



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

MEDIA RELEASE

FAR EAST ORCHARD UPDATES ON 9M FY20 PERFORMANCE AND RECENT DEVELOPMENTS

- **Group financial performance continues to be weighed down by COVID-19's impact, mainly on its hospitality business**
- **However, increased contributions from student accommodation and property development businesses made up for the operating losses incurred by the hospitality business**
- **The Group intends to build a lodging platform focused on recurring income streams from hospitality and student accommodation business segments with its strong balance sheet**
- **In line with this strategy, Far East Orchard is pressing ahead with expansion and its hospitality arm is on track to add approximately 1,300 rooms to its hospitality portfolio this year**

9 November 2020, Singapore – Far East Orchard Limited (“Far East Orchard” or the “Company”, and together with its subsidiaries, the “Group”) updates its financial performance for the nine-month period ended 30 September 2020 (“9M FY20”), and the outlook for its business operations amid the ongoing global COVID-19 pandemic.

SUMMARY OF FINANCIAL PERFORMANCE

Financial Highlights

(S\$ million)	9M FY20	9M FY19	% Change
Sales	84.0	112.1	-25.1%
Total operating profit	6.4	25.4	-74.8%
Total (loss)/profit	(13.2)	4.3	N.M.
Net (loss)/profit attributable to equity holders of the Company	(6.3)	5.4	N.M.

The Group recorded an operating profit of S\$6.4 million for 9M FY20, despite the challenging operating conditions which has adversely affected its hospitality business. This was mainly due to the operating profit contribution from the Group's purpose-built student accommodation ("PBSA") portfolio, which offset the losses from the hospitality business. For 9M FY20, the Group benefitted from the full period of contributions from the PBSA assets acquired in 2019. The property development business segment also recorded profit contribution from the recognition of share of profit from its joint venture development project, Woods Square, which obtained its Temporary Occupation Permit in February 2020. As at 30 September 2020, 63% of the 208 units launched have been sold.

The Group has also recognised impairment on goodwill arising from its hospitality ownership business in Australia, and revaluation losses on the hospitality assets either held directly or through joint ventures of S\$11.1 million. For 9M FY20, the total loss was S\$13.2 million, compared to a total profit of S\$4.3 million in 9M FY19.

OPERATIONAL UPDATES

- HOSPITALITY

With global travel at a standstill and COVID-19 cases resurging across numerous countries, the demand for accommodation in the hospitality industry is below historical lows. This resulted in low occupancies and significant declines in revenue per available room ("RevPAR") year-on-year across all the Group's hotels.

In Singapore, the decline in demand continued to be mitigated by accommodation for isolation facilities and corporate lodging requirements, the latter being primarily for Malaysian workers in Singapore.

In Australia, demand is restricted to domestic travelers and hotel quarantine business mandated by the government, as national borders remain closed. The Group saw better-than-expected performance from its owned hotel in Perth, due to the easing of domestic restrictions in Western Australia. However, with Melbourne, Victoria only just emerging from a city-wide lockdown due to the resurgence of COVID-19 cases since late June, this has not only resulted in the occupancy of the Melbourne hotels to plummet, but also put pressure across all hotel properties in Australia.

The Group began enacting cost containment measures for the hospitality business since early this year. Additionally, the Group was able to tap on government wage subsidies for its workforce in Singapore, Australia, and New Zealand, which have helped to cushion the impact of lower hotel occupancies.

- PBSA

The Group's PBSA properties have been operational and students checked in for the start of UK academic year 2020/21 in September 2020. Although there has been a small uptick in cancellations compared to previous years, and some university courses pushed back by one semester to commence in January 2021, overall occupancy for the Group's PBSA portfolio remains high at over 80% as at end September 2020. The Group has placed high priority on the safe reopening and running of the PBSAs. Operational teams are working with the British Safety Council on the implementation of best practices to safeguard the health and welfare of students.

FINANCIAL POSITION

The Group continues to be vigilant in conserving its cash flow and managing its balance sheet prudently during this challenging period. As at 30 September 2020, it had a healthy cash balance of S\$276.1 million, compared to \$257.4 million as at 31 December 2019, and maintains a healthy liquidity position.

RECENT DEVELOPMENTS & OUTLOOK

The COVID-19 situation continues to evolve globally. The Group is closely monitoring the situation, particularly in Australia, where local transmission appears to be contained and domestic borders are slowly reopening; as well as in the UK, which has just commenced a month-long nationwide lockdown. The Group expects its FY20 financial performance to be severely impacted by the challenging operating conditions.

Group Chief Executive Officer of Far East Orchard, Mr. Alan Tang, elaborated, "We are likely to see a protracted recovery period for the hospitality industry. Despite the challenging environment, our hospitality business has pushed ahead with numerous hotel openings this year, in Australia and Japan where hotel demand is supported by domestic travel. We will also step up in our efforts to grow our hospitality operating footprint in Asia Pacific through management agreements."

Despite the headwinds from the global pandemic, the Group continues to seek out opportunities to position itself for long term growth. With a view to establishing a lodging platform, the Group will be focused on growing its recurring income base from hospitality business and PBSA assets.

Commenting on the lodging platform strategy, Mr. Alan Tang said, "We are looking beyond the challenges posed by the current climate, and seeking out suitable opportunities that will bolster our recurring income over the longer term. The low interest rate environment, coupled with our healthy balance sheet, position us to seize opportunities which fit our strategy. We are optimistic

about the resilience of the UK PBSA market, and will continue to evaluate assets in markets with strong fundamentals. We are also looking at opportunities selectively in the hospitality space which meet our criteria. Our focus will be on countries which have strong long-term fundamentals for tourism, due to domestic travel and other demand drivers.”

On the hospitality front, the Group has pressed ahead with hotel openings through Far East Hospitality and TFE Hotels, even in light of the COVID-19 environment. Notable openings in 2020 to date include Far East Village Hotel Ariake in Tokyo, Japan, which commenced operations in July 2020. This 306-key property is the first hotel under the Village brand outside of Singapore, and targets domestic business travelers attending conferences and exhibitions at the nearby Tokyo Big Sight convention centre. TFE Hotels has also been actively adding to its room count in Australia and New Zealand this year, with the recent openings of Vibe hotels in Melbourne, Perth, and Tasmania, and Travelodge Hotel Wynyard Quarter and The Hotel Britomart, both in Auckland.

The Group is on track to open a total of approximately 1,300 rooms in 2020, half of which are slated for opening in the final quarter of 2020. Upon opening, these will add to the Group’s current hospitality portfolio of 98 properties and over 16,000 rooms globally. The hospitality business forms a key part of the Group’s plans to grow its regional presence under its lodging platform strategy.

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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 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.

Its development projects include the recently-completed Woods Square, an integrated office development at Woodlands Regional Centre, with Far East Organization and Sekisui House, Ltd; and the ongoing redevelopment of the former Westminster Fire Station located in the City of Westminster, London, UK, into a mixed-use development comprising residential apartments and a restaurant.

Far East Orchard, through its hospitality arm - Far East Hospitality - owns more than 10 hospitality assets and manages over 98 properties with more than 16,000 rooms in Australia, Denmark, Germany, Hungary, Malaysia, New Zealand and Singapore. In 2018, Far East Hospitality made its first foray into Japan via a joint acquisition of a hotel project in Ariake, Tokyo with Far East Organization.

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. 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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