Far East Orchard

FAR EAST ORCHARD LIMITED AND ITS SUBSIDIARIES

(Registration No. 196700511H)

UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS

For the Six Months Ended 30 June 2021

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A. CONDENSED INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		Six months ended 30 June		
		2021	2020	Increase/ (Decrease)
	Note	**$'000**	$'000	%
Revenue	4	**54,946**	64,938	(15.4)
Cost of sales		**(29,830)**	(38,701)	(22.9)
Gross profit		**25,116**	26,237	(4.3)
Other income		**2,716**	5,585	(51.4)
Other losses and impairment losses – net		**(1,243)**	(3,207)	(61.2)
Expenses				
− Distribution and marketing		**(3,289)**	(3,502)	(6.1)
− Administrative		**(16,692)**	(15,107)	10.5
− Finance		**(8,393)**	(8,888)	(5.6)
Share of (loss)/profit of				
− joint ventures		**(4,396)**	(6,979)	(37.0)
− associated companies		**1,211**	1,022	18.5
Loss before income tax	5	**(4,970)**	(4,839)	2.7
Income tax expense	6	**(908)**	(1,124)	(19.2)
Loss after income tax		**(5,878)**	(5,963)	(1.4)
Other comprehensive income/(loss):				
Items that may be reclassified subsequently to profit or loss:				
Share of other comprehensive income/(loss) of joint ventures		**1,932**	(2,528)	nm
Cash flow hedges - fair value gain/(losses)		**2,713**	(1,349)	nm
Currency translation differences arising from consolidation		**(1,132)**	2,071	nm
		3,513	(1,806)	nm
Items that will not be reclassified subsequently to profit or loss:				
Share of other comprehensive income/(loss) of:				
− joint ventures		**5,776**	(10,596)	nm
− associated companies		**(1,173)**	(5,919)	(80.2)
Revaluation losses on property, plant and equipment - net		**(1,318)**	(2,780)	(52.6)
Currency translation differences arising from consolidation		**(1,001)**	1,444	nm
Other comprehensive income/(loss), net of tax		**5,797**	(19,657)	nm
Total comprehensive loss		**(81)**	(25,620)	(99.7)
Loss attributable to:				
Equity holders of the Company		**(1,867)**	(853)	>100
Non-controlling interest		**(4,011)**	(5,110)	(21.5)
		(5,878)	(5,963)	(1.4)
Total comprehensive loss attributable to:				
Equity holders of the Company		**3,003**	(17,480)	nm
Non-controlling interest		**(3,084)**	(8,140)	(62.1)
		(81)	(25,620)	(99.7)
Basic and diluted losses per share for loss attributable to equity holders of the Company (cents per share)		**(0.41)**	(0.19)	>100

nm: not meaningful

B. CONDENSED INTERIM STATEMENTS OF FINANCIAL POSITION

		Group		Company	
	Note	**30 June 2021 $'000**	31 December 2020 $'000	**30 June 2021 $'000**	31 December 2020 $'000
ASSETS					
Current assets					
Cash and bank balances	7	**263,689**	278,382	**140,081**	151,178
Trade and other receivables		**20,290**	22,080	**174,840**	176,403
Inventories		**232**	267	**18**	17
Development properties		**67,758**	61,235	**-**	-
Properties held for sale		**117,036**	117,036	**-**	-
		469,005	479,000	**314,939**	327,598
Non-current assets					
Derivative financial instruments	17	**917**	-	**1,010**	-
Other non-current assets		**6,327**	6,668	**328,171**	350,471
Investments in associated companies		**21,662**	21,620	**696**	696
Investments in joint ventures	8	**477,468**	478,282	**300**	300
Investments in subsidiaries		**-**	-	**872,714**	873,415
Investment properties	9	**895,029**	878,837	**136,524**	136,524
Property, plant and equipment	10	**629,294**	635,378	**387,469**	391,155
Intangible assets	11	**112,922**	114,318	**-**	-
Deferred income tax assets		**4,537**	4,511	**2,525**	2,461
		2,148,156	2,139,614	**1,729,409**	1,755,022
Total assets		**2,617,161**	2,618,614	**2,044,348**	2,082,620
LIABILITIES					
Current liabilities					
Trade and other payables		**106,288**	105,485	**13,633**	13,738
Current income tax liabilities		**5,808**	5,423	**-**	-
Lease liabilities		**11,109**	11,908	**5,956**	5,811
Borrowings	12	**251,747**	283,325	**128,300**	157,800
Deferred income		**10,616**	8,423	**6,817**	6,817
		385,568	414,564	**154,706**	184,166
Non-current liabilities					
Other payables		**98,666**	98,635	**360,336**	362,018
Lease liabilities		**131,081**	136,077	**77,374**	80,385
Borrowings	12	**450,186**	399,756	**185,716**	180,309
Derivative financial instruments	17	**-**	1,796	**-**	336
Deferred income		**272,912**	276,311	**272,912**	276,311
Deferred income tax liabilities		**33,011**	32,003	**-**	-
		985,856	944,578	**896,338**	899,359
Total liabilities		**1,371,424**	1,359,142	**1,051,044**	1,083,525
NET ASSETS		**1,242,737**	1,259,472	**993,304**	999,095
EQUITY					
Capital and reserves attributable to equity holders of the Company					
Share capital	13	**515,234**	515,234	**515,234**	515,234
Revaluation and other reserves		**345,422**	340,548	**289,798**	288,452
Retained profits		**369,576**	385,101	**188,272**	195,409
		1,230,232	1,240,883	**993,304**	999,095
Non-controlling interest		**15,505**	18,589	**-**	-
TOTAL EQUITY		**1,245,737**	1,259,472	**993,304**	999,095

C. CONDENSED INTERIM STATEMENTS OF CHANGES IN EQUITY

The Group		Attributable to equity holders of the Company									
	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
2021											
Balance at 1 January 2021		**515,234**	**13,977**	**361,651**	**(28,378)**	**(1,661)**	**(5,041)**	**385,101**	**1,240,883**	**18,589**	**1,259,472**
Loss for the period		-	-	-	-	-	-	(1,867)	(1,867)	(4,011)	(5,878)
Other comprehensive income/(loss) for the period		-	-	3,121	(1,166)	(1,173)	4,088	-	4,870	927	5,797
Total comprehensive Income/(loss) for the period		-	-	3,121	(1,166)	(1,173)	4,088	(1,867)	3,003	(3,084)	(81)
Dividend relating to 2020	14	-	-	-	-	-	-	(13,654)	(13,654)	-	(13,654)
Transfer of share of associated company's fair value reserve upon disposal		-	-	-	-	4	-	(4)	-	-	-
Total transactions with owners, recognised directly in equity		-	-	-	-	4	-	(13,658)	(13,654)	-	(13,654)
Balance at 30 June 2021		**515,234**	**13,977**	**364,772**	**(29,544)**	**(2,830)**	**(953)**	**369,576**	**1,230,232**	**15,505**	**1,245,737**
2020											
Balance at 1 January 2020		498,006	13,977	371,151	(43,412)	861	(1,392)	409,955	1,249,146	22,156	1,271,302
Loss for the period		-	-	-	-	-	-	(853)	(853)	(5,110)	(5,963)
Other comprehensive loss for the period		-	-	(9,657)	2,060	(5,919)	(3,111)	-	(16,627)	(3,030)	(19,657)
Total comprehensive (loss)/income for the period		-	-	(9,657)	2,060	(5,919)	(3,111)	(853)	(17,480)	(8,140)	(25,620)
Dividend relating to 2019	14	-	-	-	-	-	-	(26,302)	(26,302)	-	(26,302)
Transfer of share of associated company's fair value reserve upon disposal		-	-	-	-	26	-	(26)	-	-	-
Total transactions with owners, recognised directly in equity		-	-	-	-	26	-	(26,328)	(26,302)	-	(26,302)
Balance at 30 June 2020		498,006	13,977	361,494	(41,352)	(5,032)	(4,503)	382,774	1,205,364	14,016	1,219,380

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

The Company	Note	Share capital $'000	Asset revaluation reserve $'000	Hedging reserve $'000	Retained profits $'000	Total equity $'000
2021						
Balance at 1 January 2021		**515,234**	**288,788**	**(336)**	**195,409**	**999,095**
Profit for the period		-	-	-	6,517	6,517
Other comprehensive income for the period		-	-	1,346	-	1,346
Total comprehensive income for the period		-	-	1,346	6,517	7,863
Dividend relating to 2020	14	-	-	-	(13,654)	(13,654)
Total transactions with owners, recognised directly in equity		-	-	-	(13,654)	(13,654)
Balance at 30 June 2021		**515,234**	**288,788**	**1,010**	**188,272**	**993,304**
2020						
Balance at 1 January 2020		498,006	301,647	-	220,274	1,019,927
Loss for the period		-	-	-	(1,043)	(1,043)
Total comprehensive loss for the period		-	-	-	(1,043)	(1,043)
Dividend relating to 2019	14	-	-	-	(26,302)	(26,302)
Total transactions with owners, recognised directly in equity		-	-	-	(26,302)	(26,302)
Balance at 30 June 2020		498,006	301,647	-	192,929	992,582

D. CONDENSED INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS

	Note	Six months ended 30 June 2021 $'000	Six months ended 30 June 2020 $'000
Cash flows from operating activities			
Loss after income tax		**(5,878)**	(5,963)
Adjustments for:			
Income tax expense		**908**	1,124
Depreciation of property, plant and equipment	5	**10,193**	10,444
Amortisation of intangible assets	5	**1,353**	1,353
Gain on disposal of property, plant and equipment	5	**-**	(3)
Revaluation losses on property, plant and equipment	5	**580**	2,663
Impairment of goodwill	5	**-**	4,000
Interest income	5	**(552)**	(1,674)
Finance expense	5	**8,393**	8,888
Share of loss of joint ventures		**4,396**	6,979
Share of profit of associated companies		**(1,211)**	(1,022)
Unrealised currency translation losses/(gains)		**621**	(2,056)
		18,803	24,733
Change in working capital:			
Trade and other receivables		**1,358**	1,853
Inventories		**33**	102
Development properties and properties held for sale		**(4,270)**	2,565
Trade and other payables		**(10,482)**	(17,145)
Cash generated from operations		**5,442**	12,108
Interest paid		**(90)**	(45)
Income tax paid – net		**(963)**	(1,720)
Net cash provided by operating activities		**4,389**	10,343
Cash flows from investing activities			
Additions to property, plant and equipment		**(5,885)**	(386)
Additions to investment properties		**(488)**	(19)
Cost adjustment to an investment property		**664**	-
Dividends received from joint ventures		**-**	986
Investment in joint ventures		**-**	(23,398)
Repayment of advances from joint ventures		**-**	15,508
Interest received		**1,065**	2,245
Income tax paid – net		**-**	(209)
Net cash used in investing activities		**(4,644)**	(5,273)
Cash flows from financing activities			
Proceeds from borrowings		**41,075**	125,457
Repayment of borrowings		**(36,877)**	(111,618)
Repayment of principal portion of lease liabilities		**(6,305)**	(5,579)
Interest paid on lease liabilities		**(4,262)**	(4,550)
Interest paid on borrowings		**(4,469)**	(4,492)
Dividends payment for equity holders of the Company	14	**(3,836)**	-
Net cash used in financing activities		**(14,674)**	(782)
Net (decrease)/increase in cash and cash equivalents		**(14,929)**	4,288
Cash and cash equivalents			
Beginning of financial period		**278,382**	257,430
Less: Bank deposits pledged		**(29,621)**	(29,181)
Effects of currency translation on cash and cash equivalents		**236**	427
End of financial period		**234,068**	232,964

E. NOTES TO THE INTERIM FINANCIAL STATEMENTS

1. General information

Far East Orchard Limited (the "Company") is listed on the Singapore Exchange and incorporated and domiciled in Singapore. These condensed interim consolidated financial statements as at and for the six months ended 30 June 2021 comprise the Company and its subsidiaries (the "Group").

2. Basis of preparation

The condensed interim financial statements for the six months ended 30 June 2021 have been prepared in accordance with Singapore Financial Reporting Standards (International) ("SFRS(I)") 1-34 *Interim Financial Reporting* issued by the Accounting Standards Council Singapore. The condensed interim financial statements do not include all the information required for a complete set of financial statements. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Group's financial position and performance of the Group since the last annual financial statements for the year ended 31 December 2020.

The accounting policies adopted are consistent with those of the previous financial year which were prepared in accordance with SFRS(I), except for the adoption of new and amended standards as set out in Note 2.1.

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

2.1. New and amended standards adopted by the Group

There has been no change in the accounting policies and methods of computation adopted by the Group for the current reporting period compared with the audited financial statements for the year ended 31 December 2020, except for the adoption of new or revised SFRS(I) and Interpretations of SFRS(I) ("INT SFRS(I)") that are mandatory for the financial year beginning on or after 1 January 2021. The adoption of these SFRS(I) and INT SFRS(I) has no significant impact on the Group.

The Group has adopted the principles of the Interest Rate Benchmark Reform (Amendments to SFRS(I) 9 and SFRS(I) 7). The Group is currently overseeing and monitoring the Group's inter-bank offered rates ("IBOR") reform transition, which includes assessing the impact of existing IBOR related financial products and executing amendments required as a result of IBOR reform with its counterparties.

2.2. Critical accounting estimates, assumptions and judgements

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

The significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements as at and for the year ended 31 December 2020.

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

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

- Notes 9 and 10 - Valuation of investment properties and land and buildings classified under property, plant and equipment using significant unobservable inputs
- Note 11 - Impairment assessment of goodwill: key assumptions underlying recoverable amounts
- Note 8 - Valuation of investment in a joint venture, Toga Hotel Holdings Unit Trust

3. Seasonal operations

The Group's businesses are not affected significantly by seasonal or cyclical factors during the six months ended 30 June 2021.

E. NOTES TO THE INTERIM FINANCIAL STATEMENTS (continued)

4. Revenue

	Group	
	Six months ended 30 June	
	2021	2020
	$'000	$'000
Revenue from contracts with customers	**28,117**	44,314
Rental income	**26,829**	20,624
	54,946	64,938

Disaggregation of revenue from contracts with customers

The Group derives revenue from the transfer of goods and services at a point in time and over time in the following major revenue streams and geographical regions. All the sales are recognised over time, except for revenue from sale of property held for sale – Singapore which is recognised at a point in time.

Revenue is attributed to countries by location of customers.

	Group	
	Six months ended 30 June	
	2021	2020
	$'000	$'000
Hospitality operations		
− Singapore	**8,248**	13,868
− Australia	**11,380**	13,471
− New Zealand	**1,988**	2,232
− Other countries	**295**	922
	21,911	30,493
Hospitality management and other related fees – Singapore		
− Other related parties	**6,182**	7,217
− Non-related parties	**24**	43
Sale of property held for sale – Singapore	**-**	6,561
Total revenue from contracts with customers	**28,117**	44,314

E. NOTES TO THE INTERIM FINANCIAL STATEMENTS (continued)

5. Loss before income tax

5.1 Significant items

	Group		
	Six months ended 30 June		
	2021	2020	Increase/ (Decrease)
	$'000	$'000	%
The following items were credited/(charged) to the income statement:			
Other income - net			
Interest income from bank deposits	**492**	1,650	(70.2)
Interest income from advances to joint venture	**60**	24	>100
Government grant income	**2,067**	4,182	(50.6)
Government grant expense	**-**	(318)	nm
Cost of sales and administrative expenses			
Depreciation of property, plant and equipment			
− Right-of-use assets	**(5,989)**	(6,342)	(5.6)
− Other property, plant and equipment	**(4,204)**	(4,102)	2.5
Amortisation of intangible assets	**(1,353)**	(1,353)	0.0
Allowance for impairment losses on trade receivables	**(78)**	(88)	(11.4)
Other losses and impairment losses – net			
Impairment of goodwill	**-**	(4,000)	nm
Revaluation losses on property, plant and equipment	**(580)**	(2,663)	(78.2)
Gain on disposal of property, plant and equipment	**-**	3	nm
Currency exchange (losses)/gains - net	**(663)**	3,453	nm
Finance expenses			
Interest expense for:			
− Bank borrowings	**(3,256)**	(3,693)	(11.8)
− Advances from non-controlling interests	**(658)**	(662)	(0.6)
− Lease liabilities	**(4,262)**	(4,550)	(6.3)
Cash flow hedges, reclassified from hedging reserves	**(217)**	17	nm

nm: not meaningful

During the period ended 30 June 2021, grant income relates mainly to wage subsidies (Six months ended 30 June 2020: wage subsidies and property tax rebates) received from the Singapore and Australian governments. Grant expense in the preceding period relates to the property tax rebates received from the Singapore Government that were transferred to tenants in the form of rent concessions during the period.

5.2 Related party transactions

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

6. Income tax expense

Income tax expense is recognised based on management's estimate of the weighted average effective annual income tax rate expected for the full financial year. During the six months ended 30 June 2021, the income tax expense has included an over provision of income tax expense relating to prior financial years of $565,000 (Six months ended 30 June 2020: Under provision of $209,000).

E. NOTES TO THE INTERIM FINANCIAL STATEMENTS (continued)

7. Cash and bank balances

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

	Group	
	30 June 2021 $'000	31 December 2020 $'000
Cash and bank balances	**263,689**	278,382
Less: Bank deposits pledged	**(29,621)**	(31,235)
Cash and cash equivalents per condensed interim consolidated statement of cash flows	**234,068**	247,147

8. Investments in joint ventures

	Group	Company
	30 June 2021 $'000	**30 June 2021 $'000**
Equity investment at cost		**300**
Beginning of interim period	**478,282**	
Share of loss	**(4,396)**	
Share of movements in:		
− asset revaluation reserve	**5,776**	
− currency translation reserve	**(46)**	
− hedging reserve	**1,964**	
Foreign exchange differences	**(4,112)**	
End of interim period	**477,468**	

As at 30 June 2021, the carrying value of one of the Group's material equity accounted joint ventures, Toga Hotel Holdings Unit Trust ("Toga Trust"), amounted to $195,054,000 (31 December 2020: $193,524,000). The Group's share of Toga Trust's results recognised in the profit or loss and other comprehensive income are affected by the significant estimates and assumptions applied by Toga Trust in the:

(a) Determination of the fair value of its land and buildings classified under property, plant and equipment with a carrying amount of $387,538,000 (31 December 2020: $375,671,000); and

(b) Impairment assessment of its goodwill and brands with indefinite lives with a carrying amount of $193,315,000 (31 December 2020: $194,800,000).

The carrying amount above reflects 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% (31 December 2020: 1%), the net assets of the Group will increase or decrease by $1,514,000 (31 December 2020: $774,000).

If the recoverable amount of the cash-generating-units ("CGU") (which the goodwill and brands with indefinite lives are allocated to) decreases by 5% (31 December 2020: 5%), there will be no reduction (31 December 2020: an impairment of $1,263,000) in the carrying value of the Group's investment in Toga Trust.

E. NOTES TO THE INTERIM FINANCIAL STATEMENTS (continued)

9. Investment properties

	Group	Company
	30 June 2021	**30 June 2021**
	$'000	**$'000**
Beginning of interim period	**878,837**	**136,524**
Additions - Subsequent expenditure	**488**	**-**
Adjustment to cost	**(664)**	**-**
Foreign exchange differences	**16,368**	**-**
End of interim period	**895,029**	**136,524**
Comprised: Completed properties	**895,029**	**136,524**

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 properties at the end of every financial year for financial reporting purposes based on the properties' highest and best use. At each financial year, the management verifies all major inputs to the independent valuation reports, assesses property valuation movements compared to the prior year valuations and holds discussions with the independent valuers.

The Group's investment properties are measured and carried at fair value using inputs that are not based on observable market data (unobservable inputs), i.e. Level 3 fair values based on year-end valuations performed. The valuation techniques that have been used to derive the Level 3 fair values of the Group's investment properties and land and buildings classified under property, plant and equipment are included in Note 20(d) of the Group's annual financial statements for the year ended 31 December 2020.

At the end of every half-year, management will assess whether fair values of the Group's properties remain appropriate by holding discussions with property managers and corroborating through independent research and market data. In assessing whether the fair values remained appropriate, management considered whether any movement in market data such as discount rate, capitalization rates, changes in underlying cash flows or sales comparables would result in a material impact to the fair values of the properties since December 2020. The Group will engage external independent qualified valuer whenever carrying amounts of the properties are likely to differ materially from the fair values recognised in the last financial reporting period. The fair values determined based on the year-end valuations performed remained appropriate as at 30 June 2021 and as such no fair value movements have been recognized for the six months ended 30 June 2021.

E. NOTES TO THE INTERIM FINANCIAL STATEMENTS (continued)

10. Property, plant and equipment

As at 30 June 2021, the Group's carrying value of property, plant and equipment included right-of-use assets amounting to $112,950,000 (31 December 2020: $118,476,000).

Group

	Freehold and leasehold land	Building and office	Plant, equipment, furniture and fittings	Construction -in-progress	Motor vehicles	Other assets	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Half-year ended 30 June 2021							
Beginning net book value	378,102	244,781	9,835	999	684	977	635,378
Currency translation differences	(522)	(1,064)	(83)	(8)	-	(6)	(1,683)
Additions	-	487	240	5,575	-	70	6,372
Revaluation adjustments							
– profit or loss (Note 5)	-	(580)	-	-	-	-	(580)
Depreciation charge (Note 5)	-	(8,756)	(1,264)	-	(97)	(76)	(10,193)
End of interm period	377,580	234,868	8,728	6,566	587	965	629,294
As at 30 June 2021							
Cost	-	208,866	70,330	6,566	1,070	4,912	291,744
Valuation	377,580	124,349	-	-	-	-	501,929
	377,580	333,215	70,330	6,566	1,070	4,912	793,673
Accumulated depreciation and impairment losses	-	(98,347)	(61,602)	-	(483)	(3,947)	(164,379)
Net book value	**377,580**	**234,868**	**8,728**	**6,566**	**587**	**965**	**629,294**
As at 31 December 2020							
Cost	-	208,442	70,303	999	1,070	4,848	285,662
Valuation	378,102	126,316	-	-	-	-	504,418
	378,102	334,758	70,303	999	1,070	4,848	790,080
Accumulated depreciation and impairment losses	-	(89,977)	(60,468)	-	(386)	(3,871)	(154,702)
Net book value	378,102	244,781	9,835	999	684	977	635,378

Company

During the six months ended 30 June 2021, the Company acquired property, plant and equipment amounting to $59,000 and there was no disposal of assets.

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

The Group engages external, independent and qualified valuers to determine the fair value of the Group's land and buildings classified as property, plant and equipment, on an annual basis and whenever their carrying amounts are likely to differ materially from their revalued amounts, based on the properties' highest and best use. At the end of every half-year, management will assess whether fair values of the Group's properties remain appropriate and engage external, independent and qualified valuer when deemed necessary. The valuation techniques and key inputs that were used to determine the fair value which is categorised under Level 3 of the fair value hierarchy are described in Note 20(d) of the Group's annual financial statements for the year ended 31 December 2020 and remained appropriate in determining the fair values of the property, plant and equipment as at 30 June 2021.

Other than a revaluation loss of $580,000 recognised on the freehold land and building in Malaysia, no other revaluation movements were recognised for the financial period ended 30 June 2021. The valuation of the freehold land and building in Malaysia was determined by an independent and qualified valuer using the same valuation technique as at 31 December 2020. The resulting revaluation loss was due to a decline in the overall cash flows projected using the discounted cash flow valuation technique.

E. NOTES TO THE INTERIM FINANCIAL STATEMENTS (continued)

11. Intangible assets

	Group
	30 June 2021
	$'000
Goodwill arising from acquisition of hospitality businesses (Note (a))	**42,884**
Hospitality lease and management agreements (Note (b))	**70,038**
	112,922

(a) Goodwill arising from acquisition of hospitality businesses

	Group
	30 June 2021
	$'000
Cost	
Beginning of interim period	**57,244**
Currency translation differences	**(114)**
End of interim period	**57,130**
Accumulated impairment	
Beginning of interim period	**14,317**
Currency translation differences	**(71)**
End of interim period	**14,246**
Net book value	**42,884**

Impairment assessment of goodwill

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

	Group
	30 June 2021
	$'000
Management services – Singapore (Note (i))	**37,257**
Property ownership – Australia (Note (ii))	**5,627**
	42,884

(i) Management services – Singapore

In the last annual reporting period, the recoverable amount of the "Management services – Singapore" CGU was determined based on fair value less cost to sell ("FVLCTS").

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

- Discounted Cash Flow ("DCF") method; and
- Guideline Public Company ("GPC") method

For further information, please refer to Note 23(a)(i) in the Group's annual financial statements for the year ended 31 December 2020.

Significant estimates

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

E. NOTES TO THE INTERIM FINANCIAL STATEMENTS (continued)

11. Intangible assets (continued)

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

(i) Management services – Singapore (continued)

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

As at 30 June 2021, management has considered and assessed possible changes on the key assumptions and have not identified any instances that could cause the carrying amount of the CGU to exceed its recoverable amounts. Based on management's assessment of the recoverable amount as at 30 June 2021, no impairment charge was recognised.

(ii) Property ownership – Australia

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

For further information, please refer to Note 23(a)(ii) in the Group's annual financial statements for the year ended 31 December 2020.

Significant estimates

Cash flows beyond the ten-year period were extrapolated using the estimated growth rate of 0% to 1.5%. Key assumptions used for the analysis of the CGU also include the budgeted EBITDA margin for the period 2021 to 2030 determined by management based on past performance and its expectations of market developments. Cash flows for the period of 2021 to 2024 from the Group's hospitality ownership business in Australia took into account the COVID-19 impact on the CGU. The pre-tax discount rate of 7.8% to 8.8% adopted as at 31 December 2020 for the purpose of goodwill impairment testing had reflected the higher risk and uncertainty associated with the ongoing COVID-19 pandemic.

Management has considered and assessed possible changes on the key assumptions and have not identified any instances that could cause the carrying amount of the CGU to exceed its recoverable amounts. Based on management's assessment of the recoverable amount as at 30 June 2021, no impairment charge was recognised.

(b) Hospitality lease and management agreements

	Group **30 June 2021** **$'000**
Cost	
Beginning of interim period	**99,292**
Currency translation differences	**(45)**
End of interim period	**99,247**
Accumulated amortisation and impairment	
Beginning of interim period	**27,901**
Currency translation differences	**(45)**
Amortisation charge included within "Cost of sales" in profit or loss (Note 5)	**1,353**
End of interim period	**29,209**
Net book value	**70,038**

E. NOTES TO THE INTERIM FINANCIAL STATEMENTS (continued)

12. Borrowings

	Group	
	30 June 2021 $'000	31 December 2020 $'000
Amount repayable in one year or less, or on demand (net of transaction costs)		
− Secured	**103,447**	105,525
− Unsecured	**148,300**	177,800
	251,747	283,325
Amount repayable after one year (net of transaction costs)		
− Secured	**264,470**	219,447
− Unsecured	**185,716**	180,309
	450,186	399,756
	701,933	683,081

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

13. Share capital

	Group and Company			
	Number of shares		Amount	
	Six months ended		Six months ended	
	30 June 2021 '000	31 December 2020 '000	**30 June 2021 $'000**	31 December 2020 $'000
Beginning of period	**455,485**	438,360	**515,234**	498,006
Shares issued in-lieu of dividend	**-**	17,125	**-**	17,228
End of period	**455,485**	455,485	**515,234**	515,234

The Company does not have any convertibles or treasury shares as at 30 June 2021.

The Company does not have any subsidiary that holds shares issued by the Company as at 30 June 2021 and 31 December 2020.

14. Dividend

	Company	
	Six months ended 30 June	
	2021 $'000	2020 $'000
Ordinary dividend paid/provided for		
Final dividend paid/provided for in respect of the previous financial year of 3 cents per share (2020: 6 cents per share)	**13,654**	26,302

A final dividend of 3 cents per share amounting to $13,654,000 relating to 2020 was approved at the Annual General Meeting held on 26 April 2021. Cash dividends amounting to $3,836,000 was made by the Company to The Central Depository on 30 June 2021 and subsequently paid out to the shareholders who did not participate in the Scrip Dividend Scheme ("Scheme") on 5 July 2021. The allotment and issuance of 9,049,394 new shares amounting to approximately $9,819,000 under the Scheme have been made on 5 July 2021 to the participating shareholders. Dividends relating to the new shares have been provided for as at balance sheet date. Please refer to the Company's announcement dated 5 July 2021 for more details.

E. NOTES TO THE INTERIM FINANCIAL STATEMENTS (continued)

15. Capital commitments

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

	Group	
	30 June 2021	31 December 2020
	$'000	$'000
Development properties	**8,813**	12,307
Investment property	**417**	-
Property, plant and equipment	**6,139**	11,448
	15,369	23,755

16. Net asset value

	Group		Company	
	30 June 2021	31 December 2020	**30 June 2021**	31 December 2020
Net asset value per ordinary share based on total number of issued shares as at the end of the period/year	**$2.70**	$2.72	**$2.18**	$2.19

17. Fair value measurements

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

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

Fair value measurement disclosure of other assets that are recognised or measured at fair value, can be found in Notes 9 and 10.

	Group		Company	
	30 June 2021	31 December 2020	**30 June 2021**	31 December 2020
	$'000	$'000	**$'000**	$'000
Assets/(Liabilities)				
Derivative financial instruments – Level 2	**917**	(1,796)	**1,010**	(336)

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

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

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

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

E. NOTES TO THE INTERIM FINANCIAL STATEMENTS (continued)

18. Segment information

Management has determined the operating segments based on the reports reviewed by the executive director and management for performance measurement and resource allocation.

The Group operates its hospitality business across three segments.

(i) Management services

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

(ii) Operations

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

(iii) Property ownership

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

The Group manages its property business across three segments.

(i) Student accommodation

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

(ii) Development

The development segment includes all 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.

(iii) Investment

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

There was no revenue from transactions with a single external customer that accounts for 10% or more of the Group's revenue for the six months ended 30 June 2021 and 2020.

E. NOTES TO THE INTERIM FINANCIAL STATEMENTS (continued)

18. Segment information (continued)

The segment information provided to the executive director and management for the reportable segments are as follows:

	Hospitality				Property			Total
	Management services – Singapore	Operations – Singapore	Operations – Australia and New Zealand	Property ownership	Student accommodation	Development	Investment	
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	**$'000**
1 January to 30 June 2021								
Total segment revenue	7,007	8,248	2,917	12,479	20,507	-	4,589	**55,747**
Inter-segment revenue	(801)	-	-	-	-	-	-	**(801)**
Revenue from external parties	**6,206**	**8,248**	**2,917**	**12,479**	**20,507**	**-**	**4,589**	**54,946**
Operating (loss)/profit	(386)	(1,565)	(1,088)	(3,794)	12,812	90	3,458	**9,527**
Share of profit/(loss) of:								
− joint ventures	-	-	(3,207)	(1,287)	-	98	-	**(4,396)**
− associated companies	-	1,211	-	-	-	-	-	**1,211**
Total operating (loss)/profit	**(386)**	**(354)**	**(4,295)**	**(5,081)**	**12,812**	**188**	**3,458**	**6,342**
Corporate expenses								**(2,228)**
Interest income								**552**
Finance expense								**(8,393)**
Others*								**(1,243)**
Loss before income tax								**(4,970)**
Income tax expense								**(908)**
Loss after income tax								**(5,878)**
As at 30 June 2021								
Segment assets	115,801	449,042	5,082	254,874	611,314	186,432	292,787	**1,915,332**
Investments in associated companies	-	21,662	-	-	-	-	-	**21,662**
Investments in joint ventures	-	-	195,054	90,938	-	191,476	-	**477,468**
	115,801	**470,704**	**200,136**	**345,812**	**611,314**	**377,908**	**292,787**	**2,414,462**
Corporate assets								**202,699**
Total assets								**2,617,161**

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

E. NOTES TO THE INTERIM FINANCIAL STATEMENTS (continued)

18. Segment information (continued)

	Hospitality				Property			Total
	Management services – Singapore	Operations – Singapore	Operations – Australia and New Zealand	Property ownership	Student accommodation	Development	Investment	
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
1 January to 30 June 2020								
Total segment revenue	8,400	13,868	3,254	14,755	15,245	6,561	3,995	66,078
Inter-segment revenue	(1,140)	-	-	-	-	-	-	(1,140)
Revenue from external parties	7,260	13,868	3,254	14,755	15,245	6,561	3,995	64,938
Operating profit/(loss)	1,047	2,964	(475)	(1,610)	9,921	482	2,934	15,263
Share of profit/(loss) of:								
− joint ventures	-	-	(8,850)	(2,539)	-	4,410	-	(6,979)
− associated companies	-	1,022	-	-	-	-	-	1,022
Total operating profit/(loss)	1,047	3,986	(9,325)	(4,149)	9,921	4,892	2,934	9,306
Corporate expenses								(3,724)
Interest income								1,674
Finance expense								(8,888)
Others*								(3,207)
Loss before income tax								(4,839)
Income tax expense								(1,124)
Loss after income tax								(5,963)
As at 31 December 2020								
Segment assets	118,500	459,456	13,776	258,269	584,485	180,402	290,766	1,905,654
Investments in associated companies	-	21,620	-	-	-	-	-	21,620
Investments in joint ventures	-	-	193,523	93,381	-	191,378	-	478,282
	118,500	481,076	207,299	351,650	584,485	371,780	290,766	2,405,556
Corporate assets								213,058
Total assets								2,618,614

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

E. NOTES TO THE INTERIM FINANCIAL STATEMENTS (continued)

18. Segment information (continued)

Geographical information

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

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

	Revenue Six months ended 30 June	
	2021	2020
	$'000	$'000
Singapore	**19,043**	31,684
Australia	**13,113**	14,855
New Zealand	**1,988**	2,232
United Kingdom	**20,507**	15,245
Other countries	**295**	922
	54,946	64,938

	Non-current assets	
	30 June	31 December
	2021	2020
	$'000	$'000
Singapore	**1,048,453**	1,055,383
Australia	**391,114**	388,186
United Kingdom	**576,992**	559,695
Other countries	**131,597**	136,350
	2,148,156	2,139,614

F. OTHER INFORMATION

1. Review

The condensed consolidated statement of financial position of Far East Orchard Limited and its subsidiaries as at 30 June 2021 and the related condensed consolidated statement of comprehensive income, condensed consolidated statement of changes in equity, statement of changes in equity of the Company and condensed consolidated statement of cash flows for the six-month period then ended and certain explanatory notes have not been audited or reviewed by the Company's auditor.

2. Review of performance of the Group

(a) Group performance review for the six months ended 30 June 2021 ("1H FY21")

Revenue
Revenue for 1H FY21 decreased by $10.0 million (15.4%) to $54.9 million (1H FY20: $64.9 million). The Group's hospitality business continued to be impacted by the COVID-19 pandemic as ongoing lockdowns and border closures impeded international travel and tourism. In Singapore, the decline was partially mitigated by the demand for accommodation facilities for isolation purposes and demand from companies for accommodation for their foreign workers.

The decrease in revenue from the hospitality business was partially offset by the higher revenue from the student accommodation ("PBSA") segment in the United Kingdom ("UK"), which included the full six months contribution from a PBSA asset acquired in November 2020.

Gross profit
Gross profit decreased by $1.1 million (4.3%) to $25.1 million in 1H FY21 (1H FY20: $26.2 million) mainly due to the lower gross profit of the hospitality business, partially offset by the higher gross profit contribution from the PBSA segment.

Other income
Other income included interest income from bank deposits and grant income. The Group's other income decreased by $2.9 million to $2.7 million in 1H FY21 (1H FY20: $5.6 million) mainly due to the lower interest income from lower bank deposits rates in 1H FY21 and lower wage subsidies from the governments in Singapore and Australia compared to the preceding period.

Other losses and impairment losses – net
Other losses and impairment losses for 1H FY21 were lower as higher revaluation losses on hospitality assets and impairment charge on goodwill were recognised in the preceding period. This was partially offset by a currency translation loss in 1H FY 21 instead of currency translation gain in the preceding period.

Expenses
Total expenses increased by $0.9 million to $28.4 million in 1H FY21 (1H FY20: $27.5 million) mainly due to the higher operating expenses arising from the PBSA property acquired in 2020. The increase was partially offset by the lower marketing and promotional spend by the hospitality business segment in view of the COVID-19 pandemic and lower finance expenses stemming from lower bank borrowings interest rate.

Share of loss/profit of joint ventures and associated companies
The share of loss of joint ventures of the Group for 1H FY21 was $4.4 million compared to $7.0 million in 1H FY20. The share of loss from the hospitality joint ventures in Australia and Europe would have been higher if not for the government grants received. The share of results of joint ventures in the preceding period included the sales of commercial units upon Woods Square attaining TOP in February 2020.

The Group's share of profit of associated companies for 1H FY20 increased by $0.2 million to $1.2 million in 1H FY21 mainly due to higher distribution income and lower operating expenses.

F. OTHER INFORMATION (continued)

2. Review of performance of the Group (continued)

(a) <u>Group performance review for the six months ended 30 June 2021 ("1H FY21")</u> (continued)

Income tax expense
Excluding the overprovision of income tax of $0.6 mil, income tax expense of the Group would have been higher mainly due to the expanded PBSA business segment.

Loss after income tax and Loss attributable to equity holders of the Company
The Group recorded a loss after income tax of $5.9 million in 1H FY21 as compared to $6.0 million in 1H FY20. Loss attributable to equity holders of the Company was $1.9 million in 1H FY21 as compared to $0.9 million in 1H FY20.

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

Cash flow and working capital
The Group generated a net decrease in cash and cash equivalents for 1H FY21 of $14.9 million compared to a net increase of $4.3 million in 1H FY20 due to lower cash provided by operating activities and higher cash used in financing activities.

Net cash inflows from operating activities of the Group for 1H FY21 were lower at $4.4 million compared to $10.3 million for 1H FY20 as net cash inflows for 1H FY20 included proceeds from sale of a unit of medical suite and there was also timing difference on trade and other payables.

Net cash used in investing activities of the Group for 1H FY21 was $4.6 million compared to $5.3 million for 1H FY20. Net cash outflows in 1H FY21 were mainly for the refurbishment expenditure of Rendezvous Hotel Melbourne, whereas net cash outflows in 1H FY20 were mainly due to the completion of the hotel development in Tokyo, Japan.

Net cash outflows from financing activities of the Group for 1H FY21 of $14.7 million was higher compared to $0.8 million for 1H FY20 mainly due to dividend payment for equity holders of the Company and the higher draw down of bank borrowings in 1H FY20 to fund the completion of the hotel development in Tokyo, Japan.

Assets
Total assets as at 30 June 2021 were $2,617.2 million. Compared to 31 December 2020, total assets decreased by $1.5 million.

The decrease in total assets was mainly due to drop in carrying value of property, plant and equipment and the decrease in investment in joint ventures as share of losses from the hospitality joint ventures were being recognised.

The decrease was partially offset by increase in investment properties due to currency exchange movement and capitalization of ongoing construction costs for the residential development in UK.

Liabilities
Total liabilities as at 30 June 2021 were $1,371.4 million. Compared to 31 December 2020, total liabilities increased by $12.3 million mainly due to currency movement on bank borrowings denominated in GBP and the dividend payables relating to 2020. The increase was partially offset by payments of operating expenses and lease liabilities.

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

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

F. OTHER INFORMATION (continued)

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

The impact of COVID-19 continues to rage around the world, with several countries forced to re-introduce targeted restrictive measures to curb the spread of the contagious and rampant virus strain, the Delta variant. With COVID-19 likely to become an endemic disease, recovery of the economy is largely dependent on the rate of vaccination globally. Containment of the virus, easing of travel restrictions, reopening of borders, as well as individual's willingness and confidence to travel, remain as main barriers for the expected recovery.

Hospitality Business
The COVID-19 pandemic continues to have a devastating effect on the hospitality industry due to the resurgent virus risks. Tourism experts also do not expect international air travel across the region to return to pre-pandemic levels until 2023 or later, although domestic travel is expected to largely recover by the end of 2022.[1]

The Group's operating condition for the hospitality business remains challenging in the short term, especially with the increase spikes in infection with the Delta variant. Despite this, the Group will continue to focus on the transformation of its brands and operations as it grows its hospitality footprint.

UK PBSA Business
Since mid-May, all higher education students were allowed to return to in-person teaching. The UK government has also announced that there will be no restrictions on in-person teaching and learning in universities from 16 August.[2] The Universities and Colleges Admission Services ("UCAS") reported that as of 30 June 2021, the total number of applicants for Academic Year ("AY") 2021/22 grew 4% year-on-year.[3] The surge in applications is expected to correspond to a higher number of students starting university or college in the AY2021/22.

The progress in the occupancy booking at our PBSA properties for AY2021/22 is in line with the Group's expectations for a later sales cycle. With the UK COVID restrictions lifted on 19 July 2021, the Group continues to remain confident of the PBSA demand and expects the pace of booking to pick up leading to the commencement of the academic year.

FY21 Outlook
The challenges posed by the fast-spreading Delta variant and repeated lockdowns have inevitably setback the recovery of the travel industry. As the Group's hospitality segment remains its biggest contributor, the financial performance for the rest of FY21 is expected to remain under pressure. On a positive note, the outlook for the Group's PBSA business in the UK remains resilient, with the education sector growing strong arising from the demand for quality higher education.

The Group remains committed to executing its lodging platform strategy, through selective and prudent expansion of its hospitality and PBSA portfolios. The Group has sufficient liquidity to meet its operational needs and will continue exercising prudence in managing its resources while positioning for the eventual recovery.

[1]Asia's air travel may take three years to recover from Covid-19. The Straits Times, 15 July 2021
[2]Higher education COVID-19 operational guidance, 19 July 2021
[3]UCAS, 8 July 2021

5. Dividend

(a) Current Financial Period Reported On

None.

(b) Corresponding Period of the Immediately Preceding Financial Year

None.

(c) Date payable

Not applicable.

(d) Record date

Not applicable.

F. OTHER INFORMATION (continued)

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

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

7. Interested person transactions

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

Name of interested person	Nature of relationship	Aggregate value of all interested person transactions conducted under shareholders' mandate pursuant to Rule 920 of the Listing Manual (excluding transactions less than $100,000)	Aggregate value of all interested person transactions during the financial period under review (excluding transactions less than $100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920)
		Six months ended 30 June 2021 $'000	Six months ended 30 June 2021 $'000
Agape Services Pte. Ltd.	Associate of controlling shareholder		
Supply of goods and services		(192)	-
Boo Han Holdings Pte. Ltd.	Associate of controlling shareholder		
Hospitality management income		229	-
China Classic Pte Ltd	Associate of controlling shareholder		
Hospitality management income		116	-
Dollar Land Singapore Private Limited	Associate of controlling shareholder		
Hospitality management income		113	-
Far East Hospitality Real Estate Investment Trust	Associate of controlling shareholder		
Management income(4)		1,535	-
Hospitality services income		135	-
Rental expense on operating leases			
- offices		(549)	-
- hotels and serviced residences		(8,500)	-
Far East Management (Private) Limited	Associate of controlling shareholder		
Management service fees		(1,041)	-
Hospitality services		(867)	-
Sale of a property unit(5)		-	591

(4) Pursuant to the trust deed constituting Far East Hospitality Real Estate Investment Trust ("FEH-REIT") dated 1 August 2012 (as amended, varied or supplemented from time to time) (the "Trust Deed") and entered into between FEO Hospitality Asset Management Pte. Ltd. ("FEOHAM") (in its capacity as the manager of FEH-REIT) and DBS Trustee Limited (in its capacity as the trustee of FEH-REIT), FEOHAM is entitled to a management fee comprising a base fee of 0.3% per annum of the value of the Deposited Property (as defined in the Trust Deed) and a performance fee of 4.0% per annum of net property income (as defined in the Trust Deed). During the financial period ended 30 June 2021, the Company was a 33% shareholder of FEOHAM and this amount represents 33% of the management fees received during the financial period, being the value at risk to the Group.

(5) Woodlands Square Pte. Ltd. ("WSPL") holds the property Woods Square, and is a joint venture by the Group's wholly-owned subsidiary, Tannery Holdings Pte Ltd with Far East Civil Engineering (Pte.) Limited and Sekisui House, Ltd. WSPL entered into an option to purchase dated 10 March 2021, and a sale and purchase agreement dated 29 March 2021, with Far East Management (Private) Limited ("FEM"), a member of Far East Organization, for the sale of a property unit at Woods Square to FEM. Please refer to the Company's announcement dated 23 March 2021 for more details.

F. OTHER INFORMATION (continued)

7. Interested person transactions (continued)

Name of interested person	Nature of relationship	Aggregate value of all interested person transactions conducted under shareholders' mandate pursuant to Rule 920 of the Listing Manual (excluding transactions less than $100,000)	Aggregate value of all interested person transactions during the financial period under review (excluding transactions less than $100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920)
		Six months ended 30 June 2021 $'000	Six months ended 30 June 2021 $'000
Far East Organization Centre Pte Ltd	Associate of controlling shareholder		
Hospitality management income		485	-
Far East Real Estate Agency Pte. Ltd.	Associate of controlling shareholder		
Property management services		(209)	-
Far East Rocks Pty Ltd	Associate of controlling shareholder		
Rental expense on operating leases - hotel		(164)	-
Far East Soho Pte. Ltd.	Associate of controlling shareholder		
Hospitality management income		170	-
Fontaine Investment Pte Ltd	Associate of controlling shareholder		
Hospitality management income		634	-
Golden Development Private Limited	Associate of controlling shareholder		
Hospitality management income		647	-
Golden Landmark Pte. Ltd.	Associate of controlling shareholder		
Hospitality management income		201	-
Orchard Mall Pte. Ltd.	Associate of controlling shareholder		
Hospitality management income		157	-
Orchard Parksuites Pte Ltd	Associate of controlling shareholder		
Hospitality management income		388	-
Oxley Hill Properties Pte Ltd	Associate of controlling shareholder		
Hospitality management income		181	-
Riverland Pte Ltd	Associate of controlling shareholder		
Hospitality management income		139	-
Serene Land Pte Ltd	Associate of controlling shareholder		
Hospitality management income		388	-
Transurban Properties Pte. Ltd.	Associate of controlling shareholder		
Hospitality management income		304	-

By Order of the Board

Alan Tang Yew Kuen
Director
4 August 2021

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

The Directors confirm that, to the best of their knowledge, nothing has come to the attention of the Board of Directors of Far East Orchard Limited which may render the unaudited financial statements for the period ended 30 June 2021 to be false or misleading in any material respect.

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

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

On behalf of the Board of Directors

Koh Boon Hwee
Chairman

Alan Tang Yew Kuen
Group CEO and Executive Director

4 August 2021