

FRAMEWORK AGREEMENT – PROPOSED ACQUISITION OF SHARES IN CONCORD FOCUS DEVELOPMENT LIMITED

1. INTRODUCTION

- 1.1 **Entry into Framework Agreement.** Pursuant to Rule 704(17)(c) of the listing manual of the Singapore Exchange Securities Trading Limited (“**Listing Manual**”), the Board of Directors (“**Board**”) of First Sponsor Group Limited (“**Company**”, together with its subsidiaries, “**Group**”) wishes to announce that FS Dongguan No. 9 Investment Consultancy Co., Ltd. (东莞市首铸九号投资咨询有限公司) (“**FS No. 9**”), an indirect wholly-owned subsidiary of the Company incorporated under the laws of the People’s Republic of China (“**PRC**”), has on 2 March 2019 entered into a binding framework agreement (“**Framework Agreement**”) with 3 individuals, namely, Mr Chung Kwok Keung (钟国强), Mr Poon Sau Tin (潘寿田) and Mr Poon Sum (潘森) (collectively, “**Vendors**”), Concord Focus Development Limited (康和发展有限公司) (“**Target**”) and Dongguan Kanghe Property Management Consulting Services Co., Ltd. (东莞康和物业管理咨询服务有限公司) (“**Project Company**”) in relation to the proposed acquisition (“**Acquisition**”) by FS No. 9 and/or such other party or parties as may be nominated by FS No. 9 (collectively, “**Purchasers**”) from the Vendors of 100% of the issued shares in Target (“**Target Shares**”).
- 1.2 **Chapters 9 and 10 of Listing Manual.** None of the Vendors, Target and Project Company is an “interested person” of the Company for the purposes of Chapter 9 of the Listing Manual. The Board is of the view that the Acquisition is in the ordinary course of the Company’s business and therefore does not fall within the scope of Chapter 10 of the Listing Manual.

2. INFORMATION ON TARGET AND PROJECT COMPANY

- 2.1 **Target.** Target is a limited liability company incorporated in Hong Kong on 21 June 1996. As at the date of this announcement, Target has an issued and paid up share capital of HK\$1,000 comprising 1,000 ordinary shares. The existing shareholders of Target are the Vendors, Mr Chung Kwok Keung (钟国强), Mr Poon Sau Tin (潘寿田) and Mr Poon Sum (潘森), who respectively hold 50%, 25% and 25% of the issued shares in Target.

Target’s principal activity is investment holding. It holds 100% of the issued shares in Project Company, a limited liability company incorporated in the PRC which has a registered capital of HK\$380.0 million (approximately S\$65.3 million¹).

Based on the unaudited management accounts of Target as at 21 February 2019, the net asset value of the Target Shares is approximately HK\$65.3 million (approximately S\$11.2 million¹). As the Target Shares are not publicly listed and traded, no information on their available open market value is available.

¹ Unless otherwise stated, the exchange rates of RMB1: S\$0.201718 and HK\$1: S\$0.1719 are used in this announcement.

- 2.2 **Project Company.** Project Company's principal activity is the development and management of residential and commercial properties. Pursuant to State-owned Land Use Rights Grant Contracts dated 1 February 2018, land use rights in respect of 3 land parcels of a total site area of approximately 36,405 square metres situated at Meiyuan Road, Xin'an Community, Chang'an Town in Dongguan, Guangdong province, the PRC (collectively, "**Property**") are to be granted to Project Company for terms with expiry dates of 31 January 2088 for residential use and 31 January 2058 for commercial use (collectively "**Land Use Rights**").

3. CONSIDERATION

- 3.1 **Consideration.** The consideration for the Target Shares ("**Consideration**") shall be an amount equal to the adjusted consolidated net asset value of Target and Project Company (collectively "**Target Group**") as at the completion of the Acquisition ("**Completion Date**"), whereby the Property will be accounted for at the agreed commercial value (taking into account the Land Use Rights) of RMB738.0 million (approximately S\$148.9 million) ("**Agreed Property Commercial Value**").

The Agreed Property Commercial Value is based on the assumption that all land transfer fees, conversion premium, interest, taxes and other fees accrued up to the Completion Date in respect of the Property will be fully paid and the State-owned Land Use Rights Certificates of the Property ("**Land Use Rights Certificates**") will be obtained prior to the Completion Date.

- 3.2 **Payment of Deposit.** Pursuant to the Framework Agreement, the Purchasers shall pay in cash an amount of RMB150.0 million (approximately S\$30.3 million) ("**Deposit**") to Project Company, within 1 business day of the fulfilment of, among others, the following:

- (a) the execution of an equity pledge agreement ("**Equity Pledge Agreement**") entered into between Target and FS No. 9 pursuant to which Target shall grant a pledge over 100% of the registered capital of Project Company in favour of FS No. 9 as security for the refund of the Deposit referred to in paragraph 4.1 below;
- (b) the registration of the Equity Pledge Agreement with the Dongguan Administrative Department of Industry and Commerce; and
- (c) the deposit of all corporate seals, bank documents, original business licences/permits and material contracts (including the State-owned Land Use Rights Grant Contracts) of Project Company into a safe deposit box to be kept under the joint custody of the Purchasers and the Vendors² and the deposit of all corporate seals of Target with the Purchasers' lawyers to be held in escrow.

The Deposit shall be used by Project Company to pay the outstanding land conversion premium (including interest accrued thereon) in respect of the Property, and shall be treated as a liability owed by Project Company to the Purchasers which shall be taken into account in arriving at the Consideration.

² The Land Use Rights Certificates shall also be deposited into the safe deposit box upon receipt by Project Company.

3.3 **Payment of Consideration.** The terms of payment of the Consideration shall be agreed between the Purchasers and the Vendors and set out in a definitive sale and purchase agreement to be entered into between the parties ("**SPA**") after the completion of the due diligence investigation referred to in paragraph 4.1 below. It is envisaged that within 3 business days of the fulfilment of, among others, the following:

- (a) the execution of the SPA;
- (b) the duly executed registration documents in respect of the change of legal representatives and directors of the Target Group and share transfer documents in respect of the transfer of the Target Shares to the Purchasers;
- (c) the payment in full of all land transfer fees, conversion premium, interest, taxes and other fees in respect of the Property and the receipt by Project Company of the Land Use Rights Certificates; and
- (d) any other conditions as set out in the SPA,

the Purchasers shall deliver:

- (i) to the Vendors' lawyers, cashier's orders for:
 - (aa) an amount equal to approximately RMB538.0 million (approximately S\$108.5 million) plus any cash and receivables of the Target Group as at the Completion Date less any financial indebtedness owed by the Target Group (including the shareholders' loans owed by the Target Group to the Vendors but excluding the Deposit) as at the Completion Date; and
 - (bb) an amount equal to the total amount of shareholders' loans owed by the Target to the Vendors as at the Completion Date; and
- (ii) to the Purchasers' lawyers a cashier's order for the remaining amount of approximately RMB50.0 million (approximately S\$10.1 million).

Upon receipt of the cashier's orders referred to in paragraphs 3.3(i)(aa) and 3.3(i)(bb) above by the Vendors' lawyers, the Vendors' lawyers shall immediately release the documents referred to in paragraph 3.3(b) above and the share certificates in respect of the Target Shares to the Purchasers. The cashier's orders held by the Vendors' lawyers shall be released to the Purchasers within 3 business days of the registration of the change of legal representatives and directors of the Target Group with the Hong Kong Companies Registry and the Dongguan Administrative Department of Industry and Commerce.

The RMB50.0 million referred to in paragraph 3.3(ii) above shall be held in escrow by the Purchasers' lawyers and released by the Purchasers' lawyers to the Vendors on the date falling 5 business days from the first anniversary of the Completion Date. The Purchasers may instruct their lawyers to withhold the entire or any part of the RMB50.0 million if they discover any financial indebtedness which was not taken into account in arriving at the Consideration and/or any fees, premium or taxes which accrued prior to the Completion Date and which remains unpaid by the Target Group. The Vendors shall be liable to repay such financial indebtedness, fees, premium and/or taxes.

3.4 **Factors taken into account in arriving at the Consideration.** The Consideration was arrived at after arm's length, commercial negotiations between FS No. 9 and the Vendors on a willing-buyer, willing-seller basis and after taking into account factors such as the location of the Property, the fiscal book value of the Property and current market conditions in Dongguan.

4. CERTAIN OTHER KEY PROVISIONS

- 4.1 **Due Diligence Investigation.** Pursuant to the Framework Agreement, within 5 business days of the execution of the Framework Agreement, the Purchasers shall arrange for their advisers including their financial and legal advisers to carry out a due diligence investigation on the Target Group. The due diligence investigation shall be completed within 20 days or within such longer period (if the Target Group fails to fully co-operate during the due diligence investigation).

The Purchasers shall notify the Vendors within 5 business days of the completion of the due diligence investigation as to whether they wish to proceed with the Acquisition. If there is any material adverse findings from the due diligence investigation or should the Vendors fail to rectify any due diligence issues to the satisfaction of the Purchasers, the Purchasers may decide not to proceed with the Acquisition and in such event, the Deposit shall be refunded to the Purchasers within 20 days of receipt by the Vendors of the Purchasers' notice and the pledge under the Equity Pledge Agreement shall be released by the Purchasers within 5 business days of such refund. If the Purchasers have notified the Vendors that they wish to proceed with the Acquisition but the Vendors refuse to execute the SPA, the Vendors, Target and Project Company shall pay to the Purchasers an amount equivalent to twice the Deposit. If the Purchasers have notified the Vendors that they wish to proceed with the Acquisition but thereafter refuse to execute the SPA, the Vendors shall be entitled to forfeit the Deposit.

- 4.2 **Nomination of other parties.** FS No. 9 may, in its sole discretion, nominate such other party or parties to be Purchasers. As at the date of this announcement, the Group intends to nominate a third party to be one of the Purchasers, subject to the Group retaining a controlling stake in the Target Group upon the completion of the Acquisition. The Group intends to jointly develop the Property for residential and commercial use together with such third party.

- 4.3 **SPA.** The terms of the Framework Agreement outline the agreed basis of the Acquisition and shall form the framework of the SPA. Unless otherwise agreed, the parties shall execute the SPA within 2 months of the date of the Framework Agreement. Upon the execution of the SPA, the Framework Agreement shall be automatically terminated.

5. FINANCING OF THE ACQUISITION

The Group will finance the Acquisition using its existing cash resources and existing unsecured credit facilities. The Acquisition is not expected to have any material impact on the consolidated earnings per share and the consolidated net tangible assets per share of the Group for the current financial year.

6. DIRECTORS AND CONTROLLING SHAREHOLDERS

None of the directors or controlling shareholders of the Company has any interest, direct or indirect (other than through their shareholdings in the Company), in the Acquisition.

7. FURTHER ANNOUNCEMENTS

The Acquisition is conditional upon, among others, the Purchasers being satisfied with the results of the due diligence investigation and the parties agreeing on and executing the SPA. The Company will make the appropriate announcements if and when the SPA is entered into or if there are further material developments regarding the Acquisition.

8. CAUTIONARY STATEMENT

Shareholders and potential investors are advised to exercise caution when dealing or trading in the shares of the Company as there is no certainty or assurance that the SPA will be entered into or that the Acquisition will materialise. Shareholders and potential investors should consult their stockbrokers, bank managers, solicitors or other professional advisers if they have any doubt about the actions they should take.

BY ORDER OF THE BOARD

Neo Teck Pheng
Group Chief Executive Officer and Executive Director

4 March 2019