MANAGEMENT DISCUSSION AND ANALYSIS

CEO'S REVIEW OF OPERATIONS

Property
房地产

The Property segment focuses on development of and investment in prime residential, commercial and industrial properties. Tuan Sing is a recognised developer and owns a number of properties in prime areas in Singapore. This is in line with the Group's strategic direction to continue expanding its property business to spearhead future growth.

集团属下房地产板块致力于投资和开发优质住宅，商业和工业项目。传慎是知名的房地产开发商，传慎也在新加坡高尚地段拥有多项产业。这符合集团的战略方针，继续拓展房地产相关业务，引领未来增长。

REVENUE ($'M)

PAT ($'M)

Hotels Investment
酒店投资

The Group's Hotels Investment is represented by Grand Hotel Group ("GHG"), which owns two five-star Hyatt hotels in Australia, namely, Grand Hyatt Melbourne and Hyatt Regency Perth. The hotels are managed by Hyatt International and located in prime locations that cater to the business and tourism sectors in Melbourne and Perth.

酒店投资板块由澳洲的豪华酒店集团所代表。豪华酒店在墨尔本和柏斯拥有两间五星级酒店，即墨尔本君悦大酒店和柏斯凯悦酒店，由凯悦国际酒店集团管理，坐落于黄金地段以迎合商务和旅游客户群的需求。

REVENUE (A$'M)

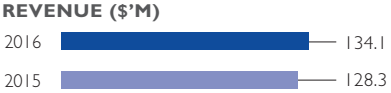
PAT (A$'M)

Industrial Services
工业服务

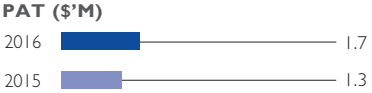
The Industrial Services segment consists of 80.2%-owned SGX-ST listed subsidiary, SP Corporation Limited ("SP Corp") and 97.9%-owned Hypak Sdn. Berhad ("Hypak"). SP Corp is primarily engaged in commodities trading and tyres distribution. Hypak is in the business of making polypropylene packaging bags and radiant barrier film in Malaysia.

工业服务板块主要包括集团持股80.2%的新交所上市子公司新加坡佳和有限公司和持股97.9% 的Hypak。新加坡佳和主营业务包括原料商品贸易以及轮胎分销。Hypak则在马来西亚从事聚丙烯包装袋和辐射屏障的生产和销售。

REVENUE ($'M)



PAT ($'M)



Other Investments
其他投资

The Group holds a 44.5% interest in Gul Technologies Singapore Pte. Ltd. ("GulTech"), and a 49% stake in Pan-West (Private) Limited ("Pan-West"). GulTech is a printed circuit board manufacturer with operations in Singapore and China. Pan-West is a retailer of golf-related products. In line with its strategic direction, the Group is not averse to divesting these investments when opportunities arise.

集团也持有联营公司高科技新加坡私人有限公司44.5%的股权和泛西集团49%的股权。高科技在新加坡和中国从事生产和销售电路板业务，泛西则是高尔夫及相关产品零售商。基于策略考量，集团不排除在适当时机脱售这些股权。

REVENUE (US$'M)

PAT (US$'M)

PROPERTY

Luxury living at its best – The stylish façade and high quality fitting of Cluny Park Residence complement its convenient location.

MANAGEMENT DISCUSSION AND ANALYSIS

PROPERTY

"Property, which contributed 32% of the Group's revenue, continues to be the Group's important driver"

For the year under review, Property revenue decreased 68% to $130.0 million and profit before tax and fair value adjustments declined 93% to $4.1 million. The decrease was due to lower progressive revenue recognition as a result of the completion of various development projects during the year. Seletar Park Residence obtained its Certificate of Statutory Completion ("CSC") in January 2016. Sennett Residence obtained its Temporary Occupation Permit ("TOP") in June 2016. Cluny Park Residence obtained its TOP and CSC in July 2016 and October 2016 respectively. As at the end of the year, Seletar Park Residence and Sennett Residence had been more than 95% sold and Cluny Park Residence had been more than 55% sold.

There is an addition to the Group's property portfolio in 2016 – a 99-year leasehold residential land parcel which is located at Jalan Kandis and is expected to launch for sale in 2Q 2017.

Rental revenue from investment properties at $17.0 million remained comparable as last year. Robinson Point has been fully leased under various durations until years 2017/18. Main construction for the redevelopment at the previous Robinson Towers has commenced in 2Q 2016 and is expected to complete by end 2018. The redevelopment plan was brought to fruition in order to boost the recurring income base for the Group.

In China, the total number of units sold at Lakeside Ville Phase III, Shanghai remained at 168 or 98% of the total units at the year end.

Overall, the Property segment profit after tax has decreased 94% to $3.0 million as a direct consequence of the completion of the development projects and the allowance for diminution in value of $3.6 million made for the development properties in Singapore. On the other hand, there was a slightly higher net fair value gain of $1.9 million for investment properties in Singapore this year as compared to $1.2 million in the previous year. Property remained an important driver and accounted for 32% of the Group's total revenue in 2016.

KEY FIGURES

REVENUE
$130.0 MILLION

PROFIT BEFORE TAX AND FAIR VALUE ADJUSTMENTS
$4.1 MILLION

PROFIT AFTER TAX
$3.0 MILLION

DEVELOPMENT PROPERTIES
$183.2 MILLION

INVESTMENT PROPERTIES
$881.3 MILLION

SINGAPORE PROPERTY MARKET REVIEW

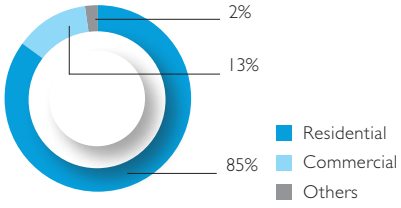
The Singapore property market continues to register weak performance following the property cooling measures and the lackluster economic performance. Private residential market in 2016 experienced a subdued growth in sales volume amid the continued prices decline as buyer sentiments improve. According to Urban Redevelopment Authority ("URA"), prices of private residential properties fell by 3.1% in 2016 compared with 3.7% decline in 2015. The number of units launched by the developers in 2016 was 7,877 units as compared to 7,056 units in 2015. Developers sold 7,972 private residential units, compared with 7,440 units in 2015. The weak economic growth had dampened the leasing market, causing office rents to decline. According to URA's Office Space Rental Indices, the prices and rentals of office space in 2016 fell by 2.8% and 8.2% respectively as compared with the previous year. Correspondingly, industrial sector also showed steeper year-on-year decline in prices and rental of industrial space. JTC Quarterly Market Report on Industrial Properties reported that industrial prices and rentals fell by 9.1% and 6.8% respectively in 2016 as compared to the previous year. Comparatively, industrial prices and rentals fell by 1.7% and 2.1% respectively in 2015.

OPERATIONS REVIEW

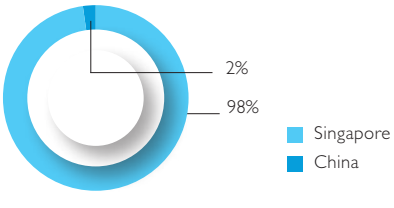
More than 95% of the units in Seletar Park Residence and Sennett Residence had been sold, and more than 55% of the units in Cluny Park Residence had been sold.

In April 2016, the Group successfully tendered for a land parcel at Jalan Kandis in Sembawang for $51.07m. The sale was put up by the URA. The Group offered ▸▸

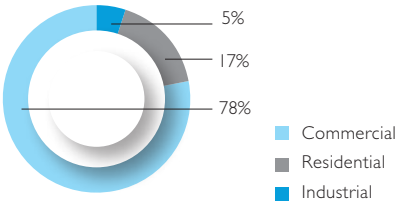
REVENUE BY TYPE
(TOTAL: $130.0M)



REVENUE BY COUNTRY
(TOTAL: $130.0M)



PROPERTY PORTFOLIO BY VALUE
(TOTAL: $1,064.5M)



PROPERTY

1.8% above the second highest bidder. The 99-year leasehold land has an area of approximately 7,046 square metres. With a plot ratio of 1.4, it can be developed into a residential project for sale with a permissible Gross Floor Area of 9,864 square metres.

Seletar Park Residence is designed by SCDA and is a three-block, five-storey, 276-unit residential development occupying approximately 17,456 square metres of land with a basement car park and communal facilities. The 99-year leasehold development is located within the established Seletar Hills private estate, close to the Seletar Aerospace Park and near Yio Chu Kang MRT and Fernvale LRT stations. The project was launched in March 2012 and as at 31 December 2016, 273 units had been sold. The TOP was obtained in August 2015 and CSC obtained in January 2016. The Project won the Asia Pacific Property Awards under the Architecture Multiple Residence for Singapore category in 2016.

Sennett Residence comprises three blocks of 19-storey and one block of five-storey condominium housing (totalling 332 residential units) with two basement car parks, roof terraces and other facilities. The 99-year leasehold land occupies an area of approximately 8,664 square metres and is located immediately next to the Potong Pasir MRT station and overlooks the landed Sennett estate. Designed by MKPL Architects, Sennett Residence was launched in March 2013 and by 31 December 2016, 320 units had been sold. The TOP was obtained in June 2016.

Cluny Park Residence is a 52-unit luxury residential development directly opposite the Botanic Gardens. It is the one and only condominium along Cluny Park Road. This freehold development occupies a land area of approximately 4,544 square metres and is directly opposite Bukit Timah Gate of the Singapore Botanic Gardens and offers easy access via the Botanic Gardens MRT, just opposite the development. Designed by SCDA Architects, Cluny Park Residence was officially launched in March 2014. As at 31 December 2016, 32 units had been sold. The TOP was obtained in July 2016 and CSC was obtained in October 2016.

Kandis Residence is designed by Ong & Ong and is expected to be launched by 2Q 2017. The Group intends to develop it into a condominium housing of three- and seven-storey high buildings (totaling 130 units) comprising one- to three-bedroom units and with full condominium facilities. The 99-year leasehold development is well-positioned within the North Coast Innovation Corridor earmarked by the Urban Redevelopment Authority and is a short drive to key commercial centres along the Corridor – Woodlands Regional Centre, future Seletar Regional Centre and Punggol Creative Cluster. The project is scheduled to be completed by 2019.

Robinson Point was acquired in October 2013. It is a 21-storey freehold office building at 39 Robinson Road, in the heart of Singapore's Central Business District. The building comprises approximately 134,320 square feet of net lettable area, which include 3 retail units on the ground floor. The building offers 57 car park bays at levels 3 to 5. Robinson Point was awarded the BCA Green Mark (Gold) in 2013 and was rated the Top 10 most energy-efficient private office buildings by the BCA of Singapore. In 2016, the average occupancy rate was 96% and the average gross rental was around $8.00 per square foot per month.

Far East Finance Building is a 14-storey office building with shop space at part of the ground floor. The building is immediately adjacent to the site where Robinson Towers and International Factors Building was before its redevelopment. The Group owns the strata unit on the whole of 11th floor. In 2016, the average occupancy rate was 100% and average gross rental was around $6.40 per square foot per month.

The Oxley is a freehold ten-storey mixed commercial-cum-residential building along Oxley Rise which is in the prime District 9 and a few minutes' walk from the entertainment, shopping and hotel belt of Orchard Road. The building comprises commercial premises in a podium block from the first to the third storey, residential units located in a tower block from the fourth to the tenth storey and a three-basement car park. The Group was the developer of the building and currently owns the three-storey office space. The first and second floors are fully leased out to the Group's related parties and the third floor is where the corporate headquarters of the Group currently sits. In 2016, the average occupancy rate was 100% with average gross rental of around $8.00 per square foot per month.

Century Warehouse is an eight-storey freehold warehouse building at 100E Pasir Panjang Road, within close proximity to Pasir Panjang MRT station, Labrador Park MRT station and Alexandra Retail Centre, which provides a host of food and beverage and retail amenities. The Group owns 31 out of a total of 35 strata units in the building. In 2016, the average occupancy rate was 94% and the average gross rental was around $2.30 per square foot per month.

L&Y Building is a five-storey light industrial building with a basement car park at Jalan Pemimpin, within close proximity to Marymount MRT station. The Group owns three out of the total 24 strata units in the building. The Group intends to take part in a collective sale for L&Y Building.

Robinson Tower Redevelopment
The Group commenced redevelopment of the previous Robinson Towers, its annex and the immediately adjacent International Factors Building as a single commercial development in June 2013. Designed by the internationally-acclaimed Kohn Pedersen Fox Associates and Architects 61, the proposed redevelopment on a 1,725 square metres site will comprise an office tower with a retail podium of a total planned gross floor area of 259,260 square feet and total lettable area of about 194,380 square feet.

The redeveloped Robinson Tower will feature high-ceiling, grade-A office space, a retail podium with shaped urban plaza at the entrance of the building, food and beverage spaces looking into the atrium and roof gardens, retail outlets highly visible from Robinson Road and Market

- Street, and urban windows revealing interior functions to the street. The new building, when completed by end 2018, will offer a towering presence three times the height of its predecessor. We believe it will contribute positively to the skyline of the Central Business District in Singapore. The new building shall have energy and water saving features aimed at achieving Green Gold^{Plus} standards, thus reflecting Tuan Sing's green and sustainability efforts. This project won the 2014 Le marché international des professionnels de l'immobilier (MIPIM) Asia Awards – Best Futura Project (Silver) and was rated the Top 10 developers at 2016 BCI Asia Awards. BCA had already awarded the project its BCA Green Mark (Gold^{plus}) in early 2017.

  Readers may also be interested to know that this new Robinson Tower will be equipped with a new automatic carpark system that uses battery-powered automated guided vehicles ("AGVs"). The AGV system uses a laser-guided positioning system instead of conventional automatic parking systems which require conveyor belts to transport the cars. When drivers wish to retrieve their cars, they can call for them using their mobile phones. An AGV will then deliver the car to the car pick-up area. This will benefit drivers from a much quicker retrieval time compared to conventional mechanical carpark systems. This will be the first of its kind in Singapore and South-east Asia.

  When completed, the Group expects a recurring income stream from the rental proceeds which helps to contribute to the more stable income stream of the Group.

BUSINESS OUTLOOK

Subdued growth in sales volume observed in 2016 is likely to persist in 2017 for the private residential market in view of the sustained declining prices. Improved market sentiments are on the back of buyer perception that residential property prices have begun bottoming out. The lackluster economic environment is expected to moderate overall demands from buyers. Adding to the uncertainty in economic environment includes the impact of the apparent protectionist stance arising from new presidential administration in United States.

Developers are expected to face intense competition for development sites from developers seeking to replenish land banks via state land tenders and reviving private collective sales market due to the recently improved housing demand. According to URA, the aggregate developers' sales of new residential units for 2016 grew 7.2% year-on-year to 7,972 units. Despite better growth in developers' sales in 2016, the government has not increase the residential sites available for bidding on the 1H 2017 Government Land Sales. *(Source: Colliers Quarterly Singapore Investment Report)*

The outlook for office property market is expected to remain weak considering the impact of supply overhang, the ramp-up in large supply completions in 2017 and the prospects of uncertain economic environment. Current muted demand for office space is foreseen to continue for the coming year, with the office rentals facing the sustained downward pressure. Similarly, cautious sentiments are expected to hover over the industrial property market as companies will continue to monitor the market and re-evaluate their office space needs while placing their expansion plans and office space commitment decisions on hold. Given 2.4 million square metres of industrial space are estimated to come on-stream in 2017, downward rental pressure is set to continue with overall industrial rents likely to reduce.

CHINA PROPERTY

MARKET REVIEW

The luxury residential market remains active in 2016 amid the fast-rising home prices and buoyant demand from buyers. The rebound in prices in 2016 arises from the easing of mortgage rules by the Chinese government, fueling the confidence of the buyers in Shanghai's luxury residential market. The easing of credit policies and sufficient market supply attributed to a surge in the sales volume of luxury homes since late 2015. Following the surge in property prices and sales, the Chinese government has implemented several cooling measures in major cities in 2016. Early signs of the market cooling are observed during the fourth quarter of 2016 in the aftermath of the policy tightening measures such as more stringent mortgage rules and tougher home purchase requirements.

OPERATIONS REVIEW

At present, the Group has no property development activities in China. It has two plots of land, one each in Fuzhou and Jiaozhou meant for mainly residential development. The Group currently provides property management services to Lakeside Ville Owners Association under a renewable contract expiring December 2017.

Fuzhou Land is a piece of vacant and undeveloped land measuring 163,740 square metres and is situated in the mountainous ridge of the Shoushan Country, Jing'an District of Fuzhou, which is a rural part of the city. The site is about 400 metres above the sea level and is approximately 30 minutes' drive from the foot of the mountain to the city center. The Group plans to develop the site into luxury residences.

Jiaozhou Land is a plot of mainly residential site, about 30 minutes' drive from Qingdao City. The Group acquired the first plot of land of approximately 53,334 square metres in 2011, the second plot of land of approximately 65,910 square metres in 2013 and the third plot of land of 60,216 square metres in 2014. The third plot of land is currently pending for the issuance of the land title deeds. The Group intends to develop the site into residential development.

BUSINESS OUTLOOK

China's economic growth grew 6.7% in 2016 which was within the government's growth target of between 6.5% and 7.0%. Growth in property market is expected to be moderated in 2017 in the light of the tightening measures and the rising global economic uncertainties. Analysts at Goldman Sachs Research forecast a GDP growth of 6.5% in 2017 with continued fiscal and credit stimulus in support of the growth target. ■

HOTELS INVESTMENT

Grand Hyatt Melbourne
– An exclusive events place, the Courtyard.

MANAGEMENT DISCUSSION AND ANALYSIS

HOTELS INVESTMENT

"We are investing in the iconic mixed project in Perth to enhance our recurring income asset base"

In 2016, Hotels Investment recorded revenue of A$136.9 million and net property income of A$40.7 million. Net income from hotel operations was down 7% to A$26.2 million as Grand Hyatt Melbourne and Hyatt Regency Perth registered a combined 2% drop in Revenue Per Available Room ("RevPAR") coupled with an underperformance in food and beverage business. Net income from non-hotel operations (office, retail and carpark) of A$14.5 million was 0.9% lower than last year mainly due to lower occupancy rate at commercial centre in Perth.

Interest expenses decreased 7% to A$12.4 million from A$13.3 million a year ago; depreciation and amortisation increased 1% to A$7.4 million. In addition, a net fair value gain of A$0.3 million arising from non-hotel investment properties was recorded in the current year, as opposed to a net fair value loss of A$8.8 million a year ago. After deducting finance costs and deferred tax provision at the investment holding company level, Hotels Investment contributed a higher profit after tax of S$9.5 million, as compared to S$5.2 million.

Hotel properties have recorded a net fair value gain of A$16.2 million, as compared to last year's A$22.0 million and such gain is reflected in the Group's balance sheet.

The Group owns two internationally-recognised five-star hotels managed by Hyatt International, namely, Grand Hyatt Melbourne and Hyatt Regency Perth together with their adjacent non-hotel components being retail, commercial and car parking.

The hotel management agreement with Hyatt International for Grand Hyatt Melbourne was for the period between 8 August 1996 and 31 December 2022, whereas for Hyatt Regency Perth was for the period from 1 July 1996 and will expire on 31 December 2026. The Group also had a master lease agreement with Wilson Parking for the car park within the Melbourne Grand Hyatt complex and management agreement with Secure Parking for the car park within the Perth Hyatt Regency complex.

MARKET REVIEW

Australia saw a strong growth in tourism amidst the subdued economic environment. The continued growth of the middle class in Asia, lower global oil prices and favourable exchange rates in currencies have fuelled the demand for the Australian experience. The demand for travel has strengthened the demand growth in the accommodation market with Australia's main leisure destinations performing well. ▸▸

KEY FIGURES

REVENUE
A$136.9 MILLION

NET PROPERTY INCOME
A$40.7 MILLION

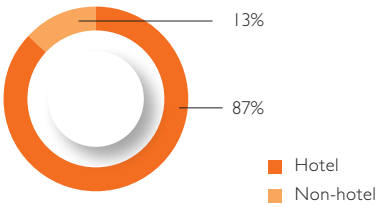
PROFIT BEFORE TAX AND FAIR VALUE ADJUSTMENT
A$17.1 MILLION

PROFIT AFTER TAX
A$16.2 MILLION

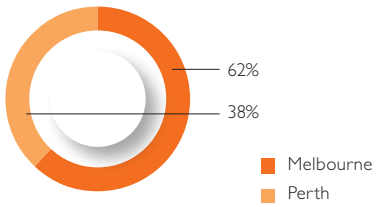
HOTEL PROPERTIES
A$396.0 MILLION

INVESTMENT PROPERTIES
A$217.1 MILLION

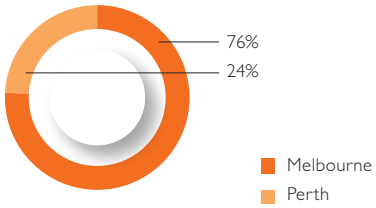
REVENUE BY TYPE
(TOTAL: A$136.9M)



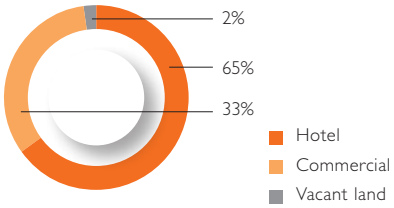
REVENUE BY LOCATION
(TOTAL: A$136.9M)



PROPERTY PORTFOLIO VALUE BY LOCATION
(TOTAL: A$613.1M)



PROPERTY PORTFOLIO VALUE BY CATEGORY
(TOTAL: A$613.1M)



HOTELS INVESTMENT

In our two key markets, Melbourne continued to experience growth in domestic and international visitors. Melbourne is Australia's second most populous city and a major corporate centre for the financial, manufacturing, education and logistics industries. Melbourne's accommodation market has experienced a robust level of growth over the last five years capitalising on the city's extensive calendar of events and the closure of the Sydney Convention and Exhibition Centre between 2014 and 2016. Melbourne also has a long history of investment in tourism and transport infrastructure as well as successful marketing of the city nationally and globally. *(Source: Deloitte Tourism and Hotel Market Outlook August 2016 & JLL Hotel Destinations Asia Pacific – October 2016)*

However in Perth, the occupancy rates are softening and the average room rates are also on the decline. The decline in average room rates coincides with the slowdown in mining sector, resulting in pressure from the corporate market. While occupancy has held up well to-date, the market has seen a shift away from corporate market and an increase in tourist segments, which gives rise to lower rates. At the same time, corporate and aircrew accounts have re-negotiated their contracted rates at lower rates, contributing to the decline of the overall average rates across the city. Increased supply in Perth is also creating challenging headwinds as downward pressure is set to continue. *(Source: Colliers Research and Forecast Report – Hotels 2016)*

OPERATIONS REVIEW

Grand Hyatt Melbourne is located within Melbourne's Central Business District at the "Paris End" on the southern side of Collins Street intersected with the eastern side of Russell Street and a rear frontage to Flinders Lane. The internationally recognised 5-star hotel, which opened in 1986 and extensively renovated in recent years, comprises a total of 550 guestrooms and suites over 34 levels. The hotel also offers four food and beverage outlets, 16 meeting rooms, a day spa, a fully equipped health/fitness club with swimming pool, tennis court, basketball court and golf driving area.

Non-hotel component comprises four retail tenancies fronting Collins Street, three retail tenancies fronting the Grand Hyatt Hotel Porte-Cochere (with return driveway to Russell Street), a basement tenancy and two car park basement tenancies with a total lettable area of 3,024 square metres. The tenancies are a mixture of leases ranging from three to eight years. Some of the luxurious and high-end stores in the hotel's shopping complex include Chanel, Bvlgari, Paspaley Pearls and Giorgio Armani. The basement car park comprises a total of 595 bays. The car park is configured over 4 levels and has access from Russell Street and Finders Lane.

As an outstanding hospitality service provider, Grand Hyatt Melbourne received a number of awards in 2016. For details, please refer to the "Awards and Accolades" section of this Annual Report. In 2016, net property income for both hotel and non-hotel operations amounted to approximately A$28.3 million.

In December 2016, Grand Hyatt Melbourne celebrated its 30th anniversary, a 30 years of excellence in service and care, in true Grand style. More than 120 invited guests and its own 30-year-long employees were welcomed by a 50-piece orchestra and celebrated the milestone with the cutting of a 2 metre-high birthday cake!

A video on Grand Hyatt Melbourne can be viewed at http://www.tuansing.com/hotelsinvestment/ghm.mp4

Hyatt Regency Perth is located at the eastern end of Perth's Central Business District on the southern side of Adelaide Terrace and the northern side of Terrace Road between Plain Street to the east and Bennett Street to the west. The hotel was completed in 1984 and forms an integrated 5-star hotel, office, retail, and parking complex with the adjacent commercial centre. It comprises 367 hotel rooms and suites over the upper nine levels. Facilities and

Celebrated 30 Years of Excellence in service and care at Grand Hyatt Melbourne.

Get inspired and informed at The Residence, another meeting & event space of Grand Hyatt Melbourne.

amenities include a total of five food and beverage outlets, 15 conference/ meeting rooms as well as recreation facilities including an outdoor swimming pool, fitness centre and a day spa.

Commercial centre, which caters for retail and office tenants, includes a three-level office in the building facing Terrace Road, Adelaide Terrace and Plain Street with a lettable area of 20,235 square metres, ground floor retail and commercial units with a total lettable area of 3,180 square metres, a squash centre and a car park which can accommodate approximately 1,020 cars. Lease terms are a mixture of leases ranging from one to fifteen years. Rent reviews typically include a combination of market reviews and fixed or Consumer Price Index increases per annum. Fortescue Metals Group which occupies approximately 60% of the total office area is the major tenant. In 2016, net property income for both hotel and non-hotel operations amounted to about A$12.4 million.

In 2016, Hyatt Regency Perth received a Gold Plate Award – High Tea, conducted by The Catering Institute of Australia, a well-regarded and highly successful hospitality industry awards program.

Perth Land consists of Lots 11 and 12 Terrace Road of vacant land with freehold tenure and of 1,405 square metres and 1,667 square metres respectively. Both lots are adjoined to the Hyatt Regency Perth hotel and are capable of supporting future developments. These plots of land together with Hyatt Regency and the commercial centre are slated for an enhancement under the Group's Asset Enhancement Initiative ("AEI"). The proposed enhancement incorporates the redevelopment of its existing commercial space, development of new residential buildings, new hotel and office tower in several stages. Stage one, to be implemented by early 2018, shall involve the refurbishment of the existing commercial space in Lot 10 and construction of a new podium in Lot 11. The proposed development when completed shall increase the retail space, activate the centre with street engagement and innovate the space with modern retail concept and family entertainment attraction, making it a prominent destination and attraction because of its proximity to the Langley Park, Swan River, new Perth stadium and other landmarks in Perth.

BUSINESS OUTLOOK

The outlook for tourism sector remains strong. Despite the softening of global and local economic outlook, the current economic conditions continue to remain in support of the growth of Australia's tourism sector. The Australian dollar is expected to continue depreciating modestly before stabilising. In addition, oil prices have started increasing since February 2016 – albeit at gradual pace of increase, sustaining the affordability of air and road travel. The outlook for hotel performance in Australia remains positive as demand is set to grow at twice the pace of supply over the period to end-2018. National occupancies are projected to climb two percentage points to 72% by 2018. Demand pressure will sustain average room rate growth of 2.8% per annum and RevPAR growth. *(Source: Deloitte Tourism and Hotel Market Outlook August 2016).* ■

INDUSTRIAL SERVICES

The Group's Industrial Services segment is represented by SP Corp and Hypak. SP Corp is an 80.2%-owned subsidiary. Hypak is a 97.9%-owned subsidiary. In 2016, Industrial Services reported revenue of $134.1 million and profit after tax of $1.7 million. In comparison, revenue of $128.3 million and profit after tax of $1.3 million were reported in the previous year.

KEY FIGURES

SP CORP

REVENUE
$125.6 MILLION

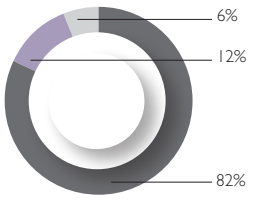
PROFIT AFTER TAX
$1.8 MILLION

HYPAK

REVENUE
RM25.5 MILLION

LOSS AFTER TAX
RM0.1 MILLION

REVENUE BY TYPE
(TOTAL: $134.1M)



- Commodities trading
- Tyre distribution
- Manufacturing

SP CORP is listed on the Singapore Exchange Securities Trading Limited (SGX-ST). It principally engages in commodities trading and tyre distribution. For 2016, SP Corp recorded revenue of $125.6 million, a 5% increase as compared to $119.7 million in 2015. As a result, profit after tax increased 23% to $1.8 million, up from $1.5 million a year earlier.

The Commodities Trading Unit primarily carries out trading and marketing of a broad range of commodities including coal, rubber, metals as well as other commodities and products used by manufacturers in the energy, tyre, metal and automotive industries in Asia. It also handles the distribution of consumer products including feminine napkins, baby diapers, diaper pants, baby wet wipes and adult diapers produced by established manufacturers in China and Indonesia.

Commodities Trading Unit reported higher revenue of $109.3 million in 2016 as compared to $99.8 million in 2015 attributable to higher coal trading and sale of machinery. The Unit managed to increase its trading volumes for coal and rubber during this period when commodity prices were generally on the decline except for coal price. The volatility of commodity prices is expected to persist in the coming year considering the OPEC ministers meeting which is scheduled for 25 May 2017, several key European elections, headlines on policy priorities and cabinet choices in the new U.S. presidential administration and wider macroeconomic developments in emerging and developed economies. The Unit will continue to forge closer ties with its principals and customers to boost its commodities trading activities.

Tyre Distribution Unit distributes a wide range of bias and radial tyres for trucks and buses and passenger cars for established tyre brands, namely, GT Radial and Gajah Tunggal from Indonesia; and GT Radial, Primewell and Runway from China. Distribution network includes ASEAN countries, except for Indonesia, Philippines and Thailand. It commenced the distribution of Giti brand commercial tyres from China in 2016. The Unit provides tyre management services in Singapore and offers a one-stop solution for both new and retread tyres.

In 2016, Tyre Distribution Unit's revenue of $16.3 million was lower as compared to $19.9 million in the previous year. The weaker sales performance in 2016 was mainly due to the strong competition in the key tyre distribution markets in ASEAN region. Consequently, the Unit posted a loss of $0.7 million arising from lower revenue, partially offset by lower operating overheads and expenses. The tyre distribution business is expected to remain challenging in view of intense price competition.

HYPAK is a leading industrial packaging producer and supplier of polypropylene woven bags and laminated bags in Malaysia for products such as fertiliser, sugar, chemical, flour and feed meal. In 2016, Hypak reported revenue of RM25.5 million, compared to last year's RM24.5 million and a loss after tax of RM0.1 million, compared to loss of RM0.5 million in the previous year.

Sales revenue and margins were both higher in 2016 which placed Hypak on better competitive footing to gain higher market share in Malaysia. The improved performance in 2016 was despite lower contribution from the Radiant Barrier Film business which was hit by construction sector slowdown.

The woven polypropylene bags market has been stable and prices of woven polypropylene bags have increased since the implementation of GST in 2015. ■

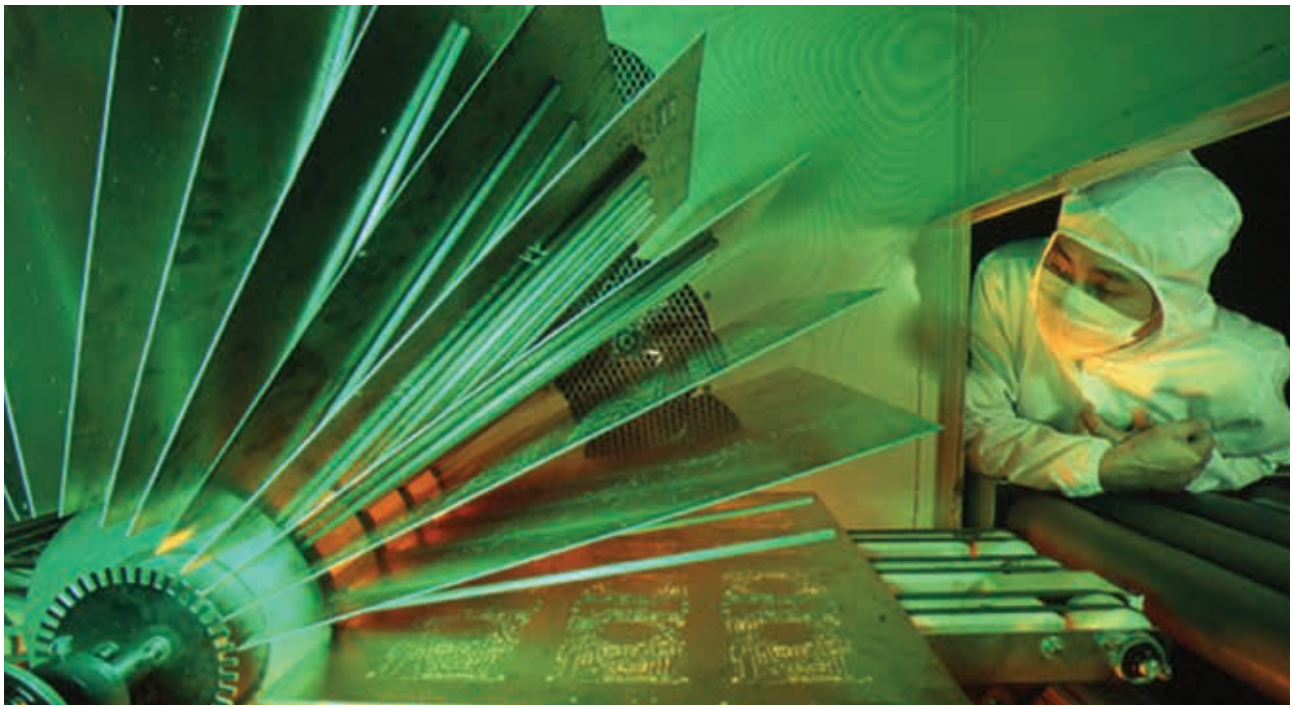
OTHER INVESTMENTS

The Group holds a 44.5% interest in GulTech and a 49% interest in Pan-West. These holdings are classified under "Other Investments" segment. In line with our strategic direction, the Group is not averse to dispose of its investments in these two entities when opportunity arises. For the full year 2016, Other Investments contributed a profit after tax of $12.3 million as compared to $6.7 million in the previous year, because of higher contribution from GulTech.

GULTECH is a respectable player in the printed circuit boards ("PCB") market, serving customers in the automotive, computer peripheral, consumer electronics, telecommunication, healthcare and instrument & control. GulTech has manufacturing facilities in Suzhou and Wuxi, China. Through innovative design and prototype expertise, GulTech continues to work in partnership with its multinational customers to provide leading-edge solutions in a highly-dynamic and fast-paced technological environment.

GulTech reported revenue of US$244.3 million and profit after tax of US$28.8 million. Profit after tax increased 28% as compared to last year mainly attributable to improved performance from its new Jiangsu Plant. GulTech's net profit attributable to shareholders was up 103% to US$22.2 million on the back of its acquiring the remaining 38.6% shareholdings in GulTech (Suzhou) Electronics Co., Ltd in February 2016. The transaction turned GulTech Suzhou into a wholly-owned subsidiary of GulTech. The effect is in turn a higher share by the Group of GulTech's net profit (including fair value adjustment) of S$13.6 million.

PAN-WEST distributes golf-related lifestyle products, operating in 10 on-course and off-course outlets and concessionaires across Singapore and Malaysia. Pan-West is the exclusive distributor for some of the world's top golfing brands including Honma Golf, Cleveland Golf, Sun Mountain, Volvik, and High Definition Golf simulators. Pan-West is also an exclusive dealer of Asics Golf and Skechers Golf footwear in Singapore. ■



Auto-loader machine for loading printed circuit board panels at GulTech Plant.

GROUP PROPERTY PORTFOLIO

Seletar Park Residence, Singapore

Sennett Residence, Singapore

Cluny Park Residence, Singapore

Robinson Point, Singapore

PROPERTY – RESIDENTIAL (SINGAPORE)

Name of Property	Location	Estimated GFA (sq. m.)	Tenure
Development property – under planning			
Kandis Residence	Singapore	10,850	99 years from year 2016
Development property – completed			
Seletar Park Residence	Singapore	26,862	99 years from year 2011
Sennett Residence	Singapore	33,328	99 years from year 2011
Cluny Park Residence	Singapore	6,997	Freehold

PROPERTY – COMMERCIAL

Name of Property	Location	Estimated Lettable/ Strata Area (sq. m.)	Tenure
Investment property – under redevelopment			
Robinson Towers	Singapore	18,058	999-years from year 1884 & 1885 (Lots 167X, 616W, 691X, 99280A, 99287W and 99289P) 99-years from year 2013 (Lots 485M and 488P)
Investment property – completed			
Robinson Point	Singapore	12,479	Freehold
The Oxley	Singapore	2,770	Freehold
Far East Finance Building – 11th Floor	Singapore	402	999 years
No. 2950 Chun Shen Road Property	China	2,170	58 years from year 2008

New Robinson Tower's Roof Garden

Grand Hyatt Melbourne, Australia

Hyatt Regency Perth, Australia

GulTech Jiangsu and Wuxi Factories, China

PROPERTY – INDUSTRIAL

Name of Property	Location	Estimated Lettable/ Strata Area (sq. m.)	Tenure
Investment property			
Century Warehouse (31 strata units)	Singapore	4,690	Freehold
L&Y Building (3 strata units)	Singapore	2,285	999 years

PROPERTY – HOTEL

Name of Property	Location	Land Area (sq. m.)	Tenure	Total Hotel Rooms	No. of Carpark Bays	Commercial Space Lettable Area (sq. m.)
Grand Hyatt Melbourne	Australia	5,776	Freehold	550	595	3,024
Hyatt Regency Perth	Australia	25,826	Freehold	367	1,020	23,415

INDUSTRIAL SERVICES & OTHER INVESTMENTS

Name of Property	Location	Land Area (sq. m.)	Tenure
Hypak Factory Building	Malaysia	19,100	99 years from year 1973
GulTech Suzhou Factory Building	China	40,455	48 years from year 1999
GulTech Wuxi Factory Building	China	78,800	50 years from year 2004
GulTech Jiangsu Factory Building	China	75,500	50 years from year 2012

CFO'S REVIEW OF FINANCIAL PERFORMANCE

OVERVIEW

OUR FINANCIAL STRATEGY & TARGET

Liquidity	Flexibility	Strong Metrics
To maintain sufficient cash (or near cash) to support business requirements and opportunities	To diversify source of financing, with varying interest periods and loan durations	To maintain cordial and strong relationship with the banking community and use non-recourse debt whenever possible
Cash & Bank Balances $163.7M	**Undrawn Facilities** $400.2M	**Weighted Average Cost of Financing from Financial Institutions** 2.9% p.a.
Cash & Cash Equivalents $95.9M	**Secured Debt/Total Assets** 0.44X	**Cost of Notes issued** 4.5% p.a.

KEY PERFORMANCE INDICATORS

		2016	2015	Change
Profitability – measures ability to generate earnings				
Revenue	$'M	404.0	677.1	-40%
Profit before tax and fair value adjustments	$'M	37.7	88.7	-57%
Profit after tax	$'M	33.8	69.1	-51%
Profit attributable to shareholders	$'M	33.6	68.8	-51%
Liquidity – measures ability to meet debt obligations				
Working capital	$'M	371.2	61.8	500%
Operating cash flow	$'M	190.1	152.3	25%
Free cash flow[1]	$'M	158.9	147.4	8%
Efficiency – measures efficiency of using fund and managing assets				
Total assets	$'M	2,123.1	2,162.5	-2%
Shareholders' funds	$'M	919.4	876.8	5%
Return on assets[2]	%	1.6	3.1	-49%
Return on shareholders' funds[3]	%	3.7	8.2	-54%
Debt leverage – measures capital employed and financial leverage				
Total borrowings	$'M	1,020.8	1,106.3	-8%
Net borrowings	$'M	857.1	964.6	-11%
Gross gearing[4]	times	1.10	1.25	-12%
Net gearing[4]	times	0.92	1.09	-16%
Shareholders' return – measures wealth creation for shareholders				
Earnings per share (excluding fair value adjustments)	cents	2.7	6.3	-57%
Earnings per share (including fair value adjustments)	cents	2.8	5.8	-52%
Net asset value per share	cents	77.7	74.4	4%
Dividend per share	cent	0.6	0.6	0%
Dividend payout ratio[5]	%	22.6	9.5	137%
Dividend yield[6]	%	2.0	1.7	18%

Definitions:

1. Free cash flow = operating cash flow + investing cash flow
2. Return on assets = profit after tax/average total assets
3. Return on shareholders' funds = profit attributable to shareholders/average shareholders' funds
4. Gross gearing = total borrowings/total equity; Net gearing = net borrowings/total equity
5. Dividend payout ratio = total dividend payout/profit before fair value adjustments attributable to shareholders
6. Dividend yield = dividend per share/average share price during the year

This review is intended to provide our shareholders with an insight into the financial performance and position of the Group, as well as an understanding on our financial strategy.

The Group's financial statements are prepared in accordance with the provisions of the Singapore Companies Act and Financial Reporting Standards ("FRSs") in Singapore. Management reviews the financial performance of the business principally on a consolidated basis whereby the Group consolidated all subsidiaries' results and equity-accounted for its interests in associates which is shown as a single line item on the income statement and balance sheet.

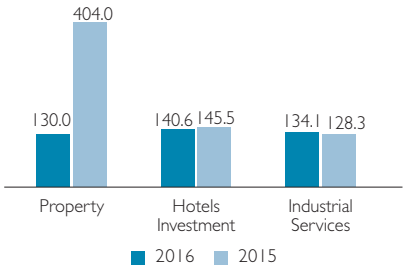
A summary of the income statement and balance sheet are separately included in the "Financial Performance" and "Financial Position" section of this report. Readers are advised to read this review together with the Statutory Reports and Accounts.

FINANCIAL PERFORMANCE

REVENUE

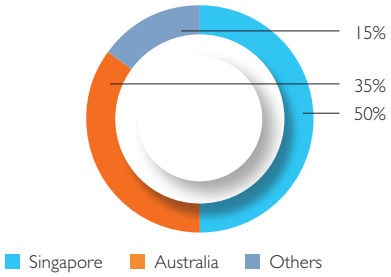
Group's revenue was $404.0 million, a drop of 40% as compared to $677.1 million last year. The decrease was largely due to lower revenue by Property segment as a result of the completion of various development projects in 2016. Revenue from development properties in Singapore have been recognised based on the percentage of completion method.

REVENUE BY BUSINESS SEGMENT ($'M)

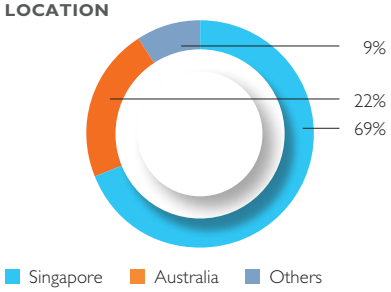


Property remains an important driver, contributing 32% of the Group's total revenue in 2016.

2016 REVENUE BY GEOGRAPHICAL LOCATION



2015 REVENUE BY GEOGRAPHICAL LOCATION



Customers from Singapore and Australia contributed 85% and 91% respectively of the Group's revenue in 2016 and 2015.

GROSS PROFIT

Gross profit decreased on the back of lower revenue as a result of the completion of the various development projects during the year.

OTHER INCOME AND EXPENSES

Other operating income increased by 31% to $4.5 million as compared to last year. It is attributable mainly to exchange gain from favourable Australian Dollar movement. Distribution costs was 35% higher at $5.9 million reflecting increased promotional activities and commission expenses mainly for the remaining units in Cluny Park Residence and Sennett Residence sold during the year. Administrative expenses was 16% higher at $29.7 million because of higher legal and professional fees incurred relating to the termination of the previous main contractor at Seletar Park Residence.

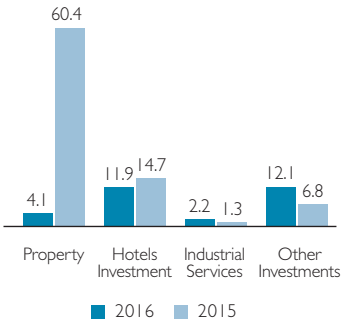
Other operating expenses were 23% lower at $7.7 million, as a result of lower allowance for diminution in value in this current year as compared to last year. Other operating expenses for the current year comprised mainly $3.6 million allowance for diminution in value for the unsold units in the three development projects in Singapore and $1.8 million on realised translation loss on the completion of liquidation of two dormant Malaysia subsidiaries. In comparison, last year's other operating expenses comprised mainly $8.9 million allowance for diminution in value for development properties.

The Group's share of results (before fair value adjustments) of equity-accounted entity (i.e. GulTech) increased 98% to $13.5 million attributable to improved performance from GulTech's Jiangsu Plant and GulTech's higher share (from 61.4% to 100%) of profits from its Suzhou Plant since February 2016.

PROFITABILITY

Profit before tax and fair value adjustments declined 57% to $37.7 million. All business segments were profitable in 2016. Property segment recorded lower profit because all three residential developments in Singapore had been completed during the year and an allowance for diminution in value was made for the unsold units of these developments. Hotels Investment and Other Investments segments were the other key contributors to the Group's profit after tax.

PROFIT BEFORE TAX AND FAIR VALUE ADJUSTMENTS BY BUSINESS SEGMENT ($'M)



All business segments were profitable in 2016.

CFO'S REVIEW OF FINANCIAL PERFORMANCE

FINANCIAL POSITION

As at 31 December 2016, the Group's total assets was $2,123.1 million, a 1.8% decrease as compared to $2,162.5 million at the previous year-end. The decrease was due largely to lower carrying amount of the three development properties as they were completed and handed over to the buyers.

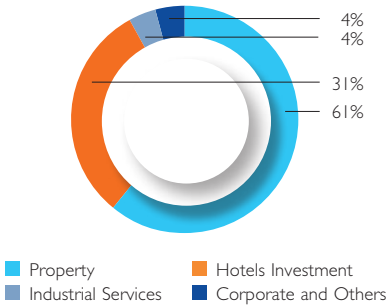
This decrease was offset partially by the increase in trade and other receivables, cash and bank balances, investment properties and property, plant and equipment. The increase in investment properties reflected the capitalised cost for the new Robinson Tower while its redevelopment is in progress. The increase in property, plant and equipment was mainly attributable to a net fair value gain of $17.0 million for the two hotels in Australia and foreign currency translation gain as a result of the appreciation of AUD.

Corresponding to the drop in the Group's total assets, total liabilities of $1,192.6 million represented a 6.5% decrease from the previous year-end. This was attributable primarily to the repayment of certain loans after the completion of the development projects. Accordingly, gross gearing improved to 1.10 times and net gearing to 0.92 times, as compared to 1.25 times and 1.09 times respectively.

During the year, shareholders' fund grew 4.9% or $42.6 million to $919.4 million as at 31 December 2016. Total equity (i.e. including non-controlling interests) increased to $930.5 million as at 31 December 2016, from $887.5 million at the previous year-end. These increases reflect mainly profit made during the year, gain from revaluation of properties and gain from foreign currency translation but reduced by payment of dividend to shareholders.

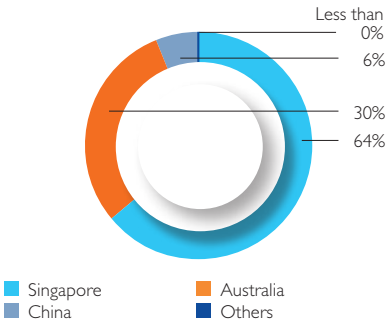
During the year, 4.4 million new shares were issued to shareholders under the Tuan Sing Scrip Dividend Scheme. In addition, 414,600 shares were cancelled after they were purchased from the open market. Accordingly in monetary term, the Company's share capital increased by approximately $1.1 million to $171.3 million as at 31 December 2016.

TOTAL ASSETS BY BUSINESS SEGMENT (2016: $2,123.1M)



Property and Hotels Investment segments formed the bulk of the Group's total assets.

TOTAL ASSETS BY GEOGRAPHICAL LOCATION (2016: $2,123.1M)



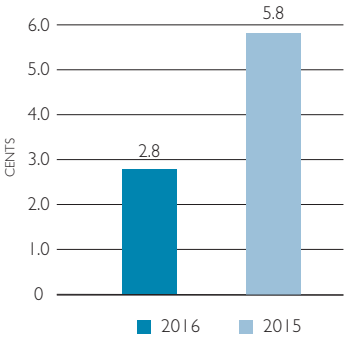
The Group had 64% of its total assets in Singapore. Major overseas assets were in Australia and China. The Group's interest in GHG represented its assets in Australia, while development properties and cash and bank balances formed the bulk of the assets in China.

SHARE CAPITAL AND EARNINGS PER SHARE ("EPS")

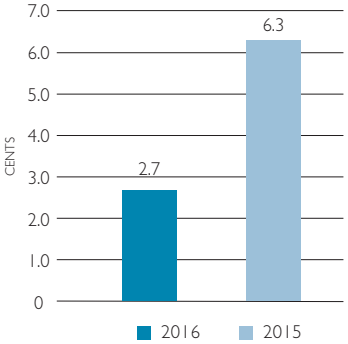
The number of issued ordinary shares as at 31 December 2016 was 1,182,842,055 as compared to 1,178,824,988 as at 31 December 2015, a net increase of 4,017,067 shares. On 24 June 2016, 4,431,667 new ordinary shares were allotted and issued at $0.27 per share to eligible shareholders who have elected to participate in the Company's Scrip Dividend Scheme in respect of the first and final tax exempted one-tier dividend of 0.6 cent per ordinary share in the capital of the Company for the financial year ended 31 December 2015. In addition, 414,600 ordinary shares were purchased under the "Share Purchase Mandate" and subsequently cancelled during the year.

Basic earnings per share, including fair value adjustments, were down 52% to 2.8 cents, as compared to 5.8 cents a year earlier. This reflects the decrease in profit after tax coupled with the impact of additional shares as mentioned above.

EPS, INCLUDING FAIR VALUE ADJUSTMENTS



EPS, EXCLUDING FAIR VALUE ADJUSTMENTS



DIVIDEND & SHAREHOLDERS' RETURN

DIVIDEND

Subject to the shareholders' approval at the forthcoming Annual General Meeting to be held on 26 April 2017, a first and final one-tier tax exempt dividend of 0.6 cent per share, amounting to about $7.1 million, will be paid on 23 June 2017 in respect of the financial year ended 31 December 2016. Shareholders will continue to have the opportunity to participate in the Scrip Dividend Scheme and receive their dividend in the form of the Tuan Sing shares as opposed to cash. For the purpose of determining dividend entitlements, book closure dates have been fixed on 8 and 9 May 2017.

For the previous financial year ended 31 December 2015, a first and final dividend of 0.6 cent per share amounting to $7.1 million was paid on 24 June 2016. This had been satisfied by way of a cash payment of $5.9 million and issuance of 4,431,667 ordinary shares at an issue price of $0.27 per share to eligible shareholders who have elected to participate in the Company's Scrip Dividend Scheme.

The Group has been declaring dividends every year since 2009. Total gross dividend payout amounts to $43.2 million, including $7.1 million proposed for FY2016.

DIVIDEND PAYOUT AND DIVIDEND YIELD

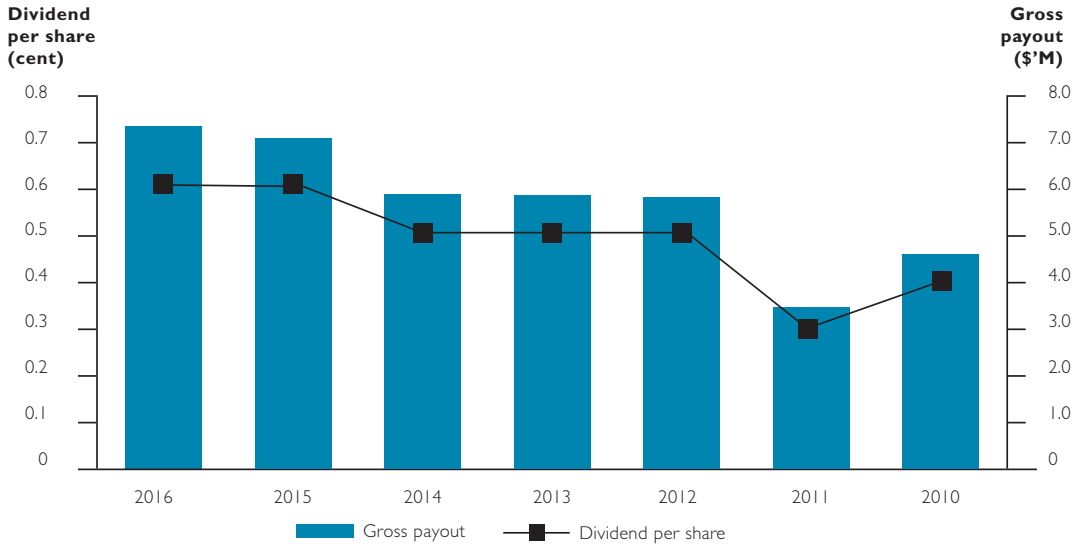
The proposed dividend of 0.6 cent per share for 2016 represents dividend payout ratio of 22.6% based on core earnings which are the net profit before fair value adjustments.

Dividend yield is 2.0% based on dividend per share over the average share price of 30.0 cents traded during the year.

We are aware of our shareholders' wish for more dividends. However, we have to balance shareholders' desire to have a higher dividend with sustainable annual returns and prudence to preserve cash and maintain sufficient working capital to support business growth. The bulk of the Group's profits, when made, shall therefore be retained for investing in the Group's future, while an appropriate dividend will be distributed annually – cash flow permitting – to reward shareholders. Please refer to the Group's "Dividend Policy" stated in Corporate Governance.

DIVIDEND PER SHARE AND DIVIDEND PAYOUT

	2016	2015	2014	2013	2012	2011	2010
Dividend per share (cent)	0.6	0.6	0.5	0.5	0.5	0.3	0.4
Number of shares (million)	1,183	1,179	1,176	1,173	1,161	1,154	1,146
Gross payout ($'000)	7,097	7,073	5,881	5,864	5,806	3,463	4,586
Cumulative payout ($'000)	43,182	36,085	29,012	23,131	17,267	11,461	7,998



CFO'S REVIEW OF FINANCIAL PERFORMANCE

CASH FLOW

FREE CASH FLOW

Cash is king! Hence, it is important for the Group to generate positive free cash flow. Free cash flow for a period is basically an arithmetic sum of two streams of cash flows during the period: cash generated from/(used in) operating activities and cash (used in)/ from investing activities. The sources of cash from operating activities are operating profit, a change in working capital, and interest receipts less tax payments. The avenue of cash used in investing activities could be for capital expenditure and investments.

During the year, free cash flow generated was $158.9 million, as compared to $147.4 million in year 2015. This was attributable to higher operating cash inflow of $190.1 million, offset partially by higher investing cash outflow of $31.2 million. In comparison, last year operating cash inflow and investing cash outflow were $152.3 million and $4.9 million respectively.

CASH FROM OPERATING ACTIVITIES

Higher operating cash flows were generated during the year attributable mainly to more cash received from the development properties following their completion.

CASH USED IN INVESTING ACTIVITIES

Net cash used in investing activities was $31.2 million in 2016, as compared to $4.9 million last year. The increase was due mainly to the redevelopment of the new Robinson Tower of $18.7 million in 2016 as compared to $10.3 million a year ago.

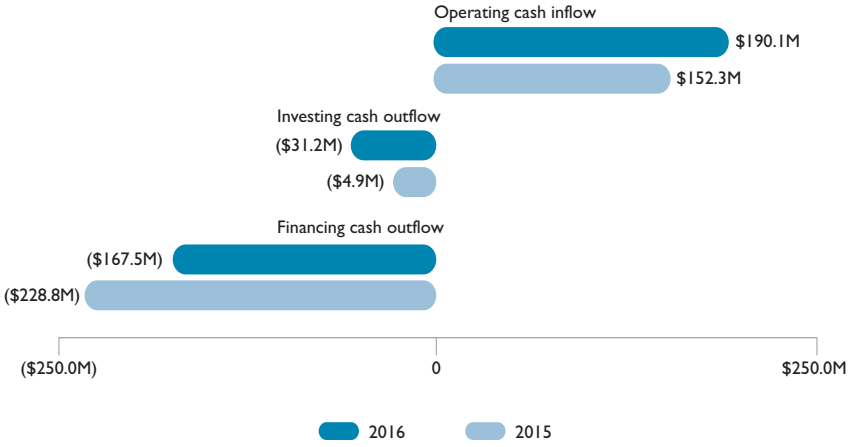
CASH USED IN FINANCING ACTIVITIES

Net cash used in financing activities was $167.5 million, reflecting mainly a net loan repayment of $94.4 million, interest payment of $34.2 million, cash dividend paid to shareholders of $5.9 million, and additional bank deposits pledged of $32.9 million for bank facilities. In comparison, net cash of $228.8 million was used last year mainly on a net loan repayment of $220.0 million and interest and dividend payment of $39.0 million.

CASH AND CASH EQUIVALENTS

As at 31 December 2016, cash and cash equivalents stood at $95.9 million, down from $105.7 million compared to previous year-end.

CASH FLOW ANALYSIS



SUMMARY OF CASH FLOW ACTIVITIES

	2016 $'M	2015 $'M
Operating cash inflow		
Profit before tax and fair value adjustments	37.7	88.7
Non-cash items	20.7	33.3
Operating cash flow before working capital changes	58.4	122.0
Working capital changes	133.1	26.5
Interest receipts and tax payments	(1.4)	3.8
	190.1	152.3
Investing cash outflow		
Investment and capital expenditure	(31.3)	(13.7)
Divestment proceeds	0.1	0.2
Distribution and dividend income	–	8.6
	(31.2)	(4.9)
Financing cash outflow		
Net inflow from loans and borrowings	(94.4)	(220.0)
Bank deposits pledged	(32.9)	30.2
Interest and dividend payments	(40.1)	(39.0)
Shares bought back and cancelled	(0.1)	–
	(167.5)	(228.8)

BORROWINGS & DEBT SECURITIES

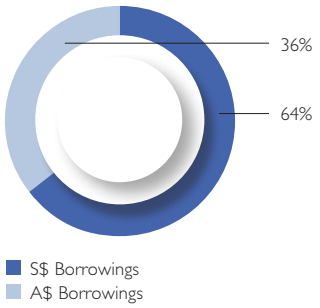
As of 31 December 2016, the Group had approximately $1,020.8 million of borrowings comprising long-term borrowings of $1,017.4 million and short-term borrowings of $3.4 million. 92% of the Group's borrowings were secured except for the $80 million notes issued under the MTN Programme. The secured borrowings were obtained mainly for financing development projects and investment properties in Singapore and Australia. Singapore Dollar borrowings represented 64% of total borrowings and the remaining 36% were in Australian Dollar. Australian Dollar borrowings, secured under GHG, act as a natural hedge against the Group's investment in Australia.

We borrow from a number of banks using a combination of floating and fixed interest rates depending on a number of factors including the time the debt is entered into, the tenor of the debt, the currency, the risk and the counter party involved. As at 31 December 2016, 92% of our borrowings were on floating rates with varying tenures. To mitigate interest rate risk, we monitor the trend of interest rate movements closely. Financial instruments are used, if it is deemed necessary, to hedge interest rate risk arising from the normal course of business. At present, we limit such hedging to two instruments – cross currency swaps and interest rate swaps.

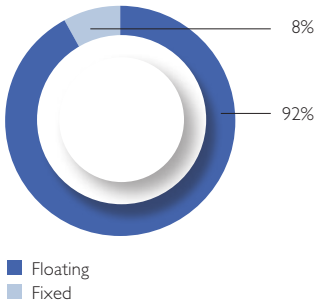
In addition, Tuan Sing has established a S$900 million MTN Programme under which it can issue notes in series or tranches and may be denominated in Singapore Dollar or other currency deemed appropriate at the time. The 1st tranche of S$80 million of fixed rate notes (the "Notes") were issued on 14 October 2014 and are unsecured, bear a fixed interest rate of 4.50% per annum payable semi-annually in arrear, and will mature on 14 October 2019.

DEBT PROFILE

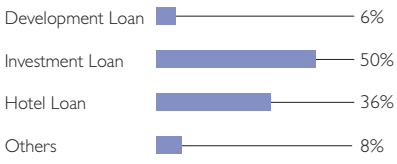
TOTAL BORROWINGS BY CURRENCY



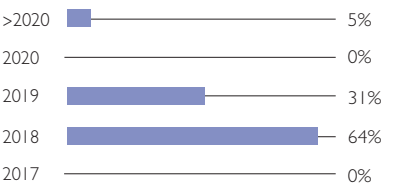
INTEREST RATE PROFILE



TOTAL BORROWINGS BY LOAN TYPE



LOAN MATURITY PROFILE



Note: The above analysis is based on total loans and borrowings outstanding as at 31 December 2016.

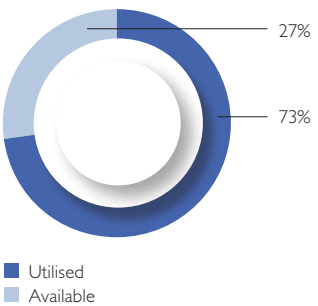
TREASURY MANAGEMENT

Treasury management is carried out by the strategic business units in accordance with established group policies and guidelines. Policies and guidelines have been regularly updated to take into account changes in the operating environment. Working capital requirements and capital expenditures are funded by a mix of short-term and long-term loans. New investments are structured with an appropriate mix of equity and debt after careful assessment of relevant risks.

Each strategic business unit and the head office monitor working capital requirement, perform profit and cash flow forecast on a quarterly basis. We also watch out for loan covenants compliance, and maintain a mix of duration and interest period for the loans. The quarterly cash flow projections are on a rolling sixteen-month basis. We closely monitor relevant emerging regulations which may potentially impact the way that we obtain our finances or introduce any operating constraints. We are kept updated of the latest development in debt markets and to arrange new financing as opportunities arise. Our consistent approach has helped us to build a long-term relationship with financial institutions.

Cash and cash equivalents and undrawn committed facilities are maintained for draw down at short notice. Maturity dates of our facilities are well spread out and up to year 2026.

TOTAL CREDIT FACILITY ($1,470.7M)



CFO'S REVIEW OF FINANCIAL PERFORMANCE

CAPITAL STRUCTURE MANAGEMENT

OUR CAPITAL STRUCTURE MANAGEMENT

On capital structure, we aim to strike a balance between shareholders' funds and leveraging through external borrowing. Leverage magnifies returns on shareholders' funds, both positive and negative. An increase in leverage may however increase the risk of breach of covenants on borrowings and borrowing costs may increase as a consequence in addition to other implications.

Tuan Sing has access to a variety of source of funding. We monitor the financial markets and decide on the financing best suited to our business needs at the time. In making the decision, we also bear in mind the risk of concentration. Hence, we have a fairly diversified source of funds and borrow both on secured and unsecured basis. To achieve an optimal capital structure, we may from time to time issue new shares, buy them back from the market and cancel them, obtain new borrowings, sell assets to reduce borrowings, pay or adjust the amount of dividend payment, or return capital to shareholders.

Having easy access to flexible and cost effective financing is important to us. It allows us to respond quickly to opportunities. In our view, Tuan Sing has adequate sources of financing to meet our normal business requirements in the foreseeable future through the operating cash flow generated, divestment proceeds, if any, from low yielding or non-core assets, secured borrowings and unsecured bonds that may be issued from time to time.

OUR DEBT FINANCING

We use a combination of short-term and long-term debt to finance our operations. As a matter of rule, our long-term investments are financed by long-term debt. This debt is normally in the same currency as the underlying investment and repayment terms are normally designed to match cash flows expected from that investment.

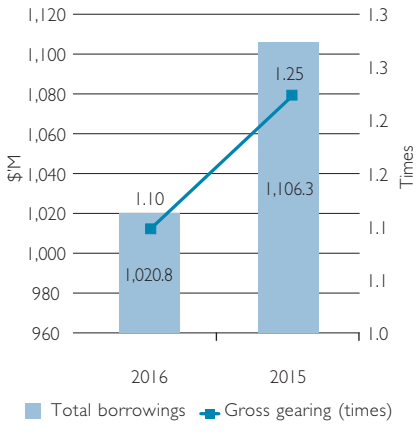
Our having access to reasonably-priced financing is dependent, in part, on the quality of our credit ratings. Although we do not engage credit rating agencies currently, we believe our reputation for having a culture of good governance and transparency is one of the attractive considerations to lenders and investment community in offering us competitive financing and at reasonably short notice. This is particularly so when we are able to offer quality assets as pledge and show convincing income and cash flow projections for the project/loan period.

OUR GEARING

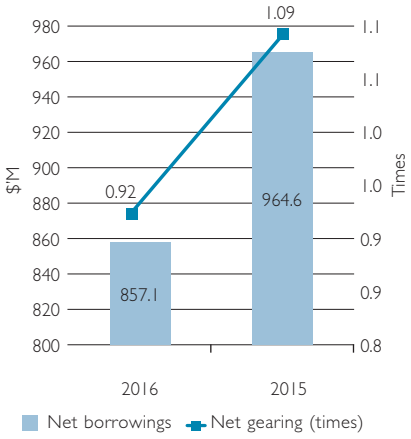
We use gross gearing ratio (debt as a percentage of total equity) and net gearing ratio (net debt as a percentage of total equity) to measure our debt leverage. Net debt is defined as debt less cash and bank balances.

As at 31 December 2016, gross gearing ratio improved to 1.10 times from 1.25 times in the previous year. Net gearing ratio was 0.92 times, improved from 1.09 times in the previous year. This was attributable primarily to a reduction in bank borrowings after repaying certain development project loans. Separately, the Group also monitors regularly its ability to service interest charges, to repay loans when due and the net cash flow of its investments so as to maintain an appropriate capital structure.

GROSS GEARING



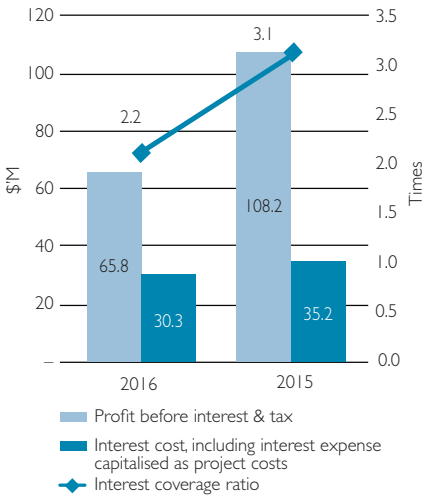
NET GEARING



OUR INTEREST COVERAGE RATIO

The Group's interest cover was 2.2 times as at end 2016 as compared to 3.1 times in 2015. The lower interest coverage ratio was due to lower profits. Indeed, the interest expense reduced by almost 14% from $35.2 million to $30.3 million. The lower interest expense was attributable to the repayment of certain loans after the completion of the development projects and lower interest rate on Australian Dollar borrowings for hotels investment in Australia also contributed to the improvement.

INTEREST COVERAGE RATIO



FINANCIAL RISK MANAGEMENT

For a full understanding of this topic, please also read "Business Dynamics Risk Factors Statement" section of this Annual Report and Note 32 of the Statutory Reports and Accounts.

SENSITIVITY ANALYSIS

Sensitivity analysis on currency and interest rate changes and associated risks are discussed in Note 32 of the Statutory Reports and Accounts. Other sensitivity analyses are discussed below:

FOREIGN CURRENCY EXPOSURE

As the Group has operations and properties outside of Singapore, it is subject to the effect of foreign currency translation when the assets and liabilities in foreign currencies are translated into Singapore Dollar for financial reporting or repatriation purposes. The translation exposure is primarily related to Australian Dollar ("AUD"), Renminbi ("RMB") and United States Dollar ("USD"). A 5% appreciation or depreciation in AUD, RMB and USD against the Singapore Dollar at 31 December 2016 would have the shareholders' funds increase or decrease by approximately $11.9 million, $5.6 million and $6.1 million respectively.

DEVELOPMENT PROPERTIES

For sales of partly completed development properties in Singapore that use the standard form of Sales and Purchase Agreement prescribed in the Singapore Housing Developers (Control and Licensing) Act (Chapter 130) and meet the criteria for continuous transfer of control and the significant risks and rewards of ownership under the progressive payment scheme, profit is recognised upon the signing of sales contracts and payment of the first installment which corresponds to 20% of the estimated profit attributable to the actual contracts signed. Subsequent recognition of profit uses the percentage of completion method based on actual percentage of physical completion achieved during the year.

For sales of partly completed development properties in Singapore under deferred payment scheme and development properties outside Singapore, profit is recognised upon completion of construction, and when legal title passes to the buyer or when equitable interest in the property vests upon release of the handover notice to the buyer, whichever is earlier.

As of 31 December 2016, the incremental impact on the Group's profit before tax for development properties which have been completed and launched for sales, every additional 1% of the total saleable area sold would contribute an estimated $0.2 million to the Group's profit before tax. This is based on estimated profit margin and properties available for sale as at 31 December 2016. Readers should note that more than 95% of the units in Seletar Park Residence and Sennett Residence units and 55% of the units in Cluny Park Residence had been sold. As there were few unsold units, there is minimal impact in this respect.

INVESTMENT PROPERTIES

The Group's investment properties comprise mainly Robinson Point, three floors of commercial space in The Oxley, 31 strata units (out of 35 strata units) within Century Warehouse, 3 strata units (out of 24 strata units) within L&Y Building and 1 strata unit within Far East Finance Building in Singapore, non-hotel commercial space (office, retail and car park) adjacent to Grand Hyatt Melbourne and Hyatt Regency Perth in Australia, as well as No. 2950 Chun Shen Road Property in China. Profit before tax could be sensitive to changes in their respective occupancy and rental rates.

Assuming that the current rental rates are maintained, every 1% change in occupancy rate would have an approximately $0.3 million impact to the total rental income.

FAIR VALUE ADJUSTMENTS

The fluctuation of financial results caused by the inter-year fair value adjustment of the Group's property portfolio is an inherent systemic issue that the Group cannot avoid as these assets form a significant portion of the Group's total asset base. Whilst there is no actual cash flow impact arising from such accounting entries, a substantial decrease in property valuation may trigger the activation of certain loan-to-value bank covenants.

As at 31 December 2016, the Group had $1,108.7 million of investment properties or 52% of the total assets of the Group. Hence, for every 1% increase or decrease in the fair value of investment properties, the Group's shareholder's funds will increase or decrease by approximately $11.1 million.

CRITICAL ACCOUNTING POLICIES

Tuan Sing's financial statements have been prepared in accordance with the provisions of the Singapore Companies Act and Financial Reporting Standards ("FRSs") in Singapore and are on the historical cost basis except for the revaluation of certain non-current assets and financial instruments that have been measured at their fair values and amortised costs respectively at the end of the reporting period. The Group's significant accounting policies are discussed in Note 2 of the Statutory Reports and Accounts.

CRITICAL ACCOUNTING ESTIMATES & JUDGEMENTS

The preparation of financial statements requires management to exercise its judgment in the process of applying the accounting policies. It also requires the use of accounting estimates and assumptions which affect the reported amounts of assets, liabilities, income and expenses. The Group's critical accounting judgments and key sources of estimation uncertainty are discussed in Note 3 of the Statutory Reports and Accounts. ■

CFO'S REVIEW OF FINANCIAL PERFORMANCE

RESULTS AT A GLANCE

Revenue decreased due to the completion of the various development projects during the year. Revenue of GulTech and Pan-West are not included as their results are equity-accounted for.

Gross profit was accordingly decreased.

Other operating income comprised mainly foreign currency exchange gain arising from the appreciation of Australian Dollar against Singapore Dollar. In FY2015, it was mainly from forfeited deposits on abortive sales of development properties and compensation for early termination of lease by tenants of investment properties.

Higher distribution costs reflected increased promotional activities and commission expenses mainly for the remaining units in Cluny Park Residence and Sennett Residence sold during the year.

Higher administrative expenses were due to legal and professional fees incurred relating to the termination of the previous main contractor at Seletar Park Residence.

Other operating expenses decreased as there was lower allowance for diminution in value in this year than in last year. Other operating expenses for the current year comprised mainly $3.6 million allowance for diminution in value for the unsold units in the three development properties in Singapore and $1.8 million on realised translation loss on the completion of liquidation of two dormant Malaysia subsidiaries.

The Group's share of results (before fair value adjustments) of an equity-accounted investee reflected solely share of results of the 44.5%-owned GulTech. GulTech's increase in profit is mainly attributable to improved performance from GulTech's Jiangsu Plant and GulTech's higher share (from 61.4% to 100%) of profits from its Suzhou Plant since February 2016.

Overall, total finance costs have reduced as compared to last year. This was mainly due to repayment of certain loans after the completion of the development projects.

Fair value gain in 2016 arose mainly from the Group's investment properties in Singapore as opposed to a fair value loss last year which was due mainly to the fair value loss on non-hotel investment properties in Perth, mitigated partially by a fair value gain in Melbourne and Singapore.

SUMMARY OF FINANCIAL PERFORMANCE

	2016 $'000	2015 $'000
Revenue	**404,018**	**677,122**
Cost of sales	(319,634)	(535,259)
Gross profit	**84,384**	**141,863**
Other operating income	4,490	3,420
Distribution costs	(5,867)	(4,355)
Administrative expenses	(29,741)	(25,672)
Other operating expenses	(7,739)	(10,085)
Share of results of an equity-accounted investee	13,466	6,803
Interest income	4,465	4,258
Finance costs	(25,716)	(27,529)
Profit before tax and fair value adjustments	**37,742**	**88,703**
Fair value adjustments	2,336	(8,049)
Profit before tax	**40,078**	**80,654**
Income tax expenses	(6,272)	(11,535)
Profit after tax	**33,806**	**69,119**

SUMMARY OF FINANCIAL POSITION

	2016 $'000	2015 $'000
Cash and bank balances	163,688	141,717
Development properties	183,232	336,132
Property, plant and equipment	419,278	395,149
Investment properties	1,108,652	1,076,909
Investments in equity-accounted investees	83,579	71,511
Other assets	164,654	141,087
Total assets	**2,123,083**	**2,162,505**
Total borrowings	1,020,793	1,106,334
Other liabilities	171,834	168,714
Total liabilities	**1,192,627**	**1,275,048**
Total shareholders' funds	**919,422**	**876,805**
Total non-controlling interests	**11,034**	**10,652**

Increase in cash and bank balances largely due to progress billings received from the three development properties following their completion.

Decrease due largely to lower carrying amount of the three development properties as they were completed and handed over to the buyers.

Increase in property, plant and equipment was mainly attributable to a net fair value gain of $17.0 million for the two hotels in Australia and foreign currency translation gain as a result of the appreciation of Australian Dollar.

Increase in investment properties reflected the capitalised cost for the new Robinson Tower while its redevelopment is in progress.

The decrease in total borrowings was attributable primarily to the repayment of certain loans after the completion of the development projects.

These increases reflect mainly profit made during the year, gain from revaluation of properties and gain from foreign currency translation but reduced by payment of dividend to shareholders.

Camaraderie among the employees through regular meetings at Tuan Sing.

MANAGING RISK IN DELIVERING OUR STRATEGY

"It is necessary to take certain risks that we believe are manageable and appropriate in relation to expected opportunities"

Tuan Sing continues to explore opportunities to sustain earnings and to drive long-term increase in shareholders' value. In doing so, we are exposed to certain risks. Hence, our ability to prevent, detect and manage risks is crucial for an effective governance and control of the business.

Our Enterprise Risks Management ("ERM") framework is designed to be in line with "ISO31000 – Risk Management Principles and Guidelines" and the recommended practices under "Risk Governance Guidance for Listed Boards" issued by Corporate Governance Council on 10 May 2012. The ERM outlines the principles, process, tools, risk categories and types, key responsibilities, reporting requirements and communication timelines within the Group and intends to provide reasonable assurance that the Group's objectives can be achieved and its obligations to customers, shareholders, employees and community can be met.

In this discussion, we give an outline of the Group's approach in managing risks. Key risks in 2016 have been identified through the risk management system and are reported and reviewed by the Board of Directors. They are summarised in the "Business Dynamics and Risk Factors Statement" section of this Annual Report.

OUR APPROACH TO RISK MANAGEMENT

At Tuan Sing, risk management is an integrated process that supports informed decision-making throughout the Group. Our integrated approach recognises the need for clear, timely direction and decision from the Board of Directors, senior management and our strategic business units management (i.e. SBUs), where appropriate. Risk management is also embedded into the day-to-day decision-making and operational activities (i.e. operational risk management).

The top-down approach (i.e. strategic risk management) involves a review of the external environment in which we operate and the extent of our risk appetite. The result will then guide the actions we will take in executing our strategy. Key risk indicators have been identified for each of our principal risks and are used to monitor our risk exposure. These key risks are reviewed quarterly by the Audit and Risk Committee to ensure that the activities of the business remain within our risk appetite.

The bottom-up approach (i.e. operational risk management) involves identifying, managing and monitoring risks at the "front line" level. This way, risk management is embedded in our everyday operations. Control of this process is through maintaining of risk registers by all SBUs. These risk registers are aggregated and reviewed by the Group CEO and Group CFO, with significant and emerging risks escalated for the Board and Audit and Risk Committee's consideration as appropriate. This process complements the top-down view by helping us to identify our principal risks and ensuring that operational risks are fully considered in determining the risk appetite and the corresponding strategy of the business.

MANAGE RISK IN DELIVERING OUR STRATEGY

We remain focused on property and hotels investment to drive growth. In pursuing our corporate strategies and business goals, we acknowledge that it is necessary to take certain risks that we believe are manageable and appropriate in relation to expected opportunities. However, it should be within our risk appetite by taking into consideration our assessment of the macroenvironment that we are operating in. We use key risk indicators to ensure that the activities of the business are within our risk appetite.

OUR RISK MANAGEMENT PROCESS AND CULTURE

The Group places considerable importance on maintaining a strong control environment to ensure that risks are managed and business strategies are executed. Policies and procedures, delegation of authority, minimum internal controls and Code of Ethics have been defined and put into practice by all SBUs. Together with compliance with laws and regulations, these established procedures and internal guidelines form the control environment of Tuan Sing for which employees are accountable for their compliance.

In addition, the Group has since 2006 established a Whistle-blowing Policy under which employees and outsiders could, through well-defined and accessible channels, raise concerns in confidence about possible improprieties in matters of business activities, financial reporting or other matters to the Whistle-blowing Committee. The Committee is bound to report, within certain established timeline, the results of its investigation to the Audit and Risk Committee.

On a quarterly basis, the head of SBU is required to submit management representation letters to the Group CEO and Group CFO to confirm the effectiveness of the financial reporting, risk management, compliance and internal control systems in their respective units. These representation letters in turn formed the basis on which the Group CEO and Group CFO issued the quarterly group management representation letters to the Audit and Risk Committee. To promote accountability and appropriate corporate culture, yearly compliance checklist and declaration on ethics by all employees have also been implemented. ▸▸

- The Internal Audit function is outsourced to PricewaterhouseCoopers which provides independent checks on operational issues and risk controls and reports directly to the Audit and Risk Committee.

To increase risk awareness and to establish a culture of risk-conscious decision-making, risk management training sessions were held during the Tuan Sing Finance Conference in August 2016, bringing together employees from not only finance but also operational managers.

CRISIS MANAGEMENT AND BUSINESS CONTINUITY

The Group implements crisis management and business continuity programme as part of its ERM processes to ensure that the Group has the ability to respond and continue to operate critical business functions across a broad spectrum of interruptions to business.

In addition, to better prepare ourselves for business continuity, we conduct periodic emergency response exercises such as fire drills. Our SBUs also share information with one another on successful safety initiatives and accident cases so that others can learn from the experiences. In relation to preventive risk management measures, the Group protects itself by taking out appropriate group insurance policies.

RISK MANAGEMENT IMPLEMENTED: RISK RELATING TO PERSONAL DATA PROTECTION

The Personal Data Protection Act ("PDPA") 2012 in Singapore and the Privacy Act in Australia regulate the collection, use, disclosure, transfer and security of personal data. The Group is exposed to personal data protection risk as such data in our possession may be subject to unauthorised access, modification, disclosure, use, or copying, whether in hardcopy or electronic form. To mitigate this risk, the Group has implemented the Personal Data Protection Policy for employees and stakeholders after it was approved by the Board on 27 October 2016.

OUR RISK GOVERNANCE AND OVERSIGHT STRUCTURE

Our ERM system is designed to provide reasonable, but not absolute, assurance that the Group's assets are safeguarded, the risks facing the business are being assessed and all information that may be required to be disclosed is reported to the Board through the Audit and Risk Committee. We have reviewed the current ERM framework and are of the view that it remains appropriate for the year 2016. ■

THE BOARD

- Determine strategies
- Set risk appetite and parameters
- Review external environment
- Manage and monitor risks
- Assess effectiveness of risk management system
- Instil corporate culture and approaches to risk governance

AUDIT & RISK COMMITTEE

- Direct delivery of strategic actions
- Report principal risks and uncertainties
- Oversees financial reporting, operational and compliance risks
- Oversees internal and external audit processes
- Consider aggregation of risk exposures across the businesses
- Monitor key risk indicators and the implementation of risk mitigation plans
- Oversees the adequacy and effectiveness of the Group's risk management and internal control systems

CEO & CFO

- Implement the Company's strategies
- Strengthen the Group's risk management culture ensuring the overall framework of risk management is comprehensive and responsive to changes in the business
- Regularly review the completeness and accuracy of risk assessments, risk reporting and the adequacy of risk mitigation efforts

STRATEGIC BUSINESS UNITS

- Identify emerging risks
- Monitor and manage operational risks on an ongoing basis
- Maintain risk registers which provide a framework for all relevant staff to recognise their shared responsibility for an effective management of risks on a regular and timely basis

BUSINESS DYNAMICS & RISK FACTORS STATEMENT

"We actively monitor key risks to ensure that our business activities are within our risk appetite"

KEY RISK PROFILE 2016

The changing business environment has caused the Group to closely monitor the impact on our risk landscape. Out of the twenty-six key risks identified, two risks, namely cyber security risk and terrorism risk, are newly identified during the year. This is caused by the increase in the scale and level of sophistication of cyber-attacks and terrorism that happen globally and near-misses regionally in the last twelve months. Otherwise, our risk appetite and risk profile remain broadly unchanged in 2016.

NO THREAT TO GOING CONCERN

After making due inquiry, we are satisfied that as of 31 December 2016, there were no risks that could affect the ability of the Group to continue as a going concern in the next twelve months.

RISK MATRIX TABLE

CONSEQUENCE	Rare	Unlikely	Possible	Likely	Almost Certain
Extreme	* Compliance				
High		* Liquidity	* Business Continuity		
Major	* Financial Management	* Strategy * Investment			
Moderate	* Derivative Financial Instrument * Insurance	* Processing, Sourcing & Execution	* Competition * Industry	* Reputation * Macroeconomic & Political * Price	* Foreign Exchange * Tax * Interest Rate
Low		* Alliance * People * Work Health & Safety * Terrorism * Cyber Security	* Credit * Capital Structure	* Social & Environmental * Regulatory	
Negligible					
LIKELIHOOD →					

RISK EXPOSURE & APPETITE TABLE

Risk Level	Action Requirements
Extreme	Not acceptable: * Immediate action required * Must be managed by senior management with a detailed treatment plan
High	Senior Management attention: * Senior management attention needed and management responsibility specified * Treatment plans to be developed * Must be monitored on regular frequency
Medium	Tolerable: * Management responsibility must be specified * Treatment plans to be developed * Ongoing monitoring and review
Low	Acceptable: * Manage by routine process / procedures * Consider additional controls only if they are clearly quantifiable cost benefit * Ongoing monitoring and review
Negligible	Acceptable: * Manage by routine process / procedures * Unlikely to require specific application of resources

DESCRIPTION OF RISKS	WHAT WE DO TO MANAGE THE RISKS
BUSINESS & STRATEGY RISKS	
Strategy risk	
• The Group is exposed to risks associated with its expansion plans. • Expansion involves the financial burden of setting up new business units and dealing with unfamiliar rules and regulations in foreign countries or nuances in customer service expectations. • Such expansion plans may divert the management's attention.	• New investment proposal is evaluated carefully to ensure that it is in line with the corporate strategy and investment objectives and that it can meet the relevant hurdle rates of financial returns, in addition to consideration of other relevant risk factors. • Evaluation includes macro and project-specific risks analyses, due diligence, and sensitivity analysis on key assumptions. Each investment proposal is reviewed and eventually approved by the Board.
Competition risk	
• Our relative size may be a disadvantage in the highly competitive property development industry. Hence, the Group may be more vulnerable to external shocks and negative occurrences specific to its operations. • The real estate markets in Singapore and in the region are rapidly changing and the Group has to respond swiftly and effectively more so than other bigger players. • The Australian hospitality industry where our hotels are situated is highly competitive. Any completion of new hotels or renovation of competing hotel properties would reduce the competitiveness of older or existing properties.	• The Group strives to maintain competitiveness through differentiation of its products and leveraging on its brand name and thereby moving away from the mass market. • Tuan Sing is a recognised developer with proven track records and reputation associated with award-winning projects. • The Group's hotel properties offer choice locations and excellent services of their class. • Long-term management agreements in place with Hyatt International for hotel operations.
Industry risk	
• The Group is exposed to inherent risks in property developments. • Adverse weather, labour shortage, poor performance of main contractors, industrial accidents or delays in obtaining regulatory approvals may delay the completion of projects and cause cost overruns. • The Group is exposed to the hotel industry's supply and demand cycle which is dependent on the conditions of the hospitality and leisure industry and the state of the property market in Australia. • Reductions in room rates and occupancy levels would adversely impact the results of Group.	• Policies and procedures covering project management process are in place. • Project budget is established, approved and used by the project team to monitor progress. All variation orders are to be approved by the appropriate authority. • Hyatt management monitors industry demand and supply factors. • Room rates are adjusted as and when necessary to optimise returns.
Macroeconomic & political risk	
• Changing macroeconomic and political conditions in the countries where the Group operates may adversely affect the Group's performance particularly when the Group ventures into neighbouring country. • The property development business depends heavily on the continued health of the real estate market in Singapore and in the region. • Changes in government policies and regulations affect the market demand, land title acquisition, planning and design, construction hours and financing.	• The Group monitors key economic indicators and keeps itself updated on potential changes of policies by the authorities. • The Group remains optimistic of the median and long-term outlook for the property markets in Singapore and in the region.
Regulatory risk	
• Operations are subject to changes in prevailing laws and regulations in the relevant jurisdictions, particularly in the areas of corporate law, competition law, consumer protection and environment law.	• The Group maintains close working relationship with advisors, consultants and local authorities so as to keep abreast with changes. • Local strategic business units are required to appraise head office of material regulatory developments in a timely manner.

BUSINESS DYNAMICS & RISK FACTORS STATEMENT

DESCRIPTION OF RISKS	WHAT WE DO TO MANAGE THE RISKS
BUSINESS & STRATEGY RISKS (CONT'D)	
Reputation risk	
• The Group may face adverse publicity if there is mishandling of transactions or events.	• The Group values its reputation and has put in place an open communication programme to ensure timely and effective communication with its key stakeholders. • Clear mission statement and guiding principles are in place to guide the Group's operations. • The Group has in place Investor Relations Policy, approved by the Board, and published in our corporate website to further strengthen our communication with stakeholders.
Business continuity risk	
• Property and hotels investment businesses are capital intensive and rely heavily on external financing at commercially acceptable interest rate and terms. • Property development business relies on obtaining land plots and executing the projects to their fruition and successfully marketing the units within a certain timeframe and achieving profitability that commensurate with the risks involved.	• A S$900 million MTN Programme had been in place since 2013 so that we could fund business expansion at short notice, diversify our sources of funding and to raise our profile to potential investors. • A portfolio of investment properties provides a platform of growth and generates recurring income. • Business development and project management functions have been strengthened in recent years.
Terrorism risk	
• The Group could be adversely affected by the unpredictable terrorist attacks due to its geographical footprints. • This would potentially result in damage on properties, facilities and activities and cause injury or death to personnel as well as disruption in operation and causes financial implication to the Group.	• This is an inherent risk and uncontrollable event that the Group could not avoid. • The Group has disaster recovery plan in place. • Property is protected through the implementation of other security measures.
FINANCIAL RISKS	
Liquidity risk	
• Renewal or additional debt-financing on favourable terms is subject to prevailing global and local economic conditions, credit and capital market sentiments.	• The Group monitors and maintains a level of cash and cash equivalents deemed adequate. • The Group manages debt financing proactively to ensure all covenants are met as and when required. • Cash flow projections, free cash pool structure, debt maturity profile and available bank facilities are actively reviewed to ensure efficient management of liquidity position. • Great emphasis is placed on the timely execution of the on-going projects to ensure that significant proportion of our property projects are sold and cash being realised as early as possible.
Capital structure risk	
• Inefficient capital structure or weakness in financial management could impact the Group's ability to provide adequate returns to the shareholders.	• The Group conducts regular reviews to ensure optimal capital structure. • The Group monitors periodically its gross gearing and net gearing ratios and their trends. • To achieve an optimal capital structure, the Group may from time to time issue new shares, obtain new borrowings, sell assets to reduce borrowings, or pay or adjust the amount of dividend payment, or return capital to shareholders. During the year, the Group bought certain number of shares from the market and cancelled them.

DESCRIPTION OF RISKS	WHAT WE DO TO MANAGE THE RISKS
FINANCIAL RISKS (CONT'D)	
Derivative financial instrument risk	
• Market conditions may move against the assumptions the Group adopts at the time of hedging transactions, an inherent risks.	• Derivative financial instruments are only used to manage interest rate fluctuation on floating rate debts or foreign currency exposure, or to comply with certain bank covenants. • Hedging is to meet actual operational requirements, not for speculative purposes.
Price risk	
• Revenue and profit recognition for development properties and fair value adjustments for investment properties are lumpy. • Residential property prices and demands in Singapore and in the region are subject to rounds of government cooling measures.	• This is an inherent systemic risk that the Group could not avoid. • Diversify the property portfolio. • For development properties, reduce the gestation period of a property launch. • For investment properties, fix the rental periods to at least two to three years.
Credit risk	
• Credit risk arises when counterparties default on their contractual obligations resulting in financial loss to the Group.	• Standard operating procedures are in place which includes extending pre-approved credit terms to only credit-worthy customers and monitoring credit risk on a regular basis. • Major collectability issues are highlighted to all concerned.
Foreign exchange risk	
• Exchange gains or losses may arise when the assets and liabilities in foreign currencies are translated into Singapore Dollar for financial reporting or repatriation purposes.	• Natural hedging is used extensively including matching sale and purchase or matching asset and liability of the same currency and amount whenever practicable. • Currency translation risk is inherent for operations outside Singapore, non-cash in nature and is therefore not hedged.
Interest rate risk	
• The Group is exposed to interest rate fluctuations from borrowings.	• The Group keeps abreast of the trend of interest rate movements. • A variety of financial instruments, including interest rates of different durations, interest rate swaps, caps and forwards, may be used to hedge interest rate risks arising from normal course of business.
Tax risk	
• The Group is exposed to vagaries of tax interpretations or changes at short notice in foreign jurisdictions.	• The Group monitors changes in tax rulings in different countries on periodic basis. • Tax provisions are made in strict compliance to the rules so as to reduce underprovision in the book of accounts. • The Group developed Transfer Pricing Documentation Master File to provide a guideline on transfer pricing for all subsidiaries across different countries.

BUSINESS DYNAMICS & RISK FACTORS STATEMENT

DESCRIPTION OF RISKS	WHAT WE DO TO MANAGE THE RISKS
FINANCIAL RISKS (CONT'D)	
Financial management risk	
• Other than the Group's policies and guidelines and the internal audit function which has been outsourced, the Group relies on self-assessment, review and reporting process from the strategic business units to ensure that transactions are carried out in conformity with the accounting standards and Group accounting policies and that the internal controls are adequate and effective. • This system may not prevent or detect all frauds or misstatements in a timely manner. • Changes in conditions or operations may cause system effectiveness to vary from time to time.	• Internal controls over financial reporting are reviewed regularly and embedded within our corporate governance structure. • On a quarterly basis, strategic business units' operating and finance heads are to report the results of their self-review in their management representation letter. • Quarterly management representation letter also serves as a platform for all strategic business units to highlight any transactions and/or events which may have material or potential financial impact to the Group.
Investment risk	
• Higher returns are usually accompanied with higher risk and uncertainty. Therefore, the Group has to strike a balance in making an investment.	• Major investments are reviewed by the Board or its committee to ensure that they are in line with the Group's strategic focus, meet the relevant risk-adjusted hurdle rate of return and pass other risk assessments.
OPERATIONAL RISKS	
Alliance risk	
• Business associates or joint venture partners' median or long-term interest may not necessarily be aligned with the Group's. • Change in business associates' policies and personnel may lead to its inability or unwillingness to fulfil obligations.	• The Group agrees with business associates in advance on well thought rights, duties and obligations of each party. • The Group maintains cordial working relationship with business partners.
Social & environmental risk	
• Heightened awareness by the public and environmental agencies may increase the Group's operating expenses in environmental issues.	• The Group adopts environmental-friendly practices across countries, so as to bring them in line with best practices in the market and remedy promptly shortcomings identified. • The Group provides eco-themed amenities and nature-inspired landscaping at development projects. The Group is also committed to meeting green building requirements for our projects.
People risk	
• The Group depends on the service of good personnel for business continuity. • Succession plan execution is a challenge given the size of the Group.	• The Group provides a safe working environment under which employees could develop their career with work-life balance so as to ensure that human capital are nurtured and retained. • Attractive award and bonus are given to good performers.
Processing, sourcing & execution risk	
• Property development projects take 3-5 years to complete. Delays in the project completion and cost overruns may arise from labour and material shortage, poor performance of contractors, or delay in obtaining necessary regulatory approvals and industrial accidents. • The Group relies heavily on third-party contractors and consultants for various services.	• Operating manuals, standard operating procedures, delegation of authority matrix are in place. • Project costs and project timeline are closely monitored through regular project meetings with consultants, suppliers and contractors. • Project control sheets are prepared for the on-going projects and are monitored on a monthly basis. Costs overruns are analysed and highlighted to the senior management and the Board.

DESCRIPTION OF RISKS	WHAT WE DO TO MANAGE THE RISKS
OPERATIONAL RISKS (CONT'D)	
Work health & safety risk	
• The Group is exposed to work, health and safety risks of employees arising from incidents in the production process and pandemics.	• The Group cultivates a safety-consciousness culture at all levels including the setting up of employees' safety council, where appropriate. • Refresher drills on fire safety, emergency evacuation and first aid responses are conducted regularly. • Disease pandemic preparedness plan is in place to safeguard the health and welfare of employees and to ensure quick resumption of critical business functions.
Insurance risk	
• Properties owned are subject to risks (e.g. war, outbreak of contagious diseases, environmental breaches) that may not be insurable or the premium prohibitive or financial loss may not be fully compensated by insurance proceeds.	• The Group conducts insurance review with insurance brokers on an annual basis to ensure adequate and comprehensive insurance coverage.
Cyber security risk	
• The Group's operation is exposed to disruptions to the network • This can happen through targeted attacks from hackers, insider attacks and accidental cyber incidents. • Resulted cyber thefts of sensitive and confidential information could lead to litigations from customers and/or regulatory fines and penalties.	• The Group adopt a holistic approach by keeping abreast of the threat landscape and business environment. • During the year, the Group revised the Information Security Policy covering cyber security and data protection measures.
COMPLIANCE RISKS	
Compliance risk	
• There have been rapid changes in laws, regulations and practices making compliance more complicated. • The Group's internal control systems and related framework may not be kept up-to-date in time.	• Internal controls, risk management and corporate governance frameworks, control self-assessment processes have all been in place and are reviewed on an annual basis. • Whistle-blowing Policy and annual declaration by staff on ethics have been in place for some time. • External auditors are engaged for statutory audit and internal auditors are engaged to conduct operations review; both report directly to the Audit and Risk Committee.