FAR EAST ORCHARD LIMITED

A Member of Far East Organization

BUILDING RESILIENCE

ANNUAL REPORT 2019

BUILDING RESILIENCE

In the face of an increasingly competitive and challenging global economic landscape, Far East Orchard stays committed to its mission of delivering long-term value to stakeholders. Building on its capabilities, Far East Orchard realises sustainable value and builds resilience for today and tomorrow.

CONTENTS

CORPORATE PROFILE

Far East Orchard Limited ("Far East Orchard") is a property developer, hospitality assets owner and operator with a diversified property investment portfolio comprising purpose-built student accommodation ("PBSA") and medical suites. Far East Orchard has been listed on the Mainboard of the Singapore Exchange since 1968. It is a member of Far East Organization, Singapore's largest private property developer.

Established since 1967, Far East Orchard has developed residential, commercial, hospitality and PBSA properties in Australia, Malaysia, Singapore and the United Kingdom ("UK").

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

Far East Orchard is currently redeveloping the former Westminster Fire Station located in the prime central borough of the City of Westminster, London, UK, into a mixed-use development comprising residential apartments and a restaurant.

Recent completions include Woods Square, an integrated office development at Woodlands Regional Centre, Singapore's Northern Gateway, developed with Far East Organization and Sekisui House, Ltd, and Hollingbury House, a 195-bed PBSA property in Brighton, UK.

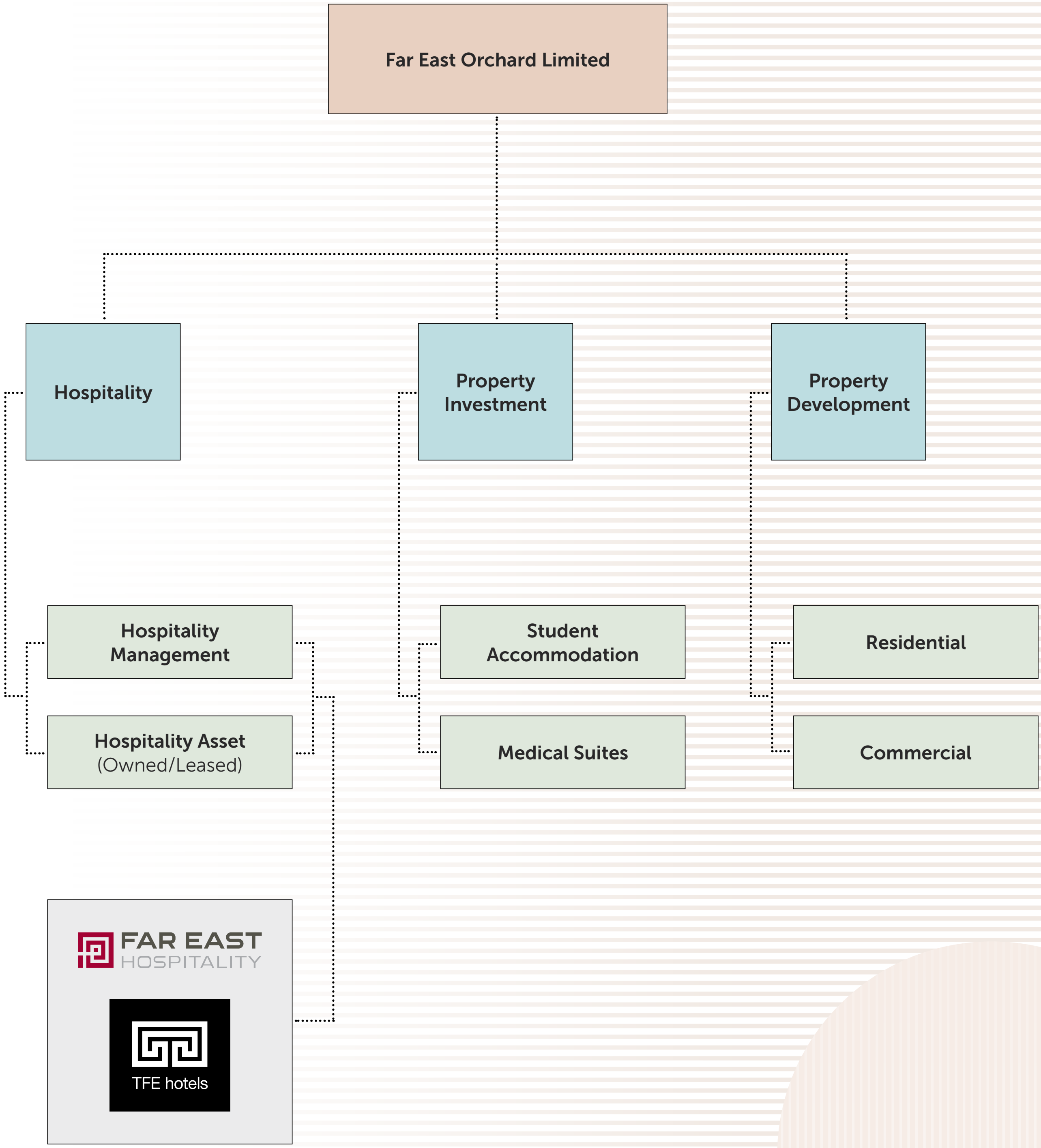
Through its hospitality partnerships with The Straits Trading Company and Toga Group, Far East Orchard's hospitality arm — Far East Hospitality — now owns more than 10 hospitality assets and manages over 95 properties with more than 15,500 rooms in Australia, Denmark, Germany, Hungary, Malaysia, New Zealand and Singapore. Its stable of nine unique and complementary hospitality brands are *Oasia, Quincy, Rendezvous, Village, Far East Collection, Adina Apartment Hotels* and *Adina Serviced Apartments, Vibe Hotels, Travelodge Hotels* and *TFE Hotels Collection*. Together with Far East Organization, Far East Hospitality's maiden project in Ariake, Tokyo, Japan – Far East Village Hotel Ariake – is currently under development.

Far East Orchard has a PBSA portfolio in the UK comprising 3,260 beds in the cities of Brighton, Bristol, Leeds, Liverpool, Newcastle upon Tyne and Sheffield. This includes Hollingbury House in Brighton which was completed in 2019 and the 1,596 beds added in 2019 through the acquisition of five freehold student accommodation properties. The Group also holds a portfolio of purpose-built medical suites for lease and for sale in Singapore's premier medical hub in Novena.

The Barracks Hotel, Singapore

Far East Village Hotel Ariake, Tokyo, Japan (under development)

BUSINESS STRUCTURE



2019 MILESTONES


The Glassworks, Liverpool


St. Lawrence House, Bristol


Harbour Court, Bristol

MAR

Expanded into new cities of Liverpool and Bristol, UK, through the acquisition of three student accommodation properties with 622 beds

SEP

Completed the development of Hollingbury House, a 195-bed student accommodation property in Brighton, UK


Hollingbury House, Brighton

2019 MILESTONES

The Foundry, Leeds

The Elements, Sheffield

Acquired two properties in Leeds and Sheffield, UK, adding 974 beds to the Group's student accommodation portfolio

NOV

FEB 2020

Woods Square, Singapore

Completion of Woods Square, an integrated office development, jointly developed with Far East Organization and Sekisui House, Ltd in Singapore

CHAIRMAN'S STATEMENT

DEAR SHAREHOLDERS

2019 was a challenging year as geopolitical tensions persisted, and global macroeconomic conditions weakened. Notwithstanding these headwinds, we continued to build an income-stable business and diversify our portfolio to manage risks.

IMPROVED QUALITY OF EARNINGS

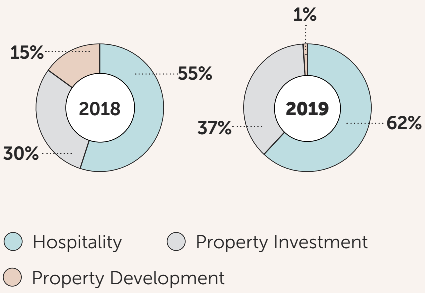
Our diversified strategy has provided stability to the Group's revenue and earnings. Revenue increased to S$156.1 million for the financial year ended 31 December 2019 ("FY2019") from S$150.9 million a year ago. Profit attributable to equity holders for FY2019 decreased to S$26.0 million, compared to S$32.9 million a year ago. The decrease in profit from our hospitality business in Australia and Malaysia arising from the weak market conditions and the continued weakening of the Australian Dollar against the Singapore Dollar was partially offset by higher contributions from our expanded purpose-built student accommodation ("PBSA") business in the United Kingdom ("UK") and the hospitality management services business in Singapore.

SCALING UP GROWTH PLATFORMS

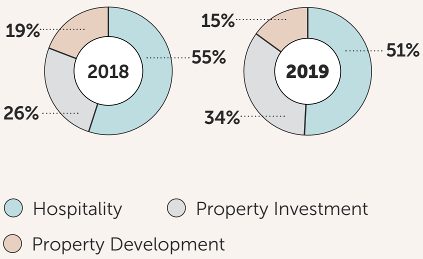
Aligned to our strategy of growing our recurring income base across various asset classes and countries, we scaled up our hospitality management and PBSA portfolios in 2019.

We grew our hospitality management portfolio with the opening of four hotels in Singapore and Australia last year, adding close to 1,000 rooms to our portfolio, which provided stability to the Group's earnings. We will continue to pick up pace this year, with openings scheduled in Singapore, Australia, New Zealand as well as the new markets of Japan and Vietnam. Our diversified hospitality portfolio will support the overall performance of our hospitality business, as certain markets, such as Australia, face cyclical headwinds. We will further build our hospitality business through a combination of value-accretive acquisitions or selective developments, procurement of management contracts and strategic partnerships.

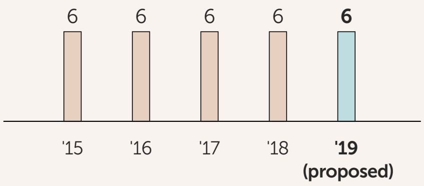
TOTAL OPERATING PROFIT



TOTAL ASSETS



DIVIDEND PER SHARE
cents



Our PBSA portfolio in the UK has expanded to 3,260 beds across 11 properties in six cities, enabling us to benefit from the counter-cyclical fundamentals of the PBSA sector. This growth was achieved on the back of the acquisition of more than 1,500 beds and the completion of the development of Hollingbury House in Brighton in 2019. Notably, this represents a five-fold growth in our portfolio since our entry into this asset class in 2015, achieving our 2023 target of 3,000 beds ahead of time. Armed with a healthy balance sheet, we will continue to seek acquisition and development opportunities in this sector.

In February 2020, the development of our integrated commercial project in Woodlands – Woods Square – was completed. This project was jointly developed with Far East Organization and Sekisui House, Ltd. In the UK, development of our mixed-use development – Westminster Fire Station – is ongoing, but expected to be completed after 2020. The project team is working towards the revised deliverables for completion.

"We believe that there continues to be opportunities ahead of us and seek to sustain our momentum in growing recurring income streams."

Hotel Rêve, Ho Chi Minh City, Vietnam (pipeline contract)

While Brexit-related uncertainty surrounding the trade deal between the UK and European Union persists, we remain confident in the fundamentals of London as a global financial centre and its property market. Keeping a keen eye on market fundamentals, we will continue to review property development opportunities and adjust our exposure to the sector accordingly.

NAVIGATING HEADWINDS

We entered 2020 with some green shoots of a global economic recovery. However, the COVID-19 pandemic has quickly derailed the recovery and rattled markets. Apart from a slowdown in production and supply chain disruptions, demand has also fallen due to weaker consumer confidence. The tourism sector has already been affected as travellers cancel or postpone their travels. The outlook is expected to remain volatile with other uncertainties remaining on the horizon. This includes an intensification of trade wars and rising geopolitical tensions.

We have made the necessary adjustments to our business to optimise operational performance and be agile in the face of economic uncertainty and challenges. We believe that there continues to be opportunities ahead of us and seek to sustain our momentum in growing recurring income streams. We will pursue opportunities to recycle capital towards suitable higher-yielding opportunities, while maintaining investment discipline.

Above all, we will adhere to a high standard of corporate governance and ethical behaviour to build a sustainable business. Our efforts to uphold good corporate governance were recognised at the Singapore Corporate Awards 2019, where the Group received the Best Managed Board, Silver Award, for listed companies in the mid-cap category. We also made our debut on the SGX Fast Track programme in 2019.

DIVIDENDS

To ensure sustainability of distributions, the Board has considered various factors including the Group's level of cash and retained earnings, gearing, capital requirements, strategic plans, general economic conditions and outlook. It will be recommending a first and final one-tier tax exempt dividend of six cents per ordinary share for FY2019.

ACKNOWLEDGEMENTS

I would like to thank our stakeholders, including shareholders, customers and business partners, for their continued support, my fellow Board members for their invaluable guidance, and the management and staff members for their dedication and hard work.

A NOTE OF APPRECIATION

On behalf of the Board, I would like to extend our heartfelt gratitude to Lui Chong Chee who retired as Group Chief Executive Officer and Managing Director on 31 December 2019. Under his leadership, Far East Orchard transitioned to a sustainable business model focused on recurring income and marked various milestones including entering new businesses and markets. His efforts were recognised at the Singapore Corporate Awards 2019 where he was conferred the Best CEO award for listed companies in the mid-cap category.

I would also like to welcome Alan Tang who takes over the helm from Chong Chee. Alan's rich experience in the global hospitality real estate capital market and operations will be extremely valuable as he leads the Group forward to greater heights.

Koh Boon Hwee
Chairman
18 March 2020

CREATING LONG-TERM VALUE

Acquired
>1,500
student beds in 2019

With the future in sight, Far East Orchard adjusts its business strategy to ensure relevance in markets it operates in. Through strategic acquisitions and proactive management of complementary assets across different geographies, Far East Orchard continues to strengthen its presence around the world and create long-term value.

Foray into
4 new UK cities in 2019

Addition of
1,000
hotel rooms under management in 2019

CEO'S MESSAGE

DEAR SHAREHOLDERS

In the past year, uncertainty on the policy and political fronts globally have heightened amidst a slowing global economy. In an ever-changing environment, we upheld our commitment to build a resilient business in 2019 as we grew our hospitality portfolio across geographies and expanded our property investment portfolio in purpose-built student accommodation ("PBSA"), while maintaining a healthy balance sheet.

STABLE FINANCIAL PERFORMANCE

For the financial year ended 31 December 2019 ("FY2019"), the Group recorded revenue of S$156.1 million, an increase from S$150.9 million in FY2018. The increase in revenue was supported by higher revenue from our PBSA business following the acquisition of five properties in the United Kingdom ("UK") and an increase in management fees income from our hotels under management at Sentosa. The increase was partially offset by lower sales from our hospitality business in Australia and Malaysia due to weak market conditions and the weakening Australian Dollar against the Singapore Dollar ("SGD").

Profit attributable to shareholders for FY2019 was S$26.0 million, compared to S$32.9 million in the prior year. The decrease was mainly due to the weaker Australia hospitality business, effects of the adoption of Singapore Financial Reporting Standard (International) 16 Leases in 2019, and the absence of the share of profit from our joint venture property development project in Australia – Harbourfront Balmain, which was fully sold in 2018. This was partially offset by higher contributions from our PBSA business and the hospitality management services business in Singapore.

As at 31 December 2019, the Group maintained a healthy balance sheet with cash and cash equivalents of S$257.4 million and a debt-to-equity ratio of 44.2%. The increase in borrowings were mainly due to financing of the Group's acquisition of five PBSA properties in the UK in 2019. Total liabilities increased to S$1.3 billion while net assets remained stable at S$1.3 billion. Net asset value per share for FY2019 was S$2.85, compared to S$2.89 in the prior year.

GROWING RECURRING INCOME THROUGH OUR HOSPITALITY BUSINESS

Our hospitality business remains the key contributor to our recurring income base, accounting for S$25.2 million, or 62.3% of the total operating profit in FY2019. This is supported by our sizeable hospitality management portfolio of more than 95 properties and about 15,700 rooms in seven countries. In 2019, we added close to 1,000 rooms to our operational portfolio and secured three new management contracts, with 300 rooms being added to our pipeline.

STRENGTHENING OUR PORTFOLIO

Singapore remains a key market for us. International visitor arrivals in Singapore grew 3.3% to reach 19.1 million in 2019. However, spending by tourists did not keep pace with the number of arrivals and only increased 0.5%. In tandem with spending less time in the city, visitors spent less on accommodation, with more choosing to stay in lower-tier hotels or with friends and relatives[1]. The global economic uncertainties and currency fluctuations against the SGD led to cautious spending[2].

Despite so, performance of our Singapore hospitality business in 2019 was commendable. In April 2019, we opened two hotels under management – Village Hotel Sentosa and The Outpost Hotel Sentosa, which have recorded steady increases in occupancies for the rest of the year. Our third hotel at Sentosa – The Barracks Hotel Sentosa – was opened in December 2019. These hotels under management at Sentosa have contributed to the increase in operating profit from the Singapore management business.

This year, we look forward to the opening of The Clan Hotel, a modern luxury hotel with 324 rooms located in the Telok Ayer neighbourhood.

Over in the cultural enclaves of Little India and Bugis, operations at the leased and managed Village Hotel Albert Court will be impacted by Land Transport Authority construction works for the North-South Corridor, which is scheduled to complete in September 2021.

[1] Mega projects to fuel Singapore's long-term tourism, Business Times, 5 Dec 2019
[2] H1 tourist spend points to Singapore missing full-year target, Business Times, 31 Oct 2019

The Singapore hospitality market continues to face challenges. Corporate demand is likely to remain muted amidst economic uncertainties. In light of the COVID-19 pandemic, the Singapore Tourism Board has forecast a decline of up to 30.0% in visitor arrivals this year on the back of lower travel confidence globally[3]. On the supply front, although limited growth in hotel room supply is forecast, the bulk of the upcoming supply is in the mid-scale and economy segments, affecting the market segment our managed properties are operating in. We will focus our efforts on leisure travellers and online channel bookings, and optimise our yield management strategy in response to market trends.

BUILDING A RESILIENT PORTFOLIO

Our hospitality management portfolio in Australia and New Zealand spans 8,800 rooms across 62 properties and are managed under the *Adina Apartment Hotels* and *Adina Serviced Apartments*, *Vibe Hotels*, *Travelodge Hotels*, *Rendezvous*, and *TFE Hotels Collection* brands. The latest addition to our *Vibe Hotels* portfolio includes the 145-room Vibe Hotel Sydney Darling Harbour which opened in October last year.

"We will continue expanding our hospitality business via value-accretive acquisitions or selective developments, management contracts and strategic partnerships."

2019 was a challenging year for our Australian portfolio due to an influx in new room supply outpacing demand, particularly in the major markets of Sydney and Melbourne. While our hotels were able to maintain a healthy occupancy rate, this was at the expense of room rates. The performance was further aggravated by the bushfires across Australia's East and South coast towards the end of the year. Performance of our hotels in New Zealand in 2019 was impacted by a slower rate of growth in international visitors and an increase in hotel room supply.

Adina Apartment Hotel Melbourne West End, Melbourne, Australia (pipeline contract)

This year, performance of hotels in Sydney and Melbourne is expected to soften further as new room supply continues to increase and outpace demand. Brisbane and Perth are slowly absorbing recent new room supply on the back of improving business sentiment and have a limited supply pipeline over the next few years. In New Zealand, international arrivals and spend are forecast to grow moderately to 2025, driven by growth in the US and Asian markets.

Positioning ourselves for long-term growth, we will continue to upkeep our properties and add new properties to our portfolio in this region. This year, we are particularly excited about the upcoming opening of Adina Apartment Hotel Sydney, which we acquired in 2014 as an office property for redevelopment into a hotel.

STEADY GROWTH FOR EUROPEAN TOURSIM

In 2019, we recorded a higher share of profits from our nine hotels in Germany, underpinned by strong corporate and leisure demand. Our performance was consistent with the demand-led revenue per available room ("RevPAR") growth across the European hotel industry last year.

For 2020, the European Travel Commission's forecast of 2.1% in visitor arrivals to Europe may be disrupted by the weaker global economic activity and COVID-19 pandemic. German hotel markets are forecast to post RevPAR increases this year, due to a continued rise in average daily rate. However, a slowing economy and

[3] STB rallies tourism sector to face biggest challenge since SARS, Singapore Tourism Board, 11 Feb 2020

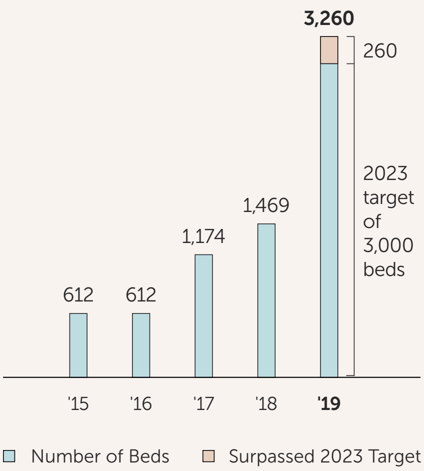
sustained increase in new room supply will weigh on the market. Planting the seeds for long-term growth, we have a secured pipeline of eight hotels due to open under the *Adina* brand in Europe over the next two years.

VENTURING INTO NEW MARKETS

Keeping our momentum in 2020, we expect to add more than 1,500 rooms to our portfolio by the end of this year in both new and existing markets. This includes our first venture into Japan (Tokyo) and Vietnam (Ho Chi Minh City).

Apart from delivering on our secured pipeline properties, we will continue expanding our hospitality business via value-accretive acquisitions or selective developments, management contracts and strategic partnerships. At the same time, we will leverage on technology and regularly refine our initiatives to increase productivity and profitability of our existing properties.

PURPOSE-BUILT STUDENT ACCOMMODATION PORTFOLIO



In the near-term, our hospitality business is expected to be impacted by the COVID-19 pandemic. To control the spread of COVID-19, the Chinese government has banned outbound group tours from China, the world's largest outbound travel market. Various nations across the world have also imposed travel restrictions and closed their borders to selected countries. Airlines have made temporary adjustments to selected flights in response to changing demand patterns. The expected slowdown in travel demand will impact our key hospitality markets of Singapore, Australia and Europe across all major segments, including tourists and aircrew. We will closely monitor the COVID-19 pandemic situation in the hospitality markets we operate in and respond appropriately.

EXPANDING OUR PURPOSE-BUILT STUDENT ACCOMMODATION PORTFOLIO

Our recurring income base is also supported by our PBSA investments in the UK. In FY2019, our PBSA division recorded higher revenue and profit, driven by an increase in occupied beds and contributions from the newly developed and acquired properties. Underpinned by an improvement in operating performance and compression in capitalisation rates, we recognised fair value gains of S$19.6 million from the valuation of the PBSA properties.

Over the course of 2019, we acquired 1,596 beds across five freehold student accommodation properties in Bristol, Leeds, Liverpool and Sheffield. In addition, we added the 195-bed Hollingbury House in Brighton to our operational PBSA portfolio following the completion of the development in September 2019.

> **"We will also continuously review and adjust our strategy, so as to stay nimble to act amidst a volatile, uncertain, complex and ambiguous environment."**

Our enlarged market presence of 3,260 beds across 11 properties in the UK puts us in good stead to benefit from the prospects of the UK PBSA sector. Demand is expected to remain strong, supported by a record number of applicants and acceptances for undergraduate courses in the 2019 cycle[4]. This is supported by a significant increase in acceptances from students in the UK and international students outside the European Union ("EU")[5]. While EU acceptances remained broadly stable, future demand is contingent on fees and immigration rules for EU students post-Brexit. As the COVID-19 situation develops in the UK, we will continually assess the situation and make adjustments to mitigate the impact on our PBSA business.

Supported by our healthy balance sheet, we will continue to explore avenues to grow our recurring income from our PBSA portfolio,

[4] 2019 End of Cycle Report Chapter 1: Summary of applicants and acceptances, UCAS, 28 Nov 2019
[5] 2019 End of Cycle Report Chapter 7: Geography, UCAS, 17 Dec 2019

including pursuing value-accretive acquisition and selective development opportunities.

AUGMENTING OUR DIVERSIFIED PORTFOLIO VIA PROPERTY DEVELOPMENTS

Having considered macroeconomic conditions and local regulations in our areas of operations, we have strategically scaled back property development activities in recent years. We will perform appropriate due diligence on prospective investments as opportunities arise prior to taking calculated risks.

The development of Woods Square was completed in February 2020, together with Far East Organization and Sekisui House, Ltd. As at 31 December 2019, 61% of the 208 units launched at the integrated office development with retail, food & beverage outlets, and a childcare centre, have been sold. There has been healthy leasing demand for the office and retail units at the development and we look forward to the official opening of the retail and food & beverage outlets in the later part of this year.

The demand for Singapore office spaces and rental growth momentum is expected to slow in 2020 due to the subdued economic growth and cautious business sentiment. Notwithstanding these challenges, we will continue to actively market Woods Square for sale and tenancy. Woods Square is poised to benefit from the further rejuvenation and development of the Woodlands Regional Centre under the Urban Redevelopment Authority Master Plan 2019.

Development of our mixed-use development in the UK – Westminster Fire Station – is ongoing despite some delays. The project team is working towards the revised deliverables for completion. Located in prime central London, the Grade II Listed heritage building will be redeveloped into 17 apartments and a restaurant.

Woods Square, Singapore

Throughout 2019, Brexit-related uncertainty weighed on buyer sentiment, particularly in London. This uncertainty will persist this year as the UK and EU negotiate a trade deal before the end of the post-Brexit transition period on 31 December 2020. Should a Brexit deal be finalised, sentiment and pricing momentum will likely improve, paving the way for the release of some of the pent-up demand that has built in recent years. On the other hand, factors including property tax changes and affordability pressures will continue to weigh on house prices.

BUILDING ON STRONG FOUNDATIONS AND BEING RESILIENT

Positioning ourselves for the future, we remain steadfast in our efforts to grow our recurring income streams. We will pursue suitable investment and development projects while exploring capital recycling opportunities into higher-yielding assets to unlock greater value for all stakeholders. At the same time, we will also continuously review and adjust our strategy, so as to stay nimble to act amidst a volatile, uncertain, complex and ambiguous environment.

Alan Tang
Group Chief Executive Officer
18 March 2020

9 countries

SHAPING A BALANCED PORTFOLIO

>3,000
student beds across
11 properties

Recognising that the strength of its portfolio defines Far East Orchard's growth momentum, Far East Orchard seeks opportunities to grow recurring income streams and pursue development projects while balancing risks and returns. The result is a well-balanced portfolio that is aligned with Far East Orchard's strategy.

>15,500
hotel rooms across
97 properties

BOARD OF DIRECTORS AND MANAGEMENT

MR KOH BOON HWEE
Chairman
Non-Executive Director
- Member, Nominating Committee

Mr Koh Boon Hwee was appointed as a Non-Executive Director and Chairman of the Board on 1 January 2013, and was last re-elected on 23 April 2019. Mr Koh is a member of the Nominating Committee. As Mr Koh serves on various executive committees in Far East Organization, the Nominating Committee and Board considers Mr Koh to be non-independent.

Mr Koh 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. Mr Koh has 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, and as Non-Executive Chairman from 2008 to-date.

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, from 2005 to 2010 as Non-Executive Chairman of DBS Group Holdings Ltd and DBS Bank Ltd and from 2010 to 2019 as Non-Executive Chairman of Yeo Hiap Seng Limited.

From 1996 to 2010, Mr Koh served on the board of Temasek Holdings (Private) Limited, 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)

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

Other principal commitments:

SINGAPORE
- Credence Partners Pte Ltd (Chairman)
- Nanyang Technological University, Board of Trustees (Chairman)
- Rippledot Capital Advisers Pte Ltd (Chairman)
- Bank Pictet & Cie (Asia) Ltd (Director)

OVERSEAS
- Credence Capital Fund II (Cayman) Ltd (Executive Director)
- Credence Ventures GP Limited (Executive Director)

Past directorships in other listed companies (2017-2019):

Yeo Hiap Seng Limited (Chairman)

MR ALAN TANG YEW KUEN
Group Chief Executive Officer
Executive Director

Mr Alan Tang Yew Kuen was appointed as an Executive Director on 1 January 2020. Mr Tang was also appointed as the Group Chief Executive Officer of the Company on 1 January 2020.

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

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

Mr Tang will retire pursuant to Regulation 103 of the Company's Constitution at the Company's 52nd Annual General Meeting and he is eligible for re-election.

Present directorships in other listed companies:

Nil

Other principal commitments:

SINGAPORE

- Far East Hospitality Holdings Pte. Ltd. (Chairman)
- Member of Hotel Innovation Committee, Singapore Hotel Association

OVERSEAS

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

Past directorships in other listed companies (2017-2019):

Nil

MS CHUA KHENG YENG, JENNIE

Non-Executive Lead Independent Director

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

Ms Chua Kheng Yeng, Jennie was appointed as a Non-Executive Director of the Company on 1 January 2014, and was last re-appointed on 23 April 2019. Ms Chua is the Lead Independent Director of the Company, Chairman of the Nominating Committee and a member of the Audit & Risk Committee and the Remuneration Committee. The Nominating Committee and Board considers Ms Chua to be an Independent Director.

Ms Chua brings with her over 43 years of international experience in tourism, hospitality, property and community service.

Ms Chua was formerly President and CEO of Raffles Holdings Ltd, Chairman of Raffles International Limited, President and CEO of The Ascott Group 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 also the Chairman of the Community Chest, Alexandra Health System Pte Ltd, Woodlands Health Pte Ltd (Yishun Community Hospital Pte Ltd, Geriatric Education & Research Institute Limited and Admiralty Medical Centre Pte Ltd).

Presently, she is Chairman of Vanguard Healthcare, Chairman of Woodlands Health Campus Development Committee, Chairman of Singapore Film Commission Advisory Committee, Pro-Chancellor of Nanyang Technological University, Deputy Chairman of Temasek Foundation International, Adviser to the Community Chest of Singapore, Justice of the Peace and Singapore's Non-Resident Ambassador to the United Mexican States.

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

- Vanguard Healthcare Pte Ltd (Chairman)
- Woodlands Health Campus Development Committee (Chairman)
- The RICE Company Limited (Chairman)
- Temasek Foundation International CLG Limited (Deputy Chairman)
- Singapore's Non-Resident Ambassador to the United Mexican States

OVERSEAS

Nil

Past directorships in other listed companies (2017-2019):

Nil

MDM EE CHOO LIN DIANA

Non-Executive Independent Director

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

Mdm Ee Choo Lin Diana was appointed as a Non-Executive Director on 29 April 2011, and was last re-elected on 20 April 2017. Mdm Ee was appointed as Chairman of the Remuneration Committee on 25 April 2017. Mdm Ee is a member of the Audit & Risk Committee. The Nominating Committee and Board considers Mdm Ee to be an Independent Director.

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

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

Mdm Ee will retire pursuant to Regulation 98 of the Company's Constitution at the Company's 52nd Annual General Meeting and she is eligible for re-election.

Present directorships in other listed companies:

Nil

Other principal commitments:

SINGAPORE

- Mt Faber Leisure Group Pte Ltd (Chairman)
- SHATEC Institutes Pte Ltd (Vice-Chairman)
- BND Associates Pte Ltd (Director)
- Far East Hospitality Holdings Pte. Ltd. (Director)
- Sentosa Development Corporation (Board Member)
- Singapore Standards Council (Member), Singapore Services Standards Committee (Co-Chairman)

OVERSEAS

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

Past directorships in other listed companies (2017-2019):

Nil

MS KOH KAH SEK
Non-Executive Director
- Member, Remuneration Committee

Ms Koh Kah Sek was appointed as a Non-Executive Director on 1 November 2016 and was last re-elected on 20 April 2017. Ms Koh became a member of the Remuneration Committee on 25 April 2017. As Ms Koh is directly associated with Far East Organization Pte. Ltd., which is a substantial shareholder of the Company, she is considered by the Nominating Committee and Board to be non-independent.

Ms Koh is an Executive Director and the Chief Financial Officer of Far East Organization ("**FEO**"), where she is responsible for FEO's financial affairs, including corporate finance, treasury, overseas investments, risk management and capital management. Ms Koh is also a Non-Executive and Independent Director and Chairman of the Audit Committee of Netlink NBN Management Pte Ltd, trustee-manager of Netlink NBN Trust.

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

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

Ms Koh will retire pursuant to Regulation 98 of the Company's Constitution at the Company's 52nd Annual General Meeting and she is eligible for re-election.

Present directorships in other listed companies:

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

OVERSEAS
Nil

Other principal commitments:

SINGAPORE AND OVERSEAS
- Executive Director and Chief Financial Officer, FEO
- Vice President, National Council of Girl Guides Singapore
- Fellow Member and Divisional Councillor of CPA Australia (Singapore Division)
- Chair, CFO Committee, CPA Australia (Singapore Division)
- Council Member – Professional Education Council, Singapore Accountancy Commission

Past directorships in other listed companies (2017-2019):
Nil

MR RAMLEE BIN BUANG
Non-Executive Independent Director
- Chairman, Audit & Risk Committee
- Member, Nominating Committee

Mr Ramlee Bin Buang was appointed as a Non-Executive Director on 25 April 2017, and was last re-elected on 24 April 2018. Mr Ramlee was appointed Chairman of the Audit & Risk Committee and a member of the Nominating Committee on 24 April 2018. The Nominating Committee and Board considers Mr Ramlee to be an Independent Director.

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

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

Present directorships in other listed companies:

Nil

Other principal commitments:

SINGAPORE

- Centre for Fathering Limited (Director and Chair of Finance & Establishment Committee)
- Halogen Foundation (Singapore) (Director and Chair of Finance & Establishment Committee)
- Ukyo Advisory (Founder/ Owner)
- Singapore Institute of Directors (Director, Council Member and Treasurer)
- National Healthcare Group Pte Ltd (Director and Chair of Finance & Audit Committee, Board Risk Committee and Member of Woodlands Health Campus Development Committee)
- MOH Holdings (Chair of MOHH-Public Healthcare Institutions Finance Shared Services Steering Committee, Member of Investment Committee and Audit & Risk Committee)
- Pharos Institute (Executive Coach)
- 1FSS Pte. Ltd. (Chairman and Director)
- ALPS Pte Ltd (Director, Chair of Procurement Sub Committee and Member of Finance Sub-Committee)
- Singapore Accountancy Commission (Member of the Council and Audit Committee)
- Singapore University of Technology and Design (Chair of the Audit Committee and Member of Board of Trustee)
- Breast Cancer Foundation (Treasurer)

OVERSEAS

Nil

Past directorships in other listed companies (2017-2019):

Nil

MR SHAILESH ANAND GANU

Non-Executive Independent Director

- Member, Remuneration Committee

Mr Shailesh Anand Ganu was appointed as a Non-Executive Director on 12 February 2019, and was last re-elected on 23 April 2019. Mr Ganu was appointed as a member of the Remuneration Committee on 23 April 2019. The Nominating Committee and Board considers Mr Ganu to be an Independent Director.

Mr Ganu is a seasoned business leader, management consultant, and senior human capital practitioner with experience leading large teams and projects in both corporate and consulting environments. He has over 20 years of experience in Financial Services, Telecommunications, Real Estate, and Pharmaceuticals industries, working extensively across Asia-Pacific. He is an Executive Compensation, Board Evaluation, and Corporate Governance expert, with deep expertise in the design and implementation of people strategies, culture and change management, organisation development, and business transformations.

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

Present directorships in other listed companies:

Nil

Other principal commitments:

SINGAPORE

- Willis Towers Watson (Managing Director; Rewards Business Leader – Asia Pacific, and Talent & Rewards – ASEAN & South Asia)
- SATA Commhealth (Board Member and Chair of Human Resource Committee)
- Breast Cancer Foundation (Secretary)

OVERSEAS

Nil

Past directorships in other listed companies (2017-2019):

Nil

MR KIONG KIM HOCK ARTHUR
Chief Executive Officer, Far East Hospitality

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

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

Mr Kiong has 33 years of hotel industry experience having held operations, sales and marketing roles for various hotels in Asia and the USA including The Peninsula Hotels, The Mandarin Oriental Hong Kong, The Ritz-Carlton, Hyatt International, Westin Hotels and Banyan Tree Hotels & Resorts.

MS JOANNA GOK YIN YIN
Chief Financial Officer

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

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

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

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

CORPORATE INFORMATION

BOARD OF DIRECTORS

Non-Executive Chairman
Mr Koh Boon Hwee

Group Chief Executive Officer
Mr Alan Tang Yew Kuen
(Appointed on 1 January 2020)

Independent Directors
Ms Chua Kheng Yeng, Jennie
(Lead Independent Director)
Mdm Ee Choo Lin Diana
Mr Ramlee Bin Buang
Mr Shailesh Anand Ganu

Non-Executive Director
Ms Koh Kah Sek

AUDIT & RISK COMMITTEE

Chairman
Mr Ramlee Bin Buang

Members
Ms Chua Kheng Yeng, Jennie
Mdm Ee Choo Lin Diana

NOMINATING COMMITTEE

Chairman
Ms Chua Kheng Yeng, Jennie

Members
Mr Koh Boon Hwee
Mr Ramlee Bin Buang

REMUNERATION COMMITTEE

Chairman
Mdm Ee Choo Lin Diana

Members
Ms Chua Kheng Yeng, Jennie
Ms Koh Kah Sek
Mr Shailesh Anand Ganu

COMPANY SECRETARY

Ms Phua Siyu, Audrey

REGISTERED OFFICE

1 Tanglin Road #05-01
Orchard Rendezvous Hotel, Singapore
Singapore 247905
T : (65) 6833 6688
F : (65) 6738 8085
W: www.fareastorchard.com.sg

SHARE REGISTRAR

Boardroom Corporate & Advisory
Services Pte. Ltd.
50 Raffles Place
#32-01 Singapore Land Tower
Singapore 048623
T : (65) 6536 5355
F : (65) 6536 1360

INDEPENDENT AUDITOR

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

Partner-in-charge:
Mr Yeow Chee Keong
(Appointed since the financial year
ended 31 December 2017)

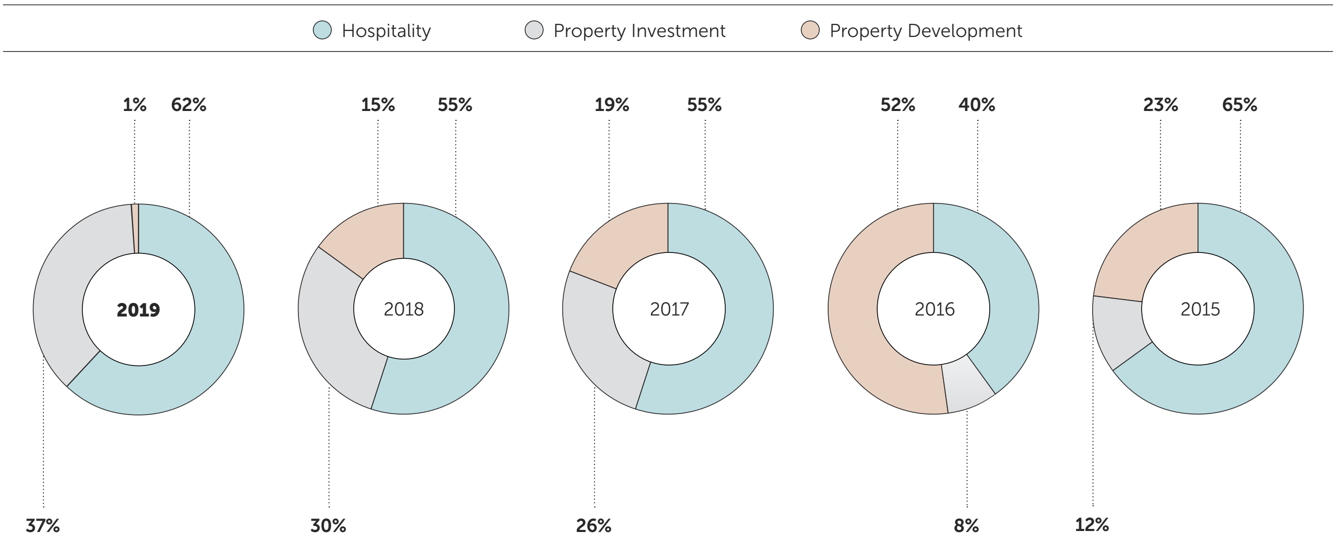
MAIN BANKERS

DBS Bank Ltd
Oversea-Chinese Banking
Corporation Limited

5-YEAR FINANCIAL HIGHLIGHTS

S$'000	2019	2018	2017 (restated)	2016	2015
Hospitality	127,515	133,910	136,800	169,877	193,689
Property development	–	241	–	–	65,829
Property investment	28,548	16,760	14,821	15,011	11,349
Sales	**156,063**	**150,911**	**151,621**	**184,888**	**270,867**
Profit before income tax	29,932	35,660	25,704	77,925	33,490
Profit attributable to equity holders	26,031	32,937	21,753	65,041	29,138
Shareholders' equity	1,249,146	1,265,210	1,244,131	1,229,040	1,173,976
Total assets	2,530,831	2,145,357	2,087,295	2,071,629	1,926,087
Net assets per share (S$)	2.85	2.89	2.93	2.91	2.86
Earnings per share (cents)[(1)(2)]	6.0	7.6	5.1	15.6	7.2
Final dividend per share (cents)	6.0	6.0	6.0	6.0	6.0
Gearing ratio	0.44	0.23	0.17	0.16	0.13

TOTAL OPERATING PROFIT BY BUSINESS SEGMENT



[(1)] Earnings per share are calculated by reference to the weighted average number of shares in issue during the year.
[(2)] Figures have been rounded.

PROPERTIES OF THE GROUP

AS AT 31 DECEMBER 2019

	Location	Effective Interest	Tenure	Site Area (sm)	No. of Units/ Rooms/ Beds
HOSPITALITY PROPERTIES					
Owned properties					
AUSTRALIA					
Adina Apartment Hotel Adelaide Treasury	Adelaide	35%	Leasehold	4,154	79
Adina Apartment Hotel Brisbane	Brisbane	35%	Freehold	1,485	220
Adina Apartment Hotel Brisbane Anzac Square – Apartment Unit	Brisbane	70%	Freehold	–	1
Adina Apartment Hotel Sydney Darling Harbour	Sydney	35%	Leasehold	3,058	114
Rendezvous Hotel Perth Central	Perth	70%	Freehold	1,973	103
Rendezvous Hotel Perth Scarborough	Perth	70%	Freehold	11,467	336
Rendezvous Hotel Perth Scarborough – Retail Podium	Perth	70%	Freehold	–	13
Rendezvous Hotel Melbourne	Melbourne	70%	Freehold	1,999	340
Travelodge Resort Darwin	Darwin	35%	Freehold	13,100	224
DENMARK					
Adina Apartment Hotel Copenhagen	Copenhagen	35%	Freehold	3,000	128
GERMANY					
Adina Apartment Hotel Berlin Checkpoint Charlie	Berlin	35%	Freehold	2,143	127
Adina Apartment Hotel Berlin Mitte	Berlin	35%	Freehold	1,798	139
Adina Apartment Hotel Frankfurt Neue Oper	Frankfurt	35%	Freehold	1,455	134
MALAYSIA					
Oasia Suites Kuala Lumpur	Kuala Lumpur	100%	Freehold	1,880	247
Leased and managed					
SINGAPORE					
Orchard Rendezvous Hotel, Singapore	Singapore	100%	Freehold	8,143[1]	388
Village Hotel Albert Court	Singapore	100%	Leasehold	4,273	210
Village Residence Clarke Quay	Singapore	100%	Leasehold	6,238	127
Property under development					
AUSTRALIA					
280 George Street	Sydney	35%	Freehold	583	–[2]

[1] Includes 1,069sm of leasehold area.
[2] Under redevelopment from office building into apartment hotel.

PROPERTIES OF THE GROUP

AS AT 31 DECEMBER 2019

	Location	Effective Interest	Tenure	Site Area (sm)	No. of Units/ Rooms/ Beds
PROPERTIES HELD FOR SALE AND DEVELOPMENT PROPERTIES					
Properties held for sale – Commercial					
SINGAPORE					
Novena Medical Center – Medical Suites	Singapore	100%	Leasehold	–	7
Novena Specialist Center – Medical Suites	Singapore	100%	Leasehold	–	30
SBF Center – Medical Suite	Singapore	20%	Leasehold	–	1
SBF Center – Office	Singapore	20%	Leasehold	–	1
Commercial project under development					
SINGAPORE					
Woods Square	Singapore	33%	Leasehold	18,569	514[3]
Mixed-use project under development					
UNITED KINGDOM					
Westminster Fire Station	London	100%	Freehold	768	18[4]
INVESTMENT PROPERTIES					
SINGAPORE					
Novena Medical Center – Medical Suites	Singapore	100%	Leasehold	–	37
Novena Specialist Center – Medical Suites	Singapore	100%	Leasehold	–	10
SBF Center – Shops	Singapore	20%	Leasehold	–	3
Tanglin Shopping Centre – Offices	Singapore	100%	Freehold	–	4
UNITED KINGDOM					
Hollingbury House	Brighton	100%	Freehold	1,616	195
Harbour Court	Bristol	100%	Freehold	794	133
St Lawrence House	Bristol	100%	Freehold	1,022	166
The Elements	Sheffield	100%	Freehold	5,196	735
The Foundry	Leeds	100%	Freehold	2,161	239
The Glassworks	Liverpool	100%	Freehold	1,900	323
Portland Green Student Village – Bryson Court	Newcastle upon Tyne	100%	Freehold	3,287	366
Portland Green Student Village – Marshall Court	Newcastle upon Tyne	100%	Freehold	2,155	196
Portland Green Student Village – Newton Court	Newcastle upon Tyne	100%	Freehold	3,271	295
Portland Green Student Village – Rosedale Court	Newcastle upon Tyne	100%	Freehold	3,548	338
Portland Green Student Village – Turner Court	Newcastle upon Tyne	100%	Freehold	2,640	274
Land sites for student accommodation buildings	Newcastle upon Tyne	100%	Freehold	4,513	–

[3] Integrated office development comprising offices, retail, F&B and childcare component. Achieved temporary occupation permit in February 2020.
[4] 17 residential units and 1 restaurant unit.

CORPORATE GOVERNANCE

Far East Orchard Limited (the "**Company**") is firmly committed to maintaining a high standard of corporate governance and promoting corporate transparency, accountability and integrity to enhance long-term shareholders' value, while taking into account the interests of its other stakeholders.

In the financial year ended 31 December 2019 ("**FY2019**"), the Company received the Gold Award for Best Investor Relations, and the Silver Award for 2019 Best Managed Board, and the Company's Group Chief Executive Officer ("**Group CEO**") during FY2019 (Mr Lui Chong Chee, who retired at the end of FY2019) also received the Best CEO Award. All awards were in the category of companies with market capitalisation of S$300 million to less than S$1 billion as at 31 December 2018 and conferred at the Singapore Corporate Awards 2019 co-organised by the Singapore Institute of Directors ("**SID**"), the Institute of Singapore Chartered Accountants and the Business Times.

In FY2019, the Company also made its debut on the SGX Fast Track programme. This programme was launched by Singapore Exchange Regulation ("**SGX RegCo**") in April 2018 to recognise the efforts and achievements of listed issuers which have upheld high corporate governance standards and maintained a good compliance track record. The Company will be a constituent of the SGX Fast Track programme until the next review cycle in 2021, and will receive prioritised clearance for all submissions of corporate actions to SGX RegCo, including circulars, requests for waiver and applications for share placement.

This report describes the corporate governance practices and policies of the Company and its subsidiaries (the "**Group**") during FY2019 with reference to the principles and provisions of the Code of Corporate Governance 2018 (the "**Code**"), the Mainboard Rules of the Listing Manual of the Singapore Exchange Securities Trading Limited ("**Listing Rules**"), the Companies Act (Cap. 50) of Singapore ("**Companies Act**"), the Securities and Futures Act (Cap. 289) of Singapore ("**Securities and Futures Act**"), the voluntary Practice Guidance 2018 and where applicable the guidelines of the 2012 Code.

The Company has complied with all the principles in the Code. It has also in all material respects, complied with the provisions in the Code. Where there are any variations from the provisions, the Company has provided explanations on how its practices are consistent with the aim and philosophy of the principle in question.

BOARD MATTERS

The Board's Conduct of Its Affairs

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

Principal Duties of the Board

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

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

Independent Judgement and Proper Accountability

The Board and Management are guided by a corporate governance policies manual ("**CG Policy Manual**"), which encapsulates the terms of reference for the Board and each Board Committee. For alignment with the 2018 Code, the CG Policy Manual and terms of reference for the Board and each Board Committee were reviewed by Management, each relevant Board Committee and the Board in FY2019, and an updated CG Policy Manual with updated terms of references was approved and adopted. The Group's employees are also guided by its Code of Conduct and Employee Handbook which are published on the intranet and which prescribes the standards of ethical behaviour.

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

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

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

Delegation by the Board

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

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

Notwithstanding the above, the Board Committees and Management remain accountable to and report back to the Board. Minutes of meetings of all Board Committees in FY2019 were provided to the Board, and the Chair of each Board Committee provided updates at Board meetings in FY2019 of matters discussed in Board Committee meetings. The activities of each Board Committee in FY2019 are disclosed under the respective guidelines of this report.

Board and Board Committees Meetings

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

The attendance of the Directors at scheduled meetings of the Board and Board Committees held in FY2019 is disclosed below. The Directors with multiple board representations have ensured that sufficient time and attention are given to the affairs of the Company.

	Board of Directors	Audit & Risk Committee	Nominating Committee	Remuneration Committee
No. of Meetings	6	5	2	3
Names of Directors				
Koh Boon Hwee	6	-	2	-
Chua Kheng Yeng, Jennie	6	5	2	3
Lui Chong Chee[1]	6	5	2	2
Ee Choo Lin Diana	6	5	-	3
Koh Kah Sek	6	-	-	3
Ramlee Bin Buang	6	5	2	-
Shailesh Anand Ganu[2]	6	-	-	1

[1] Mr Lui Chong Chee was invited to attend two of the three RC Meetings.
[2] Mr Shailesh Anand Ganu was appointed as an Independent Director on 12 February 2019 and an RC member on 23 April 2019. Of the three RC Meetings, two were held before Mr Ganu was appointed as RC member.

Board Approval
Material transactions
The Company has a structured Delegation of Authority Matrix and internal guidelines regarding matters that require Board approval. The types of material transactions, which require Board approval, include:
a. transactions in the ordinary course of business that have not been delegated by the Board to any Board Committee for approval;
b. major transactions not in the ordinary course of business;
c. bank borrowings;
d. provision of corporate guarantees or other securities to secure loans granted to subsidiaries and associated companies;
e. acquisition or disposal of fixed assets, save where authority has been delegated by the Board to any Board Committee for approval;
f. equity or contractual joint ventures; and
g. diversification into new businesses.

Key Activities of the Board during FY2019
Regular agenda items:
- Quarterly updates on the businesses
- Quarterly review of enterprise risk management
- Quarterly review of financial performance including compliance of financial covenants and cash flow projection
- Review and approval of all announcements including quarterly results and year-end financial statements
- Conflict of interest and register of interested person transactions
- Disclosure of Directors' interests pursuant to the Companies Act and the Securities and Futures Act
- Reports of the ARC, NC and RC

Other key agenda items considered during FY2019:
- Business opportunities
- New banking relationships
- Business strategy
- Material developments relating to accounting, risk management, sustainability reporting, legal, regulatory and/or corporate governance issues
- Adequacy and effectiveness of the internal controls and risk management systems of the Group
- Review of the independence, effectiveness and adequacy of resources for the internal audit function

Matters reserved for Board approval annually:
- Documents for distribution to shareholders including the Annual Report and Audited Financial Statements
- Annual budget and business plan
- Dividend payout
- Remuneration of the Executive and Non-Executive Directors
- Retirement and re-election of Directors

Board Training and Orientation

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

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

In FY2019, various Directors attended SID programmes, covering a wide range of topics including audit committee pit stops and seminars, cybersecurity, business valuation, blockchain, and the SID Directors Conference 2019 among others. Mr Shailesh Anand Ganu attended all the required training on the roles and responsibilities of a first-time director of a listed issuer as prescribed by the SGX RegCo.

Complete, Adequate and Timely Information

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

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

Provision of Information to the Board

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

Company Secretary

The Directors have separate and independent access to the Company Secretary through electronic mails, telephone and face-to-face meetings. The role of the Company Secretary includes attendance at all Board meetings, preparation of the agenda and papers for meetings of the Board and Board Committees, taking and circulating minutes of meetings, sending the Board information relating to the Group as needed, advising the Board on corporate and administrative matters, ensuring that Board procedures are followed and that applicable rules and regulations including requirements of the Code, Companies Act, Securities and Futures Act and Listing Rules are complied with, facilitating orientation and assisting with professional development for the Board. The Company Secretary also ensures good information flow within the Board and Board Committees and between the Management and Non-Executive Directors, advising the Board on all governance matters. In FY2019, the Company Secretary attended the AGM and all meetings of the Board and Board Committees.

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

Independent Professional Advice

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

Board Composition and Guidance

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

Board Size and Composition

The Board currently comprises seven Directors, the majority of whom are non-executive. The only Executive Director is the Group CEO. None of the Directors have served on the Board for more than nine years.

Each Director is required to complete annually a detailed self-assessment questionnaire on his/her independence. For FY2019, the questionnaires were premised on Rule 210(5)(d) of the Listing Rules, Provision 2.1 of the Code, Guideline 2.4 of the 2012 Code (which continues to apply before 1 January 2022) and the circumstances set out in Practice Guidance 2. The completed questionnaires were collated and reported to the Board. In FY2019, four Directors provided declarations to confirm that they do not have any relationship with the Company or its related companies and its officers that could impair, interfere, or be reasonably perceived to interfere, with their judgement in the best interests of the Company, and are to be considered Independent Directors ("**IDs**"). They are Ms Chua Kheng Yeng, Jennie, Mdm Ee Choo Lin Diana, Mr Ramlee Bin Buang, and Mr Shailesh Anand Ganu. The NC and the Board deliberated and concurred that these four Directors demonstrated strong independence in character and in judgement of Management decisions, and are satisfied that they are independent. Each of them abstained from deliberations of his/ her independence.

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

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

Board Competency and Diversity Policy

The Board comprises respected members of the business community, with long and extensive experience in various fields, including real estate, engineering, hospitality, corporate management, accounting, human resource, banking and finance. The Board finds the core competencies of the Directors, which include industry knowledge, strategic planning and customer-based experience, to be relevant and beneficial to the Group.

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

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

The Board Diversity Policy sets out two specific targets addressing age and gender, and the practical measures which may be implemented to meet such targets. Both targets were met and maintained throughout FY2019. The present Board comprises Directors in diverse age ranges and in terms of gender diversity, 3 out of the 7 Directors or 42.8% of the Board are female. A profile of each Director is found in the "Board of Directors and Management" section of this Annual Report.

Role of Non-Executive Directors

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

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

Meetings of Non-Executive Directors, and of IDs, without the presence of Management

In FY2019, the Non-Executive Directors met regularly without the presence of Management, and discussed matters ranging from internal audit and external audit matters to the performance of Management.

In FY2019, the IDs, led by the Lead ID, met periodically without the presence of other Directors and Management and discussed matters including succession planning, and where appropriate they provided feedback to the Board Chair after such meetings.

Chair and Chief Executive Officer

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

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

Roles of Chair
Mr Koh Boon Hwee assumed the role of Chair on 1 January 2013. The Chair is responsible for leading the Board and ensuring the effectiveness of the Board and Board Committees as well as the governance process.

The other roles of the Chair include the following:
a) schedule meetings that enable the Board to perform its duties responsibly while not interfering with the flow of the Company's operations.
b) ensure sufficient allocation of time for thorough discussion of Board meeting agenda items.
c) promote an open environment for debate at the Board.
d) foster constructive dialogue between shareholders, the Board and Management at AGMs and other shareholders' meetings.
e) encourage constructive relations within the Board and between the Board and Management.
f) ensure that Non-Executive Directors are able to speak freely and contribute effectively.
g) promote high standards of corporate governance.

Roles of Group CEO
Mr Alan Tang Yew Kuen was appointed as the Group CEO on 1 January 2020 following the retirement of Mr Lui Chong Chee on 31 December 2019. The roles and responsibilities of the Group CEO are clearly defined in his service contract with the Company and includes managing and supervising the day-to-day business operations in accordance with the strategies, policies and business plans approved by the Board.

Lead Independent Director
The Company appoints an ID as the lead independent director ("**Lead ID**") as the Chair is not an ID. Ms Chua Kheng Yeng, Jennie assumed the role of Lead ID since 25 April 2017. The Lead ID is a key member of the Board, representing the views of the IDs and providing a channel to the Non-Executive Directors for confidential discussions on any concerns, and facilitating a two-way flow of information between shareholders, the Chair and the Board.

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

Board Membership

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

NC Composition and Key Terms of Reference
The NC comprises three Non-Executive Directors, the majority of whom, including the NC Chair, are independent. The Lead ID is the NC Chair.

The NC comprises:
Ms Chua Kheng Yeng, Jennie as NC Chair (Lead ID)
Mr Koh Boon Hwee (Non-Executive Director)
Mr Ramlee Bin Buang (ID)

The NC's terms of reference was reviewed and updated in FY2019 for alignment with the Code.

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

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

In FY2019, the NC held two meetings. In those meetings, the NC carried out all its principal functions as listed above, and further reviewed, inter alia, whether a cap on the number of listed directorships was appropriate. After each NC Meeting, the NC provided updates and relevant recommendations to the Board.

Board Renewal, Roles and Responsibilities
The Board's renewal is 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 appointed by way of a Board Resolution, after the NC recommends their nominations.

In FY2019, in its review of the Board composition, the NC and the Board considered the years of service of each Director and the need for progressive renewal of the Board, conscious of the 9-year rule for independence which will be hard-coded in the Listing Rules with effect from 1 January 2022. For any IDs on the Board with service crossing the 9-year mark in FY2020, the NC will ensure their independence is subject to a rigorous review before the NC and the Board.

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 any 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. 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 AGM at which he/she will be eligible for re-election.

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

Directors who are subject to retirement by rotation in accordance with the Company's Constitution and who are seeking re-election at the forthcoming AGM are Mdm Ee Choo Lin Diana, Ms Koh Kah Sek and Mr Alan Tang Yew Kuen. Please see the "Additional Information on Directors Seeking Re-election" section of this Annual Report for further details.

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

Based on the review for FY2019, the NC is satisfied that Ms Chua Kheng Yeng, Jennie, Mdm Ee Choo Lin Diana, Mr Ramlee Bin Buang and Mr Shailesh Anand Ganu are independent.

Multiple Board Representations
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 noted that Board and Board Committee meetings are scheduled in advance to facilitate the Directors' scheduling of their commitments.

The NC's view is that there is no current need to determine the maximum number of board representations for each Director, as a number is not necessarily representative of a Director's commitment to perform his/ her duties to the Company. Instead of a hard number, the NC will consider factors such as attendance, degree of participation by a Director at meetings and considering issues, and the quality of contribution made by a Director.

Throughout FY2019, three Directors held other directorships on unrelated listed companies. The NC reviewed each Director's other directorships, principal commitments, attendance, performance and contributions to the Board, and noted the full attendance of all Directors at the AGM and all scheduled Board and Board Committee Meetings. The NC is satisfied that all Directors have given sufficient time and attention to the Company's matters and have diligently discharged their duties for FY2019.

Appointment of Alternate Director

The Company did not have any alternate director on its Board during FY2019. The Company discourages the appointment of alternate directors as it is an indication that the principal director is not able or prepared to commit the time required for the Company's affairs.

Nomination and Selection of Directors

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

In its search and selection process, the NC evaluates whether the potential candidates possess relevant experience and qualifications, whether they have the calibre to contribute to the Group and its businesses, whether they complement the skills, competencies and attributes of the existing Board, the requirements of the Group, and their independence status. The NC also meets with each shortlisted candidate personally to assess suitability and to ensure that the candidate is aware of the expectations and the level of commitment required. Thereafter, the NC makes a recommendation to the Board for approval.

The NC followed the above process in its search and selection process for an ID before Mr Ganu's appointment in FY2019. Through FY2019, the NC also worked extensively with the RC and Board Chair in identifying and appointing Mr Alan Tang Yew Kuen to succeed Mr Lui who retired (from his role as Executive Director and Group CEO) on 31 December 2019. Mr Alan Tang's appointment as Executive Director and Group CEO took effect on 1 January 2020. Key information on Mr Ganu and Mr Tang is listed in the "Board of Directors and Management" section of this Annual Report.

Key Information of Directors

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

Board Performance

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

Board Evaluation Process

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

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

The Company subscribes to a secure electronic board portal and utilises its survey tools to conduct the annual evaluation process. To ensure confidentiality, the completed performance evaluation forms are provided to the Company Secretary, who collates the results before presenting them on an anonymized basis to the NC for review. The NC considers the actions appropriate or beneficial to improve the corporate governance and effectiveness of the Board and Board Committees, before it presents the results of the evaluation exercise and its recommendations to the Board. The NC and the Board were satisfied with the overall results of the assessment for FY2019.

The NC agreed that there was no need to appoint any external facilitator to assist in the assessment for FY2019.

Board and Board Committee Performance Criteria

The Board and each Board Committee are evaluated on a range of criteria including competencies, attendance, guidance provided in relation to the Company's performance, degree of preparedness, participation and candour of Directors, contribution to effective risk management, timeliness in response to resolution of issues, adequacy and conduct of Board and Board Committee meetings, succession planning, and communication lines with Management and shareholders.

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

Individual Director Evaluation

Annually, each Director completes a self-assessment performance evaluation form of the prior year's performance, designed to remind each Director of his/her continued role and commitment to the Board. For FY2019, the NC took note of each Director's attendance at and preparation for Board Meetings and relevant Board Committee meetings, constructive participation in discussions, and application of skill-sets to the decision-making process.

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

REMUNERATION MATTERS

Procedures for Developing Remuneration Policies

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

RC Composition and Key Terms of Reference

The RC comprises four Non-Executive Directors, the majority of whom, including the RC Chair, are independent.

The RC comprises:
Mdm Ee Choo Lin Diana as RC Chair (ID)
Ms Chua Kheng Yeng, Jennie (Lead ID)
Ms Koh Kah Sek (Non-Executive Director)
Mr Shailesh Anand Ganu (ID)

The RC's terms of reference was reviewed and updated in FY2019 for alignment with the Code.

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

a. review and recommend to the Board, a formal and transparent procedure for determining the remuneration of the Company's Directors, including Non-Executive Directors and the Executive Director(s).
b. review and recommend to the Board, a remuneration framework for Directors' fees (covering all aspects of remuneration) and the appropriateness of remuneration awarded to attract, retain and motivate Directors, having regard to factors including but not limited to the effort, time spent and responsibilities of the Director.
c. review and recommend to the Board, a remuneration framework for key management personnel (including the Group CEO), with remuneration packages designed to align interest with shareholders and the Company's long-term goals, promoting long-term corporate value creation.
d. review and recommend to the Board, proposed performance measures and targets for any performance-related pay schemes operated by the Company, and specific remuneration packages for each key management personnel covering all aspects of remuneration, including but not limited to salaries, allowances, bonuses, options and benefits-in-kind.
e. review the design of all long-term and short-term incentive plans for approval by the Board and shareholders, with consideration of the use of long-term incentives such as share schemes (if appropriate) for key management personnel.
f. review the level and structure of pay and employment conditions for key management personnel relative to internal and external peers from companies in the same industry to ensure that key management personnel are appropriately remunerated.
g. oversee any major changes in employee benefits or remuneration structures and review the ongoing appropriateness and relevance of the Company's remuneration policy.
h. oversee the talent management and succession planning matters for key management personnel, with collaboration of the NC and the Executive Director(s).
i. ensure that contractual terms and any termination payments for key management personnel are fair to the individuals and to the Company, and that poor performance will not be rewarded.

In FY2019, the RC held three meetings. In those meetings, the RC carried out all its principal functions as listed above, and further reviewed, inter alia, the effectiveness of long-term incentives and discussed whether to adopt contractual provisions to claw back incentive components of remuneration from the Executive Director and key management personnel in exceptional circumstances.

RC's Access to Advice on Remuneration Matters
The RC has access to appropriate advice from the Head of Human Resources, who is invited to all RC meetings. The RC may also seek external expert advice on remuneration of Directors and employees as and when the need arises. In its deliberations, the RC takes into consideration industry practices and norms in compensation, the Group's relative performance to the industry, and the performance of individual Directors. For Non-Executive Directors, the RC also considers the 2018 bench-marking report by independent external consultant Mercer (Singapore) Pte. Ltd. ("**Mercer**") on the remuneration of Non-Executive Directors.

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

The RC reviews and recommends to the Board the specific remuneration packages for the Executive Director and the key management personnel upon recruitment. Subsequently, various aspects of their remuneration will be reviewed by the RC for recommendation to the Board.

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

The RC and the Board are satisfied that the remuneration framework for the Board (which was last reviewed and updated in FY2018) is appropriate to attract, retain and motivate the Directors to provide good stewardship of the Company.

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

Level and Mix of Remuneration

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

Remuneration of Executive Director and Key Management Personnel
The Company has one Executive Director who is the Group CEO, who receives a base fee for being a Board member (which remains unchanged from the fee paid in FY2018).

The identities of the top five key management personnel (who are not Directors or the Group CEO) are set out in Principle 8. Their service contracts with the Company comprise both fixed and variable components. The variable components are performance related and are linked to their individual performance as well as that of the Group. This is designed to align remuneration with the interest of shareholders and to promote the long-term success of the Group.

In structuring the remuneration packages of the Executive Director and other key management personnel, the RC and Board take into account the performance of the Group and the individual, and risk policies of the Group so as to be symmetric with risk outcomes and sensitive to the time horizon of risks.

The RC and the Board have deliberated and provided assurance that the current level and structure of remuneration of the Executive Director and key management personnel are aligned with the long-term interests and risk management policies of the Company, and are appropriate to retain and motivate them to provide good management of the Group.

Long-term Incentive Scheme

The Group does not have any employee share option scheme or other long-term incentive scheme for Directors or employees. However, the Group rewards the employees with other benefits in cash and in kind. In FY2019, the Company engaged consultants from Aon Hewitt Singapore Pte Ltd to evaluate the impact of long-term incentive schemes on performance and deliberated over the consultants' recommendations. The evaluation of the costs and benefits of deployment of a long-term incentive scheme by the RC and Board is on-going.

Remuneration of Non-Executive Directors

Following the 2018 bench-marking report by Mercer on the remuneration of Non-Executive Directors, the RC recommended the Board to update the remuneration framework. After considering the RC's recommendations, the Board approved a revised remuneration framework for Directors' fees effective from FY2019. While the Non-Executive Directors are still paid a base retainer fee, the fee now varies depending on whether he/ she serves as Board Chair, or as an independent Director or a non-independent Director. The Non-Executive Directors receive additional fees if they serve as the Lead ID or as a chair or member of the various Board Committees, and the quantum of such additional fees payable in FY2019 remain identical to the quantum paid in FY2018. The fee structure is presented under Principle 8 of this Report.

At the AGM of each financial year, the Company will seek shareholders' approval for the aggregate of the fees that may be paid to the Board in such financial year ("**Directors' Fees**"). The Board will recommend the Directors' Fees payable for FY2020 for shareholders' approval at the forthcoming AGM.

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

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

Contractual Provisions for Executive Director and Key Management Personnel

The Company currently does not have contractual provisions to reclaim any incentive components of remuneration from the Executive Director and other key management personnel, and there are no excessively lengthy or onerous removal clauses in their service contracts.

Disclosure on Remuneration

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

Annual Remuneration Report

For FY2019, there were no termination, retirement or post-employment benefits granted to any Director or key management personnel. The breakdown of the remuneration of Directors and key management personnel for FY2019 is reported below.

Disclosure of Directors and Group CEO's Remuneration

Breakdown of Level and Mix of Directors' Fees

A breakdown showing the level and mix of the Directors' Fees for FY2019 is appended below:

	Fees (S$)
Base Retainer Fee:	
Board Chair	70,000
Independent Non-Executive Board Member	40,000
Non-Independent Non-Executive Board Member	35,000
Non-Independent Executive Board Member	35,000
Lead Independent Director	17,000
Board Committees:	
Audit & Risk Committee	
- Chair	38,500
- Member	19,000
Remuneration Committee	
- Chair	14,000
- Member	7,500
Nominating Committee	
- Chair	14,000
- Member	7,500

Breakdown of Directors' Fees received by each Director

A further breakdown of the aggregate Directors' Fees received by each Director for FY2019 is appended below:

Name of Director	**Aggregate Director Fee (S$)**
Koh Boon Hwee	77,500
Chua Kheng Yeng, Jennie[1]	97,500
Lui Chong Chee	35,000
Ee Choo Lin Diana[2]	108,000
Koh Kah Sek	42,500
Ramlee Bin Buang	86,000
Shailesh Anand Ganu[3]	40,521

Notes:

[1] The Directors' fees of Ms Chua Kheng Yeng, Jennie are paid to a consultancy company in which she is a member/director.

[2] The Directors' fees received by Mdm Ee Choo Lin Diana include fees for her directorships on the board of Far East Hospitality Holdings Pte. Ltd. (S$10,000) and Toga Hotel Holdings Pty Limited (director and member of the audit and risk committee of the trustee board) (S$25,000).

[3] Mr Shailesh Anand Ganu was appointed as an ID on 12 February 2019 and as RC member on 23 April 2019.

Disclosure of Remuneration of the Group CEO

The remuneration of the Group CEO for FY2019 is disclosed below. The Board has assessed and decided that this is a key position, and the remuneration is disclosed in percentage terms for confidentiality. Disclosure of the exact details of the remuneration may invite comparison that subjects the Company to the risk of attrition of this position, which is not in the best interests of the Company or its shareholders. In addition, the remuneration of the Group CEO has been disclosed in bands such that the minimum and maximum range is apparent.

Group CEO	Fees and Base salary[1] (%)	Variable / Performance-related income / bonuses (%)	Benefits-in-kind (%)
S$750,000 to S$999,999			
Lui Chong Chee	99.98	0.00	0.02

Notes:
[1] Inclusive of allowances and Central Provident Fund contributions.

Disclosure of Key Management Personnel' Remuneration
Key management personnel' compensation consists of salary, allowances and bonuses. Bonuses are conditional upon the key management personnel and the Group meeting certain performance targets. A proportion of the key management personnel' remuneration is linked to the Group and individual performances.

The Group has determined that it has five key management personnel (who are not Directors or the Group CEO) in FY2019. The aggregate of the total remuneration paid to them is S$2,154,389. Their remuneration is also disclosed in percentage terms and in bands of S$250,000.

Key Management Personnel	Designation	Base salary[1] (%)	Variable / Performance-related income / bonuses (%)	Benefits-in-kind (%)
S$750,000 - S$999,999				
Kiong Kim Hock Arthur	CEO, Far East Hospitality	90.62	5.40	3.98
S$250,000 - S$499,999				
Joanna Gok Yin Yin	Chief Financial Officer	87.89	11.76	0.35
Audrey Chung Suet Cheng	Assistant Director of Operations, Far East Hospitality	88.65	9.65	1.71
Gill Ishwinder Singh[2]	Assistant Director of Operations, Far East Hospitality	92.05	7.27	0.68
Brett Ronald Walker[2]	Assistant Director of Operations, Far East Hospitality	96.63	3.37	0.00

Notes:
[1] Inclusive of allowances and Central Provident Fund contributions.
[2] Their remuneration is charged down by the Group to the hospitality properties they oversee, in accordance with contractual arrangements.

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

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

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

ACCOUNTABILITY AND AUDIT

Risk Management and Internal Controls

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

Accountability of the Board and Management
The Board conducts itself in ways that deliver 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 as well as timely announcements of other matters as prescribed by the relevant rules and regulations.

Quarterly unaudited financial results and full year results of the Group for FY2019 have been announced within the deadlines prescribed by the Listing Rules.

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

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

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

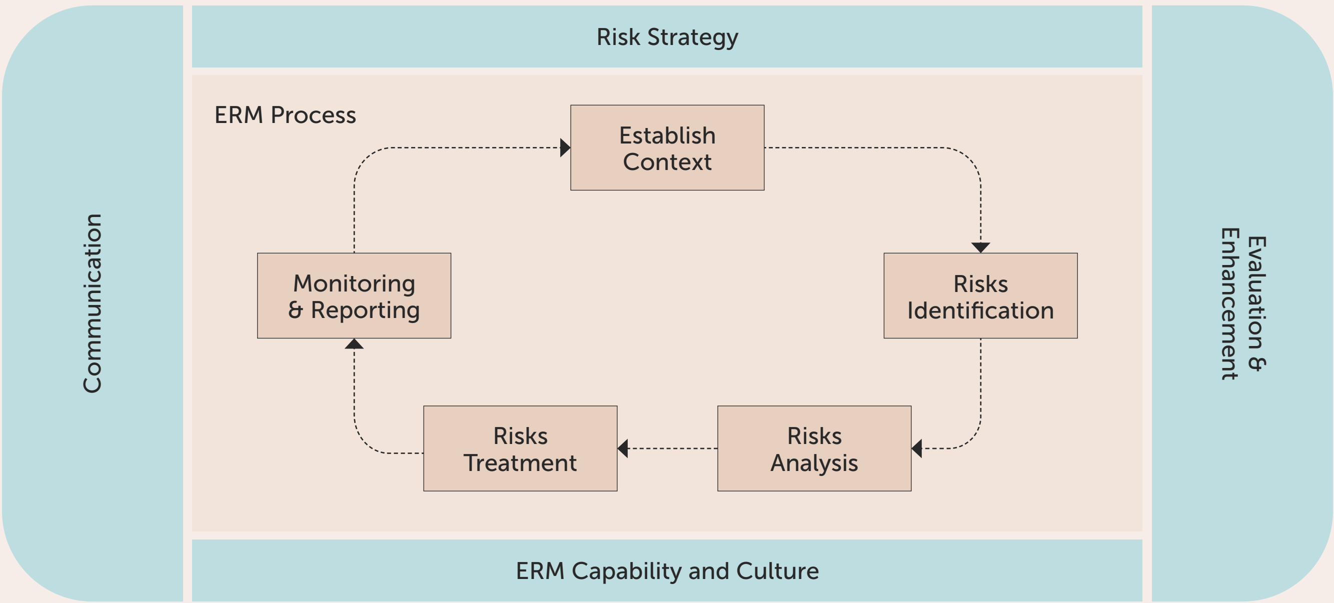
Management Accounts
Management provides the Board with management accounts on a quarterly basis and other information in connection with matters or transactions which require Board approval. In this way, the Board is kept abreast of the operations, financial performance, position and prospects of the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

Risk Management and Internal Control Systems

The Company has in place 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 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 has approved an Enterprise Risk Management ("**ERM**") manual setting out the tolerance for various classes of risk. It prescribes a zero tolerance towards non-compliance with laws and regulations, disregard for health and safety requirements, corruption, bribery, graft and fraudulent activities.

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



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

Strategic Risks

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

Financial Risks

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

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

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

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

Management undertakes periodic reviews of the Group's past performances and conducts horizon scanning in order to identify and assess current and future risks related to the aforementioned risk categories – strategic, 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 misstatements or losses. The Board is satisfied that the system of risk management and internal controls that the Group has in place provides reasonable assurance against material financial misstatements or losses, safeguarding of assets, the maintenance of proper accounting records, reliability of financial information, compliance with legislation, regulations and best practices and the identification and management of business risks.

Adequacy and Effectiveness of Risk Management and Internal Control Systems
The Board reviews quarterly the adequacy and effectiveness of the Group's risk management and internal control systems.

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

The Group has established the Management Risk & Sustainability Committee ("**MRSC**") that is headed by the Group CEO and comprises relevant key management personnel as committee members. The MRSC supports the Board and ARC in driving the risk management and sustainability efforts. The Group CEO and CFO will also assess the reports from the internal auditors and the MRSC before providing relevant assurance to the Board.

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

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

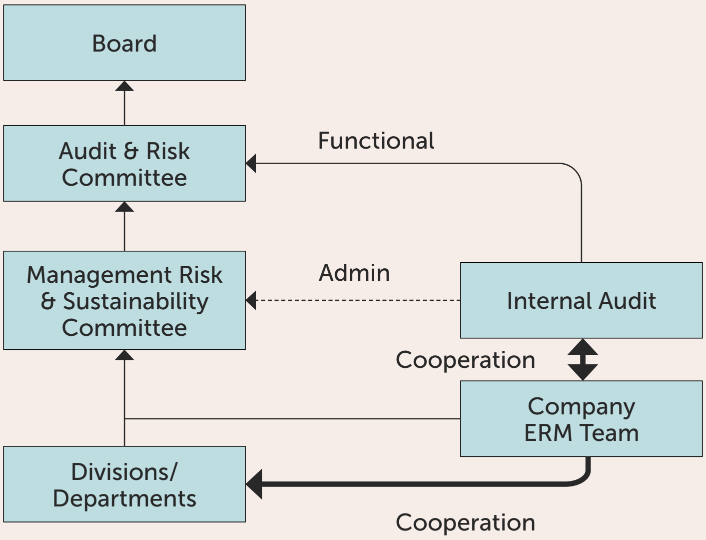
Assurance from CEO and relevant Key Management Personnel
The Board, with the concurrence of the ARC, is therefore of the opinion that the Group's system of risk management and internal controls is adequate and effective to address material strategic financial, operational, compliance and IT risks of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

The Board has received assurance:

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

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

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



Audit & Risk Committee

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

ARC Composition and Key Terms of Reference
The ARC comprises three Non-Executive Directors, all of whom, including the ARC Chair, are independent.

The ARC comprises the following IDs:

Mr Ramlee Bin Buang as ARC Chair (ID)
Ms Chua Kheng Yeng, Jennie (Lead ID)
Mdm Ee Choo Lin Diana (ID)

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

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

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

Role and Responsibilities of ARC

The principal roles and responsibilities of the ARC under its terms of reference (which was reviewed and updated in FY2019 for alignment with the Code) are to:

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

In its review of the financial statements of the Group and the Company for FY2019, the ARC had discussed with Management regarding the identification of matters that could significantly affect the integrity of the financial statements ("**significant financial reporting matters**"). The discussion included an assessment of the accounting principles and critical judgements applied by Management and the clarity of the relevant disclosures in the financial statements. The significant financial reporting matters identified, which are consistent with the key audit matters identified by the external auditors, and the ARC's commentaries are set out as follows:

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

Meetings with External Auditors and Internal Auditors without Management

In FY2019, the ARC met twice with the external auditors, PricewaterhouseCoopers LLP ("**PwC**"), and four times with the internal auditors, without the presence of the Company's Management. These meetings enabled the external auditors and internal auditors to raise directly to the ARC issues, if any, encountered during their audits.

Independence of External Auditors

In FY2019, the ARC conducted its annual review of non-audit services provided by PwC, to satisfy itself that the nature and extent of such services will not prejudice PwC's independence and objectivity, before nominating them for re-appointment. The aggregate amount of fees payable to PwC for audit services provided for the Company and its subsidiaries for FY2019 amount to S$861,000. The fees payable/ paid to PwC for non-audit services provided for FY2019 amount to S$128,000 and were incurred for the provision of corporate tax compliance and certification services. The ARC also evaluated the quality of work carried out by PwC based on the Audit Quality Indicators Disclosure Framework published by the Accounting and Corporate Regulatory Authority. The ARC was satisfied with the independence, objectivity and performance of PwC and nominated PwC for re-appointment as external auditor of the Company at the forthcoming AGM.

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

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

Whistle-blowing Policy

In FY2019, the ARC reviewed and approved refinements to the Company's whistle-blowing policy. The policy provides employees and external parties (who have business relationships with the Group) with an avenue to raise concerns in good faith, on a confidential basis without fear of reprisals, about possible improprieties, whether collusion, conflict of interest, violation of business ethics, unsafe work practices or otherwise. The policy's objective is to ensure that arrangements are in place for such concerns to be raised and independently investigated, and for appropriate follow-up action to be taken. The whistle-blowing policy is made available to all levels of employees during orientation together with the employee handbook, and is also posted on the Group's intranet system in three different languages, namely English, Mandarin and Malay.

The communication channels for whistle-blowing reports are published on the Company's website and are managed by the Company's internal auditors who will assist the ARC in the enforcement of the whistle-blowing policy.

No whistle-blowing incidents were reported during FY2019.

Disclosure on ARC's activities

In FY2019, the ARC held five meetings. In those meetings, the ARC reviewed, inter alia, the internal auditors' report on interested person transactions and various reports on other areas of the Group's business, the internal auditors' audit plan and fee for the current financial year, the external auditors' final audit report, key audit matters, the performance and independence of the external auditors, the quarterly and year-end announcements on financial statements, the Group's quarterly and year-end performance, whistle-blowing policy and corporate governance matters. The ARC visited the Group's properties in UK in 2019, together with the external auditors, PwC.

The ARC has been kept abreast on changes to the accounting standards and issues which have direct impact on the Group's consolidated financial statements by the CFO and the external auditors during FY2019.

ARC Member Restriction

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

Internal Auditors
The ARC approves the appointment, removal, evaluation and fees of the outsourced internal audit function. During FY2019, the Group outsourced its internal audit function to an independent professional firm, RSM Risk Advisory Pte Ltd, to provide internal audit services, as recommended by the ARC.

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

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

Qualification and Experience of Internal Auditors
RSM Risk Advisory Pte Ltd is a corporate member of the Institute of Internal Auditors Singapore and staffed with professionals with relevant qualifications and experience.

Professional Standards and Competency
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.

Independence, Adequate Resourcing and Effectiveness of Internal Audit Function
The ARC reviews, at least once a year, whether the internal audit function is independent, effective and adequately resourced. The ARC reviews and approves the internal audit plans and the resources required to adequately perform this function annually, to ensure the adequacy of the internal audit function.

During the internal audit process, the internal auditors endeavour to follow up on the identified inherent and operational risks of each business entity as well as the content of any management letter issued by the external auditors to ensure that the committed rectification measures have been implemented.

Following its review and assessment, the ARC was of the view that the internal audit function is independent, effective and adequately resourced.

SHAREHOLDER RIGHTS AND ENGAGEMENT

Shareholder Rights and Conduct of General Meetings

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

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

In line with the Company's commitment towards environmental conservation, the Company makes available its annual reports by electronic communication, via publication on the Company's website, in place of a CD-ROM. Annual reports will continue to be made available on SGXNet and shareholders may continue to request for hard copies of annual reports if preferred.

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

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

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

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

Attendees at General Meetings
All Directors, together with the Company's CFO, Financial Controller, Company Secretary, external auditors and external corporate governance and legal advisers attended the Company's last AGM held on 23 April 2019. The Company requests all its Directors, certain key management personnel, external auditors and external advisers to attend the Company's general meetings to address any questions raised by shareholders, whether the conduct of audit, the presentation and content of the auditors' report or otherwise. Shareholders are given the opportunity to communicate their views and discuss with the Board and key management personnel after the general meetings.

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

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

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

Engagement with Shareholders

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

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

Communication with Shareholders and Soliciting and Understanding Views of Shareholders
The Company recognises the importance of regular, effective and timely communication with the shareholders.

The Company's main forum for dialogue with shareholders takes place at its AGM. To solicit and understand shareholders' views, shareholders are given the opportunity at the AGM to express their views and ask questions regarding the Company. The Company conducts surveys at each AGM to receive feedback from shareholders. To encourage greater shareholder participation, the AGM is held at a central location, which is easily accessible by public transportation. In FY2019, Management met with analysts and potential investors, which provided the Company with feedback and insights on the views of the investment community.

Investor Relations Policy and Contact
The Company has in place an Investor Relations ("**IR**") policy outlining the principles and practices adopted in the course of its investor relations activities, including communication with shareholders and the investment community. The policy reflects avenues for communication between shareholders and the Company, including shareholders' meetings, the Company's annual report and sustainability report, the information available on the Company's website, quarterly results announcements, meetings with analysts and media, and describes how shareholders may contact the Company should they have questions. The policy thus allows for an ongoing exchange of views with shareholders, thereby promoting regular, effective and fair communication. The policy is available on the Company's website at www.fareastorchard.com.sg/ir_policy.html.

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

Disclosure of Information on a Timely Basis
The Company is committed to making timely, full and accurate disclosures in accordance with the Listing Rules and the Code. The Company keeps its shareholders informed of corporate developments on a timely basis. In addition to mandatory announcements, the Company also makes voluntary announcements on corporate transactions from time to time.

SGX RegCo has adopted a risk-based approach to quarterly reporting ("**QR**") with effect from 7 February 2020. Companies that are of greatest concern to regulators and investors are required to do QR, while all other companies need only do half-yearly reporting. The Group is not required by the SGX RegCo to do QR. The Board has deliberated on this and decided that the Group will adopt half-yearly reporting from FY2020. Half-year results will be released no later than 45 days after the end of the half-year period. Full year results will be released no later than 60 days from the financial year end. The investor calendar is available on the Company's website at www.fareastorchard.com.sg/investor-calendar.html.

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

For FY2019, a blackout period of two weeks before the announcement of the Company's financial results for each of the first three quarters of its financial year, and one month before the announcement of the Company's full year financial statements was observed. During this period, the Company had limited interactions with investors and analysts and avoided commenting on financial results, operational performance and market outlook, except where required under the Listing Rules.

MANAGING STAKEHOLDERS RELATIONSHIPS

Engagement with Stakeholders

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

Identification and Engagement of Material Stakeholders

The Company's material stakeholders are listed in its Sustainability Report. They are the Company's shareholders, its Board, its employees, customers, and business partners. The Sustainability Report also outlines how relationships with these material stakeholders are managed.

The Group's policies including the Board Diversity Policy, the Dividend Policy and Scrip Dividend Scheme, the Investor Relations Policy, the Security Trading Policy and Whistle-blowing Policy facilitates the Group's engagement with its material stakeholders. Further details of the Group's engagement with its key stakeholders in FY2019 are described in the Sustainability Report 2019 which is available at the Company's corporate website at www.fareastorchard.com.sg/sustainability.html. The Sustainability Report outlines the Group's policies, practices, performance and targets in relation to its Economic and Environmental, Social and Governance activities. Developed in accordance with the Global Reporting Initiative Standards 2016 (Core option), the Group endeavours to communicate how sustainability is embedded in its business practices and value chain across its operations in the report. The Board adopted a Stakeholder Engagement Policy in February 2020.

Corporate Website

The Company maintains a current corporate website to communicate and engage with its stakeholders. There is a dedicated investor relations section on its corporate website which serves as a repository for shareholders and the investment community, ensuring that they can easily access relevant and up-to-date information about the Company. It includes the Company's latest announcements, financial results, annual reports, sustainability reports, stock information, and investor relations contact. Members of the public may also subscribe to RSS feeds of all announcements and press releases issued by the Company through its corporate website.

ADDITIONAL INFORMATION

Business Conduct and Ethics

The Group is guided by its Code of Conduct and Employee Handbook which are published on the intranet. The Code of Conduct and Employee Handbook explains the Group's core values, encapsulated in BUILD, which stands for Business with Grace, Unity, Integrity, Love and Diligence. The Group seeks to build and maintain a strong ethical organizational culture through its core values.

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

The Group has a Competition Compliance Manual which forms part of the Employee Handbook. This Manual reminds Directors, employees and representatives of the Group's commitment to compliance with the Competition Act of Singapore and to maintain the highest level of ethics in the conduct of its business. It was developed to help these stakeholders to understand the basic principles of the Group's competition law compliance policy.

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

Dealings in Securities
The securities trading policy is an internal compliance code devised and adopted by the Company as a listed issuer, to provide guidance on dealings in its securities. The policy reflects the Company's adoption of the best practices on dealings in securities set out in Rule 1207(19) of the Listing Rules.

The policy was reviewed and updated in FY2019, guided by the Principles of Best Practice – Handling of Confidential Information and Dealings in Securities issued jointly by the SGX-ST with other associations in December 2017, the Corporate Disclosure Policy in the Listing Rules and prevailing provisions of the Securities and Futures Act.

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

(i) during 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; and

(ii) on short term considerations.

As the Company has adopted half-yearly reporting, the prohibited period from dealing in the Company's securities will be revised to two weeks before and up to the date of the announcement of the Company's half-year results and during the one month before and up to the date of the announcement of the full year results.

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

Material Contracts
Save for the transactions set out in the Company's circular to shareholders dated 24 June 2013 and the related parties transactions as disclosed in the Financial Statements and this Annual Report, no material contract involving the interests of any Director or controlling shareholder of the Group has been entered into by the Company or any of its subsidiaries during the financial year and no such material contract is subsisting as at 31 December 2019.

Interested Person Transactions
The Company has a policy on how proposed interested person transactions ("**IPTs**") are to be reviewed and approved, to ensure IPTs are conducted fairly and on an arm's length basis. The IPT policy is detailed in the IPT general mandate ('**IPT Mandate**") which was approved by shareholders at an Extraordinary General Meeting of the Company held on 9 July 2013. The IPT Mandate is submitted annually to shareholders for approval at each AGM. The IPT Mandate to be submitted for shareholders' approval at the forthcoming AGM will be set out in the Letter to Shareholders to be issued. IPTs carried out during FY2019 which fall under Chapter 9 of the Listing Rules are as follows.

Name of interested person	Nature of relationship	**Aggregate value of all IPTs conducted under shareholders' mandate pursuant to Rule 920 of the Listing Rules** (excluding transactions less than S$100,000)	**Aggregate value of all IPTs during the financial year under review** (excluding transactions less than S$100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920)
		12 months ended 31 December 2019 S$'000	12 months ended 31 December 2019 S$'000
Agape Laundry Pte. Ltd.	Associate of controlling shareholder		
Supply of goods and services		(789)	–
Boo Han Holdings Pte Ltd	Associate of controlling shareholder		
Hospitality management income		760	–
Transaction with an interested person in relation to a conditional purchase and sale agreement for the joint purchase of a plot of land and hotel to be constructed thereon in Japan[1]		–	(1,201)
China Classic Pte Ltd	Associate of controlling shareholder		
Hospitality management income		113	–
Dollar Land Singapore Private Limited	Associate of controlling shareholder		
Hospitality management income		331	–
Far East Hospitality Real Estate Investment Trust	Associate of controlling shareholder		
Management income[2]		4,045	–
Rental expense on operating leases			
- offices		(1,113)	–
- hotels and serviced residences		(22,664)	–
Far East Management (Private) Limited	Associate of controlling shareholder		
Management service fees		(2,013)	–
Hospitality services		(2,172)	–
Project management service fees		(111)	–
Sale of property units[3]		–	43,900
Far East Organization Centre Pte. Ltd.	Associate of controlling shareholder		
Hospitality management income		2,234	–
Far East Property Sales Pte. Ltd.	Associate of controlling shareholder		
Sales and marketing services fees		(103)	–

Notes:

1 As set out in the Group's announcement dated 28 May 2018.

2 Pursuant to the trust deed constituting Far East Hospitality Real Estate Investment Trust ("FEH-REIT") dated 1 August 2012 (as amended, varied or supplemented from time to time) (the "Trust Deed") and entered into between FEO Hospitality Asset Management Pte. Ltd. ("FEOHAM") (in its capacity as the manager of FEH-REIT) and DBS Trustee Limited (in its capacity as the trustee of FEH-REIT), FEOHAM is entitled to a management fee comprising a base fee of 0.3% per annum of the value of the Deposited Property (as defined in the Trust Deed) and a performance fee of 4.0% per annum of net property income (as defined in the Trust Deed). During the financial year ended 31 December 2019, the Company was a 33% shareholder of FEOHAM and this amount represents 33% of the management fees received during the financial year, being the value at risk to the Group.

3 On 23 August 2019, Woodlands Square Pte. Ltd. ("WSPL"), a joint venture by the Group's wholly-owned subsidiary, Tannery Holdings Pte Ltd with Far East Civil Engineering (Pte.) Limited and Sekisui House, Ltd for the proposed development of a land parcel at Woodlands Square ("Woods Square"), entered into an option to purchase, a sale and purchase agreement and a side letter with Far East Management (Private) Limited ("FEM"), a member of Far East Organization, for the sale of 3 property units at Woods Square from WSPL to FEM.

Name of interested person	Nature of relationship	**Aggregate value of all IPTs conducted under shareholders' mandate pursuant to Rule 920 of the Listing Rules** (excluding transactions less than S$100,000)	**Aggregate value of all IPTs during the financial year under review** (excluding transactions less than S$100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920)
		12 months ended 31 December 2019 S$'000	12 months ended 31 December 2019 S$'000
Far East Real Estate Agency Pte. Ltd. Property management services	Associate of controlling shareholder	(295)	–
Far East Rocks Pty Ltd Rental expense on operating leases - hotel	Associate of controlling shareholder	(1,179)	–
Far East Soho Pte. Ltd. Hospitality management income	Associate of controlling shareholder	1,591	–
Fontaine Investment Pte. Ltd. Hospitality management income	Associate of controlling shareholder	2,154	–
Golden Development Private Limited Hospitality management income	Associate of controlling shareholder	2,623	–
Golden Landmark Pte Ltd Hospitality management income	Associate of controlling shareholder	1,455	–
Kitchen Language Pte. Ltd. Supply of goods and services	Associate of controlling shareholder	(148)	–
Orchard Mall Pte. Ltd. Hospitality management income	Associate of controlling shareholder	892	–
Orchard Parksuites Pte Ltd Hospitality management income	Associate of controlling shareholder	1,462	–
Oxley Hill Properties Pte Ltd Hospitality management income	Associate of controlling shareholder	572	–
Riverland Pte Ltd Hospitality management income	Associate of controlling shareholder	443	–
Serene Land Pte Ltd Hospitality management income	Associate of controlling shareholder	1,769	–
Splendid Properties Pte Ltd Rental expense on office operating leases	Associate of controlling shareholder	(125)	–
Transurban Properties Pte. Ltd. Hospitality management income	Associate of controlling shareholder	1,729	–

SUSTAINABILITY

Far East Orchard's 2019 Sustainability Report outlines the Group's progress in its sustainability journey to build an enduring business that will benefit future generations. Prepared in accordance with the Global Reporting Initiative Standards: Core option and Singapore Exchange Securities Trading Limited Listing Manual (Rules 711A and 711B), the report showcases the Group's efforts to manage its material Economic and Environmental, Social and Governance ("ESG") factors.

The Group regularly engages its key stakeholders – shareholders, the Board of Directors, employees, customers, and business partners – through varied communication channels to understand and address their concerns.

To ensure the relevance of material factors to its business and stakeholders, the Group conducted a materiality refreshment exercise in 2019, which included a peer benchmarking analysis and consultations with internal stakeholders. Results of the exercise, which were reviewed and endorsed by the Board, confirmed that the ESG factors identified in the previous year remain relevant. The factors are Economic Performance, Anti-competitive Behaviour, Environmental Compliance, Occupational Health and Safety, Training and Education, Customer Health and Safety, Service Quality, Customer Privacy and Corporate Governance.

The Group recognises that it is increasingly important to balance financial growth alongside sustainable ESG performance. To that end, Far East Orchard has implemented policies to ensure that employees adhere to a high standard of corporate conduct, including competing fairly. Its efforts were recognised at the Singapore Corporate Awards 2019 where it was conferred the Best Managed Board, Silver Award for the mid-market capitalisation category. Far East Orchard was also placed among the top 10% SGX-listed firms in the Singapore Governance and Transparency Index 2019. Further, Far East Orchard made its debut on the SGX Fast Track Programme in 2019. The programme was launched by the Singapore Exchange Regulation in April 2018 to recognise companies which have upheld high corporate governance standards and maintained a good compliance track record.

On the environmental front, the Group ensured its compliance with local environmental laws and regulations in its countries of operations in FY2019 and continues to review and implement measures to ensure that its business practices remain compliant with applicable laws.

Another key component of the Group's business is the health and safety of its employees which form the backbone of its operations. The Group undertook comprehensive assessments to ensure the wellbeing of its employees, ensuring zero workplace fatalities and occupational disease cases in FY2019. Furthermore, the Group registered a lower Accident Frequency Rate and Accident Severity Rate in FY2019, reflecting the effectiveness of policies in place to manage occupational health and safety issues.

Customers are also important to the Group. Far East Orchard has established safety measures and procedures to ensure customer health and safety at the properties managed, owned and developed by the Group. It upheld its track record of zero incidences of non-compliance concerning health and safety issues at its properties in FY2019.

Apart from the physical safety of its customers, Far East Orchard safeguards the privacy of its customers' data through the continuous improvement of its data privacy and data management practices. None of the Group's in-scope properties were found to be in breach of relevant data protection legislation in FY2019.

The Group also invests in training and education to equip its employees with the right skillsets and attitude. The average hours of training per employee increased to 100.0 hours from 95.2 hours a year ago. This has translated to a high level of service quality, evidenced by the 300 accolades awarded by various industry bodies to the Group's hospitality arm.

Looking ahead, the Group will continue to build a sustainable business model that generates positive economic, environmental and social returns for the communities in its areas of operations.

In line with the Group's efforts towards greater environmental conservation, no copies of the Sustainability Report were printed. An electronic version of the report may be viewed at or downloaded from **www.fareastorchard.com.sg/sustainability/2019/web/index.html**.

FINANCIAL REPORT

DIRECTORS' STATEMENT

For the financial year ended 31 December 2019

The directors present their statement to the members together with the audited financial statements of Far East Orchard Limited (the "Company") and its subsidiaries (the "Group") for the financial year ended 31 December 2019 and the balance sheet of the Company as at 31 December 2019.

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 71 to 155 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 2019 and the financial performance, changes in equity and cash flows of the Group for the financial year covered by the consolidated financial statements; and

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

DIRECTORS

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

Mr Koh Boon Hwee
Mr Alan Tang Yew Kuen (appointed on 1 January 2020)
Ms Chua Kheng Yeng, Jennie
Mdm Ee Choo Lin Diana
Ms Koh Kah Sek
Mr Ramlee Bin Buang
Mr Shailesh Anand Ganu

ARRANGEMENTS TO ENABLE DIRECTORS TO ACQUIRE SHARES AND DEBENTURES

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

DIRECTORS' INTERESTS IN SHARES OR DEBENTURES

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

(b) The directors' interests in the ordinary shares of the Company as at 21 January 2020 were the same as those as at 31 December 2019.

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 Ramlee Bin Buang (Chairman)
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 2019 before their submission to the Board of Directors.

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

INDEPENDENT AUDITOR

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

On behalf of the directors

Mr Alan Tang Yew Kuen Director	Mr Ramlee Bin Buang Director

18 March 2020

INDEPENDENT AUDITOR'S REPORT

To the Members of Far East Orchard Limited

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Our Opinion

In our opinion, the accompanying consolidated financial statements of Far East Orchard Limited (the "Company") and its subsidiaries (the "Group") and the balance sheet of the Company are properly drawn up in accordance with the provisions of the Companies Act, Chapter 50 (the "Act") and Singapore Financial Reporting Standards (International) ("SFRS(I)s") so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at 31 December 2019 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group for the financial year ended on that date.

What we have audited

The financial statements of the Company and the Group comprise:

- the consolidated statement of comprehensive income of the Group for the financial year ended 31 December 2019;
- the balance sheet of the Group as at 31 December 2019;
- the balance sheet of the Company as at 31 December 2019;
- the consolidated statement of changes in equity of the Group for the financial year then ended;
- the consolidated statement of cash flows of the Group for the financial year then ended; and
- the notes to the financial statements, including a summary of significant accounting policies.

Basis for Opinion

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

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

Independence

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

Our Audit Approach

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements for the financial year ended 31 December 2019. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matter	How our audit addressed the Key Audit Matter
Valuation of investment properties and land and buildings classified under property, plant and equipment	
As at 31 December 2019, the Group's investment properties of $793,841,000 and land and buildings classified under property, plant and equipment of $517,023,000, representing 52% of total assets, are carried at fair value based on independent external valuations. The valuation of the investment properties and land and buildings classified under property, plant and equipment is a key audit matter due to the significant judgements in the key inputs used in the valuation techniques. The key inputs include: • comparable sales price for the sales comparison method; • net profit margins of hotel operations, discount rate and terminal yield for the discounted cash flow method; and • capitalisation rate for the income capitalisation method. The key inputs and sensitivities are disclosed in Note 3.1, Note 20 and Note 21 to the accompanying financial statements respectively.	Our audit procedures focused on the valuation process and include the following: • assessed the competency, independence and objectivity of the professional valuers engaged by the Group; • discussed with the professional valuers the significant judgemental areas and understood the respective valuation techniques used in determining each valuation; • assessed the appropriateness of the underlying comparable transactions used to derive the comparable sales price, taking into account the nature, location and tenure of the property; • assessed the reasonableness of the net profit margins of hotel operations, taking into account historical actual performance, accuracy of management forecast in prior years and industry outlook; and • compared the discount rates, terminal yields and capitalisation rates used against those used for similar type of properties and in the prior year. Based on the procedures performed, we found that the valuers are competent and are members of recognised professional bodies for external valuers, the valuation techniques used were in line with generally accepted market practices and the key inputs used were within the range of market data. We have also assessed the adequacy of the disclosures relating to the key inputs and sensitivities, as we consider them as likely to be significant to the users of the financial statements given the estimation uncertainty and sensitivity of the valuations. We found the disclosures in the financial statements to be appropriate.

Key Audit Matters (continued)

Key Audit Matter	How our audit addressed the Key Audit Matter
Impairment assessment of goodwill	
As at 31 December 2019, the Group's goodwill balance of $51,272,000 arising from past acquisitions is allocated to two cash generating units ("CGU") within its hospitality business, namely the 'Management services - Singapore' CGU ($37,257,000) and 'Property ownership - Australia' CGU ($14,015,000). Based on the goodwill impairment assessment performed by the Group, no impairment was identified. The recoverable amount of • 'Management services – Singapore' CGU was determined based on Fair Value Less Cost To Sell using a combination of discounted cash flow method and Guideline Public Company method; and • 'Property ownership – Australia' CGU was determined based on Value-In-Use calculations using the discounted cash flow method. The impairment assessment is a key audit matter due to the assumptions and judgements involved in computing the recoverable amounts of each CGU. The assumptions and judgements were used to estimate cash flows from each CGU, the terminal growth rates and the discount rates applied in the discounted cash flow method and the comparability of underlying companies applied in the Guideline Public Company method. The key assumptions and sensitivities are disclosed in Note 3.2 and Note 23(a) to the accompanying financial statements respectively.	Our audit procedures focused on the reasonableness of the assumptions and judgements applied in the respective methods. The audit procedures were performed with the support from our valuation specialists. In respect of the discounted cash flow methods, we performed the following audit procedures: • assessed the reasonableness of the estimated cash flows by taking into account the relevant CGU's expected future operating performance (including revenue growth rates and profit margins), as well as historical actual performance, accuracy of management forecast in prior years and the general industry outlook; and • assessed the reasonableness of the terminal growth rates and discount rates applied using commonly accepted methodologies and benchmarks. For the Guideline Public Company method, we performed the following audit procedures: • compared the normalised earnings used to historical actual performance and obtained explanations from management regarding the nature and appropriateness of adjustments identified for one-off or exceptional items; and • assessed the appropriateness of the underlying comparable companies used to derive the earnings multiples, taking into account factors such as their principal business activity, size and financial performance. Based on the procedures performed, we found the underlying estimates and assumptions applied to be reasonable. We have also assessed the adequacy of the disclosures relating to the key assumptions and sensitivities and found the disclosures in the financial statements to be appropriate.

Key Audit Matters (continued)

Key Audit Matter	How our audit addressed the Key Audit Matter
Valuation of investment in joint venture, Toga Hotel Holdings Unit Trust ("Toga Trust")	
As at 31 December 2019, the carrying value of the Group's material equity accounted joint venture, Toga Trust, amounted to $199,868,000. The valuation of the Group's investment in Toga Trust is a key audit matter because of the significant assumptions and judgements applied by Toga Trust in determining: • Valuation of land and buildings classified under property, plant and equipment held at fair value; and • Impairment assessment of goodwill and brands with indefinite lives. The summarised financial information of Toga Trust, and sensitivities of the valuation of land and buildings and impairment assessment of goodwill and brands with indefinite lives are disclosed in Note 3.3 and Note 18 to the accompanying financial statements respectively.	We have audited the Toga Trust's financial information used by the Group in determining the valuation of the investment in joint venture, Toga Trust. The audit focused on the valuation of land and buildings and impairment assessment of goodwill and brands with indefinite lives. Audit procedures similar to those in key audit matters "Valuation of investment properties and land and buildings classified under property, plant and equipment" and "Impairment assessment of goodwill" above were performed. In the context of determining the valuation of the investment in Toga Trust, we found that for: • the valuation of land and buildings classified under property, plant and equipment held at fair value, the valuers are members of recognised professional bodies, the valuation techniques used are in line with generally accepted market practices and key inputs to be within the range of market data; and • the impairment assessment of goodwill and brands with indefinite lives, the underlying estimates and assumptions applied to be reasonable. We have also assessed the adequacy of the disclosures relating to the summarised financial information of investment in a material joint venture, Toga Trust, and the sensitivities of the valuation of land and buildings and impairment assessment of goodwill and brands with indefinite lives. We found the disclosures in the financial statements to be appropriate.

Other Information

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

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

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

Responsibilities of Management and Directors for the Financial Statements

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

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

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

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

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

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

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

INDEPENDENT AUDITOR'S REPORT

To the Members of Far East Orchard Limited

Report on Other Legal and Regulatory Requirements

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

The engagement partner on the audit resulting in this independent auditor's report is Mr Yeow Chee Keong.

PricewaterhouseCoopers LLP
Public Accountants and Chartered Accountants Singapore
18 March 2020

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the financial year ended 31 December 2019

	Note	**2019** **$'000**	2018 $'000
Sales	4	**156,063**	150,911
Cost of sales	5	**(88,249)**	(97,536)
Gross profit		**67,814**	53,375
Other income	7	**4,500**	4,321
Other gains – net	8	**13,141**	8,306
Expenses:			
– Distribution and marketing	5	**(11,550)**	(11,472)
– Administrative	5	**(33,488)**	(26,581)
– Finance	9	**(16,865)**	(5,188)
– Other	5	**-**	(40)
Share of profit of			
– joint ventures	18	**3,169**	9,563
– associated companies	17	**3,211**	3,376
Profit before income tax		**29,932**	35,660
Income tax expense	10(a)	**(4,152)**	(2,212)
Total profit		**25,780**	33,448
Other comprehensive income/(loss):			
Items that may be reclassified subsequently to profit or loss:			
Share of other comprehensive (loss)/income of joint ventures		**(2,382)**	156
Currency translation differences arising from consolidation		**(4,561)**	(20,156)
		(6,943)	(20,000)
Items that will not be reclassified subsequently to profit or loss:			
Share of other comprehensive income/(loss) of:			
– joint ventures	18	**5,756**	9,778
– associated companies	17	**2,958**	(2,095)
Revaluation gains on property, plant and equipment – net		**8,878**	11,860
Currency translation differences arising from consolidation		**(2,432)**	(8,190)
Other comprehensive income/(loss), net of tax	10(c)	**8,217**	(8,647)
Total comprehensive income		**33,997**	24,801
Profit/(loss) attributable to:			
Equity holders of the Company		**26,031**	32,937
Non-controlling interest		**(251)**	511
		25,780	33,448
Total comprehensive income/(loss) attributable to:			
Equity holders of the Company		**35,363**	29,227
Non-controlling interest		**(1,366)**	(4,426)
		33,997	24,801
Basic and diluted earnings per share for profit attributable to equity holders of the Company (cents per share)	11	**5.95**	7.64

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

BALANCE SHEET – GROUP

As at 31 December 2019

	Note	2019 $'000	2018 $'000
ASSETS			
Current assets			
Cash and cash equivalents	12	**257,430**	256,287
Trade and other receivables	13	**26,688**	26,089
Inventories		**323**	351
Development properties	15	**50,781**	40,605
Properties held for sale	16	**123,959**	123,911
		459,181	447,243
Non-current assets			
Other non-current assets	14	**20,903**	19,599
Investments in associated companies	17	**22,090**	15,921
Investments in joint ventures	18	**444,009**	479,268
Investment properties	20	**793,841**	517,398
Property, plant and equipment	21	**660,934**	537,402
Intangible assets	23	**125,368**	128,435
Deferred income tax assets	28	**4,505**	91
		2,071,650	1,698,114
Total assets		**2,530,831**	2,145,357
LIABILITIES			
Current liabilities			
Trade and other payables	24	**113,692**	120,430
Current income tax liabilities	10(b)	**6,021**	4,723
Lease liabilities	22	**11,257**	-
Borrowings	25	**336,208**	208,225
Deferred income	26	**11,056**	7,526
		478,234	340,904
Non-current liabilities			
Other payables	24	**98,257**	99,059
Lease liabilities	22	**145,368**	-
Borrowings	25	**225,419**	86,953
Deferred income	26	**283,108**	289,904
Deferred income tax liabilities	28	**29,143**	31,048
Provisions	27	**-**	938
		781,295	507,902
Total liabilities		**1,259,529**	848,806
NET ASSETS		**1,271,302**	1,296,551
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital	29	**498,006**	496,604
Revaluation and other reserves	30	**341,185**	328,344
Retained profits		**409,955**	440,262
		1,249,146	1,265,210
Non-controlling interest	19	**22,156**	31,341
TOTAL EQUITY		**1,271,302**	1,296,551

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

BALANCE SHEET – COMPANY

As at 31 December 2019

	Note	2019 $'000	2018 $'000
ASSETS			
Current assets			
Cash and cash equivalents	12	**159,832**	186,603
Trade and other receivables	13	**172,892**	171,606
Inventories		**14**	12
		332,738	358,221
Non-current assets			
Other non-current assets	14	**349,535**	147,870
Investments in associated companies	17	**696**	696
Investment in a joint venture	18	**300**	300
Investments in subsidiaries	19	**883,529**	883,438
Investment properties	20	**139,175**	137,245
Property, plant and equipment	21	**409,666**	326,727
Deferred income tax assets	28	**2,292**	-
		1,785,193	1,496,276
Total assets		**2,117,931**	1,854,497
LIABILITIES			
Current liabilities			
Trade and other payables	24	**13,267**	19,706
Current income tax liabilities	10(b)	**129**	485
Lease liabilities	22	**5,531**	-
Borrowings	25	**251,372**	56,176
Deferred income	26	**6,817**	6,817
		277,116	83,184
Non-current liabilities			
Other payables	24	**363,630**	353,962
Lease liabilities	22	**84,920**	-
Borrowings	25	**89,230**	86,953
Deferred income	26	**283,108**	289,904
Deferred income tax liabilities	28	**-**	305
		820,888	731,124
Total liabilities		**1,098,004**	814,308
NET ASSETS		**1,019,927**	1,040,189
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital	29	**498,006**	496,604
Revaluation and other reserves	30	**301,647**	292,967
Retained profits	31	**220,274**	250,618
TOTAL EQUITY		**1,019,927**	1,040,189

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the financial year ended 31 December 2019

		Attributable to equity holders of the Company									
	Note	Share capital $'000	Capital reserve $'000	Asset Revaluation reserve $'000	Currency Translation reserve $'000	Fair Value reserve $'000	Hedging reserve $'000	Retained profits $'000	Total $'000	Non-controlling interest $'000	Total equity $'000
2019											
Balance at 31 December 2018		**496,604**	**10,557**	**358,304**	**(38,034)**	**(2,186)**	**(297)**	**440,262**	**1,265,210**	**31,341**	**1,296,551**
Adjustment on adoption of SFRS(I) 16		-	-	-	-	-	-	(30,022)	(30,022)	(4,399)	(34,421)
Balance at 1 January 2019		**496,604**	**10,557**	**358,304**	**(38,034)**	**(2,186)**	**(297)**	**410,240**	**1,235,188**	**26,942**	**1,262,130**
Profit for the year		-	-	-	-	-	-	26,031	26,031	(251)	25,780
Other comprehensive income/(loss) for the year		-	-	12,847	(5,378)	2,958	(1,095)	-	9,332	(1,115)	8,217
Total comprehensive income/(loss) for the year		-	-	12,847	(5,378)	2,958	(1,095)	26,031	35,363	(1,366)	33,997
Dividend paid in cash relating to 2018	32	-	-	-	-	-	-	(24,825)	(24,825)	-	(24,825)
Shares issued in-lieu of cash for dividend relating to 2018	29	1,402	-	-	-	-	-	(1,402)	-	-	-
Capital reorganisation	30	-	3,420	-	-	-	-	-	3,420	(3,420)	-
Transfer of share of associated company's fair value reserve upon disposal	30(iii)	-	-	-	-	89	-	(89)	-	-	-
Total transactions with owners, recognised directly in equity		1,402	3,420	-	-	89	-	(26,316)	(21,405)	(3,420)	(24,825)
Balance at 31 December 2019		**498,006**	**13,977**	**371,151**	**(43,412)**	**861**	**(1,392)**	**409,955**	**1,249,146**	**22,156**	**1,271,302**

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the financial year ended 31 December 2019

		Attributable to equity holders of the Company									
	Note	Share capital $'000	Capital reserve $'000	Asset Revaluation reserve $'000	Currency Translation reserve $'000	Fair Value reserve $'000	Hedging reserve $'000	Retained profits $'000	Total $'000	Non-controlling interest $'000	Total equity $'000
<u>2018</u>											
Beginning at 1 January 2018		479,244	10,557	339,868	(17,930)	(395)	(350)	432,561	1,243,555	35,767	1,279,322
Effects of adoption of SFRS(I) 15		-	-	-	-	-	-	576	576	-	576
Balance at 1 January 2018 (as restated)		479,244	10,557	339,868	(17,930)	(395)	(350)	433,137	1,244,131	35,767	1,279,898
Profit for the year		-	-	-	-	-	-	32,937	32,937	511	33,448
Other comprehensive income/(loss) for the year		-	-	18,436	(20,104)	(2,095)	53	-	(3,710)	(4,937)	(8,647)
Total comprehensive income/(loss) for the year		-	-	18,436	(20,104)	(2,095)	53	32,937	29,227	(4,426)	24,801
Shares issued in-lieu of cash for dividend relating to 2017	29	17,360	-	-	-	-	-	(17,360)	-	-	-
Dividend paid in cash relating to 2017	32	-	-	-	-	-	-	(8,148)	(8,148)	-	(8,148)
Transfer of associated company's fair value reserve upon disposal	30(iii)	-	-	-	-	304	-	(304)	-	-	-
Total transactions with owners, recognised directly in equity		17,360	-	-	-	304	-	(25,812)	(8,148)	-	(8,148)
End of financial year		496,604	10,557	358,304	(38,034)	(2,186)	(297)	440,262	1,265,210	31,341	1,296,551

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

CONSOLIDATED STATEMENT OF CASH FLOWS

For the financial year ended 31 December 2019

	Note	2019 $'000	2018 $'000
Cash flows from operating activities			
Total profit		**25,780**	33,448
Adjustments for:			
– Income tax expense	10(a)	**4,152**	2,212
– Depreciation of property, plant and equipment	5	**21,866**	10,173
– Amortisation of intangible assets	5	**2,820**	3,189
– Loss on disposal of property, plant and equipment	8	**27**	143
– Loss on disposal of investment properties	8	**1,704**	74
– Fair value gains on investment properties	8	**(18,825)**	(16,583)
– Revaluation losses/(gains) on property, plant and equipment	8	**2,033**	(1,745)
– Write-off of property, plant and equipment		**38**	5
– Impairment of property, plant and equipment	8	**-**	898
– Interest income	7	**(4,340)**	(3,993)
– Finance expense	9	**16,865**	5,188
– Share of profit of joint ventures		**(3,169)**	(9,563)
– Share of profit of associated companies		**(3,211)**	(3,376)
– Unrealised currency translation losses		**1,903**	8,894
		47,643	28,964
Changes in working capital:			
– Trade and other receivables		**4,985**	1,067
– Inventories		**24**	(36)
– Development properties		**(8,174)**	(10,666)
– Trade and other payables		**(9,465)**	(18,460)
– Provisions		**-**	(1,148)
Cash generated from/(used in) operations		**35,013**	(279)
Interest paid		**(180)**	(224)
Income tax paid – net		**(3,012)**	(6,262)
Net cash provided by/(used in) operating activities		**31,821**	(6,765)
Cash flows from investing activities			
Acquisition of companies, net of cash acquired	12	**(219,613)**	-
Additions to property, plant and equipment		**(862)**	(4,628)
Proceeds from disposal of property, plant and equipment		**7**	5
Additions to investment properties		**(22,714)**	(18,924)
Proceeds from disposal of investment properties		**2,865**	1,861
Dividends received from joint ventures		**6,685**	12,880
Investment in a joint venture		**-**	(35,358)
Repayment of advances (from)/to joint ventures		**(3,561)**	18,281
Advances from joint ventures		**2,400**	19,142
Advance payment for a joint venture		**(1,201)**	(19,327)
Interest received		**3,501**	3,624
Income tax (paid)/refund – net		**(1,093)**	1,238
Net cash used in investing activities		**(233,586)**	(21,206)

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

CONSOLIDATED STATEMENT OF CASH FLOWS

For the financial year ended 31 December 2019

	Note	**2019**	2018
		$'000	$'000
Cash flows from financing activities			
Proceeds from borrowings		**324,280**	85,567
Repayment of borrowings		**(64,881)**	-
Repayment of principal portion of lease liabilities		**(10,845)**	-
Interest paid on lease liabilities		**(9,509)**	-
Interest paid on borrowings		**(8,180)**	(5,917)
Dividend paid to equity holders of the Company	32	**(24,825)**	(8,148)
Repayment of advances from non-controlling interest		**(544)**	-
Net cash provided by financing activities		**205,496**	71,502
Net increase in cash and cash equivalents		**3,731**	43,531
Cash and cash equivalents			
Beginning of financial year		**256,287**	219,585
Less: Bank deposits pledged		**(24,952)**	(21,144)
Effects of currency translation on cash and cash equivalents		**(2,588)**	(6,829)
End of financial year	12	**232,478**	235,143

Reconciliation of liabilities arising from financing activities

	Beginning of financial year	Principal and interest receipts/ (payments)	Non-cash changes		End of financial year
			Interest expenses	Foreign exchange movement	
	$'000	$'000	$'000	$'000	$'000
2019					
Bank borrowings	295,178	259,399	263	6,787	561,627
Lease liabilities	167,543	(20,354)	9,509	(73)	156,625
Interest payable	31	(6,988)	7,011	(14)	40
Advances from non-controlling interests	138,973	(1,916)	1,327	33	138,417
2018					
Bank borrowings	221,857	85,567	202	(12,448)	295,178
Interest payable	38	(4,769)	4,778	(16)	31
Advances from non-controlling interests	138,999	(1,372)	1,327	19	138,973

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

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

1. GENERAL INFORMATION

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

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

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

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

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

Interpretations and amendments to published standards effective in 2019

On 1 January 2019, the Group has adopted the new or amended SFRS(I) and Interpretations of SFRS(I) ("INT SFRS(I)") that are mandatory for application for the financial year. Changes to the Group's accounting policies have been made as required, in accordance with the transitional provisions in the respective SFRS(I) and INT SFRS(I).

The adoption of these new or amended SFRS(I) and INT SFRS(I) did not result in substantial changes to the Group's accounting policies and had no material effect on the amounts reported for the current or prior financial years except for the adoption of SFRS(I) 16 Leases.

Adoption of SFRS(I) 16 Leases

(a) When the Group is the lessee

Prior to the adoption of SFRS(I) 16, non-cancellable operating lease payments were not recognised as liabilities in the balance sheet. These payments were recognised as rental expenses over the lease term on a straight-line basis.

The Group's accounting policy on leases after the adoption of SFRS(I) 16 is as disclosed in Note 2.18.

On initial application of SFRS(I) 16, the Group has elected to apply the following practical expedients:

(i) For all contracts entered into before 1 January 2019 and that were previously identified as leases under SFRS(I) 1-17 Lease and SFRS(I) INT 4 Determining whether an Arrangement contains a Leases, the Group has not reassessed if such contracts contain leases under SFRS(I) 16; and

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.1 Basis of preparation (continued)

Adoption of SFRS(I) 16 Leases (continued)

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

(ii) On a lease-by-lease basis, the Group has:
a) applied a single discount rate to a portfolio of leases with reasonably similar characteristics;
b) relied on previous assessments on whether leases are onerous as an alternative to performing an impairment review;
c) accounted for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases;
d) excluded initial direct costs in the measurement of the right-of-use ("ROU") asset at the date of initial application; and
e) used hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

For leases previously classified as operating leases on 1 January 2019, the Group has applied the following transition provisions:

(i) On a lease-by-lease basis, the Group chose to measure its ROU assets (except for ROU assets which meet the definition of investment property) at a carrying amount as if SFRS(I) 16 had been applied since the commencement of the lease but discounted using the incremental borrowing rate at 1 January 2019. There were no ROU assets which meet the definition of an investment property as at 1 January 2019.

(ii) Recognised its lease liabilities by discounting the remaining lease payments as at 1 January 2019 using the incremental borrowing rate for each individual lease or, if applicable, the incremental borrowing rate for each portfolio of leases with reasonably similar characteristic.

(iii) The difference between the carrying amounts of the ROU assets and lease liabilities as at 1 January 2019 is adjusted directly to opening retained profits. Comparative information is not restated.

(iv) For leases previously classified as finance leases, the carrying amount of the leased asset and finance lease liability as at 1 January 2019 are determined as the carrying amount of the ROU assets and lease liabilities.

(b) When the Group is a lessor

There are no material changes to accounting by the Group as a lessor.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.1 Basis of preparation (continued)

Adoption of SFRS(I) 16 Leases (continued)

An explanation of the differences between the operating lease commitments previously disclosed in the Group's financial statements as at 31 December 2018 and the lease liabilities recognised in the balance sheet as at 1 January 2019 are as follows:

	Group $'000	Company $'000
Operating lease commitment disclosed as at 31 December 2018	240,149	137,771
Less: Discounting effect using weighted average incremental borrowing rate of 5.9% per annum	(74,458)	(43,560)
Add: Extension options which are reasonably certain to be exercised	1,852	1,501
Lease liabilities recognised as at 1 January 2019	167,543	95,712

2.2 Revenue

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

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

(b) Hospitality management and other related fees

(i) Hospitality management fees

Management fees earned from hospitality properties managed by the Group are recognised over time in the accounting period when services are rendered under the terms of the contract. The fees include a base fee, which is generally a percentage of the hospitality property's revenue, and/or an incentive fee, which is generally based on the hospitality property's profitability.

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

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 Revenue (continued)

(b) Hospitality management and other related fees (continued)

(ii) Other related fees

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

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

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

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

For centralised service fees, revenue is recognised based on agreed and fixed rate over the number of hotel keys stated in the contract. For other fees, revenue is recognised based on agreed rate and completion of service milestone stated in the contract.

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

(c) Sale of development properties

Revenue from sale of development properties under construction is recognised when the control over the properties are transferred to the buyers. At contract inception, the Group assesses whether the Group transfers control of the properties over time or at a point in time by determining if:

i) its performance does not create an asset with an alternative use to the Group; and
ii) the Group has an enforceable right to payment for performance completed to date.

The properties generally have no alternative use for the Group due to contractual restriction, and the Group generally has enforceable rights to payment arising from the contractual terms. For these contracts, revenue is recognised over time by reference to the Group's progress towards completing the construction of the properties. The measure of progress is determined based on the proportion of contract costs incurred to date to the estimated total contract costs, 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 an expense immediately. Costs incurred that are not related to the contract or that do not contribute towards satisfying a performance obligation are excluded from the measure of progress.

For costs incurred in acquiring the contract, these are capitalised and including within "Other current assets". For costs incurred in fulfilling the contract which are within the scope of another SFRS(I) (eg. SFRS(I) 1-2 *Inventories*), these have been accounted for in accordance with those other SFRS(I). If these are not within the scope of another SFRS(I), the Group will capitalise these as contract costs assets only if:

i) these costs relate directly to a contract or an anticipated contract which the Group can specifically identify;
ii) these costs generate or enhance resources of the Group that will be used in satisfying (or in continuing to satisfy) performance obligations in the future; and
iii) these costs are expected to be recovered. Otherwise, such costs are recognised as an expense immediately.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 Revenue (continued)

(c) Sale of development properties (continued)

For certain contracts where the Group does not have enforceable right to payment, revenue is recognised only when:

i) the completed properties are delivered to the customers; and
ii) the customers have accepted it in accordance with the sales contract.

In certain cases, in addition to the above criteria, revenue is recognised only when payment is settled.

Estimates of revenues, costs or extent of progress toward completion are revised if circumstances change. Any resulting increases or decreases in estimated revenues or costs are reflected in the profit or loss in the period in which the circumstances that give rise to the revision become known by management.

The customer is invoiced on a milestone payment schedule. If the value of the properties transferred by the Group exceed the payments, a contract asset is recognised. If the payments exceed the value of the properties transferred, a contract liability is recognised.

No element of financing is deemed present as:

i) for deposit of the contract, payment is due immediately when the customer enters into the contract; and
ii) for milestone invoice, a credit term of 14 days is granted to the customer.

Capitalised contract costs are subsequently amortised on a systematic basis as the Group recognises the related revenue over time or at a point in time. An impairment loss is recognised in the profit or loss to the extent that the carrying amount of capitalised contract costs exceeds the expected remaining consideration less any directly related costs not yet recognised as expenses.

(d) Sale of properties held for sale

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

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

(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 rate method.

(g) Dividend income

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

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 when control is transferred to the Group. They are deconsolidated from the date that control ceases.

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

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

(ii) Acquisitions

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

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

Acquisition-related costs are expensed as incurred.

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

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

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

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.

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

(b) Transactions with non-controlling interest

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

(c) Joint operations

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

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

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

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 Group accounting (continued)

(d) Associated companies and joint ventures

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

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

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

(i) Acquisitions

Investments in associated companies and joint ventures are initially recognised at cost. The cost of an acquisition is measured at the fair value of the assets given, equity instruments issued or liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Goodwill on associated companies and joint ventures represents the excess of the cost of acquisition of the associated 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

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

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

(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.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 Group accounting (continued)

(d) Associated companies and joint ventures (continued)

(iii) Disposals (continued)

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

2.4 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 and leasehold land are subsequently carried at the revalued amounts less accumulated depreciation and accumulated impairment losses.

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

Increases in carrying amounts arising from revaluation, including currency translation differences, are recognised in other comprehensive income, 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. Refer to Note 2.8 "*Borrowing costs*" for the accounting policy on borrowing costs.

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 and offices	50 years or remaining lease term
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.

For revenue recognition on sale of development properties, see Note 2.2(c).

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. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.7 Intangible assets

(a) Goodwill on acquisitions

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

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

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

(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 or development of properties and assets under construction. This includes those costs on borrowings acquired specifically for the construction or development of properties under construction, as well as those in relation to general borrowings used to finance the construction or development of properties and assets under construction.

The actual borrowing costs incurred during the period 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.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.9 Investment properties (continued)

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 the value-in-use.

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

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

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

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

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.11 Impairment of non-financial assets (continued)

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

The difference between the carrying amount and recoverable amount is recognised as an impairment loss in profit or loss, unless the asset is carried at revalued amount, in which case, such impairment loss is treated as a revaluation decrease. Refer to Note 2.4(a)(i) "*Property, plant and equipment*" for the treatment of a revaluation decrease.

An impairment loss for an asset other than goodwill is reversed if, and 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 Investments and other financial assets

(a) Classification and measurement

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

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

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

At initial recognition

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

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.12 Investments and other financial assets (continued)

(a) Classification and measurement (continued)

At subsequent measurement

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

(i) Debt instruments

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

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

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

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

(ii) Equity instruments

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

(b) Impairment

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.12 Investments and other financial assets (continued)

(c) Recognition and derecognition

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

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

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

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

2.13 Financial guarantees

The Company has issued corporate guarantees to banks for bank borrowings of its subsidiaries. These guarantees are financial guarantees as they require the Company to reimburse the banks if the subsidiaries fail to make principal or interest payments when due in accordance with the terms of their borrowings. Intra-group transactions are eliminated on consolidation.

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

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

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

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 rate method.

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.

Cash flow hedge – Interest rate swaps

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

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

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) The accounting policy for leases before 1 January 2019 are as follows:

(i) When the Group is the lessee:

The Group leases hospitality properties and offices under operating leases from non-related parties and related parties.

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.

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

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.18 Operating leases (continued)

(a) The accounting policy for leases before 1 January 2019 are as follows: (continued)

(ii) When the Group is the lessor:

The Group leases investment properties under operating leases to non-related parties.

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.

(b) The accounting policy for leases after 1 January 2019 are as follows:

(i) When the Group is the lessee:

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

- Right-of-use assets

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

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.18 Operating leases (continued)

(b) The accounting policy for leases after 1 January 2019 are as follows: (continued)

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

- Lease liabilities

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

  Lease payments include the following:

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

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

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

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

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

- Short term and low value leases

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

- Variable lease payments

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

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.18 Operating leases (continued)

(b) The accounting policy for leases after 1 January 2019 are as follows: (continued)

(ii) When the Group is the lessor

The accounting policy applicable to the Group as a lessor in the comparative period was the same under SFRS(I) 16. For contracts which contain lease and non-lease components, the Group allocates the consideration based on a relative stand-alone selling price basis.

2.19 Income taxes

Income tax for current and prior periods is recognised at the amount expected to be paid to or recovered from the tax authorities, using the tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate, on the basis of amounts expected to be paid to the tax authorities.

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.

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.

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

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

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

2.21 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 – net".

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.22 Currency translation (continued)

(b) Transactions and balances (continued)

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

(c) Translation of Group entities' financial statements

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

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

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

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

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

2.23 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the Group's executive director and management who are 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 equity holders of the Company

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

3. CRITICAL ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGEMENTS

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

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

As at 31 December 2019, the Group's investment properties of $793,841,000 (2018: $517,398,000) (Note 20) and land and buildings of $517,023,000 (2018: $520,305,000) (Note 21) classified under property, plant and equipment are stated at their estimated fair values 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 differ significantly from the estimates set forth in these financial statements.

If the actual fair values of investment properties increase or decrease by 1% (2018: 1%) from the estimates, the profit after tax and net assets of the Group will increase or decrease by $6,969,000 (2018: $5,092,000).

If the actual fair values of land and buildings classified under property, plant and equipment increase or decrease by 1% (2018: 1%) from the estimates, the total comprehensive income and net assets of the Group will increase or decrease by $4,722,000 (2018: $4,726,000).

3.2 Impairment assessment of goodwill

Based on the Group's impairment assessment, no impairment is required for goodwill allocated to CGUs within the hospitality business, namely $37,257,000 (2018: $37,257,000) to 'Management services – Singapore' CGU and $14,015,000 (2018: $14,263,000) to 'Property ownership – Australia' CGU (Note 23(a)). The recoverable amounts of the CGUs are determined on the following basis:

(a) 'Management services – Singapore' CGU: Fair value less costs to sell ("FVLCTS"); and

(b) 'Property ownership – Australia' CGU: Value-in-use

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

(i) Management services – Singapore

A reasonably possible change of the following magnitude on the key assumptions will not result in a reduction of the carrying amount of the goodwill as at 31 December 2019:

	Higher/ (lower)
Discounted Cash Flow method	
EBITDA* margin	(10.0%)
Terminal growth rate	(0.5%)
Post-tax discount rate	0.5%

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

Guideline Public Company method	
Multiples	(5.0%)
Normalised earnings	(5.0%)

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

3.2 Impairment assessment of goodwill (continued)

(ii) Property ownership – Australia

A reasonably possible change of the following magnitude on the key assumptions will result in an impairment charge on the goodwill as at 31 December 2019 as follows:

	Higher/ (lower) $'000	Impairment charge $'000
Average EBITDA margin from 2020 to 2029	(1.0%)	500
Pre-tax discount rate	0.5%	14,000
Terminal growth rate	(0.5%)	7,400

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

As at 31 December 2019, the carrying value of the Group's investment in Toga Trust accounted for using the equity method of accounting amounted to $199,868,000 (2018: $222,386,000) (Note 18). The Group's share of Toga Trust's results recognised in the profit or loss and other comprehensive income are affected by the significant estimates and assumptions applied by Toga Trust in the:

(a) Determination of the fair value of its land and buildings classified under property, plant and equipment with a carrying amount of $310,506,000 (2018: $285,254,000); and

(b) Impairment of its goodwill and brands with indefinite lives with a carrying amount of $183,204,000 (2018: $184,243,000).

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

If the actual fair values of these land and buildings increase or decrease by 1.0% (2018: 1.0%), the net assets of the Group will increase or decrease by $802,000 (2018: $953,000).

If the recoverable amount of the CGU (which the goodwill and brands with indefinite lives are allocated to) decreases by 5% (2018: 5%), there is no reduction (2018: no reduction) in the carrying value of the Group's investment in Toga Trust.

4. SALES

	Group	
	2019	2018
	$'000	$'000
Revenue from contracts with customers	**124,285**	130,715
Rental income ((Note 20(b))	**31,778**	20,196
	156,063	150,911

4. SALES (continued)

(a) Disaggregation of revenue from contracts with customers

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

	Group	
	2019	2018
	$'000	$'000
Hospitality operations		
– Singapore	**44,141**	44,678
– Australia	**48,536**	54,756
– New Zealand	**8,160**	8,763
– Other countries	**4,620**	5,707
	105,457	113,904
Hospitality management and other related fees received/ receivable from other related parties		
– Singapore	**18,828**	16,570
Sale of a residential property		
– Singapore	**-**	241
Total revenue from contracts with customers	**124,285**	130,715

All the sales are recognised over time, except for sale of a residential property which was recognised at a point in time, amounting to $241,000 during the financial year ended 31 December 2018.

(b) Contract liabilities

	Group		
	31 December 2019	31 December 2018	1 January 2018
	$'000	$'000	$'000
Hospitality operations	**950**	1,050	921
Hospitality management and other related fees	**296**	317	272
Total contract liabilities	**1,246**	1,367	1,193

Revenue recognised in relation to contract liabilities

	Group	
	2019	2018
	$'000	$'000
Revenue recognised in current period that was included in the contract liability balance at the beginning of the period		
Hospitality operations	**1,050**	921
Hospitality management and other related fees	**317**	272
	1,367	1,193

4. SALES (continued)

(c) Trade receivables from contracts with customers

	Group			Company		
	31 December		1 January	31 December		1 January
	2019	2018	2108	**2019**	2018	2018
	$'000	$'000	$'000	**$'000**	$'000	$'000
Current assets						
Trade receivables from contracts with customers	**8,460**	10,643	12,520	**1,443**	1,806	2,186
Less: Allowance for impairment of receivables	**(191)**	(261)	(173)	**(83)**	(93)	(35)
	8,269	10,382	12,347	**1,360**	1,713	2,151

5. EXPENSES BY NATURE

	Group	
	2019	2018
	$'000	$'000
Cost of residential property sold	**-**	170
Depreciation of property, plant and equipment (Note 21)	**21,866**	10,173
Amortisation of intangible assets (Note 23(b))	**2,820**	3,189
Advertising, promotion and marketing	**7,207**	6,538
Hospitality supplies and services	**22,240**	22,205
Hospitality management fees – joint venture	**2,397**	2,625
Directors' fees	**591**	554
Employee compensation (Note 6)	**39,697**	40,192
Property tax and upkeep of properties	**11,102**	9,391
Rental expense on operating leases		
– other related parties	**1,677**	19,979
– non-related parties	**-**	2,199
Support services paid/payable to:		
– joint venture	**4,270**	4,555
– other related parties	**4,559**	4,115
Fees on audit services paid/payable to:		
– auditor of the Company	**473**	455
– other auditors*	**493**	333
Fees on non-audit services paid/payable to:		
– auditor of the Company	**128**	98
– other auditors*	**44**	33
Professional fees	**5,678**	4,681
Insurance	**1,158**	720
Other expenses	**6,887**	3,424
Total cost of sales, distribution and marketing, administrative and other expenses	**133,287**	135,629

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

Included in the Group's rental expense on operating leases is contingent rent amounting to $6,843,000 (2018: $6,912,000) offset by amortisation of deferred income amounting to $5,166,000 (2018: $5,166,000).

6. EMPLOYEE COMPENSATION

	Group	
	2019	2018
	$'000	$'000
Wages and salaries	**36,449**	36,943
Employer's contribution to defined contribution plans, including Central Provident Fund	**3,248**	3,249
	39,697	40,192

7. OTHER INCOME

	Group	
	2019	2018
	$'000	$'000
Interest income from bank deposits	**4,340**	3,993
Other miscellaneous income	**160**	328
	4,500	4,321

8. OTHER GAINS – NET

	Group	
	2019	2018
	$'000	$'000
Impairment of property, plant and equipment (Note 21)	**-**	(898)
Fair value gains on investment properties (Note 20)	**18,825**	16,583
Revaluation (losses)/gains on property, plant and equipment (Note 21)	**(2,033)**	1,745
Currency exchange losses – net	**(1,920)**	(8,907)
Loss on disposal of:		
– property, plant and equipment	**(27)**	(143)
– investment properties	**(1,704)**	(74)
	13,141	8,306

9. FINANCE EXPENSES

	Group	
	2019	2018
	$'000	$'000
Interest expense for:		
– bank borrowings	**7,274**	4,980
– advances from non-controlling interests	**1,327**	1,327
– lease liabilities (Note 22)	**9,509**	-
	18,110	6,307
Less: Borrowing costs capitalised in development properties and investment properties	**(1,245)**	(1,119)
Finance expenses recognised in profit or loss	**16,865**	5,188

Borrowing costs on general financing were capitalised at a rate of 1.5% (2018: 1.5%) per annum.

10. INCOME TAXES

(a) Income tax expense

	Group 2019 $'000	Group 2018 $'000
Tax expense attributable to profit is made up of:		
Profit for the financial year:		
Current income tax		
– Singapore	**1,600**	1,563
– Foreign	**3,532**	2,712
	5,132	4,275
Deferred income tax (Note 28)	**2,552**	(509)
	7,684	3,766
(Over)/under provision in prior financial years:		
Current income tax		
– Singapore	**(315)**	124
– Foreign	**(600)**	(1,678)
	(915)	(1,554)
Deferred income tax (Note 28)	**(2,617)**	-
	(3,532)	(1,554)
	4,152	2,212

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

	Group 2019 $'000	Group 2018 $'000
Profit before income tax	**29,932**	35,660
Share of profit of:		
– joint ventures, net of tax	**(3,169)**	(9,563)
– associated companies, net of tax	**(3,211)**	(3,376)
	(6,380)	(12,939)
Profit before income tax and share of profit of joint ventures and associated companies	**23,552**	22,721
Tax calculated at tax rate of 17% (2018: 17%)	**4,004**	3,863
Effects of:		
– different tax rates in other countries	**745**	167
– tax incentives	**(17)**	(61)
– expenses not deductible for tax purposes	**5,741**	4,565
– income not subject to tax	**(4,007)**	(4,992)
– statutory stepped income exemption	**(47)**	(56)
– deferred tax asset not recognised	**491**	17
– recognition of previously unrecognised tax losses and capital allowances	**(334)**	(725)
– profit of a joint venture subject to tax on remittance	**1,108**	988
– over provision of tax in prior financial years	**(3,532)**	(1,554)
Tax charge	**4,152**	2,212

10. INCOME TAXES (continued)

(b) Movement in current income tax liabilities

	Group		Company	
	2019	2018	**2019**	2018
	$'000	$'000	**$'000**	$'000
Beginning of financial year	**4,723**	7,381	**485**	485
Currency translation differences	**(8)**	(355)	**-**	-
Income tax paid – net	**(4,105)**	(5,024)	**-**	-
Acquisition of companies	**1,194**	-	**-**	-
Tax expense	**5,132**	4,275	**-**	-
Overprovision in prior financial years	**(915)**	(1,554)	**(356)**	-
End of financial year	**6,021**	4,723	**129**	485

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

	2019			2018		
	Before tax $'000	Tax credit/ (charge) $'000	After tax $'000	Before tax $'000	Tax credit/ (charge) $'000	After tax $'000
Items that may be reclassified subsequently to profit or loss:						
Share of other comprehensive (loss)/ income of joint ventures	**(2,382)**	**-**	**(2,382)**	156	-	156
Currency translation differences arising from consolidation	**(4,561)**	**-**	**(4,561)**	(20,156)	-	(20,156)
Items that will not be reclassified subsequently to profit or loss:						
Share of other comprehensive income/(loss) of:						
– joint ventures	**7,632**	**(1,876)**	**5,756**	11,339	(1,561)	9,778
– associated companies	**2,958**	**-**	**2,958**	(2,095)	-	(2,095)
Revaluation gains on property, plant and equipment-net	**6,924**	**1,954**	**8,878**	11,757	103	11,860
Currency translation differences arising from consolidation	**(2,432)**	**-**	**(2,432)**	(8,190)	-	(8,190)
	8,139	**78**	**8,217**	(7,189)	(1,458)	(8,647)

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	
	2019	2018
Net profit attributable to equity holders of the Company ($'000)	**26,031**	32,937
Weighted average number of ordinary shares outstanding for basic earnings per share ('000)	**437,780**	431,118
Basic EPS (cents per share)	**5.95**	7.64

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

12. CASH AND CASH EQUIVALENTS

	Group		Company	
	2019	2018	**2019**	2018
	$'000	$'000	**$'000**	$'000
Cash at bank and on hand	**63,732**	46,463	**6,510**	4,844
Short-term bank deposits	**193,698**	209,824	**153,322**	181,759
	257,430	256,287	**159,832**	186,603

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

	Group	
	2019	2018
	$'000	$'000
Cash and cash equivalents (as above)	**257,430**	256,287
Less: Bank deposits pledged	**(24,952)**	(21,144)
Cash and cash equivalents per consolidated statement of cash flows	**232,478**	235,143

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

12. CASH AND CASH EQUIVALENTS (continued)

On 15 March 2019, the Group acquired a group of companies, which are owners of the freehold interests of three purpose-built student accommodation ("PBSA") properties located in Bristol and Liverpool ("Bristol and Liverpool") in the United Kingdom ("UK"). On 8 November 2019, the Group acquired a group of companies, which are owners of the freehold interests of two PBSA properties located in Leeds and Sheffield ("Leeds and Sheffield") in the UK. Details of the consideration paid, the assets acquired and liabilities assumed and the effects on the cash flows of the Group, at each acquisition date, are as follows:

	Bristol and Liverpool $'000	Leeds and Sheffield $'000	Total $'000
Carrying amounts of assets and liabilities as at the date of acquisition:			
Trade and other receivables	319	-	319
Investment properties	102,781	124,671	227,452
Total assets	103,100	124,671	227,771
Trade and other payables	2,669	7,550	10,219
Income tax liabilities	423	771	1,194
Total liabilities	3,092	8,321	11,413
Net assets acquired	**100,008**	**116,350**	**216,358**
Transaction costs paid	953	2,302	3,255
Consideration paid – Cash	**100,961**	**118,652**	**219,613**

13. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2019	2018	**2019**	2018
	$'000	$'000	**$'000**	$'000
Trade receivables:				
– other related parties	**2,532**	3,813	**2**	87
– non-related parties	**10,207**	10,075	**1,460**	1,748
	12,739	13,888	**1,462**	1,835
Less: Allowance for impairment of receivables (Note 34(b))				
– non-related parties	**(282)**	(346)	**(83)**	(93)
	12,457	13,542	**1,379**	1,742
Advances to subsidiaries	**-**	-	**164,290**	163,350
Deposits:				
– other related parties	**5,367**	5,376	**5,239**	5,239
– non-related parties	**187**	189	**10**	11
Prepayments	**2,813**	1,957	**233**	154
Other receivables:				
– joint ventures	**-**	877	**-**	19
– other related parties	**1,167**	1,251	**70**	301
– non-related parties	**4,697**	2,897	**1,671**	790
	14,231	12,547	**171,513**	169,864
	26,688	26,089	**172,892**	171,606

The advances to subsidiaries by the Company and the other receivables from other related parties of the Group and the Company, if any, are unsecured, repayable on demand and interest-free, except that the advances to a subsidiary by the Company of $154,812,000 (2018: $154,812,000) is interest-bearing at a weighted average effective rate of 2.0% (2018: 2.0%) per annum.

14. OTHER NON-CURRENT ASSETS

	Group		Company	
	2019	2018	**2019**	2018
	$'000	$'000	**$'000**	$'000
Prepayments	**375**	272	**185**	201
Advance payment	**20,528**	19,327	**-**	-
Advances to:				
– subsidiaries	**-**	-	**349,350**	147,669
– associated company	**862**	862	**-**	-
	21,765	20,461	**349,535**	147,870
Less: Allowance for impairment of advances to an associated company	**(862)**	(862)	**-**	-
	20,903	19,599	**349,535**	147,870

14. OTHER NON-CURRENT ASSETS (continued)

Advance payment of $20,528,000 (2018: $19,327,000) relates to an investment in a joint venture hotel development project in Ariake in Tokyo, Japan (the "Hotel Project"). The Hotel Project is a joint venture between Far East Hospitality Holdings Pte. Ltd. ("FEHH"), a 70%-held subsidiary of the Company, and Boo Han Holdings Pte. Ltd., a related party, entered on 28 May 2018. The advance payment made by FEHH in relation to the Hotel Project, amounting to $20,528,000 (2018: $19,327,000) as of 31 December 2019, will be transferred to the underlying joint venture entity via equity investment and shareholder loan upon finalisation of funding structure.

The non-current advances to subsidiaries and an associated company by the Company and the Group, if any, are unsecured, not expected to be repayable in the next twelve months and interest-free except for advances to subsidiaries by the Company of $349,350,000 (2018: $147,669,000), which is interest-bearing at a weighted average effective rate of 1.5% (2018: 1.7%) per annum.

15. DEVELOPMENT PROPERTIES

	Group	
	2019	2018
	$'000	$'000
Freehold land	**17,150**	16,712
Development costs	**33,631**	23,893
	50,781	40,605

The amounts relate to unsold properties under development in the United Kingdom.

16. PROPERTIES HELD FOR SALE

	Group	
	2019	2018
	$'000	$'000
Medical suites	**123,959**	123,911

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
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%

17. INVESTMENTS IN ASSOCIATED COMPANIES

	Group		Company	
	2019	2018	**2019**	2018
	$'000	$'000	**$'000**	$'000
Equity investment at cost			**696**	696
Beginning of financial year	**15,921**	14,640		
Share of:				
– profit	**3,211**	3,376		
– movement in fair value reserve (Note 30(iii))	**2,958**	(2,095)		
End of financial year	**22,090**	15,921		

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

Summarised balance sheet

	2019	2018
	$'000	$'000
Current assets	**10,791**	8,156
Current liabilities	**(5,388)**	(4,980)
Non-current assets	**61,194**	44,587
Non-current liabilities	**(696)**	-

Summarised statement of comprehensive income

	For the financial year ended	
	2019	2018
	$'000	$'000
Sales	**12,257**	13,538
Profit before income tax	**11,620**	12,358
Net profit	**9,729**	10,229
Other comprehensive income/(loss), net of tax	**8,965**	(6,347)
Total comprehensive income	**18,694**	3,882

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

17. INVESTMENTS IN ASSOCIATED COMPANIES (continued)

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

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

	2019 $'000	2018 $'000
Net assets at beginning of financial year	**47,207**	43,325
Profit for the year	**9,729**	10,229
Other comprehensive income/(loss)	**8,965**	(6,347)
Net assets at end of financial year	**65,901**	47,207
Interest in FEOHAM (2019 and 2018: 33%)	**21,747**	15,578
Goodwill	**343**	343
Carrying value	**22,090**	15,921

18. INVESTMENTS IN JOINT VENTURES

	Group		Company	
	2019 **$'000**	2018 $'000	**2019** **$'000**	2018 $'000
Equity investment at cost			**300**	300
Beginning of financial year	**479,268**	480,703		
Adoption of SFRS(I) 16	**(14,651)**	-		
Addition	**-**	35,358		
Shares buy-back	**(3,785)**	-		
Share of profit	**3,169**	9,563		
Share of movements in:				
– asset revaluation reserve (Note 30(i))	**5,756**	9,778		
– currency translation reserve (Note 30(ii))	**(1,166)**	80		
– hedging reserve (Note 30(iv))	**(1,565)**	76		
Dividends received	**(17,007)**	(36,753)		
Foreign exchange differences	**(6,010)**	(19,537)		
End of financial year	**444,009**	479,268		

Significant non-cash transactions

During the current financial year, dividends from joint ventures amounting to $10,322,000 (2018: $23,873,000) were received by way of set off against advances from joint ventures.

Information about material joint ventures

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

During the financial year ended 31 December 2018, the Group injected its remaining committed equity into Toga Trust, amounting to $35,358,000, to increase its equity interest from 45.6% to 50.0%.

18. INVESTMENTS IN JOINT VENTURES (continued)

Information about material joint ventures (continued)

Summarised consolidated balance sheet

	Toga Trust		WSPL	
	2019 $'000	2018 $'000	**2019 $'000**	2018 $'000
Current assets	**99,461**	112,660	**691,076**	888,066
Includes:				
– Cash and cash equivalents	**58,272**	75,621	**3,541**	1,270
– Trade and other receivables	**37,004**	29,049	**3,771**	4,751
– Development properties	**-**	-	**683,764**	882,045
Current liabilities	**(98,795)**	(129,397)	**(247,008)**	(456,698)
Includes:				
– Financial liabilities (excluding trade payables)	**(39,380)**	(75,597)	**(78,640)**	(373,936)
– Other current liabilities (including trade payables)	**(59,415)**	(53,800)	**(168,368)**	(82,762)
Non-current assets	**1,063,067**	565,587	**270,517**	-
Includes:				
– Property, plant and equipment [1]	**673,143**	291,529	**-**	-
– Investment property	**-**	-	**270,517**	-
– Intangible assets [2]	**241,655**	261,571	**-**	-
Non-current liabilities	**(675,626)**	(115,717)	**(281,429)**	-
Includes:				
– Financial liabilities	**(136,080)**	(68,281)	**(280,000)**	-
– Other liabilities	**(539,546)**	(47,436)	**(1,429)**	-
Net assets	**388,107**	433,133	**433,156**	431,368

[1] Includes land and buildings held at fair value amounting to $310,506,000 (2018: $285,254,000).

[2] Includes goodwill and brand with indefinite lives amounting to $183,204,000 (2018: $184,243,000).

18. INVESTMENTS IN JOINT VENTURES (continued)

Information about material joint ventures (continued)

Summarised consolidated statement of comprehensive income

	Toga Trust		WSPL	
	For the financial year ended		For the financial year ended	
	2019	2018	**2019**	2018
	$'000	$'000	**$'000**	$'000
Sales	**386,685**	404,347	**-**	-
Interest income	**870**	648	**-**	-
Expenses				
Includes:				
– Depreciation and amortisation	**(38,508)**	(12,767)	**-**	-
– Interest expense	**(24,331)**	(3,995)	**-**	-
Profit/(loss) before income tax	**2,978**	8,607	**1,788**	(828)
Income tax expense	**(3,278)**	(3,704)	**-**	-
Net (loss)/profit	**(300)**	4,903	**1,788**	(828)
Other comprehensive (loss)/income, net of tax	**(7,220)**	6,821	**-**	-
Total comprehensive (loss)/income	**(7,520)**	11,724	**1,788**	(828)
Dividend received from joint venture	**656**	1,152	**-**	-

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

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

18. INVESTMENTS IN JOINT VENTURES (continued)

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

	Toga Trust		WSPL	
	2019 $'000	2018 $'000	**2019 $'000**	2018 $'000
Net assets at beginning of financial year	**433,133**	425,432	**431,368**	432,196
Adoption of SFRS(I) 16	**(29,302)**	-	**-**	-
Addition during the year	**-**	35,358	**-**	-
(Loss)/profit for the year	**(300)**	4,903	**1,788**	(828)
Other comprehensive (loss)/income	**(7,220)**	6,821	**-**	-
Dividends paid	**(1,312)**	(2,525)	**-**	-
Foreign exchange differences	**(6,892)**	(36,856)	**-**	-
Net assets at end of financial year	**388,107**	433,133	**433,156**	431,368
Interest in Toga Trust (1 July 2018 onwards: 50%; up to 30 June 2018: 46%) and WSPL (33%)	**194,054**	216,572	**144,385**	143,775
Goodwill	**5,814**	5,814	**-**	-
Carrying value	**199,868**	222,386	**144,385**	143,775

Information about immaterial joint ventures

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

	2019 $'000	2018 $'000
Carrying value		
Total carrying amount of investments in joint ventures	**444,009**	479,268
Less: carrying amount of investments in material joint ventures disclosed separately	**(344,253)**	(366,161)
Carrying amount of investments in individually immaterial joint ventures	**99,756**	113,107
Share of net profit and other comprehensive income		
Profit from continuing operations	**2,723**	7,406
Other comprehensive income	**6,635**	6,744
Total comprehensive income	**9,358**	14,150

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

19. INVESTMENT IN SUBSIDIARIES

	Company	
	2019	2018
	$'000	$'000
Equity investments at cost	**521,354**	521,354
Advances to subsidiaries	**371,838**	371,747
Less: Allowance for impairment of equity investments	**(9,663)**	(9,663)
	883,529	883,438

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

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

Summarised consolidated balance sheet

	2019	2018
	$'000	$'000
Assets		
Current assets	**80,867**	82,553
Non-current assets	**596,559**	626,329
	677,426	708,882
Liabilities		
Current liabilities	**(332,942)**	(330,034)
Non-current liabilities	**(270,632)**	(274,379)
	(603,574)	(604,413)
Net assets	**73,852**	104,469
Carrying value of non-controlling interest at 30% (2018: 30%)	**22,156**	31,341

19. INVESTMENT IN SUBSIDIARIES (continued)

Summarised consolidated statement of comprehensive income

	For the financial year ended 2019 $'000	2018 $'000
Sales	**82,060**	86,859
(Loss)/Profit before income tax	**(336)**	2,426
Income tax expense	**(500)**	(722)
Net (loss)/profit	**(836)**	1,704
Other comprehensive loss, net of tax	**(3,718)**	(16,457)
Total comprehensive loss	**(4,554)**	(14,753)
Total comprehensive loss allocated to non-controlling interest	**(1,366)**	(4,426)

Summarised consolidated statement of cash flows

	For the financial year ended 2019 $'000	2018 $'000
Operating cash inflows	**17,421**	9,574
Investing cash inflows/(outflows)	**2,419**	(47,469)
Financing cash (outflows)/inflows	**(7,230)**	46,901
Total cash inflows – net	**12,610**	9,006

20. INVESTMENT PROPERTIES

	Group		Company	
	2019	2018	**2019**	2018
	$'000	$'000	**$'000**	$'000
Beginning of financial year	**517,398**	492,975	**137,245**	130,968
Fair value gains – net (Note 8)	**18,825**	16,583	**1,930**	6,277
Additions				
– Acquisition	**230,707**	-	**-**	-
– Subsequent expenditure	**23,246**	19,520	**-**	-
Disposals	**(4,569)**	(1,935)	**-**	-
Foreign exchange differences	**8,234**	(9,745)	**-**	-
End of financial year	**793,841**	517,398	**139,175**	137,245
Comprising:				
– Completed properties	**793,841**	490,599	**139,175**	137,245
– Properties under construction	**-**	26,799	**-**	-
	793,841	517,398	**139,175**	137,245

(a) Investment properties of the Group with carrying amounts of $276,385,000 (2018: $158,289,000) are provided as security for bank borrowings (Note 25).

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

	Group	
	2019	2018
	$'000	$'000
Rental income (Note 4)	**31,778**	20,196
Direct operating expenses arising from investment properties that generate rental income	**(10,059)**	(6,304)

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

Location	Description/existing use	No. of units/ rooms/ beds	Tenure
Singapore			
Orchard Rendezvous Hotel, Singapore, 1 Tanglin Road	Shops and offices (land only)	-	Freehold and leasehold with 99 years lease expiring on 31 March 2064
Tanglin Shopping Centre, 19 Tanglin Road	Offices	4	Freehold
Novena Medical Center, 10 Sinaran Drive	Medical suites	37	Leasehold with 99 years lease expiring on 27 August 2101
Novena Specialist Center, 8 Sinaran Drive	Medical suites	10	Leasehold with 99 years lease expiring on 22 April 2106

20. INVESTMENT PROPERTIES (continued)

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

Location	Description/existing use	No. of units/ rooms/ beds	Tenure
Australia			
Rendezvous Hotel Perth Scarborough	Shops	13	Freehold
Adina Apartment Hotel Brisbane Anzac Square	Apartment	1	Freehold
United Kingdom			
Turner Court, Newcastle upon Tyne	PBSA	274	Freehold
Rosedale Court, Newcastle upon Tyne	PBSA	338	Freehold
Marshall Court, Newcastle upon Tyne	PBSA	196	Freehold
Bryson Court, Newcastle upon Tyne	PBSA	366	Freehold
Newton Court, Newcastle upon Tyne	PBSA	295	Freehold
Land sites at Newcastle upon Tyne	PBSA	-	Freehold
Hollingbury House, Brighton	PBSA	195	Freehold
Harbour Court, Bristol	PBSA	133	Freehold
St Lawrence House, Bristol	PBSA	166	Freehold
The Glassworks, Liverpool	PBSA	323	Freehold
The Foundry, Leeds	PBSA	239	Freehold
The Elements, Sheffield	PBSA	735	Freehold

(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 and land and buildings classified under property, plant and equipment (Note 21) have generally been derived using one or more of the following valuation techniques:

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

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

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

20. 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 2019 $'000	2018 $'000	Valuation technique(s)	Significant unobservable input(s) and range	Relationship of unobservable inputs to fair value
Freehold and leasehold land – Singapore	**125,775**	124,155	Income capitalisation	Capitalisation rate – 3.5% to 4.3% (2018: 3.5% to 4.8%)	The lower the capitalisation rate, the higher the fair value
Office units – Singapore	**13,400**	13,090	Sales comparison	Pre-adjusted comparable sales price – $2,200 to $3,073 (2018: $2,109 to $2,826) psf	The higher the comparable sales price, the higher the fair value
Medical suites – Singapore	**160,051**	163,047	Sales comparison	Pre-adjusted comparable sales price – $3,687 to $8,093 (2018: $4,456 to $4,700) psf	The higher the comparable sales price, the higher the fair value
Shops, restaurant and apartment – Australia [1]	**27,244**	27,228	Discounted cash flow	Discount rate – 7.0% (2018: 7.5%) Terminal yield – 7.0% (2018: 7.5%)	The lower the discount rate or terminal yield, the higher the fair value
			Income capitalisation	Capitalisation rate – 6.8% (2018: 7.0% to 8.0%)	The lower the capitalisation rate, the higher the fair value
PBSA – United Kingdom	**467,371**	189,878	Discounted cash flow	Discount rate – 8.0% to 9.2% (2018: 8.3% to 9.4%) Terminal yield – 5.0% to 6.25% (2018: 5.8% to 6.9%)	The lower the discount rate or terminal yield, the higher the fair value
	793,841	517,398			

[1] Valuation determined using the average of discounted cash flow and income capitalisation

21. PROPERTY, PLANT AND EQUIPMENT

	Freehold and leasehold land $'000	Buildings and offices $'000	Plant, equipment, furniture and fittings $'000	Construction-in-progress $'000	Motor vehicles $'000	Other assets $'000	Total $'000
<u>Group – 2019</u>							
Cost or valuation							
Balance at 31 December 2018							
Cost	-	-	66,968	1,880	628	4,310	73,786
Valuation	385,606	134,699	-	-	-	-	520,305
Adoption of SFRS(I) 16	-	206,663	11	-	-	-	206,674
Balance at 1 January 2019	385,606	341,362	66,979	1,880	628	4,310	800,765
Currency translation differences	(1,014)	(2,167)	(131)	(32)	-	(30)	(3,374)
Additions	-	-	433	199	-	230	862
Disposals	-	-	(103)	-	-	-	(103)
Transfers	-	-	930	(1,063)	-	133	-
Write-off	-	-	(38)	-	-	-	(38)
Revaluation adjustments:							
– profit or loss	-	(3,011)	-	-	-	-	(3,011)
– other comprehensive income (Note 30(i))	7,191	(4,315)	-	-	-	-	2,876
End of financial year	391,783	331,869	68,070	984	628	4,643	797,977
Representing:							
Cost	-	206,629	68,070	984	628	4,643	280,954
Valuation	391,783	125,240	-	-	-	-	517,023
	391,783	331,869	68,070	984	628	4,643	797,977
Accumulated depreciation and impairment losses							
Balance at 31 December 2018	-	-	53,072	-	126	3,491	56,689
Adoption of SFRS(I) 16	-	63,883	4	-	-	-	63,887
Balance at 1 January 2019	-	63,883	53,076	-	126	3,491	120,576
Currency translation differences	-	(86)	(186)	-	-	(32)	(304)
Depreciation charge	-	17,807	3,770	-	111	178	21,866
Disposals	-	-	(69)	-	-	-	(69)
Revaluation adjustments:							
– profit or loss	-	(978)	-	-	-	-	(978)
– other comprehensive income (Note 30(i))	-	(4,048)	-	-	-	-	(4,048)
End of financial year	-	76,578	56,591	-	237	3,637	137,043
Net book value							
End of financial year	**391,783**	**255,291**	**11,479**	**984**	**391**	**1,006**	**660,934**

21. PROPERTY, PLANT AND EQUIPMENT (continued)

	Freehold and leasehold land $'000	Buildings $'000	Plant, equipment, furniture and fittings $'000	Construction-in-progress $'000	Motor vehicles $'000	Other assets $'000	Total $'000
Group – 2018							
Cost or valuation							
Beginning of financial year							
Cost	-	-	60,815	5,377	567	4,245	71,004
Valuation	369,266	157,084	-	-	-	-	526,350
	369,266	157,084	60,815	5,377	567	4,245	597,354
Currency translation differences	(4,299)	(9,641)	(1,103)	(202)	-	(141)	(15,386)
Additions	-	-	1,335	2,659	426	208	4,628
Disposals	-	-	(23)	-	(365)	(2)	(390)
Transfers	-	-	5,954	(5,954)	-	-	-
Write-off	-	-	(10)	-	-	-	(10)
Revaluation adjustments:							
– profit or loss	-	787	-	-	-	-	787
– other comprehensive income (Note 30(i))	20,639	(13,531)	-	-	-	-	7,108
End of financial year	385,606	134,699	66,968	1,880	628	4,310	594,091
Representing:							
Cost	-	-	66,968	1,880	628	4,310	73,786
Valuation	385,606	134,699	-	-	-	-	520,305
	385,606	134,699	66,968	1,880	628	4,310	594,091
Accumulated depreciation and impairment losses							
Beginning of financial year	-	-	48,817	-	293	3,282	52,392
Currency translation differences	-	(92)	(746)	-	-	(82)	(920)
Depreciation charge	-	5,699	4,120	-	61	293	10,173
Impairment charge	-	-	898	-	-	-	898
Write-off	-	-	(5)	-	-	-	(5)
Disposals	-	-	(12)	-	(228)	(2)	(242)
Revaluation adjustments:							
– profit or loss	-	(958)	-	-	-	-	(958)
– other comprehensive income (Note 30(i))	-	(4,649)	-	-	-	-	(4,649)
End of financial year	-	-	53,072	-	126	3,491	56,689
Net book value							
End of financial year	385,606	134,699	13,896	1,880	502	819	537,402

21. PROPERTY, PLANT AND EQUIPMENT (continued)

	Freehold and leasehold land $'000	Buildings and offices $'000	Plant, equipment, furniture and fittings $'000	Construction-in-progress $'000	Other assets $'000	Total $'000
Company – 2019						
Cost or valuation						
Balance at 31 December 2018						
Cost	-	-	33,851	-	1,789	35,640
Valuation	320,544	-	-	-	-	320,544
Adoption of SFRS(I) 16	-	118,726	11	-	-	118,737
Balance at 1 January 2019	320,544	118,726	33,862	-	1,789	474,921
Additions	-	-	81	-	-	81
Disposals	-	-	(33)	-	-	(33)
Revaluation adjustments – other comprehensive income (Note 30(i))	8,680	-	-	-	-	8,680
End of financial year	329,224	118,726	33,910	-	1,789	483,649
Representing:						
Cost	-	118,726	33,910	-	1,789	154,425
Valuation	329,224	-	-	-	-	329,224
	329,224	118,726	33,910	-	1,789	483,649
Accumulated depreciation						
Balance at 31 December 2018	-	-	27,673	-	1,784	29,457
Adoption of SFRS(I) 16	-	37,022	4	-	-	37,026
Balance at 1 January 2019	-	37,022	27,677	-	1,784	66,483
Depreciation charge	-	6,532	996	-	2	7,530
Disposals	-	-	(30)	-	-	(30)
End of financial year	-	43,554	28,643	-	1,786	73,983
Net book value						
End of financial year	**329,224**	**75,172**	**5,267**	**-**	**3**	**409,666**
Company – 2018						
Cost or valuation						
Beginning of financial year						
Cost	-	-	28,420	2,368	1,789	32,577
Valuation	309,576	-	-	-	-	309,576
	309,576	-	28,420	2,368	1,789	342,153
Additions	-	-	430	2,633	-	3,063
Transfers	-	-	5,001	(5,001)	-	-
Revaluation adjustments – other comprehensive income (Note 30(i))	10,968	-	-	-	-	10,968
End of financial year	320,544	-	33,851	-	1,789	356,184
Representing:						
Cost	-	-	33,851	-	1,789	35,640
Valuation	320,544	-	-	-	-	320,544
	320,544	-	33,851	-	1,789	356,184
Accumulated depreciation						
Beginning of financial year	-	-	26,601	-	1,782	28,383
Depreciation charge	-	-	1,072	-	2	1,074
End of financial year	-	-	27,673	-	1,784	29,457
Net book value						
End of financial year	320,544	-	6,178	-	5	326,727

21. PROPERTY, PLANT AND EQUIPMENT (continued)

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

Property, plant and equipment of the Group with carrying amounts of $155,062,000 (2018: $166,265,000) are provided as security for bank borrowings (Note 25).

The freehold and leasehold land and buildings of the Group and the Company with carrying values of $517,023,000 (2018: $520,305,000) and $329,224,000 (2018: $320,544,000) 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 $152,541,000 (2018: $159,552,000) and $2,183,000 (2018: $2,183,000) respectively.

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

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

Description	Fair value as at 2019 $'000	Fair value as at 2018 $'000	Valuation technique(s)	Significant unobservable input(s) and range	Relationship of unobservable inputs to fair value
Freehold and leasehold land – Singapore	**329,224**	320,544	Income capitalisation	Capitalisation rate – 4.5% (2018: 3.5% to 4.8%)	The lower the capitalisation rate, the higher the fair value
			Sales comparison	Pre-adjusted comparable sales price – $0.7 million to $1.4 million (2018: $0.7 million to $1.5 million) per room	The higher the comparable sales price, the higher the fair value
Freehold land and building – Malaysia	**38,398**	40,820	Discounted cash flow	Net profit margin – 27.8% (2018: 38%)	The higher the net profit margin, the higher the fair value
				Discount rate – 8.0% (2018: 8.0%) Terminal yield – 6.0% (2018: 6.0%)	The lower the discount rate or terminal yield, the higher the fair value
Freehold land and buildings – Australia [1]	**149,401**	158,941	Discounted cash flow	Net profit margin – 11.6% to 26.0% (2018: 13.8% to 28.6%)	The higher the net profit margin, the higher the fair value
				Discount rate – 7.5% to 8.0% (2018: 7.8% to 8.5%) Terminal yield – 6.0% to 6.5% (2018: 6.5% to 7.5%)	The lower the discount rate or terminal yield, the higher the fair value
			Income capitalisation	Capitalisation rate – 5.5% to 6.0% (2018: 6.0% to 6.3%)	The lower the capitalisation rate, the higher the fair value
	517,023	520,305			

[1] Valuation determined using the average of discounted cash flow and income capitalisation.

22. LEASES

Leases – The Group as a lessee

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

The Group leases hospitality properties which are used in the Group's hospitality operations, and offices for the purpose of back office operations from non-related parties and related parties. These are recognised within Property, plant and equipment (Note 21). As at 31 December 2019, the Group and the Company's lease liabilities amounted to $156,625,000 and $90,451,000 respectively.

There are no external imposed covenants on these lease arrangements.

(a) Carrying amounts

ROU assets classified within Property, plant and equipment

	Group		Company	
	31 December 2019 $'000	1 January 2019 $'000	**31 December 2019 $'000**	1 January 2019 $'000
Buildings and offices	**130,051**	142,780	**75,172**	81,704
Equipment	**5**	7	**5**	7
	130,056	142,787	**75,177**	81,711

(b) Depreciation expense for the financial year ended 31 December 2019 was $12,674,000.

(c) Interest expense on lease liabilities recognised to profit or loss for the financial year ended 31 December 2019 was $9,509,000 (Note 9).

(d) Lease expense not capitalised in lease liabilities for the financial year ended 31 December 2019:

	Group $'000	Company $'000
Variable lease payments which do not depend on an index or rate (Note 5)	6,843	3,067

(e) Total cash outflow for all the leases in 2019 was $27,197,000, of which $25,139,000 was paid to other related parties.

(f) Addition of ROU assets during the financial year ended 31 December 2019 was $Nil.

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

(i) Variable lease payments

The leases for certain hotels contain variable lease payments that are based on a percentage of gross operating revenue and gross operating profit of these properties. Such variable lease payments are recognised to profit or loss when incurred and amounted to $6,843,000 (Note 22(d)) for the financial year ended 31 December 2019.

22. LEASES (continued)

Leases – The Group as a lessee (continued)

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

(ii) Extension options

The leases for certain hotels contain extension options, for which the related lease payments had not been included in lease liabilities as the Group is not reasonably certain to exercise these extension options. The Group negotiates extension options to optimise operational flexibility in terms of managing the assets used in the Group's operations. The majority of the extension options are exercisable by the Group and not by the lessor.

Leases – The Group as a lessor

Nature of the Group's leasing activities

The Group and the Company lease out investment properties to non-related parties for monthly lease payments. These leases are classified as operating leases because the risk and rewards incidental to ownership of the assets are not substantially transferred.

Rental income from investment properties are disclosed in Note 20.

Undiscounted lease payments from the operating leases to be received after the reporting date are as follows:

	Group		Company	
	31 December 2019 $'000	1 January 2019 $'000	**31 December 2019 $'000**	1 January 2019 $'000
Not later than one year	**31,721**	15,937	**333**	369
One to two years	**5,243**	6,297	**52**	48
Two to three years	**3,271**	3,576	**-**	-
Three to four years	**2,252**	2,549	**-**	-
Four to five years	**1,312**	2,148	**-**	-
More than five years	**6,784**	7,472	**-**	-
Total undiscounted lease payment	**50,583**	37,979	**385**	417

23. INTANGIBLE ASSETS

	Group	
	2019 $'000	2018 $'000
Goodwill arising from acquisition of hospitality businesses (Note (a))	**51,272**	51,520
Hospitality lease and management agreements (Note (b))	**74,096**	76,915
	125,368	128,435

23. INTANGIBLE ASSETS (continued)

(a) Goodwill arising from acquisition of hospitality businesses

	Group	
	2019	2018
	$'000	$'000
Beginning of financial year	**56,418**	57,639
Currency translation differences	**(248)**	(1,221)
End of financial year	**56,170**	56,418
Accumulated impairment		
Beginning and end of financial year	**4,898**	4,898
Net book value	**51,272**	51,520

Impairment assessment of goodwill

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

	Group	
	2019	2018
	$'000	$'000
Management services – Singapore (Note (i))	**37,257**	37,257
Property ownership – Australia (Note (ii))	**14,015**	14,263
	51,272	51,520

(i) Management services – Singapore

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

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

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

DCF method
The assumptions used in the future net cash flows takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use.

Cash flow projections used in the DCF were based on financial projections approved by management covering a four-year (2018: five-year) period. Cash flows beyond the four-year period were extrapolated using the estimated growth rate stated below. The growth rate did not exceed the historical long-term average growth rate for the hospitality management services business in which the CGU operates. Key assumptions used for the analysis of the CGU also include the annual revenue growth rates for the period from 2020 to 2023 (2018: 2019 to 2023) which are benchmarked to industry reports and a discount rate which reflects a market participant's required return on the CGU being tested for impairment.

23. INTANGIBLE ASSETS (continued)

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

Impairment assessment of goodwill (continued)

(i) Management services – Singapore (continued)

	2019	2018
Terminal growth rate	**1.9%**	2.4%
Post-tax discount rate	**8.5%**	8.7%

GPC method

The GPC method entails applying multiples to the normalised earnings of the CGU and adjusted for the risk and size of the CGU. The key assumptions are the GPC multiples and normalised earnings.

The GPC multiples are determined based on published data regarding traded price and earnings of public companies that are engaged in the same or similar line of business as the CGU. The CGU's normalised earnings is determined by management based on past performance and its expectations of market developments.

Based on the FVLCTS adopted by the Group, the recoverable amount of the CGU exceeds the carrying value and the allocated goodwill is not impaired.

(ii) Property ownership – Australia

The recoverable amount determined was based on value-in-use calculations. Cash flow projections used in the value-in-use calculations were based on financial projections approved by management covering a ten-year period as the CGU is only expected to achieve a steady growth rate of cash flows after ten years. Cash flows beyond the ten-year period were extrapolated using the estimated growth rate stated below. The growth rate did not exceed the long-term average growth rate for the hospitality operations business in which the CGU operates. Key assumptions used for the analysis of the CGU also include the budgeted EBITDA margin for the period 2020 to 2029 (2018: 2019 to 2028) determined by management based on past performance and its expectations of market developments and a discount rate which was pre-tax and reflected specific risks relating to the CGU.

	2019	2018
Terminal growth rate	**0% to 1.5%**	0% to 1.3%
Pre-tax discount rate	**7.0% to 8.0%**	7.5% to 8.5%

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

23. INTANGIBLE ASSETS (continued)

(b) Hospitality lease and management agreements

	Group	
	2019	2018
	$'000	$'000
Cost		
Beginning of financial year	**98,971**	99,447
Currency translation differences	**(98)**	(476)
End of financial year	**98,873**	98,971
Accumulated amortisation and impairment		
Beginning of financial year	**22,056**	19,318
Currency translation differences	**(99)**	(451)
Amortisation charge included within "Cost of sales" in profit or loss (Note 5)	**2,820**	3,189
End of financial year	**24,777**	22,056
Net book value	**74,096**	76,915

24. TRADE AND OTHER PAYABLES

	Group		Company	
	2019	2018	**2019**	2018
	$'000	$'000	**$'000**	$'000
Current				
Trade payables:				
– other related parties	**1,004**	789	**308**	540
– non-related parties	**5,662**	4,830	**727**	895
– joint ventures	**2,263**	2,433	**-**	-
	8,929	8,052	**1,035**	1,435
Other payables – non-related parties	**10,323**	8,892	**-**	-
Advances from:				
– a subsidiary	**-**	-	**8,414**	12,185
– joint ventures	**2,400**	18,056	**-**	1,800
– non-controlling interest	**66,507**	66,552	**-**	-
Accrual for operating expenses	**20,593**	14,272	**3,331**	3,822
Deposits	**3,654**	3,208	**322**	305
Interest payable	**40**	31	**-**	-
Contract liabilities (Note 4(b))	**1,246**	1,367	**165**	159
	94,440	103,486	**12,232**	18,271
	113,692	120,430	**13,267**	19,706

Other payables to joint ventures and advances from a non-controlling interest of the Group are unsecured, repayable on demand and interest-free, except for the advances from a non-controlling interest of $66,507,000 (2018: $66,552,000) which bear interest at a weighted average effective interest rate of 2.0% (2018: 2.0%) per annum.

24. TRADE AND OTHER PAYABLES (continued)

	Group		Company	
	2019	2018	**2019**	2018
	$'000	$'000	**$'000**	$'000
Non-current				
Deposits received	**1,006**	1,297	**-**	-
Advances from:				
– subsidiaries	**-**	-	**363,630**	353,962
– joint ventures	**25,341**	25,341	**-**	-
– non-controlling interest	**71,910**	72,421	**-**	-
	98,257	99,059	**363,630**	353,962

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

Advances from a non-controlling interest of $71,910,000 (2018: $71,910,000) are repayable at its nominal value, or convertible to shares of the subsidiary in whole or in part and in the same proportion as a similar loan from the Company to the same subsidiary, such that the Company's share of equity interest in the subsidiary does not change, at the rate of one share per $1 nominal value of the loan, upon the unanimous approval of the Company and the non-controlling interest. The advances have no fixed term of repayment and the non-controlling interest has no intention to demand repayment in the next 12 months.

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

25. BORROWINGS

	Group		Company	
	2019	2018	**2019**	2018
	$'000	$'000	**$'000**	$'000
Bank borrowings				
– current (secured)	**84,836**	152,049	**-**	-
– current (unsecured)	**251,372**	56,176	**251,372**	56,176
	336,208	208,225	**251,372**	56,176
– non-current (secured)	**136,189**	-	**-**	-
– non-current (unsecured)	**89,230**	86,953	**89,230**	86,953
	561,627	295,178	**340,602**	143,129

The Group and the Company's bank borrowings are:

– at variable interest rates with contractual repricing dates less than 6 months from balance sheet date (2018: Less than 6 months);
– secured over certain bank deposits (Note 12); and
– secured over certain investment properties (Note 20) and certain property, plant and equipment (Note 21).

As of 31 December 2019, the Group is in a net current liability position of $19,053,000. As of the date of the financial statements, the Group has secured credit facilities from financial institutions to refinance its short-term borrowings subsequent to year end amounting to GBP45,136,000 ($80,550,000). The available credit facilities would have adequately allowed the Group to repay its debts as and when they fall due.

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

26. DEFERRED INCOME

	Group		Company	
	2019	2018	**2019**	2018
	$'000	$'000	**$'000**	$'000
Current				
– other related parties	**6,797**	6,797	**6,797**	6,797
– non-related parties	**4,259**	729	**20**	20
	11,056	7,526	**6,817**	6,817
Non-current				
– other related parties	**283,108**	289,904	**283,108**	289,904
	294,164	297,430	**289,925**	296,721

Deferred income from other related parties refers to the unamortised portion of the proceeds from Far East Hospitality Trust for the Company's grant of a 50-year leasehold interest (from August 2012) in the freehold and leasehold land of Orchard Rendezvous Hotel to Far East Hospitality Trust.

27. PROVISIONS

	Group	
	2019	2018
	$'000	$'000
Onerous hospitality lease agreements:		
– non-current	**-**	938

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

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

	Group	
	2019	2018
	$'000	$'000
Balance at beginning of financial year	**938**	2,122
Adoption of SFRS(I) 16	**(938)**	-
Balance at 1 January	**-**	2,122
Reversal during the year	**-**	(1,147)
Currency translation differences	**-**	(37)
End of financial year	**-**	938

28. DEFERRED INCOME TAXES

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

	Group		Company	
	2019	2018	**2019**	2018
	$'000	$'000	**$'000**	$'000
Deferred income tax assets				
– to be recovered within one year	**425**	-	**309**	-
– to be recovered after one year	**4,080**	91	**1,983**	-
	4,505	91	**2,292**	-
Deferred income tax liabilities				
– to be settled within one year	**1,674**	852	**-**	163
– to be settled after one year	**27,469**	30,196	**-**	142
	29,143	31,048	**-**	305

Deferred income tax assets are recognised for tax losses and capital allowances carried forward to the extent that realisation of the related tax benefits through future taxable profits is probable. The Group has unrecognised tax losses and capital allowances of approximately $72,863,000 (2018: $72,730,000) which can be carried forward and used to offset against future taxable income subject to meeting certain statutory requirements by those companies with unrecognised tax losses and capital allowances in their respective countries of incorporation. These tax losses have no expiry date.

The 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	Other $'000	Total $'000
Group – 2019				
Beginning of financial year	13,798	17,267	2,943	34,008
(Credited)/charged to:				
– profit or loss	(485)	2,706	907	3,128
– other comprehensive income (Note 30(i))	-	(1,954)	-	(1,954)
Over provision in prior financial years				
– profit or loss	-	-	(2,617)	(2,617)
Currency translation differences	-	(268)	(37)	(305)
End of financial year	**13,313**	**17,751**	**1,196**	**32,260**
Group – 2018				
Beginning of financial year	14,281	18,881	2,172	35,334
(Credited)/charged to:				
– profit or loss	(483)	(16)	988	489
– other comprehensive income (Note 30(i))	-	(103)	-	(103)
Currency translation differences	-	(1,495)	(217)	(1,712)
End of financial year	13,798	17,267	2,943	34,008

28. DEFERRED INCOME TAXES (continued)

Deferred income tax assets – Group

	Tax losses $'000	Lease liabilities $'000	Other $'000	Total $'000
Group – 2019				
Balance at 31 December 2018	(2,960)	-	(91)	(3,051)
Adjustment on adoption of SFRS(I) 16	-	(4,049)	-	(4,049)
Balance at 1 January 2019	(2,960)	(4,049)	(91)	(7,100)
Credited to profit or loss	(212)	(364)	-	(576)
Currency translation differences	53	-	1	54
End of financial year	**(3,119)**	**(4,413)**	**(90)**	**(7,622)**
Group – 2018				
Beginning of financial year	(2,189)	-	(99)	(2,288)
Credited to profit or loss	(998)	-	-	(998)
Currency translation differences	227	-	8	235
End of financial year	(2,960)	-	(91)	(3,051)

Deferred income tax assets – Company

	2019 $'000	2018 $'000
Lease liabilities		
Adjustment on adoption of SFRS(I) 16 and balance at 1 January 2019	**2,380**	-
Credited to profit or loss	**217**	-
End of financial year	**2,597**	-

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 – Company

	2019 $'000	2018 $'000
Accelerated tax depreciation		
Beginning and end of financial year	**305**	305

29. SHARE CAPITAL

	Group and Company			
	Number of shares		Amount	
	2019	2018	**2019**	2018
	'000	'000	**$'000**	$'000
Beginning of financial year	**437,204**	425,132	**496,604**	479,244
Shares issued in-lieu of dividend	**1,156**	12,072	**1,402**	17,360
End of financial year	**438,360**	437,204	**498,006**	496,604

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

30. REVALUATION AND OTHER RESERVES

	Group		Company	
	2019	2018	**2019**	2018
	$'000	$'000	**$'000**	$'000
Capital reserve	**13,977**	10,557	**-**	-
Asset revaluation reserve	**371,151**	358,304	**301,647**	292,967
Currency translation reserve	**(43,412)**	(38,034)	**-**	-
Fair value reserve	**861**	(2,186)	**-**	-
Hedging reserve	**(1,392)**	(297)	**-**	-
	341,185	328,344	**301,647**	292,967

During the year, the Group through Jelco Properties Pte Ltd ("JPPL"), a 100% owned subsidiary (Note 38), delivered a hospitality management agreement to Far East Hospitality Management (S) Pte. Ltd. ("FEHMS"), which is wholly owned subsidiary of Far East Hospitality Holdings Pte. Ltd. ("FEHH") (Note 19). The hospitality management agreement was previously a deferred pipeline agreement when the Group transferred its hospitality management business from JPPL to FEHMS on 1 November 2013 (the "Business Transfer"). Capital reserve of the Group represents the difference between a 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 subsidiary, FEHH to the non-controlling interest. A capital reserve of $3,420,000 was recognised during the period, being the non-controlling interest's consideration for the hospitality management agreements delivered by JPPL to FEHMS.

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

(i) Asset revaluation reserve

	Group		Company	
	2019	2018	**2019**	2018
	$'000	$'000	**$'000**	$'000
Beginning of financial year	**358,304**	339,868	**292,967**	281,999
Revaluation gains - net	**6,924**	11,757	**8,680**	10,968
Share of joint venture's asset revaluation reserve movement	**5,756**	9,778	**-**	-
Tax credit/(charge) relating to			**-**	
– revaluation losses	**1,639**	937	**-**	-
– share of joint venture's asset revaluation reserve movement	**315**	(834)	**-**	-
Less: Non-controlling interest	**(1,787)**	(3,202)	**-**	-
End of financial year	**371,151**	358,304	**301,647**	292,967

30. REVALUATION AND OTHER RESERVES (continued)

(ii) Currency translation reserve

	Group	
	2019	2018
	$'000	$'000
Beginning of financial year	**(38,034)**	(17,930)
Net currency translation differences of financial statements of foreign subsidiaries and joint ventures	**(1,056)**	(11,416)
Net currency translation differences of advances designated as net investments in subsidiaries	**(5,588)**	(16,930)
Share of joint venture's currency translation reserve movement	**(1,166)**	80
Less: Non-controlling interest	**2,432**	8,162
End of financial year	**(43,412)**	(38,034)

(iii) Fair value reserve

	Group	
	2019	2018
	$'000	$'000
Beginning of financial year	**(2,186)**	(395)
Share of associated company's fair value reserve movement	**2,958**	(2,095)
Transfer of share of associated company's fair value reserve upon disposal	**89**	304
End of financial year	**861**	(2,186)

(iv) Hedging reserve

	Group	
	2019	2018
	$'000	$'000
Beginning of financial year	**(297)**	(350)
Share of joint venture's hedging reserve movement	**(1,565)**	76
Less: Non-controlling interest	**470**	(23)
End of financial year	**(1,392)**	(297)

Revaluation and other reserves are non-distributable.

31. RETAINED PROFITS

Retained profits of the Group are distributable except for the accumulated retained profits from the share of results of joint ventures and associated companies amounting to $28,478,000 (2018: $55,192,000).

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

	Company	
	2019	2018
	$'000	$'000
Balance at 31 December 2018	**250,618**	260,987
Adjustment on adoption of SFRS(I) 16	**(11,621)**	-
Balance at 1 January 2019	**238,997**	260,987
Shares issued in-lieu of dividend (Note 32)	**(1,402)**	(17,360)
Dividend paid to equity holders of the Company in cash (Note 32)	**(24,825)**	(8,148)
Net profit for the financial year	**7,504**	15,139
End of financial year	**220,274**	250,618

32. DIVIDEND

	Company	
	2019	2018
	$'000	$'000
Ordinary dividend paid		
Final dividend paid in respect of the previous financial year of 6 cents (2018: 6 cents) using		
– new shares issued	**1,402**	17,360
– cash	**24,825**	8,148
	26,227	25,508

At the upcoming Annual General Meeting, a final dividend of 6 cents per share amounting to a total of $26,302,000 will be recommended. These financial statements do not reflect this dividend, which will be accounted for in equity attributable to equity holders of the Company as an appropriation of retained profits in the financial year ending 31 December 2019.

33. 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	
	2019	2018	**2019**	2018
	$'000	$'000	**$'000**	$'000
Development properties	**14,004**	14,155	**-**	-
Investment in a joint venture	**33,151**	34,368	**-**	-
Investment properties	**-**	21,297	**-**	-
Property, plant and equipment	**1,908**	1,665	**24**	290
	49,063	71,485	**24**	290

As at 31 December 2019, included in the capital commitment of the investment in a joint venture is an amount of $33,151,000 (2018: $34,368,000) relating to the Hotel Project as disclosed in Note 14.

As at 31 December 2018, capital commitment for the property, plant and equipment above included an amount of $290,000 relating to the Company's outstanding capital commitment for certain renovation and asset enhancement works for Orchard Rendezvous Hotel (the "Additional Works"). The Company, as master lessee, and Far East Hospitality Trust (DBS Trustee Limited as the trustee and FEO Hospitality Asset Management Pte. Ltd. as the trust manager), as master lessor, have agreed that the Company's maximum liability for the Additional Works shall not exceed $4,900,000, which represents approximately 35.25% of the total estimated costs of the Additional Works. The Additional Works have been completed as at 31 December 2019. During the financial year, an amount of $290,000 (2018: $2,336,000) of the capital commitment had been expended and no further costs are expected to be incurred.

33. COMMITMENTS (continued)

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

As disclosed in Note 2.1, the Group has adopted SFRS(I) 16 on 1 January 2019. These lease payments have been recognised as ROU assets and lease liabilities on the balance sheet as at 31 December 2019, except for short-term and low value leases.

The Group and the Company lease hospitality properties and offices from other related parties and non-related parties under non-cancellable operating lease agreements. The leases have varying terms, escalation clauses and renewal rights. As at 31 December 2018, 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 $'000	Company $'000
At 31 December 2018		
Not later than one year		
– other related parties	18,297	10,785
– non-related parties	2,133	-
	20,430	10,785
Between one and five years		
– other related parties	68,747	40,493
– non-related parties	3,934	-
	72,681	40,493
Later than five years - other related parties	147,038	86,493
	240,149	137,771

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.

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

As disclosed in Note 2.1, the Group has adopted SFRS(I) 16 and the undiscounted lease payments from the operating leases to be received after 31 December 2019 is disclosed in Note 22.

The Group and the Company lease out investment properties to non-related parties under non-cancellable operating leases. The leases have varying terms, escalation clauses and renewal rights. As at 31 December 2018, 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 $'000	Company $'000
At 31 December 2018		
Not later than one year	15,937	369
Between one and five years	14,570	48
Later than five years	7,472	-
	37,979	417

34. FINANCIAL RISK MANAGEMENT

The Group's activities expose it to market risk (including interest rate risk and currency risk), credit risk and liquidity risk. The Group's overall risk management objective is to effectively manage these risks and minimise potential adverse effects on the 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 25). The Company's exposure to cash flow interest rate risks arises mainly from variable-rate borrowings and advances from/to subsidiaries at variable rates. The Group's policy is to obtain the most favourable interest rates available without increasing its foreign currency exposure.

The borrowings of the Group at variable rates are mainly denominated in British Pound ("GBP"), Australian Dollar ("AUD") and Japanese Yen ("JPY"). The profit after tax of the Group would have been lower/higher by $3,499,000 (2018: $1,190,000), $448,000 (2018: $456,000) and $208,000 (2018: $197,000) respectively as a result of higher/lower interest expense on these borrowings if the interest rates had increased/decreased by 1.0% (2018: 1.0%) with all other variables including tax rate being held constant.

(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"). Significant currency risk arises within entities in the Group when transactions are denominated in foreign currencies such as the Singapore Dollar ("SGD"), Australian Dollar ("AUD"), New Zealand Dollar ("NZD") and British Pound ("GBP"). Where such currency risk becomes significant, the Group considers the use of currency swaps and forwards to manage the risk.

34. FINANCIAL RISK MANAGEMENT (continued)

(a) Market risk (continued)

(ii) Currency risk (continued)

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

	SGD $'000	AUD $'000	NZD $'000	GBP $'000
At 31 December 2019				
Financial assets				
Cash and cash equivalents	148,722	78,567	4,294	20,603
Trade and other receivables	13,459	5,877	646	3,621
Intra-group receivables	70,231	75,676	5,156	349,324
	232,412	160,120	10,096	373,548
Financial liabilities				
Borrowings	-	(64,070)	-	(476,791)
Lease liabilities	(152,934)	-	(3,691)	-
Trade and other payables	(181,334)	(7,992)	(1,719)	(19,021)
Intra-group payables	(70,231)	(75,676)	(5,156)	(349,324)
	(404,499)	(147,738)	(10,566)	(845,136)
Net financial (liabilities)/assets	(172,087)	12,382	(470)	(471,588)
Add: Net financial assets denominated in the respective entities' functional currencies	101,808	37,932	5,626	480,318
Net currency exposure	**(70,279)**	**50,314**	**5,156**	**8,730**
At 31 December 2018				
Financial assets				
Cash and cash equivalents	164,623	71,783	5,050	4,490
Trade and other receivables	13,910	7,287	717	1,283
Intra-group receivables	68,446	79,990	5,210	147,646
	246,979	159,060	10,977	153,419
Financial liabilities				
Borrowings	-	(65,206)	-	(210,313)
Trade and other payables	(182,374)	(23,859)	(2,262)	(8,519)
Intra-group payables	(68,446)	(79,990)	(5,210)	(147,646)
	(250,820)	(169,055)	(7,472)	(366,478)
Net financial (liabilities)/assets	(3,841)	(9,995)	3,505	(213,059)
(Less)/add: Net financial (liabilities)/assets denominated in the respective entities' functional currencies	(64,586)	56,331	1,705	217,584
Net currency exposure	(68,427)	46,336	5,210	4,525

34. FINANCIAL RISK MANAGEMENT (continued)

(a) Market risk (continued)

(ii) Currency risk (continued)

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

	SGD $'000	AUD $'000	GBP $'000
At 31 December 2019			
Financial assets			
Cash and cash equivalents	129,703	30,129	-
Trade and other receivables	172,581	78	349,350
	302,284	30,207	349,350
Financial liabilities			
Borrowings	-	-	(340,602)
Lease liabilities	(90,451)	-	-
Trade and other payables	(368,318)	(8,414)	-
	(458,769)	(8,414)	(340,602)
Net financial (liabilities)/assets	(156,485)	21,793	8,748
Add: Net financial assets denominated in the Company's functional currencies	156,485	-	-
Net currency exposure	**-**	**21,793**	**8,748**
At 31 December 2018			
Financial assets			
Cash and cash equivalents	152,884	33,719	-
Trade and other receivables	171,409	43	147,669
	324,293	33,762	147,669
Financial liabilities			
Borrowings	-	-	(143,129)
Trade and other payables	(361,324)	(12,185)	-
	(361,324)	(12,185)	(143,129)
Net financial (liabilities)/assets	(37,031)	21,577	4,540
Add: Net financial assets denominated in the Company's functional currencies	37,031	-	-
Net currency exposure	-	21,577	4,540

34. FINANCIAL RISK MANAGEMENT (continued)

(a) Market risk (continued)

(ii) Currency risk (continued)

If the foreign currencies strengthened/weakened against their respective functional currencies by 5.0% (2018: 5.0%) with all other variables including tax rate being held constant, the Group and Company's profit after tax and other comprehensive income for the financial year would increase/decrease as follows:

	Increase/(Decrease)			
	31 December 2019		31 December 2018	
	Profit after tax $'000	**Other comprehensive income $'000**	Profit after tax $'000	Other comprehensive income $'000
Group				
AUD weakened against SGD	**(6,030)**	**(13,661)**	(5,738)	(13,804)
NZD weakened against SGD	**(258)**	**1,651**	(260)	1,686
GBP weakened against SGD	**(436)**	**-**	(226)	-
Company				
AUD weakened against SGD	**(1,090)**	**-**	(1,079)	-
GBP weakened against SGD	**(437)**	**-**	(227)	-

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

(b) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The major classes of financial assets carried at amortised cost of the Group and of the Company are bank deposits, trade receivables, advances to or amounts due from subsidiaries, joint ventures and other related parties, deposits and other receivables. For trade receivables, the Group adopts the policy of dealing only with customers of appropriate credit history and/or requiring deposits to be placed with the Group prior to provision of certain of its services. For other financial assets, the Group adopts the policy of dealing only with high credit quality counterparties.

The Group and the Company has no significant concentrations of credit risk and has in place credit policies and procedures to ensure on-going credit evaluation and active account monitoring.

As the Group and the Company do not hold any collateral, the maximum exposure to credit risk for each class of financial instruments is the carrying amount of that class of financial instruments presented on the balance sheet. In addition, the Company does not have off-balance sheet exposure to credit risk and has not provided any corporate guarantees to banks on banking facilities of subsidiaries and/or joint ventures.

The Group and the Company consider the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period.

34. FINANCIAL RISK MANAGEMENT (continued)

(b) Credit risk (continued)

The Group's and Company's financial assets at amortised cost have low risk of default. To assess whether there is a significant increase in credit risk, the Group and the Company compare the risk of a default occurring on the asset as at reporting date with the risk of default as at the date of initial recognition. The Group and the Company consider available reasonable and supportive forward-looking information, where applicable, which include the following indicators:

- Significant financial difficulties of the debtor;
- Probability that the debtor will enter bankruptcy or financial reorganisation;
- Default or delinquency in payments; and
- Actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the debtor's ability to meet its obligations.

Regardless of the analysis above, a significant increase in credit risk is presumed if a debtor is more than 30 days past due in making a contractual payment.

The Group and the Company determined that its financial assets are credit-impaired when:

- There is significant financial difficulty of the debtor;
- A breach of contract, such as a default or past due event; or
- It is becoming probable that the debtor will enter bankruptcy or other financial reorganisation.

The Group and the Company have determined the default event on a financial asset to be when the counterparty fails to make contractual payments, within 90 days when they fall due, based on the Group's and Company's historical information.

Financial assets are fully impaired when there is no reasonable expectation of recovery, such as a debtor failing to meet a repayment plan with the Group and the Company. Where loans and receivables have been fully impaired, the Group and the Company continue to engage enforcement activity to attempt to recover the receivables due. Where recoveries are made, these are recognised in profit or loss.

Bank deposits

Bank deposits are considered to have low credit risk as they are mainly deposits with reputable banks.

Trade receivables

The Group and the Company applies the simplified approach to providing for expected credit losses prescribed by SFRS(I) 9, which permits the use of the lifetime credit loss provision for all trade receivables and lease receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and days past due. In calculating the expected credit loss rates, the Group considers historical loss rates for each category of customers and adjusts for forward-looking macroeconomic data. The Group's and the Company's credit risk exposure in relation to trade receivables are set out in the provision matrix as follows:

34. FINANCIAL RISK MANAGEMENT (continued)

(b) Credit risk (continued)

Trade receivables (continued)

	Group				
	Current to 30 days past due $'000	> 30 days past due $'000	> 60 days past due $'000	> 90 days past due $'000	Total $'000
31 December 2019					
Expected loss rate	0.0%	0.0%	0.0%	27.1%	2.2%
Gross carrying amount	9,757	1,251	690	1,041	12,739
Allowance for impairment	-	-	-	282	282
31 December 2018					
Expected loss rate	0.0%	0.0%	0.0%	41.2%	2.5%
Gross carrying amount	11,156	1,341	552	839	13,888
Allowance for impairment	-	-	-	346	346

	Company				
	Current to 30 days past due $'000	> 30 days past due $'000	> 60 days past due $'000	> 90 days past due $'000	Total $'000
31 December 2019					
Expected loss rate	0.0%	0.0%	0.0%	87.4%	5.7%
Gross carrying amount	857	376	134	95	1,462
Allowance for impairment	-	-	-	83	83
31 December 2018					
Expected loss rate	0.0%	0.0%	0.0%	41.7%	5.1%
Gross carrying amount	1,050	422	140	223	1,835
Allowance for impairment	-	-	-	93	93

The movement of the allowance for impairment is as follows:

	Group		Company	
	2019 $'000	2018 $'000	**2019 $'000**	2018 $'000
Beginning of financial year	**346**	1,363	**93**	35
Allowance made	**64**	469	**41**	109
Allowance written back	**(77)**	-	**(51)**	-
Allowance written off	**(51)**	(1,463)	**-**	(51)
Currency translation differences	**-**	(23)	**-**	-
End of financial year	**282**	346	**83**	93

During the year, the Group and the Company have written off $51,000 and $Nil (2018: $1,463,000 and $51,000) of trade receivables respectively and it does not expect to receive future cash flows from and no recoveries from collection of cash flows previously written off.

34. FINANCIAL RISK MANAGEMENT (continued)

(b) Credit risk (continued)

Other financial assets at amortised cost

The Group's advances to or amounts due from subsidiaries, joint ventures and other related parties, deposits and other receivables carried at amortised cost have low risk of default and a strong capacity to meet contractual cash flows. Hence the loss allowance is determined at an amount equal to 12-month expected credit loss. The Group and the Company categorise such loan or receivable as a financial asset with low risk of impairment.

Where the interest and/or principal repayments are 30 days past due and there is no reasonable expectation of recovery, or the counterparty is going into administration or bankruptcy or financial reorganisation, the Group and Company categorise such loan or receivable for impairment.

(c) Liquidity risk

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

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

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 2019				
Trade and other payables	112,446	26,347	-	71,910
Borrowings	345,071	4,165	229,170	-
Lease liabilities	20,201	19,614	51,498	130,188
	477,718	**50,126**	**280,668**	**202,098**
At 31 December 2018				
Trade and other payables	119,063	27,149	-	71,910
Borrowings	213,449	87,203	-	-
	332,512	114,352	-	71,910
Company				
At 31 December 2019				
Trade and other payables	13,102	363,630	-	-
Borrowings	256,364	1,570	91,054	-
Lease liabilities	10,755	10,755	30,498	76,546
	280,221	**375,955**	**121,552**	**76,546**
At 31 December 2018				
Trade and other payables	19,547	353,962	-	-
Borrowings	58,582	87,203	-	-
	78,129	441,165	-	-

34. FINANCIAL RISK MANAGEMENT (continued)

(d) Capital risk

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern and to maintain an optimal capital structure so as to maximise the value for the equity holders of the Company. In order to maintain or achieve an optimal capital structure, the Group may adjust the amount of dividend payment, return capital to equity holders of the Company, issue new shares, buy back issued shares, obtain new borrowings or sell assets to reduce borrowings.

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

	Group		Company	
	2019	2018	**2019**	2018
Total borrowings ($'000)	**561,627**	295,178	**340,602**	143,129
Total equity ($'000)	**1,271,302**	1,296,551	**1,019,927**	1,040,189
Gearing ratio (%)	**44%**	23%	**33%**	14%

The Group and the Company are in compliance with all externally imposed capital requirements for the financial years ended 31 December 2019 and 2018.

(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	
	2019	2018	**2019**	2018
	$'000	$'000	**$'000**	$'000
Financial assets at amortised cost	**281,305**	280,419	**681,841**	505,724
Financial liabilities at amortised cost	**928,955**	513,300	**807,785**	516,638

Reconciliation of financial assets at amortised cost is as follows:

	Group		Company	
	2019	2018	**2019**	2018
	$'000	$'000	**$'000**	$'000
Total trade and other receivables (current and non-current)	**47,591**	45,688	**522,427**	319,476
Add/(less):				
– Cash and cash equivalents	**257,430**	256,287	**159,832**	186,603
– Prepayments	**(3,188)**	(2,229)	**(418)**	(355)
– Advance payment	**(20,528)**	(19,327)	**-**	-
Total financial assets at amortised cost	**281,305**	280,419	**681,841**	505,724

34. FINANCIAL RISK MANAGEMENT (continued)

(e) Financial instruments by category (continued)

Reconciliation of financial liabilities at amortised cost is as follows:

	Group		Company	
	2019	2018	**2019**	2018
	$'000	$'000	**$'000**	$'000
Total trade and other payables (current and non-current)	**211,949**	219,489	**376,897**	373,668
Add/(less):				
– Borrowings	**561,627**	295,178	**340,602**	143,129
– Lease liabilities (current and non-current)	**156,625**	-	**90,451**	-
– Contract liabilities	**(1,246)**	(1,367)	**(165)**	(159)
Total financial liabilities at amortised cost	**928,955**	513,300	**807,785**	516,638

35. RELATED PARTY TRANSACTIONS

(a) Immediate and ultimate holding company

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

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

Other related parties comprise mainly companies which are controlled by the equity holders of the Company's ultimate holding company.

In addition to the information disclosed elsewhere in the financial statements, the following significant transactions took place between the Group and related parties at terms agreed between the parties:

	Group	
	2019	2018
	$'000	$'000
Amounts billed to/(by) other related parties:		
Administrative service fees	**347**	388
Sale of goods and services	**171**	239
Purchase of goods and services	**(1,141)**	(299)
Amounts billed by other related parties to joint ventures:		
Support services	**(214)**	(177)
Purchase of goods and services	**(2)**	(15)
Payments made on behalf for other related parties	**5,799**	5,020

Outstanding balances at 31 December 2019, arising from deposits, sale and purchase of goods and services are set out in Notes 13 and 24 respectively.

35. RELATED PARTY TRANSACTIONS (continued)

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

During the current financial year, the Group's joint venture, Woodlands Square Pte. Ltd. ("WSPL") entered into an option to purchase, a sale and purchase agreement and a side letter with Far East Management (Private) Limited ("FEM"), a member of Far East Organization Pte. Ltd., for the sale of three property units at Woods Square ("the Development") from WSPL to FEM. The total sales price is $131,700,000 and the Group will recognise its 33% share of profits of joint ventures arising from the sale in the financial year ended 31 December 2020 upon the Development obtaining its Temporary Occupation Permit.

(c) Key management personnel compensation

Key management personnel compensation is as follows:

	Group	
	2019	2018
	$'000	$'000
Wages and salaries	**2,458**	2,779
Employer's contribution to defined contribution plans, including Central Provident Fund	**61**	79
	2,519	2,858

36. SEGMENT INFORMATION

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

The Group operates its hospitality business across three segments.

(i) Management services

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

(ii) Operations

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

(iii) Property ownership

The property ownership segment includes hospitality properties located in Australia, Germany, Denmark 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 properties including those under development and some offices that are held for rentals or/and long-term capital appreciation.

There was no revenue from transactions with a single external customer that accounts for 10% or more of the Group's revenue for the financial years ended 31 December 2019 and 2018.

36. SEGMENT INFORMATION (continued)

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

	Hospitality				Property		Total
	Management services – Singapore $'000	Operations – Singapore $'000	Operations – Australia and New Zealand $'000	Property ownership $'000	Development $'000	Investment $'000	**$'000**
2019							
Total segment sales	22,131	44,141	12,745	51,801	-	28,548	**159,366**
Inter-segment sales	(3,303)	-	-	-	-	-	**(3,303)**
Sales to external parties	**18,828**	**44,141**	**12,745**	**51,801**	**-**	**28,548**	156,063
Operating profit/(loss)	4,109	9,484	760	5,042	(89)	14,788	**34,094**
Share of profit of:							
– joint ventures	-	-	(151)	2,753	567	-	**3,169**
– associated companies	-	3,211	-	-	-	-	**3,211**
Total operating profit	**4,109**	**12,695**	**609**	**7,795**	**478**	**14,788**	40,474
Corporate expenses							**(8,502)**
Interest income							**4,340**
Interest expense							**(16,865)**
Others*							**10,485**
Profit before income tax							**29,932**
Income tax expense							**(4,152)**
Total profit							**25,780**
Segment assets	121,731	479,115	19,394	281,568	179,613	793,059	**1,874,480**
Investments in associated companies	-	22,090	-	-	-	-	**22,090**
Investments in joint ventures	-	-	199,873	65,230	178,906	-	**444,009**
	121,731	**501,205**	**219,267**	**346,798**	**358,519**	**793,059**	**2,340,579**
Corporate assets							**190,252**
Total assets							**2,530,831**

* Material and non-cash items are disclosed as "Other gains – net" Note 8.

36. 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
2018							
Total segment sales	19,905	44,678	14,026	58,636	241	16,760	154,246
Inter-segment sales	(3,335)	-	-	-	-	-	(3,335)
Sales to external parties	16,570	44,678	14,026	58,636	241	16,760	150,911
Operating profit	2,978	1,193	1,093	5,769	381	10,242	21,656
Share of profit of:							
– joint ventures	-	-	2,444	2,189	4,930	-	9,563
– associated companies	-	3,376	-	-	-	-	3,376
Total operating profit	2,978	4,569	3,537	7,958	5,311	10,242	34,595
Corporate expenses							(8,960)
Interest income							3,993
Interest expense							(5,188)
Others*							11,220
Profit before income tax							35,660
Income tax expense							(2,212)
Total profit							33,448
Segment assets	122,311	341,061	14,925	290,420	168,435	498,830	1,435,982
Investments in associated companies	-	15,921	-	-	-	-	15,921
Investments in joint ventures	-	-	222,385	62,258	194,625	-	479,268
	122,311	356,982	237,310	352,678	363,060	498,830	1,931,171
Corporate assets							214,186
Total assets							2,145,357

* Material and non-cash items are disclosed as "Other gains – net" Note 8. Included in "Others" is an impairment on property, plant and equipment allocated to 'Hospitality operations – Singapore' segment, amounting to $898,000.

36. SEGMENT INFORMATION (continued)

Geographical information

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

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

	Sales	
	2019	2018
	$'000	$'000
Singapore	**72,426**	70,804
Australia	**51,765**	58,191
New Zealand	**8,160**	8,763
United Kingdom	**19,092**	7,446
Other countries	**4,620**	5,707
	156,063	150,911

	Non-current assets	
	2019	2018
	$'000	$'000
Singapore	**1,078,907**	940,252
Australia	**396,374**	443,527
United Kingdom	**467,413**	189,933
Other countries	**128,956**	124,402
	2,071,650	1,698,114

36. SEGMENT INFORMATION (continued)

Changes in accounting policy

(i) The adoption of the new leasing standard described in Note 2.1 had the following impact on the adjusted operating profit in the current year:

	Operating profit before adoption of SFRS(I) 16 $'000	Rental expenses under SFRS(I) 1-17, when the Group is a lessee $'000	Depreciation expenses $'000	Operating profit after adoption of SFRS(I) 16 $'000
Hospitality				
Management services – Singapore	4,091	468	(450)	4,109
Operations – Singapore	5,538	17,000	(9,843)	12,695
Operations – Australia and New Zealand	149	2,056	(1,596)	609
Property ownership	7,795	-	-	7,795
Property				
Development	478	-	-	478
Investment	14,788	-	-	14,788
	32,839	19,524	(11,889)	40,474

(ii) The recognition of ROU assets and lease liabilities on the balance sheet resulted in an increase in depreciation and finance expenses in the consolidated statement of comprehensive income in the current year as follows:

	Depreciation $'000	Finance expense $'000
Hospitality		
Management services – Singapore	450	20
Operations – Singapore	9,843	9,350
Operations – Australia and New Zealand	1,596	139
Property ownership	-	-
Property		
Development	-	-
Investment	-	-
	11,889	9,509

Included in corporate expenses is depreciation expense on ROU assets amounting to $785,000 for the financial year ended 31 December 2019.

37. NEW OR REVISED ACCOUNTING STANDARDS AND INTERPRETATIONS

Amendments to SFRS(I) 3 *Business Combination* (effective for annual periods beginning on or after 1 January 2020)

The amendments provide new guidance on the assessment of whether an acquisition meets the definition of a business under SFRS(I) 3. To be considered a business, an acquisition would have to include an output and a substantive process that together significantly contribute to the ability to create outputs. A framework is introduced to evaluate when an input and substantive process are present. To be a business without outputs, there will now need to be an organised workforce.

The definition of the term 'outputs' is narrowed to focus on goods and services provided to customers, generating investment income and other income, and it excludes returns in the form of lower costs and other economic benefits.

It is also no longer necessary to assess whether market participants are capable of replacing missing elements or integrating the acquired activities and assets.

Entities can apply a 'concentration test' that, if met, eliminates the need for further assessment. Under this optional test, where substantially all of the fair value of gross assets acquired is concentrated in a single asset (or a group of similar assets), the assets acquired would not represent a business.

These amendments are applied to business combinations and asset acquisitions with acquisition date on or after 1 January 2020. Early application is permitted. The Group does not expect any significant impact arising from applying these amendments.

38. LISTING OF SIGNIFICANT COMPANIES IN THE GROUP

Name of companies	Principal activities	Country of business/ incorporation	Group effective ownership interest held	
			2019	2018
			%	%
Significant subsidiaries				
Far East Hospitality Holdings Pte. Ltd.	Investment holding	Singapore	**70**	70
Jelco Properties Pte Ltd	Investment and sales of properties	Singapore	**100**	100
Far East Hospitality Properties (Australia) Pte. Ltd.	Ownership of hospitality properties	Singapore	**70**	70
Far East Hospitality Investments (Australia) Pte. Ltd.	Investment holding	Singapore	**70**	70
Far East Orchard Holdings (Jersey) Limited	Investment of properties through its subsidiaries	United Kingdom/ Jersey	**100**	100
Significant joint ventures				
Toga Hotel Holdings Unit Trust	Ownership and management of hospitality properties	Australia	**35**	35
Woodlands Square Pte. Ltd.	Property development	Singapore	**33**	33
Significant associated company				
FEO Hospitality Asset Management Pte. Ltd.	REIT Manager of Far East Hospitality Trust	Singapore	**33**	33

39. EVENT OCCURRING AFTER BALANCE SHEET DATE

Subsequent to the outbreak of the Coronavirus Disease 2019 ("COVID-19 outbreak") in early 2020, a series of measures to curb the COVID-19 outbreak have been and continues to be implemented in countries/regions where the Group operates. The Group will continue to pay close attention to the development of COVID-19 outbreak and its related impact on the Group's businesses and financials. As at the date of this financial statements, there is no material adverse effect on the financial statements for the financial year ended 31 December 2019 as a result of the COVID-19 outbreak. In 2020, the Group will continue to assess the impact of COVID-19 on the fair values of the Group's investment properties and land and buildings classified under property, plant and equipment by testing for impairment as required under the accounting standards.

40. 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 2020.

STATISTICS OF SHAREHOLDINGS

As at 16 March 2020

Issued and fully paid-up capital	:	S$498,006,015.55
Number of shares issued	:	438,359,554
Class of shares	:	Ordinary Shares fully paid
Voting rights	:	One vote per share
Treasury shares	:	Nil

DISTRIBUTION OF SHAREHOLDINGS

Size of Shareholdings	No. of Shareholders	%	No. of Shares	%
1 – 99	314	5.48	9,309	0.00
100 – 1,000	576	10.05	367,506	0.09
1,001 – 10,000	3,279	57.19	15,966,523	3.64
10,001 – 1,000,000	1,544	26.93	62,375,395	14.23
1,000,001 and above	20	0.35	359,640,821	82.04
Total	**5,733**	**100.00**	**438,359,554**	**100.00**

TWENTY LARGEST SHAREHOLDERS

No.	Name	No. of Shares	%
1	FAR EAST ORGANIZATION PTE. LTD.	268,548,739	61.26
2	BNP PARIBAS NOMINEES SINGAPORE PTE. LTD.	20,966,800	4.78
3	UNITED OVERSEAS BANK NOMINEES (PRIVATE) LIMITED	16,527,466	3.77
4	CITIBANK NOMINEES SINGAPORE PTE LTD	12,306,283	2.81
5	DBS NOMINEES (PRIVATE) LIMITED	9,348,980	2.13
6	THE BANK OF EAST ASIA (NOMINEES) PRIVATE LIMITED	5,006,054	1.14
7	MAYBANK KIM ENG SECURITIES PTE. LTD.	4,022,350	0.92
8	OCBC NOMINEES SINGAPORE PRIVATE LIMITED	2,689,648	0.61
9	MORPH INVESTMENTS LTD	2,543,800	0.58
10	TAN SU KIOK OR SIA LI WEI JOLIE (SHE LIWEI JOLIE)	2,302,330	0.53
11	PHILLIP SECURITIES PTE LTD	2,256,005	0.51
12	CGS-CIMB SECURITIES (SINGAPORE) PTE. LTD.	2,182,322	0.50
13	KHOO POH KOON	1,796,375	0.41
14	UOB KAY HIAN PRIVATE LIMITED	1,774,329	0.40
15	RAFFLES NOMINEES (PTE.) LIMITED	1,505,807	0.35
16	DBS VICKERS SECURITIES (SINGAPORE) PTE LTD	1,329,342	0.30
17	HEXACON CONSTRUCTION PTE LTD	1,230,905	0.28
18	OCBC SECURITIES PRIVATE LIMITED	1,221,500	0.28
19	WAN FOOK WENG	1,041,906	0.24
20	HOE SENG CO PTE LTD	1,039,880	0.24
Total		**359,640,821**	**82.04**

SUBSTANTIAL SHAREHOLDERS

(as shown in the Register of Substantial Shareholders)

Name of Substantial Shareholder	Direct Interest No. of Shares	%	Deemed Interest No. of Shares	%
Far East Organization Pte. Ltd.	268,548,739	61.26	-	-
Tan Kim Choo[(1)]	224,659	0.05	268,548,739	61.26
The Estate of Ng Teng Fong, deceased[(2)]	-	-	268,548,739	61.26
Ng Chee Siong[(3)]	-	-	268,548,739	61.26
Ng Chee Tat, Philip[(4)]	-	-	268,548,739	61.26

Notes:

(1) Mdm Tan Kim Choo is deemed to be interested in the Shares held by Far East Organization Pte. Ltd. ("**FEOPL**") through her 50% shareholding in the issued share capital of FEOPL.

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

(3) FEOPL has a direct interest in 268,548,739 shares. The Estate has more than 20% interest in FEOPL. Ng Chee Siong is a beneficiary of the Estate and is therefore deemed to be interested in the 268,548,739 shares in which FEOPL has an interest.

(4) FEOPL has a direct interest in 268,548,739 shares. The Estate has more than 20% interest in FEOPL. Ng Chee Tat, Philip is a beneficiary of the Estate and is therefore deemed to be interested in the 268,548,739 shares in which FEOPL has an interest.

PERCENTAGE OF SHAREHOLDINGS IN PUBLIC HANDS

Based on the information provided to the Company as at 16 March 2020, approximately 38.69% 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.

NOTE TO SHAREHOLDERS

Please note that the Statistics of Shareholdings as at 16 March 2020 on pages 156 and 157 are for the purposes of issuing this Annual Report to Shareholders by 15 April 2020. The Company will make available an updated Statistics of Shareholdings at SGXNet once the date of the 52nd Annual General Meeting is fixed.

ADDITIONAL INFORMATION ON DIRECTORS SEEKING RE-ELECTION PURSUANT TO RULE 720(6) OF THE LISTING MANUAL OF THE SGX-ST

Mdm Ee Choo Lin Diana, Ms Koh Kah Sek and Mr Alan Tang Yew Kuen are the Directors seeking re-election at the forthcoming annual general meeting of the Company.

Name of Director	**Ee Choo Lin Diana**	**Koh Kah Sek**	**Alan Tang Yew Kuen**
Date of First Appointment	29 April 2011	1 November 2016	1 January 2020
Date of Last Re-Appointment	20 April 2017	20 April 2017	N.A.
Age	62	49	54
Country of principal residence	Singapore	Singapore	Singapore
The Board's comments on this appointment (including rationale, selection criteria, and the search and nomination process)	The Board of Directors of the Company considered Mdm Ee's performance, contribution, experience and competencies, and recommended her re-election.	The Board of Directors of the Company considered Ms Koh's performance, contribution, experience and competencies, and recommended her re-election.	The Board of Directors of the Company believes Mr Tang's qualification and experience will bring value to the Company.
Whether appointment is executive, and if so, the area of responsibility	Independent and Non-Executive	Non-Executive	Executive. Mr Tang is responsible for the overall management, operations and performance of the Far East Orchard Limited group.
Job Title (e.g. Lead ID, AC Chairman, AC Member etc.)	Independent and Non-Executive Director, RC Chairman and ARC Member	Non-Executive Director and RC Member	Group Executive Officer and Executive Director
Working experience and occupation(s) during the past 10 years	• Mdm Ee is a retiree. She has extensive international experience in the tourism and hospitality industry. Presently, she serves as a director/ chair of various companies.	• January 2015 to present – Executive Director and Chief Financial Officer, Far East Organization • April 2012 to December 2014 –Group Financial Controller, Far East Organization • September 2009 to October 2011 – Group Treasurer, Singapore Telecommunications Limited	• August 2013 to December 2019 – Chief Operating Officer, Frasers Hospitality International Pte Ltd • October 1999 to May 2013 – Senior Vice President, Head Hospitality, GIC Real Estate Pte Ltd
Shareholding interest in the listed issuer and its subsidiaries	No	No	No

ADDITIONAL INFORMATION ON DIRECTORS SEEKING RE-ELECTION PURSUANT TO RULE 720(6) OF THE LISTING MANUAL OF THE SGX-ST

Name of Director	Ee Choo Lin Diana	Koh Kah Sek	Alan Tang Yew Kuen
Any relationship (including immediate family relationships) with any existing director, existing executive officer, the issuer and/ or substantial shareholder of the listed issuer or of any of its principal subsidiaries	Nil	Directly associated with Far East Organization Pte. Ltd., a substantial shareholder of the Company.	Nil
Conflict of interest (including any competing business)	Nil	As above	Nil
Undertaking (in the format set out in Appendix 7.7) under Rule 720(1) has been submitted to the listed issuer	Yes	Yes	Yes
Other Principal Commitments Including Directorships			
Past (for last 5 years)	• Republic Polytechnic Singapore (Board Member of the Board of Governors) • Singapore Tourism Board (Board Member)	Nil	• Frasers Hospitality Investment Holding (Philippines) Pte Ltd (Director) • Republic Polytechnic, School of Hospitality (Member of Advisory Committee)
Present	• Mt Faber Leisure Group Pte Ltd (Chairman) • SHATEC Institutes Pte Ltd (Vice-Chairman) • BND Associates Pte Ltd (Director) • Far East Hospitality Holdings Pte. Ltd. (Director) • Sentosa Development Corporation (Board Member) • Singapore Standards Council (Member), Singapore Services Standards Committee (Co-Chairman) • Toga Hotel Holdings Pty Ltd (Director and Member of the Audit & Risk Committee of the Trustee Board)	• Non-Executive and Independent Director and Chairman of Audit Committee of Netlink NBN Management Pte. Ltd. (trustee-manager of Netlink NBN Trust, a business trust listed on the SGX-ST) • Executive Director and Chief Financial Officer, Far East Organization • Vice President, National Council of Girl Guides Singapore • Fellow Member and Divisional Councillor of CPA Australia (Singapore Division) • Chair, CFO Committee, CPA Australia (Singapore Division) • Council Member – Professional Education Council, Singapore Accountancy Commission	• Far East Hospitality Holdings Pte. Ltd. (Chairman) • Member of Hotel Innovation Committee, Singapore Hotel Association • Toga Hotel Holdings Pty Limited (Director of the Trustee Board)

ADDITIONAL INFORMATION ON DIRECTORS SEEKING RE-ELECTION PURSUANT TO RULE 720(6) OF THE LISTING MANUAL OF THE SGX-ST

Name of Director	Ee Choo Lin Diana	Koh Kah Sek	Alan Tang Yew Kuen
(a) Whether at any time during the last 10 years, an application or a petition under any bankruptcy law of any jurisdiction was filed against him or against a partnership of which he was a partner at the time when he was a partner or at any time within 2 years from the date he ceased to be a partner?	No	No	No
(b) Whether at any time during the last 10 years, an application or a petition under any law of any jurisdiction was filed against an entity (not being a partnership) of which he was a director or an equivalent person or a key executive, at the time when he was a director or an equivalent person or a key executive of that entity or at any time within 2 years from the date he ceased to be a director or an equivalent person or a key executive of that entity, for the winding up or dissolution of that entity or, where that entity is the trustee of a business trust, that business trust, on the ground of insolvency?	No	Yes. I am a director of Benny Burger Pty Ltd, a proprietary company incorporated in Australia and a subsidiary of Vue Group, which was placed under creditors' voluntary liquidation.	No
(c) Whether there is any unsatisfied judgment against him?	No	No	No
(d) Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving fraud or dishonesty which is punishable with imprisonment, or has been the subject of any criminal proceedings (including any pending criminal proceedings which he is aware of) for such purpose?	No	No	No

ADDITIONAL INFORMATION ON DIRECTORS SEEKING RE-ELECTION PURSUANT TO RULE 720(6) OF THE LISTING MANUAL OF THE SGX-ST

Name of Director	Ee Choo Lin Diana	Koh Kah Sek	Alan Tang Yew Kuen
(e) Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or has been the subject of any criminal proceedings (including any pending criminal proceedings which he is aware of) for such breach?	No	No	No
(f) Whether at any time during the last 10 years, judgment has been entered against him in any civil proceedings in Singapore or elsewhere involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or a finding of fraud, misrepresentation or dishonesty on his part, or he has been the subject of any civil proceedings (including any pending civil proceedings of which he is aware) involving an allegation of fraud, misrepresentation or dishonesty on his part?	No	No	No
(g) Whether he has ever been convicted in Singapore or elsewhere of any offence in connection with the formation or management of any entity or business trust?	No	No	No
(h) Whether he has ever been disqualified from acting as a director or an equivalent person of any entity (including the trustee of a business trust), or from taking part directly or indirectly in the management of any entity or business trust?	No	No	No
(i) Whether he has ever been the subject of any order, judgment or ruling of any court, tribunal or governmental body, permanently or temporarily enjoining him from engaging in any type of business practice or activity?	No	No	No

ADDITIONAL INFORMATION ON DIRECTORS SEEKING RE-ELECTION PURSUANT TO RULE 720(6) OF THE LISTING MANUAL OF THE SGX-ST

Name of Director	Ee Choo Lin Diana	Koh Kah Sek	Alan Tang Yew Kuen
(j) Whether he has ever, to his knowledge, been concerned with the management or conduct, in Singapore or elsewhere, of the affairs of :-			
(i) any corporation which has been investigated for a breach of any law or regulatory requirement governing corporations in Singapore or elsewhere; or	No	No. But as additional information, I am a director of various corporations and entities in the Far East Organization Group, Sino Group and Vue Group operating within the real estate, hospitality and food and beverage industries. There have been occasions where these corporations and entities have been investigated by the authorities for breaches of laws and regulations arising from their day to day operations. To the best of my knowledge, none of the warnings, fines and penalties imposed on the corporations and entities arising from such investigations during my tenure as a director is material nor do they relate to the directors in their personal capacities.	No
(ii) any entity (not being a corporation) which has been investigated for a breach of any law or regulatory requirement governing such entities in Singapore or elsewhere; or	No	No. But please refer to the additional information for item (j)(i) above.	No

ADDITIONAL INFORMATION ON DIRECTORS SEEKING RE-ELECTION PURSUANT TO RULE 720(6) OF THE LISTING MANUAL OF THE SGX-ST

Name of Director	Ee Choo Lin Diana	Koh Kah Sek	Alan Tang Yew Kuen
(iii) any business trust which has been investigated for a breach of any law or regulatory requirement governing business trusts in Singapore or elsewhere; or	No	Yes. I am a director of NetLink NBN Management Pte Ltd (trustee-manager of NetLink NBN Trust) and was previously a director of NetLink Management Pte Ltd (trustee-manager of NetLink Trust). NetLink NBN Trust owns NetLink Trust. NetLink Trust designs, builds, owns and operates the passive fibre network infrastructure of Singapore's Next Gen NBN. NetLink Trust is subject to various laws and regulations governing its day-to-day operations and has been investigated by regulatory authorities in the ordinary course of business, for example, for failing to comply with the quality of service standards under NetLink Trust's licensing requirements which could have resulted in warnings or penalties (as applicable) imposed on NetLink Trust. These investigations were reported to the Risk and Regulatory Committee and thereafter to the Board of Directors of NetLink NBN Management Pte Ltd (trustee-manager of NetLink NBN Trust). To the best of my knowledge, none of the warnings or penalties imposed on Netlink Trust arising from such investigations during my tenure as a director is material nor do they relate to the directors in their personal capacities.	No

ADDITIONAL INFORMATION ON DIRECTORS SEEKING RE-ELECTION PURSUANT TO RULE 720(6) OF THE LISTING MANUAL OF THE SGX-ST

Name of Director	Ee Choo Lin Diana	Koh Kah Sek	Alan Tang Yew Kuen
(iv) any entity or business trust which has been investigated for a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, in connection with any matter occurring or arising during that period when he was so concerned with the entity or business trust?	No	No	No
(k) Whether he has been the subject of any current or past investigation or disciplinary proceedings, or has been reprimanded or issued any warning by the Monetary Authority of Singapore or any other regulatory authority, exchange, professional body or government agency, whether in Singapore or elsewhere?	No	No	No
Any prior experience as a director of an issuer listed on the Exchange?	N.A.	N.A.	N.A.

FAR EAST ORCHARD LIMITED

A Member of Far East Organization

Registration No. 196700511H
1 Tanglin Road #05-01
Orchard Rendezvous Hotel, Singapore
Singapore 247905

T (65) 6833 6688

F (65) 6738 8085

www.fareastorchard.com.sg