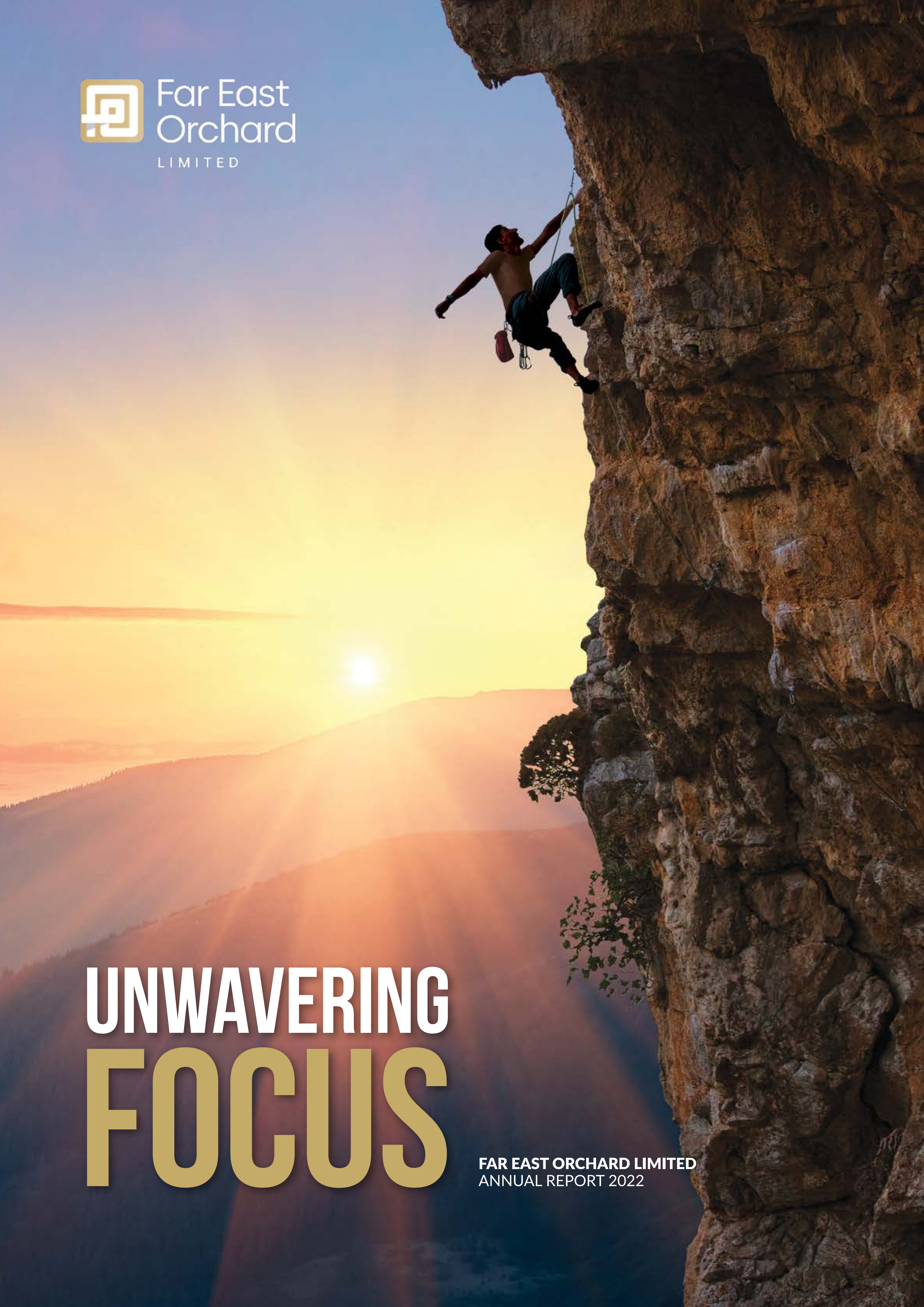


Far East Orchard LIMITED

UNWAVERING FOCUS

FAR EAST ORCHARD LIMITED
ANNUAL REPORT 2022

UNWAVERING FOCUS

Our FEOR 25 strategy to build a resilient lodging platform has been a testament to us during times of global uncertainties. As we progress to expand and gain more foothold in the hospitality and PBSA business segments, we remain vigilant to the challenges ahead. We remain committed to our strategic focus that continues to deliver sustainable growth.

OUR VISION

Far East Orchard is an enduring Singapore Real Estate Enterprise that strives to deliver steadfast growth for all stakeholders and the community.

OUR MISSION

Far East Orchard is a real estate company with a lodging platform that aims to achieve sustainable and recurring income through a diversified and balanced portfolio.

CORPORATE PROFILE

Far East Orchard is a real estate company with a lodging platform that aims to achieve sustainable and recurring income through a diversified and balanced portfolio. Far East Orchard has been listed on the Mainboard of the Singapore Exchange since 1968. It is a member of Far East Organization, Singapore's largest private property developer.

Established since 1967, Far East Orchard has developed residential, commercial, hospitality and PBSA properties in Australia, Japan, Malaysia, Singapore, and the UK.

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

Through its hospitality partnerships with The Straits Trading Company and Toga Group, Far East Orchard's hospitality arm — Far East Hospitality — now owns more than 10 hospitality assets and manages over 90 properties with close to 16,500 rooms in Australia, Austria, Denmark, Germany, Hungary, Japan, Malaysia, New Zealand, and Singapore. Its stable of 10 unique and complementary hospitality brands are Oasia, Quincy, Rendezvous, Village, Far East Collection, A by Adina, Adina Apartment Hotels and Adina Serviced Apartments, Vibe Hotels, Travelodge Hotels and TFE Hotels Collection.

Far East Orchard's UK PBSA portfolio comprises more than 3,500 beds in Brighton, Bristol, Leeds, Liverpool, Newcastle upon Tyne and Sheffield. In 2022, Far East Orchard acquired two PBSA properties, a 690-bed development site in Bristol and a 180-bed property in Southampton. The development site in Bristol and the acquisition of the Southampton property are expected to be completed in 2027 and April 2023, respectively, which would bring Far East Orchard's PBSA portfolio to more than 4,400 beds across 14 properties in the UK.

The Group also holds a portfolio of purpose-built medical suites for lease and sale in Singapore's premier medical hub in Novena.

FEOR 25 STRATEGY

Achieve

25,000 Rooms

5,000 Beds

by 2025

CONTENTS

GLOSSARY OF KEY ABBREVIATIONS

For ease of reading, this glossary provides definitions of abbreviations frequently used in this report.

ACRA	Accounting and Corporate Regulatory Authority
AGM	Annual General Meeting
ARC	Audit & Risk Committee
AUD	Australian Dollar
AY	Academic Year
BCA	Building and Construction Authority
BCPs	Business Continuity Plans
CFO	Chief Financial Officer
CG Policy Manual	Corporate Governance Policies Manual
Coronavirus Disease 2019	COVID-19 or COVID-19 pandemic
EPS	Earnings Per Share
ESG	Environmental, Social and Governance
ERM	Enterprise Risk Management
FEHH	Far East Hospitality Holdings Pte. Ltd.
FEOHAM	FEO Hospitality Asset Management Pte. Ltd.
FEOR	Far East Orchard Limited
FY2021	For the financial year ended 31 December 2021
FY2022	For the financial year ended 31 December 2022
GBP	Sterling Pound
Group CEO	Group Chief Executive Officer
IDs	Independent Directors
IPT	Interested Person Transaction
IR	Investor Relations
IT	Information Technology
JV	Joint Venture
MRSC	Management Risk & Sustainability Committee
NC	Nominating Committee
PBSA	Purpose-built Student Accommodation
RC	Remuneration Committee
SGD or S$	Singapore Dollar
SGX-ST	Singapore Exchange Securities Trading Limited
SID	Singapore Institute of Directors
STB	Singapore Tourism Board
TCFD	Task Force on Climate-Related Financial Disclosure
Toga Trust	Toga Hotel Holdings Unit Trust
TFE Hotels	Toga Far East Hotels
UK	United Kingdom
UCAS	Universities and Colleges Admissions Service

GEOGRAPHICAL PRESENCE

As at 31 December 2022

HOSPITALITY

9 Countries

>90 Properties

28 Cities

~16,500 Rooms

UK PBSA[1]

6 Cities

12 Properties

3,561 Beds

1 United Kingdom
13 Properties[2]

2 Denmark
1 Property

3 Germany
14 Properties

4 Austria
1 Property

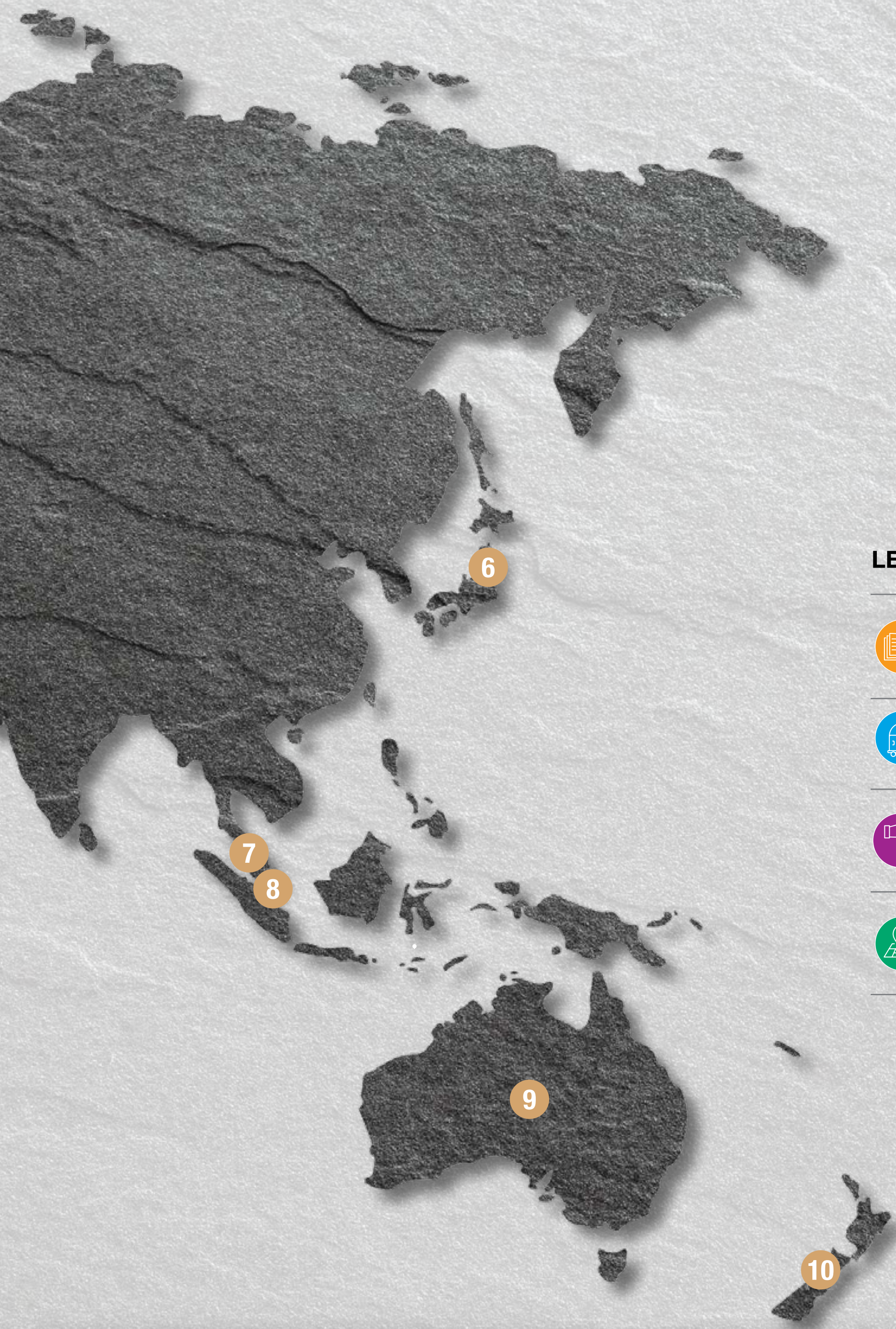
5 Hungary
1 Property

Notes:

1 In 2022, FEOR acquired two PBSA properties, a 690-bed development site in Bristol and a 180-bed property in Southampton. The development site in Bristol and the acquisition of the Southampton property are expected to be completed in 2027 and April 2023, respectively, which would bring FEOR's PBSA portfolio to more than 4,400 beds across 14 properties in the UK.

2 Includes a residential/commercial development, Westminster Fire Station.

3 Includes medical suites, shops and offices namely, Novena Medical Center, Novena Specialist Center, SBF Center and Woods Square.



LEGEND

- PBSA
- Hotel Ownership & Management
- Commercial Units & Medical Suites
- Property Development

6	7	8	9	10
Japan	**Malaysia**	**Singapore**	**Australia**	**New Zealand**
2 Properties	1 Property	28 Properties[3]	47 Properties	4 Properties

MOVING IN UNISON WITH agi

Much like a rock climber needing every muscle to complete a challenge, FEOR has **responded in unison** to overcome the physical and mental challenges posed by the COVID-19 pandemic and rapidly changing macro-environment. We will continue putting our trust in our gears and partners to keep us safe as we scale new heights.

lity

CHAIR'S STATEMENT

Dear Shareholders,

This is my first year as Chair of Far East Orchard Limited, following Mr Koh Boon Hwee's retirement from the Board on 18 April 2022. On behalf of the Board of Directors, I thank Mr Koh for his leadership and commitment over the last decade. His inspiring persona has shaped a dynamic and cohesive Board, and the Group's business has grown under his stewardship and vision. During his tenure, the Group undertook a transformation journey to expand and enhance our recurring income base from the hospitality and student accommodation businesses to complement earnings from our development projects, enabling us to build an enduring business that continues to create shareholder value. As his successor, I am committed to building upon his legacy and bringing the Group to achieve new heights of success.

I am pleased to share some of the Group's developments and accomplishments for FY2022.

FY2022 continued to be a volatile year for the Group, and our leadership was tested on multiple fronts. The global economy was under pressure from geopolitical tensions, supply chain disruptions, inflationary pressures, foreign currency volatility and rising interest rates. These challenges are ongoing today, and while the COVID-19 pandemic is largely under control, the risk of new COVID variants still lurks. Nonetheless, our senior leadership teams across different businesses drew deep into their collective experiences to keep our business performing and have delivered a stronger operating performance in FY2022.

REVENUE
S$141.0
MILLION

PROFIT AFTER TAX
S$21.5
MILLION

Building Financial Resilience

Over the past few years, we learnt that in every adversity lies an opportunity. Our unwavering focus on the FEOR 25 strategy, implemented in 2020, was a testament to these challenging times.

Against the backdrop of the multifaceted challenges, the Group has yet again demonstrated our ability to adapt and adjust to changing environments by pushing ahead with hotel expansions and strategic acquisitions, seizing market share while keeping costs under control, and taking care of our stakeholders.

Led by the gradual recovery of our Hospitality business, the Group's performance in FY2022 improved. Revenue rose by 32.0% to S$141.0 million, and profit after tax increased by 28.0% to S$21.5 million.

FY2022's profitability was partially offset by the unrealised translation losses from the weakening of the Australian Dollar and Sterling Pound, amounting to S$13.5 million.

Profit attributable to shareholders decreased by 22.1% to S$21.9 million. In FY2021, profit after tax included fair value gains on investment properties of S$43.9 million. Excluding these fair value gains, the Group would have recorded a bigger jump of 179.1% and 249.2% from the FY2021 profit after tax and profit attributable to shareholders, respectively.

With mounting cost pressures, business resilience is underscored by managing capital efficiently. As a result of the Group's proactive capital management, our balance sheet remains robust with a cash balance of S$233.2 million and a gearing ratio of 0.46. This is done by effectively maintaining a healthy cash flow for operational purposes and ensuring that funding needs are met for attractive investment and growth opportunities.

The Group remains committed to our dividend policy. Taking into consideration the improved underlying operating performance, one-off gain from sales of Tanglin Shopping Centre, funding requirements for future business growth

CHAIR'S STATEMENT

> **The Group remains committed to our dividend policy.**

FIRST AND FINAL DIVIDEND
3.0
SINGAPORE CENTS

SPECIAL DIVIDEND
1.0
SINGAPORE CENT

and expansion, and to ensure the Group maintains financial flexibility amidst the volatile and uncertain macroeconomic environment, the Board recommends a first and final dividend of 3.0 Singapore cents per share for FY2022, as well as a special dividend of 1.0 Singapore cent per share, up from 3.0 Singapore cents per share declared for FY2021.

Seizing Opportunities in Adversity

The Hospitality business successfully weathered another challenging year. The gradual opening of international borders in the second quarter of 2022, followed by the increasing international arrivals, drove higher occupancies and room rates.

Still, international arrivals are below pre-pandemic levels. International arrivals into Singapore were 6.3 million in 2022, compared to 19.1 million in 2019. While the STB projects international arrivals to double in 2023, reaching 12 to 14 million, due to the increased capacity of international flights and China's reopened borders, this number remains below pre-COVID. Potential dampening factors weighing on the sector's recovery include global economic headwinds and the lingering effects of the pandemic. As we look forward to the sector's recovery, we remain cognisant of potential emerging macroeconomic risks, which aligns with STB's expectations.

Pushing ahead with expansion, in 2022, we opened three new hotels across Australia and Germany after carefully evaluating and assessing the uncertain operating environment. The Group's hospitality arm, Far East Hospitality, also introduced two Australian brands to Singapore – Vibe Hotels and Adina, in recognition of the synergies of its JV with TFE Hotels and as part of the Group's transformation efforts to revitalise and rejuvenate the assets it operates in Singapore.

Continuing this momentum, the Group is slated to open five new hotels, totalling more than 750 rooms, across Australia, Japan, Malaysia, and Switzerland in 2023.

CHAIR'S STATEMENT

The PBSA business delivered a resilient and steady performance in FY2022. One significant factor for PBSA's high demand is the rise in the student populace and the continued internationalisation of education. During the year, we acquired two PBSA properties – a development site[1] in Silverthorne Lane, Bristol, jointly with Woh Hup Holdings (Private) Limited and Way Assets Pte. Ltd., and Emily Davies[2], an operational asset in Southampton. The Group's focus for PBSA will remain in the UK, which is globally ranked as one of the top destinations for higher education.

Looking ahead, the Group will continue focusing on its FEOR 25 strategy and seize attractive opportunities amidst the volatile and uncertain environment.

Stepping Up on Our Sustainability Commitment

The Board recognises climate change is one of the most pressing and urgent global issues. Following the introduction of Far East Orchard's sustainability vision last year, we continue to pursue our sustainability journey. This year, we deepened our sustainability commitment by adopting the TCFD's recommendations. We are committed to reducing our carbon footprint and have conducted our first climate assessment to identify climate-related risks and opportunities. Through the assessment, the Group has gained better insights into fortifying our resilience against climate-related impacts and identified a suite of decarbonisation initiatives. One of the identified initiatives is to progressively introduce the use of renewable energy at our owned properties. These initiatives shall pave the way for our commitment to reducing 42% of carbon emissions in our owned properties by 2030. We will also work with our business partners to foster the development of stronger climate resiliency.

> **As ESG importance continues to rise, the Board remains dedicated to setting the Group's sustainability direction and providing oversight and management of ESG risks and opportunities.**

As ESG importance continues to rise, the Board remains dedicated to setting the Group's sustainability direction and providing oversight and management of ESG risks and opportunities. We will continue to work closely with the ARC and the MRSC, comprising the Group's management, to set, monitor and report material ESG factors that impact stakeholders and our operations.

This year, we have integrated internal review assurance into our sustainability reporting to build transparency. Together, we will work towards creating a sustainable future through our real estate and lodging platform.

Governance

I am honoured to share that the Board was awarded the 'Best Risk Management Award – Bronze' in the mid-cap category at the Singapore Corporate Awards 2022. This award recognised the Group's proactive efforts to reduce risks and their potential impact. It is our commitment to improve and enhance our risk oversight process. We will work with the management team to address near-term challenges while positioning the Group to benefit from long-term growth via the FEOR 25 strategy.

[1] The development is expected to complete in FY2027.
[2] The acquisition is expected to complete upon the seller completing certain minor works by the long-stop date of 30 April 2023.

CHAIR'S STATEMENT

To all our shareholders, customers, business partners and stakeholders, we thank you for your continued support and conviction in Far East Orchard. We also want to thank our employees for your diligence and unwavering commitment to the Group through this tumultuous period and for positioning the business for future growth.

Word of Appreciation

On 31 December 2022, Ms Chua Kheng Yeng, Jennie, retired from the Board. Ms Chua has been a valuable member of the Far East Orchard Board with her vast wealth of experience in the hospitality and property industry. On behalf of the Board, I would like to express our heartfelt appreciation for her invaluable contribution over the past nine years. Mr Ramlee Bin Buang has since succeeded her as the lead independent director.

To all our shareholders, customers, business partners and stakeholders, we thank you for your continued support and conviction in Far East Orchard. We also want to thank our employees for your diligence and unwavering commitment to the Group through this tumultuous period and for positioning the business for future growth.

On a more personal note, I would like to express my gratitude to my fellow Board members for their vote of confidence in electing me as the Board Chair. As we navigate these uncertain times, I appreciate the valuable stewardship you continue to provide the Group. Additionally, I want to acknowledge my full support of our management team and thank them for their strong commitment and for going above and beyond.

Koh Kah Sek
Chair
15 March 2023

GROUP CEO'S MESSAGE

Dear Shareholders,

2022 was a transitional year as the world staggered towards a COVID-19 endemic environment with looming risks of new COVID variants and the possibility of continued pandemic-related disruptions, such as border restrictions and supply chain disruptions. Furthermore, new challenges including ongoing geopolitical tensions, significant inflationary pressures, interest rate hikes, and heightened recession risks, surfaced in 2022. Drawing on our experience dealing with the pandemic, we will remain agile to navigate the prevailing headwinds and respond to an ever-evolving environment.

FY2022 – Unwavering Focus: Building Resilience

With FEOR 25 as our focus and being prudent and decisive, the Group has delivered improved results for FY2022. For FY2022, the Group reported a higher profit after tax of S$21.5 million, driven by the significantly better operating performance compared to the FY2021. Profit after tax for FY2021 of S$16.8 million included fair value gains on investment properties of S$43.9 million. Excluding these fair value gains, the Group would have recorded a net loss after tax in FY2021.

The Group's revenue increased 32.0% to S$141.0 million from S$106.8 million a year ago, boosted by the Hospitality and PBSA businesses' performance, which grew by 50.6% and 9.3%, respectively. Accompanied by the reopened borders and the progressive lifting of COVID-related restrictions since the second quarter, the Hospitality business performance contributed to a stronger performance, despite COVID-19 lockdown disruptions in the early part of the financial year. Additionally, the Group's Singapore Hospitality business continued to be partially supported by government isolation contracts during the year. Meanwhile, the PBSA business experienced strong demand for student accommodations, driven by the continuing need for UK higher education and a full return to campus for face-to-face teaching. As a result, our UK portfolio achieved a healthy occupancy rate of 86% for the AY commencing September 2021 (AY21/22) (AY20/21: 82%).

A higher share of profits was recognised from our Australia and Europe hospitality JVs due to stronger operating performance, a gain of S$7.6 million from the derecognition of lease liabilities, and government grants received in Germany. With stable contributions from the PBSA and property investment business segments, the Group achieved better-operating results for FY2022.

Additionally, the Group also recognised the completion of the sale of the reversionary interest of Village Residence Clarke Quay, and the four office units in Tanglin Shopping Centre ("**TSC**"), following the completion of the collective sale of TSC, which resulted in recognition of total gain on these sales of S$7.4 million.

However, the Group's FY2022 results had been impacted by the unrealised currency translation losses due to the weakening of the Australian Dollar and the Sterling Pound and an impairment of S$5.1 million recognised on goodwill on our Australia property ownership business.

The Group's FY2022 financial performance is a testament to FEOR 25's strategy to build and grow recurring revenue from our real estate lodging platform.

GROUP CEO'S MESSAGE

Prudent Risk and Capital Management

Our financial discipline over the years, particularly during the COVID-19 pandemic, has ensured that our balance sheet remains robust. As at 31 December 2022, the Group's cash and cash equivalents were S$233.2 million. The Group has met our funding requirements throughout the year through cash flows generated from operations and bank facilities. With the cash balance and unutilised banking facilities, the Group maintains sufficient liquidity to meet our operations and financial commitments.

To support our strategic initiatives and business operations amidst a high-interest rate environment, we actively managed the impact of the rising interest rates via interest rate hedging and repayment of borrowings and maintained a healthy gearing ratio. We will continue to identify opportunities to mitigate the rising interest rates. The Group will maintain a prudent capital management policy while actively managing our capital structure to sustain our business operations and optimise shareholder value.

Agility in Motion

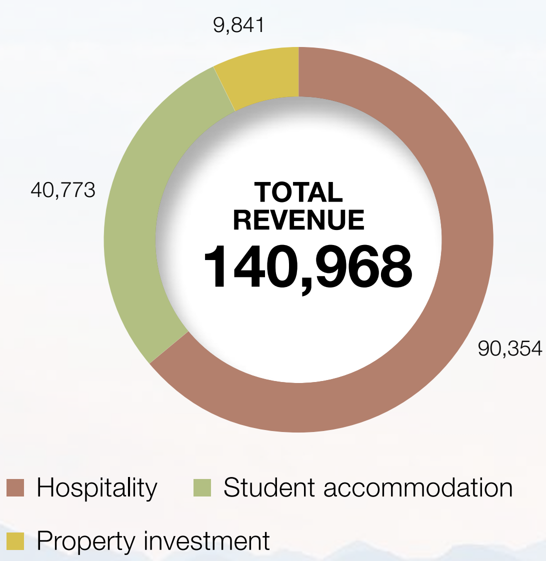
Over the past year, the resiliency of the FEOR 25 strategy has been evident. While demonstrating our ability to navigate macroenvironmental changes effectively, we remained committed to building a lodging platform by growing our brands, expanding our geographic footprint, supporting our people, and protecting the environment.

Hospitality Business

The tourism sector's outlook is expected to rebound, albeit still performing behind the pre-pandemic level and with an uneven recovery across different markets. As global travel paused amidst the pandemic, our Hospitality business has worked on improving cost structures and building supply chain resiliency. The Group remains laser-focused on reinforcing our hospitality lodging platform, expanding our geographical footprint, and establishing the Group's hospitality arm – Far East Hospitality, as a credible regional operator. We have also taken the opportunity to rejuvenate our legacy properties and introduce new brand experiences.

Since the start of the FEOR 25 strategy in 2020, our hospitality expansion has added approximately 3,000 rooms. In 2022, we added three new hotels, a 124-key Travelodge Hotel Hurstville in Sydney, Australia, a 201-key Adina Apartment Hotel Düsseldorf, and a 169-key Adina Apartment Hotel Stuttgart, both in Germany. In 2023, we expect to open five new hotels with more than 750 rooms. This includes a hotel in Switzerland, a newly expanded geography where our JV TFE Hotels will debut a 140-key Adina Apartment Hotel Geneva, Switzerland, in March 2023. In Japan, we are excited to open our third property, a 134-key Far East Village Hotel Asakusa, Tokyo, in the second quarter

FY2022 REVENUE BY SEGMENT (S$'000)



FEOR 25 STRATEGY

Achieve **25,000** Rooms & **5,000** Beds by 2025

GROUP CEO'S MESSAGE

The Hospitality business has delivered a strong performance in 2022 and demonstrated resilience despite the ongoing challenges and pandemic-related disruptions.

of 2023. We believe this is an opportune time to capitalise on the progressive rebound of Japan's tourism as travel borders reopened in October 2022.

In line with the efforts to diversify our source markets and attract Australian inbound tourists, Far East Hospitality, in collaboration with TFE Hotels, brought two established Australian brands – Vibe Hotels and Adina, into Singapore. The former 88-key Regency House has been rebranded as Adina Serviced Apartments Singapore, and the 256-key Elizabeth Hotel is now known as Vibe Hotel Singapore Orchard. As international borders reopen, Australia, one of Singapore's most significant inbound source markets, is a natural key target. The return of the flight paths between Australia and the UK with stopovers in Singapore also offers us the opportunity to encourage more stopovers and attempts to lengthen tourists' stay with new experiences. The two new brands will provide an Australian twist to what Singapore, as a destination, has to offer.

The Hospitality business has delivered a strong performance in 2022 and demonstrated resilience despite the ongoing challenges and pandemic-related disruptions. With the industry's recovery and the experience gained to remain relevant over the past three years, the Group is poised to grow and capture travel demands and market share.

This year, I am delighted that the Group will celebrate the 10th anniversary of our JV with The Straits Trading Company Limited (STC) and Toga Group. The strategic formation of the two milestone joint ventures – FEHH Group and TFE Hotels, in 2013, expanded the Group's geographical reach of its hospitality business beyond Singapore and Malaysia. Throughout the decade-long partnership, trust and shared goals built the foundation for the alliance. As we deepen our collaboration by aligning our core strengths, I look forward to exploring further opportunities to enhance our brand offerings and growth opportunities while capitalising on the recovery of the hospitality industry.

PBSA Business

The underlying fundamentals of the PBSA sector remain resilient. Our UK PBSA business delivered a stable performance in FY2022, despite being impacted by similar macroeconomic headwinds, particularly higher energy costs and rising interest rates.

For the latest AY commencing September 2022 (AY22/23), the Group's PBSA portfolio achieved an occupancy rate of 99% (AY21/22: 86%), reflecting the strong demand across all the cities. Through active asset management, 60% of beds have been secured under university nomination agreements to form a strong letting base while maintaining our focus on retaining existing students.

Student applications to UK higher education have rebounded strongly, exceeding pre-COVID levels. For AY22/23, student applications have increased by 7.0% compared to pre-COVID in AY2019/20[1]. Two major factors contributing to the high demand for PBSA are the increase in university-going students and the internationalisation of education.

We also acquired two PBSA properties in FY2022 – a development site at Silverthorne Lane, Bristol, through a JV with Woh Hup Holdings (Private) Limited and Way Assets Pte. Ltd., and an operational asset, Emily Davies in Southampton, for a total of £27.2 million (S$45.4 million[2]). The development of Silverthorne Lane is expected to deliver approximately 690 beds and to be completed by FY2027, while the completion of Emily Davies' acquisition, a 180-bed, is expected to be by 30 April 2023, upon the seller completing certain minor works. These acquisitions were made with careful analysis of the current market environment.

The two PBSA additions will bring the Group's portfolio to more than 4,400 beds across 14 properties in the UK.

Despite proving itself as counter-cyclical over the years, the PBSA sector is not immune to the current macroeconomic headwinds. Inflation and rising interest rates will continue to impact operating returns in short to medium term. Positively,

1 UCAS.
2 Based on the exchange rate of GBP1: SGD1.69 prevailing as at 14 June 2022 and GBP1: SGD1.65 prevailing as at 8 December 2022 as per the respective announcements.

GROUP CEO'S MESSAGE

PBSA is an inflationary hedge asset class with the bed rental rate dynamically priced and with short-term leases tied in with the AY. On the cost front, we were able to mitigate some cost pressures by hedging our utility costs and interest payments. During the year, we have also paid down some borrowings using surplus cash generated from the PBSA operations to reduce our interest costs.

Building a Responsible and Resilient Business

The Group recognises the importance of sustainability for our business continuity. As climate change becomes increasingly urgent, we are committed to playing a more active role which requires multi-stakeholder cooperation and collaboration. Our sustainability vision, implemented in 2022, will continue to act as a lighthouse that guides our business direction and strategy.

We have taken steps to manage our carbon emissions by implementing processes to actively monitor and track our Scope 1 and Scope 2 carbon emissions. This year, the Group commenced the exercise to develop our targets for carbon reduction. We adopted the science-based approach to set emission targets to align ourselves with the goal to limit global warming to 1.5°C. Our respective businesses are also developing their plans to achieve the science-based targets.

Additionally, Far East Hospitality, our hospitality operating business in Singapore, has aligned its environmental targets and initiatives with Singapore's Hotel Sustainability Roadmap. On the social aspect, Far East Hospitality has also collaborated with Temasek Polytechnic ("**TP**") to build a robust hospitality talent pipeline for Singapore. I am honoured to share that this partnership with TP is the first for the hospitality sector. This initiative will establish an integrated careers internship programme and learning and development support to upskill the hospitality workforce.

Looking Ahead

Moving forward, 2023 remains challenging. The International Monetary Fund has lowered its global growth forecast for 2023 to 2.9% from 3.4% in 2022 amidst colliding pressures from geopolitical tensions, high energy and food prices, inflation, and interest rate hikes.

As tourism recovery accelerates, boosted by strong pent-up demand, the lifting of pandemic-related restrictions and the resumption of China's tourism, we are optimistic that the sector will recover in the short term. However, we are also cognisant of the continued macroeconomic uncertainties and health challenges related to COVID-19, which could weigh on tourism's recovery. This view is in line with the latest Panel of Tourism Experts survey by the World Tourism Organization (UNWTO), which reflected a cautious optimism on the sector's outlook.

The outlook for the UK PBSA business remains positive, reflecting the underlying fundamentals of student demand. UCAS anticipates that there will be one million international student applications for UK higher education by the 2026 cycle, around 27% more than in 2021. In particular, the volume of international student applicants through UCAS is projected to increase by 46% to 208,500 by 2026. Student demand growth outlook is also expected to remain strong and resilient, driven by sustained demographic growth projected from domestic students in the UK over the next 10 years and the continued attraction of the UK for international students.

Having navigated one of the most disruptive junctures in the Group's history, with grit, versatility, and humility, we remain focused on the FEOR 25 strategy while being prudent and assessing all internal and external conditions to future-proof our business.

Appreciation

To round off, I want to thank everyone in our Far East Orchard family for their hard work and commitment to adapting and growing in this rapidly changing environment. I want to express how pleased I am to see everyone unite as a team and family to overcome difficult times. The commitment and dedication demonstrated have been noticed, making a difference in our business. Lastly, on behalf of the management team, I would like to express our gratitude to the Board for providing us with wise counsel and critical support in our decisions. Together, we will overcome any challenges ahead with strength and resilience.

Alan Tang
Group CEO
15 March 2023

SEIZING opport

unities

IN ADVERSITY

"In every adversity lies an opportunity." In these challenging macroeconomic times, we remain **committed to our core strategy** while cautiously evaluating risk-adjusted investment opportunities.

BOARD OF DIRECTORS AND MANAGEMENT

1
MS KOH KAH SEK
Chair, Non-Executive Director

2
MR ALAN TANG YEW KUEN
Executive Director and Group CEO

3
MR SHAILESH ANAND GANU
Non-Executive ID

4
MS KU XIAN HONG
Non-Executive ID

5
MR SAMUEL GENE RHEE
Non-Executive ID

6
MDM EE CHOO LIN DIANA
Non-Executive Director

7
MR RAMLEE BIN BUANG
Non-Executive Lead ID

BOARD OF DIRECTORS AND MANAGEMENT

MS KOH KAH SEK

Chair, Non-Executive Director

- Member, NC

Ms Koh Kah Sek was appointed as a Non-Executive Director on 1 November 2016 and was last re-elected on 26 June 2020. Ms Koh was appointed as Chair of the Board on 18 April 2022 and as a member of the NC on 1 January 2023. As Ms Koh is directly associated with Far East Organization Pte. Ltd., which is a substantial shareholder of the Company, she is considered by the NC and Board to be non-independent.

Ms Koh is an Executive Director and the CFO of Far East Organization ("**FEO**"), where she is responsible for FEO's financial affairs, including corporate finance, treasury, overseas investments, risk management and capital management. She oversees the corporate function of FEO's Group Legal Division and is also the Chairman of FEO Retail Executive Committee.

Ms Koh is also a Non-Executive ID and Chairman of the Audit Committee of Netlink NBN Management Pte Ltd, trustee-manager of Netlink NBN Trust.

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

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

Ms Koh will retire pursuant to Regulation 98 of the Company's Constitution at the Company's 55th AGM and she is eligible for re-election.

Present directorships in other listed companies:

SINGAPORE

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

Other principal commitments:

SINGAPORE AND OVERSEAS

- Executive Director and CFO, FEO
- Council Member – Professional Education Council, Singapore Accountancy Commission
- Member, Accounting Standards Council Singapore
- Member, The Future Economy Council Lifestyle Sub-Committee
- Director, Baker & Cook Pte Ltd
- Director, Commonwealth Concepts Pte Ltd

Past directorships in other listed companies (2020-2022):

Nil

BOARD OF DIRECTORS AND MANAGEMENT

MR ALAN TANG YEW KUEN

Executive Director

- Group CEO

Mr Alan Tang Yew Kuen was appointed as an Executive Director on 1 January 2020, and was last re-elected on 26 June 2020. Mr Tang was also appointed as the Group CEO of the Company on 1 January 2020.

Mr Tang has rich and balanced experience in the global hospitality real estate capital market and operations. He served as Senior Vice President, Head Hospitality of GIC Real Estate Pte Ltd, where he held leadership responsibilities for investment and asset management of a USD multi-billion portfolio. During his tenure at GIC Real Estate Pte Ltd, he oversaw both direct and indirect (through third-party funds) equity and debt investments, as well as both private and public-listed entities. Prior to joining the Company, Mr Tang was Chief Operating Officer of Frasers Hospitality International Pte Ltd, where he led the operations of its hotels and serviced apartments worldwide.

Mr Tang received a Bachelor of Science (Distinction) in 1992 from the School of Hotel Administration, Cornell University, USA. He is also a Chartered Financial Analyst (CFA). In 2016, he completed the Module 10 of the Capital Markets and Financial Advisory Services (CMFAS) Examination.

Mr Tang will retire pursuant to Regulation 98 of the Company's Constitution at the Company's 55th AGM and he is eligible for re-election.

Present directorships in other listed companies:

Nil

Other principal commitments:

SINGAPORE

- FEHH (Chairman)
- Member of Hotel Innovation Committee, Singapore Hotel Association

OVERSEAS

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

Past directorships in other listed companies (2020-2022):

Nil

BOARD OF DIRECTORS AND MANAGEMENT

MR RAMLEE BIN BUANG

Non-Executive Lead ID

- Chair, ARC
- Member, NC

Mr Ramlee Bin Buang was appointed as a Non-Executive Director on 25 April 2017 and was last re-elected on 26 April 2021. Mr Ramlee was appointed Chair of the ARC and a member of the NC on 24 April 2018, and as Lead ID on 1 January 2023. The NC and Board considers Mr Ramlee to be an ID.

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

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

Present directorships in other listed companies:

Nil

Other principal commitments:

SINGAPORE

- Halogen Foundation (Singapore) (Director and Chair of Investment Committee)
- Ukyo Advisory (Founder/ Owner)
- National Healthcare Group Pte Ltd (Director and Chair of ARC)
- MOH Holdings (Chair of MOHH-Public Healthcare Institutions Finance Shared Services Steering Committee, Member of Investment Committee and ARC)
- 1FSS Pte. Ltd. (Chairman, Director and member of Human Resource Committee)
- ALPS Pte Ltd (Director, Chair of Procurement Sub-Committee and Member of Finance Sub-Committee)
- Singapore Accountancy Commission (Member of the Council and Audit Committee)
- Singapore University of Technology and Design (Member of Board of Trustee and Chair of the Audit Committee)
- Public Service Commission (Member of Council)

OVERSEAS

Nil

Past directorships in other listed companies (2020-2022):

Nil

BOARD OF DIRECTORS AND MANAGEMENT

MDM EE CHOO LIN DIANA

Non-Executive Director
- Member, ARC
- Member, RC

Mdm Ee Choo Lin Diana was appointed as a Non-Executive Director on 29 April 2011, and was last re-elected on 26 June 2020. Mdm Ee is a member of the ARC and RC. As Mdm Ee has served the Board for more than nine years, with effect from 1 January 2022, she was re-designated as a Non-Independent Non-Executive Director. Nonetheless, Mdm Ee continues to demonstrate strong independence in character and judgement, and provides impartial and autonomous views.

Mdm Ee has extensive international experience in the tourism, leisure and hospitality industry. She held senior executive leadership positions at Raffles International Limited managing multi-hotel brands and gained broad commercial experience in business operations, brand stewardship, global sales and marketing, distribution and revenue management, technical services, quality assurance and strategic organisational development. Formerly, as President of Raffles Hotels & Resorts, she held responsibilities for the brand's growth strategy and for the operating and financial performance of its hotels spanning South East Asia, China, the United States, Middle East and Europe. Mdm Ee has previously served as a Board Member of the Singapore Tourism Board and the Board of Governors of Republic Polytechnic Singapore and as Chairman of Mount Faber Leisure Group Pte Ltd.

She is presently Vice-Chairman of SHATEC Institutes Pte Ltd (the educational arm of the Singapore Hotel Association which provides F&B and hospitality education and skills training certification), a Director of Constellar Holdings Pte Ltd and Board Member of Sentosa Development Corporation.

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

Mdm Ee will retire pursuant to Regulation 98 of the Company's Constitution at the Company's 55th AGM and she is eligible for re-election.

Present directorships in other listed companies:

Nil

Other principal commitments:

SINGAPORE
- SHATEC Institutes Pte Ltd (Vice-Chairman)
- FEHH (Director)
- Constellar Holdings Pte. Ltd. (Director)
- Sentosa Development Corporation (Board Member)
- Singapore Standards Council, Enterprise Singapore (Council Member), Singapore Services Standards Committee (Co-Chairman)
- SPD (Supporting People with Disabilities since 1964) (Board Director)

OVERSEAS
- Toga Hotel Holdings Pty Ltd (Director and Member of the ARC of the Trustee Board)

Past directorships in other listed companies (2020-2022):

Nil

BOARD OF DIRECTORS AND MANAGEMENT

MR SHAILESH ANAND GANU

Non-Executive ID

- Chair, RC
- Member, NC

Mr Shailesh Anand Ganu was appointed as a Non-Executive Director on 12 February 2019, and was last re-elected on 18 April 2022. Mr Ganu was appointed as the Chair of the RC on 1 January 2022 and a member of the NC on 18 April 2022. The NC and Board considers Mr Ganu to be an ID.

Mr Ganu is a seasoned business leader, management consultant, and senior human capital practitioner with experience leading large teams and projects in both corporate and consulting environments. He has over 22 years of experience working closely with the Boards and management teams of some of the leading companies in the world across Real Estate and several other industries. He is an Executive Compensation and Corporate Governance expert, with deep expertise in the design and implementation of people strategies, organisation development, business transformations, and ESG issues.

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

Present directorships in other listed companies:

Nil

Other principal commitments:

SINGAPORE

- WTW (Managing Director; Global Practice Leader – Executive Compensation and Board Advisory)
- SATA Commhealth (ID, Chair of Human Resource Committee, and member of Digital Committee)
- Singapore Institute of Directors (Governing Council member, Chair of ESG Committee)
- Climate Governance Initiative (Member of the Global Governing Board)
- Vanguard Healthcare Pte Ltd (ID)

OVERSEAS

Nil

Past directorships in other listed companies (2020-2022):

Nil

BOARD OF DIRECTORS AND MANAGEMENT

MR SAMUEL GENE RHEE

Non-Executive ID
- Chair, NC
- Member, RC

Mr Samuel Gene Rhee was appointed as a Non-Executive Director on 1 January 2022, and was last re-elected on 18 April 2022. Mr Rhee was appointed as a member of the RC on 1 July 2022 and as Chair of the NC on 1 January 2023. The NC and Board considers Mr Rhee to be an ID.

Mr Rhee has over 29 years of experience in financial services and investments, 17 years of which were at Morgan Stanley. He was Chief Executive Officer and Board Chair at Morgan Stanley Investment Management in Asia and was also Chief Investment Officer where he managed institutional investment portfolios in tens of billions in assets.

He is co-founder, Chairman and Chief Investment Officer of Endowus, the leading digital wealth platform and first approved digital advisor for CPF in Singapore.

Mr Rhee graduated with a BA (Joint Honours) in Economics and Public Administration from Royal Holloway, University of London, and attended the Executive Education Program in International Management by Stanford Graduate School of Business and NUS Business School.

Present directorships in other listed companies:

Nil

Other principal commitments:

SINGAPORE AND OVERSEAS
- Endowus Technologies Pte. Ltd. (Chairman and Chief Investment Officer)
- Voveo Capital Pte. Ltd. (Director)

Past directorships in other listed companies (2020-2022):

Nil

BOARD OF DIRECTORS AND MANAGEMENT

MS KU XIAN HONG

Non-Executive ID

- Member, ARC

Ms Ku Xian Hong was appointed as a Non-Executive Director on 1 January 2022, and was last re-elected on 18 April 2022. Ms Ku was appointed as a member of the ARC on 1 July 2022. The NC and Board considers Ms Ku to be an ID.

Ms Ku was a Managing Director in Accenture Singapore before retiring in November 2013. She assumed multiple Asia Pacific leadership roles over her 27-year career at Accenture where she spent several years in China, Hong Kong and Taiwan establishing the Greater China Change Management practice to help clients transform their organisation and workforce.

Ms Ku is a Director and Member of the Regulatory and Risk Committee, and RC, of Netlink NBN Management Pte Ltd, trustee-manager of Netlink NBN Trust. She also serves on the Council of Singapore Cancer Society and is Chairperson of its Digital and Technology Committee.

Ms Ku obtained her Bachelor of Science from the National University of Singapore and Master of Business Administration (with Distinction) from the DePaul University, Chicago.

Present directorships in other listed companies:
SINGAPORE

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

Other principal commitments:
SINGAPORE AND OVERSEAS

- Anyhealth Pte. Ltd. (China) (Board Member)

Past directorships in other listed companies (2020-2022):
Nil

BOARD OF DIRECTORS AND MANAGEMENT

MR KIONG KIM HOCK ARTHUR

Chief Executive Officer, Far East Hospitality

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

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

Mr Kiong has 36 years of hotel industry experience having held operations, sales and marketing roles for various hotels in Asia and the USA including The Peninsula Hotels, The Mandarin Oriental Hong Kong, The Ritz-Carlton, Hyatt International, Westin Hotels and Banyan Tree Hotels & Resorts.

MS JOANNA GOK YIN YIN

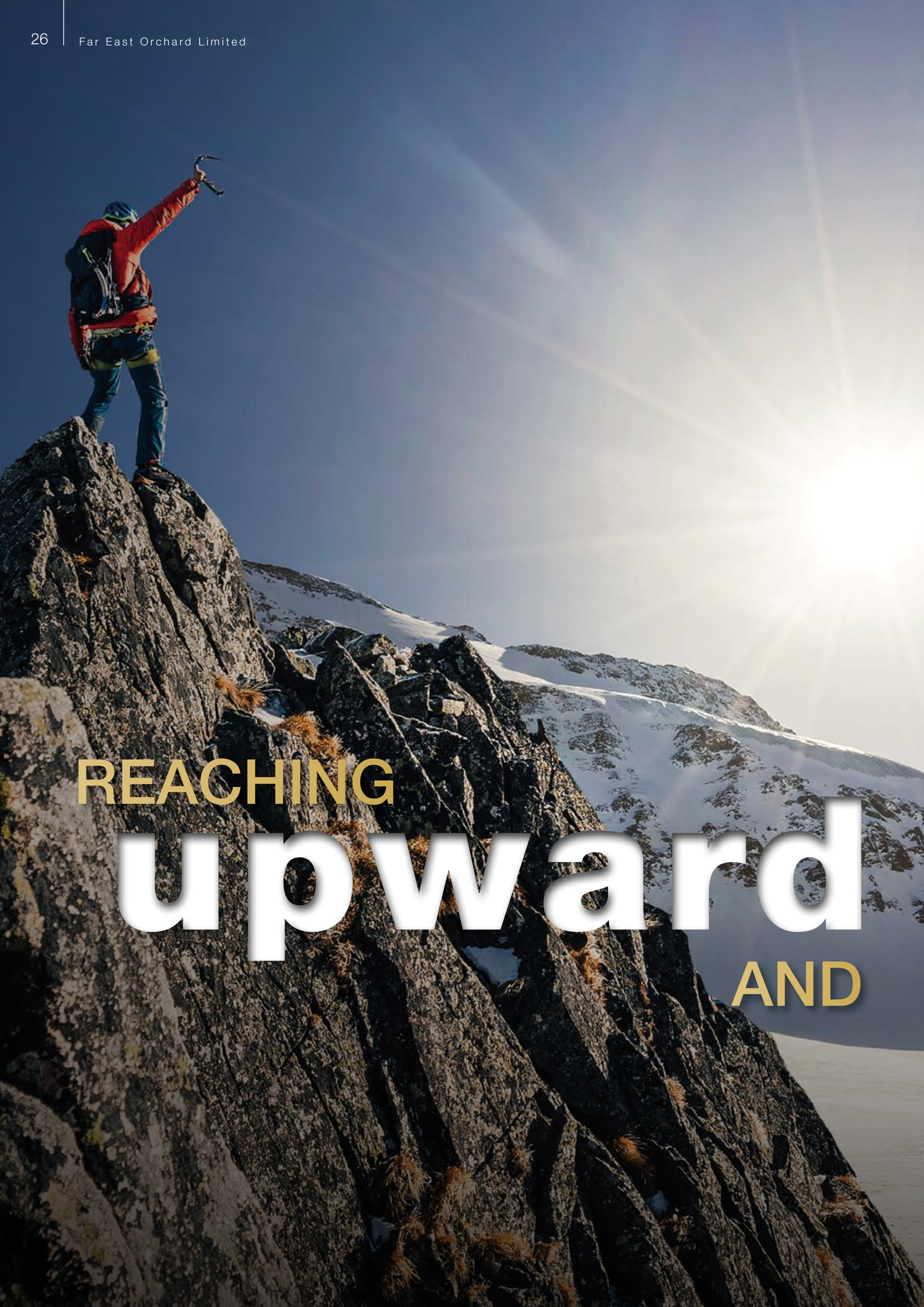
CFO

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

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

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

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



REACHING upward AND

Supported by a healthy capital structure and resilient fundamentals, we are **well-positioned** to reach upward and onward to meet our FEOR 25 goals amidst a rising interest rate and inflationary environment.

onward

CORPORATE GROUP STRUCTURE

Far East Orchard
LIMITED

Hospitality*

- First Choice Properties Pte Ltd
- Pinehigh Development Sdn. Bhd.
- Far East Hospitality Holdings Pte. Ltd. (70%)[1]
- Far East Hospitality Management Japan Kabushiki Kaisha (70%)[1]
- Far East Hospitality Management Malaysia Sdn. Bhd. (70%)[1]
- Far East Hospitality Management (S) Pte. Ltd. (70%)[1]
- Far East Hospitality Properties (Australia) Pte. Ltd. (70%)[1]
- Far East Hospitality Properties (Europe) Pte. Ltd. (70%)[1]
- Ariake Properties (Singapore) Pte. Ltd. (35%)[1]
- Toga Hotel Holdings Unit Trust (35%)[1]

PBSA

- Far East Orchard Holdings (Jersey) Limited
- Far East Orchard UK (One) Pte. Ltd.
- Silverthorne Locke Holdings Pte. Ltd. (50%)[1]

Property Investment

- Jelco Properties Pte Ltd

Property Development

- Westminster Fire Station Limited
- Woodlands Square Pte. Ltd. (33%)[1]
- Far East Opus Pte. Ltd. (20%)[1]

Investment Holdings

- FEO Hospitality Asset Management Pte. Ltd. (33%)[1]

Notes:

* Principal activities span across investment holding, ownership and/or management of hospitality properties.

[1] Effective interest is shown if ownership is not 100%.

2022 HIGHLIGHTS

09 DECEMBER 2022

180 beds

Acquired Emily Davies in Southampton[2]

03 NOVEMBER 2022

Opened the first Vibe Hotels brand in Singapore

256 rooms

Vibe Hotel Singapore Orchard

**Rebranded from The Elizabeth Hotel*

AUGUST 2022

Singapore Corporate Awards

Best Risk Management Award – Bronze

(Companies with S$300 million to less than S$1 billion in market capitalisation)

07 JULY 2022

Opened the first Adina brand in Singapore

88 Rooms

Adina Serviced Apartments Singapore Orchard

**Rebranded from The Regency House*

14 JUNE 2022

~690 beds

JV with Woh Hup and Way Assets to develop a PBSA asset[1] in Silverthorne Lane, Bristol

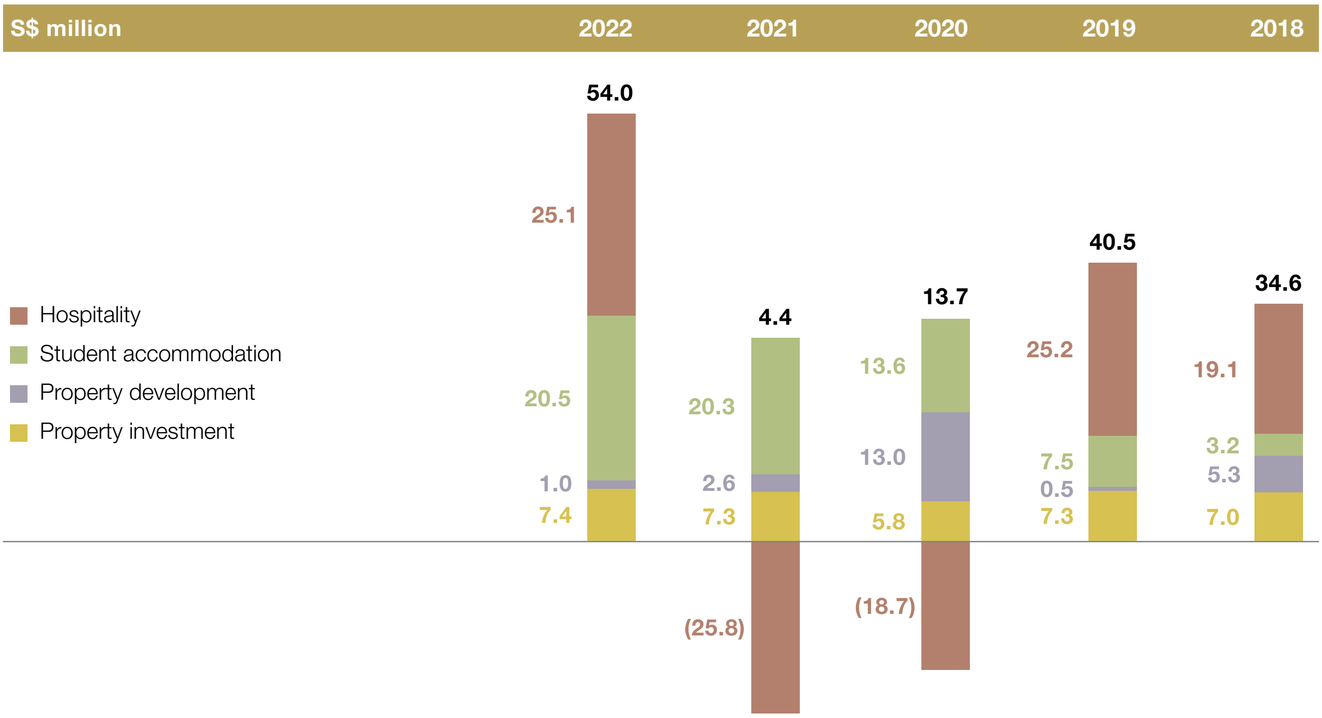
[1] The development is expected to be complete in FY2027.

[2] The acquisition is expected to complete upon the seller completing certain minor works by the long-stop date of 30 April 2023.

5-YEAR FINANCIAL HIGHLIGHTS

S$'000	2022	2021	2020	2019	2018
Hospitality	90,354	59,990	69,104	127,515	133,910
Student accommodation	40,773	37,290	28,426	19,092	7,446
Property development	–	–	6,561	–	241
Property investment	9,841	9,548	8,124	9,456	9,314
Total revenue	**140,968**	**106,828**	**112,215**	**156,063**	**150,911**
Operating profit	54,016	4,350	13,728	40,474	34,595
Profit/(Loss) before income tax	22,896	29,078	(3,359)	29,932	35,660
Profit attributable to equity holders	21,918	28,127	1,538	26,031	32,937
Shareholders' equity	1,294,528	1,280,128	1,240,883	1,249,146	1,265,210
Total assets	2,535,234	2,625,384	2,618,614	2,530,831	2,145,357
Net assets per share (S$)	2.73	2.76	2.72	2.85	2.89
EPS (cents)[1, 2]	4.7	6.1	0.4	6.0	7.6
Dividend (cents)					
– Final dividend per share	3.0	3.0	3.0	6.0	6.0
– Special dividend per share	1.0	-	-	-	-
Gearing ratio	0.46	0.54	0.54	0.44	0.23

Total Operating Profit/(Loss) by Business Segment



Notes:
[1] EPS are calculated by reference to the weighted average number of shares in issue during the financial year.
[2] Figures have been rounded.

CORPORATE INFORMATION

BOARD OF DIRECTORS

Non-Executive Chair

Ms Koh Kah Sek

Executive Director

Mr Alan Tang Yew Kuen
(Group CEO)

IDs

Mr Ramlee Bin Buang (Lead ID)

Mr Shailesh Anand Ganu

Ms Ku Xian Hong

Mr Samuel Gene Rhee

Non-Executive Director

Mdm Ee Choo Lin Diana

ARC

Mr Ramlee Bin Buang (Chair)

Mdm Ee Choo Lin Diana

Ms Ku Xian Hong

NC

Mr Samuel Gene Rhee (Chair)

Mr Ramlee Bin Buang

Mr Shailesh Anand Ganu

Ms Koh Kah Sek

RC

Mr Shailesh Anand Ganu (Chair)

Mdm Ee Choo Lin Diana

Mr Samuel Gene Rhee

COMPANY SECRETARY

Ms Phua Siyu, Audrey

REGISTERED OFFICE

1 Tanglin Road #05-01
Orchard Rendezvous Hotel, Singapore
Singapore 247905

T: (65) 6830 6599

W: www.fareastorchard.com.sg

SHARE REGISTRAR

Boardroom Corporate & Advisory Services Pte. Ltd.

1 Harbourfront Avenue
#14-07 Keppel Bay Tower
Singapore 098632

T: (65) 6536 5355

F: (65) 6438 8710

AUDITOR

PricewaterhouseCoopers LLP

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

Partner-in-charge:

Mr Chua Chin San
(Appointed since the financial year ended
31 December 2022)

PRINCIPAL BANKERS

DBS Bank Ltd

Oversea-Chinese Banking Corporation Limited

United Overseas Bank Limited

Note:

The composition of the Board and Board Committees reflected herein is for the period from 1 January 2023 until 4 April 2023, being the date of issuance of this Annual Report 2022. For details of the changes in the composition of the Board and Board Committees in 2022, please see our SGX announcements on 16 March 2022 and 14 November 2022.

PROPERTIES OF THE GROUP

As at 31 December 2022

	Location	Effective Interest	Tenure	Site Area (sm)	No. of Units/ Rooms/ Beds
Hospitality Properties					
Owned properties					
Australia					
A by Adina Sydney	Sydney	35%	Freehold	583	194
Adina Apartment Hotel Adelaide Treasury	Adelaide	35%	Leasehold	4,154	79
Adina Apartment Hotel Brisbane	Brisbane	35%	Freehold	1,485	220
Adina Apartment Hotel Sydney Darling Harbour	Sydney	35%	Leasehold	3,058	114
Rendezvous Hotel Perth Central	Perth	70%	Freehold	1,973	103
Rendezvous Hotel Perth Scarborough	Perth	70%	Freehold	11,467	336
Rendezvous Hotel Melbourne	Melbourne	70%	Freehold	1,999	340
Travelodge Resort Darwin	Darwin	35%	Freehold	13,100	224
Denmark					
Adina Apartment Hotel Copenhagen	Copenhagen	35%	Freehold	3,000	128
Germany					
Adina Apartment Hotel Berlin Checkpoint Charlie	Berlin	35%	Freehold	2,143	127
Adina Apartment Hotel Berlin Mitte	Berlin	35%	Freehold	1,798	139
Adina Apartment Hotel Frankfurt Neue Oper	Frankfurt	35%	Freehold	1,455	134
Japan					
Far East Village Hotel Ariake, Tokyo	Tokyo	35%	Freehold	2,541	306
Malaysia					
Oasia Suites Kuala Lumpur	Kuala Lumpur	100%	Freehold	1,880	247
Leased and managed					
Singapore					
Orchard Rendezvous Hotel, Singapore	Singapore	100%	Freehold	8,143[1]	388
Village Hotel Albert Court	Singapore	100%	Leasehold	4,273	210

Notes:

[1] Includes 1,069 sm of leasehold area.

PROPERTIES OF THE GROUP

As at 31 December 2022

	Location	Effective Interest	Tenure	Site Area (sm)	No. of Units/ Rooms/ Beds
Properties Held for Sale					
Commercial					
Singapore					
Novena Medical Center – Medical Suites	Singapore	100%	Leasehold	–	7
Novena Specialist Center – Medical Suites	Singapore	100%	Leasehold	–	29
SBF Center – Medical Suite	Singapore	20%	Leasehold	–	1
Woods Square – Offices	Singapore	33%	Leasehold	18,569[2]	294
Residential/Commercial					
United Kingdom					
Westminster Fire Station	London	100%	Freehold	768	18[3]
Investment Properties[4]					
Australia					
Adina Apartment Hotel Brisbane Anzac Square – Apartment Unit[4]	Brisbane	70%	Freehold	–	1
Rendezvous Hotel Perth Scarborough – Retail Podium	Perth	70%	Freehold	–	13
Singapore					
Novena Medical Center – Medical Suites	Singapore	100%	Leasehold	–	37
Novena Specialist Center – Medical Suites	Singapore	100%	Leasehold	–	10
SBF Center – Shops	Singapore	20%	Leasehold	–	3
Woods Square – Offices and Retail	Singapore	33%	Leasehold	18,569[2]	68
United Kingdom (PBSA)					
Emily Davies[5]	Southampton	100%	Freehold	1,380	180
Harbour Court	Bristol	100%	Freehold	794	133
Hollingbury House	Brighton	100%	Freehold	1,616	195
King Square Studios	Bristol	100%	Freehold	2,700	301
Land sites for student accommodation buildings	Newcastle upon Tyne	100%	Freehold	4,513	–
Plot 6 Silverthorne Lane	Bristol	42.5%	Freehold	7,350	–[6]
Portland Green Student Village – Bryson Court	Newcastle upon Tyne	100%	Freehold	3,287	366
Portland Green Student Village – Marshall Court	Newcastle upon Tyne	100%	Freehold	2,155	196
Portland Green Student Village – Newton Court	Newcastle upon Tyne	100%	Freehold	3,271	295
Portland Green Student Village – Rosedale Court	Newcastle upon Tyne	100%	Freehold	3,548	338
Portland Green Student Village – Turner Court	Newcastle upon Tyne	100%	Freehold	2,640	274
St Lawrence House	Bristol	100%	Freehold	1,022	166
The Elements	Sheffield	100%	Freehold	5,196	735
The Foundry	Leeds	100%	Freehold	2,161	239
The Glassworks	Liverpool	100%	Freehold	1,900	323

Notes:

2 Comprises properties held for sale (including site area of sold units) and investment property.

3 17 residential units and 1 restaurant unit.

4 Includes the apartment unit at Adina Apartment Hotel Brisbane Anzac Square reclassified to non-current assets held-for-sale during the financial year.

5 Sale and purchase agreement entered into in December 2022 ("Sale"). Completion of the Sale is conditional upon certain works to be completed by the seller by the long-stop date of 30 April 2023.

6 Will be developed into a PBSA.

CORPORATE GOVERNANCE

CORPORATE GOVERNANCE

FEOR (the "**Company**") is firmly committed to maintaining a high standard of corporate governance and promoting corporate transparency, accountability and integrity to enhance long-term shareholder value, while taking into account the interests of its other stakeholders. Under the Singapore Governance and Transparency Index ("**SGTI**") which assesses companies on the timeliness, accessibility and transparency of their financial results announcements along with their corporate governance disclosure and practices, the Company performed well, ranking 40 out of 489 listed companies in 2022. The Company also received the Bronze Award for Best Risk Management, in the category of companies with market capitalisation of S$300 million to less than S$1 billion. The award was conferred at the Singapore Corporate Awards 2022 co-organised by SID, the Institute of Singapore Chartered Accountants ("**ISCA**") and The Business Times.

This report describes the corporate governance practices and policies of the Company and its subsidiaries (the "**Group**") during FY2022 with reference to the principles and provisions of the Code of Corporate Governance 2018 (the "**Code**"), the Mainboard Rules of the Listing Manual of the SGX-ST ("**Listing Rules**"), the Companies Act 1967 ("**Companies Act**"), the Securities and Futures Act 2001 ("**Securities and Futures Act**") and the voluntary Practice Guidance 2018 ("**Practice Guidance**").

The Company has complied with all the principles and provisions in the Code.

BOARD MATTERS

The Board's Conduct of its Affairs

Principle 1: The company is headed by an effective Board which is collectively responsible and works with Management for the long-term success of the company.

Principal Duties of the Board

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

a. create value for shareholders and to ensure the long-term success of the Group.
b. oversee the effectiveness of Management, provide leadership, review the Group's corporate strategies and direction, and ensure that the necessary financial and human resources are adequate to achieve the Group's goals.
c. review and approve the annual budget of the Group.
d. ensure that there is an ERM framework and a sound system of internal controls to safeguard shareholders' interests and the Group's assets.
e. review the business performance of the Group and approve the release of the half-year and full-year results and any other announcements.
f. endorse the framework of remuneration for the Board and key management personnel ("**KMP**") (being the Group CEO, the Chief Executive Officer of Far East Hospitality, the CFO and any other persons having authority and responsibility for planning, directing and controlling the activities of the Group).
g. identify the key stakeholder groups and recognise that their perceptions affect the Group's reputation.
h. set the Group's values and standards and ensure that obligations to shareholders and other stakeholders are understood and met.
i. set the sustainability direction for the Group, providing oversight and management of ESG risks and opportunities.

CORPORATE GOVERNANCE

Independent Judgement and Proper Accountability

The Board and Management are guided by a CG Policy Manual, which encapsulates the terms of reference for the Board and each Board Committee, and is aligned with the Code. The Group's employees are also guided by its Code of Conduct and Employee Handbook which are published on the intranet and which prescribes the standards of ethical behaviour.

The CG Policy Manual directs the Board and Management to adhere to the approved policies and schemes, including the Board Diversity Policy, the Dividend Policy and Scrip Dividend Scheme, the IR Policy, the Security Trading Policy and Whistle-blowing Policy. It comprehensively addresses declaration and disclosure obligations, covering areas such as independence, listed company directorships and principal commitments, declaration of any relatives in managerial positions and conflicts of interest.

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

The CG Policy Manual makes clear that every Director is expected to objectively discharge his/her duties and responsibilities, to act in good faith, provide insights and consider the interests of the Group at all times. The Directors have the right core competencies and experience to enable the Board to contribute effectively.

Delegation by the Board

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

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

Notwithstanding the above, the Board Committees and Management remain accountable to and report back to the Board. Minutes of meetings of all Board Committees in FY2022 were provided to the Board, and the Chair of each Board Committee provided updates at Board meetings in FY2022 of matters discussed in Board Committee meetings. The activities of each Board Committee in FY2022 are disclosed under the respective principles of this report.

CORPORATE GOVERNANCE

Board and Board Committees Meetings

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

In FY2022, one ARC meeting and one Board meeting was held in Australia to coincide with the visit by the Board and the external auditors to the Group's properties in Australia. The attendance of the Directors and Group CEO at scheduled meetings of the Board and Board Committees and the AGM held in FY2022 is disclosed below. The Directors with multiple board representations have ensured that sufficient time and attention are given to the affairs of the Company.

	AGM	Board of Directors	ARC	NC	RC
No. of Meetings Held	**1**	**5**	**5**	**2**	**2**
Names of Directors			**Number of Meetings Attended**		
Koh Boon Hwee[1]	1	1	-	1	-
Chua Kheng Yeng, Jennie	1	5	3	2	1
Alan Tang Yew Kuen[2]	1	5	5	2	2
Ee Choo Lin Diana	1	5	5	-	2
Koh Kah Sek	1	5	-	-	-
Ramlee Bin Buang	1	5	5	2	-
Shailesh Anand Ganu[3]	1	5	-	1	2
Ku Xian Hong[4]	1	5	2	-	-
Samuel Gene Rhee[5]	1	5	-	-	1

1 Mr Koh Boon Hwee retired from the Board and NC at the conclusion of the FY2021 AGM in April 2022. He attended all meetings before his retirement.
2 Group CEO and Executive Director Mr Alan Tang Yew Kuen was invited to attend all the NC and RC meetings held in FY2022.
3 Mr Shailesh Anand Ganu was appointed to the NC as a NC member on 18 April 2022.
4 Ms Ku Xian Hong was appointed to the ARC as an ARC member on 1 July 2022 and attended all ARC meetings thereafter.
5 Mr Samuel Gene Rhee was appointed to the RC as a RC member on 1 July 2022 and attended the RC meeting thereafter.

CORPORATE GOVERNANCE

Board Approval

Material transactions

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

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

Key Activities of the Board during FY2022

Regular agenda items:

- Quarterly updates on the businesses
- Quarterly review of ERM
- Quarterly review of financial and operational performance including compliance of financial covenants and cash flow projection
- Review and approval of all announcements including half-year results and full-year financial statements
- Conflict of interest and register of IPTs
- Disclosure of Directors' interests pursuant to the Companies Act and the Securities and Futures Act
- Reports of the ARC, NC and RC

Other key agenda items considered during FY2022:

- Implication of COVID-19 on the Group's businesses and response plans
- Discussion and approval of the Company's 5-year strategy (FEOR 25) and the 2022 strategic asset plans, cost of funds and hurdle rates
- Sustainability framework, vision, drivers, and disclosures
- Board succession planning policy
- Cybersecurity maturity
- Business opportunities
- New banking relationships
- Material developments relating to accounting, risk management, sustainability reporting, legal, regulatory and/or corporate governance issues
- Adequacy and effectiveness of the internal controls and risk management systems of the Group
- Review of the independence, effectiveness and adequacy of resources for the internal audit function

Matters reserved for Board recommendation/approval annually:

- Documents for distribution to shareholders including the Annual Report, Sustainability Report and Audited Financial Statements
- Annual budget and business plan
- Dividend payout
- Remuneration of the Executive Director(s), Non-Executive Directors ("**NEDs**") and KMP
- Retirement and re-election of Directors
- Appointment and re-appointment of external auditors

CORPORATE GOVERNANCE

Board Training and Orientation

Directors receive a comprehensive induction when they are first appointed to the Board. New Directors are provided with relevant information on the Group's business activities, strategic directions, policies and procedures relating to corporate conduct and governance, including disclosure of interests in securities, restricted periods for dealings in the Company's securities and restrictions on disclosure of confidential or price-sensitive information. If the new Director is also appointed to a Board Committee, relevant information on the duties of such Board Committee is also provided. If there are first-time Directors appointed, the Group will provide in-house training for them in areas such as accounting, legal and industry-specific knowledge as appropriate, and direct them to attend external training courses including those conducted by the SID, at the Company's cost. Each newly appointed Director is also provided with a formal letter setting out the Director's duties and obligations, including pertinent obligations under the Companies Act, the Securities and Futures Act, the Listing Rules and the Code, and a director tool-kit containing among others, the Company's Annual Report and the detailed Group organisation structure.

The Company is responsible for funding and arranging regular training for the Directors from time to time, particularly on changes in the relevant laws, regulations and changing commercial risks to enable them to make well-informed decisions in carrying out their expected roles and responsibilities. Changes to regulations and accounting standards are monitored closely by Management, and Directors are briefed during Board meetings or at specially convened sessions conducted by professionals, on regulatory changes that have any significant bearing on the Group's or Directors' obligations. Directors are provided with opportunities to attend appropriate courses, conferences and seminars.

In FY2022, all the Company's Directors attended training on sustainability and ESG matters by training providers prescribed by Singapore Exchange Regulation ("**SGX RegCo**"), such as SID and ISCA with SAC Capital. Directors also attended training programmes by providers such as ISCA, CPA Australia and SID, covering a wide range of topics including jobs transformation, stewarding leadership, audit committee matters, finance function of the future, governance and transparency and the SID Directors Conference 2022 among others. Mr Samuel Gene Rhee also attended all the required trainings on the roles and responsibilities of a first-time director of a listed issuer as prescribed by the Singapore Exchange. The Company also arranged a comprehensive induction for Mr Samuel Gene Rhee and Ms Ku Xian Hong who joined the Board as NEDs on 1 January 2022, and as RC and ARC members, respectively on 1 July 2022.

Complete, Adequate and Timely Information

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

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

Provision of Information to the Board

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

CORPORATE GOVERNANCE

Company Secretary

The Directors have separate and independent access to the Company Secretary through electronic mails, telephone and face-to-face meetings. The role of the Company Secretary includes attendance at all Board meetings, preparation of the agenda and papers for meetings of the Board and Board Committees, taking and circulating minutes of meetings, sending the Board information relating to the Group as needed, advising the Board on corporate and administrative matters, ensuring that Board procedures are followed and that applicable rules and regulations including requirements of the Code, Companies Act, Securities and Futures Act and Listing Rules are complied with, facilitating orientation and assisting with professional development for the Board. The Company Secretary also ensures good information flow within the Board and Board Committees and between the Management and NEDs, advising the Board on all governance matters. In FY2022, the Company Secretary attended the AGM and all meetings of the Board and Board Committees.

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

Independent Professional Advice

The Board has a procedure for Directors (individually or as a group), if necessary, to seek independent professional advice in the furtherance of their duties, at the Company's expense. This includes access to a reputable law firm which has been appointed by the Company as corporate governance advisor.

Board Composition and Guidance

Principle 2: The Board has an appropriate level of independence and diversity of thought and background in its composition to enable it to make decisions in the best interests of the company.

Board Size and Composition

The Board comprised up to nine[6] Directors in FY2022, the majority of whom are non-executive. The only Executive Director is the Group CEO. As at 31 December 2022, the Board comprised seven Directors[7].

There is a strong element of independence on the Board, as the IDs constitute a majority of the Board. The Board's decision-making process is not dominated by any individual or small group of individuals. While the Board Chair[8] is a non-independent non-executive Director ("**NI-NED**"), the Company has complied with the Code's requirement for IDs to make up a majority of the Board when the Chair is not an ID.

Each Director is required to complete annually a detailed self-assessment questionnaire on his/her independence. For FY2022, the questionnaires were premised on Rule 210(5)(d) of the Listing Rules, Provision 2.1 of the Code, and the circumstances set out in Practice Guidance 2. The completed questionnaires were collated and reported to the Board.

For FY2022, five Directors provided declarations to confirm that they do not have any relationship with the Company or its related companies and its officers that could impair, interfere, or be reasonably perceived to interfere, with their judgement in the best interests of the Company, and are to be considered IDs. They are Ms Chua Kheng Yeng, Jennie, Mr Ramlee Bin Buang, Mr Shailesh Anand Ganu, Ms Ku Xian Hong and Mr Samuel Gene Rhee. The NC and Board observed many occasions where Ms Chua, Mr Ramlee, Mr Ganu, Ms Ku and Mr Rhee debated issues, objectively scrutinized and challenged Management, and provided impartial and autonomous views, and following deliberation, concurred that they are all independent. Each ID abstained from deliberations on his/her independence.

As Mdm Ee Choo Lin Diana has served the Board for more than nine years, with effect from 1 January 2022, she was re-designated as a NI-NED. Nonetheless, Mdm Ee continues to demonstrate strong independence in character and judgement, and provides impartial and autonomous views.

The Board is of the view that its current size and the size of each Board Committee is appropriate and facilitates effective decision-making, taking into account the scope and nature of the Group's operations.

6 After Mr Koh Boon Hwee retired from the Board at the conclusion of the FY2021 AGM on 18 April 2022, the Board comprised eight Directors until 31 December 2022.

7 Following the retirement of Director Ms Chua Kheng Yeng, Jennie on 31 December 2022, the Board comprised seven Directors.

8 Former Board Chair Mr Koh Boon Hwee was a NI-NED. Current Board Chair Ms Koh Kah Sek is also a NI-NED.

CORPORATE GOVERNANCE

Board Competency and Diversity Policy

The Company is compliant with Rule 710A(2) of the Listing Rules. The Board comprises respected members of the business community, female and male, across diverse age ranges, with long and extensive experience in various fields, including real estate, engineering, hospitality, investment, corporate management, accounting, and human capital. The Board finds the core competencies of the Directors, which include industry knowledge, strategic planning and customer-based experience, to be relevant and beneficial to the Group, both in the context of the Group's current plans and future strategy.

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

The Board Diversity Policy was established since 2018 as the NC and Board firmly believe that board diversity enhances decision-making capability and fosters constructive debate. The Board agreed that diversity is a wide-ranging concept and covers aspects ranging from industry knowledge, professional experience, educational qualifications, gender, age, ethnicity and nationality, among others. While all appointments to the Board will continue to be made based on merit, in making recommendations on Board appointments, the NC will consider all aspects of diversity to achieve an optimal composition for the Board.

The Board Diversity Policy sets out two specific targets addressing age and gender, and the practical measures which may be implemented to meet such targets. The age target is to have directors of different age ranges (so that the Board will not consist of directors only in a particular age band). The gender target is for women to comprise at least 20% of the Board. Both targets were met and maintained throughout FY2022 and to-date. The Board comprises Directors of various ages (ranging from 40s to 60s). In terms of gender diversity, four of the eight Directors or 50% of the Board (in FY2022)[9], and three of the seven Directors or 42.8% (presently) are women. A profile of each Director is found in the "Board of Directors and Management" section of this Annual Report.

Role of NEDs

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

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

Meetings of NEDs, and of IDs, without the presence of Management

In FY2022, the NEDs met regularly without the presence of Management, and discussed matters ranging from internal audit and external audit matters to the performance of Management.

In FY2022, the IDs, led by the lead ID ("**Lead ID**"), met periodically without the presence of other Directors and Management and discussed matters including succession planning and remuneration, and where appropriate they provided feedback to the Board Chair after such meetings.

[9] The ratio of women on the Board was 44.4% between 1 January to 18 April 2022 when there were nine Directors on the Board.

CORPORATE GOVERNANCE

Chair and Chief Executive Officer

Principle 3: There is a clear division of responsibilities between the leadership of the Board and Management, and no one individual has unfettered powers of decision-making.

Separate Persons Acting as Chair and Group CEO

The roles and responsibilities of the Chair and the Group CEO are distinct and separate to ensure an appropriate balance of power, increased accountability and greater capacity of the Board for independent decision-making. The division of responsibilities between the Chair and the Group CEO are clearly established in the Group's CG Policy Manual. The Chair and the Group CEO are not related family members. The Chair and the Group CEO are also not related to any substantial shareholder of the Company.

Roles of Chair

Ms Koh Kah Sek assumed the role of Chair on 18 April 2022 when she succeeded Mr Koh Boon Hwee upon his retirement at the conclusion of the FY2021 AGM. The Chair is responsible for leading the Board and ensuring the effectiveness of the Board and Board Committees as well as the governance process.

The other roles of the Chair include the following:

a) schedule meetings that enable the Board to perform its duties responsibly while minimising disruptions to the Company's operations.
b) ensure sufficient allocation of time for thorough discussion of Board meeting agenda items.
c) promote an open environment for debate at the Board.
d) foster constructive dialogue between shareholders, the Board and Management at AGMs and other shareholders' meetings.
e) encourage constructive relations within the Board and between the Board and Management.
f) ensure that NEDs are able to speak freely and contribute effectively.
g) promote high standards of corporate governance.

Roles of Group CEO

Mr Alan Tang Yew Kuen was appointed as the Group CEO on 1 January 2020. The roles and responsibilities of the Group CEO are clearly defined in his service contract with the Company and includes managing and supervising the day-to-day business operations in accordance with the strategies, policies and business plans approved by the Board.

Lead ID

The Company has a Lead ID as the Chair is not an ID. Ms Chua Kheng Yeng, Jennie was Lead ID until she stepped down from the Board on 31 December 2022, following which Mr Ramlee Bin Buang was appointed as Lead ID. The Lead ID is a key member of the Board, representing the views of the IDs and providing a channel to the NEDs for confidential discussions on any concerns, and facilitating a two-way flow of information between shareholders, the Chair and the Board.

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

Board Membership

Principle 4: The Board has a formal and transparent process for the appointment and re-appointment of directors, taking into account the need for progressive renewal of the Board.

NC Composition and Key Terms of Reference

During FY2022, the NC comprised three NEDs, the majority of whom, including the NC Chair, are independent. In FY2022, the Lead ID was the NC Chair.

FY2022 NC Composition
Ms Chua Kheng Yeng, Jennie as NC Chair
(Lead ID until 31 December 2022)
Mr Ramlee Bin Buang (ID)
Mr Koh Boon Hwee (NI-NED) (until 18 April 2022)[10]
Mr Shailesh Anand Ganu (ID) (from 18 April 2022)

[10] Mr Koh Boon Hwee retired from the Board and the NC at the conclusion of the FY2021 AGM on 18 April 2022.

CORPORATE GOVERNANCE

The composition of the NC was refreshed from 1 January 2023, when ID Mr Samuel Gene Rhee was appointed as NC Chair, NI-NED Ms Koh Kah Sek was appointed as NC member, and NC member Mr Ramlee Bin Buang was appointed as Lead ID. The refreshing of the NC's composition was part of the Board renewal process which involved Ms Chua Kheng Yeng, Jennie, stepping down from the Board and Board Committees and relinquishing her Lead ID role on 31 December 2022.

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

a. identify and nominate new Directors for appointment to the Board and Board Committees, after evaluating factors such as the candidate's experience, knowledge, skills, age and gender in relation to the needs of the Board, whether the candidate will add diversity to the Board having regard to the Company's Diversity Policy, the composition and progressive renewal of the Board and Board Committees, and whether it is ideal to appoint an independent third party search firm to source and screen candidates.
b. develop and maintain a formal and transparent process for the appointment of new Directors to the Board, which includes disclosing to the Board the channels used in searching for candidates, and the criteria used to identify and evaluate the candidates.
c. provide nominations for the re-appointment of a Director having regard to the Director's performance, commitment and ability to continue contributing to the Board, and how the Director will fit in the overall competency and performance of the Board.
d. recommend retirement of Directors at regular intervals and arrange all Directors to submit themselves for re-nomination and re-appointment at least once every three years in accordance with the Listing Rules.
e. identify and develop training and professional development programmes for the Board and Board Committees, and review these annually.
f. provide the Board with succession plans for the Chair and Directors, and collaborate with the RC and Executive Director(s) on the talent management and succession planning for KMP.
g. review the independent status of NEDs and assess the independence of the Directors annually having regard to the Listing Rules, the Code, and the Practice Guidance, among others.
h. review the appropriate structure, composition and size of the Board and Board Committees for effective decision-making.
i. develop and maintain a formal annual assessment process and objective performance criteria to evaluate the effectiveness of the Board, its Board Committees and the contribution by each Director (including the Chair) to the effectiveness of the Board, and to analyse the findings of the performance evaluation sheets submitted.
j. to provide a reasoned assessment of a Director's ability to diligently discharge his/her duties where such Director holds a significant number of listed company directorships and principal commitments.

In FY2022, the NC held two meetings. In those meetings, the NC carried out all its principal functions as listed above. After each NC meeting, the NC Chair provided updates and relevant recommendations to the Board.

Board Renewal, Roles and Responsibilities

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

In FY2022, a service tenure chart of the Board was drawn up to aid the NC and Board in its review of the Board composition and Board renewal. The chart lists among others, the years of service of each Director, their age, their roles on the Board and Board Committees and their independence/non-independence. A Board Succession Planning Policy was also reviewed and formalised.

As part of Board renewal, on 1 January 2022, two new NEDs who are considered independent (Ms Ku Xian Hong and Mr Samuel Gene Rhee) were appointed, and the Board (and RC) was re-constituted. On 18 April 2022 and 31 December 2022, Directors Mr Koh Boon Hwee and Ms Chua Kheng Yeng, Jennie retired from the Board, respectively. During FY2022, the composition of the NC, RC and ARC was also refreshed. Throughout FY2022 and to-date, IDs continue to make up a majority of the Board.

CORPORATE GOVERNANCE

The NC is charged with the responsibility of re-nominating the Directors. The Company's Constitution requires one-third, or the number nearest to one-third of the Directors, to retire from office. The Directors to retire every year are those who have been longest in office since their last election. In line with SGX Listing Rule 720(5), all Directors are required to submit themselves for re-nomination and re-election at least once every three years. In addition, a newly appointed Director will hold office only until the next AGM at which he/she will be eligible for re-election.

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

Directors who are subject to retirement by rotation in accordance with the Company's Constitution and who are seeking re-election at the forthcoming AGM scheduled on 19 April 2023, are named in the Notice of AGM on page 159 of this Annual Report.

Review of Directors' Independence

The NC conducts an annual review of the independence of each Director, with full regard to the Listing Rules, the Code, the Practice Guidance and having considered the self-assessment of independence submitted by each Director to the NC, details of which were explained above. The NC provides its views on the independence of the Directors to the Board for consideration. The NC is also committed to reassessing the independence of each individual Director as and when warranted. Directors are required to notify the Board of any changes to their external appointments, interests in shares, and other relevant information which may affect their independence.

Based on the review for FY2022, the NC is satisfied that Ms Chua Kheng Yeng, Jennie, Mr Ramlee Bin Buang, Mr Shailesh Anand Ganu, Ms Ku Xian Hong and Mr Samuel Gene Rhee are independent.

Multiple Board Representations

When a Director has multiple board representations or principal commitments, the NC also considers whether or not the Director is able to and has adequately carried out his/her duties as a Director of the Company. The NC will consider factors such as degree of participation by a Director at meetings and in considering issues, and the quality of contributions made by a Director, as well as attendance since Board and Board Committee meetings are scheduled in advance to facilitate the Directors' scheduling of their commitments.

Since FY2023, the NC and Board agreed on a guideline of a maximum of four other directorships in unrelated listed companies for each Director, noting the significant time commitment required of directors on listed companies. Through FY2022 and to-date, there were no Directors who exceeded this internal guideline limit. In FY2022, four Directors held either one or two other directorships in unrelated listed companies. The NC reviewed each Director's other directorships, principal commitments, attendance, performance and contributions to the Board, and noted the full attendance of all Directors at the AGM, all scheduled Board meetings and most of the Board Committee meetings. The NC is satisfied that all Directors have given sufficient time and attention to the Company's matters and have diligently discharged their duties for FY2022.

Appointment of Alternate Director

The Company did not have any alternate director on its Board during FY2022. The Company discourages the appointment of alternate directors as it is an indication that the principal director is not able or prepared to commit the time required for the Company's affairs.

Nomination and Selection of Directors

As the Board is an optimal size following the appointment of two new IDs on 1 January 2022 after extensive searches (including through SID), there were no further searches for potential new directors in FY2022. A Board Succession Planning Policy and service tenure chart of the Board has been formalised along with a checklist process to guide the NC in the identification, nomination and appointment of new Directors to the Board. The various factors to be considered by the NC when identifying and evaluating potential new directors are set out therein. The criteria include relevant experience, skillsets, qualifications, whether they have the calibre to contribute to the Group and its businesses, whether they complement the skills, competencies and attributes of the existing Board, the requirements of the Group, and their independence status. The NC will also consider the Company's current Board in terms of its size, composition, collective skills and experience and diversity, and the targets in the Board Diversity Policy. The NC

CORPORATE GOVERNANCE

has also noted the updated Practice Guidance 4 issued in March 2022 and if/when assessing potential new Directors, the NC will take into consideration whether he/she has previously served on the board of a company with an adverse track record or with a history of irregularities or is or was under investigation by regulators and seek clarity on the director's involvement. The NC will also assess whether a director's resignation from the board of any such company casts any doubt on his/her qualification and ability to act as a director of the Company. The concerns raised in this updated Practice Guidance 4 are not applicable to the current Board.

Potential new directors are shortlisted after conducting external searches and/or tapping on internal resources and referrals from existing Directors. The potential candidates are required to provide their curriculum vitae and the following key information to the NC: (a) any relationships including immediate family relationships between the candidate and the Directors, the Company or its 5% shareholders; (b) a list of all current directorships in other listed companies; (c) details of other principal commitments; and (d) any shareholding (including immediate family's shareholding) in the Company and its related corporations.

The NC meets with each shortlisted candidate personally to assess suitability and to ensure that the candidate is aware of the expectations and the level of commitment required. Thereafter, the NC makes a recommendation to the Board for approval.

Key Information of Directors

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

Board Performance

Principle 5: The Board undertakes a formal annual assessment of its effectiveness as a whole, and that of each of its board committees and individual directors.

Board Evaluation Process

The responsibilities of the NC include evaluating the performance and effectiveness of the Board, the Board Committees and the contribution by the Chair and each Director, based on a set of criteria. The Board and each Board Committee carefully considered the sample evaluation forms in SID's NC Guidebook before preparing separate forms for evaluation of the Board, the ARC, the RC and the NC. These forms were specifically designed to focus on the specific roles and performance of the Board and each Board Committee.

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

The Company subscribes to a secure electronic board portal and utilises its survey tools to conduct the annual evaluation process. To ensure confidentiality, the completed performance evaluation forms are provided to the Company Secretary, who collates the results before presenting them on an anonymized basis to the NC for review. The NC considers the actions appropriate or beneficial to improve the corporate governance and effectiveness of the Board and Board Committees, before it presents the results of the evaluation exercise and its recommendations to the Board. The NC and the Board were satisfied with the overall results of the assessment for FY2022.

The NC agreed that there was no need to appoint any external facilitator to assist in the assessment for FY2022.

Board and Board Committee Performance Criteria

The Board and each Board Committee are evaluated on a range of criteria including competencies, attendance, guidance provided in relation to the Company's performance, degree

CORPORATE GOVERNANCE

of preparedness, participation and candour of Directors, contribution to effective risk management, timeliness in response to resolution of issues, adequacy and conduct of Board and Board Committee meetings, succession planning, and communication lines with Management and shareholders.

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

Individual Director Evaluation

Annually, each Director completes a self-assessment performance evaluation form of his/her prior year's performance, designed to remind each Director of his/her continued role and commitment to the Board. For FY2022, the NC took note of each Director's attendance at and preparation for Board meetings and relevant Board Committee meetings, constructive participation in discussions, and application of skillset to the decision-making process.

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

REMUNERATION MATTERS

Procedures for Developing Remuneration Policies

Principle 6: The Board has a formal and transparent procedure for developing policies on director and executive remuneration, and for fixing the remuneration packages of individual directors and key management personnel. No director is involved in deciding his or her own remuneration.

RC Composition and Key Terms of Reference

During FY2022, the RC comprised up to four NEDs, the majority of whom, including the RC Chair, are independent. The composition of the RC was refreshed on 1 January 2022 in conjunction with Mdm Ee Choo Lin Diana's re-designation as a NI-NED and RC member, Mr Shailesh Anand Ganu's appointment as RC Chair, and Ms Koh Kah Sek's stepping down from the RC. It was further refreshed on 1 July 2022 and 31 December 2022 with the appointment of Mr Samuel Gene Rhee as RC member, and Ms Chua Kheng Yeng, Jennie's stepping down from the RC (and Board) respectively.

FY2022 RC Composition
Mr Shailesh Anand Ganu as RC Chair (ID)
Ms Chua Kheng Yeng, Jennie (Lead ID) (until 31 December 2022)
Mdm Ee Choo Lin Diana (NI-NED)
Mr Samuel Gene Rhee (ID) (from 1 July 2022)

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

a. review and recommend to the Board, a formal and transparent procedure for determining the remuneration of the Company's Directors, including NEDs and the Executive Director(s).
b. review and recommend to the Board, a remuneration framework for Directors' fees (covering all aspects of remuneration) and the appropriateness of remuneration awarded to attract, retain and motivate Directors, having regard to factors including but not limited to the effort, time spent and responsibilities of the Director.
c. review and recommend to the Board, a remuneration framework for KMP (including the Group CEO), with remuneration packages designed to align interest with shareholders and the Company's long-term goals, promoting long-term corporate value creation.
d. review and recommend to the Board, proposed performance measures and targets for any performance-related pay schemes operated by the Company, and specific remuneration packages for each KMP covering all aspects of remuneration, including but not limited to salaries, allowances, bonuses, options and long-term incentives.
e. review the design of all short-term and long-term incentive plans for approval by the Board and shareholders, with consideration of the use of long-term incentives such as share schemes (if appropriate) for KMP.
f. review the level and structure of pay and employment conditions for KMP relative to internal and external peers from companies in the same industry to ensure that KMP are appropriately remunerated.

CORPORATE GOVERNANCE

g. oversee any major changes in employee benefits or remuneration structures and review the ongoing appropriateness and relevance of the Company's remuneration policy.
h. oversee the talent management and succession planning matters for KMP, with collaboration of the NC and the Executive Director(s).
i. ensure that contractual terms and any termination payments for KMP are fair to the individuals and to the Company, and that poor performance will not be rewarded.

In FY2022, the RC held two meetings, during which the RC carried out all its principal functions as listed above. The RC and NC have noted the updated Practice Guidance 4 issued in March 2022, and in overseeing succession planning, will holistically cover the different time horizons for long-term planning, medium-term planning and contingency planning.

RC's Access to Advice on Remuneration Matters

The RC has access to appropriate advice from the Head of Human Resources, who is invited to all RC meetings. The RC may also seek external expert advice on the remuneration of Directors and employees as and when the need arises. In its deliberations, the RC takes into consideration industry practices and norms in compensation, the Group's relative performance to the industry, and the performance of individual Directors.

Remuneration Framework

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

The RC reviews and recommends to the Board the specific remuneration packages for the Executive Director/Group CEO and the other KMP upon recruitment. Subsequently, various aspects of their remuneration will be reviewed by the RC for recommendation to the Board from time to time, and the Board will annually review and approve their remuneration.

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

The RC and the Board are satisfied that the fee structure for the Board (which was last updated in FY2019) is appropriate to attract, retain and motivate the Directors to provide good stewardship of the Company. NEDs do not receive any variable incentives or equity grants.

Service Contracts

The RC has reviewed the Company's obligations arising in the event of termination of the Executive Director/Group CEO and other KMP's service contracts and is of the view that such service contracts contain fair and reasonable termination clauses which are not overly generous nor reward poor performance.

Level and Mix of Remuneration

Principle 7: The level and structure of remuneration of the Board and key management personnel are appropriate and proportionate to the sustained performance and value creation of the company, taking into account the strategic objectives of the company.

Remuneration of Executive Director and KMP

The Company has one Executive Director who is the Group CEO, Mr Alan Tang Yew Kuen. He does not receive any additional Directors' fees, as his Executive Director role has been factored into his Group CEO remuneration package. The identities of the top five KMP (who are not Directors or the Group CEO) are set out in Principle 8.

The service contracts of the Company's Executive Director/ Group CEO and the other top five KMP comprise both fixed and variable components. The fixed component comprises base salary, fixed allowances, and central provident fund contributions. The variable component comprises a cash-based annual short-term incentive that is performance-related and is linked to the Company's and the individual's performance. From FY2022, the variable component also includes a long-term incentive scheme as detailed below. In structuring their remuneration packages, the RC and Board take into account the performance of the Group and the

CORPORATE GOVERNANCE

individual, and risk policies of the Group so as to be symmetric with risk outcomes and sensitive to the time horizon of risks. The variable components are designed to align remuneration with the interest of shareholders and to promote the long-term success of the Group. The RC and the Board have deliberated and are assured that the current level and structure of the remuneration of the Company's Executive Director/Group CEO and the other top five KMP are aligned with the long-term interests and risk management policies of the Company, and are appropriate to retain and motivate them to successfully manage the Group for the long-term.

Long-term Incentive Scheme ("LTI")

In FY2022, the Group implemented a new LTI scheme for Group CEO, KMP and selected senior executives. Through the LTI plan, the Group seeks to drive long-term business value creation, and ensure the alignment of longer-term interests among the LTI participants and those of shareholders and stakeholders. Through the LTIs, the Group seeks to motivate and retain key talents that are responsible for achieving the Group's long-term objectives.

The LTIs are cash-based, with a forward-looking three-year performance period, and performance metrics tied to the the Group's long-term strategic objectives. Aligned with strong pay-for-performance principles, LTI outcomes are not guaranteed, and are subject to the achievement of stretched goals and long-term priorities set by the Board. As the LTIs are cash-based, they do not dilute the current shareholders of the Company. The Group does not have any employee share scheme.

Remuneration of NEDs

NEDs are paid a base retainer fee that varies depending on whether he/she serves as Board Chair, or as an ID or a NI-NED. The NEDs receive additional fees if they serve as the Lead ID or as a chair or member of the various Board Committees. NEDs do not receive any variable incentives or equity grants. The fee structure is presented under Principle 8 of this Report.

At the AGM of each financial year, the Company will seek shareholders' approval for the aggregate of the fees that may be paid to the Board in such financial year ("**Directors' Fees**"). Consistent with prior years, a sum of up to S$520,000 as total pool for the NED fees for FY2023 will be recommended by the Board for shareholders' approval at the forthcoming AGM.

The Directors' Fees framework is evaluated at least annually for appropriateness, taking into account the level of contribution, the responsibilities and obligations of the Directors, the prevailing market conditions, the most recent benchmarking report (if any) and referencing the Directors' Fees against comparable and independent benchmarks.

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

Contractual Provisions for Executive Director and KMP

In 2022, the Company introduced contractual provisions in the LTI plan to reclaim vested or cancel unvested amounts from all LTI participants including the Executive Director/Group CEO and other KMP in the event of a breach of obligations, laws or regulations. Also, there are no excessively lengthy or onerous removal clauses in their service contracts.

Disclosure on Remuneration

Principle 8: The company is transparent on its remuneration policies, level and mix of remuneration, the procedure for setting remuneration, and the relationships between remuneration, performance and value creation.

CORPORATE GOVERNANCE

Annual Remuneration Report

For FY2022, there were no termination, retirement or post-employment benefits granted to any Director or KMP. The breakdown of the remuneration of Directors and KMP for FY2022 is reported below.

Disclosure of Directors and Group CEO's Remuneration

Breakdown of Level and Mix of Directors' Fees

Save for Directors' Fees, the Directors do not receive any other form of remuneration or payment from the Company. A breakdown showing the level and mix of the Directors' Fees for FY2022 is appended below:

	Fees Per Approved Framework (S$)
Base Retainer Fee:	
Board Chair	70,000
ID	40,000
NI-NED	35,000
Non-Independent Executive Board Member	Nil
Lead ID	17,000
Board Committees:	
ARC	
– Chair	38,500
– Member	19,000
RC	
– Chair	14,000
– Member	7,500
NC	
– Chair	14,000
– Member	7,500

Breakdown of Directors' Fees received by each Director

A further breakdown of the aggregate Directors' Fees received by each Director for FY2022 is appended below. Fees were pro-rated to the duration of service on the Board and relevant Board Committee during FY2022.

Name of Director	Aggregate Director Fee (S$)
Koh Boon Hwee	23,208
Chua Kheng Yeng, Jennie[1]	97,500
Alan Tang Yew Kuen	Nil
Ee Choo Lin Diana[2]	96,500
Koh Kah Sek	57,788
Ramlee Bin Buang	86,000
Shailesh Anand Ganu	59,254
Ku Xian Hong	49,500
Samuel Gene Rhee	43,750

Notes:

1 Ms Chua Kheng Yeng, Jennie's Directors' Fees are paid to a consultancy company in which she is a member/director.

2 The Directors' Fees received by Mdm Ee Choo Lin Diana include fees for her directorships on the board of FEHH (S$10,000) and Toga Hotel Holdings Pty Limited (director and member of ARC of the trustee board) (S$25,000).

CORPORATE GOVERNANCE

Disclosure of Remuneration of the Group CEO

The remuneration of the Group CEO for FY2022 is disclosed as follows:

Group CEO	Base Salary[1] (S$)	Short-term Incentives (S$)	Long-term Incentives[2] (S$)	Benefits-in-Kind (S$)	Total (S$)
Alan Tang Yew Kuen	599,280	183,500	226,720	63,283	1,072,783

Notes:

1 Inclusive of allowances and Central Provident Fund contributions.

2 LTI amount is the value of contingent award granted in 2022. Payment is not guaranteed, and is subject to achievement of performance conditions over the period 1 January 2022 to 31 December 2024.

Disclosure of Remuneration of KMP

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

The Group has determined that it has five KMP (who are not Directors or the Group CEO) in FY2022. The aggregate of the total remuneration paid to them is S$2,489,000. Their remuneration is also disclosed in percentage terms and in bands of S$250,000 as follows:

KMP	Designation	Base Salary[1] %	Short-term Incentives %	Long-term Incentives[2] %	Benefits-in-Kind %
S$750,000 - S$999,999					
Kiong Kim Hock Arthur	CEO, Far East Hospitality	76.7	10.6	9.7	3.0
S$250,000 - S$499,999					
Joanna Gok Yin Yin	CFO				
Audrey Chung Suet Cheng	Deputy Director and Head of Global Sales & Marketing, Far East Hospitality				
Gill Ishwinder Singh[3]	Deputy Director and SVP of Operations, Far East Hospitality				
Tan Thiam Soon	Head of Human Resources				

Notes:

1 Inclusive of allowances and Central Provident Fund contributions.

2 LTI amount is the value of contingent award granted in 2022. Payment is not guaranteed, and is subject to achievement of performance conditions over the period 1 January 2022 to 31 December 2024.

3 His remuneration is charged down by the Group to the hospitality properties he oversees, in accordance with contractual arrangements.

CORPORATE GOVERNANCE

No Employees with Relationships with a Director or the Group CEO or Substantial Shareholder of the Company

None of the Company's substantial shareholders are employees. There are no Company employees who are an immediate family member of a Director or the Group CEO or a substantial shareholder of the Company.

Relationships between remuneration, performance and value creation

The Company considers the achievement of sustainable income and long-term capital growth, and the provision of consistent and sustainable ordinary dividend payments on an annual basis, to be value creation for its shareholders. The Group also views the continuous enhancement of its sustainability practice to be value creation for its stakeholders.

The variable component of the remuneration of the Executive Director/Group CEO and other KMP is tied to certain performance conditions of the Group, including financial targets such as revenue and profit, and non-financial targets such as guest and customer satisfaction levels. These performance conditions align the Executive Director/ Group CEO and other KMP with the short-term and long-term interests of the Group. The variable component of their remuneration was paid in accordance with those performance conditions which were met.

ACCOUNTABILITY AND AUDIT

Risk Management and Internal Controls

Principle 9: The Board is responsible for the governance of risk and ensures that Management maintains a sound system of risk management and internal controls, to safeguard the interest of the company and its shareholders.

Accountability of the Board and Management

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

The half-year unaudited financial results and full-year results of the Group for FY2022 were announced within the deadlines prescribed by the Listing Rules.

Compliance with Legislative and Regulatory Requirements

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

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

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

Management Accounts

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

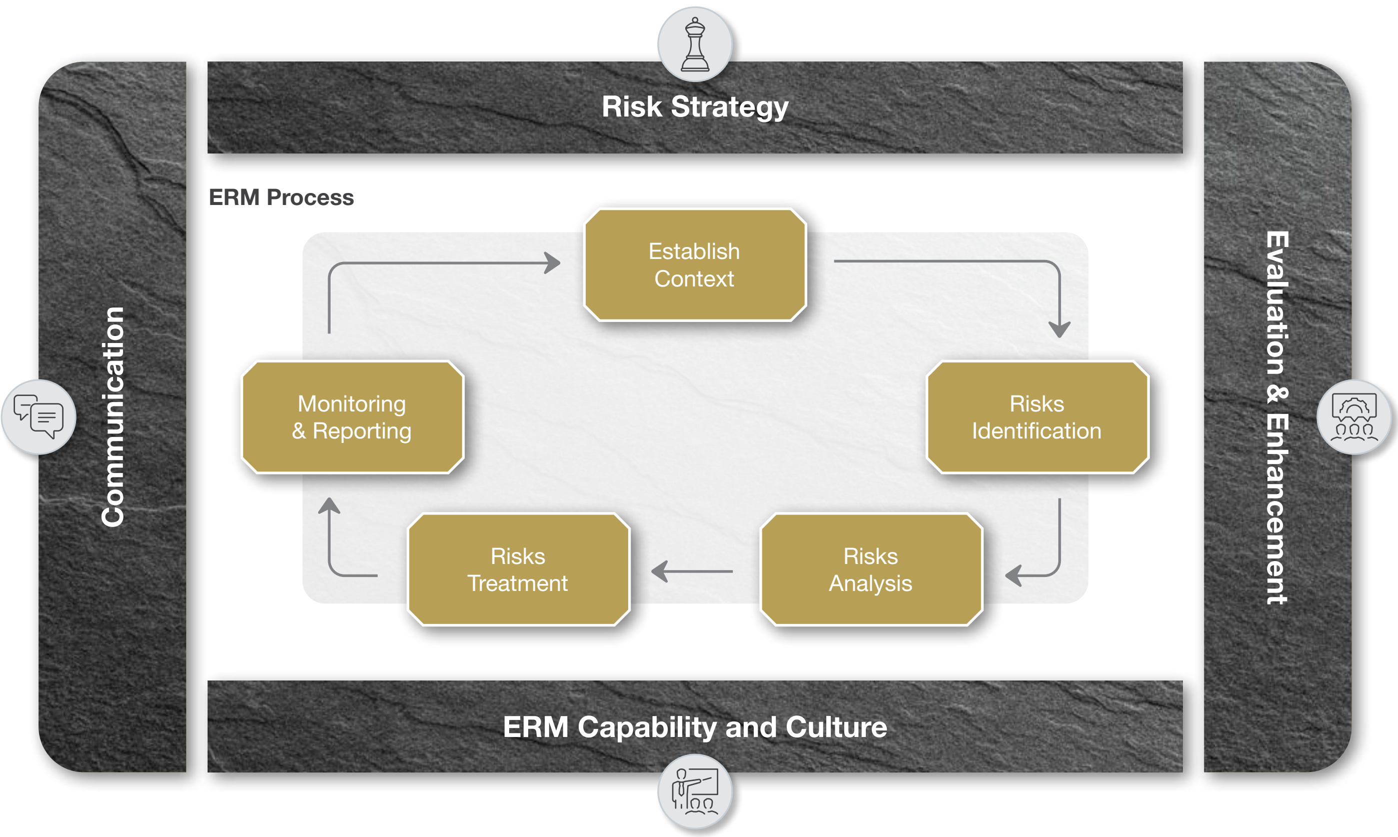
CORPORATE GOVERNANCE

Risk Management and Internal Control Systems

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

The Board determines the Company's levels of risk tolerance and risk policies, and oversees the design, implementation and monitoring of the Company's risk management and internal control systems. The Group refers all significant matters to the ARC and the Board.

The Group has in place an ERM framework integrated with ESG (being environmental, social and governance areas) that assures consistent and robust risk management practices across the Group. The ERM framework sets out the appropriate risk mitigation strategy for all aspects of business risk and prescribes a zero tolerance towards non-compliance with laws and regulations, disregard for health and safety requirements, corruption, bribery, graft and fraudulent activities. It provides Management with a formal framework and structure to identify risks and optimise available resources to mitigate the risks. The ERM framework encompasses an evaluation process to determine its adequacy and effectiveness; and accords appropriate improvements to the ERM framework and process. The framework is reviewed annually taking into considerations the changing business landscape and expansion of the Group's operations. References were drawn from the Corporate Governance Council Risk Governance Guidance for Listed Boards (issued in 2012) and ISO 31000 (Risk Management Principles and Guidelines) when conceptualising this framework.



CORPORATE GOVERNANCE

The Group has established a risk matrix system where the various classes of risk is measured and ranked, having regard to the likelihood of occurrence and the impact to the Group. The ARC reviews the key risks of the Group quarterly. The key risks identified by the Group may be broadly categorised into the following:

Strategic and Sustainability Risks

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

Financial Risks

The Group's activities are affected by various financial risks, including interest rate risk, exchange rate risk and liquidity risk. The details of each risk are set out in Note 34 to the financial statements of this Annual Report.

Operational Risks

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

Compliance Risks

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

IT Risks

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

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

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

Adequacy and Effectiveness of Risk Management and Internal Control Systems

The Board reviews quarterly the adequacy and effectiveness of the Group's risk management and internal control systems.

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

CORPORATE GOVERNANCE

The Group has established the MRSC that is headed by the Group CEO and comprises relevant KMP and senior executives across different business divisions within the Group as committee members. The MRSC supports the ARC in driving the risk management and sustainability efforts. The Group CEO and CFO will also assess the reports from the internal auditors and the MRSC before providing relevant assurance to the Board.

Since FY2020, in response to changes in the Group's business operations due to the COVID-19 pandemic, the Group has implemented guidelines regarding workplace and customer health and safety, and prioritised compliance with nation-wide requirements on social distancing. The Group has put in place effective BCPs across business units. The BCP involves systems of response and recovery to ensure business operations can continue to operate normally and disruptions are minimised when certain events occur. The Group has a crisis management ("**CM**") policy covering areas ranging from response plan to communications framework. The CM policy was approved by the ARC and the Board after an in-depth review. Both the BCP and CM framework are part of the Group's ERM, supported by the MRSC and overseen by the ARC and Board.

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

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

Assurance from Group CEO and relevant KMP

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

The Board has received assurance:

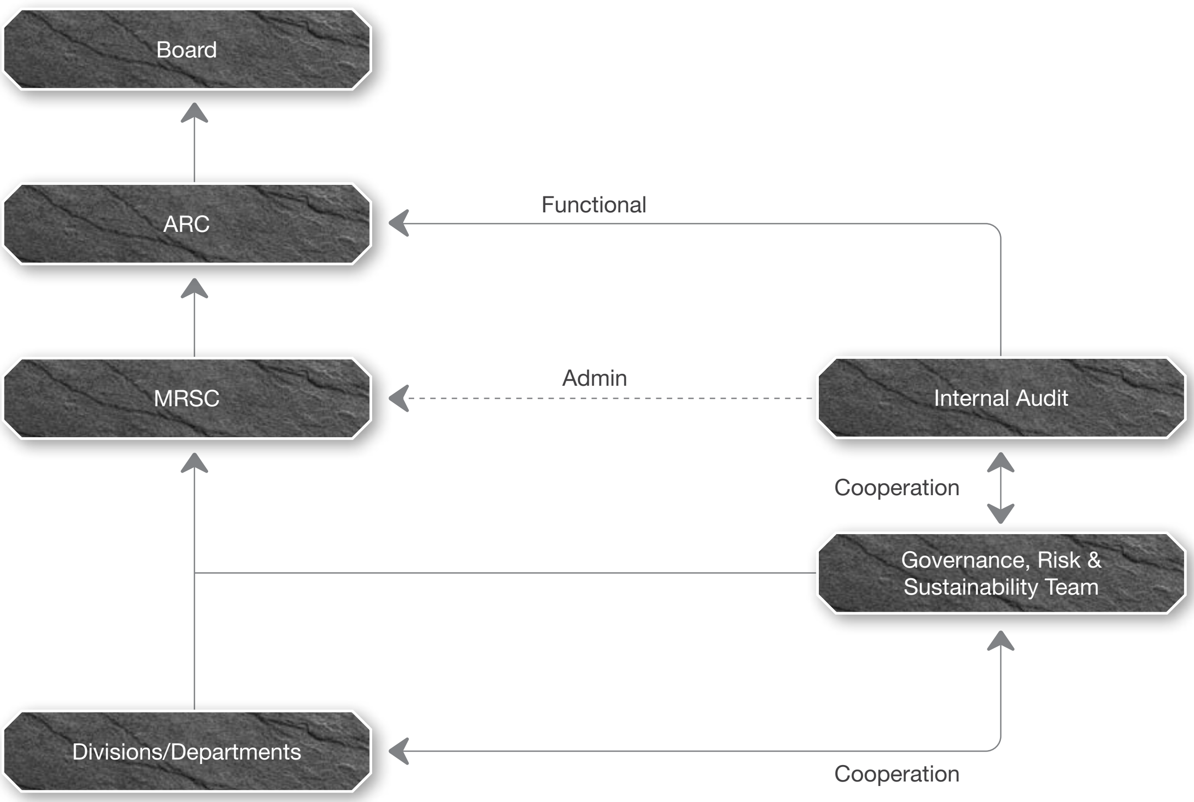
(i) from the Group CEO and the CFO that the financial records have been properly maintained and the audited financial statements give a true and fair view of the Group's operations and finances; and

CORPORATE GOVERNANCE

(ii) from the Group CEO and the MRSC (which comprises relevant KMP and other employees) who are responsible for the adequacy and effectiveness for the Group's risk management and internal control systems, that the Group's risk management and internal control systems are adequate and effective in addressing the material risks in the Group in its current business environment, including material strategic and sustainability, financial, operational, compliance and IT risks.

Risk Committee

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



Audit & Risk Committee

Principle 10: The Board has an Audit Committee which discharges its duties objectively.

ARC Composition and Key Terms of Reference

During FY2022, the ARC comprised up to four NEDs, the majority of whom, including the ARC Chair, are independent. The composition of the ARC was refreshed on 1 January 2022 in conjunction with Mdm Ee's re-designation as a NI-NED, on 1 July 2022 with Ms Ku's appointment to the ARC, and on 31 December 2022 with Ms Chua's stepping down from the ARC (and Board) respectively.

FY2022 ARC Composition

Mr Ramlee Bin Buang as ARC Chair (ID, and Lead ID from 1 January 2023)
Ms Chua Kheng Yeng, Jennie (Lead ID) (until 31 December 2022)
Mdm Ee Choo Lin Diana (NI-NED from 1 January 2022)
Ms Ku Xian Hong (ID) (from 1 July 2022)

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

CORPORATE GOVERNANCE

Expertise of ARC Members

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

Authority of ARC

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

Role and Responsibilities of ARC

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

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

The ARC has noted the amendments to voluntary Practice Guidance 10 (Audit Committees) effective from February 2020 and March 2022, pertaining to:

a. raising by external auditors of any significant issues which may have a material impact on the financial statements or financial updates previously announced, during the external auditors' review or audit of full-year financial statements; and
b. assessment whether any changes are needed to improve the quality of future interim financial statements or financial updates, and to advise the Board accordingly.

In its review of the financial statements of the Group and the Company for FY2022, the ARC bore in mind the aforesaid amendments to voluntary Practice Guidance 10 as it discussed with Management regarding the identification of matters that could significantly affect the integrity of the financial statements ("**significant financial reporting matters**"). The discussion included an assessment of the accounting principles and critical judgements applied by Management and the clarity of the relevant disclosures in the financial statements.

CORPORATE GOVERNANCE

The significant financial reporting matters identified, which are consistent with the key audit matters identified by the external auditors, and the ARC's commentaries are set out as follows:

Key audit matters	How these issues were addressed by the ARC
Valuation of investment properties, and land and buildings classified under property, plant and equipment ("**PPE**")	The ARC reviewed the outcomes of the annual valuation process and discussed the details of the valuation with Management, focusing on investment properties and revalued land and buildings classified under PPE which registered higher fair value gains/losses during the period under review. The ARC considered the methodologies and key assumptions applied by the valuers in arriving at the valuation of the investment properties and PPE. The ARC also considered the findings of the external auditors, including their assessment of the appropriateness of valuation methodologies and the underlying key assumptions applied in the valuation. The ARC was satisfied with the valuation process, the methodologies used and the valuation outcomes adopted and disclosed in the financial statements. Refer to Notes to the Financial Statements ("**Note**") 20 and 21 for details of the relevant valuations.
Impairment assessment of goodwill	The ARC reviewed the outcomes of the annual goodwill impairment assessment process and discussed the details of the impairment assessment with Management, focusing on the key assumptions and judgements applied on the cash flows projections and key inputs used including discount rates and terminal growth rates. The ARC also considered the findings of the external auditors, including their assessment of the appropriateness of valuation methodologies and the underlying key assumptions applied. The ARC was satisfied with the valuation methodologies applied, the appropriateness of the key assumptions applied and the conclusion of the impairment assessment of goodwill. Refer to Note 23 for details of the goodwill impairment assessment.
Valuation of investment in JV, Toga Trust	Through the Group's 50% representation on the board and audit and risk committee of Toga Trust, the ARC reviewed with Management the outcomes of the following processes performed by Toga Trust on a bi-annual basis: • Valuation of land and buildings classified under PPE held by Toga Trust; and • Impairment assessment of goodwill and brands with indefinite lives held by Toga Trust. The ARC discussed with Management in detail, focusing on: • Toga Trust's PPE assets which registered higher fair value gains/losses during the period under review; and • Key assumptions and judgements applied by Toga Trust on the cash flows projections and key inputs used including discount rates and terminal growth rates in the impairment assessment. The ARC also considered the findings of the external auditors, including their assessment of the appropriateness of Toga Trust's valuation methodologies and the underlying key assumptions and judgment applied by the valuers in arriving at the valuation of PPE and impairment assessment of goodwill and brands with indefinite lives. The ARC was satisfied with the valuation process, the methodologies used, the appropriateness of the judgement made and key assumptions applied, the valuation of PPE and the conclusion of the impairment assessment of goodwill and brands with infinite useful lives. Refer to Note 18 for details relating to the Group's investment in Toga Trust.

CORPORATE GOVERNANCE

Meetings with External Auditors and Internal Auditors without Management

In FY2022, the ARC met twice with the external auditors, PricewaterhouseCoopers LLP ("**PwC**"), and four times with the internal auditors, an independent firm RSM Risk Advisory Pte Ltd ("**RSM**"), without the presence of Management. These meetings enabled the external auditors and internal auditors to raise directly to the ARC issues, if any, encountered during their audits.

During FY2022, PwC was also invited to five ARC meetings while RSM was also invited to four ARC meetings.

Independence of External Auditors

The ARC is primarily responsible for proposing the appointment and removal of the external auditors. The ARC conducted its annual review of non-audit services provided by PwC in FY2022, to satisfy itself that the nature and extent of such services will not prejudice PwC's independence and objectivity, before nominating them for re-appointment. The aggregate amount of fees payable to PwC and its network of member firms for audit services provided for the Company and its subsidiaries for FY2022 amount to S$742,000. The fees payable/paid to PwC and its network of member firms for non-audit services provided for FY2022 amount to S$227,000 and were incurred for the provision of corporate tax compliance, tax advisory and certification services. The ARC also evaluated the quality of work carried out by PwC based on the Audit Quality Indicators Disclosure Framework published by the ARCA. The ARC was satisfied with the independence, objectivity and performance of PwC and nominated PwC for re-appointment as external auditor of the Company at the forthcoming AGM.

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

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

Whistle-blowing Policy

The Company's whistle-blowing policy, which was adopted in 2015, provides employees and external parties with an avenue to raise concerns in good faith, on a confidential basis without fear of reprisals, about possible improprieties relating to the Group and its officers, whether collusion, conflict of interest, violation of business ethics, unsafe work practices or otherwise. The policy's objective is to ensure that arrangements are in place for such concerns to be raised and independently investigated, and for appropriate follow-up action to be taken, while ensuring the whistle-blower is protected against detrimental or unfair treatment. The whistle-blowing policy is made available to all levels of employees during orientation together with the employee handbook, and is also posted on the Group's intranet system in three different languages, namely English, Mandarin and Malay.

The ARC is responsible for the oversight and monitoring of the Company's whistle-blowing arrangements. The communication channels for whistle-blowing reports are published on the Company's website and are managed by the Company's internal auditors (an independent professional firm, RSM) who will assist the ARC in the enforcement of the whistle-blowing policy. In accordance with the Company's whistle-blowing policy, the identity of the whistle-blower is kept confidential, and unless required by law or with the whistle-blower's prior consent, his/her identity will not be revealed by the internal auditors to the Group.

No whistle-blowing incidents were reported during FY2022.

The Company is in compliance with Rule 1207(18A) and (18B) of the Listing Rules in relation to its whistle-blowing policy.

Disclosure on the ARC's activities

In FY2022, the ARC held five meetings. In those meetings, the ARC reviewed, *inter alia*, the internal auditors' report on processes relating to IPTs and various reports on other areas of the Group's business, the internal auditors' audit plan and fee for the current financial year, the external auditors' final audit report, key audit matters, the performance and independence of the external auditors, the half-year and full-year announcements on financial statements, the Group's half-year and full-year performance and corporate governance matters.

CORPORATE GOVERNANCE

The ARC has been kept abreast of any changes to the accounting standards and issues which have direct impact on the Group's consolidated financial statements by the CFO and the external auditors during FY2022.

ARC Member Restriction

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

Internal Auditors

The ARC approves the appointment, removal, evaluation and fees of the outsourced internal audit function. During FY2022, the Group outsourced its internal audit function to an independent professional firm (RSM) to provide internal audit services.

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

Resource and Standing of Internal Audit Function

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

Qualification and Experience of Internal Auditors

RSM is a corporate member of the Singapore chapter of the Institute of Internal Auditors ("**IIA**") and is staffed with professionals with relevant qualifications and experience.

Professional Standards and Competency

RSM is guided by the International Professional Practices Framework (IPPF) issued by the IIA. Having assessed the functions and organisational structure of the internal auditors pursuant to the Standards for the Professional Practice of Internal Auditing of the IIA and its ten core principles, the ARC is satisfied that the internal auditors meet the requisite IIA standards, are adequately resourced, and have appropriate standing within the Group.

Independence, Adequate Resourcing and Effectiveness of Internal Audit Function

The ARC reviews, at least once a year, whether the internal audit function is independent, effective and adequately resourced. The ARC reviews and approves the internal audit plans and the resources required to adequately perform this function annually, to ensure the adequacy of the internal audit function. During the internal audit process, the internal auditors follow up on the identified inherent and operational risks of each business entity (as well as the content of any management letter issued by the external auditors) to ensure that the committed rectification measures have been implemented. In FY2022, RSM audited, *inter alia*, areas such as front office operations, housekeeping, cash management, engineering and workplace safety for selected properties, and at the Group level, cybersecurity, receivables, sustainability reporting, IPTs, procurement and payments. Following its review and assessment, the ARC was of the view that the internal audit function is independent, effective and adequately resourced.

SHAREHOLDER RIGHTS AND ENGAGEMENT

Shareholder Rights and Conduct of General Meetings

Principle 11: The company treats all shareholders fairly and equitably in order to enable them to exercise shareholders' rights and have the opportunity to communicate their views on matters affecting the company. The company gives shareholders a balanced and understandable assessment of its performance, position and prospects.

Effective Shareholder Participation

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

In line with the Company's commitment towards environmental conservation, the Company makes available its annual reports by electronic communication, via publication on the Company's website. Annual reports are also available on SGXNet and shareholders may request for hard copies of annual reports if preferred.

CORPORATE GOVERNANCE

Shareholder Opportunity to Participate in and Vote at General Meetings

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

Shareholders are informed of general meetings through notices which are sent to all shareholders, advertised in a local newspaper and also made available on SGXNet and the Company's website. General meetings are held at a central location, which is easily accessible by public transportation. All resolutions at general meetings are voted by way of electronic poll for greater transparency in the voting process. A polling agent and independent scrutineer are appointed to handle and brief the e-polling voting procedures and to count and validate the votes cast at the general meetings respectively, to ensure that the poll process is properly carried out. Votes cast for or against and the respective percentages on each resolution will be tallied and displayed 'live' on-screen to shareholders immediately after each poll is conducted. The total number of votes cast for or against the resolutions and the respective percentages will also be announced in a timely manner after the general meeting via SGXNet. This process will be followed through for the Company's upcoming physical AGM on 19 April 2023.

Due to the COVID-19 pandemic, the Company held its last AGM on 18 April 2022 (the "**AGM 2022**") by electronic means in accordance with the COVID-19 (Temporary Measures) (Alternative Arrangements for Meetings) Order 2020 and the joint statement as at 4 February 2022 and checklist/guidance to issuers on conduct of general meetings which was jointly issued by SGX RegCo, ACRA and the Monetary Authority of Singapore ("**Checklist**"). The Company complied with the updated Checklist incorporating the practices in SGX Regco's 16 December 2021 Regulator's Column. The Company's was broadcasted via a "live" audio-visual webcast and "live" audio-only stream. Shareholders were notified to pre-register to participate in the AGM 2022, and to appoint the Chair of the AGM 2022 as their proxy to attend, speak and vote on their behalf. Shareholders were invited to submit to the Company in advance, any questions related to the resolutions tabled for approval at the AGM 2022. Notice of the Company's AGM 2022 was sent to shareholders on 31 March 2022, at least 14 calendar days before the AGM 2022. Shareholders had at least seven calendar days from the publication of notice of AGM 2022, to submit their questions. All substantial and relevant questions received from shareholders were publicly addressed by the Board and/or Management at least 72 hours prior to the closing date and time for lodgement of the proxy forms. The Company's answers to questions received by 7 April 2022 and 12 April 2022 were published at the Company's website and SGXNet by 8 April 2022 and 13 April 2022 respectively. Questions received after 12 April 2022 and at the AGM 2022 were answered through real-time electronic communication which was made available at the AGM 2022 to facilitate shareholder engagement and provide a platform for shareholders to raise any questions.

Proxies

The Company's Constitution allows shareholders to vote in person, by proxy or by attorney, at general meetings. Corporate shareholders can also appoint a representative to vote in their stead. A shareholder may appoint up to two proxies to attend and vote in his/her stead at a general meeting through a proxy form or certificate of corporate representative sent in advance. For shareholders who hold shares through nominees such as Central Provident Fund Board and custodian banks, they are able to attend and vote at general meetings under the multiple proxies regime. This process will be followed through for the Company's upcoming physical AGM on 19 April 2023.

For AGM 2022, as the COVID-19 restriction orders meant that shareholders were unable to attend and vote physically, shareholders voted by appointing the Chair of the AGM as their proxy and giving specific instructions as to voting or abstention from voting for each resolution.

Separate Resolutions at General Meetings

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

CORPORATE GOVERNANCE

Attendees at General Meetings

The Company requests all its Directors, certain KMP, external auditors and external advisers to attend the Company's general meetings to address any questions raised by shareholders, whether the conduct of audit, the presentation and content of the auditors' report or otherwise. Shareholders are given the opportunity to communicate their views and discuss with the Board and KMP after the general meetings.

All Directors, together with the Company's CFO, Financial Controller, Company Secretary, external auditors, internal auditors and external corporate governance and legal advisers attended the Company's AGM 2022 held by electronic means. As to the questions on AGM resolutions submitted by shareholders, the Company published two rounds of responses on SGXNet and the Company's website before the AGM, and Group CEO Mr Alan Yew Kuen Tang also addressed these questions during his AGM presentation. In addition, shareholders were able to ask questions "live" via a "chat box" function during the broadcast of the Company's AGM 2022.

For the upcoming AGM on 19 April 2023, shareholders can likewise submit questions relating to the AGM resolutions in advance and the Company will publish its responses on SGXNet and Company's website before the AGM.

Absentia Voting

The Company's Constitution provides that the Board may, at its sole discretion, approve and implement voting methods to allow shareholders an option to vote in absentia, such as online voting or voting by mail, electronic mail or facsimile. Having considered that shareholders who are unable to attend in person may vote by proxy or by attorney, or in the case of a corporation, by a representative, and considered carefully the security and cost concerns related to absentia voting (with careful study needed to ensure that integrity of information and authentication of the identity of shareholders through the web are not compromised), the Company has refrained from implementing absentia voting.

Minutes of General Meetings

The Company prepares minutes of general meetings that include substantial and relevant comments or queries from shareholders relating to the agenda of the meetings, and responses from the Board and Management. The minutes of the AGM 2022 was published to SGXNet and the Company's website within two weeks after the AGM 2022.

Dividend Policy

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

Engagement with Shareholders

Principle 12: The company communicates regularly with its shareholders and facilitates the participation of shareholders during general meetings and other dialogues to allow shareholders to communicate their views on various matters affecting the company.

Shareholder Rights

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

Communication with Shareholders and Soliciting and Understanding Views of Shareholders

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

The Company's main forum for dialogue with shareholders takes place at its AGM. To solicit and understand shareholders' views, shareholders are given the opportunity at the AGM to express their views and ask questions regarding the Company. As the AGM 2022 was held via electronic means, shareholders were

CORPORATE GOVERNANCE

invited to submit questions relating to the AGM resolutions in advance, and the Company provided its responses both before and during the AGM. In FY2022, the Company participated in the SGX-SIAS Corporate Connect webinar which provided a platform for retail investors to hear from Management on the Company's strategic focus, business overview, update on key markets, financial highlights and outlook for FY2022. The relevant corporate presentation slides were published on SGXNet and the Company's website. The Company used the same slides to make a corporate presentation to CGS-CIMB trading representatives.

Investor Relations Policy and Contact

The Company has in place an IR policy outlining the principles and practices adopted in the course of its IR activities, including communication with shareholders and the investment community. The policy reflects avenues for communication between shareholders and the Company, including shareholders' meetings, the Company's annual report and sustainability report, the information available on the Company's website, half-year and full-year results and any other announcements, meetings with analysts and media, and describes how shareholders may contact the Company should they have questions. The policy thus allows for an ongoing exchange of views with shareholders, thereby promoting regular, effective and fair communication. The Company has a dedicated IR link on its website and its IR policy is available at www.fareastorchard.com.sg/ir_policy.html.

The Company has an IR team that facilitates two-way communication with the investment community. Communication with investors has been, and may be made through email correspondences and telephone calls. The Company responds to queries based on publicly available information, upholding the principle of no selective disclosure. Shareholders may email their questions to the IR team at ir@fareastorchard.com.sg, and these contact details are also published on the Company's website. The Group demonstrates email responsiveness to queries posed to its IR team, with replies generally issued within one week.

Disclosure of Information on a Timely Basis

The Company is committed to making timely, full and accurate disclosures in accordance with the Listing Rules and the Code. The Company noted the amendments to voluntary Practice Guidance 12 (Engagement with Shareholders) effective from February 2020 and March 2022, pertaining to engagement of shareholders on voluntary announcements of interim updates or useful and relevant information, that could provide shareholders with a better understanding of a company's performance in the context of the current business environment. The Company keeps its shareholders informed of corporate developments on a timely basis. In addition to mandatory announcements, the Company also makes voluntary announcements on corporate transactions from time to time. In FY2022, following consideration from the Board on whether and how frequent to provide interim updates, the Company voluntarily issued two updates in May and October on its business performance, and in January, a profit guidance on its unaudited full-year results for FY2021. These were published on SGXNet and the Company's website.

The Group has adopted half-yearly reporting from FY2020. Half-year results will be released no later than 45 days after the end of the half-year period. Full-year results will be released no later than 60 days from the financial year end. The investor calendar is available on the Company's website at www.fareastorchard.com.sg/investor-calendar.html.

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

For FY2022, a blackout period of one month before the announcement of the Company's half-year and full-year financial results was observed. During this period, the Company has limited interactions with investors and analysts and avoids commenting on financial results, operational performance and market outlook, except where required under the Listing Rules.

MANAGING STAKEHOLDER RELATIONSHIPS

Engagement with Stakeholders

Principle 13: The Board adopts an inclusive approach by considering and balancing the needs and interests of material stakeholders, as part of its overall responsibility to ensure that the best interests of the company are served.

Identification and Engagement of Material Stakeholders

The Company's material stakeholders are listed in its Sustainability Report. They are the Company's shareholders, its Board, its employees, customers, and business partners.

CORPORATE GOVERNANCE

The Sustainability Report outlines how relationships with these material stakeholders are managed, including the modes of engagement.

The Group's policies including the Stakeholder Engagement Policy, the Board Diversity Policy, the Dividend Policy and Scrip Dividend Scheme, the Investor Relations Policy, the Security Trading Policy and Whistle-blowing Policy facilitate the Group's engagement with its material stakeholders. Further details of the Group's engagement with its key stakeholders in FY2022 are described in the Sustainability Report 2022 which is available at the Company's corporate website at www.fareastorchard.com.sg/sustainability.html. The Sustainability Report outlines the Group's policies, practices, performance and targets in relation to its material ESG factors. Prepared in accordance with the GRI 2021 standards and consistent with the TCFD's recommendations, the Group endeavours to communicate how sustainability is embedded in its business practices and value chain across its operations in the report.

Corporate Website

The Company maintains a current corporate website to communicate and engage with its stakeholders. There is a dedicated IR section on its corporate website at www.fareastorchard.com.sg/corporate-governance.html which serves as a repository for shareholders and the investment community, ensuring that they can easily access relevant and up-to-date information about the Company. It includes the Company's latest announcements, financial results, annual reports, sustainability reports, stock information, and IR contact. Members of the public may also subscribe to RSS feeds of all announcements and press releases issued by the Company through its corporate website. Details of the Group's Code of Conduct are disclosed on the Company's website under the same link. The Company's corporate website also discloses its vision and mission statements and (since 2023) its corporate structure.

ADDITIONAL INFORMATION

Business Conduct and Ethics

The Group is guided by its Code of Conduct and Employee Handbook which are published on the intranet, and which new employees receive and are briefed upon joining. The Code of Conduct and Employee Handbook explain the Group's core values, encapsulated in BUILD, which stands for Business with Grace, Unity, Integrity, Love and Diligence. The Group seeks to build and maintain a strong ethical organisational culture through its core values. All employees are required to read and acknowledge the Code of Conduct and Employee Handbook on an annual basis.

The Code of Conduct and Employee Handbook outline the standards of ethics and behaviour in the way the employees are to conduct themselves in relationships with customers, suppliers, business partners and colleagues. They address several aspects including confidentiality, conflict of interest, the offering and receipt of gifts, entertainment, business dealings, intellectual property, workplace conduct, workplace health and safety, discipline, grievance handling and whistle-blowing.

The Group believes in applying ethical and transparent business practices across the value chain to maintain business continuity and market reputation, including the upholding of customer privacy. In FY2022, the Group formalised its Anti-Bribery and Corruption Policy which affirms its zero-tolerance approach to bribery and corruption. The Group has a Competition Compliance Manual which forms part of the Employee Handbook. This Manual reminds Directors, employees and representatives of the Group's commitment to compliance with the Competition Act of Singapore and to maintain the highest level of ethics in the conduct of its business. It was developed to help these stakeholders to understand the basic principles of the Group's competition law compliance policy.

The Group's policies and work procedures incorporate internal controls to ensure adequate checks and balances are in place, and to help detect and prevent any form of fraud, bribery or dishonesty by employees.

Creditors' Rights

The Group values its suppliers and is committed to safeguarding creditors' rights and acknowledges the importance of paying invoices, especially those of small businesses, in a timely manner. It is the Group's practice to agree terms with suppliers when entering into contracts. The Group negotiates with suppliers on an individual basis and meets its obligations accordingly.

The Group also protects creditors' rights through the presence of debt covenants in some of its loans including maintaining debt to equity and interest coverage ratios and fulfilling them. The Group monitors and maintains a level of cash and

CORPORATE GOVERNANCE

cash equivalents and enough standby credit lines and executes its strategy to generate profit and growth to service loan and interest requirements.

Health, Safety and Well-Being of Customers and Employees

The health, safety and well-being of our customers and employees is the Group's utmost priority. Health and safety processes are regularly reviewed.

At the hospitality properties in Singapore managed by the Group, a "Far More Assured" programme is in place, with stringent health, safety and hygiene standards for the assurance of its guests. All employees at such properties are trained on these standards. Public areas in these properties are deep cleaned frequently with premium grade solutions, rooms are fully disinfected after each departure, and meeting spaces and equipment disinfected and sanitised after each event.

The Group's employees are provided with a comprehensive suite of benefits ranging from medical, flexible healthcare and wellness (including a wide range of pro-family initiatives), leave, insurance, and education assistance for their children, to enhance their health, safety and well-being. Complimentary health screenings and vaccinations are made available to employees annually. Examples of wellness and self-development programmes which employees can avail themselves, include social and health club memberships and self-development courses. The Group has programmes in place for employees (and their families) in need of emotional support to reach out to reputable medical groups for counselling on a confidential and complimentary basis.

Dealings in Securities

The securities trading policy is an internal compliance code devised and adopted by the Company as a listed issuer, to provide guidance on dealings in its securities. The policy is guided by the Principles of Best Practice – Handling of Confidential Information and Dealings in Securities issued jointly by the SGX-ST with other associations in December 2017, the Corporate Disclosure Policy in the Listing Rules and prevailing provisions of the Securities and Futures Act. The policy reflects the Company's adoption of the best practices on dealings in securities set out in Rule 1207(19) of the Listing Rules.

The policy was reviewed and updated in FY2020 following the Company's adoption of half-yearly reporting. The policy applies to the Company, its officers and any persons who come into possession of material information of the Group before its public release.

On an annual basis, the Company issues its securities trading policy addressed to its officers (including the Company's Directors, persons employed in an executive capacity and the Company Secretary) and any persons who come into possession of material information of the Group before its public release, where they are reminded to refrain from dealing in the securities of the Company:

(i) during one month before and up to the date of announcement of the half-year and full-year results; and
(ii) on short term considerations.

The Company has been complying and will continue to comply with Rule 1207(19) of the Listing Rules, in observing the aforesaid blackout period for any dealing in its securities.

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

Material Contracts

Save for the transactions set out in the Company's circular to shareholders dated 24 June 2013 and the related parties transactions as disclosed in the Financial Statements and this Annual Report, no material contract involving the interests of any Director or controlling shareholder of the Group has been entered into by the Company or any of its subsidiaries during the financial year and no such material contract is subsisting as at 31 December 2022.

CORPORATE GOVERNANCE

INTERESTED PERSON TRANSACTIONS

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

IPTs carried out during FY2022 which fall under Chapter 9 of the Listing Rules are as follows:

Name of interested person	Nature of relationship	Aggregate value of all IPTs conducted under shareholders' mandate pursuant to Rule 920 of the Listing Manual (excluding transactions less than $100,000)	Aggregate value of all IPTs during the financial year under review (excluding transactions less than $100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920)
		Full year ended 31 December 2022	Full year ended 31 December 2022
		$'000	$'000
Agape Services Pte. Ltd. Supply of goods and services	Associate of controlling shareholder	(508)	-
Ariake Hospitality Kabushiki Kaisha Interest accrued on shareholders' loan[1]	Associate of controlling shareholder	-	103
Boo Han Holdings Pte. Ltd. Hospitality management income	Associate of controlling shareholder	540	-
Interest accrued on shareholders' loan[1]		-	103
China Classic Pte Ltd Hospitality management income	Associate of controlling shareholder	970	-
Dollar Land Singapore Private Limited Hospitality management income	Associate of controlling shareholder	239	-
Far East Hospitality Real Estate Investment Trust Management income[2]	Associate of controlling shareholder	3,661	-
Hospitality services income		122	-
Rental expense on operating leases			
– offices		(888)	-
– hotels and serviced residences		(14,309)	-
Far East Management (Private) Limited Management service fees	Associate of controlling shareholder	(2,002)	-
Hospitality services		(792)	-
Far East Organization Centre Pte Ltd Hospitality management income	Associate of controlling shareholder	1,362	-
Far East Real Estate Agency Pte. Ltd. Property management services	Associate of controlling shareholder	(440)	-
Sales and marketing services		(230)	-

1 As set out in the Group's announcement dated 7 October 2019, Ariake Hospitality Kabushiki Kaisha ("AHKK") is a 50-50 JV entity by 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 2022 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 FEOHAM (in its capacity as the manager of FEH-REIT) and DBS Trustee Limited (in its capacity as the trustee of FEH-REIT), FEOHAM is entitled to a management fee comprising a base fee of 0.3% per annum of the value of the Deposited Property (as defined in the Trust Deed) and a performance fee of 4.0% per annum of net property income (as defined in the Trust Deed). Since 1 January 2020, the base fee was reduced from 0.3% to 0.28% per annum and the performance fee was changed to the lower of 4.0% of the net property income or annual distributable amount (after accounting for base fee but before accounting for performance fee) from 4.0% of the net property income previously. During the financial year ended 31 December 2022, the Company was a 33% shareholder of FEOHAM and this amount represents 33% of the management fees received during the financial year, being the value at risk to the Group.

CORPORATE GOVERNANCE

Name of interested person	Nature of relationship	Aggregate value of all IPTs conducted under shareholders' mandate pursuant to Rule 920 of the Listing Manual (excluding transactions less than $100,000)	Aggregate value of all IPTs during the financial year under review (excluding transactions less than $100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920)
		Full year ended 31 December 2022	Full year ended 31 December 2022
		$'000	$'000
Far East Rocks Pty Ltd Rental expense on operating leases – hotel	Associate of controlling shareholder	(709)	-
Far East Soho Pte. Ltd. Hospitality management income	Associate of controlling shareholder	795	-
Far East SR Trustee Pte Ltd Hospitality management income	Associate of controlling shareholder	365	-
Fontaine Investment Pte Ltd Hospitality management income	Associate of controlling shareholder	1,676	-
Golden Development Private Limited Hospitality management income	Associate of controlling shareholder	1,572	-
Golden Landmark Pte. Ltd. Hospitality management income	Associate of controlling shareholder	740	-
Orchard Mall Pte. Ltd. Hospitality management income	Associate of controlling shareholder	500	-
Orchard Parksuites Pte Ltd Hospitality management income	Associate of controlling shareholder	1,119	-
Oxley Hill Properties Pte Ltd Hospitality management income	Associate of controlling shareholder	404	-
Precious Treasure Pte Ltd Hospitality management income	Associate of controlling shareholder	175	-
Riverland Pte Ltd Hospitality management income	Associate of controlling shareholder	326	-
Sakuragicho Hospitality Kabushiki Kaisha Hospitality management income	Associate of controlling shareholder	112	-
Serene Land Pte Ltd Hospitality management income	Associate of controlling shareholder	930	-
Transurban Properties Pte. Ltd. Hospitality management income	Associate of controlling shareholder	899	-

SUSTAINABILITY EXECUTIVE SUMMARY

SCIENCE-BASED DECARBONISATION TARGET

Reduce GHG emissions by
42% by **2030**,
using 2022 as baseline year

*for Scope 1 and 2 emissions for owned properties

ACHIEVED GREEN MARK GOLD CERTIFICATION FROM THE BCA

BRONZE AWARD

for 'Best Risk Management' in the mid-cap category at the Singapore Corporate Awards 2022

ZERO

- Substantiated losses of customer data that resulted in fines
- Corruption or bribery cases

ACHIEVED TOP 8%

ranking among SGX-listed firms in the Singapore Governance and Transparency Index

Embedded
"CLIMATE RESILIENCY"
as one of the material topics in 2022

ZERO VIOLATIONS

of the Competition Act and Competition and Consumer Commission of Singapore guidelines, lapses with SGX-ST Listing Manual and known incidents of bribery or corruption

Staying resilient against macroeconomic headwinds and climate changes is at the core of FEOR's business strategy. The Sustainability Report 2022 reflects the Group's strengthened commitment to shaping a climate-resilient and sustainable future. The Sustainability Report 2022 was prepared in accordance with the Global Reporting Initiative Standards 2021 and the SGX-ST Listing Manual (Rules 711A and 711B).

In 2022, the Group remained steadfast in accelerating its sustainability agenda and strengthening its four key ESG focus areas: (i) Minimising environmental and climate-related impact, (ii) Supporting people, (iii) Upholding integrity, and (iv) Building a resilient business. To that end, the Group focused on the following:

- Building climate resiliency
- Developing a sustainability roadmap to guide its direction and strategies
- Empowering stakeholders by fostering a safe and inclusive workplace culture
- Maintaining high standards of corporate governance and ethics

Recognising the impact of climate change on businesses, the Group bolstered its climate action and adopted TCFD recommendations. The Board and ARC are supported by the MRSC and a Sustainability Working Committee, comprising a diverse cross-functional team which meets regularly and drives continuous efforts for sustainability performance across the Group. The Board and Management's roles and responsibilities were expanded during the year to include active management of climate-related risks and opportunities. To meet these responsibilities, Board members, Management and relevant employees undertook training on sustainability, including sustainable financing and the TCFD.

In 2022, the Group conducted its first climate assessment to assess climate-related risks and opportunities stemming from its hospitality and PBSA portfolios. The Group also embedded "climate resiliency" as one of the identified material topics in its ESG material topics this year (see page 12 of the Sustainability Report for the 10 material topics). In line with TCFD recommendations, the Group will continue to review, update, and manage its material topics annually and strengthen its sustainability reporting.

SUSTAINABILITY EXECUTIVE SUMMARY

As the Group intensifies its climate action efforts, it seeks to align with the goals of the Paris Agreement and the objectives of the Singapore Green Plan 2030. To demonstrate the Group's commitment to green buildings and a lower-carbon economy, it reviewed its targets and adopted the science-based decarbonisation target to reduce Scope 1 and 2 emissions for owned properties[1] by 42% by 2030, using the baseline year of 2022[2]. To achieve this target, the Group is actively pursuing decarbonisation initiatives focusing on energy efficiency, allowing dual energy cost reduction and carbon footprint. In 2022, four managed properties – Village Hotel Sentosa, The Outpost Hotel Sentosa, The Barracks Hotel Sentosa and Orchard Rendezvous Hotel Singapore achieved the Green Mark Gold certification from the BCA. The Group will continue to engage with hotel owners to look at the possibility of achieving green building certifications for other Singapore-managed hotels.

In line with the Group's sustainability roadmap, it expanded the scope of its emission reporting to identify emissions along its value chain better. In 2022, the Group worked with an external consultant to commence the development of its Scope 3 carbon inventory and will progressively disclose them in future Sustainability Reports.

On the social front, the Group prioritised its employees' health, safety and development. Through its efforts in implementing safety measures and conducting trainings, the Group maintained its track record of zero workplace fatalities and cases of occupational disease for the sixth consecutive year. The Group also seeks to provide employees with an inclusive and supportive work environment. The Group invests in training and development programmes with the objective to upskill and reskill employees for career growth. Through training, employees have the opportunity to earn higher income, which is in line with the Progressive Wage Model introduced by the Singapore Government.

Upholding integrity is a key focus of the Group's sustainability strategy. As part of the Group's commitment to maintaining a high standard of corporate governance, the Group continued to have adequate and effective risk management and internal controls in place. In 2022, the Group formalised its Anti-bribery and Corruption Policy to affirm its zero-tolerance approach to bribery and corruption and reported zero corruption or bribery cases. It also reported zero substantiated loss of customer data that resulted in fines. The Group's commitment and practices, have been recognised - receiving the Bronze Award for 'Best Risk Management' in the mid-cap category at the Singapore Corporate Awards 2022. In addition, the Group also achieved top 8% ranking among SGX-listed firms in the Singapore Governance and Transparency Index.

The Group aims to create long-term economic value while positively impacting the environment and society and maintaining high standards of corporate governance. The Group will collaborate with stakeholders to champion sustainable solutions across its business and gradually introduce new sustainability initiatives and policies in the coming years to create a more resilient future.

To minimise the impact on the environment and align with the Group's efforts towards more significant environmental conservation, no hardcopies of the Sustainability Report have been printed. An electronic version of the report and previous sustainability reports may be viewed or downloaded at: www.fareastorchard.com.sg/publications.html.

[1] Owned properties are as covered under our Sustainability Report 2022.
[2] 2022 was chosen as a baseline year as it provides comprehensive data that reflects closer to a pre-pandemic carbon emission level.

FINANCIAL REPORT

CONTENTS

FAR EAST ORCHARD LIMITED AND ITS SUBSIDIARIES
Registration number 196700511H
Incorporated in Singapore

DIRECTORS' STATEMENT

For the financial year ended 31 December 2022

The directors present their statement to the members together with the audited financial statements of Far East Orchard Limited (the "Company") and its subsidiaries (the "Group") for the financial year ended 31 December 2022 and the balance sheet of the Company as at 31 December 2022.

In the opinion of the directors,

(a) the balance sheet of the Company and the consolidated financial statements of the Group as set out on pages 78 to 156 are drawn up so as to give a true and fair view of the financial position of the Company and of the Group as at 31 December 2022 and the financial performance, changes in equity and cash flows of the Group for the financial year covered by the consolidated financial statements; and

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

Directors

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

Ms Koh Kah Sek (Chair)
Mr Alan Tang Yew Kuen (Group Chief Executive Officer)
Mr Ramlee Bin Buang (Lead Independent Director)
Mdm Ee Choo Lin Diana
Mr Shailesh Anand Ganu
Ms Ku Xian Hong
Mr Samuel Gene Rhee

Ms Koh was designated as the Chair of the Board on 18 April 2022. Mr Ramlee was designated as the Lead Independent Director on 1 January 2023.

Arrangements to enable directors to acquire shares and debentures

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

Directors' interests in shares or debentures

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

(b) The directors' interests in the ordinary shares of the Company as at 21 January 2023 were the same as those as at 31 December 2022.

DIRECTORS' STATEMENT

For the financial year ended 31 December 2022

Share options

The Company and its subsidiaries have no share option scheme as at the date of this statement.

Audit & Risk Committee

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

Mr Ramlee Bin Buang (Chair)
Mdm Ee Choo Lin Diana
Ms Ku Xian Hong

As at the date of this report, all members of the Audit & Risk Committee other than Mdm Ee, are independent non-executive directors. Ms Ku was appointed as a member of the Audit & Risk Committee on 1 July 2022.

The Audit & Risk Committee carried out its functions in accordance with Section 201B(5) of the Companies Act 1967 of Singapore. In performing those functions, the Committee reviewed:

- the scope and the results of internal audit procedures with the internal auditor;
- the audit plan of the Company's independent auditor and any recommendations on internal accounting controls arising from the statutory audit;
- the assistance given by the Company's management to the independent auditor; and
- the balance sheet of the Company and the consolidated financial statements of the Group for the financial year ended 31 December 2022 before their submission to the Board of Directors.

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

Independent auditor

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

On behalf of the directors

Mr Alan Tang Yew Kuen Director	Mr Ramlee Bin Buang Director

15 March 2023

INDEPENDENT AUDITOR'S REPORT

To the Members of Far East Orchard Limited

Report on the Audit of the Financial Statements

Our Opinion

In our opinion, the accompanying consolidated financial statements of Far East Orchard Limited (the "Company") and its subsidiaries (the "Group") and the balance sheet of the Company are properly drawn up in accordance with the provisions of the Companies Act 1967 (the "Act") and Singapore Financial Reporting Standards (International) ("SFRS(I)s") so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at 31 December 2022 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group for the financial year ended on that date.

What we have audited

The financial statements of the Company and the Group comprise:

- the consolidated statement of comprehensive income of the Group for the financial year ended 31 December 2022;
- the consolidated balance sheet of the Group as at 31 December 2022;
- the balance sheet of the Company as at 31 December 2022;
- the consolidated statement of changes in equity of the Group for the financial year then ended;
- the consolidated statement of cash flows of the Group for the financial year then ended; and
- the notes to the financial statements, including a summary of significant accounting policies.

Basis for Opinion

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

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

Independence

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

Our Audit Approach

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

INDEPENDENT AUDITOR'S REPORT

To the Members of Far East Orchard Limited

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements for the financial year ended 31 December 2022. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matter	How our audit addressed the Key Audit Matter
Valuation of investment properties and land and buildings classified under property, plant and equipment As at 31 December 2022, the Group's investment properties of $853,207,000 and land and buildings classified under property, plant and equipment of $500,545,000, representing 53% of total assets, are carried at fair value based on independent external valuations. The valuation of the investment properties and land and buildings classified under property, plant and equipment is a key audit matter due to the significant judgement in the key inputs used in the valuation techniques. The key inputs include: • comparable sales price for the sales comparison method; • discount rate and terminal yield for the discounted cash flow method; and • capitalisation rate for the income capitalisation method. Certain independent valuation reports for selected properties have highlighted that with the continued uncertainty of the Coronavirus Disease 2019 ("COVID-19") outbreak, a higher degree of caution should be exercised when relying upon the valuation. The valuations are based on the information available as at the date of valuation. Values and incomes may be subjected to more fluctuations than during normal market conditions. The key inputs and sensitivities are disclosed in Note 3.1, Note 20 and Note 21 to the accompanying financial statements respectively.	Our audit procedures focused on the valuation process and included the following: • assessed the competency, independence and objectivity of the external valuers engaged by the Group; • discussed with the external valuers the significant judgemental areas and understood the respective valuation techniques used in determining each valuation; • assessed the appropriateness of the underlying comparable transactions used to derive the comparable sales price, taking into account the nature, location and tenure of the property; • tested, on a sample basis, the accuracy of underlying lease and financial information provided to the external valuers; • assessed the reasonableness of the discount rates, terminal yields and capitalisation rates by benchmarking these against those of comparable properties and prior year inputs; and • discussed the COVID-19 implications on the critical assumptions used by the external valuers. Based on the procedures performed, we found that the valuers are competent and are members of recognised professional bodies for external valuers, the valuation techniques used were in line with generally accepted market practices and the key inputs used were within the range of market data. We have also assessed the adequacy of the disclosures relating to the key inputs and sensitivities, as we consider them as likely to be significant to the users of the financial statements given the estimation uncertainty and sensitivity of the valuations. We found the disclosures in the financial statements to be appropriate.

INDEPENDENT AUDITOR'S REPORT

To the Members of Far East Orchard Limited

Key Audit Matters (continued)

Key Audit Matter	How our audit addressed the Key Audit Matter
Impairment assessment of goodwill	
As at 31 December 2022, the Group's goodwill amounted to $37,257,000. Goodwill is allocated to the Group's cash generating units ("CGU") of 'Management services - Singapore' and 'Property ownership - Australia' CGU. Based on the goodwill impairment assessment performed by the Group, no impairment was identified for 'management services – Singapore' CGU and an impairment charge of S$5,110,000 was recorded to fully impair the 'Property ownership – Australia' CGU. The recoverable amount of • 'Management services – Singapore' CGU was determined based on Fair Value Less Cost To Sell using a combination of the Discounted Cash Flow method and Guideline Public Company method; and • 'Property ownership – Australia' CGU was determined based on Value-In-Use calculations using the Discounted Cash Flow method. The impairment assessment is a key audit matter due to the assumptions and judgements involved in computing the recoverable amount of each CGU. The assumptions and judgements were used to estimate cash flows from each CGU, the terminal growth rates and the discount rates applied in the discounted cash flow method and the comparability of underlying companies applied in the Guideline Public Company method. The key assumptions and sensitivities are disclosed in Note 3.2 and Note 23(a) to the accompanying financial statements respectively.	Our audit procedures focused on the reasonableness of the assumptions and judgements applied in the respective methods. The audit procedures were performed with the support from our valuation specialists. In respect of the Discounted Cash Flow method, we performed the following audit procedures: • assessed the reasonableness of the estimated cash flows by taking into account the relevant CGU's expected future operating performance (including revenue growth rates and profit margins), as well as historical actual performance, accuracy of management forecast in prior years and the general industry outlook; and • assessed the reasonableness of the terminal growth rates and discount rates applied using commonly accepted methodologies and benchmarks. For the Guideline Public Company method, we performed the following audit procedures: • compared the normalised earnings used to historical actual performance and obtained explanations from management regarding the nature and appropriateness of adjustments identified for one-off or exceptional items; and • assessed the appropriateness of the underlying comparable companies used to derive the earnings multiples, taking into account factors such as their principal business activity, size and financial performance. Based on the procedures performed, we found the underlying estimates and assumptions applied to be reasonable. We have also assessed the adequacy of the disclosures relating to the key assumptions and sensitivities and found the disclosures in the financial statements to be appropriate.

INDEPENDENT AUDITOR'S REPORT

To the Members of Far East Orchard Limited

Key Audit Matters (continued)

Key Audit Matter	How our audit addressed the Key Audit Matter
Valuation of investment in joint venture, Toga Hotel Holdings Unit Trust ("Toga Trust")	
As at 31 December 2022, the carrying value of the Group's material equity accounted joint venture, Toga Trust, amounted to $191,005,000. The carrying value of the Group's investment in Toga Trust is a key audit matter because of the significant assumptions and judgements applied by Toga Trust in determining: • Valuation of land and buildings classified under property, plant and equipment held at fair value; and • Impairment assessment of goodwill and brands with indefinite lives. The summarised financial information of Toga Trust, and sensitivities of the valuation of land and buildings and impairment assessment of goodwill and brands with indefinite lives are disclosed in Note 3.3 and Note 18 to the accompanying financial statements respectively.	We have audited the Toga Trust's financial information used by the Group in determining the carrying value of the investment in joint venture, Toga Trust. The audit focused on the valuation of land and buildings and impairment assessment of goodwill and brands with indefinite lives. Audit procedures similar to those set out in key audit matters "Valuation of investment properties and land and buildings classified under property, plant and equipment" and "Impairment assessment of goodwill" were performed. In the context of determining the valuation of the investment in Toga Trust, we found that for: • the valuation of land and buildings classified under property, plant and equipment held at fair value, the external valuers are competent and are members of recognised professional bodies, the valuation techniques used are in line with generally accepted market practices and key inputs used in the valuation to be within the range of market data; and • the impairment assessment of goodwill and brands with indefinite lives, the underlying estimates and assumptions applied to be reasonable. We have also assessed the adequacy of the disclosures relating to the summarised financial information of investment in a material joint venture, Toga Trust, and the sensitivities of the valuation of land and buildings and impairment assessment of goodwill and brands with indefinite lives. We found the disclosures in the financial statements to be appropriate.

INDEPENDENT AUDITOR'S REPORT

To the Members of Far East Orchard Limited

Other Information

Management is responsible for the other information. The other information comprises all the sections of the annual report but does not include the financial statements and our auditor's report thereon.

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Directors for the Financial Statements

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

INDEPENDENT AUDITOR'S REPORT

To the Members of Far East Orchard Limited

Auditor's Responsibilities for the Audit of the Financial Statements (continued)

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

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

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

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

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

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

Report on Other Legal and Regulatory Requirements

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

The engagement partner on the audit resulting in this independent auditor's report is Mr Chua Chin San.

PricewaterhouseCoopers LLP
Public Accountants and Chartered Accountants
Singapore, 15 March 2023

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the financial year ended 31 December 2022

	Note	**2022 $'000**	2021 $'000
Revenue	4	**140,968**	106,828
Cost of sales	5	**(67,862)**	(60,183)
Gross profit		**73,106**	46,645
Other income			
– Interest income	7	**2,560**	1,049
– Others	7	**576**	8,964
Other (losses)/gains and impairment losses – net	8	**(7,816)**	44,750
Expenses			
– Distribution and marketing	5	**(11,654)**	(8,109)
– Administrative	5	**(36,699)**	(34,362)
– Finance	9	**(20,895)**	(17,107)
Share of profit/(loss) of			
– Associated companies	17	**3,122**	2,460
– Joint ventures	18	**20,596**	(15,212)
Profit before income tax		**22,896**	29,078
Income tax expense	10(a)	**(1,420)**	(12,304)
Profit after income tax		**21,476**	16,774
Other comprehensive income/(loss):			
Items that may be reclassified subsequently to profit or loss:			
Cash flow hedges – Fair value gains	26	**8,878**	6,374
Share of other comprehensive income of joint ventures		**5,693**	3,814
Currency translation differences arising from consolidation			
– Losses		**(27,810)**	(8,794)
– Reclassification		**(1,627)**	(1,391)
		(14,866)	3
Items that will not be reclassified subsequently to profit or loss:			
Share of other comprehensive income/(loss) of:			
– Associated companies	17	**952**	(921)
– Joint ventures	18	**8,128**	16,137
Revaluation gains on property, plant and equipment – net		**5,497**	7,851
Financial asset, at FVOCI			
– Fair value losses - equity investment		**(50)**	-
Currency translation differences arising from consolidation		**(6,358)**	(3,786)
Other comprehensive (loss)/income, net of tax	10(c)	**(6,697)**	19,284
Total comprehensive income		**14,779**	36,058
Profit/(Loss) attributable to:			
Equity holders of the Company		**21,918**	28,127
Non-controlling interest		**(442)**	(11,353)
		21,476	16,774
Total comprehensive income/(loss) attributable to:			
Equity holders of the Company		**17,431**	43,080
Non-controlling interest		**(2,652)**	(7,022)
		14,779	36,058
Basic and diluted earnings per share for profit attributable to equity holders of the Company (cents per share)	11	**4.67**	6.12

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

BALANCE SHEET – GROUP

As at 31 December 2022

	Note	2022 $'000	2021 $'000
ASSETS			
Current assets			
Cash and bank balances	12	**233,195**	255,189
Trade and other receivables	13	**45,014**	23,845
Inventories		**363**	224
Properties held for sale	15	**176,218**	186,891
Non-current asset classified as held-for-sale	20	**365**	-
		455,155	466,149
Non-current assets			
Derivative financial instruments	26	**12,749**	4,578
Financial asset, at FVOCI	16	**1,140**	-
Other non-current assets	14	**5,599**	6,356
Investments in associated companies	17	**27,233**	23,159
Investments in joint ventures	18	**480,468**	470,212
Investment properties	20	**853,207**	929,565
Property, plant and equipment	21	**592,683**	610,239
Intangible assets	23	**103,343**	111,405
Deferred income tax assets	28	**3,657**	3,721
		2,080,079	2,159,235
Total assets		**2,535,234**	2,625,384
LIABILITIES			
Current liabilities			
Trade and other payables	24	**99,422**	97,401
Current income tax liabilities	10(b)	**1,523**	2,640
Lease liabilities	22	**8,375**	9,334
Borrowings	25	**220,930**	389,760
Deferred income	27	**14,965**	13,071
		345,215	512,206
Non-current liabilities			
Other payables	24	**100,981**	101,203
Lease liabilities	22	**91,296**	100,230
Borrowings	25	**381,280**	302,275
Deferred income	27	**262,717**	269,514
Deferred income tax liabilities	28	**50,302**	48,261
		886,576	821,483
Total liabilities		**1,231,791**	1,333,689
NET ASSETS		**1,303,443**	1,291,695
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital	29	**535,958**	525,053
Revaluation and other reserves	30	**351,099**	355,581
Retained profits		**407,471**	399,494
		1,294,528	1,280,128
Non-controlling interest	19	**8,915**	11,567
TOTAL EQUITY		**1,303,443**	1,291,695

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

BALANCE SHEET – COMPANY

As at 31 December 2022

	Note	2022 $'000	2021 $'000
ASSETS			
Current assets			
Cash and bank balances	12	**143,853**	137,921
Trade and other receivables	13	**180,151**	175,993
Inventories		**10**	20
		324,014	313,934
Non-current assets			
Derivative financial instruments	26	**6,572**	2,774
Financial asset, at FVOCI	16	**1,140**	-
Other non-current assets	14	**369,888**	327,927
Investments in associated companies	17	**696**	696
Investment in a joint venture	18	**300**	300
Investments in subsidiaries	19	**852,510**	852,112
Investment properties	20	**124,335**	136,974
Property, plant and equipment	21	**379,704**	384,560
Deferred income tax assets	28	**2,630**	2,577
		1,737,775	1,707,920
Total assets		**2,061,789**	2,021,854
LIABILITIES			
Current liabilities			
Trade and other payables	24	**38,180**	4,866
Lease liabilities	22	**6,213**	6,106
Borrowings	25	**119,002**	130,199
Deferred income	27	**6,804**	6,813
		170,199	147,984
Non-current liabilities			
Other payables	24	**338,471**	361,779
Lease liabilities	22	**67,384**	74,280
Borrowings	25	**230,575**	182,289
Deferred income	27	**262,717**	269,514
		899,147	887,862
Total liabilities		**1,069,346**	1,035,846
NET ASSETS		**992,443**	986,008
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital	29	**535,958**	525,053
Revaluation and other reserves	30	**299,391**	292,311
Retained profits	31	**157,094**	168,644
TOTAL EQUITY		**992,443**	986,008

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the financial year ended 31 December 2022

	Note	Share capital $'000	Capital reserve $'000	Asset revaluation reserve $'000	Currency translation reserve $'000	Fair value reserve $'000	Hedging reserve $'000	Retained profits $'000	Total $'000	Non-controlling interest $'000	Total equity $'000
		← Attributable to equity holders of the Company							→		
2022											
Balance at 1 January 2022		**525,053**	**13,977**	**378,667**	**(38,565)**	**(2,502)**	**4,004**	**399,494**	**1,280,128**	**11,567**	**1,291,695**
Profit/(Loss) for the year		-	-	-	-	-	-	21,918	21,918	(442)	21,476
Other comprehensive income/(loss) for the year		-	-	11,137	(29,281)	902	12,755	-	(4,487)	(2,210)	(6,697)
Total comprehensive income/ (loss) for the year		-	-	11,137	(29,281)	902	12,755	21,918	17,431	(2,652)	14,779
Dividend paid in cash relating to 2021	32	-	-	-	-	-	-	(3,031)	(3,031)	-	(3,031)
Shares issued in-lieu of cash for dividend relating to 2021	29	10,905	-	-	-	-	-	(10,905)	-	-	-
Transfer of share of associated company's fair value reserve upon disposal	30(iii)	-	-	-	-	5	-	(5)	-	-	-
Total transactions with owners, recognised directly in equity		10,905	-	-	-	5	-	(13,941)	(3,031)	-	(3,031)
Balance at 31 December 2022		**535,958**	**13,977**	**389,804**	**(67,846)**	**(1,595)**	**16,759**	**407,471**	**1,294,528**	**8,915**	**1,303,443**

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the financial year ended 31 December 2022

	Note	Attributable to equity holders of the Company									
		Share capital	Capital reserve	Asset revaluation reserve	Currency translation reserve	Fair value reserve	Hedging reserve	Retained profits	Total	Non-controlling interest	Total equity
		$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
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 paid in cash relating to 2020	32	-	-	-	-	-	-	(3,835)	(3,835)	-	(3,835)
Shares issued in-lieu of cash for dividend relating to 2020	29	9,819	-	-	-	-	-	(9,819)	-	-	-
Transfer of share of associated company's fair value reserve upon disposal	30(iii)	-	-	-	-	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

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

CONSOLIDATED STATEMENT OF CASH FLOWS

For the financial year ended 31 December 2022

	Note	2022 $'000	2021 $'000
Cash flows from operating activities			
Profit after income tax		**21,476**	16,774
Adjustments for:			
– Income tax expense	10(a)	**1,420**	12,304
– Depreciation of property, plant and equipment	5	**17,639**	20,095
– Amortisation of intangible assets	5	**2,594**	2,705
– Impairment of properties held for sale – net	8	**3,151**	102
– Impairment of advances to a joint venture	8	**68**	-
– Impairment of property, plant and equipment	8	**2**	191
– Impairment of goodwill	8	**5,110**	-
– Fair value gains on investment properties – net	8	**(2,610)**	(43,940)
– Revaluation (gains)/losses on property, plant and equipment	8	**(2,292)**	51
– Gain on re-measurement of lease liability	8	**(45)**	(5,116)
– Loss on derecognition of financial asset	8	**30**	-
– Gain on sale of reversionary interest in a property	8	**(1,800)**	-
– (Gain)/Loss on disposal of property, plant and equipment	8	**(18)**	6
– Gain on disposal of investment properties	8	**(5,638)**	-
– Reclassification of exchange differences of subsidiaries from currency translation reserve upon disposal	8	**-**	(1,391)
– Reclassification of exchange differences of advances upon realisation	8	**(1,627)**	-
– Interest income	7	**(2,560)**	(1,049)
– Finance expenses	9	**20,895**	17,107
– Share of profit of associated companies	17	**(3,122)**	(2,460)
– Share of (profit)/loss of joint ventures	18	**(20,596)**	15,212
– Unrealised currency translation losses		**13,435**	5,288
		45,512	35,879
Changes in working capital:			
– Trade and other receivables		**(5,330)**	(1,376)
– Inventories		**(153)**	35
– Properties held for sale		**(16)**	(7,982)
– Trade and other payables		**(492)**	(7,736)
Cash generated from operations		**39,521**	18,820
Interest paid		**(135)**	(135)
Income tax paid - net		**(2,120)**	(2,100)
Net cash provided by operating activities		**37,266**	16,585
Cash flows from investing activities			
Additions to property, plant and equipment		**(1,086)**	(10,013)
Proceeds from disposal of property, plant and equipment		**21**	-
Additions to investment properties		**(4,678)**	(2,102)
Proceeds from disposal of investment properties		**18,728**	-
Investment in a financial asset, at FVOCI		**(1,365)**	-
Proceeds from disposal of reversionary interest in a property		**1,800**	-
Advanced payment		**(1,122)**	-
Investment in joint ventures	18	**(3,042)**	-
Advances to joint ventures		**(16,309)**	(918)
Repayment of advances from a joint venture		**833**	-
Dividend received from joint ventures	18	**5,578**	-
Interest received		**1,271**	998
Net cash provided by/(used in) investing activities		**629**	(12,035)

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

CONSOLIDATED STATEMENT OF CASH FLOWS

For the financial year ended 31 December 2022

	Note	**2022**	2021
		$'000	$'000
Cash flows from financing activities			
Decrease in bank deposits pledged		**3,156**	2,556
Proceeds from borrowings		**196,390**	137,789
Repayment of borrowings		**(214,314)**	(129,618)
Principal payment of lease liabilities		**(9,053)**	(12,197)
Interest paid on lease liabilities		**(6,199)**	(8,375)
Interest paid on borrowings		**(14,427)**	(8,669)
Dividends paid to equity holders of the Company	32	**(3,031)**	(3,835)
Net cash used in financing activities		**(47,478)**	(22,349)
Net decrease in cash and cash equivalents		**(9,583)**	(17,799)
Cash and cash equivalents			
Beginning of financial year		**226,510**	247,147
Effects of currency translation on cash and cash equivalents		**(9,255)**	(2,838)
End of financial year	12	**207,672**	226,510

Reconciliation of liabilities arising from financing activities

	Beginning of financial year	Principal and interest receipts/ (payments)	Non-cash changes				End of financial year
			Interest expenses	Disposals - net	Lease remeasure-ment	Foreign exchange movement	
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
2022							
Bank borrowings	692,035	(17,924)	281	-	-	(72,182)	602,210
Lease liabilities	109,564	(15,252)	6,199	(153)	(687)	-	99,671
Interest payable	403	(13,235)	13,088	-	-	-	256
Advances from non-controlling interest	138,462	(1,327)	1,327	-	-	-	138,462

	Beginning of financial year	Principal and interest receipts/ (payments)	Non-cash changes				End of financial year
			Interest expenses	Additions	Lease modification	Foreign exchange movement	
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
2021							
Bank borrowings	683,081	8,171	207	-	-	576	692,035
Lease liabilities	147,985	(20,572)	8,375	487	(26,717)	6	109,564
Interest payable	105	(7,477)	7,774	-	-	1	403
Advances from non-controlling interest	138,462	(1,327)	1,327	-	-	-	138,462

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2022

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

1. GENERAL INFORMATION

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

The principal activities of the Company are investment holding, hotel operations and property investment. The principal activities of its significant subsidiaries, joint ventures and associated company are included in Note 38.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

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

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

Interpretations and amendments to published standards effective in 2022

On 1 January 2022, the Group has adopted the new or amended SFRS(I) and Interpretations of SFRS(I) ("INT SFRS(I)") that are mandatory for application for the financial year. Changes to the Group's accounting policies have been made as required, in accordance with the transitional provisions in the respective SFRS(I) and INT SFRS(I).

The adoption of these new or amended SFRS(I) and INT SFRS(I) did not result in substantial changes to the Group's accounting policies and had no material effect on the amounts reported for the current or prior financial years.

2.2 Revenue

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

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

(a) Hospitality operations

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2022

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 Revenue (continued)

(b) Hospitality management and other related fees

(i) Hospitality management fees

Management fees earned from hospitality properties managed by the Group are recognised over time in the accounting period when services are rendered under the terms of the contract. The fees include a base fee, which is generally a percentage of the hospitality property's revenue, and/or an incentive fee, which is generally based on the hospitality property's profitability. No element of financing is deemed present as the sales are made with a credit term of Nil to 30 days.

(ii) Other related fees

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

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

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

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

For centralised service fees, revenue is recognised based on agreed rate over the number of hotel keys or a percentage of the hospitality property's revenue. For other fees, revenue is recognised based on agreed rate and completion of service milestone stated in the contract.

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

(c) Sale of properties held for sale

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

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

(d) Rental income

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

(e) Interest income

Interest income is recognised using the effective interest method.

(f) Dividend income

Dividend income is recognised when the right to receive payment is established, it is probable that the economic benefits associated with the dividend will flow to the Group, and the amount of the dividend can be reliably measured.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2022

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 Government grants

Grants from the government are recognised as a receivable at their fair value when there is reasonable assurance that the grant will be received and the Group will comply with all the attached conditions.

Government grants receivable are recognised as income over the periods necessary to match them with the related costs which they are intended to compensate, on a systematic basis. Government grants that compensate the Group for expenses incurred are shown separately as "other income".

2.4 Group accounting

(a) Subsidiaries

(i) Consolidation

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

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

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

(ii) Acquisitions

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

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

Acquisition-related costs are expensed as incurred.

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2022

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.4 Group accounting (continued)

(a) Subsidiaries (continued)

(ii) Acquisitions (continued)

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

The excess of (a) the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the (b) fair value of the identifiable net assets acquired is recorded as goodwill. Refer to Note 2.7(a) "*Intangible assets – Goodwill on acquisitions*" for the subsequent accounting policy on goodwill.

(iii) Disposals

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

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

Refer to Note 2.10 "*Investments in subsidiaries, joint ventures and associated companies*" for the accounting policy on investments in subsidiaries in the separate financial statements of the Company.

(b) Transactions with non-controlling interest

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

(c) Joint operations

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

The Group recognises, in relation to its interest in the joint operation:

– its assets, including its share of any assets held jointly;
– its liabilities, including its share of any liabilities incurred jointly;
– its revenue from the sale of its share of the output arising from the joint operation;
– its share of the revenue from the sale of the output by the joint operation; and
– its expenses, including its share of any expenses incurred jointly.

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2022

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.4 Group accounting (continued)

(c) Joint operations (continued)

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

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

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

(d) Associated companies and joint ventures

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

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

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

(i) Acquisitions

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

(ii) Equity method of accounting

Under the equity method of accounting, the investments are initially recognised at cost and adjusted thereafter to recognise Group's share of its associated companies' or joint ventures' post-acquisition profits or losses of the investee in profit or loss and its share of movements in other comprehensive income of the investee's other comprehensive income. Dividends received or receivable from the associated companies or joint ventures are recognised as a reduction of the carrying amount of the investments. When the Group's share of losses in an associated company or joint venture equals to or exceeds its interest in the associated company or joint venture, the Group does not recognise further losses, unless it has legal or constructive obligations to make, or has made, payments on behalf of the associated company or joint venture. If the associated company or joint venture subsequently reports profits, the Group resumes recognising its share of those profits only after its share of the profits equals the share of losses not recognised. Interest in an associated company or joint venture includes any long-term loans for which settlement is never planned nor likely to occur in the foreseeable future.

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2022

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.4 Group accounting (continued)

(d) Associated companies and joint ventures (continued)

(iii) Disposals

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

Refer to Note 2.10 "*Investments in subsidiaries, joint ventures and associated companies*" for the accounting policy on investments in associated companies and joint ventures in the separate financial statements of the Company.

2.5 Property, plant and equipment

(a) Measurement

(i) Land and buildings

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

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

Increases in carrying amounts arising from revaluation, including currency translation differences, are recognised in other comprehensive income and accumulated in equity, unless they reverse a revaluation decrease of the same asset previously recognised in profit or loss. In this case, the increase is recognised in profit or loss. Decreases in carrying amounts are recognised in other comprehensive income to the extent of any credit balance existing in the equity in respect of that asset and reduces the amount accumulated in equity. All other decreases in carrying amounts are recognised in profit or loss.

(ii) Other property, plant and equipment

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

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

(iii) Components of costs

The cost of an item of property, plant and equipment initially recognised includes its purchase price and any cost that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Cost also includes borrowing costs. Refer to Note 2.8 "*Borrowing costs*" for the accounting policy on borrowing costs.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2022

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 Property, plant and equipment (continued)

(b) Depreciation

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

	Useful lives
Buildings and offices	50 years or remaining lease term
Plant, equipment, furniture and fittings	3 – 10 years
Motor vehicles	5 – 10 years
Leasehold improvements and other assets	5 – 10 years

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

(c) Subsequent expenditure

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

(d) Disposal

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

2.6 Properties held for sale

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

2.7 Intangible assets

(a) Goodwill on acquisitions

Goodwill on acquisitions of subsidiaries and businesses represents the excess of (i) the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over (ii) the fair value of the identifiable net assets acquired. Goodwill on acquisitions of subsidiaries and businesses is recognised separately as intangible assets and carried at cost less accumulated impairment losses.

Goodwill on acquisitions of associated companies and joint ventures represents the excess of the cost of the acquisition over the Group's share of the fair value of the identifiable net assets acquired. Goodwill on associated companies and joint ventures is included in the carrying amount of the investments.

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2022

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.7 Intangible assets (continued)

(b) Acquired hospitality lease agreements and hospitality management agreements

Hospitality lease agreements and hospitality management agreements acquired in a business combination are initially recognised at cost and are subsequently carried at cost less accumulated amortisation and accumulated impairment losses, if any. These costs are amortised to profit or loss using the straight-line method over the term of the agreements of 10 to 40 years.

2.8 Borrowing costs

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

The actual borrowing costs incurred during the period of time that is required to complete the asset for its intended use less any investment income on temporary investment of these borrowings, are capitalised in the cost of the asset under construction or property under development. Borrowing costs on general borrowings are capitalised by applying a capitalisation rate to construction or development expenditures that are financed by general borrowings.

2.9 Investment properties

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

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

Investment properties are subject to renovations or improvements at regular intervals. The cost of major renovations or improvements is capitalised and the carrying amounts of the replaced components are recognised in profit or loss. The cost of maintenance, repairs and minor improvements is recognised in profit or loss when incurred.

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

2.10 Investments in subsidiaries, joint ventures and associated companies

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

2.11 Impairment of non-financial assets

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2022

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.11 Impairment of non-financial assets (continued)

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

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

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

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

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

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

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

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

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

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

For an asset other than goodwill, management assesses at the end of the reporting period whether there is any indication that an impairment recognised in prior periods may no longer exist or may have decreased. If any such indication exists, the recoverable amount of that asset is estimated and may result in a reversal of impairment loss. The carrying amount of this asset is increased to its revised recoverable amount, provided that this amount does not exceed the carrying amount that would have been determined (net of any accumulated amortisation or depreciation) had no impairment loss been recognised for the asset in prior years.

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2022

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.12 Investments and other financial assets

(a) Classification and measurement

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

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

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

At initial recognition

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

At subsequent measurement

(i) Debt instruments

Debt instruments mainly comprise of cash and cash equivalents and trade and other receivables.

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2022

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.12 Investments and other financial assets (continued)

(a) Classification and measurement (continued)

<u>At subsequent measurement</u> (continued)

(ii) Equity investments

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

(b) Impairment

The Group assesses on a forward-looking basis the expected credit losses associated with its debt financial assets carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk. Note 34(b) details how the Group determines whether there has been a significant increase in credit risk.

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

(c) Recognition and derecognition

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

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

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

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

2.13 Non-current assets held-for-sale

Non-current assets are classified as assets held-for-sale and carried at the lower of carrying amount and fair value less costs to sell if their carrying amount is recovered principally through a sale transaction rather than through continuing use. The assets are not depreciated or amortised while they are classified as held-for-sale. Any impairment loss on initial classification and subsequent measurement is recognised as an expense. Any subsequent increase in fair value less costs to sell (not exceeding the accumulated impairment loss that has been previously recognised) is recognised in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2022

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.14 Derivative financial instruments and hedging activities

A derivative financial instrument is initially recognised at its fair value on the date the contract is entered into and is subsequently carried at its fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Group designates each hedge as either: (a) cash flow hedge; or (b) net investment hedge.

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

The Group documents at the inception of the transaction the relationship between the hedging instruments and hedged items, as well as its risk management objective and strategies for undertaking various hedging transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis on whether the hedging relationship meets the hedge effectiveness requirements under SFRS(I) 9.

The fair value of various derivative financial instruments used for hedging purposes are disclosed in Note 26. The carrying amount of a derivative designated as a hedge is presented as a non-current asset or liability if the remaining expected life of the hedged item is more than 12 months, and as a current asset or liability if the remaining expected life of the hedged item is less than 12 months. The fair value of a trading derivative is presented as a current asset or liability.

The following hedges in place qualified respectively as cash flow and net investment hedges under SFRS(I) 9.

(a) Cash flow hedge – Interest rate swaps

The Group has entered into interest rate swaps that are cash flow hedges for the Group's exposure to interest rate risk on its borrowings. These contracts entitle the Group to receive interest at floating rates on notional principal amounts and oblige the Group to pay interest at fixed rates on the same notional principal amounts, thus allowing the Group to raise borrowings at floating rates and swap them into fixed rates.

The fair value changes on the effective portion of interest rate swaps designated as cash flow hedges are recognised in other comprehensive income, accumulated in the hedging reserve and reclassified to profit or loss when the hedged interest expense on the borrowings is recognised in profit or loss and presented separately in "Finance expenses". The fair value changes on the ineffective portion of interest rate swaps are recognised immediately in profit or loss.

(b) Net investment hedge

The Group has foreign currency borrowings that qualify as net investment hedges of foreign operations. These hedging instruments are accounted for similarly to cash flow hedges. The currency translation differences on the borrowings relating to the effective portion of the hedge are recognised in other comprehensive income in the consolidated financial statements, accumulated in the currency translation reserve and reclassified to profit or loss as part of the gain or loss on disposal of the foreign operation. The currency translation differences relating to the ineffective portion of the hedge are recognised immediately in profit or loss.

2.15 Financial guarantees

The Company has issued letters of undertaking to banks for bank borrowings of certain subsidiaries. These undertakings are financial guarantees as they require the Company to reimburse the banks if these subsidiaries fail to meet financial covenants in accordance with the terms of borrowings. Intra-group transactions are eliminated on consolidation.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2022

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.15 Financial guarantees (continued)

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

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

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

2.16 Borrowings

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

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

2.17 Trade and other payables

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

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

2.18 Fair value estimation of financial assets and liabilities

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

2.19 Leases

(a) When the Group is the lessee:

At the inception of the contract, the Group assesses if the contract contains a lease. A contract contains a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Reassessment is only required when the terms and conditions of the contract are changed.

- Right-of-use assets

  The Group recognises a right-of-use asset and lease liability at the date which the underlying asset is available for use. Right-of-use assets are measured at cost which comprises the initial measurement of lease liabilities adjusted for any lease payments made at or before the commencement date and lease incentive received. Any initial direct costs that would not have been incurred if the lease had not been obtained are added to the carrying amount of the right-of-use assets.

  These right-of-use assets are subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term.

  Right-of-use assets (except for those which meet the definition of an investment property) are presented within "Property, plant and equipment".

  There are no right-of-use assets which meet the definition of an investment property.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2022

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.19 Leases (continued)

(a) When the Group is the lessee: (continued)

- Lease liabilities

The initial measurement of lease liability is measured at the present value of the lease payments discounted using the implicit rate in the lease, if the rate can be readily determined. If that rate cannot be readily determined, the Group shall use its incremental borrowing rate.

Lease payments include the following:

– Fixed payments (including in-substance fixed payments), less any lease incentives receivables;
– Variable lease payments that are based on an index or rate, initially measured using the index or rate as at the commencement date;
– Amounts expected to be payable under residual value guarantees;
– The exercise price of a purchase option if it is reasonably certain to exercise the option; and
– Payment of penalties for terminating the lease, if the lease term reflects the Group exercising that option.

For contracts that contain both lease and non-lease components, the Group allocates the consideration to each lease component on the basis of the relative stand-alone price of the lease and non-lease component. The Group has elected to not separate lease and non-lease components for property leases and accounts these as one single lease component.

Lease liabilities are measured at amortised cost using the effective interest method. Lease liabilities shall be re-measured when:

– There is a change in future lease payments arising from changes in an index or rate;
– There is a change in the Group's assessment of whether it will exercise an extension option; or
– There is a modification in the scope or the consideration of the lease that was not part of the original term.

Lease liabilities are re-measured with a corresponding adjustment to the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

- Short-term and low value leases

The Group has elected to not recognise right-of-use assets and lease liabilities for short-term leases that have lease terms of 12 months or less and leases of low value, except for sublease arrangements. Lease payments relating to these leases are expensed to profit or loss on a straight-line basis over the lease term.

- Variable lease payments

Variable lease payments that are not based on an index or a rate are not included as part of the measurement and initial recognition of the lease liability. The Group shall recognise those lease payments in profit or loss in the periods that triggered those lease payments. Details of the variable lease payments are disclosed in Note 22.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2022

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.19 Leases (continued)

(b) When the Group is the lessor

- Lessor – Operating leases

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

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

Contingent rents are recognised as income in profit or loss when earned.

2.20 Income taxes

Current income tax for current and prior periods is recognised at the amount expected to be paid to or recovered from the tax authorities, using the tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and considers whether it is probable that a tax authority will accept an uncertain tax treatment. The Group measures its tax balances either based on the most likely amount or the expected value, depending on which method provides a better prediction of the resolution of the uncertainty.

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

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

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

Deferred income tax is measured:

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2022

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.20 Income taxes (continued)

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

2.21 Provisions

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

Present obligations arising under onerous contracts are recognised and measured as provisions. An onerous contract is considered to exist where the Group has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it.

Provisions are measured at the present value of the expenditure expected to be required to settle the obligation using a pre-tax discount rate that reflects the current market assessment of the time value of money and the risks specific to the obligation. The increase in the provision due to the passage of time is recognised in the consolidated statement of comprehensive income as finance expense.

Changes in the estimated timing or amount of the expenditure or discount rate are recognised in profit or loss when the changes arise.

2.22 Employee compensation

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

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

2.23 Currency translation

(a) Functional and presentation currency

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

(b) Transactions and balances

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2022

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.23 Currency translation (continued)

(b) Transactions and balances (continued)

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

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

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

(c) Translation of Group entities' financial statements

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

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

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

(iii) all resulting currency translation differences are recognised in other comprehensive income and accumulated in the currency translation reserve. These currency translation differences are reclassified to profit or loss on disposal or partial disposal with loss of control of the foreign operation.

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

2.24 Segment reporting

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

2.25 Cash and cash equivalents

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

2.26 Share capital

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2022

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.27 Dividends to equity holders of the Company

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

3. CRITICAL ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGEMENTS

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

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

As at 31 December 2022, the Group's investment properties of $853,207,000 (2021: $929,565,000) (Note 20) and land and buildings of $500,545,000 (2021: $505,384,000) (Note 21) classified under property, plant and equipment, are stated at their estimated fair values determined by independent external valuers. These estimated fair values may differ significantly from the prices at which these properties can be sold due to the actual negotiations between willing buyers and sellers as well as changes in assumptions and conditions arising from unforeseen events. Consequently, the actual results and the realisation of these properties could differ significantly from the estimates set forth in these financial statements.

If the actual fair values of investment properties increase or decrease by 1% (2021: 1%) from the estimates, the profit after tax and net assets will increase or decrease by $7,089,000 (2021: $7,679,000).

If the actual fair values of land and buildings classified under property, plant and equipment increase or decrease by 1% (2021: 1%) from the estimates, the total comprehensive income and the net assets of the Group will increase or decrease by $4,567,000 (2021: $4,589,000).

3.2 Impairment assessment of goodwill

Based on the Group's impairment assessment, no impairment is required for goodwill allocated to CGU within the hospitality business for 'Management services – Singapore' CGU of $37,257,000 (2021: $37,257,000). An impairment charge of $5,110,000 (2021: $Nil) to 'Property ownership – Australia' CGU was recognised as the carrying value of the CGU exceeded the recoverable amount. The recoverable amounts of the CGUs (Note 23(a)) are determined on the following basis:

- 'Management services – Singapore' CGU: Fair value less cost to sell ("FVLCTS")
- 'Property ownership – Australia' CGU: Value-in-use

Judgements are used to estimate the key assumptions applied (Note 23(a)) in computing the recoverable amounts of the CGUs.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2022

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

3.2 Impairment assessment of goodwill (continued)

(i) Management services – Singapore

A reasonably possible change of the following magnitude on the key assumptions will not result in a reduction of the carrying amount of the goodwill as at 31 December 2022:

	Higher/(lower)
Discounted Cash Flow method	
EBITDA* margin	(2.4%)
Terminal growth rate	(1.1%)
Post-tax discount rate	0.6%

* EBITDA is defined as earnings before interest, taxes, depreciation and amortisation

Guideline Public Company method	
Multiples	(10.8%)
Normalised earnings	(10.8%)

(ii) Property ownership – Australia

As at 31 December 2022, as the carrying value of the CGU exceeded the recoverable amount, an impairment charge of $5,110,000 was recognised and the goodwill was fully written off.

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

As at 31 December 2022, the carrying value of the Group's investment in Toga Trust accounted for using the equity method of accounting amounted to $191,005,000 (2021: $182,907,000) (Note 18). The Group's share of Toga Trust's results recognised in the profit or loss and other comprehensive income are affected by the significant estimates and assumptions applied by Toga Trust in the:

– Determination of the fair value of its land and buildings classified under property, plant and equipment with a carrying amount of $361,085,000 (2021: $381,887,000); and

– Impairment assessment of its goodwill and brands with indefinite lives with a carrying amount of $175,041,000 (2021: $187,808,000).

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

If the actual fair values of these land and buildings increase or decrease by 1% (2021: 1%), the net assets of the Group will increase or decrease by $1,287,000 (2021: $1,356,000).

If the recoverable amount of the CGU (which the goodwill and brands with indefinite lives are allocated to) decreases by 5% (2021: 5%), there will be a reduction of $235,000 (2021: $465,000) in the carrying value of the Group's investment in Toga Trust.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2022

4. REVENUE

	Group	
	2022	2021
	$'000	$'000
Revenue from contracts with customers	**87,981**	56,568
Rental income	**52,987**	50,260
	140,968	106,828

(a) Disaggregation of revenue from contracts with customers

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

	Group	
	2022	2021
	$'000	$'000
Hospitality ownership and operations		
– Singapore	**24,240**	18,199
– Australia	**42,699**	21,804
– Other countries	**2,518**	3,681
	69,457	43,684
Hospitality management and other related fees received/receivable		
Singapore		
– Other related parties	**18,311**	12,838
– Non-related parties	**52**	-
Other countries		
– Other related parties	**161**	46
Total revenue from contracts with customers	**87,981**	56,568

(b) Contract liabilities

	Group		
	31 December		1 January
	2022	2021	2021
	$'000	$'000	$'000
Hospitality ownership and operations	**89**	870	263
Hospitality management and other related fees	**243**	55	116
Total contract liabilities (Note 24)	**332**	925	379

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2022

4. REVENUE (continued)

(b) Contract liabilities (continued)

Contract liabilities as at 31 December 2022 have decreased as contract liabilities for hospitality ownership and operations as at 31 December 2021 included an advance consideration received from a non-related party. In 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 Residence Clarke Quay and situated at 20 Havelock Road, Singapore (the "Sale"). The Sale was completed in March 2022. As at 31 December 2021, an amount equivalent to 15 percent of the sale consideration was received in advance.

Revenue recognised in relation to contract liabilities

	Group	
	2022	2021
	$'000	$'000
Revenue recognised in current year that was included in the contract liability balance at the beginning of the year		
Hospitality ownership and operations	**870**	263
Hospitality management and other related fees	**55**	116
	925	379

(c) Trade receivables from contracts with customers

	Group			Company		
	31 December		1 January	31 December		1 January
	2022	2021	2021	**2022**	2021	2021
	$'000	$'000	$'000	**$'000**	$'000	$'000
Current assets						
Trade receivables from contracts with customers	**11,900**	5,530	5,163	**1,463**	528	592
Less: Allowance for impairment of receivables	**(51)**	(19)	(181)	**-**	-	(82)
	11,849	5,511	4,982	**1,463**	528	510

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2022

5. EXPENSES BY NATURE

	Group	
	2022	2021
	$'000	$'000
Depreciation of property, plant and equipment (Note 21)	**17,639**	20,095
Amortisation of intangible assets (Note 23(b))	**2,594**	2,705
Advertising, promotion and marketing	**8,201**	5,410
Hospitality supplies and services	**16,346**	11,516
Hospitality management fees – joint venture	**1,695**	1,205
Directors' fees	**514**	459
Employee compensation (Note 6)	**35,192**	30,704
Property tax and upkeep of properties	**18,288**	16,814
Rental expense on operating leases (Note 22(d))		
– other related parties	**1,053**	357
– non-related parties	**182**	-
Support services paid/payable to:		
– joint venture	**2,896**	1,792
– other related parties	**2,903**	4,044
Fees on audit services paid/payable to:		
– auditor of the Company	**505**	504
– other auditors*	**383**	372
Fees on non-audit services paid/payable to:		
– auditor of the Company	**168**	102
– other auditors*	**82**	42
Professional fees	**5,396**	3,784
Insurance	**1,138**	1,377
Allowance for impairment losses on trade receivables – net (Note 34(b))	**852**	171
Other expenses	**188**	1,201
Total cost of sales, distribution and marketing, and administrative expenses	**116,215**	102,654

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

Included in the Group's other expenses is amortisation of deferred income (Note 27) amounting to $5,166,000 (2021: $5,166,000).

6. EMPLOYEE COMPENSATION

	Group	
	2022	2021
	$'000	$'000
Wages, salaries and benefits	**32,285**	28,140
Employer's contribution to defined contribution plans, including Central Provident Fund	**2,907**	2,564
	35,192	30,704

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2022

7. OTHER INCOME

	Group	
	2022	2021
	$'000	$'000
Interest income from:		
– bank deposits	**2,444**	927
– advances to joint ventures	**116**	122
	2,560	1,049
Government grant income		
– wage and other subsidies (a)	**242**	3,813
– rental support (b)	**-**	4,500
Other miscellaneous income	**334**	651
	576	8,964
	3,136	10,013

(a) Government grant income received in the financial year ended 31 December 2022 mainly relates to wage subsidies received from the Singapore government. During the financial year ended 31 December 2021, government grant income included wage subsidies amounting to $2,547,000 and $878,000 under the Jobs Support Scheme (the "JSS") and the JobKeeper Payment Scheme (the "JKP") respectively. The JSS was a temporary scheme introduced in the Singapore Budget 2020 to help enterprises retain local employees. The scheme was extended to 2021 by the Singapore government. Under the JSS, employers will receive cash grants in relation to the gross monthly wages of eligible employees. The JKP was a temporary scheme introduced by the Australian government in 2020 to help keep Australians employed through providing wage subsidies to employers. Wage subsidies received from New Zealand and Malaysian governments were also recognised in 2021.

(b) During the financial year ended 31 December 2021, rental support income was received from the Singapore government to help businesses in Singapore to cope with the impact of tighter COVID-19 restrictions during the Phase Two (Heightened Alert) period.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2022

8. OTHER (LOSSES)/GAINS AND IMPAIRMENT LOSSES – NET

	Group	
	2022	2021
	$'000	$'000
Impairment of:		
– properties held for sale – net (Note 15)	**(3,151)**	(102)
– advances to a joint venture	**(68)**	-
– property, plant and equipment (Note 21)	**(2)**	(191)
– goodwill (Note 23 (a))	**(5,110)**	-
Fair value gains on investment properties – net (Note 20)	**2,610**	43,940
Revaluation gains/(losses) on property, plant and equipment (Note 21)	**2,292**	(51)
Gain on re-measurement of lease liability (a)	**45**	5,116
Loss on derecognition of financial asset	**(30)**	-
Gain on sale of reversionary interest in a property (a)	**1,800**	-
Gain/(Loss) on disposal of:		
– property, plant and equipment	**18**	(6)
– investment properties (b)	**5,638**	-
Currency exchange losses – net	**(13,485)**	(5,347)
Reclassification of exchange differences of subsidiaries from currency translation reserve upon disposal (c)	**-**	1,391
Reclassification of exchange differences of advances upon realisation (d)	**1,627**	-
	(7,816)	44,750

(a) The Group has recognised a gain on sale of its revisionary interest of approximately 1.5 years in the whole of Lot 320N of Town Subdivision 8 together with the building erected thereon known as Village Residences Clarke Quay ("VRCQ") situated at 20 Havelock Road, Singapore (the "Sale") upon completion of the Sale in March 2022. Subsequent to the completion of the Sale, the master lease agreement of VRCQ was terminated and the operations have ceased from end March 2022. The Group entered into a put and call option agreement for this Sale in December 2021. As at 31 December 2021, the lease liability was remeasured with a corresponding adjustment to the right-of-use asset (Note 21). A gain of $5,116,000, being the amount exceeding the carrying value of the right-of-use asset was recognised accordingly for the year ended 31 December 2021.

(b) Following the completion of the collective of sale of Tanglin Shopping Centre ("TSC") in November 2022, a gain on sale of investment property of $5,638,000, being the difference between the sale consideration and carrying value of the four office units in TSC owned by the Company, was recognised for the year ended 31 December 2022.

(c) During the financial year ended 31 December 2021, currency exchange difference of $1,391,000 attributable to the equity holders of the Company was reclassified from the currency translation reserve to profit or loss upon the liquidation of two subsidiaries (Note 30(ii)).

(d) During the financial year ended 31 December 2022, currency exchange difference of $1,627,000 relating to the equity holders of the Company was reclassified from the currency translation reserve to profit or loss subsequent to the waiver of the advances to a subsidiary which will be liquidated.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2022

9. FINANCE EXPENSES

	Group	
	2022	2021
	$'000	$'000
Interest expense for:		
– bank borrowings	**15,066**	7,562
– advances from non-controlling interests	**1,327**	1,327
– lease liabilities (Note 22)	**6,199**	8,375
	22,592	17,264
Cash flow hedges, reclassified from hedging reserves (Note 30(iv))	**(1,697)**	419
Less: Borrowing costs capitalised in development properties	**-**	(576)
Finance expenses recognised in profit or loss	**20,895**	17,107

During the financial year ended 31 December 2021, borrowing costs on general financing directly attributable to the development of a residential property, were capitalised at a rate of 0.9% per annum. The residential development was completed as at 31 December 2021.

10. INCOME TAXES

(a) Income tax expense

	Group	
	2022	2021
	$'000	$'000
Tax expense attributable to profit is made up of:		
Profit for the financial year:		
Singapore	**1,087**	8
Foreign	**1,172**	2,011
Current income tax	**2,259**	2,019
Deferred income tax (Note 28)	**223**	12,958
	2,482	14,977
Over-provision in prior financial years:		
Singapore	**(101)**	(118)
Foreign	**(961)**	(2,555)
Current income tax	**(1,062)**	(2,673)
	1,420	12,304

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2022

10. INCOME TAXES (continued)

(a) Income tax expense (continued)

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

	Group	
	2022	2021
	$'000	$'000
Profit before income tax	**22,896**	29,078
Share of (profit)/loss of:		
– associated companies, net of tax	**(3,122)**	(2,460)
– joint ventures, net of tax	**(20,596)**	15,212
	(23,718)	12,752
Profit before income tax and share of (profit)/loss of associated companies and joint ventures	**(822)**	41,830
Tax calculated at tax rate of 17% (2021: 17%)	**(140)**	7,111
Effects of:		
– different tax rates in other countries	**(2,014)**	736
– effects of changes in tax rates on deferred taxes	**-**	1,722
– expenses not deductible for tax purposes	**9,205**	3,747
– income not subject to tax	**(4,960)**	(3,351)
– statutory stepped income exemption	**(52)**	(17)
– deferred tax asset not recognised	**1,576**	5,553
– utilisation of previously unrecognised tax losses and capital allowances	**(1,133)**	(524)
– over-provision of tax in prior financial years	**(1,062)**	(2,673)
Tax charge	**1,420**	12,304

(b) Movement in current income tax liabilities

	Group	
	2022	2021
	$'000	$'000
Beginning of financial year	**2,640**	5,423
Currency translation differences	**(194)**	(29)
Income tax paid – net	**(2,120)**	(2,100)
Tax expense	**2,259**	2,019
Over-provision in prior financial years	**(1,062)**	(2,673)
End of financial year	**1,523**	2,640

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2022

10. INCOME TAXES (continued)

(c) Tax effects – other comprehensive income/(loss)

	2022			2021		
	Before tax $'000	**Tax charge $'000**	**After tax $'000**	Before tax $'000	Tax charge $'000	After tax $'000
Items that may be reclassified subsequently to profit or loss:						
Cash flow hedges – Fair value gains	**8,878**	**-**	**8,878**	6,374	-	6,374
Share of other comprehensive income of joint ventures	**5,693**	**-**	**5,693**	3,814	-	3,814
Currency translation differences arising from consolidation						
– Losses	**(27,810)**	**-**	**(27,810)**	(8,794)	-	(8,794)
– Reclassification	**(1,627)**	**-**	**(1,627)**	(1,391)	-	(1,391)
Items that will not be reclassified subsequently to profit or loss:						
Share of other comprehensive income/(losses) of:						
– associated companies	**952**	**-**	**952**	(921)	-	(921)
– joint ventures	**9,125**	**(997)**	**8,128**	17,091	(954)	16,137
Revaluation gains on property, plant and equipment – net	**10,648**	**(5,151)**	**5,497**	12,493	(4,642)	7,851
Financial asset, at FVOCI – Fair value losses – equity investment	**(50)**	**-**	**(50)**	-	-	-
Currency translation differences arising from consolidation	**(6,358)**	**-**	**(6,358)**	(3,786)	-	(3,786)
	(549)	**(6,148)**	**(6,697)**	24,880	(5,596)	19,284

11. EARNINGS PER SHARE

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

	Group	
	2022	2021
Net profit attributable to equity holders of the Company ($'000)	**21,918**	28,127
Weighted average number of ordinary shares outstanding for basic earnings per share ('000)	**469,728**	459,947
Basic EPS (cents per share)	**4.67**	6.12

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2022

12. CASH AND BANK BALANCES

	Group		Company	
	2022	2021	**2022**	2021
	$'000	$'000	**$'000**	$'000
Cash at bank and on hand	**51,526**	106,110	**7,276**	8,117
Short-term bank deposits	**181,669**	149,079	**136,577**	129,804
	233,195	255,189	**143,853**	137,921

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

	Group	
	2022	2021
	$'000	$'000
Cash and bank balances (as above)	**233,195**	255,189
Less: Bank deposits pledged	**(25,523)**	(28,679)
Cash and cash equivalents per consolidated statement of cash flows	**207,672**	226,510

Bank deposits are pledged in relation to the security granted for certain borrowings (Note 25).

13. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2022	2021	**2022**	2021
	$'000	$'000	**$'000**	$'000
Trade receivables:				
– other related parties	**4,095**	2,025	**26**	11
– non-related parties	**13,750**	8,316	**1,903**	517
	17,845	10,341	**1,929**	528
Less: Allowance for impairment of receivables (Note 34(b)) – non-related parties	**(1,358)**	(1,041)	**-**	-
	16,487	9,300	**1,929**	528
Advances to:				
– subsidiaries	**-**	-	**171,187**	169,308
– joint ventures	**15,665**	965	**-**	-
Deposits:				
– other related parties	**5,253**	5,397	**5,222**	5,238
– non-related parties	**38**	151	**10**	11
Prepayments	**3,639**	4,101	**273**	303
Other receivables:				
– other related parties	**1,382**	817	**-**	8
– non-related parties	**2,550**	3,114	**1,530**	597
	28,527	14,545	**178,222**	175,465
	45,014	23,845	**180,151**	175,993

The advances to subsidiaries by the Company and the other receivables from other related parties of the Group and the Company, if any, are unsecured, repayable on demand and interest-free, except that the advances to a subsidiary by the Company of $154,812,000 (2021: $154,812,000) is interest-bearing at a weighted average effective rate of 2.0% (2021: 2.0%) per annum.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2022

13. TRADE AND OTHER RECEIVABLES (continued)

The advances to joint ventures by the Group are unsecured, repayable on demand and interest-free, except for advances to a joint venture of $885,000 as at 31 December 2021 which was interest-bearing at a weighted average effective rate of 2.0% per annum and had been repaid during the financial year ended 31 December 2022.

14. OTHER NON-CURRENT ASSETS

	Group		Company	
	2022	2021	**2022**	2021
	$'000	$'000	**$'000**	$'000
Prepayments	**333**	429	**137**	153
Advances to:				
– subsidiaries	**-**	-	**369,751**	327,774
– associated company	**867**	864	**-**	-
– a joint venture	**5,266**	5,927	**-**	-
	6,466	7,220	**369,888**	327,927
Less: Allowance for impairment of advances to an associated company	**(867)**	(864)	**-**	-
	5,599	6,356	**369,888**	327,927

The non-current advances to subsidiaries and an associated company by the Company and the Group, if any, are unsecured, not expected to be repayable in the next twelve months and interest-free except for advances to subsidiaries by the Company of $369,751,000 (2021: $327,774,000), which is interest-bearing at a weighted average effective rate of 3.4% (2021: 0.9%) per annum. The advances to a joint venture are unsecured and interest-bearing at an effective rate of 2.0% (2021: 2.0%) per annum and are repayable on 30 April 2025.

15. PROPERTIES HELD FOR SALE

	Group	
	2022	2021
	$'000	$'000
Medical suites	**118,162**	117,036
Residential/Commercial units	**58,056**	69,855
	176,218	186,891

Details of the Group's properties held for sale as at 31 December 2022 are as follows:

Location	Description/ existing use	Net floor area (sm)	Group's effective interest
Novena Medical Center, 10 Sinaran Drive Singapore	7 units of medical suites	515	100%
Novena Specialist Center, 8 Sinaran Drive Singapore	29 units of medical suites	2,115	100%
Westminster Fire Station, London, United Kingdom	17 residential units and 1 restaurant unit	2,154	100%

During the financial year ended 31 December 2022, the decrease in value was due to currency translation loss and an impairment charge recognised on the residential units held for sale of $4,277,000, partially offset by the reversal of the impairment charge previously recorded on medical suites of $1,126,000 based on the net realisable values (Note 8). The net realisable values were derived with reference from independent external valuations performed as at 31 December 2022.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2022

15. PROPERTIES HELD FOR SALE (continued)

During the financial year ended 31 December 2021, an impairment charge on the medical suites of $102,000 (Note 8) was recognised based on the net realisable value derived from independent external valuations.

16. FINANCIAL ASSET, AT FVOCI

	Group and Company
	2022
	$'000
Unlisted equity security:	
Beginning of financial year	**-**
Additions	**1,365**
Fair value loss (Note 30(iii))	**(50)**
Foreign exchange differences	**(175)**
End of financial year	**1,140**

17. INVESTMENTS IN ASSOCIATED COMPANIES

	Group		Company	
	2022	2021	**2022**	2021
	$'000	$'000	**$'000**	$'000
Equity investment at cost			**696**	696
Beginning of financial year	**23,159**	21,620		
Share of:				
– profit	**3,122**	2,460		
– movement in fair value reserve (Note 30(iii))	**952**	(921)		
End of financial year	**27,233**	23,159		

The details of the Group's associated company, FEO Hospitality Asset Management Pte. Ltd. ("FEOHAM"), which, in the opinion of the directors is material to the Group are set out in Note 38. Set out below are the summarised financial information for FEOHAM.

Summarised balance sheet

	2022	2021
	$'000	$'000
Current assets	**8,463**	7,208
Current liabilities	**(4,245)**	(4,473)
Non-current assets	**77,268**	66,518
Non-current liabilities	**-**	(112)
Net assets	**81,486**	69,141

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2022

17. INVESTMENTS IN ASSOCIATED COMPANIES (continued)

Summarised statement of comprehensive income

	For the financial year ended	
	2022	2021
	$'000	$'000
Revenue	**10,995**	9,455
Profit before income tax	**11,298**	8,878
Profit after income tax	**9,460**	7,454
Other comprehensive income/(loss), net of tax	**2,885**	(2,790)
Total comprehensive income	**12,345**	4,664

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

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

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

	2022	2021
	$'000	$'000
Net assets	**81,486**	69,141
Group's equity interest in FEOHAM	**33%**	33%
Group's share of net assets	**26,890**	22,816
Goodwill	**343**	343
Carrying value	**27,233**	23,159

18. INVESTMENTS IN JOINT VENTURES

	Group		Company	
	2022	2021	**2022**	2021
	$'000	$'000	**$'000**	$'000
Equity investment at cost			**300**	300
Beginning of financial year	**470,212**	478,282		
Additions	**3,042**	-		
Share of profit/(loss)	**20,596**	(15,212)		
Share of movements in:				
– asset revaluation reserve (Note 30(i))	**8,128**	16,137		
– currency translation reserve (Note 30(ii))	**223**	(2)		
– hedging reserve (Note 30(iv))	**5,537**	3,816		
Dividends received	**(5,578)**	-		
Foreign exchange differences	**(21,692)**	(12,809)		
End of financial year	**480,468**	470,212		

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2022

18. INVESTMENTS IN JOINT VENTURES (continued)

In June 2022, the Group entered into a joint venture agreement in relation to the acquisition of a plot of land located in Bristol, United Kingdom, to carry out the development of a purpose-built student accommodation project (the "PBSA Development"). As at 31 December 2022, the Group has injected capital of £1,800,000 (approximately $3,042,000) to the joint venture for the PBSA Development and will provide further funding of £1,859,000 (approximately $3,013,000), if called.

Summarised financial information for material joint ventures

The details of the Group's joint ventures, Toga Trust and Woodlands Square Pte. Ltd. ("WSPL"), which, in the opinion of the directors, are material to the Group are set out in Note 38.

Set out below are the summarised financial information for Toga Trust and WSPL.

Summarised consolidated balance sheet

	Toga Trust		WSPL	
	2022	2021	**2022**	2021
	$'000	$'000	**$'000**	$'000
Current assets	**98,608**	78,445	**454,684**	481,482
Includes:				
– Cash and bank balances	**63,420**	41,711	**28,712**	18,939
– Trade and other receivables	**35,188**	36,734	**29,986**	29,270
– Properties held for sale	**-**	-	**395,986**	433,273
Current liabilities	**(113,387)**	(209,245)	**(20,205)**	(19,229)
Includes:				
– Financial liabilities (excluding trade payables)	**(35,395)**	(126,529)	**(333)**	(3,764)
– Other current liabilities (including trade payables)	**(77,992)**	(82,716)	**(19,872)**	(15,465)
Non-current assets	**1,323,366**	1,440,720	**300,410**	295,880
Includes:				
– Trade and other receivables	**-**	-	**7**	233
– Property, plant and equipment [(1)]	**915,458**	987,132	**503**	247
– Investment property	**-**	-	**299,900**	295,400
– Intangible assets [(2)]	**213,798**	232,909	**-**	-
Non-current liabilities	**(938,205)**	(955,734)	**(252,867)**	(283,659)
Includes:				
– Financial liabilities	**(746,181)**	(745,106)	**(250,011)**	(280,344)
– Other liabilities	**(192,024)**	(210,628)	**(2,856)**	(3,315)
Net assets	**370,382**	354,186	**482,022**	474,474

(1) Includes land and buildings held at fair value amounting to $361,085,000 (2021: $381,887,000) for Toga Trust.
(2) Includes goodwill and brand with indefinite lives amounting to $175,041,000 (2021: $187,808,000).

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2022

18. INVESTMENTS IN JOINT VENTURES (continued)

Summarised financial information for material joint ventures (continued)

Summarised consolidated statement of comprehensive income

	Toga Trust		WSPL	
	For the financial year ended		For the financial year ended	
	2022	2021	**2022**	2021
	$'000	$'000	**$'000**	$'000
Revenue	**411,065**	233,227	**54,465**	24,746
Interest income	**471**	109	**67**	3
Expenses				
Includes:				
– Depreciation and amortisation	**(64,073)**	(52,995)	**(55)**	(162)
– Interest expense	**(30,088)**	(28,400)	**(6,644)**	(2,598)
Profit/(Loss) before income tax	**40,419**	(42,983)	**7,548**	3,880
Income tax (expense)/credit	**(12,699)**	9,045	**-**	-
Profit/(Loss) after income tax	**27,720**	(33,938)	**7,548**	3,880
Other comprehensive income, net of tax	**24,190**	26,394	**-**	-
Total comprehensive income/(loss)	**51,910**	(7,544)	**7,548**	3,880
Dividends received from a joint venture	**4,578**	-	**-**	-

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

The Group and its joint venture partner have undertaken to provide sufficient financial assistance to Toga Trust in proportion to their respective unitholding held in Toga Trust, as and when it is needed to enable Toga Trust to pay its debts as and when they become due and payable.

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

Reconciliation of the summarised financial information

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

	Toga Trust		WSPL	
	2022	2021	**2022**	2021
	$'000	$'000	**$'000**	$'000
Net assets at beginning of financial year	**354,186**	375,420	**474,474**	470,594
Profit/(Loss) for the year	**27,720**	(33,938)	**7,548**	3,880
Other comprehensive income	**24,190**	26,394	**-**	-
Dividends paid	**(9,156)**	-	**-**	-
Foreign exchange differences	**(26,558)**	(13,690)	**-**	-
Net assets at end of financial year	**370,382**	354,186	**482,022**	474,474
Group's equity interest in Toga Trust and WSPL	**50%**	50%	**33%**	33%
Group's share of net assets	**185,191**	177,093	**160,674**	158,158
Goodwill	**5,814**	5,814	**-**	-
Carrying value	**191,005**	182,907	**160,674**	158,158

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2022

18. INVESTMENTS IN JOINT VENTURES (continued)

Information about immaterial joint ventures

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

	2022	2021
	$'000	$'000
Carrying value		
Total carrying amount of investments in joint ventures	**480,468**	470,212
Less: carrying amount of investments in material joint ventures disclosed separately	**(351,679)**	(341,065)
Carrying amount of investments in individually immaterial joint ventures	**128,789**	129,147
Share of net profit and other comprehensive income		
Net profit	**4,220**	464
Other comprehensive income	**1,793**	6,754
Total comprehensive income	**6,013**	7,218

The immaterial joint ventures individually account for less than 10% of the Group's total assets.

19. INVESTMENTS IN SUBSIDIARIES

	Company	
	2022	2021
	$'000	$'000
Equity investments at cost	**521,354**	521,354
Advances to subsidiaries	**343,356**	342,958
Less: Allowance for impairment of equity investments	**(12,200)**	(12,200)
	852,510	852,112

There were no changes during the financial year in the Group's ownership interest in its significant subsidiaries as set out in Note 38.

The details of the subsidiary with material non-controlling interest, Far East Hospitality Holdings Pte. Ltd., are set out in Note 38.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2022

19. INVESTMENTS IN SUBSIDIARIES (continued)

Set out below are the summarised consolidated financial information for Far East Hospitality Holdings Pte. Ltd. and its subsidiaries, before inter-company eliminations with other subsidiaries within the Group.

Summarised consolidated balance sheet

	2022	2021
	$'000	$'000
Current		
Assets	**78,014**	81,674
Liabilities	**(345,055)**	(361,716)
Total current net liabilities	**(267,041)**	(280,042)
Non-current		
Assets	**572,297**	592,151
Liabilities	**(275,540)**	(273,553)
Total non-current net assets	**296,757**	318,598
Net assets	**29,716**	38,556
Carrying value of non-controlling interest at 30% (2021: 30%)	**8,915**	11,567

Summarised consolidated statement of comprehensive income

	For the financial year ended	
	2022	2021
	$'000	$'000
Revenue	**65,430**	42,792
Loss before income tax	**(59)**	(36,586)
Income tax credit	**908**	730
Income/(Loss) after income tax	**849**	(35,856)
Other comprehensive (loss)/income, net of tax	**(9,689)**	12,450
Total comprehensive loss	**(8,840)**	(23,406)
Total comprehensive loss allocated to non-controlling interest	**(2,652)**	(7,022)

Summarised consolidated statement of cash flows

	For the financial year ended	
	2022	2021
	$'000	$'000
Net cash provided by/(used in) operating activities	**8,759**	(3,724)
Net cash provided by/(used in) investing activities	**5,023**	(10,719)
Net cash used in financing activities	**(16,643)**	(8,227)
Total cash outflows – net	**(2,861)**	(22,670)

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2022

20. INVESTMENT PROPERTIES

	Group		Company	
	2022	2021	**2022**	2021
	$'000	$'000	**$'000**	$'000
Beginning of financial year	**929,565**	878,837	**136,974**	136,524
Additions - Subsequent expenditure	**4,678**	2,102	**-**	-
Disposals (Note 8(b))	**(13,090)**	-	**(13,090)**	-
Reclassified to asset held-for-sale	**(365)**	-	**-**	-
Net fair value gains recognised in profit or loss (Note 8)	**2,610**	43,940	**451**	450
Foreign exchange differences	**(70,191)**	4,686	**-**	-
End of financial year	**853,207**	929,565	**124,335**	136,974
Comprising:				
– Completed properties	**853,207**	929,565	**124,335**	136,974

During the financial year ending 31 December 2022, the Group's management approved the sale of an apartment unit in Brisbane, Australia. This apartment unit of carrying amount amounting to $365,000 was re-classified and presented as an asset held-for-sale as at 31 December 2022.

(a) Bank borrowings are secured on investment properties of the Group with carrying amounts of $536,309,000 (2021: $603,146,000) (Note 25).

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

	Group	
	2022	2021
	$'000	$'000
Rental income	**49,199**	46,885
Direct operating expenses arising from investment properties that generate rental income	**(17,758)**	(16,116)

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2022

20. INVESTMENT PROPERTIES (continued)

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

Location	Description/ existing use	No. of units/rooms/beds	Tenure
Singapore			
Orchard Rendezvous Hotel, Singapore, 1 Tanglin Road	Shops and offices (land only)	-	Freehold and leasehold with 99 years lease expiring on 31 March 2064
Novena Medical Center, 10 Sinaran Drive	Medical suites	37	Leasehold with 99 years lease expiring on 27 August 2101
Novena Specialist Center, 8 Sinaran Drive	Medical suites	10	Leasehold with 99 years lease expiring on 22 April 2106
Australia			
Rendezvous Hotel Perth Scarborough	Shops	13	Freehold
United Kingdom			
Turner Court, Newcastle upon Tyne	PBSA	274	Freehold
Rosedale Court, Newcastle upon Tyne	PBSA	338	Freehold
Marshall Court, Newcastle upon Tyne	PBSA	196	Freehold
Bryson Court, Newcastle upon Tyne	PBSA	366	Freehold
Newton Court, Newcastle upon Tyne	PBSA	295	Freehold
Land sites at Newcastle upon Tyne	PBSA	-	Freehold
Hollingbury House, Brighton	PBSA	195	Freehold
Harbour Court, Bristol	PBSA	133	Freehold
St Lawrence House, Bristol	PBSA	166	Freehold
The Glassworks, Liverpool	PBSA	323	Freehold
The Foundry, Leeds	PBSA	239	Freehold
The Elements, Sheffield	PBSA	735	Freehold
King Square Studios, Bristol	PBSA	301	Freehold

As a result of the changes to the fire safety regulations in the United Kingdom, the Group is currently assessing the impact of the actions required as part of fire risk assessments on all the PBSA properties. For properties where the extent of safety works has been determined and estimated costs obtained from external quotations, the costs have been either reflected in the valuations as at 31 December 2022 by the valuer or provided for by the Group. As at 31 December 2022, the costs reflected as fair value loss on the investment properties amounted to $4,246,000. For the remaining properties, the provision cannot be reliably estimated until the Group has completed the assessment of the extent of the works required under the latest fire safety regulations. Where available, the Group will seek to recover costs of any defects from developers under existing construction warranties.

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

The Group engages external, independent and qualified valuers to determine the fair value of the 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 during the interim financial reporting period. 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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2022

20. INVESTMENT PROPERTIES (continued)

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

The Group's investment properties are measured and carried at fair value using inputs that are not based on observable market data (unobservable inputs), i.e. Level 3 fair values.

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

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

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

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

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

Description	Fair value as at		Valuation technique(s)	Significant unobservable input(s) and range	Relationship of unobservable inputs to fair value
	2022	2021			
	$'000	$'000			
Freehold and leasehold land – Singapore	**124,334**	123,884	Income capitalisation	Capitalisation rate – 3.4% to 4.3% (2021: 3.4% to 4.3%)	The lower the capitalisation rate, the higher the fair value
Office units – Singapore (1)	**-**	13,090	Sales comparison	Pre-adjusted comparable sales price – $Nil (2021: $1,953 to $2,812) psf	The higher the comparable sales price, the higher the fair value
Medical suites – Singapore	**157,668**	152,336	Sales comparison	Pre-adjusted comparable sales price – $3,346 to $9,796 (2021: $3,000 to $9,600) psf	The higher the comparable sales price, the higher the fair value
Shops, restaurant and apartment (2) – Australia (3)	**30,346**	32,938	Discounted cash flow	Discount rate – 7.3% (2021: 6.8%) Terminal yield – 6.8% (2021: 6.8%)	The lower the discount rate or terminal yield, the higher the fair value
			Income capitalisation	Capitalisation rate – 6.8% (2021: 6.5%)	The lower the capitalisation rate, the higher the fair value
PBSA – United Kingdom	**540,859**	607,317	Discounted cash flow	Discount rate – 7.6% to 11.7% (2021: 7.9% to 9.1%) Terminal yield – 4.8% to 5.9% (2021: 4.8% to 6.1%)	The lower the discount rate or terminal yield, the higher the fair value
	853,207	929,565			

(1) Office units in Singapore have been disposed during the financial year ended 31 December 2022.

(2) Fair value as at 31 December 2021 includes an apartment unit which was re-classified and presented as an asset held-for-sale as at 31 December 2022.

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2022

21. PROPERTY, PLANT AND EQUIPMENT

As at 31 December 2022, the Group's and Company's carrying value of property, plant and equipment included right-of-use assets amounting to $76,366,000 (2021: $85,886,000) and $56,332,000 (2021: $63,433,000) respectively (Note 22).

	Freehold and leasehold land	Buildings and offices	Plant, equipment, furniture and fittings	Construction-in-progress	Motor vehicles	Leasehold improvements and other assets	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Group – 2022							
Cost or valuation							
Beginning of financial year							
Cost	-	162,375	71,254	205	1,070	13,544	248,448
Valuation	381,899	123,485	-	-	-	-	505,384
	381,899	285,860	71,254	205	1,070	13,544	753,832
Currency translation differences	(4,315)	(8,213)	(1,441)	(15)	-	(744)	(14,728)
Additions	-	455	695	391	-	-	1,541
Disposals	-	-	(9,175)	-	(205)	(254)	(9,634)
Transfers	-	-	54	(65)	-	11	-
Lease modifications	-	(649)	-	-	-	-	(649)
De-recognition of right-of-use asset	-	(1,871)	-	-	-	-	(1,871)
Revaluation adjustments:							
– profit or loss (Note 8)	-	1,468	-	-	-	-	1,468
– other comprehensive income (Note 30(i))	5,661	559	-	-	-	-	6,220
End of financial year	383,245	277,609	61,387	516	865	12,557	736,179
Representing:							
Cost	-	160,309	61,387	516	865	12,557	235,634
Valuation	383,245	117,300	-	-	-	-	500,545
	383,245	277,609	61,387	516	865	12,557	736,179
Accumulated depreciation and impairment losses							
Beginning of financial year	-	76,497	62,269	-	579	4,248	143,593
Currency translation differences	-	(280)	(1,131)	-	-	(174)	(1,585)
Depreciation charge (Note 5)	-	14,254	2,239	-	190	956	17,639
Disposals	-	-	(9,172)	-	(205)	(254)	(9,631)
Impairment charge (Note 8)	-	-	2	-	-	-	2
De-recognition of right-of-use asset	-	(1,270)	-	-	-	-	(1,270)
Revaluation adjustments:							
– profit or loss (Note 8)	-	(824)	-	-	-	-	(824)
– other comprehensive income (Note 30(i))	-	(4,428)	-	-	-	-	(4,428)
End of financial year	-	83,949	54,207	-	564	4,776	143,496
Net book value							
End of financial year	**383,245**	**193,660**	**7,180**	**516**	**301**	**7,781**	**592,683**

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2022

21. PROPERTY, PLANT AND EQUIPMENT (continued)

	Freehold and leasehold land	Buildings and offices	Plant, equipment, furniture and fittings	Construction-in- progress	Motor vehicles	Leasehold improve-ments and other assets	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Group – 2021							
Cost or valuation							
Beginning of financial year							
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
Currency translation differences	(2,105)	(4,222)	(673)	(36)	-	(84)	(7,120)
Additions	-	487	364	9,415	-	235	10,501
Disposals	-	(5,860)	(363)	-	-	(5)	(6,228)
Transfers	-	-	1,623	(10,173)	-	8,550	-
De-recognition of right-of-use asset[1]	-	(40,517)	-	-	-	-	(40,517)
Revaluation adjustments:							
– profit or loss (Note 8)	-	(912)	-	-	-	-	(912)
– other comprehensive income (Note 30(i))	5,902	2,126	-	-	-	-	8,028
End of financial year	381,899	285,860	71,254	205	1,070	13,544	753,832
Representing:							
Cost	-	162,375	71,254	205	1,070	13,544	248,448
Valuation	381,899	123,485	-	-	-	-	505,384
	381,899	285,860	71,254	205	1,070	13,544	753,832
Accumulated depreciation and impairment losses							
Beginning of financial year	-	89,977	60,468	-	386	3,871	154,702
Currency translation differences	-	(297)	(570)	-	-	(64)	(931)
Depreciation charge (Note 5)	-	16,919	2,538	-	193	445	20,095
Disposals	-	(5,860)	(357)	-	-	(5)	(6,222)
Impairment charge (Note 8)	-	-	190	-	-	1	191
De-recognition of right-of-use asset[1]	-	(18,916)	-	-	-	-	(18,916)
Revaluation adjustments:							
– profit or loss (Note 8)	-	(861)	-	-	-	-	(861)
– other comprehensive income (Note 30(i))	-	(4,465)	-	-	-	-	(4,465)
End of financial year	-	76,497	62,269	-	579	4,248	143,593
Net book value							
End of financial year	381,899	209,363	8,985	205	491	9,296	610,239

[1] During the financial year ended 31 December 2021, the Group's right-of-use asset amounting to $21,601,000 was reduced to zero and fully de-recognised on the re-measurement of lease liability (Note 8(a)).

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2022

21. PROPERTY, PLANT AND EQUIPMENT (continued)

	Freehold and leasehold land	Buildings and offices	Plant, equipment, furniture and fittings	Motor vehicle	Leasehold improve-ments and other assets	Total
	$'000	$'000	$'000	$'000	$'000	$'000
Company – 2022						
Cost or valuation						
Beginning of financial year						
Cost	-	119,967	34,045	442	1,789	156,243
Valuation	317,114	-	-	-	-	317,114
	317,114	119,967	34,045	442	1,789	473,357
Additions	-	-	71	-	-	71
Disposals	-	-	(64)	-	-	(64)
Lease modifications	-	(649)	-	-	-	(649)
Revaluation adjustments – other comprehensive income (Note 30(i))	2,950	-	-	-	-	2,950
End of financial year	320,064	119,318	34,052	442	1,789	475,665
Representing:						
Cost	-	119,318	34,052	442	1,789	155,601
Valuation	320,064	-	-	-	-	320,064
	320,064	119,318	34,052	442	1,789	475,665
Accumulated depreciation						
Beginning of financial year	-	56,542	30,334	132	1,789	88,797
Depreciation charge	-	6,450	689	88	-	7,227
Disposals	-	-	(63)	-	-	(63)
End of financial year	-	62,992	30,960	220	1,789	95,961
Net book value						
End of financial year	**320,064**	**56,326**	**3,092**	**222**	**-**	**379,704**
Company – 2021						
Cost or valuation						
Beginning of financial year						
Cost	-	119,967	34,046	442	1,789	156,244
Valuation	316,365	-	-	-	-	316,365
	316,365	119,967	34,046	442	1,789	472,609
Additions	-	-	16	-	-	16
Disposals	-	-	(17)	-	-	(17)
Revaluation adjustments – other comprehensive income (Note 30(i))	749	-	-	-	-	749
End of financial year	317,114	119,967	34,045	442	1,789	473,357
Representing:						
Cost	-	119,967	34,045	442	1,789	156,243
Valuation	317,114	-	-	-	-	317,114
	317,114	119,967	34,045	442	1,789	473,357
Accumulated depreciation						
Beginning of financial year	-	50,052	29,570	44	1,788	81,454
Depreciation charge	-	6,490	781	88	1	7,360
Disposals	-	-	(17)	-	-	(17)
End of financial year	-	56,542	30,334	132	1,789	88,797
Net book value						
End of financial year	317,114	63,425	3,711	310	-	384,560

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2022

21. PROPERTY, PLANT AND EQUIPMENT (continued)

(a) Right-of-use assets acquired under leasing arrangements are presented together with the owned assets of the same class. Details of such leased assets are disclosed in Note 22.

(b) Banks borrowings are secured on property, plant and equipment of the Group with carrying amounts of $157,236,000 (2021: $168,019,000) (Note 25).

(c) The freehold and leasehold land and buildings of the Group and the Company with carrying values of $500,545,000 (2021: $505,384,000) and $320,064,000 (2021: $317,114,000) respectively are carried at the revalued amounts in accordance with the Group's accounting policy as described in Note 2.5. If these land and buildings of the Group and Company were included in the financial statements at cost less accumulated depreciation and impairment losses, their net book values would have been $126,234,000 (2021: $136,691,000) and $2,183,000 (2021: $2,183,000) respectively.

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

The Group engages external, independent and qualified valuers to determine the fair value of the Group's property, plant and equipment, on an annual basis and whenever their carrying amounts are likely to differ materially from their revalued amounts, based on the properties' highest and best use. The valuers used observable inputs (e.g. operating income projections) and unobservable inputs (e.g. capitalisation rate and discount rate) for the purpose of the valuations. The following table presents the valuation techniques and key inputs (as described in Note 20) that were used to determine the fair value which is categorised under Level 3 of the fair value hierarchy.

Description	Fair value as at		Valuation technique(s)	Significant unobservable input(s) and range	Relationship of unobservable inputs to fair value
	2022	2021			
	$'000	$'000			
Freehold and leasehold land – Singapore	**320,064**	317,114	Income capitalisation	Capitalisation rate – 4.5% (2021: 4.5%)	The lower the capitalisation rate, the higher the fair value
Freehold land and building – Malaysia	**34,319**	33,450	Discounted cash flow	Discount rate – 8.0% (2021: 7.8%) Terminal yield – 6.0% (2021: 5.8%)	The lower the discount rate or terminal yield, the higher the fair value
Freehold land and buildings – Australia (1)	**146,162**	154,820	Discounted cash flow	Discount rate – 8.3% to 9.0% (2021: 7.5% to 8.0%) Terminal yield – 6.3% to 6.5% (2021: 6.0% to 6.5%)	The lower the discount rate or terminal yield, the higher the fair value
			Income capitalisation	Capitalisation rate – 6.0% to 6.5% (2021: 5.5% to 6.0%)	The lower the capitalisation rate, the higher the fair value
	500,545	505,384			

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2022

22. LEASES

Leases – The Group as a lessee

Nature of the Group's leasing activities – Group as a lessee

The Group leases hospitality properties which are used in the Group's hospitality operations, and offices for the purpose of back-office operations from related parties. These are recognised within Property, plant and equipment (Note 21).

As at balance sheet date, the Group and the Company's lease liabilities amounted to $99,671,000 and $73,597,000 respectively (2021: $109,564,000 and $80,386,000).

There are no external imposed covenants on these lease arrangements.

(a) Carrying amounts

ROU assets classified within property, plant and equipment

	Group		Company	
	2022	2021	**2022**	2021
	$'000	$'000	**$'000**	$'000
Buildings and offices	**76,360**	85,878	**56,326**	63,425
Equipment	**6**	8	**6**	8
	76,366	85,886	**56,332**	63,433

Lease liability of $26,717,000 was re-measured as of 31 December 2021. The corresponding adjustment resulted in a reduction in the right-of-use assets by $21,601,000 (Note 21) and a gain of $5,116,000 (Note 8(a)) was recognised during the financial year ended 31 December 2021.

(b) Depreciation expense for the financial year was $8,722,000 (2021: $11,474,000).

(c) Interest expense on lease liabilities recognised in profit or loss for the financial year was $6,199,000 (2021: $8,375,000) (Note 9).

(d) Lease expense not capitalised in lease liabilities

	Group	Company
	$'000	$'000
2022		
Short-term leases	**223**	**-**
Variable lease payments which do not depend on an index or rate	**1,012**	**-**
Total (Note 5)	**1,235**	**-**
2021		
Short-term leases	13	-
Variable lease payments which do not depend on an index or rate	344	-
Total (Note 5)	357	-

(e) Total cash outflow for all the leases was $16,487,000 (2021: $20,929,000), of which $16,305,000 (2021: $18,693,000) was paid to other related parties.

(f) Additions of ROU assets during the financial year were $455,000 (2021: $487,000).

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2022

22. LEASES (continued)

Leases – The Group as a lessee (continued)

(g) Future cash outflow which are not capitalised in lease liabilities

(i) Variable lease payments

The leases for certain hotels contain variable lease payments that are based on a percentage of gross operating revenue and gross operating profit of these properties. Such variable lease payments are recognised to profit or loss when incurred and amounted to $1,012,000 (2021: $344,000) (Note 22(d)).

(ii) Extension options

The leases for certain hotels contain extension options, for which the related lease payments had not been included in lease liabilities as the Group is not reasonably certain to exercise these extension options. The Group negotiates extension options to optimise operational flexibility in terms of managing the assets used in the Group's operations. The majority of the extension options are exercisable by the Group and not by the lessor.

Leases – The Group as a lessor

Nature of the Group's leasing activities

The Group leases out investment properties to non-related parties for monthly lease payments. These leases are classified as operating leases because the risk and rewards incidental to ownership of the assets are not substantially transferred.

Rental income from investment properties is disclosed in Note 20.

Undiscounted lease payments from the operating leases to be received after the reporting date are as follows:

	Group		Company	
	2022	2021	**2022**	2021
	$'000	$'000	**$'000**	$'000
Less than one year	**36,954**	34,521	**-**	187
One to two years	**8,196**	8,008	**-**	42
Two to three years	**4,623**	3,922	**-**	-
Three to four years	**1,837**	2,117	**-**	-
Four to five years	**1,824**	1,861	**-**	-
More than five years	**18,242**	21,734	**-**	-
Total undiscounted lease payments	**71,676**	72,163	**-**	229

23. INTANGIBLE ASSETS

	Group	
	2022	2021
	$'000	$'000
Goodwill arising from acquisition of hospitality businesses (Note (a))	**37,257**	42,723
Hospitality lease and management agreements (Note (b))	**66,086**	68,682
	103,343	111,405

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2022

23. INTANGIBLE ASSETS (continued)

(a) Goodwill arising from acquisition of hospitality businesses

	Group	
	2022	2021
	$'000	$'000
Cost		
Beginning of financial year	**56,695**	57,244
Currency translation differences	**(989)**	(549)
End of financial year	**55,706**	56,695
Accumulated impairment		
Beginning of financial year	**13,972**	14,317
Currency translation differences	**(633)**	(345)
Impairment (Note 8)	**5,110**	-
End of financial year	**18,449**	13,972
Net book value	**37,257**	42,723

Impairment assessment of goodwill

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

	Group	
	2022	2021
	$'000	$'000
Management services – Singapore (Note (i))	**37,257**	37,257
Property ownership – Australia (Note (ii))	**-**	5,466
	37,257	42,723

(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
- Guideline Public Company ("GPC") method

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2022

23. INTANGIBLE ASSETS (continued)

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

(i) Management services – Singapore (continued)

DCF method

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

Cash flow projections used in the DCF were based on financial projections approved by management covering a five-year (2021: five-year) period. Key assumptions used for the analysis of the CGU included cash flows returning to pre COVID-19 level and stabilised state of operations in 2025. Inflationary costs have also been factored in for the cash flow projections. Cash flows beyond the five-year period were extrapolated using the estimated growth rate stated below. The growth rate did not exceed the historical long-term average growth rate for the hospitality management services business in which the CGU operates. A discount rate which reflects a market participant's required return on the CGU was used for the impairment analysis of the CGU.

	2022	2021
Terminal growth rate	**1.9%**	1.9%
Post-tax discount rate	**9.4%**	8.5%

GPC method

The GPC method entails applying multiples to the normalised earnings of the CGU and adjusted for the risk and size of the CGU. The key assumptions are the GPC multiples and normalised earnings. Normalised earnings are based on 2025 projections, in line with the expectation of the recovery period from COVID-19 and stabilised state of operations, aligned to the cash flows used under the DCF method.

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

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

(ii) Property ownership – Australia

The recoverable amount determined was based on value-in-use calculations. Cash flow projections used in the value-in-use calculations were based on financial projections approved by management covering a ten-year period as the CGU is only expected to achieve a steady growth rate of cash flows after ten years. Cash flows beyond the ten-year period were extrapolated using the estimated growth rate stated below. The growth rate did not exceed the long-term average growth rate for the hospitality operations business in which the CGU operates. Key assumptions used for the analysis of the CGU also include the budgeted EBITDA margin for the period 2023 to 2032 (2021: 2022 to 2031) determined by management based on past performance and its expectations of market developments and a discount rate which was pre-tax and reflected specific risks relating to the CGU.

	2022	2021
Terminal growth rate	**2.3% to 3.0%**	0% to 1.5%
Pre-tax discount rate	**10.5%**	8.2%

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2022

23. INTANGIBLE ASSETS (continued)

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

(ii) Property ownership – Australia (continued)

An impairment charge of $5,110,000 (2021: $Nil) was included within "Other (losses)/gains and impairment losses – net" in the consolidated statement of comprehensive income. The impairment charge was due to the higher pre-tax discount rate adopted in the value-in-use calculations. Pre-tax discount rate has increased from 31 December 2021 due to the higher interest rate for borrowings and higher risk free rate compared to 31 December 2021. In the prior year, no impairment charge was recognised as the recoverable amount exceeded the carrying value of the CGU based on management's assessment of the recoverable amount as at 31 December 2021.

(b) Hospitality lease and management agreements

	Group	
	2022	2021
	$'000	$'000
Cost		
Beginning of financial year	**99,078**	99,292
Currency translation differences	**(386)**	(214)
End of financial year	**98,692**	99,078
Accumulated amortisation and impairment		
Beginning of financial year	**30,396**	27,901
Currency translation differences	**(384)**	(210)
Amortisation charge included within "Cost of sales" in profit or loss (Note 5)	**2,594**	2,705
End of financial year	**32,606**	30,396
Net book value	**66,086**	68,682

24. TRADE AND OTHER PAYABLES

	Group		Company	
	2022	2021	**2022**	2021
	$'000	$'000	**$'000**	$'000
Current				
Trade payables to:				
– other related parties	**474**	662	**132**	533
– non-related parties	**6,487**	6,586	**2,604**	905
– joint ventures	**1,837**	698	**-**	-
	8,798	7,946	**2,736**	1,438
Other payables to:				
– other related parties	**114**	96	**-**	-
– non-related parties	**4,513**	5,925	**10**	28
Advances from:				
– a subsidiary	**-**	-	**31,700**	-
– non-controlling interest	**66,552**	66,552	**-**	-
Accrual for operating expenses	**16,913**	13,581	**3,391**	2,887
Deposits	**1,944**	1,973	**158**	151
Interest payable	**256**	403	**139**	300
Contract liabilities (Note 4(b))	**332**	925	**46**	62
	90,624	89,455	**35,444**	3,428
	99,422	97,401	**38,180**	4,866

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2022

24. TRADE AND OTHER PAYABLES (continued)

Advances from a subsidiary of the Company are unsecured, repayable on demand and interest-free. Advances from a non-controlling interest of $66,552,000 (2021: $66,552,000) bear interest at a weighted average effective interest rate of 2.0% (2021: 2.0%) per annum.

	Group		Company	
	2022	2021	**2022**	2021
	$'000	$'000	**$'000**	$'000
Non-current				
Other payables – non-related parties	**-**	332	**-**	-
Deposits	**1,372**	1,262	**-**	-
Advances from:				
– subsidiaries	**-**	-	**338,471**	361,779
– joint ventures	**27,699**	27,699	**-**	-
– non-controlling interest	**71,910**	71,910	**-**	-
	100,981	101,203	**338,471**	361,779

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

Advances from a non-controlling interest of $71,910,000 (2021: $71,910,000) are repayable at its nominal value, or convertible to shares of the subsidiary in whole or in part and in the same proportion as a similar loan from the Company to the same subsidiary, such that the Company's share of equity interest in the subsidiary does not change, at the rate of one share per $1 nominal value of the loan, upon the unanimous approval of the Company and the non-controlling interest. The advances have no fixed term of repayment, and the non-controlling interest has no intention to demand repayment in the next 12 months.

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

25. BORROWINGS

	Group		Company	
	2022	2021	**2022**	2021
	$'000	$'000	**$'000**	$'000
Bank borrowings				
– Current (secured)	**81,929**	239,561	**-**	-
– Current (unsecured)	**139,001**	150,199	**119,002**	130,199
	220,930	389,760	**119,002**	130,199
Bank borrowings				
– Non-current (secured)	**150,705**	119,986	**-**	-
– Non-current (unsecured)	**230,575**	182,289	**230,575**	182,289
	381,280	302,275	**230,575**	182,289
	602,210	692,035	**349,577**	312,488

The Group and the Company's bank borrowings are:

– at variable interest rates referenced to overnight risk-free rates and interbank offered rates ("IBOR") (2021: overnight risk-free rates and IBOR) with contractual repricing dates less than 6 months from balance sheet date (2021: Less than 6 months); and

– secured over certain bank deposits (Note 12), investment properties (Note 20) and property, plant and equipment (Note 21).

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

As at 31 December 2022, the refinancing of loans totalling $113,187,000, that are secured over certain subsidiaries' investment properties, was completed and the loans have been reclassified from current to non-current borrowings.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2022

26. DERIVATIVE FINANCIAL INSTRUMENTS

	Group		Company	
	Contract notional amount $'000	Fair value - Asset $'000	Contract notional amount $'000	Fair value - Asset $'000
31 December 2022				
Non-current				
Derivatives held for hedging: Cash-flow hedges - Interest rate swaps	**194,783**	**12,749**	**121,601**	**6,572**
31 December 2021				
Non-current				
Derivatives held for hedging: Cash-flow hedges - Interest rate swaps	173,690	4,578	91,285	2,774

Hedging instruments used in the Group's hedging strategy in 2022:

		Carrying amount		Changes in fair value used for calculating hedge ineffectiveness					
	Contract notional amount $'000	Assets/ (Liabilities) $'000	Financial statement line item	Hedging instrument $'000	Hedged item $'000	Hedge ineffective-ness recognised in P&L* $'000	Notional amount directly impacted by IBOR reform $'000	Weighted average hedged rate	Maturity date
Group									
Cash flow hedge									
Interest rate risk – Interest rate swap to hedge floating rate borrowings (a)	**194,783**	12,749	Derivative financial instruments	8,878	(8,878)	-	194,783	2.3%	December 2024 – March 2025
Net investment hedge									
Foreign exchange risk – Borrowings to hedge net investments in foreign operations	**-**	(8,346)	Borrowings	1,228	(1,228)	-	-	JPY76.0: $1	-
Company									
Cash flow hedge									
Interest rate risk – Interest rate swap to hedge floating rate borrowings (a)	**121,601**	6,572	Derivative financial instruments	4,355	(4,355)	-	121,601	2.5%	December 2024

(a) The contractual notional amount of interest rate swaps held for hedging was based on SONIA.

* All hedge ineffectiveness, if any, is recognised in profit and loss within "Other (losses)/gains and impairment losses– net" (Note 8). The hedges were fully effective during the financial year.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2022

26. DERIVATIVE FINANCIAL INSTRUMENTS (continued)

Hedging instruments used in the Group's hedging strategy in 2021:

		Carrying amount		Changes in fair value used for calculating hedge ineffectiveness					
	Contract notional amount	Assets/ (Liabilities)	Financial statement line item	Hedging instrument	Hedged item	Hedge ineffective-ness recognised in P&L*	Notional amount directly impacted by IBOR reform	Weighted average hedged rate	Maturity date
	$'000	$'000		$'000	$'000	$'000	$'000		
Group									
Cash flow hedge									
Interest rate risk – Interest rate swap to hedge floating rate borrowings (b)	173,690	4,578	Derivative financial instruments	6,374	(6,374)	-	173,690	1.5%	December 2024 – March 2025
Net investment hedge									
Foreign exchange risk – Borrowings to hedge net investments in foreign operations	-	(9,574)	Borrowings	876	(876)	-	-	JPY76.0: $1	-
Company									
Cash flow hedge									
Interest rate risk – Interest rate swap to hedge floating rate borrowings (b)	91,285	2,774	Derivative financial instruments	3,110	(3,110)	-	91,285	1.2%	December 2024

(b) The contractual notional amount of interest rate swaps held for hedging was based on SONIA.

* All hedge ineffectiveness, if any, was recognised in profit or loss within "Other (losses)/gains and impairment losses– net" (Note 8). The hedges were fully effective during the prior financial year.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2022

27. DEFERRED INCOME

	Group		Company	
	2022	2021	**2022**	2021
	$'000	$'000	**$'000**	$'000
Current				
– Other related parties	**6,797**	6,797	**6,797**	6,797
– Non-related parties	**8,168**	6,274	**7**	16
	14,965	13,071	**6,804**	6,813
Non-current				
– Other related parties	**262,717**	269,514	**262,717**	269,514
	277,682	282,585	**269,521**	276,327

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

28. DEFERRED INCOME TAXES

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current income tax assets against current income tax liabilities and when the deferred income taxes relate to the same taxation authority.

The amounts, determined after appropriate offsetting, are shown on the balance sheet as follows:

	Group		Company	
	2022	2021	**2022**	2021
	$'000	$'000	**$'000**	$'000
Deferred income tax assets	**3,657**	3,721	**2,630**	2,577
Deferred income tax liabilities	**(50,302)**	(48,261)	**-**	-
Net deferred tax (liabilities)/assets	**(46,645)**	(44,540)	**2,630**	2,577

Deferred income tax assets are recognised for tax losses and capital allowances carried forward to the extent that realisation of the related tax benefits through future taxable profits is probable. The Group has unrecognised tax losses and capital allowances of approximately $113,638,000 (2021: $119,084,000) at the balance sheet date which can be carried forward and used to offset against future taxable income subject to meeting certain statutory requirements by those companies with unrecognised tax losses and capital allowances in their respective countries of incorporation. These tax losses have no expiry date.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2022

28. DEFERRED INCOME TAXES (continued)

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

Deferred income tax liabilities – Group

	Accelerated tax depreciation	Revaluation gains – net	Other	Total
	$'000	$'000	$'000	$'000
Group – 2022				
Beginning of financial year	11,993	36,829	1,240	50,062
(Credited)/Charged to:				
– profit or loss	(345)	1,476	-	1,131
– other comprehensive income (Note 30(i))	-	5,151	-	5,151
Currency translation differences	-	(3,361)	(82)	(3,443)
End of financial year	**11,648**	**40,095**	**1,158**	**52,901**
Group – 2021				
Beginning of financial year	12,477	19,610	1,287	33,374
(Credited)/Charged to:				
– profit or loss	(484)	13,144	-	12,660
– other comprehensive income (Note 30(i))	-	4,642	-	4,642
Currency translation differences	-	(567)	(47)	(614)
End of financial year	11,993	36,829	1,240	50,062

Deferred income tax assets – Group

	Tax losses	Lease liabilities	Total
	$'000	$'000	$'000
Group – 2022			
Beginning of financial year	(1,496)	(4,026)	(5,522)
(Credited)/Charged to profit or loss	(972)	64	(908)
Currency translation differences	174	-	174
End of financial year	**(2,294)**	**(3,962)**	**(6,256)**
Group – 2021			
Beginning of financial year	(1,066)	(4,816)	(5,882)
(Credited)/Charged to profit or loss	(494)	792	298
Currency translation differences	64	(2)	62
End of financial year	(1,496)	(4,026)	(5,522)

Deferred income tax liabilities – Company

	2022	2021
	$'000	$'000
Accelerated tax depreciation		
Beginning and end of financial year	**305**	305

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2022

28. DEFERRED INCOME TAXES (continued)

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

Deferred income tax assets – Company

	2022 $'000	2021 $'000
Lease liabilities		
Beginning of financial year	**(2,882)**	(2,766)
Credited to profit or loss	**(53)**	(116)
End of financial year	**(2,935)**	(2,882)

29. SHARE CAPITAL

	Group and Company			
	Number of shares		Amount	
	2022 '000	2021 '000	2022 $'000	2021 $'000
Beginning of financial year	**464,534**	455,485	**525,053**	515,234
Shares issued in-lieu of cash dividend	**10,192**	9,049	**10,905**	9,819
End of financial year	**474,726**	464,534	**535,958**	525,053

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

30. REVALUATION AND OTHER RESERVES

	Group		Company	
	2022 $'000	2021 $'000	2022 $'000	2021 $'000
Capital reserve	**13,977**	13,977	**-**	-
Asset revaluation reserve (Note (i))	**389,804**	378,667	**292,487**	289,537
Currency translation reserve (Note (ii))	**(67,846)**	(38,565)	**(175)**	-
Fair value reserve (Note (iii))	**(1,595)**	(2,502)	**(50)**	-
Hedging reserve (Note (iv))	**16,759**	4,004	**7,129**	2,774
	351,099	355,581	**299,391**	292,311

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

(i) Asset revaluation reserve

	Group		Company	
	2022 $'000	2021 $'000	2022 $'000	2021 $'000
Beginning of financial year	**378,667**	361,651	**289,537**	288,788
Revaluation gains – net (Note 21)	**10,648**	12,493	**2,950**	749
Share of joint venture's asset revaluation reserve movement (Note 18)	**8,128**	16,137	**-**	-
Tax expense relating to:			**-**	-
– revaluation gains	**(3,095)**	(1,778)	**-**	-
– share of joint venture's asset revaluation reserve movement	**(2,056)**	(2,864)	**-**	-
Less: Non-controlling interest	**(2,488)**	(6,972)	**-**	-
End of financial year	**389,804**	378,667	**292,487**	289,537

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2022

30. REVALUATION AND OTHER RESERVES (continued)

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

(ii) Currency translation reserve

	Group		Company	
	2022	2021	**2022**	2021
	$'000	$'000	**$'000**	$'000
Beginning of financial year	**(38,565)**	(28,378)	**-**	-
Net currency translation differences of financial statements of foreign subsidiaries and joint ventures	**(11,127)**	(2,175)	**(175)**	-
Net currency translation differences of advances designated as net investments in subsidiaries	**(24,336)**	(11,281)	**-**	-
Net currency translation differences on borrowings designated as net investment hedge of foreign operations	**1,228**	876	**-**	-
Reclassification on disposal of subsidiaries (Note 8)	**-**	(1,391)	**-**	-
Reclassification on realisation of advances (Note 8)	**(1,627)**	-	**-**	-
Share of joint ventures' currency translation reserve movement (Note 18)	**223**	(2)	**-**	-
Less: Non-controlling interest	**6,358**	3,786	**-**	-
End of financial year	**(67,846)**	(38,565)	**(175)**	-

(iii) Fair value reserve

	Group		Company	
	2022	2021	**2022**	2021
	$'000	$'000	**$'000**	$'000
Beginning of financial year	**(2,502)**	(1,661)	**-**	-
Financial assets, at FVOCI – Fair value losses (Note 16)	**(50)**	-	**(50)**	-
Share of associated company's fair value reserve movement (Note 17)	**952**	(921)	**-**	-
Transfer of share of associated company's fair value reserve upon disposal	**5**	80	**-**	-
End of financial year	**(1,595)**	(2,502)	**(50)**	-

(iv) Hedging reserve

	Group		Company	
	2022	2021	**2022**	2021
	$'000	$'000	**$'000**	$'000
Beginning of financial year	**4,004**	(5,041)	**2,774**	(336)
Fair value gains	**10,575**	5,955	**5,382**	3,044
Reclassification to profit or loss, as hedged item has affected profit or loss – Finance expenses (Note 9)	**(1,697)**	419	**(1,027)**	66
	8,878	6,374	**4,355**	3,110
Share of joint ventures' hedging reserve movement (Note 18)	**5,537**	3,816	**-**	-
Less: Non-controlling interest	**(1,660)**	(1,145)	**-**	-
End of financial year	**16,759**	4,004	**7,129**	2,774

Revaluation and other reserves are non-distributable.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2022

31. RETAINED PROFITS

Retained profits of the Group are distributable except for the accumulated retained profits from the share of results of joint ventures and associated companies amounting to $29,746,000 (2021: $7,430,000).

Movement in retained profits of the Company is as follows:

	Company	
	2022	2021
	$'000	$'000
Beginning of financial year	**168,644**	195,409
Shares issued in-lieu of cash dividend (Note 29)	**(10,905)**	(9,819)
Dividend paid to equity holders of the Company in cash (Note 32)	**(3,031)**	(3,835)
Net profit/(loss)	**2,386**	(13,111)
End of financial year	**157,094**	168,644

32. DIVIDEND

	Company	
	2022	2021
	$'000	$'000
Ordinary dividends paid		
Final dividend paid in respect of the previous financial year of 3 cents (2021: 3 cents) using		
– new shares issued	**10,905**	9,819
– cash	**3,031**	3,835
	13,936	13,654

At the upcoming Annual General Meeting, a first and final dividend of three cents per share and a special dividend of one cent per share amounting to a total of $18,989,000 will be recommended. These financial statements do not reflect this dividend, which will be accounted for in equity attributable to equity holders of the Company as an appropriation of retained profits in the financial year ending 31 December 2023.

33. COMMITMENTS

Capital commitments

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

	Group		Company	
	2022	2021	**2022**	2021
	$'000	$'000	**$'000**	$'000
Properties held for sale	**-**	77	**-**	-
Investment properties	**21,765**	-	**-**	-
Property, plant and equipment	**1,567**	1,323	**-**	-
	23,332	1,400	**-**	-

Included in capital commitment for investment properties is the commitment amounting to £13,246,000 (approximately $21,477,000) for the acquisition of a freehold student accommodation property located in Southampton, United Kingdom. Sale and purchase agreement was entered into on 9 December 2022 (the "PBSA Acquisition"). Completion of the PBSA Acquisition is conditional upon the seller undertaking and completing certain works. The completion of the works is expected to be in April 2023, with a long-stop date by end April 2023.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2022

34. FINANCIAL RISK MANAGEMENT

The Group's activities expose it to market risk (including interest rate risk and currency risk), credit risk and liquidity risk. The Group's overall risk management objective is to effectively manage these risks and minimise potential adverse effects on the Group's financial performance. Financial risk management is carried out by a team within the management of the Group.

(a) Market risk

(i) Interest rate risk

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the fair value of a financial instrument will fluctuate due to changes in market interest rates. As the Group has no significant interest-bearing assets other than fixed deposits with banks, the Group's income is substantially independent of changes in market interest rates.

The Group's exposure to cash flow interest rate risks arises mainly from variable-rate borrowings (Note 25). The Company's exposure to cash flow interest rate risks arises mainly from variable-rate borrowings and advances from/to subsidiaries at variable rates. The Group's policy is to obtain the most favourable interest rates available without increasing its foreign currency exposure and manages cash flow interest rate risks using floating-to-fixed interest rate swaps when opportunities arise.

The Group enters into interest rate swaps with the same critical terms as the hedged item, such as reference rate, reset dates, payment dates, maturities and notional amount. The Group does not hedge 100% of its loans, therefore the hedged item is identified as a proportion of the outstanding amount of the borrowings. As all critical terms matched during the year, the economic relationship was 100% effective.

Hedge effectiveness

Hedge effectiveness is determined at the inception of the hedging relationship, and through periodic prospective effective assessments to ensure that an economic relationship exists between the hedged item and hedging instrument.

The Group enters into hedge relationships where the critical terms of the hedging instrument match exactly with the terms of the hedged item, and so a qualitative assessment of effectiveness is performed. If changes in circumstances affect the terms of the hedged item such that the critical terms no longer match exactly with the critical terms of the hedging instrument, the Group uses the hypothetical derivative method to assess effectiveness. The hedges were 100% effective during the financial year.

The borrowings of the Group at variable rates on which effective hedges have not been entered into are denominated mainly in British Pound ("GBP"), Australian Dollar ("AUD") and Japanese Yen ("JPY").

The profit after tax of the Group and Company would have been lower/(higher) as a result of higher/(lower) interest expense on these borrowings if the interest rates had increased/(decreased) by 1% (2021: 1%) with all other variables including tax rate being held constant. Similarly, other comprehensive income would have been increased/(decreased) as a result of higher/(lower) fair value of interest rate swaps designated as cash flow hedges of variable-rate borrowings. The analysis is as follows:

	Increase/(Decrease) by 1%			
	31 December 2022		31 December 2021	
	Profit after tax	**Other comprehensive income**	Profit after tax	Other comprehensive income
	$'000	**$'000**	$'000	$'000
Group				
Denomination of borrowings				
– GBP	**-/+ 4,128**	**+/- 4,938**	-/+ 3,274	+/- 5,319
– AUD	**-/+ 408**	**-**	-/+ 517	-
– JPY	**-/+ 155**	**-**	-/+ 170	-
Company				
Denomination of borrowings				
– GBP	**-/+ 2,905**	**+/- 3,383**	-/+ 1,839	+/- 2,697

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2022

34. FINANCIAL RISK MANAGEMENT (continued)

(a) Market risk (continued)

(ii) Currency risk

The Group operates in Singapore, Australia, Japan, New Zealand, the United Kingdom ("UK") and Malaysia. The entities within the Group transact in currencies other than their respective functional currencies ("foreign currencies"). Significant currency risk arises within entities in the Group when transactions are denominated in foreign currencies such as the SGD, Australian Dollar ("AUD"), New Zealand Dollar ("NZD") and British Pound ("GBP"). Where such currency risk becomes significant, the Group considers the use of currency swaps and forwards to manage the risk.

The Group's currency exposure based on the information provided to key management is as follows:

	SGD $'000	AUD $'000	NZD $'000	GBP $'000
At 31 December 2022				
Financial assets				
Cash and cash equivalents	170,982	40,429	23	19,595
Trade and other receivables	19,949	4,975	-	20,229
Intra-group receivables	78,104	58,217	-	369,600
Derivatives financial instruments	-	-	-	12,749
	269,035	103,621	23	422,173
Financial liabilities				
Borrowings	(20,000)	(58,297)	-	(499,973)
Lease liabilities	(99,671)	-	-	-
Trade and other payables	(180,249)	(7,035)	-	(12,193)
Intra-group payables	(78,104)	(58,217)	-	(369,600)
	(378,024)	(123,549)	-	(881,766)
Net financial (liabilities)/assets	(108,989)	(19,928)	23	(459,593)
Add: Net financial assets denominated in the respective entities' functional currencies	31,239	54,269	(23)	493,232
Net currency exposure	**(77,750)**	**34,341**	**-**	**33,639**
At 31 December 2021				
Financial assets				
Cash and cash equivalents	139,614	76,312	358	37,596
Trade and other receivables	13,086	5,174	54	1,375
Intra-group receivables	78,480	62,845	5,976	327,720
Derivatives financial instruments	-	-	-	4,578
	231,180	144,331	6,388	371,269
Financial liabilities				
Borrowings	(20,000)	(73,816)	-	(571,664)
Lease liabilities	(109,564)	-	-	-
Trade and other payables	(179,301)	(6,078)	(110)	(11,953)
Intra-group payables	(78,480)	(62,845)	(5,976)	(327,720)
	(387,345)	(142,739)	(6,086)	(911,337)
Net financial (liabilities)/assets	(156,165)	1,592	302	(540,068)
Add: Net financial assets denominated in the respective entities' functional currencies	77,645	67,792	5,674	559,586
Net currency exposure	(78,520)	69,384	5,976	19,518

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2022

34. FINANCIAL RISK MANAGEMENT (continued)

(a) Market risk (continued)

(ii) Currency risk (continued)

The Company's currency exposure based on the information provided to key management is as follows:

	SGD $'000	AUD $'000	GBP $'000
At 31 December 2022			
Financial assets			
Cash and cash equivalents	111,189	29,670	-
Trade and other receivables	179,871	158	369,600
Derivatives financial instruments	-	-	6,572
	291,060	29,828	376,172
Financial liabilities			
Borrowings	-	-	(349,268)
Lease liabilities	(73,597)	-	-
Trade and other payables	(376,466)	-	(139)
	(450,063)	-	(349,407)
Net financial (liabilities)/assets	(159,003)	29,828	26,765
Add: Net financial assets denominated in the Company's functional currency	159,003	-	-
Net currency exposure	**-**	**29,828**	**26,765**
At 31 December 2021			
Financial assets			
Cash and cash equivalents	106,300	31,621	-
Trade and other receivables	175,744	-	327,720
Derivatives financial instruments	-	-	2,774
	282,044	31,621	330,494
Financial liabilities			
Borrowings	-	-	(312,488)
Lease liabilities	(80,386)	-	-
Trade and other payables	(366,283)	-	(300)
	(446,669)	-	(312,788)
Net financial (liabilities)/assets	(164,625)	31,621	17,706
Add: Net financial assets denominated in the Company's functional currency	164,625	-	-
Net currency exposure	-	31,621	17,706

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2022

34. FINANCIAL RISK MANAGEMENT (continued)

(a) Market risk (continued)

(ii) Currency risk (continued)

If the foreign currencies strengthened/(weakened) against their respective functional currencies by 5% (2021: 5%) with all other variables including tax rate being held constant, the Group and Company's profit after tax and other comprehensive income for the financial year would increase/(decrease) as follows:

	Increase/(Decrease)			
	31 December 2022		31 December 2021	
	Profit after tax $'000	**Other comprehensive income $'000**	Profit after tax $'000	Other comprehensive income $'000
Group				
AUD against SGD				
– Strengthened	**5,052**	**11,259**	6,963	13,257
– Weakened	**(5,052)**	**(11,259)**	(6,963)	(13,257)
NZD against SGD				
– Strengthened	**-**	**-**	299	(3,747)
– Weakened	**-**	**-**	(299)	3,747
GBP against SGD				
– Strengthened	**1,792**	**4,782**	1,190	5,334
– Weakened	**(1,792)**	**(4,782)**	(1,190)	(5,334)
Company				
AUD against SGD				
– Strengthened	**1,491**	**-**	1,581	-
– Weakened	**(1,491)**	**-**	(1,581)	-
GBP against SGD				
– Strengthened	**1,338**	**-**	886	-
– Weakened	**(1,338)**	**-**	(886)	-

In addition, the Group is exposed to currency translation risk on the net assets in foreign operations. Currency exposure to the net assets of the Group's foreign operations in Australia and the UK are managed through borrowings and/or advances denominated in the relevant foreign currencies. Currency exposure to the net assets of the Group's foreign operations in Japan are managed through borrowings denominated in JPY, partially designated as a net investment hedge in foreign operations. The Group establishes the hedge ratio of 1:1 by matching the net assets exposure to borrowings designated as hedging instrument.

There was no ineffectiveness during 2022 in relation to the net investment hedge.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2022

34. FINANCIAL RISK MANAGEMENT (continued)

(b) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The major classes of financial assets carried at amortised cost of the Group and of the Company are bank deposits, trade receivables, advances to or amounts due from subsidiaries, joint ventures and other related parties, deposits and other receivables. For trade receivables, the Group adopts the policy of dealing only with customers of appropriate credit history and/or requiring deposits to be placed with the Group prior to provision of certain of its services. For other financial assets, the Group adopts the policy of dealing only with high credit quality counterparties.

The Group and the Company has no significant concentrations of credit risk and has in place credit policies and procedures to ensure on-going credit evaluation and active account monitoring.

As the Group and the Company do not hold any collateral, the maximum exposure to credit risk for each class of financial instruments is the carrying amount of that class of financial instruments presented on the balance sheet. In addition, the Company does not have off-balance sheet exposure to credit risk and has not provided any corporate guarantees to banks on banking facilities of subsidiaries and/or joint ventures.

The Group and the Company consider the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period.

The Group's and Company's financial assets at amortised cost have low risk of default. To assess whether there is a significant increase in credit risk, the Group and the Company compare the risk of a default occurring on the asset as at reporting date with the risk of default as at the date of initial recognition. The Group and the Company consider available reasonable and supportive forward-looking information, where applicable, which include the following indicators:

- Significant financial difficulties of the debtor;
- Probability that the debtor will enter bankruptcy or financial reorganisation;
- Default or delinquency in payments; and
- Actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the debtor's ability to meet its obligations.

Regardless of the analysis above, a significant increase in credit risk is presumed if a debtor is more than 30 days past due in making a contractual payment.

The Group and the Company determined that its financial assets are credit-impaired when:

- There is significant financial difficulty of the debtor;
- A breach of contract, such as a default or past due event; or
- It is becoming probable that the debtor will enter bankruptcy or other financial reorganisation.

The Group and the Company have determined the default event on a financial asset to be when the counterparty fails to make contractual payments, within 90 days when they fall due, based on the Group's and Company's historical information.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2022

34. FINANCIAL RISK MANAGEMENT (continued)

(b) Credit risk (continued)

Financial assets are fully impaired when there is no reasonable expectation of recovery, such as a debtor failing to meet a repayment plan with the Group and the Company. Where loans and receivables have been fully impaired, the Group and the Company continue to engage enforcement activity to attempt to recover the receivables due. Where recoveries are made, these are recognised in profit or loss.

Bank deposits

Bank deposits are considered to have low credit risk as they are mainly deposits with reputable banks.

Trade receivables

The Group and the Company apply the simplified approach to providing for expected credit losses prescribed by SFRS(I) 9, which permits the use of the lifetime credit loss provision for all trade and lease receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and days past due. In calculating the expected credit loss rates, the Group considers historical loss rates for each category of customers and adjusts for forward-looking macroeconomic data. The Group's and the Company's credit risk exposure in relation to trade receivables are set out in the provision matrix as follows:

	Group				
	Current to 30 days past due	> 30 days past due	> 60 days past due	> 90 days past due	Total
	$'000	$'000	$'000	$'000	$'000
31 December 2022					
Expected loss rate	0.0%	0.0%	0.0%	64.8%	7.6%
Gross carrying amount	14,618	797	333	2,097	17,845
Allowance for impairment	-	-	-	1,358	1,358
31 December 2021					
Expected loss rate	0.0%	0.0%	0.0%	64.2%	10.1%
Gross carrying amount	8,268	360	92	1,621	10,341
Allowance for impairment	-	-	-	1,041	1,041

	Company				
	Current to 30 days past due	> 30 days past due	> 60 days past due	> 90 days past due	Total
	$'000	$'000	$'000	$'000	$'000
31 December 2022					
Expected loss rate	0.0%	0.0%	0.0%	0.0%	0.0%
Gross carrying amount	1,640	257	32	-	1,929
Allowance for impairment	-	-	-	-	-
31 December 2021					
Expected loss rate	0.0%	0.0%	0.0%	0.0%	0.0%
Gross carrying amount	447	81	-	-	528
Allowance for impairment	-	-	-	-	-

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2022

34. FINANCIAL RISK MANAGEMENT (continued)

(b) Credit risk (continued)

Trade receivables (continued)

The movement of the allowance for impairment is as follows:

	Group		Company	
	2022	2021	**2022**	2021
	$'000	$'000	**$'000**	$'000
Beginning of financial year	**1,041**	1,021	**-**	82
Allowance made	**861**	485	**-**	75
Allowance written back	**(9)**	(314)	**-**	(82)
Allowance written off	**(387)**	(149)	**-**	(75)
Currency translation differences	**(148)**	(2)	**-**	-
End of financial year	**1,358**	1,041	**-**	-

During the year, the Group and the Company have written off $387,000 (2021: $149,000) and $Nil (2021: $75,000) of trade receivables as there is no reasonable expectation of recovery.

Other financial assets at amortised cost

The Group's advances to or amounts due from subsidiaries, joint ventures and other related parties, deposits and other receivables carried at amortised cost have low risk of default and a strong capacity to meet contractual cash flows. Hence the loss allowance is determined at an amount equal to 12-month expected credit loss. The Group and the Company categorise such loan or receivable as a financial asset with low risk of impairment.

Where the interest and/or principal repayments are 30 days past due and there is no reasonable expectation of recovery, or the counterparty is going into administration or bankruptcy or financial reorganisation, the Group and Company categorise such loan or receivable for impairment.

(c) Liquidity risk

Prudent liquidity risk management includes maintaining sufficient cash and marketable securities, as well as the availability of funding through an adequate amount of committed credit facilities. At the balance sheet date, assets held by the Group and the Company for managing liquidity risk included cash and short-term deposits as disclosed in Note 12.

The Group and the Company manage the liquidity risk by maintaining sufficient cash to meet the normal operating commitments and having an adequate amount of committed credit facilities.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2022

34. FINANCIAL RISK MANAGEMENT (continued)

(c) Liquidity risk (continued)

The table below analyses non-derivative financial liabilities of the Group and the Company into relevant maturity groupings based on the remaining period from the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
	$'000	$'000	$'000	$'000
Group				
At 31 December 2022				
Trade and other payables	99,090	29,071	-	71,910
Borrowings	241,043	125,699	283,786	-
Lease liabilities	14,108	13,665	40,663	62,867
	354,241	**168,435**	**324,449**	**134,777**
At 31 December 2021				
Trade and other payables	96,476	29,293	-	71,910
Borrowings	397,976	4,261	307,941	-
Lease liabilities	15,531	14,394	41,087	76,367
	509,983	47,948	349,028	148,277
Company				
At 31 December 2022				
Trade and other payables	38,134	338,471	-	-
Borrowings	131,208	88,555	162,873	-
Lease liabilities	10,452	10,003	30,001	46,546
	179,794	**437,029**	**192,874**	**46,546**
At 31 December 2021				
Trade and other payables	4,804	361,779	-	-
Borrowings	133,614	2,102	185,656	-
Lease liabilities	10,690	10,690	30,454	56,546
	149,108	374,571	216,110	56,546

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2022

34. FINANCIAL RISK MANAGEMENT (continued)

(d) Capital risk

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern and to maintain an optimal capital structure so as to maximise the value for the equity holders of the Company. In order to maintain or achieve an optimal capital structure, the Group may adjust the amount of dividend payment, return capital to equity holders of the Company, issue new shares, buy back issued shares, obtain new borrowings or sell assets to reduce borrowings. Externally imposed capital undertakings are mainly debt covenants included in certain loans of the Group or certain subsidiaries of the Company to maintain stipulated interest coverage, loan-to-value and consolidated net debt to consolidated net worth ratios.

Management monitors capital based on a gearing ratio. Consistent with how management monitors capital, the gearing ratio is calculated as total borrowings, excluding lease liabilities divided by total equity.

	Group		Company	
	2022	2021	**2022**	2021
Total borrowings ($'000)	**602,210**	692,035	**349,577**	312,488
Total equity ($'000)	**1,303,443**	1,291,695	**992,443**	986,008
Gearing ratio (%)	**46%**	54%	**35%**	32%

The Group and the Company are in compliance with all externally imposed capital requirements for the financial years ended 31 December 2022 and 2021.

(e) Financial instruments by category

The carrying amount of the different categories of financial instruments is as disclosed on the face of the balance sheet, except for the following:

	Group		Company	
	2022	2021	**2022**	2021
	$'000	$'000	**$'000**	$'000
Financial assets at amortised cost	**279,638**	280,601	**693,482**	641,315
Financial liabilities at amortised cost	**899,268**	998,062	**797,994**	759,018

Reconciliation of financial assets at amortised cost is as follows:

	Group		Company	
	2022	2021	**2022**	2021
	$'000	$'000	**$'000**	$'000
Total trade and other receivables (current and non-current)	**50,613**	30,201	**550,039**	503,920
Add/(Less):				
– Cash and cash equivalents	**233,195**	255,189	**143,853**	137,921
– Prepayments	**(3,972)**	(4,530)	**(410)**	(456)
– Goods and services tax receivable	**(198)**	(259)	**-**	(70)
Total financial assets at amortised cost	**279,638**	280,601	**693,482**	641,315

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2022

34. FINANCIAL RISK MANAGEMENT (continued)

(e) Financial instruments by category (continued)

Reconciliation of financial liabilities at amortised cost is as follows:

	Group		Company	
	2022	2021	**2022**	2021
	$'000	$'000	**$'000**	$'000
Total trade and other payables (current and non-current)	**200,403**	198,604	**376,651**	366,645
Add/(Less):				
– Borrowings	**602,210**	692,035	**349,577**	312,488
– Lease liabilities (current and non-current)	**99,671**	109,564	**73,597**	80,386
– Contract liabilities	**(332)**	(925)	**(46)**	(62)
– Good and services tax payable	**(2,684)**	(1,216)	**(1,785)**	(439)
Total financial liabilities at amortised cost	**899,268**	998,062	**797,994**	759,018

(f) 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 at Note 20 and Note 21.

	Group		Company	
	2022	2021	**2022**	2021
	$'000	$'000	**$'000**	$'000
Assets				
Derivative financial instruments – Level 2	**12,749**	4,578	**6,572**	2,774
Financial asset, at FVOCI – Level 3	**1,140**	-	**1,140**	-

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

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. The Group uses a variety of methods and makes assumptions that are based on market conditions existing at each balance sheet date. The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows based on observable yield curves. These investments are classified as Level 2 and comprise debt investments and derivative financial instruments. In infrequent circumstances, where a valuation technique for these instruments is based on significant unobservable inputs, such instruments are classified as Level 3.

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

The Group has invested in an unlisted equity security during the financial year ended 31 December 2022. The investment is classified as FVOCI and measured at fair value at each reporting period. The Group has elected to recognise changes in fair value of equity securities not held for trading in other comprehensive income as these are strategic investments and the Group considers this to be more relevant.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2022

34. FINANCIAL RISK MANAGEMENT (continued)

(f) Fair value measurements (continued)

The Group estimates the fair value of its unlisted equity security classified as FVOCI based on its share of the investee company's net asset value ("NAV"), which is a significant unobservable input. NAV is determined by reference to the attributable net assets of the investee company based on the latest available financial statements, adjusted, where applicable, for valuations of the underlying investment properties held by the investee determined primarily by independent and professional valuers.

Management reviews the appropriateness of the methodologies used to determine NAV, and also evaluates the appropriateness and reliability of inputs (including those developed internally by management) used in the determination of NAV.

As at 31 December 2022, the Group has committed equity of $2,898,000 to provide funding if called, to the unlisted equity security.

35. RELATED PARTY TRANSACTIONS

(a) Immediate and ultimate holding company

The Company's immediate and ultimate holding company is Far East Organization Pte. Ltd., incorporated in Singapore.

(b) Sales and purchases of goods and services from other related parties

Other related parties comprise mainly companies which are controlled by the equity holders of the Company's ultimate holding company.

In addition to the information disclosed elsewhere in the financial statements, the following significant transactions took place between the Group and related parties at terms agreed between the parties:

	Group	
	2022	2021
	$'000	$'000
Amounts billed to/(by) other related parties:		
Administrative service fees	**262**	39
Purchase of goods and services	**(998)**	(546)
Amounts billed by other related parties to joint ventures:		
Support services	**(239)**	(269)
Purchase of goods and services	**(62)**	(60)
Payments made on behalf for other related parties	**5,509**	5,372

Outstanding balances at 31 December 2022, arising from deposits, sale and purchase of goods and services are set out in Notes 13 and 24 respectively.

During the financial year ended 31 December 2021, the Group's joint venture, Woodlands Square Pte. Ltd. ("WSPL") entered into a sale and purchase agreement and a side letter with Far East Management (Private) Limited ("FEM"), a member of Far East Organization Pte. Ltd., for the sale of one property unit at Woods Square from WSPL to FEM. The sales price was $1,774,000 and the Group recognised its 33% share of profits of the joint venture arising from the sale in the prior financial year.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2022

35. RELATED PARTY TRANSACTIONS (continued)

(c) Key management personnel compensation

Key management personnel compensation is as follows:

	Group	
	2022	2021
	$'000	$'000
Wages, salaries and benefits	**3,031**	2,115
Employer's contribution to defined contribution plans, including Central Provident Fund	**74**	58
	3,105	2,173

36. SEGMENT INFORMATION

Management has determined the operating segments based on the reports reviewed by the Group Chief Executive Officer 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, Japan, and Malaysia.

(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 or held through a joint venture 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 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 Group Chief Executive Officer.

(iii) Investment

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

There was no revenue from transactions with a single external customer that accounts for 10% or more of the Group's revenue for the financial years ended 31 December 2022 and 2021.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2022

36. SEGMENT INFORMATION (continued)

The segment information provided to the Group Chief Executive Officer for the reportable segments are as follows:

	Hospitality			Property			Total
	Management services	Operations	Property ownership	Student accommodation	Development	Investment	
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
2022							
Total segment sales	20,752	28,230	43,600	40,773	-	9,841	143,196
Inter-segment sales	(2,228)	-	-	-	-	-	(2,228)
Sales to external parties	**18,524**	**28,230**	**43,600**	**40,773**	**-**	**9,841**	**140,968**
Operating profit/(loss)	1,215	4,612	(2,143)	20,760	(1,570)	7,424	30,298
Share of profit/(loss) of:							
– associated companies	-	3,122	-	-	-	-	3,122
– joint ventures	-	13,860	4,374	(255)	2,617	-	20,596
Total operating profit	1,215	21,594	2,231	20,505	1,047	7,424	54,016
Corporate expenses							(4,969)
Interest income							2,560
Finance expenses							(20,895)
Others*							(7,816)
Profit before income tax							22,896
Income tax expense							(1,420)
Profit after income tax							21,476
Segment assets	117,336	416,746	241,390	590,862	177,674	286,694	1,830,702
Investments in associated companies	-	27,233	-	-	-	-	27,233
Investments in joint ventures	-	191,005	91,116	2,671	195,676	-	480,468
	117,336	634,984	332,506	593,533	373,350	286,694	2,338,403
Corporate assets							196,831
Total assets							**2,535,234**

* Material and non-cash items are disclosed as "Other (losses)/gains and impairment losses – net" (Note 8).

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2022

36. SEGMENT INFORMATION (continued)

	Hospitality			Property			Total
	Management services	Operations	Property ownership	Student accommodation	Development	Investment	
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
2021							
Total segment sales	14,789	22,546	24,560	37,290	-	9,548	108,733
Inter-segment sales	(1,905)	-	-	-	-	-	(1,905)
Sales to external parties	12,884	22,546	24,560	37,290	-	9,548	106,828
Operating (loss)/profit	(2,259)	641	(8,783)	20,344	(113)	7,272	17,102
Share of profit/(loss) of:							
– associated companies	-	2,460	-	-	-	-	2,460
– joint ventures	-	(16,959)	(934)	-	2,681	-	(15,212)
Total operating profit/(loss)	(2,259)	(13,858)	(9,717)	20,344	2,568	7,272	4,350
Corporate expenses							(3,964)
Interest income							1,049
Finance expenses							(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	426,632	259,451	650,787	190,475	293,139	1,935,085
Investments in associated companies	-	23,159	-	-	-	-	23,159
Investments in joint ventures	-	182,907	93,245	-	194,060	-	470,212
	114,601	632,698	352,696	650,787	384,535	293,139	2,428,456
Corporate assets							196,928
Total assets							2,625,384

* Material and non-cash items are disclosed as "Other (losses)/gains and impairment losses – net" (Note 8).

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2022

36. SEGMENT INFORMATION (continued)

Geographical information

The Group's six business segments operate in four 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.
- 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, New Zealand and Japan and property ownership in Germany and Denmark.

	Revenue	
	2022	2021
	$'000	$'000
Singapore	**51,883**	40,333
Australia	**45,075**	25,229
United Kingdom	**41,331**	37,539
Other countries	**2,679**	3,727
	140,968	106,828

	Non-current assets	
	2022	2021
	$'000	$'000
Singapore	**1,012,022**	1,023,878
Australia	**378,696**	389,489
United Kingdom	**556,388**	612,047
Other countries	**132,973**	133,821
	2,080,079	2,159,235

During the year ended 31 December 2022, the Group acquired property, plant and equipment amounting to $788,000 (31 December 2021: $9,790,000) under Property ownership reportable segment – Australia and $223,000 under Property ownership reportable segment – Malaysia.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2022

37. NEW OR REVISED ACCOUNTING STANDARDS AND INTERPRETATIONS

Below are the mandatory standards, amendments and interpretations to existing standards that have been published and are relevant for the Group's accounting periods beginning on or after 1 January 2023 and which the Group has not early adopted.

- *Amendments to SFRS(I) 1-1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current* (effective for annual periods beginning on or after 1 January 2023)

  The narrow-scope amendments to SFRS(I) 1-1 Presentation of Financial Statements clarify that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Classification is unaffected by the expectations of the entity or events after the reporting date (e.g. the receipt of a waiver or a breach of covenant). The amendments also clarify what SFRS(I) 1-1 means when it refers to the 'settlement' of a liability.

  The amendments could affect the classification of liabilities, particularly for entities that previously considered management's intentions to determine classification and for some liabilities that can be converted into equity.

  The Group does not expect any significant impact arising from applying these amendments.

- *Amendments to SFRS(I) 1-12 Income Taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction* (effective for annual periods beginning on or after 1 January 2023)

  The amendments to SFRS(I) 1-12 Income Taxes require companies to recognise deferred tax on transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences. They will typically apply to transactions such as leases of lessees and decommissioning obligations and will require the recognition of additional deferred tax assets and liabilities.

  The amendment should be applied to transactions that occur on or after the beginning of the earliest comparative period presented. In addition, entities should recognise deferred tax assets (to the extent that it is probable that they can be utilised) and deferred tax liabilities at the beginning of the earliest comparative period for all deductible and taxable temporary differences associated with:

  - right-of-use assets and lease liabilities, and
  - decommissioning, restoration and similar liabilities, and the corresponding amounts recognised as part of the cost of the related assets.

  The cumulative effect of recognising these adjustments is recognised in retained earnings, or another component of equity, as appropriate.

  SFRS(I) 1-12 did not previously address how to account for the tax effects of on-balance sheet leases and similar transactions and various approaches were considered acceptable. Some entities may have already accounted for such transactions consistent with the new requirements. These entities will not be affected by the amendments.

  The Group does not expect any significant impact arising from applying these amendments.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2022

38. LISTING OF SIGNIFICANT COMPANIES IN THE GROUP

Name of companies	Principal activities	Country of business/ incorporation	Group effective ownership interest held	
			2022 **%**	2021 %
Significant subsidiaries				
Far East Hospitality Holdings Pte. Ltd.	Investment holding	Singapore	**70**	70
Jelco Properties Pte Ltd	Investment and sales of properties	Singapore	**100**	100
Far East Hospitality Properties (Australia) Pte. Ltd.	Ownership of hospitality properties	Australia/Singapore	**70**	70
Far East Hospitality Investments (Australia) Pte. Ltd.	Investment holding	Australia/Singapore	**70**	70
Far East Orchard Holdings (Jersey) Limited	Investment of properties through its subsidiaries	United Kingdom/ Jersey	**100**	100
Significant joint ventures				
Toga Hotel Holdings Unit Trust	Ownership and management of hospitality properties	Australia	**35**	35
Woodlands Square Pte. Ltd.	Property development and property investment	Singapore	**33**	33
Significant associated company				
FEO Hospitality Asset Management Pte. Ltd.	REIT Manager of Far East Hospitality Trust	Singapore	**33**	33

39. AUTHORISATION OF FINANCIAL STATEMENTS

These financial statements were authorised for issue in accordance with a resolution of the Board of Directors of Far East Orchard Limited on 15 March 2023.

STATISTICS OF SHAREHOLDINGS

As at 6 March 2023

Issued and fully paid-up capital	:	S$535,957,639.31
Number of shares issued	:	474,725,810
Class of shares	:	Ordinary Shares fully paid
Voting rights	:	One vote per share
Treasury shares	:	Nil

DISTRIBUTION OF SHAREHOLDINGS

SIZE OF SHAREHOLDINGS	NO. OF SHAREHOLDERS	%	NO. OF SHARES	%
1 - 99	332	6.10	10,104	0.00
100 - 1,000	567	10.42	353,573	0.08
1,001 - 10,000	3,028	55.64	14,832,618	3.12
10,001 - 1,000,000	1,494	27.45	64,824,763	13.66
1,000,001 AND ABOVE	21	0.39	394,704,752	83.14
TOTAL	**5,442**	**100.00**	**474,725,810**	**100.00**

TWENTY LARGEST SHAREHOLDERS

NO.	NAME	NO. OF SHARES	%
1	FAR EAST ORGANIZATION PTE. LTD.	300,632,810	63.33
2	BNP PARIBAS NOMINEES SINGAPORE PTE. LTD.	20,961,800	4.42
3	CITIBANK NOMINEES SINGAPORE PTE LTD	11,036,776	2.32
4	UNITED OVERSEAS BANK NOMINEES (PRIVATE) LIMITED	8,833,096	1.86
5	DBS NOMINEES (PRIVATE) LIMITED	8,706,368	1.83
6	PHILLIP SECURITIES PTE LTD	7,485,137	1.58
7	SING INVESTMENTS & FINANCE NOMINEES (PTE.) LTD.	6,340,093	1.34
8	THE BANK OF EAST ASIA (NOMINEES) PRIVATE LIMITED	5,155,284	1.09
9	MAYBANK SECURITIES PTE. LTD.	3,344,959	0.70
10	CGS-CIMB SECURITIES (SINGAPORE) PTE. LTD.	2,990,764	0.63
11	MORPH INVESTMENTS LTD	2,918,008	0.61
12	OCBC NOMINEES SINGAPORE PRIVATE LIMITED	2,560,054	0.54
13	TAN SU KIOK OR SIA LI WEI JOLIE (SHE LIWEI JOLIE)	2,402,330	0.51
14	KHOO POH KOON	1,846,740	0.39
15	UOB KAY HIAN PRIVATE LIMITED	1,750,867	0.37
16	RAFFLES NOMINEES (PTE.) LIMITED	1,588,765	0.33
17	LIM & TAN SECURITIES PTE LTD	1,361,583	0.29
18	OCBC SECURITIES PRIVATE LIMITED	1,273,018	0.27
19	HEXACON CONSTRUCTION PTE LTD	1,200,005	0.25
20	HOE SENG CO PTE LTD	1,164,115	0.25
	TOTAL	**393,552,572**	**82.91**

STATISTICS OF SHAREHOLDINGS

SUBSTANTIAL SHAREHOLDERS

(as shown in the Register of Substantial Shareholders)

Name of Substantial Shareholder	Direct Interest No. of Shares	%	Deemed Interest No. of Shares	%
Far East Organization Pte. Ltd.	300,632,810	63.33	-	-
Tan Kim Choo(1)	224,659	0.05	300,632,810	63.33
The Estate of Ng Teng Fong, deceased(2)	-	-	300,632,810	63.33
Ng Chee Siong(3)	-	-	300,632,810	63.33
Ng Chee Tat, Philip(4)	-	-	300,632,810	63.33

Notes:

(1) Mdm Tan Kim Choo is deemed to be interested in the Shares held by Far East Organization Pte. Ltd. ("**FEOPL**") through her 50% shareholding in the issued share capital of FEOPL.

(2) The Estate of Ng Teng Fong, deceased ("**Estate**"), is deemed to be interested in the Shares held by FEOPL through the Estate's 50% shareholding in the issued share capital of FEOPL.

(3) FEOPL has a direct interest in 300,632,810 shares. The Estate has more than 20% interest in FEOPL. Ng Chee Siong is a beneficiary of the Estate and is therefore deemed to be interested in the 300,632,810 shares in which FEOPL has an interest.

(4) FEOPL has a direct interest in 300,632,810 shares. The Estate has more than 20% interest in FEOPL. Ng Chee Tat, Philip is a beneficiary of the Estate and is therefore deemed to be interested in the 300,632,810 shares in which FEOPL has an interest.

PERCENTAGE OF SHAREHOLDINGS IN PUBLIC HANDS

Based on the information provided to the Company as at 6 March 2023, approximately 36.63% of the issued share capital of the Company was held by the public. Accordingly, the Company has complied with Rule 723 of the Listing Manual of the Singapore Exchange Securities Trading Limited.

FAR EAST ORCHARD LIMITED
(Incorporated in the Republic of Singapore)
(Registration No: 196700511H)

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Fifty-Fifth Annual General Meeting ("**AGM**") of Far East Orchard Limited (the "**Company**") will be held at Antica Ballroom, Level 2, Orchard Rendezvous Hotel, Singapore, 1 Tanglin Road, Singapore 247905 on Wednesday, 19 April 2023 at 10.00 a.m. to transact the following business:

AS ORDINARY BUSINESS

1. To receive and adopt the Audited Financial Statements for the financial year ended 31 December 2022 together with the Directors' Statement and the Report of the Independent Auditor thereon. **(Resolution 1)**

2. To approve a first and final one-tier tax exempt dividend of S$0.03 per ordinary share and a special one-tier tax exempt dividend of S$0.01 per ordinary share, for the financial year ended 31 December 2022. (See Explanatory Note (1)) **(Resolution 2)**

3. To approve the sum of up to S$520,000 as Directors' fees for the financial year ending 31 December 2023, to be paid quarterly in arrears. (2022: S$520,000) (See Explanatory Note (2)) **(Resolution 3)**

4. To re-elect Ms Koh Kah Sek, a Director retiring pursuant to Regulation 98 of the Company's Constitution, and who being eligible, has offered herself for re-election. (See Explanatory Note (4)) **(Resolution 4)**

5. To re-elect Mr Alan Tang Yew Kuen, a Director retiring pursuant to Regulation 98 of the Company's Constitution, and who being eligible, has offered himself for re-election (See Explanatory Note (5)) **(Resolution 5)**

6. To re-elect Mdm Ee Choo Lin Diana, a Director retiring pursuant to Regulation 98 of the Company's Constitution, and who being eligible, has offered herself for re-election. (See Explanatory Note (6)) **(Resolution 6)**

7. To re-appoint PricewaterhouseCoopers LLP as the Company's Independent Auditor and to authorise the Directors to fix their remuneration. **(Resolution 7)**

AS SPECIAL BUSINESS

To consider and, if thought fit, to pass, with or without modifications, the following resolutions as Ordinary Resolutions:

8. Authority to allot and issue shares

"That pursuant to Section 161 of the Companies Act 1967 of Singapore ("**Act**") and the Listing Manual of the Singapore Exchange Securities Trading Limited ("**SGX-ST**"), authority be and is hereby given to the Directors of the Company (the "**Directors**") to:

(a) (i) allot and issue shares in the capital of the Company ("**Shares**") whether by way of rights, bonus or otherwise; and/or

(ii) make or grant offers, agreements or options (collectively, "**Instruments**") that might or would require Shares to be issued, including but not limited to the creation and issue of (as well as adjustments to) warrants, debentures or other instruments convertible or exchangeable into Shares,

NOTICE OF ANNUAL GENERAL MEETING

at any time and upon such terms and conditions and for such purposes and to such persons as the Directors may in their absolute discretion deem fit; and

(b) (notwithstanding the authority conferred by this Resolution may have ceased to be in force) issue Shares in pursuance of any Instruments made or granted by the Directors while this Resolution was in force,

provided that:

(1) the aggregate number of Shares to be allotted and issued pursuant to this Resolution (including Shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution) does not exceed 50% of the total number of issued Shares (excluding any treasury shares and subsidiary holdings, if any) (as calculated in accordance with sub-paragraph (2) below), of which the aggregate number of Shares to be issued other than on a pro-rata basis to shareholders of the Company (including Shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution) does not exceed 20% of the total number of issued Shares (excluding treasury shares and subsidiary holdings, if any) (as calculated in accordance with sub-paragraph (2) below);

(2) (subject to such manner of calculation as may be prescribed by SGX-ST) for the purpose of determining the aggregate number of Shares that may be issued under sub-paragraph (1) above, the total number of issued Shares (excluding treasury shares and subsidiary holdings, if any) shall be based on the total number of issued Shares (excluding treasury shares and subsidiary holdings, if any) in the capital of the Company at the time this Resolution is passed, after adjusting for:

(i) new Shares arising from the conversion or exercise of any convertible securities or exercise of share options or vesting of share awards, which were issued and outstanding or subsisting at the time this Resolution is passed; and

(ii) any subsequent bonus issue, consolidation or subdivision of Shares;

(3) in exercising the authority conferred by this Resolution, the Company shall comply with the provisions of the Act and the Listing Manual of the SGX-ST for the time being in force (unless such compliance has been waived by the SGX-ST) and the Constitution for the time being of the Company; and

(4) the authority conferred by this Resolution shall, unless revoked or varied by the Company in general meeting, continue in force until the conclusion of the next AGM of the Company or the date by which the next AGM of the Company is required by law to be held, whichever is the earlier." (See Explanatory Note (7)) **(Resolution 8)**

NOTICE OF ANNUAL GENERAL MEETING

9. Proposed renewal of the Shareholders' Mandate for Interested Person Transactions

"That:

(a) approval be and is hereby given, for the purposes of Chapter 9 of the Listing Manual of the SGX-ST, for the Company, its subsidiaries and associated companies which are entities at risk as defined under Chapter 9 of the Listing Manual of the SGX-ST, or any of them, to enter into any of the transactions falling within the types of Interested Person Transactions, particulars of which are set out in the Letter to Shareholders, with any person who is of the class of Interested Persons described in the Letter to Shareholders, provided that such transactions are made on normal commercial terms, are not prejudicial to the interests of the Company and its minority shareholders and are in accordance with the review procedures for Interested Person Transactions as set out in the Letter to Shareholders;

(b) the approval given in sub-paragraph (a) above (the "**Mandate**") shall, unless revoked or varied by the Company in general meeting, continue in force until the next AGM of the Company or the date by which the next AGM of the Company is required by law to be held, whichever is the earlier; and

(c) the Directors be and are hereby authorised, jointly or severally, to take such steps and exercise such discretion as the Directors may in their absolute discretion deem fit, advisable or necessary or in the interest of the Company to give effect to the Mandate and/or this Resolution." (See Explanatory Note (8)) **(Resolution 9)**

BY ORDER OF THE BOARD

PHUA SIYU, AUDREY
Company Secretary

Singapore,
4 April 2023

NOTICE OF ANNUAL GENERAL MEETING

NOTES:

(i) A member of the Company entitled to attend and vote at the AGM and who is not a relevant intermediary, is entitled to appoint not more than two proxies to attend and vote in his/her stead at the AGM. A member of the Company who is a relevant intermediary is entitled to appoint more than two proxies to attend and vote at the AGM, but each proxy must be appointed to exercise the rights attached to a different Share or Shares held by such member (and the number and class of Shares must be specified).

"relevant intermediary" has the meaning ascribed to it in Section 181(6) of the Act.

(ii) The instrument appointing a proxy or proxies must be under the hand of the appointer or his attorney duly authorised in writing. If the member is a corporation, the instrument appointing the proxy must be executed in a manner as may be permitted by the Act.

(iii) A proxy need not be a member of the Company.

(iv) The instrument appointing a proxy or proxies must be submitted to the Company in the following manner:

(a) if submitted by post, be lodged at the office of the Company's Share Registrar, Boardroom Corporate & Advisory Services Pte. Ltd., at 1 Harbourfront Avenue, #14-07 Keppel Bay Tower, Singapore 098632; or

(b) if submitted electronically, be submitted via email to the Company's Share Registrar at srs.teamc@boardroomlimited.com,

in either case **not less than 72 hours** before the time appointed for holding the AGM. In case of members of the Company whose Shares are entered against their names in the Depository Register, the Company may reject any instrument appointing a proxy or proxies lodged if such members are not shown to have Shares entered against their names in the Depository Register as at 72 hours before the time appointed for holding the AGM as certified by The Central Depository (Pte) Limited to the Company.

(v) Members may submit questions related to the resolutions to be tabled for approval at the AGM by 10.00 a.m. on 11 April 2023:

(a) by email to srs.teamc@boardroomlimited.com; or

(b) by post to the Company's Share Registrar, Boardroom Corporate & Advisory Services Pte. Ltd., at 1 Harbourfront Avenue, #14-07 Keppel Bay Tower, Singapore 098632.

When submitting their questions, members are to provide their full names, last 3 digits and checksum of NRIC/ passport number. The Company will publish its answers to all substantial and relevant questions at its website https://www.fareastorchard.com.sg/agm.html and at SGXNet at https://www.sgx.com/securities/company-announcements by 14 April 2023. Questions received after 11 April 2023 will be answered at the AGM.

NOTICE OF ANNUAL GENERAL MEETING

Explanatory Notes:

(1) If Ordinary Resolution 2 is approved, the dividends will be paid on or about 28 June 2023.

(2) Ordinary Resolution 3 is to approve the payment of, consistent with prior years, an aggregate sum of up to S$520,000 as Directors' fees for the Company's Non-Executive Directors for the current financial year ending 31 December 2023 ("**FY2023**"). If approved, the Directors' fees for FY2023 will be paid quarterly in arrears. Further details regarding the Directors' Fees can be found under section titled "**Remuneration of NEDs**" in the Company's Annual Report 2022.

(3) For Ordinary Resolutions 4, 5 & 6, detailed information on the Directors who are proposed to be re-elected can be found under the sections titled "**Board of Directors and Management**" and "**Additional Information on Directors Seeking Re-Election**" in the Company's Annual Report 2022.

(4) Ordinary Resolution 4 is to re-elect Ms Koh Kah Sek (who was appointed on 1 November 2016) pursuant to Regulation 98 of the Company's Constitution and if she is re-elected, she will remain as the Board Chair and a member of the Nominating Committee. Ms Koh is considered a Non-Executive Director.

(5) Ordinary Resolution 5 is to re-elect Mr Alan Tang Yew Kuen (who was appointed on 1 January 2020) pursuant to Regulation 98 of the Company's Constitution and if he is re-elected, he will remain as an Executive Director.

(6) Ordinary Resolution 6 is to re-elect Mdm Ee Choo Lin Diana (who was appointed on 29 April 2011) pursuant to Regulation 98 of the Company's Constitution and if she is re-elected, she will remain as a member of the Audit & Risk Committee and a member of the Remuneration Committee. Mdm Ee is considered a Non-Independent Director for the purposes of Rule 704(8) of the Listing Manual of the SGX-ST.

(7) Ordinary Resolution 8, if passed, will empower the Directors, from the date of the passing of this Resolution until the next AGM, to allot and issue Shares and to make or grant Instruments convertible into Shares and to issue Shares in pursuance of such Instruments, for such purposes as they consider would be in the interest of the Company, provided that the aggregate number of Shares which may be issued (including Shares to be issued pursuant to convertibles) under this Resolution shall not exceed 50% of the issued Shares (excluding treasury shares and subsidiary holdings, if any), of which not more than 20% may be issued other than on a pro-rata basis. The total number of Shares which may be issued will be calculated based on the total number of issued Shares (excluding treasury shares and subsidiary holdings, if any) at the time this Resolution is passed after adjusting for (a) new Shares arising from convertible securities, share options or share awards which were issued and outstanding or subsisting at the time this Resolution is passed, and (b) any subsequent bonus issue, consolidation or subdivision of Shares. This authority will, unless previously revoked or varied at a general meeting, expire at the conclusion of the next AGM of the Company.

(8) Ordinary Resolution 9, if passed, will renew the Mandate and empower the Company, its subsidiaries and associated companies, to enter into the Interested Person Transactions as described in the Letter to Shareholders. The authority under the renewed Mandate will, unless revoked or varied by the Company in general meeting, expire at the conclusion of the next AGM of the Company, or the date by which the next AGM is required by law to be held, whichever is the earlier.

NOTICE OF ANNUAL GENERAL MEETING

PERSONAL DATA PRIVACY

By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the AGM and/or any adjournment thereof, and by submitting any questions related to the resolutions to be tabled for approval at the AGM, a member of the Company (i) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents or service providers) for the purpose of the processing, administration and analysis by the Company (or its agents or service providers) of proxies and representatives appointed for the AGM and the member's participation in the AGM (including any adjournment thereof) and of the questions submitted and the preparation and compilation of the attendance lists, minutes (which will be recorded and posted on the Company's website) and other documents relating to the AGM (including any adjournment thereof), and in order for the Company (or its agents or service providers) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the "**Purposes**"), (ii) warrants that where the member discloses the personal data of the member's proxy(ies) and/or representative(s) to the Company (or its agents or service provider), the member has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents or service providers) of the personal data of such proxy(ies) and/or representative(s) for the Purposes, and (iii) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member's breach of the warranty in (ii).

ADDITIONAL INFORMATION ON DIRECTORS SEEKING RE-ELECTION PURSUANT TO RULE 720(6) OF THE LISTING MANUAL OF THE SGX-ST

Name of Director	Koh Kah Sek	Alan Tang Yew Kuen	Ee Choo Lin Diana
Date of First Appointment	1 November 2016	1 January 2020	29 April 2011
Date of Last Re-Appointment	26 June 2020	26 June 2020	26 June 2020
Age	51	56	64
Country of principal residence	Singapore	Singapore	Singapore
The Board's comments on this appointment (including rationale, selection criteria, and the search and nomination process)	The Board considered Ms Koh's performance, contribution and experience and recommended her re-election.	The Board considered Mr Tang's performance, contribution and experience and recommended his re-election.	The Board considered Mdm Ee's performance, contribution and experience and recommended her re-election.
Whether appointment is executive, and if so, the area of responsibility	Non-Executive	Executive. Mr Tang is responsible for the overall management, operations and performance of the Far East Orchard Limited Group.	Non-Executive
Job Title (e.g. Lead ID, AC Chairman, AC Member etc.)	Board Chair, Non-Executive Director and NC Member	Group Chief Executive Officer and Executive Director	Non-Executive Director, RC and ARC Member
Working experience and occupation(s) during the past 10 years	• January 2015 to present – Executive Director and Chief Financial Officer, Far East Organization • April 2012 to December 2014 – Group Financial Controller, Far East Organization	• August 2013 to December 2019 – Chief Operating Officer, Frasers Hospitality International Pte Ltd • October 1999 to May 2013 – Senior Vice President, Head Hospitality, GIC Real Estate Pte Ltd	Mdm Ee is a retiree. She has extensive international experience in the tourism and hospitality industry. Presently, she serves as a director of various companies.
Shareholding interest in the listed issuer and its subsidiaries	No	No	No
Any relationship (including immediate family relationships) with any existing director, existing executive officer, the issuer and/or substantial shareholder of the listed issuer or of any of its principal subsidiaries	Directly associated with Far East Organization Pte. Ltd., a substantial shareholder of the Company.	Nil	Nil
Conflict of interest (including any competing business)	As above	Nil	Nil
Undertaking (in the format set out in Appendix 7.7) under Rule 720(1) has been submitted to the listed issuer	Yes	Yes	Yes
Other Principal Commitments Including Directorships			
Past (for last 5 years)	• Vice President, National Council of Girl Guides Singapore • Divisional Councillor of CPA Australia (Singapore Division) • Chair, CFO Committee, CPA Australia (Singapore Division) • Committee Member, Audit Committee Chapter, Singapore Institute of Directors	• Frasers Hospitality Investment Holding (Philippines) Pte Ltd (Director) • Republic Polytechnic, School of Hospitality (Member of Advisory Committee)	• Mount Faber Leisure Group Pte Ltd (Chairman) • BND Associates Pte Ltd (Director)

ADDITIONAL INFORMATION ON DIRECTORS SEEKING RE-ELECTION PURSUANT TO RULE 720(6) OF THE LISTING MANUAL OF THE SGX-ST

Name of Director	Koh Kah Sek	Alan Tang Yew Kuen	Ee Choo Lin Diana
Present	• Non-Executive and Independent Director and Chairman of Audit Committee of Netlink NBN Management Pte. Ltd. (trustee-manager of Netlink NBN Trust, a business trust listed on the SGX-ST) • Executive Director and Chief Financial Officer, Far East Organization • Council Member – Professional Education Council, Singapore Accountancy Commission • Member, Accounting Standards Council Singapore • Member, The Future Economy Council Lifestyle Sub-Committee • Director, Baker & Cook Pte Ltd • Director, Commonwealth Concepts Pte Ltd	• Far East Hospitality Holdings Pte. Ltd. (Chairman) • Member of Hotel Innovation Committee, Singapore Hotel Association • Toga Hotel Holdings Pty Limited (Director of the Trustee Board)	• SHATEC Institutes Pte Ltd (Vice-Chairman) • Far East Hospitality Holdings Pte. Ltd. (Director) • Constellar Holdings Pte. Ltd. (Director) • Sentosa Development Corporation (Board Member) • Singapore Standards Council, Enterprise Singapore (Council Member), Singapore Services Standards Committee (Co-Chairman) • SPD (Supporting People with Disabilities since 1964) (Board Director) • Toga Hotel Holdings Pty Ltd (Director and Member of the Audit & Risk Committee of the Trustee Board)
(a) Whether at any time during the last 10 years, an application or a petition under any bankruptcy law of any jurisdiction was filed against him or against a partnership of which he was a partner at the time when he was a partner or at any time within 2 years from the date he ceased to be a partner?	No	No	No
(b) Whether at any time during the last 10 years, an application or a petition under any law of any jurisdiction was filed against an entity (not being a partnership) of which he was a director or an equivalent person or a key executive, at the time when he was a director or an equivalent person or a key executive of that entity or at any time within 2 years from the date he ceased to be a director or an equivalent person or a key executive of that entity, for the winding up or dissolution of that entity or, where that entity is the trustee of a business trust, that business trust, on the ground of insolvency?	Yes. I was a director of Benny Burger Pty Ltd, a proprietary company incorporated in Australia, which was placed under creditors' voluntary liquidation and deregistered on 1 November 2020.	No	No
(c) Whether there is any unsatisfied judgment against him?	No	No	No

ADDITIONAL INFORMATION ON DIRECTORS SEEKING RE-ELECTION PURSUANT TO RULE 720(6) OF THE LISTING MANUAL OF THE SGX-ST

Name of Director	Koh Kah Sek	Alan Tang Yew Kuen	Ee Choo Lin Diana
(d) Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving fraud or dishonesty which is punishable with imprisonment, or has been the subject of any criminal proceedings (including any pending criminal proceedings which he is aware of) for such purpose?	No	No	No
(e) Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or has been the subject of any criminal proceedings (including any pending criminal proceedings which he is aware of) for such breach?	No	No	No
(f) Whether at any time during the last 10 years, judgment has been entered against him in any civil proceedings in Singapore or elsewhere involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or a finding of fraud, misrepresentation or dishonesty on his part, or he has been the subject of any civil proceedings (including any pending civil proceedings of which he is aware) involving an allegation of fraud, misrepresentation or dishonesty on his part?	No	No	No
(g) Whether he has ever been convicted in Singapore or elsewhere of any offence in connection with the formation or management of any entity or business trust?	No	No	No
(h) Whether he has ever been disqualified from acting as a director or an equivalent person of any entity (including the trustee of a business trust), or from taking part directly or indirectly in the management of any entity or business trust?	No	No	No

ADDITIONAL INFORMATION ON DIRECTORS SEEKING RE-ELECTION PURSUANT TO RULE 720(6) OF THE LISTING MANUAL OF THE SGX-ST

Name of Director	Koh Kah Sek	Alan Tang Yew Kuen	Ee Choo Lin Diana
(i) Whether he has ever been the subject of any order, judgment or ruling of any court, tribunal or governmental body, permanently or temporarily enjoining him from engaging in any type of business practice or activity?	No	No	No
(j) Whether he has ever, to his knowledge, been concerned with the management or conduct, in Singapore or elsewhere, of the affairs of :-			
(i) any corporation which has been investigated for a breach of any law or regulatory requirement governing corporations in Singapore or elsewhere; or	No. But as additional information, I am a director of various corporations and entities in the Far East Organization Group, Sino Group and Commonwealth Concepts Group operating within the real estate, hospitality and food and beverage industries. There have been occasions where these corporations and entities have been investigated by the authorities for breaches of laws and regulations arising from their day to day operations. To the best of my knowledge, none of the warnings, fines and penalties imposed on the corporations and entities arising from such investigations during my tenure as a director is material nor do they relate to the directors in their personal capacities.	No	No
(ii) any entity (not being a corporation) which has been investigated for a breach of any law or regulatory requirement governing such entities in Singapore or elsewhere; or	No. But please refer to the additional information for item (j)(i) above.	No	No

ADDITIONAL INFORMATION ON DIRECTORS SEEKING RE-ELECTION PURSUANT TO RULE 720(6) OF THE LISTING MANUAL OF THE SGX-ST

Name of Director	Koh Kah Sek	Alan Tang Yew Kuen	Ee Choo Lin Diana
(iii) any business trust which has been investigated for a breach of any law or regulatory requirement governing business trusts in Singapore or elsewhere; or	Yes. I am a director of NetLink NBN Management Pte Ltd (trustee-manager of NetLink NBN Trust) and was previously a director of NetLink Management Pte Ltd (trustee-manager of NetLink Trust). NetLink NBN Trust owns NetLink Trust. NetLink Trust designs, builds, owns and operates the passive fibre network infrastructure of Singapore's Next Generation Nationwide Broadband Network. NetLink Trust is subject to various laws and regulations governing its day-to-day operations and has been investigated by regulatory authorities in the ordinary course of business, for example, for failing to comply with the quality of service standards under NetLink Trust's licensing requirements which could have resulted in warnings or penalties (as applicable) imposed on NetLink Trust. These investigations were reported to the Risk and Regulatory Committee and thereafter to the Board of Directors of NetLink NBN Management Pte Ltd (trustee-manager of NetLink NBN Trust). To the best of my knowledge, none of the warnings or penalties imposed on Netlink Trust arising from such investigations during my tenure as a director is material nor do they relate to the directors in their personal capacities.	No	No

ADDITIONAL INFORMATION ON DIRECTORS SEEKING RE-ELECTION PURSUANT TO RULE 720(6) OF THE LISTING MANUAL OF THE SGX-ST

Name of Director	Koh Kah Sek	Alan Tang Yew Kuen	Ee Choo Lin Diana
(iv) any entity or business trust which has been investigated for a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, in connection with any matter occurring or arising during that period when he was so concerned with the entity or business trust?	No	No	No
(k) Whether he has been the subject of any current or past investigation or disciplinary proceedings, or has been reprimanded or issued any warning by the Monetary Authority of Singapore or any other regulatory authority, exchange, professional body or government agency, whether in Singapore or elsewhere?	No	No	No

FAR EAST ORCHARD LIMITED

(Incorporated in the Republic of Singapore)
(Registration No.: 196700511H) (the "Company")

PROXY FORM
ANNUAL GENERAL MEETING

Important
1. For investors who have used their CPF monies to buy ordinary shares in the capital of Far East Orchard Limited ("Shares"), this Report is forwarded to them at the request of the CPF Agent Banks and is sent solely **FOR INFORMATION ONLY**.
2. This Proxy Form is not valid for use by CPF Investors and shall be ineffective for all intents and purposes if used or purported to be used by them.
3. CPF/SRS investors should contact their respective Agent Banks if they have any queries regarding their appointment as proxies.

Personal Data Privacy
By submitting this proxy form, a member of the Company accepts and agrees to the personal data privacy terms set out in the Notice of AGM dated 4 April 2023.

I/We ________________________ (Name) ________________ (NRIC/Passport/Company's Registration No.)

of ____ (Address)

being a member/members of the Company hereby appoint:

Name	NRIC/Passport No.	Proportion of Shareholdings	
		No. of Shares (Ordinary Shares)	%
Address			

and/or (delete as appropriate)

Name	NRIC/Passport No.	Proportion of Shareholdings	
		No. of Shares (Ordinary Shares)	%
Address			

or failing whom, the Chair of the Meeting as my/our proxy/proxies to attend, speak and vote for me/us/on my/our behalf at the Fifty-Fifth Annual General Meeting ("**AGM**") of the Company to be held on Wednesday, 19 April 2023 at 10:00 a.m. and at any adjournment thereof. I/We direct my/our proxy/proxies to vote for or against the Resolutions to be proposed at the AGM as indicated hereunder. If no specific directions as to voting is given, the proxy/proxies will vote or abstain from voting at his/her/their discretion, as he/she/they will on any other matter arising at the AGM and at any adjournment thereof.

No.	Resolutions relating to	For*	Against*	Abstain*
ORDINARY BUSINESS				
1.	Adoption of Audited Financial Statements together with the Directors' Statement and the Report of the Independent Auditor for the financial year ended 31 December 2022			
2.	Approval of a first and final one-tier tax-exempt dividend and a special one-tier tax exempt dividend			
3.	Approval of Directors' fees for the sum of up to S$520,000 for the financial year ending 31 December 2023 (2022: S$520,000)			
4.	Re-election of Ms Koh Kah Sek as a Director			
5.	Re-election of Mr Alan Tang Yew Kuen as a Director			
6.	Re-election of Mdm Ee Choo Lin Diana as a Director			
7.	Re-appointment of PricewaterhouseCoopers LLP as Independent Auditor			
SPECIAL BUSINESS				
8.	Authority to allot and issue shares			
9.	Proposed renewal of the shareholders' mandate for Interested Person Transactions			

* Voting will be conducted by poll. Please indicate your vote "For", "Against" or "Abstain" in respect of all your shares for each resolution with a tick (√) within the box provided. Alternatively, you may indicate the number of shares that you wish to vote "For" or "Against" and/or "Abstain" for each resolution in the relevant box.

Dated this ______________ day of ______________ 2023

TOTAL NUMBER OF SHARES HELD

____
Signature(s) of Member(s)/Common Seal

IMPORTANT: PLEASE READ NOTES OVERLEAF

Affix
Postage
Stamp

Company Secretary
FAR EAST ORCHARD LIMITED
c/o The Share Registrar
Boardroom Corporate & Advisory Services Pte. Ltd.
1 Harbourfront Avenue
#14-07 Keppel Bay Tower
Singapore 098632

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Notes:

1. (a) A member of the Company entitled to attend and vote at a meeting of the Company, and who is not a Relevant Intermediary, is entitled to appoint not more than two proxies to attend and vote in his/her stead at the AGM. Where a member appoints two proxies, the proportion of the shareholding to be represented by each proxy shall be specified in this proxy form. If no proportion is specified, the Company shall be entitled to treat the first named proxy as representing the entire shareholding and any second named proxy as an alternate to the first named or at the Company's option to treat this proxy form as invalid.

   (b) A member of the Company who is a Relevant Intermediary is entitled to appoint more than two proxies, to attend and vote in his/her stead at the AGM, but each proxy must be appointed to exercise the rights attached to a different share or shares held by such member. Where such member's form of proxy appoints more than two proxies, the number and class of shares in relation to which each proxy has been appointed shall be specified in the instrument appointing a proxy or proxies. In relation to a Relevant Intermediary who wishes to appoint more than two proxies, it should annex to the instrument appointing a proxy or proxies the list of proxies, setting out, in respect of each proxy, the name, address, NRIC/passport number and proportion of shareholding (number of shares and percentage) in relation to which the proxy has been appointed. For the avoidance of doubt, a CPF Agent Bank who intends to appoint CPF investors as its proxies shall comply with this Note.

   (c) "Relevant Intermediary" has the meaning ascribed to it in Section 181(6) of the Companies Act 1967 of Singapore (the "**Companies Act**").

2. If the member has shares entered against his name in the Depository Register (maintained by The Central Depository (Pte) Limited), he should insert that number of shares. If the member has shares registered in his name in the Register of Members (maintained by or on behalf of the Company), he should insert that number of shares. If the member has shares entered against his name in the Depository Register and shares registered in his name in the Register of Members, he should insert the aggregate number of shares. If no number is inserted, this form of proxy will be deemed to relate to all the shares held by the member.

3. A proxy need not be a member of the Company.

4. This proxy form must be submitted to the Company in the following manner:

   (a) if submitted by post, be lodged at the office of the Company's Share Registrar, Boardroom Corporate & Advisory Services Pte. Ltd., at 1 Harbourfront Avenue, #14-07 Keppel Bay Tower, Singapore 098632; or

   (b) if submitted electronically, be submitted via email to the Company's Share Registrar at srs.teamc@boardroomlimited.com,

   in either case not less than 72 hours before the time appointed for holding the AGM.

5. The instrument appointing a proxy or proxies must be under the hand of the appointer or his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed in a manner as may be permitted by the Companies Act.

6. Where an instrument appointing a proxy or proxies is signed on behalf of the appointor by an attorney, the letter or power of attorney or a duly certified copy thereof must (failing previous registration with the Company) be lodged or emailed with the instrument of proxy or proxies, failing which the instrument may be treated as invalid.

7. A corporation who is a member of the Company may authorise by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the AGM, in accordance with Section 179 of the Companies Act.

8. The Company shall be entitled to reject an instrument appointing a proxy or proxies which is incomplete, improperly completed, illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the proxy form (including any related attachment). In addition, in the case of members whose shares are entered against their names in the Depository Register, the Company may reject any proxy form lodged or submitted if such members are not shown to have shares entered against their names in the Depository Register as at 72 hours before the time appointed for holding the AGM, as certified by The Central Depository (Pte) Limited to the Company.

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