TIONGSENG GROUP 长成控股

PRESERVING OUR HERITAGE
SHAPING OUR FUTURE
ANNUAL REPORT 2019

CONTENTS

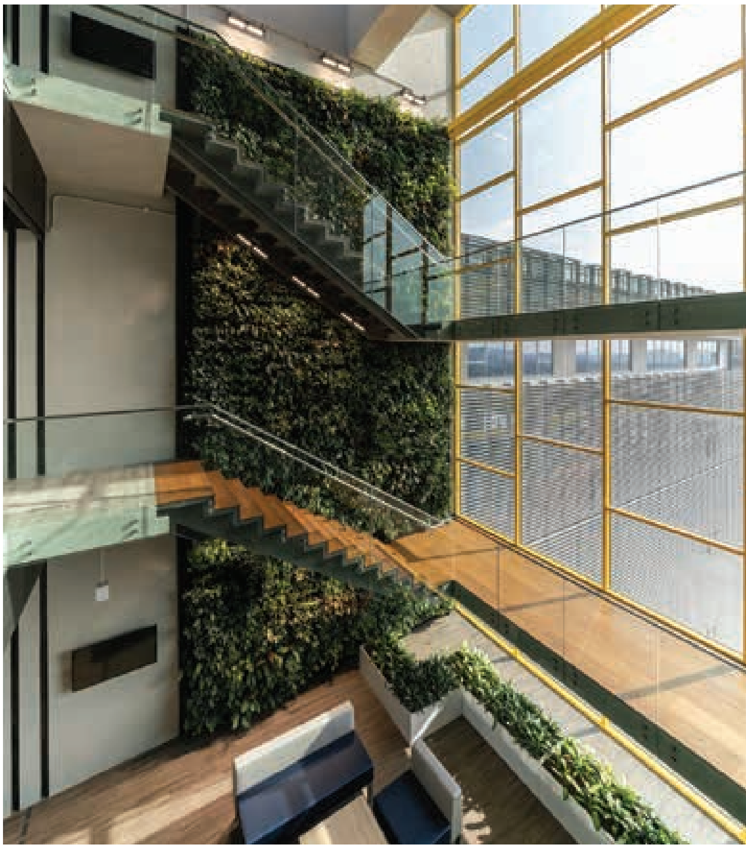
CORPORATE PROFILE

As an organisation built on 60 years of long-standing experience and established track records, Tiong Seng is a homegrown leading construction and civil engineering company based in Singapore. Accorded the highest A1 grading from the Building and Construction Authority (BCA) for both general building and civil engineering projects, we are qualified to undertake public sector construction projects with unlimited contract value.

Tiong Seng's second engine of growth is its niche real estate developments in the People's Republic of China ("China") and Singapore. On top of our ongoing China projects in Tianjin and Suzhou, we have made headway in the Singapore property market with the acquisition of landbanks in the prime district 9 and 10.

Over the years, driving innovation and technological advancement has been at the heart of our organisation and part of the Tiong Seng DNA. Keeping abreast of industry trends, we pride ourselves on being pioneering experts in the Design for Manufacturing & Assembly ("DfMA") approach, including innovations such as advanced pre-cast, Prefabricated Prefinished Volumetric Construction ("PPVC"), Prefabricated Bathroom Units ("PBU") and Mass Engineered Timber ("MET") amongst others.

Being at the forefront of an increasingly future-ready construction environment, we have repackaged and scaled our extensive suite of construction innovations to formally recognise Engineering Solutions as our new third business segment. With this asset-light business model as the impetus, we are well-positioned to capture a vast landscape of untapped opportunities both locally and abroad as part of our internationalisation efforts to drive future growth.



COVER STORY

Realigning our Brand Identity

In 2019, and in conjunction with our 60th year anniversary milestone, we kicked off a corporate rebranding exercise to realign our brand identity and refocus on our long-term goals. In preserving our heritage and reputation as a company focused on pursuing modern, innovative and practical solutions within the construction sector, our brand promise and desire to "*Synergise, Innovate & Actualise*" represents who we are as an organisation and will continue to guide us as we aim for the future.

As *innovative* problem-solvers, we constantly explore new ideas and pilot new technologies to improve the way things are done. With our diverse expertise in construction, property development and engineering solutions, we pride ourselves on being able to *create synergies* and deliver value-added solutions to our clients. Finally, decades of industry experience and a strong foundation has equipped us with the aptitude to *actualise* the full potential of our technologies, and apply them in practical, efficient and meaningful ways.

Optimising our Organisational Structure to Enhance Value Creation Capabilities

The construction landscape has evolved rapidly over recent years, with the focus shifting toward advanced technologies that can enhance efficiency, quality and drive productivity. As one of the pioneering leaders in adopting such innovations, Tiong Seng has grown to house a significant portfolio of cutting-edge capabilities, operating several of these niche subsidiaries alongside its core construction business.

Due to the complexity of managing and growing Tiong Seng's diverse range of businesses, an Executive Committee ("Exco") was formally established in conjunction with the Group's 60th year anniversary and corporate strategy review. Comprising members with diverse backgrounds, experience and viewpoints, the new Exco will strengthen the high-level decision-making process and governance of Tiong Seng's various business units.

Back in 2018, we first announced the establishment of our Engineering Solutions unit, devised to repackage our niche technologies, such as Prefabricated Prefinished Volumetric Construction ("PPVC") and Advanced Pre-cast, into tangible solutions that are provided as a service externally. Fast-forward to today, Tiong Seng Engineering Solutions ("TSES") has been formally recognised as the Group's new third business segment. Governed by a dedicated Board and management team, TSES will now harness the necessary resources and leadership needed to create new integrated solutions and drive business expansion both locally and abroad.

COVER STORY

With three distinctive business segments – namely construction, property development and engineering solutions – now in place under the new management structure, we have gone one step further to enhance the value creation capabilities, corporate governance and leadership depth of the Boards of these three operational companies. Led by several renowned industry veterans who have recently joined the team and now sit on the Board of these operational units, we are well-positioned to inspire thought leadership, usher in fresh insights and provide unique perspectives as we explore new horizons for growth.

Forging Partnerships to Drive Innovation

Innovation continues to be an integral part of the Tiong Seng DNA. Over the years, we have remained on the frontier of technological advancement within the built environment sector, and we continue to do so by forging crucial partnerships with key players from the built environment sector.

In a first for public housing in Singapore, Tiong Seng embarked on a 3-year research project with the Housing Development Board ("HDB") of Singapore and other co-partners in July 2018 to explore the potential of three-dimensional ("3D") concrete printing of unique architectural forms and components. Little more than a year later in September 2019, the collaboration has since yielded the development of the largest 3D-printer in South-east Asia. While still in its infancy, the adoption of 3D-printing would not only allow for faster, cheaper and less labour-intensive construction in future, but could also yield more unconventional designs than previously possible.

In November 2019, Tiong Seng forged yet another partnership, in a research collaboration with Ngee Ann Polytechnic ("NP") to establish Singapore's first joint lab focusing on construction robotics. As part of a five-year strategic collaboration, Tiong Seng and NP will work on applied R&D in the field of industrial-grade robotics for the construction industry. Tapping on NP's strong track record in developing robotic applications for various sectors including healthcare and education, potential applications for construction have already been conceptualised at this early stage. This includes AI-enabled robotic inspectors for construction sites to ensure better accuracy and higher quality of output, while facilitating consistent inspection procedures across construction projects.

ACCREDITATIONS & AWARDS

In 2019, Tiong Seng won several awards in recognition of our continuous efforts for high quality build, extensive of construction technology and ensuring workplace safety.

AWARDS

BUSINESS EXCELLENCE AWARDS

Singapore Quality Award
Innovation Class (I-Class)
People Developer

INNOVATION & PRODUCTIVITY AWARDS

- BCA Highest Award – The Built Environment Leadership Award (Platinum Star)
- BCA Organisation Award – Construction Productivity Award (Advocate) – Platinum
- BCA Project Award – Tiong Seng Building, Construction Productivity Award (Project) – Platinum
- BCA Project Award – Sol Acres, Construction Productivity Award (Project) – Gold
- BCA Project Award – The Panorama, Construction Productivity Award (Project) – Gold
- BCA Project Award – Ulu Pandan Bus Depot, Construction Productivity Award (Project) – Gold

ENVIRONMENT, HEALTH & SAFETY

- RoSPA GOLD Award – Health and Safety performance for Tiong Seng Contractors (Pte) Ltd
- RoSPA GOLD Award – Health and Safety performance for Tiong Seng Contractors (Pte) Ltd – Artra
- RoSPA GOLD Award – Health and Safety performance for Tiong Seng Contractors (Pte) Ltd – P5
- RoSPA GOLD Award – Health and Safety performance for Tiong Seng Contractors (Pte) Ltd – Stamford Diversion Canal C-2
- RoSPA GOLD Award – Health and Safety performance for Tiong Seng Dongah Joint Venture – Great World Station
- RoSPA GOLD Award – Health and Safety performance for Tiong Seng Civil Engineering (Private) Limited
- BCA Green Mark (Platinum Award) for Kallang Polyclinic and Long Term Care Facility
- BCA Green and Gracious Builder Award – Tiong Seng Contractors (Pte) Ltd – Excellent
- BCA Green and Gracious Builder Award – Tiong Seng Civil Engineering (Private) Limited – MERIT
- bizSAFE (Partner) – Tiong Seng Contractors (Pte) Ltd
- bizSAFE (Star) – Tiong Seng Contractors (Pte) Ltd
- bizSAFE (Star) – Tiong Seng Civil Engineering (Private) Limited

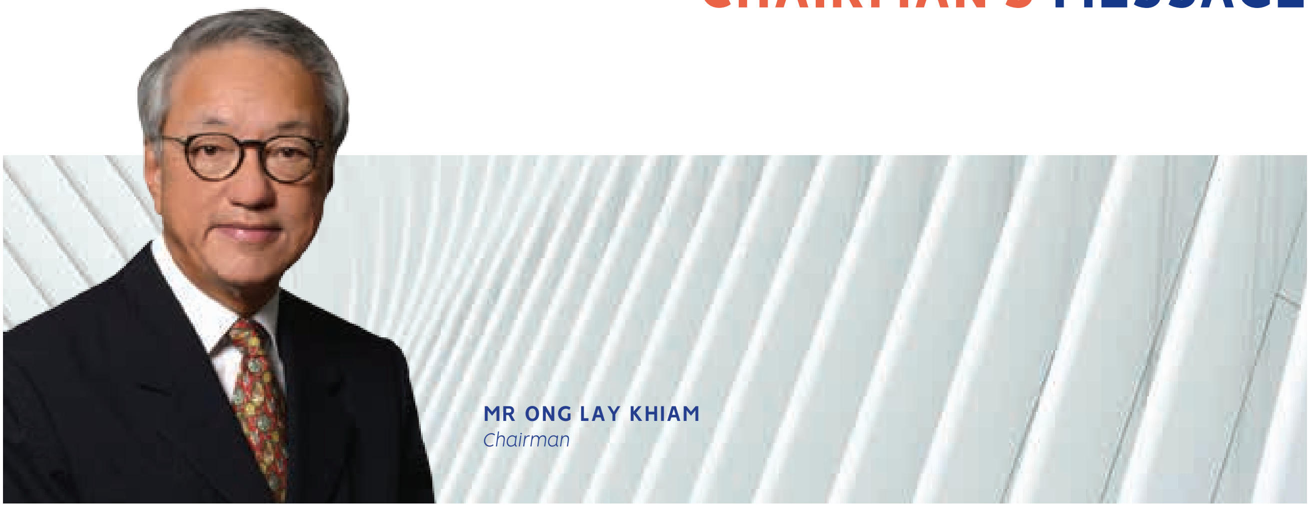
ACCREDITATIONS

Quality Management System ISO 9001: 2015

Environmental Management System ISO 14001: 2015

Occupational Health & Safety Management System OHSAS 18001: 2007

CHAIRMAN'S MESSAGE



MR ONG LAY KHIAM
Chairman

Dear Shareholders,

On behalf of the Board and as your non-executive Chairman, it is my privilege to present to you the Company's Annual Report for the year ended 31st December 2019 ("FY2019").

The growth of the global economy in 2019 was greatly influenced by the underlying uncertainties surrounding the trade tensions between the US and China, resulting in its weakest performance since the financial crisis a decade ago. Against this backdrop, the Singapore economy was not spared with a real GDP growth rate of just 0.7% year-on-year ("yoy") as compared to 3.4% recorded a year ago[1]. Notwithstanding these adverse factors, the construction sector in Singapore recorded a 2.6% yoy growth on the back of increased demand, rebounding from a 3.5% yoy contraction in the preceding year. While competition within the sector continues to intensify, we were able to win certain new contracts to bring our order book to S$902.3 million as at the end of 2019, picking up from S$545.1 million a year before.

The Company's financial performance in 2019 is thus considered fair bearing the above narratives in mind, both in terms of revenue generated and net earnings achieved.

To continue our journey as a dynamic, innovative and sustainable business, the Board and management team made concerted efforts to institutionalise our organisational structure, business operations and processes as well as succession planning. During the year, an Executive Committee ("ExCo") was established to oversee our business segments following the formalisation of the Tripod strategy to drive growth via the three pillars of our business – Construction, Property Development and Engineering Solutions. The new ExCo alongside the dedicated Boards of our subsidiary companies and their respective management teams serves to reduce our key man risks, to drive our businesses more effectively and to foster synergistic relationships between the various units in order to achieve value creation for the group as a whole.

Additionally, with the clear objective of professionalising our organisation even further, we sought and managed to secure the support of external talents and industry leaders to join us at the Board level of our subsidiary companies. We believe that this initiative would add to our team strength and professionalism as the appointees bring with them a multitude of domain knowledge, business insights, governance perspectives as well as valuable contacts to help us to bring our Group to greater heights.

As well, we continue to pursue technological innovation in general and digitalisation in particular to modernise our operations and to enhance our capabilities and efficiency. We also continue to forge tie-ups with like-minded organisations to facilitate knowledge sharing, technology transfers and faster commercialisation of new technologies. In this regard, we are proud to be associated with the Housing and Development Board to develop 3D architectural forms, as well as with the Ngee Ann Polytechnic to develop construction robotics solutions.

Tiong Seng Group celebrated our 60th anniversary during the year. As we enter the new phase of our development as a long-standing business, we are confident that the many new strategic initiatives to institutionalise, professionalise and modernise our organisation will significantly enhance our intrinsic strengths vis-a-vis the challenges ahead.

On behalf of the Board, I would like to express our sincere appreciation to our dedicated management team and employees. I would also like to thank our business partners, customers and shareholders for their trust and cooperation over the years. We look forward to everybody's continued support for the next 60 years and beyond.

[1] Economic Survey of Singapore 2019, Ministry of Trade & Industry (MTI), 17 February 2020

主席致辞

各位股东：

我很荣幸能以非执行主席的身份，代表董事局向您陈述本公司截至2019年12月31日的年度报告。

由于受到潜在不确定因素的巨大影响，全球经济增长于2019年录得自10年前金融危机发生以来最疲弱的表现，这些潜在的不确定因素包含美国与中国之间的紧张贸易关系。在此背景下，新加坡的经济亦受到影响，其实际生产总值(GDP)年比仅增长0.7%，上一年同期则年比增长3.4%[1]。尽管有这些不利因素的存在，新加坡的建筑领域因需求增加而年比增长2.6%，从上一年萎缩3.5%的情况回弹。虽然建筑领域内的竞争持续加剧，我们依然能够取得一些新合约，使我们截至2019年底的订单额从上一年的5亿4千510万新元增加至9亿零230万新元。

因此，考虑到上述种种因素，本公司的2019年财务表现尚算差强人意(根据所取得的收入和净盈利来看)。

为了继续作为具有活力，创新能力和可持续发展的企业，本公司董事局与管理团队齐心协力为我们的组织结构、业务运作与流程，以及继任计划进行了制度化建设。在过去的一年里，我们成立了一个执行委员会(ExCo)来监管我们的业务。这是继我们制定"三脚架"策略，透过我们的三大主要业务 – 建筑、产业发展及工程方案服务来推动增长之后所推出的计划。这个新的执行委员会与我们子公司的董事局及它们的管理团队一同努力以减低我们的关键人物风险、更有效地推动我们的业务，以及在多个部门之间建立协同关系，以为整个集团创造价值。

此外，由于我们致力于成为更加专业的机构，我们寻求并成功招揽外部人才与业内领袖加入我们子公司的董事局。我们相信，这项计划将能令我们的团队实力与专业性增强，因为获委任的人士拥有许多领域知识、商业见解、治理视角，以及重要的联络网，可帮助我们把集团推向另一高峰。

我们也持续寻求科技创新和数码化发展，以让我们的业务适应现代需要，同时提高我们的能力与效率。此外，我们继续与志趣相投的机构合作，从而分享知识、转让技术，以及更快地使新技术商业化。在这方面，我们为能与新加坡建屋局(HDB)联合开发3D建筑型式及与义安理工学院(Ngee Ann Polytechnic)开发建筑机器人方案服务而感到自豪。

去年，长成集团庆祝成立60周年。随着我们进入长期发展的新阶段，我们有信心，以上这些令我们机构朝向制度化、专业化与现代化的新策略计划将能显著提高我们的内在实力，帮助我们应付未来的挑战。

我谨代表董事局衷心感谢我们的管理团队与员工。我也要感谢我们的商业伙伴、客户及股东们这些年来信任我们，以及与我们合作。我们期盼各位在未来的岁月里继续支持我们。

主席
王励谦

1 新加坡2019年经济调查报告(Economic Survey of Singapore 2019)，新加坡贸工部(MTI)，2020年2月17日

CEO'S MESSAGE

MR PEK LIAN GUAN
Chief Executive Officer and Executive Director

Dear Shareholders,

In spite of slowing economic growth and cautious market sentiments globally, we witnessed some bright spots for the construction sector in Singapore last year. As a whole, the sector grew modestly by 2.8% year-on-year ("yoy") for 2019. While the turnaround came on the back of a 3.5% yoy contraction in 2018, the positive performance signals a more bullish market following the slowdown from 2015 to 2017. For one, an anticipated increase in upcoming major infrastructure works is expected to provide some support in the near-term. The competitive landscape remains intense however, as contractors continue to submit competitive prices to replenish their order books amidst global economic uncertainties.

Against this backdrop, we remain cautiously optimistic of our long-term prospects and continue to remain nimble as an organisation and embrace change. In line with our 60th year anniversary, we made the conscious decision to review our operations comprehensively, taking into account the dynamics of the built environment sector, as we position ourselves for the next 60 years and beyond.

Shaping Our Future

As part of our recent corporate strategy update, we implemented several key initiatives targeted at driving long-term sustainable growth and business continuity. This includes the new Executive Committee ("Exco") which will support our operating companies from a Group level standpoint, and the reorganisation of our management structures to establish Tiong Seng Engineering Solutions ("TSES") as our third business pillar. In a nutshell, these initiatives will allow us to achieve an improvement in the growth trajectories for our Construction, Property Development and Engineering Solutions segments, while ensuring that each individual unit is able to be self-sufficient and thrive as if it were operating as an organisation of its own.

To spearhead these new initiatives, we have also sourced externally for new talent to revitalise and professionalise the respective business units and Tiong Seng Group as a whole.

Of notable mention, we have onboard Dr John Keung who has been appointed as Chairman of Tiong Seng Contractors and Board Member of our property development subsidiary, Chang De Investments. In his illustrious 11-year career as the former CEO of the Building and Construction Authority ("BCA") of Singapore, Dr Keung will impart valuable industry expertise, thought leadership and industry contacts to strengthen our core construction business.

Additionally, we also have Mr Lam Siew Wah who has been appointed as Chairman of Tiong Seng Engineering Solutions and a Board member of Tiong Seng Contractors. Serving as Deputy CEO of the BCA for 18 years followed by a stint as Managing Director of the Built Environment Research and Innovation Institute ("BERII"), Mr Lam will bring experience in deep research and innovation, to elevate the Group's reputation as an industry leader in developing cutting-edge construction solutions.

We would once again like to welcome Dr Keung, Mr Lam and all of our new members to the Tiong Seng family, and appreciate the commitment that they have made to our organisation.

Riding on Favourable Built Environment Sector Trends

Backed by a growing stream of major public infrastructure projects coupled with resilient demand from the private sector, the local construction sector witnessed a modest uptrend during the year. Leveraging on our reputation as one of the preferred forward-looking contractors in Singapore, we were able to ride the wave and secure approximately S$703.6 million worth of contracts in 2019, compared to S$280.3 million in 2018.

Capitalising on robust demand from the redevelopment of en-bloc sales sites, we managed to secure two private sector contracts in 2019: The first being a residential development project worth approximately S$190.0 million to build at the iconic Pearl Bank site at Outram Road. Secondly, we leveraged upon our established Prefabricated Prefinished Volumetric Construction ("PPVC") capabilities to secure a commercial development project worth S$130.5 million to build a 20-storey, over 1,000 room 4-star hotel at Club Street. As a first-of-its-kind for a hotel development in Singapore to utilise a full concrete PPVC method, this project will allow us to showcase one of our key competencies within the Design for Manufacturing & Assembly ("DfMA") approach.

From the public sector, we were also successful in securing a second follow-on contract from JTC

CEO'S MESSAGE

Corporation worth a total of approximately S$287.5 million to construct JTC Space @ Ang Mo Kio, a multi-user industrial building. Overall, we are pleased to note that we were able to bring our order book close to the billion-dollar mark to S$902.3 million as at the end of 31st December 2019.

Moving into FY2020, we have made positive headway early on in the year with three contract wins totalling S$354.6 million. Of notable mention, we secured a private condominium contract worth S$99.6 million to construct the Hyll on Holland development at the Hollandia site. We are pleased to highlight that we continue to garner the support of our valued partners, with Hyll on Holland being the second follow-on contract after our ARTRA Condominium project awarded by the FEC Group of companies. Tapping on our DfMA approach, we have also managed to secure a S$227.5 million construction contract to construct Tan Quee Lan Residences, slated to be built using our in-house PPVC technologies.

Apart from our new project wins, we continue to collaborate closely with key industry players to put in place the infrastructure and resources needed to elevate our industry as a whole. For one, we believe that the newly formed Tiong Seng-NP Construction Robotics Lab will enable us to generate new breakthroughs in due time. On the other hand, our wholly-owned prefabrication arm, Robin Village Development Pte Ltd's three-year research project with the Housing Development Board ("HDB") to develop three-dimensional ("3D") printing for construction has produced significant innovations thus far, and continues to push technological boundaries.

Culminating from our proactive efforts to enhance our capabilities, drive productivity and engage in innovation, we are pleased to highlight that Tiong Seng was named the top winner of the Build Environment Leadership Award, receiving the Platinum Star during the Annual BCA Awards held in May 2019.

Optimising our Organisational Structures to Capture Growth Opportunities

Since the launch of the industry transformation map ("ITM") in 2017, the industry has been utilising newer and more advanced technologies surrounding the DfMA approach. These technologies have also been increasingly mandated for selected Government Land Sales and public housing sites over the years. In a push to make DfMA the default way of building, the public sector, for example the HDB, will continue to take the lead in adopting DfMA in their building projects where 75.0% of all its units launched in 2020 will adopt DfMA methods such as PPVC or Advanced Precast Concrete Systems[1].

With the government targeting to increase the adoption rate (in terms of Gross Floor Area) of DfMA to 40.0% in 2019 (Adoption rate in 2018: 31.0%) and further to 70.0% by 2025[2], the demand for solutions in this space has risen significantly. Supported by our recent restructuring exercise, our formally recognised Engineering Solutions segment is now ready to capitalise on these growth opportunities. At this early stage, we have already benefitted from a rise in precast orders and PPVC work from TSES, with the segment's turnover recording a 76.9% yoy growth to S$98.3 million for FY2019, and we expect this momentum to persist into 2020.

Currently, our dedicated Board and management team are working towards harmonising our suite of engineering solutions for TSES, so as to create synergistic value and provide more holistic solutions for our customers. In due time, the scalability and versatility of our technologies will support our internationalisation drive, and be deployed as a "front scout" to establish new or follow-on business for the Group.

Our Property Development Outlook

On the property development front, we continue to make good progress locally with the launch of our Sloane Residences project at 17 Balmoral Road. Our residential development at 16 Cairnhill Rise is also on track to launch sometime this year. With that said, we are currently monitoring the macroeconomic landscape and property market closely in light of the recent Covid-19 virus outbreak. Accordingly, we will take a cautious and prudent approach when launching existing projects or pursuing new opportunities to expand our portfolio of projects.

Beyond our shores, we remain cognisant of the opportunities present within the social housing development market throughout the ASEAN region. Backed by our integrated project delivery approach and prefabrication capabilities, we are looking to new horizons to scale our property business and drive growth for the segment in the coming years.

A Financial Review of FY2019

We would now like to share our financial scorecard for the full year ended 31 December 2019 ("FY2019"). The Group posted a 7.0% yoy increase in revenue to S$405.6 million for FY2019, driven mainly by an increase in work performed for its core construction segment and growing demand for the Group's precast works under its engineering segment. Supported by a recent divestment of a non-core business with a one-off gain on disposal of approximately S$7.4 million, the Group's net profit attributable to shareholders rose 20.3% yoy to S$10.6 million for FY2019.

Construction Segment

During the year, the Group's core construction segment revenue recorded a 14.9% yoy increase to S$313.4 million for FY2019. This was due mainly to the differences in stages of revenue recognition for its various construction projects.

Gross profit from the Group's construction segment decreased from S$42.3 million for FY2018 to S$35.3 million for FY2019, while gross profit margin decreased

1 *"Singapore's construction demand for 2020 expected to remain strong", BCA, 8 January 2020*

2 *"Good Progress made in Key Transformation Focus Areas for the Built Environment Sector, Supported by a Skilled and Competent Local Core", BCA, 4 March 2020*

CEO'S MESSAGE

4.2 percentage points yoy to 11.3% for FY2019, due mainly to differences in projects' profile and relative weighted average profitability in the projects recognised over the two periods. Lastly, the segment posted profit from operating activities of S$11.3 million for FY2019, representing a 38.0% yoy decline.

Engineering Solutions Segment

Revenue from the Group's Engineering Solutions segment rose 76.9% yoy to S$98.3 million for FY2019. This was mainly due to higher precast production volume and PPVC work.

The segment's gross profit margin improved from -5.6% in FY2018 to 4.9% in FY2019. This was mainly due to lower production volume to cover the segment production overhead in FY2018 and differences in profitability and stages of work progress from various projects over the two periods. Profit contribution from operating activities for this segment posted a profit of S$2.3 million for FY2019.

Property Development Segment

The Group's revenue from the sale of development properties segment decreased 65.2% yoy to S$22.3 million for FY2019. This revenue was derived mainly from the sale recognition of 16 units (4,972 square metres) from the Tranquility Project, two units (446 square metres) from the Sunny International Project and 8 units (1,677 square metres) from the Equinox Project.

The segment's gross profit margin increased by approximately 8.1 percentage points to 26.1% for FY2019. This was due mainly to the differences in projects' profile and relative profitability in the units recognized over the two periods. Profit contribution from operating activities for this segment posted a profit of S$0.8 million for FY2019.

Our Balance Sheet

As at 31 December 2019, the Group's cash and cash equivalents was approximately S$55.5 million. Correspondingly, the Group remains in a net debt position of S$41.8 million as at 31 December 2019 (As at 31 December 2018: net debt position of S$69.9 million). For FY2019, the Group's earnings per share stood at 2.38 Singapore cents, rising from 1.98 Singapore cents for the previous period. Lastly, net asset value per share as at 31 December 2019 stood at 59.70 Singapore cents (As at 31 December 2018: 60.35 Singapore cents).

Ensuring Leadership Continuity

Positioning ourselves for the next 60 years, we recognise the importance of strengthening talent development strategies to ensure we have a succession planning process that is robust and sustainable. As such, we intend to intensify our focus on expanding our talent pipeline with new initiatives to better identify, nurture and promote promising individuals from within the organisation.

Ultimately, the Company aims to create a management structure that is not a distant leadership, but one in which our professionals have risen through the ranks and are inherently a part of the fabric of our business. The current crop of leaders embodies the close-knit spirit and corporate culture of the Tiong Seng Family, as will succeeding generations of leaders.

Appreciation

In closing, I would like to take this opportunity to thank our committed management team and employees for your hard work and dedication throughout the years. Furthermore, I would like to thank our customers, suppliers and business partners for your loyalty and trust. Last but not least, I would like to extend my sincere appreciation to our valued shareholders for your unwavering support and belief in the Board and management.

As a mark of confidence in the Group's outlook, the Board is pleased to recommend a first and final dividend of 0.5 Sing cents per share to reward our loyal shareholders.

CEO and Executive Director
Mr Pek Lian Guan

总裁的话

各位股东：
尽管全球经济放缓，以及全球市场情绪保持谨慎，但新加坡的建筑领域在去年取得了一些亮眼的成绩。整体而言，建筑领域于2019年取得2.8%的适度增长。尤其是在2018年的3.5%年比萎缩中回升，这些正面的表现意味着市场已由2015年至2017年放缓后转为看涨。举例来说，未来的大型基建工程预计将增加，这预料将在近期内为建筑领域提供一些支持。然而，业内竞争依然激烈，由于承包商继续提交具竞争力的价格，以在全球经济不明朗的情况下补充订单。

在此背景下，我们对我们的长期前景保持审慎乐观，同时，作为一家机构，我们持续保持灵活度并接受改变。为配合我们的60周年纪念，同时考虑到建筑环境领域不断改变，我们决定全面地检讨我们的业务，以此为我们在未来60年及以后树立地位。

塑造未来

在我们最近提供的最新企业策略消息当中，我们落实了数个主要计划，以推动长期的持续性增长及业务的延续性。这包括成立新的执行委员会(Exco)，这个执行委员会将从一个集团的角度来支持我们公司的营运，以及为我们的管理结构进行重组，以设立长成工程方案服务(TSES)作为我们的第3个业务支柱。概括地说，这些计划将让我们的建筑、产业发展和工程方案服务业务的增长轨迹获得提高，同时确保每一个部门能够独立和茁壮成长，像是它们自己作为一家独立机构营运一样。

为了执行这些新计划，我们已在外部物色新人才以在整体方面提振和专业化集团以及个别经营单位。

值得一提的是，姜锦贤博士(Dr John Keung)已加入我们。他获委任为长成工程(Tiong Seng Contractors)的主席及我们产业发展子公司长德投资(Chang De Investments)的董事。姜锦贤博士曾担任新加坡建设局(Building and Construction Authority of Singapore, BCA)局长长达11年，他将传授宝贵的行业专业知识、增强我们的思维与领导能力，以及为我们扩大行业联络网，从而强化我们核心的建筑业务。

此外，林少华先生(Mr. Lam Siew Wah)也获委任为长成工程方案服务的主席及长成工程(Tiong Seng Contractors)的董事。林少华先生曾担任新加坡建设局副局长长达18年，之后则担任建筑环境研究与创新中心(Built Environment Research and Innovation Institute, BERII)的董事经理。林先生将利用其深入研究与创新的经验，为集团提高其作为开发先进建筑方案服务领导者的地位。

我们再次欢迎姜博士与林先生，以及所有加入长成的新成员，并感谢他们为我们机构所做出的努力。

乘上建筑环境领域的利好趋势

由于大型公共基建项目不断增多，以及私人领域的需求稳健，新加坡的建筑领域在这一年里取得适度增长。凭借我们是新加坡具前瞻性的首选承包商之一，我们得以乘着这股升势，在2019年取得总值约7亿零360万新元的合约，我们于2018年取得的合约为2亿8千零30万新元。

由于重新发展集体出售的地段，需求因而激增，我们在2019年取得2份私人领域的合约：第1份合约总值约1亿9千万新元，是在位于欧南路(Outram Road)具指标性的珍珠苑公寓(Pearl Bank Apartments)地段发展住宅项目；第2份则是凭借我们已经建立的预制体积建设(Prefabricated Prefinished Volumetric Construction, PPVC)能力而取得的合约，这是一个总值1亿3千零50万新元的商业发展项目，是在客纳街(Club Street)建造一家楼高20层、有超过1,000间客房的四星酒店。作为首个在新加坡完全采用PPVC方法建设的酒店项目，这个项目将让我们展现我们「制造与装配设计」(Design for Manufacturing & Assembly, DfMA)」技术内的其中一项主要能力。

在公共领域方面，我们也成功继上一份合约之后从裕廊集团(JTC Corporation)获得第2份合约，总值约2亿8千750万新元，该工程是建造一栋名为JTC Space @ Ang Mo Kio的多用户工业大楼。整体而言，我们很高兴能够将截至2019年12月31日的订单额提高到接近10亿新元的大关，即9亿零230万新元。

迈入2020年的财政年(FY20)，我们已在年头取得良好的进展。我们赢得了3份总值3亿5千460万新元的合约。值得注意的是，我们取得一份总值9千960万新元的私人公寓合约，是在Holliandia公寓地段建造Hyll on Holland的发展项目。我们对能够持续得到重要夥伴的支持感到高兴，Hyll on Holland项目是我们继ARTRA公寓项目之后从远东发展集团(FEC)为首的公司获得的第2份合约。凭借我们的「制造与装配设计(DfMA)」技术，我们也取得了一份总值2亿2千750万新元的合约，该工程是为了建造Tan Quee Lan Residences项目，后者将使用我们本身的预制体积建设(PPVC)技术建造。

总裁的话

除了赢得新项目之外，我们也持续与主要的业内业者紧密合作，以把提升我们整体行业所需的基础设施和资源落实到位。举例而言，我们相信刚成立的长成-义安理工学院建筑机器人实验室将能让我们在适当的时候在建筑技术取得新突破。另一方面，我们的全资预制臂膀Robin Village Development私人有限公司(Robin Village Development Pte Ltd)与新加坡建屋发展局(建屋局, HDB)合作开发建筑三维(3D)打印技术、为期3年的研究项目迄今已取得显著的创新成果，并且继续推动技术上的界限。

由于我们积极提升我们的能力、推动生产力和进行创新，我们很高兴地宣布长成获选为最佳建筑环境领导奖(Build Environment Leadership Award)，并于2019年5月在年度建设局颁奖礼(Annual BCA Awards)上获得白金星奖。

充分利用组织结构以把握增长机会

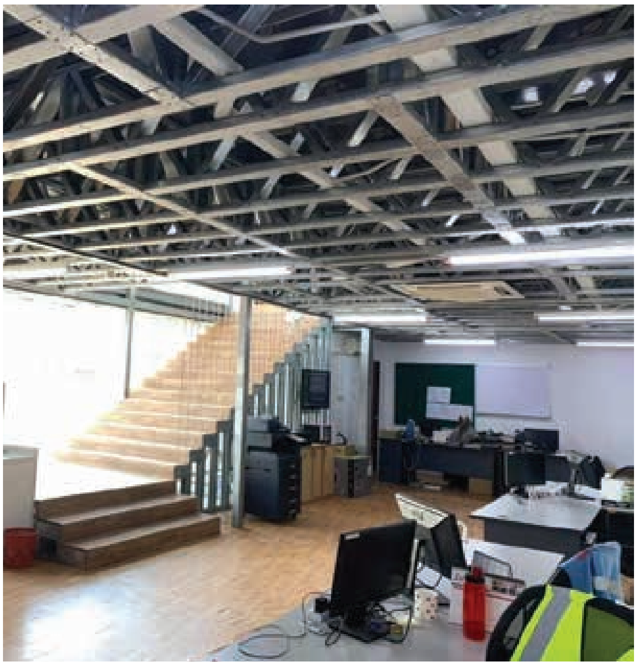
自从行业转型蓝图(ITM)于2017年推出以来，建筑业一直都沿用与DfMA方式有关的新科技与先进技术。这些年来，也有越来越多政府特选土地销售与组屋地段强制使用这些技术。为了推动DfMA为官方认可的建设方式，公共领域，例如建屋局，将继续带头采用DfMA进行建设，在其所有于2020年推出的单位中，有75.0%的单位将采用DfMA方法，如PPVC或先进预制混凝土系统[1].

随着政府打算于2019年将DfMA的采用率(根据总楼面面积(GFA))提高至40.0%(2018年的采用率: 31.0%)，并在2025年令DfMA采用率进一步达至70.0%[2]，市场对DfMA服务方案的需求大幅提高。由于我们最近进行的重组活动，我们正式认可的工程方案服务业务现在已经准备从这些增长机会中受惠。在这个初期阶段，我们已从预制订单与长成工程服务方案(TSES)的PPVC工程均增加中受惠，工程服务方案业务的FY19营业额年比增长76.9%至9千830万新元，而我们预计这股势头将于2020年持续下去。

目前，我们的董事局与管理团队正在为长成工程服务方案(TSES)协调我们一系列的工程服务方案，从而创造协同价值，以及为我们的客户提供更全面的服务方案。届时，由于我们的技术具伸缩性和通用性，这将为我们走向国际化给予支持，同时这将为集团探路，以寻求新商机或日后的商机。

产业发展业务的前景

产业发展业务方面，随著我们推出了位于巴慕乐路(Balmoral Road)17号的Sloane Residences项目，我们继续在新加坡



取得良好的进展。此外，我们位于经禧坡(Cairnhill Rise)16号的住宅发展项目也将在今年推出。同时，因为2019新型冠状病毒(COVID-19)在最近爆发。我们目前正密切留意宏观经济情况和楼市，因此，我们将在推出现有项目或寻求新机会以拓展我们项目组合时采取谨慎的态度。

对于国外，我们意识到亚细安区域具有社会住房发展的机会。在我们综合项目交付和预制能力的加持下，我们寻求在未来发展新领域以拓展我们的产业业务，以及为产业业务推动增长。

回顾FY19财务业绩

现在，我们将与你分享我们截至2019年12月31日(FY19)的全年业绩。本集团的FY19收入年比增加7.0%至4亿零560万新元，主因是其核心的建筑业务的已完成工作增加，以及市场对集团的预制工程(属于工程业务)的需求不断上升。由于最近将一项非核心业务脱手而一次过取得约740万新元的脱售收益，集团的FY19归属于股东净利年比提高20.3%至1千零60万新元。

建筑业务

在2019年，集团的核心业务，即建筑业务的FY19收入年比增长14.9%至3亿1千340万新元。这主要是由于该业务从多个处在不同阶段的建筑项目中确认收入。

集团建筑业务的毛利从FY18的4千230万新元减低至FY19的3千530万新元，而毛利率则年比减少4.2个百分点至FY19的11.3%，主因是2个时期的项目情况不同，以及在2个时期确认项目的相对加权平均盈利力不一样。最后，建筑业务在FY19从营运活动录得1千130万新元的盈利，年比下降38.0%。

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1 新加坡建築領域2020的需求量預計將保持強勁(Singapore's construction demand for 2020 expected to remain strong), 建設局(BCA), 2020年1月8 日

2 由於本地核心建築具備應有的技術和實力，建築環境領域的主要轉型重點範疇取得良好進展(Good Progress made in Key Transformation Focus Areas for the Built Environment Sector, Supported by a Skilled and Competent Local Core), 建設局(BCA), 2020年3月4 日

总裁的话

工程方案服务业务

集团工程方案服务业务的FY19收入年比增加76.9%至9千830万新元，主要因预制生产量提高，以及PPVC工程增加。

这项业务的毛利率从FY18的-5.6%提高至FY19的4.9%，主要是由于FY18的生产量不足以抵消生产设备的固定成本，以及多个项目在2个时期的盈利力与工程进度均不同。工程方案服务业务在FY19的营运活动录得230万新元的盈利。

产业发展业务

集团从销售发展产业中取得的FY19收入年比减少65.2%至2千230万新元。收入主要来自Tranquility项目确认16个单位(4,972平方米)的销售、从Sunny International项目确认2个单位(446平方米)的销售，以及从Equinox项目确认8个单位(1,677平方米)的销售。

这项业务的毛利率在FY19提高约8.1个百分点至26.1%，主要因2个时期的项目情况不同，以及在2个时期确认单位的相对盈利力不一样。产业发展业务的营运活动在FY19取得80万新元的盈利。

财务状况

截至2019年12月31日，集团的现金及现金等值物约为5千550万新元。相对地，集团截至2019年12月31日的净债务维持在4千180万新元(截至2018年12月31日的净债务为6千990万新元)。在FY19，集团的每股盈利从上一年的0.0198新元增加至0.0238新元。最后，集团截至2019年12月31日的每股净资产值为0.597新元(截至2018年12月31日的每股净资产值为0.6035新元)。

确保领导层的延续性

为了在未来60年确立自己的地位，我们意识到增强人才发展策略以确保我们有一个强健和可持续的继任计划流程的重要性。因此，我们打算更加专于扩大人才网络，透过新的计划来更好地在机构内发现、培育和推广有潜力的人士。

最终，本公司希望创建一个不令人感到陌生的管理结构。这个管理结构由在我们内部擢升的专业人士组成，也是我们公司的一份子。目前的领导层体现了长成家族的团结精神与企业文化，未来接班的领导人也将会秉持此精神与文化。

鸣谢

在此，我想感谢我们的管理团队与员工这些年来的努力和用心。此外，我也感谢我们的客户、供应商及商业夥伴的忠实支持与信任。最后，我由衷地感谢我们的股东一直对我们董事局与管理层给予支持与信赖。

为了表达对集团前景的信心，董事局建议派发每股0.005新元的首个及最终股息，以回报我们的忠实股东。

BOARD OF DIRECTORS

MR ONG LAY KHIAM
Chairman (Non-Executive and Independent Director)

Before his retirement in 2013, Mr Ong has been working in local financial institutions since 1971, holding various leadership positions. For the period 2007–2008, he was the inaugural Executive Director of the Lien Ying Chow Legacy Fellowship at the Nanyang Technological University while concurrently appointed by the university as an Adjunct Associate Professor.

Mr Ong is currently an Honorary Council Member of the Singapore Chinese Chamber of Commerce and Industry and a member of the Investment Committee of the Chinese Development Assistance Council. He also serves on the board of Lien AID (a non-profit organization).

Mr Ong holds a First Class Honours degree in Accountancy from the Nanyang University and a Master Degree in Accounting and Finance from the London School of Economics and Political Science, University of London and is also a Fellow Chartered Accountant of Singapore. He was appointed to our Board of Directors on 24th February 2010 and was re-elected on 24 April 2019.

MR PEK LIAN GUAN
Chief Executive Officer and Executive Director

Upon his graduation from Loughborough University of Technology, United Kingdom, with a Bachelor of Civil Engineering (First Class Honours), Mr Pek Lian Guan started his career at Tiong Seng Contractors in 1990. He was named the Deputy Managing Director of Tiong Seng Contractors in 1997 and the Chief Executive Officer of Tiong Seng Holdings Limited in 2010.

Mr Pek brings more than 30 years of extensive experience in project management for civil engineering and building works in Singapore and the surrounding region to the Group. Under his tenure, he has helped usher in a new era for the Group, positioning Tiong Seng as a pioneering leader in advanced construction technologies and green practices in the industry.

As a result of his championing for construction safety, quality, sustainability, and innovation, Tiong Seng became the first construction builder in Singapore to be awarded the prestigious Singapore Quality Award in 2013. Under his leadership, Tiong Seng has also won numerous Building Information Modeling (BIM) awards in Singapore, namely, International buildingSMART awards in 2016 and Singapore International Chamber of Commerce (SICC)'s "Most Scalable Collaboration Award" with NatSteel in 2018. Most recently, Tiong Seng became the first builder in Singapore to emerge as the top winner of the Building and Construction Authority (BCA)'s pinnacle Built Environment Leadership (Platinum Star) Award.

Besides being a member of Tiong Seng Holdings Limited's Board of Directors since 15 April 2008, Mr Pek is known as an advocate of initiatives pertaining to the enhancement of productivity standards in Singapore and is actively involved in various private and public sector committees. Mr Pek was last re-elected as a director on 25 April 2018.

MR PAY SIM TEE
Executive Director

Mr Pay Sim Tee first started his career in the construction industry at Tiong Seng Contractors in 1977. In 1989, he became a director of Tiong Seng Contractors and is primarily in charge of our road construction projects in PNG. Mr Pay has more than 40 years of experience in earthwork, road and bridge construction, civil engineering and building work in Singapore, the PRC, Socialist Republic of Vietnam, PNG and Laos. He is also in charge of property development and human resource in Tiong Seng Holdings Limited.

Mr Pay Sim Tee obtained a Technician Diploma in Civil Engineering from Singapore Polytechnic in 1977. Mr Pay was appointed to our Board of Directors on 24th February 2010 and was last re-elected on 24 April 2019.

BOARD OF DIRECTORS

MR ANG PENG KOON, PATRICK
Independent Director

Mr Patrick Ang is the Managing Partner of one of the largest law firms in Singapore, Rajah & Tann Singapore LLP. He is also the Vice-Chairman of Rajah & Tann Asia.

He has 3 decades of experience handling both contentious and non-contentious matter and one of his key areas of expertise is in corporate restructuring and insolvency, acting for financial institutions and companies in many major and publicised cases. These include acting for Judicial Managers of Swiber Holdings Limited, Bondholders of Rickmers Maritime Trust, Judicial Managers of Swissco Holdings Ltd, Lehman Brothers, Nortel group of companies, China Aviation Oil Corporation, Asia Pulp and Paper, restructuring of C2C Ltd (a large underwater telecoms cable company majority owned by SingTel), the collapse of Sogo Department Store group of companies, Alliance Technology & Development Ltd, Measurex Group and PT Ometraco (listed Indonesian company).

Mr Ang was inducted into the prestigious American College of Bankruptcy as a Fellow in March 2018, making him the only Singaporean (and the fourth Asian lawyer) in this honorary public service association of bankruptcy and insolvency professionals. He has been consistently recognised internationally, in Asia and in Singapore as a leading lawyer in his field in consecutive years by many international legal and professional publications. In addition, he is also a lecturer in Insolvency at the Postgraduate Practice Law Course and a regular speaker at conferences/seminars. He is also an independent director of Singapore Deposit Insurance Corporation Limited (a statutory company accountable to the Monetary Authority of Singapore), an independent director of Nanyang Girls' High School and a Director of the Insolvency Practitioners Association of Singapore. He served as independent director on SMRT Corporation from 2013 to 2017.

Mr Ang holds a Bachelor of Law (2nd Upper Division Honours) from the National University of Singapore. Mr Ang was appointed to our Board of Directors on 24th February 2010 and was last re-elected on 26 April 2017.

MR LEE IT HOE
Non-Executive Director

Mr Lee It Hoe had previously worked in Tiong Seng Contractors as a projects management executive back in the early 1960s; coupled with his extensive experience in the brokerage industry, his business acumen is expected to be an asset to our Group.

He holds a Diploma in Building Construction from Singapore Polytechnic in 1968. Mr Lee was appointed to the Board on 24th February 2010 and was last reappointed on 25 April 2018.

SENIOR MANAGEMENT

MR PEK DIEN KEE
Head of Asset Management

Mr Pek Dien Kee joined Tiong Seng Contractors in 1975 and was appointed as Director of TSC in 1991. Currently, he heads our Procurement Department and his job scope includes approving the purchase of project work materials and services, selecting and conducting periodic evaluations of competent suppliers for our projects. In addition, he is also in charge of the Procurement Department of our subsidiary in Papua New Guinea, TSC (PNG), and our workshop at Fan Yoong Road which maintains and upkeeps the plant and equipment for TSC.

MR PAY TEOW HENG
Project Director

Mr Pay Teow Heng has been working in the industry since 1992 and has more than 25 years of experience in administration, coordination and managing of building construction and civil engineering projects in Singapore. He is involved in tender for projects, and oversees various types of construction projects that Tiong Seng Contractors undertakes in Singapore, from civil engineering to the construction of buildings. He first joined Tiong Seng Contractors as a project engineer in 1992 and was subsequently promoted to project manager in 1993 and to director in 1998. Mr Pay currently sit in the board of various Joint Venture Company as well as the subsidiaries of the companies under Tiong Seng Group . He holds a Bachelor of Civil Engineering (Hons) from Loughborough University of Technology, United Kingdom.

MR ANDREW KHNG
Head of Administration

Mr Andrew Khng has been with the company since 1981. He is in charge of corporate matters for the Group. His experience spans across general, site management and coordination in managing of civil engineering and building construction projects. He is also heading the BCA certified Overseas Training Centre in Myanmar. He currently sits on the board of various organisations outside our Group and is also the past president of Singapore Contractors Association Limited. Mr Khng is the Honorary Consul of the Republic of Congo in Singapore.

MR COLIN TAN CHEQUE SUAN
Deputy Managing Director, Tiong Seng Contractors (Private) Limited

Mr Tan joined Tiong Seng Contractors (Private) Limited in 2001 and has more than 19 years of experience in project, tender, contracts and construction management. He has risen through the ranks from Engineer, to Project Manager and subsequently Project Director in 2012, managing a Business Unit under him. In 2014, Mr Tan was also appointed as Head of Projects with the main task of overseeing project operations, value creation and building of high performance teams within Tiong Seng Contractors. During his tenure as Head of Projects, he also played a crucial role in leading the development of Tiong Seng Contractor's digital construction and crafting practical frameworks to improve and enhance existing project delivery. Mr Tan sat in various BCA Technical Committees and BCA Academy's Board of Examiners for Specialist Diploma in Construction Management. He graduated from Nanyang Technological University with a Bachelor of Civil Engineering (Hons) degree in 2001.

SENIOR MANAGEMENT

MR CHOO HONG CHUN
Chief Financial Officer

Mr Choo Hong Chun has been with us since 2003 and currently manages all financial, taxation, treasury and compliance matters for our Group. Prior to joining Tiong Seng, he was with an International Accounting Firm. Mr Choo graduated from Nanyang Technological University of Singapore with a Bachelor of Accountancy in 1994. He has been a member of the Institute of Singapore Chartered Accountants since 1998.

MR PEK ZHI KAI
Manager (Business Development), Tiong Seng Chang De Investment (Pte.) Ltd.

Mr Pek Zhi Kai was appointed as Manager (Business Development) of Tiong Seng Chang De Investment (Pte.) Ltd. on 13 December 2019 and is responsible for strategic development of the Group's property development segment. He was previously with an International Accounting Firm since 2016 before joining the Group as Manager (Commercial) of Steeltech Industries Pte. Ltd. in 2018. Mr Pek holds a Master's Degree in Organisational & Social Psychology from London School of Economics & Political Science.

MR YANG KAH SIANG
Group General Manager, Tiong Seng Engineering Solutions Pte. Ltd.

Mr Yang Kah Siang was appointed as Group General Manager of Tiong Seng Engineering Solutions Pte. Ltd. on 13 December 2019. Mr. Yang is responsible for the growth of the subsidiaries, to deliver integrated engineering solutions to clients, and expanding businesses in overseas market. In more than 20 years of project management experience in the built environment industry, Mr Yang has held technical and management roles with main contractors, real estate developers and investment funds in Singapore and overseas. Mr. Yang holds a Bachelor of Architecture from Queensland University of Technology, Australia.

MR ONG CHUN TIONG
General Manager, Tianjin, PRC

Mr Ong Chun Tiong has been overseeing our subsidiaries in Tianjin, PRC, since 2004. He joined us in 1998 as an Information Systems and Business Process Manager, and was responsible for our Group's expansion into new markets in the construction industry. Mr Ong graduated from the London School of Economics and Political Science with a Master Degree of Science in 1998, specialising in Analysis, Design and Management of Information Systems. In 2003, he obtained a Master of Science in Project Management from the National University of Singapore.

PROJECT LIST

COMPLETED PROJECTS

2019

INSTITUTIONS

Selarang Park Complex
Client: Ministry of Home Affairs

2020

INSTITUTIONS

Primary School @ Punggol Way (Punggol Site 26)
Client: Ministry of Education

Primary School along Punggol Central/Punggol Way
Client: Ministry of Education

ONGOING PROJECTS

RESIDENTIAL

Artra
Client: FEC Skyline Pte Ltd

Sloane Residences
Client: TSky Balmoral Pte Ltd

Cairnhill Rise
Client: TSky Cairnhill Pte Ltd

Pearl Bank
Client: ARECA Investment Pte Ltd

Hyll on Holland
Client: FEC Skypark Pte Ltd

INSTITUTIONS

Polyclinic & Long Term Care Facility Building at Balestier Road/Serangoon Road
Client: Ministry of Health

PROJECT LIST

ONGOING PROJECTS (CONTINUED)

INDUSTRIAL

JTC Space @ Ang Mo Kio
Client: JTC Corporation

HOTELS

Club Street
Client: Midtown Development Pte Ltd

CIVIL ENGINEERING

Contract T220 – Great World Station
Client: Land Transport Authority

Water Transmission Pipeline project (Aye/Henderson Road to River Valley Road)
Client: Public Utilities Board

KEY ENGINEERING SOLUTIONS PROJECTS

PRECAST PROJECTS

JTC Logistic Hub
Client: Kimly Construction Pte Ltd

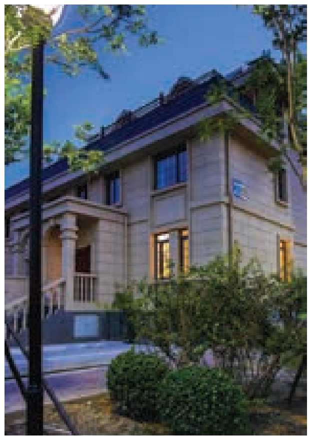
HDB Centre of Building Research
Client: Housing Development Board

Kallang Whampoa C43
Client: Kienta Engineering Construction

MASS ENGINEERED TIMBER PROJECT

Academic Building & Ancillary Block in Nanyang Technology University
Client: Newcon Builders Pte Ltd

ONGOING PROPERTY DEVELOPMENT



PROJECTS IN CHINA

The Equinox, Dagang, Guangang Forest Park, Tianjin, by Tianjin Zizhulin Guangang Property Development

Residential comprising landed and low rise properties: 162,000 sqm, over a land area of 325,000 sqm

Phases of development, with the expected completion of the different phases ranging from 2014 to 2025

Sunny International, Cangzhou, by Cangzhou Huashi Property Development

Mixed: Residential 131,900 sqm and Commercial 18,000 sqm, over a land area of 51,000 sqm

All residential units have been sold. Sunny International balanced stock is 3 units at at 31 December 2019.

Tranquility Residences, Xushuguan Development Zone, Suzhou, by Suzhou ChangHe Investment and Development

Residential comprising terrace houses and apartments: 87,220 sqm, over a land area of 85,509 sqm

Two phases of development, which were completed in 2016 and 2017 respectively

Zizhulin, Tianjin, by Tianjin Zhizhulin Development

Commercial: 12,000 sqm, over a land area of 8,000 sqm

Planning currently in progress

CORPORATE INFORMATION

REGISTERED OFFICE
21 Fan Yoong Road,
Singapore 629796
Tel: (65) 6356 0822
Fax: (65) 6356 0688
Company Registration Number:
200807295Z
Website: www.tiongseng.com.sg

BOARD OF DIRECTORS
Mr Ong Lay Khiam
(Non-executive Chairman and Independent Director)

Mr Pek Lian Guan
(CEO and Executive Director)

Mr Pay Sim Tee
(Executive Director)

Mr Lee It Hoe
(Non-Executive Director)

Mr Ang Peng Koon, Patrick
(Independent Director)

COMPANY SECRETARY
Ms Lai Foon Kuen

SHARE REGISTRAR
Boardroom Corporate & Advisory Services Pte. Ltd.

50 Raffles Place
#32-01 Singapore Land Tower
Singapore 048623
Tel: (65) 6536 5355
Fax: (65) 6536 1360

AUDIT COMMITTEE
CHAIRMAN
Mr Ong Lay Khiam
MEMBERS
Mr Lee It Hoe
Mr Ang Peng Koon, Patrick

NOMINATING COMMITTEE
CHAIRMAN
Mr Ang Peng Koon, Patrick
MEMBERS
Mr Pek Lian Guan
Mr Ong Lay Khiam

REMUNERATION COMMITTEE
CHAIRMAN
Mr Ang Peng Koon, Patrick
MEMBERS
Mr Lee It Hoe
Mr Ong Lay Khiam

PRINCIPAL BANKERS
Bank of China Limited

CIMB Bank

DBS Bank Ltd

Malayan Banking Berhad

Oversea-Chinese Banking Corporation Limited

The Hong Kong and Shanghai Banking Corporation

United Overseas Bank Limited

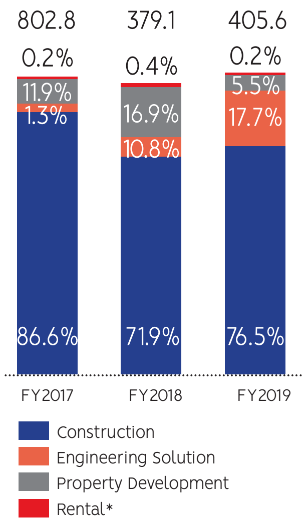
AUDITORS
KPMG LLP
Public Accountants and Chartered Accountants
16 Raffles Quay
#22-00 Hong Leong Building
Singapore 048581

PARTNER-IN-CHARGE
Mr Low Gin Cheng, Gerald

Date of Appointment: with effect from financial year ended 31 December 2015

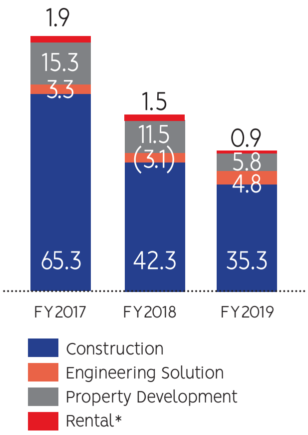
FINANCIAL HIGHLIGHTS

REVENUE (SGD'MIL)



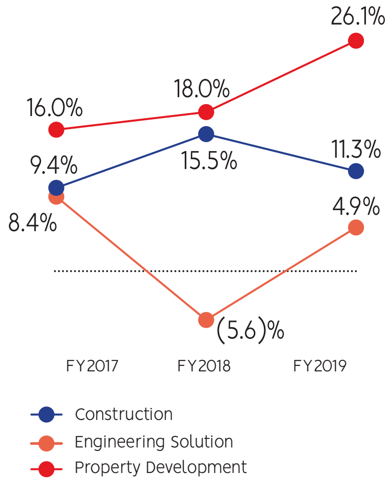
* Rental was no longer a reporting segment in FY2019

GROSS PROFIT (SGD'MIL)

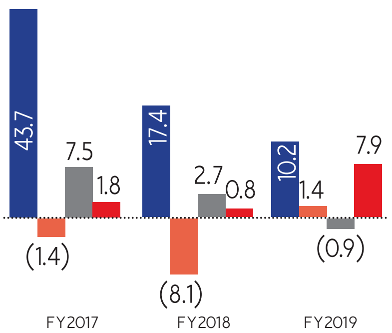


* Rental was no longer a reporting segment in FY2019
# The above numbers exclude inter segment elimination

GROSS PROFIT MARGIN



REPORTABLE SEGMENT PROFIT BEFORE INCOME TAX (SGD'MIL)

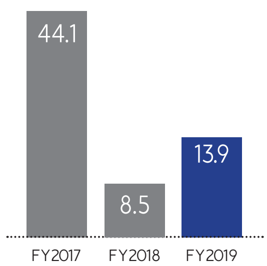


General Corporate activities is not included in each reportable segment results

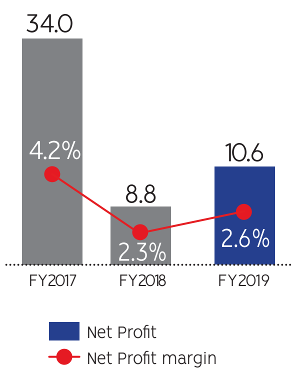
Construction
Engineering Solution
Property Development
Rental*

* Rental was no longer a reporting segment in FY2019

PROFIT FROM OPERATING ACTIVITIES BEFORE JV, ASSOCIATE & TAX (SGD'MIL)



NET PROFIT ATTRIBUTABLE TO SHAREHOLDERS (SGD'MIL)



EARNING PER SHARES (CENTS)

CASH AND CASH EQUIVALENTS (SGD'MIL)

NET ASSET VALUE PER SHARE (CENTS)

SHAREHOLDERS EQUITY (SGD'MIL)

ORDER BOOK OF S$902.3 MILLION IS EXPECTED TO BE COMPLETED BY 2023

CORPORATE GOVERNANCE

CORPORATE GOVERNANCE

The Board of Directors ("Board") of Tiong Seng Holdings Limited (the "Company" and together with its subsidiaries, the "Group") is committed to maintaining high standards of corporate governance with the aim to protect and enhance shareholders' value and the financial performance of the Group. The Company recognizes that good corporate governance processes are essential for enhancing corporate sustainability.

This report describes the corporate governance framework and practices that the Group has adopted with reference to the 2018 Code of Corporate Governance (the "Code"), and where applicable, the Listing Manual of the Singapore Exchange Securities Trading Limited ("SGX-ST").

The Board confirms that the Company has adhered to the principles and guidelines as set out in the Code, where applicable, and explanations are provided for any deviations from the Code.

(A) BOARD MATTERS

Principle 1: The Board's Conduct of Affairs

Provision 1.1: Principal Duties of the Board and Conflict of Interest

The Board is primarily responsible for overseeing and supervising the management of the business affairs of the Group by putting in place code of conduct and ethics, sets appropriate tone-from-the-top and desired organizational culture in order for management to act in good faith for the long term performance of the Group. Board members are expected to bring their diversified knowledge and experience to bear on issues of strategy, performance, and resources and exercise independent judgment in the best interests of the Group.

Each director is required to promptly disclose any conflict or potentially conflict of interest, in relation to a transaction or proposed transaction with the Group as soon as is practicable after the relevant facts have come to his knowledge. On an annual basis, each director is also required to submit a director's interest declaration form for the purpose of monitoring interested persons transactions. Where a director has a conflict or potentially conflict of interest in relation to any matter, he should immediately declare his interest when the conflict-related matter is discussed and abstained himself from voting in relation to the conflict-related matters.

The function of the Board includes:

(i) providing effective leadership, setting corporate strategy and directions to ensure that the necessary financial and human resources are in place for the Group to achieve its objectives;

(ii) advising Management on major policy initiatives and significant issues;

(iii) approving the Group's annual budgets, major investment and divestment proposals, material acquisitions and disposal of assets, interested person transactions of a material nature and funding decisions;

(iv) establishing a framework of prudence and effective internal controls and risk management systems, including safeguarding of shareholders' interests and the company's assets and review the adequacy and effectiveness of the company's internal control systems and risk management systems at least annually;

(v) evaluating the performance and compensation of directors and senior management;

(vi) approving nominations and appointment of Board members and key management personnel;

(vii) identify the key stakeholder groups and recognize that their perceptions affect the company's reputation;

(viii) setting the Group's values and standards through the implementation of corporate governance and best practices; and

(ix) consider sustainability issues, e.g. environmental and social factors, as part of its strategic formulation

The Group prides itself on being an innovator and champion of practices to shape a safe, high quality and sustainable built environment and are aware of the impacts that its activities may have on society and the environment and continually strive to mitigate any such repercussions. The sustainability report for the year ended 31 December 2019 with respect to this will be released by May 2020.

CORPORATE GOVERNANCE

Provision 1.2: Directors' Orientation and Training

A formal letter is provided to each director upon his appointment, setting out the Director's duties and obligations. Newly appointed Directors will receive an orientation that includes briefing by Management on the Group's structure, business activities, strategic direction and corporate governance practices. The Directors are provided updates on amendments in relevant laws and regulations, where appropriate, to enable them to make well-informed decisions and to discharge their duties responsibly.

Management will bring to Directors' attention, information on seminars that may be of relevance or of use to them. As part of their continuing education, the Directors, whether as a group or individually, are encouraged to attend relevant industry conferences, external courses and seminars to keep themselves apprised of and updated on the latest changes in areas pertaining to regulatory, legal and commercial risks, amongst others, at the Company's expenses. For FY2019, the Directors had been briefed on the key audit matters in the auditors' report and quarterly updates on the strategic development of the Group. New releases issued by the SGX-ST and Accounting and Corporate Regulatory Authority ("ACRA") which are relevant to the Directors are also circulated to the Board. For any first time director who has no prior experience of a director of a listed company in Singapore, orientation programmes would include mandatory training as prescribed by the Listing Manual.

As an ongoing exercise, the Directors are updated on amendments and requirements of the SGX-ST and other statutory and regulatory changes which have an important bearing on the Company and the Directors' obligations to the Company, from time to time.

Provision 1.3: Board Approval

The Board had considered and adopted a formal policy setting out specific matters that require the Board's decision/approval. Material transactions that require decision/approval of the Board are as follows:

(i) All announcements to be released to the SGX-ST;

(ii) Annual budget of the Group and corporate and strategic business directions;

(iii) Major transactions proposals which include, inter alia, merger, acquisition, disposal and funding transactions;

(iv) Setting up or change in Dividend Policy and declaration of dividends;

(v) Convening of shareholders' meetings;

(vi) Annual Report which includes the audited financial statements;

(vii) Review, recommendations, appointments and re-appointments of Directors;

(viii) Human resource matters which include remuneration of Directors and key management personnel; and

(ix) All other matters which required approval of the Board and corporate actions for which shareholders' approval is required.

Provision 1.4: Delegation by the Board

To facilitate effective management, certain functions of the Board have been delegated to Board Committees, namely, Audit, Nominating and Remuneration Committees. Each Board Committee has the authority to examine particular issue and report back to the Board with their recommendations. The ultimate responsibility for the final decision on all matters, however, lies with the Board. Further information regarding the functions of the respective Board Committees is set out in the later part of this report.

Regular scheduled meetings are conducted to review and approve interim and annual results, strategic policies of the Group, significant business transactions and performance of the business. Ad-hoc meetings are held as and when required to address any significant issues that arise in between the scheduled meetings. The Company's Constitution provide for meetings to be held via telephone, electronic or other communication facilities which permits all persons participating in the meeting to communicate with each other simultaneously. The Board also schedules an annual Board Strategy meeting during the Company's Corporate Retreat to discuss strategic issues.

CORPORATE GOVERNANCE

Provision 1.5: Board Meetings and Attendance

Details of the number of meetings of the Board and Board Committees held in the financial year ended 31 December 2019 ("FY2019"), as well as the Directors' attendance at these meetings are summarized in the table below:

Name of Directors	Board Meetings	Audit Committee Meetings	Nominating Committee Meeting	Remuneration Committee Meetings
	Attendance/Number of meetings held			
Ong Lay Khiam	4/4	4/4	1/1	1/1
Pek Lian Guan	4/4	4/4*	1/1	1/1*
Pay Sim Tee	4/4	4/4*	1/1*	1/1*
Lee It Hoe	4/4	4/4	1/1*	1/1
Ang Peng Koon, Patrick	4/4	4/4	1/1	1/1

* By Invitation

Provision 1.6: Access to Information

The Directors are from time to time furnished with detailed information concerning the Group to enable them to be fully aware of and understand the decisions and actions of Management. In addition, the Board receives from Management quarterly management reports which present a balanced and understandable assessment of the Group's financial performance, position and prospect.

Board papers are prepared by Management for each Board meeting and are circulated to the Directors before the scheduled meeting on a timely basis. Board papers prepared by Management include adequate information relating to financial, business and corporate issues to enable the Directors to be properly briefed on agenda issues to be reviewed and considered at Board meetings.

The Company Secretary attends all Board and Board Committees meetings and takes the minutes of all key decisions taken and issues discussed. The Company Secretary also provides advice, secretarial support and assistance to the Board and ensures adherence to Board procedures (including but not limited to good information flows within the Board and its Committees and between senior management and Non-executive Directors) and the relevant rules and regulations applicable to the Company.

Provision 1.7: Access to Management, Company Secretary and Independent Professional Advice

Pursuant to the Company's Constitution, the appointment or removal of the Company Secretary is subject to approval by the Board.

All Directors have separate and independent access to the Group's Chairman, CEO, Key Executives, Senior Management, Company Secretary and internal and external auditors at all times. The Board can seek independent professional advice if deemed necessary at the Company's expense to ensure that adequate information and advice is available before important decisions are made.

CORPORATE GOVERNANCE

Principle 2: Board Composition and Guidance

Provision 2.1: Board Independence

Provision 2.2 and 2.3: Proportion of non-executive and independent directors

The Board as at the date of this report comprises five directors of whom two are independent directors:

Ong Lay Khiam	(Non-executive Chairman and Independent Director)
Pek Lian Guan	(Executive Director and Chief Executive Officer)
Pay Sim Tee	(Executive Director)
Lee It Hoe	(Non-executive Director)
Ang Peng Koon, Patrick	(Non-executive Independent Director)

Non-executive directors make up a majority of the Board.

Provision 2.4: Board Composition and Diversity

The size and composition of the Board are reviewed by the Nominating Committee ("NC") on an annual basis to ensure that the Board has the appropriate diversification of expertise and experience and collectively possesses the necessary skills sets and core competencies for effective decision making. The Board is of the opinion that its current board size of five Directors is appropriate, taking into account the nature and scope of the Group's operations.

The Company recognizes the benefits of having a Board with diverse backgrounds and experience. As a group, the Directors bring with them a broad range of expertise in areas, such as, legal, accounting, finance, management experience, industry knowledge, customer-based experience and knowledge as well as familiarity with regulatory requirements. The diversity of the Directors' experience allows for the useful exchange of ideas and views. It has adopted a Board Diversity Policy which recognize that a diverse Board will enhance decision-making capability and is more effective in dealing with organizational changes. Diversified views enhance Board discussions and ensure that the decisions made by the Board have been considered from all points of view.

The Board is of the view that, while it is important to promote boardroom diversity in terms of gender, age and ethnicity, the normal selection criteria based on an effective blend of competencies, skills, extensive experience and knowledge to strengthen the Board should remain a priority. The Company does not set any specific target for female directors or boardroom age diversity but will work towards having female directors or having appropriate age diversity in the Board, if the opportunity arises.

Information on each Director's academic and professional qualifications, industry knowledge, shareholdings, relationships (if any) and, directorship is presented in the sections entitled "Board of Directors" and "Directors' Report" of this Annual Report.

Non-executive Directors contribute to the Board process by involving in the Group's strategic proposals and monitoring and reviewing Management's performance against agreed goals and objectives. Their views and opinions provide alternative perspectives to the Group's business. When challenging Management proposals or, decisions, they will bring independent judgment to bear on business activities and transactions involving conflicts of interest and other complexities.

Provision 2.5: Meeting of Independent Directors without presence of Management

All the Independent Directors meet at least annually without the presence of the other Executive and Non-independent Directors to discuss matters of significance which are thereon reported to the Board accordingly. Ad-hoc meetings will be held if there is a need to discuss any other matters without the presence of Management.

Principle 3: Chairman and Chief Executive Officer

There is balance in the Board because of the presence of Independent and Non-executive Directors which is particularly important in ensuring that the strategies proposed by Management are constructively challenged, fully discussed and examined, and take account of the long term interests, not only of the shareholders, but also employees, customers, suppliers and the many communities in which the Group conducts business.

CORPORATE GOVERNANCE

Provision 3.1: Separation of the Role of Chairman and the Chief Executive Officer ("CEO")

To ensure an appropriate balance of power, increased accountability and greater capacity of the Board for independent decision making such that no one individual represents a considerable concentration of authority, the roles of Non-executive Chairman and CEO are separate.

The Non-executive Chairman, Mr Ong Lay Khiam, is one of the independent directors. Mr Pek Lian Guan, is the CEO of the Company.

Provision 3.2: Role of Non-Executive Chairman and CEO

The Chairman is responsible for the workings of the Board which includes:

i) lead the Board to ensure its effectiveness on all aspects of its role;

ii) set the agenda and ensure that adequate time is available for discussion of all agenda items, in particular strategic issues;

iii) promote a culture of openness and debate at the Board;

iv) ensure that the directors receive complete, adequate and timely information;

v) ensure effective communication with shareholders;

vi) encourage constructive communication within the Board and between the Board and Management;

vii) facilitate the effective contribution of non-executive directors in particular; and

viii) promote high standards of corporate governance.

He is available to address concerns, if any, of the Company's shareholders. Shareholders with concerns may contact him directly, when contact through the normal channels via the CEO or Chief Financial Officer ("CFO") has failed to provide satisfactory resolution, or when such contact is inappropriate.

As CEO, Mr Pek Lian Guan is responsible for formulating the Group's business strategy, directions, corporate plans and policies and day-to-day management affairs of the Group. He ensures effective and comprehensive discussion of the Board on these matters and monitors the translation of Board's decisions into executive actions. He also ensures the quality, quantity and timeliness of information flow between the Board and Management and that the Board has sufficient opportunities for interaction and informal meetings with Management. There is no familial relationship between the Chairman and the CEO.

The Board is of the view that there are sufficient safeguards and checks to ensure that the decision making process of the Board is independent and based on collective decision of the Board without any individual exercising any considerable concentration of power or influence.

Principle 4: Board Membership

Provision 4.1 and 4.2: Nominating Committee Composition and Role

The NC comprises three members, a majority of whom, including the Chairman, are Independent Directors.

Ang Peng Koon, Patrick (Chairman)
Ong Lay Khiam
Pek Lian Guan

CORPORATE GOVERNANCE

The principal functions of the NC in accordance with its written terms of reference are as follows:

1. to review the Board structure, size and composition and make recommendations to the Board with regard to any Board appointments and changes, where appropriate;

2. to determine the process for search, nomination, selection and appointment of new Board members and assess nominees or candidates for appointment to the Board;

3. to determine, on an annual basis, if a Director is independent;

4. to recommend the nomination of Directors who are retiring by rotation to be put forward for re-election;

5. to review and determine whether or not a Director is able to and has been adequately carrying out his duties as a Director of the Company, particularly when he has multiple board representations;

6. to assess the effectiveness of the Board as a whole;

7. to review the succession plans for the CEO and key management personnel; and

8. to review training and professional development programmes for the Board and its directors.

Provision 4.3: Process for selection, appointment and reappointment of directors

The process for selection and appointment of new directors provides the procedure for identification of potential candidates, evaluation of candidate's skills, knowledge and experience, gender, assessment of candidates' suitability and recommendation for nomination to the Board. In the search, nomination and selection process for new directors, the NC identifies the key attributes that an incoming director should have such as integrity, ability to commit time and effort to the Board, taking into account the attributes of the existing Board and the requirements of the Group. After endorsement by the Board of the key attributes, the NC taps on the resources of Directors' personal contacts and recommendations of potential candidates, and goes through a shortlisting process. If candidates identified from this process are not suitable, executive recruitment agencies will be appointed to assist in the search process. Interviews are set up with potential candidates for the NC members to assess them, before a decision is reached. No new director was appointed in the last financial year.

The NC also oversees the re-appointment of Directors in accordance with the requirement of the Companies Act, Cap. 50.

Provision 4.4: Continuous Review of Directors' Independence

The NC, which is responsible for reviewing the independence of each Director on an annual basis, has adopted the Code's definition of an independent director and guidelines as to relationships which would deem a director not to be independent (Principal 2). Under the Code, an independent director is one who is independent in conduct, character and judgement, and has no relationship with the Company, its related corporation, its substantial shareholders or its officers that could interfere, or be reasonably perceived to interfere, with the exercise of the director's independent business judgement in the best interests of the company. In this aspect, every independent Board member is required to disclose any relationships or appointments which would impair their independence to the Board on a timely manner.

Based on the confirmation of independence submitted by the Independent Non-Executive Directors, the NC was of the view that each Independent Non-Executive Director is independent in accordance with the Listing Rule 210(5)(d) as the Independent Directors: (i) are not employed by the Company or any of its related corporations for the current or any of the past three financial years; and (ii) do not have an immediate family member who is employed or has been employed by the Company or any of its related corporations for the past three financial years, and whose remuneration is determined by the Remuneration Committee.

CORPORATE GOVERNANCE

As both Mr. Ong Lay Khiam and Mr. Ang Peng Koon, Patrick have each served the Board as non-executive independent Directors for more than nine years, the NC had performed a rigorous review of their continuing independence. During its review, the NC noted that, notwithstanding that they have served on the Board beyond nine years, they continue to demonstrate strong independence in character and judgement in engaging and challenging Management in the interests of the Group at the Board and Board Committee meetings. Neither they and nor their immediate family members have any relationship or business dealings with the Group and the Company's substantial shareholders in the current or immediate past financial year. Both Mr Ong Lay Khiam and Mr Ang Peng Koon, Patrick have, over the years, actively participated in the proceedings and decision-making process of Board meetings. They have constructively challenged and reviewed the performance of Management in achieving agreed goals. The Board considers them to have made impartial advice and insights and have exercised independent judgement in doing so without dominating the Board discussions in these proceedings and/or meetings. The Board also recognises that Mr Ong Lay Khiam and Mr Ang Peng Koon, Patrick have developed substantial insight of the Group's business and operations and will continue to value add to the Board. In considering the above factors and taking into account of their contribution in terms of experience, expertise, professionalism and integrity and having weighed on the need for progressive refreshing of the Board, the NC is of the view that both Mr. Ong Lay Khiam and Mr. Ang Peng Koon, Patrick continue to be independent. Each Independent Director is duly abstained from the NC/Board's determination of his independence. Following the review, the NC is satisfied that at least one-third of the Board comprises Independent Directors.

Provision 4.5: Directors' commitment to discharge their duties and obligations

Although the Non-executive Director and Independent Directors hold directorships in other listed companies and/or have other principal commitments, the NC is satisfied that sufficient time and attention was given by the Directors to the affairs of the Group and is of the view that such multiple board representations do not hinder their ability to carry out their duties as Directors of the Company. The Board affirms and supports this view. While there are no guidelines to address the competing time commitments faced by Directors serving on multiple boards, the Board has concurred with the NC's recommendation to fix the maximum number of board representations on listed company and other principal commitments for each Director at 5. Any appointment beyond the number of "5", the NC would review and determine if that particular Director is able to and has been adequately carrying out his duties as a Director of the Company.

Currently, no Director has appointed an Alternate Director.

Re-election of directors at the forthcoming Annual General Meeting

In accordance with the Company's Constitution, one-third of the Directors for the time being shall retire from office by rotation at each Annual General Meeting ("AGM"); and each Director is required to retire at least once every three years and, shall be eligible for re-election. A newly appointed Director is also required to submit himself for retirement and re-election at the AGM immediately following their appointments.

In recommending a Director for re-election to the Board, the NC considers, amongst other things, his performance and contributions to the Board (including attendance and participation at meetings, and time and effort accorded to the Group's business and affairs). The NC has also considered the provision set out in the Code and Listing Manual and is of the view that Mr Ang Peng Koon, Patrick is independent and he has also declared that he is independent.

The NC, after consideration, has recommended the nomination of Mr Pek Lian Guan and Mr. Ang Peng Koon, Patrick for re-election at the forthcoming AGM. The Board has accepted this recommendation and being eligible, Mr. Pek Lian Guan and Mr. Ang Peng Koon, Patrick will be offering themselves for re-election at the forthcoming AGM. Mr Ang will, upon re-election as a Director of the Company, remain as the Independent Director, the Chairman of the Nominating and Remuneration Committee and a member of the Audit Committee.

CORPORATE GOVERNANCE

Below table list down the information on the directors nominated for re-election, including the information required under Appendix 7.4.1 of the Listing Rules.

	Name of Director to be re-elected	
	Pek Lian Guan	Ang Peng Koon, Patrick
Date of appointment	5 April 2008	24 February 2010
Date of last re-appointment	25 April 2018	26 April 2017
Age	55	55
Country of Principal Residence	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 has considered the recommendation of the Nominating Committee and is of the view that, based on Mr Pek's performance and contributions to the Board during his tenure as an Chief Executive Officer and Executive Director of the Company, and his valuable experience in the construction and property development industries, accepted Nominating Committee's recommendation and nominates Mr Pek to be re-elected as the Director of the Company in the coming Annual General Meeting.	The Board of Directors of the Company has considered the recommendation of the Nominating Committee and is of the view that, based on Mr Ang's performance and contributions to the Board during his tenure as the Independent Director of the Company, together with his vast experience and expertise in legal has accepted Nominating Committee's recommendation and nominates Mr Ang to be re-elected as the Director of the Company in the coming Annual General Meeting.
Whether the appointment is executive, and if so, the area of responsibility	Executive, please refer to Board of Directors section for area of responsibility	Non-executive
Job Title (e.g. Lead ID, AC Chairman, AC Member etc.)	– Chief Executive Officer and Executive Director; – Nominating Committee member	– Independent and Non-executive Director – Chairman of Nominating and Remuneration Committees – Audit Committee member
Professional qualifications	Please refer to Board of Directors section for details	Please refer to Board of Directors section for details
Working experience and occupation(s) during the past 10 years	i) Director of Tiong Seng Group	i) Director of Tiong Seng Holdings Limited; ii) Managing Partner of Rajah & Tann Singapore LLP
Shareholding interest in the listed issuer and its subsidiaries	2,224,000	Hold 265,000 shares in Tiong Seng Holdings Limited
Any relationship (including immediate family member relationships) with any existing director, existing executive officer, the Company and/or substantial shareholder of the Company or any of its principal subsidiaries	Cousin of Pay Sim Tee (Executive Director); and shareholder of Peck Tiong Choon (Private) Limited (substantial shareholders)	No

CORPORATE GOVERNANCE

	Name of Director to be re-elected	
	Pek Lian Guan	**Ang Peng Koon, Patrick**
Conflict of Interest (including any competing business)	Mr Pek Lian Guan holds numerous directorships in other companies (as disclosed in "working experience and occupation(s) during the past 10 years" and has interest in Peck Tiong Choon Pte Ltd, a controlling shareholders of the Group, which may have transactions with the Group. There are guidelines and review procedures for transactions made where potential conflict of interest may arise, including the review procedures described in section 3.5 of Appendix to the notice of AGM in relation to interested person transaction mandate and guideline and review procedures enumerated in the Company's IPO prospectus dated 7 April 2010	No
Undertaking (in the format set out in Appendix 7.7) under Rule 720(1) submitted to the Company?	Yes	Yes
Current directorships – Public Companies	Tiong Seng Holdings Limited Financial Board of The Singapore Chinese Chamber of Commerce, THE Sun Yat Sen Nanyang Memorial Hall Company Limited Singapore Chinese Chamber of Commerce Foundation SCCCI Chinese Entrepreneurial Culture Foundation	Tiong Seng Holdings Limited Singapore Deposit Insurance Corporation Limited
– Private Companies	Chinese Chamber Realty Private Limited Cobiax Technologies (Asia) Pte. Ltd. Feature (Balmoral) Pte. Ltd. High Tech Precast Company Limited, Myanmar Jet-Scan Private Limited Robin Village Development Pte. Ltd.	Nanyang Girl's High School Insolvency Practitioners Association of Singapore

CORPORATE GOVERNANCE

	Name of Director to be re-elected	
	Pek Lian Guan	Ang Peng Koon, Patrick
	Robin Village International Pte. Ltd. Robin Village Sdn. Bhd. Steeltech Industries Pte. Ltd. Suzhou ChangHe Investment and Development Co., Ltd. Suzhou Huisheng (China) Construction Development Co., Ltd. Tianjin Eco-City Sheng Jing Investment and Development Co., Ltd. Tianjin Zizhulin Development Co., Ltd. Tianjin Zizhulin Investment Holding Group Co., Ltd. Tiong Seng (Tianjin) Investment Co., Ltd Tiong Seng Chang De Investment (Pte.) Ltd. Tiong Seng Civil Engineering (Private) Limited Tiong Seng Contractors (Private) Limited Tiong Seng Construction (Myanmar) Co., Ltd Tiong Seng Engineering Solutions Pte. Ltd. Tiong Seng Properties (Private) Limited Tiong Seng Shareholdings Pte. Ltd. TSC Innovative Builder Pte. Ltd. TSky Balmoral Pte. Ltd. TSky Cairnhill Pte. Ltd. TSky Development Pte. Ltd. TSky (Jervois) Pte. Ltd. Yuan Ching Development Pte. Ltd.	

CORPORATE GOVERNANCE

	Name of Director to be re-elected	
	Pek Lian Guan	**Ang Peng Koon, Patrick**
Past directorships (in the last 5 years) – Private Companies	Cobiax Technologies AG Jiangsu Huiyang Construction Development Co., Ltd. EDC@SCCCI Pte. Ltd.	Nil
Any prior experience as a director of an issuer listed on the Exchange?	Yes. Mr Pek has been the director of the Company since 2010.	Yes. Mr Ang has been the director of the Company since 2010. Previously he was independent director of SMRT Holdings Ltd from 2013-2017, and independent director of Malacca Trust Ltd.

The two directors standing for re-election at the forthcoming AGM have been appointed since the Company's listing in year 2010. There are no changes to the disclosure required under items (a) to (k) to the Appendix 7.4.1 of the Listing Manual as provided in the Company's prospectus dated 7 April 2010 in respect of their appointments to the Board.

The key information regarding the directors is presented in the section entitled "Board of Directors" of this Annual Report.

Principle 5: Board Performance

Provision 5.1 and 5.2: Board Evaluation Process

The NC has established a process for assessing the effectiveness of the Board as a whole for the long term performance of the Group. Board performance evaluation is carried out on an annual basis to assess and evaluate the Board's size, composition, and expertise, independence, the Board's access to information as well as Board accountability and processes. The board evaluation process involves having directors complete the performance evaluation form. The results of the performance evaluation will be compiled by the Company Secretary into a summary report and reported to the NC Chairman before discussing at the NC meeting and reporting to the Board. The Board and the NC ensure that Directors appointed to the Board possess the relevant experience, knowledge and skills critical to the Group's business, so as to enhance the core competencies of the Board. No external facilitator had been engaged by the Board for this purpose. The NC and the Board were generally satisfied with the results of the Board performance evaluation for FY2019.

As the Board Committees, namely, Audit Committee, NC and Remuneration Committee, comprise members who are also Board members, the NC had reviewed and considered that separate assessment of the effectiveness of each Board Committee and individual Director evaluation as recommended by the Code were not deemed necessary and that the current annual assessment of the Board as a whole was sufficient for the time being.

(B) REMUNERATION MATTERS

Principle 6: Procedures for Developing Remuneration Policies

Provision 6.2: Remuneration Committee Composition

The Remuneration Committee ("RC") comprises three members, a majority of whom, including the Chairman, are Independent Directors. All the members of the RC are non-executive directors.

Ang Peng Koon, Patrick (Chairman)
Ong Lay Khiam
Lee It Hoe

Provision 6.1, 6.3 and 6.4: Remuneration Framework

The principal functions of the RC in accordance with its written terms of reference are as follows:

1. to review and recommend to the Board a general framework of remuneration for the Board and key management personnel and to review and recommend for endorsement by the Board the specific remuneration packages and terms of employment for each Director, key management personnel of the Group and employees related to Directors or, controlling shareholders of the Group;

2. to review the Group's obligation arising in the event of termination of the executive directors' and key management personnel's contract of service, to ensure that such contract of services contain fair and reasonable termination clauses which are not overly generous; and

3. to function as the committee referred to in the Tiong Seng Share Award Scheme ("the Scheme") and shall have all the powers as set out in the Scheme.

The scope of the RC's review covers all aspects of remuneration, including but not limited to Directors' fees, salaries, allowances, bonuses, and benefits-in-kind. The remuneration packages take into consideration the long-term interests of the Group, industry standards, and ensure that the interests of the Executive Directors are aligned with that of shareholders.

If required, the RC will from time to time seek advice from external consultants, who are unrelated to the Directors or any organisation they are associated with, on remuneration matters and remuneration of the Directors' and key management personnel. The Company has not appointed any remuneration consultants for FY2019.

Principle 7: Level and Mix of Remuneration

Provision 7.1 and 7.3: Remuneration setting for Executive Directors and Key Management Personnel ("KMPs")

The RC takes into consideration the prevailing economic situation, skills, expertise and contribution to the Company's performance, the pay and employment conditions within the industry and in comparable companies in reviewing and determining the remuneration packages of the Executive Directors and KMPs.

The existing service agreement of Mr Pek Lian Guan, CEO and Executive Director of the Company, is for a period of 3 years, and may be terminated with 6 months' notice in writing served by either party.

The remuneration packages of Executive Directors and key executives consist of fixed, variable components and benefits. The fixed component comprises the basic salary and Central Provident Fund contribution. To ensure that key executives' remuneration is consistent and comparable with market practice, the RC regularly benchmarks remuneration components against those of comparable companies, giving due regard to the performance criteria as set out in the Key Performance Indicators (which are specific, measurable, result oriented and time-bound) and that linked to pre-agreed financial and non-financial performance targets for Variable Bonus and Incentive Plan, while continuing to be mindful that there is a general correlation between increased remuneration and performance improvements. The variable component comprises a variable bonus based on the Group's and the individual's performance, as well as the monthly variable component of the basic salary. Bonuses payable to key executives are reviewed by the RC and approved by the Board to ensure alignment of their interests with those of shareholders and promote the long-term success of the Group.

Benefits provided are consistent with market practice and include medical benefits, flexible benefits, car allowance and club benefits. Eligibility for these benefits will depend on factors inter-alia individual roles and responsibilities, salary grade and length of service.

Contracts with Executive Directors and key management personnel contain "claw back" termination clause to safeguard the Group's interests in the event of exceptional circumstances of misstatement of financial statements, misconduct resulting in financial loss or fraud by Executive Directors and KMPs.

CORPORATE GOVERNANCE

Provision 7.2: Remuneration of Non-Executive Directors

The RC also reviews all matters concerning the remuneration of the Independent Directors and Non-Executive Directors to ensure that the remuneration commensurate with the effort, time spent and responsibilities of the Directors and not to be over-compensated to the extent that their independence may be compromised. To demonstrate the commitments and align the interests of the non-executive Directors with that of shareholders, all our non-executive Directors hold shares in the Company.

The RC had recommended to the Board an amount of S$300,000 as Directors' fee for the financial year ending 31 December 2020, to be paid in arrears. The Directors' fee are payable to all the Directors except for the CEO. The Board will table this recommendation at the forthcoming AGM for shareholders' approval.

No Director is involved in deciding his own remuneration.

Principle 8: Disclosure on Remuneration

Provision 8.1, 8.2 and 8.3: Disclosure of Remuneration of directors, KMPs, immediate family member of a director/CEO and share scheme

The annual remuneration level and mix of each individual Director for FY2019 is set out as follows:

	Basic Salary	Bonus, AWS and Profit Sharing	Other Benefits	Director's Fees	Total	
	%	%	%	%	%	S$'000
Executive Directors						
Pek Lian Guan	46	51	3	–	100	1,494
Pay Sim Tee	71	17	2	10	100	568
Non-executive Directors						
Lee It Hoe	–	–	–	100	100	60
Ong Lay Khiam	–	–	–	100	100	120
Ang Peng Koon, Patrick	–	–	–	100	100	60

Mr Pek Dien Kee, brother of Mr Pek Lian Guan (the CEO and an Executive Director), was employed as the Head of Asset Management and director of a few of the subsidiaries in the Group. He has received remuneration comprising salary and annual bonus in the salary band of between S$450,000 to S$500,000 during FY2019.

Save as disclosed, there are no other employees who are immediate family members of a Director or the CEO and whose remuneration exceed S$100,000 for FY2019.

The aggregate remuneration paid to the top 5 KMPs (who are not Directors or the CEO) in FY2019 was S$2,105,000. However, the remuneration of the top 5 key management personnel (who are not Directors or the CEO) is not disclosed in the bands of S$250,000 and on a named basis as the Company believes in maintaining confidentiality of staff remuneration matters and that disclosure of the remuneration of the individual key management personnel is disadvantageous to its business interest, given the scarcity of talents and highly competitive industry conditions that it is operating in.

The Company does not provide any termination, retirement and post-employment benefits to Directors, CEO and the top 5 KMPs (who are not Directors or the CEO).

CORPORATE GOVERNANCE

The Company has in place a Share Award Scheme ("Scheme") administered by the RC. Non-executive directors and employees as at the date of grant who have attained 21 years old and are not undischarged bankrupts shall be eligible to participate in the Scheme. Persons who are controlling shareholders or associates of a controlling shareholder are not eligible to participate in the Scheme. To-date, no awards have been granted under the Scheme. Details of the Scheme are disclosed under Annex J of the Company's IPO prospectus dated 7 April 2010. The scheme will expire on 6 April 2020. The Board is of the view that share-based compensation scheme is not effective and is difficult to determine how much such a scheme contributes to the retention of employees and to motivate their performance.

(C) ACCOUNTABILITY AND AUDIT

Principle 9: Risk Management and Internal Controls

Provision 9.1: Nature and Extent of Risks

The Board is responsible for the governance of risks and sets the tone and direction for the Group in the way risks are being managed. The Board has the responsibility to approve the strategy of the Group in a manner which addresses stakeholders' expectations without subjecting to an unacceptable level of risks.

The Company, with the assistance of PricewaterhouseCoopers Risk Services Pte. Ltd. ("PwC"), the internal auditor, had implemented an Enterprise Risk Management ("ERM") framework incorporating the establishment of risk strategy, policies, identification and management processes. Action plans to manage the risks are continually being monitored and refined by Management and the Board.

Given the level of operations of the Group, the Board has decided to incorporate the oversight of the ERM framework and policies into the function of the Audit Committee, instead of establishing a separate Risk Committee.

In order to be assured that the Group's risks are managed adequately and effectively, the Board had reviewed the risks overview identified counter measures to manage the risks at an acceptable level as well as reviewing the adequacy and effectiveness of the internal controls and risk management systems put in place to mitigate the risks.

The Group's material risks can be broadly classified as follows:

Business/Operational Risks

This relates to operations and includes health of property market, security threats, product quality, employee attribution, increased competition. Owners of such risks such as the business unit and departmental heads would monitor such risks through identification of key risks at respective business units and department level and on-going meetings within and across business units and departments to monitor, measures with follow up actions to manage the risks..

Compliance Risks

Compliance with local laws and regulations in various geographical locations are monitored by respective process owners which includes respective business units, finance and human resource departments, and when needed, with consultation to legal advisors, auditors and company secretary..Corporate, finance, human resource and other related department will constantly share latest regulatory update that have implications to the Group's operations and come out with measures for compliance.

Financial Risks

These risks are set out in the notes to the financial statements. Generally, the Group is conservative in its financial dealings and does not engage in speculative instruments that would expose the Group to unnecessary financial risks.

Provision 9.2 Assurance from the CEO, CFO and KMPs

The Board has obtained a written confirmation from:–

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

b) the CEO and other key management personnel who are responsible, regarding the adequacy and effectiveness of the company's risk management and internal control systems.

CORPORATE GOVERNANCE

Based on the internal controls established and maintained by the Group, work performed by the internal and external auditors, the ERM framework maintained, assurance received from the CEO, CFO and other key management personnel, and reviews performed by the Board, Management and various Board Committees, the Board, with the concurrence of the Audit Committee, is of the opinion that the Group's risk management and internal controls systems addressing the financial, operational, compliance and information technology risks were adequate and effective as at 31 December 2019.

There was no material weakness in risk management and internal controls noted as at 31 December 2019.

Principle 10: Audit Committee

Provision 10.1, 10.2 and 10.3: Audit Committee Composition and Role

The Audit Committee ("AC") comprises three members, a majority of whom, including the Chairman, are Independent Directors. All the members of the AC are non-executive directors:

Ong Lay Khiam (Chairman)
Ang Peng Koon, Patrick
Lee It Hoe

The AC is responsible for assisting the Board in discharging its responsibilities relating to internal controls and risk management systems, financial and other accounting matters as well as matters pertaining to regulatory compliance. The Board believes that the AC members are appropriately qualified to discharge their duties and responsibilities. Two members of the AC, including the AC Chairman, have recent and relevant accounting or related financial management expertise or experience. None of the members nor the Chairman of the AC are former partners or directors of the Group's auditing firm.

The AC met at least 4 times in respect of FY2019 and, as and when deemed appropriate to carry out its function, AC members are kept abreast of any changes to accounting standards and issues affecting the financials by the external auditors and Management at the AC meetings, where appropriate.

The principal functions of the AC in accordance with its written terms of reference are as follows:

1. to review with the internal and external auditors their audit plans, their evaluation of the system of internal controls, their audit reports and the management letter and Management's responses;

2. to review significant financial reporting issues and judgments so as to ensure the integrity of the half yearly and full-year financial statements of the Group and any formal announcements relating to the Group's financial performance before submission to the Board for approval;

3. to review and report to the Board at least annually the adequacy and effectiveness of the Group's internal controls, including financial, operational, compliance and information technology controls and risk management policies;

4. to oversee the ERM framework and policies and review the internal control procedures and ensure co-ordination between the external and internal auditors and Management, review the assistance given by Management to the auditors, and discuss problems and concerns, if any, arising from the interim and/or full-year audits;

5. to make recommendations to the Board on proposals to shareholders on the appointment, re-appointment, resignation and removal of the external auditors, and approving the remuneration and terms of the engagement;

6. to review the adequacy, effectiveness, independence, scope and results of the Company's external audit and internal audit function;

7. to review interested person transactions falling within the scope of Chapter 9 of the SGX-ST Listing Manual;

8. to review the Group's hedging policies procedures and activities (if any) and monitor the implementation of the hedging procedure/policies, including reviewing the instruments, processes and practices in accordance with any hedging policies approved by the Board;

9. to review potential conflict of interest, if any, including review of annual confirmations from the relevant parties to determine if the terms of the non-compete undertakings remain valid;

10. to undertake such other reviews and projects as may be requested by the Board, and report to the Board its findings from time to time on matters arising and requiring the attention of the AC;

CORPORATE GOVERNANCE

11. to review and discuss with the external auditors any suspected frauds or irregularity, or suspected infringement of any applicable law, rules or regulations which has or is likely to have material impact on the Group's operating results or financial position, and Management's response; and

12. to review the policy and arrangements by which staff of the Company or the Group and any other persons may, in confidence, raise concerns about possible improprieties in financial reporting or any other matters; and conduct an independent investigation of such matters for appropriate follow-up action pursuant to the Company's whistle-blowing programme.

The AC is authorised by the Board to investigate any matter within its terms of reference and has full access to, and cooperation of Management, with full discretion to invite any director or executive officer to attend its meetings. The AC has adequate resources to enable it to discharge its functions properly.

Provision 10.5: Meeting Auditors without Management presence

Annually, the AC meets with the external auditors and internal auditor separately, without the presence of Management. This is to review the adequacy of audit arrangements, with particular emphasis on the observations of the external and internal auditors, the scope and quality of their audits and the independence and objectivity of the external and internal auditors.

In the review of the financial statements, the AC has discussed with management and external auditors with regards to the significant matters in relation to the financial statements, the accounting principles applied therein and judgement involved that might have an implication to the integrity of the financial statements. The AC has discussed and concurs with the basis and conclusions in the auditors report with respect to the following key audit matters identified by the external auditors for FY2019.

i) Accounting for construction contracts

The Group applies estimates in accounting for construction contracts, which includes determination of the stage of completion of the construction contracts to-date, assessment of total construction costs of delivering the entire construction contracts and of work performed to-date, provision for onerous contracts and liquidated damages (if any). The AC assessed the reliability of the management's estimates by considering bases used by the management in the estimates of total construction costs of delivering the entire construction contracts and of work performed to-date, approaches applied in determining stage of completion of the construction contracts to-date, judgement made as to provision for onerous contracts and liquidated damages (if any). The AC also considered the communication from the external auditors on this matter.

ii) Valuation of development properties

The AC considered the approach and methodology applied to the valuation model in determining the recoverable amounts of development properties and reviewed the reasonableness of assumptions adopted and judgement made by management in the assessment of any potential allowance for impairment and the provision therefrom (if any). The AC also considered the external auditors' communication on this matter.

iii) Impairment assessment on non-financial assets

The AC considered the approach and methodology applied to the valuation model in non-financial assets impairment assessment. It reviewed the reasonableness of the estimation of fair value less cost to sale and considered the external auditors' communication on this matter.

Following the review and discussion, the AC recommended to the Board to approve the full year financial statements.

External Auditors

The accounts of the Company's significant subsidiaries and associated companies are audited by KPMG LLP, an auditing firm registered with the ACRA, and overseas member firms of KPMG. For subsidiaries and/or significant associated companies which are not audited by KPMG LLP or overseas member firms of KPMG, the AC and Board are satisfied that the appointment of different auditing firms would not compromise the standard and effectiveness of the audit of the Group. Accordingly, the Company has complied with the Rules 712, 715 and 716 of the Listing Manual of the SGX-ST.

CORPORATE GOVERNANCE

The AC review adequacy, effectiveness, independence, scope and results of the external auditors throughout:

i) the audit planning level in respect on qualification and experience of engagement team involved, key audit areas identified and audit scope covered;

ii) overall audit report presented, together with the discussion with the auditors with regards to significant matters in relation to the financial statements, accounting principles applied and judgement involved in the preparation of the financial statements, the audit quality indicator of the engagement team level and at firm level taking into consideration of the Audit Quality Indicators Disclosure Framework published by the Accounting and Corporate Regulatory Authority, involved in carrying out the audit;

iii) assesses the independence of the external auditors annually based on factors such as performance, skills and independence and is satisfied that the non-audit services provided by the external auditors in FY2019 did not affect the independence or objectivity of the external auditors. The amount of non-audit fees paid to the external auditors in respect of FY2019 was S$89,000.

Based on the above review, the AC is satisfied as to the adequacy, effectiveness, independence, scope and results of the external audit.

On the above basis, and with the concurrence of the Board, the AC had recommended the re-appointment of KPMG LLP as auditors at the forthcoming AGM.

Details of the fees of the external auditors of the Company for FY2019 are as follows:

	FY2019 $'000	FY2018 $'000
Fees paid/payable to external auditors for:		
– Audit services	497	510
– Non-audit services	89	140

Whistle Blowing Programme

The Group has in place a Whistle-Blowing Programme that has been clearly communicated with employees. This programme provides well-defined and accessible channels in the Group through which employees and external parties may, in confidence, raise concern about possible fraudulent activities, malpractices or improper conduct on financial reporting or other matters within the Group, in a responsible and effective manner. The Group undertakes to independently investigate such complaints in an objective manner with appropriate follow up actions being taken thereafter. To facilitate participation by the external parties, the Whistle-Blowing Programme is also available on the Company's website at www.tiongseng.com.sg.

Once a whistle-blowing issue is initiated, the Chairman of the AC and/or the HR manager, with a copy to the CEO will conduct an initial assessment to determine how the investigation should proceed. An investigation report will then be put up by the investigation committee for review and recommended actions would be initiated. The investigation results are confidential. The Audit Committee and Board of Directors are to review actions taken and ensure that fraudulent practices are reviewed without prejudice or biasness, and executed with professional integrity in compliance with the Company's Programme.

New employees are briefed on the policy when they join the company's orientation programme. The Whistle-Blowing Policy, amongst other policies, are circulated to all new incoming employees.

Provision 10.4: Internal Audit

The AC with the assistance of the internal and external auditors, reviews the adequacy and effectiveness of the Company's internal controls and risk management policies and systems established by Management on an annual basis. Any material non-compliance or weakness in internal controls and recommendations for improvements is reported to the AC. The AC also reviews the effectiveness of the actions taken by Management on the recommendations made by the internal and external auditors in this respect.

The Company's internal audit function is independent of the external audit. PwC has been appointed as internal auditor is staffed with professionals with relevant qualifications and experience to carry out the internal audit function. The internal auditor reports directly to the AC Chairman and has full access to all documents, records, properties and personnel of the Group. The role of the internal auditor is to support the AC in ensuring that the Group maintains a sound system of internal controls by monitoring and assessing the effectiveness of key controls and procedures, conducting in-depth audits of high risk areas and undertaking investigations as directed by the AC.

CORPORATE GOVERNANCE

During the financial year, the internal auditor conducted its audit reviews based on the internal audit plan approved by the AC. Upon the completion of their internal audit reviews, the internal auditor reports to the AC on the status of the audit plan and on audit findings and responses from/actions taken by Management on the findings.

The AC assesses the adequacy, effectiveness, independence, scope and results of the internal audit function on an annual basis and are satisfied that the Company's internal audit function is independent, effective and adequately resourced. The internal auditor is guided by the PwC Global Internal Audit Services Methodology which is aligned to the International Standards for the Professional Practice of Internal Auditing (IIA Standards) issued by the Institute of Internal Auditors.

(D) SHAREHOLDER RIGHTS AND ENGAGEMENT

Principle 11: Shareholder Rights and Engagement
Shareholder Rights and Conduct of General Meetings

The Company recognizes and is committed to protect shareholders rights under the Constitution and the relevant laws and regulations. All shareholders are treated fairly and equitably. The Company continues to keep all stakeholders informed of its corporate activities on a timely and consistent basis. The Company is mindful of the need for regular, effective and fair communication with its shareholders. The Company disseminates all material price and/or trade sensitive information and quarterly results to its shareholders via SGXNET and Company's website www.tiongseng.com.sg on a non-selective basis, and through press releases on a timely basis.

The Board aims to provide a balanced and understandable assessment of the Group's financial performance, position and prospect when presenting interim and other price and/or trade sensitive public reports, and reports to regulators (if required).

With effect from 7 February 2020, SGX-ST has adopted a risk-based approach to quarterly reporting. Pursuant to the new rules, the Group will not be required to release its financial statements on a quarterly basis and will publish its financial results on a half-yearly basis.

All the financial information presented in the results announcement or Annual Report have been prepared in accordance with the Singapore Financial Reporting Standards (International) and approved by the Board before release to the SGX-ST and the investing public through SGXNET. Negative assurance statements were issued by the board to accompany the company's quarterly results announcements in FY2019, confirming that to the best of its knowledge, nothing had come to its attention which would render the company's quarterly results false or misleading. The releases of the half-yearly and annual financial information are accompanied by news releases issued to the media and which are also posted on the SGXNet. Management provides the Board with information on the Group's performance, financial position and prospects on a half-yearly basis and as the Board may require from time to time to enable the Board to make a balanced and informed assessment of the company's performance, position and prospect. This is supplemented by regular updates on matters affecting the financial performance, business of the Group, if any.

Provision 11.1, 11.2 and 11.4: Conduct of General Meetings

All shareholders receive the Company's Annual Report or circulars and notice of AGMs and/or General Meetings by post within the mandatory period. The notice of AGM and/or General Meetings is announced through SGXNET and also advertised in the newspaper. The Company welcomes the views of the shareholders on matters concerning the Company and Group and encourages shareholders' participation at AGMs. Each item of special business included in the notice of the meeting will be accompanied by a statement regarding the effect of a proposed resolution. Issues seeking approval of shareholders, if any, are usually tabled as separate resolutions.

Shareholders (who are not relevant intermediaries) have the opportunity to participate effectively and to vote in the AGMs/General Meetings either in person or by appointing up to two proxies. As the authentication of shareholder identity information and other related security issues remain a concern, the Company has not for the time being, implement voting in absentia by mail, email or fax. All resolutions at the Company's general meetings will be voted by way of a poll, which the voting procedures are clearly explained by the scrutineers at such general meetings to the shareholders, to better reflect shareholders' interest pursuant to Rule 730(A)(2) of the Listing Manual. The detailed results showing the number of votes cast for and against each resolution and the respective percentages would be disclosed in the general meeting and announced via SGXNET after the conclusion of the general meetings.

Provision 11.3: Interaction with Shareholders

In General Meetings, shareholders are given the opportunity to proactively engage with the Board and Management regarding the Group's business activities and operations, financial performance and other business related matters. All Directors, in particular, the Chairman of the Board and Chairpersons of the AC, NC and RC are usually present at the AGMs/General Meetings to address shareholders' queries. The external auditors are also present to assist the Directors in addressing any relevant queries by shareholders about the conduct of the audit and the preparation and content of the auditors' report.

CORPORATE GOVERNANCE

At the Company's last AGM held on 24 April 2019, all the directors and external auditors have attended the AGM. The Chairman of the meeting with the assistance of the Company Secretary and service provider briefed the shareholders on the rules of the meeting including the voting procedures. The CFO also made a presentation to update the shareholders on the operational and financial highlights that had taken place during the year at the meeting.

Provision 11.5: Minutes of the General Meetings

Company secretary will prepare minutes of general meetings that include substantial and relevant comments or queries from shareholders relating the agenda of the meeting, and responses from the Board and Management. The company publishes minutes of the general meetings of shareholders on its corporate website as soon as practicable.

Provision 11.6: Dividend Policy

The Company currently does not have a fixed dividend policy. Any declaration and payment of dividends will depend on, *inter alia*, the Group's earnings, operating results, financial conditions, development/investment plans, capital requirements, capital expenditure, gearings and any other factors deemed relevant by the Board.

The details of dividend payment would be disclosed via the release of financial results announcements through SGXNET.

Principle 12: Engagement with Shareholders

Provision 12.1, 12.2 and 12.3: Communication with Shareholders and Investor Relations Practices

The Group keeps its stakeholders and public informed on information that would be likely to materially affect the price or value of the Group's securities on a timely and consistent basis.

The Company has engaged an external professional investor relation ("IR") firm, with the aim to better communicate with its shareholders and analyst on a regular basis and to gather views or inputs, and take any of their queries or concerns. The IR firm also manages the dissemination of information to the media, public, institutional investors and public shareholders, and act as liaison with these parties. Shareholders can contact or provide their views directly to the IR firm.

(E) MANAGING STAKEHOLDERS RELATIONSHIPS

Principle 13: Managing Stakeholders Relationships
Engagement with Stakeholders

Provision 13.1 and 13.2: Stakeholders' Engagement

The Group engages with all its material stakeholder groups via various medium and channel, which including project management meetings, numerous business interactions, annual general meeting, company annual lunch and other corporate events, and through external professional investor relation. The material stakeholders of the Group identified include directors, suppliers and subcontractors, customers, employees, investors and financial institutions, community and regulators.

The Group constantly shares its growth strategy and core value system with its stake holders and strive to work together to have continuous improvement on productivity and efficiency in a responsible and sustainable manner.

The sustainability report released to the SGX-ST provides more details about the strategy and key areas of focus in relation to the management of stakeholder relationships which include:

- Adoption of environmentally practices such as reducing water consumption and general construction waste
- Delivering long term sustainable construction works and housing development
- Safeguarding the health and safety of employees and sub-contractors
- Providing learning opportunities for employees and invest in human capital and support employee development to meet changing business needs

CORPORATE GOVERNANCE

Provision 13.3: Corporate Website

The Company disseminates all its key business updates and half-yearly results to its stakeholders via SGXNET and Company's website www.tiongseng.com.sg on a non-selective basis, and through press releases on a timely basis.

The corporate website keeps the investment community up to date, providing company profile with the Board Diversity policy, financial information such as results announcements and annual reports, stock information which shows stock fundamentals and historical stock price. The whistle-blowing policy is also published under the "Corporate Governance" link. There is an email alert option under "Shareholder Tools" for shareholders to receive financial information such as calendar events, announcements and/or press release by email automatically.

Dealings in Securities

The Company had adopted a policy governing dealings in securities of the Company by the Directors and the Officers of the Group. The Company and its Officers are prohibited from dealing in securities of the Company for the periods commencing one (1) month before the release of the company's half year and full-year financial statements (where not required to announce quarterly financial statements) and at all times whilst in possession of unpublished price-sensitive information.

The Directors and key officers are also expected to observe insider-trading laws at all times even when dealing in securities within permitted trading period. Where a potential conflict of interest arises, the Director concerned does not participate in discussion and refrains from exercising any influence over other members of the Board.

Directors and key officers are also encouraged not to deal in the Company's securities on short-term considerations.

The guidelines on share buyback under the Share Buyback Mandate, to be renewed at the Company's forthcoming AGM also provides that the Company will not effect any purchases of shares on the SGX-ST during the period of one month immediately preceding the announcement of the Company's half year and full year financial statements.

The Company has complied with Rule 1207(19) of the Listing Manual of the SGX-ST.

Interested Person Transactions

The Company has adopted an internal policy governing the procedures for the identification, approval and monitoring of interested person transactions ("IPTs"). All IPTs are subject to review by the AC to ensure that they are carried out on normal commercial terms or entered into on arm's length basis and are not prejudicial to the interests of the Group and its minority shareholders.

Considering that the Group will, in the ordinary course of business, continue to have transactions with Peck Tiong Choon (Private) Limited and its subsidiaries, the Interested Persons, from time to time; and the time-sensitive and recurrent nature of the transactions, Shareholders' mandate for the IPTs ("IPT Mandate") was first obtained at the Extraordinary General Meeting ("EGM") held on 28 April 2014. The methods or procedures for determining the transaction prices have not changed since the last EGM and are sufficient to ensure that the transactions have been and will be carried out on normal commercial terms and will not be prejudicial to the interests of the Company and its minority shareholders. In view of the above, an independent financial adviser's opinion is not required for the renewal of the IPT Mandate at the forthcoming AGM.

CORPORATE GOVERNANCE

The aggregate value of IPTs entered into during FY2019 is as follows:

Name of Interested Person	Aggregate value of all interested person transactions during the financial year under review (excluding transactions less than S$100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920)	Aggregate value of all interested person transactions conducted under shareholders' mandate pursuant to Rule 920 (excluding transactions less than S$100,000)
Proceeds from Sale of Development Property Daughter of Patrick Ang Peng Koon*	S$3,453,000	–
Total	S$3,453,000	–
Hiring Charges Peck Tiong Choon Transport (Pte) Ltd Peck Tiong Choon Logistic (Pte) Ltd	– –	S$5,244,000 S$741,000
Total	–	S$5,985,000

* Patrick Ang Peng Koon is the Independent Director of the Company.

Material Contracts

Saved for item as disclosed under Interested Person Transactions as disclosed above, and the Service Agreement entered with the CEO, there were no material contracts entered into by the Company or any of its subsidiaries involving the interest of the CEO, Directors or controlling shareholders during or at the end of FY2019.

DIRECTORS' STATEMENT

We are pleased to submit this annual report to the members of the Company together with the audited financial statements for the financial year ended 31 December 2019.

In our opinion:

(a) the financial statements set out on pages 52 to 131 are drawn up so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2019 and the financial performance, changes in equity and cash flows of the Group for the year ended on that date in accordance with the provisions of the Singapore Companies Act, Chapter 50 and Singapore Financial Reporting Standards (International); 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.

The Board of Directors has, on the date of this statement, authorised these financial statements for issue.

DIRECTORS

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

Ong Lay Khiam
Pek Lian Guan
Pay Sim Tee
Lee It Hoe
Ang Peng Koon, Patrick

DIRECTORS' INTERESTS

According to the register kept by the Company for the purposes of Section 164 of the Companies Act, Chapter 50 (the 'Act'), particulars of interests of directors who held office at the end of the financial year (including those held by their spouses and infant children) in shares, debentures, warrants and share options in the Company and in related corporations (other than wholly-owned subsidiaries) are as follows:

Name of director and corporation in which interests are held	Holdings at beginning of the year	Holdings at end of the year
Ong Lay Khiam		
Tiong Seng Holdings Limited		
– ordinary shares		
– interests held	318,000	318,000
Pek Lian Guan		
Tiong Seng Holdings Limited		
– ordinary shares		
– deemed interests	2,224,400	2,224,400
Lee It Hoe		
Tiong Seng Holdings Limited		
– ordinary shares		
– deemed interests	286,275,330	286,275,330
Ang Peng Koon, Patrick		
Tiong Seng Holdings Limited		
– ordinary shares		
– interests held	265,000	265,000

By virtue of Section 7 of the Act, Pek Lian Guan and Lee It Hoe are deemed to have interests in the other subsidiaries of the Company, at the beginning and at the end of the financial year.

Except as disclosed in this statement, no director who held office at the end of the financial year had interests in shares, debentures, warrants or share options of the Company, or of related corporations, either at the beginning or at the end of the financial year.

DIRECTORS' STATEMENT

There were no changes in any of the above mentioned interests in the Company between the end of the financial year and 21 January 2020.

Neither at the end of, nor at any time during the financial year, was the Company a party to any arrangement whose objects are, or one of whose objects is, 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.

SHARE OPTIONS

During the financial year, there were:

(i) no options granted by the Company to any person to take up unissued shares in the Company or its subsidiaries; and

(ii) no shares issued by virtue of any exercise of options to take up unissued shares of the Company or its subsidiaries.

As at the end of the financial year, there were no unissued shares of the Company or its subsidiaries under options.

SHARE AWARD SCHEME

The Tiong Seng Share Award Scheme (the "Award Scheme") was approved and adopted by the members of the Company at an Extraordinary General Meeting held on 31 March 2010. The Award Scheme is administered by the Remuneration Committee. Since the commencement of the Award Scheme, no shares of the Company have been awarded pursuant to the Award Scheme. The scheme will expire on 6 April 2020.

AUDIT COMMITTEE

The members of the Audit Committee during the year and at the date of this statement are:

Ong Lay Khiam	Independent director (Chairman)
Ang Peng Koon, Patrick	Independent director
Lee It Hoe	Non-executive director

The Audit Committee performs the functions specified in Section 201B of the Act, the SGX Listing Manual and the Code of Corporate Governance.

The Audit Committee has held 4 meetings since the last directors' statement. In performing its functions, the Audit Committee met with the Company's external and internal auditors to discuss the scope of their work, the results of their examination and evaluation of the Company's internal accounting control system.

The Audit Committee also reviewed the following:

- assistance provided by the Company's officers to the internal and external auditors;

- quarterly financial information and annual financial statements of the Group and the Company prior to their submission to the directors of the Company for adoption; and

- interested person transactions (as defined in Chapter 9 of the SGX Listing Manual).

The Audit Committee has full access to management and is given the resources required for it to discharge its functions. It has full authority and the discretion to invite any director or executive officer to attend its meetings. The Audit Committee also recommends the appointment of the external auditors and reviews the level of audit and non-audit fees.

The Audit Committee is satisfied with the independence and objectivity of the external auditors and has recommended to the Board of Directors that the auditors, KPMG LLP, be nominated for re-appointment as auditors at the forthcoming Annual General Meeting of the Company.

In appointing our auditors for the Company and its Singapore-incorporated subsidiaries, we have complied with Rules 712 and 715 of the SGX Listing Manual.

DIRECTORS' STATEMENT

AUDITORS

The auditors, KPMG LLP, have indicated their willingness to accept re-appointment.

On behalf of the Board of Directors

Ong Lay Khiam
Director

Pek Lian Guan
Director

27 March 2020

INDEPENDENT AUDITORS' REPORT

Members of the Company
Tiong Seng Holdings Limited

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of Tiong Seng Holdings Limited ('the Company') and its subsidiaries ('the Group'), which comprise the consolidated statement of financial position of the Group and the statement of financial position of the Company as at 31 December 2019, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 52 to 131.

In our opinion, the accompanying consolidated financial statements of the Group and the statement of financial position of the Company are properly drawn up in accordance with the provisions of the Singapore 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 year ended on that date.

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 *'Auditors' responsibilities for the audit of the financial statements'* section of our report. 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. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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 of the current period. 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.

INDEPENDENT AUDITORS' REPORT

<table>
<tr><th colspan="2">Accounting for construction contracts</th></tr>
<tr><th>The key audit matter</th><th>How the matter was addressed in our audit</th></tr>
<tr><td>The Group uses estimates in accounting for its construction contracts. Revenues from construction contracts are recognised progressively over time. Stage of completion is determined based on input method, which is based on construction costs incurred to-date as compared to the estimated total construction costs.

Determining the stage of completion and the recoverability of contract assets involve judgement and are subject to estimation uncertainties. Such estimates include:

· Total costs of delivering the entire contract;
· Total costs of work performed to-date;
· Provision for onerous contracts, if any; and
· Liquidated damages, if any.

Changes in the above estimates may have an impact on the Group's revenue from construction contracts, costs of construction contracts and profit.</td><td>Our response

We tested controls over the Group's processes for budgeting contract costs and determining costs of work performed to-date. We also assessed the reliability of management's estimation of contract costs by comparing the final outcomes of projects completed during the year to previous estimates made on those projects.

For a selection of contracts, we assessed the reasonableness of stage of completion by:

· Assessing the adequacy of budgeted contract costs by comparing them with the actual costs incurred to-date;
· Where applicable, identifying any changes in assumptions and estimates applied in the budget from previous years and evaluated the reasons provided by management for the changes;
· Enquiring with management on the progress of the construction to identify potential delays or cost overruns that may require revision in budgeted contract costs or a provision for onerous contracts; and
· Ascertaining the reasonableness of costs of work performed to-date by checking to the latest claims from the subcontractors/suppliers and testing the post year end payments.

For a selection of contract assets, we assessed the recoverability of the carrying amounts by checking to post year end receipts, enquiring with management and reviewing correspondences to identify potential dispute on the work done.

In respect of the risks from liquidated damage claims arising from contracts, if any, we enquired with management to understand their assessment of the progress of claims. We inspected correspondences with the customers. We also considered the Group's prior experience on final settlement of claims and compared resolutions of claims to settlements after year end, where applicable, to ascertain the reasonableness of management's assessment.

We considered the adequacy of the Group's disclosure made around contract accounting in the financial statements.

Our finding

We found that the Group's estimates of budgeted contract costs, costs for work performed to-date, stage of completion and provision for onerous contracts to be balanced.

We found that the Group's disclosure of contract accounting in Note 3.16 to the financial statements complies with relevant accounting standards.</td></tr>
</table>

INDEPENDENT AUDITORS' REPORT

<table>
<tr><th colspan="2">Valuation of properties under development held for sale</th></tr>
<tr><th>The key audit matter</th><th>How the matter was addressed in our audit</th></tr>
<tr><td>The Group has significant properties under development in China. There is a risk that net realisable values of these properties may be lower than their carrying amounts.

Development costs may also escalate when the progress of any development is delayed and this could result in the carrying amounts of the affected properties under development exceeding their net realisable values.

The Group uses the following methods to determine net realisable values for its property under development:

• Valuation reports issued by external independent valuers who the Group believes have the relevant qualification and industry experience. The valuation involves estimating the selling prices of the property under development; and

• Management's assessment of the estimated selling prices of the property under development.</td><td>Our response

For external independent valuation reports, we reviewed the Group's process of appointing independent valuers; and evaluated the competence, capabilities and objectivity of these valuers. We held discussions with the valuers to understand their valuation methods and basis of valuation by comparing them with methodologies applied by other valuers for similar properties. We evaluated the reasonableness of the estimated selling prices indicated in valuation reports by comparing them with recent asking prices of comparable properties in the vicinity.

For the assessment done by management, we assessed the reasonableness of management's estimated selling prices by comparing them with recent asking prices of comparable properties in the vicinity and considered the market supply and demand of properties projected by valuers.

Where applicable, we assessed the reasonableness of the estimated development costs to complete a project by comparing the progress of the construction with the initial plan and considering whether there is any significant delay or deviation in plan which may require revision in estimated costs to complete.

We also considered the adequacy of the Group's disclosure made around allowance for loss in the financial statements.

Our finding

We found no matters of concern regarding the competence, capabilities and objectivity of the external valuers and the methodologies and assumptions used by the valuers.

We found the management's assessment of estimated selling prices and estimated costs to complete to be balanced.

We found that the Group's disclosure of allowances made for property under development in Note 16 to the financial statements complies with relevant accounting standards.</td></tr>
</table>

INDEPENDENT AUDITORS' REPORT

Impairment of non-financial assets	
The key audit matter	***How the matter was addressed in our audit***
The Group's net asset value exceeded its market capitalisation by $176.5 million (2018: $182.2 million) as at 31 December 2019. This indicates that non-financial assets may be impaired. Impairment assessment involves estimating the recoverable amounts of the cash generating unit ("CGU") to which the non-financial assets belongs. The determination of recoverable amounts involves judgement and is subject to estimation uncertainties. The recoverable amount of each CGU is its fair value less costs to sell with reference to recent market transactions.	**Our response** Our audit procedures included, among others, testing the control designed and applied by the Group to ensure that its impairment analysis is appropriately undertaken and reviewed. We evaluated the identification of CGUs by the Group based on our understanding of the business. When recoverable amounts were based on a CGU's fair value less costs to sell supported by external valuations, we reviewed the Group's process of appointing the independent valuers; and evaluated the competence, capabilities and objectivity of these valuers. We evaluated the reasonableness of the estimated selling prices indicated in valuation reports by comparing them with recent asking prices of comparable properties in the vicinity. When recoverable amounts were based on management own estimate of a CGU's fair value less costs to sell, we assessed the reasonableness of management's estimated selling prices by comparing them with recent asking prices of comparable properties in the vicinity and considered the market supply and demand of properties projected by valuers. **Our finding** We found no matters of concern regarding the competence, capabilities and objectivity of the external valuers and the assumptions used by the valuers. We found that the Group had assessed based on a balanced set of assumptions and estimates.

INDEPENDENT AUDITORS' REPORT

Other information

Management is responsible for the other information contained in the annual report. Other information is defined as all information in the annual report other than the financial statements and our auditors' report thereon.

We have obtained all other information prior to the date of this auditors' report.

Our opinion on the financial statements does not cover the other information and we do not and will 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.

Auditors' 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 auditors' 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 controls.

- Obtain an understanding of internal controls 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 controls.

- 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 auditors' 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 auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.

INDEPENDENT AUDITORS' REPORT

- 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 controls 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 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 auditors' report unless the law or regulations preclude public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

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

The engagement partner on the audit resulting in this independent auditors' report is Low Gin Cheng, Gerald.

KPMG LLP
Public Accountants and
Chartered Accountants

Singapore
27 March 2020

STATEMENTS OF FINANCIAL POSITION

As at 31 December 2019

	Note	Group 2019 $'000	Group 2018 $'000	Company 2019 $'000	Company 2018 $'000
Non-current assets					
Property, plant and equipment	4	**102,465**	121,016	**–**	–
Intangible assets	5	**335**	387	**–**	–
Investment properties	6	**3,931**	16,273	**–**	–
Right-of-use assets	7	**5,404**	–	**–**	–
Subsidiaries	8	**–**	–	**59,624**	59,624
Associates and joint ventures	9	**36,986**	42,579	**–**	–
Trade and other receivables	10	**2,917**	11,741	**–**	–
Amount due from related parties	17	**3,979**	3,500	**–**	–
Other investments	11	**1,485**	1,271	**–**	–
Deferred tax assets	12	**149**	431	**–**	–
		157,651	197,198	**59,624**	59,624
Current assets					
Inventories	13	**2,673**	1,045	**–**	–
Contract costs	14	**1,043**	877	**–**	–
Contract assets	15	**102,569**	73,969	**–**	–
Development properties	16	**223,993**	234,290	**–**	–
Trade and other receivables	10	**78,949**	79,444	**7**	7
Amounts due from related parties	17	**29,340**	38,220	**104,436**	104,436
Cash and cash equivalents	18	**55,539**	39,975	**85**	82
		494,106	467,820	**104,528**	104,525
Assets held for sale	19	**215**	215	**–**	–
		494,321	468,035	**104,528**	104,525
Total assets		**651,972**	665,233	**164,152**	164,149
Equity attributable to owners of the Company					
Share capital	20	**181,947**	181,947	**181,947**	181,947
Treasury shares	20	**(4,452)**	(4,452)	**(4,452)**	(4,452)
Reserves	21	**(89,848)**	(76,757)	**(45,850)**	(45,850)
Retained earnings/(Accumulated losses)		**177,885**	167,684	**(27,755)**	(25,771)
		265,532	268,422	**103,890**	105,874
Non-controlling interests	37	**18,955**	38,301	**–**	–
Total equity		**284,487**	306,723	**103,890**	105,874
Non-current liabilities					
Trade and other payables	22	**11,933**	7,588	**–**	–
Loans and borrowings	23	**15,432**	13,585	**–**	–
Deferred tax liabilities	12	**3,412**	3,509	**–**	–
		30,777	24,682	**–**	–
Current liabilities					
Contract liabilities	15	**57,536**	35,383	**–**	–
Trade and other payables	22	**175,143**	169,893	**936**	219
Amounts due to related parties	17	**15,697**	22,676	**59,326**	58,056
Loans and borrowings	23	**81,930**	96,325	**–**	–
Current tax payable		**6,402**	9,551	**–**	–
		336,708	333,828	**60,262**	58,275
Total liabilities		**367,485**	358,510	**60,262**	58,275
Total equity and liabilities		**651,972**	665,233	**164,152**	164,149

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2019

	Note	2019 $'000	2018 $'000
Revenue	24		
Revenue from construction contracts and engineering solutions		**382,319**	313,483
Revenue from sales of development properties		**22,326**	64,069
Rental income		**905**	1,548
		405,550	379,100
Other income	25(a)	**13,660**	4,756
Costs of construction contracts and engineering solutions		**(342,610)**	(274,250)
Costs of sales of development properties		**(16,496)**	(52,526)
Depreciation and amortisation		**(7,791)**	(7,919)
Selling expenses		**(1,498)**	(2,416)
Staff costs	25(c)	**(21,129)**	(20,857)
Other expenses	25(b)	**(10,123)**	(10,992)
		(399,647)	(368,960)
Profit from operating activities		**19,563**	14,896
Finance income	26	**1,471**	1,573
Finance costs	26	**(7,099)**	(7,952)
Net finance costs		**(5,628)**	(6,379)
Share of profit of joint ventures, net of tax		**3,975**	209
Profit before tax		**17,910**	8,726
Tax expense	27	**(7,873)**	(305)
Profit for the year		**10,037**	8,421
Other comprehensive income			
Items that will not be reclassified to profit or loss:			
Net change in fair value of equity investment at fair value through other comprehensive income		**209**	–
Total items that will not be reclassified to profit or loss		**209**	–
Items that are or may be reclassified subsequently to profit or loss:			
Translation differences relating to financial statements of foreign subsidiaries		**(4,390)**	(5,095)
Exchange differences on monetary items forming part of net investment in a foreign operation		**(1,675)**	(2,270)
Realisation of exchange differences on monetary items previously forming part of net investment in a foreign operation transferred to income statement		**275**	299
Realisation of translation difference from disposal of subsidiaries		**268**	–
Total items that are or may be reclassified subsequently to profit or loss		**(5,522)**	(7,066)
Other comprehensive income for the year, net of tax		**(5,313)**	(7,066)
Total comprehensive income for the year		**4,724**	1,355
Profit attributable to:			
Owners of the Company		**10,592**	8,808
Non-controlling interests		**(555)**	(387)
Profit for the year		**10,037**	8,421
Total comprehensive income attributable to:			
Owners of the Company		**6,822**	3,225
Non-controlling interests		**(2,098)**	(1,870)
Total comprehensive income for the year		**4,724**	1,355
Earnings per share			
–Basic and diluted (cents)	28	**2.38**	1.98

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2019

	Note	Attributable to owners of the Company									
		Share capital $'000	Treasury shares $'000	Merger reserve $'000	Capital reserve $'000	Statutory reserve $'000	Foreign currency translation reserve $'000	Retained earnings $'000	Total $'000	Non-controlling interests $'000	Total equity $'000
At 1 January 2018		181,947	(3,033)	(77,720)	(2)	3,564	3,009	165,588	273,353	46,982	320,335
Adjustment on initial application of SFRS(I) 9 (net of tax)		–	–	–	–	–	–	(37)	(37)	–	(37)
Adjusted balance at 1 January 2018		181,947	(3,033)	(77,720)	(2)	3,564	3,009	165,551	273,316	46,982	320,298
Total comprehensive income for the year											
Profit for the year		–	–	–	–	–	–	8,808	8,808	(387)	8,421
Other comprehensive income											
Translation differences relating to financial statements of foreign subsidiaries		–	–	–	–	–	(3,612)	–	(3,612)	(1,483)	(5,095)
Exchange differences on monetary items forming part of net investment in foreign operations		–	–	–	–	–	(2,270)	–	(2,270)	–	(2,270)
Realisation of exchange differences on monetary items previously forming part of net investment in a foreign operation transferred to income statement		–	–	–	–	–	299	–	299	–	299
Total other comprehensive income		–	–	–	–	–	(5,583)	–	(5,583)	(1,483)	(7,066)
Total comprehensive income for the year		–	–	–	–	–	(5,583)	8,808	3,225	(1,870)	1,355
Transaction with owners, recognised directly in equity											
Contributions by and distributions to owners											
Purchase of treasury shares		–	(1,419)	–	–	–	–	–	(1,419)	–	(1,419)
Dividends declared	20	–	–	–	–	–	–	(6,675)	(6,675)	(3,259)	(9,934)
Capital reduction in a subsidiary		–	–	–	–	–	–	–	–	(3,577)	(3,577)
Acquisition of non-controlling interest without a change in control		–	–	–	(25)	–	–	–	(25)	25	–
Total transactions with owners of the Company		–	(1,419)	–	(25)	–	–	(6,675)	(8,119)	(6,811)	(14,930)
At 31 December 2018		181,947	(4,452)	(77,720)	(27)	3,564	(2,574)	167,684	268,422	38,301	306,723

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2019

	Note	Attributable to owners of the Company										
		Share capital $'000	Treasury shares $'000	Merger reserve $'000	Capital reserve $'000	Statutory reserve $'000	Fair value reserve $'000	Foreign currency translation reserve $'000	Retained earnings $'000	Total $'000	Non-controlling interests $'000	Total equity $'000
At 31 December 2018		181,947	(4,452)	(77,720)	(27)	3,564	–	(2,574)	167,684	268,422	38,301	306,723
Adjustment on initial application of SFRS(I) 16 (net of tax)	2.5	–	–	–	–	–	–	–	(236)	(236)	(83)	(319)
Adjusted balance at 1 January 2019		181,947	(4,452)	(77,720)	(27)	3,564	–	(2,574)	167,448	268,186	38,218	306,404
Total comprehensive income for the year												
Profit for the year		–	–	–	–	–	–	–	10,592	10,592	(555)	10,037
Other comprehensive income												
Translation differences relating to financial statements of foreign subsidiaries		–	–	–	–	–	–	(2,847)	–	(2,847)	(1,543)	(4,390)
Exchange differences on monetary items forming part of net investment in foreign operations		–	–	–	–	–	–	(1,675)	–	(1,675)	–	(1,675)
Realisation of exchange differences on monetary items previously forming part of net investment in a foreign operation transferred to income statement		–	–	–	–	–	–	275	–	275	–	275
Realisation of translation difference from disposal of subsidiaries		–	–	–	–	–	–	268	–	268	–	268
Net change in fair value of equity investment at fair value through other comprehensive income		–	–	–	–	–	209	–	–	209	–	209
Total other comprehensive income		–	–	–	–	–	209	(3,979)	–	(3,770)	(1,543)	(5,313)
Total comprehensive income for the year		–	–	–	–	–	209	(3,979)	10,592	6,822	(2,098)	4,724
Transaction with owners, recognised directly in equity												
Contributions by and distributions to owners												
Dividends declared	20	–	–	–	–	–	–	–	(2,224)	(2,224)	(1,109)	(3,333)
Acquisition of non-controlling interest without a change in control	38(b)	–	–	–	(7,252)	–	–	–	–	(7,252)	(11,515)	(18,767)
Disposal of subsidiaries with non-controlling interest	38(c)	–	–	–	–	(2,069)	–	–	2,069	–	(4,541)	(4,541)
Total transactions with owners of the Company		–	–	–	(7,252)	(2,069)	–	–	(155)	(9,476)	(17,165)	(26,641)
At 31 December 2019		181,947	(4,452)	(77,720)	(7,279)	1,495	209	(6,553)	177,885	265,532	18,955	284,487

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

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2019

	Note	2019 $'000	2018 $'000
Cash flows from operating activities			
Profit from operating activities		**19,563**	14,896
Adjustments for:			
Depreciation and amortisation		**23,341**	18,902
Property, plant and equipment written off		**–**	8
Inventories written off		**12**	–
Gain on disposal of:			
– property, plant and equipment		**(21)**	(405)
– subsidiaries	38(c)	**(7,383)**	–
– associate		**(311)**	–
Bargain purchase on acquisition of subsidiaries	38(a)	**(2,573)**	–
Impairment loss on/(Reversal of impairment loss) on trade receivables		**22**	(3)
		32,650	33,398
Changes in:			
Inventories		**(293)**	29
Contract costs		**(166)**	751
Contract assets/liabilities		**(4,315)**	(66,884)
Development properties		**3,952**	35,689
Trade and other receivables		**8,110**	17,170
Trade and other payables		**5,048**	(63,644)
Balances with related parties (trade)		**(2,300)**	1,661
Cash generated from/(used in) operations		**42,686**	(41,830)
Tax paid		**(5,953)**	(8,029)
Net cash from/(used in) operating activities		**36,733**	(49,859)
Cash flows from investing activities			
Investment in a joint venture		**(1,924)**	(13,185)
Investment in an associate		**(1,584)**	(914)
Loan repayment from joint ventures		**5,358**	7,755
Interest received		**313**	353
Proceeds from disposal of:			
– property, plant and equipment		**248**	2,632
– subsidiaries, net of cash disposed of	38(c)	**12,528**	–
– associate		**2,783**	–
Purchase of:			
– subsidiaries, net of cash acquired	38(a)	**3,046**	–
– property, plant and equipment[(a)]		**(4,039)**	(16,555)
– intangible assets		**(45)**	(72)
Government grant received for purchase of property, plant and equipment[(a)]		**621**	603
Balances with related parties (non-trade)		**(3,147)**	(3,798)
Net cash generated from/(used in) investing activities		**14,158**	(23,181)

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

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2019

	Note	2019 $'000	2018 $'000
Cash flows from financing activities			
Increase in deposits pledged		**(2)**	(38)
(Increase)/Decrease in restricted cash		**(2)**	1,576
Dividends paid to:			
– owners of the Company		**(2,224)**	(6,675)
– non-controlling interests[b]		**(1,109)**	–
Interest paid		**(3,576)**	(2,441)
Acquisition of non-controlling interests in subsidiaries[b],[c]		**(2,727)**	–
Purchase of treasury shares		**–**	(1,419)
Payments of lease liabilities (2018: payment of finance lease liabilities)		**(1,468)**	(351)
Proceeds from loans and borrowings		**51,985**	80,714
Repayment of loans and borrowings		**(70,216)**	(102,617)
Balances with related parties (non-trade)		**(5,711)**	2,388
Net cash used in financing activities		**(35,050)**	(28,863)
Net increase/(decrease) in cash and cash equivalents		**15,841**	(101,903)
Cash and cash equivalents at beginning of the year		**39,147**	141,334
Effect of exchange rate changes on balances held in foreign currencies		**(263)**	(284)
Cash and cash equivalents at end of the year	18	**54,725**	39,147

Significant non-cash transactions

(a) During the financial year, the Group purchased property, plant and equipment, amounting to $3,418,000 (2018: $16,050,000), of which $Nil (2018: $98,000) was acquired under finance lease arrangement.

(b) In 2018, the Group reduced share capital of one of its subsidiaries by $3,577,000. The reduction of share capital was offset against the amount due from a non-controlling interest. The Group also offset the amount due from the non-controlling interest with the $3,259,000 dividends that the non-controlling interest is entitled to.

(c) During the financial year, the Group acquired non-controlling interest amounting to $18,767,000 of which $2,727,000 was paid by cash, $10,958,000 was offset against the amount due from a non-controlling interest and the balances of $5,082,000 remained unpaid under loans from non-controlling interests as at 31 December 2019.

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

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2019

These notes form an integral part of the financial statements.

The financial statements were authorised for issue by the Board of Directors on 27 March 2020.

1 GENERAL INFORMATION

Tiong Seng Holdings Limited (the 'Company') is a company incorporated in Singapore. The address of the Company's registered office is 21 Fan Yoong Road, Singapore 629796.

Tiong Seng Shareholdings Pte. Ltd., incorporated in Singapore, is the immediate and ultimate holding company of the Company.

The financial statements of the Group as at and for the year ended 31 December 2019 comprise the Company and its subsidiaries (together referred to as the 'Group' and individually as 'Group entities') and the Group's interest in equity–accounted investees.

The Group is primarily involved in building construction and civil engineering, provision of engineering solutions and property development.

2 BASIS OF PREPARATION

2.1 Statement of compliance

The financial statements have been prepared in accordance with Singapore Financial Reporting Standards (International) (SFRS(I)).

This is the first set of the Group's annual financial statements in which SFRS(I) 16 *Leases* has been applied. The related changes to the significant accounting policies are described in note 2.5.

2.2 Basis of measurement

The financial statements have been prepared on the historical cost basis except as otherwise described in the notes below.

2.3 Functional and presentation currency

These financial statements are presented in Singapore dollars, which is the Company's functional currency. All financial information presented in Singapore dollars have been rounded to the nearest thousand, unless otherwise stated.

2.4 Use of estimates and judgements

The preparation of the financial statements in conformity with SFRS(I) requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

There are no critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements.

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 financial year are included in the following notes:

Note 16	–	Measurement of realisable amounts of development properties
Note 24	–	Revenue and costs recognition from construction contracts

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2019

Information about other judgements made and estimates applied are included in the following notes:

Note 4	–	Measurement of recoverable amounts of property, plant and equipment
Note 8	–	Measurement of recoverable amounts of investment in subsidiaries
Note 27	–	Estimation of provisions for current and deferred taxation
Note 36	–	Measurement of expected credit loss ("ECL") allowance for trade and other receivables and contract assets

Measurement of fair values

A number of the Group's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities.

The Group periodically reviews fair value measurements, including Level 3 fair values, where inputs are unobservable. If third party information, such as broker quotes or pricing services, is used to measure fair values, then the Group assesses and documents the evidence obtained from the third parties to support the conclusion that these valuations meet the requirements of SFRS(I), including the level in the fair value hierarchy in which the valuations should be classified.

Significant valuation issues are reported to the Group's Audit Committee.

When measuring the fair value of an asset or a liability, the Group uses observable market data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

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

If the inputs used to measure the fair value of an asset or a liability fall into different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement (with Level 3 being the lowest).

The Group recognises transfers between levels of the fair value hierarchy as of the end of the reporting period during which the change has occurred.

Further information about the assumptions made in measuring fair values is included in the following notes:

Note 6	–	Investment properties
Note 36	–	Financial instruments

2.5 Changes in accounting policies

New standards and amendments

The Group has applied the following SFRS(I)s, amendments to and interpretations of SFRS(I) for the first time for the annual period beginning on 1 January 2019:

- SFRS(I) 16 *Leases*
- SFRS(I) INT 23 *Uncertainty over Income Tax Treatments*
- *Long-term Interests in Associates and Joint Ventures* (Amendments to SFRS(I) 1-28)
- *Prepayment Features with Negative Compensation* (Amendments to SFRS(I) 9)
- *Previously Held Interest in a Joint Operation* (Amendments to SFRS(I) 3 and 11)
- *Income Tax Consequences of Payments on Financial Instruments Classified as Equity* (Amendments to SFRS(I) 1-12)

- *Borrowing Costs Eligible for Capitalisation* (Amendments to SFRS(I) 1-23)
- *Plan Amendment, Curtailment or Settlement* (Amendments to SFRS(I) 1-19)

Other than SFRS(I) 16 *Leases*, the application of these amendments to standards and interpretations does not have a material effect on the financial statements.

SFRS(I) 16 *Leases*

The Group applied SFRS(I) 16 using the modified retrospective approach, under which the cumulative effect of initial application is recognised in retained profits at 1 January 2019. Accordingly, the comparative information presented for 2018 is not restated – i.e. it is presented, as previously reported, under SFRS(I) 1-17 and related interpretations. The details of the changes in accounting policies are disclosed below. Additionally, the disclosure requirements in SFRS(I) 16 have not generally been applied to comparative information.

Definition of a lease

Previously, the Group determined at contract inception whether an arrangement was or contained a lease under IFRIC 4 *Determining whether an Arrangement contains a Lease*. The Group now assesses whether a contract is or contains a lease based on the definition of a lease, as explained in SFRS(I) 16.

On transition to SFRS(I) 16, the Group elected to apply the practical expedient to grandfather the assessment of which transactions are leases. The Group applied SFRS(I) 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under SFRS(I) 1-17 and IFRIC 4 were not reassessed for whether there is a lease under SFRS(I) 16. Therefore, the definition of a lease under SFRS(I) 16 was applied only to contracts entered into or changed on or after 1 January 2019.

As a lessee

As a lessee, the Group leases many assets including leasehold land, office and storage space, worker dormitory, office equipment and motor vehicle. The Group previously classified leases as operating or finance leases based on its assessment of whether the lease transferred significantly all of the risks and rewards incidental to ownership of the underlying asset to the Group. Under SFRS(I) 16, the Group recognises right-of-use assets and lease liabilities for most of these leases – i.e. these leases are on-balance sheet.

At commencement or on modification of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of its relative stand-alone price.

(i) *Leases classified as operating leases under SFRS(I) 1-17*

Previously, the Group classified property leases as operating leases under SFRS(I) 1-17. On transition, for these leases, lease liabilities were measured at the present value of the remaining lease payments, discounted at the Group's incremental borrowing rate as at 1 January 2019. Right-of-use assets are measured at their carrying amount as if SFRS(I) 16 had been applied since the commencement date, discounted using the Group's incremental borrowing rate at the date of initial application.

The Group has tested its right-of-use assets for impairment on the date of transition and has concluded that there is no indication that the right-of-use assets are impaired.

The Group used a number of practical expedients when applying SFRS(I) 16 to leases previously classified as operating leases under SFRS(I) 1-17. In particular, the Group:

- did not recognise right-of-use assets and liabilities for leases for which the lease term ends within 12 months of the date of initial application;
- did not recognise right-of-use assets and liabilities for leases of low value assets (e.g. office equipment);
- excluded initial direct costs from the measurement of the right-of-use asset at the date of initial application; and
- used hindsight when determining the lease term.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2019

(ii) *Leases classified as finance leases under SFRS(I) 1-17*

The Group leases a number of items of plant and machinery, motor vehicles and furniture, equipment and fittings. These leases were classified as finance leases under SFRS(I) 1-17. For these finance leases, the carrying amount of the right-of-use asset and the lease liability at 1 January 2019 were determined at the carrying amount of the lease asset and lease liability under SFRS(I) 1-17 immediately before that date.

As a lessor

The Group leases out its investment property and has classified these leases as operating leases.

The Group is not required to make any adjustments on transition to SFRS(I) 16 for leases in which it acts as a lessor, except for a sub-lease.

The Group has applied SFRS(I) 15 *Revenue from Contracts with Customers* to allocate consideration in the contract to each lease and non-lease component.

Impact on financial statements

Impact on transition

On transition to SFRS(I) 16, the Group recognised additional right-of-use assets and additional lease liabilities, recognising the difference in retained profits. The impact on transition is summarised below.

	1 January 2019 $'000
Group	
Non-current assets	
Right-of-use assets	**3,333**
Equity	
Retained profits	**236**
Non-controlling interests	**83**
	319
Non-current liabilities	
Lease liabilities	**(3,197)**
Current liabilities	
Lease liabilities	**(455)**

When measuring lease liabilities for leases that were classified as operating leases, the Group discounted lease payments using its incremental borrowing rate at 1 January 2019. The weighted average rate applied is 2.98%.

	$'000
Group	
Operating lease commitments as at 31 December 2018 as disclosed under SFRS(I) 1-17 in the Group's consolidated financial statements	2,803
Discounted using the incremental borrowing rate at 1 January 2019	1,969
Finance lease liabilities recognised as at 31 December 2018	413
Recognition exemption for leases with less than 12 months of lease term at transition	(27)
Extension options reasonably certain to be exercised	1,710
Lease liabilities recognised at 1 January 2019	4,065

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2019

3 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these financial statements, except if mentioned otherwise (see Note 2.5).

The accounting policies have been applied consistently by Group entities.

3.1 Basis of consolidation

Business combinations

The Group accounts for business combinations using the acquisition method when control is transferred to the Group.

The Group measures goodwill at the acquisition date as:

- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interests ("NCI") in the acquiree; plus
- if the business combination is achieved in stages, the fair value of the pre-existing equity interest in the acquiree,

over the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed. Any goodwill is tested annually for impairment.

When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in profit or loss.

Any contingent consideration payable is recognised at fair value at the date of acquisition and included in the consideration transferred. If the contingent consideration that meets the definition of a financial instrument is classified as equity, it is not remeasured and settlement is accounted for within equity. Otherwise, other contingent consideration is remeasured at fair value at each reporting date and subsequent changes to the fair value of the contingent consideration are recognised in profit or loss.

When share-based payment awards (replacement awards) are exchanged for awards held by the acquiree's employees (acquiree's awards) and relate to past services, then all or a portion of the amount of the acquirer's replacement awards is included in measuring the consideration transferred in the business combination. This determination is based on the market-based value of the replacement awards compared with the market-based value of the acquiree's awards and the extent to which the replacement awards relate to past and/or future service.

NCI that are present ownership interests and entitle their holders to a proportionate share of the acquiree's net assets in the event of liquidation are measured either at fair value or at the NCI's proportionate share of the recognised amounts of the acquiree's identifiable net assets, at the date of acquisition. The measurement basis taken is elected on a transaction-by-transaction basis. All other NCI are measured at acquisition-date fair value, unless another measurement basis is required by SFRS(I)s.

Costs related to the acquisition, other than those associated with the issue of debt or equity investments, that the Group incurs in connection with a business combination are expensed as incurred.

Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as transactions with owners in their capacity as owners and therefore no adjustments are made to goodwill and no gain or loss is recognised in profit or loss. Adjustments to NCI arising from transactions that do not involve the loss of control are based on a proportionate amount of the net assets of the subsidiary.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2019

Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it 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. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

The accounting policies of subsidiaries have been changed when necessary to align them with the policies adopted by the Group. Losses applicable to the NCI in a subsidiary are allocated to the NCI even if doing so causes the NCI to have a deficit balance.

Acquisitions from entities under common control

Business combinations arising from transfers of interests in entities that are under the control of the shareholder that controls the Group are accounted for as if the acquisition had occurred at the beginning of the earliest comparative year presented or, if later, at the date that common control was established; for this purpose comparatives are restated. The assets and liabilities acquired are recognised at the carrying amounts recognised previously in the Group controlling shareholder's consolidated financial statements. The components of equity of the acquired entities are added to the same components within Group equity and any gain/loss arising is recognised directly in equity.

Loss of control

When the Group loses control over a subsidiary, it derecognised the assets and liabilities of the subsidiary, and any related NCI and other components of equity. Any resulting gain or loss is recognised in profit and loss. Any interest retained in the former subsidiary is measured at fair value when control is lost.

Investments in associate and joint ventures (equity-accounted investees)

Associates are those entities in which the Group has significant influence, but not control or joint control, over the financial and operating policies of these entities. Significant influence is presumed to exist when the Group holds 20% or more of the voting power of another entity. A joint venture is an arrangement in which the Group has joint control, whereby the Group has rights to the net assets of the arrangement, rather than rights to its assets and obligations for its liabilities.

Investments in associate and joint ventures are accounted for using the equity method and are recognised initially at cost, which includes transaction costs. Subsequent to initial recognition, the consolidated financial statements include the Group's share of the profit or loss and other comprehensive income ("OCI") of equity-accounted investees, after adjustments to align the accounting policies with those of the Group, from the date that significant influence or joint control commences until the date that significant influence or joint control ceases.

When the Group's share of losses exceeds its interests in an equity-accounted investee, the carrying amount of the investment, together with any long-term interests that form part thereof, is reduced to zero, and the recognition of further losses is discontinued except to the extent that the Group has an obligation to fund the investee's operations or has made payments on behalf of the investee.

Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income or expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with equity-accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

Subsidiaries, associates and joint ventures in the separate financial statements

Investments in subsidiaries, associates and joint ventures are stated in the Company's statement of financial position at cost less accumulated impairment losses.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2019

3.2 Foreign currency

Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at the exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the year, adjusted for effective interest and payments during the year, and the amortised cost in foreign currency translated at the exchange rate at the end of the year.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are translated to the functional currency at the exchange rate at the date that the fair value was determined. Non-monetary items in a foreign currency that are measured in terms of historical cost are translated using the exchange rate at the date of the transaction. Foreign currency differences arising on translation are recognised in profit or loss. However, foreign currency differences arising from the translation of the following items are recognised in OCI:

- an investment in equity securities designated as at fair value through other comprehensive income ("FVOCI");
- a financial liability designated as a hedge of the net investment in a foreign operation to the extent that the hedge is effective; and
- qualifying cash flow hedges to the extent that the hedge is effective.

Foreign operations

The assets and liabilities of foreign operations, excluding goodwill and fair value adjustments arising on acquisition, are translated to Singapore dollars at exchange rates at the reporting date. The income and expenses of foreign operations are translated to Singapore dollars at exchange rates at the dates of the transactions.

Foreign currency differences are recognised in OCI, and presented in the foreign currency translation reserve (translation reserve) in equity. However, if the foreign operation is a non-wholly-owned subsidiary, then the relevant proportionate share of the translation difference is allocated to the NCI. When a foreign operation is disposed of such that control, significant influence or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. When the Group disposes of only part of its interest in a subsidiary that includes a foreign operation while retaining control, the relevant proportion of the cumulative amount is reattributed to NCI. When the Group disposes of only part of its investment in an associate or joint venture that includes a foreign operation while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

When the settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely in the foreseeable future, foreign exchange gains and losses arising from such a monetary item are considered to form part of a net investment in a foreign operation are recognised in OCI, and are presented in the translation reserve in equity.

3.3 Property, plant and equipment

Recognition and measurement

Items of property, plant and equipment are measured at cost, which includes capitalised borrowing costs, less accumulated depreciation and accumulated impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes:

- the cost of materials and direct labour;
- any other costs directly attributable to bringing the assets to a working condition for their intended use;
- when the Group has an obligation to remove the asset or restore the site, an estimate of the costs of dismantling and removing the items and restoring the site on which they are located; and
- capitalised borrowing costs.

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2019

Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

The gain or loss on disposal of an item of property, plant and equipment (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognised in profit or loss.

Subsequent costs

The cost of replacing a component of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the component will flow to the Group, and its cost can be measured reliably. The carrying amount of the replaced component is derecognised. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

Depreciation

Depreciation is based on the cost of an asset less its residual value. Significant components of individual assets are assessed and if a component has a useful life that is different from the remainder of that asset, that component is depreciated separately.

Depreciation is recognised as an expense in profit or loss on a straight-line basis over the estimated useful lives of each component of an item of property, plant and equipment, unless it is included in the carrying amount of another asset. Leased assets are depreciated over the shorter of the lease term and their useful lives. Properties under construction and freehold land are not depreciated.

Depreciation is recognised from the date that the property, plant and equipment are installed and are ready for use, or in respect of internally constructed assets, from the date that the asset is completed and ready for use.

The estimated useful lives for the current and comparative years are as follows:

• Leasehold lands	Over the term of the lease of 60 years
• Leasehold properties	Over the terms of the leases of between 10 to 50 years
• Plant and machinery	3 to 10 years
• Tools and moulds	20 months to 10 years
• Furniture, equipment and fittings	3 to 10 years
• Motor vehicles	3 to 10 years

Depreciation methods, useful lives and residual values are reviewed at the end of each reporting period and adjusted if appropriate.

Reclassification to investment property

When the use of a property changes from owner-occupied to investment property, the property is reclassified to investment property and is accounted for in accordance with the accounting policy for property, plant and equipment up to the date of change in use.

3.4 Intangible assets and goodwill

Goodwill

Goodwill that arises upon the acquisition of subsidiaries is included in intangible assets. For the measurement of goodwill at initial recognition, see Note 3.1.

Subsequent measurement

Goodwill is measured at cost less accumulated impairment losses. In respect of associates and joint ventures, the carrying amount of goodwill is included in the carrying amount of the investment, and an impairment loss on such an investment is not allocated to any asset, including goodwill, that forms part of the carrying amount of the associates and joint ventures.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2019

Other intangible assets

Intangible assets acquired in a business combination are identified and recognised separately from goodwill where they satisfy the definition of an intangible asset and their fair values can be measured reliably. Such intangible assets are measured initially at cost. The cost of such intangible assets is their fair value at the acquisition date.

Subsequent to initial recognition, intangible assets acquired in a business combination are measured at cost less accumulated amortisation and any accumulated impairment losses, on the same basis as intangible assets acquired separately.

Intangible assets with finite useful lives are amortised on a straight-line basis over the estimated useful lives and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and method are reviewed at least at each financial year-end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodies in the asset is accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates.

Intangible assets with indefinite useful lives or not yet available for use are tested for impairment annually, or at the cash-generating unit level. Such intangible assets are not amortised. The useful life of an intangible asset with an indefinite useful life is reviewed annually to determine whether the useful life assessment continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Patented technology

Patented technology was acquired in a business combination. The cost of patented technology is its fair value at acquisition date. Patented technology has finite useful life and is stated at cost less accumulated amortisation and accumulated impairment losses.

Licence fee

Licence fee represents consideration paid for the rights to install and manufacture construction materials for use in the operations. Licence fee is stated at cost less accumulated amortisation and accumulated impairment losses.

Computer software

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring the use of the specific software. Direct expenditure, which enhances or extends the performance of computer software beyond its specifications and which can be reliably measured, is recognised as a capital improvement and added to the original cost of the software. Costs associated with maintaining the computer software are recognised in profit or loss as incurred.

Computer software licences are stated at cost less accumulated amortisation and accumulated impairment losses.

Subsequent expenditure

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognised in profit or loss as incurred.

Amortisation

Amortisation is calculated based on the cost of the asset, less its residual value.

Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful lives of intangible assets, other than goodwill, from the date that they are available for use. The estimated useful lives for the current and comparative years are as follows:

• Patented technology	5 years
• Licence fee	Over the respective life of the licences of 1 to 10 years
• Computer software	3 years

Amortisation methods, useful lives and residual values are reviewed at the end of each reporting period and adjusted if appropriate.

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3.5 Investment properties

Investment properties are properties held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes.

Investment properties are measured at cost less accumulated depreciation and accumulated impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the investment properties. The cost of self-constructed investment properties includes the cost of materials and direct labour, any other costs directly attributable to bringing the investment properties to a working condition for their intended use and capitalised borrowing costs.

Any gain or loss on disposal of an investment property (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognised in profit or loss.

When the use of a property changes such that it is reclassified as property, plant and equipment, its fair value at the date of reclassification becomes its cost for subsequent accounting.

Depreciation

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each component of investment properties.

The estimated useful lives for the current and comparative years are as follows:

• Freehold properties	50 years
• Leasehold properties	Shorter of 50 years or lease period ranging from 35 years to 99 years
• Development properties	35 years

Depreciation methods and useful lives are reviewed at the end of each reporting period and adjusted if appropriate.

3.6 Assets held for sale

Assets that are highly probable to be recovered primarily through sale rather than through continuing use, are classified as held for sale. Immediately before classification as held for sale, the assets are remeasured in accordance with the Group's accounting policies. Thereafter, the assets, classified as held for sale are generally measured at the lower of their carrying amount and fair value less costs to sell.

Impairment losses on initial classification as held for sale and subsequent gains or losses on remeasurement are recognised in profit and loss. Gains are not recognised in excess of any cumulative impairment loss.

Property, plant and equipment once classified as held for sale are not depreciated.

3.7 Financial instruments

Recognition and initial measurement

Non-derivative financial assets and financial liabilities

Trade receivables are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the Group becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at fair value through profit or loss ("FVTPL"), transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

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Classification and subsequent measurement

Non-derivative financial assets

On initial recognition, a financial asset is classified as measured at: amortised cost and FVOCI – equity investment.

Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

Financial assets at amortised cost

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Equity investments at FVOCI

On initial recognition of an equity investment that is not held-for-trading, the Group may irrevocably elect to present subsequent changes in the investment's fair value in OCI. This election is made on an investment-by-investment basis.

Financial assets: Business model assessment

The Group makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice;
- how the performance of the portfolio is evaluated and reported to the Group's management; and
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed.

Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales for this purpose, consistent with the Group's continuing recognition of the assets.

Non-derivative financial assets: Assessment whether contractual cash flows are solely payments of principal and interest

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Group considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Group considers:

- contingent events that would change the amount or timing of cash flows;
- terms that may adjust the contractual coupon rate, including variable rate features;
- prepayment and extension features; and
- terms that limit the Group's claim to cash flows from specified assets (e.g. non-recourse features).

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A prepayment feature is consistent with the solely payments of principal and interest criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable additional compensation for early termination of the contract. Additionally, for a financial asset acquired at a significant discount or premium to its contractual par amount, a feature that permits or requires prepayment at an amount that substantially represents the contractual par amount plus accrued (but unpaid) contractual interest (which may also include reasonable additional compensation for early termination) is treated as consistent with this criterion if the fair value of the prepayment feature is insignificant at initial recognition.

Non-derivative financial assets: Subsequent measurement and gains and losses

Financial assets at amortised cost

These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

Equity investments at FVOCI

These assets are subsequently measured at fair value. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI and are never reclassified to profit or loss.

Non-derivative financial liabilities: Classification, subsequent measurement and gains and losses

Financial liabilities are classified as measured at amortised cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognised in profit or loss. Directly attributable transaction costs are recognised in profit or loss as incurred.

Other financial liabilities are initially measured at fair value less directly attributable transaction costs. They are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. These financial liabilities comprised loans and borrowings, trade and other payables and amounts due to related parties.

Derecognition

Financial assets

The Group derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Group enters into transactions whereby it transfers assets recognised in its statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognised.

Financial liabilities

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire. The Group also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in profit or loss.

Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

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Cash and cash equivalents

Cash and cash equivalents comprise cash balances and short-term deposits. For the purpose of the statement of cash flows, pledged deposits and restricted cash are excluded whilst bank overdrafts that are repayable on demand and that form an integral part of the Group's cash management are included in cash and cash equivalents.

Share capital

Ordinary shares

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity, net of any tax effects.

Repurchase, disposal and reissue of share capital (treasury shares)

When share capital recognised as equity is repurchased, the amount of the consideration paid, which includes directly attributable costs, net of any tax effects, is recognised as a deduction from equity. Repurchased shares are classified as treasury shares and are presented in the reserve for own share account. When treasury shares are sold or reissued subsequently, the amount received is recognised as an increase in equity, and the resulting surplus or deficit on the transaction is presented in non-distributable capital reserve.

Financial guarantees

Financial guarantees are accounted for in the Group's financial statements as insurance contracts. A provision is recognised based on the Group's estimate of the ultimate cost of settling all claims incurred but unpaid at the reporting date. The provision is assessed by reviewing individual claims and tested for adequacy by comparing the amount recognised and the amount that would be required to settle the guarantee contract.

3.8 Impairment

Non-derivative financial assets and contract assets

The Group recognises loss allowances for ECL on financial assets measured at amortised costs and contract assets.

Loss allowances of the Group are measured on either of the following bases:

- 12-month ECLs: these are ECLs that result from default events that are possible within the 12 months after the reporting date (or for shorter period if the expected life of the instrument is less than 12 months); or

- Lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument or contract assets.

Simplified approach

The Group applies the simplified approach to provide for ECLs for all trade receivables and contract assets. The simplified approach requires the loss allowance to be measured at an amount equal to lifetime ECLs.

General approach

The Group applies the general approach to provide for ECLs on all other financial instruments. Under the general approach, the loss allowance is measured at an amount equal to 12-month ECLs at initial recognition.

At each reporting date, the Group assesses whether the credit risk of a financial instrument has increased significantly since initial recognition. When credit risk has increased significantly since initial recognition, loss allowance is measured at an amount equal to lifetime ECLs.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and includes forward-looking information.

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If credit risk has not increased significantly since initial recognition or if the credit quality of the financial instruments improve such that there is no longer a significant increase in credit risk since initial recognition, loss allowance is measured at an amount equal to 12-month ECLs.

The Group considers a financial asset to be in default when:

- the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or

- the financial asset is more than 90 days past due.

The Group considers a contract asset to be in default when the customer is unlikely to pay its contractual obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held).

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

Measurement of ECLs

ECLs are probability-weighted estimates of credit losses. Credit losses are measured at the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

Credit-impaired financial assets

At each reporting date, the Group assesses whether financial assets carried at amortised cost are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower;

- a breach of contract such as a default or being more than 90 days past due;

- the restructuring of a loan or advance by the Group on terms that the Group would not consider otherwise;

- it is probable that the borrower will enter bankruptcy or other financial reorganisation; or

- the disappearance of an active market for a security because of financial difficulties.

Presentation of allowance for ECLs in the statement of financial position

Loss allowances for financial assets measured at amortised cost and contract assets are deducted from the gross carrying amount of these assets.

Write-off

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

Associates and joint ventures

An impairment loss in respect of an associate or joint venture is measured by comparing the recoverable amount of the investment with its carrying amount in accordance with the requirements for non-financial assets. An impairment loss is recognised in profit or loss. An impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount.

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Non-financial assets

The carrying amounts of the Group's non-financial assets, other than investment properties, inventories, development properties and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For goodwill, and intangible assets that have indefinite useful lives or that are not yet available for use, the recoverable amount is estimated each year at the same time. An impairment loss is recognised if the carrying amount of an asset or its related cash-generating unit (CGU) exceeds its estimated recoverable amount.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs. Subject to an operating segment ceiling test, for the purpose of goodwill impairment testing, CGUs to which goodwill has been allocated are aggregated so that the level at which impairment testing is performed reflects the lowest level at which goodwill is monitored for internal reporting purposes. Goodwill acquired in a business combination is allocated to groups of CGUs that are expected to benefit from the synergies of the combination.

The Group's corporate assets do not generate separate cash inflows and are utilised by more than one CGU. Corporate assets are allocated to CGUs on a reasonable and consistent basis and tested for impairment as part of the testing of the CGU to which the corporate asset is allocated.

Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the CGU (group of CGUs), and then to reduce the carrying amounts of the other assets in the CGU (group of CGUs) on a *pro rata* basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Goodwill that forms part of the carrying amount of an investment in an associate or a joint venture is not recognised separately, and therefore is not tested for impairment separately. Instead, the entire amount of the investment in an associate is tested for impairment as a single asset when there is objective evidence that the investment in an associate may be impaired.

3.9 Contract costs

Incremental costs of obtaining a contract for the sale of a development property are capitalised if these costs are recoverable. Costs incurred to fulfil a contract are capitalised only if the costs relate directly to the contract, generate or enhance resources used in satisfying future performance obligations, and are expected to be recovered. These costs are amortised consistently with the pattern of revenue for the related contract. Other costs are expensed as incurred.

3.10 Contract assets and contract liabilities

A contract asset is recognised when the Group recognises revenue (see Note 3.16) before being unconditionally entitled to the consideration under the payment terms set out in the contract. Contract assets are assessed for ECL in accordance with the policy set out in Note 3.8 and are reclassified to receivables when the right to the consideration has become unconditional.

A contract liability is recognised when the customer pays consideration before the Group recognises the related revenue (see Note 3.16). A contract liability would also be recognised if the Group has an unconditional right to receive consideration before the Group recognises the related revenue. In such cases, a corresponding receivable would also be recognised.

For a single contract with the customer, either a net contract asset or a net contract liability is presented. For multiple contracts, contract assets and contract liabilities of unrelated contracts are not presented on a net basis.

When the contract includes a significant financing component, the contract balance includes interest accrued under the effective interest method (see Note 3.18).

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3.11 Development properties

Development properties are those properties which are held with the intention of development and sale in the ordinary course of business.

Properties under development for sale

Properties under development for sale are stated at lower of cost and estimated net realisable value. Net realisable value takes into account the price ultimately expected to be realised and the anticipated costs to completion. Cost of properties under development comprise specifically identified costs, including land acquisition costs, development expenditure, capitalised borrowing costs and other related expenditure, less any allowance for diminution in value of property considered necessary by the management. Borrowing costs payable on loans funding a development property are capitalised (applicable to construction of a development for which revenue is to be recognised at a point in time), on a specific identification basis, as cost of the development property until the date of its practical completion.

When it is probable that total development costs will exceed total revenue, an allowance is recognised as an expense immediately.

When completed, the units held for sale are classified as completed properties for sale.

Completed properties for sale

Completed properties for sale but remain unsold at year end are stated at lower of cost and net realisable value. Cost is determined by apportionment of the total development costs for that development project attributable to the unsold properties. Net realisable value represents the estimated selling price less costs to be incurred in selling the property.

Development properties are classified as current assets in the statement of financial position. Payments received from purchasers arising from pre-sales of the property units prior to the completion or physical handover to the purchasers are included as contract liabilities under current liabilities in the statement of financial position.

Reclassification to investment property

When the use of a property changes from development property to investment property, the property is measured at cost less accumulated depreciation and accumulated impairment losses and reclassified accordingly.

3.12 Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of inventories is based on the first-in first-out principle, and includes expenditure incurred in acquiring the inventories, production or conversion costs, and other costs incurred in bringing them to their existing location and condition. In the case of manufactured inventories and work in progress, cost includes an appropriate share of production overheads based on normal operating capacity.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and estimated costs necessary to make the sale.

3.13 Employee benefits

Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an employee benefit expense in profit or loss in the periods during which related services are rendered by employees.

Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

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3.14 Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance cost.

Onerous contracts

The Group assesses at every reporting date whether any allowance for onerous contracts is required. A provision for onerous contracts is recognised when the expected benefits to be derived by the Group from a contract are lower than the unavoidable cost of meeting its obligations under the contract. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Before a provision is established, the Group recognises any impairment loss on the assets associated with that contract.

3.15 Leases

The Group has applied SFRS(I) 16 using the modified retrospective approach and therefore the comparative information has not been restated and continues to be reported under SFRS(I) 1-17 and SFRS(I) INT 4. The details of accounting policies under SFRS(I) 1-17 and SFRS(I) INT 4 are disclosed separately.

Policy applicable from 1 January 2019

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or 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. To assess whether a contract conveys the right to control the use of an identified asset, the Group assesses whether:

- the contract involves the use of an identified asset – this may be specified explicitly or implicitly, and should be physical distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified;
- the Group has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- the Group has the right to direct the use of the asset. The Group has the right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. In rare cases where the decision about how and for what purpose the asset is used is predetermined, the Group has the right to direct the use of the asset if either:
  - the Group has the right to operate the asset; or
  - the Group designed the asset in a way that predetermines how and for what purpose it will be used.

This policy is applied to contracts entered into, on or after 1 January 2019.

(i) As a lessee

At commencement or on modification of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of its relative stand-alone prices.

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

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The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Group by the end of the lease term or the cost of the right-of-use asset reflects that the Group will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease terms of right-of-use assets are as follows:

Leasehold land	20 to 60 years
Office and storage space	2 to 3 years
Motor vehicle	1 to 2 years

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

The Group determines its incremental borrowing rate by obtaining interest rates from various external financing sources and makes certain adjustments to reflect the terms of the lease and type of the asset leased.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Group is reasonably certain to exercise, lease payments in an optional renewal period if the Group is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, if the Group changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of 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.

The Group presents right-of-use assets that do not meet the definition of investment property separately in the statement of financial position and lease liabilities in 'loans and borrowings' in the statement of financial position.

Short-term leases and leases of low-value assets

The Group has elected not to recognise right-of-use assets and lease liabilities for leases of low-value assets and short-term leases, including worker dormitory and office equipment. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

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(ii) As a lessor

At inception or on modification of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices.

When the Group acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease.

To classify each lease, the Group makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease. As part of this assessment, the Group considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

If an arrangement contains lease and non-lease components, then the Group applies SFRS(I) 15 to allocate the consideration in the contract.

The Group applies the derecognition and impairment requirements in SFRS(I) 9 to the net investment in the lease (see Note 3.8). The Group further regularly reviews estimated unguaranteed residual values used in calculating the gross investment in the lease.

The Group recognises lease payments received from investment property under operating leases as income on a straight-line basis over the lease term as part of 'revenue'.

Generally, the accounting policies applicable to the Group as a lessor in the comparative period were not different from SFRS(I) 16.

Sale and leaseback

In a sale and leaseback transaction, the seller-lessee shall apply the requirements for determining when a performance obligation is satisfied in SFRS(I) 15 to determine whether the transfer of an asset is accounted for as a sale of that asset.

<u>If the transfer is a sale</u>

If the transfer of an asset by the seller-lessee satisfies the requirements of SFRS(I) 15 to be accounted for as a sale of the asset:

(a) the seller-lessee shall measure the right-of-use asset arising from the leaseback at the proportion of the previous carrying amount of the asset that relates to the right of use retained by the seller-lessee. Accordingly, the seller-lessee shall recognise only the amount of any gain or loss that relates to the rights transferred to the buyer-lessor;

(b) the buyer-lessor shall account for the purchase of the asset applying applicable Standards, and for the lease applying the lessor accounting requirements in this Standard.

If the fair value of the consideration for the sale of an asset does not equal the fair value of the asset, or if the payments for the lease are not at market rates, an entity shall make the following adjustments to measure the sale proceeds at fair value:

(i) any below-market terms shall be accounted for as a prepayment of lease payments; and

(ii) any above-market terms shall be accounted for as additional financing provided by the buyer-lessor to the seller-lessee.

<u>If the transfer is not a sale</u>

If the transfer of an asset by the seller-lessee does not satisfy the requirements of SFRS(I) 15 to be accounted for as a sale of the asset:

(a) the seller-lessee shall continue to recognise the transferred asset and shall recognise a financial liability equal to the transfer proceeds. It shall account for the financial liability by applying SFRS(I) 9.

(b) the buyer-lessor shall not recognise the transferred asset and shall recognise a financial asset equal to the transfer proceeds. It shall account for the financial asset by applying SFRS(I).

NOTES TO THE FINANCIAL STATEMENTS

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Leases – Policy applicable before 1 January 2019

For contracts entered into before 1 January 2019, the Group determined whether the arrangement was or contained a lease based on the assessment of whether:

- fulfilment of the arrangement was dependent on the use of a specific asset or assets; and
- the arrangement had conveyed a right to use the asset. An arrangement conveyed the right to use the asset if one of the following was met:
  - the purchaser had the ability or right to operate the asset while obtaining or controlling more than an insignificant amount of the output;
  - the purchaser had the ability or right to control physical access to the asset while obtaining or controlling more than an insignificant amount of the output; or
  - facts and circumstances indicated that it was remote that other parties would take more than an insignificant amount of the output, and the price per unit was neither fixed per unit of output nor equal to the current market price per unit of output.

(i) As a lessee

In the comparative period, as a lessee the Group classified leases that transferred substantially all of the risks and rewards of ownership as finance leases. When this was the case, the leased assets were measured initially at an amount equal to the lower of their fair value and the present value of the minimum lease payments. Minimum lease payments were the payments over the lease term that the lessee was required to make, excluding any contingent rent. Subsequent to initial recognition, the assets were accounted for in accordance with the accounting policy applicable to that asset.

Assets held under other leases were classified as operating leases and were not recognised in the Group's statement of financial position. Payments made under operating leases were recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received were recognised as an integral part of the total lease expense, over the term of the lease.

(ii) As a lessor

When the Group acted as a lessor, it determined at lease inception whether each lease was a finance lease or an operating lease.

To classify each lease, the Group made an overall assessment of whether the lease transferred substantially all of the risks and rewards incidental to ownership of the underlying asset. If this was the case, then the lease was a finance lease; if not, then it was an operating lease. As part of this assessment, the Group considered certain indicators such as whether the lease was for the major part of the economic life of the asset.

Rental income from investment property is recognised as revenue on a straight-line basis over the term of the lease, see Note 3.16.

3.16 Revenue

Revenue from construction contract

A contract with a customer is classified by the Group as a construction contract when the contract relates to work on real estate assets under the control of the customer and therefore the Group's construction activities create or enhance an asset under the customer's control.

When the outcome of a construction contract can be reasonably measured, revenue from the contract is recognised progressively over time using input method based on construction costs incurred to-date as compared to the estimated total construction costs.

The likelihood of the Group suffering contractual penalties for late completion are taken into account in making these estimates, such that revenue is only recognised to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur.

When the outcome of the contract cannot be reasonably measured, revenue is recognised only to the extent of contract costs incurred that are expected to be recovered.

If at any time the costs to complete the contract are estimated to exceed the remaining amount of the consideration under the contract, then a provision is recognised in accordance with the policy set out in Note 3.14.

Revenue from provision of engineering solutions

Revenue from provision of engineering solutions include revenue from sale of precast and prefabricated components and revenue from steel and mass engineered timber work.

Revenue from sale of precast and prefabricated components in the ordinary course of business is recognised when the Company satisfies a performance obligation ("PO") by transferring control of a promised good to the customer. The amount of revenue recognised is the amount of the transaction price allocated to the satisfied PO.

The transaction price is allocated to each PO in the contract on the basis of the relative standalone selling prices of the promised goods. The individual standalone selling price of a good that has not previously been sold on a stand-alone basis, or has a highly variable selling price, is determined based on the residual portion of the transaction price after allocating the transaction price to goods with observable stand-alone selling prices. A discount or variable consideration is allocated to one or more, but not all, of the performance obligations if it relates specifically to those performance obligations.

The transaction price is the amount of consideration in the contract to which the Company expects to be entitled in exchange for transferring the promised goods. The transaction price may be fixed or variable and is adjusted for time value of money if the contract includes a significant financing component. Consideration payable to a customer is deducted from the transaction price if the Company does not receive a separate identifiable benefit from the customer. When consideration is variable, the estimated amount is included in the transaction price to the extent that it is highly probable that a significant reversal of the cumulative revenue will not occur when the uncertainty associated with the variable consideration is resolved.

Revenue may be recognised at a point in time or over time following the timing of satisfaction of the PO. If a PO is satisfied over time, revenue is recognised based on the percentage of completion reflecting the progress towards complete satisfaction of that PO.

Revenue from steel and mass engineered timber work is recognised progressively over time using input method based on contract costs incurred to-date as compared to the estimated total contract costs.

The likelihood of the Group suffering contractual penalties for late completion are taken into account in making these estimates, such that revenue is only recognised to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur.

When the outcome of the contract cannot be reasonably measured, revenue is recognised only to the extent of contract costs incurred that are expected to be recovered.

Sales of development properties

Revenue is recognised when the control over a development property has been transferred to the customer. At contract inception, the Group assesses whether the Group transfers control of the development property over time or at a point in time by determining if (a) its performance does not create an asset with an alternative use to the Group; and (b) the Group has an enforceable right to payment for performance completed to date.

Where a development property has no alternative use for the Group due to contractual restriction, and the Group has enforceable rights to payment for performance completed to date arising from the contractual terms, revenue is recognised over time by reference to the Group's progress towards completing the construction of the development property. The measure of progress is determined based on the stage of completion of construction certified by quantity surveyors. 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 and instead are expensed as incurred.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2019

In respect of contracts where the Group does not have an enforceable right to payment for performance completed to date, revenue is recognised only when:

(a) receipt of completion certificate;

(b) financial contracts are signed and registered with housing authorities in the relevant province in the People's Republic of China;

(c) receipt of 100% of the sales amount under contract; and

(d) keys are handed over to purchasers of the unit.

Under certain payment schemes, the time when payments are made by the buyer and the transfer of control of the property to the buyer do not coincide and where the difference between the timing of receipt of the payments and the satisfaction of a performance obligation is 12 months or more, the Group adjusts the transaction price with its customer and recognises a financing component. In adjusting for the financing component, the Group uses a discount rate that would reflect that of a separate financing transaction between the Group and its customer at contract inception. A finance income or finance expense will be recognised depending on the arrangement. The Group has elected to apply the practical expedient not to adjust the transaction price for the existence of significant financing component when the period between the transfer of control of goods or services to a customer and the payment date is 12 months or less.

Revenue is measured at the transaction price agreed under the contract entered into with customers. Estimates of revenues, costs or extent of progress towards 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 based on a payment schedule which is typically triggered upon achievement of specified construction milestones. If the value of the goods transferred by the Group exceeds the payments, a contract asset is recognised. If the payments exceed the value of the goods transferred, a contract liability is recognised. The accounting policy for contract assets and contract liabilities is set out in note 3.10.

Rental income

Rental income from investment property is recognised as 'revenue' on a straight-line basis over the term of the lease. Lease incentives granted are recognised as an integral part of the total rental income, over the term of the lease.

3.17 Government grants

An unconditional government grant to encourage city re-development is recognised in profit or loss as other income upon receipt.

Other government grants related to assets are recognised as a deduction in arriving at the carrying amount of the asset when there is reasonable assurance that they will be received and the Group will comply with the conditions associated with the grant.

3.18 Finance income and finance costs

Finance income comprises interest income on funds invested, dividend income, accretion of discount implicit in retention sum receivables and implicit interest in retention sum payables.

Interest income is recognised as it accrues in profit or loss, using the effective interest method. Dividend income is recognised in profit or loss on which the Group's right to receive payment is established, which in the case of quoted securities is normally the ex-dividend date.

Finance costs comprise interest expense on borrowings, amortisation of borrowings related costs, accretion of implicit interest in retention sum payables and discount implicit in retention sum receivables.

NOTES TO THE FINANCIAL STATEMENTS

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The 'effective interest rate' is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to the gross carrying amount of the financial asset, or the amortised cost of the financial liability.

In calculating interest income and expense, the effective interest rate is applied to the gross carrying amount of the asset (when the asset is not credit-impaired) or to the amortised cost of the liability. However, for financial assets that have become credit-impaired subsequent to initial recognition, interest income is calculated by applying the effective interest rate to the amortised cost of the financial asset. If the asset is no longer credit-impaired, then the calculation of interest income reverts to the gross basis.

Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

Foreign currency gains and losses on financial assets and financial liabilities are reported on a net basis as either finance income or finance cost depending on whether foreign currency movements are in a net gain or net loss position.

3.19 Tax

Tax expense comprises current and deferred tax. Current tax and deferred tax are recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or in OCI.

The Group has determined that interest and penalties related to income taxes, including uncertain tax treatments, do not meet the definition of income taxes, and therefore accounted for them under SFRS(I) 1-37 *Provision, Contingent Liabilities and Contingent Assets*.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any. Current tax also includes any tax arising from dividends.

Current tax assets and liabilities are offset only if certain criteria are met.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;

- temporary differences relating to investments in subsidiaries, associates and joint ventures to the extent that the Group is able to control the timing of the reversal of temporary difference and it is probable that they will not reverse in the foreseeable future; and

- taxable temporary differences arising on the initial recognition of goodwill.

The measurement of deferred taxes reflect the tax consequences that would follow the manner in which the Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

NOTES TO THE FINANCIAL STATEMENTS

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Deferred tax asset are recognised for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be utilised. Future taxable profits are determined based on the reversal of relevant taxable temporary differences. If the amount of taxable temporary differences is insufficient to recognise a deferred tax asset in full, then future taxable profits, adjusted for reversals of existing temporary differences, are considered, based on the business plans for individual subsidiaries in the Group. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised; such reductions are reversed when the probability of future taxable profits improves.

Unrecognised deferred tax assets are reassessed at each reporting date and recognised to the extent that it has become probable that future taxable profits will be available against which they can be used.

In determining the amount of current and deferred tax, the Group takes into account the impact of uncertain tax positions and whether additional taxes and interest may be due. The Group believes that its accruals for tax liabilities are adequate for all open tax years based on its assessment of many factors, including interpretations of tax law and prior experience. This assessment relies on estimates and assumptions and may involve a series of judgements about future events. New information may become available that causes the Group to change its judgement regarding the adequacy of existing tax liabilities; such changes to tax liabilities will impact tax expense in the period that such a determination is made.

3.20 Earnings per share

The Group presents basic and diluted earnings per share data for its ordinary shares. Basic earnings per share is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted-average number of ordinary shares outstanding during the year, adjusted for own shares held. Diluted earnings per share is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding, adjusted for own shares held, for the effects of all dilutive potential ordinary shares.

3.21 Segment reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. All operating segments' operating results are reviewed regularly by the Group's CEO (the chief operating decision maker) to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

Segment results that are reported to the Group's CEO include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly corporate assets, head office expenses, and tax assets and liabilities.

Segment capital expenditure is the total cost incurred during the year to acquire property, plant and equipment, and intangible assets other than goodwill.

3.22 New standards and interpretations not adopted

A number of new standards, interpretations and amendments to standards are effective for annual periods beginning after 1 January 2019 and earlier application is permitted; however, the Group has not early adopted the new or amended standards and interpretations in preparing these financial statements.

The following new SFRS(I)s, interpretations and amendments to SFRS(I)s are not expected to have a significant impact on the Group's consolidated financial statements and the Company's statement of financial position.

- *Amendments to References to Conceptual Framework in SFRS(I) Standards*
- *Definition of a Business* (Amendments to SFRS(I) 3)
- *Definition of Material* (Amendments to SFRS(I) 1-1 and SFRS(I) 1-8)
- SFRS(I) 17 *Insurance Contracts*

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2019

4 PROPERTY, PLANT AND EQUIPMENT

Group	Leasehold lands $'000	Freehold land $'000	Leasehold properties $'000	Plant and machinery $'000	Tools and moulds $'000	Furniture, equipment and fittings $'000	Motor vehicles $'000	Total $'000
Cost								
At 1 January 2018	13,992	3,962	74,729	83,575	60,699	7,342	4,902	249,201
Additions	–	–	88	11,672	3,211	812	267	16,050
Disposals	–	–	–	(8,691)	(761)	(170)	(942)	(10,564)
Reclassification to investment property	–	–	(6,586)	–	–	–	–	(6,586)
Effects of movements in exchange rates	–	(3)	(16)	(20)	(3)	9	(37)	(70)
At 31 December 2018	13,992	3,959	68,215	86,536	63,146	7,993	4,190	248,031
Additions	–	–	–	491	2,147	687	93	3,418
Acquisition of subsidiaries (Note 38(a))	–	–	51	50	2	1	2	106
Disposals	–	–	(30)	(170)	(107)	(68)	(113)	(488)
Disposal of subsidiaries (Note 38(c))	–	–	–	–	–	(25)	(78)	(103)
Effects of movements in exchange rates	–	(9)	(19)	(10)	(2)	(15)	(22)	(77)
At 31 December 2019	13,992	3,950	68,217	86,897	65,186	8,573	4,072	250,887
Accumulated depreciation								
At 1 January 2018	2,171	–	12,151	45,796	51,524	6,364	1,846	119,852
Depreciation for the year	516	–	2,774	9,442	4,360	538	478	18,108
Disposals	–	–	–	(6,596)	(725)	(161)	(847)	(8,329)
Reclassification to investment property	–	–	(2,565)	–	–	–	–	(2,565)
Effects of movements in exchange rates	–	–	(11)	(18)	(1)	8	(29)	(51)
At 31 December 2018	2,687	–	12,349	48,624	55,158	6,749	1,448	127,015
Depreciation for the year	516	–	2,646	13,484	4,066	602	450	21,764
Disposals	–	–	–	(65)	(107)	(4)	(85)	(261)
Disposal of subsidiaries (Note 38(c))	–	–	–	–	–	(31)	(33)	(64)
Effects of movements in exchange rates	–	–	(7)	(8)	(2)	(5)	(10)	(32)
At 31 December 2019	**3,203**	**–**	**14,988**	**62,035**	**59,115**	**7,311**	**1,770**	**148,422**
Carrying amounts								
At 1 January 2018	11,821	3,962	62,578	37,779	9,175	978	3,056	129,349
At 31 December 2018	11,305	3,959	55,866	37,912	7,988	1,244	2,742	121,016
At 31 December 2019	**10,789**	**3,950**	**53,229**	**24,862**	**6,071**	**1,262**	**2,302**	**102,465**

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2019

The depreciation for the year is analysed as follows:

	Group	
	2019	**2018**
	$'000	**$'000**
Depreciation for the year	**21,764**	18,108
Depreciation included in cost of construction contracts and engineering solutions	**(15,007)**	(10,983)
Depreciation charged to profit or loss	**6,757**	7,125

Impairment test

The Group reviews the carrying amounts of property, plant and equipment as at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the assets' recoverable amount is estimated. Determining the recoverable amount requires the determination of future cash flows expected to be generated from the continued use and ultimate disposition of the assets. This requires the Group to make estimates and assumptions that can materially affect the financial statements.

Leased property, plant and equipment (classified as finance lease under SFRS(I) 1-17)

The carrying amounts of leased property, plant and equipment (2018: property, plant and equipment under finance lease) are as follows:

	Group	
	2019	**2018**
	$'000	**$'000**
Plant and machinery	**131**	167
Motor vehicles	**551**	721
Furniture, equipment and fittings	**–**	7
	682	895

Security

Certain property, plant and equipment are mortgaged to the banks as collateral for credit facilities provided to the Group as disclosed in Note 23.

Transfer to investment property

In 2018, one of the leasehold properties of the Group was transferred to investment property. The Group relocated its office to new premises and decided to lease the property to third parties.

5 INTANGIBLE ASSETS

	Patented technology $'000	**Licence fee $'000**	**Computer software $'000**	**Total $'000**
Group				
Cost				
At 1 January 2018	12,478	264	808	13,550
Additions	–	–	72	72
Effect of movements in exchange rates	–	–	(4)	(4)
At 31 December 2018	12,478	264	876	13,618
Additions	–	–	45	45
Effect of movements in exchange rates	–	–	(3)	(3)
At 31 December 2019	**12,478**	**264**	**918**	**13,660**

NOTES TO THE FINANCIAL STATEMENTS
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	Patented technology $'000	Licence fee $'000	Computer software $'000	Total $'000
Accumulated amortisation and impairment losses				
At 1 January 2018	12,478	263	401	13,142
Amortisation for the year	–	–	92	92
Effect of movements in exchange rates	–	–	(3)	(3)
At 31 December 2018	12,478	263	490	13,231
Amortisation for the year	–	–	96	96
Effect of movements in exchange rates	–	–	(2)	(2)
At 31 December 2019	**12,478**	**263**	**584**	**13,325**
Carrying amounts				
At 1 January 2018	–	1	407	408
At 31 December 2018	–	1	386	387
At 31 December 2019	**–**	**1**	**334**	**335**

The amortisation of intangible assets is included in depreciation and amortisation in the consolidated statement of comprehensive income.

6 INVESTMENT PROPERTIES

	Note	Group $'000
Cost		
At 1 January 2018		20,386
Reclassification from property, plant and equipment	4	4,021
Reclassification to assets held for sale	19	(345)
Effect of movements in exchange rates		(625)
At 31 December 2018		23,437
Disposal of subsidiaries	38(c)	(18,453)
Effect of movements in exchange rates		(432)
At 31 December 2019		4,552
Accumulated depreciation and impairment losses		
At 1 January 2018		6,802
Depreciation for the year		702
Reclassification to assets held for sale	19	(130)
Effect of movements in exchange rates		(210)
At 31 December 2018		7,164
Depreciation for the year		156
Disposal of subsidiaries	38(c)	(6,626)
Effect of movements in exchange rates		(73)
At 31 December 2019		621
Carrying amounts		
At 1 January 2018		13,584
At 31 December 2018		16,273
At 31 December 2019		3,931

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2019

The details of the Group's investment properties as at 31 December 2019 were:

Location	Description	Existing use	Tenure of land	Remaining term of lease
Section 3, Lots 54, 55, Lae City, Morobe district, PNG	2-storey townhouse	Commercial	Leasehold	30 years (expires on 30 June 2048)
510 Thomson Road, #08-00 SLF Building Singapore 298135	1 office unit	Office	Leasehold	60 years (expires on 23 October 2060)

During the year, the Group disposed of its 55% equity interest in Jiangsu Huiyang Construction Development Co. Ltd and its subsidiary, which hold Wenchang Broadway, an investment property of the Group in 2018 (see Note 38(c)).

Investment properties comprise commercial and office properties leased to third parties and held for capital appreciation.

The fair value of the investment properties as at 31 December 2019 was $11,806,000 (2018: $47,318,000).

Determination of fair value

The fair values of investment properties located in Singapore and Papua New Guinea ('PNG') are based on market comparison approach, being the estimated amount for which a property could be exchanged on the date of valuation between a willing buyer and a willing seller in an arm's length transaction. Fair values are determined by management having regard to recent market transactions for similar properties in the same locations.

The fair value measurement for investment properties not carried at fair value but for which fair values are disclosed has been categorised as a Level 3 fair value based on the inputs to the valuation technique used (see Note 2.4).

Investment properties leased out under operating leases

The Group leases out investment properties under operating leases. Each of the leases is generally for a period within one year, and subsequent renewals are negotiated at prevailing market rate and terms.

Minimum lease receivables

The Group's total future minimum lease receivables under non-cancellable operating leases are as follows:

	Group	
	2019 $'000	2018 $'000
Within one year	**101**	35

Securities

Certain investment properties of the Group are mortgaged to banks to secure credit facilities as disclosed in Note 23.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2019

7 RIGHT-OF-USE ASSETS

The Group leases assets including leasehold land, office and storage space and motor vehicle. Information about leases for which the Group is a lessee is presented below.

	2019			
	Leasehold land $'000	Office and storage space $'000	Motor Vehicle $'000	Total $'000
Group				
Recognition of right-of-use asset on initial application of SFRS(I) 16 at 1 January 2019	2,914	419	–	3,333
Additions	–	2,848	–	2,848
Acquisition of subsidiaries (Note 38(a))	–	532	16	548
Depreciation charge for the year	(122)	(1,193)	(10)	(1,325)
At 31 December 2019	2,792	2,606	6	5,404

The depreciation for the year is analysed as follows:

	Group 2019 $'000
Depreciation for the year	1,325
Depreciation included in cost of construction contracts and engineering solutions	(543)
Depreciation charged to profit or loss	782

8 SUBSIDIARIES

	Company	
	2019 $'000	2018 $'000
Unquoted shares in subsidiaries, at cost	59,624	59,624

Impairment of investment in subsidiaries

The Company assesses at each reporting date whether there is any objective evidence that the investment in a subsidiary is impaired. To determine whether there is objective evidence of impairment, the Company considers factors such as the industry performance, technology changes, operational and financing cash flow. Management also considers the financial conditions and business prospects of the investment.

Where there is objective evidence of impairment, the amount and timing of future cash flows are estimated based on the forecasted performance of the subsidiary.

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Details of the significant subsidiaries are as follows:

Name of subsidiary	Principal activities	Principal places of business/ Country of incorporation	Ownership interest 2019 %	Ownership interest 2018 %
(i) Direct subsidiary				
Tiong Seng Contractors (Private) Limited ("Tiong Seng Contractors")[1]	Construction works	Singapore	**100**	100
(ii) Indirect subsidiaries				
Robin Village Development Pte. Ltd.[1]	Precast and prefabrication	Singapore	**100**	100
Tianjin Zizhulin Guangang Property Development Co., Ltd. ("Guangang")[2]	Property development	PRC	**83**	69
Suzhou Changhe Investment and Development Co., Ltd. ("Changhe")[3]	Property development	PRC	**100**	100

1 Audited by KPMG LLP, Singapore
2 Audited by Tianjin Grant Thornton Certified Public Accountants Co., Ltd., PRC
3 Audited by Suzhou Rui Ya Certified Public Accountants Co., Ltd., PRC

9 ASSOCIATES AND JOINT VENTURES

	Group 2019 $'000	Group 2018 $'000
Interests in associates	*	914
Interests in joint ventures	**10,281**	13,431
	10,281	14,345
Loans to joint ventures	**26,705**	28,234
	36,986	42,579

* *Less than $1,000*

The loans to joint ventures are unsecured and bear interest from 1.85% and 3.29% (2018: 1.85% and 3.00%) per annum. These loans are not expected to be repaid within the next twelve months from 31 December 2019.

NOTES TO THE FINANCIAL STATEMENTS

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Associates

The associates are not considered significant in accordance with Rule 718 of the Singapore Exchange Limited Listing Manual. For this purpose, an associated company is considered significant as defined under the Singapore Exchange Limited Listing Manual, if the Group's share of its net tangible assets represents 20% or more of the Group's consolidated net tangible assets, or if the Group's share of its pre-tax profits accounts for 20% or more of the Group's consolidated pre-tax profits.

The summarised financial information relating to associates not adjusted for the percentage of ownership held by the Group is as follows:

	2019 $'000	2018 $'000
Assets and liabilities		
Total assets	**114**	3,099
Total liabilities	**(350)**	(2,447)
Results		
Revenue	**–**	–
Expenses	*****	(1)
Loss after taxation	*****	(1)

* *Less than $1,000*

The Group has not recognised its share of the current year loss and the cumulative losses relating to one of its associates amounting to $* (2018: $1,000) and $94,000 (2018: $105,000) respectively, because the Group has no obligation in respect of these losses.

As at 31 December 2019, the Group did not have any capital commitments and contingent liabilities relating to its associates (2018: Nil).

Joint ventures

Details of the significant joint ventures are as follows:

Name of joint venture	Principal activities	Principal places of business/ Country of incorporation	Ownership interest 2019 %	Ownership interest 2018 %
Incorporated joint ventures				
Feature (Balmoral) Pte. Ltd.[1]	Property development	Singapore	**30**	30
TSky Development Pte. Ltd.[1]	Property development	Singapore	**60***	60*
TSky Balmoral Pte. Ltd.[1]	Property development	Singapore	**42**	42
TSky Cairnhill Pte. Ltd.[1]	Property development	Singapore	**31**	31
Unincorporated joint ventures				
Samsung-Tiong Seng Joint Venture (partnership)[1]	Construction works	Singapore	**45**	45
GS E&C – TSC JV (partnership)[1]	Construction works	Singapore	**30**	30
Tiong Seng-Dongah Joint Venture (partnership)[1]	Construction works	Singapore	**66***	66*

1 Audited by KPMG LLP, Singapore

* Although the Group holds more than 50% ownership interest in these companies, pursuant to contractual agreements between the Group and its joint venture partners in these companies, joint control is exercised by both parties over the key activities of these companies. Accordingly, TSky Development Pte. Ltd. and Tiong Seng-Dongah Joint Venture (partnership) are classified as joint ventures of the Group.

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All joint ventures are unlisted joint arrangements in which the Group has joint control via investors' agreements, and are the Group's strategic partners, principally engaged in construction, precast and prefabrication and property development.

Joint ventures are structured as separate vehicle and the Group has residual interests in its net assets. Accordingly, the Group has classified its interests as joint ventures, which is equity accounted.

The following summarises the financial information of each of the Group's material joint ventures based on their respective financial statements prepared in accordance with SFRS(I), modified for fair value adjustments on acquisition and differences in the Group's accounting policies. The table also includes summarised financial information for the Group's interests in immaterial joint ventures, based on the amounts reported in the Group's consolidated financial statements.

	Feature (Balmoral) Pte. Ltd. $'000	GS E&C – TSC JV (partnership) $'000	Samsung–Tiong Seng Joint Venture (partnership) $'000	Tiong Seng Dongah Joint Venture (partnership) $'000	TSky Development Pte. Ltd. and its joint ventures $'000	Individually immaterial joint ventures $'000	Total $'000
31 December 2019							
Revenue	13,202	1,156	–	20,479	253		
Loss after tax/Total comprehensive income[(a)]	(660)	1,453	–	(545)	(4,625)		
Non-current assets	–	–	–	5,687	–		
Current assets[(b)]	7,912	6,071	7,343	17,748	38,563		
Non-current liabilities[(c)]	(2,723)	–	–	(5,658)	–		
Current liabilities[(d)]	(42)	(21,395)	(35,143)	(7,698)	(43,939)		
Net assets/(liabilities)	5,147	(15,324)	(27,800)	10,079	(5,376)		
Group's interest in net assets/(liabilities) of investee at beginning of the year (before the reclassification of losses to amounts due to joint ventures)	1,742	(5,033)	(12,510)	7,011	(1,051)	1,709	(8,132)
Share of total comprehensive income	(198)	436	4,473*	(359)	(2,775)	2,398	3,975
Offsetting losses against amount due from joint ventures	–	3,321	8,037	–	–	–	11,358
Reclassification of losses to amount due to joint ventures	–	1,276	–	–	3,826	–	5,102
Carrying amount of interest in joint venture acquired as subsidiaries (Note 38(a))	–	–	–	–	–	(2,022)	(2,022)
Carrying amount of interest in investee at end of the year	1,544	–	–	6,652	–	2,085	10,281

* This relates to reduction in Group's share of losses of Samsung Tiong Seng Joint Venture (Partnership) due to agreement reached with the joint venture partner during the year on the share of prior year losses of Samsung Tiong Seng Joint Venture (Partnership).

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Year ended 31 December 2019

	Feature (Balmoral) Pte. Ltd. $'000	GS E&C – TSC JV (partnership) $'000	Samsung-Tiong Seng Joint Venture (partnership) $'000	Tiong Seng Dongah Joint Venture (partnership) $'000	Individually immaterial joint ventures $'000	Total $'000
31 December 2018						
Revenue	6,950	–	–	50,489		
(Loss)/Profit after tax/Total comprehensive income[a]	(390)	–	–	3,176		
Non-current assets	–	–	–	5,037		
Current assets[b]	24,670	8,701	7,343	11,721		
Non-current liabilities[c]	(17,511)	–	–	(3,771)		
Current liabilities[d]	(1,353)	(25,479)	(35,143)	(2,364)		
Net assets/(liabilities)	5,806	(16,778)	(27,800)	10,623		
Group's interest in net assets/(liabilities) of investee at beginning of the year	1,859	(5,033)	(12,510)	4,915	2,428	(8,341)
Share of total comprehensive income	(117)	–	–	2,096	(1,770)	209
Offsetting losses against amount due from joint ventures	–	3,321	6,059	–	–	9,380
Reclassification of losses to amount due to joint ventures	–	1,712	6,451	–	4,020	12,183
Carrying amount of interest in investee at end of the year	1,742	–	–	7,011	4,678	13,431

(a) includes:
- interest expense of $262,000 (2018: $760,000).
- interest income of $1,229,000 (2018: $2,920,000).
- tax credit of $190,000 (2018: $605,000).

(b) includes cash and cash equivalents of $8,059,000 (2018: $6,456,000).
(c) includes non-current financial liabilities (excluding trade and other payables and provisions) of $8,381,000 (2018: $21,282,000).
(d) includes current financial liabilities (excluding trade and other payables and provisions) of $2,334,000 (2018: $2,334,000).

The Group's share of commitment has been included in Note 31.

Details of significant judgement relating to revenue and cost recognition of construction contract undertaken by these joint ventures are set out in Note 24.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2019

10 TRADE AND OTHER RECEIVABLES

	Note	Group 2019 $'000	Group 2018 $'000	Company 2019 $'000	Company 2018 $'000
Non-current					
Retention monies on construction contracts		**2,917**	11,741	**–**	–
Current					
Trade receivables		**37,838**	23,099	**–**	–
Less: Allowance for impairment loss on trade receivables	36(b)	**(560)**	(553)	**–**	–
		37,278	22,546	**–**	–
Advances to suppliers, trade		**174**	125	**–**	–
Retention monies on construction contracts		**26,047**	41,612	**–**	–
Deposits and prepayments		**6,478**	3,963	**7**	7
Tax prepayments		**2,004**	5,443	**–**	–
Other receivables		**6,968**	5,755	**–**	–
		78,949	79,444	**7**	7
Total		**81,866**	91,185	**7**	7

11 OTHER INVESTMENTS

	Group 2019 $'000	Group 2018 $'000
Other financial asset – at FVOCI		
Club membership	**724**	724
Equity investments – at FVOCI		
Quoted equity investments	**18**	13
Unquoted equity investments	**743**	534
	1,485	1,271

Equity investments designated as at FVOCI

The Group designated equity investments as at FVOCI because these equity investments represent investments that the Group intends to hold for the long-term for strategic purposes.

No strategic investments were disposed of during 2019, and there were no transfers of any cumulative gain or loss within equity relating to these investments.

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12 DEFERRED TAX ASSETS/(LIABILITIES)

Movements in deferred tax assets and liabilities of the Group (prior to offsetting of balances) during the year were as follows:

	At 1 January 2018 $'000	Recognised in profit or loss (Note 27) $'000	At 31 December 2018 $'000	Acquisition/ Disposal of subsidiaries (Note 38) $'000	Recognised in profit or loss (Note 27) $'000	At 31 December 2019 $'000
Group						
Deferred tax assets						
Investment properties	206	–	206	(206)	129	129
Trade and other payables	2,066	(15)	2,051	28	(1,860)	219
Estimated benefit on loss carry forward	–	111	111	4	(58)	57
	2,272	96	2,368	(174)	(1,789)	405
Deferred tax liabilities						
Property, plant and equipment	(5,678)	400	(5,278)	(211)	1,980	(3,509)
Trade and other payables	(171)	3	(168)	–	9	(159)
	(5,849)	403	(5,446)	(211)	1,989	(3,668)

Deferred tax liabilities and assets are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred taxes relate to the same tax authority. The amounts determined after appropriate offsetting are included in the statement of financial position as follows:

	Group 2019 $'000	2018 $'000
Deferred tax assets	**149**	431
Deferred tax liabilities	**(3,412)**	(3,509)

Unrecognised deferred tax assets

Deferred tax assets have not been recognised in respect of the following items:

	Group 2019 $'000	2018 $'000
Deductible temporary differences	**14,799**	14,461
Tax losses	**48,298**	47,828
	63,097	62,289

The tax losses are subject to agreement by the tax authorities and compliance with tax regulations in the respective countries in which certain subsidiaries operate. Except for tax losses of $41,189,000 (2018: $43,800,000) which expire in 5 to 7 years from the tax losses arise, the remaining amounts do not expire under their respective current tax legislation. Deferred tax assets have not been recognised in respect of these items because it may not be probable that future taxable profit will be available against which the Group can utilise the benefits therefrom.

Deferred tax liabilities have not been recognised for withholding and other taxes that would be payable on the unremitted earnings of $23,428,000 (2018: $24,058,000) of certain overseas subsidiaries for the year ended 31 December 2019 as the timing of the reversal of the temporary difference arising from such amounts can be controlled and it is probable that such temporary differences will not reverse in the foreseeable future.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2019

13 INVENTORIES

	Group	
	2019	2018
	$'000	$'000
Raw materials and consumables	**1,022**	1,045
Finished goods`	**1,651**	–
	2,673	1,045

In 2019, inventories of $33,383,000 (2018: $21,161,000) were recognised as an expense during the year and included in "Cost of construction contract and engineering solutions".

14 CONTRACT COSTS

Contract costs relates to commission fees paid to property agents for securing sale contracts which were capitalised during the year. The capitalised costs are amortised when the related revenue is recognised. During the year, $148,000 (2018: $1,263,000) was amortised to profit or loss. There was no impairment loss in relation to the costs capitalised.

15 CONTRACT ASSETS AND CONTRACT LIABILITIES

The following table provides information about contract assets and contract liabilities from contracts with customers.

	Group	
	2019	2018
	$'000	$'000
Contract assets	**102,569**	73,969
Contract liabilities	**(57,536)**	(35,383)

The contract assets primarily relate to the Group's right to consideration for work completed but not billed at the reporting date in respect of its construction and engineering solutions businesses. The contract assets are transferred to trade receivables when the rights become unconditional. This usually occurs when the customer certifies the progress claims.

The contract liabilities primarily relate to:

- advanced consideration received from customers from sale of development properties; and
- progress billings issued in excess of the Group's rights to the consideration in respect of its construction and engineering solutions businesses.

Significant changes in the contract assets and the contract liabilities balances during the year were as follows:

	Contract assets		Contract liabilities	
	2019	2018	2019	2018
	$'000	$'000	$'000	$'000
Revenue recognised that was included in the contract liabilities balance at the beginning of the year	**–**	–	**14,577**	73,247
Increases due to cash received, excluding amounts recognised as revenue during the year	**–**	–	**(36,959)**	(2,691)
Contract assets recognised at the beginning of the year reclassified to trade receivables	**(57,028)**	(55,635)	**–**	–
Recognition of revenue, net of reclassification to trade receivables during the year	**83,211**	35,808	**–**	–
Cumulative catch-up as a result of contract modifications	**284**	16,155	**–**	–
Acquisition/disposal of subsidiaries (Note 38)	**2,133**	–	**229**	–

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16 DEVELOPMENT PROPERTIES

		Group	
		2019	2018
		$'000	$'000
(a)	Properties under development, for which revenue is to be recognised at a point in time		
	Land and land related costs	**79,222**	81,554
	Development costs	**69,030**	58,806
		148,252	140,360
	Allowance for diminution in value	**(4,031)**	(4,392)
	Properties under development	**144,221**	135,968
(b)	Completed development properties, at cost	**88,763**	107,875
	Allowance for diminution in value	**(8,991)**	(9,553)
	Completed development properties	**79,772**	98,322
	Total development properties	**223,993**	234,290

(i) Allowance for diminution in value

Movement in allowance for diminution in value was as follows:

	Group	
	2019	2018
	$'000	$'000
At 1 January	**13,945**	15,138
Utilisation during the year	**(542)**	(723)
Translation differences on consolidation	**(381)**	(470)
At 31 December	**13,022**	13,945

The Group's properties under development and completed development properties are stated at the lower of cost and net realisable value. Based on the Group's recent experience and the nature of the subject properties, the Group makes estimates of the selling prices, the costs of completion in case for properties under development and the costs to be incurred in selling the properties based on prevailing market conditions. If there is a decrease in net sales value, the net realisable value will decrease. Changes in the estimates of the costs to completion and the estimated selling price would also have an effect on the determination of diminution in value for each project. Such allowance requires the use of judgement and estimates.

Where the expectation is different from the original estimate, the carrying value and allowance for diminution in value on properties in the period in which such estimate is changed will be adjusted accordingly. In addition, given the volatility of the PRC property market and the unique nature of individual properties, the actual outcome in terms of costs and revenue may be higher or lower than estimated at the reporting date. Any increase or decrease in the allowance would affect profit or loss in future years.

(ii) During the year, completed development properties of $16,496,000 (2018: $52,526,000) were recognised as an expense and included in "Cost of sales of development properties".

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2019

The details of the Group's development properties as at 31 December 2019 were:

Location	Description	Intended use	Stage of completion	Expected date of completion	Land area	Gross floor area	Group's effective interest
The Equinox, Dagang, Guangang Forest Park, Tianjin, PRC	Residential development	Residential	Phases development with expected full completion around 2025		325,000 sqm	Residential: 162,000 sqm	83%
Tranquility Residences, Xushuguan Development Zone, Suzhou, PRC	Residential development	Residential	Completed	Completed	85,509 sqm	Residential: 87,220 sqm	100%
Sunny International, Cangzhou, PRC	Residential and commercial development	Residential and commercial	Completed	Completed	51,000 sqm	Residential: 131,900 sqm Commercial: 18,000 sqm	41%
Zizhulin, Tianjin, PRC	Commercial land	Commercial	Planning stage	Planning stage	8,000 sqm	Commercial: 12,000 sqm	80%

NOTES TO THE FINANCIAL STATEMENTS

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17 AMOUNTS DUE FROM/(TO) RELATED PARTIES

Amounts due from related parties

	Group		Company	
	2019 $'000	2018 $'000	2019 $'000	2018 $'000
Non-current				
Trade amount due from:				
– joint ventures	**3,979**	3,500	**–**	–
Current				
Trade amounts due from:				
– joint ventures	**132**	467	**–**	–
– affiliated corporation	**2,891**	2,546	**–**	–
	3,023	3,013	**–**	–
Non-trade amounts due from:				
– affiliated corporations	**77**	80	**–**	–
– joint ventures	**5,377**	2,525	**–**	–
– non-controlling interests	**17,259**	17,697	**–**	–
– subsidiaries	**–**	–	**104,436**	104,436
	22,713	20,302	**104,436**	104,436
Loans to non-controlling interests	**3,604**	14,905	**–**	–
	29,340	38,220	**104,436**	104,436
Total amounts due from related parties	**33,319**	41,720	**104,436**	104,436

An affiliated corporation is defined as one:

(a) in which a director of the Group has substantial financial interests or who is in a position to exercise significant influence; and/or

(b) which directly or indirectly, through one or more intermediaries, are under the control of a common shareholder.

The non-trade amounts due from affiliated corporations, joint ventures and subsidiaries are unsecured, interest-free and repayable on demand.

The non-trade amount due from non-controlling interests is unsecured, interest-free and repayable on demand except for the amount of $11,393,000 (2018: $11,723,000) which is secured by undistributed retained earnings and expected future earnings of certain subsidiaries attributable to the non-controlling interests.

The loans to non-controlling interests comprise:

(i) an amount of $3,274,000 (2018: $14,500,000) which bears interest at 12% (2018: 12%) per annum and is secured by the non-controlling interests' shares in a subsidiary, Guangang. The amount is repayable on demand;

(ii) an amount of $330,000 (2018: $338,000) which is secured, interest-free and repayable on demand; and

(iii) an amount of $Nil (2018: $67,000) which is unsecured, interest-free and repayable on demand.

NOTES TO THE FINANCIAL STATEMENTS

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Amounts due to related parties

	Group		Company	
	2019	**2018**	**2019**	**2018**
	$'000	**$'000**	**$'000**	**$'000**
Trade amounts due to:				
– corporate shareholder	**(1)**	(45)	**–**	–
– affiliated corporation	**(2,845)**	(4,103)	**–**	–
– joint ventures	**–**	(484)	**–**	–
	(2,846)	(4,632)	**–**	–
Non-trade amounts due to:				
– subsidiary	**–**	–	**(59,326)**	(58,056)
– joint ventures	**(5,823)**	(10,486)	**–**	–
	(5,823)	(10,486)	**(59,326)**	(58,056)
Loans from non-controlling interests	**(7,028)**	(7,558)	**–**	–
Total amounts due to related parties	**(15,697)**	(22,676)	**(59,326)**	(58,056)

The non-trade amounts due to subsidiary, joint ventures and loans from non-controlling interests are unsecured, interest-free and repayable on demand.

18 CASH AND CASH EQUIVALENTS

	Group		Company	
	2019	**2018**	**2019**	**2018**
	$'000	**$'000**	**$'000**	**$'000**
Cash at banks and in hand	**54,600**	39,015	**85**	82
Fixed deposits	**939**	960	**–**	–
	55,539	39,975	**85**	82
Deposits pledged	**(590)**	(603)		
Restricted cash	**(224)**	(225)		
Cash and cash equivalents in the statement of cash flows	**54,725**	39,147		

Restricted cash primarily consists of cash held in a designated account due to regulatory requirement in PRC development project rules, where the funds will be released upon completion of each phase of development.

Interest rates are repriceable as and when notified by the banks. The weighted average effective interest rates relating to cash and cash equivalents as at the reporting date for the Group was 0.39% (2018: 0.30%) per annum.

The deposits are pledged as security to obtain bank loans as disclosed in Note 23.

19 ASSETS HELD FOR SALE

In 2018, the Group entered into an enbloc sales arrangement to dispose one of its investment properties (Note 6). The investment property which is expected to be sold within twelve months after the reporting date, has been classified as assets held for sale and is presented separately in the Group's statement of financial position.

The proceeds of disposal are expected to exceed the net carrying amount of the investment property and, accordingly, no impairment loss has been recognised on the classification of the investment property as assets held for sale.

The disposal was completed on 3 January 2020.

NOTES TO THE FINANCIAL STATEMENTS

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20 SHARE CAPITAL

	2019		2018	
	No of shares	$'000	No of shares	$'000
Issued and fully paid ordinary shares, with no par value				
At 1 January	**444,785,349**	**177,495**	448,381,449	178,914
Treasury shares	**–**	**–**	(3,596,100)	(1,419)
At 31 December	**444,785,349**	**177,495**	444,785,349	177,495

The holders of all ordinary shares are entitled to receive dividends as declared from time to time, and are entitled to one vote per share at meetings of the Company. All shares rank equally with regard to the Company's residual assets.

Capital management

The Group defines capital as total shareholders' equity attributable to owners of the Company excluding non-controlling interests. The primary objective of the management of the Company's capital structure is to maintain efficient mix of debt and equity in order to achieve an optimal cost of capital, while taking into account the desirability of retaining financial flexibility to pursue business opportunities and adequate access to liquidity to mitigate the effect of unforeseen events on cash flows. The Board of Directors monitors the return on capital, which the Group defines as profit attributable to equity holders of the Company divided by total shareholders' equity excluding non-controlling interests. The return on capital in 2019 was in profit of 4.0% (2018: 3.3%). The Board also monitors the level of dividends paid to ordinary shareholders.

The Board regularly reviews the Company's capital structure and makes adjustments to reflect economic conditions, business strategies and future commitments.

No significant changes were made in the objectives, policies or processes relating to the management of the Company's capital structure during the year.

The Company and its subsidiaries are not subject to externally imposed capital requirements.

Dividends

The following exempt (one-tier) dividends were declared and paid by the Group and Company.

	Group and Company	
	2019 $'000	2018 $'000
Paid by the Company to owners of the Company		
0.5 cent (2018: 1.5 cent share) per qualifying ordinary share	**2,224**	6,675

	Group	
	2019 $'000	2018 $'000
Paid by a subsidiary to non-controlling interest		
0.04 cent (2018: Nil) per qualifying ordinary share	**800**	–
0.02 cent (2018: 0.2 cent) per qualifying ordinary share	**309**	3,259

During the year, the dividend to non-controlling interest of $1,109,000 was paid by cash. In 2018, the Group offset the amount due from the non-controlling interest with the $3,259,000 dividends that non-controlling interest is entitled to.

After the reporting date, the following exempt (one-tier) dividends were proposed by the directors. These exempt (one-tier) dividends have not been provided for.

	Group and Company	
	2019 $'000	2018 $'000
0.5 cent (2018: 0.5 cent share) per qualifying ordinary share	**2,224**	2,224

21 RESERVES

	Group		Company	
	2019	2018	2019	2018
	$'000	$'000	$'000	$'000
Merger reserve	**(77,720)**	(77,720)	**(45,850)**	(45,850)
Capital reserve	**(7,279)**	(27)	**–**	–
Statutory reserve	**1,495**	3,564	**–**	–
Foreign currency translation reserve	**(6,553)**	(2,574)	**–**	–
Fair value reserve	**209**	–	**–**	–
	(89,848)	(76,757)	**(45,850)**	(45,850)

Merger reserve

Group

The merger reserve represents the difference between the cost of the acquisition for the restructuring and the value of share capital of the entities acquired.

Company

The merger reserve represents the difference between the cost of acquisition of the Tiong Seng Contractors combined group, recorded in accordance with paragraph 13 of SFRS(I) 27 *Separate Financial Statements*, and the paid up capital of the Company issued for the acquisition.

Capital reserve

The Group's capital reserve arises mainly from acquisition of additional interest in subsidiaries.

Statutory reserve

The Group follows the accounting principles and relevant financial regulations of the PRC applicable to sino-foreign equity joint venture enterprises ("PRC GAAP – EJV"), wholly foreign-owned enterprises ("PRC GAAP – WFOE") or enterprises established in the PRC ("PRC GAAP") in the preparation of the accounting records and financial statements.

Pursuant to accounting regulations for sino-foreign equity joint venture enterprises (中华人民共和国中外合资经营企业法实施条例), sino-foreign equity joint venture enterprises ("EJV") are required to appropriate profit to the statutory reserve. Appropriation to the statutory reserve is determined by the board of directors based on the profit arrived at in accordance with PRC GAAP – EJV for each year.

Pursuant to accounting regulations for foreign-invested PRC enterprises (中华人民共和国外商投资企业会计制度[财会字(1992)33号]) and the PRC Company Law (中华人民共和国公司法), wholly foreign-owned enterprises ("WFOE") and enterprises established in the PRC are required to appropriate 10% of the profit arrived at in accordance with PRC GAAP – WFOE and PRC GAAP for each year to a statutory reserve.

The profit arrived at must be used to set off against any accumulated losses. The appropriation to statutory reserve, after offsetting against any accumulated losses, must be made before distribution of dividends to shareholders. The appropriation is required until the statutory reserve reaches 50% of the registered capital. This statutory reserve is not distributable in the form of cash dividends. For WFOE and EJV, the statutory reserve may be used to set off losses or be converted into paid-in capital.

Foreign currency translation reserve

The foreign currency translation reserve comprises:

(a) foreign exchange differences arising from the translation of the financial statements of foreign corporations; and

(b) exchange differences on monetary items which form part of the Group's net investment in foreign operations, provided certain conditions are met.

Fair value reserve

The fair value reserve comprises the cumulative net change in fair value of equity investments designated at FVOCI.

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22 TRADE AND OTHER PAYABLES

	Group		Company	
	2019	2018	2019	2018
	$'000	$'000	$'000	$'000
Non-current				
Retention sums payable	**11,933**	7,588	**–**	–
Current				
Trade payables	**46,181**	31,897	**–**	–
Accrued trade payables	**90,610**	86,774	**–**	–
Accrued operating expenses and other payables	**17,877**	16,741	**936**	219
Retention sums payable	**20,475**	34,481	**–**	–
	175,143	169,893	**936**	219
Total	**187,076**	177,481	**936**	219

23 LOANS AND BORROWINGS

	Group	
	2019	2018
	$'000	$'000
Non-current		
Secured bank loans	**10,834**	13,371
Lease liabilities (2018: Finance lease liabilities)	**4,598**	214
	15,432	13,585
Current		
Secured bank loans	**80,432**	96,126
Lease liabilities (2018: Finance lease liabilities)	**1,498**	199
	81,930	96,325
Total loans and borrowings	**97,362**	109,910

Maturities of liabilities (excluding lease liabilities)

	Group	
	2019	2018
	$'000	$'000
Within one year	**80,432**	96,126
Between one and five years	**7,336**	10,534
More than five years	**3,498**	2,837
	91,266	109,497

Security

The secured bank loans are secured on the following assets:

	Group	
	2019	2018
	$'000	$'000
Carrying amounts of assets:		
Leasehold lands	**10,789**	11,305
Freehold land	**3,950**	3,959
Leasehold properties	**50,160**	52,681
Investment properties	**3,931**	4,081
Plant and machinery	**131**	167
Motor vehicles	**551**	661
Deposits pledged	**590**	603
Assets held for sale	**215**	215
Total	**70,317**	73,672

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The secured bank loans are also secured by assignment of rights, interests and benefits in connection with construction contracts and engineering solutions.

Secured loan from a bank

Included in the secured bank loans was a loan amounting to $6,000,000 (2018: $Nil) secured by the followings:

(a) the Group's shares in Chang De Investment Private Limited, Tiong Seng Properties (Private) Limited, Tianjin Zizhulin Development Co., Ltd., Tianjin Zizhulin Guangang Property Development Co., Ltd., and Suzhou Changhe Investment and Development Co., Ltd. ("existing development properties projects");

(b) the subordination of the Group's share of existing and future shareholder's loans relating to the Group existing development properties projects;

(c) the assignment of the Group's share of existing and future shareholder's loans relating to the Group existing development properties projects; and

(d) the Group's shares in certain other investment.

Terms and debt repayment schedule

Terms and conditions of outstanding loans and borrowings are as follows:

	Currency	Nominal interest rate per annum %	Year of maturity	Carrying amount $'000
Group				
At 31 December 2019				
Secured bank loans	**SGD**	**1.50 – 3.85**	**2020 – 2033**	**91,266**
Lease liabilities	**SGD**	**1.48 – 3.80**	**2020 – 2055**	**6,096**
Total loans and borrowings				**97,362**
At 31 December 2018				
Secured bank loans	SGD	1.50 – 3.76	2019 – 2033	109,497
Finance lease liabilities	SGD	1.48 – 3.50	2019 – 2023	413
Total loans and borrowings				109,910

Finance lease liabilities

Finance lease liabilities are repayable as follows:

	Principal $'000	Interest $'000	Payments $'000
At 31 December 2018			
Within one year	199	19	218
Between one and five years	214	3	217
	413	22	435

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2019

Reconciliation of movements of liabilities and equity to cash flows arising from financing activities

	Liabilities				Equity					
	Amounts due to related parties $'000	Secured bank loans $'000	Medium term notes $'000	Finance lease liabilities $'000	Share capital $'000	Treasury shares $'000	Reserves $'000	Retained earnings $'000	Non-controlling interests $'000	Total $'000
Group										
Balance at 1 January 2018	23,785	58,404	72,996	666	181,947	(3,033)	(71,149)	165,588	46,982	476,186
Changes from financing cash flows										
Balances with related parties (non-trade)	2,388	–	–	–	–	–	–	–	–	2,388
Dividends paid to:										
– owners of the Company	–	–	–	–	–	–	–	(6,675)	–	(6,675)
Interest paid	–	(2,402)	(17)	(22)	–	–	–	–	–	(2,441)
Purchase of treasury shares	–	–	–	–	–	(1,419)	–	–	–	(1,419)
Payments of finance lease liabilities	–	–	–	(351)	–	–	–	–	–	(351)
Proceeds from loans and borrowings	–	80,714	–	–	–	–	–	–	–	80,714
Repayment of loans and borrowings	–	(29,621)	(72,996)	–	–	–	–	–	–	(102,617)
Total changes from financing cash flows	2,388	48,691	(73,013)	(373)	–	(1,419)	–	(6,675)	–	(30,401)
The effect of changes in foreign exchange rates	–	–	–	–	–	–	(5,583)	–	(1,483)	(7,066)
Other changes										
Liability-related										
New finance lease	–	–	–	98	–	–	–	–	–	98
Interest expense	–	2,402	17	22	–	–	–	–	–	2,441
Others	(3,497)	–	–	–	–	–	–	–	–	(3,497)
Total liability-related other changes	(3,497)	2,402	17	120	–	–	–	–	–	(958)
Total equity-related other changes	–	–	–	–	–	–	(25)	8,771	(7,198)	1,548
Balance at 31 December 2018	22,676	109,497	–	413	181,947	(4,452)	(76,757)	167,684	38,301	439,309

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2019

	Liabilities			Equity					
	Amounts due to related parties $'000	Secured bank loans $'000	Lease liabilities $'000	Share capital $'000	Treasury shares $'000	Reserves $'000	Retained earnings $'000	Non-controlling interests $'000	Total $'000
Group									
Adjusted balance at 1 January 2019	22,676	109,497	4,065	181,947	(4,452)	(76,757)	167,448	38,218	442,642
Changes from financing cash flows									
Balances with related parties (non-trade)	(5,711)	–	–	–	–	–	–	–	(5,711)
Dividends paid to:									
– owners of the Company	–	–	–	–	–	–	(2,224)	–	(2,224)
– non-controlling interests	–	–	–	–	–	–	–	(1,109)	(1,109)
Interest paid	–	(3,407)	(169)	–	–	–	–	–	(3,576)
Acquisition of non-controlling interests in subsidiaries	–	–	–	–	–	–	–	(2,727)	(2,727)
Payments of lease liabilities	–	–	(1,468)	–	–	–	–	–	(1,468)
Proceeds from loans and borrowings	–	51,985	–	–	–	–	–	–	51,985
Repayment of loans and borrowings	–	(70,216)	–	–	–	–	–	–	(70,216)
Total changes from financing cash flows	(5,711)	(21,638)	(1,637)	–	–	–	(2,224)	(3,836)	(35,046)
The effect of changes in foreign exchange rates	–	–	–	–	–	(3,979)	–	(1,543)	(5,522)
Other changes									
Liability-related									
New leases	–	–	2,848	–	–	–	–	–	2,848
Interest expense	–	3,407	169	–	–	–	–	–	3,576
Others	(1,268)	–	651	–	–	–	–	–	(617)
Total liability-related other changes	(1,268)	3,407	3,668	–	–	–	–	–	5,807
Total equity-related other changes	–	–	–	–	–	(9,112)	12,661	(13,884)	(10,335)
Balance at 31 December 2019	15,697	91,266	6,096	181,947	(4,452)	(89,848)	177,885	18,955	397,546

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2019

24 REVENUE

	Group 2019 $'000	Group 2018 $'000
Revenue from contract with customers		
– construction contracts and engineering solutions	**382,319**	313,483
– sales of development properties	**22,326**	64,069
Rental income	**905**	1,548
	405,550	379,100

The following table provides information about the nature and timing of the satisfaction of performance obligations in contracts with customers, including significant payment terms, and the related revenue recognition policies:

Construction contracts and engineering solutions

Nature of services	Construction and provision of engineering solution. Provision of engineering solution include manufactures and supplies of precast and prefabricated components and provision of steel and mass engineered work.

When revenue is recognised	Revenue from construction contract is recognised progressively over time using input method based on construction costs incurred to-date as compared to the estimated total construction costs.
Significant payment terms	Progress billings are issued monthly based on the amount of work certified for the month. The progress billings are payable within credit terms granted by the Group to the customers.

When revenue is recognised	Revenue form precast and prefabricated components is recognised when goods are delivered to customers or the customers are notified to collect the goods and all criteria for acceptance have been satisfied.
Significant payment terms	Invoices are issued to the customers in accordance with agreed billing milestones and are payable within credit terms granted by the Group to the customers.

When revenue is recognised	Revenue from provision of steel and mass engineered timber work is recognised progressively over time using input method based on contract costs incurred to-date as compared to the estimated total contract costs.
Significant payment terms	For steel and mass engineered timber work, progress billings are issued monthly based on the amount of work certified for the month. The progress billings are payable within credit terms granted by the Group to the customers.

Sales of development properties

Nature of services	Development properties
When revenue is recognised	Revenue is recognised when control over the property is transferred to the customer.
Significant payment terms	Customers are required to make payment upon signing of sale and purchase agreement.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2019

Transaction price allocated to the remaining performance obligations

The following table includes revenue expected to be recognised in the future related to performance obligations that are unsatisfied (or partially unsatisfied) at the reporting date.

	2019 $'000	2018 $'000
Construction contracts and engineering solutions	**761,670**	469,256
Sale of development properties	**42,461**	31,176
	804,131	500,432

The Group expects the above amounts to be recognised as revenue over the next one to three years. Variable consideration that is constrained and therefore not included in the transaction price is excluded in the amount presented above.

The Group applies the practical expedient in paragraph 121 of SFRS(I) 15 and does not disclose information about its remaining performance obligations if:

- The performance obligation is part of a contract that has an original expected duration of one year or less; or
- The Group has a right to invoice a customer in an amount that corresponds directly with its performance to date, then it recognises revenue in that amount.

Revenue and costs recognition from construction contracts

The Group recognises revenue from construction contracts progressively over time. Significant judgement is required in determining the stage of completion, the estimated total contract revenue and estimated total contract cost, as well as the recoverability of the contract cost incurred.

Estimation of total contract revenue also includes an estimation of the variation works that are recoverable from the customers. In making the judgement, the Group relies on past experience and/or the work of relevant professionals.

Estimated total contract cost for construction contract comprises direct costs attributable to the construction of each property. In estimating the total budgeted costs for construction contracts, the Group makes reference to information such as the level of work content sub-contracted, fluctuations in the prices of raw materials, size, design and material specifications of the projects, cost overruns and savings, variation works requested by customers, current offers from contractors and suppliers, recent offers agreed with contractors and suppliers, and professional estimation on construction and material costs as well as its past experience.

Given the contractual nature of the business, variation orders, additional works and prolongation costs are expected on a continual basis. As some of these items could be subjective and hence contentious in nature, the Group may from time to time be involved in arbitration or legal processes. As any such processes could be lengthy and outcome inherently uncertain where estimates, assumptions and significant judgement involved, the carrying amount of the contract assets and retention sum receivables at the reporting date may invariably be affected by these outcome.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2019

25 PROFIT BEFORE TAX

The following items have been included in arriving at profit before tax:

		Note	Group 2019 $'000	Group 2018 $'000
(a)	**Other income**			
	Fees from project and property management		**566**	789
	Gain on disposal of:			
	– property, plant and equipment		**21**	405
	– scrap parts and materials		**679**	678
	– subsidiaries	38(c)	**7,383**	–
	– associate		**311**	–
	Bargain purchase on acquisition of subsidiaries	38(a)	**2,573**	–
	Sales of parking lots		**151**	313
	Government grants		**136**	635
	Training and testing fee income		**174**	313
	Consultancy services fees		**134**	514
	Management fees		**840**	140
	Others		**692**	969
			13,660	4,756
(b)	**Other expenses include**			
	Direct operating expenses arising from:			
	– rental of investment properties		**74**	144
	– investment property that did not generate rental income		**101**	101
	Impairment loss on trade receivables		**22**	–
	Property, plant and equipment written off		**–**	8
	Inventories written off		**12**	–
(c)	**Staff costs**			
	Wages and salaries for staff		**64,060**	68,551
	Contribution to defined contribution plans		**3,351**	3,282
	Increase/(Decrease) in liability for short-term accumulating compensated absence		**38**	(113)
	Others		**908**	1,129
	Staff costs for the year		**68,357**	72,849

The staff costs charged to profit or loss are arrived at as follows:

	Group 2019 $'000	Group 2018 $'000
Staff costs for the year	**68,357**	72,849
Staff costs included in cost of construction contracts	**(47,228)**	(51,992)
Staff costs charged to profit or loss	**21,129**	20,857

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2019

26 FINANCE INCOME AND COSTS

	Group	
	2019 $'000	2018 $'000
Recognised in profit or loss		
Accretion of discount implicit in retention sum receivables	**914**	146
Implicit interest in retention sum payables	**244**	1,074
Interest income on:		
– cash and cash equivalents	**212**	113
– other investment	**22**	12
– loan to a joint venture	**79**	228
Finance income	**1,471**	1,573
Interest expense on:		
– bank loans	**(3,407)**	(2,402)
– lease liabilities (2018: finance leases)	**(169)**	(22)
– medium term notes	**–**	(17)
Accretion of implicit interest on:		
– retention sum payables	**(246)**	–
– advanced consideration received	**(1,464)**	(3,158)
Discount implicit in retention sum receivables	**(399)**	(1,592)
Exchange loss (net)	**(1,414)**	(761)
Finance costs	**(7,099)**	(7,952)
Net finance costs recognised in profit or loss	**(5,628)**	(6,379)
The above finance income and finance costs include the following interest income and expenses in respect of assets/(liabilities) not at fair value through profit or loss:		
– Total interest income on financial assets	**313**	353
– Total interest expenses on financial liabilities	**(3,576)**	(2,441)

27 TAX EXPENSE

	Group	
	2019 $'000	2018 $'000
Tax recognised in profit or loss		
Current tax		
Current year	**5,978**	3,454
Withholding tax	**563**	–
Changes in estimate related to prior years	**(3,189)**	(3,317)
	3,352	137
Deferred tax		
Origination and reversal of temporary differences	**(999)**	(230)
Change in unrecognised deductible temporary differences	**1,199**	(269)
	200	(499)
Land appreciation tax		
Current year	**4,321**	355
Changes in estimate related to prior years	**–**	312
	4,321	667
Total tax expense	**7,873**	305

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2019

Tax recognised in other comprehensive income

	2019 Before tax $'000	2019 Tax expense $'000	2019 Net of tax $'000	2018 Before tax $'000	2018 Tax expense $'000	2018 Net of tax $'000
Group						
Translation differences for foreign operations	**(4,390)**	**–**	**(4,390)**	(5,095)	–	(5,095)
Exchange differences on monetary items forming part of net investment in foreign operations	**(1,675)**	**–**	**(1,675)**	(2,270)	–	(2,270)
Realisation of exchange differences on monetary items transferred to income statement	**275**	**–**	**275**	299	–	299
Net change in fair value of equity investment at fair value through other comprehensive income	**209**	**–**	**209**	–	–	–
Realisation of translation difference from disposal of subsidiaries	**268**	**–**	**268**	–	–	–
	(5,313)	**–**	**(5,313)**	(7,066)	–	(7,066)

	Group 2019 $'000	Group 2018 $'000
Reconciliation of effective tax rate		
Profit before tax	**17,910**	8,726
Less: Share of profit of joint ventures, net of tax	**(3,975)**	(209)
Profit before tax excluding share of results of joint ventures	**13,935**	8,517
Tax expenses using domestic rates applicable to different jurisdictions	**3,650**	1,859
Withholding tax	**563**	–
Expenses not deductible for tax purposes	**730**	1,288
Income not subject to tax	**(472)**	(158)
Deferred tax benefits not recognised	**1,715**	764
Effect of land appreciation tax	**4,321**	355
Utilisation of previously unrecognised deferred tax benefits	**(347)**	(469)
Change in unrecognised deductible temporary differences	**1,199**	(269)
Changes in estimates related to prior years		
– Current tax	**(3,189)**	(3,317)
– Land appreciation tax	**–**	312
Others	**(297)**	(60)
	7,873	305

Land appreciation tax

Under the Provisional Rules on Land Appreciation Tax ("LAT") Implementation Rules of the PRC implemented on 27 January 1995, all gains from the sales or transfer of land use rights, buildings and their attached facilities in the PRC are subject to LAT at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds of sales of properties less deductible expenditures including all finance costs and all property development expenditures. There are certain exemptions available for the sale of ordinary residential properties if the appreciation values do not exceed 20% of the total deductible items (as defined in the relevant PRC tax laws). Sales of commercial properties are not eligible for such an exemption.

Income and revenue taxes

The Group is subject to income, revenue and withholding taxes in a few jurisdictions. Significant judgement is required in determining the capital allowances, the types and rates of taxes payable, deductibility of certain expenses, and taxability of certain income during the estimation of the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the revenue, provision for income tax and deferred income tax provisions in the period in which such determination is made.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2019

28 EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share ("EPS") was based on the profit attributable to the ordinary shareholders of $10,592,000 (2018: $8,808,000) and a weighted average number of ordinary shares outstanding of 444,785,349 (2018: 445,517,545), calculated as follows:

Profit attributable to ordinary shareholders

	Group	
	2019	**2018**
	$'000	**$'000**
Profit attributable to ordinary shareholders	**10,592**	8,808

Weighted average number of ordinary shares

		Number of shares	
		2019	**2018**
	Note	**'000**	**'000**
Issued ordinary shares at 1 January	20	**444,785**	451,722
Effect of treasury shares		**–**	(6,204)
Weighted average number of ordinary shares during the year		**444,785**	445,518

There are no potential dilutive ordinary shares in existence for the years presented.

29 OPERATING SEGMENTS

The Group has three reportable segments, as described below, which are the Group's strategic business units. The strategic business units offer different products and services, and are managed separately because they are located in different geographical areas and require different marketing strategies. For each of the strategic business unit, the Group's CEO (the chief operating decision maker) reviews internal management reports on at least a quarterly basis.

During the year, the Group has re-organized its management structure to have its diverse portfolio of engineering capabilities carved out from the Group's construction segment to form a new operating segment namely "Engineering Solutions". Following the re-organization of the management structure, Engineering Solutions segment has been split out from Construction segment for operating segment disclosure with corresponding segment financial being restated to reflect the change.

During the year, the Group disposed of a subsidiary group that holds an investment property for rental income. Following the disposal of this subsidiary group, investment property and rental income are no longer a significant component to the Group's asset and income statement. As a result, rental segment is no longer separately presented in the Group's segment report but included as part of other segment.

The following summary describes the operations in each of the Group's reportable segments:

- Construction: Relates to acting as main contractors in construction and civil engineering projects and provision of construction and civil engineering services mainly to property developers and government in both private and public sectors.

- Engineering solutions: Relates to manufactures and supplies precast and prefabricated components as well as provision of steel and mass engineered timber works to main contractors in construction and civil engineering projects.

- Property development: Relates to development and sales of properties.

Other operations include rental and general corporate activities (2018: general corporate activities).

Information regarding the results of each reportable segment is included below. Performance is measured based on segment profit before tax, as included in the internal management reports that are reviewed by the Group's CEO. Segment profit is used to measure performance as management believe that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate within these industries.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2019

Information about reportable segments

	Construction $'000	Engineering solutions $'000	Property development $'000	Segments total $'000	Others* $'000	Elimination $'000	Total $'000
31 December 2019							
External revenues	310,353	71,967	22,325	404,645	905	–	405,550
Inter-segment revenue	3,005	26,297	–	29,302	–	(29,302)	–
Interest income	1,255	6	183	1,444	351	(1,482)	313
Interest expenses	(2,801)	(751)	(350)	(3,902)	(1,156)	1,482	(3,576)
Depreciation and amortisation	(17,352)	(5,905)	(65)	(23,322)	(19)	–	(23,341)
Reportable segment profit/(loss) before tax	10,193	1,399	(865)	10,727	3,208	–	13,935
Share of gain/(loss) of joint ventures, net of tax	4,452	2,495	(2,972)	3,975	–	–	3,975
Profit before tax							17,910
Tax expense							(7,873)
Profit for the year							10,037
Reportable segment assets	249,671	78,660	262,205	590,536	24,450	–	614,986
Investment in associates and joint ventures	3,291	409	33,286	36,986	–	–	36,986
Total assets							651,972
Reportable segment liabilities	231,994	52,369	69,168	353,531	13,954	–	367,485
Capital expenditure	901	2,532	1	3,434	29	–	3,463

* Rental and general corporate activities

	Construction $'000	Engineering solutions $'000	Property development $'000	Rental $'000	Segments total $'000	Others * $'000	Elimination $'000	Total $'000
31 December 2018								
External revenues	272,694	40,789	64,069	1,548	379,100	–	–	379,100
Inter-segment revenue	–	14,764	–	–	14,764	–	(14,764)	–
Interest income	1,173	6	279	–	1,458	356	(1,461)	353
Interest expenses	(1,882)	(534)	(325)	–	(2,741)	(1,161)	1,461	(2,441)
Depreciation and amortisation	(12,514)	(5,727)	(93)	(545)	(18,879)	(23)	–	(18,902)
Reportable segment profit/(loss) before tax	17,384	(8,063)	2,683	846	12,850	(4,333)	–	8,517
Share of gain/(loss) of joint ventures, net of tax	2,330	(982)	(1,139)	–	209	–	–	209
Profit before tax								8,726
Tax expense								(305)
Profit for the year								8,421
Reportable segment assets	251,661	56,808	281,338	16,488	606,295	16,359	–	622,654
Investment in associates and joint ventures	8,391	3,269	30,005	–	41,665	914	–	42,579
Total assets								665,233
Reportable segment liabilities	262,694	41,736	52,496	–	356,926	1,584	–	358,510
Capital expenditure	11,027	5,000	82	–	16,109	13	–	16,122

* General corporate activities

NOTES TO THE FINANCIAL STATEMENTS

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Geographical segments

In presenting information on the basis of geographical segments, segment revenue is based on the geographical location of customers. Segment assets are based on the geographical location of the assets. The construction, engineering solutions and property development segments are mainly domiciled in Singapore and the PRC respectively.

	Revenue from external customers		Non-current assets*	
	2019	2018	2019	2018
	$'000	$'000	$'000	$'000
Group				
Singapore	**382,326**	313,584	**140,539**	158,600
PRC	**22,952**	65,330	**296**	13,512
PNG	**71**	101	**340**	324
Europe	**–**	–	**85**	86
Malaysia	**201**	85	**7,861**	7,733
	405,550	379,100	**149,121**	180,255

* The non-current assets consist of property, plant and equipment, intangible assets, investment properties, investment in associates and joint ventures and right-of-use assets.

Major customers

During the financial years ended 31 December 2019 and 2018, revenue from certain customers (named alphabetically A to C) of the Group's construction segment amounted to approximately $168,914,000 (2018: $66,036,000). The details of these customers which individually contributed 10 percent or more of the Group's revenue in the year were as follows:

	2019		2018	
	$'000	%	$'000	%
Customer A	**71,846**	**18**	66,036	17
Customer B	**57,327**	**14**	–	–
Customer C	**39,741**	**10**	–	–
Total	**168,914**	**42**	66,036	17

30 LEASES

Leases as lessee (SFRS(I) 16)

The Group leases leasehold land, office and storage space, worker dormitory, office equipment and motor vehicle. The leases run for a period of 1 to 30 years, with an option to renew the lease after that date. Some leases provide for additional rent payments that are based on changes in local price indices. For certain leases, the Group is restricted from entering into any sub-lease arrangements.

The leases were entered into many years ago and were previously classified as operating leases under SFRS(I) 1-17.

The Group leases worker dormitory and office equipment with contract terms of one to five years. These leases are short-term and/or leases of low-value items. The Company has elected not to recognise right-of-use assets and lease liabilities for these leases.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2019

Information about leases for which the Group is a lessee is presented below.

(i) Amounts recognised in profit or loss

	$'000
2019 – Leases under SFRS(I) 16	
Interest on lease liabilities	**169**
Expenses relating to short-term leases	**314**
Expenses relating to leases of low-value assets, excluding short-term leases of low-value assets	**10**
2018 – Operating leases under SFRS(I) 1-17	
Lease expense	2,410

(ii) Amounts recognised in statement of cash flows

	2019 $'000
Total cash outflow for leases	
– Interest paid	**169**
– Payment of lease liabilities	**1,468**
	1,637

(iii) Commitment relating to short-term leases and leases of low-value assets

The Group applied practical expedients, therefore the Group did not recognise right-of-use assets and liabilities for leases for which the lease term ends within 12 months of the date of initial application and leases of low value assets. Non-cancellable operating leases rentals for these leases are as follows:

	2019 $'000
Less than one year	**53**
Between one and five years	**99**
	152

Leases as lessee under SFRS(I) 1-17

Operating lease commitment

The Group leases four pieces of land under operating leases. The leases run for a period ranging from 1 to 21 years, with an option to renew the lease at the end of lease period. Lease payments are fixed at the commencement of the lease agreements.

Non-cancellable operating leases rentals are payable as follows:

	$'000
2018	
Less than one year	420
Between one and five years	504
More than five years	1,879
Total	2,803

NOTES TO THE FINANCIAL STATEMENTS

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31 COMMITMENTS

Commitments of the Group not reflected in the financial statements at the respective reporting dates are as follows:

	Group	
	2019	**2018**
	$'000	**$'000**
Developmental costs contracted but not provided for:		
– subsidiaries	**12,605**	19,816
– joint ventures	**26,475**	28,694
Purchase of property, plant and equipment	**–**	140
	39,080	48,650

32 FINANCIAL GUARANTEE CONTRACTS

(a) Guaranteed performance bonds

Certain subsidiaries have obtained guarantee from the banks to provide performance bonds to the developers amounting to $156,162,000 (2018: $155,605,000).

(b) Financial guarantees by the Company in respect of banking facilities provided to subsidiaries

The Company accounts for its financial guarantees as insurance contracts. There are no terms and conditions attached to the financial guarantee contracts that would have a material effect on the amount, timing and uncertainty of the Company's future cash flows. At reporting date, the Company does not consider that it is probable that a claim will be made against the Company under the financial guarantee contracts. Accordingly, the Company does not expect any net cash outflows resulting from the financial guarantee contracts.

The Company issued financial guarantees to certain financial institutions in respect of banking facilities (inclusive of guaranteed performance bonds) for their wholly-owned subsidiaries amounting to $494,111,000 (2018: $534,097,000). As at 31 December 2019, $232,117,000 (2018: $251,181,000) of the banking facilities was utilised. At the reporting date, the Company does not consider it probable that the claims will be made against the Company under the guarantee.

33 CONTINGENCIES

One of the subsidiaries of the Group in PNG has potential contingencies arising from a claim from certain former employees of the subsidiary for unlawful termination, breaches of the Constitution and the Employment Act and unpaid entitlements, amounting to approximately $4.0 million. Based on the advice of the external legal counsel, the claim is without merit and no provision has been recorded by the Group as at 31 December 2019 and 2018.

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34 RELATED PARTIES

(a) Key management personnel compensation

Key management personnel are directors and those persons having authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly. The amounts stated below for key management compensation are for all the executive directors and other key management personnel. The amounts do not include compensation, if any, of certain key management personnel and directors of the Group who received compensation from related corporations outside the Group in their capacity as directors and, or executives of those related corporations.

Compensation payable to key management personnel, included in staff costs, comprise:

	Group	
	2019	**2018**
	$'000	**$'000**
Short-term employee benefits	**4,308**	3,533
Employer's contribution to Central Provident Fund	**99**	94
	4,407	3,627
Directors' fees payable by the Company	**300**	300

(b) Other related party transactions

Other than disclosed elsewhere in the financial statements, transactions with related parties are as follows:

	Group	
	2019	**2018**
	$'000	**$'000**
Key management personnel		
Repayment of staff loans from/(staff loans to) management staff	**350**	(150)
Sales of a residential unit to a director's immediate family by a joint venture	**3,453**	–
Affiliated corporations		
Hiring charges	**(5,985)**	(6,475)
Construction revenue	**–**	3,813
Joint venture		
Recharge of staff costs	**(213)**	–
Management fees	**–**	(94)
Construction revenue	**18,412**	35,291

35 SHARE AWARD SCHEME

The Tiong Seng Share Award Scheme (the "Award Scheme") was approved and adopted by the Company at an Extraordinary General Meeting held on 31 March 2010. The Award Scheme is administered by the Remuneration Committee.

The eligibility of award participants to participate in the Award Scheme, and the number of shares which are the subject of each award to be granted to an Award Participant in accordance with the Award Scheme and the Vesting Period shall be determined at the absolute discretion of the Remuneration Committee. Employees and Non-Executive Directors of the Company who have attained the age of twenty-one years and are not undischarged bankrupts at the date of grant, shall be eligible to participate in the Award Scheme.

The aggregate number of shares to be delivered pursuant to the vesting of the Awards on any date, when added to the number of shares issued and issuable in respect of such other share-based incentive schemes of the Company shall not exceed 15% of the issued shares of the Company on the day preceding that date. During the year, no shares of the Company have been awarded pursuant to the Award Scheme. The scheme will expire on 6 April 2020.

36 FINANCIAL INSTRUMENTS

Financial risk management

(a) Overview

The Group has exposure to the following risks from its use of financial instruments:

- credit risk
- liquidity risk
- market risk
- insurance risk

This note represents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk, and the Group's management of capital.

Risk management framework

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework.

The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Group Audit Committee oversees how management monitors compliance with the Group's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the Group. The Group Audit Committee is assisted in its oversight role by Internal Audit. Internal Audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Audit Committee.

(b) Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligation, and arises principally from the Group's receivables from customers.

The carrying amount of financial assets in the statement of financial position represents the Group and the Company's respective maximum exposure to credit risk, before taking into account any collateral held. The Group and the Company does not hold any collateral in respect of its financial assets.

Trade and other receivables and contract assets

Risk management policy

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, management also considers the demographics of the Group's customer base, including the default risk associated with the industry and country in which customers operate, as these factors may have an influence on credit risk. Over 99% (2018: 99%) of the Group's revenue is attributable to transactions in Singapore and the PRC. Consequently, the risk of non-payment from the Group's trade receivables is affected by any unfavourable economic changes to the Singapore construction and engineering solutions industry and the PRC property development market.

The Group has established a credit policy and the exposures to credit risk are monitored on an ongoing basis. The contracting parties with the Group for the construction, precast, prefabrication, steel and mass engineered timber projects are either companies with good reputation in the market, listed on the Singapore Stock Exchange or government agencies. As for sales of properties, sales proceeds are fully settled upon delivery of properties.

Monies due from customers are followed up, reviewed on a regular basis to understand the reasons of non-payment or delay in payment, if any, so that appropriate actions can be implemented promptly. The resultant effects of these measures have kept the Group's exposure to bad debts at an insignificant level.

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The Group does not require collateral in respect of trade and other receivables and contract assets. The Group does not have trade and other receivables and contract assets for which no loss allowance is recognised because of collateral.

Exposure to credit risk

The exposure to credit risk for trade receivables and contract assets at the reporting date by geographic region was as follows:

	Group			
	31 December 2019		31 December 2018	
	$'000	%	$'000	%
Singapore	**139,554**	**99.7**	96,301	99.7
PRC	**15**	**0.1**	16	0.1
Europe	**184**	**0.1**	191	0.1
Malaysia	**94**	**0.1**	7	0.1
Total	**139,847**	**100.0**	96,515	100.0

The exposure to credit risk for trade receivables and contract assets at the reporting date by industry sectors was:

	Group			
	31 December 2019		31 December 2018	
	$'000	%	$'000	%
Construction	**108,799**	**77.8**	81,548	84.5
Engineering solutions	**31,033**	**22.2**	14,951	15.5
Property development	**15**	**0.0**	16	0.0
Total	**139,847**	**100.0**	96,515	100.0

The Group's top four (2018: four) most significant customers, account for $24,698,000 of the trade receivables carrying amount as at 31 December 2019 (2018: $11,603,000).

Expected credit loss assessment for customers as at 1 January and 31 December 2019

The Group uses an allowance matrix to measure the ECLs of trade receivables and contract assets from customers, which comprise a large number of small balances.

The allowance matrix is based on loss rates determined based on actual credit loss experience over the past three years, current economic conditions and the Group's view of economic conditions over the expected lives of the recoverables. These scalar factors are calculated using statistical models that determine numeric co-relation of loss rates with relevant economic variables.

Scalar factors are based on actual and forecasted gross domestic product and is in the range of 1.5% to 3.6% (2018: 1.5% to 3.5%) for overall market condition.

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The following table provides information about the exposure to credit risk and ECLs for trade receivables and contract assets for individual customers.

	Group			
	Weighted average loss rate %	Gross carrying amount $'000	Impairment loss allowance $'000	Credit impaired
2019				
Current (not past due)	**0.00**	**128,161**	**–**	**No**
Past due 1 – 30 days	**0.00**	**9,267**	**–**	**No**
Past due 31 – 60 days	**0.00**	**959**	**–**	**No**
More than 60 days	**27.72**	**2,020**	**(560)**	**Yes**
		140,407	**(560)**	
2018				
Current (not past due)	0.00	88,177	–	No
Past due 1 – 30 days	0.00	5,268	–	No
Past due 31 – 60 days	0.00	116	–	No
More than 60 days	15.76	3,507	(553)	Yes
		97,068	(553)	

Movement in allowance for impairment in respect of trade receivables and contract assets

The movement in allowance for impairment in respect of trade receivables and contract assets during the year was as follows:

	Group	
	2019 $'000	2018 $'000
At 1 January	**553**	549
Impairment loss recognised	**22**	15
Reversal of impairment loss	**–**	(18)
Amount written off	**(15)**	–
Effect of movement in exchange rate	**–**	7
At 31 December	**560**	553

There are no significant changes in the gross carrying amounts of trade receivables and contract assets contributed to the changes in the impairment loss allowance during 2019 and 2018.

Amount due from related parties, other receivables and loans to joint ventures

Impairment on these balances have been measured on the 12-month expected loss basis which reflects the low credit risk of exposures. The amount of the allowance on these balances is insignificant.

Cash and cash equivalents

The Group and the Company held cash and cash equivalents of $55,539,000 and $85,000 respectively at 31 December 2019 (2018: $39,975,000 and $82,000 respectively). The cash and cash equivalents are held with banks, which are regulated.

Impairment on cash and cash equivalents has been measured on the 12-month expected loss basis and reflects the short maturities of the exposures. The Group considers that its cash and cash equivalents have low credit risk based on the external credit ratings of the counterparties. The amount of the allowance on cash and cash equivalents was negligible.

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(c) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under normal and stressed conditions, without incurring acceptable losses or risking damage to the Group's reputation.

Management of liquidity risk

Individual subsidiaries within the Group are responsible for their own cash management, including raising loans to cover the expected cash demands, subject to approval by the Company's board of directors. The Group's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities. The Group's policy is to regularly monitor current and expected liquidity requirements and its compliance with lending covenants by reviewing each operating entity's cash flow forecast, to ensure that the Group maintains sufficient reserves of cash and adequate committed lines of funding from banks to meet its liquidity requirements in the short and longer term.

At 31 December 2019, the Group maintains the following lines of credit:

- $6,700,000 (2018: $6,540,000) of secured overdraft facilities, of which $Nil (2018: $Nil) has been drawn down. Interest would be payable at rates ranging from prime rate to prime rate plus 125 basis points (bp); and
- $134,666,000 (2018: $199,380,000) that can be drawn down to meet short-term financing needs. An amount of $81,023,000 (2018: $96,881,000) has been drawn down at the reporting date.

The above lines of credit exclude term loan facilities that have been drawn down as they are no longer available for further utilisation.

Exposure to liquidity risk

The following are the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting arrangements:

			Cash flows		
	Carrying amount $'000	Contractual cash flows $'000	Within 1 year $'000	Between 1 and 5 years $'000	More than 5 years $'000
Group					
At 31 December 2019					
Trade and other payables					
Trade payables	46,181	46,181	46,181	–	–
Accrued trade payables	90,610	90,610	90,610	–	–
Accrued operating expenses and other payables	17,877	17,877	17,877	–	–
Retention sums payable	32,408	33,680	20,476	13,204	–
	187,076	188,348	175,144	13,204	–
Loans and borrowings					
Secured bank loans	91,266	92,161	80,830	7,614	3,717
Lease liabilities	6,096	7,456	1,658	2,328	3,470
	97,362	99,617	82,488	9,942	7,187
Amounts due to related parties	15,697	15,697	15,697	–	–
Recognised financial liabilities	300,135	303,662	273,329	23,146	7,187

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	Carrying amount $'000	Contractual cash flows $'000	Cash flows: Within 1 year $'000	Cash flows: Between 1 and 5 years $'000	Cash flows: More than 5 years $'000
Group					
At 31 December 2018					
Trade and other payables					
Trade payables	31,897	31,897	31,897	–	–
Accrued trade payables	86,774	86,774	86,774	–	–
Accrued operating expenses and other payables	16,741	16,741	16,741	–	–
Retention sums payable	42,069	43,387	34,481	8,906	–
	177,481	178,799	169,893	8,906	–
Loans and borrowings					
Secured bank loans	109,497	110,401	96,474	10,887	3,040
Finance lease liabilities	413	435	218	217	–
	109,910	110,836	96,692	11,104	3,040
Amounts due to related parties	22,676	22,676	22,676	–	–
Recognised financial liabilities	310,067	312,311	289,261	20,010	3,040
Company					
At 31 December 2019					
Trade and other payables					
Accrued operating expenses and other payables	**936**	**936**	**936**	**–**	**–**
Amount due to related parties	**59,326**	**59,326**	**59,326**	**–**	**–**
Recognised financial liabilities	**60,262**	**60,262**	**60,262**	**–**	**–**
At 31 December 2018					
Trade and other payables					
Accrued operating expenses and other payables	219	219	219	–	–
Amount due to related parties	58,056	58,056	58,056	–	–
Recognised financial liabilities	58,275	58,275	58,275	–	–

Guarantees

The Company provides financial guarantees only for their wholly-owned subsidiaries and joint ventures.

The maximum exposure of the financial guarantee at the end of the reporting period is disclosed in Note 32. At the reporting date, the Company does not consider that it probable that the claims will be made against the Company under the financial guarantee.

The table below shows the contractual expiry by maturity of the Company's contingent liabilities and commitments. The maximum amount of the financial guarantee contracts are allocated to the earliest period in which the guarantee could be called.

	Within 1 year $'000	Between 1 and 5 years $'000	More than 5 years $'000	Total $'000
Company				
31 December 2019				
Financial guarantees	**164,115**	**66,982**	**1,020**	**232,117**
31 December 2018				
Financial guarantees	251,181	–	–	251,181

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(d) **Market risk**

Market risk is the risk that changes in market prices, such as interest rate and foreign exchange rates will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

Interest rate risk

The Group's exposure to interest rate risks arises primarily from their debt obligations. The interest charge for debt obligations are made up of a mixture of fixed and floating rates. The floating rate loans are contractually repriced at intervals of one to twelve months, or when notified by banks. The Group does not use derivative financial instruments to hedge interest rate risk.

At the reporting date, the interest rate profile of the Group's interest-bearing financial instruments, as reported to the management, was as follows:

	Group	
	2019	**2018**
	$'000	**$'000**
Fixed rate instruments		
Loans and borrowings	**6,096**	413
Variable rate instruments		
Loans and borrowings	**91,266**	109,497

Fair value sensitivity analysis for fixed rate instruments

The Group does not account for any fixed rate financial assets and liabilities at fair value through profit or loss. Therefore a change in interest rates at the reporting dates would not affect profit or loss.

Cash flow sensitivity analysis for variable rate instruments

A change of 100 bp in interest rates at the reporting dates would have (decreased)/increased profit before tax by the amounts shown below. There is no effect to the equity. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for 2018.

	Profit before tax	
	100 bp Increase	**100 bp Decrease**
	$'000	**$'000**
Group		
2019		
Variable rate instruments	(913)	913
2018		
Variable rate instruments	(1,095)	1,095

The sensitivity analysis is illustrative only and is based on simplified scenarios. The table shows interest rate risk exposures arising in interest-bearing liabilities. These particular exposures form only part of the Group's overall interest rate exposures.

Currency risk

The Group is exposed to transactional foreign currency risk to the extent that there is a mismatch between currencies in which sales, purchases and borrowings, including intercompany sales, purchases and inter-company balances, that are denominated in a currency other than the respective functional currencies of Group entities. The currencies in which these transactions primarily are denominated are the Renminbi ("RMB"), Singapore dollar ("SGD"), Euro ("EURO"), Swiss Franc ("CHF") and United States dollar ("USD").

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Exposure to currency risk

The summary quantitative data about the exposure to currency risk as reported to the management of the Group is as follows:

	RMB $'000	SGD $'000	EURO $'000	CHF $'000	USD $'000
Group					
At 31 December 2019					
Amounts due from related parties	**4,514**	**2,615**	**3,089**	**–**	**14,499**
Cash and cash equivalents	**6,016**	**–**	**–**	**–**	**1,606**
Trade and other payables	**–**	**–**	**(948)**	**–**	**–**
Amounts due to related parties	**–**	**–**	**–**	**(32)**	**(14,498)**
Loans and borrowings	**–**	**–**	**(5,538)**	**–**	**–**
	10,530	**2,615**	**(3,397)**	**(32)**	**1,607**

	RMB $'000	SGD $'000	EURO $'000	CHF $'000	USD $'000
Group					
At 31 December 2018					
Amounts due from related parties	15,772	3,305	3,087	–	14,051
Cash and cash equivalents	228	–	–	–	1,593
Trade and other payables	–	–	(947)	–	–
Amounts due to related parties	–	–	–	(32)	(14,050)
	16,000	3,305	2,140	(32)	1,594

Sensitivity analysis

A 10% strengthening of the following major currencies against the functional currency of each of the Group's entities at the reporting date held by the Group would increase profit before tax by the amounts shown below. Similarly, a 10% weakening would have the equal but opposite effect. This analysis assumes that all other variables, in particular interest rates, remain constant.

	Profit before tax	
	2019 $'000	2018 $'000
Group		
RMB	**1,053**	1,600
SGD	**262**	331
EURO	**(340)**	214
CHF	**(3)**	(3)
USD	**161**	159

(e) Insurance risk

The Company issued financial guarantees to certain banks in respect of banking facilities (inclusive of guaranteed performance bonds) granted to subsidiaries of the Group. Please refer to Note 32 and Note 36(c) for details.

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Accounting classifications and fair values

The carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy are as follows. It does not include fair value information for financial assets and liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value. Further, for the current year the fair value disclosure of lease liabilities is also not required.

	Carrying amount				Fair value			
	FVOCI – equity instruments $'000	FVOCI – other financial assets $'000	Amortised cost $'000	Total $'000	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Group								
31 December 2019								
Financial assets measured at fair value								
Other financial asset – at FVOCI	–	724	–	724	–	–	724	724
Quoted equity investments – at FVOCI	18	–	–	18	18	–	–	18
Unquoted equity investments – at FVOCI	743	–	–	743	–	–	743	743
	761	724	–	1,485				
Financial assets not measured at fair value								
Trade and other receivables*	–	–	73,210	73,210				
Amount due from related parties	–	–	33,319	33,319				
Cash and cash equivalents	–	–	55,539	55,539				
	–	–	162,068	162,068				
Financial liabilities not measured at fair value								
Amounts due to related parties	–	–	(15,697)	(15,697)				
Trade and other payables**	–	–	(179,203)	(179,203)				
Loans and borrowings	–	–	(91,266)	(91,266)	–	(87,565)	–	(87,565)
	–	–	(286,166)	(286,166)				

* Excluded tax prepayments, deposits and prepayments and advances to suppliers

** Excluded employee benefits accruals and GST payables

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	Carrying amount				Fair value			
	FVOCI – equity instruments $'000	FVOCI – other financial assets $'000	Amortised cost $'000	Total $'000	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Group								
31 December 2018								
Financial assets measured at fair value								
Other financial asset – at FVOCI	–	724	–	724	–	–	724	724
Quoted equity investments – at FVOCI	13	–	–	13	13	–	–	13
Unquoted equity investments – at FVOCI	534	–	–	534	–	–	534	534
	547	724	–	1,271				
Financial assets not measured at fair value								
Trade and other receivables*	–	–	81,654	81,654				
Amount due from related parties	–	–	41,720	41,720				
Cash and cash equivalents	–	–	39,975	39,975				
	–	–	163,349	163,349				
Financial liabilities not measured at fair value								
Amounts due to related parties	–	–	(22,676)	(22,676)				
Trade and other payables**	–	–	(170,341)	(170,341)				
Loans and borrowings	–	–	(109,910)	(109,910)	–	(100,036)	–	(100,036)
	–	–	(302,927)	(302,927)				

* Excluded tax prepayments, deposits and prepayments and advances to suppliers
** Excluded employee benefits accruals and GST payables

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	Carrying amount		Fair value			
	Amortised cost $'000	Total $'000	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Company						
31 December 2019						
Financial assets not measured at fair value						
Trade and other receivables	7	7				
Amount due from related parties	104,436	104,436				
Cash and cash equivalents	85	85				
	104,528	104,528				
Financial liabilities not measured at fair value						
Amounts due to related parties	(59,326)	(59,326)				
Trade and other payables*	(216)	(216)				
	(59,542)	(59,542)				
31 December 2018						
Financial assets not measured at fair value						
Trade and other receivables	7	7				
Amount due from related parties	104,436	104,436				
Cash and cash equivalents	82	82				
	104,525	104,525				
Financial liabilities not measured at fair value						
Amounts due to related parties	(58,056)	(58,056)				
Trade and other payables	(219)	(219)				
	(58,275)	(58,275)				

* Excluded employee benefits accruals

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Measurement of fair values

(i) Valuation techniques and significant unobservable inputs

The following tables show the valuation techniques used in measuring Level 2 and Level 3 fair values, as well as the significant unobservable inputs used.

Type	Valuation technique	Significant unobservable inputs	Inter-relationship between key unobservable inputs and fair value measurement
Financial instruments measured at fair value – Group			
Unquoted equity investments – at FVOCI (2018: FVOCI)	Net asset value	Net asset value	The estimated fair value varies directly with the net asset value of the entity
Other financial asset – at FVOCI (2018: FVOCI)	Market comparison	Not applicable	Not applicable
Financial instruments not measured at fair value – Group and Company			
Loan and borrowings	Discounted cash flows	Not applicable	Not applicable

(ii) Transfers between Level 1 and 2

There were no transfers between Level 1 and 2 in 2019 and 2018.

(iii) Level 3 fair value

The following table shows a reconciliation from the opening balances to the ending balances for Level 3 fair values:

	Group	
	Other financial asset – at FVOCI $'000	Unquoted equity investments – at FVOCI $'000
At 1 January 2019	**724**	534
Total unrealised gains and losses for the period included in other comprehensive income		
– net change in fair value of FVOCI financial assets	**–**	209
At 31 December 2019	**724**	743

Sensitivity analysis

There is no sensitivity analysis prepared as the Group's exposure to the effect on fair value changes for 2019 and 2018 are insignificant.

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37 NON-CONTROLLING INTERESTS

The following subsidiaries have material NCI.

Name	Operating segment	Principal places of business/ Country of incorporation	Ownership interest 2019 %	Ownership interest 2018 %
Steeltech Industries Pte. Ltd. ("Steeltech")	Engineering solutions	Singapore	**29**	29
Tianjin Tianmen Jiawan Property Development Co., Ltd. ("Jinwan")	Property development	PRC	**50**	50
Tianjin Zizhulin Investment Co., Ltd ("Chuang Zhan")	Property development	PRC	**34**	34
Cangzhou Huashi Property Development Co., Ltd ("Cangzhou Huashi")	Property development	PRC	**59**	59
Guangang	Property development	PRC	**17**	31
Tianjin Zizhulin Development Co., Ltd.	Property development	PRC	**20**	20

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The following summarises the financial information of each of the Group's subsidiaries with material NCI, based on their respective financial statements prepared in accordance with SFRS(I), modified for fair value adjustments on acquisition and differences in the Group's accounting policies.

	Steeltech $'000	Jinwan $'000	Chuang Zhan $'000	Cangzhou Huashi $'000	Guangang $'000	Tianjin Zizhulan Development Co., Ltd. $'000	Other individually immaterial subsidiaries $'000	Intra-group elimination $'000	Total $'000
31 December 2019									
Revenue	27,598	–	–	1,189	4,752	–			
Profit/(Loss)	799	10	(126)	348	(3,619)	(378)			
OCI	–	(640)	(1,149)	(77)	(1,885)	(798)			
Total comprehensive income	799	(630)	(1,275)	271	(5,504)	(1,176)			
Attributable to NCI:									
– Profit/(Loss)	232	5	(43)	205	(615)	(76)	(16)	(247)	(555)
– OCI	–	(320)	(391)	(45)	(320)	(160)	16	(323)	(1,543)
– Total comprehensive income	232	(315)	(434)	160	(935)	(235)	(1)	(570)	(2,098)
Non-current assets	7,609	–	46,599	6	180	32,848			
Current assets	19,813	42,674	13,114	2,585	191,847	35,224			
Non-current liabilities	(3,822)	(158)	–	–	–	–			
Current liabilities	(7,114)	(20,442)	(20,112)	(625)	(127,732)	(40,614)			
Net assets	16,486	22,074	39,601	1,966	64,295	27,458			
Net assets attributable to NCI	4,781	11,037	13,464	1,160	10,930	5,492	(1,139)	(26,770)	18,955
Cash flows from operating activities	(8,785)	(199)	(339)	913	(995)	(142)			
Cash flows from investing activities	(102)	–	5,249	3	43	–			
Cash flows from financing activities	5,202	200	(5,158)	(593)	(4,222)	281			
Net (decrease)/increase in cash and cash equivalents	(3,685)	1	(248)	323	(5,174)	139			

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2019

	Steeltech $'000	Jinwan $'000	Chuang Zhan $'000	Cangzhou Huashi $'000	Guangang $'000	Other individually immaterial subsidiaries $'000	Intra-group elimination $'000	Total $'000
31 December 2018								
Revenue	9,464	–	–	1,168	54,268			
Profit/(Loss)	(401)	(20)	4,542	321	451			
OCI	–	(754)	(1,318)	(636)	(2,298)			
Total comprehensive income	(401)	(774)	3,224	(315)	(1,847)			
Attributable to NCI:								
– Profit/(Loss)	(116)	(10)	1,544	189	140	(470)	(1,664)	(387)
– OCI	–	(377)	(448)	(375)	(712)	(354)	783	(1,483)
– Total comprehensive income	(116)	(387)	1,096	(186)	(572)	(824)	(881)	(1,870)
Non-current assets	9,528	–	40,011	7	225			
Current assets	12,069	43,911	18,417	3,066	192,643			
Non-current liabilities	(4,082)	(163)	–	–	–			
Current liabilities	(1,714)	(21,044)	(17,552)	(636)	(123,070)			
Net assets	15,801	22,704	40,876	2,437	69,798			
Net assets attributable to NCI	4,582	11,352	13,898	1,438	21,637	9,693	(24,299)	38,301
Cash flows from operating activities	1,559	(5)	(662)	511	(1,738)			
Cash flows from investing activities	46	–	1,618	(484)	(58)			
Cash flows from financing activities	(354)	–	(820)	–	(1,105)			
Net increase/(decrease) in cash and cash equivalents	1,251	(5)	136	27	(2,901)			

38 ACQUISITION/DISPOSAL OF SUBSIDIARIES AND NON-CONTROLLING INTERESTS

(a) Acquisition of subsidiaries

On 5 August 2019, the Group acquired additional 56% equity interest in Geostr-RV Pte. Ltd. and its subsidiaries ("GRV") for a cash consideration of $1. After the acquisition, the Group's equity interest in GRV increased from 44% to 100% and GRV became the wholly owned subsidiaries of the Group.

GRV's principal activities relate to distribution of pre-cast tunnel segments. The full ownership of GRV enable the Group to extend their footprint in the manufacturing and distribution of precast tunnel. This also allows the Group to strengthen the Group's technical competencies and reinforce the reputation as a one-stop engineering solution provider in the market.

For the five months ended 31 December 2019, GRV contributed revenue of $1,228,000 and loss of $1,463,000 to the Group's results. If the acquisition had occurred on 1 January 2019, management estimates that consolidated revenue would have been $406,648,000 and consolidated total profit for the year would have been $7,114,000. In determining these amounts, management has assumed that the fair value adjustments, determined provisionally, that arose on the date of acquisition would have been the same if the acquisition had occurred on 1 January 2019.

Consideration transferred

	2019 $'000
Purchase consideration – cash	*

* Less than $1,000

Identifiable assets acquired and liabilities assumed

The following table summarises the recognised amounts of assets acquired and liabilities assumed at the date of acquisition.

	Note	2019 $'000
Property, plant and equipment	4	106
Right-of-use assets	7	548
Contract assets	15	2,133
Inventories		1,347
Trade and other receivables		1,893
Cash and cash equivalents		3,046
Loans and borrowings		(651)
Deferred tax liabilities	12	(189)
Trade and other payables		(3,638)
Fair value of identifiable net assets acquired		**4,595**

The fair value of the trade receivables amounts to $1,119,000. The gross amount of trade receivables is $1,119,000 and it is expected that the full contractual amounts can be collected.

Acquisition-related costs

The Group incurred acquisition-related costs of $4,000 mainly related to external professional fees. These costs were included in "other expenses" in the Group's statement of comprehensive income.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2019

Gain on bargain purchase

Gain on bargain purchase arising from the acquisition has been recognised as follows:

	Note	2019 $'000
Consideration transferred – cash		*
Fair value of pre-existing interest in the acquiree	9	**2,022**
Fair value of identifiable net assets		**(4,595)**
Gain on bargain purchase	25(a)	**(2,573)**

The acquisition resulted in a gain on bargain purchase of $2,573,000 because the fair value of assets acquired and liabilities assumed exceeded the consideration transferred. The gain on bargain purchase has been recognised in the "other income" line item in the Group's profit and loss for the year ended 31 December 2019.

Cash flows relating to the acquisition:

	2019 $'000
Consideration transferred – cash	*
Less: Cash acquired	**3,046**
Net cash inflow	**3,046**

* Less than $1,000

(b) Acquisitions of non-controlling interests

(i) During the year, the Group through its wholly owned subsidiary Chang De Investment Private Limited and effectively 66% owned subsidiary Tianjin Zizhulin Investment Co., Ltd ("Chuang Zhan"), acquired an additional interest of 14% in Tianjin Zizhulin Guangang Property Development Co., Ltd. ("Guangang") for consideration of RMB96,000,000 (equivalent to $18,767,000).

Following the acquisition, the Group's effective interest in Guangang increased from 69.0% to 83.0%. The carrying amount of Guangang's net assets in the Group's consolidated financial statements was $60,240,000 on the date of last acquisition. The Group recognised a decrease in carrying amount of NCI acquired of $11,515,000 and a decrease in capital reserve of $7,252,000.

(ii) In year 2018, the Group's wholly owned subsidiary Chang De Investment Private Limited, acquired an additional interest of 2.975% in Tiong Seng (Tianjin) Project Management and Consultancy Co., Ltd ("Changsheng") from its effectively 66% owned subsidiary Chuang Zhan for RMB1,785,000 (equivalent to $373,000).

Following the acquisition, the Group's effective interest in Changsheng increased from 99.0% to 100.0%. The carrying amount of Changsheng's net assets in the Group's consolidated financial statements on the date of acquisition was $10,101,000. The Group recognized an increase in NCI of $25,000 and a decrease in capital reserve of $25,000.

	Group	
	2019 $'000	2018 $'000
Carrying amount of NCI acquired	**11,515**	102
Consideration attributable to NCI	**(18,767)**	(127)
Increase in carrying amount of NCI/(Decrease) in equity attributable to owners of the Company	**(7,252)**	(25)

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2019

(c) Disposal of subsidiaries

During the year, the Group disposed of its 55% equity interest in Jiangsu Huiyang Construction Development Co. Ltd and its subsidiary for a cash consideration of RMB67,000,000 (approximately $13,202,000). The transaction was completed during the year.

The disposed subsidiaries contributed to a net loss of $172,308 to the Group from 1 January 2019 to the date of disposal.

The total effect of the disposal in subsidiaries on the cash flows of the Group was as follow:

	Note	2019 $'000
Property, plant and equipment	4	39
Investment properties	6	11,827
Deferred tax assets	12	196
Trade and other receivables		339
Cash and cash equivalents		674
Trade and other payables		(1,542)
Contract liabilities	15	(229)
Current tax payable		(1,212)
Non-controlling interest		(4,541)
Net assets on disposal		5,551
Realisation of foreign currency translation reserves		268
Gain on disposal of subsidiaries	25(a)	7,383
Sales consideration		13,202
Cash of subsidiaries disposed		(674)
Cash inflow on disposal of subsidiaries		12,528

The gain on disposal in subsidiaries was recognised in "other income" in the consolidated statement of profit or loss.

39 SUBSEQUENT EVENTS

On 11 March 2020, the World Health Organisation declared the Coronavirus (COVID-19) outbreak to be a pandemic in recognition of its rapid spread across the globe, with over 150 countries now affected. Many governments are taking increasingly stringent steps to help contain or delay the spread of the virus. Currently, there is a significant increase in economic uncertainty which is, for example, evidenced by more volatile asset prices and currency exchange rates.

For the Group's December 2019 financial statements, the Coronavirus outbreak and the related impacts are considered non-adjusting events. Consequently, there is no impact on the recognition and measurement of assets and liabilities. Due to the uncertainty of the outcome of the current events, the Group cannot reasonably estimate the impact these events will have on the Group's financial position, results of operations or cash flows in the future,

STATISTICS OF SHAREHOLDINGS

As at 16 March 2020

DISTRIBUTION OF SHAREHOLDINGS

SIZE OF SHAREHOLDINGS	NO. OF SHAREHOLDERS	%	NO. OF SHARES	%
1 – 99	18	1.21	273	0.00
100 – 1,000	81	5.46	51,290	0.01
1,001 – 10,000	472	31.83	2,888,852	0.65
10,001 – 1,000,000	887	59.81	64,516,048	14.51
1,000,001 AND ABOVE	25	1.69	377,328,886	84.83
TOTAL	**1,483**	**100.00**	**444,785,349**	**100.00**

TWENTY LARGEST SHAREHOLDERS

NO.	NAME	NO. OF SHARES	%
1	TIONG SENG SHAREHOLDINGS PTE. LTD.	225,397,960	50.68
2	MAYBANK NOMINEES (SINGAPORE) PRIVATE LIMITED	45,800,000	10.30
3	UNITED OVERSEAS BANK NOMINEES (PRIVATE) LIMITED	33,411,020	7.51
4	WAN SENG ENTERPRISES PTE LTD	12,732,390	2.86
5	CITIBANK NOMINEES SINGAPORE PTE LTD	10,323,286	2.32
6	SHINGDA CONSTRUCTION PTE LTD	6,696,950	1.51
7	DBS NOMINEES (PRIVATE) LIMITED	6,401,339	1.44
8	PHILLIP SECURITIES PTE LTD	3,975,950	0.89
9	PEK AH TUAN	3,604,920	0.81
10	RAFFLES NOMINEES (PTE.) LIMITED	3,129,571	0.70
11	PAY KIAN MENG GILBERT	2,702,000	0.61
12	LEE KHAR HOON	2,650,000	0.60
13	LEE KENG LAN	2,554,000	0.57
14	ANG JUI KHOON	2,234,500	0.50
15	UOB KAY HIAN PRIVATE LIMITED	1,684,100	0.38
16	LEE HONG CHUAN	1,650,000	0.37
17	REPRESENTATIONS INTERNATIONAL (HK) LTD	1,598,100	0.36
18	ESTATE OF LIM KIM ENG, DECEASED	1,582,350	0.36
19	ONG GEOK TOE	1,504,900	0.34
20	ANDREW KHNG	1,464,650	0.33
	TOTAL	**371,097,986**	**83.44**

STATISTICS OF SHAREHOLDINGS

As at 16 March 2020

SHAREHOLDERS' INFORMATION AS AT 16 MARCH 2020

Class of shares	:	Ordinary shares
Number of Shares issued (excluding Treasury Shares)	:	444,785,349
Voting rights (excluding Treasury Shares)	:	On a poll – One vote per share
Treasury Shares	:	14,838,500*
Subsidiary Holdings	:	Nil

* As at 16 March 2020, the Company held 14,838,500 treasury shares which represents 3.34% of the total number of issued shares of the Company (excluding treasury shares).

	Direct		Deemed	
Name of Substantial Shareholders	**No. of Shares**	**%**	**No. of Shares**	**%**
Tiong Seng Shareholdings Pte Ltd(1)	271,197,960	61.0	–	–
Peck Tiong Choon (Private) Limited(2)	32,261,520	7.3	271,197,960	61.0
Pek Ah Tuan(3)	3,604,920	0.8	32,261,520	7.3
Lee It Hoe(4)	–	–	286,275,330	64.4

Notes:

(1) 45,800,000 out of 271,197,960 Shares of Tiong Seng Shareholdings Pte Ltd ("TSS") are registered in the name of Maybank Nominees (Singapore) Private Limited.

(2) Peck Tiong Choon (Private) Limited ("PTC") holds approximately 47.8% of the shares in TSS and is therefore deemed interested in the shares held by TSS pursuant to Section 7 of the Companies Act and Section 4 of the Securities and Futures Act ("SFA").

The 32,261,520 Shares of PTC are registered in the name of United Overseas Bank Nominees Pte Ltd.

(3) The estate of Pek Ah Tuan, together with the associates of the late Pek Ah Tuan, collectively hold approximately 33.6% of the shares in PTC and is therefore deemed interested in the shares held by PTC pursuant to Section 7 of the Companies Act and Section 4 of the SFA.

(4) Lee It Hoe is deemed interested in the shares held by his associate, namely, his brother, Lee Yew Sim (762,630 Shares). Lee It Hoe is also deemed interested in the Shares held by him on trust for the estate of his mother, Lim Kim Eng (1,582,350 Shares), and the 12,732,390 Shares held by Wan Seng Enterprises (Private) Limited ("**Wan Seng**") as Wan Seng's shareholders are accustomed or under an obligation whether formal or informal to act in accordance with his directions, instructions and wishes in relation to their shares in Wan Seng. In addition, Lee It Hoe is deemed interested in the shares held by TSS as his associates are collectively entitled to exercise control of approximately 22.7% of the Shares in TSS.

SHAREHOLDINGS HELD IN HANDS OF PUBLIC

Approximately 26.9% of the Company's shares are held in the hands of public. Accordingly, the Company has complied with Rule 723 of the Listing Manual of SGX-ST.

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