

PART I INFORMATION REQUIRED FOR HALF-YEAR ANNOUNCEMENTS

- 1(a)(i) **An income statement and statement of comprehensive income, or a statement of comprehensive income (for the group) together with a comparative statement for the corresponding period of the immediately preceding financial year.**

Consolidated Statement of Comprehensive Income

	6 months ended 30 June		Increase/ (Decrease) %
	2020 \$'000	2019 \$'000	
Sales	64,938	75,262	(13.7)
Cost of sales	(38,701)	(42,875)	(9.7)
Gross profit	26,237	32,387	(19.0)
Other income	5,585	2,447	>100
Other losses – net	(3,207)	(1,838)	74.5
Expenses			
- Distribution and marketing	(3,502)	(5,320)	(34.2)
- Administrative	(15,107)	(15,170)	(0.4)
- Finance	(8,888)	(8,531)	4.2
Share of (loss)/profit of			
- joint ventures	(6,979)	1,694	nm
- associated companies	1,022	1,692	(39.6)
(Loss)/profit before income tax	(4,839)	7,361	(165.7)
Income tax expense	(1,124)	(2,031)	(44.7)
Total (loss)/profit	(5,963)	5,330	nm
Other comprehensive income/(loss):			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Cash flow hedges - fair value losses	(1,349)	-	nm
Share of other comprehensive loss of joint ventures	(2,528)	(2,523)	nm
Currency translation differences arising from consolidation	2,071	(3,555)	nm
	(1,806)	(6,078)	(70.3)
<i>Items that will not be reclassified subsequently to profit or loss:</i>			
Share of other comprehensive (loss)/income of:			
- joint ventures	(10,596)	(1,998)	>100
- associated companies	(5,919)	1,278	nm
Revaluation losses on property, plant and equipment - net	(3,664)	-	nm
Tax on share of joint ventures' asset revaluation reserve movement	884	807	9.5
Currency translation differences arising from consolidation	1,444	(1,626)	nm
Other comprehensive loss, net of tax	(19,657)	(7,617)	>100
Total comprehensive loss	(25,620)	(2,287)	>100
(Loss)/profit attributable to:			
Equity holders of the Company	(853)	5,808	nm
Non-controlling interest	(5,110)	(478)	>100
	(5,963)	5,330	nm
Total comprehensive loss attributable to:			
Equity holders of the Company	(17,480)	688	nm
Non-controlling interest	(8,140)	(2,975)	>100
	(25,620)	(2,287)	>100

nm : not meaningful

1(a)(ii) Other profit and loss items disclosure

	6 months ended		Increase/ (Decrease) %
	2020	2019	
	\$'000	\$'000	
The following items were credited/(charged) to the income statement:			
<u>Other income - net</u>			
Interest income from bank deposits	1,650	2,397	(31.2)
Grant income	4,182	-	nm
Grant expense	(318)	-	nm
<u>Cost of sales and administrative expenses</u>			
Depreciation of property, plant and equipment			
- Right-of-use assets	(6,342)	(6,280)	1.0
- Other property, plant and equipment	(4,102)	(4,553)	(9.9)
Amortisation of intangible assets	(1,353)	(1,468)	(7.8)
Allowance for impairment losses on trade receivables	(88)	(36)	>100
<u>Other losses – net</u>			
Impairment of goodwill	(4,000)	-	nm
Revaluation losses on property, plant and equipment	(2,663)	-	nm
Gain/(loss) on disposal of property, plant and equipment	3	(3)	nm
Currency exchange gains/(losses) - net	3,453	(1,835)	nm
<u>Finance expenses</u>			
Interest expense for:			
- Bank borrowings	(3,693)	(3,044)	17.0
- Advances from a non-controlling interest	(662)	(658)	0.6
- Lease liabilities	(4,550)	(4,829)	(5.8)
- Cash flow hedges, reclassified from hedging reserve	17	-	nm
<u>Income tax expense</u>			
Over provision of income tax in prior financial years	(209)	(292)	(28.4)

nm : not meaningful

1(b)(i) A statement of financial position (for the issuer and group), together with a comparative statement as at the end of the immediately preceding financial year.
Statements of financial position

	Group		Company	
	30 June 2020 \$'000	31 December 2019 \$'000	30 June 2020 \$'000	31 December 2019 \$'000
ASSETS				
Current assets				
Cash and cash equivalents ⁽¹⁾	262,145	257,430	159,091	159,832
Trade and other receivables	30,736	26,688	183,365	172,892
Inventories	225	323	17	14
Development properties	52,787	50,781	-	-
Properties held for sale	117,899	123,959	-	-
	463,792	459,181	342,473	332,738
Non-current assets				
Other non-current assets	292	20,903	261,975	349,535
Investments in associated companies	17,193	22,090	696	696
Investments in joint ventures	451,114	444,009	300	300
Investments in subsidiaries	-	-	874,638	883,529
Investment properties	779,584	793,841	139,175	139,175
Property, plant and equipment	645,085	660,934	405,967	409,666
Intangible assets	120,096	125,368	-	-
Deferred income tax assets	4,421	4,505	2,524	2,292
	2,017,785	2,071,650	1,685,275	1,785,193
Total assets	2,481,577	2,530,831	2,027,748	2,117,931
LIABILITIES				
Current liabilities				
Trade and other payables	127,518	113,692	40,811	13,267
Current income tax liabilities	5,638	6,021	-	129
Lease liabilities	11,349	11,257	5,687	5,531
Borrowings	266,825	336,208	165,165	251,372
Deferred income	9,385	11,056	6,817	6,817
	420,715	478,234	218,480	277,116
Non-current liabilities				
Other payables	98,228	98,257	368,532	363,630
Lease liabilities	139,779	145,368	82,037	84,920
Borrowings	296,291	225,419	86,408	89,230
Derivative financial instruments ⁽²⁾	1,349	-	-	-
Deferred income	279,709	283,108	279,709	283,108
Deferred income tax liabilities	26,126	29,143	-	-
	841,482	781,295	816,686	820,888
Total liabilities	1,262,197	1,259,529	1,035,166	1,098,004
NET ASSETS	1,219,380	1,271,302	992,582	1,019,927
EQUITY				
Capital and reserves attributable to equity holders of the Company				
Share capital	498,006	498,006	498,006	498,006
Revaluation and other reserves	324,584	341,185	301,647	301,647
Retained profits	382,774	409,955	192,929	220,274
	1,205,364	1,249,146	992,582	1,019,927
Non-controlling interest	14,016	22,156	-	-
TOTAL EQUITY	1,219,380	1,271,302	992,582	1,019,927

Notes to the Statements of financial position

⁽¹⁾ For the purpose of presenting the consolidated statement of cash flows, cash and cash equivalents comprise the following:

	Group	
	30 June 2020 \$'000	31 December 2019 \$'000
Cash and cash equivalents (as above)	262,145	257,430
Less: Bank deposits pledged	(29,181)	(24,952)
Cash and cash equivalents per consolidated statement of cash flows	232,964	232,478

⁽²⁾ Derivative financial instruments relate to interest rate swaps entered into to hedge interest rate risk on part of the Group's borrowings.

1(b)(ii) Aggregate amount of the group's borrowings and debt securities

	As at 30 June 2020		As at 31 December 2019	
	Secured \$'000	Unsecured \$'000	Secured \$'000	Unsecured \$'000
Amount repayable in one year or less, or on demand (net of transaction costs)	101,660	165,165	84,836	251,372
Amount repayable after one year (net of transaction costs)	209,883	86,408	136,189	89,230

Details of any collaterals

The secured bank borrowings of the Group are secured over certain subsidiaries' bank deposits, investment properties and property, plant and equipment.

1(c) A statement of cash flows (for the group), together with a comparative statement for the corresponding period of the immediately preceding financial year.
Consolidated Statements of Cash Flows

	6 months ended 30 June	
	2020	2019
	\$'000	\$'000
Cash flows from operating activities		
Total (loss)/profit	(5,963)	5,330
Adjustments for:		
Income tax expense	1,124	2,031
Depreciation of property, plant and equipment	10,444	10,833
Amortisation of intangible assets	1,353	1,468
(Gain)/loss on disposal of property, plant and equipment	(3)	3
Revaluation losses on property, plant and equipment	2,663	-
Impairment of goodwill	4,000	-
Interest income	(1,650)	(2,397)
Interest expense	8,888	8,531
Share of loss/(profit) of joint ventures	6,979	(1,694)
Share of profit of associated companies	(1,022)	(1,692)
Unrealised currency translation (gains)/losses	(2,056)	1,826
	24,757	24,239
Change in working capital:		
Trade and other receivables	1,829	1,850
Inventories	102	71
Development properties	2,565	(5,353)
Trade and other payables	(17,145)	(7,045)
Cash generated from operations	12,108	13,762
Interest paid	(45)	(90)
Income tax paid – net	(1,720)	(1,664)
Net cash provided by operating activities	10,343	12,008
Cash flows from investing activities		
Acquisitions of companies, net cash acquired	-	(100,010)
Additions to property, plant and equipment	(386)	(457)
Additions to investment properties	(19)	(13,760)
Dividends received from joint ventures	986	1,875
Investment in joint ventures	(23,398)	-
Advance to/(repayment) of advances from joint ventures	15,508	(3,561)
Advances from a joint venture	-	2,400
Interest received	2,245	1,604
Income tax paid – net	(209)	(357)
Net cash used in investing activities	(5,273)	(112,266)
Cash flows from financing activities		
Proceeds from borrowings	125,457	119,809
Repayment of borrowings	(111,618)	-
Repayment of principal portion of lease liabilities	(5,579)	(5,366)
Interest paid on lease liabilities	(4,550)	(4,829)
Interest paid on borrowings	(4,492)	(3,904)
Net cash (used in)/provided by financing activities	(782)	105,710
Net increase in cash and cash equivalents	4,288	5,452
Cash and cash equivalents		
Beginning of financial period	257,430	256,287
Less: Bank deposits pledged ⁽³⁾	(29,181)	(20,893)
Effects of currency translation on cash and cash equivalents	427	(1,247)
End of financial period	232,964	239,599

⁽³⁾ Certain bank deposits are pledged in relation to the security granted for certain borrowings.

1(d)(i) A statement (for the issuer and group) showing either (i) all changes in equity or (ii) changes in equity other than those arising from capitalisation issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial year.

Consolidated Statement of Changes in Equity

	Attributable to equity holders of the Company							Total	Non-controlling interest	Total equity
	Share capital	Capital reserve	Asset revaluation reserve	Currency translation reserve	Fair value reserve	Hedging reserve	Retained profits			
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
2020										
Balance at 1 January 2020	498,006	13,977	371,151	(43,412)	861	(1,392)	409,955	1,249,146	22,156	1,271,302
Loss for the period	-	-	-	-	-	-	(853)	(853)	(5,110)	(5,963)
Other comprehensive loss for the year	-	-	(9,657)	2,060	(5,919)	(3,111)	-	(16,627)	(3,030)	(19,657)
Total comprehensive (loss)/income for the period	-	-	(9,657)	2,060	(5,919)	(3,111)	(853)	(17,480)	(8,140)	(25,620)
Dividend relating to 2019 ⁽⁴⁾	-	-	-	-	-	-	(26,302)	(26,302)	-	(26,302)
Transfer of share of associated company's fair value reserve upon disposal	-	-	-	-	26	-	(26)	-	-	-
Total transactions with owners, recognised directly in equity	-	-	-	-	26	-	(26,328)	(26,302)	-	(26,302)
Balance at 30 June 2020	498,006	13,977	361,494	(41,352)	(5,032)	(4,503)	382,774	1,205,364	14,016	1,219,380
2019										
Balance at 1 January 2019	496,604	10,557	358,304	(38,034)	(2,186)	(297)	410,240	1,235,188	26,942	1,262,130
Profit/(loss) for the period	-	-	-	-	-	-	5,808	5,808	(478)	5,330
Other comprehensive (loss)/income for the period	-	-	(834)	(4,366)	1,278	(1,198)	-	(5,120)	(2,497)	(7,617)
Total comprehensive (loss)/income for the period	-	-	(834)	(4,366)	1,278	(1,198)	5,808	688	(2,975)	(2,287)
Capital reorganisation ⁽⁵⁾	-	3,420	-	-	-	-	-	3,420	(3,420)	-
Dividend relating to 2018	-	-	-	-	-	-	(26,227)	(26,227)	-	(26,227)
Transfer of share of associated company's fair value reserve upon disposal	-	-	-	-	89	-	(89)	-	-	-
Total transactions with owners, recognised directly in equity	-	3,420	-	-	89	-	(26,316)	(22,807)	(3,420)	(26,227)
Balance at 30 June 2019	496,604	13,977	357,470	(42,400)	(819)	(1,495)	389,732	1,213,069	20,547	1,233,616

⁽⁴⁾A final dividend of 6.00 cents per share amounting to \$26,302,000 was approved at the Annual General Meeting held on 26 June 2020 and payment will be made on or around 4 September 2020.

⁽⁵⁾On 20 February 2019, During the year, the Group through Jelco Properties Pte Ltd ("JPPL"), a 100% owned subsidiary, delivered a hospitality management agreement to Far East Hospitality Management (S) Pte. Ltd. ("FEHMS"), which is wholly owned subsidiary of Far East Hospitality Holdings Pte. Ltd. ("FEHH"). The hospitality management agreement was previously a deferred pipeline agreement when the Group transferred its hospitality management business from JPPL to FEHMS on 1 November 2013 (the "Business Transfer"). Capital reserve of the Group represents the difference between a non-controlling interest's share of the carrying amount of the business and the fair value of the consideration received by the Group when it transferred 30% out of the 100% held interest in the subsidiary, FEHH to the non-controlling interest. A capital reserve of \$3,420,000 was recognised during the period, being the non-controlling interest's consideration for the hospitality management agreements delivered by JPPL to FEHMS.

1(d)(i) (continued)

Company's Statement of Changes in Equity

	Share capital \$'000	Asset revaluation reserve \$'000	Retained profits \$'000	Total equity \$'000
Balance at 1 January 2020	498,006	301,647	220,274	1,019,927
Loss for the period	-	-	(1,043)	(1,043)
Total comprehensive income for the period	-	-	(1,043)	(1,043)
Dividend relating to 2019	-	-	(26,302)	(26,302)
Total transactions with owners, recognised directly in equity	-	-	(26,302)	(26,302)
Balance at 30 June 2020	498,006	301,647	192,929	992,582
Balance at 1 January 2019	496,604	292,967	238,997	1,028,568
Profit for the period	-	-	2,470	2,470
Total comprehensive income for the period	-	-	2,470	2,470
Dividend relating to 2018	-	-	(26,227)	(26,227)
Total transactions with owners, recognised directly in equity	-	-	(26,227)	(26,227)
Balance at 30 June 2019	496,604	292,967	215,240	1,004,811

1(d)(ii) Details of any changes in the company's share capital arising from rights issue, bonus issue, subdivision, consolidation, share buy-backs, exercise of share options or warrants, conversion of other issues of equity securities, issue of shares for cash or as consideration for acquisition or for any other purpose since the end of the previous period reported on. State the number of shares that may be issued on conversion of all the outstanding convertibles, if any, against the total number of issued shares excluding treasury shares and subsidiary holdings of the issuer, as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year. State also the number of shares held as treasury shares and the number of subsidiary holdings, if any, and the percentage of the aggregate number of treasury shares and subsidiary holdings held against the total number of shares outstanding in a class that is listed as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year.

	6 months ended 30 June 2020 '000	30 June 2019 '000
<u>Ordinary shares fully paid</u>		
Number of shares at beginning and end of financial period	438,360	437,204

The Company does not have any convertibles or treasury shares.

The Company also does not have any subsidiary that holds shares issued by the Company.

1(d)(iii) To show the total number of issued shares excluding treasury shares as at the end of the current financial period and as at the end of the immediately preceding year.

	As at 30 June 2020 '000	As at 31 December 2019 '000
Number of issued shares excluding treasury shares	438,360	438,360

The Company does not have any treasury shares.

1(d)(iv) A statement showing all sales, transfers, cancellation and/or use of treasury shares as at the end of the current financial period reported on.

Not applicable as the Company does not have any treasury shares.

1(d)(v) A statement showing all sales, transfers, cancellation and/or use of subsidiary holdings as at the end of the current financial period reported on.

Not applicable as the Company does not have any subsidiary that holds shares issued by the Company.

2 Whether the figures have been audited or reviewed, and in accordance with which auditing standard or practice.

The figures have not been audited nor reviewed by the Company's auditor.

3 Where the figures have been audited or reviewed, the auditors' report (including any modifications or emphasis of matter).

Not applicable. Refer to paragraph 2 above.

3A Where the latest financial statements are subject to an adverse opinion, qualified opinion or disclaimer of opinion:-

(a) Updates on the efforts taken to resolve each outstanding audit issue.

Not applicable.

(b) Confirmation from the Board that the impact of all outstanding audit issues on the financial statements have been adequately disclosed.

Not applicable.

This is not required for any audit issue that is a material uncertainty relating to going concern.

4 Whether the same accounting policies and methods of computation as in the issuer's most recently audited annual financial statements have been applied.

There has been no change in the accounting policies and methods of computation adopted by the Group for the current reporting period compared with the audited financial statements for the year ended 31 December 2019 except for the adoption of new or revised FRS that are mandatory for financial year beginning on or after 1 January 2020.

5 If there are any changes in the accounting policies and methods of computation, including any required by an accounting standard, what has changed, as well as the reasons for, and the effect of, the change.

The Group has adopted the new accounting standards, amendment and interpretation to existing standards which is mandatory for accounting periods beginning on or after 1 January 2020. The adoption of these FRS has no significant impact to the Group.

6 Earnings per ordinary share of the group for the current period reported on and the corresponding period of the immediately preceding financial year, after deducting any provision for preference dividends.

	6 months ended 30 June	
	2020	2019
	cents	cents
(Loss)/earnings per ordinary share for the period based on net profits attributable to shareholders after deducting any provision for preference dividends: -		
(i) Based on weighted average number of ordinary shares in issue	(0.19)	1.33
(ii) On a fully diluted basis	(0.19)	1.33

The Company does not have any preference shares.

7 Net asset value (for the issuer and group) per ordinary share based on the total number of issued shares excluding treasury shares of the issuer at the end of the (a) current financial period reported on and (b) immediately preceding financial year.

	Group		Company	
	As at 30 June 2020	As at 31 December 2019	As at 30 June 2020	As at 31 December 2019
Net asset value (NAV) per ordinary share based on total number of issued shares excluding treasury shares as at the end of the period/year	\$2.75	\$2.85	\$2.26	\$2.33

The Company does not have any treasury shares.

8 A review of the performance of the group, to the extent necessary for a reasonable understanding of the group's business. It must include a discussion of the following:-

- (a) any significant factors that affected the turnover, costs and earnings of the Group for the current financial period reported on, including (where applicable) seasonal or cyclical factors; and**
- (b) any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current financial period reported on.**

(a) Group performance review for the period ended 30 June 2020 ("1H FY20")

Revenue

The Group's sales decreased by \$10.4 million from \$75.3 million in 1H FY19 to \$64.9 million in 1H FY20. Our hospitality business was adversely impacted by the COVID-19 pandemic due to a plunge in occupancy level for the hotels. The decline in occupancy has been partially offset by the demand for accommodation facilities for isolation purposes in Singapore and Australia and demand from companies for accommodation for their foreign workers in Singapore. The decrease in sales was also partially offset by the higher sales from our student accommodation properties in the United Kingdom ("UK") given the full half-year contribution from the five purpose-built student accommodation ("PBSA") assets acquired in 2019.

Gross profit

The Group's gross profit decreased by \$6.2 million to \$26.2 million in 1H FY20. The decrease which was mainly due to the lower gross profit of our hospitality business, was partially offset by the higher gross profit contribution from our student accommodation business in the UK.

Other income

The Group's other income increased by \$3.1 million to \$5.6 million in 1H FY20 mainly due to the various COVID-19 related subsidies received, including property tax rebates and rental relief from landlords, and wage subsidies from the governments in Singapore and Australia. The increase was partially offset by rental relief and property tax rebates given to tenants of our commercial properties and lower interest income from weaker bank deposits rate in 1H FY20 compared to the preceding period.

Other losses – net

The Group's other net losses for 1H FY20 comprised mainly of revaluation losses on property, plant and equipment in Australia and Malaysia of \$2.7 million and impairment on goodwill arising from its hospitality property ownership business in Australia of \$4.0 million. These losses were partially offset by currency translation gains of \$3.5 million (1H FY19: currency translation losses of \$1.8 million), mainly arising from monetary assets and liabilities denominated in Australian Dollar ("AUD") as AUD strengthened against SGD.

Expenses

Total expenses decreased by \$1.5 million to \$27.5 million in 1H FY20 primarily due to reduction and deferment of marketing and promotional spend in view of the COVID-19 pandemic. The decrease was partially offset by the higher operating expenses with the addition of five PBSA assets acquired in 2019 and higher finance expenses in relation to the higher borrowings that were drawn down to finance the acquisition.

Share of (loss)/profit of joint ventures and associated companies

The Group's share of loss of joint ventures for 1H FY20 was \$7.0 million compared to share of profit of \$1.7 million in 1H FY19. The decrease was mainly due to share of losses from the hospitality joint ventures in Australia and Europe due to the adverse impact from the COVID-19 pandemic including revaluation losses on certain hotel properties and impairment charges on management rights. For the joint venture in Japan, the share of loss recognised by the Group was mainly due to pre-opening expenses incurred for Far East Village Hotel Ariake, Tokyo. These were partially offset by share of profit from the sale of commercial units at Woods Square, which obtained TOP in February 2020.

The Group's share of profit of associated companies for 1H FY20 decreased by \$0.7 million to \$1.0 million in 1H FY20 stemming from lower management fees chargeable to Far East Hospitality Real Estate Investment Trust.

Income tax expense

Income tax expense for 1H FY20 was \$0.9 million lower compared to 1H FY19 mainly contributed by lower taxable income from Australia. Despite the operating losses, the Group incurred income tax expense on the property investment business segment.

8 (continued)

(b) Cash flow, working capital, assets or liabilities of the Group**Cash flow and working capital**

The Group generated a net increase in cash and cash equivalents for 1H FY20 of \$4.3 million compared to net increase of \$5.5 million in 1H FY19.

Net cash inflows from operating activities of the Group for 1H FY20 were \$10.3 million compared to \$12.0 million for 1H FY19. Lower net cash inflows in 1H FY20 were mainly due to decrease in payables.

Net cash used in investing activities of the Group for 1H FY20 was \$5.3 million compared to \$112.3 million for 1H FY19. Net cash outflows in 1H FY19 were mainly due to the acquisition of PBSA assets in the UK.

Net cash outflows from financing activities of the Group for 1H FY20 were \$0.8 million compared to net cash inflows of \$105.7 million for 1H FY19. Net cash inflows in 1H FY19 have included the drawdown of bank borrowings to finance the acquisition of the PBSA assets.

Assets

Total assets as at 30 June 2020 were \$2,481.6 million. Compared to 31 December 2019, total assets decreased by \$49.3 million.

As at 30 June 2020:

- Investment properties decreased to \$779.6 million due to weakening of British Pound against SGD;
- Property, plant and equipment decreased to \$645.1 million mainly from revaluation losses, partially offset by higher carrying amount of property under development in the UK as ongoing construction costs incurred are capitalized;
- Intangible assets decreased to \$120.1 million mainly due to impairment on goodwill from hospitality property ownership business in Australia;
- Other non-current assets decreased to \$0.3 million due to repayment of non-current advances from a joint venture; and
- Investment in joint ventures increased to \$451.1 million mainly from the investment amounting to \$23.4 million in joint ventures upon completion of the hotel development in Tokyo, Japan in April 2020, partially offset by share of losses and reserves from the Group's other hospitality joint ventures.

Liabilities

Total liabilities as at 30 June 2020 were \$1,262.2 million. Compared to 31 December 2019, total liabilities increased by \$2.7 million mainly due to the recognition of dividend payables relating to 2019 approved by shareholders at Annual General Meeting on 26 June 2020 amounting to \$26.3 million, partially offset by payments of operating expenses and lease liabilities. Movement in deferred income tax liabilities was recorded along with the revaluation of property, plant and equipment.

9 Where a forecast, or a prospect statement, has been previously disclosed to shareholders, any variance between it and the actual results.

The results are in line with comments previously disclosed to shareholders.

10 A commentary at the date of the announcement of the significant trends and competitive conditions of the industry in which the group operates and any known factors or events that may affect the group in the next reporting period and the next 12 months.

The ongoing COVID-19 pandemic and the resulting lockdowns and border curbs have resulted in an unprecedented global economic crisis and continue to bring an overwhelming impact to the international travel, tourism and hospitality industries. The International Monetary Fund (IMF) lowered its global growth forecast from -3.0% in April to -4.9% in June as the pandemic has had a greater than anticipated negative impact on activity during the first half of 2020⁽⁶⁾. The Ministry of Trade and Industry had also downgraded Singapore's GDP growth forecast to between -7.0% and -4.0% for 2020⁽⁷⁾.

Outlook on Hospitality Business

The World Tourism Organization (UNWTO) is expecting a 58% to 78% decline in international tourist arrivals in 2020, depending on the speed of the containment of the pandemic, duration of travel restrictions and shutdown of borders⁽⁸⁾. The Group's hospitality business across the major markets of Singapore, Australia and Germany experienced significant drop in demand as international tourist arrivals fell by 66%, 54% and 59%, respectively for the year to May 2020⁽⁹⁾. In Singapore, tourism receipts fell by 39% to \$4 billion for the first quarter of 2020 compared with \$27.7 billion in 2019 and visitor arrivals plunged by more than 3 times from 9.3 million in 1H 2019 to 2.7 million visitors in 1H 2020⁽¹⁰⁾. The occupancy which has been supported by demand for accommodation facilities for isolation purposes and demand from companies for accommodation for their foreign workers, is expected to taper down. The operating conditions of our hospitality business will remain challenging until the pandemic abates, international borders re-open, effective vaccines are widely available, and travel confidence returns from our key source markets.

Outlook on PBSA Business

97% of UK universities plan to provide in-person teaching at the start of the new academic year ("AY") 2020/21⁽¹¹⁾. Universities have started to announce their commencement of AY2020/21 term with a blend of online and face-to-face learning. The Universities and Colleges Admissions Service (UCAS) has also reported a 1% growth in total student applications compared to AY2019/20⁽¹²⁾.

Our PBSA business in the UK continues to work with universities and student residents to secure bookings for the new AY2020/21. Occupancy booking at our PBSA assets is currently behind the level recorded this time last year, but we expect the rate of booking to increase towards the start of the AY as students finalise decisions on their universities and accommodation. The COVID-19 pandemic had led to short-term concerns surrounding international student numbers and differing approaches such as the offer of online or blended mix of online and face to face teaching by universities for AY2020/21. While there remains higher risk around international student numbers, these short-term concerns will be allayed as the academic year stabilises with safe distancing measures and no major resurgence of COVID-19.

Outlook on Property Development Business

For the Group's property development business, sales and leasing activities at our joint venture development project Woods Square in Singapore are expected to slow down amid uncertainty wrought by COVID-19.

FY20 Outlook

Overall, the Group expects financial performance for the rest of FY20 to be adversely impacted by the social-economic headwinds resulting from the pandemic, while geo-political tensions continued to pose risks and uncertainty to the already difficult and altered operating landscape. The Group maintains its commitment to being agile and prudent in implementing business strategies across our portfolio of assets as we closely monitor the operating conditions, and will continue to undertake mitigation measures and manage cashflow as the recovery trajectory remains protracted and uncertain. Despite the challenges, the Group has sufficient liquidity to meet its operational needs and financial commitments and will continue to exercise prudent balance sheet management.

⁽⁶⁾World Economic Outlook Update, June 2020: A Crisis Like No Other, An Uncertain Recovery", IMF, June 2020

⁽⁷⁾MTI Downgrades 2020 GDP Growth Forecast to "-7.0 to -4.0 Per Cent", MTI, 26 May 2020

⁽⁸⁾International Tourist Numbers could Fall 60-80% in 2020, UNWTO Reports", UNWTO, 7 May 2020

⁽⁹⁾UNWTO Tourism Data Dashboard – International Tourism and COVID-19, 28 July 2020

⁽¹⁰⁾Singapore Tourism Board

⁽¹¹⁾Universities UK survey published 17 June 2020

⁽¹²⁾UCAS, 25 June 2020

11 Dividend

(c) Current Financial Period Reported On

None.

(d) Corresponding Period of the Immediately Preceding Financial Year

None.

(e) Date payable

Not applicable.

(f) Book closure date

Not applicable.

12 If no dividend has been declared/recommended, a statement to that effect

Not applicable.

13 If the Group has obtained a general mandate from shareholders for IPTs, the aggregate value of such transactions as required under Rule 920(1)(a)(ii). If no IPT mandate has been obtained, a statement to that effect.

The Company had obtained approval for a shareholders' mandate for interested person transactions under Rule 920(1)(a)(ii) as set out in the circular to shareholders dated 24 June 2013.

Name of interested person	Nature of relationship	Aggregate value of all interested person transactions conducted under shareholders' mandate pursuant to Rule 920 of the Listing Manual (excluding transactions less than \$100,000)	Aggregate value of all interested person transactions during the financial period under review (excluding transactions less than \$100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920)
		6 months ended 30 June 2020 \$'000	6 months ended 30 June 2020 \$'000
<u>Agape Laundry Pte. Ltd.</u> Supply of goods and services	Associate of controlling shareholder	(262)	-
<u>Ariake Hospitality Kabushiki Kaisha</u> Principal and interest accrued on shareholders' loan ⁽¹³⁾	Associate of controlling shareholder	-	4,436
<u>Ariake Properties (Singapore) Pte. Ltd.</u> Subscription of preferred shares ⁽¹⁴⁾	Associate of controlling shareholder	-	15,210
<u>Ariake Properties Tokutei Mokuteki Kaisha</u> Subscription of preferred shares ⁽¹⁴⁾	Associate of controlling shareholder	-	15,520
<u>Boo Han Holdings Pte. Ltd.</u> Hospitality management income	Associate of controlling shareholder	246	-
Principal and interest accrued on shareholders' loan ⁽¹³⁾		-	4,436
<u>Dollar Land Singapore Private Limited</u> Hospitality management income	Associate of controlling shareholder	119	-
<u>Far East Hospitality Real Estate Investment Trust</u> Management income ⁽¹⁵⁾	Associate of controlling shareholder	1,593	-
Hospitality services income		135	-
Rental expense on operating leases		(511)	-
- offices		(8,841)	-
- hotels and serviced residences			-
<u>Far East Land (Japan) Pte. Ltd.</u> Subscription of preferred shares ⁽¹⁴⁾	Associate of controlling shareholder	-	7,915

⁽¹³⁾ As set out in the Group's announcement dated 7 October 2019, Ariake Hospitality Kabushiki Kaisha ("AHKK") is a 50-50 joint venture entity by Far East Hospitality Holdings Pte. Ltd. ("FEHH") (a 70% held subsidiary of the Company) with Boo Han Holdings Pte. Ltd. ("BHH") (a member of Far East Organization). These amounts relate to the aggregate amount (inclusive of principal and interest) as at 30 June 2020 owing by AHKK to its shareholders, FEHH and BHH, relating to the purchase of a hotel project located in Ariake, Tokyo.

⁽¹⁴⁾ As set out in the Group's announcement dated 6 August 2020, 49% of the preferred equity shares in Ariake Properties Tokutei Mokuteki Kaisha ("TMK") was issued to Ariake Properties (Singapore) Pte. Ltd. (a 50-50 joint venture company held by FEHH and BHH, which was incorporated and announced on 27 September 2019), 25.5% of the preferred equity shares in the TMK was issued to the Japan branch of Far East Hospitality Properties (Japan) Pte. Ltd. (a wholly owned subsidiary of FEHH, which was incorporated and announced on 15 July 2019), with the remaining 25.5% of the preferred equity shares in the TMK issued to the Japan branch of Far East Land (Japan) Pte. Ltd. (a wholly owned subsidiary of BHH).

⁽¹⁵⁾ Pursuant to the trust deed constituting Far East Hospitality Real Estate Investment Trust ("FEH-REIT") dated 1 August 2012 (as amended, varied or supplemented from time to time) (the "Trust Deed") and entered into between FEO Hospitality Asset Management Pte. Ltd. ("FEOHAM") (in its capacity as the manager of FEH-REIT) and DBS Trustee Limited (in its capacity as the trustee of FEH-REIT), FEOHAM is entitled to a management fee comprising a base fee of 0.3% per annum of the value of the Deposited Property (as defined in the Trust Deed) and a performance fee of 4.0% per annum of net property income (as defined in the Trust Deed). During the financial year ended 31 December 2019, the Company was a 33% shareholder of FEOHAM and this amount represents 33% of the management fees received during the financial year, being the value at risk to the Group.

13 (continued)

Name of interested person	Nature of relationship	Aggregate value of all interested person transactions conducted under shareholders' mandate pursuant to Rule 920 of the Listing Manual (excluding transactions less than \$100,000)	Aggregate value of all interested person transactions during the financial period under review (excluding transactions less than \$100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920)
		6 months ended 30 June 2020 \$'000	6 months ended 30 June 2020 \$'000
<u>Far East Management (Private) Limited</u>	Associate of controlling shareholder		
Management service fees		(1,024)	-
Hospitality services		(1,238)	-
Project management service fees		(467)	-
<u>Far East Organization Centre Pte Ltd</u>	Associate of controlling shareholder		
Hospitality management income		626	-
<u>Far East Real Estate Agency Pte Ltd</u>	Associate of controlling shareholder		
Property management services		(218)	-
<u>Far East Rocks Pty Ltd</u>	Associate of controlling shareholder		
Rental expense on operating leases - hotel		(183)	-
<u>Far East Soho Pte. Ltd.</u>	Associate of controlling shareholder		
Hospitality management income		261	-
<u>Fontaine Investment Pte Ltd</u>	Associate of controlling shareholder		
Hospitality management income		720	-
<u>Golden Development Private Limited</u>	Associate of controlling shareholder		
Hospitality management income		828	-
<u>Golden Landmark Pte Ltd</u>	Associate of controlling shareholder		
Hospitality management income		316	-
<u>Orchard Mall Pte. Ltd.</u>	Associate of controlling shareholder		
Hospitality management income		210	-
<u>Orchard Parksuites Pte Ltd</u>	Associate of controlling shareholder		
Hospitality management income		437	-
<u>Oxley Hill Properties Pte Ltd</u>	Associate of controlling shareholder		
Hospitality management income		187	-
<u>Riverland Pte Ltd</u>	Associate of controlling shareholder		
Hospitality management income		153	-
<u>Serene Land Pte Ltd</u>	Associate of controlling shareholder		
Hospitality management income		433	-
<u>Transurban Properties Pte Ltd</u>	Associate of controlling shareholder		
Hospitality management income		331	-

By Order of the Board

Alan Tang Yew Kuen
Director
6 August 2020

Confirmation Pursuant to Rule 705(5) of the Listing Manual

The Directors confirm that, to the best of their knowledge, nothing has come to the attention of the Board of Directors of Far East Orchard Limited which may render the unaudited financial statements for the period ended 30 June 2020 to be false or misleading in any material respect.

Confirmation Pursuant to Rule 720(1) of the Listing Manual

Far East Orchard Limited confirms that undertakings under Rule 720(1) have been obtained from all its directors and executive officers in the format set out in Appendix 7.7.

On behalf of the Board of Directors

Koh Boon Hwee
Chairman

6 August 2020

Alan Tang Yew Kuen
Group CEO and Executive Director