FAR EAST ORCHARD LIMITED AND ITS SUBSIDIARIES
(Registration No. 196700511H)

UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
For the Six Months Ended 30 June 2022

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A. CONDENSED INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		Six months ended 30 June		
		2022	2021	Increase/ (Decrease)
	Note	**$'000**	$'000	%
Revenue	4	**63,663**	54,946	15.9
Cost of sales		**(30,752)**	(29,830)	3.1
Gross profit		**32,911**	25,116	31.0
Other income				
− Interest income		**642**	552	16.3
− Other income		**300**	2,164	(86.1)
Other losses and impairment losses – net		**(3,488)**	(1,243)	>100
Expenses				
− Distribution and marketing		**(5,343)**	(3,289)	62.5
− Administrative		**(16,835)**	(16,692)	0.9
− Finance		**(8,810)**	(8,393)	5.0
Share of profit/(loss) of				
− joint ventures		**10,141**	(4,396)	>100
− associated companies		**1,781**	1,211	47.1
Profit/(Loss) before income tax	5	**11,299**	(4,970)	nm
Income tax expense	6	**(2,498)**	(908)	>100
Profit/(Loss) after income tax		**8,801**	(5,878)	nm
Other comprehensive income/(loss):				
Items that may be reclassified subsequently to profit or loss:				
Share of other comprehensive income of joint ventures		**5,175**	1,932	>100
Cash flow hedges - fair value gains		**5,492**	2,713	>100
Currency translation differences arising from consolidation		**(14,826)**	(1,132)	>100
		(4,159)	3,513	nm
Items that will not be reclassified subsequently to profit or loss:				
Share of other comprehensive income/(loss) of:				
− joint ventures		**4,738**	5,776	(18.0)
− associated companies		**1,596**	(1,173)	nm
Tax expense relating to share of joint venture's asset revaluation reserve movement		**(1,064)**	(1,318)	(19.3)
Currency translation differences arising from consolidation		**(2,799)**	(1,001)	>100
Other comprehensive (loss)/income, net of tax		**(1,688)**	5,797	nm
Total comprehensive income/(loss)		**7,113**	(81)	nm
Profit/(Loss) attributable to:				
Equity holders of the Company		**8,033**	(1,867)	nm
Non-controlling interest		**768**	(4,011)	nm
		8,801	(5,878)	nm
Total comprehensive profit/(loss) attributable to:				
Equity holders of the Company		**6,523**	3,003	>100
Non-controlling interest		**590**	(3,084)	nm
		7,113	(81)	nm
Basic and diluted profit/(losses) per share for profit/(loss) attributable to equity holders of the Company (cents per share)		**1.73**	(0.41)	nm

nm: not meaningful

B. CONDENSED INTERIM STATEMENTS OF FINANCIAL POSITION

		Group		Company	
	Note	**30 June 2022 $'000**	31 December 2021 $'000	**30 June 2022 $'000**	31 December 2021 $'000
ASSETS					
Current assets					
Cash and bank balances		**225,910**	255,189	**131,764**	137,921
Trade and other receivables		**36,943**	23,845	**178,532**	175,993
Inventories		**278**	224	**13**	20
Properties held for sale		**181,803**	186,891	**-**	-
		444,934	466,149	**310,309**	313,934
Non-current assets					
Derivative financial instruments	17	**9,434**	4,578	**5,080**	2,774
Financial asset, at fair value through other comprehensive income	17	**884**	-	**884**	-
Other non-current assets		**5,584**	6,356	**326,111**	327,927
Investments in associated companies		**26,536**	23,159	**696**	696
Investments in joint ventures	8	**481,016**	470,212	**300**	300
Investments in subsidiaries		**-**	-	**852,524**	852,112
Investment properties	9	**885,045**	929,565	**136,974**	136,974
Property, plant and equipment	10	**596,081**	610,239	**380,940**	384,560
Intangible assets	11	**109,939**	111,405	**-**	-
Deferred income tax assets		**3,634**	3,721	**2,614**	2,577
		2,118,153	2,159,235	**1,706,123**	1,707,920
Total assets		**2,563,087**	2,625,384	**2,016,432**	2,021,854
LIABILITIES					
Current liabilities					
Trade and other payables		**88,949**	97,401	**4,222**	4,866
Current income tax liabilities		**4,430**	2,640	**-**	-
Lease liabilities		**8,297**	9,334	**6,275**	6,106
Borrowings	12	**363,873**	389,760	**140,806**	130,199
Deferred income		**11,338**	13,071	**6,796**	6,813
		476,887	512,206	**158,099**	147,984
Non-current liabilities					
Other payables		**101,115**	101,203	**369,650**	361,779
Lease liabilities		**95,722**	100,230	**71,100**	74,280
Borrowings	12	**280,341**	302,275	**169,044**	182,289
Deferred income		**266,116**	269,514	**266,116**	269,514
Deferred income tax liabilities		**47,129**	48,261	**-**	-
		790,423	821,483	**875,910**	887,862
Total liabilities		**1,267,310**	1,333,689	**1,034,009**	1,035,846
NET ASSETS		**1,295,777**	1,291,695	**982,423**	986,008
EQUITY					
Capital and reserves attributable to equity holders of the Company					
Share capital	13	**535,958**	525,053	**535,958**	525,053
Revaluation and other reserves		**354,073**	355,581	**294,792**	292,311
Retained profits		**393,589**	399,494	**151,673**	168,644
		1,283,620	1,280,128	**982,423**	986,008
Non-controlling interest		**12,157**	11,567	**-**	-
TOTAL EQUITY		**1,295,777**	1,291,695	**982,423**	986,008

C. CONDENSED INTERIM STATEMENTS OF CHANGES IN EQUITY

The Group		← Attributable to equity holders of the Company →									
	Note	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
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 for the period		-	-	-	-	-	-	8,033	8,033	768	8,801
Other comprehensive income/(loss) for the period		-	-	2,572	(14,714)	1,596	9,036	-	(1,510)	(178)	(1,688)
Total comprehensive income/(loss) for the period		-	-	2,572	(14,714)	1,596	9,036	8,033	6,523	590	7,113
Dividend paid in cash relating to 2021	14	-	-	-	-	-	-	(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		-	-	-	-	2	-	(2)	-	-	-
Total transactions with owners, recognised directly in equity		10,905	-	-	-	2	-	(13,938)	(3,031)	-	(3,031)
Balance at 30 June 2022		**535,958**	**13,977**	**381,239**	**(53,279)**	**(904)**	**13,040**	**393,589**	**1,283,620**	**12,157**	**1,295,777**
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
Loss for the period		-	-	-	-	-	-	(1,867)	(1,867)	(4,011)	(5,878)
Other comprehensive income/(loss) for the period		-	-	3,121	(1,166)	(1,173)	4,088	-	4,870	927	5,797
Total comprehensive income/(loss) for the period		-	-	3,121	(1,166)	(1,173)	4,088	(1,867)	3,003	(3,084)	(81)
Dividend relating to 2020	14	-	-	-	-	-	-	(13,654)	(13,654)	-	(13,654)
Transfer of share of associated company's fair value reserve upon disposal		-	-	-	-	4	-	(4)	-	-	-
Total transactions with owners, recognised directly in equity		-	-	-	-	4	-	(13,658)	(13,654)	-	(13,654)
Balance at 30 June 2021		515,234	13,977	364,772	(29,544)	(2,830)	(953)	369,576	1,230,232	15,505	1,245,737

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

The Company

	Note	Share capital $'000	Asset revaluation reserve $'000	Currency translation reserve $'000	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**
Loss for the period		-	-	-	-	(3,035)	(3,035)
Other comprehensive (loss)/income for the period		-	-	(173)	2,654	-	2,481
Total comprehensive (loss)/income for the period		-	-	(173)	2,654	(3,035)	(554)
Dividend paid in cash relating to 2021	14	-	-	-	-	(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 30 June 2022		**535,958**	**289,537**	**(173)**	**5,428**	**151,673**	**982,423**
2021							
Balance at 1 January 2021		515,234	288,788	-	(336)	195,409	999,095
Profit for the period		-	-	-	-	6,517	6,517
Other comprehensive income for the period		-	-	-	1,346	-	1,346
Total comprehensive income for the period		-	-	-	1,346	6,517	7,863
Dividend relating to 2020	14	-	-	-	-	(13,654)	(13,654)
Total transactions with owners, recognised directly in equity		-	-	-	-	(13,654)	(13,654)
Balance at 30 June 2021		515,234	288,788	-	1,010	188,272	993,304

D. CONDENSED INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS

	Note	Six months ended 30 June 2022 $'000	2021 $'000
Cash flows from operating activities			
Profit/(Loss) after income tax		**8,801**	(5,878)
Adjustments for:			
Income tax expense		**2,498**	908
Depreciation of property, plant and equipment	5	**9,637**	10,193
Amortisation of intangible assets	5	**1,353**	1,353
Gain on sale of reversionary interest in a property	5	**(1,800)**	-
Gain on re-measurement of lease liability	5	**(8)**	-
Revaluation losses on property, plant and equipment	5	**-**	580
Impairment of advances to a joint venture	5	**68**	-
Interest income	5	**(642)**	(552)
Finance expense	5	**8,810**	8,393
Share of (profit)/loss of joint ventures	8	**(10,141)**	4,396
Share of profit of associated companies		**(1,781)**	(1,211)
Unrealised currency translation losses		**5,214**	621
		22,009	18,803
Change in working capital:			
Trade and other receivables		**2,518**	1,358
Inventories		**(58)**	33
Development properties and properties held for sale		**(22)**	(4,270)
Trade and other payables		**(11,795)**	(10,483)
Cash generated from operations		**12,652**	5,441
Interest paid		**(44)**	(90)
Income tax paid – net		**(1,068)**	(963)
Net cash provided by operating activities		**11,540**	4,388
Cash flows from investing activities			
Additions to property, plant and equipment		**(348)**	(5,885)
Additions to investment properties		**(455)**	(488)
Cost adjustment to an investment property		**-**	664
Investment in a financial asset, at fair value through other comprehensive income		**(1,057)**	-
Disposal of reversionary interest in a property		**1,800**	-
Investment in a joint venture		**(3,042)**	-
Advances to joint ventures		**(15,891)**	-
Dividends received from a joint venture		**1,000**	-
Interest received		**336**	1,065
Net cash used in investing activities		**(17,657)**	(4,644)
Cash flows from financing activities			
Proceeds from borrowings		**144,825**	41,075
Repayment of borrowings		**(146,069)**	(36,877)
Repayment of principal portion of lease liabilities		**(4,936)**	(6,305)
Interest paid on lease liabilities		**(3,158)**	(4,262)
Interest paid on borrowings		**(5,789)**	(4,469)
Dividend paid to equity holders of the Company	14	**(3,031)**	(3,835)
Net cash used in financing activities		**(18,158)**	(14,673)
Net decrease in cash and cash equivalents		**(24,275)**	(14,929)
Cash and cash equivalents			
Beginning of financial period		**255,189**	278,382
Less: Bank deposits pledged		**(25,050)**	(29,621)
Effects of currency translation on cash and cash equivalents		**(5,004)**	236
End of financial period	7	**200,860**	234,068

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 30 June 2022 comprise the Company and its subsidiaries (the "Group").

2. Basis of preparation

The condensed interim financial statements as at and for the six months ended 30 June 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 of the Group since the last annual financial statements for the year ended 31 December 2021.

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.

As at 30 June 2022, the Group was in net current liabilities position of $31,953,000 mainly due to a portion of loans maturing in the second half of 2022. The Group is engaging in ongoing discussions with the financier on the refinancing and will be able to refinance the loans by the maturity dates of these loans. These loans will be reclassified to non-current borrowings once refinancing is completed. Details of the Group's borrowings are disclosed in Note 12. Management has concluded that it remains appropriate to prepare the financial statements for the financial period ended 30 June 2022 on a going concern basis.

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 9 and 10 - Valuation of investment properties and land and buildings classified under property, plant and equipment using significant unobservable inputs
- Note 11 - Impairment assessment of goodwill: key assumptions underlying recoverable amounts
- Note 8 - 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 ended 30 June 2022.

E. NOTES TO THE INTERIM FINANCIAL STATEMENTS (continued)

4. Revenue

	Group	
	Six months ended 30 June	
	2022	2021
	$'000	$'000
Revenue from contracts with customers	**34,771**	28,117
Rental income	**28,892**	26,829
	63,663	54,946

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. All the sales are recognised over time.

Revenue is attributed to countries by location of customers.

	Group	
	Six months ended 30 June	
	2022	2021
	$'000	$'000
Hospitality operations		
− Singapore	**9,258**	8,248
− Australia	**16,618**	11,380
− New Zealand	**-**	1,988
− Other countries	**939**	295
	26,815	21,911
Hospitality management and other related fees – Singapore and Japan		
− Other related parties	**7,935**	6,182
− Non-related parties	**21**	24
Total revenue from contracts with customers	**34,771**	28,117

5. Profit/Loss before income tax

5.1 Significant items

	Group		
	Six months ended 30 June		
	2022	2021	Increase/ (Decrease)
	$'000	$'000	%
The following items were credited/(charged) to the income statement:			
<u>Other income</u>			
Interest income from bank deposits (Note (a))	**580**	492	17.9
Interest income from advances to joint ventures	**62**	60	3.3
Government grant income (Note (b))	**212**	2,067	(89.7)
<u>Cost of sales and administrative expenses</u>			
Depreciation of property, plant and equipment			
− Right-of-use assets (Note (c), Note 10)	**(4,431)**	(5,989)	(26.0)
− Other property, plant and equipment (Note (d), Note 10)	**(5,206)**	(4,204)	23.8
Amortisation of intangible assets (Note 11(b))	**(1,353)**	(1,353)	0.0
Allowance for impairment losses on trade receivables	**(329)**	(78)	>100

E. NOTES TO THE INTERIM FINANCIAL STATEMENTS (continued)

5. Profit/Loss before income tax (continued)

5.1 Significant items (continued)

	Group		
	Six months ended 30 June		
	2022 **$'000**	2021 $'000	Increase/ (Decrease) %
The following items were credited/(charged) to the income statement: (continued)			
Other losses and impairment losses – net			
Revaluation losses on property, plant and equipment	**-**	(580)	nm
Gain on re-measurement of lease liability	**8**	-	nm
Gain on sale of reversionary interest in a property (Note (e))	**1,800**	-	nm
Impairment of advances to a joint venture	**(68)**	-	nm
Currency exchange losses – net	**(5,228)**	(663)	>100
Finance expenses			
Interest expense for:			
− Bank borrowings (Note (a))	**(5,256)**	(3,256)	61.4
− Advances from non-controlling interests	**(658)**	(658)	0.0
− Lease liabilities	**(3,158)**	(4,262)	(25.9)
Cash flow hedges, reclassified from hedging reserves	**262**	(217)	nm

nm: not meaningful

(a) Interest income from bank deposits and interest expense for bank borrowings have increased for six months ended 30 June 2022 due to higher interest rates.

(b) Government grant income relates mainly to wage subsidies received from the Singapore and Australian governments. Grant income received for the six months ended 30 June 2022 was lower compared to the preceding period.

(c) During the six months ended 30 June 2022, depreciation of right-of-use assets decreased by $1,558,000 due to the decrease in carrying value of right-of-use assets relating to the leases of two hospitality properties. The two leases had expired in November 2021 and terminated in March 2022 (Note (e)) respectively.

(d) During the six months ended 30 June 2022, depreciation of other property, plant and equipment increased by $1,002,000 due to the increase in carrying value of property, plant and equipment subsequent to the completion of the refurbishment of one of the hotels in Australia.

(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.

5.2 Related party transactions

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

E. NOTES TO THE INTERIM FINANCIAL STATEMENTS (continued)

6. Income tax expense

Income tax expense is recognised based on management's estimate of the weighted average effective annual income tax rate expected for the full financial year.

During the six months ended 30 June 2022, the income tax expense has included an under provision of income tax expense relating to prior financial years of $20,000 (Six months ended 30 June 2021: Over provision of $565,000).

7. Cash and cash equivalents

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

	Group	
	30 June 2022 $'000	30 June 2021 $'000
Cash and bank balances	**225,910**	263,689
Less: Bank deposits pledged	**(25,050)**	(29,621)
Cash and cash equivalents per condensed interim consolidated statement of cash flows	**200,860**	234,068

8. Investments in joint ventures

	Group	Company
	30 June 2022 $'000	30 June 2022 $'000
Equity investment at cost		300
Beginning of interim period	470,212	
Investment in a joint venture (Note (a))	3,042	
Share of profit	10,141	
Share of movements in:		
− asset revaluation reserve	4,738	
− currency translation reserve	112	
− hedging reserve	5,063	
Dividends received	(1,000)	
Foreign exchange differences	(11,292)	
End of interim period	481,016	

As at 30 June 2022, the carrying value of one of the Group's material equity accounted joint ventures, Toga Hotel Holdings Unit Trust ("Toga Trust"), amounted to $194,144,000 (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 $376,756,000 (31 December 2021: $381,887,000); and

(ii) Impairment assessment of its goodwill and brands with indefinite lives with a carrying amount of $183,917,000 (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.

(a) The Group entered into a joint venture agreement during the financial reporting period 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 "Development"). As at 30 June 2022, the Group has committed equity of $3,569,000 to provide funding if called, to the joint venture for the Development.

E. NOTES TO THE INTERIM FINANCIAL STATEMENTS (continued)

9. Investment properties

	Group 30 June 2022 $'000	Company 30 June 2022 $'000
Beginning of interim period	929,565	136,974
Additions - Subsequent expenditure	455	-
Foreign exchange differences	(44,975)	-
End of interim period	885,045	136,974
Comprised: Completed properties	885,045	136,974

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 21(d) of the Group's annual financial statements for the year ended 31 December 2021.

At the end of every half-year, management will assess whether fair values of the Group's properties remain appropriate by holding discussions with property managers and corroborating through independent research and market data. In assessing whether the fair values remained appropriate, management considered whether any movement in market data such as discount rate, capitalisation rates, changes in underlying cash flows or sales comparables would result in a material impact to the fair values of the properties since December 2021. The Group will engage external independent qualified valuer whenever carrying amounts of the properties are likely to differ materially from the fair values recognised in the last financial reporting period.

Based on management's assessment, the fair values determined based on the year-end valuations performed remained appropriate as at 30 June 2022 and as such no fair value movements have been recognised for the six months ended 30 June 2022.

10. Property, plant and equipment

As at 30 June 2022, the Group's carrying value of property, plant and equipment included right-of-use assets amounting to $80,851,000 (31 December 2021: $85,883,000).

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
Six months ended 30 June 2022							
Beginning net book value	377,000	214,262	8,985	205	491	9,296	610,239
Currency translation differences	(1,290)	(2,732)	(106)	(4)	-	(134)	(4,266)
Additions	-	-	292	56	-	-	348
Disposals	-	-	(2)	-	-	-	(2)
De-recognition of right-of-use asset	-	(601)	-	-	-	-	(601)
Transfers	-	-	57	(57)	-	-	-
Depreciation charge (Note 5)	-	(7,366)	(1,151)	-	(96)	(1,024)	(9,637)
End of interim period	375,710	203,563	8,075	200	395	8,138	596,081

E. NOTES TO THE INTERIM FINANCIAL STATEMENTS (continued)

10. Property, plant and equipment (continued)

Group (continued)

	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
As at 30 June 2022							
Cost	-	161,090	62,065	200	1,070	13,097	237,522
Valuation	375,710	125,574	-	-	-	-	501,284
	375,710	286,664	62,065	200	1,070	13,097	738,806
Accumulated depreciation and impairment losses	-	(83,101)	(53,990)	-	(675)	(4,959)	(142,725)
Net book value	**375,710**	**203,563**	**8,075**	**200**	**395**	**8,138**	**596,081**
As at 31 December 2021							
Cost	-	162,375	71,254	205	1,070	13,544	248,448
Valuation	377,000	128,384	-	-	-	-	505,384
	377,000	290,759	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	377,000	214,262	8,985	205	491	9,296	610,239

Company
During the six months ended 30 June 2022, the Company acquired property, plant and equipment amounting to $6,000 and there was no disposal of assets.

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 every half-year, management will assess whether fair values of the Group's properties remain appropriate and engage external, independent, and qualified valuers when deemed necessary. The valuation techniques and key inputs that were used to determine the fair value, categorised under Level 3 of the fair value hierarchy were described in Note 20(d) of the Group's annual financial statements for the year ended 31 December 2021. The fair values of the property, plant and equipment determined based on the year-end valuations performed remained appropriate as at 30 June 2022 and as such no revaluation movements have been recognised for the six months ended 30 June 2022.

11. Intangible assets

	Group
	30 June 2022
	$'000
Goodwill arising from acquisition of hospitality businesses (Note (a))	42,610
Hospitality lease and management agreements (Note (b))	67,329
	109,939

E. NOTES TO THE INTERIM FINANCIAL STATEMENTS (continued)

11. Intangible assets (continued)

(a) Goodwill arising from acquisition of hospitality businesses

	Group
	30 June 2022 $'000
Cost	
Beginning of interim period	56,695
Currency translation differences	(303)
End of interim period	56,392
Accumulated impairment	
Beginning of interim period	13,972
Currency translation differences	(190)
End of interim period	13,782
Net book value	**42,610**

Impairment assessment of goodwill

Goodwill is allocated to the cash-generating-units ("CGUs") within the Group's hospitality business as follows:

	Group
	30 June 2022 $'000
Management services – Singapore (Note (i))	37,257
Property ownership – Australia (Note (ii))	5,353
	42,610

(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

<u>DCF method</u>
Cash flow projections used in the DCF for the 31 December 2021 goodwill impairment testing were based on financial projections approved by management covering a five-year period. Key assumptions used for the analysis of the CGU included a gradual recovery period from COVID-19 pandemic, with 2024 cash flows returning to pre COVID-19 level. Terminal growth rate of 1.9% and post-tax discount rate of 8.5% were used for the purpose of impairment testing.

<u>GPC method</u>
The key assumptions are the GPC multiples and normalised earnings. Normalised earnings are based on 2024 projections, in line with the expectation of the recovery period from COVID-19 and cash flows used under the DCF method. The CGU's normalised earnings were determined by management based on past performance and its expectations of market developments.

As at 30 June 2022, management has considered and assessed possible changes to the key assumptions and have not identified any instances that could cause the carrying amount of the CGU to exceed its recoverable amounts. No further testing for impairment of goodwill was performed as there were no indicators of impairment.

E. NOTES TO THE INTERIM FINANCIAL STATEMENTS (continued)

11. Intangible assets (continued)

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

(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

For the purpose of the goodwill testing as at 31 December 2021, cash flows beyond the ten-year period were extrapolated using the estimated growth rate of 0% to 1.5%. Key assumptions used for the analysis of the CGU also include the budgeted EBITDA margin for the period 2022 to 2031 determined by management based on past performance and its expectations of market developments. Cash flows for the period of 2022 to 2024 from the Group's hospitality ownership business in Australia took into account the COVID-19 impact on the CGU. As at 31 December 2021, the pre-tax discount rate of 8.2% was adopted for the purpose of goodwill impairment testing.

As at 30 June 2022, management has considered and assessed possible changes to the key assumptions and have not identified any instances that could cause the carrying amount of the CGU to exceed its recoverable amounts. No further testing for impairment of goodwill was performed as there were no indicators of impairment.

(b) Hospitality lease and management agreements

	Group 30 June 2022 $'000
Cost	
Beginning and end of interim period	99,078
Accumulated amortisation and impairment	
Beginning of interim period	30,396
Amortisation charge included within "Cost of sales" in profit or loss (Note 5)	1,353
End of interim period	31,749
Net book value	**67,329**

12. Borrowings

	Group	
	30 June 2022 $'000	31 December 2021 $'000
Amount repayable in one year or less, or on demand (net of transaction costs)		
− Secured	**203,067**	239,561
− Unsecured	**160,806**	150,199
	363,873	389,760
Amount repayable after one year (net of transaction costs)		
− Secured	**111,221**	119,986
− Unsecured	**169,120**	182,289
	280,341	302,275
	644,214	692,035

E. NOTES TO THE INTERIM FINANCIAL STATEMENTS (continued)

12. Borrowings (continued)

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

As at 30 June 2022, the Group is in the midst of refinancing existing loans totaling $107,711,000, that are secured over certain subsidiaries’ investment properties. These loans will be reclassified to non-current borrowings in the second half of 2022 once refinancing is completed.

13. Share capital

	Group and Company			
	Number of shares		Amount	
	30 June 2022 '000	31 December 2021 '000	**30 June 2022 $'000**	31 December 2021 $'000
Beginning of half-year financial period	**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 period	**474,726**	464,534	**535,958**	525,053

The Company does not have any convertibles or treasury shares as at 30 June 2022.

The Company does not have any subsidiary that holds shares issued by the Company as at 30 June 2022 and 31 December 2021.

14. Dividend

	Company	
	Six months ended 30 June	
	2022 $'000	2021 $'000
Ordinary dividend paid		
Final dividend paid/ provided for 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

A final dividend of 3 cents per share amounting to $13,936,000 relating to 2021 (“FY2021 Dividend”) was approved at the Annual General Meeting held on 28 April 2022. 10,191,689 new shares 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 on 28 June 2022.

A final dividend of 3 cents per share amounting to $13,654,000 relating to 2020 was approved at the Annual General Meeting held on 26 April 2021. Cash dividends amounting to $3,835,000 was made by the Company to The Central Depository on 30 June 2021 and subsequently paid out to the shareholders who did not participate in the Scheme on 5 July 2021. The allotment and issuance of 9,049,394 new shares amounting to approximately $9,819,000 under the Scheme have been made on 5 July 2021 to the participating shareholders. Dividends relating to the new shares have been provided for as at the balance sheet date as at 30 June 2021.

E. NOTES TO THE INTERIM FINANCIAL STATEMENTS (continued)

15. Capital commitments

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

	Group	
	30 June 2022	31 December 2021
	$'000	$'000
Investment properties	**1,890**	-
Properties held for sale	**-**	77
Property, plant and equipment	**1,678**	1,323
	3,568	1,400

16. Net asset value

	Group		Company	
	30 June 2022	31 December 2021	**30 June 2022**	31 December 2021
Net asset value per ordinary share based on total number of issued shares as at the end of the period/year	**$2.70**	$2.76	**$2.07**	$2.12

17. 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 9 and 10.

	Group		Company	
	30 June 2022	31 December 2021	**30 June 2022**	31 December 2021
	$'000	$'000	**$'000**	$'000
Assets				
Derivative financial instruments – Level 2	**9,434**	4,578	**5,080**	2,774
Financial asset, at fair value through other comprehensive income ("FVOCI") – Level 3	**884**	-	**884**	-

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 ended 30 June 2022. The investment is classified as FVOCI and measured at fair value at each reporting period. The fair value of the FVOCI is derived based on the net asset value of the investment, adjusted for the shareholding of the Group.

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

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)

18. 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 and Japan.

(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. Operations in New Zealand have ceased subsequent to the expiry of the lease of the hospitality property in New Zealand in November 2021. The operations of a leased property in Singapore have ceased from end March 2022 subsequent to the completion of the Sale of VRCQ (Note 5.1 (e)).

(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 by the Group or through the Group's investment in joint venture and includes those under development, that are held for rentals or/and long-term capital appreciation.

(ii) Development

The development segment includes all property development projects at various stages of development and unsold completed properties that are held through either joint ventures or joint operations, medical suites that are held for sale and residential units that are held for sale in United Kingdom. Rental income from the leasing of properties held for sale, if any, is included under the investment segment on the reports reviewed by the Group's executive director and management.

(iii) Investment

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

There was no revenue from transactions with a single external customer that accounts for 10% or more of the Group's revenue for the six months ended 30 June 2022 and 2021.

E. NOTES TO THE INTERIM FINANCIAL STATEMENTS (continued)

18. 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	$'000	**$'000**
1 January to 30 June 2022							
Total segment revenue	8,740	10,766	17,744	22,316	288	4,593	**64,447**
Inter-segment revenue	(784)	-	-	-	-	-	**(784)**
Revenue from external parties	**7,956**	**10,766**	**17,744**	**22,316**	**288**	**4,593**	**63,663**
Operating profit/(loss)	225	175	(3,005)	12,898	(718)	3,510	**13,085**
Share of profit/(loss) of:							
− joint ventures	-	6,771	2,905	(112)	577	-	**10,141**
− associated companies	-	1,781	-	-	-	-	**1,781**
Total operating profit/(loss)	**225**	**8,727**	**(100)**	**12,786**	**(141)**	**3,510**	**25,007**
Corporate expenses							**(2,052)**
Interest income							**642**
Finance expense							**(8,810)**
Others*							**(3,488)**
Profit before income tax							**11,299**
Income tax expense							**(2,498)**
Profit after income tax							**8,801**
As at 30 June 2022							
Segment assets	113,233	413,969	252,249	610,075	184,099	294,235	**1,867,860**
Investments in associated companies	-	26,536	-	-	-	-	**26,536**
Investments in joint ventures	-	194,144	90,306	2,930	193,636	-	**481,016**
	113,233	**634,649**	**342,555**	**613,005**	**377,735**	**294,235**	**2,375,412**
Corporate assets							**187,675**
Total assets							**2,563,087**

* Material and non-cash items are disclosed as "Other losses and impairment losses – net" (Note 5).

E. NOTES TO THE INTERIM FINANCIAL STATEMENTS (continued)

18. Segment information (continued)

	Hospitality			Property			Total
	Management services	Operations	Property ownership	Student accommodation	Development	Investment	
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
1 January to 30 June 2021							
Total segment revenue	7,007	11,165	12,479	20,507	-	4,589	55,747
Inter-segment revenue	(801)	-	-	-	-	-	(801)
Revenue from external parties	6,206	11,165	12,479	20,507	-	4,589	54,946
Operating (loss)/profit	(386)	(2,653)	(3,794)	12,812	90	3,458	9,527
Share of (loss)/profit of:							
− joint ventures	-	(3,207)	(1,287)	-	98	-	(4,396)
− associated companies	-	1,211	-	-	-	-	1,211
Total operating (loss)/profit	(386)	(4,649)	(5,081)	12,812	188	3,458	6,342
Corporate expenses							(2,228)
Interest income							552
Finance expense							(8,393)
Others*							(1,243)
Loss before income tax							(4,970)
Income tax expense							(908)
Loss after income tax							(5,878)
As at 30 June 2021							
Segment assets	115,801	454,124	254,874	611,314	186,432	292,787	1,915,332
Investments in associated companies	-	21,662	-	-	-	-	21,662
Investments in joint ventures	-	195,054	90,938	-	191,476	-	477,468
	115,801	670,840	345,812	611,314	377,908	292,787	2,414,462
Corporate assets							202,699
Total assets							2,617,161

* Material and non-cash items are disclosed as “Other losses and impairment losses – net” (Note 5).

E. NOTES TO THE INTERIM FINANCIAL STATEMENTS (continued)

18. 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. Operations in New Zealand have ceased subsequent to the expiry of the lease of the hospitality property in November 2021.
- 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	
	6 months ended 30 June	
	2022	2021
	$'000	$'000
Singapore	**21,751**	19,043
Australia	**18,316**	13,113
New Zealand	**-**	1,988
United Kingdom	**22,604**	20,507
Other countries	**992**	295
	63,663	54,946

	Non-current assets	
	30 June 2022	31 December 2021
	$'000	$'000
Singapore	**1,019,803**	1,023,878
Australia	**392,564**	389,489
United Kingdom	**575,973**	612,047
Other countries	**129,813**	133,821
	2,118,153	2,159,235

F. OTHER INFORMATION

1. Review

The condensed consolidated statement of financial position of Far East Orchard Limited and its subsidiaries as at 30 June 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) <u>Group performance review for the six months ended 30 June 2022 ("1H FY22")</u>

Revenue
Revenue increased by $8.8 million (15.9%) to $63.7 million in 1H FY22 (1H FY21: $54.9 million) due to increase in revenue from both the hospitality and student accommodation ("PBSA") segments.

The improvement in revenue for the hospitality segment was seen as borders opened up and global travel picked up in the second quarter. Higher revenue was also recognised for the PBSA segment as the portfolio achieved higher occupancy for the academic year 2021/22 ("AY21/22") which commenced in September 2021 as demand remained strong. The PBSA segment achieved a healthy occupancy rate of over 85% for AY21/22.

Gross profit
Gross profit increased by $7.8 million (31.0%) to $32.9 million in 1H FY22 (1H FY21: $25.1 million) due to increase in revenue.

Other income
The Group's other income decreased by $1.9 million to $0.3 million in 1H FY22 (1H FY21: $2.2 million) mainly due to the lower wage subsidies received from the Singapore and Australia governments.

Other losses and impairment losses – net
Other losses - net in 1H FY22 increased by $2.3 million to $3.5 million (1H FY21: $1.2 million) due to higher unrealised currency translation loss as a result of the weakening of Australian Dollars ("AUD") and British pound ("GBP") against Singapore Dollars ("SGD"), partially offset by the recognition of a gain of $1.8 million from the sale of reversionary interest in a hospitality property. In the prior period, a revaluation loss on a hospitality asset of $0.6 million was recognised.

Expenses
Total expenses increased by $2.6 million to $31.0 million in 1H FY22 (1H FY21: $28.4 million). The increase was mainly due to marketing expenses incurred for the sales launch of a residential development in London, United Kingdom, and the higher finance expense arising from rising bank borrowing rates.

Share of profit/loss of joint ventures and associated companies
The share of profit of joint ventures of the Group for 1H FY22 was $10.1 million compared to a share of loss of $4.4 million in 1H FY21. The higher share of profits recognised from the Australia and Europe hospitality joint ventures was mainly from the gain from 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 due to the opening of the borders in the second quarter in Australia, New Zealand and Europe. 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 extent of restrictions in Europe.

The Group's share of profit of associated companies for 1H FY22 increased by $0.6 million to $1.8 million (1H FY21: $1.2 million) contributed by a divestment fee arising from the divestment of a property.

Income tax expense
Income tax expense increased consequently with higher taxable income.

Profit/Loss after income tax and Profit/Loss attributable to equity holders of the Company
The Group recorded a profit after income tax of $8.8 million in 1H FY22 as compared to loss after income tax of $5.9 million in 1H FY21. Profit attributable to equity holders of the Company was $8.0 million in 1H FY22 as compared to a loss of $1.9 million in 1H FY21.

F. OTHER INFORMATION (continued)

2. Review of performance of the Group (continued)

(b) <u>Cash flow, working capital, assets or liabilities of the Group</u>

Cash flow and working capital
The Group utilised cash and cash equivalents of $24.3 million for 1H FY22 compared to $14.9 million in 1H FY21 mainly due to higher cash used in investing and financing activities.

Net cash inflows from operating activities of the Group for 1H FY22 were higher at $11.5 million compared to $4.4 million for 1H FY21 mainly contributed by the higher operating profits.

Net cash used in investing activities of the Group for 1H FY22 was $17.7 million compared to $4.6 million for 1H FY21 were largely due to the capital injection and advancement of a shareholder loan to a joint venture for the development of a PBSA project in the United Kingdom ("PBSA development project") in June 2022. The net cash outflows in 1H FY21 pertained to the refurbishment expenditure of Rendezvous Hotel Melbourne.

Net cash outflows from financing activities of the Group for 1H FY22 were higher at $18.2 million compared to $14.7 million for 1H FY21. The net cash outflows in 1H FY22 was higher mainly due to the utilisation of excess cash generated from the PBSA segment to make a partial repayment of a GBP bank borrowing.

Assets
Total assets as at 30 June 2022 were $2,563.1 million, a decrease of $62.3 million from prior period, was 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.

The decrease was partially mitigated by the increase in carrying values of the joint ventures with the recognition of the higher share of profit and reserves from the hospitality joint ventures and associated company 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 30 June 2022.

Liabilities
Total liabilities as at 30 June 2022 were $1,267.3 million, a decrease of $66.4 million from prior period, was mainly due to payments of operating expenses and a partial repayment of a GBP bank borrowing along with the weakened currency effects on bank borrowings denominated in AUD and GBP.

The Group's current liabilities were higher than the current assets by $32.0 million due to a portion of the loans maturing in 2H FY22. These loans are secured over certain subsidiaries' investment properties. The Group is in the midst of refinancing existing loans of approximately $107.7 million and these loans will be reclassified to non-current borrowings in 2H FY22 upon completion of the refinancing.

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.

As we entered the second half of 2022, the global economy is forecasted to be in a weaker position than previously expected. Still reeling from the pandemic and the Russia-Ukraine conflict, the global economy is facing an increasingly gloomy and uncertain outlook from weaker growth, higher inflation, and potentially long-lasting damage to supply chains. The International Monetary Fund ("IMF") slashed its global growth forecast for the third time to 3.2% in 2022 (3.6% forecast in April and 4.4% in January) and 2.9% in 2023.[1] These downside risks weighing on the economy will inevitably affect the Group's business performance.

[1] IMF. "Gloomy and More Uncertain." July 2022.

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)

Hospitality Business

The Group's hospitality business had benefited from the recovery momentum as both intra-regional and international travel picked up due to global borders reopening, notably from the 2nd quarter of 2022. International arrivals had more than tripled compared to the same period of 2021 but remained 54% below 2019 levels. Though travel confidence had been boosted due to more destinations reopening and pandemic-induced pent-up demand being unleashed, the pace of recovery varied across regions.[2]

In Singapore, international arrivals were almost 12 times more in the first half of 2022 compared to the same period in 2021. The Singapore Tourism Board ("STB")'s latest forecast in July is expecting full-year international arrivals in Singapore to reach between 4 and 6 million in 2022. This figure remains a fraction of the pre-COVID level,[3] given that some key inbound source markets still have their borders closed and this will have an overall impact on Singapore's tourism recovery. The Group's business continues to be supported by the government isolation contracts in 1H FY22, and this is expected to extend to the end of 2022.

The lifting of Australia's international travel bans in February 2022, after closing for almost two years, was a critical milestone in the recovery of the country's tourism and hotel sectors. In the near term, continuing recovery of the domestic travel market will support the tourism sector, however, more time is required for the sector to fully recover to pre-pandemic levels.

While pent-up demand should support growth in the near term, the Group is cautious about the recovery momentum of the tourism industry in the second half of 2022, due to rising costs and global economic uncertainties.

UK PBSA Business

The UK continues to display strong fundamentals and attractiveness as a hub for higher education. Universities and Colleges Admission Service ("UCAS") 30 June deadline data reported a 7% increase in the number of applicants for the academic year 2022/23 ("AY22/23"), compared to pre-COVID levels in AY2019/20.[4] A record high of UK 18-year-olds applied this year, and international applicants have increased by 3% since 2021.[5] This translates to strong demand for higher education in the UK. As of 30 June 2022, the Group's UK PBSA portfolio has seen reservations for AY22/23 of over 90%, surpassing the prior year's full-year occupancy rate.

The Group's UK PBSA business will however be impacted by rising costs and interest rates, even though the sector outlook remains positive with UCAS projecting a 27% increase from 2021 in applicants by 2026. This is attributable to the demand from domestic and international students.

Despite increased economic uncertainties, the Group remains confident that the UK PBSA sector will be able to deliver meaningful growth over the medium to long term.

[2] UNWTO. "International Tourism Consolidates Strong Recover Amidst Growing Challenges." 01 August 2022.
[3] Singapore Tourism Board. "STB expects 4 to 6 million international visitor arrivals for 2022 as tourism recovery gains momentum." 14 July 2022.
[4] Unite Group. 27 July 2022.
[5] UCAS. "Record Applications from Disadvantaged Students To Higher Education." 14 July 2022.

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

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

F. OTHER INFORMATION (continued)

6. Dividend

(a) Current Financial Period Reported On

None.

(b) Corresponding Period of the Immediately Preceding Financial Year

None.

(c) Date payable

Not applicable.

(d) Record date

Not applicable.

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

Dividends are not recommended or declared for half-year. Any recommendation for dividend will be made only after consideration of the full year results and the factors indicated in our dividend policy, and any declaration/ payment of dividends will be subject to shareholder approval.

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 period under review (excluding transactions less than $100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920)
		Half-year ended 30 June 2022 $'000	Half-year ended 30 June 2022 $'000
Agape Services Pte. Ltd.	Associate of controlling shareholder		
Supply of goods and services		(232)	-
Boo Han Holdings Pte. Ltd.	Associate of controlling shareholder		
Hospitality management income		263	-
China Classic Pte Ltd	Associate of controlling shareholder		
Hospitality management income		353	-
Dollar Land Singapore Private Limited	Associate of controlling shareholder		
Hospitality management income		113	-
Far East Hospitality Real Estate Investment Trust	Associate of controlling shareholder		
Management income[6]		2,025	-
Rental expense on operating leases			
- offices		(494)	-
- hotels and serviced residences		(7,559)	-
Far East Management (Private) Limited	Associate of controlling shareholder		
Management service fees		(1,020)	-
Hospitality services		(499)	-
Far East Organization Centre Pte Ltd	Associate of controlling shareholder		
Hospitality management income		606	-
Far East Real Estate Agency Pte. Ltd.	Associate of controlling shareholder		
Property management services		(217)	-
Far East Rocks Pty Ltd	Associate of controlling shareholder		
Rental expense on operating leases - hotel		(264)	-
Far East Soho Pte. Ltd.	Associate of controlling shareholder		
Hospitality management income		328	-
Far East SR Trustee Pte. Ltd.	Associate of controlling shareholder		
Hospitality management income		152	-
Fontaine Investment Pte Ltd	Associate of controlling shareholder		
Hospitality management income		714	-
Golden Development Private Limited	Associate of controlling shareholder		
Hospitality management income		715	-
Golden Landmark Pte. Ltd.	Associate of controlling shareholder		
Hospitality management income		273	-

[6] 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). 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 period ended 30 June 2022, the Company was a 33% shareholder of FEOHAM and this amount represents 33% of the management fees received during the financial period, being the value at risk to the Group.

F. OTHER INFORMATION (continued)

8. Interested person transactions (continued)

Name of interested person	Nature of relationship	Aggregate value of all interested person transactions conducted under shareholders' mandate pursuant to Rule 920 of the Listing Manual (excluding transactions less than $100,000)	Aggregate value of all interested person transactions during the financial period under review (excluding transactions less than $100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920)
		Half-year ended 30 June 2022 $'000	Half-year ended 30 June 2022 $'000
Orchard Mall Pte. Ltd.	Associate of controlling shareholder		
Hospitality management income		192	-
Orchard Parksuites Pte Ltd	Associate of controlling shareholder		
Hospitality management income		538	-
Oxley Hill Properties Pte Ltd	Associate of controlling shareholder		
Hospitality management income		195	-
Riverland Pte Ltd	Associate of controlling shareholder		
Hospitality management income		161	-
Serene Land Pte Ltd	Associate of controlling shareholder		
Hospitality management income		417	-
Transurban Properties Pte. Ltd.	Associate of controlling shareholder		
Hospitality management income		343	-

By Order of the Board

Alan Tang Yew Kuen
Director
10 August 2022

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

The Directors confirm that, to the best of their knowledge, nothing has come to the attention of the Board of Directors of Far East Orchard Limited which may render the unaudited financial statements for the period ended 30 June 2022 to be false or misleading in any material respect.

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

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

On behalf of the Board of Directors

Koh Kah Sek
Chairman

Alan Tang Yew Kuen
Group CEO and Executive Director

10 August 2022