

**PROPOSED DISPOSAL OF A WHOLLY-OWNED SUBSIDIARY – FS NL ZUIDOOST PROPERTY 15 B.V.**

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**1. INTRODUCTION**

- 1.1 Pursuant to Rule 704(18)(c) of the listing manual of the Singapore Exchange Securities Trading Limited ("**Listing Manual**"), the Board of Directors of First Sponsor Group Limited ("**Company**", and collectively with its subsidiaries, "**Group**") wishes to announce that the Company's indirect wholly-owned subsidiary, FS NL Holdings B.V. ("**Vendor**"), has on 27 November 2019 entered into a sale and purchase agreement ("**S&P Agreement**") with its 33.0%-owned associated company, FSMC NL Property Group B.V. ("**Purchaser**"), pursuant to which the Vendor sold to the Purchaser one ordinary share ("**Sale Share**") in the capital of FS NL Zuidoost Property 15 B.V. ("**NLP15**"), representing the entire issued share capital of NLP15 ("**Disposal**"), upon the terms and subject to the conditions of the S&P Agreement.

The Disposal was completed on 27 November 2019. Upon completion of the Disposal ("**Completion**"), NLP15 has ceased to be a subsidiary of the Company and has become an associated company of the Company.

- 1.2 The Board is of the view that the Disposal is in the ordinary course of the Group's business. The Purchaser is not an "interested person" of the Company for the purposes of Chapter 9 of the Listing Manual.

**2. INFORMATION ON NLP15**

- 2.1 NLP15 is a private limited liability company incorporated in the Netherlands. NLP15 has a perpetual leasehold interest in a parcel of land located at Haaksbergweg 4-98 (even numbers), Amsterdam, the Netherlands ("**Property**"). The Property has a site area of approximately 7,910 square metres. An office building named "Oliphant", which has a total lettable floor area of approximately 21,136 square metres, sits on the Property.
- 2.2 The office redevelopment of Oliphant was completed in February 2019. Development works ("**Additional Development Works**") in respect of a new parking garage ("**Parking Garage**") are expected to commence in early 2020 and to be completed at or around the end of the third quarter of 2020.
- 2.3 Based on the latest announced unaudited consolidated financial statements of the Group for the nine months period ended 30 September 2019, the net book value/net tangible asset value attributable to the Sale Share was approximately €15.5 million (approximately S\$23.4 million<sup>1</sup>).
- 2.4 Based on a valuation report dated 20 September 2019 prepared by Jones Lang LaSalle B.V. for a potential lender to NLP15 for loan security purposes, as at 15 August 2019, the Property had (a) a market value of €108.5 million (approximately S\$163.6 million) and (b) assuming the completion of the Additional Development Works, a market value of €112.8 million (approximately S\$170.1 million) ("**JLL €112.8M Valuation**"), based on the discounted cash flow method and the capitalisation method.

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<sup>1</sup> Unless otherwise stated, the exchange rate of €1 : S\$1.5077 is used in this announcement.

### 3. CONSIDERATION

3.1 The consideration for the Disposal ("**Consideration**") shall be the aggregate of:

- (a) approximately €108.1 million (approximately S\$163.0 million) (which is equal to the JLL €112.8M Valuation less the agreed value of all unpaid current and future rent incentives granted by NLP15 to the tenants of Oliphant) ("**Agreed Commercial Value**");
- (b) the amount of cash (including any cash equivalents and cash at banks) of NLP15 at Completion ("**Cash**"); and
- (c) the working capital of NLP15 at Completion ("**Working Capital**"),

to be reduced by:

- (i) an amount equal to 75% of the deferred tax liability associated with the difference between the Agreed Commercial Value and the tax book value of the Property at Completion as agreed between the Vendor and the Purchaser of €60.4 million (approximately S\$91.1 million); and
- (ii) the amount owed by NLP15 to FS Euro Capital Limited ("**FS Euro**"), an indirect wholly-owned subsidiary of the Company, at Completion ("**Debt**") under a loan agreement dated 21 September 2017 entered into between NLP15 and FS Euro pursuant to which FS Euro agreed to extend a loan of a principal amount of up to approximately €44.8 million (approximately S\$67.5 million) to NLP15.

3.2 The Agreed Commercial Value and the Consideration were arrived at after arm's length negotiations, on a willing-buyer and willing-seller basis, taking into account, among others, the JLL €112.8M Valuation and the current property market conditions in the Netherlands.

3.3 Pursuant to the S&P Agreement, the Purchaser shall pay in cash:

- (a) approximately €55.3 million (approximately S\$83.4 million) (which is the estimated Consideration based on pre-Completion estimates of the levels of Cash, Working Capital and Debt) ("**Estimated Consideration**") less €5.8 million (approximately S\$8.7 million) ("**Deferred Works Amount**") within two months of Completion; and
- (b) the Deferred Works Amount within ten business days after the Purchaser and the Vendor have acknowledged in writing that the Additional Development Works have been completed.

The acknowledgment referred to in paragraph 3.3(b) above shall be given after the final hand-over to NLP15 of the Parking Garage has occurred pursuant to the construction agreement between NLP15 and the contractor in relation to the Additional Development Works and has been approved by the Vendor in accordance with the S&P Agreement.

Pursuant to the S&P Agreement, the Vendor has agreed to bear the costs of the Additional Development Works.

3.4 Post-Completion, the actual Consideration shall be computed based on the actual Cash, Working Capital and Debt set out in the completion accounts to be prepared post-Completion ("**Actual Consideration**"). Any difference between the Actual Consideration and the Estimated Consideration shall be settled accordingly within two months of Completion or ten business days from the date on which the calculation of the Actual Consideration is finally agreed or determined in accordance with the S&P Agreement, whichever is later.

#### 4. RATIONALE FOR THE DISPOSAL

The Group has undertaken the Disposal to generate development profit while retaining a meaningful stake for future capital appreciation and recurrent income.

#### 5. ILLUSTRATIVE FINANCIAL EFFECTS OF THE DISPOSAL

**For illustrative purposes only**, based on the latest audited consolidated financial statements of the Group for the financial year ended 31 December 2018 (“**FY2018**”) and assuming that the Actual Consideration is equal to the Estimated Consideration, the financial effects of the Disposal would be as follows:

- (a) assuming that the Disposal had been effected on 31 December 2018, the consolidated net tangible assets per share of the Company (“**NTA per Share**”) would have improved from approximately 202.21 Singapore cents to approximately 210.33 Singapore cents as at 31 December 2018;
- (b) assuming that the Disposal had been effected on 1 January 2018, the consolidated basic earnings per share of the Company (“**EPS**”) would have improved from approximately 16.72 Singapore cents to approximately 25.60 Singapore cents for FY2018; and
- (c) assuming that the Disposal had been effected on 31 December 2018, the gain on disposal resulting from the Disposal attributable to the Group, after taking into account certain consolidation adjustments, would have been approximately S\$35.3 million and the fair value gain on the Property attributable to the Group would have been approximately S\$17.4 million.

Note:

- (1) The illustrative financial effects on the NTA per Share and EPS are based on the assumption that the Property had a fair value of €112.8 million as at 31 December 2018.
- (2) As the Group retains an interest of 33% in NLP15 through the Purchaser (which is a 33.0%-owned associated company) after the Disposal, the illustrative financial effect in relation to the gain on Disposal attributable to the Group is based on 67% of the gain on Disposal, which is in line with International Accounting Standards (IAS) 28 *Investments in Associates and Joint Ventures*.
- (3) As the Property will be regarded as an investment property to be recognised and measured at fair value after the Disposal, the illustrative financial effect in relation to the fair value gain on valuation of the Property is based on a 33% share of such gain.

#### 6. INTERESTS OF 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 Disposal.

BY ORDER OF THE BOARD  
FIRST SPONSOR GROUP LIMITED

Neo Teck Pheng  
Group Chief Executive Officer and Executive Director

28 November 2019

**Oliphant office building  
Amsterdam**

