

PROPOSED ACQUISITIONS OF DOUBLE WEALTHY COMPANY LIMITED AND GUANGZHOU KAIXIANG PROPERTY MANAGEMENT CO., LTD.

1. INTRODUCTION

1.1 **Proposed Acquisitions.** The board of directors (“**Board**”) of First Sponsor Group Limited (“**Company**”) and together with its subsidiaries, (“**Group**”) wishes to announce that on 9 February 2021:

(a) **Proposed Panyu Acquisition.** The Company and its British Virgin Islands-incorporated wholly-owned subsidiary, FS Dongguan No. 6 Ltd (“**Panyu Purchaser**”), entered into a conditional sale and purchase agreement (“**Panyu SPA**”) with Chuang’s China Investments Limited (莊士中國投資有限公司) (“**Panyu Seller Guarantor**”) and Chuang’s China Realty Limited (莊士中國地產有限公司) (“**Panyu Seller**”) in relation to (i) the proposed acquisition by Panyu Purchaser from Panyu Seller of the entire issued share capital of Double Wealthy Company Limited (厚富有限公司) (“**Target I**”); and (ii) the proposed assignment by Panyu Seller to Panyu Purchaser of the rights in respect of the amounts (“**Sale Loan**”) owing by Target I to Panyu Seller (collectively “**Proposed Panyu Acquisition**”); and

(b) **Proposed Kaixiang Acquisition.** First Sponsor (Guangdong) Group Limited (“**Kaixiang Purchaser 1**”), a People’s Republic of China (“**PRC**”)–incorporated indirect wholly-owned subsidiary of the Company, entered into a conditional sale and purchase agreement (“**Kaixiang SPA**”) with Guangzhou Hengyang Investment Consulting Service Co., Ltd. (廣州恒陽投資諮詢服務有限公司) (“**Kaixiang Seller**”) and Shoucheng (Dongguan) Real Estate Co., Ltd. (首誠(東莞)房地產有限公司) (“**Kaixiang Purchaser 2**”), in relation to the proposed acquisition by Kaixiang Purchaser 1 and Kaixiang Purchaser 2 from Kaixiang Seller of 95% and 5% of the registered capital of Guangzhou Kaixiang Property Management Co., Ltd. (廣州市凱翔物業管理有限公司) (“**Target II**”) respectively (“**Proposed Kaixiang Acquisition**”).

1.2 **Information on the Sellers.** Panyu Seller is a Bermuda-incorporated wholly-owned subsidiary of Panyu Seller Guarantor, which is an indirect 60.7%-owned subsidiary of Chuang’s Consortium International Limited (“**CCIL**”). Both Panyu Seller Guarantor and CCIL are Bermuda-incorporated, Hong Kong-based companies listed on The Stock Exchange of Hong Kong Limited and are engaged in, among other things, property businesses. As at 9 February 2021, Panyu Seller Guarantor and CCIL had a market capitalization of HK\$904.3 million¹ (approximately S\$155.7 million) and HK\$1.64 billion (approximately S\$282.4 million) respectively.

Kaixiang Seller is a PRC-incorporated wholly-owned subsidiary of Panyu Seller. Its principal business activity is investment holding.

1.3 **Transfer of a 5% stake in Panyu Purchaser and Information on Kaixiang Purchaser 2.** Prior to completion of the Proposed Acquisitions (“**Completion**”), Regent Land Investment Holdings Limited (“**Regent**”) or a wholly-owned subsidiary of Regent will acquire 5% of the issued share capital of Panyu Purchaser by way of subscription of one new ordinary share in Panyu Purchaser at a consideration of S\$1 which is the book value of such share.

¹ Unless otherwise stated, the exchange rates of RMB1: S\$0.2067 and HK\$1: S\$0.1722 are used in this announcement.

Kaixiang Purchaser 2 is an investment holding company incorporated in the PRC.

Regent and Kaixiang Purchaser 2 are wholly-owned by 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.

- 1.4 **Chapters 9 and 10 of Listing Manual.** None of Panyu Seller, Panyu Seller Guarantor, Kaixiang Seller, Regent, Kaixiang Purchaser 2 and Mr Shu is an "interested person" of the Company for the purposes of Chapter 9 of the listing manual of the Singapore Exchange Securities Trading Limited ("**Listing Manual**"). The Board is of the view that the Proposed Panyu Acquisition and the Proposed Kaixiang Acquisition (collectively, "**Proposed Acquisitions**") are in the ordinary course of the Company's business and therefore do not fall within the scope of Chapter 10 of the Listing Manual.
- 1.5 **Completion.** Parties are currently targeting for Completion to take place before the end of the third quarter of 2021. Upon Completion, Target I and Target II will become subsidiaries of the Group.

2. INFORMATION ON TARGET I, PROJECT COMPANY, PROPERTY AND TARGET II

- 2.1 **Target I.** Target I is a limited liability company incorporated in Hong Kong on 12 June 1981. As at the date of this announcement, Target I has an issued and paid up share capital of HK\$160 (approximately S\$28) comprising 160 ordinary shares, which are all beneficially owned by Panyu Seller.

Target I's principal activity is investment holding. It holds 100% of the issued shares in Guangzhou Panyu Chuang's Real Estate Development Co., Ltd. (廣州市番禺區莊士房地產開發有限公司) ("**Project Company**"), a limited liability company incorporated in the PRC on 11 September 1992. As at the date of this announcement, it has a registered capital of RMB450 million (approximately S\$93.0 million).

Based on the unaudited consolidated management accounts of the Target I Group (as defined below) as at 31 December 2020, the net asset value of the Target I Group was approximately HK\$396.8 million (approximately S\$68.3 million).

- 2.2 **Project Company and Property.** Project Company's principal activity is the development of residential and commercial properties. Project Company owns the land use rights in respect of 3 development land parcels, 2 for terms expiring on 23 December 2062 and 1 for a term expiring on 2 January 2067, all situated at Liangang Road, Shilou Town, Panyu District, Guangzhou City, Guangdong Province, PRC (collectively, "**Property**"). Panyu District is located in the southern part of Guangzhou, adjacent to Dongguan and Foshan and is in the geographic centre of the Guangdong-Hong Kong-Macao Greater Bay Area.

The Property has a saleable gross floor area of approximately 162,958.64 square metres of which approximately 98% and 2% are for residential and commercial use respectively.

The Property will be developed as phase 3 of an existing development project known as Chuang's Le Papillon (庄士映蝶藍灣) ("**Le Papillon**"). The development of phases 1 and 2 of Le Papillon, which are on adjacent land parcels, was completed in 2012 and 2015 respectively, and their residential units have been substantially sold by Project Company. In addition to the Property, Project Company currently still owns 1 club house, 16 unsold villas and 382 unsold car park lots at phases 1 and 2 of Le Papillon. The club house, 15 of the 16 unsold villas and 368 of the 382 unsold car park lots will be part of the Proposed Panyu Acquisition ("**Included Assets**") while the remaining unsold villa and 14 unsold car park lots will be excluded from the Proposed Panyu Acquisition ("**Excluded Assets**").

Development works on the Property have commenced but are currently on hold. The development of the Property is expected to continue after the finalisation of certain design modifications by the Group.

- 2.3 **Target II.** Target II is a limited liability company incorporated in the PRC on 22 January 2010. As at the date of this announcement, it has a registered capital of RMB20 million (approximately S\$4.1 million), which is 100% held by Kaixiang Seller.

Target II's principal activities include property management. It currently owns the second club house and 1 car park lot situated at Le Papillon ("**Kaixiang Assets**").

Based on the unaudited management accounts of Target II as at 31 December 2020, the net asset value of Target II was approximately RMB9.7 million (approximately S\$2.0 million).

3. SALIENT TERMS OF THE PROPOSED ACQUISITIONS

- 3.1 **Conditions Precedent.** The Proposed Panyu Acquisition is conditional upon:

- (a) *Shareholders' approvals.* Approvals of the shareholders of Panyu Seller Guarantor and CCIL for the transactions contemplated under the Panyu SPA; and
- (b) *No material adverse effect.* No material adverse effect on the business, operations, assets, financial condition or operating results of Target I, Project Company (collectively "**Target I Group**") or the Target I Group taken as a whole which results in a decrease in the value of the business, operations and/or assets of the Target I Group taken as a whole exceeding RMB300 million (approximately S\$62.0 million) (other than resulting primarily from fair, wear and tear of the Property, material adverse changes in general market conditions/general economic environment and/or material changes in applicable laws, PRC measures and/or directives) having occurred.

The condition set out in sub-paragraph (a) above is expected to be satisfied as Panyu Purchaser has received irrevocable undertakings from Profit Stability Investments Limited (which owns approximately 60.7% of the shares in Panyu Seller Guarantor) and Evergain Holdings Limited (which owns approximately 53.5% of the shares in CCIL) to vote in favour of the relevant resolution(s) at the general meetings of Panyu Seller Guarantor and CCIL respectively.

The Proposed Kaixiang Acquisition is conditional upon the Completion of the Proposed Panyu Acquisition.

- 3.2 **Consideration.** For the purpose of this announcement, the consideration payable by Panyu Purchaser for the Proposed Panyu Acquisition ("**Panyu Consideration**") is estimated to be approximately RMB1,564.1 million (approximately S\$323.3 million), taking into account an assumed adjusted net asset value of the Target I Group ("**Adjusted NAV**") of approximately RMB1,188.4 million (approximately S\$245.6 million) computed based on the unaudited consolidated management accounts as at 31 December 2020 of the Target I Group, taking into account the agreed commercial value of the Property of RMB1,248.4 million (approximately S\$258.0 million) ("**Agreed Commercial Property Value**") and the agreed commercial value of the Included Assets of RMB85.5 million (approximately S\$17.7 million) ("**Agreed Included Assets Value**"). The Sale Loan will be assigned at par value and therefore the consideration for the ordinary shares in Target I will be the Panyu Consideration less the par value of the Sale Loan.

The Agreed Commercial Property Value was the result of arm's length, commercial negotiations between the parties on a willing-buyer, willing-seller basis, taking into account, among other things, the commercial value and tax base cost of the Property, the available tax losses of the Project Company, the development expenditure incurred and the current property market conditions in the PRC. The Agreed Included Assets Value was arrived at after taking into account, among other things, the commercial value and tax base cost of the Included Assets,

the available tax losses of the Project Company and the current property market conditions in the PRC.

The final Panyu Consideration will be subject to post-Completion adjustments computed based on the unaudited consolidated management accounts as at the date of Completion of the Target I Group prepared in accordance with the terms of the Panyu SPA (“**Completion Management Accounts**”).

For the purpose of this announcement, the consideration payable by Kaixiang Purchaser 1 and Kaixiang Purchaser 2 for the Proposed Kaixiang Acquisition (“**Kaixiang Consideration**”) is estimated to be approximately RMB10.0 million (approximately S\$2.1 million) and approximately RMB0.5 million (approximately S\$0.1 million) respectively, based on an agreed commercial value of the Kaixiang Assets of RMB9.7 million (approximately S\$2.0 million) and an assumed adjusted net asset value of Target II of approximately RMB10.5 million (approximately S\$2.2 million).

The agreed commercial value of the Kaixiang Assets was the result of arm’s length, commercial negotiations between the parties on a willing-buyer, willing-seller basis, taking into account, among other things, the commercial value and tax base cost of the Kaixiang Assets and the current property market conditions in the PRC.

The final Kaixiang Consideration will depend on the adjusted net asset value of Target II as at the date of Completion.

3.3 **Mode of Payment.** The mode of payment of the Panyu Consideration is as follows:

- (a) *Deposit.* On 9 February 2021, Panyu Purchaser instructed its solicitors to hold to the order of Panyu Seller, an amount of S\$27.7 million as a deposit. This deposit will be replaced by a deposit of RMB100 million (approximately S\$20.7 million) (“**Deposit**”) which Panyu Purchaser will issue an irrevocable instruction to its bank to remit to Panyu Seller’s bank account on 10 February 2021.
- (b) *Amount to be paid on Completion (based on pre-Completion estimates).* On Completion, Panyu Purchaser shall pay to Panyu Seller an amount equal to (a) the estimated Panyu Consideration based on the estimated Adjusted NAV as at the date of Completion (“**Estimated Adjusted NAV**”) less (b) RMB224.9 million (approximately S\$46.5 million) (which is the sum of (i) the Deposit, (ii) RMB99.9 million (approximately S\$20.6 million), which is 8% of the Agreed Commercial Property Value (“**Deferred Consideration**”) and (iii) RMB25 million (approximately S\$5.2 million) (“**Deferred Tax Amount**”).
- (c) *Deferred Consideration.* On the business day falling immediately after the expiry of 12 months from Completion, Panyu Purchaser shall pay to Panyu Seller the Deferred Consideration, subject to Panyu Purchaser’s right of deduction referred to in paragraph 3.4(a) below.
- (d) *Post-Completion computation of Adjusted NAV.* Post-Completion, the actual Adjusted NAV shall be computed based on the Completion Management Accounts and any difference between the actual Adjusted NAV and the Estimated Adjusted NAV shall be settled accordingly within 5 business days after the actual Adjusted NAV has been conclusively determined.

The Kaixiang Consideration shall be paid upon the Completion of the Proposed Panyu Acquisition.

3.4 **Certain Undertakings under the Panyu SPA.** Pursuant to the Panyu SPA:

- (a) *Bulletin 7 Undertaking.* Panyu Seller has warranted and undertaken to Panyu Purchaser that it shall comply with the requirements of the Bulletin on Issues of Enterprise Income Tax on Indirect Transfers of Assets by Non-PRC Resident Enterprises (國家稅務總局關於非居民企業間接轉讓財產企業所得稅若干問題的公告)

("Bulletin 7"). If Panyu Seller fails to make any tax filings under Bulletin 7 or pay any taxes as determined by the PRC tax authorities in connection with the Proposed Panyu Acquisition, Panyu Purchaser shall be entitled to deduct an amount equal to the unpaid taxes from the Panyu Consideration, the Deferred Consideration and/or the Deferred Tax Amount for the purpose of paying the taxes owing to the PRC tax authorities.

Panyu Seller has the right to terminate the Panyu SPA if prior to Completion, Panyu Seller's tax liability is assessed by the PRC tax authorities to be more than RMB200 million (approximately S\$41.3 million). In the event Panyu Seller exercises such right of termination, Panyu Purchaser may elect to either (i) accept the termination, in which event the Deposit (together with any interest accrued) will be returned to Panyu Purchaser; or (ii) agree to reimburse Panyu Seller an amount equal to the assessed tax liability less RMB200 million, in which event the Panyu SPA will continue in full force and effect.

Assuming the satisfaction/waiver of the conditions precedent referred to in paragraph 3.1 above, unless Panyu Seller decides to proceed with Completion, Completion shall only proceed after the PRC tax authorities have issued their Bulletin 7 tax assessment. If the Bulletin 7 tax assessment is not obtained by 30 September 2021 and Panyu Seller does not wish to proceed with Completion before the Bulletin 7 tax assessment is obtained, Panyu Purchaser has the option to either extend the longstop date from 30 September 2021 to a later date or to terminate the Panyu SPA (in the event of such termination, the Deposit (together with any interest accrued) will be returned to Panyu Purchaser). Further extensions of the longstop date may be granted by Panyu Purchaser on a monthly basis.

- (b) Deferred Tax Undertaking. Panyu Seller has warranted and undertaken to Panyu Purchaser that the tax losses of Project Company as at Completion ("**Tax Loss**") shall be at least RMB115 million (approximately S\$23.8 million) and that the Tax Loss shall be available for utilisation by Project Company to set off against any taxable income ("**Deferred Tax Undertaking**"). Panyu Purchaser shall pay to Panyu Seller:
- (i) if any part of the Tax Loss is utilised to set off against any taxable income of the Project Company, the amount of the utilised Tax Loss multiplied by 25% as partial payment of the Deferred Tax Amount, within 10 business days of utilisation; and
 - (ii) if any part of the remaining Tax Loss is not utilised, an amount equal to the Deferred Tax Amount less the amount paid under sub-paragraph (i) above, within 4 years from Completion.

If prior to the expiry of the 4 years period, the PRC tax authorities determine that the actual Tax Loss is less than RMB115 million, the Deferred Tax Amount payable by Panyu Purchaser shall be reduced by an amount equal to the difference between RMB115 million and the actual Tax Loss multiplied by 25%. If the reduced Deferred Tax Amount is less than the total amount paid under sub-paragraph (i) above, no further amount shall be payable by Panyu Purchaser and Panyu Seller shall pay to Panyu Purchaser an amount equal to the excess paid under sub-paragraph (i) above, within 10 business days of the PRC tax authorities' determination.

If within 7 years after the last payment by Panyu Purchaser of any part of the Deferred Tax Amount, the PRC tax authorities determine that the actual Tax Loss is less than the Tax Loss which was the basis upon which the payments by Panyu Purchaser were made, Panyu Seller shall pay to Panyu Purchaser an amount that is equal to the shortfall multiplied by 25%, within 10 business days of the PRC's tax authorities' determination.

- (c) Excluded Assets, Phases 1&2 Receivables and Disputed Properties. Panyu Seller shall be entitled to transfer the Excluded Assets out of the Target I Group at any time prior to Completion at such price as decided by Panyu Purchaser.

Panyu Seller shall also be entitled to the outstanding receivables of the Target I Group in respect of the sales of the properties at phases 1 and 2 of Le Papillon (“**Phases 1&2 Receivables**”). Panyu Seller shall procure the assignment by the Target I Group of the Phases 1&2 Receivables to a nominee of Panyu Seller at such consideration as Panyu Seller may reasonably determine prior to Completion and Panyu Purchaser has undertaken that any Phases 1&2 Receivables received by the Target I Group after Completion shall be held on trust for, and within 10 business days after receipt, paid to, Panyu Seller’s nominee.

In addition, there are certain other properties at phases 1 and 2 of Le Papillon which are the subject of legal proceedings (“**Disputed Properties**”). Panyu Purchaser has undertaken, at the cost and expense of Panyu Seller and subject to compliance with applicable laws, to procure the Target I Group to take reasonable actions in relation to the Disputed Properties including the repossession and thereafter the transfer of the Disputed Properties to Panyu Seller or such other designated party at such consideration as Panyu Seller may reasonably determine. Any sale proceeds received by the Target I Group from the transfer of the Disputed Properties shall be returned to Panyu Seller within 14 business days of receipt. Panyu Seller shall indemnify Panyu Purchaser and the Target I Group in respect of any losses incurred by any of them as a result of such actions.

The performance by Panyu Seller and Panyu Purchaser of their respective obligations under the Panyu SPA are guaranteed by Panyu Seller Guarantor and the Company respectively.

4. RATIONALE FOR THE PROPOSED ACQUISITIONS

The Proposed Acquisitions are in line with the Group’s plan to further expand its property development business in the Greater Bay Area to capitalise on the positive outlook of the Greater Bay Area development plan.

5. FINANCING OF THE PROPOSED ACQUISITIONS

The Group will finance the Proposed Acquisitions using its existing cash resources and committed unsecured credit facilities.

The Proposed Acquisitions are not expected to have any material impact on the consolidated earnings per share and the consolidated net tangible assets per share of the Company 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 Proposed Acquisitions.

BY ORDER OF THE BOARD

Neo Teck Pheng
Group Chief Executive Officer and Executive Director

10 February 2021