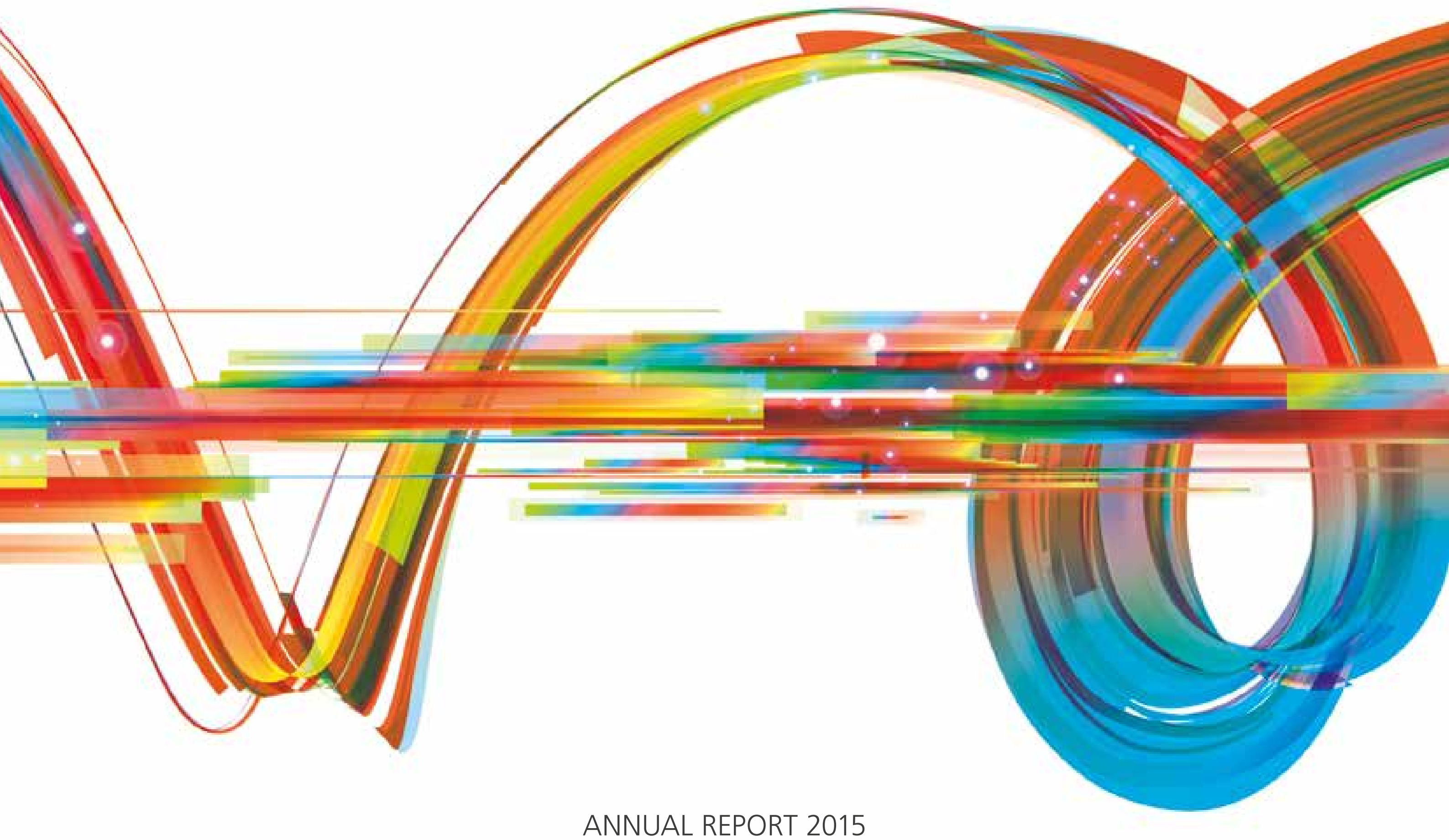
FAR EAST ORCHARD LIMITED

A MEMBER OF FAR EAST ORGANIZATION



ANNUAL REPORT 2015

IN MOMENTUM

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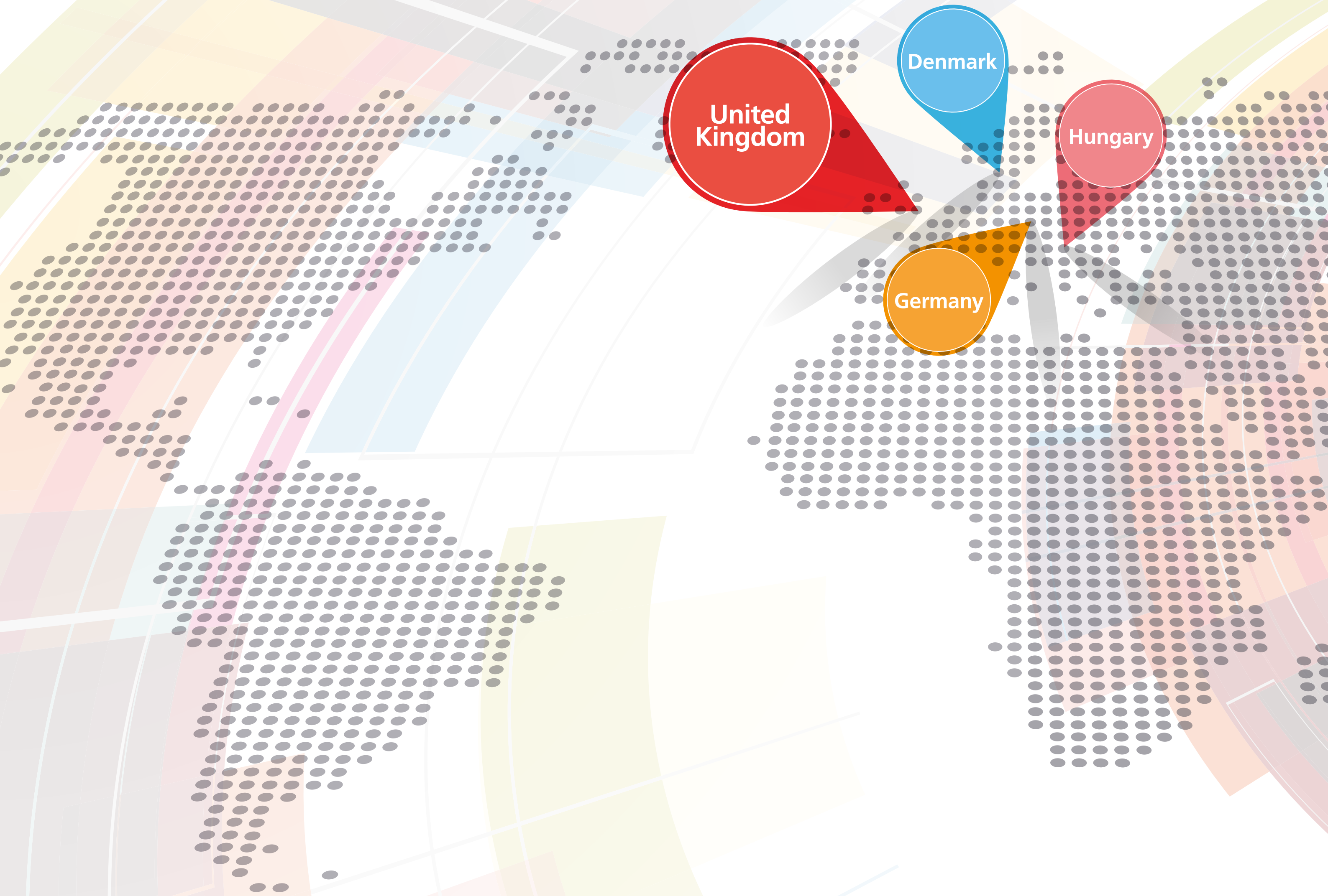


As Far East Orchard leverages on our current capabilities and continues to strengthen our foundation and drive sustainability, we actively seek new possibilities. We are well-positioned to rise up to the challenge and seize opportunities to create a growth momentum.

Strong. Dynamic. Positive.

CORPORATE PROFILE

Far East Orchard Limited (Far East Orchard) 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, the Company adopted its new name of Far East Orchard Limited to better reflect its close alignment with its substantial shareholder and to leverage on 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. The latest completed project is euHabitat, a first-of-its-kind integrated residential development. It is currently developing RiverTrees Residences, a joint venture with Frasers Centrepoint Limited and Sekisui House, Ltd. For commercial development projects in Singapore, Woods Square and SBF Center are joint developments with Far East Organization. Far East Orchard has also successfully developed quality landed, cluster and high-rise residences, such as The Floridian, The Nexus, Glendale Park, Regent Grove, Seasons View, Kew Green, Kew Residencia and The Manor Houses.

Since 2014, the Company has expanded beyond Singapore with its first joint venture property development project, Harbourfront Balmain in Sydney, Australia, with Australia's Toga Group. In the United Kingdom, Far East Orchard has recently acquired purpose-built student accommodation investment and development properties in Brighton and Newcastle upon Tyne.

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

Through its joint ventures with The Straits Trading Company Limited and Toga Group in 2013, the Company's hospitality arm - Far East Hospitality - has grown beyond Singapore and Malaysia, into Australia, Denmark, Germany, Hungary and New Zealand. The Company's hospitality portfolio now has a global footprint with more than 10 hospitality assets under its ownership. In addition, it manages close to 90 properties with over 13,000 rooms. In Singapore, it operates one of 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 Adina Apartment Hotels, Medina Serviced Apartments, The Marque Hotels, Oasia Hotels, The Quincy Hotel, Rendezvous Hotels, Travelodge Hotels, Vibe Hotels and Village Hotels & Residences.

Novena Specialist Center, Singapore


Harbourfront Balmain, Australia

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. An upcoming project, the 31-storey SBF Center located in the Central Business District, will offer a broad spectrum of office and medical spaces set in park-like greenery.

Today, Far East Orchard has a diversified global real estate portfolio in both property development and investment, and is also a vertically integrated regional hospitality owner and operator with a sizeable overseas network.

RiverTrees Residences, Singapore

Adina Apartment Hotel Berlin Hauptbahnhof, Germany

Amoy Hotel, Singapore

LETTER TO SHAREHOLDERS

Dear Shareholders,

Amidst a year of volatility in the global economy, our Group continued on the path towards building long term growth and sustainability. This follows the previous years' strategic restructuring and consolidation of our new businesses since the transformation of our Group in 2012. We embarked on the path to seek out and develop complementary business lines by bringing our knowledge and experience of the real estate industry to new geographies. In 2015, we delivered sales of S$270.9 million and profit attributable to equity shareholders ("attributable profit") of S$29.1 million.

Building a Strong Diversified Portfolio

To build our position as a leading regional and diversified real estate player, we continued to strengthen our property development portfolio in Singapore and made concerted efforts to grow our presence in Australia and Europe. Following our first Australian mixed development project in 2014, we entered into a new asset class, student accommodation, in the United Kingdom ("UK") and currently, garnered a portfolio of student accommodation properties in Newcastle and Brighton.

Our hospitality division, which had transitioned from a regional to an international player through strategic partnerships with the Toga Group ("Toga") and The Straits Trading Company Limited, continued to be a strong contributor to the Group's financial performance as the number of hospitality management contracts increased under its portfolio.

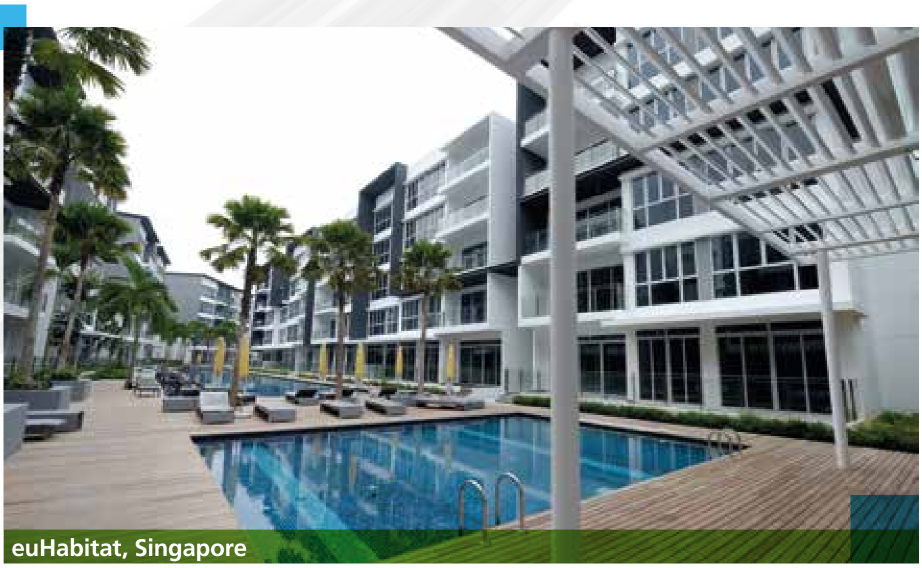
Delivering on our Targets

For the financial year ended 31 December 2015 ("FY2015"), the Group's attributable profit was S$29.1 million, a 17.9% decrease over the previous financial year ended 31 December 2014 ("FY2014"). The decline was a result of lower sales and lesser fair value gains, which were partially offset by the Group's share of the stronger financial performance from its overseas hospitality joint venture with Toga ("TFE Hotels").

Sales for the Group in FY2015 of S$270.9 million showed a decrease of 14.2% against FY2014. This was mainly attributed to higher progressive sales recognised from our residential development project and higher number of medical suites sold in FY2014. While our Australian and New Zealand's hospitality division performed well year-on-year, the sales equivalent in Singapore Dollar (SGD) was impacted by the weaker Australian Dollar (AUD) against the SGD. The divestment of the Group's interest in the properties at Bassein Road had partially offset the decline in sales in FY2015.

On our balance sheet, we maintained a low gearing ratio of 0.13, with total borrowings at S$154.9 million. The incremental borrowings of S$49.1 million were mainly due to bank borrowings to fund the acquisition of the student accommodation properties.

Our financial strategy includes capital recycling towards higher yielding opportunities and other business needs. In line with this strategy, the net proceeds from divestment of the Adina Apartment Hotel Brisbane, through TFE Hotels and properties at Bassein Road will be utilised for existing investments and new opportunities. In addition, we also established a S$1 billion multicurrency medium term


euHabitat, Singapore

note programme to capitalise on future business opportunities.

The Group's total net assets as at 31 December 2015 had grown to S$1.19 billion from S$1.18 billion as at 31 December 2014. The net asset value per share for FY2015 was S$2.86, which was marginally lower than FY2014 at S$2.92.

Based on the Group's FY2015 financial performance, the Board of Directors had recommended a first and final dividend of six cents per share.

Portland Green Student Village, United Kingdom

The Foundations of Growth – Tapping on our Real Estate Experience

Our foundation as a property development and investment company remains one of our core strengths. The property division achieved sales of S$77.2 million and a total operating profit of S$18.8 million, representing a decline of 25.5% and 37.3% respectively against FY2014. This arose from lower contribution by the property development division, offset by the 6.9% increase in total operating profit from the property investment division. The property development division was faced with lacklustre performance of the Singapore residential market arising from the government's cooling measures and uncertain market outlook, while contributions from the overseas development projects will only be recognised upon completion in the medium term.

Our integrated residential development in the Eastern part of Singapore, euHabitat, was well received, leaving only one unit unsold. With its Temporary of Occupation (TOP) status attained in November 2015, the sales and operating profit for the sold units has been fully recognised. RiverTrees Residences, an ongoing residential project at Sengkang, a joint development with Frasers Centrepoint Limited and Sekisui House, Ltd, achieved almost double of last year's sales, bringing the total number to more than 400 units sold.

"Our foundation as a property development and investment company remains one of our core strengths."

SBF Center and Woods Square, our mixed-used commercial developments, are progressing well. The former had sold 96% of the 249 units to date and is slated to receive its TOP in 2016. For Woods Square, the project is set to benefit from the transformation of the Woodlands Regional Centre when launched. Our share of contribution from these joint venture commercial developments will be recognised upon completion of these projects.

Singapore's reputation for quality healthcare augurs well for our property investment division, where its largest contribution is from the Group's medical suites in Novena Specialist Center and Novena Medical Center.

Gaining Momentum Overseas

Further afield, our overseas projects are also gaining traction. Harbourfront Balmain, our Australian residential project through a joint venture with Toga, is on track with 88% of the units released sold. The outlook for the project appears bright, as Sydney remains a favourite market with investors in terms of asset quality and yield.[1] The project is expected to be completed in 2017.

As we diversify our real estate portfolio, we made our foray into student accommodation asset class in the UK. Student accommodation is an alternative real estate sector sought after by many investors. In the UK, student housing is an established asset class over the last decade, as the second largest international destination market for students after the United States.[2]

The outlook for student accommodation demand in the UK remains healthy. There is an undersupply of student accommodation to meet the growing

Notes:
1 Asia Pacific Emerging Trends in Real Estate 2016, PricewaterhouseCoopers.
2 World Student Housing, Savills World Research, 2015/16

student population. Our two acquisitions to date, a portfolio of four purpose-built student accommodation properties, comprising investment and development assets in Newcastle, and a development site in Brighton, put us in good stead to capitalise on the prospects of this sector. The two investment assets in Newcastle have also started to contribute to FY2015's property investment division's financial results.

Hospitality – An Engine for Growth and Overseas Expansion

The hospitality division had shown significant growth in contributing to the Group since our strategic restructuring exercise. Our hospitality business, comprising hospitality management and hospitality assets, manages more than 13,000 rooms, spanning seven countries across three continents and owns more than 10 hospitality assets with a further two under development in Australia.

Our hospitality division continued to deliver growth in spite of the headwinds encountered by the industry in 2015. While the division had recorded sales of S$193.7 million in FY2015, which was lower than FY2014, its total operating profit of S$33.7 million was higher by S$8.7 million. It had also overtaken the property division's contribution to the Group. The strong performance from TFE Hotels, although impacted by the weaker AUD against the SGD, was the key driver of the increase and helped to offset the lower profits from the weaker Singapore hospitality market. The contribution from our overseas operations underscores the steady progress of our Group's strategic transformation to a diversified real estate player regionally, while building sustainability for the Group's long term growth.

A significant portion of our hospitality portfolio is located in Australia, where we currently manage more than 50 properties, and own nine hospitality assets under the Adina and Rendezvous brands. The Australian tourism market saw strong increase in both the number of visitors by 8.2% and visitors nights by 11.0% in 2015. This is expected to continue with international visitors and visitor nights to grow at an average of 5.4% and 5.3% per annum over the next three years till 2018.[3] Hence, we are well-positioned to capitalise on this uptrend, given our range of hospitality real estate offerings in that market.


Oasia Suites Kuala Lumpur, Malaysia

Our four hotel acquisitions in Germany and Denmark in 2014 established our platform for growth in Europe, the global leader in terms of tourist arrivals. Europe topped the ranks of world tourism growth in 2015 with 5% increase in tourist arrivals, and our hotels enjoyed the benefit of this increase in their respective markets. The outlook for the European hospitality industry remains optimistic with most markets expecting rising room occupancy and average daily rate.[4]

Singapore's tourism industry continued to face challenges in 2015 with the strength of the Singapore dollar being a factor contributing to the relatively weaker performance of the sector. Although visitor arrivals in 2015 grew[5], the market had also seen an increase in room supply, hence leading to a drop in revenue per available room. As a result, there was an impairment charge on the goodwill of our Singapore hospitality management business in our FY2015 financial performance. Visitor arrivals and tourism receipts are also expected to grow marginally in 2016.[6] Nevertheless, we see strong long-term growth prospects in Singapore's tourism industry.

Our hospitality management team is looking forward to the new openings in Singapore – Oasia Hotel Downtown, a 27-storey designer business hotel situated in the Central Business District with 314 rooms in the first half of 2016 and Oasia Residence, an upscale serviced residence with 140 apartments located near West Coast in late 2016. In Malaysia, we will also be opening our new hotel property, Oasia Suites Kuala Lumpur, with 247 rooms, in the second quarter of 2016. This hotel will be an important component in our strategy of growing our hospitality footprint in the region.

Our hospitality management team will continue to bring new management contracts to its portfolio. Building on established hospitality brand names through our joint ventures, we will forge ahead in this growth sector.

Looking to 2016

The outlook for the global economy in 2016 is challenging. We expect continued weakness in the Chinese and European economies, instability from natural resources prices, geo-political threats and volatile interest rates and stock markets. In spite of these headwinds, the Group will remain steadfast in our focus to deliver sustainable growth and value creation for our shareholders.

The strong fundamentals built into our business, together with financial prudency maintained over our operations, put us in a good position to keep our growth momentum. Despite a weak residential property market outlook in Singapore, we envisage that there will continue to be a healthy demand for developments in choice locations at attractive prices. Our overseas portfolio will also continue to offer opportunities for our Group to establish ourselves in those markets. We will remain vigilant in monitoring the market environment as we seek out and capitalise on new opportunities.

With world tourism on an upward trend, the Group continues to grow its hospitality business by increasing the number of hospitality management contracts in our portfolio while at the same time acquiring strategic assets in geographic areas of growth in the medium term. The Singapore market will continue to remain challenging, with close to 4,000 new rooms to be opened in 2016 on top of the over 14,000 rooms that were added to the market in the last three years.[7] However, we expect to see a healthy demand in the various markets our overseas hospitality portfolio are in, thereby bringing a good diversification and balance to our portfolio.

In Appreciation by Chairman

On behalf of the Board and Management, we would like to extend our sincere gratitude to Mdm Ng Siok Keow, who will be retiring from the Board of Directors. We have benefitted immensely from her diligence, invaluable insights and guidance during her more than 25 years of dedicated service to the Board and Group.

In Appreciation

With the Group delivering another year of stable financial performance, we would like to record our thanks to the management, staff and business partners for their dedication and hard work in supporting the growth of the Group in this challenging environment.

We would also like to express our appreciation to the Board of Directors for their guidance and counsel and for helping to steer us in the direction of growth and possibilities. Last but not least, our thanks goes to our shareholders. Your confidence and trust in the Group spurs us on to greater achievements. We are ready to journey through 2016, leveraging on our core capabilities to achieve sustainable growth as a leading regional and diversified real estate player.

Thank you.

Koh Boon Hwee
Chairman

Lui Chong Chee
Group Chief Executive Officer and Managing Director

18 March 2016

Oasia Hotel Downtown, Singapore

Notes:

3 Tourism and Hotel Market Outlook 2016, Executive Summary – For public release, Deloitte. Feb 2016.

4 European cities hotel forecast for 2016 and 2017, PricewaterhouseCoopers, Mar 2016.

5 Singapore Tourism Board Hotel Statistics 2015 (preliminary), https://www.stb.gov.sg/statistics-and-market-insights/marketstatistics/2015hs(updated%20 29feb16).pdf

6 More tourists visited Singapore, but less tourist dollars received in 2015, CNA, 29 Feb 2016

7 4,000 hotel rooms to be added next year – will room rates be reduces, The New Paper, Dec 16, 2015 and Far East Orchard analysis

BUSINESS STRUCTURE

Property

Property Investment

Singapore

100%

- Offices at Tanglin Shopping Centre
- Medical units at Novena Medical Center and Novena Specialist Center

Hospitality

Leased properties[2]

Singapore

100%

- Orchard Parade Hotel
- Village Hotel Albert Court
- Village Residence Clarke Quay

Australia and New Zealand

70%

- Rendezvous Hotel Sydney The Rocks
- Rendezvous Reef Resort Port Douglas
- Rendezvous Hotel Brisbane on George
- Rendezvous Hotel Sydney Central
- Rendezvous Hotel Auckland
- Rendezvous Hotel Christchurch

Owned properties[2]

Australia

70%

- Rendezvous Hotel Perth Scarborough
- Rendezvous Hotel Perth Central
- Rendezvous Hotel Melbourne
- Restaurant and manager unit at Adina Apartment Hotel Brisbane Anzac Square
- Manager units at Rendezvous Reef Resort Port Douglas
- Retail podium at Rendezvous Hotel Perth Scarborough

30%

- Adina Apartment Hotel Sydney Harbourside
- Adina Apartment Hotel Adelaide Treasury
- Vibe Hotel Sydney[3]
- Travelodge Mirambeena Resort Darwin
- 280 George Street Sydney
- 171 George Street Brisbane

United Kingdom
100%
- Turner Court student accommodation building
- Rosedale Court student accommodation building
- Land sites for student accommodation buildings

Property Development

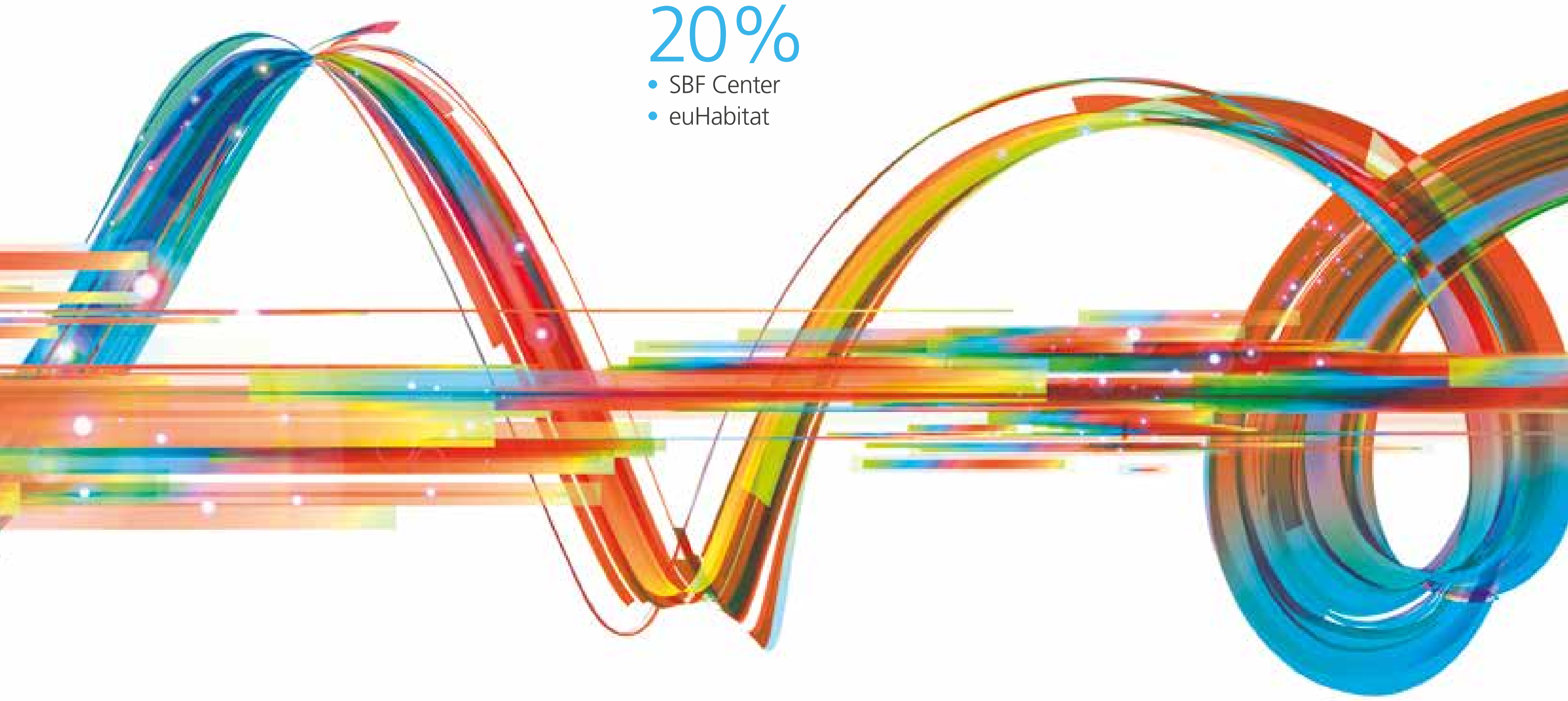
Singapore
100%
- Medical units at Novena Medical Center and Novena Specialist Center

33%
- Woods Square

30%
- RiverTrees Residences

20%
- SBF Center
- euHabitat

Australia
50%
- Harbourfront Balmain



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

Denmark
35%
- Adina Apartment Hotel Copenhagen

Malaysia
100%
- Oasia Suites Kuala Lumpur

Management and other

Singapore and Malaysia
70%
- Far East Hospitality
  Operates the brands Oasia Hotels, The Quincy Hotel, Rendezvous Hotels and Village Hotels and Residences

Australia, New Zealand, Germany, Hungary and Denmark
30%
- TFE Hotels
  Operates the brands Adina Apartment Hotels, Medina Serviced Apartments, Rendezvous Hotels, Travelodge Hotels and Vibe Hotels

Investments

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

Notes:
1 Percentages shown here are based on the Group's effective interest.
2 Managed by Far East Hospitality or TFE Hotels.
3 A sale and purchase agreement was entered into for the sale of this property before 31 December 2015. Completion of the sale will be subject to satisfaction of conditions precedent.

JUL 2012

Renamed as Far East Orchard Limited from Orchard Parade Holdings Limited

AUG 2012

Commenced new businesses in hospitality management and healthcare real estate

AUG 2013

Entered into hospitality joint venture with Toga Group

Orchard Parade Hotel, Singapore

Oasia Hotel Novena, Singapore

Vibe Hotel Sydney, Australia

We aim to build a robust, balanced and sustainable portfolio.

NOV 2013

Entered into hospitality joint venture with The Straits Trading Company Limited

JUN 2014

Acquired a commercial office property for conversion into a hotel in Sydney CBD, Australia

JUL 2014

Acquired a heritage listed building for conversion into a hotel in Brisbane CBD, Australia

Adina Apartment Hotel Sydney Harbourside, Australia

Rendezvous Hotel, Singapore

Vibe Savoy Melbourne, Australia

SOARING GROWTH

AUG 2014

Acquired 50% interest in four hotel properties in Denmark and Germany

OCT 2014

Subscribed for 50% interest in a joint venture property development project in Sydney, Australia

SEP 2015

Acquired a portfolio of student accommodation properties in Newcastle upon Tyne, UK

Harbourfront Balmain, Australia

Adina Apartment Hotel Berlin Checkpoint Charlie, Germany

STAYING AHEAD ALWAY

MAR 2016

Acquired student accommodation property for development in Brighton, East Sussex, UK

Upcoming in 2016

- Oasia Suites Kuala Lumpur, Malaysia
- SBF Center, Singapore

Portland Green Student Village, United Kingdom

SBF Center, Singapore

YS

We are driven to stay on track to achieve greater milestones.

PROPERTIES OF THE GROUP

As at 31 December 2015

	Location	Effective interest	Tenure	Site area (sm)	No. of units/ rooms
DEVELOPMENT PROPERTIES					
Residential projects under development					
Singapore					
RiverTrees Residences	Singapore	30%	Leasehold	14,930	496
Australia					
Harbourfront Balmain	Sydney	50%	Freehold	12,375	121
Commercial projects under development					
Singapore					
Woods Square	Singapore	33%	Leasehold	18,569	-(1)
SBF Center	Singapore	20%	Leasehold	2,932	249
Completed properties					
Singapore - residential					
euHabitat	Singapore	20%	Leasehold	-	1
Singapore - commercial					
Medical suites at Novena Medical Center	Singapore	100%	Leasehold	-	7
Medical suites at Novena Specialist Center	Singapore	100%	Leasehold	-	30
INVESTMENT PROPERTIES					
Singapore					
Offices at Tanglin Shopping Centre	Singapore	100%	Freehold	-	4
Medical suites at Novena Medical Center	Singapore	100%	Leasehold	-	37
Medical suites at Novena Specialist Center	Singapore	100%	Leasehold	-	10
United Kingdom					
Turner Court student accommodation building	Newcastle upon Tyne	100%	Freehold	2,640	274
Rosedale Court student accommodation building	Newcastle upon Tyne	100%	Freehold	3,548	338
Land sites for student accommodation buildings	Newcastle upon Tyne	100%	Freehold	5,442	-(2)

	Location	Effective interest	Tenure	Site area (sm)	No. of units/ rooms
HOSPITALITY PROPERTIES					
Owned properties					
Australia					
Rendezvous Hotel Perth Scarborough	Perth	70%	Freehold	11,467	336
Rendezvous Hotel Perth Central	Perth	70%	Freehold	1,973	103
Rendezvous Hotel Melbourne	Melbourne	70%	Freehold	1,999	340
Adina Apartment Hotel Sydney Harbourside	Sydney	30%	Leasehold	3,058	113
Adina Apartment Hotel Adelaide Treasury	Adelaide	30%	Leasehold	4,154	79
Vibe Hotel Sydney(3)	Sydney	30%	Freehold	1,164	191
Travelodge Mirambeena Resort Darwin	Darwin	30%	Freehold	13,100	224
Restaurant at Adina Apartment Hotel Brisbane Anzac Square	Brisbane	70%	Freehold	-	1
Retail podium at Rendezvous Hotel Perth Scarborough	Perth	70%	Freehold	-	13
Manager unit at Adina Apartment Hotel Brisbane Anzac Square	Brisbane	70%	Freehold	-	1
Manager units at Rendezvous Reef Resort Port Douglas	Port Douglas	70%	Freehold	-	2
Denmark					
Adina Apartment Hotel Copenhagen	Copenhagen	35%	Freehold	3,000	128
Germany					
Adina Apartment Hotel Berlin Checkpoint Charlie	Berlin	35%	Freehold	2,143	127
Adina Apartment Hotel Berlin Hauptbahnhof	Berlin	35%	Freehold	1,798	139
Adina Apartment Hotel Frankfurt Neue Oper	Frankfurt	35%	Freehold	1,455	134
Leased and managed					
Singapore					
Orchard Parade Hotel	Singapore	100%	Freehold	8,143(4)	388
Village Hotel Albert Court	Singapore	100%	Leasehold	4,273	210
Village Residence Clarke Quay	Singapore	100%	Leasehold	6,238	127
Properties under redevelopment					
Australia					
280 George Street	Sydney	30%	Freehold	583	-(5)
171 George Street	Brisbane	30%	Freehold	1,485	-(5)
Malaysia					
Oasia Suites Kuala Lumpur(6)	Kuala Lumpur	100%	Freehold	1,880	247

Notes:
1 Development planning in progress.
2 Under development.
3 A sale and purchase agreement was entered into for the sale of this property before 31 December 2015. Completion of the sale will be subject to satisfaction of conditions precedent.
4 Includes 1,069 sm of leasehold area.
5 Awaiting redevelopment from office building into apartment hotel.
6 Opening in Q2 2016.

BOARD OF DIRECTORS & MANAGEMENT

Mr Koh Boon Hwee, 65

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. At the Company's 48th Annual General Meeting, Mr Koh will retire and be eligible for re-election pursuant to Article 96 of the Company's Constitution. 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 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 since 2003, where he oversaw the operations of the company as Executive Chairman and Chief Executive Officer from 2005 to 2008, as Chairman from 2008 to-date. He is also the Chairman of Yeo Hiap Seng Limited since 2010.

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

From 1996 to 2010, Mr Koh served on the board of Temasek Holdings 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:

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

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

Other principal commitments:

Singapore
- 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)
- Rippledot Capital Advisers Pte Ltd (Chairman)
- GlobalORE Pte Ltd (Chairman)
- EDB International Advisory Council (Deputy Chairman)
- Securities Industry Council (Deputy Chairman)
- Harvard Singapore Foundation (Director)
- The William and Flora Hewlett Foundation (Director)
- Bank Pictet & Cie (Asia) Ltd (Director)
- Academy of Engineering Singapore (Fellow)
- GIC Private Limited (Member, Investment Board)
- The Research, Innovation and Enterprise Council (Member)

Overseas
- Credence Capital Fund II (Cayman) Ltd (Executive Director)
- First Spring Ltd (Director)
- Razer Inc (Director)

Past Directorships in other listed companies (2013-2015):

Nil

Mr Lui Chong Chee, 55

Group Chief Executive Officer and Managing Director

Mr Lui Chong Chee is appointed as Executive Director as well as Group Chief Executive Officer and Managing Director of the Company from 1 September 2014. He was last re-elected as a Director of the Company on 22 April 2015.

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

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

Present Directorships in other listed companies:
Nil

Other principal commitments:

Singapore
- Far East Hospitality Holdings Pte. Ltd. (Chairman)
- The Boys' Brigade Share-a-Gift (Chairman)

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

Past Directorships in other listed companies (2013-2015):
Nil

Mdm Ng Siok Keow, 69

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 24 April 2014. 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. As she wishes to devote more time in Far East Organization ("FEO"), Mdm Ng will retire at the Company's 48th Annual General Meeting.

Mdm Ng is an Executive Director of FEO and a Director of various unlisted companies in the FEO 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. In 2015, Mdm Ng was conferred the SG50 Outstanding Chinese Business Pioneers Award by the Singapore Chinese Chamber of Commerce & Industry in recognition of her exemplary contribution to Singapore in the real estate arena and to the community.

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 (2013-2015):
Nil

Mr Heng Chiang Meng, 70

Lead Independent Director

- Chairman, Remuneration Committee
- Chairman, Nominating Committee
- Member, Audit & Risk 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 as a Director of the Company on 30 April 2013. At the Company's 48th Annual General Meeting, Mr Heng will retire and be eligible for re-election pursuant to Article 96 of the Company's Constitution. 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:

Singapore

Nil

Overseas

- Academies Australasia Group Limited (listed on the Australian Stock Exchange in Sydney, Australia)

Other principal commitments:

Nil

Past Directorships in other listed companies (2013-2015):

- Keppel Land Limited (retired with effect from 30 April 2015)
- Macquarie International Infrastructure Fund Limited (resigned with effect from 26 October 2015)

Mr Cheng Hong Kok, 73

Independent Director

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

Mr Cheng Hong Kok was appointed Non-Executive Director of the Company on 30 May 1996. Mr Cheng, being over the age of 70 years, was last re-appointed as a Director of the Company pursuant to Section 153(6) of the Companies Act (Cap. 50) (the "Act") on 22 April 2015. Section 153(6) of the Act was repealed when the Companies (Amendment) Act 2014 took full effect on 3 January 2016. As his appointment lapses on this Annual General Meeting, Mr Cheng will be required to be re-appointed at the Company's 48th Annual General Meeting to continue in office. 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 is currently a Director of SP Corporation Limited, a Singapore-listed company. He was also a Director of Gul Technologies Singapore Ltd, from which he stepped down after its successful voluntary delisting from the Singapore Exchange in January 2013. 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 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 (2013-2015):

Gul Technologies Singapore Ltd (delisted on 18 January 2013)

Ms Chua Kheng Yeng, Jennie, 71

Independent Director

- Member, Audit & Risk 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 & Risk Committee and a Member of the Nominating Committee of the Company. Ms Chua, being over the age of 70 years, was last re-appointed as a Director of the Company pursuant to Section 153(6) of the Companies Act (Cap. 50) (the "Act") on 22 April 2015. Section 153(6) of the Act was repealed when the Companies (Amendment) Act 2014 took full effect on 3 January 2016. As her appointment lapses on this Annual General Meeting, Ms Chua will be required to be re-appointed at the Company's 48th Annual General Meeting to continue in office. 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 two other entities listed on the Singapore Stock Exchange – GL Limited and GuocoLand Limited.

On the public/community service front, she is currently Chairman of Alexandra Health Pte Ltd, Alexandra Health System Pte Ltd, WoodlandsHealth Pte Ltd, Yishun Community Hospital Pte Ltd and Geriatric Education & Research Institute Limited. 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 MOH Holdings Pte Ltd and Singapore Chinese Girls' School.

She is 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 and an Adviser to the Community Chest.

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. She was a Director of ISS A/S, a company listed on NASDAQ OMX Copenhagen stock exchange and was the Chairman, Community Chest.

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

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

Present Directorships in other listed companies:

Singapore

- GL Limited
- GuocoLand Limited

Overseas

Nil

Other principal commitments:

Singapore

- Alexandra Health Pte Ltd (Chairman)
- Temasek Foundation CLG Limited (Deputy Chairman)
- MOH Holdings Pte Ltd (Director)
- Singapore Chinese Girls' School (Director)
- The RICE Company Limited (Chairman)
- Singapore University of Technology and Design (Member, Board of Trustees)

Overseas

Nil

Past Directorships in other listed companies (2013-2015):

- Ascott Residence Trust Management Limited (Director) (resigned on 25 March 2013)
- ISS A/S (listed on NASDAQ OMX Copenhagen) (retired on 15 April 2015)
- CapitaMalls Asia Limited (Director) (retired on 17 April 2014)

Mdm Ee Choo Lin Diana, 58

Independent Director

- Member, Audit & Risk Committee
- Member, Remuneration Committee

Mdm Ee was appointed to the Board of the Company as an Independent Director and Member of the Audit & Risk 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 as a Director of the Company on 24 April 2014. The Nominating Committee considers Mdm Ee to be an Independent Director.

Mdm Ee has over 25 years of international experience in the tourism and hospitality industry. She held senior leadership positions at Raffles International Limited managing multi-hotel brands and gained broad experience in the areas of business management, sales and marketing, operations, technical services, quality assurance management, human resources and organisational development. She was formerly President of Raffles Hotels & Resorts where she held responsibilities for the group's growth strategy and for the operating and financial performance of its hotels spanning South East Asia, China, the United States, Middle East and Europe. Mdm Ee was a Board Member of the Singapore Tourism Board from 2010-2015. Active in supporting areas related to pre-employment education, continuing education and skills development, Mdm Ee serves on the Board of Governors of Republic Polytechnic Singapore and is the Vice Chairman of SHATEC Institutes, the educational arm of the Singapore Hotel Association. Mdm Ee is also the Chairman of Mt Faber Leisure Group Pte Ltd.

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

Present Directorships in other listed companies:
Nil

Other principal commitments:
Singapore
- Mt Faber Leisure Group Pte Ltd (Chairman)
- SHATEC Institutes Pte Ltd (Vice-Chairman), Academic & Examinations Advisory Council (Chairman)
- BND Associates Pte Ltd (Director)
- Far East Hospitality Holdings Pte. Ltd. (Director)
- Republic Polytechnic Singapore (Member of Board of Governors), School of Hospitality Advisory Committee (Committee Member)

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

Past Directorships in other listed companies (2013-2015):
Nil

Kiong Kim Hock Arthur, 55

Chief Executive Officer, Far East Hospitality

Mr Kiong Kim Hock Arthur was appointed Executive Director and Chief Executive Officer of the Hospitality Business of the Company on 1 September 2012. At the Company's 47th Annual General Meeting, Mr Kiong retired by rotation pursuant to Article 96 of the Company's Constitution and he did not seek re-election so as to devote more time to the hospitality business. Mr Kiong remains as the Chief Executive Officer of Far East Hospitality.

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 30 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.

Mr Ling Ang Kerng, Kelvin, 54

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 was previously the Chief Operating Officer of the Retail Business Group at Far East Organization ("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.

CORPORATE INFORMATION

BOARD OF DIRECTORS

Non-Executive Chairman
Mr Koh Boon Hwee

Group Chief Executive Officer and Managing Director
Mr Lui Chong Chee

Non-Executive Director
Mdm Ng Siok Keow

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 Chwee Chong Foon
Ms Madelyn Kwang Yeit Lam

AUDIT & RISK 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

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Singapore 247905
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F : (65) 6738 8085
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SHARE REGISTRAR

Boardroom Corporate
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50 Raffles Place
#32-01 Singapore Land Tower
Singapore 048623
T : (65) 6536 5355
F : (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

CORPORATE GOVERNANCE

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 corporate governance practices and structures of Far East Orchard Limited and its subsidiaries (the "Group") with reference to the principles and guidelines of the Code of Corporate Governance 2012 (the "Code") as well as the Listing Manual of the Singapore Exchange Securities Trading Limited ("SGX-ST") and the Companies Act (Cap. 50) of Singapore (the "Act"), where applicable. The Group remains focused on the spirit and substance of 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 acting in the interests of the Company, is collectively responsible for the long-term success of the Group. 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 adequate to achieve the Group's goals. The Company'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 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 results announcements, 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 & Risk Committee ("ARC"), 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 comprising part of the Company's Constitution (the "Constitution"). The Board and Board Committees may also make decisions by way of circulating resolutions.

The attendance of the Directors at scheduled meetings of the Board and Board Committees during the financial year ended 31 December 2015 is disclosed below:

	Board	Audit & Risk Committee	Nominating Committee	Remuneration Committee
No. of Meetings	**5**	**4**	**1**	**1**
Names Of Directors				
Koh Boon Hwee	5	-	1	-
Lui Chong Chee	5	-	-	-
Ng Siok Keow	4	-	-	-
Tan Siok Hwee[1]	1	-	-	-
Kiong Kim Hock Arthur[2]	1	-	-	-
Heng Chiang Meng	5	4	1	1
Cheng Hong Kok	5	4	-	1
Chua Kheng Yeng, Jennie	4	3	1	-
Ee Choo Lin Diana	5	4	-	1

Notes:
1 Mdm Tan Siok Hwee retired as a Non-Executive Director on 22 April 2015.
2 Mr Kiong Kim Hock Arthur retired as an Executive Director on 22 April 2015.

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

The Company 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 briefed on the roles and responsibilities of a Director of a public listed company and on the business activities and strategic directions of the Group. Each new Director is provided with a formal letter setting out the Director's duties and obligations. Directors are 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.

During the course of the year, the Directors were provided opportunities to attend appropriate courses, conferences and seminars, at the Company's expense, which include programmes conducted by the Singapore Institute of Directors.

PRINCIPLE 2
Board Composition and Guidance

The Board currently consists of seven (7) Directors, four (4) of whom are considered independent by the Board. There is a strong element of independence on the Board, with Independent Directors constituting more than half of the Board.

Mr Heng Chiang Meng, Mr Cheng Hong Kok, Ms Chua Kheng Yeng, Jennie and Mdm Ee Choo Lin Diana are considered Independent Directors. The Independent Directors have provided declarations to confirm 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 their judgement in the best interests of the Company. The NC and the Board have deliberated their declarations and considered them independent.

Presently, Mr Heng Chiang Meng and Mr Cheng Hong Kok have been on the Board for more than nine years. The Board has subjected their independence to a rigorous review. In considering their independence, the Board has determined that they do not have a direct or indirect relationship with the Company based on:

(a) the guidelines described in Guideline 2.3 of the CG Code;
(b) all relevant facts and circumstances; and
(c) all relevant transactions and relationships.

During the review, Mr Heng and Mr Cheng had excused themselves and abstained from all deliberations and discussion.

Taking into account the views of Mr Heng and Mr Cheng, the Board concurs that they continued to demonstrate strong independence in character and judgement in the discharge of their responsibilities as Directors of the Company. They express their viewpoints, debate issues and objectively scrutinise and challenge Management. They would seek clarification as required and have direct access to Management and staff of the Company.

They have in-depth understanding of the Group's business and operating environment and provide the Company with their experience and knowledge of the Group's business and the industry. Based on their respective Confirmation of Independence, they have no association with Management that could compromise their independence.

Having considered the above factors, the Board is of the view that Mr Heng and Mr Cheng continue to be considered as Independent Directors, notwithstanding that they have served on the Board for more than nine years.

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 real estate, 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.

CORPORATE GOVERNANCE

Board members engage in open and constructive debate and challenge Management on its assumptions and proposals which are fundamental to good corporate governance. The Board aids in the development of growth strategies and oversees 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 Letter to Shareholders from the Chairman and the Group CEO for the year in review.

PRINCIPLE 3
Chairman and Chief Executive Officer

The roles and responsibilities of the Chairman and the 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 the 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 key executives in the day-to-day operations of the Group.

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

Shareholders with concerns may contact the Lead Independent Director ("Lead ID"), 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 ID's email address is available in the Company's website.

The Independent Directors, led by the Lead ID, 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 ID 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 Constitution requires 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.

Mr Cheng Hong Kok and Ms Chua Kheng Yeng, Jennie were re-appointed as Directors of the Company under Section 153(6) of the Act at the last Annual General Meeting held on 22 April 2015, to hold office until the forthcoming Annual General Meeting. Section 153(6) of the Act was repealed when the Companies (Amendment) Act 2014 took full effect on 3 January 2016. As their appointments lapse on this Annual General Meeting, they will be required to be re-appointed by the shareholders to continue in office. The NC, having reviewed and considered all aspects, recommends that Mr Cheng Hong Kok and Ms Chua Kheng Yeng, Jennie be re-appointed as Directors of the Company at the forthcoming Annual General Meeting to be held on 20 April 2016. They shall, henceforth, be subject to retirement by rotation under Article 96 of the Company's Constitution.

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 in.

The list of Directors who are subject to retirement by rotation in accordance with the Company's Constitution and who are seeking re-election at the next Annual General Meeting on 20 April 2016 are stated in the Notice of Annual General Meeting on page 110 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 confirmation on 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.

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 2015.

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.

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 include 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 an 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 Performance Evaluation Checklists which are 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 inputs from the Executive Director 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.

CORPORATE GOVERNANCE

PRINCIPLE 6
Access to Information

The Board has separate and independent access to the Management of the Group. Management also 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 fulfil its responsibilities, Management is required to provide complete, adequate and timely information to the Board on issues that require their decision. 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, material variances between the projections and actual results are also disclosed and explained.

The Directors also have separate and independent access to the Company Secretaries. The role of the Company Secretaries include 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 Secretaries are subject to the approval of the Board as a whole.

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. Cost of obtaining professional advice is borne by the Company.

The Company's Constitution 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, the Lead ID, 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 Directors' fee framework is evaluated periodically for appropriateness, taking into account the level of contributions, the responsibilities and obligations of these Directors, the prevailing market conditions and referencing the Directors' fees against comparable and independent benchmarks. For the financial year ending 31 December 2016, the RC has reviewed and updated the framework in order to better align with market benchmarks and better reflect the Directors' efforts in transforming the Group's businesses. All Directors' fees are subject to shareholders' approval at the Company's Annual General Meeting.

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 experts are 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 Director's and key management personnel's contracts of employment and is of the view that such contracts of employment contain fair and reasonable termination clauses which are neither overly generous nor rewarding poor performance.

PRINCIPLE 8
Level and Mix of Remuneration

All Directors receive the same amount of Base Fees. The Board Chairman, Chairman and members of the various Board Committees receive additional fees. The aggregate of all these fees is approved for payment by the Company's shareholders at the annual general meetings of the Company. The Board will recommend the Directors' Fees for approval at the 48th 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.

The Group does not have any employee share option scheme.

Mr Lui Chong Chee, the Group CEO and Managing Director, who is an Executive Director, had entered into a contract of employment with the Company which links rewards to corporate and individual performance to promote shareholders' interests, long-term success of the Group and risk management policies. The contract of employment covers the terms of employment, specifically salary and other benefits. The remuneration package of Mr Lui Chong Chee includes a variable performance bonus.

The Company currently does not have contractual provisions to reclaim any incentive components of remuneration from the Executive Director and key management personnel and there are no excessively lengthy or onerous removal clauses in their contracts of employment. Their contracts of employment 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 emoluments for Executive Directors). All Directors' Fees are subject to the approval of the shareholders at annual general meetings.

A breakdown showing the level and mix of the Directors' remuneration in the financial year ended 31 December 2015 is appended below. The Executive Directors' remuneration framework is disclosed in percentage terms for competitive reasons:

	Fees (S$)	Base Salary[2] (%)	Variable / Performance related income / bonuses (%)	Benefits in kind (%)
Board Chairman	70,000	-	-	-
Board Member[1]	35,000	-	-	-
Lead Independent Director	15,000	-	-	-
Board Committees:				
Audit & Risk Committee ("ARC")				
– Chairman	37,500	-	-	-
– Member	21,500	-	-	-
Remuneration Committee ("RC")				
– Chairman	14,000	-	-	-
– Member	7,500	-	-	-
Nominating Committee ("NC")				
– Chairman	14,000	-	-	-
– Member	7,500	-	-	-
Toga Far East joint ventures' Board and ARC				
– Member	21,500	-	-	-
Far East Hospitality Holdings Pte Ltd ("FEHH") Board				
– Member	7,500	-	-	-
	Fees			
Executive Directors	**(%)**			
$1,500,000 to $1,749,999				
– Lui Chong Chee	2.13	55.24	42.36	0.27
$1,000,000 to $1,249,999				
– Kiong Kim Hock Arthur[3]	0.97	84.13	12.75	2.15

CORPORATE GOVERNANCE

Notes:
1 This is more commonly known as 'base retainer fee'
2 Inclusive of allowances and Central Provident Fund contributions
3 Mr Kiong Kim Hock Arthur retired as a Director on 22 April 2015
Mdm Tan Siok Hwee retired as a Non-Executive Director on 22 April 2015
The respective Directors' Fees of Mr Heng Chiang Meng and Ms Chua Kheng Yeng, Jennie are paid to companies in which they are a member/director

The Company has aligned its definition of "Key Management Personnel" to that of the Code and has disclosed five (5) personnel and opined that other executives may not have the necessary authority and responsibility for planning, directing and controlling the activities of the Company. Since its restructuring in 2012, the Company has been growing steadily and Management has been keeping a lean team of staff. For competitive and confidentiality reasons, the Company is only disclosing their remuneration in percentage terms for the financial year in review. The Board is of the view that full disclosure would not be in the interests of the Company as such information is confidential and sensitive and could be exploited by competitors. The Board is of the opinion that the information disclosed would be sufficient for shareholders to have an adequate appreciation of the Company's compensation policies and practices.

Name	Designation	Base salary[1]	Variable[2] / performance-related income / bonuses	Benefits in kind
		%	%	%
$1,000,000 - $1,249,999				
Kiong Kim Hock Arthur	CEO, Far East Hospitality	84.95	12.88	2.17
$750,000 - $999,999				
None				
$500,000 - $749,999				
Ling Ang Kerng, Kelvin	Chief Financial Officer	77.97	18.97	3.06
$250,000 - $499,999				
Brian Stampe	Head, Operations, Far East Hospitality	88.57	10.70	0.73
Audrey Chung Suet Cheng	Head, Global Sales & Marketing, Far East Hospitality	88.64	10.97	0.39
Tan Thiam Soon[3]	Head of Human Resources	83.32	16.02	0.66
Below $250,000				
None				

Notes:
1 Inclusive of allowances and Central Provident Fund contributions
2 Based on 2015 actual payout
3 Mr Tan Thiam Soon joined as Head of Human Resources on 1 March 2015

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

For the financial year ended 31 December 2015, there was no termination, retirement or post-employment benefit granted to Directors, the Group CEO or any of the key executives.

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 2015.

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. The Board is accountable to shareholders and is responsible for providing a balanced and understandable assessment of the Group's performance, position and prospects through SGXNET announcements on a quarterly basis.

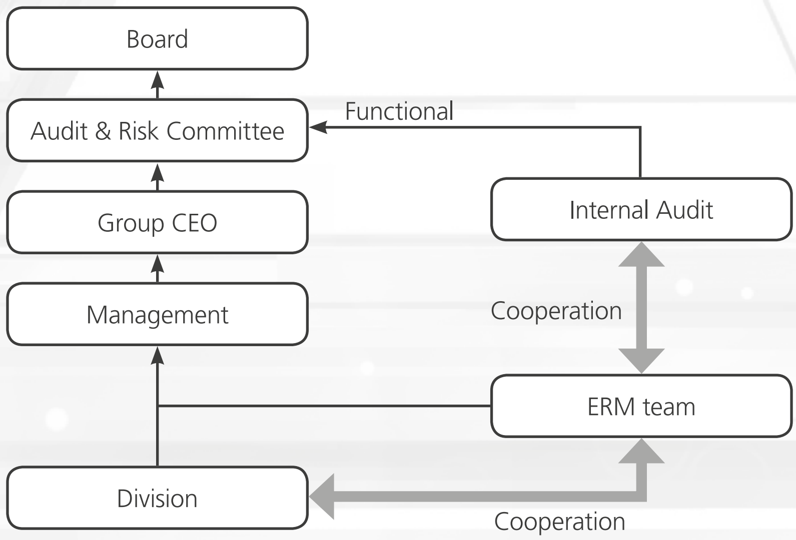
In preparing the financial statements, the Board has selected suitable accounting policies and applied them consistently. The Board has made judgements and estimates that are reasonable and prudent and ensures that all applicable accounting standards have been followed. The financial statements were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

The Board has taken adequate steps to ensure 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 ("IT") risks, amongst other risks, to safeguard shareholders' interests and the Group's assets. The Company has established the following structure to facilitate management of risks:

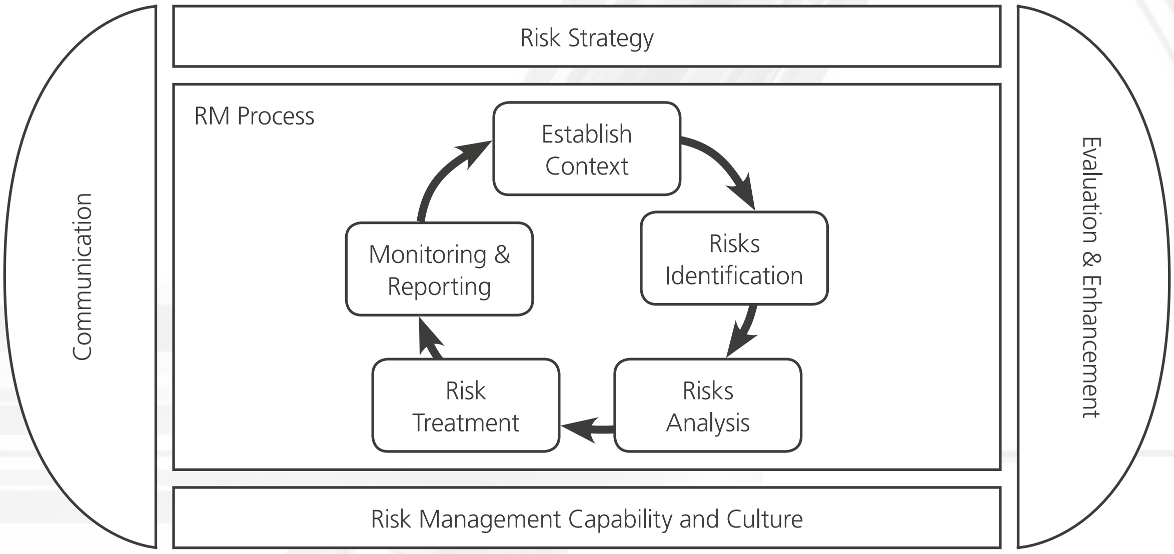


The Board determines the Company's levels of risk tolerance and risk policies, and oversees Management in the design, implementation and monitoring of the risk management and internal control systems. The Group refers all significant matters to the ARC and the Board. The Board reviews, at least annually, the adequacy and effectiveness of the Group's risk management and internal control systems.

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

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

CORPORATE GOVERNANCE



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

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 31 to the financial statements of this Annual Report.

Operational Risks
The operational risks facing the Group include changes in external market conditions such as oversupply of properties, 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.

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

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

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

Although the Board acknowledges that it is responsible for the overall internal control framework, it also recognises that no cost effective internal control system will preclude all errors and irregularities. A system is designed to manage rather than eliminate the risk of failure to achieve business objectives, and can provide only reasonable and not absolute assurance against material misstatement or loss. The Board is satisfied that the system of risk management and internal controls that the Group has in place provides reasonable assurance against material financial misstatements or 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 risks. The Board, with the concurrence of the ARC, is therefore of the opinion that the Group's system of risk management and internal controls is adequate and effective to address financial, operational, compliance and IT risks of the Group in its current business environment.

The Board has received assurance from the Group CEO and the Chief Financial Officer that:
(i) the financial records have been properly maintained and the financial statements give a true and fair view of the Group's operations and finances; and
(ii) the Group's risk management and internal control systems are adequate and effective in addressing the material risks in the Group in its current business environment, including material financial, operational, compliance and IT risks.

PRINCIPLE 12
Audit & Risk Committee ("ARC")

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

The ARC 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 auditors' 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 auditors and meeting with them quarterly; and reviewing all interested persons transactions.

The ARC 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 ARC has conducted an annual review of non-audit services provided by the independent auditors to satisfy itself that the nature and extent of such services will not prejudice the independence and objectivity provided by the independent auditors before nominating them for re-appointment. The aggregate amount of fees paid to the independent auditors of the Company and subsidiaries for audit services for the financial year ended 31 December 2015 amounted to S$442,000. The fees for non-audit services provided by the independent auditors for the financial year ended 31 December 2015 were S$56,300 and were incurred for the provision of corporate tax compliance services. The ARC has nominated PricewaterhouseCoopers LLP ("PwC") for re-appointment as independent auditors of the Company at the forthcoming Annual General Meeting.

All Singapore and overseas subsidiaries have appointed PwC or its affiliated firms as their independent auditors.

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

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

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

During the last financial year, the ARC 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 two different languages, namely, English and Mandarin.

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

CORPORATE GOVERNANCE

PRINCIPLE 13
Internal Audit

During the financial year in review, the Group had outsourced its internal audit function to RSM Ethos Pte Ltd to provide the internal audit services.

The ARC ensures the adequacy of the internal audit function by examining the scope of the internal auditors' work, the quality of their reports, their qualifications and training, their relationship with the independent auditors and their independence of the areas reviewed. The internal auditors have unfettered access to the ARC, 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 the internal auditors, the ARC is satisfied that the internal auditors meet the requisite standards, are adequately resourced, and have appropriate standing within the Group.

The ARC reviews, at least once a year, the adequacy and effectiveness of the internal auditors.

PRINCIPLE 14
Shareholder Rights

The Company practises fair and equitable treatment to all shareholders and stakeholders. To facilitate the exercise of ownership rights, the Company provides all material information which would materially affect the price or value of the Company's shares in an accurate and timely manner via 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 Constitution allows 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 now able to attend and vote at general meetings under the multiple proxy regime. The Company has not amended its Constitution 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.

The Company will amend its Constitution at the forthcoming Annual General Meeting to be held on 20 April 2016, to incorporate certain pertinent amendments to the Act and the SGX-ST Listing Manual.

PRINCIPLE 15
Communication with Shareholders

The Company is committed to making timely, full and accurate disclosures in accordance with the listing rules of the SGX-ST and the Code. 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 the 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, where members of the Board, Management and the independent auditors 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 despatched 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 available at the Company's general meetings to address questions raised. The Company's independent auditors are 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 auditors' 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 all annual general meetings shall be by electronic polling for all resolutions for greater transparency in the voting process. Votes cast for or against and the respective percentages on each resolution will be tallied and displayed 'live' on-screen to shareholders immediately after each poll is conducted. The total number of votes cast for or against the resolutions and the respective percentages will also be announced in a timely manner after the Annual General Meeting via SGXNET.

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 and this Annual Report, no material contract involving the interests of any Director or controlling shareholder of the Group has been entered into by the Company or any of its subsidiaries during the financial year and no such material contract is subsisting as at 31 December 2015.

CORPORATE GOVERNANCE

INTERESTED PERSON TRANSACTIONS

Interested person transactions carried out during the financial year which fall under Chapter 9 of the Listing Manual of the SGX-ST 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	**Aggregate value of all interested person transactions during the financial year under review** (excluding transactions less than $100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920) $'000
China Classic Pte Ltd		
Hospitality management income	114	-
Dollar Land Singapore Private Limited		
Hospitality management income	375	-
Far East Hospitality Real Estate Investment Trust		
Rental expense on operating leases		
- offices	(1,185)	-
- hotels and serviced residences	(25,103)	-
Far East Management (Private) Limited		
Management service fees	(2,102)	-
Hospitality services	(1,744)	-
Project management service fees	(273)	-
Rental income on operating leases – offices	218	-
Far East Organization Centre Pte Ltd		
Hospitality management income	2,517	-
Far East Property Sales Pte Ltd		
Sales and marketing service fees	(253)	-
Golden Development Private Limited		
Administrative income	101	-
Hospitality management income	3,034	-
Golden Landmark Pte Ltd		
Administrative income	130	-
Hospitality management income	1,469	-

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	Aggregate value of all interested person transactions during the financial year under review (excluding transactions less than $100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920) $'000
Orchard Mall Pte Ltd		
Hospitality management income	960	-
Orchard Parksuites Pte Ltd		
Hospitality management income	1,654	-
Oxley Hill Properties Pte Ltd		
Hospitality management income	591	-
Riverland Pte Ltd		
Hospitality management income	481	-
Serene Land Pte Ltd		
Hospitality management income	1,932	-
Transurban Properties Pte Ltd		
Hospitality management income	1,894	-
Far East Civil Engineering (Pte.) Limited		
Interest accrued on shareholders' loan(s) extended to Woodlands Square Pte. Ltd. ("WSPL"), a joint venture with an interested person in relation to the development of Woods Square	-	2,390(1)
Boo Han Holdings Pte. Ltd.		
Interest accrued on shareholders' loan(s) extended to Far East Opus Pte. Ltd. ("FE Opus"), a joint venture with an interested person in relation to the development of SBF Center at Robinson Road/Cecil Street	-	562(2)

The Company's wholly-owned subsidiary, OPH Marymount Limited, entered into a sale and purchase agreement to dispose its interest in 7 and 11 Bassein Road to Transurban Properties Pte Ltd as announced on 29 January 2015.

Notes:

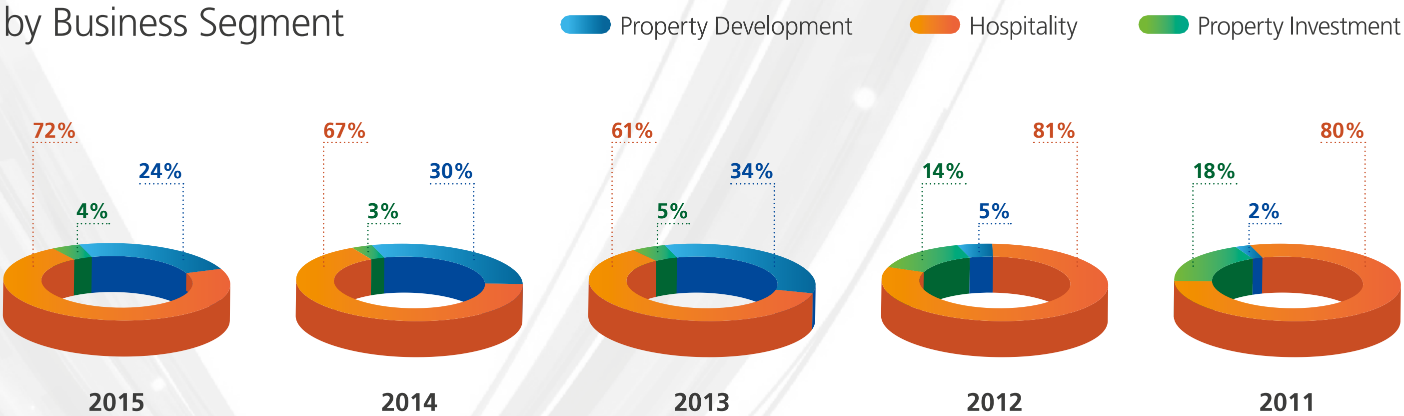
(1) The aggregate amount (inclusive of principal and interest) owing by WSPL to Tannery Holdings Pte Ltd ("THPL"), a wholly-owned subsidiary of the Company and a shareholder of WSPL, as at 31 December 2015, is $141,062,000. This includes the proportionate amount of the tender price paid by THPL for the acquisition of the land parcel at Woods Square which was subsequently charged to WSPL following the incorporation of WSPL and entry into the joint venture agreement announced on 2 March 2015.

(2) The aggregate amount (inclusive of principal and interest) owing by FE Opus to Pearlvine Pte Ltd ("PPL"), a wholly-owned subsidiary of the Company and a shareholder of FE Opus, as at 31 December 2015, is $21,525,000. This includes the proportionate amount of the tender price paid by PPL for the acquisition of the land parcel at Robinson Road/Cecil Street which was subsequently charged to FE Opus following the incorporation of FE Opus and entry into the joint venture agreement announced on 10 January 2012.

5-YEAR FINANCIAL HIGHLIGHTS

	2015 $'000	2014 $'000	2013 $'000	2012 $'000	2011 $'000
Hospitality	**193,689**	212,001	96,072	60,620	51,066
Property development	**65,829**	94,380	54,146	4,157	1,594
Property investment	**11,349**	9,156	8,351	10,399	11,373
Sales	**270,867**	**315,537**	**158,569**	**75,176**	**64,033**
Profit before income tax	**33,490**	48,758	21,049	189,352	130,818
Profit attributable to shareholders	**29,138**	35,498	29,385	190,755	124,791
Shareholders' equity	**1,173,976**	1,169,416	1,142,758	1,100,050	1,085,139
Total assets	**1,926,087**	1,876,837	1,930,839	1,676,975	1,622,760
Net assets per share ($)	**2.86**	2.92	2.93	2.92	2.99
Basic earnings per share (cents)[(2)]	**7.2**	9.0	7.6	51.5	34.8
Final dividend per share (cents)	**6.0**	6.0	6.0	6.0	3.0
Special dividend per share (cents)	**-**	-	-	12.0	6.0
Dividend in specie per share (cents)[(3)]	**-**	-	-	87.0	-
Gearing ratio	**0.13**	0.09	0.08	0.03	0.39

Group Revenue by Business Segment



Notes:

1 The Group early adopted some new and amended FRS. These standards were applied retrospectively and therefore the 2011 and 2012 consolidated statement of comprehensive income and balance sheets had been restated. Consequently, the affected ratios have been restated accordingly.

2 Basic earnings per share are calculated by reference to the weighted average number of shares in issue during the year.

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.

4 Figures have been rounded.

FINANCIAL REPORT

DIRECTORS' STATEMENT

For the financial year ended 31 December 2015

The directors present their report to the members together with the audited financial statements of Far East Orchard Limited (the "Company") and its subsidiaries (the "Group") for the financial year ended 31 December 2015 and the balance sheet of the Company as at 31 December 2015.

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 41 to 107 are drawn up so as to give a true and fair view of the financial position of the Company and of the Group as at 31 December 2015 and of the financial performance, changes in equity and cash flows of the Group for the financial year covered by the consolidated statements; and

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

DIRECTORS

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

Mr Koh Boon Hwee
Mr Lui Chong Chee
Mdm Ng Siok Keow
Mr Heng Chiang Meng
Mr Cheng Hong Kok
Ms Chua Kheng Yeng, Jennie
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:

	Number of ordinary shares			
	Holdings registered in name of director		Holdings in which director is deemed to have an interest	
	At 31 December 2015	At 1 January 2015	**At 31 December 2015**	At 1 January 2015
Far East Orchard Limited				
Mdm Ng Siok Keow	**14,469**	14,469	**77,038**	77,038
Yeo Hiap Seng Limited				
Mdm Ng Siok Keow	**3,195**	3,195	**15,978**	15,978

(b) The directors' interests in the ordinary shares of the Company as at 21 January 2016 were the same as those as at 31 December 2015.

DIRECTORS' STATEMENT

For the financial year ended 31 December 2015

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 & RISK COMMITTEE

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

Mr Cheng Hong Kok (Chairman)
Mr Heng Chiang Meng
Ms Chua Kheng Yeng, Jennie
Mdm Ee Choo Lin Diana

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

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

- the scope and the results of internal audit procedures with the internal auditor;
- the audit plan of the Company's independent auditor and any recommendations on internal accounting controls arising from the statutory audit;
- the assistance given by the Company's management to the independent auditor; and
- the balance sheet of the Company and the consolidated financial statements of the Group for the financial year ended 31 December 2015 before their submission to the Board of Directors.

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

INDEPENDENT AUDITOR

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

On behalf of the directors

Mr Lui Chong Chee	Mr Cheng Hong Kok
Director	Director

18 March 2016

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 41 to 107, which comprise the consolidated balance sheet of the Group and balance sheet of the Company as at 31 December 2015, and 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 financial statements 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 financial position of the Group and of the Company as at 31 December 2015, and of the financial performance, 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 subsidiary corporations 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, 18 March 2016

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the financial year ended 31 December 2015

	Note	2015 $'000	2014 $'000
Sales	4	**270,867**	315,537
Cost of sales		**(200,101)**	(234,714)
Gross profit		**70,766**	80,823
Other income	7	**5,407**	3,896
Other (losses)/gains - net	8	**(10,866)**	3,634
Expenses			
– Distribution and marketing		**(12,697)**	(11,672)
– Administrative		**(33,145)**	(31,336)
– Finance	9	**(4,105)**	(4,321)
– Other		**(1,407)**	(712)
Share of profit of			
– joint ventures	17	**16,989**	5,797
– associated companies	16	**2,548**	2,649
Profit before income tax		**33,490**	48,758
Income tax expense	10(a)	**(2,140)**	(13,279)
Total profit		**31,350**	35,479
Other comprehensive income:			
Items that may be reclassified subsequently to profit or loss:			
Share of other comprehensive income/(loss) of			
– joint ventures		**5**	(763)
– associated companies		**(1,182)**	(61)
Currency translation losses arising from consolidation		**(9,779)**	(8,959)
		(10,956)	(9,783)
Items that will not be reclassified subsequently to profit or loss:			
Share of other comprehensive income of joint ventures		**11,118**	7,978
Revaluation (losses)/gains on property, plant and equipment – net	27(i)	**(7,159)**	7,102
Tax on revaluation gains	25	**(6,300)**	(7,350)
Other comprehensive loss, net of tax		**(13,297)**	(2,053)
Total comprehensive income		**18,053**	33,426

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the financial year ended 31 December 2015

	Note	2015 $'000	2014 $'000
Total profit attributable to:			
Equity holders of the Company		**29,138**	35,498
Non-controlling interest		**2,212**	(19)
		31,350	35,479
Total comprehensive income attributable to:			
Equity holders of the Company		**11,164**	31,050
Non-controlling interest		**6,889**	2,376
		18,053	33,426
Basic and diluted earnings per share for profit attributable to equity holders of the Company (cents per share)	11	**7.18**	8.97

BALANCE SHEET – GROUP

As at 31 December 2015

	Note	2015 $'000	2014 $'000
ASSETS			
Current assets			
Cash and cash equivalents	12	**127,072**	98,386
Trade and other receivables	13	**75,284**	83,515
Inventories		**592**	666
Development properties	14	**-**	38,691
Properties held for sale	15	**124,030**	123,863
		326,978	345,121
Non-current assets			
Investments in associated companies	16	**9,790**	8,424
Investments in joint ventures	17	**247,677**	241,107
Other receivables	13	**223,538**	221,131
Investment properties	19	**408,630**	315,598
Property, plant and equipment	20	**567,117**	592,537
Intangible assets	21	**142,258**	151,506
Deferred income tax assets	25	**99**	1,413
		1,599,109	1,531,716
Total assets		**1,926,087**	1,876,837
LIABILITIES			
Current liabilities			
Trade and other payables	22	**122,486**	129,547
Current income tax liabilities	10(b)	**9,442**	7,519
Borrowings	23	**121,809**	86,264
Provisions	24	**3,438**	5,923
		257,175	229,253
Non-current liabilities			
Other payables	22	**408,711**	406,687
Deferred income tax liabilities	25	**30,398**	27,481
Borrowings	23	**33,061**	19,476
Provisions	24	**4,059**	12,706
		476,229	466,350
Total liabilities		**733,404**	695,603
NET ASSETS		**1,192,683**	1,181,234
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital	26	**457,046**	439,617
Revaluation and other reserves	27	**322,029**	340,003
Retained profits	28	**394,901**	389,796
		1,173,976	1,169,416
Non-controlling interest		**18,707**	11,818
TOTAL EQUITY		**1,192,683**	1,181,234

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

BALANCE SHEET – COMPANY

As at 31 December 2015

	Note	2015 $'000	2014 $'000
ASSETS			
Current assets			
Cash and cash equivalents	12	**74,854**	56,031
Trade and other receivables	13	**204,248**	167,003
Inventories		**10**	36
		279,112	223,070
Non-current assets			
Investments in associated companies	16	**696**	696
Investment in a joint venture	17	**300**	300
Investments in subsidiaries	18	**509,154**	509,154
Other receivables	13	**507,578**	480,052
Investment properties	19	**126,743**	120,066
Property, plant and equipment	20	**334,522**	361,156
		1,478,993	1,471,424
Total assets		**1,758,105**	1,694,494
LIABILITIES			
Current liabilities			
Trade and other payables	22	**13,231**	15,624
Current income tax liabilities	10(b)	**494**	494
Borrowings	23	**74,271**	-
		87,996	16,118
Non-current liabilities			
Other payables	22	**613,974**	605,295
Deferred income tax liabilities	25	**431**	548
		614,405	605,843
Total liabilities		**702,401**	621,961
NET ASSETS		**1,055,704**	1,072,533
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital	26	**457,046**	439,617
Revaluation and other reserves	27	**303,752**	329,629
Retained profits	28	**294,906**	303,287
TOTAL EQUITY		**1,055,704**	1,072,533

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the financial year ended 31 December 2015

	Note	Share capital $'000	Capital reserve $'000	Asset revaluation reserve $'000	Currency translation reserve $'000	Fair value reserve $'000	Hedging reserve $'000	Retained profits $'000	Total $'000	Non-controlling interest $'000	Total equity $'000
		Attributable to equity holders of the Company									
2015											
Beginning of financial year		439,617	10,557	345,023	(14,055)	(625)	(897)	389,796	1,169,416	11,818	1,181,234
Profit for the year		-	-	-	-	-	-	29,138	29,138	2,212	31,350
Other comprehensive loss for the year		-	-	(9,296)	(7,514)	(1,182)	18	-	(17,974)	4,677	(13,297)
Total comprehensive income for the year		-	-	(9,296)	(7,514)	(1,182)	18	29,138	11,164	6,889	18,053
Shares issued in-lieu of cash for dividend relating to 2014	26	17,429	-	-	-	-	-	(17,429)	-	-	-
Dividend paid in cash relating to 2014	29	-	-	-	-	-	-	(6,604)	(6,604)	-	(6,604)
Total transactions with owners, recognised directly in equity		17,429	-	-	-	-	-	(24,033)	(6,604)	-	(6,604)
End of financial year		**457,046**	**10,557**	**335,727**	**(21,569)**	**(1,807)**	**(879)**	**394,901**	**1,173,976**	**18,707**	**1,192,683**
2014											
Beginning of financial year		420,616	10,557	342,516	(7,901)	(564)	(157)	377,691	1,142,758	9,442	1,152,200
Profit for the year		-	-	-	-	-	-	35,498	35,498	(19)	35,479
Other comprehensive loss for the year		-	-	2,507	(6,154)	(61)	(740)	-	(4,448)	2,395	(2,053)
Total comprehensive income for the year		-	-	2,507	(6,154)	(61)	(740)	35,498	31,050	2,376	33,426
Shares issued in-lieu of cash for dividend relating to 2013	26	19,001	-	-	-	-	-	(19,001)	-	-	-
Dividend paid in cash relating to 2013	29	-	-	-	-	-	-	(4,392)	(4,392)	-	(4,392)
Total transactions with owners, recognised directly in equity		19,001	-	-	-	-	-	(23,393)	(4,392)	-	(4,392)
End of financial year		439,617	10,557	345,023	(14,055)	(625)	(897)	389,796	1,169,416	11,818	1,181,234

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

CONSOLIDATED STATEMENT OF CASH FLOWS

For the financial year ended 31 December 2015

	Note	**2015** **$'000**	2014 $'000
Cash flows from operating activities			
Net profit		**31,350**	35,479
Adjustments for:			
– Income tax expense		**2,140**	13,279
– Depreciation of property, plant and equipment		**8,429**	9,334
– Amortisation of intangible assets		**3,653**	3,781
– Loss on disposal of a country club membership		**5**	-
– (Gain)/loss on disposal of property, plant and equipment		**(35)**	18
– Fair value gains on investment properties		**(5,160)**	(12,578)
– Revaluation losses on property, plant and equipment		**973**	1,392
– Impairment loss on a country club membership		**-**	59
– Impairment loss on/write-off of property, plant and equipment		**358**	781
– Impairment loss on goodwill		**4,898**	-
– Interest income		**(4,696)**	(3,210)
– Interest expense		**4,105**	4,321
– Share of profit of joint ventures		**(16,989)**	(5,797)
– Share of profit of associated companies		**(2,548)**	(2,649)
– Unrealised currency translation losses		**9,732**	6,743
		36,215	50,953
Change in working capital:			
– Trade and other receivables		**7,716**	(16,726)
– Inventories		**41**	168
– Development properties and properties held for sale		**38,525**	17,515
– Trade and other payables		**(12,225)**	(14,192)
– Provisions		**(10,083)**	(4,022)
Cash generated from operations		**60,189**	33,696
Interest paid		**(135)**	(224)
Income tax paid – net		**(71)**	(2,975)
Net cash provided by operating activities		**59,983**	30,497
Cash flows from investing activities			
Additions to property, plant and equipment		**(7,571)**	(15,359)
Disposal of property, plant and equipment		**495**	340
Additions to investment properties		**(89,740)**	-
Dividends received from joint venture		**17,406**	2,881
Investments in joint ventures		**(5,942)**	(71,078)
Advances to joint ventures		**(13,733)**	(145,343)
Advances from joint ventures		**23,048**	10,920
Interest received		**912**	1,507
Income tax paid – net		**(1,417)**	(859)
Net cash used in investing activities		**(76,542)**	(216,991)
Cash flows from financing activities			
Proceeds from borrowings		**130,530**	22,712
Repayment of borrowings		**(71,224)**	(4,161)
Interest paid		**(5,486)**	(5,180)
Dividends paid to equity holders of the Company		**(6,604)**	(4,392)
Advances from non-controlling interest		**-**	11,910
Net cash provided by financing activities		**47,216**	20,889
Net increase/(decrease) in cash and cash equivalents		**30,657**	(165,605)
Cash and cash equivalents			
Beginning of financial year	12	**98,386**	264,975
Effects of currency translation on cash and cash equivalents		**(1,971)**	(984)
End of financial year	12	**127,072**	98,386

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

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 investment holding, hotel operations, property development and property investment. The principal activities of its significant subsidiaries are included in Note 36.

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 2015

On 1 January 2015, the Group adopted the other new or amended FRS and Interpretations of FRS ("INT FRS") that are mandatory for application for the financial year. 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.

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

(a) Hospitality operations

Revenue from operation of owned or leased hospitality properties is recognised when the accommodation and related services are provided.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 Revenue recognition (continued)

(b) Hospitality management fees and other 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) Other fees

Other fees include centralised services fees, property management fees, project management fees, technical services fees and other incidental fees. The fees 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. Please refer to the paragraph "Development properties" for the accounting policy for such cases.

(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.

(f) Interest income

Interest income is recognised using the effective interest method.

(g) Dividend income

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 Group accounting

(a) Subsidiaries

(i) Consolidation

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

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

Non-controlling interests comprise the portion of a subsidiary's net results of operations and its net assets which is attributable to the interests that are not owned directly or indirectly by the equity holders of the Company. They are shown separately in the consolidated statement of comprehensive income, statement of changes in equity and balance sheet. Total comprehensive income is attributed to the non-controlling 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 entered into by the Group.

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

Acquisition-related costs are expensed as incurred.

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 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

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 Group accounting (continued)

(c) Joint operations (continued)

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

(d) Associated companies and joint ventures

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

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

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

(i) Acquisitions

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

(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 legal or constructive obligations to make, or has made, payments on behalf of the associated company or joint venture. If the associated company or joint venture subsequently reports profits, the Group resumes recognising its share of those profits only after its share of the profits equals the share of losses not recognised.

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

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 Group accounting (continued)

(d) Associated companies and joint ventures (continued)

(iii) Disposals

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

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.

2.4 Property, plant and equipment

(a) Measurement

(i) Land and buildings

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

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

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

(ii) Other property, plant and equipment

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

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

(iii) Components of costs

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.4 Property, plant and equipment (continued)

(b) Depreciation

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

	Useful lives
Buildings	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 and losses". Any amount in revaluation reserve relating to that item is transferred to retained profits directly.

2.5 Development properties

Development properties refer to properties developed for sale.

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

Sale 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 reference to 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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 Development properties (continued)

At balance sheet date, the cumulative costs incurred plus recognised profits (less recognised losses, if any) on each contract is compared against the progress billings. Where the cumulative costs incurred (less recognised losses) exceed progress billings, the balance is presented as "Due from customers" within "Trade and other receivables". Where progress billings exceed the cumulative costs incurred plus recognised profits (less recognised losses), the balance is shown as "Due to customers" within "Trade and other payables".

Progress billings not yet paid by customers and retentions by customers are included within "Trade and other receivables". Advances received are included within "Trade and other payables".

2.6 Properties held for sale

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

2.7 Intangible assets

(a) Goodwill on acquisitions

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

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 agreements and hospitality management agreements

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

2.8 Borrowing costs

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.8 Borrowing costs (continued)

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

2.9 Investment properties

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

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

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

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

2.10 Investments in subsidiaries, joint ventures and associated companies

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

2.11 Impairment of non-financial assets

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

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

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

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 2015

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.11 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.

2.12 Financial assets

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They 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. Loans and receivables are presented as "Trade and other receivables" (Note 13) and "Cash and cash equivalents" (Note 12) on the balance sheet. They are initially recognised at fair value plus transaction costs and are 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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.12 Financial assets (continued)

Loans and receivables (continued)

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.

The impairment allowance is reduced through profit or loss in a subsequent period when the amount of impairment loss decreases and the related decrease can be objectively measured. The carrying amount of the asset previously impaired is increased to the extent that the new carrying amount does not exceed the amortised cost had no impairment been recognised in prior periods.

2.13 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.

2.14 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.

2.15 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 2015

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.16 Derivative financial instruments and hedging activities

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

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

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

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

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

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

2.17 Fair value estimation of financial assets and liabilities

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

2.18 Operating leases

(a) When the Group is the lessee

The Group leases hospitality properties and offices under operating leases from non-related and related parties (Note 32(b)).

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.18 Operating leases (continued)

(b) When the Group is the lessor

The Group leases investment properties under operating leases to non-related parties and related parties (Note 32(b)).

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

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

2.19 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.

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.20 Provisions

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

2.21 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.

2.22 Currency translation

(a) Functional and presentation currency

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

(b) Transactions and balances

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

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

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

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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.22 Currency translation (continued)

(c) Translation of Group entities' financial statements

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

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

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

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

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

2.23 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.

2.24 Cash and cash equivalents

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

2.25 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.

2.26 Dividends to Company's shareholders

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.27 Reclassification of comparative figures

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

3. CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS

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

(a) Valuation of investment properties and property, plant and equipment

As at 31 December 2015, the Group's investment properties and land and buildings classified under property, plant and equipment are stated at their estimated fair values that are determined by independent professional valuers. These estimated fair values may differ significantly from the prices at which these properties can be sold due to the actual negotiations between willing buyers and sellers as well as changes in assumptions and conditions arising from unforeseen events. Consequently, the actual results and the realisation of these properties could also differ significantly from the estimates set forth in these financial statements.

If the actual fair values of investment properties increase or decrease by 1% from the estimates, the profit after tax and net assets of the Group will increase or decrease by $3,990,000.

If the actual fair values of land and buildings classified under property, plant and equipment increase or decrease by 1% from the estimates, the total comprehensive income and net assets of the Group will increase or decrease by $4,657,000.

(b) Impairment testing of goodwill

Goodwill is tested for impairment annually and whenever there is an indication that the goodwill may be impaired. As at 31 December 2015, the carrying amount of goodwill arising from the acquisition of hospitality businesses is allocated to CGUs within the Group's hospitality business namely the 'Management services - Singapore' and 'Property ownership' segments. Based on the recoverable amounts of relevant CGUs that were determined using value-in-use ("VIU") calculations (Note 21(a)):

(i) an impairment charge of $4,898,000 arose for the goodwill allocated to the CGUs within the 'Management services – Singapore' segment, which reduced the carrying amount from $42,155,000 to $37,257,000; and

(ii) there is no impairment of the goodwill allocated to the CGUs within the 'Property ownership' segment.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

3. CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS (continued)

(b) Impairment testing of goodwill (continued)

If the key assumptions are higher or lower than the assumed rates, the effect on the carrying amount of the goodwill as at 31 December 2015 are as follows:

	Rate used in VIU calculations (Note 21(a))	Sensitivity analysis		
		Higher/ (lower)	Rate used for sensitivity	Reduction in carrying amount of goodwill
	%	%	%	$'000
Management services – Singapore				
Average revenue growth rate from 2017 to 2020	13.9	(0.5)	13.4	3,435
Terminal growth rate	2.9	(0.3)	2.6	4,841
Pre-tax discount rate	11.1	0.5	11.6	8,035
Property ownership				
Average net profit margin from 2017 to 2025	32.3	(1.0)	31.3	5,201
Pre-tax discount rate	9.7	0.5	10.2	4,497
Terminal yield	8.3	0.5	8.8	5,156

(c) Carrying value of investment in material joint venture, Toga Hotel Holdings Unit Trust ("Toga JV")

The Group's investment in Toga JV is accounted for using the equity method of accounting as described in Note 2.3(d)(ii). The Group's share of Toga JV's post-acquisition results recognised in the profit or loss and its share of post-acquisition other comprehensive income are affected by the estimates and assumptions applied by Toga JV used in the

(i) determination of the fair value of its land and buildings classified under property, plant and equipment; and

(ii) impairment test of its goodwill and brands with indefinite lives allocated to certain Toga JV's hospitality management CGUs.

If the actual fair values of these land and buildings increase or decrease by 1.0%, the net assets of the Group will increase or decrease by $884,000.

If the recoverable value of these hospitality management CGUs decrease by 5%, there is no reduction of the carrying value of the Group's investment in Toga JV.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

4. SALES

	Group 2015 $'000	Group 2014 $'000
Hospitality operations	**174,709**	192,962
Hospitality management fees and related fees received/receivable from:		
– related parties (Note 32(b))	**15,117**	16,061
– non-related parties	**250**	263
Sale of development properties	**65,829**	75,471
Sale of properties held for sale	**-**	18,816
Management fees charged to a joint venture	**-**	93
Rental income	**14,962**	11,871
Total sales	**270,867**	315,537

5. EXPENSES BY NATURE

	Group 2015 $'000	Group 2014 $'000
Advertising, promotion and marketing	**5,184**	3,532
Cost of development properties sold and properties held for sale	**58,352**	69,670
Depreciation of property, plant and equipment (Note 20)	**8,429**	9,334
Directors' fees	**513**	535
Employee compensation (Note 6)	**60,443**	64,295
Hospitality supplies and services	**29,971**	42,747
Hospitality management fees – joint venture	**4,050**	3,539
Support services paid/payable to:		
– joint venture	**8,271**	8,889
– related parties (Note 32(b))	**4,109**	4,300
Property tax and upkeep of properties	**7,039**	8,287
Amortisation of intangible assets (Note 21(b))	**3,653**	3,781
Rental expense on operating leases		
– related parties (Note 32(b))	**21,093**	23,050
– non-related parties	**20,929**	24,504
Fees on audit services paid/payable to:		
– auditor of the Company	**442**	431
– other auditors*	**160**	160
Fees on non-audit services paid/payable to auditor of the Company	**68**	133
Acquisition-related costs	**895**	1,261
Property pre-opening expenses	**512**	6
Professional fees	**2,057**	568
Other expenses	**11,180**	9,412
Total cost of sales, distribution and marketing, administrative and other expenses	**247,350**	278,434

* Includes the network of member firms of PricewaterhouseCoopers International Limited (PwCIL).

Included in the Group's rental expense on operating leases is contingent rent amounting to $13,295,000 (2014: $17,903,000) offset by amortisation of deferred income (Note 22) amounting to $5,166,000 (2014: $5,301,000).

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

6. EMPLOYEE COMPENSATION

	Group	
	2015	2014
	$'000	$'000
Wages and salaries	**56,635**	59,791
Employer's contribution to defined contribution plans, including Central Provident Fund	**3,808**	4,504
	60,443	64,295

7. OTHER INCOME

	Group	
	2015	2014
	$'000	$'000
Interest income from:		
– bank deposits	**989**	1,362
– advances to joint ventures	**3,707**	1,848
Other miscellaneous income	**711**	686
	5,407	3,896

8. OTHER GAINS AND LOSSES

	Group	
	2015	2014
	$'000	$'000
Impairment losses of:		
– country club membership	**-**	(59)
– property, plant and equipment (Note 20)	**(270)**	(781)
– goodwill (Note 21(a))	**(4,898)**	-
Fair value gains on investment properties (Note 19)	**5,160**	12,578
Revaluation losses on property, plant and equipment (Note 20)	**(973)**	(1,392)
Currency translation losses - net	**(9,915)**	(6,694)
(Loss)/gain on disposal of:		
– country club membership	**(5)**	-
– property, plant and equipment	**35**	(18)
	(10,866)	3,634

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

9. FINANCE EXPENSES

	Group	
	2015	2014
	$'000	$'000
Interest expense for:		
– bank borrowings	**4,192**	4,236
– advances from non-controlling interest	**1,331**	1,327
	5,523	5,563
Less: Borrowing costs capitalised in development properties and property, plant and equipment	**(1,418)**	(1,242)
Finance expenses recognised in profit or loss	**4,105**	4,321

10. INCOME TAXES

(a) Income tax expense

	Group	
	2015	2014
	$'000	$'000
Tax expense attributable to profit is made up of:		
– Profit for the financial year:		
Current income tax		
– Singapore	**853**	1,647
– Foreign	**5,817**	5,406
	6,670	7,053
Deferred income tax (Note 25)	**(685)**	6,073
	5,985	13,126
– (Over)/under provision in prior financial years:		
Current income tax		
– Singapore	**(1,751)**	(843)
– Foreign	**(1,254)**	634
	(3,005)	(209)
Deferred income tax (Note 25)	**(840)**	362
	(3,845)	153
	2,140	13,279

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

10. INCOME TAXES (continued)

(a) Income tax expense (continued)

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:

	Group	
	2015	2014
	$'000	$'000
Profit before tax	**33,490**	48,758
Share of profit of:		
– joint ventures, net of tax	**(16,989)**	(5,797)
– associated companies, net of tax	**(2,548)**	(2,649)
	(19,537)	(8,446)
Profit before tax and share of profit of joint ventures and associated companies	**13,953**	40,312
Tax calculated at tax rate of 17% (2014: 17%)	**2,372**	6,853
Effects of:		
– different tax rates in other countries	**832**	304
– tax incentives	**(60)**	(85)
– expenses not deductible for tax purposes	**6,255**	7,150
– income not subject to tax	**(2,907)**	(1,472)
– statutory stepped income exemption	**(79)**	(111)
– deferred tax asset not recognised	**936**	148
– recognition of previously unrecognised tax losses and capital allowances	**(3,657)**	(586)
– profit of a joint venture subject to tax on remittance	**2,293**	925
– (over)/under provision of tax in prior financial years	**(3,845)**	153
Tax charge	**2,140**	13,279

(b) Movement in current income tax liabilities

	Group		Company	
	2015	2014	**2015**	2014
	$'000	$'000	**$'000**	$'000
Beginning of financial year	**7,519**	4,761	**494**	2,617
Currency translation differences	**(254)**	(252)	**-**	-
Income tax (paid)/refunded – net	**(1,488)**	(3,834)	**1,794**	(2,095)
Tax expense	**6,670**	7,053	**-**	-
Over provision in prior financial years	**(3,005)**	(209)	**(1,794)**	(28)
End of financial year	**9,442**	7,519	**494**	494

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For the financial year ended 31 December 2015

10. INCOME TAXES (continued)

(c) Tax effects – other comprehensive income

The tax charge or credit relating to each component of other comprehensive income, if any, is presented in the other comprehensive income.

11. EARNINGS PER SHARE

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

	Group	
	2015	2014
Net profit attributable to equity holders of the Company ($'000)	**29,138**	35,498
Weighted average number of ordinary shares outstanding for basic earnings per share ('000)	**405,784**	395,521
Basic earnings per share (cents per share)	**7.18**	8.97

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

12. CASH AND CASH EQUIVALENTS

	Group		Company	
	2015	2014	**2015**	2014
	$'000	$'000	**$'000**	$'000
Cash at bank and on hand	**47,188**	30,868	**11,074**	5,596
Short-term bank deposits	**79,884**	67,518	**63,780**	50,435
	127,072	98,386	**74,854**	56,031

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 $5,439,000 (2014: $5,727,000) held under the development project rules in Singapore and the use of which is also governed by these rules.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

13. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2015	2014	**2015**	2014
	$'000	$'000	**$'000**	$'000
Current				
Trade receivables:				
– related parties (Note 32(b))	**1,797**	6,314	**166**	159
– non-related parties	**19,462**	15,241	**1,498**	1,832
Accrued receivables	**43,998**	-	**-**	-
Due from customers (Note 14(b))	**-**	50,262	**-**	-
	65,257	71,817	**1,664**	1,991
Less: Allowance for impairment of receivables - non-related parties	**(372)**	(98)	**-**	-
	64,885	71,719	**1,664**	1,991
Advances to subsidiaries	**-**	-	**196,938**	159,554
Deposits:				
– related parties (Note 32(b))	**5,378**	5,321	**5,232**	5,159
– non-related parties	**1,452**	31	**6**	9
Prepayments	**1,824**	1,318	**168**	91
Other receivables:				
– joint ventures	**207**	2,139	**-**	-
– non-controlling interest	**-**	1,221	**-**	-
– related parties (Note 32(b))	**577**	195	**2**	5
– non-related parties	**961**	1,571	**238**	194
	10,399	11,796	**202,584**	165,012
	75,284	83,515	**204,248**	167,003

Accrued receivables relate to unbilled receivables for the Group's sold properties under development (Note 14(b)) which was completed during the current financial year.

The advances to subsidiaries by the Company and the other receivables from non-controlling interest and related parties by the Group and the Company, if any, are unsecured, repayable on demand and interest-free, except that the advances to subsidiaries by the Company of $189,903,000 (2014: $154,812,000) which is interest-bearing at a weighted average effective rate of 1.8% (2014: 2.0%) per annum. Included in the Group's other receivables – non-related parties as at 31 December 2014 was an income tax recoverable of $814,000 from tax authorities.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

13. TRADE AND OTHER RECEIVABLES (continued)

	Group		Company	
	2015	2014	**2015**	2014
	$'000	$'000	**$'000**	$'000
Non-current				
Deposits – non-related parties	**-**	50	**-**	-
Prepayments	**405**	432	**248**	264
Country club membership	**-**	228	**-**	228
Advances to:				
– subsidiaries	**-**	-	**551,298**	529,814
– joint ventures	**223,133**	220,597	**41,208**	40,501
– associated company	**862**	862	**-**	-
	224,400	222,169	**592,754**	570,807
Less: Allowance for impairment of:				
– country club membership	**-**	(176)	**-**	(176)
– Advances to:				
– subsidiaries	**-**	-	**(85,176)**	(90,579)
– associated company	**(862)**	(862)	**-**	-
	(862)	(1,038)	**(85,176)**	(90,755)
	223,538	221,131	**507,578**	480,052

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

The non-current advances to subsidiaries, joint ventures and an associated company by the Group and the Company, if any, are unsecured, not expected to be repayable in the next twelve months and interest-free except as follows:

- advances to subsidiaries by the Company of $237,796,000 (2014: $243,934,000), which is interest-bearing at a weighted average effective rate of 2.0% (2014: 1.4%) per annum;
- advances to joint ventures of the Group of $200,245,000 (2014: $214,244,000), which is interest-bearing at a weighted average effective interest rate of 2.0% (2014: 1.5%) per annum; and
- advances to a joint venture of the Company of $39,752,000 (2014: $39,752,000), which is interest-bearing at a weighted average effective interest rate of 2.3% (2014: 1.5%) per annum.

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

14. DEVELOPMENT PROPERTIES

(a) Unsold properties under development

This represents the Group's 30% share in a joint operation's properties under development at Bassein Road, analysed as follows:

	Group	
	2015	2014
	$'000	$'000
Freehold and leasehold land	-	37,032
Development costs	-	2,118
	-	39,150
Less: Provision for foreseeable loss on a development property	-	(459)
	-	38,691

On 29 January 2015, the Group sold its 30% interest in the development project to its joint operations partner for this development project, Transurban Properties Pte Ltd ("TPPL"), for a cash consideration of $38,100,000 which is the carrying amount at 31 December 2014 as well as the sale date; after taking into account the latest available valuation of the property. TPPL is a related party of the Company (Note 32(b)). Part of the proceeds was used to repay bank borrowings of $19,500,000 and discharge the mortgage over the property that existed as at 31 December 2014.

(b) Sold properties under development

This represents the Group's share in a joint operation's sold properties under development analysed as follows:

	Group	
	2015	2014
	$'000	$'000
Aggregate costs incurred and profits recognised		
– Leasehold land	-	53,262
– Development costs and attributable profits	-	74,271
	-	127,533
Less: Progress billings	-	(77,271)
	-	50,262
Presented as:		
Due from customers (Note 13)	-	50,262

(c) As at 31 December 2014, properties under development with carrying amounts of $38,100,000 are provided as security for bank borrowings (Note 23).

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

15. PROPERTIES HELD FOR SALE

	Group	
	2015	2014
	$'000	$'000
Residential	**167**	-
Medical suites	**123,863**	123,863
	124,030	123,863

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

Location	Description/ existing use	Gross floor area (sm)	Group's effective interest
euHabitat, 186 – 332 Jalan Eunos	1 residential unit	105	20%
Novena Medical Center, 10 Sinaran Drive Singapore	7 units of medical suites	515	100%
Novena Specialist Center, 8 Sinaran Drive Singapore	30 units of medical suites	2,249	100%

16. INVESTMENTS IN ASSOCIATED COMPANIES

	Group		Company	
	2015	2014	**2015**	2014
	$'000	$'000	**$'000**	$'000
Equity investment at cost			**696**	696
Beginning of financial year	**8,424**	7,812		
Share of:				
– profit	**2,548**	2,649		
– movement in fair value reserve	**(1,182)**	(61)		
Liquidation during the financial year	**-**	(1,976)		
End of financial year	**9,790**	8,424		

The details of the Group's associated company, FEO Hospitality Asset Management Pte Ltd ("FEOHAM"), which, in the opinion of the directors is material to the Group are set out in Note 36. Set out below are the summarised financial information for FEOHAM.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

16. INVESTMENTS IN ASSOCIATED COMPANIES (continued)

Summarised balance sheet

	As at 31 December	
	2015	2014
	$'000	$'000
Current assets	**4,970**	4,656
Includes:		
– Cash and cash equivalents	**1,789**	1,498
Current liabilities	**(3,368)**	(3,382)
Includes:		
– Other current liabilities (including trade payables)	**(3,368)**	(3,382)
Non-current assets	**21,302**	17,474
Net assets	**22,904**	18,748

Summarised statement of comprehensive income

	For the financial year ended	
	2015	2014
	$'000	$'000
Sales	**11,779**	12,017
Expenses		
Includes:		
– Depreciation and amortisation	**(93)**	(101)
Profit before income tax	**9,315**	9,448
Income tax expense	**(1,578)**	(1,565)
Net profit	**7,737**	7,883
Other comprehensive loss, net of tax	**(3,581)**	(184)
Total comprehensive income	**4,156**	7,699

The information above reflects the amounts presented in the financial statements of FEOHAM and not the Group's share of those amounts.

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

16. INVESTMENTS IN ASSOCIATED COMPANIES (continued)

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

	2015	2014
	$'000	$'000
Net assets at beginning of financial year	**18,748**	11,049
Profit for the year	**7,737**	7,883
Other comprehensive loss	**(3,581)**	(184)
Net assets at end of financial year	**22,904**	18,748
Interest in FEOHAM (2015 and 2014: 33%)	**7,558**	6,187
Goodwill	**343**	343
Carrying amount	**7,901**	6,530
Add:		
Carrying amount of individually immaterial associated companies	**1,889**	1,894
	9,790	8,424

17. INVESTMENTS IN JOINT VENTURES

	Group		Company	
	2015	2014	**2015**	2014
	$'000	$'000	**$'000**	$'000
Equity investment at cost			**300**	300
Beginning of financial year	**241,107**	282,167		
Additions	**5,942**	71,078		
Share of profit	**16,989**	5,797		
Share of movements in:				
– asset revaluation reserve (Note 27(i))	**11,118**	7,978		
– currency translation reserve (Note 27(ii))	**(21)**	294		
– hedging reserve (Note 27(iv))	**26**	(1,057)		
Capital reduction	**-**	(113,009)		
Dividend received	**(17,409)**	(2,881)		
Foreign exchange differences	**(10,075)**	(9,260)		
End of financial year	**247,677**	241,107		

During the previous financial year, the Group

- made a capital contribution of $35,909,000 (or A$31,731,000) for an additional 5.5% interest in the total issued securities in Toga Hotel Holdings Unit Trust ("Toga JV");
- acquired a 50% interest in eight joint ventures which owned and operated three hotels in Germany and one hotel in Denmark for $35,169,000 (or EUR21,020,000); and
- reduced its investment in Orwin Development Limited by $113,009,000 through reduction of share capital.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

17. INVESTMENTS IN JOINT VENTURES (continued)

The details of the Group's joint venture, Toga JV, which, in the opinion of the directors is material to the Group are set out in Note 36. Set out below are the summarised financial information for Toga JV.

Summarised consolidated balance sheet

	As at 31 December	
	2015	2014
	$'000	$'000
Current assets	**139,759**	122,557
Includes:		
– Cash and cash equivalents	**41,628**	29,538
Current liabilities	**(131,492)**	(103,249)
Includes:		
– Financial liabilities (excluding trade payables)	**(71,617)**	(45,615)
– Other current liabilities (including trade payables)	**(59,875)**	(57,634)
Non-current assets	**497,218**	558,669
Includes:		
– Property, plant and equipment	**225,081**	281,684
– Intangible assets (including goodwill and brands with indefinite lives)	**268,713**	273,603
Non-current liabilities	**(110,359)**	(149,682)
Includes:		
– Financial liabilities	**(66,057)**	(121,497)
– Other liabilities	**(44,302)**	(28,185)
Net assets	**395,126**	428,295

Summarised consolidated statement of comprehensive income

	For the financial year ended	
	2015	2014
	$'000	$'000
Sales	**360,458**	366,747
Interest income	**733**	242
Expenses		
Includes:		
– Depreciation and amortisation	**(13,974)**	(11,726)
– Interest expense	**(6,631)**	(7,002)
Profit before income tax	**22,836**	19,465
Income tax expense	**(5,148)**	(6,311)
Net profit	**17,688**	13,154
Other comprehensive income, net of tax	**6,181**	17,961
Total comprehensive income	**23,869**	31,115
Dividend received from joint venture	**15,880**	2,881

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

17. INVESTMENTS IN JOINT VENTURES (continued)

The information above reflects the amounts presented in the financial statements of the joint venture, and not the Group's share of those amounts.

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

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

	2015 $'000	2014 $'000
Net assets at beginning of financial year	**428,294**	387,302
Additions during the year	**1,560**	34,358
Profit for the year	**17,688**	13,154
Other comprehensive income	**6,181**	17,961
Dividend paid	**(38,547)**	(7,710)
Foreign exchange differences	**(20,050)**	(16,771)
Net assets at end of financial year	**395,126**	428,294
Interest in Toga JV (2015: 43%, 2014: 43%)	**169,094**	181,760
Goodwill	**5,814**	5,814
Carrying value	**174,908**	187,574

The Group's share of aggregate carrying amount of other immaterial joint ventures is $72,769,000 (2014: $53,533,000).

The Group's share of unrecognised losses of its joint ventures for the year and cumulatively amounted to $1,086,000 (2014: $2,584,000) and $3,239,000 (2014: $4,665,000) respectively.

18. INVESTMENTS IN SUBSIDIARIES

	Company	
	2015 **$'000**	2014 $'000
Equity investments at cost	**518,817**	518,817
Less: Allowance for impairment of equity investments	**(9,663)**	(9,663)
	509,154	509,154

There were no changes during the financial year in the Group's ownership interest in its significant subsidiaries as set out in Note 36.

The details of the subsidiary with material non-controlling interest, Far East Hospitality Holdings Pte. Ltd., are set out in Note 36. The summarised consolidated financial information for Far East Hospitality Holdings Pte. Ltd. and its subsidiaries, before inter-company eliminations with other subsidiaries within the Group, is set out below.

NOTES TO THE FINANCIAL STATEMENTS

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18. INVESTMENTS IN SUBSIDIARIES (continued)

Summarised consolidated balance sheet

	As at 31 December	
	2015	2014
	$'000	$'000
Assets		
Current assets	**61,614**	64,323
Non-current assets	**575,269**	584,887
Total assets	**636,883**	649,210
Liabilities		
Current liabilities	**(297,579)**	(326,896)
Non-current liabilities	**(276,946)**	(282,921)
Total liabilities	**(574,525)**	(609,817)
Net assets	**62,358**	39,393
Carrying value of non-controlling interest at 30% (2014: 30%)	**18,707**	11,818

Summarised consolidated statement of comprehensive income

	For the financial year ended	
	2015	2014
	$'000	$'000
Sales	**149,285**	164,583
Profit before income tax	**9,404**	9,823
Income tax expense	**(2,030)**	(9,886)
Net profit/(loss)	**7,374**	(63)
Other comprehensive income, net of tax	**15,590**	7,983
Total comprehensive income	**22,964**	7,920
Total comprehensive income allocated to non-controlling interest	**6,889**	2,376

Summarised consolidated statement of cash flows

	For the financial year ended	
	2015	2014
	$'000	$'000
Operating cash inflows	**17,950**	9,613
Investing cash inflows/(outflows)	**13,596**	(71,322)
Financing cash (outflows)/inflows	**(24,393)**	42,887
Total cash inflows/(outflows)	**7,153**	(18,822)

There were no changes during the financial year in the Group's ownership interest in its significant subsidiaries.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

19. INVESTMENT PROPERTIES

	Group		Company	
	2015	2014	**2015**	2014
	$'000	$'000	**$'000**	$'000
Beginning of financial year	**315,598**	304,475	**120,066**	116,209
Fair value gains recognised in profit or loss - net (Note 8)	**5,160**	12,578	**6,677**	3,857
Additions				
– Direct acquisitions	**83,704**	-	**-**	-
– Subsequent expenditure	**6,036**	-	**-**	-
Transfer from property, plant and equipment (Note 20)	**2,605**	-	**-**	-
Foreign exchange differences	**(4,473)**	(1,455)	**-**	-
End of financial year	**408,630**	315,598	**126,743**	120,066
Comprised of:				
– Completed properties	**396,310**	315,598	**126,743**	120,066
– Properties under construction	**12,320**	-	**-**	-
	408,630	315,598	**126,743**	120,066

(a) Investment properties of the Group with carrying amounts of $85,672,000 (2014: $32,484,000) are provided as security for bank borrowings (Note 23).

(b) Completed properties are leased to non-related parties and/or related parties (Note 32(b)) under operating leases. The following amounts are recognised in profit or loss:

	Group	
	2015	2014
	$'000	$'000
Rental income	**14,572**	11,124
Direct operating expenses arising from investment properties that generate rental income	**(4,329)**	(3,890)

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

19. INVESTMENT PROPERTIES (continued)

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

Location	Description/ existing use	Tenure
In Singapore		
Orchard Parade Hotel, 1 Tanglin Road	Shops and offices (land only)	Freehold and leasehold
Tanglin Shopping Centre, 19 Tanglin Road	4 units of offices	Freehold
Novena Medical Center, 10 Sinaran Drive	37 units of medical suites	Leasehold with 99 years lease expiring on 27 August 2101
Novena Specialist Center, 8 Sinaran Drive	10 units of medical suites	Leasehold with 99 years lease expiring on 22 April 2106
In Australia		
Rendezvous Hotel Perth Scarborough	13 units of shops	Freehold
Adina Apartment Hotel Brisbane Anzac Square	1 restaurant and 1 manager unit	Freehold
In The United Kingdom		
Turner Court, Newcastle upon Tyne	Student accommodation	Freehold
Rosedale Court, Newcastle upon Tyne	Student accommodation	Freehold
Land sites for two buildings at Newcastle upon Tyne	Student accommodation	Freehold

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

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

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

Level 3 fair values of the Group's investment properties have generally been derived using one or more of the following valuation techniques:

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

– discounted cash flow method, where the future net cash flows over a period are discounted to arrive at a present value. The most significant unobservable input to the valuation is the discount rate applied.

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

NOTES TO THE FINANCIAL STATEMENTS

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19. INVESTMENT PROPERTIES (continued)

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

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

Description	Fair value as at 31 December		Valuation technique(s)	Significant unobservable input(s) and range	Relationship of unobservable inputs to fair value
	2015 **$'000**	2014 $'000			
Freehold and leasehold land – Singapore	**114,972**	108,295	Sales comparison	Pre-adjusted comparable sales price – $5,245 to $7,133 (2014: $8,585 to $11,763) psf	The higher the comparable sales price, the higher the fair value
Office units – Singapore	**11,771**	11,771	Sales comparison	Pre-adjusted comparable sales price – $1,794 to $3,286 (2014: $1,874 to $2,929) psf	The higher the comparable sales price, the higher the fair value
Medical suites – Singapore	**163,047**	163,047	Sales comparison	Pre-adjusted comparable sales price – $4,306 to $7,002 (2014: $4,266 to $6,105) psf	The higher the comparable sales price, the higher the fair value
Shops, restaurant, and manager unit – Australia	**32,053**	32,485	Discounted cash flow	Discount rate – 9.5% (2014: 9.5%)	The lower the discount rate, the higher the fair value
			Income capitalisation	Capitalisation rate – 7.8% to 8.4% (2014: 8.0%)	The lower the capitalisation rate, the higher the fair value
Student accommodation – The United Kingdom	**86,787**	-	Discounted cash flow	Discount rate – 8.5% to 9.5% (2014: Nil)	The lower the discount rate, the higher the fair value
	408,630	315,598			

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

20. 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
Group – 2015							
Cost or valuation							
Beginning of financial year							
Cost	-	-	56,342	36,189	1,064	5,077	98,672
Valuation	410,830	125,700	-	-	-	-	536,530
	410,830	125,700	56,342	36,189	1,064	5,077	635,202
Currency translation differences	(3,473)	(5,853)	(757)	(4,417)	-	(12)	(14,512)
Additions	-	-	1,767	7,125	-	4	8,896
Disposals	-	-	(496)	-	(18)	(1,045)	(1,559)
Transfers to investment properties (Note 19)	-	(2,632)	-	-	-	-	(2,632)
Revaluation adjustments							
- profit or loss (Note 8)	-	(1,623)	-	-	-	-	(1,623)
- other comprehensive income (Note 27(i))	(22,837)	11,797	-	-	-	-	(11,040)
End of financial year	384,520	127,389	56,856	38,897	1,046	4,024	612,732
Representing:							
Cost	-	-	56,856	38,897	1,046	4,024	100,823
Valuation	384,520	127,389	-	-	-	-	511,909
	384,520	127,389	56,856	38,897	1,046	4,024	612,732
Accumulated depreciation and impairment losses							
Beginning of financial year	-	-	39,184	-	172	3,309	42,665
Currency translation differences	-	(26)	(22)	-	-	(143)	(191)
Depreciation charge (Note 5)	-	4,611	3,230	-	108	480	8,429
Impairment charge (Note 8)	-	270	-	-	-	-	270
Write-off	-	-	88	-	-	-	88
Disposals	-	-	(308)	-	(7)	(773)	(1,088)
Transfers to investment properties (Note 19)	-	(27)	-	-	-	-	(27)
Revaluation adjustments							
- profit or loss (Note 8)	-	(650)	-	-	-	-	(650)
- other comprehensive income (Note 27(i))	-	(3,881)	-	-	-	-	(3,881)
End of financial year	-	297	42,172	-	273	2,873	45,615
Net book value							
End of financial year	**384,520**	**127,092**	**14,684**	**38,897**	**773**	**1,151**	**567,117**

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

20. PROPERTY, PLANT AND EQUIPMENT (continued)

	Freehold and leasehold land $'000	Freehold and leasehold buildings $'000	Plant, equip-ment, furniture and fittings $'000	Construct-ion-in-progress $'000	Motor vehicles $'000	Other assets $'000	Total $'000
Group – 2014							
Cost or valuation							
Beginning of financial year							
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
Currency translation differences	(1,904)	(4,892)	(489)	(474)	-	(78)	(7,837)
Additions	-	-	2,330	13,696	472	30	16,528
Disposals	-	-	(12)	-	(440)	-	(452)
Revaluation adjustments							
- profit or loss (Note 8)	-	(2,143)	-	-	-	-	(2,143)
- other comprehensive income (Note 27(i))	(7,622)	10,933	-	-	-	-	3,311
End of financial year	410,830	125,700	56,342	36,189	1,064	5,077	635,202
Representing:							
Cost	-	-	56,342	36,189	1,064	5,077	98,672
Valuation	410,830	125,700	-	-	-	-	536,530
	410,830	125,700	56,342	36,189	1,064	5,077	635,202
Accumulated depreciation and impairment losses							
Beginning of financial year	-	-	34,757	-	145	2,689	37,591
Currency translation differences	-	(224)	(156)	-	-	(25)	(405)
Depreciation charge (Note 5)	-	4,766	3,814	-	109	645	9,334
Impairment charge (Note 8)	-	-	781	-	-	-	781
Disposals	-	-	(12)	-	(82)	-	(94)
Revaluation adjustments							
- profit or loss (Note 8)	-	(751)	-	-	-	-	(751)
- other comprehensive income (Note 27(i))	-	(3,791)	-	-	-	-	(3,791)
End of financial year	-	-	39,184	-	172	3,309	42,665
Net book value							
End of financial year	410,830	125,700	17,158	36,189	892	1,768	592,537

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

20. PROPERTY, PLANT AND EQUIPMENT (continued)

	Freehold and leasehold land $'000	Plant, equipment, furniture and fittings $'000	Construct -ion-in-progress $'000	Motor vehicles $'000	Other assets $'000	Total $'000
Company – 2015						
Cost or valuation						
Beginning of financial year						
Cost	-	28,008	-	468	1,778	30,254
Valuation	357,206	-	-	-	-	357,206
	357,206	28,008	-	468	1,778	387,460
Additions	-	108	101	-	-	209
Disposals	-	(101)	-	-	-	(101)
Revaluation adjustments	(25,877)	-	-	-	-	(25,877)
End of financial year	331,329	28,015	101	468	1,778	361,691
Representing:						
Cost	-	28,015	101	468	1,778	30,362
Valuation	331,329	-	-	-	-	331,329
	331,329	28,015	101	468	1,778	361,691
Accumulated depreciation						
Beginning of financial year	-	24,494	-	36	1,774	26,304
Depreciation charge	-	892	-	46	2	940
Disposals	-	(75)	-	-	-	(75)
End of financial year	-	25,311	-	82	1,776	27,169
Net book value						
End of financial year	**331,329**	**2,704**	**101**	**386**	**2**	**334,522**

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

20. PROPERTY, PLANT AND EQUIPMENT (continued)

	Freehold and leasehold land $'000	Plant, equipment, furniture and fittings $'000	Construct-ion-in-progress $'000	Motor vehicles $'000	Other assets $'000	Total $'000
Company – 2014						
Cost or valuation						
Beginning of financial year						
Cost	-	27,691	-	223	1,778	29,692
Valuation	367,263	-	-	-	-	367,263
	367,263	27,691	-	223	1,778	396,955
Additions	-	324	-	472	-	796
Disposals	-	(7)	-	(227)	-	(234)
Revaluation adjustments	(10,057)	-	-	-	-	(10,057)
End of financial year	357,206	28,008	-	468	1,778	387,460
Representing:						
Cost	-	28,008	-	468	1,778	30,254
Valuation	357,206	-	-	-	-	357,206
	357,206	28,008	-	468	1,778	387,460
Accumulated depreciation						
Beginning of financial year	-	23,471	-	39	1,772	25,282
Depreciation charge	-	1,026	-	45	2	1,073
Disposals	-	(3)	-	(48)	-	(51)
End of financial year	-	24,494	-	36	1,774	26,304
Net book value						
End of financial year	357,206	3,514	-	432	4	361,156

Property, plant and equipment of the Group with carrying amounts $47,197,000 (2014: $210,162,000) are provided as security for bank borrowings (Note 23).

The freehold and leasehold land and buildings of the Group and the Company with carrying value of $511,909,000 (2014: $536,530,000) and $331,329,000 (2014: $357,206,000) respectively are carried at the revalued amounts in accordance with the Group's accounting policy as described in Note 2.4. If these land and buildings were included in the financial statements at cost less accumulated depreciation and impairment losses, their net book values would have been $147,470,000 (2014: $162,577,000) and $2,183,000 (2014: $2,183,000) respectively.

Property, plant and equipment of the Group, for which an impairment loss of $270,000 (2014: $781,000) was recognised, is part of the 'Hospitality operations – Australia and New Zealand' segment (Note 33). The impairment was due to a reduction of the market value of the assets.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

20. PROPERTY, PLANT AND EQUIPMENT (continued)

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

The Group engages external, independent and qualified valuers to determine the fair value of the Group's property, plant and equipment, on 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. The following table presents the valuation techniques and key inputs that were used to determine the fair value which is categorised under Level 3 of the fair value hierarchy.

Description	Fair value as at 31 December		Valuation technique(s)	Significant unobservable input(s) and range	Relationship of unobservable inputs to fair value
	2015 **$'000**	2014 $'000			
Freehold and leasehold land – Singapore	**331,329**	357,205	Sales comparison	Pre-adjusted comparable sales price – $2,918 to $6,792 (2014: $3,711 to $6,792) psf	The higher the comparable sales price, the higher the fair value
Freehold land – Malaysia	**10,566**	11,721	Sales comparison	Pre-adjusted comparable sales price – $925 to $1,083 (2014: $833 to $1,418) psf	The higher the comparable sales price, the higher the fair value
Freehold land and freehold and leasehold buildings – Australia	**170,014**	167,604	Discounted cash flow	Discount rate – 9.5% to 10.3% (2014: 10.5% to 11.0%)	The lower the discount rate, the higher the fair value
			Income capitalisation	Capitalisation rate – 7.5% to 8.3% (2014: 8.3% to 8.8%)	The lower the capitalisation rate, the higher the fair value
	511,909	536,530			

21. INTANGIBLE ASSETS

	Group	
	2015 **$'000**	2014 $'000
Goodwill arising from acquisition of hospitality businesses (Note (a))	**52,676**	58,271
Hospitality lease and management agreements (Note (b))	**89,582**	93,235
	142,258	151,506

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

21. INTANGIBLE ASSETS (continued)

(a) Goodwill arising from acquisition of hospitality businesses

	Group	
	2015	2014
	$'000	$'000
Beginning of financial year	**58,271**	58,891
Currency translation differences	**(697)**	(620)
End of financial year	**57,574**	58,271
Accumulated impairment		
Impairment charge (Note 8)	**4,898**	-
End of financial year	**4,898**	-
Net book value	**52,676**	58,271

Impairment tests for goodwill

Goodwill is allocated to the CGUs within the Group's operating segments under its hospitality business as follows:

	Group	
	2015	2014
	$'000	$'000
Management services – Singapore (Note (i))	**37,257**	42,155
Property ownership (Note (ii))	**15,419**	16,116
	52,676	58,271

(i) Management services – Singapore

Cash flow projections used in the value-in-use calculations were based on financial projections approved by management for the next financial year and extrapolated using the estimated average revenue growth rates stated below. The pre-tax discount rate and terminal growth rate used reflected specific risks relating to the CGU. The key assumptions used are as follows:

	2015	2014
Average revenue growth rate from 2017 to 2020 (2014: 2016 to 2019)	**13.9%**	18.9%
Terminal growth rate	**2.9%**	3.0%
Pre-tax discount rate	**11.1%**	12.0%

Based on the value-in-use calculations, an impairment charge of $4,898,000 was recognised (Note 8), representing the write-down of the CGU's goodwill to its recoverable amount. The recoverable value of goodwill has reduced from the previous year as a result of the lower projected revenue growth rate used. This is a reflection of the challenging environment for the Group's 'Management services – Singapore' segment.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

21. INTANGIBLE ASSETS (continued)

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

(ii) Property ownership

Cash flow projections used in the value-in-use calculations were based on financial projections approved by management for the next financial year and the average net profit margin stated below. The pre-tax discount rate and terminal yield used reflected specific risks relating to the CGU. The key assumptions used are as follows:

	2015	2014
Average net profit margin from 2017 to 2025 (2014: 2016 to 2024)	**32.3%**	37.0%
Pre-tax discount rate	**9.7%**	10.4%
Terminal yield	**8.3%**	8.5%

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

(b) Hospitality lease and management agreements

	Group	
	2015	2014
	$'000	$'000
Cost		
Beginning and end of financial year	**100,235**	100,235
Accumulated amortisation		
Beginning of financial year	**7,000**	3,219
Amortisation charge (Note 5) included within "Cost of sales" in profit or loss	**3,653**	3,781
End of financial year	**10,653**	7,000
Net book value	**89,582**	93,235

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

22. TRADE AND OTHER PAYABLES

	Group		Company	
	2015	2014	**2015**	2014
	$'000	$'000	**$'000**	$'000
Current				
Trade payables:				
– related parties (Note 32(b))	**1,190**	4,780	**224**	2,802
– non-related parties	**16,396**	9,301	**805**	974
	17,586	14,081	**1,029**	3,776
Deferred income:				
– related parties (Note 32(b))	**7,775**	7,351	**6,797**	6,797
– non-related parties	**1,384**	736	**5**	5
	9,159	8,087	**6,802**	6,802
Other payables:				
– joint ventures	**8,131**	17,747	**-**	-
– non-related parties	**148**	398	**-**	-
	8,279	18,145	**-**	-
Advances from non-controlling interest	**66,781**	66,507	**-**	-
Accrual for operating expenses	**16,890**	18,871	**5,232**	4,781
Deposits received	**3,693**	3,339	**168**	265
Interest payable	**98**	517	**-**	-
	122,486	129,547	**13,231**	15,624

Other payables to joint ventures and advances from non-controlling interest of the Group are unsecured, repayable on demand and interest-free, except for the advances from non-controlling interest of $66,348,000 (2014: $66,348,000) which bear interest at a weighted average effective interest rate of 2.0% (2014: 2.0%) per annum.

	Group		Company	
	2015	2014	**2015**	2014
	$'000	$'000	**$'000**	$'000
Non-current				
Deferred income – related parties (Note 32(b))	**310,295**	317,091	**310,295**	317,091
Other payables – non-related parties	**-**	19	**-**	-
Deposits received	**1,128**	1,289	**83**	-
Advances from:				
– subsidiaries	**-**	-	**303,596**	288,204
– joint venture	**23,873**	14,873	**-**	-
– associated company	**1,503**	1,503	**-**	-
– non-controlling interest	**71,912**	71,912	**-**	-
	408,711	406,687	**613,974**	605,295

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

22. TRADE AND OTHER PAYABLES (continued)

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

Advances from non-controlling interest are repayable at its nominal value, or convertible to shares of the subsidiary in whole or in part and in the same proportion as a similar loan from the Company to the same subsidiary, such that the Company's share of equity interest in the subsidiary does not change, at the rate of one share per $1 nominal value of the loan, upon the unanimous approval of the Company and the non-controlling interest. 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.

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

23. BORROWINGS

	Group		Company	
	2015	2014	**2015**	2014
	$'000	$'000	**$'000**	$'000
Bank borrowings				
– current (secured)	**47,538**	86,264	**-**	-
– current (unsecured)	**74,271**	-	**74,271**	-
	121,809	86,264	**74,271**	-
– non-current (secured)	**33,061**	19,476	**-**	-
	154,870	105,740	**74,271**	-

The bank borrowings are secured over certain investment properties (Note 19) and certain property, plant and equipment (Note 20). The bank borrowings as at 31 December 2014 included the Group's share of joint operations' bank borrowings of $19,476,000 which are secured over the Group's share of joint operations' development properties (Note 14).

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

24. PROVISIONS

	Group	
	2015	2014
	$'000	$'000
Onerous hospitality lease agreements:		
– current	**3,438**	5,923
– non-current	**4,059**	12,706
	7,497	18,629

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

24. PROVISIONS (continued)

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

	Group	
	2015	2014
	$'000	$'000
Beginning of financial year	**18,629**	23,250
Provision (reversed)/made	**(5,105)**	3,685
Provision utilised	**(4,978)**	(8,104)
Currency translation differences	**(1,049)**	(202)
End of financial year	**7,497**	18,629

25. 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	
	2015	2014	**2015**	2014
	$'000	$'000	**$'000**	$'000
Deferred income tax assets				
– To be recovered within one year	**-**	1,307	**-**	-
– To be recovered after one year	**99**	106	**-**	-
	99	1,413	**-**	-
Deferred income tax liabilities				
– To be settled within one year	**654**	670	**137**	146
– To be settled after one year	**29,744**	26,811	**294**	402
	30,398	27,481	**431**	548

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 $44,318,000 (2014: $41,109,000) 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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

25. DEFERRED INCOME TAXES (continued)

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

Deferred income tax liabilities – Group

	Accelerated tax depreciation $'000	Revaluation gains – net $'000	Recognition of profits on percentage of completion $'000	Other $'000	Total $'000
Group – 2015					
Beginning of financial year	15,944	9,977	5,992	1,563	33,476
(Credited)/charged to:					
– profit or loss	(598)	(465)	1,179	523	639
– other comprehensive income (Note 27(i))	-	6,300	-	-	6,300
Currency translation differences	-	(484)	-	(70)	(554)
End of financial year	**15,346**	**15,328**	**7,171**	**2,016**	**39,861**
Group – 2014					
Beginning of financial year	16,578	315	2,300	478	19,671
(Credited)/charged to:					
– profit or loss	(634)	2,570	3,799	924	6,659
– other comprehensive income (Note 27(i))	-	7,350	-	-	7,350
(Over)/under provision in prior financial years	-	-	(107)	255	148
Currency translation differences	-	(258)	-	(94)	(352)
End of financial year	15,944	9,977	5,992	1,563	33,476

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

25. DEFERRED INCOME TAXES (continued)

Deferred income tax assets – Group

	Tax losses $'000	Other $'000	Total $'000
Group – 2015			
Beginning of financial year	(7,302)	(106)	(7,408)
Credited to profit or loss	(1,324)	-	(1,324)
Over provision in prior financial years	(840)	-	(840)
Currency translation differences	3	7	10
End of financial year	**(9,463)**	**(99)**	**(9,562)**
Group – 2014			
Beginning of financial year	(6,930)	(135)	(7,065)
Credited to profit or loss	(586)	-	(586)
Under provision in prior financial years	214	-	214
Currency translation differences	-	29	29
End of financial year	(7,302)	(106)	(7,408)

Deferred income tax liabilities – Company

	2015 $'000	2014 $'000
Accelerated tax depreciation		
Beginning of financial year	**548**	648
Credited to profit or loss	**(117)**	(100)
End of financial year	**431**	548

26. SHARE CAPITAL

	Group and Company			
	Number of shares		Amount	
	2015 '000	2014 '000	**2015 $'000**	2014 $'000
Beginning of financial year	**400,587**	389,912	**439,617**	420,616
Shares issued in-lieu of dividends	**10,253**	10,675	**17,429**	19,001
End of financial year	**410,840**	400,587	**457,046**	439,617

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

27. REVALUATION AND OTHER RESERVES

	Group		Company	
	2015	2014	**2015**	2014
	$'000	$'000	**$'000**	$'000
Capital reserve	**10,557**	10,557	**-**	-
Asset revaluation reserve	**335,727**	345,023	**303,752**	329,629
Currency translation reserve	**(21,569)**	(14,055)	**-**	-
Fair value reserve	**(1,807)**	(625)	**-**	-
Hedging reserve	**(879)**	(897)	**-**	-
	322,029	340,003	**303,752**	329,629

Capital reserve of the Group represents the difference between the non-controlling interest's share of the carrying amount of the business and the fair value of the consideration received by the Group when it transferred 30% out of the 100% held interest in the hospitality management business to the non-controlling interest in the preceding financial year.

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

(i) Asset revaluation reserve

	Group		Company	
	2015	2014	**2015**	2014
	$'000	$'000	**$'000**	$'000
Beginning of financial year	**345,023**	342,516	**329,629**	339,686
Revaluation (losses)/gains – net (Note 20)	**(7,159)**	7,102	**(25,877)**	(10,057)
Share of joint venture's reserve movement (Note 17)	**11,118**	7,978	**-**	-
Tax charge relating to				
– revaluation gains (Note 25)	**(5,515)**	(4,911)	**-**	-
– share of joint venture's reserve movement	**(785)**	(2,439)	**-**	-
Less: Non-controlling interest	**(6,955)**	(5,223)	**-**	-
End of financial year	**335,727**	345,023	**303,752**	329,629

(ii) Currency translation reserve

	Group	
	2015	2014
	$'000	$'000
Beginning of financial year	**(14,055)**	(7,901)
Net currency translation differences of financial statements of foreign subsidiaries and joint ventures	**6,988**	2,316
Net currency translation differences of advances designated as net investments in subsidiaries	**(16,767)**	(11,275)
Share of joint venture's reserve movement (Note 17)	**(21)**	294
Less: Non-controlling interest	**2,286**	2,511
	(21,569)	(14,055)

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

27. REVALUATION AND OTHER RESERVES (continued)

(iii) Fair value reserve

	Group	
	2015	2014
	$'000	$'000
Beginning of financial year	**(625)**	(564)
Share of associated company's reserve movement (Note 16)	**(1,182)**	(61)
End of financial year	**(1,807)**	(625)

(iv) Hedging reserve

	Group	
	2015	2014
	$'000	$'000
Beginning of financial year	**(897)**	(157)
Share of joint venture's reserve movement (Note 17)	**26**	(1,057)
Less: Non-controlling interest	**(8)**	317
End of financial year	**(879)**	(897)

Revaluation and other reserves are non-distributable.

28. RETAINED PROFITS

Retained profits of the Group are distributable except for the accumulated retained profits from the share of results of joint ventures and associated companies amounting to $56,258,000 (2014: $36,721,000).

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

	Company	
	2015	2014
	$'000	$'000
Beginning of financial year	**303,287**	286,533
Shares issued in-lieu of dividends (Note 29)	**(17,429)**	(19,001)
Dividends paid to shareholders in cash (Note 29)	**(6,604)**	(4,392)
Net profit for the financial year	**15,652**	40,147
End of financial year	**294,906**	303,287

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

29. DIVIDENDS

	Company	
	2015	2014
	$'000	$'000
Ordinary dividends paid		
Final dividend paid in respect of the previous financial year of 6 cents (2014: 6 cents) using		
– new shares issued	**17,429**	19,001
– cash	**6,604**	4,392
	24,033	23,393

At the Annual General Meeting on 20 April 2016, a final dividend of 6 cents per share amounting to a total of $24,650,000 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 2016.

30. COMMITMENTS

(a) Capital commitments

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

	Group		Company	
	2015	2014	**2015**	2014
	$'000	$'000	**$'000**	$'000
Development properties	**-**	7,055	**-**	-
Investment in joint ventures	**54,550**	76,303	**-**	-
Investment properties	**61,642**	-	**-**	-
Property, plant and equipment	**5,992**	5,128	**1,725**	793
	122,184	88,486	**1,725**	793

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

30. COMMITMENTS (continued)

(b) Operating lease commitments – where the Group is a lessee

The Group and the Company lease 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	
	2015	2014	**2015**	2014
	$'000	$'000	**$'000**	$'000
Not later than one year				
– related parties (Note 32(b))	**17,767**	17,904	**10,456**	10,505
– non-related parties	**12,385**	16,862	**-**	-
	30,152	34,766	**10,456**	10,505
Between one and five years				
– related parties (Note 32(b))	**68,054**	68,544	**40,016**	40,284
– non-related parties	**8,502**	9,099	**-**	-
	76,556	77,643	**40,016**	40,284
Later than five years				
– related parties (Note 32(b))	**198,085**	215,085	**116,521**	126,521
– non-related parties	**1,795**	2,275	**-**	-
	199,880	217,360	**116,521**	126,521
	306,588	329,769	**166,993**	177,310

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

30. COMMITMENTS (continued)

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

The Group and Company lease out investment properties to related-parties and/or 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	
	2015	2014	**2015**	2014
	$'000	$'000	**$'000**	$'000
Not later than one year				
– related parties (Note 32(b))	**-**	117	**-**	117
– non-related parties	**13,553**	8,501	**333**	88
	13,553	8,618	**333**	205
Between one and five years				
– non-related parties	**15,154**	14,336	**279**	-
Later than five years				
– non-related parties	**14,128**	13,948	**-**	-
	42,835	36,902	**612**	205

31. FINANCIAL RISK MANAGEMENT

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

(a) Market risk

(i) Interest rate risk

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the fair value of a financial instrument will fluctuate due to changes in market interest rates. As the Group has no significant interest-bearing assets other than fixed deposits with banks, the Group's income is substantially independent of changes in market interest rates.

The Group's exposure to cash flow interest rate risks arises mainly from variable-rate borrowings (Note 23). 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"), Australian Dollars ("AUD") and British Pound Sterling ("GBP"). The profit after tax of the Group would have been lower/ higher by $Nil (2014: $162,000), $291,000 (2014: $392,000) and $851,000 (2014: $Nil) respectively as a result of higher/lower interest expense on these borrowings if the interest rates had increased/ decreased by 1.0% (2014: 1.0%) with all other variables including tax rate being held constant.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

31. FINANCIAL RISK MANAGEMENT (continued)

(a) Market risk (continued)

(ii) Currency risk

The Group operates in Singapore, Australia, New Zealand, the United Kingdom ("UK") and Malaysia. The entities within the Group transact in currencies other than their respective functional currencies ("foreign currencies"). Currency risk arises within entities in the Group when transactions are denominated in foreign currencies such as the Singapore Dollar ("SGD"), Australian Dollar ("AUD") and New Zealand Dollar ("NZD"). Where such currency risk becomes significant, the Group considers the use of currency swaps and forwards to manage the risk.

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

	SGD $'000	AUD $'000	NZD $'000
At 31 December 2015			
Financial assets			
Cash and cash equivalents	99,044	16,358	4,632
Trade and other receivables	267,807	23,286	2,508
Intra-group receivables	62,714	86,645	5,531
	429,565	126,289	12,671
Financial liabilities			
Borrowings	-	(35,091)	-
Trade and other payables	(188,617)	(12,717)	(5,081)
Intra-group payables	(62,714)	(86,645)	(5,531)
	(251,331)	(134,453)	(10,612)
Net financial assets/(liabilities)	178,234	(8,164)	2,059
Less: Net financial assets/(liabilities) denominated in the respective entities' functional currencies	(240,971)	31,270	3,506
Net currency exposure	**(62,737)**	**23,106**	**5,565**

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

31. FINANCIAL RISK MANAGEMENT (continued)

(a) Market risk (continued)

(ii) Currency risk (continued)

	SGD $'000	AUD $'000	NZD $'000
At 31 December 2014			
Financial assets			
Cash and cash equivalents	79,887	17,169	1,112
Trade and other receivables	283,042	14,394	2,447
Intra-group receivables	159,542	43,954	3,563
	522,471	75,517	7,122
Financial liabilities			
Borrowings	(19,477)	(56,018)	-
Trade and other payables	(180,774)	(23,311)	(2,758)
Intra-group payables	(159,542)	(43,954)	(3,563)
	(359,793)	(123,283)	(6,321)
Net financial assets/(liabilities)	162,678	(47,766)	801
Less: Net financial assets/(liabilities) denominated in the respective entities' functional currencies	(322,252)	48,845	3,179
Net currency exposure	(159,574)	1,079	3,980

If the foreign currencies strengthened/weakened against their respective functional curencies by 5% (2014: 5%) with all other variables including tax rate being held constant, the Group's profit after tax for the financial year would decrease as follows:

	2015 $'000	2014 $'000
SGD strengthened against AUD	**(3,137)**	(7,979)
AUD weakened against SGD	**(1,155)**	(54)
NZD weakened against SGD	**(278)**	(199)

In addition, the Group is exposed to currency translation risk on the net assets in foreign operations. Currency exposure to the net assets of the Group's foreign operations in Australia, the UK and Malaysia are managed through borrowings denominated in the relevant foreign currencies.

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

(b) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The major classes of financial assets of the Group and of the Company are bank deposits, trade receivables, advances to joint ventures and deposits. 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 2015

31. 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:

	Company	
	2015	2014
	$'000	$'000
Corporate guarantees provided to banks on banking facilities of subsidiaries and/or joint ventures	**28,067**	52,369

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

Bank deposits that are neither past due nor impaired are mainly deposits with reputable banks. Trade and other receivables, advances to joint ventures and deposits 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:

	Group		Company	
	2015	2014	**2015**	2014
	$'000	$'000	**$'000**	$'000
Past due 0 to 2 months	**2,313**	4,816	**421**	498
Past due 2 to 4 months	**436**	545	**-**	18
	2,749	5,361	**421**	516

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

	Group		Company	
	2015	2014	**2015**	2014
	$'000	$'000	**$'000**	$'000
Gross amount	**372**	98	**-**	-
Less: Allowance for impairment losses	**(372)**	(98)	**-**	-
	-	-	**-**	-
Beginning of financial year	**98**	92	**-**	-
Allowance written back	**-**	(92)	**-**	
Allowance made	**372**	98	**-**	-
Allowance utilised	**(98)**	-	**-**	-
End of financial year	**372**	98	**-**	-

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

31. FINANCIAL RISK MANAGEMENT (continued)

(b) Credit risk (continued)

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

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

(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
Group –				
At 31 December 2015				
Trade and other payables	113,326	26,506	-	71,910
Borrowings	126,117	35,368	-	-
	239,443	**61,874**	**-**	**71,910**
At 31 December 2014				
Trade and other payables	119,321	17,686	-	71,910
Borrowings	88,923	19,569	-	-
	208,244	37,255	-	71,910
Company –				
At 31 December 2015				
Trade and other payables	6,429	303,679	-	-
Borrowings	76,206	-	-	-
Financial guarantee for borrowings of a subsidiary	28,067	-	-	-
	110,702	**303,679**	**-**	**-**
At 31 December 2014				
Trade and other payables	8,822	288,204	-	-
Financial guarantees for borrowings of subsidiaries and joint ventures	52,369	-	-	-
	61,191	288,204	-	-

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

31. 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	
	2015	2014	**2015**	2014
	$'000	$'000	**$'000**	$'000
Total borrowings	**154,870**	105,740	**74,271**	-
Total equity	**1,192,683**	1,181,234	**1,055,704**	1,072,533
Gearing ratio (%)	**13%**	9%	**7%**	-

The Group is in compliance with all externally imposed capital requirements for the financial years ended 31 December 2015 and 2014. The Company is in compliance with all externally imposed capital requirements for the financial year ended 31 December 2015 and is not subject to any externally imposed capital requirements for the financial year ended 31 December 2014.

(e) Financial instruments by category

The carrying amount of the different categories of financial instruments is as disclosed on the face of the balance sheet, except for the following:

	Group		Company	
	2015	2014	**2015**	2014
	$'000	$'000	**$'000**	$'000
Loans and receivables	**423,665**	398,277	**786,264**	702,679
Financial liabilities at amortised cost	**366,612**	314,657	**384,379**	297,026

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

32. RELATED PARTY TRANSACTIONS

(a) Immediate and ultimate holding company

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

(b) Sales and purchases of goods and services from other related parties

Other related parties comprise mainly companies which are controlled by the shareholders of the Company's ultimate holding company. In addition to the information disclosed elsewhere in the financial statements, the following significant transactions took place between the Group and related parties at terms agreed between the parties:

	Group	
	2015	2014
	$'000	$'000
Amounts billed to/(by) other related parties:		
Administrative income	**586**	261
Sale of goods and services	**605**	878
Purchase of goods and services	**(902)**	(510)
Amounts billed by other related parties to joint ventures:		
Support services	**(193)**	(465)
Payments made on behalf for other related parties	**4,170**	2,657

Outstanding balances at 31 December 2015, arising from deposits, sale and purchase of goods and services are set out in Notes 13 and 22 respectively.

(c) Key management personnel compensation

Key management personnel compensation is as follows:

	Group	
	2015	2014
	$'000	$'000
Wages and salaries, including directors' fees	**3,976**	4,003
Employer's contribution to defined contribution plans, including Central Provident Fund	**50**	35
	4,026	4,038

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

33. SEGMENT INFORMATION

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

During the financial year ended 31 December 2015, management streamlined the reports to exclude the investment business as the two components, namely the Group's investment in the REIT Manager of Far East Hospitality Trust and the cash and cash equivalents at the corporate offices are now presented in the "Hospitality operations" segment and in the "Corporate assets" line respectively. The comparative figures for these two components have been reclassified to conform to the current year presentation.

The Group operates its hospitality business across three segments.

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

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

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

The Group manages its property business across two segments.

(i) Development
The development segment includes all property development projects at various stages of development and unsold completed properties that are held through either joint ventures or joint operations; and medical suites that are held for sale. Rental income from the leasing of medical suites held for sale, if any, is included under the investment segment on the reports reviewed by the Group's Executive Director and management.

(ii) Investment
The investment segment includes medical suites, student accommodation buildings including those under development and some offices that are held for rentals or/and long-term capital appreciation.

There 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 2015 and 2014.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

33. SEGMENT INFORMATION (continued)

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

	Hospitality				Property		Total
	Management services – Singapore $'000	Operations – Singapore $'000	Operations – Australia and New Zealand $'000	Property ownership $'000	Development $'000	Investment $'000	**$'000**
2015							
Total segment sales	18,689	47,727	69,298	61,297	65,829	11,349	**274,189**
Inter-segment sales	(3,322)	-	-	-	-	-	**(3,322)**
Sales to external parties	**15,367**	**47,727**	**69,298**	**61,297**	**65,829**	**11,349**	**270,867**
Operating profit	2,998	2,459	6,974	8,564	5,439	6,527	**32,961**
Share of profit of:							
– joint ventures	-	-	7,535	2,635	6,819	-	**16,989**
– associated companies	-	2,551	-	-	(3)	-	**2,548**
Total operating profit	**2,998**	**5,010**	**14,509**	**11,199**	**12,255**	**6,527**	**52,498**
Other losses – net*							**(10,866)**
Corporate expenses							**(6,735)**
Other expenses							**(1,407)**
Profit before income tax							**33,490**
Income tax expense							**(2,140)**
Total profit							**31,350**
Segment assets	126,587	349,211	40,969	276,294	404,677	387,322	**1,585,060**
Investments in associated companies	-	7,901	-	-	1,889	-	**9,790**
Investments in joint ventures	-	-	174,908	42,406	30,363	-	**247,677**
	126,587	**357,112**	**215,877**	**318,700**	**436,929**	**387,322**	**1,842,527**
Corporate assets							**83,560**
Total assets							**1,926,087**

* Included $4,898,000 impairment loss on goodwill allocated to the 'Hospitality management services – Singapore' segment and $270,000 impairment loss on property, plant and equipment allocated to 'Hospitality operations – Australia and New Zealand' segment.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

33. SEGMENT INFORMATION (continued)

	Hospitality				Property		Total
	Management services – Singapore $'000	Operations – Singapore $'000	Operations – Australia and New Zealand $'000	Property ownership $'000	Development $'000	Investment $'000	$'000
2014							
Total segment sales	19,812	50,935	80,811	63,960	94,380	9,156	319,054
Inter-segment sales	(3,488)	(29)	-	-	-	-	(3,517)
Sales to external parties	16,324	50,906	80,811	63,960	94,380	9,156	315,537
Operating profit	4,566	3,026	(847)	9,688	24,022	6,108	46,563
Share of profit of:							
– joint ventures	-	-	5,601	406	(210)	-	5,797
– associated companies	-	2,601	-	-	48	-	2,649
Total operating profit	4,566	5,627	4,754	10,094	23,860	6,108	55,009
Other gains - net							3,634
Corporate expenses							(9,173)
Other expenses							(712)
Profit before income tax							48,758
Income tax expense							(13,279)
Total profit							35,479
Segment assets	135,835	379,184	51,717	266,892	442,521	285,889	1,562,038
Investments in associated companies	-	6,530	-	-	1,894	-	8,424
Investments in joint ventures	-	-	187,574	34,151	19,382	-	241,107
	135,835	385,714	239,291	301,043	463,797	285,889	1,811,569
Corporate assets							65,268
Total assets							1,876,837

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

34. 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 2016. The Group and Company do not expect that adoption of these accounting standards or interpretations will have a material impact on the Company's financial statements.

35. AUTHORISATION OF FINANCIAL STATEMENTS

These financial statements were authorised for issue in accordance with a resolution of the Board of Directors of Far East Orchard Limited on 18 March 2016.

36. LISTING OF SIGNIFICANT COMPANIES IN THE GROUP

Name of companies	Principal activities	Country of business/ incorporation	Direct ownership interest held		Group effective ownership interest held	
			2015	2014	**2015**	2014
			%	%	**%**	%
Significant subsidiaries held by the Company						
Far East Hospitality Holdings Pte. Ltd.	Investment holding	Singapore	**70**	70	**70**	70
Jelco Properties Pte Ltd	Investment and sales of properties	Singapore	**100**	100	**100**	100
OPH Marymount Limited	Property development	Singapore	**100**	100	**100**	100
Significant subsidiaries held by Far East Hospitality Holdings Pte. Ltd.						
Far East Hospitality Properties (Australia) Pte. Ltd.	Investment holding	Singapore	**100**	100	**70**	70
Far East Hospitality Investments (Australia) Pte. Ltd.	Investment holding	Singapore	**100**	100	**70**	70
Significant joint venture held by Far East Hospitality Investments (Australia) Pte. Ltd.						
Toga Hotel Holdings Unit Trust	Ownership and management of hospitality properties	Australia	**43**	43	**30**	30
Significant associated company held by the Company						
FEO Hospitality Asset Management Pte. Ltd.	REIT Manager of Far East Hospitality Trust	Singapore	**33**	33	**33**	33

STATISTICS OF SHAREHOLDINGS

As at 1 March 2016

Issued and fully paid-up capital	:	S$457,046,384.87
Number of shares issued	:	410,839,810
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 - 99	296	5.58	8,511	0.00
100 - 1,000	570	10.74	387,068	0.09
1,001 - 10,000	3,223	60.74	15,009,177	3.65
10,001 - 1,000,000	1,195	22.52	44,777,132	10.91
1,000,001 and above	22	0.42	350,657,922	85.35
Total	5,306	100.00	410,839,810	100.00

TWENTY LARGEST SHAREHOLDERS

No.	Name	No. of Shares	%
1.	FAR EAST ORGANISATION PTE LTD	248,232,778	60.42
2.	UNITED OVERSEAS BANK NOMINEES (PRIVATE) LIMITED	20,818,149	5.07
3.	ESTATE OF KHOO TECK PUAT, DECEASED	11,047,400	2.69
4.	CITIBANK NOMINEES SINGAPORE PTE LTD	9,743,701	2.37
5.	THE BANK OF EAST ASIA (NOMINEES) PRIVATE LIMITED	9,380,203	2.28
6.	BNP PARIBAS NOMINEES SINGAPORE PTE LTD	9,231,780	2.25
7.	DAIWA (MALAYA) PRIVATE LIMITED	6,731,200	1.64
8.	PARAMOUNT ASSETS INVESTMENTS PTE LTD	5,317,573	1.29
9.	DBS NOMINEES (PRIVATE) LIMITED	5,274,523	1.28
10.	BANK OF SINGAPORE NOMINEES PTE. LTD.	3,137,631	0.76
11.	LEE PINEAPPLE COMPANY PTE LTD	2,943,026	0.72
12.	PHILLIP SECURITIES PTE LTD	2,741,634	0.67
13.	OCBC NOMINEES SINGAPORE PRIVATE LIMITED	2,210,732	0.54
14.	UOB KAY HIAN PRIVATE LIMITED	2,047,465	0.50
15.	MAYBANK KIM ENG SECURITIES PTE. LTD.	1,913,122	0.47
16.	RAFFLES NOMINEES (PTE) LIMITED	1,765,065	0.43
17.	HOTEL HOLDINGS (PRIVATE) LTD	1,699,600	0.41
18.	KHOO POH KOON	1,689,225	0.41
19.	DBS VICKERS SECURITIES (SINGAPORE) PTE LTD	1,393,169	0.34
20.	HEXACON CONSTRUCTION PTE LTD	1,230,905	0.30
Total		348,548,881	84.84

STATISTICS OF SHAREHOLDINGS

As at 1 March 2016

SUBSTANTIAL SHAREHOLDERS

(as shown in the Register of Substantial Shareholders)

Name	Direct Interest	%	Deemed Interest	%
Far East Organisation Pte Ltd	248,232,778	60.42	-	-
The Estate of Khoo Teck Puat, deceased[(1)]	11,047,400	2.68	9,903,600	2.41
Tan Kim Choo[(2)]	224,659	0.06	248,232,778	60.42
The Estate of Ng Teng Fong, deceased[(3)]	-	-	248,232,778	60.42

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 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 ("FEOPL") through her 50% shareholding in the issued share capital of FEOPL.

(3) The Estate of Ng Teng Fong, deceased, is deemed to be interested in the shares of the Company held by FEOPL through the Estate's 50% shareholding in the issued share capital of FEOPL.

PERCENTAGE OF SHAREHOLDINGS IN PUBLIC HANDS

Based on the information provided to the Company as at 1 March 2016, approximately 34.40% 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-Eighth Annual General Meeting of Far East Orchard Limited (the "Company") will be held at Ballroom, Basement 1, Village Hotel Changi, 1 Netheravon Road, Singapore 508502 on Wednesday, 20 April 2016 at 10:00 a.m. for the following purposes:

AS ORDINARY BUSINESS

1. To receive and adopt the Audited Financial Statements for the financial year ended 31 December 2015 together with the Directors' Statement and the Report of the 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 2015. **(Resolution 2)**
3. To approve the sum of up to S$503,500 as Directors' fees for the financial year ending 31 December 2016, to be paid quarterly in arrears. (2015: S$540,000) **(Resolution 3)**
4. To re-appoint Mr Cheng Hong Kok as a Director of the Company. (See Note (1)) **(Resolution 4)**
5. To re-appoint Ms Chua Kheng Yeng, Jennie as a Director of the Company. (See Note (2)) **(Resolution 5)**
6. To re-elect the following directors of the Company ("Directors") who are retiring pursuant to Article 96 of the Company's Articles of Association comprising part of the Constitution ("Constitution") and who being eligible, offer themselves for re-election:
   (i) Mr Koh Boon Hwee (See Note (3)) **(Resolution 6)**
   (ii) Mr Heng Chiang Meng (See Note (4)) **(Resolution 7)**
7. To re-appoint PricewaterhouseCoopers LLP as Independent Auditor of the Company and to authorise the Directors to fix their remuneration. **(Resolution 8)**

   To transact any other ordinary business that may be properly transacted at an Annual General Meeting.

AS SPECIAL BUSINESS

To consider and, if thought fit, to pass, with or without modifications, the following resolutions, of which Resolutions 9 and 10 will be proposed as Ordinary Resolutions and Resolution 11 will be proposed as a Special Resolution:

8. <u>Authority to allot and issue shares</u>

   "That pursuant to Section 161 of the Companies Act (Chapter 50) of Singapore ("Act") and the Listing Manual of the Singapore Exchange Securities Trading Limited ("SGX-ST"), authority be and is hereby given to the Directors to:

   (a) (i) issue shares in the capital of the Company ("Shares") whether by way of rights, bonus or otherwise; and/or

   (ii) make or grant offers, agreements or options (collectively, "Instruments") that might or would require Shares to be issued, including but not limited to the creation and issue of (as well as adjustments to) warrants, debentures or other instruments convertible or exchangeable into Shares,

   at any time and upon such terms and conditions and for such purposes and to such persons as the Directors may in their absolute discretion deem fit; and

   (b) (notwithstanding the authority conferred by this Resolution may have ceased to be in force) issue Shares in pursuance of any Instrument made or granted by the Directors while this Resolution was in force,

NOTICE OF ANNUAL GENERAL MEETING

FAR EAST ORCHARD LIMITED

(Incorporated in the Republic of Singapore) (Registration No: 196700511H)

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 Constitution 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)**

9. Proposed Renewal Of The IPT Mandate

"That:

(a) approval be and is hereby given, for the purposes of Chapter 9 of the Listing Manual of the SGX-ST, for the Company, its subsidiaries and associated companies which are entities at risk as defined under Chapter 9 of the Listing Manual, or any of them, to enter into any of the transactions falling within the types of Interested Person Transactions, particulars of which are set out in the Appendix to this Notice of Annual General Meeting, with any person who is of the class of Interested Persons described in the Appendix to this Notice of Annual General Meeting, provided that such transactions are made on normal commercial terms, are not prejudicial to the interests of the Company and its minority shareholders and are in accordance with the review procedures for Interested Person Transactions as set out in the 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 be and are hereby authorised, jointly or severally, to take such steps and exercise such discretion as the Directors may in their absolute discretion deem fit, advisable or necessary or in the interest of the Company to give effect to the Mandate and/or this Resolution." **(Resolution 10)**

NOTICE OF ANNUAL GENERAL MEETING

FAR EAST ORCHARD LIMITED

(Incorporated in the Republic of Singapore) (Registration No: 196700511H)

10. Adoption Of The New Constitution

"That the regulations contained in the new Constitution submitted to this Annual General Meeting and, for the purpose of identification as set out in Schedule III of the Appendix to this Notice of Annual General Meeting, be approved and adopted as the Constitution in substitution for, and to the exclusion of, the existing Constitution." (See Note (7)) **(Resolution 11)**

BY ORDER OF THE BOARD

CHWEE CHONG FOON
MADELYN KWANG YEIT LAM
Company Secretaries

Singapore,
29 March 2016

Notes:

(i) A member of the Company entitled to attend and vote at the Annual General Meeting and who is not a Relevant Intermediary, is entitled to appoint not more than two proxies to attend and vote in his/her stead at the Annual General Meeting. A member of the Company who is a Relevant Intermediary is entitled to appoint more than two proxies to attend and vote at the Annual General Meeting, but each proxy must be appointed to exercise the rights attached to a different Share or Shares held by such member.

"Relevant Intermediary" has the meaning ascribed to it in Section 181 of the Act.

(ii) If the member is a corporation, the instrument appointing the proxy must be under its common seal or signed by its attorney under seal.

(iii) A proxy need not be a member of the Company.

(iv) The instrument appointing a proxy or proxies 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. In the case of members of the Company whose Shares are entered against their names in the Depository Register, the Company may reject any instrument appointing a proxy or proxies lodged if such members are not shown to have Shares entered against their names in the Depository Register as at 72 hours before the time appointed for holding the Annual General Meeting as certified by The Central Depository (Pte) Limited to the Company.

Explanatory Notes:

(1) **Ordinary Resolution 4**, Mr Cheng Hong Kok who is over the age of 70 was re-appointed as a Director to hold office from the date of the last Annual General Meeting (held on 22 April 2015) until this Annual General Meeting pursuant to Section 153(6) of the Act. Section 153(6) of the Act was repealed when the Companies (Amendment) Act 2014 took full effect on 3 January 2016. As his appointment lapses on this Annual General Meeting, Mr Cheng will be required to be re-appointed to continue in office. Upon his re-appointment at the conclusion of this Annual General Meeting, Mr Cheng will be subject to retirement by rotation under Article 96 of the Company's Constitution. Upon his re-appointment, Mr Cheng will remain as the Chairman of the Audit & Risk 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 SGX-ST.

(2) **Ordinary Resolution 5**, Ms Chua Kheng Yeng, Jennie who is over the age of 70 was re-appointed as a Director to hold office from the date of the last Annual General Meeting (held on 22 April 2015) until this Annual General Meeting pursuant to Section 153(6) of the Act. Section 153(6) of the Act was repealed when the Companies (Amendment) Act 2014 took full effect on 3 January 2016. As her appointment lapses on this Annual General Meeting, Ms Chua will be required to be re-appointed to continue in office. Upon her re-appointment at the conclusion of this Annual General Meeting, Ms Chua will be subject to

NOTICE OF ANNUAL GENERAL MEETING

FAR EAST ORCHARD LIMITED
(Incorporated in the Republic of Singapore) (Registration No: 196700511H)

retirement by rotation under Article 96 of the Company's Constitution. Upon her re-appointment, Ms Chua will remain as a member of the Audit & Risk 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 SGX-ST.

(3) **Ordinary Resolution 6**, is to re-elect Mr Koh Boon Hwee who will be retiring by rotation pursuant to Article 96 of the Company's Constitution and if he is re-elected, he will remain as a member of the Nominating Committee. Mr Koh is considered a Non-Executive Director.

(4) **Ordinary Resolution 7**, is to re-elect Mr Heng Chiang Meng who will be retiring by rotation pursuant to Article 96 of the Company's Constitution and if he is re-elected, he will remain as the Chairman of the Nominating Committee, the Chairman of the Remuneration Committee and a member of the Audit & Risk Committee. Mr Heng is considered an Independent Director for the purposes of Rule 704(8) of the Listing Manual of the SGX-ST.

(5) **Ordinary Resolution 9**, if passed, will empower the Directors of the Company from the date of the passing of this Resolution until the next Annual General Meeting to allot and issue Shares and to make or grant instruments convertible into Shares and to issue Shares in pursuance of such Instruments, for such purposes as they consider would be in the interest of the Company, provided that the aggregate number of Shares which may be issued (including Shares to be issued pursuant to convertibles) under this Resolution shall not exceed 50% of the issued Shares (excluding treasury shares, if any), of which not more than 20% may be issued other than on a pro-rata basis. The total number of Shares which may be issued will be calculated based on the total number of issued Shares (excluding treasury shares, if any) at the time this Resolution is passed after adjusting for (a) new Shares arising from the conversion or exercise of convertible securities or employee share options on issue at the time this Resolution is passed, and (b) any subsequent bonus issue, consolidation or subdivision of Shares. This authority will, unless previously revoked or varied at a general meeting, expire at the conclusion of the next Annual General Meeting of the Company.

(6) **Ordinary Resolution 10**, if passed, will renew the Mandate and empower the Company, its subsidiaries and associated companies, to enter into the Interested Person Transactions as described in the 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.

(7) **Special Resolution 11**, if passed, adopts a new Constitution. The proposed new Constitution largely comprises the existing provisions of the memorandum and articles of association of the Company which were in force immediately before 3 January 2016 and incorporate various changes, primarily to give effect to the amendments made to the Companies Act and ensure consistency with the prevailing listing rules as set out in the Listing Manual of the SGX-ST. Please refer to the Appendix to this Notice of Annual General Meeting for details.

PERSONAL DATA PRIVACY

By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the Annual General Meeting and/or any adjournment thereof, a member of the Company (i) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents or service providers) for the purpose of the processing, administration and analysis by the Company (or its agents or service providers) of proxies and representatives appointed for the Annual General Meeting (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the Annual General Meeting (including any adjournment thereof), and in order for the Company (or its agents or service providers) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the "Purposes"), (ii) warrants that where the member discloses the personal data of the member's proxy(ies) and/or representative(s) to the Company (or its agents or service providers), the member has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents or service providers) of the personal data of such proxy(ies) and/or representative(s) for the Purposes, and (iii) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member's breach of the warranty in (ii).

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FAR EAST ORCHARD LIMITED
(Incorporated in the Republic of Singapore)
(Registration No: 196700511H)

PROXY FORM

ANNUAL GENERAL MEETING

IMPORTANT

1. For investors who have used their CPF monies to buy ordinary shares in the capital of Far East Orchard Limited ("Shares"), this Report is forwarded to them at the request of the CPF Agent Banks and is sent solely **FOR INFORMATION ONLY**.
2. This Proxy Form is not valid for use by CPF Investors and shall be ineffective for all intents and purposes if used or purported to be used by them.
3. CPF/SRS Investors should contact their respective Agent Banks if they have any queries regarding their appointment as proxies.

PERSONAL DATA PRIVACY
By submitting an instrument appointing a proxy(ies) and/or representative(s), the member accepts and agrees to the personal data privacy terms set out in the Notice of AGM dated 29 March 2016.

I/We ______________________________

of ______________________________

being a member/members of Far East Orchard Limited (the "**Company**") hereby appoint:

Name	NRIC/Passport No.	Proportion of Shareholdings	
		No. of Shares (Ordinary Shares)	%
Address			

and/or *(delete as appropriate)*

Name	NRIC/Passport No.	Proportion of Shareholdings	
		No. of Shares (Ordinary Shares)	%
Address			

or failing whom, the Chairman of the Meeting, as my/our proxy/proxies to vote for me/us on my/our behalf at the Forty-Eighth Annual General Meeting ("AGM") of the Company to be held on Wednesday, 20 April 2016 at 10:00 a.m. and at any adjournment thereof. I/We direct my/our proxy/proxies to vote for or against the Resolutions to be proposed at the AGM as indicated hereunder. If no specific directions as to voting is given, the proxy/proxies will vote or abstain from voting at his/her/their discretion, as he/she/they will on any other matter arising at the AGM and at any adjournment thereof.

No.	Resolutions	For*	Against*
Ordinary Business			
1.	Adoption of Audited Financial Statements together with the Directors' Statement and Report of the Independent Auditor for the financial year ended 31 December 2015		
2.	Payment of first and final tax-exempt dividend		
3.	Approval of Directors' fees for the sum of up to S$503,500 for the financial year ending 31 December 2016 (2015: S$540,000)		
4.	Re-appointment of Mr Cheng Hong Kok as a Director		
5.	Re-appointment of Ms Chua Kheng Yeng, Jennie as a Director		
6.	Re-election of Mr Koh Boon Hwee as a Director		
7.	Re-election of Mr Heng Chiang Meng 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 IPT mandate		
11.	Proposed adoption of the new Constitution		

* Please indicate your vote "For" or "Against" with a tick (√) within the box provided.

Dated this ___________ day of _________________ 2016.

Total number of shares in:	No. of shares
(a) CDP Register	
(b) Register of Members	

____
Signature(s) of Member(s)/Common Seal

IMPORTANT: PLEASE READ NOTES OVERLEAF

Affix
Postage
Stamp

Company Secretary
Far East Orchard Limited
1 Tanglin Road
#05-01 Orchard Parade Hotel
Singapore 247905

Fold along dotted line

Fold along dotted line

Notes:

1. (a) A member of the Company entitled to attend and vote at a meeting of the Company, and who is not a Relevant Intermediary, is entitled to appoint not more than two proxies to attend and vote in his/her stead at the Annual General Meeting. Where a member appoints two proxies, the proportion of the shareholding to be represented by each proxy shall be specified in this proxy form. If no proportion is specified, the Company shall be entitled to treat the first named proxy as representing the entire shareholding and any second named proxy as an alternate to the first named or at the Company's option to treat this proxy form as invalid.

   (b) A member of the Company who is a Relevant Intermediary is entitled to appoint more than two proxies, to attend and vote in his/her stead at the Annual General Meeting, but each proxy must be appointed to exercise the rights attached to a different share or shares held by such member. Where such member's form of proxy appoints more than two proxies, the number and class of shares in relation to which each proxy has been appointed shall be specified in the instrument appointing a proxy or proxies. In relation to a Relevant Intermediary who wishes to appoint more than two proxies, it should annex to the instrument appointing a proxy or proxies the list of proxies, setting out, in respect of each proxy, the name, address, NRIC/Passport Number and proportion of shareholding (number of shares and percentage) in relation to which the proxy has been appointed. For the avoidance of doubt, a CPF Agent Bank who intends to appoint CPF investors as its proxies shall comply with this Note.

   (c) "Relevant Intermediary" has the meaning ascribed to it in Section 181 of the Companies Act, Chapter 50 of Singapore (the "Companies Act").
2. A proxy need not be a member of the Company.
3. This proxy form must be deposited at the 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 Annual General Meeting.
4. 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 signed by its attorney under seal.
5. Where an instrument appointing a proxy or proxies is signed on behalf of the appointor by an attorney, the letter or power of attorney or a duly certified copy thereof must (failing previous registration with the Company) be lodged with the instrument of proxy or proxies, failing which the instrument may be treated as invalid.
6. A corporation who is a member of the Company may authorise by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the Annual General Meeting, in accordance with Section 179 of the Companies Act.

General

The Company shall be entitled to reject an instrument appointing a proxy or proxies which is incomplete, improperly completed, illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the proxy form. In addition, in the case of shares entered in the Depository Register, the Company may reject a proxy form if the member, being the appointor, is not shown to have shares entered against his name in the Depository Register as at 72 hours before the time appointed for holding the Annual General Meeting, as certified by The Central Depository (Pte) Limited to the Company.

FAR EAST ORCHARD LIMITED

A MEMBER OF FAR EAST ORGANIZATION

Registration No. 196700511H
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Singapore 247905
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