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

MEDIA RELEASE

FAR EAST ORCHARD 1H FY23 OPERATING PROFIT INCREASED 12.0% TO S$28.0 MILLION AS STRONG TOURISM GROWTH CONTINUED

- **Group revenue increased 42.7% year-on-year to S$90.9 million**
- **Hospitality business recorded improved earnings on the back of the strong recovery in corporate and leisure travel**
- **Purpose-built student accommodation ("PBSA") business delivered consistent and stable growth**
- **Remain focused on navigating the macro-economic headwinds from the persistent high-interest rate and inflationary environment**

08 August 2023, Singapore – Far East Orchard Limited ("Far East Orchard", and together with its subsidiaries, the "Group") today announced its financial results for the half-year period ended 30 June 2023 ("1H FY23").

SUMMARY OF FINANCIAL PERFORMANCE

Financial Highlights

S$ million	1H FY23	1H FY22	% CHANGE
Revenue	90.9	63.7	42.7
Operating profit	28.0	25.0	12.0
Profit after income tax	7.6	8.8[1]	(13.6)
Profit attributable to equity holders of the Company	8.2	8.0	2.1

Note [1] 1H FY22 included a one-off gain from the derecognition of lease liabilities recognised by the Australia hospitality joint venture in 1H FY22 of S$7.6 million. Excluding this one-off gain, profit after tax for 1H FY23 would have been higher by S$6.4 million compared to 1H FY22.

Revenue for 1H FY23 increased by S$27.2 million, or 42.7%, to S$90.9 million, mainly contributed by the Hospitality business, which increased by S$25.8 million, or 70.7%, to S$62.3 million. The Hospitality business delivered better operating performance as international travel continued to recover strongly, driving higher occupancies and room rates. Furthermore, the results for the Hospitality business for 1H FY22 were impacted by Omicron-triggered restrictions and borders closure in 1Q FY22.

Revenue from the Group's PBSA business increased S$1.4 million, or 6.4%, to S$23.7 million in 1H FY23 compared to the same period last year. The slowdown in the supply pipeline and the rise in student numbers drove demand for student accommodation, resulting in the Group's PBSA portfolio achieving higher portfolio occupancy and rental growth for the academic year, which commenced in September 2022 ("AY22/23").

In 1H FY23, the Group recognised an impairment loss of S$3.4 million on its mixed-used development in the UK due to the slowdown of the UK housing market caused by the rising interest environment. The rising interest cost also impacted the Group's results. Consequently, despite the higher operating profit from the operating businesses, profit after tax decreased by S$1.2 million to S$7.6 million compared to S$8.8 million in 1H FY22. The results would have been stronger if not for the one-off gains, including the derecognition of lease liabilities recognised in 1H FY22.

As at 30 June 2023, the Group maintained a healthy cash position of S$226.9 million compared to S$232.8 million as at 31 March 2023.

OPERATIONAL UPDATES

Hospitality Business – Riding on the recovery

The tourism recovery is maintaining momentum despite economic headwinds, reaching about 80% of 2019 international tourist arrivals.[1] Riding on this recovery, the Group's Hospitality business recorded improved hotel occupancy and room rates across its portfolio throughout the first half of 2023.

In recognition of the Group's continuous efforts to establish itself as a credible regional operator, in 1H FY23, three of the Singapore hotels managed by the Group's hospitality arm, Far East Hospitality, made it to the TripAdvisor Travellers' Choice Awards: Best of the Best 2023 top 10 rankings, with The Barracks Hotel Sentosa garnered the No. 1 ranking. The Oasia Hotel Novena and The Clan Hotel ranked No. 7 and No. 8, respectively. The Amoy Hotel and The Quincy Hotel were also ranked among the Top 25 hotels in Singapore.[2]

On the back of the opening of four hotels (or more than 500 rooms) in 1H FY23, the Group's hospitality joint venture, Toga Far East Hotels ("TFE Hotels"), opened its second Vienna property, a 131-key Adina Serviced Apartments Vienna on 2 July 2023.

UK PBSA Business - Market fundamentals remain strong

The underlying fundamentals of the PBSA market remain strong due to the supply and demand imbalance caused by the slowdown in the supply pipeline, coupled with rising demand from demographic growth and increasing international students.[3] The Universities and Colleges Admissions Service (UCAS) forecasts a 60% increase in international student applicants to reach 240,000 by 2030, building on a record volume in 2022.[4]

In 1H FY23, the Group completed the acquisition of a PBSA property in Southampton, Emily Davies. Emily Davies' occupancy for the AY22/23 is 100%, while reservations for AY23/24 are over 99% as at 30 June 2023.

As at 30 June 2023, the Group's UK PBSA portfolio's reservations for the academic year commencing September 2023 ("AY23/24") have surpassed that of AY22/23 of ~ 92%.

OUTLOOK

Amidst resilient economic activity in the first quarter, the International Monetary Fund (IMF) raised the global growth forecast by 0.2% to 3.0% for 2023 from the April 2023 forecast. However, growth remains weak by historical standards.[5] Persistent challenges such as high-interest rates and inflation continue to dampen the medium-term outlook.

Tourism in Asia Pacific and Europe have recovered at different paces, with the former at 54% of the pre-pandemic level, while the latter's recovery reached 90% of the pre-pandemic level, driven by intra-regional demand.[1] However, tourism's recovery still faces challenges. The economic situation remains the main factor impeding international tourism's full recovery in 2023, as high inflation and rising oil prices translate to higher transport and accommodation costs.

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[1] UNWTO. "Tourism on track for full recovery as new data shows strong start to 2023". 9 May 2023.
[2] Tripadvisor. "Tripadvisor Reveals Top-Rated Hotels in 2023 Travelers' Choice Best of the Best Awards". 24 May 2023.
[3] CBRE. "PBSA – UK Real Estate Market Outlook 2023." 2023.
[4] Colliers. "Student Accommodation Market Snapshot – April 2023". 4 May 2023.
[5] IMF. "Near-term resilience, persistent challenges - July 2023." 25 July 2023.

In Singapore, international arrivals recovered well, exceeding one million for the fourth consecutive month in June 2023.[6] However, the slow return of Chinese tourists, Singapore's top source of tourists before the pandemic, will weigh on the tourism recovery.

Consequently, the Group remains cautiously confident for the second half of 2023 while being cognisant of the challenges posed by the downside risks and uncertainties of the economic condition, geopolitical insecurity, continued staffing shortages, and the potential impact of the cost-of-living crisis on tourism.

For the PBSA sector, the UK remains a key global destination for students looking to study abroad. With student applications projected to increase by 30% relative to 2022, to reach 1 million by 2030,[7] the imbalance in demand/supply of student housing and rental growth, amongst other factors, means the PBSA market will remain resilient in 2023 and beyond.

Industry forecast shows that demand for student accommodation will continue to outpace the supply significantly. The development of new PBSA is also slowing due to a combination of factors – rising build costs present viability challenges, the planning system remains a significant barrier to delivery, and increasing operational costs will continue hindering new developments.

Despite challenges, the Group remains optimistic about the rising demand for student accommodation beds. Through active asset management, the Group will constantly review its portfolio to address the supply and demand imbalance across our portfolio and unlock opportunities in the UK.

Group Chief Executive Officer of Far East Orchard, Mr Alan Tang, commented, "With the macro-economic uncertainties ahead of us, we expect the operating environment to remain challenging. Nonetheless, we will continue to focus on revenue growth to counter the inflation across our businesses while driving operational efficiencies and managing costs."

– END –

[6] Business Times. "Singapore tourist arrivals up in June, surpass one million for fourth straight month." 14 July 2023.
[7] UCAS. "UCAS asks: How do we accommodate a million applicants?" 18 May 2023.

About Far East Orchard Limited (www.fareastorchard.com.sg)

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

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

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

Through its hospitality partnerships with The Straits Trading Company and Toga Group, Far East Orchard's hospitality arm — Far East Hospitality — now owns more than 10 hospitality assets and manages close to 100 properties with over 16,500 rooms in Australia, Austria, Denmark, Germany, Hungary, Japan, Malaysia, New Zealand, Singapore and Switzerland. Its stable of 10 unique and complementary hospitality brands are Oasia, Quincy, Rendezvous, Village, Far East Collection, A by Adina, Adina Apartment Hotels and Adina Serviced Apartments, Vibe Hotels, Travelodge Hotels and Collection by TFE Hotels.

Far East Orchard's UK PBSA portfolio comprises over 3,600 beds in Brighton, Bristol, Leeds, Liverpool, Newcastle upon Tyne, Sheffield and Southampton. In 2022, Far East Orchard acquired a PBSA property, a 690-bed development site at Bristol. Upon completing the development site at Bristol, it would bring Far East Orchard's PBSA portfolio to approximately 4,400 beds across 14 properties in the UK.

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

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

UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
For the Six Months Ended 30 June 2023

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A. CONDENSED INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	Six months ended 30 June **2023** **$'000**	Six months ended 30 June 2022 $'000	Increase/ (Decrease) %
Revenue	4	**90,863**	63,663	42.7
Cost of sales		**(44,888)**	(30,752)	46.0
Gross profit		**45,975**	32,911	39.7
Other income				
− Interest income		**3,313**	642	>100
− Other income		**158**	300	(47.3)
Other losses and impairment losses – net		**(2,978)**	(3,488)	(14.6)
Expenses				
− Distribution and marketing		**(4,482)**	(5,343)	(16.1)
− Administrative		**(17,597)**	(16,835)	4.5
− Finance		**(15,582)**	(8,810)	76.9
Share of profit of				
− Associated companies		**1,430**	1,781	(19.7)
− Joint ventures		**99**	10,141	(99.0)
Profit before income tax	5	**10,336**	11,299	(8.5)
Income tax expense	6	**(2,698)**	(2,498)	8.0
Profit after income tax		**7,638**	8,801	(13.2)
Other comprehensive income/(loss):				
Items that may be reclassified subsequently to profit or loss:				
Cash flow hedges - Fair value gains		**2,367**	5,492	(56.9)
Share of other comprehensive income of joint ventures		**210**	5,175	(95.9)
Currency translation differences arising from consolidation		**1,759**	(14,826)	nm
		4,336	(4,159)	nm
Items that will not be reclassified subsequently to profit or loss:				
Share of other comprehensive income of:				
− Associated companies		**369**	1,596	(76.9)
− Joint ventures	9	**1,008**	4,738	(78.7)
Tax expense relating to share of joint venture's asset revaluation reserve movement		**(450)**	(1,064)	(57.7)
Currency translation differences arising from consolidation		**(783)**	(2,799)	(72.0)
Other comprehensive income/(loss), net of tax		**4,480**	(1,688)	nm
Total comprehensive income		**12,118**	7,113	70.4
Profit/(Loss) attributable to:				
Equity holders of the Company		**8,202**	8,033	2.1
Non-controlling interest		**(564)**	768	nm
		7,638	8,801	(13.2)
Total comprehensive profit/(loss) attributable to:				
Equity holders of the Company		**13,162**	6,523	>100
Non-controlling interest		**(1,044)**	590	nm
		12,118	7,113	70.4
Basic and diluted profit per share for profit attributable to equity holders of the Company (cents per share)		**1.73**	1.73	0.0

nm: not meaningful

B. CONDENSED INTERIM STATEMENTS OF FINANCIAL POSITION

		Group		Company	
	Note	**30 June 2023 $'000**	31 December 2022 $'000	**30 June 2023 $'000**	31 December 2022 $'000
ASSETS					
Current assets					
Cash and bank balances	7	**226,939**	233,195	**133,461**	143,853
Trade and other receivables		**39,459**	45,014	**181,003**	180,151
Inventories		**327**	363	**11**	10
Properties held for sale	8	**176,152**	176,218	**-**	-
Non-current asset classified as held-for-sale		**361**	365	**-**	-
		443,238	455,155	**314,475**	324,014
Non-current assets					
Derivative financial instruments	18	**15,928**	12,749	**8,931**	6,572
Financial asset, at FVOCI	18	**1,838**	1,140	**1,838**	1,140
Other non-current assets		**5,191**	5,599	**421,768**	369,888
Investments in associated companies		**29,032**	27,233	**696**	696
Investments in joint ventures	9	**471,642**	480,468	**300**	300
Investments in subsidiaries		**-**	-	**852,118**	852,510
Investment properties	10	**910,811**	853,207	**124,335**	124,335
Property, plant and equipment	11	**581,589**	592,683	**376,235**	379,704
Intangible assets	12	**102,272**	103,343	**-**	-
Deferred income tax assets		**3,723**	3,657	**2,630**	2,630
		2,122,026	2,080,079	**1,788,851**	1,737,775
Total assets		**2,565,264**	2,535,234	**2,103,326**	2,061,789
LIABILITIES					
Current liabilities					
Trade and other payables		**95,426**	99,422	**38,285**	38,180
Current income tax liabilities		**3,891**	1,523	**-**	-
Lease liabilities		**8,214**	8,375	**6,049**	6,213
Borrowings	13	**271,287**	220,930	**148,363**	119,002
Deferred income		**12,147**	14,965	**6,797**	6,804
		390,965	345,215	**199,494**	170,199
Non-current liabilities					
Other payables		**101,469**	100,981	**341,689**	338,471
Lease liabilities		**87,166**	91,296	**64,367**	67,384
Borrowings	13	**365,417**	381,280	**244,468**	230,575
Deferred income		**259,319**	262,717	**259,319**	262,717
Deferred income tax liabilities		**50,934**	50,302	**-**	-
		864,305	886,576	**909,843**	899,147
Total liabilities		**1,255,270**	1,231,791	**1,109,337**	1,069,346
NET ASSETS		**1,309,994**	1,303,443	**993,989**	992,443
EQUITY					
Capital and reserves attributable to equity holders of the Company					
Share capital	14	**549,380**	535,958	**549,380**	535,958
Revaluation and other reserves		**356,074**	351,099	**301,160**	299,391
Retained profits		**396,669**	407,471	**143,449**	157,094
		1,302,123	1,294,528	**993,989**	992,443
Non-controlling interest		**7,871**	8,915	**-**	-
TOTAL EQUITY		**1,309,994**	1,303,443	**993,989**	992,443

C. CONDENSED INTERIM STATEMENTS OF CHANGES IN EQUITY

The Group

		← Attributable to equity holders of the Company →									
	Note	Share capital $'000	Capital reserve $'000	Asset revaluation reserve $'000	Currency translation reserve $'000	Fair value reserve $'000	Hedging reserve $'000	Retained profits $'000	Total $'000	Non-controlling interest $'000	Total equity $'000
2023											
Balance at 1 January 2023		**535,958**	**13,977**	**389,804**	**(67,846)**	**(1,595)**	**16,759**	**407,471**	**1,294,528**	**8,915**	**1,303,443**
Profit for the period		-	-	-	-	-	-	8,202	8,202	(564)	7,638
Other comprehensive income/(loss) for the period		-	-	391	1,516	369	2,684	-	4,960	(480)	4,480
Total comprehensive income/(loss) for the period		-	-	391	1,516	369	2,684	8,202	13,162	(1,044)	12,118
Dividend paid in cash relating to 2022	15	-	-	-	-	-	-	(5,567)	(5,567)	-	(5,567)
Shares issued in-lieu of cash for dividend relating to 2022	14	13,422	-	-	-	-	-	(13,422)	-	-	-
Transfer of share of associated company's fair value reserve upon disposal		-	-	-	-	15	-	(15)	-	-	-
Total transactions with owners, recognised directly in equity		13,422	-	-	-	15	-	(19,004)	(5,567)	-	(5,567)
Balance at 30 June 2023		**549,380**	**13,977**	**390,195**	**(66,330)**	**(1,211)**	**19,443**	**396,669**	**1,302,123**	**7,871**	**1,309,994**
2022											
Balance at 1 January 2022		525,053	13,977	378,667	(38,565)	(2,502)	4,004	399,494	1,280,128	11,567	1,291,695
Profit for the period		-	-	-	-	-	-	8,033	8,033	768	8,801
Other comprehensive income/(loss) for the period		-	-	2,572	(14,714)	1,596	9,036	-	(1,510)	(178)	(1,688)
Total comprehensive income/(loss) for the period		-	-	2,572	(14,714)	1,596	9,036	8,033	6,523	590	7,113
Dividend paid in cash relating to 2021	15	-	-	-	-	-	-	(3,031)	(3,031)	-	(3,031)
Shares issued in-lieu of cash for dividend relating to 2021		10,905	-	-	-	-	-	(10,905)	-	-	-
Transfer of share of associated company's fair value reserve upon disposal		-	-	-	-	2	-	(2)	-	-	-
Total transactions with owners, recognised directly in equity		10,905	-	-	-	2	-	(13,938)	(3,031)	-	(3,031)
Balance at 30 June 2022		535,958	13,977	381,239	(53,279)	(904)	13,040	393,589	1,283,620	12,157	1,295,777

C. CONDENSED INTERIM STATEMENTS OF CHANGES IN EQUITY (continued)

The Company	Note	Share capital	Asset revaluation reserve	Currency translation reserve	Fair value reserve	Hedging reserve	Retained profits	Total equity
		$'000	$'000	$'000		$'000	$'000	$'000
2023								
Balance at 1 January 2023		**535,958**	**292,487**	**(175)**	**(50)**	**7,129**	**157,094**	**992,443**
Profit for the period		-	-	-	-	-	5,344	5,344
Other comprehensive (loss)/income for the period		-	-	(148)	-	1,917	-	1,769
Total comprehensive (loss)/income for the period		-	-	(148)	-	1,917	5,344	7,113
Dividend paid in cash relating to 2022	15	-	-	-	-	-	(5,567)	(5,567)
Shares issued in-lieu of cash for dividend relating to 2022	14	13,422	-	-	-	-	(13,422)	-
Total transactions with owners, recognised directly in equity		13,422	-	-	-	-	(18,989)	(5,567)
Balance at 30 June 2023		**549,380**	**292,487**	**(323)**	**(50)**	**9,046**	**143,449**	**993,989**
2022								
Balance at 1 January 2022		525,053	289,537	-	-	2,774	168,644	986,008
Loss for the period		-	-	-	-	-	(3,035)	(3,035)
Other comprehensive (loss)/income for the period		-	-	(173)	-	2,654	-	2,481
Total comprehensive (loss)/income for the period		-	-	(173)	-	2,654	(3,035)	(554)
Dividend paid in cash relating to 2021	15	-	-	-	-	-	(3,031)	(3,031)
Shares issued in-lieu of cash for dividend relating to 2021		10,905	-	-	-	-	(10,905)	-
Total transactions with owners, recognised directly in equity		10,905	-	-	-	-	(13,936)	(3,031)
Balance at 30 June 2022		535,958	289,537	(173)	-	5,428	151,673	982,423

D. CONDENSED INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS

	Note	Six months ended 30 June 2023 $'000	Six months ended 30 June 2022 $'000
Cash flows from operating activities			
Profit after income tax		**7,638**	8,801
Adjustments for:			
Income tax expense		**2,698**	2,498
Depreciation of property, plant and equipment	5	**8,489**	9,637
Amortisation of intangible assets	5	**1,071**	1,353
Impairment of properties held for sale	5	**3,407**	-
Impairment of advances to a joint venture	5	**-**	68
Impairment of property, plant and equipment	5	**6**	-
Gain on sale of reversionary interest in a property	5	**-**	(1,800)
Gain on re-measurement of lease liability	5	**(3)**	(8)
Interest income	5	**(3,313)**	(642)
Finance expenses	5	**15,582**	8,810
Share of profit of associated companies		**(1,430)**	(1,781)
Share of profit of joint ventures	9	**(99)**	(10,141)
Unrealised currency translation (gains)/losses		**(473)**	5,214
		33,573	22,009
Change in working capital:			
Trade and other receivables		**5,241**	2,518
Inventories		**31**	(58)
Properties held for sale		**-**	(22)
Trade and other payables		**(9,574)**	(11,795)
Cash generated from operations		**29,271**	12,652
Interest paid		**(45)**	(44)
Income tax paid – net		**(898)**	(1,068)
Net cash provided by operating activities		**28,328**	11,540
Cash flows from investing activities			
Additions to property, plant and equipment		**(1,084)**	(348)
Additions to investment properties		**(24,041)**	(455)
Investment in a financial asset, at FVOCI		**(846)**	(1,057)
Proceeds from disposal of reversionary interest in a property		**-**	1,800
Investment in a joint venture		**-**	(3,042)
Advances to joint ventures		**-**	(15,891)
Dividend received from joint ventures	9	**6,674**	1,000
Interest received		**3,410**	336
Net cash used in investing activities		**(15,887)**	(17,657)
Cash flows from financing activities			
Decrease in bank deposits pledged		**2,126**	3,629
Proceeds from borrowings		**23,010**	144,825
Repayment of borrowings		**(16,246)**	(146,069)
Principal payment of lease liabilities		**(4,235)**	(4,936)
Interest paid on lease liabilities		**(2,928)**	(3,158)
Interest paid on borrowings		**(12,559)**	(5,789)
Dividends paid to equity holders of the Company	15	**(5,567)**	(3,031)
Net cash used in financing activities		**(16,399)**	(14,529)
Net decrease in cash and cash equivalents		**(3,958)**	(20,646)
Cash and cash equivalents			
Beginning of financial period		**207,672**	226,510
Effects of currency translation on cash and cash equivalents		**(172)**	(5,004)
End of financial period	7	**203,542**	200,860

E. NOTES TO THE INTERIM FINANCIAL STATEMENTS

1. General information

Far East Orchard Limited (the "Company") is listed on the Singapore Exchange and incorporated and domiciled in Singapore. These condensed interim consolidated financial statements as at and for the six months ended 30 June 2023 comprise the Company and its subsidiaries (the "Group").

The principal activities of the Company are investment holding, hotel operations and property investment. The principal activities of the Group are investment holding, ownership and management of hospitality properties, investment in purpose-built student accommodation ("PBSA") properties, property development and property investment.

2. Basis of preparation

The condensed interim financial statements as at and for the six months ended 30 June 2023 have been prepared in accordance with Singapore Financial Reporting Standards (International) ("SFRS(I)") 1-34 *Interim Financial Reporting* issued by the Accounting Standards Council Singapore and should be read in conjunction with the Group's annual financial statements as at and for the year ended 31 December 2022. The condensed interim financial statements do not include all the information required for a complete set of financial statements. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Group's financial position and performance of the Group since the last annual financial statements for the year ended 31 December 2022.

The accounting policies adopted are consistent with those disclosed in the Group's annual financial statements as at and for the year ended 31 December 2022 which were prepared in accordance with SFRS(I), except for the adoption of new and amended standards as set out in Note 2.1.

The condensed interim financial statements are presented in Singapore dollar, which is the Company's functional currency.

2.1. New and amended standards adopted by the Group

There has been no change in the accounting policies and methods of computation adopted by the Group for the current reporting period compared with the audited financial statements for the year ended 31 December 2022, except for the adoption of new or revised SFRS(I) and Interpretations of SFRS(I) ("INT SFRS(I)") that are mandatory for the financial year beginning on or after 1 January 2023 as follows:

Amendments to SFRS(I) 1-12 Income Taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction

The adoption of the amendments above did not have a significant impact on the Group's financial information as at 1 January 2023 and for the six months ended 30 June 2023. The Group did not restate comparative information.

2.2. Critical accounting estimates, assumptions and judgements

In preparing the condensed interim financial statements, management has made judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income, and expense. Actual results may differ from these estimates.

The significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements as at and for the year ended 31 December 2022.

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

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next interim period are included in the following notes:

- Note 9 - Valuation of investment in a joint venture, Toga Hotel Holdings Unit Trust
- Notes 10 and 11 - Valuation of investment properties and land and buildings classified under property, plant and equipment using significant unobservable inputs
- Note 12 - Impairment assessment of goodwill: key assumptions underlying recoverable amounts

E. NOTES TO THE INTERIM FINANCIAL STATEMENTS (continued)

3. Seasonal operations

The Group's businesses are not affected significantly by seasonal or cyclical factors during the six months ended 30 June 2023.

4. Revenue

	Group Six months ended 30 June	
	2023 **$'000**	2022 $'000
Revenue from contracts with customers	**60,767**	34,771
Rental income	**30,096**	28,892
	90,863	63,663

Disaggregation of revenue from contracts with customers

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

	Group Six months ended 30 June	
	2023 **$'000**	2022 $'000
Hospitality ownership and operations		
− Singapore	**20,146**	9,258
− Australia	**26,224**	16,618
− Other countries	**2,936**	939
	49,306	26,815
Hospitality management and other related fees received/receivable		
Singapore		
− Other related parties	**11,323**	7,882
− Non-related parties	**-**	21
Other countries		
− Other related parties	**138**	53
Total revenue from contracts with customers	**60,767**	34,771

5. Profit before income tax

5.1 Significant items

	Group Six months ended 30 June		
	2023 **$'000**	2022 $'000	Increase/ (Decrease) %
The following items were credited/(charged) to the income statement:			
<u>Other income</u>			
Interest income from bank deposits (Note (a))	**3,265**	580	>100
Interest income from advances to joint ventures	**48**	62	(22.6)
Government grant income (Note (b))	**-**	212	nm

E. NOTES TO THE INTERIM FINANCIAL STATEMENTS (continued)

5. Profit before income tax (continued)

5.1 Significant items (continued)

	Group		
	Six months ended 30 June		
	2023	2022	Increase/ (Decrease)
	$'000	$'000	%
The following items were credited/(charged) to the income statement: (continued)			
Cost of sales and administrative expenses			
Depreciation of property, plant and equipment			
− Right-of-use assets (Note 11)	**(4,289)**	(4,431)	(3.2)
− Other property, plant and equipment (Note (c), Note 11)	**(4,200)**	(5,206)	(19.3)
Amortisation of intangible assets (Note 12(b))	**(1,071)**	(1,353)	(20.8)
Allowance for impairment losses on trade receivables	**(67)**	(329)	(79.6)
Other losses and impairment losses – net			
Impairment of:			
− properties held for sale (Note (d), Note 8)	**(3,407)**	-	nm
− advances to a joint venture	**-**	(68)	nm
− property, plant and equipment (Note 11)	**(6)**	-	nm
Gain on re-measurement of lease liability	**3**	8	(62.5)
Gain on sale of reversionary interest in a property (Note (e))	**-**	1,800	nm
Currency exchange gains/(losses) – net	**432**	(5,228)	nm
Finance expenses			
Interest expense for:			
− bank borrowings (Note (a))	**(14,942)**	(5,256)	>100
− advances from non-controlling interests	**(658)**	(658)	0.0
− lease liabilities	**(2,928)**	(3,158)	(7.3)
Cash flow hedges, reclassified from hedging reserves	**2,946**	262	>100

nm: not meaningful

(a) Interest income from bank deposits has increased for the six months ended 30 June 2023 due to higher interest rates. Similarly, interest expense on bank borrowings have increased for the six months ended 30 June 2023 due to the rising interest rates.

(b) Government grant income during the six months ended 30 June 2022 relates mainly to wage subsidies received from the Singapore and Australian governments.

(c) During the six months ended 30 June 2023, depreciation of other property, plant and equipment decreased by $1,006,000 mainly due to certain assets fully depreciated during the period.

(d) Properties held for sale comprise medical suites and residential units and a commercial unit held for sale. During the six months ended 30 June 2023, an impairment charge on the residential/commercial units of $3,407,000 was recognised based on the net realisable value.

(e) During the six months ended 30 June 2022, the Group recognised a gain on sale of its revisionary interest of approximately 1.5 years in the whole of Lot 320N of Town Subdivision 8 together with the building erected thereon known as Village Residences Clarke Quay (“VRCQ”) situated at 20 Havelock Road, Singapore (the “Sale”) upon completion of the Sale in March 2022. Subsequent to the completion of the Sale, the master lease agreement of VRCQ was terminated and the operations ceased from the end of March 2022.

5.2 Related party transactions

There are no material related party transactions apart from those disclosed elsewhere in the condensed interim financial statements.

E. NOTES TO THE INTERIM FINANCIAL STATEMENTS (continued)

6. Income tax expense

Income tax expense is recognised based on management's estimate of the weighted average effective annual income tax rate expected for the full financial year. The higher income tax expense during the six months ended 30 June 2023 was mainly due to higher taxable income.

During the six months ended 30 June 2023, the income tax expense has included an under-provision of income tax expense relating to prior financial years of $53,000 (Six months ended 30 June 2022: Under-provision of $20,000).

7. Cash and cash equivalents

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

	Group	
	30 June 2023 $'000	30 June 2022 $'000
Cash and bank balances	**226,939**	225,910
Less: Bank deposits pledged	**(23,397)**	(25,050)
Cash and cash equivalents per condensed interim consolidated statement of cash flows	**203,542**	200,860

8. Properties held for sale

	Group	
	30 June 2023 $'000	31 December 2022 $'000
Medical suites	**118,162**	118,162
Residential/Commercial units	**57,990**	58,056
	176,152	176,218

During the six months ended 30 June 2023, the decrease in value was due to an impairment charge of $3,407,000 recognised on the residential/commercial units held for sale based on net realisable value, offset by currency translation gain. The net realisable values were derived with reference from independent external valuation performed as at 30 June 2023.

9. Investments in joint ventures

	Group	Company
	30 June 2023 $'000	30 June 2023 $'000
Equity investment at cost		300
Beginning of interim period	480,468	
Share of profit	99	
Share of movements in:		
− asset revaluation reserve	1,008	
− currency translation reserve	(349)	
− hedging reserve	454	
Dividends received	(6,674)	
Foreign exchange differences	(3,364)	
End of interim period	471,642	

E. NOTES TO THE INTERIM FINANCIAL STATEMENTS (continued)

9. Investments in joint ventures (continued)

As at 30 June 2023, the carrying value of one of the Group's material equity accounted joint ventures, Toga Hotel Holdings Unit Trust ("Toga Trust"), amounted to $182,487,000 (31 December 2022: $191,005,000). The Group's share of Toga Trust's results recognised in the profit or loss and other comprehensive income are affected by the significant estimates and assumptions applied by Toga Trust in the:

(i) Determination of the fair value of its land and buildings classified under property, plant and equipment with a carrying amount of $353,433,000 (31 December 2022: $361,085,000); and

(ii) Impairment assessment of its goodwill and brands with indefinite lives with a carrying amount of $172,818,000 (31 December 2022: $175,041,000).

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

As at 30 June 2023, the Group will provide further funding of £1,859,000 (approximately $3,193,000), if called into a joint venture for the development of a PBSA project on a plot of land located in Bristol, United Kingdom.

10. Investment properties

	Group	Company
	30 June 2023	30 June 2023
	$'000	$'000
Beginning of interim period	853,207	124,335
Additions		
− Acquisition	23,933	-
− Subsequent expenditure	1,230	-
Foreign exchange differences	32,441	-
End of interim period	910,811	124,335
Comprised: Completed properties	910,811	124,335

Total additions of $25,163,000 for the six months ended 30 June 2023 included an advanced payment of £697,000 (approximately $1,122,000) made during the financial year ended 31 December 2022.

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

The Group engages external, independent and qualified valuers to determine the fair value of the investment properties on an annual basis or whenever their carrying amounts are likely to differ materially from their fair values based on the properties' highest and best use. At each financial year-end, the management verifies all major inputs to the independent valuation reports, assesses property valuation movements compared to the prior year valuations and holds discussions with the independent valuers.

The Group's investment properties are measured and carried at fair value using inputs that are not based on observable market data (unobservable inputs), i.e., Level 3 fair values based on year-end valuations performed. The valuation techniques that have been used to derive the Level 3 fair values of the Group's investment properties and land and buildings classified under property, plant and equipment are included in Note 20(d) of the Group's annual financial statements for the year ended 31 December 2022.

At the end of every half-year, management will assess whether the fair values of the Group's properties remain appropriate by holding discussions with property managers and corroborating through independent research and market data. In assessing whether the fair values remained appropriate, management considered whether any movement in market data such as discount rate, capitalisation rates, changes in underlying cash flows or sales comparable would result in a material impact to the fair values of the properties since December 2022. The Group will engage external independent qualified valuer whenever carrying amounts of the properties are likely to differ materially from the fair values recognised in the last financial reporting period.

Based on management's assessment, the fair values determined based on the year-end valuations performed as at 31 December 2022 remained appropriate as at 30 June 2023 and as such no fair value movements have been recognised for the six months ended 30 June 2023.

E. NOTES TO THE INTERIM FINANCIAL STATEMENTS (continued)

10. Investment properties (continued)

As disclosed in Note 20(c) of the Group's annual financial statements for the year ended 31 December 2022, as a result of the changes to the fire safety regulations in the United Kingdom, the Group is assessing the impact of the actions required as part of fire risk assessments on all the PBSA properties. As at 31 December 2022, for properties where the extent of safety works has been determined and estimated costs obtained from external quotations, the costs have been either reflected in the valuations as at 31 December 2022 by the valuer or provided for by the Group. For the remaining properties, the provision cannot be reliably estimated until the Group has completed the assessment of the extent of the works required under the latest fire safety regulations. Where available, the Group will seek to recover costs of any defects from developers under existing construction warranties. As at 30 June 2023, these costs are still being assessed and as such no further provisions have been recognised.

11. Property, plant and equipment

Group

	Freehold and leasehold land	Building and office	Plant, equipment, furniture and fittings	Construction -in-progress	Motor vehicles	Leasehold improvements and other assets	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Six months ended 30 June 2023							
Beginning net book value	383,245	193,660	7,180	516	301	7,781	592,683
Currency translation differences	(1,174)	(2,269)	(82)	(7)	-	(99)	(3,631)
Additions	-	349	316	620	-	148	1,433
Disposals	-	(401)	-	-	-	-	(401)
Impairment (Note 5)	-	-	(6)	-	-	-	(6)
Depreciation charge (Note 5)	-	(7,093)	(886)	-	(86)	(424)	(8,489)
End of interim period	382,071	184,246	6,522	1,129	215	7,406	581,589
As at 30 June 2023							
Cost	-	160,203	61,325	1,129	865	12,558	236,080
Valuation	382,071	114,982	-	-	-	-	497,053
	382,071	275,185	61,325	1,129	865	12,558	733,133
Accumulated depreciation and impairment losses	-	(90,939)	(54,803)	-	(650)	(5,152)	(151,544)
Net book value	**382,071**	**184,246**	**6,522**	**1,129**	**215**	**7,406**	**581,589**
As at 31 December 2022							
Cost	-	160,309	61,387	516	865	12,557	235,634
Valuation	383,245	117,300	-	-	-	-	500,545
	383,245	277,609	61,387	516	865	12,557	736,179
Accumulated depreciation and impairment losses	-	(83,949)	(54,207)	-	(564)	(4,776)	(143,496)
Net book value	383,245	193,660	7,180	516	301	7,781	592,683

Company

During the six months ended 30 June 2023, the Company acquired property, plant and equipment amounting to $120,000 and there was no disposal of assets.

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

The Group engages external, independent, and qualified valuers to determine the fair value of the Group's land and buildings classified as property, plant and equipment, on an annual basis and whenever their carrying amounts are likely to differ materially from their revalued amounts, based on the properties' highest and best use.

At the end of every half-year, management will assess whether fair values of the Group's properties remain appropriate and engage external, independent, and qualified valuers when deemed necessary. The valuation techniques and key inputs that were used to determine the fair value, categorised under Level 3 of the fair value hierarchy were described in Note 20(d) of the Group's annual financial statements for the year ended 31 December 2022. The fair values of the property, plant and equipment determined based on the year-end valuations performed at at 31 December 2022 remained appropriate as at 30 June 2023 and as such no revaluation movements have been recognised for the six months ended 30 June 2023.

E. NOTES TO THE INTERIM FINANCIAL STATEMENTS (continued)

12. Intangible assets

	Group 30 June 2023 $'000
Goodwill arising from acquisition of hospitality businesses (Note (a))	37,257
Hospitality lease and management agreements (Note (b))	65,015
	102,272

(a) Goodwill arising from acquisition of hospitality businesses

	Group 30 June 2023 $'000
Cost	
Beginning and end of interim period	55,706
Accumulated impairment	
Beginning and end of interim period	18,449
Net book value	37,257

Impairment assessment of goodwill

Goodwill is allocated to the Management services cash-generating-unit ("CGU") within the Group's hospitality business. The recoverable amount of the Management services CGU was determined based on fair value less cost to sell ("FVLCTS").

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

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

For further information, please refer to Note 23(a)(i) in the Group's annual financial statements for the year ended 31 December 2022.

Significant estimates

DCF method
Cash flow projections used in the DCF for the 31 December 2022 goodwill impairment testing were based on financial projections approved by management covering a five-year period. Key assumptions used for the analysis of the CGU included cash flows returning to pre COVID-19 level and stabilised state of operations in 2025. Inflationary costs have also been factored in for the cash flow projections. Terminal growth rate of 1.9% and post-tax discount rate of 9.4% were used for the purpose of impairment testing.

GPC method
The key assumptions are the GPC multiples and normalised earnings. Normalised earnings are based on 2025 projections, in line with the expectation of the recovery period from COVID-19 and stabilised state of operations, aligned to the cash flows used under the DCF method. The CGU's normalised earnings were determined by management based on past performance and its expectations of market developments.

As at 30 June 2023, management has considered and assessed possible changes to the key assumptions and have not identified any instances that could cause the carrying amount of the CGU to exceed its recoverable amounts. No further testing for impairment of goodwill was performed as there were no indicators of impairment.

E. NOTES TO THE INTERIM FINANCIAL STATEMENTS (continued)

12. Intangible assets (continued)

(b) Hospitality lease and management agreements

	Group
	30 June 2023 $'000
Cost	
Beginning and end of interim period	98,692
Accumulated amortisation and impairment	
Beginning of interim period	32,606
Amortisation charge included within "Cost of sales" in profit or loss (Note 5)	1,071
End of interim period	33,677
Net book value	65,015

13. Borrowings

	Group	
	30 June 2023 $'000	31 December 2022 $'000
Amount repayable in one year or less, or on demand (net of transaction costs)		
− Secured	**102,924**	81,929
− Unsecured	**168,363**	139,001
	271,287	220,930
Amount repayable after one year (net of transaction costs)		
− Secured	**120,929**	150,705
− Unsecured	**244,488**	230,575
	365,417	381,280
	636,704	602,210

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

E. NOTES TO THE INTERIM FINANCIAL STATEMENTS (continued)

14. Share capital

	Group and Company			
	Number of shares		Amount	
	30 June 2023 '000	31 December 2022 '000	**30 June 2023 $'000**	31 December 2022 $'000
Beginning of half-year financial period	**474,726**	474,726	**535,958**	535,958
Shares issued in-lieu of cash dividend	**13,031**	-	**13,422**	-
End of financial period	**487,757**	474,726	**549,380**	535,958

The Company does not have any convertibles or treasury shares as at 30 June 2023.

The Company does not have any subsidiary that holds shares issued by the Company as at 30 June 2023 and 31 December 2022.

15. Dividend

	Company	
	Six months ended 30 June	
	2023 $'000	2022 $'000
Ordinary dividend paid		
Final dividend paid for in respect of the previous financial year of 4 cents per share (2022: 3 cents per share) using		
− new shares issued	**13,422**	10,905
− cash	**5,567**	3,031
	18,989	13,936

A first and final dividend of three cents per share and a special dividend of one cent per share amounting to a total of $18,989,000 relating to 2022 ("FY2022 Dividend") was approved at the Annual General Meeting held on 19 April 2023. 13,031,538 new shares have been allotted and issued on 28 June 2023 to the eligible shareholders who had elected to participate in the Scrip Dividend Scheme ("Scheme") in respect of the FY2022 Dividend. Shareholders who did not participate in the Scheme were paid the FY2022 Dividend in cash on 28 June 2023.

A final dividend of three cents per share amounting to $13,936,000 relating to 2021 ("FY2021 Dividend") was approved at the Annual General Meeting held on 28 April 2022. 10,191,689 new shares have been allotted and issued on 28 June 2022 to the eligible shareholders who had elected to participate in the Scheme in respect of the FY2021 Dividend. Shareholders who did not participate in the Scheme were paid the FY2021 Dividend in cash on 28 June 2022.

16. Capital commitments

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

	Group	
	30 June 2023 $'000	31 December 2022 $'000
Investment properties	**-**	21,765
Property, plant and equipment	**1,663**	1,567
	1,663	23,332

Included in capital commitment for investment properties as at 31 December 2022 was the commitment amounting to £13,246,000 (approximately $21,477,000) for the acquisition of a freehold student accommodation property located in Southampton, United Kingdom (the "PBSA Acquisition"). The PBSA acquisition was completed in May 2023.

E. NOTES TO THE INTERIM FINANCIAL STATEMENTS (continued)

17. Net asset value

	Group		Company	
	30 June 2023	31 December 2022	**30 June 2023**	31 December 2022
Net asset value per ordinary share based on total number of issued shares as at the end of the period/year	**$2.67**	$2.73	**$2.04**	$2.09

18. Fair value measurements

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

- quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1);
- inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices) (Level 2); and
- inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3).

Fair value measurement disclosure of other assets that are recognised or measured at fair value, can be found in Note 10 and Note 11.

	Group		Company	
	30 June 2023 $'000	31 December 2022 $'000	**30 June 2023 $'000**	31 December 2022 $'000
Assets				
Derivative financial instruments – Level 2	**15,928**	12,749	**8,931**	6,572
Financial asset, at fair value through other comprehensive income (“FVOCI”) – Level 3	**1,838**	1,140	**1,838**	1,140

The Group’s policy is to recognise transfers into and transfers out of fair value hierarchy level as at the end of the reporting period/year. There were no transfers between Levels 1 and 2 during the period/year.

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. The Group uses a variety of methods and makes assumptions that are based on market conditions existing at each balance sheet date. The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows based on observable yield curves. These investments are classified as Level 2 and comprise debt investments and derivative financial instruments. In infrequent circumstances, where a valuation technique for these instruments is based on significant unobservable inputs, such instruments are classified as Level 3.

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

For the investment classified as FVOCI, it is an unlisted equity security measured at fair value at each reporting period. The Group has elected to recognise changes in fair value of equity securities not held for trading in other comprehensive income as these are strategic investments and the Group considers this to be more relevant.

The Group estimates the fair value of its unlisted equity security classified as FVOCI based on its share of the investee company’s net asset value (“NAV”), which is a significant unobservable input. NAV is determined by reference to the attributable net assets of the investee company based on the latest available financial statements, adjusted, where applicable, for valuations of the underlying investment properties held by the investee determined primarily by independent and professional valuers.

Management reviews the appropriateness of the methodologies used to determine NAV, and evaluates the appropriateness and reliability of inputs (including those developed internally by management) used in the determination of NAV.

As at 30 June 2023, the Group has committed equity of $1,859,000 to provide funding if called, to the unlisted equity security.

E. NOTES TO THE INTERIM FINANCIAL STATEMENTS (continued)

19. Segment information

Management has determined the operating segments based on the reports reviewed by the Group Chief Executive Officer for performance measurement and resource allocation.

The Group operates its hospitality business across three segments.

(i) Management services

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

(ii) Operations

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

(iii) Property ownership

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

The Group manages its property business across three segments.

(i) Student accommodation

Student accommodation segment includes properties located in United Kingdom that are owned directly or held through a joint venture by the Group and includes those under development, that are held for rentals or/and long-term capital appreciation.

(ii) Development

The development segment includes all unsold completed properties that are held through either joint ventures or joint operations, medical suites that are held for sale and the residential/commercial units that are held for sale in United Kingdom. Rental income from the leasing of properties held for sale, if any, is included under the investment segment on the reports reviewed by the Group's Group Chief Executive Officer.

(iii) Investment

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

There was no revenue from transactions with a single external customer that accounts for 10% or more of the Group's revenue for the six months ended 30 June 2023 and 2022.

E. NOTES TO THE INTERIM FINANCIAL STATEMENTS (continued)

19. Segment information (continued)

The segment information provided to the Group Chief Executive Officer for the reportable segments are as follows:

	Hospitality			Property			Total
	Management services	Operations	Property ownership	Student accommodation	Development	Investment	
	$'000	$'000	$'000	$'000	$'000	$'000	**$'000**
1 January to 30 June 2023							
Total segment revenue	14,071	22,509	27,265	23,747	-	4,857	92,449
Inter-segment revenue	(1,586)	-	-	-	-	-	(1,586)
Revenue from external parties	**12,485**	**22,509**	**27,265**	**23,747**	**-**	**4,857**	**90,863**
Operating profit/(loss)	3,969	4,768	1,164	13,217	(375)	3,678	**26,421**
Share of profit/(loss) of:							
− associated companies	-	1,430	-	-	-	-	**1,430**
− joint ventures	-	(1,164)	692	(145)	716	-	**99**
Total operating profit	**3,969**	**5,034**	**1,856**	**13,072**	**341**	**3,678**	**27,950**
Corporate expenses							**(2,367)**
Interest income							**3,313**
Finance expenses							**(15,582)**
Others*							**(2,978)**
Profit before income tax							**10,336**
Income tax expense							**(2,698)**
Profit after income tax							**7,638**
As at 30 June 2023							
Segment assets	113,630	419,181	230,434	655,327	178,370	285,354	**1,882,296**
Investments in associated companies	-	29,032	-	-	-	-	**29,032**
Investments in joint ventures	-	182,487	90,320	2,443	196,392	-	**471,642**
	113,630	**630,700**	**320,754**	**657,770**	**374,762**	**285,354**	**2,382,970**
Corporate assets							**182,294**
Total assets							**2,565,264**

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

E. NOTES TO THE INTERIM FINANCIAL STATEMENTS (continued)

19. Segment information (continued)

	Hospitality			Property			Total
	Management services	Operations	Property ownership	Student accommodation	Development	Investment	
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
1 January to 30 June 2022							
Total segment revenue	8,740	10,766	17,744	22,316	-	4,881	64,447
Inter-segment revenue	(784)	-	-	-	-	-	(784)
Revenue from external parties	7,956	10,766	17,744	22,316	-	4,881	63,663
Operating profit/(loss)	225	175	(3,005)	12,898	(1,006)	3,798	13,085
Share of profit/(loss) of:							
− associated companies	-	1,781	-	-	-	-	1,781
− joint ventures	-	6,771	2,905	(112)	577	-	10,141
Total operating profit/(loss)	225	8,727	(100)	12,786	(429)	3,798	25,007
Corporate expenses							(2,052)
Interest income							642
Finance expenses							(8,810)
Others*							(3,488)
Profit before income tax							11,299
Income tax expense							(2,498)
Profit after income tax							8,801
As at 30 June 2022							
Segment assets	113,233	413,969	252,249	610,075	184,099	294,235	1,867,860
Investments in associated companies	-	26,536	-	-	-	-	26,536
Investments in joint ventures	-	194,144	90,306	2,930	193,636	-	481,016
	113,233	634,649	342,555	613,005	377,735	294,235	2,375,412
Corporate assets							187,675
Total assets							2,563,087

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

E. NOTES TO THE INTERIM FINANCIAL STATEMENTS (continued)

19. Segment information (continued)

Geographical information

The Group's six business segments operate in four main geographical areas:

- Singapore – the Company is headquartered and has operations in Singapore. The operations in this area are principally the management of hospitality properties, hotel operations, property development, property investment and investment holding.
- Australia – the operations in this area are principally the management of hospitality properties, hotel operations and property ownership.
- United Kingdom – the operations in this area are principally student accommodation and property development.
- Other countries – the operations include hotel operations and property ownership in Malaysia and Japan and property ownership in Germany and Denmark.

	Revenue	
	6 months ended 30 June	
	2023	2022
	$'000	$'000
Singapore	**36,062**	21,751
Australia	**27,715**	18,316
United Kingdom	**24,012**	22,604
Other countries	**3,074**	992
	90,863	63,663

	Non-current assets	
	30 June 2023	31 December 2022
	$'000	$'000
Singapore	**1,008,894**	1,012,022
Australia	**365,331**	378,696
United Kingdom	**617,336**	556,388
Other countries	**130,465**	132,973
	2,122,026	2,080,079

F. OTHER INFORMATION

1. Review

The condensed consolidated statement of financial position of Far East Orchard Limited and its subsidiaries as at 30 June 2023 and the related condensed consolidated statement of comprehensive income, condensed consolidated statement of changes in equity, statement of changes in equity of the Company and condensed consolidated statement of cash flows for the six-month period and year then ended and certain explanatory notes have not been audited or reviewed by the Company's auditor.

2. Review of performance of the Group

(a) Group performance review for the six months ended 30 June 2023 ("1H FY23")

Revenue
Revenue for 1H FY23 of $90.9 million (1H FY22: $63.7 million) was higher by $27.2 million (42.7%) mainly due to the higher revenue from the hospitality business segments, which increased by $25.8 million (70.7%) to $62.3 million (1H FY22: $36.5 million), backed by the strong recovery in corporate and leisure travel. The hospitality business delivered better operating performance as international travel continued to recover strongly, driving higher occupancies and room rates. Furthermore, the results for hospitality business for 1H FY22 was impacted by Omicron-triggered restrictions and border closures in 1Q FY22.

Revenue from the PBSA segment increased $1.4 million (6.4%) in 1H FY23 to $23.7 million (1H FY22: $22.3 million) as the portfolio achieved higher occupancy and rental growth for the academic year which commenced in September 2022 ("AY22/23"). This was contributed by the slowdown in the supply pipeline and the rise in student numbers, resulting in the strong demand for student accommodation in the UK. The PBSA business segment achieved a portfolio occupancy rate of 99% for AY22/23 (AY21/22: 86%).

Gross profit
Gross profit increased by $13.1 million (39.7%) to $46.0 million in 1H FY23 (1H FY22: $32.9 million) due to the increase in revenue, partially offset by the higher operating costs.

Other income
Other income included interest income from bank deposits and grant income. The Group's other income increased by $2.6 million to $3.5 million in 1H FY23 (1H FY22: $0.9 million) mainly due to higher interest income from higher bank deposits rates in 1H FY23 partially offset by the government grant income received from the Singapore and Australian governments in 1H FY22.

Other losses and impairment losses – net
Other losses and impairment losses – net in 1H FY23 decreased by $0.5 million to $3.0 million (1H FY22: $3.5 million). In 1H FY23, the Group recognised an impairment loss of $3.4 million on the mixed-used development held for sale in the UK due to the slowdown of the UK housing market caused by the rising interest environment.

In 1H FY23, the Group recognised unrealised currency gains of $0.4 million as opposed to currency losses of $5.2 million in 1H FY22, mainly due to the strengthening of British pound ("GBP") against Singapore Dollars ("SGD"). The unrealised currency loss in 1H FY22 was due to the weakening of Australian Dollars ("AUD") and GBP against SGD. The unrealised currency loss was partially offset by a gain on sale of the reversionary interest of VRCQ of $1.8 million recognised in 1H FY22.

Expenses
Total expenses increased by $6.7 million to $37.7 million in 1H FY23 (1H FY22: $31.0 million). The increase was mainly due to higher finance expenses stemming from the rising bank borrowing rates and higher operating expenses incurred on the hospitality operations as revenue ramped up. The increase was partially offset by the lower marketing expenses in 1H FY23 due to deferment of certain discretionary marketing expenses for the hospitality operations. 1H FY22 marketing expenses were also higher due to the sales launch of the residential units in the mixed-used development in UK.

Share of profit of joint ventures and associated companies
The Group's share of profit of associated companies for 1H FY23 decreased by $0.4 million to $1.4 million (1H FY22: $1.8 million) mainly due to the divestment fee received by an associated company in 1H FY22. The share of profit of joint ventures of the Group for 1H FY23 was $0.1 million compared to $10.1 million recognised in 1H FY22.

The higher share of profit recognised from the Australia and Europe hospitality joint ventures in 1H FY22 was mainly due to the recognition of a one-off the gain from the derecognition of lease liabilities of $7.6 million and government grants received in Germany. Excluding the gain and grants, the share of profit of the joint ventures would have been higher for 1H FY23 as the operating performance of the hospitality joint ventures continued to improve, driven by the continual strong recovery of the hospitality business in Australia, New Zealand and Europe.

F. OTHER INFORMATION (continued)

2. Review of performance of the Group (continued)

(a) Group performance review for the six months ended 30 June 2023 ("1H FY23") (continued)

Income tax expense
Income tax expense increased consequently with higher taxable income.

Profit after income tax and Profit attributable to equity holders of the Company
The Group recorded a lower profit after income tax of $7.6 million in 1H FY23 (1H FY22: $8.8 million) as the higher operating profit from the hospitality and PBSA business segments was impacted by the higher finance expenses. Profit attributable to the equity holders of the Company was $8.2 million in 1H FY23 as compared to $8.0 million in 1H FY22.

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

Cash flow and working capital
The Group utilised cash and cash equivalents of $4.0 million for 1H FY23 compared to $20.6 million in 1H FY22 due to higher cash generated from operating activities offset by higher cash used in financing activities.

Net cash inflows from operating activities of the Group for 1H FY23 were higher at $28.3 million compared to $11.5 million for 1H FY22, mainly due to the higher operating profits.

Net cash used in investing activities of the Group for 1H FY23 was $15.9 million compared to $17.7 million for 1H FY22. The cash outflows in 1H FY23 mainly related to the PBSA Acquisition which completed in May 2023, offset by higher dividend received from its joint venture and higher interest income from bank deposits in 1H FY23 compared to 1H FY22. The cash outflows in 1H FY22 were capital injection and advancement of a shareholder loan to a joint venture for the development of a PBSA project in the United Kingdom in June 2022.

Net cash outflows from financing activities of the Group for 1H FY23 were higher at $16.4 million compared to $14.5 million for 1H FY22. The net cash outflows in 1H FY23 were higher mainly due to the higher interest paid on borrowings and partial repayments of bank borrowings (to mitigate the rising borrowing costs) during the period, partially offset by the drawdown of borrowings to finance the PBSA Acquisition.

Assets
Total assets as at 30 June 2023 were $2,565.3 million, an increase of $30.0 million from the preceding year-end. The increase was mainly due to the translation effects on properties held for sale and investment properties, primarily arising from the strengthening of GBP against SGD, and the PBSA Acquisition in May 2023.

The increase was partially affected by the effects of weakening of AUD against SGD on the carrying value of property, plant and equipment and the investment in joint ventures. The decrease in the carrying value of investment in joint ventures was also due to dividends received during the period partially offset by the share of profit and reserves. The decrease in cash and bank balances was mainly due to higher cash used in financing activities.

Liabilities
Total liabilities as at 30 June 2023 were $1,255.3 million, an increase of $23.5 million from the preceding year end, mainly due to currency effects on GBP denominated borrowings with the strengthening of GBP against SGD and a drawdown of borrowings to finance the PBSA Acquisition. These increases were partly offset by partial repayments of bank borrowings (to mitigate the rising borrowing costs).

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

No forecast has been disclosed.

F. OTHER INFORMATION (continued)

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

Amidst resilient economic activity in the first quarter, the International Monetary Fund (IMF) raised the global growth forecast by 0.2% to 3.0% for 2023 from the April 2023 forecast. However, it remains weak by historical standards.[1] Persistent challenges such as high-interest rates and inflation continue to dampen the medium-term outlook.

Hospitality Business

Tourism in Asia Pacific and Europe have recovered at different paces, with the former at 54% of the pre-pandemic level, while the latter's recovery reached 90% of the pre-pandemic level, driven by intra-regional demand.[2] However, tourism's recovery still faces challenges. The economic situation remains the main factor impeding international tourism's full recovery in 2023, as high inflation and rising oil prices translate to higher transport and accommodation costs.

In Singapore, international arrivals recovered well, exceeding one million for the fourth consecutive month in June 2023.[3] However, the slow return of Chinese tourists, Singapore's top source of tourists before the pandemic, will weigh on the tourism recovery.

Consequently, the Group remains cautiously confident for the second half of 2023 while being cognisant of the challenges posed by the downside risks and uncertainties of the economic condition, geopolitical insecurity, continued staffing shortages, and the potential impact of the cost-of-living crisis on tourism.

UK PBSA Business

The underlying fundamentals of the PBSA market remain strong due to the supply and demand imbalance caused by the slowdown in the supply pipeline, coupled with rising demand from demographic growth and increasing international students.[4] The Universities and Colleges Admissions Service (UCAS) forecasts a 60% increase in international student applicants to reach 240,000 by 2030, building on a record volume in 2022.[5]

The UK remains a key global destination for students looking to study abroad. With student applications projected to increase by 30% relative to 2022, to reach 1 million by 2030,[6] the imbalance in demand/supply of student housing and rental growth, amongst other factors, means the PBSA market will remain resilient in 2023 and beyond.

Industry forecast shows that demand for student accommodation will continue to outpace the supply significantly. The development of new PBSA is also slowing due to a combination of factors – rising build costs present viability challenges, the planning system remains a significant barrier to delivery, and increasing operational costs will continue hindering new developments.

Despite challenges, the Group remains optimistic about the rising demand for student accommodation beds. Through active asset management, the Group will constantly review its portfolio to address the supply and demand imbalance across our portfolio and unlock opportunities in the UK.

[1]IMF. "Near-term resilience, persistent challenges - July 2023" 25 July 2023.
[2]UNWTO. "Tourism on track for full recovery as new data shows strong start to 2023". 9 May 2023.
[3]Business Times. "Singapore tourist arrivals up in June, surpass one million for fourth straight month." 14 July 2023.
[4]CBRE. "PBSA – UK Real Estate Market Outlook 2023." 2023.
[5]Colliers. "Student Accommodation Market Snapshot – April 2023". 4 May 2023.
[6]UCAS. "UCAS asks: How do we accommodate a million applicants?" 18 May 2023.

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

Material changes in contributions to sales and operating profit are explained in paragraph 2(a).

F. OTHER INFORMATION (continued)

6. Dividend

(a) Current Financial Period Reported On

None.

(b) Corresponding Period of the Immediately Preceding Financial Year

None.

(c) Date payable

Not applicable.

(d) Record date

Not applicable.

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

Dividends are not recommended or declared for half-year. Any recommendation for dividend will be made only after consideration of the full year results and the factors indicated in our dividend policy, and any declaration/payment of dividends will be subject to shareholder approval.

F. OTHER INFORMATION (continued)

8. Interested person transactions

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

Name of interested person	Nature of relationship	Aggregate value of all interested person transactions conducted under shareholders' mandate pursuant to Rule 920 of the Listing Manual (excluding transactions less than $100,000)	Aggregate value of all interested person transactions during the financial year under review (excluding transactions less than $100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920)
		Half-year ended 30 June 2023 $'000	Half-year ended 30 June 2023 $'000
Agape Services Pte. Ltd.	Associate of controlling shareholder		
Supply of goods and services		(376)	-
Boo Han Holdings Pte. Ltd.	Associate of controlling shareholder		
Hospitality management income		299	-
China Classic Pte Ltd	Associate of controlling shareholder		
Hospitality management income		677	-
Dollar Land Singapore Private Limited	Associate of controlling shareholder		
Hospitality management income		122	-
Far East Hospitality Real Estate Investment Trust	Associate of controlling shareholder		
Management income[5]		1,715	-
Rental expense on operating leases			
- offices		(389)	-
- hotels and serviced residences		(10,201)	-
Far East Management (Private) Limited	Associate of controlling shareholder		
Management service fees		(978)	-
Hospitality services		(303)	-
Far East Organization Centre Pte Ltd	Associate of controlling shareholder		
Hospitality management income		858	-
Far East Real Estate Agency Pte. Ltd.	Associate of controlling shareholder		
Property management services		(227)	-
Far East Rocks Pty Ltd	Associate of controlling shareholder		
Rental expense on operating leases			
- hotel		(421)	-
Far East Soho Pte. Ltd.	Associate of controlling shareholder		
Hospitality management income		437	-
Far East SR Trustee Pte Ltd	Associate of controlling shareholder		
Hospitality management income		227	-
Fontaine Investment Pte Ltd	Associate of controlling shareholder		
Hospitality management income		1,177	-
Golden Development Private Limited	Associate of controlling shareholder		
Hospitality management income		945	-

[5]Pursuant to the trust deed constituting Far East Hospitality Real Estate Investment Trust ("Far East H-REIT") (the "Trust Deed") and entered into between FEO Hospitality Asset Management Pte. Ltd. ("FEOHAM") (in its capacity as the manager of Far East H-REIT) and DBS Trustee Limited (in its capacity as the trustee of Far East H-REIT), FEOHAM is entitled to a management fee comprising a base fee of 0.28% 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 or the annual distributable amount (as defined in the Trust Deed) in the relevant year, whichever is lower. During the six months ended 30 June 2023, the Company was a 33% shareholder of FEOHAM and this amount represents 33% of the management fees received during the financial period, being the value at risk to the Group.

F. OTHER INFORMATION (continued)

8. Interested person transactions (continued)

Name of interested person	Nature of relationship	Aggregate value of all interested person transactions conducted under shareholders' mandate pursuant to Rule 920 of the Listing Manual (excluding transactions less than $100,000)	Aggregate value of all interested person transactions during the financial year under review (excluding transactions less than $100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920)
		Half-year ended 30 June 2023 $'000	Half-year ended 30 June 2023 $'000
Golden Landmark Pte. Ltd.	Associate of controlling shareholder		
Hospitality management income		496	-
Orchard Mall Pte. Ltd.	Associate of controlling shareholder		
Hospitality management income		297	-
Orchard Parksuites Pte Ltd	Associate of controlling shareholder		
Hospitality management income		610	-
Oxley Hill Properties Pte Ltd	Associate of controlling shareholder		
Hospitality management income		220	-
Riverland Pte Ltd	Associate of controlling shareholder		
Hospitality management income		174	-
Serene Land Pte Ltd	Associate of controlling shareholder		
Hospitality management income		514	-
Transurban Properties Pte. Ltd.	Associate of controlling shareholder		
Hospitality management income		607	-

By Order of the Board

Alan Tang Yew Kuen
Director
8 August 2023

Confirmation Pursuant to Rule 705(5) of the Listing Manual

The Directors confirm that, to the best of their knowledge, nothing has come to the attention of the Board of Directors of Far East Orchard Limited which may render the unaudited financial statements for the period ended 30 June 2023 to be false or misleading in any material respect.

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

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

On behalf of the Board of Directors

Koh Kah Sek
Chairman

Alan Tang Yew Kuen
Group CEO and Executive Director

8 August 2023