

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 2022

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A. CONDENSED INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	6 months ended 31 December			12 months ended 31 December		
		2022 \$'000	2021 \$'000	Increase/ (Decrease) %	2022 \$'000	2021 \$'000	Increase/ (Decrease) %
Revenue	4	77,305	51,882	49.0	140,968	106,828	32.0
Cost of sales		(37,110)	(30,353)	22.3	(67,862)	(60,183)	12.8
Gross profit		40,195	21,529	86.7	73,106	46,645	56.7
Other income							
- Interest income		1,918	497	>100	2,560	1,049	>100
- Others		276	6,800	(95.9)	576	8,964	(93.6)
Other (losses)/gains and impairment losses – net		(4,328)	45,993	nm	(7,816)	44,750	nm
Expenses							
- Distribution and marketing		(6,311)	(4,820)	30.9	(11,654)	(8,109)	43.7
- Administrative		(19,864)	(17,670)	12.4	(36,699)	(34,362)	6.8
- Finance		(12,085)	(8,714)	38.7	(20,895)	(17,107)	22.1
Share of profit/(loss) of							
- Associated companies		1,341	1,249	7.37	3,122	2,460	26.9
- Joint ventures		10,455	(10,816)	nm	20,596	(15,212)	nm
Profit before income tax	5	11,597	34,048	(65.9)	22,896	29,078	(21.3)
Income tax credit/(expense)	6	1,078	(11,396)	nm	(1,420)	(12,304)	(88.5)
Profit after income tax		12,675	22,652	(44.0)	21,476	16,774	28.0
Other comprehensive income/(loss):							
<i>Items that may be reclassified subsequently to profit or loss:</i>							
Cash flow hedges – Fair value gains		3,386	3,661	(7.5)	8,878	6,374	39.3
Share of other comprehensive income of joint ventures		518	1,882	(72.5)	5,693	3,814	49.3
Currency translation differences arising from consolidation							
- Losses		(12,984)	(7,662)	69.5	(27,810)	(8,794)	>100
- Reclassification		(1,627)	(1,391)	17.0	(1,627)	(1,391)	17.0
		(10,707)	(3,510)	>100	(14,866)	3	nm
<i>Items that will not be reclassified subsequently to profit or loss:</i>							
Share of other comprehensive (loss)/income of:							
- Associated companies		(644)	252	nm	952	(921)	nm
- Joint ventures		3,390	10,361	(67.3)	8,128	16,137	(49.6)
Revaluation gains on property, plant and equipment – net		6,561	9,169	(28.4)	5,497	7,851	(30.0)
Financial assets, at fair value through other comprehensive income (“FVOCI”) – Fair value losses – equity investments		(50)	-	nm	(50)	-	nm
Currency translation differences arising from consolidation		(3,559)	(2,785)	27.8	(6,358)	(3,786)	>100
Other comprehensive (loss)/income, net of tax		(5,009)	13,487	nm	(6,697)	19,284	nm
Total comprehensive income		7,666	36,139	(78.8)	14,779	36,058	(59.0)
Profit/(Loss) attributable to:							
Equity holders of the Company		13,885	29,994	(53.7)	21,918	28,127	(22.1)
Non-controlling interest		(1,210)	(7,342)	(83.5)	(442)	(11,353)	(96.1)
		12,675	22,652	(44.0)	21,476	16,774	28.0
Total comprehensive income/(loss) attributable to:							
Equity holders of the Company		10,908	40,077	(72.8)	17,431	43,080	(59.5)
Non-controlling interest		(3,242)	(3,938)	(17.7)	(2,652)	(7,022)	(62.2)
		7,666	36,139	(78.8)	14,779	36,058	(59.0)
Basic and diluted earnings per share for profit attributable to equity holders of the Company (cents per share)		2.92	6.46	(54.8)	4.67	6.12	(23.7)

nm: not meaningful

B. CONDENSED INTERIM STATEMENTS OF FINANCIAL POSITION

	Note	Group		Company	
		31 December 2022 \$'000	31 December 2021 \$'000	31 December 2022 \$'000	31 December 2021 \$'000
ASSETS					
Current assets					
Cash and bank balances	7	233,195	255,189	143,853	137,921
Trade and other receivables		45,014	23,845	180,151	175,993
Inventories		363	224	10	20
Properties held for sale	8	176,218	186,891	-	-
Non-current asset classified as held-for-sale	10	365	-	-	-
		455,155	466,149	324,014	313,934
Non-current assets					
Derivative financial instruments	18	12,749	4,578	6,572	2,774
Financial asset, at FVOCI	18	1,140	-	1,140	-
Other non-current assets		5,599	6,356	369,888	327,927
Investments in associated companies		27,233	23,159	696	696
Investments in joint ventures	9	480,468	470,212	300	300
Investments in subsidiaries		-	-	852,510	852,112
Investment properties	10	853,207	929,565	124,335	136,974
Property, plant and equipment	11	592,683	610,239	379,704	384,560
Intangible assets	12	103,343	111,405	-	-
Deferred income tax assets		3,657	3,721	2,630	2,577
		2,080,079	2,159,235	1,737,775	1,707,920
Total assets		2,535,234	2,625,384	2,061,789	2,021,854
LIABILITIES					
Current liabilities					
Trade and other payables		99,422	97,401	38,180	4,866
Current income tax liabilities		1,523	2,640	-	-
Lease liabilities		8,375	9,334	6,213	6,106
Borrowings	13	220,930	389,760	119,002	130,199
Deferred income		14,965	13,071	6,804	6,813
		345,215	512,206	170,199	147,984
Non-current liabilities					
Other payables		100,981	101,203	338,471	361,779
Lease liabilities		91,296	100,230	67,384	74,280
Borrowings	13	381,280	302,275	230,575	182,289
Deferred income		262,717	269,514	262,717	269,514
Deferred income tax liabilities		50,302	48,261	-	-
		886,576	821,483	899,147	887,862
Total liabilities		1,231,791	1,333,689	1,069,346	1,035,846
NET ASSETS		1,303,443	1,291,695	992,443	986,008
EQUITY					
Capital and reserves attributable to equity holders of the Company					
Share capital	14	535,958	525,053	535,958	525,053
Revaluation and other reserves		351,099	355,581	299,391	292,311
Retained profits		407,471	399,494	157,094	168,644
		1,294,528	1,280,128	992,443	986,008
Non-controlling interest		8,915	11,567	-	-
TOTAL EQUITY		1,303,443	1,291,695	992,443	986,008

C. CONDENSED INTERIM STATEMENTS OF CHANGES IN EQUITY

	Note	← 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	
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 relating to 2021	15	-	-	-	-	-	-	(3,031)	(3,031)	-	(3,031)
Shares issued in-lieu of cash for dividend relating to 2021		10,905	-	-	-	-	-	(10,905)	-	-	-
Transfer of share of associated company's fair value reserve upon disposal		-	-	-	-	5	-	(5)	-	-	-
Total transactions with owners, recognised directly in equity		10,905	-	-	-	5	-	(13,941)	(3,031)	-	(3,031)
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
2021											
Balance at 1 January 2021		515,234	13,977	361,651	(28,378)	(1,661)	(5,041)	385,101	1,240,883	18,589	1,259,472
Profit/(Loss) for the year		-	-	-	-	-	-	28,127	28,127	(11,353)	16,774
Other comprehensive income/(loss) for the year		-	-	17,016	(10,187)	(921)	9,045	-	14,953	4,331	19,284
Total comprehensive income/(loss) for the year		-	-	17,016	(10,187)	(921)	9,045	28,127	43,080	(7,022)	36,058
Dividend relating to 2020	15	-	-	-	-	-	-	(3,835)	(3,835)	-	(3,835)
Shares issued in-lieu of cash for dividend relating to 2020		9,819	-	-	-	-	-	(9,819)	-	-	-
Transfer of share of associated company's fair value reserve upon disposal		-	-	-	-	80	-	(80)	-	-	-
Total transactions with owners, recognised directly in equity		9,819	-	-	-	80	-	(13,734)	(3,835)	-	(3,835)
Balance at 31 December 2021		525,053	13,977	378,667	(38,565)	(2,502)	4,004	399,494	1,280,128	11,567	1,291,695

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
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 (loss)/income 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
2021								
Balance at 1 January 2021		515,234	288,788	-	-	(336)	195,409	999,095
Loss for the year		-	-	-	-	-	(13,111)	(13,111)
Other comprehensive income for the year		-	749	-	-	3,110	-	3,859
Total comprehensive income/(loss) for the year		-	749	-	-	3,110	(13,111)	(9,252)
Dividend relating to 2020	15	-	-	-	-	-	(3,835)	(3,835)
Shares issued in-lieu of cash for dividend relating to 2020		9,819	-	-	-	-	(9,819)	-
Total transactions with owners, recognised directly in equity		9,819	-	-	-	-	(13,654)	(3,835)
Balance at 31 December 2021		525,053	289,537	-	-	2,774	168,644	986,008

D. CONDENSED INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS

	Note	Twelve months ended	
		31 December	
		2022	2021
		\$'000	\$'000
Cash flows from operating activities			
Profit after income tax		21,476	16,774
Adjustments for:			
Income tax expense		1,420	12,304
Depreciation of property, plant and equipment	5	17,639	20,095
Amortisation of intangible assets	5	2,594	2,705
(Gain)/Loss on disposal of property, plant and equipment	5	(18)	6
Gain on disposal of investment properties	5	(5,638)	-
Gain on disposal of reversionary interest in a property	5	(1,800)	-
Gain on re-measurement of lease liability	5	(45)	(5,116)
Loss on derecognition of financial asset	5	30	-
Fair value gains on investment properties	5	(2,610)	(43,940)
Revaluation (gains)/losses on property, plant and equipment	5	(2,292)	51
Impairment of properties held for sale - net	5	3,151	102
Impairment of property, plant and equipment	5	2	191
Impairment of goodwill	5	5,110	-
Impairment of advances to a joint venture	5	68	-
Interest income	5	(2,560)	(1,049)
Finance expenses	5	20,895	17,107
Share of profit of associated companies		(3,122)	(2,460)
Share of (profit)/loss of joint ventures		(20,596)	15,212
Reclassification of exchange differences of subsidiaries upon disposal	5	-	(1,391)
Reclassification of exchange differences of advances upon realisation	5	(1,627)	-
Unrealised currency translation losses		13,435	5,288
		45,512	35,879
Change in working capital:			
Trade and other receivables		(5,330)	(1,376)
Inventories		(153)	35
Properties held for sale		(16)	(7,982)
Trade and other payables		(492)	(7,736)
Cash generated from operations		39,521	18,820
Interest paid		(135)	(135)
Income tax paid – net		(2,120)	(2,100)
Net cash provided by operating activities		37,266	16,585
Cash flows from investing activities			
Additions to property, plant and equipment		(1,086)	(10,013)
Proceeds from disposal of property, plant and equipment		21	-
Additions to investment properties		(4,678)	(2,102)
Proceeds from disposal of investment properties		18,728	-
Investment in a financial asset, at FVOCI		(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		(16,309)	(918)
Repayment of advances from a joint venture		833	-
Dividends received from joint ventures		5,578	-
Interest received		1,271	998
Net cash provided by/(used in) investing activities		629	(12,035)

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

		Twelve months ended 31 December	
	Note	2022 \$'000	2021 \$'000
Cash flows from financing activities			
Proceeds from borrowings		196,390	137,789
Repayment of borrowings		(214,314)	(129,618)
Principal payment of lease liabilities		(9,053)	(12,197)
Interest paid on lease liabilities		(6,199)	(8,375)
Interest paid on borrowings		(14,427)	(8,669)
Dividends paid to equity holders of the Company	15	(3,031)	(3,835)
Net cash used in financing activities		(50,634)	(24,905)
Net decrease in cash and cash equivalents		(12,739)	(20,355)
Cash and cash equivalents			
Beginning of financial year		255,189	278,382
Less: Bank deposits pledged		(25,523)	(28,679)
Effects of currency translation on cash and cash equivalents		(9,255)	(2,838)
End of financial year	7	207,672	226,510

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 ended 31 December 2022 comprise the Company and its subsidiaries (the "Group").

2. Basis of preparation

The condensed interim financial statements for the six months and full year ended 31 December 2022 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. 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 since the last interim financial statements for the period ended 30 June 2022.

The accounting policies adopted are consistent with those of the previous financial year 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

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 2021, except for the adoption of new or revised SFRS(I) and Interpretations of SFRS(I) ("INT SFRS(I)") that are mandatory for the financial year beginning on or after 1 January 2022. The adoption of these SFRS(I) and INT SFRS(I) has no significant impact on the Group.

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 2021.

Estimates, assumptions and judgements are continually evaluated 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:

- 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
- Note 9 – Valuation of investment in a joint venture, Toga Hotel Holdings Unit Trust

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 2022.

E. NOTES TO THE INTERIM FINANCIAL STATEMENTS (continued)

4. Revenue

	Group			
	6 months ended 31 December		12 months ended 31 December	
	2022 \$'000	2021 \$'000	2022 \$'000	2021 \$'000
Revenue from contracts with customers	53,210	28,451	87,981	56,568
Rental income	24,095	23,431	52,987	50,260
	77,305	51,882	140,968	106,828

Disaggregation of revenue from contracts with customers

The Group derives revenue from the transfer of goods and services at a point in time and 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	
	2022 \$'000	2021 \$'000	2022 \$'000	2021 \$'000
Hospitality ownership and operations				
- Singapore	14,982	9,951	24,240	18,199
- Australia	26,081	10,424	42,699	21,804
- New Zealand	-	981	-	2,969
- Other countries	1,579	417	2,518	712
	42,642	21,773	69,457	43,684
Hospitality management and other related fees received/receivable				
Singapore				
- Other related parties	10,429	6,632	18,311	12,838
- Non-related parties	31	-	52	-
Other countries				
- Other related parties	108	46	161	46
Total revenue from contracts with customers	53,210	28,451	87,981	56,568

5. Profit/Loss before income tax

5.1 Significant items

	Group					
	6 months ended 31 December			12 months ended 31 December		
	2022 \$'000	2021 \$'000	Increase/ (Decrease) %	2022 \$'000	2021 \$'000	Increase/ (Decrease) %
The following items were credited/(charged) to the income statement:						
<u>Other income</u>						
Interest income from bank deposits (Note (a))	1,864	435	>100	2,444	927	>100
Interest income from advances to joint venture	54	62	(12.9)	116	122	(4.9)
Government grant income (Note (b))	30	6,246	(99.5)	242	8,313	(97.1)
<u>Cost of sales and administrative expenses</u>						
Depreciation of property, plant and equipment						
- right-of-use assets (Note (c), Note 11)	(4,291)	(5,485)	(21.8)	(8,722)	(11,474)	(24.0)
- other property, plant and equipment (Note (d), Note 11)	(4,175)	(4,417)	(5.5)	(8,917)	(8,621)	3.4
Amortisation of intangible assets (Note 12(b))	(1,241)	(1,352)	(8.2)	(2,594)	(2,705)	(4.1)
Allowance for impairment losses on trade receivables	(523)	(93)	>100	(852)	(171)	>100

E. NOTES TO THE INTERIM FINANCIAL STATEMENTS (continued)

5. Profit/Loss before income tax (continued)

5.1 Significant items (continued)

	Group					
	6 months ended 31 December			12 months ended 31 December		
	2022 \$'000	2021 \$'000	Increase/ (Decrease) %	2022 \$'000	2021 \$'000	Increase/ (Decrease) %
The following items were credited/(charged) to the income statement: (continued)						
<u>Other (losses)/gains and impairment losses – net</u>						
Impairment of:						
– properties held for sale (Note (i), Note 8)	(3,151)	(102)	>100	(3,151)	(102)	>100
– advances to a joint venture	-	-	0.0	(68)	-	nm
– other property, plant and equipment (Note 11)	(2)	(191)	(99.0)	(2)	(191)	(99.0)
– goodwill (Note (j), Note 12)	(5,110)	-	nm	(5,110)	-	nm
Fair value gains on investment properties – net (Note 10)	2,610	43,940	(94.1)	2,610	43,940	(94.1)
Gain on re-measurement of lease liability (Note (e))	37	5,116	(99.3)	45	5,116	(99.1)
Loss on derecognition of financial asset	(30)	-	nm	(30)	-	nm
Gain on sale of reversionary interest in a property (Note (e))	-	-	0.0	1,800	-	nm
Revaluation gains/(losses) on property, plant and equipment (Note 11)	2,292	529	>100	2,292	(51)	nm
Currency exchange losses – net	(8,257)	(4,684)	76.3	(13,485)	(5,347)	>100
Reclassification of exchange differences of subsidiaries upon disposal (Note (f))	-	1,391	nm	-	1,391	nm
Reclassification of exchange differences of advances upon realisation (Note (g))	1,627	-	nm	1,627	-	nm
Gain/(Loss) on disposal of:						
– property, plant and equipment (Note 11)	18	(6)	nm	18	(6)	nm
– investment properties (Note (h))	5,638	-	nm	5,638	-	nm
<u>Finance expenses</u>						
Interest expense for:						
– bank borrowings (Note (a))	(9,810)	(3,730)	>100	(15,066)	(6,986)	>100
– advances from non-controlling interests	(669)	(669)	0.0	(1,327)	(1,327)	0.0
– lease liabilities	(3,041)	(4,113)	(26.1)	(6,199)	(8,375)	(26.0)
Cash flow hedges, reclassified from hedging reserves	1,435	(202)	nm	1,697	(419)	nm

nm: not meaningful

- Interest income from bank deposits and interest expense for bank borrowings have increased for six months and full year ended 31 December 2022 due to higher interest rates. Similarly, interest expense on the borrowings that are at variable interest rates, has increased for the six months and full year ended 31 December 2022 due to the rising interest rates.
- Government grant income relates mainly to wage subsidies received from the Singapore and Australian governments. Grant income in the six months and full year ended 31 December 2021 includes rental support received from Singapore government. Grant income received for the six months and full year ended 31 December 2022 was lower compared to the preceding period and year due to lower wage subsidies received from the governments in Singapore and Australia and lower rental support income from the Singapore government.
- During the six months and full year ended 31 December 2022, depreciation of right-of-use assets decreased by \$1,194,000 and \$2,752,000 respectively due to the decrease in carrying value of right-of-use assets relating to the leases of two hospitality properties. The two leases expired in November 2021 and terminated in March 2022 (Note e) respectively.
- During the six months ended 31 December 2022, depreciation of other property, plant and equipment decreased by \$242,000 mainly due to certain fully depreciated assets during the period. During full year ended 31 December 2022, depreciation of other property, plant and equipment increased by \$296,000 due to the increase in carrying value of property, plant and equipment with the completion of the refurbishment of one of the hotels in Australia in the 2nd half of FY 2021.

E. NOTES TO THE INTERIM FINANCIAL STATEMENTS (continued)

5. Profit/Loss before income tax (continued)

5.1 Significant items (continued)

- (e) The Group has 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 have ceased from end March 2022. The Group entered into a put and call option agreement for this Sale in December 2021. As at 31 December 2021, the lease liability was remeasured with a corresponding adjustment to the right-of-use asset (Note 11). A gain of \$5,116,000, being the amount exceeding the carrying value of the right-of-use asset was recognised accordingly during the six months and full year ended 31 December 2021.
- (f) During the six months and full year ended 31 December 2021, currency exchange difference of \$1,391,000 relating to the equity holders of the Company was reclassified from the currency translation reserve to profit or loss subsequent to the liquidation of two subsidiaries.
- (g) During the six months and full year ended 31 December 2022, currency exchange difference of \$1,627,000 relating 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 which will be liquidated.
- (h) Following the completion of the collective of 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.
- (i) Properties held for sale comprise medical suites and residential units and a commercial unit held for sale. During the six months and full year ended 31 December 2022, an impairment charge on the residential units 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.
- (j) 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.

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 management's estimate of the weighted average effective annual income tax rate expected for the full financial year. The lower income tax expense during the six months and full year ended 31 December 2022 was mainly due to lower fair value gains on investment properties recognised during the year offset by the reversal of over-provision of income tax expense upon finalisation of prior year's tax.

During the six months and full year ended 31 December 2022, the income tax expense has included an over provision of income tax expense relating to prior financial years of \$1,082,000 and \$1,062,000 respectively (Six months and full year ended 31 December 2021: Over provision of \$2,108,000 and \$2,673,000 respectively).

E. NOTES TO THE INTERIM FINANCIAL STATEMENTS (continued)

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 2022 \$'000	31 December 2021 \$'000
Cash and bank balances	233,195	255,189
Less: Bank deposits pledged	(25,523)	(28,679)
Cash and cash equivalents per condensed interim consolidated statement of cash flows	207,672	226,510

8. Properties held for sale

	Group	
	31 December 2022 \$'000	31 December 2021 \$'000
Medical suites	118,162	117,036
Residential units and a commercial unit	58,056	69,855
	176,218	186,891

During the financial year ended 31 December 2021, an impairment of medical suites of \$102,000 was recognised based on the net realisable value derived from independent external valuations.

During the six months and full year ended 31 December 2022, the decrease in value was due to currency translation loss and an impairment charge recognised on the residential units held for sale of \$4,277,000, partially offset by the reversal of impairment charge previously recognised on the medical suites of \$1,126,000 based on net realisable values. The net realisable values were derived with reference from independent external valuations performed as at 31 December 2022.

9. Investments in joint ventures

	Group		Company	
	31 December 2022 \$'000	31 December 2021 \$'000	31 December 2022 \$'000	31 December 2021 \$'000
Equity investment at cost			300	300
Beginning of financial year	470,212	478,282		
Additions (Note (a))	3,042	-		
Share of profit/(loss)	20,596	(15,212)		
Share of movements in:				
– asset revaluation reserve	8,128	16,137		
– currency translation reserve	223	(2)		
– hedging reserve	5,537	3,816		
Dividends received	(5,578)	-		
Foreign exchange differences	(21,692)	(12,809)		
End of financial year	480,468	470,212		

As at 31 December 2022, the carrying value of one of the Group's material equity accounted joint ventures, Toga Hotel Holdings Unit Trust ("Toga Trust"), amounted to \$191,005,000 (31 December 2021: \$182,907,000). The Group's share of Toga Trust's results recognised in the profit or loss and other comprehensive income are affected by the significant estimates and assumptions 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 \$361,085,000 (31 December 2021: \$381,887,000); and
- (ii) Impairment assessment of its goodwill and brands with indefinite lives with a carrying amount of \$175,041,000 (31 December 2021: \$187,808,000).

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

E. NOTES TO THE INTERIM FINANCIAL STATEMENTS (continued)

9. Investments in joint ventures (continued)

- (a) The Group entered into a joint venture agreement during the financial year in relation to the acquisition of a plot of land located in Bristol in the United Kingdom to carry out the development of a purpose-built student accommodation project (the "PBSA Development") in June 2022. As at 31 December 2022, the Group has injected capital of £1,800,000 (approximately \$3,042,000) to the joint venture for the PBSA Development and will provide further funding of £1,859,000 (approximately \$3,013,000), if called, to the joint venture for the PBSA Development.

10. Investment properties

	Group		Company	
	31 December 2022 \$'000	31 December 2021 \$'000	31 December 2022 \$'000	31 December 2021 \$'000
Beginning of financial year	929,565	878,837	136,974	136,524
Additions - Subsequent expenditure	4,678	2,102	-	-
Disposals	(13,090)	-	(13,090)	-
Reclassified to asset held-for-sale	(365)	-	-	-
Net fair value gains recognised in profit or loss (Note 5.1)	2,610	43,940	451	450
Foreign exchange differences	(70,191)	4,686	-	-
End of financial year	853,207	929,565	124,335	136,974
Comprised: Completed properties	853,207	929,565	124,335	136,974

During the financial year ended 31 December 2022, the Group's management approved the sale of an apartment unit at Adina Apartment Hotel Brisbane Anzac Square. This apartment unit of carrying amount amounting to \$365,000 was reclassified and presented as an asset-held for-sale as at 31 December 2022.

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, 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 are included in Note 20(d) of the Group's annual financial statements for the year ended 31 December 2021.

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 2022, 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 are appropriate, management has considered whether the 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 2022, the fair value of the investment properties amounted to \$853,207,000 (31 December 2021: \$929,565,000).

E. NOTES TO THE INTERIM FINANCIAL STATEMENTS (continued)

11. Property, plant and equipment

Group

	Freehold and leasehold land	Building and office	Plant, equipment, furniture and fittings	Construction -in-progress	Motor vehicles	Leasehold improvements and other assets	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Year ended 31 December 2022							
Beginning net book value	381,899	209,363	8,985	205	491	9,296	610,239
Currency translation differences	(4,315)	(7,933)	(310)	(15)	-	(570)	(13,143)
Additions	-	455	695	391	-	-	1,541
Disposals	-	-	(3)	-	-	-	(3)
Lease modifications	-	(649)	-	-	-	-	(649)
Transfers	-	-	54	(65)	-	11	-
Impairment	-	-	(2)	-	-	-	(2)
Derecognition of right-of-use asset	-	(601)	-	-	-	-	(601)
Revaluation adjustments	-	-	-	-	-	-	-
– profit or loss (Note 5.1)	-	2,292	-	-	-	-	2,292
– other comprehensive income	5,661	4,987	-	-	-	-	10,648
Depreciation charge (Note 5.1)	-	(14,254)	(2,239)	-	(190)	(956)	(17,639)
End of financial year	383,245	193,660	7,180	516	301	7,781	592,683
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
As at 31 December 2021							
Cost	-	162,375	71,254	205	1,070	13,544	248,448
Valuation	381,899	123,485	-	-	-	-	505,384
	381,899	285,860	71,254	205	1,070	13,544	753,832
Accumulated depreciation and impairment losses	-	(76,497)	(62,269)	-	(579)	(4,248)	(143,593)
Net book value	381,899	209,363	8,985	205	491	9,296	610,239

During the six months ended 31 December 2021, a right-of-use asset of \$21,601,000 classified within property, plant and equipment was reduced to zero subsequent to the remeasurement of lease liability (Note 5.1(e)).

Company

During the full year ended 31 December 2022, the Company acquired property, plant and equipment amounting to \$71,000 and there was a disposal of assets of carrying value of \$1,000.

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 valuer when deemed necessary. The valuation techniques and key inputs that were used to determine the fair value which is recognised under Level 3 of the fair value hierarchy are described in Note 20(d) of the Group's annual financial statements for the year ended 31 December 2021.

External valuers were engaged for all the valuations of the Group's properties for the valuations as at 31 December 2022. The same valuation techniques and key inputs were used by the valuers. The valuation of freehold land and buildings of the Group have increased due to the improved cash flows projections adopted by the valuer. As at 31 December 2022, the total freehold land and buildings of the Group amounted to \$500,545,000 (31 December 2021: \$505,384,000).

E. NOTES TO THE INTERIM FINANCIAL STATEMENTS (continued)

12. Intangible assets

	Group	
	31 December 2022 \$'000	31 December 2021 \$'000
Goodwill arising from acquisition of hospitality businesses (Note (a))	37,257	42,723
Hospitality lease and management agreements (Note (b))	66,086	68,682
	103,343	111,405

(a) Goodwill arising from acquisition of hospitality businesses

	Group	
	31 December 2022 \$'000	31 December 2021 \$'000
<i>Cost</i>		
Beginning of financial year	56,695	57,244
Currency translation differences	(989)	(549)
End of financial year	55,706	56,695
<i>Accumulated impairment</i>		
Beginning of financial year	13,972	14,317
Currency translation differences	(633)	(345)
Impairment (Note 5.1)	5,110	-
End of financial year	18,449	13,972
Net book value	37,257	42,723

Impairment assessment of goodwill

Goodwill is allocated to the CGUs within the Group's hospitality business as follows:

	Group	
	31 December 2022 \$'000	31 December 2021 \$'000
Management services – Singapore (Note (i))	37,257	37,257
Property ownership – Australia (Note (ii))	-	5,466
	37,257	42,723

(i) Management services – Singapore

The recoverable amount of the "Management services – Singapore" 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; and
- Guideline Public Company ("GPC") method

For further information, please refer to Note 23(a)(i) in the Group's annual financial statements for the year ended 31 December 2021.

Significant estimates

DCF method

Cash flow projections used in the DCF were based on financial projections approved by management covering a five-year period. Key assumptions used for the analysis of the CGU included 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 2021: 1.9%) and post-tax discount rate of 9.4% (31 December 2021: 8.5%) were used for the purpose of impairment testing.

E. NOTES TO THE INTERIM FINANCIAL STATEMENTS (continued)

12. Intangible assets (continued)

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

(i) Management services – Singapore (continued)

GPC method

The key assumptions are the GPC multiples and recognised earnings. Normalised earnings are based on 2025 projections, in line with the expectation of the recovery period from COVID-19 and stabilised year of operations for cash flows used under the DCF method. The CGU's recognised earnings is 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 2022, no impairment charge was recognised.

(ii) Property ownership – Australia

The recoverable amount determined in the last reporting period was based on value-in-use calculations. Cash flow projections used in the value-in-use calculations were based on financial projections approved by management covering a ten-year period as the CGU is only expected to achieve a steady growth rate of cash flows after ten years.

For further information, please refer to Note 23(a)(ii) in the Group's annual financial statements for the year ended 31 December 2021.

Significant estimates

An impairment charge of \$5,110,000 was included within "Other losses/gains and impairment losses - net" in the statement of comprehensive income. The impairment charge was due to the higher pre-tax discount rate adopted in the value-in-use calculations. Pre-tax discount rate has increased from 31 December 2021 due to the higher interest rate for borrowings and higher risk free rate compared to 31 December 2021. As at 31 December 2022, the pre-tax discount rate of 10.5% (31 December 2021: 8.2%) was adopted for the purpose of goodwill impairment testing.

Cash flows beyond the ten-year period were extrapolated using the estimated growth rate of 2.3% to 3.0% (31 December 2021: 0% to 1.5%). Key assumptions used for the analysis of the CGU also include the budgeted EBITDA margin for the period 2023 to 2032 determined by management based on past performance and its expectations of market developments.

In the prior year, no impairment charge was recognised as the recoverable amount exceeded the carrying value of the CGU based on management's assessment of the recoverable amount as at 31 December 2021.

(b) Hospitality lease and management agreements

	Group	
	31 December 2022 \$'000	31 December 2021 \$'000
<i>Cost</i>		
Beginning of financial year	99,078	99,292
Currency translation differences	(386)	(214)
End of financial year	<u>98,692</u>	<u>99,078</u>
<i>Accumulated amortisation and impairment</i>		
Beginning of financial year	30,396	27,901
Currency translation differences	(384)	(210)
Amortisation charge included within "Cost of sales" in profit or loss (Note 5.1)	2,594	2,705
End of financial year	<u>32,606</u>	<u>30,396</u>
Net book value	<u>66,086</u>	<u>68,682</u>

E. NOTES TO THE INTERIM FINANCIAL STATEMENTS (continued)

13. Borrowings

	Group	
	31 December 2022 \$'000	31 December 2021 \$'000
Amount repayable in one year or less, or on demand (net of transaction costs)		
– Secured	81,929	239,561
– Unsecured	139,001	150,199
	220,930	389,760
Amount repayable after one year (net of transaction costs)		
– Secured	150,705	119,986
– Unsecured	230,575	182,289
	381,280	302,275
	602,210	692,035

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

As at 31 December 2022, the refinancing of loans totalling \$113,187,000, that are secured over certain subsidiaries' investment properties, was completed and the loans have been reclassified to non-current borrowings.

14. Share capital

	Group and Company			
	Number of shares		Amount	
	31 December 2022 '000	31 December 2021 '000	31 December 2022 \$'000	31 December 2021 \$'000
Beginning of financial year and as of 30 June	464,534	455,485	525,053	515,234
Shares issued in-lieu of dividend	10,192	9,049	10,905	9,819
End of financial year	474,726	464,534	535,958	525,053

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

The Company does not have any subsidiary that holds shares issued by the Company as at 31 December 2022 and 2021.

15. Dividend

	Company	
	31 December 2022 \$'000	31 December 2021 \$'000
Ordinary dividend paid		
Final dividend paid in respect of the previous financial year of 3 cents per share (2021: 3 cents per share) using		
– new shares issued	10,905	9,819
– cash	3,031	3,835
	13,936	13,654

At the upcoming Annual General Meeting, a first and final dividend of three cents per share and a special dividend of one cent per share amounting to a total of \$18,989,000 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 2023.

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 2022 \$'000	31 December 2021 \$'000
Properties held for sale	-	77
Investment properties	21,765	-
Property, plant and equipment	1,567	1,323
	23,332	1,400

Included in capital commitment for investment properties is the commitment amounting to £13,246,000 (approximately \$21,477,000) for the acquisition of a student accommodation property, a freehold property located in Southampton. Sale and purchase agreement was entered into on 9 December 2022 (the "PBSA Acquisition"). Completion of the PBSA Acquisition is conditional upon the seller undertaking and completing certain works. The completion of the works is expected to be completed in April 2023, with a longstop date by end April 2023.

17. Net asset value

	Group		Company	
	31 December 2022	31 December 2021	31 December 2022	31 December 2021
Net asset value per ordinary share based on total number of issued shares as at the end of the year	\$2.73	\$2.76	\$2.09	\$2.12

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 Notes 10 and 11.

	Group		Company	
	31 December 2022 \$'000	31 December 2021 \$'000	31 December 2022 \$'000	31 December 2021 \$'000
Assets				
Derivative financial instruments – Level 2	12,749	4,578	6,572	2,774
Financial asset, at FVOCI – Level 3	1,140	-	1,140	-

Derivative financial instruments are interest rate swaps that are cash flow hedges that the Group has entered into for the Group's exposure to interest rate risk on its borrowings.

The Group has invested in an unlisted equity security during the six months and year ended 31 December 2022. The investment is classified as FVOCI and 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 fair value of the FVOCI is derived based on the net asset value of the investment, adjusted for the shareholding of the Group. As at 31 December 2022, the Group has committed equity of \$2,898,000 to provide funding if called, to the unlisted equity security.

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 interest rate swaps is calculated as the present value of the estimated future cash flows based on observable yield curves.

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)

19. Segment information

Management has determined the operating segments based on the reports reviewed by the executive director and management 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, Australia, New Zealand 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 residential units and a commercial unit 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 executive director and management.

(iii) Investment

The investment segment includes medical suites, and some offices located in Singapore 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 2022 and 2021.

E. NOTES TO THE INTERIM FINANCIAL STATEMENTS (continued)

19. Segment information (continued)

The segment information provided to the executive director and management 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>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	<u>18,524</u>	<u>28,230</u>	<u>43,600</u>	<u>40,773</u>	<u>-</u>	<u>9,841</u>	<u>140,968</u>
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	<u>1,215</u>	<u>21,594</u>	<u>2,231</u>	<u>20,505</u>	<u>1,047</u>	<u>7,424</u>	<u>54,016</u>
Corporate expenses							(4,969)
Interest income							2,560
Finance expense							(20,895)
Others*							(7,816)
Profit before income tax							<u>22,896</u>
Income tax expense							(1,420)
Profit after income tax							<u>21,476</u>
<u>As at 31 December 2022</u>							
Segment assets	117,336	416,746	241,390	590,862	177,674	286,694	1,830,857
Investments in associated companies	-	27,233	-	-	-	-	27,233
Investments in joint ventures	-	191,005	91,116	2,671	195,676	-	480,468
	<u>117,336</u>	<u>634,984</u>	<u>332,506</u>	<u>593,533</u>	<u>373,350</u>	<u>286,694</u>	<u>2,338,403</u>
Corporate assets							196,831
Total assets							<u>2,535,234</u>

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

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>2021</u>							
Total segment revenue	14,789	22,546	24,560	37,290	-	9,548	108,733
Inter-segment revenue	(1,905)	-	-	-	-	-	(1,905)
Revenue from external parties	12,884	22,546	24,560	37,290	-	9,296	106,828
Operating (loss)/profit	(2,259)	641	(8,783)	20,344	(113)	7,272	17,102
Share of profit/(loss) of:							
- associated companies	-	2,460	-	-	-	-	2,460
- joint ventures	-	(16,959)	(934)	-	2,681	-	(15,212)
Total operating (loss)/profit	(2,259)	(13,858)	(9,717)	20,344	2,568	7,272	4,350
Corporate expenses							(3,964)
Interest income							1,049
Finance expense							(17,107)
Others*							44,750
Profit before income tax							29,078
Income tax expense							(12,304)
Profit after income tax							16,774
<u>As at 31 December 2021</u>							
Segment assets	114,601	426,632	259,451	650,787	190,475	293,139	1,935,085
Investments in associated companies	-	23,159	-	-	-	-	23,159
Investments in joint ventures	-	182,908	93,245	-	194,059	-	470,212
	114,601	632,699	352,696	650,787	384,534	293,139	2,428,456
Corporate assets							196,928
Total assets							2,625,384

* Material and non-cash items are disclosed as "Other (losses)/gains 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 five main geographical areas:

- Singapore – the Company is headquartered and has operations in Singapore. The operations in this area are principally the hotel operations, property development, property investment and investment holding.
- Australia – the operations in this area are principally the hotel operations and property ownership.
- New Zealand – the operations in this area are principally the hotel operations.
- 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 property ownership in Germany, Denmark and Japan.

	Revenue	
	12 months ended 31 December	
	2022	2021
	\$'000	\$'000
Singapore	51,883	40,333
Australia	45,075	25,229
New Zealand	-	2,969
United Kingdom	41,331	37,539
Other countries	2,679	758
	140,968	106,828

	Non-current assets	
	31 December 2022	31 December 2021
	\$'000	\$'000
Singapore	1,012,022	1,023,878
Australia	378,696	389,489
United Kingdom	556,388	612,047
Other countries	132,973	133,821
	2,080,079	2,159,235

During the year ended 31 December 2022, the Group acquired property, plant and equipment amounting to \$1,011,000 under Property ownership reportable segment.

F. OTHER INFORMATION

1. Review

The condensed consolidated statement of financial position of Far East Orchard Limited and its subsidiaries as at 31 December 2022 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 2022 ("2H FY22" and "FY22")

Revenue

Revenue for 2H FY22 of \$77.3 million (2H FY21: \$51.9 million) was higher by \$25.4 million (49.0%) mainly due to the higher revenue driven by the improved operating performance of the hospitality business segments.

For FY22, revenue increased by \$34.2 million (32.0%) to \$141.0 million (FY21: \$106.8 million) with improvement mainly seen in the Group's hospitality business segment. Revenue for the hospitality business segment increased by \$30.4 million (50.6%) as borders opened up and global travel picked up from the second quarter. Additionally, the business segment continued to be partially supported by government isolation contracts. Higher revenue of \$3.5 million (9.3%) was also recognised for the PBSA business segment as the portfolio achieved higher occupancy and rental growth for the academic year 2021/22 ("AY21/22") which commenced in September 2021 driven by the strong demand for student accommodation in the UK. The PBSA business segment achieved a higher portfolio occupancy rate of 86% for AY21/22 (AY20/21: 82%).

Gross profit

Gross profit increased by \$18.7 million (86.7%) to \$40.2 million in 2H FY22 (2H FY21: \$21.5 million) and \$26.5 million (56.7%) to \$73.1 million in FY22 (FY21: \$46.6 million) due to the increase in revenue and cost containment measures.

Other income

Other income included interest income from bank deposits and grant income. The Group's other income decreased by \$5.1 million to \$2.2 million in 2H FY22 (2H FY21: \$7.3 million) and \$6.9 million to \$3.1 million in FY22 (FY21: \$10.0 million) mainly due to lower wage subsidies received from the governments in Singapore and Australia and lower rental support income from the Singapore government. This was partially offset by the higher interest income from higher bank deposits rates in 2H FY22 and FY22.

Other losses/gains and impairment losses – net

The Group recognised other losses and impairment losses - net of \$4.3 million in 2H FY22 (2H FY21: Gains of \$46.0 million). For FY22, losses of \$7.8 million were recognised instead of gains amounting to \$44.8 million in FY21. This was mainly due to the lower fair value gains on investment properties and the higher currency translation losses recognised in 2H FY22 and FY22. The currency translation losses were due to the weakening of the AUD and GBP against the SGD.

For 2H FY22 and FY22, the Group also recognised an impairment charge of \$5.1 million on goodwill arising from the Group's hospitality property ownership business in Australia and an impairment loss of \$4.3 million on residential units held for sale.

These losses were offset by gain on sale of investment properties of \$5.6 million following the completion of the collective sale of the four office units in Tanglin Shopping Center in November 2022 ("TSC disposal") and a gain on sale of the reversionary interest of Village Residence Clarke Quay of \$1.8 million.

Expenses

Total expenses increased by \$7.1 million to \$38.3 million in 2H FY22 (2H FY21: \$31.2 million). For FY22, total expenses increased by \$9.6 million to \$69.2 million (FY21: \$59.6 million). The increase was mainly due to higher marketing expenses incurred on the hospitality operations with the gradual recovery of the hospitality business following the easing of COVID-related restrictions and the reopening of borders. Higher marketing expenses were also incurred for the sales launch of a residential development in London, UK, and due diligence transaction costs on potential acquisition opportunities. Finance expenses were higher due to the rising bank borrowing rates.

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 2022 ("2H FY22" and "FY22")
(continued)

Share of profit/loss of associated companies and joint ventures

The Group's share of profit of associated companies for 2H FY22 increased by \$0.1 million to \$1.3 million (2H FY21: \$1.2 million) and \$0.6 million to \$3.1 million (FY21: \$2.5 million) mainly contributed by a divestment fee received by an associated company.

The share of profit of joint ventures of the Group for 2H FY22 was \$10.5 million compared to share of loss of \$10.8 million recognised in 2H FY21. For FY22, the share of profit of joint ventures was \$20.6 million compared to share of loss of \$15.2 million in FY21. The higher share of profits recognised from the Australia and Europe hospitality joint ventures was mainly from the gain from the derecognition of lease liabilities of \$7.6 million, recognition of government grants in Germany and improved operating performance. The improvement in the operating performance of the hospitality joint ventures was driven by the recovery of the hospitality business in Australia, New Zealand and Europe following the easing of the COVID-19 restrictions and the progressive resumption of travel with the opening of the borders from the second quarter of the year. In the prior period, the hospitality joint ventures were adversely affected by the ongoing COVID-19 pandemic, which resulted in constant state of lockdowns and borders closure in Australia, New Zealand, and varying extents of restrictions in Europe.

Income tax credit/expense

The income tax expense was higher in 2H FY21 and FY21 mainly due to 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 \$12.7 million in 2H FY22 compared to \$22.7 million in 2H FY21. The higher profit after tax in 2H FY21 was mainly attributed to the fair value gains on investment properties recognised during the period. For FY22, the Group's profit after income tax increased by 28.0% to \$21.5 million (FY21: \$16.8 million). Excluding the fair value gains on the investment properties of \$43.9 million and the associated tax impact on the gains in 2H FY21 and FY21, the Group would have been in a net loss position in FY2021.

Profit attributable to equity holders of the Company of \$13.9 million for 2H FY22 was \$16.1 million lower than the \$30.0 million in 2H FY21. For FY22, profit attributable to equity holders of \$21.9 million was \$6.2 million lower than the \$28.1 million in FY21. Excluding the fair value gains of the investment properties and tax effects in FY21, profit attributable to equity holders of the Company for FY22 would be higher at \$13.9 million and \$23.8 million compared to 2H FY21 and FY21, respectively.

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

Cash flow and working capital

The Group utilised cash and cash equivalents of \$12.7 million for FY22 as compared to an outflow of \$20.4 million in FY21 due to higher cash provided by operating activities offset by higher cash used in financing activities.

Net cash inflows from operating activities of the Group for FY22 were higher at \$37.3 million compared to \$16.6 million for FY21, mainly due to the higher operating profits.

Net cash generated from the investing activities of the Group for FY22 was \$0.6 million compared to net cash of \$12.0 million used for FY21. The higher cash inflows in FY22 were mainly due to the proceeds from the disposal of investment properties and dividends from joint venture, offset by capital injection and advancement of a shareholder loan to a joint venture for a PBSA development project in June 2022. The net cash outflows in FY21 were mainly for the refurbishment expenditure of a hotel in Australia, the Rendezvous Hotel Melbourne.

Net cash outflows from financing activities of the Group for FY22 were \$50.6 million compared to \$24.9 million for FY21, mainly due to the repayments of certain GBP and AUD bank borrowings to mitigate the rising borrowing cost.

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 2022 were \$2,535.2 million, a decrease of \$90.2 million from the prior year. The decrease was mainly due to the translation effects on properties held for sale, investment properties and property, plant and equipment, primarily arising from the weakening of AUD and GBP against SGD, and the disposal of investment properties (TSC disposal).

The decrease was mitigated by the increase in carrying values of the joint ventures with the recognition of higher share of profit and reserves from the hospitality joint ventures and the investment in a joint venture for the PBSA development project in June 2022. The fair value of the derivative instruments has also increased as at 31 December 2022.

Liabilities

Total liabilities as at 31 December 2022 were \$1,231.8 million, a decrease of \$101.9 million from prior year, mainly due to repayments of certain GBP and AUD bank borrowings. Currency realignment gains on AUD and GBP denominated borrowings due to the weakening of these currencies against SGD further contributed to the decrease.

As at 31 December 2022, loans totalling \$113,187,000, secured over certain subsidiaries' investment properties, have been refinanced and the loans have been reclassified from current borrowings to non-current borrowings.

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.

Overview

The International Monetary Fund ("IMF") projected global growth would fall to 2.9% in 2023 (2022: 3.4%) before rebounding to 3.1% in 2024. The outlook remains tilted towards the downside, although adverse risks have been moderated since October 2022.¹ Downside risks weighing on economic activity include mounting geopolitical tensions, higher global financing costs, and inflation.

Hospitality Business

The outlook for the tourism sector shifted positively, despite macro-environment challenges such as economic and geopolitical uncertainty. The United Nations World Tourism Organization ("UNWTO") reported more than 900 million tourists travelled internationally in 2022 – doubling the number recorded in 2021, albeit below pre-COVID levels.²

With China, the world's largest outbound market in 2019, reopening its borders on 8 January 2023, Asia Pacific will likely benefit from the recovery as they relied heavily on outbound China travellers before the pandemic. While the Group anticipates a revival of Chinese outbound tourism to boost growth prospects in our geographies, we recognise the recovery may be slower due to flight availability, cost of air travel, visa regulations and COVID-19-related restrictions in countries where the Group has a presence.

Nonetheless, the Group remains hopeful of the sector's recovery, in line with the latest UNWTO Confidence Index, which reported cautious optimism against the challenging macro-environment. The Group's immediate focus is to actively manage our hospitality portfolio to capitalise on the sector's eventual rebound while pursuing growth opportunities to achieve our 25,000 rooms goal by 2025.

As at 31 December 2022, the Group's hospitality arm, Far East Hospitality, together with its joint venture, Toga-Far East Hotels (TFE Hotels), owns or operates over 90 hospitality assets with close to 16,500 rooms in nine countries. In 2023, five new hotels, totalling more than 750 rooms, are slated to open across Australia, Japan, Malaysia, and Switzerland.

¹IMF. "Inflation peaking amid low growth." 31 January 2023.

²UNWTO. "Tourism set to return to pre-pandemic levels in some regions in 2023." 17 January 2023.

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

As the UK's domestic and international student population grows, the PBSA sector will remain resilient and strong in 2023.³ This is underpinned by broad demographic trends, with the population of 18-year-olds forecasted to increase. As travel borders opened, the number of international students grew, and this trend is likely to be further driven by the weakening pound, making studying in the UK more attractive.⁴ Reflecting the strong demand for the new academic year, which commenced in September 2022 ("AY22/23"), the Group's PBSA portfolio achieved an occupancy rate of 99% (AY21/22: 86%). Demand continues to be strong for the new academic year, which will commence in September 2023 ("AY23/24"). Across the Group's portfolio, reservations for AY23/24 are significantly ahead of the prior year's level.

Nonetheless, the PBSA sector is not immune to broader macroeconomic challenges, such as higher energy costs and rising interest rates. Still, the Group believes the PBSA sector will remain a strong and resilient recurring income stream. The Group will continue to look for viable investment opportunities amidst the rising demand for student accommodation while being cognisant of the macroeconomic headwinds.

FY2023 Outlook

Looking ahead, the global economy is poised to slow down despite signs of resilience and China's reopening. As the Group navigates 2023, it will be prudent in managing the downside risks while continuing to pursue yield-accretive investment opportunities. Efforts will be concentrated on optimising the Group's portfolio to diversify revenue streams and future-proof its business to thrive in an ever-changing environment while taking judicious steps to manage cost and cash flows.

³ Knight Frank. 'UK Student Housing – 2023. "Student Property Report".' 2023

⁴ CBRE. "Purpose-Built Student Accommodation (PBSA) – UK Real Estate Market Outlook 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 due to the same reasons as explained in paragraph 2(a).

F. OTHER INFORMATION (continued)

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 2022 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	- 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

(b) Corresponding Period of the Immediately Preceding Financial Year

The following dividend was declared and paid in respect of financial year ended 31 December 2021 as approved by shareholders at the Annual General Meeting held at 28 April 2022:

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

10,191,689 new shares amounting to \$10,905,000 have been allotted and issued on 28 June 2022 to the eligible shareholders who had elected to participate in the Scrip Dividend Scheme (“Scheme”) in respect of the FY2021 Dividend. Shareholders who did not participate in the Scheme were paid the FY2021 Dividend in cash amounting to \$3,031,000 on 28 June 2022.

(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 2022 \$'000	Full year ended 31 December 2022 \$'000
<u>Agape Services Pte. Ltd.</u> Supply of goods and services	Associate of controlling shareholder	(508)	-
<u>Ariake Hospitality Kabushiki Kaisha</u> Interest accrued on shareholders' loan ⁵	Associate of controlling shareholder	-	103
<u>Boo Han Holdings Pte. Ltd.</u> Hospitality management income Interest accrued on shareholders' loan ⁵	Associate of controlling shareholder	540 -	- 103
<u>China Classic Pte Ltd</u> Hospitality management income	Associate of controlling shareholder	970	-
<u>Dollar Land Singapore Private Limited</u> Hospitality management income	Associate of controlling shareholder	239	-
<u>Far East Hospitality Real Estate Investment Trust</u> Management income ⁶ Hospitality services income Rental expense on operating leases - offices - hotels and serviced residences	Associate of controlling shareholder	3,661 122 (888) (14,309)	- - - -
<u>Far East Management (Private) Limited</u> Management service fees Hospitality services	Associate of controlling shareholder	(2,002) (792)	- -
<u>Far East Organization Centre Pte Ltd</u> Hospitality management income	Associate of controlling shareholder	1,362	-
<u>Far East Real Estate Agency Pte. Ltd.</u> Property management services Sales and marketing services	Associate of controlling shareholder	(440) (230)	- -

⁵As 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 interest during the year on the principal owing by AHKK as at 31 December 2022 to its shareholders, FEHH and BHH, relating to the purchase of a hotel project located in Ariake, Tokyo.

⁶Pursuant 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). Since 1 January 2020, the base fee was reduced from 0.3% to 0.28% per annum and the performance fee was changed to the lower of 4.0% of the net property income or annual distributable amount (after accounting for base fee but before accounting for performance fee) from 4.0% of the net property income previously. During the financial year ended 31 December 2022, 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.

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 2022 \$'000	Full year ended 31 December 2022 \$'000
<u>Far East Rocks Pty Ltd</u> Rental expense on operating leases - hotel	Associate of controlling shareholder	(709)	-
<u>Far East Soho Pte. Ltd.</u> Hospitality management income	Associate of controlling shareholder	795	-
<u>Far East SR Trustee Pte Ltd</u> Hospitality management income	Associate of controlling shareholder	365	-
<u>Fontaine Investment Pte Ltd</u> Hospitality management income	Associate of controlling shareholder	1,676	-
<u>Golden Development Private Limited</u> Hospitality management income	Associate of controlling shareholder	1,572	-
<u>Golden Landmark Pte. Ltd.</u> Hospitality management income	Associate of controlling shareholder	740	-
<u>Orchard Mall Pte. Ltd.</u> Hospitality management income	Associate of controlling shareholder	500	-
<u>Orchard Parksuites Pte Ltd</u> Hospitality management income	Associate of controlling shareholder	1,119	-
<u>Oxley Hill Properties Pte Ltd</u> Hospitality management income	Associate of controlling shareholder	404	-
<u>Precious Treasure Pte Ltd</u> Hospitality management income	Associate of controlling shareholder	175	-
<u>Riverland Pte Ltd</u> Hospitality management income	Associate of controlling shareholder	326	-
<u>Sakuragicho Hospitality Kabushiki Kaisha</u> Hospitality management income	Associate of controlling shareholder	112	-
<u>Serene Land Pte Ltd</u> Hospitality management income	Associate of controlling shareholder	930	-
<u>Transurban Properties Pte. Ltd.</u> Hospitality management income	Associate of controlling shareholder	899	-

F. OTHER INFORMATION (continued)

9. A breakdown of sales

	Group		
	Full year ended 31 December 2022 \$'000	2021 \$'000	Increase/ (Decrease) %
Sales reported for the first half year	63,663	54,946	15.9
Profit/(Loss) after tax before deducting non-controlling interests reported for first half year	8,033	(5,878)	nm
Sales reported for the second half year	77,305	51,882	49.0
Profit after tax before deducting non-controlling interests reported for second half year	13,443	22,652	(40.7)

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 2022.

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

Alan Tang Yew Kuen
Group CEO and Executive Director

27 February 2023