

ACQUISITION OF A STUDENT ACCOMMODATION PROPERTY IN BRISTOL, 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, IJEight Limited (“**IJEight**”), has entered into a sale and purchase agreement on 26 November 2020 with a client of LaSalle Investment Management (the “**Seller**”) to acquire the whole of registered title (the “**Acquisition**”) in a student accommodation property known as King Square Studios (the “**Property**”). The Acquisition has been completed on the same day.

King Square Studios is a freehold property located at King Square, Bristol BS2 8AU, United Kingdom. It has a site area of approximately 2,700 sq m with a total of 301 beds.

2. SALIENT TERMS OF THE ACQUISITION

2.1 Purchase price

The purchase price for the Acquisition was approximately £39.3 million (approximately S\$70.5 million¹), which was satisfied in cash by IJEight 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 the Property.

Based on the valuation report by Knight Frank LLP (“**Knight Frank**”), the market value of the Property as at 10 November 2020 was approximately £41.4 million. The valuation was prepared in accordance with the terms of engagement made between Far East Orchard Investments (UK) Pte. Ltd, a holding company of IJEight, and Knight Frank dated 24 August 2020.

2.2 Facility management agreement

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 Property. The Operator is also the facility manager of the Group’s existing student accommodation portfolio in Leeds, Sheffield, Brighton, Bristol, Liverpool and Newcastle upon Tyne, UK. The employees who currently work wholly or mainly in connection with the Property will be transferred from the Seller’s operator to the Operator.

3. 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) Expand the Group’s footprint in Bristol, United Kingdom

¹ Based on the exchange rate of GBP1:SGD1.793 prevailing as at 26 November 2020.

The Acquisition allows the Group to continue expanding its student accommodation portfolio in Bristol, which is a strong university city with favourable demand and supply dynamics.

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

The Acquisition is in line with the Group's intent to grow its purpose built student accommodation portfolio as part of the strategic objective to build a lodging platform so as to increase the recurring and stabilised income of the Group.

Pursuant to paragraph 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 as (a) the asset is part of the Group's existing principal business, and (b) the Acquisition does not change the Group's risk profile. While the Acquisition is not a discloseable transaction under Chapter 10 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.

4. **ILLUSTRATIVE FINANCIAL EFFECTS**

4.1 **Bases and assumptions**

The pro forma financial effects of the Acquisition are based on, *inter alia*, the latest audited consolidated financial statements of the Group for the financial year ended 31 December 2019.

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.

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

For illustrative purposes, assuming the Acquisition had taken place on 31 December 2019, the pro forma financial effects of the Acquisition on the Group's NTA are as follows:

	Before the Acquisition	After the Acquisition
NTA (S\$'000)	1,145,934	1,145,934
Total number of issued shares ('000)	438,360	438,360
NTA per share (S\$)	2.61	2.61

4.3 **Effect on earnings per share ("EPS")**

For illustrative purposes, assuming the Acquisition had taken place on 1 January 2019, the pro forma financial effects of the Acquisition on the Group's EPS are as follows:

	Before the Acquisition	After the Acquisition
Profit attributable to equity holders of the Company (S\$'000)	26,031	28,257
Weighted average number of issued shares ('000)	437,780	437,780
Earnings per share (cents)	5.95	6.45

5. 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
26 November 2020