

MEDIA RELEASE

FAR EAST ORCHARD REPORTS NET PROFIT OF S\$21.5 MILLION IN FY2022

- **Group revenue increased 32.0% year-on-year to S\$141.0 million**
- **Stronger operating performance from the Hospitality business segment**
- **Proposed total dividend of 4.0 cents per share for FY2022 (FY2021: 3.0 cents)**

27 February 2023, Singapore – Far East Orchard Limited (“Far East Orchard” or the “Company”, and together with its subsidiaries, the “Group”) today reported its financial year results for the full year ended 31 December 2022 (“FY2022”).

SUMMARY OF FINANCIAL PERFORMANCE

Financial Highlights

S\$ million	FY2022	FY2021	% CHANGE
Revenue	141.0	106.8	32.0
Operating profit	54.0	4.4	>100
Profit after tax	21.5	16.8	28.0
Profit attributable to equity holders of the Company	21.9	28.1	(22.1)
Earnings per share (Singapore cents)	4.67 cents	6.12 cents	(23.7)

In FY2022, the Group recorded a profit after tax of S\$21.5 million due to the significantly better operating performance, driven by the recovery of the Hospitality business segment. For the financial year ended 31 December 2021 (“FY2021”), profit after tax of S\$16.8 million included fair value gains on investment properties of S\$43.9 million. Excluding these fair value gains, the Group would have registered a net loss after tax in FY2021.

Revenue for FY2022 increased 32.0% to S\$141.0 million compared to S\$106.8 million in FY2021, boosted by the performance of the Hospitality and Purpose-built Student Accommodation (“PBSA”) businesses, which grew by 50.6% and 9.3%, respectively. The Group’s Hospitality business improved as borders reopened and global business and leisure travel picked up since the second quarter of 2022. The Hospitality business in Singapore also benefitted from the continued government isolation contracts for certain properties. Higher revenue for the PBSA business was also recognised as the Group achieved higher portfolio occupancy and rental growth due to the strong demand for student accommodation.

The Group’s Australia and Europe hospitality joint ventures also performed better, resulting in a higher share of profits from a gain from the derecognition of lease liabilities, government grants received in Germany and stronger operating performance.

Additionally, the Group completed the sale of the reversionary interest of Village Residence Clarke Quay and the four office units in Tanglin Shopping Centre (“TSC”), which resulted in the recognition of a total gain of S\$7.4 million.

However, the Group's results were impacted by the unrealised currency translation losses due to the weakening of the Australian Dollar and Sterling Pound against the Singapore Dollar, and an impairment of S\$5.1 million was recognised on goodwill on our Australian property ownership business.

The Group's financial position remains robust, with a well-staggered debt maturity profile. As at 31 December 2022, the Group's gearing ratio was 46.2%, and cash and cash equivalents were S\$233.2 million.

Group Chief Executive Officer of Far East Orchard, Mr Alan Tang, said, "This is a strong set of results for FY2022 against another volatile and challenging year for the global economy and our markets. The Group's hospitality performance strengthened after a long-awaited gradual resumption of international arrivals as the pandemic eases. Our other twin-engine, the PBSA business, continued to provide stable recurring income as student demand for UK higher education remains strong against inflationary cost pressures, particularly energy prices. Given the persistent macroeconomic headwinds, we remain cautious in our 2023 outlook and will maintain a healthy balance sheet through disciplined capital management to execute the FEOR 25 strategy and deliver sustainable returns to shareholders."

Taking into consideration the improved business performance, one-off gain from sale of TSC, funding requirements for future business growth and expansion, and to ensure the Group maintains financial flexibility amidst the volatile and uncertain macroeconomic environment, the Board recommends for FY2022, a first and final dividend of 3.0 Singapore cents per share, as well as a special dividend of 1.0 Singapore cent per share, up from 3.0 Singapore cents per share declared for FY2021.

OPERATIONAL UPDATES IN FY2022

In FY2022, Far East Orchard announced several operational developments across its various businesses, which align with its FEOR 25 strategy to achieve its goal of 25,000 rooms and 5,000 beds by 2025.

Hospitality Business

During the year, three new hotels were added, being a 124-key Travelodge Hotel Hurstville in Sydney, Australia, a 201-key Adina Apartment Hotel Düsseldorf, and a 169-key Adina Apartment Hotel Stuttgart, both in Germany. To diversify the Group's source markets and attract Australian inbound tourists, Far East Hospitality collaborated with its joint venture, Toga-Far East Hotels ("TFE Hotels") and brought two established Australian brands – Vibe Hotels and Adina into Singapore. An 88-key Adina Service Apartments Singapore and a 256-key Vibe Hotel Singapore Orchard were officially opened on 7 July and 3 November 2022, respectively.

As at 31 December 2022, Far East Hospitality owns or operates over 90 hospitality assets with close to 16,500 rooms in nine countries. In 2023, five new hotels, totalling more than 750 rooms, are slated to open across Australia, Japan, Malaysia, and Switzerland.

Continuous efforts were executed to reinforce the Group's hospitality platform by expanding its geographical footprint, introducing new brand experiences, and establishing its hospitality arm – Far East Hospitality, as a credible regional operator.

UK PBSA Business

The PBSA business has yet again proven itself to be resilient. The demand for higher education and student accommodation has demonstrated counter-cyclical characteristics. According to the Universities and Colleges Admission Service ("UCAS") 2022 end-of-cycle data, the number of students who applied to universities or colleges was up 2.1% from last year.¹ International applicants also grew

¹ UCAS.

as global travel resumed and COVID-19 restrictions were lifted, facilitating face-to-face teaching. The Group's PBSA portfolio achieved a healthy occupancy rate of 86% for the academic year commenced in September 2021 ("AY21/22") (AY20/21: 82%).

To achieve the 5,000-bed target, the Group continuously assessed the macroenvironment and acquired two PBSA assets during the year. On 9 December 2022, the Group announced the acquisition of an operational asset, Emily Davies, at Southampton for £13.9 million (approximately S\$22.9 million)². The acquisition is expected to be completed upon the seller completing certain minor works by 30 April 2023. This latest transaction followed the Group's joint venture in June 2022 with Woh Hup Holdings (Private) Limited and Way Assets Pte. Ltd. to develop Plot 6 Silverthorne Lane, Bristol, with at least 690 beds. This development is expected to be completed in 2027. These latest transactions will bring the Group's PBSA portfolio to more than 4,400 beds across 14 properties in the UK.

OUTLOOK

The International Monetary Fund ("IMF") projected global growth would fall to 2.9% in 2023 (2022: 3.4%) before rebounding to 3.1% in 2024. The outlook remains tilted towards the downside, although adverse risks have been moderated since October 2022.³ Downside risks weighing on economic activity include mounting geopolitical tensions, higher global financing costs, and inflation.

Hospitality Business

The outlook for the tourism sector shifted positively, despite macro-environment challenges such as economic and geopolitical uncertainty. The United Nations World Tourism Organization ("UNWTO") reported more than 900 million tourists travelled internationally in 2022 – doubling the number recorded in 2021, albeit below pre-COVID levels.⁴

With China, the world's largest outbound market in 2019, reopening its borders on 8 January 2023, Asia Pacific will likely benefit from the recovery as they relied heavily on outbound China travellers before the pandemic. While the Group anticipates a revival of Chinese outbound tourism to boost growth prospects in our geographies, we recognise the recovery may be slower due to flight availability, cost of air travel, visa regulations and COVID-19-related restrictions in countries where the Group has a presence.

Nonetheless, the Group remains hopeful of the sector's recovery, in line with the latest UNWTO Confidence Index, which reported cautious optimism against the challenging macro-environment. The Group's immediate focus is to actively manage our hospitality portfolio to capitalise on the sector's eventual rebound while pursuing growth opportunities to achieve our 25,000 rooms goal by 2025.

PBSA Business

As the UK's domestic and international student population grows, the PBSA sector will remain resilient and strong in 2023.⁵ This is underpinned by broad demographic trends, with the population of 18-year-olds forecasted to increase. As travel borders opened, the number of international students grew, and this trend is likely to be further driven by the weakening pound, making studying in the UK more attractive.⁶ Reflecting the strong demand for the new academic year, which commenced in September 2022 ("AY22/23"), the Group's PBSA portfolio achieved an occupancy rate of 99% (AY21/22: 86%). Demand continues to be strong for the new academic year, which will commence in September 2023 ("AY23/24"). Across the Group's portfolio, reservations for AY23/24 are significantly ahead of the prior year's level.

² Based on the exchange rate of GBP1: SGD1.65 prevailing as at 8 December 2022.

³ IMF. "[Inflation peaking amid low growth.](#)" 31 January 2023.

⁴ UNWTO. "[Tourism set to return to pre-pandemic levels in some regions in 2023.](#)" 17 January 2023.

⁵ Knight Frank. "[Student Property Report.](#)" 2023

⁶ CBRE. "[Purpose-Built Student Accommodation \(PBSA\) – UK Real Estate Market Outlook 2023.](#)" 2023.

Nonetheless, the PBSA sector is not immune to broader macroeconomic challenges, such as higher energy costs and rising interest rates. Still, the Group believes the PBSA sector will remain a strong and resilient recurring income stream. The Group will continue to look for viable investment opportunities amidst the rising demand for student accommodation while being cognisant of the macroeconomic headwinds.

“Looking ahead, the global economy is poised to slow down despite signs of resilience and China’s reopening. As we navigate 2023, we will be prudent in managing the downside risks while continuing to pursue yield-accretive investment opportunities. Our efforts will be concentrated on optimising the Group’s portfolio to diversify revenue streams and future-proof our business to thrive in an ever-changing environment while taking judicious steps to manage cost and cash flows.” Mr Tang added.

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Appendix:

Emily Davies in Southampton, Southwest of London



Façade (Artist Impression)



Room

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 business transformation in 2012, Far East Orchard expanded into 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 Collection by TFE Hotels.

Far East Orchard’s UK PBSA portfolio comprises more than 3,500 beds in Brighton, Bristol, Leeds, Liverpool, Newcastle upon Tyne and Sheffield. In 2022, Far East Orchard acquired two PBSA properties, a 690-bed development site at Bristol and a 180-bed property at Southampton. The development site at Bristol and the acquisition of the Southampton property are expected to be completed in 2027 and April 2023, respectively, bringing Far East Orchard’s PBSA portfolio to more than 4,400 beds across 14 properties in the UK.

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

For further information, please contact:

Ms Dianne Tan

Investor Relations

Tel: (65) 6833 6617

Email: ir@fareastorchard.com.sg