



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

JOINT VENTURE BETWEEN FAR EAST HOSPITALITY MANAGEMENT ASIA PTE LTD AND REAL HOSPITALITY GROUP ASIA CO., LIMITED

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 Management Asia Pte Ltd, (a subsidiary of the Company) (“**FEHMA**”), has on 4 March 2022 entered into a joint venture agreement (“**JVA**”) with Real Hospitality Group Asia Co., Limited (“**RHGA**”), in relation to a hospitality management business in the People’s Republic of China (“**PRC**”).

2. SALIENT TERMS OF THE JVA

2.1 Structure

FEHMA and RHGA will set up a joint venture company in Hong Kong (“**JVCo**”), of which 40% of the shareholding will be held by FEHMA and 60% will be held by RHGA. The JVCo shall thereafter establish a wholly owned subsidiary in the PRC (“**OpCo**”). FEHMA and RHGA agree to commit capital of up to RMB 3 million (approximately S\$645,000¹) into the JVCo and the OpCo, which will be funded by FEHMA and RHGA in proportion to their respective shareholding in the JVCo.

2.2 Parties’ contributions

Pursuant to the terms of the JVA, Far East Hospitality Holdings Pte Ltd (a subsidiary of the Company) will grant a licence of selected hotel brands to the OpCo, and the OpCo shall operate and manage hotels under the licensed brands in the PRC. RHGA shall support the OpCo with personnel in various functions under a shared services agreement.

3. INFORMATION ON RHGA

Real Hospitality Group (“**RHG**”) was founded in 2010 in the U.S. and currently operates more than 90 hotels in the U.S. under white label or franchised brands. RHG incorporated RHGA in June 2020 and subsequently entered the PRC market as the first wholly foreign owned entity for third party hotel management in the PRC with functional setup in business development, operations, sales & marketing, human resources, administration, and finance.

4. RATIONALE FOR AND BENEFITS OF THE JVA

4.1. PRC Domestic Tourism Market

The tourism industry in the PRC had one of the largest domestic markets in the world pre COVID-19, and is already showing signs of recovery during the pandemic. The Board is of the view that this is a good time to enter the PRC market and grow the Group’s global presence.

¹ Based on the exchange rate of RMB1:SGD0.215 prevailing as at 4 March 2022.

4.2. Mutual Synergies

The Group has been looking for an opportunity to grow its brand presence globally, and RHG's vast experience in managing third-party branded hotels allows the Group to enter the PRC market with an experienced joint venture partner. As a result of the JVA, the Group will also be able to leverage on RHGA's existing setup in the PRC.

5. **FINANCIAL EFFECTS**

The JVA is not expected to have any material impact on the consolidated net earnings per share and consolidated NTA per share of the Group for the current financial year ending 31 December 2022.

6. **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.

By Order of the Board

Phua Siyu Audrey
Company Secretary
4 March 2022