

MEDIA RELEASE

**FAR EAST ORCHARD REPORTS NET PROFIT
OF S\$16.8 MILLION IN FY2021**

- **Group revenue decreased 4.8% year-on-year to S\$106.8 million**
- **Profit attributable to equity holders increased to S\$28.1 million, mainly due to fair value gains on investment properties**
- **Proposed dividend of 3 Singapore cents per share**

24 February 2022, 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 2021 (“FY2021”).

SUMMARY OF FINANCIAL PERFORMANCE

Financial Highlights

S\$ million	FY2021	FY2020	% CHANGE
Revenue	106.8	112.2	(4.8)
Profit/(Loss) after income tax	16.8	(8.9)	NM
Profit attributable to equity holders of the Company	28.1	1.5	>100
Earnings per share (Singapore cents)	6.12 cents	0.35 cents	>100

NM : Not meaningful

The Group recorded a profit after income tax of S\$16.8 million in FY2021, reversing the net loss of S\$8.9 million in FY2020. This was primarily due to fair value gains on investment properties. Excluding the fair value gains, the Group would have registered a wider net loss. Profit attributable to equity holders of the Company was S\$28.1 million in FY2021 (FY2020: S\$1.5 million), resulting in earnings per share of 6.12 Singapore cents (FY2020: 0.35 Singapore cents).

Group Chief Executive Officer of Far East Orchard, Mr Alan Tang commented on the results achieved, “In the face of a challenging environment, our team actively took steps to mitigate the headwinds posed by COVID-19. The hospitality sector continues to be weighed down by changing COVID-19 restrictions. However, we will continue to persevere with our current momentum and stand ready to steer our business through these times.”

Revenue for FY2021 declined by 4.8% year-on-year to S\$106.8 million compared to FY2020. This was mainly attributable to the Group’s hospitality business being impacted by the protracted COVID-19 pandemic as well as the ongoing lockdowns and border closures which impeded international travel and tourism. The decline was partially mitigated by the demand for accommodation facilities for isolation purposes and from companies for accommodation for their foreign workers in Singapore.

The Group has been building its purpose-built student accommodation (“PBSA”) portfolio since FY2016. The adverse impact from the hospitality business segment has been partially mitigated by the increase in contribution from the PBSA business segment. Stronger demand for the United Kingdom’s (“UK”) higher education in 2021, as well as the full year contribution from a PBSA asset acquired in November 2020 contributed to an improvement for our business.

Stable rental income from the medical suites and various government support grants during the year also contributed to the improvement.

As at 31 December 2021, the Group continued to maintain a healthy balance sheet with cash and cash equivalent of S\$255.2 million.

Despite the ongoing COVID-19 impact on the business and the uncertainty of the recovery, the Group’s commitment to deliver sustainable shareholder value remains steadfast, and this year, the Board recommends a first and final dividend of 3 Singapore cents per ordinary share for FY2021.

OPERATIONAL UPDATES IN FY2021

The Group remains committed to deliver the FEOR 25 strategy – to achieve its goals of 25,000 rooms and 5,000 beds in 2025. In line with its hospitality growth plans, the Group has been transforming its hospitality arm, Far East Hospitality’s brands and offerings and had new openings throughout the year. Far East Hospitality together with its joint-venture TFE Hotels, added approximately 1,500 beds across seven hotels in Singapore, Australia, Japan, and Europe. To date, the Group owns or operates more than 100 hospitality assets with approximately 18,000 rooms.

Concurrent to the hospitality expansion, the Group continually seeks opportunities to grow the student accommodation business in the UK cities with high-tariff universities. Based on the 2021 end of cycle data from Universities and Colleges Admission Services, the number of UK applications continued to increase. While the number of applications and acceptances from European Union (“EU”) students showed a decline because of Brexit and the loss of their home fee status¹, the total number of applicants from outside the EU showed a 12% increase².

The fair value gains on investment properties were mainly from the Group’s PBSA portfolio, driven by income growth and discount rate compression. This signifies the strong demand fundamentals and the continued investment interest in this sector. As at 31 December 2021, the Group’s PBSA portfolio achieved a healthy occupancy rate of over 85% for the academic year 2021/22 which commenced in September 2021. The Group currently has a portfolio of 12 PBSAs properties in six UK cities with 3,561 beds.

At the end of 2021, the Group’s residential development in the UK, Westminster Fire Station, has been completed. The Group is preparing for the sales launch in early 2022.

In FY2021, the Group introduced Far East Orchard’s sustainability vision and has also established a sustainability-linked loan (“SLL”) framework and secured the first SLL, a four-year £50 million revolving credit facility in December 2021. This marks an important milestone in our commitment to include sustainability across our businesses.

¹ <https://www.forbes.com/sites/nickmorrison/2021/10/27/brexit-hits-uk-universities-as-eu-students-look-elsewhere/?sh=611ef92e27c3>

² <https://www.ucas.com/corporate/news-and-key-documents/news/ucas-end-cycle-2021-strong-demand-uk-he-amidst-global-pandemic>

OUTLOOK

The travel and tourism sector remains subdued. Tourism professionals expect international arrivals to return to pre-COVID levels in 2024 or later³, as the recovery remains slow and uneven due to varying measures of mobility restrictions, vaccination rates and travellers' confidence. Experts anticipate that while international tourism gradually rebounds, domestic travel will continue to steer the sector towards recovery, particularly those with large domestic markets, for instance in countries like Australia and Germany where the Group has presence.

The Group therefore expects its hospitality business to continue to be impacted in the near term. Meanwhile, the Group will actively manage its hospitality portfolio with prudence and will continue to grow its hospitality footprint globally, focusing on countries with large domestic market. In the longer-term, the Group remains positive of the potential rebound in the tourism sector.

While hospitality persists in being one of the most challenged sectors, the PBSA sector remains resilient. In February 2022, the UK has reduced the number of travel restrictions, which aids in easier travelling. The Group believes this would be an added advantage for international students who are interested to pursue higher education in UK. In the longer-term, the Group is confident that this sector bodes well due to the prestige of UK universities and the desire of students to live and study in the UK. The Group will continue to explore opportunities to grow its PBSA portfolio to provide stable income streams, with focus on cities with positive demand and supply dynamics, as well as proximity to high-tariff universities.

The recovery trajectory for FY2022 remains clouded by various downside risks including continued COVID-19 flare ups, supply chain issues, global inflation, and geopolitical tensions. As such, the Group will continue to monitor developments in the respective markets we are in and adapt to necessary changes appropriately. The Group anticipates that its financial performance for FY2022 will continue to be under pressure. The Group will continue to exercise prudence in its financial discipline and management of its resources.

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³ <https://www.unwto.org/news/tourism-grows-4-in-2021-but-remains-far-below-pre-pandemic-levels>

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 100 properties with close to 18,000 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 Hotels, Vibe Hotels, Travelodge Hotels and Collection by TFE Hotels.

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.

The Group’s mixed-used development in London, UK, the former Westminster Fire Station, achieved its practical completion in August 2021. The 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.

For further information, please contact:

Ms Dianne Tan

Assistant Manager, Investor Relations

Tel: (65) 6833 6617

Email: ir@fareastorchard.com.sg