

MEDIA RELEASE

FAR EAST ORCHARD 1H FY23 OPERATING PROFIT INCREASED 12.0% TO S\$28.0 MILLION AS STRONG TOURISM GROWTH CONTINUED

- Group revenue increased 42.7% year-on-year to S\$90.9 million
- Hospitality business recorded improved earnings on the back of the strong recovery in corporate and leisure travel
- Purpose-built student accommodation ("PBSA") business delivered consistent and stable growth
- Remain focused on navigating the macro-economic headwinds from the persistent high-interest rate and inflationary environment

08 August 2023, Singapore – Far East Orchard Limited ("Far East Orchard", and together with its subsidiaries, the "Group") today announced its financial results for the half-year period ended 30 June 2023 ("1H FY23").

SUMMARY OF FINANCIAL PERFORMANCE

Financial Highlights

S\$ million	1H FY23	1H FY22	% CHANGE
Revenue	90.9	63.7	42.7
Operating profit	28.0	25.0	12.0
Profit after income tax	7.6	8.8 ¹	(13.6)
Profit attributable to equity holders of the Company	8.2	8.0	2.1

Note¹ 1H FY22 included a one-off gain from the derecognition of lease liabilities recognised by the Australia hospitality joint venture in 1H FY22 of S\$7.6 million. Excluding this one-off gain, profit after tax for 1H FY23 would have been higher by S\$6.4 million compared to 1H FY22.

Revenue for 1H FY23 increased by S\$27.2 million, or 42.7%, to S\$90.9 million, mainly contributed by the Hospitality business, which increased by S\$25.8 million, or 70.7%, to S\$62.3 million. The Hospitality business delivered better operating performance as international travel continued to recover strongly, driving higher occupancies and room rates. Furthermore, the results for the Hospitality business for 1H FY22 were impacted by Omicron-triggered restrictions and borders closure in 1Q FY22.

Revenue from the Group's PBSA business increased S\$1.4 million, or 6.4%, to S\$23.7 million in 1H FY23 compared to the same period last year. The slowdown in the supply pipeline and the rise in student numbers drove demand for student accommodation, resulting in the Group's PBSA portfolio achieving higher portfolio occupancy and rental growth for the academic year, which commenced in September 2022 ("AY22/23").

In 1H FY23, the Group recognised an impairment loss of S\$3.4 million on its mixed-used development in the UK due to the slowdown of the UK housing market caused by the rising interest environment. The rising interest cost also impacted the Group's results. Consequently, despite the higher operating profit from the operating businesses, profit after tax decreased by S\$1.2 million to S\$7.6 million compared to S\$8.8 million in 1H FY22. The results would have been stronger if not for the one-off gains, including the derecognition of lease liabilities recognised in 1H FY22.

As at 30 June 2023, the Group maintained a healthy cash position of S\$226.9 million compared to S\$232.8 million as at 31 March 2023.

OPERATIONAL UPDATES

Hospitality Business – Riding on the recovery

The tourism recovery is maintaining momentum despite economic headwinds, reaching about 80% of 2019 international tourist arrivals.¹ Riding on this recovery, the Group's Hospitality business recorded improved hotel occupancy and room rates across its portfolio throughout the first half of 2023.

In recognition of the Group's continuous efforts to establish itself as a credible regional operator, in 1H FY23, three of the Singapore hotels managed by the Group's hospitality arm, Far East Hospitality, made it to the TripAdvisor Travellers' Choice Awards: Best of the Best 2023 top 10 rankings, with The Barracks Hotel Sentosa garnered the No. 1 ranking. The Oasia Hotel Novena and The Clan Hotel ranked No. 7 and No. 8, respectively. The Amoy Hotel and The Quincy Hotel were also ranked among the Top 25 hotels in Singapore.²

On the back of the opening of four hotels (or more than 500 rooms) in 1H FY23, the Group's hospitality joint venture, Toga Far East Hotels ("TFE Hotels"), opened its second Vienna property, a 131-key Adina Serviced Apartments Vienna on 2 July 2023.

UK PBSA Business - Market fundamentals remain strong

The underlying fundamentals of the PBSA market remain strong due to the supply and demand imbalance caused by the slowdown in the supply pipeline, coupled with rising demand from demographic growth and increasing international students.³ The Universities and Colleges Admissions Service (UCAS) forecasts a 60% increase in international student applicants to reach 240,000 by 2030, building on a record volume in 2022.⁴

In 1H FY23, the Group completed the acquisition of a PBSA property in Southampton, Emily Davies. Emily Davies' occupancy for the AY22/23 is 100%, while reservations for AY23/24 are over 99% as at 30 June 2023.

As at 30 June 2023, the Group's UK PBSA portfolio's reservations for the academic year commencing September 2023 ("AY23/24") have surpassed that of AY22/23 of ~ 92%.

OUTLOOK

Amidst resilient economic activity in the first quarter, the International Monetary Fund (IMF) raised the global growth forecast by 0.2% to 3.0% for 2023 from the April 2023 forecast. However, growth remains weak by historical standards.⁵ Persistent challenges such as high-interest rates and inflation continue to dampen the medium-term outlook.

Tourism in Asia Pacific and Europe have recovered at different paces, with the former at 54% of the pre-pandemic level, while the latter's recovery reached 90% of the pre-pandemic level, driven by intra-regional demand.¹ However, tourism's recovery still faces challenges. The economic situation remains the main factor impeding international tourism's full recovery in 2023, as high inflation and rising oil prices translate to higher transport and accommodation costs.

¹ UNWTO. "[Tourism on track for full recovery as new data shows strong start to 2023](#)". 9 May 2023.

² Tripadvisor. "[Tripadvisor Reveals Top-Rated Hotels in 2023 Travelers' Choice Best of the Best Awards](#)". 24 May 2023.

³ CBRE. "[PBSA – UK Real Estate Market Outlook 2023](#)". 2023.

⁴ Colliers. "[Student Accommodation Market Snapshot – April 2023](#)". 4 May 2023.

⁵ IMF. "[Near-term resilience, persistent challenges - July 2023](#)". 25 July 2023.

In Singapore, international arrivals recovered well, exceeding one million for the fourth consecutive month in June 2023.⁶ However, the slow return of Chinese tourists, Singapore's top source of tourists before the pandemic, will weigh on the tourism recovery.

Consequently, the Group remains cautiously confident for the second half of 2023 while being cognisant of the challenges posed by the downside risks and uncertainties of the economic condition, geopolitical insecurity, continued staffing shortages, and the potential impact of the cost-of-living crisis on tourism.

For the PBSA sector, the UK remains a key global destination for students looking to study abroad. With student applications projected to increase by 30% relative to 2022, to reach 1 million by 2030,⁷ the imbalance in demand/supply of student housing and rental growth, amongst other factors, means the PBSA market will remain resilient in 2023 and beyond.

Industry forecast shows that demand for student accommodation will continue to outpace the supply significantly. The development of new PBSA is also slowing due to a combination of factors – rising build costs present viability challenges, the planning system remains a significant barrier to delivery, and increasing operational costs will continue hindering new developments.

Despite challenges, the Group remains optimistic about the rising demand for student accommodation beds. Through active asset management, the Group will constantly review its portfolio to address the supply and demand imbalance across our portfolio and unlock opportunities in the UK.

Group Chief Executive Officer of Far East Orchard, Mr Alan Tang, commented, "With the macro-economic uncertainties ahead of us, we expect the operating environment to remain challenging. Nonetheless, we will continue to focus on revenue growth to counter the inflation across our businesses while driving operational efficiencies and managing costs."

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⁶ Business Times. "[Singapore tourist arrivals up in June, surpass one million for fourth straight month.](#)" 14 July 2023.

⁷ UCAS. "[UCAS asks: How do we accommodate a million applicants?](#)" 18 May 2023.

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, Japan, Malaysia, Singapore, and the United Kingdom ("UK").

Redefining itself through a strategic business transformation in 2012, Far East Orchard expanded into complementary hospitality management and healthcare real estate businesses. 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 close to 100 properties with over 16,500 rooms in Australia, Austria, Denmark, Germany, Hungary, Japan, Malaysia, New Zealand, Singapore and Switzerland. 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 over 3,600 beds in Brighton, Bristol, Leeds, Liverpool, Newcastle upon Tyne, Sheffield and Southampton. In 2022, Far East Orchard acquired a PBSA property, a 690-bed development site at Bristol. Upon completing the development site at Bristol, it would bring Far East Orchard's PBSA portfolio to approximately 4,400 beds across 14 properties in the UK.

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

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