

## **JOINT VENTURE IN RELATION TO A CONDITIONAL PURCHASE AND SALE AGREEMENT FOR THE PURCHASE OF A HOTEL PROJECT LOCATED IN ARIAKE, TOKYO**

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### **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 Holdings Pte. Ltd. (a 70%-held subsidiary of the Company) (“**FEHH**”), has on 28 May 2018 entered into a joint venture with Boo Han Holdings Pte Ltd (a member of Far East Organization) (“**BHH**”) by executing a binding term sheet (“**Binding Term Sheet**”). Pursuant to the Binding Term Sheet, FEHH and BHH will enter into a conditional purchase and sale agreement (“**PSA**”) with Shimizu Corporation (“**Seller**”) for the joint purchase of a plot of land and hotel to be constructed thereon in Japan (the “**Hotel Project**”).

### **2. SALIENT TERMS OF THE JOINT VENTURE**

Pursuant to the Binding Term Sheet, each of FEHH and BHH have agreed to incorporate an indirectly held joint venture entity in the form of a *Tokutei Mokuteki Kaisha* (“**TMK**”), a common structure adopted for investment in real estate under Japanese law. The TMK shall be incorporated prior to the completion of the PSA, which is currently anticipated to be in the second quarter of 2020. Under the terms of the Binding Term Sheet, the contributions of FEHH and BHH to the joint venture shall be in equal proportions, and all risks and rewards of the joint venture shall be borne and enjoyed by FEHH and BHH equally.

### **3. INFORMATION ON THE HOTEL PROJECT AND THE PSA**

#### **3.1. Details of the Hotel Project**

The Hotel Project is located on an approximately 2,542m<sup>2</sup> plot of land located in Ariake, Tokyo. The PSA is structured as a forward purchase deal, where the Seller will construct a hotel on the land, and deliver the trust beneficiary interest (“**TBI**”) of the land and completed hotel to the TMK on completion of the PSA, with the title to be held by a trustee for the TMK. It is intended to brand the hotel under a Far East Hospitality hotel brand.

#### **3.2. Salient Terms of the PSA**

The purchase price to be paid to the Seller for the TBI (including consumption taxes) shall be ¥8.198 billion (approximately S\$100.5 million<sup>1</sup>) which will be contributed in equal proportions by each of FEHH and BHH. The purchase price was negotiated on an arm’s length and willing buyer-willing seller basis, taking into account the cost of the land and the cost of development of the hotel.

### **4. RATIONALE FOR AND BENEFITS OF THE JOINT VENTURE AND PSA**

#### **4.1. Japan as an Attractive Market**

Japan is the 3<sup>rd</sup> largest economy in the world, which is backed by growth in in-bound tourism arrivals due to strong economic growth in Asia, relaxation of visa requirements and the weaker Japanese Yen. The purchase of the Hotel Project presents a prime investment

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<sup>1</sup> Based on the exchange rate of ¥81.54:S\$1 prevailing as at 25 May 2018.

opportunity and will provide the Group with brand exposure in this major international gateway city.

#### 4.2. Strategic Location of the Hotel Project

The Hotel Project is located in the Ariake district, which is located a short car ride from Central Tokyo, Tokyo Disneyland Resort and Haneda Airport. The Hotel Project is also within walking distance from Tokyo Big Sight, the largest convention centre in Japan. The Ariake Arena, which is one of the venues hosting the Tokyo Olympics in 2020, will be built and located diagonally across the Hotel Project before the commencement of the Tokyo Olympics, and will be used to host sports events and concerts after the Tokyo Olympics. The Group expects the hotel, when completed, to benefit from its close proximity to Central Tokyo, Tokyo Disneyland Resort, Haneda Airport, Tokyo Big Sight and the Ariake Arena.

### 5. **CHAPTER 9 OF THE LISTING MANUAL OF SINGAPORE EXCHANGE SECURITIES TRADING LIMITED (THE “LISTING MANUAL”)**

#### 5.1. Binding Term Sheet

The Company holds 70% of the shares in FEHH. The remaining 30% of the shares in FEHH are held by The Straits Trading Company Limited. Accordingly, FEHH is a subsidiary of the Company and an “entity at risk” under Rule 904(2)(b) of the Listing Manual.

The Company’s immediate holding company, Far East Organisation Pte. Ltd., is 50% owned by the Estate of Mr Ng Teng Fong, deceased (the “Estate”). The Estate is therefore a controlling shareholder of the Company. As the Estate holds a majority of the shares in BHH, BHH is an associate of the Estate. Accordingly, BHH (being an associate of a controlling shareholder of the Company) is an “interested person” under Rule 904(4)(a) of the Listing Manual, and the Binding Term Sheet will constitute an interested person transaction under Chapter 9 of the Listing Manual (“IPT”).

The Audit & Risk Committee is of the view that the risks and rewards of the joint venture are in proportion to the equity of each of FEHH and BHH in the joint venture (which is in equal proportions), and the terms of the joint venture are not prejudicial to the interests of the issuer and its minority shareholders. Accordingly, the Binding Term Sheet satisfies the requirements of Rule 916(2) of the Listing Manual.

Based on the latest audited consolidated financial statements of the Group for the financial year ended 31 December 2017, the latest audited net tangible assets (“NTA”) of the Group as at 31 December 2017 was approximately S\$1,146,452,000. The aggregate value of the joint venture to the Company amounts to approximately ¥3.3 billion (approximately S\$40.5 million<sup>2</sup>), which represents approximately 3.5% of the Group’s latest audited NTA.

For the current financial year commencing on 1 January 2018 and up to 30 April 2018, (a) the total value of all IPTs with BHH is S\$218,258; and (b) the total value of all IPTs with all interested persons is S\$15,188,768.

#### 5.2 PSA

As the Seller is not an “interested person” under Rule 904(4)(a) of the Listing Manual, the PSA does not constitute an interested person transaction under Chapter 9 of the Listing Manual.

### 6. **FINANCIAL EFFECTS**

Each of the Binding Term Sheet and PSA 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 2018.

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<sup>2</sup> Based on the exchange rate of ¥81.54:S\$1 prevailing as at 25 May 2018.

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.

By Order of the Board

Phua Siyu Audrey  
Company Secretary  
28 May 2018