



(Incorporated in the Republic of Singapore)
Company Registration No. 196700511H

JOINT VENTURE WITH TOGA PTY LTD

1. **BACKGROUND**

1.1 **Proposed Joint Venture with Toga Pty Ltd**

The Board of Directors (the "**Board**" or "**Directors**") of Far East Orchard Limited ("**FEOrchard**") refers to the previous announcement made by FEOrchard on 12 December 2012 (the "**Initial Announcement**") in relation to the proposed joint venture with Toga Pty Ltd ("**Toga**") to explore the formation of a joint venture vehicle to take advantage of growth opportunities in the hotel real estate market in Australia and New Zealand (the "**Joint Venture**").

Further to the Initial Announcement, FEOrchard is pleased to announce that it has today, together with its wholly owned subsidiary, Far East Hospitality Investments (Australia) Pte. Ltd. ("**FEOrchard Subscriber**"), entered into a subscription and redemption agreement (the "**Subscription Agreement**") with the following entities:

- (a) Toga;
- (b) Toga Hospitality Investments Pty. Limited ("**Toga Investments**");
- (c) Toga Hotel Management Holdings Pty Limited ("**Toga Management**"); and
- (d) Toga Hotel Holdings Pty Limited (in its capacity as trustee of the Toga Hotel Holdings Unit Trust (the "**Trust SPV**")) (the "**Issuer**").

Pursuant to the Subscription Agreement, FEOrchard Subscriber has agreed to subscribe for an aggregate of 225,000,000 new securities (the "**Subscription**") at the price of A\$1.00 per security with each initially partly paid as to A\$0.5511 per security on Completion (as defined below), in the capital of the Trust SPV (each, a "**Subscription Security**" and collectively, the "**Subscription Securities**") for an aggregate consideration of A\$225 million. The Subscription Securities will, upon issue, represent 50% of the issued securities in the Trust SPV.

It is contemplated that on or prior to completion of the Subscription in accordance with the terms of the Subscription Agreement, a joint venture agreement will be entered into between FEOrchard Subscriber, Toga Investments, Toga Management and the Issuer, pursuant to which the parties shall regulate the matters concerning their relationship with one another and in relation to the Subscription Securities and the operation and management of the Joint Venture Entities (as defined below) (the "**JV Agreement**").

Further information in respect of Toga is set out in Section 2 of this announcement.

1.2 Chapter 10 of the Listing Manual

The Subscription will constitute a major transaction under Chapter 10 of the Listing Manual ("**Listing Manual**") of the Singapore Exchange Securities Trading Limited ("**SGX-ST**") and will require the approval of shareholders of the Company ("**Shareholders**"), for the reasons set out in Section 8 of this announcement.

2. **INFORMATION ON TOGA**

The Toga Group ("**Toga Group**") was established in 1963 by the current Executive Chairman, Mr Ervin Vidor, AM as a property development, construction, investment and management group initially focusing on medium sized residential and commercial developments.

The hotel management arm of Toga Group ("**Toga Hotels**") is one of the leading accommodation providers in Australia. Toga Hotels opened the first Medina Serviced Apartment in Sydney in 1982. It currently operates more than 50 serviced apartments and hotels, or more than 6,800 apartments and hotel rooms across Australia, New Zealand, Germany and Denmark, and employs over 1,500 team members across these countries. The hotels and apartment hotels are operated by Toga Hotels under the "Medina Serviced Apartments", "Adina Apartment Hotels", "Vibe Hotels" brands and the "Travelodge Hotels" brands.

Toga Hotels comprises of the following entities:

- (a) Value Lodging Pty Ltd;
- (b) Vibe Hotel Services Pty Ltd;
- (c) Medina Property Services Pty Ltd and its wholly owned subsidiary, Toga Hospitality NZ Limited;
- (d) Adina Denmark APS; and
- (e) Adina Germany GmbH & Co. KG.

3. **DETAILS OF THE JOINT VENTURE**

3.1 Implementation Steps and Structure of the Joint Venture on Completion

Pursuant to the Subscription Agreement and prior to the Subscription, it is envisaged that certain implementation steps will be undertaken for the purposes of the Joint Venture. The implementation steps include, *inter alia*, the transfer of Value Lodging Pty Ltd, Vibe Hotel Services Pty Ltd, Medina Property Services Pty Ltd, Adina Denmark APS and Adina Germany GmbH & Co. KG (being the entities of Toga Hotels, each to be referred to as a "**Joint Venture Consolidated Entity**" and collectively, the "**Joint Venture Consolidated Entities**") to form part of the Joint Venture.

Accordingly, at completion of the Subscription in accordance with the Subscription Agreement ("**Completion**"), it is envisaged that the Trust SPV will hold the Joint Venture Consolidated Entities.

3.2 Option Agreements for the acquisition of TAF Assets following the Subscription

Pursuant to the Subscription Agreement, the Trust SPV will also, prior to Completion, (through a sub-trust, Toga Hotel Property Investments Unit Trust ("**Prop Sub Trust**"), to be constituted to hold hotel real property assets of the Joint Venture) enter into relevant option agreements ("**TAF Option Agreements**") with the Toga Accommodation Fund¹. If the TAF Option Agreements are exercised, the Trust SPV will acquire the entire interests in the hotel real property assets as set out in Appendix 2 ("**TAF Assets**", together the "**TAF Assets Acquisition**").

Please refer to Appendix 1 of this announcement for the structure of the Joint Venture at Completion and upon the acquisition of the TAF Assets pursuant to the exercise of the options under the TAF Option Agreements.

4. RATIONALE FOR THE SUBSCRIPTION AND THE JOINT VENTURE

Following FEOrchard's strategic restructuring and transformation in 2012, FEOrchard has become a vertically integrated hospitality operator with the capability to develop its own hospitality properties as well as 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 FEOrchard. In addition, FEOrchard has also been seeking to grow its regional footprint in order to further expand and diversify its existing hospitality management portfolio.

4.1 Expanding FEOrchard's Regional Footprint in the Hospitality Management Business

The Joint Venture presents FEOrchard with an opportunity and effective platform to extend the geographical reach of its hotel management and ownership business beyond Singapore and Malaysia, into Australia, New Zealand, Germany and Denmark.

Toga Hotels is one of the largest hospitality operators in Australia with hospitality management contracts to operate approximately 6,800 rooms across more than 50 hotels and serviced apartments in Australia, New Zealand, Germany and Denmark. Toga Hotels operates under four (4) strong and prominent brands strategically positioned in the value and mid-market segments, of which, the "Medina", "Adina" and "Vibe" brands are wholly-owned and the "Travelodge" brand is licensed.

FEOrchard will, through the enlarged hospitality management platform under the Joint Venture, 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 70 hotels and service residences under seven (7) distinct and complementary brands ("Oasia", "Quincy", "Village", "Medina", "Adina", "Vibe" and "Travelodge"). Through the Joint Venture, it will also have more than 10,000 rooms under management with a regional footprint mainly across Singapore, Malaysia, Australia, New Zealand, Germany and Denmark. With the expanded platform of hotels and serviced residences across different hospitality brands, FEOrchard will be able to offer, through the Joint Venture, more options to its customers across multiple geographic locations, while catering to different targeted segments.

¹ The Toga Accommodation Fund comprises of Toga Accommodation Fund Trust 1 (ARSN 116 870 967), Toga Accommodation Fund Trust 2 (ARSN 116 871 053), Toga Accommodation Fund Trust 3 (ARSN 116 871 160) and Tourism and Leisure Trust (ARSN 078 307 712) (collectively, the "**TAF Entities**").

4.2 Increasing FEOrchard's Scale and Operating Efficiency through the Combined Operating Platform

The Joint Venture will bring potential revenue enhancement opportunities, cost savings and greater operational efficiencies from the increase in size and scale of FEOrchard's overseas operations.

4.3 Increasing the Sustainable and Recurring Income Stream of the FEOrchard Group

The Joint Venture is also in line with FEOrchard's long term objectives of delivering growth and in enhancing its recurring income stream for FEOrchard 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.

4.4 Increasing Opportunities to Pursue Yield Accretive Hospitality Investments with a Strong Like-minded Partner

The Joint Venture will enable FEOrchard and Toga 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 the Joint Venture.

5. **CONSIDERATION**

5.1 Subscription Price

(a) Determination of Subscription Price

FEOrchard Subscriber will subscribe for the Subscription Securities for an aggregate consideration of A\$225 million (the "**Subscription Price**"). The net asset value of the Subscription Securities is approximately \$225 million. The Subscription Price was arrived at after arm's length negotiations and on a willing-buyer, willing-seller basis, taking into account, *inter alia*, the valuation report dated 18 April 2013 by KPMG Corporate Finance Pte. Ltd. ("**Valuation Report**") which was commissioned by FEOrchard on Toga Hotels for the internal reference of FEOrchard and the Board, based on accepted valuation procedures and practices and the business prospects of Toga Hotels.

(b) Payment of Subscription Price

The Subscription Price will be satisfied in the following manner:

- (i) at Completion, FEOrchard Subscriber will make payment of A\$124,000,000 (the "**Initial Subscription Amount**") to the Issuer; and
- (ii) following Completion, FEOrchard Subscriber will pay to the Issuer the balance of the Subscription Price as follows:
 - (A) where the Issuer determines, *inter alia*, that (i) certain criterion for the investment by a Joint Venture Entity (as defined in the JV Agreement) in a real property which is used or is to be constructed and/or developed for use as accommodation for visitors is satisfied, (ii) the

Joint Venture does not have sufficient internal funding resources to undertake the proposed investment and (iii) obtaining sufficient external debt finance for the proposed investment would result in a breach of the gearing policy in relation to one or more Joint Venture Entities or the Joint Venture as a whole or is otherwise not reasonably considered to be available, and the Issuer gives written notice to FEOrchard Subscriber requiring it to pay part or all of any remaining balance of the Subscription Price in accordance with the terms of the JV Agreement; and/or

- (B) on the date falling 18 months after the date of Completion (to the extent any part of the Subscription Price remains outstanding and unpaid as at such date).

The Subscription Price shall be satisfied by FEOrchard Subscriber in cash. Upon full payment of the Subscription Price, FEOrchard Subscriber will have a 50% beneficial interest in the Trust SPV. To the extent that the Subscription Price is partly paid, FEOrchard Subscriber's beneficial interest in the Trust SPV will be proportionately adjusted.

5.2 Working Capital Adjustments to the Subscription Price

Under the terms of the Subscription Agreement, the Subscription Price may be adjusted for an amount equal to the completion working capital value less a target working capital value (as determined in accordance with Schedule 7 of the Subscription Agreement). The completion working capital value of the Joint Venture Entities at Completion (excluding cash balances) will be determined within 60 days after the date of Completion based on a working capital statement to be prepared by the Issuer and supported by relevant supporting calculations and documentation.

The Subscription Price will be increased or decreased should the adjustment amount be positive or negative, respectively.

5.3 Effect of Claims

Under the terms of the Subscription Agreement, in the event that FEOrchard Subscriber makes a claim under or in connection with the Subscription Agreement and either (a) Toga Investments and the Issuer have agreed to the claim in writing; or (b) a court of competent jurisdiction has finally determined that an amount is owed to FEOrchard Subscriber pursuant to the claim, then if an amount is payable in relation to the claim while any amount of the Subscription Price remains outstanding, such claim will be satisfied by first subtracting the value of the claim from such outstanding balance of the Subscription Price.

In the event of any successful claim by FEOrchard Subscriber in connection with the provisions of the Subscription Agreement and such claim is satisfied pursuant to the provisions of the Subscription Agreement, then such claim will be treated as a reduction of the Subscription Price (irrespective of whether such Subscription Price is fully paid or remains partly paid), and the balance of the Subscription Price (if any) owed by FEOrchard Subscriber will be adjusted accordingly.

5.4 Guarantee

Under the terms of the Subscription Agreement, FEOrchard guarantees to the Issuer, Toga Investments and Toga Management the due and punctual payment by FEOrchard Subscriber of the Subscription Price in accordance with the terms of the Subscription Agreement.

6. OTHER MATERIAL TERMS AND CONDITIONS

Details on other material terms and conditions of the Subscription are set out in Appendix 3.

7. FINANCIAL EFFECTS OF THE SUBSCRIPTION

For illustrative purposes only, on the basis of 377,143,026 ordinary shares in FEOrchard ("**Shares**") as at 31 December 2012, the financial effects of the Subscription on the net tangible assets ("**NTA**") per Share and the earnings per Share ("**EPS**"), based on the audited consolidated financial statements of FEOrchard for the financial year ended 31 December 2012 ("**FY2012**"), being the most recent available audited consolidated financial statements of FEOrchard and its subsidiaries ("**Group**"), are set out below.

The financial effects of the TAF Assets Acquisition are also set out below as additional information.

7.1 NTA per Share

On the assumption that the Subscription and the TAF Assets Acquisition had been completed on 31 December 2012, the financial effects on the consolidated NTA of the Group are as follows:

	Before the Subscription	After the Subscription⁽²⁾⁽³⁾	After the Subscription and the TAF Assets Acquisition⁽²⁾⁽³⁾
NTA (S\$'000)	970,665	969,165	962,665
NTA per Share (S\$) ⁽¹⁾	2.57	2.57	2.55

Notes:

- (1) The NTA per Share for FY2012 is calculated based on the NTA of FEOrchard as at 31 December 2012 and 377,143,026 Shares in issue as at 31 December 2012.
- (2) For the Subscription, the transfer of all the shares of the Joint Venture Consolidated Entities to Trust SPV is considered a business acquisition for accounting purposes. For the purposes of the financial effects, the net assets acquired are assumed to be the same as the value of the consideration given. As the goodwill or gain on bargain purchase for the Trust SPV will be determined only on the completion of the Subscription and the final purchase price allocation, the eventual amounts could be materially different from the amounts used in the calculation of the financial effects. Goodwill, if any, is subject to an impairment test.
- (3) All estimated professional and other fees and expenses chargeable to the Subscription and the TAF Assets Acquisition (as the case may be) have been included.
- (4) Where applicable, all conversions from A\$ to S\$ were made based on an assumed exchange rate of A\$:S\$1.28.

7.2 EPS

On the assumption that the Subscription and the TAF Assets Acquisition had been completed on 1 January 2012, the financial effects on the consolidated earnings of the Group are as follows:

	Before the Subscription	After the Subscription⁽²⁾⁽³⁾⁽⁴⁾	After the Subscription and the TAF Assets Acquisition⁽²⁾⁽³⁾⁽⁴⁾
Profit attributable to Shareholders (S\$'000)	190,755	199,752	199,271
EPS (S\$) ⁽¹⁾	0.51	0.53	0.53

Notes:

- (1) The EPS is calculated based on the profit after tax attributable to ordinary shareholders of FEOrchard.
- (2) The effects on the EPS included the 50% share of the net income of the Joint Venture Consolidated Entities and the TAF Assets (as the case may be) based on the unaudited management accounts for the year ended 31 December 2012.
- (3) For the Subscription, the transfer of all the shares of the Joint Venture Consolidated Entities to Trust SPV is considered a business acquisition for accounting purposes. For the purposes of the financial effects, the net assets acquired are assumed to be the same as the value of the consideration given. As the goodwill or gain on bargain purchase for the Trust SPV will be determined only on the completion of the Subscription and the final purchase price allocation, the eventual amounts could be materially different from the amounts used in the calculation of the financial effects. Goodwill, if any, is subject to an impairment test.
- (4) All estimated professional and other fees and expenses chargeable to the Subscription and the TAF Assets Acquisition (as the case may be) have been included.
- (5) Where applicable, all conversions from A\$ to S\$ were made based on an assumed exchange rate of A\$1:S\$1.28.

8. RELATIVE FIGURES OF THE SUBSCRIPTION UNDER CHAPTER 10 OF THE LISTING MANUAL

The relative figures computed on the relevant bases set out in Rule 1006 of the Listing Manual with respect to the Subscription are as follows:

	<u>Listing Rule</u>	<u>Bases</u>	<u>Relative Figures (%)</u>
(a)	1006(a) :	Net asset value of the assets to be disposed of compared with the net asset value of the Group.	N.A. ⁽¹⁾
(b)	1006(b) :	Net profits ⁽²⁾ attributable to the Subscription, compared with the net profits of the Group.	7.8
(c)	1006(c) :	Subscription Price compared with the market capitalisation of FEOrchard ⁽³⁾ .	35.2

- (d) 1006(d) : Number of equity securities issued by FEOrchard as consideration for an acquisition, compared with the number of equity securities previously in issue. N.A. ⁽⁴⁾

Notes:

- (1) This basis is not applicable to an acquisition of assets.
- (2) Net profits is defined as profit before income tax, minority interests and exceptional items.
- (3) FEOrchard's market capitalisation is based on the volume weighted average price per Share of S\$2.14 transacted on the market day preceding the date of this announcement, and a total number of 382,474,747 Shares being in issue as at the date of this announcement.
- (4) This basis is not applicable as no securities will be issued as consideration.
- (5) Where applicable, all conversions from A\$ to S\$ were made based on an assumed exchange rate of A\$1:S\$1.28.

Based on the above, the Subscription constitutes a major transaction under Chapter 10 of the Listing Manual. Therefore the Subscription is subject to the approval of the Shareholders at an extraordinary general meeting to be convened (the "**EGM**").

9. INTERESTS OF DIRECTORS AND CONTROLLING SHAREHOLDERS

Based on the information available to the Company as at the date of this announcement, none of the Directors or the controlling shareholders of FEOrchard has an interest, direct or indirect, in the Subscription, save as disclosed in this announcement and save for their respective holdings of Shares in FEOrchard.

Mr Lucas Chow Wing Keung is an executive director, the Group Chief Executive Officer and Managing Director of FEOrchard and a director of FEOrchard Subscriber.

10. CIRCULAR TO SHAREHOLDERS

A circular (the "**Circular**") containing details of the Subscription and the Joint Venture and a notice convening the EGM of FEOrchard will be despatched to shareholders in due course.

Shareholders should note that the completion of the Subscription is conditional upon, *inter alia*, the approval of shareholders of FEOrchard. Shareholders and potential investors of FEOrchard are advised to exercise caution when trading in the Shares.

11. DOCUMENTS FOR INSPECTION

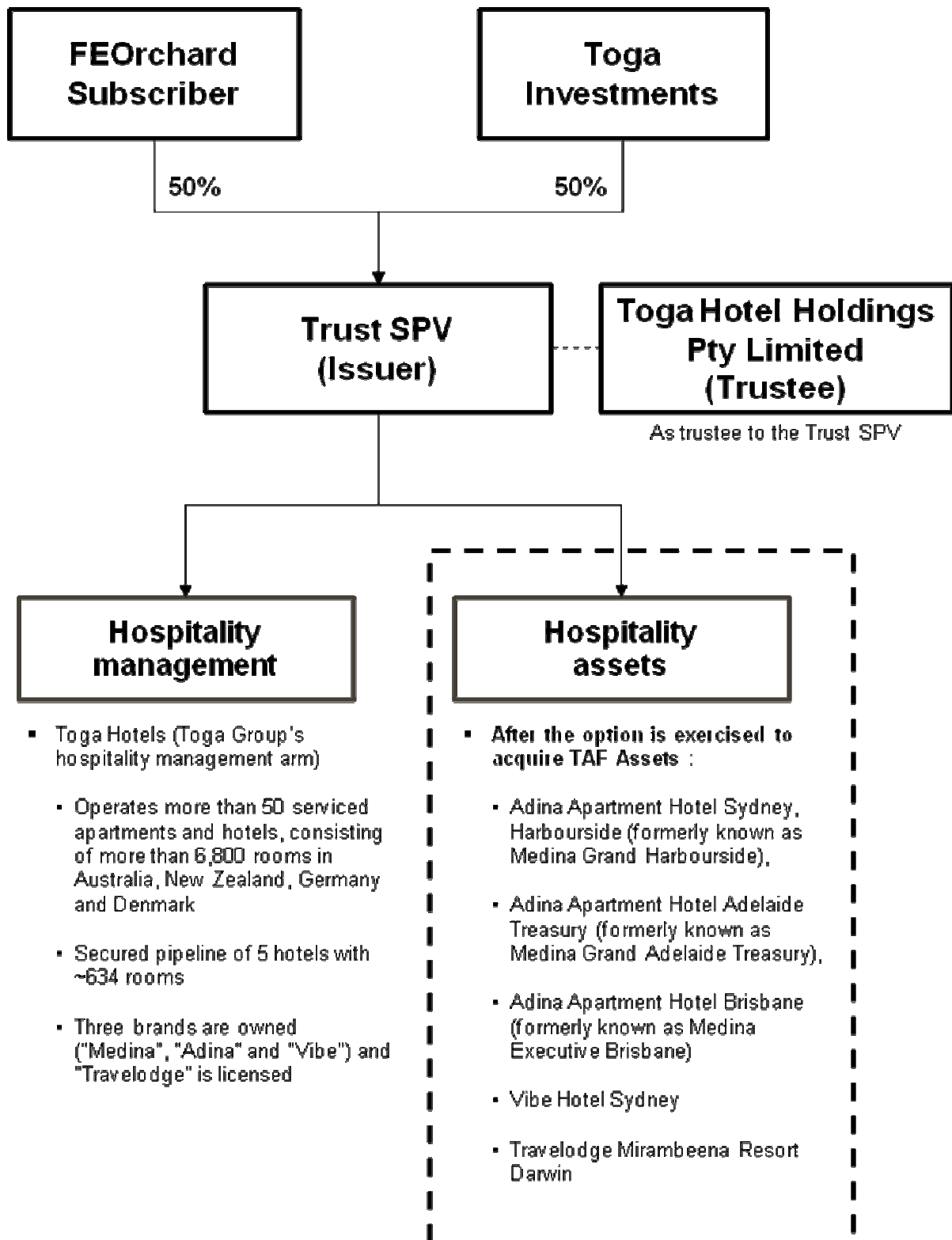
The following documents are available for inspection by the Shareholders during normal business hours at the registered office of FEOrchard at Orchard Parade Hotel, 1 Tanglin Road #05-01, Singapore 247905 for a period of three (3) months from the date of this announcement:

- (a) the Subscription Agreement; and
- (b) the Valuation Report.

By Order of the Board

Chloe Kho Kim Suan
Company Secretary
18 April 2013

APPENDIX 1
Structure of the Joint Venture



APPENDIX 2 TAF Assets

Information on the TAF Assets

- (a) **Adina Apartment Hotel Sydney, Harbourside (formerly known as Medina Grand Harbourside), located at 55 Shelley Street, Sydney, NSW, Australia 2000**

Adina Apartment Hotel Sydney, Harbourside is a 4.5 star rated apartment hotel well situated within the western corridor of the Sydney Central Business District ("**CBD**"). The hotel offers guests panoramic views of Sydney city and Darling Harbour from its 113 studio and one bedroom self contained apartments. The complex is located adjacent to the Sydney Aquarium and within close proximity to Darling Harbour, Town Hall, King Street and Cockle Bay Wharves, Queen Victoria Building and the financial and retail entertainment precincts of the CBD. It has many convenient amenities and facilities such as retail shops, a restaurant, conference facilities, swimming pool and a gymnasium.

- (b) **Adina Apartment Hotel Adelaide Treasury (formerly known as Medina Grand Adelaide Treasury), located at 2 Flinders Street, Adelaide, SA, Australia 5000**

Adina Apartment Hotel Adelaide Treasury is a 4.5 star apartment hotel comprising a total of 79 serviced apartments, five function areas, restaurant and bar, pool spa and sauna, gym and central courtyard. The property is contained within the historic Adelaide Treasury building, which was extensively renovated and converted to a modern serviced apartment complex in 2002. Medina Grand Adelaide Treasury occupies prime position within the heart of the Adelaide CBD, situated on the north-eastern corner of Flinders and King Williams Streets overlooking Victoria Square. Adelaide's retail precinct of Rundle Mall, the Adelaide Sky City Casino, Parliament Houses, Government House and the Adelaide Convention Centre and Exhibition Hall are all within close proximity.

- (c) **Adina Apartment Hotel Brisbane (formerly known as Medina Executive Brisbane), located at 15 Ivory Lane, Brisbane, QLD, Australia 4000**

Adina Apartment Hotel Brisbane is a 4.5 star apartment hotel comprising 159 rooms, a restaurant, lounge/bar, meeting rooms, swimming pool, tennis court and gymnasium. The one and two bedroom apartments all have lounge/kitchen, separate bedroom and laundry facilities. The complex is prominently situated on the northern fringe of the Brisbane CBD overlooking the Brisbane River, Kangaroo Point and inner city. Situated alongside the northern end of the iconic Story Bridge, the property is a short walk from Brisbane's central office precinct and riverfront restaurants.

- (d) **Vibe Hotel Sydney, located at 111 Goulburn Street, Sydney, NSW, Australia 2000**

The Vibe Hotel Sydney is a 4.0 star full service hotel situated in the southern precinct of Sydney's CBD at the corner of Elizabeth Street and Goulburn Street. The hotel was acquired by Toga Group in 2004 and rebranded and extensively refurbished to Vibe brand standards. The property is well positioned in close proximity to Sydney's major retail precinct, and has convenient access to public transport with Sydney Central Railway Station and Railway Square located approximately 550 meters to the south of the property, providing bus, rail and light rail transport services. Its facilities include a restaurant, café and bar, five function rooms, gymnasium, and a rooftop swimming pool.

(e) Travelodge Mirambeena Resort Darwin, located at 64 Cavenagh Street, Darwin, NT, Australia 0800

Travelodge Mirambeena Resort Darwin is situated on 1.31 hectares of land in the Darwin city centre. It is a modern full service 3.5 and 4.0 star hotel located in Darwin's central business district, well serviced by the nearby retail and restaurant precinct. The hotel offers 192 hotel rooms and 32 self contained townhouses, pool, spa and gym facilities, conference rooms and a café and bar. Darwin is the major commercial centre servicing the Northern Territory and is a hub to a wide range of Australia's booming industries including mining, offshore oil and gas production, pastoralism, tourism and tropical horticulture.

APPENDIX 3
Other Material Terms and Conditions of the Subscription

Subscription Agreement

(a) Under the terms of the Subscription Agreement, the Subscription will be conditional upon the fulfilment or waiver of, *inter alia*, the following conditions:

(i) Approval of the Australian Foreign Investment Review Board

(A) The Treasurer of Australia or his delegate providing written advice with or without conditions that there are no objections under Australia's foreign investment policy to the Subscription; or

(B) following notice of the Subscription having been given by FEOrchard Subscriber to the Treasurer of Australia under the Foreign Acquisitions and Takeovers Act 1975 (Cth) (the "**Act**"), the Treasurer of Australia ceases to be empowered to make any order under Part III of the Act because of lapse of time.

(ii) Approval of the TAF Unitholders

The registered holders (the "**TAF Unitholders**") of the TAF Entities having approved, *inter alia*, the transactions relating to the TAF Entities.

(iii) Execution of the TAF Option Agreements

The TAF Option Agreements having been executed and such TAF Option Agreements having become unconditional in accordance with its terms, save for any condition that Completion under the Subscription Agreement has occurred.

(iv) Approval of the Shareholders of FEOrchard

The shareholders of FEOrchard having approved the Subscription.

(v) Execution of the Joint Venture Documents

The Joint Venture Agreement, the administrative services deed to be executed between Toga and Toga Management and the management services deed to be executed between Toga and the Issuer having been executed by all of the parties to each of the documents.

(vi) Receipt of Regulatory Consents

The relevant government authorities having issued or provided certain consents or approvals including, *inter alia*, any consents required from any liquor licensing government authority of a state or territory in Australia.

(vii) Execution and Completion of a New Facility Agreement

The Issuer having entered into a new facility agreement and all conditions precedent contained therein having been satisfied or waived, save for any condition (A) that Completion under the Subscription Agreement has occurred or (B) that completion under the agreements for the sale of property contemplated by the TAF Option Agreements has occurred.

(viii) Execution of the Leases of Toga Controlled Assets in Serviced Strata Schemes

Toga Investments having procured the execution of various leases pursuant to which certain strata lots are to be leased to Medina Property Services Pty Ltd.

(ix) Execution of Management Agreements in relation to Vidor Controlled Assets

Toga Investments having procured the execution of fresh management agreements in respect of certain assets owned by the Vidor family.

(x) Assignment and/or Grant of Licences in relation to the Intellectual Property Rights

Toga Investments having procured the assignment and/or the grant of licences in favour of certain entities which form part of the Joint Venture of certain intellectual property rights including, *inter alia*, the right to the TOGA and MEDINA marks.

(xi) Change of Control

Toga Investments having procured certain consents to the Subscription from the lessors in respect of certain properties.

(xii) Amendment of the Trust SPV Constitution

The execution of a supplemental deed poll by the Issuer to amend the Trust SPV Constitution.

(xiii) Exit from Tax Consolidated Group

Toga Investments and the Issuer having procured that Toga must, as the head company of the Toga Tax Group (as defined in the Subscription Agreement), in respect of the Trust SPV, the Operating Entities (as defined below), Toga Hotel Property Holdings Unit Trust ("**Prop Trust**") and Prop Sub Trust (each, a "**Subsidiary Member**"), *inter alia*, perform certain steps to ensure that each Subsidiary Member leaves the Toga Tax Group clear of any Group Liability (as defined in section 721-10(1)(a) of the Tax Act (as defined below)) for the purposes of section 721-35 of the Tax Act.

"Operating Entities" means Toga Management and its Australian resident subsidiaries; and

"Tax Act" means the Australian Income Tax Assessment Act 1936 (Cth), the Australian Income Tax Assessment Act 1997 (Cth) or the Australian Taxation Administration Act 1953 (Cth), as appropriate and as amended from time to time.

(ix) Toga GST Group

If the Trust SPV, the Operating Entities, Prop Trust and Prop Sub Trust become a member of the Toga GST Group (as defined in the Subscription Agreement), Toga Investments having procured that Toga must, in respect of the Trust SPV, the Operating Entities, Prop Trust and Prop Sub Trust (each, a "**GST Member**"), *inter alia*, perform certain steps to ensure that each GST Member leaves the Toga GST Group clear of any Indirect Tax Amount (as defined in section 444-90(1) of the Tax Act) for the purposes of section 444-990 of the Tax Act.

(b) At Completion, the following shall take place:

- (i) FEOrchard Subscriber will subscribe for the Subscription Securities by making payment of the Initial Subscription Amount to the Issuer; and
- (ii) the Issuer shall issue the Subscription Securities to FEOrchard Subscriber and register FEOrchard Subscriber as the holder of the Subscription Securities.

JV Agreement

As mentioned at Section 1.1 above, it is contemplated that on or prior to completion of the Subscription in accordance with the terms of the Subscription Agreement, FEOrchard Subscriber will be entering into the JV Agreement. Under the terms of the JV Agreement, the JV Agreement and the rights and obligations of the parties thereto are conditional upon Completion occurring under the Subscription Agreement on or before 31 December 2013 or such other date as agreed by FEOrchard Subscriber and Toga Investments.

The JV Agreement will contain, *inter alia*, provisions addressing the conduct of the parties in relation to the Joint Venture, the procedures to be followed by the Joint Venture in relation to new hotel investments and new hotel management and operation opportunities and shall include other terms that are usual and customary for a joint venture of this nature.