



**FAR EAST ORCHARD LIMITED**  
(Incorporated in the Republic of Singapore)  
(Company Registration No. 196700511H)

## MEDIA RELEASE

### FAR EAST ORCHARD UPDATES ON Q1 FY20 PERFORMANCE AND IMPACT OF COVID-19 ON ITS BUSINESSES

- Q1 FY20 revenue boosted by expanded PBSA portfolio in the UK but results negatively impacted by currency translation from the weakening of Australian Dollar
- Uncertainty of COVID-19 pandemic expected to weigh on the Group's businesses for the rest of FY20
- Committed to the recommended FY19 final dividend of 6 cents per share

**8 May 2020, Singapore** – Far East Orchard Limited (“Far East Orchard” or the “Company”, and together with its subsidiaries, the “Group”) updates its performance for the quarter ended 31 March 2020 (“Q1 FY20”), and the impact of the global COVID-19 pandemic on its businesses.

#### Q1 FY20 PERFORMANCE

##### Financial Highlights

(S\$ million)	Q1 FY20	Q1 FY19	% Change
Sales	38.9	38.0	2.4
Total (loss)/profit	(2.6)	3.6	N.M.
Total profit (adjusted)*	8.6	3.2	>100
Profit attributable to equity holders of the Company	0.9	3.4	-73.5

*\*Excluding currency translation losses of S\$11.2 million in Q1 FY20 (Q1 FY19: currency translation gains of S\$0.4 million)*

For Q1 FY20, the Group's sales increased by 2.4% to S\$38.9 million. This was attributed to the higher sales from its purpose-built student accommodation (“PBSA”) portfolio in the United Kingdom (“UK”) following two acquisitions in 2019, which boosted total bed count to 3,260 beds. The increase was partially offset by the lower sales from the Group's hospitality business which was adversely impacted by the COVID-19 pandemic.

The Group’s profit attributable to equity holders declined by 73.5% to S\$0.9 million. The Group’s profit had been negatively impacted by the currency translation losses of S\$11.2 million (Q1 FY19: gain of S\$0.4 million) mainly due to the weakening of Australian Dollar against Singapore Dollar. The hospitality business, which had been negatively impacted by the COVID-19 pandemic, also contributed to the lower profit. The decline was offset by higher profit contribution from the expanded PBSA portfolio and recognition of share of profit from its joint venture development project, Woods Square. Woods Square obtained Temporary Occupation Permit in February 2020. As at 31 March 2020, 62% of the 208 units launched has been sold.

### IMPACT OF COVID-19 ON THE GROUP’S OPERATING ENVIRONMENT

The Group has been building its recurring income streams from the hospitality and PBSA businesses to provide resiliency to its earnings, with the former being the key contributor to its recurring income base. The Group’s operating environment has deteriorated since the announcement of FY19 results on 21 February 2020 as the COVID-19 outbreak rapidly evolved into a global pandemic<sup>1</sup>. Operations are further disrupted as intensifying national lockdowns, tightened border controls and closures to contain the pandemic have effectively grounded the tourism and travel industry to a halt, inevitably impacting the demand for accommodations in the hospitality industry.

- IMPACT OF COVID-19 ON HOSPITALITY BUSINESS

<b>RevPAR</b>	<b>Q1 FY20</b>	<b>Q1 FY19</b>	<b>% Change</b>
Singapore	S\$88.30	S\$133.20	-33.7
Australia	A\$110.30	A\$136.10	-19.0
Germany	€71.20	€93.50	-23.9

The Group’s hospitality business in its major markets of Singapore, Australia and Germany saw double-digit decline in its revenue per available room (“RevPAR”) as widespread border closures and national lockdowns across the world decimated global demand for travel and accommodation. The extent of the decline in RevPAR in Australia and Germany was lower than Singapore as the occupancy in these two countries only started to plunge from March onwards. While the decline in occupancy in Singapore was mitigated by demand from local companies for accommodation for their Malaysian workers due to the Malaysia’s movement control order, and from returning Singaporeans from overseas who served their Stay-Home Notices in hotels, overall portfolio room rates were lower due to the overall decrease in demand, resulting in the decline in RevPAR in Singapore.

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<sup>1</sup> WHO announced COVID-19 outbreak a pandemic on 11 March 2020

- IMPACT OF COVID-19 ON PBSA BUSINESS IN THE UK

UK was put on nation-wide lockdown from 23 March 2020 to contain the spread of COVID-19. Universities have since adopted remote teaching and either cancelled or suspended on-campus activities, while students continue their programmes online. Taking into consideration the measures adopted by the UK universities and circumstances of their students, the residents at the Group's PBSA properties were allowed early cancellations of their tenancies for the last semester of Academic Year ("AY") 19/20. The early cancellations are estimated to impact the Group's revenue by approximately £3 million. Despite the COVID-19 outbreak in the UK, the Group's PBSA properties continue to receive bookings for AY 20/21.

- IMPACT OF COVID-19 ON THE GROUP'S COMMERCIAL LEASED PROPERTIES

COVID-19 has impacted the Group's medical and office tenants at its properties in Singapore. The Group is committed to passing down in full the property tax rebate to all tenants at its respective properties in Singapore to weather this crisis together.

### MITIGATION PLANS

Against the unprecedented headwinds of the wide-spread COVID-19 outbreak, the health, safety and well-being of the Group's stakeholders including employees, guests, residents, partners and vendors, remain its top priority. Comprehensive health and precautionary measures including safe distancing were enforced at each of its properties and offices, and business continuity plans ("BCP") including telecommuting were implemented to protect stakeholders. Given the fluidity of the situation, the Group will adjust its BCP and existing measures at various locales in tandem with any updates in the government measures, for robustness.

At the corporate and property level, cost containment measures in areas such as hiring and leave clearance, travelling and procurement, were implemented to conserve cash flow. Certain floors and common facilities at our hotels were temporarily closed for more energy savings, and non-essential service contracts and spending were deferred. The Group is also tapping on the various government budgetary support schemes such as the Enhanced Jobs Support Scheme in Singapore and the JobKeeper Scheme in Australia to alleviate the financial impact on its businesses resulting from COVID-19.

## FINANCIAL POSITION

The Group has been vigilant in conserving its cash flow and managing its balance sheet over the years. It has been disciplined in applying its capital to higher yielding and resilient recurring assets. In the current operating environment, the Group seeks to preserve liquidity and manage its balance sheet prudently.

As at 31 March 2020, it has a healthy cash balance of S\$246 million and a manageable gearing of 45%. Together with a well-staggered debt maturity profile and accessibility to credit facilities, the Group is confident of meeting its operating requirements during this difficult period.

## FY20 OUTLOOK

Given the COVID-19 impact experienced to date, and the uncertainty of the ongoing situation and the economy on recovery, the Group expects its FY20 performance to be severely impacted but remains confident of the long-term prospects of the hospitality industry and the PBSA business.

Group Chief Executive Officer of Far East Orchard, Mr. Alan Tang said, “The extent of COVID-19 impact on the financial performance remains challenging to assess at this juncture. We would like to assure our shareholders that we will continue to do our best in navigating this downturn and will provide timely updates on any material development.”

“In appreciation of our shareholders’ support, we will be tabling the Board’s previously announced recommendation for a first and final one-tier tax exempt dividend of six cents per ordinary share for FY19 for our shareholders’ approval at the forthcoming annual general meeting. We would announce the date of the meeting in due course,” Mr. Tang added.

Commenting on how the Group would emerge from this COVID-19 crisis, Mr. Tang continued, “I am thankful to all employees, especially our operational front-liners, for working selflessly during this period. While our hospitality business is expected to operate in a difficult environment in the immediate future, we are using this crisis to rethink and transform our operations to prepare for the post-COVID-19 operating environment. With the strength of our balance sheet and the dedication of our colleagues, I am confident that we will emerge strong to meet the new normal that awaits us.”

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

Far East Orchard Limited (“Far East Orchard”) is a property developer, hospitality assets owner and operator with a diversified property investment portfolio comprising purpose-built student accommodation (“PBSA”) and medical suites. 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 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 95 properties with more than 15,500 rooms in Australia, Denmark, Germany, Hungary, Malaysia, New Zealand and Singapore. Its stable of nine unique and complementary hospitality brands are *Oasia*, *Quincy*, *Rendezvous*, *Village*, *Far East Collection*, *Adina Apartment Hotels* and *Adina Serviced Apartments*, *Vibe Hotels*, *Travelodge Hotels* and *TFE Hotels Collection*. Far East Hospitality’s joint venture with Boo Han Holdings Pte Ltd, an entity of Far East Organization, has completed the conditional sale and purchase agreement for the joint purchase of land and hotel in Tokyo, Japan in April 2020.

Far East Orchard has a PBSA portfolio in the UK comprising 3,260 beds in the cities of Brighton, Bristol, Leeds, Liverpool, Newcastle upon Tyne and Sheffield. This includes Hollingbury House in Brighton which was completed in 2019 and the 1,596 beds added in 2019 through the acquisition of five freehold student accommodation properties. The Group also holds a portfolio of purpose-built medical suites for lease and for sale in Singapore’s premier medical hub in Novena.

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