



**FAR EAST ORCHARD LIMITED**

(Incorporated in the Republic of Singapore)

(Company Registration No. 196700511H)

**MEDIA RELEASE**

**FAR EAST ORCHARD TO SET UP JOINT VENTURE WITH THE STRAITS  
TRADING COMPANY TO CONDUCT HOSPITALITY MANAGEMENT  
BUSINESS AND ACQUIRE HOTEL ASSETS IN AUSTRALIA**

- **The joint venture with STC to include acquisition by the joint venture company of Rendezvous Hotel Perth, Rendezvous Studio Hotel Perth Central, Rendezvous Grand Hotel Melbourne and Rendezvous Hotels International Private Limited, which operates STC's hospitality management business**
- **FEOrchard will also transfer its existing hospitality management business into the joint venture company**
- **The joint venture will allow FEOrchard to expand beyond Singapore and operate overseas third party hospitality assets**

15 April 2013 Singapore – Further to its announcement on 26 November 2012, Mainboard-listed Far East Orchard Limited ("FEOrchard" or the "Company") has today entered into a joint venture implementation agreement ("JVIA") with The Straits Trading Company Limited ("STC"). Under the JVIA, FEOrchard and STC shall together pursue and conduct hospitality management and hospitality-related businesses and invest in hospitality-related real estate through the joint venture company.

FEOrchard has incorporated a new wholly-owned subsidiary named Far East Hospitality Holdings Pte. Ltd. ("JVCo") and FEOrchard and STC will hold 70% and 30% shareholdings in JVCo's issued share capital respectively under the joint venture.

Upon completion, JVCo is envisaged to own (Refer to Annex A) the following:

- FEOrchard's existing and pipeline hospitality management business ("FEOrchard Assets");
- STC's Australian hospitality assets which consist of Rendezvous Hotel Perth, Rendezvous Studio Hotel Perth Central and Rendezvous Grand Hotel Melbourne (the "Three Hotels") located in various prime locations; and
- STC's existing hospitality management business operated by Rendezvous Hotels International Private Limited (collectively, with the Three Hotels, the "STC Assets").

FEOrchard's Group Chief Executive Officer and Managing Director, Mr Lucas Chow said: *"Once we complete this proposed transaction, we will have an immediate regional footprint that covers mainly Singapore, Malaysia, Australia and New Zealand. This is our first step in expanding and growing to becoming a sizeable regional hospitality management player with a portfolio of distinctive hospitality brands. This is also another step towards building a scalable business that is generating recurring profit for the Group."*

#### **Contribution of FEOrchard Assets into JVCo – Hospitality Management Business**

JVCo or its wholly-owned subsidiary will acquire the following FEOrchard Assets via a business transfer agreement ("Business Transfer Agreement"):

- (i) 25 hotel and serviced residence management agreements, comprising 18 existing hotel and serviced residence management agreements currently operated by FEOrchard's wholly-owned subsidiary, Jelco Properties Pte Ltd ("Jelco") and seven new and pipeline hotel and serviced residence management agreements to be entered into by FEOrchard (and/or its subsidiary);
- (ii) the property management agreement entered into by Jelco; and
- (iii) all other assets related to conducting the business associated with items (i) and (ii) above (including all employees engaged in relation to such business and the furniture, fixtures and equipment used in relation to such assets).

FEOrchard will also contribute into JVCo, a cash amount of approximately S\$76.2 million, which is to be paid to STC.

#### **Contribution of STC Assets into JVCo – The Three Hotels and Hospitality Management Business**

Concurrently, STC will enter into sale and purchase agreements with JVCo or its wholly-owned subsidiary to purchase the STC Assets ("S&P Agreements"). A description of the STC Assets is as follows:

- (i) Rendezvous Grand Hotel Melbourne, located at 318-332 Flinders Street, Melbourne, is a 340-room historic hotel in Melbourne's central business district;
- (ii) Rendezvous Studio Hotel Perth Central, located at 24 Mount Street, Perth, is a 103-room modern hotel in the heart of Perth's central business district;
- (iii) Rendezvous Hotel Perth, located at The Esplanade, Scarborough, Perth, is a 336-room beachfront hotel; and
- (iv) Rendezvous Hotels International Private Limited is a wholly-owned subsidiary of STC, involved in the hotels and resorts management business.

The completion of the Business Transfer Agreement and S&P agreements are expected to be on 28 June 2013 or such later date to be agreed by FEOrchard and STC.

## **Rationale for Joint Venture**

Following the strategic restructuring and transformation in 2012, FEOrchard is now a vertically integrated hospitality operator with the capability to develop its own hospitality properties as well as to manage a significant hospitality management business. FEOrchard has been actively building on its hospitality management capabilities and business by promoting its portfolio of hospitality brands and pursuing new third party management contracts that would add growth and recurring income to the Company. In addition, FEOrchard has also been seeking to grow its regional footprint in order to further expand and diversify its existing hospitality management portfolio.

### ***Expanding FEOrchard's Regional Footprint in its Hospitality Management Business***

Through the proposed JVCo, FEOrchard will be able to significantly expand its hospitality management business beyond Singapore and Malaysia, into Australia and New Zealand, where 11 out of the 13 of STC-managed hotels are situated.

The enlarged hospitality management portfolio of more than 6,000 rooms also allows FEOrchard quick access to a portfolio of third party assets as well as to provide potential cross-selling benefits to FEOrchard's existing hospitality portfolio in Singapore

FEOrchard will, through the enlarged hospitality management platform, establish itself as a regional hospitality owner and operator, with a sizeable overseas network. FEOrchard will be well positioned to tap on the expanded portfolio consisting of more than 30 hotels and service residences under five distinct brands ("Oasia", "Quincy", "Village", "Rendezvous" and "Marque").

### ***Increasing FEOrchard's Scale and Operating Efficiency via the Combined Operating Platform***

Potential revenue enhancement opportunities, cost savings and greater operational efficiencies will arise from the increase in scale of FEOrchard's overseas operations, through its enlarged hospitality management business.

By leveraging its own vertically-integrated hospitality operations, management know-how and operational expertise, FEOrchard plans to generate additional operating efficiencies and cost savings from managing STC's hospitality operations in Australia and New Zealand.

### ***Increasing the Sustainable and Recurring Income Stream of FEOrchard Group***

The proposed JVCo is in line with FEOrchard's long term objectives of delivering growth and enhancing its recurring income stream for the Company and its shareholders. FEOrchard intends to leverage on its expanded platform to continue growing in the Asia-Pacific region by operating more third party hospitality assets and engaging in cross-selling initiatives between its brands and geographic markets. As a result of these transactions under the proposed joint venture, FEOrchard will see a growth in its recurring income streams.

***Increasing Opportunities to Pursue Yield Accretive Hospitality Investments with Strong Like-minded Partners***

Through the proposed JVCo, FEOrchard and STC will be able to combine their financial resources to pursue more yield accretive acquisition and growth opportunities, either in hospitality-related assets or hospitality management business and share their networks to direct new and exciting opportunities to JVCo.

Chief Executive Officer for Far East Hospitality, Mr Arthur Kiong remarked: *“We are excited at the opportunity to manage an expanded portfolio with more than 6,000 rooms in 30 hotels and serviced residences across a regional footprint that extends into Australia and New Zealand where 11 out of 13 STC’s managed hotels are located. Also, with the addition of two new hospitality brands, we can now offer more options to customers across multiple geographies catering to different target segments.”*

The transactions contemplated under the JVIA are subject to the terms and conditions in the JVIA, the approval of STC shareholders at an extraordinary general meeting (“EGM”), and the approval of FEOrchard shareholders at an EGM. A circular will be issued to shareholders of FEOrchard in due course, together with a notice of EGM for the purpose of seeking shareholders’ approval for, *inter alia*, the acquisition of the STC Assets.

Shareholders should note that the completion of the Business Transfer Agreement and S&P agreements are conditional upon, *inter alia*, the approval of shareholders of FEOrchard and STC. Shareholders and potential investors of FEOrchard are advised to exercise caution when trading in the shares of FEOrchard.

The Company also wishes to clarify that the proposed transactions under the JVIA and the proposed transactions under the non-binding memorandum of understanding with Toga Pty Limited as announced on 12 December 2012 are separate and independent transactions.

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**Note: This media release is to be read in conjunction with the Company’s announcement released on the SGXnet on the same date.**

**About Far East Orchard Limited ([www.fareastorchard.com.sg](http://www.fareastorchard.com.sg))**

Far East Orchard Limited, a member of Far East Organization, Singapore’s largest private property developer, is an established developer that has delivered a number of successful residential, commercial and hospitality developments. Today, it has a diversified portfolio focusing on property development, hospitality real estate development and management, and healthcare real estate space.

As a vertically integrated hospitality operator, Far East Orchard also has the unique capability of developing its own hospitality properties and managing a significant hospitality business. These may be standalone hospitality properties or come under the Company’s

distinctive “Village”, “Oasia” or “Quincy” hospitality brands. The Company operates Singapore’s largest hospitality portfolio comprising eight hotels and nine serviced residences, as well as the Sri Tiara Residences in Kuala Lumpur, Malaysia.

Far East Orchard also owns a portfolio of purpose-built medical suites in Novena Medical Center and Novena Specialist Center, which is located in Singapore's premier Novena medical hub. It intends to be the premier private owner, operator and landlord of healthcare space in Singapore.

**Issued for and on behalf of Far East Orchard Limited**

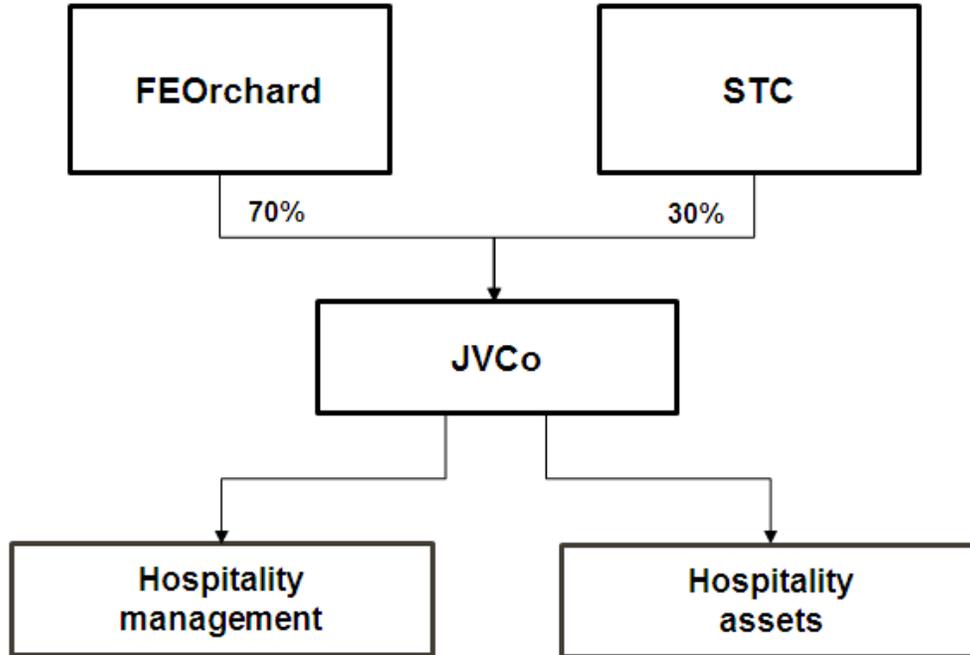
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## Annex A – Joint Venture Overview



- FEOrchard's 25 hotel and serviced residence management agreements, consisting of:
  - 18 existing hotel and serviced residence management agreements
  - 7 new and pipeline hotel and serviced residence management agreements
- FEOrchard's property management agreement entered into by the REIT Trustee, the REIT Manager and Jelco
- RHI, STC's wholly-owned subsidiary, which operates 13 hotels through lease and/or management agreements

- STC's Three Hotels:
  - Rendezvous Hotel Perth
  - Rendezvous Studio Hotel Perth Central
  - Rendezvous Grand Hotel Melbourne