# CEO'S REVIEW OF OPERATIONS

### RESIDENTIAL PROPERTIES

Developed **660 residential units** over the past three years in Singapore

### INVESTMENTS PROPERTIES

Owns **over 940,000 sq. ft.** of lettable area of commercial and industrial space in Singapore, Australia & China

### HOTELS INVESTMENT

Investment in **2 freehold & award-winning hotel properties** in Australia

### INDUSTRIAL SERVICES

**Non-core businesses** mostly comprise commodity trading serving various Asian countries

### OTHER INVESTMENTS

**Non-core investments** comprise a printed circuit board manufacturer with plants in China

# 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)

**PROFIT AFTER TAX** ($ M)

**Results of GHG's investment properties (i.e. non-hotel space including office & shopping area) have been reclassed from Hotels Investment segment to Property segment*

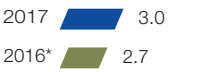
## HOTELS INVESTMENT
## 酒店投资

The Group's Hotels Investment segment 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 high-end 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高端旅游客户群的需求。

**REVENUE** (A$ M)

**PROFIT AFTER TAX** (A$ M)




**Results of GHG's investment properties have been reclassed from Hotels Investment segment to Property segment*

## 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. 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。Hypak则在马来西亚从事聚丙烯包装袋和太阳挡热屏的生产和销售。

**REVENUE** ($ M)

**PROFIT AFTER TAX** ($ 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 – GULTECH** (US$ M)

**PROFIT AFTER TAX – GULTECH** (US$ M)

# PROPERTY

*The central pool against an L-shaped backdrop of architectural elegance encapsulates luxury living – Kandis Residence (Artist's impression)*

# PROPERTY

"Having a mix of investment properties for rental and development projects for sale enable us to have sustainable income streams"

For the year in review, Property revenue decreased 28% to $122.9 million, accordingly, profit before tax and fair value adjustments declined 24% to $13.6 million. The decrease was a reflection that all our three residential development projects have been substantially sold. There are currently two new residential projects: Kandis Residence was soft-launched in August 2017 while the construction for the show rooms for the Remaja Project commenced in February 2018. It is expected that this freehold residential plot could be launched for sale in 2Q 2018.

Revenue from investment properties increased by 11% to $40.3m on the back of contribution from the commercial building at 896 Dunearn Road, acquired in June 2017. The construction at 18 Robinson is on track and is expected to complete before end 2018.

Despite lower revenue, the Property segment profit after tax has increased to $56.9 million from $17.2 million a year ago, attributable to higher fair value gain of $44.5m on investment properties. As a result, Property remained as the largest profit contributor and accounted for 91% of the Group's total profit after tax in 2017.

## SINGAPORE PROPERTY

### MARKET REVIEW

The Singapore property market showed a decisive recovery amid the buoyant collective sales activities as developers intensely replenished their land banks. Private residential market in 2017 experienced stronger growth in sales volume as buyer sentiments improve, encouraged by the surge in *en bloc* deals that have driven land prices higher and boosted the liquidity of the residential properties.

The Urban Redevelopment Authority ("URA") indicated that prices of private residential properties increased by 1.1% in 2017 as compared with 3.1% decline in 2016. The number of units launched by the developers in 2017 was 6,020 units as compared to 7,877 units in 2016. Notwithstanding fewer private housing launches, the take-up soared and developers sold 10,566 private residential units, as compared with 7,972 units in 2016.

Against the backdrop of a broad-based economic recovery, the leasing market became comparatively more upbeat. According to URA's Office Space Price and Rental Indices, the prices of office space have fallen by 2.4%, softer than previous year's 2.8% decrease. Rentals of office space have risen by 0.4% in 2017 in contrast with the decline of 8.2% in 2016.

Correspondingly, industrial sector has shown subtle signs of recovery as year-on-year decline in prices and rental became less severe; JTC Quarterly Market Report on Industrial Properties showed that industrial prices and rentals fell by 5.7% and 2.8% respectively in 2017 as compared to the previous year. In 2016, industrial prices and rentals fell by 9.1% and 6.8% respectively.

### OPERATIONS REVIEW

In June 2017, the Group successfully acquired a land parcel at 1 Jalan Remaja through a private tender for $47.8 million. The freehold site has a land area of approximately 4,047 square metres. With a plot ratio of 1.92, the site can be developed into approximately 100 residential units for sale, taking into account a permissible Gross Floor Area ("GFA") (excluding balcony bonus GFA) of 7,770 square metres.

Within the same month, the Group completed the acquisition of a commercial building at 896 Dunearn Road for $365.0 million. Plans are in progress to reposition the investment property into a hub of activities that serves the needs of the vast residential community in the vicinity.

### KEY FIGURES

**REVENUE**
$122.9 MILLION

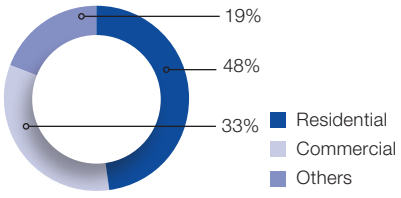
**PROFIT BEFORE TAX AND FAIR VALUE ADJUSTMENTS**
$13.6 MILLION

**PROFIT AFTER TAX**
$56.9 MILLION

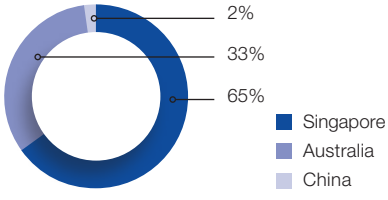
**DEVELOPMENT PROPERTIES BY VALUE**
$188.3 MILLION

**INVESTMENT PROPERTIES BY VALUE**
$1,592.7 MILLION

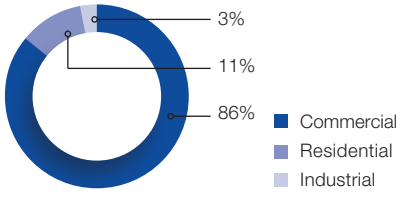
**REVENUE BY TYPE** (TOTAL: $122.9M)




**REVENUE BY COUNTRY** (TOTAL: $122.9M)




**PROPERTY PORTFOLIO BY VALUE** (TOTAL: $1,781.0M)



# PROPERTY

**SELETAR PARK RESIDENCE** 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 Temporary Occupation Permit ("TOP") was obtained in August 2015 and Certificate of Statutory Completion ("CSC") was obtained in January 2016. The last few units were sold during the year. 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. The TOP was obtained in June 2016 and CSC was obtained in May 2017. There were only eight units left unsold in the project.

**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. The TOP was obtained in July 2016 and CSC was obtained in October 2016. As at 31 December 2017, only five units remained unsold.

**KANDIS RESIDENCE** is a condominium housing of three and seven-storey high buildings (totaling 130 residential units) comprising one- to three- bedroom units and with full condominium facilities. The 99-year leasehold development occupies an area of approximately 7,064 square metres and is well-positioned within the North Coast Innovation Corridor earmarked by the URA and is a short drive to key commercial centres along the Corridor – Woodlands Regional Centre, future Seletar Regional Centre and Punggol Creative Cluster. Designed by Ong & Ong, Kandis Residence was soft-launched in August 2017. The project is scheduled to be completed by 2019.

**REMAJA PROJECT** is a freehold site occupying approximately 4,047 square metres. It is within walking distance from Hillview MRT Station and is surrounded by lush greenery endowed by the neighbouring Bukit Timah Nature Reserve, Bukit Batok Nature Park and Bukit Gombak "Little Guilin". We have engaged AGA Architects to build approximately 100 residential condominium units there. It is expected to be launched by 2Q 2018 and to be completed by 2020.

**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 12,483 square metres of net lettable area, which include retail units on the ground floor. The building offers 57 car parking 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 2017, the average occupancy rate was 91% and the average gross rental was around $8 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 18 Robinson is being developed. The Group owns the strata unit on the whole of 11th floor. In 2017, we achieved almost full occupancy at an average gross rental of around $6.30 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 major shareholder and the third floor is where the corporate headquarters of the Group currently sits. In 2017, we achieved full occupancy 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 2017, the average occupancy rate was 92% and the average gross rental was around $2.10 per square foot per month.

**L&Y BUILDING** is a five-storey light industrial building with a basement car park at Jalan Pemimpin. It is within close proximity to Marymount MRT station. The Group owns three out of the total 24 strata units in the building. The three units are currently vacant.

**COMMERCIAL BUILDING AT 896 DUNEARN ROAD** was acquired in June 2017. The five-storey building sits just opposite the King Albert Park MRT Station, on a part freehold, part 999 years leasehold of 13,089 square metres with an allowable gross plot ratio of 1.8 and a maximum permissible gross floor area of 23,560 square metres. The building currently has about 18,857 square metres of net lettable area, which include a mixture of retail and office tenancies. In 2017, the average occupancy rate was 87% and the average gross rental was around $4.00 per square foot per month.

**18 ROBINSON (FORMERLY KNOWN AS "ROBINSON TOWERS REDEVELOPMENT SITE")** The Group commenced redevelopment in June 2013 of the 1,725 square metres site on which Robinson Tower, its annex and International Factors Building were erected. Designed by the internationally-acclaimed Kohn Pedersen Fox Associates and Architects 61, the proposed redevelopment, now known as 18 Robinson, will comprise an office tower with a retail podium. It shall have a total planned gross floor area of 24,086 square metres and total lettable area of about 18,058 square metres.

# PROPERTY

18 Robinson 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 shall have energy and water saving features aimed at achieving Green Gold$^{plus}$ standards, thus reflecting Tuan Sing's green and sustainability efforts. In addition, 18 Robinson 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. It will be the first of its kind in Singapore and South-East Asia.

This project has garnered several awards and accolades in recent years, including the 2014 Le marché international des professionnels de l'immobilier (MIPIM) Asia Awards – Best Futura Project (Silver) and the Top 10 Developers at the 2016 BCI Asia Awards. In 2017, the project received the BCA Green Mark (Gold$^{plus}$), Workplace Safety and Health (WSH) Sharp Awards and Royal Society for the prevention of Accidents (RoSPA) Gold Awards.

Upon completion by end 2018, the Group is expected to recognise a significant developer's profit in relation to 18 Robinson. It will also provide a recurring income stream to the Group.

## BUSINESS OUTLOOK

In 2017, collective sales activities have fueled optimism in the property market, resulting in a rebound in property prices. The upward trend in property prices is expected to persist in 2018 in view of the rising land prices and incremental demand from displaced sellers from collective sales. Cognizant of the expected price increase, developers are likely to time or hold back their launches to leverage on the potential upside.

Developers will continue to face intense competition for development sites as they replenish land banks. However, the existing property cooling measures in place may moderate the developers' bullish appetite in land bidding. As recovery of the property market enters its nascent phase, cautious sentiments remain as development of collective sales sites will amplify the supply pipeline in the next few years and the probable downside risks of further tightening measures in the event of an overheated market.

Following the upswing in global growth, the outlook for office property market remains optimistic. The tapering supply in the next few years is expected to accelerate rent growth. On the other hand, the robust manufacturing growth has not translated into sustained rental improvement for industrial property market due to oversupply. Given that 24.8 million square foot of industrial space are estimated to come on-stream from 4Q 2017 to 2018, downward rental pressure is set to continue with overall industrial rents likely to moderate into 2018. (Source: *Colliers Quarterly Singapore Industrial Report*)

## AUSTRALIA PROPERTY

### MARKET REVIEW

The Central Business District ("CBD") in Melbourne is one of the most densely populated areas across the Commonwealth. Its population bloom has transformed the retail culture with more choice and a wider variety of retailers. In the light of elevated rents and tight retail vacancy within the "Paris End" of the CBD, there was increasing demand and interest for retail space in the western side of Collins Street. Retail leasing demand in Melbourne therefore remained relatively healthy, with food and beverage operators being the key source of the demand.

The business conditions in Western Australia remained soft, translating to subdued white-collar employment growth and weak office space demand. However, net absorption of office space had generally improved in Perth, mostly driven by the demand for quality office space. As a result, vacancy burden had been shifted to older properties in the market. Similarly, the sluggish retail conditions in Western Australia continued to create vacancies and impact rental growth. In order to remain competitive in the retail landscape, major suburban and CBD centre owners were forging ahead with significant redevelopment and expansion plans. (Source: *Colliers Research and Forecast Report – Retail & Office Second Half 2017*)

### OPERATIONS REVIEW

Net income from non-hotel operations (office, retail and carpark) of A$14.1 million was 3% lower than last year mainly due to lower occupancy rate at Fortescue Centre in Perth.

**COMMERCIAL CENTRE AND CARPARK WITHIN MELBOURNE GRAND HYATT COMPLEX** comprises ten tenancies with a total lettable area of 3,024 square metres. The tenancies have a mixture of leases ranging from three to ten years. Some of the luxurious and high-end stores in the hotel's shopping complex include Chanel, Bvlgari, Paspaley Pearls and Giorgio Armani. The Group has a master lease agreement with Wilson Parking for the leasing of the basement car park of 595 bays. The car park is configured over four levels and has access from Russell Street and Flinders Lane.

During the year, the property was fully occupied and reported net property income of A$7.8 million.

# PROPERTY

## FORTESCUE CENTRE AND CARPARK

(being part of the Hyatt Regency Perth complex) comprise a three-level office in the building facing Terrace Road, Adelaide Terrace and Plain Street with a total lettable area of 23,415 square metres and a two-level basement car park which can accommodate approximately 1,018 cars. The tenancies which cater for retail and office tenants have a mixture of lease durations ranging from one to eight years. Fortescue Metals Group which occupies approximately 55% of the total lettable area, is a major tenant. The Group has outsourced the management of the carpark to Secure Parking.

During the year, the average occupancy rate of the property was 75% and reported net property income of A$6.3 million.

**PERTH LAND** refers to a plot of vacant freehold land known as Lots 11 and 12 Terrace Road and of 1,405 square metres and 1,667 square metres respectively. These plots of land together with Hyatt Regency and the existing 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 second half 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. In 3Q 2017, written planning approval has been obtained from City of Perth for the AEI in respect of Hyatt Centre (the retail complex) and the development of Lot 11.

### BUSINESS OUTLOOK

Notwithstanding growing competition, the outlook for Melbourne's retail leasing market remains cautious. In contrast, there is renewed confidence in Perth leasing market, with the iron ore resource sector signaling investment spend and office space commitment. Gradual improvement in demand is expected to improve vacancy rate and scale back on incentive offerings, positively impacting net effective rental growth in Perth. Headwinds remain as the pace of recovery of the leasing sector is highly reliant of the adsorption of new supply and additional vacancies that enter the market.

## CHINA PROPERTY

### MARKET REVIEW

Slowing property sales was observed in the Shanghai's luxury residential market as policy tightening measures continued to dampen home buyer's sentiments. Developers delayed launching new units in anticipation of capitalising on a more favourable policy environment. Stricter regulatory controls were placed on pre-sale launch permits, therefore impacting new supply.

### OPERATIONS REVIEW

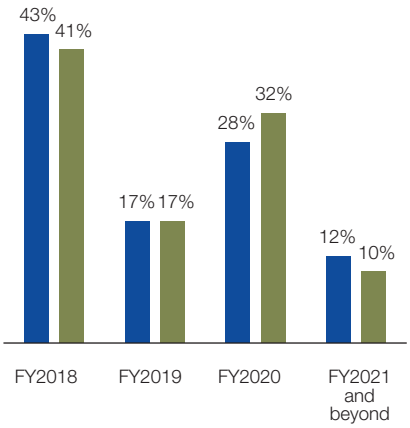
At present, the Group has no development activities in China. The Group has two plots of land, one each in Fuzhou and Jiaozhou meant for mainly residential development. In November 2017, the Group has entered into a sale and purchase agreement to dispose its interests in a wholly-owned subsidiary which owns the land in Jiaozhou. The transaction has yet to be completed as at 31 December 2017 and is subject to a number of conditions precedents.

Fuzhou Land is a piece of vacant and undeveloped land measuring 163,740 square metres, 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.

### BUSINESS OUTLOOK

China's economy grew 6.9% in 2017, up from 6.7% in the previous year. With growth supported by other sectors in the economy, the Chinese Government is expected to place sustained efforts in property cooling measures, moderating the growth in the property market.

### LEASE EXPIRY AND KEY TENANTS PROFILE




In generating a less volatile income stream, the Group tries to maintain a balanced lease expiry profile for our property portfolio in Singapore, Australia and China. As at 31 December 2017, approximately 43%, 17% and 28% of the lettable area of the committed leases are due to expire in FY 2018, FY 2019 and FY 2020 respectively, whilst the balanced 12% is due to expire beyond FY 2020.

Five major tenants from retail, office and carpark leases of the Group in FY2017 were Fortescue Metals Group, Wilson Parking Australia 1992 Pty Ltd, Bulgari Australia Pty Ltd, Skyscanner Pte Ltd and Nuri Holdings Pte Ltd.

# HOTELS INVESTMENT

*Extend the comfort of dining experience at Collins Kitchen booths – Grand Hyatt Melbourne*

# HOTELS INVESTMENT

"Our award-winning hotels epitomize our commitment in delivering excellence"

In 2017, Hotels Investment recorded revenue of A$116.5 million and net property income of A$25.1 million. Net income from hotel operations was down 4% to A$25.1 million as Grand Hyatt Melbourne and Hyatt Regency Perth registered a combined 1% drop in Revenue Per Available Room ("RevPAR") despite achieving overall higher occupancies.

Revenue from Grand Hyatt Melbourne was 2% higher than the previous year, attributable mainly to higher occupancies as well as the successful brand collaboration with Burn City Smokers for the Collins kitchen. In contrast, the highly competitive market and the loss of certain airline crew business weighed down the performance of Hyatt Regency Perth as RevPAR deteriorated by 10%. On the whole, the Hotels Investment contributed higher profit after tax of A$3.0 million as compared to A$2.7 million in the previous year as a direct consequence of lower operating expenses.

Separately, hotel properties recorded a net fair value gain of A$32.9 million, as compared to last year's A$16.2 million and such gain is reflected in the Group's balance sheet.

The two five-star hotels owned by the Group are managed by Hyatt International.

Two hotel management agreements were signed with Hyatt International for the purpose. For Grand Hyatt Melbourne, it was for the period between 8 August 1996 and 31 December 2022; for Hyatt Regency Perth, it was for the period commencing 1 July 1996 and ending 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 a management agreement with Secure Parking for the car park within the Hyatt Regency Perth complex.

## MARKET REVIEW

Australian tourism posted strong growth amidst a moderation of the global economic conditions. The growth in inbound leisure travels continued to drive the market demand for Australia's hotel sector.

In Melbourne, the overall market growth in visitation maintained its momentum because of a strong calendar of international events, including Australia Open, Melbourne International Comedy Festival and Formula One Australian Grand Prix. However, hotel occupancy growth remained subdued with new hotel supply and "Airbnb" residential apartments shifting demand away from the hotel sector. *(Source: Savills – Asia Pacific Hotel Sentiment Survey)*

## KEY FIGURES

**REVENUE**
A$116.5 MILLION

**NET PROPERTY INCOME**
A$25.1 MILLION

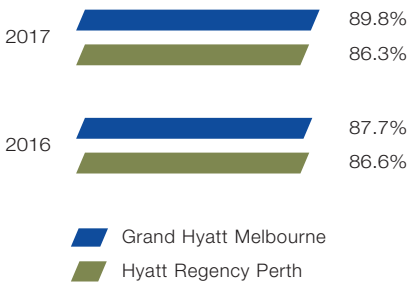
**PROFIT BEFORE TAX AND FAIR VALUE ADJUSTMENT**
A$4.1 MILLION

**PROFIT AFTER TAX**
A$3.0 MILLION

**HOTEL PROPERTIES BY VALUE**
A$425.9 MILLION

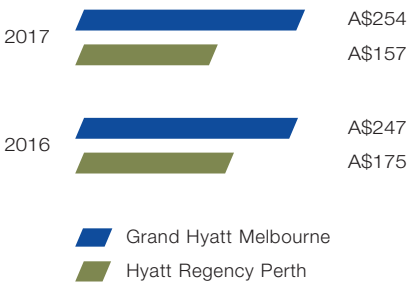
## HOTEL OPERATING PERFORMANCE

AVERAGE ROOM OCCUPANCY



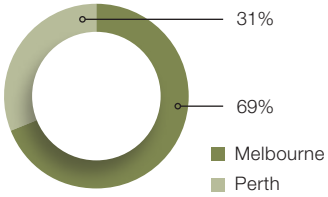

## HOTEL OPERATING PERFORMANCE

REVENUE PER AVAILABLE ROOM ("RevPAR")



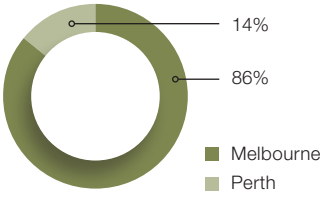

## REVENUE BY LOCATION

(TOTAL: A$116.5M)




## HOTEL PROPERTY PORTFOLIO BY VALUE BY LOCATION

(TOTAL: A$425.9M)



# HOTELS INVESTMENT

In Perth, the hotel sector struggled to improve its performance in view of new supply. It is reported that the Western Australian Government had increased its budget funding to market Perth.

## OPERATIONS REVIEW

**GRAND HYATT MELBOURNE** is located within Melbourne's Central Business District at the "Paris End" and 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, 15 meeting rooms, a day spa, a fully equipped health/fitness club with swimming pool, tennis court, basketball court and golf driving area.

As an outstanding hospitality service provider, Grand Hyatt Melbourne received a number of awards in 2017. For details, please refer to the "Awards and Accolades" section of this Annual Report.

In 2017, net property income for hotel operations amounted to approximately A$21.8 million, an increase of 2% from the previous year. In December 2017, Grand Hyatt Melbourne signed a two-year preferred partnership agreement with China Southern Airlines for the latter's crew accommodation.

This collaboration with China Southern Airlines, one of the fastest growing airlines in the world, is the result of our marketing effort in China and would in due course enhance our presence there.

*China Southern Airlines crew celebrating the Chinese New Year by spreading the festive cheers to guests at Grand Hyatt Melbourne.*

# HOTELS INVESTMENT

*Hyatt Regency Perth team receiving the honors at the 2017 AHA Accommodation Awards for Excellence.*

**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 known as Fortescue Centre. It comprises 367 hotel rooms and suites over the upper nine levels.

Facilities and 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.

Hyatt Regency Perth had also received a number of awards. For details, please refer to the "Awards and Accolades" section of this Annual Report.

In 2017, net property income for hotel operations was down 32% to approximately A$3.3 million. However, Hyatt Regency Perth had introduced some cost savings initiatives during the year that could support the reduction of operating expenses, with one notable innovation being the installation of a subsidized food vending machine in the staff canteen instead of a fully-staffed canteen.

## BUSINESS OUTLOOK

The global economic conditions are expected to remain in support of the Australian tourism. In Western Australia, there is expected growth in tourism following the government funding to step up marketing efforts. On the other hand, the market buoyancy seen in the Melbourne's accommodation sector of the recent years is expected to moderate due to the impending new supply.

# INDUSTRIAL SERVICES

The Group's Industrial Services segment consists of SP Corp and Hypak. SP Corp is an 80.2%-owned subsidiary. Hypak is a 97.9%-owned subsidiary. In 2017, Industrial Services reported revenue of $136.1 million and profit after tax of $0.5 million. In comparison, revenue of $134.1 million and profit after tax of $1.7 million were reported in the previous year.

**SP CORP** is listed on the Singapore Exchange Securities Trading Limited (SGX-ST). It principally engages in commodities trading and tyre distribution. For 2017, SP Corp recorded revenue of $127.7 million, a 2% increase as compared to $125.6 million in 2016. Higher activities in commodities trading have led to the increase in revenue while the tyre distribution business continued to be affected by intense competition. Following the completion of asset sales to interested persons, the Tyre Distribution Unit was discontinued as at 31 December 2017. Overall, profit after tax decreased 75% to $0.4 million, down from $1.8 million a year ago.

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 baby and adult diapers, baby wipes and feminine napkins produced in China and Indonesia.

Commodities Trading Unit reported higher revenue of $121.1 million in 2017 as compared to $109.3 million in 2016 attributable to higher level of coal trading and sale of metals. However, profit after tax have decreased 60% to $0.8 million due to lower margin for coal trading and lower sales from rubber, machinery and consumer products which normally enjoyed higher margin, coupled with lower interest income and higher foreign exchange losses. The coal allocation agreement with the coal mine in Indonesia had been extended to year 2021 and is expected to contribute positively.

Prior to the discontinuation, the Tyre Distribution Unit distributed a range of bias and radial tyres for trucks and buses and passenger cars under tyre brands like GT Radial and Gajah Tunggal from Indonesia; and GT Radial, Primewell, Runway and Giti from China. Its distribution network included certain ASEAN countries. The Unit also provided tyre management services in Singapore and was a one-stop solution for both new and retread tyres.

In 2017, Tyre Distribution Unit's revenue of $6.7 million was lower as compared to $16.3 million in the previous year. The Unit posted a net loss of $0.5 million arising from lower revenue, partially offset by lower operating overheads and expenses. The lower sales for the year reflected the discontinuation of the business towards the end of the year.

**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 2017, Hypak reported revenue of RM26.1 million, compared to last year's RM25.5 million and a loss after tax of RM0.3 million, compared to loss of RM0.1 million in the previous year.

Higher sales revenue in 2017 was driven by higher pricing sales mix in response to the rising material prices. The improved sales performance from polypropylene woven bags in 2017 was partially offset by lower sales of Radiant Barrier Foil Products as only certain product series can be sold while Hypak was pursuing for product certification. The product certification of the fire-retardant foil series had been made compulsory for the roofing industry in Malaysia.

Hypak posted higher net loss of RM0.3 million as compared to the previous year due to margin erosion from selling prices not increasing in tandem with the material prices as well as on-going costs incurred in the pursuit of product certification of its fire-retardant foil series.

During the year, one of the fire-retardant product series has been successfully registered with the Construction Industry Development Board (CIDB) Malaysia while another two series received certification from Standard and Industrial Research Institute of Malaysia (SIRIM). It is expected that the certification and registration as a qualified fire-retardant product supplier will contribute positively to the results of Hypak.

## KEY FIGURES

***SP CORP***

REVENUE
$127.7 MILLION

PROFIT AFTER TAX
$0.4 MILLION

***HYPAK***

REVENUE
RM26.1 MILLION

LOSS AFTER TAX
RM0.3 MILLION

*A process in the manufacture of laminated Radiant Barrier Foil Products.*

# 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 2017, Other Investments contributed a higher profit after tax of $16.0 million as compared to $12.3 million in the previous year, attributable to 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. Its customers include leading suppliers and manufacturers for automotive systems such as Visteon Corporation, Continental AG and Wistron Corporation.

GulTech reported revenue of US$294.1 million and profit after tax of US$35.3 million. Profit after tax increased 23% as compared to last year mainly attributable to improved performance from all three plants. As a result, GulTech's net profit attributable to shareholders was up 17% to US$26.0 million.

*Rows of automated drilling machines humming their way to produce printed circuit boards at GulTech Jiangsu Plant, China.*

**PAN-WEST** distributes golf-related lifestyle products, operating in nine 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.

*Flagship store of premium brand, Honma Golf, at Wheelock Place, Singapore*

# GROUP PROPERTY PORTFOLIO

## DEVELOPMENT PROPERTIES – RESIDENTIAL

| NAME OF PROPERTY | LOCATION | ESTIMATED GFA (SQ. M.) | TENURE | SALES REVENUE FY2017 (MILLIONS) | SALES REVENUE FY2016 (MILLIONS) |
|---|---|---|---|---|---|
| **UNDER DEVELOPMENT** | | | | | |
| Kandis Residence | Singapore | 10,850 | 99 years from year 2016 | SGD 2.4[(a)] | – |
| Project at Jalan Remaja | Singapore | 8,546 | Freehold | – | – |
| **COMPLETED** | | | | | |
| Seletar Park Residence | Singapore | 26,862 | 99 years from year 2011 | SGD 1.6 | SGD 5.1 |
| Sennett Residence | Singapore | 33,328 | 99 years from year 2011 | SGD 7.7 | SGD 58.8 |
| Cluny Park Residence | Singapore | 6,997 | Freehold | SGD 46.9 | SGD 46.2 |

(a) Soft-launched in August 2017.

Kandis Residence, Singapore (Artist's impression)

Cluny Park Residence, Singapore

# GROUP PROPERTY PORTFOLIO

## INVESTMENT PROPERTIES – COMMERCIAL

| NAME OF PROPERTY | LOCATION | LAND AREA (SQ. M.) | ESTIMATED LETTABLE/ STRATA AREA (SQ. M.) | TENURE | RENTAL REVENUE FY2017 (MILLIONS) | RENTAL REVENUE FY2016 (MILLIONS) |
|---|---|---|---|---|---|---|
| **UNDER REDEVELOPMENT** | | | | | | |
| 18 Robinson (formerly known as "Robinson Towers") | Singapore | 1,725 | 18,058 | 999 years from year 1884 & 1885 (Lots 167X, 616W, 691X, 99280A, 99287W and 99289P)<br><br>99 years from year 2013 (Lots 485M and 488P) | – | – |
| **COMPLETED PROPERTY** | | | | | | |
| 896 Dunearn Road | Singapore | 13,089 | 18,857 | Estate in Fee Simple (Lot 1182K)<br><br>Estate in Fee Simple and 999 years from year 1879 (Lot 1185L)<br><br>Estate in Perpetuity (Lot 99907P)<br><br>999 years from year 1879 (Lot 99891X) | SGD 4.5 | –[b] |
| Robinson Point | Singapore | 1,404 | 12,483 | Freehold | SGD 11.5 | SGD 12.3 |
| The Oxley, 1st – 3rd floor | Singapore | –[c] | 2,770 | Freehold | SGD 2.6 | SGD 2.6 |
| Far East Finance Building – 11th Floor | Singapore | –[d] | 402 | 999 years from year 1884 | SGD 0.2 | SGD 0.2 |
| No. 2950 Chun Shen Road Property | China | 1,741 | 2,170 | 58 years from year 2008 | RMB1.9 | RMB1.9 |
| Commercial Centre and Carpark within Melbourne Grand Hyatt complex | Australia | –[e] | 3,024 (plus 595 carpark bays) | Freehold | AUD 4.0 | AUD 3.8 |
| Fortescue Centre and Carpark (within Hyatt Regency Perth complex) | Australia | –[e] | 23,415 (plus 1,018 carpark bays) | Freehold | AUD 6.1 | AUD 6.7 |

(b) There is no comparative information as the building was acquired on 16 June 2017.
(c) Not applicable, strata-titled.
(d) Not applicable, strata-titled.
(e) Please refer to "Hotel Operation Properties" section.

18 Robinson, Singapore (Artist's impression)

# GROUP PROPERTY PORTFOLIO

## INVESTMENT PROPERTIES – INDUSTRIAL

| NAME OF PROPERTY | LOCATION | ESTIMATED LETTABLE/ STRATA AREA (SQ. M.) | TENURE | RENTAL REVENUE FY2017 (MILLIONS) | RENTAL REVENUE FY2016 (MILLIONS) |
|---|---|---|---|---|---|
| **COMPLETED PROPERTY** | | | | | |
| Century Warehouse (31 strata units) | Singapore | 4,690 | Freehold | SGD 1.2 | SGD 1.2 |
| L&Y Building (3 strata units) | Singapore | 2,285 | 999 years from year 1885 | –(f) | SGD 0.2 |

(f) There was no revenue from the 3 strata units in FY2017 as leasing was previously put on hold pending an *en bloc* effort. The units have since been put back to the leasing market.

Century Warehouse, Singapore

L&Y Building, Singapore

## HOTEL OPERATION PROPERTIES

| NAME OF PROPERTY | LOCATION | LAND AREA (SQ. M.) | TENURE | TOTAL HOTEL ROOMS | OPERATIONS REVENUE FY2017 (MILLIONS) | OPERATIONS REVENUE FY2016 (MILLIONS) |
|---|---|---|---|---|---|---|
| Grand Hyatt Melbourne | Australia | 5,776(g) | Freehold | 550 | AUD 78.7 | AUD 77.5 |
| Hyatt Regency Perth | Australia | 25,826(h) | Freehold | 367 | AUD 35.9 | AUD 41.1 |

(g) The land area includes the commercial and carpark components. The commercial portion occupies a land area of approximately 747 square metres.
(h) The land area includes the vacant land, commercial and carpark components. The hotel operation occupies a land area of approximately 6,500 square metres.

Grand Hyatt Melbourne, Australia

Hyatt Regency Perth, Australia

# GROUP PROPERTY PORTFOLIO

## PROPERTIES HELD UNDER INDUSTRIAL SERVICES & OTHER INVESTMENTS

| NAME OF PROPERTY | LOCATION | LAND AREA (SQ. M.) | TENURE | OPERATIONS REVENUE FY2017 (MILLIONS) | OPERATIONS REVENUE FY2016 (MILLIONS) |
|---|---|---|---|---|---|
| Hypak Factory Building | Malacca, Malaysia | 19,100 | 99 years from year 1973 | MYR 26.1 | MYR 25.5 |
| GulTech Suzhou Factory Building | Suzhou, China | 40,455 | 48 years from year 1999 | USD101.8 | USD83.0 |
| GulTech Wuxi Factory Building | Wuxi, China | 78,800 | 50 years from year 2004 | USD179.0 | USD153.5 |
| GulTech Jiangsu Factory Building | Wuxi, China | 75,500 | 50 years from year 2012 | USD36.1 | USD25.2 |

Hypak Factory Building, Malaysia

Gultech Jiangu and Wuxi Factory Building, China

# CFO'S REVIEW OF FINANCIAL PERFORMANCE

## OVERVIEW

### OUR FINANCIAL STRATEGY AND TARGET

| LIQUIDITY | FLEXIBILITY | STRONG METRICS |
|---|---|---|
| To maintain adequate cash (including near cash) to support business needs and serendipity opportunities | To diversify source of financing with a mix of fixed and variable interest and maturity periods | To maintain cordial and strong relationship with the banking community and use non-recourse debt whenever possible |
| **Cash & Bank Balances[1]** **$216.8m** | **Undrawn Facilities** **$358.3m** | **Weighted Average Cost of Financing from Financial Institutions** **2.6% p.a.** |
| **Cash Equivalents[1]** **$151.1m** | **Secured Debt/Total Assets** **0.47X** | **Cost of Notes issued** MTN Series I: **4.5% p.a.** MTN Series II: **6.0% p.a.** |

[1] Cash and bank balances comprise of cash and fixed deposits held by the Group which are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. Cash equivalents exclude encumbered fixed deposits and bank balances.

### KEY PERFORMANCE INDICATORS

| | | 2017 | 2016 | CHANGE |
|---|---|---|---|---|
| **PROFITABILITY – MEASURES ABILITY TO GENERATE EARNINGS** | | | | |
| Revenue | $'M | 357.9 | 404.0 | -11% |
| Profit before tax and fair value adjustments | $'M | 23.3 | 37.7 | -38% |
| Profit after tax | $'M | 62.8 | 33.8 | 86% |
| Profit attributable to shareholders | $'M | 62.7 | 33.6 | 87% |
| **LIQUIDITY – MEASURES ABILITY TO MEET DEBT OBLIGATIONS** | | | | |
| Working capital | $'M | 87.4 | 371.2 | -76% |
| Operating cash flow | $'M | 101.6 | 190.1 | -47% |
| Free cash flow[1] | $'M | (341.2) | 158.9 | n.m. |
| **EFFICIENCY – MEASURES EFFICIENCY OF USING FUND AND MANAGING ASSETS** | | | | |
| Total assets | $'M | 2,638.2 | 2,123.1 | 24% |
| Shareholders' funds | $'M | 985.6 | 919.4 | 7% |
| Return on assets[2] | % | 2.6 | 1.6 | 63% |
| Return on shareholders' funds[3] | % | 6.6 | 3.7 | 78% |
| **DEBT LEVERAGE – MEASURES CAPITAL EMPLOYED AND FINANCIAL LEVERAGE** | | | | |
| Total borrowings | $'M | 1,458.1 | 1,020.8 | 43% |
| Net borrowings | $'M | 1,241.3 | 857.1 | 45% |
| Gross gearing[4] | times | 1.46 | 1.10 | 33% |
| Net gearing[4] | times | 1.25 | 0.92 | 36% |
| **SHAREHOLDERS' RETURN – MEASURES WEALTH CREATION FOR SHAREHOLDERS** | | | | |
| Earnings per Share (before fair value adjustments) | cents | 1.8 | 2.7 | -33% |
| Earnings per Share (after fair value adjustments) | cents | 5.3 | 2.8 | 89% |
| Net asset value per Share | cents | 83.0 | 77.7 | 7% |
| Dividend per Share | cent | 0.6 | 0.6 | 0% |
| Dividend payout ratio[5] | % | 33.3 | 22.6 | 47% |
| Dividend yield[6] | % | 1.7 | 2.0 | -15% |

**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 as at year end/total equity as at year end; Net gearing = net borrowings as at year end/total equity as at year end
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

# CFO'S REVIEW OF FINANCIAL PERFORMANCE

This review is to provide readers with an insight into our financial performance and position as of 31 December 2017, the cash flow and our financial strategy.

As is mandatory, the financial statements are prepared in accordance with the provisions of the Singapore Companies Act and Singapore Financial Reporting Standards ("SFRSs"). Management reviews the financial performance of the Group principally on a consolidated basis. By that we mean all subsidiaries' results are consolidated line-by-line and associates' results are equity-accounted in a single line on i) the Group's consolidated statement of profit or loss and ii) consolidated statement of financial position.

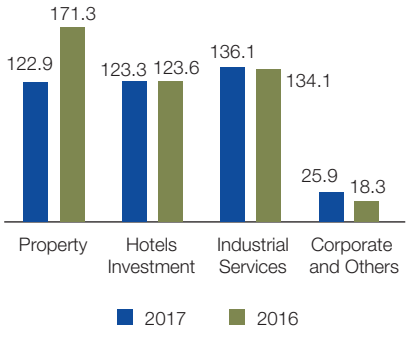
A summary of the consolidated statement of profit or loss and other comprehensive income and consolidated statement of financial position are separately included in the "Financial Performance" and "Financial Position" section of this report. Readers are advised to read this review together with the Statutory Reports and Accounts.

## FINANCIAL PERFORMANCE

### REVENUE

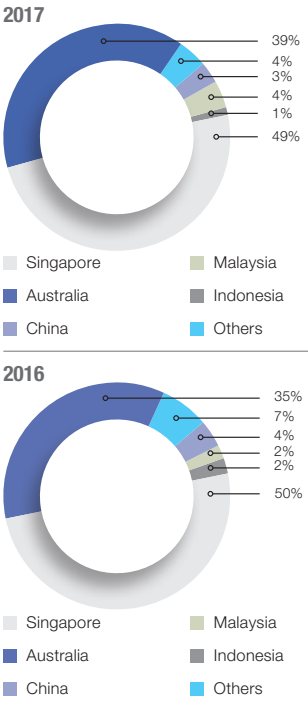
Group's revenue was $357.9 million, a decrease of 11% as compared to $404.0 million last year. The overall decrease was largely due to lower revenue from the property segment as most units of the development property projects have been sold.

**REVENUE BY BUSINESS SEGMENT** ($'M)




Property remains a key revenue driver despite showing a decline in 2017, contributing 34% of the Group's revenue in 2017.

**REVENUE BY GEOGRAPHICAL LOCATION**




Group's revenue was mainly generated from Singapore and Australia, contributing to a combined 88% and 85% of the total revenue in 2017 and 2016 respectively.

### GROSS PROFIT

Gross profit was $65.0 million, a reduction of 23% because of lower revenue. This is because most units of our various development projects have been sold in the previous year.

### OTHER INCOME AND EXPENSES

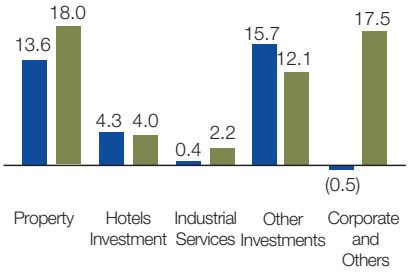
Other operating income increased by 64% to $7.3 million as compared to last year. It was mainly attributable to a $2.9 million liquidated damage received from a contractor for its delay in a development project and a $0.7 million gain on disposal of assets from the discontinued Tyre Distribution Unit in Industrial Services segment. Distribution costs were 4% higher at $6.1 million reflecting mainly costs incurred of $1.3 million for the preparation of the show flat for Kandis Residence. This increase was partially offset by lower sales promotion expenses of $1.0 million in the residential projects.

Other operating expenses were 56% lower at $3.4 million, as a result of lower allowance for diminution in this current year of $0.5 million as compared to $3.7 million made last year and the absence of a foreign exchange loss realised from the translation reserve of $1.8 million in FY2016 arising from the liquidation of two Malaysian subsidiaries.

The Group's share of results (before fair value adjustments) of an equity-accounted entity (i.e. GulTech) increased 16% to $15.7 million attributable to its better performance.

### PROFITABILITY

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




Profit before tax and fair value adjustments declined 38% to $23.3 million. All operating segments were profitable in 2017. Property segment reported lower profit as most of the units of our three residential developments in Singapore had been sold. The other significant contributor for the year was GulTech, under the Other Investments segment.

## FINANCIAL POSITION

As at 31 December 2017, the Group's total assets increased 24% or $515.1 million to $2,638.2 million as compared to $2,123.1 million at the previous year-end. The increase was mainly attributable to the acquisition of the 896 Dunearn Road property and a vacant land at Jalan Remaja, a higher cash and bank balances after the issuance of the MTN Notes Series II of S$150 million and a net fair vale gain on investment properties, offset partially by a decrease in trade and other receivables.

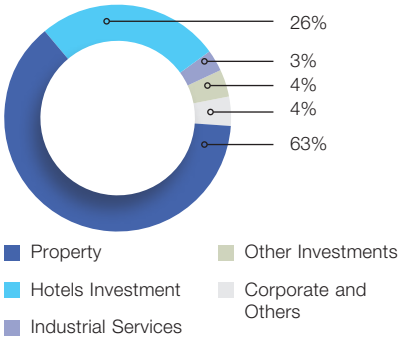
# CFO'S REVIEW OF FINANCIAL PERFORMANCE

The Group's total liabilities increased by 38% or $449.3 million to $1,641.9 million as compared to $1,192.6 million at the previous year end reflecting borrowings to finance the two afore-said acquisitions and the issuance of Series II notes. These additional borrowings resulted in gross gearing ratio increasing to 1.46 times (from 1.1 times) and net gearing ratio increasing to 1.25 times (from 0.92 times).

As at 31 December 2017, shareholders' fund grew by 7% over the previous year end or $66.2 million to $985.6 million. Total equity (i.e. including non-controlling interests) increased to $996.3 million as at 31 December 2017, from $930.5 million at the previous year end. The increase reflected a combination of profit made during the year, gain from revaluation of properties, but after netting of foreign currency translation losses and Company's payment of dividends to shareholders.

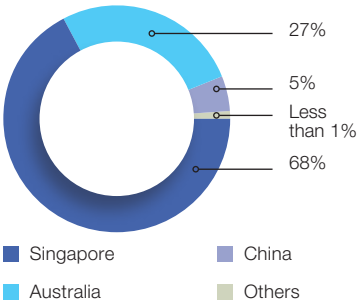
During the year, 4.2 million new shares were issued to shareholders under the Tuan Sing Scrip Dividend Scheme. Separately, 50,000 shares were cancelled after they were purchased from the open market. Accordingly in monetary terms, the Company's share capital increased by approximately $1.2 million to $172.5 million as at 31 December 2017.

**TOTAL ASSETS BY BUSINESS SEGMENT (2017: $2,638.2M)**




Property segment contributed 63% of the Group's total assets in 2017.

**TOTAL ASSETS BY GEOGRAPHICAL LOCATION (2017: $2,638.2M)**

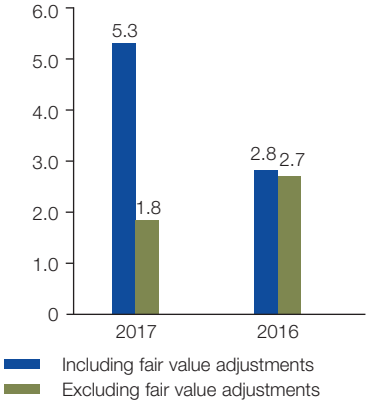



68% of the Group's total assets are located in Singapore whereas assets in Australia form the bulk of the Group's overseas assets.

## SHARE CAPITAL AND EARNINGS PER SHARE ("EPS")

The number of issued ordinary shares as at 31 December 2017 was 1,186,992,780 as compared to 1,182,842,055 as at 31 December 2016. On 23 June 2017, 4,200,725 new ordinary shares were allotted and issued at $0.293 per share to shareholders who had elected to participate in the Company's Scrip Dividend Scheme in respect of the 0.6 cent dividend per ordinary share for the year ended 31 December 2016. Separately, 50,000 ordinary shares were purchased under the "Share Purchase Mandate" and were subsequently cancelled on 1 December 2017.

**EARNINGS PER SHARE** (CENTS)




Earnings per share, including fair value adjustments, increased 89% to 5.3 cents, as compared to 2.8 cents a year earlier. This is mainly the result of higher fair value gain recognised for most of the Group's investment properties.

## DIVIDEND AND SHAREHOLDERS' RETURN

### DIVIDEND

Subject to the shareholders' approval at the forthcoming Annual General Meeting to be held on 19 April 2018, 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 26 June 2018 in respect of the year ended 31 December 2017. 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 instead of cash. For the purpose of determining dividend entitlements, book closure dates have been fixed on 7 and 8 May 2018.

For the previous year end, the same payout rate of 0.6 cent per share of dividend was made, amounting to $7.1 million consisting of a cash payment of $5.9 million and the issuance of 4,200,725 ordinary shares at an issue price of $0.293 per share to shareholders who opted for the Scrip.

The Group has been declaring dividends every year since 2009. Total gross dividend payout since then amounts to $50.3 million, including $7.1 million proposed for FY2017.

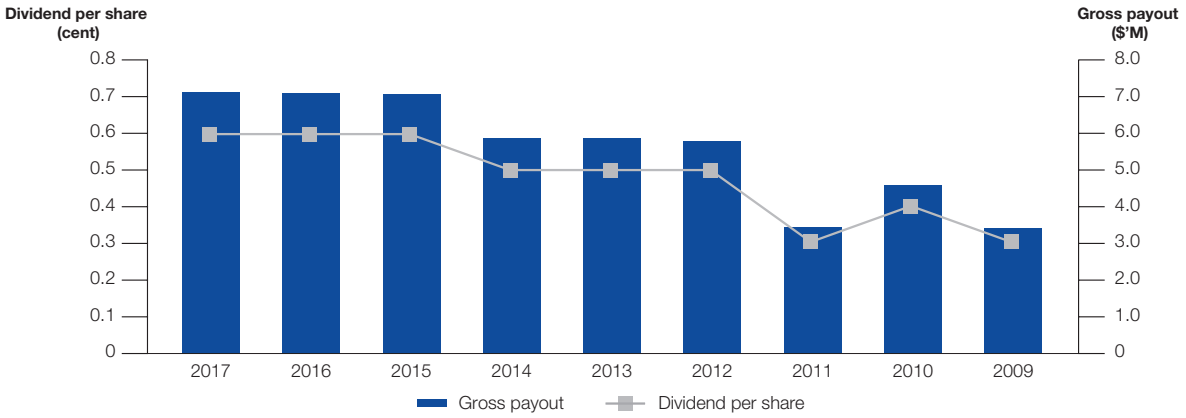
# CFO'S REVIEW OF FINANCIAL PERFORMANCE

### DIVIDEND PAYOUT AND DIVIDEND YIELD

The proposed dividend of 0.6 cent per share for 2017 represents i) dividend payout ratio of 33.3% based on core earnings which are the net profit before fair value adjustments; ii) dividend yield of 1.7% based on dividend per share over the average share price of 35.3 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.

| | 2017 | 2016 | 2015 | 2014 | 2013 | 2012 | 2011 | 2010 | 2009 |
|---|---|---|---|---|---|---|---|---|---|
| Dividend per share (cent) | 0.6 | 0.6 | 0.6 | 0.5 | 0.5 | 0.5 | 0.3 | 0.4 | 0.3 |
| Number of shares (million) | 1,187 | 1,183 | 1,179 | 1,176 | 1,173 | 1,161 | 1,154 | 1,146 | 1,138 |
| Gross payout ($'000) | 7,122 | 7,097 | 7,073 | 5,881 | 5,864 | 5,806 | 3,463 | 4,586 | 3,412 |
| Cumulative payout ($'000) | 50,304 | 43,182 | 36,085 | 29,012 | 23,131 | 17,267 | 11,461 | 7,998 | 3,412 |




## CASH FLOW

### FREE CASH FLOW

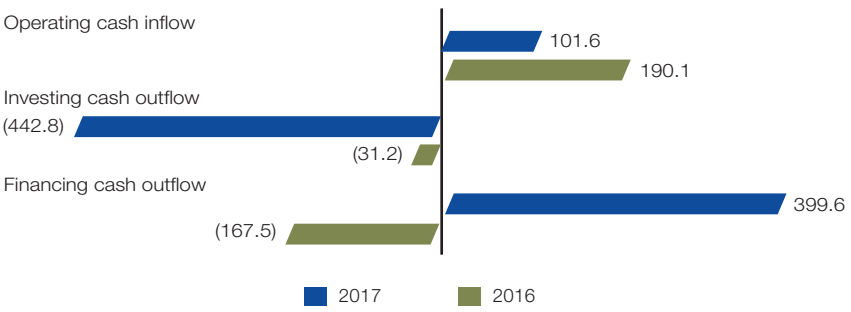
One of the important drivers to increase shareholder value is the generation of free cash in-flow over a medium term. Free cash flow for a period is the arithmetic sum of two streams of cash flows during the period: cash generated from/(used in) operating activities and cash (used in)/from investing activities. The sources of cash from operating activities are operating profit, a change in working capital, and finance income less taxes. The avenue of cash used in investing activities could be for capital expenditure and investment.

During the year, there was a free cash outflow of $341.2 million as compared to free cash inflow of $158.9 million in 2016. This was due to a much higher investing cash outflow of $442.8 million and lower operating cash inflow of $101.6 million. In comparison, last year's investing cash outflow and operating cash inflow were $31.2 million and $190.1 million respectively.

### CASH FROM OPERATING ACTIVITIES

Lower operating cash flows were generated during the year as most units of the development properties have been sold, hence resulting in lesser cash collected.

**CASH FLOW** ($'M)



# CFO'S REVIEW OF FINANCIAL PERFORMANCE

### CASH USED IN INVESTING ACTIVITIES

Net cash used in investing activities increased substantially during the year so as to buy an investment property at 896 Dunearn Road, the construction of 18 Robinson, and the purchase of a plot of land at Jalan Remaja for future development into a residence project.

### CASH USED IN FINANCING ACTIVITIES

Net cash generated from financing activities was $399.6 million including the $150 million proceeds from the issuance of MTN Programme Series II notes and from drawing down of loan facilities. There was also interest payment of $39.1 million and cash dividend of $5.9 million. In comparison, last year's net cash of $167.5 million was used in financing activities mainly on a net loan repayment of $94.4 million, interest payment of $34.2 million, cash dividend of $5.9 million, and an increase in bank deposit pledged of $32.9 million.

### CASH AND CASH EQUIVALENTS

As at 31 December 2017, cash and cash equivalents stood at $151.1 million, an increase from $95.9 million as at 31 December 2016.

### BORROWINGS AND DEBT SECURITIES

As of 31 December 2017, the Group had borrowings of $1,458.1 million comprising long term borrowings of $1,179.2 million and short-term borrowings of $278.9 million. Out of the total borrowings, 84% were secured. The remaining unsecured balance were the S$80 million and S$150 million notes issued under the MTN Programme. Secured borrowings were mainly for financing development projects and investment properties in Singapore and Australia. Singapore dollar borrowings represented 75% of total borrowings and the remaining 25% were in Australian dollars. Australian dollar borrowings by and under GHG, act as a natural hedge against the Group's investment in Australia.

As a matter of policy, we spread our borrowings amongst a number of banks using a combination of floating or fixed interest rates and of various durations depending on a number of factors. These include the timing the debt is entered into, the then prevailing market sentiment, our view of the financial market outlook, the nature of the assets pledged, if any, etc.

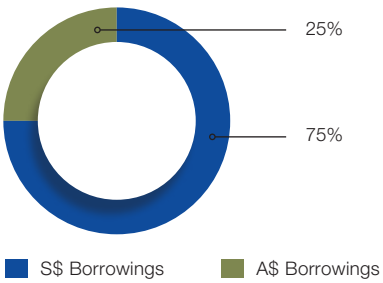
To mitigate interest rate risk, we monitor the trend of interest rate movements closely. Financial instruments are used, if it is deemed necessary, to hedge interest rate risk arising from the normal course of business.

We are aware that Singapore dollar interest rates have commenced their climb since the later part of 2017. To this end, out of the $1,097 million Singapore dollar borrowings as at the year end, 21% were of fixed rates maturing in the next 22-30 months and an additional 60% had since the fourth quarter of 2017 been converted from one- to three-month durations to twelve-month duration. The non-Singapore dollar borrowings were in Australian dollar which were on one-month rollover basis for which we had been monitoring closely the trend of the Australian dollar interest rate.

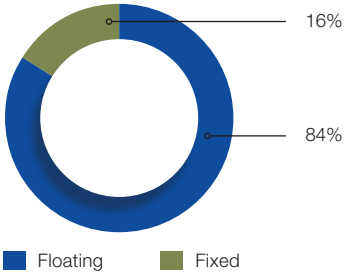
Tuan Sing has established a S$900 million MTN Programme under which it can issue notes of various durations in series or tranches either in Singapore dollar or other currency as deemed appropriate at the time. The first tranche of the unsecured S$80 million fixed rate notes (the "Notes") were issued on 14 October 2014 bear an interest rate of 4.50% per annum payable semi-annually in arrear, and will mature on 14 October 2019. The second tranche of the unsecured S$150 million fixed rate notes were issued on 5 June 2017 bear an interest rate of 6.00% per annum payable semi-annually in arrear and will mature on 5 June 2020.

### DEBT PROFILE

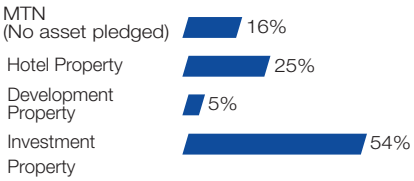
#### TOTAL BORROWINGS BY CURRENCY



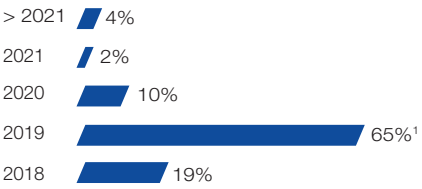

#### INTEREST RATE PROFILE




#### TOTAL BORROWINGS BY ASSETS PLEDGED

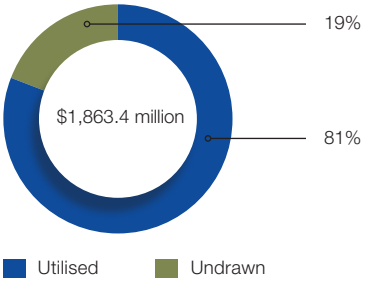



#### LOAN MATURITY PROFILE




[1] 65% of the Group's total borrowings will mature in 2019. These include the A$ loan for the two hotels, certain loans taken up to finance two investment properties in Singapore and the Multicurrency Medium Term Note Series I of $80 million.

#### TOTAL CREDIT FACILITY




Note: The above analysis is based on total loans and borrowings outstanding as at 31 December 2017.

# CFO'S REVIEW OF FINANCIAL PERFORMANCE

## CAPITAL STRUCTURE MANAGEMENT

### OUR CAPITAL STRUCTURE MANAGEMENT

In managing our capital structure, we try to find a right balance between shareholders' funds and external borrowings. Leveraging may amplify the returns on shareholders' fund in both positive and negative manner. An increase in leverage may 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 different sources of financing. We monitor the financial markets and decide on the financing approach that is best suited for 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 financing and borrow on both secured and unsecured basis. To achieve an optimal capital structure, we may issue new shares from time to time, buy back shares in the open market & cancelled them, retire or obtain new borrowings, sell assets to reduce borrowings, adjust the amount of dividend payment, or return capital to shareholders.

Having access to flexible and cost effective financing allows us to respond quickly to opportunities. In our view, Tuan Sing has adequate sources of financing to meet our business requirement 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 and long-term debts to finance our operations. For prudence, our long-term investments are financed by long-term debts. This debt is usually in the same currency as the underlying investment and repayment terms are normally designed to match cash flows expected from that investment.

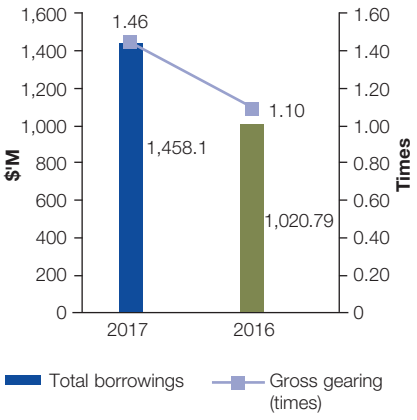
Having access to reasonably-priced financing is dependent, in part, on how our financiers view our credit ratings. Like most mid-capped companies, we do not engage the service of a credit rating agency to perform a credit rating exercise. We do however believe that we have a reputation for having good governance and high transparency. We are able to get competitive financing and at reasonably short notice because of these factors. 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

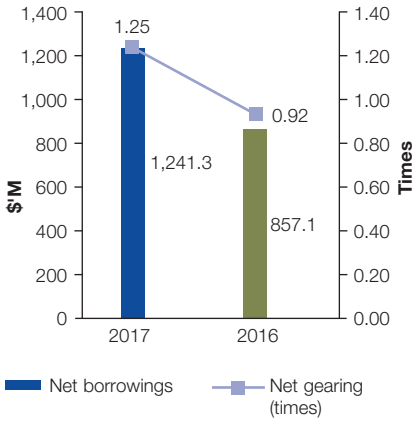
We use gross gearing ratio (debt as a percentage of total equity) and net gearing ratio (net debt as a percentage of total equity) to measure our debt leverage. Net debt is defined as debt less cash in hand and at banks.

As at 31 December 2017, gross gearing ratio increased from 1.10 times to 1.46 times. Similarly, net gearing ratio increased from 0.92 times last year to 1.25 times. This was mainly due to an increase in bank borrowings for the acquisition of 896 Dunearn Road property and a vacant land at Jalan Remaja.

#### GROSS GEARING



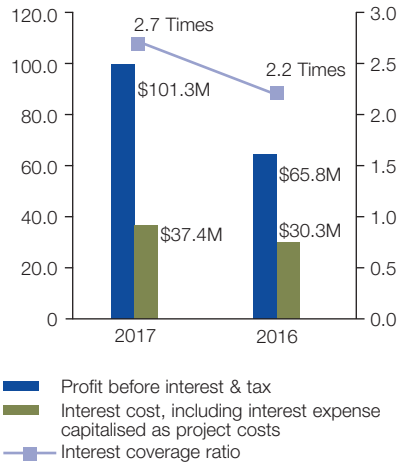

#### NET GEARING




### OUR INTEREST COVERAGE RATIO

The Group's interest cover was 2.7 times as at end 2017 as compared to 2.2 times in 2016. The higher interest cover was attributable to higher profits. Interest expense saw an increase by almost 23% to $37.4 million from $30.3 million. The higher interest expense was due mainly to loans taken up for the acquisition of 896 Dunearn Road and the issuance of the MTN Series II Term Notes of S$150 million, both in June 2017.

#### INTEREST COVER RATIO




## TREASURY MANAGEMENT

Treasury management is carried out by the 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 business unit and the head office monitor working capital requirement, perform profit and cash flow forecast on a quarterly basis. We also ensure that loan covenants are complied with and that there is a proper 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

# CFO'S REVIEW OF FINANCIAL PERFORMANCE

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.

## FINANCIAL RISK MANAGEMENT

For a full understanding of this topic, please also read "Business Dynamics and Risk Factors' section of this Annual Report and note 32 to the Statutory Reports and Account.

## SENSITIVITY ANALYSIS

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

### FOREIGN CURRENCY EXPOSURE

As the Group has operations and properties outside Singapore, it is subject to the effect of foreign currency translation when the assets and liabilities recorded in foreign currencies are translated or exchanged into Singapore dollar for financial reporting or repatriation purpose. 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 2017 would have the Company's shareholders' fund increase or decrease by approximately $13.6 million, $5.6 million and $6.6 million respectively.

### DEVELOPMENT PROPERTIES

For sales of partly completed development properties in Singapore under progressive payment method, 20% of profit is recognised upon the signing of sales contracts and the first 20% of the transacted price is received for the unit, if following conditions are met:
i) using the standard form of Sales and Purchase Agreement prescribed under the Singapore Housing Developers (Control and Licensing) Act (Chapter 130); ii) meet the criteria for continuous transfer of control, risks and rewards of ownership as progressive payments are made by the buyers. Subsequent recognition of profit for the unit will be using 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 2017, most of the completed development properties in Singapore have been booked or sold (Seletar Park Residence: 100%; Sennett Residence: 97%; Cluny Park Residence: 90%). As there are only a few remaining units unsold, the incremental impact to the Group's profit before tax would be minimal for every 1% of the remaining saleable area sold.

Kandis Residence, which is a property in the course of development, has 13% of its units booked or sold as at 31 December 2017. Based on its percentage of completion at year end, the incremental impact on the Group's profit before tax for 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 2017.

### INVESTMENT PROPERTIES

The Group's investment properties comprise Robinson Point, building at 896 Dunearn Road, 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

Volatility of financial results arising from fair value adjustment of the Group's property portfolio is an inherent, systemic risk that the Group faces. This is because these assets form a very significant portion of the Group's total asset base. Whilst there is no actual cash flow impact arising from such accounting entries, a substantial reduction in the properties' valuation may trigger the activation of certain loan-to-value bank covenants.

As at 31 December 2017, there was $1,592.7 million worth of investment properties which formed 60% of the total assets of the Group. Hence, for every 1% increase/decrease in the fair value of investment properties, the Group's shareholder's fund will increase/decrease by approximately $15.9 million.

## CRITICAL ACCOUNTING POLICIES

Tuan Sing's financial statements have been prepared in accordance with the provisions of the Singapore Companies Act and Singapore Financial Reporting Standards ("SFRSs") 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 to the Statutory Reports and Account.

## CRITICAL ACCOUNTING ESTIMATES AND 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 to the Statutory Reports and Account.

# MANAGING RISK IN DELIVERING OUR STRATEGY

"We maintain a suitably controlled culture to ensure strategies and operations are executed within our risk appetite"

We recognise that in our effort to delivering results and achieving our strategies, Tuan Sing is exposed to a melange of risks. Hence, our ability to prevent, detect and manage risks is crucial for an effective governance and control of the business. However, we also recognise that there is a fine balance between risk taking and reward. Our Enterprise Risks Management ("ERM") therefore comes into play.

Our 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, 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 faced by the Group in 2017 have been identified 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

The Group's business environment changes incessantly and which results in it being exposed to different profile of risks over time. This change of risks profile, in turn, may require a regular review of our corporate strategies. To manage risks, Tuan Sing has an integrated risks management process that recognises the need for timely direction and decision throughout the Board of Directors, senior management and our strategic business unit management (i.e. SBUs), where appropriate. Through practices over the years, risk culture has been embedded both at the board level (i.e. strategic risk management) and at the day-to-day decision-making, operational activities (i.e. operational risk management).

The top-down approach (i.e. strategic risk management) involves a review of the external environment and our risk appetite at the top management and Board level. The result therefrom will then guide our strategy-making. Key risk indicators have been identified and are used to monitor our risk exposure and to determine our risk appetite. 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 operating level and is embedded in our everyday operations. Control of this process is through maintaining the risk register by all SBUs. These risk registers are aggregated and reviewed by the Group CEO and Group CFO; all significant and emerging risks are escalated for the consideration of the Board and Audit and Risk Committee, as appropriate. This process complements the top-down approach.

## OUR RISK GOVERNANCE AND OVERSIGHT STRUCTURE

Our ERM system is designed to provide reasonable, but not absolute, assurance that 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 2017.

## MANAGE RISK IN DELIVERING OUR STRATEGY

We remain focused on property and hotel segments 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. 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 in 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,

# MANAGING RISK IN DELIVERING OUR STRATEGY

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 for some time.

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 continue with a culture of risk-conscious decision-making, risk management training sessions were held during the Tuan Sing Finance Conference in August 2017, bringing together employees from not only finance but also operational managers. In our effort to build a knowledgeable and progressive workforce, we have added relevant training hours received as part of the key performance indicators for all employees. This is to ensure that there is proper alignment of award and incentive scheme with our strategic objectives and risk appetite.

## CRISIS MANAGEMENT AND BUSINESS CONTINUITY

The Group implements crisis management and business continuity programme as part of its Enterprise Risk Management 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. The coverage and quantum insured for each type of insurance are subject to review by insurance professionals.

### 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
- Oversee financial reporting, operational and compliance risks
- Oversee internal and external audit processes
- Consider aggregation of risk exposures across the business
- Monitor key risk indicators and the implementation of risk mitigation plans
- Oversee adequacy and effectiveness of the Group's risk management and internal control systems

### GROUP CEO & GROUP CFO

- Implement the Company's strategy
- 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

- Monitor and manage operational risks on an ongoing basis
- Identify emerging risks
- 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 strike a balance between risk taking and rewards; but all within our appetite"

## KEY RISK PROFILE 2017

Changing business environment necessitates a close monitoring of the impact on our risk landscape. A total of 26 key risks have been identified. Our risk appetite and risk profile remains broadly unchanged in 2017.

## NO THREAT TO GOING CONCERN

After making due inquiry, we are satisfied that as on 31 December 2017, 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<br>* Investment | | | |
| MODERATE | * Derivative Financial Instrument<br>* Insurance | * Process, Sourcing & Execution | * Competition<br>* Industry | * Reputation<br>* Macroeconomic & Political<br>* Price | * Foreign Exchange<br>* Tax<br>* Interest Rate |
| LOW | | * Alliance<br>* People<br>* Work Health & Safety<br>* Terrorism<br>* Cyber Security | * Credit<br>* Capital Structure | * Social & Environmental<br>* Regulatory | |
| NEGLIGIBLE | | | | | |
| LIKELIHOOD → | | | | | |

### RISK EXPOSURE & APPETITE TABLE

| RISK LEVEL | ACTION REQUIREMENTS |
|---|---|
| EXTREME | Not acceptable:<br>* Immediate action required<br>* Must be managed by senior management with a detailed treatment plan |
| HIGH | Senior Management attention:<br>* Senior management attention needed and management responsibility specified<br>* Treatment plans to be developed<br>* Must be monitored on regular frequency |
| MEDIUM | Tolerable:<br>* Management responsibility must be specified<br>* Treatment plans to be developed<br>* Ongoing monitoring and review |
| LOW | Acceptable:<br>* Manage by routine process / procedures<br>* Consider additional controls only if they are clearly quantifiable cost benefit<br>* Ongoing monitoring and review |
| NEGLIGIBLE | Acceptable:<br>* Manage by routine process / procedures<br>* Unlikely to require specific application of resources |

# BUSINESS DYNAMICS & RISK FACTORS STATEMENT

| DESCRIPTION OF RISKS | WHAT WE DO TO MANAGE THE RISKS |
|---|---|
| **BUSINESS & STRATEGY RISKS** | |
| **STRATEGY RISK** | |
| • The Group is exposed to risks associated with its overseas expansion plan.<br>• Expansion involves the spreading of resources in setting up new business units and dealing with unfamiliar rules and regulations in foreign countries or nuances in customer service expectations.<br>• Such expansion plan may cause management losing focus. | • 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.<br>• Evaluation includes macro and project-specific risks analyses, due diligence and sensitivity analysis on key assumptions. Each investment proposal is reviewed and approved by the Board.<br>• Where appropriate, the Group will explore joint venture opportunities that allow risk and reward sharing between partners. |
| **COMPETITION RISK** | |
| • Our relatively small 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.<br>• 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.<br>• 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.<br>• Tuan Sing is a recognised developer with proven track records and reputation associated with award-winning projects.<br>• The Group actively works with potential business partners in submitting joint- bid for new land parcels.<br>• 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.<br>• Plans are in progress to create value from existing assets through asset enhancement initiatives and redevelopment works. |
| **INDUSTRY RISK** | |
| • The Group is exposed to inherent risks in property developments.<br>• 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.<br>• 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.<br>• Reductions in room rates and occupancy levels would adversely impact the Group results. | • Policies and procedures covering project management process are in place.<br>• Pre-approved Project budget is agreed in advance to monitor the performance of the project team. All variation orders require approval at appropriate level.<br>• Hyatt management tracks room bookings daily. 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 the region.<br>• The property development business depends heavily on the continued health of the real estate market in Singapore and in the region.<br>• 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.<br>• The Group remains optimistic of the median and long-term outlook for the property markets in Singapore and in the region. |

# BUSINESS DYNAMICS & RISK FACTORS STATEMENT

| DESCRIPTION OF RISKS | WHAT WE DO TO MANAGE THE RISKS |
|---|---|
| **BUSINESS & STRATEGY RISKS (CONT'D)** | |
| **REGULATORY RISK** | |
| • Group is exposed to changes in prevailing laws and regulations in the country where it operates, particularly in corporate law, competition law, consumer protection and environment law. | • The Group works closely with advisors, consultants and local authorities so as to keep abreast of changes.<br>• Local business units are required to apprise head office of material regulatory developments in a timely manner. |
| **REPUTATION RISK** | |
| • The Group's reputation is at risk of 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.<br>• The Group has clearly articulated mission statement and guiding principles that drive the Group's operations.<br>• The Group has established an Investor Relations policy which is made available on 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.<br>• Property development business relies on obtaining land plots, 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 seize business opportunities at short notice, diversify our sources of funding and to raise our business profile.<br>• A portfolio of mostly freehold investment properties provides a platform of growth and generates recurring income. Existing hotel properties offer a stable income stream given its choice locations.<br>• Business Development and project management functions have been strengthened in recent years. |
| **TERRORISM RISK** | |
| • The Group could be adversely affected by a direct terrorist attacks because of its geographical footprints.<br>• This would potentially result in damage to properties, facilities and cause injury or death to personnel as well as disruption in operation and will cause financial loss to the Group. | • This is an inherent risk that the Group faces.<br>• The Group has a disaster recovery plan in place.<br>• Properties are protected through the implementation of certain 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.<br>• The Group's property portfolio in Singapore and Australia are pledged under various mortgage loan agreements. A breach in any loan covenant may trigger certain repayment at short notice. | • The Group monitors and maintains a level of cash and cash equivalents deemed adequate.<br>• The Group manages debt financing proactively to ensure all covenants are met as and when required.<br>• Moving 16-month Cash flow projections, debt maturity profiling and bank facilities undrawn are reviewed quarterly to monitor liquidity position.<br>• Great emphasis is placed on the timely execution of on-going projects to ensure that significant proportion of our property projects are sold and cash being realised as early as is possible. |

# BUSINESS DYNAMICS & RISK FACTORS STATEMENT

| DESCRIPTION OF RISKS | WHAT WE DO TO MANAGE THE RISKS |
|---|---|
| **FINANCIAL RISKS (CONT'D)** | |
| **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 an optimal capital structure.<br>• The Group monitors its gross gearing, net gearing ratios and their trends on a quarterly basis.<br>• To achieve an optimal capital structure, the Group may from time to time issue new shares, obtain new borrowings, sell assets thereby reducing borrowings, adjust the dividend payout, or return capital to shareholders. During the year, the Group bought certain number of shares from the open market which were cancelled thereafter. |
| **DERIVATIVE FINANCIAL INSTRUMENT RISK** | |
| • Market conditions may move against the assumptions the Group adopts at the time of hedging transactions, an inherent risk. | • 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.<br>• Hedging is to meet actual operational requirements, not for speculative purpose.<br>• The Group closely monitors the impact of the macroeconomic conditions. |
| **PRICE RISK** | |
| • Revenue and profit recognition for development properties and fair value adjustments for investment properties are lumpy.<br>• 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 as the Group operates in the industry.<br>• Diversify the property portfolio.<br>• For development properties, reduce the gestation period of a property launch. The Group monitors the market sentiments to leverage on any potential upside as well.<br>• For investment properties, lock in major tenants with multi-year durations. |
| **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.<br>• 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 dollars for financial reporting or repatriation purposes. | • Natural hedging is used extensively including matching sale with purchase or matching asset with liability of the same currency and amount whenever it is practicable.<br>• Currency translation risk is inherent for operations outside Singapore. Since it is non-cash in nature, it is 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.<br>• 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. |

# BUSINESS DYNAMICS & RISK FACTORS STATEMENT

| DESCRIPTION OF RISKS | WHAT WE DO TO MANAGE THE RISKS |
|---|---|
| **FINANCIAL RISKS (CONT'D)** | |
| **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 rules in different countries on periodic basis.<br>• Tax provisions are made in strict compliance to the rules so as to reduce under-accrual in the book of accounts.<br>• The Group developed Transfer Pricing Documentation Master File to provide a guideline on transfer pricing for all subsidiaries across different countries. |
| **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.<br>• This system may not prevent or detect all frauds or misstatements in a timely manner.<br>• 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.<br>• 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.<br>• 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.<br>• 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.<br>• The Group maintains cordial working relationship with business partners. |
| **SOCIAL & ENVIRONMENT 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 shortcomings identified.<br>• 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.<br>• The Group has implemented the Sustainability Policy which is published on the corporate website to promote stakeholder engagement. |
| **PEOPLE RISK** | |
| • The Group depends on the service of good personnel for business continuity.<br>• 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.<br>• Attractive award and bonus are given to good performers. |

# BUSINESS DYNAMICS & RISK FACTORS STATEMENT

| DESCRIPTION OF RISKS | WHAT WE DO TO MANAGE THE RISKS |
|---|---|
| **OPERATIONAL RISKS (CONT'D)** | |
| **PROCESS, 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, industrial accidents, etc.<br>• The Group relies heavily on third-party contractors and consultants for various services.<br>• Long term hotel management agreements have given Hyatt International almost full discretion in the operations of the hotels. | • Operating manuals, standard operating procedures, delegation of authority matrix are in place.<br>• Project costs and project timeline are closely monitored through regular project meetings with consultants, suppliers and contractors.<br>• 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.<br>• Regular management team meetings facilitate effective project coordination and communication.<br>• Profit sharing terms in the hotel management agreements to ensure alignment with our risk appetite. |
| **WORK HEALTH AND 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.<br>• Refresher drills on fire safety, emergency evacuation and first aid responses are conducted regularly.<br>• 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, terrorism, 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.<br>• This can happen through targeted attack from hackers, insider attacks and accidental cyber incidents.<br>• Resulted cyber thefts of sensitive and confidential information could lead to litigations from customers and/or regulatory fines and penalties. | • The Group adopts a holistic approach by keeping abreast of the threat landscape and business environment.<br>• The Group has in place 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.<br>• 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.<br>• Whistle-blowing policy and annual declaration by staff on ethics have been in place for some time.<br>• 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. |