S\$214.8 million (31 December 2013: S\$139.3 million).

Loans and borrowings

The Group had gross bank borrowings amounting to S\$223.2 million outstanding as at 30 June 2014 (of which S\$21.2 million is due within the next 12 months), mainly to fund the acquisition of East River Plot One and development costs of the Millennium Waterfront project.

Statement of cash flows of the Group

2Q 2014

Net cash used in operating activities of S\$165.3 million in 2Q 2014 was mainly due to the payment of land grant premium and related acquisition taxes amounting to S\$189.1 million (RMB924.2 million) for East River Plot One of the Star of East River project in Dongguan in June 2014, payment of income tax of S\$7.3 million and the payment of construction costs for the Millennium Waterfront project and Chengdu Cityspring project. This had been offset by the receipts in advance attributable to the Millennium Waterfront project of S\$34.8 million and interest received of S\$4.9 million (primarily from the property financing business) in the current quarter.

Net cash used in investing activities of S\$32.9 million in 2Q 2014 was mainly due to the disbursement of unsecured loans for an aggregate amount of S\$63.8 million (RMB311.6 million) to the Chengdu Wenjiang government and development costs of S\$6.6 million paid on the construction of the Millennium Waterfront Chengdu Hotel. This was partially offset by the repayment of loan principal and related interest accrued thereon of S\$33.9 million (RMB165.9 million) by the Chengdu Wenjiang government and receipt of outstanding proceeds of S\$4.4 million in Q2 2014 from the disposal of a subsidiary during FY2013.

Net cash generated from financing activities amounted to S\$218.4 million in 2Q 2014 mainly due to the draw down of bank borrowings of S\$223.2 million, partially offset by the payment of the related interest expenses of S\$6.3 million.

1H 2014

Net cash used in operating activities amounting to S\$253.6 million in 1H 2014 was mainly due to the payment of land grant premium and related acquisition taxes amounting to S\$189.1 million (RMB924.2 million) for East River Plot One of the Star of East River project in Dongguan in June 2014, the net disbursement of S\$87.0 million (RMB425.0 million) short term loans to third parties for the six months ended 30 June 2014, payment of income tax of S\$12.8 million and the payment of construction costs for the Millennium Waterfront project and Chengdu Cityspring project. This had been partially offset by the receipts in advance attributable to the Millennium Waterfront project of S\$75.1 million and interest received of S\$7.7 million in 1H 2014.

Net cash used in investing activities amounting to S\$64.6 million in 1H 2014 was mainly due to the disbursement of unsecured loans for an aggregate amount of S\$102.3 million (RMB500.0 million) to the Chengdu Wenjiang government and development costs of S\$10.5 million paid on the construction of the Millennium Waterfront Chengdu Hotel. This was partially offset by the repayment of loan principal and related interest accrued thereon of S\$33.9 million (RMB165.9 million) by the Chengdu Wenjiang government and receipt of outstanding proceeds of S\$9.6 million in 1H 2014 from the disposal of a subsidiary during FY2013.

Net cash generated from financing activities amounted to S\$278.1 million in 1H 2014 mainly due to the proceeds from issue of ordinary shares of S\$59.7 million and draw down of bank borrowings of S\$223.2 million, partially offset by the payment of the related interest expenses of S\$6.3 million.

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 financial period has been previously disclosed to shareholders.

However, in the section titled "Risk Factors - Risks Relating to our Property Development Business - We may record an interim loss for the six-month period ended 30 June 2014" of the prospectus of the Company registered by the Monetary Authority of Singapore on 10 July 2014, it was disclosed that the Group may record an interim loss for the six-month period ended 30 June 2014.

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

Based on data released by the PRC National Bureau of Statistics, property sales in the PRC has decreased by 9.2% year-on-year in the first half of 2014 to RMB2.56 trillion. Notwithstanding this, based on the growing PRC economy as well as the continuation of the urbanisation process, the Group remains positive on the medium to long-term outlook of the PRC property market, especially in the mass market segment which the Group focuses on, with an expected increase in domestic housing demand. In addition, the Group also noted that local government in certain cities in the PRC have started to relax controls on home purchases.

Company Outlook

Subsequent to 30 June 2014, the Group disbursed an entrusted loan of RMB60 million, secured on commercial retail properties in Shanghai, which will increase its property financing loan portfolio to RMB635 million. The Group continues to seek opportunities to grow its property financing business.

The relinquishment agreement with the Chengdu Wenjiang Land Reserve Centre has become effective on 18 July 2014, pursuant to the termination of the lease of the Chengdu Wenjiang Factory Land and Chengdu Wenjiang Factory with the third-party lessee on the same date, with no financial compensation payable by the Group. The Group is now working towards closing the sale of its interest in the Chengdu Wenjiang Factory Land and Chengdu Wenjiang Factory under the relinquishment agreement in 2H 2014. Concurrently, the Group intends to commence the development work for East River Plot One (part of the Star of East River Project) in Dongguan. In addition, barring any unforeseen circumstances, the Group expects to recognise property development revenue from its sales in the Millennium Waterfront project starting from 4Q 2014 in various phases.

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 dividend has been declared for the current financial period reported on.
- (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.**
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.

BY ORDER OF THE BOARD
Neo Teck Pheng
Chief Executive Officer
22 July 2014

FIRST SPONSOR GROUP LIMITED

(Registration No. AT-195714)

CONFIRMATION BY THE BOARD

The Directors of the Company hereby confirm, to the best of their knowledge, nothing has come to the attention of the Board of Directors which may render the Group's unaudited financial results for the second quarter and the half year ended 30 June 2014 to be false or misleading in any material respect.

On behalf of the Board of Directors

Wong Hong Ren
Chairman

Neo Teck Pheng
Chief Executive Officer

22 July 2014