



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

ACQUISITION OF SHARES IN A PURPOSE-BUILT STUDENT ACCOMMODATION OPERATOR BUSINESS IN THE 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 Far East Student Housing Pte. Ltd. (a wholly-owned subsidiary of the Group) (“**Buyer**”), has on 25 April 2024 entered into a sale and purchase agreement (the “**SPA**”) with the shareholders (“**Sellers**”) of Homes For Students Limited (“**HFS**”) for the acquisition (the “**Acquisition**”) of the issued and paid-up share capital of HFS.

Stage 1 of the Acquisition (which involves the acquisition of 49.0% of the issued and paid-up share capital of HFS from institutional shareholders (“**Institutional Sellers**”) for an aggregate consideration of £17.6 million (approximately S\$30.0 million¹) has been completed today. The Acquisition is to be completed in 3 stages as described in paragraphs 4.1 and 4.2 below. The completion of Stage 2 and Stage 3 will be subject to the fulfilment of the relevant conditions as described in paragraph 4.2 below.

The key members of HFS’ management team, including the founder, have indicated that they intend to continue to remain employed as the key management in HFS throughout all 3 stages.

2. INFORMATION ON HFS

HFS, established since 2015, is the United Kingdom’s (“**UK**”) largest independent purpose-built student accommodation (“**PBSA**”) operator. It manages over 40,000 beds in more than 50 towns and cities in the UK and Ireland. HFS provides an integrated student accommodation management and facilities management service, and operates several student accommodation brands under its umbrella group including Homes for Students, Prestige Student Living, EVO Students, Essential Student Living, Universal Student Living, Urban Student Life and UK Student Houses.

3. RATIONALE FOR THE ACQUISITION

The Board is of the view that the Acquisition is a strategic acquisition which is aligned to the Group’s strategic objective to build a lodging platform. The rationale for the Acquisition is set out below:

(i) Supplementing the Group’s PBSA operating management capabilities in the UK

The Acquisition allows the Group to leverage on HFS’s operating platform to enhance the operating management capabilities of the Group in its PBSA business in the UK.

(ii) Alignment with the Group’s strategic focus to build sustainable and recurring income bases

The Acquisition is in line with the Group’s intent and strategic objective to build a lodging platform that aims to deliver growth and build a sustainable and recurring

¹ Based on an illustrative exchange rate of GBP1:SGD1.70 as at 25 April 2024.

income stream. This asset-light acquisition strategy is expected to provide the Group with stable recurring income from the PBSA business segment.

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, including after considering that (a) HFS fits within 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 certain additional details of the Acquisition to enhance the corporate disclosure standards of the Company.

4. CERTAIN KEY SALIENT TERMS OF THE SPA

4.1 Stages

Subject to satisfaction of the relevant conditions, the Acquisition shall be completed in 3 stages, as described in paragraph 4.2 below.

Shareholders should note that there is no guarantee that Stage 2 and/or Stage 3 will proceed in the manner described below.

Please refer to Appendix 1 for an illustration of the percentage shareholding of the Buyer in the HFS before and after the completion of each of the 3 stages of the Acquisition.

4.2 Consideration and timeline

Stage 1: As at the date of this Announcement, the Buyer has completed Stage 1 of the Acquisition (i.e. the acquisition of 49.0% of the issued and paid-up share capital of HFS ("**Stage 1 Shares**") from the Institutional Sellers), and HFS is therefore considered an associated company of the Group. The aggregate consideration for the purchase of the Stage 1 Shares is £17.6 million (approximately S\$30.0 million²), which was satisfied in cash through internal resources. The aggregate consideration was arrived on a willing-buyer and willing-seller basis involving arm's length negotiations between the Buyer and the Sellers, taking into consideration relevant inherent and extrinsic factors including HFS' industry expertise and portfolio of managed properties, its current and future market potential and value, as well as the potential for further synergies with the Group's PBSA business.

Stage 2: Stage 2 of the Acquisition involves the acquisition by the Buyer of an aggregate of 35.0% of the issued and paid-up share capital of HFS ("**Stage 2 Shares**") from shareholders who are part of HFS' existing management team ("**Management Sellers**") and the remaining Institutional Sellers. The completion of Stage 2 of the Acquisition is conditional upon HFS hitting a certain financial target by 31 March 2025 (the "**Condition**") and subject to the fulfilment of the Condition, is expected to be completed by 30 September 2025. The aggregate consideration which may be payable by the Buyer for the purchase of the Stage 2 Shares cannot be determined at the date of this Announcement as this is based on a formula which takes into account, among others, the future financial performance of HFS. Following the completion of Stage 2 of the Acquisition, the Buyer shall own 84.0% of the issued and paid up capital in HFS. The Company will, in due course, make a further announcement if Stage 2 of the Acquisition proceeds, containing details of the aggregate consideration payable for the purchase of the Stage 2 Shares (when this has been ascertained).

Stage 3: Upon the completion of Stage 2 of the Acquisition, the Buyer will have a call option over the remaining shares in HFS (each, a "**Stage 3 Share**") which may be exercised at any time, while each of the remaining Management Sellers will have a put option in respect of the Stage 3 Shares that each such Management Seller holds which may be exercised after 2 November 2030 (collectively, the "**Put and Call Option**"). The exercise price (per Stage 3 Share) for the Put and Call Option will be based on the fair market value of HFS at the time of the exercise of the relevant Put and Call Option. Following the completion of Stage 3 of the Acquisition, the Buyer shall own 100.0% of the issued and paid-up capital in HFS. Similarly, the aggregate consideration which may be payable by the Buyer for the purchase of the Stage 3 Shares cannot be determined at the date of this Announcement. The Company will, in due course, make further announcement(s) if the Put and Call Option is exercised by

² Based on an illustrative exchange rate of GBP1:SGD1.70 as at 25 April 2024.

any of the remaining Sellers and/or the Buyer, which will include the number of Stage 3 Shares acquired by the Buyer and the consideration payable for the purchase of the relevant Stage 3 Shares.

5. **ILLUSTRATIVE FINANCIAL EFFECTS**

5.1 **Bases and assumptions**

The pro forma financial effects set out below are based on: (a) the latest audited consolidated financial statements of the Group for the financial year ended 31 December 2023, (b) the audited financial statements of HFS for the 12-month period ended 31 March 2023 and the unaudited management accounts of HFS for the 9-month period ended 31 December 2023³, and (c) the assumption that only Stage 1 of the Acquisition is completed (this illustration only assumes that Stage 1 is completed, as the consideration payable by the Buyer for the Stage 2 Shares and Stage 3 Shares cannot be determined as at the date of this Announcement).

The pro forma financial effects presented below are strictly for illustrative 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 only, assuming Stage 1 of the Acquisition had taken place on 31 December 2023, the pro forma financial effects of Stage 1 of the Acquisition on the Group's NTA are as follows:

	Before Stage 1 of the Acquisition	After Stage 1 of the Acquisition
NTA (S\$'000)	1,264,811	1,264,811
Total number of issued shares ('000)	487,757	487,757
NTA per share (S\$)	2.59	2.59

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

For illustrative purposes only, assuming Stage 1 of the Acquisition had taken place on 1 January 2023, the pro forma financial effects of Stage 1 of the Acquisition on the Group's EPS are as follows:

	Before Stage 1 of the Acquisition	After Stage 1 of the Acquisition
Profit attributable to equity holders of the Company (S\$'000)	65,946	66,243 ⁴
Weighted average number of issued shares ('000)	481,402	481,402
Earnings per share (cents)	13.70	13.76 ⁴

³ As HFS' financial statements and unaudited management accounts are reported in GBP, accordingly the GBP amounts have been converted using an average exchange rate of GBP1:SGD1.67.

⁴ In determining the pro forma financial effects, the amortisation of management contracts has been estimated and included in the computation of the profit attributable to equity holders of the Company and earnings per share. Excluding the amortisation, profit attributable to the equity holders of the Company and earnings per share would have been S\$68,189,000 and 14.16 cents respectively.

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
25 April 2024

Appendix 1

Illustration of the percentage shareholding of the Buyer in HFS before and after the completion of the 3 stages

The table below illustrates the percentage shareholding of the Buyer in HFS (aggregating all classes of shares) before and after the completion of the 3 stages. The illustration assumes that no other changes are made to the shareholding of HFS other than pursuant to the SPA. The percentages below have been rounded and as a result of rounding differences, numbers or percentages may not add up to the total.

[Note: Names of shareholders (other than the Buyer) have been anonymised. None of these shareholders is an interested person of the Company.]

Stage 1 – Date of SPA

Shareholders	Before completion of Stage 1 (%)	After completion of Stage 1 (%)
Institutional Sellers:	53.0	4.0 ⁵
Management Sellers:	47.0	47.0
Buyer:	-	49.0
Total	100.0	100.0

Stage 2 – Expected to be completed by 30 September 2025

Shareholders	Before completion of Stage 2 (%)	After completion of Stage 2 (%)
Institutional Sellers:	4.0	-
Management Sellers:	47.0	16.0
Buyer:	49.0	84.0
Total	100.0	100.0

Stage 3 – Expected to be completed by end of 2030

Shareholders	Before completion of Stage 3 (%)	After completion of Stage 3 (%)
Management Sellers:	16.0	-
Buyer:	84.0	100.0
Total	100.0	100.0

⁵ Pursuant to a deed of covenant entered into between the remaining Institutional Sellers and the original founder, the original founder controls the voting rights of the remaining Institutional Sellers.