



Far East Orchard

Far East Orchard Limited
(Incorporated in the Republic of Singapore)
Company Registration No. 196700511H

DISPOSAL OF RENDEZVOUS HOTEL PERTH CENTRAL

1. INTRODUCTION

The Board of Directors (the “**Board**”) of Far East Orchard Limited (the “**Company**”, and together with its subsidiaries, the “**Group**”) is pleased to announce that Far East Hospitality Properties (Australia) Pte Ltd (“**FEHPA**”) and Rendezvous Hotels (Australia) Pty Ltd (“**RHA**”) (both subsidiaries of the Group) have on 6 May 2024 entered into an option agreement (“**Option Agreement**”) for the disposal of Rendezvous Hotel Perth Central (“**RHPC**”) and its business (the “**Disposal**”) to Chesterfield Property Group Pty Ltd (as trustee of Chesterfield Investment Trust) (the “**Land Buyer**”) and Mountstreet Operations Pty Ltd (the “**Business Buyer**”, together with the Land Buyer, the “**Buyers**”) respectively.

2. INFORMATION ON RHPC

RHPC is a 103-room freehold hotel property located at 24 Mount St, Perth WA 6000, Australia, owned by FEHPA and leased to RHA. Based on a valuation report dated 31 December 2023 prepared by Jones Lang LaSalle Advisory Services Pty Ltd, the market value of RHPC is A\$12.6 million (the “**Valuation**”) (approximately S\$11.2 million¹). The Valuation was commissioned by FEHPA. The book value of RHPC and its business as at 31 December 2023 is A\$11.8 million (the “**Book Value**”).

3. SALIENT TERMS OF THE OPTION AGREEMENT AND THE SPA

3.1 Option Agreement

FEHPA and RHA have granted an option to the Buyers under the Option Agreement to purchase RHPC and its business (“**Option**”), which may be exercised by the Buyers from 6 May 2024 to 30 August 2024, failing which the Option will lapse immediately. Upon the Buyers’ exercise of the Option, FEHPA, RHA and the Buyers will enter into the sale and purchase agreement (“**SPA**”), the form of which has been agreed among FEHPA, RHA and the Buyers and is appended to the Option Agreement.

The Buyers have paid an option fee of A\$50,000 (approximately S\$44,500¹) (“**Option Fee**”) to FEHPA and RHA, which will be set off against the Deposit (as defined and further elaborated on in paragraph 3.2 below) payable by the Buyers upon the exercise of the Option and the execution of the SPA. If the Buyers do not exercise the Option and the Option lapses, the Option Fee shall be forfeited and be retained by FEHPA and RHA.

3.2 SPA

The sale price for RHPC and its business under the SPA is A\$18.5 million (approximately S\$16.5 million¹, the “**Sale Price**”). A deposit of A\$925,000 (approximately S\$823,250¹) (“**Deposit**”) must be paid by the Buyers upon their exercise of the Option and the entry into the SPA. The Sale Price was arrived at after arm’s length negotiations and on a willing-buyer and willing-seller basis, after taking into consideration: (a) the prevailing market conditions and (b) the Valuation.

¹ Based on the exchange rate of A\$0.89:S\$1.00 prevailing as at 6 May 2024.

Completion of the SPA is conditional upon, *inter alia*, the following being satisfied by 28 February 2025:

- (a) termination of the hotel management agreement for RHPC; and
- (b) receipt of approval of the Department of Local Government, Sport and Cultural Industries in Australia to a transfer of the liquor licence for RHPC from RHA to the Business Buyer.

Accordingly, Shareholders should note that there is no guarantee that the completion of the Disposal will proceed in the manner described above, or at all.

4. RATIONALE FOR THE DISPOSAL

The Board is of the view that the Disposal is in the interests of the Group for, *inter alia*, the following reasons:

- (a) The Disposal will enable the Group to realise the value of RHPC, and in turn improve capital allocation and optimise returns for the Company's shareholders. This is in line with the Company's proactive asset management strategy, which includes capital recycling of its purpose-built student accommodation & hospitality assets at suitable market conditions, where they fetch a good value. The improved liquidity would also allow the Group to take advantage of any opportunities that presents itself in the near future.
- (b) The gain on disposal to the Group in respect of the Disposal, taking into consideration the net sale proceeds and the Book Value, is estimated to be A\$6.7 million (approximately S\$5.4 million¹) and will be recognised in the Group's consolidated statement of comprehensive income for the financial year ending 31 December 2024.

5. RELATIVE FIGURES COMPUTED BASED ON RULE 1006 OF THE LISTING MANUAL

The relative figures for the Disposal, computed on the bases set out in Rule 1006 of the Listing Manual ("**Listing Manual**") of the Singapore Exchange Securities Trading Limited based on the audited consolidated financial statements of the Group for the financial year ended 31 December 2023 ("**FY23 Financial Statements**"), being the latest announced consolidated accounts of the Group, are as follows:

Rule 1006(a)	Net asset value of the assets to be disposed of, compared with the group's net asset value. This basis is not applicable to an acquisition of assets.	0.9%
Rule 1006(b)	Net profits/(losses) attributable to the assets acquired or disposed of, compared with the group's net profits.	1.1%
Rule 1006(c)	Aggregate value of the consideration given or received, compared with the issuer's market capitalisation based on the total number of issued shares excluding treasury shares.	3.4%
Rule 1006(d)	Number of equity securities issued by the issuer as consideration for an acquisition, compared with the number of equity securities previously in issue.	Not Applicable

Rule 1006(e)	Aggregate volume or amount of proved and probable reserves to be disposed of, compared with the aggregate of the group's proved and probable reserves. This basis is applicable to a disposal of mineral, oil or gas assets by a mineral, oil and gas company, but not to an acquisition of such assets.	Not Applicable
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As all of the relative figures for the Disposal computed on the bases set out in Rule 1006 of the Listing Manual amount to 5% or less, the Disposal constitutes a “non-discloseable transaction” under Chapter 10 of the Listing Manual. While the Disposal is not a “discloseable transaction” under Chapter 10 of the Listing Manual, the Board has decided to voluntarily disclose additional details of the Disposal to enhance the corporate disclosure standards of the Company.

6. **ILLUSTRATIVE FINANCIAL EFFECTS**

6.1 Bases and assumptions

The pro forma financial effects of the Disposal on the NTA (as defined below) and EPS (as defined below) of the Company prepared based on, *inter alia*, the FY23 Financial Statements and the respective assumptions below, are set out in paragraphs 6.2 and 6.3. The pro forma financial effects have been presented for illustration purposes only and do not necessarily reflect the actual financial position and earnings of the Company following the completion of the Disposal.

6.2 Effect on Group's net tangible assets (“NTA”) per share

For illustrative purposes, assuming the Disposal had taken place on 31 December 2023, the pro forma financial effects of the Disposal on the Company's NTA are as follows:

	Before the Disposal	After the Disposal
NTA (S\$'000)	1,264,811	1,270,257
Total number of issued shares ('000)	487,757	487,757
NTA per share (S\$)	2.59	2.60

6.3 Effect on earnings per share (“EPS”)

For illustrative purposes, assuming the Disposal had taken place on 1 January 2023, the pro forma financial effects of the Disposal on the EPS of the Company are as follows:

	Before the Disposal	After the Disposal
Profit attributable to equity holders of the Company (S\$'000)	65,946	69,777
Weighted average number of issued shares ('000)	481,402	481,402
Earnings per share (cents)	13.70	14.5

7. FURTHER UPDATES

The Company will, in due course and where relevant, make such further announcements through SGXNET to inform shareholders of any material updates or developments in relation to the Disposal.

By Order of the Board

Phua Siyu Audrey
Company Secretary
6 May 2024