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

DISPOSAL BY SUBSIDIARY OF REVERSIONARY INTEREST IN A PROPERTY

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 the Company's subsidiary, OPH Riverside Pte Ltd ("**OPHR**"), has today entered into a put and call option agreement ("**Disposal PCOA**") with CDL Constellation Pte. Ltd. ("**Purchaser**"), for the sale of OPHR's reversionary interest of approximately 1.5 years ("**Reversionary Interest**") in the whole of Lot 320N of Town Subdivision 8 together with the building erected thereon known as Village Residences Clarke Quay and situated at 20 Havelock Road, Singapore ("**Property**"). The Purchaser is a wholly owned subsidiary of City Developments Pte Ltd. It is not related to the Group.

Far East Hospitality Real Estate Investment Trust ("**REIT**") through its trustee DBS Trustee Limited (the "**REIT Trustee**") currently holds the leasehold interest of a remaining term of approximately 70.7 years in the Property ("**REIT Leasehold Interest**"). The REIT has today separately signed a put and call option agreement with the Purchaser for the sale of its REIT Leasehold Interest.

2. SALIENT TERMS OF THE DISPOSAL OF THE REVERSIONARY INTEREST ("DISPOSAL")

2.1 Structure

The Disposal PCOA involves OPHR granting the Purchaser or its nominee(s) a call option to purchase, and the Purchaser or its nominee(s) granting a put option to OPHR to sell, the Reversionary Interest. The call or put option is to be exercised by 17 March 2022 or such other date mutually agreed by parties. Pursuant to the Disposal PCOA, completion of the sale of the Reversionary Interest is subject to and conditional upon the concurrent completion of the sale by the REIT Trustee to the Purchaser of the REIT Leasehold Interest.

Concurrent completion is expected on 24 March 2022.

2.2 Purchase Price

The sale consideration for the Reversionary Interest is S$1.8 million and is payable in cash. 15% of the sale consideration was paid today by the Purchaser as an option fee upon signing of the Disposal PCOA, and the balance will be paid in full to OPHR on completion. The sale consideration was negotiated on a willing-buyer and willing-seller basis, taking into account independent valuations on the Reversionary Interest carried out by independent valuers, CBRE Pte. Ltd. ("**CBRE**") and Savills Valuation And Professional Services (S) Pte Ltd ("**Savills**") who were commissioned by OPHR jointly with the Company and the REIT Trustee. The open market value of the Reversionary Interest as at 30 April 2021 determined by CBRE and Savills was S$900,000 and S$890,000 respectively, based on the income capitalisation

method and the 10 year discounted cashflow analysis (both used by CBRE and Savills) and additionally the direct comparison method (used by Savills).

3. RATIONALE FOR THE DISPOSAL

3.1 The reversion of the remaining interest in the Property would have reverted back to the Group only upon the expiry of the remaining 70.7 years leasehold term the REIT holds in the Property. The Disposal enables the Group to realise the value of the Reversionary Interest now.

4. CHAPTER 10 OF THE LISTING MANUAL OF SINGAPORE EXCHANGE SECURITIES TRADING LIMITED (THE "LISTING MANUAL")

4.1 The relative figures computed on bases as set out in Rule 1006 of the Listing Manual, and based on the latest announced financial statements of the Group for the half-year ended 30 June 2021, are as follows:

1006(a)	The net asset value of the asset to be disposed of, compared with the Group's net asset value	Nil[1]
1006(b)	The net profit attributable to the asset disposed of, compared with the Group's net profit	Not applicable
1006(c)	The aggregate value of the consideration of S$1.8 million, compared with the issuer's market capitalisation (being S$501.7 million)[2] based on the total number of issued shares excluding treasury shares.	0.4%
1006(d)	The 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
1006(e)	The aggregate volume or amount of proved and probably 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.	Not Applicable

4.2 As the relative figures under Rule 1006 do not cross 5.0%, the Disposal does not constitute a discloseable transaction as defined in Rule 1010.

5. FINANCIAL EFFECTS OF THE DISPOSAL

5.1 Master Lease Agreement and Serviced Residence Management Agreement

The Property (excluding certain commercial premises) is presently leased by the REIT Trustee to OPHR under a master lease agreement ("**MLA**"). In connection with the MLA, OPHR entered into a serviced residence management agreement ("**SRMA**") pursuant to which it appointed

[1] As at 30 June 2021, the net asset value attributable to the Reversionary Interest being the asset to be disposed of is nil.

[2] Under Rule 1002(5), the market capitalization of the Company is determined by multiplying the number of shares in issue (being 464.5 million) by the weighted average price of such shares transacted on the market day preceding the date of the Disposal PCOA (being S$1.08) per share.

Far East Hospitality Management (S) Pte Ltd ("**FEHMS**"), a subsidiary of the Company, to manage the serviced residence on the Property known as Village Residences Clarke Quay ("**Serviced Residence**"). Both the MLA and SRMA expire on 26 August 2032. The MLA provides that the SRMA may be terminated by the REIT Trustee should the MLA be terminated.

5.2 At completion of the Disposal and sale of the REIT Leasehold Interest, the MLA and the SRMA will be terminated and FEHMS will cease to be the operator of the Serviced Residence. The Group's net losses of S$5.9 million for period ended 30 June 21 included net losses of S$0.7 million attributable to the MLA and SRMA. The right-of-use asset and lease liability will be de-recognised upon the termination of the MLA (which is expected to occur sometime in 2022). The net lease liability (net of right-of-use asset) as at 30 June 2021 was S$5.8 million. In addition, the management right (of the SRMA) of S$4.0 million as at 30 June 2021 will be assessed for impairment as at 31 December 2021.

5.3 Other than as disclosed in this paragraph 5, the Disposal is not expected to have any material impact on the consolidated net earnings per share and consolidated net tangible assets per share of the Group for the current financial year ending 31 December 2021.

6. CHAPTER 9 OF THE LISTING MANUAL

The Disposal does not constitute an interested person transaction within the meaning of Chapter 9 of the Listing Manual.

7. INTERESTS OF DIRECTORS AND CONTROLLING SHAREHOLDERS

None of the directors or controlling shareholders of the Company has any interest, direct or indirect, in the Disposal, other than through their shareholdings in the Company.

8. FURTHER UPDATES

8.1 Documents for Inspection

Copies of the Disposal PCOA and the valuation reports of the independent valuers CBRE and Savills in respect of the Reversionary Interest are available for inspection at the Company's registered office at 1 Tanglin Road #05-01, Orchard Rendezvous Hotel, Singapore 247905 during normal business hours for a period of three months commencing from the date of this announcement. In view of the current COVID-19 situation, it is strongly encouraged to make an appointment with the Company Secretary before any inspection.

8.2 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
2 December 2021