Far East Orchard Limited
(Incorporated in the Republic of Singapore)
Company Registration No. 196700511H

55TH ANNUAL GENERAL MEETING TO BE HELD ON 19 APRIL 2023
RESPONSES TO SHAREHOLDERS ON SUBSTANTIAL AND RELEVANT QUESTIONS

1. The Board of Directors (the "**Board**") of Far East Orchard Limited (the "**Company**") would like to thank shareholders for submitting their questions in advance of the Company's 55th Annual General Meeting ("**AGM**"), which will be conducted physically on 19 April 2023, Wednesday at 10.00 a.m. (Singapore time) at the Antica Ballroom, Level 2, Orchard Rendezvous Hotel, Singapore, 1 Tanglin Road, Singapore 247905.

2. Please refer to **Appendix 1** for the Company's responses to the questions received from shareholders as of 10.00 a.m. on 11 April 2023, Tuesday (the "**submission deadline**") that are substantial and relevant to the AGM resolutions. The questions could have been rephrased for clarity of context.

3. The Company will endeavour to address the substantial and relevant questions received after the submission deadline and those received "live" at the AGM, during the AGM itself.

By Order of the Board

Phua Siyu Audrey
Company Secretary
13 April 2023

Appendix 1

Question and Responses 1:

(a) Can management detail what acquisition of hospitality assets was made during the pandemic? Why was management not aggressive in scoping cheap, distressed hospitality assets during the pandemic? Please detail and explain.

(b) I note that the company has launched the FEOR 25 strategy with the aim of growing the hospitality portfolio to 25,000 rooms and PBSA to 5,000 beds. Currently, we have 16,500 rooms and 3,500 beds. It was indicated on page 11 of the Annual Report that "Since the start of the FEOR 25 strategy in 2020, our hospitality expansion has added approximately 3,000 rooms." Given the slow pace of adding rooms to our hospitality portfolio, will the company be able to achieve the goals set out in FEOR 25? Is management presently satisfied with the current progress of FEOR 25? Please elaborate and explain.

(c) From page 30 of the Annual Report, the performance of Far East Orchard has been less than sterling. Comparing FY2022 with FY2018, NAV has dropped from S$2.89 to S$2.73. The company used to pay 6 cents dividend, but this year the company is only paying 4 cents dividend. Net profit has also dropped from S$33m in FY2018 to S$22m in FY2022. Besides FEOR 25, what other strategies or plans does management have to improve the company's financial performance? Please detail and elaborate.

Responses to Q1(a)

- Since the transformation journey began in 2012, the Group has been reducing our reliance on property development income by building recurring income streams.
- Achieved good scaling traction until impacted by the COVID-19 pandemic in early 2020.
- In 2020, we redefined ourselves as a real estate company with a lodging platform.
- Focus is now on developing a lodging platform focused on the two pillars of hospitality and PBSA business to grow our recurring income base.
- Given the Group's hospitality operational capabilities in Far East Hospitality, our strategy to achieve our hospitality target is primarily via hotel management agreements ("HMAs"), an asset-light strategy, and value-accretive acquisitions or selective developments and strategic partnerships.
- Since the start of the FEOR 25 strategy in 2020, together with our joint venture, Toga Far East Hotels ("TFE Hotels"), we added 15 hotels under management with approximately 3,300 rooms across Australia, Germany, Japan, Singapore, and New Zealand.
- When considering an acquisition, there are many variables and factors, such as geography, maturity of the asset, demand drivers, expected returns, cost of capital etc., to consider. We will continue to take a disciplined approach to ensure that the asset(s) are accretive, in the best interests of shareholders, and would contribute towards the long-term FEOR strategy before acquiring.
- In general, there was a lack of availability of suitable hospitality assets that fit with our strategic objectives and criteria for acquisitions.

Responses to Q1(b)

- Besides COVID-19's impact on the global economy, FY2022 continued to be a volatile year with pressure from geopolitical tensions, supply chain disruptions, inflationary pressures, foreign currency volatility and rising interest rates. These factors have adversely hampered the Group's progress on acquisitions and potential new developments, such as acquiring new HMAs. Nonetheless, the Group is pushing ahead to achieve the FEOR 25 goals.
- In 2023, we expect to open five new managed hotels with more than 750 rooms.
- Together with our hospitality joint venture, TFE Hotels, we will continue to look for new growth opportunities and streamline our operations to maximise synergies and efficiencies.
- Despite the pandemic, the Group continues to expand and position ourselves for the eventual recovery.

- The Group has been transforming our hospitality arm, Far East Hospitality's brands and offerings.
- The Group saw four opportunities that the pandemic has presented:
    1. **Experience creation:** We created elevated experiences for our hotel guests with different brands. For example, in The Clan Hotel, we partner with local artisans and craftsmen to create an authentic stay experience for every guest.

    2. **Expansion into new markets:** We expanded into Japan with two Village hotels in Tokyo and Yokohama, as Japan was the world's fastest-growing travel market with large and dynamic domestic offerings. On 1st April 2023, we opened our third hotel in Tokyo, Japan – Far East Village Hotel Tokyo Asakusa.

    3. **Refurbishment and cross-branding:** We refurbished some legacy properties and did cross-branding with TFE Hotel's Australian brands. For instance, we brought Quincy to Melbourne in 2020, marking Quincy brand's first expansion abroad. In 2022, we brought the Adina and Vibe Hotel brands from Australia into Singapore with the opening of Adina Serviced Apartments Singapore and Vibe Hotel Singapore Orchard.

    4. **Diversify business segments:** In tandem with the opening of Oasia Resort Sentosa in 2021 is the Oasia Spa. It is the Group's first foray into the resort, wellness and spa category.

- We will leverage the strength of our hospitality brands, which offer unique value propositions to key customer segments in the travel and tourism market.

Responses to Q1(c)

- The focus of FEOR 25 is to strengthen the hospitality and PBSA platform to scale up for growth/further expansion beyond 2025.
- The Group is committed to growing a lodging platform that aims to achieve sustainable and recurring income through a diversified and balanced portfolio.
- The pandemic significantly impacted FY2020 and FY2021. The hospitality business has been gradually recovering in FY2022 and is likely to stabilise in 2024/25. The Group will focus on improving its operating performance to return to pre-pandemic levels.
- The PBSA business segment has provided a steady stream of recurring income during the pandemic to mitigate the adverse COVID-19 impact on our hospitality business performance. The Group will continue to manage margins via active rent adjustments and cost management.
- The Group expects 2023 to remain challenging amidst pressures from geopolitical tensions, rising broad base inflation and interest rates.
- From an operation perspective, we are focusing on revenue growth to counter the inflation across our businesses. Our hospitality and PBSA assets are inflationary hedge asset classes with dynamically priced room rates and bed rentals.
- In terms of efficiency and productivity, we are looking from a cost management perspective to counter rising inflation.

Question and Responses 2:

I note that it has been a while since Far East Orchard injected its hospitality assets into its REIT vehicle (Far East Hospitality Trust ("FEHT")).

(a) Please indicate when and what did Far East Orchard last inject a hospitality asset into its REIT, Far East Hospitality Trust?

(b) Are there plans to inject hospitality assets into Far East Hospitality Trust? If so, what property and when?

Responses to Q2(a) and (b)

- In 2012, Village Hotel Albert Court, Village Residence Clark Quay and Orchard Rendezvous Hotel

were injected into FEHT.

- The Group adopts a disciplined approach to realise its assets at the best value at the right time to the appropriate party.
- We will continue to focus our efforts on asset management to enhance their value before seeking an exit at the right time.