CEO'S REVIEW OF OPERATIONS

In 2018, the **Group's revenue was $336.1 million** as compared with $356.0 million in the previous year. The **net profit attributable to shareholders was $134.4 million**, an increase of 115% as compared with $62.6 million in the previous year.

MARKET OUTLOOK AND BUSINESS ENVIRONMENT

For property markets, 2018 was a notable year as prices rose steadily due to stronger economic performance and growing demand for housing. However, Asia's real estate market is tempered by uncertainties such as potential trade war, tighter monetary policy and risks of government intervention. In Singapore, buyers and sellers and developers have adopted a more cautious approach following the most recent changes in real estate policy.

Looking at 2019, we believe rising interest rates and higher investor expectations will balance the growth in real estate inflation or market values. Also, we believe that the direct property fundamentals remain healthy in most markets, especially within the commercial sector, we see high occupancy rates and rental rates generally steady or increasing. While there may be moderated demand in the housing sector in 2019, the commercial and hotel sector appears to be the bright spot in the real estate market due to strong tourism numbers as well as an increased demand for prime well located assets versus a significantly muted supply of upcoming projects especially in the traditional prime Central Business District areas.

GLOBAL TRENDS

Beyond 2019, the real estate industry will be driven by certain major trends. Firstly, there will be rapid economic change and growth driven by desire of governments to urbanize. Like Singapore, many other markets including, Australia, China, Indonesia will see strong urbanization trends, with a growth of mixed used developments and/or townships that help drive productivity, efficiency and reduce infrastructural costs on the whole. Second, the new millennial generation and below desire a change in lifestyle, which means more travel and experience oriented activities. This bodes well for tourism and entertainment, food, sports and travel. Younger consumers will travel more and this will drive tourist related projects with strong value proposition. Thirdly, we believe as the aging population will continue to grow, there will be also an increased demand for leisure, vacationing and aging tourism led growth.

GOLDEN JUBILEE

For Tuan Sing, 2019 marks a special milestone as it celebrates 50 years of operations.

Since its inception in 1969, the Group, a multi-disciplinary real estate development and investment company, has proven itself to be both dynamic and progressive, steadily positioning itself as one of the region's leading niche real estate developers. With care, prudence and acumen, we have added to our property portfolio, our manpower, our track record, our

1980 *Acquired Robinson Towers, Singapore*

2017 *Robinson Towers renamed as "18 Robinson"*
2019 *Obtained Temporary Occupation Permit in January 2019*

CEO'S REVIEW OF OPERATIONS

area of operation, embracing our work and responsibilities with undiminished enthusiasm and dedication. This positivity is a key factor behind our success, as evidenced by the growth rates we have been able to achieve since the very beginning.

We have accomplished these targets through our ability to adapt to a swiftly evolving competitive landscape, our relentless commitment to quality, and our fiscal discipline, which has allowed us to deploy capital efficiently.

BUILDING ON STRENGTHS

Backed by its entrepreneurial spirit, professional excellence and in-depth understanding of demand-supply dynamics in the regional real estate industry, the Group has embarked on a strategic business transformation to reposition itself from a niche developer to a major regional player, with a presence in commercial, residential, hospitality, healthcare and mixed-use properties in key cities across the Asia-Pacific, particularly in Singapore, China, Indonesia and Australia.

Armed with these strengths and its track record in property development and investment across a diverse range of property segments, the Group intends to participate in large-scale integrated developments and townships as it enters the next phase of growth.

SHAPING THE FUTURE

Building on our success, we look forward to a new era of growth as we continue to develop projects of superior design and deliver quality products, both locally and abroad, to generate stronger sales. The Group will optimise value through a diversified portfolio of investments and carry out asset enhancement initiatives designed to create stronger recurring income streams, while divesting non-core assets for better reallocation of resources.

Even as we take our core businesses of commercial buildings and residential properties to the next level, we will also explore new fronts such as property fund management, retail warehousing, and property-related businesses revolving around hospitality education and healthcare.

To realise these targets, we must continue to innovate, take calculated steps and to align interests of all stakeholders towards our vision. Importantly, we must create financial and social value for all stakeholders and align interests with our partners in achieving these goals. Finally, we believe that by aligning interests of all stakeholders, we can create a sustainable future, not only for ourselves but also for the geographies that we invest in hopefully in creating not only good jobs, but also good outcomes in improving efficiency, amenities, and reducing costs of infrastructure etc that can be reduced with the optimal design, masterplanning and architecture. We hope to contribute in a small way to each project that inspires a new way of living, and create better outcomes for all.

William Nursalim alias William Liem
Chief Executive Officer

2017 *Acquired commercial building, 896 Dunearn Road, Singapore*
2019 *Additions and Alterations works expected to be completed by mid-2019*

2019 *Kandis Residence, Singapore scheduled to be completed by 2019*

OPERATION SUMMARY

OVERVIEW

Tuan Sing Holdings Limited is a fast-growing, diversified regional investment holding company with interests mainly in property development, property investment and hotel ownership. Over the years, the Group has developed a portfolio of strategically located real estate assets not only in Singapore but across the Asia-Pacific region, establishing a reputation for delivering high-quality and iconic developments.

The Group operates in four business segments, namely Property, Hotels Investment, Industrial Services and Other Investments.

PROPERTY. This segment focuses on development properties for sale in Singapore. Having sold most of the completed development properties in Singapore and China, we are now embarking on regional development opportunities in Sanya, China, and Batam, Indonesia. Our Property segment also focuses on investment properties in Singapore, Australia and China. In Singapore, our ongoing development properties are Kandis Residence, Mont Botanik Residence and the freehold residential site at 333 Thomson Road, acquired in 2018; while our main investment properties are 18 Robinson, Robinson Point and the commercial building at 896 Dunearn Road.

The central pool set amidst a lush tranquil backdrop offers a green sanctuary for those who choose Kandis Residence, Singapore

Some of the high-end luxury stores in Grand Hyatt Melbourne's shopping complex

HOTELS INVESTMENT. This segment comprises two hotels in Australia – Grand Hyatt Melbourne and Hyatt Regency Perth – which are managed by Hyatt International.

INDUSTRIAL SERVICES. Our investments in this segment includes a 80.2% equity stake in SP Corporation Limited ("SP Corp"), a SGX listed company, and a 97.9% equity stake in Hypak Sdn Berhad ("Hypak"). SP Corp is engaged primarily in commodities trading, while Hypak is in the business of manufacturing and marketing polypropylene packaging bags in Malaysia.

OTHER INVESTMENTS. This segment comprises a 44.5% equity interest in Gul Technologies Singapore Pte. Ltd. ("GulTech"), which manufactures printed circuit boards, and a 49% equity interest in Pan-West (Private) Limited, a retailer of golf-related products. Head-quartered in Singapore, GulTech has three manufacturing plants in China, which serve valued clients such as Visteon Corporation, Continental AG and Wistron Corporation.

PROPERTY

Mont Botanik Residence, Singapore

Revenue for Property segment was $83.0 million as compared with $101.3 million for the same period in the previous year, a decrease of $18.3 million or 18%. The drop was driven mainly by a decline in sales of development properties as most of the units in Cluny Park Residence had been sold in the previous year. However, this was partially offset by an increase in sales at Kandis Residence and an increase in revenue from investment properties due mainly to the acquisition of 896 Dunearn Road in June 2017.

SINGAPORE PROPERTY

In July 2018, the Singapore government introduced cooling measures that included increasing Additional Buyer Stamp Duty rates and tightening loan-to-value limits on residential property purchases. This had a dampening effect on the residential property market.

However, sentiment for commercial property continues to improve. Office rental rates in the Central Business District have seen high growth since 2010 thanks to tight vacancy. Demand is expected to remain strong over the next few years.

The Group has completed various development projects in Singapore over the past three years, namely Seletar Park Residence, Sennett Residence and Cluny Park Residence.

The Group will continue to develop and market development properties in Singapore:

SENNETT RESIDENCE features a wide choice of condominium housing (three 19-storey blocks and one five-storey block), with a total of 332 residential units and three shop units, alongside two basement car parks, roof terraces and other facilities. Occupying an area of approximately 8,664 square metres, the 99-year leasehold site is located right next to the Potong Pasir MRT station and overlooks the landed Sennett estate. The Temporary Occupation Permit ("TOP") was obtained in June 2016 and the Certificate of Statutory Completion ("CSC") in May 2017.

CLUNY PARK RESIDENCE is a 52-unit luxury residential development located directly opposite the Singapore Botanic Gardens. It is the one and only condominium along Cluny Park Road. Occupying a land area of approximately 4,544 square metres, this freehold development faces the Bukit Timah entrance to the Gardens. The TOP was obtained in July 2016 and the CSC in October 2016.

PROPERTY

KANDIS RESIDENCE provides condominium housing with full facilities. One three-storey block and three seven-storey blocks offer a total of 130 residential units, ranging from one to three-bedroom units. Occupying an area of approximately 7,046 square metres, the 99-year leasehold development is well-placed within the North Coast Innovation Corridor earmarked by the Urban Redevelopment Authority, and lies just a short drive away from key commercial centres along the Corridor – the Woodlands Regional Centre, the future Seletar Regional Centre and the Punggol Creative Cluster. Designed by Ong & Ong, Kandis Residence was soft-launched in August 2017. It is scheduled to be completed by 2019.

MONT BOTANIK RESIDENCE is a freehold condominium with 108 residential units, occupying a land area of approximately 4,047 square metres. It is within walking distance of the Hillview MRT station and is surrounded by lush greenery – the neighbouring Bukit Timah Nature Reserve, Bukit Batok Nature Park and Bukit Gombak's "Little Guilin". Designed by AGA Architects, Mont Botanik Residence was launched in August 2018 and is expected to be completed by 2020.

333 THOMSON ROAD (formerly "Peak Court") is a freehold residential site acquired by collective sale tender through a 70:30 Joint Venture with Rich Capital Realty Pte. Ltd. for a purchase consideration of $118.9 million. The acquisition was completed in August 2018, and the Group is targeting to launch the project in 2019. The site is located near the Novena MRT station and the upcoming Mount Pleasant MRT station along the Thomson-East Coast Line. With a land area of approximately 5,331 square metres and a plot ratio of 1.4, it will be redeveloped into 90 residential units for sale. The project is scheduled to be completed by 2022.

The Group has the following diversified portfolio of investment properties in Singapore:

THE OXLEY is a freehold 10-storey mixed commercial-cum-residential building along Oxley Rise, which lies in the prime District 9, and is just a few minutes' walk away from the entertainment, shopping and hotel belt of Orchard Road. The building includes a podium block that houses commercial premises from the first to the third storey, a tower block with residential units from the fourth to the 10th storey, and a three-storey 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, while the third floor currently houses Tuan Sing's corporate headquarters.

18 ROBINSON commenced redevelopment in June 2013. The Temporary Occupation Permit ("TOP") was obtained in January 2019. Designed by the internationally acclaimed Kohn Pedersen Fox Associates and Architects 61, it comprises an office tower with a retail podium. The total planned gross floor area comes to approximately 24,086 square metres, while the total lettable area amounts to about 18,058 square metres.

18 Robinson will feature high-ceiling, grade-A office space, a retail podium with a 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, reflecting Tuan Sing's green and sustainability initiatives. In addition, 18 Robinson will be equipped with a new automatic car parking system that uses battery-powered automated guided vehicles ("AGVs"). The first of its kind in Singapore and South-East Asia, it will employ a laser-guided positioning system instead of conventional automatic parking systems which require conveyor belts to transport the cars.

ROBINSON POINT 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, with retail units on the ground floor. It offers 57 car park bays at levels 3 to 5.

FAR EAST FINANCE BUILDING is a 14-storey office building with shop space in part of the ground floor. It is located right next to the site where 18 Robinson is being developed. The Group owns the strata unit that occupies the whole of the 11th floor.

The commercial building at **896 DUNEARN ROAD** was acquired in June 2017. It is a five-storey building located opposite the King Albert Park MRT station, on a part-freehold, part-999-year leasehold site 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. Currently, the building has about 18,857 square metres of net lettable area, with a mixture of retail and office tenancies. The Group is focusing on the repositioning of the property with Additions and Alterations ("A&A") works expected to be carried out and completed by the middle of 2019.

PROPERTY

CENTURY WAREHOUSE is an eight-storey freehold warehouse building at 100E Pasir Panjang Road, located near close to the Pasir Panjang MRT station, the Labrador Park MRT station and Alexandra Retail Centre, which provides a host of food and beverage and retail amenities. The Group owns 31 of the 35 strata units in the building. The Group accepted a tender bid for the collective sale of all the strata units for a consideration of $48.5 million, based on a 100 per cent owners' consensus. Legal completion of this transaction is expected to be completed on 27 March 2019.

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

AUSTRALIA PROPERTY

The Group has commercial buildings in Melbourne and Perth, which are adjacent to its two hotels, Grand Hyatt Melbourne and Hyatt Regency Perth.

In Melbourne, there is good demand for and interest in retail space on Collins Street, with food and beverage operators and luxury retail sectors providing much of the impetus. In Perth, office space vacancy rates continued to improve gradually, while demand for retail space remained subdued. However, cafes, restaurants and takeaway food services have experienced positive growth since the arrival of on-demand food delivery services *(Source: Colliers Research and Forecast Report – Retail & Office First Half 2018)*.

Our Melbourne investment property consists of a Commercial Centre and a Carpark within the Melbourne Grand Hyatt complex. The tenancies occupy a total lettable area of 3,024 square metres, featuring a mixture of leases ranging from three to 10 years. Some of the luxury and high-end stores in the hotel's shopping complex include Chanel, Bvlgari, Paspaley Pearls and Giorgio Armani. We achieved average full occupancy for 2018 and 2017.

The Group has a master lease agreement with Wilson Parking for the leasing of the basement car park, which has 595 bays.

Our Perth investment property consists of Fortescue Centre, two basement carparks and two vacant land plots with combined land area of 3,072 square metres. Fortescue Centre is a three-level office with total lettable area of 23,559 square metres. It is facing Terrace Road and Plain Street, overlooking the picturesque Swan River. Fortescue Metals Group, which occupies approximately 51% of the total lettable area, is a major tenant. In 2018, the Group achieved an average occupancy rate of 59% as compared with 65% in 2017.

The carpark, which is outsourced to Secure Parking under management agreement, can accommodate approximately 1,018 cars.

Currently, the existing commercial centre is undergoing the Asset Enhancement Initiative ("AEI"). Upon completion, the proposed development shall increase the retail space, activate the centre with street engagement and innovate the space with a modern retail concept and family entertainment attractions, making it a prominent destination and attraction for its proximity to Langley Park, Swan River, the Perth Optus stadium and other city landmarks. The main construction works are expected to commence in the second half of 2019.

INDONESIA PROPERTY

In June 2018, the Group completed the acquisition of land in Batam through 90% held subsidiaries for a purchase consideration of $39.15 million. The freehold site has approximately 85 hectares, comprising four plots of land. Overtime, the Group intends to develop the site into an integrated mixed-development township, comprising hotels with MICE facilities, retail, tourist facilities and attractions as well as residential properties ("Batam Marina City").

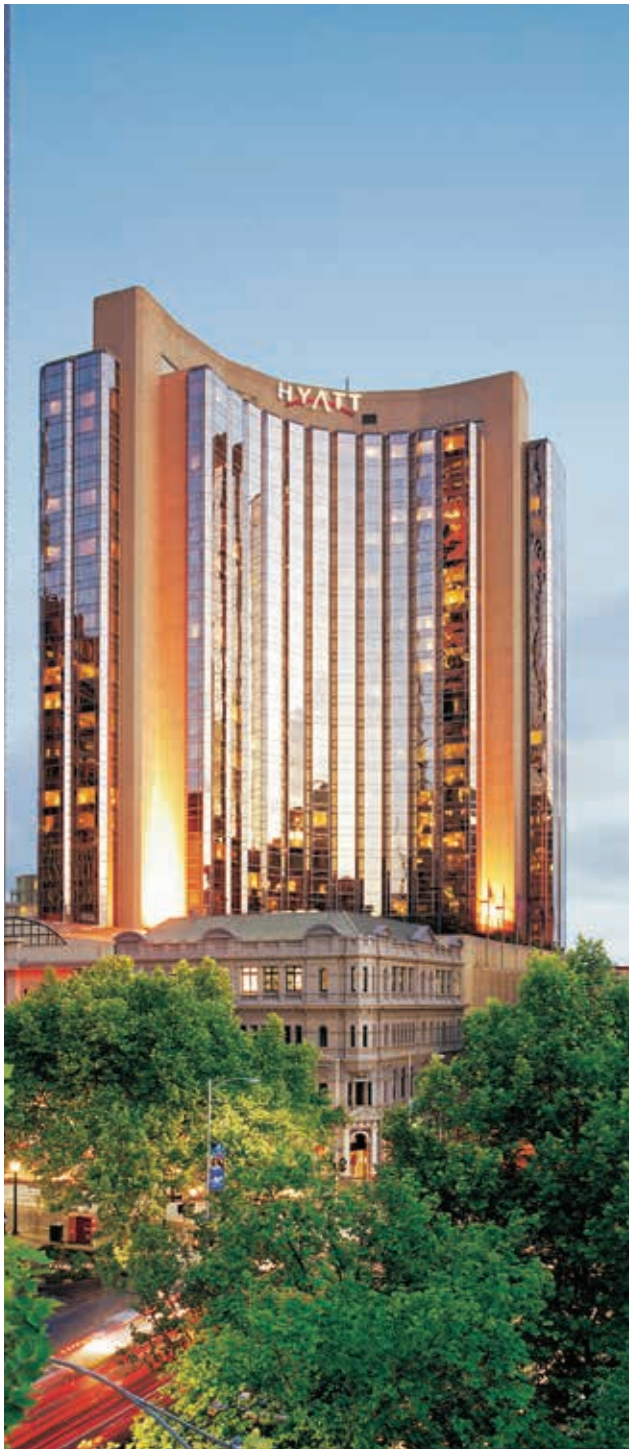
Subject to approval by the relevant authorities', the Group plans to launch Batam Marina City's initial phase of the integrated township development comprising condotels, retail outlets, and food & beverage and entertainment spaces in 2019.

CHINA PROPERTY

The Group has a three-storey commercial building located at No.2950 Chun Shen Road in Shanghai, China, occupying a land area of approximately 1,741 square metres. The leasehold building has been fully leased out, with an estimated lettable area of 2,170 square metres.

At present, the Group has no development activities in China. In March 2018, it divested its wholly owned subsidiary, which owns land in Jiaozhou, for a profit of $3.9 million. The Group currently has one plot of vacant land in Fuzhou for residential development. Occupying approximately 163,740 square metres, it is situated on the mountainous ridge of Shoushan County in Jing'an District, which lies in a rural part of the city. The site is about 400 metres above sea level (from the foot of the mountain), and it is about a 30-minute drive to the city centre.

HOTELS INVESTMENT



Our internationally recognised 5-star hotel – Grand Hyatt Melbourne

Revenue for Hotels Investment segment was $109.7 million (or A$108.6 million) for 2018 as compared with $119.8 million (or A$113.2 million) for the same period in the previous year, a decrease of $10.1 million (or A$4.6 million). Grand Hyatt Melbourne performed better, having increased its Revenue Per Available Room ("RevPAR") and occupancy rates. However, this was offset by a weaker performance at the Hyatt Regency Perth.

The Group owns two award-winning and prominent hotels, Grand Hyatt Melbourne and Hyatt Regency Perth. Details of the hospitality awards received during the year are set out in the "Awards and Accolades" section of this Annual Report. Both hotels are being managed under the Hyatt brand name in line with the hotel management agreement with Hyatt International.

In Melbourne, the hotel sector performed well, maintaining its momentum in 2018. In Perth, the sector was hampered by new supply. There was a steep decline of 3.3% in RevPAR trends for the year-to-date July 2018 as compared with the corresponding period in the previous year *(Source: Colliers – Australian Hotel Market Snap Shot Half Year 2018).*

GRAND HYATT MELBOURNE is located within the city's Central Business District, at the "Paris End" of Collins Street, with access to both Russell Street and Flinders Lane. The internationally recognised five-star hotel, which opened in 1986 and has been extensively renovated in recent years, comprises a total of 550 guestrooms and suites over 34 levels. The hotel also features four food and beverage outlets, 15 meeting rooms, a day spa, a fully equipped health/fitness club with a swimming pool, a tennis court, a basketball court and a golf driving area. Lauded as an outstanding hospitality service provider, Grand Hyatt Melbourne has received a slew of awards over the years.

In 2018, it achieved an occupancy rate of 91.4%, as compared with 89.8% in 2017.

HOTELS INVESTMENT

Bistro bar at Grand Hyatt Melbourne

Elegantly fitted guestrooms designed to offer the utmost in comfort – Grand Hyatt Melbourne

HYATT REGENCY PERTH is located at the eastern end of the Perth's Central Business District, with easy access to Adelaide Terrace and Bennett Street, and offers splendid views of the iconic Swan River. Completed in 1984, it features an integrated five-star hotel, office, retail, and parking complex, along with an adjacent commercial centre known as Fortescue Centre. It comprises 367 hotel rooms and suites over the upper nine levels. Facilities and amenities include four food and beverage outlets, 15 conference/ meeting rooms and numerous recreation facilities, including an outdoor heated swimming pool and a fitness centre. Over the years, the hotel has also received many hospitality awards such as the Gold Plate Award Winner 2017 for the Best High Tea.

In 2018, it posted an occupancy rate of 81.1%, as compared with 86.3% in 2017.

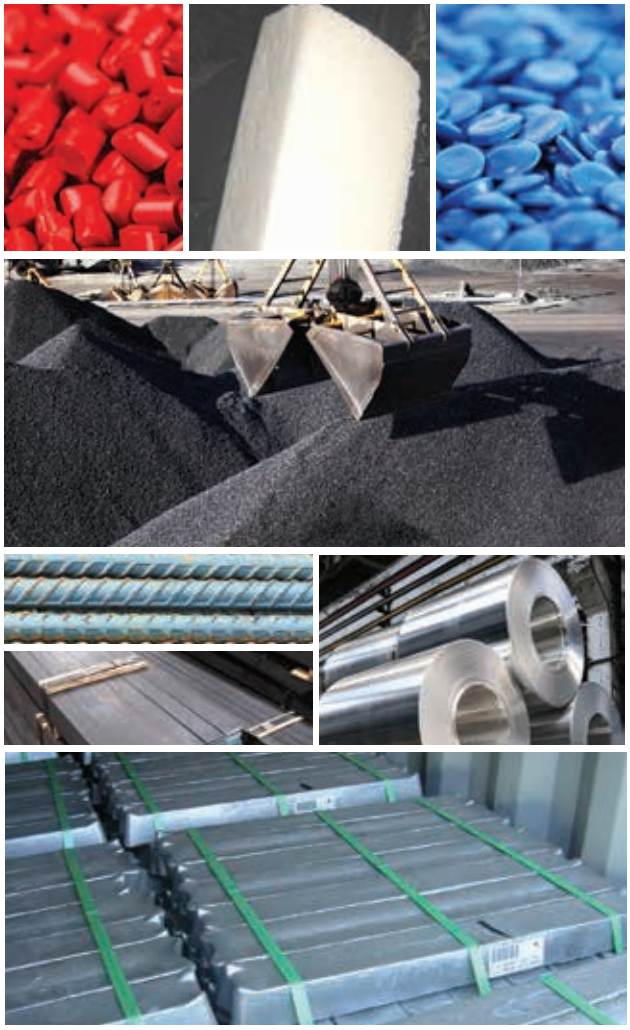
Many guestrooms offer views of the Swan River or the City Skyline – Hyatt Regency Perth

INDUSTRIAL SERVICES

Industrial Services segment posted $144.8 million in revenue for 2018 as compared with $136.1 million for the same period in the previous year, an increase of $8.7 million or 6%. The rise was due to improved performance at SP Corporation Limited ("SP Corp"), a commodities trading business, but was offset by a loss of revenue stemming from the disposal of the tyre distribution business in December 2017.

The Group has an equity stake of 80.2% in SP CORP and 97.9% in Hypak Sdn. Berhad ("Hypak"). **SP Corp's** main operations are the trading and marketing of industrial commodities, such as coal, natural rubber and aluminium.

HYPAK'S main business is in the manufacturing and marketing of polypropylene woven bags in Malaysia.



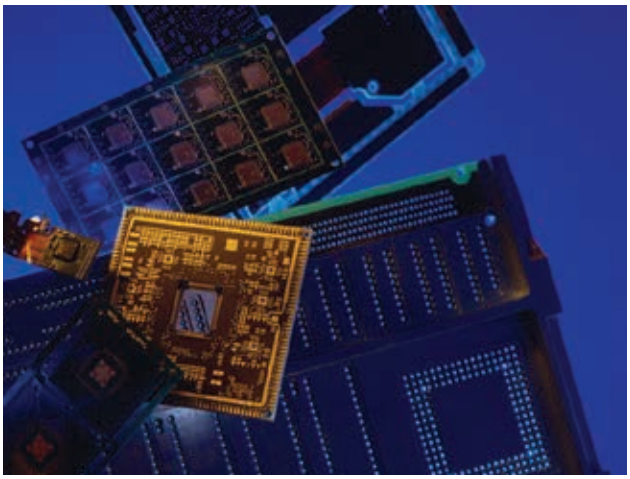
SP Corp's business activities

OTHER INVESTMENTS

Profit after tax in Other Investments segment was $19.3 million for 2018, as compared with $16.0 million in 2017.

The Group has an equity stake of 44.5% in Gul Technologies Singapore Pte. Ltd. ("GulTech") and a 49% stake in Pan-West (Private) Limited ("Pan-West"). These holdings are classified under the "Other Investments" segment. Profits in this segment are derived mainly from GulTech. In line with our strategic direction, the Group is not averse to disposing of its investments in these two businesses should the opportunity arise.

GULTECH is a respected player in the printed circuit boards ("PCB") market, serving customers in the automotive, computer peripheral, consumer electronics, telecommunication, healthcare and instrument & control sectors. It has three manufacturing plants in China, located in Suzhou, Wuxi and Jiangsu. Leveraging on its innovative designs and prototype expertise, GulTech continues to work in partnership with multinational clients 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 manufactures printed circuit boards at its state-of-the-art production facilities in Suzhou and Wuxi, China

PAN-WEST distributes golf-related lifestyle products, operating in nine on-course and off-course outlets and concessionaires across Singapore and Malaysia. It 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 for Asics Golf and Skechers Golf footwear in Singapore.

PROPERTY PORTFOLIO

CHINA

1 COMPLETED DEVELOPMENT PROPERTY
Lakeside Ville Phase III, Shanghai

1 COMMERCIAL PROPERTY
No. 2950 Chun Shen Road, Shanghai

2 LANDS HELD FOR FUTURE DEVELOPMENT
Land in Jin-an District, Fuzhou Fujian Province
Land in Hainan Sanya Yuxiu Road, adjacent to Sanya High-Speed Railway Station

3 PROPERTIES HELD UNDER OTHER INVESTMENTS
GulTech Suzhou Factory Building
GulTech Wuxi Factory Building
GulTech Jiangsu Factory Building

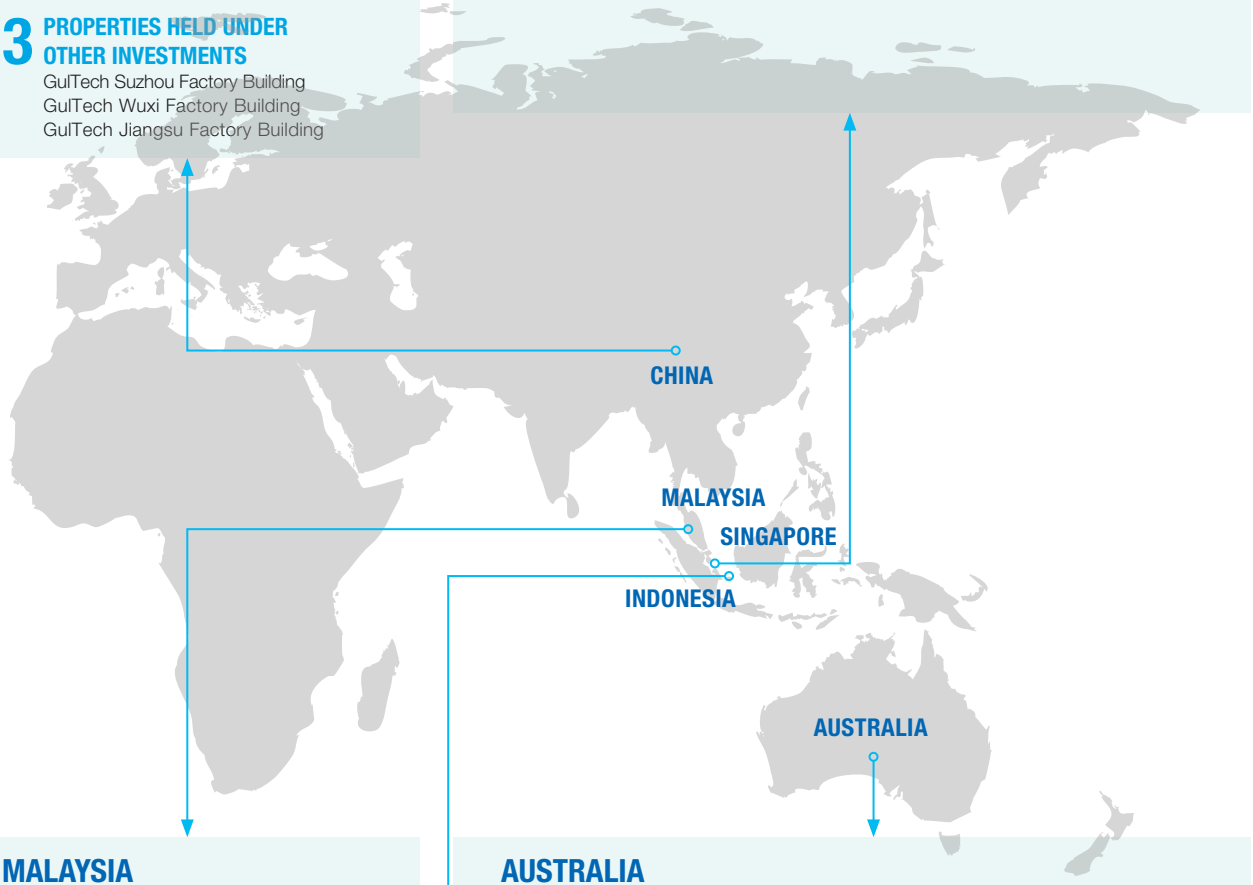
SINGAPORE

2 COMPLETED DEVELOPMENT PROPERTIES
Sennett Residence
Cluny Park Residence

3 PROPERTIES UNDER DEVELOPMENT
Kandis Residence
Mont Botanik Residence
Site at 333 Thomson Road

5 COMMERCIAL PROPERTIES
The Oxley, 1st – 3rd floor
18 Robinson
Robinson Point
Far East Finance Building, 11th Floor
896 Dunearn Road

2 INDUSTRIAL PROPERTIES
Century Warehouse(1) (31 strata units)
L&Y Building (3 strata units)



MALAYSIA

1 PROPERTY HELD UNDER INDUSTRIAL SERVICES
Hypak Factory Building

INDONESIA

1 LAND HELD FOR FUTURE DEVELOPMENT
Land in Batam Marina City

AUSTRALIA

2 PROPERTIES HELD UNDER HOTEL OPERATIONS
Grand Hyatt Melbourne
Hyatt Regency Perth

2 COMMERCIAL PROPERTIES
Commercial Centre and Carpark within Melbourne Grand Hyatt Complex
Fortescue Centre and Carpark within Hyatt Regency Perth Complex

(1) The tender bid for the collective sale of all strata units was accepted on 27 December 2018. The legal completion of this sale is expected to be completed on 27 March 2019.

PROPERTY PORTFOLIO

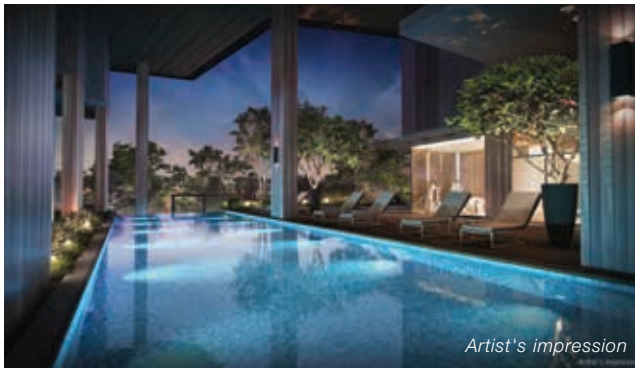
DEVELOPMENT PROPERTIES

NAME OF PROPERTY	LOCATION	ESTIMATED GROSS FLOOR AREA/ LAND AREA (SQUARE METRE)	TENURE
COMPLETED PROPERTIES HELD FOR SALE			
Sennett Residence	Singapore	33,328	99 years from year 2011
Cluny Park Residence	Singapore	6,997	Freehold
Lakeside Ville Phase III	China	41,584	70 years from 1997
PROPERTIES UNDER DEVELOPMENT			
Kandis Residence	Singapore	10,850	99 years from year 2016
Mont Botanik Residence	Singapore	8,546	Freehold
Site at 333 Thomson Road	Singapore	8,209	Freehold
LAND HELD FOR FUTURE DEVELOPMENT			
Land in Batam Marina City	Indonesia	849,748[(a)]	30 years from 2004
Land in Jin-an District, Fuzhou Fujian Province	China	163,740[(b)]	70 years from 1994
Land in Hainan Sanya Yuxiu Road, adjacent to Sanya High-Speed Railway Station	China	57,839	40 years from 2017

(a) Land area only.
(b) Land area only and pending renewal of expired certificate for construction site planning.

Cluny Park Residence, Singapore

Kandis Residence, Singapore



Mont Botanik Residence, Singapore

Sennett Residence, Singapore

PROPERTY PORTFOLIO

INVESTMENT PROPERTIES

NAME OF PROPERTY	LOCATION	ESTIMATED LETTABLE/ STRATA AREA (SQUARE METRE)	TENURE
COMMERCIAL			
The Oxley, 1st – 3rd floor	Singapore	2,770	Freehold
18 Robinson	Singapore	18,058	999 years from year 1884 & 1885 or 99 years from year 2013 for certain plots
Robinson Point	Singapore	12,483	Freehold
Far East Finance Building, 11th Floor	Singapore	402	999 years from year 1884
896 Dunearn Road	Singapore	18,857	Freehold or 999 years from year 1879
Commercial Centre and Carpark (595 lots) within Melbourne Grand Hyatt complex	Australia	3,024	Freehold
Fortescue Centre and Carpark (1,018 lots) within Hyatt Regency Perth complex	Australia	23,559	Freehold
No. 2950 Chun Shen Road, Shanghai	China	2,170	58 years from year 2008
INDUSTRIAL			
Century Warehouse (31 strata units)[c]	Singapore	4,690	Freehold
L&Y Building (3 strata units)	Singapore	2,285	999 years from year 1885

(c) The tender bid for the collective sale of all strata units was accepted on 27 December 2018. The legal completion of this sale is expected to be completed on 27 March 2019.

PROPERTY HELD UNDER HOTEL OPERATIONS

NAME OF PROPERTY	LOCATION	LAND AREA (SQUARE METRE)	TENURE	TOTAL HOTEL ROOMS
Grand Hyatt Melbourne	Australia	5,776[d]	Freehold	550
Hyatt Regency Perth	Australia	25,826[e]	Freehold	367

(d) The land area includes the commercial and carpark components. The commercial portion occupies a land area of approximately 742 square metres.
(e) The land area includes the vacant land, commercial and carpark components. The hotel operations occupy a land area of approximately 6,500 square metres.

PROPERTY HELD UNDER INDUSTRIAL SERVICES & OTHER INVESTMENTS

NAME OF PROPERTY	LOCATION	LAND AREA (SQUARE METRE)	TENURE
Hypak Factory Building, Malacca	Malaysia	19,100	99 years from year 1973
GulTech Suzhou Factory Building	China	40,455	48 years from year 1999
GulTech Wuxi Factory Building	China	78,800	50 years from year 2004
GulTech Jiangsu Factory Building	China	75,500	50 years from year 2012

REVIEW OF FINANCIAL PERFORMANCE

This review is to provide readers with an insight into our financial performance, financial position, cash flow, capital structure management and treasury management as of 31 December 2018.

OVERVIEW

KEY PERFORMANCE INDICATORS

		2018	2017 (Restated)	Change
Profitability – measures ability to generate earnings				
Revenue	$'Million	336.1	356.0	(6%)
Profit before tax and fair value adjustments	$'Million	25.7	23.2	11%
Profit after tax	$'Million	134.6	62.7	115%
Profit attributable to shareholders	$'Million	134.4	62.6	115%
Liquidity – measures ability to meet debt obligations				
Working capital	$'Million	(388.4)	87.7	n.m.
Operating cash flow	$'Million	(93.9)	101.5	n.m.
Free cash flow[1]	$'Million	(212.9)	(341.3)	38%
Efficiency – measures efficiency of using fund and managing assets				
Total assets	$'Million	2,917.4	2,642.5	10%
Shareholders' funds	$'Million	1,093.5	989.6	10%
Return on assets[2]	%	4.8	2.6	86%
Return on shareholders' funds[3]	%	12.9	6.5	98%
Debt leverage – measures capital employed and financial leverage				
Total borrowings	$'Million	1,630.4	1,458.1	12%
Net borrowings	$'Million	1,497.4	1,241.3	21%
Gross gearing[4]	times	1.47	1.46	1%
Net gearing[4]	times	1.35	1.24	9%
Shareholders' return – measures wealth creation for shareholders				
Earnings per share (before fair value adjustments)	cents	1.9	1.8	6%
Earnings per share (after fair value adjustments)	cents	11.3	5.3	113%
Net asset value per share	cents	92.2	83.4	11%
Dividend per share[5]	cent	0.9	0.6	50%
Dividend payout ratio[6]	%	50.2	40.0	26%
Dividend yield[7]	%	2.2	1.7	29%

Definitions:

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

REVIEW OF FINANCIAL PERFORMANCE

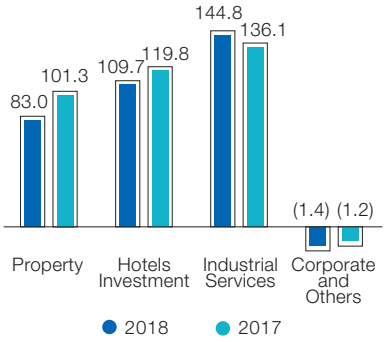
FINANCIAL PERFORMANCE

REVENUE

REVENUE BY BUSINESS SEGMENT

Group's revenue was $336.1 million, a decrease of 6% as compared to $356.0 million last year. The overall decrease was mainly due to lower sales of residential development projects and a decrease of revenue from the hotels business.

REVENUE BY BUSINESS SEGMENT ($'MILLION)



Industrial Services segment contributed 43% of the Group's revenue in 2018.

REVENUE BY GEOGRAPHICAL LOCATION

Group's revenue was mainly generated from Singapore and Australia, contributing a combined 91% and 88% of the total revenue in 2018 and 2017 respectively.

REVENUE BY GEOGRAPHICAL LOCATION

	2018		2017	
	$'MILLION	%	$'MILLION	%
Singapore	179.8	53%	175.8	49%
Australia	127.0	38%	138.3	39%
China	14.5	4%	13.8	4%
Malaysia	8.5	3%	9.9	3%
Indonesia	6.3	2%	12.7	4%
Other ASEAN[(i)] Countries	–	–	5.3	1%
Others	–	–	0.2	*
	336.1	100%	356.0	100%

* Less than 1%

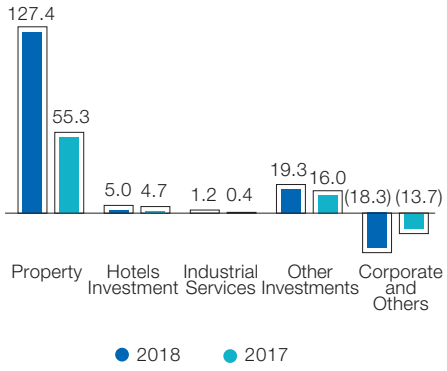
(i) Association of Southeast Asian Nations

PROFITABILITY

PROFIT AFTER TAX BY BUSINESS SEGMENT

Profit after tax increased 115% to $134.6 million. All operating segments were profitable in 2018. Property segment reported higher profit mainly due to higher fair value gain arising from the revaluation of investment properties and a one-off gain from the divestment of a subsidiary in China. The other significant contributor for the year was Gul Technologies Singapore Pte. Ltd., under the Other Investments segment.

PROFIT AFTER TAX BY BUSINESS SEGMENT ($'MILLION)



PROFIT AFTER TAX ATTRIBUTABLE TO SHAREHOLDERS

For the same reasons mentioned above, profit after tax attributable to shareholders increased 115% to $134.4 million and was mainly driven by the increase in Property segment.

REVIEW OF FINANCIAL PERFORMANCE

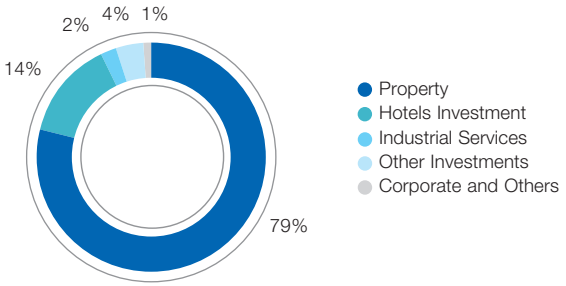
FINANCIAL POSITION

As at 31 December 2018, the Group's **total assets** increased 10% or $274.9 million to $2,917.4 million as compared to $2,642.5 million as at 31 December 2017. The increase was mainly attributable to the acquisition of 333 Thomson Road (formerly known as "Peak Court"), capitalisation of cost incurred for development properties, increase in investment in equity accounted investees arising from investment in Sanya Summer Real Estate Co. Ltd. and a net fair value gain on investment properties, offset partially by a decrease in cash and bank balances.

The Group's **total liabilities** increased by 10% or $166.6 million to $1,808.9 million as compared to $1,642.3 million at the previous year end. The increase was mainly due to higher utilisation of borrowings for the developments of 333 Thomson Road, Mont Botanik Residence (formerly known as "Remaja development") and 18 Robinson. These additional borrowings resulted in gross gearing ratio increasing to 1.47 times (from 1.46 times) and net gearing ratio increasing to 1.35 times (from 1.24 times).

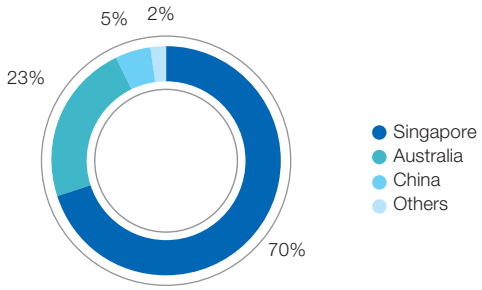
As at 31 December 2018, **shareholders' fund** grew by 10% or $103.9 million from last year end to $1,093.5 million. Total equity (i.e. including non-controlling interests) increased to $1,108.5 million as at 31 December 2018, from $1,000.2 million at the previous year end. The increase reflected a combination of operating profits 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.

TOTAL ASSETS BY BUSINESS SEGMENT (2018: $2,917.4 MILLION)



Property segment contributed 79% of the Group's total assets in 2018.

TOTAL ASSETS BY GEOGRAPHICAL LOCATION (2018: $2,917.4 MILLION)



70% 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 2018 was 1,186,404,962 (excluding treasury shares) as compared to 1,186,992,780 as at 31 December 2017. On 26 June 2018, 4,445,582 new ordinary shares were allotted and issued at $0.38 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 2017. Separately, 5,033,400 ordinary shares were purchased from the market under the "Share Purchase Mandate", of which 650,000 ordinary shares were cancelled and 4,383,400 ordinary shares were held as treasury shares.

EARNINGS PER SHARE

	2018	2017
Earnings per share (cents):		
– Including fair value adjustments	11.3	5.3
– Excluding fair value adjustments	1.9	1.8
Weighted average number of ordinary shares in issue (in millions)	**1,188.8**	**1,185.0**

Earnings per share, including fair value adjustments, increased 113% to 11.3 cents, as compared to 5.3 cents a year earlier. This is mainly the result of higher fair value gain recognised for most of the Group's investment properties.

REVIEW OF FINANCIAL PERFORMANCE

DIVIDEND & SHAREHOLDERS' RETURN

DIVIDEND

Subject to the shareholders' approval at the forthcoming Annual General Meeting to be held on 24 April 2019, the total proposed dividend of 0.9 cent per share, comprising a first and final one-tier tax exempt dividend of 0.6 cent per share and an additional special dividend of 0.3 cent per share, amounting to about $10.7 million, will be paid on 26 June 2019 in respect of the year ended 31 December 2018. The proposed dividend is 50% higher than previous year's dividend. For the previous year end, a first and final one-tier tax exempt dividend of 0.6 cent per share 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 Dividend Scheme.

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 2019.

The Group has been declaring dividends every year since 2009. Total gross dividend pay-out since then amounts to $61.0 million, including $10.7 million proposed for FY2018.

DIVIDEND PAYOUT AND DIVIDEND YIELD

The proposed dividend of 0.9 cent per share for 2018 represents i) dividend payout ratio of 50.2% based on core earnings which are the net profit before fair value adjustments; ii) dividend yield of 2.2% based on dividend per share over the average share price of 40.7 cents traded during the year.

DIVIDEND PER SHARE AND DIVIDEND PAYOUT

YEAR	DIVIDEND PER SHARE (CENT)	NUMBER OF SHARES (MILLION)	GROSS PAYOUT ($'000)	CUMULATIVE PAYOUT ($'000)
2018	0.9	1,186	10,678	60,982
2017	0.6	1,187	7,122	50,304
2016	0.6	1,183	7,097	43,182
2015	0.6	1,179	7,073	36,085
2014	0.5	1,176	5,881	29,012
2013	0.5	1,173	5,864	23,131
2012	0.5	1,161	5,806	17,267
2011	0.3	1,154	3,463	11,461
2010	0.4	1,146	4,586	7,998
2009	0.3	1,138	3,412	3,412

CASH FLOW

FREE CASH FLOW

One of the important drivers to increase shareholder value is the generation of free cash inflow 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 $212.9 million as compared to $341.3 million in 2017. This was mainly due to lower investing cash outflow of $119.0 million and an operating cash outflow of $93.9 million. In comparison, last year's investing cash outflow and operating cash inflow were $442.8 million and $101.5 million respectively.

CASH USED IN OPERATING ACTIVITIES

The cash outflow from operating activities was mainly for the working capital in development properties.

CASH USED IN INVESTING ACTIVITIES

Net cash used in investing activities was an outflow of $119.0 million, mainly related to progress payments for investments properties of $85.9 million, acquisition of subsidiaries for $11.3 million in connection with the purchase of land in Batam, payment of $14.9 million for the investment in a stake of 7.8% in Sanya Summer Real Estate Co. Ltd. and $20.0 million for a loan to a related party. This was offset by proceeds of $16.5 million from the divestment of a subsidiary in China.

CASH FROM FINANCING ACTIVITIES

Net cash from financing activities was an inflow of $131.9 million, mainly from net proceeds from borrowings of $191.7 million, offset by interest payments of $50.1 million and dividend payment of $5.4 million

CASH AND CASH EQUIVALENTS

As at 31 December 2018, cash and cash equivalents were $66.6 million as at 31 December 2018, representing an outflow of $81.1 million since 31 December 2017.

REVIEW OF FINANCIAL PERFORMANCE

BANK BORROWINGS AND MEDIUM TERM NOTES ("MTN")

As of 31 December 2018, the Group had total bank borrowings and debt securities of $1,630.4 million, comprising:

- Bank borrowings of $1,401.3 million: These are mainly related to secured borrowings relating to investment properties, development properties loans and Australia's hotel properties and commercial properties loans.

- MTN of $229.1 million: These are mainly unsecured borrowings under the S$900 million MTN Programme approved by the shareholders in 2013.

  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") that 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 that 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.

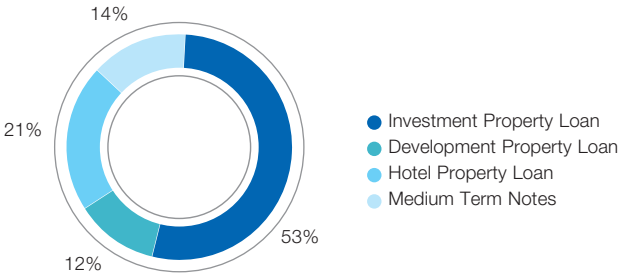
We spread our borrowings amongst a few banks using a combination of floating or fixed interest rates and of various durations depending on a number of factors. These include the timing the debt is entered into, the then prevailing market sentiment, our view of the financial market outlook, the nature of the assets pledged, if any, etc. To mitigate interest rate risk, we monitor the trend of interest rate movements. Financial instruments are used, if it is deemed necessary, to hedge interest rate exposures.

As at 31 December 2018, the profiles of the bank borrowings and MTN are as follows:

By secured and unsecured borrowings:
- o Secured borrowings: 86% or $1,401.3 million. These are mainly secured with investments properties, development properties and Australia's hotel and commercial properties loans.
- o Unsecured borrowings: 14% or $229.1 million. These are mainly from the MTN.

By interest rates:
- o Floating rates borrowings: 86%
- o Fixed rates borrowings: 14%

TOTAL BORROWINGS BY LOAN TYPE



By borrowing currencies:
- o Singapore Dollar currency borrowings: 79%
- o Australian Dollar currency borrowings: 21%. The Australian Dollar currency borrowings are related to the Australia's hotel and commercial properties

By loan types:
- o Investment properties borrowings: 53%
- o Development properties borrowings: 12%
- o Australia's hotel and commercial properties borrowings: 21%
- o Medium Term Notes: 14%

By loan maturity dates:
- o Maturing by 2019: 54% ($878.6 million) (This is mainly due to the first tranche MTN S$80 million maturing in October 2019 and other bank borrowings secured by investment properties)
- o Maturing by 2020: 13% ($209.1 million) (This is mainly relating to the second tranche MTN S$150 million maturing in June 2020)
- o Maturing by 2021: 6%
- o Maturing by 2022: 27%
- o Maturing by 2023 and beyond: less than 1%

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.

REVIEW OF FINANCIAL PERFORMANCE

To achieve an optimal capital structure, we may issue new shares from time to time, buy back shares in the open market and cancel 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

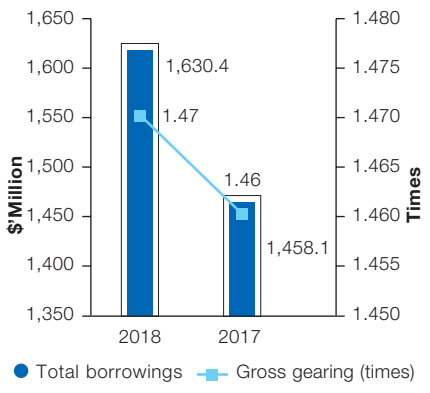
We use a combination of short-term and long-term debts to finance our operations. For prudence, our long-term investments are financed by long-term debts. This debt is usually in the same currency as the underlying investment and repayment terms are normally designed to match cash flows expected from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

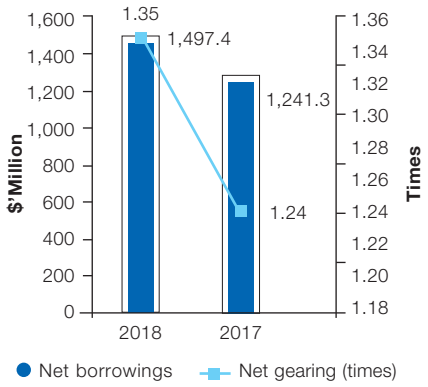
OUR GEARING

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.

GROSS GEARING



NET GEARING



As at 31 December 2018, gross gearing ratio increased from 1.46 times to 1.47 times. Similarly, net gearing ratio increased to 1.35 times from 1.24 times last year. This was mainly for the developments of 333 Thomson Road, Mont Botanik Residence and 18 Robinson.

OUR INTEREST COVERAGE RATIO

The Group's interest cover was 3.7 times as at end 2018 as compared to 2.7 times in 2017. The higher interest cover was attributable to higher profits. Interest expense saw an increase of approximately 32% to $49.2 million from $37.4 million last year. The higher interest expense was due mainly to loans taken up for the developments of 333 Thomson Road, Mont Botanik Residence and 18 Robinson.

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 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.

MANAGING RISK IN DELIVERING OUR STRATEGY

OVERVIEW OF OUR APPROACH

The Group's business is subject to constant and significant changes that require regular assessment of our corporate strategies. At Tuan Sing, risk management is an integrated process that supports informed decision-making throughout the Group. Our integrated approach recognises the need for clear, timely direction and decision-making from the Board of Directors, senior management and our business unit management teams (i.e., SBUs). Risk management is also embedded in day-to-day decision-making and operational activities (i.e., operational risk management).

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

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

The Group's Enterprise Risk Management ("ERM") system is designed to provide reasonable, but not absolute, assurance that the Group's assets are safeguarded, the risks facing the business are being assessed and all information that might 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 remained appropriate for 2018.

HOW WE MANAGE RISK IN DELIVERING OUR STRATEGY

We remain focused on the property and hotels investment segments as our growth drivers. We have begun looking beyond Singapore, namely Indonesia and China, for opportunities. In pursuit of 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, any such steps should be undertaken only if they are deemed to lie within our risk appetite after careful assessment of the macroenvironment that we operate in. We use key risk indicators to ensure that the activities of the business are within our risk appetite.

RISK PROFILE AND KEY RISKS

The Group's key risks and appropriate mitigating measures are summarised in the Business Dynamics & Risk Factors Statement section. Our risk appetite and risk profile remained broadly unchanged in 2018, although the evolving business environment led us to closely monitor the impact on our risk landscape.

NO THREAT TO GOING CONCERN

After making due inquiry, we are satisfied that there were no risks that could threaten the ability of the Group to continue as a going concern over the coming 12 months.

OUR RISK GOVERNANCE & OVERSIGHT STRUCTURE

THE BOARD
- Determine strategic objectives
- Set risk appetite and parameters
- Review external environment
- Manage and monitor risks
- Assess effectiveness of risk management system
- Instil culture and approach for 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 the adequacy and effectiveness of the Group's risk management and internal control systems

CHIEF EXECUTIVE OFFICER & CHIEF FINANCIAL OFFICER
- Implement the Company's strategy
- Strengthen the Group's risk management culture
- Ensure the overall framework of risk management is comprehensive and responsive to changes in the business
- Review the completeness and accuracy of risk assessments, risk reporting and the adequacy of risk mitigation efforts on a regular basis

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

BUSINESS DYNAMICS & RISK FACTORS STATEMENT

RISK MATRIX TABLE

CONSEQUENCE	RARE	UNLIKELY	POSSIBLE	LIKELY	ALMOST CERTAIN
EXTREME	* Compliance				
HIGH		* Liquidity	* Business Continuity		
MAJOR	* Financial Management	* Strategy * Investment			
MODERATE	* Derivative Financial Instrument * Insurance	* Process, Sourcing & Execution	* Competition * Industry	* Reputation * Macroeconomic & Political * Price	* Foreign Exchange * Tax * Interest Rate
LOW		* Alliance * People * Work Health & Safety * Terrorism * Cyber Security	* Credit * Capital Structure	* Social & Environmental * Regulatory	
NEGLIGIBLE					
LIKELIHOOD →					

RISK EXPOSURE & APPETITE TABLE

RISK LEVEL	ACTION REQUIREMENTS
EXTREME	Not acceptable: * Immediate action required * Must be managed by senior management with a detailed treatment plan
HIGH	Senior Management attention: * Senior management attention needed and management responsibility specified * Treatment plans to be developed * Must be monitored with regular frequency
MEDIUM	Tolerable: * Management responsibility must be specified * Treatment plans to be developed * Ongoing monitoring and review
LOW	Acceptable: * Manage through routine process / procedures * Consider additional controls only if they are clearly quantifiable cost benefit * Ongoing monitoring and review
NEGLIGIBLE	Acceptable: * Manage through routine process / procedures * 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. • Expansion involves the spreading of resources in setting up new business units, as well as dealing with unfamiliar rules and regulations in foreign countries or nuances in customer service expectations. • Such an expansion plan might cause management to lose focus.	• Any 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. Other relevant risk factors are also considered. • Evaluation includes macro and project-specific risk analyses, due diligence and sensitivity analyses of key assumptions. Each investment proposal must be reviewed and approved by the Board. • Where appropriate, the Group will explore joint venture opportunities that allow risk and reward sharing between partners.
COMPETITION RISK	
• Our relatively small size could be a disadvantage in the highly competitive property development industry. Hence, the Group might be more vulnerable to external shocks and negative occurrences specific to its operations. • Real estate markets in Singapore and in the region are changing rapidly, which means the Group has to respond swiftly and effectively – more so than other, bigger players. • The hospitality industry in Australia, 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 remain competitive through differentiation of its products and by leveraging on its brand name, thereby moving away from the mass market. • Tuan Sing is a recognised developer with proven track records and a sterling reputation associated with award-winning projects. • The Group actively works with potential business partners in submitting joint bids for new land parcels. • The Group's hotel properties offer choice locations and excellent services for their class. Long-term management agreements are in place with Hyatt International for hotel operations. • 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. • Adverse weather, labour shortages, poor performance by main contractors, industrial accidents or delays in obtaining regulatory approvals could delay the completion of projects and cause cost overruns. • The Group is exposed to the hotel industry's supply and demand cycle, which is dependent on conditions in the hospitality and leisure industry and the state of the property market in Australia. • Reductions in room rates and occupancy levels would adversely affect the Group's results.	• Policies and procedures covering project management processes are in place. • A pre-approved project budget is agreed to in advance so as to monitor the performance of the project team. All variation orders require approval at the appropriate level. • Hyatt management tracks room bookings daily. Room rates are adjusted as and when necessary to optimise returns.

BUSINESS DYNAMICS & RISK FACTORS STATEMENT

DESCRIPTION OF RISKS	WHAT WE DO TO MANAGE THE RISKS
BUSINESS & STRATEGY RISKS (CONT'D)	
MACROECONOMIC & POLITICAL RISK	
• Changing macroeconomic and political conditions in countries where the Group operates could adversely affect its performance, particularly when the Group ventures further into the region. • The property development business depends heavily on the continued health of the real estate market in Singapore and in the region. • Changes in government policies and regulations affect market demand, land title acquisitions, planning and design, construction hours and financing.	• The Group monitors key economic indicators and keeps itself updated regarding potential policy changes by regulatory authorities. • The Group remains optimistic about the medium and long-term outlook for property markets in Singapore and in the region.
REGULATORY RISK	
• The Group is exposed to changes in prevailing laws and regulations in countries where it operates, particularly in terms of corporate law, competition law, consumer protection and environment law.	• The Group works closely with advisers, consultants and local authorities so as to keep abreast of changes. • Local business units are required to apprise the 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. • The Group has clearly articulated its mission statement and the guiding principles that drive its operations. • The Group has established an investor relations policy that has been made available on its corporate website to further strengthen communication with stakeholders.
BUSINESS CONTINUITY RISK	
• Property and hotels investment businesses are capital-intensive, and rely heavily on external financing at commercially acceptable interest rates and terms. • The property development business relies on obtaining land plots, taking projects to fruition and successfully marketing the units within a certain timeframe, while achieving profitability that is commensurate with the risks involved.	• A S$900 million Medium Term Notes Programme had been in place since 2013 to allow the Group to seize business opportunities at short notice, diversify its sources of funding and raise its business profile. • A portfolio of mostly freehold investment properties provides a platform for growth and generates recurring income. Existing hotel properties offer a stable income stream given their choice locations. • Business Development and project management functions have been strengthened in recent years.
TERRORISM RISK	
• The Group could be adversely affected by a direct terrorist attack because of its geographical footprints. • Such an event could result in damage to properties or facilities, or cause injury or death to personnel, as well as create disruptions in operations, thus causing financial losses for the Group.	• This is an inherent risk that the Group faces. • The Group has a disaster recovery plan in place. • Properties are protected through the implementation of various security measures.

BUSINESS DYNAMICS & RISK FACTORS STATEMENT

DESCRIPTION OF RISKS	WHAT WE DO TO MANAGE THE RISKS
FINANCIAL RISKS	
LIQUIDITY RISK	
• Renewal of or additional debt-financing on favourable terms would be subject to prevailing global and local economic conditions, and sentiment in credit and capital markets. • The Group's property portfolio in Singapore and Australia is pledged under various mortgage loan agreements. A breach in any loan covenant could trigger various repayments at short notice.	• The Group monitors its cash and cash equivalents and maintains a level deemed adequate. • The Group manages debt financing proactively to ensure that all covenants are met as and when required. • Moving 16-month cash flow projections, debt maturity profiling and bank facilities undrawn are reviewed quarterly to monitor the Group's liquidity position. • Great emphasis is placed on the timely execution of on-going projects to ensure that a significant proportion of our property projects is sold and that cash is being realised as early as possible.
CAPITAL STRUCTURE RISK	
• An inefficient capital structure or weakness in financial management could affect the Group's ability to provide adequate returns for shareholders.	• The Group conducts regular reviews to ensure an optimal capital structure. • The Group monitors its gross gearing and net gearing ratios and their trends on a quarterly basis. • To achieve an optimal capital structure, the Group might 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 a certain number of shares on the open market, which were cancelled thereafter.
DERIVATIVE FINANCIAL INSTRUMENT RISK	
• Market conditions could move against the assumptions that the Group adopts at the time of hedging transactions – an inherent risk.	• Derivative financial instruments are used only to manage the impact of interest rate fluctuations on floating rate debts or foreign currency exposure, or to comply with certain bank covenants. • Hedging is undertaken to meet actual operational requirements, not for speculative purposes. • The Group closely monitors the impact of macroeconomic conditions.
PRICE RISK	
• Revenue and profit recognition for development properties and fair value adjustments for investment properties are lumpy. • Residential property prices and demand 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. • Diversify the property portfolio. • For development properties, reduce the gestation period of a property launch. In addition, the Group monitors market sentiment so as to leverage on any potential upside. • 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 losses for the Group.	• Standard operating procedures are in place, which include extending pre-approved credit terms to only creditworthy customers and monitoring credit risk on a regular basis. • Major collectability issues are highlighted to all concerned.

BUSINESS DYNAMICS & RISK FACTORS STATEMENT

DESCRIPTION OF RISKS	WHAT WE DO TO MANAGE THE RISKS
FINANCIAL RISKS (CONT'D)	
FOREIGN EXCHANGE RISK	
• Exchange gains or losses might arise when assets and liabilities in foreign currencies are translated into Singapore dollars for financial reporting or repatriation purposes.	• Natural hedging is used extensively, including matching sales with purchases or matching assets with liabilities of the same currency and amount, whenever it is practicable. • 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 through borrowings.	• The Group keeps abreast of trends in interest rate movements. • A variety of financial instruments, including interest rates of different durations, interest rate swaps, caps and forwards, could be used to hedge interest rate risks arising in the ordinary course of business.
TAX RISK	
• The Group is exposed to vagaries of tax interpretations or changes at short notice in foreign jurisdictions.	• The Group monitors changes in tax rules in different countries on a periodic basis. • Tax provisions are made in strict compliance with the rules so as to reduce under-accrual in the book of accounts. • The Group developed its Transfer Pricing Documentation Master File to provide a guideline for transfer pricing for all subsidiaries across different countries.
FINANCIAL MANAGEMENT RISK	
• Apart from the Group's policies and guidelines and the internal audit function, which has been outsourced, the Group relies on self-assessment, review and reporting processes at strategic business units to ensure that transactions are carried out in conformity with accounting standards and the Group's accounting policies and that internal controls are adequate and effective. • This system might not prevent or detect all frauds or misstatements in a timely manner. • Changes in conditions or operations might cause the system's effectiveness to vary from time to time.	• Internal controls over financial reporting are reviewed regularly and embedded within our corporate governance structure. • On a quarterly basis, the operating and finance heads of strategic business units report the results of their self-review in their management representation letter. • The quarterly management representation letter also serves as a platform for all strategic business units to highlight any transactions and/or events that could have a material or potential financial impact on the Group.
INVESTMENT RISK	
• Higher returns are usually accompanied by higher risk and uncertainty. Therefore, the Group has to strike a balance when 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.

BUSINESS DYNAMICS & RISK FACTORS STATEMENT

DESCRIPTION OF RISKS	WHAT WE DO TO MANAGE THE RISKS
OPERATIONAL RISKS	
ALLIANCE RISK	
• The medium or long-term interests of business associates or joint venture partners might not necessarily be aligned with the Group's. • Policy or personnel changes by business associates could lead to their inability or unwillingness to fulfil obligations.	• The Group agrees with business associates in advance on well thought-out rights, duties and obligations of each party. • The Group maintains cordial working relationships with business partners.
SOCIAL & ENVIRONMENT RISK	
• Heightened awareness among the public or environmental agencies could increase the Group's operating expenses with relation to environmental issues.	• The Group adopts environmentally-friendly practices across countries, so as to bring them in line with best practices in the market and to remedy shortcomings identified. • The Group provides eco-themed amenities and nature-inspired landscaping at development projects. It is also committed to meeting green building requirements for its projects. • The Group has implemented its Sustainability Policy, which has been published on the corporate website to promote stakeholder engagement.
PEOPLE RISK	
• The Group depends on steadfast service provided by good personnel for business continuity. • Succession plan execution is a challenge given the size of the Group.	• The Group provides a safe working environment in which employees can develop their careers with a work-life balance so as to ensure that human capital is nurtured and retained. • Attractive awards and bonuses are given to staff who performed well.
PROCESS, SOURCING & EXECUTION RISK	
• Property development projects take 3-5 years to complete. Delays in project completion and cost overruns could arise from labour and material shortage, poor performance of contractors, delays in obtaining necessary regulatory approvals, or industrial accidents, etc. • The Group relies heavily on third-party contractors and consultants for various services. • Long-term hotel management agreements have given Hyatt International almost full discretion in the operations of the Group's two hotels in Australia.	• Operating manuals, standard operating procedures and a delegation-of-authority matrix are in place. • Project costs and project timelines are closely monitored through regular project meetings with consultants, suppliers and contractors. • Project control sheets are prepared for on-going projects and are monitored on a monthly basis. Costs overruns are analysed and highlighted to senior management and the Board. • Regular management team meetings facilitate effective project coordination and communication. • Profit-sharing terms in hotel management agreements aim to ensure alignment with our risk appetite.
WORK HEALTH AND SAFETY RISK	
• The Group is exposed to work, health and safety risks for employees arising from events such as incidents in the production process or pandemics.	• The Group cultivates a safety-consciousness culture at all levels where appropriate. Such steps include the setting up of an employees' safety council. • Refresher drills on fire safety, emergency evacuation and first aid responses are conducted regularly. • A disease/pandemic preparedness plan is in place to safeguard the health and welfare of employees, and to ensure quick resumption of critical business functions.

BUSINESS DYNAMICS & RISK FACTORS STATEMENT

DESCRIPTION OF RISKS	WHAT WE DO TO MANAGE THE RISKS
OPERATIONAL RISKS (CONT'D)	
INSURANCE RISK	
• Properties owned are subject to risks (e.g., war, terrorism, outbreak of contagious diseases, environmental breaches) that might not be insurable. Even where they are, the premium could be prohibitive or the financial loss might not be fully compensated for by insurance proceeds.	• The Group conducts insurance reviews with insurance brokers on an annual basis to ensure adequate and comprehensive insurance coverage.
CYBER SECURITY RISK	
• The Group's operations are exposed to disruptions to the network. • This could happen through targeted attacks by hackers, insider attacks or accidental cyber incidents. • The results of cyber thefts of sensitive and confidential information could lead to litigation by customers and/or regulatory fines and penalties.	• The Group adopts a holistic approach by keeping abreast of the threat landscape and business environment. • The Group has set in place the Information Security Policy, which covers cyber security and data protection measures.
COMPLIANCE RISKS	
COMPLIANCE RISK	
• There have been rapid changes in laws, regulations and practices, making compliance more complicated. • The Group's internal control systems and related framework might not be brought up-to-date in time.	• Internal controls, risk management and corporate governance frameworks, and control self-assessment processes are all in place and are reviewed on an annual basis. • A whistle-blowing policy and annual declarations by staff on ethics have been in place for some time. • External auditors are engaged for statutory audits, while internal auditors are engaged to conduct operations reviews; both report directly to the Audit and Risk Committee.