TIONGSENG GROUP 长成控股

# SMART CONSTRUCTION

## FOR A SUSTAINABLE FUTURE

ANNUAL REPORT 2017

# CONTENTS



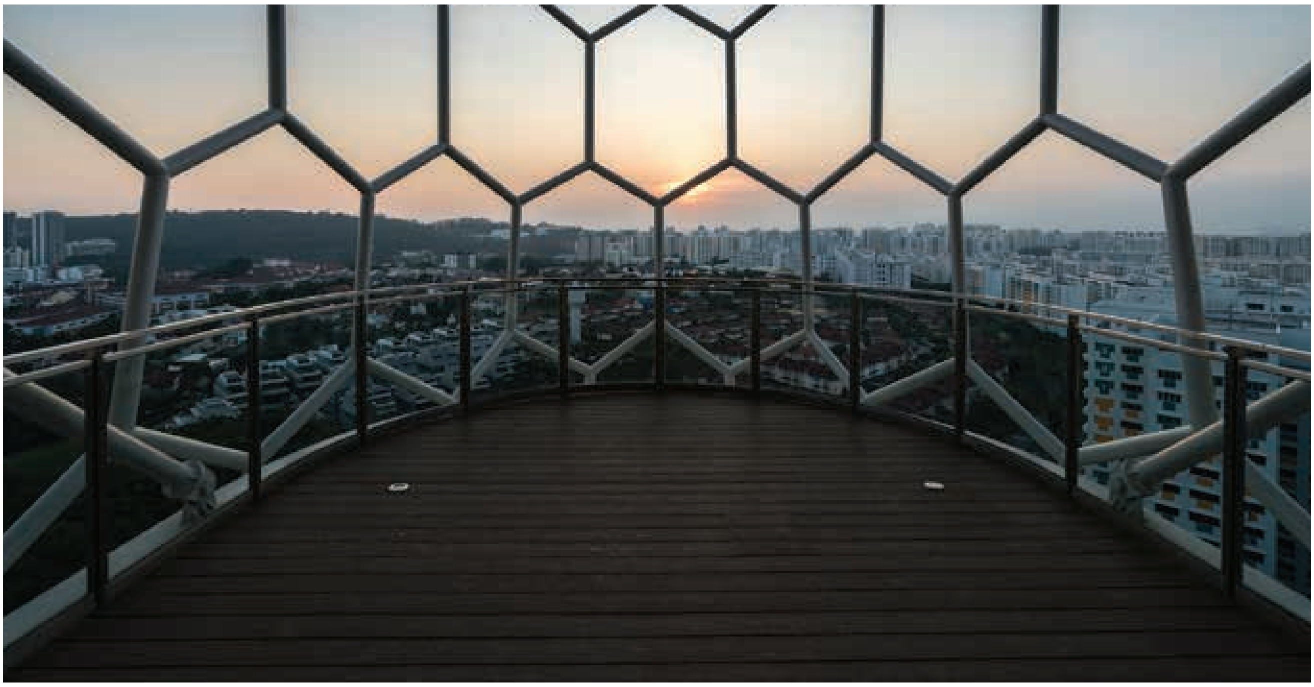
# CORPORATE PROFILE

Riding on the foundation of a robust 59 year track record, Tiong Seng is a homegrown leading construction and civil engineering company in Singapore and a niche real estate developer in the People's Republic of China ("China") and most recently in Singapore as well. Accorded the highest A1 grading from the Building and Construction Authority (BCA) for both general building and civil engineering projects, we are qualified to undertake public sector construction projects with unlimited contract value. We are also the first construction builder in Singapore to receive the prestigious Singapore Quality Award (SQA) in 2013, cementing our commitment towards excellence in construction safety, quality, sustainability, and innovation.

At Tiong Seng, our team rallies around the Tiong Seng Way - our signature promise of integrating rigour and innovation. In essence, we believe in addressing clients' needs by combining the discipline of meticulous project planning and management through the systemisation of innovative building solutions. Over the years, we have constantly invested (and re-invested) in our suite of construction technologies in order to stay ahead of the curve. As a result, we are the pioneering experts in state-of-the-art capabilities such as advanced pre-cast, Prefabricated Prefinished Volumetric Construction (PPVC), Prefabricated Bathroom Units (PBU), Building Information Modeling (BIM), Virtual Design Construction (VDC) and Mass Engineered Timber (MET), amongst others. As we continue to focus on our core strength in harnessing and developing innovative technologies, we believe that our efforts will enable us to not only remain as industry leaders but also combat the market headwinds.

In addition to being at the frontier of an increasingly future-ready construction environment, we seek to capitalise on and scale our suite of construction technologies to provide Engineering Solutions beyond our shores. With this new asset-light business model as the impetus, we expect to capture a vast landscape of untapped opportunities both locally and internationally in the years moving forward.

# COVER STORY



### Sharpening Our Competitive Edge

Having always been at the forefront of harnessing cutting-edge construction technologies, Tiong Seng continues to embrace innovation to build upon its existing suite of technological capabilities. As we nurture these key competencies, it is also vital that we break away from traditional and less efficient methods of construction to remain operationally economical in this sluggish industry landscape. In this light, we strive to streamline our processes and overcome legacy systems by integrating technology via the Internet of Things ("IoT"). Through IoT, we expect to eliminate wastages that are commonplace throughout the construction sector. Furthermore, IoT will serve as an improved platform for communication and coordination between project managers and employees on site, correspondingly allowing for a better allocation and utilisation of resources.

Looking forward to 2018, we embark on our "Tripod" strategy of integrating our competencies in our mainstay Construction and Property Development businesses to devise Engineering Solutions to be provided as a service externally. Restructured from our construction segment, this new division is slated to sharpen our Company's competitive edge and move Tiong Seng up the value chain to become an integrated solutions provider in the construction and development space. Furthermore, we intend to scale the adoption of our technologies by leveraging on Engineering Solutions to introduce a manufacturing approach to construction. With these value-added capabilities, we aim to forge new partnerships both locally and internationally, and in doing so maximise the return on our investments.

On the property development front, we made headway in Singapore by establishing our new property development investment vehicle – TSky Development Pte Ltd – through a 60:40 joint venture with Ocean Sky International Ltd. Subsequently, we had through this new investment vehicle acquired the 17 Balmoral Road plot in Singapore meant for redevelopment into prime residential units.

With our roadmap for growth clearly mapped out, we are confident that our insatiable thirst for innovation and utilisation of technologies will keep us ahead of the curve and reinforce our position as industry leaders for many years to come.

## Technology, the cornerstone of Tiong Seng

### Design for Manufacturing & Assembly (DfMA)

In essence, DfMA is an approach whereby a substantial portion of work is done off-site in a controlled manufacturing environment. As an advocate of taking a manufacturing approach to overcome productivity issues associated with traditional construction methods, we benefit from more productive off-site manufacturing alongside more efficient on-site assembly, thereby reducing our reliance on labour, minimising noise pollution in the surrounding neighbourhood, reducing wastage of resources during construction, and enhancing the safety of the workplace.
Our Prefabricated Pre-finished Volumetric Construction ("PPVC") capabilities remain one of the most crucial components of this approach, while our other complementary innovations include Building Information Modelling ("BIM"), Virtual Design Construction ("VDC") and Mass Engineered Timber ("MET").

The PPVC concept supports our DfMA approach through off-site construction and assembly of free-standing volumetric units, complete with finishes for walls, floors and ceilings, in an accredited facility before transportation to the actual construction site for installation. In efforts to maximise our investment on technologies, we have embarked on the production of PPVC at our new facility, Tiong Seng @ Tuas South, in 2017. Through the combined efforts of our facilities, we have in the first quarter of 2018 completed the JTC Space @ Tuas project with the full implementation of our PPVC capabilities.

In 2018, the Singapore government announced that another 59 DfMA projects could be tendered out during the year, as the Built Environment cluster sub-committee of the Future Economy Council intends to boost productivity in the construction and facilities management industries. The target to achieve 40.0% adoption of DfMA in the construction industry, up from the current 10.0%, is expected to benefit us as a result of our track record in utilising DfMA. The Singapore government has also expressed support by stipulating the use of DfMA when developing government land sale sites where suitable.

JTC Space @ Tuas

# COVER STORY

### Precast Technology

Building on our strength in the adoption of advanced precast technology in Singapore, we have also successfully exported this capability to other areas in the region as well. Having been commissioned in 2014, our joint venture with Shwe Taung Group to establish a precast plant in Myanmar has culminated in the successful completion of several projects in the country, namely the Dagon Seikkan Apartments as well as low cost housing projects in the Yuzana housing estate.

Alongside our joint venture partners, we have successfully introduced a fully precast building system for the 5-storey Yuzana low cost housing block, consisting 60 units at 400 square foot per unit. Reaching completion at an unprecedented pace of three months, the application of our "Manufacturing-for-Construction" approach via off-site production of ready-for-assembly precast modules before on-site installation yielded substantial productivity improvements. As a comparison, conventional construction methods would have taken approximately five months to complete instead. The majority of the time saved was derived from the seamless installation of precast modules which took a mere 24 days to complete. In stark comparison, conventional methods to perform reinforced concrete works for the structure alone would have taken upwards of 80 days instead.

### A Culture of Openness and Communication

With the move to our new headquarters at 21 Fan Yoong Road in December 2017, we strive to

encourage cohesion and promote integrative efforts amongst our employees. Built with a gymnasium, interactive meeting rooms and a variety of social spaces, our new headquarters encourages a culture of openness and communication, so as to breed collaboration and give rise to fresh and creative ideas.

This is directly in line with our tripod strategy, where we hope to integrate our know-how from various business units in order to forge a culture of information sharing. We believe that these positive values will eventually spill over into our Engineering Solutions unit as we strive to expand our suite of capabilities and go beyond being a contractor and developer.


# ACCREDITATIONS & AWARDS

**In 2017, Tiong Seng won several awards in recognition of our continuous efforts for high quality build, extensive of construction technology and ensuring workplace safety.**

## AWARDS

### BUSINESS EXCELLENCE AWARDS

Singapore Quality Award

Innovation Class (I-Class)

People Developer

### INNOVATION & PRODUCTIVITY AWARDS

BCA BIM Awards 2017 (GOLDPLUS) for JTC Space @ Tuas

BCA BIM Awards 2017 (GOLDPLUS) for The Ulu Pandan Bus Depot off Boon Lay Way Project

BCA BIM Awards 2017 (GOLDPLUS) for Tiong Seng Building

BIM Awards Organisation – Platinum

BCA Construction Productivity Award for HAUS Project – Platinum

### ENVIRONMENT & SAFETY

RoSPA GOLD Award – Health and Safety performance for Sol Acres

RoSPA GOLD Award – Health and Safety performance for Panorama

RoSPA GOLD Award – Health and Safety performance for Tiong Seng Building

RoSPA GOLD Award – Health and Safety performance for Stamford Diversion Canal C-2

RoSPA GOLD Award – Health and Safety performance for Great World Station

SCAL Workplace Safety & Health Awards for Supervisors 2017

BCA Green Mark (Platinum) Award for Tiong Seng Building and JTC Space @ Tuas

## ACCREDITATIONS

Quality Management System ISO 9001 : 2015

Environmental Management System ISO 14001 : 2015

Occupational Health & Safety Management System OHSAS 18001 : 2007

We will continue focusing on delivering high quality projects while concurrently ensuring workplace safety and innovation.

# CHAIRMAN'S MESSAGE

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

## Dear Shareholders, I am privileged, as your non-executive Chairman, to present to you the Company's Annual Report for the financial year ended 31st December 2017.

It is heartening to inform all of you that the Company operated and performed satisfactorily for the financial year just ended in light of very challenging market conditions. With a dwindling stream of contracts especially those from the private sector, rising competition from overseas players and tightened control on the use of foreign workers, the local construction industry is going through a very difficult period indeed. In our case, our construction business has not been able to obtain new contracts fast enough during the year to replace on-going contracts that are being completed. Notably, our order book as at 31st December 2017 stood at S$543.1 million, considerably lower than the S$1.0 billion recorded from a year before. We however believe that when the going gets tough, the tough get going. As a Company with 59 years of established track records, coupled with a corporate culture built on the values of diligence, perseverance and prudence, we remain cautiously optimistic that we have the capabilities and determination as well as the appropriate strategies for us to overcome industry headwinds and market difficulties ahead.

Indicative of our preparedness to face up with future challenges, I would now like to turn your attention to the highlights of the Company's various business segments in 2017:

During the year, our construction business segment completed its new Tuas South facility comprising comprehensive prefabricated, pre-finished volumetric construction ("**PPVC**") capabilities that would augment our current suite of construction technologies. Furthermore, the business segment saw through the completion of our new corporate headquarters at 21 Fan Yoong Road. With public sector projects amounting to S$16.0-19.0 billion as projected by the Building and Construction Authority (BCA) coming to the market place, our civil engineering business unit Tiong Seng Civil Engineering, after the gestation period is now ready and well prepared to participate in this important market segment that would make up almost 60% of Singapore's total projected construction demand in 2018.

On our property development business segment, despite a series of cooling measures rolled out by the Chinese government due to fears of a property bubble, our projects in China reported satisfactory sales and performance results. Meanwhile, we have also started allocating more resources to the property development market in Singapore. In August 2017, we had through our joint venture, TSky Development Pte Ltd, acquired the prime district 10 plot at 17 Balmoral Road. Going forward, we expect to take a more active but prudent stance toward acquiring more sites in Singapore for development purposes.

Taking a longer term view, 2018 will also be the year we embark on our "Tripod" strategy encompassing our long standing Construction and Property Development segments, while introducing the newly established Engineering Solutions segment into this mix. Engineering Solutions will involve a consolidation of our suite of technologies such as PPVC and Mass Engineered Timber ("**MET**") amongst others, which our construction and property development businesses can then tap on to provide practical solutions as a service externally. This strategy aims to move Tiong Seng up the value chain as we strive to become an integrated construction and property development group. It is hoped that this move will eventually cast us in a different light vis-à-vis our competitors as we expand our business footprint beyond that of a constructor and a developer. As we embark on this transformation to become an integrated player, it is with much confidence that we expect to reap a range of synergistic advantages and progressively emerge as a market leader in our industry.

In closing, I would sincerely like to thank our dedicated management team and employees for all their contributions throughout the year. Additionally, I would also like to express my heartfelt appreciation to all our loyal shareholders and stakeholders for many years of unrelenting support. I have no doubt that with everyone's contribution and support, the Company will have a bright and successful future in the years ahead.

Chairman
**MR ONG LAY KHIAM**

# 主席致辞

**各位股东：我很荣幸能以非执行主席的身份向您呈现本公司截至2017年12月31日财政年的年度报告。**

尽管市场情况非常具挑战性，公司仍然在刚结束的财年里取得令人满意的业绩与表现。由于合约逐渐减少(尤其是私人领域的合约)、来自海外业者的竞争日益加剧，以及外国劳工的政策收紧，本地建筑业的确正在经历十分艰难的时期。就本公司而言，我们的建筑业务在2017年取得新合约的速度赶不上已完工的合约。值得注意的是，我们截至2017年12月31日的订单额为5亿4,310万新元，明显比上一年同期录得的10亿新元来得低。但我们相信，强者愈挫愈勇。作为一家拥有59年稳固往绩的公司，加上以勤奋、毅力与谨慎为基础的企业文化，我们依然保持审慎乐观，相信我们有能力、决心，以及适当的策略来克服未来的业内逆风与市场困境。

我现在为大家介绍公司各项业务在2017年的亮点，以及公司将如何应对未来的挑战：

在2017年期间，我们的建筑业务完成了位于大士南的新厂房的工程，这座厂房包含综合的预制体积建设(PPVC)能力，这将会增强我们目前拥有的一系列建筑技术。此外，这项业务也完成了我们位于繁荣路21号(21 Fan Yoong Road)的新公司总部。随着建设局(BCA)估计将推出价值介于160亿至190亿新元的公共领域项目，我们的土木工程业务单位长成土木工程 (Tiong Seng Civil Engineering) 在经过一段时间酝酿后，已准备好涉足这个重要的市场。这市场将占据新加坡2018年总预估建筑需求的近60%。

产业发展业务方面，虽然中国政府因担心产业泡沫形成而推出一系列的降温措施，但我们在中国的项目的销售与业绩表现均令人满意。与此同时，我们也开始分配更多资源到新加坡的产业发展市场。在2017年8月，我们透过合资公司TSky发展私人有限公司 (TSky Development Pte Ltd) 收购了位于巴慕乐路17号(17 Balmoral Road)的第10黄金区地皮。展望未来，我们预计将更积极但谨慎地在新加坡收购更多地段，以作发展用途。

长远来看，2018年亦将是我们着手执行我们的”三脚架”策略的一年，这项策略包含我们设立已久的建筑与产业发展业务，同时也把新成立的工程方案服务业务引入其中。工程方案服务业务将把我们一系列的技术整合起来(其中包括PPVC及层压胶合实木(MET))，这么一来，我们的建筑与产业发展业务便可借助工程方案服务业务来提供实际的外部方案服务。这项策略旨在把长成的价值链提高，由于我们力求成为一家综合建筑与产业发展集团。我们希望，在我们拓展至建筑企业和发展商以外的业务时，此举最终将让我们从竞争对手中区分开来。随着我们着手转型成为一家综合业者，我们十分有信心，我们将从一系列的协同优势中受惠，并逐步成为业内的市场领导者。

最后，我诚心地感谢我们的管理团队及员工，在这一年里全心全意地为公司作出贡献。此外，我也要对我们的忠实股东和利益相关者表达深切的谢意，感谢他们多年来不懈的支持。有了大家的贡献和支持，我相信公司未来的前景将会是光明与美好的。

主席
王励谦

# CEO'S STATEMENT

**MR PEK LIAN GUAN**
*Chief Executive Officer and Executive Director*

## DEAR SHAREHOLDERS,

**The Singapore economy expanded 3.6 per cent, improving from the 2.4 per cent growth witnessed in the year before, driven mainly by the manufacturing and finance & insurance sectors.**

Notwithstanding the positive development in the overall economy, in contrast, the construction sector continues to feel the adverse spillover effects from 2016 of a slowdown in private-sector construction activities. Intense competition from our regional counterparts exacerbated this declining trend, as the construction sector contracted 8.4 per cent in 2017, a reversal from the 1.9 per cent growth from the year before.

In view of these prevailing trends, we continue to place emphasis on the development and utilisation of more efficient construction technologies to stay ahead of the curve. Furthermore, we remain adapted to an ever-changing industry landscape by introducing new strategies and partnerships that are leveraged upon to sustain our growth trajectory. Notably in 2018, we have, through the restructuring of our mainstay construction business, introduced our new Engineering Solutions segment aimed at consolidating and scaling our current technological capabilities. With this new segment in place, we expect to enhance our return on investment of these innovations and diversify our revenue streams as well.

### OUR CONSTRUCTION OUTLOOK

In spite of rising competition in the private build sector, we had in 2017 successfully secured the ARTRA condominium project with an approximate contract value of S$113.8 million, fueling our order book of S$543.1 million as of 31 December 2017 which is expected to extend till the year 2020.

According to the Building and Construction Authority ("BCA") in Singapore, construction demand is expected to grow from S$24.5 billion in 2017 to S$26.0-31.0 billion in 2018. Making up the bulk of this demand are public building and civil engineering projects, which are expected to contribute S$16.0-19.0 billion in 2018 or about 60.0 per cent of total projected demand. While our Civil Engineering business unit continues to remain poised to tender for an influx of public civil engineering projects expected, we strive to maintain and improve our gross profit margins by prudently prospecting for projects, thereby preserving value for our shareholders.

Following the turnaround of the private property sector towards the end of 2017, where collective sales amounting to S$8.7 billion were recorded in 2017 as compared to only S$1.0 billion in the year before, an expected spike in demand for private-sector construction projects will potentially provide a boost to our order book in 2018 and beyond.

### LEVERAGING ON OUR COMPETITIVE STRENGTHS

Acknowledging the challenges arising from a volatile macroeconomic landscape, it is imperative that we continue to re-examine our strategies to remain a step ahead of the curve. In-line with this idea, our Engineering Solutions segment is expected to elevate us above our peers as we leverage on our advanced capabilities to provide building solutions as a service externally. Having been restructured from our mainstay Construction segment, Engineering Solutions comprises a blend of our developed construction technologies, namely Precast, PPVC, Structural Steel and Mass Engineered Timber ("MET") amongst others.

As a showcase of our competencies, a combined effort from our facilities inclusive of our latest factory at Tuas South has contributed to the successfully completion of the JTC Space @ Tuas project, with the full implementation of our Pre-fabricated Prefinished Volumetric Construction ("PPVC") capabilities. With a keen focus on advanced construction precast technologies such as the PPVC concept and advanced precast concrete systems, our new facility reinforces our goal of remaining a leading innovator in cutting-edge construction technologies.

### RIDING ON FAVOURABLE PROPERTY MARKET TRENDS

The property sector in Singapore appears to have reached an inflexion point as private residential prices grew 1.1 per cent in 2017, up from a contraction of 3.1 per cent in 2016. Drawn by the positive momentum of an improving property market, we established a 60:40 jointly-owned Singapore property development arm, TSky Development Pte Ltd ("TSky"), in 2017 with partner Ocean Sky International Ltd to capitalise on this trend. Through a 70:20:10 joint venture with Progen Industrial Pte Ltd and Seacare Property Development Pte Ltd, TSky acquired a majority stake in the 17 Balmoral Road plot in Singapore's prime district 10 for redevelopment into prime residential units. Having been completed before the spate of en-blocs witnessed towards the second half of 2017, the acquisition of 17 Balmoral Road was on hindsight purchased at a favourable valuation of S$80.5 million. Equivalent to S$1,292 per square foot ("psf") per plot ratio ("ppr"), the profitability of the project is enhanced as a result of the lower initial investment.

Over in the People's Republic of China ("China"), despite cooling measures employed by the Chinese government, sales for our completed projects remain healthy as economic fundamentals continue to justify property prices, especially those in inland cities where a lack of oversupply continues to be the case. In 2017, 31 listed property developers who disclosed their sales performance recorded total sales volume of about RMB3.38 trillion, representing a 54.0% increase from the year before. In-line with this sturdy outlook, the Group in 2017 recorded approximately S$60.7 million of gross development value sold but yet to be recognised. Included in this figure are 106 units (19,227 square metres) of the Equinox Project in Tianjin and three units (900 square metres) of the Tranquility Residences in Suzhou.

## A FINANCIAL REVIEW OF FY2017

Progressing on to our operational review, we would now like to share our financial scorecard for the full year ended 31 December 2017 ("FY2017"). The Group recorded a 4.1 per cent year-on-year ("yoy") contraction in revenue to S$742.8 million for FY2017, attributable mainly to a decrease in revenue from our property development segment, fully comprised of development properties in the People's Republic of China ("PRC"). This contraction was due primarily to the nature of the industry as revenue from the sale of development properties is only recognised on a handover basis. Notwithstanding the marginal decrease in revenue, net profit attributable to shareholders rose 102.3 per cent yoy to S$30.9 million for FY2017, driven mainly from the Group's core construction segment.

## CONSTRUCTION SEGMENT

The Group's core Construction segment posted robust revenue of S$651.3 million for FY2017, translating into a 2.7 per cent yoy increase. Marginally slower growth from the year before was due mainly to differences in the stages of revenue recognition of the Group's various construction contracts.

The Group's gross profit increased from S$54.0 million for FY2016 to S$68.0 million for FY2017, while gross profit margin increased 1.9 percentage points yoy to 10.4 per cent for FY2017, due mainly to differences in projects' profile and relative weighted average profitability in the projects recognised over the two periods. Lastly, the segment posted profit from operating activities of S$42.3 million for FY2017, marking a 47.4 per cent yoy uptick.

## SALE OF DEVELOPMENT PROPERTIES

The Group's revenue from the Sale of Development Properties segment dipped 35.0 per cent yoy to S$89.5 million for FY2017. This revenue was derived mainly from the sale recognition of 70 units (22,363 square metres) from the Tranquility Project, two units (265 square metres) from the Sunny International Project and 35 units (10,620 square metres) from the Equinox Project.

The segment's gross profit margin increased by approximately 3.0 percentage points, from 7.4 per cent for FY2016 to 10.4 per cent for FY2017. This was due mainly to the higher gross profit margin of Phase II units of the Tranquility project for FY2017, as compared to Phase I units for FY2016. Lastly, the segment posted profit from operating activities of S$3.9 million for FY2017, representing a contraction of 29.1 per cent yoy.

## STRENGTHENED BALANCE SHEET

As at 31 December 2017, the Group's robust balance sheet contained cash and cash equivalents of S$143.7 million. This contributed to the Group recording a net cash position of S$11.6 million as at 31 December 2017, improving from a net debt position of S$84.1 million as at 31 December 2016. Within the same period, the Group's earnings per share stood at 6.85[1] Singapore cents, increasing from 3.35[2] Singapore cents for the previous period. Net asset value per share as at 31 December 2017 was recorded at 62.57 Singapore cents[3].

## MAPPING OUR GROWTH TRAJECTORY

Anticipative of an increasingly competitive construction landscape, we believe that the consolidation of our suite of construction technologies into our newly devised Engineering Solutions segment is strategically essential to differentiate us from our peers. Supported by the success of our "Manufacturing-for-Construction" approach in Myanmar, we believe that this asset-light business model is easily scalable and poised to drive further growth as we export such innovative solutions internationally going forward.

On behalf of the Board of Directors, I would like to thank all our staff and stakeholders for your constant support throughout the years. Furthermore, I would also like to extend my sincere appreciation to all of our loyal shareholders.

Acknowledging the importance for us to reward our loyal shareholders, the Board is pleased to recommend a final dividend of 1.5 Sing cents per share, representing an 87.5 per cent increase from 0.8 Sing cents per share issued last year.

1 Based on 451,722,047 weighted average number of shares outstanding excluding treasury shares
2 Based on 455,989,038 weighted average number of shares outstanding and excluding treasury shares
3 Based on 448,381,449 shares, net of non-controlling interests and excluding treasury shares, as at 31 December 2017

# 总裁的话

**各位股东：新加坡经济2017年增长3.6%，比上一年同期取得的2.4%增长来得高。这主要是受到制造业、金融及保险领域的推动下所取得的成绩。尽管整体经济的发展正面，但建筑业持续因2016年私人领域的建筑活动放缓而受到负面影响。由于来自区域同行的竞争激烈，这股下行趋势因而加剧，建筑领域于2017年萎缩8.4%，扭转上一年同期增长的1.9%。**

鉴于这些现行趋势，我们持续把重心放在发展及使用更具效率的建筑技术上，以在业内保持领先地位。此外，我们通过推行新策略及合作计划，以应付这个行业不断改变的格局，维持我们的增长轨迹。值得注意的是，在2018年，我们透过重组我们主要的建筑业务，开展新的工程方案服务业务，后者的目的是为了整合及精简我们现有的技术能力。随着这项业务的设立，我们预计我们从这些创新计划取得的投资回报将会提高，而我们的收入来源也将会增加。

## 我们的建筑前景

虽然私人建筑领域的竞争加剧，但我们成功在2017年取得ARTRA公寓项目。这个项目的合约价值约1亿1,380万新元，使我们截至2017年12月31日的订单总额达到5亿4,310万新元，总订单预计将会在2020年完工。

根据新加坡建设局(BCA)的资料显示，建筑需求预计将从2017年的245亿新元增长至2018年的260亿至310亿新元。这股需求大部分由公共建筑和土木工程项目组成，预计它们将在2018年贡献160亿至190亿新元，或占总预估需求的约60.0%。尽管我们的土木工程业务单位依然准备投标一系列预计推出的公共土木工程项目，但我们谨慎勘探项目，以力求维持及提高我们的毛利率，从而为我们的股东保存价值。

在私人产业领域的情况于2017年底好转之后（2017年的集体销售额为87亿新元，2016年的集体销售额则仅为10亿新元），市场对私人建筑项目的需求预计将激增，这将可能令我们2018年及之后的订单总额提高。

## 从我们的竞争优势中受惠

由于宏观经济前景波动不定而带来挑战，我们有必要继续重新审视我们的策略，以持续在业内保持领先地位。有鉴于此，我们将借助我们在工程方案服务业务的先进能力，对外提供建筑方案服务，预计将可让我们在同行之中更具优势。我们重组的工程方案服务业务包含一系列我们已发展的建筑技术，其中包括预制、预制体积建设(PPVC)、结构钢及层压胶合实木(MET)等技术。

为了展现我们的能力，我们结合我们的各项设施（包括我们位于大士南的最新厂房)并全面采用PPVC来进行并成功完成裕廊集团大士项目(JTC Space @ Tuas)。我们积极专注于先进建筑预制技术，比如PPVC及先进的预制混凝土系统，并深信新设施加强了我们在尖端建筑技术中，保持作为领先创新者的目标。

## 乘着利好的产业市场趋势

由于私人住宅的价格在2017年增长1.1%，2016年的价格则是萎缩3.1%，新加坡的产业领域看来已到达了转折点。受到楼市好转推动，我们在2017年按60:40的比例与式佳国际有限公司(Ocean Sky International Ltd)合资设立了TSky发展私人有限公司 (TSky)，以受惠于这股趋势并开拓在新加坡产业开发的业务。透过和Progen工业私人有限公司 (Progen Industrial Pte Ltd) 与Seacare产业发展私人有限公司 (Seacare Property Development Pte Ltd) 组成70:20:10的合资，TSky收购了位于新加坡第10黄金区巴慕乐路17号 (17 Balmoral Road) 的地皮，以重新发展为黄金住宅单位。这项收购是在2017年下半年一系列集体出售项目出台之前完成，当时的收购价为8,050万新元，估值相当不错。相等于每平方英尺每容积率1,292新元，这个项目的盈利力因初始投资额较低而提高。

中国方面，尽管中国政府实施降温措施，但我们已完成项目的销售额依然稳健。因为经济基本面继续支撑着产业价格，尤其是内陆城市的项目，仍旧缺乏供过于求的情况。在2017年，有31家上市的产业发展商披露了它们的销售业绩，它们录得的总销量约为3万3,800亿人民币，相当于54.0%的增长(与上一年同期相比)。有鉴于此，集团于2017年售出但未确认收入的发展总值约为6,070万新元。这个数字包含天津Equinox项目的106个单位（面积为19,277平方米），以及苏州Tranquility Residences项目的3个单位 (面积为900平方米)。

## 回顾FY17财务业绩

接下来，我们来看看我们截至2017年12月31日的全年财务业绩。集团的FY17收入年比减少4.1%至7亿4,280万新元，主因是中国产业发展业务的收入下降。鉴于行业的特性，发展产业的销售收入只在交房的时候确认，集团的收入因而减低。尽管收入微减，但归属于股东的净利上扬102.3%至3,090万新元，主要是由于集团核心的建筑业务。

## 建筑业务

集团核心的建筑业务在FY17取得6亿5,130万新元的强劲收入，年比增长为2.7%。该收入的增长比上一年同期略微放缓，主要是由于多项建筑合约处于不同阶段的缘故。

集团的毛利从FY16的5,400万新元增加至FY17的6,800万新元，毛利率则年比提高1.9个百分点至10.4%，主要是因为各个项目的情况不同，以及在两个时期确认的项目的加权平均盈利力相对。最后，这项业务从营运活动取得的FY17盈利为4,230万新元，年比增长47.4%。

## 发展产业销售业务

集团从发展产业销售业务取得的FY17收入年比下降35.0%至8,950万新元。该收入主要是来自集团从Tranquility项目确认70个单位 (面积为22,363平方米) 的销售、从Sunny国际项目确认2个单位 (面积为265平方米) 的销售，以及从Equinox项目确认35个单位 (面积为10,620平方米) 的销售。

这项业务的毛利率从FY16的7.4%提高约3.0个百分点至FY17的10.4%，主因是Tranquility项目第2期单位的毛利率在FY17上升（与FY16的第1期单位相比）。最后，这项业务从营运活动取得的FY17盈利为390万新元，相当于29.1%的年比减幅。

## 财务状况增强

截至2017年12月31日，集团的财务状况稳健，其现金与现金等值物为1亿4,370万新元。这有助于本集团于2017年12月31日录得净现金状况1,160万新元，较于2016年12月31日的净债务状况为8,410万新元有所改善。在同一个时期里，集团的每股盈利为0.0685新元[1]，比上一年同期的0.0335新元[2]来得高. 集团截至2017年12月31日的净资产值为每股0.6257新元[3]。

## 绘制我们的增长轨迹

由于预期建筑环境的竞争将越来越大，我们相信把我们一系列的建筑技术并入新的工程方案服务业务将能够让我们从同业中区分出来。在我们的"为建设而制造"方法于缅甸取得成功的支持下，我们相信这个轻资产业务模式可轻易扩缩，能在未来把这些创新的方案服务推向国际，并能够推动我们进一步增长。

我谨代表董事局感谢所有员工及利益相关者多年来不断地支持我们。此外，我也想向我们所有的忠实股东致以诚挚的谢意。

为了答谢我们的忠实股东，董事局建议派发每股0.015新元的终期股息，这比去年派发的每股0.008新元高出87.5%。

总裁
白连源

1 根据451,722,047股加权平均流通股 (不包括库存股)
2 根据455,989,038股加权平均流通股及不包括库存股
3 根据448,381,449股，不包括少数股东权益净额及库存股 (截至2017年12月31日)

# BOARD OF DIRECTORS

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

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

Mr Ong is currently an Honorary Council Member of the Singapore Chinese Chamber of Commerce and Industry and a member of the Investment Committee of the Chinese Development Assistance Council. He also serves on the boards of Dou Yee Enterprises (S) Pte Ltd as well as Lien AID (a non-profit organization).

Mr Ong holds a First Class Honours degree in Accountancy from the Nanyang University and a Master Degree in Accounting and Finance from the London School of Economics and Political Science, University of London and is also a Fellow Chartered Accountant of Singapore. He was appointed to our Board of Directors on 24th February 2010 and was re-elected on 21st April 2016.

## MR PEK LIAN GUAN
Chief Executive Officer and Executive Director

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

Mr Pek brings more than 27 years of extensive experience in project management for civil engineering and building works in Singapore and the surrounding region to the Group. Under his tenure, he has helped usher in a new era for the Group, positioning Tiong Seng as a pioneering leader in advanced construction technologies and green practices in the industry. As a result of his championing for construction safety, quality, sustainability, and innovation, Tiong Seng became the first construction builder in Singapore to be awarded the prestigious Singapore Quality Award in 2013.

Besides being a member of Tiong Seng Holdings Limited's Board of Directors since 15th April 2008, Mr Pek is known as an advocate of initiatives pertaining to the enhancement of productivity standards in Singapore and is actively involved in various private and public sector committees. Mr Pek was last re-elected on 21st April 2016.

## 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 1977. Mr Pay was appointed to our Board of Directors on 24th February 2010 and was last re-elected on 26 April 2017.

**MR LEE IT HOE**
Non-Executive Director

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

He holds a Diploma in Building Construction from Singapore Polytechnic in 1968. Mr Lee was appointed to the Board on 24th February 2010 and was last reappointed on 21st April 2016.

**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 Singapore LLP, and heads the firm's Regional Practices.

He has more than two and a half decades of experience handling both contentious and non-contentious matter and one of his key areas of expertise is in corporate restructuring and insolvency, acting for financial institutions and companies in many major and publicised cases. These include acting for Judicial Managers of Swiber Holdings Limited, Bondholders of Rickmers Maritime Trust, Judicial Managers of Swissco Holdings Ltd, Lehman Brothers, Nortel group of companies, China Aviation Oil Corporation, Asia Pulp and Paper, restructuring of C2C Ltd (a large underwater telecoms cable company majority owned by SingTel), the collapse of 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. 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. He is also an independent director of Singapore Deposit Insurance Corporation Limited (a statutory company accountable to the Monetary Authority of Singapore) and an independent director of Nanyang Girls' High School.

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

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

## MR ANDREW KHNG
Head of Administration

Mr Andrew Khng has been with the company since 1981 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. 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. From 1994 to 1996, Mr Bao was the deputy general manager of Suzhou Yunsheng Construction Development Co., Ltd (苏州运盛建设发展有限公司), 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.




# PROJECT LIST

# PROJECT LIST

## COMPLETED PROJECTS

**The Panorama**
Client: Pinehill Investments Pte Ltd c/o Wheelock Properties

**One HP**
Client: Mapletree Industrial Trust Management Ltd

**Sungei Seletar Bus Depot**
Client: Land Transport Authority

**Woodlands Neighbourhood 7 Contract 29 & 30**
Client: Housing & Development Board

## ONGOING PROJECTS

### RESIDENTIAL

**Executive Condominium Sol Acres**
Client: MCL Land (Brighton) Pte Ltd

**Artra**
Client: FEC Skyline Pte. Ltd.

### PUBLIC

**Selarang Park Complex**
Client: Ministry of Home Affairs

### INDUSTRIAL

**JTC Space @ Tuas**
Client: JTC Corporation

**Ulu Pandan Bus Depot**
Client: Land Transport Authority

### CIVIL ENGINEERING

**Stamford Diversion Canal Contract 2**
Client: Public Utilities Board

**Contract T220 – Great World Station**
Client: Land Transport Authority

**Water Transmission Pipeline project**
Client: Public Utilities Board

## ONGOING PROPERTY DEVELOPMENT

### PROJECTS IN CHINA

Focus on 2nd and 3rd tier property development business

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

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

7 phases of development, with the expected completion of the different phases ranging from 2014 to 2021

**Sunny International**, Cangzhou, by Cangzhou Huashi Property Development

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

All residential units have been sold. Sunny International balanced stock is now 5 units.

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

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

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

**Zizhulin**,**Tianjin**, by Tianjin Zhizhulin Development

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

Planning currently in progress

# CORPORATE INFORMATION

## REGISTERED OFFICE

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

## BOARD OF DIRECTORS

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

## COMPANY SECRETARY

Ms Lai Foon Kuen

## SHARE REGISTRAR

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

## AUDIT COMMITTEE

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

## NOMINATING COMMITTEE

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

## REMUNERATION COMMITTEE

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

## AUDITORS

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

## PARTNER-IN-CHARGE

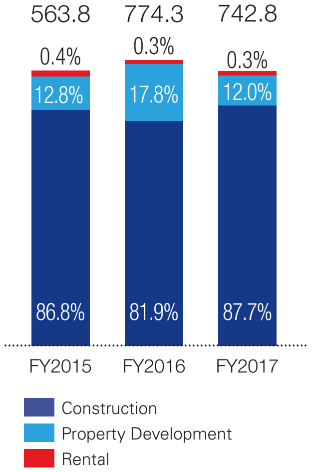
Mr Low Gin Cheng, Gerald
Date of Appointment: with effect from financial year ended 31 December 2015

## PRINCIPAL BANKERS

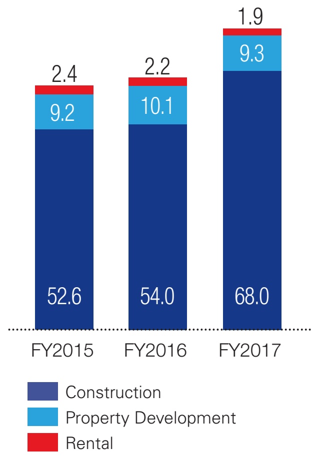
Bank of China Limited
CIMB Bank
DBS Bank Ltd
Malayan Banking Berhad
Oversea-Chinese Banking Corporation Limited
The Hong Kong and Shanghai Banking Corporation
United Overseas Bank Limited

# FINANCIAL HIGHLIGHTS

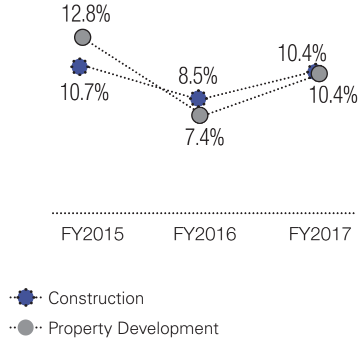
**REVENUE** (SGD'MIL)



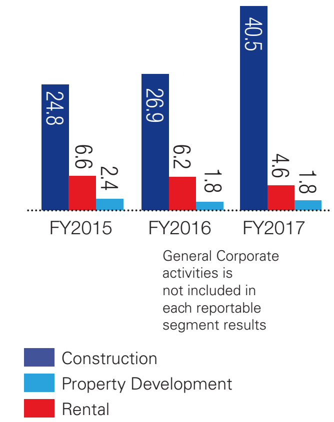

**GROSS PROFIT** (SGD'MIL)



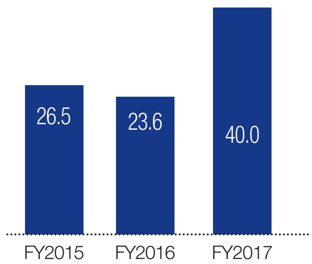

**GROSS PROFIT MARGIN**



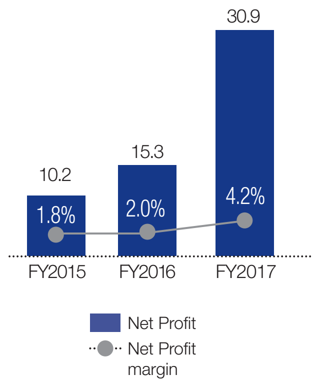

**REPORTABLE SEGMENT PROFIT BEFORE INCOME TAX** (SGD'MIL)



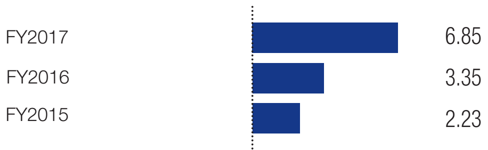

**PROFIT FROM OPERATING ACTIVITIES BEFORE JV, ASSOCIATE & TAX** (SGD'MIL)




**NET PROFIT ATTRIBUTABLE TO SHAREHOLDERS** (SGD'MIL)




**EARNING PER SHARES** (CENTS)[1]




**CASH AND CASH EQUIVALENTS** (SGD'MIL)


**NET ASSET VALUE PER SHARE** (CENTS)[1]


**SHAREHOLDERS EQUITY** (SGD'MIL)


## ORDER BOOK OF S$543.1 MILLION IS EXPECTED TO BE COMPLETED BY 2020

(1) Earning per share and net asset value per share have been recalculated to take into account the effect of 2 to 1 share consolidation completed in 2015

# CORPORATE GOVERNANCE

# CORPORATE GOVERNANCE

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

This report describes the corporate governance framework and practices that the Group has adopted with reference to the 2012 Code of Corporate Governance (the "Code"), and where applicable, the Listing Manual of the Singapore Exchange Securities Trading Limited ("SGX-ST"), focusing on areas such as internal control, risk management, financial reporting, internal and external audits.

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

## (A) BOARD MATTERS

### Principle 1: The Board's Conduct of Affairs

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

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

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

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

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

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

The Group prides itself on being an innovator and champion of practices to shape a safe, high quality and sustainable built environment and are aware of the impacts that its activities may have on society and the environment and continually strive to mitigate any such repercussions. Over the last 12 months the Group has been developing its inaugural sustainability report. In developing this report, the Group has focused on the areas of most impact, and has completed a materiality assessment using input from its stakeholder engagements to determine its content. The Board looks forward to sharing the report with public in the upcoming months.

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

(i) All announcements to be released to the Singapore Exchange Securities Trading Limited ("SGX-ST");

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

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

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

# CORPORATE GOVERNANCE

(v) Convening of shareholders' meetings;

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

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

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

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

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 Constitution provide for meetings to be held via telephone, electronic or other communication facilities which permits all persons participating in the meeting to communicate with each other simultaneously. The Board also schedules an annual Board Strategy meeting during the Company's Corporate Retreat to discuss strategic issues.

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

Management will bring to Directors' attention, information on seminars that may be of relevance or of use to them. As part of their continuing education, the Directors, whether as a group or individually, attend relevant external courses and seminars to keep themselves apprised of and updated on the latest changes in areas pertaining to regulatory, legal and commercial risks, amongst others, at the Company's expenses. The Directors had been briefed on the updates of sustainability reporting, insertion of the key audit matters in the auditors' report, quarterly updates on the strategic development of the Group and attended seminars organized by the SGX-ST such as ACRA-SGX-SID Audit Committee Seminar and Listing Rule changes consequential to Code of Corporate Governance review.

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 the number of meetings of the Board and Board Committees held in the financial year ended 31 December 2017 ("FY2017"), as well as the Directors' attendance at these meetings are summarized in the table below:

| | **Board Meetings** | **Audit Committee Meetings** | **Nominating Committee Meeting** | **Remuneration Committee Meetings** |
|---|---|---|---|---|
| **Name of Directors** | **Attendance/Number of meetings held** | | | |
| Ong Lay Khiam | 4/4 | 4/4 | 1/1 | 1/1 |
| Pek Lian Guan | 4/4 | 4/4* | 1/1 | 1/1* |
| Pay Sim Tee | 4/4 | 4/4* | 1/1* | 1/1* |
| Lee It Hoe | 3/4 | 3/4 | 1/1* | 1/1 |
| Ang Peng Koon, Patrick | 3/4 | 3/4 | 1/1 | 1/1 |

* By Invitation

# CORPORATE GOVERNANCE

**Principle 2: Board Composition and Guidance**

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

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

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

As a group, the Directors bring with them a broad range of expertise in areas, such as, legal, accounting, finance, management experience, industry knowledge, customer-based experience and knowledge as well as familiarity with regulatory requirements. The diversity of the Directors' experience allows for the useful exchange of ideas and views. Though NC is supportive of gender diversity, and appreciate the need for progressive refreshing of the Board, board member selection and appointment based on appropriate mix of expertise, experience, necessary skills sets and core competencies for effective contribution to the Board shall remain a priority. Information on each Director's academic and professional qualifications, industry knowledge, shareholdings, relationships (if any) and, directorship is presented in the sections entitled "Board of Directors" and "Directors' Report" of this Annual Report.

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

Every independent Board member is required to disclose any relationships or appointments which would impair their independence to the Board on a timely manner. 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 FY2017 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 from the date of their first appointment. 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")**

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 Ong Lay Khiam, is one of the independent directors. Mr Pek Lian Guan, is the CEO of the Company.

# CORPORATE GOVERNANCE

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

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

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

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

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

(v) ensure effective communication with shareholders;

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

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

(viii) promote high standard of corporate governance.

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

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

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

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

**Principle 4: Board Membership**

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

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

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

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

# CORPORATE GOVERNANCE

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

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

7. to review the succession plans for the CEO; and

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

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

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

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

Currently, no Director has appointed an Alternate Director.

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

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

The NC, after consideration, has recommended the nomination of Mr Pek Lian Guan and Mr. Lee It Hoe for re-election at the forthcoming AGM. The Board has accepted this recommendation and being eligible, Mr. Pek Lian Guan and Mr. Lee It Hoe will be offering themselves for re-election at the forthcoming AGM.

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

# CORPORATE GOVERNANCE

**Principle 5: Board Performance**

The NC has established a process for assessing the effectiveness of the Board as a whole for the long term performance of the Group. Board performance evaluation is carried out on an annual basis to assess and evaluate the Board's size, composition, and expertise, independence, the Board's access to information as well as Board accountability and processes. In the assessment, each director is required to complete a questionnaire on the Board and board committee. The results of the performance evaluation will be reviewed by the NC before reporting to the Board. The Board and the NC ensure that Directors appointed to the Board possess the relevant experience, knowledge and skills critical to the Group's business, so as to enhance the core competencies of the Board. No external facilitator had been engaged by the Board for this purpose. The NC and the Board were generally satisfied with the results of the Board performance evaluation for FY2017.

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. In addition, the Board receives from Management quarterly management reports which present a balanced and understandable assessment of the Group's financial performance, position and prospect.

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

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

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

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

# CORPORATE GOVERNANCE

## (B) REMUNERATION MATTERS

**Principle 7: Procedures for Developing Remuneration Policies**

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

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

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

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

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

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

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

If required, the RC will from time to time seek advice from external consultants, who are unrelated to the Directors or any organisation they are associated with, on remuneration matters and remuneration of the Directors' and key management personnel. The Company has not appointed any remuneration consultants for FY2017.

**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 effort, time spent and responsibilities of the Directors and not to be over-compensated to the extent that their independence may be compromised. To demonstrate the commitments and align the interests of the non-executive Directors with that of shareholders, all our non-executive Directors hold shares in the Company.

The RC had recommended to the Board an amount of S$300,000 as Directors' fee for the financial year ending 31 December 2018, to be paid in arrears. The Directors' fee are payable to all the Directors except for the CEO. The Board will table this recommendation at the forthcoming AGM for shareholders' approval.

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.

# CORPORATE GOVERNANCE

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

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

The Company has in place a Share Award Scheme ("Scheme") administered by the RC. Non-executive directors and employees as at the date of grant who have attained 21 years old and are not undischarged bankrupts shall be eligible to participate in the Scheme. Persons who are controlling shareholders or associates of a controlling shareholder are not eligible to participate in the Scheme. To-date, no awards have been granted under the Scheme. Details of the Scheme are disclosed under Annex J of the Company's IPO prospectus dated 7 April 2010.

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

**Principle 9: Disclosure on Remuneration**

The annual remuneration level and mix of each individual Director for FY2017 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 | 22 | 77 | 1 | – | 100 | 2,777 |
| Pay Sim Tee | 56 | 18 | 18 | 8 | 100 | 661 |
| **Non-executive Directors** | | | | | | |
| Lee It Hoe | – | – | – | 100 | 100 | 50 |
| Ong Lay Khiam | – | – | – | 100 | 100 | 100 |
| Ang Peng Koon, Patrick | – | – | – | 100 | 100 | 50 |

Mr Pek Dien Kee, brother of Mr Pek Lian Guan (the CEO and an Executive Director), was employed as the Head of Asset Management and 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$550,000 to S$600,000 during FY2017.

The aggregate remuneration paid to the top 5 key management personnel (who are not Directors or the CEO) in FY2017 was S$2,052,000. However, the remuneration of the top 5 key management personnel (who are not Directors or the CEO) is not disclosed in the bands of S$250,000 and on a named basis as the Company believes in maintaining confidentiality of staff remuneration matters and that disclosure of the remuneration of the individual key management personnel is disadvantageous to its business interest, given the scarcity of talents and highly competitive industry conditions that it is operating in.

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

# CORPORATE GOVERNANCE

## (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 public reports, and reports to regulators (if required).

Financial results are released on a quarterly basis to 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. Negative assurance statements were issued by the board to accompany the company's quarterly results announcements, confirming that to the best of its knowledge, nothing had come to its attention which would render the company's quarterly results false or misleading. The releases of the quarterly and annual financial information are accompanied by news releases issued to the media and which are also posted on the SGXNet. Management provides the Board with information on the Group's performance, financial position and prospects on a quarterly basis and as the Board may require from time to time to enable the Board to make a balanced and informed assessment of the company's performance, position and prospect. This is supplemented by regular updates on matters affecting the financial performance, business of the Group, if any.

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

### 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 in a manner which addresses stakeholders' expectations without subjecting to an unacceptable level of risks.

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

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

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

The 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 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 controls systems addressing the financial, operational, compliance and information technology risks were adequate and effective as at 31 December 2017.

# CORPORATE GOVERNANCE

**Principle 12: Audit Committee**

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

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

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

The AC 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 plans, their evaluation of the system of internal controls, their audit reports and the management letter and Management's responses;

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

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

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

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

6. to review the adequacy and effectiveness of the Company's internal audit function;

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

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

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

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

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

# CORPORATE GOVERNANCE

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

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

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

In the review of the financial statements, the AC has discussed with management and external auditors with regards to the significant matters in relation to the financial statements, the accounting principles applied therein and judgement involved that might have an implication to the integrity of the financial statements.

(i) Accounting for construction contracts

The Group applies estimates in accounting for construction contracts, which includes assessment of total construction costs, accruals for work done, attributable costs to work done recognised, foreseeable loss and liquidated damages (if any). The AC assessed the reliability of the management's estimates by considering bases used by the management in the estimates of total construction costs and accruals for work done, approaches applied in determining costs attributable to certified work done, judgement made as to foreseeable loss and liquidated damages (if any). The AC also considered the communication from the external auditors on this matter.

(ii) Valuation of development properties

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

(iii) Impairment assessment on non-financial assets

The AC considered the approach and methodology applied to the valuation model in non-financial assets impairment assessment. It reviewed the reasonableness of cash flow forecast, long-term growth rate and discount rate applied and communication from the external auditors on this matter.

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

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

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 external auditors in FY2017 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 FY2017 was S$197,000. 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 fees of the external auditors of the Company for FY2017 are as follows:

| | FY2017 $'000 | FY2016 $'000 |
|---|---|---|
| **Fees paid/payable to external auditors for:** | | |
| – Audit services | 554 | 513 |
| – Non-audit services | 197 | 206 |

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, in confidence, raise concern about possible fraudulent activities, malpractices or improper conduct on financial reporting or other matters within the Group, in a responsible and effective manner. The Group undertakes to independently investigate such complaints in an objective manner with appropriate follow up actions being taken thereafter. To facilitate participation by the external parties, the Whistle-Blowing Programme is also available on the Company's website at www.tiongseng.com.sg.

**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.

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

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

The AC assesses the adequacy and effectiveness of the internal audit function on an annual basis and 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: Shareholder Rights**

**Principle 15: Communication with Shareholders**

**Principle 16: Conduct of Shareholder Meetings**

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

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

# CORPORATE GOVERNANCE

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

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

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

**Dividend Policy**

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

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

**Dealings in Securities**

The Company had adopted a policy governing dealings in securities of the Company by the Directors and the Officers of the Group. The Company and its Officers are prohibited from dealing in securities of the Company for the periods commencing 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 guidelines on share buyback under the Share Buyback Mandate, to be renewed at the Company's forthcoming AGM also provides that the Company will not effect any purchases of shares on the SGX-ST during the period of one month immediately preceding the announcement of the Company's full year results and two weeks immediately before the announcement of the Company's first, second and third quarter results.

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

# CORPORATE GOVERNANCE

### Interested Person Transactions

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

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

The aggregate value of IPTs entered into during FY2017 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) |
|---|---|---|
| Construction revenue<br>Peck Tiong Choon (Pte) Ltd* | S$24,873,000 | – |
| Total | S$24,873,000 | – |
| Hiring Charges<br>Peck Tiong Choon Transport (Pte) Ltd<br>Peck Tiong Choon Logistic (Pte) Ltd | <br>–<br>– | <br>S$7,786,000<br>S$45,000 |
| Total | – | S$7,831,000 |

* The transaction was approved by shareholders in an extraordinary general meeting held on 16 December 2016 under Rule 906(1)(a) of the listing manual.

### Material Contracts

Saved 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 FY2017.

# FINANCIAL CONTENT

# DIRECTORS' STATEMENT

We are pleased to submit this annual report to the members of the Company together with the audited financial statements for the financial year ended 31 December 2017.

In our opinion:

(a) the financial statements set out on pages 45 to 115 are drawn up so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2017 and the financial performance, changes in equity and cash flows of the Group for the year ended on that date in accordance with the provisions of the Singapore Companies Act, Chapter 50 and Singapore Financial Reporting Standards; and

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

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

## DIRECTORS

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

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

## DIRECTORS' INTERESTS

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

| Name of director and corporation in which interests are held | Holdings at beginning of the year | Holdings at end of the year |
|---|---|---|
| **Ong Lay Khiam** | | |
| Tiong Seng Holdings Limited | | |
| – ordinary shares | | |
| – interests held | 318,000 | 318,000 |
| **Pek Lian Guan**[1] | | |
| Tiong Seng Holdings Limited | | |
| – ordinary shares | | |
| – deemed interests | 1,272,500 | 1,992,000 |
| **Lee It Hoe** | | |
| Tiong Seng Holdings Limited | | |
| – ordinary shares | | |
| – deemed interests | 286,275,330 | 286,275,330 |
| **Ang Peng Koon, Patrick** | | |
| Tiong Seng Holdings Limited | | |
| – ordinary shares | | |
| – interests held | 265,000 | 265,000 |

1 Mr Pek Lian Guan is deemed interested in $500,000 in principal amount of the Company's 4.75 per cent fixed rate medium term notes due in January 2018 held by his spouse. The $500,000 4.75 per cent fixed rate medium term notes was fully redeemed by the Company on 3 January 2018.

# DIRECTORS' STATEMENT

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

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

There were no changes in any of the above mentioned interests in the Company between the end of the financial year and 21 January 2018.

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

## SHARE OPTIONS

During the financial year, there were:

(i) no options granted by the Company 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 option.

## 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 statement are:

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

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

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

The Audit Committee also reviewed the following:

- assistance provided by the Company's officers to the internal and external auditors;
- quarterly financial information and annual financial statements of the Group and the Company prior to their submission to the directors of the Company for adoption; and
- interested person transactions (as defined in Chapter 9 of the SGX Listing Manual).

# DIRECTORS' STATEMENT

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.

## AUDITORS

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

On behalf of the Board of Directors

**Ong Lay Khiam**
*Director*

**Pek Lian Guan**
*Director*

29 March 2018

# INDEPENDENT AUDITORS' REPORT

Members of the Company
Tiong Seng Holdings Limited

## REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

### Opinion

We have audited the financial statements of Tiong Seng Holdings Limited ('the Company') and its subsidiaries ('the Group'), which comprise the consolidated statements of financial position of the Group and the statements of financial position of the Company as at 31 December 2017, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 45 to 115.

In our opinion, the accompanying consolidated financial statements of the Group and the statements of financial position of the Company are properly drawn up in accordance with the provisions of the Companies Act, Chapter 50 ('the Act') and Financial Reporting Standards in Singapore ('FRSs') so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at 31 December 2017 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group for the year ended on that date.

### Basis for opinion

We conducted our audit in accordance with Singapore Standards on Auditing ('SSAs'). Our responsibilities under those standards are further described in the 'Auditors' responsibilities for the audit of the financial statements' section of our report. We are independent of the Group in accordance with the Accounting and Corporate Regulatory Authority Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities ('ACRA Code') together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Key audit matters

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

# INDEPENDENT AUDITORS' REPORT

<table>
<tr><th colspan="2">Accounting for construction contracts</th></tr>
<tr><th>The key audit matter</th><th>How the matter was addressed in our audit</th></tr>
<tr><td>
The Group uses estimates in accounting for its construction contracts. Determining the recoverability of construction work-in-progress (CWIP) and the amount of profit to be recognised in the profit and loss account involve judgement and are subject to estimation uncertainties. Such estimates include:<br><br>
• Total costs of delivering the entire contract;<br>
• Costs attributable to the certified percentage of work done to be recognised in profit and loss;<br>
• Foreseeable losses, if any; and<br>
• Liquidated damages, if any.<br><br>
Changes in the above estimates may have an impact on the Group's profit.
</td><td>
Our response<br><br>
We tested controls over the Group's processes for budgeting contract costs and for determining the dollar amount of costs attributable to the certified percentage of work done to be recognised in profit and loss. We also assessed the reliability of management's estimation of contract costs by comparing the final outcomes of projects completed during the year to previous estimates made on those projects.<br><br>
For a selection of CWIP, we assessed the recoverability of CWIP and profit recognised in the profit and loss account by:<br><br>
• Assessing the adequacy of budgeted contract costs by comparing them with the actual costs incurred to-date;<br>
• Ascertaining the reasonableness of costs recognised in profit and loss with reference to the certified percentage of work done;<br>
• Where applicable, identifying any changes in assumptions and estimates applied in the budget from previous years and evaluated the reasons provided by management for the changes; and<br>
• Enquiring with management on the progress of the construction to identify potential delays or cost overruns that may require revision in budgeted contract costs or a provision for foreseeable losses.<br><br>
In respect of the risks from liquidated damage claims arising from contracts, if any, we enquired with management to understand their assessment of the progress of claims. We inspected correspondences with the customers. We also considered the Group's prior experience on final settlement of claims and compared resolutions of claims to settlements after year end, where applicable, to ascertain the reasonableness of management's assessment.<br><br>
We also considered the adequacy of the Group's disclosure made around contract accounting in the financial statements.<br><br>
Our finding<br><br>
We found that the Group's estimates of budgeted contract costs, costs recognised in profit and loss and provision for foreseeable losses to be balanced.<br><br>
We found that the Group's disclosure of contract accounting in note 21 to the financial statements complies with relevant accounting standards.
</td></tr>
</table>

# INDEPENDENT AUDITORS' REPORT

| Valuation of properties under development held for sale | |
|---|---|
| ***The key audit matter*** | ***How the matter was addressed in our audit*** |
| The Group has significant properties under development in China. There is a risk that net realisable values of these properties may be lower than their carrying amounts.<br><br>Development costs may also escalate when the progress of any development is delayed and this could result in the carrying amounts of the affected properties under development exceeding their net realisable values.<br><br>The Group uses the following methods to determine net realisable values for its property under development:<br><br>• Valuation reports issued by external independent valuers who the Group believes have the relevant qualification and industry experience. The valuation involves estimating the selling prices of the property under development; and<br><br>• Management's assessment of the estimated selling prices of the property under development. | **Our response**<br><br>For external independent valuation reports, we reviewed the Group's process of appointing independent valuers; and evaluated the competence, capabilities and objectivity of these valuers. We held discussions with the valuers to understand their valuation methods and basis of valuation by comparing them with methodologies applied by other valuers for similar properties. We evaluated the reasonableness of the estimated selling prices implied in valuation reports by comparing them with recent asking prices of comparable properties in the vicinity.<br><br>For the assessment done by management, we assessed the reasonableness of management's estimated selling prices by comparing them with recent asking prices of comparable properties in the vicinity and considered the market supply and demand of properties projected by valuers.<br><br>Where applicable, we assessed the reasonableness of the estimated development costs to complete a project by comparing the progress of the construction with the initial plan and considering whether there is any significant delay or deviation in plan which may require revision in estimated costs to complete.<br><br>We also considered the adequacy of the Group's disclosure made around allowance for loss in the financial statements.<br><br>**Our finding**<br><br>We found no matters of concern regarding the competence, capabilities and objectivity of the external valuers and the methodologies and assumptions used by the valuers.<br><br>We found the management's assessment of estimated selling prices and estimated costs to complete to be balanced.<br><br>We found that the Group's disclosure of allowances made for property under development in note 14 to the financial statements complies with relevant accounting standards. |

# INDEPENDENT AUDITORS' REPORT

| Impairment of non-financial assets | |
|---|---|
| ***The key audit matter*** | ***How the matter was addressed in our audit*** |
| The Group's net asset value exceeded its market capitalisation by $157.0 million as at 31 December 2017. This indicates that non-financial assets may be impaired. Impairment assessment involves estimating the recoverable amounts of the cash generating unit ("CGU") to which the non-financial assets belongs.<br><br>The determination of recoverable amounts involves judgement and is subject to estimation uncertainties.<br><br>The recoverable amount of each CGU is its fair value less costs to sell with reference to recent market transactions. | **Our response**<br><br>Our audit procedures included, among others, testing the control designed and applied by the Group to ensure that its impairment analysis is appropriately undertaken and reviewed.<br><br>We evaluated the identification of CGUs by the Group based on our understanding of the business.<br><br>When recoverable amounts were based on a CGU's fair value less costs to sell supported by external valuations, we reviewed the Group's process of appointing the independent valuers; and evaluated the competence, capabilities and objectivity of these valuers. We evaluated the reasonableness of the estimated selling prices implied in valuation reports by comparing them with recent asking prices of comparable properties in the vicinity.<br><br>When recoverable amounts were based on management own estimate of a CGU's fair value less costs to sell, we assessed the reasonableness of management's estimated selling prices by comparing them with recent asking prices of comparable properties in the vicinity and considered the market supply and demand of properties projected by valuers.<br><br>**Our finding**<br><br>We found no matters of concern regarding the competence, capabilities and objectivity of the external valuers and the assumptions used by the valuers.<br><br>We found that the Group had assessed and recorded impairments based on a balanced set of assumptions and estimates. |

# INDEPENDENT AUDITORS' REPORT

**Other information**

Management is responsible for the other information. The other information comprises the Corporate Profile, Cover Story, Accreditations & Awards, Chairman's Message, CEO's statement, Board of Directors, Senior Management, Project List, Corporate Information, Financial Highlights, Corporate Governance, Directors' Statement and Statistics of Shareholdings but does not include the financial statements and our auditors' report thereon, which we obtained prior to the date of this auditors' report.

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

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

**Responsibilities of management and directors for the financial statements**

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

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

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

**Auditors' responsibilities for the audit of the financial statements**

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

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

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

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

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

# INDEPENDENT AUDITORS' REPORT

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

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

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

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

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

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

**Report on other legal and regulatory requirements**

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

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

**KPMG LLP**
*Public Accountants and*
*Chartered Accountants*

**Singapore**
29 March 2018

# STATEMENTS OF FINANCIAL POSITION

As at 31 December 2017

| | Note | Group 2017 $'000 | Group 2016 $'000 | Company 2017 $'000 | Company 2016 $'000 |
|---|---|---|---|---|---|
| **Non-current assets** | | | | | |
| Property, plant and equipment | 4 | **129,349** | 123,164 | **–** | – |
| Intangible assets | 5 | **408** | 1,235 | **–** | – |
| Investment properties | 6 | **13,584** | 14,927 | **–** | – |
| Subsidiaries | 7 | **–** | – | **59,624** | 59,624 |
| Associates and joint ventures | 8 | **24,663** | 22,953 | **–** | – |
| Trade and other receivables | 9 | **13,929** | 30,719 | **–** | – |
| Amount due from related parties | 15 | **2,715** | 1,653 | **–** | – |
| Other investments | 10 | **1,285** | 1,145 | **–** | – |
| Deferred tax assets | 11 | **202** | 204 | **–** | – |
| | | **186,135** | 196,000 | **59,624** | 59,624 |
| **Current assets** | | | | | |
| Inventories | 12 | **1,074** | 1,467 | **–** | – |
| Construction work-in-progress | 13 | **28,558** | 30,337 | **–** | – |
| Development properties | 14 | **278,676** | 336,049 | **–** | – |
| Trade and other receivables | 9 | **165,618** | 256,903 | **7** | 3 |
| Amounts due from related parties | 15 | **49,716** | 51,645 | **104,436** | 129,981 |
| Cash and cash equivalents | 16 | **143,715** | 92,248 | **77,078** | 2,930 |
| | | **667,357** | 768,649 | **181,521** | 132,914 |
| **Total assets** | | **853,492** | 964,649 | **241,145** | 192,538 |
| **Equity attributable to owners of the Company** | | | | | |
| Share capital | 17 | **181,947** | 181,947 | **181,947** | 181,947 |
| Treasury shares | 17 | **(3,033)** | (1,310) | **(3,033)** | (1,310) |
| Reserves | 18 | **(71,198)** | (65,948) | **(45,850)** | (45,850) |
| Retained earnings/(Accumulated losses) | | **172,815** | 145,517 | **(27,641)** | (22,622) |
| | | **280,531** | 260,206 | **105,423** | 112,165 |
| **Non-controlling interests** | 33 | **46,838** | 57,641 | **–** | – |
| **Total equity** | | **327,369** | 317,847 | **105,423** | 112,165 |
| **Non-current liabilities** | | | | | |
| Trade and other payables | 19 | **23,296** | 24,348 | **–** | – |
| Loans and borrowings | 20 | **17,184** | 90,931 | **–** | 72,568 |
| Deferred tax liabilities | 11 | **3,779** | 5,810 | **–** | – |
| | | **44,259** | 121,089 | **–** | 72,568 |
| **Current liabilities** | | | | | |
| Progress billings in excess of construction work-in-progress | 13 | **–** | 8,545 | **–** | – |
| Trade and other payables | 19 | **333,424** | 395,651 | **3,592** | 3,197 |
| Amounts due to related parties | 15 | **15,486** | 23,498 | **59,119** | 4,608 |
| Loans and borrowings | 20 | **114,882** | 85,449 | **72,996** | – |
| Current tax payable | | **18,072** | 12,570 | **15** | – |
| | | **481,864** | 525,713 | **135,722** | 7,805 |
| **Total liabilities** | | **526,123** | 646,802 | **135,722** | 80,373 |
| **Total equity and liabilities** | | **853,492** | 964,649 | **241,145** | 192,538 |

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

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2017

| | Note | 2017<br>$'000 | 2016<br>$'000 |
|---|---|---|---|
| **Revenue** | | | |
| Revenue from construction contracts | 21(a) | **651,326** | 634,219 |
| Revenue from sales of development properties | 21(b) | **89,537** | 137,821 |
| Rental income | | **1,933** | 2,218 |
| | | **742,796** | 774,258 |
| Other income | 22(a) | **6,221** | 6,078 |
| Costs of construction contracts | 21(a) | **(583,309)** | (580,251) |
| Costs of sales of development properties | | **(80,203)** | (127,686) |
| Depreciation and amortisation | | **(5,103)** | (4,901) |
| Selling expenses | | **(4,202)** | (3,147) |
| Staff costs | 22(c) | **(20,187)** | (20,095) |
| Other expenses | 22(b) | **(11,469)** | (12,262) |
| | | **(704,473)** | (748,342) |
| **Profit from operating activities** | | **44,544** | 31,994 |
| Finance income | 23 | **2,182** | 2,328 |
| Finance costs | 23 | **(6,750)** | (10,760) |
| **Net finance costs** | | **(4,568)** | (8,432) |
| Share of profit of joint ventures, net of tax | | **91** | 866 |
| **Profit before tax** | | **40,067** | 24,428 |
| Tax expense | 24 | **(9,778)** | (8,585) |
| **Profit for the year** | | **30,289** | 15,843 |
| **Other comprehensive income** | | | |
| **Items that are or may be reclassified subsequently to profit or loss:** | | | |
| Translation differences relating to financial statements of foreign subsidiaries | | **(4,380)** | (10,384) |
| Exchange differences on monetary items forming part of net investment in a foreign operation | | **(1,278)** | (1,997) |
| Realisation of exchange differences on monetary items previously forming part of net investment in a foreign operation transferred to income statement | | **175** | (2,278) |
| **Other comprehensive income for the year, net of tax** | | **(5,483)** | (14,659) |
| **Total comprehensive income for the year** | | **24,806** | 1,184 |

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

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2017

| | Note | 2017 $'000 | 2016 $'000 |
|---|---|---|---|
| **Profit attributable to:** | | | |
| Owners of the Company | | **30,928** | 15,289 |
| Non-controlling interests | | **(639)** | 554 |
| **Profit for the year** | | **30,289** | 15,843 |
| **Total comprehensive income attributable to:** | | | |
| Owners of the Company | | **27,568** | 3,342 |
| Non-controlling interests | | **(2,762)** | (2,158) |
| **Total comprehensive income for the year** | | **24,806** | 1,184 |
| **Earnings per share** | | | |
| – Basic and diluted (cents) | 25 | **6.85** | 3.35 |

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

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2017

| | Attributable to owners of the Company | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Share capital $'000 | Treasury shares $'000 | Merger reserve $'000 | Capital reserve $'000 | Statutory reserve $'000 | Foreign currency translation reserve $'000 | Retained earnings $'000 | Total $'000 | Non-controlling interests $'000 | Total equity $'000 |
| **At 1 January 2016** | 181,947 | (244) | (77,720) | 1,888 | 3,564 | 18,267 | 132,510 | 260,212 | 59,799 | 320,011 |
| **Total comprehensive income for the year** | | | | | | | | | | |
| Profit for the year | – | – | – | – | – | – | 15,289 | 15,289 | 554 | 15,843 |
| **Other comprehensive income** | | | | | | | | | | |
| Translation differences relating to financial statements of foreign subsidiaries | – | – | – | – | – | (7,672) | – | (7,672) | (2,712) | (10,384) |
| Exchange differences on monetary items forming part of net investment in foreign operations | – | – | – | – | – | (1,997) | – | (1,997) | – | (1,997) |
| Realisation of exchange differences on monetary items previously forming part of net investment in a foreign operation transferred to income statement | – | – | – | – | – | (2,278) | – | (2,278) | – | (2,278) |
| Total other comprehensive income | – | – | – | – | – | (11,947) | – | (11,947) | (2,712) | (14,659) |
| *Total comprehensive income for the year* | – | – | – | – | – | (11,947) | 15,289 | 3,342 | (2,158) | 1,184 |

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

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2017

| | | Attributable to owners of the Company | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | Note | Share capital $'000 | Treasury shares $'000 | Merger reserve $'000 | Capital reserve $'000 | Statutory reserve $'000 | Foreign currency translation reserve $'000 | Retained earnings $'000 | Total $'000 | Non-controlling interests $'000 | Total equity $'000 |
| **Transaction with owners, recognised directly in equity** | | | | | | | | | | | |
| **Contributions by and distributions to owners** | | | | | | | | | | | |
| Purchase of treasury shares | | – | (1,066) | – | – | – | – | – | (1,066) | – | (1,066) |
| Dividends declared | 17 | – | – | – | – | – | – | (2,282) | (2,282) | – | (2,282) |
| *Total transactions with owners of the Company* | | – | (1,066) | – | – | – | – | (2,282) | (3,348) | – | (3,348) |
| **At 31 December 2016** | | 181,947 | (1,310) | (77,720) | 1,888 | 3,564 | 6,320 | 145,517 | 260,206 | 57,641 | 317,847 |

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

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2017

| | Attributable to owners of the Company | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Share capital $'000 | Treasury shares $'000 | Merger reserve $'000 | Capital reserve $'000 | Statutory reserve $'000 | Foreign currency translation reserve $'000 | Retained earnings $'000 | Total $'000 | Non-controlling interests $'000 | Total equity $'000 |
| **At 1 January 2017** | 181,947 | (1,310) | (77,720) | 1,888 | 3,564 | 6,320 | 145,517 | 260,206 | 57,641 | 317,847 |
| **Total comprehensive income for the year** | | | | | | | | | | |
| Profit for the year | – | – | – | – | – | – | 30,928 | 30,928 | (639) | 30,289 |
| **Other comprehensive income** | | | | | | | | | | |
| Translation differences relating to financial statements of foreign subsidiaries | – | – | – | – | – | (2,257) | – | (2,257) | (2,123) | (4,380) |
| Exchange differences on monetary items forming part of net investment in foreign operations | – | – | – | – | – | (1,278) | – | (1,278) | – | (1,278) |
| Realisation of exchange differences on monetary items previously forming part of net investment in a foreign operation transferred to income statement | – | – | – | – | – | 175 | – | 175 | – | 175 |
| Total other comprehensive income | – | – | – | – | – | (3,360) | – | (3,360) | (2,123) | (5,483) |
| *Total comprehensive income for the year* | – | – | – | – | – | (3,360) | 30,928 | 27,568 | (2,762) | 24,806 |

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

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2017

| | Note | Attributable to owners of the Company | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Share capital $'000 | Treasury shares $'000 | Merger reserve $'000 | Capital reserve $'000 | Statutory reserve $'000 | Foreign currency translation reserve $'000 | Retained earnings $'000 | Total $'000 | Non-controlling interests $'000 | Total equity $'000 |
| **Transaction with owners, recognised directly in equity** | | | | | | | | | | | |
| **Contributions by and distributions to owners** | | | | | | | | | | | |
| Purchase of treasury shares | | – | (1,723) | – | – | – | – | – | (1,723) | – | (1,723) |
| Dividends declared | 17 | – | – | – | – | – | – | (3,630) | (3,630) | (58) | (3,688) |
| Acquisition of non-controlling interest without a change in control | | – | – | – | (1,890) | – | – | – | (1,890) | (7,983) | (9,873) |
| *Total transactions with owners of the Company* | | – | (1,723) | – | (1,890) | – | – | (3,630) | (7,243) | (8,041) | (15,284) |
| **At 31 December 2017** | | 181,947 | (3,033) | (77,720) | (2) | 3,564 | 2,960 | 172,815 | 280,531 | 46,838 | 327,369 |

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

# CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2017

| | Note | 2017<br>$'000 | 2016<br>$'000 |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Profit from operating activities | | **44,544** | 31,994 |
| Adjustments for: | | | |
| Depreciation and amortisation | | **16,915** | 17,352 |
| Gain on disposal of: | | | |
| – property, plant and equipment | | **(251)** | (75) |
| – investment properties | | **(1,357)** | (216) |
| Bad debts written off | | **–** | 911 |
| Inventory written off | | **–** | 357 |
| Property, plant and equipment written off | | **–** | 88 |
| Impairment loss on intangible assets | | **463** | – |
| Write back of doubtful trade receivables | | **(4)** | – |
| | | **60,310** | 50,411 |
| Changes in: | | | |
| Inventories | | **389** | 51 |
| Construction work-in-progress | | **(6,767)** | 8,507 |
| Development properties | | **53,201** | 91,241 |
| Trade and other receivables | | **110,002** | (50,707) |
| Trade and other payables | | **(63,165)** | 65,297 |
| Balances with related parties (trade) | | **(11,425)** | 5,404 |
| **Cash generated from operations** | | **142,545** | 170,204 |
| Tax paid | | **(7,615)** | (4,456) |
| Tax refunded | | **429** | – |
| **Net cash from operating activities** | | **135,359** | 165,748 |
| | | | |
| **Cash flows from investing activities** | | | |
| Distribution received from joint ventures | | **136** | 7,497 |
| Distributions received from other investments | | **69** | 5,333 |
| Dividend received from other investments | | **–** | 232 |
| Investment in a joint venture | | **(12,739)** | (326) |
| Loan repayment from joint ventures | | **12,135** | – |
| Interest received | | **1,058** | 997 |
| Proceeds from disposal of: | | | |
| – property, plant and equipment | | **519** | 886 |
| – investment properties | | **1,891** | 320 |
| Purchase of: | | | |
| – other investments | | **(190)** | (178) |
| – property, plant and equipment | | **(22,078)** | (39,573) |
| – intangible assets | | **(137)** | (6) |
| Balances with related parties (non-trade) | | **(3,578)** | (2,111) |
| **Net cash used in investing activities** | | **(22,914)** | (26,929) |

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

# CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2017

| | Note | 2017<br>$'000 | 2016<br>$'000 |
|---|---|---|---|
| **Cash flows from financing activities** | | | |
| Balances with related parties (non-trade) | | **(881)** | (4,896) |
| (Increase)/decrease in deposits pledged | | **(2)** | 498 |
| Decrease/(increase) in restricted cash | | **2,205** | (739) |
| Dividends paid to: | | | |
| – owners of the Company | | **(3,630)** | (2,282) |
| – non-controlling interests | | **(58)** | – |
| Interest paid | | **(5,143)** | (7,308) |
| Acquisition of non-controlling interests in subsidiaries | | **(4,457)** | – |
| Purchase of treasury shares | | **(1,723)** | (1,066) |
| Payments of finance lease liabilities | | **(706)** | (973) |
| Proceeds from loans and borrowings | | **41,364** | 86,636 |
| Repayment of loans and borrowings | | **(85,413)** | (208,833) |
| **Net cash used in financing activities** | | **(58,444)** | (138,963) |
| | | | |
| **Net increase/(decrease) in cash and cash equivalents** | | **54,001** | (144) |
| Cash and cash equivalents at beginning of the year | | **87,602** | 88,774 |
| Effect of exchange rate changes on balances held in foreign currencies | | **(269)** | (1,028) |
| **Cash and cash equivalents at end of the year** | 16 | **141,334** | 87,602 |

***Significant non-cash transactions***

During the financial year, the Group purchased property, plant and equipment, amounting to $22,091,000 (2016: $39,877,000), of which $13,000 (2016: $304,000) was acquired under finance lease arrangement.

# NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2017

These notes form an integral part of the financial statements.

The financial statements were authorised for issue by the Board of Directors on 29 March 2018.

## 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 21 Fan Yoong Road, Singapore 629796.

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

The financial statements of the Group as at and for the year ended 31 December 2017 comprise the Company and its subsidiaries (together referred to as the 'Group' and individually as 'Group entities') and the Group's interest in equity-accounted investees.

The Group is primarily involved in building construction and civil engineering, 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 have been rounded to the nearest thousand, unless otherwise stated.

### 2.4 Use of estimates and judgements

The preparation of the financial statements in conformity with 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.

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 other major sources of 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 5 | – | Measurement of recoverable amounts of intangible assets |
| Note 14 | – | Measurement of realisable amounts of development properties |
| Note 21 | – | Revenue and costs recognition from construction contracts and development properties |
| Note 21(a) | – | Recoverability of construction costs |

# NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2017

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

| | | |
|---|---|---|
| Note 4 | – | Measurement of recoverable amounts of property, plant and equipment |
| Note 7 | – | Measurement of recoverable amounts of investment in subsidiaries |
| Note 10 | – | Measurement of recoverable amounts of other investments |
| Note 24 | – | Estimation of provisions for current and deferred taxation |

***Measurement of fair values***

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

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

Significant valuation issues are reported to the Group Audit Committee.

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

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

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

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

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

| | | |
|---|---|---|
| Note 6 | – | Investment properties |
| Note 32 | – | Financial instruments |

## 2.5 CHANGES IN ACCOUNTING POLICIES

**Revised standards**

The Group has applied the following amendments for the first time for the annual period beginning on 1 January 2017:

- *Disclosure Initiative (Amendments to FRS 7);*
- *Recognition of Deferred Tax Assets for Unrealised Losses (Amendments to FRS 12);* and
- *Clarification of the scope of FRS 112 (Improvements to FRSs 2016).*

# NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2017

Other than the amendments to FRS 7, the adoption of these amendments did not have any impact on the current or prior period and is not likely to affect future periods.

**Disclosure Initiative (Amendments to FRS 7)**

From 1 January 2017, as a result of the amendments to FRS 7, the Group has provided additional disclosure in relation to the changes in liabilities arising from financing activities for the year ended 31 December 2017. Comparative information has not been presented (see note 20).

## 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.

### 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.

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 acquiree; plus
- if the business combination is achieved in stages, the fair value of the pre-existing equity interest in the acquiree,

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

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

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

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

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

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 date of acquisition. 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.

# NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2017

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.

***Subsidiaries***

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

The accounting policies of subsidiaries have been changed when necessary to align them with the policies adopted by the Group. Losses applicable to the 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 associate and joint ventures (equity-accounted investees)***

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

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

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

# NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2017

***Transactions eliminated on consolidation***

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

***Subsidiaries, associates and joint ventures in the separate financial statements***

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

**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 the differences which are recognised in other comprehensive income arising on the retranslation of 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 reporting date. 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 are translated at the exchange rates at the reporting date. For acquisitions prior to 1 January 2005, the exchange rates at the date of acquisition were used.

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.

# NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2017

## 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.

***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. Properties under construction and freehold land are not depreciated.

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

# NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2017

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

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

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

## 3.4 Intangible assets and goodwill

***Goodwill***

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

*Subsequent measurement*

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

***Other intangible assets***

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

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

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

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

***Patented technology***

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

***Licence fee***

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

# NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2017

***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.

### 3.5 Investment properties

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

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

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

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

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

***Depreciation***

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

# NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2017

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 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, or it neither transfers nor retains substantially all of the risks and rewards of ownership and does not retain control over the transferred asset. 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: loans and receivables and available-for-sale financial assets.

***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 and restricted cash are excluded whilst bank overdrafts that are repayable on demand and that form an integral part of the Group's cash management are included in cash and cash equivalents.

***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 other 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 and foreign currency differences on available-for-sale debt instruments, 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.

# NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2017

**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 the date of acquisition. 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.

The Group classifies non-derivative financial liabilities into the other financial liabilities category. Such financial liabilities are recognised initially at fair value less 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, 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.

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

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

**Financial guarantees**

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

**3.7 Impairment**

**Non-derivative financial assets**

A financial asset not carried at fair value through profit or loss, including an interest in an associate and joint venture, 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.

# NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2017

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***

The Group considers evidence of impairment for loans and receivables at both a specific asset and collective level. All individually significant loans and receivables are assessed for specific impairment. All individually significant receivables found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Loans and receivables that are not individually significant are collectively assessed for impairment by grouping together loans and receivables with similar risk characteristics.

In assessing collective impairment, the Group uses historical trends of the probability of default, the timing of recoveries and the amount of loss incurred, adjusted for management's judgement as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends.

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. Interest on the impaired asset continues to be recognised. When the Group considers that there are no realistic prospects of recovery of the asset, the relevant amounts are written off. If the amount of impairment loss subsequently decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, then the previously recognised 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.

***Associates and joint ventures***

An impairment loss in respect of an associate or joint venture is measured by comparing the recoverable amount of the investment with its carrying amount in accordance with 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, then the asset's recoverable amount is estimated. For goodwill, and intangible assets that have indefinite useful lives or that are not yet available for use, the recoverable amount is estimated each year at the same time. An impairment loss is recognised if the carrying amount of an asset or its related cash-generating unit (CGU) exceeds its estimated recoverable amount.

# NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2017

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

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

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

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

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

### 3.8 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 and recognised losses 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".

# NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2017

## 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, capitalised borrowing costs and other related expenditure, less any allowance for diminution in value of property considered necessary by the management. Borrowing costs payable on loans funding a development property are capitalised, on a specific identification basis, as cost of the development property until the date of its practical completion.

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

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

***Completed properties for sale***

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

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

**Reclassification to investment property**

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

## 3.10 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 Club memberships

Club memberships are measured at cost less accumulated impairment loss.

# NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2017

### 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 related services are rendered by employees.

***Short-term employee benefits***

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

### 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.

Other leases are operating leases not recognised in the Group's statement of financial position.

***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.

# NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2017

## 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. When 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.

***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.

## 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 finance costs

Finance income comprises interest income on funds 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, amortisation of borrowings related costs, 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.

# NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2017

## 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. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any.

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

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

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

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

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

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

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.

# NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2017

### 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 CEO (the chief operating decision maker) to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

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

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

### 3.21 Full convergence with International Financial Reporting Standards ("IFRS") and adoption of new standards

### 3.21(1) Applicable to 2018 financial statements

In December 2017, the Accounting Standards Council ("ASC") issued the Singapore Financial Reporting Standards (International) ("SFRS(I)"). SFRS(I) comprises standards and interpretations that are equivalent to International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") at 31 December 2017 that are applicable for annual period beginning on 1 January 2018. Singapore-incorporated companies that have issued, or are in the process of issuing, equity or debt instruments for trading in a public market in Singapore, will apply SFRS(I) with effect from annual periods beginning on or after 1 January 2018.

The Group's financial statements for the financial year ending 31 December 2018 will be prepared in accordance with SFRS(I). As a result, this will be the last set of financial statements prepared under the current FRS.

In adopting the new framework, the Group will be required to apply the specific transition requirements in SFRS(I) 1 *First-time Adoption of Singapore Financial Reporting Standards (International).*

In addition to the adoption of the new framework, the Group will also concurrently apply the following SFRS(I)s, interpretations of SFRS(I)s and requirements of SFRS(I)s which are mandatorily effective from the same date.

- SFRS(I) 15 *Revenue from Contracts with Customers* which includes the clarifications to IFRS 15 *Revenue from Contracts with Customers* issued by the IASB in April 2016;
- SFRS(I) 9 *Financial Instruments* which includes the amendments to IFRS 4 *Insurance Contracts – Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts* issued by the IASB in September 2016;
- requirements in SFRS(I) 2 *Share-based Payment* arising from the amendments to IFRS 2 – *Classification and Measurement of Share-based Payment Transactions* issued by the IASB in June 2016;
- requirements in SFRS(I) 1-40 Investment Property arising from the amendments to IAS 40 – *Transfers of Investment Property* issued by the IASB in December 2016;
- requirements in SFRS(I) 1 arising from the amendments to IFRS 1 – *Deletion of short-term exemptions for first-time adopters* issued by the IASB in December 2016;
- requirements in SFRS(I) 1-28 *Investments in Associates and Joint Ventures* arising from the amendments to IAS 28 – *Measuring an associate or joint venture at fair value* issued by the IASB in December 2016; and
- SFRS(I) INT 22 *Foreign Currency Transactions and Advance Consideration.*

# NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2017

The nature of the impending changes in accounting policy on adoption of SFRS(I) 1, SFRS(I) 9 and SFRS(I) 15 are described below. The Group does not expect the application of the above standards and interpretations to have a significant impact on the financial statements except SFRS(I) 15.

**SFRS(I) 1**

When the Group adopts SFRS(I) in 2018, the Group will apply SFRS(I) 1 with 1 January 2017 as the date of transition for the Group and the Company. SFRS(I) 1 generally requires that the Group applies SFRS(I) on a retrospective basis, as if such accounting policy had always been applied. If there are changes to accounting policies arising from new or amended standards effective in 2018, restatement of comparatives may be required because SFRS(I) 1 requires both the opening balance sheet and comparative information to be prepared using the most current accounting policies. SFRS(I) 1 provides mandatory exceptions and optional exemptions from retrospective application, but these are often different from those specific transition provisions in individual FRSs applied to the FRS financial statements. The Group does not expect the application of the mandatory exceptions and the optional exemptions in SFRS(I) 1 to have any significant impact on the financial statements.

**SFRS(I) 9**

SFRS(I) 9 introduces new requirements for classification and measurement of financial assets, impairment of financial assets and hedge accounting, and is effective for annual periods beginning on or after 1 January 2018. Overall, the Group does not expect a significant change to the measurement basis arising from adopting the new classification and measurement model under SFRS(I) 9. Loans and receivables currently accounted for at amortised cost will continue to be accounted for using amortised cost model under SFRS(I) 9. Financial assets are classified according to their contractual cash flow characteristics and the business model under which they are held. The impairment requirements in SFRS(I) 9 are based on an expected credit loss model and replace the FRS 39 incurred loss model.

The Group plans to adopt the new standard on the required effective date without restating prior periods' information and recognises any difference between the previous carrying amount and the carrying amount at the beginning of the annual reporting period at the date of initial application in the opening retained earnings.

***Impairment***

SFRS(I) 9 requires the Group and the Company to record expected credit losses on all of its loans, cash at bank and trade receivables, either on a 12-month or lifetime basis. The Group expects to apply the simplified approach and record lifetime expected losses on all loans, cash at bank and trade receivables. The Group does not expect the application of the simplified approach to have any significant impact on the financial statements.

**SFRS(I) 15**

SFRS(I) 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It also introduces new cost guidance which requires certain costs of obtaining and fulfilling contracts to be recognised as separate assets when specified criteria are met.

The Group plans to adopt SFRS(I) 15 in its financial statements for the year ending 31 December 2018, using the retrospective approach. As a result, the Group will apply all of the requirements of SFRS(I) 15 retrospectively, except as described below, and the comparative period presented in the 2018 financial statement will be restated.

The Group plans to use the practical expedients for completed contracts. This means that completed contracts that began and ended in the same comparative reporting period, as well as completed contracts at the beginning of the earliest period presented, are not restated.

# NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2017

The expected impact upon the adoption of SFRS(I) 15 are described below.

***(i) Contract revenue and contract costs***

Currently both contract revenue and contract costs are recognised with reference to the stage of completion. Stage of completion is measured by reference to surveys performed which would qualify as an output method under SFRS(I) 15. Under SFRS(I) 15 only revenue is recognised with reference to an input or output method while costs are expensed as incurred unless they qualified to be capitalised.

The Group has assessed that the performance obligations for contracts with customers will be satisfied over time. The Group will implement the input method to measure the Group's progress towards complete satisfaction of a performance obligation satisfied over time. Input methods recognise revenue on the basis of the entity's efforts or inputs to the satisfaction of that performance obligation. Accordingly, the revenue will be recognised using the percentage of completion method computed based on actual cost incurred to date over the budgeted cost.

The Group is currently gathering data and performing a further detailed assessment to quantify the impact on its financial statements. Based on the initial assessment, the Group expects a decrease in contract cost asset and retained earnings as at 1 January 2017 and 31 December 2017. The Group expects an increase in revenue from construction contracts and costs of construction contracts for the financial year ended 31 December 2017.

***(ii) Sales commissions paid to sales or marketing agents on the sale of real estate units***

The Group pays commissions to property agents on the sale of property and currently recognises such commissions as expense when incurred. Under SFRS(I) 15, the Group will capitalise such commissions as incremental costs to obtain a contract with customer if these costs are recoverable under contract cost asset. These costs are amortised to profit or loss as the Group recognises the related revenue.

The Group expects an increase in contract cost asset and retained earnings as at 1 January 2017 and 31 December 2017. The Group expects a decrease in selling expenses for the financial year ended 31 December 2017.

***(iii) Significant financing components arising from payments from customers***

The Group receives payments from customers for the sale of residential projects. Under certain payment arrangement, the time when payments are made by the buyer and the transfer of control of the property to the buyer do not coincide and where the difference between the timing of receipt of the payments and the transfer of goods and services is 12 months or more, there may exist a significant financing component arising from payments from buyers. A finance income or finance expenses will be recognised depending on the arrangement.

The Group expects an increase in receipts in advance and decrease in retained earnings as at 1 January 2017 and 31 December 2017. The Group expects an increase in revenue from sales of development properties and finance cost for the financial year ended 31 December 2017.

**3.21(2) Applicable to financial statements for the year 2019 and thereafter**

The following new SFRS(I), amendments to and interpretations of SFRS(I) are effective for annual periods beginning after 1 January 2019:

***Applicable to 2019 financial statements***

- SFRS(I) 16 *Leases*
- SFRS(I) INT 23 *Uncertainty over Income Tax Treatments*
- *Long-term Interests in Associates and Joint Ventures* (Amendments to SFRS(I) 1-28)
- *Prepayment Features with Negative Compensation* (Amendments to SFRS(I) 9)

# NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2017

***Mandatory effective date deferred***

- *Sale* or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to SFRS(I) 10 and SFRS(I) 1-28).

The Group is still in the process of assessing the impact of the new SFRS(I)s, amendments to and interpretations of SFRS(I)s on the financial statements.

**SFRS(I) 16**

SFRS(I) 16 replaces existing lease accounting guidance. SFRS(I) 16 is effective for annual periods beginning on or after 1 January 2019, with early adoption permitted if SFRS(I) 15 is also applied. SFRS(I) 16 eliminates the lessee's classification of leases as either operating leases or finance leases and introduces a single lessee accounting model. Applying the new model, a lessee is required to recognise right-of-use (ROU) assets and lease liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value.

The Group plans to adopt the standard when it becomes effective in 2019 and expects to apply the standard using the modified retrospective approach.

The Group is likely to elect the practical expedient not to reassess whether a contract contains a lease at the date of initial application, 1 January 2019. Accordingly, existing lease contracts that are still effective on 1 January 2019 continue to be accounted for as lease contracts under SFRS(I) 16.

The Group expects its existing operating lease arrangements to be recognised as ROU assets with corresponding lease liabilities under SFRS(I) 16. Under the new standard, remaining lease payments of the operating leases will be recognised at their present value discounted using appropriate discount rate. In addition, the nature of expenses related to those leases will now change as SFRS(I) 16 replaces the straight-line operating lease expense with depreciation charge of ROU assets and interest expense on lease liabilities. The Group is assessing its portfolio of leases to calculate the impending impact of transition to the new standard.

Until 2018, the approximate financial impact of the standard is unknown due to factors that impact calculation of lease liabilities such as discount rate, expected term of leases including renewal options and exemptions for short-term leases. The Group will continue to assess its portfolio of leases to calculate the impending impact of transition to the new standard.

**The Group as lessee**

The Group expects its existing operating lease arrangements to be recognised as ROU assets with corresponding lease liabilities under SFRS(I) 16. The operating lease commitments on an undiscounted basis amount to $3,924,000, as disclosed in note 27(b), less than 1% of the consolidated total assets and total liabilities. Under the new standard, remaining lease payments of the operating leases will be recognised at their present value discounted using appropriate discount rates. In addition, the nature of expenses related to those leases will now change as SFRS(I) 16 replaces the straight-line operating lease expense with depreciation charge of ROU assets and interest expense on lease liabilities.

**The Group as lessor**

SFRS(I) 16 substantially carries forward the current existing lessor accounting requirements. Accordingly, the Group continues to classify its leases as operating leases or finance leases, and to account for these two types of leases using the existing operating lease and finance lease accounting models respectively. However, SFRS(I) 16 requires more extensive disclosures to be provided by a lessor.

# NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2017

## 4. PROPERTY, PLANT AND EQUIPMENT

| Group | Leasehold lands $'000 | Freehold land $'000 | Leasehold properties $'000 | Plant and machinery $'000 | Tools and moulds $'000 | Furniture, equipment and fittings $'000 | Motor vehicles $'000 | Properties under construction $'000 | Total $'000 |
|---|---|---|---|---|---|---|---|---|---|
| **Cost** | | | | | | | | | |
| At 1 January 2016 | 13,992 | 4,111 | 40,243 | 62,096 | 55,495 | 6,795 | 5,566 | 5,764 | 194,062 |
| Additions | – | – | – | 19,337 | 3,948 | 651 | 1,238 | 14,703 | 39,877 |
| Disposals | – | – | – | (823) | (118) | (157) | (1,264) | – | (2,362) |
| Transfer | – | – | 10,054 | – | – | – | – | (10,054) | – |
| Cost adjustments | – | – | (605) | – | – | – | – | – | (605) |
| Write-off | – | – | – | (1,060) | – | – | (456) | – | (1,516) |
| Effects of movements in exchange rates | – | (293) | (18) | (153) | (10) | (25) | (153) | (185) | (837) |
| At 31 December 2016 | 13,992 | 3,818 | 49,674 | 79,397 | 59,315 | 7,264 | 4,931 | 10,228 | 228,619 |
| Additions | **–** | **–** | **–** | **4,666** | **1,454** | **420** | **794** | **14,757** | **22,091** |
| Disposals | **–** | **–** | **–** | **(388)** | **(80)** | **(270)** | **(711)** | **–** | **(1,449)** |
| Transfer | **–** | **–** | **25,060** | **–** | **–** | **–** | **–** | **(25,060)** | **–** |
| Effects of movements in exchange rates | **–** | **144** | **(5)** | **(100)** | **10** | **(72)** | **(112)** | **75** | **(60)** |
| At 31 December 2017 | **13,992** | **3,962** | **74,729** | **83,575** | **60,699** | **7,342** | **4,902** | **–** | **249,201** |
| **Accumulated depreciation and impairment losses** | | | | | | | | | |
| At 1 January 2016 | 1,139 | – | 9,092 | 29,343 | 44,826 | 5,187 | 2,869 | – | 92,456 |
| Depreciation for the year | 516 | – | 1,214 | 8,806 | 4,252 | 935 | 463 | – | 16,186 |
| Disposals | – | – | – | (581) | (69) | (92) | (809) | – | (1,551) |
| Write-off | – | – | – | (999) | – | – | (429) | – | (1,428) |
| Effects of movements in exchange rates | – | – | (7) | (91) | (7) | (18) | (85) | – | (208) |
| At 31 December 2016 | 1,655 | – | 10,299 | 36,478 | 49,002 | 6,012 | 2,009 | – | 105,455 |
| Depreciation for the year | **516** | **–** | **1,854** | **9,788** | **2,571** | **620** | **484** | **–** | **15,833** |
| Disposals | **–** | **–** | **–** | **(377)** | **(57)** | **(199)** | **(548)** | **–** | **(1,181)** |
| Effects of movements in exchange rates | **–** | **–** | **(2)** | **(93)** | **8** | **(69)** | **(99)** | **–** | **(255)** |
| At 31 December 2017 | **2,171** | **–** | **12,151** | **45,796** | **51,524** | **6,364** | **1,846** | **–** | **119,852** |
| **Carrying amounts** | | | | | | | | | |
| At 1 January 2016 | 12,853 | 4,111 | 31,151 | 32,753 | 10,669 | 1,608 | 2,697 | 5,764 | 101,606 |
| At 31 December 2016 | 12,337 | 3,818 | 39,375 | 42,919 | 10,313 | 1,252 | 2,922 | 10,228 | 123,164 |
| At 31 December 2017 | **11,821** | **3,962** | **62,578** | **37,779** | **9,175** | **978** | **3,056** | **–** | **129,349** |

# NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2017

The depreciation for the year is analysed as follows:

| | Group | |
|---|---|---|
| | **2017** | **2016** |
| | **$'000** | **$'000** |
| Depreciation for the year | **15,833** | 16,186 |
| Depreciation included in construction work-in-progress | **(11,812)** | (12,451) |
| Depreciation charged to profit or loss | **4,021** | 3,735 |

***Impairment test***

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

***Assets held under finance lease***

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

| | Group | |
|---|---|---|
| | **2017** | **2016** |
| | **$'000** | **$'000** |
| Plant and machinery | **234** | 1,065 |
| Motor vehicles | **935** | 1,549 |
| Furniture, equipment and fittings | **12** | – |
| | **1,181** | 2,614 |

***Security***

Certain property, plant and equipment are mortgaged to the banks as collateral for credit facilities provided to the Group as disclosed in note 20.

## 5. INTANGIBLE ASSETS

| | Patented technology $'000 | Licence fee $'000 | Computer software $'000 | Total $'000 |
|---|---|---|---|---|
| **Group** | | | | |
| **Cost** | | | | |
| At 1 January 2016 | 12,478 | 263 | 675 | 13,416 |
| Additions | – | – | 6 | 6 |
| Effect of movements in exchange rates | – | – | (6) | (6) |
| At 31 December 2016 | 12,478 | 263 | 675 | 13,416 |

# NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2017

| | Patented technology $'000 | Licence fee $'000 | Computer software $'000 | Total $'000 |
|---|---|---|---|---|
| **Group** | | | | |
| **Cost** | | | | |
| At 1 January 2017 | **12,478** | **263** | **675** | **13,416** |
| Additions | **–** | **1** | **136** | **137** |
| Effect of movements in exchange rates | **–** | **–** | **(3)** | **(3)** |
| At 31 December 2017 | **12,478** | **264** | **808** | **13,550** |
| **Accumulated amortisation and impairment losses** | | | | |
| At 1 January 2016 | 11,198 | 198 | 273 | 11,669 |
| Amortisation for the year | 414 | 36 | 66 | 516 |
| Effect of movements in exchange rates | – | – | (4) | (4) |
| At 31 December 2016 | 11,612 | 234 | 335 | 12,181 |
| Amortisation for the year | 403 | 29 | 67 | 499 |
| Impairment losses | 463 | – | – | 463 |
| Effect of movements in exchange rates | – | – | (1) | (1) |
| At 31 December 2017 | **12,478** | **263** | **401** | **13,142** |
| **Carrying amounts** | | | | |
| At 1 January 2016 | 1,280 | 65 | 402 | 1,747 |
| At 31 December 2016 | 866 | 29 | 340 | 1,235 |
| At 31 December 2017 | **–** | **1** | **407** | **408** |

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

***Impairment test***

During the year, the Group recognised an impairment loss of $463,000 for its patented technology.

In the previous financial year, the Group performed an impairment review to assess the recoverable amount of its patented technology. The recoverable amount of the cash-generated units ('CGU') (comprising manufacturing CGU and licensing CGU) was based on their value-in-use. Based on the impairment assessment, no impairment charge was recognised during the previous financial year.

The value-in-use was determined by discounting the future cash flows expected to be generated from the continuing use of the patented technology. The calculation of the value-in-use was based on the following assumptions:

- The estimated revenue included in the cash flow projections for years 2017 to 2021 have been based on average growth rate of 0.5% per annum;
- Inflation rate of 2% was projected for the expected variable costs; and
- A pre-tax discount rate of 10.1% was applied in determining the recoverable amount.

The values assigned to the key assumptions represent management's assessment of future trends in the industry and are based on external and internal sources (historical data).

As at 31 December 2016, the recoverable amounts of the manufacturing and licensing CGUs were Nil and $1,655,000 respectively.

# NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2017

## 6. INVESTMENT PROPERTIES

| | Group $'000 |
|---|---|
| **Cost** | |
| At 1 January 2016 | 22,002 |
| Disposals | (147) |
| Effect of movements in exchange rates | (444) |
| At 31 December 2016 | 21,411 |
| Disposals | **(713)** |
| Effect of movements in exchange rates | **(312)** |
| At 31 December 2017 | **20,386** |
| **Accumulated depreciation and impairment losses** | |
| At 1 January 2016 | 6,122 |
| Depreciation for the year | 650 |
| Disposals | (43) |
| Effect of movements in exchange rates | (245) |
| At 31 December 2016 | 6,484 |
| Depreciation for the year | **583** |
| Disposals | **(179)** |
| Effect of movements in exchange rates | **(86)** |
| At 31 December 2017 | **6,802** |
| **Carrying amounts** | |
| At 1 January 2016 | 15,880 |
| At 31 December 2016 | 14,927 |
| At 31 December 2017 | **13,584** |

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

Management had assessed the recoverable amounts of the investment properties based on fair values. The fair value of the investment properties as at 31 December 2017 is $41,145,000 (2016: $42,587,000).

***Determination of fair value***

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

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

***Investment properties leased out under operating leases***

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

# NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2017

***Minimum lease receivables***

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

| | Group | |
|---|---|---|
| | 2017 $'000 | 2016 $'000 |
| Within one year | **67** | 89 |

***Securities***

Certain investment properties of the Group are mortgaged to banks to secure credit facilities as disclosed in note 20.

## 7. SUBSIDIARIES

| | Company | |
|---|---|---|
| | 2017 $'000 | 2016 $'000 |
| Unquoted shares in subsidiaries, at cost | **59,624** | 59,624 |

***Impairment of investment in subsidiaries***

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

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

Details of the significant subsidiaries at the end of the financial year are as follows:

| Company names | Principal activities | Country of incorporation | Effective equity interest held by the Group 2017 % | 2016 % |
|---|---|---|---|---|
| **(i) Direct subsidiary** | | | | |
| Tiong Seng Contractors (Private) Limited ("Tiong Seng Contractors")[1] | Construction works | Singapore | **100** | 100 |
| **(ii) Indirect subsidiaries** | | | | |
| Robin Village Development Pte. Ltd.[1] | Pre-casting | Singapore | **100** | 100 |
| Tianjin Zizhulin Guangang Property Development Co., Ltd. ("Guangang")[2] | Property development | PRC | **69** | 64 |
| Suzhou Changhe Investment and Development Co., Ltd. ("Changhe")[3] | Property development | PRC | **100** | 100 |
| Cangzhou Huashi Property Development Co., Ltd. ("Cangzhou Huashi")[2] | Property development | PRC | **41#** | 41# |

1 Audited by KPMG LLP, Singapore
2 Audited by Tianjin Ruihua Certified Public Accountants Co., Ltd., PRC
3 Audited by Suzhou Rui Ya Certified Public Accountants Co., Ltd., PRC
# This company is considered subsidiary of the Group as the Group was exposed to variable returns from the company and had the ability to affect those returns through the managements' control over the financial and operating policies of the company.

# NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2017

## 8. ASSOCIATES AND JOINT VENTURES

| | Group 2017 $'000 | Group 2016 $'000 |
|---|---|---|
| Interest in associate | * | * |
| Interests in joint ventures | **1,859** | 753 |
| | **1,859** | 753 |
| Loans to joint ventures | **22,804** | 22,200 |
| | **24,663** | 22,953 |

* Less than $1,000

The loans to joint ventures are unsecured and bears interest from 1.79% to 2.40% (2016: 1.56% to 3.15%) 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 Group's net investments in the joint venture, it is stated at cost less impairment losses.

***Associate***

Detail of the associate is as follows:

| Name of associate | Principal activities | Country of incorporation | Effective equity interest held by the Group 2017 % | Effective equity interest held by the Group 2016 % |
|---|---|---|---|---|
| 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.

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

| | 2017 $'000 | 2016 $'000 |
|---|---|---|
| **Assets and liabilities** | | |
| Total assets | **114** | 118 |
| Total liabilities | **(373)** | (376) |
| **Results** | | |
| Revenue | **–** | – |
| Expenses | **(1)** | – |
| Loss after taxation | **(1)** | – |

The Group has not recognised its share of the current year loss and the cumulative losses relating to its associate amounting to $1,000 (2016: $Nil) and $104,000 (2016: $103,000) respectively, because the Group has no obligation in respect of these losses.

There were no capital commitments and contingent liabilities as at 31 December 2017 and 2016.

# NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2017

***Joint ventures***

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 2017 % | 2016 % |
|---|---|---|---|---|
| ***Incorporated joint ventures*** | | | | |
| Cesma-Hua Kok-Tiong Seng-Neo Construction (India) Private Limited[1] | Construction works | India | **25** | 25 |
| Feature (Balmoral) Pte. Ltd.[3] | Real estate development | Singapore | **30** | 30 |
| Geostr-RV Pte. Ltd.[3] | Construction works | Singapore | **44** | 44 |
| High Tech Precast Co., Ltd.[5] | Construction works | Myanmar | **30** | 30 |
| TSky Development Pte. Ltd.[3] | Property development | Singapore | **60*** | – |
| ***Unincorporated joint ventures*** | | | | |
| Samsung-Tiong Seng Joint Venture (partnership)[4] | Building construction | Singapore | **30** | 30 |
| Kajima-Tiong Seng Joint Venture (partnership)[2] | Building construction | Singapore | **40** | 40 |
| Kajima-Tiong Seng Joint Venture (partnership)[2] | Construction works | Singapore | **30** | 30 |
| Kajima-Tiong Seng Joint Venture (partnership)[2] | Building construction | Singapore | **20** | 20 |
| GS E&C – TSC JV (partnership)[3] | Construction works | Singapore | **30** | 30 |
| Samsung-Tiong Seng Joint Venture (partnership)[3] | Building construction | Singapore | **45** | 45 |
| Tiong Seng-Dongah Joint Venture (partnership)[3] | Construction works | Singapore | **66*** | 66* |

1 Audited by Ramasamy Koteswara Rao & Co
2 Audited by Smalley and Co.
3 Audited by KPMG LLP, Singapore
4 Audited by RSM Chio Lim Stone Forest
5 Audited by Khin Su Htay & Associates Limited
* Although the Group holds more than 50% ownership interest in these companies, pursuant to a contractual agreement between the Group and its joint venture partner in these companies, joint control is exercised by both parties over the key activities of these companies. Accordingly, TSky Development Pte. Ltd. and Tiong Seng-Dongah Joint Venture (partnership) are classified as joint ventures of the Group.

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

# NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2017

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

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

| | Feature (Balmoral) Pte. Ltd. $'000 | GS E&C – TSC JV (partnership) $'000 | Samsung-Tiong Seng Joint Venture (partnership) $'000 | Tiong Seng Dongah Joint Venture (partnership) $'000 | Individually immaterial joint ventures $'000 | Total $'000 |
|---|---|---|---|---|---|---|
| **2017** | | | | | | |
| Revenue | **104,845** | **–** | **–** | **88,578** | | |
| **Profit/(loss) after tax/ Total comprehensive income[(a)]** | **3,687** | **(2,147)** | **(6,484)** | **3,384** | | |
| Non-current assets | **2,218** | **–** | **–** | **4,888** | | |
| Current assets[(b)] | **54,167** | **8,701** | **7,343** | **12,478** | | |
| Non-current liabilities[(c)] | **(42,601)** | **–** | **–** | **(4,606)** | | |
| Current liabilities[(d)] | **(7,587)** | **(25,479)** | **(35,143)** | **(5,312)** | | |
| **Net assets/(liabilities)** | **6,197** | **(16,778)** | **(27,800)** | **7,448** | | |
| **Group's interest in net assets/(liabilities) of investee at beginning of the year** | **753** | **(4,389)** | **(9,592)** | **2,682** | **2,250** | **(8,296)** |
| Share of total comprehensive income | **1,106** | **(644)** | **(2,918)** | **2,233** | **314** | **91** |
| Distribution during the year | **–** | **–** | **–** | **–** | **(136)** | **(136)** |
| **Carrying amount of interest in investee at end of the year** | **1,859** | **(5,033)** | **(12,510)** | **4,915** | **2,428** | **(8,341)** |
| Reclassification of losses to amount due from joint ventures | | | | | | **10,200** |
| **Carrying amount of interest in investee at end of the year** | | | | | | **1,859** |

# NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2017

| | Feature (Balmoral) Pte. Ltd. $'000 | GS E&C – TSC JV (partnership) $'000 | Samsung-Tiong Seng Joint Venture (partnership) $'000 | Tiong Seng Dongah Joint Venture (partnership) $'000 | Individually immaterial joint ventures $'000 | Total $'000 |
|---|---|---|---|---|---|---|
| **2016** | | | | | | |
| Revenue | 59,173 | 14,960 | – | 50,407 | | |
| **Profit/(loss) after tax/ Total comprehensive income[a]** | 2,449 | (11,809) | 6,667 | 1,888 | | |
| Non-current assets | – | – | – | 2,507 | | |
| Current assets[b] | 155,802 | 14,579 | 18,492 | 16,314 | | |
| Non-current liabilities[c] | (83,498) | – | – | (2,507) | | |
| Current liabilities[d] | (69,794) | (29,210) | (39,808) | (12,250) | | |
| **Net assets/(liabilities)** | 2,510 | (14,631) | (21,316) | 4,064 | | |
| **Group's interest in net assets/(liabilities) of investee at beginning of the year** | 18 | (846) | (12,592) | 1,436 | 9,993 | (1,991) |
| Share of total comprehensive income | 735 | (3,543) | 3,000 | 1,246 | (572) | 866 |
| Distribution during the year | – | – | – | – | (7,497) | (7,497) |
| Group's contribution during the year | – | – | – | – | 326 | 326 |
| **Carrying amount of interest in investee at end of the year** | 753 | (4,389) | (9,592) | 2,682 | 2,250 | (8,296) |
| Reclassification of losses to amount due from joint ventures | | | | | | 9,049 |
| **Carrying amount of interest in investee at end of the year** | | | | | | 753 |

(a) includes:
- depreciation and amortisation of $Nil (2016: $1,000).
- interest expense of $Nil (2016: $46,000).
- tax expense of $759,000 (2016: tax expense of $346,000).

(b) includes cash and cash equivalents of $12,840,000 (2016: $15,328,000).
(c) includes non-current financial liabilities (excluding trade and other payables and provisions) of $47,207,000 (2016: $81,615,000).
(d) includes current financial liabilities (excluding trade and other payables and provisions) of $6,138,000 (2016: $68,402,000).

The Group's share of commitment has been included in note 27(a).

Details of significant judgement relating to revenue and cost recognition of construction contract undertaken by these joint ventures are set out in note 21(a).

# NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2017

## 9. TRADE AND OTHER RECEIVABLES

| | Note | Group 2017 $'000 | Group 2016 $'000 | Company 2017 $'000 | Company 2016 $'000 |
|---|---|---|---|---|---|
| **Non-current** | | | | | |
| Retention monies on construction contracts | | **13,929** | 30,719 | **–** | – |
| **Current** | | | | | |
| Trade receivables | | **21,108** | 64,339 | **–** | – |
| Less: Allowance for impairment loss on trade receivables | 32(b) | **(512)** | (536) | **–** | – |
| | | **20,596** | 63,803 | **–** | – |
| Advances to suppliers, trade | | **125** | 1,563 | **–** | – |
| Accrued receivables | | **70,514** | 104,068 | **–** | – |
| Retention monies on construction contracts | | **53,256** | 68,133 | **–** | – |
| Deposits and prepayments | | **12,161** | 5,906 | **7** | 3 |
| Tax prepayments | | **4,639** | 5,576 | **–** | – |
| Other receivables | | **4,327** | 7,854 | **–** | – |
| | | **165,618** | 256,903 | **7** | 3 |
| Total | | **179,547** | 287,622 | **7** | 3 |

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

## 10. OTHER INVESTMENTS

| | Group 2017 $'000 | Group 2016 $'000 |
|---|---|---|
| Club membership, at cost | **724** | 525 |
| **Available-for-sale financial assets** | | |
| Quoted equity investments, at fair value | **27** | 18 |
| Unquoted equity investments, at cost | **3,483** | 3,551 |
| Impairment losses | **(2,949)** | (2,949) |
| | **534** | 602 |
| | **1,285** | 1,145 |

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.

# NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2017

## 11. DEFERRED TAX ASSETS/(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 2016 $'000 | Recognised in profit or loss (note 24) $'000 | Effects of movements in exchange rates $'000 | At 31 December 2016 $'000 | Recognised in profit or loss (note 24) $'000 | At 31 December 2017 $'000 |
|---|---|---|---|---|---|---|
| **Group** | | | | | | |
| **Deferred tax assets** | | | | | | |
| Investment properties | 52 | 156 | (2) | 206 | – | **206** |
| Trade and other payables | 170 | 702 | – | 872 | 1,194 | **2,066** |
| Estimated benefit on loss carry forward | 3,190 | (3,045) | (145) | – | – | **–** |
| | 3,412 | (2,187) | (147) | 1,078 | 1,194 | **2,272** |
| **Deferred tax liabilities** | | | | | | |
| Property, plant and equipment | (4,649) | (1,864) | – | (6,513) | 835 | **(5,678)** |
| Trade and other payables | (179) | – | 8 | (171) | – | **(171)** |
| | (4,828) | (1,864) | 8 | (6,684) | 835 | **(5,849)** |

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 2017 $'000 | Group 2016 $'000 |
|---|---|---|
| Deferred tax assets | **202** | 204 |
| Deferred tax liabilities | **(3,779)** | (5,810) |

### Unrecognised deferred tax assets

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

| | Group 2017 $'000 | Group 2016 $'000 |
|---|---|---|
| Deductible temporary differences | **22,341** | 24,484 |
| Tax losses | **54,195** | 48,867 |
| | **76,536** | 73,351 |

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 $47,131,000 (2016: $46,938,000) 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 may not be probable that future taxable profit will be available against which the Group can utilise the benefits therefrom.

# NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2017

Deferred tax liabilities have not been recognised for withholding and other taxes that would be payable on the unremitted earnings of $22,515,000 (2016: $22,558,000) of certain overseas subsidiaries for the year ended 31 December 2017 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 | |
|---|---|---|
| | **2017** | **2016** |
| | **$'000** | **$'000** |
| Raw materials and consumables | **1,074** | 1,467 |

In 2017, raw materials recognised as cost of construction contract amounted to $393,663 (2016: $2,575,571).

## 13. CONSTRUCTION WORK-IN-PROGRESS

| | Group | |
|---|---|---|
| | **2017** | **2016** |
| | **$'000** | **$'000** |
| Costs incurred | **2,654,921** | 2,234,019 |
| Attributable profits less recognised losses | **208,941** | 158,394 |
| | **2,863,862** | 2,392,413 |
| Progress billings | **(2,835,304)** | (2,370,621) |
| | **28,558** | 21,792 |
| Represented by: | | |
| Construction work-in-progress | **28,558** | 30,337 |
| Progress billings in excess of construction work-in-progress | **–** | (8,545) |
| | **28,558** | 21,792 |

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

| | Group | |
|---|---|---|
| | **2017** | **2016** |
| | **$'000** | **$'000** |
| Depreciation of property, plant and equipment | **11,812** | 12,451 |
| Staff costs | **69,346** | 66,052 |
| | **81,158** | 78,503 |

## 14. DEVELOPMENT PROPERTIES

| | Group | |
|---|---|---|
| | **2017** | **2016** |
| | **$'000** | **$'000** |
| Completed properties held for sale | **126,664** | 50,726 |
| Properties under development | **167,150** | 302,856 |
| | **293,814** | 353,582 |
| Allowance for diminution in value | **(15,138)** | (17,533) |
| | **278,676** | 336,049 |
| Borrowing costs capitalised during the year | **284** | 2,840 |

Borrowing costs of the Group have been capitalised at rates ranging from 3.81% to 4.08% (2016: 3.48% to 5.00%) per annum for development properties.

# NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2017

Development properties are located in Singapore and the PRC.

The change in allowance for diminution in value in respect of development properties during the year is as follows:

| | Group | |
|---|---|---|
| | **2017** | **2016** |
| | **$'000** | **$'000** |
| At 1 January | **17,533** | 26,517 |
| Allowance utilised | **(2,142)** | (7,778) |
| Translation differences on consolidation | **(253)** | (1,206) |
| At 31 December | **15,138** | 17,533 |

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. Changes in the estimates of the costs to completion and the estimated selling price would also have an effect on the determination of diminution in value for each project. Such allowance requires the use of judgement and estimates.

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

***Securities***

Certain development properties of the Group are mortgaged to banks as collateral for credit facilities provided to the Group as disclosed in note 20.

## 15. AMOUNTS DUE FROM/(TO) RELATED PARTIES

**Amounts due from related parties**

| | Group | | Company | |
|---|---|---|---|---|
| | **2017** | **2016** | **2017** | **2016** |
| | **$'000** | **$'000** | **$'000** | **$'000** |
| **Non-current** | | | | |
| Trade amount due from: | | | | |
| – joint ventures | **2,715** | 1,653 | **–** | – |
| **Current** | | | | |
| Trade amounts due from: | | | | |
| – joint ventures | **467** | 467 | **–** | – |
| – affiliated corporation | **4,396** | 224 | **–** | – |
| | **4,863** | 691 | **–** | – |
| Non-trade amounts due from: | | | | |
| – affiliated corporations | **82** | 83 | **–** | – |
| – joint ventures | **1,838** | 2,478 | **–** | – |
| – non-controlling interests | **17,175** | 17,837 | **–** | – |
| – subsidiaries | **–** | – | **104,436** | 129,981 |
| | **19,095** | 20,398 | **104,436** | 129,981 |
| Loans to non-controlling interests | **25,758** | 30,556 | **–** | – |
| | **49,716** | 51,645 | **104,436** | 129,981 |
| Total amounts due from related parties | **52,431** | 53,298 | **104,436** | 129,981 |

# NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2017

An affiliated corporation is defined as one:

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

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

The non-trade amounts due from affiliated corporations, joint ventures and subsidiaries are unsecured, interest-free and repayable on demand.

The non-trade amount due from non-controlling interests is unsecured, interest-free and repayable on demand except for the amount of $12,112,000 (2016: $12,280,000) which is secured by undistributed retained earnings and expected future earnings of certain subsidiaries attributable to the non-controlling interests.

The loans to non-controlling interests comprise:

(i) an amount of $16,128,000 (2016: $20,980,000) which bears interest at 12% (2016: 12%) per annum and is secured by the non-controlling interests' shares in a subsidiary, Guangang. The amount is repayable on demand;

(ii) an amount of $350,000 (2016: $417,000) which is secured, interest-free and repayable on demand; and

(iii) an amount of $9,280,000 (2016: $9,159,000) which is unsecured, interest-free and repayable on demand.

**Amounts due to related parties**

| | **Group** | | **Company** | |
|---|---|---|---|---|
| | **2017** | **2016** | **2017** | **2016** |
| | **$'000** | **$'000** | **$'000** | **$'000** |
| **Current** | | | | |
| Trade amounts due to: | | | | |
| – corporate shareholder | **–** | (390) | **–** | – |
| – affiliated corporation | **(3,552)** | (9,354) | **–** | – |
| | **(3,552)** | (9,744) | **–** | – |
| Non-trade amounts due to: | | | | |
| – subsidiary | **–** | – | **(59,119)** | (4,608) |
| Loans from non-controlling interests | **(11,934)** | (13,754) | **–** | – |
| Total amounts due to related parties | **(15,486)** | (23,498) | **(59,119)** | (4,608) |

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

# NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2017

## 16. CASH AND CASH EQUIVALENTS

| | Group | | Company | |
|---|---|---|---|---|
| | 2017 | 2016 | 2017 | 2016 |
| | $'000 | $'000 | $'000 | $'000 |
| Cash at banks and in hand | **142,771** | 91,218 | **77,078** | 2,930 |
| Fixed deposits | **944** | 1,030 | **–** | – |
| | **143,715** | 92,248 | **77,078** | 2,930 |
| Deposits pledged | **(580)** | (636) | | |
| Restricted cash | **(1,801)** | (4,010) | | |
| Cash and cash equivalents in the statement of cash flows | **141,334** | 87,602 | | |

Restricted cash primarily consists of cash held in a designated account due to regulatory requirement in PRC development project rules, where the funds will be released upon completion of each phase of development.

Interest rates are repriceable as and when notified by the banks. The weighted average effective interest rates relating to cash and cash equivalents as at the reporting date for the Group is 0.40% (2016: 0.48%) per annum.

The deposits were pledged as security to obtain bank loans as disclosed in note 20.

## 17. SHARE CAPITAL

| | Company | | | |
|---|---|---|---|---|
| | 2017 | | 2016 | |
| | No of shares | $'000 | No of shares | $'000 |
| **Issued and fully paid ordinary shares, with no par value** | | | | |
| At 1 January | **454,014,149** | **180,637** | 458,535,349 | 181,703 |
| Treasury shares | **(5,632,700)** | **(1,723)** | (4,521,200) | (1,066) |
| At 31 December | **448,381,449** | **178,914** | 454,014,149 | 180,637 |

The holders of all ordinary shares are entitled to receive dividends as declared from time to time, and are entitled to one vote per share at meetings of the Company. All shares rank equally with regard to the Company's residual assets.

***Capital management***

The Group defines capital as total shareholders' equity attributable to owners of the Company excluding non-controlling interests. The primary objective of the management of the Company's capital structure is to maintain efficient mix of debt and equity in order to achieve an optimal cost of capital, while taking into account the desirability of retaining financial flexibility to pursue business opportunities and adequate access to liquidity to mitigate the effect of unforeseen events on cash flows. The Board of Directors monitors the return on capital, which the Group defines as profit attributable to equity holders of the Company divided by total shareholders' equity excluding non-controlling interests. The return on capital in 2017 was in profit of 11.0% (2016: profit of 5.9%). The Board also monitors the level of dividends paid to ordinary shareholders.

The Board regularly reviews the Company's capital structure and makes adjustments to reflect economic conditions, business strategies and future commitments.

No significant changes were made in the objectives, policies or processes relating to the management of the Company's capital structure during the year.

The Company and its subsidiaries are not subject to externally imposed capital requirements.

# NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2017

**Dividends**

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

| | Group and Company | |
|---|---|---|
| | **2017** | **2016** |
| | **$'000** | **$'000** |
| **Paid by the Company to owners of the Company** | | |
| 0.8 cent per qualifying ordinary share (2016: 0.5 cent) | **3,630** | 2,282 |

| | Group | |
|---|---|---|
| | **2017** | **2016** |
| | **$'000** | **$'000** |
| **Paid by a subsidiary to non-controlling interest** | | |
| 2.0 cent per qualifying ordinary share (2016: Nil) | **58** | – |

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 | |
|---|---|---|
| | **2017** | **2016** |
| | **$'000** | **$'000** |
| 1.5 cent per qualifying ordinary share (2016: 0.8 cent) | **6,695** | 3,630 |

## 18. RESERVES

| | Group | | Company | |
|---|---|---|---|---|
| | **2017** | **2016** | **2017** | **2016** |
| | **$'000** | **$'000** | **$'000** | **$'000** |
| Merger reserve | **(77,720)** | (77,720) | **(45,850)** | (45,850) |
| Capital reserve | **(2)** | 1,888 | **–** | – |
| Statutory reserve | **3,564** | 3,564 | **–** | – |
| Foreign currency translation reserve | **2,960** | 6,320 | **–** | – |
| | **(71,198)** | (65,948) | **(45,850)** | (45,850) |

**Merger reserve**

Group

The merger reserve represents the difference between the cost of the acquisition for the restructuring and the value of share capital of the entities acquired.

Company

The merger reserve represents the difference between the cost of acquisition of the Tiong Seng Contractors combined group, recorded in accordance with paragraph 13 of FRS 27 *Separate Financial Statements*, and the paid up capital of the Company issued for the acquisition.

**Capital reserve**

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.

# NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2017

**Statutory reserve**

The Group follows the accounting principles and relevant financial regulations of the PRC applicable to sino-foreign equity joint venture enterprises ("PRC GAAP – EJV"), wholly foreign-owned enterprises ("PRC GAAP – WFOE") or enterprises established in the PRC ("PRC GAAP") in the preparation of the accounting records and financial statements.

Pursuant to accounting regulations for sino-foreign equity joint venture enterprises (中华人民共和国中外合资经营企业法实施条例), sino-foreign equity joint venture enterprises ("EJV") are required to appropriate profit to the statutory reserve. Appropriation to the statutory reserve is determined by the board of directors based on the profit arrived at in accordance with PRC GAAP – EJV for each year.

Pursuant to accounting regulations for foreign-invested PRC enterprises (中华人民共和国外商投资企业会计制度 [财会字(1992)33号]) and the PRC Company Law (中华人民共和国公司法), wholly foreign-owned enterprises ("WFOE") and enterprises established in the PRC are required to appropriate 10% of the profit arrived at in accordance with PRC GAAP – WFOE and PRC GAAP for each year to a statutory reserve.

The profit arrived at must be used to set off against any accumulated losses. The appropriation to statutory reserve, after offsetting against any accumulated losses, must be made before distribution of dividends to shareholders. The appropriation is required until the statutory reserve reaches 50% of the registered capital. This statutory reserve is not distributable in the form of cash dividends. For WFOE and EJV, the statutory reserve may be used to set off losses or be converted into paid-in capital.

**Foreign currency translation reserve**

The foreign currency translation reserve comprises:

(a) foreign exchange differences arising from the translation of the financial statements of foreign corporations; and

(b) exchange differences on monetary items which form part of the Group's net investment in foreign operations, provided certain conditions are met.

## 19. TRADE AND OTHER PAYABLES

| | Group | | Company | |
|---|---|---|---|---|
| | **2017** | **2016** | **2017** | **2016** |
| | **$'000** | **$'000** | **$'000** | **$'000** |
| **Non-current** | | | | |
| Retention sums payable | **23,296** | 24,348 | **–** | – |
| **Current** | | | | |
| Trade payables | **20,282** | 49,554 | **–** | – |
| Accrued trade payables | **202,877** | 211,690 | **–** | – |
| Accrued operating expenses and other payables | **24,096** | 25,858 | **3,592** | 3,197 |
| Receipts in advance | **52,571** | 84,447 | **–** | – |
| Retention sums payable | **33,598** | 24,102 | **–** | – |
| | **333,424** | 395,651 | **3,592** | 3,197 |
| Total | **356,720** | 419,999 | **3,592** | 3,197 |

Included in receipts in advance as at 31 December 2017 were instalments of sales proceeds received from buyers of $51,930,000 (2016: $80,222,000), 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
Year ended 31 December 2017

## 20. LOANS AND BORROWINGS

| | Group | | Company | |
|---|---|---|---|---|
| | 2017 $'000 | 2016 $'000 | 2017 $'000 | 2016 $'000 |
| **Non-current** | | | | |
| Secured bank loans | **16,994** | 17,901 | **–** | – |
| Medium term notes | **–** | 72,568 | **–** | 72,568 |
| Finance lease liabilities | **190** | 462 | **–** | – |
| | **17,184** | 90,931 | **–** | 72,568 |
| **Current** | | | | |
| Secured bank loans | **41,410** | 84,552 | **–** | – |
| Medium term notes | **72,996** | – | **72,996** | – |
| Finance lease liabilities | **476** | 897 | **–** | – |
| | **114,882** | 85,449 | **72,996** | – |
| Total loans and borrowings | **132,066** | 176,380 | **72,996** | 72,568 |

***Maturities of liabilities (excluding finance lease liabilities)***

| | Group 2017 | Group 2016 | Company 2017 | Company 2016 |
|---|---|---|---|---|
| Within one year | **114,435** | 84,552 | **72,996** | – |
| Between one and five years | **9,838** | 87,016 | **–** | 72,568 |
| More than five years | **7,127** | 3,453 | **–** | – |
| | **131,400** | 175,021 | **72,996** | 72,568 |

The secured bank loans are secured on the following assets:

| | Group | |
|---|---|---|
| | 2017 $'000 | 2016 $'000 |
| **Carrying amounts of assets:** | | |
| Leasehold lands | **11,820** | 12,337 |
| Freehold land | **3,962** | 3,818 |
| Leasehold properties | **37,624** | 39,301 |
| Investment properties | **438** | 470 |
| Plant and machinery | **5,006** | 11,276 |
| Motor vehicles | **866** | 1,458 |
| Deposits pledged | **580** | 636 |
| Total | **60,296** | 69,296 |

The secured bank loans 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 amounting to $Nil (2016: $19,845,000) 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 Investment Private Limited, Tiong Seng Properties (Private) Limited, Tianjin Zizhulin Development Co., Ltd., Tianjin Zizhulin Guangang Property Development Co., Ltd., and Suzhou Changhe Investment and Development Co., Ltd.

# NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2017

***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.

On 3 July 2014, the Company issued medium term notes ("MTN") amounting to $75,000,000 with fixed interest rate of 4.75% per annum and maturity date on 3 January 2018.

$2,000,000 of the MTN was redeemed in 2016 and the remaining MTN was fully redeemed on 3 January 2018.

***Terms and debt repayment schedule***

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

| | Currency | Nominal interest rate per annum % | Year of maturity | Carrying amount $'000 |
|---|---|---|---|---|
| **Group** | | | | |
| **At 31 December 2017** | | | | |
| Medium term notes | **SGD** | **4.75** | **2018** | **72,996** |
| Secured bank loans | **SGD** | **1.50 – 3.60** | **2018 – 2033** | **58,404** |
| Finance lease liabilities | **SGD** | **1.05 – 3.50** | **2018 – 2022** | **666** |
| Total loans and borrowings | | | | **132,066** |
| **At 31 December 2016** | | | | |
| Medium term notes | SGD | 4.75 | 2018 | 72,568 |
| Secured bank loans | SGD | 1.50 – 3.92 | 2017 – 2033 | 102,453 |
| Finance lease liabilities | SGD | 1.05 – 2.80 | 2017 – 2021 | 1,359 |
| Total loans and borrowings | | | | 176,380 |
| **Company** | | | | |
| **At 31 December 2017** | | | | |
| Medium term notes | **SGD** | **4.75** | **2018** | **72,996** |
| **At 31 December 2016** | | | | |
| Medium term notes | SGD | 4.75 | 2018 | 72,568 |

***Finance lease liabilities***

Finance lease liabilities are repayable as follows:

| | Principal $'000 | Interest $'000 | Payments $'000 |
|---|---|---|---|
| **At 31 December 2017** | | | |
| Within one year | **476** | **29** | **505** |
| Between one and five years | **190** | **2** | **192** |
| | **666** | **31** | **697** |
| **At 31 December 2016** | | | |
| Within one year | 897 | 35 | 932 |
| Between one and five years | 462 | 31 | 493 |
| | 1,359 | 66 | 1,425 |

# NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2017

***Reconciliation of movements of liabilities and equity to cash flows arising from financing activities***

| | Liabilities | | | | Equity | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Amounts due to related parties $'000 | Secured bank loans $'000 | Medium term notes $'000 | Finance lease liabilities $'000 | Share capital $'000 | Treasury shares $'000 | Reserves $'000 | Retained earnings $'000 | Non-controlling interests $'000 | Total $'000 |
| **Group** | | | | | | | | | | |
| **Balance at 1 January 2017** | 23,498 | 102,453 | 72,568 | 1,359 | 181,947 | (1,310) | (65,948) | 145,517 | 57,641 | 517,725 |
| **Changes from financing cash flows** | | | | | | | | | | |
| Balances with related parties (non-trade) | (881) | – | – | – | – | – | – | – | – | (881) |
| Dividends paid to: | | | | | | | | | | |
| – owners of the Company | – | – | – | – | – | – | – | (3,630) | – | (3,630) |
| – non-controlling interests | – | – | – | – | – | – | – | – | (58) | (58) |
| Interest paid | – | (1,547) | (3,563) | (33) | – | – | – | – | – | (5,143) |
| Acquisition of non-controlling interests in subsidiaries | – | – | – | – | – | – | – | – | (4,457) | (4,457) |
| Purchase of treasury shares | – | – | – | – | – | (1,723) | – | – | – | (1,723) |
| Payments of finance lease liabilities | – | – | – | (706) | – | – | – | – | – | (706) |
| Proceeds from loans and borrowings | – | 41,364 | – | – | – | – | – | – | – | 41,364 |
| Repayment of loans and borrowings | – | (85,413) | – | – | – | – | – | – | – | (85,413) |
| **Total changes from financing cash flows** | (881) | (45,596) | (3,563) | (739) | – | (1,723) | – | (3,630) | (4,515) | (60,647) |
| **The effect of changes in foreign exchange rates** | – | – | – | – | – | – | (3,360) | – | (2,123) | (5,483) |
| **Other changes** | | | | | | | | | | |
| **Liability-related** | | | | | | | | | | |
| New finance lease | – | – | – | 13 | – | – | – | – | – | 13 |
| Capitalised borrowing costs | – | 284 | – | – | – | – | – | – | – | 284 |
| Interest expense | – | 1,263 | 3,563 | 33 | – | – | – | – | – | 4,859 |
| Amortisation of transaction costs on medium term notes | – | – | 428 | – | – | – | – | – | – | 428 |
| Others | (7,131) | – | – | – | – | – | – | – | (3,526) | (10,657) |
| **Total liability-related other changes** | (7,131) | 1,547 | 3,991 | 46 | – | – | – | – | (3,526) | (5,073) |
| **Total equity-related other changes** | – | – | – | – | – | – | (1,890) | 30,928 | (639) | 28,399 |
| **Balance at 31 December 2017** | 15,486 | 58,404 | 72,996 | 666 | 181,947 | (3,033) | (71,198) | 172,815 | 46,838 | 474,921 |

# NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2017

## 21. 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.

Given the contractual nature of the business, variation orders, additional works and prolongation costs are expected on a continual basis. As some of these items could be subjective and hence contentious in nature, the Group may from time to time be involved in arbitration or legal processes. As any such processes could be lengthy and outcome inherently uncertain where estimates, assumptions and significant judgement involved, the carrying amount of the construction work-in-progress and retention sum receivables at the reporting date may invariably be affected by these outcome.

In prior year, one of the subsidiaries of the Group submitted a request for arbitration to claim for costs arising from additional work requested and performed, as well as the resultant prolonged delay of one of its projects from a customer. During the financial year, the subsidiary and the owner of the project have reached to a settlement and the subsidiary has no further obligation to the project.

### (b) Revenue from sale 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.

## 22. PROFIT BEFORE TAX

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

| | Note | Group | |
|---|---|---|---|
| | | **2017** | **2016** |
| | | **$'000** | **$'000** |
| **(a) Other income** | | | |
| Fees from project and property management | | **933** | 767 |
| Gain on disposal of: | | | |
| – investment properties | | **1,357** | 216 |
| – property, plant and equipment | | **251** | 75 |
| – scrap parts and materials | | **686** | 680 |
| Gain from sales of parking lots | | **361** | 1,780 |
| Government grants | | **312** | 424 |
| Training and testing fee income | | **96** | 327 |
| Consultancy services fees | | **326** | 90 |
| Others | | **1,899** | 1,719 |
| | | **6,221** | 6,078 |

# NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2017

| | | | Group | |
|---|---|---|---|---|
| | | Note | **2017** **$'000** | **2016** **$'000** |
| **(b)** | **Other expenses include** | | | |
| | Direct operating expenses arising from rental of investment properties, plant and machinery | | **–** | 197 |
| | Impairment loss on intangible assets | 5 | **463** | – |
| | Operating lease expenses | | **1,802** | 1,004 |
| | Property, plant and equipment written off | | **–** | 88 |
| | Bad debts written off | | **–** | 911 |
| **(c)** | **Staff costs** | | | |
| | Wages and salaries for staff | | **84,408** | 80,622 |
| | Contribution to defined contribution plans | | **3,463** | 3,718 |
| | Increase in liability for short-term accumulating compensated absence | | **30** | 128 |
| | Others | | **1,632** | 1,679 |
| | Staff costs for the year | | **89,533** | 86,147 |

The staff costs charged to profit or loss are arrived at as follows:

| | | |
|---|---|---|
| Staff costs for the year | **89,533** | 86,147 |
| Staff costs capitalised in construction work-in-progress | **(69,346)** | (66,052) |
| Staff costs charged to profit or loss | **20,187** | 20,095 |

## 23. FINANCE INCOME AND COSTS

| | Group | |
|---|---|---|
| | **2017** **$'000** | **2016** **$'000** |
| **Recognised in profit or loss** | | |
| Accretion of discount implicit in retention sum receivables | **577** | 557 |
| Dividend income from other investment | **–** | 232 |
| Implicit interest in retention sum payables | **547** | 543 |
| Interest income on: | | |
| – cash and cash equivalents | **413** | 364 |
| – other investment | **174** | 23 |
| – loan to a joint venture | **471** | 609 |
| Finance income | **2,182** | 2,328 |
| Interest expense on: | | |
| – bank loans | **(1,263)** | (2,177) |
| – bank overdrafts | **–** | (3) |
| – finance leases | **(33)** | (60) |
| – medium term notes | **(3,563)** | (3,551) |
| Amortisation of transaction costs on medium term notes | **(428)** | (439) |
| Accretion of implicit interest in retention sum payables | **(9)** | (10) |
| Discount implicit in retention sum receivables | **(609)** | (935) |
| Exchange loss (net) | **(845)** | (3,585) |
| Finance costs | **(6,750)** | (10,760) |
| **Net finance costs recognised in profit or loss** | **(4,568)** | (8,432) |
| 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 | **1,058** | 996 |
| – Total interest expenses on financial liabilities | **(4,859)** | (5,791) |

# NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2017

## 24. TAX EXPENSE

| | Group 2017 $'000 | Group 2016 $'000 |
|---|---|---|
| **Tax recognised in profit or loss** | | |
| **Current tax** | | |
| Current year | **13,017** | 5,862 |
| Land appreciation tax | **–** | 501 |
| Adjustments in prior years | **(1,210)** | (1,829) |
| | **11,807** | 4,534 |
| **Deferred tax** | | |
| Origination and reversal of temporary differences | **(1,497)** | 2,290 |
| Adjustments in prior years | **(532)** | 1,761 |
| | **(2,029)** | 4,051 |
| **Total tax expense** | **9,778** | 8,585 |

**Tax recognised in other comprehensive income**

| Group | 2017 Before tax $'000 | 2017 Tax expense $'000 | 2017 Net of tax $'000 | 2016 Before Tax $'000 | 2016 Tax expense $'000 | 2016 Net of Tax $'000 |
|---|---|---|---|---|---|---|
| Translation differences for foreign operations | **(4,380)** | **–** | **(4,380)** | (10,384) | – | (10,384) |
| Exchange differences on monetary items forming part of net investment in foreign operations | **(1,278)** | **–** | **(1,278)** | (1,997) | – | (1,997) |
| Realisation of exchange differences on monetary items transferred to income statement | **175** | **–** | **175** | (2,278) | – | (2,278) |
| | **(5,483)** | **–** | **(5,483)** | (14,659) | – | (14,659) |

| | Group 2017 $'000 | Group 2016 $'000 |
|---|---|---|
| ***Reconciliation of effective tax rate*** | | |
| Profit before tax | **40,067** | 24,428 |
| Less: Share of profit of joint ventures, net of tax | **(91)** | (866) |
| Profit before tax excluding share of results of joint ventures | **39,976** | 23,562 |
| Tax expenses using domestic rates applicable to different jurisdictions | **7,091** | 4,289 |
| Expenses not deductible for tax purposes | **3,157** | 3,327 |
| Income not subject to tax | **(565)** | (263) |
| Deferred tax benefits not recognised | **2,687** | 2,000 |
| Tax incentives | **(437)** | (992) |
| Effect of land appreciation tax | **–** | 501 |
| Utilisation of previously unrecognised deferred tax benefits | **(730)** | (582) |
| Adjustments in prior years: | | |
| – current tax | **(1,210)** | (1,829) |
| – deferred tax | **(532)** | 1,761 |
| Others | **317** | 373 |
| | **9,778** | 8,585 |

# NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2017

*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 $194,000 (2016: $4,173,000) 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 2017, productivity and innovation tax credit amounted to approximately $1,905,000 (2016: $1,918,000) was granted to a subsidiary.

## 25. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share ("EPS") was based on the profit attributable to the ordinary shareholders of $30,928,000 (2016: $15,289,000) and a weighted average number of ordinary shares outstanding of 451,722,407 (2016: 455,989,038), calculated as follows:

**Profit attributable to ordinary shareholders**

| | Group | |
|---|---|---|
| | **2017** | **2016** |
| | **$'000** | **$'000** |
| Earnings per share is based on: | | |
| Profit attributable to ordinary shareholders | **30,928** | 15,289 |

**Weighted average number of ordinary shares**

| | Number of shares | |
|---|---|---|
| | **2017** | **2016** |
| | **'000** | **'000** |
| Issued ordinary shares at 1 January | **454,014** | 458,535 |
| Effect of treasury shares | **(2,292)** | (2,546) |
| Weighted average number of ordinary shares during the year | **451,722** | 455,989 |

There are no potential dilutive ordinary shares in existence for the years presented.

# NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2017

## 26. OPERATING SEGMENTS

The Group has three reportable segments, as described below, which are the Group's strategic business units. The strategic business units offer different products and services, and are managed separately because they are located in different geographical areas and require different marketing strategies. For each of the strategic business unit, the Group's CEO (the chief operating decision maker) reviews internal management reports on at least a quarterly basis.

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

- Construction: Relates to acting as main contractors in construction and civil engineering projects and provision of construction and civil engineering services mainly to property developers and government in both private and public sectors.

- Property development: Relates to development and sales of properties.

- Rental: Relates to rental of investment properties and plant and machinery.

Other operations include general corporate activities.

Information regarding the results of each reportable segment is included below. Performance is measured based on segment profit before tax, as included in the internal management reports that are reviewed by the Group's CEO. Segment profit is used to measure performance as management believe that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate within these industries.

**Information about reportable segments**

| | Construction $'000 | Property development $'000 | Rental $'000 | Segments total $'000 | Others* $'000 | Total $'000 |
|---|---|---|---|---|---|---|
| **31 December 2017** | | | | | | |
| External revenues | 651,326 | 89,537 | 1,933 | 742,796 | – | 742,796 |
| Interest income | 166 | 757 | – | 923 | 135 | 1,058 |
| Interest expenses | (1,325) | (204) | – | (1,529) | (3,330) | (4,859) |
| Depreciation and amortisation | (16,256) | (50) | (577) | (16,883) | (32) | (16,915) |
| Reportable segment profit/(loss) before tax | 40,495 | 4,585 | 1,841 | 46,921 | (6,945) | 39,976 |
| Share of (loss)/gain of joint ventures, net of tax | (986) | 1,077 | – | 91 | – | 91 |
| Profit before tax | | | | | | 40,067 |
| Tax expense | | | | | | (9,778) |
| Profit for the year | | | | | | 30,289 |
| Reportable segment assets | 375,638 | 343,001 | 13,584 | 732,223 | 96,635 | 828,858 |
| Investment in associates and joint ventures | – | 24,634 | – | 24,634 | – | 24,634 |
| Total assets | | | | | | 853,492 |
| Reportable segment liabilities | 356,481 | 92,017 | – | 448,498 | 77,625 | 526,123 |
| Capital expenditure | 31,520 | 86 | – | 31,606 | 6 | 31,612 |

# NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2017

| | Construction $'000 | Property development $'000 | Rental $'000 | Segments total $'000 | Others* $'000 | Total $'000 |
|---|---|---|---|---|---|---|
| **31 December 2016** | | | | | | |
| External revenues | 634,219 | 137,821 | 2,218 | 774,258 | – | 774,258 |
| Interest income | 13 | 955 | – | 968 | 28 | 996 |
| Interest expenses | (1,928) | – | – | (1,928) | (3,863) | (5,791) |
| Depreciation and amortisation | (16,611) | (43) | (651) | (17,305) | (47) | (17,352) |
| Reportable segment profit/(loss) before tax | 26,902 | 6,230 | 1,839 | 34,971 | (11,409) | 23,562 |
| Share of gain of joint ventures, net of tax | 131 | 735 | – | 866 | – | 866 |
| Profit before tax | | | | | | 24,428 |
| Tax expense | | | | | | (8,585) |
| Profit for the year | | | | | | 15,843 |
| Reportable segment assets | 491,387 | 425,888 | 14,927 | 932,202 | 9,494 | 941,696 |
| Investment in associates and joint ventures | – | 22,953 | – | 22,953 | – | 22,953 |
| Total assets | | | | | | 964,649 |
| Reportable segment liabilities | 421,963 | 220,655 | – | 642,618 | 4,184 | 646,802 |
| Capital expenditure | 39,760 | 121 | – | 39,881 | 2 | 39,883 |

* General corporate activities

**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 2017 $'000 | Group 2016 $'000 |
|---|---|---|
| **Revenue from external customers** | | |
| Singapore | **651,451** | 629,963 |
| PRC | **90,823** | 139,039 |
| PNG | **103** | 113 |
| Europe | **–** | 4,729 |
| Malaysia | **419** | 414 |
| | **742,796** | 774,258 |
| **Non-current assets*** | | |
| Singapore | **146,077** | 138,730 |
| PRC | **13,604** | 15,004 |
| PNG | **403** | 538 |
| Europe | **85** | 95 |
| Malaysia | **7,835** | 7,912 |
| | **168,004** | 162,279 |

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

# NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2017

**Major customers**

During the financial years ended 31 December 2017 and 2016, revenue from certain customers (named alphabetically A to D) of the Group's construction segment amount to approximately $357,058,000 (2016: $395,116,000). The details of these customers which individually contributed 10 percent or more of the Group's revenue in the year are as follows:

| | 2017 | | 2016 | |
|---|---|---|---|---|
| | $'000 | % | $'000 | % |
| Customer A | **159,319** | **22** | 118,309 | 15 |
| Customer B | **121,939** | **16** | 102,203 | 13 |
| Customer C | **75,800** | **10** | 94,072 | 12 |
| Customer D | **–** | **–** | 80,532 | 11 |
| Total | **357,058** | **48** | 395,116 | 51 |

## 27. COMMITMENTS

### (a) Commitments

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

| | Group | |
|---|---|---|
| | 2017<br>$'000 | 2016<br>$'000 |
| Developmental costs contracted but not provided for: | | |
| – subsidiaries | **28,464** | 16,736 |
| – a joint venture | **26** | 846 |
| Purchase of property, plant and equipment | **1,168** | 10,705 |
| | **29,658** | 28,287 |

### (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 | |
|---|---|---|
| | 2017<br>$'000 | 2016<br>$'000 |
| Within one year | **1,415** | 567 |
| Between one and five years | **504** | 515 |
| More than five years | **2,005** | 2,051 |
| | **3,924** | 3,133 |

The Group leases five pieces of land under operating leases. The leases run for a period ranging from 1 to 22 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

Year ended 31 December 2017

## 28. FINANCIAL GUARANTEE CONTRACTS

### (a) Guaranteed performance bonds

Certain subsidiaries have obtained guarantee from the banks to provide performance bonds to the developers amounting to $189,169,000 (2016: $185,533,000).

### (b) 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 $460,157,000 (2016: $496,282,000). As at 31 December 2017, $235,279,000 (2016: $268,243,000) 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.

## 29. CONTINGENCIES

One of the subsidiaries of the Group in Papua New Guinea has potential contingencies arising from a claim from certain former employees of the subsidiary for unlawful termination, breaches of the Constitution and the Employment Act and unpaid entitlements, amounting to approximately $4.0 million. Based on the advice of the external legal counsel, the claim is without merit and no provision has been recorded by the Group as at 31 December 2017.

## 30. RELATED PARTIES

### (a) Key management personnel compensation

Key management personnel are directors and those persons having authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly. The amounts stated below for key management compensation are for all the executive directors and other key management personnel. The amounts do not include compensation, if any, of certain key management personnel and directors of the Group who received compensation from related corporations outside the Group in their capacity as directors and, or executives of those related corporations.

Compensation payable to key management personnel, included in staff costs, comprise:

| | Group | |
|---|---|---|
| | **2017** | **2016** |
| | **$'000** | **$'000** |
| Short-term employee benefits | **5,598** | 4,751 |
| Post-employment benefits | **99** | 100 |
| | **5,697** | 4,851 |
| Directors' fees payable by the Company | **250** | 250 |

### (b) Other related party transactions

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

| | Group | |
|---|---|---|
| | **2017** | **2016** |
| | **$'000** | **$'000** |
| **Affiliated corporations** | | |
| Hiring charges | **(7,831)** | (10,381) |
| Construction revenue | **24,873** | 9,640 |

In 2017, a spouse of a Director purchased additional $Nil (2016: $250,000) fixed rate medium term notes ("MTN") issued by the Company. As at year end, the Director has deemed interest of $500,000 (2016: $500,000) of the Company's MTN. The MTN was redeemed on 3 January 2018.

# NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2017

## 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 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 INSTRUMENTS

### Financial risk management

### (a) Overview

The Group has exposure to the following risks from its use of financial instruments:

- credit risk
- liquidity risk
- market risk
- insurance risk

This note represents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk, and the Group's management of capital.

#### Risk management framework

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework. The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Group Audit Committee oversees how management monitors compliance with the Group's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the Group. The Group Audit Committee is assisted in its oversight role by Internal Audit. Internal Audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Audit Committee.

### (b) Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligation, and arises principally from the Group's receivables from customers.

# NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2017

The carrying amount of financial assets in the statement of financial position represents the Group and the Company's respective maximum exposure to credit risk, before taking into account any collateral held. The Group and the Company does not hold any collateral in respect of its financial assets.

**Trade and other receivables**

*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. Over 99% (2016: 99%) of the Group's revenue is attributable to transactions in Singapore and the PRC. Consequently, the risk of non-payment from the Group's trade receivables is affected by any unfavourable economic changes to the Singapore construction 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.

The Group does not require collateral in respect of trade and other receivables.

***Exposure to credit risk***

The Group determines concentration of credit risk by monitoring the country and industry sector profile of its trade receivables on an ongoing basis. The maximum exposure to credit risk for trade receivables at the reporting date was as follows:

| | Group | | | |
|---|---|---|---|---|
| | 2017 | | 2016 | |
| | $'000 | % | $'000 | % |
| **By country:** | | | | |
| Singapore | **20,385** | **99.0** | 63,561 | 99.6 |
| PRC | **16** | **0.1** | 20 | 0.1 |
| Europe | **195** | **0.9** | 222 | 0.3 |
| Total | **20,596** | **100.0** | 63,803 | 100.0 |
| **By industry sectors:** | | | | |
| Construction | **20,580** | **99.9** | 63,783 | 99.9 |
| Property development | **16** | **0.1** | 20 | 0.1 |
| Total | **20,596** | **100.0** | 63,803 | 100.0 |

The Group's top two (2016: two) most significant customers, account for $10,370,000 of the trade receivables carrying amount as at 31 December 2017 (2016: $27,345,000).

# NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2017

***Impairment***

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

| | 2017 | | 2016 | |
|---|---|---|---|---|
| | Gross<br>$'000 | Impairment<br>$'000 | Gross<br>$'000 | Impairment<br>$'000 |
| **Group** | | | | |
| Neither past due nor impaired | **17,295** | **–** | 56,364 | – |
| Past due 0-30 days | **240** | **–** | 6,019 | – |
| Past due 31-60 days | **47** | **–** | 38 | – |
| More than 60 days | **3,526** | **512** | 1,918 | 536 |
| | **21,108** | **512** | 64,339 | 536 |

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.

***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, amounts due from related parties and investments. The component of this allowance is for specific loss that relates to individually significant exposures. As at 31 December 2017 and 2016, the Group and the Company do not have any collective impairment on its loans and receivables.

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

| | Group | |
|---|---|---|
| | 2017<br>$'000 | 2016<br>$'000 |
| At 1 January | **536** | 700 |
| Amounts written off | **(24)** | (164) |
| At 31 December | **512** | 536 |

**Cash and cash equivalents**

The Group and the Company held cash and cash equivalents of $143,715,000 and $77,078,000 respectively as at 31 December 2017 (2016: $92,248,000 and $2,930,000 respectively), 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.

# NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2017

**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 2017, the Group maintains the following lines of credit:

- $7,040,000 (2016: $7,040,000) of secured overdraft facilities, of which $Nil (2016: $Nil) has been drawn down. Interest would be payable at rates ranging from prime rate to prime rate plus 125 basis points (bp); and

- $196,855,000 (2016: $245,739,000) that can be drawn down to meet short-term financing needs. An amount of $53,279,000 (2016: $97,746,000) has been drawn down at the reporting date.

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

In addition, the Group has put in place a $250,000,000 Multi-currency Medium Term Note Programme in 2013, of which $75,000,000 has been issued as at 31 December 2017 (2016: $75,000,000). $2,000,000 of the Multi-currency Medium Term Note issued was redeemed in 2016 and the remaining Multi-currency Medium Term Note was fully redeemed on 3 January 2018.

***Exposure to liquidity risk***

The following are the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting arrangements:

| | | | Cash flows | | |
|---|---|---|---|---|---|
| | Carrying amount $'000 | Contractual cash flows $'000 | Within 1 year $'000 | Between 1 and 5 years $'000 | More than 5 years $'000 |
| **Group** | | | | | |
| **At 31 December 2017** | | | | | |
| *Trade and other payables* | | | | | |
| Trade payables | 20,282 | 20,282 | 20,282 | – | – |
| Accrued trade payables | 202,877 | 202,877 | 202,877 | – | – |
| Accrued operating expenses and other payables | 24,096 | 24,096 | 24,096 | – | – |
| Retention sums payable | 56,894 | 57,848 | 33,598 | 24,250 | – |
| *Loans and borrowings* | | | | | |
| Medium term notes | 72,996 | 76,796 | 76,796 | – | – |
| Secured bank loans | 58,404 | 59,145 | 41,677 | 10,094 | 7,374 |
| Finance lease liabilities | 666 | 697 | 505 | 192 | – |
| *Amounts due to related parties* | 15,486 | 15,486 | 15,486 | – | – |
| Recognised financial liabilities | 451,701 | 457,227 | 415,317 | 34,536 | 7,374 |

# NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2017

| | Carrying amount $'000 | Contractual cash flows $'000 | Cash flows Within 1 year $'000 | Between 1 and 5 years $'000 | More than 5 years $'000 |
|---|---|---|---|---|---|
| **Group** | | | | | |
| **At 31 December 2016** | | | | | |
| *Trade and other payables* | | | | | |
| Trade payables | 49,554 | 49,554 | 49,554 | – | – |
| Accrued trade payables | 211,690 | 211,690 | 211,690 | – | – |
| Accrued operating expenses and other payables | 25,858 | 25,858 | 25,858 | – | – |
| Retention sums payable | 48,450 | 49,172 | 24,102 | 25,070 | – |
| *Loans and borrowings* | | | | | |
| Medium term notes | 72,568 | 80,359 | 3,563 | 76,796 | – |
| Secured bank loans | 102,453 | 104,615 | 84,883 | 9,138 | 10,594 |
| Finance lease liabilities | 1,359 | 1,425 | 932 | 493 | – |
| *Amounts due to related parties* | 23,498 | 23,498 | 23,498 | – | – |
| Recognised financial liabilities | 535,430 | 546,171 | 424,080 | 111,497 | 10,594 |
| **Company** | | | | | |
| **At 31 December 2017** | | | | | |
| Accrued operating expenses and other payables | **3,592** | **3,592** | **3,592** | **–** | **–** |
| Medium term notes | **72,996** | **76,796** | **76,796** | **–** | **–** |
| Amount due to related parties | **59,119** | **59,119** | **59,119** | **–** | **–** |
| Recognised financial liabilities | **135,707** | **139,507** | **139,507** | **–** | **–** |
| **At 31 December 2016** | | | | | |
| Accrued operating expenses and other payables | 3,197 | 3,197 | 3,197 | – | – |
| Medium term notes | 72,568 | 80,359 | 3,563 | 76,796 | – |
| Amount due to related parties | 4,608 | 4,608 | 4,608 | – | – |
| Recognised financial liabilities | 80,373 | 88,164 | 11,368 | 76,796 | – |

**Guarantees**

The Group's policy is to provide financial guarantees only to wholly-owned subsidiaries.

The maximum exposure of the Company in respect of the financial guarantee at the end of the reporting period is $235,279,000 (2016: $268,243,000). At the reporting date, the Company does not consider it probable that a claim will be made against the Company under the financial guarantee.

The table below shows the contractual expiry by maturity of the Company's contingent liabilities and commitments. The maximum amount of the financial guarantee contracts are allocated to the earliest period in which the guarantee could be called.

| | Within 1 year $'000 | Total $'000 |
|---|---|---|
| **Company** | | |
| **2017** | | |
| Financial guarantees | **235,279** | **235,279** |
| **2016** | | |
| Financial guarantees | 268,243 | 268,243 |

# NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2017

**(d) Market risk**

Market risk is the risk that changes in market prices, such as interest rate and foreign exchange rates will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

**Interest rate risk**

The Group's exposure to interest rate risks arises primarily from their debt obligations. The interest charge for debt obligations are made up of a mixture of fixed and floating rates. The floating rate loans are contractually repriced at intervals of one to twelve months, or when notified by banks. The Group does not use derivative financial instruments to hedge interest rate risk.

At the reporting date, the interest rate profile of the Group's interest-bearing financial instruments, is as follows:

| | Group | | Company | |
|---|---|---|---|---|
| | **2017** | **2016** | **2017** | **2016** |
| | **$'000** | **$'000** | **$'000** | **$'000** |
| **Fixed rate instruments** | | | | |
| Loans and borrowings | **73,662** | 73,927 | **72,996** | 72,568 |
| **Variable rate instruments** | | | | |
| Loans and borrowings | **58,404** | 102,453 | **–** | – |

***Fair value sensitivity analysis for fixed rate instruments***

The Group does not account for any fixed rate financial assets and liabilities at fair value through profit or loss. Therefore a change in interest rates at the reporting dates would not affect profit or loss.

***Cash flow sensitivity analysis for variable rate instruments***

A change of 100 bp in interest rates at the reporting dates would have (decreased)/increased profit before tax (2016: (decreased)/increased profit before tax) by the amounts shown below. There is no effect to the equity. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for 2016.

| | Profit before tax | |
|---|---|---|
| | **100 bp Increase** | **100 bp Decrease** |
| | **$'000** | **$'000** |
| **Group** | | |
| **2017** | | |
| Variable rate instruments | **(584)** | **584** |
| **2016** | | |
| Variable rate instruments | (1,025) | 1,025 |

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.

# NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2017

**Currency risk**

The Group is exposed to 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").

***Exposure to currency risk***

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

| | RMB<br>$'000 | SGD<br>$'000 | EURO<br>$'000 | CHF<br>$'000 | USD<br>$'000 |
|---|---|---|---|---|---|
| **Group** | | | | | |
| **At 31 December 2017** | | | | | |
| Trade and other receivables | **–** | **–** | **154** | **–** | **–** |
| Amounts due from related parties | **22,330** | **611** | **3,044** | **3,618** | **13,745** |
| Cash and cash equivalents | **6,989** | **–** | **–** | **–** | **994** |
| Trade and other payables | **–** | **–** | **(962)** | **–** | **–** |
| Amounts due to related parties | **–** | **–** | **–** | **(31)** | **(13,744)** |
| | **29,319** | **611** | **2,236** | **3,587** | **995** |

| | RMB<br>$'000 | SGD<br>$'000 | EURO<br>$'000 | CHF<br>$'000 | USD<br>$'000 |
|---|---|---|---|---|---|
| **Group** | | | | | |
| **At 31 December 2016** | | | | | |
| Trade and other receivables | – | – | 159 | – | – |
| Amounts due from related parties | 23,332 | 1,794 | 3,089 | 3,750 | 14,871 |
| Cash and cash equivalents | 51 | – | – | – | 2,891 |
| Trade and other payables | – | – | (998) | – | – |
| Amounts due to related parties | – | – | – | (33) | (14,869) |
| | 23,383 | 1,794 | 2,250 | 3,717 | 2,893 |

***Sensitivity analysis***

A 10% strengthening of the following major currencies against the functional currency of each of the Group's entities at the reporting date held by the Group would increase profit before tax (2016:

# NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2017

increase profit before tax) by the amounts shown below. Similarly, a 10% weakening would have the equal but opposite effect. This analysis assumes that all other variables, in particular interest rates, remain constant.

| | **Profit before tax 2017 $'000** | **Profit before tax 2016 $'000** |
|---|---|---|
| **Group** | | |
| RMB | **2,932** | 2,338 |
| SGD | **61** | 179 |
| EURO | **224** | 225 |
| CHF | **359** | 372 |
| USD | **100** | 289 |

**(e) Insurance risk**

The Company issued financial guarantees to certain banks in respect of banking facilities (inclusive of guaranteed performance bonds) granted to subsidiaries of the Group. Please refer to note 28 and note 32(c) for details.

# NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2017

**Accounting classifications and fair values**

The carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy are as follows. It does not include fair value information for financial assets and liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

| | Carrying amount | | | | Fair value | | | |
|---|---|---|---|---|---|---|---|---|
| | Available-for-sale financial assets $'000 | Loans and receivables $'000 | Other financial liabilities $'000 | Total $'000 | Level 1 $'000 | Level 2 $'000 | Level 3 $'000 | Total $'000 |
| **Group** | | | | | | | | |
| **31 December 2017** | | | | | | | | |
| **Financial assets measured at fair value** | | | | | | | | |
| Quoted equity instruments | 27 | – | – | 27 | 27 | – | – | 27 |
| **Financial assets not measured at fair value** | | | | | | | | |
| Unquoted equity instruments# | 534 | – | – | 534 | – | – | – | – |
| Trade and other receivables* | – | 162,622 | – | 162,622 | – | – | – | – |
| Amount due from related parties | – | 52,431 | – | 52,431 | – | – | – | – |
| Cash and cash equivalents | – | 143,715 | – | 143,715 | – | – | – | – |
| | 534 | 358,768 | – | 359,302 | | | | |
| **Financial liabilities not measured at fair value** | | | | | | | | |
| Amounts due to related parties | – | – | (15,486) | (15,486) | – | – | – | – |
| Trade and other payables** | – | – | (304,149) | (304,149) | – | – | – | – |
| Loans and borrowings | – | – | (132,066) | (132,066) | – | – | (126,813) | (126,813) |
| | – | – | (451,701) | (451,701) | | | | |

# Unquoted equity securities are measured at cost less impairment losses as the fair values cannot be determined reliably

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

** Excluded receipts in advance

# NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2017

| | Carrying amount | | | | Fair value | | | |
|---|---|---|---|---|---|---|---|---|
| | Available-for-sale financial assets $'000 | Loans and receivables $'000 | Other financial liabilities $'000 | Total $'000 | Level 1 $'000 | Level 2 $'000 | Level 3 $'000 | Total $'000 |
| **Group** | | | | | | | | |
| **31 December 2016** | | | | | | | | |
| **Financial assets measured at fair value** | | | | | | | | |
| Quoted equity instruments | 18 | – | – | 18 | 18 | – | – | 18 |
| **Financial assets not measured at fair value** | | | | | | | | |
| Unquoted equity instruments# | 602 | – | – | 602 | – | – | – | – |
| Trade and other receivables* | – | 274,577 | – | 274,577 | – | – | – | – |
| Amount due from related parties | – | 53,298 | – | 53,298 | – | – | – | – |
| Cash and cash equivalents | – | 92,248 | – | 92,248 | – | – | – | – |
| | 602 | 420,123 | – | 420,725 | | | | |
| **Financial liabilities not measured at fair value** | | | | | | | | |
| Amounts due to related parties | – | – | (23,498) | (23,498) | – | – | – | – |
| Trade and other payables** | – | – | (335,552) | (335,552) | – | – | – | – |
| Loans and borrowings | – | – | (176,380) | (176,380) | – | – | (161,862) | (161,862) |
| | – | – | (535,430) | (535,430) | | | | |

# Unquoted equity securities are measured at cost less impairment losses as the fair values cannot be determined reliably

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

** Excluded receipts in advance

# NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2017

**Measurement of fair values**

**(i) Valuation techniques and significant unobservable inputs**

The following tables show the valuation techniques used in measuring Level 2 and Level 3 fair values, as well as the significant unobservable inputs used.

***Financial instruments not measured at fair value***

| Type | Valuation technique | Significant unobservable inputs |
|---|---|---|
| Loans and borrowings | Discounted cash flows | Not applicable |

**(ii) Transfers between Level 1 and 2**

There were no transfers between Level 1 and 2 in 2017 and 2016.

## 33. NON-CONTROLLING INTERESTS

The following subsidiaries have material NCI.

| Name | Operating segment | Principal places of business/ Country of incorporation | Effective equity interest held by NCI 2017 % | 2016 % |
|---|---|---|---|---|
| Steeltech Industries Pte. Ltd. ("Steeltech") | Construction | Singapore | **29** | 49 |
| Tianjin Tianmen Jiawan Property Development Co., Ltd. ("Jinwan") | Property development | PRC | **50** | 50 |
| Tianjin Zizhulin Investment Co., Ltd ("Chuang Zhan") | Property development | PRC | **34** | 34 |
| Cangzhou Huashi | Property development | PRC | **59** | 59 |
| Guangang | Property development | PRC | **31** | 36 |

The following summarises the financial information of each of the Group's subsidiaries with material NCI, based on their respective financial statements prepared in accordance with FRS, modified for fair value adjustments on acquisition and differences in the Group's accounting policies.

# NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2017

| | Steeltech $'000 | Jinwan $'000 | Chuang Zhan $'000 | Cangzhou Huashi $'000 | Guangang $'000 | Other individually immaterial subsidiaries $'000 | Intra-group elimination $'000 | Total $'000 |
|---|---|---|---|---|---|---|---|---|
| **2017** | | | | | | | | |
| Revenue | 23,183 | – | – | 965 | 26,108 | | | |
| Profit/(Loss) | 2,214 | (221) | 159 | (60) | (4,350) | | | |
| OCI | – | (329) | (518) | (272) | (1,074) | | | |
| **Total comprehensive income** | 2,214 | (550) | (359) | (332) | (5,424) | | | |
| Attributable to NCI: | | | | | | | | |
| – Profit/(Loss) | 642 | (111) | 54 | (36) | (1,348) | 121 | 39 | (639) |
| – OCI | – | (165) | (176) | (160) | (333) | (131) | (1,158) | (2,123) |
| **– Total comprehensive income** | 642 | (276) | (122) | (196) | (1,681) | (10) | (1,119) | (2,762) |
| Non-current assets | 9,424 | – | 47,255 | 8 | 196 | | | |
| Current assets | 12,586 | 45,373 | 19,473 | 20,371 | 232,695 | | | |
| Non-current liabilities | (4,357) | (168) | – | (102) | (1,232) | | | |
| Current liabilities | (1,075) | (21,728) | (29,076) | (724) | (160,464) | | | |
| Net assets | 16,578 | 23,477 | 37,652 | 19,553 | 71,195 | | | |
| **Net assets attributable to NCI** | 4,807 | 11,739 | 12,802 | 11,537 | 22,070 | 10,599 | (26,716) | 46,838 |
| Cash flows from operating activities | 4,387 | (19) | (430) | (586) | 26,557 | | | |
| Cash flows from investing activities | (386) | 241 | 2,410 | 9 | 975 | | | |
| Cash flows from financing activities | (591) | – | (2,809) | (551) | (25,800) | | | |
| **Net increase/(decrease) in cash and cash equivalents** | 3,410 | 222 | (829) | (1,128) | 1,732 | | | |

# NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2017

| | Steeltech $'000 | Jinwan $'000 | Chuang Zhan $'000 | Cangzhou Huashi $'000 | Guangang $'000 | Other individually immaterial subsidiaries $'000 | Intra-group elimination $'000 | Total $'000 |
|---|---|---|---|---|---|---|---|---|
| **2016** | | | | | | | | |
| Revenue | 18,688 | – | – | 5,152 | 20,508 | | | |
| Profit/(Loss) | 791 | (1,892) | (154) | 4,638 | (3,120) | | | |
| OCI | – | (1,219) | (1,789) | (704) | (3,745) | | | |
| **Total comprehensive income** | 791 | (3,111) | (1,943) | 3,934 | (6,865) | | | |
| Attributable to NCI: | | | | | | | | |
| – Profit/(Loss) | 388 | (946) | (52) | 2,736 | (1,123) | (512) | 63 | 554 |
| – OCI | – | (610) | (608) | (415) | (1,348) | (1,002) | 1,271 | (2,712) |
| **– Total comprehensive income** | 388 | (1,556) | (660) | 2,321 | (2,471) | (1,514) | 1,334 | (2,158) |
| Non-current assets | 8,983 | – | 44,589 | 9 | 272 | | | |
| Current assets | 11,632 | 46,228 | 22,521 | 21,644 | 247,936 | | | |
| Non-current liabilities | (4,613) | (170) | – | (95) | – | | | |
| Current liabilities | (1,439) | (22,030) | (29,101) | (1,673) | (171,590) | | | |
| Net assets | 14,563 | 24,028 | 38,009 | 19,885 | 76,618 | | | |
| **Net assets attributable to NCI** | 7,136 | 12,014 | 12,923 | 11,733 | 27,583 | 10,464 | (24,212) | 57,641 |
| Cash flows from operating activities | 608 | (159) | (511) | 1,179 | 6,643 | | | |
| Cash flows from investing activities | (2,189) | 342 | 8,165 | 21 | (1,952) | | | |
| Cash flows from financing activities | (370) | – | (6,551) | (12,408) | 2,292 | | | |
| **Net increase/(decrease) in cash and cash equivalents** | (1,951) | 183 | 1,103 | (11,208) | 6,983 | | | |

# NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2017

## 34. ACQUISITIONS OF NON-CONTROLLING INTERESTS

During the year, the Group acquired additional 20.0% and 5.5% effective interest in Steeltech and Guangang for $2,000,000 and RMB38,400,000 (equivalent to $7,873,000) respectively.

Following the acquisition, effective interest in both Steeltech and Guangang increased from 51.0% to 71.0% and 64.0% to 69.5% respectively. The carrying amount of Steeltech and Guangang's net assets in the Group's consolidated financial statements on the date of the acquisition was $15,154,000 and $69,911,000. The Group recognised a decrease in NCI of $7,983,000 and a decrease in capital reserve of $1,890,000, resulting in a net decrease in equity attributable to owners of the Company of $1,890,000.

| | **Group<br>$'000** |
|---|---|
| Carrying amount of NCI acquired | 7,983 |
| Consideration paid to NCI | (9,873) |
| Decrease in equity attributable to owners of the Company | (1,890) |

# STATISTICS OF SHAREHOLDINGS

As at 16 March 2018

## DISTRIBUTION OF SHAREHOLDINGS

| SIZE OF SHAREHOLDINGS | NO. OF SHAREHOLDERS | % | NO. OF SHARES | % |
|---|---|---|---|---|
| 1 – 99 | 18 | 1.13 | 273 | 0.00 |
| 100 – 1,000 | 82 | 5.14 | 51,390 | 0.01 |
| 1,001 – 10,000 | 498 | 31.24 | 3,014,302 | 0.67 |
| 10,001 – 1,000,000 | 972 | 60.98 | 71,271,575 | 15.97 |
| 1,000,001 AND ABOVE | 24 | 1.51 | 372,025,909 | 83.35 |
| **TOTAL** | **1,594** | **100.00** | **446,363,449** | **100.00** |

## TWENTY LARGEST SHAREHOLDERS

| NO. | NAME | NO. OF SHARES | % |
|---|---|---|---|
| 1 | TIONG SENG SHAREHOLDINGS PTE. LTD. | 225,397,960 | 50.50 |
| 2 | MAYBANK NOMINEES (SINGAPORE) PRIVATE LIMITED | 45,800,000 | 10.26 |
| 3 | UNITED OVERSEAS BANK NOMINEES (PRIVATE) LIMITED | 33,478,120 | 7.50 |
| 4 | WAN SENG ENTERPRISES PTE LTD | 12,732,390 | 2.85 |
| 5 | SHINGDA CONSTRUCTION PTE LTD | 6,696,950 | 1.50 |
| 6 | UOB KAY HIAN PRIVATE LIMITED | 6,047,400 | 1.35 |
| 7 | DBS NOMINEES (PRIVATE) LIMITED | 5,650,735 | 1.27 |
| 8 | PECK KHEE SONG @ PECK AH TEE | 4,784,200 | 1.07 |
| 9 | PEK AH TUAN | 3,604,920 | 0.81 |
| 10 | PHILLIP SECURITIES PTE LTD | 3,265,500 | 0.73 |
| 11 | PAY KIAN MENG GILBERT | 2,702,000 | 0.61 |
| 12 | RAFFLES NOMINEES (PTE) LIMITED | 2,688,734 | 0.60 |
| 13 | LEE KHAR HOON | 2,650,000 | 0.59 |
| 14 | LEE KENG LAN | 2,454,000 | 0.55 |
| 15 | LEE HONG CHUAN | 1,650,000 | 0.37 |
| 16 | HL BANK NOMINEES (SINGAPORE) PTE LTD | 1,601,000 | 0.36 |
| 17 | ESTATE OF LIM KIM ENG, DECEASED | 1,582,350 | 0.35 |
| 18 | REPRESENTATIONS INTERNATIONAL (HK) LTD | 1,520,000 | 0.34 |
| 19 | ANDREW KHNG | 1,464,650 | 0.33 |
| 20 | HENG SIEW ENG | 1,374,500 | 0.31 |
| | **TOTAL** | **367,145,409** | **82.25** |

# STATISTICS OF SHAREHOLDINGS

As at 16 March 2018

## SHAREHOLDERS' INFORMATION AS AT 16 MARCH 2018

| | | |
|---|---|---|
| Class of shares | : | Ordinary shares |
| Number of Shares issued (excluding Treasury Shares) | : | 446,363,449 |
| Voting rights (excluding Treasury Shares) | : | On a poll – One vote per share |
| Treasury Shares | : | 13,260,400* |
| Subsidiary Holdings | : | Nil |

* As at 16 March 2018, the Company held 13,260,400 treasury shares which represents 2.97% of the total number of issued shares of the Company (excluding treasury shares).

| | Direct | | Deemed | |
|---|---|---|---|---|
| **Name of Substantial Shareholders** | **No. of Shares** | **%** | **No. of Shares** | **%** |
| Tiong Seng Shareholdings Pte Ltd | 271,197,960 | 60.8 | – | – |
| Peck Tiong Choon (Private) Limited(1) | 32,261,520 | 7.2 | 271,197,960 | 60.8 |
| Pek Ah Tuan(2) | 3,604,920 | 0.8 | 32,261,520 | 7.2 |
| Lee It Hoe(3) | – | – | 286,275,330 | 64.1 |

**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 and Section 4 of the Securities and Futures Act ("SFA").

The 32,261,520 Shares of PTC are registered in the name of United Overseas Bank Nominees Pte Ltd.

(2) The estate of Pek Ah Tuan, together with the associates of the late Pek Ah Tuan, collectively hold approximately 33.6% of the shares in PTC and is therefore deemed interested in the shares held by PTC pursuant to Section 7 of the Companies Act and Section 4 of the SFA.

(3) Lee It Hoe is deemed interested in the shares held by his associate, namely, his brother, Lee Yew Sim (762,630 Shares). Lee It Hoe is also deemed interested in the Shares held by him on trust for the estate of his mother, Lim Kim Eng (1,582,350 Shares), and the 12,732,390 Shares held by Wan Seng Enterprises (Private) Limited ("**Wan Seng**") as Wan Seng's shareholders are accustomed or under an obligation whether formal or informal to act in accordance with his directions, instructions and wishes in relation to their shares in Wan Seng. In addition, Lee It Hoe is deemed interested in the shares held by TSS as his associates are collectively entitled to exercise control of approximately 22.7% of the Shares in TSS.

## SHAREHOLDINGS HELD IN HANDS OF PUBLIC

Approximately 27.2% 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 Evergreen Room 2, Jurong Safra 333 Boon Lay Way, Singapore 649848 on Wednesday, 25 April 2018 at 9.30 a.m. for the following purposes:

## AS ORDINARY BUSINESS

1. To receive and adopt the Directors' Statement and the Audited Financial Statements of the Company for the year ended 31 December 2017 together with the Auditors' Report thereon. **(Resolution 1)**

2. To declare a first and final dividend of 1.5 cent per ordinary share (one-tier tax exempt) for the year ended 31 December 2017 (2016: 0.8 cent per ordinary share). **(Resolution 2)**

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

   Mr Pek Lian Guan **(Resolution 3)**
   Mr Lee It Hoe **(Resolution 4)**

   *Mr Lee It Hoe will, upon re-election as a Director of the Company, remain as a member of the Audit Committee and Remuneration Committee respectively and will be considered as Non-Executive Director.*

4. To approve the payment of Directors' fees amounting to S$300,000/- for the year ending 31 December 2018, to be paid in arrears (2017: S$250,000/-) **(Resolution 5)**

5. To re-appoint KPMG LLP as the Auditors of the Company and to authorise the Directors of the Company to fix their remuneration. **(Resolution 6)**

6. To transact any other ordinary business which may 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:

7. **AUTHORITY TO ISSUE SHARES**

   That pursuant to Section 161 of the Companies Act, Chapter 50 of Singapore, and Rule 806 of the Listing Manual of the Singapore Exchange Securities Trading Limited ("**SGX-ST**"), the Directors of the Company be authorised and empowered to:

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

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

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

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

# NOTICE OF ANNUAL GENERAL MEETING

provided that:

(1) the aggregate number of shares (including shares to be issued in pursuance of the Instruments, made or granted pursuant to this Resolution) to be issued pursuant to this Resolution shall not exceed 50% of the total number of issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company (as calculated in accordance with sub-paragraph (2) below), of which the aggregate number of shares to be issued other than on a pro rata basis to shareholders of the Company shall not exceed 20% of the total number of issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company (as calculated in accordance with sub-paragraph (2) below);

(2) (subject to such manner of calculation as may be prescribed by the SGX-ST) for the purpose of determining the aggregate number of shares that may be issued under sub-paragraph (1) above, the total number of issued shares (excluding treasury shares and subsidiary holdings) shall be based on the total number of issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company at the time of the passing of this Resolution, after adjusting for:

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

   (b) new shares arising from the exercise of share options or vesting of share awards which are outstanding or subsisting at the time of the passing of this Resolution; and

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

(3) in exercising the authority conferred by this Resolution, the Company shall comply with the provisions of the Listing Manual of the SGX-ST for the time being in force (unless such compliance has been waived by the SGX-ST) and the Constitution of the Company; and

(4) unless revoked or varied by the Company in a general meeting, such authority shall continue in force until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is earlier.
*[See Explanatory Note (i)]* **(Resolution 7)**

8. **AUTHORITY TO ISSUE SHARES UNDER THE TIONG SENG SHARE AWARD SCHEME**

That pursuant to Section 161 of the Companies Act, Chapter 50 of Singapore, the Directors of the Company be authorised and empowered to grant awards in accordance with the provisions of the Company's Tiong Seng Share Award Scheme ("**Scheme**") and to issue from time to time such number of shares in the capital of the Company as may be required to be issued pursuant to the vesting of the awards under the Scheme, provided always that the aggregate number of additional ordinary shares to be issued pursuant to the Scheme shall not exceed 15% of the total number of issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company from time to time and that such authority shall, unless revoked or varied by the Company in a general meeting, continue in force until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is earlier.
*[See Explanatory Note (ii)]* **(Resolution 8)**

# NOTICE OF ANNUAL GENERAL MEETING

9. **RENEWAL OF THE SHARE BUY-BACK MANDATE**

That:

(a) for the purposes of Sections 76C and 76E of the Companies Act, Chapter 50 of Singapore (the "**Act**"), the exercise by the Directors of the Company of all the powers of the Company to purchase or otherwise acquire issued ordinary shares in the capital of the Company ("**Shares**") not exceeding in aggregate the Maximum Limit (as hereinafter defined), at such price or prices as may be determined by the Directors of the Company from time to time up to the Maximum Price (as hereinafter 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 and quoted ("**Other Exchange**"), through one or more duly licensed stockbrokers appointed by the Company for such 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 as they may consider fit and in the best interests of the Company, which scheme(s) shall satisfy all the conditions prescribed by the Companies Act and the Listing Manual (the "**Off-Market Share Buy-Back**"),

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

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

(i) the date on which the next Annual General Meeting of the Company is held;

(ii) the date by which the next Annual General Meeting of the Company is required by law to be held; or

(iii) the date on which purchases and acquisitions of Shares pursuant to the Share Buy-Back Mandate are carried out to the full extent mandated.

(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 and subsidiary holdings that may be held by the Company from time to time);

"**Relevant Period**" means the period commencing from the date of the Annual General Meeting at which the proposed renewal of the Share Buy-Back Mandate is approved, 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

# NOTICE OF ANNUAL GENERAL MEETING

"**Maximum Price**" in relation to a Share to be purchased, means the purchase price (excluding brokerage, commission, 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; and

(ii) in the case of an Off-Market Share Buy-Back, 120% of the Average Closing Price,

where:

"**Average Closing Price**" means the average of the closing market prices of a Share over the last five (5) market days on which the Shares were transacted on the SGX-ST or, as the case may be, Other Exchange, preceding the day of the On-Market Share Buy-Back or, as the case may be, the day of the making of the offer pursuant to an Off-Market Share Buy-Back, as deemed to be adjusted for any corporate action that occurs after the relevant five (5) market day period; and

(d) the Directors of the Company be and are hereby authorised to complete and do all such acts and things (including executing such documents as may be required) as they may consider expedient or necessary to give effect to the transactions contemplated by this resolution.
*[See Explanatory Note (iii)]* **(Resolution 9)**

10. **RENEWAL OF THE INTERESTED PERSON TRANSACTIONS MANDATE**

That:

(a) approval be and is hereby given, for the purposes of Chapter 9 of the Listing Manual of the SGX-ST, for the Company, its subsidiaries and associated companies that are considered to be entities at risk under Chapter 9 of the Listing Manual of the SGX-ST, or any of them to enter into any of the transactions falling within the types of Interested Person Transactions as set out in section 3.3 of the Appendix to this Notice of Annual General Meeting (the "**Appendix**") with any party who is of the class of Interested Persons described in the Appendix, provided that such transactions are carried out in the normal course of business, at arm's length and on commercial terms and in accordance with the guidelines and review procedures for Interested Person Transactions as set out in the Appendix (the "**IPT Mandate**");

(b) the IPT Mandate shall, unless revoked or varied by the Company in a general meeting, continue in force until the conclusion of the next Annual General Meeting of the Company; and

(c) the Directors of the Company be and are hereby authorised to complete and do all such acts and things (including executing all such documents as may be required) as they may consider necessary, desirable or expedient to give effect to the IPT Mandate.
*[See Explanatory Note (iv)]* **(Resolution 10)**

By Order of the Board

Lai Foon Kuen
Company Secretary

Singapore, 9 April 2018

# NOTICE OF ANNUAL GENERAL MEETING

**Explanatory Notes on Resolutions to be passed:**

(i) Ordinary Resolution 7, if passed, will empower the Directors of the Company, effective until the conclusion of the next Annual General Meeting of the Company, or the date by which the next Annual General Meeting of the Company is required by law to be held or such authority is varied or revoked by the Company in a general meeting, whichever is the earlier, to issue shares, make or grant Instruments convertible into shares and to issue shares pursuant to such Instruments, up to a number not exceeding, in total, 50% of the total number of issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company, of which up to 20% may be issued other than on a pro rata basis to shareholders.

For determining the aggregate number of shares that may be issued, the total number of issued shares (excluding treasury shares and subsidiary holdings) will be calculated based on the total number of issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company at the time this Ordinary Resolution is passed, after adjusting for new shares arising from the conversion or exercise of any convertible securities or share options or vesting of share awards which are outstanding or subsisting at the time when this Ordinary Resolution is passed, and any subsequent bonus issue, consolidation or subdivision of shares.

(ii) Ordinary Resolution 8, if passed, will empower the Directors of the Company, effective until the conclusion of the next Annual General Meeting of the Company, or the date by which the next Annual General Meeting of the Company is required by law to be held or such authority is varied or revoked by the Company in a general meeting, whichever is the earlier, to issue from time to time such number of shares in the capital of the Company as may be required to be issued pursuant to the vesting of awards granted or to be granted under the Scheme. The aggregate number of shares which may be issued pursuant to the Scheme and any other share scheme/share plan which the Company may have in place shall not exceed 15% of the total number of issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company from time to time.

(iii) Ordinary Resolution 9, 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 such authority 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.

(iv) Ordinary Resolution 10, if passed, will renew the general mandate approved by the Shareholders of the Company on 26 April 2017 to enable the Company, its subsidiaries and associated companies, or any of them, to enter into certain types of recurrent transactions of a revenue or trading nature or those necessary for its day-to-day operations with the specified classes of persons who are considered to be interested persons for the purposes of Chapter 9 of the Listing Manual, and which is proposed to be renewed in the manner and on the terms set out in the Appendix. This authority will, unless previously revoked or varied by the Company at a general meeting, expire at the conclusion of the next Annual General Meeting of the Company.

**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 21 Fan Yoong Road, Singapore 629796 not less than forty-eight (48) hours before the time appointed for holding the Meeting.

**Personal data privacy:**

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

# TIONG SENG HOLDINGS LIMITED

(Incorporated In the Republic of Singapore)
(Co. Reg. No: 200807295Z)

# PROXY FORM

*(Please see notes overleaf before completing this Form)*

**IMPORTANT:**

1. A relevant intermediary may appoint more than two (2) proxies to attend the Annual General Meeting and vote (see Note 4 for the definition of "relevant intermediary").
2. For investors who have used their CPF monies to buy shares in the Company, this Proxy Form is not valid for use and shall be ineffective for all intents and purposes if used or purported to be used by them.

**Personal Date Privacy**

By submitting an instrument appointing a proxy(ies) and/or representative(s), the member accepts and agrees to the personal data privacy terms set out in the Company's Notice of Annual General Meeting.

*I/We, ______________________ NRIC/Passport/Company Registration Number ______________

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 Meetings 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 Evergreen Room 2, Jurong Safra 333 Boon Lay Way, Singapore 649848 on Wednesday, 25 April 2018 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.

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

| No. | Resolutions relating to: | For | Against |
|---|---|---|---|
| 1 | Directors' Statement and Audited Financial Statements for the year ended 31 December 2017 | | |
| 2 | Payment of proposed first and final dividend | | |
| 3 | Re-election of Mr Pek Lian Guan as a Director | | |
| 4 | Re-election of Mr Lee It Hoe as a Director | | |
| 5 | Approval of Directors' fees amounting to S$300,000/- for the year ending 31 December 2018 | | |
| 6 | Re-appointment of KPMG LLP as Auditors | | |
| 7 | Authority to issue new shares | | |
| 8 | Authority to issue shares under the Tiong Seng Share Award Scheme | | |
| 9 | Renewal of the Share Buy-Back Mandate | | |
| 10 | Renewal of the Interested Person Transactions Mandate | | |

** Delete where inapplicable*

Dated this ________ day of ______________ 2018

| 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 you hold. If you have shares entered against your name in the Depository Register (as defined in Section 81SF of the Securities and Futures Act, Chapter 289 of Singapore), you should insert that number of shares. If you have shares registered in your name in the register of Shareholders of our Company, 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 Shareholders, 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 Shareholders. If no number is inserted, the instrument appointing a proxy or proxies shall be deemed to relate to all the shares in the capital of the Company held by you.

2. A member who is not a relevant intermediary is entitled to appoint not more than two (2) proxies to attend, speak and vote on his behalf at the annual general meeting.

3. Where a member appoints more than one (1) proxy, the member shall specify the proportion of his shares to be represented by each such proxy, failing which the nomination shall be deemed to be alternative.

4. For any member who acts as an intermediary pursuant to Section 181(6) of the Companies Act, Cap. 50 of Singapore, who is either:

   (a) a banking corporation licensed under the Banking Act (Cap. 19) or its wholly-owned subsidiary which provides nominee services and holds shares in that capacity;

   (b) a capital markets services licence holder which provides custodial services for securities and holds shares in that capacity; and

   (c) Central Provident Fund ("CPF") Board established by the Central Provident Fund Act (Cap. 36), in respect of shares purchased on behalf of CPF investors.

   You are entitled to **appoint one (1) or more proxies** to attend and vote at the meeting. The proxy need not be a member of the Company. Please note that if any of your shareholdings are not specified in the list provided by the intermediary to the Company, the Company may have the sole discretion to disallow the said participation of the said proxy at the forthcoming annual general meeting.

5. The instrument appointing a proxy or proxies must be deposited at the registered office of the Company at 21 Fan Yoong Road Singapore 629796 not less than 48 hours before the time appointed for the Meeting.

6. 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.

7. 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 72 hours before the time appointed for holding the Meeting, as certified by The Central Depository (Pte) Limited to the Company.

TIONGSENG GROUP 长成控股

**TIONG SENG HOLDINGS LIMITED**

(Incorporated in the Republic of Singapore on 15 April 2008)

(Company Registration No. 200807295Z)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