TA CORPORATION LTD

# NURTURING OUR TALENTS, GROWING OUR ASSETS

ANNUAL REPORT 2013

# Contents

# Corporate Profile

## ABOUT TA CORPORATION

**VISION** To be the preferred property developer and construction services provider through our pursuit of uncompromising quality and excellence

**MISSION** We are committed to delivering quality products and services with our hallmark excellence, growing with our greatest assets – our people, and delivering shareholder value.

With a history that traced back to 1972, TA Corporation has grown to become an established property and construction group in Singapore. Backed by its competencies in the construction business and experience in working with established real estate developers, the Group has well-established reputation as a developer of quality well-located residential developments, targeting the middle to upper middle markets. Some of its completed developments include *Leonie Hill Residences, The Citrine, Parc Seabreeze, Auralis* and *Coralis*, and major ongoing development projects include *The Cristallo* and *Gambir Ridge*. In addition, the Group has also successfully ventured overseas for its real estate segment through joint ventures in the PRC, Thailand and Cambodia.

TA Corporation's main construction business is principally undertaken through its wholly owned subsidiary, Tiong Aik Construction Pte Ltd, which has a track record of over 40 years in Singapore. Over the years, the Group has built a solid reputation as a reliable building contractor with the ability to undertake a wide spectrum of projects for both public and private sector clients. Most of its past and existing customers are established names, including government bodies such as the URA, HDB and JTC and established real estate developers such as Allgreen Properties Ltd, CapitaLand Residential Ltd, CapitaLand Commercial Ltd, The Ascott Group, Keppel Land Realty Pte Ltd, Wheelock Properties (S'pore) Ltd and Wing Tai Holdings Ltd.

# Chairman's Statement

*"Since our establishment over four decades ago, TA Corporation has actively contributed to the development and growth of Singapore's city skyline and infrastructure through our two major core business segments: Real Estate Development and Construction."*

*"...while we did not repeat the record performance achieved in 2012, we were successful in maintaining a healthy financial performance for 2013 and continued to progress in our business strategies to tap growth in regional markets."*

## DEAR SHAREHOLDERS,

When I wrote to you a year ago, we celebrated a record performance for TA Corporation Ltd (the "Company" and together with its subsidiaries, the "Group"). While the property market stayed volatile, our core real estate development and construction businesses benefitted from the milestone deliveries and completion of several key projects to report our highest ever earnings for FY2012 in the Group's history.

In 2013, the soft property market sentiments were further exacerbated by the introduction of additional cooling measures, which include the Additional Buyer Stamp Duty ("ABSD") and the Total Debt Servicing Ratio ("TDSR") framework. Accordingly, private property developers were affected and the Group was not spared the impacts of a weaker operating environment. Nevertheless, while we did not repeat the record performance achieved in 2012, we were successful in maintaining a healthy financial performance for 2013 and continued to progress in our business strategies to tap growth in regional markets.

### THE YEAR IN REVIEW

For FY2013 the Group achieved a net profit after tax of $31.8 million on revenue of $297.2 million. Despite impacts of manpower crunch and intensified market competition in Singapore contributing to higher labour and operating costs, our construction business continued to perform strongly. The construction segment recorded an increase in revenue to $220.9 million, an improvement of $4.5 million from $216.4 million in FY2012.

On the other hand, contributions from our real estate development segment was lower at $66.1 million for FY2013, mainly due to the delivery of two developments – *Auralis* and *Coralis* in 2013, as well as the absence of contributions from *Parc Seabreeze*, which obtained TOP in 2012. On-going projects such as *The Cristallo* and *Gambir Ridge* were the key revenue generators for our real estate development segment in FY2013.

Our foray into the distribution business has progress well, contributing $10.2 million to the Group's total revenue in FY2013.

## BUILDING GROWTH

Since our establishment over four decades ago, TA Corporation has actively contributed to the development and growth of Singapore's city skyline and infrastructure through our two major core business segments: Real Estate Development and Construction. Over the years, we actively participated in the development of public and private housing, education institutes as well as commercial developments, and is today a preferred developer of premium well-located residential properties and a contractor of choice with leading developers.

In 2013 the Group continued on an exciting growth journey as we participated in business opportunities both in Singapore and regional markets. Our subsidiary in Thailand launched its maiden joint venture project – *De Iyara* – a freehold mixed-use development comprising 65 units of 3½ storey shophouses and was fully sold out within three weeks of launch. Riding on the success of this first project, together with our joint venture partner, the Group identified and invested in a second plot of land that sits adjacent to *De Iyara*. This second development – *De Iyara Share* – which consists of 42 units of 3½ storey shophouses was also fully sold in 2013. The strong demand for these projects underpins the success of our overseas expansion strategy and sets the groundwork for additional collaborative opportunities.

For Cambodia, our associate company has completed the development of its maiden project – *Serene Villas* – a luxury 21-unit freehold semi-detached villas project. Targeting affluent buyers such as the Cambodian diaspora, the Group is monitoring market sentiments in Cambodia and have held back the launch amidst the recent political tensions in Phnom Penh. During the year the Group also entered into a joint venture with our Cambodian partner to jointly develop three plots of land into mid-range commercial shophouses. Similarly for this project, work has been held back in light of the political situation. The Group believes that Cambodia, an emerging market, will offer good opportunities in the medium to long term.

While recent political tensions in Thailand had inevitably impacted market sentiments, the Thai economy remains resilient and we are confident these challenges to be short-lived; fundamentals for growth in emerging markets remain intact and opportunities abound. The Group's strategy remains focused and we will continue to proactively monitor for suitable real estate development and investment opportunities in regional markets.

In addition to Cambodia and Thailand, our associate company's multi-phase mixed-use residential and retail development in Dalian, a major city and seaport in the south of Liaoning province in China, is also progressing. The first six residential phases of this township development project have been launched with most units sold. Phase 7, which comprises 721 apartments and retail units was launched in 2013. The final phase (Phase 8) is slated for future development into commercial properties, with plans to include a shopping complex and hotel.

Our diversification into the lubricant distribution business in 2012 has continued to yield returns. Our wholly owned unit in Singapore is the sole distributor of BP's high performance motor oils and lubricants and brings a stable source of income to the Group while serving as a springboard for opportunities in regional markets. In 2013 our joint venture unit, Que Holdings Pte. Ltd., secured both the business-to-consumer and business-to-business distributorship licenses for Shell's automotive and industrial lubricant products in Myanmar, which will further strengthen income contributions from the distribution business segment. Business operations for this distribution segment in Myanmar commenced in 2013. Management is committed to grow this new business segment to broaden our income base and increase our recurring income stream.

With our successful breakthrough into the Myanmar market through the distribution business, the Group is also exploring opportunities related to our core real estate development and construction businesses. We are working to leverage on our established reputation and deep skill sets as a quality developer and contractor to provide construction and project management services for real estate development opportunities in major cities such as Yangon and Mandalay. With developers from Singapore and other regions seeking to capitalise on Myanmar's economic resurgence by building new residential, commercial and hospitality developments, the Group sees attractive opportunities in the less capital intensive domain of providing professional construction management services.

As the Group expands through business and geographical diversifications, we also continue to seek and tap on opportunities in Singapore. During the year, we successfully secured contracts worth a combined $77.3 million and also marked the launch of our associate company's iconic well-located 420-unit condominium development – *The Skywoods*.

For future developments in Singapore, we own three quality well-located plots of freehold land as at 31 December 2013, which are respectively planned for development into a residential development, a mixed-use residential and commercial development as well as strata-titled terrace houses. In view of the soft property market in Singapore, the Group will continue to actively monitor buyer sentiments and strategically roll out new projects while on the lookout for suitable sites both in Singapore and the neighbouring region to replenish our land bank.

# Chairman's Statement

At the same time, the Group continues to grow its complementary competencies with its air-conditioning and mechanical ventilation systems business showing good progress locally. The Group is also working on opportunities to expand this business into the region. The Group's expansion into the training and testing of construction workers is also progressing well with our BCA-approved training and testing centre in Singapore commencing operation in 2013. We expect our BCA-approved training and testing centre in The Philippines to be operational by early 2014. These complementary businesses not only provide a stable income stream but also support our core construction and real estate development segment, enabling us to better manage our manpower and resources.

While market observers are of the view that the Singapore property market will remain muted in 2014 due to the cooling measures and anticipated interest rates hike arising from the US Federal Reserves' tapering of its quantitative easing measures, the Group remains confident in the longer-term prospects for real estate in Singapore. Land remains a valuable asset in land scarce Singapore and we will continue to closely monitor market developments to capture viable growth opportunities and further augment TA Corporation's position as an established real estate player. Concurrently, our ongoing efforts to grow in regional markets will also support our growth and expansion in the years to come.

On the construction front, while the forecast construction demand for private sector projects is lower at between $12 billion to $16 billion in 2014, from $21 billion in 2013, it continues to indicate a healthy pipeline of opportunities for industry players. Further, our strong track record as a reliable contractor and close business relationships with leading developers also continue to position TA Corporation favourably to secure such opportunities.

Manpower shortages as well as progressive increases to labour costs are expected to remain a key concern for the construction industry. The Group remains focused on driving efforts to improve productivity and strengthen operational efficiency in order to meet these challenges. Further, as an operator of three BCA-approved construction workers training and testing centres locally and regionally, the Group is advantageously positioned in the selection and recruitment of suitably skilled workers. Additionally, we also have a continual effort in productivity enhancement through skill upgrades via staff training and have in place staff incentive and retention policies that will enable the Group to maintain a highly skilled and motivated construction workforce.

## DIVIDENDS

It has always been and will be our objective to enhance value for our investors. As we continue to deploy our resources for growth, we recognise the need to reward our shareholders for their investment in the Company. Accordingly, the Board of Directors is pleased to propose a first and final, tax exempt, cash dividend of 1.0 Singapore cent per share, which translates to a dividend payout of approximately 16% of the Group's profit attributable to shareholders for FY2013.

## A WORD OF THANKS

The Group was able to remain resilient against the effects of a weaker real estate market to report yet another year of credible performance. Our success would not have been possible if not for the unyielding support of our stakeholders. Therefore, on behalf of the Board of Directors, I would like to express my sincere appreciation to our management and staff, shareholders, suppliers and business partners, bankers and customers.

In closing, I would also like to thank my fellow board members for their wise counsel and strategic directions over the past year. As we enter yet another challenging year, I look forward to your continued support and the greater heights that we will scale together.

**LIONG KIAM TECK**
Executive Chairman

March 18, 2014

# Operations Review

2013 was a challenging year for the local property market as the additional cooling measures introduced by the Singapore regulators continued to weigh down on market sentiments. In particular, the introduction of the ABSD and TDSR have affected buyer affordability, resulting in an overall decrease in private home sales and to a lesser extent, price impacts during the year.

The local construction sector also saw challenges in the form of rising operating costs as well as manpower issues stemming from the continuing curb in foreign hiring. This had naturally resulted in industry players facing challenges in hiring and retention, as well as cost pressures. However, despite such issues, construction demand during the year remained healthy and the Group being an established construction player, was able to leverage on our scale of operations, capabilities and complementary competencies to weather these challenges.

Despite challenges in the market environment, the Group continues to report a resilient performance, driven by our ongoing private residential projects in Singapore; the progressive delivery of a sizeable construction order book valued at approximately $336 million[1]; contributions from our complementary businesses as well as promising results from our strategic diversification into the lubricant distribution business since 3Q2012.

## REAL ESTATE DEVELOPMENT

Our real estate development business reported $66.1 million in revenue for FY2013, compared to a record $151.3 million for FY2012. The segment's income was mainly driven by progressive revenue recognition from several ongoing residential developments and two developments that obtained TOP during the year. *Coralis*, a 127-unit freehold development that sits along Joo Chiat Road, was delivered to buyers in the third quarter 2013. Also in the same period, another freehold project, the 56-unit *Auralis* development at East Coast Road, was successfully completed and delivered. Both developments were fully sold.

The real estate development segment's performance during the year was mainly driven by two ongoing freehold private residential developments that were launched in 2012, the 74-unit *The Cristallo* and the 77-unit *Gambir Ridge*. Testimony to the Group's reputation as a preferred mid-range developer, both developments enjoyed strong interests from buyers, with *Gambir Ridge* fully-sold at launch and *The Cristallo* over 70% sold[1]. The Group, together with three joint venture partners in Singapore, launched the first phase of a 420-unit condominium, *The Skywoods*, in the second half of 2013.

In view of market conditions, the Group withheld further new launches during the year.

For future development, the Group currently holds three quality well-located freehold sites in Singapore, including a 1,084 sq m site at Balestier Road that it plans to develop into a mixed development, a 1,278 sq m site at Jalan Sayang that is planned for development into 7 units of 3-storey strata-titled terrace houses and a 1,918 sq m site in Novena area planned for residential development.

To realise the Group's strategy of broadening its real estate development interests to regional markets, we also continued to identify and selectively participate in joint venture opportunities in neighbouring markets such as Thailand, PRC and Cambodia.

### Thailand, PRC & Cambodia

Riding on the success and popularity of our maiden joint venture project in Thailand, we launched a second freehold development, *De Iyara Share*, in August 2013. Comprising 42 units of 3½ storey shophouses, this project was fully sold within three months of launch. Adhering to our strategy to strategically seek real estate opportunities in the region, our joint venture subsidiary, Sireerin Signature Co., Ltd, ("Sireerin"), acquired a 16,000 sq m plot of freehold land in Thailand that is nearby to our two existing projects. This latest project is slated for launch in the third quarter of 2014.

[1] As at December 31, 2013

# Operations Review


While the recent political tension in Bangkok has not subsided, the Group believes in the resilience of the Thai economy and is confident in the prospects of Thailand's real estate sector over the medium to long term.

For the PRC, Phase 7 of our 25.37% owned township project in Dalian City is under development. While cooling measures promulgated by the PRC Government and a slowdown in China's economy had affected its property market, this township project is already well-developed with six phases of residential units launched and over 90% sold. The last residential phase (Phase 7), which consists of 721 apartments and retail units, is under development with TOP expected by 2015. The final phase (Phase 8) is slated for future development into commercial properties, with plans to include a shopping complex and hotel.

In Cambodia, we hold a 49% equity interest in an associate, which has developed *Serene Villas*, a high-end 21-unit semi-detached villas project on a prime site in Phnom Penh. Targeting affluent buyers such as the Cambodian diaspora, the Group is monitoring market sentiments in Cambodia and will launch this maiden project at the right opportunity. While Cambodia is seeing some post election political tension, the Group remains of the view that the Cambodian real estate market presents attractive medium to long term growth potential. Accordingly, the Group has entered into a joint venture with a local partner to acquire a 20,515 sq m freehold site in Phnom Penh, which we plan to develop into a mixed-use development.

## CONSTRUCTION

The construction business was a major contributor to the Group's topline in FY2013, recording a $4.5 million increase in contributions to $220.9 million. This was predominantly driven by a healthy pipeline of private residential construction orders, which includes projects such as *Nouvel 18, Foresque Residences, Starlight Suites, Riversails, The Sorrento* and *The Skywoods*. During the year, we also boosted our order book with contracts secured worth a combined $77.3 million.

While the onset of a slowdown in private residential demand in Singapore, higher operating costs and the scale back in foreign workers are challenges we expect the performance of our construction business to remain resilient. Our order book of $336 million as at 31 December 2013 will continue to support Group income over the next 36 months, and we will continue to ride on TA Corporation's well-established reputation, expertise and close relationships with our portfolio of predominantly blue-chip developer customers to grow our order book. In line with the push for a greater focus on enhancing construction productivity to reduce labour dependency, the Group has and will continue to enhance the quality of our workforce through staff trainings and investments into new construction equipments and technology.

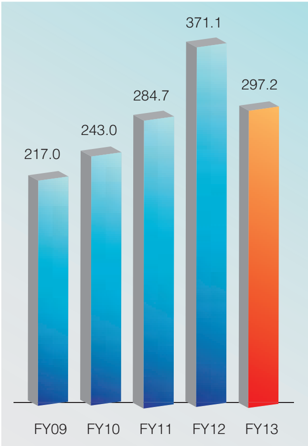
## DISTRIBUTION BUSINESS AND COMPLEMENTARY COMPETENCIES

To support our core construction business, the Group has over the years ensembled a suite of specialised complementary competencies, which includes steel fabrication and metal works; design, installation and maintenance of air-conditioning and mechanical ventilation systems for building and specialised uses; as well as the operation of BCA-approved construction workers training and test centres in countries which include Singapore, The Philippines and India. Operating these training and test centres, in particular, offers the Group a strategic advantage in the employment of a quality and skilled workforce.

As part of our efforts to strategically diversify our business and build higher recurring income stream, the Group had in 3Q2012 made a strategic foray into the distribution of high performance lubricants and related products via the acquisition of Sino Tac Resources Pte Ltd ("Sino Tac"). As the exclusive distributor of BP's lubricant products in Singapore since 2007, this investment has also continued to yield stable returns for the Group. Further, the Group's strategic joint venture in January 2013 to diversify into the sale and distribution of petroleum based lubricant products in Myanmar is progressing well with our 51%-owned subsidiary, Que Holdings Pte. Ltd. ("Que Holdings"), commencing operations in April 2013 following its appointment by Shell Eastern Petroleum (Pte) Ltd ("Shell") as a distributor of automotive and industrial lubricants products in Myanmar to the business-to-business sector. During the year, in October, Que Holdings was further awarded an extension of distributorship by Shell to the business-to-consumer sector. With an established sales and marketing distribution network in Myanmar, TA Corporation is now well-positioned to tap on growth opportunities in this fast emerging country.

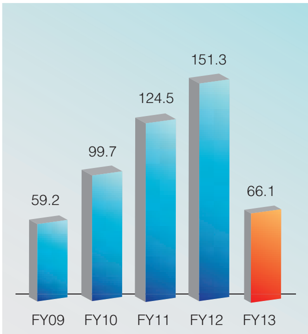
# Financial Highlights

Group Revenue[1]
($'million)

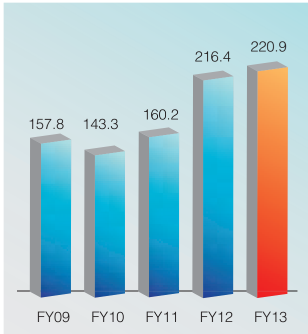



## Revenue by Business Segment

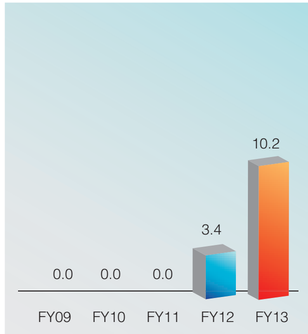
Real Estate Development[1]
($'million)



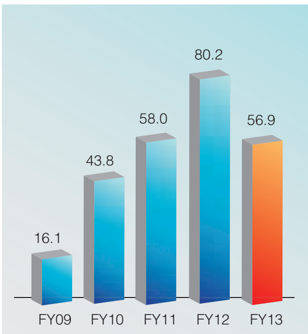

Construction
($'million)



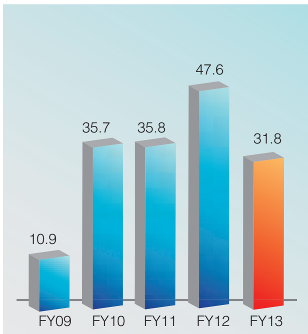

Distribution
($'million)



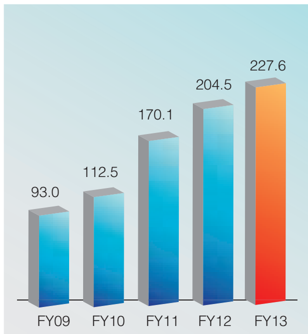

Gross Profit[1]
($'million)



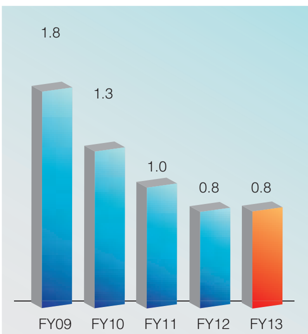

Profit after tax[1]
($'million)



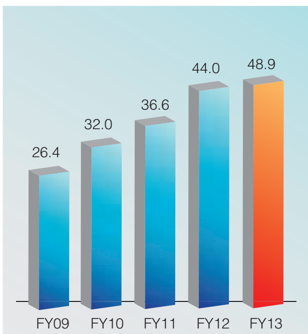

Equity attributable to shareholders of the Company[1]
($'million)



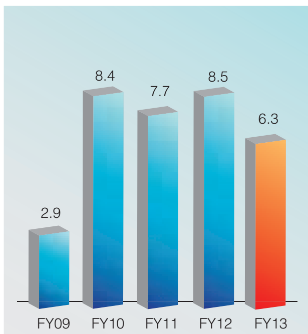

Gearing Ratio[1]
(Times)




Net Asset Value per Share[2]
(Cents)




Earnings per Share[3]
(Cents)




1 FY09 and FY10 have been restated as a result of adopting INT FRS 115

2 Based on issued share capital of 465,000,000 shares for FY2013, FY2012 & FY2011; and based on pre-invitation share capital of 352,000,000 shares for FY2010 and FY2009

3 Based on weighted average number of 465,000,000 shares for FY2013 and FY2012 and 361,400,000 shares for FY2011; and based on pre-invitation share capital of 352,000,000 shares for FY2010 and FY2009

# Board of Directors

**MR LIONG KIAM TECK** is the Executive Chairman of our Group. He was appointed to the Board on 7 March 2011 and was last re-elected as Director on 24 April 2013. As the Group's Executive Chairman, Mr Liong is responsible for the overall development of our Group's corporate direction and policies and plays an active role in the development, maintenance and strengthening of client relations. His other responsibilities also include overall business development, strategic planning, and project management. Mr Liong is one of the founders of our Group and has over 40 years of management experience. Over the years, he has established a network of relationships with developers, customers, consultants and architects within the construction industry. Mr Liong completed his General Certificate of Education ("GCE") "O" level examination in 1967.

**MR NEO TIAM POON @ NEO THIAM POON** is the Deputy Executive Chairman of our Group. He was appointed to the Board on 7 March 2011 and was last re-elected as Director on 24 April 2012. Mr Neo Tiam Poon @ Neo Thiam Poon is in charge of the overall project management of our various construction projects, conducts periodic quality and safety checks to ensure that quality and safety management systems are adhered to closely, and sources for real estate development opportunities, and conducts feasibility studies for project development viabilities. Mr Neo Tiam Poon @ Neo Thiam Poon has been with us since 1976 and has over 36 years of management experience. Over the years, he has established a network of relationships with developers, customers, consultants and architects within the construction industry. Mr Neo completed his GCE "A" levels in 1973.

**MR NEO TIAM BOON, PBM** is the Chief Executive Officer and Executive Director of our Group. He was appointed to the Board on 7 March 2011 and was last re-elected as Director on 24 April 2012. As the Group's Chief Executive Officer, Mr Neo Tiam Boon, PBM responsibilities include overall business development, financial and strategic planning, sales and marketing as well as human resources of the Group. Mr Neo Tiam Boon, PBM has been with our Group since 1996 and has over 16 years of management experience. Over the years, he has established a network of relationships with developers, customers, consultants and architects within the industry. Mr Neo Tiam Boon, PBM graduated with a Bachelor of Science in Business Administration from the University of Arkansas in 1986 and was conferred the Public Service Medal (Pingat Bakti Masyarakat) by the President of the Republic of Singapore in 2005.

**MR NEO THIAM AN** is the Executive Director of our Group. He was appointed to the Board on 7 March 2011 and was last re-elected as Director on 24 April 2013. Mr Neo Thiam An is in charge of the management of the site operations of developments for external developers as well as our own in-house developments. Mr Neo Thiam An has been with the Group since 1977 and has over 36 years of management experience. Over the years, he has established a network of relationships with developers, customers, consultants and architects within the construction industry. Mr Neo completed his GCE "A" levels in 1976.

# Board of Directors

**MR LIM HOCK BENG** was appointed as the Group's Independent Director on 20 September 2011 and was last re-elected as Director on 24 April 2013. He serves as the Chairman of the Group's Audit Committee and is a member of the Remuneration Committee and the Nominating Committee. Mr Lim is also the Group's Lead Independent Director. Since 1996, Mr Lim has been the managing director of Aries Investments Pte Ltd, a private investment holding company with its principal interests in the investment of quoted securities and overseas properties. Prior to that, he founded Lim Associates (Pte) Ltd (now known as Boardroom Corporate & Advisory Services (Pte) Ltd) in 1968 and was its managing director until his retirement in 1995. Mr Lim has more than 30 years of experience and knowledge in the corporate secretarial field, which includes advising listed companies on compliance with the listing rules. Mr Lim holds a Diploma in Management Accounting and Finance and is a fellow member of the Singapore Institute of Directors. Mr Lim is also an independent director of four public listed companies in Singapore, namely King Wan Corporation Limited, Huan Hsin Holdings Ltd, GP Industries Ltd and Colex Holdings Limited. He currently serves as the chairman of audit committees of King Wan Corporation Limited and Huan Hsin Holdings Ltd, chairman of nominating committee of GP Industries Ltd as well as chairman of remuneration committee of Colex Holdings Limited.

**MR LEE AH FONG** was appointed as the Group's Independent Director on 20 September 2011 and was last re-elected as Director on 24 April 2012. He serves as the Chairman of the Group's Remuneration Committee and is a member of the Audit Committee. Mr Lee was a civil servant before becoming a practicing lawyer in 1981 after he was called to the English Bar as a Barrister-at-Law on 24 July 1980. He is currently a partner of Ng, Lee & Partners. Mr Lee is an honorary management committee member of the Singapore Federation of Chinese Clan Associations, the chairman of Yuying Secondary School Management Committee and has been serving in various capacities in non-government organizations and clan associations for many years. Mr Lee is also an independent director, member of audit committees and remuneration committees as well as chairman of nominating committees of two other public listed companies in Singapore, namely Cortina Holdings Ltd and TEE International Limited.

**MR MERVYN GOH BIN GUAN** was appointed as the Group's Independent Director on 20 September 2011 and was last re-elected as Director on 24 April 2012. He serves as the Group's Chairman of the Nominating Committee and is a member of the Audit Committee and the Remuneration Committee. Mr Goh is currently a consultant with Lawhub LLC. Prior to this, he was the Vice President (Legal) for The Great Eastern Life Assurance Company Limited from 2008 to 2010, a partner with Wee Woon Hong & Associates from 2006 to 2008, and a partner with Chui Sim Goh & Lim from 1994 to 2006. Mr Goh graduated from the National University of Singapore with a Bachelor of Laws (Honours) in 1989 and was called to the Singapore Bar in 1990. Mr Goh also previously served as a committee member in the Kampong Kembangan Community Club Management Committee from 2005 to 2010.

# Corporate Social Responsibility

Our Group is committed to being an environmentally-sustainable enterprise. We believe in building a greener future by minimising our impact on, and helping to protect the environment. Our Group has embarked on environmental sustainability efforts through a multi-pronged approach. We have implemented an environmental management system to identify and manage environmental aspects, including energy and water usage and conservation, as well as paper usage. These aspects are managed by setting reduction targets and implementing programs to achieve these targets.

Our Group monitors the energy and water usage in construction sites for our projects under construction. Our Group has implemented various energy conservation measures to reduce energy consumption such as installing energy-efficient lighting and light sensors at site toilets. Further, air-conditioning for our projects under construction and our corporate offices in Singapore also takes into consideration energy efficiency, giving preference to equipment with the Energy Star logo when making new office equipment purchases. Our Group has also implemented water conservation measures such as the use of rainwater or recycled water to wash vehicles before they leave the construction sites, and the use of recycled water for washing before casting. Water-saving devices like thimbles in taps are also installed wherever possible in our project sites and our corporate offices in Singapore. We also embarked on a paper usage reduction drive by providing our staff with tips on paper conservation such as printing only where necessary, printing on both sides of a page, and reusing and recycling used paper. We have also placed recycling bins at our project sites.

Our Group is committed to be a progressive builder in addressing environmental and public concern arising from construction works and supports the BCA's efforts to promote sustainability, environmental protection and considerate practices by builders during the construction phase of development.

# Corporate Social Responsibility

Some of the key features adopted by our Group's construction projects include: (i) extensive use of recycled aggregates for non-structural applications like drains, road kerbs and wheel stoppers; (ii) use of energy efficient lightings and green label photocopiers in the site office; (iii) use of green-label materials such as playground flooring and equipments, paint, tile adhesive and waterproof membrane, etc; and (iv) providing covered walkways around the site where there is heavy usage by the general public.

Our Group recognises the importance of managing and developing human capital and that a positive work environment will better attract, motivate and retain talent. We are an equal opportunity employer that adopts fair employment practices. Recruitment advertisements placed in the newspapers and recruiting websites do not have gender, ethnic and age preferences. Our Group is committed to managing occupational health and safety issues, and preference is given to engaging OHSAS 18000-certified or bizSAFE-certified vendors/contractors for our projects under development.

Our Group recognises the values of giving back to the community. Besides donating to various welfare organisations, we actively participate in community outreach events and activities, such as through donations, packing and distribution of food rations at Yong-En Care Centre and Kembangan-Chai Chee area during November 2013 and January 2014, respectively. Our Group remains committed to worthy causes and will continue to support those in need.

# Statement of Corporate Governance

**TA Corporation Ltd** (the "Company") and together with its subsidiaries (the "Group") is committed to ensuring and maintaining a high standard of corporate governance in complying with the Code of Corporate Governance. This report sets out the Group's corporate governance practices for the financial year ended 31 December 2013 ("FY2013") with reference to the Code of Corporate Governance 2012 (the "2012 Code").

## BOARD MATTERS

### Board's Conduct of its Affairs

**Principle 1:** ***Every company should be headed by an effective Board to lead and control the company. The Board is collectively responsible for the long-term success of the company. The Board works with Management to achieve this objective and Management remains accountable to the Board.***

The Board of Directors of the Company (the "Board") provides leadership to the Group by setting the corporate policies and strategic aims. The Board oversees the Group's affairs and is accountable to shareholders for the management of the Group business and its performance. The Board has in place a Board Charter which sets out the responsibilities for it to oversee the business affairs of the Group and the matters that are specifically reserved to the Board for approval.

The Board Charter sets out the principal responsibilities of the Board as follows:

(a) provide entrepreneurial leadership, set strategic aims, and ensure that the necessary financial and human resources are in place for the Company to meet its objectives;

(b) establish a framework of prudent and effective controls which enables risks to be assessed and managed, including safeguarding of shareholders' interests and the Group's assets;

(c) review management performance;

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

(e) set the Group's values and standards, and ensure that obligations to shareholders and other stakeholders are understood and met; and

(f) consider sustainability issues as part of its strategic formulation.

Matters specifically reserved for the Board's decision are:

(a) matters involving a conflict of interest for a substantial shareholder or a director;

(b) strategic policies of the Group;

(c) material acquisitions and disposal of assets;

(d) corporate or financial restructuring;

(e) share issuances, interim dividends and other returns to shareholders; and

(f) any investment or expenditure not in the ordinary course of business and where the amounts falls within Rule 1004 (b) to (d) of the Listing Manual of the Singapore Exchange Securities Trading Limited (the "SGX-ST").

# Statement of Corporate Governance

Sustainability issues

The Board recognises the importance of the Company's responsibility to achieve sustainable business growth in terms of corporate social responsibility ("CSR") and environment conservation for the communities in which the Group operates. The Group's CSR initiatives are set out in the CSR Report on page 11 and 12.

Independent judgement

All Directors exercise due diligence and independent judgement, and make decisions objectively in the best interests of the Group.

The current members of the Board and their membership on the Board Committees of the Company are as follows:

| | |
|---|---|
| Mr Liong Kiam Teck | Executive Chairman |
| Mr Neo Tiam Poon @ Neo Thiam Poon | Deputy Executive Chairman |
| Mr Neo Tiam Boon | Chief Executive Officer, Executive Director and member of Nominating Committee ("NC") |
| Mr Neo Thiam An | Executive Director |
| Mr Lim Hock Beng | Lead Independent Director, Chairman of Audit Committee ("AC") and member of NC and Remuneration Committee ("RC") |
| Mr Lee Ah Fong | Independent Director, member of AC and Chairman of RC |
| Mr Mervyn Goh Bin Guan | Independent Director, member of AC and RC and Chairman of NC |

The present Board comprises seven members, three of whom are Independent Directors.

Delegation by the Board

In carrying out and discharging its duties and responsibilities efficiently and effectively, the Board is assisted by various Board Committees namely, the AC, the NC and the RC.

These Committees function within clearly defined terms of references and operating procedures, which are reviewed on a regular basis. The Board also constantly reviews the effectiveness of each Committee.

Directors' attendance at Board and Board Committees meetings in FY2013

| | **Board** | **Audit** | **Remuneration** | **Nominating** |
|---|---|---|---|---|
| **Number of meetings held** | 4 | 5 | 2 | 2 |
| **Name of Directors** | **Number of meetings attended** | | | |
| Liong Kiam Teck | 2 | N.A | N.A | N.A |
| Neo Tiam Poon @ Neo Thiam Poon | 4 | N.A | N.A | N.A |
| Neo Tiam Boon | 4 | N.A | N.A | 2 |
| Neo Thiam An | 4 | N.A | N.A | N.A |
| Lim Hock Beng | 4 | 5 | 2 | 2 |
| Lee Ah Fong | 4 | 5 | 2 | N.A |
| Mervyn Goh Bin Guan | 4 | 5 | 2 | 2 |

# Statement of Corporate Governance

While the Board considers Directors' attendance at Board meetings to be important, it is not the only criterion to measure their contributions. The Board also takes into account the contributions by Board members in other forms including periodic reviews, provision of guidance and advice on various matters relating to the Group.

<u>Orientation, briefings, updates and trainings provided for directors in FY2013</u>

The Company has in place an orientation process. A new incoming Director is issued a formal letter of appointment setting out his duties and obligations, and, where appropriate, incorporating processes to deal with possible conflicts of interest that may arise.

Incoming Directors joining the Board will be briefed by the NC on their Directors' duties and obligations and be introduced to the Group's business and governance practice and arrangements, in particular the Company's policies relating to the disclosure of interests in securities, disclosure of conflicts of interest in transactions involving the Company, prohibition on dealings in the Company's securities and restrictions on the disclosure of price-sensitive information.

The incoming Director will meet the senior management and the Company Secretaries to familiarize himself with their roles, organization structure and business practices. This will enable him to get acquainted with senior management and the Company Secretaries thereby facilitating Board interaction and independent access to senior management and the Company Secretaries.

The Directors are continually and regularly updated on the Group's business and governance practices. On a quarterly basis, the Board is briefed on recent changes to the accounting standards and regulatory updates. Our Directors are also encouraged to be members of the Singapore Institute of Directors ("SID") and for them to receive updates and training from SID. Briefings and updates provided for Directors in the financial year ended 31 December 2013 include:

- The external auditors briefed the AC members on developments in accounting and governance standards.

- The Board was briefed on the revisions to the 2005 Code of Corporate Governance and the guidelines of the 2012 Code by the Company Secretaries.

- The CEO updates the Board at least quarterly the Group's business and strategic developments.

- Management highlights salient issues as well as risk management considerations for real estate industry.

- The Directors had also attended appropriate courses, conferences and seminars, at the Company's expense. These include programmes run by the SID.

- The Directors can request for further explanations, briefings or information on any aspect of Group's operations or business issues from management.

# Statement of Corporate Governance

**Board Composition and Guidance**

**Principle 2: *There should be a strong and independent element on the Board, which is able to exercise objective judgment on corporate affairs independently, in particular, from Management and 10% shareholders. No individual or small group of individuals should be allowed to dominate the Board's decision making.***

As at the date of this Report, the Board of Directors comprises seven members; of whom three are independent.

Director's independence

The current Board members comprise persons whose diverse skills, experience and attributes provide for effective direction for the Group. The composition of the Board is reviewed on an annual basis by the NC to ensure that the Board has the appropriate mix of expertise and experience, and collectively possess the necessary core competencies for effective functioning and informed decision-making.

The criterion for independence is based on the definition given in the 2012 Code. The 2012 Code has defined an "Independent" Director as one who has no relationship with the Company, its related corporations, its 10% shareholders or its officers that could interfere, or be reasonably perceived to interfere, with the exercise of the Director's independent business judgment with a view to the best interests of the Company. The independence of each Director is reviewed annually by the NC, based on the definition of independence as stated in the 2012 Code.

For the purpose of determining Directors' independence, every Director has provided declaration of their independence which is reviewed by the NC and the Board. Except for the Executive Directors, all the other Directors on the Board are considered by the NC and the Board to be Independent Directors. None of the Directors have served on the Board for a period exceeding nine years from the date of their appointments.

**Chairman and Chief Executive Officer**

**Principle 3: *There should be a clear division of responsibilities between the leadership of the Board and the executives responsible for managing the company's business. No one individual should represent a considerable concentration of power.***

The Chairman and the CEO are separate persons to ensure an appropriate balance and separation of power and authority, and clear division of responsibilities and accountability.

The Executive Chairman, Mr Liong Kiam Teck leads the Board and ensures its effectiveness by, among other things, steering effective, productive and comprehensive discussions amongst Board members and the Management team on strategic, business and other key issues pertinent to the business and operations of the Group. His responsibilities also include making sure that Directors are provided with clear, complete and timely information in order to make sound, informed decisions.

The CEO and Executive Director, Mr Neo Tiam Boon is responsible for executing the Group's strategies and policies and has overall responsibility of the Company's operations and organizational effectiveness. He is accountable to the Board for the conduct and performance of the respective business operations under his charge. The Executive Chairman works closely with the CEO on matters to be tabled at meetings as well as in ensuring that Board members receive accurate, timely and clear information.

The Executive Chairman and the CEO are immediate family members and are part of the Management team. Accordingly, in compliance with Guideline 3.3 of the 2012 Code, the Company appointed Mr Lim Hock Beng as the Lead Independent Director.

# Statement of Corporate Governance

Under Guideline 2.2 of the 2012 Code, the Independent Directors should make up half the Board where the Chairman and the CEO are immediate family members; and where the Chairman is part of the management team and is not an independent director. Pursuant to the statement issued on 2 May 2012 by the Monetary Authority of Singapore ("MAS"), changes needed to comply with the requirement for Independent Directors to make up at least half of the Board should be made at the annual general meeting following the end of financial year commencing on or after 1 May 2016. The Company will comply with Guideline 2.2 by the stipulated deadline.

**Board Membership**

**Principle 4: *There should be a formal and transparent process for the appointment and re-appointment of directors to the Board.***

The Nominating Committee ("NC") comprises of three members, majority of whom including its Chairman are Independent Directors. The members of the NC are:

| | | |
|---|---|---|
| Mr Mervyn Goh Bin Guan | Chairman | Independent Director |
| Mr Lim Hock Beng | Member | Lead Independent Director |
| Mr Neo Tiam Boon | Member | CEO and Executive Director |

The NC has written terms of reference, under which the key functions of the NC are as follows:

(a) review of Board succession plans for directors, in particular, the Chairman and for the CEO;

(b) develop a process for evaluation of the performance of the Board, its Committees and Directors, and undertake assessment of the effectiveness of the Board, Board Committees and individual Directors, including setting a limit on multiple board representations for Directors where applicable;

(c) review the training and professional development programs for the Board;

(d) recommend to the Board the appointment and re-election of Directors; and

(e) assess the independence of the Independent Directors.

The Company has in place policy and procedures for the appointment of new Directors to the Board, including a description on the search and nomination process. The NC will determine the criteria for identifying candidates and review nominations for the appointment of Directors to the Board, ensuring that the process of Board appointments and re-nominations are transparent.

The Directors are required to submit themselves for re-election at regular intervals of at least once every three years in accordance with the Company's Articles. Subject to the nomination by the NC, a retiring Director is eligible for re-election.

Directors' multiple Board representations

The NC annually reviews the composition of the Board to ensure that the Board has an appropriate balance of expertise, skills, attributes and abilities. The NC has set guidelines on the maximum number of Board appointments in listed companies that a Board member can hold to ensure that the Directors are able to commit their time to effectively discharge their responsibilities. Based on the guidelines set by the NC, each Board member cannot have more than six listed Board representations including the Company. All the Directors currently do not sit on the boards of more than six listed companies.

# Statement of Corporate Governance

Succession planning

The NC has in place a board succession plan for Directors, in particular, the Executive Chairman and CEO. The NC has reviewed contingency arrangements for any unexpected incapacity of the CEO or any of the top management personnel and is satisfied with procedures in place to ensure a transition to a full operational management team.

**Board Performance**

**Principle 5:** ***There should be a formal annual assessment of the effectiveness of the Board as a whole and its board committees and the contribution by each director to the effectiveness of the Board.***

The NC will conduct a formal assessment of the effectiveness of the Board as a whole and its committees and the contribution by each Director to the effectiveness of the Board on an annual basis.

The NC has with the Board's approval, implemented a process for annually assessing the effectiveness of the Board and its committees and the contribution by each individual Director to the effectiveness of the Board.

This process includes having the Directors complete a performance evaluation form seeking their evaluation on various aspects of Board performance, such as Board's level of governance, effective delegation to the Board Committees, leadership and accountability. The Company Secretaries compiles the Directors' evaluation into a consolidated report. The report is discussed at the NC meeting and also shared with the entire Board.

The Directors will undertake self-evaluation based on factors such as knowledge of the Company's business and industry knowledge and contribution to Board discussion. The Directors' evaluations are consolidated by the Company Secretaries and reviewed by the NC.

The NC has reviewed the performance evaluations of the Board, Board Committees and individual Directors and is satisfied that the Board has been effective in the conduct of its duties and the Directors have each contributed to the effectiveness of the Board.

**Access to Information**

**Principle 6:** ***In order to fulfill their responsibilities, directors should be provided with complete, adequate and timely information prior to board meetings and on an on-going basis so as to enable them to make informed decisions to discharge their duties and responsibilities.***

All Directors are from time to time furnished with information concerning the Company to enable them to be fully cognisant of the decisions and actions of the Company's executive management. The Management also provides the Board with regular management reports, which includes budgets, forecasts and monthly management accounts. In respect of budgets, any material variances between the projections and actual results are disclosed and explained to the Board. Management provides Directors with information whenever necessary and Board papers are sent to Directors before each Board and Board Committee meetings.

The Board has unrestricted access to the Company's records and information. The Board has separate and independent access to the Company Secretaries and senior management of the Company and of the Group at all times in carrying out their duties. The Company Secretaries attend all Board meetings and meetings of the Committees of the Company where necessary and ensure that Board procedures are followed and that applicable laws, rules and regulations are complied with.

The Board takes independent professional advice as and when necessary, at the Company's expense, concerning any aspect of the Group's operations or undertakings in order to discharge its responsibilities effectively.

# Statement of Corporate Governance

## REMUNERATION MATTERS

### Procedures for Developing Remuneration policies

**Principle 7:** ***There should be a formal and transparent procedure for developing policy on executive remuneration and for fixing the remuneration packages of individual Directors. No director should be involved in deciding his or her own remuneration.***

The Remuneration Committee ("RC") comprises the following three members, all of whom including the Chairman, are independent.

| | | |
|---|---|---|
| Mr Lee Ah Fong | Chairman | Independent Director |
| Mr Lim Hock Beng | Member | Lead Independent Director |
| Mr Mervyn Goh Bin Guan | Member | Independent Director |

The RC carried out their duties in accordance with the terms of reference which include the following:

(a) review and recommend to the Board a framework for remuneration for the Directors and key management personnel of the Company;

(b) review and recommend Directors' fees for Independent Directors for approval at the AGM;

(c) determine specific remuneration packages for each Executive Director as well as key management personnel;

(d) review the Group's obligations arising in the event of termination of the Executive Directors' and key management personnel's contracts of service, to ensure that such contracts of service contain fair and reasonable termination clauses which are not overly generous;

(e) review the remuneration of employees who are immediate family members of a Director or the CEO to ensure that the remuneration of each of such employee commensurate with his or her duties and responsibilities, and no preferential treatment is given to him or her; and

(f) review and recommend the engagement of remuneration consultant on the request of management or as it deems appropriate for the Company.

The RC is provided access to expert professional advice on remuneration matters as and when necessary. The expense of such services shall be borne by the Company.

# Statement of Corporate Governance

**Level and Mix of Remuneration**

**Principle 8: *The level and structure of remuneration should be aligned with the long-term interest and risk policies of the company, and should be appropriate to attract, retain and motivate (a) the directors to provide good stewardship of the company, and (b) key management personnel to successfully manage the company. However, companies should avoid paying more than is necessary for this purpose.***

In setting remuneration packages, the RC will take into consideration the pay and employment conditions within the industry and in comparable companies. The level and structure of remuneration is aligned with the long-term interest and risk policies of the Company, and should be appropriate to attract, retain and motivate (a) the Directors to provide good stewardship of the Company, and (b) key management personnel to successfully manage the Company. However, the Company should avoid paying more than is necessary for this purpose.

Remuneration of Executive Directors and key management personnel

Under the Company's remuneration policy and structure, the performance conditions are set out to link rewards to overall strategic and financial goals of the Company. For Executive Directors, service agreements are in placed between each Executive Director and the Company. The remuneration structure provides for basic salaries, annual wage supplement and incentive bonus, which is tied to the performance of the Group annually. Key management personnel is compensated on a fixed plus variable basis. The RC would periodically review the Group's remuneration framework to ensure compensation for Executive Directors and key management personnel remains link to both short-term performance and the Group's strategy for long-term sustainability.

Remuneration of Independent Directors

For Independent Directors of the Company, the structure and level of Directors' fees are tied to their respective roles and responsibilities on the Board and Committees. Changes to the Group's business and corporate governance revisions and practices, assessment of Directors' contributions and attendance at meetings are taken into consideration in determining the Directors' fee structure.

The fees for Independent Directors comprise a basic retainer fee and additional fees for appointment to Board committees.

The framework of Directors' fee for Independent Directors is as follows:

| | |
|---|---|
| Basic Director's fee | $37,500 per annum |
| AC Chairman | $25,000 per annum |
| AC member | $12,500 per annum |
| NC or RC Chairman | $ 6,250 per annum |
| NC or RC member | $ 3,750 per annum |

The RC has reviewed the fee structure for Independent Directors as being reflective of their responsibilities and work commitments and recommends the Directors' fee for the financial year ended 31 December 2013 in accordance with the fee structure for shareholders' approval at the Company's forthcoming AGM.

# Statement of Corporate Governance

**Disclosure on Remuneration**

**Principle 9: Every company should provide clear disclosure of its remuneration policies, level and mix of remuneration, and the procedure for setting remuneration in the company's Annual Report. It should provide disclosure in relation to its remuneration policies to enable investors to understand the link between remuneration paid to directors and key management personnel, and performance.**

**Remuneration of Directors and the CEO**

The remuneration paid to or accrued to each individual Director and the CEO for FY2013 is as follows:

| Remuneration Bands | Fee % | Fixed Remuneration % | Performance related Remuneration % | Allowances and Other Benefits-in-kind % | Total Compensation % |
|---|---|---|---|---|---|
| **$1,000,001 to $1,250,000** | | | | | |
| Mr Liong Kiam Teck | – | 44.4 | 52.9 | 2.7 | 100 |
| **$750,001 to $1,000,000** | | | | | |
| Mr Neo Tiam Boon | – | 34.7 | 62.1 | 3.2 | 100 |
| **$500,001 to $750,000** | | | | | |
| Mr Neo Tiam Poon @ Neo Thiam Poon | – | 43.5 | 52.0 | 4.5 | 100 |
| Mr Neo Thiam An | – | 43.8 | 52.4 | 3.8 | 100 |
| **Up to $250,000** | | | | | |
| Mr Lim Hock Beng | 100 | – | – | – | 100 |
| Mr Lee Ah Fong | 100 | – | – | – | 100 |
| Mr Mervyn Goh Bin Guan | 100 | – | – | – | 100 |

To maintain confidentiality of the remuneration policies of the Group, the Board is of the view that it is in the best interests of the Group not to fully disclose details of remuneration of each individual Director and the CEO.

**Remuneration of Key Management Personnel**

The remuneration paid to or accrued to the top five key management personnel (who are not Directors or the CEO) for FY2013 is as follows:

| Remuneration Bands | Fixed Remuneration % | Performance related Remuneration % | Allowances and Other Benefits-in-kind % | Total Compensation % |
|---|---|---|---|---|
| **$250,001 to $500,000** | | | | |
| First Executive | 68.7 | 24.8 | 6.5 | 100 |
| Second Executive | 72.3 | 21.2 | 6.5 | 100 |
| **Up to $250,000** | | | | |
| Third Executive | 65.4 | 23.9 | 10.7 | 100 |
| Fourth Executive | 62.3 | 21.2 | 16.5 | 100 |
| Fifth Executive | 64.7 | 23.4 | 11.9 | 100 |

Due to competition related reasons the names of the top five key management personnel are not disclosed.

For the financial year ended 31 December 2013, the aggregate remuneration (including employer CPF and benefits-in-kind of the top five key management personnel was $1,279,288.

# Statement of Corporate Governance

**Remuneration of employees who are immediate family members of a Director or the CEO:**

Saved as disclosed in the following table, there is no other employee who is an immediate family member of a Director or the CEO.

| Remuneration Bands | Relationship to Directors or the CEO |
|---|---|
| **$150,001 to $200,000** | |
| Liong Chai Yin, Fiona | Daughter of Mr Liong Kiam Teck and niece of Mr Neo Tiam Poon @ Neo Thiam Poon, Mr Neo Tiam Boon and Mr Neo Thiam An |
| Nelson Neo Tiam Chuan | Brother of Mr Liong Kiam Teck, Mr Neo Tiam Poon @ Neo Thiam Poon, Mr Neo Tiam Boon and Mr Neo Thiam An |
| **$100,001 to $150,000** | |
| Liong Cailin, Wendy | Daughter of Mr Liong Kiam Teck and niece of Mr Neo Tiam Poon @ Neo Thiam Poon, Mr Neo Tiam Boon and Mr Neo Thiam An |
| **$50,001 to $100,000** | |
| Neo Kian Lee | Brother of Mr Liong Kiam Teck, Mr Neo Tiam Poon @ Neo Thiam Poon, Mr Neo Tiam Boon, and Mr Neo Thiam An |

**Share Option Scheme**

The Company does not have any share option or other share incentive schemes for its employees.

**ACCOUNTABILITY AND AUDIT**

**Accountability**

**Principle 10:** ***The Board should present a balanced and understandable assessment of the company's performance, position and prospects.***

The Board is accountable to the shareholders and is mindful of its obligations to furnish timely, reliable and full disclosure of material information to shareholders in compliance with statutory requirements and the Listing Manual of the SGX-ST.

Price sensitive information will be publicly released either before the Company meets with any group of investors or analysts or simultaneously with such meetings. Financial results and annual reports are announced or issued within legally prescribed periods. The Board also ensures timely and full disclosure of material corporate developments to shareholders.

The Board also reviews regulatory compliance reports from management to ensure that the Group complies with the relevant regulatory requirements.

For the financial year ended 31 December 2013, the Board has received assurance from the CEO and CFO that in the execution of their respective duties as CEO and CFO and to the best of their knowledge and belief the financial records have been properly maintained and the financial statements give a true and fair view of the Company's operations and finances, and regarding the effectiveness of the Company's risk management and internal controls system.

# Statement of Corporate Governance

## RISK MANAGEMENT AND INTERNAL CONTROLS

**Principle 11:** ***The Board is responsible for the governance of risk. The Board should ensure that Management maintains a sound system of risk management and internal controls to safeguard the shareholders' interests and the Company's assets, and should determine the nature and extent of the significant risks which the Board is willing to take in achieving its strategic objectives.***

The AC, through the assistance of internal and external auditors, reviews and reports to the Board on the adequacy of the Company's system of controls, including financial, operational and compliance controls, established by Management. In assessing the effectiveness of internal controls, the AC ensures primarily that key objectives are met, material assets are properly safeguarded, fraud or errors in the accounting records are prevented or detected, accounting records are accurate and complete, and reliable financial information is prepared in compliance with applicable internal policies, laws and regulations.

### Risk Management

The key risks of the Group are deliberated by Management and reported to the AC regularly. The AC reviews the adequacy and effectiveness of the internal controls, which includes the documented policies and procedures, proper segregation of duties, approval procedures and authorities, as well as checks-and-balances built into the business processes. To ensure that internal controls and risk management processes are adequate and effective, the AC is assisted by various independent professional service providers. External auditors provide assurance over the risk of material misstatements in the Group's financial statements. Internal auditors provide assurance that controls over the key risks of the Group are adequate and effective.

Based on the review of the key risks identified, and the internal controls established and maintained by the Group, work performed by the internal and external auditors, reviews performed by Management and the AC; and the aforesaid assurances from the CEO and CFO, the Board, with the concurrence of the AC, is of the opinion that the Group's internal controls, addressing financial, operational, compliance and information technology risks were adequate for the financial year ended 31 December 2013.

The Board acknowledges that it is responsible for the overall internal control framework, but recognises that no cost effective internal control system will preclude all errors and irregularities, as a system is designed to manage rather than eliminate the risk of failure to achieve business objectives, and can provide only reasonable and not absolute assurance against material misstatement or loss.

# Statement of Corporate Governance

**Audit Committee**

**Principle 12: *The Board should establish an Audit Committee with written terms of reference which clearly set out its authority and duties.***

The AC comprises the following three members all of whom, including the Chairman, are independent.

| | | |
|---|---|---|
| Mr Lim Hock Beng | Chairman | Lead Independent Director |
| Mr Lee Ah Fong | Member | Independent Director |
| Mr Mervyn Goh Bin Guan | Member | Independent Director |

The Chairman of the AC, Mr. Lim Hock Beng, is a fellow member of the Singapore Institute of Directors. The Board is satisfied that the members of the AC have recent and relevant accounting or related financial management expertise or experience to discharge the AC's functions.

The AC meets with both the external and internal auditors without the presence of the Management at least once a year. These meetings enable the external auditors and internal auditors to raise issues encountered in the course of their work directly to the AC.

The AC functions under the terms of reference that sets out its key responsibilities as follows:

(a) To review the financial statements of the Company and the Group before submission to the Board;

(b) To review the audit plans of the Company with the external auditors and the external auditors' reports;

(c) To review the effectiveness and adequacy of the internal audit functions;

(d) To review the independence of the external auditors and make recommendations to the Board on the appointment, re-appointment and removal of the external auditors and internal auditors;

(e) To review interested person transactions and potential conflicts of interest; and

(f) To review arrangements by which the staff of the Company may, in confidence, raise concerns about possible improprieties in matters of financial reporting.

The AC has explicit authority to investigate any matter within its terms of reference. The AC is authorised to obtain independent professional advice if it deems necessary in the discharge of its responsibilities. Such expenses are to be borne by the Company. The AC has full access to and co-operation of the Management and has full discretion to invite any Director or executive officer to attend its meetings, and has been given reasonable resources to enable it to discharge its functions. No member of the AC or any Director is involved in the deliberations and voting on any resolutions in respect of matters he is interested in.

The Company confirms compliance with Rule 712 and Rule 715 of the Listing Manual of the SGX-ST in engaging Deloitte & Touche LLP ("DT") as the external auditors of the Company which is registered with the Accounting and Corporate Regulatory Authority ("ACRA"). DT are the external auditors of the Company and of its Singapore subsidiaries and significant associated companies. The AC has reviewed the amount of non-audit services rendered to the Group by the external auditors. During the year, the fees paid to the external auditors of the Company for non-audit services amounted to $73,000 or 23% of the audit fee. Being satisfied that the nature and extent of such services will not prejudice the independence and objectivity of the external auditors, the AC has recommended that DT be nominated for re-appointment as auditors at the forthcoming AGM.

# Statement of Corporate Governance

**Whistle-blowing**

The Company has a whistle-blowing policy by which staff of the Group and any other persons may, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters to the Executive Chairman with a copy of such raised concerns to the AC Chairman. Such concerns raised are independently investigated and appropriate follow-up action taken.

The Company will treat all information received confidentially and protect the identity and the interest of all whistleblowers. Following investigation and evaluation of a complaint, the Executive Chairman will decide whether the matter need to be referred to the relevant authorities. If the Executive Chairman decides not to proceed with the investigation, the decision must be explained as fully as possible to the person who raised the concern. It is then open to the person to make disclosure again to the AC Chairman. The AC Chairman shall report to the AC on recommended disciplinary or remedial action, if any. The action determined by the AC to be appropriate shall then be brought to the Board or to appropriate members of senior management for authorization and implementation respectively.

The policy is communicated to all employees as part of the Group's efforts to promote awareness of fraud control.

**Internal Audit**

**Principle 13: *The Company should establish an effective internal audit function that is adequately resourced and independent of the activities it audits.***

The Company has engaged Saw Meng Tee & Partners PAC, an accounting firm registered with ACRA as its internal auditor. The internal auditor (the "IA") reports directly to the Chairman of the AC on all internal audit matters. The IA identifies, evaluates significant risks and develop risk-based audit plan for approval by the AC. The IA provides independent assessment and reasonable assurances on areas of operation reviewed and advice and recommend on the best practices that will improve and add value to the Company.

**COMMUNICATION WITH SHAREHOLDERS**

**SHAREHOLDER RIGHTS**

**Principle 14: *Companies should treat all shareholders fairly and equitably, and should recognise, protect and facilitate the exercise of shareholders' rights, and continually review and update such governance arrangements.***

**Principle 15: *Companies should actively engage their shareholders and put in place an investor relations policy to promote regular, effective and fair communication with shareholders.***

In line with continuous obligations of the Company pursuant to the Listing Rules of the SGX-ST, the Board's policy is that all shareholders be informed of all major developments that impact the Group.

# Statement of Corporate Governance

The Group is committed to providing shareholders with adequate, timely and sufficient information pertaining to changes in the Group's business which could have a material impact on the Company's share price. Information is disseminated to shareholders on a timely basis through:

(a) SGXNET announcements;

(b) Annual Report prepared and issued to all shareholders;

(c) News releases on major developments of the Group;

(d) Notices of and explanatory memoranda for AGM and Extraordinary General Meetings ("EGM"); and

(e) Company's website at www.tiongaik.com.sg at which shareholders can access timely information on the Group.

The Company's AGMs are the principal forums for dialogue with shareholders. The Chairman of each Board Committee as well as external auditors are normally present at the AGMs to address shareholders' queries, if any.

Shareholders are encouraged to attend the AGMs/EGMs to ensure a high level of accountability and to stay apprised of the Group's strategy and goals. Notices of the AGM/EGM will be advertised in newspapers and announced on SGXNET.

**SHAREHOLDERS RIGHTS AND RESPONSIBILITIES**

**Principle 16: *Companies should encourage greater shareholder participation at general meetings of shareholders, and allow shareholders the opportunity to communicate their views on various matters affecting the company.***

The Group supports and encourages active shareholders participation at general meetings. The Board believes that general meetings serve as an opportune forum for Shareholders to meet the Board and key management personnel, and to interact with them. Information on general meetings is disseminated through notices in the annual reports or circulars sent to all shareholders. The notices are also released via SGXNET and published in local newspapers, as well as posted on the Company website.

The Company's Articles of Association allows all shareholders to appoint up to two proxies to attend general meetings and vote on their behalf.

All resolutions at AGMs and EGMs are put to vote by poll to allow greater transparency and more equitable participation by shareholders.

**Interested Persons Transactions**

When a potential conflict of interest arises, the Director concerned does not participate in discussions and refrains from exercising any influence over other members of the Board.

The Company has established review and approval procedures to ensure that interested person transactions ("IPT") entered into by the Group are conducted on normal terms and are not prejudicial to the interest of the shareholders. The Board meets quarterly to review if the Company will be entering into any interested person transaction.

# Statement of Corporate Governance

The AC has reviewed the rationale and terms of the Group's interested person transactions and is of the view that the interested person transactions are on normal commercial terms and are not prejudicial to the interests of the shareholders.

Details of IPT for the year ended 31 December 2013 are as follows:

| Name of Interested Person | Aggregate value of all interested person transactions conducted (excluding transactions less than $100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920) ($'000) | Aggregate value of all interested person transactions conducted under shareholders' mandate pursuant to Rule 920 (excluding transactions less than $100,000) ($'000) |
|---|---|---|
| Neo Tiam Boon | 1,779[1] | N.A |
| Liong Kiam Teck | 270 | N.A |
| Prestige Resources Pte Ltd | 300 | N.A |
| Tac Alliance Pte. Ltd. | 180 | N.A |

**Dealing in Securities**

The Company has issued an internal Compliance Code (the "Internal Compliance Code") to all employees of the Group setting out the implications of insider trading.

Under this Internal Compliance Code, all Directors and employees of the Group are prohibited from dealing in the Company's securities two weeks before the release of the quarterly results or one month before the release of the full year results to the SGX-ST, as the case may be. Circulars are issued to all Directors and employees of the Group to remind them of, inter alia, laws of insider trading and the importance of not dealing in the shares of the Company and within the Group on short-term consideration and during the prohibitive periods. Directors and employees are expected to observe the insider trading laws at all times even when dealing in securities within permitted trading period.

**MATERIAL CONTRACTS**

Save as mentioned above, there were no other material contracts entered into by the Company or its subsidiary companies involving the interest of the CEO, any Director or controlling shareholder since the end of the previous financial year.

[1] Sale of a property unit to Neo Tiam Boon.

# Report of the Directors

The directors present their report together with the audited consolidated financial statements of the Group and statement of financial position and statement of changes in equity of the Company for the financial year ended December 31, 2013.

## 1 DIRECTORS

The directors of the Company in office at the date of this report are:

Liong Kiam Teck
Neo Tiam Poon @ Neo Thiam Poon
Neo Tiam Boon
Neo Thiam An
Lim Hock Beng
Lee Ah Fong
Mervyn Goh Bin Guan

## 2 ARRANGEMENTS TO ENABLE DIRECTORS TO ACQUIRE BENEFITS BY MEANS OF THE ACQUISITION OF SHARES AND DEBENTURES

Neither at the end of the financial year nor at any time during the financial year did there subsist any arrangement whose object is to enable the directors of the Company to acquire benefits by means of the acquisition of shares or debentures in the Company or any other body corporate.

## 3 DIRECTORS' INTERESTS IN SHARES AND DEBENTURES

The directors of the Company holding office at the end of the financial year had no interests in the share capital and debentures of the Company and related corporations as recorded in the register of directors' shareholdings kept by the Company under Section 164 of the Singapore Companies Act, except as follows:

| | Shareholdings registered in name of director | | Shareholdings in which directors are deemed to have an interest | |
|---|---|---|---|---|
| **Name of directors and companies in which interests are held** | **At beginning of year** | **At end of year** | **At beginning of year** | **At end of year** |
| Liong Kiam Teck | 152,923,950 | 152,923,950 | 20,000 | 20,000 |
| Neo Tiam Poon @Neo Thiam Poon | 73,403,496 | 73,403,496 | – | – |
| Neo Tiam Boon | 77,141,637 | 77,141,637 | – | – |
| Neo Thiam An | 36,361,917 | 36,361,917 | – | – |
| Lim Hock Beng | 100,000 | 100,000 | – | – |

The directors' interests in the shares of the Company and related corporations at January 21, 2014 were the same as at December 31, 2013.

By virtue of Section 7 of the Singapore Companies Act, Liong Kiam Teck is deemed to have an interest in all the related corporations of the Company.

# Report of the Directors

## 4 DIRECTORS' RECEIPT AND ENTITLEMENT TO CONTRACTUAL BENEFITS

Since the beginning of the financial year, no director of the Company has received or become entitled to receive a benefit which is required to be disclosed under Section 201(8) of the Singapore Companies Act, by reason of a contract made by the Company or a related corporation with the director, or with a firm of which he is a member, or with a company in which he has a substantial financial interest except for salaries, bonuses and other benefits as disclosed in Note 5 to the financial statements.

## 5 AUDIT COMMITTEE

The Audit Committee performed the functions specified in Section 201B(5) of the Singapore Companies Act and the Singapore Code of Corporate Governance.

The Audit Committee ("AC") comprises 3 members, all of whom are independent and non-executive. The Chairman of the AC is Lim Hock Beng and the other members of the AC are Lee Ah Fong and Mervyn Goh Bin Guan.

The AC is authorised by the Board of Directors to investigate any matters within its terms of reference. It has unrestricted access to information pertaining to the Group, to both internal and external auditors, and to all employees of the Group. Reasonable resources have been made available to the AC to enable it to discharge its duties properly.

The key responsibilities of the AC include the following:

- To review the external and internal audit plans/audit reports, the scope and results of the internal audit procedures and results of the internal auditors' examination and evaluation of the Group's systems of internal accounting controls;
- To review the quarterly and annual financial statements and any formal announcements relating to our Group's financial performance before submission to our Board of Directors for approval, focusing in particular on changes in accounting policies and practices, major risk areas, significant adjustments resulting from the audit, compliance with accounting standards and compliance with the Listing Manual of the Singapore Exchange Securities Trading Limited (the "SGX-ST") and any other relevant statutory or regulatory requirements;
- To review the independence of the external auditors and internal auditors and make recommendations to the Board on the appointment, re-appointment and removal of the external auditors and internal auditors;
- To review interested person transactions (if any) falling within the scope of Chapter 9 of the Listing Manual of the SGX-ST and potential conflicts of interest;
- To review arrangement by which the staff of the Company may, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters;
- To review and discuss with investigators, any suspected fraud, irregularity or infringement of any relevant laws, rules or regulations, which has or is likely to have a material impact on our Group's operating results or financial position and our management's response thereto; and
- Generally undertake such other functions and duties as may be required by statute or the Listing Manual of the SGX-ST, or by such amendments as may be made thereto from time to time.

# Report of the Directors

## 5 AUDIT COMMITTEE (CONT'D)

The AC has full access to and has the co-operation of the management and has been given the resources required for it to discharge its functions properly. It also has full discretion to invite any Director and executive officer to attend its meetings. The external and internal auditors have unrestricted access to the AC.

The AC has recommended to the Directors the nomination of Deloitte & Touche LLP for re-appointment as the external auditors of the Company at its forthcoming Annual General Meeting.

## 6 SHARE OPTIONS

### (a) Options to take up unissued shares

During the financial year, no options to take up unissued shares of the Company or any corporation in the Group were granted.

### (b) Options exercised

During the financial year, there were no shares of the Company or any corporation in the Group issued by virtue of the exercise of an option to take up unissued shares.

### (c) Unissued shares under options

At the end of the financial year, there were no unissued shares of the Company or any corporation in the Group under options.

## 7 AUDITORS

The auditors, Deloitte & Touche LLP, have expressed their willingness to accept re-appointment.

ON BEHALF OF THE DIRECTORS

Liong Kiam Teck

Neo Tiam Boon

March 18, 2014

# Statement of Directors

In the opinion of the directors, the consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company as set out on pages 34 to 96 are drawn up so as to give a true and fair view of the state of affairs of the Group and of the Company as at December 31, 2013 and of the results, changes in equity and cash flows of the Group and changes in equity of the Company for the financial year then ended and at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts when they fall due.

ON BEHALF OF THE DIRECTORS

Liong Kiam Teck

Neo Tiam Boon

March 18, 2014

# Independent Auditors' Report

To the Members of TA Corporation Ltd

### Report on the Financial Statements

We have audited the accompanying financial statements of TA Corporation Ltd (the "Company") and its subsidiaries (collectively, "the Group") which comprise the statements of financial position of the Group and the Company as at December 31, 2013, and the consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows of the Group and the statement of changes in equity of the Company for the year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 34 to 96.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Singapore Companies Act (the "Act") and Singapore Financial Reporting Standards and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair profit and loss accounts and balance sheets and to maintain accountability of assets.

### Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Singapore Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Opinion

In our opinion, the consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company are properly drawn up in accordance with the provisions of the Act and Singapore Financial Reporting Standards so as to give a true and fair view of the state of affairs of the Group and of the Company as at December 31, 2013 and of the results, changes in equity and cash flows of the Group and changes in equity of the Company for the year ended on that date.

# Independent Auditors' Report

To the Members of TA Corporation Ltd

**Report on Other Legal and Regulatory Requirements**

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

Deloitte & Touche LLP
Public Accountants and
Chartered Accountants
Singapore

March 18, 2014

# Statements of Financial Position

As at December 31, 2013

| | Note | Group 2013 $'000 | Group 2012 $'000 | Company 2013 $'000 | Company 2012 $'000 |
|---|---|---|---|---|---|
| **ASSETS** | | | | | |
| **Current assets** | | | | | |
| Cash and bank balances | 6 | **96,301** | 105,151 | **4,997** | 6,930 |
| Trade and other receivables | 7 | **191,263** | 228,005 | **33,658** | 33,660 |
| Deposits and prepayments | 8 | **6,542** | 4,530 | **28** | 33 |
| Inventories | 9 | **2,901** | 1,178 | **–** | – |
| Development properties | 11 | **196,066** | 143,528 | **–** | – |
| Total current assets | | **493,073** | 482,392 | **38,683** | 40,623 |
| **Non-current assets** | | | | | |
| Property, plant and equipment | 12 | **20,862** | 15,957 | **–** | – |
| Investment properties | 13 | **60,175** | 61,290 | **–** | – |
| Goodwill | 14 | **2,594** | 2,593 | **–** | – |
| Subsidiaries | 15 | **–** | – | **116,965** | 116,465 |
| Associates and joint venture | 16 | **8,054** | 17,310 | **–** | – |
| Other non-current assets | 17 | **416** | 127 | **–** | – |
| Deferred tax assets | 18 | **65** | 945 | **–** | – |
| Total non-current assets | | **92,166** | 98,222 | **116,965** | 116,465 |
| **Total assets** | | **585,239** | 580,614 | **155,648** | 157,088 |

See accompanying notes to financial statements.

# Statements of Financial Position

As at December 31, 2013

| | | Group | | Company | |
|---|---|---|---|---|---|
| | | **2013** | 2012 | **2013** | 2012 |
| | **Note** | **$'000** | $'000 | **$'000** | $'000 |
| **LIABILITIES AND EQUITY** | | | | | |
| **Current liabilities** | | | | | |
| Borrowings | 19 | **35,330** | 51,094 | **–** | – |
| Trade and other payables | 20 | **135,369** | 159,543 | **2,101** | 3,447 |
| Current portion of finance leases | 21 | **409** | 578 | **–** | – |
| Income tax payable | | **12,334** | 12,555 | **10** | – |
| Total current liabilities | | **183,442** | 223,770 | **2,111** | 3,447 |
| **Non-current liabilities** | | | | | |
| Borrowings | 19 | **159,934** | 121,643 | **–** | – |
| Finance leases | 21 | **434** | 619 | **–** | – |
| Deferred tax liabilities | 18 | **654** | 6,905 | **–** | – |
| Total non-current liabilities | | **161,022** | 129,167 | **–** | – |
| **Capital, reserves and non-controlling interests** | | | | | |
| Share capital | 22 | **142,185** | 142,185 | **142,185** | 142,185 |
| Capital reserve | 23 | **644** | 644 | **–** | – |
| Translation reserve | | **(360)** | (158) | **–** | – |
| Retained earnings | | **85,117** | 61,873 | **11,352** | 11,456 |
| Equity attributable to owners of the Company | | **227,586** | 204,544 | **153,537** | 153,641 |
| Non-controlling interests | | **13,189** | 23,133 | **–** | – |
| Total equity | | **240,775** | 227,677 | **153,537** | 153,641 |
| **Total liabilities and equity** | | **585,239** | 580,614 | **155,648** | 157,088 |

See accompanying notes to financial statements.

# Consolidated Statement of Profit or Loss and Other Comprehensive Income

Year ended December 31, 2013

| | Note | Group 2013 $'000 | Group 2012 $'000 |
|---|---|---|---|
| **Revenue** | 24 | **297,234** | 371,099 |
| **Cost of sales** | | **(240,322)** | (290,875) |
| **Gross profit** | | **56,912** | 80,224 |
| Other income | 25 | **5,934** | 5,426 |
| Selling and distribution costs | | **(439)** | (6,085) |
| General and administrative expenses | | **(15,271)** | (14,933) |
| Other operating expenses | 26 | **(5,379)** | (5,389) |
| Share of loss of associates | 16 | **(1,058)** | (142) |
| Finance costs | 27 | **(1,369)** | (2,488) |
| **Profit before income tax** | | **39,330** | 56,613 |
| Income tax expense | 28 | **(7,484)** | (8,974) |
| **Profit for the year** | 29 | **31,846** | 47,639 |
| **Other comprehensive income:** | | | |
| *Item that may be reclassified subsequently to profit or loss* | | | |
| Exchange differences on translation of foreign operations | | **(236)** | (154) |
| **Total comprehensive income for the year** | | **31,610** | 47,485 |
| **Profit attributable to:** | | | |
| Owners of the Company | | **29,289** | 39,621 |
| Non-controlling interests | | **2,557** | 8,018 |
| | | **31,846** | 47,639 |
| **Total comprehensive income attributable to:** | | | |
| Owners of the Company | | **29,087** | 39,426 |
| Non-controlling interests | | **2,523** | 8,059 |
| | | **31,610** | 47,485 |
| **Earnings per share (cents):** | | | |
| Basic and diluted | 30 | **6.3** | 8.5 |

See accompanying notes to financial statements.

# Statements of Changes in Equity

Year ended December 31, 2013

| | Note | Share capital $'000 | Capital reserve $'000 | Translation reserve $'000 | Retained earnings $'000 | Equity attributable to owners of the Company $'000 | Non-controlling interests $'000 | Total $'000 |
|---|---|---|---|---|---|---|---|---|
| **Group** | | | | | | | | |
| Balance at January 1, 2012 | | 142,185 | – | 37 | 27,832 | 170,054 | 15,443 | 185,497 |
| *Total comprehensive income for the year* | | | | | | | | |
| Profit for the year | | – | – | – | 39,621 | 39,621 | 8,018 | 47,639 |
| Other comprehensive income for the year | | – | – | (195) | – | (195) | 41 | (154) |
| Total | | – | – | (195) | 39,621 | 39,426 | 8,059 | 47,485 |
| *Transactions with owners, recognised directly in equity* | | | | | | | | |
| Employee benefit expense | 23 | – | 644 | – | – | 644 | 7 | 651 |
| Non-controlling interest arising from acquisition of subsidiary | 35 | – | – | – | – | – | 389 | 389 |
| Proceeds from issue of shares in a subsidiary to non-controlling shareholder | | – | – | – | – | – | 735 | 735 |
| Dividends | 32 | – | – | – | (5,580) | (5,580) | – | (5,580) |
| Dividends to non-controlling shareholder | | – | – | – | – | – | (1,500) | (1,500) |
| Total | | – | 644 | – | (5,580) | (4,936) | (369) | (5,305) |
| Balance at December 31, 2012 | | 142,185 | 644 | (158) | 61,873 | 204,544 | 23,133 | 227,677 |

See accompanying notes to financial statements.

# Statements of Changes in Equity (cont'd)

Year ended December 31, 2013

| | Note | Share capital $'000 | Capital reserve $'000 | Translation reserve $'000 | Retained earnings $'000 | Equity attributable to owners of the Company $'000 | Non-controlling interests $'000 | Total $'000 |
|---|---|---|---|---|---|---|---|---|
| **Group** | | | | | | | | |
| Balance at December 31, 2012 | | 142,185 | 644 | (158) | 61,873 | 204,544 | 23,133 | 227,677 |
| *Total comprehensive income for the year* | | | | | | | | |
| Profit for the year | | – | – | – | 29,289 | 29,289 | 2,557 | 31,846 |
| Other comprehensive income for the year | | – | – | (202) | – | (202) | (34) | (236) |
| Total | | – | – | (202) | 29,289 | 29,087 | 2,523 | 31,610 |
| *Transactions with owners, recognised directly in equity* | | | | | | | | |
| Proceeds from issue of shares in subsidiaries to non-controlling shareholders | | – | – | – | – | – | 1,410 | 1,410 |
| Dividends | 32 | – | – | – | (6,045) | (6,045) | – | (6,045) |
| Dividends to non-controlling shareholders | | – | – | – | – | – | (13,877) | (13,877) |
| Total | | – | – | – | (6,045) | (6,045) | (12,467) | (18,512) |
| **Balance at December 31, 2013** | | **142,185** | **644** | **(360)** | **85,117** | **227,586** | **13,189** | **240,775** |

See accompanying notes to financial statements.

# Statements of Changes in Equity (cont'd)

Year ended December 31, 2013

| | Note | Share capital $'000 | Retained earnings $'000 | Total $'000 |
|---|---|---|---|---|
| **Company** | | | | |
| Balance at January 1, 2012 | | 142,185 | 6,082 | 148,267 |
| *Total comprehensive income for the year* | | | | |
| Profit for the year, representing total comprehensive income for the year | | – | 10,954 | 10,954 |
| *Transactions with owners, recognised directly in equity* | | | | |
| Dividends | 32 | – | (5,580) | (5,580) |
| Total | | – | (5,580) | (5,580) |
| Balance at December 31, 2012 | | 142,185 | 11,456 | 153,641 |
| *Total comprehensive income for the year* | | | | |
| Profit for the year, representing total comprehensive income for the year | | – | 5,941 | 5,941 |
| *Transactions with owners, recognised directly in equity* | | | | |
| Dividends | 32 | – | (6,045) | (6,045) |
| Total | | – | (6,045) | (6,045) |
| **Balance at December 31, 2013** | | **142,185** | **11,352** | **153,537** |

See accompanying notes to financial statements.

# Consolidated Statement of Cash Flows

Year ended December 31, 2013

| | Group | |
|---|---|---|
| | **2013** | 2012 |
| | **$'000** | $'000 |
| **Operating activities** | | |
| Profit before income tax | **39,330** | 56,613 |
| Adjustments for: | | |
| Depreciation expense | **3,565** | 2,521 |
| Share of loss of associates | **1,058** | 142 |
| (Gain) Loss in fair value of investment properties, net | **(335)** | 167 |
| Impairment loss on development property | **–** | 808 |
| Employee benefit expense | **–** | 651 |
| Gain on disposal of property, plant and equipment | **(55)** | (269) |
| Property, plant and equipment written off | **22** | – |
| Interest expense | **1,205** | 1,824 |
| Deemed interest expense on retention amounts | **164** | 664 |
| Interest income | **(1,465)** | (841) |
| Deemed interest income on retention amounts | **(76)** | (301) |
| (Reversal of allowance) Allowance for doubtful debts, net | **(495)** | 793 |
| Operating cash flows before movements in working capital | **42,918** | 62,772 |
| Trade and other receivables | **55,627** | (61,031) |
| Deposits and prepayments | **(2,012)** | (349) |
| Inventories | **(1,723)** | 416 |
| Development properties | **(49,698)** | 41,305 |
| Trade and other payables | **(26,524)** | 27,993 |
| Cash generated from operations | **18,588** | 71,106 |
| Income tax paid | **(13,076)** | (2,831) |
| Interest paid | **(4,045)** | (4,553) |
| Net cash from operating activities | **1,467** | 63,722 |
| **Investing activities** | | |
| Interest received | **1,465** | 841 |
| Purchase of property, plant and equipment [Note 12(b)] | **(6,830)** | (1,701) |
| Purchase of investment properties | **–** | (3,827) |
| Proceeds from disposal of property, plant and equipment | **55** | 403 |
| Proceeds from issue of shares in subsidiaries to non-controlling shareholders | **1,410** | 735 |
| Advance to associates | **(6,389)** | (26,118) |
| Acquisition of subsidiaries (Note 35) | **(1)** | (1,848) |
| Additional investment in associate | **(551)** | – |
| Additional other non-current assets | **(289)** | – |
| Interest in a joint venture | **(2,216)** | – |
| Net cash used in investing activities | **(13,346)** | (31,515) |

See accompanying notes to financial statements.

# Consolidated Statement of Cash Flows

Year ended December 31, 2013

| | Group | |
|---|---|---|
| | **2013** | 2012 |
| | **$'000** | $'000 |
| **Financing activities** | | |
| Proceeds from borrowings | **81,543** | 61,696 |
| Repayment of borrowings | **(58,986)** | (73,459) |
| Repayment of obligations under finance leases | **(605)** | (808) |
| Pledged fixed deposits | **(513)** | – |
| Dividends paid to non-controlling shareholders | **(12,300)** | – |
| Dividends paid | **(6,045)** | (5,580) |
| Net cash generated from (used in) financing activities | **3,094** | (18,151) |
| (Decrease) Increase in cash and cash equivalents | **(8,785)** | 14,056 |
| Cash and cash equivalents at beginning of the year | **105,121** | 90,958 |
| Effect of exchange rate changes | **(548)** | 107 |
| **Cash and cash equivalents at end of the year** | **95,788** | 105,121 |
| Cash and cash equivalents at end of the year comprise the following: | | |
| Cash and bank balances (Note 6) | **71,261** | 79,140 |
| Fixed deposits (Note 6) | **25,040** | 26,011 |
| | **96,301** | 105,151 |
| Less: pledged fixed deposits (Note 6) | **(513)** | – |
| Bank overdrafts (Note 19) | **–** | (30) |
| Cash and cash equivalents at end of the year | **95,788** | 105,121 |

See accompanying notes to financial statements.

# Notes to Financial Statements

December 31, 2013

## 1 GENERAL

The Company (Registration No. 201105512R) is incorporated in Singapore with its principal place of business and registered office at 1 Jalan Berseh, #03-03, New World Centre, Singapore 209037. The Company is listed on the Mainboard of the Singapore Exchange Securities Trading Limited. The financial statements are expressed in Singapore dollars.

The principal activity of the Company is that of investment holding.

The principal activities of the subsidiaries are disclosed in Note 15.

The consolidated financial statements of the Group and statement of financial position and statement of changes in equity of the Company for the year ended December 31, 2013 were authorised for issue by the Board of Directors on March 18, 2014.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF ACCOUNTING – The financial statements have been prepared in accordance with the historical cost basis, except as disclosed in the accounting policies below, and are drawn up in accordance with the provisions of the Singapore Companies Act and Singapore Financial Reporting Standards ("FRS").

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability which market participants would take into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on the above basis, except for share-based payment transactions that are within the scope of FRS 102, leasing transactions that are within the scope of FRS 17, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in FRS 2 or value in use in FRS 36.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

ADOPTION OF NEW AND REVISED STANDARDS – On January 1, 2013, the Group adopted all the new and revised FRSs and Interpretations of FRS ("INT FRS") that are effective from that date and are relevant to its operations. The adoption of these new/revised FRSs and INT FRSs does not result in changes to the Group's and Company's accounting policies and has no material effect on the amounts reported for the current or prior years except as disclosed below:

# Notes to Financial Statements

December 31, 2013

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Amendments to FRS 1 *Presentation of Items of Other Comprehensive Income*

The Group has applied the amendments to FRS 1 *Presentation of Items of Other Comprehensive Income* retrospectively for the first time in the current year, and renamed the 'statement of comprehensive income' as the 'statement of profit or loss and other comprehensive income'. Under the amendments to FRS 1, the Group also grouped items of other comprehensive income into two categories in the other comprehensive income section: (a) items that will not be reclassified subsequently to profit or loss and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Other than the above mentioned presentation changes, the application of the amendments to FRS 1 does not result in any impact on profit or loss, other comprehensive income and total comprehensive income.

FRS 113 *Fair Value Measurement*

The Group has applied FRS 113 for the first time in the current year. FRS 113 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. The fair value measurement requirements of FRS 113 apply to both financial instrument items and non-financial assets for which other FRSs require or permit fair value measurements and disclosures about fair value measurements, except for share-based payment transactions that are within the scope of FRS 102 *Share-based Payment*, leasing transactions that are within the scope of FRS 17 *Leases*, and measurements that have some similarities to fair value but are not fair value (e.g. net realisable value for the purposes of measuring inventories or value in use for impairment assessment purposes).

Transitional provisions in FRS 113 do not require provision of comparative information for periods before the initial application of the Standard. Consequently, the Group has not provided disclosures required by FRS 113 for the comparative period.

Other than the additional disclosures, the application of FRS 113 has no material impact on the amounts recognised in the consolidated financial statements.

At the date of authorisation of these financial statements, the following new/revised FRSs, INT FRSs and amendments to FRS that are relevant to the Group and the Company were issued but not effective:

- FRS 27 (Revised) *Separate Financial Statements*
- FRS 28 (Revised) *Investments in Associates and Joint Ventures*
- FRS 110 *Consolidated Financial Statements*
- FRS 111 *Joint Arrangements*
- FRS 112 *Disclosure of Interests in Other Entities*
- Amendments to FRS 110 *Consolidated Financial Statements – Investment Entities*
- FRS 110, FRS 111, FRS 112 *Transition Guidance*
- Amendments to FRS 32 *Financial Instruments: Presentation*
- Amendments to FRS 36 *Impairment of Assets*

# Notes to Financial Statements

December 31, 2013

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Consequential amendments were also made to various standards as a result of these new/revised standards.

The management anticipates that the adoption of the above FRSs, INT FRSs and amendments to FRS in future periods will not have a material impact on the financial statements of the Group and of the Company in the period of their initial adoption except for additional disclosures.

FRS 110 *Consolidated Financial Statements* and FRS 27 *Separate Financial Statements*

FRS 110 replaces the control assessment criteria and consolidation requirements currently in FRS 27 and INT FRS 12 *Consolidation – Special Purpose Entities.*

FRS 110 defines the principle of control and establishes control as the basis for determining which entities are consolidated in the consolidated financial statements. It also provides more extensive application guidance on assessing control based on voting rights or other contractual rights. Under FRS 110, control assessment will be based on whether an investor has (i) power over the investee; (ii) exposure, or rights, to variable returns from its involvement with the investee; and (iii) the ability to use its power over the investee to affect the amount of the returns. FRS 27 remains as a standard applicable only to separate financial statements.

FRS 110 will take effect from financial years beginning on or after January 1, 2014, with retrospective application subject to transitional provisions.

FRS 111 *Joint Arrangements* and FRS 28 *Investments in Associates and Joint Ventures*

FRS 111 supersedes FRS 31 *Interests in Joint Ventures* and INT FRS 13 *Jointly Controlled Entities – Non-Monetary Contributions by Venturers.*

FRS 111 classifies a joint arrangement as either a joint operation or a joint venture based on the parties' rights and obligations under the arrangement. The existence of a separate legal vehicle is no longer the key factor. A joint operation is a joint arrangement whereby the parties that have joint control have rights to the assets and obligations for the liabilities. A joint venture is a joint arrangement whereby the parties that have joint control have rights to the net assets.

The joint venturer should use the equity method under the revised FRS 28 *Investments in Associates and Joint Ventures* to account for a joint venture. The option to use proportionate consolidation method has been removed. For joint operations, the Group directly recognises its rights to the assets, liabilities, revenues and expenses of the investee in accordance with applicable FRSs.

FRS 111 will take effect from financial years beginning on or after January 1, 2014, with retrospective application subject to transitional provisions.

When the Group adopts FRS 111, a jointly controlled entity may be classified as a joint operation or joint venture, depending on the rights and obligations of the parties to the joint arrangement. The Group is currently estimating the effects of FRS 111 in the period of initial adoption.

# Notes to Financial Statements

December 31, 2013

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

FRS 112 *Disclosure of Interests in Other Entities*

FRS 112 requires an entity to provide more extensive disclosures regarding the nature of and risks associated with its interest in subsidiaries, associates, joint arrangement and unconsolidated structured entities.

FRS 112 will take effect from financial years beginning on or after January 1, 2014 and the Group is currently evaluating the extent of additional disclosures needed.

Amendments to FRS 32 *Financial Instruments: Presentation*

The amendments to FRS 32 clarify existing application issues relating to the offsetting requirements. Specifically, the amendments clarify the meaning of 'currently has a legal enforceable right of set-off' and 'simultaneous realisation and settlement'.

The amendments to FRS 32 are effective for annual periods beginning on or after January 1, 2014, with retrospective application required.

Amendments to FRS 36 *Impairment of Assets*

The amendments to FRS 36 restrict the requirement to disclose the recoverable amount of an asset or cash generating unit ("CGU") to periods in which an impairment loss has been recognised or reversed. The amendments also expand and clarify the disclosure requirements applicable when such asset or CGU's recoverable amount has been determined on the basis of fair value less costs of disposal, such as the level of 'fair value hierarchy'. Where the fair value measurements are at Level 2 or 3 of the fair value hierarchy, a description of the valuation techniques used and any changes in that valuation technique, key assumptions used including discount rates used.

BASIS OF CONSOLIDATION – The consolidated financial statements incorporate the financial statements of the Company and entities (including special purpose entities) controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the financial year are included in the consolidated statement of comprehensive income from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies in line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

Non-controlling interests in subsidiaries are identified separately from the Group's equity therein. The interest of non-controlling shareholders that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured (at date of original business combination) either at fair value or at the non-controlling interests' proportionate share of the fair value of the acquiree's identifiable net assets. The choice of measurement basis is made on an acquisition-by-acquisition basis. Subsequent to acquisition, the carrying amount of non-controlling interests is the amount of those interests at initial recognition plus the non-controlling interests' share of subsequent changes in equity. Total comprehensive income is attributed to non-controlling interests even if this may result in the non-controlling interests having a deficit balance.

# Notes to Financial Statements

December 31, 2013

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. Amounts previously recognised in other comprehensive income in relation to the subsidiary are accounted for (i.e. reclassified to profit or loss or transferred directly to retained earnings) in the same manner as would be required if the relevant assets or liabilities were disposed of. The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under FRS 39 *Financial Instruments: Recognition and Measurement* or, when applicable, the cost on initial recognition of an investment in an associate or jointly controlled entity.

In the Company's financial statements, investments in subsidiaries are carried at cost less any impairment in net recoverable value that has been recognised in profit or loss.

BUSINESS COMBINATIONS – Acquisitions of subsidiaries and businesses are accounted for using the acquisition method. The consideration for each acquisition is measured at the aggregate of the fair values of assets given by the Group to the former owners of the acquiree, liabilities incurred by the Group and equity interests issued by the Group in exchange for control of the acquiree. The fair values are those prevailing at the acquisition date. Acquisition-related costs are recognised in profit or loss as incurred.

Where applicable, the consideration for the acquisition includes any asset or liability resulting from a contingent consideration arrangement, measured at their fair values prevailing at the acquisition date. Subsequent changes in such fair values are adjusted against the cost of acquisition if they qualify as measurement period adjustments. Accounting for subsequent changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates in accordance with FRS 39 *Financial Instruments: Recognition and Measurement,* or FRS 37 *Provisions, Contingent Liabilities and Contingent Assets*, as appropriate, with the corresponding gain or loss recognised in profit or loss.

Where a business combination is achieved in stages, the Group's previously held interests in the acquired entity are remeasured to fair value at the acquisition date (i.e. the date the Group attains control) and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss, where such treatment would be appropriate if that interest were disposed of.

# Notes to Financial Statements

December 31, 2013

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under the FRS are recognised at their fair value at the acquisition date, except that:

- deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with FRS 12 *Income Taxes* and FRS 19 *Employee Benefits* respectively;

- liabilities or equity instruments related to share-based payment transactions of the acquiree or the replacement of an acquiree's share-based payment awards transactions with share-based payment awards transactions of the acquirer in accordance with the method in FRS 102 *Share-based Payment* at the acquisition date; and

- assets (or disposal groups) that are classified as held for sale in accordance with FRS 105 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that Standard.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period. Additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised as of that date.

The measurement period is the period from the date of acquisition to the date the Group obtains complete information about facts and circumstances that existed as of the acquisition date, subject to a maximum of one year from acquisition date.

The policy described above is applied to all business combinations that take place on or after January 1, 2010.

FINANCIAL INSTRUMENT – Financial assets and financial liabilities are recognised on the Group's statement of financial position when the Group becomes a party to the contractual provisions of the instrument.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial instrument and of allocating interest income or expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial instrument, or where appropriate, a shorter period. Income or expense is recognised on an effective interest basis for debt instruments.

# Notes to Financial Statements

December 31, 2013

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**Financial assets**

All financial assets are recognised and de-recognised on a trade date where the purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at fair value plus transaction costs, except for those financial assets classified as at fair value through profit or loss which are initially measured at fair value.

Financial assets are classified into the following specified categories: financial assets "at fair value through profit or loss", "held-to-maturity investments", "available-for-sale" financial assets and "loans and receivables". The classification depends on the nature and purpose of financial assets and is determined at the time of initial recognition.

Loans and receivables

Trade and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as "loans and receivables". Loans and receivables are measured at amortised cost using the effective interest method less impairment. Interest is recognised by applying the effective interest rate method, except for short-term receivables when the recognition of interest would be immaterial.

Impairment of financial assets

Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted.

For all other financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For certain categories of financial asset, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period, as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

For financial assets that are carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

# Notes to Financial Statements

December 31, 2013

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**Financial assets (Continued)**

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables where the carrying amount is reduced through the use of an allowance account. When a trade receivable is uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the financial asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

**Financial liabilities**

Classification as debt or equity

Financial liabilities and equity instruments issued by the Group are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments are recorded at the proceeds received, net of direct issue costs.

Financial liabilities

Trade and other payables are initially measured at fair value, net of transaction costs, and are subsequently measured at amortised cost, using the effective interest method, with interest expense recognised on an effective yield basis.

Interest-bearing bank loans and overdrafts are initially measured at fair value net of transactions costs, and are subsequently measured at amortised cost, using the effective interest rate method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognised over the term of the borrowings in accordance with the Group's accounting policy for borrowing costs (see below).

# Notes to Financial Statements

December 31, 2013

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**Financial liabilities (Continued)**

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire.

CONSTRUCTION CONTRACTS – Where the outcome of a construction contract can be estimated reliably, revenue and costs are recognised by reference to the stage of completion of the contract activity at the end of the reporting period, based on survey of work completed at the end of each reporting period performed by independent qualified surveyors. Variations in contract work, claims and incentive payments are included to the extent that the amount can be measured reliably and its receipt is considered probable.

Where the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent of contract costs incurred that are probably recoverable. Contract costs are recognised as expense in the period in which they are incurred.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

LEASES – Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessor

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease unless another systematic basis is more representative of the time pattern in which use benefit derived from the leased asset is diminished. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease income.

The Group as lessee

Assets held under finance leases are recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly to profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group's general policy on borrowing costs (see below). Contingent rentals are recognised as expenses in the period in which they are incurred.

Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the term of the relevant lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

# Notes to Financial Statements

December 31, 2013

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

INVENTORIES – Inventories are stated at the lower of cost and net realisable value. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Cost is calculated using the first-in, first-out method. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

PROPERTY, PLANT AND EQUIPMENT – Property, plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is charged so as to write off the cost of assets, other than freehold land, over the estimated useful lives of the assets using the straight-line method, on the following bases:

| | | |
|---|---|---|
| Leasehold properties | – | Over remaining lease periods of 30 and 99 years |
| Plant and equipment | – | 3 to 7 years |
| Motor vehicles | – | 5 years |

Depreciation is not provided on freehold land. Building on freehold land is depreciated over 30 years.

The estimated useful lives, residual values and depreciation method are reviewed at each financial year end, with the effect of any changes in estimates accounted for on a prospective basis.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, if there is no certainty that the lessee will obtain ownership by the end of the lease term, the asset shall be fully depreciated over the shorter of the lease term and its useful life.

The gain or loss arising on disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amounts of the asset and is recognised in profit or loss.

INVESTMENT PROPERTY – Investment property, which is property held to earn rentals and/or for capital appreciation, including property under construction for such purposes, is measured initially at its cost, including transaction costs. Subsequent to initial recognition, investment property is measured at fair value. Gains or losses arising from changes in the fair value of investment property are included in profit or loss for the period in which they arise.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from the disposal. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the property is derecognised.

DEVELOPMENT PROPERTIES – Development properties are properties held for development and sale in the ordinary course of business. They include completed properties and properties in the course of development. Unsold properties are stated at the lower of cost and estimated net realisable value. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing and selling.

# Notes to Financial Statements

December 31, 2013

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Development properties are stated at cost plus attributable profits less progress billings. Progress billings yet to be paid by customers are included within "trade and other receivables". Attributable profits are recognised only in respect of properties with finalised sales agreements. The attributable profit recognised is the excess of contracted sales value over the estimated total cost on completion allocated to the units sold, extended by the percentage completion at the end of the reporting period. Percentage completion is estimated by reference to surveys of work done, performed by independent qualified surveyors. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately and the carrying amount of the development property is correspondingly reduced.

Cost includes all costs directly related to the development and attributable to development activities such as borrowings costs (see accounting policy for borrowing costs below).

GOODWILL – Goodwill arising in a business combination is recognised as an asset at the date that control is acquired (the acquisition date). Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the acquirer's previously held equity interest (if any) in the entity over net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed.

If, after reassessment, the Group's interest in the fair value of the acquiree's identifiable net assets exceeds the sum of (i) the consideration transferred; (ii) the amount of any non-controlling interest in the acquire; and (iii) the fair value of the acquirer's previously held equity interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Goodwill is not amortised but is reviewed for impairment at least annually. For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units expected to benefit from the synergies of the business combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period.

On disposal of a subsidiary or the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

OTHER NON-CURRENT ASSETS – Club memberships are stated at cost less impairment loss.

ASSOCIATES – An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in these financial statements using the equity method of accounting, except when the investment is classified as held for sale, in which case it is accounted for under FRS 105 *Non-current Assets Held for Sale and Discontinued Operations*. Under the equity method, investments in associates are carried in the consolidated statement of financial position at cost as adjusted for post-acquisition changes in the Group's share of the net assets of the associate, less any impairment in the value of individual investments. Losses of an associate in excess of the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate) are not recognised, unless the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

# Notes to Financial Statements

December 31, 2013

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the associate recognised at the date of acquisition is recognised as goodwill. The goodwill is included within the carrying amount of the investment and is assessed for impairment as part of the investment. Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in profit or loss.

Where a group entity transacts with an associate of the Group, profits and losses are eliminated to the extent of the Group's interest in the relevant associate.

INTERESTS IN JOINT VENTURES – A joint venture is a contractual arrangement whereby the Group and other parties undertake an economic activity that is subject to joint control, that is when the strategic financial and operating policy decisions relating to its activities require the unanimous consent of the parties sharing control.

The joint venture is currently recorded at cost contributed towards acquisition of assets and has no operating results.

IMPAIRMENT OF ASSETS – At the end of each reporting period, the Group reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

PROVISIONS – Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

# Notes to Financial Statements

December 31, 2013

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

REVENUE RECOGNITION – Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances.

Revenue from sale of goods

Revenue from the sale of goods is recognised when all the following conditions are satisfied:

- the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the entity; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Revenue from rendering of services

Revenue from a contract to provide services is recognised by reference to the stage of completion of the contract. The stage of completion of the contract is determined as follows:

- installation fees are recognised by reference to the stage of completion of the installation, determined as the proportion of the total time expected to install that has elapsed at the end of the reporting period;
- revenue from time and material contracts is recognised at the contractual rates as labour hours are delivered and direct expenses are incurred.

Revenue from construction contracts

Revenue and profits from construction contracts are recognised in accordance with the accounting policy on construction contracts as described in a precedent paragraph.

# Notes to Financial Statements

December 31, 2013

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Sale of development properties

Revenue for sales of development properties is recognised when risks and rewards of ownership of the real estate are transferred to the buyer on a continuous basis. This policy applies to residential developments sold under standard sale and purchase agreements.

For such sales, revenue is recognised based on the percentage of completion of the development activity at the end of the reporting period as estimated from surveys of work done performed by independent qualified surveyors.

Profits from sale of development properties are recognised in accordance with the accounting policy on development properties as described in a precedent paragraph.

Interest income

Interest income is accrued on a time apportionment basis, by reference to the principal outstanding and the applicable effective interest rate.

Dividend income

Dividend income from investments is recognised when the shareholder's right to receive the dividend is legally established.

Rental income

Rental income from investment properties is recognised on a straight-line basis over the term of the relevant lease.

BORROWING COSTS – Borrowing costs directly attributable to the construction of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended sale, are added to the cost of those assets, until such time when the assets are substantially ready for their intended sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for inclusion as cost of the assets.

Borrowing costs relating to borrowings taken up specifically to finance development properties are added to the cost of the projects.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

RETIREMENT BENEFIT COSTS – Payments to defined contribution retirement benefit plans are charged as an expense when employees have rendered the services entitling them to the contributions. Payments made to state-managed retirement benefit schemes, such as the Singapore Central Provident Fund, are dealt with as payments to defined contribution plans where the Group's obligations under the plans are equivalent to those arising in a defined contribution retirement benefit plan.

EMPLOYEE LEAVE ENTITLEMENT – Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the end of the reporting period.

# Notes to Financial Statements

December 31, 2013

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

INCOME TAX – Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the financial year. Taxable profit differs from profit as reported in the statement of comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are not taxable or tax deductible. The Group's liability for current tax is calculated using tax rates (and tax laws) that have been enacted or substantively enacted in countries where the Company and subsidiaries operate by the end of the reporting period.

Deferred tax is recognised on the differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of currently taxable profit. It is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Deferred tax is not recognised for the temporary difference arising from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised on any taxable temporary differences arising from profits of subsidiaries, associates and interests in any joint ventures, which are recognised in the Group's financial statements and subject to additional tax on any future remittance when declared as dividends by the investees. Deferred tax liability in respect of unremitted profits is not recognised when the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised based on the tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

For the purposes of measuring deferred tax liabilities and deferred tax assets for investment properties that are measured using the fair value model the carrying amounts of such properties are presumed to be recovered through sale.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax are recognised as an expense or income in profit or loss, except when they relate to items accounted for either in other comprehensive income or directly in equity, in which case the tax correspondingly accounted for in other comprehensive income or directly in equity. In the case of a business combination, the tax effect is taken into account in calculating goodwill or determining the excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over cost.

# Notes to Financial Statements

December 31, 2013

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

FOREIGN CURRENCY TRANSACTIONS AND TRANSLATION – The individual financial statements of each entity within the Group are measured and presented in the currency of the primary economic environment in which the respective entities operate (its functional currency). The consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company are presented in Singapore dollars, which is the functional currency of the Company and the presentation currency for the consolidated financial statements.

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency are recorded at the rate of exchange prevailing on the date of the transaction. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at the end of the reporting period. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on retranslation of monetary items are included in profit or loss for the period. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised other comprehensive income. For such non-monetary items, any exchange component of that gain or loss is also recognised in other comprehensive income.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations (including comparatives) are expressed in Singapore dollars using exchange rates prevailing at the end of the reporting period. Income and expense items (including comparatives) are translated at the average exchange rates for the relevant period, unless exchange rates fluctuated significantly during that period, in which case the exchange rates at the dates of the transactions are used.

On consolidation, exchange differences arising from the translation of income and expenses of foreign operations, the translation of the net investment in foreign entities (including monetary items that, in substance, form part of the net investment in foreign entities), and the translation of borrowings and other currency instruments designated as hedges of such investments, are recognised in other comprehensive income and accumulated in foreign currency translation reserve, a component of the Group's equity.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the exchange rate prevailing at the end of the reporting period.

On the disposal of a foreign operation, accumulated foreign currency translation reserve related to that foreign operation is reclassified from equity to profit or loss (as a reclassification adjustment) when the gain or loss on disposal is recognised.

CASH AND CASH EQUIVALENTS – Cash and cash equivalents comprise cash on hand and cash at bank, fixed deposits less bank overdrafts and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

# Notes to Financial Statements

December 31, 2013

## 3 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in Note 2, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

**Critical judgements in applying the Group's accounting policies**

In the process of applying the Group's accounting policies, which are described in Note 2, management has not made any judgements that will have a significant effect on the amounts recognised in the financial statements, apart from those involving estimations as discussed below.

**Key sources of estimation uncertainty**

The key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

Construction contracts and development properties

The Group recognises contract revenue and contract costs using the percentage of completion method. The stage of completion is measured by reference to certification of value of work performed to date.

Significant assumptions and judgements are involved in estimating costs to completion for both construction contracts and development of properties; and in the case of contract work, the recoverable amounts for any variation work. Estimates of cost to completion which have yet to be contracted for are based on past experience, prevailing market conditions, and factors specific to the construction or development property.

Management reviews development properties for foreseeable losses whenever there is indication that the estimated potential sales proceeds less cost to sell, may be lower than the total expected development cost. The estimated selling prices are based on selling prices for comparable developments and takes into consideration prevailing market conditions.

The above estimates affect the amount of revenue recognised (Note 24), the cost included in cost of sales; the recognised profits included in the carrying amounts of construction contracts (Note 10) and development properties (Note 11); and the foreseeable losses recognised (Note 11). Management's estimates take into account known significant events and information available when financial statements are prepared. They are subject to periodic evaluation and adjustments.

# Notes to Financial Statements

December 31, 2013

## 3 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

**Key sources of estimation uncertainty (Continued)**

Fair value of investment properties

Investment properties (Note 13) are stated at fair value, as determined by independent valuers. The valuations take into consideration prices per square metre of comparable properties and adjustment for differences in age and lease period. These estimated market values may differ from the prices at which the Group's assets can be sold at a particular time, since actual selling prices are negotiated between willing buyers and sellers.

Allowance for impairment loss on trade and other receivables

Management assesses at the end of each reporting period whether there is any objective evidence that trade and other receivables are impaired. If there is objective evidence that an impairment loss on trade and other receivables has been incurred, the amount of loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows. The amount of the loss is recognised in the profit or loss. Where the loss subsequently reverses, the reversal is recognised in profit or loss. The carrying amount of the trade and other receivables is disclosed in Note 7 to the financial statements.

Recoverable amount of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value-in-use requires the Group to make an estimate of the expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of the Group's goodwill is disclosed in Note 14 to the financial statements.

Useful life of property, plant and equipment

As described in Note 2, the management reviews the estimated useful lives of property, plant and equipment at the end of each reporting period. These estimates have been made based on past experience relating to useful lives of equipment and are also subject to assumptions about future deployment of assets.

## 4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT

### (a) Categories of financial instruments

The following table sets out the financial instruments as at the end of the reporting period:

| | Group | | Company | |
|---|---|---|---|---|
| | **2013** | 2012 | **2013** | 2012 |
| | **$'000** | $'000 | **$'000** | $'000 |
| **Financial assets** | | | | |
| Loans and receivables at amortised cost (including cash and cash equivalents) | **291,580** | 336,459 | **38,655** | 40,590 |
| **Financial liabilities** | | | | |
| Amortised cost | **287,331** | 291,947 | **2,101** | 3,447 |

# Notes to Financial Statements

December 31, 2013

**4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT (CONTINUED)**

**(a) Categories of financial instruments (Continued)**

The Company does not have any significant financial instruments which are subject to enforceable master netting arrangements or similar netting agreements.

**(b) Financial risk management policies and objectives**

The Group's overall financial risk management programme seeks to minimise potential adverse effects of financial performance of the Group arising from market risk (including pricing risk, foreign exchange risk, interest rate risk), credit risk and liquidity risk.

The Group does not hold or issue derivative financial instruments for speculative purposes.

There has been no change to the Group's exposure to these financial risks or the manner in which it manages and measures the risk. Market risk exposures are measured using sensitivity analysis indicated below.

(i) Foreign exchange risk management

The Group's exposure to foreign currency risk is minimal as the Group transacts primarily in Singapore dollars. The Group has some investments in foreign subsidiaries and associates, whose net assets are exposed to currency translation risk. As far as possible, the Group relies on natural hedges of matching foreign currency denominated assets and liabilities of the same currency.

(ii) Interest rate risk management

The Group's exposure to interest rate risk relates primarily to debt obligations. The interest rates for borrowings are stated in Note 19 to the financial statements.

The Group may from time to time enter into interest rate swaps to manage its exposures to interest rate risk.

*Interest rate sensitivity analysis*

The sensitivity analysis below have been determined based on the exposure to interest rates for non-derivative instruments at the end of the reporting period and on the assumption that the change took place at the beginning of the financial year and is held constant throughout the reporting period. The magnitude represents management's assessment of the likely movement in interest rates under normal economic conditions.

# Notes to Financial Statements

December 31, 2013

**4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT (CONTINUED)**

**(b) Financial risk management policies and objectives (Continued)**

(ii) Interest rate risk management (Continued)

If interest rates had been 50 basis points higher or lower and all other variables were held constant, the amount of interest capitalised as part of the Group's property development as at December 31, 2013 would have increased/decreased by $478,000 (2012: increased/decreased by $462,000); and the Group's profit for the financial year ended December 31, 2013 would have increased/decreased by $299,000 (2012: increased/decreased by $426,000).

The Company's profit and loss and equity are not affected materially by the changes in interest rates.

(iii) Credit risk management

Credit risk refers to the risk that counterparties may default on their contractual obligations resulting in financial loss to the Group. The Group has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral where appropriate, as a means of mitigating the risk of financial loss from defaults. The Group's exposure and the credit ratings of its counterparties are continuously monitored. Credit exposure is controlled by the counterparty limits that are reviewed and approved by the management on an on-going basis.

Trade receivables consist of a number of customers from the construction and real estate industry. Ongoing credit evaluation is performed on the financial condition of accounts receivable and, where appropriate, credit guarantee insurance cover is purchased.

The Group does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The Group defines counterparties as having similar characteristics if they are related entities. Concentration of credit risk did not exceed 5% of gross monetary assets at the end of the reporting period. The credit risk on liquid funds and derivative financial instruments is limited because the counterparties are banks with good credit-ratings assigned by international credit-rating agencies.

The Group's exposure to credit risk on receivables arising from the sale of condominium real estate development units is not significant as such payments are arranged through loans taken up by customers with creditworthy financial institutions or the Group has recourse to the physical asset.

The Group carries out construction work mainly for the private sectors. Credit risks are taken into consideration in the decision to participate in tenders for construction contracts.

The Group monitors its potential losses on credit extended.

# Notes to Financial Statements

December 31, 2013

## 4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT (CONTINUED)

### (b) Financial risk management policies and objectives (Continued)

(iii) Credit risk management (Continued)

Rental deposits are received as security from tenants of its investment properties.

The amounts presented in the statement of financial position are net of allowances for doubtful receivables. An allowance for impairment on the receivables is made where there is an identified loss event which, based on previous experience, is evidence of a reduction in the recoverability of the cash flows.

The maximum aggregate amount the Group could be liable under all the guarantees in Note 33 (a) is approximately $76.4 million (2012: $73.5 million) in aggregate, if the full amount of all the guarantees is claimed by the banks under each of the guarantee.

The maximum amount the Company could be liable to settle under the corporate guarantees given to banks in connection with facilities utilised by the subsidiaries is stated in Note 19.

Management monitors the financial performance of the parties in respect of which the Group or the Company have provided guarantees to third parties. There is currently no indication or expectation that any of these guarantees will or may be called on.

The carrying amount of financial assets recorded in the financial statements, grossed up for any allowances for losses, and the exposure to calls on corporate guarantees above, represents the Group's and Company's maximum exposure to credit risk without taking account of the value of any collateral obtained.

(iv) Liquidity risk management

The Group maintains sufficient cash and cash equivalents and committed credit lines available to support working capital requirements.

Liquidity risk analysis

*Non-derivative financial liabilities*

The following tables detail the remaining contractual maturity for non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows. The adjustment column represents future interest which are not included in the carrying amount of the financial liability on the statements of financial position.

# Notes to Financial Statements

December 31, 2013

## 4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT (CONTINUED)

### (b) Financial risk management policies and objectives (Continued)

(iv) Liquidity risk management (Continued)

| | Weighted average effective interest rate % | On demand or within 1 year $'000 | Within 2 to 5 years $'000 | After 5 years $'000 | Adjustment $'000 | Total $'000 |
|---|---|---|---|---|---|---|
| **Group** | | | | | | |
| **2013** | | | | | | |
| Non-interest bearing | **–** | **91,224** | **–** | **–** | **–** | **91,224** |
| Finance leases (fixed rate) | **3.5** | **455** | **484** | **–** | **(96)** | **843** |
| Variable interest rate instruments | **2.7** | **36,275** | **163,251** | **1,026** | **(5,288)** | **195,264** |
| | | **127,954** | **163,735** | **1,026** | **(5,384)** | **287,331** |
| 2012 | | | | | | |
| Non-interest bearing | – | 118,013 | – | – | – | 118,013 |
| Finance leases (fixed rate) | 2.9 | 631 | 678 | – | (112) | 1,197 |
| Fixed interest rate instruments | 5.0 | 884 | 188 | – | (51) | 1,021 |
| Variable interest rate instruments | 2.4 | 51,459 | 122,254 | 2,121 | (4,118) | 171,716 |
| | | 170,987 | 123,120 | 2,121 | (4,281) | 291,947 |
| **Company** | | | | | | |
| **2013** | | | | | | |
| Non-interest bearing | **–** | **2,101** | **–** | **–** | **–** | **2,101** |
| 2012 | | | | | | |
| Non-interest bearing | – | 3,447 | – | – | – | 3,447 |

*Non-derivative financial assets*

The following table details the expected maturity for non-derivative financial assets. The inclusion of information on non-derivative financial assets is necessary in order to understand the Group's liquidity risk management as the Group's liquidity risk is managed on a net asset and liability basis. The tables below have been drawn up based on the undiscounted contractual maturities of the financial assets including interest that will be earned on those assets except where the Group anticipates that the cash flow will occur in a different period. The adjustment column represents the possible future cash flows attributable to the instrument included in the maturity analysis which are not included in the carrying amount of the financial asset on the statements of financial position.

# Notes to Financial Statements

December 31, 2013

## 4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT (CONTINUED)

### (b) Financial risk management policies and objectives (Continued)

(iv) Liquidity risk management (Continued)

| | Weighted average effective interest rate % | On demand or within 1 year $'000 | Adjustment $'000 | Total $'000 |
|---|---|---|---|---|
| **Group** | | | | |
| **2013** | | | | |
| Non-interest bearing | **–** | **224,191** | **–** | **224,191** |
| Variable interest rate | **4.2** | **43,778** | **(1,429)** | **42,349** |
| Fixed interest rate instruments | **0.2** | **25,045** | **(5)** | **25,040** |
| | | **293,014** | **(1,434)** | **291,580** |
| 2012 | | | | |
| Non-interest bearing | – | 289,934 | – | 289,934 |
| Variable interest rate | 4.2 | 21,381 | (867) | 20,514 |
| Fixed interest rate instruments | 0.3 | 26,016 | (5) | 26,011 |
| | | 337,331 | (872) | 336,459 |
| **Company** | | | | |
| **2013** | | | | |
| Non-interest bearing | **–** | **11,016** | **–** | **11,016** |
| Variable interest rate | **2.5** | **25,757** | **(628)** | **25,129** |
| Fixed interest rate instruments | **0.3** | **2,511** | **(1)** | **2,510** |
| | | **39,284** | **(629)** | **38,655** |
| 2012 | | | | |
| Non-interest bearing | – | 15,313 | – | 15,313 |
| Variable interest rate | 2.5 | 20,263 | (494) | 19,769 |
| Fixed interest rate instruments | 0.3 | 5,509 | (1) | 5,508 |
| | | 41,085 | (495) | 40,590 |

## 4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT (CONTINUED)

### (b) Financial risk management policies and objectives (Continued)

(v) Fair value of financial assets and liabilities

The carrying amounts of cash and bank balances, trade and other current receivables and payables, and other liabilities approximate their respective fair values due to relatively short-term maturity of these financial instruments.

The fair values of other classes of financial assets and liabilities are disclosed in the respective notes to the financial statements.

The fair values of financial assets and financial liabilities are determined as follows:

- the fair value of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices;

- the fair value of other financial assets and financial liabilities (excluding derivative instruments) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions and dealer quotes for similar instruments; and

- the fair values of current financial assets and financial liabilities approximate the carrying amounts of those assets and liabilities reported in the statements of financial position due to the relatively short-term maturity of these financial instruments.

The Group classifies fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

a. quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1);

b. inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices) (Level 2); and

c. inputs for the asset or liability that are not based on observable market data (observable inputs) (Level 3).

### (c) Capital risk management policies and objectives

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. The Group is not subject to any externally imposed capital requirements.

# Notes to Financial Statements

December 31, 2013

## 4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT (CONTINUED)

### (c) Capital risk management policies and objectives (Continued)

The capital structure of the Group consists of equity attributable to owners of the Company, comprising issued capital, other components of equity and retained earnings as disclosed in the statement of changes in equity, and debt, which includes the borrowings disclosed in Note 19.

The Group reviews the capital structure on an annual basis. As a part of this review, the Group considers the cost of capital and the risks associated with each class of capital. The Group will balance its overall capital structure through the payment of dividends and issuance of new shares as well as the issuance of new debt or the redemption of existing debt. The Group's overall strategy remains unchanged.

## 5 RELATED PARTY TRANSACTIONS

Some of the transactions and arrangements are with related parties and the effect of these on the basis determined between the parties is reflected in these financial statements. The balances are unsecured, interest-free and repayable on demand unless otherwise stated.

During the year, Group entities entered into the following trading transactions with related parties:

| | Group | |
|---|---|---|
| | **2013** | 2012 |
| | **$'000** | $'000 |
| **Associates** | | |
| Construction revenue | **32,684** | 13,750 |
| Interest income | **1,349** | 763 |
| Project management services | **144** | 144 |
| Accounts & administrative services | **96** | 96 |
| **Companies in which certain directors have control** | | |
| Sales and service of air-conditioners | **16** | 219 |
| Sales of motor vehicle | **20** | – |
| Maintenance income | **52** | 78 |
| Management service fee income | **480** | 480 |
| Rental income | **96** | 272 |
| Miscellaneous income | **7** | 33 |
| Medical fee expense | **(79)** | (68) |
| Miscellaneous expenses | **(49)** | (117) |
| Purchase of motor vehicle | **(5)** | – |
| Acquisition of Sino Tac Resources Pte Ltd (Note 35) | **–** | (2,380) |
| Dormitory rental expense | **(169)** | (267) |
| **Director** | | |
| Sales of property unit | **1,779** | – |

# Notes to Financial Statements

December 31, 2013

## 5 RELATED PARTY TRANSACTIONS (CONTINUED)

Compensation of directors and key management personnel

The remuneration of directors and other key management personnel during the year was as follows:

| | Group | |
|---|---|---|
| | **2013** | 2012 |
| | **$'000** | $'000 |
| Short-term benefits | **5,296** | 5,574 |

The remuneration of directors and other key management personnel is determined by the Remuneration Committee having regard to the performance of individuals and market trends.

## 6 CASH AND BANK BALANCES

| | Group | | Company | |
|---|---|---|---|---|
| | **2013** | 2012 | **2013** | 2012 |
| | **$'000** | $'000 | **$'000** | $'000 |
| Cash at bank and in hand | **71,261** | 79,140 | **2,487** | 1,421 |
| Fixed deposits | **25,040** | 26,011 | **2,510** | 5,509 |
| | **96,301** | 105,151 | **4,997** | 6,930 |
| Less: pledged fixed deposits | **(513)** | – | **–** | – |
| | **95,788** | 105,151 | **4,997** | 6,930 |

Cash and bank balances comprise cash held by the Group and short-term bank deposits with an original maturity of three months or less. The carrying amounts of these assets approximate their fair values.

Fixed deposits bear interest ranging from 0.20% to 0.38% (2012: 0.23% to 0.30%) per annum and for tenures ranging 1 to 12 months (2012: 1 to 3 months). Some of the fixed deposits are pledged to the bank for trade facilities granted to its subsidiaries.

Included in the cash and bank balances of the Group is an amount of $18,287,000 (2012: $47,619,000) held under the Housing Developers (Project Account) Rules, withdrawals from which are restricted to payments for expenditure incurred on the development properties (Note 11).

# Notes to Financial Statements

December 31, 2013

## 7 TRADE AND OTHER RECEIVABLES

| | Group | | Company | |
|---|---|---|---|---|
| | **2013** | 2012 | **2013** | 2012 |
| | **$'000** | $'000 | **$'000** | $'000 |
| Trade receivables from: | | | | |
| Sale of goods and services | **2,422** | 1,750 | **–** | – |
| Property development customers | **37,636** | 106,982 | **–** | – |
| Construction contract customers: | | | | |
| – Billed/Certified | **40,241** | 39,075 | **–** | – |
| – Unbilled (Note 10) | **2,333** | 6,771 | **–** | – |
| Retention monies on contract work | **35,830** | 28,378 | **–** | – |
| Associates (Note 5) | **14,379** | 4,800 | **–** | – |
| Companies in which certain directors have control (Note 5) | **5** | 6 | **–** | – |
| Less: Allowance for doubtful debts | | | | |
| – Associates (Note 5) | **(57)** | (57) | **–** | – |
| – Third parties | **(858)** | (1,353) | **–** | – |
| | **131,931** | 186,352 | **–** | – |
| Other receivables due from: | | | | |
| Third parties | **73** | 1 | **29** | – |
| Associates (Note 5) | **59,172** | 41,579 | **–** | – |
| Companies in which certain directors have control (Note 5) | **39** | 24 | **–** | – |
| Subsidiaries | **–** | – | **33,629** | 33,660 |
| | **59,284** | 41,604 | **33,658** | 33,660 |
| Staff loans | **65** | 66 | **–** | – |
| Less: Allowance for doubtful debts | **(17)** | (17) | **–** | – |
| | **48** | 49 | **–** | – |
| Total trade and other receivables | **191,263** | 228,005 | **33,658** | 33,660 |

The average credit period ranges from 30 to 60 days (2012: 30 to 60 days). No interest is charged on the trade receivables. Interest is charged at 2.5% to 5.3% (2012: 2.5% to 5.3%) per annum by the Group and Company on other receivables due from associates and subsidiaries. For the purpose of determining present values of retention monies, the discount rate is 5% (2012: 5%) per annum. Retention sums are classified as current as they are expected to be received within the Group's normal operating cycle.

The Company's other receivables due from subsidiaries are repayable on demand.

Before accepting any new customer, the Group assesses the potential customer's credit quality and defines credit limits by customer. Limits attributed to customers are reviewed on a timely basis. The Group does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics.

# Notes to Financial Statements

December 31, 2013

## 7 TRADE AND OTHER RECEIVABLES (CONTINUED)

The table below is an analysis of trade and other receivables:

| | Group | | Company | |
|---|---|---|---|---|
| | **2013** | 2012 | **2013** | 2012 |
| | **$'000** | $'000 | **$'000** | $'000 |
| Not past due and not impaired [i] | **189,498** | 226,321 | **33,658** | 33,660 |
| Past due but not impaired [ii] | **1,765** | 1,684 | **–** | – |
| Impaired receivables | | | | |
| – individually assessed and past due more than 12 months [iii] | **932** | 1,427 | **–** | – |
| Less: Allowance for impairment | **(932)** | (1,427) | **–** | – |
| Total trade and other receivables, net | **191,263** | 228,005 | **33,658** | 33,660 |

[i] There has not been a significant change in credit quality of these trade receivables that are not past due and not impaired.

[ii] Aging of receivables that are past due but not impaired.

| | Group | | Company | |
|---|---|---|---|---|
| | **2013** | 2012 | **2013** | 2012 |
| | **$'000** | $'000 | **$'000** | $'000 |
| < 3 months | **1,281** | 1,404 | **–** | – |
| 3 months to 6 months | **99** | 98 | **–** | – |
| 6 months to 12 months | **289** | 53 | **–** | – |
| > 12 months | **96** | 129 | **–** | – |
| | **1,765** | 1,684 | **–** | – |

The Group has not provided for any impairment losses as there has not been a significant change in credit quality and the amounts are still considered recoverable. The Group does not hold any collateral over these balances.

[iii] These amounts are stated before any deduction for impairment losses.

# Notes to Financial Statements

December 31, 2013

## 7 TRADE AND OTHER RECEIVABLES (CONTINUED)

Movement in the allowance for impairment of doubtful trade and non-trade receivables:

| | Group | | Company | |
|---|---|---|---|---|
| | **2013** | 2012 | **2013** | 2012 |
| | **$'000** | $'000 | **$'000** | $'000 |
| Balance at beginning of the year | **1,427** | 582 | **–** | – |
| Amounts recovered during the year | **(587)** | (86) | **–** | – |
| Acquired through acquisition | **–** | 52 | **–** | – |
| Bad debts written off | **(1)** | – | **–** | – |
| Increase in allowance recognised in profit or loss | **93** | 879 | **–** | – |
| Balance at end of the year | **932** | 1,427 | **–** | – |

## 8 DEPOSITS AND PREPAYMENTS

| | Group | | Company | |
|---|---|---|---|---|
| | **2013** | 2012 | **2013** | 2012 |
| | **$'000** | $'000 | **$'000** | $'000 |
| Tender deposits placed with third parties | **546** | 149 | **–** | – |
| Deposits placed with third parties | **3,470** | 3,154 | **–** | – |
| Prepayments | **2,526** | 1,227 | **28** | 33 |
| | **6,542** | 4,530 | **28** | 33 |

## 9 INVENTORIES

| | Group | |
|---|---|---|
| | **2013** | 2012 |
| | **$'000** | $'000 |
| Goods held for sale | **2,901** | 1,178 |

The cost of inventories recognised as an expense for the financial year amounted to $8,335,000 (2012: $2,872,000).

# Notes to Financial Statements

December 31, 2013

## 10 CONSTRUCTION CONTRACTS

| | Group 2013 $'000 | 2012 $'000 |
|---|---|---|
| Contracts work-in-progress at end of the reporting period: | | |
| Aggregate amount of contract costs incurred plus recognised profits (less recognised losses) to date | **711,621** | 529,437 |
| Less: progress billings | **(753,433)** | (564,196) |
| | **(41,812)** | (34,759) |
| Represented by: | | |
| Amounts due from contract customers included in trade and other receivables (Note 7) | **2,333** | 6,771 |
| Amounts due to contract customers included in trade and other payables (Note 20) | **44,145** | 41,530 |

## 11 DEVELOPMENT PROPERTIES

| | Group 2013 $'000 | 2012 $'000 |
|---|---|---|
| Costs incurred plus recognised profits less foreseeable losses | **233,072** | 336,062 |
| Less: progress billings | **(37,006)** | (192,534) |
| | **196,066** | 143,528 |

Development properties are classified as current assets as they are expected to be realised in the normal operating cycle.

In 2012, an amount of $808,000 was recognised as an expense in respect of impairment loss on development property (Note 26). No impairment was recognised in 2013.

All development properties were mortgaged to banks as security for credit facilities obtained by the Group (Note 19).

# Notes to Financial Statements

December 31, 2013

## 11 DEVELOPMENT PROPERTIES (CONTINUED)

The costs of development properties include the following items which have been charged during the financial year:

| | Group 2013 $'000 | Group 2012 $'000 |
|---|---|---|
| Property tax capitalised during the reporting period | **643** | 1,122 |
| Interest expense capitalised during the financial year (Note 27) | **2,840** | 2,729 |
| | **3,483** | 3,851 |

The weighted average rate of capitalisation of the interest expenses for the financial year ended 2013 is 2.7% (2012: 2.5%) per annum.

Particulars of the development properties as at December 31, 2013 are as follows:

| Description | Location | Approximate saleable area (Sq. Metres) | Estimated date of completion | Tenure | Site area (Sq. Metres) |
|---|---|---|---|---|---|
| Properties in Singapore | | | | | |
| The Cristallo (Residential) | 70 & 72-76B Lorong K Telok Kurau Road | 5,012 | January 2015 | Freehold | 3,227 |
| Gambir Ridge (Residential) | 16 Gambir Walk | 6,194 | December 2015 | Freehold | 3,763 |
| Residential development | 19, 21, 23 & 25 Jalan Sayang | 2,231 | September 2014 | Freehold | 1,278 |
| Commercial and residential development | 456 Balestier Road | 2,805 | December 2017 | Freehold | 1,084 |
| Residential development | 12 Shan Road | * | * | Freehold | 1,918 |

# Notes to Financial Statements

December 31, 2013

## 11 DEVELOPMENT PROPERTIES (CONTINUED)

| Description | Location | Approximate saleable area (Sq. Metres) | Estimated date of completion | Tenure | Site area (Sq. Metres) |
|---|---|---|---|---|---|
| Properties in Thailand | | | | | |
| De Iyara (Commercial and residential) | Klong Luang District Pathumthani, Thailand | 7,048 | April 2014 | Freehold | 11,200 |
| De Iyara Share (Commercial and residential) | Klong Luang District Pathumthani, Thailand | 4,316 | March 2015 | Freehold | 8,000 |
| Mixed development | Klong Luang District Pathumthani, Thailand | * | * | Freehold | 16,000 |

* Development plans have not been finalised.

## 12. PROPERTY, PLANT AND EQUIPMENT

| | Freehold property $'000 | Leasehold properties $'000 | Plant and equipment $'000 | Motor vehicles $'000 | Total $'000 |
|---|---|---|---|---|---|
| **Group** | | | | | |
| **Cost:** | | | | | |
| At January 1, 2012 | 742 | 18,400 | 14,259 | 3,136 | 36,537 |
| Acquired through acquisitions | – | – | 35 | 190 | 225 |
| Additions | – | – | 1,350 | 962 | 2,312 |
| Exchange differences | (49) | – | (7) | – | (56) |
| Disposals | – | – | (423) | (688) | (1,111) |
| At December 31, 2012 | 693 | 18,400 | 15,214 | 3,600 | 37,907 |
| Additions | – | – | 6,176 | 905 | 7,081 |
| Transfer from investment property | – | 1,450 | – | – | 1,450 |
| Exchange differences | (55) | – | (7) | (2) | (64) |
| Assets written off | – | – | (22) | – | (22) |
| Disposals | – | – | (33) | (236) | (269) |
| **At December 31, 2013** | **638** | **19,850** | **21,328** | **4,267** | **46,083** |

# Notes to Financial Statements

December 31, 2013

## 12. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

| | Freehold property $'000 | Leasehold properties $'000 | Plant and equipment $'000 | Motor vehicles $'000 | Total $'000 |
|---|---|---|---|---|---|
| **Accumulated depreciation:** | | | | | |
| At January 1, 2012 | 196 | 6,407 | 11,517 | 2,302 | 20,422 |
| Depreciation | 18 | 673 | 1,435 | 395 | 2,521 |
| Exchange differences | (19) | – | 3 | – | (16) |
| Disposals | – | – | (291) | (686) | (977) |
| At December 31, 2012 | 195 | 7,080 | 12,664 | 2,011 | 21,950 |
| Depreciation | 18 | 691 | 2,321 | 535 | 3,565 |
| Exchange differences | (16) | – | (6) | (3) | (25) |
| Disposals | – | – | (33) | (236) | (269) |
| **At December 31, 2013** | **197** | **7,771** | **14,946** | **2,307** | **25,221** |
| **Carrying amount:** | | | | | |
| **At December 31, 2013** | **441** | **12,079** | **6,382** | **1,960** | **20,862** |
| At December 31, 2012 | 498 | 11,320 | 2,550 | 1,589 | 15,957 |

(a) The carrying amount of the Group's property, plant and equipment includes $1,343,000 (2012: $1,519,000) of assets held under finance leases (Note 21).

(b) During the financial year, the Group acquired property, plant and equipment with aggregate cost of $7,081,000 (2012: $2,312,000) of which $251,000 (2012: $611,000) were acquired through finance leases. Cash payments of $6,830,000 (2012: $1,701,000) were made to purchase property, plant and equipment.

(c) All leasehold properties were mortgaged to banks as security for credit facilities obtained by the Group (Note 19).

# Notes to Financial Statements

December 31, 2013

## 12. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

(d) Details of properties are as follows:

| Location | Description | Title | Gross area (Sq. Metres) |
|---|---|---|---|
| 1 Jalan Berseh #03-01, #03-02, #03-03, #03-04, #03-05 and #03-07/08/09 New World Centre Singapore 209037 | Commercial | Leasehold (99 years from March 31, 1994) | 982 |
| 53 Sungei Kadut Loop Singapore 729502 | Warehouse/ dormitory | Leasehold (30 years from March 16, 1995) | 4,211 |
| 67/67A Sungei Kadut Drive Singapore 729567 | Premises for provision of engineering services/ dormitory | Leasehold (30 years from December 16, 1990) | 6,168 |
| No. 224, 232/1-7 & 232/9 Okkiam Thoraippakkam Industrial Estate Chennai 600096 India | Test centre | Freehold | 8,986 |

## 13 INVESTMENT PROPERTIES

| | Group | |
|---|---|---|
| | **2013 $'000** | 2012 $'000 |
| At fair value | | |
| Balance at beginning of year | **61,290** | 57,630 |
| Addition during the year | **–** | 3,827 |
| Transfer to property, plant and equipment (Note 12) | **(1,450)** | – |
| Changes in fair value included in profit or loss | **335** | (167) |
| Balance at end of year | **60,175** | 61,290 |

# Notes to Financial Statements

December 31, 2013

## 13 INVESTMENT PROPERTIES (CONTINUED)

Details of the investment properties are as follows:

| Location | Description | Title | Gross area (Sq. Metres) |
|---|---|---|---|
| 1 Jalan Berseh, #B1-02 to #B1-22, #01-03, #01-15, #01-16, #02-02 to #02-28, #03-10 to #03-16 New World Centre, Singapore 209037 | Commercial | Leasehold (99 years from March 31, 1994) | 4,478 |
| 83 Sungei Kadut Drive Singapore 729566 | Industrial | Leasehold (29 years from October 16, 1991) | 4,701 |
| 1 Leonie Hill Road, #28-01 Leonie Hill Residences, Singapore 239191 | Residential | Freehold | 260 |
| 586 Balestier Road #02-04 & #03-04, Singapore 329898 | Residential | Freehold | 260 |

The fair values of the Group's investment properties at respective reporting periods have been determined on the basis of valuations carried out at or close to the respective year end dates by independent valuers having an appropriate recognised professional qualification and recent experience in the location and category of the properties being valued. The valuations were arrived at by reference to market evidence of transacted prices per square metre in the open market for comparable properties, adjusted for differences in location, age and size.

The Group classified fair value measurement using a fair value hierarchy that reflects the nature and complexity of the significant inputs used in making the measurement. As at December 31, 2013, the fair value measurements of the Group's investment properties are classified within Level 3 of the fair value hierarchy. There were no transfers between different levels during the year.

Management considers that the fair values of the Group's investment properties are sensitive to these unobservable adjustments to the price per square metre. The adjusted prices per square metre used in estimating fair values of the investment properties ranged from $600 to $20,000 per square metre for various investment properties. Any change to the unobservable inputs, to the extent that they increase or decrease the price per square metre, will result in a corresponding increase or decrease in the fair values of the respective properties.

All investment properties were mortgaged to banks as security for credit facilities obtained by the Group (Note 19).

Rental income from operating lease of the Group's investment properties amounted to $2,209,000 (2012: $2,476,000). Direct operating expenses (including repairs and maintenance) incurred for these investment properties amounted to $878,000 (2012: $793,000).

# Notes to Financial Statements

December 31, 2013

## 14 GOODWILL

| | Group 2013 $'000 | 2012 $'000 |
|---|---|---|
| At cost | **2,594** | 2,593 |

Goodwill acquired in a business combination is allocated, at acquisition, to the cash generating units ("CGUs") that are expected to benefit from that business combination. The CGUs to which goodwill have been allocated as follows:

| | Group 2013 $'000 | 2012 $'000 |
|---|---|---|
| Cash-generating units | | |
| Tiong Aik Resources (S) Pte Ltd and its subsidiary | **1,728** | 1,728 |
| Sino Tac Resources Pte Ltd | **835** | 835 |
| Sireerin Signature Co., Ltd | **30** | 30 |
| Pure Genesis Sdn. Bhd. | **1** | – |
| | **2,594** | 2,593 |

The Group tests goodwill annually for impairment, or more frequently if there are indications that goodwill might be impaired.

Tiong Aik Resources (S) Pte Ltd has been profit-generating for the past 2 years and management expects profits in future. The fair value of a property owned by the CGU has since increased by an amount which exceeds the amount of goodwill. The value of the property was determined by an independent valuer.

Sino Tac Resources Pte Ltd has been profit-generating for the past 2 years and management expects profits in future.

Goodwill of other CGUs are immaterial.

As at December 31, 2013, any reasonably possible change to the key assumptions applied is not likely to cause the recoverable amounts to be below the carrying amounts of the CGUs.

# Notes to Financial Statements

December 31, 2013

## 15 SUBSIDIARIES

| | Company 2013 $'000 | Company 2012 $'000 |
|---|---|---|
| Unquoted equity shares at cost | **116,965** | 116,465 |

Details of the Company's significant subsidiaries are as follows:

| Name of significant subsidiaries | Principal activities/ Country of incorporation and operations | Group's proportion of ownership interest and voting power held 2013 % | 2012 % |
|---|---|---|---|
| Aston Air Control Pte Ltd | Contractor of air conditioning installation, installation and servicing of air conditioning systems/Singapore | **90** | 90 |
| Credence Engineering Pte. Ltd. | Manufacture and repair of other oilfield and gasfield machinery and equipment/Singapore | **100** | 100 |
| Meadows Investment Pte. Ltd. | Investment holding/Singapore | **100** | 100 |
| Sino Holdings (S'pore) Pte Ltd | Investment holding/Singapore | **100** | 100 |
| SinoTac Builder's (S) Pte. Ltd. | Building construction/Singapore | **100** | 100 |
| Tiong Aik Construction Pte Ltd | Building construction/Singapore | **100** | 100 |
| Tiong Aik Development Pte. Ltd. | Real estate development/Singapore | **100** | 100 |
| Tiong Aik Holding Pte Ltd | Real estate development/Singapore | **100** | 100 |
| Tiong Aik Investments Pte Ltd | Real estate development/Singapore | **100** | 100 |
| Sino Tac Resources Pte Ltd | Trading in lubricants/Singapore | **100** | 100 |

# Notes to Financial Statements

December 31, 2013

## 15 SUBSIDIARIES (CONTINUED)

| Name of significant subsidiaries | Principal activities/ Country of incorporation and operations | Group's proportion of ownership interest and voting power held 2013 % | 2012 % |
|---|---|---|---|
| **Held by Sino Holdings (S'pore) Pte Ltd** | | | |
| Grovehill Pte. Ltd. | Real estate development/Singapore | **70** | 70 |
| Sino Tac Holding Pte Ltd | Real estate development, business and management consultancy services/Singapore | **100** | 100 |
| **Held by SinoTac Builder's (S) Pte Ltd** | | | |
| Quest Homes Pte. Ltd. | Real estate development/Singapore | **100** | 100 |
| **Held by Tiong Aik Construction Pte Ltd** | | | |
| Tiong Aik Resources (S) Pte Ltd | Investment holding, general wholesale trade (including general importers and exporters)/Singapore | **57** | 57 |

All subsidiaries above are audited by Deloitte & Touche LLP, Singapore.

## 16 ASSOCIATES AND JOINT VENTURE

| | Group 2013 $'000 | 2012 $'000 |
|---|---|---|
| Cost of investment in associates | **9,522** | 9,522 |
| Add: Additional investment | **551** | – |
| | **10,073** | 9,522 |
| Share of post-acquisition (losses) profit, net of dividend received | **(4,235)** | 7,788 |
| | **5,838** | 17,310 |
| Interest in an unincorporated joint venture | **2,216** | – |
| Total of associates and joint venture | **8,054** | 17,310 |

# Notes to Financial Statements

December 31, 2013

## 16 ASSOCIATES AND JOINT VENTURE (CONTINUED)

Details of the Group's significant associates are as follows:

| Name of significant associates | Principal activities/ Country of incorporation and operations | Effective equity interest 2013 % | 2012 % |
|---|---|---|---|
| **Held by Sino Holdings (S'pore) Pte Ltd** | | | |
| Meadows Bright Development Pte Ltd | Real estate development/Singapore | **50.00** | 45.00 |
| Dalian Shicheng Property Development (S) Pte. Ltd. | Real estate activities with owned or leased property/Singapore | **25.37** | 25.37 |

The above significant associates are audited by Deloitte & Touche LLP, Singapore.

Summarised financial information in respect of the Group's associates is set out below:

| | Group 2013 $'000 | 2012 $'000 |
|---|---|---|
| Total assets | **601,773** | 544,963 |
| Total liabilities | **(612,823)** | (524,876) |
| Net (liabilities) assets | **(11,050)** | 20,087 |
| Group's share of associates' net (liabilities) assets | **(2,169)** | 9,963 |
| Revenue | **49,922** | 77,158 |
| Loss for the year | **5,444** | 1,108 |
| Group's share of associates' loss for the year | **1,058** | 142 |

The Group has a 49% interest in an unincorporated joint venture formed in 2013 to develop three plots of land.

## 17 OTHER NON-CURRENT ASSETS

| | Group 2013 $'000 | 2012 $'000 |
|---|---|---|
| Club memberships, at cost | **416** | 127 |

# Notes to Financial Statements

December 31, 2013

## 18 DEFERRED TAX

The following are the major deferred tax liabilities and assets recognised by the Group and the movements thereon, during the current and prior reporting period:

| | Profits on uncompleted projects (taxable on completion) $'000 | Accelerated tax depreciation $'000 | Net $'000 |
|---|---|---|---|
| At January 1, 2012 | 9,135 | 84 | 9,219 |
| Acquired through acquisition | – | 33 | 33 |
| (Credit) Charge to profit or loss (Note 28) | (3,317) | 25 | (3,292) |
| At December 31, 2012 | 5,818 | 142 | 5,960 |
| (Credit) Charge to profit or loss (Note 28) | (5,578) | 207 | (5,371) |
| **At December 31, 2013** | 240 | 349 | 589 |

Certain deferred tax assets and liabilities have been offset in accordance with the Group's accounting policy. The following is the analysis of the deferred tax balances (after offset) for purposes of the statements of financial position:

| | Group | |
|---|---|---|
| | **2013 $'000** | 2012 $'000 |
| Deferred tax liabilities | **654** | 6,905 |
| Deferred tax assets | **(65)** | (945) |
| | **589** | 5,960 |

Temporary differences arising in connection with interest in associates are insignificant.

## 19 BORROWINGS

| | Group | |
|---|---|---|
| | **2013 $'000** | 2012 $'000 |
| Bank loans – unsecured | **3,745** | 641 |
| **Secured – at amortised cost** | | |
| Invoice financing | **596** | – |
| Bank overdrafts | **–** | 30 |
| Bank loans | **190,923** | 172,066 |
| | **195,264** | 172,737 |
| Less: Amount due for settlement within 12 months (shown under current liabilities) | **(35,330)** | (51,094) |
| Amount due for settlement after 12 months | **159,934** | 121,643 |

# Notes to Financial Statements

December 31, 2013

## 19 BORROWINGS (CONTINUED)

The average effective interest rates paid were as follows:

| | Group | |
|---|---|---|
| | **2013** | 2012 |
| Bank loans and overdrafts | **3.0%** | 3.0% |

The borrowings bear variable interest at margin above the bank's cost of funds. The interest rates are adjusted for periods ranging from 1 month to 1 year.

Management estimates that the carrying amounts of the bank loans and overdrafts approximate their fair values as market interest rates are charged on the bank loans and overdrafts.

The Group has the following bank loans:

(a) Loans of $36,961,000 (2012: $38,243,000) secured by charges over the Group's investment properties (Note 13). The loans bear interest at rates ranging from 2.0% to 2.4% (2012: 2.1% to 2.5%) per annum.

(b) Loans of $151,314,000 (2012: $119,070,000) secured by mortgages over the Group's development properties (Note 11). The loans bear interest at rates ranging from 2.0% to 2.6% (2012: 2.1% to 2.9%) per annum.

(c) Loans of $2,648,000 (2012: $$4,753,000) secured by mortgages over the Group's leasehold properties (Note 12). The loans bear interest at rates ranging from 1.9% to 2.4% (2012: 2.0% to 2.6%) per annum.

(d) Loans of $10,000,000 in 2012 were secured by mortgages over the Group's 70% of the shares of a subsidiary and corporate guarantees of the Company and bore interest at rates ranging from 2.3% to 2.5% per annum. The loans were fully paid during the current financial year.

The above loans are also secured by the corporate guarantees of the Company and certain loans are also secured by guarantees from certain minority shareholders of partially-owned subsidiaries. The fair value of the corporate guarantees is assessed by the management to be insignificant.

# Notes to Financial Statements

December 31, 2013

## 20 TRADE AND OTHER PAYABLES

| | Group | | Company | |
|---|---|---|---|---|
| | **2013** | 2012 | **2013** | 2012 |
| | **$'000** | $'000 | **$'000** | $'000 |
| Trade payables due to: | | | | |
| – Subsidiaries (Note 15) | **–** | – | **–** | 802 |
| – Third parties | **49,634** | 57,190 | **15** | 6 |
| – Associates (Note 5) | **7** | 7 | **–** | – |
| – Companies in which certain directors have control (Note 5) | **–** | 983 | **–** | – |
| Other payables due to: | | | | |
| – Third parties | **3,247** | 2,173 | **–** | – |
| – Associates (Note 5) | **608** | 524 | **–** | – |
| – Companies in which certain directors have control (Note 5) | **16** | 93 | **–** | – |
| – Non-controlling shareholders of subsidiaries | **2,694** | 6,406 | **–** | – |
| Accrued operating expenses | **10,358** | 9,648 | **2,086** | 2,639 |
| Accrued contract expenses | **3,404** | 3,191 | **–** | – |
| Amounts due to contract customers (Note 10) | **44,145** | 41,530 | **–** | – |
| Dividend payable to non-controlling shareholders of subsidiaries | **3,077** | 1,500 | **–** | – |
| Retention payables | **13,303** | 10,913 | **–** | – |
| Progress payment received | **3,907** | 24,855 | **–** | – |
| Deposits received | **969** | 530 | **–** | – |
| | **135,369** | 159,543 | **2,101** | 3,447 |

Trade creditors and accruals principally comprise amounts outstanding for trade purchases and sub-contractor costs. The balances with related parties are unsecured, interest-free and repayable on demand. For the purpose of determining present value of retention monies, the discount rate is 5% (2012: 5%) per annum. Retention payables are classified as current as they are expected to be repaid within the Group's normal operating cycle.

# Notes to Financial Statements

December 31, 2013

## 21 FINANCE LEASES

| | Group | | | |
|---|---|---|---|---|
| | Minimum lease payments | | Present value of minimum lease payments | |
| | **2013** | 2012 | **2013** | 2012 |
| | **$'000** | $'000 | **$'000** | $'000 |
| Amounts payable under finance leases: | | | | |
| Within 1 year | **455** | 631 | **409** | 578 |
| Within 2 to 5 years | **484** | 678 | **434** | 619 |
| | **939** | 1,309 | **843** | 1,197 |
| Less: Future finance charges | **(96)** | (112) | **–** | – |
| Present value of lease obligations | **843** | 1,197 | **843** | 1,197 |
| Less: Amount due for settlement within 12 months (shown under current liabilities) | | | **(409)** | (578) |
| Amount due for settlement after 12 months | | | **434** | 619 |

The average lease term ranges from 3 to 5 years (2012: 3 to 5 years). The average effective interest rate is 3.5% (2012: 2.9%) per annum. Interest rates are fixed at the contract date. All finance leases are on a fixed repayment basis and there is no contingent amount payable.

The fair values of the Group's lease obligations approximate their carrying amounts.

The Group's obligations under finance lease are secured by the lessor's title to the leased assets.

## 22 SHARE CAPITAL

| | Group and Company | | | |
|---|---|---|---|---|
| | **2013** | 2012 | **2013** | 2012 |
| | Number of ordinary shares | | **$'000** | $'000 |
| Issued and paid up: | | | | |
| At beginning and end of the year | **465,000,000** | 465,000,000 | **142,185** | 142,185 |

Fully paid ordinary shares, which have no par value, carry one vote per share and carry a right to dividends as and when declared by the Company.

## 23 CAPITAL RESERVE

The capital reserve arose from the gift of shares in the Company previously owned by the Executive Directors to certain employees of the Group.

# Notes to Financial Statements

December 31, 2013

## 24 REVENUE

| | Group | |
|---|---|---|
| | **2013** | 2012 |
| | **$'000** | $'000 |
| Revenue from: | | |
| Construction contracts | **217,389** | 213,376 |
| Sale of development properties | **66,157** | 151,342 |
| Sale of goods | **10,182** | 3,404 |
| Worker training and other complementary services | **3,506** | 2,977 |
| | **297,234** | 371,099 |

## 25 OTHER INCOME

| | Group | |
|---|---|---|
| | **2013** | 2012 |
| | **$'000** | $'000 |
| Property rental income | **2,209** | 2,476 |
| Management service fee | **480** | 480 |
| Project management and administrative fee | **240** | 240 |
| Interest income | **116** | 78 |
| Interest income from associates | **1,349** | 763 |
| Deemed interest income on retention amounts | **76** | 301 |
| Gain in fair value of investment properties, net | **335** | – |
| Gain on disposal of property, plant and equipment | **55** | 269 |
| Grant from government | **72** | 171 |
| Net foreign exchange gain | **–** | 33 |
| Reversal of allowance for doubtful debts | **495** | – |
| Other sundry income | **507** | 615 |
| | **5,934** | 5,426 |

## 26 OTHER OPERATING EXPENSES

| | Group | |
|---|---|---|
| | **2013** | 2012 |
| | **$'000** | $'000 |
| Depreciation | **1,590** | 1,235 |
| Property tax and repair and maintenance | **1,344** | 1,046 |
| Allowance for doubtful debts | **–** | 793 |
| Rental expenses | **650** | 918 |
| Impairment loss on development property | **–** | 808 |
| Loss in fair value of investment properties, net | **–** | 167 |
| Legal and professional fee | **636** | 291 |
| Net foreign exchange losses | **185** | – |
| Property, plant and equipment written off | **22** | – |
| Trainers' fee | **138** | – |
| Others | **814** | 131 |
| | **5,379** | 5,389 |

# Notes to Financial Statements

December 31, 2013

## 27 FINANCE COSTS

| | Group | |
|---|---|---|
| | **2013** | 2012 |
| | **$'000** | $'000 |
| Interest on borrowings | **3,659** | 4,483 |
| Interest from a non-controlling interest | **324** | – |
| Interest on obligations under finance leases | **62** | 70 |
| Deemed interest expense on retention amounts | **164** | 664 |
| Total borrowing costs | **4,209** | 5,217 |
| Less: Amounts included as cost of development properties (Note 11) | **(2,840)** | (2,729) |
| | **1,369** | 2,488 |

## 28 INCOME TAX EXPENSE

| | Group | |
|---|---|---|
| | **2013** | 2012 |
| | **$'000** | $'000 |
| Current tax | | |
| – for the year | **12,846** | 12,283 |
| – under (over) provision in prior years | **9** | (17) |
| Deferred tax (Note 18) | **(5,371)** | (3,292) |
| | **7,484** | 8,974 |

Income tax in Singapore is calculated at 17% (2012: 17%) of the estimated assessable profit for the financial year. Taxation for other jurisdictions is calculated as the rates prevailing in the relevant jurisdictions.

The total charge for the financial year can be reconciled to the accounting profit as follows:

| | Group | |
|---|---|---|
| | **2013** | 2012 |
| | **$'000** | $'000 |
| Profit before income tax | **39,330** | 56,613 |
| Tax at Singapore statutory rate of 17% (2012: 17%) | **6,686** | 9,624 |
| Tax effect of expenses that are not deductible in determining taxable profit | **1,303** | 215 |
| Deferred tax benefits previously not recognised | **–** | (52) |
| Under (Over) provision in prior years | **9** | (17) |
| Tax exempt income | **(258)** | (191) |
| Tax rebate | **(254)** | – |
| Utilisation of tax losses | **–** | (605) |
| Others | **(2)** | – |
| | **7,484** | 8,974 |

# Notes to Financial Statements

December 31, 2013

## 28 INCOME TAX EXPENSE (CONTINUED)

As at the end of the reporting period, the Group has tax losses of approximately $534,000 (2012: $Nil) that are available for offset against future taxable profits. No deferred tax asset is recognised due to uncertainty of recoverability. The use of these tax losses is subject to the agreement of the tax authorities.

No liability has been recognised in respect of temporary differences associated with undistributed earnings of subsidiaries for which deferred tax liabilities have not been recognised because the Group is in a position to control the timing of the reversal of the temporary differences and it is probable that such differences will not reverse in the foreseeable future.

## 29 PROFIT FOR THE YEAR

This has been arrived at after charging (crediting):

| | **Group** | |
|---|---|---|
| | **2013** | 2012 |
| | **$'000** | $'000 |
| Depreciation on property, plant and equipment | **3,565** | 2,521 |
| Allocated to construction projects in progress | **(1,975)** | (1,286) |
| | **1,590** | 1,235 |
| Cost of development properties recognised as expenses | **50,503** | 110,020 |
| Directors' remuneration: | | |
| – of the Company | **3,560** | 3,739 |
| – of the subsidiaries | **635** | 801 |
| Employee benefits (excluding directors' remuneration) | **22,823** | 19,675 |
| Audit fees paid/payable to auditors of the Company | **322** | 300 |
| Non-audit fees paid/payable to auditors of the Company | **73** | 18 |

## 30 EARNINGS PER SHARE

Earnings per share for 2013 have been calculated based on the profit attributable to the owners of the Company of $29,289,000 (2012: $39,621,000) and share capital of 465,000,000 shares for year ended December 31, 2013 (2012: 465,000,000 shares).

# Notes to Financial Statements

December 31, 2013

## 31 SEGMENT INFORMATION

For the purpose of resource allocation and assessment of segment performance, the Group's chief operating decision makers have focused on the business operating units which in turn, are segregated based on their services.

The Group's reportable operating segments under FRS 108 are as follows:

**Construction**

General builders and construction contractors, training of workers, general engineering and sale of construction materials.

**Real estate development and investment**

Development of residential and commercial projects, investment in real estate and project management services.

**Distribution**

Sale and distribution of petroleum based lubricants products.

**Others**

This comprises management and administration services.

The accounting policies of the reportable segments are the same as the Group's accounting policies described in Note 2.

For the purposes of monitoring segment performance and allocating resources between segments, the chief operating decision maker monitors the tangible, intangible and financial assets attributable to each segment.

All assets are allocated to reportable segments except for other non-current assets (Note 17). Assets used jointly by reportable segments are allocated on the basis of the revenues earned by individual reportable segments.

All liabilities are allocated to reportable segments. Liabilities recorded jointly by reportable segments are allocated on the basis of the revenues earned by individual reportable segments.

# Notes to Financial Statements

December 31, 2013

## 31 SEGMENT INFORMATION (CONTINUED)

| | Construction $'000 | Real estate development and investment $'000 | Distribution $'000 | Others $'000 | Elimination $'000 | Total $'000 |
|---|---|---|---|---|---|---|
| **2013** | | | | | | |
| **REVENUE** | | | | | | |
| External revenue | 220,895 | 66,157 | 10,182 | – | – | 297,234 |
| Inter-segment revenue | 28,498 | – | 2,330 | – | (30,828) | – |
| | 249,393 | 66,157 | 12,512 | – | (30,828) | 297,234 |
| **RESULT** | | | | | | |
| Segment result | 27,379 | 12,308 | 173 | (702) | – | 39,158 |
| Interest income | 138 | 1,393 | – | 10 | – | 1,541 |
| Interest expense | (252) | (1,110) | (7) | – | – | (1,369) |
| Profit (Loss) before income tax | 27,265 | 12,591 | 166 | (692) | – | 39,330 |
| Income tax expense | (4,508) | (2,920) | (14) | (42) | – | (7,484) |
| Profit (Loss) for the year | 22,757 | 9,671 | 152 | (734) | – | 31,846 |
| **STATEMENT OF FINANCIAL POSITION** | | | | | | |
| Segment assets | 208,198 | 498,345 | 11,613 | 155,648 | (288,981) | 584,823 |
| Unallocated corporate assets | 416 | – | – | – | – | 416 |
| Total assets | 208,614 | 498,345 | 11,613 | 155,648 | (288,981) | 585,239 |
| Segment liabilities | 136,830 | 347,791 | 6,006 | 2,111 | (148,274) | 344,464 |
| Total liabilities | 136,830 | 347,791 | 6,006 | 2,111 | (148,274) | 344,464 |
| **OTHER INFORMATION** | | | | | | |
| Additions to non-current assets | 5,746 | 466 | 869 | – | – | 7,081 |
| Depreciation | 3,123 | 286 | 156 | – | – | 3,565 |

# Notes to Financial Statements

December 31, 2013

## 31 SEGMENT INFORMATION (CONTINUED)

| | Construction $'000 | Real estate development and investment $'000 | Distribution $'000 | Others $'000 | Elimination $'000 | Total $'000 |
|---|---|---|---|---|---|---|
| 2012 | | | | | | |
| **REVENUE** | | | | | | |
| External revenue | 216,353 | 151,342 | 3,404 | – | – | 371,099 |
| Inter-segment revenue | 45,586 | – | – | – | (45,586) | – |
| | 261,939 | 151,342 | 3,404 | – | (45,586) | 371,099 |
| **RESULT** | | | | | | |
| Segment result | 26,376 | 31,853 | 200 | (470) | – | 57,959 |
| Interest income | 353 | 755 | – | 34 | – | 1,142 |
| Interest expense | (979) | (1,504) | (5) | – | – | (2,488) |
| Profit (Loss) before income tax | 25,750 | 31,104 | 195 | (436) | – | 56,613 |
| Income tax expense | (3,886) | (5,095) | 7 | – | – | (8,974) |
| Profit (Loss) for the year | 21,864 | 26,009 | 202 | (436) | – | 47,639 |
| **STATEMENT OF FINANCIAL POSITION** | | | | | | |
| Segment assets | 195,720 | 489,840 | 8,323 | 153,641 | (267,037) | 580,487 |
| Unallocated corporate assets | 127 | – | – | – | – | 127 |
| Total assets | 195,847 | 489,840 | 8,323 | 153,641 | (267,037) | 580,614 |
| Segment liabilities | 146,918 | 352,140 | 1,286 | 3,447 | (150,854) | 352,937 |
| Total liabilities | 146,918 | 352,140 | 1,286 | 3,447 | (150,854) | 352,937 |
| **OTHER INFORMATION** | | | | | | |
| Additions to non-current assets | 1,847 | 4,259 | 33 | – | – | 6,139 |
| Depreciation | 2,279 | 218 | 24 | – | – | 2,521 |
| Impairment loss on development property | – | 808 | – | – | – | 808 |

### Geographical segments

The Group's revenue from external customers is principally generated from Singapore. Accordingly, no geographical segment assets and revenue from external customers' information are presented.

# Notes to Financial Statements
December 31, 2013

## 32 DIVIDENDS

On May 17, 2013, a dividend of 1.3 cents per share (total dividends of $6,045,000) was paid to the shareholders. In May 2012, the dividend paid was 1.2 cents per share (total dividends of $5,580,000).

In respect of the current year, the directors propose that tax exempt (one-tier) final dividend of 1.0 cents (2012: 1.3 cents) per share be paid to shareholders. This dividend is subject to the approval by shareholders at the forthcoming Annual General Meeting and has not been included as a liability in these financial statements. The total estimated dividend to be paid is $4,650,000 (2012: $6,045,000).

## 33 CONTINGENT LIABILITIES AND GUARANTEES

(a) A subsidiary together with another major shareholder of an associate, Dalian Shicheng Property Development (S) Pte Ltd and its subsidiary, Dalian Shicheng Property Development Co., Ltd, provided joint and several corporate guarantees as follows:

(i) RMB250 million (approximately $51.9 million) (2012: RMB250 million (approximately $49.0 million)) to a bank in respect of development loan facilities utilised by Dalian Shicheng Property Development Co., Ltd; and

(ii) $24.5 million (2012: $24.5 million) to a bank in respect of bridging loan facilities utilised by Dalian Shicheng Property Development (S) Pte Ltd.

The fair values of the corporate guarantees are assessed by the management to be insignificant.

(b) Corporate guarantees have been given by the Group to financial institutions in respect of bankers' guarantees amounting to $12.7 million (2012: $20.2 million) and performance bonds/guarantees amounting to $65.5 million (2012: $62.2 million).

(c) In 2011, a third party has instituted legal proceedings for a claim. Management has made provision for rectification work and is of the view that there is no significant liability not already provided for.

## 34 OPERATING LEASE ARRANGEMENTS

**The Group as lessee**

| | Group | |
|---|---|---|
| | **2013** | 2012 |
| | **$'000** | $'000 |
| Minimum lease payments under operating leases (net of rebates) recognised as an expense in the financial year | **801** | 840 |

# Notes to Financial Statements

December 31, 2013

## 34 OPERATING LEASE ARRANGEMENTS (CONTINUED)

### The Group as lessee (Continued)

At the end of the reporting period, the Group has outstanding commitments under non-cancellable operating leases, which fall due as follows:

| | Group | |
|---|---|---|
| | **2013** | 2012 |
| | **$'000** | $'000 |
| Within one year | **662** | 618 |
| In the second to fifth year inclusive | **1,684** | 1,741 |
| > 5 years | **1,301** | 1,667 |
| | **3,647** | 4,026 |

Operating lease payments represents rentals payable by the Group for warehouse premises, motor vehicles and certain office equipment. The lease terms of the warehouse premises are 30 years. Rentals are fixed for an average of 2 years. The remaining leases are negotiated for terms between 1 to 2 years and rentals are fixed for the term of the leases.

### The Group as lessor

| | Group | |
|---|---|---|
| | **2013** | 2012 |
| | **$'000** | $'000 |
| Rental income | **2,209** | 2,476 |

At the end of the reporting period, the Group has contracted with tenants for the following future minimum lease payments:

| | Group | |
|---|---|---|
| | **2013** | 2012 |
| | **$'000** | $'000 |
| Within one year | **1,469** | 1,575 |
| In the second to fifth year inclusive | **381** | 1,250 |
| | **1,850** | 2,825 |

# Notes to Financial Statements

December 31, 2013

## 35 ACQUISITION OF SUBSIDIARIES

(a) In November 2013, the Group acquired 100% of the issued share capital of Pure Genesis Sdn. Bhd. ("Pure Genesis") for a cash consideration of $1,000 resulting in goodwill of $1,000. This transaction has been accounted for by the acquisition method of accounting.

Pure Genesis is incorporated in Malaysia and remains dormant since its incorporation on December 12, 2012.

(b) In September 2012, the Group acquired 100% of the issued share capital of Sino Tac Resources Pte Ltd ("Sino Tac Resources") for an aggregate cash consideration of $2.8 million of which 85% of the equity was acquired from the executive directors of the Company and one of their siblings and the balance 15% from a director of Sino Tac Resources. This transaction had been accounted for by the acquisition method of accounting.

The consideration of $2.8 million was based on negotiations on a willing-buyer willing-seller basis taking into account, inter alia, an independent valuation dated August 28, 2012 conducted on Sino Tac Resources.

Sino Tac Resources is incorporated in Singapore. Its principal activities are wholesale and distribution of mineral fuels and lubricants.

Acquisition related cost amounting to $68,000 was recognised as an expense and included in 'general and administrative expenses' in 2012.

(i) Assets acquired and liabilities assumed at the date of acquisition of Sino Tac Resources

| | 2012<br>$'000 |
|---|---|
| **Current assets** | |
| Cash and cash equivalents | 1,014 |
| Trade and other receivables | 1,522 |
| Inventories | 1,536 |
| | 4,072 |
| **Non-current assets** | |
| Plant and equipment | 221 |
| **Current liabilities** | |
| Borrowings | (419) |
| Finance lease | (5) |
| Trade and other payables | (1,828) |
| Income tax payable | (43) |
| | (2,295) |
| **Non-current liability** | |
| Deferred tax liability | (33) |
| Net assets acquired and liabilities assumed | 1,965 |

# Notes to Financial Statements

December 31, 2013

## 35 ACQUISITION OF SUBSIDIARIES (CONTINUED)

(b) (Continued)

(ii) Goodwill arising on acquisition of Sino Tac Resources

| | 2012 $'000 |
|---|---|
| Total consideration paid in cash | 2,800 |
| Fair value of identifiable net assets acquired | (1,965) |
| Goodwill arising from acquisition (Note 14) | 835 |

Goodwill arising from the acquisition of Sino Tac Resources was attributed to the benefit of expected synergies, revenue growth and future market development.

The goodwill arising on the acquisition is not deductible for tax purposes.

(iii) Net cash outflow on acquisition of Sino Tac Resources

| | 2012 $'000 |
|---|---|
| Net cash outflow arising from acquisition: | |
| Cash consideration paid | 2,800 |
| Cash and cash equivalents acquired | (1,014) |
| | 1,786 |

(iv) Impact of acquisition on the results of the Group

The Group's profit included $0.1 million attributable to the business generated by Sino Tac Resources from date of acquisition to the end of 2012. Revenue for the same period from Sino Tac Resources amounted to $3.4 million.

Had the business combination in 2012 been effected at January 1, 2012, the revenue of the Group from continuing operations would have been $377.1 million, and the profit for the year from continuing operations would have been $47.9 million.

(c) In December 2012, the Group subscribed for 980,000 preference shares with approximately 70% voting rights in Sireerin Signature Co., Ltd ("Sireerin Signature") for cash consideration of $0.4 million. This transaction had been accounted for by the acquisition method of accounting.

Sireerin Signature is incorporated in Thailand and its principal activity is real estate development.

Acquisition related costs amounting to $34,000 was recognised as an expense and included in 'general and administrative expenses' in 2012.

# Notes to Financial Statements

December 31, 2013

## 35 ACQUISITION OF SUBSIDIARIES (CONTINUED)

(c) (Continued)

(i) Assets acquired and liabilities assumed at the date of acquisition of Sireerin Signature

| | 2012 $'000 |
|---|---|
| **Current assets** | |
| Cash and cash equivalents | 341 |
| Other receivables | 17 |
| Development property | 3,055 |
| | 3,413 |
| **Non-current assets** | |
| Plant and equipment | 4 |
| **Current liabilities** | |
| Other payables | (2,655) |
| Net assets acquired and liabilities assumed | 762 |

(ii) Goodwill arising on acquisition of Sireerin Signature

| | 2012 $'000 |
|---|---|
| Total consideration paid in cash | 403 |
| Non-controlling interest | 389 |
| Net assets acquired and liabilities assumed | (762) |
| Goodwill arising from acquisition (Note 14) | 30 |

Goodwill arising from the acquisition of Sireerin Signature was attributed to the benefit of expected synergies, revenue growth and future market development.

The goodwill arising on the acquisition is not deductible for tax purposes.

# Notes to Financial Statements

December 31, 2013

## 35 ACQUISITION OF SUBSIDIARIES (CONTINUED)

(c) (Continued)

(iii) Net cash outflow on acquisition of Sireerin Signature

| | 2012<br>$'000 |
|---|---|
| Net cash outflow arising from acquisition: | |
| Cash consideration paid | 403 |
| Cash and cash equivalents acquired | (341) |
| | 62 |

As at December 31, 2012, Sireerin Signature had yet to commence full operations and the impact of the acquisition on the results of the Group is immaterial.

## 36 RECLASSIFICATION AND COMPARATIVE FIGURES

Certain reclassifications have been made to the prior year's financial statements to enhance comparability with the current year's financial statements. As a result, certain line items have been amended in the statement of profit or loss and other comprehensive income and the related notes to the financial statements. Comparative figures have been adjusted to conform to the current year's presentation.

The items were reclassified as follows:

| | Group | |
|---|---|---|
| | **Previously reported 2012 $'000** | **After reclassification 2012 $'000** |
| Other income | 6,605 | 5,426 |
| Finance costs | 3,667 | 2,488 |
| Other operating expenses | 3,863 | 5,389 |
| General and administrative expenses | 16,459 | 14,933 |

# Corporate Information

## BOARD OF DIRECTORS

**Liong Kiam Teck**
*Executive Chairman*

**Neo Tiam Poon @ Neo Thiam Poon**
*Deputy Executive Chairman*

**Neo Tiam Boon, PBM**
*Chief Executive Officer and Executive Director*

**Neo Thiam An**
*Executive Director*

**Lim Hock Beng**
*Lead Independent Director*

**Lee Ah Fong**
*Independent Director*

**Mervyn Goh Bin Guan**
*Independent Director*

## AUDIT COMMITTEE

Lim Hock Beng (Chairman)
Lee Ah Fong
Mervyn Goh Bin Guan

## NOMINATING COMMITTEE

Mervyn Goh Bin Guan (Chairman)
Lim Hock Beng
Neo Tiam Boon, PBM

## REMUNERATION COMMITTEE

Lee Ah Fong (Chairman)
Lim Hock Beng
Mervyn Goh Bin Guan

## COMPANY SECRETARIES

Foo Soon Soo
Yap Ming Choo

## AUDITORS

Deloitte & Touche LLP
Chartered Accountants
6 Shenton Way, OUE Downtown 2
#32-00
Singapore 068809

Partner-in-charge: Mrs Wong-Yeo Siew Eng
(Appointed since 24 April 2013)

## PRINCIPAL BANKERS

United Overseas Bank Limited
Oversea-Chinese Banking Corporation Limited
Malayan Banking Berhad
The Hong Kong and Shanghai Banking Corporation Limited

## SHARE REGISTRAR

B.A.C.S Private Limited
63 Cantonment Road
Singapore 089758

## REGISTERED OFFICE

1 Jalan Berseh #03-03
New World Centre
Singapore 209037
Website: www.tiongaik.com.sg

## INVESTOR RELATIONS CONTACTS

Citigate Dewe Rogerson, i.MAGE
Chia Hui Kheng / Ng Chung Keat
55 Market Street
#02-01
Singapore 048941
Tel: (65) 6534 5122
Fax: (65) 6534 4171
huikheng.chia@citigatedrimage.com
chungkeat.ng@citigatedrimage.com

# Shareholders' Information

As at 18 March 2014

## SHARE CAPITAL

| | | |
|---|---|---|
| Issued and fully paid capital | : | $142,185,445 |
| Total number of shares in issue | : | 465,000,000 |
| Class of shares | : | Ordinary shares |
| Voting rights | : | 1 vote per share |

## STATISTICS OF SHAREHOLDINGS

| Size of Shareholding | Number of Shareholders | % | Number of Shares | % |
|---|---|---|---|---|
| 1-999 | – | – | – | – |
| 1,000-10,000 | 363 | 46.72 | 1,636,000 | 0.35 |
| 10,001-1,000,000 | 397 | 51.09 | 35,211,000 | 7.57 |
| 1,000,001 and above | 17 | 2.19 | 428,153,000 | 92.08 |
| | 777 | 100.00 | 465,000,000 | 100.00 |

## SUBSTANTIAL SHAREHOLDERS

| | Number of Shares fully paid | | | |
|---|---|---|---|---|
| Name | Direct Interest | % | Deemed Interest | % |
| Liong Kiam Teck | 152,923,950 | 32.89 | 20,000 | 0.00 |
| Neo Tiam Poon @ Neo Thiam Poon | 73,403,496 | 15.79 | – | – |
| Neo Tiam Boon | 77,141,637 | 16.59 | – | – |
| Neo Thiam An | 36,361,917 | 7.82 | – | – |
| Koh Wee Seng | 47,910,000* | 10.30 | – | – |

* Based on notification from Mr Koh Wee Seng to the Company.

# Shareholders' Information

As at 18 March 2014

## TWENTY LARGEST SHAREHOLDERS

| No. | Name of Shareholders | Number of Shares | % |
|---|---|---|---|
| 1. | Liong Kiam Teck | 152,923,950 | 32.89 |
| 2. | Neo Tiam Boon | 77,141,637 | 16.59 |
| 3. | Neo Tiam Poon @ Neo Thiam Poon | 73,403,496 | 15.79 |
| 4. | Neo Thiam An | 36,361,917 | 7.82 |
| 5. | Phillip Securities Pte Ltd | 21,028,000 | 4.52 |
| 6. | UOB Kay Hian Pte Ltd | 17,849,000 | 3.84 |
| 7. | Maybank Kim Eng Securities Pte Ltd | 15,658,000 | 3.37 |
| 8. | CIMB Securities (Singapore) Pte Ltd | 14,284,000 | 3.07 |
| 9. | United Overseas Bank Nominees Pte Ltd | 4,639,000 | 1.00 |
| 10. | Lim Seng Kuan | 2,589,000 | 0.56 |
| 11. | Koh Wee Seng | 2,410,000 | 0.52 |
| 12. | Lim & Tan Securities Pte Ltd | 2,391,000 | 0.51 |
| 13. | DBS Nominees Pte Ltd | 1,915,000 | 0.41 |
| 14. | HSBC (Singapore) Nominees Pte Ltd | 1,809,000 | 0.39 |
| 15. | Singamina Investment Pte Ltd | 1,400,000 | 0.30 |
| 16. | Lew Pei Yen Patrina | 1,300,000 | 0.28 |
| 17. | Chew Hock Seng | 1,050,000 | 0.22 |
| 18. | Allplus Holdings Pte Ltd | 1,000,000 | 0.21 |
| 19. | Yap Bau Tan | 970,000 | 0.21 |
| 20. | King Wan Construction Pte Ltd | 930,000 | 0.20 |
| | | 431,053,000 | 92.70 |

## PERCENTAGE OF SHAREHOLDING HELD BY THE PUBLIC

Based on information available to the Company as at 18 March 2014, approximately 16.41% of the issued ordinary shares of the Company are held in the hands of public. Accordingly, the Company has complied with Rule 723 of the Listing Manual of the SGX-ST.

# Notice of the Annual General Meeting

**NOTICE IS HEREBY GIVEN** that the Annual General Meeting of TA Corporation Ltd (the "Company") will be held at 1 Jalan Berseh, #03-03, New World Centre, Singapore 209037 on Wednesday, 23 April 2014 at 3.00 p.m. for the following purposes:–

**AS ORDINARY BUSINESS**

1. To receive and adopt the Directors' Report and Audited Financial Statements of the Company for the financial year ended 31 December 2013 together with the Auditors' Report thereon.
**(Resolution 1)**

2. To declare a Final Dividend (tax exempt one-tier) of 1.0 cent per share for the financial year ended 31 December 2013.
**(Resolution 2)**

3. To approve Directors' fees of $186,250 for the financial year ended 31 December 2013 (2012: $149,000).
**(Resolution 3)**

4. To re-elect the following Directors, who will retire pursuant to Article 91 of the Company's Articles of Association:

   Mr Neo Tiam Poon @ Neo Thiam Poon **(Resolution 4)**

   Mr Mervyn Goh Bin Guan **(Resolution 5)**

   *Mr Goh will, upon re-election as a Director of the Company, remain as the member of the Audit Committee and will be considered independent for the purposes of Rule 704(8) of the Listing Manual of the Singapore Exchange Securities Trading Limited (SGX-ST). He will remain as the Chairman of the Nominating Committee and a member of the Remuneration Committee.*

5. To re-appoint Mr Lim Hock Beng who is retiring under Section 153(6) of the Companies Act, Cap. 50.
**(Resolution 6)**

   *Mr Lim will, upon re-appointment as a Director of the Company, remain as the Chairman of the Audit Committee and will be considered independent for the purposes of Rule 704(8) of the Listing Manual of the Singapore Exchange Securities Trading Limited (SGX-ST). He will remain as a member of the Nominating Committee and a member of the Remuneration Committee.*

6. To re-appoint Deloitte & Touche LLP as Auditors of the Company and to authorise the Directors to fix their remuneration.
**(Resolution 7)**

**AS SPECIAL BUSINESS**

To consider, and if thought fit, to pass the following Ordinary Resolutions with or without modifications:–

7. Authority to allot and issue shares

   "That pursuant to Section 161 of the Companies Act, Cap. 50, and the listing manual of the Singapore Exchange Securities Trading Limited, approval be and is hereby given to the Directors of the Company at any time to such persons and upon such terms and for such purposes as the Directors may in their absolute discretion deem fit, to:

   (a) (i) issue shares in the capital of the Company whether by way of rights, bonus or otherwise;

# Notice of the Annual General Meeting

(ii) make or grant offers, agreements or options that might or would require shares to be issued or other transferable rights to subscribe for or purchase shares (collectively, "Instruments") including but not limited to the creation and issue of warrants, debentures or other instruments convertible into shares;

(iii) issue additional Instruments arising from adjustments made to the number of Instruments previously issued in the event of rights, bonus or capitalisation issues; and

(b) (notwithstanding the authority conferred by the shareholders may have ceased to be in force) issue shares in pursuance of any Instrument made or granted by the Directors while the authority was in force; provided always that:

(i) the aggregate number of shares to be issued pursuant to this resolution (including shares to be issued in pursuance of Instruments made or granted pursuant to this resolution) does not exceed fifty per cent (50%) of the total number of issued shares excluding treasury shares, of which the aggregate number of shares (including shares to be issued in pursuance of Instruments made or granted pursuant to this resolution) to be issued other than on a pro rata basis to shareholders of the Company does not exceed twenty per cent (20%) of the total number of issued shares excluding treasury shares, and for the purpose of this resolution, the total number of issued shares excluding treasury shares shall be the Company's total number of issued shares excluding treasury shares at the time this resolution is passed, after adjusting for;

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

(b) new shares arising from exercising share options or vesting of share awards outstanding or subsisting at the time this resolution is passed provided the options or awards were granted in compliance with Part VIII of Chapter 8 of the Listing Manual of the SGX-ST, and

(c) any subsequent bonus issue, consolidation or subdivision of the Company's shares, and

(ii) such authority shall, unless revoked or varied by the Company at a general meeting, continue in force until the conclusion of the next annual general meeting or the date by which the next annual general meeting of the Company is required by law to be held, whichever is the earlier."

**(Resolution 8)**
**(See Explanatory Notes)**

8. Renewal of the Share Buy-Back Mandate

(a) That for the purposes of the Companies Act and the Listing Manual, the Directors of the Company be hereby authorised to exercise all the powers of the Company to purchase or otherwise acquire issued Shares each fully paid up not exceeding in aggregate the Maximum Limit (as hereafter defined), at such price or prices as may be determined by the Directors of the Company from time to time up to the Maximum Price (as hereafter defined), whether by way of:

(i) on-market purchases ("**Market Purchase**"), transacted on the SGX-ST through the ready market or, as the case may be, any other stock exchange on which the Shares may for the time being be listed and quoted, through one or more duly licensed stockbrokers appointed by the Company for the purpose; and/or

# Notice of the Annual General Meeting

(ii) off-market purchases ("**Off-Market Purchase**") (if effected otherwise than on the SGX-ST) in accordance with any equal access scheme(s) as may be determined or formulated by the Directors as they may consider fit, which scheme(s) shall satisfy all the conditions prescribed by the Companies Act and Listing Manual.

(b) Unless varied or revoked by the members of the Company in general meeting, the authority conferred on the Directors pursuant to the Share Buy-Back Mandate may be exercised by the Directors at any time and from time to time during the period (the "**Relevant Period**") commencing from the date of this Resolution and expiring on the earliest of:

(i) the conclusion of the next AGM of the Company or the date by which such AGM is required by law or the Articles to be held;

(ii) the date on which the authority contained in the Share Buy Back Mandate is varied or revoked by the Shareholders in a general meeting; or

(iii) the date on which the Share Buy Back is carried out to the full extent mandated.

(c) In this Resolution:

"**Maximum Limit**" means that number of issued Shares representing 10 per cent (10%) of the issued ordinary shares of the Company as at the date of the passing of this Resolution (excluding treasury shares held by the Company as at the date of the passing of this Resolution) unless the Company has effected a reduction of its share capital in accordance with the applicable provisions of the Companies Act, at any time during the Relevant Period or within any one financial year of the Company, whichever is the earlier, in which event the issued ordinary share capital of the Company shall be taken to be the amount of the issued ordinary share capital of the Company as altered; and

"**Maximum Price**" means the purchase price (excluding brokerage, stamp duties, applicable goods and services tax and other related expenses) to be paid for a Share in the event of any Share Buy-Back determined by the Directors, but in any event, not exceeding the maximum price, which:

(i) in the case of a Market Purchase, one hundred and five per cent (105%) of the Average Closing Price (as defined hereinafter); and

(ii) in the case of an Off-Market Purchase pursuant to an equal access scheme, one hundred and twenty per cent. (120%) of the Average Closing Price (as defined hereinafter),

(the "**Maximum Price**") in either case, excluding related expenses of the purchase.

For the above purposes:

"**Average Closing Price**" means the average of the closing market prices of the Shares over the last five (5) Market Days on the SGX-ST, on which transactions in the Shares were recorded, immediately preceding the day of the Market Purchase or, as the case may be, the date of the making of the offer pursuant to the Off-Market Purchase, and deemed to be adjusted for any corporate action that occurs after such five-Market Day period;

# Notice of the Annual General Meeting

"**day of the making of the offer**" means the day on which the Company announces its intention to make an offer for the purchase of Shares from Shareholders, stating the purchase price (which shall not be more than the Maximum Price calculated on the foregoing basis) for each Share and the relevant terms of the equal access scheme for effecting the Off-Market Purchase.

(d) the Directors and/or any of them be and are hereby authorised to complete and do all such acts and things (including executing such documents as may be required) as they and/or he may consider expedient, incidental, necessary or in the interests of the Company to give effect to the transactions contemplated and/or authorised by this Resolution.

**(Resolution 9)**
**(See Explanatory Notes)**

**ANY OTHER BUSINESS**

9. To transact any other business that may be properly transacted at an Annual General Meeting.

BY ORDER OF THE BOARD

Foo Soon Soo
Yap Ming Choo
Company Secretaries

Singapore, 8 April 2014

**Explanatory Notes:**

1. Resolution 8, if passed, will empower the Directors of the Company from the date of the above Meeting until the next Annual General Meeting to issue shares and convertible securities in the Company up to an amount not exceeding in aggregate fifty per cent (50%) of the total number of issued shares excluding treasury shares of the Company of which the total number of shares and convertible securities issued other than on a pro rata basis to existing shareholders shall not exceed twenty per cent (20%) of the total number of issued shares excluding treasury shares of the Company at the time the resolution is passed, for such purposes as they consider would be in the interests of the Company. The total number of issued shares excluding treasury shares of the Company for this purpose shall be the total number of issued shares excluding treasury shares at the time this resolution is passed (after adjusting for new shares arising from the conversion of convertible securities or share options on issue at the time this resolution is passed and any subsequent bonus issues consolidation or subdivision of the Company's shares). This authority will, unless revoked or varied at a general meeting, expire at the next Annual General Meeting of the Company.

2. Resolution 9, if passed, will renew the Share Buy-Back Mandate and will authorise the Directors to purchase or otherwise acquire Shares on the terms and subject to the conditions of the Resolution. The rationale for, the authority and limitation on, the sources of funds to be used and the illustrative financial effects of the purchase or acquisition of Shares by the Company pursuant to the Share Buy-Back Mandate based on the audited accounts of the Company and the Group for the financial year ended 31 December 2013 and certain assumptions are set out in greater detail in the Appendix enclosed together with the Annual Report.

**Notes:**

1. A member of the Company entitled to attend and vote at the Meeting is entitled to appoint a proxy in his stead. A proxy need not be a member of the Company.

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

3. The instrument appointing a proxy must be deposited at the registered office of the Company at 1 Jalan Berseh #03-03, New World Centre, Singapore 209037 not later than 48 hours before the time appointed for the Meeting.

# Notice of the Annual General Meeting

**NOTICE OF BOOKS CLOSURE AND DIVIDEND PAYMENT DATE**

**NOTICE IS HEREBY GIVEN** that the Share Transfer Books and Register of Members of TA Corporation Ltd (the "Company") will be closed from 6 May 2014 after 5.00 p.m. to 7 May 2014 for the preparation of dividend warrants.

Duly completed registrable transfers received by the Company's Share Registrar, B.A.C.S. Private Limited of 63 Cantonment Road, Singapore 089758 up to 5:00 pm on 6 May 2014 will be registered to determine shareholders' entitlements to the proposed final dividend. Members whose securities accounts with The Central Depository (Pte) Limited are credited with shares in the Company at 5:00 pm on 6 May 2014 will be entitled to the proposed final dividend.

Payment of the proposed dividend, if approved by shareholders at the Annual General Meeting to be held on 23 April 2014 will be paid on 16 May 2014.

BY ORDER OF THE BOARD

Foo Soon Soo
Yap Ming Choo
Company Secretaries

Singapore, 8 April 2014

# TA CORPORATION LTD

Co. Registration No. 201105512R
(Incorporated in the Republic of Singapore)

# PROXY FORM

**IMPORTANT**
1. For investors who have used their CPF monies to buy TA CORPORATION LTD shares, the Annual Report is forwarded to them at the request of their CPF Approved Nominees, and is sent FOR INFORMATION ONLY.
2. This proxy form is not valid for use by CPF investors and shall be ineffective for all intents and purposes if used or purported to be used by them.

I/We, ____________________________________________

of ____________________________________________

being *a member/members of TA CORPORATION LTD (the "Company"), hereby appoint.

| Name | Address | NRIC/Passport No. | Proportion of shareholdings to be represented by proxy (%) |
|---|---|---|---|
| | | | |
| * and/or (delete as appropriate) | | | |
| | | | |

as my/our proxy/proxies, to vote for me/us on my/our behalf and, if necessary, to demand a poll at the Annual General Meeting of the Company to be held at 1 Jalan Berseh #03-03, New World Centre, Singapore 209037 on Wednesday, 23 April 2014 at 3.00 p.m. and at any adjournment thereof. I/We direct my/our proxy/proxies to vote for or against the resolutions to be proposed at the Annual General Meeting as indicated with an "X" in the spaces provided hereunder. If no specified directions as to voting are given, the proxy/proxies will vote or abstain from voting at his/their discretion.

| | Ordinary Resolutions | To be used on a show of hands | | To be used in the event of a poll | |
|---|---|---|---|---|---|
| | | For* | Against* | For** | Against** |
| No. | **Ordinary Business** | | | | |
| 1. | To receive and adopt the Directors' Report and the Audited Financial Statements of the Company for the financial year ended 31 December 2013 together with the Auditors' Report thereon. | | | | |
| 2. | To declare a Final Dividend (tax exempt one-tier) of 1.0 cent per share for the financial year ended 31 December 2013. | | | | |
| 3. | To approve Directors' fees of $186,250 for the financial year ended 31 December 2013. (2012: $149,000). | | | | |
| 4. | To re-elect Mr Neo Tiam Poon @ Neo Thiam Poon as a Director. | | | | |
| 5. | To re-elect Mr Mervyn Goh Bin Guan as a Director. | | | | |
| 6. | To re-appoint Mr Lim Hock Beng as a Director. | | | | |
| 7. | To re-appoint Deloitte & Touche LLP as Auditors of the Company and to authorise the Directors to fix their remuneration. | | | | |
| | **Special Business** | | | | |
| 8. | To authorize Directors to issue shares pursuant to Section 161 of the Companies Act, Chapter 50. | | | | |
| 9. | To renew the Share Buy-Back Mandate. | | | | |

* Please indicate your vote "For" or "Against" with a "X" within the box provided.

** If you wish to exercise all your votes "For" or "Against", please cross "X" within the box provided. Alternatively, please indicate the number of votes as appropriate.

Dated this ________ day of ____________ 2014

| Total Number of Shares Held |
|---|
| |

______________________________
Signature(s) of Member(s)/Common Seal

**IMPORTANT: PLEASE READ NOTES BEFORE COMPLETING THIS PROXY FORM**

**NOTES:**

1. A member of the Company entitled to attend and vote at the Annual General Meeting is entitled to appoint not more than two proxies to attend and vote on his stead. Such proxy need not be a member of the Company.

2. Where a member of the Company appoints two proxies, he shall specify the proportion of his shareholding (expressed as a percentage of the whole) to be represented by each such proxy.

3. This instrument appointing a proxy or proxies must be under the hand of the appointor or his attorney duly authorized in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed under its common seal or under the hand of its attorney or duly authorised officer.

4. A corporation which is a member of the Company may authorize by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the Annual General Meeting, in accordance with its Articles of Association and Section 179 of the Companies Act, Chapter 50 of Singapore.

5. The instrument appointing proxy or proxies, together with the power of attorney or other authority (if any) under which it is signed, or notarially certified copy thereof, must be deposited at the registered office of the Company at 1 Jalan Berseh #03-03, New World Centre, Singapore 209037 not later than 48 hours before the time set for the Annual General Meeting.

6. A member should insert the total number of shares held. If the member has shares entered against his name in the Depository Register (as defined in Section 130A of the Companies Act, Chapter 50 of Singapore), he should insert that number of shares. If the member has shares registered in his name in the Register of Members of the Company, he should insert the number of shares. If the member has shares entered against his name in the Depository Register and shares registered in his name in the Register of Members of the Company, he should insert the aggregate number of shares. If no number of shares is inserted, this form of proxy will be deemed to relate to all the shares held by the member of the Company.

7. The Company shall be entitled to reject the instrument appointing a proxy or proxies if it is incomplete, improperly completed or illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the instrument appointing a proxy or proxies. In addition, in the case of members of the Company whose shares are entered against their names in the Depository Register, the Company may reject any instrument appointing a proxy or proxies lodged if such members are not shown to have shares entered against their names in the Depository Register 48 hours before the time appointed for holding the Annual General Meeting as certified by The Central Depository (Pte) Limited to the Company.

8. A Depositor shall not be regarded as a member of the Company entitled to attend the Annual General Meeting and to speak and vote thereat unless his name appears on the Depository Register 48 hours before the time set for the Annual General Meeting.

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**TA CORPORATION LTD**
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