

FAR EAST ORCHARD LIMITED AND ITS SUBSIDIARIES

(Registration No. 196700511H)

UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS

For the Six Months and Full Year Ended 31 December 2023

Table of contents	Page
A. CONDENSED INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME	2
B. CONDENSED INTERIM STATEMENTS OF FINANCIAL POSITION	3
C. CONDENSED INTERIM STATEMENTS OF CHANGES IN EQUITY	4
D. CONDENSED INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS	6
E. NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS	8
F. OTHER INFORMATION REQUIRED BY LISTING RULE APPENDIX 7.2	23

A. CONDENSED INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	6 months ended 31 December			12 months ended 31 December		
		2023 \$'000	2022 \$'000	Increase/ (Decrease) %	2023 \$'000	2022 \$'000	Increase/ (Decrease) %
Revenue	4	92,757	77,305	20.0	183,620	140,968	30.3
Cost of sales		(47,641)	(37,110)	28.4	(92,529)	(67,862)	36.3
Gross profit		45,116	40,195	12.2	91,091	73,106	24.6
Other income							
- Interest income		3,483	1,918	81.6	6,796	2,560	>100
- Others		1,003	276	>100	1,161	576	>100
Other gains/(losses) and impairment losses – net		57,793	(4,328)	nm	54,815	(7,816)	nm
Expenses							
- Distribution and marketing		(6,062)	(6,311)	(3.9)	(10,544)	(11,654)	(9.5)
- Administrative		(22,672)	(19,864)	14.1	(40,269)	(36,699)	9.7
- Finance		(18,315)	(12,085)	51.6	(33,897)	(20,895)	62.2
Share of profit of							
- Associated companies		1,507	1,341	12.4	2,937	3,122	(5.9)
- Joint ventures		8,184	10,455	(21.7)	8,283	20,596	(59.8)
Profit before income tax	5	70,037	11,597	>100	80,373	22,896	>100
Income tax (expense)/credit	6	(11,614)	1,078	nm	(14,312)	(1,420)	>100
Profit after income tax		58,423	12,675	>100	66,061	21,476	>100
Other comprehensive income/(loss):							
<i>Items that may be reclassified subsequently to profit or loss:</i>							
Cash flow hedges – Fair value (losses)/gains		(12,246)	3,386	nm	(9,879)	8,878	nm
Share of other comprehensive (loss)/income of joint ventures		(1,390)	518	nm	(1,180)	5,693	nm
Currency translation differences arising from consolidation							
- Losses		(2,730)	(12,984)	(79.0)	(971)	(27,810)	(96.5)
- Reclassification		(4,862)	(1,627)	>100	(4,862)	(1,627)	>100
		(21,228)	(10,707)	98.3	(16,892)	(14,866)	13.6
<i>Items that will not be reclassified subsequently to profit or loss:</i>							
Share of other comprehensive income/(loss) of:							
- Associated companies		1,326	(644)	nm	1,695	952	78.0
- Joint ventures		5,028	3,390	48.3	6,036	8,128	(25.7)
Revaluation gains on property, plant and equipment – net		12,375	6,561	88.6	11,925	5,497	>100
Financial assets, at fair value through other comprehensive income (“FVOCI”) – Fair value gains/(losses) – equity investments		224	(50)	nm	224	(50)	nm
Currency translation differences arising from consolidation		(272)	(3,559)	(92.4)	(1,055)	(6,358)	(83.4)
Other comprehensive (loss)/income, net of tax		(2,547)	(5,009)	(49.2)	1,933	(6,697)	nm
Total comprehensive income		55,876	7,666	>100	67,994	14,779	>100
Profit/(Loss) attributable to:							
Equity holders of the Company		57,744	13,885	>100	65,946	21,918	>100
Non-controlling interest		679	(1,210)	nm	115	(442)	nm
		58,423	12,675	>100	66,061	21,476	>100
Total comprehensive income/(loss) attributable to:							
Equity holders of the Company		53,493	10,908	>100	66,655	17,431	>100
Non-controlling interest		2,383	(3,242)	nm	1,339	(2,652)	nm
		55,876	7,666	>100	67,994	14,779	>100
Basic and diluted earnings per share for profit attributable to equity holders of the Company (cents per share)		11.84	2.92	>100	13.70	4.67	>100

nm: not meaningful

B. CONDENSED INTERIM STATEMENTS OF FINANCIAL POSITION

	Note	Group		Company	
		31 December 2023 \$'000	31 December 2022 \$'000	31 December 2023 \$'000	31 December 2022 \$'000
ASSETS					
Current assets					
Cash and bank balances	7	225,632	233,195	128,992	143,853
Trade and other receivables		45,705	45,014	181,186	180,151
Inventories		389	363	14	10
Properties held for sale	8	170,666	176,218	-	-
Non-current asset classified as held-for-sale	10(b), 11(a)	10,569	365	-	-
		452,961	455,155	310,192	324,014
Non-current assets					
Derivative financial instruments	18	7,544	12,749	3,793	6,572
Financial asset, at FVOCI	18	2,063	1,140	2,063	1,140
Other non-current assets		5,418	5,599	425,662	369,888
Investments in associated companies		31,865	27,233	696	696
Investments in joint ventures	9	472,694	480,468	300	300
Investments in subsidiaries		-	-	856,343	852,510
Investment properties	10	967,750	853,207	142,800	124,335
Property, plant and equipment	11	569,189	592,683	375,353	379,704
Intangible assets	12	101,059	103,343	-	-
Deferred income tax assets		4,605	3,657	3,536	2,630
		2,162,187	2,080,079	1,810,546	1,737,775
Total assets		2,615,148	2,535,234	2,120,738	2,061,789
LIABILITIES					
Current liabilities					
Trade and other payables		102,222	99,422	38,901	38,180
Current income tax liabilities		5,632	1,523	624	-
Lease liabilities		8,987	8,375	6,757	6,213
Borrowings	13	245,082	220,930	148,660	119,002
Deferred income		18,423	14,965	6,797	6,804
		380,346	345,215	201,739	170,199
Non-current liabilities					
Other payables		102,853	100,981	197,703	338,471
Derivative financial instruments		4,160	-	4,160	-
Lease liabilities		87,542	91,296	65,960	67,384
Borrowings	13	357,265	381,280	238,989	230,575
Deferred income		255,920	262,717	255,920	262,717
Deferred income tax liabilities		61,192	50,302	889	-
		868,932	886,576	763,621	899,147
Total liabilities		1,249,278	1,231,791	965,360	1,069,346
NET ASSETS		1,365,870	1,303,443	1,155,378	992,443
EQUITY					
Capital and reserves attributable to equity holders of the Company					
Share capital	14	549,380	535,958	549,380	535,958
Revaluation and other reserves		351,535	351,099	301,458	299,391
Retained profits		454,701	407,471	304,540	157,094
		1,355,616	1,294,528	1,155,378	992,443
Non-controlling interest		10,254	8,915	-	-
TOTAL EQUITY		1,365,870	1,303,443	1,155,378	992,443

C. CONDENSED INTERIM STATEMENTS OF CHANGES IN EQUITY

	The Group	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
Note		\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	
	2023										
	Balance at 1 January 2023	535,958	13,977	389,804	(67,846)	(1,595)	16,759	407,471	1,294,528	8,915	1,303,443
	Profit for the year	-	-	-	-	-	-	65,946	65,946	115	66,061
	Other comprehensive income/(loss) for the year	-	-	15,338	(5,867)	1,919	(10,681)	-	709	1,224	1,933
	Total comprehensive income/(loss) for the year	-	-	15,338	(5,867)	1,919	(10,681)	65,946	66,655	1,339	67,994
	Dividend paid in cash relating to 2022	-	-	-	-	-	-	(5,567)	(5,567)	-	(5,567)
	Shares issued in-lieu of cash for dividend relating to 2022	13,422	-	-	-	-	-	(13,422)	-	-	-
	Total transactions with owners, recognised directly in equity	13,422	-	-	-	-	-	(18,989)	(5,567)	-	(5,567)
	Transfer of share of associated company's fair value reserve upon disposal	-	-	-	-	15	-	(15)	-	-	-
	Transfer of revaluation gains to retained profits	-	-	(288)	-	-	-	288	-	-	-
	Balance at 31 December 2023	549,380	13,977	404,854	(73,713)	339	6,078	454,701	1,355,616	10,254	1,365,870
	2022										
	Balance at 1 January 2022	525,053	13,977	378,667	(38,565)	(2,502)	4,004	399,494	1,280,128	11,567	1,291,695
	Profit/(Loss) for the year	-	-	-	-	-	-	21,918	21,918	(442)	21,476
	Other comprehensive income/(loss) for the year	-	-	11,137	(29,281)	902	12,755	-	(4,487)	(2,210)	(6,697)
	Total comprehensive Income/(loss) for the year	-	-	11,137	(29,281)	902	12,755	21,918	17,431	(2,652)	14,779
	Dividend paid in cash relating to 2021	-	-	-	-	-	-	(3,031)	(3,031)	-	(3,031)
	Shares issued in-lieu of cash for dividend relating to 2021	10,905	-	-	-	-	-	(10,905)	-	-	-
	Total transactions with owners, recognised directly in equity	10,905	-	-	-	-	-	(13,936)	(3,031)	-	(3,031)
	Transfer of share of associated company's fair value reserve upon disposal	-	-	-	-	5	-	(5)	-	-	-
	Balance at 31 December 2022	535,958	13,977	389,804	(67,846)	(1,595)	16,759	407,471	1,294,528	8,915	1,303,443

C. CONDENSED INTERIM STATEMENTS OF CHANGES IN EQUITY (continued)

The Company

	Note	Share capital \$'000	Asset revaluation reserve \$'000	Currency translation reserve \$'000	Fair value reserve	Hedging reserve \$'000	Retained profits \$'000	Total equity \$'000
2023								
Balance at 1 January 2023		535,958	292,487	(175)	(50)	7,129	157,094	992,443
Profit for the year		-	-	-	-	-	166,435	166,435
Other comprehensive income/(loss) for the year		-	9,200	(147)	224	(7,210)	-	2,067
Total comprehensive income/(loss) for the year		-	9,200	(147)	224	(7,210)	166,435	168,502
Dividend paid in cash relating to 2022	15	-	-	-	-	-	(5,567)	(5,567)
Shares issued in-lieu of cash for dividend relating to 2022		13,422	-	-	-	-	(13,422)	-
Total transactions with owners, recognised directly in equity		13,422	-	-	-	-	(18,989)	(5,567)
Balance at 31 December 2023		549,380	301,687	(322)	174	(81)	304,540	1,155,378
2022								
Balance at 1 January 2022		525,053	289,537	-	-	2,774	168,644	986,008
Profit for the year		-	-	-	-	-	2,386	2,386
Other comprehensive income/(loss) for the year		-	2,950	(175)	(50)	4,355	-	7,080
Total comprehensive income/(loss) for the year		-	2,950	(175)	(50)	4,355	2,386	9,466
Dividend paid in cash relating to 2021	15	-	-	-	-	-	(3,031)	(3,031)
Shares issued in-lieu of cash for dividend relating to 2021		10,905	-	-	-	-	(10,905)	-
Total transactions with owners, recognised directly in equity		10,905	-	-	-	-	(13,936)	(3,031)
Balance at 31 December 2022		535,958	292,487	(175)	(50)	7,129	157,094	992,443

D. CONDENSED INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS

	Note	Twelve months ended 31 December	
		2023 \$'000	2022 \$'000
Cash flows from operating activities			
Profit after income tax		66,061	21,476
Adjustments for:			
Income tax expense		14,312	1,420
Depreciation of property, plant and equipment	5	17,149	17,639
Amortisation of intangible assets	5	2,284	2,594
Impairment of properties held for sale - net	5	7,615	3,151
(Reversal of impairment)/Impairment of advances to a joint venture		(28)	68
Impairment of property, plant and equipment	5	105	2
Impairment of goodwill	5	-	5,110
Fair value gains on investment properties – net	5	(58,295)	(2,610)
Revaluation gains on property, plant and equipment	5	(477)	(2,292)
Gain on re-measurement of lease liability		(3)	(45)
Loss on derecognition of financial asset		-	30
Gain on sale of reversionary interest in a property	5	-	(1,800)
Loss on disposal of non-current asset classified as held-for-sale		27	-
Gain on disposal of investment properties	5	-	(5,638)
Loss/(Gain) on disposal of property, plant and equipment		30	(18)
Reclassification of exchange differences from currency translation reserve	5	(4,862)	(1,627)
Interest income	5	(6,796)	(2,560)
Finance expenses	5	33,897	20,895
Share of profit of associated companies		(2,937)	(3,122)
Share of profit of joint ventures	9	(8,283)	(20,596)
Unrealised currency translation losses		954	13,435
		60,753	45,512
Change in working capital:			
Trade and other receivables		1,459	(5,330)
Inventories		(33)	(153)
Properties held for sale		-	(16)
Trade and other payables		(668)	(492)
Cash generated from operations		61,511	39,521
Interest paid		(135)	(135)
Income tax paid – net		(1,000)	(2,120)
Net cash provided by operating activities		60,376	37,266
Cash flows from investing activities			
Additions to property, plant and equipment		(4,168)	(1,086)
Proceeds from disposal of property, plant and equipment		-	21
Additions to investment properties		(22,180)	(4,678)
Proceeds from disposal of investment properties		-	18,728
Proceeds from disposal of non-current asset classified as held-for-sale		350	-
Investment in a financial asset, at FVOCI		(846)	(1,365)
Proceeds from disposal of reversionary interest in a property		-	1,800
Advanced payment		-	(1,122)
Investment in joint ventures		-	(3,042)
Advances to joint ventures		(3,160)	(16,309)
Advances/Repayment of advances from joint ventures		1,966	833
Dividends received from joint ventures		16,134	5,578
Interest received		6,970	1,271
Net cash (used in)/provided by investing activities		(4,934)	629

D. CONDENSED INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS (continued)

		Twelve months ended 31 December	
		2023	2022
		\$'000	\$'000
	Note		
Cash flows from financing activities			
Decrease in bank deposits pledged		2,162	3,156
Proceeds from borrowings		108,750	196,390
Repayment of borrowings		(124,209)	(214,314)
Principal payment of lease liabilities		(8,569)	(9,053)
Interest paid on lease liabilities		(5,864)	(6,199)
Interest paid on borrowings		(27,444)	(14,427)
Dividends paid to equity holders of the Company	15	(5,567)	(3,031)
Net cash used in financing activities		(60,741)	(47,478)
Net decrease in cash and cash equivalents			
		(5,299)	(9,583)
Cash and cash equivalents			
Beginning of financial year		207,672	226,510
Effects of currency translation on cash and cash equivalents		(102)	(9,255)
End of financial year	7	202,271	207,672

E. NOTES TO THE INTERIM FINANCIAL STATEMENTS

1. General information

Far East Orchard Limited (the “Company”) is listed on the Singapore Exchange and incorporated and domiciled in Singapore. These condensed interim consolidated financial statements as at and for the six months and full year ended 31 December 2023 comprise the Company and its subsidiaries (the “Group”).

The principal activities of the Company are investment holding, hotel operations and property investment. The principal activities of the Group are investment holding, ownership and management of hospitality properties, investment in purpose-built student accommodation (“PBSA”) properties, property development and property investment.

2. Basis of preparation

The condensed interim financial statements as at and for the six months and full year ended 31 December 2023 have been prepared in accordance with Singapore Financial Reporting Standards (International) (“SFRS(I)”) 1-34 Interim Financial Reporting issued by the Accounting Standards Council Singapore and should be read in conjunction with the Group’s annual financial statements as at and for the financial year ended 31 December 2022. The condensed interim financial statements do not include all the information required for a complete set of financial statements. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Group’s financial position and performance of the Group since the last annual financial statements for the year ended 31 December 2022.

The accounting policies adopted are consistent with those disclosed in the Group’s annual financial statements as at and for the financial year ended 31 December 2022 which were prepared in accordance with SFRS(I), except for the adoption of new and amended standards as set out in Note 2.1.

The condensed interim financial statements are presented in Singapore dollar, which is the Company’s functional currency.

2.1 New and amended standards adopted by the Group

On 1 January 2023, the Group has adopted the new or amended SFRS(I) and Interpretations of SFRS(I) (“INT SFRS(I)”) that are mandatory for application for the financial year. Changes to the Group’s accounting policies have been made as required, in accordance with the transitional provisions in the respective SFRS(I) and INT SFRS(I).

The adoption of these new or amended SFRS(I) and INT SFRS(I) did not result in substantial changes to the Group’s accounting policies and had no material effect on the amounts reported for the current or prior financial years.

2.2 Critical accounting estimates, assumptions and judgements

In preparing the condensed interim financial statements, management has made judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

The significant judgements made by management in applying the Group’s accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements as at and for the year ended 31 December 2022.

Estimates, assumptions and judgements are reviewed on an ongoing basis and are based on historical experience and various other factors, including expectations of future events that are believed to be reasonable under the current circumstances.

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next interim period are included in the following notes:

- Note 9 – Valuation of investment in a joint venture, Toga Hotel Holdings Unit Trust
- Notes 10 and 11 – Valuation of investment properties and land and buildings classified under property, plant and equipment using significant unobservable inputs
- Note 12 – Impairment assessment of goodwill: key assumptions underlying recoverable amounts

3. Seasonal operations

The Group’s businesses are not affected significantly by seasonal or cyclical factors during the six months and full year ended 31 December 2023.

E. NOTES TO THE INTERIM FINANCIAL STATEMENTS (continued)

4. Revenue

	Group			
	6 months ended 31 December		12 months ended 31 December	
	2023 \$'000	2022 \$'000	2023 \$'000	2022 \$'000
Revenue from contracts with customers	63,025	53,210	123,792	87,981
Rental income	29,732	24,095	59,828	52,987
	92,757	77,305	183,620	140,968

Disaggregation of revenue from contracts with customers

The Group derives revenue from the transfer of goods and services over time in the following major revenue streams and geographical regions. Revenue is attributed to countries by location of customers.

	Group			
	6 months ended 31 December		12 months ended 31 December	
	2023 \$'000	2022 \$'000	2023 \$'000	2022 \$'000
Hospitality ownership and operations				
– Singapore	20,504	14,982	40,650	24,240
– Australia	26,711	26,081	52,935	42,699
– Other countries	4,830	1,579	7,766	2,518
	52,045	42,642	101,351	69,457
Hospitality management and other related fees received/receivable				
Singapore				
– Other related parties	10,811	10,429	22,134	18,311
– Non-related parties	-	31	-	52
Other countries				
– Other related parties	169	108	307	161
Total revenue from contracts with customers	63,025	53,210	123,792	87,981

5. Profit before income tax

5.1 Significant items

	Group					
	6 months ended 31 December			12 months ended 31 December		
	2023 \$'000	2022 \$'000	Increase/ (Decrease) %	2023 \$'000	2022 \$'000	Increase/ (Decrease) %
The following items were credited/(charged) to the income statement:						
<u>Other income</u>						
Interest income from bank deposits (Note (a))	3,438	1,864	84.4	6,703	2,444	>100
Interest income from advances to joint venture	45	54	(16.7)	93	116	(19.8)
Government grant income (Note (b))	813	30	>100	813	242	>100
<u>Cost of sales and administrative expenses</u>						
Depreciation of property, plant and equipment						
– right-of-use assets (Note 11)	(4,392)	(4,291)	2.4	(8,681)	(8,722)	(0.5)
– other property, plant and equipment (Note 11)	(4,268)	(4,175)	2.2	(8,468)	(8,917)	(5.0)
Amortisation of intangible assets (Note 12(b))	(1,213)	(1,241)	(2.3)	(2,284)	(2,594)	(12.0)
Allowance for impairment losses on trade receivables - net	(313)	(523)	(40.2)	(380)	(852)	(55.4)

E. NOTES TO THE INTERIM FINANCIAL STATEMENTS (continued)

5. Profit before income tax (continued)

5.1 Significant items (continued)

	Group					
	6 months ended 31 December			12 months ended 31 December		
	2023 \$'000	2022 \$'000	Increase/ (Decrease) %	2023 \$'000	2022 \$'000	Increase/ (Decrease) %
The following items were credited/(charged) to the income statement: (continued)						
<u>Other gains/(losses) and impairment losses – net</u>						
Impairment of:						
– properties held for sale – net (Note (c), Note 8)	(4,208)	(3,151)	33.5	(7,615)	(3,151)	>100
– other property, plant and equipment (Note 11)	(99)	(2)	>100	(105)	(2)	>100
– goodwill (Note (d), Note 12)	-	(5,110)	nm	-	(5,110)	nm
Fair value gains on investment properties – net (Note 10)	58,295	2,610	>100	58,295	2,610	>100
Revaluation gains on property, plant and equipment (Note 11)	477	2,292	(79.2)	477	2,292	(79.2)
Gain on sale of reversionary interest in a property (Note (e))	-	-	nm	-	1,800	nm
Gain on disposal of investment properties (Note (f))	-	5,638	nm	-	5,638	nm
Currency exchange losses – net	(1,505)	(8,257)	(81.8)	(1,073)	(13,485)	(92.0)
Reclassification of exchange differences from currency translation reserve (Note (g))	4,862	1,627	>100	4,862	1,627	>100
<u>Finance expenses</u>						
Interest expense for:						
– bank borrowings (Note (a))	(19,034)	(9,810)	94.0	(33,976)	(15,066)	>100
– advances from non-controlling interests	(669)	(669)	0.0	(1,327)	(1,327)	0.0
– lease liabilities	(2,936)	(3,041)	(3.5)	(5,864)	(6,199)	(5.4)
Cash flow hedges, reclassified from hedging reserves	4,324	1,435	>100	7,270	1,697	>100

nm: not meaningful

- Interest income from bank deposits has increased for the six months and full year ended 31 December 2023 due to higher interest rates. Similarly, interest expense on bank borrowings have increased for the six months and full year ended 31 December 2023 due to the rising interest rates.
- Government grant income in the six months and full year ended 31 December 2023 includes various grant supports received from the Singapore government. Grant income during the six months and full year ended 31 December 2022 relates mainly to wage subsidies received from the Singapore and Australian governments.
- Properties held for sale comprise medical suites, residential units and a commercial unit (“mixed development”) held for sale. During the six months and full year ended 31 December 2023, an impairment charge on the mixed development of \$4,208,000 and \$7,615,000 was recognised respectively based on the net realisable value. During the six months and full year ended 31 December 2022, an impairment charge on the mixed development of \$4,277,000 and a reversal of impairment charge previously recorded on medical suites of \$1,126,000 were recognised based on the net realisable values. The net realisable values were derived with reference from independent external valuations performed.
- Impairment charge on goodwill arising from the Group’s hospitality property ownership in Australia cash-generating-unit (“CGU”) of \$5,110,000 was recognised during the six months and full year ended 31 December 2022 subsequent to the Group’s impairment assessment. The impairment charge was due to the higher discount rate applied as at 31 December 2022. As the carrying value of the CGU exceeded the recoverable amount, the goodwill was fully written off in 2022.
- During the full year ended 31 December 2022, the Group recognised a gain on sale of its revisionary interest of approximately 1.5 years in the whole of Lot 320N of Town Subdivision 8 together with the building erected thereon known as Village Residences Clarke Quay (“VRCQ”) situated at 20 Havelock Road, Singapore (the “Sale”) upon completion of the Sale in March 2022. Subsequent to the completion of the Sale, the master lease agreement of VRCQ was terminated and the operations ceased from the end of March 2022.

E. NOTES TO THE INTERIM FINANCIAL STATEMENTS (continued)

5. Profit before income tax (continued)

5.1 Significant items (continued)

- f) Following the completion of the collective sale of Tanglin Shopping Centre (“TSC”) in November 2022, a gain on sale of investment property of \$5,638,000, being the difference between the sale consideration and carrying value of the four office units in TSC owned by the Company, was recognised during the six months and full year ended 31 December 2022.
- g) During the six months and full year ended 31 December 2023, currency exchange difference of \$4,862,000 attributable to the equity holders of the Company was reclassified from the currency translation reserve to profit or loss primarily due to the liquidation of certain subsidiaries with overseas operations. During the six months and full year ended 31 December 2022, currency exchange difference of \$1,627,000 attributable to the equity holders of the Company was reclassified from the currency translation reserve to profit or loss subsequent to the waiver of the advances to a subsidiary liquidated in 2023.

5.2 Related party transactions

There are no material related party transactions apart from those disclosed elsewhere in the condensed interim financial statements.

6. Income tax expense

Income tax expense was recognised based on the weighted average effective annual income tax rate expected for the full financial year. The higher income tax expense during the six months and full year ended 31 December 2023 was mainly due to the deferred tax recognised on the fair value gains on investment properties.

During the six months and full year ended 31 December 2023, the income tax expense has taken into consideration a reversal of over provision of income tax expense relating to prior financial years of \$1,477,000 and \$1,424,000 respectively (Six months and full year ended 31 December 2022: Over provision of \$1,082,000 and \$1,062,000 respectively).

7. Cash and bank balances

For the purpose of presenting the condensed interim consolidated statement of cash flows, cash and cash equivalents comprise the following:

	Group	
	31 December 2023 \$'000	31 December 2022 \$'000
Cash and bank balances	225,632	233,195
Less: Bank deposits pledged	(23,361)	(25,523)
Cash and cash equivalents per condensed interim consolidated statement of cash flows	202,271	207,672

E. NOTES TO THE INTERIM FINANCIAL STATEMENTS (continued)

8. Properties held for sale

	Group	
	31 December 2023 \$'000	31 December 2022 \$'000
Medical suites	118,162	118,162
Mixed development	52,504	58,056
	170,666	176,218

During the financial year ended 31 December 2023, the decrease in value was due to an impairment charge of \$7,615,000 recognised on the mixed development held for sale based on net realisable value, offset by currency translation gain. The net realisable values were derived with reference from independent external valuation performed as at 31 December 2023.

During the financial year ended 31 December 2022, an impairment charge of \$4,277,000 was recognised on the mixed development held for sale, partially offset by the reversal of the impairment charge previously recorded on medical suites of \$1,126,000 based on the net realisable values derived with reference from independent external valuations.

9. Investments in joint ventures

	Group		Company	
	31 December 2023 \$'000	31 December 2022 \$'000	31 December 2023 \$'000	31 December 2022 \$'000
Equity investment at cost			300	300
Beginning of financial year	480,468	470,212		
Additions	-	3,042		
Share of profit	8,283	20,596		
Share of movements in:				
– asset revaluation reserve	6,036	8,128		
– currency translation reserve	(50)	223		
– hedging reserve	(1,146)	5,537		
Dividends received	(16,134)	(5,578)		
Foreign exchange differences	(4,763)	(21,692)		
End of financial year	472,694	480,468		

As at 31 December 2023, the carrying value of the Group's material equity accounted joint venture, Toga Hotel Holdings Unit Trust ("Toga Trust"), amounted to \$175,722,000 (31 December 2022: \$191,005,000). The Group's share of Toga Trust's results recognised in the profit or loss and other comprehensive income are affected by the significant assumptions and judgements applied by Toga Trust in the:

- (i) Determination of the fair value of its land and buildings classified under property, plant and equipment with a carrying amount of \$350,557,000 (31 December 2022: \$361,085,000); and
- (ii) Impairment assessment of its goodwill and brands with indefinite lives with a carrying amount of \$172,290,000 (31 December 2022: \$175,041,000).

The carrying amount in (i) and (ii) above reflects the amounts presented in the financial statements of Toga Trust and not the Group's share of those amounts.

In June 2022, the Group entered into a joint venture agreement in relation to the acquisition of a plot of land located in Bristol, United Kingdom, to carry out the development of a purpose-built student accommodation project (the "PBSA Development"). As at 31 December 2022, the Group has injected capital of £1,800,000 (approximately \$3,042,000) into the joint venture for the PBSA Development. During the year ended 31 December 2023, the Group has extended advances of £1,859,000 (approximately \$3,140,000) to the joint venture.

E. NOTES TO THE INTERIM FINANCIAL STATEMENTS (continued)

10. Investment properties

	Group		Company	
	31 December 2023 \$'000	31 December 2022 \$'000	31 December 2023 \$'000	31 December 2022 \$'000
Beginning of financial year	853,207	929,565	124,335	136,974
Additions (Note (a))	23,302	4,678	-	-
Disposals (Note 5.1 (f))	-	(13,090)	-	(13,090)
Reclassified to asset held-for-sale (Note (b))	-	(365)	-	-
Reclassified from property, plant and equipment (Note (c), Note 11)	13,765	-	13,765	-
Net fair value gains recognised in profit or loss (Note 5.1)	58,295	2,610	4,700	451
Foreign exchange differences	19,181	(70,191)	-	-
End of financial year	967,750	853,207	142,800	124,335
Comprised: Completed properties	967,750	853,207	142,800	124,335

- a) Additions for the financial year ended 31 December 2023 included the acquisition of a freehold student accommodation property located in Southampton, United Kingdom ("the PBSA Acquisition"), of which an advanced payment of £697,000 (approximately \$1,122,000) was disbursed during the financial year ended 31 December 2022.
- b) During the financial year ended 31 December 2022, the Group's management approved the sale of an apartment unit in Brisbane, Australia. This carrying amount of the apartment unit of \$365,000 was re-classified and presented as an asset-held for-sale as at 31 December 2022. The sale was completed during the financial year ended 31 December 2023.
- c) Following the relocation of headquarter office, the Group reclassified their formerly owner-occupied portion of an office property from property, plant and equipment to investment property as at 31 December 2023.

Valuation processes, techniques and inputs used in Level 3 fair value measurements

The Group engages external, independent and qualified valuers to determine the fair value of the investment properties on an annual basis or whenever their carrying amounts are likely to differ materially from their fair values based on the properties' highest and best use. At each financial year end, the management verifies all major inputs to the independent valuation reports, assesses property valuation movements compared to the prior year valuations and holds discussions with the independent valuers.

The Group's investment properties are measured and carried at fair value using inputs that are not based on observable market data (unobservable inputs), i.e. Level 3 fair values based on year-end valuations performed. The valuation techniques that have been used to derive the Level 3 fair values of the Group's investment properties and land and buildings classified under property, plant and equipment were included in Note 20(d) of the Group's annual financial statements for the financial year ended 31 December 2022.

At the end of each financial reporting period, management will assess whether the fair values of the Group's properties remain appropriate and engage external, independent and qualified valuers when deemed necessary. For the financial year ended 31 December 2023, the Group has engaged external independent qualified valuers to perform valuations of the investment properties before recognising the fair value movements from the last financial reporting period. In assessing whether the fair values remained appropriate, management considered whether any movement in market data such as discount rate, capitalisation rates, changes in underlying cash flows or sales comparable adopted in the valuations are reasonable. There have been no significant changes in the valuation methodologies used by the valuers compared to the last financial year-end.

As at 31 December 2023, the fair value of the investment properties amounted to \$967,750,000 (31 December 2022: \$853,207,000).

E. NOTES TO THE INTERIM FINANCIAL STATEMENTS (continued)

10. Investment properties (continued)

Reconciliation of fair value measurement to valuation report

	Group		Company	
	31 December 2023 \$'000	31 December 2022 \$'000	31 December 2023 \$'000	31 December 2022 \$'000
Fair value of investment properties based on valuation report	968,908	854,363	142,800	124,335
Less: carrying amount of accrued receivables	(1,158)	(1,156)	-	-
Carrying amount of investment properties	967,750	853,207	142,800	124,335

During the financial year ended 31 December 2023, the Group has completed fire risk assessments on its properties in the United Kingdom to assess the fire safety works required as a result of the changes to the fire safety regulations in the United Kingdom. Where fire safety works are required, the costs have been reflected in the valuations as at 31 December 2023 by the valuer. Where available, the Group will seek to recover costs of any defects from developers under existing construction warranties.

11. Property, plant and equipment

Group

	Freehold and leasehold land \$'000	Building and office \$'000	Plant, equipment, furniture and fittings \$'000	Construction -in-progress \$'000	Motor vehicles \$'000	Leasehold improvements and other assets \$'000	Total \$'000
Year ended 31 December 2023							
Beginning net book value	383,245	193,660	7,180	516	301	7,781	592,683
Currency translation differences	(1,351)	(2,788)	(100)	(7)	-	(124)	(4,370)
Additions	-	5,831	741	3,142	-	285	9,999
Disposals	-	-	(11)	-	-	(19)	(30)
Transfers	-	-	117	(2,926)	-	2,809	-
Reclassified to:							
– asset held-for-sale (Note (a))	(6,228)	(4,056)	(266)	-	-	(19)	(10,569)
– investment properties (Note 10)	(13,765)	-	-	-	-	-	(13,765)
Impairment (Note 5.1)	-	-	(105)	-	-	-	(105)
Derecognition of right-of-use asset	-	(401)	-	-	-	-	(401)
Revaluation adjustments							
– profit or loss (Note 5.1)	-	477	-	-	-	-	477
– other comprehensive income	11,969	450	-	-	-	-	12,419
Depreciation charge (Note 5.1)	-	(14,216)	(1,778)	-	(166)	(989)	(17,149)
End of financial year	373,870	178,957	5,778	725	135	9,724	569,189
As at 31 December 2023							
Cost	-	162,191	58,771	725	865	15,082	237,634
Valuation	373,870	105,847	-	-	-	-	479,717
	373,870	268,038	58,771	725	865	15,082	717,351
Accumulated depreciation and impairment losses	-	(89,081)	(52,993)	-	(730)	(5,358)	(148,162)
Net book value	373,870	178,957	5,778	725	135	9,724	569,189
As at 31 December 2022							
Cost	-	160,309	61,387	516	865	12,557	235,634
Valuation	383,245	117,300	-	-	-	-	500,545
	383,245	277,609	61,387	516	865	12,557	736,179
Accumulated depreciation and impairment losses	-	(83,949)	(54,207)	-	(564)	(4,776)	(143,496)
Net book value	383,245	193,660	7,180	516	301	7,781	592,683

Right-of-use assets acquired under leasing arrangements amounted to \$73,113,000 (31 December 2022: \$76,366,000) are presented together with the owned assets of the same class.

Company

During the financial year ended 31 December 2023, the Company acquired property, plant and equipment and right-of-use assets amounting to \$1,941,000 and \$5,569,000 respectively and disposed assets with carrying value of \$9,000.

- (a) During the financial year ended 31 December 2023, the Group's management approved the sale of a hotel property in Perth, Australia and reclassified the hotel to non-current asset classified as held-for-sale.

E. NOTES TO THE INTERIM FINANCIAL STATEMENTS (continued)

11. Property, plant and equipment (continued)

Valuation processes, techniques and inputs used in Level 3 fair value measurements

The Group engages external, independent and qualified valuers to determine the fair value of the Group's land and buildings classified as property, plant and equipment, on an annual basis and whenever their carrying amounts are likely to differ materially from their revalued amounts, based on the properties' highest and best use.

At the end of each financial reporting period, management will assess whether the fair values of the Group's properties remain appropriate and engage external, independent and qualified valuers when deemed necessary. The valuation techniques and key inputs that were used to determine the fair value, categorised under Level 3 of the fair value hierarchy were described in Note 20(d) of the Group's annual financial statements for the year ended 31 December 2022.

External valuers were engaged for all the valuations of the Group's properties for the valuations as at 31 December 2023. The same valuation techniques and key inputs were used by the valuers. As at 31 December 2023, the total freehold land and buildings of the Group amounted to \$479,717,000 (31 December 2022: \$500,545,000).

12. Intangible assets

	Group	
	31 December 2023 \$'000	31 December 2022 \$'000
Goodwill arising from acquisition of hospitality businesses (Note (a))	37,257	37,257
Hospitality lease and management agreements (Note (b))	63,802	66,086
	101,059	103,343

(a) Goodwill arising from acquisition of hospitality businesses

	Group	
	31 December 2023 \$'000	31 December 2022 \$'000
<i>Cost</i>		
Beginning of financial year	55,706	56,695
Currency translation differences	-	(989)
End of financial year	55,706	55,706
<i>Accumulated impairment</i>		
Beginning of financial year	18,449	13,972
Currency translation differences	-	(633)
Impairment (Note 5.1)	-	5,110
End of financial year	18,449	18,449
Net book value	37,257	37,257

E. NOTES TO THE INTERIM FINANCIAL STATEMENTS (continued)

12. Intangible assets (continued)

(a) Goodwill arising from acquisition of hospitality businesses (continued)

Impairment assessment of goodwill

Goodwill is allocated to the Management services cash-generating-unit (“CGU”) within the Group’s hospitality business. The recoverable amount of the Management services CGU was determined based on fair value less cost to sell (“FVLCTS”).

The FVLCTS adopted by the Group was computed using the average of the values derived from the following two Level 3 valuation techniques based on management’s estimates:

- Discounted Cash Flow (“DCF”) method
- Guideline Public Company (“GPC”) method

For further information, please refer to Note 23(a)(i) in the Group’s annual financial statements for the financial year ended 31 December 2022.

Significant estimates

DCF method

Cash flow projections used in the DCF were based on financial projections approved by management covering a five-year (31 December 2022: five-year) period. Key assumptions used for the analysis of the CGU included stabilised cash flows returning to pre COVID-19 level and full year contribution of new pipelines in 2025. Inflationary costs have also been factored in for the cash flow projections. Terminal growth rate of 1.9% (31 December 2022: 1.9%) and post-tax discount rate of 9.4% (31 December 2022: 9.4%) were used for the purpose of impairment testing.

GPC method

The key assumptions are the GPC multiples and normalised earnings. Normalised earnings are based on 2025 projections, in line with the expectation of the recovery period from COVID-19 and stabilised state of operations, aligned to the cash flows used under the DCF method. The CGU’s normalised earnings were determined by management based on past performance and its expectations of market developments.

Based on management’s assessment of the recoverable amount as at 31 December 2023, no impairment charge was recognised.

(b) Hospitality lease and management agreements

	Group	
	31 December 2023 \$’000	31 December 2022 \$’000
<i>Cost</i>		
Beginning of financial year	98,692	99,078
Currency translation differences	-	(386)
End of financial year	98,692	98,692
<i>Accumulated amortisation and impairment</i>		
Beginning of financial year	32,606	30,396
Currency translation differences	-	(384)
Amortisation charge included within “Cost of sales” in profit or loss (Note 5.1)	2,284	2,594
End of financial year	34,890	32,606
Net book value	63,802	66,086

E. NOTES TO THE INTERIM FINANCIAL STATEMENTS (continued)

13. Borrowings

	Group		Company	
	31 December 2023 \$'000	31 December 2022 \$'000	31 December 2023 \$'000	31 December 2022 \$'000
Amount repayable in one year or less, or on demand (net of transaction costs)				
- Secured	89,422	81,929	-	-
- Unsecured	155,660	139,001	148,660	119,002
	245,082	220,930	148,660	119,002
Amount repayable after one year (net of transaction costs)				
- Secured	118,276	150,705	-	-
- Unsecured	238,989	230,575	238,989	230,575
	357,265	381,280	238,989	230,575
	602,347	602,210	387,649	349,577

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

14. Share capital

	Group and Company			
	Number of shares		Amount	
	31 December 2023 '000	31 December 2022 '000	31 December 2023 \$'000	31 December 2022 \$'000
Beginning of financial year and as of 30 June	474,726	464,534	535,958	525,053
Shares issued in-lieu of dividend	13,031	10,192	13,422	10,905
End of financial year	487,757	474,726	549,380	535,958

The Company does not have any convertibles or treasury shares as at 31 December 2023 and 2022.

The Company does not have any subsidiary that holds shares issued by the Company as at 31 December 2023 and 2022.

15. Dividend

	Company	
	31 December 2023 \$'000	31 December 2022 \$'000
Ordinary dividend paid		
Final dividend paid for in respect of the previous financial year of 4 cents per share (2022: 3 cents per share) using		
- new shares issued	13,422	10,905
- cash	5,567	3,031
	18,989	13,936

At the upcoming Annual General Meeting, a first and final dividend of 4 cents per share amounting to a total of \$19,510,000 will be recommended. These condensed financial statements do not reflect this dividend, which will be accounted for in equity attributable to equity holders of the Company as an appropriation of retained profits in the financial year ending 31 December 2024.

E. NOTES TO THE INTERIM FINANCIAL STATEMENTS (continued)

16. Capital commitments

Capital expenditures contracted for at the balance sheet date but not recognised in the financial statements are as follows:

	Group	
	31 December 2023 \$'000	31 December 2022 \$'000
Investment properties	160	21,765
Property, plant and equipment	2,207	1,567
	2,367	23,332

Included in capital commitment for investment properties as at 31 December 2022 was the commitment amounting to £13,246,000 (approximately \$21,477,000) for the PBSA acquisition, completed in May 2023.

17. Net asset value

	Group		Company	
	31 December 2023	31 December 2022	31 December 2023	31 December 2022
Net asset value per ordinary share based on total number of issued shares as at the end of the year	\$2.78	\$2.73	\$2.37	\$2.09

18. Fair value measurements

The table below presents assets and liabilities recognised and measured at fair value and classified by level of the following fair value measurement hierarchy:

- quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1);
- inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices) (Level 2); and
- inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3).

Fair value measurement disclosure of other assets that are recognised or measured at fair value, can be found in Note 10 and 11.

	Group		Company	
	31 December 2023 \$'000	31 December 2022 \$'000	31 December 2023 \$'000	31 December 2022 \$'000
<i>Assets</i>				
Derivative financial instruments – Level 2	7,544	12,749	3,793	6,572
Financial asset, at fair value through other comprehensive income (“FVOCI”) – Level 3	2,063	1,140	2,063	1,140
<i>Liabilities</i>				
Derivative financial instruments – Level 2	4,160	-	4,160	-

The Group’s policy is to recognise transfers into and transfers out of fair value hierarchy level as at the end of the reporting year. There were no transfers between Levels 1 and 2 during the year.

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. The Group uses a variety of methods and makes assumptions that are based on market conditions existing at each balance sheet date. The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows based on observable yield curves. These investments are classified as Level 2 and comprise debt investments and derivative financial instruments. In infrequent circumstances, where a valuation technique for these instruments is based on significant unobservable inputs, such instruments are classified as Level 3.

The fair values of current financial assets and liabilities carried at amortised cost approximate their carrying amounts.

E. NOTES TO THE INTERIM FINANCIAL STATEMENTS (continued)

18. Fair value measurements (continued)

For the investment classified as FVOCI, it is an unlisted equity security measured at fair value at each reporting period. The Group has elected to recognise changes in fair value of equity securities not held for trading in other comprehensive income as these are strategic investments and the Group considers this to be more relevant.

The Group estimates the fair value of its unlisted equity security classified as FVOCI based on its share of the investee company's net asset value ("NAV"), which is a significant unobservable input. NAV is determined by reference to the attributable net assets of the investee company based on the latest available financial statements, adjusted, where applicable, for valuations of the underlying investment properties held by the investee determined primarily by independent and professional valuers.

Management reviews the appropriateness of the methodologies used to determine NAV, and evaluates the appropriateness and reliability of inputs (including those developed internally by management) used in the determination of NAV.

As at 31 December 2023, the Group has committed equity of \$1,856,000 to provide funding if called, to the unlisted equity security.

19. Segment information

Management has determined the operating segments based on the reports reviewed by the Group Chief Executive Officer for performance measurement and resource allocation.

The Group operates its hospitality business across three segments.

(i) Management services

The management services segment includes all of the hospitality properties that the Group manages directly in Singapore, Japan, and Malaysia.

(ii) Operations

The operations segment includes leased properties in Singapore and Australia and the Group's investment in Toga Trust and the REIT Manager of Far East Hospitality Trust.

(iii) Property ownership

The property ownership segment includes hospitality properties located in Australia, Germany, Denmark, Malaysia and Japan that are owned directly by the Group or through the Group's investments in joint ventures.

The Group manages its property business across three segments.

(i) Student accommodation

Student accommodation segment includes properties located in United Kingdom that are owned directly or held through a joint venture by the Group and includes those under development, that are held for rentals or/and long-term capital appreciation.

(ii) Development

The development segment includes all unsold completed properties that are held through either joint ventures or joint operations, medical suites that are held for sale and the residential/commercial units that are held for sale in United Kingdom. Rental income from the leasing of properties held for sale, if any, is included under the investment segment on the reports reviewed by the Group's Group Chief Executive Officer.

(iii) Investment

The investment segment includes medical suites, and some offices that are held for rentals or/and long-term capital appreciation.

There was no revenue from transactions with a single external customer that accounts for 10% or more of the Group's revenue for the full year ended 31 December 2023 and 2022.

E. NOTES TO THE INTERIM FINANCIAL STATEMENTS (continued)

19. Segment information (continued)

The segment information provided to the Group Chief Executive Officer for the reportable segments are as follows:

	Hospitality			Property			Total
	Management services	Operations	Property ownership	Student accommodation	Development	Investment	
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	
<u>2023</u>							
Total segment revenue	29,583	45,678	55,079	46,390	-	10,312	187,042
Inter-segment revenue	(3,422)	-	-	-	-	-	(3,422)
Revenue from external parties	<u>26,161</u>	<u>45,678</u>	<u>55,079</u>	<u>46,390</u>	<u>-</u>	<u>10,312</u>	<u>183,620</u>
Operating profit/(loss)	6,349	9,226	2,359	21,668	(738)	7,804	46,668
Share of profit/(loss) of:							
- associated companies	-	2,937	-	-	-	-	2,937
- joint ventures	-	1,495	1,797	(182)	5,173	-	8,283
Total operating profit	<u>6,349</u>	<u>13,658</u>	<u>4,156</u>	<u>21,486</u>	<u>4,435</u>	<u>7,804</u>	<u>57,888</u>
Corporate expenses							(5,229)
Interest income							6,796
Finance expense							(33,897)
Others*							54,815
Profit before income tax							80,373
Income tax expense							(14,312)
Profit after income tax							<u>66,061</u>
<u>As at 31 December 2023</u>							
Segment assets	115,396	401,200	233,012	700,130	174,979	308,182	1,932,899
Investments in associated companies	-	31,865	-	-	-	-	31,865
Investments in joint ventures	-	175,722	93,542	2,582	200,848	-	472,694
	<u>115,396</u>	<u>608,787</u>	<u>326,554</u>	<u>702,712</u>	<u>375,827</u>	<u>308,182</u>	<u>2,437,458</u>
Corporate assets (Note (a))							177,690
Total assets							<u>2,615,148</u>
Segment assets include:							
Additions to:							
- Investment properties	-	-	-	23,302	-	-	23,302
- Property, plant and equipment	262	159	2,122	-	-	-	2,543

* Material and non-cash items are disclosed as "Other gains/(losses) and impairment losses – net" (Note 5.1).

(a) During the year ended 31 December 2023, the Group acquired property, plant and equipment amounting to \$7,456,000 under Corporate assets segment.

E. NOTES TO THE INTERIM FINANCIAL STATEMENTS (continued)

19. Segment information (continued)

	Hospitality			Property			Total
	Management services	Operations	Property ownership	Student accommodation	Development	Investment	
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<u>2022</u>							
Total segment revenue	20,752	28,230	43,600	40,773	-	9,841	143,196
Inter-segment revenue	(2,228)	-	-	-	-	-	(2,228)
Revenue from external parties	18,524	28,230	43,600	40,773	-	9,841	140,968
Operating profit/(loss)	1,215	4,612	(2,143)	20,760	(1,570)	7,424	30,298
Share of profit/(loss) of:							
- associated companies	-	3,122	-	-	-	-	3,122
- joint ventures	-	13,860	4,374	(255)	2,617	-	20,596
Total operating profit/(loss)	1,215	21,594	2,231	20,505	1,047	7,424	54,016
Corporate expenses							(4,969)
Interest income							2,560
Finance expense							(20,895)
Others*							(7,816)
Profit before income tax							22,896
Income tax expense							(1,420)
Profit after income tax							21,476
<u>As at 31 December 2022</u>							
Segment assets	117,336	416,746	241,390	590,862	177,674	286,694	1,830,702
Investments in associated companies	-	27,233	-	-	-	-	27,233
Investments in joint ventures	-	191,005	91,116	2,671	195,676	-	480,468
	117,336	634,984	332,506	593,533	373,350	286,694	2,338,403
Corporate assets							196,831
Total assets							2,535,234
Segment assets include:							
Additions to:							
- Investments in joint ventures	-	-	-	3,042	-	-	3,042
- Investment properties	-	-	9	4,669	-	-	4,678
- Property, plant and equipment	457	73	1,011	-	-	-	1,541

* Material and non-cash items are disclosed as "Other gains/(losses) and impairment losses – net" (Note 5.1).

E. NOTES TO THE INTERIM FINANCIAL STATEMENTS (continued)

19. Segment information (continued)

Geographical information

The Group's six business segments operate in four main geographical areas:

- Singapore – the Company is headquartered and has operations in Singapore. The operations in this area are principally the management of hospitality properties, hotel operations, property development, property investment and investment holding.
- Australia – the operations in this area are principally the management of hospitality properties, hotel operations and property ownership.
- United Kingdom – the operations in this area are principally student accommodation and property development.
- Other countries – the operations include hotel operations and property ownership in Malaysia and Japan and property ownership in Germany and Denmark.

	Revenue	
	12 months ended 31 December	
	2023	2022
	\$'000	\$'000
Singapore	71,954	51,883
Australia	56,060	45,075
United Kingdom	47,532	41,331
Other countries	8,074	2,679
	183,620	140,968

	Non-current assets	
	31 December	31 December
	2023	2022
	\$'000	\$'000
Singapore	1,035,186	1,012,022
Australia	348,125	378,696
United Kingdom	644,850	556,388
Other countries	134,026	132,973
	2,162,187	2,080,079

F. OTHER INFORMATION

1. Review

The condensed consolidated statement of financial position of Far East Orchard Limited and its subsidiaries as at 31 December 2023 and the related condensed consolidated statement of comprehensive income, condensed consolidated statement of changes in equity, statement of changes in equity of the Company and condensed consolidated statement of cash flows for the six-month period and year then ended and certain explanatory notes have not been audited or reviewed by the Company's auditor.

2. Review of performance of the Group

(a) Group performance review for the six months and full year ended 31 December 2023 ("2H FY23" and "FY23")

Revenue

Revenue for 2H FY23 of \$92.8 million (2H FY22: \$77.3 million) was higher by \$15.5 million (20.0%) due to the improved operating performance of both the hospitality and PBSA business segments.

For FY23, revenue increased by \$42.6 million (30.3%) to \$183.6 million (FY22: \$141.0 million), mainly contributed by the stronger performance of the hospitality business segments as international and corporate travel continued to recover. Revenue from the hospitality business segments increased by \$36.5 million (40.5%) to \$126.9 million (FY22: \$90.4 million) driven by both higher occupancies and room rates, since the re-opening of the borders from the second quarter of FY2022.

Revenue from the PBSA segment increased \$5.6 million (13.8%) in FY23 to \$46.4 million (FY22: \$40.8 million) as the portfolio achieved higher occupancy and rental growth for the academic year which commenced in September 2022 ("AY22/23"). This was contributed by supply shortage and rise in student numbers, resulting in the strong demand for student accommodation in the UK. The PBSA business segment achieved a portfolio occupancy rate of 99% for AY22/23 (AY21/22: 86%). In addition, the newly acquired PBSA asset in Southampton ("PBSA Acquisition") also contributed to the higher revenue in 2H FY23 and FY23.

Gross profit

Gross profit increased by \$4.9 million (12.2%) to \$45.1 million in 2H FY23 (2H FY22: \$40.2 million) and \$18.0 million (24.6%) to \$91.1 million in FY23 (FY22: \$73.1 million) due to the increase in revenue, partially offset by the higher operating costs in an inflationary operating environment.

Other income

Other income included interest income from bank deposits. The Group's other income increased by \$2.3 million to \$4.5 million in 2H FY23 (2H FY22: \$2.2 million) and \$4.9 million to \$8.0 million in FY23 (FY22: \$3.1 million) mainly due to higher interest income from higher bank deposits rates in 2H FY23 and FY23.

Other gains/losses and impairment losses – net

The Group recognised net gains of \$57.8 million in 2H FY23 (2H FY22: net losses of \$4.3 million). For FY23, total net gains of \$54.8 million were recognised (FY22: net losses of \$7.8 million).

The net gains recognised in 2H FY23 and FY23 were primarily due to the fair value gains on investment properties of \$58.3 million compared to S\$2.6 million in 2H FY22 and FY22. The fair value gains were mainly from the Group's PBSA portfolio, amounting to approximately S\$50.6 million. The gains recognised were partially offset by an impairment loss on a development held for sale in the UK totaling \$7.6 million (FY22: S\$3.2 million) due to the slowdown of the UK housing market caused by the high interest rate environment. The Group also recognised lower unrealised currency losses in 2H FY23 and FY23 compared to 2H FY22 and FY22.

F. OTHER INFORMATION (continued)

2. Review of performance of the Group (continued)

(a) Group performance review for the six months and full year ended 31 December 2023 ("2H FY23" and "FY23")
(continued)

Expenses

Total expenses increased by \$8.7 million to \$47.0 million in 2H FY23 (2H FY22: \$38.3 million). For FY23, total expenses increased by \$15.5 million to \$84.7 million (FY22: \$69.2 million). The increase was mainly due to higher finance expenses stemming from the higher bank borrowing rates. Operating expenses also increased due to the higher staff cost and the inflationary operating environment. The increase was partially offset by lower marketing expenses. Higher marketing expenses were incurred in FY22 for the sales launch of the development in the UK.

Share of profit of associated companies and joint ventures

The Group's share of profit of associated companies for 2H FY23 increased by \$0.2 million to \$1.5 million (2H FY22: \$1.3 million) mainly due to higher distribution income received by an associated company. For FY23, the Group's share of profit of associated companies decreased by \$0.2 million to \$2.9 million (FY22: \$3.1 million) mainly due to a one-off divestment fee received by the associated company in FY22.

The share of profit of joint ventures of the Group for 2H FY23 was \$8.2 million (2H FY22: \$10.5 million). For FY23, the share of profit of joint ventures was \$8.3 million (FY22: \$20.6 million). The share of profit recognised for the joint ventures was higher in FY22 due to recognition of a one-off gain from the derecognition of lease liabilities and government grants received by the Australia and Europe hospitality joint ventures. Excluding the gain and grants, the share of profit of the joint ventures would have been higher for FY23 as the operating performance of the hospitality joint ventures continued to improve, driven by the continual strong recovery of the hospitality business.

Income tax expense

The income tax expense was higher in 2H FY23 and FY23 mainly due to higher taxable income and the deferred tax recognised on the fair value gains of the investment properties.

Profit after income tax and profit attributable to equity holders of the Company

The Group recorded a profit after income tax of \$58.4 million in 2H FY23 compared to \$12.7 million in 2H FY22. For FY23, the Group's profit after income tax increased to \$66.1 million (FY22: \$21.5 million). While the operating businesses recorded higher operating profit from the improvement in the operating performance, the higher profit after tax in 2H FY23 and FY23 was mainly attributed to the fair value gains on investment properties recognised.

Profit attributable to equity holders of the Company of \$57.7 million for 2H FY23 was \$44.1 million higher than the \$13.9 million in 2H FY22. For FY23, profit attributable to equity holders of \$65.9 million was \$44.2 million higher than the \$21.9 million in FY22.

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

Cash flow and working capital

The Group utilised cash and cash equivalents of \$5.3 million for FY23 compared to \$9.6 million in FY22 due to higher cash used in investing and financing activities offset by higher cash generated from operating activities.

Net cash inflows from operating activities of the Group for FY23 were higher at \$60.4 million compared to \$37.3 million for FY22, mainly due to the higher operating profits.

Net cash used in the investing activities of the Group for FY23 was \$4.9 million compared to net cash generated of \$0.6 million for FY22. The higher net cash used in the investing activities in FY23 was mainly due to the PBSA Acquisition, offset by higher dividends received from joint ventures and the higher interest income received.

Net cash outflows from financing activities of the Group for FY23 were higher at \$60.7 million compared to \$47.5 million for FY22. The net cash outflows in FY23 were higher mainly due to the higher interest paid on borrowings and partial repayments of bank borrowings (to mitigate the rising borrowing costs) during the year, partially offset by the drawdown of borrowings to finance the PBSA Acquisition.

F. OTHER INFORMATION (continued)

2. Review of performance of the Group (continued)

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

Assets

Total assets as at 31 December 2023 were \$2,615.1 million, an increase of \$79.9 million from the prior year. The increase was mainly due to the increase in valuation of the investment properties and the addition of the newly acquired PBSA asset. The strengthening of GBP against SGD also had positive translation effects on both properties held for sale and investment properties.

The increase in total assets was partially offset by the decrease in properties held for sale following the impairment charge recognised on the development held for sale in the UK, and the lower carrying value of investments in joint ventures due to the dividends distributed and received during the year. The weakening of AUD against SGD also had negative translation effects on the carrying value of property, plant and equipment and the investment in joint ventures. Cash and bank balances decreased primarily due to the higher cash used in financing activities.

Liabilities

Total liabilities as at 31 December 2023 were \$1,249.3 million, an increase of \$17.5 million from the prior year, primarily due to currency translation impact on the GBP denominated borrowings and drawdown of borrowings to finance the PBSA Acquisition. These increases were partly offset by partial repayments of bank borrowings, to mitigate the rising borrowing costs.

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

No forecast has been disclosed.

4. 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.

Outlook

According to the International Monetary Fund (“IMF”), the upside and downside risks to global growth are broadly balanced – on the upside, faster disinflation may lead to easing of financial conditions; on the downside, geopolitical conflicts, supply disruptions or more persistent underlying inflation could prolong tight monetary conditions. Nevertheless, the IMF has raised its global growth projection to 3.1% in 2024. This is followed by a forecasted 3.2% expansion in 2025. Both 2024 and 2025 forecasts remain below the historical average of 3.8%.¹

Hospitality Business

While 2023 reflected a strong recovery, the Group is cautiously optimistic of the outlook of the hospitality business.

In 2023, global tourism maintained its strong recovery despite economic and geopolitical challenges, with international arrival numbers in 2023 reaching 88% of pre-pandemic levels.² The United Nations World Tourism Organization (“UNWTO”) expects international tourism to fully recover to pre-pandemic levels in 2024² (subject to the pace of recovery in Asia and the evolution of existing economic and geopolitical downside risks).

Singapore welcomed 13.6 million international arrivals³, significantly higher than the 2022 figure of 6.3 million. This is expected to continue to increase to between 15 million and 16 million in 2024, which is below the pre-pandemic level of 19.1 million.³

Economic and geopolitical challenges pose a threat to a sustained recovery of international tourism and confidence levels. Specifically, persistent inflation, high-interest rates, volatile oil prices and trade disruptions may impact transport and accommodation costs in 2024.¹ Consequently, weak consumer sentiment and high costs will impact travel behaviour, challenging the Group's positive medium-term outlook.

F. OTHER INFORMATION (continued)

4. 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. (continued)

PBSA Business

The demand for PBSA is expected to remain strong in 2024, underpinned by a record-high student population and acute supply shortage, with the market experiencing a current shortfall of 580,000 beds.⁴

UK remains a key global destination for students looking to study abroad. Sustained student demand growth and an imbalance in the demand/supply of student housing will continue to fuel rental growth, with annual student applications projected to reach 1 million by 2030 from 760,000 in 2022.⁵ As such, the Group believes the PBSA market has much room to grow for the foreseeable future and will actively explore this business segment.

¹IMF. "Moderating Inflation and Steady Growth Open Path to Soft Landing." 30 January 2024.

²UNWTO. "International Tourism to Reach Pre-Pandemic Levels in 2024 (unwto.org)." 19 January 2024.

³The Business Times. "Singapore expects to see 15 million to 16 million visitors in 2024, below pre-Covid levels". 1 February 2024.

⁴CBRE. "CBRE Real Estate Market Outlook 2024 | UK". 2024.

⁵UCAS. "UCAS asks: How do we accommodate a million applicants?". 18 May 2023.

5. In the review of performance, the factors leading to any material changes in contributions to turnover and earnings by the operating segments.

Material changes in contributions to sales and operating profit are explained in paragraph 2(a).

6. Dividend

(a) Current Financial Period Reported On

The Board of Directors is pleased to recommend the following dividend in respect of the financial year ended 31 December 2023 for approval by shareholders at the next Annual General Meeting to be convened:

Name of Dividend	- First and final (One-tier tax exempt)
Dividend Type	- Cash or share in-lieu
Dividend Amount Per Share	- 4 cents – First and final dividend

(b) Corresponding Period of the Immediately Preceding Financial Year

The following dividend was declared and paid in respect of financial year ended 31 December 2022 ("FY2022 Dividend") as approved by shareholders at the Annual General Meeting held at 19 April 2023:

Name of Dividend	- First and final (One-tier tax exempt)
Dividend Type	- Cash or share in-lieu
Dividend Amount Per Share	- 3 cents – First and final dividend
Name of Dividend	- Special (One-tier tax exempt)
Dividend Type	- Cash or share in-lieu
Dividend Amount Per Share	- 1 cent - Special dividend

13,031,538 new shares amounting to \$13,422,000 have been allotted and issued on 28 June 2023 to the eligible shareholders who had elected to participate in the Scrip Dividend Scheme ("Scheme") in respect of the FY2022 Dividend. Shareholders who did not participate in the Scheme were paid the FY2022 Dividend in cash amounting to \$5,567,000 on 28 June 2023.

(c) Date payable

To be announced later.

(d) Record date

To be announced later.

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

Not applicable.

F. OTHER INFORMATION (continued)

8. Interested person transactions

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 year under review (excluding transactions less than \$100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920)
		Full year ended 31 December 2023 \$'000	Full year ended 31 December 2023 \$'000
<u>Agape Services Pte. Ltd.</u> Supply of goods and services	Associate of controlling shareholder	(898)	-
<u>Boo Han Holdings Pte. Ltd.</u> Hospitality management income	Associate of controlling shareholder	589	-
<u>China Classic Pte Ltd</u> Hospitality management income	Associate of controlling shareholder	1,360	-
<u>Dollar Land Singapore Private Limited</u> Hospitality management income	Associate of controlling shareholder	262	-
<u>Far East Hospitality Real Estate Investment Trust</u> Management income ⁶ Rental expense on operating leases - offices - hotels and serviced residences	Associate of controlling shareholder	3,531 (775) (20,437)	- - -
<u>Far East Management (Private) Limited</u> Management service fees Hospitality services	Associate of controlling shareholder	(1,956) (606)	- -
<u>Far East Organization Centre Pte Ltd</u> Hospitality management income	Associate of controlling shareholder	1,687	-
<u>Far East Real Estate Agency Pte. Ltd.</u> Property management services Sales and marketing services	Associate of controlling shareholder	(508) (117)	- -
<u>Far East Rocks Pty Ltd</u> Rental expense on operating leases - hotel	Associate of controlling shareholder	(904)	-
<u>Far East Soho Pte. Ltd.</u> Hospitality management income	Associate of controlling shareholder	994	-
<u>Far East SR Trustee Pte Ltd</u> Hospitality management income	Associate of controlling shareholder	467	-
<u>Fontaine Investment Pte Ltd</u> Hospitality management income	Associate of controlling shareholder	1,670	-

⁶Pursuant to the trust deed constituting Far East Hospitality Real Estate Investment Trust ("Far East H-REIT") (the "Trust Deed") and entered into between FEO Hospitality Asset Management Pte. Ltd. ("FEOHAM") (in its capacity as the manager of Far East H-REIT) and DBS Trustee Limited (in its capacity as the trustee of Far East H-REIT), FEOHAM is entitled to a management fee comprising a base fee of 0.28% 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 or the annual distributable amount (as defined in the Trust Deed) in the relevant year, whichever is lower. During the financial year ended 31 December 2023, the Company was a 33% shareholder of FEOHAM and this amount represents 33% of the management fees received during the financial period, being the value at risk to the Group.

F. OTHER INFORMATION (continued)

8. Interested person transactions (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 year under review (excluding transactions less than \$100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920)
		Full year ended 31 December 2023 \$'000	Full year ended 31 December 2023 \$'000
<u>Golden Development Private Limited</u> Hospitality management income	Associate of controlling shareholder	1,964	-
<u>Golden Landmark Pte. Ltd.</u> Hospitality management income	Associate of controlling shareholder	1,018	-
<u>Orchard Mall Pte. Ltd.</u> Hospitality management income	Associate of controlling shareholder	606	-
<u>Orchard Parksuites Pte Ltd</u> Hospitality management income	Associate of controlling shareholder	1,207	-
<u>Oxley Hill Properties Pte Ltd</u> Hospitality management income	Associate of controlling shareholder	452	-
<u>Precious Treasure Pte Ltd</u> Hospitality management income	Associate of controlling shareholder	171	-
<u>Riverhub Pte Ltd</u> Rental expense on operating leases - offices	Associate of controlling shareholder	(365)	-
<u>Riverland Pte Ltd</u> Hospitality management income	Associate of controlling shareholder	354	-
<u>Sakuragicho Hospitality Kabushiki Kaisha</u> Hospitality management income	Associate of controlling shareholder	215	-
<u>Serene Land Pte Ltd</u> Hospitality management income	Associate of controlling shareholder	1,147	-
<u>Transurban Properties Pte. Ltd.</u> Hospitality management income	Associate of controlling shareholder	1,113	-

9. A breakdown of sales

	Group		Increase/ (Decrease) %
	Full year ended 31 December 2023 \$'000	Full year ended 31 December 2022 \$'000	
Sales reported for the first half year	90,863	63,663	42.7
Profit after tax before deducting non-controlling interests reported for first half year	7,638	8,033	(4.9)
Sales reported for the second half year	92,757	77,305	20.0
Profit after tax before deducting non-controlling interests reported for second half year	58,423	13,443	>100

F. OTHER INFORMATION (continued)

10. Disclosure of person occupying a managerial position in the issuer or any of its principal subsidiaries who is a relative of a director or chief executive officer or substantial shareholder of the issuer pursuant to Rule 704 (13) for the financial year ended 31 December 2023.

There are no persons occupying a managerial position in the Company or any of its principal subsidiaries who is a relative of a director or chief executive officer or substantial shareholder of the Company.

11. 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 Kah Sek
Chairman

28 February 2024

Alan Tang Yew Kuen
Group CEO and Executive Director