Sustaining
Business Excellence

TIONG SENG HOLDINGS LIMITED
ANNUAL REPORT 2013

CORPORATE PROFILE

Backed by an established track record of over 50 years, Tiong Seng is a home-grown leading construction and civil engineering company in Singapore and a real estate developer in the People's Republic of China ("China"). With the highest BCA grading of A1 for both general building and civil engineering, we are qualified to undertake public sector construction projects with unlimited contract value.

Tiong Seng is the first construction builder in Singapore to be awarded the prestigious Singapore Quality Award ("SQA"), which is conferred on organizations in recognition of their success in the pursuit of business excellence.

Our relentless effort to achieve excellence in construction safety, quality, sustainability and innovation has earned our Group the reputation of being an industry leader. We pride ourselves on being an early adopter of construction technologies and a forerunner in the drive for capability building, productivity and innovation. Over the years, we have invested in leading edge construction technologies including pre-cast, advanced formwork systems, Building Information Modeling ("BIM") and green technology such as Cobiax, which reduces the carbon footprint of buildings by reducing the concrete needed for the building structure.

Our robust order book of S$1.1 billion (as at 31 December 2013), being one of the largest among listed construction companies in Singapore, is a testament of our building capabilities and excellence in construction.

Tiong Seng's second engine of growth is its real estate development in China. We have five existing property development projects in China - three in Tianjin and one in Cangzhou, which are in the Bohai Economic Rim, one of the main economic zones in China and one in Suzhou.

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PROXY FORM

The Glynderbourne

Winning the Singapore Quality Awards 2013: Tiong Seng's Building Blocks of Excellence

Continuous development of robust management practices

In our strive to be a leading player in the construction industry, Tiong Seng is committed to sustaining business excellence in the organisation. Winning the prestigious Singapore Quality Award ("SQA") not only marks a milestone recognition of our business excellence initiatives, but more importantly, acknowledges the changes undertaken for Tiong Seng to benefit from tangible improvement to productivity and cost-efficiency.

The business excellence journey is a natural extension of the management's vision for Tiong Seng. Business excellence is more than just delivering quality products and services. It is about building an excellence ecosystem involving internal and external stakeholders. In particular, it is about clear organizational directions, well-defined work processes and building leadership at all levels.

As part of Tiong Seng's strategy to achieve sustainable growth, we systematically plan and invest in our people and build capabilities through adopting innovative construction technologies. This allows Tiong Seng to differentiate itself from its competitors by operating on a different cost structure and builds our competitive advantage by delivering more efficient and cost effective products and services.

Tiong Seng takes great pride in championing the continuous push for higher productivity in the industry through its investments in leading edge construction technologies. This includes the adoption of precast technology, advanced formwork systems, Building Information Modeling ("BIM") and its patented Cobiax technology. These construction technologies not only enable Tiong Seng to improve labour efficiency but also reinforce its commitment to creating a safe, quality and sustainable construction environment.

BUILDING BLOCKS OF EXCELLENCE

Enhancing work processes with construction technologies

Precast construction technology

At the innovation front, Tiong Seng developed Singapore's very first precast automation hub. Our S$36 million investment into a state-of-the-art precast facility features an "Integrated Hub Concept", incorporating precast production capabilities, formwork assembly and maintenance, training and research, as well as living space for its workers under one roof. This hub is transforming the way precast production is being done in Singapore. Automation has resulted in higher output, consistent quality with a reduction in the use of labour, which raises productivity.

The adoption of automated precast production technology has led to a significant 70% reduction in manpower required and yet managed to double the volume of output of precast components.

The success of the precast automation hub and the strong demand for precast building components has inspired Tiong Seng to invest an additional S$15 million in a second pre-fab facility in Iskandar, Johor, Malaysia. The second plant will increase its precast production capacity by 60% by 2015. Capitalising on our precast production expertise and capability, Tiong Seng ventured to Myanmar to form a joint venture with local giant Shwe Taung to build the Group's third plant.

Advanced formwork systems

Having invested more than S$60 million in advanced formwork systems over the past few years, Tiong Seng continues to be a forerunner in our drive to increase productivity and efficiency within the construction industry. Advanced formwork systems are more cost efficient and quicker to set up compared to conventional formwork. It also gives better finishing quality, increased productivity as well as greater structural stability.

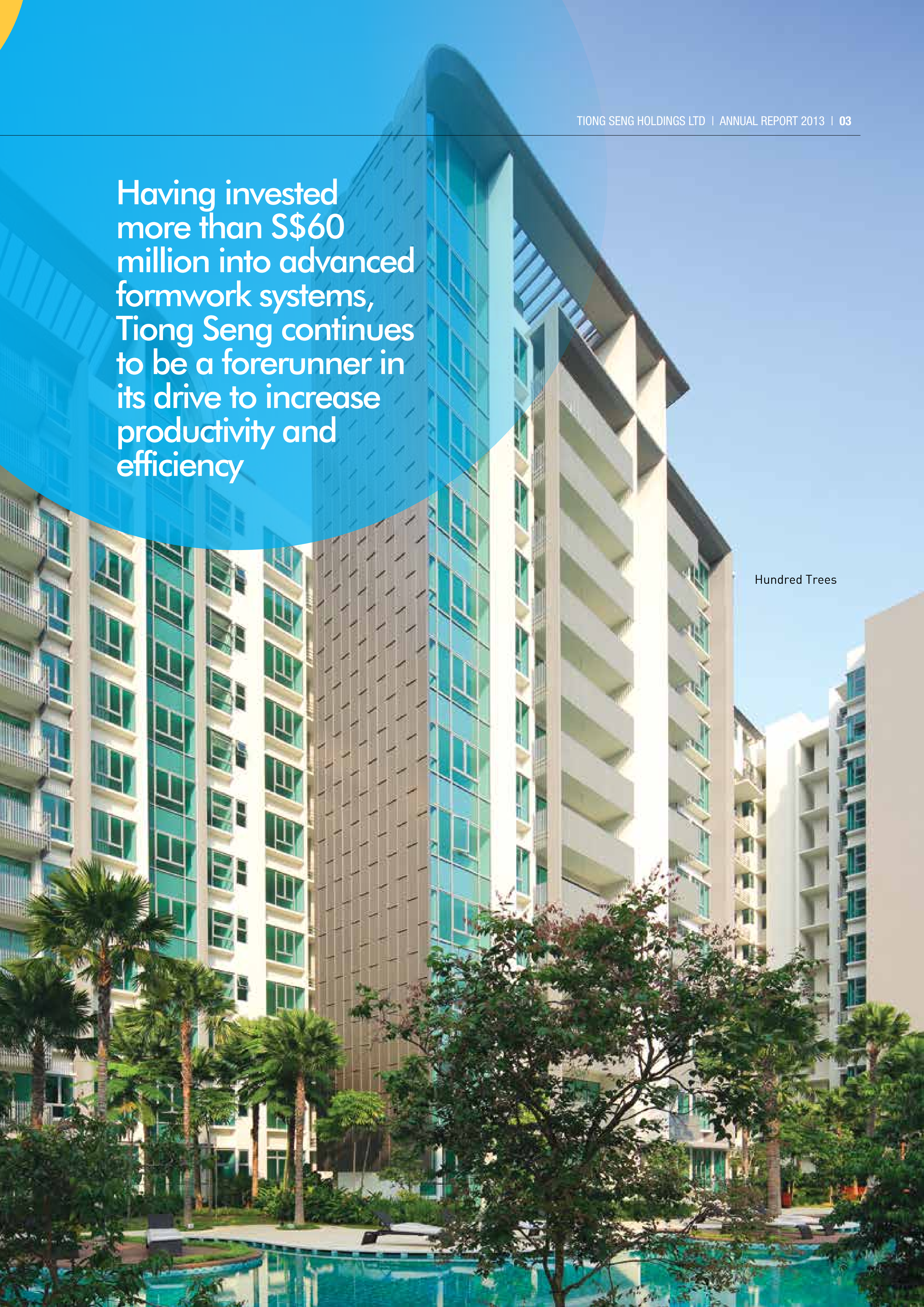
Building Information Modeling ("BIM")

Beyond the investment in hardware, Tiong Seng has collaborated with RIB Software AGA to integrate 4D and 5D perspectives into the current BIM via the iTWO software. This makes Tiong Seng the first in Singapore to adopt and integrate the full suite of iTWO software in our work processes to streamline the Group's operations for greater efficiency and cost effectiveness.

Improving value systems through green technology

Cobiax

In our continued efforts to develop environmental solutions, Tiong Seng has expanded the adoption of our proprietary green technology, Cobiax, in our building projects. The Cobiax technology removes unnecessary deadweight in concrete slabs, reducing its volume by up to 30% without modifying flexural strength. This allows building consultants to optimize the foundation works of buildings, thus increasing productivity during construction. The reduction in concrete also results in a reduction in carbon dioxide emissions. Some of the notable projects that have adopted the Cobiax technology include the Parkroyal on Upper Pickering Street, The Wharf, Tree House and The Volari.



Having invested more than S$60 million into advanced formwork systems, Tiong Seng continues to be a forerunner in its drive to increase productivity and efficiency

Hundred Trees

BUILDING BLOCKS OF EXCELLENCE

Recognizing the significance of human capital

"Valuing People" remains one of Tiong Seng's core values and commitment. As such, Tiong Seng has put in place programmes such as the "Charge Hand Grooming Programme" to identify, train and promote workers to site supervisors which serves to recognize workers with leadership potential as well as motivate and inspire their fellow colleagues.

Separately, Tiong Seng has had the largest contingent, with more than 800 participants in the SAFRA Bay Run for three consecutive years to 2013. This is a strong testimony of its leadership in its People policy.

Treehouse

Treehouse

Sharing ideas to the community

With Tiong Seng's track record in business excellence, it is now helping smaller enterprises on their journeys towards business excellence under Spring Singapore's Partnerships for Capability Transformation ("PACT") Initiative. Through PACT, Tiong Seng contributes by sharing ideas in the areas of productivity, capability development and opportunities in developing innovative products and solutions.

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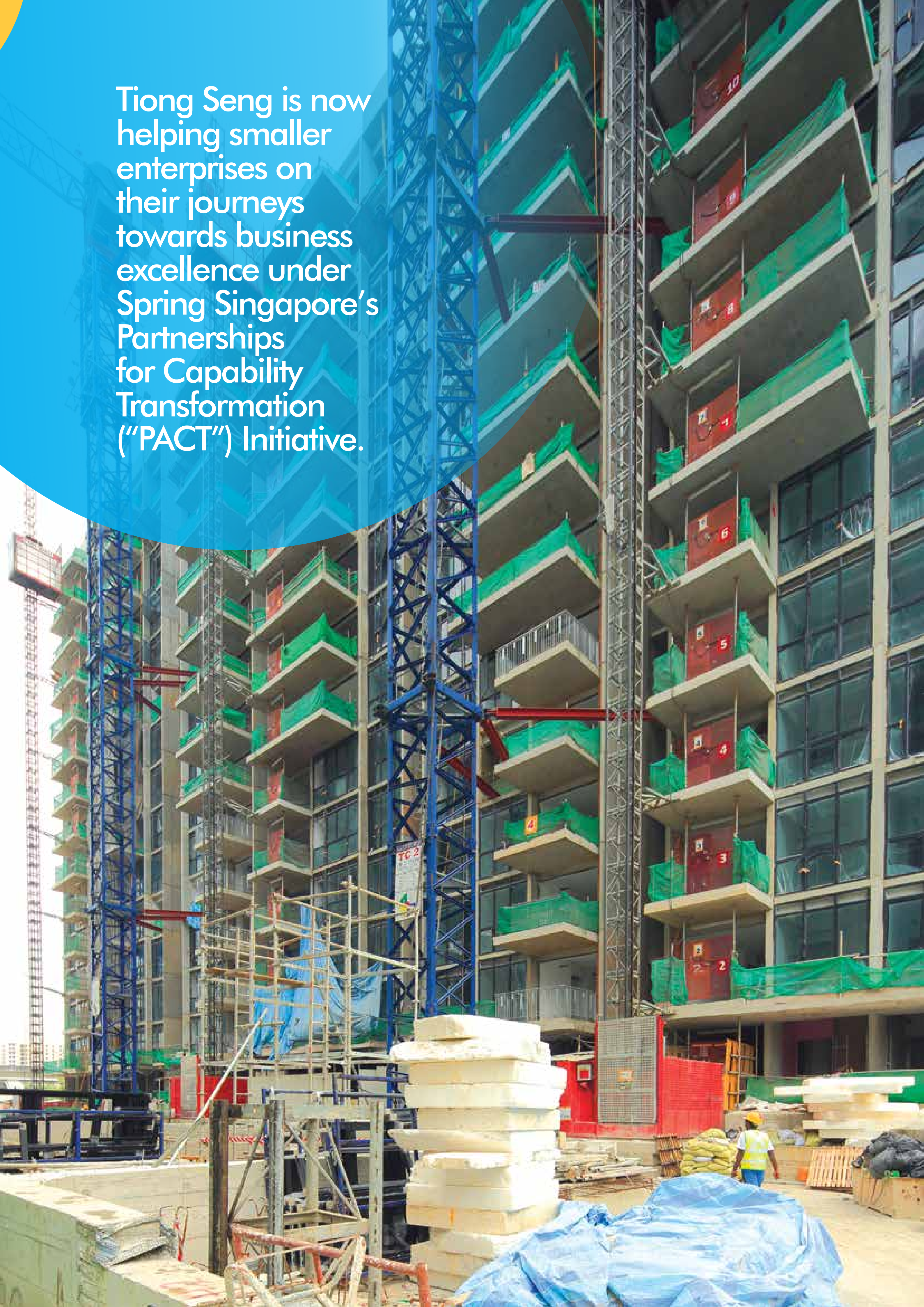


LETTER TO SHAREHOLDERS

"We embarked on the Business Excellence Initiative and adopted it as a strategy to incorporate our business practices holistically for overall business management."

Mr Pek Ah Tuan
Non-Executive Chairman

Mr Pek Lian Guan
Executive Director &
Chief Executive Officer

Dear Shareholders

A challenging yet rewarding year

2013 was a challenging year for the construction industry in Singapore and the real estate market in China. The growth for the construction sector in Singapore moderated to 5.9% from 8.6% in 2012 due to a slowdown in both public and private construction activities[1]. Looking ahead, Building and Construction Authority ("BCA") expects strong construction demand in 2014, to reach S$31 – 38 billion in value, largely driven by public housing as well as anticipated higher demand for institutional developments and major infrastructure projects[2].

With our industry-leading construction technologies, we expect to benefit from the uptick in demand and are well-positioned to capture a larger market share. We managed to secure S$472.0 million worth of new orders across both private and public sectors in 2013. These projects include ECO Sanctuary, The Springside terrace housing project, Equinix, a high specification design and build data centre and a public housing project at Woodlands. The projects brought our order book size to a robust S$1.1 billion as at 31 December 2013, one of the largest for a public listed construction company in Singapore.

In 2013, we successfully completed a trio of condominium projects, namely Hundred Trees, The Glyndebourne and Tree House.

The real estate market in China continued to be challenging for Tiong Seng in 2013, with numerous property curbs still in place. Although property prices have been seen to have risen in the last three months of 2013, such increases have not been felt for our projects in China, especially in our project in Dagang, Tianjin.

1. *Ministry of Trade and Industry Press Release, "MTI Maintains 2014 GDP Growth Forecast at 2.0 to 4.0 Per Cent ", 20 Feb 2014*
2. *Building and Construction Authority Press Release, "Construction demand for 2014 to remain strong", 9 January 2014*

We are proud to be the first and only contractor in Singapore to have won the prestigious Singapore Quality Award.

LETTER TO SHAREHOLDERS

Setting the industry benchmark for business excellence

We are proud to be the first and only contractor in Singapore to have won the prestigious Singapore Quality Award ("SQA"), which recognizes our achievements and continuous push for business excellence. The business excellence framework we have put in place not only improves our overall quality standards in whatever we do, it also enables us to better focus on innovation and to differentiate ourselves from our competitors.

We embarked on the Business Excellence Initiative and adopted it as a strategy to incorporate our business practices holistically for overall business management. While we welcome the recognition we received for the SQA, it is the tangible operational improvements leading to the award which have had the largest impact on us, as our business becomes more cost-efficient and competitive. As a result, this leads to greater returns for all stakeholders.

Leadership

We are committed to building leadership at all levels. Adopting the Business Excellence Framework has helped us to focus, set goals and look at human capital grooming in areas which might have been overlooked previously. We strive to put in place career advancement and training programmes so as to create avenues and opportunities for workers with leadership potential to undertake higher responsibilities in the company. This involves having the right people with the right skills and experience to begin with, and to build leadership at all levels. Our "Charge Hand Grooming" programme nurtures selected candidates to become future leaders within our Group. We strongly believe that building leadership at all levels is important for succession planning and sustainable growth for the company.

Pioneering advanced construction technologies

Building on the success of our prefabrication hub, we expanded our precast capabilities overseas by investing in a new precast plant in Iskandar, Johor, Malaysia in June 2013. We also formed a joint venture with the subsidiary of Myanmar construction giant, Shwe Taung, to set up a precast plant in Myanmar.

We continue to discover and adopt best practices and technologies in the industry by forging strong partnerships with reputable international companies and advanced construction technology providers. To maintain our core competencies in the field of building construction and civil engineering, we adopted precast automation and advanced formwork technology.

The adoption of precast techniques together with the other advanced construction technologies have changed our business operating model and methods as we are now better able to differentiate from our competitors by operating on a different cost structure. The use of precast automation technology allows the production of prefabricated building components in a controlled environment, which are subsequently transported to the construction site for assembly.

We also learnt from our European partners such as PERI Germany which refined our advanced formwork technologies. Our investment in this area has contributed to better finishing quality, higher productivity, environmental friendliness and greater stability.

Overall, with these techniques, our projects improve in quality and consistency while effectively streamlining the construction process. More importantly, this improves labour efficiency by around 20 – 30%, which is an important development for the industry given rising labour costs and constraints.

Our implementation of various construction technologies have also led to further improvement in workplace safety, which led us to winning nine RoSPA Occupational Health & Safety Awards.

Sharing Our Business Excellence Journey

Through our experience and track record, we seek to share and help similar companies in their quest for business excellence. We have joined the PACT (Partnerships for Capability Transformation) Circle, a group of companies that have taken the lead to initiate collaborations with their business partners through improving productivity, capability development, knowledge transfer and co-innovations.

Financial Highlights

For the full year ended 31 December 2013 ("FY2013"), we achieved a 28.1% year-on-year ("yoy") rise in revenue to S$654.9 million, driven by higher contributions from both construction contracts and sales of development properties. As of 31 December 2013, we maintain a healthy cash position with S$79.8 million in cash and cash equivalents, with a net cash inflow from operating activities of S$6.4 million.

On a full-year basis, the Group achieved earnings per share of 1.19 Singapore cents and net asset value per share of 34.55 Singapore cents.

Our Construction Business Performance

Revenue from construction contracts, which contributes 88.0% of the Group's revenue, increased 16.1% yoy to S$576.1 million for FY2013 as a result of an increase in work done for new and on-going projects. In accordance to the Group's revenue recognition policy, approximately S$13.0 million of work done for newly commenced projects in Singapore have yet to be recognized for FY2013.

Profit before share of joint venture results and taxes registered an increase of approximately 2% from $20.0 million in FY 2012 to $20.4 million in FY 2013. However, due to a decline in joint venture contribution and higher taxes arising from prudent tax accounting, net profit attributable to equity holders ("net profit") registered a decline to S$9.3 million.

Going forward, we expect to focus in offering a comprehensive suite of construction offerings which include our leading edge construction technologies. Leveraging on our current competencies, we consistently seek to explore further initiatives and opportunities to enhance our work productivity and efficiency.

We are optimistic about the year ahead as Building & Construction Authority ("BCA") expects construction demand to remain strong led by public housing and anticipated higher construction demand for institutional developments and major infrastructure projects. BCA also forecasted that the contracts for the built environment to be worth S$31 – 38 billion in value for 2014. On the private sector front, demand is expected to moderate as a result of the Government's multi-pronged approach to stabilize the property market.

LETTER TO SHAREHOLDERS

Our Real Estate Development in China

Tiong Seng's property development business is focused on second and third tier cities in China. It seeks to capitalize on the growth opportunities presented by the strong pace of economic development, inflow of foreign investment and urbanisation in these cities.

We are currently involved in five projects in China – three in Tianjin and one in Cangzhou which are situated in the Bohai Economic Zones, along with one in Suzhou. The new government leaders have indicated that moving forward, they will rely on more moderate market policies to influence property demand and prices. Premier Li Keqiang has held off introducing more nationwide policies to cool the real estate markets since he took office in March 2013. Prices in first tier cities rose more than 15 percent in December 2013 compared to a year ago[3]. As a result, many provincial capitals have tightened local property policies since November 2013 in an attempt to curb rising property prices.

On the development properties front, revenue from sales of property development in FY2013 increased to S$68.7 million. This was attributed to the sale recognition of 241 units and 293 units in Sunny International Project, Phase II and IV respectively. As at 31 December 2013, one unit of Tianmen Jinwan Building, 143 units of Sunny International project, 88 units of the Equinox and three units of Wenchang Broadway were sold but yet to be recognized as revenue in accordance to the Group's revenue recognition policy.

With rising income and urbanization in China, real estate prices continued their uptrend despite the government's curb controls. One major reason for the strong demand and resultant bullish prices is the lack of new homes in the downtown areas of major cities. Overall, it has been projected that average housing prices in China will rise 5% in 2014 with a projected sales growth of 10%[4].

As such, China's real estate market still offers good opportunities for Tiong Seng, to build up a portfolio of assets to serve as our second engine of growth. We aim to be a leading and reliable real estate developer, with the mission of shaping lifestyles and fulfilling aspirations through the provision of quality commercial and residential solutions.

Strengthening our balance sheet

To further strengthen our cash position, we carried out a rights issue amounting to a receipt of net S$27.4 million not only to fund an expansion of the Group's property development ventures and improve debt position, but more importantly to further develop the Group's core competency in construction technology with a focus in precast construction.

As we consistently seek to exercise financial prudence and consolidation by lowering our gearing ratio, the raised capital will also be used to reduce our loan positions, making us less susceptible to macro externalities such as fluctuations in interest rates.

Overall, this dovetails with our main objective of driving growth for the Group and maximizing shareholder returns as a result. We remain optimistic on our long-term prospects as we continue to push for improved productivity and increased efficiency in our work processes.

Appreciation

In order to reward our shareholders and to thank them for their vote of confidence, we are pleased to recommend a final dividend per share of 0.6 Singapore cents, which equates to a dividend payout ratio of 59.2%.

On behalf of the Board, we would also like to state our appreciation to our partners, business associates, customers and staff for their continued dedication and support.

Mr Pek Ah Tuan
Non-Executive Chairman

Mr Pek Lian Guan
Executive Director & Chief Executive Officer

3. Bloomberg, China Home Prices Advance as Guangzhou, Shenzhen jump 20%, 18 January 2014
4. The Wall Street Journal, "China's property market fuelled growth in 2013", 20 Jan 2014

We are currently involved in five projects in China – three in Tianjin and one in Cangzhou which are situated in the Bohai Economic Zones, along with one in Suzhou.

PARKROYAL on Pickering

PROJECT LIST

COMPLETED PROJECTS

As at 31 December 2013, Tiong Seng's order book remains strong at S$1.1 billion, and is expected to be fulfilled over the next 12 to 30 months. S$472 million worth of new projects from industrial, institutional, residential and commercial sectors were secured during the year.

These are some of the major projects that Tiong Seng has completed in 2013:

- **Hundred Trees**
  Client: City Developments Ltd
- **The Glyndebourne**
  Client: City Developments Ltd
- **Treehouse**
  Client: City Developments Ltd

ONGOING PROJECTS

Residential

- The Panorama
  Client: Pinehill Investments Pte Ltd c/o Wheelock Properties
- Springside
  Client: Kallang Development Pte Ltd
- ECO Sanctuary
  Client: S P Setia International (S) Pte Ltd
- HAUS@Serangoon Garden
  Client: Sparkland Holdings Pte Ltd c/o City Developments Limited
- The Luxurie
  Client: Keppel Land Realty Approx Contract
- The Archipelago
  Client: United Venture Development

Public Housing

- Woodland Neighbourhood Contract 29 & 30
  Client: Housing & Development Board
- Waterway Terraces II @ Punggol
  Client: Housing & Development Board
- Waterway Terraces I @ Punggol
  Client: Housing & Development Board

Commercial

- Mediapolis @ One North
  Client: Mediacorp Pte Ltd (Kajima – Tiong Seng JV)

Industrial

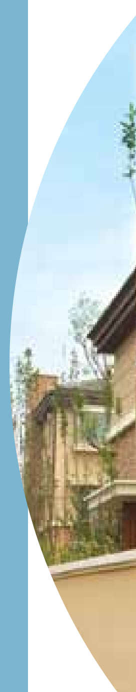
- Equinix
  Client: Mapletree Industrial Trust
- NTUC Fairprice Warehouse & Office
  Client: NTUC Fairprice Cooperative Pte Ltd

Institutional

- SIM Campus
  Client: Singapore Institute of Management
- Connexion
  Client: Singapore HealthPartners Pte Ltd (Samsung – Tiong Seng JV)

Civil Engineering

- Design & construction of stations and tunnels for stage 2 of downtown line (a 30-70 joint venture with GS Engineering & Construction)
  Client: Land Transport Authority



ONGOING PROPERTY DEVELOPMENT PROJECTS IN CHINA

- **The Equinox, Dagang, Guangang Forest Park, by Tianjin Zizhulin Guangang Property Development**
  Residential comprising landed and low rise properties: 162,000 sqm
  7 phases of development with the expected completion of the different phases ranging from 2014 to 2017

- **Sunny International, Cangzhou, by Cangzhou Huashi Property Development**
  Mixed: Residential 131,900 sqm and Commercial 18,000 sqm
  4 phases of development, with the expected completion of the last phase in 2014

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

  Residential comprising terrace houses and apartments: 87,220 sqm
  2 phases of development with expected completion in 2015 and 2016 respectively

- **Zizhulin, Tianjin, by Tianjin Zhizhulin Development**
  Commercial: 12,000 sqm
  Planning currently in progress

- **Eco-City, Tianjin, Via a 9% investment in a joint venture with the master developer of Eco-City, Tianjin, Sino-Singapore Tianjin Ecocity Investment and Development Co. Ltd and Mitsui Fudosan**

  Residential: 101,200 sqm

- **Wenchang Baihui, an investment property in Yangzhou, by Jiangsu Huiyang Construction Development**
  Retail: 15,000 sqm (saleable area and a remaining lease period of 28 years)

Moving forward, Tiong Seng will focus on the sales and development of its existing projects and continue to explore new real estate development opportunities in China.


The Equinox, Tianjin


Tranquility Residence, Suzhou


Eco-City, Tianjin

In 2013, Tiong Seng won several awards for its continued focus on delivering high quality projects and ensuring workplace safety and innovation.

Most notably, Tiong Seng won the prestigious Singapore Quality Award (SQA) in 2013, which is the highest level of recognition awarded by Spring Singapore for business excellence. This makes Tiong Seng the first construction builder in Singapore to win the award. In addition, Tiong Seng was also awarded the inaugural Quality Excellence Award in 2013 by BCA for its consistently high performance in work quality.

BCA Quality Excellence Award (Quality Champion)

Tiong Seng Contractors

NParks Skyrise Greenery Award

Tiong Seng Contractors

9
RoSPA Occupational Health & Safety Awards

Hundred Trees, The Glyndebourne, The Luxurie, NUS Kent Vale Staff Housing, Treehouse, Parkroyal on Pickering, Waterway Terraces I, The Wharf Residence, Tiong Seng Contractors

BCA Construction Excellence Award

Shelford Suites

BCA Design and Engineering and Safety Excellence Award

Volari

BCA Construction & Productivity Award

Volari and Tiong Seng Prefab Hub

Spring Singapore Business Excellence Singapore Quality Award

Tiong Seng Contractors

In 2013, Tiong Seng won several awards for its continued focus on delivering high quality projects and ensuring workplace safety and innovation.

Volari

BOARD OF DIRECTORS

Armed with years of experience in the construction and property development industry, our management team possesses a wealth of experience and technical know-how.

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02

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04

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1. **Mr Pek Ah Tuan**
   Non-Executive Chairman
2. **Mr Pek Lian Guan**
   Executive Director & Chief Executive Officer
3. **Mr Pay Sim Tee**
   Executive Director
4. **Mr Lee It Hoe**
   Non-Executive Director
5. **Mr Ong Lay Khiam**
   Lead Independent Director
6. **Mr Ang Peng Koon, Patrick**
   Independent Director

Mr Pek Ah Tuan
Non-Executive Chairman

Mr Pek Ah Tuan is one of the founders of our Group, and has approximately 50 years of experience in major earthwork, road and bridge construction, civil engineering and building work, and property development and entrepreneurial activities in Singapore, the PRC, Socialist Republic of Vietnam and Laos. He played a vital role in charting the corporate direction of our Group. By spearheading the push to venture into various overseas markets such as Laos, Papua New Guinea and the PRC in the earlier years, he helped to establish a foothold for our Group in the overseas markets on which we subsequently expanded. As one of the founders of our Group, Mr Pek had contributed significantly to the early stages of our Group's development. Mr Pek was appointed to our Board of Directors on 24th February 2010 and was last re-appointed on 26th April 2013.

Mr Pek Lian Guan
Executive Director and Chief Executive Officer

Mr Pek Lian Guan started his career at Tiong Seng Contractors upon his graduation from Loughborough University of Technology, United Kingdom, with a Bachelor of Civil Engineering (First Class Hons) in 1989. In 1993, he was appointed as the Director of Tiong Seng Contractors and soon became the Deputy Managing Director in 1997. Mr Pek has over 22 years of experience in project management for civil engineering and building works in Singapore and entrepreneurial activities in the region. Under his guidance, Tiong Seng has come to champion the use of advanced construction technology and green practices across its businesses for better productivity and efficiency. Mr Pek currently advises as a member of various productivity and green councils in Singapore, and is actively involved in related initiatives towards the improvement of these standards. Mr Pek was appointed to our Board of Directors on 15th April 2008 and was last re-elected on 27th April 2012.

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 30 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 1980. Mr Pay was appointed to our Board of Directors on 24th February 2010 and was last re-elected on 26th April 2013.

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 re-appointed on 26th April 2013.

BOARD OF DIRECTORS

Mr Ong Lay Khiam
Lead Independent Director

Mr Ong Lay Khiam was appointed to our Board of Directors on 24th February 2010 and was re-elected on 27th April 2011.

Mr Ong worked in the local banking and finance sector since 1971 principally as a commercial banker. He held senior management positions at the DBS, Tat Lee Bank and Hong Leong Finance during his long career. Prior to his retirement in September 2013, he was an Executive Director with UBS AG Wealth Management.

Mr Ong has also been active in the education and non-profit sector. He served on the Council of both Singapore Chinese Chamber of Commerce and Industry (SCCCI) as well as the Nanyang Technological University (NTU). Currently, he is an Honorary Council Member of the SCCCI and a member of the Investment Committee of the Chinese Development Assistance Council (CDAC). He was also an Adjunct Associate Professor at the NTU. Mr Ong is an Independent Director and Chairman of Nominating Committee of International Healthway Corporation Ltd as well.

Mr Ong holds an Honours First Class degree from the Nanyang University and a Masters degree from the London School of Economics and Political Science, University of London. He is also a member of the Institute of Singapore Chartered Accountants.

Mr Ang Peng Koon, Patrick
Independent Director

Mr Patrick Ang is the Deputy Managing Partner of one of the largest law firms in Singapore, Rajah & Tann LLP, and heads the firm's Regional Practices. He has had 24 years 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 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 Lewis and Peat (one of the world's largest rubber trading houses), the collapse of Sogo Department Store group of companies, Alliance Technology & Development Ltd, Measurex Group, PT Ometraco (listed Indonesian company), Admiralty Leisure (owners of Tang Dynasty Theme Park), Lernout & Hauspie Group (then the world's largest speech software company), PineTree Town Club, Fort Canning Country Club, Crown Prince Hotel and Chew Eu Hock Holdings Ltd.

Mr Ang has been consistently recognised internationally, in Asia and in Singapore as a leading lawyer in his field in consecutive years by Asian Legal Business Legal Who's Who Singapore, AsiaLaw Leading Lawyers, Asia Law & Practice, Asialaw Profiles, International Who's Who of Insolvency and Restructuring Lawyers, Euromoney Guide To The World's Leading Insolvency and Restructuring Lawyers, International Financial Law Review 1000, Asia Pacific Legal 500 and Chambers Global - The World's Leading Lawyers. Currently, he is a member of the Singapore Ministry of Law Working Committee dealing with legislative reform in Singapore in relation to corporate insolvency and personal bankruptcy law. In addition, he is also a lecturer in Civil Procedure and Insolvency at the Postgraduate Practice Law Course and a regular speaker at conferences/seminars, and an Exco Member on the Employer Alliance. He is also an independent director of SMRT Corporation Ltd and The Esplanade Company, as well as Malacca Trust Limited, an Indonesia-based financial services group listed on Catalist of the Singapore Exchange and an independent director of Singapore Deposit Insurance Corporation Limited (a statutory company accountable to the Monetary Authority of Singapore).

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 26th April 2013.

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 20 years of experience in administration, coordination and managing of building construction and civil engineering projects in Singapore. He manages the tender process 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 is currently a council member of Singapore Contractors Association Limited (SCAL) and sits as a board of director for its subsidiary, SC2. 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 and is in charge of corporate and Workplace Safety and Health matters for the Group. His experience spans across general, site management and coordination in managing of civil engineering and building construction projects in Singapore and India. 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 immediate past president of Singapore Contractors Association Limited.
Mr Khng obtained an Advance Diploma in Business Management from the University of Bradford (MDIS) in 1997.

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 Ong Chun Tiong
General Manager, Tianjin, PRC

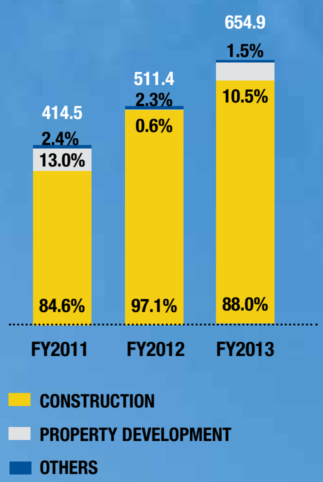
Mr Ong Chun Tiong has been overseeing our subsidiaries in Tianjin, PRC, since 2004. He joined us in 1998 as an Information Systems and Business Process Manager, and was responsible for our Group's expansion into new markets in the construction industry. Mr Ong graduated from the London School of Economics 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.

Mr Bao Jian Feng
General Manager, Jiangsu, PRC

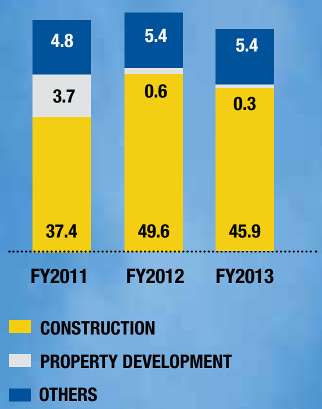
Mr Bao Jian Feng has been the General Manager of our Group for our subsidiaries in the Jiangsu Province, PRC, since 1996 and is mainly in charge of Jiangsu Huiyang. Mr Bao has more than 20 years of experience in general management. Prior to joining Tiong Seng Contractors, Mr Bao was the deputy general manager of Suzhou Yunsheng Construction Development Co., Ltd (州运盛建设发展有限公司) from 1994 to 1996, during which he was in charge of the general affairs of the company. Mr Bao graduated from the Suzhou Economic Management Institute (苏州经济管理干部学院) in July 1989 with a Diploma in Economic Management.

FINANCIAL HIGHLIGHTS

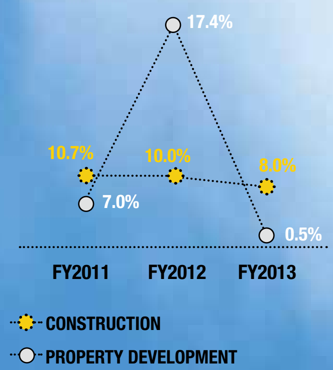
REVENUE (SGD'MIL)



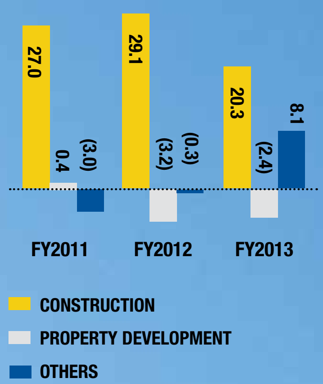
GROSS PROFIT (SGD'MIL)



GROSS PROFIT MARGIN

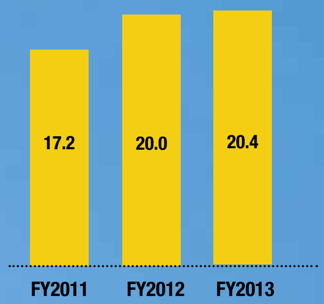


REPORTABLE SEGMENT PROFIT BEFORE INCOME TAX (SGD'MIL)

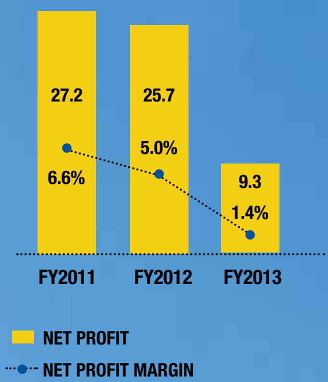


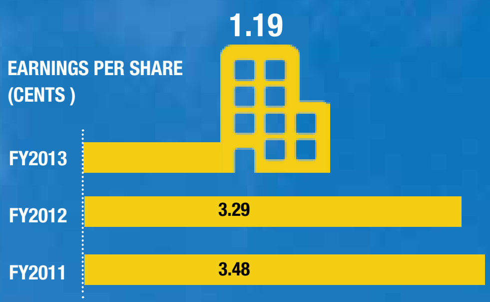
* GENERAL CORPORATE ACTIVITIES IS NOT INCLUDED IN EACH REPORTABLE SEGMENT RESULTS

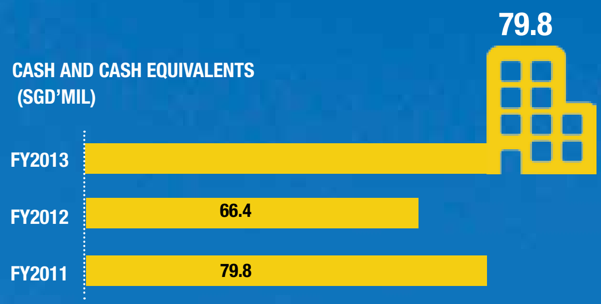
PROFIT FROM OPERATING ACTIVITIES BEFORE JV, ASSOCIATE & TAX (SGD'MIL)

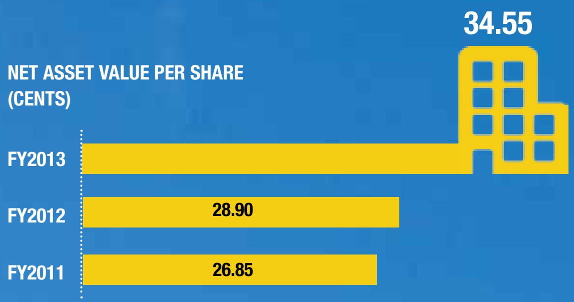


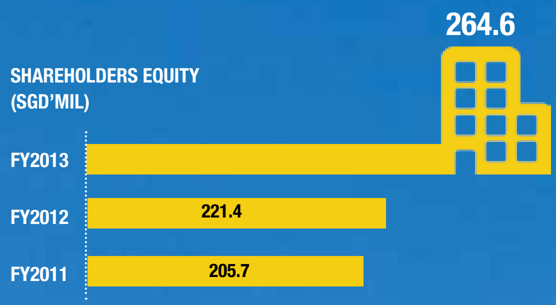
NET PROFIT ATTRIBUTABLE TO SHAREHOLDERS (SGD'MIL)











ORDER BOOK $1.1 BILLION

DURING THE YEAR, THE GROUP SECURED $472.0 MILLION OF NEW CONTRACTS. THESE ARE EXPECTED TO BE FULFILLED OVER THE NEXT 12-30 MONTHS

ACCREDITATIONS & AWARDS

Tiong Seng has received accreditations and awards from various government and industry bodies in many areas over the years, testament to our high work quality and service standards:

SAFETY

RoSPA Occupational Health and Safety Award- 2012 and 2013
- Won a total of 18 awards in 2012 and 2013

Awarded by Royal Society for the Prevention of Accidents (UK)

SCAL Award – Gold in 2012
Awarded by Singapore Contractors Association Limited

WSH Safety and Health Award – 2012
Awarded by Workplace Safety and Health Council

BCA Design & Engineering Safety Excellence Award – 2013
Awarded by Building and Construction Authority of Singapore

QUALITY

BCA Construction Excellence Award – 2012 and 2013
- Won 3 awards in 2012 and 1 award in 2013

Awarded by Building and Construction Authority of Singapore

BCA Quality Excellence Award (Quality Champion) – 2013
Awarded by Building and Construction Authority of Singapore

Business Excellence
Business Excellence Singapore Quality Award (SQA) – 2013
Awarded by Spring Singapore

Singapore Quality Class Innovation Class (I-Class) Award – 2012
Awarded by Spring Singapore

Built Environment Leadership Award (Platinum) in 2011
Awarded by Building and Construction Authority of Singapore

ENVIRONMENTAL SUSTAINABILITY

I-Care Award – 2012
Awarded by CapitaLand Limited

BCA Green Mark Award – 2011 and 2012
- Won 2 awards in both 2011 and 2012

BCA Green and Gracious Builder Award- (Star) in 2011
Awarded by Building and Construction Authority of Singapore

Skyrise Greenery Award – 2013
Awarded by NParks

INNOVATION

WSH Innovation Award – 2011
Awarded by the Ministry of Manpower

SCAL Workplace Safety and Healthy Innovation Award – 2012
Awarded by Singapore Contractors Association Limited

PRODUCTIVITY

Construction Productivity Award – 2013
- 2 Platinum Awards

Awarded by Building and Construction Authority of Singapore

Construction Productivity Award – 2012
- 2 Platinum Awards

Awarded by Building and Construction Authority of Singapore

ACCREDITATIONS

ISO 9001, since 1995
OHSMS 18001, since 2002
ISO 14001, since 2002

CORPORATE INFORMATION

REGISTERED OFFICE

510 Thomson Road,
#08-00 SLF Building,
Singapore 298135
Tel: (65) 6356 0822
Fax: (65) 6356 0688
Company Registration Number: 200807295Z
Website: www.tiongseng.com.sg

BOARD OF DIRECTORS

Mr Pek Ah Tuan (Non-Executive Chairman)
Mr Pek Lian Guan (Executive Director and CEO)
Mr Pay Sim Tee (Executive Director)
Mr Lee It Hoe (Non-Executive Director)
Mr Ong Lay Khiam (Lead Independent Director)
Mr Ang Peng Koon, Patrick (Independent Director)

COMPANY SECRETARIES

Ms Hazel Chia Luang Chew
Ms Juliana Tan Beng Hwee

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

AUDITORS & REPORTING ACCOUNTANTS

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

PARTNER-IN-CHARGE

Teo Han Jo
Date of Appointment: with effect from financial year ended 31 December 2010

PRINCIPAL BANKERS

DBS Bank Ltd
Malayan Banking Berhad
Oversea-Chinese Banking Corporation Limited
The Hong Kong and Shanghai Banking Corporation
United Overseas Bank Limited

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 by adopting and complying (where possible) with the principles and guidelines of the revised Code of Corporate Governance 2012 (the "Code") which was issued on 2 May 2012 by the Monetary Authority of Singapore, with the aim to protect and enhance shareholders' value and 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 Code. The Company confirms that it had adhered to the principles and guidelines as set out in the Code, where applicable, and explanations are provided for areas of non-compliance.

(A) Board Matters

Principle 1: The Board's Conduct of Affairs

The Board is primarily responsible for overseeing and supervising the management of the business affairs of the Group and Board members are expected to bring their diversified knowledge and experience to bear on issues of strategy, performance, resources and standards of conduct and ethics, and to act in good faith and exercise independent judgment in the best interests of the Group.

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) evaluating the adequacy of internal controls and risk management, financial compliance reporting;

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

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

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

The Board had considered and would adopt a formal document setting out specific matters that require the Board's decision, as recommended by the Code.

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 on a quarterly basis to review 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 Articles of Association 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

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, businesses, operations and policies. 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.

As part of their continuing education, the Directors, whether as a group or individually, may attend relevant external courses and seminars to keep themselves apprised of and updated on the latest corporate, regulatory, legal and other requirements, at the Company's expenses. Management will bring to Directors' attention, information on seminars that may be of relevance or useful to them. The Directors and senior management have attended training in enterprise risk management conducted by PriceWaterhouseCoopers LLP.

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.

Details of number of meetings of the Board and Board Committees held in the financial year ended 31 December 2013 ("FY2013"), 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			
Pek Ah Tuan	4/4	–	–	–
Pek Lian Guan	4/4	–	1/1	–
Pay Sim Tee	4/4	–	–	–
Lee It Hoe	3/4	3/4	–	2/2
Ong Lay Khiam	4/4	4/4	1/1	2/2
Ang Peng Koon, Patrick	4/4	4/4	1/1	2/2

Principle 2: Board Composition and Guidance

The Board comprises six directors, one-third of whom is independent, as follows:

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

The size and composition of the Board are reviewed by the Nominating Committee ("NC") to ensure that the Board has the appropriate mix 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 six Directors is appropriate, taking into account the nature and scope of the Group's operations.

As a group, the Directors bring with them a broad range of expertise in areas, such as, 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. Information on each Director's academic and professional qualifications, shareholdings, relationships (if any) and, directorships are presented in the sections entitled "Board of Directors" and "Directors' Report" of this Annual Report.

CORPORATE GOVERNANCE

Non-executive Directors contribute to the Board process by monitoring and reviewing Management's performance against 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.

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. The NC had reviewed the independence of each Director for FY2013 and is satisfied that at least one-third of the Board comprises Independent Directors.

None of the Independent Directors have served on the Board of the Company for a period exceeding nine years. As and when Independent Directors serve beyond nine years, the NC performs a particularly rigorous review to assess the independence of the relevant directors.

Principle 3: Chairman and Chief Executive Officer ("CEO")

The Board reviews the size of the Board on an annual basis, and considers the present Board size as appropriate for the current scope and nature of the Group's operations. 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.

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 Pek Ah Tuan, is one of the founders of the Group. Mr Pek Lian Guan, son of Mr Pek Ah Tuan, is the CEO of the Company. The Chairman, Mr Pek Ah Tuan, is responsible for the workings of the Board and with the assistance of the CEO, manages the business of the Board and ensures that the Directors receive complete, adequate and timely information relating to the Group's operations and businesses.

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.

Notwithstanding the 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.

The Lead Independent Director, Mr Ong Lay Khiam, 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 Chairman, CEO or Chief Financial Officer ("CFO") has failed to provide satisfactory resolution, or when such contact is inappropriate. All the Independent Directors including the Lead Independent Director, meet at least once 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.

CORPORATE GOVERNANCE

Principle 4: Board Membership

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

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

1. to review the Board and Board Committees' structure, size and composition and make recommendations to the Board, where appropriate;

2. to determine the process for search, nomination, selection and appointment of new board members and assessing 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 decide 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 recommend the continuation of services of Directors who have reached the age of 70 years or otherwise; and

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

The NC will put in place a process for selection and appointment of new directors. This provides the procedure for identification of potential candidates, evaluation of candidate's skills, knowledge and experience, assessment of candidates' suitability and recommendation for nomination to the Board.

Although the Non-Executive Director and Independent Directors hold directorships in other listed companies, the NC is satisfied that sufficient time and attention are 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. The Board has determined that the maximum number of listed company board representations which any Director may hold is 5.

In accordance with the Company's Articles of Association, 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 Annual General Meeting ("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, time and effort accorded to the Group's business and affairs).

The NC has recommended the nomination of Mr Ong Lay Khiam and Mr Pek Lian Guan for re-election at the forthcoming AGM. The Board has accepted this recommendation and being eligible, Mr Ong Lay Khiam and Mr Pek Lian Guan will be offering themselves for re-election at the forthcoming AGM.

Mr Pek Ah Tuan and Mr Lee It Hoe, who are over the age of 70, will retire at the forthcoming AGM. The NC has recommended the nomination of Mr Pek Ah Tuan and Mr Lee It Hoe for re-appointment under Section 153(6) of the Companies Act., Cap. 50. The Board has accepted this recommendation and being eligible, Mr Pek Ah Tuan and Mr Lee It Hoe will be offering themselves for re-appointment at the forthcoming AGM.

CORPORATE GOVERNANCE

The relevant information on each of the above-named Directors is presented in the section entitled "Board of Directors" of this Annual Report.

Principle 5: Board Performance

The NC has established a process for assessing the effectiveness of the Board as a whole. A Board performance evaluation was carried out to assess and evaluate the Board's size, composition and expertise, the Board's access to information, as well as Board accountability and processes. The results of the performance evaluation will be reviewed by the Chairman of the NC. 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.

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.

Principle 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.

Board papers are prepared for each Board meeting and are circulated to the Directors before the scheduled meeting in 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, as appropriate. The Company Secretary provides advice, secretarial support and assistance to the Board and ensure adherence to Board procedures and relevant rules and regulations applicable to the Company.

Pursuant to the Company's Articles of Association, 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 exercises its discretion to seek independent professional advice if deemed necessary at the Company's expense to ensure that full information and advice is available before important decisions are made.

(B) Remuneration Maters

Principle 7: Procedures for Developing Remuneration Policies

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

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

The RC is regulated by a set of written terms of reference. The terms of reference of the RC had been amended to be in line with the recommendations of the Code.

CORPORATE GOVERNANCE

The principal functions of the RC are as follows:

1. to review and recommend to the Board a framework of remuneration and determine the specific remuneration packages and terms of employment of the Directors and key management personnel of the Group;

2. 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; and

3. to review Directors' fees and recommend for shareholders' approval at the AGM

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 FY2013.

Principle 8: Level and Mix of Remuneration

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 key management personnel.

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 contribution and responsibilities of the Directors. The Directors' fee are payable to all the Directors except for the CEO/Executive Director.

The RC had recommended to the Board an amount of S$530,000 as Directors' fee for the financial year ending 31 December 2014, to be paid in arrears. The Board will table this recommendation at the forthcoming AGM for shareholders' approval.

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.

No Director is involved in deciding his own remuneration.

The remuneration packages of Executive Directors and key management consist of fixed and variable components. The fixed component comprises the basic salary and Central Provident Fund ("CPF") contribution. 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.

Contracts with Executive Directors contain "claw back" termination clauses to safeguard the Group's interests in the event of exceptional circumstances of misstatement of financial statements, or of misconduct resulting in financial loss to the Company. The Company is currently working on extending such clauses in the service agreements of key management personnel.

CORPORATE GOVERNANCE

Principle 9: Disclosure on Remuneration

The annual remuneration level and mix of each individual Director for FY2013 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	26	73	1	0	100	1,576
Pay Sim Tee	70	18	3	9	100	445
Non Executive Directors						
Pek Ah Tuan	0	0	3	97	100	361
Lee It Hoe	0	0	0	100	100	40
Ong Lay Khiam	0	0	0	100	100	50
Ang Peng Koon, Patrick	0	0	0	100	100	50

Mr. Pek Dien Kee, son of Mr. Pek Ah Tuan (the Board Chairman) and brother of Mr. Pek Lian Guan (the CEO and an Executive Director), was employed as the Head of Asset Management and a director of a subsidiary of the Group, Tiong Seng Contractors (Private) Limited. He has received remuneration comprising salary and annual bonus in the salary band of between S$400,000 to S$450,000 during FY2013.

The aggregate remuneration paid to the top 5 key management personnel (who are not Directors or the CEO) was S$1,677,000. However, the remuneration of the top 5 key executives (who are not directors or the CEO) is not disclosed in the bands of S$250,000 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 that may be granted to Directors, CEO and the top 5 key management personnel (who are not Directors or the CEO).

The Company has in place a Share Award Scheme administered by the RC. To-date, no awards have been granted under the Tiong Seng Share Award Scheme since its inception. Details of the Share Award Scheme are disclosed under Annex J of the Company's IPO prospectus dated 7 April 2010.

(C) Accountability and Audit

Principle 10: Accountability

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 sensitive report to shareholders.

Financial results are released on a quarterly basis to the shareholders within the timeline stipulated in the SGX-ST Listing Manual. All the financial information presented in the results announcement or Annual Report have been prepared in accordance with the Singapore Financial Reporting Standards and approved by the Board before release to the SGX-ST and the investing public through SGXNET.

Management provides the Board with information on the Group's performance, financial position and prospects on quarterly basis. This is supplemented by regular updates on matters affecting the financial performance, business of the Group, if any.

CORPORATE GOVERNANCE

Principle 11: Risk Management and Internal Controls

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 without subjecting to an unacceptable level of risks.

The Company, with the assistance of PwC, the internal auditor, had carried out an exercise to formalise a Risk Management 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 risk management 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 the internal controls put in place to mitigate them.

The Board has obtained a written confirmation from the CEO and CFO:

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

b) regarding the effectiveness of the Group's risk management systems and internal control systems.

Based on the internal controls established and maintained by the Group, work performed by the internal and external auditors 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 control systems addressing the financial, operational and compliance risks as well as information technology controls were adequate and effective as at 31 December 2013.

Principle 12: Audit Committee

The Audit Committee ("AC") comprises three members, a majority of whom including the Chairman, are Independent Directors:

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

The Board believes that the AC members are appropriately qualified to discharge their duties and responsibilities. Two members of the AC members, 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 meets at least 4 times a year 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 plan, fees, their independence and objectivity, their evaluation of the system of internal controls, their audit reports and their letter to Management and the management's response thereto;

2. to review the quarterly and full-year financial statements of the Company and Group before submission to the Board for approval;

3. to 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 full-year audits;

4. to consider the appointment or re-appointment of the internal and external auditors and matters relating to the resignation or dismissal of the external auditors;

5. to review the effectiveness of the Company's internal audit function;

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

7. 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;

8. 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;

9. 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;

10. to review and discuss with the external auditors any suspected frauds or irregularity, or suspected infringement of any relevant laws, 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

11. to review arrangements by which staff of the Group and external parties may in confidence, raise concerns about possible improprieties in financial reporting or, other matters.

The AC takes measures to keep abreast of the changes to accounting standards and issues which have a direct impact on financial statements, with updates being given by the external and internal auditors.

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.

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.

The accounts of the Company's significant subsidiaries and associated companies are audited by KPMG LLP, an auditing firm registered with the Accounting and Corporate Regulatory Authority, and overseas member firms of KPMG. Accordingly, the Company has complied with the Rules 712 and 715 of the Listing Manual of the SGX-ST. For significant foreign incorporated subsidiaries or associated companies which are not audited by KPMG LLP or overseas member firms of KPMG, the AC and Board are satisfied that Rule 716 of the Listing Manual of the SGX-ST has been complied with.

The AC assesses the independence of the external auditors annually. The AC had reviewed and is satisfied that the non-audit services provided by the auditors in FY2013 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 FY2013 was $154,000. The AC, with the concurrence of the Board, had recommended the re-appointment of KPMG LLP as auditors at the forthcoming AGM.

CORPORATE GOVERNANCE

Details of the remuneration of the auditors of the Company for FY2013 are as follows:

	2013 $'000	2012 $'000
Auditor's remuneration paid/payable to:		
– Auditor of the Company	350	371
– Other Auditors	117	89

The Group has in place a Whistle-Blowing Programme which provides well-defined and accessible channels in the Group through which employees and external parties may raise concern about possible fraudulent activities, malpractices or improper conduct within the Group, in a responsible and effective manner. The Group undertakes to 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.

Principle 13: 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 Group has outsourced its internal audit functions to PwC ("internal auditor"). The internal auditor reports directly to the AC Chairman. 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. The AC assesses the adequacy and effectiveness of the internal audit function on an annual basis.

The AC is satisfied that the internal auditor has the necessary resources to adequately perform its function. 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 Responsibilities

Principle 14: Shareholders Rights

Principle 15: Communication with Shareholders

Principle 16: Conduct of Shareholder Meetings

The Group 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 and proactive communication with its shareholders. The Company disseminates all price-sensitive information to its shareholders via SGXNET and Company's website www.tiongseng.com.sg on a non-selective basis. Quarterly results and material information are published on the SGXNET, the Company's website at www.tiongseng.com.sg and through press releases on a timely basis.

All shareholders receive the Company's Annual Report and notice of AGM and/or General Meetings. The notice of AGM is 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.

CORPORATE GOVERNANCE

Shareholders have the opportunity to participate effectively and to vote in the AGMs/General Meetings either in person or by proxy. 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.

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 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.

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 factor deemed relevant by the Board.

Dealings in Securities

The Group has adopted a policy governing dealings in securities of the Company for Directors and its officers. The Company and its officers are prohibited from dealing in securities of the Company for the periods commencing two weeks before the release of the quarterly results and at least one month before the release of full-year results 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 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 procedures for the identification, approval and monitoring of interested person transactions. All interested person transactions 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.

CORPORATE GOVERNANCE

The Company does not have a mandate for transactions with interested persons. The aggregate value of interested person transactions entered into during FY2013 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)
Peck Tiong Choon Leasing Pte Ltd	S$331,000	–
Peck Tiong Choon (Private) Limited	S$466,000	–
Peck Tiong Choon Transport (Pte) Ltd	S$10,270,000	–

Material Contracts

Save for 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 the financial year ended 31 December 2013.

Update on Use of Proceeds

As at 28 March 2014, save for approximately S$0.2 million of the proceeds used to pay for expenses relating to the Rights Issue, the net proceeds of S$27.4 million from the Rights Issue has not been utilized.

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DIRECTORS' REPORT

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 2013.

Directors

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

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

Directors' interests

According to the register kept by the Company for the purposes of Section 164 of the Singapore 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	Holdings as at 21 January 2014
Pek Ah Tuan			
Tiong Seng Shareholdings Pte. Ltd.			
– ordinary shares			
– interests held	10,924	10,924	10,924
– deemed interests	95,944	95,944	95,944
The Company			
– ordinary shares			
– interests held	6,008,200	6,008,200	7,209,840
– deemed interests	53,769,200	53,769,200	64,523,040
Pek Lian Guan			
The Company			
– ordinary shares			
– deemed interests	2,000,000	2,000,000	2,400,000
Ong Lay Khiam			
The Company			
– ordinary shares			
– interests held	530,000	530,000	636,000

DIRECTORS' REPORT

Name of director and corporation in which interests are held	Holdings at beginning of the year	Holdings at end of the year	Holdings as at 21 January 2014
Lee It Hoe			
The Company			
– ordinary shares			
– deemed interests	477,125,550	477,125,550	572,550,660
Ang Peng Koon, Patrick			
The Company			
– ordinary shares			
– interests held	530,000	530,000	530,000

By virtue of Section 7 of the Act, Pek Ah Tuan, 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 report, 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.

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.

Except for salaries, bonuses and fees and those benefits that are disclosed in this report and in note 30 to the financial statements, since the end of the last financial year, no director has received or become entitled to receive, a benefit by reason of a contract made by the Company or a related corporation with the director, or with a firm of which he is a member, or with a Company in which he has a substantial financial interest.

Share options

During the financial year, there were:

(i) no options granted by the Company or its subsidiaries 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.

DIRECTORS' REPORT

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.

Audit Committee

The members of the Audit Committee during the year and at the date of this report 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 Companies Act, the SGX Listing Manual and the Code of Corporate Governance.

The Audit Committee has held 4 meetings since the last directors' report. 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' REPORT

Auditors

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

On behalf of the Board of Directors

Pek Ah Tuan
Director

Pek Lian Guan
Director

28 March 2014

STATEMENT BY DIRECTORS

In our opinion:

(a) the financial statements set out on pages 45 to 123 are drawn up so as to give a true and fair view of the state of affairs of the Group and of the Company as at 31 December 2013 and the results, 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; 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.

On behalf of the Board of Directors

Pek Ah Tuan
Director

Pek Lian Guan
Director

28 March 2014

INDEPENDENT AUDITORS' REPORT

Members of the Company
Tiong Seng Holdings Limited

Report on the financial statements

We have audited the accompanying financial statements of Tiong Seng Holdings Limited ("the Company") and its subsidiaries ("the Group"), which comprise the statements of financial position of the Group and the Company as at 31 December 2013, the statement of comprehensive income, statement of changes in equity and statement of cash flows of the Group for the year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 45 to 123.

Management's responsibility for the financial statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Singapore Companies Act, Chapter 50 ("the Act") and Singapore Financial Reporting Standards, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair profit and loss accounts and balance sheets and to maintain accountability of assets.

Auditors' responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

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

INDEPENDENT AUDITORS' REPORT

Members of the Company
Tiong Seng Holdings Limited

Report on other legal and regulatory requirements

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

KPMG LLP
Public Accountants and
Chartered Accountants

Singapore
28 March 2014

STATEMENTS OF FINANCIAL POSITION

As at 31 December 2013

	Note	Group 2013 $'000	Group 2012 $'000	Company 2013 $'000	Company 2012 $'000
Non-current assets					
Property, plant and equipment	4	87,052	84,376	–	–
Intangible assets	5	6,307	7,146	–	–
Investment properties	6	17,999	18,021	–	–
Investment in subsidiaries	7	–	–	59,624	59,624
Associates and joint ventures	8	25,903	35,093	–	–
Trade and other receivables	9	33,872	20,332	–	–
Other investments	10	6,018	6,027	–	–
Deferred tax assets	11	3,921	6,907	–	–
		181,072	177,902	59,624	59,624
Current assets					
Inventories	12	2,714	2,625	–	–
Construction work-in-progress	13	43,519	66,408	–	–
Development properties	14	390,296	351,243	–	–
Other investments	10	–	194	–	–
Trade and other receivables	9	225,115	163,835	10,037	11
Amounts due from related parties	15	27,069	21,137	44,871	48,952
Cash and cash equivalents	16	79,812	66,378	26,465	85
Assets held for sale	17	–	371	–	–
		768,525	672,191	81,373	49,048
Total assets		949,597	850,093	140,997	108,672
Equity attributable to owners of the Company					
Share capital	18	154,552	154,552	154,552	154,552
Reserves	19	(34,822)	(76,457)	(18,455)	(45,850)
Retained earnings/(Accumulated losses)		144,918	143,257	(7,778)	(2,201)
		264,648	221,352	128,319	106,501
Non-controlling interests		46,301	45,383	–	–
Total equity		310,949	266,735	128,319	106,501
Non-current liabilities					
Trade and other payables	20	15,847	13,098	–	–
Loans and borrowings	21	93,582	88,947	1,000	–
Deferred tax liabilities	11	3,565	2,541	–	–
		112,994	104,586	1,000	–
Current liabilities					
Progress billings in excess of construction work-in-progress	13	1,480	2,473	–	–
Trade and other payables	20	331,477	289,971	1,510	1,747
Amounts due to related parties	15	26,038	20,422	8,968	420
Loans and borrowings	21	158,455	149,140	1,200	–
Current tax payable		8,204	16,766	–	4
		525,654	478,772	11,678	2,171
Total liabilities		638,648	583,358	12,678	2,171
Total equity and liabilities		949,597	850,093	140,997	108,672

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2013

	Note	2013 $'000	2012 $'000
Revenue			
Revenue from construction contracts	22(a)	576,145	496,412
Revenue from sales of development properties	22(b)	68,720	3,318
Revenue from sales of goods		8,939	10,312
Rental income		1,111	1,385
		654,915	511,427
Other income	23(a)	16,021	3,521
Costs of construction contracts		(530,272)	(446,790)
Costs of sales of development properties		(68,386)	(2,741)
Costs of goods sold		(4,692)	(6,272)
Depreciation and amortisation		(5,855)	(4,704)
Selling expenses		(4,047)	(1,728)
Staff costs	23(c)	(21,594)	(19,730)
Other expenses	23(b)	(13,106)	(11,711)
		(647,952)	(493,676)
Profit from operating activities		22,984	21,272
Finance income	24	3,118	2,027
Finance costs	24	(5,740)	(3,333)
Net finance costs		(2,622)	(1,306)
Share of (loss)/profit of associate and joint ventures, net of tax		(64)	9,166
Profit before tax		20,298	29,132
Tax expense	25	(11,422)	(2,705)
Profit for the year		8,876	26,427
Other comprehensive income			
Items that are or may be reclassified subsequently to profit or loss:			
Translation differences relating to financial statements of foreign subsidiaries		11,604	(5,164)
Exchange differences on monetary items forming part of net investment in a foreign operation		1,843	(1,964)
Foreign currency translation difference on liquidation of subsidiary reclassified to profit and loss		2,139	–
Net change in the fair value of available-for-sale investments		(11)	4
Tax on items that are or may be reclassified subsequently to profit or loss	25	2	425
Other comprehensive income for the year, net of tax		15,577	(6,699)
Total comprehensive income for the year		24,453	19,728

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2013

	Note	2013 $'000	2012 $'000
Profit attributable to:			
Owners of the Company		9,321	25,740
Non-controlling interests		(445)	687
Profit for the year		8,876	26,427
Total comprehensive income attributable to:			
Owners of the Company		23,561	21,273
Non-controlling interests		892	(1,545)
Total comprehensive income for the year		24,453	19,728
Earnings per share			
– Basic and diluted (cents)	26	1.19	3.29

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2013

	Attributable to owners of the Company									
	Share capital $'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 1 January 2012	154,552	(77,720)	(179)	3,442	22	256	125,299	205,672	48,959	254,631
Total comprehensive income for the year										
Profit for the year	–	–	–	–	–	–	25,740	25,740	687	26,427
Other comprehensive income										
Translation differences relating to financial statements of foreign subsidiaries	–	–	–	–	–	(2,932)	–	(2,932)	(2,232)	(5,164)
Exchange differences on monetary items forming part of net investment in foreign operations	–	–	–	–	–	(1,964)	–	(1,964)	–	(1,964)
Net change in the fair value of available-for-sale investments	–	–	–	–	4	–	–	4	–	4
Tax on other comprehensive income	–	–	–	–	(1)	426	–	425	–	425
Total other comprehensive income	–	–	–	–	3	(4,470)	–	(4,467)	(2,232)	(6,699)
Total comprehensive income for the year	–	–	–	–	3	(4,470)	25,740	21,273	(1,545)	19,728

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2013

	Note	Share capital $'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
		Attributable to owners of the Company									
Transaction with owners, recognised directly in equity											
Contributions by and distributions to owners											
Dividends declared	18	–	–	–	–	–	–	(7,660)	(7,660)	(98)	(7,758)
Capital contribution by non-controlling interest		–	–	–	–	–	–	–	–	134	134
Transfer to statutory reserve		–	–	–	122	–	–	(122)	–	–	–
Total contributions by and distributions to owners		–	–	–	122	–	–	(7,782)	(7,660)	36	(7,624)
Changes in ownership interests in subsidiaries											
Acquisition of non-controlling interests without a change in control		–	–	2,067	–	–	–	–	2,067	(2,067)	–
Total changes in ownership interest in subsidiaries		–	–	2,067	–	–	–	–	2,067	(2,067)	–
Total transactions with owners of the Company		–	–	2,067	122	–	–	(7,782)	(5,593)	(2,031)	(7,624)
At 31 December 2012		154,552	(77,720)	1,888	3,564	25	(4,214)	143,257	221,352	45,383	266,735

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2013

	Attributable to owners of the Company									
	Share capital $'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 1 January 2013	154,552	(77,720)	1,888	3,564	25	(4,214)	143,257	221,352	45,383	266,735
Total comprehensive income for the year										
Profit for the year	–	–	–	–	–	–	9,321	9,321	(445)	8,876
Other comprehensive income										
Translation differences relating to financial statements of foreign subsidiaries	–	–	–	–	–	10,267	–	10,267	1,337	11,604
Exchange differences on monetary items forming part of net investment in foreign operations	–	–	–	–	–	1,843	–	1,843	–	1,843
Foreign currency translation difference on liquidation of subsidiary reclassified to profit and loss	–	–	–	–	–	2,139	–	2,139	–	2,139
Net change in the fair value of available-for-sale investments	–	–	–	–	(11)	–	–	(11)	–	(11)
Tax on other comprehensive income	–	–	–	–	2	–	–	2	–	2
Total other comprehensive income	–	–	–	–	(9)	14,249	–	14,240	1,337	15,577
Total comprehensive income for the year	–	–	–	–	(9)	14,249	9,321	23,561	892	24,453

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2013

	Note	Attributable to owners of the Company									
		Share capital $'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
Transaction with owners, recognised directly in equity											
Contributions by and distributions to owners											
Issue of rights, net of expenses		–	–	27,395	–	–	–	–	27,395	–	27,395
Dividends declared	18	–	–	–	–	–	–	(7,660)	(7,660)	–	(7,660)
Capital contribution by non-controlling interest		–	–	–	–	–	–	–	–	26	26
Total transactions with owners of the Company		–	–	27,395		–	–	(7,660)	19,735	26	19,761
At 31 December 2013		154,552	(77,720)	29,283	3,564	16	10,035	144,918	264,648	46,301	310,949

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

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2013

	Note	2013 $'000	2012 $'000
Cash flows from operating activities			
Profit from operating activities		22,984	21,272
Adjustments for:			
Depreciation and amortisation		15,511	9,026
Gain on disposal of:			
– investment properties	23(a)	(8,133)	(343)
– property, plant and equipment	23(a)	(23)	(492)
Write off of property, plant and equipment	23(b)	–	58
		30,339	29,521
Changes in:			
Inventories		19	(1,468)
Construction work-in-progress		21,836	(4,615)
Development properties		(696)	(39,473)
Trade and other receivables		(62,443)	(45,802)
Balances with related parties (trade)		862	5,558
Trade and other payables		34,764	80,189
Cash generated from operations		24,681	23,910
Tax paid		(18,267)	(7,826)
Tax refunded		–	3,199
Net cash from operating activities		6,414	19,283
Cash flows from investing activities			
Balances with related parties (non-trade)		(3,680)	(299)
Balances with holding company (non-trade)		(2,420)	–
Dividends received from joint ventures		10,995	8,000
Dividend received from available for sale investments		4	–
Interest received		625	362
Loan to a joint venture		–	(16,965)
Proceeds from disposal of:			
– investment properties		8,946	698
– other investments		3,849	–
– property, plant and equipment		111	619
Purchase of:			
– other investments		(3,646)	–
– intangible assets		(872)	(1,128)
– property, plant and equipment		(14,728)	(38,791)
Net cash used in investing activities		(816)	(47,504)

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

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2013

	Note	2013 $'000	2012 $'000
Cash flows from financing activities			
Balances with related parties (non-trade)		(64)	(1,705)
Capital contribution by non-controlling interests		26	134
Repayment of loan to non-controlling interest		(2,577)	–
Dividends paid to:			
– non-controlling interests		–	(98)
– owners of the Company		(7,660)	(7,240)
Increase in deposits pledged		(1,515)	(101)
Interest paid		(16,122)	(15,506)
Proceeds from issue of rights		17,551	–
Payments of finance lease liabilities		(586)	(418)
Proceeds from loans from business associates		–	1,940
Proceeds from loans and borrowings		162,970	171,272
Repayments of loans and borrowings		(157,980)	(131,796)
Net cash (used in)/from financing activities		(5,957)	16,482
Net decrease in cash and cash equivalents		(359)	(11,739)
Cash and cash equivalents at beginning of the year		49,282	62,004
Effect of exchange rate changes on balances held in foreign currencies		643	(983)
Cash and cash equivalents at end of the year	16	49,566	49,282

Significant non-cash transactions

During the financial year, the Group purchased property, plant and equipment, amounting to $16,353,000 (2012: $40,362,000), of which $1,625,000 (2012: $1,571,000) was acquired under financing arrangement.

NOTES TO THE FINANCIAL STATEMENTS

These notes form an integral part of the financial statements.

The financial statements were authorised for issue by the Board of Directors on 28 March 2014.

1. Domicile and activities

Tiong Seng Holdings Limited (the "Company") is a company incorporated in Singapore. The address of the Company's registered office is 510 Thomson Road, #08-00 SLF Building, Singapore 298135.

The financial statements of the Group as at and for the year ended 31 December 2013 comprise the Company and its subsidiaries (together referred to as the "Group" and individually as "Group entities") and the Group's interest in associates and jointly controlled entities.

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

2. Basis of preparation

2.1 Statement of compliance

The financial statements have been prepared in accordance with the Singapore Financial Reporting Standards ("FRS").

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 has 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 FRSs 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.

NOTES TO THE FINANCIAL STATEMENTS

There are no critical judgements in applying accounting policies that have 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 within the next financial year are included in the following notes:

Note 4	–	measurement of recoverable amounts of property, plant and equipment
Note 5	–	measurement of recoverable amounts of intangible assets
Note 6	–	measurement of recoverable amounts of investment properties
Note 8	–	measurement of recoverable amounts of investment in joint ventures
Note 10	–	assessment of impairment losses on other investments
Note 14	–	measurement of carrying amounts of completed properties held for sale and properties under development
Note 22	–	revenue and costs recognition from construction contracts and development properties
Note 25	–	estimation of provisions for current and deferred taxation

2.5 Changes in accounting policies

Presentation of items of other comprehensive income

From 1 January 2013, as a result of the amendments to FRS 1, the Group has modified the presentation of items of other comprehensive income in its consolidated statement of comprehensive income, to present separately items that would be reclassified to profit or loss in the future from those that would never be. Comparative information has also been re-presented accordingly.

The adoption of the amendment to FRS 1 has no impact on the recognised assets, liabilities and comprehensive income of the Group.

Fair value measurement

FRS 113 establishes a single framework for measuring fair value and making disclosures about fair value measurements, when such measurements are required or permitted by other FRSs. In particular, it unifies the definition of fair value as the price at which an orderly transaction to sell an asset or to transfer a liability would take place between market participants at the measurement date. It also replaces and expands the disclosure requirements about fair value measurements in other FRSs, including FRS 107 *Financial Instruments: Disclosures*.

From 1 January 2013, in accordance with the transitional provisions of FRS 113, the Group has applied the new fair value measurement guidance prospectively, and has not provided any comparative information for new disclosures. Notwithstanding the above, the change had no significant impact on the measurements of the Group's assets and liabilities. The additional disclosure necessary as a result of the adoption of this standard has been included in note 32.

NOTES TO THE FINANCIAL STATEMENTS

3. Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these financial statements, and have been applied consistently by Group entities, except as explained in note 2.5, which addresses changes in accounting policies.

3.1 Basis of consolidation

Business combinations

Business combinations are accounted for using the acquisition method in accordance with FRS 103 *Business Combination* as at the acquisition date, which is the date on which control is transferred to the Group. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, the Group takes into consideration potential voting rights that are currently exercisable.

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 in the acquire; 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.

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 acquisition date and included in the consideration transferred. If the contingent consideration is classified as equity, it is not remeasured and settlement is accounted for within equity. Otherwise, subsequent changes to the fair value of the contingent consideration are recognised in profit or loss.

Non-controlling interests 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 non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets, at the acquisition date. The measurement basis taken is elected on a transaction-by-transaction basis. All other non-controlling interests are measured at acquisition-date fair value, unless another measurement basis is required by FRSs.

Costs related to the acquisition, other than those associated with the issue of debt or equity securities, 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 non-controlling interests 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

Subsidiaries

Subsidiaries are entities controlled by the Group. 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 non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interests 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

Upon the loss of control, the Group derecognises the assets and liabilities of the subsidiary, any non-controlling interests and the other components of equity related to the subsidiary. Any surplus or deficit arising on the loss of control is recognised in profit or loss. If the Group retains any interest in the previous subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently, it is accounted for as an equity-accounted investee or as an available-for-sale financial asset depending on the level of influence retained.

Investments in associates and jointly controlled entities (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 between 20% and 50% of the voting power of another entity. Joint ventures are those entities over whose activities the Group has joint control, established by contractual agreement and requiring unanimous consent for strategic financial and operating decisions.

Investments in associates and jointly controlled entities are accounted for using the equity method (equity-accounted investees) and are recognised initially at cost. The cost of the investments includes transaction costs.

The consolidated financial statements include the Group's share of the profit or loss and other comprehensive income of the equity-accounted investees, after adjustments to align the accounting policies of the equity-accounted investees 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.

NOTES TO THE FINANCIAL STATEMENTS

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 jointly controlled entities 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.

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 end of the reporting period are retranslated 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 retranslated 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 retranslation are recognised in profit or loss, except for differences which are recognised in other comprehensive income arising on the retranslation of:

- monetary items that in substance form part of the Group's net investment in a foreign operation (see below); or
- available-for-sale equity instruments (except on impairment in which case foreign currency differences that have been recognised in other comprehensive income are reclassified to profit or loss).

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 end of the reporting period. The income and expenses of foreign operations are translated to Singapore dollars at exchange rates at the dates of the transactions. Goodwill and fair value adjustments arising on the acquisition of a foreign operation on or after 1 January 2005 are treated as assets and liabilities of the foreign operation and translated at the exchange rates at the end of the reporting period. For acquisitions prior to 1 January 2005, the exchange rates at the date of acquisition were used.

NOTES TO THE FINANCIAL STATEMENTS

Foreign currency differences are recognised in other comprehensive income, 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 non-controlling interests. 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 non-controlling interests. 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 other comprehensive income, 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 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.

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.

NOTES TO THE FINANCIAL STATEMENTS

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 unless it is reasonably certain that the Group will obtain ownership by the end of the lease term. Property 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 land	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.

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 jointly controlled entities, 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 jointly controlled entities.

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.

NOTES TO THE FINANCIAL STATEMENTS

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.

NOTES TO THE FINANCIAL STATEMENTS

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.

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 Financial instruments

Non-derivative financial assets

The Group initially recognises loans and receivables and deposits on the date that they are originated. All other financial assets (including assets designated at fair value through profit or loss) are recognised initially on the trade date, which is the date that the Group becomes a party to the contractual provisions of the instrument.

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Group is recognised as a separate asset or liability.

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

The Group classifies non-derivative financial assets into the following categories: held-to-maturity financial assets, loans and receivables and available-for-sale financial assets.

NOTES TO THE FINANCIAL STATEMENTS

Held-to-maturity financial assets

If the Group has the positive intent and ability to hold debt securities to maturity, then such financial assets are classified as held-to-maturity. Held-to-maturity financial assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, held-to-maturity financial assets are measured at amortised cost using the effective interest method, less any impairment losses.

Held-to-maturity financial assets comprise club membership.

Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method, less any impairment losses.

Loans and receivables comprise cash and cash equivalents, trade and other receivables and amounts due from related parties.

Cash and cash equivalents comprise cash balances and short-term deposits. For the purpose of the statement of cash flows, pledged deposits 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.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale or are not classified in any of the above categories of financial assets. Available-for-sale financial assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses (see note 3.7) and foreign currency differences on available-for-sale debt instruments (see note 3.2), are recognised in other comprehensive income and presented in the fair value reserve in equity. When an investment is derecognised, the gain or loss accumulated in equity is reclassified to profit or loss.

Available-for-sale financial assets comprise equity securities.

Non-derivative financial liabilities

The Group initially recognises debt securities issued and subordinated liabilities on the date that they are originated. Financial liabilities for contingent consideration payable in a business combination are recognised at acquisition date. All other financial liabilities (including liabilities designated at fair value through profit or loss) are recognised initially on the trade date, which is the date that the Group becomes a party to the contractual provisions of the instrument.

The Group derecognises a financial liability when its contractual obligations are discharged, cancelled or expire.

Financial liabilities for contingent consideration payable in a business combination are initially measured at fair value. Subsequent changes in the fair value of the contingent consideration are recognised in profit or loss.

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

NOTES TO THE FINANCIAL STATEMENTS

The Group classifies non-derivative financial liabilities into the other financial liabilities category. Such financial liabilities are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortised cost using the effective interest method.

Other financial liabilities comprise loans and borrowings, bank overdrafts, trade and other payables and amounts due to related parties.

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.

Financial guarantees

Financial guarantees are financial instruments issued by the Group that require the issuer to make specific payments to reimburse the holder for the loss it incurs because a specified debtor fails to meet payment when due in accordance with the original or modified terms of a debt instrument.

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.

3.7 Impairment

Non-derivative financial assets

A financial asset not carried at fair value through profit or loss, including an interest in an associate and jointly controlled entity, is assessed at the end of each reporting period to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event(s) has occurred after the initial recognition of the asset, and that the loss event(s) has impact on the estimated future cash flows of that asset that can be estimated reliably.

Objective evidence that financial assets (including equity securities) are impaired can include default or delinquency by a debtor, restructuring of an amount due to the Group on terms that the Group would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, adverse changes in the payment status of borrowers or issuers in the Group, economic conditions that correlate with defaults or the disappearance of an active market for a security. In addition, for an investment in an equity security, a significant or prolonged decline in its fair value below its cost is objective evidence of impairment.

Loans and receivables and held-to-maturity investment securities

The Group considers evidence of impairment for loans and receivables and held-to-maturity investment securities at both a specific asset and collective level. All individually significant loans and receivables and held-to-maturity investment securities are assessed for specific impairment.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows, discounted at the asset's original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance account against loans and receivables or held-to-maturity investment securities. Interest on the impaired asset continues to be recognised. When a subsequent event (e.g. repayment by a debtor) causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

Available-for-sale financial assets

Impairment losses on available-for-sale financial assets are recognised by reclassifying the losses accumulated in the fair value reserve in equity to profit or loss. The cumulative loss that is reclassified from equity to profit or loss is the difference between the acquisition cost, net of any principal repayment and amortisation, and the current fair value, less any impairment loss previously recognised in profit or loss. Changes in cumulative impairment provisions attributable to application of the effective interest method are reflected as a component of interest income. If, in a subsequent period, the fair value of an impaired available-for-sale debt security increases and the increase can be related objectively to an event occurring after the impairment loss was recognised, then the impairment loss is reversed. The amount of the reversal is recognised in profit or loss. However, any subsequent recovery in the fair value of an impaired available-for-sale equity security is recognised in other comprehensive income.

An impairment loss in respect of an associate or jointly controlled entity is measured by comparing the recoverable amount of the investment with its carrying amount in accordance with note 3.7 (see below). 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.

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, the assets' recoverable amounts are 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.

NOTES TO THE FINANCIAL STATEMENTS

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.

3.8 Construction work-in-progress

Construction work-in-progress represents the gross unbilled amount expected to be collected from customers for contract work performed to date. It is measured at cost plus profit recognised to date (see note 3.15) less progress billings and recognised losses. Cost includes all expenditure related directly to specific projects and an allocation of fixed and variable overheads incurred in the Group's contract activities based on normal operating capacity. Allowance is made where applicable for any foreseeable losses on uncompleted contracts as soon as the possibility of the loss is ascertained.

Construction work-in-progress is presented in the statement of financial position as a current asset under "construction work-in-progress" for all contracts in which costs incurred plus recognised profits exceed progress billings. If progress billings exceed costs incurred plus recognised profits, then the difference is presented as a current liability under "progress billings in excess of construction work-in-progress" in the statement of financial position as applicable.

Progress claims not yet paid by the customers are included in the statement of financial position under "accrued receivables". Amounts received before the related work is performed are included in the statement of financial position, as a liability, as "progress billings in excess of construction work-in-progress".

3.9 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, 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 also capitalised, on a specific identification basis, as cost of the development property until the date of its practical completion.

NOTES TO THE FINANCIAL STATEMENTS

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 receipts in advance under current liabilities in the statement of financial position.

3.10 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, 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.

3.11 Non-current assets held for sale

Non-current assets, or disposal groups comprising assets and liabilities, 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, or components of a disposal group, are remeasured in accordance with the Group's accounting policies. Thereafter, the assets, or disposal group, 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 or loss. Gains are not recognised in excess of any cumulative impairment loss.

Investment properties once classified as held for sale are not amortised or depreciated.

NOTES TO THE FINANCIAL STATEMENTS

3.12 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 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.

3.13 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.

3.14 Leases

When entities within the Group are lessees of a finance lease

Leased assets in which the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition, the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

When entities within the Group are lessees of an operating lease

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

Contingent lease payments are accounted for by revising the minimum lease payments over the remaining term of the lease when the lease adjustment is confirmed.

When entities within the Group are lessors of an operating lease

Where the Group leases out assets under operating leases, the leased assets are included in statement of financial position according to their nature and, where applicable, are depreciated in accordance with Group's depreciation policies. Revenue arising from operating leases is recognised in accordance with the Group's revenue recognition policies.

3.15 Revenue

Construction contracts

Contract revenue includes the initial amount agreed in the contract plus any variations in contract work, claims and incentive payments, to the extent that it is probable that they will result in revenue and can be measured reliably. As soon as the outcome of a construction contract can be estimated reliably, contract revenue is recognised in profit or loss in proportion to the stage of completion of the contract. Contract expenses are recognised as incurred unless they create an asset related to future contract activity.

The stage of completion is assessed by reference to surveys of work performed. When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised only to the extent of contract costs incurred that are likely to be recoverable. An expected loss on a contract is recognised immediately in profit or loss.

Sales of development properties

The Group recognises income on property development projects when the risks and rewards of ownership have been transferred to the buyer which is typically evidenced by fulfilment of the followings:

(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.

Sales of goods

Revenue from the sale of goods in the course of ordinary activities is measured at the fair value of the consideration received or receivable, net of returns, trade discounts and volume rebates. Revenue is recognised when significant risks and rewards of ownership have been transferred to the customer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably. If it is probable that discounts will be granted and the amount can be measured reliably, then the discount is recognised as a reduction of revenue as the sales are recognised.

Rental income

Rental income from investment property is recognised in profit or loss 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. Contingent rentals are recognised as income in the period which they are earned.

NOTES TO THE FINANCIAL STATEMENTS

3.16 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.

3.17 Finance income and costs

Finance income comprises interest income on fund invested (including available-for-sale financial assets), 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 the date that 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, accretion of implicit interest in retention sum payables and discount implicit in retention sum receivables.

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.

3.18 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 other comprehensive income.

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.

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 jointly controlled entities 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 end of the reporting period, 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.

NOTES TO THE FINANCIAL STATEMENTS

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 income 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.

A deferred tax asset is recognised for unused tax losses, 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. 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.

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.

3.19 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.

3.20 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 Chief Executive Officer ("CEO") 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 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 period to acquire property, plant and equipment, and intangible assets other than goodwill.

NOTES TO THE FINANCIAL STATEMENTS

3.21 New standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 January 2013, and have not been applied in preparing these financial statements. Those which may be relevant to the Group that are expected to have a significant effect on the financial statements of the Group and the Company in future financial periods, and which the Group does not plan to early adopt except as otherwise indicated below, are set out below.

Applicable for the Group's 2014 financial statements

FRS 110 *Consolidated Financial Statements* introduces a new control model that is applicable to all investees, by focusing on whether the Group has power over an investee, exposure, or rights to variable returns from its involvement with the investee and ability to use its power to affect those returns. In particular, FRS 110 requires the Group to consolidate investees that it controls on the basis of de facto circumstances.

In accordance with the transitional provisions or FRS110, the Group re-assessed the control conclusion for its investees at 1 January 2013. The adoption of FRS110 has no significant impact on the Group's assessment of its control over its subsidiaries.

FRS 111 *Joint Arrangements*, which establishes the principles for classification and accounting of joint arrangements. The adoption of this standard would require the Group to re-assess and classify its joint arrangements as either joint operations or joint ventures based on its rights and obligations arising from the joint arrangements. Under this standard, interests in joint ventures will be accounted for using the equity method whilst interests in joint operations will be accounted for using the applicable FRSs relating to the underlying assets, liabilities, revenue and expense items arising from the joint operations.

The Group has several investments in joint arrangements. The Group has re-evaluated the rights and obligations of the parties to these joint arrangements and has determined that the parties in this joint arrangement have rights to the net assets of the arrangement. Accordingly, these joint arrangements will be classified as joint ventures under FRS 111 and will be accounted for using the equity method. Currently, the Group's joint arrangements are accounted for as jointly-controlled entities under FRS 31 *Interests in Joint Ventures* using the equity method. As the Group is already applying the equity method of accounting, there will be no impact to the Group's financial statements when the Group adopts FRS 111 in 2014.

FRS 112 *Disclosure of Interests in Other Entities*, which sets out the disclosures required to be made in respect of all forms of an entity's interests in other entities, including subsidiaries, joint arrangements, associates and unconsolidated structured entities. The adoption of this standard would result in more extensive disclosures being made in the Group's financial statements in respect of its interests in other entities; as FRS 112 is primarily a disclosure standard, there will be no financial impact on the results and financial position of the Group and the Company upon adoption of this standard by the Group in 2014.

Amendments to FRS 32 *Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities*, which clarifies the existing criteria for net presentation on the face of the statement of financial position.

Under the amendments, to qualify for offsetting, the right to set off a financial asset and a financial liability must not be contingent on a future event and must be enforceable both in the normal course of business and in the event of default, insolvency or bankruptcy of the entity and all counterparties.

The adoption of the amendment is not expected to have a significant impact on the consolidated financial statement of the Group.

NOTES TO THE FINANCIAL STATEMENTS

4. Property, plant and equipment

Group	Leasehold land $'000	Freehold land $'000	Leasehold properties $'000	Plant and machinery $'000	Tools and moulds $'000	Furniture, equipment and fittings $'000	Motor vehicles $'000	Property under construction $'000	Total $'000
Cost									
At 1 January 2012	5,557	–	14,079	30,259	37,989	4,258	6,909	18,465	117,516
Additions	–	5,019	8,299	10,553	9,666	1,105	721	4,999	40,362
Disposals/write-off	–	–	–	(2,473)	(9)	(213)	(290)	–	(2,985)
Transfer	–	–	15,165	8,299	–	–	–	(23,464)	–
Effects of movements in exchange rates	–	(36)	(33)	(331)	–	(67)	(216)	–	(683)
At 31 December 2012	5,557	4,983	37,510	46,307	47,646	5,083	7,124	–	154,210
Additions	–	54	3,950	6,292	4,637	455	636	329	16,353
Disposals	–	–	–	(105)	(121)	(50)	(120)	–	(396)
Effects of movements in exchange rates	–	(201)	(8)	(1,134)	–	54	(463)	(5)	(1,757)
At 31 December 2013	5,557	4,836	41,452	51,360	52,162	5,542	7,177	324	168,410
Accumulated depreciation and impairment losses									
At 1 January 2012	446	–	4,688	21,847	32,477	2,346	4,377	–	66,181
Depreciation for the year	105	–	924	2,628	1,602	888	727	–	6,874
Disposals/write-off	–	–	–	(2,457)	(2)	(80)	(261)	–	(2,800)
Effects of movements in exchange rates	–	–	(8)	(242)	–	(34)	(137)	–	(421)
At 31 December 2012	551	–	5,604	21,776	34,077	3,120	4,706	–	69,834
Depreciation for the year	105	–	1,161	5,040	5,197	842	703	–	13,048
Disposals	–	–	–	(89)	(109)	(14)	(96)	–	(308)
Effects of movements in exchange rates	–	–	(1)	(871)	–	9	(353)	–	(1,216)
At 31 December 2013	656	–	6,764	25,856	39,165	3,957	4,960	–	81,358
Carrying amounts									
At 1 January 2012	5,111	–	9,391	8,412	5,512	1,912	2,532	18,465	51,335
At 31 December 2012	5,006	4,983	31,906	24,531	13,569	1,963	2,418	–	84,376
At 31 December 2013	4,901	4,836	34,688	25,504	12,997	1,585	2,217	324	87,052

NOTES TO THE FINANCIAL STATEMENTS

The depreciation for the year is analysed as follows:

	Group 2013 $'000	Group 2012 $'000
Depreciation for the year	13,048	6,874
Depreciation included in construction work-in-progress	(9,656)	(4,322)
Depreciation charged to profit or loss	3,392	2,552

Assets held under finance lease

The carrying amounts of property, plant and equipment under finance leases are as follows:

	Group 2013 $'000	Group 2012 $'000
Plant and machinery	1,348	912
Motor vehicles	864	793
	2,212	1,705

Security

Certain property, plant and equipment are mortgaged to the banks as collateral for credit facilities provided to the Group as disclosed in note 21.

5. Intangible assets

Group	Patented technology $'000	Licence fee $'000	Computer software $'000	Total $'000
Cost				
At 1 January 2012	9,529	263	125	9,917
Additions	702	–	426	1,128
Effect of movements in exchange rates	(116)	–	(6)	(122)
At 31 December 2012	10,115	263	545	10,923
Additions	855	–	17	872
Effect of movements in exchange rates	255	–	8	263
At 31 December 2013	11,225	263	570	12,058

NOTES TO THE FINANCIAL STATEMENTS

Group	Patented technology $'000	Licence fee $'000	Computer software $'000	Total $'000
Accumulated amortisation				
At 1 January 2012	2,246	61	17	2,324
Amortisation for the year	1,442	31	70	1,543
Effect of movements in exchange rates	(89)	–	(1)	(90)
At 31 December 2012	3,599	92	86	3,777
Amortisation for the year	1,761	36	57	1,854
Effect of movements in exchange rates	116	–	4	120
At 31 December 2013	5,476	128	147	5,751
Carrying amounts				
At 1 January 2012	7,283	202	108	7,593
At 31 December 2012	6,516	171	459	7,146
At 31 December 2013	5,749	135	423	6,307

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

As at 31 December 2013, the Group performed an impairment review to assess the recoverable amount of its patented technology. The recoverable amount of patented technology was based on its value-in-use, using a pre-tax discount rate of 9.5% (2012: 8.5%). Cash flow was projected based on past experience, actual operating results and the financial budget approved by management for five years. The recoverable amount was estimated to be higher than the carrying amount and no impairment was required.

6. Investment properties

	Note	Group $'000
Cost		
At 1 January 2012		23,576
Disposals		(416)
Transfer to assets held for sale	17	(378)
Effect of movements in exchange rates		(1,033)
At 31 December 2012		21,749
Disposals		(626)
Effect of movements in exchange rates		1,236
At 31 December 2013		22,359

NOTES TO THE FINANCIAL STATEMENTS

	Note	Group $'000
Accumulated depreciation and impairment losses		
At 1 January 2012		3,345
Depreciation for the year		609
Disposals		(61)
Transfer to assets held for sale	17	(7)
Effect of movements in exchange rates		(158)
At 31 December 2012		3,728
Depreciation for the year		609
Disposals		(184)
Effect of movements in exchange rates		207
At 31 December 2013		4,360
Carrying amounts		
At 1 January 2012		20,231
At 31 December 2012		18,021
At 31 December 2013		17,999

The fair value of the investment properties as at 31 December 2013 is $40,751,000 (2012: $40,343,000).

Investment properties comprise commercial and residential properties leased to external customers and held for capital appreciation.

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 2013 $'000	2012 $'000
Within one year	249	220
After one year but within five years	–	35
	249	255

Securities

Certain investment properties of the Group are mortgaged to banks to secure credit facilities as disclosed in note 21.

NOTES TO THE FINANCIAL STATEMENTS

7. Subsidiaries

	Company 2013 $'000	Company 2012 $'000
Unquoted shares in subsidiaries, at cost	59,624	59,624

Details of the subsidiaries are as follows:

Name of subsidiary	Principal Activities	Country of incorporation	Effective equity interest held by the Group 2013 %	Effective equity interest held by the Group 2012 %
Tiong Seng Contractors (Private) Limited ("Tiong Seng Contractors")[1] and its subsidiaries:	Construction works	Singapore	100	100
Steeltech Industries Pte. Ltd.[1]	Construction engineering sub-contracting works for fabrication, supply and installation of pre-cast mould, metalwork, steelwork and aluminium works	Singapore	51	51
TSC Contractors (PNG) Limited[2]	Construction works and rental of equipment	Papua New Guinea ("PNG")	100	100
Lao-Singapore Construction Co., Ltd.[9]	Production of concrete and construction works	Lao People Democratic Republic ("Laos")	–	60
TSC Innovative Builder Pte. Ltd.[1]	Sub-contracting works and provision of training services	Singapore	100	100
Robin Village International Pte. Ltd. ("Robin Village International")[1]	Investment holding	Singapore	100	–
Robin Village Development Pte. Ltd.[1] and its subsidiary:	Pre-casting	Singapore	100	100
Robin Village Sdn. Bhd.[8]	Pre-casting	Malaysia	100	100
Jet-Scan Private Limited[3]	Construction contractor	Singapore	100	100

NOTES TO THE FINANCIAL STATEMENTS

Name of subsidiary	Principal Activities	Country of incorporation	Effective equity interest held by the Group 2013 %	2012 %
Cobiax Technologies AG[4] and its subsidiaries:	Construction technology company specialising in bi-axial lightweight slab system	Switzerland	90	90
Cobiax Technologies GmbH (Austria)[10]	Construction technology company specialising in bi-axial lightweight slab system	Republic of Austria	87	87
Cobiax Technologies Limited (UK)[10]	Construction technology company specialising in bi-axial lightweight slab system	United Kingdom	90	90
Cobiax Technologies GmbH (Germany)[10]	Construction technology company specialising in bi-axial lightweight slab system	Federal Republic of Germany	90	90
Cobiax Technologies (Asia) Pte Ltd[1]	General contractors and sub-contracting works	Singapore	90	90
Chang De Investment Private Limited ("Chang De")[1] and its subsidiaries:	Investment holding	Singapore	100	100
Suzhou Huisheng Construction Development Co., Ltd. ("Suzhou Huisheng")[5] and its subsidiaries:	Property development	People's Republic of China ("PRC")	100	100
Jiangsu Huiyang Construction Development Co., Ltd.[6] and its subsidiary:	Property development	PRC	55	55
Yangzhou Huixin Commercial Asset and Property Management Services Co., Ltd.[6]	Commercial property management and real estate mediatory services	PRC	55	55
Tianjin Zizhulin Development Co., Ltd. ("Zizhulin")[7] and its subsidiaries:	Property development	PRC	80	80
Tianjin Tianmen Jinwan Property Development Co., Ltd.[7]	Property development	PRC	50	50

NOTES TO THE FINANCIAL STATEMENTS

Name of subsidiary	Principal Activities	Country of incorporation	Effective equity interest held by the Group 2013 %	2012 %
Tiontjin Zizhulin Investment Co., Ltd.[7] and its subsidiaries:	Investment holding	PRC	66	66
Cangzhou Huashi Property Development Co., Ltd. ("Cangzhou Huashi")[7]	Property development	PRC	41	41
Tiong Seng (Tianjin) Project Management and Consultancy Co., Ltd.[7]	Construction project management	PRC	99	83
Tianjin Jiashi Asset Management Co., Ltd ("Jiashi")[7] and its subsidiary:	Asset management	PRC	66	66
Tianjin Xin Cheng Asset Management Co., Ltd ("Xin Cheng")[7]	Asset management	PRC	100	–
Tianjin Zizhulin Guangang Property Development Co., Ltd. ("Guangang")[7] and its subsidiary:	Property development	PRC	64	64*
Ealdorman (Tianjin) Hotel Management Co., Ltd[7]	Clubhouse and consultancy services	PRC	64	64
Suzhou Changhe Investment and Development Co., Ltd. ("Changhe")[5]	Property development	PRC	100	100
Tiong Seng Properties (Private) Limited[1]	Investment holding	Singapore	100	100
Yuan Ching Development Pte Ltd[1]	Real estate development	Singapore	100	100

* In 2012, a subsidiary of the Group, Chang De acquired additional equity interest of 5% in Guangang for a purchase consideration of $7,088,000, increasing its equity interest held from 59% to 64%. The carrying amount of Guangang's net assets in the Group's financial statements on the date of acquisition was $42,439,000. The Group recognised a decrease in non-controlling interests and an increase in capital reserve of $2,067,000 respectively.

1 *Audited by KPMG LLP, Singapore*
2 *Audited by HLB Niugini, PNG*
3 *Audited by Fok Oi Leng & Co*
4 *Audited by KPMG AG, Switzerland*
5 *Audited by Suzhou Chung Hwei Certified Public Accountants Co., Ltd., RC*
6 *Audited by Yangzhou Huicheng Union Certified Public Accountants, PRC*
7 *Audited by Tianjin Ruitai Certified Public Accountants Co., Ltd., PRC*
8 *Audited by KPMG, Malaysia*
9 *Lao-Singapore Construction Co. Ltd was liquidated and struck off from the Register of Companies*
10 *Not required to be audited in accordance with the law of the country of incorporation.*

NOTES TO THE FINANCIAL STATEMENTS

8. Associates and joint ventures

	Group 2013 $'000	Group 2012 $'000
Investment in associate	–	–
Investments in joint ventures	3,703	12,893
	3,703	12,893
Loan to a joint venture	22,200	22,200
	25,903	35,093

The loan to a joint venture is unsecured and bears interest from 1.50% to 1.78% (2012: 1.58% to 1.79%) per annum. The settlement of the loan is neither planned nor likely to occur in the foreseeable future. As the amount is, in substance, a part of the Company's net investments in the joint venture, it is stated at cost less impairment.

Detail of the associate is as follows:

Name of associate	Principal Activities	Country of Incorporation	Effective equity interest held by the Group 2013 %	Effective equity interest held by the Group 2012 %
Fierce (Suzhou) Co., Ltd.	Advertising and related business	PRC	40	40

The associate is 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.

NOTES TO THE FINANCIAL STATEMENTS

Details of the joint ventures are as follows:

Name of joint venture	Principal Activities	Country of incorporation/ operation	Effective equity interest held by the Group 2013 %	2012 %
Incorporated joint ventures				
Sindia Consortium Pte. Ltd.[1]	Other investment holdings	Singapore	25	25
Cesma-Hua Kok-Tiong Seng-Neo Construction (India) Private Limited[2]	Construction works	India	25	25
Feature (Balmoral) Pte. Ltd.[4]	Real estate development	Singapore	30	30
Unincorporated joint ventures				
Samsung-Tiong Seng Joint Venture (partnership)[5]	Building construction	Singapore	30	30
Kajima-Tiong Seng Joint Venture (partnership)[3]	Building construction	Singapore	40	40
Kajima-Tiong Seng Joint Venture (partnership)[3]	Construction works	Singapore	30	30
Kajima-Tiong Seng Joint Venture (partnership)[3]	Building construction	Singapore	20	–
GS E&C – TSC JV (partnership)[4]	Construction works	Singapore	30	30
Samsung-Tiong Seng Joint Venture (partnership)[4]	Building construction	Singapore	45	45

1 *Audited by PriceWaterhouseCoopers LLP, Singapore and is under voluntary liquidation*
2 *Audited by Ramasamy Koteswara Rao & Co*
3 *Audited by Smalley and Co.*
4 *Audited by KPMG LLP, Singapore*
5 *Audited by RSM Chio Lim Stone Forest*

NOTES TO THE FINANCIAL STATEMENTS

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

	2013 $'000	2012 $'000
Assets and liabilities		
Total assets	119	112
Total liabilities	(375)	(350)
Results		
Revenue	–	67
Expenses	–	(39)
Profit after taxation	–	28

There were no capital commitments and contingent liabilities as at 31 December 2013 and 2012.

The Group's share of the joint ventures' assets, liabilities and results is as follows:

	2013 $'000	2012 $'000
Assets and liabilities		
Total assets	114,527	162,726
Total liabilities	(110,824)	(149,833)
Results		
Revenue	37,302	100,808
Expenses	(37,287)	(89,765)
Profit before taxation	15	11,043
Income tax	(79)	(1,877)
(Loss)/Profit after taxation	(64)	9,166

There were no contingent liabilities as at 31 December 2013 and 2012. The Group's share of commitment has been included in 28(a).

Details of significant judgement relating to revenue and cost recognition of construction contract are set out in note 22(a).

NOTES TO THE FINANCIAL STATEMENTS

9. Trade and other receivables

	Note	Group 2013 $'000	Group 2012 $'000	Company 2013 $'000	Company 2012 $'000
Non-current					
Retention monies on construction contracts		33,872	20,332	–	–
		33,872	20,332	–	–
Current					
Trade receivables		51,050	47,007	–	–
Less: Allowance for doubtful receivables	32(b)	(309)	(528)	–	–
		50,741	46,479	–	–
Advances to suppliers:					
– trade		6,179	1,656	–	–
– non-trade		143	135	–	–
Accrued receivables		100,548	67,050	–	–
Retention monies on construction contracts		48,016	38,177	–	–
Deposits and prepayments		3,198	3,833	11	11
Tax prepayments		977	783	–	–
Other receivables		15,313	5,722	10,026	–
		225,115	163,835	10,037	11
Total		258,987	184,167	10,037	11

Included in other receivables is rights issue receivable amounting to $10,026,000.

The Group and the Company's exposure to credit and currency risks, and impairment losses related to trade and other receivables are disclosed in note 32.

NOTES TO THE FINANCIAL STATEMENTS

10. Other investments

	Group 2013 $'000	Group 2012 $'000
Non-current		
Held-to-maturity		
Club membership, at cost	285	285
Available-for-sale financial assets		
Quoted equity investments, at fair value	42	51
Unquoted equity investments, at cost	8,640	8,640
Impairment losses	(2,949)	(2,949)
	5,691	5,691
	6,018	6,027
Current		
Held-to-maturity		
Other investment, at cost	–	194
Total	6,018	6,221

Unquoted equity securities are measured at cost less impairment losses as the fair values cannot be determined reliably. The value of the unquoted equity securities is dependent on the ultimate method of disposal. The disposal could be effected, for example, by way of a private transaction to strategic buyers or other financial parties, or via a public offering. As such, the variability in the range of reasonable fair value estimates is significant and the probabilities of the various estimates within the range of reasonable inputs are not sufficiently reliable to determine a fair value.

The change in impairment loss in respect of unquoted equity investments during the year is as follows:

	Group 2013 $'000	Group 2012 $'000
At 1 January and 31 December	2,949	2,949

NOTES TO THE FINANCIAL STATEMENTS

11. Deferred tax assets and liabilities

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

	At 1 January 2012 $'000	Recognised in profit or loss (note 25) $'000	Effects of movements in exchange rates $'000	At 31 December 2012 $'000	Recognised in profit or loss (note 25) $'000	Effects of movements in exchange rates $'000	At 31 December 2013 $'000
Group							
Deferred tax assets							
Property, plant and equipment	–	152	–	152	–	–	152
Investment properties	346	(99)	–	247	(46)		201
Trade and other payables	126	(126)	–	–	154	–	154
Inventories	–	96	–	96	–	–	96
Estimated benefit on loss carry forward	7,060	(450)	(77)	6,533	(3,243)	184	3,474
Unabsorbed capital allowances	–	(2)	–	(2)	–	–	(2)
	7,532	(429)	(77)	7,026	(3,135)	184	4,075
Deferred tax liabilities							
Property, plant and equipment	(1,070)	(686)	–	(1,756)	(1,299)	–	(3,055)
Intangible assets	(1,406)	610	–	(796)	298	–	(498)
Other receivables	(279)	261	–	(18)	18	–	–
Trade and other payables	(843)	736	17	(90)	(47)	(29)	(166)
Unremitted earnings	(333)	333	–	–	–	–	–
	(3,931)	1,254	17	(2,660)	(1,030)	(29)	(3,719)

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 2013 $'000	2012 $'000
Deferred tax assets	3,921	6,907
Deferred tax liabilities	(3,565)	(2,541)

NOTES TO THE FINANCIAL STATEMENTS

Unrecognised deferred tax assets

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

	Group 2013 $'000	2012 $'000
Tax losses	39,714	23,669

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 $28,847,000 (2012: $15,107,000) which expire in 5 to 7 years, 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 is not 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 $22,412,000 (2012: $22,060,000) of certain overseas subsidiaries for the year ended 31 December 2013 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.

12. Inventories

	Group 2013 $'000	2012 $'000
Raw materials	2,714	2,625

In 2013, raw materials recognised as cost of sales amounted to $4,171,000 (2012: $4,314,000).

13. Construction work-in-progress

	Group 2013 $'000	2012 $'000
Costs incurred	1,568,153	1,450,285
Attributable profits less recognised losses	136,731	126,344
	1,704,884	1,576,629
Progress billings	(1,662,845)	(1,512,694)
	42,039	63,935
Represented by:		
Construction work-in-progress	43,519	66,408
Progress billings in excess of construction work-in-progress	(1,480)	(2,473)
	42,039	63,935

NOTES TO THE FINANCIAL STATEMENTS

The followings were capitalised in construction work-in-progress during the year:

	Group 2013 $'000	Group 2012 $'000
Depreciation of property, plant and equipment	9,656	4,322
Staff costs	58,343	42,094
	67,999	46,416

14. Development properties

	Group 2013 $'000	Group 2012 $'000
Completed properties held for sale	9,286	1,111
Properties under development	381,010	350,132
	390,296	351,243
Borrowing costs capitalised during the year	13,017	12,545

Borrowing costs of the Group have been capitalised at rates ranging from 3.28% to 16.00% (2012: 3.43% to 15.00%) per annum for development properties.

All development properties are located in the PRC.

The Group's completed properties held for sale and properties under development 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. If there is an increase in the costs to completion, this may result in recognition of foreseeable losses for properties under development. Such provision requires the use of judgement and estimates.

Where the expectation is different from the original estimate, the carrying value and provision for impairment 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 provision would affect profit or loss in future years.

Securities

Certain development properties of the Group are mortgaged to the banks as collateral for credit facilities provided to the Group as disclosed in note 21.

NOTES TO THE FINANCIAL STATEMENTS

15. Amounts due from/(to) related parties

Amounts due from related parties

	Group		Company	
	2013	2012	2013	2012
	$'000	$'000	$'000	$'000
Current				
Trade amounts due from:				
– corporate shareholder	160	149	–	–
– joint ventures	700	907	–	–
– affiliated corporation	245	216	–	–
	1,105	1,272	–	–
Current				
Non-trade amounts due from:				
– affiliated corporations	83	78	–	–
– joint ventures	8,505	5,629	–	–
– non-controlling interests	14,790	14,119	–	–
– subsidiaries	–	–	44,871	48,952
– holding company	2,420	–	–	–
	25,798	19,826	44,871	48,952
Loans to a non-controlling interest	166	39	–	–
	166	39	–	–
Total amounts due from related parties	27,069	21,137	44,871	48,952

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, holding company and subsidiaries are unsecured, interest-free and repayable on demand.

The non-trade amounts due from non-controlling interests are unsecured, interest-free and repayable on demand except for amounts of $12,244,000 (2012: $11,445,000) which are secured by undistributed retained earnings and expected future earnings of certain subsidiaries attributable to the non-controlling interests.

The loans to a non-controlling interest are secured, interest-free and are repayable on demand.

NOTES TO THE FINANCIAL STATEMENTS

Amounts due to related parties

	Note	Group 2013 $'000	Group 2012 $'000	Company 2013 $'000	Company 2012 $'000
Current					
Trade amounts due to:					
– a corporate shareholder		(142)	(111)	–	–
– an affiliated corporation		(2,941)	(3,326)	–	–
		(3,083)	(3,437)	–	–
Current					
Non-trade amounts due to:					
– non-controlling interests		–	(1,940)	–	–
– holding company	16	(8,548)	–	(8,548)	–
		(8,548)	(1,940)	(8,548)	–
Dividend payable to owner of the Company		(420)	(420)	(420)	(420)
Loans from non-controlling interests		(13,987)	(14,625)	–	–
		(14,407)	(15,045)	(420)	(420)
Total amounts due to related parties		(26,038)	(20,422)	(8,968)	(420)

The non-trade amounts due to non-controlling interests related to the outstanding consideration payable for the acquisition of Cangzhou Huashi. In 2013, the amounts were fully paid.

The non-trade amounts due to holding company and loans from non-controlling interests are unsecured, interest-free and repayable on demand.

NOTES TO THE FINANCIAL STATEMENTS

16. Cash and cash equivalents

	Note	Group 2013 $'000	Group 2012 $'000	Company 2013 $'000	Company 2012 $'000
Cash at banks and in hand		59,530	47,389	26,465	85
Fixed deposits		20,282	18,989	–	–
		79,812	66,378	26,465	85
Bank overdrafts used for cash management purposes	21	(2,920)	(681)		
Deposits pledged		(18,778)	(16,415)		
Restricted cash		(8,548)	–		
Cash and cash equivalents in the statement of cash flows		49,566	49,282		

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 is 0.32% (2012: 0.63%) per annum.

The deposits were pledged as security to obtain bank loans (note 21).

Restricted cash represents excess cash from holding company for issuance of rights (note 15).

17. Assets classified as held for sale

In 2012, the Group entered into a sale agreement to sell investment properties to a third party. Accordingly, the carrying amount of the investment properties of $371,000 was presented as asset held for sale. The sale had been completed in February 2013.

18. Share capital

	Company 2013 No of shares	Company 2013 $'000	Company 2012 No of shares	Company 2012 $'000
Issued and fully paid ordinary shares, with no par value				
At 1 January and 31 December	766,039,750	154,552	766,039,750	154,552

The holders of 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.

Subsequent to the balance sheet date, 153,207,950 new ordinary shares were issued by the Company pursuant to the right issues (note 19). The new ordinary shares are entitled to receive dividends on or after the date of issue of rights shares.

NOTES TO THE FINANCIAL STATEMENTS

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 2013 was 3.5% (2012: 11.6%). 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 any other externally imposed capital requirements.

Dividends

The following exempt (one-tier) dividends were declared and paid by the Group and Company.

	Group and Company	
	2013	**2012**
	$'000	**$'000**
Paid by the Company to owners of the Company		
1 cent per qualifying ordinary share	7,660	7,660

	Group	
	2013	**2012**
	$'000	**$'000**
Paid by a subsidiary to a non-controlling interest		
$Nil per qualifying ordinary share (2012: $2)	–	98

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	
	2013	**2012**
	$'000	**$'000**
0.6 cent per qualifying ordinary share (2012: 1 cent)	5,515	7,660

NOTES TO THE FINANCIAL STATEMENTS

19. Reserves

	Group		Company	
	2013	2012	2013	2012
	$'000	$'000	$'000	$'000
Merger reserve	(77,720)	(77,720)	(45,850)	(45,850)
Capital reserve	29,283	1,888	27,395	–
Statutory reserve	3,564	3,564	–	–
Fair value reserve	16	25	–	–
Foreign currency translation reserve	10,035	(4,214)	–	–
	(34,822)	(76,457)	(18,455)	(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 FRS 27.38B, and the paid up capital of the Company issued for the acquisition.

Capital reserve

Group

The Group's capital reserve arises from additional capital contributed by Tiong Seng Contractors in excess of its share of the registered capital in a subsidiary and effects arising from acquisition of interest in subsidiaries.

Group and Company

On 27 December 2013, the Group undertook a rights issue of 153,207,950 new ordinary shares at an issue price of $0.18 for each rights share pursuant to the renounceable non-underwritten rights issue on the basis of one rights share for every five ordinary shares in the capital of the Company. As at 31 December 2013, rights issue amounting to $27,577,000 are fully paid before they are issued ("prepaid capital contributions") and these are classified as equity instruments and recorded in equity in the Group and the Company's statement of financial position. Transaction costs incurred in connection with the issuance of rights issue amounted to $182,000.

On 7 January 2014, these new ordinary shares were issued by the Company and classified as share capital.

NOTES TO THE FINANCIAL STATEMENTS

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 (中華人民共和國中外合資經營企業法實施條例), 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 (中華人民共和國外商投資企業會計制度[財會字(1992)33號]) and the PRC Company Law (中華人民共和國公司法), 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.

Fair value reserve

The fair value reserve comprises the cumulative net change in the fair value (net of deferred tax effect) of available-for-sale financial assets until the investments are derecognised or impaired.

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.

NOTES TO THE FINANCIAL STATEMENTS

20. Trade and other payables

	Group		Company	
	2013	2012	2013	2012
	$'000	$'000	$'000	$'000
Non-current				
Retention sums payable	15,847	13,098	–	–
Current				
Trade payables	58,280	51,494	–	–
Accrued trade payables	172,407	131,516	–	–
Accrued operating expenses and other payables	30,012	36,456	1,414	1,747
Receipts in advance	49,403	51,646	96	–
Retention sums payable	21,375	18,859	–	–
	331,477	289,971	1,510	1,747
Total	347,324	303,069	1,510	1,747

Included in accrued operating expenses and other payables are accruals for resettlement costs of $1,995,000 (2012: $15,081,000).

Included in receipts in advance as at 31 December 2013 were instalments of sales proceeds received from buyers of $45,544,000 (2012: $48,380,000), in connection with the Group's pre-sales of properties under development and completed properties held for sale.

The Group and the Company's exposure to currency and liquidity risks related to trade and other payables are disclosed in note 32.

NOTES TO THE FINANCIAL STATEMENTS

21. Loans and borrowings

	Note	Group 2013 $'000	Group 2012 $'000	Company 2013 $'000	Company 2012 $'000
Non-current					
Secured bank loans		90,999	88,100	–	–
Unsecured bank loan		1,000	–	1,000	–
Finance lease liabilities		1,583	847	–	–
		93,582	88,947	1,000	–
Current					
Secured bank overdrafts	16	2,920	681	–	–
Secured bank loans		110,843	91,730	–	–
Unsecured bank loan		1,200	–	1,200	–
Secured loan from financial institutions		41,507	53,192	–	–
Finance lease liabilities		740	433	–	–
Unsecured loans from business associates		1,245	3,104	–	–
		158,455	149,140	1,200	–
Total loans and borrowings		252,037	238,087	2,200	–

	Group 2013 $'000	Group 2012 $'000	Company 2013 $'000	Company 2012 $'000
Maturities of liabilities (excluding finance lease liabilities)				
Within 1 year	157,715	148,707	1,200	–
After 1 year but within 5 years	86,545	86,127	1,000	–
After 5 years	5,454	1,973	–	–
	249,714	236,807	2,200	–

NOTES TO THE FINANCIAL STATEMENTS

The secured bank loans, secured bank overdrafts, and secured loan from financial institutions are secured on the following assets:

	Group	
	2013	2012
	$'000	$'000
Carrying amounts of assets:		
Leasehold land	4,901	–
Freehold land	4,836	4,983
Leasehold properties	34,279	8,952
Investment properties	567	963
Development properties	96,747	56,153
Plant and machinery	12,767	3,135
Deposits pledged	18,778	16,415
Total	172,875	90,601

The secured bank loans and secured bank overdrafts are also secured by assignment of rights, interests and benefits in connection with construction contracts.

Secured loan from a bank

Included in the secured bank loans is a loan to Chang De amounting to $89,175,000 (2012: $93,175,000). The bank loan is secured by the followings:

(a) the subordination of the Group's share of existing and future shareholder's loans relating to the Group existing development properties projects;

(b) the assignment of the Group's share of existing and future shareholder's loans relating to the Group existing development properties projects;

(c) the Group's shares in certain other investment; and

(d) the Group's shares in Chang De, TSP, Zizhulin, Guangang, and Changhe.

Secured loan from financial institutions

Pursuant to a loan agreement dated 26 June 2010 and the shareholding entrusted agreements (the "First Agreements"), the shareholders of Guangang pledged their equity interests as well as the shareholders' loan of RMB62,000,000 (approximately $12,027,000) to Northern International Trust & Investment Co., Ltd. ("NIT") as a form of security for loans up to RMB200,000,000 (approximately $38,798,000) for a tenure of 24 months. The terms and conditions of the Agreements provides that NIT will transfer the shares back to the shareholders at no consideration upon the repayment of loan and relevant interest payable by Guangang to NIT on or before 5 March 2013. During the year, the loan was renewed and the repayment date of the loan was extended to 5 August 2014. The shareholders of Xin Cheng pledged their equity interest to NIT as an additional security for the loan. Notwithstanding this, Guangang and Xin Cheng remained as a subsidiary of the Group.

Pursuant to a loan agreement dated 19 April 2012 and the shareholding entrusted agreement (the "Second Agreements"), the shareholders of Jiashi pledged their security interest to NIT as a form of security for loans up to RMB70,000,000 (approximately $13,579,000) for a tenure of 12 months. During the year, the loan was renewed and the repayment date of the loan was extended to 17 December 2014.

NOTES TO THE FINANCIAL STATEMENTS

Unsecured loans from business associates

The unsecured loans from business associates are repayable on demand and interest-free.

Medium term notes

On 10 July 2013, the Company established a $250,000,000 Multi-currency Medium Term Note Programme ("MTN Programme"). Under this MTN Programme, the Company may, subject to compliance with all relevant laws, regulations and directives, from time to time issue fixed, floating, variable or hybrid interest rate notes or zero coupon notes in series or tranches in any currency agreed between the Company and the relevant dealers of the MTN Programme. As at 31 December 2013, the Company has yet to issue any notes under this MTN Programme.

Terms and debt repayment schedule

Terms and conditions of outstanding loans and borrowings are as follows:

Group	Currency	Nominal interest rate per annum %	Year of maturity	Carrying amount $'000
At 31 December 2013				
Secured bank loans	RMB	6.46 – 7.07	2014 – 2016	26,005
Secured bank loans	SGD	1.15 – 3.43	2014 – 2033	175,837
Unsecured bank loan	SGD	2.40 – 3.74	2014 – 2015	2,200
Secured bank overdraft	SGD	5.00 – 6.50	2014	1,400
Secured bank overdrafts	CHF	5.30	2014	1,520
Secured loan from financial institutions	RMB	12.50 – 16.00	2014	41,507
Unsecured loans from business associates	RMB	Nil	2014	1,245
Finance lease liabilities	SGD	1.55 – 6.78	2014 – 2018	2,262
Finance lease liabilities	MYR	4.59	2014 – 2020	61
Total loans and borrowings				252,037

Group	Currency	Nominal interest rate per annum %	Year of maturity	Carrying amount $'000
At 31 December 2012				
Secured bank loans	RMB	6.72 – 8.80	2013 – 2014	36,430
Secured bank loans	SGD	1.38 – 5.25	2013 – 2030	143,400
Secured bank overdrafts	CHF	3.90	2013	681
Secured loan from financial institutions	RMB	10.00 – 15.00	2013	53,192
Unsecured loans from business associates	RMB	Nil	2013	3,104
Finance lease liabilities	SGD	1.55 – 7.48	2013 – 2017	1,210
Finance lease liabilities	MYR	2.46	2013 – 2020	70
Total loans and borrowings				238,087

NOTES TO THE FINANCIAL STATEMENTS

Finance lease liabilities

Finance lease liabilities are repayable as follows:

	Principal $'000	Interest $'000	Payments $'000
At 31 December 2013			
Within 1 year	740	69	809
After 1 year but within 5 years	1,583	87	1,670
	2,323	156	2,479
At 31 December 2012			
Within 1 year	433	29	462
After 1 year but within 5 years	847	65	912
	1,280	94	1,374

22. Revenue

(a) Revenue and costs recognition from construction contracts

The Group recognises contract revenue based on the stage of completion method. 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.

(b) Revenue from sales of development properties

The Group has recognised revenue from the sale of development properties when the risks and rewards of ownership have been transferred to the buyer. The assessment of the transfer of significant risks and rewards requires the examination of the circumstances of the transaction. In most cases, the transfer of risks and rewards of ownership coincides with the date when the equitable interest in the property vests with the buyer upon release of the respective property to the buyer.

NOTES TO THE FINANCIAL STATEMENTS

23. Profit before tax

The following items have been included in arriving at profit before tax:

		Note	Group 2013 $'000	Group 2012 $'000
(a)	**Other income**			
	Government grants		393	73
	Fees from project and property management		1,444	1,541
	Gain on disposal of:			
	– investment properties		8,133	343
	– property, plant and equipment		23	492
	– scrap parts and materials		390	248
	Gain from sales of parking lots		3,356	208
	Training and testing fee income		415	180
	Dormitory rental		314	385
	Compensation income from supplier		596	–
	Others		957	51
			16,021	3,521
(b)	**Other expenses include**			
	Direct operating expenses arising from rental of investment properties, plant and machinery		105	369
	Impairment losses on trade receivables	32(b)	68	8
	Operating lease expenses		1,470	1,355
	Write off of property, plant and equipment		–	58
(c)	**Staff costs**			
	Wages and salaries for staff		74,603	58,056
	Contribution to defined contribution plans		3,432	2,610
	Increase in liability for short-term accumulating compensated absence		88	262
	Others		1,814	896
	Staff costs for the year		79,937	61,824
	The staff costs charged to profit or loss are arrived at as follows:			
	Staff costs for the year		79,937	61,824
	Staff costs capitalised in construction work-in-progress		(58,343)	(42,094)
	Staff costs charged to profit or loss		21,594	19,730

NOTES TO THE FINANCIAL STATEMENTS

24. Finance income and costs

	Group 2013 $'000	Group 2012 $'000
Recognised in profit or loss		
Dividend income from available-for-sale financial assets	4	5
Interest income on:		
– cash and cash equivalents	176	319
– other investment	5	16
– loan to a joint venture	443	407
Accretion of discount implicit in retention sum receivables	1,328	518
Implicit interest in retention sum payables	1,162	762
Finance income	3,118	2,027
Interest expense on:		
– bank loans	(1,953)	(577)
– bank overdrafts	(123)	(77)
– finance leases	(75)	(16)
– loan from financial institutions	(49)	(52)
Accretion of implicit interest in retention sum payables	(1,142)	(507)
Discount implicit in retention sum receivables	(2,001)	(954)
Exchange loss (net)	(397)	(1,150)
Finance costs	(5,740)	(3,333)
Net finance costs recognised in profit or loss	(2,622)	(1,306)
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	624	742
– Total interest expenses on financial liabilities	(2,200)	(722)

NOTES TO THE FINANCIAL STATEMENTS

25. Tax expense

	Group 2013 $'000	Group 2012 $'000
Tax recognised in profit or loss		
Current tax		
Current year	3,528	4,234
Land appreciation tax	3,221	341
Adjustments in prior years	508	(1,045)
	7,257	3,530
Deferred tax		
Origination and reversal of temporary differences	895	(752)
Adjustments in prior years	3,270	(73)
	4,165	(825)
Total tax expense	11,422	2,705

Tax recognised in other comprehensive income

Group	2013 Before tax $'000	2013 Tax expense $'000	2013 Net of tax $'000	2012 Before Tax $'000	2012 Tax expense $'000	2012 Net of Tax $'000
Translation differences for foreign operations	10,267	–	10,267	(2,932)	–	(2,932)
Exchange differences on monetary items forming part of net investment in foreign operations	1,843	–	1,843	(1,964)	426	(1,538)
Foreign currency translation difference on liquidation of subsidiary reclassified to profit and loss	2,139	–	2,139	–	–	–
Available-for-sale financial assets	(11)	2	(9)	4	(1)	3
	14,238	2	14,240	(4,892)	425	(4,467)

NOTES TO THE FINANCIAL STATEMENTS

	Group 2013 $'000	2012 $'000
Reconciliation of effective tax rate		
Profit before tax	20,298	29,132
Less: Share of loss/(profit) of associate and joint ventures, net of tax	64	(9,166)
Profit before tax excluding share of results of associate and joint ventures	20,362	19,966
Tax expenses using domestic rates applicable to different jurisdictions	5,925	2,905
Expenses not deductible for tax purposes	1,036	1,800
Income not subject to tax	(4,515)	(1,953)
Deferred tax benefits not recognised	1,671	1,188
Tax incentives	(278)	(971)
Effect of land appreciation tax	3,221	256
Adjustments in prior years:		
– current tax	508	(1,045)
– deferred tax	3,270	(73)
Others	584	598
	11,422	2,705

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.

Tax incentives

Investment allowance amounted to approximately $1,355,000 (2012: $3,832,000) was granted to a subsidiary of the Company in respect of capital expenditure on approved construction equipment, under Section 67 of the Economic Expansion Incentives (Relief from Income Tax) Act.

In 2013, productivity and innovation tax credit amounted to approximately $279,000 (2012: $1,883,000) was granted to a subsidiary.

NOTES TO THE FINANCIAL STATEMENTS

26. Earnings per share

The calculation of the basic and diluted earnings per share ("EPS") attributable to the ordinary shareholders of the Company of $9,321,000 (2012: $25,740,000) and a weighted average number of ordinary shares outstanding of 783,401,988 (2012: 781,932,691 ordinary shares after adjusting for the rights issue), calculated as follows:

Profit attributable to ordinary shareholders

	Group	
	2013	2012
	$'000	$'000
Earnings per share is based on:		
Profit attributable to ordinary shareholders	9,321	25,740

Weighted average number of ordinary shares

	Number of shares '000	Number of shares '000 Restated*
Issued ordinary shares at 1 January	766,040	766,040
Effect of rights issue	17,362	15,893
Weighted average number of ordinary shares during the year	783,402	781,933

* Adjusted for the bonus element of rights issue (note 19). The rights share were offered at S$0.18 per share and represented a discount to the fair value of existing shares.

27. Operating segments

The Group has four 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.

The following summary describes the operations in each of the Group's reportable segments:

- Construction: Relates to acting as main contractors in construction projects and provision of construction services mainly to property developers in both private and public sectors.
- Property development: Relates to development and sales of properties.
- Rental: Relates to rental of investment properties and plant and machinery.
- Sales of goods: Relates to selling of construction technology.

Other operations include general corporate activities.

NOTES TO THE FINANCIAL STATEMENTS

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.

Information about reportable segments

	Construction $'000	Property development $'000	Rental $'000	Sales of goods $'000	Segments total $'000	Others* $'000	Total $'000
31 December 2013							
External revenues	576,145	68,720	1,111	8,939	654,915	–	654,915
Interest income	45	419	–	–	464	160	624
Interest expenses	(1,727)	(270)	–	(119)	(2,116)	(84)	(2,200)
Depreciation and amortisation	(13,839)	(153)	(609)	(767)	(15,368)	(143)	(15,511)
Reportable segment profit before tax	20,328	(2,397)	8,265	(142)	26,054	(5,692)	20,362
Share of loss of associates and joint ventures, net of tax	(3)	(61)	–	–	(64)	–	(64)
Profit before tax							20,298
Tax expense							(11,422)
Profit for the year							8,876
Reportable segment assets	397,112	458,770	17,999	10,381	884,262	39,432	923,694
Investment in associates and joint ventures	3,280	22,623	–	–	25,903	–	25,903
Total assets							949,597
Reportable segment liabilities	336,271	264,526	–	5,452	606,249	32,399	638,648
Capital expenditure	16,252	15	–	859	17,126	99	17,225

NOTES TO THE FINANCIAL STATEMENTS

	Construction $'000	Property development $'000	Rental $'000	Sales of goods $'000	Segments total $'000	Others* $'000	Total $'000
31 December 2012							
External revenues	496,412	3,318	1,385	10,312	511,427	–	511,427
Interest income	34	584	–	19	637	105	742
Interest expenses	(615)	(309)	–	(89)	(1,013)	291	(722)
Depreciation and amortisation	(6,481)	(160)	(609)	(1,638)	(8,888)	(138)	(9,026)
Reportable segment profit before tax	29,126	(3,176)	397	(674)	25,673	(5,707)	19,966
Share of profit of associates and joint ventures, net of tax	8,979	187	–	–	9,166	–	9,166
Profit before tax							29,132
Tax expense							(2,705)
Profit for the year							26,427
Reportable segment assets	355,742	424,333	18,021	9,049	807,145	7,855	815,000
Investment in associates and joint ventures	12,409	22,684	–	–	35,093	–	35,093
Total assets							850,093
Reportable segment liabilities	279,209	295,788	–	4,470	579,467	3,891	583,358
Capital expenditure	40,310	99	–	1,008	41,417	73	41,490

* General corporate activities

NOTES TO THE FINANCIAL STATEMENTS

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 and property development segments are mainly domiciled in Singapore and the PRC respectively.

	Group	
	2013	2012
	$'000	$'000
Revenue from external customers		
Singapore	568,474	483,819
PRC	69,574	4,171
PNG	7,928	13,158
Europe	8,939	10,279
	654,915	511,427
Non-current assets*		
Singapore	106,244	112,064
PRC	17,181	16,658
PNG	2,498	3,649
Malaysia	5,268	5,088
Europe	6,070	7,177
	137,261	144,636

* The non-current assets consist of property, plant and equipment, intangible assets, investment properties and investment in associate and joint ventures.

Major customers

During the financial years ended 31 December 2013 and 2012, revenue from certain customers (named alphabetically A to D) of the Group's construction segment amount to approximately $300,412,000 (2012: $285,142,000). The details of these customers which individually contributed 10 percent or more of the Group's revenue in the year are as follows:

	2013		2012	
	$'000	%	$'000	%
Customer A	151,399	23	75,877	15
Customer B	80,536	12	72,307	14
Customer C	68,477	10	70,616	14
Customer D	–	–	66,342	13
Total	300,412	45	285,142	56

NOTES TO THE FINANCIAL STATEMENTS

28. Commitments

(a) Commitments

Commitments of the Group not reflected in the financial statements at the respective reporting dates are as follows:

	Group	
	2013 $'000	2012 $'000
Developmental costs contracted but not provided for:		
– subsidiaries	140,892	66,559
– a joint venture	463	458
Purchase of property, plant and equipment	1,993	5,429
	143,348	72,446

(b) Operating lease commitments

At the reporting date, the Group has the following future minimum lease payments under non-cancellable operating leases as follows:

	Group	
	2013 $'000	2012 $'000
Within 1 year	1,886	985
After 1 year but within 5 years	442	1,113
	2,328	2,098

The Group leases three pieces of land and a commercial property under operating leases. The leases run for a period ranging from 1 to 10 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.

NOTES TO THE FINANCIAL STATEMENTS

29. Financial guarantee contracts

(a) Financial guarantees given in respect of mortgage facilities granted to buyers of the Group's properties

	Group	
	2013	2012
	$'000	$'000
Financial guarantees given to banks for mortgage facilities granted to buyers of the Group's properties (unsecured)	–	5,493

In 2012, the Group provided guarantees in respect of mortgage facilities granted by certain banks in connection with the mortgage loans entered into by buyers of the Group's development properties. Pursuant to the terms of the guarantees, if there is a default of the mortgage payments by these buyers, the Group is responsible to repay the outstanding mortgage loans together with any accrued interest and penalty owed by the defaulted buyers to banks. The Group is then entitled to take over the legal title of the related properties. The Group's guarantee period commences from the dates of grant of the relevant mortgage loans and ends upon the earlier of the buyer obtaining the individual property ownership certificate to be lodged with the various banks or the full settlement of mortgage loan by the buyers.

The directors of the Group are of the opinion that such settlements provide sufficient evidence of the buyers' commitment to honour contractual obligation of the bank loans. In addition, based on the past experience, there were no significant defaults of mortgage facilities by the buyers which resulted in the bank guarantees being called upon.

(b) Guaranteed performance bonds

Certain subsidiaries have obtained guarantee from the banks to provide performance bonds to the developers amounting to $161,163,000 (2012: $192,450,000).

(c) Financial guarantees given by the Company in respect of banking facilities provided to subsidiaries

The Company issued financial guarantees to certain banks in respect of banking facilities (inclusive of guaranteed performance bonds) granted to subsidiaries of the Group amounting to $559,873,000 (2012: $521,335,000). As at 31 December 2013, $286,768,000 (2012: $251,134,000) 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.

NOTES TO THE FINANCIAL STATEMENTS

30. Related parties

For the purposes of these financial statements, a party is related to the Group if directly, or indirectly through one or more intermediaries, the party controls, is controlled by, or is under common control with, the Group, or has an interest in the Group that gives it significant influence over the Group, or has joint control over the Group.

(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	
	2013	**2012**
	$'000	**$'000**
Short-term employee benefits	4,426	4,242
Post-employment benefits	81	80
	4,507	4,322
Director fees payable by the Company	530	490

(b) Significant transactions with related parties

Other than disclosed elsewhere in the financial statements, transactions with related parties are as follows:

	Group	
	2013	**2012**
	$'000	**$'000**
A corporate shareholder		
Purchase of plant and equipment	(331)	–
Rental fee paid and payable for parking lots	–	(188)
Rental fee paid and payable for land	(466)	(784)
Jointly controlled entities		
Revenue from construction contracts	–	371
Affiliated corporations		
Hiring charges	(10,270)	(6,676)
Non-controlling interests		
Development cost paid and capitalised in development properties	(643)	(1,092)

NOTES TO THE FINANCIAL STATEMENTS

31. 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 shares issued and/or issuable under 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.

32. 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.

NOTES TO THE FINANCIAL STATEMENTS

(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.

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.

Guarantees

The Group's policy is to provide financial guarantees only to wholly-owned subsidiaries and to buyers of the Group development properties in PRC as disclosed in note 29(a).

The maximum exposure of the Company and a subsidiary in respect of the financial guarantee at the end of the reporting period is $286,768,000 (2012: $251,134,000). At the reporting date, the Company does not consider it probable that the claim will be made against the Company and a subsidiary under the financial guarantee.

Trade and other receivables

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 of the industry and country in which customers operate as these factors may have an influence on credit risk. Approximately 97% (2012: 95%) 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 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 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.

NOTES TO THE FINANCIAL STATEMENTS

Credit risk concentration profile

The Group determines concentration of credit risk by monitoring the country and industry sector profile of its trade receivables on an ongoing basis. The credit risk concentration profile of the Group's trade receivables at the reporting dates is as follows:

	Group			
	2013		2012	
	$'000	%	$'000	%
By country:				
Singapore	47,556	93.7	44,820	96.4
PRC	789	1.6	–	–
Europe	2,396	4.7	1,659	3.6
Total	50,741	100.0	46,479	100.0

	Group			
	2013		2012	
	$'000	%	$'000	%
By industry sectors:				
Construction	47,545	93.7	44,814	96.4
Property development	789	1.6	1	–
Sales of goods	2,407	4.7	1,664	3.6
Total	50,741	100.0	46,479	100.0

The Group's top two (2012: three) most significant customers account for $23,154,000 of the trade receivables carrying amount at 31 December 2013 (2012: $20,422,000).

Impairment losses

The ageing of trade receivables and impairment losses at the reporting dates can be analysed as:

	2013		2012	
	Gross	Impairment	Gross	Impairment
Group	$'000	$'000	$'000	$'000
Neither past due nor impaired	46,288	–	37,669	–
Past due 0-30 days	1,187	58	7,126	24
Past due 31-60 days	593	39	276	17
More than 60 days	2,982	212	1,936	487
	51,050	309	47,007	528

Amount not paid after the credit terms will be considered past due. The credit terms granted to customers are based on their creditworthiness, individual construction contract and the Group's policy.

Based on historical default rates, the Group believes that no additional impairment is necessary.

NOTES TO THE FINANCIAL STATEMENTS

Allowance for impairment losses

The Group establishes an allowance for impairment losses that represents its estimate of incurred losses in respect of trade and other receivables, trade amounts due from joint ventures and investments. The component of this allowance is for specific loss that relates to individually significant exposures. As at 31 December 2013 and 2012, the Group and the Company do not have any collective impairment on its loans and receivables.

The movement in allowances for impairment in respect of trade receivables during the year was as follows:

	Group	
	2013	**2012**
	$'000	**$'000**
At 1 January	528	569
Impairment loss recognised	68	8
Amounts written off	(287)	(49)
At 31 December	309	528

Cash and cash equivalents

The Group held cash and cash equivalents of $79,812,000 as at 31 December 2013 (2012: $66,378,000), which represents its maximum credit exposure on these assets. The cash and cash equivalents are held with banks, which are regulated.

(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 2013, the Group maintains the following lines of credit:

- $8,533,000 (2012: $6,913,000) of secured overdraft facilities, of which $2,920,000 (2012: $681,000) has been drawn down. Interest would be payable at rates ranging from prime rate to prime rate plus 125 basis points (bp); and

- $222,796,000 (2012: $260,250,000) that can be drawn down to meet short-term financing needs. An amount of S$114,372,000 (2012: $160,685,000) has been drawn down at the reporting date.

NOTES TO THE FINANCIAL STATEMENTS

The above lines of credit exclude term loan facilities that have been drawn down as they are no longer available for further utilisation.

In addition, the Group established a $250,000,000 Multi-currency Medium Term Note Programme in 2013 and as at 31 December 2013, the Group has yet to issue any notes under this programme.

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**	**Within 1 to 5 years $'000**	**More than 5 years $'000**
Group					
At 31 December 2013					
Trade and other payables					
Trade payables	58,280	58,280	58,280	–	–
Accrued trade payables	172,407	172,407	172,407	–	–
Accrued operating expenses and other payables	30,012	30,012	30,012	–	–
Retention sums payable	37,222	38,195	21,422	16,773	–
Loans and borrowings					
Secured bank loans	201,842	215,601	111,741	98,696	5,164
Unsecured bank loan	2,200	2,374	1,239	1,135	–
Secured loan from financial institutions	41,507	46,201	46,201	–	–
Secured bank overdrafts	2,920	2,920	2,920	–	–
Finance lease liabilities	2,323	2,479	809	1,670	–
Unsecured loan from business associates	1,245	1,245	1,245	–	–
Amounts due to related parties	26,038	26,038	26,038	–	–
Recognised financial liabilities	575,996	595,752	472,314	118,274	5,164

NOTES TO THE FINANCIAL STATEMENTS

	Carrying amount $'000	Contractual cash flows $'000	Cash flows Within 1 year $'000	Within 1 to 5 years $'000	More than 5 years $'000
Group					
At 31 December 2012					
Trade and other payables					
Trade payables	51,494	51,494	51,494	–	–
Accrued trade payables	131,516	131,516	131,516	–	–
Accrued operating expenses and other payables	36,456	36,456	36,456	–	–
Retention sums payable	31,957	32,864	18,858	14,006	–
Loans and borrowings					
Secured bank loans	179,830	189,551	92,276	95,234	2,041
Secured loan from financial institutions	53,192	55,190	55,190	–	–
Secured bank overdrafts	681	681	681	–	–
Finance lease liabilities	1,280	1,374	462	912	–
Unsecured loan from business associates	3,104	3,104	3,104	–	–
Amounts due to related parties	20,422	20,422	20,422	–	–
Recognised financial liabilities	509,932	522,652	410,459	110,152	2,041
Company					
At 31 December 2013					
Trade and other payables					
Accrued operating expenses and other payables	1,414	1,414	1,414	–	–
Amounts due to related parties	8,968	8,968	8,968	–	–
Loans and borrowings	2,200	2,374	1,239	1,135	–
Recognised financial liabilities	12,582	12,756	11,621	1,135	–
At 31 December 2012					
Trade and other payables					
Accrued operating expenses and other payables	1,747	1,747	1,747	–	–
Amounts due to related parties	420	420	420	–	–
Recognised financial liabilities	2,167	2,167	2,167	–	–

NOTES TO THE FINANCIAL STATEMENTS

The table below shows the contractual expiry by maturity of the Group's and 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	Within 1 to 5 years $'000	More than 5 years $'000	Total $'000
Group				
2013				
Financial guarantees	65,795	95,368	–	161,163
2012				
Financial guarantees	116,616	81,327	–	197,943
Company				
2013				
Financial guarantees	172,734	114,034	–	286,768
2012				
Financial guarantees	135,219	115,915	–	251,134

(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 on risk.

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 dates, the interest rate profile of the Group's interest bearing financial instruments, is as follows:

	Group 2013 $'000	Group 2012 $'000
Variable rate instruments		
Interest bearing loans and borrowings	205,442	179,830

NOTES TO THE FINANCIAL STATEMENTS

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 increased/(decreased) 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 2012.

	Profit before tax	
	100 bp Increase $'000	100 bp Decrease $'000
Group		
2013		
Variable rate instruments	(2,054)	2,054
2012		
Variable rate instruments	(1,798)	1,798

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 currency risk on 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 those transactions primarily are denominated are the Renminbi ("RMB"), Singapore Dollar ("SGD"), Euro ("EURO"), Swiss Franc ("CHF") and United States Dollar ("USD").

NOTES TO THE FINANCIAL STATEMENTS

Exposure to currency risk

The Group's exposure to foreign currency risk based on notional amounts is as follows:

	RMB $'000	SGD $'000	EURO $'000	CHF $'000	USD $'000
Group					
At 31 December 2013					
Trade and other receivables	–	–	1,214	–	7
Amounts due from related parties	17,050	–	12,976	3,422	17,047
Cash and cash equivalents	14,058	–	91	–	3,095
Trade and other payables	–	–	(2,243)	–	–
Loans and borrowings	–	–	–	–	–
Amounts due to related parties	–	(5,553)	–	–	(17,045)
	31,108	(5,553)	12,038	3,422	3,104
At 31 December 2012					
Trade and other receivables	–	–	601	–	–
Amounts due from related parties	16,429	–	11,014	4,418	18,690
Cash and cash equivalents	15,032	–	59	–	17
Trade and other payables	–	–	(1,713)	–	–
Loans and borrowings	–	–	–	–	–
Amounts due to related parties	–	(6,948)	–	–	(18,690)
	31,461	(6,948)	9,961	4,418	17

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/(decrease) profit, and accumulated profits, before any tax effect 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 2013 $'000	Profit before tax 2012 $'000
Group		
RMB	3,111	3,146
SGD	(555)	(695)
EURO	1,204	996
CHF	342	442
USD	310	2

(e) Insurance risk

The Company issues financial guarantees on behalf of its subsidiaries. There are no terms and conditions attached to the financial guarantee contracts that would have a material effect on the amount, timing and certainty of the Company's future cash flows. Estimates of the Company's obligations arising from financial guarantee contracts may be affected by future events, which cannot be predicted with certainty. The assumptions made may vary from actual experience so that the actual liability may vary considerably from the best estimates.

See note 30(c) for information on the periods in which the financial guarantees will expire and the contractual undiscounted cash flow in respect of the financial guarantees.

(f) Determination of fair values

A number of the Group's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

Investment properties

The fair values of investment properties located in Singapore and PRC is based on market values (i.e. 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 having regard to recent market transactions for similar properties in the same locations.

Equity securities

The fair values of quoted investments are determined by reference to their quoted bid prices at the reporting date.

The fair values of unquoted equity investments are estimated using valuation techniques that incorporate assumptions that are not evidenced by prices from observable current market transactions. Instead, they are based on unobservable inputs reflecting assumptions about the way assets would be priced.

The fair values of certain unquoted equity investments have not been determined as the fair value cannot be determined reliably. As a result, the variability in the range of recoverable fair value estimates derived from valuation techniques is expected to be significant.

Non-derivative financial liabilities

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future cash flows, discounted at the market rate of interest at the reporting dates. This fair value is determined for disclosure purposes.

Other financial assets and liabilities

The notional amounts of financial assets and liabilities with a maturity of less than one year (including trade and other receivables, cash and cash equivalents, amounts due from/(to) related parties, trade and other payables and loans and borrowings) are assumed to approximate their fair values because of the short period to maturity. All other financial assets and liabilities are discounted to determine their fair value. This fair value is determined for disclosure purposes.

NOTES TO THE FINANCIAL STATEMENTS

Fair value hierarchy

The Group categorises fair value measurements using a fair value hierarchy that is dependent on the valuation inputs used as follows:

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

	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Financial assets and financial liabilities carried at fair value				
Group				
31 December 2013				
Asset				
Quoted equity securities	42	–	–	42
31 December 2012				
Asset				
Quoted equity securities	51	–	–	51
*Assets and liabilities not carried at fair value but for which fair values are disclosed**				
Group				
31 December 2013				
Asset				
Investment properties	–	40,751	–	40,751
Liability				
Loans and borrowings	–	(247,189)	–	(247,189)
31 December 2012				
Asset				
Investment properties	–	40,343	–	40,343
Liability				
Loans and borrowings	–	(227,224)	–	(227,224)
Company				
31 December 2013				
Liability				
Loans and borrowings	–	(2,149)	–	(2,149)

* Excludes financial assets and financial liabilities whose carrying amounts measured on the amortised cost basis approximate their fair values due to their short-term nature and where the effect of discounting is immaterial.

NOTES TO THE FINANCIAL STATEMENTS

Accounting classifications and fair values

Fair values versus carrying amounts

The fair values of financial assets and liabilities, together with the carrying amounts shown in the statement of financial position, are as follows:

	Note	Loans and receivables $'000	Available-for-sale $'000	Held-to-maturity $'000	Liabilities at amortised cost $'000	Total carrying amount $'000	Fair value $'000
Group							
31 December 2013							
Assets							
Trade and other receivables*	9	248,490	–	–	–	248,490	248,490
Amounts due from related parties	15	27,069	–	–	–	27,069	27,069
Other investments:							
– Club membership	10	–	–	285	–	285	285
– Quoted equity instruments	10	–	42	–	–	42	42
– Unquoted equity instruments	10	–	5,691	–	–	5,691	5,691
Cash and cash equivalents	16	79,812	–	–	–	79,812	79,812
		355,371	5,733	285	–	361,389	361,389
Liabilities							
Amounts due to related parties	15	–	–	–	(26,038)	(26,038)	(26,038)
Trade and other payables#	20	–	–	–	(297,921)	(297,921)	(297,921)
Loans and borrowings	21	–	–	–	(252,037)	(252,037)	(247,189)
		–	–	–	(575,996)	(575,996)	(571,148)

NOTES TO THE FINANCIAL STATEMENTS

	Note	Loans and receivables $'000	Available-for-sale $'000	Held-to-maturity $'000	Liabilities at amortised cost $'000	Total carrying amount $'000	Fair value $'000
Group							
31 December 2012							
Assets							
Trade and other receivables*	9	177,760	–	–	–	177,760	177,760
Amounts due from related parties	15	21,137	–	–	–	21,137	21,137
Other investments:							
– Club membership	10	–	–	285	–	285	285
– Unit trust	10	–	–	194	–	194	194
– Quoted equity instruments	10	–	51	–	–	51	51
– Unquoted equity instruments	10	–	5,691	–	–	5,691	5,691
Cash and cash equivalents	16	66,378	–	–	–	66,378	66,378
		265,275	5,742	479	–	271,496	271,496
Liabilities							
Amounts due to related parties	15	–	–	–	(20,422)	(20,422)	(20,422)
Trade and other payables#	20	–	–	–	(251,423)	(251,423)	(251,423)
Loans and borrowings	21	–	–	–	(238,087)	(238,087)	(227,224)
		–	–	–	(509,932)	(509,932)	(499,069)

* Excluded tax prepayments, deposits and prepayments and advances to suppliers

\# Excluded receipts in advance

NOTES TO THE FINANCIAL STATEMENTS

	Note	Loans and receivables $'000	Liabilities at amortised cost $'000	Total carrying amount $'000	Fair value $'000
Company					
31 December 2013					
Assets					
Trade and other receivables *	9	10,026	–	10,026	10,026
Amounts due from related parties	15	44,871	–	44,871	44,871
Cash and cash equivalents	16	26,465	–	26,465	26,465
		81,362	–	81,362	81,362
Liabilities					
Trade and other payables#	20	–	(1,414)	(1,414)	(1,414)
Amounts due to related parties	15	–	(8,968)	(8,968)	(8,968)
Loans and borrowings	21	–	(2,200)	(2,200)	(2,149)
		–	(12,582)	(12,582)	(12,531)
31 December 2012					
Assets					
Amounts due from related parties	15	48,952	–	48,952	48,952
Cash and cash equivalents	16	85	–	85	85
		49,037	–	49,037	49,037
Liability					
Trade and other payables	20	–	(1,747)	(1,747)	(1,747)
Amounts due to related parties	15	–	(420)	(420)	(420)
		–	(2,167)	(2,167)	(2,167)

* Excluded deposits and prepayments
# Exclude receipts in advance

Interest rates used in determining fair values

The interest rates used to discount estimated cash flows, where applicable, are based on the government yield curve as at the respective reporting dates plus an adequate credit spread, were as follows:

	2013 %	2012 %
Loans and borrowings	5.35 – 6.15	5.38 – 6.15
Retention monies on construction contracts	4.05 – 10.58	4.83 – 10.58
Retention sums payable	4.05 – 10.58	4.83 – 10.58

STATISTICS OF SHAREHOLDINGS

As at 19 March 2014

Distribution of Shareholdings

Size of Shareholdings	No. of Shareholders	%	No. of Shares	%
1 – 999	15	0.76	1,327	0.00
1,000 – 10,000	415	20.95	2,530,900	0.28
10,001 – 1,000,000	1,493	75.36	129,003,885	14.03
1,000,001 AND ABOVE	58	2.93	787,711,588	85.69
TOTAL	**1,981**	**100.00**	**919,247,700**	**100.00**

Twenty Largest Shareholders

No.	Name	No. of Shares	%
1	TIONG SENG SHAREHOLDINGS PTE. LTD.	466,395,920	50.74
2	MAYBANK NOMINEES (SINGAPORE) PRIVATE LIMITED	76,040,000	8.27
3	UNITED OVERSEAS BANK NOMINEES (PRIVATE) LIMITED	65,696,640	7.15
4	WAN SENG ENTERPRISES PTE LTD	25,464,780	2.77
5	SHINGDA CONSTRUCTION PTE LTD	14,927,000	1.62
6	UOB KAY HIAN PRIVATE LIMITED	14,295,200	1.56
7	PECK KHEE SONG @ PECK AH TEE	9,568,400	1.04
8	DBS NOMINEES (PRIVATE) LIMITED	9,133,570	0.99
9	PEK AH TUAN	7,209,840	0.78
10	PAY KIAN MENG GILBERT	5,404,000	0.59
11	LEE KHAR HOON	5,300,000	0.58
12	LEE KENG LAN	4,508,000	0.49
13	HL BANK NOMINEES (SINGAPORE) PTE LTD	3,735,000	0.41
14	LEE HONG CHUAN	3,300,000	0.36
15	ESTATE OF LIM KIM ENG, DECEASED	3,164,700	0.34
16	ANDREW KHNG	2,929,300	0.32
17	LOH AH LAY RICHARD	2,891,000	0.31
18	HENG SIEW ENG	2,749,000	0.30
19	TEO HUAY SIONG	2,657,000	0.29
20	LOW SZE WEE	2,616,000	0.28
	TOTAL	**727,985,350**	**79.19**

STATISTICS OF SHAREHOLDINGS

As at 19 March 2014

SHAREHOLDERS' INFORMATION AS AT 19 March 2014

Class of shares	:	Ordinary shares
Number of Shares issued (excluding Treasury Shares)	:	919,247,700
Voting rights (excluding Treasury Shares)	:	One vote per share

TREASURY SHARES

The Company does not hold any Treasury Shares.

Shareholding of Substantial Shareholders as at 19 March 2014

Name of Substantial Shareholders	Direct		Deemed	
	No. of Shares	%	No. of Shares	%
Tiong Seng Shareholdings Pte Ltd	542,395,920	59.0	–	–
Peck Tiong Choon (Private) Limited [1]	64,523,040	7.0	542,395,920	59.0
Pek Ah Tuan [2]	7,209,840	0.8	64,523,040	7.0
Lee It Hoe [3]	–	–	572,550,660	62.3

Notes:

(1) Peck Tiong Choon (Private) Limited ("PTC") holds approximately 47.8% of the shares in Tiong Seng Shareholdings Pte Ltd ("TSS") and is therefore deemed interested in the shares held by TSS pursuant to Section 7 of the Companies Act, Cap. 50 (the "Act") and Section 4 of the Securities and Futures Act.

The 64,523,040 shares of PTC are registered in the name of United Overseas Bank Nominees Pte Ltd.

(2) Pek Ah Tuan, together with his associates, collectively holds 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 Securities and Futures Act.

(3) Lee It Hoe is deemed interested in the shares held by his associates, namely his brother, Lee Yew Sim (1,525,260 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 (3,164,700 shares), and the 25,464,780 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 29.5% 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.

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Annual General Meeting of TIONG SENG HOLDINGS LIMITED (the "Company") will be held at ***Orchid Country Club***, Emerald Suite, 1 Orchid Club Road, Singapore 769162 on Monday, 28 April 2014 at 9.30 a.m. for the following purposes:

AS ORDINARY BUSINESS

1. To receive and adopt the Directors' Report and Audited Financial Statements for the year ended 31 December 2013 together with the Auditors' Report thereon.

(Resolution 1)

2. To declare a first and final one-tier tax exempt dividend of 0.6 cent per ordinary share for the year ended 31 December 2013 (2012: 1.0 cent per ordinary share).

(Resolution 2)

3. To re-elect the following Directors retiring by rotation pursuant to Article 89 of the Company's Articles of Association:

Mr Ong Lay Khiam **(Resolution 3)**
Mr Pek Lian Guan **(Resolution 4)**

Mr Ong Lay Khiam will, upon re-election as a Director of the Company, remain as Chairman of the Audit Committee and will be considered independent for the purposes of Rule 704(8) of the Listing Manual of the Singapore Exchange Securities Trading Limited ("SGX-ST").

4. To pass the following Ordinary Resolutions pursuant to Section 153(6) of the Companies Act, Cap. 50:

"That pursuant to Section 153(6) of the Companies Act, Cap. 50, Mr Pek Ah Tuan be re-appointed a Director of the Company to hold office until the next Annual General Meeting."
[See Explanatory Note (i)] **(Resolution 5)**

"That pursuant to Section 153(6) of the Companies Act, Cap. 50, Mr Lee It Hoe be re-appointed a Director of the Company to hold office until the next Annual General Meeting."
[See Explanatory Note (i)] **(Resolution 6)**

Mr Lee It Hoe will, upon re-appointment as a Director of the Company, remain a member of the Audit Committee and will be considered non-independent for the purposes of Rule 704(8) of the Listing Manual of the SGX-ST.

5. To approve the payment of Directors' fees amounting to S$530,000 for the year ending 31 December 2014, to be paid in arrears (2013: S$530,000).

(Resolution 7)

6. To re-appoint KPMG LLP as the Company's Auditors and to authorise the Directors to fix their remuneration.

(Resolution 8)

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

AS SPECIAL BUSINESS

To consider and if thought fit, to pass the following resolutions as Ordinary Resolutions, with or without any modifications:

8. **SHARE ISSUE MANDATE**

That pursuant to Section 161 of the Companies Act, Cap. 50 and Rule 806 of the Listing Manual of the SGX-ST, authority be given to the Directors of the Company to issue shares ("Shares") whether by way of rights, bonus or otherwise, and/or make or grant offers, agreements or options (collectively, "Instruments") that might or would require Shares to be issued, including but not limited to the creation and issue of (as well as adjustments to) warrants, debentures or other instruments convertible into Shares at any time and upon such terms and conditions and to such persons as the Directors may, in their absolute discretion, deem fit provided that:

(a) the aggregate number of Shares (including Shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution) does not exceed fifty percent (50%) of the total number of issued shares (excluding treasury shares) in the capital of the Company at the time of the passing of this Resolution, of which the aggregate number of Shares and convertible securities to be issued other than on a pro rata basis to all shareholders of the Company shall not exceed twenty percent (20%) of the total number of issued shares (excluding treasury shares) in the capital of the Company;

(b) for the purpose of determining the aggregate number of Shares that may be issued under sub-paragraph (a) above, the total number of issued shares (excluding treasury shares) shall be based on the total number of issued shares (excluding treasury shares) of the Company as at the date of the passing of this Resolution, after adjusting for:

(i) new shares arising from the conversion or exercise of convertible securities;

(ii) new shares arising from exercising share options or vesting of share awards outstanding or subsisting at the time this Resolution is passed; and

(iii) any subsequent bonus issue, consolidation or subdivision of shares;

(c) and that such authority shall, unless revoked or varied by the Company in general meeting, continue in force (i) until the conclusion of the Company's next Annual General Meeting or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is earlier or (ii) in the case of shares to be issued in accordance with the terms of convertible securities issued, made or granted pursuant to this Resolution, until the issuance of such shares in accordance with the terms of such convertible securities.

[See Explanatory Note (ii)] **(Resolution 9)**

9. **AUTHORITY TO ALLOT AND ISSUE SHARES UNDER THE TIONG SENG SHARE AWARD SCHEME**

That pursuant to Section 161 of the Companies Act, Cap. 50, the Directors be authorised and empowered to allot and issue shares in the capital of the Company pursuant to the vesting of awards under the Tiong Seng Share Award Scheme (the "Scheme") in accordance with the terms and conditions of the Scheme, provided always that the aggregate number of additional ordinary shares to be allotted and issued pursuant to the Scheme shall not exceed fifteen percent (15%) of the total number of issued shares (excluding treasury shares) in the capital of the Company from time to time.

[See Explanatory Note (iii)] **(Resolution 10)**

NOTICE OF ANNUAL GENERAL MEETING

10. **RENEWAL OF SHARE BUY-BACK MANDATE**

That:

(a) for the purposes of Sections 76C and 76E of the Companies Act, Cap. 50 (the "**Act**"), the exercise by the Directors of the Company of all the powers of the Company to purchase or otherwise acquire the issued ordinary shares fully paid in the capital of the Company ("**Shares**") not exceeding in aggregate the Maximum Limit (as hereafter defined), at such price or price(s) as may be determined by the Directors of the Company from time to time up to the Maximum Price (as hereafter defined), whether by way of:

(i) on-market purchases through the SGX-ST's ready market or, as the case may be, any other stock exchange on which the Shares may for the time being be listed or quoted, through one or more duly licensed stockbrokers appointed by the Company for the purpose (the "**On-Market Share Buy-Back**"); and/or

(ii) off-market purchases (if effected otherwise than on the SGX-ST) in accordance with any equal access scheme(s) as defined in Section 76C of the Act as may be determined or formulated by the Directors of the Company as they may consider fit and in the best interests of the Company, which scheme(s) shall satisfy all the conditions prescribed by the Act and the Listing Manual of the SGX-ST (the "**Off-Market Share Buy-Back**").

and otherwise in accordance with all other laws and regulations and rules of the SGX-ST as may for the time being as applicable, be and is hereby authorised and approved generally and unconditionally (the "**Share Buy-Back Mandate**");

(b) unless varied or revoked by the Company in general meeting, the authority conferred on the Directors of the Company pursuant to the Share Buy-Back Mandate may be exercised by the Directors at any time and from time to time during the period commencing from the date of the passing of this resolution and expiring on the earlier of:

(i) the conclusion of the next annual general meeting or the date by which such annual general meeting is required by law to be held;

(ii) the date on which the purchase of Shares by the Company are carried out to the full extent mandated; or

(iii) the date on which the authority contained in the Share Buy-Back Mandate is revoked or varied by the shareholders in a general meeting.

(c) in this resolution:

"**Maximum Limit**" means the number of Shares representing ten per cent (10%) of the total issued ordinary share capital of the Company ascertained as at the date of the passing of this resolution unless the Company has effected a reduction of the share capital of the Company in accordance with the applicable provisions of the Act at any time during the Relevant Period (as defined hereinafter), in which event the issued ordinary share capital of the Company shall be taken to be the amount of the issued ordinary share capital of the Company as altered (excluding any treasury shares that may be held by the Company from time to time);

"**Relevant Period**" means the period commencing from the date on which the last annual general meeting of the Company was held and expiring on the date the next annual general meeting of the Company is held or is required by law to be held, whichever is earlier, or until it is varied or revoked by the Company in general meeting, after the date of the passing of this resolution; and

"**Maximum Price**" in relation to a Share to be purchased, means an amount (excluding brokerage, commissions, stamp duties, applicable goods and services tax and other related expenses) not exceeding:

(i) in the case of an On-Market Share Buy-Back, 105% of the Average Closing Price of the Shares; and

(ii) in the case of an Off-Market Share Buy-Back pursuant to an equal access scheme, 120% of the Average Closing Price of the Shares,

where:

"**Average Closing Price**" means the average of the closing market prices of Shares over the last five (5) Market Days ("Market Day" being a day on which the SGX-ST is open for securities trading), on which transactions in the Shares were recorded, preceding the day of the On-Market Share Buy-Back or, as the case may be, preceding the date of making an announcement by the Company for an offer for an Off-Market Share Buy-Back, and deemed to be adjusted for any corporate action that occurs after the relevant five (5)-day period; and

(d) the Directors be and are hereby authorised to complete and do all such acts and things (including executing such documents as may be required) as they/he/she may consider expedient, necessary, desirable, incidental or in the interests of the Company to give effect to the transactions contemplated and/or authorised by this resolution.

[See Explanatory Note (iv)] **(Resolution 11)**

By Order of the Board

Hazel Chia Luang Chew
Juliana Tan Beng Hwee
Company Secretaries

Singapore, 11 April 2014

NOTICE OF ANNUAL GENERAL MEETING

Explanatory Notes on Resolutions to be passed:

(i) The effect of the Ordinary Resolutions 5 and 6 is to re-appoint Directors of the Company who are over 70 years of age.

(ii) Ordinary Resolution 9, if passed, will empower the Directors from the date of the above Meeting until the date of the next Annual General Meeting, to allot and issue Shares and convertible securities in the Company up to an amount not exceeding fifty percent (50%) of the total number of issued shares (excluding treasury shares) in the capital of the Company, of which up to twenty percent (20%) may be issued other than on a pro rata basis.

(iii) Ordinary Resolution 10, if passed, will empower the Directors of the Company, to allot and issue shares in the capital of the Company pursuant to the vesting of awards under the Scheme provided that the aggregate number of shares to be issued shall not exceed fifteen percent (15%) of the total number of issued shares (excluding treasury shares) in the capital of the Company from time to time.

(iv) Ordinary Resolution 11, if passed, will empower the Directors, from the date of the above Meeting until the next Annual General Meeting is held or is required by law to be held, or until it is varied or revoked by the Company in general meeting, whichever is earlier, to purchase or otherwise acquire issued ordinary Shares of the Company by way of On-Market Share Buy-Backs or Off-Market Share Buy-Backs of up to the Maximum Limit at the Maximum Price in accordance with the terms and conditions set out in the Appendix to this Notice of Annual General Meeting, the Act and the Listing Manual of the SGX-ST. Please refer to the Appendix to this Notice of Annual General Meeting for more details.

Notes:

1. A Member entitled to attend and vote at the Annual General Meeting (the "**Meeting**") is entitled to appoint not more than two (2) proxies to attend and vote in his/her stead. A proxy need not be a Member of the Company.

2. If the appointor is a corporation, the instrument appointing a proxy must be executed under seal or the hand of its duly authorised officer or attorney.

3. The instrument appointing a proxy must be deposited at the Registered Office of the Company at 510 Thomson Road #08-00, SLF Building, Singapore 298135, not less than forty-eight (48) hours before the time appointed for holding the Meeting.

TIONG SENG HOLDINGS LIMITED
(Incorporated In Singapore)
(Co. Reg. No: 200807295Z)

PROXY FORM

(Please see notes overleaf before completing this Form)

IMPORTANT:

1. For investors who have used their CPF monies to buy Tiong Seng Holdings Limited's shares, this Annual Report is forwarded to them at the request of the CPF Approved Nominees and is sent solely FOR INFORMATION ONLY.
2. This Proxy Form is not valid for use by CPF investors and shall be ineffective for all intents and purposes if used or purported to be used by them.
3. CPF investors who wish to vote should contact their CPF Approved Nominees.

*I/We, ______________________________

of ______________________________

being a member/members of TIONG SENG HOLDINGS LIMITED (the "Company"), hereby appoint:

Name	**NRIC/Passport No.**	**Proportion of Shareholdings**	
		No. of Shares	**%**
Address			

and/or (delete as appropriate)

Name	**NRIC/Passport No.**	**Proportion of Shareholdings**	
		No. of Shares	**%**
Address			

or failing *him/her, the Chairman of the Meeting as *my/our *proxy/proxies to vote for *me/us on *my/our behalf at the Annual General Meeting (the "Meeting") of the Company to be held at Orchid Country Club, Emerald Suite, 1 Orchid Club Road, Singapore 769162 on Monday, 28 April 2014 at 9.30 a.m. and at any adjournment thereof. *I/We direct *my/our *proxy/proxies to vote for or against the Resolutions proposed at the Meeting as indicated hereunder. If no specific direction as to voting is given or in the event of any other matter arising at the Meeting and at any adjournment thereof, the *proxy/proxies will vote or abstain from voting at *his/her discretion. The authority herein includes the right to demand or to join in demanding a poll and to vote on a poll.

(Please indicate your vote "For" or "Against" with a tick [☒] within the box provided.)

No.	Resolutions relating to:	For	Against
1	Directors' Report and Audited Financial Statements for the year ended 31 December 2013		
2	Payment of proposed first & final dividend		
3	Re-election of Mr Ong Lay Khiam as a Director		
4	Re-election of Mr Pek Lian Guan as a Director		
5	Re-appointment of Mr Pek Ah Tuan as a Director		
6	Re-appointment of Mr Lee It Hoe as a Director		
7	Approval of Directors' fees amounting to S$530,000 for the financial year ending 31 December 2014		
8	Re-appointment of KPMG LLP as Auditors		
9	Share Issue Mandate		
10	Authority to allot and issue shares under the Tiong Seng Share Award Scheme		
11	Renewal of Share Buy-Back Mandate		

* *Delete where inapplicable*

Dated this __________ day of ____________________ 2014

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

____

Signature of Shareholder(s)/
and, Common Seal of Corporate Shareholder

Notes:

1. Please insert the total number of Shares held by you. If you have Shares entered against your name in the Depository Register (as defined in Section 130A of the Companies Act, Chapter 50 of Singapore), you should insert that number of Shares. If you have Shares registered in your name in the Register of Members, you should insert that number of Shares. If you have Shares entered against your name in the Depository Register and Shares registered in your name in the Register of Members, you should insert the aggregate number of Shares entered against your name in the Depository Register and registered in your name in the Register of Members. If no number is inserted, the instrument appointing a proxy or proxies shall be deemed to relate to all the Shares held by you.

2. A member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint one or two proxies to attend and vote in his/her stead. A proxy need not be a member of the Company.

3. Where a member appoints two proxies, the appointments shall be invalid unless he/she specifies the proportion of his/her shareholding (expressed as a percentage of the whole) to be represented by each proxy.

4. The instrument appointing a proxy or proxies must be deposited at the registered office of the Company at 510 Thomson Road #08-00 SLF Building Singapore 298135 not less than forty-eight (48) hours before the time appointed for the Meeting.

5. The instrument appointing a proxy or proxies must be under the hand of the appointor or of his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed either under its seal or under the hand of an officer or attorney duly authorised. Where the instrument appointing a proxy or proxies is executed by an attorney on behalf of the appointor, the letter or power of attorney or a duly certified copy thereof must be lodged with the instrument.

6. A corporation which is a member may authorise by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the Meeting, in accordance with Section 179 of the Companies Act, Chapter 50 of Singapore.

General:

The Company shall be entitled to reject the instrument appointing a proxy or proxies if it is incomplete, improperly completed or illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the instrument appointing a proxy or proxies. In addition, in the case of Shares entered in the Depository Register, the Company may reject any instrument appointing a proxy or proxies lodged if the member, being the appointor, is not shown to have Shares entered against his name in the Depository Register as at forty-eight (48) hours before the time appointed for holding the Meeting, as certified by The Central Depository (Pte) Limited to the Company.

TIONG SENG HOLDINGS LIMITED
(ESTABLISHED SINCE 1959. SINGAPORE)

(INCORPORATED IN THE REPUBLIC OF SINGAPORE ON 15 APRIL 2008)
(COMPANY REGISTRATION NO. 200807295Z)

510 THOMSON ROAD #08-00 SLF BUILDING SINGAPORE 298135

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