

MEDIA RELEASE

FAR EAST ORCHARD OPERATING PERFORMANCE IMPROVED ON THE BACK OF THE TOURISM INDUSTRY RECOVERY

- Reported net profit of S\$7.0 million for 9M FY22, reversing net loss of S\$20.8 million in 9M FY21
- Hospitality business saw improved performance, while purpose-built student accommodation (“PBSA”) and property investment segments continued to deliver stable recurring income
- Improved operating performance offset by translation losses from the weakening of AUD and GBP

28 October 2022, Singapore – Far East Orchard Limited (“Far East Orchard”, and together with its subsidiaries, the “Group”) recorded a net profit of S\$7.0 million for the nine-month period ended 30 September 2022 (“9M FY22”), reversing from a loss of S\$20.8 million in 9M FY21 as the hospitality sector recovers.

SUMMARY OF FINANCIAL PERFORMANCE

Financial Highlights

S\$ million	9M FY22	9M FY21	% CHANGE
Revenue	98.1	75.4	30.1
Profit/(Loss) after income tax	7.0	(20.8)	>100
Profit/(Loss) attributable to equity holders of the Company	6.4	(12.6)	>100

Revenue for 9M FY22 increased by 30.1% to S\$98.1 million compared to 9M FY21. This was mainly attributed to contributions from the hospitality segment, as it benefitted from continued travel recovery since 2nd quarter of this year. The improved operating performance was also supported by the stable contributions from the PBSA and property investment segments.

The Group’s overall performance was however impacted by the weakening of the Australian Dollar (AUD) and Great Britain Pound (GBP), which resulted in unrealised currency translation losses of S\$13.1 million (9M FY21: exchange losses of S\$5.0 million). Despite that, the Group recorded a net profit of S\$7.0 million, reversing from a net loss of S\$20.8 million in 9M FY21. Profit attributable to shareholders also increased to S\$6.4 million for 9M FY22, compared to a loss of S\$12.6 million in 9M FY21.

Group Chief Executive Officer of Far East Orchard, Mr Alan Tang commented, “With the relaxation of border restrictions and pent-up travel demand, our hospitality segment has turned around this year. We are heartened to reverse the losses recorded a year ago into profit year to date. Nevertheless, the Group remains cognisant of the headwinds facing the businesses – ongoing developments of the geopolitical and macroeconomic environment, labour shortages, escalating energy costs, inflationary cost pressures and rising interest rates, to name a few. At this stage, our strategy of building a lodging platform, anchored by the hospitality management services and the resilient PBSA segments, is

heading in the right direction. This will help to mitigate the impact of the current global economic downturn.”

OPERATIONAL UPDATES

Hospitality Business

The Group’s hospitality business has seen the return of business and leisure travellers. As travel restrictions relax, we are benefiting from some pent-up demand. Across the Group’s portfolio of properties, uplifts in occupancies and room rates were recorded.

The Group’s hospitality joint venture, Toga Far East (TFE Hotels) which operates in Australia, New Zealand, and Europe, performed better in 9M FY22, coupled with a gain from the derecognition of lease liabilities of S\$7.6 million and government grants received in Germany. In Singapore, the Group’s hospitality business continues to be supported by government buy-out contracts, which are expected to end in 2022, and better corporate business and project groups at the serviced residences.

Despite immense pent-up traveller demand, international arrival levels remained significantly below 2019 levels. In Singapore, tourist arrivals grew for the eighth straight month in September to 778,141, but this figure remains significantly below the 1.5 million registered in September 2019 before the pandemic.¹

Prospects for the remainder of the year remain cautiously optimistic. However, beyond that, uncertainty in the international economic environment has tempered economic forecasts and has dampened the return to pre-COVID levels in the near term. The main factors weighing on the recovery of international tourism includes rising inflation and spike in oil prices, resulting in higher transportation and accommodation costs, putting consumer purchasing power and savings under pressure.²

The Group retains a cautious outlook of the tourism industry for the remainder of 2022.

UK PBSA Business

The Universities and Colleges Admission Service (“UCAS”) projects strong continuing demand for UK higher education, with the 2026 cycle seeing one million applicants. In particular, the volume of international applicants is projected to increase by 46% through 2026.³ The rising demand for total students studying in the UK reflects sustained growth.

One month into the new academic year beginning September 2022 (AY22/23), the Group’s UK PBSA portfolio achieved an occupancy rate of 99% (AY21/22: 86%), demonstrating strong demand across all cities.

Despite proving itself as counter-cyclical over the years, the Group’s PBSA segment is not immune to the current macroeconomic headwinds, and rising energy cost is one immediate concern. On 21 September 2022, the UK government announced a new UK Energy Bill Relief Scheme (EBRS) that aims to protect UK businesses from rising energy costs as well as to defray some costs. Concurrently, the Group has been working to efficiently manage energy costs.

The Group remains confident of the UK PBSA sector and will continue to expand its portfolio in the UK when the opportunity arises.

FY2022 Outlook

Global growth is projected to remain subdued in the second half of 2022, before slowing further in 2023,

¹ The Business Times. “Singapore’s visitor arrivals at new high in September, but tourism recovery is slowing” 11 October 2022.

² UNWTO. “International Tourism Back to 60% of Pre-Pandemic Levels in January-July 2022”. 26 September 2022.

³ UCAS. “Personalisation is becoming essential in intentional recruitment.” 27 May 2022.

and global inflation is forecast to rise to 8.8% in 2022 as inflationary pressures are broadening.⁴

Against this backdrop, the Group's businesses will inevitably be affected. The Group retains a cautious outlook for the remainder of 2022 and 2023 while maintaining a healthy balance sheet, managing operating costs and maintaining its liquidity position.

"In the face of mounting uncertainties and pending global economic downturn, the Group's diversified portfolio and healthy balance sheet will be effective in managing these risks, while remaining open to strategic investment opportunities." Mr Tang added.

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⁴ IMF. "[Inflation and Uncertainty](#)". 11 October 2022.

About Far East Orchard Limited (www.fareastorchard.com.sg)

Far East Orchard Limited ("Far East Orchard") is a real estate company with a lodging platform that aims to achieve sustainable and recurring income through a diversified and balanced portfolio. Far East Orchard has been listed on the Mainboard of the Singapore Exchange since 1968. It is a member of Far East Organization, Singapore's largest private property developer.

Established since 1967, Far East Orchard has developed residential, commercial, hospitality and Purpose-Built Student Accommodation ("PBSA") properties in Australia, Malaysia, Singapore, and the United Kingdom ("UK").

Redefining itself through a strategic transformation of the business in 2012, Far East Orchard expanded into the complementary businesses of hospitality management and healthcare real estate. In 2015, it diversified its real estate portfolio to include PBSA properties in the UK.

Through its hospitality partnerships with The Straits Trading Company and Toga Group, Far East Orchard's hospitality arm — Far East Hospitality — now owns more than 10 hospitality assets and manages over 90 properties with close to 16,500 rooms in Australia, Austria, Denmark, Germany, Hungary, Japan, Malaysia, New Zealand, and Singapore. Its stable of 10 unique and complementary hospitality brands are Oasia, Quincy, Rendezvous, Village, Far East Collection, A by Adina, Adina Apartment Hotels and Adina Serviced Apartments, Vibe Hotels, Travelodge Hotels and TFE Hotels Collection.

Far East Orchard currently has a PBSA portfolio in the UK comprising more than 3,500 beds in the cities of Brighton, Bristol, Leeds, Liverpool, Newcastle upon Tyne and Sheffield.

The Group also holds a portfolio of purpose-built medical suites for lease and for sale in Singapore's premier medical hub in Novena.

Far East Orchard has completed its development, the former Westminster Fire Station in August 2021. The mixed-use Grade II Listed heritage building, comprising residential apartments and a restaurant, is located in the prime central borough of the City of Westminster, London, UK.

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