

# Creating New Avenues to Excellence

ANNUAL REPORT 2013



**FAR EAST  
ORCHARD  
LIMITED**

A MEMBER OF FAR EAST ORGANIZATION

8

COUNTRIES

98

PROPERTIES

124,040

TOTAL LAND AREA (SQ METRES)

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What sets Far East Orchard Limited apart from others is our dedication to excellence in everything we do, starting from our roots as a property developer since 1967. In a changing business environment and in the face of strong competition, we have created new avenues for growth to stay at the top of our industry. High standards, innovative designs and sustainable business practices will be the attributes of what we offer to our customers and the gateway to our future growth.

## CORPORATE PROFILE

Far East Orchard Limited is a member of Far East Organization, Singapore's largest private property developer. Incorporated as Ming Court Limited in 1967, the Company came under Far East Organization in 1987 and was renamed Orchard Parade Holdings Limited in 1991. In July 2012, as part of a corporate restructuring, the Company adopted its new name of Far East Orchard Limited to better reflect its close alignment with its substantial shareholder and to leverage the "Far East" brand. Far East Orchard is listed on the Mainboard of the Singapore Exchange since 1968.

An established developer, Far East Orchard delivered a number of successful residential, commercial and hospitality developments. It is currently developing euHabitat, a first-of-its-kind integrated residential development located in the eastern part of Singapore. Another residential development, RiverTrees Residences in Fernvale Close in Singapore, is a joint venture with Frasers Centrepoint Limited and Sekisui House, Ltd. Far East Orchard has also successfully developed quality residences such as The Floridian, The Nexus, Glendale Park, Regent Grove, Seasons View, Kew Green, Kew Residencia and The Manor Houses.

Redefining itself through a strategic transformation of the business in 2012, Far East Orchard has expanded into new complementary business lines in hospitality management and healthcare real estate segments.

Through its joint ventures with The Straits Trading Company

Limited and Australia's Toga Group that were completed in 2013, the Company's hospitality arm, Far East Hospitality, extended its reach beyond Singapore and Malaysia, into Australia, China, Denmark, Germany, Hungary and New Zealand. The Company's hospitality portfolio covers over 80 properties with more than 13,000 rooms. In Singapore, it operates the city-state's largest hospitality portfolio comprising 18 hotels and serviced residences. The Company's stable of nine unique and complementary hospitality brands are "Quincy", "Oasia", "Village", "Rendezvous", "Adina", "Medina", "Vibe", "Travelodge" and "Marque".

Far East Orchard also owns a portfolio of medical suites in Singapore's premier medical hub of Novena. These purpose-built medical suites in Novena Medical Center and Novena Specialist Center are conceptualised to set the benchmark for a new generation of healthcare buildings with five star quality finishes, advanced technology and modern infrastructure for medical specialists. The Company is also co-developing the SBF Center with Far East Organization, which will be a 31-storey commercial building located in the Central Business District that offers a broad spectrum of office and medical spaces set in park-like greenery. Far East Orchard intends to be the premier private owner, operator and landlord of healthcare space in Singapore.

Today, Far East Orchard has a diversified portfolio focusing on property development, hospitality real estate development and management and healthcare real estate.

Renamed as  
Far East Orchard Limited  
from Orchard Parade  
Holdings Limited

**JUL  
2012**



RIVERTREES RESIDENCES, SINGAPORE

**AUG  
2012**

Commenced new  
businesses in hospitality  
management and  
healthcare real estate space



OASIA HOTEL, SINGAPORE



**AUG  
2013**

Entered into hospitality joint venture with Toga Group<sup>1</sup>



**NOV  
2013**

Entered into hospitality joint venture with The Straits Trading Company Limited<sup>2</sup>

**Notes:**

<sup>1</sup> Through its wholly owned subsidiary, Toga Hospitality Investments Pty Limited.

<sup>2</sup> Through its wholly owned subsidiary, Sword Private Limited.

# CHAIRMAN'S STATEMENT

Dear Shareholders,


2013 was a landmark year for Far East Orchard: we carried out a series of activities to open new avenues for growth and transition us into a regional player.

Our hospitality arm had forged strategic partnerships with the Toga Group in August 2013 and The Straits Trading Company Limited in November 2013. These alliances allowed us to extend our reach into Australia, China, Denmark, Germany, Hungary and New Zealand. Our existing market position in Singapore and Malaysia will also benefit from this expanded footprint.

As a result, Far East Orchard has made good progress and is in a strong position to continue our journey in our next phase of growth. Our business focus will still be in property development, hospitality real estate development and management, and healthcare real estate; which we see as the three key elements of growth to build value for you, our shareholders.







**FAR EAST ORCHARD  
HAS MADE GOOD  
PROGRESS AND IS IN  
A STRONG POSITION  
TO CONTINUE OUR  
JOURNEY IN OUR NEXT  
PHASE OF GROWTH.**

In Singapore we recently launched our latest residential development, RiverTrees Residences, together with our partners - Frasers Centrepoint Limited and Sekisui House, Ltd. The development features beautiful waterscape scenery set along the Sungei Punggol Reservoir in the north of Singapore. Another project of ours, euHabitat in Eunos with Far East Organization, offers unique elements for different home options from SOHO units to three-storey townhouses. We will continue to participate in government land tenders that fit our investment strategy for the property development division.

#### **Continuing into the next phase**

The global economy in 2014 is expected to continue expanding at a moderate pace, and some business uncertainties remained, with global growth forecasts revised down with an expected impact of weaker prospects in many emerging market economies. We have also seen various marketplace intervention by governments and regulators to stabilise pricing and domestic debt levels in the real estate industry.

While there will be challenges ahead of us, there will also be opportunities. We will be nimble and agile to identify these avenues of growth to continue our journey to expand beyond Singapore and enhance our shareholders' value.

#### **In Appreciation**

Our Board would like to welcome Jennie Chua as an Independent Director from 1 January 2014. She brings a wealth of experience that will be valuable to us as we build a global footprint for our Group. I would also like to thank my fellow directors for their support and guidance through the year, as we discussed the Group's strategies and plans together and also within the Board Committees that they have all contributed tremendously.

Finally, I would like to express our gratitude to you, our shareholders, for your support at the Extraordinary General Meeting in July 2013 where you supported our roadmap for growth by voting overwhelmingly in favour of our joint ventures with the Toga Group and The Straits Trading Company Limited.

My appreciation also goes out to the management and all employees for their dedication and efforts in reshaping the Company for the future.

Thank you all for being part of this journey of growth as we take Far East Orchard to the next level.

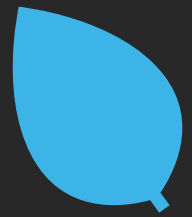
#### **Koh Boon Hwee**

Chairman  
27 March 2014

# FORWARD

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At Far East Orchard, we work with a fresh perspective following our business restructuring in 2012 to transform us into a truly global organisation



NOVENA SPECIALIST CENTER, SINGAPORE

A large indoor vertical garden wall, densely packed with various green plants and ferns. The wall is part of a modern interior space with a glass ceiling and a glass partition in the background. The text 'NOVENA Specialist Center' is overlaid on the wall in a large, white, serif font. The word 'NOVENA' is in a larger font size than 'Specialist Center'.

NOVENA  
Specialist Center





NOVENA MEDICAL CENTER (LOBBY), SINGAPORE



NOVENA MEDICAL CENTER (COURTYARD), SINGAPORE



# 5-YEAR FINANCIAL HIGHLIGHTS

	2013 \$'000	2012 \$'000	2011 \$'000	2010 \$'000	2009 \$'000
Hospitality	96,072	60,620	51,066	48,823	37,624
Property development	54,146	4,157	229,834	135,822	42,262
Property investment	8,351	10,399	11,373	11,118	10,545
Others	-	-	-	460	844
<b>Total Group Revenue</b>	<b>158,569</b>	<b>75,176</b>	<b>292,273</b>	<b>196,223</b>	<b>91,275</b>
Profit before income tax	21,049	189,352	147,804	95,633	14,197
Net profit attributable to shareholders	29,385	190,755	124,791	82,531	13,210
Shareholders' equity	1,142,758	1,100,050	1,085,139	964,128	819,464
Total assets	1,930,839	1,676,975	1,622,760	1,446,563	1,305,837
Net assets per share (\$)	2.96	2.92	2.99	2.73	2.34
Basic earnings per share (cents)	7.61	51.47	34.83	23.45	3.77
Final dividend per share (cents)	6	6	3	2	1
Special dividend per share (cents)	-	12	6	4	-
Dividend in specie per share (cents)	-	87	-	-	-
Gearing ratio	0.08	0.03	0.39	0.42	0.52

## Notes:

1. Basic earnings per share are calculated by reference to the weighted average number of shares in issue during the year.
2. The Group early adopted some new and amended FRS. These standards were applied retrospectively and therefore the 2012 consolidated statement of comprehensive income and the 2011 and 2012 balance sheets had been restated as disclosed in the financial statements. Consequently, the affected ratios have been restated accordingly.
3. Dividend in specie of 0.22086 Yeo Hiap Seng Limited (YHS) share per share is calculated using the market price of YHS shares on the date of payment.

## Group Revenue by Business Segment



Property  
Development



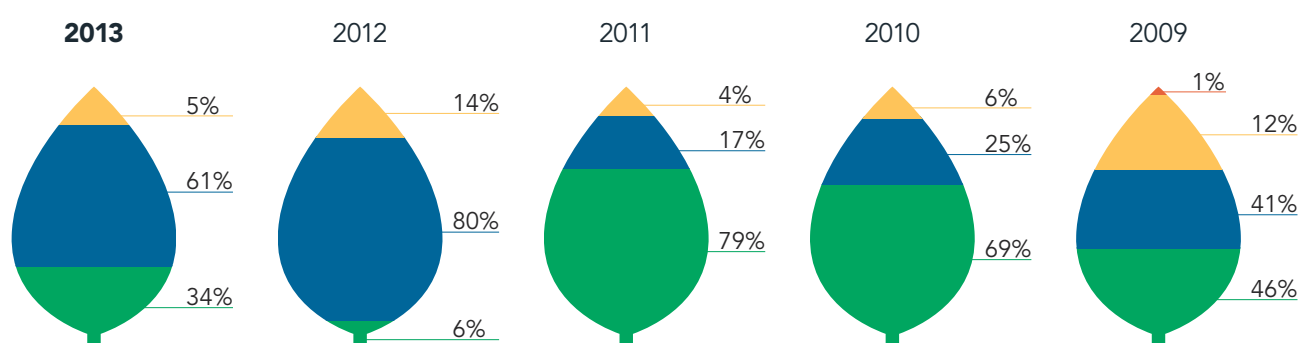
Hospitality



Property  
Investment



Others



# LAND BANK & ASSETS OF THE GROUP

as at 31 December 2013

	Country	Effective Interest	Tenure	Site/Land Area (sq metres)	No. of Units/ Rooms (Lettable and For Sale)
<b>Development properties (residential and commercial)</b>					
RiverTrees Residences <sup>(1)</sup>	Singapore	30%	Leasehold	14,930	496 units <sup>(2)</sup>
euHabitat	Singapore	20%	Leasehold	41,261	750 units <sup>(3)</sup>
7 and 11 Bassein Road	Singapore	30%	Freehold	4,775	tbc <sup>(4)</sup>
SBF Center <sup>(1)</sup>	Singapore	20%	Leasehold	2,932	249 units <sup>(5)</sup>
<b>Sub Total</b>				<b>63,898</b>	<b>1,495 units</b>
<b>Property under redevelopment</b>					
Oasia Hotel Suites Kuala Lumpur (formerly known as Plaza Atrium)	Malaysia	100%	Freehold	1,880	249 rooms <sup>(6)</sup>
<b>Sub Total</b>				<b>1,880</b>	<b>249 rooms</b>
<b>Medical suites and others</b>					
Offices at Tanglin Shopping Centre	Singapore	100%	Freehold	na	4 units
Medical Suites at Novena Medical Center	Singapore	100%	Leasehold	na	44 units
Medical Suites at Novena Specialist Center	Singapore	100%	Leasehold	na	45 units
Restaurant at Rendezvous Hotel Brisbane Anzac Square	Australia	100%	Freehold	na	1 unit
Manager unit at Rendezvous Hotel Brisbane Anzac Square	Australia	100%	Freehold	na	1 unit
Central facilities at Rendezvous Reef Resort Port Douglas	Australia	100%	Freehold	na	1 unit
<b>Sub Total</b>				<b>-</b>	<b>96 units</b>
<b>Leased and managed properties<sup>(7)</sup></b>					
Orchard Parade Hotel	Singapore	100%	Freehold/99-Year <sup>(8)</sup>	8,143	388 rooms
Village Hotel Albert Court	Singapore	100%	99-Year	4,273	210 rooms
Village Residence Clarke Quay	Singapore	100%	99-Year	6,238	127 rooms
<b>Sub Total</b>				<b>18,654</b>	<b>725 rooms</b>
<b>Hotels</b>					
Rendezvous Grand Hotel Perth Scarborough <sup>(9)</sup>	Australia	70%	Freehold	11,467	336 rooms
Rendezvous Studio Hotel Perth Central	Australia	70%	Freehold	1,973	103 rooms
Rendezvous Grand Hotel Melbourne	Australia	70%	Freehold	1,999	340 rooms
Adina Apartment Hotel Sydney, Harbourside	Australia	26%	99-Year	3,058	113 rooms
Adina Apartment Hotel Adelaide Treasury	Australia	26%	99-Year	4,154	79 rooms
Adina Apartment Hotel Brisbane	Australia	26%	Leasehold	2,693	159 rooms
Vibe Hotel Sydney	Australia	26%	Freehold	1,164	191 rooms
Travelodge Mirambeena Resort Darwin	Australia	26%	Freehold	13,100	224 rooms
<b>Sub Total</b>				<b>39,608</b>	<b>1,545 rooms</b>
<b>Total</b>				<b>124,040</b>	

na: Not applicable

tbc: To be confirmed

## Notes:

- (1) Refer to Note 18 to the financial statements.
- (2) Total number of units being developed comprises 495 residential units and one commercial unit. Sales for this development was launched in February 2014.
- (3) Total number of units being developed comprises 748 residential units and 2 commercial units. 98.7% of total units was sold as at 31 December 2013.
- (4) Development planning in progress.
- (5) Total number of units being developed comprises 48 medical suites and 201 offices. 86.7% of total units was sold as at 31 December 2013.
- (6) Proposed number of rooms.
- (7) Refer to Note 22(e) to the financial statements.
- (8) 1,069 square metres is leasehold.
- (9) Includes a retail podium with shops for lease.

# GROUP CEO'S OVERVIEW OF GROUP OPERATIONS

Dear Shareholders,

Hot on the heels of the Company's restructuring exercise in 2012, we sealed two major hospitality joint ventures in 2013 with The Straits Trading Company Limited (STC) and the Toga Group (Toga) from Australia. This had extended our hospitality business' geographic presence from two to eight countries. The total number of rooms under management also grew from about 3,600 rooms to more than 13,000 rooms. The hospitality business will continue to provide a steady stream of recurring income to the Group.

Property sales in Singapore were relatively softer than the year before as cooling measures by the government took effect. Nevertheless, the Company had started to recognise the revenue and the corresponding profits from euHabitat, one of our residential development projects, which we partnered with Far East Organization. We were prudent in participating in various government land tenders last year. I am glad to report that the Company was successful in our bid for the Fernvale Close site in Sengkang through our partnership with Frasers Centrepoint Limited (FCL) and Sekisui House, Ltd (Sekisui). The development named RiverTrees Residences had been launched in February this year.

We welcome the government's announcement of developing Novena into the Novena Health City by 2030. This will see the precinct transform into a holistic healthcare services hub with research, education, commercial and public spaces. Our healthcare assets

in Novena Medical Center and Novena Specialist Center will benefit from this development.

## Financial Performance

For the financial year ended 31 December 2013, we have generated a profit after tax and non-controlling interests of \$29.4 million compared to the exceptional \$190.8 million in 2012 due to one-off gains from our restructuring exercise in 2012.

Total revenue for 2013 increased by 110.9% to \$158.6 million as a result of the i) progressive recognition of revenue from the euHabitat residential development project, ii) full year effect of the hospitality management business acquired in August 2012 and iii) acquisition of the hospitality management business from STC from 1 November 2013. While we no longer have any share of profits from our investment in Yeo Hiap Seng Limited last year, our new joint venture with Toga had started to contribute to our net profit following the completion in August last year.

With the proceeds garnered from the restructuring exercise in 2012, part of the cash had been utilised in the two significant hospitality transactions as well as payment of dividends last year. Our level of borrowings had seen an increase of \$51.3 million to \$89.4 million largely due to the novation of borrowings following the acquisition of STC's hospitality businesses.

At Far East Orchard, we maintain financial prudence in order to weather market

swings and respond to opportunities that arise. To this end, we continue to maintain the net asset backing per share which stood at \$2.96 and the net debt-equity ratio at less than 0.10 as at 31 December 2013.

In view of our FY2013 financial results, the Board of Directors of Far East Orchard had recommended a first and final dividend of six cents per share.

## Our Portfolio of Properties

The real estate business environment in Singapore is affected by loan curbs, total debt servicing ratio and a new stamp duty regime. This had softened the market for private residential properties. According to the Urban Redevelopment Authority, home prices shown a modest increase by 1.2% in 2013 while sales of new homes contracted by 32.4% to 15,015 units.

Our property development division saw an increase in sales revenue in 2013 compared to a year ago. Revenue was \$44.2 million in 2013, as compared to \$0.7 million in 2012. This is due to a change in accounting policy that was applied retrospectively from 1 January 2012. Revenue for 2012 was \$71.3 million as previously disclosed.

We had started recognising revenue and corresponding profits from euHabitat in 2013. The euHabitat project is an integrated residential development comprising suites, SOHO apartments, condominiums and townhouses.

I BELIEVE WE HAVE THE RIGHT INGREDIENTS IN THE COMPANY TO CONTINUE THE JOURNEY AND SEEK OUT MEANINGFUL VALUE FOR OUR SHAREHOLDERS.

Located on Robinson Road and in the heart of Singapore's financial and commercial district is our SBF Center, a mixed-use commercial development launched in March 2013. During the year, about 86.7% of the 249 units released have been sold. The Group's 20% share of SBF Center's contribution will only be recognised upon completion of the project, which is estimated to be in 2017.

Far East Orchard, together with FCL and Sekisui, recently launched RiverTrees Residences. Located in Sengkang, this new town benefits from lifestyle destinations, such as Seletar Mall, and enhanced amenities like the Sengkang General and Community Hospital and a new integrated development near Buangkok MRT, as outlined in the Government's Draft Master Plan 2013. We look forward to the contribution from this development.

We will continue to seek and identify suitable sites for property development and maintain prudence in our evaluations.

### Growing the Hospitality Business

Last year, we successfully completed two milestone joint ventures in our hospitality division.

In August last year, we formed a 50-50 joint venture with Toga through Far East Hospitality Investments (Australia) Pte Ltd. And in November, we completed a 70-30 joint venture with STC, forming Far East Hospitality Holdings Pte. Ltd ("Far East Hospitality"). This is our new Far East Hospitality's business structure:

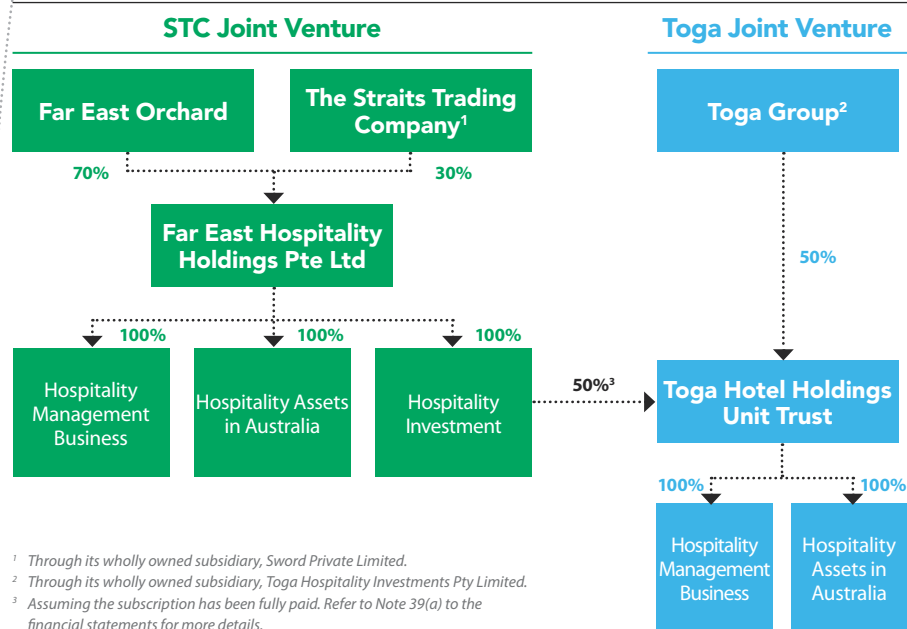


Figure 1

With these transactions, our hospitality business has extended its footprint beyond Singapore and Malaysia to Australia, China, Denmark, Germany, Hungary and New Zealand. Far East Hospitality now has a combined portfolio of more than 13,000 rooms under management across more than 80 hotels and serviced apartments, with a substantial regional footprint. Six new brands have also been added to Far East Hospitality's stable of distinctive hospitality brands, giving it a total of nine unique and complementary brands.

Equally notable is our strategic exposure to the Australian hospitality segment, where the joint venture is currently managing more than 65 properties, of which more

than 40 properties are located in Australia. The Australian hospitality market is gathering good momentum. For the year ended December 2013, the country attracted 6.5 million visitors, an increase of 5.5% relative to the previous year. The number of domestic overnight trips was also robust at close to 76 million domestic overnight trips taken for the same period. This is an increase of 2% compared to the same period the year before. Through our joint ventures, the Group is in a good position to grow with the hospitality demand in Australia.

We will leverage on the synergies derived through cross-selling initiatives between our brands and markets within the cities of the Asia-Pacific region.



Closer to home, the operating environment for Singapore's hospitality industry was highly competitive. In 2013, visitor arrivals to Singapore grew 6.9% year-on-year to 15.5 million. However, average room rate and average occupancy rate both declined modestly for the year. This is mainly due to the addition of new hotels to the market and the shortage of labour in the industry. The recent addition of new hotel rooms, tighter corporate and leisure travel budgets and higher labour costs had placed pressure on room rates and profits. Our hospitality team had embarked on various strategic initiatives to drive operational efficiencies, improve market shares in certain market segments and bring in new management contracts to the portfolio.

Across the straits in Kuala Lumpur, the re-development of our commercial building Plaza Atrium into a 249-unit serviced residence (Oasia Hotel Suites Kuala Lumpur) with an additional new tower wing has faced a delay in its completion due to labour shortage in Malaysia. When completed, this will mark an important step for us to tap into the hospitality market in Malaysia.

### Property Investment

Revenue from the property investment division in 2013 was \$8.4 million, which mainly includes rental income from our medical suites in Novena Specialist Center and Novena Medical Center.

A significant development in Novena precinct is Singapore's largest healthcare complex, Health City Novena. It will cover a land area of about 17 hectares and

is expected to be completed by 2030. Health City Novena will offer holistic care for residents in Central Singapore. It will house specialist and healthcare facilities to serve the needs of an increasingly demanding healthcare environment.

Our strategic move to maintain a portfolio of medical suites in the upcoming premier medical hub in Novena will position us well in the continued growth of Singapore's healthcare industry.

### The Year Ahead

The World Bank has raised its global growth forecast to 3.2% on the recovery of the advanced economies. However, the outlook, while more favourable than previous years, is tempered by some weaknesses across the emerging economies.

Far East Orchard had created new platforms of growth in our hospitality division last year while we continue to build on our core capability as a property developer. I believe we have the right ingredients in the Company to continue the journey and seek out meaningful value for our shareholders.

I am encouraged by our management and employees who have time and again shown their dedication, hard work and commitment during pressing moments throughout the year. I would like to thank them and our business associates for their partnership. We would not have accomplished all these without them.

Special thanks to our shareholders for your unwavering support and board of directors for their guidance and contributions.

Last but not least, I would like to thank our former Chief Financial Officer (CFO) Vincent Yik for his contribution to Far East Orchard. He played a pivotal role in the Group's transition into its new regional hospitality platform beyond Singapore. Vincent had taken up a new role within Far East Organization as the Chief Operating Officer, Australia Properties. He is based in Australia, and will lead the Far East Organization's efforts in promoting good business relationships with our partners, managing communications and coordinating our real estate operations in Australia.

We welcome our new CFO, Kelvin Ling who replaces Vincent. He brings along solid financial expertise, deep business experience in the retail real estate and hospitality domain.

There is much to do in the coming year and we look forward to another exciting year ahead!

### Lucas Chow

Group Chief Executive Officer and  
Managing Director  
27 March 2014

# CORPORATE INFORMATION

## BOARD OF DIRECTORS

### Non-Executive Chairman

Mr Koh Boon Hwee

### Group Chief Executive Officer and Managing Director

Mr Lucas Chow Wing Keung

### Executive Director

Mr Kiong Kim Hock Arthur

### Non-Executive Directors

Mdm Ng Siok Keow

Mdm Tan Siok Hwee

### Independent Directors

Mr Heng Chiang Meng

(Lead Independent Director)

Mr Cheng Hong Kok

Ms Chua Kheng Yeng, Jennie

Mdm Ee Choo Lin Diana

## COMPANY SECRETARIES

Ms Jessica Lien Mei Jin

Ms Madelyn Kwang Yeit Lam

## AUDIT COMMITTEE

### Chairman

Mr Cheng Hong Kok

### Members

Mr Heng Chiang Meng

Ms Chua Kheng Yeng, Jennie

Mdm Ee Choo Lin Diana

## NOMINATING COMMITTEE

### Chairman

Mr Heng Chiang Meng

### Members

Mr Koh Boon Hwee

Ms Chua Kheng Yeng, Jennie

## REMUNERATION COMMITTEE

### Chairman

Mr Heng Chiang Meng

### Members

Mr Cheng Hong Kok

Mdm Ee Choo Lin Diana

## REGISTERED OFFICE

1 Tanglin Road #05-01

Orchard Parade Hotel

Singapore 247905

Telephone : (65) 6833 6688

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Website : [www.fareastorchard.com.sg](http://www.fareastorchard.com.sg)

## SHARE REGISTRAR

Boardroom Corporate & Advisory Services Pte. Ltd.

50 Raffles Place

#32-01 Singapore Land Tower

Singapore 048623

Telephone : (65) 6536 5355

Facsimile : (65) 6536 1360

## INDEPENDENT AUDITOR

PricewaterhouseCoopers LLP

8 Cross Street

#17-00 PWC Building

Singapore 048424

Partner-in-charge :

Mr Tan Boon Chok

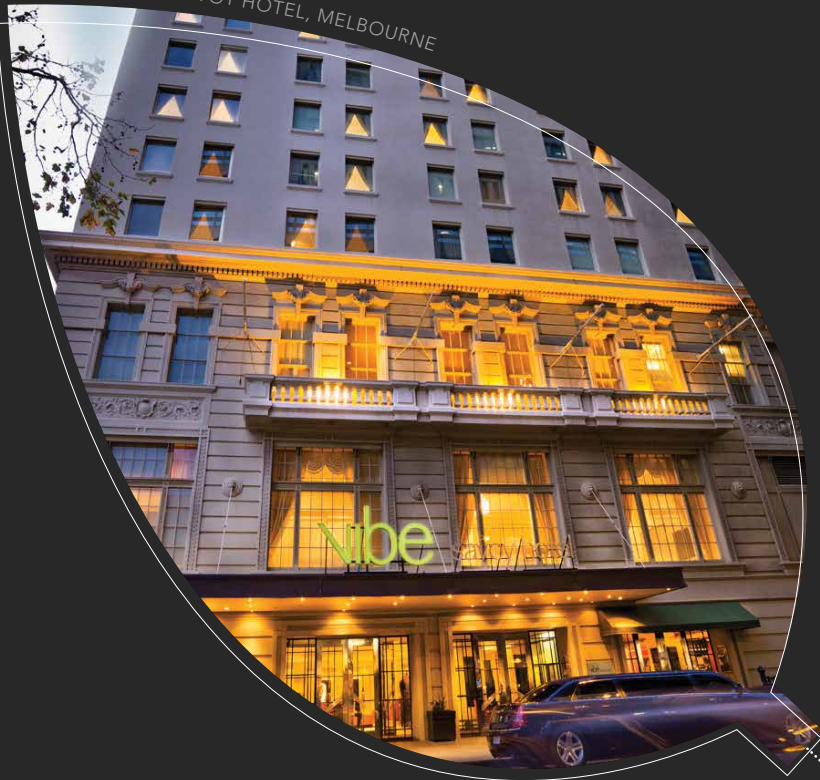
(Appointed since the financial year ended 31 December 2012)

## MAIN BANKERS

Oversea-Chinese Banking Corporation Limited

DBS Bank Ltd

VIBE SAVOY HOTEL, MELBOURNE



RENDEZVOUS GRAND HOTEL PERTH SCARBOROUGH, PERTH





VILLAGE HOTEL KATONG, SINGAPORE

# OUTWARD

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We deliver top quality residential,  
commercial, hospitality and  
healthcare real estate developments  
– creating value for our shareholders



# BOARD OF DIRECTORS & MANAGEMENT

## **MR KOH BOON HWE, 63**

### **Non-Executive Chairman**

- **Chairman, Board of Directors**
- **Member, Nominating Committee**

Mr Koh Boon Hwee was appointed as a Non-Executive Director and Chairman of the Board on 1 January 2013. He was last re-elected as a Director of the Company on 30 April 2013. As Mr Koh serves on various executive committees in Far East Organization, the Nominating Committee of the Company considers Mr Koh to be non-independent.

He started his career in 1977 at Hewlett Packard and rose to become its Managing Director in Singapore, a post he held from 1985 to 1990. From 1991 to 2000, he was Executive Chairman of the Wuthelam Group, and from 2002 to 2009, Mr Koh was at S i2i Limited (formerly known as MediaRing Ltd) where his last held position was Executive Director. He was responsible for overseeing the corporate strategy and management of these companies. Mr Koh has concurrently been with Sunningdale Tech Ltd (formerly known as Tech Group Asia Ltd) since 2003, where he oversaw the operations of the company as Executive Chairman and Chief Executive Officer from 2005 to 2008 and where he now acts in a non-executive capacity as Chairman.

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

From 1996 to 2010, Mr Koh served on the board of Temasek Holdings Pte Ltd, and was a member of the Executive Committee from 1997 to 2010.

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

### **Present Directorships in other listed companies:**

Sunningdale Tech Ltd (Chairman)  
Yeo Hiap Seng Limited (Chairman)  
AAC Technologies Holdings Inc (Cayman Islands) (Chairman)  
Agilent Technologies, Inc (USA)

### **Other principal commitments:**

#### **Singapore:**

CM Houlder Insurance Brokers (Singapore) Pte Ltd (Chairman)  
CM Houlder (SEA) Pte Ltd (Chairman)  
Credence Partners Pte Ltd (Chairman)  
FEO Hospitality Asset Management Pte. Ltd. (Chairman)  
FEO Hospitality Trust Management Pte. Ltd. (Chairman)  
Nanyang Technological University, Board of Trustees (Chairman)  
Rippledote Capital Advisers Pte Ltd (Chairman)  
EDB International Advisory Council (Deputy Chairman)  
Academy of Engineering Singapore (Fellow)  
Harvard Singapore Foundation (Director)  
Rippledote Capital Management Pte Ltd (Director)  
The Research, Innovation and Enterprise Council (Member)  
The William and Flora Hewlett Foundation (Director)

#### **Overseas:**

Credence Capital Fund II (Cayman) Ltd (Executive Director)  
First Spring Ltd (Director)

### **Past Directorships in other listed companies (2011-2013):**

Nil

## **MR LUCAS CHOW WING KEUNG, 60**

### **Group Chief Executive Officer and Managing Director**

Mr Lucas Chow Wing Keung was appointed as the Chief Executive Officer and Managing Director of the Company on 15 March 2012. He was re-designated as Group Chief Executive Officer and Managing Director on 12 July 2012. He has been a Director of the Company since 1 June 2008. He was last re-elected on 27 April 2012.

Mr Chow is currently also an Executive Director of Far East Organization, providing strategic counsel on new business growth and brand development across the organization's diverse portfolio. He joined Far East Organization in June 2011. He serves on several high-level executive committees in Far East Organization including



as Chairman of Far East Establishment Committee, Chairman of F&B Executive Committee, member of Brand Executive Committee and member of Property Sales Executive Committee.

Prior to joining Far East Organization, Mr Chow was the Chief Executive Officer of MediaCorp, a leading media company in the region. Under his leadership, MediaCorp launched major initiatives in the digital space. Mr Chow was also the prime-mover of MediaCorp's corporate social responsibility programme. Mr Chow started his career with Hewlett Packard (HP) and spent almost 20 years in HP holding several senior positions. He joined SingTel in 1998 and held the positions of CEO (SingTel Mobile), Executive Vice President (Consumer Business) and Executive Vice President (Corporate Business). He was instrumental in increasing SingTel's broadband market share and driving regional expansion in the mobile business.

Mr Chow is an active leader in the business, media and telecommunications communities. He currently chairs the Singapore Health Promotion Board and also sits on various other boards of directors and advisory committees. He is a member of the National University of Singapore's Board of Trustees and chairs NUS Entrepreneurship Committee.

Mr Chow graduated with a Bachelor of Science (Honours) from the University of Aston, Birmingham (United Kingdom).

**Present Directorships in other listed companies:**

Nil

**Other principal commitments:**

**Singapore:**

Far East Hospitality Holdings Pte. Ltd. (Chairman)  
Health Promotion Board (Chairman)  
NUS Entrepreneurship Committee (Chairman)  
Rendezvous Hotels International Private Limited (Director)  
TheBigIdea Pte. Ltd. (Director)  
NUS Board of Trustees (Director)  
NUS EXCO (Member)

**Overseas:**

Rendezvous Hotels (Australia) Pty Ltd (Director)  
Toga Hotel Holdings Unit Trust (Director)  
Toga Hotel Management Holdings Pty Ltd (Director)  
Toga Hotel Holdings Pty Ltd (Director)

**Past Directorships in other listed companies (2011-2013):**

Nil

**KIONG KIM HOCK ARTHUR, 53**

**Executive Director**

Mr Kiong Kim Hock Arthur was appointed Executive Director and Chief Executive Officer of Hospitality Business of the Company on 1 September 2012. He was last re-elected on 30 April 2013.

From 2008 to 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. 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 over 20 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.

**Present Directorships in other listed companies:**

Nil

**Other principal commitments:**

**Singapore:**

Far East Hospitality Holdings Pte. Ltd. (Director and CEO)

**Overseas:**

Toga Hotel Holdings Unit Trust (Director)  
Toga Hotel Management Holdings Pty Ltd (Director)  
Toga Hotel Holdings Pty Ltd (Director)

**Past Directorships in other listed companies (2011-2013):**

Nil

# BOARD OF DIRECTORS & MANAGEMENT

## **MDM NG SIOK KEOW, 67**

*Non-Executive Director*

Mdm Ng Siok Keow was appointed as an Executive Director of the Company on 6 August 1987 and was re-designated as a Non-Executive Director on 5 March 2014. She was last re-elected as a Director of the Company on 29 April 2011. At the Company's 46th Annual General Meeting, Mdm Ng will retire and be eligible for re-election pursuant to Article 96 of the Company's Articles of Association. As she is directly associated with Far East Organisation Pte Ltd, which is a substantial shareholder of the Company, she is considered by the Nominating Committee of the Company to be non-independent.

Mdm Ng is an Executive Director of Far East Organization and a director of various unlisted companies in the Far East Organization Group. She also serves as a director of Jurong Health Services Pte Ltd, which is the holding company of the Ng Teng Fong General Hospital in Singapore. She is a Patron of the Cairnhill Community Club and Bukit Timah Community Club, and was the Chairman of the Management Committee of Cairnhill Community Club from June 1994 to June 2007. She was also a director of Singapore Symphonia Company Ltd. She was a Director of the Singapore Dance Theatre from 1999 to 2003 and a Resource Panel Member of the Government Parliamentary Committee (National Development) from 2001 to 2002. Mdm Ng was awarded the Pingat Bakti Masyarakat (PBM) in 1995, the Orchid Award by the Singapore Girl Guides Association in 1996 and the Bintang Bakti Masyarakat (BBM) in 2001.

Mdm Ng obtained her Bachelor of Science (Honours) degree in Chemistry from the University of Singapore.

### ***Present Directorships in other listed companies:***

Tung Lok Restaurants (2000) Ltd

### ***Other principal commitments:***

Far East Organization (Executive Director)

Jurong Health Services Pte Ltd (Director)

### ***Past Directorships in other listed companies (2011-2013):***

Nil

## **MDM TAN SIOK HWEE, 63**

*Non-Executive Director*

Mdm Tan Siok Hwee was appointed as an Executive Director of the Company on 6 August 1987 and she was re-designated as a Non-Executive Director on 5 March 2014. Mdm Tan was last re-elected as a Director of the Company on 30 April 2013. As she is directly associated with Far East Organisation Pte Ltd, which is a substantial shareholder of the Company, she is considered by the Nominating Committee of the Company to be non-independent.

She is an Executive Director of Far East Organization and also serves as director of various non-listed companies in the Far East Organization Group.

Mdm Tan obtained her Bachelor of Accountancy degree from the University of Singapore in 1973 and is a Certified Public Accountant. She has been a member of the Institute of Singapore Chartered Accountants (formerly known as Institute of Certified Public Accountants of Singapore) since 1976.

### ***Present Directorships in other listed companies:***

Nil

### ***Other principal commitments:***

Far East Organization (Executive Director)

Jia Holdings Pte Ltd (Director)

### ***Past Directorships in other listed companies (2011-2013):***

Nil

**MR CHENG HONG KOK, 71****Independent Director**

- **Chairman, Audit Committee**
- **Member, Remuneration Committee**

Mr Cheng Hong Kok was appointed Non-Executive Director of the Company on 30 May 1996. He was last re-appointed as a Director of the Company on 30 April 2013. Mr Cheng, being over the age of 70 years, will be re-appointed as a Director of the Company pursuant to Section 153(6) of the Companies Act (Cap.50) at the Company's 46th Annual General Meeting. Mr Cheng, who has served on the Board for more than 9 years, is considered independent by the Nominating Committee because he has continued to demonstrate strong independence in character and judgment and has contributed effectively as an Independent Director by providing impartial and autonomous views.

Mr Cheng was a Director and an Executive Committee member of Singapore Petroleum Company Limited (SPC) from 1999 to 2009. Prior to that, he was the President and Chief Executive Officer of SPC from 1981 to 1996. Through SPC, he was involved in the Asean Council on Petroleum (ASCOPE) for many years. He was also a Board member of the Singapore Economic Development Board from 1987 to 1990 and was a member of the Government Economic Planning Committee from 1989 to 1991.

Mr Cheng graduated from the University of London in 1964 with First Class Honours degree in Chemical Engineering and attended the Advanced Executive Management Program at the J. L. Kellogg Graduate School of Management, Northwestern University, USA, in 1981. In 1961, he was awarded the Singapore State Scholarship, the Colonial Welfare and Development Scholarship and the University of Malaya Entrance Scholarship. He was also awarded the University of Cambridge Fellowship and the Eisenhower Fellowship in 1964 and 1979 respectively.

**Present Directorships in other listed companies:**

SP Corporation Limited

**Other principal commitments:**

Nil

**Past Directorships in other listed companies (2011-2013):**

Gul Technologies Singapore Ltd

**MR HENG CHIANG MENG, 68****Independent Director,****Lead Independent Director**

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

Mr Heng Chiang Meng was appointed Non-Executive Director of the Company on 19 June 1998. In 2008, Mr Heng was appointed as Lead Independent Director of the Company. He was appointed as the Chairman of the Remuneration Committee and Nominating Committee on 9 March 2011 and 29 April 2011 respectively. He was last re-elected on 30 April 2013. Mr Heng, who has served on the Board for more than 9 years, is considered independent by the Nominating Committee because he has continued to demonstrate strong independence in character and judgment and has contributed effectively as an Independent Director by providing impartial and autonomous views.

In his corporate career spanning over 30 years, Mr Heng held senior positions in several financial institutions including Citibank NA, the Monetary Authority of Singapore and Overseas Union Bank Limited. His other major area of experience is in real estate, having been the Managing Director of First Capital Corporation Limited, the Executive Director in the Far East Organization Group, and the Group Managing Director of Lim Kah Ngam Limited.

He also served four terms as a Member of Parliament from 1984 to 2001 during which he chaired the Government Parliamentary Committees for Communications and the Environment as well as the Ang Mo Kio-Cheng San Community Development Council and the Cheng San Town Council.

Mr Heng holds a Bachelor of Business Administration (Honours) degree from the University of Singapore.

**Present Directorships in other listed companies:**

Keppel Land Limited

Macquarie International Infrastructure Fund Limited  
Academies Australasia Group Limited (listed on the Australian Stock Exchange in Sydney, Australia)

**Other principal commitments:**

Nil

**Past Directorships in other listed companies (2011-2013):**

Nil

# BOARD OF DIRECTORS & MANAGEMENT

## **MS CHUA KHENG YENG, JENNIE, 69**

### **Independent Director**

- **Member, Audit Committee**
- **Member, Nominating Committee**

Ms Chua was appointed to the Board of the Company as an Independent Director on 1 January 2014. On 1 April 2014, she was appointed as a Member of the Audit Committee and a Member of the Nominating Committee of the Company. At the Company's 46th Annual General Meeting, Ms Chua will retire and be eligible for re-election pursuant to Article 101 of the Company's Articles of Association. The Nominating Committee considers Ms Chua to be an Independent Director.

Ms Chua brings with her over 40 years of international experience in the tourism and hospitality industry. Ms Chua is a Director of three other entities listed on the Singapore Stock Exchange – CapitaMalls Asia Limited, GuocoLeisure Limited and GuocoLand Limited as well as one entity listed on NASDAQ OMX Copenhagen stock exchange on 13 Mar 2014 – ISS A/S.

She is currently the Chairman of Alexandra Health System Pte Ltd, GLH Management Group Pte Ltd, Arts House Ltd and Sentosa Cove Council. She is also the Deputy Chairman of Temasek Foundation CLG Limited.

She is Singapore's Non-Resident Ambassador to the United Mexican States.

She is a Director of ISS World Services A/S (headquartered in Denmark), MOH Holdings Pte Ltd, Singapore Chinese Girls' School and Sentosa Development Corporation.

She is on the Board of Trustees of Nanyang Technological University, Singapore, a member of Singapore's Pro-Enterprise Panel and a member of MOH Holdings Healthcare Infrastructure and Planning Committee.

She is a Justice of the Peace, Advisor to Community Chest and Director on CapitaLand's Hope Foundation.

She was formerly President and CEO of Raffles Holdings Ltd, Chairman of Raffles International Limited, President and CEO of The Ascott Group Limited, a Director of Ascott Residence Trust Management Limited, the Chief Corporate Officer of CapitaLand Limited, Chairman of the Singapore International Chamber of Commerce and Singapore's Non-Resident Ambassador to The Slovak Republic.

Awards and accolades which she has received include three Singapore National Day Awards, the Outstanding Contribution to Tourism Award 2006, Women's World Excellence Awards 2006, Travel Personality of the Year Award 2005, NTUC Medal of Commendation 2005, Bloomberg Business Week Magazine 25 Stars of Asia Award 2003, Asia Pacific (Hotel) 2002 Person of the Year, National Productivity Award 2002, Pacific Area Travel Writers Association Hall of Fame 2000, Hotelier of the Year 1999, Woman of the Year 1999, Champion of the Arts 1999, Independent Hotelier of the World 1997 and President's Volunteerism & Philanthropy Awards 2012 (President's Special Recognition Award).

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

### **Present Directorships in other listed companies:**

#### **Singapore:**

CapitaMalls Asia Limited  
GuocoLeisure Limited  
GuocoLand Limited

#### **Overseas:**

ISS A/S (NASDAQ OMX Copenhagen stock exchange)

### **Other principal commitments:**

#### **Singapore:**

Alexandra Health Pte Ltd (Chairman)  
GLH Management Group Pte Ltd (Chairman)  
Arts House Ltd (Chairman)  
Temasek Foundation CLG Limited (Deputy Chairman)  
Nanyang Technological University (Director/Trustee)  
MOH Holdings Pte Ltd (Director)  
Sentosa Cove Resort Management Pte Ltd (Director)  
Sentosa Development Corporation (Director)  
The Singapore Chinese Girls' School (Director)

#### **Overseas:**

ISS World Services A/S (headquartered in Denmark) (Director)

### **Past Directorships in other listed companies (2011-2013):**

Ascott Residence Trust Management Limited (Director)

**MDM EE CHOO LIN DIANA, 56****Independent Director**

- **Member, Audit Committee**
- **Member, Remuneration Committee**

Mdm Ee was appointed to the Board of the Company as an Independent Director and Member of the Audit Committee on 29 April 2011. On 1 June 2011, she was appointed as a Member of the Remuneration Committee of the Company. She was last re-elected on 27 April 2012. At the Company's 46th Annual General Meeting, Mdm Ee will retire and be eligible for re-election pursuant to Article 96 of the Company's Articles of Association. The Nominating Committee considers Mdm Ee to be an Independent Director.

Mdm Ee brings with her over 25 years of international experience in the tourism and hospitality industry. She was formerly President of Raffles Hotels & Resorts where she held responsibilities for the operating and financial performance of the group's hotels worldwide and the brand's global business development and growth strategy.

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

**Present Directorships in other listed companies:**

Nil

**Other principal commitments:****Singapore:**

SHATEC Institutes Pte Ltd (Director and Chairman, Academic & Examinations Advisory Council)  
 Hotel & Accommodation Industry Skills & Training Council (WDA) (Vice Chairman)  
 BND Associates Pte Ltd (Director)  
 Far East Hospitality Holdings Pte. Ltd. (Director)  
 Mt Faber Leisure Group Pte Ltd (Director)  
 Republic Polytechnic Singapore (Member of Board of Governors and School of Hospitality Advisory Committee)  
 Singapore Tourism Board (Director)

**Overseas:**

Toga Hotel Holdings Unit Trust (Director and Member of Audit & Risk Committee)  
 Toga Hotel Management Holdings Pty Ltd (Director)  
 Toga Hotel Holdings Pty Ltd (Director)

**Past Directorships in other listed companies (2011-2013):**

Nil

**MR LING ANG KERNG, KELVIN, 52****Chief Financial Officer**

Mr Ling Ang Kerng, Kelvin was appointed Chief Financial Officer of the Company on 1 January 2014. He is responsible for business ventures, strategic partnerships, and overall financial matters of Far East Orchard and its group of companies.

Mr Ling is also a member of the Branding Executive Committee and Chairman of Retail Business Group Executive Committee of Far East Organization (FEO).

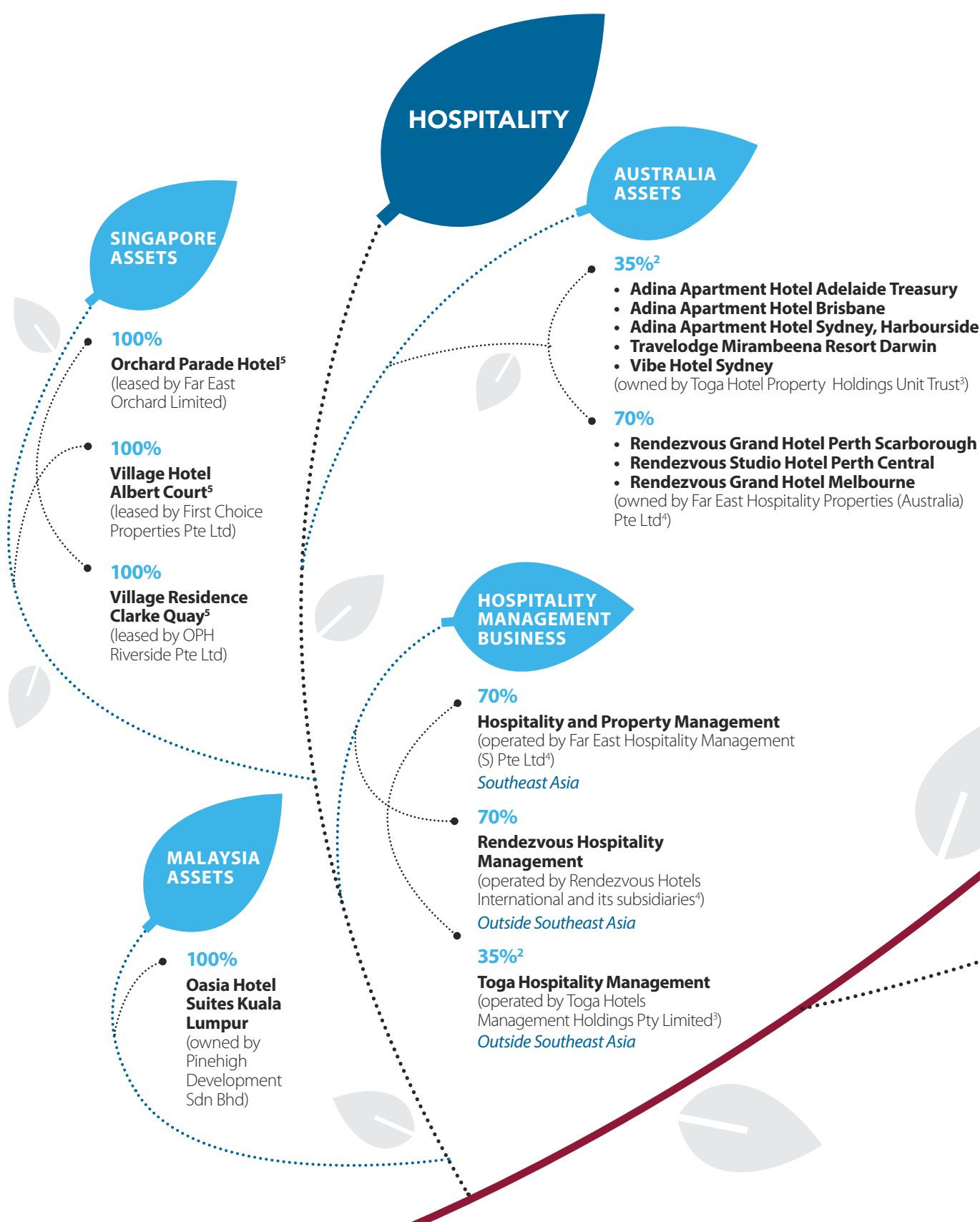
Mr Ling was previously the Chief Operating Officer of the Retail Business Group at FEO. In other senior roles, Mr Ling had spearheaded the implementation of shared services including the consolidation of accounting functions across FEO's hospitality portfolio, identifying and implementing business solutions to drive financial discipline and enhance the assets' financial performance. He also launched the restaurant and franchised food arm of FEO, Kitchen Language, in 2008 to bring new food concepts and brands to Singapore.

Prior to joining FEO, Mr Ling spent over 20 years in finance and operations in professional and commercial business environments including The Oriental Singapore, Pontiac Marina, Coopers & Lybrand and various insurance companies. He was also involved in incubating services for start-ups at PwC Consultants Singapore.

Mr Ling is a member of the Institute of Singapore Chartered Accountants, and a Fellow of the Association of Chartered Certified Accountants.



# BUSINESS STRUCTURE



## PROPERTY INVESTMENT

**100%**

**Office units at Tanglin Shopping Centre**  
(owned by Far East Orchard Limited)

**100%**

**Medical suites at Novena Medical Center and Novena Specialist Center<sup>6</sup>**  
(owned by Jelco Properties Pte Ltd)

**100%**

**Stable Properties Pte Ltd**

## PROPERTY DEVELOPMENT

**30%**

**RiverTrees Residences**  
(owned by Watervine Homes Pte Ltd)

**20%**

**SBF Center**  
(owned by Far East Opus Pte Ltd)

**20%**

**euHabitat**  
(owned by OPH Marymount Limited)

**30%**

**7 & 11 Bassein Road**  
(owned by OPH Marymount Limited)

## INVESTMENT HOLDINGS

**33%**

**FEO Hospitality Asset Management Pte Ltd**  
(REIT Manager of Far East Hospitality Trust)

**33%**

**FEO Hospitality Trust Management Pte Ltd**  
(Trustee-Manager of Far East Hospitality Trust)

**100%**

**OPH Investments Pte Ltd**

**100%**

**OPH Investment Trading Pte Ltd**

**11%**

**SQL View Pte Ltd**

**25%**

**Minard Investment Limited**

**27%**

**Universal Gateway International Pte Ltd**

### Notes:

<sup>1</sup> The above structure excludes companies under voluntary liquidation.

<sup>2</sup> Assuming the subscription has been fully paid. Refer to Note 39(a) to the financial statements for more details.

<sup>3</sup> A wholly owned subsidiary of Toga Hotel Holdings Unit Trust.

<sup>4</sup> A wholly owned subsidiary of Far East Hospitality Holdings Pte Ltd.

<sup>5</sup> Refer to Note 22(e) to the financial statements.

<sup>6</sup> Certain medical suites at both properties are held for sale.

RIVER TREES RESIDENCES, SINGAPORE



SBF CENTER, SINGAPORE



# UPWARD

2014 and beyond will see Far East Orchard continuing the journey as a creative, professional and sustainable developer and manager of quality properties around the world.



# CORPORATE GOVERNANCE STATEMENT

Far East Orchard Limited is committed to maintaining a high standard of corporate governance and to promote corporate transparency, accountability and integrity to enhance shareholders' value.

This report describes the Group's corporate governance practices and structures taking into account the principles and guidelines of the revised Code of Corporate Governance that was issued on 2 May 2012 (the "Code"). The Group remains focused on the spirit and substance of the Code and has commenced implementing various measures to comply with the Code. It is constantly reviewing its current practices in line with the guidelines of the Code.

## **PRINCIPLE 1**

### ***Board's Conduct of its Affairs***

The Board, as fiduciaries in the interests of the Company, is collectively responsible for the long-term success of the Company. It has the responsibility to oversee the effectiveness of Management, provide entrepreneurial leadership, review the Group's corporate strategies and direction, and ensure that the necessary financial and human resources are in place for the Group to meet its objectives. The Group's Management remains accountable to the Board.

The functions of the Board include reviewing and approving the annual budget of the Group, ensuring that there is a sound system of internal controls to safeguard shareholders' investments and the Group's assets, reviewing management accounts, reviewing the Management and business performance of the Group, approving the release of the quarterly and year-end accounts, and endorsing the framework of remuneration for the Board and key Executives.

The Board is made up of Directors who have the right core competencies and experience to enable the Board to contribute effectively.

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

The Board has established three board committees ("Board Committees") to assist in the execution of its responsibilities. They are the Audit Committee ("AC"), the Remuneration Committee ("RC") and the Nominating Committee ("NC").

The Board meets at least four times a year at regular intervals and whenever particular circumstances require. Telephonic attendance and conference via audio communication at Board meetings are allowed under the Company's Articles of Association. The Board and Board Committees may also make decisions by way of circulating resolutions.



# CORPORATE GOVERNANCE STATEMENT

The attendance of the Directors at scheduled meetings of the Board and Board Committees during the financial year ended 31 December 2013 is disclosed below:

	Board	Audit Committee	Nominating Committee	Remuneration Committee
No. of Meetings	9	4	1	2
<b>Names Of Directors</b>				
Koh Boon Hwee	8	-	1	-
Lucas Chow Wing Keung	9	-	-	-
Ng Siok Keow	8	-	-	-
Tan Siok Hwee	8	-	-	-
Kiong Kim Hock Arthur	9	-	-	-
Cheng Hong Kok	9	4	-	2
Heng Chiang Meng	7	3	1	2
Ee Choo Lin Diana	9	4	1	2
Chua Kheng Yeng, Jennie <sup>(1)</sup>	-	-	-	-

**Notes:**

<sup>(1)</sup> Ms Chua Kheng Yeng, Jennie was appointed as an Independent Director on 1 January 2014.

The Group recognises the contribution of the Directors beyond attendance at the meetings of the Board and Board Committees.

The Group has adopted internal guidelines regarding matters that require Board approval. The types of material transactions, which require Board approval, include:

- i) transactions in the ordinary course of business with gross value per transaction exceeding a specified amount;
- ii) major transactions not in the ordinary course of business;
- iii) borrowings and/or provision of corporate guarantees or other securities;
- iv) acquisition or disposal of fixed assets exceeding a specified value;
- v) equity or contractual joint ventures;
- vi) diversification into new businesses; and
- vii) interested person transactions.

Changes to regulations and accounting standards are monitored closely by Management. The 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.

Newly appointed Directors are provided training on the roles and responsibilities of a Director of a public listed company. Each new Director is provided with a formal letter setting out the Director's duties and obligations and is also briefed by Management on the business activities and strategic directions of the Group. Directors are briefed and provided with relevant information on the Group's policies and procedures relating to corporate conduct and governance including disclosure of interests in securities, restricted periods for dealings in the Group's securities and restrictions on disclosure of confidential or price sensitive information.

The Directors were provided opportunities to attend other appropriate courses, conferences and seminars, at the Company's expense, which include programmes conducted by the Singapore Institute of Directors. The Board was briefed on changes to the Code and changes to applicable accounting standards.

# CORPORATE GOVERNANCE STATEMENT

## **Principle 2**

### **Board Composition and Guidance**

The Board currently consists of nine (9) Directors of whom four (4) are considered independent by the Board. There is a strong independence element on the Board, with Independent Directors constituting more than one-third of the Board.

Mr Cheng Hong Kok, Mr Heng Chiang Meng, Mdm Ee Choo Lin Diana and Ms Chua Kheng Yeng, Jennie are considered Independent Directors. The Independent Directors have provided declarations and confirmed that they do not have any relationship with the Company or its related companies and its officers that could interfere, or be reasonably perceived to interfere, with the exercise of the Directors' independent business judgement in the best interests of the Company. The NC and the Board have deliberated their declarations and considered them independent.

The Board is of the view that Mr Cheng Hong Kok and Mr Heng Chiang Meng are considered independent, notwithstanding that they have been on the Board for more than nine (9) years, because they have continued to demonstrate strong independence in character and judgement. They have contributed effectively as Independent Directors by providing impartial and autonomous views. They are also subject to the same rigorous review and assessment as the other Independent Directors.

The Board is of the view that its present size is appropriate and facilitates effective decision-making, taking into account the scope and nature of the Group's operations. The Board comprises respected members of the business community who have long and extensive experience in various fields, including engineering, hospitality, corporate management, accounting, banking and finance. A profile of each member of the Board is found in the "Board of Directors and Management" section of the Annual Report.

Board members engage in open and constructive debate and challenge Management on its assumptions and proposals which is fundamental to good corporate governance. The Board aids in the development of strategic proposals and oversee effective implementation by Management to achieve set objectives. The Board also monitors reporting of performance. The Non-Executive Directors are well supported by accurate, complete and timely information. Non-Executive Directors have unrestricted access to Management. Informal meetings are held for Management to brief Directors on prospective deals and potential developments at an early stage, before formal Board approval is sought. The Non-Executive Directors meet informally without the presence of Management. When Directors are unable to attend any Board or Board Committee meetings, they may provide their comments to the Chairman of the Board or the relevant Board Committees separately.

The Board has no dissenting view on the Chairman's Statement for the year in review.

## **Principle 3**

### **Chairman and Chief Executive Officer**

The roles and responsibilities of the Chairman and Group Chief Executive Officer ("Group CEO") are distinct and separate to maintain effective supervision and accountability. The Chairman and the Group CEO are not related family members.

The Chairman is responsible for ensuring the effectiveness of the Board and Board Committees as well as governance process. He promotes an open environment for debate, ensures sufficient allocation of time for thorough discussion of Board Meeting agenda items and ensures that Non-Executive Directors are able to speak freely and contribute effectively. In addition, he provides close oversight, guidance, advice and leadership to the Group CEO and Management.

At annual general meetings and other shareholders meetings, the Chairman plays a pivotal role in fostering constructive dialogue between shareholders, the Board and Management.

The Group CEO manages and develops the businesses of the Group. He is responsible for effectively managing and supervising the day-to-day business operations in accordance with the strategies, policies and business plans approved by the Board. The Group CEO is supported by the Executive Director in leading Management in the day-to-day operations of the Group.

# CORPORATE GOVERNANCE STATEMENT

Board interaction with, and independent access to, Management is encouraged.

Shareholders with concerns may contact the Lead Independent Director, Mr Heng Chiang Meng, directly when contact through the normal channels via the Chairman or other Management personnel has failed to provide satisfactory resolution, or when such contact is inappropriate. The Lead Independent Director's email address is available in the Company's website.

The Independent Directors, led by the Lead Independent Director, meet without the presence of other Directors as and when required and provide feedback to the Chairman after such meetings.

## **Principle 4** **Board Membership**

The NC was established on 25 March 2002 and now comprises Mr Heng Chiang Meng, Mr Koh Boon Hwee and Ms Chua Kheng Yeng, Jennie, who are all Non-Executive Directors, the majority of whom are independent. The Chairman of the NC is Mr Heng Chiang Meng. Mr Heng was appointed as the Lead Independent Director in 2008.

The NC's key Terms of Reference include making recommendations to the Board on all appointments to the Board and Board Committees, assessing the effectiveness of the Board as a whole and reviewing and recommending the appointment of key Executives. The NC reviews the training and professional development programmes for the Board and maintains effective working relationships with the Board and Management.

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

The NC will consider the Company's current Board in terms of its size, composition, collective skills and experience and diversity. Potential candidates are selected through internal resources, referrals from existing Directors and/or external searches. Candidates should possess relevant experience and have the calibre to contribute to the Group and its businesses, and complement the skills and competencies and attributes of the existing Board and the requirements of the Group. The candidate must be a person of integrity and must be able to commit sufficient time and attention to the affairs of the Company, notwithstanding his/her other listed company board representations and/or principal commitments.

The NC is charged with the responsibility of re-nominating the Directors. The Company's Articles of Association require one-third, or the number nearest to one-third, of the Directors, including the person holding the office of Managing Director (or any equivalent appointment however described), to retire from office. The Directors to retire every year are those who have been longest in office since their last election or appointment. No Director stays in office for more than three years without being re-elected by shareholders. In addition, a newly appointed Director will hold office only until the next annual general meeting at which he/she will be eligible for re-election. This will enable all shareholders to exercise their rights in selecting all Board members. Directors of over 70 years of age are required to be re-appointed as a Director every year at the AGM under Section 153(6) of the Companies Act before they can continue to act as a Director.

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

Directors who are seeking re-election at the next AGM on 24 April 2014 are stated in the Notice of AGM on page 128 of the Annual Report.

The NC conducts an annual review of the independence of each Director, taking into account the relationships and the tenure of service under the Code. Each Independent Director submits a checklist to confirm his/her independence, based on the guidelines provided by the Code, for the NC's consideration. The NC provides its views on the independence of the Directors, to the Board for the Board's consideration.

# CORPORATE GOVERNANCE STATEMENT

When a Director has multiple board representations, the NC also considers whether or not the Director is able to and has adequately carried out his/her duties as a Director of the Company. The NC is of the view that there is no current need to determine the maximum number of board representations a Director should have as the NC is satisfied that sufficient time and attention are being given by the Directors to the affairs of the Company, notwithstanding that some of the Directors have multiple board representations. Board and Board Committee meetings are scheduled in advance to facilitate the Directors' scheduling of their commitments.

The NC is satisfied that all Directors have discharged their duties adequately for the financial year ended 31 December 2013.

Key information regarding the Directors is listed in the "Board of Directors and Management" of the Annual Report. Information on the Directors is also available on [www.fareastorchard.com.sg](http://www.fareastorchard.com.sg).

## **Principle 5** **Board Performance**

The responsibilities of the NC include evaluating the performance of the Board and the Chairman of the Board based on a set of criteria. The assessment criteria includes the Board's performance against established performance objectives, namely competencies, commitment, contribution, performance, attendance, preparedness, participation and candour of the Board and Directors, contribution to ensuring effective risk management, response to problems and crisis, the Board's relationship with the Management and adequacy of Board and Board Committee meetings held to enable proper consideration of issues. The NC is of the view that the primary objective of the assessment exercise is to create a platform for the Board members to encourage exchange of views on the Board's strengths and shortcomings with a view to strengthening the effectiveness of the Board as a whole.

A formal review of the Board's performance is undertaken collectively and individually by the Board annually. The evaluation exercise is carried out annually by way of a Board Assessment Checklist, which is circulated to the Board members for completion and thereafter, for the NC to review and determine the actions required to improve the corporate governance of the Company and effectiveness of the Board and Board Committees as a whole.

Informal evaluation of the performance of the Board will be undertaken on a continuous basis by the NC with input by the Executive Directors and the Chairman. The latter will act on the results of the evaluation and where appropriate, in consultation with the NC, will propose the appointment of new Directors or seek resignation of current Directors.

## **Principle 6** **Access to Information**

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

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

The Directors also have separate and independent access to the Company Secretary. The role of the Company Secretary includes attendance at all Board meetings, preparation of the agenda and papers for meetings of the Board and its various committees, writing and circulating minutes of meetings, sending Board members information relating to the Group as needed, ensuring that board procedures are followed and that applicable rules and regulations are complied with. The appointment and removal of the Company Secretary are subject to the approval of the Board as a whole.

# CORPORATE GOVERNANCE STATEMENT

Each member of the Board has direct access to the Group's independent professional advisors as and when necessary to enable each member to discharge his/her responsibility effectively. Any cost of obtaining professional advice will be borne by the Company.

The Company's Articles of Association and Terms of Reference of the Board Committees provide for meetings by teleconferencing or videoconferencing where physical meetings are not possible. Communication could also be effected by electronic means such as emails.

## **Principle 7** **Procedures for Developing Remuneration Policies**

The RC was established on 25 March 2002 and now comprises 3 members, all of whom are Independent Directors. Mr Heng Chiang Meng, an Independent Director, chairs the RC. The other members of the RC are Mr Cheng Hong Kok and Mdm Ee Choo Lin Diana.

The key Terms of Reference of the RC include reviewing matters concerning remuneration of the Board, Group CEO and Management, including but not limited to Director's fees, salaries, allowances, bonuses and benefits in kind.

The RC approves the framework of remuneration for the entire organisation, including the structuring of any long-term incentive plans. The members of the RC do not participate in any decisions concerning their own remuneration. The RC's recommendations are submitted for the Board's discussion or, as the case may be, approval.

The RC recommends to the Board the specific remuneration packages for Executive Directors and the Group CEO upon recruitment. Subsequently, various aspects of their remuneration will be reviewed by the RC for recommendation to the Board.

The RC members are familiar with Executive compensation matters as they manage their own businesses and/or are holding directorships in the boards of other established companies or listed companies.

The proposed Directors' fees for 2014 was recommended in 2012 after taking into account advice from external consultants, market trends and prevailing market rates. These fees will be tabled at the AGM for shareholders' approval.

The RC has access to appropriate advice from the Head of Human Resources, who attends all RC meetings. The RC may also seek external expert advice on remuneration of Directors and staff. In its deliberations, the RC takes into consideration industry practices and norms in compensation, in addition to the Group's relative performance to the industry and the performance of the individual Directors. Where such expert is appointed, the Company shall disclose the names and firms of the remuneration consultants herein, and include a statement on whether the remuneration consultants have any relationships with the Company that will affect the independence and objectivity of the remuneration consultants.

The RC has reviewed the Company's obligations arising in the event of termination of the Executive Directors' and key Management personnel's contracts of service and is of the view that such contracts of service contain fair and reasonable termination clauses which are not overly generous nor rewarding poor performance.

## **Principle 8** **Level and Mix of Remuneration**

All of the Directors receive the same amount of Director's Fees. Members of the various Board Committees receive additional fees for serving on the respective Board Committees. The Chairman of each of these Board Committees is paid additional fees. The aggregate of all these fees is approved for payment by the Company's shareholders at the annual general meeting of the Company. The Board will recommend the Directors' Fees for approval at the 46th Annual General Meeting.

The RC is of the view that the Independent Directors are not over-compensated to the extent that their independence may be compromised.



# CORPORATE GOVERNANCE STATEMENT

The Group does not have any employee share option scheme.

The Executive Directors have entered into service agreements with the Company or its related corporations which link rewards to corporate and individual performance to promote shareholders' interests, long-term success of the Group and risk management policies. The service agreements cover the terms of employment, specifically salary and other benefits. The remuneration package of Mr Lucas Chow, the Group CEO and Managing Director, and Mr Arthur Kiong, the Executive Director and CEO of Hospitality Business includes a variable performance bonus.

The RC has reviewed the Company's obligations arising in the event of termination of the Executive Directors' and key Management personnel's contracts of service and is of the view that such contracts of service contain fair and reasonable termination clauses which are not overly generous. There are no excessively long or onerous removal clauses in these service agreements. The service agreements may be terminated by the Company giving them three (3) months' written notice or payment of salary in lieu of notice.

## Principle 9

### Disclosure on Remuneration

The Directors' remuneration consists of their fees (and salary for Executive Directors). All Directors' Fees are subject to the approval of the shareholders at the annual general meetings.

A breakdown showing the level and mix of each individual Director's remuneration in the financial year ended 31 December 2013 is appended below. For competitive reasons, the Company is only disclosing the remuneration of each Director in percentage terms for the financial year under review.

Name of Director	Fee* %	Base salary* %	Variable / performance-related income / bonuses %	Benefits in kind %
<b>\$1,000,000 to \$1,249,999</b>				
Lucas Chow Wing Keung	2.9	71.8	25.3	-
<b>\$500,000 to \$749,999</b>				
Kiong Kim Hock Arthur	5.3	71.6	16.8	6.3
<b>Below \$250,000</b>				
Koh Boon Hwee	100	-	-	-
Ng Siok Keow	100	-	-	-
Tan Siok Hwee	100	-	-	-
Cheng Hong Kok	100	-	-	-
Heng Chiang Meng	100	-	-	-
Ee Choo Lin Diana	100	-	-	-

\* - inclusive of allowances and Central Provident Fund contributions

# CORPORATE GOVERNANCE STATEMENT

The remuneration of the top 5 key Executives (who are not Directors of the Company) for the financial year ended 31 December 2013 is as follows:

Name	Designation	Base salary*	Variable / performance-related income / bonuses	Benefits in kind
		%	%	%
\$500,000 to \$749,999				
Raphael Saw Kheng Hwa	Chief Operating Officer and Director of Hospitality Division	77.6	16.8	5.6
\$250,000 to \$499,999				
Yik Yen Shan, Vincent <sup>(1)</sup>	Chief Financial Officer	72.0	24.1	3.9
Richard Lee Voon Kean	Assistant Director of Hospitality Division	83.8	13.0	3.2
Eric Tong Chun Wah <sup>(2)</sup>	Assistant Director of Hospitality Division	81.4	15.3	3.3
Brian Stampe	Assistant Director of Hospitality Division	72.9	16.8	10.3

Notes:

\* - inclusive of allowances and Central Provident Fund contributions

<sup>(1)</sup> Mr Yik Yen Shan, Vincent relinquished his role as the Chief Financial Officer of the Company on 31 December 2013.

<sup>(2)</sup> Mr Eric Tong Chun Wah relinquished his role as an Assistant Director of Hospitality Division of the Company on 1 January 2014 and was assigned to Far East Organization.

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

For the financial year ended 31 December 2013, there was no termination, retirement or post-employment benefit granted to Directors, the Group CEO or any of the top 5 key Management personnel.

No employee of the Company and its subsidiaries was an immediate family member of a Director or the Group CEO and whose remuneration exceeded S\$50,000 during the financial year ended 31 December 2013.

## **Principle 10 Accountability**

The Board conducts itself in ways that deliver maximum sustainable value to the shareholders. The Board promotes best practices in providing timely and full disclosure of material information in compliance with the statutory reporting requirements as a means to build an excellent business for the shareholders. The Board is accountable to shareholders and is responsible for providing a balanced and understandable assessment of the Company's performance, position and prospects through SGXNET announcements on a quarterly basis.

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

# CORPORATE GOVERNANCE STATEMENT

followed. The financial statements were prepared on the basis that the Directors have reasonable expectations, having made enquiries, that the Group and Company have adequate resources to continue operations for the foreseeable future.

The Board has taken adequate steps to ensure compliance with legislative and regulatory requirements, including requirements under the listing rules of the SGX-ST, for instance, by establishing written policies where appropriate.

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

## **Principle 11**

### ***Risk Management and Internal Controls***

The Company believes that it maintains a sound system of risk management and internal controls, addressing material financial, operational, compliance and information technology risks to safeguard shareholders' interests and the Group's assets. The AC 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 Board determines the Company's levels of risk tolerance and risk policies, and oversees Management in the design, implementation and monitoring of the risk management and internal control systems. The Group reviews all significant matters to the AC and the Board.

The Board reviews, at least annually, the adequacy and effectiveness of the Company's risk management and internal control systems, including financial, operational, compliance and information technology controls.

### **Operational Risks**

The operational risks facing the Group includes changes in external market conditions such as government policies, rules and regulations relating to the property and financial markets, increase in interest rates, oversupply of properties, price-cutting by competitors and drop in visitor arrivals due to political instability, terrorism and health warnings. Other risks include increase in operating costs and the necessity for capital expenditure from time to time.

Management undertakes periodic reviews of the Group's past performances, identifies and assesses current and future operational and financial risks facing the Group and controls and manages these risks within limits and strategies approved by the Board.

### **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 are set out in Note 35 to the financial statements of this Annual Report.

The Group places importance on the maintenance of a sound system of internal controls in order to safeguard shareholders' interests and the Group's assets. The AC ensures that the internal auditor conduct reviews of the Group's material internal controls, addressing financial, operational and compliance controls. Risk management and financial management are also assessed.

The AC reviews the effectiveness of the Group's internal controls on behalf of the Board. In their review, the AC 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.

Although the Board acknowledges that it is responsible for the overall internal control framework, it also recognises that no cost effective internal control system will preclude all errors and irregularities. A system is designed to manage rather than eliminate the risk of failure to achieve business objectives, and can provide only reasonable and not absolute assurance against material misstatement or loss. The Board is satisfied that the system of internal procedures, controls and reviews that the Group has in place provides reasonable assurance against material financial misstatements or loss, 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

# CORPORATE GOVERNANCE STATEMENT

risks. The Board, with the concurrence of the AC, is therefore of the opinion that the Group's system of internal controls is adequate to address financial, operational and compliance risks of the Group in its current business environment.

The Board has received assurance from the Group CEO and the Chief Financial Officer that:

- (i) the financial records have been properly maintained and the financial statements give a true and fair view of the Company's operations and finances; and
- (ii) the Company'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 financial, operational, compliance and information technology risks.

## **Principle 12** **Audit Committee**

The Company's AC comprises four Directors, all of whom are Independent Directors. Mr Cheng Hong Kok is the Chairman of the AC, the other members are Mr Heng Chiang Meng, Mdm Ee Choo Lin Diana and Ms Chua Kheng Yeng, Jennie. The Board is of the view that all members of the AC have accounting and/or related financial management expertise and experience to discharge their responsibilities as members of AC.

The AC has explicit authority to investigate any matter within its Terms of Reference, which include assessing the appropriateness of mechanisms created to identify, prevent and minimise business risks; ensuring integrity of financial statements and performance, ensuring that a review of the effectiveness of the Group's material internal controls is conducted at least annually; reviewing the independent auditor's proposed audit scope, their remuneration, the terms of their engagement and the final audit report; reviewing the performance and considering the independence of the independent auditor and meeting with them quarterly; reviewing all interested persons transactions.

The AC has full access to and the co-operation of the Group's Management and in addition, has absolute discretion to invite any Director or Management of the Group to attend its meetings, as it deems necessary.

The AC has conducted an annual review of non-audit services provided by the independent auditor to satisfy itself that the nature and extent of such services will not prejudice the independence and objectivity provided by the independent auditor before confirming their re-nomination. The aggregate amount of fees paid to the independent auditor of the Company and subsidiaries for audit services for the financial year ended 31 December 2013 amounted to S\$435,000. The fees for non-audit services provided by the independent auditor for the financial year ended 31 December 2013 were S\$1,437,000 and were incurred for the joint venture with The Straits Trading Company Limited and joint venture with Toga Pty Ltd. The non-audit service fees relating to the audit engagement team formed only an insignificant portion of the total non-audit service fees. These fees did not represent a large proportion of the audit engagement partner's portfolio and is at a level which would in any case not likely result in any self-interest or fee dependency threat on the audit engagement partner. These services were one-off and non-recurring in nature. Services relating to the valuation and purchase price allocation were provided by other service providers and a substantial part of the non-audit services were performed by partners and team members who were not members of the audit engagement team. The AC has nominated PricewaterhouseCoopers LLP for re-appointment as independent auditor of the Company at the forthcoming Annual General Meeting.

The Group has appointed different auditors for its local and overseas subsidiaries. The Board and AC had reviewed the appointment of different auditors for its local and overseas subsidiaries and were satisfied that the appointment of different auditors 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 independent auditors.

In the last financial year, the AC held four (4) meetings. In those meetings, the AC reviewed, *inter alia*, the internal auditor's report on interested party transactions as well as the various reports on other areas of the Group's business, the internal auditor's audit plan and fee for the current financial year, the independent auditor's final audit report, the quarterly and year-end announcements on financial statements, the Group's quarterly and year-end performances, and corporate governance matters.

# CORPORATE GOVERNANCE STATEMENT

The AC has also met separately with the independent auditor and the internal auditor without the presence of the Company's Management. These meetings enable the independent auditor and internal auditor to raise issues encountered in the course of their audit directly to the AC.

During the last financial year, the AC reviewed the Whistle-blowing Policy of the Group. The Whistle-blowing Policy provides employees with an avenue to raise concerns in good faith and confidence about possible improprieties in financial reporting or other matters without fear of reprisals. The objective of the Policy is to ensure an independent investigation of such matters for appropriate follow-up action. Details of the Whistle-blowing Policy have been made available to all employees in three different languages, namely, English, Mandarin and Bahasa Indonesia.

The AC was provided with updates and explanation by the Chief Financial Officer and the independent auditor during the financial year, on changes to the accounting standards and issues which have direct impact on the Group's consolidated financial statements.

## **Principle 13** **Internal Audit**

The Group outsources its internal audit function to the Group Internal Audit Department ("GIA") of Far East Organization. GIA reports directly and primarily to the AC and also reports administratively to the Group CEO.

The AC ensures the adequacy of the internal audit function by examining the scope of GIA's work, the quality of their reports, their qualifications and training, their relationship with the independent auditor and their independence of the areas reviewed. GIA has unfettered access to the AC, the Company's documents, records, properties and personnel.

Having regard to the Standards for the Professional Practice of Internal Auditing of the Institute of Internal Auditors, and having reviewed the functions and organisational structure of GIA, the AC is satisfied that GIA meets the requisite standards, is adequately resourced, and has appropriate standing within the Group.

The AC reviews, at least once a year, the adequacy and effectiveness of GIA.

## **Principle 14** **Shareholder Rights**

The Group 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 price or value of shares in an accurate and timely manner via SGXNET, so as to enable shareholders to make informed decisions.

Shareholders are entitled to and encouraged to attend all general meetings to stay informed of the Company's goals and strategies and to ensure a high level of accountability. The Board is satisfied that shareholders have been given the opportunity to participate effectively and to vote at general meetings. Shareholders are also informed of voting procedures governing general meetings.

The Company's Articles of Association allow shareholders to vote in person or by proxy or by attorney, or in the case of a corporation by a representative. A shareholder may appoint up to two proxies to attend and vote in his stead at a general meeting. For shareholders who hold shares through nominees such as CPF and custodian banks, they are allowed to attend the general meetings as observers, subject to rules of general meetings and availability of seats. The Company has not amended its Articles of Association to provide for other methods of voting in absentia due to security and integrity concerns. The Company noted that provision for such other methods of voting in absentia would also require a costly system of authentication to ensure the integrity of information and the identity of shareholders in telephonic and electronic media.



# CORPORATE GOVERNANCE STATEMENT

**Principle 15****Communication with Shareholders**

The Group is committed to making timely, full and accurate disclosures in accordance with the listing rules of the SGX-ST and the Singapore Code of Corporate Governance. It strives to disclose information, including price sensitive information, to its shareholders in a timely and accurate manner within the mandatory periods. Such announcements include the quarterly and full-year results, material transactions and other major developments that will have impact on the Company or Group. It also responds to queries from investors, fund managers and analysts without making selective disclosures, through various channels such as news releases, annual reports, SGXNET and the Company's website.

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

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

The Company's main forum for dialogue with shareholders takes place at its annual general meetings, whereat members of the Board, Management and the independent auditor are in attendance. To solicit and understand shareholders' views, shareholders are given the opportunity at the annual general meetings to express their views and ask questions regarding the Group. The Company conducts surveys at each annual general meeting to receive feedback from shareholders.

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

**Principle 16****Conduct of Shareholder Meetings**

The procedures at general meetings facilitate opportunities for shareholders to participate and communicate with the Directors.

At general meetings, each distinct issue is the subject of a separate resolution.

The Chairmen of the Board and the Board Committees are usually available at the Company's general meetings to address questions raised. The Company's independent auditor is also present at annual general meetings of the Company to address shareholders' queries on the conduct of audit and the preparation and content of the auditor's report. Shareholders also have the opportunity to communicate their views and discuss with the Board and Management after the general meetings.

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

Shareholders are given opportunities to vote at general meetings. The voting process for the 46th AGM shall be by show of hands while the Company looks into conducting electronic polling process so as to ensure transparency and better reflect shareholders' interests. The Company plans to conduct electronic poll voting for all resolutions at general meetings by 2016.

# CORPORATE GOVERNANCE STATEMENT

## DEALINGS IN SECURITIES

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

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

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

## MATERIAL CONTRACTS

Save for the transactions set out in the Company's circular to shareholders dated 24 June 2013 and the related parties transactions as disclosed in the Financial Statements, 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 since the end of the financial year and no such contract subsisted at the end of the financial year.

## USE OF PROCEEDS

The Company has utilised the net proceeds raised from the sale of the Hospitality Assets as follows:

- (i) \$356.4 million to discharge the then existing encumbrances over the Hospitality Assets;
- (ii) \$58.7 million as part consideration for the Asset Swap Acquisition;
- (iii) \$9.1 million for the stamp duty chargeable on the Asset Swap Acquisition;
- (iv) \$1.0 million for the professional and other fees and expenses incurred by the Company in connection with the Transactions;
- (v) \$35.4 million for the payment of the Special Dividend;
- (vi) \$19.3 million for the payment of the Company's 30% share of 25% of the tender price for a land parcel at Fernvale Close;
- (vii) \$153.76 million for the payment of the Initial Subscription Amount (as defined in the Company's circular to shareholders dated 24 June 2013) pursuant to the terms of the Toga Subscription Agreement;
- (viii) \$21.0 million for the payment of the initial funding for Far East Hospitality Holdings Pte. Ltd.'s working capital; and
- (ix) the balance of \$61.84 million towards part payment of the Company's Cash Contribution.

# CORPORATE GOVERNANCE STATEMENT

## INTERESTED PERSON TRANSACTIONS

Interested person transactions carried out during the financial year which fall under Chapter 9 of the Listing Manual of the Singapore Exchange Securities Trading Limited are as follows:

Name of interested person	Aggregate value of all interested person transactions conducted under shareholders' mandate pursuant to Rule 920 of the Listing Manual (excluding transactions less than \$100,000)
	\$'000
<b>Dollar Land Singapore Private Ltd</b>	
Hospitality management income	450
<b>Far East Hospitality Real Estate Investment Trust</b>	
Property management income	470
Rental expense on operating leases	
- offices	(932)
- hotels and serviced residences	(30,077)
<b>Far East Land and Housing Development Company Sdn Bhd</b>	
Hospitality management income	149
<b>Far East Management (Private) Limited</b>	
Management service fees	(1,355)
Hospitality services	(1,456)
Project management service fees	(383)
Rental income on operating leases – offices	139
<b>Far East Organization Centre Pte Ltd</b>	
Hospitality management income	2,865
Management service fees	(652)
Rental income on operating leases – offices	101
<b>Far East Property Sales Pte Ltd</b>	
Sales & marketing service fees	(1,088)
Management service fees	(198)

# CORPORATE GOVERNANCE STATEMENT

**Aggregate value of all interested person  
transactions conducted under shareholders'  
mandate pursuant to Rule 920 of the Listing Manual**  
(excluding transactions less than \$100,000)

<b>Name of interested person</b>	<b>\$'000</b>
<b>Golden Development Pte Ltd</b> Hospitality management income	3,416
<b>Golden Landmark Pte Ltd</b> Hospitality management income	1,663
<b>Lyon Cleaning &amp; Maintenance Services Pte Ltd</b> Hospitality services	(1,029)
<b>Orchard Landmark Pte Ltd</b> Hospitality management income	270
<b>Orchard Mall Pte Ltd</b> Hospitality management income	120
<b>Orchard Parksuites Pte Ltd</b> Hospitality management income	1,732
<b>Oxley Hill Properties Pte Ltd</b> Hospitality management income	665
<b>Riverland Pte Ltd</b> Hospitality management income	561
<b>Serene Land Pte Ltd</b> Hospitality management income	1,220
<b>Transurban Properties Pte Ltd</b> Hospitality management income	2,055

# FINANCIAL REPORT

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# DIRECTORS' REPORT

For the financial year ended 31 December 2013

The Directors present their report to the members together with the audited financial statements of the Group for the financial year ended 31 December 2013 and the balance sheet of the Company as at 31 December 2013.

## DIRECTORS

The Directors of the Company in office at the date of this report are as follows:

Mr Koh Boon Hwee  
 Mr Lucas Chow Wing Keung  
 Mr Kiong Kim Hock Arthur  
 Mdm Ng Siok Keow  
 Mdm Tan Siok Hwee  
 Mr Cheng Hong Kok  
 Mr Heng Chiang Meng  
 Ms Chua Kheng Yeng, Jennie (appointed on 1 January 2014)  
 Mdm Ee Choo Lin Diana

## 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 holding office at the end of the financial year had any interest in the shares or debentures of the Company or its related corporations, except as follows:

	Holdings registered in name of director		Holdings in which director is deemed to have an interest	
	At 31.12.2013	At 1.1.2013	At 31.12.2013	At 1.1.2013
<b>Company</b> (No. of ordinary shares)				
Mdm Ng Siok Keow	<b>14,469</b>	14,469	<b>77,038</b>	72,346
<b>Yeo Hiap Seng Limited</b> (No. of ordinary shares)				
Mdm Ng Siok Keow	<b>3,195</b>	3,195	<b>15,978</b>	15,978

- (b) The directors' interests in the ordinary shares of the Company as at 21 January 2014 were the same as those as at 31 December 2013.

## DIRECTORS' CONTRACTUAL BENEFITS

Since the end of the previous financial year, no Director has received or become entitled to receive a benefit by reason of a contract made by the Company or a related corporation with the director or with a firm of which he is a member or with a company in which he has a substantial financial interest, except as disclosed in the accompanying financial statements and in this report, and except that certain Directors have employment relationships with related corporations of the ultimate holding company, and have received remuneration in those capacities.

# DIRECTORS' REPORT

For the financial year ended 31 December 2013

## SHARE OPTIONS

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

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

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

## AUDIT COMMITTEE

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

Mr Cheng Hong Kok (Chairman)  
Mr Heng Chiang Meng  
Mdm Ee Choo Lin Diana

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

The Audit Committee carried out its functions in accordance with Section 201B(5) of the Singapore Companies Act.

The Audit Committee meets periodically with management, the internal auditor and the Company's independent auditor to discuss the scope and results of the internal and statutory audits, financial and operating results, internal controls, assistance given by the Company's management to the independent auditor, accounting policies and other significant matters, including the financial statements that accompany this report.

The Audit 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. The Audit Committee has conducted an annual review of non-audit services provided by the independent auditor to satisfy itself that the nature and extent of such services will not prejudice their independence and objectivity before confirming their re-nomination.

## INDEPENDENT AUDITOR

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

On behalf of the Directors

**LUCAS CHOW WING KEUNG**  
Director

**KIONG KIM HOCK ARTHUR**  
Director

27 March 2014

## STATEMENT BY DIRECTORS

For the financial year ended 31 December 2013

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 46 to 125 are drawn up so as to give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2013 and of the results of the business, changes in equity and cash flows of the Group for the financial year then ended;
- (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; and
- (c) based on the internal controls established and maintained by the Group, work performed by the internal and external auditors, and reviews performed by Management, various Board Committees and the Board, the Audit Committee and the Board are of the opinion that the Group's internal controls, addressing financial, operational and compliance risks, were adequate as at 31 December 2013.

On behalf of the Directors

**LUCAS CHOW WING KEUNG**  
**Director**

**KIONG KIM HOCK ARTHUR**  
**Director**

27 March 2014

# INDEPENDENT AUDITOR'S REPORT

To the Members of Far East Orchard Limited

## REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of Far East Orchard Limited (the "Company") and its subsidiaries (the "Group") set out on pages 46 to 125, which comprise the consolidated balance sheet of the Group and balance sheet of the Company as at 31 December 2013, the consolidated statement of comprehensive income, statement of changes in equity and statement of cash flows of the Group for the financial year then ended, and a summary of significant accounting policies and other explanatory information.

### *Management's Responsibility 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 Singapore Companies Act (the "Act") and Singapore Financial Reporting Standards, 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 profit and loss accounts and balance sheets and to maintain accountability of assets.

### *Auditor's Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Singapore Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements that give a true and fair view 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

### *Opinion*

In our opinion, the consolidated financial statements of the Group and the balance sheet of the Company are properly drawn up in accordance with the provisions of the Act and Singapore Financial Reporting Standards so as to give a true and fair view of the state of affairs of the Group and of the Company as at 31 December 2013, and of the results, changes in equity and cash flows of the Group for the financial year ended on that date.

## 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 subsidiaries incorporated in Singapore, of which we are the auditors, have been properly kept in accordance with the provisions of the Act.

PricewaterhouseCoopers LLP  
Public Accountants and Chartered Accountants  
Singapore, 27 March 2014

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the financial year ended 31 December 2013

	Note	2013 \$'000	2012 (restated) \$'000
Sales	4	158,569	75,176
Cost of sales		(113,839)	(37,721)
Gross profit		44,730	37,455
Other income	7	3,099	1,541
Other gains - net	8	12,463	121,539
Expenses			
- Distribution and marketing		(8,007)	(6,659)
- Administrative		(15,519)	(13,234)
- Finance	9	(2,271)	(3,659)
- Other		(20,674)	(4,406)
Share of results of			
- joint ventures accounted for using equity method	18	4,120	24,157
- associated companies	17	3,108	32,618
<b>Profit before income tax</b>		<b>21,049</b>	189,352
Income tax credit	10(a)	463	1,403
<b>Net profit</b>		<b>21,512</b>	190,755
<b>Other comprehensive loss:</b>			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Cash flow hedges			
- Fair value losses	31(b)(v)	(5,814)	-
- Reclassification	31(b)(v)	5,814	-
Share of other comprehensive (loss)/income of			
- joint ventures accounted for using equity method		(426)	-
- associated companies		(564)	28,218
Reclassification to profit or loss on partial disposal of an associated company		-	(53,642)
Currency translation losses arising from consolidation		(7,744)	(230)
		(8,734)	(25,654)
<i>Items that will not be reclassified subsequently to profit or loss:</i>			
Revaluation gains on property, plant and equipment	31(b)(i)	6,630	3,212
Tax (charge)/credit relating to revaluation gains/losses	29	(315)	153
Reversal of deferred tax liability on realisation of asset revaluation surplus	31(b)(i)	-	21,893
<b>Other comprehensive loss, net of tax</b>		<b>(2,419)</b>	(396)
<b>Total comprehensive income</b>		<b>19,093</b>	190,359

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



# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the financial year ended 31 December 2013

	Note	2013 \$'000	2012 (restated) \$'000
<b>Net profit attributable to:</b>			
Equity holders of the Company		<b>29,385</b>	190,755
Non-controlling interests		<b>(7,873)</b>	-
		<b>21,512</b>	190,755
<b>Total comprehensive income attributable to:</b>			
Equity holders of the Company		<b>29,094</b>	190,359
Non-controlling interests		<b>(10,001)</b>	-
		<b>19,093</b>	190,359
<b>Basic and diluted earnings per share for net profit attributable to equity holders of the Company (cents per share)</b>			
	11	<b>7.61</b>	51.47

# BALANCE SHEET - GROUP

As at 31 December 2013

	Note	2013 \$'000	31 December 2012 (restated) \$'000	1 January 2012 (restated) \$'000
<b>ASSETS</b>				
<b>Current assets</b>				
Cash and cash equivalents	12	264,975	450,820	17,394
Trade and other receivables	13	67,278	17,019	6,133
Inventories	14	857	60	73
Development properties	15	40,365	101,972	96,269
Properties held for sale	16	140,417	149,470	-
		<b>513,892</b>	<b>719,341</b>	<b>119,869</b>
<b>Non-current assets</b>				
Investments in associated companies	17	7,812	5,268	356,225
Investments in joint ventures	18	282,167	132,559	246,005
Other receivables	20	73,617	33,482	36,802
Investment properties	21	304,475	264,401	166,915
Property, plant and equipment	22	588,204	392,539	696,944
Intangible assets	23	155,907	129,385	-
Deferred income tax assets	29	4,765	-	-
		<b>1,416,947</b>	<b>957,634</b>	<b>1,502,891</b>
<b>Total assets</b>		<b>1,930,839</b>	<b>1,676,975</b>	<b>1,622,760</b>
<b>LIABILITIES</b>				
<b>Current liabilities</b>				
Trade and other payables	24	133,051	102,615	42,792
Deferred income	25	7,526	6,797	-
Current income tax liabilities	10	4,761	3,188	7,655
Borrowings	26	-	-	196,058
Provisions	27	8,268	-	-
		<b>153,606</b>	<b>112,600</b>	<b>246,505</b>
<b>Non-current liabilities</b>				
Other payables	28	179,377	79,266	38,468
Deferred income	25	323,888	330,685	-
Deferred income tax liabilities	29	17,371	16,211	24,948
Borrowings	26	89,415	38,163	227,700
Provisions	27	14,982	-	-
		<b>625,033</b>	<b>464,325</b>	<b>291,116</b>
<b>Total liabilities</b>		<b>778,639</b>	<b>576,925</b>	<b>537,621</b>
<b>NET ASSETS</b>		<b>1,152,200</b>	<b>1,100,050</b>	<b>1,085,139</b>
<b>EQUITY</b>				
<b>Capital and reserves attributable to equity holders of the Company</b>				
Share capital	30	420,616	394,612	372,063
Revaluation and other reserves	31	344,451	334,185	526,024
Retained profits	32	377,691	371,253	187,052
		<b>1,142,758</b>	<b>1,100,050</b>	<b>1,085,139</b>
<b>Non-controlling interests</b>		<b>9,442</b>	<b>-</b>	<b>-</b>
<b>TOTAL EQUITY</b>		<b>1,152,200</b>	<b>1,100,050</b>	<b>1,085,139</b>

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

# BALANCE SHEET - COMPANY

As at 31 December 2013

	Note	2013 \$'000	2012 \$'000
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	12	199,548	435,212
Trade and other receivables	13	169,161	9,344
Inventories	14	39	40
		<b>368,748</b>	444,596
<b>Non-current assets</b>			
Investments in an associated company	17	696	696
Investment in a joint venture	18	300	-
Investments in subsidiaries	19	553,532	483,531
Other receivables	20	281,207	129,600
Investment properties	21	116,209	111,288
Property, plant and equipment	22	371,673	369,025
		<b>1,323,617</b>	1,094,140
<b>Total assets</b>		<b>1,692,365</b>	1,538,736
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade and other payables	24	59,618	106,156
Deferred income	25	6,802	6,797
Current income tax liabilities	10	2,617	1,553
		<b>69,037</b>	114,506
<b>Non-current liabilities</b>			
Other payables	28	251,957	60,603
Deferred income	25	323,888	330,685
Deferred income tax liabilities	29	648	726
		<b>576,493</b>	392,014
<b>Total liabilities</b>		<b>645,530</b>	506,520
<b>NET ASSETS</b>		<b>1,046,835</b>	1,032,216
<b>EQUITY</b>			
<b>Capital and reserves attributable to equity holders of the Company</b>			
Share capital	30	420,616	394,612
Revaluation and other reserves	31	339,686	336,423
Retained profits	32	286,533	301,181
<b>TOTAL EQUITY</b>		<b>1,046,835</b>	1,032,216

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

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the financial year ended 31 December 2013

	Note	Attributable to equity holders of the Company										
		Share capital \$'000	Capital reserve \$'000	Asset revaluation reserve \$'000	Currency translation reserve \$'000	Fair value reserve \$'000	Share-based payment reserve \$'000	Hedging reserve \$'000	Retained profits \$'000	Total \$'000	Non-controlling interests \$'000	Total equity \$'000
<b>2013</b>												
<b>Beginning of financial year</b>												
Shares issued in-lieu of dividends	30, 33	394,612	-	336,423	(2,238)	-	-	-	371,253	1,100,050	-	1,100,050
Dividend paid to shareholders in cash	33	-	-	-	-	-	-	-	(16,140)	9,864	-	9,864
Dilution of interest in the business of a subsidiary	31(b)(vi)	-	10,557	-	-	-	-	-	(6,807)	(6,807)	-	(6,807)
Total comprehensive income for the year		-	-	6,093	(5,663)	(564)	-	(157)	29,385	29,094	(10,001)	19,093
<b>End of financial year</b>		<b>420,616</b>	<b>10,557</b>	<b>342,516</b>	<b>(7,901)</b>	<b>(564)</b>	<b>-</b>	<b>(157)</b>	<b>377,691</b>	<b>1,142,758</b>	<b>9,442</b>	<b>1,152,200</b>
<b>2012</b>												
<b>Beginning of financial year</b>												
Shares issued in-lieu of dividends	30, 33	372,063	-	502,608	(7,394)	30,557	253	-	187,052	1,085,139	-	1,085,139
Dividend paid to shareholders in cash	33	22,549	-	-	-	-	-	-	(22,549)	-	-	-
Dividend in specie	33	-	-	-	-	-	-	-	(10,141)	(10,141)	-	(10,141)
Special dividend	33	-	-	-	-	-	-	-	(120,050)	(120,050)	-	(120,050)
Transfer of asset revaluation reserve to retained profits	31(b)(i)	-	-	(191,443)	-	-	-	-	(45,257)	(45,257)	-	(45,257)
Total comprehensive income for the year		-	-	25,258	5,156	(30,557)	(253)	-	190,755	190,359	-	190,359
<b>End of financial year</b>		<b>394,612</b>	<b>-</b>	<b>336,423</b>	<b>(2,238)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>371,253</b>	<b>1,100,050</b>	<b>-</b>	<b>1,100,050</b>

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

# CONSOLIDATED STATEMENT OF CASH FLOWS

For the financial year ended 31 December 2013

	Note	2013 \$'000	2012 (restated) \$'000
<b>Cash flows from operating activities</b>			
Net profit		21,512	190,755
Adjustments for:			
- Income tax credit		(463)	(1,403)
- Depreciation of property, plant and equipment		3,499	5,854
- Amortisation of intangible assets		2,243	976
- Interest income		(1,971)	(1,097)
- Interest expense		812	3,691
- (Gain)/loss on disposal of property, plant and equipment		(1)	3,278
- Gains on disposal of investment properties		-	(1,683)
- Fair value gains on investment properties		(14,700)	(5,541)
- Gain arising on dilution of interest in an associated company		-	(2)
- Gain on partial disposal of an associated company		-	(102,240)
- Reclassification from other comprehensive income on disposal of an associated company		-	(53,642)
- Impairment loss on goodwill		-	30,141
- Foreseeable loss on a development property		459	-
- Share of results of joint ventures		(4,120)	(24,157)
- Share of results of associated companies		(3,108)	(32,618)
		4,162	12,312
Change in working capital:			
- Trade and other receivables		(38,110)	(10,377)
- Inventories		49	13
- Development properties and properties held for sale		70,364	(1,504)
- Trade and other payables		148	9,678
- Provisions		(1,517)	-
- Deferred income		(5,971)	(2,357)
Cash generated from operations		29,125	7,765
Income tax paid - net		(2,384)	(4,894)
<b>Net cash provided by operating activities</b>		<b>26,741</b>	<b>2,871</b>
<b>Cash flows from investing activities</b>			
Payment for Asset Swap Transaction	39(b)(ii)	-	(58,653)
Acquisition of businesses, net of cash acquired	39(a)(ii)	(62,020)	-
Additions to property, plant and equipment		(15,136)	(11,684)
Additions to investment properties		-	(138)
Proceeds from grant of leasehold interest in freehold land		-	339,839
Disposal of property, plant and equipment		1	314,598
Disposal of investment properties		-	62,318
Investments in associated companies	17	-	(696)
Dividends received from an associated company	17	-	2,842
Investments in joint ventures		(146,992)	-
Dividends received from a joint venture		-	138,000
Advances to joint ventures		(39,581)	-
Advances from joint ventures		41,580	44,600
Interest received		2,297	588
<b>Net cash (used in)/provided by investing activities</b>		<b>(219,851)</b>	<b>831,614</b>
<b>Cash flows from financing activities</b>			
Proceeds from borrowings		12,340	243,856
Repayment of borrowings		(7,979)	(630,149)
Interest paid		(967)	(4,625)
Dividends paid to shareholders		(42,200)	(10,141)
Advances from non-controlling interest		46,128	-
<b>Net cash provided by/(used in) financing activities</b>		<b>7,322</b>	<b>(401,059)</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>		<b>(185,788)</b>	<b>433,426</b>
Cash and cash equivalents at beginning of financial year	12	450,820	17,394
Effects of currency translation on cash and cash equivalents		(57)	-
<b>Cash and cash equivalents at end of financial year</b>	12	<b>264,975</b>	<b>450,820</b>

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

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2013

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 Parade Hotel, Singapore 247905.

The principal activities of the Company are hospitality, investment holding, property development and property investment. The principal activities of its subsidiaries are included in Note 42.

## 2. SIGNIFICANT ACCOUNTING POLICIES

### 2.1 Basis of preparation

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

The preparation of financial statements in conformity with FRS 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 2013*

On 1 January 2013, the Group adopted the new or amended FRS and Interpretations of FRS ("INT FRS") 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 FRS and INT FRS.

The adoption of these new or amended FRS and INT FRS did not result in substantial changes to the accounting policies and disclosures in the financial statements of the Group and the Company, and had no material effect on the amounts reported for the current or prior financial years except for the following:

#### (a) Amendment to FRS 1 *Presentation of Items of Other Comprehensive Income*

The Group has adopted the amendment to FRS 1 *Presentation of Items of Other Comprehensive Income* on 1 January 2013. The amendment is applicable for annual periods beginning on or after 1 July 2012 (with early adoption permitted). It requires items presented in other comprehensive income to be separated into two groups, based on whether or not they may be recycled to profit or loss in the future.

This amendment does not have any impact on the accounting policies of the Group. The Group has incorporated the additional required disclosures into the financial statements.

#### (b) Amendment to FRS 1 *Presentation of Financial Statements* – Clarification of the requirements for comparative information

This amendment arose from Annual Improvements to FRSs issued by the Accounting Standards Council in August 2012. The amendment clarified that when an entity presents a balance sheet at the beginning of the preceding period, it need not present the related notes to that balance sheet if that balance sheet was required as a result of either:

- retrospective application of an accounting policy, or
- retrospective restatement or reclassification of items in the financial statements.



# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2013

## 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

### 2.1 Basis of preparation (continued)

- (b) Amendment to FRS 1 *Presentation of Financial Statements* – Clarification of the requirements for comparative information (continued)

However, when an entity chooses to present FRS-compliant comparative financial statements in addition to the minimum comparatives required, the entity shall present related note information for those additional statements.

This amendment does not have any impact on the accounting policies of the Group. The Group has incorporated the additional required disclosures into the financial statements.

- (c) Amendment to FRS 107 *Disclosure-Offsetting Financial Assets and Financial Liabilities*

This amendment includes new disclosures to enable users of financial statements to evaluate the effect or potential effect of netting arrangements, including rights of set-off associated with the entity's recognised financial assets and recognised financial liabilities, on the entity's financial position.

This amendment does not have any impact on the accounting policies of the Group. The Group has incorporated the additional required disclosures into the financial statements.

- (d) FRS 113 *Fair Value Measurement*

FRS 113 aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across FRSs. The requirements do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within FRSs.

The adoption of FRS 113 does not have any material impact on the accounting policies of the Group. The Group has incorporated the additional disclosures required by FRS 113 into the financial statements.

### **Early adoption of published standards not effective in 2013**

The Group has early adopted the following new and amended standards, together with the consequential amendments to other FRSs, for the financial year ended 31 December 2013.

- (e) FRS 110 *Consolidated Financial Statements*

FRS 110 was issued in September 2011 and replaces all the guidance on control and consolidation in FRS 27 *Consolidated and Separate Financial Statements* and INT FRS 12 *Consolidation – Special Purpose Entities*. Under FRS 110, subsidiaries are all entities (including structures entities) over which the Group has control. The Group controls an entity when the Group has power over an entity, is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect these 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.

The Group has applied FRS 110 retrospectively in accordance with the transitional provisions of FRS 110. The adoption of FRS 110 did not result in substantial changes to the Group's financial statements. There is no required disclosure under FRS 110. Required disclosures for subsidiaries are specified under FRS 112.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2013

## 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

### 2.1 Basis of preparation (continued)

#### (f) FRS 111 *Joint Arrangements*

FRS 111 was issued in September 2011 and supersedes FRS 31 *Interests in Joint Ventures* and INT FRS 13 *Jointly Controlled Entities - Non-Monetary Contributions by Venturers*. Under FRS 111, interests in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations each investor has rather than the legal structure of the joint arrangement. Interests in joint operations are accounted for by the Group recognising its own assets, liabilities, income and expenses relating to the joint operation. Interests in joint ventures are recognised as a single investment and accounted for using the equity method of accounting per FRS 28 (Amended), *Investments in Associates and Joint Ventures*.

The Group has applied FRS 111 retrospectively from 1 January 2012 in accordance with the transitional provisions of FRS 111. The adoption of FRS 111 resulted in the Group changing its accounting policy for its investment in joint ventures. There is no required disclosure under FRS 111. Required disclosures for joint ventures are specified under FRS 112.

In prior years, the Group's investments in joint ventures, Orwin Development Pte Ltd and Far East Opus Pte Ltd were accounted for by proportionate consolidation. The Group combined its share of the jointly controlled entity's individual income and expenses, assets and liabilities and cash flows on a line-by-line basis with similar items in the Group's financial statements.

On adoption of FRS 111, the Group recognised its investments in joint ventures at 1 January 2012 at the net carrying amounts of the assets and liabilities previously proportionately consolidated by the Group. The Group has applied equity accounting as described in its accounting policy Note 2.4(d)(ii) from 1 January 2012.

The effects of the change in accounting policies on the balance sheet, comprehensive income and the cash flows of the Group at 1 January 2012 and 31 December 2012 are summarised below. The change in accounting policy had no impact on earnings per share.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2013

## 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

### 2.1 Basis of preparation (continued)

#### (f) FRS 111 Joint Arrangements (continued)

*Impact of change in accounting policy on consolidated balance sheet*

	As at 31 December 2012 (previously stated) \$'000	Change in accounting policy \$'000	As at 31 December 2012 (restated) \$'000	As at 1 January 2012 (previously stated) \$'000	Change in accounting policy \$'000	As at 1 January 2012 (restated) \$'000
<b>ASSETS</b>						
<b>Current assets</b>	<b>893,591</b>	<b>(174,250)</b>	<b>719,341</b>	<b>435,138</b>	<b>(315,269)</b>	<b>119,869</b>
Includes:						
- Cash and cash equivalents	488,164	(37,344)	450,820	76,446	(59,052)	17,394
- Trade and other receivables	88,244	(71,225)	17,019	188,645	(182,512)	6,133
- Development properties	167,653	(65,681)	101,972	169,974	(73,705)	96,269
<b>Non-current assets</b>	<b>791,704</b>	<b>165,930</b>	<b>957,634</b>	<b>1,220,195</b>	<b>282,696</b>	<b>1,502,891</b>
Includes:						
- Investments in joint ventures	-	132,559	132,559	-	246,005	246,005
- Other receivables	111	33,371	33,482	111	36,691	36,802
<b>Total assets</b>	<b>1,685,295</b>	<b>(8,320)</b>	<b>1,676,975</b>	<b>1,655,333</b>	<b>(32,573)</b>	<b>1,622,760</b>
<b>LIABILITIES</b>						
<b>Current liabilities</b>	<b>152,758</b>	<b>(40,158)</b>	<b>112,600</b>	<b>254,433</b>	<b>(7,928)</b>	<b>246,505</b>
Includes:						
- Trade and other payables	121,957	(19,342)	102,615	50,720	(7,928)	42,792
- Current income tax liabilities	24,004	(20,816)	3,188	7,655	-	7,655
<b>Non-current liabilities</b>	<b>432,487</b>	<b>31,838</b>	<b>464,325</b>	<b>315,761</b>	<b>(24,645)</b>	<b>291,116</b>
Includes:						
- Deferred income tax liabilities	27,833	(11,622)	16,211	51,793	(26,845)	24,948
- Other payables	3,884	75,382	79,266	4,366	34,102	38,468
- Borrowings	70,085	(31,922)	38,163	259,602	(31,902)	227,700
<b>Total liabilities</b>	<b>585,245</b>	<b>(8,320)</b>	<b>576,925</b>	<b>570,194</b>	<b>(32,573)</b>	<b>537,621</b>
<b>NET ASSETS</b>	<b>1,100,050</b>	<b>-</b>	<b>1,100,050</b>	<b>1,085,139</b>	<b>-</b>	<b>1,085,139</b>
<b>EQUITY</b>						
<b>Capital and reserves attributable to equity holders of the Company</b>	<b>1,100,050</b>	<b>-</b>	<b>1,100,050</b>	<b>1,085,139</b>	<b>-</b>	<b>1,085,139</b>
<b>Total equity</b>	<b>1,100,050</b>	<b>-</b>	<b>1,100,050</b>	<b>1,085,139</b>	<b>-</b>	<b>1,085,139</b>

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2013

## 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

### 2.1 Basis of preparation (continued)

#### (f) FRS 111 Joint Arrangements (continued)

*Impact of change in accounting policy on the consolidated statement of comprehensive income*

	For year ended 31 December 2012 \$'000	Change in accounting policy \$'000	For year ended 31 December 2012 (restated) \$'000
Sales	145,885	(70,709)	75,176
Cost of sales	(73,117)	35,396	(37,721)
Gross profit	72,768	(35,313)	37,455
Other income	1,961	(420)	1,541
Other gains - net	121,539	-	121,539
Expenses			
- Distribution and marketing	(12,187)	5,528	(6,659)
- Administrative	(13,261)	27	(13,234)
- Finance	(3,659)	-	(3,659)
- Other	(4,835)	429	(4,406)
Share of result of			
- joint ventures accounted for using equity method	-	24,157	24,157
- associated companies	32,618	-	32,618
<b>Profit before income tax</b>	194,944	(5,592)	189,352
Income tax (expense)/credit	(4,189)	5,592	1,403
<b>Net profit</b>	<b>190,755</b>	<b>-</b>	<b>190,755</b>
Other comprehensive loss, net of tax	(396)	-	(396)
<b>Total comprehensive income</b>	<b>190,359</b>	<b>-</b>	<b>190,359</b>

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2013

## 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

### 2.1 Basis of preparation (continued)

#### (f) FRS 111 *Joint Arrangements* (continued)

*Impact of change in accounting policy on the consolidated statement of cash flows*

	For year ended 31 December 2012 \$'000	Change in accounting policy \$'000	For year ended 31 December 2012 (restated) \$'000
<b>Cash flows from operating activities</b>	<b>164,194</b>	<b>(161,323)</b>	<b>2,871</b>
Includes:			
- Cash generated from operations	169,088	(161,323)	7,765
<b>Cash flows from investing activities</b>	<b>649,037</b>	<b>182,577</b>	<b>831,614</b>
Includes:			
- Dividends received from a joint venture	-	138,000	138,000
- Advances from a joint venture	-	44,600	44,600
- Interest received	611	(23)	588
<b>Cash flows from financing activities</b>	<b>(401,513)</b>	<b>454</b>	<b>(401,059)</b>
Includes:			
- Interest paid	(5,079)	454	(4,625)
<b>Net increase in cash and cash equivalents</b>	<b>411,718</b>	<b>21,708</b>	<b>433,426</b>

#### (g) FRS 112 *Disclosure of Interests in Other Entities*

FRS 112 was issued in September 2011 when FRS 110 was published and sets out the disclosure requirements on interests in associated companies, joint ventures, subsidiaries and unconsolidated structured entities. Certain new disclosures with respect to these entities are introduced under FRS 112 (Notes 17, 18 and 19). The adoption of FRS 112 does not have any impact on the accounting policies of the Group.

#### (h) FRS 27 *Separate Financial Statements*

FRS 27 was amended in May 2011 when FRS 110 was published. The adoption of FRS 27 (revised) did not result in substantial changes to accounting policies of the Group and disclosures in the financial statements.

#### (i) FRS 28 *Investments in Associates and Joint Ventures*

FRS 28 was amended in May 2011 when FRS 111 was published. The adoption of FRS 28 (amended) did not result in substantial changes to accounting policies of the Group and disclosures in the financial statements.

### **Reclassification of comparative figures**

Certain comparative figures in the statement of comprehensive income have been reclassified to conform to current year presentation. Service fees and other income from hospitality operations amounting to \$5,576,000 has been reclassified from "Other income" to "Sales" for the financial year ended 31 December 2012.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2013

## 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

### 2.2 Revenue recognition

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

The Group 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 at the point at which the accommodation and related services are provided.

(b) *Hospitality and other management services*

Revenue from hospitality and other management services includes hospitality management fees, property management fees and other related fees.

(i) *Hospitality management fees*

Management fees earned from hospitality properties managed by the Group are recognised 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.

(ii) *Property management fees*

Property and project management fees are recognised when services are rendered under the terms of the contract.

(iii) *Other related fees*

Other related fees earned from hospitality properties managed by the Group are recognised when services are rendered under the terms of the contract.

(c) *Sale of development properties*

Revenue from sale of development properties under construction is recognised when the properties are delivered to the buyers, except for cases where the control and risk and rewards of the property are transferred to the buyers as construction progresses, in which case sales are recognised by reference to the stage of completion of the properties. This is described in greater detail in Note 2.6.

(d) *Sale of properties held for sale*

Revenue from sale of properties held for sale is recognised when the properties are delivered to the buyers.

(e) *Rental income*

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



# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2013

## 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

### 2.3 Other income

#### (a) *Interest income*

Interest income is recognised using the effective interest method.

#### (b) *Dividend income*

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

### 2.4 Group accounting

#### (a) *Subsidiaries*

##### (i) *Consolidation*

Subsidiaries are 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 de-consolidated from the date on which control ceases.

Inter-company transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests are that part of the net results of operations and of net assets of a subsidiary attributable to the interests which 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 interests based on their respective interests in a subsidiary, even if this results in the non-controlling interests having a deficit balance.

##### (ii) *Acquisitions*

The acquisition method of accounting is used to account for business combinations 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 the fair value of any contingent consideration arrangement.

Acquisition-related costs are expensed as incurred.

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

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

The excess of (a) the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previously-held equity interest in the acquiree over the (b) fair values of the identifiable assets acquired net of the fair values of the liabilities and any contingent liabilities assumed, is recorded as goodwill. Please refer to the paragraph "Intangible assets – Goodwill on Acquisitions" for the accounting policy on goodwill subsequent to initial recognition.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2013

## 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

### 2.4 Group accounting (continued)

#### (a) *Subsidiaries (continued)*

##### (iii) *Disposals*

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

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

Please refer to the paragraph "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 interests*

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*

Joint operations are contractual arrangements whereby the Group jointly share the rights to the assets, and obligations for the liabilities, relating to the arrangements with one or more parties. The financial statements of the Group include its share of the assets in such arrangements, together with the liabilities, revenues and expenses arising jointly or otherwise from these arrangements.

#### (d) *Associated companies and joint ventures*

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

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

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

##### (i) *Acquisitions*

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

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2013

## 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

### 2.4 Group accounting (continued)

#### (d) *Associated companies and joint ventures (continued)*

##### (ii) *Equity method of accounting*

In applying the equity method of accounting, the Group's share of its associated companies and joint ventures' post-acquisition profits or losses are recognised in profit or loss and its share of post-acquisition other comprehensive income is recognised in other comprehensive income. These post-acquisition movements and distributions received from the associated companies and joint ventures are adjusted against 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, including any other unsecured non-current receivables, the Group does not recognise further losses, unless it has obligations to make or has made payments on behalf of the associated company or joint venture.

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

##### (iii) *Disposals*

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

Gains and losses arising from partial disposals or dilutions in investments in associated companies and joint ventures in which significant influence or joint control is retained are recognised in profit or loss.

Please refer to the paragraph "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. Leasehold land and buildings on freehold and leasehold land are subsequently carried at the revalued amounts less accumulated depreciation and accumulated impairment losses. Upon each revaluation, leasehold land and buildings on freehold and leasehold land are carried at revalued amounts less accumulated impairment losses.

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

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2013

## 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

### 2.5 Property, plant and equipment (continued)

#### (a) *Measurement (continued)*

##### (i) *Land and buildings (continued)*

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

##### (ii) *Other property, plant and equipment*

Furniture and fittings, plant and equipment, motor vehicles and other assets are initially recognised at cost and subsequently carried at cost less accumulated depreciation and accumulated impairment losses.

##### (iii) *Components of costs*

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

#### (b) *Depreciation*

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

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

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

#### (c) *Subsequent expenditure*

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

#### (d) *Disposal*

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

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2013

## 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

### 2.6 Development properties

Development properties refer to properties developed for sale.

Development properties that are unsold are carried at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business less cost to complete the development and selling expenses.

Sales of development properties under construction in respect of which sale and purchase agreements are entered into prior to completion of construction are recognised when the properties are delivered to the buyers, except in cases where the control and risk and rewards of the property are transferred to the buyers as construction progresses.

For sales of development properties of the Group that are within the scope as described in paragraph 2 of the Accompanying Note to INT FRS 115 - *Agreements for the Construction of Real Estate*, the Group recognises revenue for sales of such development properties by reference to the stage of completion of the properties.

The stage of completion is determined by the proportion of construction costs incurred to date, as certified by the architects or quantity surveyors, to the estimated total construction costs for the project. When it is probable that the total development costs will exceed the total revenue, the expected loss is recognised as expense immediately.

The aggregated costs incurred and the profit/loss recognised in each development property that has been sold are compared against progress billings up to the financial year-end. Where the costs incurred and recognised profits (less recognised losses) exceed progress billings, the balance is shown as due from customers under "Trade and other receivables". Where progress billings exceed costs incurred plus recognised profits (less recognised losses), the balance is shown as due to customers on development projects, under "Trade and other payables".

### 2.7 Properties held for sale

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

### 2.8 Intangible assets

#### (a) *Goodwill on acquisitions*

Goodwill on acquisitions of subsidiaries and businesses represents the excess of (a) the aggregate of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previously-held equity interest in the acquiree over (b) the fair value of the identifiable assets acquired net of the fair values of the liabilities and any contingent liabilities assumed.

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

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.

#### (b) *Acquired hospitality lease and management agreements*

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

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2013

## 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

### 2.9 Borrowing costs

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

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

### 2.10 Investment properties

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

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

The cost of major renovations and 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.

### 2.11 Investments in subsidiaries, joint ventures and associated companies

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

### 2.12 Impairment of non-financial assets

#### (a) *Goodwill*

Goodwill recognised separately as an intangible asset is 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") that are expected to benefit from synergies arising from the business combination.

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



# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2013

## 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

### 2.12 Impairment of non-financial assets (continued)

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

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

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

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

The difference between the carrying amount and recoverable amount is recognised as an impairment loss in profit or loss, unless the asset is carried at revalued amount, in which case, such impairment loss is treated as a revaluation decrease. Please refer to the paragraph "Property, plant and equipment" for the treatment of a revaluation decrease.

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

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

### 2.13 Financial assets

- (a) *Loans and receivables*

Cash and cash equivalents and trade and other receivables are initially recognised at fair value plus transaction costs and subsequently carried at amortised cost using the effective interest method, less accumulated impairment losses.

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired and recognises an allowance for impairment when such evidence exists. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy and default or significant delay in payments are objective evidence that these financial assets are impaired.

The carrying amount of these assets is reduced through the use of an impairment allowance account which is calculated as the difference between the carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. When the asset becomes uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are recognised against the same line item in profit or loss.

These assets are presented as current assets, except for those expected to be realised later than 12 months after the balance sheet date which are presented as non-current assets.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2013

## 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

### 2.13 Financial assets (continued)

#### (b) *Available-for-sale financial assets*

Available-for-sale financial assets are initially recognised at fair value plus transaction costs and subsequently carried at fair value. Changes in fair values are recognised in other comprehensive income and accumulated in the fair value reserve.

These financial assets are recognised on the date which the Group commits to purchase the asset. They are presented as non-current assets unless the investment matures or management intends to dispose the assets within 12 months after the balance sheet date.

The Group assesses at each balance sheet date whether there is objective evidence that these financial assets are impaired. A significant or prolonged decline in the fair value of an equity security below its cost is considered as an indicator that the available-for-sale financial asset is impaired.

If any evidence of impairment exists, the cumulative loss that was previously recognised in other comprehensive income is reclassified to profit or loss. Impairment losses recognised as an expense on equity securities are not reversed through the profit or loss.

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

### 2.14 Financial guarantees

The Company has issued corporate guarantees to banks for borrowings of its subsidiaries and joint ventures. These guarantees are financial guarantees as they require the Company to reimburse the banks if the subsidiaries or joint ventures fail to make principal or interest payments when due in accordance with the terms of their borrowings.

Financial guarantees are initially recognised at their fair values, if material, plus transaction costs in the Company's balance sheet.

Financial guarantees are subsequently amortised to profit or loss over the period of the subsidiaries' and joint ventures' borrowings, unless it is probable that the Company will reimburse the banks for an amount higher than the unamortised amount. In this case, the financial guarantees shall be carried at the expected amount payable to the banks in the Company's balance sheet.

Intra-group transactions are eliminated on consolidation.

### 2.15 Borrowings

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

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

### 2.16 Trade and other payables

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

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

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2013

## 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

### 2.17 Derivative financial instruments and hedging activities

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

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

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

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

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

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

### 2.18 Fair value estimation of financial assets and liabilities

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

### 2.19 Operating leases

#### (a) *When the Group is the lessee*

The Group leases hotels, serviced residences and offices under operating leases from non-related and related parties [Note 37(a)].

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

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

#### (b) *When the Group is the lessor*

The Group leases investment properties under operating leases to non-related parties and related parties [Note 37(a)].

Leases of investment properties 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.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2013

## 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

### 2.19 Operating leases (continued)

#### (b) *When the Group is the lessor (continued)*

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

### 2.20 Inventories

Inventories are carried at the lower of cost and net realisable value. Cost is determined using the first-in, first-out method. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

### 2.21 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.

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.

### 2.22 Provisions

Provisions for other liabilities or charges 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.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2013

## 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

### 2.23 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.

### 2.24 Currency translation

#### (a) *Functional and presentation currency*

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

#### (b) *Transactions and balances*

Transactions in a currency other than the functional currency ("foreign currency") are translated into the functional currency using the exchange rates at the dates of the transactions. Currency translation differences resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at the closing rates at the balance sheet date are recognised in profit or loss.

Foreign exchange gains and losses that relate to borrowings are presented in the statement of comprehensive income within "finance expense". All other foreign exchange gains and losses impacting profit or loss are presented in the statement of comprehensive income within "other 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 of the entity giving rise to such reserve.

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

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2013

## 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

### 2.25 Segment reporting

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

### 2.26 Cash and cash equivalents

For the purpose of presentation in the consolidated statement of cash flows, cash and cash equivalents include cash on hand, deposits with financial institutions which are subject to an insignificant risk of change in value, net of bank overdrafts. Bank overdrafts are presented as current borrowings on the balance sheet.

### 2.27 Share capital

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

### 2.28 Dividends to Company's shareholders

Dividends to Company's shareholders are recognised when the dividends are approved for payment.

## 3. CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS

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

### (a) Valuation of investment properties and land and buildings under property, plant and equipment

The Group's investment properties and land and buildings, classified under property, plant and equipment, with a carrying amount of \$304,475,000 (Note 21) and \$542,158,000 (Note 22) respectively as at 31 December 2013, are stated at their estimated fair values which are determined by independent professional valuers. These estimated fair values may differ from the prices at which the Group's properties could be sold at a particular time, since actual selling prices are negotiated between willing buyers and sellers. Also, certain estimates require an assessment of uncontrollable factors, such as overall market conditions. Consequently, actual results of operations and realisation of these land and buildings could differ from the estimates set forth in these financial statements, and the difference could be significant.

If the actual fair values of investment properties differ by 1% from the estimates used for these financial statements, the investment properties as at 31 December 2013 would be increased or reduced by \$3,045,000 and the profit before income tax for the year then ended would be increased or reduced by the same amount.

If the actual fair values of the land and buildings differ by 1% from the estimates used for these financial statements, the property, plant and equipment as at 31 December 2013 would be increased or reduced by \$4,908,000, net of deferred tax, and the other comprehensive loss for the year then ended would be reduced or increased by the same amount.



# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2013

## 3. CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS (continued)

### (b) Sales of properties under development

The Group uses the stage of completion method to recognise revenue on sales of certain properties under development as stated under Note 2.6. The stage of completion is determined by the proportion of construction costs incurred to date, as certified by the architects or quantity surveyors, to the estimated total construction costs for the project.

Significant assumptions are required to estimate the total construction costs that will affect the stage of completion and the revenue and profits recognised. In making these estimates, management has relied on past experience and the work of specialist.

If the total construction costs to be incurred increased/decreased by 2% from management's estimates, the Group's gross profit and net profit before tax will decrease/increase by \$866,000/\$902,000.

### (c) Impairment testing of goodwill

Goodwill is tested for impairment annually and whenever there is an indication that the goodwill may be impaired. No impairment of goodwill has been identified for the current financial year based on the recoverable amounts of the underlying cash-generating units ("CGU").

For the goodwill of \$41,301,000 allocated to the hospitality management services – Singapore CGU, the recoverable amount has been determined based on fair value less costs to sell. A reasonable change in the fair value less costs to sell adopted is not expected to result in a reduction in the carrying value of goodwill.

For the goodwill of \$17,590,000 allocated to the hospitality property ownership CGU, the recoverable amount has been determined based on value-in-use calculations. These calculations require the use of estimates [Note 23(a)]. The effects of a reasonable change in these estimates on the carrying value of goodwill as at 31 December 2013 are as follows:

	(Decrease)/ Increase	Reduction of carrying value of goodwill \$'000
Budgeted net profit margin	(1%)	4,586,000
Discount rate	1%	4,641,000
Terminal yield	0.5%	5,072,000

### (d) Provisions for onerous contracts

The carrying amounts of the provisions for onerous contracts (Note 27) depend on a number of factors that are determined based on a number of assumptions which included the budgeted net profit margin. The Group determines the appropriate budgeted net profit margin at the end of each financial year. If the budgeted net profit margin used increase/decrease by 1% from management's estimates, the carrying amount of provisions for onerous contracts will be \$1,567,000 lower/\$2,146,000 higher.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2013

## 4. SALES

	Group	
	2013	2012 (restated)
	\$'000	\$'000
Hospitality operations	80,349	55,273
Hospitality and other management fees	15,723	5,347
Sale of development properties	43,978	-
Sale of properties held for sale	9,909	3,394
Rental income	8,351	10,399
Management fees charged to a joint venture	259	763
	<b>158,569</b>	<b>75,176</b>

## 5. EXPENSES BY NATURE

	Group	
	2013	2012 (restated)
	\$'000	\$'000
Advertising, promotion and marketing	5,065	3,724
Cost of development properties and properties held for sale	40,144	3,438
Foreseeable loss on a development property [Note 15(a)]	459	-
Depreciation of property, plant and equipment (Note 22)	3,499	5,854
Directors' fees [Note 37(b)]	469	468
Employee compensation (Note 6)	27,463	12,168
Hospitality supplies and services	14,378	10,165
Hospitality and other management fees – joint ventures [Note 37(a)]	1,769	-
Hospitality services and other support services – other related parties [Note 37(a)]	4,369	5,805
Fees on audit services paid/payable to:		
- Auditor of the Company	389	328
- Other auditors	49	3
Fees on non-audit services paid/payable to:		
- Auditor of the Company [Note 39(a)]	1,437	508
Acquisition-related costs [Note 39(a)]	15,478	-
Property tax and upkeep of properties	3,950	3,440
Amortisation of intangible assets [Note 23(b)]	2,243	976
Rental expense on operating leases	29,833	8,983
Other expenses	7,045	6,160
Total cost of sales, distribution and marketing, administrative and other expenses	<b>158,039</b>	<b>62,020</b>

Included in the rental expense on operating leases is contingent rent amounting to \$14,146,000 (2012: \$4,656,000) relating to the lease arrangements with Far East Hospitality Trust on hotels and serviced residences [Note 37(c)]. The rental expense on operating leases presented in "cost of sales" includes the amortisation of deferred income amounting to \$5,301,000 (2012: \$1,862,000) (Note 25).

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2013

## 6. EMPLOYEE COMPENSATION

	Group	
	2013	2012
	\$'000	\$'000
Wages and salaries	<b>23,693</b>	10,726
Employer's contribution to defined contribution plans including Central Provident Fund	<b>2,321</b>	930
Other benefits	<b>1,449</b>	512
	<b>27,463</b>	12,168

## 7. OTHER INCOME

	Group	
	2013	2012
	\$'000	(restated) \$'000
Interest income		
- Bank deposits	<b>1,971</b>	1,097
- Advances to joint ventures	<b>669</b>	-
Other miscellaneous income	<b>459</b>	444
	<b>3,099</b>	1,541

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2013

## 8. OTHER GAINS - NET

	Group	
	2013	2012
	\$'000	\$'000
Fair value gains on investment properties [Note 21(a)]	14,700	5,541
Currency translation loss - net	(2,238)	-
Gain/(loss) on disposal of property, plant and equipment	1	(357)
Gain arising on dilution of interest in an associated company and commencement of liquidation of a subsidiary	-	1,002
REIT Transaction [Note 37(c)]		
- Gain on disposal of property, plant and equipment	-	1,289
- Gain on disposal of investment properties	-	1,683
- Committed capital expenditure on disposed assets	-	(4,210)
	-	(1,238)
Asset Swap Transaction [Note 37(c)]		
- Gain on partial disposal of an associated company	-	102,240
- Reclassification from other comprehensive income on partial disposal of an associated company	-	53,642
- Impairment loss of goodwill [Note 23(a)]	-	(30,141)
- Acquisition-related costs [Note 39(b)(iv)]	-	(9,150)
	-	116,591
	12,463	121,539

## 9. FINANCE EXPENSES

	Group	
	2013	2012
	\$'000	(restated) \$'000
Interest expense		
- Bank borrowings	1,289	5,100
- Advances from a non-controlling interest	204	-
Currency translation losses/(gains) - net	1,459	(32)
	2,952	5,068
Less: Borrowing costs capitalised in development properties and property, plant and equipment	(681)	(1,409)
Finance expenses recognised in profit or loss	2,271	3,659

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2013

## 10. INCOME TAXES

### (a) Income tax credit

	<b>Group</b>	
	<b>2013</b>	2012
		(restated)
	<b>\$'000</b>	<b>\$'000</b>
Tax (credit)/expense attributable to profit is made up of:		
- Profit for the financial year:		
Current income tax		
- Singapore	<b>3,105</b>	2,880
- Foreign	<b>712</b>	-
	<b>3,817</b>	2,880
Deferred income tax	<b>(4,549)</b>	(480)
	<b>(732)</b>	2,400
- Under/(Over) provision in prior financial years:		
Current income tax - Singapore	<b>244</b>	(2,453)
Deferred income tax (Note 29)	<b>25</b>	(1,350)
	<b>269</b>	(3,803)
	<b>(463)</b>	(1,403)

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

	<b>Group</b>	
	<b>2013</b>	2012
		(restated)
	<b>\$'000</b>	<b>\$'000</b>
Profit before tax	<b>21,049</b>	189,352
Share of results of		
- joint ventures accounted for using equity method, net of tax	<b>(4,120)</b>	(24,157)
- associated companies, net of tax	<b>(3,108)</b>	(32,618)
Profit before tax and share of results of joint ventures accounted for using equity method and associated companies	<b>13,821</b>	132,577
Tax calculated at tax rate of 17% (2012: 17%)	<b>2,349</b>	22,538
Effects of:		
- Different tax rates in other countries	<b>(4,070)</b>	(44)
- Expenses not deductible for tax purposes	<b>11,715</b>	8,343
- Income not subject to tax	<b>(4,368)</b>	(28,538)
- Statutory stepped income exemption	<b>(77)</b>	(119)
- Deferred tax asset not recognised	<b>246</b>	304
- Recognition of previously unrecognised tax losses and capital allowances	<b>(6,930)</b>	-
- Unremitted profit of a joint venture	<b>478</b>	-
- Tax incentives	<b>(75)</b>	(84)
Tax (credit)/charge	<b>(732)</b>	2,400

The effect of different tax rates in other countries relates to the adjustments to expenses not deductible for tax purposes incurred by the Group's foreign subsidiaries in countries with higher tax rates.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2013

## 10. INCOME TAXES (continued)

### (b) Movement in current income tax liabilities

	Group		Company	
	2013	2012 (restated)	2013	2012
	\$'000	\$'000	\$'000	\$'000
Beginning of financial year	<b>3,188</b>	7,655	<b>1,553</b>	5,081
Currency translation differences	<b>(23)</b>	-	-	-
Acquisition of businesses [Note 39(a)(iii)]	<b>(81)</b>	-	-	-
Income tax paid - net	<b>(2,384)</b>	(4,894)	<b>(1,139)</b>	(2,513)
Tax expense	<b>3,817</b>	2,880	<b>1,900</b>	1,374
Under/(Over) provision in prior financial years	<b>244</b>	(2,453)	<b>303</b>	(2,389)
End of financial year	<b>4,761</b>	3,188	<b>2,617</b>	1,553

- (c) The tax charge/(credit) relating to each component of other comprehensive income, where applicable, is presented in the other comprehensive income.

## 11. EARNINGS PER SHARE

### (a) Basic earnings per share

Basic earnings per share 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	
	2013	2012
Net profit attributable to equity holders of the Company (\$'000)	<b>29,385</b>	190,755
Weighted average number of ordinary shares outstanding for basic earnings per share ('000)	<b>386,183</b>	370,604
Basic earnings per share (cents per share)	<b>7.61</b>	51.47

### (b) Diluted earnings per share

The basic earnings per share are the same as the diluted earnings per share as there are no dilutive potential ordinary shares.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2013

## 12. CASH AND CASH EQUIVALENTS

	Group		Company	
	2013	2012 (restated)	2013	2012
	\$'000	\$'000	\$'000	\$'000
Cash at bank and on hand	<b>38,699</b>	14,899	<b>5,473</b>	7,012
Short-term bank deposits	<b>226,276</b>	435,921	<b>194,075</b>	428,200
	<b>264,975</b>	450,820	<b>199,548</b>	435,212

Included in cash and cash equivalents of the Group is the Group's share of its joint operation's bank balances and deposits amounting to \$8,848,000 (2012: \$7,824,000) held under the development project rules in Singapore, and the use of which is also governed by these rules.

Please refer to Note 39(a)(ii) for the effects of acquisition of businesses on the cash flows of the Group.

## 13. TRADE AND OTHER RECEIVABLES - CURRENT

	Group		Company	
	2013	2012 (restated)	2013	2012
	\$'000	\$'000	\$'000	\$'000
Trade receivables:				
- related parties [Note 37(a)]	<b>4,699</b>	4,609	<b>450</b>	544
- non-related parties	<b>15,803</b>	5,692	<b>2,312</b>	2,854
Due from customers [Note 15(b)]	<b>35,653</b>	-	-	-
	<b>56,155</b>	10,301	<b>2,762</b>	3,398
Less: Allowance for impairment of receivables - related parties	<b>(92)</b>	-	-	-
	<b>56,063</b>	10,301	<b>2,762</b>	3,398
Advances to a subsidiary	-	-	<b>160,029</b>	-
Deposits:				
- related parties [Note 37(a)]	<b>5,255</b>	5,000	<b>5,140</b>	5,000
- non-related parties	<b>37</b>	241	<b>9</b>	107
Prepayments	<b>2,333</b>	328	<b>90</b>	90
Other receivables:				
- a non-controlling interest	<b>1,145</b>	-	-	-
- related parties [Note 37(a)]	<b>1,428</b>	533	<b>835</b>	192
- non-related parties	<b>1,017</b>	616	<b>296</b>	557
	<b>11,215</b>	6,718	<b>166,399</b>	5,946
	<b>67,278</b>	17,019	<b>169,161</b>	9,344

The advances to a subsidiary and the other receivables from a non-controlling interest and related parties are unsecured, repayable on demand and interest-free, except for the advances to a subsidiary amounting to \$154,812,000 (2012: Nil) of which interest is charged at a weighted average effective interest rate of 2.4% (2012: Nil) per annum.



# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2013

## 14. INVENTORIES

	Group		Company	
	2013 \$'000	2012 \$'000	2013 \$'000	2012 \$'000
Food and beverage	755	37	27	31
Sundry supplies	102	23	12	9
	<b>857</b>	60	<b>39</b>	40

## 15. DEVELOPMENT PROPERTIES

- (a) The unsold properties under development of the Group representing the Group's share in its joint operations' properties under development is as follows:

	Group	
	2013 \$'000	2012 (restated) \$'000
Freehold and leasehold land	38,118	90,294
Development costs	2,706	11,678
	<b>40,824</b>	101,972
Less: Provision for foreseeable loss on a development property (Note 5)	(459)	-
	<b>40,365</b>	101,972

- (b) The sold properties under development of the Group representing the Group's share in its joint operation's properties under development where revenue is recognised as construction progresses is as follows:

	Group	
	2013 \$'000	2012 \$'000
Aggregate costs incurred and profits recognised:		
- Leasehold land	52,176	-
- Development costs and attributable profits	31,271	-
	<b>83,447</b>	-
Less: Progress billings	(47,794)	-
	<b>35,653</b>	-
Presented as:		
Due from customers (Note 13)	<b>35,653</b>	-

As at 31 December 2012, deposits and progress billings amounting to \$30,370,000 for sold properties under development, whose revenue had not been recognised, were presented with "trade and other payables" (Note 24).

- (c) As at 31 December 2013, properties under development with carrying amounts of \$108,857,000 (2012: \$101,972,000) are provided as security for bank borrowings (Note 26).

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2013

## 15. DEVELOPMENT PROPERTIES (continued)

(d) At balance sheet date, the details of development properties of the Group are as follows:

Description and location	Existing use	Stage of completion	Expected completion date	Site area (sqm)	Gross floor area (sqm)	Group's effective interest in the property
<b>Joint operations between wholly owned subsidiary, OPH Marymount Limited and a related party</b>						
euHabitat: Land Parcel 780 at Jalan Eunus, Singapore	Condominium housing development	31%	December 2016	41,261	57,766	20%
7 and 11 Bassein Road, Singapore	Condominium housing development	Acquisition of land completed	Construction work has not yet commenced	4,775	*	30%

\* Not shown as construction work has yet to commence.

## 16. PROPERTIES HELD FOR SALE

	Group	
	2013 \$'000	2012 \$'000
Medical suites at cost [Note 39(b)]	<b>140,417</b>	149,470

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

Description and location	Existing use	Site area (sqm)	Gross floor area (sqm)
<b>Held by wholly owned subsidiary, Jelco Properties Pte Ltd</b>			
7 medical suites at Novena Medical Center, 10 Sinaran Drive, Singapore	Medical suites	Not applicable	515
35 medical suites at Novena Specialist Center, 8 Sinaran Drive, Singapore	Medical suites	Not applicable	2,615

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2013

## 17. INVESTMENTS IN ASSOCIATED COMPANIES

	Group		Company	
	2013 \$'000	2012 \$'000	2013 \$'000	2012 \$'000
Equity investment at cost			<b>696</b>	696
Beginning of financial year	<b>5,268</b>	356,225		
Additions	-	696		
Share of profits	<b>3,108</b>	32,618		
Share of movements in:				
- Currency translation reserve [Note 31(b)(ii)]	-	(1,871)		
- Fair value reserve [Note 31(b)(iii)]	<b>(564)</b>	30,148		
- Share-based payment reserve [Note 31(b)(iv)]	-	(59)		
Dividends received	-	(2,842)		
Dividend in specie (Note 33)	-	(120,050)		
Disposals	-	(289,597)		
End of financial year	<b>7,812</b>	5,268		

Details of associated companies are provided in Note 42.

The following amounts represent the summarised financial information of Group's material associated company - FEO Hospitality Asset Management Pte Ltd:

	2013 \$'000	2012 \$'000
<b>ASSETS</b>		
<b>Current assets</b>	<b>4,958</b>	4,626
Includes:		
- Cash and cash equivalents	<b>1,500</b>	109
<b>Non-current assets</b>	<b>9,924</b>	438
<b>LIABILITIES</b>		
<b>Current liabilities</b>	<b>(3,833)</b>	(1,602)
<b>NET ASSETS</b>	<b>11,049</b>	3,462

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2013

## 17. INVESTMENTS IN ASSOCIATED COMPANIES (continued)

	2013 \$'000	2012 \$'000
<b>Sales</b>	<b>14,451</b>	3,831
Expenses includes:		
- Depreciation and amortisation	(99)	(41)
- Interest expense	(2)	(1)
<b>Profit before tax</b>	<b>11,116</b>	2,389
Income tax expense	(1,819)	-
<b>Net profit</b>	<b>9,297</b>	2,389
<b>Other comprehensive loss, net of tax</b>		
Available-for-sale financial assets – fair value losses	(1,710)	-
<b>Total comprehensive income</b>	<b>7,587</b>	2,389

The information above reflects the amounts included in the financial statements of the associated company (and not the Group's share of those amounts), where necessary, adjusted to reflect adjustments made by the Group when applying the equity method of accounting.

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

Reconciliation of the summarised financial information above presented to the carrying amount of the Group's interest in the associated company:

	2013 \$'000	2012 \$'000
<b>Net assets as at 1 January</b>	<b>3,462</b>	-
Net assets acquired during the year	-	1,073
Net profit for the year	9,297	2,389
Other comprehensive loss	(1,710)	-
<b>Net assets as at 31 December</b>	<b>11,049</b>	3,462
Interest in the associated company	3,646	1,142
Goodwill	343	343
<b>Carrying value</b>	<b>3,989</b>	1,485

The following amount represents the aggregate amount of the Group's share in the net profit/(loss) and total comprehensive income/(loss) of other immaterial associated companies and their carrying amount:

	2013 \$'000	2012 \$'000
Net profit/(loss) and total comprehensive income/(loss)	40	(18)
<b>Carrying value</b>	<b>3,823</b>	3,783

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2013

## 18. INVESTMENTS IN JOINT VENTURES

	Group		Company	
	2013	2012 (restated)	2013	2012
	\$'000	\$'000	\$'000	\$'000
Equity investment at cost			<b>300</b>	-
Beginning of financial year	<b>132,559</b>	246,005		
Additions	<b>146,992</b>	-		
Share of profits	<b>4,120</b>	24,157		
Share of movements in:				
- Currency translation reserve [Note 31(b)(ii)]	<b>(201)</b>	-		
- Hedging reserve [Note 31(b)(v)]	<b>(225)</b>	-		
Borrowing costs on general borrowings	-	397		
Currency translation differences	<b>(1,078)</b>	-		
Dividend received	-	(138,000)		
End of financial year	<b>282,167</b>	132,559		

Details of joint ventures are provided in Note 42.

During the financial year, the Company acquired a 30% equity interest in WaterVine Homes Pte Ltd for a cash consideration of \$300,000. The Group also acquired a 37% equity interest in Toga Hotel Holdings Unit Trust as described in Note 39(a).

Included in the additions is also an amount of \$5,814,000 (2012: Nil), being the fair value losses related to the currency forwards entered into during the financial year to hedge the foreign currency cash flow risk of the Group's investment in Toga Hotel Holdings Unit Trust, that were reclassified from the Group's hedging reserve [Note 31(b)(v)]. The currency forwards have been designated as a hedging instrument at inception and the effective portion of the currency forwards has been capitalised as part of the Group's cost of investment in Toga Hotel Holdings Unit Trust.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2013

## 18. INVESTMENTS IN JOINT VENTURES (continued)

The following amounts represent summarised financial information of the Group's material joint ventures – Toga Hotel Holdings Unit Trust and Orwin Development Limited.

	<b>Toga Hotel Holdings Unit Trust</b>	<b>Orwin Development Limited</b>	
	<b>2013 \$'000</b>	<b>2013 \$'000</b>	2012 \$'000
<b>ASSETS</b>			
<b>Current assets</b>	<b>69,823</b>	<b>71,861</b>	181,374
Includes:			
- Cash and cash equivalents	<b>37,716</b>	<b>55,867</b>	62,180
<b>Non-current assets</b>	<b>524,475</b>	<b>194,937</b>	125,637
<b>LIABILITIES</b>			
<b>Current liabilities</b>	<b>(171,723)</b>	<b>(43,775)</b>	(67,343)
Includes:			
- Borrowings	<b>(115,589)</b>	-	-
<b>Non-current liabilities</b>	<b>(35,273)</b>	<b>(2,021)</b>	(19,369)
<b>NET ASSETS</b>	<b>387,302</b>	<b>221,002</b>	220,299
<b>Sales</b>	<b>148,659</b>	-	118,925
Expenses includes:			
- Depreciation and amortisation	<b>(4,173)</b>	-	-
- Interest income	<b>369</b>	<b>106</b>	36
- Interest expense	<b>(2,166)</b>	-	-
<b>Profit before tax</b>	<b>14,372</b>	<b>141</b>	49,655
Income tax (expense)/credit	<b>(2,576)</b>	<b>562</b>	(9,320)
<b>Net profit</b>	<b>11,796</b>	<b>703</b>	40,335
<b>Other comprehensive loss:</b>			
Fair value loss on cash flow hedge	<b>(588)</b>	-	-
Currency translation loss	<b>(524)</b>	-	-
<b>Other comprehensive loss, net of tax</b>	<b>(1,112)</b>	-	-
<b>Total comprehensive income</b>	<b>10,684</b>	<b>703</b>	40,335
Dividend received from joint ventures	-	-	138,000

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2013

## 18. INVESTMENTS IN JOINT VENTURES (continued)

The information above reflects the amounts included in the financial statements of the joint ventures (and not the Group's share of those amounts), where necessary adjusted to reflect adjustments made by the Group when applying the equity method of accounting.

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

Reconciliation of the summarised financial information presented above to the carrying amount of the Group's interest in the joint ventures:

	<b>Toga Hotel Holdings Unit Trust</b>	<b>Orwin Development Limited</b>	
	<b>2013 \$'000</b>	<b>2013 \$'000</b>	2012 \$'000
<b>Net assets as at 1 January</b>	-	<b>220,299</b>	409,964
Net assets acquired during the year	<b>376,864</b>	-	-
Net profit for the year	<b>11,796</b>	<b>703</b>	40,335
Dividend paid	-	-	(230,000)
Other comprehensive loss	<b>(1,146)</b>	-	-
Currency translation differences	<b>(212)</b>	-	-
<b>Net assets as at 31 December</b>	<b>387,302</b>	<b>221,002</b>	220,299
Interest in the joint ventures	<b>143,752</b>	<b>132,601</b>	132,180
Reclassification from hedging reserve	<b>5,814</b>	-	-
<b>Carrying value</b>	<b>149,566</b>	<b>132,601</b>	132,180

The following amount represents the aggregate amount of the Group's share in the net (loss)/profit and total comprehensive (loss)/income of other immaterial joint ventures and their carrying amount:

	<b>2013 \$'000</b>	2012 \$'000
Net (loss)/profit and total comprehensive (loss)/income	<b>(680)</b>	355
<b>Carrying value</b>	<b>-</b>	379



# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2013

## 19. INVESTMENTS IN SUBSIDIARIES

	Company	
	2013 \$'000	2012 \$'000
Equity investments at cost:		
- 15% redeemable cumulative preference shares	396,100	396,100
- Ordinary shares	167,107	97,106
	563,207	493,206
Less: Allowance for impairment losses	(9,675)	(9,675)
	553,532	483,531

Details of the subsidiaries are provided in Note 42.

The accumulated non-controlling interest as at 31 December 2013 is \$9,442,000, which is attributed to Far East Hospitality Holdings Pte Ltd and its subsidiaries ("FEHH group") [Note 39(a)]. The non-controlling interest in respect of Seasons Green Limited is less than \$1,000.

Set out below are the summarised financial information for FEHH group. The information below are the amounts before inter-company eliminations between FEHH group and the other subsidiaries within the Group.

### Summarised balance sheet

	FEHH group
	2013 \$'000
<b>Assets</b>	
- Current assets	79,254
- Non-current assets	506,742
	585,996
<b>Liabilities</b>	
- Current liabilities	(272,285)
- Non-current liabilities	(282,237)
	(554,522)
<b>Net assets</b>	31,474

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2013

## 19. INVESTMENTS IN SUBSIDIARIES (continued)

### Summarised statement of comprehensive income

	FEHH group
	2013 \$'000
<b>Sales</b>	<b>28,576</b>
<b>Loss before income tax</b>	<b>(25,107)</b>
Income tax expense	(1,136)
<b>Net loss</b>	<b>(26,243)</b>
<b>Other comprehensive loss:</b>	
Share of other comprehensive loss of joint ventures accounted for using equity method	(425)
Currency translation differences arising from consolidation	(7,403)
Revaluation gains on property, plant and equipment	1,051
Tax charge on revaluation gains	(315)
<b>Other comprehensive loss, net of tax</b>	<b>(7,092)</b>
<b>Total comprehensive loss</b>	<b>(33,335)</b>
Net loss allocated to non-controlling interest	(7,873)
Total comprehensive loss allocated to non-controlling interest	(10,001)

### Summarised statement of cash flows

	FEHH group
	2013 \$'000
Operating cash inflows	2,339
Investing cash outflows	(202,935)
Financing cash inflows	250,549
Total cash inflows	49,953

There were no changes during the financial year (2012: Nil) in the Group's ownership interest in its significant subsidiaries. The Group diluted its interest in the business of a subsidiary as described in Notes 31(b) and 39(a).

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2013

## 20. OTHER RECEIVABLES – NON-CURRENT

	Group		Company	
	2013	2012 (restated)	2013	2012
	\$'000	\$'000	\$'000	\$'000
Available-for-sale financial assets - unlisted securities	<b>1,336</b>	1,336	-	-
Country club membership	<b>228</b>	228	<b>228</b>	228
Deposits - non-related parties	<b>97</b>	-	-	-
Prepayments	<b>457</b>	-	<b>280</b>	-
Advances to:				
- subsidiaries	-	-	<b>364,286</b>	252,026
- joint ventures	<b>72,952</b>	33,371	<b>39,067</b>	-
- an associated company	<b>862</b>	860	-	-
	<b>75,932</b>	35,795	<b>403,861</b>	252,254
Less: Allowance for impairment of:				
- available-for-sale financial assets - unlisted securities	<b>(1,336)</b>	(1,336)	-	-
- country club membership	<b>(117)</b>	(117)	<b>(117)</b>	(117)
- advances to:				
• subsidiaries	-	-	<b>(122,537)</b>	(122,537)
• an associated company	<b>(862)</b>	(860)	-	-
	<b>(2,315)</b>	(2,313)	<b>(122,654)</b>	(122,654)
	<b>73,617</b>	33,482	<b>281,207</b>	129,600

The advances to subsidiaries, joint ventures and an associated company are unsecured and interest-free, except for advances to subsidiaries amounting to \$114,026,000 (2012: \$113,007,000) and advances to joint ventures of which interest is charged at a weighted average effective interest rate of 1.22% (2012: 1.31%) and 1.25% (2012: 1.42%) respectively per annum. Repayments of these advances are not expected within the next twelve months.

The fair values of other non-current receivables approximate their carrying values.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2013

## 21. INVESTMENT PROPERTIES

(a)

	Group		Company	
	2013 \$'000	2012 \$'000	2013 \$'000	2012 \$'000
Beginning of financial year	264,401	166,915	111,288	112,845
Currency translation differences	(1,073)	-	-	-
Acquisition of businesses [Note 39(a)(iii) and Note 39(b)(iii)]	26,447	152,442	-	-
Additions – subsequent expenditure on investment properties	-	138	-	-
Disposals [Note 37(c)]	-	(60,635)	-	(6,013)
Fair value gains recognised in profit or loss (Note 8)	14,700	5,541	4,921	4,456
End of financial year	304,475	264,401	116,209	111,288

The investment properties are leased to non-related parties and related parties [Note 34(c)] under operating leases.

(b) The following amounts are recognised in profit or loss:

	Group	
	2013 \$'000	2012 \$'000
Rental income	7,763	9,488
Direct operating expenses arising from: - Investment properties that generate rental income	(2,068)	(2,669)

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

Description and location	Tenure
<b>Singapore</b>	
Shops and offices (land only) at Orchard Parade Hotel, 1 Tanglin Road	Freehold
4 office units at Tanglin Shopping Centre, 19 Tanglin Road	Freehold
37 medical suites at Novena Medical Center, 10 Sinaran Drive	Leasehold with 99 years lease expiring on 27 August 2101
10 medical suites at Novena Specialist Center, 8 Sinaran Drive	Leasehold with 99 years lease expiring on 22 April 2106
<b>Australia</b>	
Shops at Rendezvous Hotel Perth, The Esplanade, Perth, Western Australia	Freehold

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2013

## 21. INVESTMENT PROPERTIES (continued)

### (d) Fair value hierarchy

Description	Fair value measurements at 31 December 2013 using		
	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
	\$'000	\$'000	\$'000
Recurring fair value measurements			
Investment properties:			
- Singapore	-	-	279,101
- Australia	-	-	25,374

### (e) Valuation processes of the Group

The Group engages external, independent and qualified valuers to determine the fair value of the investment properties at the end of every financial year based on the properties' highest and best use.

### (f) Valuation techniques and inputs used to derive Level 3 fair values

The fair values of the investment properties categorised under Level 3 of the fair value hierarchy were determined using a combination of the valuation techniques as follows:

Description	Fair value at 31 December 2013 (\$'000)	Valuation techniques	Unobservable inputs	Relationship of unobservable inputs to fair value
Freehold land – Singapore	104,438	Sales comparison	Pre-adjusted comparable sales price – \$6,558 to \$7,228 psf	The higher the comparable sales price, the higher the fair value
Office units – Singapore	11,771	Sales comparison	Pre-adjusted comparable sales price – \$1,900 to \$2,835 psf	The higher the comparable sales price, the higher the fair value
Medical suites – Singapore	162,892	Sales comparison	Pre-adjusted comparable sales price – \$3,796 to \$4,600 psf	The higher the comparable sales price, the higher the fair value
Shops – Australia	25,374	Discounted cash flow	Discount rate – 10.0%	The lower the discount rate, the higher the fair value
		Income capitalisation	Capitalisation rate – 8.5%	The lower the capitalisation rate, the higher the fair value

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2013

## 22. PROPERTY, PLANT AND EQUIPMENT

	Freehold and leasehold land \$'000	Freehold and leasehold buildings \$'000	Plant, equipment, furniture and fittings \$'000	Construction- in-progress \$'000	Motor vehicles \$'000	Other assets \$'000	Total \$'000
(a) <u>Group</u>							
<b>2013</b>							
<i>Cost or valuation</i>							
<b>Beginning of financial year</b>							
Cost	-	-	40,864	8,737	1,083	3,190	53,874
Valuation	373,590	-	-	-	-	-	373,590
	373,590	-	40,864	8,737	1,083	3,190	427,464
Currency translation differences	(2,068)	(5,127)	(591)	(297)	-	(85)	(8,168)
Acquisition of businesses [Note 39(a)(iii)]	43,255	126,605	12,936	240	-	2,000	185,036
Additions	-	-	996	14,629	-	32	15,657
Disposals	-	-	(14)	-	(48)	-	(62)
Transfers	-	-	322	(342)	(3)	(12)	(35)
Revaluation adjustments	5,579	324	-	-	-	-	5,903
<b>End of financial year</b>	420,356	121,802	54,513	22,967	1,032	5,125	625,795
Representing:							
Cost	-	-	54,513	22,967	1,032	5,125	83,637
Valuation	420,356	121,802	-	-	-	-	542,158
	420,356	121,802	54,513	22,967	1,032	5,125	625,795
<i>Accumulated depreciation</i>							
<b>Beginning of financial year</b>	-	-	32,635	-	85	2,205	34,925
Currency translation differences	-	(39)	(4)	-	-	(1)	(44)
Depreciation charge (Note 5)	-	766	2,140	-	108	485	3,499
Disposals	-	-	(14)	-	(48)	-	(62)
Revaluation adjustments	-	(727)	-	-	-	-	(727)
<b>End of financial year</b>	-	-	34,757	-	145	2,689	37,591
<b>Net book value</b>							
<b>End of financial year</b>	<b>420,356</b>	<b>121,802</b>	<b>19,756</b>	<b>22,967</b>	<b>887</b>	<b>2,436</b>	<b>588,204</b>

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2013

## 22. PROPERTY, PLANT AND EQUIPMENT (continued)

	Freehold and leasehold land \$'000	Freehold and leasehold buildings \$'000	Plant, equipment, furniture and fittings \$'000	Construction- in-progress \$'000	Motor vehicles \$'000	Other assets \$'000	Total \$'000
(a) <u>Group</u> (continued)							
<b>2012</b>							
<i>Cost or valuation</i>							
<b>Beginning of financial year</b>							
Cost	-	-	41,671	4,280	43	2,271	48,265
Valuation	558,979	124,422	-	-	-	-	683,401
	558,979	124,422	41,671	4,280	43	2,271	731,666
Currency translation differences	(221)	-	-	(70)	-	-	(291)
Acquisition of business [Note 39(b)(iii)]	-	-	217	-	77	26	320
Additions	-	269	1,383	7,835	963	1,482	11,932
Disposals	(190,707)	(120,926)	(3,907)	(1,792)	-	(589)	(317,921)
Transfers	-	-	1,500	(1,500)	-	-	-
Written off	-	-	-	(16)	-	-	(16)
Revaluation adjustments	5,539	(3,765)	-	-	-	-	1,774
<b>End of financial year</b>	373,590	-	40,864	8,737	1,083	3,190	427,464
Representing:							
Cost	-	-	40,864	8,737	1,083	3,190	53,874
Valuation	373,590	-	-	-	-	-	373,590
	373,590	-	40,864	8,737	1,083	3,190	427,464
<i>Accumulated depreciation</i>							
<b>Beginning of financial year</b>	-	-	32,669	-	43	2,010	34,722
Depreciation charge (Note 5)	1,558	2,162	1,894	-	42	198	5,854
Disposals	(964)	(1,318)	(1,928)	-	-	(3)	(4,213)
Revaluation adjustments	(594)	(844)	-	-	-	-	(1,438)
<b>End of financial year</b>	-	-	32,635	-	85	2,205	34,925
<b>Net book value</b>							
<b>End of financial year</b>	<b>373,590</b>	<b>-</b>	<b>8,229</b>	<b>8,737</b>	<b>998</b>	<b>985</b>	<b>392,539</b>



# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2013

## 22. PROPERTY, PLANT AND EQUIPMENT (continued)

	Freehold and leasehold land \$'000	Freehold and leasehold buildings \$'000	Plant, equipment, furniture and fittings \$'000	Construction- in-progress \$'000	Motor vehicles \$'000	Other assets \$'000	Total \$'000
(b) <u>Company</u>							
<b>2013</b>							
<i>Cost or valuation</i>							
<b>Beginning of financial year</b>							
Cost	-	-	27,127	114	271	1,768	29,280
Valuation	364,000	-	-	-	-	-	364,000
	364,000	-	27,127	114	271	1,768	393,280
Additions	-	-	393	61	-	10	464
Disposals	-	-	(4)	-	(48)	-	(52)
Transfers	-	-	175	(175)	-	-	-
Revaluation adjustments	3,263	-	-	-	-	-	3,263
<b>End of financial year</b>	367,263	-	27,691	-	223	1,778	396,955
Representing:							
Cost	-		27,691	-	223	1,778	29,692
Valuation	367,263	-	-	-	-	-	367,263
	367,263	-	27,691	-	223	1,778	396,955
<i>Accumulated depreciation</i>							
<b>Beginning of financial year</b>	-	-	22,423	-	64	1,768	24,255
Depreciation charge	-	-	1,052	-	23	4	1,079
Disposals	-	-	(4)	-	(48)	-	(52)
Revaluation adjustments	-	-	-	-	-	-	-
<b>End of financial year</b>	-	-	23,471	-	39	1,772	25,282
<b>Net book value</b>							
<b>End of financial year</b>	<b>367,263</b>	<b>-</b>	<b>4,220</b>	<b>-</b>	<b>184</b>	<b>6</b>	<b>371,673</b>

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2013

## 22. PROPERTY, PLANT AND EQUIPMENT (continued)

	Freehold and leasehold land \$'000	Freehold and leasehold buildings \$'000	Plant, equipment, furniture and fittings \$'000	Construction- in-progress \$'000	Motor vehicles \$'000	Other assets \$'000	Total \$'000
<b>(b) Company (continued)</b>							
<b>2012</b>							
<i>Cost or valuation</i>							
<b>Beginning of financial year</b>							
Cost	-	-	28,240	1,140	43	2,006	31,429
Valuation	359,888	68,675	-	-	-	-	428,563
	359,888	68,675	28,240	1,140	43	2,006	459,992
Additions	-	269	427	475	228	-	1,399
Disposals	-	(66,058)	(3,041)	-	-	(238)	(69,337)
Transfers	-	-	1,501	(1,501)	-	-	-
Revaluation adjustments	4,112	(2,886)	-	-	-	-	1,226
<b>End of financial year</b>	364,000	-	27,127	114	271	1,768	393,280
<i>Representing:</i>							
Cost	-	-	27,127	114	271	1,768	29,280
Valuation	364,000	-	-	-	-	-	364,000
	364,000	-	27,127	114	271	1,768	393,280
<i>Accumulated depreciation</i>							
<b>Beginning of financial year</b>							
	-	-	22,886	-	43	1,768	24,697
Depreciation charge	-	1,251	1,203	-	21	-	2,475
Disposals	-	(760)	(1,666)	-	-	-	(2,426)
Revaluation adjustments	-	(491)	-	-	-	-	(491)
<b>End of financial year</b>	-	-	22,423	-	64	1,768	24,255
<b>Net book value</b>							
<b>End of financial year</b>	<b>364,000</b>	<b>-</b>	<b>4,704</b>	<b>114</b>	<b>207</b>	<b>-</b>	<b>369,025</b>

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2013

## 22. PROPERTY, PLANT AND EQUIPMENT (continued)

- (c) If the freehold and leasehold land and buildings of the Group and the Company stated at valuation were included in the financial statements at cost less accumulated depreciation, their net book values would have been \$173,713,000 (2012: \$11,773,000) and \$2,183,000 (2012: \$2,183,000) respectively.
- (d) Property, plant and equipment of the Group with carrying amounts of \$126,924,000 (2012: \$18,065,000) are provided as security for bank borrowings (Note 26).
- (e) At the balance sheet date, the details of the Group's freehold and leasehold land and buildings are as follows:

Location	Description and existing use
<b>Singapore</b>	
1 Tanglin Road (land only) <sup>#</sup>	Hotel operation
<b>Malaysia</b>	
Lorong P Ramlee, Kuala Lumpur	Serviced residences under re-development
<b>Australia</b>	
The Esplanade, Perth, Western Australia	Hotel operation
24 Mount Street, Perth, Western Australia	Hotel operation
328 Flinders Street, Melbourne, Victoria	Hotel operation
121 Port Douglas Road, Port Douglas, Queensland	Hotel central facilities and office
255 Ann Street, Brisbane, Queensland	Retail and office

The Group has reversionary interests in the following properties:

Location	Description and existing use	Tenure
<b>Singapore</b>		
1 Tanglin Road <sup>#</sup>	Hotel operation	Freehold/99-year leasehold with effect from April 1965
180 Albert Street <sup>#</sup>	Hotel operation	99-year leasehold with effect from September 1990
20 Havelock Road <sup>#</sup>	Serviced residences operation	99-year leasehold with effect from February 1995

<sup>#</sup> Leasehold interests (50-year for 1 Tanglin Road, 75-year for 180 Albert Street and 80-year for 20 Havelock Road) sold to Far East Hospitality Trust and leased back to the Group for an initial period of 20 years and an extendable term of another 20 years at the option of the Group. The Group has reversionary interests in the properties at the expiry of the 50-year, 75-year and 80-year leases.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2013

## 22. PROPERTY, PLANT AND EQUIPMENT (continued)

### (f) Fair value hierarchy

Description	Fair value measurements at 31 December 2013 using		
	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
	\$'000	\$'000	\$'000
Recurring fair value measurements			
Freehold and leasehold land and buildings:			
- Singapore	-	-	367,262
- Malaysia	-	-	11,580
- Australia	-	-	163,316

### (g) Valuation processes of the Group

The Group engages external, independent and qualified valuers to determine the fair value of the group's freehold land and buildings on a triennial basis and whenever their carrying amounts are likely to differ materially from their revalued amounts, based on the properties' highest and best use.

### (h) Valuation techniques and inputs used to derive Level 3 fair values

The fair values of freehold and leasehold land and buildings categorised under Level 3 of the fair value hierarchy were determined using a combination of the valuation techniques as follows:

Description	Fair value at 31 December 2013 (\$'000)	Valuation techniques	Unobservable inputs	Relationship of unobservable inputs to fair value
Freehold and leasehold land – Singapore	367,262	Sales comparison	Pre-adjusted comparable sales price – \$4,876 to \$7,296 psf	The higher the comparable sales price, the higher the fair value
Freehold land – Malaysia	11,580	Sales comparison	Pre-adjusted comparable sales price – \$655 to \$1,113 psf	The higher the comparable sales price, the higher the fair value
Freehold land and buildings – Australia	163,316	Discounted cash flow	Discount rate – 11.0% to 11.5%	The lower the discount rate, the higher the fair value
		Income capitalisation	Capitalisation rate – 8.5% to 9.5%	The lower the capitalisation rate, the higher the fair value

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2013

## 23. INTANGIBLE ASSETS

### Group

**2013**                      2012  
**\$'000**                      \$'000

#### Composition:

Goodwill arising from business acquisitions [Note (a)]  
Hospitality lease and management agreements [Note (b)]

<b>58,891</b>	41,301
<b>97,016</b>	88,084
<b>155,907</b>	129,385

(a) Goodwill arising from business acquisitions

### Group

**2013**                      2012  
**\$'000**                      \$'000

#### Cost

Beginning of financial year  
Currency translation differences  
Acquisition of businesses [Note 39(a)(iii) and Note 39(b)(iii)]  
End of financial year

<b>71,442</b>	-
<b>(651)</b>	-
<b>18,241</b>	71,442
<b>89,032</b>	71,442

#### Accumulated impairment

Beginning of financial year  
Impairment charge (Note 8)  
End of financial year  
Net book value

<b>(30,141)</b>	-
-	(30,141)
<b>(30,141)</b>	(30,141)
<b>58,891</b>	41,301

#### Impairment test for goodwill

Goodwill is allocated to the Group's cash-generating units ("CGUs") identified according to the business segments.

A segment-level summary of the goodwill allocation is as follows:

### Group

**2013**                      2012  
**\$'000**                      \$'000

Hospitality management services – Singapore  
Hospitality property ownership

<b>41,301</b>	41,301
<b>17,590</b>	-
<b>58,891</b>	41,301

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2013

## 23. INTANGIBLE ASSETS (continued)

### (a) Goodwill arising from business acquisitions (continued)

#### *Impairment test for goodwill (continued)*

Management determines the recoverable amount of goodwill based on higher of fair value less cost to sell and value-in-use ("VIU") calculations. For VIU calculations, budgeted net profit margins are determined based on past performance and management's expectations of market developments. The weighted average growth rates used are compared against forecasts included in industry reports. The pre-tax discount rate and terminal yield used reflected specific risks relating to the CGU.

#### *Hospitality management services - Singapore ("management services CGU")*

At 31 December 2013, the recoverable amount of the management services CGU was determined based on fair value less cost to sell, which is estimated to be similar to the transacted price under the Business Transfer as described in Note 39(a). The recoverable amount of the management services CGU exceeds the carrying amount and the allocated goodwill is not impaired.

At 31 December 2012, the recoverable amount of the management services CGU was determined based on VIU calculations. Cash flow projections used in VIU calculations were based on financial budgets approved by management covering a one-year period. Cash flows beyond the one-year period were extrapolated using the weighted average growth rates stated below. The growth rate did not exceed the long-term growth rate for the business in which the CGU operates.

Key assumptions used for VIU calculations:

	<b>2012</b>
Weighted average growth rate	3.5%
Budgeted net profit margin	39.5%
Discount rate	10.0%

In 2012, an impairment charge of \$30,141,000 is included in "Other gains - net" in the profit or loss. The impairment charge had arisen from the impairment of the additional goodwill which is a result of using the higher market price of YHS shares on the completion date, instead of the agreed price, to compute the consideration transferred for the acquisition of the businesses in the Asset Swap Transaction [Note 39(b)].

#### *Hospitality property ownership ("property ownership CGU")*

The recoverable amount of the property ownership CGU, acquired in the current financial year as described in Note 39(a), is determined based on VIU calculations. Cash flow projections used in VIU calculations were based on financial budgets approved by management covering a one-year period. Cash flows beyond the one-year period were extrapolated using growth rates that do not exceed the long-term growth rate for the business in which the CGU operates.

Key assumptions used for VIU calculations:

	<b>2013</b>
Budgeted net profit margin	33.2%
Discount rate	11.0%
Terminal yield	9.0%

At 31 December 2013, the recoverable amount of the property ownership CGU exceeds its carrying value and the allocated goodwill is not impaired.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2013

## 23. INTANGIBLE ASSETS (continued)

(b) Hospitality lease and management agreements

### Group

	2013 \$'000	2012 \$'000
<i>Cost</i>		
Beginning of financial year	89,060	-
Acquisition of businesses [Note 39(a)(iii) and Note 39(b)(iii)]	11,175	89,060
End of financial year	100,235	89,060
<i>Accumulated impairment</i>		
Beginning of financial year	(976)	-
Amortisation charge (Note 5)	(2,243)	(976)
End of financial year	(3,219)	(976)
Net book value	97,016	88,084

The amortisation charge of \$2,243,000 (2012: \$976,000) is included within "Cost of sales" in the profit or loss.

## 24. TRADE AND OTHER PAYABLES - CURRENT

	Group		Company	
	2013 \$'000	2012 (restated) \$'000	2013 \$'000	2012 \$'000
Trade payables:				
- related parties [Note 37(a)]	5,185	1,658	2,830	-
- non-related parties	15,055	8,054	2,679	3,522
	20,240	9,712	5,509	3,522
Due to customers [Note 15(b)]	-	30,370	-	-
	20,240	40,082	5,509	3,522
Other payables:				
- related parties [Note 37(a)]	9,432	715	-	672
- non-related parties	410	694	-	143
- a non-controlling interest	1,225	-	-	-
	11,067	1,409	-	815
Advances from:				
- subsidiaries	-	-	46,147	45,857
- an associated company	1,963	-	-	-
- a non-controlling interest	66,552	-	-	-
Accrual for operating expenses	29,452	14,980	7,614	10,383
Deposits received	3,474	850	348	322
Interest payable	303	37	-	-
Dividend payable (Note 33)	-	45,257	-	45,257
	112,811	62,533	54,109	102,634
	133,051	102,615	59,618	106,156



# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2013

## 24. TRADE AND OTHER PAYABLES - CURRENT (continued)

Included in the Group's trade payables is an amount of Nil (2012: \$30,370,000) which represents the Group's share in a joint operation's trade payables.

The non-trade balances, including other payables and advances from subsidiaries, an associated company, related parties and a non-controlling interest are unsecured, repayable on demand and interest-free, except for the advances from a non-controlling interest which is repayable within the next 12 months and bear a weighted average effective interest rate of 2.0% (2012: Nil) per annum.

## 25. DEFERRED INCOME

	Group		Company	
	2013 \$'000	2012 \$'000	2013 \$'000	2012 \$'000
<i>Current</i>				
- Grant of leasehold interest	6,802	6,797	6,802	6,797
- Others	724	-	-	-
	<b>7,526</b>	6,797	<b>6,802</b>	6,797
<i>Non-current</i>				
- Grant of leasehold interest	323,888	330,685	323,888	330,685
	<b>331,414</b>	337,482	<b>330,690</b>	337,482

### Grant of leasehold interest

On 27 August 2012, the Group granted 50 years of leasehold interest in the freehold land of Orchard Parade Hotel to Far East Hospitality Trust as part of the REIT Transaction [Note 37(c)]. The proceeds arising from the grant of leasehold interest is recognised on the balance sheets as deferred income and amortised over the lease term of 50 years.

	Group and Company	
	2013 \$'000	2012 \$'000
Deferred income		
- current	6,802	6,797
- non-current	323,888	330,685
	<b>330,690</b>	337,482

The following amounts are credited to profit or loss during the financial year:

	Group and Company	
	2013 \$'000	2012 \$'000
Rental income	1,495	495
Cost of sales (Note 5)	5,301	1,862

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2013

## 26. BORROWINGS

	Group	
	2013	2012 (restated)
	\$'000	\$'000
<i>Non-current</i>		
Bank borrowings	<b>89,415</b>	38,163

The Group's bank borrowings are variable rate borrowings and their fair values approximate their carrying values.

Included in the Group's non-current bank borrowings is an amount of \$23,629,000 (2012: \$31,720,000) which represents the Group's share of joint operations' bank borrowings.

As at 31 December 2013, the securities for the borrowings are the Group's share of its joint operations' development properties, certain land and buildings under property, plant and equipment, and the assignment of the rights and benefits with respect to these assets.

## 27. PROVISIONS

	Group	
	2013	2012
	\$'000	\$'000
Provisions for onerous contracts		
- current	<b>8,268</b>	-
- non-current	<b>14,982</b>	-
	<b>23,250</b>	-

The onerous contracts relate to the hospitality lease agreements for certain hotels, acquired as part of the STC Transactions [Note 39(a)], where the unavoidable costs of meeting the obligations under the leases exceed the economic benefits expected to be received over their remaining contractual term. The provision for onerous contracts reflects the least net cost of exiting these onerous leases.

Movement in provisions for onerous contracts is as follows:

	Group	
	2013	2012
	\$'000	\$'000
Beginning of financial year	-	-
Currency translation differences	<b>61</b>	-
Acquisition of business [(Note 39(a)(iii))]	<b>24,706</b>	-
Provision utilised	<b>(1,517)</b>	-
End of financial year	<b>23,250</b>	-

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2013

## 28. OTHER PAYABLES – NON-CURRENT

	Group		Company	
	2013	2012 (restated)	2013	2012
	\$'000	\$'000	\$'000	\$'000
Other payables – non-related parties	110	-	-	-
Deposits received	800	866	117	15
Advances from:				
- subsidiaries	-	-	251,840	60,588
- joint ventures	116,962	75,382	-	-
- associated companies	1,503	3,016	-	-
- non-controlling interests	60,002	2	-	-
	<b>179,377</b>	<b>79,266</b>	<b>251,957</b>	<b>60,603</b>

The advances from subsidiaries, joint ventures and associated companies are unsecured and interest-free, except for an advance from a subsidiary amounting to \$160,000,000 (2012: Nil) which bear a weighted average effective interest rate of 2.0% (2012: Nil) per annum. Repayments are not expected within the next 12 months.

The advances from non-controlling interests are unsecured and interest-free, except for the advance from a non-controlling interest amounting to \$60,000,000 (2012: Nil). This advance is 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. This advance is deemed as part of the non-controlling interest's net investment in the subsidiary as the non-controlling interest has no intention to demand repayment in the foreseeable future. These advances from non-controlling interests are not expected to be repayable within the next 12 months.

The fair values of other non-current payables approximate their carrying values.

## 29. DEFERRED INCOME TAXES

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

	Group		Company	
	2013	2012 (restated)	2013	2012
	\$'000	\$'000	\$'000	\$'000
<b>Deferred income tax assets</b>				
- To be recovered after one year	<b>4,765</b>	-	-	-
<b>Deferred income tax liabilities</b>				
- To be settled within one year	<b>693</b>	590	<b>130</b>	161
- To be settled after one year	<b>16,678</b>	15,621	<b>518</b>	565
	<b>17,371</b>	<b>16,211</b>	<b>648</b>	<b>726</b>

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2013

## 29. DEFERRED INCOME TAXES (continued)

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 of approximately \$43,616,000 (2012: \$84,548,000) which can be carried forward and used to offset against future taxable income subject to meeting certain statutory requirements by those companies with unrecognised tax losses and capital allowances in their respective countries of incorporation. These tax losses have no expiry date.

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

### Group

#### Deferred income tax liabilities

	Accelerated tax depreciation \$'000	Revaluation gains - net \$'000	Recognition of profits on percentage of completion \$'000	Other \$'000	Total \$'000
<b>2013</b>					
Beginning of financial year	16,211	-	-	-	16,211
(Credited)/charged to:					
- profit or loss	(397)	-	2,300	478	2,381
- equity [Note 31(b)(i)]	-	315	-	-	315
Acquisition of businesses [Note 39(a)(iii)]	739	-	-	-	739
Under provision in prior financial years [Note 10(a)]	25	-	-	-	25
End of financial year	16,578	315	2,300	478	19,671
<b>2012 (restated)</b>					
Beginning of financial year	1,521	22,076	-	1,350	24,947
Credited to:					
- profit or loss	(450)	(30)	-	-	(480)
- equity [Note 31(b)(i)]	-	(153)	-	-	(153)
Acquisition of business [Note 39(b)(iii)]	15,140	-	-	-	15,140
Reversal of deferred tax liability on realisation of asset revaluation surplus [Note 31(b)(i)]	-	(21,893)	-	-	(21,893)
Over provision in prior financial years [Note 10(a)]	-	-	-	(1,350)	(1,350)
End of financial year	16,211	-	-	-	16,211

#### Deferred income tax assets

	Tax losses \$'000	Other \$'000	Total \$'000
<b>2013</b>			
Beginning of financial year	-	-	-
Currency translation differences	-	6	6
Acquired during the year	-	(141)	(141)
Credited to profit or loss	(6,930)	-	(6,930)
End of financial year	(6,930)	(135)	(7,065)

There was no deferred income tax asset recognised as at 31 December 2012.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2013

## 29. DEFERRED INCOME TAXES (continued)

### Company

#### Deferred income tax liabilities

	Accelerated tax depreciation \$'000	Revaluation gains - net \$'000	Other \$'000	Total \$'000
<b>2013</b>				
Beginning of financial year	726	-	-	726
Credited to profit or loss	(78)	-	-	(78)
End of financial year	648	-	-	648
<b>2012</b>				
Beginning of financial year	1,014	1,968	1,350	4,332
Credited to:				
- profit or loss	(288)	(30)	-	(318)
- equity	-	(407)	-	(407)
Reversal of deferred tax liability on realisation of asset revaluation surplus [Note 31(b)(i)]	-	(1,531)	-	(1,531)
Over provision in prior financial years	-	-	(1,350)	(1,350)
End of financial year	726	-	-	726

## 30. SHARE CAPITAL

	Group and Company			
	No. of ordinary shares		Amount	
	<b>2013</b>	2012	<b>2013</b>	2012
	<b>'000</b>	'000	<b>\$'000</b>	\$'000
Beginning of financial year	<b>377,143</b>	363,309	<b>394,612</b>	372,063
Shares issued in-lieu of dividends	<b>12,769</b>	13,834	<b>26,004</b>	22,549
End of financial year	<b>389,912</b>	377,143	<b>420,616</b>	394,612

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

The shares issued in-lieu of dividends rank pari passu in all respects with the previously issued shares and includes 5,332,000 (2012: Nil) shares totalling \$9,864,000 (2012: Nil) relating to dividends declared and payable in the previous financial year.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2013

## 31. REVALUATION AND OTHER RESERVES

	Group		Company	
	2013 \$'000	2012 \$'000	2013 \$'000	2012 \$'000
(a) <u>Composition</u>				
Capital reserve	10,557	-	-	-
Asset revaluation reserve	342,516	336,423	339,686	336,423
Currency translation reserve	(7,901)	(2,238)	-	-
Fair value reserve	(564)	-	-	-
Hedging reserve	(157)	-	-	-
	<b>344,451</b>	334,185	<b>339,686</b>	336,423
(b) <u>Movements</u>				
(i) <i>Asset revaluation reserve</i>				
Beginning of financial year	336,423	502,608	336,423	404,415
Revaluation gains (Note 22)	6,630	3,212	3,263	1,717
Tax on revaluation gains (Note 29)	(315)	153	-	407
Transfer to retained profits	-	(191,443)	-	(71,647)
Reversal of deferred tax liability on realisation of surplus (Note 29)	-	21,893	-	1,531
Less: Non-controlling interest	(222)	-	-	-
End of financial year	<b>342,516</b>	336,423	<b>339,686</b>	336,423
(ii) <i>Currency translation reserve</i>				
Beginning of financial year	(2,238)	(7,394)	-	-
Net currency translation differences of financial statements of foreign subsidiaries and a joint venture	1,032	(230)	-	-
Net currency translation differences of advances designated as net investments in subsidiaries	(8,776)	-	-	-
Share of an associated company's reserve (Note 17)	-	(1,871)	-	-
Reclassification on partial disposal of an associated company	-	7,257	-	-
Share of a joint venture's reserve (Note 18)	(201)	-	-	-
Less: Non-controlling interest	2,282	-	-	-
End of financial year	<b>(7,901)</b>	(2,238)	-	-

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2013

## 31. REVALUATION AND OTHER RESERVES (continued)

	Group		Company	
	2013 \$'000	2012 \$'000	2013 \$'000	2012 \$'000
(b) <u>Movements</u> (continued)				
(iii) <i>Fair value reserve</i>				
Beginning of financial year	-	30,557	-	-
Share of an associated company's fair value (losses)/gains on available-for-sale financial assets (Note 17)	(564)	30,148	-	-
Reclassification on partial disposal of an associated company	-	(60,705)	-	-
End of financial year	(564)	-	-	-
(iv) <i>Share-based payment reserve</i>				
Beginning of financial year	-	253	-	-
Share of an associated company's reserve (Note 17)	-	(59)	-	-
Reclassification on partial disposal of an associated company	-	(194)	-	-
End of financial year	-	-	-	-
(v) <i>Hedging reserve</i>				
Beginning of financial year	-	-	-	-
Fair value losses	5,814	-	-	-
Reclassification to investments in joint ventures (Note 18)	(5,814)	-	-	-
Share of a joint venture's reserve (Note 18)	(225)	-	-	-
Less: Non-controlling interest	68	-	-	-
End of financial year	(157)	-	-	-
(vi) <i>Capital reserve</i>				
Beginning of financial year	-	-	-	-
Dilution of interest in the business of a subsidiary*	10,557	-	-	-
End of financial year	10,557	-	-	-

\* The capital reserve arising from dilution of interest in the business of a subsidiary relates to the difference between the non-controlling interest's share of the carrying value of the business and the fair value of the consideration received as described in Note 39(a).

Revaluation and other reserves are non-distributable.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2013

## 32. RETAINED PROFITS

- (a) Retained profits of the Group are distributable except for the accumulated retained profits of joint ventures and associated companies amounting to \$29,802,000 (2012: \$21,892,000).
- (b) Movement in retained profits for the Company is as follows:

	<b>Company</b>	
	<b>2013</b>	2012
	<b>\$'000</b>	\$'000
Beginning of financial year	<b>301,181</b>	52,476
Net profit	<b>8,299</b>	581,513
Shares issued in-lieu of dividends (Note 33)	<b>(16,140)</b>	(22,549)
Dividends paid to shareholders in cash (Note 33)	<b>(6,807)</b>	(10,141)
Dividend in specie (Note 33)	-	(326,508)
Special dividend (Note 33)	-	(45,257)
Transfer from asset revaluation reserve [Note 31(b)(i)]	-	71,647
End of financial year	<b>286,533</b>	301,181

## 33. DIVIDENDS

	<b>Group</b>		<b>Company</b>	
	<b>2013</b>	2012	<b>2013</b>	2012
	<b>\$'000</b>	\$'000	<b>\$'000</b>	\$'000
<i>Ordinary dividends</i>				
Final dividend of 6 cents per share paid in respect of the previous financial year (2012: 9 cents per share)				
- Shares issued in-lieu of dividends (Note 32)	<b>16,140</b>	22,549	<b>16,140</b>	22,549
- Dividends paid to shareholders in cash (Note 32)	<b>6,807</b>	10,141	<b>6,807</b>	10,141
<i>Special dividends</i>				
Special dividend of 12 cents per share (Note 32)	-	45,257	-	45,257
Dividend in specie of 0.22086 YHS share per share	-	120,050	-	326,508
	<b>22,947</b>	197,997	<b>22,947</b>	404,455

At the Annual General Meeting on 24 April 2014, a final dividend of 6 cents per share amounting to a total of \$23,395,000 will be recommended. These financial statements do not reflect this dividend, which will be accounted for in shareholders' equity as an appropriation of retained profits in the financial year ending 31 December 2014.



# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2013

## 34. COMMITMENTS

### (a) Corporate guarantees

Corporate guarantees issued by the Company to banks in respect of banking facilities granted to the subsidiaries and joint ventures are disclosed in Note 35(b).

### (b) Capital commitments

Capital expenditures contracted for at the balance sheet date but not recognised in the financial statements, excluding those relating to the Group's share of capital commitments of its material associated companies (Note 17) and material joint ventures (Note 18), are as follows:

	Group		Company	
	2013	2012 (restated)	2013	2012
	\$'000	\$'000	\$'000	\$'000
Development properties	26,469	35,161	-	-
Investments in joint ventures	97,112	-	-	-
Property, plant and equipment	13,310	19,136	-	-
	<b>136,891</b>	<b>54,297</b>	<b>-</b>	<b>-</b>

### (c) Operating lease commitments - where the Group is a lessor

The Group and Company leases out investment properties to related-parties and non-related parties under non-cancellable operating leases. The leases have varying terms, escalation clauses and renewal rights. The future minimum lease receivables under non-cancellable operating leases contracted for at the balance sheet date but not recognised as receivables, are as follows:

	Group		Company	
	2013	2012	2013	2012
	\$'000	\$'000	\$'000	\$'000
Not later than one year				
- related parties [Note 37(a)]	338	18	337	18
- non-related parties	6,077	5,141	129	137
	<b>6,415</b>	<b>5,159</b>	<b>466</b>	<b>155</b>
Between one and five years				
- related parties [Note 37(a)]	117	-	117	-
- non-related parties	10,153	4,725	88	-
	<b>10,270</b>	<b>4,725</b>	<b>205</b>	<b>-</b>
Later than five years				
- non-related parties	944	114	-	-
	<b>17,629</b>	<b>9,998</b>	<b>671</b>	<b>155</b>

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2013

## 34. COMMITMENTS (continued)

### (d) Operating lease commitments - where the Group is a lessee

The Group and Company leases hotels, serviced residences and offices from related parties and non-related parties under non-cancellable operating lease agreements. The leases have varying terms, escalation clauses and renewal rights. The future minimum lease payables under non-cancellable operating leases contracted for at the balance sheet date but not recognised as liabilities, are as follows:

	Group		Company	
	2013 \$'000	2012 \$'000	2013 \$'000	2012 \$'000
Not later than one year				
- related parties [Note 37(a)]	17,767	17,814	10,340	10,378
- non-related parties	16,541	-	-	-
	34,308	17,814	10,340	10,378
Between one and five years				
- related parties [Note 37(a)]	68,260	68,500	40,000	40,243
- non-related parties	19,066	-	-	-
	87,326	68,500	40,000	40,243
Later than five years				
- related parties [Note 37(a)]	232,085	249,085	136,521	146,521
- non-related parties	4,466	-	-	-
	236,551	249,085	136,521	146,521
	358,185	335,399	186,861	197,142

Included in the above are commitments of the Group under non-cancellable lease rentals that relate to the fixed portion over the remaining tenure of the initial lease term due to related parties and non-related parties. In addition to the fixed portion, contingent lease rentals, determined based on a percentage of gross operating revenue and gross operating profits of these properties have also been committed.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2013

## 35. FINANCIAL RISK MANAGEMENT

The Group's activities expose it to market risk (including interest rate risk and currency risk), credit risk and liquidity risk. The Group's overall risk management objective is to effectively manage these risks and minimise potential adverse effects on the financial performance of the Group. Financial risk management is carried out by a team within the management of the Group.

### (a) Market risk

#### (i) *Cash flow and fair value 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. The Company's exposure to cash flow interest rate risks arises mainly from variable-rate borrowings and advances from/to subsidiaries at variable rates. The Group's policy is to obtain the most favourable interest rates available without increasing its foreign currency exposure.

The borrowings of the Group at variable rates are mainly denominated in Singapore Dollars ("SGD") and Australian Dollars ("AUD"). If the SGD interest rates had increased/decreased by 1.8% (2012: 0.4%) and AUD interest rates had increased/decreased by 1.8% (2012: Nil) with all other variables including tax rate being held constant, the profit after tax of the Group would have been lower/higher by \$291,000 (2012: \$65,000) and \$593,000 (2012: Nil) respectively as a result of higher/lower interest expense on these borrowings.

#### (ii) *Currency risk*

Arising from the significant transactions during the current financial year as described in Note 39(a), the Group now operates predominantly in Singapore, Australia, Malaysia and New Zealand. The entities within the Group transact in currencies other than their respective functional currencies ("foreign currencies"). Currency risk arises within entities in the Group when transactions are denominated in foreign currencies such as the Australian Dollar ("AUD"), Singapore Dollar ("SGD") and Malaysian Ringgit ("MYR"). Where such currency risk becomes significant, the Group considers the use of currency swaps and forwards to manage the risk.

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 Malaysia are managed through borrowings denominated in the relevant foreign currencies.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2013

## 35. FINANCIAL RISK MANAGEMENT (continued)

### (a) Market risk (continued)

#### (ii) *Currency risk (continued)*

The Group's currency exposure based on the information provided to key management is as follows:

	SGD \$'000	AUD \$'000	MYR \$'000	Other \$'000	Total \$'000
<u>At 31 December 2013</u>					
<b>Financial assets</b>					
Cash and cash equivalents	239,024	24,513	18	1,420	264,975
Trade and other receivables	89,828	10,251	32	2,230	102,341
Intra-group receivables	156,385	11,678	-	-	168,063
	485,237	46,442	50	3,650	535,379
<b>Financial liabilities</b>					
Borrowings	(23,568)	(47,079)	(18,768)	-	(89,415)
Trade and other receivables	(272,833)	(32,260)	(3,233)	(4,102)	(312,428)
Intra-group payables	(156,385)	(11,678)	-	-	(168,063)
	(452,786)	(91,017)	(22,001)	(4,102)	(569,906)
<b>Net financial assets/(liabilities)</b>	32,451	(44,575)	(21,951)	(452)	(34,527)
Less: Net financial assets/(liabilities) denominated in the respective entities' functional currencies	(189,128)	45,836	21,951	766	(120,575)
<b>Net currency exposure</b>	(156,677)	1,261	-	314	(155,102)

For the financial year ended 31 December 2012, the Group's currency exposure to foreign currency risk was not significant as most of its transactions are denominated in Singapore Dollars, except for its Malaysian subsidiary, where transactions are denominated in Malaysian Ringgit. The Malaysian subsidiary mainly owns a freehold property in Kuala Lumpur, Malaysia [Note 22(e)] which is being redeveloped into serviced residences. The subsidiary has a majority of its financial assets and liabilities denominated in its functional currency and therefore do not present any significant foreign currency risk to the Group.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2013

## 35. FINANCIAL RISK MANAGEMENT (continued)

### (a) Market risk (continued)

#### (ii) *Currency risk (continued)*

If the AUD strengthened/weakened against the SGD by 5% with all other variables including tax rate being held constant, the Group's profit after tax for the financial year would have been \$7,771,000 higher/lower.

The Company's business is not exposed to any significant foreign exchange risk as the majority of its financial assets and liabilities are denominated in Singapore Dollars.

### (b) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The major classes of financial assets of the Group and of the Company are bank deposits and trade 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 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.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2013

## 35. FINANCIAL RISK MANAGEMENT (continued)

### (b) Credit risk (continued)

As the Group and the Company do not hold any collateral, the maximum exposure to credit risk for each class of financial instruments is the carrying amount of that class of financial instruments presented on the balance sheet. In addition, the Company has off-balance sheet exposure to credit risk as follows:

	<b>Company</b>	
	<b>2013</b>	2012
	<b>\$'000</b>	\$'000
Corporate guarantees provided to banks on banking facilities of subsidiaries and joint ventures	<b>56,868</b>	70,375

### (i) Financial assets that are neither past due nor impaired

Bank deposits that are neither past due nor impaired are mainly deposits with reputable banks. Trade receivables that are neither past due nor impaired are substantially companies with a good collection track record with the Group.

### (ii) Financial assets that are past due and/or impaired

The age analysis of trade receivables past due but not impaired is as follows:

	<b>Group</b>		<b>Company</b>	
	<b>2013</b>	2012	<b>2013</b>	2012
	<b>\$'000</b>	\$'000	<b>\$'000</b>	\$'000
Past due 0 to 2 months	<b>5,236</b>	3,564	<b>717</b>	789
Past due 2 to 4 months	<b>357</b>	426	<b>6</b>	5
Past due over 4 months	<b>144</b>	-	-	-
	<b>5,737</b>	3,990	<b>723</b>	794

The carrying amount of trade receivables individually determined to be impaired and the movement in the related allowance for impairment are as follows:

	<b>Group</b>		<b>Company</b>	
	<b>2013</b>	2012	<b>2013</b>	2012
	<b>\$'000</b>	\$'000	<b>\$'000</b>	\$'000
Gross amount	<b>92</b>	-	-	-
Less: Allowance for impairment losses	<b>(92)</b>	-	-	-
	<b>-</b>	-	-	-
Beginning of financial year	-	783	-	-
Allowance made/(written back)	<b>109</b>	(771)	-	-
Allowance utilised	<b>(17)</b>	(12)	-	-
End of financial year	<b>92</b>	-	-	-

The impaired trade receivables arise mainly from sales to customers with significant delay in payments.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2013

## 35. FINANCIAL RISK MANAGEMENT (continued)

### (c) Liquidity risk

Prudent liquidity risk management includes maintaining sufficient cash and marketable securities, as well as the availability of funding through an adequate amount of committed credit facilities. At the balance sheet date, assets held by the Group and the Company for managing liquidity risk included cash and short-term deposits as disclosed in Note 12.

The Group and the Company manage the liquidity risk by maintaining sufficient cash to meet the normal operating commitments and having an adequate amount of committed credit facilities.

The table below analyses non-derivative financial liabilities of the Group and the Company into relevant maturity groupings based on the remaining period from the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Less than 1 year \$'000	Between 1 and 2 years \$'000	Between 2 and 5 years \$'000	Over 5 years \$'000
<u>Group</u>				
<b>At 31 December 2013</b>				
Trade and other payables	133,051	-	-	-
Borrowings	5,010	90,058	-	-
Other non-current payables	-	118,853	524	60,000
	<u>138,061</u>	<u>208,911</u>	<u>524</u>	<u>60,000</u>
<b>At 31 December 2012 (restated)</b>				
Trade and other payables	72,245	-	-	-
Borrowings	903	19,933	19,577	-
Other non-current payables	-	78,969	297	-
	<u>73,148</u>	<u>98,902</u>	<u>19,874</u>	<u>-</u>
<u>Company</u>				
<b>At 31 December 2013</b>				
Trade and other payables	59,618	-	-	-
Other non-current payables	-	251,840	117	-
Financial guarantees for borrowings of subsidiaries and joint ventures	56,868	-	-	-
	<u>116,486</u>	<u>251,840</u>	<u>117</u>	<u>-</u>
<b>At 31 December 2012</b>				
Trade and other payables	106,156	-	-	-
Other non-current payables	-	60,603	-	-
Financial guarantees for borrowings of subsidiaries and joint ventures	70,375	-	-	-
	<u>176,531</u>	<u>60,603</u>	<u>-</u>	<u>-</u>

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2013

## 35. 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 shareholder value. In order to maintain or achieve an optimal capital structure, the Group may adjust the amount of dividend payment, return capital to shareholders, issue new shares, buy back issued shares, obtain new borrowings or sell assets to reduce borrowings.

Management monitors capital based on a gearing ratio. Consistent with how management monitors capital, the gearing ratio is calculated as total borrowings divided by total equity.

	Group		Company	
	2013	2012 (restated)	2013	2012
	\$'000	\$'000	\$'000	\$'000
Total borrowings	89,415	38,163	-	-
Total equity	1,152,200	1,100,050	1,046,835	1,032,216
<b>Gearing ratio (%)</b>	<b>8%</b>	<b>3%</b>	<b>-</b>	<b>-</b>

The Group is in compliance with all externally imposed capital requirements for the financial years ended 31 December 2013 and 2012. The Company is not subject to any externally imposed capital requirements for the financial years ended 31 December 2013 and 2012.

### (e) Fair value measurements

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

- (i) quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1);
- (ii) 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
- (iii) inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3).

Available-for-sale financial assets are unlisted securities that are not traded in an active market. These financial instruments are fully impaired as at the end of financial year. There are no movements as at 31 December 2013 and 2012 in the carrying amount and impairment provision, which are disclosed under Note 20. These instruments are based on significant unobservable inputs and classified as Level 3.

The carrying amount less impairment provision of current assets and liabilities are assumed to approximate their fair values.

### (f) Financial instruments by category

The carrying amount of the different categories of financial instruments is as disclosed on the face of the balance sheet and in Note 20 to the financial statements, except for the following:

	Group		Company	
	2013	2012 (restated)	2013	2012
	\$'000	\$'000	\$'000	\$'000
Loans and receivables	367,316	500,882	649,435	573,955
Financial liabilities at amortised cost	401,843	189,674	311,575	166,759



# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2013

## 36. IMMEDIATE AND ULTIMATE HOLDING COMPANY

The Company's immediate and ultimate holding company is Far East Organisation Pte Ltd, incorporated in Singapore.

## 37. RELATED PARTY TRANSACTIONS

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:

### (a) Sales and purchases of goods and services

	<b>Group</b>	
	<b>2013</b>	2012
	<b>\$'000</b>	(restated) \$'000
Amount billed to/(by) joint ventures:		
- Management fees	<b>259</b>	763
- Hospitality and other management fees	<b>(1,769)</b>	-
Amount billed to/(by) other related parties:		
- Hospitality and other management fees	<b>15,666</b>	5,347
- Administrative income	<b>342</b>	-
- Rental income	<b>240</b>	1,429
- Sale of goods and services	<b>621</b>	487
- Purchase of hospitality services and other support services	<b>(4,792)</b>	(5,805)
- Rental expense on operating leases		
• offices	<b>(961)</b>	(274)
• hotels and serviced residences	<b>(30,077)</b>	(10,571)
- Purchase of goods and services	<b>(716)</b>	(827)
Payments made on behalf for other related parties	<b>624</b>	400

Other related parties comprise companies that are controlled by the shareholders of the Company's ultimate holding company (Note 36).

Outstanding balances at 31 December 2013, arising from deposits, sale and purchase of goods and services are set out in Notes 13, 20, 24 and 28 respectively.

### (b) Key management personnel compensation

Key management personnel compensation is as follows:

	<b>Group</b>	
	<b>2013</b>	2012
	<b>\$'000</b>	\$'000
Wages and salaries	<b>2,734</b>	1,928
Employer's contribution to defined contribution plans, including Central Provident Fund	<b>55</b>	61
Directors' fees	<b>469</b>	468
	<b>3,258</b>	2,457

Included in the above is total compensation to directors of the Company amounting to \$2,279,000 (2012: \$1,708,000).

Details on directors' remuneration are disclosed in the Corporate Governance Statement.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2013

## 37. RELATED PARTY TRANSACTIONS (continued)

### (c) Restructuring during the financial year ended 31 December 2012

At the Extraordinary General Meeting on 11 July 2012, the shareholders of the Company approved the proposed restructuring of the Group involving a REIT Transaction and an Asset Swap Transaction (each as described below) subject to the successful listing of the Far East Hospitality Trust ("Far East H-Trust"). The listing of Far East H-Trust was completed on 27 August 2012 and consequently, the Group completed the REIT Transaction and Asset Swap Transaction on the same day.

Following the approval of the proposed restructuring of the Group, to gain an additional platform for the Group's growth and to demonstrate its participation in the management of Far East H-Trust, the Group acquired a 33% interest in FEO Hospitality Asset Management Pte. Ltd. (manager of Far East Hospitality Real Estate Investment Trust) and FEO Hospitality Trust Management Pte. Ltd. (trustee-manager of Far East Hospitality Business Trust) for a cash consideration of \$696,000 and \$33 respectively. The 33% interest has been treated as an associated company and equity accounted for.

#### *REIT Transaction*

Under the REIT Transaction, the Group completed the sale of leasehold interests in three of its hospitality assets to Far East H-Trust: 50-year leasehold interest in Orchard Parade Hotel, 75-year leasehold interest in Village Hotel Albert Court and 80-year leasehold interest in Village Residence Clarke Quay commencing from 27 August 2012 for a cash consideration of \$716,570,000. Far East H-Trust has, in turn, entered into agreements ("Master Lease Agreements") on 27 August 2012 to lease all three hospitality assets, excluding the commercial premises, back to the Group for an initial 20 years and an extendable term of another 20 years at the option of the Group. In accordance with the Master Lease Agreements, the Group is the lessee ("Master Lessee") and Far East H-Trust is the lessor ("Master Lessor"). The Master Lessee is required to pay the Master Lessor an annual rental for the duration of the term (initial and extended term) of each Master Lease Agreement comprising a fixed rent for each hospitality asset or a variable rent computed based on the sum of a fixed percentage of the hospitality asset's gross operating revenue and gross operating profit, whichever is higher.

#### *Asset Swap Transaction*

Under the Asset Swap Transaction, the Group (through its wholly-owned subsidiary, Jelco Properties Pte Ltd ("JPPL")) completed the acquisition of medical suites in Novena Medical Center ("NMC") and Novena Specialist Center ("NSC") and the hospitality management business from Novena Point Pte Ltd ("NPPL"), Transurban Properties Pte. Ltd. ("TPPL") and Far East Hospitality Services Pte Ltd ("FEHS") respectively. NPPL, TPPL and FEHS are related parties of the Group being companies that are controlled by the shareholders of the Company's ultimate holding company (Note 36). The purchase consideration is satisfied by 200,942,854 ordinary shares of Yeo Hiap Seng Limited ("YHS") held by the Group (through JPPL) at an agreed price of \$1.80 per YHS share and \$58,653,000 in cash.

With the acquisition of the hospitality management business, the hospitality management agreements of FEHS are novated to the Group (through JPPL). In accordance with the hospitality management agreements, the Group acts as the operator of the assets of the Far East H-Trust and other related parties for which it receives management fees. The Group also entered into further agreements (Property Management Agreements) with Far East H-Trust to operate the commercial premises of its assets for which it receives management fees.

## 38. SEGMENT INFORMATION

Management has determined the operating segments based on the reports reviewed by the Group's chief operating decision maker ("CODM") that are used to make strategic decisions.

After the Toga and STC Transactions as described in Note 39(a), the CODM considers the business from both a geographical and business perspective. The Group's key business segments operate in various geographical areas.

The Group's hospitality business, which comprises hospitality property ownership, hospitality operations and hospitality management services, are located predominantly in Singapore, Australia, New Zealand and Malaysia.

The Group's property business, which comprises property development and property investment, are in Singapore only.

The Group's investments segment relates to cash and cash equivalents and investments in equity shares in Singapore.

## For the financial year ended 31 December 2013

The segment information provided to the CODM for the reportable segments is as follows:

[illegible]

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2013

## 38. SEGMENT INFORMATION (continued)

	Hospitality			Property		Investments	Total
	Management services - Singapore	Operations - Singapore	Property ownership	Property development	Property investment		
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Sales</b>							
Total segment sales	6,645	19,599	35,882	4,157	10,399	-	76,682
Inter-segment sales	(1,298)	-	(208)	-	-	-	(1,506)
Sales to external parties	5,347	19,599	35,674	4,157	10,399	-	75,176
<b>Operating profit</b>	1,701	1,501	15,319	(446)	6,955	1,075	26,105
Corporate expenses							(14,424)
Fair value gains on investment properties	-	-	-	-	5,541	-	5,541
Gain arising on dilution of interest in an associated company							2
Effects of REIT and Asset Swap Transactions							115,353
Share of results of							
- joint ventures accounted for using equity method	-	-	-	24,157	-	-	24,157
- associated companies	-	-	-	(17)	-	788	771
- partially disposed associated company <sup>(1)</sup>							31,847
<b>Profit before income tax</b>							189,352
Income tax credit							1,403
<b>Net profit</b>							190,755
<b>Segment assets</b>							
Joint ventures	136,988	388,766	18,066	294,058	268,126	433,144	1,539,148
Associated companies	-	-	-	132,559	-	-	132,559
<b>Total assets</b>	-	-	-	3,784	-	1,484	5,268
							1,676,975

<sup>(1)</sup> This relates to investment held in an associated company, Yeo Hlap Seng Limited.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2013

## 38. SEGMENT INFORMATION (continued)

There are no revenues from transactions with a single external customer that accounts for 10 per cent or more of the Group's revenue for the financial years ended 31 December 2013 and 2012.

## 39. SIGNIFICANT TRANSACTIONS

- (a) During the financial year, the Company incorporated a subsidiary, Far East Hospitality Holdings Pte. Ltd. ("FEHH"), which it retained a 70% equity interest. The principal activity is that of investment holding with the objective of expanding the hospitality business of the Group.

At the Extraordinary General Meeting on 9 July 2013, the shareholders of the Company approved the

- transaction with Toga Pty Ltd (the "Toga Transaction")
- transactions with The Straits Trading Company Limited (the "STC Transactions"); and
- transfer of the hospitality business from Jelco Properties Pte Ltd ("JPPL"), a 100% owned subsidiary, to Far East Hospitality Management (S) Pte. Ltd. ("FEHMS") which is a wholly-owned subsidiary of FEHH (the "Business Transfer").

*The Toga Transaction (Acquisition of interest in a joint venture)*

On 6 August 2013, the Group through Far East Hospitality Investments (Australia) Pte. Ltd. ("FEHIA"), which is a wholly-owned subsidiary of FEHH, committed to subscribe to 225,000,000 new securities in Toga Hotel Holdings Unit Trust ("Toga Trust") that represents 50% of its total issued securities, for a consideration of approximately A\$210,084,000. As at the balance sheet date, the subscription has been partially paid up to \$146,992,000 (equivalent to A\$124,000,000), representing approximately 37% of Toga Trust's issued securities. The balance of the consideration is payable, in full or in part, when the Toga Trust requires the funds and/or payable in full on 5 February 2015.

Toga Trust is deemed to be a joint venture of the Group as the appointment of its trustee's directors and the allocation of voting rights for key business decisions require the unanimous approval of Toga Trust's venturers. The Group's share of net profits and net assets in Toga Trust is proportionally adjusted to the extent that the securities are partially paid up.

*The STC Transactions (Acquisition of businesses)*

On 1 November 2013, the Group through

- FEHH, acquired 100% equity interest in Rendezvous Hotels International Private Limited and its subsidiaries (the "RHI group"). The principal activity of the RHI group is that of hospitality management predominantly in Australia and New Zealand; and
- Far East Hospitality Properties (Australia) Pte. Ltd. ("FEHPA"), which is a wholly-owned subsidiary of FEHH, acquired three hotel businesses in Western Australia and Victoria, Australia,

from The Straits Trading Company Limited and its subsidiaries ("STC").

As a result of the acquisition of businesses from STC, the Group is expected to increase its presence in Australia and New Zealand.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2013

## 39. SIGNIFICANT TRANSACTIONS (continued)

(a) (continued)

*The STC Transactions (Acquisition of businesses) (continued)*

Details of the consideration paid, the assets acquired and liabilities assumed and the effects on the cash flows of the Group, at the completion date, are as follows:

(i) *Purchase consideration*

	\$'000
Cash paid	76,180
30,000,000 FEHH shares*	101,220
<b>Consideration transferred for the businesses</b>	<b>177,400</b>

\* Representing 30% equity interest in FEHH

The fair value of the FEHH shares is determined based on the fair value of its net assets at the completion date.

(ii) *Effect on cash flows of the Group*

	\$'000
Cash paid (as above)	76,180
Less: Cash and cash equivalents in subsidiaries acquired	(14,160)
<b>Cash outflow on acquisition</b>	<b>62,020</b>

(iii) *Identifiable assets acquired and liabilities assumed*

	\$'000
Cash and cash equivalents	14,160
Trade and other receivables	11,023
Inventories	582
Investment properties (Note 21)	26,447
Property, plant and equipment (Note 22)	185,036
Hospitality lease and management agreements (included in intangible assets) [Note 23(b)]	11,175
Current income tax liabilities [Note 10(b)]	81
Total assets	248,504
Trade and other payables	(14,844)
Borrowings	(49,056)
Deferred income tax liabilities (Note 29)	(739)
Provision for onerous contracts (Note 27)	(24,706)
Total liabilities	(89,345)
<b>Total identifiable net assets</b>	<b>159,159</b>
Add: Goodwill [Note 23(a)]	18,241
<b>Consideration transferred for the businesses</b>	<b>177,400</b>

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2013

## 39. SIGNIFICANT TRANSACTIONS (continued)

### (a) (continued)

#### *The STC Transactions (Acquisition of businesses) (continued)*

#### (iv) *Goodwill*

The goodwill of \$18,241,000 arising from the acquisitions is attributable to the hospitality property ownership portfolio in Australia and the synergies expected to arise from the economics of scale in combining the operations from the acquired businesses with those of Toga Trust and the Group.

#### (v) *Revenue and profit contribution*

The acquired business contributed revenue of \$25,129,000 and net profit of \$995,000 to the Group for the period from 1 November 2013 to 31 December 2013.

Had the businesses been consolidated from 1 January 2013, consolidated revenue and consolidated profit of the Group for the year ended 31 December 2013 would have been \$240,206,000 and \$10,302,000 respectively.

#### *The Business Transfer*

On 1 November 2013, the Group through FEHMS, which is a wholly-owned subsidiary of FEHH, completed the Business Transfer for a consideration of \$160,000,000. The Business Transfer is deemed to be a capital reorganisation and the assets and liabilities transferred are measured at their carrying values at the completion date, with a capital reserve of \$10,557,000 arising from the transaction with the non-controlling interest recognised in FEHH [Note 31(b)(vi)].

#### *Acquisition-related costs*

Acquisition-related costs for the above three transactions of \$16,915,000, including non-audit fees of \$1,437,000 paid/payable to the auditors of the Company, are included in "Other expenses" in the profit or loss and in operating cash flows in the consolidated statement of cash flows.

### (b) Asset Swap Transaction

As described in Note 37(c), under the Asset Swap Transaction, on 27 August 2012, the Group (through its wholly-owned subsidiary, JPPL) completed the acquisition of medical suites in NMC and NSC and the hospitality management business from NPPL, TPPL and FEHS respectively. As a result of the acquisition of the:

- hospitality management business, the Group is expected to become a vertically-integrated hospitality operator with the ability to both develop its own hospitality properties as well as manage a significant hospitality management business; and
- medical suites, the Group will have the opportunity to participate in the growing healthcare industry in Singapore and in the increasing demand for healthcare space.

Details of the consideration paid, the assets acquired and liabilities assumed and the effects on the cash flows of the Group, at completion date, are as follows:

#### (i) *Purchase consideration*

	\$'000
Cash paid	58,653
200,942,854 YHS shares	391,839
<b>Consideration transferred for the businesses</b>	<b>450,492</b>

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2013

## 39. SIGNIFICANT TRANSACTIONS (continued)

### (b) Asset Swap Transaction (continued)

#### (ii) *Effect on cash flows of the Group*

	\$'000
Cash paid (as above)	58,653
<b>Cash outflow on acquisition</b>	<b>58,653</b>

#### (iii) *Identifiable assets acquired and liabilities assumed*

	\$'000
Medical suites [included in properties held for sale (Note 16) and investment properties (Note 21)]	305,350
Hospitality management agreements (included in intangible assets) [Note 23(b)]	89,060
Property, plant and equipment (Note 22)	320
Total assets	394,730
Deferred income tax liabilities (Note 29)	(15,140)
Other payables	(540)
Total liabilities	(15,680)
<b>Total identifiable net assets</b>	<b>379,050</b>
Add: Goodwill [Note 23(a)]	71,442
<b>Consideration transferred for the businesses</b>	<b>450,492</b>

#### (iv) *Acquisition-related costs*

Acquisition-related costs of \$9,150,000 are included in "Other gains - net" in the profit or loss and in operating cash flows in the consolidated statement of cash flows.

#### (v) *Goodwill*

The goodwill of \$71,442,000 arising from the acquisition is attributable to:

- the additional goodwill, that amounts to \$30,141,000, which is a result of using the market price of YHS shares on the completion date, instead of the agreed price, to compute the consideration transferred for the acquisition of the businesses in the Asset Swap Transaction; and
- the existence of an assembled hospitality management workforce that permits the Group to continue to operate the acquired business from the completion date.

The additional goodwill of \$30,141,000 is impaired upon acquisition [Note 23(a)].

#### (vi) *Revenue and profit contribution*

The acquired businesses contributed revenue of \$10,324,000 and net profit of \$2,248,000 to the Group for the period from 27 August 2012 to 31 December 2012.

Had the businesses been consolidated from 1 January 2012, consolidated revenue and consolidated profit of the Group for the year ended 31 December 2012 would have been \$84,036,000 (restated) and \$192,489,000 respectively.



# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2013

## 40. NEW OR REVISED ACCOUNTING STANDARDS AND INTERPRETATIONS

Certain new accounting standards, amendments and interpretations to existing standards have been published that are mandatory for accounting periods beginning on or after 1 January 2014. The Group and Company does not expect that adoption of these accounting standards or interpretations will have a material impact on the Company's financial statements.

## 41. 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 27 March 2014.

## 42. LISTING OF COMPANIES IN THE GROUP

Set out below are the Group's subsidiaries, associated companies and joint ventures. The country of incorporation or registration is also their place of principal place of business except as disclosed.

Name of company	Principal activities	Country of incorporation	Cost of investment		Ownership interest held by the Group		Ownership interest held by the NCI	
			2013 \$'000	2012 \$'000	2013 %	2012 %	2013 %	2012 %
Subsidiaries held by the Company								
Stable Properties Pte Ltd <sup>(a)</sup>	Property investment	Singapore	*	*	100	100	-	-
First Choice Properties Pte Ltd <sup>(a)</sup>	Operation of hotel	Singapore	12,083	12,083	100	100	-	-
Tannery Holdings Pte Ltd <sup>(a)</sup>	Property development and investment	Singapore	*	*	100	100	-	-
Pinehigh Development Sdn Bhd <sup>(b)</sup>	Property investment and development	Malaysia	*	*	100	100	-	-
Westview Properties Pte Ltd <sup>(g)</sup>	Property development	Singapore	17,370	17,370	100	100	-	-
Jadevine Limited <sup>(g)</sup>	Property development	Singapore	26,018	26,018	100	100	-	-
Pearlvine Pte Ltd <sup>(a)</sup>	Property development	Singapore	7,863	7,863	100	100	-	-
OPH Property Limited <sup>(a)</sup>	Investment holding	Singapore	*	*	100	100	-	-
OPH Westcove Pte Ltd <sup>(g)</sup>	Property development	Singapore	1,000	1,000	100	100	-	-
OPH Zenith Pte Ltd <sup>(a)</sup>	Investment holding	Singapore	*	*	100	100	-	-
OPH Riverside Pte Ltd <sup>(a)</sup>	Operation of serviced residences	Singapore	30,972	30,972	100	100	-	-
OPH Investments Pte Ltd <sup>(a)</sup>	Investment holding	Singapore	*	*	100	100	-	-
OPH Marymount Limited <sup>(a)</sup>	Property development	Singapore	1,000	1,000	100	100	-	-
OPH Orion Limited <sup>(a)</sup>	Investment holding	Singapore	*	*	100	100	-	-
Jelco Properties Pte Ltd <sup>(a)</sup>	Investment holding and management of hospitality and other properties	Singapore	396,100	396,100	100	100	-	-
OPH Investment Trading Pte Ltd <sup>(a)</sup>	Investment trading and holding	Singapore	*	*	100	100	-	-
Seasons Green Limited <sup>(a)</sup>	Property development	Singapore	800	800	80	80	20	20
Far East Hospitality Holdings Pte. Ltd. <sup>(a)</sup>	Investment holding	Singapore	70,001	-	70	-	30	-
			563,207	493,206				

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2013

## 42. LISTING OF COMPANIES IN THE GROUP (continued)

Name of company	Principal activities	Country of incorporation	Cost of investment		Ownership interest held by the Group		Ownership interest held by the NCI	
			2013 \$'000	2012 \$'000	2013 %	2012 %	2013 %	2012 %
<u>Subsidiaries held by the Company's subsidiary</u>								
Far East Hospitality Management (S) Pte. Ltd. <sup>(a)</sup>	Management of hospitality and other properties	Singapore	10,000	-	70	-	30	-
Far East Hospitality Properties (Australia) Pte. Ltd. <sup>(a)</sup>	Investment holding	Singapore <sup>(h)</sup>	10,000	-	70	-	30	-
Far East Hospitality Investments (Australia) Pte. Ltd. <sup>(a)</sup>	Investment holding	Singapore <sup>(h)</sup>	10,000	-	70	-	30	-
Rendezvous Hotels International Private Limited <sup>(c)</sup>	Investment holding and hospitality management	Australia	10,290	-	70	-	30	-
Rendezvous Hotels (NZ) Limited <sup>(d)</sup>	Operation of hotels	New Zealand	*	-	70	-	30	-
Marque Hotels International Pty Ltd <sup>(d)</sup>	Operation of hotels	Australia	*	-	70	-	30	-
Rendezvous Hotels (Australia) Pty Ltd <sup>(d)</sup>	Operation of hotels	Australia	1,141	-	70	-	30	-
Allegra Hotel Pty Ltd <sup>(d)</sup>	Operation of hotel	Australia	689	-	70	-	30	-
			42,120	-				

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2013

## 42. LISTING OF COMPANIES IN THE GROUP (continued)

Name of company	Principal activities	Country of incorporation	Ownership interest held by the Group		Ownership interest held by the NCI	
			2013 %	2012 %	2013 %	2012 %
<u>A joint venture held by the Company</u>						
WaterVine Homes Pte Ltd <sup>(c)</sup>	Property development	Singapore	30	-	-	-
<u>Joint ventures held by subsidiaries</u>						
Joint venture of:						
<i>OPH Orion Limited:</i>						
Orwin Development Limited <sup>(a)(i)</sup>	Property development	Singapore	60	60	-	-
<i>Pearlvine Pte Ltd:</i>						
Far East Opus Pte. Ltd. <sup>(a)</sup>	Property development	Singapore	20	20	-	-
<i>Far East Hospitality Investments (Australia) Pte. Ltd.:</i>						
Toga Hotel Holdings Unit Trust <sup>(e)</sup>	Hospitality management and hospitality assets	Australia	26	-	11	-
<u>Associated companies held by subsidiaries</u>						
Associated company of:						
<i>OPH Property Limited:</i>						
Hill Grove Realty Limited <sup>(a)</sup>	Property development	Singapore	50	50	-	-
<i>OPH Zenith Pte Ltd:</i>						
Seasons Park Limited <sup>(g)</sup>	Property development	Singapore	50	50	-	-
<i>OPH Investments Pte Ltd:</i>						
Minard Investment Limited <sup>(f)</sup>	Investment holding	British Virgin Islands	25	25	-	-
<u>Associated companies held by the Company</u>						
FEO Hospitality Asset Management Pte. Ltd. <sup>(c)</sup>	REIT Manager of Far East Hospitality Trust	Singapore	33	33	-	-
FEO Hospitality Trust Management Pte. Ltd. <sup>(c)</sup>	Trustee-Manager of Far East Hospitality Trust	Singapore	33	33	-	-

\* Cost of investment less than \$1,000

(a) Audited by PricewaterhouseCoopers LLP, Singapore.

(b) Audited by Roger Yue, Tan & Associates, Malaysia.

(c) Audited by Ernst and Young, Singapore.

(d) Audited by Ernst and Young, Perth.

(e) Audited by PricewaterhouseCoopers LLP, Sydney.

(f) Not required to be audited under the laws of the country of incorporation.

(g) Voluntary liquidation in progress.

(h) Principal place of operation being Australia

(i) Orwin Development Limited is a subsidiary of the Group under the Singapore Companies Act, Cap. 50, by virtue of the Group's equity interests exceeding 50%. However, for accounting purposes, Orwin Development Limited is regarded as a joint venture (Note 18) in accordance with FRS 111 Joint Arrangements because a contractual agreement exists between the shareholders which requires unanimous consent from the shareholders for all relevant activities relating to the company.

# STATISTICS OF SHAREHOLDINGS

As at 10 March 2014

Issued and fully paid-up capital	:	\$420,615,904.61
Number of shares issued	:	389,912,449
Class of shares	:	Ordinary shares fully paid
Voting rights	:	One vote per share

## DISTRIBUTION OF SHAREHOLDINGS

Size of Holdings	No. of Shareholders	%	No. of Shares	%
1 - 999	535	9.80	105,309	0.03
1,000 - 10,000	3,722	68.18	16,183,648	4.15
10,001 - 1,000,000	1,178	21.58	43,064,295	11.04
1,000,001 and above	24	0.44	330,559,197	84.78
Total	5,459	100.00	389,912,449	100.00

## TWENTY LARGEST SHAREHOLDERS

No.	Name	No. of Shares	%
1	FAR EAST ORGANISATION PTE LTD	231,951,701	59.49
2	UNITED OVERSEAS BANK NOMINEES (PRIVATE) LIMITED	11,026,793	2.83
3	ESTATE OF KHOO TECK PUAT, DECEASED	10,543,400	2.70
4	CITIBANK NOMINEES SINGAPORE PTE LTD	9,254,029	2.37
5	THE BANK OF EAST ASIA (NOMINEES) PRIVATE LIMITED	8,764,976	2.25
6	BNP PARIBAS PRIVATE BANK NOMINEES SINGAPORE PTE. LTD.	8,611,524	2.21
7	DAIWA (MALAYA) PRIVATE LIMITED	6,731,200	1.73
8	DBS NOMINEES (PRIVATE) LIMITED	6,351,004	1.63
9	PARAMOUNT ASSETS INVESTMENTS PTE LTD	5,500,000	1.41
10	MAYBANK KIM ENG SECURITIES PTE. LTD.	4,850,687	1.24
11	HSBC (SINGAPORE) NOMINEES PTE LTD	3,284,204	0.84
12	RAFFLES NOMINEES (PTE) LIMITED	3,194,667	0.82
13	DBS VICKERS SECURITIES (SINGAPORE) PTE LTD	2,777,157	0.71
14	LEE PINEAPPLE COMPANY PTE LTD	2,750,000	0.71
15	UOB KAY HIAN PRIVATE LIMITED	2,640,042	0.68
16	OCBC NOMINEES SINGAPORE PRIVATE LIMITED	2,380,709	0.61
17	HOTEL HOLDINGS (PRIVATE) LTD	1,699,600	0.44
18	CIMB SECURITIES (SINGAPORE) PTE. LTD.	1,399,804	0.36
19	DBSN SERVICES PTE. LTD.	1,274,585	0.33
20	HEXACON CONSTRUCTION PTE LTD	1,190,767	0.31
Total		326,176,849	83.67

# STATISTICS OF SHAREHOLDINGS

As at 10 March 2014

## SUBSTANTIAL SHAREHOLDERS (as shown in the Register of Substantial Shareholders)

Name	Direct Interest	%	Deemed Interest	%
Far East Organisation Pte Ltd	231,951,701	59.49	-	-
The Estate of Khoo Teck Puat, deceased <sup>(1)</sup>	2,248,400	0.60	18,702,600	4.80
Tan Kim Choo <sup>(2)</sup>	224,659	0.06	231,951,701	59.49
The Estate of Ng Teng Fong, deceased	-	-	231,951,701	59.49

Notes:

- (1) The Estate of Khoo Teck Puat, deceased, is deemed to be interested in the shares held by Daiwa (Malaya) Private Limited, Goodwood Park Hotel Limited, Hotel Holdings (Private) Limited, Industrial Syndicate (Private) Ltd, Kim Eng Securities Pte Ltd, Leo Investments Corpn S B and Luxor Hotel Limited.
- (2) Mdm Tan Kim Choo is deemed to be interested in the shares of the Company held by Far East Organisation Pte Ltd ("FEO") through her 50% shareholding in the issued share capital of FEO.

## PERCENTAGE OF SHAREHOLDINGS IN PUBLIC HANDS

Based on the information provided to the Company as at 10 March 2014, approximately 35.06% of the issued share capital of the Company was held by the public. Accordingly, the Company has complied with Rule 723 of the Listing Manual of the Singapore Exchange Securities Trading Limited.

# NOTICE OF ANNUAL GENERAL MEETING

## FAR EAST ORCHARD LIMITED

(Incorporated in the Republic of Singapore) (Registration No: 196700511H)

**NOTICE IS HEREBY GIVEN** that the Forty-sixth Annual General Meeting of Far East Orchard Limited (the “Company”) will be held at Antica I, Level 2, Orchard Parade Hotel, 1 Tanglin Road, Singapore 247905 on Thursday, 24 April 2014 at 2.00 p.m. for the following purposes:

### AS ORDINARY BUSINESS

1. To receive and adopt the Audited Financial Statements for the financial year ended 31 December 2013 together with the Reports of the Directors and Independent Auditor thereon. **(Resolution 1)**
2. To declare a first and final one-tier tax exempt dividend of S\$0.06 per ordinary share for the financial year ended 31 December 2013. **(Resolution 2)**
3. To approve the sum of up to S\$534,625 as Directors’ fees for the financial year ending 31 December 2014, to be paid quarterly in arrears. **(Resolution 3)**
4. To re-elect the following Directors retiring pursuant to Articles 96 and 101 of the Company’s Articles of Association:
 

(i) Mdm Ng Siok Keow	(retiring pursuant to Article 96)	<b>(Resolution 4)</b>
(ii) Mdm Ee Choo Lin Diana	(retiring pursuant to Article 96)	<b>(Resolution 5)</b>
(iii) Ms Chua Kheng Yeng, Jennie	(retiring pursuant to Article 101)	<b>(Resolution 6)</b>
5. To re-appoint Mr Cheng Hong Kok as a Director of the Company pursuant to Section 153(6) of the Companies Act (Chapter 50) of Singapore, to hold such office from the date of this Annual General Meeting until the next Annual General Meeting of the Company. **(Resolution 7)**
6. To re-appoint PricewaterhouseCoopers LLP as Independent Auditor of the Company and to authorise the Directors to fix their remuneration. **(Resolution 8)**
7. To transact any other ordinary business that may be properly transacted at an Annual General Meeting.

### AS SPECIAL BUSINESS

To consider and, if thought fit, to pass the following resolutions as Ordinary Resolutions, with or without modifications:

8. Authority to allot and issue shares

“That pursuant to Section 161 of the Companies Act (Chapter 50) of Singapore (**Act**) and the Listing Manual of the Singapore Exchange Securities Trading Limited (**SGX-ST**), authority be and is hereby given to the Directors of the Company to:

# NOTICE OF ANNUAL GENERAL MEETING

## FAR EAST ORCHARD LIMITED

(Incorporated in the Republic of Singapore) (Registration No: 196700511H)

- (a) (i) issue shares in the capital of the Company (**Shares**) whether by way of rights, bonus or otherwise; and/or
- (ii) make or grant offers, agreements or options (collectively, **Instruments**) that might or would require Shares to be issued, including but not limited to the creation and issue of (as well as adjustments to) warrants, debentures or other instruments convertible or exchangeable into Shares,

at any time and upon such terms and conditions and for such purposes and to such persons as the Directors may in their absolute discretion deem fit; and

- (b) (notwithstanding the authority conferred by this Resolution may have ceased to be in force) issue Shares in pursuance of any Instrument made or granted by the Directors while this Resolution was in force,

provided that:

- (1) the aggregate number of Shares to be issued pursuant to this Resolution (including Shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution) does not exceed 50% of the total number of issued Shares (excluding any treasury shares, 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, 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, if any) shall be based on the total number of issued Shares (excluding treasury shares, if any) in the capital of the Company at the time this Resolution is passed, after adjusting for:
  - (i) new Shares arising from the conversion or exercise of any convertible securities or share options or vesting of share awards which are outstanding or subsisting at the time this Resolution is passed; and
  - (ii) any subsequent bonus issue, consolidation or subdivision of Shares;
- (3) in exercising the authority conferred by this Resolution, the Company shall comply with the provisions of the Act and the Listing Manual of the SGX-ST for the time being in force (unless such compliance has been waived by the SGX-ST) and the articles of association for the time being of the Company; and
- (4) (unless revoked or varied by the Company in general meeting) the authority conferred by this Resolution shall continue in force until the conclusion of the next annual general meeting of the Company or the date by which the next annual general meeting of the Company is required by law to be held, whichever is the earlier."

**(Resolution 9)**

# NOTICE OF ANNUAL GENERAL MEETING

**FAR EAST ORCHARD LIMITED**

(Incorporated in the Republic of Singapore) (Registration No: 196700511H)

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 or any of them to enter into any of the transactions falling within the types of the Interested Person Transactions, particulars of which are set out in the Appendix to this Notice of Annual General Meeting, with any party who is of the class of Interested Persons described in the Appendix to this Notice of Annual General Meeting, provided that such transactions are in accordance with the review procedures for Interested Person Transactions as set out in the Appendix to this Notice of Annual General Meeting;
- (b) the approval given in sub-paragraph (a) above (the "Mandate") shall unless revoked or varied by the Company in general meeting continue in force until the next annual general meeting of the Company or the date by which the next annual general meeting of the Company is required by law to be held, whichever is the earlier; and
- (c) the Directors of the Company be and is hereby authorised, jointly or severally, to take such steps and exercise such discretion as the Directors of the Company 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."

**(Resolution 10)**

BY ORDER OF THE BOARD

JESSICA LIEN MEI JIN  
MADELYN KWANG YEIT LAM  
Company Secretaries

Singapore,  
9 April 2014



# NOTICE OF ANNUAL GENERAL MEETING

## FAR EAST ORCHARD LIMITED

(Incorporated in the Republic of Singapore) (Registration No: 196700511H)

### Explanatory Notes:

- (1) **Ordinary Resolution 4** is to re-elect Mdm Ng Siok Keow who will be retiring by rotation pursuant to Article 96 of the Articles of Association and if she is re-elected, she is considered a Non-Executive Director.
- (2) **Ordinary Resolution 5** is to re-elect Mdm Ee Choo Lin Diana who will be retiring by rotation pursuant to Article 96 of the Articles of Association and if she is re-elected, she will remain as a member of the Audit Committee and a member of the Remuneration Committee. Mdm Ee is considered an Independent Director for the purposes of Rule 704(8) of the Listing Manual of the Singapore Exchange Securities Trading Limited.
- (3) **Ordinary Resolution 6** is to re-elect Ms Chua Kheng Yeng, Jennie (who was appointed on 1 January 2014) pursuant to Article 101 of the Articles of Association and if she is re-elected, she will remain as a member of the Audit Committee and a member of the Nominating Committee. Ms Chua is considered an Independent Director for the purposes of Rule 704(8) of the Listing Manual of the Singapore Exchange Securities Trading Limited.
- (4) **Ordinary Resolution 7** is to re-appoint Mr Cheng Hong Kok pursuant to Section 153(6) of the Companies Act, Chapter 50, to hold such office from the date of this Annual General Meeting until the next Annual General Meeting of the Company, and if he is re-appointed, he will remain as the Chairman of the Audit Committee and a member of the Remuneration Committee. Mr Cheng is considered an Independent Director for the purposes of Rule 704(8) of the Listing Manual of the Singapore Exchange Securities Trading Limited.
- (5) **Ordinary Resolution 9**, if passed, will empower the Directors of the Company from the date of the above Meeting until the next Annual General Meeting to allot and issue shares and to make or grant instruments convertible into shares in the capital of the Company 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, if any) in the capital of the Company, 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, if any) in the capital of the Company at the time this Resolution is passed after adjusting for (a) new shares arising from the conversion or exercise of convertible securities or employee share options on issue at the time this Resolution is passed, and (b) any subsequent bonus issue, consolidation or subdivision of shares. This authority will, unless previously revoked or varied at a general meeting, expire at the conclusion of the next Annual General Meeting of the Company.
- (6) **Ordinary Resolution 10**, if passed, will renew the Mandate (which was approved at the Extraordinary General Meeting of the Company held on 9 July 2013) and empower the Company, its subsidiaries and associated companies, to enter into the Interested Persons Transactions as described in the Appendix to this Notice of Annual General Meeting. The authority under the renewed Mandate will, unless revoked or varied by the Company in general meeting, expire at the conclusion of the next annual general meeting of the Company, or the date by which the next annual general meeting is required by law to be held, whichever is the earlier.

### Notes:

- (i) A member of the Company entitled to attend and vote at the above Meeting may appoint not more than two proxies to attend and vote in his/her stead.
- (ii) Where a member appoints two proxies, he/she shall specify the proportion of his/her shareholding to be represented by each proxy in the instrument appointing the proxies. A proxy need not be a member of the Company.
- (iii) If the member is a corporation, the instrument appointing the proxy must be under its common seal or under the hand of its attorney.
- (iv) The instrument appointing a proxy must be deposited at the Registered Office of the Company at 1 Tanglin Road #05-01, Orchard Parade Hotel, Singapore 247905 not less than 48 hours before the time appointed for holding the above Meeting.

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**FAR EAST ORCHARD LIMITED**  
(Incorporated in the Republic of Singapore)  
(Registration No: 196700511H)

**IMPORTANT**

1. For investors who have used their CPF monies to buy Far East Orchard Limited shares, this Report is forwarded to them at the request of the CPF Approved Nominees 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 investors who wish to attend the Meeting as an observer must submit their requests through their CPF Approved Nominees within the time frame specified. If they also wish to vote, they must submit their voting instructions to the CPF Approved Nominees within the time frame specified to enable them to vote on their behalf.

# PROXY FORM

## ANNUAL GENERAL MEETING

I/We \_\_\_\_\_

of \_\_\_\_\_

being a member/members of Far East Orchard Limited (the "**Company**") hereby appoint:

Name	NRIC/Passport No.	Proportion of Shareholdings	
		No. of Shares	%
Address			

and/or (delete as appropriate)

Name	NRIC/Passport No.	Proportion of Shareholdings	
		No. of Shares	%
Address			

as my/our proxy/proxies to vote for me/us on my/our behalf at the Forty-sixth Annual General Meeting ("AGM") of the Company to be held on Thursday, 24 April 2014 at 2.00 p.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*
1.	Adoption of Audited Financial Statements together with the Reports of Directors and Independent Auditor		
2.	Payment of first and final tax-exempt dividend		
3.	Approval of Directors' fees for the sum of up to S\$534,625 for the financial year ending 31 December 2014		
4.	Re-election of Mdm Ng Siok Keow as a Director		
5.	Re-election of Mdm Ee Choo Lin Diana as a Director		
6.	Re-election of Ms Chua Kheng Yeng, Jennie as a Director		
7.	Re-appointment of Mr Cheng Hong Kok as a Director		
8.	Re-appointment of PricewaterhouseCoopers LLP as Independent Auditor		
Special Business			
9.	Authority to allot and issue shares		
10.	Proposed renewal of the shareholders' mandate for Interested Person Transactions.		

\* Please indicate your vote "For" or "Against" with a tick (✓) within the box provided.

Dated this \_\_\_\_\_ day of \_\_\_\_\_, 2014.

\_\_\_\_\_  
Signature(s) of Member(s)/Common Seal

Total number of shares in:	No. of shares
(a) CDP Register	
(b) Register of Members	

**IMPORTANT: PLEASE READ NOTES OVERLEAF**

Affix  
Postage  
Stamp

Company Secretary  
Far East Orchard Limited  
1 Tanglin Road  
#05-01 Orchard Parade Hotel  
Singapore 247905

Fold along dotted line

Fold along dotted line

Notes:

1. A member of the Company entitled to attend and vote at the AGM is entitled to appoint not more than two proxies to attend and vote on his behalf. A proxy need not be a member of the Company.
2. 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.
3. A member should insert the total number of shares held. If the member has shares entered against his name in the Depository Register (as defined in Section 130A of the Companies Act, Cap. 50 of Singapore), he should insert that number of shares. If the member has shares registered in his name in the Register of Members 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 proxy form will be deemed to relate to all the shares held by the member.
4. This proxy form must be deposited at the Company's registered office at 1 Tanglin Road #05-01, Orchard Parade Hotel, Singapore 247905 not less than 48 hours before the time set for the AGM.
5. This proxy form must be under the hand of the appointor or of his attorney duly authorised in writing. Where this proxy form is executed by a corporation, it must be executed either under its common seal or under the hand of its attorney.
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 with the instrument of proxy or proxies, failing which the instrument may be treated as invalid.

General

The Company shall be entitled to reject an instrument appointing a proxy which is incomplete, improperly completed, illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the proxy form. In addition, in the case of shares entered in the Depository Register, the Company may reject a proxy form if the member, being the appointor, is not shown to have shares entered against his name in the Depository Register as at 48 hours before the time appointed for holding the AGM, as certified by The Central Depository (Pte) Limited to the Company.





A MEMBER OF FAR EAST ORGANIZATION

REGISTRATION NO. 196700511H

1 Tanglin Road #05-01  
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Singapore 247905  
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