

## **ANNOUNCEMENT OF ACQUISITION**

---

### **1. INTRODUCTION**

- 1.1 The Board of Directors (the "**Board**") of First Sponsor Group Limited (the "**Company**", together with its subsidiaries, the "**Group**") is pleased to announce that the Company and FS NL Amstel Development 16 B.V., a wholly-owned subsidiary of the Company incorporated under the laws of the Netherlands (the "**Purchaser**") have entered into a conditional sale and purchase agreement (the "**Sale and Purchase Agreement**") dated 20 June 2017 (the "**Signing Date**") with Hoog Catharijne Mall of the Netherlands B.V., a private company with limited liability incorporated under the laws of the Netherlands ("**Vendor**", and together with the Company and the Purchaser, the "**Parties**"), in connection with the acquisition (the "**Acquisition**") by the Purchaser of the right of leasehold relating to the 3rd floor up to and including the 9th floor of the Poortgebouw Hoog Catharijne, located at the Catharijnesingel, Catharijnebaan, Radboudtraverse and Stationsstraat in Utrecht, the Netherlands (the "**Property**") from the Vendor. The leasehold relating to the Property shall terminate on 31 December 2069. The Board is of the view that the Acquisition is in, or in connection with, the ordinary course of the Company's business.
- 1.2 The Vendor is a company incorporated in the Netherlands. It is a wholly-owned subsidiary of Klépierre SA which is listed on the Euronext Paris and is a major player in continental Europe's retail property market with shopping centers in 57 cities and 16 countries.
- 1.3 Under the Sale and Purchase Agreement, the Company shall guarantee the obligations of the Purchaser arising from the Sale and Purchase Agreement up to and including payment of the purchase price of the Property (the "**Purchase Price**").
- 1.4 The execution of the the notarial deed in relation to the transfer of the Property from the Vendor to the Purchaser (the "**Deed of Transfer**") shall take place three (3) business days after the business day on which the conditions precedent to the Agreement (the "**Conditions Precedent**") are fulfilled, or on such other date as the Parties may agree in writing ("**Transfer Date**"). Barring any unforeseen circumstances, the Transfer Date is expected to take place around 31 August 2017.

### **2. INFORMATION ON THE PROPERTY**

- 2.1 The Property is a leasehold property located at the Catharijne Esplanade 13, 3511WK Utrecht, the Netherlands and is known by the Parties as Poortgebouw Hoog Catharijne Utrecht. The Property is connected to the Utrecht central station which is the largest and busiest railway station in the Netherlands. With Utrecht being located centrally in the Netherlands, the Utrecht central station is one of the most important railway hubs of the country. The Property is a newly built (shell) building with a total lettable floor area of approximately 11,604 square metres. The Property will be developed into two hotels. Further details of the development are provided under paragraph 3 below.

- 2.2 Title of the Property will be transferred on the Transfer Date, but physical delivery of the Property to the Purchaser under the Sale and Purchase Agreement will take place in two phases:
- (a) the first phase of delivery of around 92% of the total lettable floor area of the Property on the Transfer Date; and
  - (b) the second phase of delivery of the remaining 8% of the total lettable floor area of the Property no later than 22 months from 8 March 2017 (the "**Phase II Delivery**").

### 3. **BACKGROUND**

- 3.1 Pursuant to a pre-opening development agreement (the "**Pre-Opening Development Agreement**") between Borealis Hotel Group B.V. ("**Borealis Hotel**", and together with its related corporations, the "**Borealis Group**"), and other affiliates of Borealis Hotel, being Borealis Real Estate B.V., BHG Amstelveen II B.V., and SHSH Schiphol Hotel Exploitatie B.V. (the "**Relevant Borealis Affiliates**"), and a lease agreement (the "**Lease Agreement**") between an affiliate of Borealis Hotel, BHG Utrecht I B.V. (the "**Lessee**"), and the Relevant Borealis Affiliates, and as novated to the Purchaser, the Purchaser agreed to develop the Property into (a) a space for the operation of a hotel under the Hampton by Hilton brand or a brand of similar standing, and (b) a space for the operation of a hotel under the Crowne Plaza brand or a brand of similar standing (together, the "**Hotels**"). The hotel under the Hampton by Hilton brand (or a brand of similar standing) and the hotel under the Crowne Plaza brand (or a brand of a similar standing) are estimated to have 192 rooms and 128 rooms respectively, totalling 320 rooms. In accordance with the terms and conditions of the Pre-Opening Development Agreement, the Purchaser will make contributions of up to €12,000,000 (equivalent to approximately S\$18,600,000 based on the Illustrative Exchange Rate<sup>1</sup>) (the "**Purchaser Contribution**") for the purpose of funding such development works (the "**Development Costs**"). Any additional Development Costs in excess of the Purchaser Contribution shall be borne by Borealis Hotel up to €2,000,000 (equivalent to approximately S\$3,100,000 based on the Illustrative Exchange Rate) (the "**Borealis' Group Contribution**"). If the Purchaser Contribution and the Borealis' Group Contribution, in aggregate, are not sufficient to cover the Development Costs, the Purchaser will lend Borealis Hotel amounts of up to €2,000,000 (equivalent to approximately S\$3,100,000 based on the Illustrative Exchange Rate) at an interest rate of 7% per annum to fund the Development Costs pursuant to the terms and conditions of a separate loan agreement to be entered between Borealis Hotel and the Purchaser. The loan shall be fully guaranteed by the Relevant Borealis Affiliates. The Hotels are expected to commence operations around 15 months from the Transfer Date.
- 3.2 Pursuant to the Lease Agreement, the Purchaser agreed to lease to the Lessee the Hotels for an initial term of 25 years which shall be automatically extended for two (2) subsequent terms, each term being a period of 10 years, unless terminated by the Lessee in accordance with the terms of the Lease Agreement. The obligations of the Lessee under the Lease Agreement are jointly and severally guaranteed by the Relevant Borealis Affiliates.
- 3.3 The Borealis Group is a Dutch-based investment, development and management group of companies that focuses on the hospitality and leisure market in major capital cities and

---

<sup>1</sup> The "**Illustrative Exchange Rate**" used in this Announcement is €1: S\$1.550. The Illustrative Exchange Rate is solely for illustrative purposes and should not be construed as a representation that the relevant amounts have been or could be converted at this rate or at any other rate.

airports across Europe. The Borealis Group currently develops and operates projects of Hilton, IHG, ACCOR and Marriot in Amsterdam, Antwerp, Brussels, The Hague, Paris and Utrecht.

#### **4. RATIONALE FOR AND BENEFITS OF THE ACQUISITION**

The Directors believe that this Acquisition and the rental income from the leasing arrangement under the Lease Agreement are beneficial to the Group and will help to expand its recurring income base in the Netherlands.

#### **5. CONDITIONS PRECEDENT**

- 5.1 The Sale and Purchase Agreement is conditional upon the municipality of Utrecht (a) transferring the Property to the Vendor and (b) granting its written consent to the proposed transfer of the Property to the Purchaser (the "**Conditions Precedent**").
- 5.2 If the Conditions Precedent are not fulfilled on 1 September 2017, each of the Parties may terminate the Sale and Purchase Agreement and neither Party is obliged to make any payment to the other Parties or claim any damages, compensation and/or costs from the other Parties.
- 5.3 For the avoidance of doubt, each of the Lease Agreement and Pre-Opening Development Agreement is conditional, *inter alia*, on the transfer of the Property to the Purchaser.

#### **6. CONSIDERATION**

- 6.1 The aggregate Purchase Price (excluding turnover tax and real estate transfer tax) for the Acquisition is approximately €26,380,000 (equivalent to approximately S\$40,889,000 based on the Illustrative Exchange Rate) including estimated transaction-related expenses of approximately €580,000 (equivalent to approximately S\$899,000 based on the Illustrative Exchange Rate) (the "**Transaction Related Expenses**") payable by the Purchaser pursuant to the terms and conditions of the Sale and Purchase Agreement, and estimated deductions of approximately €200,000 (equivalent to approximately S\$310,000 based on the Illustrative Exchange Rate) as described in paragraphs 6.2 and 7.2 below.
- 6.2 Under the Sale and Purchase Agreement, the aggregate Purchase Price attributable to the Property is payable by the Purchaser as follows:
- (a) on the fifth business day after the Signing Date, the Purchaser shall pay a deposit of €2,600,000 (equivalent to approximately S\$4,030,000 based on the Illustrative Exchange Rate) to a bank account of a civil law notary in Amsterdam (the "**Notary**");
  - (b) on the business day prior to the Transfer Date, the Purchaser shall pay the balance €23,400,000 (equivalent to approximately S\$36,270,000 based on the Illustrative Exchange Rate) to the Notary.

The Purchase Price paid in advance shall be subject to *inter alia*, deductions for compensation for funding costs between the date of payments of (i) the deposit and (ii) balance of the Purchase Price as described in paragraphs 6.2(a) and 6.2(b), and 15 November 2017, based on 3.5% per annum, and such deductions shall be paid to the Purchaser following the registration of a true copy of Deed of Transfer at the public register under the Land Register Act of the Netherlands (the "**Registration**").

- 6.3 Subject to the escrow arrangement described in paragraph 7 below, the Notary shall hold all monies paid by the Purchaser on behalf of the Vendor following the Registration.
- 6.4 The Purchase Price is a result of arm's length, commercial negotiations between the Purchaser and the Vendor on a willing-buyer, willing-seller basis, taking into consideration factors such as the current property market conditions in Utrecht, expected rental yield from the Hotels, and location of the Property, as well as the commercial analysis provided by CBRE B.V., the appointed commercial advisor in relation to the Acquisition.
- 6.5 The Property does not have an available open market value and the Company has not commissioned a third-party valuation of the Property. The Company does not have information on the book value or the net tangible asset value of the Property.

## **7. ESCROW AMOUNT**

- 7.1 Following the Registration, the Notary shall hold a sum (the "**Escrow Amount**") amounting to €1,529,400 (equivalent to approximately S\$2,370,570 based on the Illustrative Exchange Rate) on the basis of and in accordance with an escrow agreement between the Notary and the Parties. The Escrow Amount serves as security to the Purchaser for the performance of the obligations of the Vendor relating to the Phase II Delivery, and shall be released to the Vendor upon the Phase II Delivery subject to the terms and conditions of the Sale and Purchase Agreement as described in paragraph 7.2.
- 7.2 The Escrow Amount shall be subject to deductions for compensation for funding costs between the Transfer Date and the date of the Phase II Delivery based on 3.5% per annum, and such deductions shall be paid to the Purchaser prior to the release of the Escrow Amount to the Vendor on the Phase II Delivery.

## **8. FINANCING**

The Company will finance the Purchase Price through the drawdown of its existing unsecured credit facilities.

## **9. FINANCIAL EFFECTS OF THE ACQUISITION**

- 9.1 **For illustrative purposes only**, the financial effects of the Acquisition as set out below are prepared based on the audited consolidated financial statements of the Group for the year ended 31 December 2016 ("**FY2016**") as set out in the Company's 2016 Annual Report and subject to the following key assumptions:
- (a) the financial effects take into account the Purchase Price (factoring in the estimated Transaction Related Expenses described in paragraph 6.1 above and estimated deductions described in paragraphs 6.2 and 7.2 above), the amounts expected to be paid by the Purchaser under the Pre-Opening Development Agreement, and the fixed rent component of the lease payments to be received by the Purchaser under the Lease Agreement (*the variable rent component has not been factored in as the formula is pegged to revenue and income generated from the Hotels, which the Company is not in a position to project accurately at this stage*);
  - (b) the effect of the Acquisition on the Group's consolidated net tangible assets ("**NTA**") per ordinary share in the capital of the Company ("**Share**") is based on the assumption that the Acquisition had been effected at the end of FY2016; and

- (c) the effect of the Acquisition on the Group's consolidated earnings per Share ("**EPS**") is based on the assumption that the Acquisition had been effected at the beginning of FY2016.

9.2 The illustrative financial effects as set out below are theoretical in nature and for illustrative purposes only, and are not indicative of the actual or potential financial performance, financial position or earnings of the Group after the completion of the Acquisition:

- (a) NTA per Share

Based on the assumptions in paragraph 9.1 above, the Group's consolidated NTA per Share will remain unchanged as a result of the Acquisition.

- (b) EPS

Based on the assumptions in paragraph 9.1 above, the Acquisition is not expected to have a material effect on the EPS of the Group.

## **10. DIRECTORS AND CONTROLLING SHAREHOLDERS**

10.1 None of the Directors or (to the best of the knowledge of the Directors) controlling shareholders of the Company has any interest, direct or indirect, in the Acquisition.

10.2 No person is proposed to be appointed to the board of the Company in connection with the Acquisition, and no Director's service contract is proposed to be entered into by the Company with any person in connection with the Acquisition.

BY ORDER OF THE BOARD

Neo Teck Pheng  
Group Chief Executive Officer and Executive Director  
21 June 2017



Artist's impressions  
(source: Klépierre Vastgoed Ontwikkeling)

