

**PROPOSED ACQUISITION OF SHARES IN HOTEL BELLEVUE DRESDEN BETRIEBS GMBH  
AND BRE/GH II DRESDEN I INVESTOR GMBH**

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**1. INTRODUCTION**

- 1.1 **Proposed Acquisition.** Pursuant to Rule 704(17)(c) of the listing manual of the Singapore Exchange Securities Trading Limited ("**Listing Manual**"), the Board of Directors ("**Board**") of First Sponsor Group Limited ("**Company**", together with its subsidiaries, "**Group**") wishes to announce that (a) FS Euro Capital Limited ("**FS Euro**"), an indirect wholly-owned subsidiary of the Company incorporated under the laws of the British Virgin Islands, (b) FS NL Holdings B.V. ("**FSNL**"), an indirect wholly-owned subsidiary of the Company incorporated under the laws of the Netherlands, (c) FS DE Property 2 GmbH ("**FSDE**", and together with FS Euro, "**Purchasers**"), an indirect wholly-owned subsidiary of the Company incorporated under the laws of Germany, and (d) Stein Finance B.V. ("**Stein**"), a private limited liability company incorporated under the laws of the Netherlands, have entered into a conditional sale and purchase agreement ("**SPA**") on 21 February 2019 with (e) Rock Lux Opco S.à r.l. ("**Opco Seller**") and (f) Rock-Lux S.à r.l. ("**Propco Seller**"), both private limited liability companies incorporated under the laws of Luxembourg (collectively, "**Sellers**"), on the acquisition ("**Acquisition**") by FSDE of issued shares in the capital of Hotel Bellevue Dresden Betriebs GmbH ("**Opco Target**") and BRE/GH II Dresden I Investor GmbH ("**Propco Target**") (collectively, "**Targets**" and each a "**Target**") from the Sellers. The obligations of FSDE and FS Euro, in particular the payment obligations, under the SPA are guaranteed by FSNL.

FSDE is a newly incorporated company acquired by the Group and has an issued and paid-up share capital of €25,000 (approximately S\$38,250<sup>1</sup>). Its principal business activity is investment holding. The acquisition of FSDE was funded through internal cash resources.

- 1.2 **Target Shares.** Pursuant to the SPA, FSDE shall purchase from the Sellers, 94.9% of the issued shares in each Target (collectively, "**Target Shares**"). Stein is the owner of the remaining 5.1% of the issued shares in each Target and will continue to own such shares after the Acquisition. Please refer to paragraph 3 for further information on Stein and the Collaboration (as defined below).
- 1.3 **Chapters 9 and 10 of the Listing Manual.** None of the Sellers and Stein is an "interested person" of the Company for the purposes of Chapter 9 of the Listing Manual. The Board is of the view that the Acquisition is in the ordinary course of the Company's business and therefore does not fall within the scope of Chapter 10 of the Listing Manual.
- 1.4 **Completion.** Completion of the Acquisition ("**Completion**") is expected to take place within the first half of 2019. Upon Completion, the Targets will become subsidiaries of the Group.

**2. INFORMATION ON THE SELLERS, THE TARGETS AND THE PROPERTY**

- 2.1 **Information on the Sellers.** The Sellers are subsidiaries of Covivio Hotels, a real estate investment company listed on Euronext Paris, which owns and manages real estate assets in the hotel sector.

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<sup>1</sup> Unless otherwise stated, the exchange rate of €1 : S\$1.53 is used in this announcement.

- 2.2 **Information on Propco Target and the Property.** Propco Seller owns 94.9% of the issued shares in Propco Target, which, in turn, owns the freehold property located at Grosse Meissner Str. 15, 01097 Dresden, Germany ("**Property**"). Dresden is the capital of the State of Saxony and the third largest city in eastern Germany after Berlin and Leipzig. Dresden is also known as "Silicon Saxony", having developed into a hub for the information technology industry. It is located about 160 kilometres south of Berlin.

The Property is situated directly on the banks of the River Elbe and a short walk away from the city centre and attractions such as the Semper Opera House, Dresden Cathedral and the Church of our Lady. It is also a short drive from the International Congress Centre Dresden and the offices of several internationally renowned companies such as GlaxoSmithKline, Volkswagen, Infineon and Siemens. The Property is well connected to public transport, about one kilometre away from Dresden-Neustadt Station, three kilometres away from the Dresden Central Station and 100 metres away from the Tram Stop "Neustädter Markt".

The approximate land size given in the land register of the Property is 31,973 square metres (which includes the Development Site (as defined below) to be carved out prior to Completion) and comprises a 340-room hotel currently operated under the name of "The Westin Bellevue Dresden" ("**Hotel**"). The Hotel is one of Dresden's landmark hotels, situated within a historic 17<sup>th</sup> century building with two modern purpose built building wings. It has a gross floor area of approximately 40,700 square metres with more than 1,800 square metres of meeting and event space. It also has facilities such as a swimming pool, fitness centre, two restaurants and a beer garden "Elbsegler".

- 2.3 **Carve Out of Property and Restricted Space.** A site area of approximately 5,277 square metres on which currently the beer garden "Elbsegler" and 62 car parking spaces are situated ("**Development Site**") shall be carved out as part of the transaction. The Development Site consists of three plots of land which are registered in the same land register folio as the other plots of land currently forming the Property. Propco Target shall, as a condition precedent to Completion, enter into a sale and purchase agreement with an affiliate of Propco Seller ("**Development Site Owner**") to sell the Development Site to the Development Site Owner. The completion of the sale and purchase of the Development Site, except for the formal registration of the Development Site Owner (which will take place later), is expected to take place prior to the date of Completion ("**Completion Date**").

A plot of land on the Property where the driveway and the main entrance of the Hotel, car parking spaces and the ramp to the parking garage are located ("**Restricted Space**") might have development potential in the future. As such possible development potential was not taken into account in the Propco Consideration (as defined below), the parties have agreed under the SPA to certain profit sharing arrangements on a 50:50 basis if (a) a building permit is obtained for the construction of additional building(s) on the Restricted Space before the date falling on the eighth anniversary of the Completion Date; and (b) the Restricted Space is sold. The decision whether to sell the Restricted Space (including the timing thereof) shall be at the absolute discretion of the Group.

- 2.4 **Information on Opco Target.** Opco Seller owns 94.9% of the issued shares in Opco Target, which, in turn, owns the Hotel operations. The Hotel is currently operated by Event Hotels Group ("**Event**") under a hotel management agreement.

- 2.5 **Book value/net tangible asset value of Target Shares.** Based on the latest unaudited financial statements of each Target as at 31 January 2019 provided by the Sellers, (a) the book value/net tangible asset value attributable to FSDE's *pro rata* portion of the issued shares in PropCo Target is approximately €10.8 million (approximately S\$16.5 million) and (b) the negative book value/net tangible liability value attributable to FSDE's *pro rata* portion of the issued shares in OpCo Target is approximately €14.0 million (approximately S\$21.4 million). As the Target Shares are not publicly listed and traded, no information on their available open market value is available.

- 2.6 **No material financial impact.** The Acquisition is not expected to have any material impact on the consolidated earnings per share and the consolidated net tangible assets per share of the Group for the current financial year.

### 3. INFORMATION ON STEIN AND EVENT

- 3.1 **Information on Stein.** Stein is the owner of 5.1% of the issued shares in each Target. Stein is a wholly-owned subsidiary of Galaren Invest B.V. with its seat in Amsterdam, the Netherlands, which is a member of Event.
- 3.2 **Information on Event.** As stated in paragraph 2.4, the Hotel is currently operated by Event. With over 20 years' track record, Event has had ownership stakes and full management responsibilities for a wide range of hotels across several European countries. Today, Event's Pan-European platform consists of about 80 hotels (close to 15,000 rooms) and generates in excess of half a billion Euros in revenues. Event's fully integrated management platform has over 200 hotel experts based in its corporate offices in Germany, the Netherlands, Luxembourg and Liechtenstein. A new Event London office will be opening in the spring.

In 2017, the Group, through its associated company, FSMC NL Property Group B.V. ("**FSMC**"), collaborated with Event in the acquisition of a portfolio of hotels under the "Bilderberg" brand in the Netherlands ("**Bilderberg Portfolio**") through the acquisition of 95% and 5% of the issued shares in Queens Bilderberg (Nederland) B.V. by FSMC and Event respectively. In connection with such collaboration, Event currently provides hotel management services in respect of the Bilderberg Portfolio.

Similarly, FSDE's collaboration with Event on the Acquisition is part of a wider arrangement with Event involving both FSDE and the Group, which will continue post-Completion ("**Collaboration**").

- 3.3 **Collaboration in relation to the Hotel.** It is intended that, in connection with the Collaboration, Event (either directly or through one of its wholly-owned subsidiaries) shall continue to provide hotel management services in respect of the Hotel pursuant to a new hotel management agreement after Completion.

### 4. RATIONALE FOR THE ACQUISITION

- 4.1 **Expansion of the Group's recurrent income base.** The Acquisition offers a good opportunity for the Group to invest in Dresden's hospitality real estate market and thereby further expand the recurrent income base of the Group's property holding business segment. The Acquisition would also help to diversify the Group's geographic exposure.

The Hotel generated an EBITDA<sup>2</sup> of approximately €3.75 million (approximately S\$5.74 million) in the financial year ended 31 December 2018 ("**FY2018**"). This implies a net yield of approximately 7.6% based on the property acquisition cost of approximately €49.5 million (including estimated transaction costs) (approximately S\$75.7 million) for the Property. In addition, the Hotel has established a track record of maintaining profitability even during the last global financial crisis in 2008, with only a slight dip in EBITDA in 2009.

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<sup>2</sup> EBITDA denotes earnings before interest, tax, depreciation and amortisation.

- 4.2 **Potential upside.** The Hotel had an average occupancy of 69.1% with an average room rate of €99.1 (approximately S\$151.6) achieved in FY2018. As part of Propco Target's ongoing capital expenditure programme, more than €10.0 million (approximately S\$15.3 million) is expected to be invested in due course. Such capex investments, coupled with the uptake in the German hospitality market, bode well for the future trading performance of the Hotel.

Further, the Property is freehold which aligns well with the Group's long-term investment strategy for capital appreciation.

## 5. CONSIDERATION

- 5.1 **Propco Consideration.** The consideration for FSDE's *pro rata* portion of the issued shares in Propco Target ("**Propco Consideration**") shall be an amount equal to 94.9% of the sum of:

- (a) the agreed commercial value of the Property of €47.4 million (approximately S\$72.5 million);
- (b) inventories of Propco Target;
- (c) trade receivables and other receivables of Propco Target;
- (d) cash of Propco Target; and
- (e) prepaid expenses of Propco Target (excluding any capitalised loan arrangement fees or other capitalised fees and costs under or in connection with the Bank Facilities (as defined below), capitalised rent free periods or other incentives granted to tenants and other rent straight lining),

to be reduced by:

- (f) any tax and other provisions of Propco Target;
- (g) any liabilities to banks, trade payables, liabilities to affiliated companies (excluding liabilities owed to Opco Target), liabilities to shareholders (including the interest-free shareholder's loan of approximately €29.0 million (approximately S\$44.4 million) ("**Refinancing Shareholder Loan Redemption Amount**") extended by Propco Seller to Propco Target which was used by Propco Target to fully repay outstanding bank facilities (including interests, break costs, prepayment penalties and other costs/fees payable under such facilities) in the same amount owed by Propco Target ("**Bank Facilities**")) and other liabilities of Propco Target; and
- (h) deferred income of Propco Target,

all as at the end of the Completion Date ("**Closing Balance Sheet Date**").

- 5.2 **Opco Consideration.** The consideration for FSDE's *pro rata* portion of the issued shares in Opco Target ("**Opco Consideration**") shall be €1 (approximately S\$1.5).

- 5.3 **Sold Shareholder Loan Consideration.** Pursuant to the SPA, FS Euro shall acquire 94.9% of all shareholder loans extended to Opco Target including all rights (such as the right to receive any unpaid interest as at the Completion Date as well as future interest) and obligations in respect of such shareholder loans ("**Sold Shareholder Loan**") for a consideration ("**Sold Shareholder Loan Consideration**") equal to 94.9% of the sum of:

- (a) the agreed commercial value of the tangible assets of Opco Target of €1.1 million (approximately S\$1.7 million);

- (b) inventories of Opco Target;
- (c) trade receivables and other receivables of Opco Target;
- (d) cash of Opco Target; and
- (e) prepaid expenses of Opco Target (excluding any capitalised loan arrangement fees or other capitalised fees and costs, capitalised rent free periods or other incentives granted to tenants and other rent straight lining),

to be reduced by:

- (f) any tax and other provisions of Opco Target;
- (g) any liabilities owed to banks, trade payables, liabilities to affiliated companies (excluding liabilities owed to Propco Target) and other liabilities of Opco Target; and
- (h) deferred income of Opco Target,

all as at the Closing Balance Sheet Date.

5.4 **Preliminary Consideration.** On the Completion Date, the Purchasers shall pay in cash:

- (a) the agreed preliminary Propco Consideration of €17.9 million (approximately S\$27.4 million) ("**Preliminary Propco Consideration**") based on the balance sheet of Propco Target as at 31 January 2019 taking into account certain selected expected movements up to the Completion Date;
- (b) the Opco Consideration; and
- (c) the agreed preliminary Sold Shareholder Loan Consideration of €0.9 million (approximately S\$1.4 million) ("**Preliminary Sold Shareholder Loan Consideration**") based on the balance sheet of Opco Target as at 31 January 2019 taking into account certain selected expected movements up to the Completion Date,

(collectively, "**Preliminary Consideration**").

FS Euro shall also pay its portion of the Refinancing Shareholder Loan Redemption Amount which amounts to approximately €27.5 million (approximately S\$42.1 million) to Propco Seller on the Completion Date, thereby creating a claim against PropCo Target for repayment to FS Euro of such amount. The remaining €1.5 million (approximately S\$2.3 million) of the Refinancing Shareholder Loan Redemption Amount shall be paid by Stein.

5.5 **Payment of Deposit.** Pursuant to the SPA, FSDE shall, no later than 5 business days after the execution of the SPA, pay to an escrow account held by a notary, an amount of €4.5 million (approximately S\$6.9 million) ("**Deposit**"), which shall form part of the Preliminary Propco Consideration and which shall be released to Propco Seller on the Completion Date.

5.6 **Post-Completion Adjustments.** Post-Completion, the actual Propco Consideration and the actual Sold Shareholder Loan Consideration shall be computed based on the balance sheet as at the Closing Balance Sheet Date of each of Propco Target and Opco Target respectively. Any difference between the actual Propco Consideration or (as the case may be) the actual Sold Shareholder Loan Consideration and the Preliminary Propco Consideration or (as the case may be) the Preliminary Sold Shareholder Loan Consideration shall be settled accordingly within 5 business days after the actual Propco Consideration or (as the case may be) the actual Sold Shareholder Loan Consideration has been conclusively determined.

- 5.7 **Factors taken into account in arriving at the Consideration.** The consideration for the Acquisition was arrived at after arm's length, commercial negotiations between the Purchasers and the Sellers on a willing-buyer, willing-seller basis. The Purchasers had taken into consideration factors such as the current hotel market conditions in Germany, historical and estimated trading yield from the Property, fiscal book value and physical condition of the Property.

**6. FINANCING OF THE ACQUISITION**

The Group will finance the Acquisition and the payment of the Refinancing Shareholder Loan Redemption Amount using its existing cash resources and existing unsecured credit facilities.

**7. 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 Acquisition.

BY ORDER OF THE BOARD

Neo Teck Pheng  
Group Chief Executive Officer and Executive Director  
21 February 2019