

FIRST SPONSOR GROUP LIMITED

(Incorporated in the Cayman Islands)
(Company Registration No. : AT-195714)

(I) PROPOSED SUBSCRIPTION OF NEW SHARES COMPRISING 70% SHAREHOLDING INTEREST IN FS DONGGUAN INVESTMENT HOLDINGS LIMITED; AND

(II) PROPOSED ASSIGNMENT OF 70% INTERCOMPANY LOAN

1. INTRODUCTION

1.1 The board of directors (the "**Board**") of First Sponsor Group Limited (the "**Company**", and collectively with its subsidiaries, the "**Group**") wishes to announce that the Company has on 19 August 2016 entered into the following agreements:

(a) a share subscription agreement ("**Share Subscription Agreement**") between the Company, FS Dongguan Investment Holdings Limited (the "**Target**"), Regent Land Investment Holdings Limited ("**Regent**"), Vanke Real Estate (Hong Kong) Company Limited ("**VKHK**") and Sinobird Holding Limited ("**Vanke**") pursuant to which Regent and Vanke have respectively agreed to subscribe for three (3) and 11 new ordinary shares (collectively, the "**Investment Shares**") in the Target representing respectively 15% and 55% ("**Subscription Proportion**") of the issued shares of the Target (the "**Share Subscription**"). In addition, under the Share Subscription Agreement, Vanke and Regent are required to inject a shareholders' loan into China Co (as defined below) in their Subscription Proportion *inter se* on completion of the Share Subscription to enable China Co to repay 70% of all outstanding intercompany indebtedness owed by China Co to any People's Republic of China ("**PRC**") incorporated company within the Group ("**70% Onshore Loan**"), calculated based on the management accounts of China Co as at the completion date of the Share Subscription ("**Completion Date**"); and

(b) an assignment agreement (intercompany loan) ("**Assignment Agreement**") between the Company, the Target, FS Investment Holdings Limited ("**T Co**") (being a wholly-owned subsidiary of the Company), Regent, VKHK and Vanke pursuant to which all rights, title and interest in 70% of the aggregate outstanding intercompany loans extended by T Co to the Target (being the loan amount of S\$185,685,009) shall be assigned and transferred to Regent and Vanke in their respective Subscription Proportion *inter se* (the "**Loan Assignment**" and together with the Share Subscription, the "**Proposed Transaction**").

1.2 Following completion of the Proposed Transaction, the Company's shareholding in the Target will be diluted from 100% to 30%. Accordingly, the Target will cease to be a subsidiary of the Company and will become an associated company of the Company.

2. INFORMATION ON THE TARGET

2.1 The Target is an investment holding company incorporated in the British Virgin Islands. The Company is presently the sole shareholder of the Target.

- 2.2 The Target holds 100% of the share capital in FS Dongguan No. 1 Pte. Ltd. which in turn holds 100% of the equity interest in First Sponsor No. 1 (Dongguan) Real Estate Co., Ltd (首铸一号(东莞)房地产有限公司) ("**China Co**"). China Co is a property development and property investment company incorporated in the PRC. China Co undertakes the development of the Star of East River project ("**Project**"), which is a proposed mixed-use residential and commercial development comprising primarily offices, a retail mall and residential units with ancillary retail units in Dongguan city, Guangdong province, PRC.

3. INFORMATION ON THE VANKE GROUP

- 3.1 VKHK is a company domiciled in Hong Kong and is a wholly-owned subsidiary of China Vanke Co., Ltd.. China Vanke Co., Ltd. is listed on both The Stock Exchange of Hong Kong Limited and the Shenzhen Stock Exchange.
- 3.2 Vanke is a wholly-owned subsidiary of China Vanke Co., Ltd..
- 3.3 The Vanke group is a leading real estate developer in the PRC with its main business being real estate development and property management service. As at the end of 2015, the Vanke group has been involved in property development in 64 cities in the PRC. Its contracted sales amount in 2015 amounted to RMB261.47 billion with a year-on-year growth of 20.7%. The Vanke group also delivers property management service business. As at the end of 2015, its property management service business had almost a thousand property service projects in 64 large and medium-sized cities in the PRC, covering a contractual property management area of more than 210 million square meters.

4. INFORMATION ON REGENT

Regent is an investment holding company incorporated in the British Virgin Islands. The sole shareholder of Regent is Mr Shu Zhen. Mr Shu was appointed as the Chief Executive Officer of the Group's Guangdong operations in August 2012 and is currently responsible for overseeing the Group's business operations in Dongguan, PRC.

5. SALIENT TERMS OF THE PROPOSED TRANSACTION

5.1 Consideration

Under the terms of the Share Subscription Agreement and the Assignment Agreement, the aggregate consideration for the Proposed Transaction ("**Consideration**") comprises:

- (a) RMB625,874,759 (approximately S\$127,490,688¹) as cash consideration for the Share Subscription, comprising RMB530,258,739 (approximately S\$108,013,705) payable by Vanke (representing an issue price of RMB48,205,340 (approximately S\$9,819,428) per new ordinary share) and RMB95,616,020 (approximately S\$19,476,983) payable by Regent (representing an issue price of RMB31,872,007 (approximately S\$6,492,328) per new ordinary share). Vanke will be paying a higher price per new ordinary share as the consideration payable by Vanke includes a control premium; and
- (b) RMB911,561,166 (approximately S\$185,685,009) as cash consideration for the Loan Assignment, comprising RMB716,226,631 (approximately S\$145,895,364) payable by Vanke and RMB195,334,535 (approximately S\$39,789,645) payable by Regent; and

¹ Unless otherwise stated, the assumed exchange rate of RMB1: S\$0.2037 is used in this announcement.

- (c) the amount of shareholder's loan to be injected by Vanke and Regent into China Co on the Completion Date to enable China Co to repay the 70% Onshore Loan. As at 19 August 2016, the amount of the 70% Onshore Loan is RMB130,900,000 (approximately S\$26,664,330).
- 5.2 The Consideration was arrived at pursuant to arm's length negotiations between the Company, Regent and Vanke on a willing-buyer and willing-seller basis, taking into account a number of factors including, *inter alia*, the current property market conditions in the PRC and the proposals received from other independent third parties regarding a possible collaboration with the Company in relation to the Project.
- 5.3 The consideration for the Share Subscription and Loan Assignment shall be satisfied by Vanke and Regent in the following manner:
- (a) Vanke and Regent shall deliver payment of their respective portion of the consideration for the Share Subscription to the Target on Completion Date by way of telegraphic transfer of the amount payable to an account designated by the Target or a cashier's order or banker's draft drawn on a bank licensed in Hong Kong and made out in favour of the Target, or in such other manner as may be agreed between the Target, Vanke and Regent in writing; and
- (b) the consideration for the Loan Assignment shall be satisfied by Vanke and Regent as follows:
- (i) within five (5) business days after signing of the Assignment Agreement, a deposit of RMB239,424,119 (approximately S\$48,770,693) ("**Deposit**") shall be paid to T Co comprising RMB221,818,951 (approximately S\$45,184,520) payable by Vanke and RMB17,605,168 (approximately S\$3,586,173) payable by Regent;
- (ii) on Completion Date, the loan of S\$96,441,527 ("**First Tranche**") shall be assigned by T Co to Vanke and Regent in their respective Subscription Proportion *inter se* against payment of the aggregate sum of RMB473,448,834 (approximately S\$96,441,527) ("**First Payment**") as follows:
- (A) on Completion Date, the Deposit shall be applied towards part payment of First Payment;
- (B) on Completion Date, Vanke and Regent shall pay RMB34,024,715 (approximately S\$6,930,834) (comprising RMB33,176,562 (approximately S\$6,758,066) payable by Vanke and RMB848,153 (approximately S\$172,768) payable by Regent) to T Co; and
- (C) on the date falling six (6) months from the Completion Date or such other date as may be agreed in writing between T Co, Vanke and Regent ("**Deferred Payment Date**"), Vanke and Regent shall pay RMB200,000,000 (approximately S\$40,740,000) ("**Deferred Payment**") (comprising RMB117,000,000 (approximately S\$23,832,900) payable by Vanke and RMB83,000,000 (approximately S\$16,907,100) payable by Regent) to T Co. In addition, Vanke and Regent will each pay an additional amount being interest accrued on their respective portion of the Deferred Payment at the rate of 3.5% per annum from the Completion Date up to the Deferred Payment Date (both dates inclusive); and

- (iii) on a date within one (1) month from the Completion Date as may be mutually agreed by T Co, Vanke and Regent in writing, the loan of S\$89,243,482 shall be assigned by T Co to Vanke and Regent in their respective Subscription Proportion *inter se* against payment of the aggregate sum of RMB438,112,332 (approximately S\$89,243,482) ("**Second Payment**") comprising RMB344,231,118 (approximately S\$70,119,879) payable by Vanke and RMB93,881,214 (approximately S\$19,123,603) payable by Regent) to T Co.

Each of the aforesaid amounts shall be paid by Vanke and Regent to T Co in RMB by way of a cashier's order or banker's draft drawn on a bank licensed in Hong Kong or in such other form as T Co, Vanke and Regent may agree.

5.4 Conditions Precedent

Completion of the Share Subscription is conditional upon the completion of the assignment of the First Tranche to Vanke and Regent in accordance with the Assignment Agreement simultaneously with completion of the Share Subscription.

If the above condition is not fulfilled by 31 October 2016 or such other date as the Company, Vanke and Regent shall agree in writing, the Share Subscription Agreement shall be terminated in accordance with the terms of the Share Subscription Agreement.

6. **RATIONALE FOR THE PROPOSED TRANSACTION**

- 6.1 The Proposed Transaction will allow the Company to share the development risk of the Project with Regent and Vanke as joint venture partners. In particular, the Vanke group is an established property development conglomerate with a strong track record in the PRC. Entering into a joint venture with the Vanke group provides an opportunity for the Company to tap on the knowledge of the Vanke group and leverage on Vanke group's branding and experience in the PRC market to better promote and manage the Project.
- 6.2 In addition, the Proposed Transaction will enable the Company to realise some returns from its investment in the Project and strengthen its financial position. The proceeds of the cash consideration from the Proposed Transaction can also be redeployed by the Group in search of other opportunities to expand the Group's three (3) key property related businesses and to further finance the property development operations of the Project, if necessary.
- 6.3 At the same time, by retaining a significant 30% stake in the Target, the Company continues to be able to participate in any potential upside in the value of the Project.

7. **MAJOR TRANSACTION UNDER CHAPTER 10 OF THE LISTING MANUAL**

7.1 **Relative Figures Pursuant to Rule 1006 of the Listing Manual**

The relative figures as computed on the bases as set out in Rule 1006 of the listing manual of the Singapore Exchange Securities Trading Limited (the "**Listing Manual**"), based on the latest announced unaudited consolidated accounts of the Group for the period ended 30 June 2016 ("**FS Financial Accounts**") are as follows:

Rule 1006	Bases	Relative Figures (%)
(a)	Net asset value of the assets to be disposed of, compared with the Group's net asset value	18.1% ¹

Rule 1006	Bases	Relative Figures (%)
(b)	Net profits/(loss) attributable to the assets disposed of, compared with the Group's net profits/(loss)	(0.7)% ²
(c)	Aggregate value of the Consideration compared with the market capitalisation of the Company (based on total number of issued shares of the Company (" Shares "), excluding treasury shares)	45.5% ³
(d)	Number of equity securities issued by the Company as consideration for an acquisition, compared with the number of equity securities previously in issue	N.A. ⁴
(e)	Aggregate volume or amount of proved and probable resources to be disposed of, compared with the aggregate of the Group's proved and probable resources	N.A. ⁵

Notes:

1. Based on the FS Financial Accounts, the Group's net asset value as at 30 June 2016 is S\$923,078,000. The net asset value² of the Target as at 30 June 2016 is S\$238,500,000. As such, the net asset value² attributable to a 70% stake in the Target amounted to S\$166,950,000.
2. Based on the FS Financial Accounts, the Group had a net profit of S\$28,991,000 for the half year ended 30 June 2016. The net loss of the Target for the same period (excluding interest expenses on intercompany loans and management fees to a fellow subsidiary) was S\$305,000. As such, the net loss attributable to the 70% stake in the Target amounted to S\$214,000. The negative figure is not meaningful as the Target is loss-making.
3. The Company's market capitalisation (based on an issued share capital of 589,814,949 Shares (the Company does not have treasury shares)) and the volume weighted average price of the Shares on the SGX-ST as at 18 August 2016 is S\$1.2654.
4. Not applicable as this basis is not applicable to the Proposed Transaction.
5. Not applicable as the Company is not a mineral, oil and gas company.

Notwithstanding that the relative figure under Rule 1006(c) exceeds 20%, the Company has obtained confirmation from the SGX-ST that shareholders' prior approval is not required in respect of the Proposed Transaction as the SGX-ST has no objection to the Company's submission that the Proposed Transaction is undertaken in the ordinary course of the Company's business and accordingly do not fall within the definition of "transaction" under Chapter 10 of the Listing Manual. As requested by SGX-ST, the Company is making this announcement and disclosing the details under Rule 1010 of the Listing Manual to enable shareholders of the Company to be informed of the Proposed Transaction.

8. FINANCIAL EFFECTS OF THE PROPOSED TRANSACTION

- 8.1 Based on the FS Financial Accounts, the book value and net tangible asset value² attributable to a 70% interest in the Target as at 30 June 2016 is approximately S\$167.0 million.

² Adjusted for the aggregate amount of (1) the total loans extended by T Co to the Target and (2) loans extended by PRC companies within the Group to China Co.

8.2 Based on the FS Financial Accounts, the Group's estimated net gain from the Proposed Transaction is approximately S\$95.3 million and the estimated net proceeds will amount to approximately S\$243.4 million, after taking into account professional fees of advisors and associated transaction costs. The net proceeds from the Proposed Transaction are intended to be used as general working capital.

8.3 The financial effects of the Proposed Transaction as set out below are prepared based on the Group's audited consolidated financial statements for the financial year ended 31 December 2015 ("**FY2015**") and subject to the following key assumptions:

- (a) the effect of the Proposed Transaction on the Company's net tangible assets ("**NTA**") per Share is based on the assumption that the Proposed Transaction had been effected on 31 December 2015; and
- (b) the effect of the Proposed Transaction on the Company's earnings per Share ("**EPS**") for FY2015 is based on the assumption that (i) the Proposed Transaction had been effected on 1 January 2015 and (ii) the acquisition of East River Plot Two was completed on 1 January 2015³.

8.4 The financial effects below are purely for illustrative purposes only and are not indicative of the actual financial position of the Group and/or the Company following the Proposed Transaction.

(a) NTA per Share

	Before the Proposed Transaction	After the Proposed Transaction
NTA (S\$'000)	974,738	1,065,418
NTA per Share (cents)	165.26	180.64

Note:

NTA per Share is calculated based on (a) 589,814,949 issued Shares as at 31 December 2015 (the Company has no treasury shares) and (b) an assumed exchange rate of RMB1 : S\$0.2175, being the relevant exchange rate as at 31 December 2015.

(b) Profits and Earnings per Share

	Before the Proposed Transaction	After the Proposed Transaction
Profit after tax and minority interests (S\$'000)	67,362	173,563
Earnings per Share (basic and diluted) (cents)	11.42	29.43

³ As disclosed in the Company's 2015 Annual Report, the Group won the public land tender for East River Plot Two on 4 December 2015. However, for the purposes of providing a meaningful reflection of the proforma EPS under paragraph 8.4 of this announcement, the financial effects for illustrative purposes only under paragraph 8.4(b) assumes that the acquisition of East River Plot Two was completed on 1 January 2015.

Note:

EPS is calculated based on (a) the weighted average number of 589,814,949 issued Shares during the financial year ended 31 December 2015 (the Company has no treasury shares) and (b) an assumed exchange rate of RMB1 : S\$0.2179, being the applicable average exchange rate for the financial year ended 31 December 2015.

9. INTERESTS OF DIRECTORS AND CONTROLLING SHAREHOLDERS

Save as disclosed in this announcement:

- (a) none of the directors of the Company has any interest, direct or indirect, in the Proposed Transaction, save through his shareholding in the Company (if any); and
- (b) to the best of the knowledge of the directors of the Company, none of the controlling shareholders of the Company has any interest, direct or indirect, in the Proposed Transaction, save through such shareholders' shareholding in the Company.

10. DIRECTORS' SERVICE CONTRACTS

No person is proposed to be appointed as a director of the Company in connection with the Proposed Transaction, and no director's service contract is proposed to be entered into by the Company with any person in connection with the Proposed Transaction.

11. DOCUMENT AVAILABLE FOR INSPECTION

Copies of the Share Subscription Agreement and Assignment Agreement are available for inspection during normal business hours at the Company's business address at 63, Market Street, #06-03 Bank of Singapore Centre Singapore 048942 for a period of three (3) months from the date of this announcement.

12. CAUTIONARY STATEMENT

Shareholders and potential investors are advised to exercise caution in the trading of their Shares in the Company. The Proposed Transaction is subject to, *inter alia*, the fulfilment of the condition set out in paragraph 5.4 of this announcement. There is no certainty and assurance as at the date of this announcement that the Proposed Transaction will be completed or that no changes will be made to the terms thereof. Shareholders and potential investors are advised to read this announcement and any further announcements by the Company carefully. Shareholders and potential investors should consult their stockbrokers, solicitors or other professional advisors if they have any doubts about the actions they should take.

BY ORDER OF THE BOARD
FIRST SPONSOR GROUP LIMITED

Neo Teck Pheng
Group Chief Executive Officer

22 August 2016