

ENTRY INTO LEGALLY BINDING HEADS OF AGREEMENT – PROPOSED ACQUISITION OF HOTEL COMPONENT OF THE DEVELOPMENT PROJECT AT PITT STREET, SYDNEY

1. INTRODUCTION

- 1.1 **Previous Announcements.** The Board of Directors of First Sponsor Group Limited (“**Company**”, and collectively with its subsidiaries, “**Group**”) refers to the Company’s announcements dated 25 November 2019 and 16 January 2020 (“**Previous Announcements**”) in relation to the subscription of units in v5 Pitt Street Trust (formerly known as ICD SB Pitt Street Trust) (“**Trust**”) and shares in v5 Pitt Street Pty Ltd (formerly known as ICD SB Pitt Street Pty Ltd) (in its capacity as trustee of the Trust, “**Developer**”).

Unless otherwise defined herein, capitalised terms used in this announcement shall have the same meanings ascribed to them in the Previous Announcements.

- 1.2 **Entry into HOA.** The Board wishes to announce that, on 18 October 2021, the Developer and the Chairman of the City Tattersall’s Club for and on behalf of the City Tattersall’s Club (“**CTC**”) entered into a legally binding heads of agreement (“**HOA**”) which sets out the key terms upon which the parties shall negotiate and work towards the finalisation of detailed transaction documentation (“**Detailed Documentation**”) in relation to, among other things:

- (a) the transfer by CTC to the Developer (or its nominee) of the legal title to the proposed hotel component of the Project (“**Hotel Component Transfer**”) which shall comprise, *inter alia*, certain basement 1 storage space, ground floor space and level 5 to 13 of the Project (“**Hotel Component**”); and
- (b) the capping of certain costs, charges, expenses, fees and disbursements incurred by or on behalf of CTC in connection with, among other things, the design and construction of works at the Club’s premises, cold shell works at 194 Pitt Street and cold shell base build works and base build heritage works associated with 202 to 204 Pitt Street (“**CTC Development Costs**”) which are payable by CTC under the DMA (“**CTC Development Costs Cap**”).

It is expected that the Developer’s nominee will be an entity held by the Group (70%), ICD Land (20%) and Bull-Oak (10%).

2. KEY TERMS OF THE HOA

- 2.1 **Hotel Component Transfer.** Pursuant to the HOA, the Developer and CTC have agreed, among other things that:

- (a) Unless otherwise agreed after obtaining legal and tax advice, the Hotel Component Transfer shall take place through the exercise of a put option exercisable by CTC on completion of the design and construction of the Hotel Component (“**Hotel Works**”) or the exercise of a call option exercisable by the Developer (or its nominee) at any time (whether before, on or after the completion of the Hotel Works);
- (b) The consideration for the Hotel Component Transfer payable to CTC (“**Consideration**”) shall be an amount equal to the aggregate of certain costs, charges, expenses, fees and disbursements incurred by or on behalf of the Developer and CTC in connection with the Hotel Works (“**Hotel Development Costs**”); and

- (c) The Hotel Development Costs which are payable by CTC under the DMA shall be set off against the Consideration on the date of the Hotel Component Transfer.

2.2 **CTC Development Costs Cap.** Subject to, among other things, CTC's members approving the Hotel Component Transfer and the transactions contemplated under the HOA (collectively, "**Proposed Transaction**") and the entry into the Detailed Documentation in relation to the Hotel Component Transfer:

- (a) The CTC Development Costs shall be capped by adding a contingency (calculated as 20% of the estimated construction costs) (as estimated by the quantity surveyor jointly appointed by the parties under the DMA) to the CTC Development Costs ("**CTC Development Costs Cap**"). By way of example, if (a) the estimated CTC Development Costs amount to A\$75 million and (b) 20% of the estimated construction costs amounts to A\$10 million, the CTC Development Costs Cap shall be the sum of the amounts in (a) and (b) (i.e. A\$85 million). The amount in excess of the CTC Development Costs Cap shall be borne by the Developer; and
- (b) If the actual CTC Development Costs are less than the CTC Development Costs Cap, the Developer shall be entitled to receive an amount equal to 50% of the difference between the actual CTC Development Costs and the CTC Development Costs Cap.

2.3 **Certain other salient terms.** The Developer shall have full control of all decisions in relation to the Project save for, among other things, certain matters that will require a material variation of the project brief in respect of the Project or materially and adversely impact CTC or the Club's premises, whether or not the Hotel Component Transfer is proceeded with.

The Hotel Component Transfer is conditional upon certain conditions including the approval of CTC's members of the Proposed Transaction. In the event that the Hotel Component Transfer is not proceeded with due to the failure by CTC to obtain its members' approval, CTC shall pay a termination fee equal to A\$1 million as compensation for the time, commitment and expense incurred by the Developer for evaluating and negotiating the Hotel Component Transfer.

The DMA shall be amended to reflect the terms of the HOA.

3. **RATIONALE FOR THE PROPOSED TRANSACTION**

The Proposed Transaction will most importantly provide the Trust with greater control and flexibility to manage the Project whether or not the Hotel Component Transfer is approved by the members of CTC. In addition, should the Hotel Component Transfer be approved by the members of CTC, the hotel acquisition is in line with the Group's plan to increase its business presence in the key cities of Australia.

4. **FINANCING**

The Group will finance the Hotel Component Transfer using its existing cash resources and committed unsecured credit facilities.

5. **FURTHER ANNOUNCEMENTS**

The Proposed Transaction is conditional upon certain conditions precedent such as the obtaining of approval of CTC's members to the Proposed Transaction and the transactions contemplated under the HOA no later than 30 November 2021. The Company will make the appropriate announcements if and when the Detailed Documentation is entered into or if there are further material developments regarding the Proposed Transaction.

6. 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 conditions precedent to the Proposed Transaction will be satisfied or the Proposed Transaction 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
FIRST SPONSOR GROUP LIMITED

Neo Teck Pheng
Group Chief Executive Officer and Executive Director

18 October 2021

