

**MEDIA RELEASE**

**FAR EAST ORCHARD REPORTS NET PROFIT OF S\$8.8 MILLION FOR 1H FY22 ON THE BACK OF THE TOURISM INDUSTRY RECOVERY**

- **Stronger 1H FY22 operating performance from hospitality segment as tourism recovery gains momentum in 2Q**
- **Launch of two Australian hospitality brands in Singapore – Vibe Hotels and Adina**
- **UK purpose-built student accommodation (“PBSA”) business continues providing stable recurring income**
- **Remains cautious about the recovery for the second half due to rising costs and global economic uncertainties**

**10 August 2022, 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 2022 (“1H FY22”).

**SUMMARY OF FINANCIAL PERFORMANCE**

**Financial Highlights**

<b>S\$ million</b>	<b>1H FY22</b>	<b>1H FY21</b>	<b>% CHANGE</b>
Revenue	63.7	54.9	16.0
Profit/(Loss) after income tax	8.8	(5.9)	NM
Profit/(Loss) attributable to equity holders of the Company	8.0	(1.9)	NM

*NM : Not meaningful*

The Group’s revenue improved in 1H FY22 mainly due to stronger operating performance from the hospitality segment as borders opened and global travel picked up in the second quarter after the impact of Omicron variant in 1Q FY22. Higher revenue was also recognised for the PBSA segment as the portfolio achieved higher occupancy for the academic year 2021/22 (“AY21/22”) which commenced in September 2021 as demand remained strong. The PBSA segment achieved a healthy occupancy rate of over 85% for AY21/22.

In addition to the improved operating performance, the Group recognised higher share of profits from its Australia and Europe hospitality joint ventures due to a gain from derecognition of lease liabilities of S\$7.6 million and government grants received in Germany. Together with the recognition of the sale of the reversionary interest of Village Residence Clarke Quay (“VRCQ”)<sup>1</sup> in 1Q FY22, this resulted in the turnaround of the Group’s profit to S\$8.8 million for 1H FY22. The results would have been stronger if not for the unrealised exchange loss recognised in 1H FY22 due to the strengthening of the Singapore Dollar.

<sup>1</sup> On 25 March 2022, the Group announced the completion of the sale of the Group’s reversionary interest of approximately 1.5 years (“Reversionary Interest”) in the whole of Lot 320N of Town Subdivision 8 with the building erected thereon known as VRCQ situated at 20 Havelock Road, Singapore (the “Sale”) upon completion of the Sale in March 2022. VRCQ contributed to the Group’s profit after tax of S\$0.6 million for the period from 1 January 2022 up to 25 March 2022 (1H FY21: net loss of S\$1.1 million).

## **OPERATIONAL UPDATES & OUTLOOK**

### **Hospitality Business**

The Group's hospitality business had benefitted from the recovery momentum as both intra-regional and international travel picked up due to global borders reopening, notably from the 2<sup>nd</sup> quarter of 2022.

In Singapore, the Group's business continues to be supported by the government isolation contracts in 1H FY22, and this is expected to extend to the end of 2022.

In line with the efforts to diversify our source markets and attract Australian inbound tourists, the Group's hospitality arm, Far East Hospitality, in collaboration with its joint venture entity, Toga-Far East Hotels ("TFE Hotels"), introduced two Australian brands – Vibe Hotels and Adina to Singapore in 2H FY22. The former 88-key Regency House has been rebranded to Adina Serviced Apartments Singapore Orchard on 7 July 2022, and the 256-key Elizabeth Hotel will be rebranded to Vibe Hotel Singapore Orchard in the last quarter of 2022.

Although more destinations reopen and pandemic-induced pent-up demand is unleashed, international arrival levels remained significantly below 2019 levels. According to UNWTO's outlook for 2022, improved international tourist arrivals are dependent on numerous evolving circumstances including changing travel restrictions and COVID resurgence, the evolving Russia-Ukraine conflict, and overall economic conditions, particularly inflation and high energy prices.<sup>2</sup>

### **UK PBSA Business**

The UK continues to display strong fundamentals and attractiveness as a hub for higher education. Universities and Colleges Admission Service ("UCAS") 30 June deadline data reported a 7% increase in the number of applicants for the AY22/23, compared to pre-COVID levels in AY2019/20.<sup>3</sup> A record high of UK 18-year-olds applied this year, and international applicants have increased by 3% since 2021.<sup>4</sup> This translates to strong demand for higher education in the UK. As of 30 June 2022, the Group's UK PBSA portfolio has seen reservations for AY22/23 of over 90%, surpassing the prior year's full-year occupancy rate.

On 14 June 2022, the Group announced a joint venture with Woh Hup Holdings (Private) Limited and Way Assets Pte. Ltd., to acquire a plot of land at Plot 6 Silverthorne Lane, Bristol BS2 0QD to carry out the development of a PBSA asset with at least 690 beds.<sup>5</sup> This is also the Group's fourth investment in Bristol, as it is one of UK's best cities to live in and one of the UK's leading university cities.

### **FY2022 Outlook**

As we entered the second half of 2022, the global economy is forecasted to be in a weaker position than previously expected. Still reeling from the pandemic and the Russia-Ukraine conflict, the global economy is facing an increasingly gloomy and uncertain outlook from weaker growth, higher inflation, and potentially long-lasting damage to supply chains. The International Monetary Fund ("IMF") slashed its global growth forecast for the third time to 3.2% in 2022 (3.6% forecast in April and 4.4% in January) and 2.9% in 2023.<sup>6</sup> These downside risks weighing on the economy will inevitably affect the Group's business performance.

While pent-up demand should support growth in the near term, the Group remains cautious about the recovery momentum of the tourism industry in the second half of 2022, due to rising costs and global economic uncertainties. The Group's UK PBSA business will also be impacted by rising costs and interest rates, even though the sector outlook remains positive with the continuing demand from

<sup>2</sup> UNWTO. "International Tourism Consolidates Strong Recovery Amidst Growing Challenges." 01 August 2022.

<sup>3</sup> Unite Group. 27 July 2022.

<sup>4</sup> UCAS. "Record Applications from Disadvantaged Students To Higher Education." 14 July 2022.

<sup>5</sup> Refer to Far East Orchard joint venture announcement dated 14 June 2022.

<sup>6</sup> IMF. "Gloomy and More Uncertain." July 2022.

domestic and international students.

Against this backdrop, the Group remains cognisant of the impending headwinds and will continue to be fiscally prudent while focusing on the long-term resilience of the business.

**Group Chief Executive Officer of Far East Orchard, Mr Alan Tang commented,** “We have seen encouraging results in the second quarter as international travel recovery picked up. However, as optimism builds, we remain cautious and are prepared to tackle the increased global macro-economic challenges and uncertainties that could affect our business. We will continue to adopt prudent financial management and evaluate strategic options that will best drive long-term sustainable growth that capitalises on our strengths and fundamentals in the hospitality and PBSA segments.”

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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 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 95 properties with close to 16,500 rooms across 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-use development in London, UK, the former Westminster Fire Station, achieved its practical completion in 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:**

#### **Investor Relations**

Ms Dianne Tan

Tel: (65) 6830 6599

Email: [ir@fareastorchard.com.sg](mailto:ir@fareastorchard.com.sg)