
ISSUE OF 439,159,707 REDEEMABLE PREFERENCE SHARES IN THE CAPITAL OF WOODLANDS SQUARE PTE. LTD.

1. INTRODUCTION

The Board of Directors (the "**Board**") of Far East Orchard Limited (the "**Company**" and together with its subsidiaries, the "**Group**") refers to the announcements released by the Company on 17 April 2014 and 2 March 2015 in relation to, *inter alia*, the entry into a joint venture by the Company's wholly-owned subsidiary, Tannery Holdings Pte Ltd ("**THPL**"), with Far East Civil Engineering (Pte.) Limited ("**FECE**") and Sekisui House, Ltd ("**Sekisui**") (collectively, the "**JV Partners**" and individually, a "**JV Partner**") and the incorporation by the JV Partners of Woodlands Square Pte. Ltd. (the "**JV Company**") to own and undertake the development of a land parcel at Woodlands Square respectively, with each JV Partner holding an equal stake in the JV Company.

The Board also refers to the Company's Annual Report for the financial year ended 31 December 2015 ("**FY2015**") (footnote 1 at page 35) which provides that "*[t]he aggregate amount (inclusive of principal and interest) owing by [the JV Company] to [THPL]... as at 31 December 2015, is \$141,062,000*". As at 20 December 2016, the aggregate amount (inclusive of principal and interest) owing by the JV Company to THPL is S\$146,386,569; an equivalent amount is also owing by the JV Company to each of FECE and Sekisui (the "**Shareholders' Loan**").

The Board wishes to announce that, on 20 December 2016, the JV Partners have capitalised the entire amount of the Shareholders' Loan into redeemable preference shares in the capital of the JV Company ("**RPS**") (the "**Capitalisation**"). In particular:

- (a) the JV Company has allotted and issued a total of 439,159,707 RPS, at the issue price of S\$1 per RPS, on a pro-rata basis to the JV Partners, with each JV Partner being issued 146,386,569 RPS, representing their proportionate share of the Shareholders' Loan; and
- (b) payment by the JV Partners to the JV Company for the RPS was effected by setting off in full the existing Shareholders' Loans granted by the JV Partners to the JV Company.

Accordingly, following the Capitalisation, the proportion of shareholding of the JV Partners in the JV Company remains at one-third.

The details of the Capitalisation are set as follows:

Shareholders' Loan Details	THPL		FECE		Sekisui	
	Principal S\$	Interest S\$	Principal S\$	Interest S\$	Principal S\$	Interest S\$
Total Shareholders' Loan before Capitalisation (as at 20 December 2016)	141,061,849	5,324,720	141,061,849	5,324,720	141,061,849	5,324,720
Amount of Capitalisation	(141,061,849)	(5,324,720)	(141,061,849)	(5,324,720)	(141,061,849)	(5,324,720)
Total Shareholders' Loan after Capitalisation	0	0	0	0	0	0
Number of RPS Issued	146,386,569		146,386,569		146,386,569	

2. PRINCIPAL TERMS OF THE REDEEMABLE PREFERENCE SHARES

The JV Partners agreed that the RPS be issued on, *inter alia*, the following terms:

Issue Price	S\$1
Priority in repayment of capital	In the event of a return on capital upon the JV Company being wound up or its capital being reduced, save for the RPS which have already been redeemed, the holders of the RPS shall be entitled to repayment of capital paid up on the RPS held by them respectively in priority to the holders of all other classes of shares in the capital of the JV Company. Thereafter all remaining funds and assets of the JV Company legally available for distribution to shareholders shall be distributed pro rata among the holders of the ordinary shares in the capital of the JV Company and holders of the RPS.
No voting rights at general meeting	Subject to the provisions of the Companies Act (Chapter 50 of Singapore) (the " Companies Act "), the holders of the RPS shall not have any voting rights at any general meeting of the JV Company.
<i>Pari passu</i> ranking in the	The RPS shall rank <i>pari passu</i> with all other classes of shares in

payment of dividends	the capital of the JV Company with respect to payment of dividends.
Participation in surplus assets and profits	The holders of the RPS shall participate pro rata with the holders of all other classes of shares in the capital of the JV Company in the receipt of any dividends on an as-converted basis.
Redemption of RPS	The RPS are redeemable, subject to the provisions of the Companies Act, at the sole and absolute discretion of the JV Company, at a price of S\$1 as determined by the board of directors of the JV Company, such price to be varied only if further unanimous board approval of the JV Company is obtained.

3. INTERESTED PERSON TRANSACTION

THPL is a wholly-owned subsidiary of the Company, and accordingly, an entity at risk for the purposes of Chapter 9 of the Listing Manual of Singapore Exchange Securities Trading Limited (the "**Listing Manual**"). FECE is wholly-owned by the estate of the late Mr Ng Teng Fong (the "**Estate**"). The Company's controlling shareholder, Far East Organisation Pte Ltd ("**FEOPL**") is, in turn, 50% owned by the Estate and FECE is therefore an associate of FEOPL and an interested person of the Company for the purposes of Chapter 9 of the Listing Manual. The Capitalisation therefore constitutes an interested person transaction under Chapter 9 of the Listing Manual.

Based on the latest audited consolidated financial statements of the Group for FY2015, the net tangible assets ("**NTA**") of the Group was S\$1,050,425,000. The value of the Capitalisation in relation to THPL of S\$146,386,569 represents approximately 13.9% of the latest audited NTA of the Group. Notwithstanding the foregoing, as the terms of the Capitalisation satisfy the conditions set out in Rule 916(2) of the Listing Manual, the Company is exempted from the requirement to seek approval from shareholders of the Company under Rule 906 of the Listing Manual for the Capitalisation.

The rationale for and the benefit of the Capitalisation to THPL is that it provides for satisfaction of the proportion of the Shareholders' Loan owing by the JV Company to THPL while allowing THPL to maintain its proportionate shareholding in the JV Company by agreeing to subscribe for its pro-rata share of the RPS.

For the current financial year commencing on 1 January 2016 and up to 30 November 2016, excluding the value of the Capitalisation of S\$146,386,569, (a) the total value of all transactions with FECE is nil; and (b) the total value of all interested person transactions with all interested persons is S\$40,147,000.

4. AUDIT AND RISK COMMITTEE STATEMENT

Pursuant to Rule 916(2) of the Listing Manual, the Audit and Risk Committee of the Company, having considered the terms of the Capitalisation, is of the view that the risks and rewards of the JV Company remain in proportion to the equity of each JV Partner, and the terms of the Capitalisation are not prejudicial to the interests of the Company and its minority shareholders.

5. INTERESTS OF DIRECTORS AND CONTROLLING OR SUBSTANTIAL SHAREHOLDERS

Save as disclosed above, none of the directors, controlling shareholders or substantial shareholders of the Company has any interest, direct or indirect, in the Capitalisation.

By Order of the Board

Phua Siyu, Audrey
Company Secretary
20 December 2016