Far East Orchard

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

UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
For the Six Months and Full Year Ended 31 December 2021

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A. CONDENSED INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		6 months ended 31 December			12 months ended 31 December		
		2021	2020	Increase/ (Decrease)	**2021**	2020	Increase/ (Decrease)
	Note	**$'000**	$'000	%	**$'000**	$'000	%
Revenue	4	**51,882**	47,277	9.7	**106,828**	112,215	(4.8)
Cost of sales		**(30,353)**	(29,052)	4.5	**(60,183)**	(67,753)	(11.2)
Gross profit		**21,529**	18,225	18.1	**46,645**	44,462	4.9
Other income							
− Interest income		**497**	888	(44.0)	**1,049**	2,562	(59.1)
− Others		**6,800**	5,117	32.9	**8,964**	9,028	(0.7)
Other gains and impairment losses – net		**45,993**	5,944	>100	**44,750**	2,737	>100
Expenses							
− Distribution and marketing		**(4,820)**	(3,360)	43.5	**(8,109)**	(6,862)	18.2
− Administrative		**(17,670)**	(17,602)	0.4	**(34,362)**	(32,709)	5.1
− Finance		**(8,714)**	(8,218)	6.0	**(17,107)**	(17,106)	0.0
Share of (loss)/profit of							
− joint ventures		**(10,816)**	(634)	>100	**(15,212)**	(7,613)	99.8
− associated companies		**1,249**	1,120	11.5	**2,460**	2,142	14.8
Profit/(Loss) before income tax	5	**34,048**	1,480	>100	**29,078**	(3,359)	nm
Income tax expense	6	**(11,396)**	(4,426)	>100	**(12,304)**	(5,550)	>100
Profit/(Loss) after income tax		**22,652**	(2,946)	nm	**16,774**	(8,909)	nm
Other comprehensive income/(loss):							
Items that may be reclassified subsequently to profit or loss:							
Share of other comprehensive income/(loss) of joint ventures		**1,882**	(136)	nm	**3,814**	(2,664)	nm
Cash flow hedges - fair value gains/(losses)		**3,661**	(447)	nm	**6,374**	(1,796)	nm
Currency translation differences arising from consolidation							
− Gains		**(7,662)**	12,980	nm	**(8,794)**	15,051	nm
− Reclassification		**(1,391)**	-	nm	**(1,391)**	-	nm
		(3,510)	12,397	nm	**3**	10,591	(100.0)
Items that will not be reclassified subsequently to profit or loss:							
Share of other comprehensive income/(loss) of:							
− joint ventures		**10,361**	16,721	(38.0)	**16,137**	6,125	>100
− associated companies		**252**	3,307	(92.4)	**(921)**	(2,612)	(64.7)
Revaluation gains/(losses) on property, plant and equipment – net		**9,169**	(10,986)	nm	**7,851**	(13,766)	nm
Currency translation differences arising from consolidation		**(2,785)**	4,371	nm	**(3,786)**	5,815	nm
Other comprehensive income, net of tax		**13,487**	25,810	(47.7)	**19,284**	6,153	>100
Total comprehensive income/(loss)		**36,139**	22,864	58.1	**36,058**	(2,756)	nm
Profit/(Loss) attributable to:							
Equity holders of the Company		**29,994**	2,391	>100	**28,127**	1,538	>100
Non-controlling interest		**(7,342)**	(5,337)	37.6	**(11,353)**	(10,447)	8.7
		22,652	(2,946)	nm	**16,774**	(8,909)	nm
Total comprehensive income/(loss) attributable to:							
Equity holders of the Company		**40,077**	18,291	>100	**43,080**	811	>100
Non-controlling interest		**(3,938)**	4,573	nm	**(7,022)**	(3,567)	96.9
		36,139	22,864	58.1	**36,058**	(2,756)	nm
Basic and diluted earnings per share for profit attributable to equity holders of the Company (cents per share)		**6.46**	0.53	>100	**6.12**	0.35	>100

nm: not meaningful

B. CONDENSED INTERIM STATEMENTS OF FINANCIAL POSITION

		Group		Company	
	Note	**31 December 2021 $'000**	31 December 2020 $'000	**31 December 2021 $'000**	31 December 2020 $'000
ASSETS					
Current assets					
Cash and bank balances	7	**255,189**	278,382	**137,921**	151,178
Trade and other receivables		**23,845**	22,080	**175,993**	176,403
Inventories		**224**	267	**20**	17
Development properties		**-**	61,235	**-**	-
Properties held for sale		**186,891**	117,036	**-**	-
		466,149	479,000	**313,934**	327,598
Non-current assets					
Derivative financial instruments	17	**4,578**	-	**2,774**	-
Other non-current assets		**6,356**	6,668	**327,927**	350,471
Investments in associated companies		**23,159**	21,620	**696**	696
Investments in joint ventures	8	**470,212**	478,282	**300**	300
Investments in subsidiaries		**-**	-	**852,112**	873,415
Investment properties	9	**929,565**	878,837	**136,974**	136,524
Property, plant and equipment	10	**610,239**	635,378	**384,560**	391,155
Intangible assets	11	**111,405**	114,318	**-**	-
Deferred income tax assets		**3,721**	4,511	**2,577**	2,461
		2,159,235	2,139,614	**1,707,920**	1,755,022
Total assets		**2,625,384**	2,618,614	**2,021,854**	2,082,620
LIABILITIES					
Current liabilities					
Trade and other payables		**97,401**	105,485	**4,866**	13,738
Current income tax liabilities		**2,640**	5,423	**-**	-
Lease liabilities		**9,334**	11,908	**6,106**	5,811
Borrowings	12	**389,760**	283,325	**130,199**	157,800
Deferred income		**13,071**	8,423	**6,813**	6,817
		512,206	414,564	**147,984**	184,166
Non-current liabilities					
Other payables		**101,203**	98,635	**361,779**	362,018
Lease liabilities		**100,230**	136,077	**74,280**	80,385
Borrowings	12	**302,275**	399,756	**182,289**	180,309
Derivative financial instruments	17	**-**	1,796	**-**	336
Deferred income		**269,514**	276,311	**269,514**	276,311
Deferred income tax liabilities		**48,261**	32,003	**-**	-
		821,483	944,578	**887,862**	899,359
Total liabilities		**1,333,689**	1,359,142	**1,035,846**	1,083,525
NET ASSETS		**1,291,695**	1,259,472	**986,008**	999,095
EQUITY					
Capital and reserves attributable to equity holders of the Company					
Share capital	13	**525,053**	515,234	**525,053**	515,234
Revaluation and other reserves		**355,581**	340,548	**292,311**	288,452
Retained profits		**399,494**	385,101	**168,644**	195,409
		1,280,128	1,240,883	**986,008**	999,095
Non-controlling interest		**11,567**	18,589	**-**	-
TOTAL EQUITY		**1,291,695**	1,259,472	**986,008**	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**
Profit/(Loss) for the year		-	-	-	-	-	-	28,127	28,127	(11,353)	16,774
Other comprehensive income/(loss) for the year		-	-	17,016	(10,187)	(921)	9,045	-	14,953	4,331	19,284
Total comprehensive income/(loss) for the year		-	-	17,016	(10,187)	(921)	9,045	28,127	43,080	(7,022)	36,058
Dividend relating to 2020	14	-	-	-	-	-	-	(3,835)	(3,835)	-	(3,835)
Shares issued in-lieu of cash for dividend relating to 2020		9,819	-	-	-	-	-	(9,819)	-	-	-
Transfer of share of associated company's fair value reserve upon disposal		-	-	-	-	80	-	(80)	-	-	-
Total transactions with owners, recognised directly in equity		9,819	-	-	-	80	-	(13,734)	(3,835)	-	(3,835)
Balance at 31 December 2021		**525,053**	**13,977**	**378,667**	**(38,565)**	**(2,502)**	**4,004**	**399,494**	**1,280,128**	**11,567**	**1,291,695**
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
Profit/(Loss) for the year		-	-	-	-	-	-	1,538	1,538	(10,447)	(8,909)
Other comprehensive (loss)/income for the year		-	-	(9,500)	15,034	(2,612)	(3,649)	-	(727)	6,880	6,153
Total comprehensive (loss)/income for the year		-	-	(9,500)	15,034	(2,612)	(3,649)	1,538	811	(3,567)	(2,756)
Dividend relating to 2019	14	-	-	-	-	-	-	(9,074)	(9,074)	-	(9,074)
Shares issued in-lieu of cash for dividend relating to 2019		17,228	-	-	-	-	-	(17,228)	-	-	-
Transfer of share of associated company's fair value reserve upon disposal		-	-	-	-	90	-	(90)	-	-	-
Total transactions with owners, recognised directly in equity		17,228	-	-	-	90	-	(26,392)	(9,074)	-	(9,074)
Balance at 31 December 2020		515,234	13,977	361,651	(28,378)	(1,661)	(5,041)	385,101	1,240,883	18,589	1,259,472

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**
Loss for the year		-	-	-	(13,111)	(13,111)
Other comprehensive income for the year		-	749	3,110	-	3,859
Total comprehensive income/(loss) for the year		-	749	3,110	(13,111)	(9,252)
Dividend relating to 2020	14	-	-	-	(3,835)	(3,835)
Shares issued in-lieu of cash for dividend relating to 2020		9,819	-	-	(9,819)	-
Total transactions with owners, recognised directly in equity		9,819	-	-	(13,654)	(3,835)
Balance at 31 December 2021		**525,053**	**289,537**	**2,774**	**168,644**	**986,008**
2020						
Balance at 1 January 2020		498,006	301,647	-	220,274	1,019,927
Profit for the year		-	-	-	1,437	1,437
Other comprehensive loss for the year		-	(12,859)	(336)	-	(13,195)
Total comprehensive (loss)/income for the year		-	(12,859)	(336)	1,437	(11,758)
Dividend relating to 2019	14	-	-	-	(9,074)	(9,074)
Shares issued in-lieu of cash for dividend relating to 2019		17,228	-	-	(17,228)	-
Total transactions with owners, recognised directly in equity		17,228	-	-	(26,302)	(9,074)
Balance at 31 December 2020		515,234	288,788	(336)	195,409	999,095

D. CONDENSED INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS

	Note	Twelve months ended 31 December 2021 $'000	2020 $'000
Cash flows from operating activities			
Profit/(Loss) after income tax		**16,774**	(8,909)
Adjustments for:			
Income tax expense		**12,304**	5,550
Depreciation of property, plant and equipment	5	**20,095**	20,932
Amortisation of intangible assets	5	**2,705**	2,705
Loss/(Gain) on disposal of property, plant and equipment	5	**6**	(5)
Gain on re-measurement of lease liability	5	**(5,116)**	-
Fair value gains on investment properties	5	**(43,940)**	(4,521)
Revaluation losses on property, plant and equipment	5	**51**	2,340
Write-off of property, plant and equipment		**-**	18
Impairment of goodwill	5	**-**	8,838
Impairment of a right-of-use asset	5	**-**	1,140
Impairment of property, plant and equipment	5	**191**	-
Impairment of properties held for sale	5	**102**	1,024
Interest income	5	**(1,049)**	(2,562)
Finance expenses	5	**17,107**	17,106
Share of loss of joint ventures		**15,212**	7,613
Share of profit of associated companies		**(2,460)**	(2,142)
Reclassification of exchange differences of subsidiaries upon disposal	5	**(1,391)**	-
Unrealised currency translation losses/(gains)		**5,288**	(10,093)
		35,879	39,034
Change in working capital:			
Trade and other receivables		**(1,376)**	4,348
Inventories		**35**	78
Development properties and properties held for sale		**(7,982)**	(3,301)
Trade and other payables		**(7,736)**	(18,578)
Cash generated from operations		**18,820**	21,581
Interest paid		**(135)**	(136)
Income tax paid – net		**(2,100)**	(2,126)
Net cash provided by operating activities		**16,585**	19,319
Cash flows from investing activities			
Additions to property, plant and equipment		**(10,013)**	(1,640)
Proceeds from disposal of property, plant and equipment		**-**	12
Additions to investment properties		**(2,754)**	(71,729)
Cost adjustment to an investment property		**652**	-
Dividends received from joint ventures		**-**	1,387
Investment in joint ventures		**-**	(23,398)
Repayment of advances from joint ventures		**-**	(42)
Advances (to)/from joint ventures		**(918)**	15,508
Interest received		**998**	3,666
Income tax paid – net		**-**	(78)
Net cash used in investing activities		**(12,035)**	(76,314)
Cash flows from financing activities			
Proceeds from borrowings		**137,789**	220,258
Repayment of borrowings		**(129,618)**	(111,358)
Repayment of principal portion of lease liabilities		**(12,197)**	(10,937)
Interest paid on lease liabilities		**(8,375)**	(8,958)
Interest paid on borrowings		**(8,669)**	(8,277)
Dividends payment to equity holders of the Company	14	**(3,835)**	(9,074)
Net cash (used in)/provided by financing activities		**(24,905)**	71,654
Net (decrease)/increase in cash and cash equivalents		**(20,355)**	14,659
Cash and cash equivalents			
Beginning of financial year		**278,382**	257,430
Less: Bank deposits pledged		**(28,679)**	(31,235)
Effects of currency translation on cash and cash equivalents		**(2,838)**	6,293
End of financial year	7	**226,510**	247,147

E. NOTES TO THE INTERIM FINANCIAL STATEMENTS

1. General information

Far East Orchard Limited (the "Company") is listed on the Singapore Exchange and incorporated and domiciled in Singapore. These condensed interim consolidated financial statements as at and for the six months ended 31 December 2021 comprise the Company and its subsidiaries (the "Group").

2. Basis of preparation

The condensed interim financial statements as at and for the six months ended 31 December 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 interim financial statements for the period ended 30 June 2021.

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

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 amendments to SFRS(I) 9, SFRS(I) 7 and SFRS(I) 16 Interest Rate Benchmark Reform – Phase 2 effective 1 January 2021. In accordance with the transition provisions, the amendments shall be applied retrospectively to hedging relationships and financial instruments. Comparative amounts have not been restated, and there was no impact on the current period opening reserves amounts on adoption.

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 and full year ended 31 December 2021.

E. NOTES TO THE INTERIM FINANCIAL STATEMENTS (continued)

4. Revenue

	Group			
	6 months ended 31 December		12 months ended 31 December	
	2021	2020	**2021**	2020
	$'000	$'000	**$'000**	$'000
Revenue from contracts with customers	**28,451**	28,388	**56,568**	72,702
Rental income	**23,431**	18,889	**50,260**	39,513
	51,882	47,277	**106,828**	112,215

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			
	6 months ended 31 December		12 months ended 31 December	
	2021	2020	**2021**	2020
	$'000	$'000	**$'000**	$'000
Hospitality ownership and operations				
− Singapore	**9,951**	10,955	**18,199**	24,823
− Australia	**10,424**	8,625	**21,804**	22,096
− New Zealand	**981**	1,534	**2,969**	3,766
− Other countries	**417**	441	**712**	1,363
	21,773	21,555	**43,684**	52,048
Hospitality management and other related fees – Singapore – other related parties	**6,678**	6,833	**12,884**	14,093
Sale of property held for sale – Singapore	**-**	-	**-**	6,561
Total revenue from contracts with customers	**28,451**	28,388	**56,568**	72,702

5. Profit/Loss before income tax

5.1 Significant items

	Group					
	6 months ended 31 December			12 months ended 31 December		
	2021	2020	Increase/ (Decrease)	**2021**	2020	Increase/ (Decrease)
	$'000	$'000	%	**$'000**	$'000	%
The following items were credited/(charged) to the income statement:						
<u>Other income - net</u>						
Interest income from bank deposits	**435**	824	(47.2)	**927**	2,474	(62.5)
Interest income from advances to joint venture	**62**	64	(3.1)	**122**	88	38.6
Government grant income (Note a)	**6,246**	5,658	10.4	**8,313**	9,840	(15.5)
Government grant expense (Note a)	**-**	(685)	nm	**-**	(1,003)	nm

(a) During the six months and full year ended 31 December 2021, grant income relates mainly to wage subsidies and rental support (Six months and full year ended 31 December 2020: wage subsidies and property tax rebates) received from the Singapore and Australian governments. Grant expense in the preceding year relates to the property tax rebates received from the Singapore Government that were transferred to tenants in the form of rent concessions during the year.

E. NOTES TO THE INTERIM FINANCIAL STATEMENTS (continued)

5. Profit/Loss before income tax (continued)

5.1 Significant items (continued)

	Group					
	6 months ended 31 December			12 months ended 31 December		
	2021	2020	Increase/ (Decrease)	**2021**	2020	Increase/ (Decrease)
	$'000	$'000	%	**$'000**	$'000	%
The following items were credited/(charged) to the income statement: (continued)						
Cost of sales and administrative expenses						
Depreciation of property, plant and equipment						
− right-of-use assets (Note b, Note 10)	**(5,485)**	(6,325)	(13.3)	**(11,474)**	(12,667)	(9.4)
− other property, plant and equipment (Note 10)	**(4,417)**	(4,163)	6.1	**(8,621)**	(8,265)	4.3
Amortisation of intangible assets (Note 11(b))	**(1,352)**	(1,352)	0.0	**(2,705)**	(2,705)	0.0
Allowance for impairment losses on trade receivables	**(93)**	(702)	(86.8)	**(171)**	(790)	(78.4)
Other gains and impairment losses – net						
Impairment of:						
− properties held for sale	**(102)**	(1,024)	(90.0)	**(102)**	(1,024)	(90.0)
− right-of-use asset (Note 10)	**-**	(1,140)	nm	**-**	(1,140)	nm
− other property, plant and equipment (Note 10)	**(191)**	-	nm	**(191)**	-	nm
− goodwill (Note 11(a))	**-**	(4,838)	nm	**-**	(8,838)	nm
Fair value gains on investment properties – net (Note 9)	**43,940**	4,521	>100	**43,940**	4,521	>100
Gain on re-measurement of lease liability (Note c)	**5,116**	-	nm	**5,116**	-	nm
Revaluation gains/(losses) on property, plant and equipment (Note 10)	**529**	323	63.8	**(51)**	(2,340)	(97.8)
Currency exchange (losses)/gains - net	**(4,684)**	8,100	nm	**(5,347)**	11,553	nm
Reclassification of exchange differences of subsidiaries upon disposal (Note d)	**1,391**	-	nm	**1,391**	-	nm
(Loss)/Gain on disposal of property, plant and equipment (Note 10)	**(6)**	2	nm	**(6)**	5	nm
Finance expenses						
Interest expense for:						
− bank borrowings	**(3,730)**	(2,983)	25.0	**(6,986)**	(6,676)	4.6
− advances from non-controlling interests	**(669)**	(669)	0.0	**(1,327)**	(1,331)	(0.3)
− lease liabilities	**(4,113)**	(4,408)	(6.7)	**(8,375)**	(8,958)	(6.5)
Cash flow hedges, reclassified from hedging reserves	**(202)**	(158)	27.8	**(419)**	(141)	>100

nm: not meaningful

(b) During the six months and full year ended 31 December 2021, depreciation expense on right-of -use assets decreased by $840,000 and $1,193,000 respectively following the decrease in carrying value of a right-of-use asset relating to a hospitality property used for operation subsequent to impairment recognised in 2020. The right-of-use asset has been fully depreciated upon expiry of the lease in November 2021.

(c) During the six months and full year ended 31 December 2021, the Group through its wholly owned subsidiary, entered into a put and call option agreement for the sale of its reversionary interest of approximately 1.5 years in the whole of Lot 320N of Town Subdivision 8 together with the building erected thereon known as Village Residences Clarke Quay and situated at 20 Havelock Road, Singapore (the "Sale"). The expected completion of the Sale is in March 2022. Upon completion of the Sale, the lease agreement in relation to the hospitality property used in the operation of the property will be terminated. As a result, the lease liability was remeasured as at 31 December 2021 with a corresponding adjustment to the right-of-use asset (Note 10). A gain of $5,116,000, being the amount exceeding the carrying value of the right-of-use asset was recognised accordingly.

(d) During the six months and full year ended 31 December 2021, currency exchange difference of $1,391,000 relating to the equity holders of the Company was reclassified from the currency translation reserve to profit or loss subsequent to the liquidation of two subsidiaries.

E. NOTES TO THE INTERIM FINANCIAL STATEMENTS (continued)

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. The higher income tax expense during the six months and full year ended 31 December 21 was mainly due to the deferred tax recognised on the fair value gains on the investment properties, partially offset by the reversal of overprovision of income tax expense upon finalization of prior year's tax.

During the six months and full year ended 31 December 2021, the income tax expense has included an over provision of income tax expense relating to prior financial years of $2,108,000 and $2,673,000 respectively (Six months and full year ended 31 December 2020: Over provision of $943,000 and $734,000 respectively).

7. Cash and bank balances

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

	Group	
	31 December 2021 $'000	31 December 2020 $'000
Cash and bank balances	**255,189**	278,382
Less: Bank deposits pledged	**(28,679)**	(31,235)
Cash and cash equivalents per condensed interim consolidated statement of cash flows	**226,510**	247,147

8. Investments in joint ventures

	Group		Company	
	31 December 2021 $'000	31 December 2020 $'000	**31 December 2021 $'000**	31 December 2020 $'000
Equity investment at cost			**300**	300
Beginning of financial year	**478,282**	444,009		
Addition	**-**	23,398		
Share of loss	**(15,212)**	(7,613)		
Share of movements in:				
− asset revaluation reserve	**16,137**	6,125		
− currency translation reserve	**(2)**	(17)		
− hedging reserve	**3,816**	(2,647)		
Dividends received	**-**	(1,387)		
Foreign exchange differences	**(12,809)**	16,414		
End of financial year	**470,212**	478,282		

As at 31 December 2021, the carrying value of one of the Group's material equity accounted joint ventures, Toga Hotel Holdings Unit Trust ("Toga Trust"), amounted to $182,907,000 (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 $381,887,000 (31 December 2020: $375,671,000); and

(b) Impairment assessment of its goodwill and brands with indefinite lives with a carrying amount of $187,808,000 (31 December 2020: $194,800,000).

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

E. NOTES TO THE INTERIM FINANCIAL STATEMENTS (continued)

9. Investment properties

	Group		Company	
	31 December 2021 $'000	31 December 2020 $'000	**31 December 2021 $'000**	31 December 2020 $'000
Beginning of financial year	**878,837**	793,841	**136,524**	139,175
Fair value gains/(losses) – net	**43,940**	4,521	**450**	(2,651)
Additions				
− Acquisition	**-**	72,176	**-**	-
− Subsequent expenditure and adjustment to cost	**2,102**	(447)	**-**	-
Foreign exchange differences	**4,686**	8,746	**-**	-
End of financial year	**929,565**	878,837	**136,974**	136,524
Comprised: Completed properties	**929,565**	878,837	**136,974**	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 investment properties on an annual basis or whenever their carrying amounts are likely to differ materially from their fair values based on the properties' highest and best use. At each financial year, the management verifies all major inputs to the independent valuation reports, assesses property valuation movements compared to the prior year valuations and holds discussions with the independent valuers.

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

At the end of each financial reporting period, management will assess whether fair values of the Group's properties remain appropriate and engage external, independent and qualified valuer when deemed necessary. For the financial year ended 31 December 2021, the Group has engaged external independent qualified valuers to perform valuations of the investment properties before recognizing the fair value movements from the last financial reporting period. In assessing whether the fair values are appropriate, management has considered whether the movement in market data such as discount rate, capitalization rates, changes in underlying cash flows or sales comparables adopted in the valuations are reasonable. There has been no significant changes in valuation methodologies used by the valuers compared to the last financial year-end.

As a result of the valuations performed as at 31 December 2021, the Group has recognised net fair value gains of $43,940,000 on its investment properties primarily due to the increase in fair value of the student accommodation asset class in United Kingdom. As at 31 December 2021, the fair value of the student accommodation asset class in United Kingdom was $607,317,000 (31 December 2020: $559,664,000). The increase was primarily due to a lower discount rate used by the valuers in the discounted cash flows for majority of the student accommodation assets and higher cash flows adopted as a result of student bookings secured for the new semester.

E. NOTES TO THE INTERIM FINANCIAL STATEMENTS (continued)

10. Property, plant and equipment

As at 31 December 2021, the Group's carrying value of property, plant and equipment included right-of-use assets amounting to $85,883,000 (31 December 2020: $118,476,000).

Group

	Freehold and leasehold land	Building and office	Plant, equipment, furniture and fittings	Construction -in-progress	Motor vehicles	Leasehold improvements and other assets	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Year ended 31 December 2021							
Beginning net book value	378,102	244,781	9,835	999	684	977	635,378
Currency translation differences	(2,050)	(3,980)	(103)	(36)	-	(20)	(6,189)
Additions	-	487	364	9,415	-	235	10,501
Disposals	-	-	(6)	-	-	-	(6)
Transfers	-	-	1,623	(10,173)	-	8,550	-
Impairment	-	-	(190)	-	-	(1)	(191)
Derecognition of right-of-use asset (Note 5.1(c))	-	(21,601)	-	-	-	-	(21,601)
Revaluation adjustments							
– profit or loss (Note 5)	-	(51)	-	-	-	-	(51)
– other comprehensive income	948	11,545	-	-	-	-	12,493
Depreciation charge (Note 5)	-	(16,919)	(2,538)	-	(193)	(445)	(20,095)
End of financial year	377,000	214,262	8,985	205	491	9,296	610,239
As at 31 December 2021							
Cost	-	162,375	71,254	205	1,070	13,544	248,448
Valuation	377,000	128,384	-	-	-	-	505,384
	377,000	290,759	71,254	205	1,070	13,544	753,832
Accumulated depreciation and impairment losses	-	(76,497)	(62,269)	-	(579)	(4,248)	(143,593)
Net book value	**377,000**	**214,262**	**8,985**	**205**	**491**	**9,296**	**610,239**
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

During the six months ended 31 December 2021, a right-of-use asset of $21,601,000 was reduced to zero subsequent to the remeasurement of lease liability (Note 5.1(c)).

Company
During the full year ended 31 December 2021, the Company acquired property, plant and equipment amounting to $16,000 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 each financial reporting period, 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. A revaluation loss was previously recognised on the freehold land and building in Malaysia during the six months 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 the last financial year. The resulting revaluation loss was due to a decline in the overall cash flows projected using the discounted cash flow valuation technique.

External valuers were engaged for all the valuations of the Group's properties for the valuations as at 31 December 2021. The same valuation techniques and key inputs were used by the valuers. Other than the freehold land and building in Malaysia where revaluation loss has been recognised during the half year-end ended 30 June 2021, the valuation of freehold land and buildings of the Group have increased due to the improved cash flows projections adopted by the valuer. As at 31 December 2021, the total freehold land and buildings of the Group amounted to $505,384,000 (31 December 2020: $504,418,000).

E. NOTES TO THE INTERIM FINANCIAL STATEMENTS (continued)

11. Intangible assets

	Group	
	31 December 2021 $'000	31 December 2020 $'000
Goodwill arising from acquisition of hospitality businesses (Note (a))	**42,723**	42,927
Hospitality lease and management agreements (Note (b))	**68,682**	71,391
	111,405	114,318

(a) Goodwill arising from acquisition of hospitality businesses

	Group	
	31 December 2021 $'000	31 December 2020 $'000
Cost		
Beginning of financial year	**57,244**	56,170
Currency translation differences	**(549)**	1,074
End of financial year	**56,695**	57,244
Accumulated impairment		
Beginning of financial year	**14,317**	4,898
Currency translation differences	**(345)**	581
Impairment	**-**	8,838
End of financial year	**13,972**	14,317
Net book value	**42,723**	42,927

Impairment assessment of goodwill

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

	Group	
	31 December 2021 $'000	31 December 2020 $'000
Management services – Singapore (Note (i))	**37,257**	37,257
Property ownership – Australia (Note (ii))	**5,466**	5,670
	42,723	42,927

(i) Management services – Singapore

The recoverable amount of the "Management services – Singapore" CGU was determined based on fair value less cost to sell ("FVLCTS").

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

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

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

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.

Based on management's assessment of the recoverable amount as at 31 December 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%, unchanged from prior year. Key assumptions used for the analysis of the CGU also include the budgeted EBITDA margin for the period 2022 to 2031 determined by management based on past performance and its expectations of market developments. Cash flows for the period of 2022 to 2024 from the Group's hospitality ownership business in Australia took into account the COVID-19 impact on the CGU. As at 31 December 2021, the pre-tax discount rate of 8.2% (31 December 2020: 8.3%) was adopted for the purpose of goodwill impairment testing.

Based on management's assessment of the recoverable amount as at 31 December 2021, no impairment charge was recognised.

(b) Hospitality lease and management agreements

	Group	
	31 December 2021 $'000	31 December 2020 $'000
Cost		
Beginning of financial year	**99,292**	98,873
Currency translation differences	**(214)**	419
End of financial year	**99,078**	99,292
Accumulated amortisation and impairment		
Beginning of financial year	**27,901**	24,777
Currency translation differences	**(210)**	419
Amortisation charge included within "Cost of sales" in profit or loss (Note 5)	**2,705**	2,705
End of financial year	**30,396**	27,901
Net book value	**68,682**	71,391

E. NOTES TO THE INTERIM FINANCIAL STATEMENTS (continued)

12. Borrowings

	Group	
	31 December 2021 $'000	31 December 2020 $'000
Amount repayable in one year or less, or on demand (net of transaction costs)		
− Secured	**239,561**	105,525
− Unsecured	**150,199**	177,800
	389,760	283,325
Amount repayable after one year (net of transaction costs)		
− Secured	**119,986**	219,447
− Unsecured	**182,289**	180,309
	302,275	399,756
	692,035	683,081

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

As at 31 December 2021, the Group's current borrowings increased by $106,435,000 mainly due to a reclassification of a portion of the loans from non-current to current given the maturity of the loans. The Group will be refinancing loans totaling $138,692,000, that are secured over certain subsidiaries' investment properties, and these loans will be reclassified to non-current borrowings in 2022.

13. Share capital

	Group and Company			
	Number of shares		Amount	
	31 December 2021 '000	31 December 2020 '000	**31 December 2021 $'000**	31 December 2020 $'000
Beginning of financial year and as of 30 June	**455,485**	438,360	**515,234**	498,006
Shares issued in-lieu of dividend	**9,049**	17,125	**9,819**	17,228
End of financial year	**464,534**	455,485	**525,053**	515,234

The Company does not have any convertibles or treasury shares as at 31 December 2021.

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

14. Dividend

	Company	
	31 December 2021 $'000	31 December 2020 $'000
Ordinary dividend paid		
Final dividend paid in respect of the previous financial year of 3 cents per share (2020: 6 cents per share) using		
− new shares issued	**9,819**	17,228
− cash	**3,835**	9,074
	13,654	26,302

At the upcoming Annual General Meeting, a final dividend of 3 cents per share amounting to a total of $13,936,000 will be recommended. These condensed financial statements do not reflect this dividend, which will be accounted for in equity attributable to equity holders of the Company as an appropriation of retained profits in the financial year ending 31 December 2021.

E. NOTES TO THE INTERIM FINANCIAL STATEMENTS (continued)

15. Capital commitments

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

	Group	
	31 December 2021 $'000	31 December 2020 $'000
Development properties	**-**	12,307
Properties held for sale	**77**	-
Property, plant and equipment	**1,323**	11,448
	1,400	23,755

16. Net asset value

	Group		Company	
	31 December 2021	31 December 2020	**31 December 2021**	31 December 2020
Net asset value per ordinary share based on total number of issued shares as at the end of the year	**$2.76**	$2.72	**$2.12**	$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	
	31 December 2021 $'000	31 December 2020 $'000	**31 December 2021 $'000**	31 December 2020 $'000
Assets/(Liabilities)				
Derivative financial instruments – Level 2	**4,578**	(1,796)	**2,774**	(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 year.

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

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

E. NOTES TO THE INTERIM FINANCIAL STATEMENTS (continued)

18. Segment information

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

The Group operates its hospitality business across three segments.

(i) Management services

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

(ii) Operations

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

(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, medical suites that are held for sale and residential units that are held for sale in United Kingdom. Rental income from the leasing of properties held for sale, if any, is included under the investment segment on the reports reviewed by the Group's executive director and management.

(iii) Investment

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

There was no revenue from transactions with a single external customer that accounts for 10% or more of the Group's revenue for the full year ended 31 December 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	Operations – Singapore	Operations – Australia and New Zealand	Property ownership	Student accommodation	Development	Investment	
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	**$'000**
2021								
Total segment revenue	14,789	18,199	4,347	24,560	37,290	-	9,548	**108,733**
Inter-segment revenue	(1,905)	-	-	-	-	-	-	**(1,905)**
Revenue from external parties	**12,884**	**18,199**	**4,347**	**24,560**	**37,290**	**-**	**9,548**	**106,828**
Operating (loss)/profit	(2,259)	2,432	(1,791)	(8,783)	20,344	-	7,159	**17,102**
Share of profit/(loss) of:								
− joint ventures	-	-	(16,959)	(934)	-	2,681	-	**(15,212)**
− associated companies	-	2,460	-	-	-	-	-	**2,460**
Total operating (loss)/profit	**(2,259)**	**4,892**	**(18,750)**	**(9,717)**	**20,344**	**2,681**	**7,159**	**4,350**
Corporate expenses								**(3,964)**
Interest income								**1,049**
Finance expense								**(17,107)**
Others*								**44,750**
Profit before income tax								**29,078**
Income tax expense								**(12,304)**
Profit after income tax								**16,774**
Segment assets	114,601	422,140	4,492	259,451	650,787	190,475	293,139	**1,935,085**
Investments in associated companies	-	23,159	-	-	-	-	-	**23,159**
Investments in joint ventures	-	-	182,908	93,245	-	194,059	-	**470,212**
	114,601	**445,299**	**187,400**	**352,696**	**650,787**	**384,534**	**293,139**	**2,428,456**
Corporate assets								**196,928**
Total assets								**2,625,384**

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

E. NOTES TO THE INTERIM FINANCIAL STATEMENTS (continued)

18. Segment information (continued)

	Hospitality				Property			Total
	Management services	Operations – Singapore	Operations – Australia and New Zealand	Property ownership	Student accommodation	Development	Investment	
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
2020								
Total segment revenue	16,190	24,823	5,264	24,924	28,426	6,561	8,124	114,312
Inter-segment revenue	(2,097)	-	-	-	-	-	-	(2,097)
Revenue from external parties	14,093	24,823	5,264	24,924	28,426	6,561	8,124	112,215
Operating profit/(loss)	976	5,509	(2,237)	(4,997)	13,551	566	5,831	19,199
Share of profit/(loss) of:								
− joint ventures	-	-	(14,347)	(5,738)	-	12,472	-	(7,613)
− associated companies	-	2,142	-	-	-	-	-	2,142
Total operating profit/(loss)	976	7,651	(16,584)	(10,735)	13,551	13,038	5,831	13,728
Corporate expenses								(4,249)
Interest income								2,562
Finance expense								(17,106)
Others*								1,706
Loss before income tax								(3,359)
Income tax expense								(5,550)
Loss after income tax								(8,909)
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 gains 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 and property development.
- Other countries – the operations include hotel operations and property ownership in Malaysia and property ownership in Germany, Denmark and Japan.

	Revenue	
	12 months ended 31 December	
	2021	2020
	$'000	$'000
Singapore	**40,333**	53,601
Australia	**25,229**	25,059
New Zealand	**2,969**	3,766
United Kingdom	**37,539**	28,426
Other countries	**758**	1,363
	106,828	112,215

	Non-current assets	
	31 December 2021	31 December 2020
	$'000	$'000
Singapore	**1,023,878**	1,055,383
Australia	**389,489**	388,186
United Kingdom	**612,047**	559,695
Other countries	**133,821**	136,350
	2,159,235	2,139,614

During the year ended 31 December 2021, the Group acquired property, plant and equipment amounting to $9,790,000 under Property ownership reportable segment.

19. Subsequent event

In February 2022, it was announced in the media that Tanglin Shopping Centre ("TSC") was sold for $868,000,000 in a collective sale to a Singapore-based developer. The Group, through its wholly owned subsidiary, owns four office units in TSC. The Group will receive sales proceeds based on an allocation of the gross sale proceeds ("sale consideration") in accordance with an agreed method of apportionment in the Collective Sale Agreement. A gain on sale of investment property, being the difference between the sale consideration and carrying value of the units, is expected to be recognised upon the completion of the collective sale.

F. OTHER INFORMATION

1. Review

The condensed consolidated statement of financial position of Far East Orchard Limited and its subsidiaries as at 31 December 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 and year then ended and certain explanatory notes have not been audited or reviewed by the Company's auditor.

2. Review of performance of the Group

(a) Group performance review for the six months and full year ended 31 December 2021 ("2H FY21" and "FY21")

Revenue
Despite the impact of COVID-19 on the hospitality segment, revenue for 2H FY21 of $51.9 million (2H FY20: $47.3 million) was higher by $4.6 million (9.7%) due to higher contribution from the student accommodation ("PBSA") segment in the United Kingdom ("UK"), and higher rental income from the medical suites as lesser rental relief was given.

For FY21, revenue decreased by $5.4 million (4.8%) to $106.8 million (FY20: $112.2 million). The Group's hospitality business was impacted by the prolonged 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 from companies for accommodation for their foreign workers.

The decrease in revenue from the hospitality business was partially offset by the higher revenue from PBSA segment due to stronger demand for the United Kingdom's higher education as well as the full year contribution from the newly PBSA asset acquired in November 2020. As at 31 December 2021, the Group's PBSA portfolio achieved healthy occupancy rate of over 85% for the academic year 2021/22 which commenced in September 2021.

Higher rental income from the medical suites was also recognised in FY21 as lesser rental relief was given.

Gross profit
Gross profit increased by $3.3 million (18.1%) to $21.5 million in 2H FY21 (2H FY20: $18.2 million). For FY21, gross profit increased by $2.2 million (4.9%) to $46.6 million in (FY20: $44.5 million). The increase in 2H FY21 and FY21 was mainly due to the higher gross profit contribution from the PBSA segment partially offset by the lower gross profit from the hospitality business.

Other income
Other income included interest income from bank deposits and grant income. The Group's other income increased by $1.3 million to $7.3 million in 2H FY21 (2H FY20: $6.0 million) mainly due to rental support income from the Singapore government received in 2H FY21, partially offset by the lower interest income from lower bank deposit rates.

For FY21, the Group's other income decreased by $1.6 million to $10.0 million (FY20: $11.6 million) mainly due to the lower interest income from lower bank deposits rates and lower grant income in FY21. In FY21, while the Group continued to receive wage subsidies from the governments in Singapore and Australia and rental support income from the Singapore government, total grant income decreased by $1.5 million in FY21.

Other gains and impairment losses – net
Other gains-net recognised in 2H FY21 increased by $40.0 million to $46.0 million (2H FY20: $5.9 million). For FY21, other gains-net increased by $42.0 million to $44.8 million (FY20: $2.7 million). The increases were mainly due to the fair value gains on the investment properties of $43.9 million. The fair value gains on investment properties were mainly from the Group's PBSA portfolio, driven by income growth and discount rate compression. In addition, there was a recognition of a gain of $5.1 million arising from remeasurement of a lease liability due to the expected termination of a lease agreement in relation to a hospitality property. The gains were partially offset by currency translation loss in 2H FY21 and FY21 (currency translation gain in the prior period and year). In the prior period and year, an impairment charge on the Australia hospitality business of $8.8 million was recognised.

Expenses
Total expenses increased by $2.0 million to $31.2 million in 2H FY21 (2H FY20: $29.2 million). For FY21, total expenses increased by $2.9 million to $59.6 million in (FY20: $56.7 million). The increases were mainly due to the higher operating expenses arising from the PBSA property acquired in 2020 and the higher branding and marketing cost incurred by the hospitality segment with the easing of certain restrictions in Singapore during the year.

F. OTHER INFORMATION (continued)

2. Review of performance of the Group (continued)

(a) <u>Group performance review for the six months and full year ended 31 December 2021 ("2H FY21" and "FY21")</u> (continued)

Share of loss/profit of joint ventures and associated companies
The share of loss of joint ventures of the Group for 2H FY21 was $10.8 million compared to $0.6 million in 2H FY20. For FY21, the share of loss of joint ventures was $15.2 million compared to $7.6 million in FY20. The higher share of loss for 2H FY21 and FY21 was mainly due to the negative impact of the extended lockdowns in Australia on a hospitality joint venture. The share of loss from the hospitality joint ventures in Australia and Europe would have been higher if not for various government grants received. The share of results of joint ventures in the preceding year also included share of profit recognised from the sales of commercial units upon Woods Square attaining TOP in February 2020.

The Group's share of profit of associated companies for 2H FY21 increased by $0.1 million to $1.2 million (2H FY20: $1.1 million). For FY21, the Group's share of profit of associated companies increased by $0.3 million to $2.5 million (FY20: $2.1 million). These were mainly due to higher distribution income and lower operating expenses.

Income tax expense
The higher income tax expense for 2H FY21 and FY21 was mainly due to the deferred tax recognised on the fair value gains of the investment properties. This was partially offset by the reversal of overprovision of income tax expense upon finalization of prior year's tax.

Profit/Loss after income tax and Profit/Loss attributable to equity holders of the Company
The Group recorded a profit after income tax of $22.7 million in 2H FY21 as compared to loss after income tax of $2.9 million in 2H FY20. For FY21, the Group's profit after income tax was $16.8 million as compared to loss after income tax of $8.9 million in FY20.

Profit attributable to equity holders of the Company of $30.0 million for 2H FY21 was $27.6 million higher than the $2.4 million in 2H FY20. For FY21, profit attributable to equity holders of $28.1 million was $26.6 million higher than the $1.5 million in FY20. The reversal from the loss position in prior year/period was primarily due to the fair value gains on investment properties recognised in 2H FY21. Without the fair value gains on investment properties, the Group would have been in a net loss position in 2H FY21 and FY21.

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

Cash flow and working capital
The Group utilised cash and cash equivalents of $20.4 million for FY21 as compared to generating $14.7 million in 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 FY21 were lower at $16.6 million compared to $19.3 million for FY20 mainly due to the lower operating profit from the Group's hospitality business. Net cash inflows for FY20 also included proceeds from sale of a unit of medical suite.

Net cash used in investing activities of the Group for FY21 was $12.0 million compared to $76.3 million for FY20 respectively. Net cash outflows in FY21 were mainly for the refurbishment expenditure of Rendezvous Hotel Melbourne, whereas net cash outflows in FY20 were higher with the completion of a hotel development in Tokyo, Japan, and the acquisition of a student accommodation property located in Bristol, UK ("PBSA Acquisition") in November 2020.

Net cash outflows from financing activities of the Group for FY21 were lower at $24.9 million compared to net cash inflows of $71.7 million for FY20 mainly due to the higher draw down of bank borrowings in FY20 to fund the completion of the hotel development in Tokyo, Japan and the PBSA Acquisition.

Assets
Total assets as at 31 December 2021 were $2,625.4 million. Compared to 31 December 2020, total assets increased by $6.8 million.

The increase in total assets was mainly due to increase in investment properties arising from fair value gains and currency exchange movement. In addition, the residential development in UK was completed as at 31 December 2021, and has been reclassed from development properties to properties held for sale on the balance sheet.

The increase was partially offset by the decrease in investment in joint ventures as a result of the recognition of the share of losses from the hospitality joint ventures and a drop in carrying value of property, plant and equipment arising from the derecognition of a right-of-use asset.

F. OTHER INFORMATION (continued)

2. Review of performance of the Group (continued)

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

Liabilities
Total liabilities as at 31 December 2021 were $1,333.7 million. Compared to 31 December 2020, total liabilities decreased by $25.4 million mainly due to the decrease in lease liabilities and payments of operating expenses. The decrease was partially offset by currency movement on bank borrowings denominated in GBP and deferred tax liabilities on the fair value gains recognised on the investment properties.

The Group's current liabilities are higher than the current assets by $46.1 million due to the reclassification of a portion of the loans from non-current to current given the maturity of the loans in 2022. These loans are secured over certain subsidiaries' investment properties. The Group will be refinancing loans of approximately $138.7 million and these loans will be reclassified to non-current borrowings in 2022.

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

Subsequent to the business performance update announcement on 9 November 2021, a profit guidance was issued on 28 January 2022. The results were in line with the profit guidance disclosed to shareholders.

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 pace of global economy recovery is expected to weaken as the recent rise in COVID-19 cases and new waves of variant mutation could prolong the pandemic and induce renewed economic disruptions. The International Monetary Fund cited that global growth is expected to moderate to 4.4% in 2022, from 5.9% in 2021.[1] Factors hampering the recovery are the ongoing pandemic, rising energy cost, labour shortages and supply chain disruption which caused elevated inflation across many countries. Countries where the Group operates in will inevitably be affected, posing challenges to our business performance.

In the face of such challenging times, the Group's priority remains – safeguarding the health and safety of our employees and customers, all whilst ensuring business continuity and growth.

Hospitality Business Outlook
Tourism continues to be one of the most directly affected sectors from COVID-19. The World Tourism Organization recorded a small upturn in global tourism in 2021, however, international tourist arrivals are still significantly below pre-pandemic years.[2] Europe and Asia Pacific, where the Group's properties are located, also showed lower tourist arrivals compared to 2019. The International Air Transport Association report corroborated that Europe and Asia Pacific full-year international traffic has declined as compared to 2019, with the latter plunging 93.2% in 2021, the deepest decline among all regions.[3]

Tourism professionals expect international arrivals to return to pre-COVID levels in 2024 or later[2], as the recovery remains slow and uneven due to varying measures of mobility restrictions, vaccination rates and travellers' confidence. Experts also expect that while international tourism gradually rebounds, domestic travel continues to steer the sector towards recovery, particularly those with large domestic markets, for instance in countries like Australia and Germany where the Group has properties in.

The increasing COVID-19 cases due to the Omicron variant have also resulted in some countries reintroducing travel bans and restrictions, which will subsequentially disrupt the recovery and travel confidence through early 2022.

[1] https://www.imf.org/en/Publications/WEO/Issues/2022/01/25/world-economic-outlook-update-january-2022
[2] https://www.unwto.org/news/tourism-grows-4-in-2021-but-remains-far-below-pre-pandemic-levels
[3] https://www.iata.org/en/pressroom/2022-releases/2022-01-25-02/

F. OTHER INFORMATION (continued)

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

As travel and tourism sector remains subdued, alongside experts' forecast that full recovery is still two years away, the Group's hospitality business is therefore expected to be impacted in the near term. Meanwhile, the Group will actively manage its hospitality portfolio with prudence and will continue to grow its hospitality footprint globally, as well as in countries with large domestic markets. In the longer-term, the Group remains positive of the potential rebound in the tourism sector.

UK PBSA Business Outlook

The easing of United Kingdom ("UK") COVID-19 restrictions in July last year enabled universities to resume in-person teaching. Based on the 2021 end of cycle data from the Universities and Colleges Admission Services released in January 2022, the number of UK applications continued to increase. While the number of applications and acceptances from European Union ("EU") students showed a decline because of Brexit and the loss of their home fee status[4], the total number of applicants from outside the EU showed a 12% increase.[5]

The surge in applications from outside UK proves that the country remains a globally attractive destination to international students. In addition, Knight Frank stated that there will be continued investment interest in this sector, with investors looking beyond the disruption in the 2020/21 academic year.[6]

In February 2022, UK has reduced the number of travel restrictions, which aids in easier travelling. The Group believes this would be an added advantage for international students who are interested to pursue higher education in UK. In the longer-term, the Group is confident that this sector bodes well due to the prestige of UK universities and the desire of students to live and study in the UK. The Group will continue to explore opportunities to grow its PBSA portfolio to provide stable income streams, with focus on cities with positive demand and supply dynamics, as well as proximity to high-tariff universities.

Overall Outlook

Overall, the outlook for FY2022 remains clouded by various downside risks including continued COVID-19 flare ups, supply chain issues, global inflation, and geopolitical tensions. As the Group's hospitality segment remains its biggest contributor, with near term challenges facing the hospitality industry, the operating performance for FY22 is expected to remain under pressure. While hospitality persists to being one of the most challenged sectors, the outlook for the Group's PBSA business in the UK remains resilient.

The Group will continue to monitor developments in the respective markets we are in and adapt to necessary changes appropriately, as it continues to execute the lodging platform strategy. The Group will also continue to exercise prudence in its financial discipline and management of its resources while positioning for the eventual recovery.

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

Material changes in contributions to sales and operating profit are due to the same reasons as explained in paragraph 2(a).

[4] https://www.forbes.com/sites/nickmorrison/2021/10/27/brexit-hits-uk-universities-as-eu-students-look-elsewhere/?sh=611ef92e27c3
[5] https://www.ucas.com/corporate/news-and-key-documents/news/ucas-end-cycle-2021-strong-demand-uk-he-amidst-global-pandemic
[6] https://www.knightfrank.com/research/article/2022-01-21-confidence-sours-students-return-and-the-uks-house-price-map-is-redrawn

F. OTHER INFORMATION (continued)

6. Dividend

(a) Current Financial Period Reported On

The Board of Directors is pleased to recommend the following dividend in respect of the financial year ended 31 December 2021 for approval by shareholders at the next Annual General Meeting to be convened:

Name of Dividend	- First and Final (One-tier tax exempt)
Dividend Type	- Cash or share in-lieu
Dividend Amount Per Share	- 3 cents - First and final dividend

(b) Corresponding Period of the Immediately Preceding Financial Year

The following dividend was declared and paid in respect of financial year ended 31 December 2020 as approved by shareholders at the Annual General Meeting held at 26 April 2021:

Name of Dividend	- First and Final (One-tier tax exempt)
Dividend Type	- Cash or share in-lieu
Dividend Amount Per Share	- 3 cents - First and final dividend

Cash dividends amounting to $3,835,000 was 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.

(c) Date payable

To be announced later.

(d) Record date

To be announced later.

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

Not applicable.

F. OTHER INFORMATION (continued)

8. Interested person transactions

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

Name of interested person	Nature of relationship	Aggregate value of all interested person transactions conducted under shareholders' mandate pursuant to Rule 920 of the Listing Manual (excluding transactions less than $100,000)	Aggregate value of all interested person transactions during the financial period under review (excluding transactions less than $100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920)
		Full year ended 31 December 2021 $'000	Full year ended 31 December 2021 $'000
Agape Services Pte. Ltd.	Associate of controlling shareholder		
Supply of goods and services		(368)	-
Ariake Hospitality Kabushiki Kaisha	Associate of controlling shareholder		
Interest accrued on shareholders' loan[(1)]		-	119
Boo Han Holdings Pte. Ltd.	Associate of controlling shareholder		
Hospitality management income		466	-
Interest accrued on shareholders' loan[(1)]		-	119
China Classic Pte Ltd	Associate of controlling shareholder		
Hospitality management income		308	-
Dollar Land Singapore Private Limited	Associate of controlling shareholder		
Hospitality management income		197	-
Far East Hospitality Real Estate Investment Trust	Associate of controlling shareholder		
Management income[(2)]		3,149	-
Hospitality services income		270	-
Rental expense on operating leases			
- offices		(1,156)	-
- hotels and serviced residences		(17,000)	-
Far East Management (Private) Limited	Associate of controlling shareholder		
Management service fees		(2,168)	-
Hospitality services		(1,834)	-
Sale of a property unit[(3)]		-	591
Far East Organization Centre Pte Ltd	Associate of controlling shareholder		
Hospitality management income		1,005	-
Far East Real Estate Agency Pte. Ltd.	Associate of controlling shareholder		
Property management services		(394)	-

[(1)] As set out in the Group's announcement dated 7 October 2019, Ariake Hospitality Kabushiki Kaisha ("AHKK") is a 50-50 joint venture entity by Far East Hospitality Holdings Pte. Ltd. ("FEHH") (a 70% held subsidiary of the Company) with Boo Han Holdings Pte. Ltd. ("BHH") (a member of Far East Organization). These amounts relate to the interest during the year on the principal owing by AHKK as at 31 December 2021 to its shareholders, FEHH and BHH, relating to the purchase of a hotel project located in Ariake, Tokyo.

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

[(3)] 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)

8. Interested person transactions (continued)

Name of interested person	Nature of relationship	Aggregate value of all interested person transactions conducted under shareholders' mandate pursuant to Rule 920 of the Listing Manual (excluding transactions less than $100,000)	Aggregate value of all interested person transactions during the financial period under review (excluding transactions less than $100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920)
		Full year ended 31 December 2021 $'000	Full year ended 31 December 2021 $'000
Far East Rocks Pty Ltd	Associate of controlling shareholder		
Rental expense on operating leases - hotel		(241)	-
Far East Soho Pte. Ltd.	Associate of controlling shareholder		
Hospitality management income		379	-
Fontaine Investment Pte Ltd	Associate of controlling shareholder		
Hospitality management income		1,321	-
Golden Development Private Limited	Associate of controlling shareholder		
Hospitality management income		1,303	-
Golden Landmark Pte. Ltd.	Associate of controlling shareholder		
Hospitality management income		415	-
Orchard Mall Pte. Ltd.	Associate of controlling shareholder		
Hospitality management income		309	-
Orchard Parksuites Pte Ltd	Associate of controlling shareholder		
Hospitality management income		820	-
Oxley Hill Properties Pte Ltd	Associate of controlling shareholder		
Hospitality management income		352	-
Precious Treasure Pte Ltd	Associate of controlling shareholder		
Hospitality management income		174	-
Riverland Pte Ltd	Associate of controlling shareholder		
Hospitality management income		278	-
Serene Land Pte Ltd	Associate of controlling shareholder		
Hospitality management income		787	-
Transurban Properties Pte. Ltd.	Associate of controlling shareholder		
Hospitality management income		628	-

9. A breakdown of sales

	Group		
	Full year ended 31 December		Increase/ (Decrease)
	2021 **$'000**	2020 $'000	%
Sales reported for the first half year	**54,946**	64,938	(15.4)
Loss after tax before deducting non-controlling interests reported for first half year	**(5,878)**	(5,963)	(1.4)
Sales reported for the second half year	**51,882**	47,277	9.7
Profit/(Loss) after tax before deducting non-controlling interests reported for second half year	**22,652**	(2,946)	nm

F. OTHER INFORMATION (continued)

10. Disclosure of person occupying a managerial position in the issuer or any of its principal subsidiaries who is a relative of a director or chief executive officer or substantial shareholder of the issuer pursuant to Rule 704 (13) for the financial year ended 31 December 2021.

There are no persons occupying a managerial position in the Company or any of its principal subsidiaries who is a relative of a director or chief executive officer or substantial shareholder of the Company.

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

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

On behalf of the Board of Directors

Koh Boon Hwee Chairman	Alan Tang Yew Kuen Group CEO and Executive Director

24 February 2022