

General Announcement::Announcement by First Sponsor Group Limited, an associate of Millennium & Copthorne Hotels plc

Issuer & Securities

Issuer/ Manager	CITY DEVELOPMENTS LIMITED
Securities	CITY DEVELOPMENTS LIMITED - SG1R89002252 - C09
Stapled Security	No

Announcement Details

Announcement Title	General Announcement
Date & Time of Broadcast	30-May-2018 07:40:05
Status	New
Announcement Sub Title	Announcement by First Sponsor Group Limited, an associate of Millennium & Copthorne Hotels plc
Announcement Reference	SG180530OTHRRQA3
Submitted By (Co./ Ind. Name)	Enid Ling Peek Fong
Designation	Company Secretary
Description (Please provide a detailed description of the event in the box below)	<p>First Sponsor Group Limited ("FSGL"), an associate of Millennium & Copthorne Hotels plc, has on 30 May 2018 released an announcement relating to Disposal of certain parts of Chengdu Cityspring, a mixed-used residential and commercial project in the People's Republic of China.</p> <p>For details, please refer to the announcement released by FSGL on the SGX website www.sgx.com.</p>

Asset Acquisitions and Disposals::DISPOSAL OF PROPERTY

Issuer & Securities

Issuer/ Manager	FIRST SPONSOR GROUP LIMITED
Securities	FIRST SPONSOR GROUP LIMITED - KYG3488W1078 - ADN
Stapled Security	No

Announcement Details

Announcement Title	Asset Acquisitions and Disposals
Date & Time of Broadcast	30-May-2018 07:02:19
Status	New
Announcement Sub Title	DISPOSAL OF PROPERTY
Announcement Reference	SG180530OTHRQB6Z
Submitted By (Co./ Ind. Name)	Neo Teck Pheng
Designation	Group Chief Executive Officer and Executive Director
Description (Please provide a detailed description of the event in the box below)	Please see attached.
Attachments	FSGGL - SGX Annc - Disposal of Property.pdf Total size =430K

FIRST SPONSOR GROUP LIMITED

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

DISPOSAL OF PROPERTY

1. INTRODUCTION

The board of directors (“**Board**”) of First Sponsor Group Limited (“**Company**”, and collectively with its subsidiaries, “**Group**”) wishes to announce that Chengdu Gaeronic Real Estate Co., Ltd (“**Vendor**”), an indirect wholly-owned subsidiary of the Company, has on 28 May 2018 entered into a sale and purchase agreement (“**S&P Agreement**”) with Minyoun Industrial Group Corporation Limited (明宇实业集团有限公司) (“**Purchaser**”) in relation to the disposal by the Vendor of the Property (as defined below) to the Purchaser (“**Disposal**”) for a total cash consideration of approximately RMB465.0 million (approximately S\$97.5 million¹) (“**Consideration**”).

The Purchaser is a company incorporated in the People’s Republic of China (“**PRC**”) and is based in Chengdu. It is principally engaged in the hotel, real estate and finance business.

2. DESCRIPTION OF THE PROPERTY

2.1 Chengdu Cityspring is a mixed-used residential and commercial project developed by the Vendor comprising six residential buildings, four commercial buildings and 1,272 basement car park lots. The four commercial buildings comprise two blocks of 29-storey buildings, one three-storey block and one four-storey block. Chengdu Cityspring is located at No. 388, North Yizhou Avenue, Gaixin District, Chengdu, Sichuan Province, the PRC.

2.2 Pursuant to the S&P Agreement, the Vendor agreed to sell, and the Purchaser agreed to purchase, certain parts of Chengdu Cityspring as set out below:

- (a) Block 9 (which is one of the 29-storey commercial buildings) (excluding the basement and 7 retail spaces on the first floor) which has a total gross floor area (“**GFA**”) of approximately 39,790.85 square metres (“**sq m**”);
- (b) a retail space on the first floor of Block 8 (which is the other 29-storey commercial building) which has a total GFA of approximately 464.93 sq m; and
- (c) 318 basement car park lots.

(collectively, “**Property**”).

2.3 The Property is owned by the Vendor under a leasehold interest which expires in March 2049. M Hotel Chengdu occupies parts of the first floor, the second floor, the 18th to 29th floors of Block 9 and the retail space on the first floor of Block 8. Other than M Hotel Chengdu and the car park lots, the rest of the Property (i.e. the third to 17th floors of Block 9) comprises commercial space in a bare shell condition.

2.4 M Hotel Chengdu is a 196-room four-star hotel managed by Millennium & Copthorne Hotels (Hong Kong) Limited (“**Hotel Manager**”) under the “M Hotel” brand name. The Hotel Manager

¹ Unless otherwise stated, the exchange rate of RMB1: S\$0.209806 is used in this announcement.

is a wholly-owned subsidiary of Millennium & Copthorne Hotels plc (“M&C”), a controlling shareholder of the Company. Please refer to paragraph 3.5 of this announcement in relation to the termination of the operating and management agreement as well as other related agreements.

- 2.5 The Vendor had appointed Cushman & Wakefield to assess the value of certain parts of Chengdu Cityspring for its 2017 year-end accounting purposes. Based on the valuation report dated 5 January 2018 prepared by Cushman & Wakefield (“**Valuation Report**”), the Property (excluding 144 out of the 318 basement car park lots to be sold pursuant to the S&P Agreement) and a staff hostel in Block 10 had a market value of RMB353.6 million² (approximately S\$72.3 million³) (using the discounted cash flow and/or the market comparable methods of valuation) as at 31 December 2017.

3. SALIENT TERMS OF THE DISPOSAL

3.1 Consideration

- 3.1.1 The Consideration was arrived at after arm's length negotiations, on a willing-buyer and willing-seller basis, taking into account, among others, the current property market conditions in the PRC, the proposals received from other independent third parties and the net book value of the Property.

- 3.1.2 The Consideration, which shall be satisfied fully in cash, comprises:

- (a) approximately RMB442.7 million (approximately S\$92.8 million) as consideration for the Property (excluding the 318 basement car park lots); and
- (b) approximately RMB22.3 million (approximately S\$4.7 million) as consideration for the 318 basement car park lots.

- 3.1.3 The Consideration shall be paid as follows:

- (a) Within two business days of the execution of the S&P Agreement, RMB5.0 million (approximately S\$1.0 million) shall be paid by the Purchaser or its designated entities as deposit (“**Initial Deposit**”). Such Initial Deposit has been received on 29 May 2018;
- (b) Within 30 business days of the execution of the S&P Agreement:
 - (i) approximately RMB206.5 million (approximately S\$43.3 million) shall be paid by the Purchaser as part payment of the Consideration, out of which RMB5.0 million (approximately S\$1.0 million) shall be paid by utilising the Initial Deposit (“**First Instalment**”); and
 - (ii) approximately RMB28.5 million (approximately S\$6.0 million) shall be paid by the Purchaser as deposit (“**Replacement Deposit**”);
- (c) Within 180 days of the execution of the S&P Agreement, approximately RMB152.1 million (approximately S\$31.9 million) shall be paid by the Purchaser as part payment of the Consideration, out of which approximately RMB15.1 million (approximately S\$3.2 million) shall be paid by utilising part of the Replacement Deposit (“**Second Instalment**”); and

² The Valuation Report covered the staff hostel in Block 10 which is not part of the Disposal but did not cover 144 basement car park lots which are part of the Disposal. The 174 basement car park lots which were covered by the Valuation Report are all the car park lots of M Hotel Chengdu.

³ Based on an exchange rate of RMB1 : S\$0.204545 as at 31 December 2017.

- (d) Within 365 days of the execution of the S&P Agreement, approximately RMB106.4 million (approximately S\$22.3 million) shall be paid by the Purchaser as part payment of the Consideration, out of which approximately RMB13.4 million (approximately S\$2.8 million) shall be paid by utilising the remaining amount of the Replacement Deposit (“**Final Instalment**”).

3.1.4 In the event that the Purchaser fails to pay the First Instalment and the Replacement Deposit within the time-frame set out in paragraph 3.1.3(b) above, the Purchaser shall be liable to pay liquidated damages and if:

- (a) 50% or more of the aggregate amount of the First Instalment and the Replacement Deposit remains unpaid for more than 30 days after the expiry of the relevant time-frame; or
- (b) less than 50% of the aggregate amount of the First Instalment and the Replacement Deposit remains unpaid at the time the Second Instalment has become due,

the S&P Agreement shall immediately terminate and the Purchaser shall be liable to pay further liquidated damages in accordance with the S&P Agreement.

3.1.5 In the event that the Purchaser fails to pay the Second Instalment (less RMB15.1 million) within the time-frame set out in paragraph 3.1.3(c) above, the Purchaser shall be liable to pay liquidated damages and if:

- (a) 50% or more of the Second Instalment (less RMB15.1 million) remains unpaid for more than 30 days after the expiry of the relevant time-frame; or
- (b) less than 50% of the Second Instalment (less RMB15.1 million) remains unpaid at the time the Final Instalment has become due,

the S&P Agreement shall immediately terminate and the Purchaser shall be liable to pay further liquidated damages in accordance with the S&P Agreement. However, the termination of the S&P Agreement shall neither affect (i) the parts of the Property to which title has been transferred as set out in paragraph 3.3.1(a) below nor (ii) in the event the First Instalment and the Replacement Deposit have been paid but title to such parts of the Property has not been transferred in accordance with paragraph 3.3.1(a) below, the parties' obligation to proceed with the transfer of such title (including the obligation to provide the relevant documentation and pay all relevant fees and taxes in relation to such transfer).

3.1.6 In the event that the Purchaser fails to pay the Final Instalment (less RMB13.4 million) within the time-frame set out in paragraph 3.1.3(d), the Purchaser shall be liable to pay liquidated damages and if such failure continues for more than 30 days after the expiry of the relevant time-frame, the S&P Agreement shall immediately terminate and the Purchaser shall be liable to pay further liquidated damages in accordance with the S&P Agreement. However, the termination of the S&P Agreement shall neither affect (i) the parts of the Property to which title has been transferred as set out in paragraphs 3.3.1(a) and 3.3.1(b) below nor (ii) in the event the First Instalment, the Replacement Deposit and/or the Second Instalment (less RMB15.1 million) have been paid but title to such parts of the Property has not been transferred in accordance with paragraphs 3.3.1(a) and 3.3.1(b) below, the parties' obligation to proceed with the transfer of such title (including the obligation to provide the relevant documentation and pay all relevant fees and taxes in relation to such transfer).

3.2 Adjustments to the Consideration

The number of car park lots to be included in the Disposal is subject to PRC governmental approval. Subject to such PRC governmental approval, the number of car park lots to be included in the Disposal may be equal to or fewer than 318 and the Consideration shall be adjusted based on the price of RMB70,000 (approximately S\$14,686) per basement car park lot, in accordance with the S&P Agreement.

3.3 Transfer of Title to Property

3.3.1 Pursuant to the S&P Agreement, the Vendor shall co-operate to transfer to the Purchaser or its designated entities, title to:

- (a) such part of the Property as specified in the S&P Agreement, the Consideration for which corresponds with the amount of the First Instalment, upon receipt of the First Instalment and the Replacement Deposit;
- (b) such part of the Property (including 116 basement car park lots) as specified in the S&P Agreement, the Consideration for which corresponds with the amount of the Second Instalment, upon receipt of the Second Instalment (less RMB15.1 million); and
- (c) the remaining part of the Property (including 202 basement car park lots) as specified in the S&P Agreement, the Consideration for which corresponds with the amount of the Final Instalment, upon receipt of the Final Instalment (less RMB13.4 million).

3.3.2 In the event that the Purchaser has paid in full the First Instalment, the Replacement Deposit and/or the Second Instalment (less RMB15.1 million) and the Vendor fails to provide the relevant documentation or co-operate with the Purchaser or there is a delay due to the default of the Vendor in relation to the transfer of title to such part of the Property ("**Defaulted Part**") in accordance with the S&P Agreement, the Vendor shall be liable to pay liquidated damages and if:

- (a) (i) the amount of Consideration in respect of the Defaulted Part is 50% or more of the relevant Instalment and (ii) such failure/delay continues for more than 30 days after the expiry of the relevant-time frame; or
- (b) (i) the amount of the Consideration in respect of the Defaulted Part is less than 50% of the relevant Instalment and (ii) such failure/delay remains uncured at the time the next Instalment has become due,

the S&P Agreement shall immediately terminate and the Vendor shall return the Consideration paid in respect of the Defaulted Part, pay further liquidated damages and compensate the Purchaser for costs and expenses incurred by it in accordance with the S&P Agreement. However, the termination of the S&P Agreement shall neither affect (i) the parts of the Property to which title has been transferred as set out in paragraph 3.3.1 above nor (ii) in the event any Instalment (including the Replacement Deposit) has been paid and all relevant documentation as well as payment of all relevant fees and taxes have been provided, but title to such parts of the Property (other than the Defaulted Part) has not been transferred in accordance with paragraph 3.3.1 above, the parties' obligation to proceed with the transfer of such title.

3.3.3 In the event that the Purchaser has paid in full the Final Instalment (less RMB13.4 million) and the Vendor fails to provide the relevant documentation or co-operate with the Purchaser or there is a delay due to the default of the Vendor in relation to the transfer of title to such Defaulted Part in accordance with the S&P Agreement, the Vendor shall be liable to pay liquidated damages and if such failure/delay continues for more than 30 days after the expiry

of the relevant-time frame, the S&P Agreement shall immediately terminate and the Vendor shall return the Consideration paid in respect of the Defaulted Part, pay further liquidated damages and compensate the Purchaser for costs and expenses incurred by it in accordance with the S&P Agreement. However, the termination of the S&P Agreement shall neither affect (i) the parts of the Property to which title has been transferred as set out in paragraph 3.3.1 above nor (ii) in the event any Instalment (including the Replacement Deposit) has been paid and all relevant documentation as well as payment of all relevant fees and taxes have been provided, but title to such parts of the Property (other than the Defaulted Part) has not been transferred in accordance with paragraph 3.3.1 above, the parties' obligation to proceed with the transfer of such title.

3.3.4 Under the S&P Agreement, the Purchaser may elect to continue with the performance of the S&P Agreement notwithstanding such failure/delay by the Vendor. In such event, it shall have the right to proceed with the Disposal without the Defaulted Part and to deduct or require the Vendor to return such part of the Consideration paid in respect of the Defaulted Part. The Vendor shall remain liable to pay liquidated damages in relation to its failure to transfer the Defaulted Part.

3.4 **Delivery of Physical Possession of M Hotel Chengdu and the Remaining Parts of the Property**

3.4.1 The Vendor shall deliver to the Purchaser physical possession of:

- (a) such parts of Block 9 occupied by M Hotel Chengdu (including certain of its assets and equipment), within 30 days (and in any event not later than 60 days) after receipt of the First Instalment and the Replacement Deposit; and
- (b) the remaining parts of the Property on the day after receipt of the First Instalment and the Replacement Deposit.

3.4.2 The Vendor shall be liable to pay liquidated damages and compensation for any costs and expenses incurred by the Purchaser in the event the use or operations of the Purchaser is/are affected as a result of the failure by the Vendor to deliver physical possession of such parts of the Property to the Purchaser in accordance with the S&P Agreement.

3.4.3 In the event that the S&P Agreement is terminated due to the default of the Purchaser, physical possession of such parts of the Property (title to which have not been transferred as referred to in paragraph 3.3.1 of this announcement) shall be redelivered to the Vendor, any renovation and fitting-out works carried out by the Purchaser on such parts of the Property shall become the property of the Vendor at no consideration and the Purchaser shall not be entitled to dismantle such works. In addition, the Purchaser shall ensure that the parts of Block 9 (including the relevant assets and equipment) referred to in paragraph 3.4.1(a) above remain in useable condition and shall pay compensation to the Vendor in accordance with the S&P Agreement. In the event that physical possession of such parts of the Property is redelivered to the Vendor as a result of the termination of the S&P Agreement due to the default of the Vendor, the Vendor shall be liable to compensate the Purchaser for the costs and expenses of any renovation and fitting out works carried out by the Purchaser.

3.5 **Operating and Management Agreement in relation to M Hotel Chengdu**

Pursuant to the S&P Agreement, the Vendor and Purchaser have agreed, among other things, that prior to the delivery of physical possession of such parts of Block 9 occupied by M Hotel Chengdu, the Vendor shall procure the termination of the operating and management agreement dated 4 December 2013 in relation to M Hotel Chengdu entered into between the Hotel Manager and the Vendor as well as other related agreements. The Vendor shall be liable to pay liquidated damages and compensation for any costs and expenses incurred by the Purchaser in the event the use or operations of the Purchaser is/are affected as a result of the failure by the Vendor to procure such termination in accordance with the S&P Agreement.

The Vendor has entered into a termination agreement dated 28 May 2018 with the Hotel Manager to terminate the operating and management agreement with effect from the date of such delivery of physical possession to the Purchaser or such other date as may be agreed between the Vendor and the Hotel Manager.

4. RATIONALE FOR THE DISPOSAL AND USE OF PROCEEDS

- 4.1 The Company is of the view that the Disposal is a good opportunity for the Company to dispose an underperforming asset at a profit. The Disposal will also further strengthen the Group's balance sheet. The Group will continue to own the 458-room Crowne Plaza Chengdu Wenjiang Hotel and 150-room Holiday Inn Express Chengdu Wenjiang Hotspring Hotel whose performances have been encouraging.
- 4.2 The Consideration represents an excess of RMB102.9 million (approximately S\$21.6 million) over the net book value of the Property as at 31 March 2018. The Company intends to use the net proceeds of approximately RMB396.7 million (approximately S\$83.2 million) from the Disposal (after taking into account estimated value added taxes, land appreciation tax⁴, corporate income tax, related professional fees and other associated transaction costs) to fund its existing operations in the PRC.

5. DISCLOSEABLE TRANSACTION UNDER CHAPTER 10 OF THE LISTING MANUAL

Relative Figures Pursuant to Rule 1006 of the Listing Manual

The relative figures computed on the bases set out in Rule 1006 of the listing manual of the Singapore Exchange Securities Trading Limited ("**Listing Manual**"), based on the latest announced unaudited consolidated financial statements of the Group for the 3 months period ended 31 March 2018, are set out below. The Disposal would constitute a discloseable transaction under Chapter 10 of the Listing Manual as the relative figures computed in Rule 1006(a) and Rule 1006(c) exceed 5% but do not exceed 20%.

Rule 1006	Bases	The Disposal (S\$'million)	The Group (S\$'million)	Relative figures (%)
(a)	Net asset value of the assets to be disposed of, compared with the Group's net asset value as at 31 March 2018	76.0	1,112.3	6.8
(b)	Net profits/(loss) attributable to the assets to be disposed of, compared with the Group's net profits for the three months ended 31 March 2018	(0.3)	21.9	(1.4)
(c)	Aggregate value of consideration received, compared with the Company's market capitalisation ⁽²⁾ as at 25 May 2018 (being the market day immediately preceding the date of the S&P Agreement)	97.5 ⁽¹⁾	822.7	11.9

⁴ The Group has not finalised the land appreciation tax calculations and payments with the local tax authority for Chengdu Cityspring. The current provision for land appreciation tax and the related corporate income tax is based on management's current best estimate.

(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. ⁽³⁾
(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. ⁽⁴⁾

Notes:

- (1) Based on the consideration of RMB465.0 million for the Disposal, which is equivalent to S\$97.5 million.
- (2) The market capitalisation of the Company is based on 648,795,981 issued shares in the Company ("**Shares**") as at 25 May 2018 (being the market day immediately preceding the date of the S&P Agreement) and the weighted average price of the Shares on the SGX-ST on 25 May 2018 of S\$1.268 per Share.
- (3) Not applicable as this basis is not applicable to the Disposal.
- (4) Not applicable as the Company is not a mineral, oil and gas company.

6. FINANCIAL EFFECTS OF THE DISPOSAL

6.1 Financial Effects

The financial effects of the Disposal have been prepared, for illustrative purposes, based on the Group's audited consolidated financial statements for the financial year ended 31 December 2017 ("**FY2017**") and based on the following key assumptions:

- (a) for the purpose of computing the financial effects of the Disposal on the net tangible assets ("**NTA**") per Share, the Disposal is assumed to have been effected on 31 December 2017; and
- (b) for the purpose of computing the financial effects of the Disposal on the earnings per Share ("**EPS**"), the Disposal is assumed to have been effected on 1 January 2017 and the net cash proceeds from the Disposal are assumed to have been fully received on 1 January 2017.

The bonus issue and rights issue (which were completed in April 2018) were not taken into account in the computations of the financial effects below.

Effect on NTA per Share

	Before the Disposal	After the Disposal
NTA (S\$'million)	1,080.2	1,085.7
NTA per Share (cents)	183.13	184.07

Note:

- (1) NTA per Share is calculated based on (a) 589,814,949 Shares as at 31 December 2017 and (b) an assumed exchange rate of RMB1 : S\$0.204545, being the relevant exchange rate as at 31 December 2017.

Effect on EPS

	Before the Disposal	After the Disposal
Profit after tax and minority interests (S\$'million)	88.3	94.9
EPS (basic and diluted) (cents)	15.93	16.09

Note:

- (1) EPS is calculated based on (a) the weighted average number of 589,814,949 Shares during FY2017 and (b) an assumed exchange rate of RMB1 : S\$0.2043, being the applicable average exchange rate for FY2017.

6.2 Gain from the Disposal

The amount of gain from the Disposal is estimated to be S\$5.9 million⁵, after taking into account estimated value added taxes, land appreciation tax⁶, corporate income tax, deferred tax, professional fees and other associated transaction costs.

7. INTERESTS OF DIRECTORS AND CONTROLLING SHAREHOLDERS

Mr Tan Kian Seng, a non-executive director of the Company, is the Interim Group Chief Executive Officer and Chief of Staff of M&C. He is also a non-executive director of Millennium & Copthorne Hotels New Zealand Limited and CDL Investments New Zealand Limited, which are subsidiaries of M&C. He also serves as President, Chairman of the board and a member of the nomination committee of Grand Plaza Corporation, a subsidiary of M&C that is listed in the Philippines. As stated in paragraph 2.4 of this announcement, the Hotel Manager of M Hotel Chengdu is a wholly-owned subsidiary of M&C. Mr Tan Kian Seng has voluntarily abstained from voting on board resolutions relating to the Disposal and the termination of the operating and management agreement referred to in paragraph 3.5 of this announcement.

Save as disclosed in this announcement:

- (a) none of the directors of the Company has any interest, direct or indirect, in the Disposal, save through his/her 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 Disposal, save through such shareholders' shareholding in the Company.

8. DIRECTORS' SERVICE CONTRACTS

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

⁵ Assuming that the Disposal was effected on 31 March 2018.

⁶ Please refer to footnote 4 above.

9. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the S&P Agreement and the Valuation Report 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.

BY ORDER OF THE BOARD
FIRST SPONSOR GROUP LIMITED

Neo Teck Pheng
Group Chief Executive Officer and
Executive Director

30 May 2018