



(Incorporated in the Republic of Singapore)
Company Registration No. 196700511H

ACQUISITION OF A PORTFOLIO OF TWO STUDENT ACCOMMODATION PROPERTIES LOCATED IN LEEDS AND SHEFFIELD, UNITED KINGDOM

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 its wholly-owned subsidiary, Far East Orchard Holdings (Jersey) Limited ("**FEOHJ**"), has entered into a sale and purchase agreement on 8 November 2019 with EF IV Student Portfolio Holding S.à r.l. (the "**Seller**") to acquire the entire issued and paid-up share capital of EF IV Student Portfolio GP Limited (the "**GP**"), Cavendish S.à.r.l. and Denby S.à.r.l. (collectively, the "**Target Companies**") (the "**Acquisition**").

Cavendish S.à r.l. and Denby S.à r.l. each own freehold interest in a student accommodation property (collectively, the "**Properties**" and each a "**Property**"). The two Properties collectively have a total of 974 beds located in Leeds and Sheffield in the United Kingdom (the "**UK**"). Through the Acquisition, the Group will acquire the Properties (details of which are set out in Paragraph 3 below).

The Acquisition has been completed today, and the Target Companies are now subsidiaries of the Company.

2. SALIENT TERMS OF THE ACQUISITION

The purchase price for the Acquisition was approximately £66.5 million (approximately S\$115.7 million¹), which was satisfied in cash by FEOHJ through a combination of internal resources and external debt facilities. The purchase price was negotiated on an arm's length and willing-buyer, willing-seller basis, taking into account the independent valuation carried out on each Property and the net asset value of the Target Companies. All borrowings owing by the Target Companies were fully repaid and all charges, debentures and other encumbrances affecting the Target Companies were released and discharged in full upon completion.

Based on the valuation report by Jones Lang LaSalle Limited ("**JLL**")², the aggregate market value of the Properties as at 23 October 2019 was approximately £71.8 million. The valuation was commissioned by Far East Orchard Investments (UK) Pte. Ltd., the holding company of FEOHJ.

In connection with the Acquisition, the Group will enter into a facility management agreement with a UK student accommodation operator (the "**Operator**") who will act as facility manager of the Properties. The Operator is also the facility manager of the Group's existing student accommodation portfolio in Brighton, Bristol, Liverpool and Newcastle upon Tyne, UK. The employees who currently work wholly or mainly in connection with the Properties will be transferred from the Seller's operator to the Operator.

¹ Based on the exchange rate of GBP1:SGD1.740 prevailing as at 8 November 2019.

² JLL has stated in its letter of engagement that it does not accept responsibility to any party other than its client Far East Orchard Investments (UK) Pte. Ltd. in respect of the valuation of the Properties.

3. INFORMATION ON THE TARGET COMPANIES AND THE PROPERTIES

3.1. Cavendish S.à r.l.

Cavendish S.à r.l. is a company incorporated in Luxembourg, and is the owner of the freehold interest in a student accommodation property located at Cavendish Street, Leeds (“**The Foundry**”). Cavendish S.à r.l. and the GP hold 99.99% and 0.01% interest respectively in The Foundry Leeds L.P. (the “**Partnership**”), where Cavendish S.à r.l. is the limited partner. The Foundry is operated and leased by the Partnership under a 22-year management lease entered into with Cavendish S.à r.l..

3.2. Denby S.à r.l.

Denby S.à r.l. is a company incorporated in Luxembourg, and is the owner of the freehold interest in a student accommodation property located at 90 Bramall Lane, Sheffield (“**The Elements**”).

3.3. The GP, being EF IV Student Portfolio GP Limited

The GP is a company incorporated in England and Wales, and is the general partner of the Partnership. The GP will be renamed IUK The Foundry Leeds GP Limited.

3.4. Further information on the Properties

	Name of Property	Location	Tenure	Site area (sq m)	No. of beds
1	The Foundry	Cavendish Street, Leeds, LS3 1BN	Freehold	2,161	239
2	The Elements	90 Bramall Lane, Sheffield, S2 4FQ	Freehold	5,196	735

4. RATIONALE FOR THE ACQUISITION

The Board is of the view that the Acquisition presents a prime investment opportunity for the reasons set out below:

- (i) Continued expansion and diversification of the Group’s student accommodation portfolio

The Acquisition allows the Group to continue expanding and diversifying its student accommodation portfolio into other student cities with favourable demand and supply dynamics. Leeds and Sheffield are established university cities in the UK with large full-time student populations.

- (ii) Aligned with the Group’s strategic focus to grow its recurring income streams

The Acquisition is in line with the Group’s strategic focus to increase the recurring and stabilised income of the Group. The Foundry and The Elements have been operating at full occupancy since their respective openings in 2017 and 2018.

Pursuant to Rule 3.2 of Practice Note 10.1 of the Listing Manual of Singapore Exchange Securities Trading Limited, the Board is of the view that the Acquisition is in the Company’s ordinary course of business. While the Acquisition is not a discloseable transaction under Rule 1010 of the Listing Manual, the Board has decided to voluntarily disclose additional details of the Acquisition to enhance the corporate disclosure standards of the Company.

5. ILLUSTRATIVE FINANCIAL EFFECTS

5.1 Bases and assumptions

The pro forma financial effects of the Acquisition are based on, *inter alia*:

- (i) the latest audited consolidated financial statements of the Group for the financial year ended 31 December 2018; and
- (ii) the unaudited consolidated financial statements of the Target Companies for the financial year ended 31 December 2018.

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 Group following the completion of the Acquisition.

5.2 Effect on Group's net tangible assets ("NTA") per share

For illustrative purposes, assuming the Acquisition had taken place on 31 December 2018, the pro forma financial effects of the Acquisition on the Group's NTA are as follows:

	<u>Before the Acquisition</u>	<u>After the Acquisition</u>
NTA (S\$'000)	1,168,116	1,168,116
Total number of issued shares ('000)	437,204	437,204
NTA per share (S\$)	2.67	2.67

5.3 Effect on earnings per share ("EPS")

For illustrative purposes, assuming the Acquisition had taken place on 1 January 2018, the pro forma financial effects of the Acquisition on the Group's EPS are as follows:

	<u>Before the Acquisition</u>	<u>After the Acquisition</u>
Profit attributable to equity holders of the Company (S\$'000)	32,937	34,054
Weighted average number of issued shares ('000)	431,118	431,118
Earnings per share (cents)	7.64	7.90

6. DIRECTORS' AND CONTROLLING SHAREHOLDERS' INTERESTS

None of the directors or controlling shareholders of the Company have any interest, direct or indirect, in the Acquisition, other than their shareholdings in the Company.

By Order of the Board

Phua Siyu Audrey
Company Secretary
8 November 2019