FAR EAST ORCHARD LIMITED

A Member of Far East Organization

FORGING AHEAD

Annual Report 2018


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More than 50 years on, Far East Orchard remains unwavering in its commitment to deliver value to its stakeholders. Amidst a fast-changing global landscape, it proactively manages challenges with strategic manoeuvres. With fortitude, Far East Orchard continues to **Forge Ahead**.

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CORPORATE PROFILE

Far East Orchard Limited ("**Far East Orchard**") is a property developer and a hospitality owner and operator. Far East Orchard has been listed on the Mainboard of the Singapore Exchange since 1968. It is a member of Far East Organization, Singapore's largest private property developer.

Established since 1967, Far East Orchard has developed residential, commercial, hospitality and purpose-built student accommodation ("PBSA") properties in Australia, Malaysia, Singapore and the United Kingdom ("UK").

Redefining itself through a strategic transformation of the business in 2012, Far East Orchard expanded into the complementary businesses of hospitality management and healthcare real estate. In 2015, it diversified its real estate portfolio to include PBSA properties in the UK.

Far East Orchard is developing Woods Square, an integrated office development at Woodlands Regional Centre, Singapore's Northern Gateway, with Far East Organization and Sekisui House, Ltd. Its track record in Singapore includes RiverTrees Residences, SBF Center, euHabitat, Floridian, The Nexus, The Manor Houses, Kew Residencia, Village Residence Clarke Quay and Orchard Rendezvous Hotel, Singapore (formerly known as Orchard Parade Hotel).

In Malaysia, Far East Orchard completed the redevelopment of its commercial building into a hotel – Oasia Suites Kuala Lumpur, in 2016.

Since 2014, Far East Orchard expanded into property development in Australia and the UK.

2018 MILESTONES

Ariake Hotel Project, Japan (under development)

» May

First foray into Japan via a joint acquisition of a hotel project in Ariake, Tokyo with Far East Organization

It is redeveloping the former Westminster Fire Station located in the prime central borough of the City of Westminster, London, UK, into a mixed-use development comprising residential apartments and a restaurant. In Brighton, UK, Far East Orchard is developing Hollingbury House, a student accommodation property with 193 beds. It has recently completed Harbourfront Balmain, a mixed-use residential and retail/commercial development in Australia along Sydney's iconic harbourfront and three PBSA properties in Newcastle upon Tyne, UK.

Through its hospitality partnerships with The Straits Trading Company and Toga Group, Far East Orchard's hospitality arm – Far East Hospitality – is present in Australia, Denmark, Germany, Hungary, Malaysia, New Zealand and Singapore. In 2018, Far East Hospitality made its first foray into Japan via a joint acquisition of a hotel project in Ariake, Tokyo with Far East Organization.

Today, Far East Hospitality owns more than 10 hospitality assets and manages over 90 properties with more than 14,500 rooms internationally. Its stable of nine unique and complementary hospitality brands are *Oasia*, *Quincy*, *Rendezvous*, *Village*, *Far East Collection*, *Adina Apartment Hotels* and *Adina Serviced Apartments*, *Vibe Hotels*, *Travelodge Hotels* and *TFE Hotels Collection*.

Far East Orchard has a PBSA portfolio in the UK comprising 2,000 beds in the cities of Bristol, Liverpool and Newcastle upon Tyne. This includes the 622 beds added in March 2019 through the acquisition of a portfolio of three freehold student accommodation properties in Bristol and Liverpool. The Group also holds a portfolio of purpose-built medical suites for lease and for sale in Singapore's premier medical hub in Novena.


Newton Court, United Kingdom

» August

Completed the development of Newton Court, a 295-bed student accommodation property, in Newcastle upon Tyne, UK

CHAIRMAN'S STATEMENT

DEAR SHAREHOLDERS,

2018 was an unpredictable year. Many of the economic and political issues continue to unfold and will impact global investment decisions in 2019. Slower growth is expected this year due to a possible escalation in trade conflicts and uncertainty around Brexit.

PLANTING THE SEEDS FOR SUSTAINABLE GROWTH

For the financial year ended 31 December 2018 ("FY2018"), the Group registered revenue of S$150.9 million compared with S$151.6 million a year ago. Profit attributable to equity holders rose to S$32.9 million in FY2018 from S$21.8 million a year ago. Faced with a challenging operating environment in FY2018, we are heartened to have delivered a stable financial performance year-on-year. This was made possible with our continued efforts to grow our recurring income base.

In 2018, we gathered momentum in the expansion of our hospitality business, a key contributor to our recurring income. Our hospitality management team opened four properties under management in Australia and secured contracts for 2,600 rooms across five countries – Australia, Germany, New Zealand, Singapore and Switzerland. This includes our first contract in Geneva, Switzerland. In May 2018, we made our maiden entry into Japan through the joint acquisition of a hotel development project in Tokyo, Japan with Far East Organization. The 306-room hotel is anticipated to be completed in 2020. We aim to maintain our growth momentum to attain our 2023 target of managing 30,000 rooms or 150 properties.

On the purpose-built student accommodation ("PBSA") front, creditable progress was made towards our goal of doubling our portfolio to 3,000 beds by 2023. We completed the development of Newton Court in August 2018, adding 295 beds to our PBSA portfolio in Newcastle upon Tyne, United Kingdom ("UK"). To further grow our PBSA portfolio in the UK, we acquired three freehold properties with 622 beds in Bristol and Liverpool in March 2019. Together with the expected completion of Hollingbury House, our Brighton student accommodation building, we will grow our PBSA portfolio to 2,200 beds across four UK cities by the end of this year.

For our property development business, Westminster Fire Station, our first residential project in the UK and

Westminster Fire Station, United Kingdom (under development)

We will continue our pursuit of a diversified strategy, taking steps to adjust our approach and reshape our business amid industry disruption and changing economic cycles.

Woods Square, an integrated office development in Singapore, are both slated for completion this year. As we continue to evaluate development opportunities, we will maintain investment discipline and strike a balance between our portfolio of development and investment properties.

DIVIDENDS

Having considered the Group's financial performance and outlook, the Board is pleased to propose a first and final one-tier tax exempt dividend of six cents per ordinary share for FY2018.

STEERING THE GROUP IN A WORLD OF UNKNOWNS

There are major uncertainties that could impact the global economy going forward. In 2019, economic growth globally and in Singapore are expected to slow marginally. These forecasts are fragile and dependent on outcomes of major events worldwide.

Nonetheless, we will continue our pursuit of a diversified strategy, taking steps to adjust our approach and reshape our business amid industry disruption and changing economic cycles. I am confident that the Group will be able to build on its solid foundation and deliver long-term sustainable growth for all stakeholders.

ACKNOWLEDGEMENTS

In closing, I would like to thank my fellow Board members for their guidance and wise counsel, and extend a warm welcome to Shailesh Anand Ganu who joined the Board in February 2019. I believe his expertise in human capital management, organisation development, and business transformations will be extremely valuable for the Group. Last of all, a big thank you to all our shareholders, management team, employees and business partners for their support and hard work in 2018, I look forward to your continued support for the Group.

Koh Boon Hwee
Chairman
18 March 2019

Vibe Hotel Darling Harbour, Australia (pipeline contract)


ORCHARD
RENDEZVOUS
HOTEL
THE
CALILE

DELIVERING STAKEHOLDER VALUE

Far East Orchard draws upon its well-honed capabilities to optimise operations and maximise value from each property in its portfolio. The result is complementary assets across different geographies coming together to create a strong portfolio, aligned with Far East Orchard's strategy of creating long-term value.

Left to right:

Orchard Rendezvous Hotel, Singapore

The Calile Hotel Brisbane, Australia

Adina Apartment Hotel Berlin Hauptbahnhof, Germany

CEO'S MESSAGE

Adina Apartment Hotel Brisbane, Australia

DEAR SHAREHOLDERS,

2018 started on a positive note with signs of a broad-based global economic recovery. As the year progressed, downside risks increased with weaker growth momentum and increased political tensions. In a fast-changing market with elevated uncertainty, we focused on enhancing recurring income streams from our hospitality and student accommodation businesses, to complement earnings from our property development projects. Encouraged by the progress made in 2018, we will continue to improve the quality of our earnings to ensure long-term growth and sustainability.

FY2018 FINANCIAL HIGHLIGHTS

Revenue for the financial year ended 31 December 2018 ("FY2018") was S$150.9 million, compared with S$151.6 million in FY2017. Excluding the effects of foreign exchange translation losses amounting to S$2.9 million arising from a significant weakening of the Australian Dollar ("AUD") in FY2018, revenue increased by S$2.2 million. We recorded lower revenue from our Australia hospitality business due to challenging trading conditions in Melbourne and Perth. The decline was partially offset by higher revenue from our purpose-built student accommodation ("PBSA") properties in the United Kingdom ("UK"), Orchard Rendezvous Hotel, Singapore following the completion of its re-branding from Orchard Parade Hotel, and Oasia Suites Kuala Lumpur as the hotel continues to ramp up its operations.

» In a fast-changing market with elevated uncertainty, we focused on enhancing recurring income streams from our hospitality and student accommodation businesses, to complement earnings from our property development projects.

For FY2018, our profit attributable to equity holders was S$32.9 million compared with S$21.8 million a year ago. The increase was mainly due to the strong performance of hotels in Germany, increased profits from PBSA properties in the UK and Oasia Suites Kuala Lumpur, fair value gains recognised from the valuation of the PBSA properties in the UK underpinned by an improvement in operating performance and compression in capitalisation rates, and lower income tax. This was partially offset by higher currency translation losses as the AUD reached a multi-year low against our reporting currency of Singapore Dollar ("SGD") in FY2018, lower share of profit from Harbourfront Balmain, and lower share of profit from our hospitality joint venture in Australia.

Standing ready to pursue business opportunities that are in line with our strategy, the Group maintained a sound balance sheet with cash and cash equivalents of S$256.3 million and a healthy debt-to-equity ratio of 22.8%. Total liabilities increased to S$848.8 million in FY2018 while net assets increased by S$16.7 million from a year ago to S$1.3 billion. Net asset value per share for FY2018 was S$2.89, compared with S$2.93 in FY2017.

DELIVERING SUSTAINABLE GROWTH

Hospitality

Total operating profit from our hospitality division amounted to S$19.0 million in FY2018, compared with S$20.3 million a year ago. This was mainly due to the weaker market in Australia and a weaker AUD. The decrease was partially offset by higher profits from Oasia Suites Kuala Lumpur, and our hotels in Germany.

Working towards our target of managing 150 properties or 30,000 rooms by 2023, we commenced operations for four properties in Australia and secured contracts for 2,600 rooms in 2018. As at 31 December 2018, our hospitality portfolio comprises 94 hotels and serviced residences with close to 14,800 rooms. We have 26 properties or more than 4,500 rooms in our pipeline to 2021.

Singapore

The Singapore hospitality market benefitted from a 6.2% year-on-year increase in visitors and recorded a 2.4% growth in Revenue Per Available Room ("RevPAR"). Performance of our hotels in 2018 improved in tandem with the industry-wide RevPAR growth of hotels in the mid-tier category.

We are excited about the opening of three hotels in Singapore later this year – the Village Hotel at Sentosa, The Outpost Hotel at Sentosa and The Barracks Hotel at Sentosa. With 839 rooms in total, the openings will provide mid-tier accommodation options on the Sentosa island while appealing to the growing demand for resort-style accommodation and Singapore's robust staycation market.

Barring any global or regional economic slowdown, we are cautiously optimistic about the outlook for the Singapore hospitality industry given the forecasted 1-4% growth in international visitor arrivals and limited new room supply. However, we expect demand for serviced residences to lag that of hotels as corporate long-stay demand remains soft.

Australia

Australia welcomed 9.2 million international travellers in 2018, a 4.9% increase from the previous year. Performance of our hotels in FY2018 varied by cities, with stronger performance in Sydney and weaker performance in Perth and Melbourne. While Sydney remains a popular destination, occupancy and room rates were weighed down by new room supply with RevPAR declining 1.9% in 2018.[1] During the year, we opened four hotels and serviced apartments under management in Brisbane, Canberra and Sydney. We also secured contracts for five properties in Australia, bringing our total pipeline supply to 1,800 rooms by 2021 in Australia.

Demand for hotel rooms is expected to remain healthy with an expected growth in international and domestic visitor nights. However, the increase in new room supply is expected to outpace demand in Sydney, Melbourne and Perth. While Brisbane hotels are supported by strengthening corporate demand, new hotel openings in 2018 and 2019 are expected to weigh on growth in room rates. We will continue to drive operational excellence at our properties.

Japan

In May 2018, we made our maiden foray into Japan through a joint acquisition of a hotel project in Ariake, Tokyo, with Far East Organization. The 306-room hotel is expected to be completed in 2Q 2020, ahead of the 2020 Summer Olympics to be held in Tokyo. We are optimistic that our first hotel in Japan will benefit from its proximity to Central Tokyo, Tokyo Disneyland Resort, Tokyo Big Sight – the largest convention centre in Japan and the Ariake Arena – one of the venues hosting the Summer Olympics.

Europe

Benefitting from a 5.7% year-on-year increase in international tourist arrivals to Europe in 2018,[2] hotels in Europe recorded growth in occupancy, average daily rates and RevPAR.[3] In 2018, we secured two contracts in the German cities of Wiesbaden and Stuttgart and our first hospitality contract in Geneva, Switzerland.

Our strong pipeline of 1,200 rooms in Europe positions us to leverage on a forecasted 4.0% increase in visitor arrivals to Europe in 2019[2] and a growing demand for serviced apartments in Germany.

Property Investment

The Group's property investment portfolio includes PBSA properties in the UK, medical suites and commercial units in Singapore. In FY2018, total operating profit from the property investment division increased to S$10.2 million from S$9.6 million a year ago.

NOTES:

[1] Australia Hotels Q4 2018, CBRE, 24 Jan 2019
[2] World Tourism Barometer, United Nations World Tourism Organization, 21 Jan 2019
[3] European Tourism 2018 – Trends & Prospects (Q4/2018), European Travel Commission, 18 Feb 2019

Student Accommodation

Our resilient PBSA properties in the UK provided us with stable income and higher profits in FY2018. We completed the development of the 295-bed Newton Court, our fifth property at Portland Green Student Village ("PGSV"), in August 2018. We now have 1,469 beds at PGSV in Newcastle upon Tyne.

In line with our strategic focus of increasing our recurring income, we acquired a portfolio of three student accommodation properties located in the cities of Bristol and Liverpool with a total of 622 beds for £55.0 million (approximately S$98.7 million[4]) in March 2019. This acquisition brings our current UK PBSA portfolio to approximately 2,100 beds across eight properties.

This year, we are looking forward to the completion of Hollingbury House, our 193-bed student accommodation property in Brighton. We remain on target to grow our student accommodation portfolio to 3,000 beds by 2023.

Despite Brexit, the UK PBSA market is expected to experience rental growth in 2019. This parallels the increase in acceptances from the European Union ("EU") and non-EU countries for the 2018 admissions cycle.[5] For the January 2019 deadline, applications for full-time undergraduate courses rose for the first time in three years.[6] The strong reputation of the UK higher education system and a relatively weak British pound will put it in good stead for further growth.[7] Nonetheless, we will maintain a close watch on the impacts of the final Brexit outcome.

Healthcare

Our investments in medical suites at Novena Medical Center and Novena Specialist Center remains a stable contributor to our recurring income base in FY2018. We expect the healthcare sector to benefit from an increase in medical tourists from emerging markets, Singapore's ageing population and growing disposable incomes.[8] However, medical inflation and strength of the SGD vis-à-vis neighbouring currencies could weigh on growth.

SEIZING OPPORTUNITIES IN A FAST-CHANGING, VOLATILE MARKET

Property Development

Total operating profit from the property development division was S$5.3 million in FY2018, compared with S$7.3 million a year ago. The decrease was mainly due to a lower share of profit from Harbourfront Balmain as the majority of the units were sold and settled in the prior year.

This year, we look forward to the expected completions of two projects – Woods Square in Singapore and Westminster Fire Station ("WFS") in London, UK.

Singapore

In 2018, our development track record was bolstered with two award wins for RiverTrees Residences, a joint development with Frasers Property Limited and Sekisui House, Ltd:

- FIABCI Singapore Property Awards 2018 – Residential (High Rise) category; and
- EdgeProp Singapore Excellence Awards 2018 – Top Development and Landscape and Design Excellence categories.

While Singapore remains an important market for us, the residential market is expected to remain challenging. We expect private home prices to remain subdued this year due to the combined effects of government property cooling measures introduced in 2018, an uncertain interest-rate environment, and significant launch pipeline for 2019. Despite this, we will continue to look out for appropriate opportunities and leverage on our property development expertise.


The Outpost Hotel at Sentosa, Singapore

NOTES:
[4] Based on the exchange rate of GBP1:SGD1.794 prevailing as at 15 Mar 2019
[5] 2018 End of Cycle Report, Universities and Colleges Admissions Service, 29 Nov 2018
[6] January Deadline Analysis Report 2019, Universities and Colleges Admissions Service, 7 Feb 2019
[7] UK Student Accommodation Report 2018/19, Cushman and Wakefield, Dec 2018
[8] Overseas expansion key for healthcare sector in 2019 and beyond: analysts, Business Times, 27 Dec 2018

Westminster Fire Station, United Kingdom (under development)

On the commercial property front, Woods Square, our integrated office development jointly developed with Far East Organization and Sekisui House, Ltd, is scheduled for completion this year. As at 31 December 2018, 53% of the total 208 units released were sold.

Outlook for the Singapore office sector is optimistic with healthy demand and limited supply. However, we remain watchful for the impact of trade conflicts, geopolitical tensions and slowdowns in the global and Singapore economies.

UK

WFS, our first residential project in the UK, is surrounded by many of London's iconic attractions in the London borough of Victoria which is undergoing a radical regeneration. Scheduled for completion this year, WFS will have 17 boutique apartments and a destination restaurant.

We expect the London property market to continue to be held back by Brexit-related uncertainty, as buyers and sellers adopt a wait-and-see position. Prime central London home prices are forecast to remain soft in the near-term. We will continue to monitor developments and adjust our strategy as required.

Australia

Testament to our development capabilities, our first overseas residential project – Harbourfront Balmain – was crowned winner in the Medium-Density Development (above 100 dwellings) category at the UDIA NSW[9] Awards for Excellence. Harbourfront Balmain was 100% sold last year with our share of profit recognised between FY2017 and FY2018.

The residential property market slowdown was most evident in Sydney and Melbourne, while prices outside the cities stayed almost flat in 2018. We expect weakness in the housing market to persist this year, with regulatory cooling measures, tightened credit conditions and a large supply of new homes.

LOOKING AHEAD

Global growth is set to slow with weaker growth in major economies, tightening of financial conditions, escalating protectionist measures, and political uncertainty. Even so, in line with our long-term strategy, we will continue to seek out suitable opportunities in a prudent manner, ensuring appropriate due diligence is performed prior to taking calculated risks.

To navigate the ever-changing outlook, we have put in place strategic initiatives to drive efficiencies, expansion, and long-term growth for our businesses, including the hospitality and UK student accommodation portfolios. We expect to reap the benefits of these initiatives in the coming years.

I would like to thank our shareholders for their patience and unwavering support in such uncertain times, our Directors for their guidance, and employees for their dedication and efforts.

Lui Chong Chee
Group Chief Executive Officer and Managing Director
18 March 2019

NOTES:
[9] Urban Development Institute of Australia New South Wales

EXPLORING GROWTH OPPORTUNITIES

In the pursuit of opportunities that are synergetic to its business, Far East Orchard seeks out geographically diverse opportunities across varied asset classes while balancing risks to deliver attractive returns.

Left to right:

Woods Square, Singapore (under development)

RiverTrees Residences, Singapore

Harbourfront Balmain, Australia

BOARD OF DIRECTORS AND MANAGEMENT

MR KOH BOON HWEE

Chairman

Non-Executive Director

- ***Member, Nominating Committee***

Mr Koh Boon Hwee was appointed as a Non-Executive Director and Chairman of the Board on 1 January 2013, and was last re-elected on 20 April 2016. Mr Koh is a member of the Nominating Committee. As Mr Koh serves on various executive committees in Far East Organization, the Nominating Committee and Board considers Mr Koh to be non-independent.

Mr Koh started his career in 1977 at Hewlett Packard and rose to become its Managing Director in Singapore, a post he held from 1985 to 1990. From 1991 to 2000, he was Executive Chairman of the Wuthelam Group. Mr Koh has been with Sunningdale Tech Ltd since 2003, where he oversaw the operations of the company as Executive Chairman and Chief Executive Officer from 2005 to 2008, and as Chairman from 2008 to-date. He is also the Chairman of Yeo Hiap Seng Limited since 2010.

Mr Koh was also the Non-Executive Chairman of the Singapore Telecom Group (SingTel) and its predecessor organisations from 1986 to 2001. From 2001 to 2005, Mr Koh served as Non-Executive Chairman of Singapore Airlines Limited, and from 2005 to 2010 as Non-Executive Chairman of DBS Group Holdings Ltd and DBS Bank Ltd.

From 1996 to 2010, Mr Koh served on the board of Temasek Holdings (Private) Limited, and was a member of the Executive Committee from 1997 to 2010.

Mr Koh graduated from Imperial College with a Bachelor of Science (Mechanical Engineering), First Class Honours, in 1972, and obtained a Master in Business Administration with Distinction from Harvard Business School in 1976.

Mr Koh will retire pursuant to Regulation 98 of the Company's Constitution at the Company's 51st Annual General Meeting and he is eligible for re-election.

Present directorships in other listed companies:

SINGAPORE

- Sunningdale Tech Ltd (Chairman)
- Yeo Hiap Seng Limited (Chairman)

OVERSEAS

- AAC Technologies Holdings Inc (Chairman) (Cayman Islands, listed on the Hong Kong Stock Exchange)
- Agilent Technologies, Inc (Chairman) (USA, listed on the New York Stock Exchange)

Other principal commitments:

SINGAPORE

- Credence Partners Pte Ltd (Chairman)
- Nanyang Technological University, Board of Trustees (Chairman)
- Rippledot Capital Advisers Pte Ltd (Chairman)
- Bank Pictet & Cie (Asia) Ltd (Director)

OVERSEAS

- Credence Capital Fund II (Cayman) Ltd (Executive Director)

Past directorships in other listed companies (2016-2018):

Nil

MS CHUA KHENG YENG, JENNIE

Non-Executive Lead Independent Director

- *Chairman, Nominating Committee*
- *Member, Audit & Risk Committee*
- *Member, Remuneration Committee*

Ms Chua Kheng Yeng, Jennie was appointed as a Non-Executive Director of the Company on 1 January 2014, and was last re-appointed on 20 April 2016. Ms Chua is the Lead Independent Director of the Company and a member of the Remuneration Committee. On 24 April 2018, Ms Chua was appointed Chairman of the Nominating Committee, and stepped down as Chairman of the Audit & Risk Committee. She remains a member of the Audit & Risk Committee. The Nominating Committee and Board considers Ms Chua to be an Independent Director.

Ms Chua brings with her over 42 years of international experience in tourism, hospitality, property and community service.

Ms Chua was formerly President and CEO of Raffles Holdings Ltd, Chairman of Raffles International Limited, President and CEO of The Ascott Group Limited, the Chief Corporate Officer of CapitaLand Limited, Chairman of the Singapore International Chamber of Commerce and Singapore's Non-Resident Ambassador to The Slovak Republic. She was also the Chairman of the Community Chest, Alexandra Health System Pte Ltd, and Woodlands Health Pte Ltd (Yishun Community Hospital Pte Ltd, Geriatric Education & Research Institute Limited and Admiralty Medical Centre Pte Ltd).

Presently, she is Chairman of Vanguard Healthcare, Chairman of Woodlands Health Campus Development Committee, Chairman of Singapore Film Commission Advisory Committee Pro-Chancellor of Nanyang Technological University, Justice of the Peace and Singapore's Non-Resident Ambassador to the United Mexican States.

Awards and accolades: Singapore National Day Awards including the Meritorious Service Medal, President's Volunteerism & Philanthropy Award, Outstanding Contribution to Tourism, NTUC Medal of Commendation, amongst others.

Ms Chua graduated from Cornell University's School of Hotel Administration.

Ms Chua will retire pursuant to Regulation 98 of the Company's Constitution at the Company's 51st Annual General Meeting and she is eligible for re-election.

Present directorships in other listed companies:

SINGAPORE

- GL Limited
- GuocoLand Limited

OVERSEAS

Nil

Other principal commitments:

SINGAPORE

- Vanguard Healthcare Pte Ltd (Chairman)
- Woodlands Health Campus Development Committee (Chairman)
- The RICE Company Limited (Chairman)
- Temasek Foundation International CLG Limited (Deputy Chairman)
- Singapore's Non-Resident Ambassador to the United Mexican States

OVERSEAS

Nil

Past directorships in other listed companies (2016-2018):

Nil

MR LUI CHONG CHEE

Group Chief Executive Officer and Managing Director
Executive Director

Mr Lui Chong Chee was appointed as an Executive Director on 1 September 2014, and was last re-elected on 24 April 2018. Mr Lui was also appointed as the Group Chief Executive Officer and Managing Director of the Company on 1 September 2014.

Mr Lui has extensive financial and business leadership experience from major listed companies. He served as Chief Financial Officer of Raffles Medical Group Ltd, where he was responsible for its financial management and business development. During his time with the CapitaLand Group, he held various senior management positions, including Group Chief Financial Officer of CapitaLand Limited; Chief Executive Officer of CapitaLand Residential Limited; and Chief Executive Officer of CapitaLand Financial Limited. He also held various posts as Director in various listed companies with the CapitaLand Group, and was the Chairman of Australand Holdings Limited, which was listed on the Australian Securities Exchange. Prior to joining the CapitaLand Group, Mr Lui was Managing Director and Senior Vice President, Capital Markets Group of Citicorp Investment Bank (Singapore) Limited.

Mr Lui received a Bachelor of Science in 1985 in Business Administration (magna cum laude) from New York University, USA, as well as a Master of Business Administration in 1986 in Finance and International Economics. In 2005, he attended the Advanced Management Program at Harvard Business School.

Present directorships in other listed companies:
Nil

Other principal commitments:
SINGAPORE
- Far East Hospitality Holdings Pte. Ltd. (Chairman)
- The Boys' Brigade Share-a-Gift (Chairman)

OVERSEAS
- Toga Hotel Holdings Pty Limited (Director of the Trustee Board)

Past directorships in other listed companies (2016-2018):
Nil

MDM EE CHOO LIN DIANA

Non-Executive Independent Director
- ***Chairman, Remuneration Committee***
- ***Member, Audit & Risk Committee***

Mdm Ee Choo Lin Diana was appointed as a Non-Executive Director on 29 April 2011, and was last re-elected on 20 April 2017. Mdm Ee was appointed as Chairman of the Remuneration Committee on 25 April 2017. Mdm Ee is a member of the Audit & Risk Committee. The Nominating Committee and Board considers Mdm Ee to be an Independent Director.

Mdm Ee has over 30 years of international experience in the tourism and hospitality industry. She held senior leadership positions at Raffles International Limited managing multi-hotel brands and gained broad experience in the areas of business management, brand strategy, sales and marketing, operations, technical services, quality assurance management, human resource management and organisational development. She was formerly President of Raffles Hotels & Resorts where she held responsibilities for the group's growth strategy and for the operating and financial performance of its hotels spanning South East Asia, China, the United States, Middle East and Europe. Mdm Ee previously served as a Board Member of the Singapore Tourism Board and the Board of Governors of Republic Polytechnic Singapore.

Mdm Ee obtained her Bachelor of Arts degree in Economics from the National University of Singapore.

Present directorships in other listed companies:
Nil

Other principal commitments:
SINGAPORE
- Mt Faber Leisure Group Pte Ltd (Chairman)
- SHATEC Institutes Pte Ltd (Vice-Chairman)
- BND Associates Pte Ltd (Director)
- Far East Hospitality Holdings Pte. Ltd. (Director)
- Sentosa Development Corporation (Board Member)
- Singapore Standards Council (Member), Singapore Services Standards Committee (Co-Chairman)

OVERSEAS
- Toga Hotel Holdings Pty Ltd (Director and Member of the Audit & Risk Committee of the Trustee Board)

Past directorships in other listed companies (2016-2018):
Nil

MS KOH KAH SEK

Non-Executive Director

- ***Member, Remuneration Committee***

Ms Koh Kah Sek was appointed as a Non-Executive Director on 1 November 2016 and was last re-elected on 20 April 2017. Ms Koh was appointed as a member of the Remuneration Committee on 25 April 2017. As Ms Koh is directly associated with Far East Organization Pte. Ltd., which is a substantial shareholder of the Company, she is considered by the Nominating Committee and Board to be non-independent.

Ms Koh is the Executive Director and Chief Financial Officer of Far East Organization ("**FEO**"), where she is responsible for FEO's financial affairs, including corporate finance, treasury, overseas investments, risk management and capital management. Ms Koh is also a Director and Chairman of the Audit Committee of Netlink NBN Management Pte Ltd, trustee-manager of Netlink NBN Trust.

Prior to joining FEO, Ms Koh worked in Singapore Telecommunications Limited (SingTel) from 2005 to 2011. In SingTel, she held various senior management positions, such as the Group Financial Controller, CFO of Singapore Business and Group Treasurer. Ms Koh previously served as a board member of public listed companies including Globe Telecom Inc. and Advanced Info Service Public Company Limited. Prior to SingTel, Ms Koh began her career with Price Waterhouse and thereafter she worked at a leading global investment bank before she held a senior management role in a public listed F&B company in Singapore.

Ms Koh graduated with a Bachelor of Commerce from the University of Melbourne and is a member of the Institute of Singapore Chartered Accountant and a Fellow of CPA Australia.

Present directorships in other listed companies:

SINGAPORE

- Netlink NBN Management Pte. Ltd. (trustee-manager of Netlink NBN Trust, a business trust listed on the SGX-ST)

OVERSEAS

Nil

Other principal commitments:

SINGAPORE AND OVERSEAS

- Far East Organization (Executive Director and Chief Financial Officer)
- Vice President, National Council of Girl Guides Singapore
- Fellow Member and Divisional Councillor of CPA Australia (Singapore Division)
- Chair, CPA Australia CFO Committee

Past directorships in other listed companies (2016-2018):

Nil

MR RAMLEE BIN BUANG

Non-Executive Independent Director
- *Chairman, Audit & Risk Committee*
- *Member, Nominating Committee*

Mr Ramlee Bin Buang was appointed as a Non-Executive Director on 25 April 2017, and was last re-elected on 24 April 2018. Mr Ramlee was appointed Chairman of the Audit & Risk Committee and a member of the Nominating Committee on 24 April 2018. The Nominating Committee and Board considers Mr Ramlee to be an Independent Director.

Mr Ramlee has extensive experience in corporate and international business and finance, accounting, tax, corporate investor relationship, management information systems, risk management and audit, human resource development in leading multinational corporations and in various industries ranging from petroleum, power tools and housewares to household and personal care products, health supplements, beverage and food and hospitals.

Mr Ramlee holds a Professional Qualification from the Chartered Association of Certified Accountants in the United Kingdom, a Diploma in Marketing from the Chartered Institute of Marketing, UK and a Graduate Diploma in Marketing from the Marketing Institute of Singapore. He is a non-practicing member of the Institute of Singapore Chartered Accountants. He attended the Harvard Business School Advanced Management Program in 2011. He is a Certified Governance, Risk Management and Compliance Professional, Certified Professional Co-Active Coach (The Coaches Training Institute) and an Associated Certified Coach with International Coaching Federation.

Present directorships in other listed companies:
Nil

Other principal commitments:

SINGAPORE
- Centre for Fathering Limited (Director and Chair of Finance & Establishment Committee)
- The Esplanade Co. Ltd (Director and Member of Remuneration Committee)
- Halogen Foundation (Singapore) (Director and Chair of Finance & Establishment Committee)
- Ukyo Advisory (Founder/ Owner)
- Singapore Institute of Directors (Director, Council Member and Treasurer)
- National Healthcare Group Pte Ltd (Director and Member of Finance & Audit Committee, Institutional Committee and Woodlands Health Campus Development Committee)
- MOH Holdings (Chair of MOHH-Public Healthcare Institutions Finance Shared Services Steering Committee and Member of Investment Committee)
- Pharos Institute (Executive Coach)
- 1FSS Pte. Ltd. (Chairman and Director)
- ALPS Pte Ltd (Director and Member of Finance Sub-Committee)

OVERSEAS
Nil

Past directorships in other listed companies (2016-2018):
Nil

MR SHAILESH ANAND GANU

Non-Executive Independent Director

Mr Shailesh Anand Ganu was appointed as a Non-Executive Director on 12 February 2019. The Nominating Committee and Board considers Mr Ganu to be an Independent Director.

Mr Ganu is a seasoned business leader, management consultant, and senior human capital practitioner with experience leading large teams and projects in both corporate and consulting environments. He has over 20 years of experience in Financial Services, Telecommunications, Real Estate, and Pharmaceuticals industries, working extensively across Asia-Pacific. He is an Executive Compensation, Board Evaluation, and Corporate Governance expert, with deep expertise in the design and implementation of people strategies, culture and change management, organisation development, and business transformations.

Mr Ganu has a Bachelor of Engineering (Chemical Engineering) degree from the University of Mumbai, India; and a Masters of Business Administration from Sydney Business School, Australia. He is a member and faculty of non-executive director institutes across the region, and is an associate lecturer teaching corporate governance and strategic HR courses. He is a keynote speaker, and frequently writes for business publications on gender diversity and board effectiveness matters.

Mr Ganu will retire pursuant to Regulation 103 of the Company's Constitution at the Company's 51st Annual General Meeting and he is eligible for re-election.

Present directorships in other listed companies:
Nil

Other principal commitments:

SINGAPORE

- Willis Towers Watson (Managing Director; Rewards Business Leader – Asia Pacific, and Talent & Rewards – ASEAN & South Asia)
- Breast Cancer Foundation (Member of Executive Committee, Chairman of Nominations Committee and Member of Human Resource Committee)
- SATA Commhealth (Member of Human Resource Committee)

OVERSEAS
Nil

Past directorships in other listed companies (2016-2018):
Nil

MR KIONG KIM HOCK ARTHUR

Chief Executive Officer, Far East Hospitality

Mr Kiong Kim Hock Arthur was appointed Chief Executive Officer of the hospitality business of the Company on 1 September 2012.

Mr Kiong was the Managing Director of Hotel Operation (Asia Pacific & China) and Senior Vice President of Group Marketing Services at Banyan Tree Hotels & Resorts from 2008 to 2012. He was the Director of Far East Hospitality Business Group from August 2005 to 2007. Mr Kiong was Vice-President of Marketing (Asia Pacific) for the Peninsula Group based in Hong Kong from 2002 to 2005, where he was responsible for the marketing functions in Head Office and sales performance of the hotels outside the USA.

Mr Kiong has 32 years of hotel industry experience having held operations, sales and marketing roles for various hotels in Asia and the USA including The Peninsula Hotels, The Mandarin Oriental Hong Kong, The Ritz-Carlton, Hyatt International, Westin Hotels and Banyan Tree Hotels & Resorts.

MS JOANNA GOK YIN YIN

Chief Financial Officer

Ms Joanna Gok Yin Yin was appointed Chief Financial Officer of the Company on 2 January 2018. Ms Gok leads the finance team and is responsible for business ventures, strategic partnerships, and overall financial matters of the Company and its group of companies. She also supports the Group Chief Executive Officer in the Group's strategic business planning process.

Ms Gok joined the Company in 2012 and held various managerial positions before her appointment as Chief Financial Officer.

Prior to joining the Company, Ms Gok served as Chief Financial Officer of Newage Investment Holding Pte Ltd from 2011 to 2012, overseeing financial matters of the holding company in Singapore which owns hotels and office buildings in Jakarta. Ms Gok began her career at Arthur Andersen before moving on to Ernst & Young where she led statutory audit and IPO-audit engagements. Thereafter, Ms Gok joined the Transaction Services team in KPMG Singapore as Senior Manager, before leaving as Director in 2010. In KPMG, she led financial due diligence engagements for both buy-side and sell-side engagements.

Ms Gok holds a Bachelor of Accountancy (Honours) from the Nanyang Technological University, Singapore, and is a Chartered Accountant of Singapore.

CORPORATE INFORMATION

BOARD OF DIRECTORS

Non-Executive Chairman
Mr Koh Boon Hwee

Group Chief Executive Officer and Managing Director
Mr Lui Chong Chee

Independent Directors
Ms Chua Kheng Yeng, Jennie
(Lead Independent Director)
Mdm Ee Choo Lin Diana
Mr Ramlee Bin Buang
Mr Shailesh Anand Ganu
(Appointed on 12 February 2019)

Non-Executive Director
Ms Koh Kah Sek

AUDIT & RISK COMMITTEE

Chairman
Mr Ramlee Bin Buang

Members
Ms Chua Kheng Yeng, Jennie
Mdm Ee Choo Lin Diana

NOMINATING COMMITTEE

Chairman
Ms Chua Kheng Yeng, Jennie

Members
Mr Koh Boon Hwee
Mr Ramlee Bin Buang

REMUNERATION COMMITTEE

Chairman
Mdm Ee Choo Lin Diana

Members
Ms Chua Kheng Yeng, Jennie
Ms Koh Kah Sek

COMPANY SECRETARY

Ms Phua Siyu, Audrey

REGISTERED OFFICE

1 Tanglin Road #05-01
Orchard Rendezvous Hotel, Singapore
Singapore 247905
T : (65) 6833 6688
F : (65) 6738 8085
W : www.fareastorchard.com.sg

SHARE REGISTRAR

Boardroom Corporate & Advisory Services Pte. Ltd.
50 Raffles Place
#32-01 Singapore Land Tower
Singapore 048623
T : (65) 6536 5355
F : (65) 6536 1360

INDEPENDENT AUDITOR

PricewaterhouseCoopers LLP
7 Straits View, Marina One
East Tower, Level 12
Singapore 018936

Partner-in-charge:
Mr Yeow Chee Keong
(Appointed since the financial year ended 31 December 2017)

MAIN BANKERS

DBS Bank Ltd
Oversea-Chinese Banking Corporation Limited

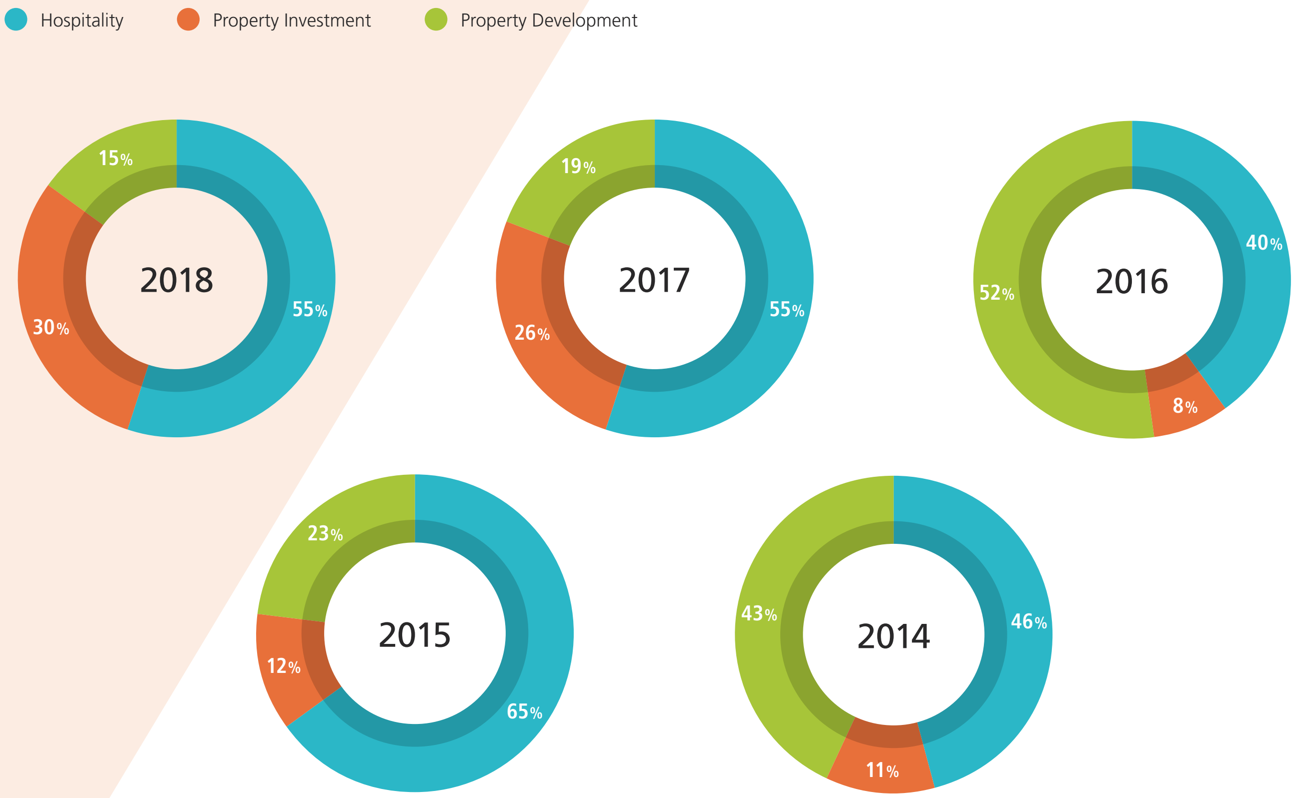
Vibe Hotel North Sydney Hotel, Australia

NOTE:
The composition of the Board and Board Committees reflected herein is for the period from 24 April 2018 until 8 April 2019, being the date of issuance of the Annual Report 2018.

5-YEAR FINANCIAL HIGHLIGHTS

S$'000	**2018**	2017 (restated)	2016	2015	2014
Hospitality	133,910	136,800	169,877	193,689	212,001
Property development	241	–	–	65,829	94,380
Property investment	16,760	14,821	15,011	11,349	9,156
Sales	**150,911**	**151,621**	**184,888**	**270,867**	**315,537**
Profit before income tax	35,660	25,704	77,925	33,490	48,758
Profit attributable to equity holders	32,937	21,753	65,041	29,138	35,498
Shareholders' equity	1,265,210	1,244,131	1,229,040	1,173,976	1,169,416
Total assets	2,145,357	2,087,295	2,071,629	1,926,087	1,876,837
Net assets per share (S$)	2.89	2.93	2.91	2.86	2.92
Earnings per share (cents)[1]	7.6	5.1	15.6	7.2	9.0
Final dividend per share (cents)	6.0	6.0	6.0	6.0	6.0
Gearing ratio	0.23	0.17	0.16	0.13	0.09

TOTAL OPERATING PROFIT BY BUSINESS SEGMENT



NOTES:
[1] Earnings per share are calculated by reference to the weighted average number of shares in issue during the year
[2] Figures have been rounded

BUSINESS STRUCTURE

HOSPITALITY

LEASED PROPERTIES[2]

Singapore

100%
- Orchard Rendezvous Hotel, Singapore (Formerly known as Orchard Parade Hotel)
- Village Hotel Albert Court
- Village Residence Clarke Quay

Australia & New Zealand

70%
- Rendezvous Hotel Sydney The Rocks
- Rendezvous Hotel Christchurch

OWNED PROPERTIES[2]

Australia

70%
- Adina Apartment Hotel Brisbane Anzac Square – Apartment Unit
- Rendezvous Hotel Perth Central
- Rendezvous Hotel Perth Scarborough
- Rendezvous Hotel Perth Scarborough – Retail Podium
- Rendezvous Hotel Melbourne

35%
- Adina Apartment Hotel Adelaide Treasury
- Adina Apartment Hotel Brisbane
- Adina Apartment Hotel Sydney Darling Harbour
- Travelodge Resort Darwin
- 280 George Street Sydney[3]

Germany

35%
- Adina Apartment Hotel Berlin Checkpoint Charlie
- Adina Apartment Hotel Berlin Mitte
- Adina Apartment Hotel Frankfurt Neue Oper

Denmark

35%
- Adina Apartment Hotel Copenhagen

Malaysia

100%
- Oasia Suites Kuala Lumpur

MANAGEMENT

Singapore & Malaysia

70%
- Far East Hospitality
  Operates the brands *Oasia*, *Quincy*, *Rendezvous*, *Village* and *Far East Collection*

Australia, New Zealand, Germany, Hungary & Denmark

35%
- TFE Hotels
  Operates the brands *Adina Apartment Hotels* and *Adina Serviced Apartments*, *Rendezvous*, *Vibe Hotels*, *Travelodge Hotels* and *TFE Hotels Collection*

INVESTMENTS

Singapore

33%
- FEO Hospitality Asset Management Pte. Ltd.
- FEO Hospitality Trust Management Pte. Ltd.

Rendezvous Hotel Perth Scarborough, Australia

PROPERTY

PROPERTY INVESTMENT

Singapore

100%

- Novena Medical Center and Novena Specialist Center – Medical Suites
- Tanglin Shopping Centre – Offices

20%

- SBF Center – Shops

United Kingdom

100%

- Portland Green Student Village – Bryson Court
- Portland Green Student Village – Marshall Court
- Portland Green Student Village – Newton Court
- Portland Green Student Village – Rosedale Court
- Portland Green Student Village – Turner Court
- Land sites for student accommodation buildings
- Hollingbury House[3]

PROPERTY DEVELOPMENT

Singapore

100%

- Novena Medical Center and Novena Specialist Center – Medical Suites

33%

- Woods Square[3]

20%

- SBF Center – Medical Suite and Office

United Kingdom

98%

- Westminster Fire Station[3]

NOTES:
[1] Percentages shown here are based on the Group's effective interest
[2] Managed by Far East Hospitality or TFE Hotels
[3] Under development

PROPERTIES OF THE GROUP

AS AT 31 DECEMBER 2018

	Location	Effective Interest	Tenure	Site Area (sm)	No. of Units/ Rooms/ Beds
HOSPITALITY PROPERTIES					
Owned properties					
AUSTRALIA					
Adina Apartment Hotel Adelaide Treasury	Adelaide	35%	Leasehold	4,154	79
Adina Apartment Hotel Brisbane	Brisbane	35%	Freehold	1,485	220
Adina Apartment Hotel Brisbane Anzac Square – Apartment Unit	Brisbane	70%	Freehold	–	1
Adina Apartment Hotel Sydney Darling Harbour	Sydney	35%	Leasehold	3,058	114
Rendezvous Hotel Perth Central	Perth	70%	Freehold	1,973	103
Rendezvous Hotel Perth Scarborough	Perth	70%	Freehold	11,467	336
Rendezvous Hotel Perth Scarborough – Retail Podium	Perth	70%	Freehold	–	13
Rendezvous Hotel Melbourne	Melbourne	70%	Freehold	1,999	340
Travelodge Resort Darwin	Darwin	35%	Freehold	13,100	224
DENMARK					
Adina Apartment Hotel Copenhagen	Copenhagen	35%	Freehold	3,000	128
GERMANY					
Adina Apartment Hotel Berlin Checkpoint Charlie	Berlin	35%	Freehold	2,143	127
Adina Apartment Hotel Berlin Mitte	Berlin	35%	Freehold	1,798	139
Adina Apartment Hotel Frankfurt Neue Oper	Frankfurt	35%	Freehold	1,455	134
MALAYSIA					
Oasia Suites Kuala Lumpur	Kuala Lumpur	100%	Freehold	1,880	247
Leased and managed					
SINGAPORE					
Orchard Rendezvous Hotel, Singapore (Formerly known as Orchard Parade Hotel)	Singapore	100%	Freehold	8,143 (1)	388
Village Hotel Albert Court	Singapore	100%	Leasehold	4,273	210
Village Residence Clarke Quay	Singapore	100%	Leasehold	6,238	127
Property under development					
AUSTRALIA					
280 George Street	Sydney	35%	Freehold	583	– (2)

NOTES:

[1] Includes 1,069sm of leasehold area

[2] Under redevelopment from office building into apartment hotel

AS AT 31 DECEMBER 2018

	Location	Effective Interest	Tenure	Site Area (sm)	No. of Units/ Rooms/ Beds
DEVELOPMENT PROPERTIES					
Residential project under development					
UNITED KINGDOM					
Westminster Fire Station	London	98%	Freehold	768	18 (3)
Commercial project under development					
SINGAPORE					
Woods Square	Singapore	33%	Leasehold	18,569	514 (4)
Completed properties					
SINGAPORE – COMMERCIAL					
Novena Medical Center – Medical Suites	Singapore	100%	Leasehold	–	7
Novena Specialist Center – Medical Suites	Singapore	100%	Leasehold	–	30
SBF Center – Medical Suite	Singapore	20%	Leasehold	–	1
SBF Center – Office	Singapore	20%	Leasehold	–	1
INVESTMENT PROPERTIES					
SINGAPORE					
Novena Medical Center – Medical Suites	Singapore	100%	Leasehold	–	37
Novena Specialist Center – Medical Suites	Singapore	100%	Leasehold	–	10
SBF Center – Shops	Singapore	20%	Leasehold	–	3
Tanglin Shopping Centre – Offices	Singapore	100%	Freehold	–	4
UNITED KINGDOM					
Portland Green Student Village – Bryson Court	Newcastle upon Tyne	100%	Freehold	3,287	366
Portland Green Student Village – Marshall Court	Newcastle upon Tyne	100%	Freehold	2,155	196
Portland Green Student Village – Newton Court	Newcastle upon Tyne	100%	Freehold	3,271	295
Portland Green Student Village – Rosedale Court	Newcastle upon Tyne	100%	Freehold	3,548	338
Portland Green Student Village – Turner Court	Newcastle upon Tyne	100%	Freehold	2,640	274
Land sites for student accommodation buildings	Newcastle upon Tyne	100%	Freehold	4,513	–
Hollingbury House	Brighton	100%	Freehold	1,616	193 (5)

NOTES:

[3] 17 residential units and 1 restaurant unit

[4] Integrated office development comprising offices, retail, F&B and childcare component

[5] Under development

CORPORATE GOVERNANCE

BOARD MATTERS

REMUNERATION MATTERS

ACCOUNTABILITY AND AUDIT

SHAREHOLDER RIGHTS AND RESPONSIBILITIES

Far East Orchard Limited (the "**Company**") is firmly committed to maintaining a high standard of corporate governance and promoting corporate transparency, accountability and integrity to enhance long-term shareholders' value, while taking into account the interests of its other stakeholders.

This report describes the corporate governance practices and policies of the Company and its subsidiaries (the "**Group**") during the financial year ended 31 December 2018 ("**FY2018**") with reference to the principles and guidelines of the Code of Corporate Governance 2012 (the "**Code**"), the Mainboard Rules of the Listing Manual of the Singapore Exchange Securities Trading Limited ("**Listing Rules**") and the Companies Act (Cap. 50) of Singapore ("**Companies Act**"), where applicable.

The Code was revised in August 2018 and the revised Code takes effect for annual reports covering financial years from 1 January 2019. A voluntary Practice Guidance setting out best practices and providing guidance on the revised Code was also issued in August 2018. Committed to upholding high standards of corporate governance, in FY2018 the Group comprehensively reviewed its existing practices and policies and took steps towards alignment with the revised Code and Practice Guidance.

The Company has complied, in all material respects, with the principles and guidelines in the Code. Where there are any deviations from the Code, appropriate explanations have been provided.

BOARD MATTERS

Principle 1: The Board's Conduct of Its Affairs

Guideline 1.1: Principal Duties of the Board

The Board of Directors of the Company (the "**Board**"), as fiduciaries acting in the interests of the Company, is collectively responsible for the Group's long-term success. In addition to its statutory duties, the Board's principal functions are to:

a. create value for shareholders and to ensure the long-term success of the Group.
b. oversee the effectiveness of the management of the Company (the "**Management**"), provide leadership, review the Group's corporate strategies and direction, and ensure that the necessary financial and human resources are adequate to achieve the Group's goals.
c. review and approve the annual budget of the Group.
d. ensure that there is a sound system of internal controls and risk management to safeguard shareholders' interests and the Group's assets.
e. review the business performance of the Group and approve the release of the quarterly and year-end results announcements.
f. endorse the framework of remuneration for the Board and key management personnel (the "**Key Executives**"). The Key Executives are persons having authority and responsibility for planning, directing and controlling the activities of the Group and include the Group Chief Executive Officer and Managing Director ("**Group CEO**") and the heads of the strategic business units of the Group.
g. identify the key stakeholder groups and recognise that their perceptions affect the Group's reputation.
h. set the Company's values and standards and ensure that obligations to shareholders and other stakeholders are understood and met.
i. oversee the sustainability reporting of the Group.

The directors on the Board ("**Directors**") have the right core competencies and experience to enable the Board to contribute effectively.

Guideline 1.2: Independent Judgement

Every Director is expected to objectively discharge his/her duties and responsibilities, to act in good faith, provide insights and consider at all times, the interests of the Group.

To address and manage possible conflicts of interest that may arise between Directors' interests and those of the Group, the Company has put in place appropriate procedures including requiring (i) Directors to declare upfront at each Board meeting, any conflict of interest to any proposal or papers submitted for discussion at such Board meeting, and (ii) for such Directors to refrain from participating in meetings or discussions (or relevant segments thereof) in addition to abstaining from voting, on any matter in which they are so interested or conflicted. Each Director is also required to submit details of his/her associates for the purpose of monitoring interested person transactions annually.

Guideline 1.3: Delegation by the Board

The Board has established three board committees ("**Board Committees**") to assist in the execution of its responsibilities. They are the Audit & Risk Committee ("**ARC**"), the Remuneration Committee ("**RC**") and the Nominating Committee ("**NC**"). Each Board Committee is governed by clear terms of reference setting out its role, authority, duties and responsibilities, as well as qualifications for committee membership in line with the Code, which have been approved by the Board.

Authority has been delegated to the Management to approve transactions below certain thresholds, which are set out in a structured Delegation of Authority Matrix.

Notwithstanding the above, the Board Committees and Management remain accountable to and report back to the Board. Minutes of meetings of all Board Committees in FY2018 were provided to the Board, and the Chairman of each Board Committee provided updates at Board meetings in FY2018 of matters discussed in Board Committee meetings. The activities of each Board Committee in FY2018 are disclosed under the respective guidelines of this report.

Guideline 1.4: Board and Board Committees Meetings

The Board meets at least quarterly, or more frequently when required or appropriate, to review and evaluate the Group's performance and address key matters. The Board and Board Committees' meetings are planned one year in advance to ensure maximum attendance by the participants, and the meeting schedule is circulated to the Directors prior to the start of the financial year. Directors are expected to attend all Board meetings and meetings of the Board Committees on which they serve. If a Director is unable to physically attend a meeting of the Board or a Board Committee, he/she may attend by telephone or video-conference which is allowed under the Company's Constitution. The agendas and meeting materials are circulated to the Board and Board Committees at least one week before the meetings to allow for sufficient time to review prior to the meeting. The Board and Board Committees may also make decisions by way of circulating resolutions.

The attendance of the Directors at scheduled meetings of the Board and Board Committees held in FY2018 is disclosed below:

	Board of Directors	**Audit & Risk Committee**	**Nominating Committee**	**Remuneration Committee**
No. of Meetings	**4**	**5**	**2**	**3**
Names of Directors				
Koh Boon Hwee	4	-	2	-
Chua Kheng Yeng, Jennie	4	5	2	3
Lui Chong Chee	4	5	2	3
Heng Chiang Meng[1]	2	3	1	-
Ee Choo Lin Diana	4	5	-	3
Koh Kah Sek	4	-	-	3
Ramlee Bin Buang[2]	4	5	1	-

NOTES:

[1] Mr Heng Chiang Meng retired as an Independent Director on 24 April 2018.

[2] Mr Ramlee Bin Buang was appointed as a member of the NC on 24 April 2018.

Guideline 1.5: Board Approval

Material transactions

The Company has a structured Delegation of Authority Matrix and internal guidelines regarding matters that require Board approval. The types of material transactions, which require Board approval, include:

a. transactions in the ordinary course of business that have not been delegated by the Board to any Board Committee for approval;
b. major transactions not in the ordinary course of business;
c. bank borrowings;
d. provision of corporate guarantees or other securities to secure loans granted to subsidiaries and associated companies;
e. acquisition or disposal of fixed assets, save where authority has been delegated by the Board to any Board Committee for approval;
f. equity or contractual joint ventures; and
g. diversification into new businesses.

Key Activities of the Board during FY2018

Regular agenda items:

- Quarterly updates on the businesses
- Quarterly review of enterprise risk management
- Quarterly review of financial performance including compliance of financial covenants and cash flow projection
- Review and approval of all announcements including quarterly results and year-end financial statements
- Conflict of interest and register of interested person transactions
- Disclosure of Directors' interests pursuant to the Companies Act and the Securities and Futures Act
- Reports of the ARC, NC and RC

Other key agenda items considered during FY2018:

- Business opportunities
- New banking relationships
- Business strategy
- Material developments relating to accounting, risk management, sustainability reporting, legal, regulatory and/or corporate governance issues

Matters reserved for Board approval annually:

- Documents for distribution to shareholders including the Annual Report and Audited Financial Statements
- Annual budget and business plan
- Dividend payout
- Remuneration of the executive and non-executive Directors
- Retirement and re-election of Directors

Guideline 1.6: Board Training and Orientation

Directors receive a comprehensive induction when they are first appointed to the Board. New Directors are provided with relevant information on the Group's business activities, strategic directions, policies and procedures relating to corporate conduct and governance, including disclosure of interests in securities, restricted periods for dealings in the Group's securities and restrictions on disclosure of confidential or price sensitive information. If the new Director is also appointed to a Board Committee, relevant information on the duties of such Board Committee is also provided. If there are first-time Directors appointed, the Group will provide in-house training for them in areas such as accounting, legal and industry-specific knowledge as appropriate, and direct them to attend external trainings including courses conducted by Singapore Institute of Directors ("**SID**"), at the Company's cost.

The Company is responsible for funding and arranging regular training for the Directors from time to time particularly on changes in the relevant laws, regulations and changing commercial risks to enable them to make well-informed decisions in carrying out their expected roles and responsibilities. Directors are provided with opportunities to attend appropriate courses, conferences and seminars. In FY2018, various Directors attended SID programmes, covering a wide range of topics including audit committee pit stops and seminars, remuneration committee essentials, the Singapore Governance and Transparency Forum and the SID Directors Conference 2018 among others.

Changes to regulations and accounting standards are monitored closely by Management, and Directors are briefed during Board meetings or at specially convened sessions conducted by professionals, on regulatory changes that have any significant bearing on the Group's or Directors' obligations. In FY2018, the Company arranged a briefing by its external corporate governance advisors on the revised Code and the Listing Rules, which all the Directors attended.

Guideline 1.7: Appointment Letter to New Director

Each newly appointed Director is provided with a formal letter setting out the Director's duties and obligations, including pertinent obligations under the Companies Act, the Securities and Futures Act, the Listing Rules and the Code, as well as a director tool-kit containing among others, the Company's Annual Report and the detailed Group organisation structure.

Principle 2: Board Composition and Guidance

Guideline 2.1: Independent element on the Board

The Board currently comprises seven Directors, four of whom are considered independent by the Board, namely Ms Chua Kheng Yeng, Jennie, Mdm Ee Choo Lin Diana, Mr Ramlee Bin Buang, and Mr Shailesh Anand Ganu[1].

There is a strong element of independence on the Board, with Independent Directors ("**IDs**") constituting a majority of the Board, and accordingly the Board's decision-making process is not dominated by any individual or small group of individuals.

Guideline 2.2: Composition of Independent Directors on the Board

The Chairman of the Board (Mr Koh Boon Hwee) is a non-executive and non-independent Director. The Company has complied with the Code's requirement for IDs to make up at least half of the Board when the Chairman is not an ID.

Guideline 2.3: Board Independence

Each Director is required to complete annually a detailed self-assessment questionnaire on his/her independence, addressing specific examples of relationships as set out in the Code. These questionnaires are collated and reported to the Board.

The IDs have each provided declarations to confirm that they do not have any relationship with the Company or its related companies and its officers that could impair, interfere, or be reasonably perceived to interfere, with their judgement in the best interests of the Company.

In FY2018, the NC and the Board deliberated the independence of Ms Chua Kheng Yeng, Jennie, Mdm Ee Choo Lin Diana and Mr Ramlee Bin Buang, concurred that they demonstrated strong independence in character and judgement of Management decisions, and are satisfied that they are independent. Each ID abstained from deliberations of his/her independence.

Guideline 2.4: Independence of Director who has served on the Board beyond nine years

Mr Heng Chiang Meng, who had served on the Board for more than nine years, retired from the Board at the conclusion of the Annual General Meeting ("**AGM**") held on 24 April 2018. The NC and the Board rigorously reviewed Mr Heng's independence at the start of FY2018. Having observed many occasions where Mr Heng debated issues and objectively scrutinized and challenged Management, the NC and the Board concurred that Mr Heng maintained his independence throughout his service on the Board. The Board extends its appreciation to Mr Heng for his long and dedicated service.

Presently, none of the Directors have served on the Board for more than nine years.

NOTES:

[1] Mr Shailesh Anand Ganu was appointed as an ID on 12 February 2019. As a first-time director of a listed issuer, Mr Ganu will attend training on the roles and responsibilities of a director of a listed issuer as prescribed by the Singapore Exchange.

Guideline 2.5: Board Composition and Size

The Board currently comprises seven Directors and is of the view that its present size is appropriate and facilitates effective decision-making, taking into account the scope and nature of the Group's operations. The Board comprises respected members of the business community who have long and extensive experience in various fields, including real estate, engineering, hospitality, corporate management, accounting, human resource, banking and finance.

With a firm belief that board diversity enhances decision-making capability, the NC with the Board's concurrence, established a Board Diversity Policy in February 2018. The Board agreed that diversity is a wide-ranging concept and covers aspects ranging from industry knowledge, professional experience, educational qualifications, gender, age, ethnicity and nationality, among others. While all appointments to the Board will continue to be made based on merit, in making recommendations on Board appointments, the NC will consider all aspects of diversity to achieve an optimal composition for the Board.

The Board Diversity Policy sets out two specific targets addressing age and gender. Both targets were met and maintained throughout FY2018. The present Board comprises Directors in diverse age ranges and in terms of gender diversity, 3 out of the 7 Directors or 42.8% of the Board are female.

A profile of each Director is found in the "Board of Directors and Management" section of this Annual Report. The Board Diversity Policy also sets out practical measures which may be implemented to meet these diversity targets.

The Board has no dissenting view on the Chairman's Statement and the CEO's Message for FY2018.

Guideline 2.6: Board Competency

When deciding on the appointment of new directors to the Board, the NC and the Board consider various factors such as scope and nature of the operations of the Group, skills, experience, gender and competencies of the candidates that are required on the Board and Board Committees, conflicts of interest and time commitments.

The Board is of the view that the current Board and Board Committees comprise persons who, as a group, provide core competencies such as accounting, finance, human resource, industry knowledge, strategic planning, business and management experience and customer-based experience and knowledge that are relevant and beneficial to the Group.

Guideline 2.7: Role of Non-executive Directors

Non-executive Directors constitute a majority on the Board, and are well supported by accurate, complete and timely information from Management. They engage in open and constructive debate and challenge Management on its assumptions and proposals, which are fundamental to good corporate governance. They aid in the development of growth strategies and oversee effective implementation by Management to achieve set objectives. They also monitor the performance of the Group.

Non-executive Directors have unrestricted access to Management. When non-executive Directors are unable to attend any Board or Board Committee meetings, they may provide their comments to the Chairman of the Board or the relevant Board Committees separately. The non-executive Directors constructively challenge and help develop proposals on strategy formulated by Management. They also review the performance of Management in meeting agreed goals and objectives and monitor the reporting of financial and operational performances.

Guideline 2.8: Meetings of Non-executive Directors without Management

In FY2018, the non-executive Directors met regularly without the presence of Management, and discussed matters ranging from internal audit and external audit matters to the performance of Management.

Principle 3: Chairman and Chief Executive Officer

Guideline 3.1: Separation of the Role of Chairman and the Group CEO

The roles and responsibilities of the Chairman and the Group CEO are distinct and separate to ensure an appropriate balance of power, increased accountability and greater capacity of the Board for independent decision making. The division of responsibilities between the Chairman and the Group CEO are clearly established in the Group's corporate governance policy manual ("**CG Policy Manual**"), which is approved by the Board.

Mr Lui Chong Chee was appointed as the Group CEO on 1 September 2014. The roles and responsibilities of the Group CEO are clearly defined in his service contract with the Company, and include managing and supervising the day-to-day business operations in accordance with the strategies, policies and business plans approved by the Board.

The Chairman and the Group CEO are not related family members. The Chairman and the Group CEO are also not related to any substantial shareholder of the Company.

Guideline 3.2: Roles of Chairman

Mr Koh Boon Hwee assumed the role of Chairman on 1 January 2013. The Chairman is responsible for leading the Board and ensuring the effectiveness of the Board and Board Committees as well as the governance process.

The other roles of the Chairman include the following:

a) schedule meetings that enable the Board to perform its duties responsibly while not interfering with the flow of the Company's operations.
b) ensure sufficient allocation of time for thorough discussion of Board meeting agenda items.
c) promote an open environment for debate at the Board.
d) foster constructive dialogue between shareholders, the Board and Management at AGMs and other shareholders' meetings.
e) encourage constructive relations within the Board and between the Board and Management.
f) ensure that non-executive Directors are able to speak freely and contribute effectively.
g) promote high standards of corporate governance.

Guideline 3.3: Lead Independent Director

The Company appoints an ID as the lead independent director ("**Lead ID**") as the Chairman is not an ID. Ms Chua Kheng Yeng, Jennie assumed the role of Lead ID since 25 April 2017. The Lead ID is a key member of the Board, representing the views of the IDs and providing a channel to the non-executive Directors for confidential discussions on any concerns, and facilitating a two-way flow of information between shareholders, the Chairman and the Board.

Shareholders with concerns may contact the Lead ID directly if contact through the normal channels via the Chairman or Management is inappropriate or has failed to provide satisfactory resolution. The Lead ID's email address is lead_independent_director@fareastorchard.com.sg, which is also listed on the Company's website.

Guideline 3.4: Meetings of Independent Directors

In FY2018, the IDs, led by the Lead ID, met periodically without the presence of other Directors and Management and where appropriate, provided feedback to the Chairman after such meetings.

Principle 4: Board Membership

Guideline 4.1: NC Composition and Key Terms of Reference

The NC comprises three non-executive Directors, the majority of whom, including the NC Chairman, are independent. The Lead ID, Ms Chua Kheng Yeng, Jennie is the NC Chairman.

The composition of the NC was refreshed after the retirement of Mr Heng Chiang Meng (former NC Chairman) at the Company's AGM in April 2018. Since 24 April 2018, the NC comprises:

Ms Chua Kheng Yeng, Jennie as NC Chairman (Lead ID)
Mr Koh Boon Hwee (Non-executive Director)
Mr Ramlee Bin Buang (ID)

The principal functions of the NC under its terms of reference are to:

a. make recommendations to the Board on all appointments to the Board and Board Committees, after evaluating the capabilities of the nominated Directors.
b. assess the effectiveness of the Board as a whole, and its Board Committees and Directors.
c. review on a yearly basis the training and professional development programmes for the Board.
d. make recommendations to the Board to review succession planning for Directors, including Chairman and Key Executives.
e. assess the independence of the Directors annually.
f. review the appropriate size of the Board for effective decision-making.
g. assess whether or not a Director is able to and has been adequately carrying out his/her duties.
h. develop and maintain a formal and transparent process for the appointment of new Directors to the Board.
i. provide nominations for the re-appointment of a Director having regard to the Director's contribution and performance at regular intervals and at least every three years in accordance with the Company's Constitution.

In FY2018, the NC held two meetings. In those meetings, the NC carried out all its principal functions as listed above, and further reviewed, *inter alia*, the effectiveness of each Board Committee as well as the contribution by Chairman and each individual Director to the Board, the ability of each Director to diligently discharge his/her duties (noting any other listed directorships and principal commitments) and whether a cap on the number of listed directorships was appropriate, and the adoption of a Board Diversity Policy. After each NC Meeting, the NC provided updates and relevant recommendations to the Board.

Guideline 4.2: Board Renewal, Roles and Responsibilities

The Board's renewal is an on-going process, to ensure good governance and to maintain relevance to the business as well as the changing needs of the Group. New Directors are appointed by way of a Board Resolution, after the NC has approved their nominations.

In FY2018, in its review of the Board composition and evaluation of proposed new appointees to the Board, the NC and the Board considered the need for progressive renewal of the Board and the principles and targets in the Board Diversity Policy.

The NC is charged with the responsibility of re-nominating the Directors. The Company's Constitution requires one-third, or the number nearest to one-third of the Directors, including the Managing Director (or any equivalent appointment however described), to retire from office. The Directors to retire every year are those who have been longest in office since their last election. No Director stays in office for more than three years without being re-elected by shareholders. In addition, a newly appointed Director will hold office only until the next AGM at which he/she will be eligible for re-election.

Each member of the NC abstains from voting on any resolution, making any recommendation and/or participating in respect of matters in which he/she is the subject or interested in.

Directors who are subject to retirement by rotation in accordance with the Company's Constitution and who are seeking re-election at the forthcoming AGM scheduled on 23 April 2019, are named in the Notice of AGM on page 150 of this Annual Report.

Guideline 4.3: Review of Directors' Independence

The NC conducts an annual review of the independence of each Director, taking into account the relationships and the tenure of service under Guidelines 2.3 and 2.4 of the Code and the CG Policy Manual. Each ID submits a confirmation on his/her independence, based on the guidelines provided by the Code and the CG Policy Manual, for the NC's review and consideration. The NC provides its views on the independence of the Directors to the Board for consideration.

The NC is also committed to reassessing the independence of each individual Director as and when warranted. Directors are required to notify the Board of any changes to their external appointments, interests in shares, and other relevant information which may affect their independence.

For FY2018, the NC is satisfied that Ms Chua Kheng Yeng, Jennie, Mdm Ee Choo Lin Diana and Mr Ramlee Bin Buang are independent.

Guideline 4.4: Multiple Board Representations

When a Director has multiple board representations, the NC also considers whether or not the Director is able to and has adequately carried out his/her duties as a Director of the Company. The NC noted that Board and Board Committee meetings are scheduled in advance to facilitate the Directors' scheduling of their commitments.

Throughout FY2018, three Directors held other directorships on unrelated listed companies. The NC has reviewed each Director's other directorships, principal commitments, attendance, performance and contributions to the Board, and has considered and is satisfied that the Directors have discharged their duties adequately and satisfactorily for FY2018. Accordingly, the NC is of the view that there is no current need to determine the maximum number of board representations a Director should have, and is satisfied that sufficient time and attention are being given by the Directors to the affairs of the Company.

Guideline 4.5: Appointment of Alternate Director

The Company did not have any alternate director on its Board during FY2018. The Company discourages the appointment of alternate directors as it is an indication that the principal director is not able or prepared to commit the time required for the Company's affairs.

Guideline 4.6: Nomination and Selection of Directors

The NC will consider the Company's current Board in terms of its size, composition, collective skills and experience and diversity. Potential new directors are shortlisted after conducting external searches and/or tapping on internal resources and referrals from existing Directors. The potential candidates are required to provide their curriculum vitae and the following key information to the NC: (a) any relationships including immediate family relationships between the candidate and the Directors, the Company or its 10% shareholders; (b) a list of all current directorships in other listed companies; (c) details of other principal commitments; and (d) any shareholding (including immediate family's shareholding) in the Company and its related corporations.

In its search and selection process, the NC evaluates whether the potential candidates possess relevant experience and qualifications, whether they have the calibre to contribute to the Group and its businesses, whether they complement the skills and competencies and attributes of the existing Board and the requirements of the Group, and their independence status. The NC also meets with each short-listed candidate personally to assess suitability and to ensure that the candidate is aware of the expectations and the level of commitment required. Thereafter, the NC makes a recommendation to the Board for approval.

The NC followed the above process in its search and selection process for an ID in FY2018, first going through their existing networks to shortlist and evaluate potential new directors, before meeting with Mr Shailesh Anand Ganu and recommending the Board to appoint him. Mr Ganu's appointment took effect in February 2019. Key information on Mr Ganu is listed in the "Board of Directors and Management" section of this Annual Report.

Guideline 4.7: Key Information of Directors

Key information regarding the Directors including academic and professional qualifications, membership or chairmanship in the Group's Board Committees, date of first appointment and last re-appointment, directorships or chairmanships both present and those held over the preceding three years in other listed companies and other principal commitments is listed in the "Board of Directors and Management" section of this Annual Report. Information on the Directors is also available on www.fareastorchard.com.sg.

Principle 5: Board Performance

Guideline 5.1: Board Evaluation Process

The responsibilities of the NC include evaluating the performance and effectiveness of the Board, the Board Committees and the contribution by the Chairman and each Director, based on a set of criteria. The Board and each Board Committee carefully considered the sample evaluation forms in SID's NC Guide before preparing separate forms for evaluation of the Board, the ARC, the RC and the NC, specifically designed for each Director to address his/her mind to the specific roles and performance of the Board and each Board Committee.

The annual evaluation process involves each Director completing performance evaluation forms on the Board and each relevant Board Committee on which he/she is a member of, including the chairman of such Board Committee. Each Director is also to complete a self-assessment performance evaluation form. Directors are encouraged to provide comments or suggestions for improvement in these forms.

In FY2018, the Company subscribed to a secure electronic board portal and utilised its survey tools to conduct the annual evaluation process. To ensure confidentiality, the completed performance evaluation forms are provided to the Company Secretary, who collates the results before presenting them on an anonymized basis to the NC for review. The NC considers the actions appropriate or beneficial to improve the corporate governance and effectiveness of the Board and Board Committees, before it presents the results of the evaluation exercise and its recommendations to the Board. The NC and the Board were satisfied with the overall results of the assessment for FY2018.

The NC agreed that there was no need to appoint any external facilitator to assist in the assessment for FY2018.

Guideline 5.2: Board Performance Criteria

The Board and each Board Committee are evaluated on a range of criteria including competencies, attendance, guidance provided in relation to the Company's performance, degree of preparedness, participation and candour of Directors, contribution to effective risk management, timeliness in response to resolution of issues, adequacy and conduct of Board and Board Committee meetings, succession planning, and communication lines with Management and shareholders.

The Board is committed to guide the Company towards achieving its growth targets identified in the Company's 5-year business plan.

Guideline 5.3: Individual Director Evaluation

Annually, each Director completes a self-assessment performance evaluation form of the prior year's performance, designed to remind each Director of his/her continued role and commitment to the Board. For FY2018, the NC took note of each Director's attendance at and preparation for Board Meetings and relevant Board Committee meetings, constructive participation in discussions, and application of skill-sets to the decision-making process.

The results of the performance evaluations are taken into consideration when the NC conducts its regular review in consultation with the Board Chairman, on the appropriate composition for the Board and Board Committees and whether it would be appropriate or beneficial to propose changes to such composition.

Principle 6: Access to Information

Guideline 6.1: Complete, Adequate and Timely Information

The Board has separate and independent access to Management. Management also keeps the Board apprised of the Group's operations and performance by providing regular management reports. To ensure that the Board is able to fulfil its responsibilities, Management is required to provide complete, adequate and timely information to the Board on issues that require their decision. Whenever appropriate, employees who can provide additional insight in the matters to be discussed are invited to attend the Board meetings.

Board papers and related materials are disseminated at least one week in advance to the Board and the Board Committees, so that the Directors have sufficient time to review the relevant information. In line with the Company's sustainability efforts and for efficiency, the Company has subscribed to a secure electronic board portal to electronically disseminate board papers and materials. Directors can access the board portal through a secure log-in process from any device and this eliminates the need to circulate hard copies.

Guideline 6.2: Provision of Information to the Board

Information provided include board papers and related materials, background or explanatory information relating to matters to be brought before the Board, and copies of disclosure documents, budgets, forecasts and quarterly internal financial statements. In respect of budgets, material variances between the projections and actual results are also disclosed and explained by Management to the Board.

Guideline 6.3: Company Secretary

The Directors have separate and independent access to the Company Secretary through electronic mails, telephone and face-to-face meetings. The role of the Company Secretary includes attendance at all Board meetings, preparation of the agenda and papers for meetings of the Board and Board Committees, writing and circulating minutes of meetings, sending the Board information relating to the Group as needed, advising the Board on corporate and administrative matters, ensuring that Board procedures are followed and that applicable rules and regulations including requirements of the Code, Companies Act, Securities & Futures Act and Listing Rules are complied with, facilitating orientation and assisting with professional development for the Board.

The Company Secretary also ensures good information flow within the Board and Board Committees and between the Management and non-executive Directors, advising the Board on all governance matters.

In FY2018, the Company Secretary attended the AGM and all meetings of the Board and Board Committees.

Guideline 6.4: Appointment and Removal of the Company Secretary

The appointment and removal of the Company Secretary is subject to the approval of the Board as a whole.

Guideline 6.5: Independent Professional Advice

The Board has a procedure for Directors, individually or as a group, in the furtherance of their duties, to seek independent professional advice, if necessary, at the Company's expense.

REMUNERATION MATTERS

Principle 7: Procedures for Developing Remuneration Policies

Guideline 7.1: RC Composition and Key Terms of Reference

The RC comprises three non-executive Directors, the majority of whom, including the RC Chairman, are independent.

The RC comprises:

Mdm Ee Choo Lin Diana as RC Chairman (ID)
Ms Chua Kheng Yeng, Jennie (Lead ID)
Ms Koh Kah Sek (Non-executive Director)

The principal functions of the RC under its terms of reference are to:

a. review and recommend to the Board a remuneration framework for the Board and Key Executives that covers all aspects of remuneration, including but not limited to Directors' fees, salaries, allowances, bonuses, benefits-in-kind and any options, share-based incentives and awards.
b. review and recommend to the Board the specific remuneration package for the executive Director.
c. review the terms of the contracts of service (including termination clauses) of the executive Director and Key Executives, and ensure there are no lengthy or onerous removal clauses.

In FY2018, the RC held three meetings. In those meetings, the RC carried out all its principal functions as listed above, and further reviewed, *inter alia*, the effectiveness of long-term incentives, a report on the use of contractual provisions to claw back incentive components of remuneration from the executive Director and Key Executives, a report on non-executive Directors' Fees by Mercer (Singapore) Pte. Ltd. ("**Mercer**") and revisions to the framework for Directors' fees.

Guideline 7.2: Remuneration Framework

The RC reviews and recommends to the Board a general framework of remuneration for the Board as well as the entire Group, with a goal to recruit, motivate and retain employees through competitive compensation. The RC annually reviews the overall annual increment and bonus framework for Group employees, before putting forth its recommendations to the Board for approval.

The RC reviews and recommends to the Board the specific remuneration packages for the executive Director and the Key Executives upon recruitment. Subsequently, various aspects of their remuneration will be reviewed by the RC for recommendation to the Board.

The members of the RC do not participate in any decisions concerning their own remuneration.

Guideline 7.3: RC's Access to Advice on Remuneration Matters

The RC has access to appropriate advice from the Head of Human Resources, who attends all RC meetings. The RC may also seek external expert advice on remuneration of Directors and employees as and when the need arises. In its deliberations, the RC takes into consideration industry practices and norms in compensation, and SID's 2013 Statement of Good Practices 10/2013 relating to fees payable to non-executive directors, in addition to the Group's relative performance to the industry and the performance of the individual Directors.

In FY2018, the Company engaged Mercer to provide a benchmarking report on the remuneration of non-executive Directors. The Mercer consultants do not have any relationship with the Company that could affect their independence and objectivity. The RC considered Mercer's report before making recommendations to the Board on proposed changes to the remuneration framework for Directors' fees. The Board deliberated over the RC's recommendations before approving a revised remuneration framework for Directors' fees effective from FY2019. The RC and the Board are satisfied that the remuneration framework is appropriate to attract, retain and motivate the Directors to provide good stewardship of the Company.

Guideline 7.4: Service Contracts

The RC has reviewed the Company's obligations arising in the event of termination of the executive Director and Key Executives' service contracts and is of the view that such service contracts contain fair and reasonable termination clauses which are neither overly generous nor reward poor performance.

Principle 8: Level and Mix of Remuneration

Guideline 8.1: Remuneration of Executive Director and Key Executives

The Company has one executive Director who is the Group CEO, who receives a base retainer fee for being a Board member ("**Base Retainer Fee**"). The Base Retainer Fee payable to each Director is identical.

The Group has reviewed the list of management roles and determined that the Company currently has five Key Executives, including the Group CEO. The identities of the other four Key Executives are set out under Guideline 9.3. Their service contracts with the Company comprise both fixed and variable components. The variable components are performance related and are linked to their individual performance as well as that of the Group. This is designed to align remuneration with the interest of shareholders and to promote the long-term success of the Group.

In structuring the remuneration packages of the executive Director and other Key Executives, the RC and Board take into account the performance of the Group and the individual, and risk policies of the Group so as to be symmetric with risk outcomes and sensitive to the time horizon of risks.

The RC and the Board have deliberated and provided assurance that the current level and structure of remuneration of the executive Director and Key Executives are aligned with the long-term interests and risk management policies of the Company, and are appropriate to retain and motivate them to provide good stewardship of the Group.

Guideline 8.2: Long-term Incentive Scheme

The Group does not have any employee share option scheme or other long-term incentive scheme for Directors or employees. However, the Group rewards the employees with other benefits in cash and in kind. In FY2018, the RC engaged consultants to evaluate the impact of long-term incentive schemes on performance. The Board will continue to evaluate the costs and benefits of a long-term incentive scheme and assess whether it is appropriate to be deployed.

Guideline 8.3: Remuneration of Non-executive Directors

Non-executive Directors are paid a Base Retainer Fee and additional fees if they serve as the Board Chairman, the Lead Independent Director or as a chairman or member of the various Board Committees. The fee structure is presented under Guideline 9.2 of this Report.

At the AGM of each financial year, the Company will seek shareholders' approval for the aggregate of the fees that may be paid to the Board in such financial year ("**Directors' Fees**"). The Board will recommend the Directors' Fees payable for FY2019 for shareholders' approval at the AGM on 23 April 2019.

The Directors' fee framework is evaluated at least annually for appropriateness, taking into account the level of contribution, the responsibilities and obligations of the Directors, the prevailing market conditions and referencing the Directors' fees against comparable and independent benchmarks. In FY2018, following Mercer's report to the RC and after considering the RC's recommendations, the Board approved a revised remuneration framework for Directors' fees effective from FY2019.

The RC is of the view that the remuneration is appropriate to attract, retain and motivate the non-executive Directors and the non-executive Directors are not over-compensated to the extent that their independence may be compromised.

Guideline 8.4: Contractual Provisions for Executive Director and Key Executives

The Company currently does not have contractual provisions to reclaim any incentive components of remuneration from the executive Director and other Key Executives, and there are no excessively lengthy or onerous removal clauses in their service contracts.

Principle 9: Disclosure on Remuneration

Guideline 9.1: Annual Remuneration Report

For FY2018, there were no termination, retirement or post-employment benefits granted to any Director or Key Executive. The breakdown of the remuneration of Directors and Key Executives for FY2018 is reported below.

Guideline 9.2: Disclosure of Directors and Group CEO's Remuneration

Breakdown of Level and Mix of Directors' Fees

A breakdown showing the level and mix of the Directors' Fees for FY2018 is appended below:

	Fees (S$)
Board Chairman	70,000
Board Member (Base Retainer Fee)	35,000
Lead Independent Director	15,000
Board Committees:	
Audit & Risk Committee	
- Chairman	43,500
- Member	24,000
Remuneration Committee	
- Chairman	14,000
- Member	7,500
Nominating Committee	
- Chairman	14,000
- Member	7,500

Breakdown of Directors' Fees received by each Director

A further breakdown of the aggregate Directors' Fees received by each Director for FY2018 is appended below:

Name of Director	**Aggregate Director Fee (S$)**
Koh Boon Hwee	77,500
Chua Kheng Yeng, Jennie[1, 2]	99,712
Lui Chong Chee	35,000
Ee Choo Lin Diana[3]	108,000
Koh Kah Sek	42,500
Ramlee Bin Buang[4]	77,609
Heng Chiang Meng[5]	23,063

NOTES:

1 Ms Chua Kheng Yeng, Jennie stepped down as the ARC Chairman on 24 April 2018 and remains a member of the ARC. She was appointed as NC Chairman on 24 April 2018.

2 The Directors' fees of Ms Chua Kheng Yeng, Jennie are paid to a consultancy company in which she is a member/director.

3 The Directors' fees received by Mdm Ee Choo Lin Diana include fees for her directorships on the board of Far East Hospitality Holdings Pte. Ltd. (S$10,000) and Toga Hotel Holdings Pty Limited (director and member of the audit and risk committee of the trustee board) (S$25,000).

4 Mr Ramlee Bin Buang was appointed as ARC Chairman and a NC member on 24 April 2018.

5 Mr Heng Chiang Meng was NC Chairman and an ARC member until his retirement at the Company's AGM on 24 April 2018.

Disclosure of Remuneration of the Group CEO

The remuneration of the Group CEO for FY2018 is disclosed below. The Board has assessed and decided that this is a key position, and the remuneration is disclosed in percentage terms for confidentiality. To disclose the exact details of the remuneration may subject the Company to the risk of attrition of this position, which is not in the best interests of the Company or its shareholders. In addition, the remuneration of the Group CEO has been disclosed in bands such that the minimum and maximum range is apparent.

Group CEO	Fees and Base salary[1] (%)	Variable / Performance-related income / bonuses (%)	Benefits-in-kind (%)
S$750,000 to S$999,999			
Lui Chong Chee	94.95	4.97	0.08

NOTES:
[1] Inclusive of allowances and Central Provident Fund contributions.

Guideline 9.3: Disclosure of Key Executives' Remuneration

Key Executives' compensation consists of salary, allowances and bonuses. Bonuses are conditional upon the Key Executives and the Group meeting certain performance targets. A significant proportion of the Key Executives' remuneration is linked to the Group and individual performances.

The Group has determined that it has five Key Executives, including the Group CEO, for FY2018. The aggregate of the total remuneration paid to the four Key Executives (who are not Directors or the Group CEO) for FY2018 is S$1,863,272. Their remuneration is also disclosed in percentage terms and in bands of S$250,000.

Key Executives	Designation	Base salary[1] (%)	Variable / Performance-related income / bonuses (%)	Benefits-in-kind (%)
S$750,000 - S$999,999				
Kiong Kim Hock Arthur	CEO, Far East Hospitality	80.45	5.88	13.67
S$250,000 - S$499,999				
Joanna Gok Yin Yin[2]	Chief Financial Officer	84.74	14.29	0.97
Audrey Chung Suet Cheng	Head of Global Sales & Marketing, Far East Hospitality	93.42	6.28	0.30
Tan Thiam Soon	Head of Human Resources	93.45	6.34	0.21

NOTES:
[1] Inclusive of allowances and Central Provident Fund contributions.
[2] Ms Joanna Gok Yin Yin was appointed as the Company's Chief Financial Officer on 2 January 2018.

Guideline 9.4: Immediate Family Member of a Director or the Group CEO
No employee within the Group is an immediate family member of a Director or the Group CEO.

Guideline 9.5: Employee Share Schemes
After carefully evaluating the costs and benefits of an employee share scheme, the Board has decided that there is no need for the Group to establish an employee share scheme at the moment, and will re-consider it as and when appropriate.

Guideline 9.6: Link between remuneration and performance
The variable component of the remuneration of the executive Director and Key Executives is tied to certain performance conditions of the Group, including financial targets such as revenue and profit, and non-financial targets such as guest and customer satisfaction levels. These performance conditions align the executive Director and Key Executives with the short-term and long-term interests of the Group. The variable component of their remuneration was paid in accordance with those performance conditions which were met.

ACCOUNTABILITY AND AUDIT

Principle 10: Accountability

Guideline 10.1: Accountability of the Board and Management
The Board conducts itself in ways that deliver maximum sustainable value to the shareholders. The Board promotes best practices in providing timely and full disclosure of material information in compliance with the statutory reporting requirements. The Board is accountable to shareholders and is responsible for providing a balanced and understandable assessment of the Group's performance, position and prospects through SGXNet announcements on a quarterly basis as well as timely announcements of other matters as prescribed by the relevant rules and regulations.

Quarterly unaudited financial results and full year results of the Group for FY2018 have been announced within the deadlines prescribed by the Listing Rules.

Guideline 10.2: Compliance with Legislative and Regulatory Requirements
In preparing the financial statements, the Board has selected suitable accounting policies and applied them consistently. The Board has made judgements and estimates that are reasonable and prudent and ensures that all applicable accounting standards have been followed. The financial statements were prepared on the basis that the Directors have reasonable expectations, having made enquiries, that the Group has adequate resources to continue operations for the foreseeable future.

The Board has taken adequate steps to ensure the Company's compliance with legislative and regulatory requirements, including requirements under the Companies Act and Listing Rules, for instance, by publishing its annual report, holding its AGM and making announcements of material corporate developments in a timely manner within required deadlines. Announcements are reviewed and approved by the Board before they are published. Relevant policies are also instituted, for example, the Company has a data protection policy and appointed data protection officers to oversee compliance with relevant data protection regulations in Singapore and overseas.

The Company confirms that undertakings under Rule 720(1) of the Listing Rules have been obtained from all its Directors and Executive Officers (as defined in the Listing Rules) in the format set out in Appendix 7.7 of the Listing Rules.

Guideline 10.3: Management Accounts
Management provides the Board with management accounts on a quarterly basis and other information in connection with matters or transactions which require Board approval. In this way, the Board is kept abreast of the operations, financial performance, position and prospects of the Group.

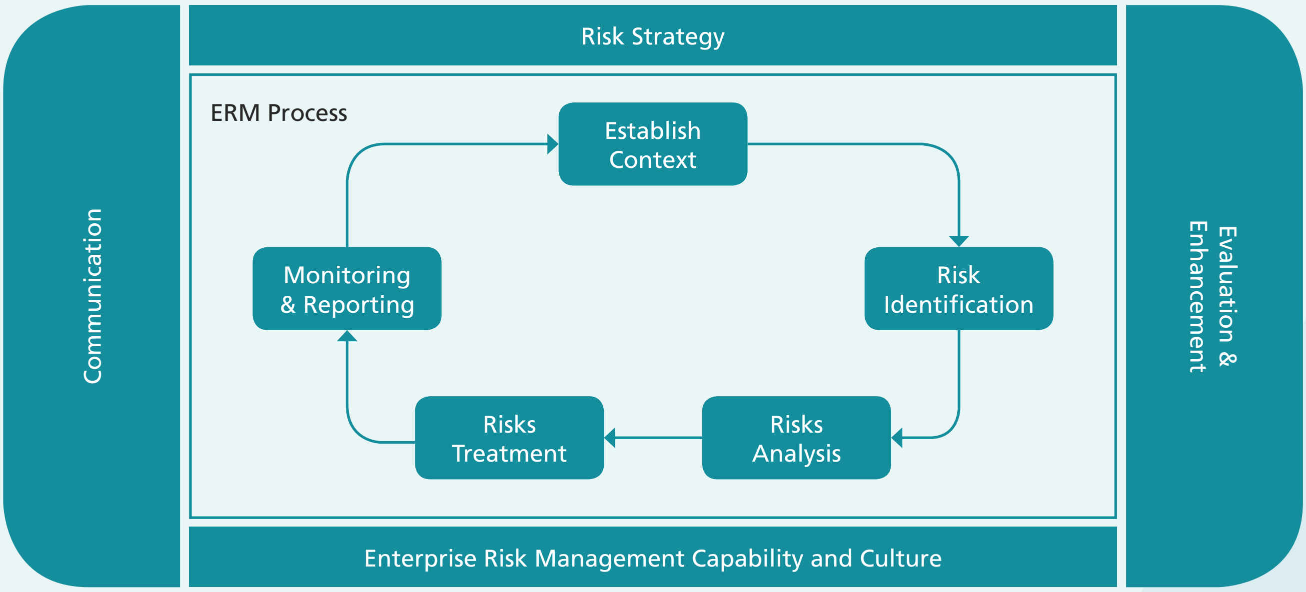
Principle 11: Risk Management and Internal Controls

Guideline 11.1: Risk Management and Internal Control Systems

The Company has in place a sound system of risk management and internal controls, addressing material financial, operational, compliance and information technology ("**IT**") risks, amongst other risks, to safeguard shareholders' interests and the Group's assets.

The Board determines the Company's levels of risk tolerance and risk policies, and oversees Management in the design, implementation and monitoring of the risk management and internal control systems. The Group refers all significant matters to the ARC and the Board. The Board has approved an Enterprise Risk Management ("**ERM**") manual setting out the tolerance for various classes of risk. It prescribes a zero tolerance towards non-compliance with laws and regulations, disregard for health and safety requirements, corruption, bribery, graft and fraudulent activities.

The Group has in place an ERM framework that consolidates the risk management practices across the Group. The consolidated approach provides Management with a formal framework and structure to identify risks and optimise available resources to mitigate the risks. The ERM framework encompasses an evaluation process to determine its adequacy and effectiveness; and accords appropriate improvements to the ERM framework and process. The framework is reviewed annually taking into considerations the changing business landscape and expansion of our operations. References were drawn from the Corporate Governance Council Risk Governance Guidance for Listed Boards and SS ISO 31000:2011 when conceptualising this framework.



The ARC reviews the key risks of the Group quarterly. The key risks identified by the Group may be broadly categorised into the following:

Strategic Risks

The Group evaluate risks associated to business strategies and strategic positioning; for instance sustainability, reputation and crisis risks. The Group's approach to sustainability risk and the material Economic, Environmental, Social and Governance factors are covered in the Sustainability Report.

Financial Risks

The Group's activities are affected by various financial risks, including interest rate risk, exchange rate risk and liquidity risk. The details of each risk are set out in Note 33 to the financial statements of this Annual Report.

Operational Risks
The operational risks facing the Group include changes in external market conditions such as oversupply of properties, competitive pricing in the market and drop in visitor arrivals due to political instability, terrorism and health warnings. Other risks include increase in operating costs and the necessity for capital expenditure from time to time.

Compliance Risks
The Group faces compliance risks such as changes to government policies, rules and regulations relating to the property and hospitality industries within the jurisdictions where the Group operates.

IT Risks
Failure of critical IT systems can potentially disrupt the Group's business. Confidential information, such as customers' personal data, may be at risk of cyber-attacks. The Group continuously reviews its IT security and processes, and makes necessary enhancements to mitigate such risks.

Management undertakes periodic reviews of the Group's past performances and conducts horizon scanning in order to identify and assess current and future risks related to the aforementioned risk categories – strategic, financial, operational, compliance and IT. Based on these reviews, Management employs reasonable endeavours in ensuring that these risks are within limits and strategies approved by the Board.

Although the Board acknowledges that it is responsible for the overall internal control framework, it also recognises that no cost-effective internal control system will preclude all errors and irregularities. A system is designed to manage rather than eliminate the risk of failure to achieve business objectives, and can provide only reasonable and not absolute assurance against material misstatements or losses. The Board is satisfied that the system of risk management and internal controls that the Group has in place provides reasonable assurance against material financial misstatements or losses, safeguarding of assets, the maintenance of proper accounting records, reliability of financial information, compliance with legislation, regulations and best practices and the identification and management of business risks.

Guideline 11.2: Adequacy and Effectiveness of Risk Management and Internal Control Systems
The Board reviews quarterly the adequacy and effectiveness of the Group's risk management and internal control systems.

The ARC assists the Board in determining the nature and extent of the significant risks which the Board is willing to take in achieving its strategic objectives. The ARC considers the nature of the risks facing the Group and the extent to which these risks are acceptable, the likelihood of risks materialising and the Group's ability to reduce their occurrence and impact on the business, and the cost versus the benefit of managing the risks. The ARC ensures that the internal auditors conduct reviews of the Group's internal controls, addressing material strategic, financial, operational, compliance and IT controls. Risk management and financial management are also assessed.

The Group has established the Management Risk & Sustainability Committee ("**MRSC**") that is headed by the Group CEO and comprises Key Executives as committee members. The MRSC supports the Board and ARC in driving the risk management and sustainability efforts. The Group CEO and Chief Financial Officer ("**CFO**") will also assess the reports from the internal auditors and the MRSC before providing relevant assurance to the Board.

The following are some of policies instituted and activities conducted to ensure that the Company's risk management and internal control systems are adequate and effective. They include policies to ensure the health, safety and welfare of the Group's employees. The Group also arranged training in various areas for employees, including compliance trainings for personal data protection and competition law, and on operational risk management.

Strategic Risks	a) CG Policy Manual b) ERM manual c) Whistle-blowing policy
Financial Risks	a) Foreign currencies & control procedures, including exchange monitoring & hedging b) Interest rate
Operational Risks	a) Emergency response plan and drills b) Service quality audits c) Workplace safety & health risk assessment procedures manual d) Employee safety handbook
Compliance Risks	a) Annual declaration of potential conflicts of interest b) Company's code of conduct and Employee Handbook covering: - Anti-bribery and anti-corruption - Compliance with Competition Act - Problem gambling - Usage of social media c) External and Internal audits
IT Risks	a) Information security management policy b) Personal data protection policy

Guideline 11.3: Assurance from CEO and CFO

The Board, with the concurrence of the ARC, is therefore of the opinion that the Group's system of risk management and internal controls is adequate and effective to address material strategic, financial, operational, compliance and IT risks of the Group in its current business environment.

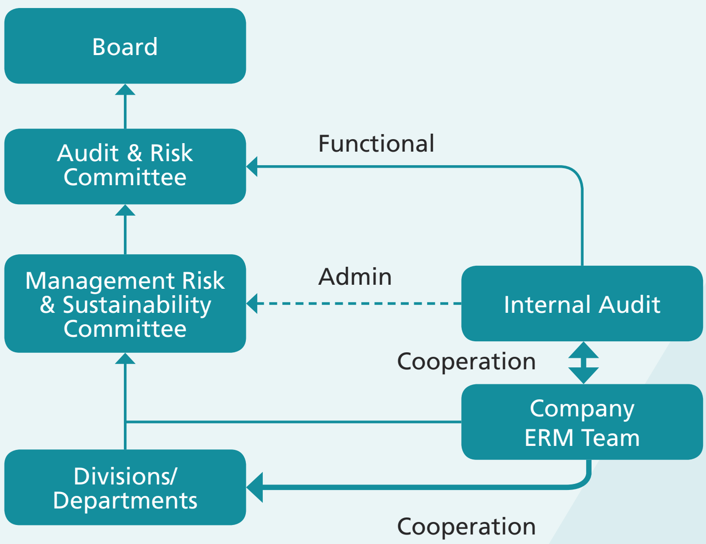
The Board has received assurance from the Group CEO and the CFO that:

(i) the financial records have been properly maintained and the audited financial statements give a true and fair view of the Group's operations and finances; and

(ii) the Group's risk management and internal control systems are adequate and effective in addressing the material risks in the Group in its current business environment, including material strategic, financial, operational, compliance and IT risks.

Guideline 11.4: Risk Committee

The Company's structure to facilitate management of risks is set out below:



Principle 12: Audit & Risk Committee

Guideline 12.1: ARC Composition and Key Terms of Reference

The ARC comprises three non-executive Directors, all of whom, including the ARC Chairman, are independent.

The composition of the ARC was refreshed after the retirement of Mr Heng Chiang Meng (former ARC member) at the Company's AGM in April 2018. Since 24 April 2018, the ARC comprises the following IDs:

Mr Ramlee Bin Buang as ARC Chairman (ID)
Ms Chua Kheng Yeng, Jennie (Lead ID)
Mdm Ee Choo Lin Diana (ID)

The ARC assists the Board in discharging its responsibility to safeguard the Company's assets, maintain adequate accounting records, develop and maintain effective systems of internal control.

Guideline 12.2: Expertise of ARC Members

The Board is of the view that all members of the ARC have accounting and/or related financial management expertise and experience to discharge their responsibilities as members of the ARC.

Guideline 12.3: Authority of ARC

The ARC has explicit authority to investigate any matter within its terms of reference. The ARC has full access to and the co-operation of Management and in addition, has absolute discretion to invite any Director or Executive Officer (as defined in the Listing Rules) of the Group to attend its meetings, as it deems necessary. External expert advice is available to the ARC as and when the need arises, to enable it to discharge its functions properly.

Guideline 12.4: Role and Responsibilities of ARC

The principal roles and responsibilities of the ARC under its terms of reference are to:

a. review the significant financial reporting issues and judgements to ensure the integrity of the financial statements of the Company and any announcements relating to the Company's financial performance.
b. review annually the adequacy and effectiveness of the Group's material internal controls including financial, operational, compliance and IT controls.
c. review the audit plans and reports by the internal auditors and the effectiveness of the Group's internal audit function.
d. review the external auditors' proposed audit scope and approach, and their final audit report.
e. review all non-audit services provided by the external auditors to ensure that any provision of such services would not affect the independence and objectivity of the external auditors.
f. review the performance and consider the independence of the external auditors.
g. make recommendations to the Board on the appointment, re-appointment and removal of the external auditors, and approve their remuneration and terms of engagement.
h. identify, prevent and minimise business risks.
i. review the financial statements of the Company and the Group before submitting them to the Board.
j. review significant sustainability reporting issues and assess whether the annual sustainability information reflects the principles of the selected sustainability reporting framework.
k. review interested person transactions, if any.
l. review the effectiveness of the system for monitoring compliance with laws and regulations and the results of Management's investigation and follow-up actions (including disciplinary action) in respect of any fraudulent acts or non-compliance.
m. review the whistle-blowing policy and ensure arrangements are in place for any concerns to be raised.

In its review of the financial statements of the Group and the Company for FY2018, the ARC had discussed with Management regarding the identification of matters that could significantly affect the integrity of the financial statements ("**significant financial reporting matters**"). The discussion included assessment of the accounting principles and critical judgements applied by Management and the clarity of the relevant disclosures in the financial statements. The significant financial reporting matters identified, which are consistent with the key audit matters identified by the external auditors, and the ARC's commentaries are set out as follows:

Key audit matters	**How these issues were addressed by the ARC**
Valuation of investment properties, and land and buildings classified under property, plant and equipment ("**PPE**")	The ARC reviewed the outcomes of the annual valuation process and discussed the details of the valuation with Management, focusing on investment properties and revalued land and buildings classified under PPE which registered higher fair value gains/losses during the period under review. The ARC also considered the findings of the external auditors, including their assessment of the appropriateness of valuation methodologies and the underlying key assumptions applied in the valuation. The ARC was satisfied with the valuation process, the methodologies used and the valuation outcomes adopted and disclosed in the financial statements. Refer to Notes to Financial Statements ("**Note**") 20 and 21 for details of the relevant valuations.
Impairment assessment of goodwill	The ARC reviewed the outcomes of the annual goodwill impairment assessment process and discussed the details of the impairment assessment with Management, focusing on the key assumptions applied including the discount rates and annual revenue growth rates. The ARC also considered the findings of the external auditors, including their assessment of the appropriateness of valuation methodologies and the underlying key assumptions applied. The ARC was satisfied with the valuation methodologies applied, the appropriateness of the key assumptions applied and the conclusion of the impairment assessment of goodwill. Refer to Note 22 for details of the goodwill impairment assessment.
Valuation of investment in joint venture, Toga Hotel Holdings Unit Trust ("**Toga Trust**")	Through the Group's 50% representation on the Board and audit and risk committee of Toga Trust, the ARC reviewed with Management the outcomes of the following processes performed by Toga Trust on a bi-annual basis: • Valuation of land and buildings classified under PPE held by Toga Trust; and • Impairment assessment of goodwill and brands with indefinite lives held by Toga Trust. The ARC discussed with Management in detail, focusing on: • Toga Trust's PPE assets which registered higher fair value gains/losses during the period under review; and • Key assumptions applied by Toga Trust in the impairment assessment, including the discount rate and annual revenue growth rates. The ARC also considered the findings of the external auditors, including their assessment of the appropriateness of Toga Trust's valuation methodologies and the underlying key assumptions applied in the valuation of PPE and impairment assessment of goodwill and brands with indefinite lives. The ARC was satisfied with the valuation process, the methodologies used, the appropriateness of the key assumptions applied, the valuation of PPE and the conclusion of the impairment assessment of goodwill and brands with infinite useful lives. Refer to Note 18 for details relating to the Group's investment in Toga Trust.

Guideline 12.5: Meetings with External Auditors and Internal Auditors without Management

In FY2018, the ARC met twice with the external auditors, PricewaterhouseCoopers LLP ("**PwC**"), and twice with the internal auditors, without the presence of the Company's Management. These meetings enable the external auditors and internal auditors to raise directly to the ARC issues, if any, encountered during their audits.

Guideline 12.6: Independence of External Auditors

In FY2018, the ARC conducted its annual review of non-audit services provided by PwC, to satisfy itself that the nature and extent of such services will not prejudice PwC's independence and objectivity, before nominating them for re-appointment. The aggregate amount of fees payable to PwC for audit services provided for the Company and its subsidiaries for FY2018 amount to S$737,000. The fees payable/paid to PwC for non-audit services provided for FY2018 amount to S$98,000 and were incurred for the provision of corporate tax compliance and certification services. The ARC also evaluated the quality of work carried out by PwC based on the Audit Quality Indicators Disclosure Framework published by the Accounting and Corporate Regulatory Authority. The ARC was satisfied with the independence, objectivity and performance of PwC and nominated PwC for re-appointment as external auditor of the Company at the forthcoming AGM.

All local subsidiaries have appointed PwC as their external auditor. All except two of the overseas subsidiaries have also appointed PwC or its affiliated firms as their external auditor. The Board and the ARC had reviewed the appointment of a different auditor for its two overseas subsidiaries and were satisfied that the appointment of one different auditor for the two overseas subsidiaries would not compromise the standard and effectiveness of the audit of the Group.

The Company is in compliance with Rules 712, 715 and 716 of the Listing Rules in relation to its external auditors.

Guideline 12.7: Whistle-blowing Policy

In FY2018, the ARC reviewed and approved refinements to the Company's whistle-blowing policy. The policy provides employees and external parties (who have business relationships with the Group) with an avenue to raise concerns in good faith, on a confidential basis without fear of reprisals, about possible improprieties, whether collusion, conflict of interest, violation of business ethics, unsafe work practices or otherwise. The policy's objective is to ensure that arrangements are in place for such concerns to be raised and independently investigated, and for appropriate follow-up action to be taken. The whistle-blowing policy is made available to all level of employees during orientation together with the employee handbook, and is also posted on the Group's intranet system in three different languages, namely English, Mandarin and Malay.

The communication channels for whistle-blowing reports are published on the Company's website and are managed by the Company's internal auditors who will assist the ARC in the enforcement of the whistle-blowing policy.

No whistle-blowing incidents were reported during FY2018.

Guideline 12.8: Disclosure on ARC's activities

In FY2018, the ARC held five meetings. In those meetings, the ARC reviewed, *inter alia*, the internal auditors' report on interested person transactions and various reports on other areas of the Group's business, the internal auditors' audit plan and fee for the current financial year, the external auditors' final audit report, key audit matters, the performance and independence of the external auditors, the quarterly and year-end announcements on financial statements, the Group's quarterly and year-end performance, whistle-blowing policy and corporate governance matters.

The ARC has been kept abreast on changes to the accounting standards and issues which have direct impact on the Group's consolidated financial statements by the CFO and the external auditors during FY2018.

Guideline 12.9: ARC Member Restriction

None of the ARC members are a former partner or director of or holds any financial interest in, the Company's existing auditing firm or auditing corporation.

Principle 13: Internal Audit

Guideline 13.1: Internal Auditors

The ARC approves the appointment, removal, evaluation and fees of the outsourced internal audit function. During FY2018, the Group outsourced its internal audit function to an independent professional firm, RSM Risk Advisory Pte Ltd, to provide internal audit services, as recommended by the ARC.

The internal auditors report directly to the ARC Chairman on internal audit matters and to the Group CEO on administrative matters. The internal auditors have unfettered access to the ARC, the Company's documents, records, properties and personnel.

Guideline 13.2: Resource and Standing of Internal Audit Function

The ARC ensures the adequacy of the internal audit function by examining the scope of the internal auditors' work, the quality of their reports, their qualifications and training, their relationship with the external auditors and their independence of the areas reviewed.

Guideline 13.3: Qualification and Experience of Internal Auditors

RSM Risk Advisory Pte Ltd is a corporate member of the Institute of Internal Auditors Singapore and staffed with professionals with relevant qualifications and experience.

Guideline 13.4: Professional Standards and Competency

Having regard to the Standards for the Professional Practice of Internal Auditing of the Institute of Internal Auditors and having reviewed the functions and organisational structure of the internal auditors, the ARC is satisfied that the internal auditors meet the requisite standards, are adequately resourced, and have appropriate standing within the Group.

Guideline 13.5: Independence, Adequate Resourcing and Effectiveness of Internal Audit Function

The ARC reviews, at least once a year, whether the internal audit function is independent, effective and adequately resourced. The ARC reviews and approves the internal audit plans and the resources required to adequately perform this function annually, to ensure the adequacy of the internal audit function.

During the internal audit process, the internal auditors endeavour to follow up the identified inherent and operational risks of each business entity as well as the content of any management letter issued by the external auditors to ensure that the committed rectification measures have been implemented.

Following its review, the ARC was of the view that the internal audit function is independent, effective and adequately resourced.

SHAREHOLDER RIGHTS AND RESPONSIBILITIES

Principle 14: Shareholder Rights

Guideline 14.1: Shareholder Rights

The Company practises fair and equitable treatment to all shareholders and stakeholders. To facilitate the exercise of ownership rights, the Company provides all material information, which would materially affect the price or value of the Company's shares, in an accurate and timely manner via appropriate media, so as to enable shareholders to make informed decisions. Such channels include the Company's website, news releases, annual reports, shareholder circulars, shareholders' meetings, presentation by Group CEO at the AGM and announcements through SGXNet.

Guideline 14.2: Shareholder Opportunity to Participate in and Vote at General Meetings

Shareholders are entitled to participate effectively in and vote at all general meetings. The Company encourages all shareholders to attend its general meetings to stay informed of the Company's goals and strategies and to ensure a high level of accountability.

Shareholders are informed of general meetings through notices which are sent to all shareholders, advertised in a local newspaper and also made available at SGXNet and the Company's website. General meetings are held at a central location, which is easily accessible by public transportation. All resolutions are voted by way of electronic poll, and the appointed polling agent will explain the poll voting procedures, while the appointed scrutineer will ensure that the poll process is properly carried out.

Guideline 14.3: Proxies for Nominee Companies

The Company's Constitution allows shareholders to vote in person, by proxy or by attorney. Corporate shareholders can also appoint a representative to vote in their stead. A shareholder may appoint up to two proxies to attend and vote in his/her stead at a general meeting through a proxy form or certificate of corporate representative sent in advance. For shareholders who hold shares through nominees such as Central Provident Fund Board and custodian banks, they are able to attend and vote at general meetings under the multiple proxies regime.

Principle 15: Communication with Shareholders

Guideline 15.1: Communication with Shareholders

The Company has in place an investor relations policy outlining the principles and practices adopted in the course of its investor relations activities, including communication with shareholders and the investment community. The policy was published on the Company's website in FY2018 at www.fareastorchard.com.sg/ir_policy.html. The Company has a dedicated investor relations contact, whose contact details are published on the Company's website, to facilitate effective two-way communication.

Guideline 15.2: Disclosure of Information on a Timely Basis

The Company is committed to making timely, full and accurate disclosures in accordance with the Listing Rules and the Code. The Company keeps its shareholders informed of corporate developments on a timely basis. In addition to mandatory announcements, the Company also makes voluntary announcements on corporate transactions from time to time.

The first three quarters' financial results are released to shareholders no later than 45 days from the end of each quarter. Full year results are released no later than 60 days from the financial year end.

Notices of general meetings are dispatched to shareholders, together with explanatory notes on a timely basis in accordance with the legal requirements.

The Company maintains a dedicated investor relations section on its corporate website which serves as a repository for shareholders and the investment community, ensuring that they can easily access relevant and up-to-date information about the Company. It includes the Company's latest announcements, financial results, annual reports, sustainability reports, stock information, and investor relations contact. Members of the public may also subscribe to RSS feeds of all announcements and press releases issued by the Company through its website.

Guideline 15.3: Interaction with Shareholders

The Company recognises the importance of regular, effective and timely communication with the shareholders.

The Company has an investor relations team that facilitates two-way communication with the investment community. Communication with retail investors has been, and may be made through email correspondences and telephone calls. The Company responds to queries based on publicly available information, upholding the principle of no selective disclosure, through various channels including announcements, press releases, presentations, annual reports and sustainability reports announced via the SGXNet and the Company's website.

A blackout period of two weeks before the announcement of the Company's financial results for each of the first three quarters of its financial year, and one month before the announcement of the Company's full year financial statements is observed. During this period, the Company has limited interactions with investors and analysts and avoids commenting on financial results, operational performance and market outlook, except where required under the Listing Rules.

Guideline 15.4: Soliciting and Understanding Views of Shareholders

The Company's main forum for dialogue with shareholders takes place at its AGM. To solicit and understand shareholders' views, shareholders are given the opportunity at the AGM to express their views and ask questions regarding the Company. The Company conducts surveys at each AGM to receive feedback from shareholders. To encourage greater shareholder participation, the AGM is held at a central location, which is easily accessible by public transportation. In FY2018, Management met with analysts and potential investors, which provided the Company with feedback and insights on the views of the investment community.

Guideline 15.5: Dividend Policy

In FY2018, the Board approved a principle-based dividend policy which is published on the Company's website. The Company is committed to achieving sustainable income and long-term capital growth for the benefit of shareholders and will strive to provide consistent and sustainable ordinary dividend payments to its shareholders on an annual basis. The Company has a scrip dividend scheme. If the scrip dividend scheme is applied to any dividend, payment will be made in compliance with the Listing Rules. The Board will review and refresh the dividend policy from time to time.

Principle 16: Conduct of Shareholder Meetings

Guideline 16.1: Effective Shareholder Participation

Shareholders are informed of general meetings at least 14 days in advance through notices, which are delivered to shareholders, published in a local newspaper and on SGXNet. The procedures at general meetings facilitate opportunities for shareholders to participate and communicate with the Directors.

In line with the Company's commitment towards environmental conservation, the Company has made available its annual reports by electronic communication, via publication on the Company's website, in place of a CD-ROM since FY2017. Annual reports will continue to be made available on SGXNet and shareholders may continue to request for hard copies of annual reports if preferred.

The Company's Constitution provides that the Board may, at its sole discretion, approve and implement voting methods to allow shareholders an option to vote in absentia, such as online voting or voting by mail, electronic mail or facsimile. Having considered that shareholders who are unable to attend in person may vote by proxy or by attorney, or in the case of a corporation, by a representative, and considered carefully the security and cost concerns related to absentia voting, the Company has refrained from implementing absentia voting.

Please refer to Principle 14 for more details on how the participation of shareholders is encouraged at the Company's general meetings.

Guideline 16.2: Separate Resolutions at General Meetings

At general meetings, each distinct issue is the subject of a separate resolution. All resolutions put to every general meeting of the Company are voted separately unless the resolutions are inter-dependent and linked so as to form one significant proposal. Detailed information on each item in the agenda of general meeting is provided in the explanatory notes to the notice of general meeting.

Guideline 16.3: Attendees at General Meetings

All Directors attended the Company's last AGM held on 24 April 2018.

The Company requests all its Directors, certain Key Executives, external auditors and external legal advisors to attend the Company's general meetings to address any questions raised by shareholders. Shareholders are given the opportunity to communicate their views and discuss with the Board and Key Executives after the general meetings.

Guideline 16.4: Minutes of General Meetings

The Company prepares minutes of general meetings that include substantial and relevant comments or queries from shareholders relating to the agenda of the meetings, and responses from the Board and Management. These minutes are available to shareholders upon request.

Guideline 16.5: Voting by E-polling at General Meetings

Shareholders are entitled to vote at general meetings. All resolutions at general meetings are put to vote by electronic poll for greater transparency in the voting process. A polling agent and independent scrutineer are appointed to handle and brief the e-polling voting procedures and to count and validate the votes cast at the general meetings respectively. Votes cast for or against and the respective percentages on each resolution will be tallied and displayed 'live' on-screen to shareholders immediately after each poll is conducted. The total number of votes cast for or against the resolutions and the respective percentages will also be announced in a timely manner after the general meeting via SGXNet.

ENGAGEMENT WITH STAKEHOLDERS

The Company's key stakeholders are listed in its Sustainability Report which is accessible at the Company's website. They are the Company's shareholders, its Board of Directors, its employees, hotel guests and customers, and joint venture and other business partners. The Company's engagement with its key stakeholders in FY2018 are described in the Sustainability Report 2018 which is available at the Company's website.

DEALINGS IN SECURITIES

On an annual basis, the Company issues its securities trading policy to its Directors and employees where they are reminded to refrain from dealing in the securities of the Company:

(i) during the two weeks before and up to the date of announcement of the Company's first three quarters' results and during the one month before and up to the date of announcement of the full year results;
(ii) on short term considerations; and
(iii) at any time if they are in possession of unpublished material price-sensitive information.

The Company also issues a quarterly circular to its Directors and employees reminding them of the prohibited period from dealing in the Company's securities before the release of the results and at any time if they are in possession of unpublished material price-sensitive information.

MATERIAL CONTRACTS

Save for the transactions set out in the Company's circular to shareholders dated 24 June 2013 and the related parties transactions as disclosed in the Financial Statements and this Annual Report, no material contract involving the interests of any Director or controlling shareholder of the Group has been entered into by the Company or any of its subsidiaries during FY2018 and no such material contract is subsisting as at 31 December 2018.

INTERESTED PERSON TRANSACTIONS ("IPTS")

The Company has a policy on how proposed IPTs are to be reviewed and approved, to ensure IPTs are conducted fairly and on an arm's length basis. The IPT policy is detailed in the IPT general mandate ('**IPT Mandate**") which was approved by shareholders at an Extraordinary General Meeting of the Company held on 9 July 2013. The IPT Mandate is submitted annually to shareholders for approval at each AGM, and for the upcoming AGM, is set out in the Letter to Shareholders. Interested person transactions carried out during FY2018 which fall under Chapter 9 of the Listing Rules are as follows.

Name of interested person	**Aggregate value of all interested person transactions conducted under shareholders' mandate pursuant to Rule 920 of the Listing Manual** (excluding transactions less than S$100,000)	**Aggregate value of all interested person transactions during the financial year under review** (excluding transactions less than S$100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920)
	12 months ended 31 December 2018 S$'000	12 months ended 31 December 2018 S$'000
Boo Han Holdings Pte. Ltd.		
Hospitality management income	735	-
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[1]	-	(19,327)
China Classic Pte Ltd		
Hospitality management income	166	-
Dollar Land Singapore Private Limited		
Hospitality management income	310	-
Far East Hospitality Real Estate Investment Trust		
Rental expense on operating leases		
- offices	(1,233)	-
- hotels and serviced residences	(22,539)	-
Far East Management (Private) Limited		
Management service fees	(2,323)	-
Hospitality services	(2,169)	-
Project management service fees	(111)	-
Far East Organization Centre Pte Ltd		
Hospitality management income	2,254	-
Far East Rocks Pty Ltd		
Rental expense on operating leases - hotel	(1,373)	-
Far East Soho Pte. Ltd.		
Hospitality management income	1,639	-

NOTES:

[1] As set out in the Group's announcement dated 28 May 2018.

Name of interested person	Aggregate value of all interested person transactions conducted under shareholders' mandate pursuant to Rule 920 of the Listing Manual (excluding transactions less than S$100,000)	Aggregate value of all interested person transactions during the financial year under review (excluding transactions less than S$100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920)
	12 months ended 31 December 2018 S$'000	12 months ended 31 December 2018 S$'000
Golden Development Private Limited		
Hospitality management income	2,647	-
Golden Landmark Pte Ltd		
Hospitality management income	1,418	-
Kitchen Language Pte. Ltd.		
Supply of goods and services	(148)	-
Orchard Mall Pte. Ltd.		
Hospitality management income	887	-
Orchard Parksuites Pte Ltd		
Hospitality management income	1,442	-
Oxley Hill Properties Pte Ltd		
Hospitality management income	560	-
Riverland Pte Ltd		
Hospitality management income	439	-
Serene Land Pte Ltd		
Hospitality management income	1,775	-
Splendid Properties Pte Ltd		
Rental expense on office operating leases	(125)	-
Transurban Properties Pte Ltd		
Hospitality management income	1,756	-

SUSTAINABILITY

Aligned with the Global Reporting Initiatives Standards and Sustainability Reporting requirements of the Singapore Exchange, Far East Orchard's sustainability report provides a holistic overview of how the Group manages key Economic and Environmental, Social and Governance ("ESG") factors for sustainable and responsible business development.

In its second year of sustainability reporting, Far East Orchard conducted a materiality re-assessment to review and better understand the material ESG factors that are important to its key stakeholders. The Board has considered and balanced the needs and interests of its key stakeholders, ensuring that the best interests of the Group are served. Results of the materiality re-assessment confirmed that that the ESG factors identified in the previous year remain relevant to the Group's stakeholders in FY2018. The material ESG factors are Economic Performance, Anti-competitive Behaviour, Environmental Compliance, Occupational Health and Safety, Training and Education, Customer Health and Safety, Service Quality, Customer Privacy and Corporate Governance.

First and foremost, the Group believes in delivering sustainable value through responsible business practices and a sustainable supply chain, and operating with a high standard of corporate conduct. This continued commitment is reflected by the improved ranking of Far East Orchard in the Singapore Governance and Transparency Index 2018 to 46 out of 589 listed companies.

Cognisant of the environmental impact its business operations could have, Far East Orchard reiterated its commitment to sustainability through the implementation of various initiatives to minimise its environmental footprint. In FY2018, the Group complied with all relevant environmental laws and regulations, consistent with results from the prior year. Far East Orchard strives to continue to conduct its business in an environmentally responsible manner.

Looking within the organisation, Far East Orchard believes that providing a safe and conducive work environment is key for its employees. To this end, multiple measures and policies are in place to uphold the Group's safety track record of zero workplace fatalities and occupational disease cases. In FY2018, Far East Orchard's efforts translated into a lower Accident Frequency and Accident Severity Rates compared to the prior year.

Apart from the provision of a conducive workplace, the Group developed the skillsets of its employees via training and performance management in FY2018. Each employee underwent an average of 95 hours of training over the course of the year, well above the comparable industry average training hours per employee. The training programmes equipped employees with the necessary competencies to uphold Far East Orchard's operational excellence and provide a consistent level of service quality to springboard growth.

In addition to providing quality service to its customers, the Group seeks to ensure their health and safety at the hospitality properties it manages and properties it develops. It continues to identify potential risks and put in place mitigating safety measures. In the face of rising cyber threats, Far East Orchard has in place data privacy and protection measures to ensure that customer data is protected through effective monitoring of its policies.

Far East Orchard endeavours to build a resilient business, supported by responsible business practices and good management of its material ESG factors to deliver sustainable growth for all stakeholders. To better illustrate its performance in relation to the material ESG factors, Far East Orchard has outlined the relevant policies and activities as well as set out targets for the coming year to ensure continuous improvement, which is further elaborated in the Sustainability Report accessible at www.fareastorchard.com.sg/sustainability/2018/web/index.html.

Village Hotel at Sentosa, Singapore

FINANCIAL REPORT

DIRECTORS' STATEMENT

For the financial year ended 31 December 2018

The directors present their statement to the members together with the audited financial statements of Far East Orchard Limited (the "Company") and its subsidiaries (the "Group") for the financial year ended 31 December 2018 and the balance sheet of the Company as at 31 December 2018.

In the opinion of the directors,

(a) the balance sheet of the Company and the consolidated financial statements of the Group as set out on pages 67 to 147 are drawn up so as to give a true and fair view of the financial position of the Company and of the Group as at 31 December 2018 and the financial performance, changes in equity and cash flows of the Group for the financial year covered by the consolidated financial statements; and

(b) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

DIRECTORS

The directors of the Company in office at the date of this statement are as follows:

Mr Koh Boon Hwee
Mr Lui Chong Chee
Ms Chua Kheng Yeng, Jennie
Mdm Ee Choo Lin Diana
Ms Koh Kah Sek
Mr Ramlee Bin Buang
Mr Shailesh Anand Ganu (appointed on 12 February 2019)

ARRANGEMENTS TO ENABLE DIRECTORS TO ACQUIRE SHARES AND DEBENTURES

Neither at the end of nor at any time during the financial year was the Company a party to any arrangement whose object was to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

DIRECTORS' INTERESTS IN SHARES OR DEBENTURES

(a) According to the register of directors' shareholdings, none of the directors of the Company holding office at the end of the financial year had any interest in the shares or debentures of the Company or its related corporations.

(b) The directors' interests in the ordinary shares of the Company as at 21 January 2019 were the same as those as at 31 December 2018.

SHARE OPTIONS

No options were granted during the financial year to subscribe for unissued shares of the Company or its subsidiaries.

No shares were issued during the financial year by virtue of the exercise of options to take up unissued shares of the Company or its subsidiaries.

There were no unissued shares of the Company or its subsidiaries under option at the end of the financial year.

DIRECTORS' STATEMENT

For the financial year ended 31 December 2018

AUDIT & RISK COMMITTEE

The members of the Audit & Risk Committee at the end of the financial year were as follows:

Mr Ramlee Bin Buang (Chairman)
Ms Chua Kheng Yeng, Jennie
Mdm Ee Choo Lin Diana

All members of the Audit & Risk Committee were independent non-executive directors.

The Audit & Risk Committee carried out its functions in accordance with Section 201B(5) of the Singapore Companies Act. In performing those functions, the Committee reviewed:

- the scope and the results of internal audit procedures with the internal auditor;
- the audit plan of the Company's independent auditor and any recommendations on internal accounting controls arising from the statutory audit;
- the assistance given by the Company's management to the independent auditor; and
- the balance sheet of the Company and the consolidated financial statements of the Group for the financial year ended 31 December 2018 before their submission to the Board of Directors.

The Audit & Risk Committee has recommended to the Board that the independent auditor, PricewaterhouseCoopers LLP, be nominated for re-appointment at the forthcoming Annual General Meeting of the Company.

INDEPENDENT AUDITOR

The independent auditor, PricewaterhouseCoopers LLP, has expressed its willingness to accept re-appointment.

On behalf of the directors

Mr Lui Chong Chee Director	Mr Ramlee Bin Buang Director

18 March 2019

INDEPENDENT AUDITOR'S REPORT

To the Members of Far East Orchard Limited

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Our opinion

In our opinion, the accompanying consolidated financial statements of Far East Orchard Limited (the "Company") and its subsidiaries (the "Group") and the balance sheet of the Company are properly drawn up in accordance with the provisions of the Companies Act, Chapter 50 (the "Act") and Singapore Financial Reporting Standards (International) ("SFRS(I)s") so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at 31 December 2018 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group for the financial year ended on that date.

What we have audited

The financial statements of the Company and the Group comprise:

- the consolidated statement of comprehensive income of the Group for the year ended 31 December 2018;
- the consolidated balance sheet of the Group as at 31 December 2018;
- the balance sheet of the Company as at 31 December 2018;
- the consolidated statement of changes in equity of the Group for the year then ended;
- the consolidated statement of cash flows of the Group for the year then ended; and
- the notes to the financial statements, including a summary of significant accounting policies.

Basis for Opinion

We conducted our audit in accordance with Singapore Standards on Auditing ("SSAs"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the Accounting and Corporate Regulatory Authority Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities ("ACRA Code") together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code.

Our Audit Approach

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the accompanying financial statements. In particular, we considered where management made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements for the financial year ended 31 December 2018. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matter	How our audit addressed the Key Audit Matter
Valuation of investment properties and land and buildings classified under property, plant and equipment As at 31 December 2018, the Group's investment properties of $517,398,000 and land and buildings classified under property, plant and equipment of $520,305,000, representing 48% of total assets, are carried at fair value based on independent external valuations. The valuation of the investment properties and land and buildings classified under property, plant and equipment is a key audit matter due to the significant judgements in the key inputs used in the valuation techniques. The key inputs include: • comparable sales price for the sales comparison method; • net profit margins of hotel operations, discount rate and terminal yield for the discounted cash flow method; and • capitalisation rate for the income capitalisation method. The key inputs and sensitivities are disclosed in Note 3.1, Note 20 and Note 21 to the accompanying financial statements respectively.	Our audit procedures focused on the valuation process and include the following: • assessed the competency, independence and objectivity of the professional valuers engaged by the Group; • discussed with the professional valuers the significant judgemental areas and understood the respective valuation techniques used in determining each valuation; • assessed the appropriateness of the underlying comparable transactions used to derive the comparable sales price, taking into account the nature, location and tenure of the property; • assessed the reasonableness of the net profit margins of hotel operations, taking into account historical actual performance, accuracy of management forecast in prior years and industry outlook; and • compared the discount rates, terminal yields and capitalisation rates used against those used for similar type of properties and in the prior year. Based on the procedures performed, we found that the valuers are competent and are members of recognised professional bodies for external valuers, the valuation techniques used were in line with generally accepted market practices and the key inputs used were within the range of market data. We have also assessed the adequacy of the disclosures relating to the key inputs and sensitivities, as we consider them as likely to be significant to the users of the financial statements given the estimation uncertainty and sensitivity of the valuations. We found the disclosures in the financial statements to be appropriate.

Key Audit Matters (continued)

Key Audit Matter	How our audit addressed the Key Audit Matter
Impairment assessment of goodwill	
As at 31 December 2018, the Group's goodwill balance of $51,520,000, arising from past acquisitions is allocated to two cash generating units ("CGU") within its hospitality business, namely the 'Management services - Singapore' CGU ($37,257,000) and 'Property ownership - Australia' CGU ($14,263,000). Based on the goodwill impairment assessment performed by the Group, no impairment was identified. The recoverable amount of • 'Management services - Singapore' CGU was determined based on Fair Value Less Cost To Sell using a combination of discounted cash flow method and Guideline Public Company method; and • 'Property ownership - Australia' CGU was determined based on Value-In-Use calculations using the discounted cash flow method. The impairment assessment is a key audit matter due to the assumptions and judgements involved in computing the recoverable amounts of each CGU. The assumptions and judgements were used to estimate cash flows from each CGU, the terminal growth rates and the discount rates applied in the discounted cash flow method and the comparability of underlying companies applied in the Guideline Public Company method. The key assumptions and sensitivities are disclosed in Note 3.2 and Note 22(a) to the accompanying financial statements respectively.	Our audit procedures focused on the reasonableness of the assumptions and judgements applied in the respective methods. The audit procedures were performed with the support from our valuation specialists. In respect of the discounted cash flow methods, we performed the following audit procedures: • assessed the reasonableness of the estimated cash flows by taking into account the relevant CGU's expected future operating performance (including revenue growth rates and net profit margins), as well as historical actual performance, accuracy of management forecast in prior years and the general industry outlook; and • assessed the reasonableness of the terminal growth rates and discount rates applied using commonly accepted methodologies and benchmarks. For the Guideline Public Company method, we performed the following audit procedures: • compared the normalised earnings used to historical actual performance and obtained explanations from management regarding the nature and appropriateness of adjustments identified for one-off or exceptional items; and • assessed the appropriateness of the underlying comparable companies used to derive the earnings multiples, taking into account factors such as their principal business activity, size and financial performance. Based on the procedures performed, we found the underlying estimates and assumptions applied to be reasonable. We have also assessed the adequacy of the disclosures relating to the key assumptions and sensitivities and found the disclosures in the financial statements to be appropriate.

Key Audit Matters (continued)

Key Audit Matter	How our audit addressed the Key Audit Matter
Valuation of investment in joint venture, Toga Hotel Holdings Unit Trust ("Toga Trust")	
As at 31 December 2018, the carrying value of the Group's material equity accounted joint venture, Toga Trust, amounted to $222,386,000. The valuation of the Group's investment in Toga Trust is a key audit matter because of the significant assumptions and judgements applied by Toga Trust in determining: • Valuation of land and buildings classified under property, plant and equipment held at fair value; and • Impairment assessment of goodwill and brands with indefinite lives. The summarised financial information of Toga Trust, and sensitivities of the valuation of land and buildings and impairment assessment of goodwill and brands with indefinite lives are disclosed in Note 3.3 and Note 18 to the accompanying financial statements respectively.	We have audited the Toga Trust's financial information used by the Group in determining the valuation of the investment in joint venture, Toga Trust. The audit focused on the valuation of land and buildings and impairment assessment of goodwill and brands with indefinite lives. Audit procedures similar to those in key audit matters "Valuation of investment properties and land and buildings classified under property, plant and equipment" and "Impairment assessment of goodwill" above were performed. In the context of determining the valuation of the investment in Toga Trust, we found that for: • the valuation of land and buildings classified under property, plant and equipment held at fair value, the valuers are members of recognised professional bodies, the valuation techniques used are in line with generally accepted market practices and key inputs to be within the range of market data; and • the impairment assessment of goodwill and brands with indefinite lives, the underlying estimates and assumptions applied to be reasonable. We have also assessed the adequacy of the disclosures relating to the summarised financial information of investment in a material joint venture, Toga Trust, and the sensitivities of the valuation of land and buildings and impairment assessment of goodwill and brands with indefinite lives. We found the disclosures in the financial statements to be appropriate.

Other Information

Management is responsible for the other information. The other information comprises the following sections ("Other Sections") in the annual report:

- Corporate Profile
- Chairman's Statement
- CEO's Message
- Board of Directors and Management
- Corporate Information
- 5-Year Financial Highlights
- Business Structure
- Properties of the Group
- Corporate Governance
- Sustainability
- Directors' Statement
- Statistics of Shareholdings

which we obtained prior to the date of this auditor's report.

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

When we read the Other Sections, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance and take the appropriate actions in accordance with SSAs.

Responsibilities of Management and Directors for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Act and SFRS(I)s, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair financial statements and to maintain accountability of assets.

In preparing the financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The directors' responsibilities include overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with SSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

INDEPENDENT AUDITOR'S REPORT

To the Members of Far East Orchard Limited

Report on Other Legal and Regulatory Requirements

In our opinion, the accounting and other records required by the Act to be kept by the Company and by those subsidiary corporations incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.

The engagement partner on the audit resulting in this independent auditor's report is Mr Yeow Chee Keong.

PricewaterhouseCoopers LLP
Public Accountants and Chartered Accountants Singapore
18 March 2019

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the financial year ended 31 December 2018

	Note	2018 $'000	2017 $'000 (restated)
Sales	4	**150,911**	151,621
Cost of sales	5	**(97,536)**	(99,399)
Gross profit		**53,375**	52,222
Other income	7	**4,321**	3,260
Other gains – net	8	**8,306**	44
Expenses:			
– Distribution and marketing	5	**(11,472)**	(10,055)
– Administrative	5	**(26,581)**	(29,912)
– Finance	9	**(5,188)**	(4,300)
– Other	5	**(40)**	(42)
Share of profit of			
– joint ventures	18	**9,563**	11,809
– associated companies	17	**3,376**	2,678
Profit before income tax		**35,660**	25,704
Income tax expense	10(a)	**(2,212)**	(3,698)
Total profit		**33,448**	22,006
Other comprehensive (loss)/income:			
Items that may be reclassified subsequently to profit or loss:			
Share of other comprehensive income of joint ventures		**156**	105
Currency translation differences arising from consolidation		**(20,156)**	2,264
		(20,000)	2,369
Items that will not be reclassified subsequently to profit or loss:			
Share of other comprehensive income/(loss) of			
– joint ventures		**9,778**	14,522
– associated companies		**(2,095)**	1,998
Revaluation gains/(losses) on property, plant and equipment – net		**11,860**	(518)
Currency translation differences arising from consolidation		**(8,190)**	620
Other comprehensive (loss)/income, net of tax	10(c)	**(8,647)**	18,991
Total comprehensive income		**24,801**	40,997
Profit attributable to:			
Equity holders of the Company		**32,937**	21,753
Non-controlling interest		**511**	253
		33,448	22,006
Total comprehensive income/(loss) attributable to:			
Equity holders of the Company		**29,227**	36,696
Non-controlling interest		**(4,426)**	4,301
		24,801	40,997
Basic and diluted earnings per share for profit attributable to equity holders of the Company (cents per share)	11	**7.64**	5.13

The accompanying notes form an integral part of these financial statements.

BALANCE SHEET – GROUP

As at 31 December 2018

	Note	31 December 2018 $'000	31 December 2017 $'000 (restated)	1 January 2017 $'000 (restated)
ASSETS				
Current assets				
Cash and cash equivalents	12	**256,287**	219,585	209,262
Trade and other receivables	13	**26,089**	27,496	33,265
Inventories		**351**	333	361
Development properties	15	**40,605**	31,012	21,753
Properties held for sale	16	**123,911**	124,030	124,030
		447,243	402,456	388,671
Non-current assets				
Other non-current assets	14	**19,599**	18,590	57,147
Investments in associated companies	17	**15,921**	14,640	9,964
Investments in joint ventures	18	**479,268**	480,703	466,118
Investment properties	20	**517,398**	492,975	446,515
Property, plant and equipment	21	**537,402**	544,962	566,726
Intangible assets	22	**128,435**	132,870	136,388
Deferred income tax assets	27	**91**	99	100
		1,698,114	1,684,839	1,682,958
Total assets		**2,145,357**	2,087,295	2,071,629
LIABILITIES				
Current liabilities				
Trade and other payables	23	**120,430**	115,600	124,547
Current income tax liabilities	10(b)	**4,723**	7,381	6,299
Borrowings	24	**208,225**	180,145	157,008
Deferred income	25	**7,526**	7,571	7,466
Provisions	26	**-**	-	642
		340,904	310,697	295,962
Non-current liabilities				
Other payables	23	**99,059**	123,020	123,983
Borrowings	24	**86,953**	41,712	46,353
Deferred income	25	**289,904**	296,701	303,498
Deferred income tax liabilities	27	**31,048**	33,145	39,060
Provisions	26	**938**	2,122	2,267
		507,902	496,700	515,161
Total liabilities		**848,806**	807,397	811,123
NET ASSETS		**1,296,551**	1,279,898	1,260,506
EQUITY				
Capital and reserves attributable to equity holders of the Company				
Share capital	28	**496,604**	479,244	475,489
Revaluation and other reserves	29	**328,344**	331,750	316,807
Retained profits	30	**440,262**	433,137	436,744
		1,265,210	1,244,131	1,229,040
Non-controlling interest		**31,341**	35,767	31,466
TOTAL EQUITY		**1,296,551**	1,279,898	1,260,506

The accompanying notes form an integral part of these financial statements.

BALANCE SHEET – COMPANY

As at 31 December 2018

	Note	31 December		1 January
		2018	2017	2017
		$'000	$'000	$'000
ASSETS				
Current assets				
Cash and cash equivalents	12	**186,603**	156,376	150,219
Trade and other receivables	13	**171,606**	194,214	170,559
Inventories		**12**	12	9
		358,221	350,602	320,787
Non-current assets				
Other non-current assets	14	**147,870**	119,118	493,192
Investments in associated companies	17	**696**	696	696
Investment in a joint venture	18	**300**	300	300
Investments in subsidiaries	19	**883,438**	883,601	511,691
Investment properties	20	**137,245**	130,968	124,922
Property, plant and equipment	21	**326,727**	313,770	308,502
		1,496,276	1,448,453	1,439,303
Total assets		**1,854,497**	1,799,055	1,760,090
LIABILITIES				
Current liabilities				
Trade and other payables	23	**19,706**	7,742	7,214
Current income tax liabilities	10(b)	**485**	485	485
Borrowings	24	**56,176**	74,979	80,901
Deferred income	25	**6,817**	6,818	6,797
		83,184	90,024	95,397
Non-current liabilities				
Other payables	23	**353,962**	348,083	328,307
Borrowings	24	**86,953**	41,712	-
Deferred income	25	**289,904**	296,701	303,498
Deferred income tax liabilities	27	**305**	305	476
		731,124	686,801	632,281
Total liabilities		**814,308**	776,825	727,678
NET ASSETS		**1,040,189**	1,022,230	1,032,412
EQUITY				
Capital and reserves attributable to equity holders of the Company				
Share capital	28	**496,604**	479,244	475,489
Revaluation and other reserves	29	**292,967**	281,999	278,022
Retained profits	30	**250,618**	260,987	278,901
TOTAL EQUITY		**1,040,189**	1,022,230	1,032,412

The accompanying notes form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the financial year ended 31 December 2018

	Note	Share capital $'000	Capital reserve $'000	Asset Revaluation reserve $'000	Currency Translation reserve $'000	Fair Value reserve $'000	Hedging reserve $'000	Retained profits $'000	Total $'000	Non-controlling interest $'000	Total equity $'000
		Attributable to equity holders of the Company									
2018											
Beginning at 1 January 2018		**479,244**	**10,557**	**339,868**	**(17,930)**	**(395)**	**(350)**	**432,561**	**1,243,555**	**35,767**	**1,279,322**
Effects of adoption of SFRS(I) 15		-	-	-	-	-	-	576	576	-	576
Balance at 1 January 2018 (as restated)		**479,244**	**10,557**	**339,868**	**(17,930)**	**(395)**	**(350)**	**433,137**	**1,244,131**	**35,767**	**1,279,898**
Profit for the year		-	-	-	-	-	-	32,937	32,937	511	33,448
Other comprehensive income/(loss) for the year		-	-	18,436	(20,104)	(2,095)	53	-	(3,710)	(4,937)	(8,647)
Total comprehensive income/(loss) for the year		-	-	18,436	(20,104)	(2,095)	53	32,937	29,227	(4,426)	24,801
Shares issued in-lieu of cash for dividend relating to 2017	28	17,360	-	-	-	-	-	(17,360)	-	-	-
Dividend paid in cash relating to 2017	31	-	-	-	-	-	-	(8,148)	(8,148)	-	(8,148)
Transfer of associated company's fair value reserve upon disposal	29	-	-	-	-	304	-	(304)	-	-	-
Total transactions with owners, recognised directly in equity		17,360	-	-	-	304	-	(25,812)	(8,148)	-	(8,148)
End of financial year		**496,604**	**10,557**	**358,304**	**(38,034)**	**(2,186)**	**(297)**	**440,262**	**1,265,210**	**31,341**	**1,296,551**
2017											
Beginning at 1 January 2017		475,489	10,557	329,261	(20,085)	(2,393)	(533)	436,315	1,228,611	31,466	1,260,077
Effects of adoption of SFRS(I) 15		-	-	-	-	-	-	429	429	-	429
Balance at 1 January 2017 (as restated)		475,489	10,557	329,261	(20,085)	(2,393)	(533)	436,744	1,229,040	31,466	1,260,506
Profit for the year		-	-	-	-	-	-	21,753	21,753	253	22,006
Other comprehensive income for the year		-	-	10,607	2,155	1,998	183	-	14,943	4,048	18,991
Total comprehensive income for the year		-	-	10,607	2,155	1,998	183	21,753	36,696	4,301	40,997
Shares issued in-lieu of cash for dividend relating to 2016	28	3,755	-	-	-	-	-	(3,755)	-	-	-
Dividend paid in cash relating to 2016	31	-	-	-	-	-	-	(21,605)	(21,605)	-	(21,605)
Total transactions with owners, recognised directly in equity		3,755	-	-	-	-	-	(25,360)	(21,605)	-	(21,605)
End of financial year		479,244	10,557	339,868	(17,930)	(395)	(350)	433,137	1,244,131	35,767	1,279,898

The accompanying notes form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the financial year ended 31 December 2018

	Note	2018 $'000	2017 $'000 (restated)
Cash flows from operating activities			
Total profit		**33,448**	22,006
Adjustments for:			
– Income tax expense	10(a)	**2,212**	3,698
– Depreciation of property, plant and equipment	5	**10,173**	10,997
– Amortisation of intangible assets	5	**3,189**	3,301
– Loss on disposal of property, plant and equipment	8	**143**	79
– Loss on disposal of investment property	8	**74**	-
– Fair value gains on investment properties	8	**(16,583)**	(5,876)
– Revaluation (gains)/losses on property, plant and equipment	8	**(1,745)**	5,378
– Write-off of property, plant and equipment		**5**	4
– Impairment of hospitality lease and management agreements	8	**-**	110
– Impairment of property, plant and equipment	8	**898**	-
– Interest income	7	**(3,993)**	(2,897)
– Interest expense	9	**5,188**	4,300
– Share of profit of joint ventures		**(9,563)**	(11,809)
– Share of profit of associated companies		**(3,376)**	(2,678)
– Unrealised currency translation losses		**8,894**	601
		28,964	27,214
Changes in working capital:			
– Trade and other receivables		**1,067**	5,814
– Inventories		**(36)**	24
– Development properties		**(10,666)**	(8,709)
– Trade and other payables		**(18,460)**	(11,263)
– Provisions		**(1,148)**	(626)
Cash (used in)/generated from operations		**(279)**	12,454
Interest paid		**(224)**	(135)
Income tax paid		**(6,262)**	(3,416)
Net cash (used in)/provided by operating activities		**(6,765)**	8,903
Cash flows from investing activities			
Additions to property, plant and equipment		**(4,628)**	(3,720)
Disposal of property, plant and equipment		**5**	224
Additions to investment properties		**(18,924)**	(37,285)
Proceeds from disposal of investment property		**1,861**	-
Dividends received from joint ventures		**36,753**	14,100
Investment in a joint venture		**(35,358)**	-
Repayment of advances from joint ventures		**(23,873)**	-
Repayment of advances to joint ventures		**18,281**	39,752
Advances from/(to) joint ventures		**19,142**	(1,356)
Advance payment for a joint venture		**(19,327)**	-
Interest received		**3,624**	2,937
Income tax refund – net		**1,238**	-
Net cash (used in)/provided by investing activities		**(21,206)**	14,652

The accompanying notes form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the financial year ended 31 December 2018

	Note	2018 $'000	2017 $'000 (restated)
Cash flows from financing activities			
Proceeds from borrowings		**85,567**	52,608
Repayment of borrowings		**-**	(36,592)
Interest paid		**(5,917)**	(5,294)
Dividend paid to equity holders of the Company		**(8,148)**	(21,605)
Repayment of advances from non-controlling interest		**-**	(1,731)
Net cash provided by/(used in) financing activities		**71,502**	(12,614)
Net increase in cash and cash equivalents		**43,531**	10,941
Cash and cash equivalents			
Beginning of financial year	12	**219,585**	209,262
Less: Bank deposits pledged		**(21,144)**	-
Effects of currency translation on cash and cash equivalents		**(6,829)**	(618)
End of financial year	12	**235,143**	219,585

Reconciliation of liabilities arising from financing activities

			Non-cash changes		
	Beginning of financial year $'000	Principal and interest receipts/ (payments) $'000	Interest expenses $'000	Foreign exchange movement $'000	End of financial year $'000
2018					
Bank borrowings	221,857	85,567	202	(12,448)	295,178
Interest payable	38	(4,769)	4,778	(16)	31
Advances from non-controlling interests	138,999	(1,372)	1,327	19	138,973
2017					
Bank borrowings	203,361	16,016	217	2,263	221,857
Interest payable	18	(4,103)	4,177	(54)	38
Advances from non-controlling interests	140,515	(3,057)	1,530	11	138,999

The accompanying notes form an integral part of these financial statements.

These notes form an integral part of and should be read in conjunction with the accompanying financial statements.

1. GENERAL INFORMATION

Far East Orchard Limited (the "Company") is listed on the Singapore Exchange and incorporated and domiciled in Singapore. The address of its registered office is 1 Tanglin Road #05-01, Orchard Rendezvous Hotel, Singapore 247905.

The principal activities of the Company are investment holding, hotel operations, property development and property investment. The principal activities of its significant subsidiaries are included in Note 37.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

These financial statements have been prepared in accordance with the Singapore Financial Reporting Standards (International) ("SFRS(I)") under the historical cost convention, except as disclosed in the accounting policies below.

The preparation of financial statements in conformity with SFRS(I) requires management to exercise its judgement in the process of applying the Group's accounting policies. It also requires the use of certain critical accounting estimates and assumptions. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 3.

2.2 Adoption of SFRS(I)

As required by the listing requirements of Singapore Exchange, the Group has adopted SFRS(I) on 1 January 2018. These financial statements for the year ended 31 December 2018 are the first set of financial statements the Group prepared in accordance with SFRS(I). The Group's previously issued financial statements for periods up to and including the financial year ended 31 December 2017 were prepared in accordance with Singapore Financial Reporting Standards ("SFRS").

In adopting SFRS(I) on 1 January 2018, the Group is required to apply all of the specific transition requirements in SFRS(I) 1 *First-time Adoption of IFRS*.

Under SFRS(I) 1, these financial statements are required to be prepared using accounting policies that comply with SFRS(I) effective as at 31 December 2018. The same accounting policies are applied throughout all periods presented in these financial statements, subject to the mandatory exceptions and optional exemptions under SFRS(I) 1.

The Group's opening balance sheet has been prepared as at 1 January 2017, which is the Group's date of transition to SFRS(I) ("date of transition"). The adoption of SFRS(I) did not result in any substantial change to the Group's accounting policies other than as presented as below.

(a) Optional exemptions applied

(i) Short-term exemption on adoption of SFRS(I) 9 *Financial Instruments*

The Group has early adopted SFRS 109 Financial Instruments on 1 January 2017. In accordance with the transition provisions of SFRS 109, comparative figures have not been restated. Accordingly, the requirements of SFRS 39 *Financial Instruments: Recognition and Measurement* are applied to financial instruments up to the financial year ended 31 December 2016.

In relation to the financial year ended 31 December 2017, there was no difference in the accounting policies adopted by the Group as SFRS 109 is identical with SFRS(I) 9.

As a result, the requirements under SFRS are applied in place of the requirements under SFRS(I) 9 to comparative information about items within scope of SFRS(I) 9. The accounting policies for financial instruments under SFRS(I) 9 is as disclosed in Note 2.13.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 Adoption of SFRS(I) (continued)

(a) Optional exemptions applied (continued)

(ii) Practical expedients on adoption of SFRS(I) 15 *Revenue from Contracts with Customers*

The Group has elected to apply the transitional provisions under paragraph C5 of SFRS(I) 15 at 1 January 2018 and, where applicable, have used the following practical expedients provided under SFRS(I) 15 as follows:

- for completed contracts with variable consideration, the Group has used the transaction price at the date the contract was completed, rather than estimating the variable consideration amounts in the comparative reporting period;

- for contracts which were modified before the date of transition, the Group did not retrospectively restate the contract for those contract modifications; and

- for the financial year ended 31 December 2017, the Group did not disclose the amount of transaction price allocated to the remaining performance obligations and explanation of when the Group expects to recognise that amount as revenue.

(b) Reconciliation of the Group's equity reported in accordance with SFRS to SFRS(I)

	Reported under SFRS $'000	Effects of applying SFRS(I) 1 $'000	Effects of applying SFRS(I) 15 $'000	Reported under SFRS(I) $'000
As at 1 January 2017				
Investments in joint ventures	465,689	-	429	466,118
Total non-current assets	1,682,529	-	429	1,682,958
Total assets	2,071,200	-	429	2,071,629
Retained profits	436,315	-	429	436,744
Capital and reserves attributable to equity holders of the Company	1,228,611	-	429	1,229,040
Net assets / Total equity	1,260,077	-	429	1,260,506
As at 31 December 2017				
Investments in joint ventures	480,127	-	576	480,703
Total non-current assets	1,684,263	-	576	1,684,839
Total assets	2,086,719	-	576	2,087,295
Retained profits	432,561	-	576	433,137
Capital and reserves attributable to equity holders of the Company	1,243,555	-	576	1,244,131
Net assets / Total equity	1,279,322	-	576	1,279,898

There was no restatement to the Balance Sheet of the Company upon the adoption of SFRS(I).

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 Adoption of SFRS(I) (continued)

(c) Reconciliation of the Group's total comprehensive income reported in accordance with SFRS to SFRS(I)

	Reported under SFRS $'000	Effects of applying SFRS(I) 1 $'000	Effects of applying SFRS(I) 15 $'000	Reported under SFRS(I) $'000
For the financial year ended 31 December 2017				
Share of profit of joint ventures	11,662	-	147	11,809
Profit before income tax	25,557	-	147	25,704
Total profit	21,859	-	147	22,006
Total comprehensive income	40,850	-	147	40,997
Total profit attributable to equity holders of the Company	21,606	-	147	21,753
Total comprehensive income attributable to equity holders of the Company	36,549	-	147	36,696

(d) Reconciliation of the Group's statement of cash flows reported in accordance with SFRS to SFRS(I)

	Reported under SFRS $'000	Effects of applying SFRS(I) 1 $'000	Effects of applying SFRS(I) 15 $'000	Reported under SFRS(I) $'000
For the financial year ended 31 December 2017				
Total profit	21,859	-	147	22,006
Share of profit of joint ventures	11,662	-	147	11,809

(e) Explanatory notes to reconciliations

Adoption of SFRS(I) 15

In accordance with the requirements of SFRS(I) 1, the Group adopted SFRS(I) 15 retrospectively. As disclosed in Note 2.2(a)(ii), the Group has also elected to apply the transition provisions under paragraph C5 of the SFRS(I) 15 at 1 January 2018.

The adoption of SFRS(I) 15 resulted in adjustments to the previously issued SFRS financial statements as explained below:

Accounting for costs to fulfil a contract

Entities sometimes incur costs (such as sales commissions) to obtain or fulfil a contract under SFRS(I) 15. Contract costs that meet the criteria of a contract asset are capitalised as an asset and are amortised as revenue is recognised.

As at 31 December 2017, the Group incurred sales commissions for the sale of units in a property development project through a joint venture entity, amounted to $576,000 (1 January 2017: $429,000). These amounts were expensed off to the profit or loss as they did not qualify for recognition as an asset under any SFRS.

Under SFRS(I) 15, as these costs relate directly to the joint venture entity's contracts with customers and are expected to be recovered, they are capitalised as costs to fulfil a contract.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 Revenue

Sales comprise the fair value of the consideration received or receivable for the sale of goods and rendering of services in the ordinary course of the Group's activities. Sales are presented, net of value-added tax, rebates and discounts, and after eliminating sales within the Group.

The Group assesses its role as an agent or principal for each transaction and in an agency arrangement the amounts collected on behalf of the principal are excluded from revenue. The Group recognises revenue when the amount of revenue and related cost can be reliably measured, it is probable that the collectability of the related receivables is reasonably assured and the specific criteria for each of the Group's activities are met as follows:

(a) Hospitality operations

Revenue from operation of hotels and serviced residences is recognised over time as the accommodation and related services are provided and based on the daily room rates over the duration of the stay stated in the contract.

No element of financing is deemed present as the sales are made with a credit term of Nil to 30 days.

(b) Hospitality and other related fees

(i) Hospitality management fees

Management fees earned from hospitality properties managed by the Group are recognised over time in the accounting period when services are rendered under the terms of the contract. The fees include a base fee, which is generally a percentage of the hospitality property's revenue, and/or an incentive fee, which is generally based on the hospitality property's profitability.

No element of financing is deemed present as the sales are made with a credit term of Nil to 30 days.

(ii) Other related fees

Other related fees include centralised services fees, technical services fees and other incidental fees.

The Group assesses whether the Group transfer the services over time or at a point in time by determining if:

i) the customer simultaneously receives and consumes the benefits provided by the Group as the Group performs the services;
ii) its performance does not create an asset with an alternative use to the Group; and
iii) the Group has an enforceable right to payment for performance completed to date.

The fees are recognised when the control of the service has been transferred to the customer or performance obligations have been satisfied under the terms of the contract.

For centralised service fees, revenue is recognised based on agreed and fixed rate over the number of hotel keys stated in the contract. For other fees, revenue is recognised based on agreed rate and completion of service milestone stated in the contract.

No element of financing is deemed present as the sales are made with a credit term of Nil to 30 days.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 Revenue (continued)

(c) Sale of development properties

Revenue from sale of development properties under construction is recognised when the control over the properties are transferred to the buyers. At contract inception, the Group assesses whether the Group transfers control of the properties over time or at a point in time by determining if:

i) its performance does not create an asset with an alternative use to the Group; and
ii) the Group has an enforceable right to payment for performance completed to date.

The properties generally have no alternative use for the Group due to contractual restriction, and the Group generally has enforceable rights to payment arising from the contractual terms. For these contracts, revenue is recognised over time by reference to the Group's progress towards completing the construction of the properties. The measure of progress is determined based on the proportion of contract costs incurred to date to the estimated total contract costs, as certified by the architects or quantity surveyors, to the estimated total construction costs for the project. When it is probable that the total development costs will exceed the total revenue, the expected loss is recognised as an expense immediately. Costs incurred that are not related to the contract or that do not contribute towards satisfying a performance obligation are excluded from the measure of progress.

For costs incurred in acquiring the contract, these are capitalised and including within "Other current assets". For costs incurred in fulfilling the contract which are within the scope of another SFRS(I) (eg. SFRS(I) 1-2 *Inventories*), these have been accounted for in accordance with those other SFRS(I). If these are not within the scope of another SFRS(I), the Group will capitalise these as contract costs assets only if:

i) these costs relate directly to a contract or an anticipated contract which the Group can specifically identify;
ii) these costs generate or enhance resources of the Group that will be used in satisfying (or in continuing to satisfy) performance obligations in the future; and
iii) these costs are expected to be recovered. Otherwise, such costs are recognised as an expense immediately.

For certain contracts where the Group does not have enforceable right to payment, revenue is recognised only when:

i) the completed properties are delivered to the customers; and
ii) the customers have accepted it in accordance with the sales contract.

In certain cases, in addition to the above criteria, revenue is recognised only when payment is settled.

Estimates of revenues, costs or extent of progress toward completion are revised if circumstances change. Any resulting increases or decreases in estimated revenues or costs are reflected in the profit or loss in the period in which the circumstances that give rise to the revision become known by management.

The customer is invoiced on a milestone payment schedule. If the value of the properties transferred by the Group exceed the payments, a contract asset is recognised. If the payments exceed the value of the properties transferred, a contract liability is recognised.

No element of financing is deemed present as:

i) for deposit of the contract, payment is due immediately when the customer enters into the contract; and
ii) for milestone invoice, a credit term of 14 days is granted to the customer.

Capitalised contract costs are subsequently amortised on a systematic basis as the Group recognises the related revenue over time or at a point in time. An impairment loss is recognised in the profit or loss to the extent that the carrying amount of capitalised contract costs exceeds the expected remaining consideration less any directly related costs not yet recognised as expenses.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 Revenue (continued)

(d) Sale of properties held for sale

Revenue from sale of properties held for sale is recognised at a point in time when the control of the properties are transferred to the customers and the customers have accepted it in accordance with the sales contract.

Payment of the contract price is due immediately when the customer enters into the contract.

(e) Rental income

Rental income from operating leases (net of any incentives given to the lessees) is recognised on a straight-line basis over the lease term.

(f) Interest income

Interest income is recognised using the effective interest rate method.

(g) Dividend income

Dividend income is recognised when the right to receive payment is established.

2.4 Group accounting

(a) Subsidiaries

(i) Consolidation

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date when control is transferred to the Group. They are deconsolidated from the date that control ceases.

In preparing the consolidated financial statements, transactions, balances and unrealised gains on transactions between group entities are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment indicator of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interest comprises the portion of a subsidiary's net results of operations and its net assets which is attributable to the interests that are not owned directly or indirectly by the equity holders of the Company. They are shown separately in the consolidated statement of comprehensive income, statement of changes in equity and balance sheet. Total comprehensive income is attributed to the non-controlling interest based on their respective interests in a subsidiary, even if this results in the non-controlling interest having a deficit balance.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.4 Group accounting (continued)

(a) Subsidiaries (continued)

(ii) Acquisitions

The acquisition method of accounting is used to account for business combinations entered into by the Group.

The consideration transferred for the acquisition of a subsidiary or business comprises the fair value of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred also includes any contingent consideration arrangement and any pre-existing equity interest in the subsidiary measured at their fair values at the acquisition date.

Acquisition-related costs are expensed as incurred.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date.

On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree at the date of acquisition either at fair value or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets.

The excess of (a) the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the (b) fair value of the identifiable net assets is recorded as goodwill. Refer to Note 2.8(a) "*Intangible assets – Goodwill on acquisitions*" for the subsequent accounting policy on goodwill.

(iii) Disposals

When a change in the Group's ownership interest in a subsidiary results in a loss of control over the subsidiary, the assets and liabilities of the subsidiary including any goodwill are derecognised. Amounts previously recognised in other comprehensive income in respect of that entity are also reclassified to profit or loss or transferred directly to retained profits if required by a specific Standard.

Any retained equity interest in the entity is remeasured at fair value. The difference between the carrying amount of the retained interest at the date when control is lost and its fair value is recognised in profit or loss.

Refer to Note 2.11 "*Investments in subsidiaries, joint ventures and associated companies*" for the accounting policy on investments in subsidiaries in the separate financial statements of the Company.

(b) Transactions with non-controlling interest

Changes in the Group's ownership interest in a subsidiary that do not result in a loss of control over the subsidiary are accounted for as transactions with equity owners of the Company. Any difference between the change in the carrying amounts of the non-controlling interest and the fair value of the consideration paid or received is recognised within equity attributable to the equity holders of the Company.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.4 Group accounting (continued)

(c) Joint operations

The Group's joint operations are joint arrangements whereby the parties (the joint operators) that have joint control of the arrangement have rights to the assets, and obligations to the liabilities, relating to the arrangement.

The Group recognises, in relation to its interest in the joint operation:
- its assets, including its share of any assets held jointly;
- its liabilities, including its share of any liabilities incurred jointly;
- its revenue from the sale of its share of the output arising from the joint operation;
- its share of the revenue from the sale of the output by the joint operation; and
- its expenses, including its share of any expenses incurred jointly.

When the Group sells or contributes assets to a joint operation, the Group recognises gains or losses on the sale or contribution of assets that is attributable to the interest of the other joint operators. The Group recognises the full amount of any loss when the sale or contribution of assets provides evidence of a reduction in the net realisable value, or an impairment loss, of those assets.

When the Group purchases assets from a joint operation, it does not recognise its share of the gains and losses until it resells the assets to an independent party. However, a loss on the transaction is recognised immediately if the loss provides evidence of a reduction in the net realisable value of the assets to be purchased or an impairment loss.

The accounting policies of the assets, liabilities, revenues and expenses relating to the Group's interest in a joint operation have been changed where necessary to ensure consistency with the accounting policies adopted by the Group.

The Company applies the same accounting policy on joint operations in its separate financial statements.

(d) Associated companies and joint ventures

Associated companies are entities over which the Group has significant influence, but not control, generally accompanied by a shareholding giving rise to voting rights of 20% and above but not exceeding 50%.

Joint ventures are entities over which the Group has joint control as a result of contractual arrangements, and rights to the net assets of the entities.

Investments in associated companies and joint ventures are accounted for in the consolidated financial statements using the equity method of accounting less impairment losses, if any.

(i) Acquisitions

Investments in associated companies and joint ventures are initially recognised at cost. The cost of an acquisition is measured at the fair value of the assets given, equity instruments issued or liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Goodwill on associated companies and joint ventures represents the excess of the cost of acquisition of the associated company or joint venture over the Group's share of the fair value of the identifiable net assets of the associated company or joint venture and is included in the carrying amount of the investments.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.4 Group accounting (continued)

(d) Associated companies and joint ventures (continued)

(ii) Equity method of accounting

Under the equity method of accounting, the investments are initially recognised at cost and adjusted thereafter to recognise Group's share of its associated companies' or joint ventures' post-acquisition profits or losses of the investee in profit or loss and its share of movements in other comprehensive income of the investee's other comprehensive income. Dividends received or receivable from the associated companies or joint ventures are recognised as a reduction of the carrying amount of the investments. When the Group's share of losses in an associated company or joint venture equals to or exceeds its interest in the associated company or joint venture, the Group does not recognise further losses, unless it has legal or constructive obligations to make, or has made, payments on behalf of the associated company or joint venture. If the associated company or joint venture subsequently reports profits, the Group resumes recognising its share of those profits only after its share of the profits equals the share of losses not recognised.

Unrealised gains on transactions between the Group and its associated companies or joint ventures are eliminated to the extent of the Group's interest in the associated companies or joint ventures. Unrealised losses are also eliminated unless the transactions provide evidence of impairment of the assets transferred. The accounting policies of associated companies or joint ventures are changed where necessary to ensure consistency with the accounting policies adopted by the Group.

(iii) Disposals

Investments in associated companies or joint ventures are derecognised when the Group loses significant influence or joint control. If the retained equity interest in the former associated company or joint venture is a financial asset, the retained equity interest is remeasured at fair value. The difference between the carrying amount of the retained equity interest at the date when significant influence or joint control is lost, and its fair value and any proceeds on partial disposal, is recognised in profit or loss.

Refer to Note 2.11 "*Investments in subsidiaries, joint ventures and associated companies*" for the accounting policy on investments in associated companies and joint ventures in the separate financial statements of the Company.

2.5 Property, plant and equipment

(a) Measurement

(i) Land and buildings

Land and buildings are initially recognised at cost. Freehold land is subsequently carried at the revalued amount less accumulated impairment losses. Buildings and leasehold land are subsequently carried at the revalued amounts less accumulated depreciation and accumulated impairment losses.

Land and buildings are revalued by independent professional valuers on triennial basis and whenever their carrying amounts are likely to differ materially from their revalued amounts. When an asset is revalued, any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset. The net amount is then restated to the revalued amount of the asset.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 Property, plant and equipment (continued)

(a) Measurement (continued)

(i) Land and buildings (continued)

Increases in carrying amounts arising from revaluation, including currency translation differences, are recognised in other comprehensive income, unless they offset previous decreases in the carrying amounts of the same asset, in which case, they are recognised in profit or loss. Decreases in carrying amounts that offset previous increases of the same asset are first recognised in other comprehensive income to the extent of the remaining surplus for the same asset. All other decreases in carrying amounts are recognised in profit or loss.

(ii) Other property, plant and equipment

Construction-in-progress are initially carried at cost and subsequently transferred to the respective classes of property, plant and equipment upon completion.

All other items of property, plant and equipment are initially recognised at cost and subsequently carried at cost less accumulated depreciation and accumulated impairment losses.

(iii) Components of costs

The cost of an item of property, plant and equipment initially recognised includes its purchase price and any cost that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Cost also includes borrowing costs. Refer to Note 2.9 "*Borrowing costs*" for the accounting policy on borrowing costs.

(b) Depreciation

Freehold land and construction-in-progress are not depreciated. Depreciation on other items of property, plant and equipment is calculated using the straight-line method to allocate their depreciable amounts over their estimated useful lives as follows:

	Useful lives
Buildings	50 years
Plant, equipment, furniture and fittings	3 – 10 years
Motor vehicles	5 – 10 years
Other assets	5 – 10 years

The residual values, estimated useful lives and depreciation method of property, plant and equipment are reviewed, and adjusted as appropriate, at each balance sheet date. The effects of any revision are recognised in profit or loss when the changes arise.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 Property, plant and equipment (continued)

(c) Subsequent expenditure

Subsequent expenditure relating to property, plant and equipment that has already been recognised is added to the carrying amount of the asset only when it is probable that future economic benefits associated with the item will flow to the entity and the cost of the item can be measured reliably. All other repair and maintenance expenses are recognised in profit or loss when incurred.

(d) Disposal

On disposal of an item of property, plant and equipment, the difference between the disposal proceeds and its carrying amount is recognised in profit or loss within "Other gains and losses". Any amount in revaluation reserve relating to that item is transferred to retained profits directly.

2.6 Development properties

Development properties refer to properties developed for sale.

Development properties that are unsold are carried at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and applicable variable selling expenses.

For revenue recognition on sale of development properties, see Note 2.3(c).

2.7 Properties held for sale

Properties held for sale refer to completed properties that are held for sale. They are carried at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

2.8 Intangible assets

(a) Goodwill on acquisitions

Goodwill on acquisitions of subsidiaries and businesses represents the excess of (i) the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over (ii) the fair value of the identifiable net assets acquired.

Goodwill on acquisitions of subsidiaries and joint operations is recognised separately as intangible assets and carried at cost less accumulated impairment losses.

Goodwill on acquisitions of associated companies and joint ventures is included in the carrying amount of the investments.

Gains and losses on the disposal of subsidiaries, joint operations, associated companies and joint ventures include the carrying amount of goodwill relating to the entity sold.

(b) Acquired hospitality lease agreements and hospitality management agreements

Hospitality lease agreements and hospitality management agreements acquired in a business combination are initially recognised at cost and are subsequently carried at cost less accumulated amortisation and accumulated impairment losses, if any. These costs are amortised to profit or loss using the straight-line method over the term of the agreements of 5 to 40 years.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.9 Borrowing costs

Borrowing costs are recognised in profit or loss using the effective interest method except for those costs that are directly attributable to the construction of assets or development of properties. This includes those costs on borrowings acquired specifically for the construction of assets or development of properties and assets under construction, as well as those in relation to general borrowings used to finance the construction or development of properties and assets under construction.

The actual borrowing costs incurred during the period up to the issuance of the temporary occupation permit less any investment income on temporary investment of these borrowings, are capitalised in the cost of the asset under construction or property under development. Borrowing costs on general borrowings are capitalised by applying a capitalisation rate to construction or development expenditures that are financed by general borrowings.

2.10 Investment properties

Investment properties include those portions of land and buildings that are held for long-term rental yields and/or for capital appreciation and land under operating leases that is held for long-term capital appreciation or for a currently indeterminate use. Investment properties include properties that are being constructed or developed for future use as investment properties.

Investment properties are initially recognised at cost and subsequently carried at fair value, determined annually by independent professional valuers on the highest-and-best-use basis. Changes in fair values are recognised in profit or loss.

Subsequent expenditure is capitalised to the investment property's carrying amount only when it is probable that future economic benefits associated with the expenditure will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance costs are expensed when incurred. When part of an investment property is replaced, the carrying amount of the replaced part is derecognised.

On disposal of an investment property, the difference between the disposal proceeds and the carrying amount is recognised in profit or loss.

2.11 Investments in subsidiaries, joint ventures and associated companies

Investments in subsidiaries, joint ventures and associated companies are carried at cost less accumulated impairment losses in the Company's balance sheet. On disposal of such investments, the difference between disposal proceeds and the carrying amounts of the investments are recognised in profit or loss.

2.12 Impairment of non-financial assets

(a) Goodwill and intangible assets (including brands) with indefinite lives

Goodwill and intangible assets (including brands) with indefinite lives are tested for impairment annually and whenever there is indication that the goodwill may be impaired.

For the purpose of impairment testing of goodwill, goodwill is allocated to each of the Group's cash-generating-units ("CGU") expected to benefit from synergies arising from the business combination.

An impairment loss is recognised when the carrying amount of a CGU, including the goodwill, exceeds the recoverable amount of the CGU. The recoverable amount of a CGU is the higher of the CGU's fair value less cost to sell and the value-in-use.

The total impairment loss of a CGU is allocated first to reduce the carrying amount of goodwill allocated to the CGU and then to the other assets of the CGU pro-rata on the basis of the carrying amount of each asset in the CGU.

An impairment loss on goodwill is recognised as an expense and is not reversed in a subsequent period.

The Group, through its joint venture, hold brands with indefinite lives.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.12 Impairment of non-financial assets (continued)

(b) Other intangible assets
Property, plant and equipment
Investments in subsidiaries, joint ventures and associated companies

Other intangible assets, property, plant and equipment and investments in subsidiaries, joint ventures and associated companies are tested for impairment whenever there is any objective evidence or indication that these assets may be impaired.

For the purpose of impairment testing, the recoverable amount (i.e. the higher of the fair value less cost to sell and the value-in-use) is determined on an individual asset basis unless the asset does not generate cash inflows that are largely independent of those from other assets. If this is the case, the recoverable amount is determined for the CGU to which the asset belongs.

If the recoverable amount of the asset (or CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or CGU) is reduced to its recoverable amount.

The difference between the carrying amount and recoverable amount is recognised as an impairment loss in profit or loss, unless the asset is carried at revalued amount, in which case, such impairment loss is treated as a revaluation decrease. Refer to Note 2.5(a)(i) "*Property, plant and equipment*" for the treatment of a revaluation decrease.

An impairment loss for an asset other than goodwill is reversed if, and only if, there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of this asset is increased to its revised recoverable amount, provided that this amount does not exceed the carrying amount that would have been determined (net of any accumulated amortisation or depreciation) had no impairment loss been recognised for the asset in prior years.

A reversal of impairment loss for an asset other than goodwill is recognised in profit or loss, unless the asset is carried at revalued amount, in which case, such reversal is treated as a revaluation increase. However, to the extent that an impairment loss on the same revalued asset was previously recognised as an expense, a reversal of that impairment is also recognised in profit or loss.

2.13 Investments and other financial assets

(a) Classification and measurement

The Group classifies its financial assets in the following measurement categories:
- Amortised cost;
- Fair value through other comprehensive income ("FVOCI"); and
- Fair value through profit or loss ("FVPL").

The classification depends on the Group's business model for managing the financial assets as well as the contractual terms of the cash flows of the financial asset.

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

<u>At initial recognition</u>

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.13 Investments and other financial assets (continued)

(a) Classification and measurement (continued)

At subsequent measurement

(i) Debt instruments

There are three subsequent measurement categories, depending on the Group's business model for managing the asset and the cash flow characteristics of the asset:

- Amortised cost: Debt instruments that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. A gain or loss on a debt investment that is subsequently measured at amortised cost and is not part of a hedging relationship is recognised in profit or loss when the asset is derecognised or impaired. Interest income from these financial assets is included in finance income using the effective interest rate method.

- FVOCI: Debt instruments that are held for collection of contractual cash flows and for sale, and where the assets' cash flows represent solely payments of principal and interest, are classified as FVOCI. Movements in fair values are recognised in Other Comprehensive Income ("OCI") and accumulated in fair value reserve, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses, which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and presented in "Other gains/(losses) - net". Interest income from these financial assets is recognised using the effective interest rate method and presented in "Other income".

- FVPL: Debt instruments that are held for trading as well as those that do not meet the criteria for classification as amortised cost or FVOCI are classified as FVPL. Movement in fair values and interest income that is not part of a hedging relationship is recognised in profit or loss in the period in which it arises and presented in "Other gains/(losses) - net".

(ii) Equity instruments

The Group subsequently measures all its equity investments at their fair values. Equity instruments are classified as FVPL with movements in their fair values recognised in profit or loss in the period in which the changes arise and presented in "Other gains/(losses) – net", except where the Group has elected to classify the investments as FVOCI. Movements in fair values of investments classified as FVOCI are presented as "Fair value gains and losses" in Other Comprehensive Income. Dividends from equity investments are recognised in profit or loss as "Dividend income".

(b) Impairment

The Group assesses on a forward looking basis the expected credit losses associated with its debt financial assets carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk. Note 33(b) details how the Group determines whether there has been a significant increase in credit risk.

For trade receivables only, the Group applies the simplified approach permitted by SFRS(I) 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.13 Investments and other financial assets (continued)

(c) Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade date – the date on which the Group commits to purchase or sell the asset.

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership.

On disposal of a debt instrument, the difference between the carrying amount and the sale proceeds is recognised in profit or loss. Any amount previously recognised in other comprehensive income relating to that asset is reclassified to profit or loss.

On disposal of an equity investment, the difference between the carrying amount and sale proceeds is recognised in profit or loss if there was no election made to recognise fair value changes in other comprehensive income. If there was an election made, any difference between the carrying amount and sale proceeds amount would be recognised in other comprehensive income and transferred to retained profits along with the amount previously recognised in other comprehensive income relating to that asset.

Trade receivables that are factored out to banks and other financial institutions with recourse to the Group are not derecognised until the recourse period has expired and the risks and rewards of the receivables have been fully transferred. The corresponding cash received from the financial institutions is recorded as borrowings.

2.14 Financial guarantees

The Company has issued corporate guarantees to banks for bank borrowings of its subsidiaries. These guarantees are financial guarantees as they require the Company to reimburse the banks if the subsidiaries fail to make principal or interest payments when due in accordance with the terms of their borrowings. Intra-group transactions are eliminated on consolidation.

Financial guarantee contracts are initially measured at fair value plus transaction costs and subsequently measured at the higher of:

(a) premium received on initial recognition less amortisation over the period of the subsidiaries' borrowings; and

(b) at the amount of loss allowance computed using the impairment methodology under SFRS(I) 9.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.15 Borrowings

Borrowings are presented as current liabilities unless the Group has an unconditional right to defer settlement for at least 12 months after the balance sheet date, in which case they are presented as non-current liabilities.

Borrowings are initially recognised at fair value (net of transaction costs) and subsequently carried at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method.

2.16 Trade and other payables

Trade and other payables represent liabilities for goods and services provided to the Group prior to the end of financial year which are unpaid. They are classified as current liabilities if payment is due within one year or less. Otherwise, they are presented as non-current liabilities.

Trade and other payables are initially recognised at fair value, and subsequently carried at amortised cost using the effective interest rate method.

2.17 Derivative financial instruments and hedging activities

A derivative financial instrument is initially recognised at its fair value on the date the contract is entered into and is subsequently carried at its fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged.

Fair value changes on derivatives that are not designated or do not qualify for hedge accounting are recognised in profit or loss when the changes arise.

The Group documents at the inception of the transaction the relationship between the hedging instruments and hedged items, as well as its risk management objective and strategies for undertaking various hedging transactions. The Group also documents its assessment, both at hedge inception and on an on-going basis, of whether the derivatives designated as hedging instruments are highly effective in offsetting changes in fair value or cash flows of the hedged items.

The carrying amount of a derivative designated as a hedge is presented as a non-current asset or liability if the remaining expected life of the hedged item is more than 12 months, and as a current asset or liability if the remaining expected life of the hedged item is less than 12 months. The fair value of a trading derivative is presented as a current asset or liability.

The Group had entered into currency forwards that qualify as cash flow hedges against highly probable forecasted transactions in a foreign currency. The fair value changes on the effective portion of the currency forwards designated as cash flow hedges are recognised in other comprehensive income, accumulated in the hedging reserve and transferred to the cost of a hedged non-monetary asset upon acquisition.

The fair value changes on the ineffective portion of currency forwards are recognised immediately in profit or loss. When a forecasted transaction is no longer expected to occur, the gains and losses that were previously recognised in other comprehensive income are reclassified to profit or loss immediately.

2.18 Fair value estimation of financial assets and liabilities

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

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.19 Operating leases

(a) When the Group is the lessee

The Group leases hospitality properties and offices under operating leases from non-related and related parties (Note 34(b)).

Leases where substantially all risks and rewards incidental to ownership are retained by the lessors are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessors) are recognised in profit or loss on a straight-line basis over the period of the lease.

Contingent rents are recognised as an expense in profit or loss when incurred.

(b) When the Group is the lessor

The Group leases investment properties under operating leases to non-related parties.

Leases where the Group retains substantially all risks and rewards incidental to ownership are classified as operating leases. Rental income from operating leases (net of any incentives given to the lessees) is recognised in profit or loss on a straight-line basis over the lease term.

Initial direct costs incurred by the Group in negotiating and arranging operating leases are added to the carrying amount of the leased assets and recognised as an expense in profit or loss over the lease term on the same basis as the lease income.

2.20 Income taxes

Income tax for current and prior periods is recognised at the amount expected to be paid to or recovered from the tax authorities, using the tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date.

Deferred income tax is recognised for all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements except when the deferred income tax arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and affects neither accounting nor taxable profit or loss at the time of the transaction.

A deferred income tax liability is recognised on temporary differences arising on investments in subsidiaries, associated companies and joint ventures, except where the Group is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

A deferred income tax asset is recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences and tax losses can be utilised.

Deferred income tax is measured:

(i) at the tax rates that are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date; and

(ii) based on the tax consequence that will follow from the manner in which the Group expects, at the balance sheet date, to recover or settle the carrying amounts of its assets and liabilities, except for investment properties. Investment property measured at fair value is presumed to be recovered entirely through sale.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.20 Income taxes (continued)

Current and deferred income taxes are recognised as income or expense in profit or loss, except to the extent that the tax arises from a business combination or a transaction which is recognised directly in equity. Deferred tax arising from a business combination is adjusted against goodwill on acquisition.

The Group accounts for investment tax credits (for example, productivity and innovative credit) similar to accounting for other tax credits where deferred tax asset is recognised for unused tax credits to the extent that it is probable that future taxable profit will be available against which the unused tax credit can be utilised.

2.21 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events; it is more likely than not that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated.

2.22 Employee compensation

Employee benefits are recognised as an expense, unless the cost qualifies to be capitalised as an asset.

Defined contribution plans are post-employment benefit plans under which the Group pays fixed contributions into separate entities such as the Central Provident Fund on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid.

2.23 Currency translation

(a) Functional and presentation currency

Items included in the financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates ("functional currency"). The financial statements are presented in Singapore Dollars, which is the functional currency of the Company.

(b) Transactions and balances

Transactions in a currency other than the functional currency ("foreign currency") are translated into the functional currency using the exchange rates at the dates of the transactions. Currency translation differences resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at the closing rates at the balance sheet date are recognised in profit or loss. However, in the consolidated financial statements, currency translation differences arising from borrowings in foreign currencies and other currency instruments designated and qualifying as net investment hedges and net investment in foreign operations, are recognised in other comprehensive income and accumulated in the currency translation reserve.

When a foreign operation is disposed of or any loan forming part of the net investment of the foreign operation is repaid, a proportionate share of the accumulated currency translation differences is reclassified to profit or loss, as part of the gain or loss on disposal.

Foreign exchange gains and losses that relate to borrowings and all other foreign exchange gains and losses impacting profit or loss are presented in the income statement within "Other gains/(losses) – net".

Non-monetary items measured at fair values in foreign currencies are translated using the exchange rates at the date when the fair values are determined.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.23 Currency translation (continued)

(c) Translation of Group entities' financial statements

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(i) assets and liabilities are translated at the closing exchange rates at the reporting date;

(ii) income and expenses are translated at average exchange rates (unless the average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated using the exchange rates at the dates of the transactions); and

(iii) all resulting currency translation differences are recognised in other comprehensive income and accumulated in the currency translation reserve. These currency translation differences are reclassified to profit or loss on disposal or partial disposal of the entity giving rise to such reserve.

Goodwill and fair value adjustments arising on the acquisition of foreign operations are treated as assets and liabilities of the foreign operations and translated at the closing rates at the reporting date.

2.24 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the Group's Executive Director and management who is responsible for allocating resources and assessing performance of the operating segments.

2.25 Cash and cash equivalents

For the purpose of presentation in the consolidated statement of cash flows, cash and cash equivalents include cash on hand, deposits with financial institutions which are subject to an insignificant risk of change in value, net of bank overdrafts, if any. Bank overdrafts, if any, are presented as current borrowings on the balance sheet. For cash subjected to restriction, assessment is made on the economic substance of the restriction and whether they meet the definition of cash and cash equivalents.

2.26 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issuance of new ordinary shares are deducted against the share capital account.

2.27 Dividends to equity holders of the Company

Dividends to equity holders of the Company are recognised when the dividends are approved for payment.

2.28 Reclassification of comparative figures

Certain comparative figures in the consolidated statement of comprehensive income and balance sheet of the Group have been reclassified to conform to current year presentation. The reclassification did not have any material impact to the comparative figures.

3. CRITICAL ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGEMENTS

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.

3.1 Valuation of investment properties and land and buildings classified under property, plant and equipment

As at 31 December 2018, the Group's investment properties of $517,398,000 (Note 20) and land and buildings of $520,305,000 (Note 21) classified under property, plant and equipment are stated at their estimated fair values determined by independent professional valuers. These estimated fair values may differ significantly from the prices at which these properties can be sold due to the actual negotiations between willing buyers and sellers as well as changes in assumptions and conditions arising from unforeseen events. Consequently, the actual results and the realisation of these properties could differ significantly from the estimates set forth in these financial statements.

If the actual fair values of investment properties increase or decrease by 1% (2017: 1%) from the estimates, the profit after tax and net assets of the Group will increase or decrease by $5,092,000 (2017: $4,835,000).

If the actual fair values of land and buildings classified under property, plant and equipment increase or decrease by 1% (2017: 1%) from the estimates, the total comprehensive income and net assets of the Group will increase or decrease by $4,726,000 (2017: $4,747,000).

3.2 Impairment assessment of goodwill

Based on the Group's impairment assessment, no impairment is required for goodwill allocated to CGUs within the hospitality business, namely $37,257,000 to 'Management Services - Singapore' CGU and $14,263,000 to 'Property Ownership - Australia' CGU (Note 22(a)). The recoverable amounts of the CGUs are determined on the following basis:

(a) 'Management services – Singapore' CGU: Fair value less costs to sell ("FVLCTS"); and

(b) 'Property ownership – Australia' CGU: Value-in-use

Significant judgements are used to estimate the key assumptions applied (Note 22(a)) in computing the recoverable amounts of the CGUs.

(i) Management services – Singapore

A reasonably possible change of the following magnitude on the key assumptions will not result in a reduction of the carrying amount of the goodwill as at 31 December 2018:

	Higher/ (lower)
Discounted Cash Flow method	
Annual revenue growth rate from 2019 to 2023	(2.0%)
Terminal growth rate	(0.5%)
Post-tax discount rate	0.5%
Guideline Public Company method	
Multiples (number of times)	(1x)
Normalised earnings	(5.0%)

3. CRITICAL ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGEMENTS (continued)

3.2 Impairment assessment of goodwill (continued)

(ii) Property ownership – Australia

A reasonably possible change of the following magnitude on the key assumptions will result in an impairment charge on the goodwill as at 31 December 2018 as follows:

	Higher/ (lower)	Impairment charge $'000
Average net profit margin from 2019 to 2028	(1.0%)	3,927
Pre-tax discount rate	0.5%	8,110
Terminal growth rate	(0.5%)	2,573

3.3 Valuation of investment in joint venture, Toga Hotel Holdings Unit Trust ("Toga Trust")

As at 31 December 2018, the carrying value of the Group's investment in Toga Trust accounted for using the equity method of accounting amounted to $222,386,000 (Note 18). 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:

(a) Determination of the fair value of its land and buildings classified under property, plant and equipment with a carrying amount of $285,254,000; and

(b) Impairment of its goodwill and brands with indefinite lives with a carrying amount of $184,243,000.

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

If the actual fair values of these land and buildings increase or decrease by 1.0% (2017: 1.0%), the net assets of the Group will increase or decrease by $953,000 (2017: $1,236,000).

If the recoverable amount of the CGU (which the goodwill and brands with indefinite lives are allocated to) decreases by 5% (2017: 5%), there is no reduction (2017: no reduction) in the carrying value of the Group's investment in Toga Trust.

4. SALES

	Group 2018 $'000	Group 2017 $'000
Revenue from contracts with customers	**130,715**	133,600
Rental income	**20,196**	18,021
	150,911	151,621

(a) Disaggregation of revenue from contracts with customers

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

	Group 2018 $'000	Group 2017 $'000
Hospitality operations		
– Singapore	**44,678**	42,830
– Australia	**54,756**	60,171
– New Zealand	**8,763**	9,275
– Other countries	**5,707**	5,203
	113,904	117,479
Hospitality management and other related fees received/ receivable from other related parties (Note 34(b))		
– Singapore	**16,570**	16,121
Sale of a residential property		
– Singapore	**241**	-
Total revenue from contracts with customers	**130,715**	133,600

All the sales are recognised over time, except for sale of a residential property which is recognised at a point in time, amounting to $241,000 (2017: Nil).

(b) Contract liabilities

	Group		
	31 December		1 January
	2018	2017	2017
	$'000	$'000	$'000
Hospitality operations	**1,050**	921	665
Hospitality management and other related fees	**317**	272	388
Total contract liabilities (Note 23)	**1,367**	1,193	1,053

Revenue recognised in relation to contract liabilities

	Group 2018 $'000	Group 2017 $'000
Revenue recognised in current period that was included in the contract liability balance at the beginning of the period		
Hospitality operations	**921**	665
Hospitality management and other related fees	**272**	388
	1,193	1,053

As permitted under SFRS(I) 15, the aggregated transaction price allocated to unsatisfied contracts of periods one year or less is not disclosed.

5. EXPENSES BY NATURE

	Group	
	2018	2017
	$'000	$'000
Cost of residential property sold	**170**	-
Depreciation of property, plant and equipment (Note 21)	**10,173**	10,997
Amortisation of intangible assets (Note 22(b))	**3,189**	3,301
Advertising, promotion and marketing	**6,538**	5,452
Hospitality supplies and services	**22,205**	23,290
Hospitality management fees – joint venture	**2,625**	3,018
Directors' fees	**554**	560
Employee compensation (Note 6)	**40,192**	41,117
Property tax and upkeep of properties	**9,391**	7,612
Rental expense on operating leases		
– other related parties (Note 34(b))	**19,979**	19,516
– non-related parties	**2,199**	2,165
Support services paid/payable to:		
– joint venture	**4,555**	4,708
– other related parties (Note 34(b))	**4,115**	5,014
Fees on audit services paid/payable to:		
– auditor of the Company	**455**	443
– other auditors*	**333**	272
Fees on non-audit services paid/payable to:		
– auditor of the Company	**98**	64
– other auditors*	**33**	18
Professional fees	**2,937**	2,073
Other expenses	**5,888**	9,788
Total cost of sales, distribution and marketing, administrative and other expenses	**135,629**	139,408

* Includes the network of member firms of PricewaterhouseCoopers ("PwC") International Limited (PwCIL) and auditors not within the network of member firms of PwC.

Included in the Group's rental expense on operating leases is contingent rent amounting to $6,912,000 (2017: $6,372,000) offset by amortisation of deferred income (Note 25) amounting to $5,166,000 (2017: $5,166,000).

6. EMPLOYEE COMPENSATION

	Group	
	2018	2017
	$'000	$'000
Wages and salaries	**36,943**	37,805
Employer's contribution to defined contribution plans, including Central Provident Fund	**3,249**	3,312
	40,192	41,117

7. OTHER INCOME

	Group	
	2018	2017
	$'000	$'000
Interest income from:		
– bank deposits	**3,993**	2,424
– advances to joint ventures	**-**	473
Other miscellaneous income	**328**	363
	4,321	3,260

8. OTHER GAINS – NET

	Group	
	2018	2017
	$'000	$'000
Impairment of:		
– hospitality lease and management agreements (Note 22(b))	**-**	(110)
– property, plant and equipment (Note 21)	**(898)**	-
Fair value gains on investment properties (Note 20)	**16,583**	5,876
Revaluation gains/(losses) on property, plant and equipment (Note 21)	**1,745**	(5,378)
Currency translation losses - net	**(8,907)**	(265)
Loss on disposal of:		
– property, plant and equipment	**(143)**	(79)
– investment property	**(74)**	-
	8,306	44

9. FINANCE EXPENSES

	Group	
	2018	2017
	$'000	$'000
Interest expense for:		
– bank borrowings	**4,980**	4,394
– advances from non-controlling interests	**1,327**	1,530
	6,307	5,924
Less: Borrowing costs capitalised in development properties and investment properties	**(1,119)**	(1,624)
Finance expenses recognised in profit or loss	**5,188**	4,300

Borrowing costs on general financing were capitalised at a rate of 1.5% (2017: 1.4%) per annum.

10. INCOME TAXES

(a) Income tax expense

	Group 2018 $'000	Group 2017 $'000
Tax expense attributable to profit is made up of:		
Profit for the financial year:		
Current income tax		
– Singapore	**1,563**	919
– Foreign	**2,712**	3,229
	4,275	4,148
Deferred income tax (Note 27)	**(509)**	136
	3,766	4,284
Under/(over) provision in prior financial years:		
Current income tax		
– Singapore	**124**	480
– Foreign	**(1,678)**	(184)
	(1,554)	296
Deferred income tax (Note 27)	**-**	(882)
	(1,554)	(586)
	2,212	3,698

The tax on the Group's profit before income tax differs from the theoretical amount that would arise using the Singapore standard rate of income tax as follows:

	Group 2018 $'000	Group 2017 $'000
Profit before income tax	**35,660**	25,704
Share of profit of:		
– joint ventures, net of tax	**(9,563)**	(11,809)
– associated companies, net of tax	**(3,376)**	(2,678)
	(12,939)	(14,487)
Profit before income tax and share of profit of joint ventures and associated companies	**22,721**	11,217
Tax calculated at tax rate of 17% (2017: 17%)	**3,863**	1,907
Effects of:		
– different tax rates in other countries	**167**	708
– tax incentives	**(61)**	(69)
– non-deductible expenses for tax purposes	**4,565**	6,316
– income not subject to tax	**(4,992)**	(5,491)
– statutory stepped income exemption	**(56)**	(56)
– deferred tax asset not recognised	**17**	327
– recognition of previously unrecognised tax losses and capital allowances	**(725)**	(268)
– profit of a joint venture subject to tax on remittance	**988**	910
– over provision of tax in prior financial years	**(1,554)**	(586)
Tax charge	**2,212**	3,698

10. INCOME TAXES (continued)

(b) Movement in current income tax liabilities

	Group		Company	
	2018	2017	**2018**	2017
	$'000	$'000	**$'000**	$'000
Beginning of financial year	**7,381**	6,299	**485**	485
Currency translation differences	**(355)**	54	**-**	-
Income tax paid – net	**(5,024)**	(3,416)	**-**	-
Tax expense	**4,275**	4,148	**-**	-
(Over)/under provision in prior financial years	**(1,554)**	296	**-**	-
End of financial year	**4,723**	7,381	**485**	485

(c) Tax effects – other comprehensive income

	2018			2017		
	Before tax	Tax credit/ (charge)	After tax	After tax	Tax credit/ (charge)	After tax
	$'000	$'000	$'000	$'000	$'000	$'000
Items that may be reclassified subsequently to profit or loss:						
Share of other comprehensive income of joint ventures	**156**	**-**	**156**	105	-	105
Currency translation differences arising from consolidation	**(20,156)**	**-**	**(20,156)**	2,264	-	2,264
Items that will not be reclassified subsequently to profit or loss:						
Share of other comprehensive income/ (loss) of:						
– joint ventures	**11,339**	**(1,561)**	**9,778**	16,722	(2,200)	14,522
– associated companies	**(2,095)**	**-**	**(2,095)**	1,998	-	1,998
Revaluation gains/(losses) on property, plant and equipment-net	**11,757**	**103**	**11,860**	(5,625)	5,107	(518)
Currency translation differences arising from consolidation	**(8,190)**	**-**	**(8,190)**	620	-	620
	(7,189)	**(1,458)**	**(8,647)**	16,084	2,907	18,991

11. EARNINGS PER SHARE

Basic earnings per share ("EPS") is calculated by dividing the net profit attributable to equity holders of the Company by the weighted average number of ordinary shares outstanding during the financial year.

	Group	
	2018	2017 (restated)
Net profit attributable to equity holders of the Company ($'000)	**32,937**	21,753
Weighted average number of ordinary shares outstanding for basic earnings per share ('000)	**431,118**	423,901
Basic EPS (cents per share)	**7.64**	5.13

Diluted EPS was the same as basic EPS as there are no dilutive potential ordinary shares.

12. CASH AND CASH EQUIVALENTS

	Group			Company		
	31 December		1 January	31 December		1 January
	2018	2017	2017	**2018**	2017	2017
	$'000	$'000	$'000	**$'000**	$'000	$'000
Cash at bank and on hand	**46,463**	36,941	47,098	**4,844**	2,678	7,319
Short-term bank deposits	**209,824**	182,644	162,164	**181,759**	153,698	142,900
	256,287	219,585	209,262	**186,603**	156,376	150,219

Included in cash and cash equivalents of the Group as at 31 December 2018 was the Group's share of its joint operation's bank balances and deposits amounting to Nil (31 December 2017: Nil; 1 January 2017: $3,032,000) held under the development project rules in Singapore and the use of which is also governed by these rules.

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

	Group		
	31 December		1 January
	2018	2017	2017
	$'000	$'000	$'000
Cash and cash equivalents (as above)	**256,287**	219,585	209,262
Less: Bank deposits pledged	**(21,144)**	-	-
Cash and cash equivalents per consolidated statement of cash flows	**235,143**	219,585	209,262

Bank deposits are pledged in relation to the security granted for certain borrowings (Note 24).

13. TRADE AND OTHER RECEIVABLES

	Group			Company		
	31 December		1 January	31 December		1 January
	2018	2017	2017	**2018**	2017	2017
	$'000	$'000	$'000	**$'000**	$'000	$'000
Trade receivables:						
– other related parties (Note 34(b))	**3,813**	5,454	4,130	**87**	611	364
– non-related parties	**10,075**	11,134	12,497	**1,748**	1,575	1,925
Accrued receivables	**-**	-	7,773	**-**	-	-
	13,888	16,588	24,400	**1,835**	2,186	2,289
Less: Allowance for impairment of receivables (Note 33(b))						
– non-related parties	**(346)**	(1,363)	(1,130)	**(93)**	(35)	-
	13,542	15,225	23,270	**1,742**	2,151	2,289
Advances to subsidiaries	**-**	-	-	**163,350**	185,914	162,511
Deposits:						
– other related parties (Note 34(b))	**5,376**	5,382	5,394	**5,239**	5,243	5,210
– non-related parties	**189**	225	107	**11**	3	-
Prepayments	**1,957**	2,125	1,113	**154**	106	48
Other receivables:						
– joint ventures	**877**	152	65	**19**	-	-
– other related parties (Note 34(b))	**1,251**	1,172	559	**301**	81	-
– non-related parties	**2,897**	3,215	2,757	**790**	716	501
	12,547	12,271	9,995	**169,864**	192,063	168,270
	26,089	27,496	33,265	**171,606**	194,214	170,559

The advances to subsidiaries by the Company and the other receivables from other related parties of the Group and the Company, if any, are unsecured, repayable on demand and interest-free, except that the advances to a subsidiary by the Company of $154,812,000 (31 December 2017 and 1 January 2017: $154,812,000) which is interest-bearing at a weighted average effective rate of 2.0% (31 December 2017 and 1 January 2017: 2.0%) per annum.

14. OTHER NON-CURRENT ASSETS

	Group			Company		
	31 December		1 January	31 December		1 January
	2018	2017	2017	**2018**	2017	2017
	$'000	$'000	$'000	**$'000**	$'000	$'000
Prepayments	**272**	352	381	**201**	215	234
Advance payment	**19,327**	-	-	**-**	-	-
Advances to:						
– subsidiaries	**-**	-	-	**147,669**	118,903	531,048
– joint ventures	**-**	18,238	56,766	**-**	-	39,910
– associated company	**862**	862	862	**-**	-	-
	20,461	19,452	58,009	**147,870**	119,118	571,192
Less: Allowance for impairment of receivables						
– subsidiaries	**-**	-	-	**-**	-	(78,000)
– associated company	**(862)**	(862)	(862)	**-**	-	-
	19,599	18,590	57,147	**147,870**	119,118	493,192

14. OTHER NON-CURRENT ASSETS (continued)

Advance payment of $19,327,000 relates to an investment in a joint venture hotel development project in Ariake in Tokyo, Japan (the "Hotel Project"). The Hotel Project is a joint venture between Far East Hospitality Holdings Pte. Ltd. ("FEHH"), a 70%-held subsidiary of the Company, and Boo Han Holdings Pte. Ltd., a related party, entered on 28 May 2018. As of 31 December 2018, the joint venture entity had not been set up. Upon the incorporation of the joint venture entity, the advance payment made by FEHH in relation to the Hotel Project, amounting to $19,327,000 as of 31 December 2018, will be transferred to the joint venture entity as equity investment.

The non-current advances to joint ventures by the Group and the Company represent the advances provided to fund the projects held by these joint ventures.

The non-current advances to subsidiaries, joint ventures and an associated company by the Group and the Company, if any, are unsecured, not expected to be repayable in the next twelve months and interest-free except for advances to subsidiaries by the Company of $147,669,000 (31 December 2017: $118,903,000; 1 January 2017: $80,901,000), which is interest-bearing at a weighted average effective rate of 1.7% (31 December 2017: 1.5%; 1 January 2017: 1.3%) per annum.

For the financial year ended 31 December 2017, non-current advances to subsidiaries, amounting to $371,910,000, were reclassified to 'Investment in subsidiaries' (Note 19).

15. DEVELOPMENT PROPERTIES

	Group		
	31 December		1 January
	2018	2017	2017
	$'000	$'000	$'000
Freehold land	**16,712**	17,371	17,173
Development costs	**23,893**	13,641	4,580
	40,605	31,012	21,753

The amounts relate to unsold properties under development in the United Kingdom.

16. PROPERTIES HELD FOR SALE

	Group		
	31 December		1 January
	2018	2017	2017
	$'000	$'000	$'000
Residential	**-**	167	167
Medical suites	**123,911**	123,863	123,863
	123,911	124,030	124,030

At the balance sheet date, the details of the Group's properties held for sale are as follows:

Location	Description/existing use	Gross floor area (sm)	Group's effective interest
Novena Medical Center, 10 Sinaran Drive Singapore	7 units of medical suites	515	100%
Novena Specialist Center, 8 Sinaran Drive Singapore	30 units of medical suites	2,249	100%

17. INVESTMENTS IN ASSOCIATED COMPANIES

	Group		Company	
	2018	2017	**2018**	2017
	$'000	$'000	**$'000**	$'000
Equity investment at cost			**696**	696
Beginning of financial year	**14,640**	9,964		
Share of:				
– profit	**3,376**	2,678		
– movement in fair value reserve (Note 29(iii))	**(2,095)**	1,998		
End of financial year	**15,921**	14,640		

The details of the Group's associated company, FEO Hospitality Asset Management Pte Ltd ("FEOHAM"), which, in the opinion of the directors is material to the Group are set out in Note 37. Set out below are the summarised financial information for FEOHAM.

Summarised balance sheet

	31 December		1 January
	2018	2017	2017
	$'000	$'000	$'000
Current assets	**8,156**	7,059	7,692
Includes:			
– Cash and cash equivalents	**1,896**	1,239	1,833
Current liabilities	**(4,980)**	(3,934)	(3,442)
Includes:			
– Other current liabilities (including trade payables)	**(4,980)**	(3,934)	(3,442)
Non-current assets	**44,587**	40,200	24,905
Net assets	**47,763**	43,325	29,155

17. INVESTMENTS IN ASSOCIATED COMPANIES (continued)

Summarised statement of comprehensive income

	For the financial year ended **2018** **$'000**	2017 $'000
Revenue	**13,538**	11,175
Expenses		
Includes:		
– Depreciation and amortisation	**(101)**	(67)
Profit before income tax	**12,358**	9,766
Income tax expense	**(2,129)**	(1,650)
Net profit	**10,229**	8,116
Other comprehensive (loss)/gain, net of tax	**(6,347)**	6,054
Total comprehensive income	**3,882**	14,170

The information above reflects the amounts presented in the financial statements of FEOHAM and not the Group's share of those amounts, adjusted for differences in accounting policies between the Group and the associated company.

There are no contingent liabilities relating to the Group's interest in FEOHAM.

Reconciliation of the summarised financial information presented, to the carrying amount of the Group's interest in the associated companies is as follows:

	2018 **$'000**	2017 $'000
Net assets at beginning of financial year	**43,325**	29,155
Profit for the year	**10,229**	8,116
Other comprehensive (loss)/gain	**(6,347)**	6,054
Net assets at end of financial year	**47,207**	43,325
Interest in FEOHAM (2018 and 2017: 33%)	**15,578**	14,297
Goodwill	**343**	343
Carrying amount	**15,921**	14,640

18. INVESTMENTS IN JOINT VENTURES

	Group		Company	
	2018	2017	**2018**	2017
	$'000	$'000 (restated)	**$'000**	$'000
Equity investment at cost			**300**	300
Beginning of financial year (restated)	**480,703**	466,118		
Addition	**35,358**	-		
Share of profit	**9,563**	11,809		
Share of movements in:				
– asset revaluation reserve (Note 29(i))	**9,778**	14,522		
– currency translation reserve (Note 29(ii))	**80**	(156)		
– hedging reserve (Note 29(iv))	**76**	261		
Dividends received	**(36,753)**	(14,100)		
Foreign exchange differences	**(19,537)**	2,249		
End of financial year	**479,268**	480,703		

Information about material joint ventures

The details of the Group's joint ventures, Toga Trust and Toga Developments Sydney Pty Limited ("TDSPL"), which, in the opinion of the directors, are material to the Group are set out in Note 37. Set out below are the summarised financial information for Toga Trust and TDSPL.

During the year, the Group injected its remaining committed equity into Toga Trust, amounting to $35,358,000, to increase its equity interest from 45.6% to 50.0%.

18. INVESTMENTS IN JOINT VENTURES (continued)

Information about material joint ventures (continued)

Summarised consolidated balance sheet

	Toga Trust			TDSPL		
	31 December		1 January	31 December		1 January
	2018	2017	2017	**2018**	2017	2017
	$'000	$'000	$'000	**$'000**	$'000	$'000
Current assets	**112,660**	91,958	125,229	**34,986**	87,246	120,963
Includes:						
– Cash and cash equivalents	**75,621**	47,431	75,342	**2,474**	30,939	603
– Trade and other receivables	**29,049**	37,641	46,488	**32,512**	17,600	-
– Development properties	**-**	-	-	**-**	36,709	119,401
Current liabilities	**(129,397)**	(75,605)	(90,872)	**(9,723)**	(65,623)	(112,796)
Includes:						
– Financial liabilities (excluding trade payables)	**(75,597)**	(25,965)	(16,756)	**-**	(36,477)	(106,355)
– Other current liabilities (including trade payables)	**(53,800)**	(49,640)	(74,116)	**(9,723)**	(29,146)	(6,441)
Non-current assets	**565,587**	565,407	509,671	**93**	-	526
Includes:						
– Property, plant and Equipment [(1)]	**291,529**	279,363	227,731	**-**	-	-
– Intangible assets [(2)]	**261,571**	279,714	278,577	**-**	-	-
Non-current liabilities	**(115,717)**	(156,328)	(137,418)	**-**	(340)	(1,592)
Includes:						
– Financial liabilities	**(68,281)**	(111,530)	(95,250)	**-**	-	-
– Other liabilities	**(47,436)**	(44,798)	(42,168)	**-**	(340)	(1,592)
Net assets	**433,133**	425,432	406,610	**25,356**	21,283	7,101

(1) Includes land and buildings held at fair value amounting to $285,254,000 (31 December 2017: $270,893,000; 1 January 2017: $198,099,000).

(2) Includes goodwill and brand with indefinite lives amounting to $184,243,000 (31 December 2017: $200,044,000; 1 January 2017: $200,351,000).

18. INVESTMENTS IN JOINT VENTURES (continued)

Information about material joint ventures (continued)

Summarised consolidated statement of comprehensive income

	Toga Trust		TDSPL	
	For the financial year ended			
	2018	2017	**2018**	2017
	$'000	$'000	**$'000**	$'000
Sales	**404,347**	393,753	**48,071**	137,022
Interest income	**648**	1,238	**155**	224
Expenses				
Includes:				
– Depreciation and amortisation	**(12,767)**	(11,556)	**-**	-
– Interest expense	**(3,995)**	(3,990)	**-**	-
Profit before income tax	**8,607**	9,852	**8,881**	20,066
Income tax expense	**(3,704)**	(1,703)	**(2,658)**	(6,020)
Net profit	**4,903**	8,149	**6,223**	14,046
Other comprehensive income, net of tax	**6,821**	11,648	**-**	-
Total comprehensive income	**11,724**	19,797	**6,223**	14,046
Dividend received from joint venture	**1,152**	-	**-**	-

The information above reflects the amounts presented in the financial statements of the joint ventures, and not the Group's share of those amounts, adjusted for differences in accounting policies between the Group and the joint ventures.

There are no contingent liabilities relating to the Group's interest in the joint ventures.

18. INVESTMENTS IN JOINT VENTURES (continued)

Information about material joint ventures (continued)

Reconciliation of the summarised financial information presented, to the carrying amount of the Group's interest in the joint ventures are as follows:

	Toga Trust		TDSPL	
	2018	2017	**2018**	2017
	$'000	$'000	**$'000**	$'000
Net assets at beginning of financial year	**425,432**	406,610	**21,283**	7,101
Addition during the year	**35,358**	-	**-**	-
Profit for the year	**4,903**	8,149	**6,223**	14,046
Other comprehensive income	**6,821**	11,648	**-**	-
Dividends paid	**(2,525)**	-	**-**	-
Foreign exchange differences	**(36,856)**	(975)	**(2,150)**	136
Net assets at end of financial year	**433,133**	425,432	**25,356**	21,283
Interest in Toga Trust (up to 30 June 2018: 46%; 1 July 2018 onwards: 50%) and TDSPL (50%)	**216,572**	193,733	**12,678**	10,641
Goodwill	**5,814**	5,814	**-**	-
Carrying value	**222,386**	199,547	**12,678**	10,641

Information about immaterial joint ventures

The following table summarises, in aggregate, the Group's carrying amount, share of net profit and other comprehensive income of the individually immaterial joint ventures accounted for using the equity method:

	31 December		1 January
	2018	2017	2017
	$'000	$'000	$'000
		(restated)	(restated)
Carrying value			
Total carrying amount of investments in joint ventures	**479,268**	480,703	466,118
Less: carrying amount of investments in material joint ventures disclosed separately	**(235,064)**	(210,188)	(248,974)
Carrying amount of investments in individually immaterial joint ventures	**244,204**	270,515	217,144
Share of net profit and other comprehensive income			
Profit from continuing operations	**4,008**	1,068	475
Other comprehensive income	**6,743**	9,313	6,624
Total comprehensive income	**10,751**	10,381	7,099

The immaterial joint ventures individually account for less than 10% of the Group's total assets or profit before tax. The immaterial joint ventures include the Group's 33% joint venture equity interest in Woodlands Square Pte. Ltd. (Note 37) with a carrying amount of $143,794,000 (31 December 2017: $144,081,000; 1 January 2017: $143,328,000). The Group's share of losses from Woodlands Square Pte. Ltd. for the financial year ended 31 December 2018 amounted to $287,000 (31 December 2017: $327,000; 1 January 2017: $1,979,000).

19. INVESTMENT IN SUBSIDIARIES

	31 December		1 January
	2018	2017	2017
	$'000	$'000	$'000
Equity investments at cost	**521,354**	521,354	521,354
Advances to subsidiaries (Note 14)	**371,747**	371,910	-
Less: Allowance for impairment of equity investments	**(9,663)**	(9,663)	(9,663)
	883,438	883,601	511,691

There were no changes during the financial year in the Group's ownership interest in its significant subsidiaries as set out in Note 37.

The details of the subsidiary with material non-controlling interest, Far East Hospitality Holdings Pte. Ltd., are set out in Note 37. The summarised consolidated financial information for Far East Hospitality Holdings Pte. Ltd. and its subsidiaries, before inter-company eliminations with other subsidiaries within the Group, is set out below.

Summarised consolidated balance sheet

	31 December		1 January
	2018	2017	2017
	$'000	$'000	$'000
Assets			
Current assets	**82,553**	79,149	71,553
Non-current assets	**626,329**	609,160	612,170
	708,882	688,309	683,723
Liabilities			
Current liabilities	**(330,034)**	(291,320)	(295,968)
Non-current liabilities	**(274,379)**	(277,765)	(282,867)
	(604,413)	(569,085)	(578,835)
Net assets	**104,469**	119,224	104,888
Carrying value of non-controlling interest at 30% (31 December 2017 and 1 January 2017: 30%)	**31,341**	35,767	31,466

19. INVESTMENT IN SUBSIDIARIES (continued)

Summarised consolidated statement of comprehensive income

	For the financial year ended **2018** **$'000**	2017 $'000
Sales	**86,859**	91,605
Profit before income tax	**2,426**	4,607
Income tax expense	**(722)**	(3,763)
Net profit	**1,704**	844
Other comprehensive (loss)/income, net of tax	**(16,457)**	13,492
Total comprehensive (loss)/income	**(14,753)**	14,336
Total comprehensive (loss)/income allocated to non-controlling interest	**(4,426)**	4,301

Summarised consolidated statement of cash flows

	For the financial year ended **2018** **$'000**	2017 $'000
Operating cash inflows	**9,574**	8,824
Investing cash (outflows)/inflows	**(47,469)**	922
Financing cash inflows/(outflows)	**46,901**	(4,412)
Total cash inflows – net	**9,006**	5,334

20. INVESTMENT PROPERTIES

	Group		Company	
	2018	2017	**2018**	2017
	$'000	$'000	**$'000**	$'000
Beginning of financial year	**492,975**	446,515	**130,968**	124,922
Fair value gains – net (Note 8)	**16,583**	5,876	**6,277**	6,046
Additions				
– Subsequent expenditure	**19,520**	38,749	**-**	-
Disposals	**(1,935)**	-	**-**	-
Foreign exchange differences	**(9,745)**	1,835	**-**	-
End of financial year	**517,398**	492,975	**137,245**	130,968
Comprising:				
– Completed properties	**490,599**	454,112	**137,245**	130,968
– Properties under construction	**26,799**	38,863	**-**	-
	517,398	492,975	**137,245**	130,968

(a) Investment properties of the Group with carrying amounts of $158,289,000 (2017: $157,702,000) are provided as security for bank borrowings (Note 24).

(b) Completed properties are leased to non-related parties under operating leases. The following amounts are recognised in profit or loss:

	Group	
	2018	2017
	$'000	$'000
Rental income	**20,196**	18,021
Direct operating expenses arising from investment properties that generate rental income	**(6,304)**	(5,712)

(c) At the balance sheet date, the details of the Group's investment properties are as follows:

Location	Description/existing use	No. of units/rooms	Group's effective interest
Singapore			
Orchard Rendezvous Hotel, Singapore 1 Tanglin Road	Shops and offices (land only)	-	Freehold and leasehold with 99 years lease expiring on 31 March 2064
Tanglin Shopping Centre, 19 Tanglin Road	Offices	4	Freehold
Novena Medical Center, 10 Sinaran Drive	Medical suites	37	Leasehold with 99 years lease expiring on 27 August 2101
Novena Specialist Center, 8 Sinaran Drive	Medical suites	10	Leasehold with 99 years lease expiring on 22 April 2106

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For the financial year ended 31 December 2018

20. INVESTMENT PROPERTIES (continued)

(c) At the balance sheet date, the details of the Group's investment properties are as follows: (continued)

Location	Description/existing use	No. of units/rooms	Group's effective interest
Australia			
Rendezvous Hotel Perth Scarborough	Shops	13	Freehold
Adina Apartment Hotel Brisbane Anzac Square	Apartment	1	Freehold
United Kingdom			
Turner Court, Newcastle upon Tyne	Student accommodation	274	Freehold
Rosedale Court, Newcastle upon Tyne	Student accommodation	338	Freehold
Marshall Court, Newcastle upon Tyne	Student accommodation	196	Freehold
Bryson Court, Newcastle upon Tyne	Student accommodation	366	Freehold
Newton Court, Newcastle upon Tyne	Student accommodation	295	Freehold
Land sites at Newcastle upon Tyne	Student accommodation	-	Freehold
Hollingbury House, Brighton (under development)	Student accommodation	-	Freehold

(d) 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 investment properties at the end of the financial year based on the properties' highest and best use.

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.

Level 3 fair values of the Group's investment properties and land and buildings classified under property, plant and equipment (Note 21) have generally been derived using one or more of the following valuation techniques:

– sales comparison method, where the properties are valued using transacted prices for comparable properties with necessary adjustments made for the differences in location, tenure and condition of the property as well as prevailing market conditions relative to the date of the comparable transaction. The most significant unobservable input to the valuation is the pre-adjusted comparable sales price.

– discounted cash flow method, where the future net cash flows over a period are discounted to arrive at a present value. The most significant unobservable inputs to the valuation are the estimated net profit margin (for land and buildings classified under property, plant and equipment only), discount rate and terminal yield applied.

– income capitalisation method, where the net income is capitalised at a rate which reflects the yield expected from the property. The most significant unobservable input to the valuation is the capitalisation rate applied.

20. INVESTMENT PROPERTIES (continued)

(d) Valuation processes, techniques and inputs used in Level 3 fair value measurements (continued)

The following table presents the valuation techniques and key unobservable inputs that were used to determine the fair value which is categorised under Level 3 of the fair value hierarchy.

Description	Fair value as at 31 December 2018 $'000	31 December 2017 $'000	1 January 2017 $'000	Valuation technique(s)	Significant unobservable input(s) and range	Relationship of unobservable inputs to fair value
Freehold and leasehold land – Singapore [(1)]	**124,155**	119,023	113,801	Income capitalisation	Capitalisation rate – 3.5% to 4.8% (31 December 2017: 3.8% to 4.5%; 1 January 2017: 4.0% to 5.0%)	The lower the capitalisation rate, the higher the fair value
				Sales comparison	Pre-adjusted comparable sales price – $3,890 to $6,304 (31 December 2017: $3,951 to $5,136; 1 January 2017: $3,812 to $7,258) psf	The higher the comparable sales price, the higher the fair value
Office units – Singapore	**13,090**	11,945	11,120	Sales comparison	Pre-adjusted comparable sales price – $2,109 to $2,826 (31 December 2017: $1,800 to $2,500; 1 January 2017: $1,705 to $2,764) psf	The higher the comparable sales price, the higher the fair value
Medical suites – Singapore	**163,047**	163,047	163,047	Sales comparison	Pre-adjusted comparable sales price – $4,456 to $4,700 (31 December 2017: $3,573 to $4,708; 1 January 2017: $3,210 to $7,350) psf	The higher the comparable sales price, the higher the fair value
Shops, restaurant and apartment – Australia [(2)]	**27,228**	31,597	32,326	Discounted cash flow	Discount rate – 7.5% (31.12.2017: 7.5%; 01.01.2017: 8.3%) Terminal yield – 7.5% (31 December 2017: 7.5%; 1 January 2017: 7.3%)	The lower the discount rate or terminal yield, the higher the fair value
				Income capitalisation	Capitalisation rate – 7.0% to 8.0% (31 December 2017: 7.0% to 8.0%; 1 January 2017: 7.0% to 8.9%)	The lower the capitalisation rate, the higher the fair value
Student accommodation – United Kingdom [(2)]	**189,878**	167,363	126,221	Discounted cash flow	Discount rate – 8.3% to 9.4% (31 December 2017: 8.3% to 9.4%; 1 January 2017: 9.3% to 9.5%)	The lower the discount rate or terminal yield, the higher the fair value
					Terminal yield – 5.8% to 6.9% (31 December 2017: 5.8% to 6.9%; 1 January 2017: 6.8% to 7.0%)	
				Income capitalisation	Capitalisation rate – 5.3% to 6.6% (31 December 2017: 5.3% to 6.9%; 1 January 2017: 6.0% to 6.5%)	The lower the capitalisation rate, the higher the fair value
	517,398	492,975	446,515			

[(1)] Valuation determined using the average of income capitalisation and sales comparison
[(2)] Valuation determined using the average of discounted cash flow and income capitalisation

21. PROPERTY, PLANT AND EQUIPMENT

	Freehold and leasehold land $'000	Buildings $'000	Plant, equipment, furniture and fittings $'000	Constructon-in-progress $'000	Motor vehicles $'000	Other assets $'000	Total $'000
Group – 2018							
Cost or valuation							
Beginning of financial year							
Cost	-	-	60,815	5,377	567	4,245	71,004
Valuation	369,266	157,084	-	-	-	-	526,350
	369,266	157,084	60,815	5,377	567	4,245	597,354
Currency translation differences	(4,299)	(9,641)	(1,103)	(202)	-	(141)	(15,386)
Additions	-	-	1,335	2,659	426	208	4,628
Disposals	-	-	(23)	-	(365)	(2)	(390)
Transfers	-	-	5,954	(5,954)	-	-	-
Write-off	-	-	(10)	-	-	-	(10)
Revaluation adjustments:							
– profit or loss	-	787	-	-	-	-	787
– other comprehensive income (Note 29(i))	20,639	(13,531)	-	-	-	-	7,108
End of financial year	385,606	134,699	66,968	1,880	628	4,310	594,091
Representing:							
Cost	-	-	66,968	1,880	628	4,310	73,786
Valuation	385,606	134,699	-	-	-	-	520,305
	385,606	134,699	66,968	1,880	628	4,310	594,091
Accumulated depreciation and impairment losses							
Beginning of financial year	-	-	48,817	-	293	3,282	52,392
Currency translation differences	-	(92)	(746)	-	-	(82)	(920)
Depreciation charge	-	5,699	4,120	-	61	293	10,173
Impairment charge	-	-	898	-	-	-	898
Write-off	-	-	(5)	-	-	-	(5)
Disposals	-	-	(12)	-	(228)	(2)	(242)
Revaluation adjustments:							
– profit or loss	-	(958)	-	-	-	-	(958)
– other comprehensive income (Note 29(i))	-	(4,649)	-	-	-	-	(4,649)
End of financial year	-	-	53,072	-	126	3,491	56,689
Net book value							
End of financial year	**385,606**	**134,699**	**13,896**	**1,880**	**502**	**819**	**537,402**

21. PROPERTY, PLANT AND EQUIPMENT (continued)

	Freehold and leasehold land $'000	Buildings $'000	Plant, equipment, furniture and fittings $'000	Constructon-in-progress $'000	Motor vehicles $'000	Other assets $'000	Total $'000
Group – 2017							
Cost or valuation							
Beginning of financial year							
Cost	-	-	59,389	3,119	1,046	4,243	67,797
Valuation	366,114	181,016	-	-	-	-	547,130
	366,114	181,016	59,389	3,119	1,046	4,243	614,927
Currency translation differences	165	447	32	(4)	-	(3)	637
Additions	-	-	1,453	2,262	-	5	3,720
Disposals	-	-	(59)	-	(479)	-	(538)
Write-off	-	-	-	-	-	(8)	(8)
Cost adjustments	-	(3,979)	-	-	-	-	(3,979)
Revaluation adjustments:							
– profit or loss	-	(6,529)	-	-	-	-	(6,529)
– other comprehensive income (Note 29(i))	2,987	(13,871)	-	-	-	-	(10,884)
End of financial year	369,266	157,084	60,815	5,377	567	4,237	597,346
Representing:							
Cost	-	-	60,815	5,377	567	4,237	70,996
Valuation	369,266	157,084	-	-	-	-	526,350
	369,266	157,084	60,815	5,377	567	4,237	597,346
Accumulated depreciation and impairment losses							
Beginning of financial year	-	-	44,843	-	379	2,979	48,201
Currency translation differences	-	(111)	(39)	-	-	-	(150)
Depreciation charge	-	6,521	4,069	-	108	299	10,997
Write-off	-	-	-	-	-	(4)	(4)
Disposals	-	-	(56)	-	(194)	-	(250)
Revaluation adjustments:							
– profit or loss	-	(1,151)	-	-	-	-	(1,151)
– other comprehensive income (Note 29(i))	-	(5,259)	-	-	-	-	(5,259)
End of financial year	-	-	48,817	-	293	3,274	52,384
Net book value							
End of financial year	369,266	157,084	11,998	5,377	274	963	544,962

21. PROPERTY, PLANT AND EQUIPMENT (continued)

	Freehold and leasehold land $'000	Plant, equipment, furniture and fittings $'000	Construct-ion-in-progress $'000	Motor vehicles $'000	Other assets $'000	Total $'000
Company – 2018						
Cost or valuation						
Beginning of financial year						
Cost	-	28,420	2,368	-	1,789	32,577
Valuation	309,576	-	-	-	-	309,576
	309,576	28,420	2,368	-	1,789	342,153
Additions	-	430	2,633	-	-	3,063
Transfers	-	5,001	(5,001)	-	-	-
Revaluation adjustments – other comprehensive income (Note 29(i))	10,968	-	-	-	-	10,968
End of financial year	320,544	33,851	-	-	1,789	356,184
Representing:						
Cost	-	33,851	-	-	1,789	35,640
Valuation	320,544	-	-	-	-	320,544
	320,544	33,851	-	-	1,789	356,184
Accumulated depreciation						
Beginning of financial year	-	26,601	-	-	1,782	28,383
Depreciation charge	-	1,072	-	-	2	1,074
End of financial year	-	27,673	-	-	1,784	29,457
Net book value						
End of financial year	**320,544**	**6,178**	**-**	**-**	**5**	**326,727**
Company – 2017						
Cost or valuation						
Beginning of financial year						
Cost	-	28,039	476	468	1,789	30,772
Valuation	305,599	-	-	-	-	305,599
	305,599	28,039	476	468	1,789	336,371
Additions	-	436	1,892	-	-	2,328
Disposals	-	(55)	-	(468)	-	(523)
Revaluation adjustments – other comprehensive income (Note 29(i))	3,977	-	-	-	-	3,977
End of financial year	309,576	28,420	2,368	-	1,789	342,153
Representing:						
Cost	-	28,420	2,368	-	1,789	32,577
Valuation	309,576	-	-	-	-	309,576
	309,576	28,420	2,368	-	1,789	342,153
Accumulated depreciation						
Beginning of financial year	-	25,959	-	130	1,780	27,869
Depreciation charge	-	696	-	51	2	749
Disposals	-	(54)	-	(181)	-	(235)
End of financial year	-	26,601	-	-	1,782	28,383
Net book value						
End of financial year	309,576	1,819	2,368	-	7	313,770

21. PROPERTY, PLANT AND EQUIPMENT (continued)

Property, plant and equipment of the Group with carrying amounts of $166,265,000 (31 December 2017: $185,727,000; 1 January 2017: $255,456,000) are provided as security for bank borrowings (Note 24).

The freehold and leasehold land and buildings of the Group and the Company with carrying values of $520,305,000 (31 December 2017: $526,350,000; 1 January 2017: $547,130,000) and $320,544,000 (31 December 2017: $309,576,000; 1 January 2017: $305,599,000) respectively are carried at the revalued amounts in accordance with the Group's accounting policy as described in Note 2.5. If these land and buildings were included in the financial statements at cost less accumulated depreciation and impairment losses, their net book values would have been $164,507,000 (31 December 2017: $179,584,000; 1 January 2017: $187,560,000) and $2,183,000 (31 December 2017: $2,183,000; 1 January 2017: $2,183,000) respectively.

Valuation processes, techniques and inputs for Level 3 fair value measurements

The Group engages external, independent and qualified valuers to determine the fair value of the Group's 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. The following table presents the valuation techniques and key inputs (as described in Note 20) that were used to determine the fair value which is categorised under Level 3 of the fair value hierarchy.

	Fair value as at					Relationship of
	31 December		1 January			unobservable
	2018	2017	2017	Valuation	Significant unobservable	inputs to fair
Description	**$'000**	$'000	$'000	technique(s)	input(s) and range	value
Freehold and leasehold land – Singapore	**320,544**	309,576	305,599	Income capitalisation	Capitalisation rate – 3.5% to 4.8% (31 December 2017: 3.8% to 4.5%; 1 January 2017: 4.0% to 5.0%)	The lower the capitalisation rate, the higher the fair value
				Sales comparison	Pre-adjusted comparable sales price – $2,918 to $6,792 (31 December 2017 and 1 January 2017: $2,918 to $6,792) psf	The higher the comparable sales price, the higher the fair value
Freehold land and building – Malaysia	**40,820**	40,412	48,676	Discounted cash flow	Discount rate – 8.0% (31 December 2017: 8.0%; 1 January 2017: 8.0%)	The lower the discount rate or terminal yield, the higher the fair value
					Terminal yield – 6.0% (31 December 2017 and 1 January 2017: 6.0%)	
Freehold land and buildings – Australia [(1)]	**158,941**	176,362	192,855	Discounted cash flow	Net profit margin – 13.8% to 28.6% (31 December 2017: 11.7% to 28.8%; 1 January 2017: 16.1% to 31.0%)	The higher the net profit margin, the higher the fair value
					Discount rate – 7.8% to 8.5% (31 December 2017: 8.0% to 8.5%; 1 January 2017: 8.0% to 9.3%)	The lower the discount rate or terminal yield, the higher the fair value
					Terminal yield – 6.5% to 7.5% (31 December 2017: 6.8% to 7.5%; 1 January 2017: 6.8% to 8.0%)	
				Income capitalisation	Capitalisation rate – 6.0% to 6.3% (31 December 2017: 6.0% to 7.0%; 1 January 2017: 6.0% to 7.5%)	The lower the capitalisation rate, the higher the fair value
	520,305	526,350	547,130			

(1) Valuation determined using the average of discounted cash flow and income capitalisation.

22. INTANGIBLE ASSETS

	Group		
	31 December		1 January
	2018	2017	2017
	$'000	$'000	$'000
Goodwill arising from acquisition of hospitality businesses (Note (a))	**51,520**	52,741	52,855
Hospitality lease and management agreements (Note (b))	**76,915**	80,129	83,533
	128,435	132,870	136,388

(a) Goodwill arising from acquisition of hospitality businesses

	Group	
	2018	2017
	$'000	$'000
Beginning of financial year	**57,639**	57,753
Currency translation differences	**(1,221)**	(114)
End of financial year	**56,418**	57,639
Accumulated impairment		
Beginning and end of financial year	**4,898**	4,898
Net book value	**51,520**	52,741

Impairment assessment of goodwill

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

	Group		
	31 December		1 January
	2018	2017	2017
	$'000	$'000	$'000
Management services – Singapore (Note (i))	**37,257**	37,257	37,257
Property ownership – Australia (Note (ii))	**14,263**	15,484	15,598
	51,520	52,741	52,855

(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

22. INTANGIBLE ASSETS (continued)

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

(i) Management services – Singapore (continued)

DCF method

The assumptions used in the future net cash flows takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use.

Cash flow projections used in the DCF were based on financial projections approved by management covering a five-year period. Cash flows beyond the five-year period were extrapolated using the estimated growth rate stated below. The growth rate did not exceed the long-term average growth rate for the hospitality management services business in which the CGU operates. Key assumptions used for the analysis of the CGU also include the annual revenue growth rates for the period from 2019 to 2023 which are benchmarked to industry reports and a discount rate which reflects a market participant's required return on the CGU being tested for impairment.

	31 December		1 January
	2018	2017	2017
Terminal growth rate	**2.4%**	2.5%	2.5%
Post-tax discount rate	**8.7%**	8.7%	9.0%

GPC method

The GPC method entails applying multiples to the normalised earnings of the CGU and adjusted for the risk and size of the CGU. The key assumptions are the GPC multiples and normalised earnings.

The GPC multiples are determined based on published data regarding traded price and earnings of public companies that are engaged in the same or similar line of business as the CGU. The CGU's normalised earnings is determined by management based on past performance and its expectations of market developments.

Based on the FVLCTS adopted by the Group, the recoverable amount of the CGU exceeds the carrying value and the allocated goodwill is not impaired.

(ii) Property ownership – Australia

The recoverable amount determined 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. Cash flows beyond the ten-year period were extrapolated using the estimated growth rate stated below. The growth rate did not exceed the long-term average growth rate for the hospitality operations business in which the CGU operates. Key assumptions used for the analysis of the CGU also include the budgeted net profit margin for the period 2019 to 2028 determined by management based on past performance and its expectations of market developments and a discount rate which was pre-tax and reflected specific risks relating to the CGU.

	31 December		1 January
	2018	2017	2017
Terminal growth rate	**1.0%**	1.0%	1.0%
Post-tax discount rate	**8.0%**	8.1%	8.5%

The CGU's recoverable amount exceeded its carrying amount and the allocated goodwill was not impaired.

22. INTANGIBLE ASSETS (continued)

(b) Hospitality lease and management agreements

	Group	
	2018	2017
	$'000	$'000
Cost		
Beginning of financial year	**99,447**	99,456
Currency translation differences	**(476)**	(9)
End of financial year	**98,971**	99,447
Accumulated amortisation and impairment		
Beginning of financial year	**19,318**	15,923
Currency translation differences	**(451)**	(16)
Amortisation charge included within "Cost of sales" in profit or loss	**3,189**	3,301
Impairment charge	**-**	110
End of financial year	**22,056**	19,318
Net book value	**76,915**	80,129

23. TRADE AND OTHER PAYABLES

	Group			Company		
	31 December		1 January	31 December		1 January
	2018	2017	2017	**2018**	2017	2017
	$'000	$'000	$'000	**$'000**	$'000	$'000
Current						
Trade payables:						
– other related parties (Note 34(b))	**789**	1,676	723	**540**	738	113
– non-related parties	**4,830**	9,313	11,652	**895**	873	1,178
	5,619	10,989	12,375	**1,435**	1,611	1,291
Other payables:						
– joint ventures	**2,433**	2,836	12,108	**-**	-	-
– non-related parties	**8,892**	9,005	8,610	**-**	-	-
	11,325	11,841	20,718	**-**	-	-
Advances from:						
– a subsidiary	**-**	-	-	**12,185**	-	-
– a joint venture	**18,056**	-	-	**1,800**	-	-
– non-controlling interest	**66,552**	66,552	66,552	**-**	-	-
Accrual for operating expenses	**14,272**	21,679	20,433	**3,822**	5,805	5,493
Deposits	**3,208**	3,308	3,398	**305**	172	284
Interest payable	**31**	38	18	**-**	-	-
Contract liabilities (Note 4(b))	**1,367**	1,193	1,053	**159**	154	146
	103,486	92,770	91,454	**18,271**	6,131	5,923
	120,430	115,600	124,547	**19,706**	7,742	7,214

23. TRADE AND OTHER PAYABLES (continued)

Contract liabilities disclosed above were previously classified as 'Deferred income'. The reclassification in 2018 was due to the adoption of SFRS(I) 15.

Other payables to joint ventures and advances from a non-controlling interest of the Group are unsecured, repayable on demand and interest-free, except for the advances from a non-controlling interest of $66,552,000 (31 December 2017 and 1 January 2017: $66,552,000) which bear interest at a weighted average effective interest rate of 2.0% (31 December 2017 and 1 January 2017: 2.0%) per annum.

	Group			Company		
	31 December		1 January	31 December		1 January
	2018	2017	2017	**2018**	2017	2017
	$'000	$'000	$'000	**$'000**	$'000	$'000
Non-current						
Deposits received	**1,297**	1,359	800	**-**	-	-
Advances from:						
– subsidiaries	**-**	-	-	**353,962**	348,083	328,307
– joint ventures	**25,341**	49,214	49,220	**-**	-	-
– non-controlling interests	**72,421**	72,447	73,963	**-**	-	-
	99,059	123,020	123,983	**353,962**	348,083	328,307

The non-current advances from subsidiaries to the Company and the advances from joint ventures and non-controlling interests of the Group are unsecured, interest-free and not repayable in the next 12 months.

Advances from a non-controlling interest of $71,910,000 (31 December 2017 and 1 January 2017: $71,910,000) are repayable at its nominal value, or convertible to shares of the subsidiary in whole or in part and in the same proportion as a similar loan from the Company to the same subsidiary, such that the Company's share of equity interest in the subsidiary does not change, at the rate of one share per $1 nominal value of the loan, upon the unanimous approval of the Company and the non-controlling interest. The advances have no fixed term of repayment and the non-controlling interest has no intention to demand repayment in the next 12 months.

The fair values of non-current trade and other payables of the Group and the Company approximate their carrying amounts.

24. BORROWINGS

	Group			Company		
	31 December		1 January	31 December		1 January
	2018	2017	2017	**2018**	2017	2017
	$'000	$'000	$'000	**$'000**	$'000	$'000
Bank borrowings						
– current (secured)	**152,049**	105,166	76,107	**-**	-	-
– current (unsecured)	**56,176**	74,979	80,901	**56,176**	74,979	80,901
	208,225	180,145	157,008	**56,176**	74,979	80,901
– non-current (secured)	**-**	-	46,353	**-**	-	-
– non-current (unsecured)	**86,953**	41,712	-	**86,953**	41,712	-
	295,178	221,857	203,361	**143,129**	116,691	80,901

The Group and the Company's bank borrowings are:

- at variable interest rates with contractual repricing dates less than 6 months from balance sheet date (31 December 2017 and 1 January 2017: Less than 6 months);
- secured over certain bank deposits (Note 12); and
- secured over certain investment properties (Note 20) and certain property, plant and equipment (Note 21).

The fair values of non-current borrowings of the Group approximate their carrying amounts.

25. DEFERRED INCOME

	Group			Company		
	31 December		1 January	31 December		1 January
	2018	2017	2017	**2018**	2017	2017
	$'000	$'000	$'000	**$'000**	$'000	$'000
Current						
– other related parties (Note 34(b))	**6,797**	6,797	6,797	**6,797**	6,797	6,797
– non-related parties	**729**	774	669	**20**	21	-
	7,526	7,571	7,466	**6,817**	6,818	6,797
Non-current						
– other related parties (Note 34(b))	**289,904**	296,701	303,498	**289,904**	296,701	303,498
	297,430	304,272	310,964	**296,721**	303,519	310,295

Deferred income was previously classified as 'Trade and other payables' in the financial years ended 31 December 2017 and 2016.

Deferred income from other related parties refers to the unamortised portion of the proceeds from Far East Hospitality Trust for the Company's grant of a 50-year leasehold interest (from August 2012) in the freehold and leasehold land of Orchard Rendezvous Hotel to Far East Hospitality Trust.

26. PROVISIONS

	Group		
	31 December		1 January
	2018	2017	2017
	$'000	$'000	$'000
Onerous hospitality lease agreements:			
– current	**-**	-	642
– non-current	**938**	2,122	2,267
	938	2,122	2,909

A provision is recognised at the balance sheet date for the unavoidable costs of meeting the obligations under the hospitality lease agreements which exceeds the economic benefits expected to be received over the remaining contractual term.

The movements in the provisions for onerous hospitality lease agreements are as follows:

	Group	
	2018	2017
	$'000	$'000
Beginning of financial year	**2,122**	2,909
Reversal during the year	**(1,147)**	-
Provision utilised	**-**	(626)
Currency translation differences	**(37)**	(161)
End of financial year	**938**	2,122

27. DEFERRED INCOME TAXES

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current income tax assets against current income tax liabilities and when the deferred income taxes relate to the same fiscal authority. The amounts, determined after appropriate offsetting, are shown on the balance sheet as follows:

	Group			Company		
	31 December		1 January	31 December		1 January
	2018	2017	2017	**2018**	2017	2017
	$'000	$'000	$'000	**$'000**	$'000	$'000
Deferred income tax assets						
– To be recovered after one year	**91**	99	100	**-**	-	-
Deferred income tax liabilities						
– To be settled within one year	**852**	729	728	**163**	113	209
– To be settled after one year	**30,196**	32,416	38,332	**142**	192	267
	31,048	33,145	39,060	**305**	305	476

Deferred income tax assets are recognised for tax losses and capital allowances carried forward to the extent that realisation of the related tax benefits through future taxable profits is probable. The Group has unrecognised tax losses and capital allowances of approximately $78,396,000 (31 December 2017: $77,736,000; 1 January 2017: $54,877,000) which can be carried forward and used to offset against future taxable income subject to meeting certain statutory requirements by those companies with unrecognised tax losses and capital allowances in their respective countries of incorporation. These tax losses have no expiry date.

27. DEFERRED INCOME TAXES (continued)

The movements in deferred income tax liabilities and assets (prior to offsetting of balances within the same tax jurisdiction) are as follows:

Deferred income tax liabilities – Group

	Accelerated tax depreciation $'000	Revaluation gains – net $'000	Other $'000	Total $'000
Group – 2018				
Beginning of financial year	14,281	18,881	2,172	35,334
(Credited)/charged to:				
– profit or loss	(483)	(16)	988	489
– other comprehensive income (Note 29(i))	-	(103)	-	(103)
Currency translation differences	-	(1,495)	(217)	(1,712)
End of financial year	**13,798**	**17,267**	**2,943**	**34,008**

	Accelerated tax depreciation $'000	Revaluation gains – net $'000	Recognition of profits on percentage of completion $'000	Other $'000	Total $'000
Group – 2017					
Beginning of financial year	14,879	25,088	1,064	1,264	42,295
(Credited)/charged to:					
– profit or loss	(598)	(155)	(1,064)	910	(907)
– other comprehensive income (Note 29(i))	-	(1,678)	-	-	(1,678)
Over provision in prior financial years					
– profit or loss	-	(882)	-	-	(882)
– other comprehensive income (Note 29(i))	-	(3,429)	-	-	(3,429)
Currency translation differences	-	(63)	-	(2)	(65)
End of financial year	14,281	18,881	-	2,172	35,334

Deferred income tax assets – Group

	Tax losses $'000	Other $'000	Total $'000
Group – 2018			
Beginning of financial year	(2,189)	(99)	(2,288)
Charged to profit or loss	(998)	-	(998)
Currency translation differences	227	8	235
End of financial year	**(2,960)**	**(91)**	**(3,051)**
Group – 2017			
Beginning of financial year	(3,235)	(100)	(3,335)
Charged to profit or loss	1,043	-	1,043
Currency translation differences	3	1	4
End of financial year	(2,189)	(99)	(2,288)

27. DEFERRED INCOME TAXES (continued)

Deferred income tax liabilities – Company

	2018	2017
	$'000	$'000
Accelerated tax depreciation		
Beginning of financial year	**305**	476
Credited to profit or loss	**-**	(171)
End of financial year	**305**	305

28. SHARE CAPITAL

	Group and Company			
	Number of shares		Amount	
	2018	2017	**2018**	2017
	'000	'000	**$'000**	$'000
Beginning of financial year	**425,132**	422,677	**479,244**	475,489
Shares issued in-lieu of dividend	**12,072**	2,455	**17,360**	3,755
End of financial year	**437,204**	425,132	**496,604**	479,244

All issued ordinary shares are fully paid and there is no par value for these ordinary shares.

29. REVALUATION AND OTHER RESERVES

	Group			Company		
	31 December		1 January	31 December		1 January
	2018	2017	2017	**2018**	2017	2017
	$'000	$'000	$'000	**$'000**	$'000	$'000
Capital reserve	**10,557**	10,557	10,557	**-**	-	-
Asset revaluation reserve	**358,304**	339,868	329,261	**292,967**	281,999	278,022
Currency translation reserve	**(38,034)**	(17,930)	(20,085)	**-**	-	-
Fair value reserve	**(2,186)**	(395)	(2,393)	**-**	-	-
Hedging reserve	**(297)**	(350)	(533)	**-**	-	-
	328,344	331,750	316,807	**292,967**	281,999	278,022

Capital reserve of the Group represents the difference between a non-controlling interest's share of the carrying amount of the business and the fair value of the consideration received by the Group when it transferred 30% out of the 100% held interest in the subsidiary, Far East Hospitality Holdings Limited (Note 19) to the non-controlling interest.

29. REVALUATION AND OTHER RESERVES (continued)

The movements for the other categories of reserves are as follows:

(i) Asset revaluation reserve

	Group		Company	
	2018	2017	**2018**	2017
	$'000	$'000	**$'000**	$'000
Beginning of financial year	**339,868**	329,261	**281,999**	278,022
Revaluation gains/(losses) - net	**11,757**	(5,625)	**10,968**	3,977
Share of joint venture's asset revaluation reserve movement	**9,778**	14,522	**-**	-
Tax credit/(charge) relating to				
– revaluation losses	**937**	6,647	**-**	-
– share of joint venture's asset revaluation reserve movement	**(834)**	(1,540)	**-**	-
Less: Non-controlling interest	**(3,202)**	(3,397)	**-**	-
End of financial year	**358,304**	339,868	**292,967**	281,999

(ii) Currency translation reserve

	Group	
	2018	2017
	$'000	$'000
Beginning of financial year	**(17,930)**	(20,085)
Net currency translation differences of financial statements of foreign subsidiaries and joint ventures	**(11,416)**	3,019
Net currency translation differences of advances designated as net investments in subsidiaries	**(16,930)**	(135)
Share of joint venture's currency translation reserve movement	**80**	(156)
Less: Non-controlling interest	**8,162**	(573)
End of financial year	**(38,034)**	(17,930)

(iii) Fair value reserve

	Group	
	2018	2017
	$'000	$'000
Beginning of financial year	**(395)**	(2,393)
Share of associated company's fair value reserve movement	**(2,095)**	1,998
Transfer of share of associated company's fair value reserve upon disposal	**304**	-
End of financial year	**(2,186)**	(395)

(iv) Hedging reserve

	Group	
	2018	2017
	$'000	$'000
Beginning of financial year	**(350)**	(533)
Share of joint venture's hedging reserve movement	**76**	261
Less: Non-controlling interest	**(23)**	(78)
End of financial year	**(297)**	(350)

Revaluation and other reserves are non-distributable.

30. RETAINED PROFITS

Retained profits of the Group are distributable except for the accumulated retained profits from the share of results of joint ventures and associated companies amounting to $55,192,000 (2017: $78,423,000).

The movements for the retained profits of the Company are as follows:

	Company	
	2018	2017
	$'000	$'000
Beginning of financial year	**260,987**	278,901
Shares issued in-lieu of dividend (Note 31)	**(17,360)**	(3,755)
Dividend paid to equity holders of the Company in cash (Note 31)	**(8,148)**	(21,605)
Net profit for the financial year	**15,139**	7,446
End of financial year	**250,618**	260,987

31. DIVIDEND

	Company	
	2018	2017
	$'000	$'000
Ordinary dividend paid		
Final dividend paid in respect of the previous financial year of 6 cents (2017: 6 cents) using		
– new shares issued	**17,360**	3,755
– cash	**8,148**	21,605
	25,508	25,360

At the Annual General Meeting on 23 April 2019, a final dividend of 6.00 cents per share amounting to a total of $26,232,000 will be recommended. These financial statements do not reflect this dividend, which will be accounted for in equity attributable to equity holders of the Company as an appropriation of retained profits in the financial year ending 31 December 2018.

32. COMMITMENTS

(a) Capital commitments

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

	Group			Company		
	31 December		1 January	31 December		1 January
	2018	2017	2017	**2018**	2017	2017
	$'000	$'000	$'000	**$'000**	$'000	$'000
Development properties	**14,155**	5,383	-	**-**	-	-
Investment in a joint venture	**34,368**	35,317	35,569	**-**	-	-
Investment properties	**21,297**	39,048	36,294	**-**	-	-
Property, plant and equipment	**1,665**	3,872	5,133	**290**	2,825	4,434
	71,485	83,620	76,996	**290**	2,825	4,434

As at 31 December 2017 and 1 January 2017, the Group had a committed equity of A$33,845,000 to Toga Trust, which amounted to $35,317,000 and $35,569,000 respectively. During the year, the Group injected the committed equity into Toga Trust, amounting to $35,358,000, to increase its equity interest from 45.6% to 50.0%.

As at 31 December 2018, included in the capital commitment of the investment in a joint venture is an amount of $34,368,000 relating to the Hotel Project as disclosed in Note 14.

Included in the capital commitment for property, plant and equipment above is an amount of $290,000 (31 December 2017: $2,626,000; 1 January 2017: $4,434,000) relating to the Company's outstanding capital commitment for certain renovation and asset enhancement works for Orchard Rendezvous Hotel (the "Additional Works"). The Company, as master lessee, and Far East Hospitality Trust (DBS Trustee Limited as the trustee and FEO Hospitality Asset Management Pte. Ltd. as the trust manager), as master lessor, have agreed that the Company's maximum liability for the Additional Works shall not exceed $4,900,000, which represents approximately 35.25% of the total estimated costs of the Additional Works. During the financial year, an amount of $2,336,000 (31 December 2017: $1,808,000; 1 January 2017: $466,000) of the capital commitment had been expended.

32. COMMITMENTS (continued)

(b) Operating lease commitments – where the Group is a lessee

The Group and the Company lease hotels, serviced residences and offices from other related parties and non-related parties under non-cancellable operating lease agreements. The leases have varying terms, escalation clauses and renewal rights. The future minimum lease payables under non-cancellable operating leases contracted for at the balance sheet date but not recognised as liabilities, are as follows:

	Group			Company		
	31 December		1 January	31 December		1 January
	2018	2017	2017	**2018**	2017	2017
	$'000	$'000	$'000	**$'000**	$'000	$'000
Not later than one year						
– other related parties (Note 34(b))	**18,297**	17,932	18,263	**10,785**	10,546	10,803
– non-related parties	**2,133**	2,165	2,253	**-**	-	-
	20,430	20,097	20,516	**10,785**	10,546	10,803
Between one and five years						
– other related parties (Note 34(b))	**68,747**	68,154	68,790	**40,493**	40,030	40,514
– non-related parties	**3,934**	6,157	8,661	**-**	-	-
	72,681	74,311	77,451	**40,493**	40,030	40,514
Later than five years						
– other related parties (Note 34(b))	**147,038**	164,038	181,038	**86,493**	96,493	106,493
	240,149	258,446	279,005	**137,771**	147,069	157,810

Included in the above are commitments of the Group under non-cancellable lease rentals that relate to the fixed portion over the remaining tenure of the initial lease term due to related parties and non-related parties. In addition to the fixed portion, contingent rent determined based on a percentage of gross operating revenue and gross operating profits of these properties have also been committed.

(c) Operating lease commitments – where the Group is a lessor

The Group and the Company lease out investment properties to non-related parties under non-cancellable operating leases. The leases have varying terms, escalation clauses and renewal rights. The future minimum lease receivables under non-cancellable operating leases contracted for at the balance sheet date but not recognised as receivables, are as follows:

	Group			Company		
	31 December		1 January	31 December		1 January
	2018	2017	2017	**2018**	2017	2017
	$'000	$'000	$'000	**$'000**	$'000	$'000
Not later than one year	**15,937**	12,606	11,880	**369**	382	279
Between one and five years	**14,570**	16,401	12,518	**48**	394	-
Later than five years	**7,472**	9,481	9,878	**-**	-	-
	37,979	38,488	34,276	**417**	776	279

33. FINANCIAL RISK MANAGEMENT

The Group's activities expose it to market risk (including interest rate risk and currency risk), credit risk and liquidity risk. The Group's overall risk management objective is to effectively manage these risks and minimise potential adverse effects on the financial performance of the Group. Financial risk management is carried out by a team within the management of the Group.

(a) Market risk

(i) Interest rate risk

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the fair value of a financial instrument will fluctuate due to changes in market interest rates. As the Group has no significant interest-bearing assets other than fixed deposits with banks, the Group's income is substantially independent of changes in market interest rates.

The Group's exposure to cash flow interest rate risks arises mainly from variable-rate borrowings (Note 24). The Company's exposure to cash flow interest rate risks arises mainly from variable-rate borrowings and advances from/to subsidiaries at variable rates. The Group's policy is to obtain the most favourable interest rates available without increasing its foreign currency exposure.

The borrowings of the Group at variable rates are mainly denominated in British Pound ("GBP"), Australian Dollar ("AUD") and Japanese Yen ("JPY") (31 December 2017: GBP and AUD; 1 January 2017: GBP, AUD and Malaysian Ringgit). The profit after tax of the Group would have been lower/higher by $1,190,000 (31 December 2017: $1,147,000; 1 January 2017: $595,000), $456,000 (31 December 2017: $258,000; 1 January 2017: $249,000) and $197,000 (31 December 2017: $ Nil; 1 January 2017: $209,000) respectively as a result of higher/lower interest expense on these borrowings if the interest rates had increased/decreased by 1.0% (31 December 2017 and 1 January 2017: 1.0%) with all other variables including tax rate being held constant.

(ii) Currency risk

The Group operates in Singapore, Australia, New Zealand, the United Kingdom ("UK") and Malaysia. The entities within the Group transact in currencies other than their respective functional currencies ("foreign currencies"). Significant currency risk arises within entities in the Group when transactions are denominated in foreign currencies such as the Singapore Dollar ("SGD"), Australian Dollar ("AUD"), New Zealand Dollar ("NZD") and British Pound ("GBP"). Where such currency risk becomes significant, the Group considers the use of currency swaps and forwards to manage the risk.

33. FINANCIAL RISK MANAGEMENT (continued)

(a) Market risk (continued)

(ii) Currency risk (continued)

The Group's currency exposure based on the information provided to key management is as follows:

	SGD $'000	AUD $'000	NZD $'000	GBP $'000
At 31 December 2018				
Financial assets				
Cash and cash equivalents	164,623	71,783	5,050	4,490
Trade and other receivables	13,910	7,287	717	1,283
Intra-group receivables	68,446	79,990	5,210	147,646
	246,979	159,060	10,977	153,419
Financial liabilities				
Borrowings	-	(65,206)	-	(210,313)
Trade and other payables	(182,374)	(23,859)	(2,262)	(8,519)
Intra-group payables	(68,446)	(79,990)	(5,210)	(147,646)
	(250,820)	(169,055)	(7,472)	(366,478)
Net financial (liabilities)/assets	(3,841)	(9,995)	3,505	(213,059)
(Less)/add: Net financial (liabilities)/assets denominated in the respective entities' functional currencies	(64,586)	56,331	1,705	217,584
Net currency exposure	**(68,427)**	**46,336**	**5,210**	**4,525**
At 31 December 2017				
Financial assets				
Cash and cash equivalents	173,662	33,009	4,104	2,417
Trade and other receivables	17,870	23,064	1,274	1,205
Intra-group receivables	65,569	59,191	5,393	119,238
	257,101	115,264	10,771	122,860
Financial liabilities				
Borrowings	-	(35,479)	-	(186,378)
Trade and other payables	(212,675)	(9,883)	(2,248)	(9,123)
Intra-group payables	(65,569)	(59,191)	(5,393)	(119,238)
	(278,244)	(104,553)	(7,641)	(314,739)
Net financial (liabilities)/assets	(21,143)	10,711	3,130	(191,879)
(Less)/add: Net financial (liabilities)/assets denominated in the respective entities' functional currencies	(44,084)	15,659	2,263	194,426
Net currency exposure	(65,227)	26,370	5,393	2,547

33. FINANCIAL RISK MANAGEMENT (continued)

(a) Market risk (continued)

(ii) Currency risk (continued)

	SGD $'000	AUD $'000	NZD $'000	GBP $'000
At 1 January 2017				
Financial assets				
Cash and cash equivalents	170,186	27,853	4,156	2,044
Trade and other receivables	63,002	23,146	1,123	1,467
Intra-group receivables	64,206	50,848	6,052	82,304
	297,394	101,847	11,331	85,815
Financial liabilities				
Borrowings	-	(35,533)	-	(140,660)
Trade and other payables	(212,733)	(16,546)	(2,632)	(6,017)
Intra-group payables	(64,206)	(50,848)	(6,052)	(82,304)
	(276,939)	(102,927)	(8,684)	(228,981)
Net financial (liabilities)/assets	20,455	(1,080)	2,647	(143,166)
(Less)/add: Net financial (liabilities)/assets denominated in the respective entities' functional currencies	(84,098)	25,517	3,407	144,558
Net currency exposure	(63,643)	24,437	6,054	1,392

If the foreign currencies strengthened/weakened against their respective functional currencies by 5.0% (31 December 2017 and 1 January 2017: 5.0%) with all other variables including tax rate being held constant, the Group's profit before tax for the financial year would decrease as follows:

	31 December		1 January
	2018	2017	2017
	$'000	$'000	$'000
AUD weakened against SGD	**(5,738)**	(4,579)	(4,404)
NZD weakened against SGD	**(260)**	(270)	(303)
GBP weakened against SGD	**(226)**	(127)	(70)

In addition, the Group is exposed to currency translation risk on the net assets in foreign operations. Currency exposure to the net assets of the Group's foreign operations in Australia, the UK and Malaysia are managed through borrowings denominated in the relevant foreign currencies.

The Company's business is not exposed to any significant foreign exchange risk as the majority of its financial assets and liabilities are denominated in Singapore Dollars.

(b) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The major classes of financial assets carried at amortised cost of the Group and of the Company are bank deposits, trade receivables, advances to or amounts due from subsidiaries, joint ventures and other related parties, deposits and other receivables. For trade receivables, the Group adopts the policy of dealing only with customers of appropriate credit history and/or requiring deposits to be placed with the Group prior to provision of certain of its services. For other financial assets, the Group adopts the policy of dealing only with high credit quality counterparties.

33. FINANCIAL RISK MANAGEMENT (continued)

(b) Credit risk (continued)

The Group and the Company has no significant concentrations of credit risk and has in place credit policies and procedures to ensure on-going credit evaluation and active account monitoring.

As the Group and the Company do not hold any collateral, the maximum exposure to credit risk for each class of financial instruments is the carrying amount of that class of financial instruments presented on the balance sheet. In addition, the Company has off-balance sheet exposure to credit risk as follows:

	Company		
	31 December		1 January
	2018	2017	2017
	$'000	$'000	$'000
Corporate guarantees provided to banks on banking facilities of subsidiaries and/or joint ventures	**-**	-	27,447

The Group and the Company consider the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period.

The Group's and Company's financial assets at amortised cost have low risk of default. To assess whether there is a significant increase in credit risk, the Group and the Company compare the risk of a default occurring on the asset as at reporting date with the risk of default as at the date of initial recognition. The Group and the Company consider available reasonable and supportive forward-looking information, where applicable, which include the following indicators:

- Significant financial difficulties of the debtor;
- Probability that the debtor will enter bankruptcy or financial reorganisation;
- Default or delinquency in payments; and
- Actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the debtor's ability to meet its obligations.

Regardless of the analysis above, a significant increase in credit risk is presumed if a debtor is more than 30 days past due in making a contractual payment.

The Group and the Company determined that its financial assets are credit-impaired when:

- There is significant financial difficulty of the debtor;
- A breach of contract, such as a default or past due event; or
- It is becoming probable that the debtor will enter bankruptcy or other financial reorganisation

The Group and the Company have determined the default event on a financial asset to be when the counterparty fails to make contractual payments, within 90 days when they fall due, based on the Group's and Company's historical information.

Financial assets are fully impaired when there is no reasonable expectation of recovery, such as a debtor failing to meet a repayment plan with the Group and the Company. Where loans and receivables have been fully impaired, the Group and the Company continue to engage enforcement activity to attempt to recover the receivables due. Where recoveries are made, these are recognised in profit or loss.

33. FINANCIAL RISK MANAGEMENT (continued)

(b) Credit risk (continued)

Bank deposits

Bank deposits are considered to have low credit risk as they are mainly deposits with reputable banks.

Trade receivables

After 1 January 2017

The Group and the Company applies the simplified approach to providing for expected credit losses prescribed by SFRS(I) 9, which permits the use of the lifetime credit loss provision for all trade receivables, contract assets and lease receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and days past due. In calculating the expected credit loss rates, the Group considers historical loss rates for each category of customers, and adjusts for forward-looking macroeconomic data. The Group's and the Company's credit risk exposure in relation to trade receivables as at 31 December 2018 and 31 December 2017 are set out in the provision matrix as follows:

	Group				
	Current to 30 days past due $'000	> 30 days past due $'000	> 60 days past due $'000	> 90 days past due $'000	Total $'000
31 December 2018					
Expected loss rate	0.0%	0.0%	0.0%	41.2%	2.5%
Gross carrying amount	11,156	1,341	552	839	13,888
Loss allowance provision	-	-	-	346	346
31 December 2017					
Expected loss rate	0.1%	0.6%	19.0%	47.0%	8.2%
Gross carrying amount	12,919	702	174	2,793	16,588
Loss allowance provision	13	4	33	1,313	1,363
1 January 2017					
Gross carrying amount	9,865	4,423	702	1,637	16,627

	Company				
	Current to 30 days past due $'000	> 30 days past due $'000	> 60 days past due $'000	> 90 days past due $'000	Total $'000
31 December 2018					
Expected loss rate	0.0%	0.0%	0.0%	41.7%	5.1%
Gross carrying amount	1,050	422	140	223	1,835
Loss allowance provision	-	-	-	93	93
31 December 2017					
Expected loss rate	0.2%	0.5%	2.3%	19.5%	1.6%
Gross carrying amount	1,810	183	44	149	2,186
Loss allowance provision	4	1	1	29	35
1 January 2017					
Gross carrying amount	1,681	379	158	71	2,289

33. FINANCIAL RISK MANAGEMENT (continued)

(b) Credit risk (continued)

Trade receivables (continued)

After 1 January 2017 (continued)

The movement of the related loss provision is as follows:

	Group		Company	
	31 December		31 December	
	2018	2017	**2018**	2017
	$'000	$'000	**$'000**	$'000
Beginning of financial year	**1,363**	1,130	**35**	-
Allowance made	**469**	217	**109**	35
Allowance written off	**(1,463)**	-	**(51)**	-
Currency translation differences	**(23)**	16	**-**	-
End of financial year	**346**	1,363	**93**	35

During the period, the Group and the Company made no write-offs of trade receivables and it does not expect to receive future cash flows from and no recoveries from collection of cash flows previously written off.

Before 1 January 2017

Before 1 January 2017, the impairment of financial assets was assessed based on the incurred loss impairment model. Individual receivables which were known to be uncollectible were written off by reducing the carrying amount directly. The other receivables were assessed collectively, to determine whether there was objective evidence that impairment had been incurred but not yet identified.

The Group and the Company considered that there was evidence if any of the following indicators were present:

- Significant financial difficulties of the debtor;
- Probability that the debtor will enter bankruptcy or financial reorganisation; and
- Default or delinquency in payments (more than 90 days overdue).

(i) Financial assets that are neither past due nor impaired

Bank deposits that are neither past due nor impaired are mainly deposits with reputable banks. Trade and other receivables, advances to or amounts due from subsidiaries, joint ventures and other related parties and deposits that are neither past due nor impaired are substantially companies with a good collection track record with the Group and the Company.

(ii) Financial assets that are past due and/or impaired

The age analysis of trade receivables past due but not impaired is as follows:

	Group	Company
	$'000	$'000
Past due 0 to 2 months	5,044	537
Past due 2 to 4 months	566	37
Past due over 4 months	85	-
	5,695	574

33. FINANCIAL RISK MANAGEMENT (continued)

(b) Credit risk (continued)

Trade receivables (continued)

Before 1 January 2017 (continued)

(ii) Financial assets that are past due and/or impaired (continued)

The carrying amount of trade receivables individually determined to be impaired and the movement in the related allowance for impairment are as follows:

	Group	Company
	$'000	$'000
Gross amount	1,130	-
Less: Allowance for impairment losses	(1,130)	-
	-	-

The impaired trade receivables arise mainly from sales to customers with significant delay in payments.

Other financial assets at amortised cost

The Group's advances to or amounts due from subsidiaries, joint ventures and other related parties, deposits and other receivables carried at amortised cost have low risk of default and a strong capacity to meet contractual cash flows. Hence the loss allowance is determined at an amount equal to 12-month expected credit loss. The Group and the Company categorise such loan or receivable as a financial asset with low risk of impairment.

Where the interest and/or principal repayments are 30 days past due and there is no reasonable expectation of recovery, or the counterparty is going into administration or bankruptcy or financial reorganisation, the Group and Company categorise such loan or receivable for impairment.

(c) Liquidity risk

Prudent liquidity risk management includes maintaining sufficient cash and marketable securities, as well as the availability of funding through an adequate amount of committed credit facilities. At the balance sheet date, assets held by the Group and the Company for managing liquidity risk included cash and short-term deposits as disclosed in Note 12.

The Group and the Company manage the liquidity risk by maintaining sufficient cash to meet the normal operating commitments and having an adequate amount of committed credit facilities.

The table below analyses non-derivative financial liabilities of the Group and the Company into relevant maturity groupings based on the remaining period from the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

33. FINANCIAL RISK MANAGEMENT (continued)

(c) Liquidity risk (continued)

	Less than 1 year $'000	Between 1 and 2 years $'000	Between 2 and 5 years $'000	Over 5 years $'000
Group				
At 31 December 2018				
Trade and other payables	119,063	27,149	-	71,910
Borrowings	213,449	87,203	-	-
	332,512	**114,352**	**-**	**71,910**
At 31 December 2017				
Trade and other payables	114,407	51,110	-	71,910
Borrowings	184,081	42,459	-	-
	298,488	93,569	-	71,910
At 1 January 2017				
Trade and other payables	123,872	52,073	-	71,910
Borrowings	161,278	47,618	-	-
	285,150	99,691	-	71,910
Company				
At 31 December 2018				
Trade and other payables	19,547	353,962	-	-
Borrowings	58,582	87,203	-	-
	78,129	**441,165**	**-**	**-**
At 31 December 2017				
Trade and other payables	7,588	348,083	-	-
Borrowings	76,682	42,459	-	-
	84,270	390,542	-	-
At 1 January 2017				
Trade and other payables	7,205	328,307	-	-
Borrowings	81,923	-	-	-
Financial guarantee for borrowings of a subsidiary	27,447	-	-	-
	116,575	328,307	-	-

(d) Capital risk

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern and to maintain an optimal capital structure so as to maximise the value for the equity holders of the Company. In order to maintain or achieve an optimal capital structure, the Group may adjust the amount of dividend payment, return capital to equity holders of the Company, issue new shares, buy back issued shares, obtain new borrowings or sell assets to reduce borrowings.

33. FINANCIAL RISK MANAGEMENT (continued)

(d) Capital risk (continued)

Management monitors capital based on a gearing ratio. Consistent with how management monitors capital, the gearing ratio is calculated as total borrowings divided by total equity.

	Group			Company		
	31 December		1 January	31 December		1 January
	2018	2017 (restated)	2017 (restated)	**2018**	2017	2017
Total borrowings ($'000)	**295,178**	221,857	203,361	**143,129**	116,691	80,901
Total equity ($'000)	**1,296,551**	1,279,898	1,260,506	**1,040,189**	1,022,230	1,032,412
Gearing ratio (%)	**23%**	17%	16%	**14%**	11%	8%

The Group and the Company are in compliance with all externally imposed capital requirements for the financial years ended 31 December 2018 and 2017.

(e) Financial instruments by category

The carrying amount of the different categories of financial instruments is as disclosed on the face of the balance sheet, except for the following:

	Group			Company		
	31 December		1 January	31 December		1 January
	2018	2017	2017	**2018**	2017	2017
	$'000	$'000	$'000	**$'000**	$'000	$'000
Loans and receivables	**-**	-	298,180	**-**	-	813,688
Financial assets at amortised cost	**280,419**	263,194	-	**505,724**	469,387	-
Financial liabilities at amortised cost	**513,300**	459,284	450,838	**516,638**	472,362	416,276

Reconciliation of financial assets at amortised costs (31 December 2017: financial assets at amortised costs; 1 January 2017: loans and receivables) is as follows:

	Group			Company		
	31 December		1 January	31 December		1 January
	2018	2017	2017	**2018**	2017	2017
	$'000	$'000	$'000	**$'000**	$'000	$'000
Total trade and other receivables (current and non-current)	**45,688**	46,086	90,412	**319,476**	313,332	663,751
Add/(less):						
– Cash and cash equivalents	**256,287**	219,585	209,262	**186,603**	156,376	150,219
– Prepayments	**(2,229)**	(2,477)	(1,494)	**(355)**	(321)	(282)
– Advance payment	**(19,327)**	-	-	**-**	-	-
Total financial assets at amortised cost (31 December 2017: financial assets at amortised cost; 1 January 2017: loans and receivables)	**280,419**	263,194	298,180	**505,724**	469,387	813,688

34. RELATED PARTY TRANSACTIONS

(a) Immediate and ultimate holding company

The Company's immediate and ultimate holding company is Far East Organisation Pte Ltd, incorporated in Singapore.

(b) Sales and purchases of goods and services from other related parties

Other related parties comprise mainly companies which are controlled by the equity holders of the Company's ultimate holding company.

In addition to the information disclosed elsewhere in the financial statements, the following significant transactions took place between the Group and related parties at terms agreed between the parties:

	Group	
	2018	2017
	$'000	$'000
Amounts billed to/(by) other related parties:		
Administrative service fees	**388**	342
Sale of goods and services	**239**	230
Purchase of goods and services	**(299)**	(231)
Amounts billed by other related parties to joint ventures:		
Support services	**(177)**	(242)
Purchase of goods and services	**(15)**	(7)
Payments made on behalf for other related parties	**5,020**	4,728

Outstanding balances at 31 December 2018, arising from deposits, sale and purchase of goods and services are set out in Notes 13 and 23 respectively.

(c) Key management personnel compensation

Key management personnel compensation is as follows:

	Group	
	2018	2017
	$'000	$'000
Wages and salaries	**2,779**	2,626
Employer's contribution to defined contribution plans, including Central Provident Fund	**79**	60
	2,858	2,686

35. 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.

(ii) Operations

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

(iii) Property ownership

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

The Group manages its property business across two segments.

(i) 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; and medical suites that are held for sale. Rental income from the leasing of medical suites held for sale, if any, is included under the investment segment on the reports reviewed by the Group's Executive Director and management.

(ii) Investment

The investment segment includes medical suites, student accommodation buildings including those under development 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 financial years ended 31 December 2018 and 2017.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

35. 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 – Singapore $'000	Operations – Singapore $'000	Operations – Australia and New Zealand $'000	Property ownership $'000	Development $'000	Investment $'000	**$'000**
2018							
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	**16,570**	**44,678**	**14,026**	**58,636**	**241**	**16,760**	**150,911**
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	**2,978**	**4,569**	**3,537**	**7,958**	**5,311**	**10,242**	**34,595**
Corporate expenses							**(8,960)**
Interest income							**3,993**
Interest expense							**(5,188)**
Others*							**11,220**
Profit before income tax							**35,660**
Income tax expense							**(2,212)**
Total profit							**33,448**
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**
	122,311	**356,982**	**237,310**	**352,678**	**363,060**	**498,830**	**1,931,171**
Corporate assets							**214,186**
Total assets							**2,145,357**

Included in "Others" is an impairment on property, plant and equipment allocated to 'Hospitality operations – Singapore' segment, amounted to $898,000.

* Material and non-cash items are disclosed as "Other gains – net" Note 7.

35. 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 – Singapore $'000	Operations – Singapore $'000	Operations – Australia and New Zealand $'000	Property ownership $'000	Development $'000	Investment $'000	$'000
2017 (as restated)							
Total segment sales	19,407	42,830	15,577	62,272	-	14,821	154,907
Inter-segment sales	(3,286)	-	-	-	-	-	(3,286)
Sales to external parties	16,121	42,830	15,577	62,272	-	14,821	151,621
Operating profit	2,646	2,393	1,828	6,212	173	9,471	22,723
Share of profit of:							
– joint ventures	-	-	3,718	872	7,088	131	11,809
– associated companies	-	2,678	-	-	-	-	2,678
Total operating profit	2,646	5,071	5,546	7,084	7,261	9,602	37,210
Corporate expenses							(10,536)
Interest income							2,897
Interest expenses							(4,300)
Others*							433
Profit before income tax							25,704
Income tax expense							(3,698)
Total profit							22,006
Segment assets	125,129	329,313	15,922	308,966	180,257	465,209	1,424,796
Investments in associated companies	-	14,640	-	-	-	-	14,640
Investments in joint ventures	-	-	199,547	58,715	222,441	-	480,703
	125,129	343,953	215,469	367,681	402,698	465,209	1,920,139
Corporate assets							167,156
Total assets							2,087,295

Included in "Others" is an impairment on hospitality lease and management agreements allocated to 'Hospitality operations – Australia and New Zealand' segment, amounted to $110,000.

* Material and non-cash items are disclosed as "Other gains – net" Note 7.

35. SEGMENT INFORMATION (continued)

Geographical information

The Group's five 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;
- The United Kingdom – the operations in this area are principally property investment; and
- Other countries – the operations include hotel operations and property ownership in Malaysia and property ownership in Germany and Denmark.

	Sales	
	2018	2017
	$'000	$'000
Singapore	**70,804**	68,086
Australia	**58,191**	63,371
New Zealand	**8,763**	9,275
United Kingdom	**7,446**	5,686
Other countries	**5,707**	5,203
	150,911	151,621

	Non-current assets	
	2018	2017
	$'000	$'000
Singapore	**940,252**	953,752
Australia	**443,527**	462,022
United Kingdom	**189,933**	167,435
Other countries	**124,402**	101,630
	1,698,114	1,684,839

36. NEW OR REVISED ACCOUNTING STANDARDS AND INTERPRETATIONS

Below are the mandatory standards, amendments and interpretations to existing standards that have been published, and are relevant for the Group's accounting periods beginning on or after 1 January 2019 and which the Group has not early adopted:

(a) SFRS(I) 16 *Leases* (effective for annual periods beginning on or after 1 January 2019)

SFRS(I) 16 will result in almost all leases being recognised on the balance sheet, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases. The accounting for lessors will not change significantly.

The Group will apply the standard from its mandatory adoption date of 1 January 2019. The Group intends to apply the simplified transition approach and will not restate comparative amounts for the year prior to first adoption. Right-of-use assets will be measured on transition as if the new rules had always been applied.

As at 31 December 2018, the Group has non-cancellable operating lease commitments of $240,149,000 (Note 32(b)). The Group expects to recognise right-of-use assets of approximately $142,253,000 on 1 January 2019, lease liabilities of $167,558,000 (after adjustments for prepayments and accrued lease payments recognised) and deferred tax assets of $4,203,000.

Overall, the Group expects the impact to the consolidated profit or loss of the Group, the consolidated balance sheet of the Group and the balance sheet of the Company, and the consolidated statement of cash flows of the Group to be as follows:

Consolidated profit or loss of the Group

	Higher/ (Lower) $'000
For the financial year ending 31 December 2019	
Share of profit of joint ventures	(1,897)
Net profit after tax	(3,353)

36. NEW OR REVISED ACCOUNTING STANDARDS AND INTERPRETATIONS (continued)

(a) SFRS(I) 16 *Leases* (effective for annual periods beginning on or after 1 January 2019) (continued)

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

	Higher/(Lower)	
	Group	Company
	$'000	$'000
As of 1 January 2019		
ASSETS		
Non-current assets		
Right-of-use assets	142,253	81,730
Investments in joint ventures	(15,575)	-
Deferred tax assets	4,203	2,380
	130,881	84,110
Total assets	**130,881**	**84,110**
LIABILITIES		
Current liabilities		
Lease liabilities	10,866	5,260
Non-current liabilities		
Lease liabilities	156,692	90,471
Provision	(938)	-
	155,754	90,471
Total liabilities	**166,620**	**95,731**
Net assets	**(35,739)**	**(11,621)**
Retained profits	(30,946)	(11,621)
Equity attributable to equity holders of the Company	(30,946)	(11,621)
Non-controlling interest	(4,793)	-
Total equity	**(35,739)**	**(11,621)**

Overall net assets of the Group and the Company will be approximately $35,739,000 and $11,621,000 lower respectively. Net current assets of the Group and the Company will be approximately $10,866,000 and $5,260,000 lower respectively due to the presentation of a portion of the liability as a current liability.

36. NEW OR REVISED ACCOUNTING STANDARDS AND INTERPRETATIONS (continued)

(a) SFRS(I) 16 *Leases* (effective for annual periods beginning on or after 1 January 2019) (continued)

Consolidated statement of cash flows of the Group

	Higher/ (Lower) $'000
For the financial year ending 31 December 2019	
Operating cash flows	20,384
Financing cash flows	(20,384)

Operating cash flows – net will increase by approximately and financing cash flows – net decrease by approximately $20,384,000 as repayment of the principal portion of the lease liabilities will be classified as cash flows from financing activities. There is no net impact to the cash flows of the Group.

The Group's activities as a lessor are not material and the Group does not expect any significant impact on the financial statements. However, some additional disclosures will be required from next year.

The Group does not expect the adoption of the new rules under SFRS(I) 16 to have a material impact to the Group's businesses from the operational and financial aspects.

(b) SFRS(I) INT 23 *Uncertainty Over Income Tax Treatments* (effective for annual periods beginning on or after 1 January 2019)

The interpretation explains how to recognise and measure deferred and current income tax assets and liabilities where there is uncertainty over a tax treatment. In particular, it discusses:

i) how to determine the appropriate unit of account, and that each uncertain tax treatment should be considered separately or together as a group, depending on which approach better predicts the resolution of the uncertainty;

ii) that the entity should assume a tax authority will examine the uncertain tax treatments and have full knowledge of all related information, i.e. that detection risk should be ignored;

iii) that the entity should reflect the effect of the uncertainty in its income tax accounting when it is not probable that the tax authorities will accept the treatment;

iv) that the impact of the uncertainty should be measured using either the most likely amount or the expected value method, depending on which method better predicts the resolution of the uncertainty; and

v) that the judgements and estimates made must be reassessed whenever circumstances have changed or there is new information that affects the judgements.

The Group does not expect any material impact to the financial statements on the adoption of the interpretation on 1 January 2019.

37. LISTING OF SIGNIFICANT COMPANIES IN THE GROUP

Name of companies	Principal activities	Country of business/ incorporation	Group effective ownership interest held 31 December **2018** **%**	31 December 2017 %	1 January 2017 %
Significant subsidiaries					
Far East Hospitality Holdings Pte. Ltd.	Investment holding	Singapore	**70**	70	70
Jelco Properties Pte Ltd	Investment and sales of properties	Singapore	**100**	100	100
Far East Hospitality Properties (Australia) Pte. Ltd.	Ownership of hospitality properties	Singapore	**70**	70	70
Far East Hospitality Investments (Australia) Pte. Ltd.	Investment holding	Singapore	**70**	70	70
Far East Orchard Holdings (Jersey) Limited	Investment of properties through its subsidiaries	United Kingdom/ Jersey	**100**	100	100
Significant joint ventures					
Toga Hotel Holdings Unit Trust	Ownership and management of hospitality properties	Australia	**35**	32	32
Toga Developments Sydney Pty Limited	Property development	Australia	**50**	50	50
Far East Opus Pte. Ltd.	Property development	Singapore	**20**	20	20
Watervine Homes Pte. Ltd.	Property development	Singapore	**30**	30	30
Woodlands Square Pte. Ltd.	Property development	Singapore	**33**	33	33
Significant associated company					
FEO Hospitality Asset Management Pte. Ltd.	REIT Manager of Far East Hospitality Trust	Singapore	**33**	33	33

38. EVENT OCCURING AFTER BALANCE SHEET DATE

On 15 March 2019, the Group, through its wholly-owned subsidiary, Far East Orchard Holdings (Jersey) Limited, has entered into a sale and purchase agreement to acquire the entire issued and paid-up share capital of Victus (Guernsey) 2 Developments Limited, Victus (Guernsey) 4 Developments Limited, and Victus (Guernsey) 6 Management Company Limited (collectively, the "Acquired Companies") respectively, for a cash consideration of £54,987,000 ($98,669,000). The Acquired Companies, which are incorporated in Guernsey, are the owners of the freehold interests of three student accommodation properties with a total of 622 beds located in Bristol and Liverpool in the United Kingdom.

The fair value of the Group's share of the identifiable net assets of the Acquired Companies at the date of acquisition has been provisionally determined at £54,987,000 ($98,669,000).

39. AUTHORISATION OF FINANCIAL STATEMENTS

These financial statements were authorised for issue in accordance with a resolution of the Board of Directors of Far East Orchard Limited on 18 March 2019.

STATISTICS OF SHAREHOLDINGS

As At 11 March 2019

Issued and fully paid-up capital	:	S$496,604,048.35
Number of shares issued	:	437,203,769
Class of shares	:	Ordinary Shares fully paid
Voting rights	:	One vote per share
Treasury shares	:	Nil

DISTRIBUTION OF SHAREHOLDINGS

Size of Shareholdings	No. of Shareholders	%	No. of Shares	%
1 – 99	314	5.50	9,265	0.00
100 – 1,000	571	10.01	365,779	0.08
1,001 – 10,000	3,328	58.34	16,064,213	3.68
10,001 – 1,000,000	1,472	25.80	58,728,579	13.43
1,000,001 and above	20	0.35	362,035,933	82.81
Total	**5,705**	**100.00**	**437,203,769**	**100.00**

TWENTY LARGEST SHAREHOLDERS

No.	Name	No. of Shares	%
1	FAR EAST ORGANIZATION PTE. LTD.	268,548,739	61.42
2	UNITED OVERSEAS BANK NOMINEES (PRIVATE) LIMITED	16,686,811	3.82
3	CITIBANK NOMINEES SINGAPORE PTE LTD	13,316,797	3.05
4	ESTATE OF KHOO TECK PUAT, DECEASED	11,417,000	2.61
5	DBS NOMINEES (PRIVATE) LIMITED	9,863,078	2.26
6	THE BANK OF EAST ASIA (NOMINEES) PRIVATE LIMITED	8,479,962	1.94
7	DAIWA (MALAYA) PRIVATE LIMITED	6,731,200	1.54
8	MAYBANK KIM ENG SECURITIES PTE. LTD.	5,493,034	1.26
9	OCBC NOMINEES SINGAPORE PRIVATE LIMITED	2,604,650	0.60
10	MORPH INVESTMENTS LTD	2,235,000	0.51
11	TAN SU KIOK OR SIA LI WEI JOLIE (SHE LIWEI JOLIE)	2,207,330	0.50
12	UOB KAY HIAN PRIVATE LIMITED	2,077,919	0.47
13	KHOO POH KOON	1,796,375	0.41
14	OCBC SECURITIES PRIVATE LIMITED	1,789,393	0.41
15	RAFFLES NOMINEES (PTE.) LIMITED	1,747,798	0.40
16	HOTEL HOLDINGS (PRIVATE) LTD	1,699,600	0.39
17	PHILLIP SECURITIES PTE LTD	1,644,803	0.38
18	DBS VICKERS SECURITIES (SINGAPORE) PTE LTD	1,362,339	0.31
19	HEXACON CONSTRUCTION PTE LTD	1,230,905	0.28
20	GOODWOOD PARK HOTEL PRIVATE LIMITED	1,103,200	0.25
Total		**362,035,933**	**82.81**

STATISTICS OF SHAREHOLDINGS

As At 11 March 2019

SUBSTANTIAL SHAREHOLDERS

(as shown in the Register of Substantial Shareholders)

Name of Substantial Shareholder	Direct Interest No. of Shares	%	Deemed Interest No. of Shares	%
Far East Organization Pte. Ltd.	268,548,739	61.42	-	-
Tan Kim Choo[(1)]	224,659	0.05	268,548,739	61.42
The Estate of Ng Teng Fong, deceased[(2)]	-	-	268,548,739	61.42
Ng Chee Siong[(3)]	-	-	268,548,739	61.42
Ng Chee Tat, Philip[(4)]	-	-	268,548,739	61.42

Notes:

(1) Mdm Tan Kim Choo is deemed to be interested in the Shares held by Far East Organization Pte. Ltd. ("FEOPL") through her 50% shareholding in the issued share capital of FEOPL.

(2) The Estate of Ng Teng Fong, deceased ("Estate"), is deemed to be interested in the Shares held by FEOPL through the Estate's 50% shareholding in the issued share capital of FEOPL.

(3) FEOPL has a direct interest in 268,548,739 shares. The Estate has more than 20% interest in FEOPL. Ng Chee Siong is a beneficiary of the Estate and is therefore deemed to be interested in the 268,548,739 shares in which FEOPL has an interest.

(4) FEOPL has a direct interest in 268,548,739 shares. The Estate has more than 20% interest in FEOPL. Ng Chee Tat, Philip is a beneficiary of the Estate and is therefore deemed to be interested in the 268,548,739 shares in which FEOPL has an interest.

PERCENTAGE OF SHAREHOLDINGS IN PUBLIC HANDS

Based on the information provided to the Company as at 11 March 2019, approximately 38.53% of the issued share capital of the Company was held by the public. Accordingly, the Company has complied with Rule 723 of the Listing Manual of the Singapore Exchange Securities Trading Limited.

NOTICE OF ANNUAL GENERAL MEETING

FAR EAST ORCHARD LIMITED

(Incorporated in the Republic of Singapore) (Registration No: 196700511H)

NOTICE IS HEREBY GIVEN that the Fifty-First Annual General Meeting of Far East Orchard Limited (the "**Company**") will be held at Antica Ballroom, Level 2, Orchard Rendezvous Hotel, Singapore, 1 Tanglin Road, Singapore 247905 on Tuesday, 23 April 2019 at 10:00 a.m. for the following purposes:

AS ORDINARY BUSINESS

1. To receive and adopt the Audited Financial Statements for the financial year ended 31 December 2018 together with the Directors' Statement and the Report of the Independent Auditor thereon. **(Resolution 1)**

2. To approve a first and final one-tier tax exempt dividend of S$0.06 per ordinary share for the financial year ended 31 December 2018. **(Resolution 2)**

3. To approve the sum of up to S$520,000 as Directors' fees for the financial year ending 31 December 2019, to be paid quarterly in arrears. (2018: S$520,000) **(Resolution 3)**

4. To re-elect Mr Koh Boon Hwee, a Director retiring pursuant to Regulation 98 of the Company's Constitution, and who being eligible, has offered himself for re-election. (See Explanatory Note (1)) **(Resolution 4)**

5. To re-elect Ms Chua Kheng Yeng, Jennie, a Director retiring pursuant to Regulation 98 of the Company's Constitution, and who being eligible, has offered herself for re-election. (See Explanatory Note (2)) **(Resolution 5)**

6. To re-elect Mr Shailesh Anand Ganu, a Director retiring pursuant to Regulation 103 of the Company's Constitution, and who being eligible, has offered himself for re-election. (See Explanatory Note (3)) **(Resolution 6)**

7. To re-appoint PricewaterhouseCoopers LLP as Independent Auditor of the Company and to authorise the Directors to fix their remuneration. **(Resolution 7)**

8. To transact any other ordinary business that may be properly transacted at an Annual General Meeting.

AS SPECIAL BUSINESS

To consider and, if thought fit, to pass, with or without modifications, the following resolutions as Ordinary Resolutions:

9. Authority to allot and issue shares

   "That pursuant to Section 161 of the Companies Act (Chapter 50) of Singapore ("**Act**") and the Listing Manual of the Singapore Exchange Securities Trading Limited ("**SGX-ST**"), authority be and is hereby given to the Directors to:

   (a) (i) issue shares in the capital of the Company ("**Shares**") whether by way of rights, bonus or otherwise; and/or

   (ii) make or grant offers, agreements or options (collectively, "**Instruments**") that might or would require Shares to be issued, including but not limited to the creation and issue of (as well as adjustments to) warrants, debentures or other instruments convertible or exchangeable into Shares,

   at any time and upon such terms and conditions and for such purposes and to such persons as the Directors may in their absolute discretion deem fit; and

(b) (notwithstanding the authority conferred by this Resolution may have ceased to be in force) issue Shares in pursuance of any Instruments made or granted by the Directors while this Resolution was in force,

provided that:

(1) the aggregate number of Shares to be issued pursuant to this Resolution (including Shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution) does not exceed 50% of the total number of issued Shares (excluding any treasury shares and subsidiary holdings, if any) (as calculated in accordance with sub-paragraph (2) below), of which the aggregate number of Shares to be issued other than on a pro-rata basis to shareholders of the Company (including Shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution) does not exceed 20% of the total number of issued Shares (excluding treasury shares and subsidiary holdings, if any) (as calculated in accordance with sub-paragraph (2) below);

(2) (subject to such manner of calculation as may be prescribed by SGX-ST) for the purpose of determining the aggregate number of Shares that may be issued under sub-paragraph (1) above, the total number of issued Shares (excluding treasury shares and subsidiary holdings, if any) shall be based on the total number of issued Shares (excluding treasury shares and subsidiary holdings, if any) in the capital of the Company at the time this Resolution is passed, after adjusting for:

(i) new Shares arising from the conversion or exercise of any convertible securities or share options or vesting of share awards which are outstanding or subsisting at the time this Resolution is passed; and

(ii) any subsequent bonus issue, consolidation or subdivision of Shares;

(3) in exercising the authority conferred by this Resolution, the Company shall comply with the provisions of the Act and the Listing Manual of the SGX-ST for the time being in force (unless such compliance has been waived by the SGX-ST) and the Constitution for the time being of the Company; and

(4) the authority conferred by this Resolution shall, unless revoked or varied by the Company in general meeting, continue in force until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is the earlier." (See Explanatory Note (4)) **(Resolution 8)**

10. <u>Proposed renewal of the Shareholders' Mandate for Interested Person Transactions</u>

"That:

(a) approval be and is hereby given, for the purposes of Chapter 9 of the Listing Manual of the SGX-ST, for the Company, its subsidiaries and associated companies which are entities at risk as defined under Chapter 9 of the Listing Manual, or any of them, to enter into any of the transactions falling within the types of Interested Person Transactions, particulars of which are set out in the Letter to Shareholders, with any person who is of the class of Interested Persons described in the Letter to Shareholders, provided that such transactions are made on normal commercial terms, are not prejudicial to the interests of the Company and its minority shareholders and are in accordance with the review procedures for Interested Person Transactions as set out in the Letter to Shareholders;

(b) the approval given in sub-paragraph (a) above (the "**Mandate**") shall, unless revoked or varied by the Company in general meeting, continue in force until the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is the earlier; and

(c) the Directors be and are hereby authorised, jointly or severally, to take such steps and exercise such discretion as the Directors may in their absolute discretion deem fit, advisable or necessary or in the interest of the Company to give effect to the Mandate and/or this Resolution." (See Explanatory Note (5)) **(Resolution 9)**

BY ORDER OF THE BOARD

PHUA SIYU, AUDREY
Company Secretary

Singapore,
8 April 2019

Notes:

(i) A member of the Company entitled to attend and vote at the Annual General Meeting and who is not a relevant intermediary, is entitled to appoint not more than two proxies to attend and vote in his/her stead at the Annual General Meeting. A member of the Company who is a relevant intermediary is entitled to appoint more than two proxies to attend and vote at the Annual General Meeting, but each proxy must be appointed to exercise the rights attached to a different Share or Shares held by such member (and the number and class of Shares must be specified).

"relevant intermediary" has the meaning ascribed to it in Section 181(6) of the Act.

(ii) The instrument appointing a proxy or proxies must be under the hand of the appointer or his attorney duly authorised in writing. If the member is a corporation, the instrument appointing the proxy must be executed in a manner as may be permitted by the Act.

(iii) A proxy need not be a member of the Company.

(iv) The instrument appointing a proxy or proxies must be deposited at the Share Registrar's office at 50 Raffles Place, #32-01 Singapore Land Tower, Singapore 048623 **not less than 72 hours** before the time appointed for holding the Annual General Meeting. In the case of members of the Company whose Shares are entered against their names in the Depository Register, the Company may reject any instrument appointing a proxy or proxies lodged if such members are not shown to have Shares entered against their names in the Depository Register as at 72 hours before the time appointed for holding the Annual General Meeting as certified by The Central Depository (Pte) Limited to the Company.

Explanatory Notes:

(1) **Ordinary Resolution 4**, is to re-elect Mr Koh Boon Hwee (who was appointed on 1 January 2013) pursuant to Regulation 98 of the Company's Constitution and if he is re-elected, he will remain as the Board Chairman and a member of the Nominating Committee. Mr Koh is considered a Non-Executive Director.

(2) **Ordinary Resolution 5**, is to re-elect Ms Chua Kheng Yeng, Jennie (who was appointed on 1 January 2014) pursuant to Regulation 98 of the Company's Constitution and if she is re-elected, she will remain as the Lead Independent Director, the Chairman of the Nominating Committee, and a member of the Audit & Risk Committee and Remuneration Committee. Ms Chua is considered a Non-Executive and Independent Director for the purposes of Rule 704(8) of the Listing Manual of the SGX-ST.

(3) **Ordinary Resolution 6**, is to re-elect Mr Shailesh Anand Ganu (who was appointed on 12 February 2019) pursuant to Regulation 103 of the Company's Constitution and if he is re-elected, he will remain as an Independent Director. Mr Ganu is considered a Non-Executive and Independent Director.

(4) **Ordinary Resolution 8**, if passed, will empower the Directors of the Company, from the date of the passing of this Resolution until the next Annual General Meeting, to allot and issue Shares and to make or grant Instruments convertible into Shares and to issue Shares in pursuance of such Instruments, for such purposes as they consider would be in the interest of the Company, provided that the aggregate number of Shares which may be issued (including Shares to be issued pursuant to convertibles) under this Resolution shall not exceed 50% of the issued Shares (excluding treasury shares and subsidiary holdings, if any), of which not more than 20% may be issued other than on a pro-rata basis. The total number of Shares which may be issued will be calculated based on the total number of issued Shares (excluding treasury shares and subsidiary holdings, if any) at the time this Resolution is passed after adjusting for (a) new Shares arising from the conversion or exercise of convertible securities or employee share options on issue at the time this Resolution is passed, and (b) any subsequent bonus issue, consolidation or subdivision of Shares. This authority will, unless previously revoked or varied at a general meeting, expire at the conclusion of the next Annual General Meeting of the Company.

(5) **Ordinary Resolution 9**, if passed, will renew the Mandate and empower the Company, its subsidiaries and associated companies, to enter into the Interested Person Transactions as described in the Letter to Shareholders. The authority under the renewed Mandate will, unless revoked or varied by the Company in general meeting, expire at the conclusion of the next Annual General Meeting of the Company, or the date by which the next Annual General Meeting is required by law to be held, whichever is the earlier.

PERSONAL DATA PRIVACY

By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the Annual General Meeting and/or any adjournment thereof, a member of the Company (i) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents or service providers) for the purpose of the processing, administration and analysis by the Company (or its agents or service providers) of proxies and representatives appointed for the Annual General Meeting (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the Annual General Meeting (including any adjournment thereof), and in order for the Company (or its agents or service providers) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the "**Purposes**"), (ii) warrants that where the member discloses the personal data of the member's proxy(ies) and/or representative(s) to the Company (or its agents or service providers), the member has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents or service providers) of the personal data of such proxy(ies) and/or representative(s) for the Purposes, and (iii) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member's breach of the warranty in (ii).

ADDITIONAL INFORMATION ON DIRECTORS SEEKING RE-ELECTION PURSUANT TO RULE 720(6) OF THE LISTING MANUAL OF THE SGX-ST

Name of Director	Koh Boon Hwee	Chua Kheng Yeng, Jennie	Shailesh Anand Ganu
Date of First Appointment	1 January 2013	1 January 2014	12 February 2019
Date of Last Re-Appointment	20 April 2016	20 April 2016	N.A.
Age	68	74	37
Country of principal residence	Singapore	Singapore	Singapore
The Board's comments on this appointment (including rationale, selection criteria, and the search and nomination process)	The Board considered Mr Koh's performance, contribution and experience and recommended his re-appointment.	The Board considered Ms Chua's performance, contribution and experience and recommended her re-appointment.	The Board believes Mr Ganu's qualification and experience will bring value to the Company.
Whether appointment is executive, and if so, the area of responsibility	Non-Executive	Independent and Non-Executive	Independent and Non-Executive
Job Title (e.g. Lead ID, AC Chairman, AC Member etc.)	Chairman, Non-Executive Director and NC Member	Non-Executive Lead Independent Director, NC Chairman, ARC Member and RC Member	Independent and Non-Executive Director
Working experience and occupation(s) during the past 10 years	• Until 2009 – Si2i Limited, Executive Director	• July 2009 to July 2012 – CapitaLand Limited, Chief Corporate Officer • Until July 2009 – The Ascott Group Limited, Chief Executive Officer	• 2017 to present – Willis Towers Watson, Managing Director; Rewards Business Leader – Asia Pacific, and Talent & Rewards – ASEAN & South Asia • 2012 to 2017 – Mercer, Partner; Market Leader for Talent Business – Asia • 2009 to 2012 – Westpac Banking Corporation, Head of Rewards – Executive Rewards and Governance
Shareholding interest in the listed issuer and its subsidiaries	No	No	No
Any relationship (including immediate family relationships) with any existing director, existing executive officer, the issuer and/or substantial shareholder of the listed issuer or of any of its principal subsidiaries	No	No	No
Conflict of interest (including any competing business)	No	No	No
Undertaking (in the format set out in Appendix 7.7) under Rule 720(1) has been submitted to the listed issuer	Yes	Yes	Yes

ADDITIONAL INFORMATION ON DIRECTORS SEEKING RE-ELECTION PURSUANT TO RULE 720(6) OF THE LISTING MANUAL OF THE SGX-ST

Name of Director	Koh Boon Hwee	Chua Kheng Yeng, Jennie	Shailesh Anand Ganu
Other Principal Commitments Including Directorships			
Past (for last 5 years)	• CM Houlder Insurance Brokers (Singapore) Pte Ltd • CM Houlder (SEA) Pte Ltd • FEO Hospitality Asset Management Pte Ltd • FEO Hospitality Trust Management Pte Ltd • Rippledot Capital Management Pte Ltd • Ge-No-Me Pte Ltd • GlobalORE Pte Ltd • Fontaine Investment Pte Ltd • Razer Inc • Harvard Singapore Foundation • EDB International Advisory Council	• CapitaMalls Asia Limited • ISS A/S • Sentosa Cove Resort Management Pte Ltd • Alexandra Health Pte Ltd • Woodlands Health Pte Ltd • Geriatric Education and Research Institute Limited • Alexandra Health System Pte Ltd • ISS World Services A/S • GLH Management Group Pte Ltd • Yishun Community Hospital Pte Ltd • Sentosa Development Corporation • Singapore University of Technology and Design • Ministry of Foreign Affairs Non-Resident Ambassador to The Slovak Republic	Nil
Present	• Sunningdale Tech Ltd • Yeo Hiap Seng Ltd • AAC Technologies Holdings Inc • Agilent Technologies, Inc • Credence Partners Pte Ltd • Rippledot Capital Advisers Pte Ltd • Bank Pictet & Cie (Asia) Ltd • Credence Capital Fund II (Cayman) Ltd • Nanyang Technological University Board of Trustees	• GL Limited • GuocoLand Limited • Temasek Foundation International CLG Limited • Woodlands Health Campus Development Committee • The RICE Company Limited • Ministry of Foreign Affairs – Non-Resident Ambassador to the United Mexican States • Vanguard Healthcare Pte Ltd	• Breast Cancer Foundation – Member of Executive Committee, Chairman of Nominations Committee, Member of Human Resource Committee • SATA Commhealth – Member of Human Resource Committee
(a) Whether at any time during the last 10 years, an application or a petition under any bankruptcy law of any jurisdiction was filed against him or against a partnership of which he was a partner at the time when he was a partner or at any time within 2 years from the date he ceased to be a partner?	No	No	No

ADDITIONAL INFORMATION ON DIRECTORS SEEKING RE-ELECTION PURSUANT TO RULE 720(6) OF THE LISTING MANUAL OF THE SGX-ST

Name of Director	Koh Boon Hwee	Chua Kheng Yeng, Jennie	Shailesh Anand Ganu
(b) Whether at any time during the last 10 years, an application or a petition under any law of any jurisdiction was filed against an entity (not being a partnership) of which he was a director or an equivalent person or a key executive, at the time when he was a director or an equivalent person or a key executive of that entity or at any time within 2 years from the date he ceased to be a director or an equivalent person or a key executive of that entity, for the winding up or dissolution of that entity or, where that entity is the trustee of a business trust, that business trust, on the ground of insolvency?	No	No	No
(c) Whether there is any unsatisfied judgment against him?	No	No	No
(d) Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving fraud or dishonesty which is punishable with imprisonment, or has been the subject of any criminal proceedings (including any pending criminal proceedings which he is aware of) for such purpose?	No	No	No
(e) Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or has been the subject of any criminal proceedings (including any pending criminal proceedings which he is aware of) for such breach?	No	No	No

ADDITIONAL INFORMATION ON DIRECTORS SEEKING RE-ELECTION PURSUANT TO RULE 720(6) OF THE LISTING MANUAL OF THE SGX-ST

Name of Director	Koh Boon Hwee	Chua Kheng Yeng, Jennie	Shailesh Anand Ganu
(f) Whether at any time during the last 10 years, judgment has been entered against him in any civil proceedings in Singapore or elsewhere involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or a finding of fraud, misrepresentation or dishonesty on his part, or he has been the subject of any civil proceedings (including any pending civil proceedings of which he is aware) involving an allegation of fraud, misrepresentation or dishonesty on his part?	No	No	No
(g) Whether he has ever been convicted in Singapore or elsewhere of any offence in connection with the formation or management of any entity or business trust?	No	No	No
(h) Whether he has ever been disqualified from acting as a director or an equivalent person of any entity (including the trustee of a business trust), or from taking part directly or indirectly in the management of any entity or business trust?	No	No	No
(i) Whether he has ever been the subject of any order, judgment or ruling of any court, tribunal or governmental body, permanently or temporarily enjoining him from engaging in any type of business practice or activity?	No	No	No

ADDITIONAL INFORMATION ON DIRECTORS SEEKING RE-ELECTION PURSUANT TO RULE 720(6) OF THE LISTING MANUAL OF THE SGX-ST

Name of Director	Koh Boon Hwee	Chua Kheng Yeng, Jennie	Shailesh Anand Ganu
(j) Whether he has ever, to his knowledge, been concerned with the management or conduct, in Singapore or elsewhere, of the affairs of :-			
(i) any corporation which has been investigated for a breach of any law or regulatory requirement governing corporations in Singapore or elsewhere; or	No	No	No
(ii) any entity (not being a corporation) which has been investigated for a breach of any law or regulatory requirement governing such entities in Singapore or elsewhere; or	No	No	No
(iii) any business trust which has been investigated for a breach of any law or regulatory requirement governing business trusts in Singapore or elsewhere; or	No	No	No
(iv) any entity or business trust which has been investigated for a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, in connection with any matter occurring or arising during that period when he was so concerned with the entity or business trust?	No	No	No
(k) Whether he has been the subject of any current or past investigation or disciplinary proceedings, or has been reprimanded or issued any warning by the Monetary Authority of Singapore or any other regulatory authority, exchange, professional body or government agency, whether in Singapore or elsewhere?	No	No	No
Any prior experience as a director of an issuer listed on the Exchange?	N.A.	N.A.	N.A.

FAR EAST ORCHARD LIMITED

(Incorporated in the Republic of Singapore)
(Registration No: 196700511H)

PROXY FORM
ANNUAL GENERAL MEETING

Important

1. For investors who have used their CPF monies to buy ordinary shares in the capital of Far East Orchard Limited ("Shares"), this Report is forwarded to them at the request of the CPF Agent Banks and is sent solely **FOR INFORMATION ONLY**.
2. This Proxy Form is not valid for use by CPF Investors and shall be ineffective for all intents and purposes if used or purported to be used by them.
3. CPF/SRS Investors should contact their respective Agent Banks if they have any queries regarding their appointment as proxies.

Personal Data Privacy
By submitting an instrument appointing a proxy(ies) and/or representative(s), the member accepts and agrees to the personal data privacy terms set out in the Notice of AGM dated 8 April 2019.

I/We ______________________________

of ______________________________

being a member/members of Far East Orchard Limited (the "**Company**") hereby appoint:

Name	NRIC/Passport No.	Proportion of Shareholdings	
		No. of Shares (Ordinary Shares)	%
Address			

and/or *(delete as appropriate)*

Name	NRIC/Passport No.	Proportion of Shareholdings	
		No. of Shares (Ordinary Shares)	%
Address			

or failing whom, the Chairman of the Meeting, as my/our proxy/proxies to vote for me/us on my/our behalf at the Fifty-First Annual General Meeting ("**AGM**") of the Company to be held on Tuesday, 23 April 2019 at 10:00 a.m. and at any adjournment thereof. I/We direct my/our proxy/proxies to vote for or against the Resolutions to be proposed at the AGM as indicated hereunder. If no specific directions as to voting is given, the proxy/proxies will vote or abstain from voting at his/her/their discretion, as he/she/they will on any other matter arising at the AGM and at any adjournment thereof.

No.	Resolutions	For*	Against*
ORDINARY BUSINESS			
1.	Adoption of Audited Financial Statements together with the Directors' Statement and Report of the Independent Auditor for the financial year ended 31 December 2018		
2.	Approval of first and final tax-exempt dividend		
3.	Approval of Directors' fees for the sum of up to S$520,000 for the financial year ending 31 December 2019 (2018: S$520,000)		
4.	Re-election of Mr Koh Boon Hwee as a Director		
5.	Re-election of Ms Chua Kheng Yeng, Jennie as a Director		
6.	Re-election of Mr Shailesh Anand Ganu as a Director		
7.	Re-appointment of PricewaterhouseCoopers LLP as Independent Auditor		
SPECIAL BUSINESS			
8.	Authority to allot and issue shares		
9.	Proposed renewal of the shareholders' mandate for Interested Person Transactions		

* Please indicate your vote "For" or "Against" with a tick (√) within the box provided.

Dated this ________ day of __________________ 2019.

	Total number of shares in:
(a) CDP Register	
(b) Register of Members	

____
Signature(s) of Member(s)/Common Seal

IMPORTANT: PLEASE READ NOTES OVERLEAF

Affix
Postage
Stamp

Company Secretary

FAR EAST ORCHARD LIMITED

c/o The Share Registrar
Boardroom Corporate & Advisory Services Pte. Ltd.
50 Raffles Place
#32-01 Singapore Land Tower
Singapore 048623

1st fold here

2nd fold here

Notes:

1. (a) A member of the Company entitled to attend and vote at a meeting of the Company, and who is not a Relevant Intermediary, is entitled to appoint not more than two proxies to attend and vote in his/her stead at the AGM. Where a member appoints two proxies, the proportion of the shareholding to be represented by each proxy shall be specified in this proxy form. If no proportion is specified, the Company shall be entitled to treat the first named proxy as representing the entire shareholding and any second named proxy as an alternate to the first named or at the Company's option to treat this proxy form as invalid.

   (b) A member of the Company who is a Relevant Intermediary is entitled to appoint more than two proxies, to attend and vote in his/her stead at the AGM, but each proxy must be appointed to exercise the rights attached to a different share or shares held by such member. Where such member's form of proxy appoints more than two proxies, the number and class of shares in relation to which each proxy has been appointed shall be specified in the instrument appointing a proxy or proxies. In relation to a Relevant Intermediary who wishes to appoint more than two proxies, it should annex to the instrument appointing a proxy or proxies the list of proxies, setting out, in respect of each proxy, the name, address, NRIC/Passport Number and proportion of shareholding (number of shares and percentage) in relation to which the proxy has been appointed. For the avoidance of doubt, a CPF Agent Bank who intends to appoint CPF investors as its proxies shall comply with this Note.

   (c) "Relevant Intermediary" has the meaning ascribed to it in Section 181(6) of the Companies Act, Chapter 50 of Singapore (the "**Companies Act**").

2. A proxy need not be a member of the Company.

3. This proxy form must be deposited at the Share Registrar's office at 50 Raffles Place, #32-01 Singapore Land Tower, Singapore 048623 **not less than 72 hours** before the time set for the AGM.

4. The instrument appointing a proxy or proxies must be under the hand of the appointer or his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed in a manner as may be permitted by the Companies Act.

5. Where an instrument appointing a proxy or proxies is signed on behalf of the appointor by an attorney, the letter or power of attorney or a duly certified copy thereof must (failing previous registration with the Company) be lodged with the instrument of proxy or proxies, failing which the instrument may be treated as invalid.

6. A corporation who is a member of the Company may authorise by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the AGM, in accordance with Section 179 of the Companies Act.

7. The Company shall be entitled to reject an instrument appointing a proxy or proxies which is incomplete, improperly completed, illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the proxy form. In addition, in the case of shares entered in the Depository Register, the Company may reject a proxy form if the member, being the appointor, is not shown to have shares entered against his name in the Depository Register as at 72 hours before the time appointed for holding the AGM, as certified by The Central Depository (Pte) Limited to the Company.

FAR EAST ORCHARD LIMITED

A Member of Far East Organization

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