TIONGSENG GROUP 长成控股

BUILDING SUSTAINABLE INNOVATION EXCELLENCE

ANNUAL REPORT 2016

CONTENTS

CORPORATE PROFILE

Riding on over 58 years of strong 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"). Accorded the highest A1 grading from the Building 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 pre-cast, prefabrication, Building Information Modeling (BIM), advanced formwork systems, and Cobiax. With the growing emphasis on construction site productivity, we believe that sharpening our competitive edge will enable us to not only transcend above our peers but also combat the market headwinds.

In addition to being at the frontier of an increasingly future-ready construction environment, we seek to capture growth in real estate development within the second and third-tier cities in China. Our ongoing projects comprise both residential and commercial developments in Tianjin and Suzhou.

COVER STORY

RECONCILING OUR STRENGTHS WITH INDUSTRY TRENDS

At Tiong Seng, we believe that the future starts today. While our longstanding business model of perpetually enhancing our internal capabilities remains at the core of our strategy, we acknowledge the need to identify prevailing industry trends and evolve accordingly. That is how we achieve long-term sustainable growth and competitiveness, as one of Singapore's leading contractors.

In 2016, we witnessed the steady shift in construction demand towards the public sector, and this trend is likely to persist in the near term. According to BCA's forecasts, construction demand is projected to increase to between S$28.0 billion and S$35.0 billion, with approximately 70.0 per cent of the demand originating from the public sector. More specifically, public-sector construction is expected to grow from S$15.8 billion in 2016 to between S$20.0 billion and S$24.0 billion in 2017, on the back of mega-infrastructure projects (e.g. second phase of the Deep Tunnel Sewerage System, North-South Corridor, Circle Line 6). Our Finance Minister, Mr. Heng Swee Keat, further echoed these favourable prospects during Budget 2017 when he mentioned that the start dates of public-sector infrastructure projects worth approximately S$700.0 million would be brought forward to 2017 and 2018 to give the ailing construction sector a much-needed boost.

To prepare ourselves for this robust pipeline, we have established a new wholly-owned subsidiary, Tiong Seng Civil Engineering (Private) Limited on 11 July 2016. Housed under our main Construction segment, this line of business includes activities ranging from infrastructure engineering services and the construction of civil engineering projects. It will work closely with Tiong Seng Contractors (Private) Limited on the following projects: (i) PUB contract for diameter pipeline from AYE/ Henderson Road to River Valley Road and (ii) PUB contract for construction of Stamford diversion canal.

Other than being a strategic response to the overall increase in supply of public-sector projects, the creation of a niche specialisation will enable us to focus on developing our civil engineering capabilities amidst rising competition. Our priority now is to source for new talents and equip our existing talents with the necessary skillset to transform this subsidiary into yet another profitable powerhouse under the Tiong Seng group.

Amid these improvements to our business model, we perpetuate our pursuit of innovation through investing in cutting-edge construction technologies to reinvent or even revolutionise the way we do things. In the section below, we showcase some of our latest building and productivity innovations that will help us deliver on our promise to provide technologically advanced construction solutions and promote industry-wide innovation.

Precast Technology

In 2011, we invested S$36.0 million in Singapore's very first precast automation hub – an avant-garde, "integrated hub" concept that features precast production capabilities, formwork assembly and maintenance, training and research, as well as living space for our workers under one roof.

Since adopting automated precast production technology, we have witnessed a significant 70.0% reduction in manpower while raising output and maintaining consistency. Our latest precast technologies allow us to specialise in unconventional precast designs, and the fabrication of concrete structure from design, development and production to installation (through our wholly-owned subsidiary, Robin Village Development Private Limited). Besides bringing about greater efficiency in our work, our pre-casting capabilities have won

COVER STORY

us several accolades in recent construction projects.

Being the pioneer and leader in precast technology, we have been exporting the technology to other areas in the region, such as Iskandar and Myanmar. Our niche capability has also given rise to plenty of partnership opportunities, such as that with Japan's Geostr Corporation to open a pre-cast tunnel segment factory in Johor.

Design for Manufacturing & Assembly (DfMA)
DfMA identifies, quantifies, and reduces waste or inefficiencies in a building design through surfacing problems and clashes before the actual construction begins. Through DfMA, we benefit from easier off-site manufacturing and 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. Innovations under DfMA include Building Information Modelling (BIM) and Virtual Design Construction (VDC).

BIM is a software that allows the company to virtually design 3D, 4D, and even 5D structures before commencing any actual construction. By factoring in time and cost calculations of projects, we have been successful in achieving greater production efficiency.

On the other hand, VDC combines BIM and advanced management techniques on an integrated platform. The application allows users to design beyond the constraints posed by current processes, anticipate problems, and make collaboration along the construction value chain more seamless and efficient.

During the Singapore Construction Productivity Week in 2016, BCA urged for wider adoption of the DfMA approach to achieve a quantum leap in construction productivity.

Prefabricated Bathroom Unit (PBU) & Prefabricated Prefinished Volumetric Construction (PPVC)
PPVC and PBU support our DfMA approach through off-site construction and assembly of free-standing volumetric units (or specifically, bathroom units in the case of PBU), complete with finishes for walls, floors, and ceilings, in an accredited facility before transportation to the actual construction site for installation.

Other than minimising on-site storage space, these game-changing technologies greatly reduce overall construction time and manpower, therefore improving productivity by up to 50.0 percent. In view of its benefits, BCA has mandated the use of PPVC for selected non-landed residential Government Land Sale sites from 1 November 2014 onwards.

Advanced Formwork System
In comparison to conventional formwork, Advanced Formwork System delivers better finishing quality, improves structural stability, and is more cost-efficient. Moreover, it allows for quicker setup, unlike conventional timber.

Tiong Seng has a collaborative agreement with PERI Asia Private Limited to develop, market, and provide advanced formwork-related training. This partnership cements our commitment towards promoting the use of Advanced Formwork System to improve worksite productivity.

Cobiax
Today, Tiong Seng is a strong mover in green and sustainable technologies. This can be seen from our utilisation of Cobiax, an internationally patented technology that reduces unnecessary deadweight in concrete slabs by using hollow void formers within the slabs. This in turn translates into a dramatic reduction in carbon dioxide emission of as much as 210.0 kilogrammes for every cubic metre of concrete displaced.

With a lighter slab, beam sizes can be smaller, allowing for more ceiling space, thereby reducing the volume of concrete slabs used by 30.0 percent and the weight of building structures by 15.0 percent. Along with improving construction productivity, Cobiax allows architects to design larger span flat slab structures to achieve more dramatic effects in the building's expression, as evident in our projects such as the ParkRoyal Hotel at Upper Pickering Street.

COVER STORY

OUR PEOPLE & OUR COMMUNITY

At Tiong Seng, we pride ourselves as a talent builder. We want to be able to empower, engage, and enable our people to become the future leaders of the built environment sector. As we seek to create value by investing in people, attracting and retaining talent is a key priority for us.

In 2016, we were one of the leading firms which partnered with BCA for the BCA-Industry Built Environment Scholarship and Sponsorship programmes to cultivate worthy local undergraduates and diploma students from built environment courses.

Our approach to staff management and development has also been widely recognised. In 2016, we have been awarded the People Developer certification by SPRING Singapore. This mark symbolises uncompromising quality in people management and organisational performance, and is a reflection of our nurturing human resource development model that seeks to scale greater heights through our people.

In addition, we aspire to enrich the lives of our people through the construction of a vibrant and active work culture. In 2016, we participated in the Yellow Ribbon Prison Run and SAFRA Singapore Bay Run as an organisation.

ACCREDITATIONS & AWARDS

In 2016, Tiong Seng won several awards for our continued delivery of high quality builds, extensive use of construction technology and workplace safety.

AWARDS

Business Excellence Awards

Singapore Quality Award

Innovation Class (I-Class)

People Developer

Innovation Awards

BuildingSMART (Hong Kong) BIM Award 2016

BuildingSMART International Awards 2016

Project Awards

BCA CONSTRUCTION EXCELLENCE AWARD – Commercial/Mixed Development Buildings – ParkRoyal on Pickering

BCA CONSTRUCTION EXCELLENCE AWARD – Institutional Buildings – Singapore Institute of Management Extension

BCA DESIGN AND ENGINEERING SAFETY EXCELLENCE AWARD (MERIT) – The Luxurie

BCA Green Mark Award (Platinum) for Tiong Seng Building

BCA Green Mark Award (Platinum) for Project Hamptons

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,

On behalf of the Board, it is my pleasure to present to you our Company's Annual Report for the year ended 31 December 2016 in my capacity as the non-executive chairman.

To start with, let us look at the macro picture: Singapore's full year 2016 GDP growth is 2.0 per cent on a year-on-year basis. Closer to us, for the fourth quarter of 2016, the construction sector was the sole underperformer among Singapore's major economic sectors, largely due to the decline in private-sector construction activities. The sector reported a contraction of 2.8 per cent on a year-on-year basis, extending the 2.2 per cent contraction in the previous three quarters. On a quarter-on-quarter seasonally-adjusted annualized basis, the sector expanded at a seasonally-adjusted annualised rate of 0.8 per cent, a reversal from the 12.6 per cent contraction for the preceding quarter. Given the uncertainties that currently plague the global geopolitical scene, officials of the Ministry of Trade and Industry expect the modest economic growth to persist for 2017, with the GDP expanding between 1.0 and 3.0 per cent.

Against this backdrop, our Company has performed fairly for 2016. Going forward, our Board will pursue a prudent and steady business approach much like the preceding years. It may be appropriate here to reiterate that our strategy has been one of enhancing our overall capabilities in order to bolster our resilience against external uncertainties and capture longer-term growth and opportunities.

For our construction segment, we continue to strengthen our technological capabilities with a view to stay relevant to the market's trends and to pursue our relentless drive to enhance productivity. Our participation in BuildTech Asia, the international building technologies exposition hosted by the Building Construction Authority of Singapore (BCA) in October 2016 spotlights our pioneering expertise in precast and Building Information Modelling (BIM) as well as our current suite of other capabilities, including Prefabricated Pre-finished Volumetric Construction (PPVC) and Prefabricated Bathroom Unit (PBU). It is indeed an apt demonstration of our strong commitment to achieve higher productivity through innovation and technologies.

In response to the surge in public-sector construction projects in Singapore, we have reassigned some of our resources and capabilities to establish a dedicated civil engineering business unit known as Tiong Seng Civil Engineering. We believe that due to Singapore's longstanding national policy of being an open and connected economy, we will see significant government spending in the investment and upgrading of our excellent infrastructure in the coming years. As such, a dedicated civil engineering business unit would better position us in the bidding of public infrastructural projects. We are currently in the midst of recruiting and nurturing additional suitable talents, including engineers and relevant specialists, for this business segment.

I would now like to touch on our property development business segment in the People's Republic of China. For the financial year just ended, it is heartening to report that the sales of property units in that market have exceeded our projection. However, the property market cooling measures introduced by the Chinese government later in the year have effectively stabilized the markets there. Going forward, we will continue to closely monitor developments in the marketplace before making our next moves. We are holding a positive view that the Chinese property markets will continue to be vibrant, especially in the second and third tier cities where we operate, in view of the country's strong long-term economic prospects.

Lastly, I would like to take this opportunity to sincerely thank our very able and committed management team as well as all our employees for their hard work and dedication. I would also like to express appreciation to all our stakeholders and shareholders for their unwavering support. I am confident that with everybody on our side, despite the prevailing unfavorable market conditions, our Company will be able to overcome all the challenges confronting us and emerge even stronger for our next phase of growth and development.

Chairman
MR ONG LAY KHIAM

CHAIRMAN'S MESSAGE

尊敬的股东们，

我谨代表董事会，很荣幸地以非执行董事主席的身份向大家呈交本公司截至2016年12月31日止的年度报告。

首先，让我们以宏观的视角出发：新加坡2016年全年国内生产总值增长率为2.0%，与前年同期相比稍微上升。其中2016年第四季度，建筑业是新加坡主要经济行业中唯一表现欠佳的板块，主要是由于私营建筑活动的下降。在该季度，和前年同比建筑业收缩了2.8%，比前三个季度2.2%的收缩为大。经过季节性全年度调整后的表现，该行业在2016年第四季度也只有0.8%的增长，与上一季度的12.6%收缩相反。鉴于当前困扰全球地缘政治的不确定性，贸工部官员预计2017年新加坡将保持低微的经济增长，国内生产总值增长率介于1.0%至3.0%之间。

在此背景下，我们公司在2016年的表现可说是合理。展望未来，我们的董事会将继续采取与前几年一样谨慎稳定的业务模式。在这里，我也原意重申集团的战略是在提高我们的整体能力，以抵御外界不明朗的局势，并捕捉更长期的增长机会。

对于我们的建筑业务，我们继续加强工艺技术能力，以配合市场趋势，并不懈地追求生产力的提高。我们参与2016年10月由新加坡建筑局(BCA)主办的国际建筑技术博览会BuildTech Asia，聚焦了我们在预制和建筑信息模型(BIM)领域的先驱专长以及我们当前的其他功能，包括预制预装体积结构(PPVC)和预制浴室单元(PBU)。这确实是我们坚定承诺通过创新和工艺技术实现更高生产力的恰当证明。

为了应对新加坡公共建筑项目的激增，我们重新分配了一些内部资源和能力，设立了定名为长成土木工程的土木工程业务部门。新加坡所採取的开放和互联经济国策使我们认定政府在未来几年会在基础设施方面做出大量投资。因此，专责的土木工程业务部门会更有利于我们对公共基建工程的投标。我们目前正在为这个业务部门招聘和培养更多合适的人才，其中也包括工程师和相关专家。

在产业发展业务方面，我很高兴地报告我们在中国市场的屋业单位销售超过了我们的预期。然而，中国政府在2016年下半段推出的房地产市场降温措施已经有效地稳定了当地的市场。展望未来，我们将继续对中国市场保持密切关注，以便采取下一步行动。鉴于中国经济的强劲前景，其房地产市场预计可继续保持活力，特别是在我们所经营当中的二三线城市。因此，我们对产业发展业务方面持有比较乐观的看法。

最后，我想借此机会真诚地感谢我们的能干和非常投入的管理团队以及所有员工的辛勤工作和奉献精神。当然，我也要感谢股东们坚定的支持。尽管市场带有不利的条件，我有信心我们将能够克服一切所面对的挑战，打造出一个更强化的长成！

CEO'S STATEMENT

DEAR SHAREHOLDERS,

In 2016, we faced strong headwinds hailing from uncertainties and downside risks in the global economy. While Singapore's full-year growth figure picked up pace marginally, expanding by 2.0 per cent relative to 1.9 per cent in 2015, the construction sector continued to underperform. Impeded largely by the slowdown in private-sector construction activities, the construction sector logged a mere expansion of 0.2 per cent for 2016, as compared to 3.9 per cent for the preceding year.

Nevertheless, at Tiong Seng, we remain committed to our philosophy of integrating rigour and innovation, so as to achieve long-term sustainable growth. For FY2016, we remained focused on investing in innovation to sharpen our competitive edge. At the same time, we recognise the importance of being cognizant of prevailing industry trends to stay relevant in this highly competitive market and achieve sustainable growth.

SHARPENING OUR COMPETITIVE EDGE

In terms of enhancing our technological capabilities, we have witnessed several milestones last year. Upon receiving the BCA's approval for our Prefabricated Prefinished Volumetric Construction (PPVC) system in December 2015, we have completed the construction of this facility in the third quarter of 2016. We can expect to leverage on this state-of-the-art technology in our tenders for future projects seeing that increasingly, price is no longer the sole or even the most critical factor in the winning of bids.

To safeguard the sustainability and inimitability of our competitive edge, we have successfully registered for the trademark for our Lithe solutions, comprising both our PPVC and Prefabricated Bathroom Unit (PBU) technologies. We are also in the process of securing the patent rights for our PPVC capabilities.

In recognition of our efforts and achievements, we had been invited to participate in BuildTech Asia organised by BCA during Singapore's Construction Productivity Week last October. Our exhibit spotlighted our pioneering expertise in PPVC and Building Information Management (BIM) among others in our portfolio. Beyond the local showcase, our building technologies have also received recognition on the global stage. In 2016, we received the buildingSMART Hong Kong award for our revolutionary use of Open BIM for Construction Management and Cost Control as well as buildingSMART international award for the category of "Construction Using Open Technology".

RIDING ON FAVOURABLE PUBLIC SECTOR TRENDS

Besides gaining accolades in the local and international arenas, multiple efforts by the Group to expand and enhance our suite of construction capabilities have culminated in the birth of a new civil engineering unit within the Construction segment in 2016. This development is well-aligned with the conducive market conditions in the public sector construction space.

In the past year alone, we have secured two public contracts: the first worth S$98.3 million from Public Utilities Board for the supply and installation of a water transmission pipeline, and the second from the Ministry of Home Affairs for the construction of Selarang Park Complex. As more productive technologies are becoming specified as land sales conditions for developments sold under the Government Land Sales Programme, we find ourselves in an increasingly favourable position to capitalise on our competitive edge.

PERSEVERING THROUGH PRIVATE SECTOR SLOWDOWN

On the other hand, private sector construction demand was subdued in 2016 and is projected to remain so in the near term. Nevertheless, we are fairly optimistic that our advanced construction technologies will continue to be our differentiator in this space. In 2016, we have successfully completed three major projects, namely HAUS @ Serangoon Garden, Eco Sanctuary, and The Springside. To kickstart 2017, we clinched a S$113.8 million building construction and maintenance contract at Alexandra View. Along with our other projects (both private and public), this brings our total order book size to approximately S$1.0 billion, which extends till 2020. Going forward, we remain keen to prospect for projects that allow us to utilise our newly acquired capabilities, complement our expertise, and can generate returns for our valued shareholders.

DEFYING CHINA'S PROPERTY MARKET HEADWINDS

On the property development front, our business in the People's Republic of China ("China") faced several challenges posed by the Chinese government in the form of cooling measures to curb the overheated property market in 2016. As a result of the restrictive housing policies, China's property sales have been spiralling downwards since October 2016, and this trend is expected to persist in 2017. According to the National Statistics Bureau, average

CEO'S STATEMENT

new home prices in China's 70 major cities rose 0.2 percent month-on-month in January 2017, slowing down from the 0.3 percent increase in the preceding month. This marked the fourth consecutive month of declining monthly growth.

In spite of these unfavourable circumstances, we managed to achieve solid sales figures. As at 31 December 2016, approximately S$82.8 million of gross development value comprising 63 units (13,158 square metres) of the Equinox in Tianjin and 52 units (16,350 square metres) of Tranquility Residences in Suzhou New District Development zone was sold, but yet to be recognized as revenue in accordance to the Group's revenue recognition policy. Based on current existing phase development plan and schedule for the Equinox, the Group is currently carrying out construction for phase B3, which is expected to be completed mid-2018. Phase C is completed and has been handed over in the first quarter of FY2017. As for Tranquility Residences, we expect Phase 2 to be completed and handed over in final quarter of FY2017.

Going forward, China's home prices are still expected to rise in 2017 due to genuine demand, expectations of further yuan depreciation and more US rate hikes, should the current policies stay constant. Furthermore, as location-specific tightening measures on home purchases and mortgages intensify predominantly in first-tier cities, many migrant workers might be pushed to go back home to second and third-tier cities to buy a house. Therefore, we maintain a cautiously optimistic outlook on the growth opportunities in the second and third-tier cities such as Suzhou and Tianjin, and will continue to monitor the situation prudently before prospecting any future projects.

A FINANCIAL REVIEW OF FY2016

Amid the sluggish market conditions illustrated above, the Group ended FY2016 on an impressive note with a 37.3 per cent year-on-year ("yoy") surge in revenue to a record S$774.3 million for FY2016. The remarkable growth stemmed from both our construction and property development segments. In addition, net profit attributable to shareholders rose 49.4 per cent yoy to S$15.3 million for FY2016. Higher profit contribution from the Construction segment was the result of an overall increase in the segment's revenue. On the other hand, the lower profit contribution from the Sales of Development Properties segment can be attributed to the lower income from car park sales from the Tranquility project for FY2016, as compared to that from the Sunny International project in the preceding year.

Construction segment

The Group's core Construction segment posted a commendable revenue of S$629.4 million for FY2016, translating into a 30.5 per cent yoy increase. The growth transpired due to differences in stages of revenue recognition for the Group's various construction projects. In accordance with the Group's revenue recognition policy, work done amounting to approximately S$17.0 million from newly commenced projects has yet to be recognised as revenue as at 31 December 2016.

While gross profit increased from S$49.3 million for FY2015 to S$52.7 million for FY2016, the Group logged a slight decline in the segment's gross profit margin as a result of a shift in the overall project mix. Nevertheless, the segment's profit from operating activities amounted to S$29.9 million, marking a 2.0 per cent yoy uptick.

Sales of Development Properties segment

The Group's revenue from the Sale of Development Properties segment spiked 92.0 per cent yoy to S$137.8 million for FY2016, and contributed 17.8 per cent of the Group's FY2016 revenue. This revenue was derived mainly from the sale recognition of 503 units (57,530 square metres) from Phase I of the Tranquility Project and 31 units (3,847 square metres) from the Sunny International Project and 40 units (7,823 square metres) from the Equinox Project.

The segment's gross profit margin slipped by approximately 5.4 per cent, from 12.8 per cent for FY2015 to 7.4 per cent for FY2016. This is due to the lower gross profit margin that the Tranquility project for FY2016 yields, as compared to the Sunny International project for FY2015. Coupled with a reduction in other income, the segment's profit from operating activities dipped 13.3 per cent yoy to S$5.4 million for FY2016.

Strengthened Balance sheet

As at 31 December 2016, the Group's robust balance sheet contained cash and cash equivalents of S$92.2 million, bolstered by strong operating cash flow amounting to S$165.8 million. The Group's gearing ratio has improved from 0.93 as at 31 December 2015 to 0.55, as the management pared down its loans and borrowings. Within the same period, the Group's earnings per share stood at 3.35 Singapore cents[1], increasing from 2.23 Singapore cents[2] for the previous period. Net asset value per share as at 31 December 2016 was recorded at 57.31 Singapore cents[3].

POISING THE GROUP FOR FUTURE GROWTH

On the whole, 2016 had been a fruitful year marked by several successes for Tiong Seng. Treading into a challenging 2017, we will remain vigilant and channel our effort towards fortifying our internal capabilities and preserving the high standards of the Tiong Seng brand. I am of the conviction that our unwavering devotion to our strategy of investing in innovations will elevate our brand to heightened visibility in the arena of construction and property development, and thus help to attract talent that will become the springboard for our growth aspirations.

On behalf of the Board of Directors, I would like to thank all our staff and stakeholders for their continuing support and trust in our judgment. I would also like to extend my gratitude and appreciation to all our loyal shareholders.

To share the fruits of our successes, the Board of Directors would like to recommend a final dividend of 0.8 Sing cents per share, representing a 60.0% increase from 0.5 Sing cents per share issued last year.

1 Based on 455,989,038 weighted average number of shares outstanding after share consolidation and excluding treasury shares
2 Based on 459,476,562 weighted average number of shares outstanding after share consolidation and excluding treasury shares
3 Based on 454,014,149 shares, net of non-controlling interests and excluding treasury shares, as at 31 December 2016

总裁的话

尊敬的股东，

由于全球经济不明朗及下行风险来袭，我们在2016年面对了强大的阻力。虽然新加坡的全年增长从2015年的1.9%略微扩张至2.0%，但建筑领域的表现持续不佳，在2016年仅取得0.2%的增长，对比于上一年的增长为3.9%，主要受到私人领域建筑活动放缓的影响。

尽管如此，长成控股(Tiong Seng Holdings)依然致力于把严谨与创新这两个元素结合起来，以取得长期持续增长。在2016年，我们仍聚焦于把投资放在创新领域，从而提高我们的竞争优势。与此同时，我们意识到了解主流行业的趋势的重要性，才能在这个极具竞争的市场中站稳脚跟，并取得持续增长。

提高竞争优势

在提升技术能力方面，我们在去年见证了多个里程碑。我们的预制预装体积结构(PPVC)系统于2015年12月获得新加坡建筑局(BCA)的批准，并在2016年第三季完成了相关设施的建设工程。我们预计将可在更多未来的投标项目中充分运用这项最新的尖端科技，尤其价格已不再是得标的唯一，或是最关键的因素。

为了保障我们的竞争优势得以持续及保持独特，我们成功地为我们的Lithe服务方案注册商标。Lithe服务方案包含我们的PPVC和预制浴室单元(PBU)科技。此外，我们也正在努力地为我们的PPVC技术争取专利权。

为了表彰我们的努力及成就，我们在去年10月的新加坡建筑生产力周(SCPW)受邀出席由建设局举办的亚洲建筑技术博览会(BuildTech Asia)。在我们的展品当中，主要突显的是我们在PPVC与建筑信息模型(Building Information Management, BIM)专项的先驱地位。除了本地之外，我们的建筑技术也在国际舞台上获得肯定。运用改革性的开放式BIM来进行建筑管理与成本控制使我们在2016年获颁BuildingSMART香港大奖，也在“开放式建筑技术”（“Construction Using Open Technology”）组别中获得BuildingSMART国际大奖。

从利好的公共领域趋势中受惠

除了在本地及国际领域获得奖项外，集团不断努力地扩充及提高自己一系列的建筑能力并于2016年在其建筑业务内成立新的土木工程单位，这项发展正好符合公共领域建筑业利好的市场情况。

单单在去年，我们争取到了2份公共领域的合约：一份是为公共事业局(PUB)供应与安装一条输水管道，价值9,830万新元，另一份则是为内政部建造实拉让公园中心(Selarang Park Complex)。随着越来越多富有成效的建筑技术被纳入为政府售地计划（Government Land Sales Programme）下发展项目的售地条件，我们将从中受惠。

在私人领域放缓中坚守

另一方面，2016年的私人领域的建筑需求受到抑制，并且估计在短期内不会改善。然而，我们仍相当乐观，因为我们先进的建筑技术将持续突显我们在这个领域的地位。我们于2016年成功完成了3项大型项目，包括HAUS @ Serangoon Garden项目， Eco Sanctuary公寓项目及The Springside项目。在2017年初，我们取得了一份价值1亿1,380万新元位于亚历山大景的建筑与维护合约。加上其他来自私人与公共领域的项目，集团的订单总额达到约10亿新元，其合约期延伸至2020年。展望未来，我们仍积极探寻可让我们运用新技能的项目，并辅以我们的专门知识，为集团的股东带来回报。

抵抗中国楼市的逆风

产业发展方面，我们在中国的业务面对了多项挑战，原因是中国政府在2016年推出降温措施以抑制楼市过热的情况。由于受到房屋政策的约束，中国的产业销量自2016年10月便一直下降，而这股趋势预计将在2017年持续下去。根据中国国家统计局的数据显示，中国70大城市2017年1月的平均新屋价格月比升高0.2%，比上个月0.3%的增长稍缓。这是中国平均新屋价格增长连续第4个月滑落。

尽管遇到这些不利的情况，集团依然取得稳健的销售数字。截至2016年12月31日，发展总值(GDV)约为8,280万新元位于天津的Equinox项目(包含63个单位， 面积为13,158平方米)与位于苏州开发新区的Tranquility Residences项目(包含52个单位， 面积为16,350平方米)已售出，但仍未确认为收入(根据集团的收入确认政策)。依据Equinox项目目前正在进行的发展计划与时间表，集团正执行B3阶段的建筑工程，预计将于2018年中完工。C阶段的工程已完工，并且已在2017年第一季交付。Tranquility Residences项目方面，我们预计第2期工程将于2017年第四季竣工交付。

展望未来，中国的房价预计仍将在2017年上升，因为市场具有真实需求，在现行政策不变的情况下，人民币预计将进一步贬值，以及美国将持续加息。此外，由于针对房地产交易与贷款的调控措施主要在一些特定地点的一级城市实施，许多流动工人可能因此而回到二级、三级城市的家乡买屋。据此，我们对二级与三级城市(如苏州与天津)的增长机会保持审慎乐观，并将继续谨慎地观察局势，再探寻任何未来的项目。

2016年财务报告

虽然上述市场情况低迷，集团在2016年的业绩依旧亮眼，其2016年收入在建筑及产业发展业务的带动下年比提高37.3%至创纪录的7亿7,430万新元。此外，其2016年归属于股东应占净利年比增加49.4%至1,530万新元。建筑业务在整体收入提高的带动下取得盈利增长，而产业发展业务2016年盈利受到Tranquility项目较低的停车单位销售收入而下降(与Sunny International项目上一年的停车单位销售收入相比)。

建筑业务

在2016年集团核心的建筑业务录得6亿2,940万新元的收入，年比增长为30.5%。增长主要因为集团多个建筑项目在不同时段经历不同阶段的确认收入。根据集团的收入确认政策，来自新开展项目价值约1,700万新元的已完工部分仍未确认为2016年的收入。

虽然毛利从2015年的4,930万新元增加至2016年的5,270万新元，但由于整体的项目组合变化，集团在该项业务的毛利率略微减低。尽管如此，建筑业务从营运活动取得的盈利年比提高2.0%至2,990万新元。

总裁的话

产业发展销售业务

产业发展销售业务在2016年的收入年比激增92.0%至1亿3,780万新元，占集团2016年总收入的17.8%。这主要来自Tranquility项目第1期(包含503个单位，面积为57,530平方米)、Sunny International项目(31个单位，3,847平方米)及Equinox项目(40个单位，7,823平方米)销售确认为收入。

这项业务的毛利率从2015年的12.8%下滑约5.4%至2016年的7.4%，主要因为Tranquility项目2016年带来的毛利率比Sunny International项目的2015年带来的毛利率来得低。与其他经营收入的减少相结合，产业发展销售业务从营运活动取得的盈利年比滑落13.3%至2016年的540万新元。

财务状况增强

截至2016年12月31日，在1亿6,580万新元的强劲营运现金流的扶持下，集团的现金与现金等价物为9,220万新元。集团的负债比率在管理层减低其贷款从2015年的0.93年比下降至2016年的0.55。集团同期的每股盈利为0.0335新元[1]，高于上一年的0.0223新元[2]。其截至2016年12月31日的每股净资产值为0.5731新元[3]。

为集团取得未来增长做好准备

整体而言，2016年收获丰富，因为长成取得了许多成功。迈入充满挑战的2017年，我们仍将保持警惕，努力加强我们内部的能力，以及秉持长成品牌的高标准。我确信我们坚持投资于创新的策略将令我们的品牌达致更高的建筑与产业发展领域，并因此有助于吸引人才，让我们实现增长期望。

我谨代表董事局感谢我们的员工及利益相关者持续给予的支持，并且信任我们的眼光。我也对我们的忠实股东表达感激与谢意。

为了分享成功的果实，董事局提议派发每股0.008新元的终期股息，对比去年派发的每股0.005新元提高了60.0%。

1 根据并股后的455,989,038股加权平均流通股及不包括库存股
2 根据并股后的459,476,562股加权平均流通股及不包括库存股
3 根据454,014,149股，不包括少数股东权益及库存股(截至2016年12月31日)

PROJECT LIST

COMPLETED PROJECTS

As at 31 December 2016, Tiong Seng book order stands at approximately S$1.0 billion as at to date and is expected to extend till year 2020. In 2016, we secured two projects from the Public Utilities Board and the Ministry of Home Affairs. Projects that were completed in 2016 includes:

HAUS@Serangoon Garden
Client: Sparkland Holdings Pte Ltd
c/o City Developments Limited

ECO Sanctuary
Client: S P Setia International (S) Pte Ltd

The Springside
Client: Kallang Development Pte Ltd

ONGOING PROJECTS INCLUDE:

RESIDENTIAL

Executive Condominium at Choa Chu Kang Grove
Client: MCL Land (Brighton) Pte Ltd

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

PUBLIC

Woodland Neighbourhood Contract 29 & 30
Client: Housing & Development Board

Selarang Park Complex
Client: Ministry of Home Affairs

INDUSTRIAL

One HP
Client: Mapletree Industrial Trust Management Ltd

JTC Space @ Tuas
Client: JTC Corporation

Sungei Seletar Bus Depot
Client: Land Transport Authority

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

PROJECT LIST

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 2019

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. The remaining portfolio comprises of 9 commercial shop houses

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, with expected completion 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

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

Residential: 101,200 sqm over a land area of 63,000 sqm

Wenchang Baihui, an investment property in Yangzhou, by Jiangsu Huiyang Construction Development

Retail: 15,000 sqm (saleable area and a remaining lease period of 24 years)

Tiong Seng is committed to the sale and development of its existing projects in China while remaining vigilant on the macro-economic factors that affect the sector.

BOARD OF DIRECTORS

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.

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 26 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.

BOARD OF DIRECTORS

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 24th April 2015.

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.

BOARD OF DIRECTORS

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, Interim Judicial Managers of Swissco Holidings 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 SMRT Corporation Ltd and an independent director of Singapore Deposit Insurance Corporation Limited (a statutory company accountable to the Monetary Authority of Singapore).

Mr Ang holds a Bachelor of Law (2nd Upper Division Honours) from the National University of Singapore. Mr Ang was appointed to our Board of Directors on 24th February 2010 and was last re-elected on 24th April 2015.

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

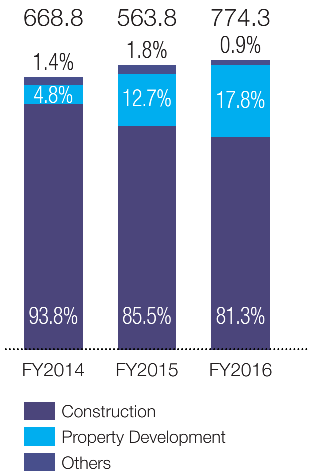
Mr Ong Chun Tiong has been overseeing our subsidiaries in Tianjin, PRC, since 2004. He joined us in 1998 as an Information Systems and Business Process Manager, and was responsible for our Group's expansion into new markets in the construction industry. Mr Ong graduated from the London School of Economics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

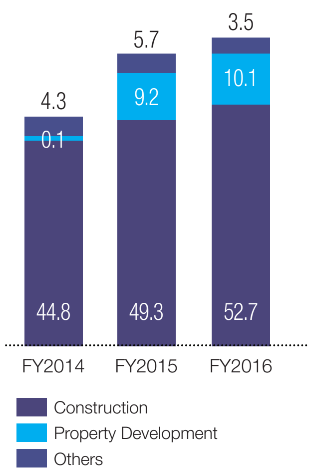
Mr Bao Jian Feng has been the General Manager of our Group for our subsidiaries in the Jiangsu Province, PRC, since 1996 and is mainly in charge of Jiangsu Huiyang. Mr Bao has more than 20 years of experience in general management. From 1994 to 1996, Mr Bao was the deputy general manager of Suzhou Yunsheng 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.

FINANCIAL HIGHLIGHTS

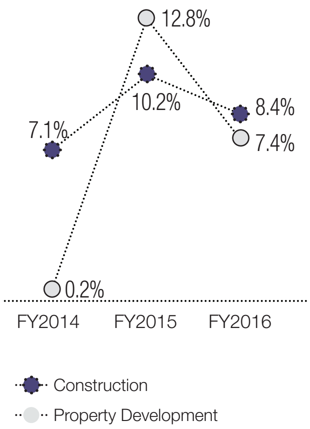
REVENUE (SGD'MIL)



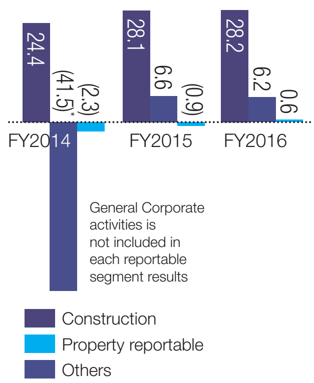
GROSS PROFIT (SGD'MIL)



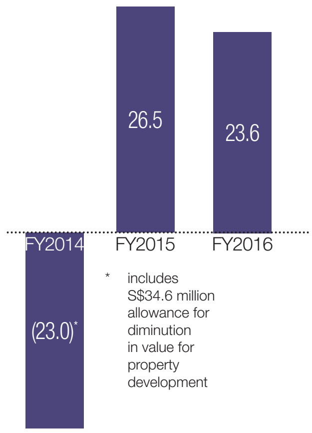
GROSS PROFIT MARGIN



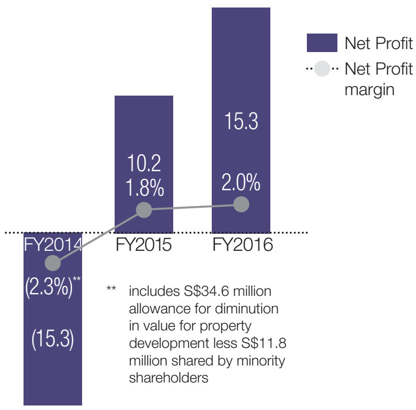
REPORTABLE SEGMENT PROFIT BEFORE INCOME TAX (SGD'MIL)



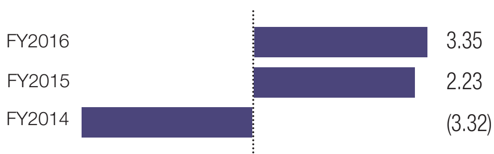
PROFIT/(LOSS) FROM OPERATING ACTIVITIES BEFORE JV, ASSOCIATE & TAX (SGD'MIL)



NET PROFIT/(LOSS) ATTRIBUTABLE TO SHAREHOLDERS (SGD'MIL)



EARNING/ (LOSS) PER SHARES (CENTS)[(1)]



CASH AND CASH EQUIVALENTS (SGD'MIL)

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

SHAREHOLDERS EQUITY (SGD'MIL)

ORDER BOOK $1.0 BILLION

During the year, the Group secured $136.8 million of new contracts and a contract with sum undisclosed awarded by Ministry of Home Affair. The order book 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 INFORMATION

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

BOARD OF DIRECTORS
Mr Ong Lay Khiam
(Non-executive Chairman and Lead 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

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 areas of non-compliance.

(A) BOARD MATTERS

Principle 1: The Board's Conduct of Affairs

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

The function of the Board includes:

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

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

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

(iv) evaluating the adequacy and effectiveness of internal controls and risk management systems, including safeguarding of shareholders' interests and the company's assets;

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

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

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

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

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

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

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

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

(v) Convening of shareholders' meetings;

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

CORPORATE GOVERNANCE

(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 sustainability reporting, insertion of the key audit matters in the auditors' report and quarterly updates on the strategic development of the Group.

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 2016 ("FY2016"), 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	5/5	1/1	1/1
Pek Lian Guan	4/4	4/5*	1/1	1/1*
Pay Sim Tee	4/4	5/5*	1/1*	1/1*
Lee It Hoe	4/4	5/5	1/1*	1/1
Ang Peng Koon, Patrick	3/4	4/5	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 Lead 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 mix of expertise and experience and collectively possesses the necessary skills sets and core competencies for effective decision making. The Board is of the opinion that its current board size of 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. 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 helping to develop 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 FY2016 and is satisfied that at least one-third of the Board comprises Independent Directors.

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

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

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. The Chairman is responsible for the workings of the Board. He manages the business of the Board and ensures that the directors receive complete, adequate and timely information relating to the Group's operations and businesses. 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.

CORPORATE GOVERNANCE

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;

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 NC will put in place a process for selection and appointment of new directors. This provides the procedure for identification of potential candidates, evaluation of candidate's skills, knowledge and experience, gender, assessment of candidates' suitability and recommendation for nomination to the Board. No new director was appointed in the last financial year.

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.

CORPORATE GOVERNANCE

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

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 Ang Peng Koon, Patrick is independent. Mr Ang Peng Koon has also declared that he is independent.

The NC, after consideration, has recommended the nomination of Mr Ang Peng Koon, Patrick and Mr. Pay Sim Tee for re-election at the forthcoming AGM. The Board has accepted this recommendation and being eligible, Mr Ang Peng Koon, Patrick and Mr Pay Sim Tee 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.

Principle 5: Board Performance

The NC has established a process for assessing the effectiveness of the Board as a whole. Board performance evaluation is carried out on an annual basis to assess and evaluate the Board's size, composition, and expertise, independence, the Board's access to information as well as Board accountability and processes. The 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 FY2016.

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.

CORPORATE GOVERNANCE

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.

(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 to 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; and

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

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 FY2016.

The terms of the service contract of the executive director including termination clauses, are not overly generous.

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. The Directors' fee are payable to all the Directors except for the CEO.

The RC had recommended to the Board an amount of S$250,000 as Directors' fee for the financial year ending 31 December 2017, to be paid in arrears. The Board will table this recommendation at the forthcoming AGM for shareholders' approval.

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

No Director is involved in deciding his own remuneration.

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 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 individual salary grade and length of service.

The Company has in place a Share Award Scheme administered by the RC. 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 clauses 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 FY2016 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	30	69	1	–	100	1,894
Pay Sim Tee	55	17	20	8	100	662
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$450,000 to S$500,000 during FY2016.

The aggregate remuneration paid to the top 5 key management personnel (who are not Directors or the CEO) in FY2016 was S$2,008,000. 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.

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.

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 the internal controls put in place to mitigate them.

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

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

(b) regarding the effectiveness of the Group's risk management 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 2016.

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

CORPORATE GOVERNANCE

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 plan, their evaluation of the system of internal controls, their audit reports and their 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 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

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.

CORPORATE GOVERNANCE

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

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 FY2016 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 FY2016 was S$205,816. The AC, with the concurrence of the Board, had recommended the re-appointment of KPMG LLP as auditors at the forthcoming AGM.

Details of the fees of the external auditors of the Company for FY2016 are as follows:

	FY2016 $'000	FY2015 $'000
Fees paid/payable to external auditors for:		
– Audit services	513	402
– Non-audit services	206	76

CORPORATE GOVERNANCE

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 Group continues to keep all stakeholders informed of its corporate activities on a timely and consistent basis. The Company is mindful of the need for regular, 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.

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

Shareholders have the opportunity to participate effectively and to vote in the AGMs/General Meetings either in person or by appointing up to two proxies. In General Meetings, shareholders are given the opportunity to proactively engage with the Board and Management regarding the Group's business activities and operations, financial performance and other business related matters.

All Directors, in particular, the Chairman of the Board and Chairpersons of the AC, NC and RC are usually present at the AGMs/General Meetings to address shareholders' queries. The external auditors are also present to assist the Directors in addressing any relevant queries by shareholders about the conduct of the audit and the preparation and content of the auditors' report.

CORPORATE GOVERNANCE

Effective 1 August 2015, all resolutions at the Company's general meetings will be voted by way of a poll 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. The minutes of the general meetings are available to shareholders upon their written request.

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.

Dividend Policy

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

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.

Interested Person Transactions

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

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

CORPORATE GOVERNANCE

The aggregate value of IPTs entered into during FY2016 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 Peck Tiong Choon (Pte) Ltd*	S$9,640,000	–
Total	S$9,640,000	–
Hiring Charges Peck Tiong Choon Transport (Pte) Ltd Peck Tiong Choon Logistic (Pte) Ltd	– –	S$10,362,000 S$19,000
Total	–	S$10,381,000

* 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 FY2016.

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 2016.

In our opinion:

(a) the financial statements set out on pages 44 to 114 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 2016 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	1,272,500
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.

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 2017.

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 5 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

31 March 2017

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 2016, 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 44 to 114.

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 2016 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

Accounting for construction contracts	
The key audit matter	***How the matter was addressed in our audit***
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: • Total costs of delivering the entire contract; • Costs attributable to the certified percentage of work done to be recognised in profit and loss; • Foreseeable losses, if any; and • Liquidated damages, if any. Changes in the above estimates may have an impact on the Group's profit.	**Our response** 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. For a selection of CWIP, we assessed the recoverability of CWIP and profit recognised in the profit and loss account by: • Assessing the adequacy of budgeted contract costs by comparing them with the actual costs incurred to-date; • Ascertaining the reasonableness of costs recognised in profit and loss with reference to the certified percentage of work done; • 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 • 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. 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 and the Group's claim consultants. We also considered the Group's prior experience on final settlement of claims and compared resolutions of claims to settlements after year end, where applicable, to ascertain the reasonableness of management's assessment. We also considered the adequacy of the Group's disclosure made around contract accounting in the financial statements. **Our finding** We found that the Group's estimates of budgeted contract costs, costs recognised in profit and loss, provision for foreseeable losses and provision for liquidated damages to be balanced. We found that the Group's disclosure of contract accounting in note 21 to the financial statements complies with relevant accounting standards.

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

INDEPENDENT AUDITORS' REPORT

<table>
<tr><th colspan="2">Impairment of non-financial assets</th></tr>
<tr><th>The key audit matter</th><th>How the matter was addressed in our audit</th></tr>
<tr><td>The Group's net asset value exceeded its market capitalisation by $158.1 million as at 31 December 2016. This indicates that non-financial assets may be impaired. Impairment assessment involves estimating the recoverable amounts of the cash generating unit ("CGU") to which the non-financial assets belongs.

The determination of recoverable amounts involves judgement and is subject to estimation uncertainties.

The recoverable amount of each CGU is either:

• Its fair value less costs to sell with reference to recent market transactions; or

• Its value in use, which involves estimating key inputs to the underlying cash flows such as revenue growth rate, profit margin and discount rate.</td><td>Our response

Our audit procedures included, among others, testing the control designed and applied by the Group to ensure that its impairment analysis is appropriately undertaken and reviewed.

We evaluated the identification of CGUs by the Group based on our understanding of the business.

When recoverable amounts were based on a CGU's fair value less costs to sell supported by external valuations, we reviewed the Group's process of appointing the independent valuers; and evaluated the competence, capabilities and objectivity of these valuers. We evaluated the reasonableness of the estimated selling prices implied in valuation reports by comparing them with recent asking prices of comparable properties in the vicinity.

When recoverable amounts were based on management own estimate of a CGU's fair value less costs to sell, we assessed the reasonableness of management's estimated selling prices by comparing them with recent asking prices of comparable properties in the vicinity and considered the market supply and demand of properties projected by valuers.

When recoverable amounts were based on management's estimate of a CGU's value in use, we corroborated the appropriateness of key assumptions underlying the discounted cash flows against historical data, and market and other externally available information. We evaluated the sensitivity of the outcomes by considering downside scenarios against reasonably plausible changes to the key assumptions.

We also considered the adequacy of the Group's disclosure made around value in use.

Our finding

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

We found that the Group had assessed and recorded impairments based on a balanced set of assumptions and estimates.

We found that the Group's disclosure of value in use in note 5 to the financial statements complies with relevant accounting standards.</td></tr>
</table>

INDEPENDENT AUDITORS' REPORT

Other information

Management is responsible for the other information. The other information comprises the annual report, 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
31 March 2017

STATEMENTS OF FINANCIAL POSITION
As at 31 December 2016

	Note	Group 2016 $'000	Group 2015 $'000	Company 2016 $'000	Company 2015 $'000
Non-current assets					
Property, plant and equipment	4	**123,164**	101,606	**–**	–
Intangible assets	5	**1,235**	1,747	**–**	–
Investment properties	6	**14,927**	15,880	**–**	–
Subsidiaries	7	**–**	–	**59,624**	59,624
Associates and joint ventures	8	**22,953**	22,200	**–**	–
Trade and other receivables	9	**30,719**	30,748	**–**	–
Amount due from related parties	15	**1,653**	–	**–**	–
Other investments	10	**1,145**	6,130	**–**	–
Deferred tax assets	11	**204**	3,140	**–**	–
		196,000	181,451	**59,624**	59,624
Current assets					
Inventories	12	**1,467**	1,875	**–**	–
Construction work-in-progress	13	**30,337**	45,430	**–**	–
Development properties	14	**336,049**	445,341	**–**	–
Trade and other receivables	9	**256,903**	206,113	**3**	6
Amounts due from related parties	15	**51,645**	52,799	**129,981**	125,685
Cash and cash equivalents	16	**92,248**	93,210	**2,930**	2,980
		768,649	844,768	**132,914**	128,671
Total assets		**964,649**	1,026,219	**192,538**	188,295
Equity attributable to owners of the Company					
Share capital	17	**181,947**	181,947	**181,947**	181,947
Treasury shares	17	**(1,310)**	(244)	**(1,310)**	(244)
Reserves	18	**(65,948)**	(54,001)	**(45,850)**	(45,850)
Retained earnings/(Accumulated losses)		**145,517**	132,510	**(22,622)**	(23,994)
		260,206	260,212	**112,165**	111,859
Non-controlling interests	33	**57,641**	59,799	**–**	–
Total equity		**317,847**	320,011	**112,165**	111,859
Non-current liabilities					
Trade and other payables	19	**24,348**	15,936	**–**	–
Loans and borrowings	20	**90,931**	87,244	**72,568**	74,129
Deferred tax liabilities	11	**5,810**	4,556	**–**	–
		121,089	107,736	**72,568**	74,129
Current liabilities					
Progress billings in excess of construction work-in-progress	13	**8,545**	15,138	**–**	–
Trade and other payables	19	**395,651**	342,438	**3,197**	2,307
Amounts due to related parties	15	**23,498**	17,314	**4,608**	–
Loans and borrowings	20	**85,449**	211,566	**–**	–
Current tax payable		**12,570**	12,016	**–**	–
		525,713	598,472	**7,805**	2,307
Total liabilities		**646,802**	706,208	**80,373**	76,436
Total equity and liabilities		**964,649**	1,026,219	**192,538**	188,295

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2016

	Note	2016 $'000	2015 $'000
Revenue			
Revenue from construction contracts	21(a)	**629,442**	482,220
Revenue from sales of development properties	21(b)	**137,821**	71,784
Revenue from sales of goods		**4,777**	7,386
Rental income		**2,218**	2,410
		774,258	563,800
Other income	22(a)	**6,078**	10,486
Costs of construction contracts	21(a)	**(576,787)**	(432,906)
Costs of sales of development properties		**(127,686)**	(62,560)
Costs of goods sold		**(3,464)**	(4,086)
Reversal of allowance for diminution in value of development properties	14	**–**	669
Depreciation and amortisation		**(4,901)**	(6,629)
Selling expenses		**(3,147)**	(3,561)
Staff costs	22(c)	**(20,095)**	(19,534)
Other expenses	22(b)	**(12,262)**	(14,150)
		(748,342)	(542,757)
Profit from operating activities		**31,994**	31,529
Finance income	23	**2,328**	2,985
Finance costs	23	**(10,760)**	(7,974)
Net finance costs		**(8,432)**	(4,989)
Share of gain/(loss) of joint ventures, net of tax		**866**	(3,137)
Profit before tax		**24,428**	23,403
Tax expense	24	**(8,585)**	(8,698)
Profit for the year		**15,843**	14,705
Other comprehensive income			
Items that are or may be reclassified subsequently to profit or loss:			
Translation differences relating to financial statements of foreign subsidiaries		**(10,384)**	1,171
Exchange differences on monetary items forming part of net investment in a foreign operation		**(1,997)**	97
Realisation of exchange differences on monetary items previously forming part of net investment in a foreign operation transferred to income statement		**(2,278)**	–
Equity accounted investee – share of other comprehensive income		**–**	(283)
Net change in the fair value of available-for-sale investments		**–**	(15)
Other comprehensive income for the year, net of tax		**(14,659)**	970
Total comprehensive income for the year		**1,184**	15,675

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2016

	Note	2016 $'000	2015 $'000
Profit attributable to:			
Owners of the Company		**15,289**	10,237
Non-controlling interests		**554**	4,468
Profit for the year		**15,843**	14,705
Total comprehensive income attributable to:			
Owners of the Company		**3,342**	11,004
Non-controlling interests		**(2,158)**	4,671
Total comprehensive income for the year		**1,184**	15,675
Earnings per share			
– Basic and diluted (cents)	25	**3.35**	2.23

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2016

	Attributable to owners of the Company										
	Share capital $'000	Treasury shares $'000	Merger reserve $'000	Capital reserve $'000	Statutory reserve $'000	Fair value reserve $'000	Foreign currency translation reserve $'000	Retained earnings $'000	Total $'000	Non-controlling interests $'000	Total equity $'000
At 1 January 2015	181,947	–	(77,720)	1,888	3,564	15	17,485	124,111	251,290	45,430	296,720
Total comprehensive income for the year											
Profit for the year	–	–	–	–	–	–	–	10,237	10,237	4,468	14,705
Other comprehensive income											
Translation differences relating to financial statements of foreign subsidiaries	–	–	–	–	–	–	968	–	968	203	1,171
Exchange differences on monetary items forming part of net investment in foreign operations	–	–	–	–	–	–	97	–	97	–	97
Equity accounted investees – share of other comprehensive income	–	–	–	–	–	–	(283)	–	(283)	–	(283)
Net change in the fair value of available-for-sale investments	–	–	–	–	–	(15)	–	–	(15)	–	(15)
Total other comprehensive income	–	–	–	–	–	(15)	782	–	767	203	970
Total comprehensive income for the year	–	–	–	–	–	(15)	782	10,237	11,004	4,671	15,675

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
Year ended 31 December 2016

	Note	Share capital $'000	Treasury shares $'000	Merger reserve $'000	Capital reserve $'000	Statutory reserve $'000	Fair value reserve $'000	Foreign currency translation reserve $'000	Retained earnings $'000	Total $'000	Non-controlling interests $'000	Total equity $'000
		Attributable to owners of the Company										
Transaction with owners, recognised directly in equity												
Contributions by and distributions to owners												
Purchase of treasury shares		–	(244)	–	–	–	–	–	–	(244)	–	(244)
Dividends declared	17	–	–	–	–	–	–	–	(1,838)	(1,838)	–	(1,838)
Capital contribution by non-controlling interest		–	–	–	–	–	–	–	–	–	9,698	9,698
Total transactions with owners of the Company		–	(244)	–	–	–	–	–	(1,838)	(2,082)	9,698	7,616
At 31 December 2015		181,947	(244)	(77,720)	1,888	3,564	–	18,267	132,510	260,212	59,799	320,011

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2016

	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 2016

	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		–	(1,066)	–	–	–	–	–	(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 CASH FLOWS

Year ended 31 December 2016

	Note	2016 $'000	2015 $'000
Cash flows from operating activities			
Profit from operating activities		**31,994**	31,529
Adjustments for:			
Reversal of allowance for diminution in value of development properties		**–**	(669)
Depreciation and amortisation		**17,352**	13,185
Impairment loss on trade receivables		**–**	979
Impairment loss on intangible assets		**–**	1,284
Gain on disposal of:			
– property, plant and equipment		**(75)**	(2,000)
– investment properties		**(216)**	(593)
Bad debts written off		**911**	196
Inventory written off		**357**	–
Write off of property, plant and equipment		**88**	362
		50,411	44,273
Changes in:			
Inventories		**51**	393
Construction work-in-progress		**8,507**	13,571
Development properties		**91,241**	7,212
Trade and other receivables		**(50,707)**	(12,544)
Balances with related parties (trade)		**5,404**	(2,157)
Trade and other payables		**65,297**	(3,365)
Cash generated from operations		**170,204**	47,383
Tax paid		**(4,456)**	(6,649)
Tax refunded		**–**	1,757
Net cash from operating activities		**165,748**	42,491
Cash flows from investing activities			
Balances with related parties (non-trade)		**(2,111)**	(4,694)
Distribution received from joint ventures		**7,497**	–
Dividend received from other investments		**232**	1
Investment in a joint venture		**(326)**	(83)
Interest received		**997**	655
Proceeds from disposal of:			
– property, plant and equipment		**886**	3,071
– investment properties		**320**	629
Distributions received from other investments		**5,333**	–
Purchase of:			
– other investments		**(178)**	–
– property, plant and equipment		**(39,573)**	(25,008)
– intangible assets		**(6)**	(385)
Net cash used in investing activities		**(26,929)**	(25,814)

CONSOLIDATED STATEMENT OF CASH FLOWS
Year ended 31 December 2016

	Note	2016 $'000	2015 $'000
Cash flows from financing activities			
Balances with related parties (non-trade)		**(4,896)**	1,446
Decrease in deposits pledged		**498**	35,974
(Increase)/decrease in restricted cash		**(739)**	1,337
Dividends paid to owners of the Company		**(2,282)**	(1,838)
Interest paid		**(7,308)**	(11,909)
Purchase of treasury shares		**(1,066)**	(244)
Payments of finance lease liabilities		**(973)**	(1,040)
Proceeds from loans and borrowings		**86,636**	58,688
Repayment of loans and borrowings		**(208,833)**	(62,495)
Net cash (used in)/from financing activities		**(138,963)**	19,919
Net (decrease)/increase in cash and cash equivalents		**(144)**	36,596
Cash and cash equivalents at beginning of the year		**88,774**	53,209
Effect of exchange rate changes on balances held in foreign currencies		**(1,028)**	(1,031)
Cash and cash equivalents at end of the year	16	**87,602**	88,774

Significant non-cash transactions

During the financial year, the Group purchased property, plant and equipment, amounting to $39,877,000 (2015: $29,509,000), of which $304,000 (2015: $716,000) was acquired under finance lease arrangement and $Nil (2015: $3,786,000) was acquired under trust receipt.

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2016

These notes form an integral part of the financial statements.

The financial statements were authorised for issue by the Board of Directors on 31 March 2017.

1. DOMICILE AND ACTIVITIES

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

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 2016 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

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

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2016

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

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.

NOTES TO THE FINANCIAL STATEMENTS

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.

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.

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2016

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.

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).

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2016

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.

3.3 Property, plant and equipment

Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses.

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

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

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

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

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

Subsequent costs

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

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2016

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.

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.

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2016

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

Patented technology

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

Licence fee

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

Computer software

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

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

Subsequent expenditure

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

Amortisation

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

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

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

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

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.

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2016

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

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

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

Depreciation

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

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

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

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

3.6 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.

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2016

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.

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.

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2016

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.

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.

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2016

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.

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"

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2016

in the statement of financial position as applicable.

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

3.9 Development properties

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

Properties under development for sale

Properties under development for sale are stated at lower of cost and estimated net realisable value. Net realisable value takes into account the price ultimately expected to be realised and the anticipated costs to completion. Cost of properties under development comprise specifically identified costs, including land acquisition costs, development expenditure, 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 2016

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 2016

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.

Sales of goods

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

Rental income

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

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.

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2016

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.

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.

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2016

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

3.19 Earnings per share

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

3.20 Segment reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. All operating segments' operating results are reviewed regularly by the Group's 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 New standards and interpretations not adopted

A number of new standards and amendments to standards are effective for annual periods beginning after 1 January 2016 and earlier application is permitted. The Group has not early applied the following new or amended standards in preparing these statements.

These new standards include, among others, FRS 115 *Revenue from Contracts with Customers* and FRS 109 *Financial Instruments* which are mandatory for the adoption by the Group on 1 January 2018 and FRS 116 *Leases* which is mandatory for the adoption by the Group on 1 January 2019.

Applicable to 2018 financial statements

(a) FRS 115 *Revenue from Contracts with Customers*

FRS 115 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.

When effective, FRS 115 replaces existing revenue recognition guidance, including FRS 18 Revenue, FRS 11 *Construction Contracts*, INT FRS 113 *Customer Loyalty Programmes*, INT FRS 115 *Agreements for the Construction of Real Estate*, INT FRS 118 *Transfers of Assets from Customers* and INT FRS 31 *Revenue – Barter Transactions Involving Advertising Services*.

FRS 115 is effective for annual periods beginning on or after 1 January 2018, with early adoption permitted. FRS 115 offers a range of transition options including full retrospective adoption where an entity can choose to apply the standard to its historical transactions and retrospectively adjust each comparative period presented in its 2018 financial statements. When applying the full retrospective method, an entity may also elect to use a series of practical expedients to ease transition.

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2016

The Group is currently performing a detailed assessment of the impact resulting from the application of FRS 115.

(b) FRS 109 *Financial Instruments*

FRS 109 replaces most of the existing guidance in FRS 39 *Financial Instruments: Recognition and Measurement*. It includes revised guidance on the classification and measurement of financial instruments, a new expected credit loss model for calculating impairment on financial assets, and new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from FRS 39.

FRS 109 is effective for annual periods beginning on or after 1 January 2018, with early adoption permitted. Retrospective application is generally required, except for hedge accounting. For hedge accounting, the requirements are generally applied prospectively, with some limited exceptions. Restatement of comparative information is not mandatory. If comparative information is not restated, the cumulative effect is recorded in opening equity as at 1 January 2018.

The actual impact of adopting FRS 109 on the Group's consolidated financial statements in 2018 is not known and cannot be reliably estimated because it will be dependent on the financial instruments that the Group holds and economic conditions at that time as well as accounting elections and judgements that it will make in the future.

However, the Group has performed a preliminary assessment of the potential impact of adoption of FRS 109 based on its positions at 31 December 2016. The Group's initial assessment of the three elements of FRS 109 is as described below.

Classification and measurement

The Group does not expect a significant change to the measurement basis arising from adopting the new classification and measurement model under FRS 109. Loans and receivables that are currently accounted for at amortised cost will continue to be accounted for using amortised cost model under FRS 109. The Group expects to classify its available-for-sale (AFS) securities under fair value through other comprehensive income.

Impairment – Financial assets and contract assets

The Group is currently assessing the potential impact on the financial statements of the Group and the Company.

Hedge accounting

Under the new model, it is possible that more risk management strategies, particularly those involving hedging a risk component (other than foreign currency risk) of a non-financial item, will be likely to qualify for hedge accounting. The Group currently does not undertake hedges of such risk components.

Convergence with International Financial Reporting Standards (IFRS)

In addition, the Accounting Standards Council (ASC) announced on 29 May 2014 that Singapore-incorporated companies listed on the Singapore Exchange (SGX) will apply a new financial reporting framework identical to IFRS ("IFRS – identical Financial Reporting Standard") for the financial year ending 31 December 2018 onwards.

The Group has performed a preliminary assessment of the impact of IFRS 1 First-time adoption of International Financial Reporting Standards for the transition to the new reporting framework. Based on the Group's preliminary assessment, the Group expects that the impact on adoption of IFRS 15 Revenue from Contracts with Customers and IFRS 9 Financial Instruments will be similar to adopting FRS 115 and FRS 109 as described in this Note.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2016

Other than arising from the adoption of new and revised standards, the Group does not expect to change its existing accounting policies on adoption of the new framework.

The Group is currently performing a detailed analysis of the available policy choices, transitional optional exemptions and transitional mandatory exceptions under IFRS 1 and the preliminary assessment may be subject to changes arising from the detailed analyses.

Applicable to 2019 financial statements

(c) FRS 116 *Leases*

FRS 116 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.

FRS 116 substantially carries forward the lessor accounting requirements in FRS 17 Leases. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for these two types of leases using the FRS 17 operating lease and finance lease accounting models respectively. However, FRS 116 requires more extensive disclosures to be provided by a lessor.

When effective, FRS 116 replaces existing lease accounting guidance, including FRS 17, INT FRS 104 *Determining whether an Arrangement contains a Lease*; INT FRS 15 *Operating Leases – Incentives*; and INT FRS 27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*.

FRS 116 is effective for annual periods beginning on or after 1 January 2019, with early adoption permitted if FRS 115 is also applied.

The Group has performed a preliminary high-level assessment of the new standard on its existing operating lease arrangements as a lessee. Based on the preliminary assessment, the Group expects these operating leases to be recognised as ROU assets with corresponding lease liabilities under the new standard. As at 31 December 2016, the operating lease commitments on an undiscounted basis amount to $3,133,000, as disclosed in note 27(b). Assuming no additional new operating leases in future years until the effective date, the Group expects the amount of ROU asset and lease liability to be lower due to discounting and as the lease terms run down. ROU asset and lease liability represents less than 1% of the total assets and total liabilities of the Group as at 31 December 2016. The Group plans to adopt the standard when it becomes effective in 2019.

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2016

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 2015	5,557	4,710	41,473	56,520	53,921	6,533	7,639	1,441	177,794
Additions	8,435	–	–	11,695	2,374	670	1,689	4,646	29,509
Disposals	–	–	(268)	(3,618)	(341)	(181)	(1,755)	–	(6,163)
Cost adjustments	–	–	(957)	–	–	–	–	–	(957)
Write-off	–	–	–	(2,137)	(390)	(302)	(1,786)	–	(4,615)
Effects of movements in exchange rates	–	(599)	(5)	(364)	(69)	75	(221)	(323)	(1,506)
At 31 December 2015	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)**
Reclassification	**–**	**–**	**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**
Accumulated depreciation and impairment losses									
At 1 January 2015	760	–	7,478	30,187	42,178	4,717	5,476	–	90,796
Depreciation for the year	379	–	1,702	4,836	3,173	845	540	–	11,475
Disposals	–	–	(87)	(3,397)	(104)	(188)	(1,316)	–	(5,092)
Write-off	–	–	–	(1,973)	(390)	(227)	(1,663)	–	(4,253)
Effects of movements in exchange rates	–	–	(1)	(310)	(31)	40	(168)	–	(470)
At 31 December 2015	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**
Carrying amounts									
At 1 January 2015	4,797	4,710	33,995	26,333	11,743	1,816	2,163	1,441	86,998
At 31 December 2015	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**

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2016

The depreciation for the year is analysed as follows:

	Group	
	2016	**2015**
	$'000	**$'000**
Depreciation for the year	**16,186**	11,475
Depreciation included in construction work-in-progress	**(12,451)**	(6,556)
Depreciation charged to profit or loss	**3,735**	4,919

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	
	2016	**2015**
	$'000	**$'000**
Plant and machinery	**1,065**	1,824
Motor vehicles	**1,549**	1,162
	2,614	2,986

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 2015	11,949	263	578	12,790
Additions	289	–	96	385
Effect of movements in exchange rates	240	–	1	241
At 31 December 2015	12,478	263	675	13,416

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2016

	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**
Accumulated amortisation and impairment losses				
At 1 January 2015	8,897	163	207	9,267
Amortisation for the year	974	35	65	1,074
Impairment losses	1,284	–	–	1,284
Effect of movements in exchange rates	43	–	1	44
At 31 December 2015	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**
Carrying amounts				
At 1 January 2015	3,052	100	371	3,523
At 31 December 2015	1,280	65	402	1,747
At 31 December 2016	**866**	**29**	**340**	**1,235**

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

Impairment test

As at 31 December 2016, 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 financial year. In the previous financial year, to the extent that the carrying amount of the manufacturing CGU exceeded its recoverable amount, an impairment loss of $1,284,000, included in other expenses, was recognised in the income statement.

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% (2015: 0.5%) per annum;
- Inflation rate of 2% (2015: 2%) was projected for the expected variable costs; and
- A pre-tax discount rate of 10.1% (2015: 8.2%) 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 (2015: Nil) and $1,655,000 (2015: $2,295,000) respectively.

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2016

6. INVESTMENT PROPERTIES

	Group $'000
Cost	
At 1 January 2015	21,666
Reclassification from development properties	173
Disposals	(51)
Effect of movements in exchange rates	214
At 31 December 2015	22,002
Disposals	**(147)**
Effect of movements in exchange rates	**(444)**
At 31 December 2016	**21,411**
Accumulated depreciation and impairment losses	
At 1 January 2015	5,461
Depreciation for the year	636
Disposals	(15)
Effect of movements in exchange rates	40
At 31 December 2015	6,122
Depreciation for the year	**650**
Disposals	**(43)**
Effect of movements in exchange rates	**(245)**
At 31 December 2016	**6,484**
Carrying amounts	
At 1 January 2015	16,205
At 31 December 2015	15,880
At 31 December 2016	**14,927**

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

In 2015, two commercial units with carrying amount of $173,000 that were previously classified as development properties were leased to a third party. Accordingly, the units have been reclassified to investment properties.

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 2016 is $42,587,000 (2015: $42,669,000).

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.

Minimum lease receivables

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

	Group	
	2016	**2015**
	$'000	**$'000**
Within one year	**288**	263

Securities

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

7. SUBSIDIARIES

	Company	
	2016	**2015**
	$'000	**$'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	
			2016	**2015**
			%	**%**
(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	**64**	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 Ruitai Certified Public Accountants Co., Ltd., PRC*
3 *Audited by Suzhou Rui Ya Certified Public Accountants Co., Ltd., PRC*

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2016

8. ASSOCIATES AND JOINT VENTURES

	Group 2016 $'000	Group 2015 $'000
Interest in associate	**–**	–
Interests in joint ventures	**753**	–
	753	–
Loan to a joint venture	**22,200**	22,200
	22,953	22,200

The loan to a joint venture is unsecured and bears interest from 1.56% to 3.15% (2015: 1.54% to 2.38%) per annum. The settlement of the loan is neither planned nor likely to occur in the foreseeable future. As the amount is, in substance, a part of the Company's net investments in the joint venture, it is stated at cost less impairment.

Associate

Detail of the associate is as follows:

Name of associate	Principal activities	Country of Incorporation	Effective equity interest held by the Group 2016 %	Effective equity interest held by the Group 2015 %
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:

	2016 $'000	2015 $'000
Assets and liabilities		
Total assets	**118**	124
Total liabilities	**(376)**	(393)
Results		
Revenue	**–**	–
Expenses	**–**	(1)
Profit 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 $Nil (2015: $1,000) and $103,000 (2015: $108,000) respectively, because the Group has no obligation in respect of these losses.

There were no capital commitments and contingent liabilities as at 31 December 2016 and 2015.

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2016

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 2016 %	2015 %
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
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*

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.

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.

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2016

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
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

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2016

	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
2015						
Revenue	25,358	55,978	3,326	57,710		
Profit/(loss) after tax/Total comprehensive income[a]	723	(12,460)	(12,764)	2,176		
Non-current assets	154	10,622	6,174	1,293		
Current assets[b]	151,370	11,849	24,072	9,040		
Non-current liabilities[c]	(148,039)	(3,607)	–	(1,293)		
Current liabilities[d]	(3,352)	(21,686)	(58,229)	(6,864)		
Net assets/(liabilities)	133	(2,822)	(27,983)	2,176		
Group's interest in net assets/(liabilities) of investee at beginning of the year	(177)	2,773	(6,908)	–	5,375	1,063
Share of total comprehensive income	195	(3,619)	(5,684)	1,436	4,535	(3,137)
Group's contribution during the year	–	–	–	–	83	83
Carrying amount of interest in investee at end of the year	18	(846)	(12,592)	1,436	9,993	(1,991)
Reclassification of losses to amount due from joint ventures						1,991
Carrying amount of interest in investee at end of the year						–

(a) includes:
- depreciation and amortisation of $1,000 (2015: $nil).
- interest expense of $46,000 (2015: $nil).
- tax expense of $346,000 (2015: tax expense of $50,000).

(b) includes cash and cash equivalents of $15,328,000 (2015: $28,516,000).

(c) includes non-current financial liabilities (excluding trade and other payables and provisions) of $81,615,000 (2015: $151,646,000).

(d) includes current financial liabilities (excluding trade and other payables and provisions) of $68,402,000 (2015: $64,374,000).

The Group's share of commitment has been included in note 27(a), and contingent liabilities are disclosed in note 29.

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

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2016

9. TRADE AND OTHER RECEIVABLES

	Note	Group 2016 $'000	Group 2015 $'000	Company 2016 $'000	Company 2015 $'000
Non-current					
Retention monies on construction contracts		**30,719**	30,748	**–**	–
Current					
Trade receivables		**64,339**	52,657	**–**	–
Less: Allowance for impairment loss on trade receivables	32(b)	**(536)**	(700)	**–**	–
		63,803	51,957	**–**	–
Advances to suppliers, trade		**1,563**	3,322	**–**	–
Accrued receivables		**104,068**	74,388	**–**	–
Retention monies on construction contracts		**68,133**	51,273	**–**	–
Deposits and prepayments		**5,906**	8,412	**3**	6
Tax prepayments		**5,576**	6,332	**–**	–
Other receivables		**7,854**	10,429	**–**	–
		256,903	206,113	**3**	6
Total		**287,622**	236,861	**3**	6

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 2016 $'000	Group 2015 $'000
Club membership, at cost	**525**	347
Available-for-sale financial assets		
Quoted equity investments, at fair value	**18**	23
Unquoted equity investments, at cost	**3,551**	8,709
Impairment losses	**(2,949)**	(2,949)
	602	5,760
	1,145	6,130

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 2016

11. DEFERRED TAX ASSETS AND LIABILITIES

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

	At 1 January 2015 $'000	Recognised in profit or loss (note 24) $'000	Effects of movements in exchange rates $'000	At 31 December 2015 $'000	Recognised in profit or loss (note 24) $'000	Effects of movements in exchange rates $'000	At 31 December 2016 $'000
Group							
Deferred tax assets							
Property, plant and equipment	152	(152)	–	–	**–**	**–**	**–**
Investment properties	129	(79)	2	52	**156**	**(2)**	**206**
Trade and other payables	164	6	–	170	**702**	**–**	**872**
Inventories	96	(96)	–	–	**–**	**–**	**–**
Estimated benefit on loss carry forward	2,958	201	31	3,190	**(3,045)**	**(145)**	**–**
	3,499	(120)	33	3,412	**(2,187)**	**(147)**	**1,078**
Deferred tax liabilities							
Property, plant and equipment	(3,628)	(1,021)	–	(4,649)	**(1,864)**	**–**	**(6,513)**
Intangible assets	(199)	199	–	–	**–**	**–**	**–**
Trade and other payables	(176)	–	(3)	(179)	**–**	**8**	**(171)**
Unabsorbed capital allowances	(2)	2	–	–	**–**	**–**	**–**
	(4,005)	(820)	(3)	(4,828)	**(1,864)**	**8**	**(6,684)**

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 2016 $'000	Group 2015 $'000
Deferred tax assets	**204**	3,140
Deferred tax liabilities	**(5,810)**	(4,556)

Unrecognised deferred tax assets

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

	Group 2016 $'000	Group 2015 $'000
Deductible temporary differences	**24,484**	26,131
Tax losses	**48,867**	47,783
	73,351	73,914

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2016

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 $46,938,000 (2015: $45,723,000) 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.

Deferred tax liabilities have not been recognised for withholding and other taxes that would be payable on the unremitted earnings of $22,558,126 (2015: $23,005,000) of certain overseas subsidiaries for the year ended 31 December 2016 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	
	2016	**2015**
	$'000	**$'000**
Raw materials and consumables	**1,467**	1,875

In 2016, raw materials recognised as cost of sales amounted to $2,575,571 (2015: $2,729,000).

13. CONSTRUCTION WORK-IN-PROGRESS

	Group	
	2016	**2015**
	$'000	**$'000**
Costs incurred	**2,234,019**	1,747,606
Attributable profits less recognised losses	**158,394**	128,927
	2,392,413	1,876,533
Progress billings	**(2,370,621)**	(1,846,241)
	21,792	30,292
Represented by:		
Construction work-in-progress	**30,337**	45,430
Progress billings in excess of construction work-in-progress	**(8,545)**	(15,138)
	21,792	30,292

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

	Group	
	2016	**2015**
	$'000	**$'000**
Depreciation of property, plant and equipment	**12,451**	6,556
Staff costs	**66,052**	55,310
	78,503	61,866

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2016

14. DEVELOPMENT PROPERTIES

	Group	
	2016 $'000	2015 $'000
Completed properties held for sale	**50,726**	46,942
Properties under development	**302,856**	424,916
	353,582	471,858
Allowance for diminution in value	**(17,533)**	(26,517)
	336,049	445,341
Borrowing costs capitalised during the year	**2,840**	6,236

Borrowing costs of the Group have been capitalised at rates ranging from 3.48% to 5.00% (2015: 3.46% to 6.44%) per annum for development properties.

All development properties are located in the PRC.

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

	Group	
	2016 $'000	2015 $'000
At 1 January	**26,517**	29,116
Allowance reversed	**–**	(669)
Allowance utilised	**(7,778)**	(2,316)
Translation differences on consolidation	**(1,206)**	386
At 31 December	**17,533**	26,517

In the previous financial year, a reversal of $669,000 was made due to market conditions. There was no allowance recognised or reversed during the financial year.

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 the PRC property market and the unique nature of individual properties, the actual outcome in terms of costs and revenue may be higher or lower than estimated at the reporting date. Any increase or decrease in the allowance would affect profit or loss in future years.

Securities

In the previous financial year, certain development properties of the Group were mortgaged to the banks as collateral for credit facilities provided to the Group as disclosed in note 20. During the financial year, the loan has been fully repaid and the related development properties are no longer pledged with the bank.

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2016

15. AMOUNTS DUE FROM/(TO) RELATED PARTIES

Amounts due from related parties

	Group		Company	
	2016 $'000	2015 $'000	2016 $'000	2015 $'000
Non-current				
Trade amount due from:				
– joint ventures	**1,653**	–	–	–
Current				
Trade amounts due from:				
– joint ventures	**467**	487	–	–
– affiliated corporation	**224**	233	–	–
	691	720	–	–
Non-trade amounts due from:				
– affiliated corporations	**83**	88	–	–
– joint ventures	**2,478**	9,676	–	–
– non-controlling interests	**17,837**	15,515	–	–
– subsidiaries	–	–	**129,981**	125,685
	20,398	25,279	**129,981**	125,685
Loans to non-controlling interests	**30,556**	26,800	–	–
Total amounts due from related parties	**53,298**	52,799	**129,981**	125,685

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 $12,280,000 (2015: $12,855,000) 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 $20,980,000 (2015: $21,963,000) which bears interest at 12% (2015: 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 $417,000 (2015: $479,000) which is secured, interest-free and repayable on demand; and

(iii) an amount of $9,159,000 (2015: $4,358,000) which is unsecured, interest-free and repayable within the next 12 months.

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2016

Amounts due to related parties

	Group		Company	
	2016	**2015**	**2016**	**2015**
	$'000	**$'000**	**$'000**	**$'000**
Current				
Trade amounts due to:				
– corporate shareholder	**(390)**	(281)	**–**	–
– affiliated corporation	**(9,354)**	(2,434)	**–**	–
	(9,744)	(2,715)	**–**	–
Non-trade amount due to:				
– subsidiary	**–**	–	**(4,608)**	–
Loans from non-controlling interests	**(13,754)**	(14,599)	**–**	–
Total amounts due to related parties	**(23,498)**	(17,314)	**(4,608)**	–

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

16. CASH AND CASH EQUIVALENTS

	Group		Company	
	2016	**2015**	**2016**	**2015**
	$'000	**$'000**	**$'000**	**$'000**
Cash at banks and in hand	**91,218**	88,808	**2,930**	2,980
Fixed deposits	**1,030**	4,402	**–**	–
	92,248	93,210	**2,930**	2,980
Deposits pledged	**(636)**	(1,165)		
Restricted cash	**(4,010)**	(3,271)		
Cash and cash equivalents in the statement of cash flows	**87,602**	88,774		

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 0.48% (2015: 0.22%) per annum.

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

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2016

17. SHARE CAPITAL

	Company			
	2016		2015	
	No of shares	$'000	No of shares	$'000
Issued and fully paid ordinary shares, with no par value				
At 1 January	**458,535,349**	**181,703**	919,247,700	181,947
Share consolidation	**–**	**–**	(459,623,851)	–
Treasury shares	**(4,521,200)**	**(1,066)**	(1,088,500)	(244)
At 31 December	**454,014,149**	**180,637**	458,535,349	181,703

On 31 August 2015, the Company completed the consolidation of two existing shares to one consolidated share.

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/loss attributable to equity holders of the Company divided by total shareholders' equity excluding non-controlling interests. The return on capital in 2016 was in profit of 5.9% (2015: profit of 3.9%). 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.

Dividends

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

	Group and Company	
	2016	2015
	$'000	$'000
Paid by the Company to owners of the Company		
0.5 cent per qualifying ordinary share (2015: 0.2 cent)	**2,282**	1,838

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2016

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	
	2016	2015
	$'000	$'000
0.8 cent per qualifying ordinary share (2015: 0.5 cent)	**3,632**	2,282

18. Reserves

	Group		Company	
	2016	2015	2016	2015
	$'000	$'000	$'000	$'000
Merger reserve	**(77,720)**	(77,720)	**(45,850)**	(45,850)
Capital reserve	**1,888**	1,888	**–**	–
Statutory reserve	**3,564**	3,564	**–**	–
Foreign currency translation reserve	**6,320**	18,267	**–**	–
	(65,948)	(54,001)	**(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.

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.

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2016

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	
	2016	**2015**	**2016**	**2015**
	$'000	**$'000**	**$'000**	**$'000**
Non-current				
Retention sums payable	**24,348**	15,936	**–**	–
Current				
Trade payables	**49,554**	45,864	**–**	–
Accrued trade payables	**211,690**	152,458	**–**	–
Accrued operating expenses and other payables	**25,858**	21,637	**3,197**	2,307
Receipts in advance	**84,447**	90,328	**–**	–
Retention sums payable	**24,102**	32,151	**–**	–
	395,651	342,438	**3,197**	2,307
Total	**419,999**	358,374	**3,197**	2,307

Included in receipts in advance as at 31 December 2016 were instalments of sales proceeds received from buyers of $80,222,000 (2015: $89,847,000), 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 2016

20. LOANS AND BORROWINGS

	Group		Company	
	2016 $'000	2015 $'000	2016 $'000	2015 $'000
Non-current				
Secured bank loans	**17,901**	12,283	**–**	–
Medium term notes	**72,568**	74,129	**72,568**	74,129
Finance lease liabilities	**462**	832	**–**	–
	90,931	87,244	**72,568**	74,129
Current				
Secured bank loans	**84,552**	210,370	**–**	–
Finance lease liabilities	**897**	1,196	**–**	–
	85,449	211,566	**–**	–
Total loans and borrowings	**176,380**	298,810	**72,568**	74,129

Maturities of liabilities (excluding finance lease liabilities)

	Group 2016 $'000	Group 2015 $'000	Company 2016 $'000	Company 2015 $'000
Within one year	**84,552**	210,370	**–**	–
Between one and five years	**87,016**	82,649	**72,568**	74,129
More than five years	**3,453**	3,763	**–**	–
	175,021	296,782	**72,568**	74,129

The secured bank loans are secured on the following assets:

	Group	
	2016 $'000	2015 $'000
Carrying amounts of assets:		
Leasehold lands	**12,337**	12,853
Freehold land	**3,818**	4,111
Leasehold properties	**39,301**	30,949
Investment properties	**470**	487
Development properties	**–**	172,673
Plant and machinery	**11,276**	13,448
Motor vehicles	**1,458**	1,296
Deposits pledged	**636**	1,165
Total	**69,296**	236,982

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 $19,845,000 (2015: $70,685,000) 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;

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2016

(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.

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.

During the year, $2,000,000 of the MTN was redeemed.

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 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**
At 31 December 2015				
Medium term notes	SGD	4.75	2018	74,129
Secured bank loans	RMB	5.00 – 6.44	2016	51,606
Secured bank loans	SGD	1.15 – 4.80	2016 – 2033	171,047
Finance lease liabilities	SGD	1.05 – 4.00	2016 – 2020	2,028
Total loans and borrowings				298,810
Company				
At 31 December 2016				
Medium term notes	**SGD**	**4.75**	**2018**	**72,568**
At 31 December 2015				
Medium term notes	SGD	4.75	2018	74,129

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2016

Finance lease liabilities

Finance lease liabilities are repayable as follows:

	Principal $'000	Interest $'000	Payments $'000
At 31 December 2016			
Within one year	**897**	**35**	**932**
Between one and five years	**462**	**31**	**493**
	1,359	**66**	**1,425**
At 31 December 2015			
Within one year	1,196	52	1,248
Between one and five years	832	47	879
	2,028	99	2,127

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.

One of the subsidiaries of the Group submitted a request for arbitration in prior year, 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. The arbitration is still in the process. Further information has not been disclosed herein as such disclosure could be prejudicial to the Group's position in the matter. The related effects arising therefrom, if any, will be recognised in the financial statements of the future period when the eventual outcome is determined.

(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.

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2016

22. PROFIT BEFORE TAX

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

		Group	
		2016 $'000	2015 $'000
(a)	**Other income**		
	Fees from project and property management	**767**	796
	Gain on disposal of:		
	– investment properties	**216**	593
	– property, plant and equipment	**75**	2,000
	– scrap parts and materials	**680**	144
	Gain from sales of parking lots	**1,780**	3,586
	Government grants	**424**	380
	Training and testing fee income	**327**	330
	Consultancy services fees	**90**	725
	Demolition and other miscellaneous work	**–**	131
	Others	**1,719**	1,801
		6,078	10,486

			Group	
		Note	2016 $'000	2015 $'000
(b)	**Other expenses include**			
	Direct operating expenses arising from rental of investment properties, plant and machinery		**197**	105
	Impairment loss on intangible assets	5	**–**	1,284
	Impairment loss on trade receivables	32(b)	**–**	979
	Operating lease expenses		**1,004**	1,392
	Write off of property, plant and equipment		**88**	362
	Bad debts written off		**911**	196
(c)	**Staff costs**			
	Wages and salaries for staff		**80,622**	69,934
	Contribution to defined contribution plans		**3,718**	3,540
	Increase in liability for short-term accumulating compensated absence		**128**	43
	Others		**1,679**	1,327
	Staff costs for the year		**86,147**	74,844

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

	Group	
	2016 $'000	2015 $'000
Staff costs for the year	**86,147**	74,844
Staff costs capitalised in construction work-in-progress	**(66,052)**	(55,310)
Staff costs charged to profit or loss	**20,095**	19,534

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2016

23. FINANCE INCOME AND COSTS

	Group	
	2016 $'000	**2015 $'000**
Recognised in profit or loss		
Accretion of discount implicit in retention sum receivables	**557**	784
Dividend income from:		
– available-for-sale financial assets	**–**	1
– other investment	**232**	–
Exchange gain (net)	**–**	1,147
Implicit interest in retention sum payables	**543**	338
Interest income on:		
– cash and cash equivalents	**364**	144
– other investment	**23**	67
– loan to a joint venture	**609**	504
Finance income	**2,328**	2,985
Interest expense on:		
– bank loans	**(2,177)**	(2,511)
– bank overdrafts	**(3)**	(23)
– finance leases	**(60)**	(45)
– medium term notes	**(3,551)**	(3,572)
Amortisation of transaction costs on medium term notes	**(439)**	(400)
Accretion of implicit interest in retention sum payables	**(10)**	(183)
Discount implicit in retention sum receivables	**(935)**	(1,240)
Exchange loss (net)	**(3,585)**	–
Finance costs	**(10,760)**	(7,974)
Net finance costs recognised in profit or loss	**(8,432)**	(4,989)
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	**996**	715
– Total interest expenses on financial liabilities	**(5,791)**	(6,151)

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2016

24. TAX EXPENSE

	Group 2016 $'000	Group 2015 $'000
Tax recognised in profit or loss		
Current tax		
Current year	**5,862**	3,840
Land appreciation tax	**501**	3,818
Adjustments in prior years	**(1,829)**	100
	4,534	7,758
Deferred tax		
Origination and reversal of temporary differences	**2,290**	768
Adjustments in prior years	**1,761**	172
	4,051	940
Total tax expense	**8,585**	8,698

Tax recognised in other comprehensive income

Group	2016 Before tax $'000	2016 Tax expense $'000	2016 Net of tax $'000	2015 Before Tax $'000	2015 Tax expense $'000	2015 Net of Tax $'000
Translation differences for foreign operations	**(10,384)**	**–**	**(10,384)**	1,171	–	1,171
Exchange differences on monetary items forming part of net investment in foreign operations	**(1,997)**	**–**	**(1,997)**	97	–	97
Realisation of exchange differences on monetary items transferred to income statement	**(2,278)**	**–**	**(2,278)**	–	–	–
Equity accounted investees – share of other comprehensive income	**–**	**–**	**–**	(283)	–	(283)
Available-for-sale financial assets	**–**	**–**	**–**	(15)	–	(15)
	(14,659)	**–**	**(14,659)**	970	–	970

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2016

	Group	
	2016	2015
	$'000	$'000
Reconciliation of effective tax rate		
Profit before tax	**24,428**	23,403
Add: Share of (gain)/loss of joint ventures, net of tax	**(866)**	3,137
Profit before tax excluding share of results of joint ventures	**23,562**	26,540
Tax expenses using domestic rates applicable to different jurisdictions	**4,289**	4,672
Expenses not deductible for tax purposes	**3,327**	326
Income not subject to tax	**(263)**	(1,140)
Deferred tax benefits not recognised	**2,000**	2,928
Tax incentives	**(992)**	(795)
Effect of land appreciation tax	**501**	3,818
Utilisation of previously unrecognised deferred tax benefits	**(582)**	(1,162)
Adjustments in prior years:		
– current tax	**(1,829)**	100
– deferred tax	**1,761**	172
Others	**373**	(221)
	8,585	8,698

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 $4,173,000 (2015: $14,000) 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 2016, productivity and innovation tax credit amounted to approximately $1,918,000 (2015: $4,662,000) was granted to a subsidiary.

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2016

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 $15,289,000 (2015: $10,237,000) and a weighted average number of ordinary shares outstanding of 455,989,038 (2015: 459,476,562), calculated as follows:

Profit attributable to ordinary shareholders

	Group	
	2016	**2015**
	$'000	**$'000**
Earnings per share is based on:		
Profit attributable to ordinary shareholders	**15,289**	10,237

Weighted average number of ordinary shares

	Number of shares	
	2016	**2015**
	'000	**'000**
Issued ordinary shares at 1 January	**458,535**	919,248
Effect of share consolidation	**–**	(459,624)
Effect of treasury shares	**(2,546)**	(147)
Weighted average number of ordinary shares during the year	**455,989**	459,477

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

26. OPERATING SEGMENTS

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

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

- Construction: Relates to acting as main contractors in construction 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.

- Sales of goods: Relates to selling of construction patented Cobiax technology.

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.

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2016

Information about reportable segments

	Construction $'000	Property development $'000	Rental $'000	Sales of goods $'000	Segments total $'000	Others* $'000	Total $'000
31 December 2016							
External revenues	**629,442**	**137,821**	**2,218**	**4,777**	**774,258**	**–**	**774,258**
Interest income	**13**	**955**	**–**	**–**	**968**	**28**	**996**
Interest expenses	**(1,923)**	**–**	**–**	**(5)**	**(1,928)**	**(3,863)**	**(5,791)**
Depreciation and amortisation	**(16,509)**	**(43)**	**(651)**	**(102)**	**(17,305)**	**(47)**	**(17,352)**
Reportable segment profit/(loss) before tax	**28,170**	**6,230**	**1,839**	**(1,268)**	**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	**489,610**	**425,888**	**14,927**	**1,777**	**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	**418,958**	**220,655**	**–**	**3,005**	**642,618**	**4,184**	**646,802**
Capital expenditure	**39,760**	**121**	**–**	**–**	**39,881**	**2**	**39,883**
31 December 2015							
External revenues	482,220	71,784	2,410	7,386	563,800	–	563,800
Interest income	92	600	–	–	692	23	715
Interest expenses	(2,371)	–	–	(16)	(2,387)	(3,764)	(6,151)
Depreciation and amortisation	(11,133)	(69)	(637)	(1,266)	(13,105)	(80)	(13,185)
Reversal of allowance for diminution in value of development properties	–	669	–	–	669	–	669
Impairment loss on intangible assets	–	–	–	(1,284)	(1,284)	–	(1,284)
Reportable segment profit/(loss) before tax	28,079	6,609	2,366	(3,305)	33,749	(7,209)	26,540
Share of (loss)/gain of joint ventures, net of tax	(3,326)	189	–	–	(3,137)	–	(3,137)
Profit before tax							23,403
Tax expense							(8,698)
Profit for the year							14,705
Reportable segment assets	422,843	550,205	15,882	4,263	993,193	10,826	1,004,019
Investment in associates and joint ventures	–	22,200	–	–	22,200	–	22,200
Total assets							1,026,219
Reportable segment liabilities	359,910	337,952	–	4,336	702,198	4,010	706,208
Capital expenditure	29,427	128	–	335	29,890	4	29,894

* General corporate activities

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2016

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	
	2016	2015
	$'000	$'000
Revenue from external customers		
Singapore	**629,963**	481,671
PRC	**139,039**	73,260
PNG	**113**	1,146
Europe	**4,729**	7,353
Malaysia	**414**	370
	774,258	563,800
Non-current assets*		
Singapore	**138,730**	116,509
PRC	**15,004**	16,181
PNG	**538**	752
Malaysia	**7,912**	7,952
Europe	**95**	39
	162,279	141,433

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

Major customers

During the financial years ended 31 December 2016 and 2015, revenue from certain customers (named alphabetically A to D) of the Group's construction segment amount to approximately $395,116,000 (2015: $271,542,000). The details of these customers which individually contributed 10 percent or more of the Group's revenue in the year are as follows:

	2016		2015	
	$'000	%	$'000	%
Customer A	**118,309**	**15**	94,822	17
Customer B	**102,203**	**13**	62,374	11
Customer C	**94,072**	**12**	58,112	10
Customer D	**80,532**	**11**	56,234	10
Total	**395,116**	**51**	271,542	48

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2016

27. COMMITMENTS

(a) Commitments

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

	Group	
	2016	**2015**
	$'000	**$'000**
Developmental costs contracted but not provided for:		
– subsidiaries	**16,736**	42,336
– a joint venture	**846**	7,738
Purchase of property, plant and equipment	**10,705**	5,356
	28,287	55,430

(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	
	2016	**2015**
	$'000	**$'000**
Within one year	**567**	1,268
Between one and five years	**515**	557
More than five years	**2,051**	2,191
	3,133	4,016

The Group leases three pieces of land and a commercial property under operating leases. The leases run for a period ranging from 1 to 23 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.

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 $185,533,000 (2015: $202,590,000).

(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 $496,282,000 (2015: $481,151,000). As at 31 December 2016, $268,243,000 (2015: $321,112,000) of the banking facilities was utilised. At the reporting date, the Company does not consider it probable that the claims will be made against the Company under the guarantee.

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2016

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. The case is at a preliminary stage and the subsidiary has filed its defence. 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 2016.

In year 2015, one of the construction projects carried out by a joint venture had contingencies arising from potential liquidated damages for a delay in the completion of the project. During the financial year, both joint venture and owner of the project have reached to a settlement and no liquidated damages were imposed.

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	
	2016	**2015**
	$'000	**$'000**
Short-term employee benefits	**4,751**	3,163
Post-employment benefits	**100**	81
	4,851	3,244
Directors' fees payable by the Company	**250**	397

(b) Other related party transactions

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

	Group	
	2016	**2015**
	$'000	**$'000**
Affiliated corporations		
Hiring charges	**(10,381)**	(4,496)
Construction revenue	**9,640**	–
Non-controlling interests		
Development cost paid and capitalised in development properties	**–**	(295)

In 2016, a spouse of a Director purchased additional S$250,000 fixed rate medium term notes ("MTN") issued by the Company. As at year end, the Director has deemed interest of S$500,000 (2015: S$250,000) of the Company's MTN.

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2016

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.

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.

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2016

Trade and other receivables

Risk management policy

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, management also considers the demographics of the Group's customer base, including the default risk of the industry and country in which customers operate, as these factors may have an influence on credit risk. Approximately 99% (2015: 98%) 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			
	2016		2015	
	$'000	%	$'000	%
By country:				
Singapore	**63,561**	**99.6**	47,976	92.3
PRC	**20**	**0.1**	2,775	5.3
Europe	**222**	**0.3**	1,206	2.4
Total	**63,803**	**100.0**	51,957	100.0
By industry sectors:				
Construction	**63,561**	**99.6**	47,960	92.3
Property development	**20**	**0.1**	2,775	5.3
Sales of goods	**222**	**0.3**	1,222	2.4
Total	**63,803**	**100.0**	51,957	100.0

The Group's top two (2015: two) most significant customers, account for $27,345,000 of the trade receivables carrying amount as at 31 December 2016 (2015: $10,733,000).

Impairment

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

	2016		2015	
	Gross $'000	Impairment $'000	Gross $'000	Impairment $'000
Group				
Neither past due nor impaired	**56,364**	**–**	43,331	–
Past due 0-30 days	**6,019**	**–**	3,155	–
Past due 31-60 days	**38**	**–**	269	–
More than 60 days	**1,918**	**536**	5,902	700
	64,339	**536**	52,657	700

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 2016 and 2015, 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	
	2016 $'000	2015 $'000
At 1 January	**700**	661
Impairment loss recognised	**–**	979
Amounts written off	**(164)**	(940)
At 31 December	**536**	700

Cash and cash equivalents

The Group and the Company held cash and cash equivalents of $92,248,000 and $2,930,000 respectively as at 31 December 2016 (2015: $93,210,000 and $2,980,000 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.

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.

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2016

At 31 December 2016, the Group maintains the following lines of credit:

- $7,040,000 (2015: $3,540,000) of secured overdraft facilities, of which $Nil (2015: $Nil) has been drawn down. Interest would be payable at rates ranging from prime rate to prime rate plus 125 basis points (bp); and
- $245,739,000 (2015: $250,315,000) that can be drawn down to meet short-term financing needs. An amount of $97,746,000 (2015: $164,331,000) 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 2016 (2015: $75,000,000). During the year, $2,000,000 of the Multi-currency Medium Term Note issued was redeemed.

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 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**

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2016

	Carrying amount $'000	Contractual cash flows $'000	Cash flows Within 1 year $'000	Cash flows Between 1 and 5 years $'000	Cash flows More than 5 years $'000
Group					
At 31 December 2015					
Trade and other payables					
Trade payables	45,864	45,864	45,864	–	–
Accrued trade payables	152,458	152,458	152,458	–	–
Accrued operating expenses and other payables	21,637	21,637	21,637	–	–
Retention sums payable	48,087	48,586	32,151	16,435	–
Loans and borrowings					
Medium term notes	74,129	83,930	3,572	80,358	–
Secured bank loans	222,653	225,965	212,473	8,994	4,498
Finance lease liabilities	2,028	2,127	1,248	879	–
Amounts due to related parties	17,314	17,314	17,314	–	–
Recognised financial liabilities	584,170	597,881	486,717	106,666	4,498
Company					
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**	**–**
At 31 December 2015					
Accrued operating expenses and other payables	2,307	2,307	2,307	–	–
Medium term notes	74,129	83,930	3,572	80,358	–
Recognised financial liabilities	76,436	86,237	5,879	80,358	–

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2016

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 $268,243,000 (2015: $321,112,000). 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		
2016		
Financial guarantees	**268,243**	**268,243**
2015		
Financial guarantees	321,112	321,112

(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	
	2016 $'000	2015 $'000	2016 $'000	2015 $'000
Fixed rate instruments				
Loans and borrowings	**73,927**	76,157	**72,568**	74,129
Variable rate instruments				
Loans and borrowings	**102,453**	222,653	**–**	–

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.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2016

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 (2015: (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 2015.

	Profit before tax	
	100 bp Increase $'000	**100 bp Decrease $'000**
Group		
2016		
Variable rate instruments	**(1,025)**	**1,025**
2015		
Variable rate instruments	(2,227)	2,227

The sensitivity analysis is illustrative only and is based on simplified scenarios. The table shows interest rate risk exposures arising in interest-bearing liabilities. These particular exposures form only part of the Group's overall interest rate exposures.

Currency risk

The Group is exposed to 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 $'000	**SGD $'000**	**EURO $'000**	**CHF $'000**	**USD $'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**
At 31 December 2015					
Trade and other receivables	–	–	467	–	–
Amounts due from related parties	23,393	2,161	3,534	3,641	14,568
Cash and cash equivalents	53	–	2,846	–	3,146
Trade and other payables	–	–	(1,043)	–	–
Amounts due to related parties	–	–	(423)	(33)	(14,567)
	23,446	2,161	5,381	3,608	3,147

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2016

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 (2015: 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 2016 $'000	Profit before tax 2015 $'000
Group		
RMB	**2,338**	2,345
SGD	**179**	216
EURO	**225**	538
CHF	**372**	361
USD	**289**	315

(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 3(c) for details.

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			
	Note	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	10	18	–	–	18	18	–	–	18
Financial assets not measured at fair value									
Unquoted equity instruments#	10	602	–	–	602	–	–	–	–
Trade and other receivables*	9	–	274,577	–	274,577	–	–	–	–
Amount due from related parties	15	–	53,298	–	53,298	–	–	–	–
Cash and cash equivalents	16	–	92,248	–	92,248	–	–	–	–
		602	420,123	–	420,725				
Financial liabilities not measured at fair value									
Amounts due to related parties	15	–	–	(23,498)	(23,498)	–	–	–	–
Trade and other payables**	19	–	–	(335,552)	(335,552)	–	–	–	–
Loans and borrowings	20	–	–	(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 2016

		Carrying amount				Fair value			
	Note	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 2015									
Financial assets measured at fair value									
Quoted equity instruments	10	23	–	–	23	23	–	–	23
Financial assets not measured at fair value									
Unquoted equity instruments#	10	5,760	–	–	5,760	–	–	–	–
Trade and other receivables*	9	–	218,795	–	218,795	–	–	–	–
Amount due from related parties	15	–	52,799	–	52,799	–	–	–	–
Cash and cash equivalents	16	–	93,210	–	93,210	–	–	–	–
		5,760	364,804	–	370,564				
Financial liabilities not measured at fair value									
Amounts due to related parties	15	–	–	(17,314)	(17,314)	–	–	–	–
Trade and other payables**	19	–	–	(268,046)	(268,046)	–	–	–	–
Loans and borrowings	20	–	–	(298,810)	(298,810)	–	–	(276,974)	(276,974)
		–	–	(584,170)	(584,170)				

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 2016

	Note	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
Company									
31 December 2016									
Financial assets not measured at fair value									
Amount due from related parties	15	–	129,981	–	129,981	–	–	–	–
Cash and cash equivalents	16	–	2,930	–	2,930	–	–	–	–
		–	132,911	–	132,911				
Financial liabilities not measured at fair value									
Trade and other payables**	19	–	–	(3,197)	(3,197)	–	–	–	–
Amount due to related parties	15	–	–	(4,608)	(4,608)	–	–	–	–
Loans and borrowings	20	–	–	(72,568)	(72,568)	–	–	(65,726)	(65,726)
		–	–	(80,373)	(80,373)				
31 December 2015									
Financial assets not measured at fair value									
Amount due from related parties	15	–	125,685	–	125,685	–	–	–	–
Cash and cash equivalents	16	–	2,980	–	2,980	–	–	–	–
		–	128,665	–	128,665				
Financial liabilities not measured at fair value									
Trade and other payables**	19	–	–	(2,307)	(2,307)	–	–	–	–
Loans and borrowings	20	–	–	(74,129)	(74,129)	–	–	(68,628)	(68,628)
		–	–	(76,436)	(76,436)				

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

** Excluded receipts in advance

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2016

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 2016 and 2015.

33. NON-CONTROLLING INTERESTS

The following subsidiaries have material NCI.

Name	Principal places of business/Country of incorporation	Operating Segment	Effective equity interests held by NCI 2016 %	Effective equity interests held by NCI 2015 %
Steeltech Industries Pte. Ltd. ("Steeltech")	Singapore	Construction	**49**	49
Tianjin Tianmen Jiawan Property Development Co., Ltd. ("Jinwan")	PRC	Property development	**50**	50
Tianjin Zizhulin Investment Co., Ltd ("Chuang Zhan")	PRC	Property development	**34**	34
Cangzhou Huashi	PRC	Property development	**59**	59
Guangang	PRC	Property development	**36**	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.

	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 2016

	Steeltech $'000	Jinwan $'000	Chuang Zhan $'000	Cangzhou Huashi $'000	Guangang $'000	Other individually immaterial subsidiaries $'000	Intra-group elimination $'000	Total $'000
2015								
Revenue	12,612	263	–	59,989	11,545			
Profit/(Loss)	483	(196)	8	6,937	4,753			
OCI	–	325	472	21	872			
Total comprehensive income	483	129	480	6,958	5,625			
Attributable to NCI:								
– Profit/(Loss)	237	(98)	3	4,093	1,711	(972)	(506)	4,468
– OCI	–	163	160	12	314	273	(719)	203
– **Total comprehensive income**	237	65	163	4,105	2,025	(699)	(1,225)	4,671
Non-current assets	7,098	–	46,690	14	2,063			
Current assets	12,691	48,599	15,774	27,840	287,114			
Non-current liabilities	(4,801)	(178)	–	(88)	–			
Current liabilities	(1,215)	(21,281)	(22,630)	(11,815)	(205,694)			
Net assets	13,773	27,140	39,834	15,951	83,483			
Net assets attributable to NCI	6,748	13,570	13,543	9,411	30,054	11,526	(25,053)	59,799
Cash flows from operating activities	3,647	(350)	(282)	13,891	(18,860)			
Cash flows from investing activities	(64)	308	776	23	(816)			
Cash flows from financing activities	(373)	–	(443)	(1,765)	17,448			
Net increase/(decrease) in cash and cash equivalents	3,210	(42)	51	12,149	(2,228)			

STATISTICS OF SHAREHOLDINGS
As at 17 March 2017

DISTRIBUTION OF SHAREHOLDINGS

SIZE OF SHAREHOLDINGS	NO. OF SHAREHOLDERS	%	NO. OF SHARES	%
1 – 99	17	0.98	223	0.00
100 – 1,000	83	4.76	56,590	0.01
1,001 – 10,000	549	31.50	3,362,652	0.74
10,001 – 1,000,000	1,068	61.27	76,003,825	16.75
1,000,001 AND ABOVE	26	1.49	374,316,959	82.50
TOTAL	**1,743**	**100.00**	**453,740,249**	**100.00**

TWENTY LARGEST SHAREHOLDERS

NO.	NAME	NO. OF SHARES	%
1	TIONG SENG SHAREHOLDINGS PTE. LTD.	225,397,960	49.68
2	MAYBANK NOMINEES (SINGAPORE) PRIVATE LIMITED	45,800,000	10.09
3	UNITED OVERSEAS BANK NOMINEES (PRIVATE) LIMITED	34,623,320	7.63
4	WAN SENG ENTREPRISES PTE LTD	12,732,390	2.81
5	SHINGDA CONSTRUCTION PTE LTD	6,696,950	1.48
6	UOB KAY HIAN PRIVATE LIMITED	5,957,900	1.31
7	PECK KHEE SONG @ PECK AH TEE	4,784,200	1.05
8	DBS NOMINEES (PRIVATE) LIMITED	4,144,185	0.91
9	PEK AH TUAN	3,604,920	0.79
10	HO JUAT KENG	3,112,100	0.69
11	RAFFLES NOMINEES (PTE) LIMITED	2,747,034	0.61
12	PAY KIAN MENG GILBERT	2,702,000	0.60
13	LEE KHAR HOON	2,650,000	0.58
14	LEE KENG LAN	2,454,000	0.54
15	PHILLIP SECURITIES PTE LTD	1,710,300	0.38
16	HL BANK NOMINEES (SINGAPORE) PTE LTD	1,667,500	0.37
17	LEE HONG CHUAN	1,650,000	0.36
18	ESTATE OF LIM KIM ENG, DECEASED	1,582,350	0.35
19	ANDREW KHNG	1,464,650	0.32
20	HENG SIEW ENG	1,374,500	0.30
	TOTAL	**366,856,259**	**80.85**

STATISTICS OF SHAREHOLDINGS
As at 17 March 2017

SHAREHOLDERS' INFORMATION AS AT 17 MARCH 2017

Class of shares	:	Ordinary shares
Number of Shares issued (excluding Treasury Shares)	:	453,740,249
Voting rights (excluding Treasury Shares)	:	On a poll – One vote per share
Treasury Shares	:	5,883,600

	Direct		Deemed	
Name of Substantial Shareholders	**No. of Shares**	**%**	**No. of Shares**	**%**
Tiong Seng Shareholdings Pte Ltd	271,197,960	59.8	–	–
Peck Tiong Choon (Private) Limited[(1)]	32,261,520	7.1	271,197,960	59.8
Pek Ah Tuan[(2)]	3,604,920	0.8	32,261,520	7.1
Lee It Hoe[(3)]	–	–	286,275,330	63.1

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 28.6% of the Company's shares are held in the hands of public. Accordingly, the Company has complied with Rule 723 of the Listing Manual of SGX-ST.

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Annual General Meeting of TIONG SENG HOLDINGS LIMITED (the "Company") will be held at Orchid Country Club, Emerald Suite, 1 Orchid Club Road Singapore 769162 on Wednesday, 26 April 2017 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 2016 together with the Auditors' Report thereon. **(Resolution 1)**

2. To declare a first and final dividend of 0.8 cent per ordinary share (one-tier tax exempt) for the year ended 31 December 2016 (2015: 0.5 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 Pay Sim Tee **(Resolution 3)**
   Mr Ang Peng Koon, Patrick **(Resolution 4)**

   Mr Ang Peng Koon, Patrick will, upon re-election as a Director of the Company, remain as Chairman of the Nominating Committee and Remuneration Committee respectively and a member of the Audit Committee and will be considered independent.

4. To approve the payment of Directors' fees amounting to S$250,000 for the year ending 31 December 2017, to be paid in arrears (2016: 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, 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, 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)**

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 hereafter 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 hereafter defined), whether by way of:

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

NOTICE OF ANNUAL GENERAL MEETING

(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 Companies 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 on which the last annual general meeting of the Company was held and expiring on the date the next annual general meeting of the Company is held or is required by law to be held, whichever is earlier, or until it is varied or revoked by the Company in general meeting, after the date of the passing of this resolution; and

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

(i) in the case of a 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)**

NOTICE OF ANNUAL GENERAL MEETING

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, 11 April 2017

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.

NOTICE OF ANNUAL GENERAL MEETING

(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 it is varied or revoked by the Company in general meeting, whichever is earlier, to purchase or otherwise acquire issued ordinary Shares of the Company by way of On-Market Share Buy-Backs or Off-Market Share Buy-Backs of up to the Maximum Limit at the Maximum Price in accordance with the terms and conditions set out in the Appendix to this Notice of Annual General Meeting, the Act and the Listing Manual of the SGX-ST. Please refer to the Appendix to this Notice of Annual General Meeting for more details.

(iv) Ordinary Resolution 10, if passed, renew the general mandate approved by the Shareholders of the Company on 21 April 2016 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. Please refer to the Appendix to this Notice of Annual General Meeting for more details.

Notes:

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

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

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

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.

This page has been intentionally left blank

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 Data 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, ____

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 Orchid Country Club, Emerald Suite, 1 Orchid Club Road Singapore 769162 on Wednesday, 26 April 2017 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 2016		
2	Payment of proposed first and final dividend		
3	Re-election of Mr Pay Sim Tee as a Director		
4	Re-election of Mr Ang Peng Koon, Patrick as a Director		
5	Approval of Directors' fees amounting to S$250,000 for the year ending 31 December 2017		
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 ______________ 2017

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, 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 510 Thomson Road #08-00 SLF Building, Singapore 298135 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)

510 Thomson Road #08-00 SLF Building
Singapore 298135
Tel: +65 6356 0822 Fax: +65 6356 0688
www.tiongseng.com.sg