

PART I INFORMATION REQUIRED FOR FULL YEAR ANNOUNCEMENT

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

Consolidated Statement of Comprehensive Income

	12 months ended 31 December		
	2019	2018	Increase/ (Decrease)
	\$'000	\$'000	%
Sales	156,063	150,911	3.4
Cost of sales	(88,249)	(97,536)	(9.5)
Gross profit	67,814	53,375	27.1
Other income	4,500	4,321	4.1
Other gains – net	13,141	8,306	58.2
Expenses			
- Distribution and marketing	(11,550)	(11,472)	0.7
- Administrative	(33,488)	(26,581)	26.0
- Finance	(16,865)	(5,188)	>100
- Other	-	(40)	(100.0)
Share of profit of			
- joint ventures	3,169	9,563	(66.9)
- associated companies	3,211	3,376	(4.9)
Profit before income tax	29,932	35,660	(16.1)
Income tax expense	(4,152)	(2,212)	87.7
Total profit	25,780	33,448	(22.9)
Other comprehensive income/(loss):			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Share of other comprehensive (loss)/income of joint ventures	(2,382)	156	nm
Currency translation differences arising from consolidation	(4,561)	(20,156)	(77.4)
	(6,943)	(20,000)	(65.3)
<i>Items that will not be reclassified subsequently to profit or loss:</i>			
Share of other comprehensive income/(loss) of:			
- joint ventures	5,756	9,778	(41.1)
- associated companies	2,958	(2,095)	nm
Revaluation gains on property, plant and equipment – net	8,878	11,860	(25.1)
Currency translation differences arising from consolidation	(2,432)	(8,190)	(70.3)
Other comprehensive income/(loss), net of tax	8,217	(8,647)	nm
Total comprehensive income	33,997	24,801	37.1
Profit attributable to:			
Equity holders of the Company	26,031	32,937	(21.0)
Non-controlling interest	(251)	511	nm
	25,780	33,448	(22.9)
Total comprehensive income attributable to:			
Equity holders of the Company	35,363	29,227	21.0
Non-controlling interest	(1,366)	(4,426)	(69.1)
	33,997	24,801	37.1

nm : not meaningful

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

	12 months ended 31 December		
	2019	2018	Increase/ (Decrease)
	\$'000	\$'000	%
The following items were credited/(charged) to the income statement:			
<u>Other income</u>			
Interest income from bank deposits	4,340	3,993	8.7
<u>Cost of sales and administrative expenses</u>			
Depreciation of property, plant and equipment			
- Right-of-use assets	(12,674)	-	nm
- Other property, plant and equipment	(9,192)	(10,173)	(9.6)
Amortisation of intangible assets	(2,820)	(3,189)	(11.6)
Write-off of property, plant and equipment	(38)	(5)	>100
Write-back of/(Allowance for) impairment losses on trade receivables	13	(469)	nm
<u>Other gains – net</u>			
Impairment of property, plant and equipment	-	(898)	(100.0)
Fair value gains on investment properties	18,825	16,583	13.5
Revaluation (losses)/gains on property, plant and equipment	(2,033)	1,745	nm
Loss on disposal of:			
- Property, plant and equipment	(27)	(143)	(81.1)
- Investment properties	(1,704)	(74)	>100
Currency exchange losses - net	(1,920)	(8,907)	(78.4)
<u>Finance expenses</u>			
Interest expense for:			
- Bank borrowings	(6,029)	(3,861)	56.2
- Advances from a non-controlling interest	(1,327)	(1,327)	-
- Lease liabilities	(9,509)	-	nm
<u>Income tax expense</u>			
Over provision of income tax in prior financial years	3,532	1,554	>100

nm : not meaningful

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

Statements of financial position

	Group		Company	
	31 December 2019 \$'000	31 December 2018 \$'000	31 December 2019 \$'000	31 December 2018 \$'000
ASSETS				
Current assets				
Cash and cash equivalents ⁽¹⁾	257,430	256,287	159,832	186,603
Trade and other receivables	26,688	26,089	172,892	171,606
Inventories	323	351	14	12
Development properties	50,781	40,605	-	-
Properties held for sale	123,959	123,911	-	-
	459,181	447,243	332,738	358,221
Non-current assets				
Other non-current assets	20,903	19,599	349,535	147,870
Investments in associated companies	22,090	15,921	696	696
Investments in joint ventures	444,009	479,268	300	300
Investments in subsidiaries	-	-	883,529	883,438
Investment properties	793,841	517,398	139,175	137,245
Property, plant and equipment ⁽²⁾	660,934	537,402	409,666	326,727
Intangible assets	125,368	128,435	-	-
Deferred income tax assets	4,505	91	2,292	-
	2,071,650	1,698,114	1,785,193	1,496,276
Total assets	2,530,831	2,145,357	2,117,931	1,854,497
LIABILITIES				
Current liabilities				
Trade and other payables	113,692	120,430	13,267	19,706
Current income tax liabilities	6,021	4,723	129	485
Lease liabilities ⁽²⁾	11,257	-	5,531	-
Borrowings	336,208	208,225	251,372	56,176
Deferred income	11,056	7,526	6,817	6,817
	478,234	340,904	277,116	83,184
Non-current liabilities				
Other payables	98,257	99,059	363,630	353,962
Lease liabilities ⁽²⁾	145,368	-	84,920	-
Borrowings	225,419	86,953	89,230	86,953
Deferred income	283,108	289,904	283,108	289,904
Deferred income tax liabilities	29,143	31,048	-	305
Provisions	-	938	-	-
	781,295	507,902	820,888	731,124
Total liabilities	1,259,529	848,806	1,098,004	814,308
NET ASSETS	1,271,302	1,296,551	1,019,927	1,040,189
EQUITY				
Capital and reserves attributable to equity holders of the Company				
Share capital	498,006	496,604	498,006	496,604
Revaluation and other reserves	341,185	328,344	301,647	292,967
Retained profits	409,955	440,262	220,274	250,618
	1,249,146	1,265,210	1,019,927	1,040,189
Non-controlling interest	22,156	31,341	-	-
TOTAL EQUITY	1,271,302	1,296,551	1,019,927	1,040,189

Notes to the Statements of financial position

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

	Group	
	31 December 2019 \$'000	31 December 2018 \$'000
Cash and cash equivalents (as above)	257,430	256,287
Less: Bank deposits pledged	(24,952)	(21,144)
Cash and cash equivalents per consolidated statement of cash flows	232,478	235,143

⁽²⁾ As a result of the adoption of SFRS (I) 16 on 1 January 2019, the Group and the Company recognised its existing operating lease arrangements as right-of-use assets (recognised under 'Property, plant and equipment') with corresponding lease liabilities. Refer to Section 5 for more details.

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

	As at 31 December 2019		As at 31 December 2018	
	Secured \$'000	Unsecured \$'000	Secured \$'000	Unsecured \$'000
Amount repayable in one year or less, or on demand (net of transaction costs)	84,836	251,372	152,049	56,176
Amount repayable after one year (net of transaction costs)	136,189	89,230	-	86,953

The Group's current borrowings increased by \$128.0 million as at 31 December 2019 mainly due to drawdown of borrowings to finance the acquisition of two student accommodation properties located in Leeds and Sheffield in the UK for a cash consideration \$115.7 million in November 2019.

The Group is in the process of refinancing current borrowings of approximately \$83.1 million to non-current borrowings.

Details of any collaterals

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

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

Consolidated Statements of Cash Flows

	12 months ended 31 December	
	2019 \$'000	2018 \$'000
Cash flows from operating activities		
Total profit	25,780	33,448
Adjustments for:		
Income tax expense	4,152	2,212
Depreciation of property, plant and equipment	21,866	10,173
Amortisation of intangible assets	2,820	3,189
Loss on disposal of property, plant and equipment	27	143
Loss on disposal of investment properties	1,704	74
Fair value gains on investment properties	(18,825)	(16,583)
Revaluation losses/(gains) on property, plant and equipment	2,033	(1,745)
Write-off of property, plant and equipment	38	5
Impairment of property, plant and equipment	-	898
Interest income	(4,340)	(3,993)
Interest expense	16,865	5,188
Share of profit of joint ventures	(3,169)	(9,563)
Share of profit of associated companies	(3,211)	(3,376)
Unrealised currency translation losses	1,903	8,894
	47,643	28,964
Change in working capital:		
Trade and other receivables	4,985	1,067
Inventories	24	(36)
Development properties	(8,174)	(10,666)
Trade and other payables	(9,465)	(18,460)
Provisions	-	(1,148)
Cash generated from/(used in) operations	35,013	(279)
Interest paid	(180)	(224)
Income tax paid – net	(3,012)	(6,262)
Net cash provided by/(used in) operating activities	31,821	(6,765)
Cash flows from investing activities		
Acquisitions of companies, net of cash acquired	(219,613)	-
Additions to property, plant and equipment	(862)	(4,628)
Proceeds from disposal of property, plant and equipment	7	5
Additions to investment properties	(22,714)	(18,924)
Proceeds from disposal of investment properties	2,865	1,861
Dividends received from joint ventures	6,685	12,880
Investment in a joint venture	-	(35,358)
Repayment of advances (from)/to joint ventures	(3,561)	18,281
Advances from joint ventures	2,400	19,142
Advance payment for a joint venture	(1,201)	(19,327)
Interest received	3,501	3,624
Income tax (paid)/refund – net	(1,093)	1,238
Net cash used in investing activities	(233,586)	(21,206)
Cash flows from financing activities		
Proceeds from borrowings	324,280	85,567
Repayment of borrowings	(64,881)	-
Repayment of principal portion of lease liabilities	(10,845)	-
Interest paid on lease liabilities	(9,509)	-
Interest paid on borrowings	(8,180)	(5,917)
Dividend paid to equity holders of the Company	(24,825)	(8,148)
Repayment of advances from non-controlling interest	(544)	-
Net cash provided by financing activities	205,496	71,502
Net increase in cash and cash equivalents	3,731	43,531
Cash and cash equivalents		
Beginning of financial year	256,287	219,585
Less: Bank deposits pledged ⁽³⁾	(24,952)	(21,144)
Effects of currency translation on cash and cash equivalents	(2,588)	(6,829)
End of financial year	232,478	235,143

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

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

Consolidated Statement of Changes in Equity

	Attributable to equity holders of the Company									
	Share capital	Capital reserve	Asset revaluation reserve	Currency translation reserve	Fair value reserve	Hedging reserve	Retained profits	Total	Non-controlling interest	Total equity
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
2019										
Balance at 31 December 2018	496,604	10,557	358,304	(38,034)	(2,186)	(297)	440,262	1,265,210	31,341	1,296,551
Adjustment on adoption of SFRS(I) 16	-	-	-	-	-	-	(30,022)	(30,022)	(4,399)	(34,421)
Balance at 1 January 2019	496,604	10,557	358,304	(38,034)	(2,186)	(297)	410,240	1,235,188	26,942	1,262,130
Profit for the year	-	-	-	-	-	-	26,031	26,031	(251)	25,780
Other comprehensive income/(loss) for the year	-	-	12,847	(5,378)	2,958	(1,095)	-	9,332	(1,115)	8,217
Total comprehensive income/(loss) for the year	-	-	12,847	(5,378)	2,958	(1,095)	26,031	35,363	(1,366)	33,997
Dividend paid in cash relating to 2018	-	-	-	-	-	-	(24,825)	(24,825)	-	(24,825)
Shares issued in-lieu of cash for dividend relating to 2018	1,402	-	-	-	-	-	(1,402)	-	-	-
Capital reorganisation ⁽⁴⁾	-	3,420	-	-	-	-	-	3,420	(3,420)	-
Transfer of share of associated company's fair value reserve upon disposal	-	-	-	-	89	-	(89)	-	-	-
Total transactions with owners, recognised directly in equity	1,402	3,420	-	-	89	-	(26,316)	(21,405)	(3,420)	(24,825)
Balance at 31 December 2019	498,006	13,977	371,151	(43,412)	861	(1,392)	409,955	1,249,146	22,156	1,271,302

⁽⁴⁾ On 20 February 2019, Jelco Properties Pte Ltd ("JPPL"), a 100% owned subsidiary, delivered a hospitality management agreement to Far East Hospitality Management (S) Pte. Ltd. ("FEHMS"), a 70%-owned subsidiary. The hospitality management agreement was previously a deferred pipeline agreement when the Group transferred its hospitality management business from JPPL to FEHMS on 1 November 2013 (the "Business Transfer"). As the Business Transfer was deemed as a reorganisation of entities under common control, a capital reserve of \$3,420,000 was recognised during the period, being the 30% share attributable to the non-controlling interest shareholder of FEHMS.



1(d)(i) (continued)

Consolidated Statement of Changes in Equity

	Attributable to equity holders of the Company							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
2018									
Balance at 1 January 2018	479,244	10,557	339,868	(17,930)	(395)	(350)	432,561	35,767	1,279,322
Effects of adoption of SFRS(I) 15	-	-	-	-	-	-	576	-	576
Balance at 1 January 2018 (as restated)	479,244	10,557	339,868	(17,930)	(395)	(350)	433,137	35,767	1,279,898
Profit for the year	-	-	-	-	-	-	32,937	511	33,448
Other comprehensive income/(loss) for the year	-	-	18,436	(20,104)	(2,095)	53	-	(4,937)	(8,647)
Total comprehensive income/(loss) for the year	-	-	18,436	(20,104)	(2,095)	53	32,937	(4,426)	24,801
Shares issued in-lieu of cash for dividend relating to 2017	17,360	-	-	-	-	-	(17,360)	-	-
Dividend paid in cash relating to 2017	-	-	-	-	-	-	(8,148)	-	(8,148)
Transfer of share of associated company's fair value reserve upon disposal	-	-	-	-	304	-	(304)	-	-
Total transactions with owners, recognised directly in equity	17,360	-	-	-	304	-	(25,812)	-	(8,148)
Balance at 31 December 2018	496,604	10,557	358,304	(38,034)	(2,186)	(297)	440,262	31,341	1,296,551



FAR EAST ORCHARD LIMITED

(Registration No. 196700511H)
Unaudited Full Year Financial Statements for the Year Ended 31 December 2019

1(d)(i) (continued)

Company's Statement of Changes in Equity

	Share capital \$'000	Asset revaluation reserve \$'000	Retained profits \$'000	Total equity \$'000
Balance at 31 December 2018	496,604	292,967	250,618	1,040,189
Adjustment on adoption of SFRS(I) 16	-	-	(11,621)	(11,621)
Balance at 1 January 2019	496,604	292,967	238,997	1,028,568
Profit for the year	-	-	7,504	7,504
Other comprehensive income for the year	-	8,680	-	8,680
Total comprehensive income for the year	-	8,680	7,504	16,184
Dividend relating to 2018 paid in cash	-	-	(24,825)	(24,825)
Shares issued in-lieu of cash for dividend relating to 2018	1,402	-	(1,402)	-
Total transactions with owners, recognised directly in equity	1,402	-	(26,227)	(24,825)
Balance at 31 December 2019	498,006	301,647	220,274	1,019,927

	Share capital \$'000	Asset revaluation reserve \$'000	Retained profits \$'000	Total equity \$'000
Balance at 1 January 2018	479,244	281,999	260,987	1,022,230
Profit for the year	-	-	15,139	15,139
Other comprehensive income for the year	-	10,968	-	10,968
Total comprehensive income for the year	-	10,968	15,139	26,107
Dividend relating to 2017 paid in cash	-	-	(8,148)	(8,148)
Shares issued in-lieu of cash for dividend relating to 2017	17,360	-	(17,360)	-
Total transactions with owners, recognised directly in equity	17,360	-	(25,508)	(8,148)
Balance at 31 December 2018	496,604	292,967	250,618	1,040,189

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

	3 months ended 31 December 2019 '000	30 September 2019 '000
<u>Ordinary shares fully paid</u>		
Number of shares at beginning of financial period	438,360	437,204
Number of shares issued in-lieu of cash for dividend	-	1,156
Number of shares at end of financial period	438,360	438,360

The Company does not have any convertibles or treasury shares.

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

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

	As at 31 December 2019 '000	As at 31 December 2018 '000
Number of issued shares excluding treasury shares	438,360	437,204
The Company does not have any treasury shares.		

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

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

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

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

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

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

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

Not applicable. Refer to paragraph 2 above.

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

The financial information has been prepared in accordance with the same accounting policies and methods of computation adopted in the most recent audited annual financial statements, except as stated in Section 5.

Certain comparative figures have been reclassified to conform to current period's presentation.

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

The Group has adopted the following new accounting standards, amendment and interpretation to existing standards which is mandatory for accounting periods beginning on or after 1 January 2019.

Singapore Financial Reporting Standard (International) 16 – Leases ("SFRS(I) 16")

The Group has applied SFRS(I) 16 from the mandatory adoption date of 1 January 2019. The Group applied the simplified transition approach and has not restated comparative amounts for the year prior to first adoption. Instead, the cumulative effect of applying the standard is recognised as an adjustment to opening balance of retained profits on 1 January 2019. Right-of-use assets were measured on transition as if the new rules had always been applied.

5 (continued)

Consolidated balance sheet of the Group and balance sheet of the Company

As at 1 January 2019, the Group and the Company recognised its existing operating lease arrangements as right-of-use assets (recognised under 'Property, plant and equipment') with corresponding lease liabilities under the principles of SFRS(I) 16. The impact of applying SFRS(I) 16 on the consolidated balance sheet of the Group and the balance sheet of the Company is as follows:

	Higher/(Lower)	
	<u>Group</u>	<u>Company</u>
	\$'000	\$'000
As of 1 January 2019		
ASSETS		
<u>Non-current assets</u>		
Property, plant and equipment - Right-of-use assets	142,787	81,711
Investments in joint ventures	(14,652)	-
Deferred income tax assets	4,049	2,380
	<u>132,184</u>	<u>84,091</u>
Total assets	132,184	84,091
LIABILITIES		
<u>Current liabilities</u>		
Lease liabilities	10,871	5,261
<u>Non-current liabilities</u>		
Lease liabilities	156,672	90,451
Provision	(938)	-
	<u>155,734</u>	<u>90,451</u>
Total liabilities	166,605	95,712
Net assets	(34,421)	(11,621)
Retained profits	(30,022)	(11,621)
Equity attributable to equity holders of the Company	(30,022)	(11,621)
Non-controlling interest	(4,399)	-
Total equity	(34,421)	(11,621)

As a result of the adoption of SFRS(I) 16, the net assets of the Group and the Company as of 1 January 2019 decreased by approximately \$34.4 million and \$11.6 million respectively. In addition, due to the presentation of a portion of the lease liabilities due within 12 months as current liabilities, the net current assets of the Group and the Company as of 1 January 2019 decreased by approximately \$10.9 million and \$5.3 million respectively.

5 (continued)

Consolidated Statement of Comprehensive Income

The nature of expenses will now change as SFRS(I) 16 replaces the straight-line operating lease expense accounted for under Singapore Financial Reporting Standard 17 *Leases*, with depreciation charge of right-of-use assets and interest expense on lease liabilities.

As a result of the adoption of SFRS(I) 16, the Group's total profit decreased by \$2.9 million for the 12 months period ended 31 December 2019 ("FY19"). The purpose of the table below is for illustrating the financial results of FY19 and FY18 without the effects of adoption of SFRS(I) 16:

	12 months ended 31 December				
	2019			2018	
	As reported \$'000	Effects of applying SFRS(I) 16 \$'000	Without effects of SFRS(I) 16* \$'000	As reported \$'000	Increase/ (decrease) %
Sales	156,063		156,063	150,911	3.4
Cost of sales	(88,249)	(7,617)	(95,866)	(97,536)	(1.7)
Gross profit	67,814	(7,617)	60,197	53,375	12.8
Other income	4,500		4,500	4,321	4.1
Other gains – net	13,141		13,141	8,306	58.2
Expenses:					
- Distribution and marketing	(11,550)		(11,550)	(11,472)	0.7
- Administrative	(33,488)	(64)	(33,552)	(26,581)	26.2
- Finance	(16,865)	9,509	(7,356)	(5,188)	41.8
- Other	-		-	(40)	nm
Share of profit of					
- joint ventures	3,169	1,473	4,642	9,563	(51.5)
- associated companies	3,211		3,211	3,376	(4.9)
Profit before income tax	29,932	3,301	33,233	35,660	(6.8)
Income tax expense	(4,152)	(364)	(4,516)	(2,212)	>100
Total profit	25,780	2,937	28,717	33,448	(14.1)
Total profit attributable to equity holders of the Company	26,031	2,591	28,622	32,937	(13.1)

*Presented only for the purpose of illustrating the financial results of FY19 without the effects of adoption of SFRS(I) 16 for comparison with FY18.

The Group's activities as a lessor are not material and the Group does not expect any significant impact on the financial statements.

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

	12 months ended 31 December	
	2019 cents	2018 cents
Earnings per ordinary share (EPS) for the period based on net profits attributable to shareholders after deducting any provision for preference dividends: -		
(i) Based on weighted average number of ordinary shares in issue	5.95	7.64
(ii) On a fully diluted basis	5.95	7.64

The Company does not have any preference shares.

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

	Group		Company	
	As at 31 December 2019	As at 31 December 2018	As at 31 December 2019	As at 31 December 2018
Net asset value (NAV) per ordinary share based on total number of issued shares excluding treasury shares as at the end of the period/year	\$2.85	\$2.89	\$2.33	\$2.38

The Company does not have any treasury shares.

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

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

(a) **Group performance review for the year ended 31 December 2019 ("FY19")**

Revenue

The Group's sales increased by \$5.2 million from \$150.9 million in FY18 to \$156.1 million in FY19. Excluding the impact of currency exchange loss of \$4.0 million resulting mainly from the weakening of AUD against SGD, sales would have increased by \$9.2 million. This was attributable to higher sales from our student accommodation properties in the United Kingdom ("UK") and increase in management fees income from hotels under management at Sentosa. The increase was partially offset by the lower sales from our hospitality business in Australia and Malaysia due to the weak market conditions.

Gross profit

The Group's gross profit increased by \$14.4 million to \$67.8 million in FY19. Excluding the effects of the adoption of SFRS(I) 16, the Group's gross profit in FY19 would be \$60.2 million, \$6.8 million higher compared to \$53.4 million in FY18. The increase was mainly due to higher gross profit contribution from our student accommodation business in the UK, and the management services business in Singapore. This was partially offset by the lower gross profit of \$4.0 million from our hospitality business in Australia and Malaysia.

Depreciation of property, plant and equipment includes the depreciation charge on right-of-use assets recognized as at 1 January 2019 arising from the adoption of SFRS (I) 16. Depreciation of other property, plant and equipment was lower by \$1.0 million due to lower carrying value of assets upon the recognition of revaluation losses in 2018.

Other gains – net

The Group's other net gains for FY19 comprised mainly fair value gains of \$18.8 million (FY18: \$16.6 million) primarily from student accommodation properties in the UK due to the improvement in the underlying operating performance and compression in capitalisation rates offset by fair value losses of medical suites held as investment properties of \$3.1 million (FY18: \$Nil). The net fair value gains were partially offset by currency translation losses of \$1.9 million (FY18: \$8.9 million), arising from monetary assets and liabilities denominated in Australian Dollar affected by the weakening of AUD against SGD, and revaluation losses on certain hospitality assets in Perth, Australia and Malaysia of \$2.0 million (FY18: revaluation gains of \$1.7 million). In addition, a loss on partial disposal of a UK investment property (part of the planning requirement) of \$1.7 million was also being recognized in FY19.

Expenses

Total expenses increased by \$18.6 million to \$61.9 million in FY19. Excluding the effects of adoption of SFRS(I) 16, the Group's total expenses would be \$52.5 million, or \$9.2 million higher compared to \$43.3 million in FY18. The increase was mainly due to higher operating expenses following the acquisition of five student accommodation properties (the "PBSA Acquisition") in the UK during the year and higher finance expenses on increase in borrowings to finance the acquisition. In addition, there was a reversal of prior years' accrual of one-off business costs not required in FY18, thus lowering the expenses by \$4.1 million in FY18.

8 (continued)

(a) Group performance review for the year ended 31 December 2019 ("FY19") (continued)**Share of profit of joint ventures**

The Group's share of profit of joint ventures for FY19 was \$3.2 million, compared to \$9.6 million in FY18. Excluding the effects of adoption of SFRS (I) 16, the Group's share of profits would have decreased by \$4.9 million instead of \$6.4 million. The decrease was mainly due to absence of share of profit from its joint venture property development project in Australia, Harbourfront Balmain, which was fully sold and delivered to the buyers by 30 June 2018. The decline in the performance of the hotels in Australia and revaluation losses on a property held by the Group's hospitality joint venture have also resulted in a further decrease in share of profit.

Income tax expense

Income tax expense for FY19 was \$1.9 million higher compared to FY18. In FY19, with the new rules on the treatment of UK non-resident capital gains, provision on deferred taxes for capital gains on UK properties was made. This was offset against a reversal of overprovision on deferred taxes relating to unremitted profits of the Group's joint venture upon finalisation of prior years' tax. In FY18, there was also one-off foreign tax credits on withholding tax previously paid on dividends received from the hospitality joint ventures.

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

The Group generated a net increase in cash and cash equivalents for FY19 of \$3.7 million compared to net increase of \$43.5 million in FY18.

Net cash inflows from operating activities of the Group for FY19 were \$31.8 million compared to net cash outflows of \$6.8 million for FY18. Higher net cash inflows in FY19 were mainly due to effects of adoption of SFRS(I) 16 where interest expense and repayment of principal portion of lease liabilities were included as part of cash flows from financing activities, replacing the operating lease expense classified previously under operating activities.

Net cash used in investing activities of the Group for FY19 was \$233.6 million compared to \$21.2 million for FY18. This was mainly due to the PBSA Acquisitions of five student accommodation properties located in Bristol, Liverpool, Leeds and Sheffield in the UK, for a total cash consideration of \$215.7 million in 2019. Net cash outflows in FY18 were mainly due to an advance payment for a joint venture of JPY1,575.1 million (equivalent to \$19.3 million), an equity injection amounting to A\$33.8 million (\$34.0 million) into a hospitality joint venture, Toga Hotel Holdings Unit Trust ("THHUT"), to increase the Group's equity interest from 45.6% to 50.0%, and additions to investment properties under development in the UK.

Net cash inflows from financing activities of the Group for FY19 were \$205.5 million compared to \$71.5 million for FY18. Net cash inflows in FY19 have included the drawdown of bank borrowings to finance the PBSA Acquisitions, partially offset by payout of higher cash dividends and repayment of interest and principal portion of lease liabilities. Net cash inflows in FY18 arose from drawdown of bank borrowings to finance the equity injection into THHUT.

Assets

Total assets as at 31 December 2019 were \$2,530.8 million. Compared to 31 December 2018, total assets increased by \$385.5 million mainly due to the recognition of right-of-use assets classified under 'Property, plant and equipment', arising from the adoption of SFRS(I) 16, the increase in carrying amount of investment properties following the PBSA Acquisitions in March and November 2019, and the capitalisation of the construction costs of the properties under development in the UK.

The increase was partially offset by decrease in investment in joint ventures affected by the effects of adoption of SFRS(I) 16, and dividends declared by joint ventures.

Liabilities

Total liabilities as at 31 December 2019 were \$1,259.5 million. Compared to 31 December 2018, total liabilities increased by \$410.7 million mainly due to the recognition of lease liabilities arising from the adoption of SFRS(I) 16 and the additional bank borrowings drawn to finance the PBSA Acquisitions in March and November 2019.

The Group's current liabilities are higher than the current assets by \$19.1 million due the drawdown of current borrowings to finance the acquisition of the two student accommodation properties located in Leeds and Sheffield in the UK in November 2019. The Group is in the process of refinancing current borrowings of approximately \$83.1 million to non-current borrowings.

Refer to Section 5 for further details on the effects of adoption of SFRS(I) 16 on 1 January 2019.

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

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

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

Hospitality

In the near-term, travel demand is expected to slow amid the Covid-19 outbreak and the Chinese government's ban on outbound group tours from China, the world's largest outbound travel market. This is expected to impact our key hospitality markets of Singapore and Australia, which have a fair reliance on visitors from China. The Group will closely monitor the Covid-19 outbreak situation in the hospitality markets it operates in and respond appropriately.

Singapore

The Singapore hospitality market continues to face challenges. In view of the Covid-19 outbreak, the Singapore Tourism Board has forecast a decline of up to 30% in visitor arrivals this year on the back of lower travel confidence globally. Corporate demand is likely to remain muted amidst economic uncertainties. Majority of meetings, incentive travel, conferences and exhibitions events planned for the first quarter of 2020 have been cancelled or postponed due to the evolving Covid-19 situation. On the supply front, although the forecast is a limited growth, the bulk of the upcoming supply is in the mid-scale and economy segments.

This year, the Group expects to open The Clan Hotel, a 324-room modern luxury hotel under management in Telok Ayer. At Village Hotel Albert Court, Land Transport Authority construction works for the North-South Corridor which commenced in January 2020 have impacted the hotel's operations. The works are scheduled to complete in September 2021.

Australia

In Australia, performance of hotels in Sydney and Melbourne is expected to soften further as new room supply continues to increase and outpace demand. Brisbane and Perth are slowly absorbing recent new room supply on the back of improving business sentiment. Tourism numbers and revenue have been affected by the months-long bushfires across Australia's East and South coast and wide-scale trip cancellations by Chinese tourists.

Europe

The expected growth in visitor arrivals to Europe in 2020 will likely support demand for hotels, but prospects may be affected by external events such as the Covid-19 outbreak, slower-than-expected economic growth and geopolitical situation⁵. German hotel markets are forecast to post RevPAR increases this year due to a continued rise in average daily rate. However, a slowing economy and sustained increase in new room supply will weigh on the market.⁶

Japan

Far East Village Hotel Ariake, a jointly acquired hotel between the Group and Far East Organization, is scheduled to open in July 2020. The 306-room hotel located in the Ariake district is near Tokyo Big Sight and the Ariake Arena, one of the venues hosting the 2020 Tokyo Olympics which will also be used to host sports events and concerts after the Olympics.

While the Japanese government currently has no plans to cancel or postpone the Olympics, the spread of the Covid-19 could adversely impact the Japan hotel market in the short term. In view of the developing situation, the Group will continually assess the situation and adjust its strategy as necessary.

⁵World Tourism Barometer, UNWTO, 20 Jan 2020

⁶STR: Key German hotel markets forecasted for performance growth, despite looming recession, STR, 4 Oct 2019

10 (continued)

Property

Property Investment

Demand for purpose-built student accommodation ("PBSA") in the UK is expected to remain strong, supported by a record number of applicants and acceptances for undergraduate courses in the 2019 cycle. Acceptances from students in the UK and international students outside the EU have increased significantly. EU acceptances have remained broadly stable, with future demand contingent on fees and immigration rules for EU students post-Brexit. The Group is monitoring the developing Covid-19 situation closely and will make adjustments to mitigate the impact on its PBSA business.

Property Development

The Group's integrated office development project, Woods Square, jointly developed with Far East Organization and Sekisui House, Ltd, achieved its temporary occupation permit on 5 February 2020. The demand for Singapore office spaces and rental growth momentum is expected to slow in 2020 due to the subdued economic growth forecast and cautious business sentiments. The Group continues to actively market Woods Square for sale and tenancy.

Development of the Group's residential development in the UK – Westminster Fire Station – is ongoing but expected to be completed beyond 2020. The project team is working towards the revised deliverables for completion. Located in prime central London, the redeveloped heritage building will feature 17 apartments and one restaurant.

Brexit-related uncertainty will persist this year as the UK and European Union negotiate a trade deal before the end of the post-Brexit transition period on 31 December 2020. Combined with possible property tax changes and normalisation of interest rates, modest growth in the UK residential market is forecast^{7,8}.

Strategic Focus

Looking ahead, the Group will continue expanding its business via value-accretive acquisitions or selective developments, management contracts and strategic partnerships. In addition, the Group will review opportunities in our existing portfolio to unlock value.

Risk-based approach to quarterly reporting ("QR")

Singapore Exchange Regulation has adopted a risk-based approach to QR with effect from 7 February 2020. Companies that are of greatest concern to regulators and investors are required to do QR, while all other companies need only do semi-annual reporting. The Group is not required by the Singapore Exchange Regulation to do QR. The Board has deliberated on this and decided that the Group will adopt semi-annual reporting from FY2020.

⁷Prime London Sales Index December, Knight Frank, 24 Dec 2019

⁸Prime London Residential, Savills, 30 Jan 2020

11 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 2019 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	- 6.00 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 2018 as approved by shareholders at the Annual General Meeting held at 23 April 2019:

Name of Dividend	- First and Final (One-tier tax exempt)
Dividend Type	- Cash or share in-lieu
Dividend Amount Per Share	- 6.00 cents - First and final dividend

The dividend was paid on 3 July 2019.

(c) Date payable

To be announced later.

(d) Record date

To be announced later.

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

Not applicable.

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

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

Name of interested person	Nature of relationship	Aggregate value of all interested person transactions conducted under shareholders' mandate pursuant to Rule 920 of the Listing Manual (excluding transactions less than \$100,000)	Aggregate value of all interested person transactions during the financial period under review (excluding transactions less than \$100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920)
		12 months ended 31 December 2019 \$'000	12 months ended 31 December 2019 \$'000
<u>Agape Laundry Pte Ltd</u> Supply of goods and services	Associate of controlling shareholder	(789)	-
<u>Boo Han Holdings Pte. Ltd.</u> Hospitality management income	Associate of controlling shareholder	760	-
Transaction with an interested person in relation to a conditional purchase and sale agreement for the joint purchase of a plot of land and hotel to be constructed thereon in Japan ⁽⁹⁾		-	(1,201)
<u>China Classic Pte Ltd</u> Hospitality management income	Associate of controlling shareholder	113	-
<u>Dollar Land Singapore Private Limited</u> Hospitality management income	Associate of controlling shareholder	331	-
<u>Far East Hospitality Real Estate Investment Trust</u> Management income ⁽¹⁰⁾	Associate of controlling shareholder	4,045	-
Rental expense on operating leases - offices		(1,113)	-
- hotels and serviced residences		(22,664)	-
<u>Far East Management (Private) Limited</u> Management service fees	Associate of controlling shareholder	(2,013)	-
Hospitality services		(2,172)	-
Project management service fees		(111)	-
Sale of property units ⁽¹¹⁾		-	43,900
<u>Far East Organization Centre Pte Ltd</u> Hospitality management income	Associate of controlling shareholder	2,234	-
<u>Far East Property Sales Pte Ltd</u> Sales and marketing services fees	Associate of controlling shareholder	(103)	-
<u>Far East Real Estate Agency Pte Ltd</u> Property management services	Associate of controlling shareholder	(295)	-
<u>Far East Rocks Pty Ltd</u> Rental expense on operating leases - hotel	Associate of controlling shareholder	(1,179)	-

⁽⁹⁾ As set out in the Group's announcement dated 28 May 2018.

⁽¹⁰⁾ Pursuant to the trust deed constituting Far East Hospitality Real Estate Investment Trust ("FEH-REIT") dated 1 August 2012 (as amended, varied or supplemented from time to time) (the "Trust Deed") and entered into between FEO Hospitality Asset Management Pte. Ltd. ("FEOHAM") (in its capacity as the manager of FEH-REIT) and DBS Trustee Limited (in its capacity as the trustee of FEH-REIT), FEOHAM is entitled to a management fee comprising a base fee of 0.3% per annum of the value of the Deposited Property (as defined in the Trust Deed) and a performance fee of 4.0% per annum of net property income (as defined in the Trust Deed). During the financial year ended 31 December 2019, the Company was a 33% shareholder of FEOHAM and this amount represents 33% of the management fees received during the financial year, being the value at risk to the Group.

⁽¹¹⁾ On 23 August 2019, Woodlands Square Pte. Ltd. ("WSPL"), a joint venture by the Group's wholly-owned subsidiary, Tannery Holdings Pte Ltd with Far East Civil Engineering (Pte.) Limited and Sekisui House, Ltd for the proposed development of a land parcel at Woodlands Square ("Woods Square"), has entered into an option to purchase, a sale and purchase agreement and a side letter with Far East Management (Private) Limited, a member of Far East Organization, for the sale of 3 property units at Woods Square from WSPL to FEM.

13 (continued)

Name of interested person	Nature of relationship	Aggregate value of all interested person transactions conducted under shareholders' mandate pursuant to Rule 920 of the Listing Manual (excluding transactions less than \$100,000)	Aggregate value of all interested person transactions during the financial period under review (excluding transactions less than \$100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920)
		12 months ended 31 December 2019 \$'000	12 months ended 31 December 2019 \$'000
<u>Far East Soho Pte. Ltd.</u> Hospitality management income	Associate of controlling shareholder	1,591	-
<u>Fontaine Investment Pte Ltd</u> Hospitality management income	Associate of controlling shareholder	2,154	-
<u>Golden Development Private Limited</u> Hospitality management income	Associate of controlling shareholder	2,623	-
<u>Golden Landmark Pte Ltd</u> Hospitality management income	Associate of controlling shareholder	1,455	-
<u>Kitchen Language Pte Ltd</u> Supply of goods and services	Associate of controlling shareholder	(148)	-
<u>Orchard Mall Pte. Ltd.</u> Hospitality management income	Associate of controlling shareholder	892	-
<u>Orchard Parksuites Pte Ltd</u> Hospitality management income	Associate of controlling shareholder	1,462	-
<u>Oxley Hill Properties Pte Ltd</u> Hospitality management income	Associate of controlling shareholder	572	-
<u>Riverland Pte Ltd</u> Hospitality management income	Associate of controlling shareholder	443	-
<u>Serene Land Pte Ltd</u> Hospitality management income	Associate of controlling shareholder	1,769	-
<u>Splendid Properties Pte Ltd</u> Rental expense on office operating leases	Associate of controlling shareholder	(125)	-
<u>Transurban Properties Pte Ltd</u> Hospitality management income	Associate of controlling shareholder	1,729	-

14 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.

PART II ADDITIONAL INFORMATION REQUIRED FOR FULL YEAR ANNOUNCEMENT

(This part is not applicable to Q1, Q2, Q3 or Half Year Results)

- 15 Segmented revenue and results for business or geographical segments (of the group) in the form presented in the issuer's most recently audited financial statements, with comparative information for the immediately preceding year.**

	Hospitality				Property		Total
	Management services-Singapore \$'000	Operations -Singapore \$'000	Operations -Australia and New Zealand \$'000	Property ownership \$'000	Development \$'000	Investment \$'000	\$'000
2019							
Total segment sales	22,131	44,141	12,745	51,801	-	28,548	159,366
Inter-segment sales	(3,303)	-	-	-	-	-	(3,303)
Sales to external parties	18,828	44,141	12,745	51,801	-	28,548	156,063
Operating profit/(loss)	4,109	9,484	760	5,042	(89)	14,788	34,094
Share of profit of:							
- joint ventures	-	-	(151)	2,753	567	-	3,169
- associated companies	-	3,211	-	-	-	-	3,211
Total operating profit	4,109	12,695	609	7,795	478	14,788	40,474
Corporate expenses							(8,502)
Interest income							4,340
Interest expense							(16,865)
Others*							10,485
Profit before income tax							29,932
Income tax expense							(4,152)
Total profit							25,780
Segment assets	121,731	479,115	19,394	281,568	179,613	793,059	1,874,480
Investments in associated companies	-	22,090	-	-	-	-	22,090
Investments in joint ventures	-	-	199,873	65,230	178,906	-	444,009
	121,731	501,205	219,267	346,798	358,519	793,059	2,340,579
Corporate assets							190,252
Total assets							2,530,831

* Material and non-cash items are disclosed as "Other gains – net" in Section 1(a)(ii).

15 (continued)

	Hospitality				Property		Total
	Management services- Singapore \$'000	Operations -Singapore \$'000	Operations- Australia and New Zealand \$'000	Property ownership \$'000	Development \$'000	Investment \$'000	\$'000
<u>2018</u>							
Total segment sales	19,905	44,678	14,026	58,636	241	16,760	154,246
Inter-segment sales	(3,335)	-	-	-	-	-	(3,335)
Sales to external parties	<u>16,570</u>	<u>44,678</u>	<u>14,026</u>	<u>58,636</u>	<u>241</u>	<u>16,760</u>	<u>150,911</u>
Operating profit	2,978	1,193	1,093	5,769	381	10,242	21,656
Share of profit of:							
- joint ventures	-	-	2,444	2,189	4,930	-	9,563
- associated companies	-	3,376	-	-	-	-	3,376
Total operating profit	<u>2,978</u>	<u>4,569</u>	<u>3,537</u>	<u>7,958</u>	<u>5,311</u>	<u>10,242</u>	<u>34,595</u>
Corporate expenses							(8,960)
Interest income							3,993
Interest expense							(5,188)
Others*							<u>11,220</u>
Profit before income tax							35,660
Income tax expense							<u>(2,212)</u>
Total profit							<u>33,448</u>
Segment assets	122,311	341,061	14,925	290,420	168,435	498,830	1,435,982
Investments in associated companies	-	15,921	-	-	-	-	15,921
Investments in joint ventures	-	-	222,385	62,258	194,625	-	479,268
	<u>122,311</u>	<u>356,982</u>	<u>237,310</u>	<u>352,678</u>	<u>363,060</u>	<u>498,830</u>	<u>1,931,171</u>
Corporate assets							<u>214,186</u>
Total assets							<u>2,145,357</u>

* Material and non-cash items are disclosed as "Other gains – net" in Section 1(a)(ii).

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

Operating profit of the operating segments includes the effects of the adoption of SFRS(I) 16 described in paragraph 5. Material changes in contributions to sales and operating profit are due to the same reasons as explained in paragraph 8(a).

17 A breakdown of sales

	Group		
	12 months ended		
	31 December		
	2019	2018	Increase/ (Decrease)
	\$'000	\$'000	%
Sales reported for 1st half year	75,262	74,945	0.4
Net profit after tax before deducting minority interests reported for 1st half year	5,330	9,043	(41.1)
Sales reported for 2nd half year	80,801	75,966	6.4
Net profit after tax before deducting minority interests reported for 2nd half year	20,450	24,405	(16.2)

18 A breakdown of the total annual dividend (in dollar value) for the issuer's latest full year and its previous full year

Total Annual Dividend

	Latest Full Year	Previous Full Year
	\$'000	\$'000
First and final dividend	26,302	26,227

19 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 2019.

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.

On behalf of the Board of Directors

Koh Boon Hwee
Chairman

21 February 2020

Alan Tang Yew Kuen
Group CEO and Executive Director