SHAPING NEW FRONTIERS

打造新前沿

集永成机构有限公司

CHIP ENG SENG CORPORATION LTD

ANNUAL REPORT 2016

CONTENTS

CORPORATE PROFILE

Chip Eng Seng Corporation Ltd ("Chip Eng Seng" or the "Group") is one of the leading homegrown property developments and construction groups in Singapore. Listed on the Mainboard of the Singapore Exchange Securities Trading Limited ("SGX-ST") since 1999, the Group's core businesses are primarily in the areas of property developments, construction, property investments, and hospitality. Apart from its Singapore operations, the Group also has a presence in Australia, Malaysia, Vietnam and Maldives.

Established by its founder, Mr Lim Tiam Seng, Chip Eng Seng started as a subcontractor firm for conventional landed properties back in the 1960s. However, the Group soon made its mark by making a successful foray into the public housing market in 1982 after being appointed as the main contractor in its first Housing and Development Board ("HDB") project. Over the years, the Group continued to dedicate efforts to build up its brand and reputation, resulting in the industry recognition it has today. It is also with this strong track record that Chip Eng Seng was awarded one of Singapore's most coveted and iconic public housing projects – the Pinnacle@Duxton.

As Chip Eng Seng grew in scale and strength, the Group gradually ventured into the development of private residential projects, and later to commercial and hospitality projects, including its current head office CES Centre at Chin Swee Road and maiden hotel at Alexandra Road, Park Hotel Alexandra. In 2016, the Group also acquired its first resort property in Maldives as part of its strategy to grow its hospitality investment portfolio.

CREATING MORE SUSTAINABLE VALUE

We take pride in developing sustainable solutions that ensure the safety of our employees, and maximise our business efficiencies. Through constant innovation and adoption of the industry's best practices, we strive to remain ahead of the curve, solidifying our competitive edge.

Bukit Batok N1C13 & N2C23

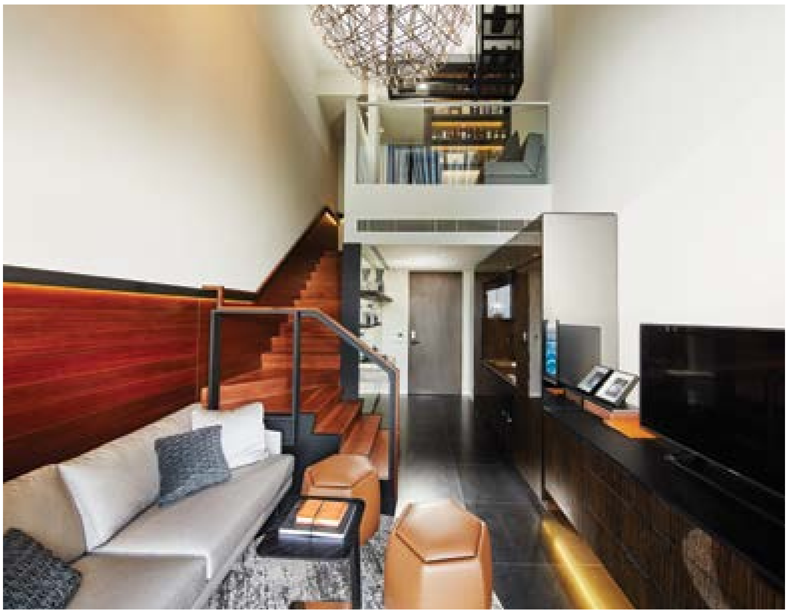
Net Asset Value Per Share
($)
1.23

Bukit Batok N1C13 & N2C23 Overview

DEVELOPING DEEPER PARTNERSHIPS

Interior of a Fulcrum condominium unit

Synergies are essential to the success of any business. We value our relationships with strategic partners, and we strive to develop further collaborations to grow our presence in new markets when the right opportunity arises.



Interior of a Fulcrum condominium unit

Earnings Per Share
(cents)

5.75

BUILDING A STRONGER FUTURE

Exploring new territories enables us to discover new growth paths and foster new working relationships. This open mindset allows us to lay the building blocks for a stronger and more resilient tomorrow, taking Chip Eng Seng to its next level of growth.

Spa treatment room at Grand Park Kodhipparu

Revenue
($' Million)
748

Aerial view of Grand Park Kodhipparu, Maldives

HONORARY CHAIRMAN'S MESSAGE

Dear Shareholders,

Every challenge brings forth new opportunities.

Throughout Chip Eng Seng's long construction and property development history, we have emerged from each recessionary period stronger, and with a broader set of initiatives to bolster our earnings resilience and strengthen our competitiveness.

In 2016, growing our hospitality business was our main focal point, and we are glad to have achieved that.

In October, we announced Chip Eng Seng entering into a joint venture agreement with Park Hotel Group to invest in a new hospitality project in the Maldives. Designed by the internationally-renowned hospitality design firm, Hirsch Bedner Associates, Grand Park Kodhipparu features 120 luxury beachfront and overwater villas with direct access to the ocean, and two restaurants, including a harbour beach club and pool bar.

"We believe diversifying our business offerings not only would help increase our revenue, but provide opportunities for further growth and risk mitigation from operating in a focused sector type in the longer term."

Chip Eng Seng's push into the hospitality segment first started in 2015, with the opening of our maiden hotel, Park Hotel Alexandra. We believe diversifying our business offerings not only would help increase our revenue, but provide opportunities for further growth and risk mitigation from operating in a focused sector type in the longer term.

We are cognisant of the challenges that relate to breaking into a mature industry that is well populated with established brand names. But we are confident of the future prospects of our two hotel properties, Park Hotel Alexandra and Grand Park Kodhipparu, on the back of the support from our partner, Park Hotel Group, which is one of the leading hospitality groups in the Asia-Pacific region.

The challenging market environment has also prompted us to streamline our business processes to better focus on cost and efficiency, to sharpen our overall competitiveness to be better positioned to benefit when the economic tide turns for the better.

We also wish to reconfirm our commitment towards growing Chip Eng Seng's brand presence in the region, with the goal of becoming a leading property and hospitality player in future. We remain firmly rooted in developing our current businesses, and believe it is our indepth knowledge and excellent working record that sets us apart from peers.

Looking ahead, we are mindful of the uncertainty surrounding the global economy, and its impact on Singapore and other markets we have a presence in. We will adapt to the changes in the landscape accordingly, and remain vigilant to developments across the various countries and sectors as they unfold.

With a greater focus on corporate governance and sustainability reporting in Singapore, we will also work to align ourselves with the market's best practices going forward.

On behalf of the Board of Directors, I would like to express our gratitude to all shareholders and stakeholders for placing their trust in us. Together, we will journey forward and tap opportunities available to us to create a stronger future for Chip Eng Seng, and work towards generating greater realisable value for all.

Thank you.

Mr Lim Tiam Seng BBM
Honorary Chairman & Advisor
17 March 2017

Beach Bar at Grand Park Kodhipparu

荣誉主席献词

各位股东，

每一次的挑战都带来新机遇。

纵观集永成源远的建筑和房地产历史，我们克服了每一次的经济衰退，并且发展得更加强大，通过一系列广泛的措施，提升我们的盈利韧性，加强竞争力。

2016年，扩张酒店业务是我们的主要焦点，能达到这个目标我们感到非常欣慰。

"我们坚信，业务多元化不仅仅能提振收入，也进一步提供了长期增长的机会，并减小了把业务集中在某个领域的风险。"

我们于10月宣布集永成与百樂酒店集团达成合资协议，共同投资马尔代夫的一个度假村项目。Grand Park Kodhipparu是由国际知名酒店设计公司Hirsch Bedner Associates负责设计，共包括120个豪华海滩和水上别墅，让宾客可直接入海放松，度假村也拥有两个餐厅，其中包括一个海滩俱乐部和泳池酒吧。

集永成从2015年开始进军酒店领域，集团的首个酒店Park Hotel Alexandra于那一年开业。我们坚信，业务多元化不仅仅能提振收入，也进一步提供了长期增长的机会，并减小了把业务集中在某个领域的风险。

我们了解进军一个拥有许多知名品牌的成熟领域所面对的挑战。但在合作伙伴、亚太地区领头的酒店集团之一的百樂酒店集团的支持下，我们对两个酒店产业Park Hotel Alexandra和Grand Park Kodhipparu的前景充满信心。

充满挑战的市场环境也促使我们精简业务流程，更好地把注意力放在成本和效率上，提升整体竞争力，为经济走势好转时做好准备。

我们也希望重申我们对于发展集永成区域品牌形象的承诺，目标是成为领先的房地产和酒店业者。我们仍然深深致力于发展现有的业务，坚信我们深入的了解和出色的发展记录能够让我们脱颖而出。

展望未来，我们深切注意到围绕着全球经济的不确定因素，以及这对新加坡及我们所在市场的影响。我们会相应作出调整，密切关注和警惕各个国家和领域的发展。

由于新加坡愈发注重公司治理和可持续报告，我们也将努力调整，与市场的最佳做法并进。

我谨代表董事会，感谢所有股东和利益相关者对我们的信任。我们将携手前进，把握机会，为集永成创建更加美好的未来，并为大家努力创造更高的可实现价值。

谢谢。

林镇成 BBM
荣誉主席和顾问
2017年3月17日

EXECUTIVE CHAIRMAN'S MESSAGE

"On the back of a well-diversified portfolio, the Group reported a robust set of results for the financial year ended 31 December 2016, with a revenue and net profit of $748.0 million and $51.7 million respectively."

Dear Shareholders,

2016 was a challenging year for Singapore's property market. The overall climate was characterised by softer buyer demand, and a lower supply of land tenders from the government, making the establishment of a meaningful land bank an arduous task for many developers, resulting in fewer projects for construction players.

Taking advantage of the lull arising from a prolonged down cycle in the Group's traditional business segments, Chip Eng Seng focused on nurturing and growing its hospitality portfolio in 2016, and we are proud to say that our efforts have paid off.

Riding on the strong relationship we have fostered with Park Hotel Group following the opening of our maiden hotel offering in 2015, Park Hotel Alexandra, Chip Eng Seng entered into a joint venture with the well established hotel group in October 2016 to acquire its first resort property and second hospitality asset, Grand Park Kodhipparu, Maldives. The luxury resort features 120 villas and is located on the North Male Atoll, just 15 minutes away from the Male International Airport.

More significantly, this marks our commitment towards building Chip Eng Seng's brand presence in new markets, and developing new capabilities that would bolster the resilience of our earnings, allowing us to better counter any future headwinds that may come our way.

RESILIENT BUSINESS, STABLE FINANCIALS

On the back of a well-diversified portfolio, the Group reported a robust set of results for the financial year ended 31 December 2016, with a revenue and net profit of $748.0 million and $51.7 million respectively. From a balance sheet perspective, debt levels remain stable at a net gearing of 0.9 times, making us well poised to undertake any opportunities to grow our topline and portfolio, as and when the right opportunity arises.

Taking into account the aforementioned, I am pleased to announce that the Board has proposed a first and final dividend of 4.0 cents per share (tax exempt one-tier) for FY2016 – the seventh consecutive year we have delivered a dividend of at least 4.0 cents.

YEAR IN REVIEW

Property Developments

The Property Developments Division posted an 18.5% increase in revenue from $347.5 million in FY2015, to $411.7 million in FY2016. This was mainly due to the progressive recognition of High Park Residences, and the sale of completed units of Fulcrum (which were relaunched in April 2016) in Singapore, and the divestment of the Victoria Street site in Melbourne, Australia.

On an overall basis, the Group sold a total of 151 residential units in FY2016.

Construction

Construction activity remained relatively muted for the year, with fewer projects in their active stage of construction. As a result, full-year revenue declined 2.5% year-on-year to $298.2 million, from $305.8 million in FY2015.

For HDB project tenders, the Group was awarded a $192 million contract for construction works at Toa Payoh Bidadari Contract 6 and Contract 7 in August 2016. In the same month, the Group also garnered a $76 million contract from GS Engineering & Construction Corp. for the supply of precast concrete items for contract T301, pertaining to the construction of a 4-in-1 rail and bus depot and reception tunnels for the Thomson-East Coast Line.

This brings the Group's outstanding net order book to $537.4 million as at the end of the financial year.

Property Investments & Others

The Property Investments & Others Division contributed $10.6 million to the Group's topline in FY2016.

With a total of six income-producing properties parked under our Property Investments portfolio, these properties continue to provide us with stable and recurring revenue streams to tide through volatile market conditions. The assets include our headquarter, CES Centre at Chin Swee Road, three sets of shop houses located along Tanjong Pagar Road and Geylang Road, a six-storey light industrial building at Ubi Crescent, as well as a 11-storey office building at St Kilda Road in Melbourne, Australia.

Hospitality

Started in 2015, the Hospitality Division currently has two assets under its portfolio. These comprise the Group's first hotel property, Park Hotel Alexandra, in Singapore, and the recently-acquired Grand Park Kodhipparu, in Maldives.

From a topline perspective, our newest division recorded revenues of $27.4 million in FY2016, on the back of a full year of contributions from Park Hotel Alexandra. This compares favourably to the property's revenue of $14.1 million in FY2015, on the back of higher occupancy rates.

On the other hand, we expect to start recognising revenue from Grand Park Kodhipparu after the property commences operations sometime in 2Q2017. Further updates will be provided in relation to its expected opening in due course.

OUTLOOK

Property Developments

The Group intends to remain prudent in plans to grow its local land bank, on the back of Singapore's challenging property landscape which is characterised by slow take-up and declining prices since the government's implementation of cooling measures in 2009.

Project-wise, the Group is currently developing a 99-year leasehold private residential site along New Upper Changi Road. Located just a stone's throw away from Tanah Merah MRT Station, the condominium project named Grandeur Park Residences, saw strong buying interest with 420 units or 58.2% of the total 722 units available snapped up at its opening launch in March this year. The proposed development which will also feature two retail outlets and a child care centre, is expected to contribute to the Group's revenue in FY2017. For High Park Residences, the last available unit was sold in March 2017. This marks the resounding success for the Group's largest development which saw 1,399 units sold within 20 months since launch amid softening property market. The Group intends to continue actively market the remaining inventory on hand in 2017, in particular Fulcrum and will provide updates on the latest sales numbers from time to time.

In Australia, the acquisition of a commercial carpark and development site at 15-85 Gladstone Street in South Melbourne in March 2016, serves to grow Chip Eng Seng's global presence while diversifying and bolstering the Group's revenue base to fend against risks arising from operating out of a single-focused market. Located between Melbourne's city centre and Port Philip Bay, the site is situated in the Montague Precinct of the Fishermans Bend Urban Renewal area – one of the largest urban renewal areas in Australia.

Construction

Though a steady pipeline of Build-to-order ("BTO") projects are expected to be awarded in 2017, a lower number of flats are expected to be built in the coming year. According to HDB, around 17,000 new flats will be released for sale in 2017, as compared to 17,900 BTO flats launched in 2016. The number of tenders are also expected to decrease due to the rising trend towards larger scale projects. To mitigate the effects of a more competitive environment, the Group plans to focus on enhancing its expertise in non-public housing projects and other civil engineering work to broaden its scope of offerings. To cater to the rising trend towards building structures with precast components, Chip Eng Seng also acquired SPP System Pte Ltd, a specialist in Prefabricated Prefinished Volumetric Construction ("PPVC") in August last year, which was in line with initiatives to further develop the Group's technical expertise in the area.

Riding on the back of our long track record in the field of public housing, we continue to expect to remain an active player in future tenders in the coming year. For existing contracts, we expect to progressively recognise revenue from the supply of precast components for the Thomson-East Coast Line, and the provision of construction services for the newly secured Toa Payoh Bidadari HDB project in FY2017.

Interior of a Fulcrum condominium unit

EXECUTIVE CHAIRMAN'S MESSAGE (CONT'D)

Property Investments

Our priority remains in core asset management, with the aim of maintaining robust cash flows for our shareholders. However, we will continue to keep an active lookout for attractive properties to acquire to further expand our investment portfolio with quality assets backed by resilient yields, in Singapore and the surrounding region.

Hospitality

In October 2016, the Group announced that it has entered into a sale and purchase agreement to acquire a 120-villa island resort in Maldives. The property is expected to contribute to the Group's revenue following its opening in 2Q2017.

With regard to Park Hotel Alexandra, increased room supply and softer corporate demand on the back of a weaker economic climate, are expected to weigh on occupancy during the coming year. That said, the Group plans to continue expanding its hospitality portfolio both in a local and regional context, if the right opportunity presents itself.

ACKNOWLEDGEMENTS

Our founder, Mr Lim Tiam Seng, though eligible, did not seek re-election on the Board last year, and retired from his role of Executive Chairman in April 2016. However, Mr Lim will continue to provide valuable counsel to the Group, in his re-designation as Honorary Chairman and Advisor of Chip Eng Seng, and we look forward to his continued service with us.

Mr Goh Chee Wee stepped down from his position as Independent Director with effect from April 2016. We wish him all the best in his future endeavours, and the Board and management are grateful for his many years of service and contributions to Chip Eng Seng.

Following Mr Goh's retirement, we appointed Mr Lui Tuck Yew to our Board in July 2016 in the capacity of Independent Director. We would like to take this opportunity to extend a warm welcome to him, and look forward to building a strong rapport with him in the coming years.

WITH APPRECIATION

At Chip Eng Seng, we view our achievements for the year as a reflection of the continued support we have from our shareholders, customers, business partners, and employees. To build a sustainable and stronger business, we will continue to re-invent ourselves to adapt to the developments in Singapore and the region.

With a clear vision for the future, we remain committed to broadening our knowledge in our core businesses, to strengthen the foundation Chip Eng Seng is built on to weather any challenges we may encounter, with the objective of delivering stable and resilient results to our shareholders.

Thank you for your enduring trust with us.

Mr Chia Lee Meng Raymond PBM
Executive Chairman and
Group Chief Executive Officer
17 March 2017

"借助于非常多元化的投资组合，集团于截至2016年12月31日的财政年取得了强劲的表现，总收入和净利分别达到7亿4800万元和5170万元。"

主席献词

各位股东，

对于新加坡房地产市场来说，2016年是充满挑战的一年。买家需求疲弱，政府售地的供应减少，对许多发展商而言，扩充土地储备成了艰巨的任务，这进而导致建筑业者的项目减少。

集团传统业务领域面对长期的低迷周期，集永成把握住这个机会，在2016年着重培育和发展酒店业务，我们很自豪地宣布，我们的努力取得了成效。

继我们的第一间酒店Park Hotel Alexandra于2015年开业后，集永成借助着和知名酒店集团Park Hotel集团建立起的稳固关系，于2016年10月和对方达成合资协议，收购集团的首个度假村产业、第二个酒店资产——马尔代夫的Grand Park Kodhipparu。这个豪华度假村拥有120个别墅，位于北马累环礁，距离马累机场只有15分钟的路程。

这标志了我们的承诺，那就是在新市场打造集永成品牌形象，并且发展新业务专长，增强盈利的韧性，让我们更好地应对任何未来前进道路上的阻力。

稳健的业务，稳定的财务情况

借助于非常多元化的投资组合，集团于截至2016年12月31日的财政年取得了强劲的表现，总收入和净利分别达到7亿4800万元和5170万元。资产负债表方面，债务水平保持稳定，净负债率为0.9倍，这让我们能够把握好合适的机会，增长收入和资产组合。

在上述业绩的基础上，我非常高兴地宣布，董事会建议2016财政年派发每股4分的首次和终期股息（一次性免税），这也是我们连续第七年支付至少每股4分的股息。

年度回顾

房地产开发

房地产开发收入从2015财年的3亿4750万元，增长18.5%至2016财年的4亿1170万元。这主要是来自新加坡项目High Park Residences的渐进入账，和Fulcrum（于2016年4月重新推出）已竣工的单位销售，以及脱售墨尔本Victoria Street地段所得收入。

2016财年全年，集团共卖出了151个住宅单位。

建筑
这一年建筑业活动依然保持相对低迷，处于活跃建筑阶段的项目较少。因此全年营收同比下滑2.5%至2亿9820万元，2015财年的营收为3亿零580万元。

组屋项目投标方面，集团于2016年8月获得了一项价值1亿9200万元的合约，为大巴窑比达达利合约6和合约7展开建筑工作。同一个月，集团也获得来自GS Engineering & Construction Corp. 的7600万元合约，为合约T301提供预制混凝土产品，该合约是为汤申东海岸线建造四合一地铁和巴士车站以及接收隧道。

这使得集团截至财年底的净订单额达到5亿3740万元。

房地产投资和其他
房地产投资业务于2016财年取得了1060万元的营收。

集团的房地产投资业务总共拥有6个有收入的资产，这些房地产提供了稳定和经常性的收入，助我们应对波动的市场环境。这些资产包括位于振瑞路的公司总部集永成中心、坐落在丹戎巴葛路和芽笼路的三套店屋、位于乌美湾的一栋六层楼高轻工业大楼、以及澳大利亚墨尔本位于St Kilda Road的11层楼高办公楼大厦。

酒店
酒店业务于2015年起步，目前共有两个资产。这包括集团的首个酒店项目——在新加坡的Park Hotel Alexandra，以及最近收购的马尔代夫Grand Park Kodhipparu。

2016财年，我们最新成立的这个业务部门取得了2740万元的营收，Park Hotel Alexandra做出了一整年的营收贡献。这高于该酒店2015财年的1410万元营收，因为入住率提高了。

另一方面，我们预计，当Grand Park Kodhipparu于2017年第二季开始营业后，我们将开始取得营收。我们将在适当的时候提供关于开业的进一步详情。

展望
房地产开发
考虑到新加坡房地产市场面对挑战，自政府于2009年推出降温措施后认购率缓慢，房价下滑，集团计划谨慎扩展本地的土地储存。

项目方面，集团正在开发位于新樟宜路上段的一幅99年地契私宅地段。这个名为豪佳苑（Grandeur Park Residences）的项目靠近丹那美拉地铁站，吸引了买家浓厚的兴趣，在今年3月一开盘，供认购的722个单位就有420个或58.2%被卖出。这个项目也将包括两个零售店面和一个托儿所，项目预计会在2017财年为集团带来营收。2017年3月，峰景苑（High Park Residences）的最后一个单位被售出。在目前房地产市场疲软的情况下，该项目总共1399个单位自开盘以来的20个月内全部售罄，这标志此项目取得了巨大成功。集团将会在今年继续积极地推广剩余项目，尤其是Fulcrum，并不时对销售情况进行数据更新。

在澳大利亚，集团于2016年3月收购了南墨尔本Gladstone Street 15号至85号的一个商业停车场和发展地段，这既能扩展集永成在全球市场的业务，也能让集团的营收更多元化和获得提振，以抵消单一市场运作的风险。这幅地段处于墨尔本的市中心和菲利普港湾之间，坐落在Fishermans Bend市区重建区的Montague区，这是澳大利亚最大的市区重建区之一。

建筑
虽然政府预计于2017年推出稳定的新组屋项目，但未来一年新建的组屋数量预计会减少。建屋发展局的数据显示，2017年将推出1万7000个新组屋单位销售，去年推出的则有1万7900个。由于新建组屋项目规模扩大，招标项目数量预计也会减少。为了减小竞争更加激烈环境所带来的影响，集团计划把注意力放在加强非公共住宅项目和其他土木工程领域的专长，以扩展业务范围。为了迎合使用更多预制部件的建筑趋势，集永成于2016年8月收购了一家精通预制体积建设技术的公司-SPP System私人有限公司，这与集团进一步发展该领域专长的计划相符。

秉持着我们在公共住房领域拥有的长期记录，我们将继续积极参与竞标政府新组屋项目。现有合约方面，我们预计通过为汤申东海岸线提供预制部件，以及为大巴窑比达达利组屋项目提供建筑服务，于2017财年逐渐获取营收。

房地产投资
我们的重点依然是核心资产管理，为股东维持良好的现金流。不过，我们会继续在新加坡和周边区域积极寻求收购吸引人的房地产，进一步扩大我们的投资组合，增添收益率可观的高质量资产。

酒店
2016年10月，集团宣布达成收购协议，买下马尔代夫一个120个别墅的岛屿度假村。这个资产于2017年第二季开业后预计将为集团带来营收。

由于酒店新房间的增加，以及疲软的经济环境导致企业需求更低，今年Park Hotel Alexandra的入住率预计会受影响。不过如果有合适的机会，集团计划继续在本地和区域市场扩展酒店业务。

致谢
我们的创办人林镇成尽管有资格连任，但去年没有寻求在董事会连任，他于2016年4月卸下执行主席的职位。不过林先生会以集永成荣誉主席和顾问的身份，继续为集团提供宝贵的咨询，我们期待他继续为集团效力。

吴志伟先生从2016年4月起卸下独立董事的职位，董事会和管理层感谢他多年来为集永成提供的服务和作出的贡献。吴先生退休后，我们于2016年7月委任吕德耀先生担任独立董事。我们希望借此机会热烈欢迎他，期待接下来与他建立密切的合作关系。

诚挚感谢
我们认为集永成今年取得的成就，反映了股东、客户、商业伙伴和员工对我们的不断支持。为了塑造可持续和更强大的业务，我们会继续自我创新，适应新加坡和区域市场的发展。

我们对未来有着清晰的愿景，致力于扩展在核心业务的知识，加强集永成的基础，来应对任何挑战，为股东带来稳定和有韧性的业绩表现。

感谢您对我们的长期信任。

谢礼铭 PBM
执行主席兼总裁
2017年3月17日

OUR BUSINESS

Construction

Woodlands N1C26 & C27

Property Developments

Junction Nine & Nine Residences

CONSTRUCTION

Construction activities are carried out through the Group's wholly-owned subsidiaries, Chip Eng Seng Contractors (1988) Pte Ltd ("CESC") and CES Engineering & Construction Pte Ltd ("CESE"). Divided by the nature of projects they undertake, CESC mainly engages in public housing projects whereas CESE mainly takes charge of construction activities pertaining to condominiums, executive condominiums as well as industrial and commercial projects. To meet the growing demand for precast components in Singapore, Chip Eng Seng expanded its offerings by setting up a precast concrete contracting arm, CES-Precast Pte Ltd ("CESP") in 2006, and a Johor-based precast operation in 2010. As part of efforts to develop a more indepth knowledge of the segment, the Group also acquired SPP System Pte Ltd, a specialist in Prefabricated Prefinished Volumetric Construction ("PPVC"), in August last year.

Backed by a strong operating track record, both CESC and CESE continue to attain A1 classifications as a general building and civil engineering contractor, and general building works respectively. This is the highest classification tier awarded by the Building and Construction Authority ("BCA") that permits a contractor to tender for public sector projects with an unlimited contract value. Similarly, CESP currently holds a L6 classification from the BCA, permitting it to bid for public sector prefabrication contracts of an uncapped value. Separately, CESE was awarded a B2 grading as a civil engineering contractor allowing it to tender for public sector projects valued at up to $13 million.

PROPERTY DEVELOPMENTS

CEL Development Pte Ltd ("CEL") is responsible for evaluating and acquiring potential sites and projects for the Group's development and investment. Spanning across the residential, commercial and industrial

Property Investments

CES Centre

Hospitality

Park Hotel Alexandra

segments, CEL's offerings cater to both the mid- to high-end markets.

As part of a broader strategy, CEL also formed joint ventures with several reputable international funds to develop private condominiums in the mid-2000s. CEL has also since partnered with Singapore developers such as NTUC Choice Homes Cooperative Ltd and Keppel Land Limited on projects which had seen highly successful launches.

Beyond Singapore, CEL has made a series of successful strides in its development projects and investment interests in Australia, and continues to actively lookout for attractive and synergistic opportunities in the surrounding regions.

PROPERTY INVESTMENT

CEL takes charge of the Group's property investment portfolio, which comprises a diverse and risk-managed spread of income-producing properties such as shophouses, office buildings and industrial properties in Singapore and Australia. These include a freehold office building located at St. Kilda Road, Melbourne, a leasehold light industrial building at Ubi Crescent, as well as a leasehold office building located along Chin Swee Road (CES Centre) – where the Group's head office is currently situated.

HOSPITALITY

2015 marked the Group's first foray into the hospitality industry through the opening of its maiden hotel, Park Hotel Alexandra. Opened in partnership with established hospitality group, Park Hotel Group ("PHG"), the four-star hotel features 442 rooms fully fitted with an array of modern amenities.

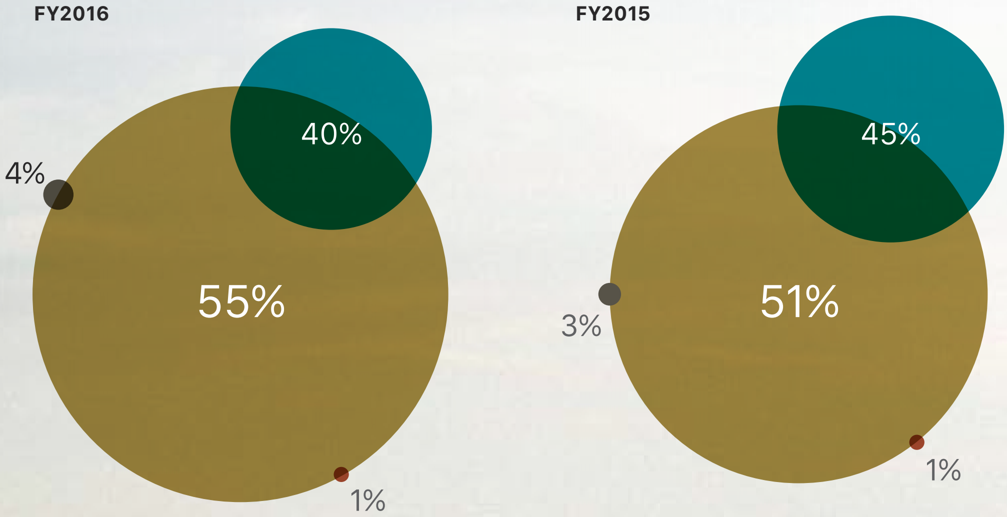
In 2016, due to a strong working relationship fostered, and as part of plans to grow its hospitality portfolio, the Group consequently entered into a joint venture agreement with PHG to invest in a 120-villa Maldivian island resort – Grand Park Kodhipparu in Maldives. The joint venture also marks the appointment of PHG to manage Chip Eng Seng's second hotel property which is slated to open its doors to business in the second quarter of 2017.

GEOGRAPHICAL REACH


MALDIVES
Hospitality
VIETNAM (HO CHI MINH CITY)
Property Development
MALAYSIA (JOHOR)
Fabrication of Precast Components
SINGAPORE
Main Contracting
PPVC and Production of Prefabricated Bath Units
Property Development
Property Investment
Hospitality
AUSTRALIA (MELBOURNE & PERTH)
Property Development
Property Investment

FINANCIAL HIGHLIGHTS

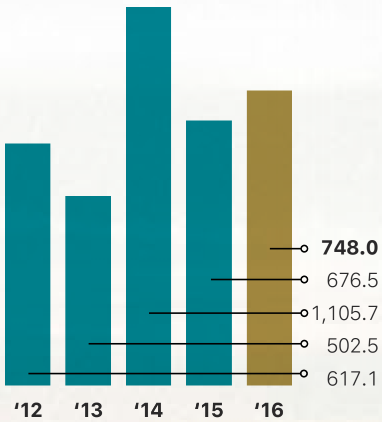
REVENUE BY BUSINESS SEGMENT



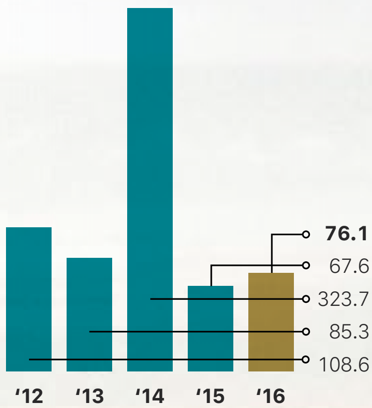
- Property Developments
- Construction
- Hospitality
- Property Investments & Others

REVENUE BY GEOGRAPHICAL SEGMENT

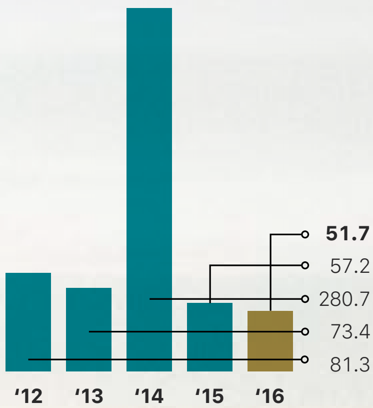
TURNOVER ($' MILLION)



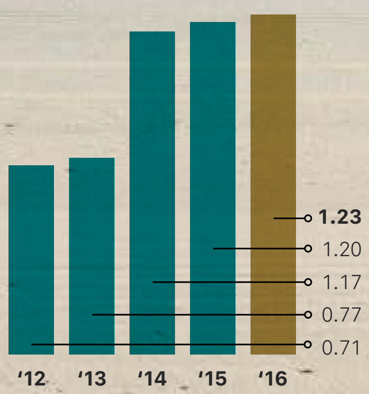
PROFIT BEFORE TAX ($' MILLION)



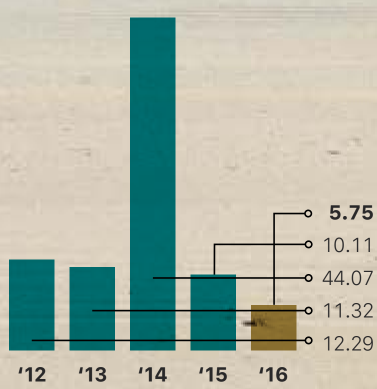
PROFIT AFTER TAX ($' MILLION)



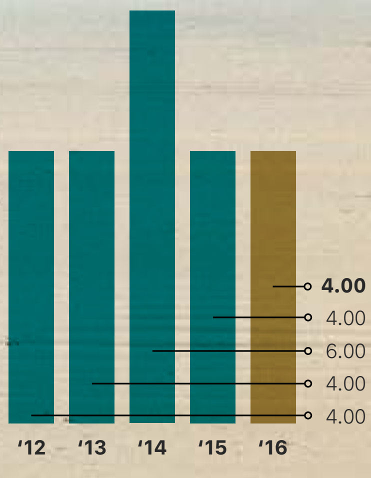
NET ASSET VALUE PER SHARE ($)



EARNINGS PER SHARE (CENTS)



DIVIDEND PER SHARE (CENTS)

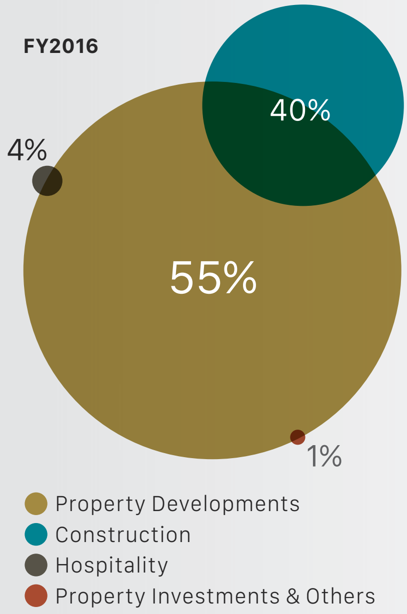


FINANCIAL REVIEW

Tampines N6C1A&1B

REVENUE BY BUSINESS SEGMENT

FY2016



ROBUST REVENUE DRIVEN BY STABLE OPERATIONS

Chip Eng Seng registered revenue growth of 10.6% to $748.0 million in FY2016, driven mainly by higher contributions from the Property Developments and Hospitality Divisions. However, softer residential market demand and heightened competition in public housing tenders resulted in gross profit declining 9.3% to $146.5 million.

Pre-tax profit rose 12.6% to $76.1 million, following the recognition of a fair value gain on investment properties and a lower impairment loss on a development property. However, as a result of a higher effective tax rate arising from under accrual of taxes in prior years and unrecognised deferred tax assets, net profit after tax declined 9.6% to $51.7 million in FY2016, as compared to $57.2 million the year before.

Breaking it down by segments, revenue from the Property Developments Division grew 18.5% yoy from $347.5 million in FY2015 to $411.7 million in FY2016, on the back of higher progressive revenue recognised from High Park Residences and the sales of completed units at Fulcrum. In addition, gains from the divestment of the Victoria Street site in Melbourne, Australia, also boosted the topline. However, the increase was partially offset by lower sales at mixed development project, Nine Residences & Junction Nine, during the year.

In the Construction Division, revenue fell by 2.5% to $298.2 million.

The decline was mainly attributed to a lower number of active projects in FY2016 following the completion of several projects over the past couple of years, and fewer HDB tenders and increasing competition.

At the Hospitality Division, the Group's maiden hotel, Park Hotel Alexandra, registered its first full-year contribution in FY2016, and its performance was commendable with contributions from improved occupancy boosting the division's revenue up 94.1% to $27.4 million during the year.

For the Property Investments & Others Division, higher occupancy uptake at CES Centre resulted in a 17.3% growth in revenue to $10.6 million from $9.1 million the year before.

OPERATING EXPENSES

Operating expenses fell 14.9% from $102.0 million to $86.8 million during the year. The fall was mainly due to lower marketing and distribution expenses as there were fewer number of new project launches.

ASSETS HELD FOR SALE

The decrease in assets held for sale from $39.5 million in FY2015 to $0.05 million in FY2016 was due to the settlement of the sale of the Victoria site in Melbourne.

BALANCE SHEET REVIEW

Investment Properties

Investment properties increased from $283.6 million to $288.7 million following the recognition of a $5.4 million fair value gain in the last quarter of 2016.

Development Properties

The increase in development properties from $625.4 million in FY2015 to $1.1 billion in FY2016 was mainly due to new acquisitions, including South Melbourne and the New Upper Changi Road sites, as well as development costs incurred for on-going projects such as High Park Residences and Williamsons Estate.

Trade and Other Receivables

The decrease in trade and other receivables from $249.3 million to $81.2 million over the year was mainly due to payments received from buyers of completed development projects, Nine Residences & Junction Nine, which received their TOP in 2015.

Cash and Cash Equivalents

The Group's overall cash position rose from $442.5 million to $481.6 million as at 31 December 2016, mainly due to proceeds arising from the issuance of the 4.75% $120 million notes under the $500 million Multicurrency Debt Issuance Programme in June 2016, payments received from buyers of completed development projects and proceed from divestment of the Victoria street site in Melbourne, partially offset by land purchases in Singapore and Australia.

Borrowings

Total borrowings increased from $858.7 million to $1.2 billion in FY2016, mainly due to the 4.75% $120 million notes issue in mid-2016, and a drawdown of bank loans for property development projects along New Upper Changi Road, partially offset by repayment of bank loan.

Trade and Other Payables

The decline in current trade and other payables was due mainly to de-recognition of deposits held for a development project, whereas the increase in non-current trade and other payables was attributable to loans extended to the Group's joint venture project by minority shareholders.

Shareholders' Equity

Shareholders' equity climbed $17.6 million from $748.3 million to $765.9 million over the year in review. This was mainly due to a sizeable increase in the Group's development properties on the back of acquisitions made during the year. Correspondingly, net asset value per share grew 2.5% to $1.23 in FY2016 from $1.20 in FY2015.

Bukit Panjang N4C15

OPERATIONS REVIEW

Williamson Estate Townhouses

PROPERTY DEVELOPMENTS

Fulcrum, a private residential development in the Eastern corridor of Singapore, was relaunched in April 2016. Capitalising on the property's proximity to the upcoming Katong Park MRT station, the Group increased marketing efforts for the project in the first half of 2016, and has sold 42.2% of the project as at 31 December 2016. The Group also continued to see healthy take-up in its largest private residential project to date (High Park Residences), and the last available unit was sold in March 2017.

With regards to the private leasehold residential site along New Upper Changi Road acquired in February last year, the project (Grandeur Park Residences) was launched in March 2017 and we achieved outstanding 58.2% sales during the first weekend of launch.

In Australia, the Group sold all 104 townhouses launched at Williamsons Estate, a suburban project located in Doncaster, Melbourne, and is expecting to hand over the completed units to buyers progressively in 2017.

However, residential housing demand in Australia has softened of late, impacted by fewer end financing options for foreign buyers and a recent stamp duty hike. As a result, apartment units of the Williamsons Estate project, Willow Apartments, saw softer demand, with 53.1% of the 64 units sold as at end FY2016. Against this backdrop, the Group is currently reviewing its plan to launch the South Melbourne project in 1H2017.

CONSTRUCTION

In 2016, the Group was awarded a $192 million HDB contract for construction works at Toa Payoh Bidadari Contract 6 and Contract 7, and a $76 million contract from GS Engineering & Construction Corp. for the supply of precast concrete items for contract T301, pertaining to the construction of a 4-in-1 rail and bus depot and reception tunnels for the Thomson-East Coast Line. However, with no new contracts secured in the last quarter of FY2016, and progressive billings from ongoing projects, the Group's order book slipped to $537.4 million as of 31 December 2016, down from $570.1 million the preceding year.

In the coming year, the Group's Construction Division plans to focus more on public housing tenders, while building its market share in non-housing public projects. With a well-established operating track record, the Group is confident that it will continue to deliver good quality products, and carve out new construction competencies to fortify its foothold in the industry.

As part of efforts to develop new capabilities, the Group entered into an option to purchase an industrial property for prefabricated prefinished volumetric production in December. When the acquisition is completed, the Group's capability in

Park Hotel Alexandra Aqua Luna (Swim Up Bar)

Park Hotel Alexandra Pool Deck

modular construction is expected to be enhanced. Separately, in August last year, Chip Eng Seng also acquired SPP System Pte Ltd, a specialist in Prefabricated Prefinished Volumetric Construction to further develop the Group's knowledge in the segment to cater to an anticipated pick-up in demand for precast components in the construction sector.

HOSPITALITY

The Hospitality Division has grown its portfolio from one asset, to two over the course of 2016. These comprise the Group's first hotel property, Park Hotel Alexandra, in Singapore, and the recently-acquired Grand Park Kodhipparu, in Maldives.

In October 2016, the Group announced that it had entered into a sale and purchase agreement to acquire a 120-villa island resort in Maldives. Grand Park Kodhipparu, Maldives, marks Chip Eng Seng's second collaboration with Park Hotel Group, on the back of a strong working relationship fostered.

Though Park Hotel Alexandra reflected healthy room occupancies in FY2016, the Group expects current uncertain economic conditions and increased room supply to impact take-up rates in 2017.

Despite the challenging climate, the Group will consider expanding its hospitality portfolio both in a local and regional context, should strategic opportunities emerge.

PROPERTY INVESTMENTS & OTHERS

In Singapore, the Group owns one office building (CES Centre) and one industrial building (CES Building), in addition to a number of shop houses. Yield from the properties continue to be healthy, with higher uptake seen at office assets such as CES Centre, boosting the division's revenue by 17.3% to $10.6 million.

For the Australian portfolio which comprises one freehold office building in Melbourne, occupancy rates continue to be robust in 2016.

Not resting on our laurels, the Group intends to continue exploring new avenues to boost occupancy rates further in 2017, while maintaining renewal rates at current levels to retain and attract tenants amid a soft rental outlook.

BOARD OF DIRECTORS

Dining at Grand Park Kodhipparu

MR CHIA LEE MENG RAYMOND PBM
Executive Chairman and Group Chief Executive Officer

Mr Chia Lee Meng Raymond was appointed as the Executive Chairman of the Board on 5 May 2016, and has helmed the role of Group Chief Executive Officer since February 2016. He is responsible for the overall Group's operations, strategic planning and investment decisions.

Starting off as a project manager back in 1994, Mr Chia rose through the ranks and was appointed as the Group's Director the year Chip Eng Seng went public. Following which, he became the Managing Director of the property development division in July 2006, before his appointment as Group Chief Executive Officer in June 2007 and Executive Deputy Chairman in January 2013.

Outside the Group, Mr Chia is the Chairman of Seacare Properties Pte Ltd, a wholly-owned subsidiary of Seacare Co-operative Ltd and a director of Seacare Holdings Private Limited. He is also a patron of Nee Soon South Citizens' Consultative Committee. Mr Chia was also previously awarded The Public Service Stars PBM in 2013 for his public service rendered to the nation.

Mr Chia holds a Bachelor's Degree in Economics and Finance from Curtin University and a Master's Degree in Finance from RMIT.

MR LIM TIANG CHUAN
Executive Deputy Chairman

Mr Lim Tiang Chuan undertook the role of Executive Deputy Chairman in June 2007 and oversees the Group's overall operations and business expansion. Mr Lim has also been a Director of the Company since October 1998.

Having joined the Group's Construction Division back in 1982, Mr Lim has a wealth of experience spanning more than three decades in the building and construction industry, and is an integral part of the management team.

Mr Lim is a patron of Bukit Gombak Community Centre Management Committee. He is also a board member and the assistant honorary treasurer of Singapore Thong Chai Medical Institution.

MR HOON TAI MENG
Executive Director

Mr Hoon Tai Meng was appointed as Executive Director and a member of the Nominating Committee in July 2011. He was also an Independent Director of the Group from November 1999 to June 2011.

His duties include assisting and advising the Board of the Group's business operations and corporate matters. Mr Hoon is also assisting and involved in the overall strategic planning and investment decisions of the Group.

Prior to his appointment at the Group, Mr Hoon was a Partner with KhattarWong. Due to his varied experience and knowledge of both the legal and accounting fields, he also sits on the boards of several other public and private companies.

Mr Hoon graduated with a Bachelor of Commerce Degree in Accountancy from the Nanyang University and a LLB (Honours) Degree from the University of London. He is also a Fellow of Chartered Institute of Management Accountants (UK), a Fellow of the Association of Chartered Certified Accountants (UK), a Chartered Accountant of Singapore, and a Barrister-At-Law (Middle Temple).

MS DAWN LIM SOCK KIANG

Executive Director

Ms Dawn Lim Sock Kiang was appointed as the Executive Director of the Group in December 2009. In her role, Ms Lim assists the Board in the Group's business operations, in addition to matters pertaining to the Group's property developments business in Australia.

Before joining the Group's property development arm as a Project Director in October 2009, Ms Lim worked as a Senior Architect in Melbourne, Australia.

Ms Lim holds a Bachelor's Degree in Architecture (Honours) from Deakin University, Melbourne, Australia.

MR ANG MONG SENG BBM

Lead Independent Director

Mr Ang Mong Seng was appointed as the Group's Lead Independent Director in November 2015 and has been on the Board since March 2003. On the Board, he chairs the Audit Committee, and is a member of the Remuneration and Nominating Committees.

In terms of experience, Mr Ang has more than 30 years of experience in estate management, and is a former Member of Parliament for Hong Kah GRC (Bukit Gombak). He also serves as an Independent and Non-Executive Director in various other public-listed companies.

MR CHENG HENG TAN

Independent Director

Mr Cheng Heng Tan was appointed as the Group's Independent Director in July 2011. He currently chairs the Nominating Committee, and is a member of the Audit and Remuneration Committees.

Mr Cheng is a member of the Institute of Singapore Chartered Accountants ("ISCA") and was formerly a senior audit partner in Ernst & Young LLP. In addition, Mr Cheng also holds the role of Ethics Director, Asia for Vishay Intertechnology, Inc.

MR UNG GIM SEI

Independent Director

Mr Ung Gim Sei joined the Board in April 2015 as an Independent Director. He chairs the Remuneration Committee and is a member of the Audit and Nominating Committees.

Mr Ung is currently a director of a U.S.-Singapore joint venture law firm, Duane Morris & Selvam LLP, specialising in the practice of Intellectual Property. Mr Ung holds directorships at a number of public listed companies and is also the Vice President of the Singapore-China Friendship Association, the Aw Boon Haw Foundation (PRC), and Tan Kah Kee Foundation where he is also the Legal Advisor.

Mr Ung holds a Bachelor of Arts in Economics degree from the National University of Singapore, a Common Professional Examination in Law from the UK, a graduate Diploma in Singapore Law from the National University of Singapore and a Master of Law from the City University of Hong Kong.

MR LUI TUCK YEW

Independent Director

Mr Lui Tuck Yew joined the Board in July 2016 as an Independent Director, and is a member of the Audit Committee.

Before retiring in 2015, Mr Lui served as Singapore's Minister for Transport and the Minister for Information, Communications and the Arts. He was formerly a Member of Parliament from 2006 to 2015.

Prior to entering politics, Mr Lui first began his career in the Republic of Singapore Navy (RSN) where he rose through the ranks and was appointed the Chief of Navy in 1999. Following which, he left RSN for the Administrative Service of the Government of Singapore in 2003, and was subsequently appointed to roles, including the Deputy Secretary (Land), Ministry of Transport (2004-2005), Chief Executive of the Maritime and Port Authority (2003-2005), and Chief Executive of the Housing and Development Board (2005).

Mr Lui holds a degree in chemistry from University of Cambridge in the UK and a Master of Arts Degree from Tufts University in the US.

EXECUTIVE OFFICERS

MR LAW CHEONG YAN
Chief Financial Officer
Mr Law Cheong Yan joined the Group as Chief Financial Officer in August 2013. In his current role, he leads the Group in a multitude of functions comprising financial and management accounting, taxation, treasury as well as investor relations. Prior to joining Chip Eng Seng, Mr Law spent more than 9 years in China and the U.S. managing the businesses of several Singapore companies' overseas subsidiaries. Mr Law was also the Group's Financial Controller for the period from June 1999 to February 2004 and an auditor with an international accounting firm from September 1995 to June 1999. Mr Law holds a Bachelor of Accountancy (Hons) Degree from Nanyang Technological University. He is also a member of ISCA and CPA Australia.

MR CHNG CHEE BEOW
Executive Director of CEL Development Pte Ltd
Mr Chng Chee Beow is the Executive Director of the Group's property developments division and has more than 35 years of experience in the real estate industry. Prior to joining the Group in June 2012, he was the Property Director of Wing Tai Holdings Limited. A registered Architect by profession, Mr Chng has been a Council member of REDAS for the past 16 years. He was also the Alternate Chairman of the Construction Industry Joint Committee.

Mr Chng is currently a member of Spring Singapore Building & Construction Standard Committee, Professional Engineer Board Investigation Panel and BCA Built Environment Industry Rebranding Committee. He is also a member of BCA BIM Steering Committee and appointed as one of International Panel of Experts for BIM. He sits in URA Development Control Division Dialogue Committee. Mr Chng holds a Bachelor of Architecture Degree and a Postgraduate Diploma in Building Science from the National University of Singapore. He was awarded MND Dedicated Service by Ministry of National Development in recognition of his distinguished years of sterling service to the MND cluster.

MS LIM SOCK JOO
Executive Director of CEL Development Pte Ltd
Ms Lim Sock Joo is the Executive Director of the Group's property development and hospitality divisions. Her responsibilities include the day-to-day management of the divisions' operations as well as their sales and

Rooftop Garden @ Sembawang N1C10

marketing needs. In 1993, Ms Lim first joined the construction division as an administrative and finance executive responsible for accounting, administration and human resource matters. Her role was enlarged to include the sales and marketing of the property development division and overseeing the hospitality division following her appointment as Executive Director in July 2013. Ms Lim holds a Bachelor's Degree in Business (Accounting) from the Curtin University of Technology, Australia.

MR JAMES YUEN CHEW LOONG

Executive Director of Construction Division

Mr James Yuen Chew Loong joined the Group in July 2012. He is currently the Executive Director of the construction division, responsible for its overall management, marketing and business development. Mr Yuen has over 28 years of experience in design and construction.

Prior to joining Chip Eng Seng, Mr Yuen was a Director and General Manager of a local specialist foundation company. He had also previously worked for the Housing and Development Board and several consultancy and construction companies. Mr Yuen holds degrees in Bachelor of Engineering (Hons) (Civil), Master of Science (Civil Engineering) and Master of Business Administration from the National University of Singapore. He is a registered Professional Engineer with the Professional Engineers Board and an Accredited Adjudicator with the Singapore Mediation Centre.

MR MICHAEL NG SENG TAT

Executive Director of CEL Development Pte Ltd

Mr Michael Ng Seng Tat joined the Group in January 2017, responsible for its regional businesses. Mr Ng holds an Honours Bachelor of Science (Estate Management) Degree from the National University of Singapore and has been in the real estate industry over 29 years. Prior to joining Chip Eng Seng, he was the Group General Manager of United Industrial Corporation Limited and Singapore Land Limited where he managed the diversified real estate investments and developments of the group.

Mr Ng was Managing Director of Savills Singapore from 2005 to 2010, where he spearheaded a turnaround of the operations into a hugely successful business. Prior to Savills, Michael was the Managing Director of Hamptons International in 2001. He subsequently led a management buyout of the Singapore office and expanded the business successfully before he merged the operations with Savills Singapore in December 2004. He was also a founding shareholder of Huttons Real Estate, a successful local housing agency.

From 1995 to 2001, Mr Ng was Head of the property arm of COSCO Singapore, a China state-owned maritime group, handling real estate development, investments, acquisitions, project management and asset management. Some of the projects included commercial, retail and residential developments and investments in Singapore, South East Asia and China.

His early part of his career was with Richard Ellis (1988 to 1995) where he honed his acumen in asset management and real estate investment advisory and marketing. He was a panel member of the Strata Titles Boards, under the Ministry of Law from 1999 to 2008.

OTHER OFFICERS

Construction & Precast

MR LIM TIAN BACK
Project Director (Construction)

MR LOW GAM WENG
General Manager (Construction)

MR HO HEE TONG
Contracts Director (Construction)

MR SIOW BOON KUAN
Technical Director (Construction)

MR TEOW CHOON MENG
Project Director (Construction)

MR LIM TIAN MOH
Project Director (Precast)

MR CHAN TUCK CHEONG
Executive Director (Precast)

Property Developments & Investments

MR TIMOTHY PEARCE
General Manager (Australia)

MR HO SIEW KEONG KENNETH
General Manager (Vietnam & China)

MR LIM KOK HOWE IVAN
General Manager (Operations)

MR LIM LING KWEE
Project Director (Property)

MR CHAN KIN KHAY
Project Director (Property)

PORTFOLIO

High Park Residences

CONSTRUCTION

Projects completed in 2016/1Q2017

Project	Description	Owner
Fulcrum at 33 Fort Road	Building works of 128 residential condominium units with full condominium facilities	CEL-Fort Pte Ltd
Building works at Jurong West Neighbourhood 6 Contract 31	Building works of six blocks of residential building	HDB
Building works at Bukit Batok Neighbourhood 1 Contract 13 & Neighbourhood 2 Contract 23	Building works of five blocks of residential building	HDB

Major on-going projects

Project	Description	Owner
Building works at Sembawang Neighbourhood 1 Contract 10	Building works of eight blocks of residential building	HDB
Building works at Woodlands Neighbourhood 1 Contract 26 & Contract 27	Building works of nine blocks of residential building	HDB
Building works at Tampines Neighbourhood 6 Contract 1A/1B	Building works of 15 blocks of residential building	HDB
Building works at Toa Payoh Bidadari Contract 6 and Contract 7	Building works of 16 blocks of residential building	HDB

PROPERTY DEVELOPMENTS

Projects completed in 2016

Project	Location	Description	No. of units	Tenure
Fulcrum	33 Fort Road, Singapore	Condominium	128	Freehold

On-going development projects

Project	Location	Description	No. of units	Tenure	Expected TOP
Williamsons Estate	154 - 166 Williamson Road and 5 - 17 Henry Street, Doncaster, Victoria, Australia	Townhouses and apartments	104 townhouses and 64 apartments	Freehold	2017
High Park Residences (60% Owned)	Fernvale Road, Singapore	Condominium and retail outlets	1,399	99 years	2019
Tower Melbourne	150 Queen Street, Melbourne, Australia	Residential apartment and retail outlets	588	Freehold	2021
Northcote	217 and 221 - 223 Separation Street, Northcote, Victoria, Australia	Residential apartment	*	Freehold	*
South Melbourne	15 - 85 Gladstone Street, South Melbourne, Victoria, Australia	Residential apartment	*	Freehold	*
Grandeur Park Residences	New Upper Changi Road, Bedok South Avenue 3, Singapore	Condominium and retail outlets	722	99 years	2021

* In planning stage

Interior of a Williamson Estate townhouse

PORTFOLIO (CONT'D)

INVESTMENT PROPERTIES

Description	Location	Tenure	Existing Use
Two adjoining units of 3-storey shophouses	86, 86A, 86B Tanjong Pagar Road, Singapore	99 years from 27 September 1988	Shops and offices
A part 2, part 4-storey shophouses	161 Geylang Road, Singapore	99 years from 4 May 1993	Shops and offices
6-storey light industrial building with a basement carpark	69 Ubi Crescent, Singapore	60 years from 5 July 1997	Light industrial building
Three adjoining units of 2-1/2 storey shophouses with 4-storey rear extension	115 Geylang Road, Singapore	Freehold	Boarding hotel
12-storey office building	171 Chin Swee Road, Singapore	99 years from 2 June 1969	Offices
11-storey office building	420 St Kilda Road, Melbourne, Australia	Freehold	Offices

Artist's Impression of the South Melbourne residential project


Interior of Grandeur Park Residences

PROPERTIES AND PLANT

Description	Location	Tenure	Existing Use
A 442-room 13-storey hotel (Park Hotel Alexandra)	323 Alexandra Road, Singapore	99 years from March 2012	Hotel
A single-user single-storey warehouse with a 4-storey ancillary office and temporary ancillary workers dormitory	2 Tuas South Street 8, Singapore	23 years from 26 December 2012	Construction workshop and dormitory
A freehold parcel of industrial land with a single-storey detached office building	No. PTO 102945, Jalan Idaman, Senai Industrial Park, Senai, Johor, Malaysia	Freehold	Precast plant
A 120-villa island resort (Grand Park Kodhipparu)	Kodhipparu, Kaafu, Atoll, Maldives	50 years from 30 September 2013	Resort

SIGNIFICANT EVENTS

Specialty Restaurant @ Grand Park Kodhipparu

Toa Payoh Bidadari C6 & C7

2016

February
Return of Mr Chia Lee Meng Raymond to the Company as Executive Director and Group Chief Executive Officer.

Award of tender for land parcel at New Upper Changi Road/Bedok South Avenue 3 for residential development (Grandeur Park Residences) at $419 million.

March
Purchase of a commercial carpark and development site at 15-85 Gladstone Street, South Melbourne, Victoria, Australia for residential development at A$52 million.

April
Retirement of Mr Lim Tiam Seng as Executive Chairman and appointment of Mr Lim Tiam Seng as Honorary Chairman and Adviser.

Retirement of Mr Goh Chee Wee as Independent Director of the Company.

May
Appointment of Mr Chia Lee Meng Raymond as Executive Chairman of the Company.

June
Issuance of $120 million 4.75% Notes due in June 2021.

July
Appointment of Mr Lui Tuck Yew as Independent Director of the Company.

August
Acquisition of SPP System Pte. Ltd. which specialises in modular construction.

Award of $192 million contract by Housing Development Board for building works at Toa Payoh Bidadari Contract 6 and Contract 7.

Award of $76 million contract by GS Engineering & Construction Corp for the supply of precast concrete items for contract T301 "Construction of 4-in-1 Rail and Bus Depot and Reception Tunnels for Thomson-East Coast Line".

October
Acquisition of a Kodhipparu island resort by CES-Park (Maldives) Pte. Ltd., a 70-30 joint venture with Park Hotel Group for a purchase consideration of US$65 million.

Incorporation of wholly-owned subsidiaries, CES Investment (Vietnam) Pte. Ltd. and CES Management (Vietnam) Pte. Ltd for the provision of project management and consultancy services in Vietnam.

December
Option to purchase granted to acquire a leasehold industrial property at 11 Tuas Basin Close for a purchase consideration of $6.4 million.

2017

March
Opening launch of Grandeur Park Residences — a 99-year leasehold condominium comprising 720 residential units, 2 retail outlets and a child care centre.

AWARDS & CERTIFICATIONS

Chip Eng Seng's exemplary commitment towards achieving excellence in workplace safety and health, as well as the overall management of its projects in areas of technical capability and innovations helped the Group bag a total of 6 honorary awards in 2016.

These 6 awards comprise:

HDB Construction Excellence Award (Certificate of Merit) for Bukit Panjang N4C15 (Fajar Hills)
HDB Construction Safety Award (Recipient) for Bukit Panjang N4C15 (Fajar Hills)
SCAL Productivity and Innovation Award (Merit) for Woodlands N1C26 & 27
BCA Construction Productivity Award (Gold) for Yishun N5C2 (Acacia Breeze)
WSH SHARP Award Winner for Fulcrum @ Fort Road
WSH Award Performance-SHARP Winner for Yishun Mixed Development (Junction Nine & Nine Residences)

Woodlands N1C26/27 HDB Safety Promotion Campaign 2016

CORPORATE SOCIAL RESPONSIBILITY

Our focus on maintaining sustainable and responsible operations remains steadfast.

At Chip Eng Seng, we have a clear company-wide commitment towards Quality, Environment, Health and Safety ("QEHS") initiatives.

Mr Lim distributing "Hong Bao" to senior citizens during the 2017 Lunar New Year lunch held jointly with Seacare & SOS.

Well endorsed and supported by senior management, we remain committed in ingraining a high level of QEHS efforts amongst our employees and sub-contractors, to ensure an optimal level of safety and compliance at our project sites. It is also mandatory for the management at all our project sites to actively practice and adhere to QEHS best practices, as well as encourage a culture of promptly reporting incidents and safety observations, as and when they may arise.

In testament to our strong safety record in construction, the Workplace Safety and Health Council (WSHC) approached us in November 2016, to host a visit to one of Chip Eng Seng's HDB project sites, to showcase and share with forum participants the safety controls we adopt for high-risk work activities. Aside from this, we also conducted a site visit for 60 participants from six HDB worksites in Tampines, to share and learn from each other's best practices in QEHS standards.

With the evolution of construction technology and materials, we also continue to educate our employees on the latest building standards on a regular basis through courses, which serve to highlight safety measures in relation to the general workings at project sites, as well as more complicated and higher-risked structural and electrical installations. We continuously explore new methods to lower the risk of injury in structural installations. For instance, our subsidiary, Chip Eng Seng Contractors, developed the Z-Bracket, which is a lightweight steel hollow section with a pipe socket at one end, which enables the leg of a scaffolding frame to be seamlessly slotted into it. The key advantage of this simple, yet effective product, is that it allows the scaffolding structure to be directly clamped onto the parapet wall, providing added stability and eliminating the need to set up extensive scaffolding at a building's exterior.

More importantly, our systematic QEHS process has resulted in us achieving our goal of zero fatal accidents in 2016, and a low rate of personal injuries and unplanned incidents across our construction sites.

With added local and global emphasis on greener building methods, comprising waste management, noise abatement, and the use of environmentally-friendly building materials, Chip Eng Seng continues to work towards ways to minimise our environmental impact. To this end, management encourages regular feedback on environmental issues from its employees, building authorities and relevant stakeholders, in addition to conducting regular and routine inspections at its projects.

Always remembering our humble beginnings, we take heart in giving back to society, across a broad range of causes, such as the arts, education, non-profit organisations as well as the Singapore construction community. In 2016, our support has gone towards the Nanyang Academy of Fine Arts Bursary Fund, the Singapore Chinese Orchestra, St. Joseph's Institution International Scholarship Fund, Ren Ci Hospital, Queenstown Multi Services Centre for the Elderly, St. John's Home for Elderly Persons, and BCA's Green Building Day 2016, amongst others.

New efforts are also underway, including our recent collaboration with Park Hotel Alexandra, to carry out activities in support of Rainbow Centre Singapore, which is a charity that supports children with special developmental needs. Keeping the elderly in mind, we also worked with our business associates, Seacare & SOS, to jointly organise a lunar new year lunch get-together for the senior citizens of Jalan Kukoh, which we plan to host annually going forward.

CORPORATE INFORMATION

Honorary Chairman & Advisor
Lim Tiam Seng BBM

Executive Directors
Chia Lee Meng Raymond PBM
Executive Chairman and
Group Chief Executive Officer

Lim Tiang Chuan
Executive Deputy Chairman

Hoon Tai Meng
Executive Director

Dawn Lim Sock Kiang
Executive Director

Independent Directors
Ang Mong Seng BBM
Cheng Heng Tan
Ung Gim Sei
Lui Tuck Yew

Audit Committee
Ang Mong Seng (Chairman)
Cheng Heng Tan
Ung Gim Sei
Lui Tuck Yew

Remuneration Committee
Ung Gim Sei (Chairman)
Ang Mong Seng
Cheng Heng Tan

Nominating Committee
Cheng Heng Tan (Chairman)
Ang Mong Seng
Ung Gim Sei
Hoon Tai Meng

Share Registrar
RHT Corporate Advisory Pte Ltd
9 Raffles Place #29-01
Republic Plaza Tower 1
Singapore 048619

Registered Office
171 Chin Swee Road
CES Centre #12-01
Singapore 169877
Tel: 6801 0088
Fax: 6801 0038
Email: enquiry@chipengseng.com.sg
Website: www.chipengseng.com.sg

Auditors
Ernst & Young LLP
Public Accountants & Certified
Public Accountants
One Raffles Quay
North Tower Level 18
Singapore 048583

Audit-partner-in-charge
Nelson Chen
Since financial year ended
31 December 2015

Company Secretaries
Abdul Jabbar Bin Karam Din,
LLB (Hons)
Loh Lee Eng, ACIS

Principal Bankers
DBS Bank Ltd
United Overseas Bank Limited
Oversea-Chinese Banking Corporation Limited
Hong Leong Finance Limited
Bank of China Limited (Singapore Branch)
National Australian Bank
Standard Chartered Bank
Malayan Banking Berhad
CIMB Bank Berhad
The Bank of East Asia Limited (Singapore Branch)
RHB Berhad

Bukit Panjang N4C15

CORPORATE GOVERNANCE REPORT

Chip Eng Seng Corporation Ltd (the "Company", and together with its subsidiaries, the "Group") is committed in its continuing efforts to achieve high standards of corporate governance in complying with the Code of Corporate Governance 2012 (the "Code") which forms part of the continuing obligations of the Singapore Exchange Securities Trading Limited ("SGX-ST") Listing Manual. The Company believes that good corporate governance provides the framework for an ethical and accountable corporate environment, which is essential to the long term sustainability of the Company's businesses and performance, as well as protection of shareholders' interests.

This report sets out the Group's corporate governance practices that were in place throughout the financial year ended 31 December 2016 ("FY2016") with reference to the Code. Where there is any material deviation from any principles and guidelines of the Code, an explanation has been provided within this report.

BOARD MATTERS

Principle 1: The Board's conduct of its affairs

The primary function of the Board of Directors (the "Board") is to provide effective leadership and direction to enhance the long-term value of the Group to its shareholders and other stakeholders. The Board oversees the business affairs of the Group. The Board has the overall responsibility for reviewing the strategic plans and performance objectives, financial plans and annual budget, key operational initiatives, major funding and investment proposals, financial performance reviews, and corporate governance practices.

In addition, the principal duties of the Board include the following:

- 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;
- Establish a framework of prudent and effective controls which enables risk to be assessed and managed, including safeguarding of shareholders' interest and the Company's assets;
- Review management performance;
- Identify the key stakeholder groups and recognise that their perceptions affect the Company's reputation;
- Set the Company's values and standards (including ethical standards), and ensure that obligations to shareholders and others stakeholders are understood and met; and
- Consider sustainability issues, e.g., environmental and social factors, as part of the strategic formulation.

Independent judgement

All Directors exercise due diligence and independent judgement, and make decisions objectively in the best interests of the Group. This is one of the performance criteria for the peer and self-assessment on the effectiveness of the individual Directors.

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

		Board Committee Membership		
Name of Director	**Position**	**Audit**	**Remuneration**	**Nominating**
Chia Lee Meng Raymond	Executive Chairman and Group Chief Executive Officer	–	–	–
Lim Tiang Chuan	Executive Deputy Chairman	–	–	–
Hoon Tai Meng	Executive Director	–	–	Member
Dawn Lim Sock Kiang	Executive Director	–	–	–
Ang Mong Seng	Lead Independent Director	Chairman	Member	Member
Cheng Heng Tan	Independent Director	Member	Member	Chairman
Ung Gim Sei	Independent Director	Member	Chairman	Member
Lui Tuck Yew *	Independent Director	Member	–	–

* Lui Tuck Yew was appointed as an Independent Director on 1 July 2016 and as a member of the Audit Committee on 8 August 2016.

Delegation by the Board

The Board has delegated certain functions to various board committees, namely the Audit Committee ("AC"), the Nominating Committee ("NC") and the Remuneration Committee ("RC"). Each of the various board committees has its own written terms of reference and whose actions are reported to and monitored by the Board. In view of its size and lean composition, the Board has decided not to set up a Risk Management Committee. Nonetheless, it has delegated risk management to the AC. The Board accepts that while these various board committees have the authority to examine particular issues and will report back to the Board with their decisions and/or recommendations, the ultimate responsibility on all matters lies with the Board.

Key features of board processes

The Board meets on a quarterly basis to review the key activities and business strategies of the Group and as and when warranted by particular circumstances. Telephonic attendance and video conferencing at Board and board committee meetings are allowed under the Company's Constitution.

CORPORATE GOVERNANCE

The details of the number of Board meetings and board committees held in the year as well as the attendance of each board member at those meetings are disclosed below:

	Board of Directors	Audit Committee	Remuneration Committee	Nominating Committee
No. of meetings held	**6**	**6**	**3**	**2**
		No. of meetings attended		
Directors				
Lim Tiam Seng *	3	-	-	-
Chia Lee Meng Raymond **	4	-	-	-
Lim Tiang Chuan	6	-	-	-
Hoon Tai Meng	6	-	-	2
Dawn Lim Sock Kiang	6	-	-	-
Ang Mong Seng	6	6	3	2
Cheng Heng Tan	6	6	3	2
Ung Gim Sei	6	6	3	2
Lui Tuck Yew ***	2	2	-	-
Goh Chee Wee ****	2	1	-	1

* Lim Tiam Seng retired as the Executive Chairman and a Director and was re-designated as Honorary Chairman and Advisor with effect from 22 April 2016.

** Chia Lee Meng Raymond was appointed as a Director and the Group Chief Executive Officer on 1 February 2016 and was subsequently appointed as the Executive Chairman of the Board on 5 May 2016.

*** Lui Tuck Yew was appointed as an Independent Director on 1 July 2016 and as a member of the Audit Committee on 8 August 2016.

**** Goh Chee Wee retired as an Independent Director and ceased as a member of the Audit Committee on 22 April 2016.

Board approval

The Company has adopted internal guidelines setting forth matters that require the Board's approval. During the year, the Board has met to review and approve amongst other matters, the approval of the quarterly and full year results announcements prior to their release to the SGX-ST, the Group's corporate strategies, major investments, review of the Group's financial performance, interested parties transactions, recommendation of dividends, the approval of Directors' Statement, etc.

Induction and training of Directors

Newly-appointed Directors would receive formal letters, setting out their duties and obligations. The Group also conducts an orientation programme for new Directors to familiarise them with the business activities of the Group, its strategic direction and corporate governance practices.

To keep pace with new laws, regulations, changing commercial risks and accounting standards, all Directors engages in constant dialogues with the management and professionals from time to time. In addition, Directors are also encouraged to attend, at the Group's expense, relevant and useful seminars for their continuing education and skills improvement courses that are conducted by external organisations. Annually, the Company will hold a Directors' training to update Directors of changes in rules and regulations and accounting standards. In addition, the company secretary and Chief Financial Officer ("CFO") will bring to Directors' attention, information on seminars that may be of relevance or use to them.

Principle 2: Board composition and guidance

Board size and board composition

The Board comprises 8 Directors, 4 of whom are Independent Directors. Each year, the NC reviews the size and composition of the Board and board committees and the skills and core competencies of its members to ensure an appropriate balance of skills, experience and gender. These competencies include banking, accounting and finance, business acumen, management experience, industry knowledge, strategic planning experience, customer-based knowledge, familiarity with regulatory requirements and knowledge of risk management. The Board considers that its Directors possess the necessary competencies and knowledge to lead and govern the Group effectively.

Taking into account the nature and scope of the Group's operations and the number of board committees, the Board considers the board size and composition as appropriate. The Board believes that the current size and composition provides sufficient diversity without interfering with efficient decision-making. The Directors' credentials including working experience, academic and professional qualifications are presented at the Board of Directors section of the annual report.

Directors' independence review

A Director who has no relationship with the Group, its related corporations, officers or its shareholders with shareholdings of 10% or more in the voting shares of the Company that could interfere, or be reasonably perceived to interfere, with the exercise of the Director's independent business judgement in the best interests of the Group, is considered to be independent.

The NC determines the independence of each Director annually. For the purpose of determining Directors' independence, every Director has provided declaration of his independence which is deliberated upon by the NC and the Board.

After taking into account the views of the NC, the Board considers all the independent Directors of the Company, are independent in character, judgement and that there are no relationships which are likely to affect or could appear to affect the Directors' judgement.

The Board also recognises that independent Directors may over time develop significant insights in the Group's business and operations, and continue to provide significant and valuable contributions objectively to the Board as a whole. When there are such Directors, the Board will do a rigorous review of their continuing contribution and independence and may exercise its discretion to extend the tenures of these Directors. Presently, Mr Ang Mong Seng has served as independent Director of the Company for more than nine years since his initial appointment in 2003. The Board has subjected his independence to a particularly rigorous review.

Taking into account the views of the NC, the Board concurs that Mr Ang Mong Seng continues to demonstrate strong independence in character and judgement in the discharge of his responsibilities as Director of the Company. He has continued to express his individual viewpoints, debated issues and objectively scrutinised and challenged the management. He has sought clarification and amplification as he deemed required, including through direct access to the Group's employees.

Further, having gained in-depth understanding of business and operating environment of the Group, Mr Ang Mong Seng provides the Company with much needed experience and knowledge of the industry. Based on the declaration of independence received from Mr Ang Mong Seng, he has no association with the management that could compromise his independence. After taking into account all these factors, the Board has determined that Mr Ang Mong Seng continues to be considered as an independent Director, notwithstanding that he has served on the Board for more than nine years from the date of his first appointment.

Role of the non-executive Directors

The non-executive Directors ("NEDs") participate actively in the Board meetings. With their professional expertise, experience and knowledge, they provide constructive advice and guidance for effective discharge by the Board of its principal functions over the Group's strategies, businesses and other affairs. The NEDs also constructively challenge and aid the development of directions on strategy as well as review the performance of the management in achieving agreed goals and objectives. In addition, they also monitor the reporting of the Group's performance.

The NEDs meet and discuss on the Group's affairs without the presence of the management where necessary.

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

The Executive Chairman, Mr Chia Lee Meng Raymond, who is also the Group CEO, leads the Board to ensure its effectiveness on all aspects of its role and takes a leading role in the Group's drive to achieve and maintain a high standard of corporate governance with the full support of the Directors, company secretary and management. He approves the agendas for Board meetings, ensures sufficient allocation of time for thorough discussion of agenda items and promotes a culture of openness and debate at the Board. He also ensures that Board matters are effectively organised to enable Directors to receive complete, adequate and timely information in order to make sound decisions, promote constructive relations within the Board and between the Board and management, and ensure effective communication with the shareholders. He also facilitates the effective contributions from NEDs.

Although the roles of Chairman and the CEO are not separated, the Board is of the view that there is sufficient safeguard and checks to ensure that the process of decision making by the Board is independent and based on collective decisions without any individual or group of individuals exercising any considerable concentration of power or influence. For good corporate governance, Mr Ang Mong Seng, the AC Chairman, has been appointed as the Lead Independent Director. Shareholders with concerns may contact him directly, when contact through the normal channels via the Chairman and Group CEO or CFO has failed to provide satisfactory resolution, or when such contact is inappropriate.

All the independent Directors, including Lead Independent Director, meet at least annually without the presence of other executive and non-independent Directors to discuss matters of significance which are then reported to the Chairman accordingly.

Principle 4: Board membership

NC composition

The NC comprises the following four members, three of whom are independent non-executive Directors and one executive Director:

1. Mr Cheng Heng Tan (Chairman);

2. Mr Ang Mong Seng;

3. Mr Ung Gim Sei; and

4. Mr Hoon Tai Meng.

The NC holds at least 1 NC meeting within each financial year and also as warranted by particular circumstances, as deemed appropriate by the NC.

The NC, which has written terms of reference, is responsible for making recommendations to the Board on all board appointments and re-appointments. The key terms of reference of the NC include the following:

- Review and recommend to the Board on the appointment and re-appointment of Directors;
- Review the skills required by the Board, and the size of the Board;
- Ensure that the Company adheres to the board composition rules, including having independent Directors make up at least one-third of the Board;
- Evaluate whether or not a Director is able to and has been adequately carrying out his/her duties as Director of the Company, when he/she has multiple board representations;
- Develop a process for evaluating the performance of the Board and each individual Director;
- Formal assessment of the effectiveness of the Board as a whole and each individual Director;
- Review the training and professional development programmes for the Board; and
- Review the Board succession plans for Directors, in particular, the Chairman and Group CEO.

CORPORATE GOVERNANCE

Key information on the Directors is set out below:

Name of Director	Position	Date of first appointment as a Director	Date of last re-appointment as a Director	Present Directorships or chairmanships in other listed companies	Directorships or chairmanships held over the preceding three years in other listed companies	Other principal commitments	Due for re-appointment at the AGM
Chia Lee Meng Raymond	Executive Chairman and Group Chief Executive Officer	1 February 2016	22 April 2016	None	None	None	N.A.
Lim Tiang Chuan	Executive Deputy Chairman	23 October 1998	22 April 2016	None	None	None	N.A.
Hoon Tai Meng	Executive Director	2 November 1999	25 April 2014	• Sin Ghee Huat Corporation Ltd • Pavillon Holdings Ltd	None	None	Retirement by rotation (Article 115)
Dawn Lim Sock Kiang	Executive Director	1 December 2009	23 April 2015	None	None	None	N.A.
Ang Mong Seng	Independent Director	19 March 2003	25 April 2014	• Hoe Leong Corporation Ltd • Annaik Ltd • Gaylin Holdings Ltd	• Ecowise Holdings Ltd • Golden Energy and Resources Limited	• Director of Pei Hwa Foundation Ltd and The Chinese Opera Institute • Sole proprietor of Ang Mong Seng Consultants	Retirement by rotation (Article 115)
Cheng Heng Tan	Independent Director	20 July 2011	23 April 2015	None	None	Director and substantial shareholder of Omakase Burger/Picnic Group	N.A.
Ung Gim Sei	Independent Director	23 April 2015	23 April 2015	• Informatics Education Ltd • EMS Energy Ltd	None	• Director of Duane Morris & Selvam LLP • Legal advisor and Committee member of Singapore China Business Association • Audit Committee member of Kong Meng San Phor Kark See Monastery • Vice President of the Singapore China Friendship Association • Committee member of the China Aw Boon Haw Foundation • Legal advisor of Tan Kah Kee Foundation	Retirement by rotation (Article 115)
Lui Tuck Yew	Independent Director	1 July 2016	N.A.	None	None	None	Retirement (Article 119)

Note:
The details of Directors' credentials including working experience, academic and professional qualifications, shareholding in the Company and its related corporations and Directorships can be found in the Board of Directors and Directors' Statement sections of the annual report.

Directors' time commitments and multiple Directorships

The NC determines annually whether a Director with multiple board representations and/or other principal commitments is able to and has been adequately carrying out his/her duties as a Director of the Company. Each Director is also required to confirm annually to the NC as to whether he has any issue with competing time commitments which may impact his ability to provide sufficient time and attention to his duties as a Director of the Company.

The NC takes into account the results of the assessment of the effectiveness of the individual Director, the Director's annual confirmation and the Directors' actual conduct on the Board, in making this determination.

In respect of FY2016, the NC was of the view that each Director's Directorship was in line with the Company's guideline of a maximum of 8 listed company board representations and that each Director has discharged his/her duties adequately.

Process for selection and appointment of new Directors

The NC has put in place a formal process for the selection of new Directors to increase transparency of the nomination process in identifying and evaluating nominees for Directors. The NC leads the process as follows:

- NC evaluates the balance, skills, knowledge and experience of the existing Board and the requirements of the Group. In light of such evaluation, the NC determines the role and the key attributes that an incoming Director should have.

- After endorsement by the Board of the key attributes, the NC taps on the resources of Directors' personal contacts and recommendations of the potential candidates and goes through a short-listing process. If candidates identified from this process are not suitable, executive recruitment agencies are appointed in the search process.

- NC meets with the shortlisted candidate(s) to assess suitability and to ensure that the candidate(s) is/are aware of the expectations and the level of commitment required.

- NC recommends the most suitable candidate to the Board for appointment as Director.

Process for re-appointment of Directors

The NC is responsible for re-appointment of Directors. In its deliberations on the re-appointment of existing Directors, the NC takes into consideration the Director's contribution and performance.

The assessment parameters include attendance record, preparedness, intensity of participation and candour at meetings of the Board and board committees as well as the quality of intervention and special contribution.

All Directors submit themselves for re-nomination and re-appointment at regular intervals of at least once every three years. Article 115 of the Company's Constitution provides that one-third of the Directors (or, if their number is not a multiple of three, the number nearest to but not less than one-third) shall retire from office by rotation and be subject to re-appointment at the Company's AGM.

In addition, Article 119 of the Company's Constitution provides that a newly appointed Director during the financial year must retire and submit himself/herself for re-appointment at the next AGM following his/her appointment. Thereafter, he or she is subject to be re-appointed at least once every three years.

CORPORATE GOVERNANCE

Pursuant to the one-third rotation rule, Mr Hoon Tai Meng, Mr Ang Mong Seng and Mr Ung Gim Sei will retire and submit themselves for re-appointment at the forthcoming AGM. Mr Lui Tuck Yew will retire pursuant to the Article 119 of the Constitution and has submitted himself for re-appointment. The NC is satisfied that Mr Hoon Tai Meng, Mr Ang Mong Seng, Mr Ung Gim Sei and Mr Lui Tuck Yew retiring in accordance with the Company's Constitution at the forthcoming AGM are properly qualified for re-appointment by virtue of their skills, experience and their contribution of guidance and time to the Board's deliberations. Each member of the NC abstains from making any recommendations and/or participating in any deliberation of the NC and from voting on any resolution, in respect of the assessment of his own performance or re-nomination as a Director.

Principle 5: Board performance

The Board has implemented a process carried out by the NC, for assessing the effectiveness of the Board as a whole and individual Director on an annual basis.

At the end of each year, each board member is required to complete a board appraisal form and Director's assessment form and send the forms to the NC Chairman before the NC meeting. Based on the returns, the NC Chairman will prepare a consolidated report and present the report to the Board at the Board meeting to be held before the annual general meeting.

The NC decides on how the Board's performance is to be evaluated and proposes objective performance criteria, subject to the Board's approval, which allow for comparison to industry peers and which address how the Directors have enhanced long-term shareholders' value. It also considers the Company's share price performance on a quarterly basis.

The Chairman would act on the results of the performance evaluation, and where appropriate, propose new members to be appointed to the Board or seek the resignation of Directors, in consultation with the NC.

Principle 6: Access to information

Complete, adequate and timely information

The management recognises the importance of ensuring the flow of complete, adequate and timely information to the Directors on an ongoing basis to enable them to make informed decisions to discharge their duties and responsibilities. The Board has separate and independent access to the management and is entitled to request additional information from the management.

To allow Directors sufficient time to prepare for the meetings, except for ad hoc and urgent meeting, all Board and Board committee papers are distributed to Directors at least 3 working days in advance of the meeting. Any additional material or information requested by the Directors is promptly furnished. Key management who can provide additional insight into the matters to be discussed will be present at the relevant time during the Board and board committee meetings.

On a quarterly basis, the Head of internal audit also provides the Board with internal audit report. This report includes:

- Status of the audits in the annual internal audit plan;
- Key findings arising from completed audits; and
- Implementation status of outstanding management action plans (if any).

Company secretary

Directors have separate and independent access to the company secretary. The company secretary is responsible for, among other things, ensuring that Board procedures are observed and that Company's Constitution, relevant rules and regulations, including requirements of the Companies Act, Chapter 50 and SGX-ST's Listing Manual, are complied with. He/She also assists the Chairman and the Board in implementing and strengthening corporate governance practices and processes, with a view to enhancing long-term shareholder value.

The company secretary assists the Chairman in ensuring good information flows within the Board and its Board committees and between the management and NEDs. The company secretary also facilitates the orientation and assists with professional development as required.

The company secretary attends and prepares minutes for all Board meetings and also assists in ensuring coordination and liaison between the Board, the board committees and management. In addition, the company secretary also assists the Chairman of the Board, the Chairman of board committees and the management in the development of the agendas for the various Board and board committee meetings.

The appointment and the removal of the company secretary are subject to the Board's approval.

Independent professional advice

The Board has a process for Directors, either individually or as a group, in the furtherance of their duties, to take independent professional advice, if necessary, at the Group's expense.

REMUNERATION MATTERS

Principle 7: Procedures for developing remuneration policies

RC

The RC comprises the following three members, all of whom are independent non-executive Directors:

1. Mr Ung Gim Sei (Chairman);

2. Mr Ang Mong Seng; and

3. Mr Cheng Heng Tan.

The RC is responsible for ensuring a formal and transparent procedure for developing policies on executive remuneration, and for fixing the remuneration packages of individual Directors and key management personnel.

During the year, the RC has met three times and carried out its duties in accordance with its terms of reference, which include reviews and recommendations on all matters concerning the remuneration packages of executive Directors, staff related to Directors as well as certain key management personnel; and also 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; and implement and administer the Chip Eng Seng Employee Share Option Scheme 2013 ("ESOS") and the Chip Eng Seng Performance Share Plan ("CES Share Plan").

The RC's recommendations were made in consultation with the Chairman of the Board and none of the members of the RC or any Director is involved in deliberations in respect of any remuneration, compensation, share-based incentives or any form of benefits to be granted to him/her. The RC from time to time and where necessary seeks advice from external remuneration consultant in framing the remuneration policy and determining the level and mix of remuneration for Directors and key management personnel.

During the year, the RC sought views from an external consultant, Aon Hewitt, to provide advice on market practices and benchmark data on board and executive compensation. The RC undertook the review of the independence and objectivity of the external consultant, and has confirmed that Aon Hewitt and its principal consultant do not have any connection with the Group or any of its directors which could affect their independence and objectivity.

Principle 8: Level and mix of remuneration
Principle 9: Disclosure of remuneration

Remuneration of executive Directors and key management personnel

The Company has a framework of remuneration for the Board members, staff related to Directors and key management personnel. Under this framework, the total remuneration comprises fixed and variable components. The fixed component comprises basic salary, contractual bonus, statutory employer's contributions to the Central Provident Fund and fixed allowances. In setting remuneration packages, the Group takes into account pay and employment conditions within the same industry and in comparable companies, as well as the Group's relative performance and the performance of individual Directors and key management personnel. Variable component comprises non-contractual bonus and profit sharing that are linked to corporate and individual performance. The Company also has an ESOS and a CES Share Plan, which aim to provide long-term incentives for Directors and key management personnel to encourage loyalty and align the interest of the Directors and key management personnel with those of the shareholders. For details of ESOS and CES Share Plan, please refer to the Directors' Statement of the annual report.

Use of contractual provisions for executive Directors and key management personnel

The service contracts with executive Directors contain reclamation of incentive component clause to safeguard the Group's interest in exceptional circumstances of misstatement of financial results, or misconduct resulting in financial loss or fraud by executive Directors or key management personnel.

For the existing service contracts with key management personnel, the RC will incorporate such clause in the next revision of service contracts.

Remuneration of NEDs

The RC reviews the scheme put in place by the Company for rewarding the NEDs to ensure that the compensation is commensurate with the effort, time spent and responsibilities of the NEDs.

With regard to the scope and extent of a Director's responsibilities and obligations, the prevailing market conditions, and referencing Directors' fees against comparable benchmarks, the Board has agreed with the RC's recommendation that the current fee structure for NEDs to remain unchanged from the financial year ended 31 December 2016.

The fees for NEDs comprise a basic retainer fee, additional fees for appointment to Board committees and a one-off incentive depending on the Group's performance. The Chairman of each Board committee is also paid a higher fee compared with the members of the respective committees in view of the greater responsibility carried. Each member of the RC abstains from voting in respect of their own respective Director's fees.

The framework for determining NEDs' fees is as follows:

Basic retainer fee
Non-executive Directors $ 50,000 per annum

Audit Committee
Committee Chairman $ 20,000 per annum
Committee member $ 15,000 per annum

Nominating Committee or Remuneration Committee
Committee Chairman $ 10,000 per annum
Committee member $ 5,000 per annum

The Directors' fees payable to NEDs are subject to shareholders' approval at the Company's upcoming AGM. A share-based compensation scheme has also been implemented to better align the interests of NEDs and shareholders.

Remuneration of Directors and the Group CEO

A summary of the remuneration of each Director and the Group CEO which is paid or payable by the Company for FY2016 is set out below:

Remuneration band and name of Director	Base salary[1]	Variable payment[2]	Other Benefits[3]	Fees[4]	Total
Above $1,000,000					
Chia Lee Meng Raymond	16%	53%	31%	-	100%
$800,000 to $999,999					
Lim Tiang Chuan	60%	38%	2%	-	100%
$600,000 to $799,999					
Hoon Tai Meng	68%	30%	2%	-	100%
$400,000 to $599,999					
Dawn Lim Sock Kiang	71%	26%	3%	-	100%
Below $200,000					
Lim Tiam Seng *	92%	-	8%	-	100%
Ang Mong Seng	-	-	-	100%	100%
Cheng Heng Tan	-	-	-	100%	100%
Ung Gim Sei	-	-	-	100%	100%
Lui Tuck Yew **	-	-	-	100%	100%

* Lim Tiam Seng retired as the Executive Chairman and as a director with effect from 22 April 2016.
The above remuneration was in relation to his services rendered from 1 January 2016 to 22 April 2016.

** Lui Tuck Yew was appointed as an Independent Director with effect from 1 July 2016.

CORPORATE GOVERNANCE

1. Base salary includes contractual bonus and employer's Central Provident Fund contributions.

2. Variable payment includes performance bonus, profit sharing, share options and employer's Central Provident Fund contribution with respect to that payment.

3. Other benefits refer to benefits-in-kind such as car benefits made available as appropriate.

4. $290,000 was approved by shareholders as a lump sum at the AGM held on 22 April 2016 and the balance of $1,200 is to be approved in the forthcoming AGM to be convened on 26 April 2017.

The remuneration of each individual Executive Director is not disclosed in dollar terms as the Company considers information pertaining to the remuneration of its executive Directors commercially sensitive. The Company operates in a highly competitive environment where poaching of employees by competitors is fairly common.

The remuneration of Independent Directors comprises only Directors' fees. The framework for determining the Directors' fees is disclosed in the earlier paragraph (Remuneration of NEDs).

Remuneration of top five key management personnel

In the interest of maintaining good morale and a strong spirit of teamwork within the Group, the Company has weighed the advantages and disadvantages of the disclosure relating to the individual and aggregate remuneration of the Group's top 5 key management personnel (who are not Directors) for the financial year ended 31 December 2016 and believe that such disclosure may be prejudicial to its business interest given the highly competitive environment it is operating in. Their profiles are found on page 26 of the annual report.

Remuneration of employees who are immediate family members of a Director

	Relationship with Director	Base salary[1]	Variable payment[2]	Allowances and other benefits[3]	Total
$450,000 to $499,999					
Lim Sock Joo	Spouse of Chia Lee Meng Raymond; Niece of Lim Tiang Chuan; and Sister of Dawn Lim Sock Kiang.	58%	39%	3%	100%
$300,000 to $349,999					
Lim Tian Back	Brother of Lim Tiang Chuan; Uncle of Dawn Lim Sock Kiang; and Uncle-in-law of Chia Lee Meng Raymond.	69%	18%	13%	100%
Lim Tian Moh	Brother of Lim Tiang Chuan; Uncle of Dawn Lim Sock Kiang; and Uncle-in-law of Chia Lee Meng Raymond.	69%	18%	13%	100%
$250,000 to $299,999					
Lim Ling Kwee	Nephew of Lim Tiang Chuan; Brother of Dawn Lim Sock Kiang; and Brother-in-law of Chia Lee Meng Raymond.	61%	16%	23%	100%
$200,000 to $249,999					
Lim Tiam Seng *	Father of Dawn Lim Sock Kiang; Father-in-law of Chia Lee Meng Raymond; and Brother of Lim Tiang Chuan	89%	-	11%	100%

* Lim Tiam Seng was appointed as Honorary Chairman and Advisor with effect from 22 April 2016. The remuneration above is in relation to his services rendered from 22 April 2016 to 31 December 2016.

1. Base salary includes contractual bonus and employer's Central Provident Fund contributions.

2. Variable payment includes performance bonus, profit sharing and employer's Central Provident Fund contribution with respect to that payment.

3. Other benefits refer to benefits-in-kind such as car benefits made available as appropriate.

ACCOUNTABILITY AND AUDIT

Principle 10: Accountability

The management provides the Board with a continual flow of relevant information on a timely basis and meets the Board regularly for discussions on operational and financial matters.

The Board reviews and approves the results as well as any announcements before its release. The Board provides shareholders with quarterly and annual financial reports. Results for the first three quarters are released to shareholders within 45 days from the end of the quarter. Annual results are released within 60 days from the financial year-end. In presenting the annual and quarterly financial statements to shareholders, the Board aims to provide shareholders with a balanced and clear assessment of the Group's position and prospects. The Board also ensures timely and full disclosure of material corporate developments to shareholders.

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

For the financial year under review, the CEO and CFO have provided assurance to the Board on the integrity of the financial statements for the Company and its subsidiaries.

Principle 11: Risk management and internal controls

The Board, with the assistance from the AC, is responsible for the governance of risk by ensuring that the management maintains a sound system of risk management and internal controls to safeguard shareholders' interest and the Group's assets, and determines the nature and extent of the significant risks which the Board is willing to take in achieving strategic objectives.

The AC is responsible for making the necessary recommendations to the Board such that an opinion regarding the adequacy and effectiveness of the risk management and internal control systems of the Group can be made by the Board in the annual report of the Company according to requirements in the SGX-ST's Listing Manual and the Code.

The Company, with the assistance from an external consultant, has established the Enterprise Risk Management Framework on policies, processes and systems pertaining to each of the key risk areas of the Group.

On an annual basis, the Group's internal audit function prepares an audit plan taking into consideration risks identified and assessed from the risk management system. This risk-based audit plan is approved by the AC and audits are conducted to assess the adequacy and effectiveness of the Group's system of internal controls in addressing financial, operational, compliance and information technology risks. In addition, material control weaknesses over financial reporting, if any, are highlighted by the external auditors in the course of the statutory audit.

All audit findings and recommendations made by the internal and external auditors are reported to the AC and significant findings are discussed at the AC meetings. The Group's internal audit function follows up on all recommendations to ensure timely remediation of audit issues and reports the status to the AC every quarter.

CORPORATE GOVERNANCE

Assurance from the CEO and CFO

The Board has received written assurance from the CEO and CFO that:

a. the financial records of the Group have been properly maintained and the financial statements for FY2016 give a true and fair view of the Group's operations and finances; and

b. the risk management and internal controls systems in place within the Group are adequate and effective in addressing the material risks in the Group in its current business environment including material financial, operational, compliance and information technology risks.

Based on the reviews conducted by the management and the internal auditor throughout the financial year, the statutory audit conducted by the external auditor, as well as the assurance from the CEO and CFO, the Board with the concurrence of the AC, is of opinion that the Group's internal controls addressing financial, operational and compliance risks as well as the Group's information technology control and risk management systems which the Group considers relevant and material to its operations were adequate and effective as at 31 December 2016.

The Board notes that the system of internal controls and risk management provides reasonable, but not absolute, assurance that the Group will not be adversely affected by any event that can be reasonably foreseen. Furthermore, the Board also acknowledges that no system of internal controls and risk management can provide absolute assurance in this regard, or absolute assurance against the occurrence of material errors, poor judgement in decision-making, human errors, losses, fraud or other irregularities.

Principle 12: Audit committee

The AC comprises the following four members, all of whom are independent non-executive Directors:

1. Mr Ang Mong Seng (Chairman);

2. Mr Cheng Heng Tan;

3. Mr Ung Gim Sei; and

4. Mr Lui Tuck Yew.

The Board is of the view 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 members of the AC carried out their duties in accordance with the terms of reference which include the following:

- Review the significant financial reporting issues and judgments so as to ensure the integrity of the financial statements of the Group and any formal announcements relating to the Group's financial performance before their submission to the Board.

- Review and report to the Board at least annually on the adequacy and effectiveness of the Group's internal controls, including financial, operational compliance and information technology controls and risk management systems.

- Review the adequacy and effectiveness of the Group's internal audit function at least annually, including the adequacy of internal audit resources and its appropriate standing within the Group, as well as the scope and the results of the internal audit procedures.

- Review the scope and results of the external audit work, the cost effectiveness of the audit, and the independence and objectivity of the external auditors.

- Recommend to the Board on the proposals to the shareholders on the appointment, re-appointment and removal of the external auditors and approve the remuneration and terms of engagement of the external auditors.

- Review interested person transactions ("IPTs") in accordance with the requirements of the SGX-ST's Listing Manual.

The AC has explicit authority to investigate any matter within its terms of reference and is authorised to obtain independent professional advice. It has full access to and co-operation of the management and reasonable resources to enable it to discharge its duties properly. It also has full discretion to invite any Director or executive officer or any other person to attend its meetings.

Summary of the AC's activities

The AC met six times during the year under review. The CFO, company secretary, internal auditors and external auditors are invited to these meetings. Other members of senior management are also invited to attend as appropriate to present reports.

During FY2016, the AC met with external auditors and internal auditors separately, without the presence of management. These meetings enable the external auditors and internal auditors to raise issues encountered in the course of their work directly to the AC.

The principal activities of the AC during FY2016 are summarised below:

a. Reviewed the quarterly and full year announcements, material announcements and all related disclosures to the shareholders before submission to the Board for approval;

b. Reviewed the audit plan and audit report of the Company's internal and external auditors and ensures the adequacy of the Company's system of accounting controls and the co-operation given by the Company's management to the external and internal auditors;

c. Reviewed the annual financial statements and also discussed with the management, the CFO and the external auditors the significant accounting policies, judgment and estimate applied by the management in preparing the annual financial statements. Following the review and discussions, the AC then recommended to the Board for approval of the audited annual financial statements;

d. Recommended to the Board for re-appointment of Ernst & Young LLP as auditors of the Company for the ensuing year;

e. Undertook a review of the independence and objectivity of the external auditors through discussions with the external auditors as well as reviewing the non-audit fees awarded to them. The AC received a yearly report setting out the non-audit services provided by Ernst & Young LLP and the fees charged. An analysis of fees paid in respect of audit and non-audit services provided is disclosed in Note 8 to the financial statements;

f. Reviewed the nature and extent of non-audit services provided by the external auditors - the AC was satisfied that the nature and extend of such services would not affect the independence of the external auditors;

g. Reviewed the reports and findings from the internal auditors in respect of the adequacy of the Company's internal controls in management, business and service systems and practices; and

h. Reviewed the Group's IPTs to ensure that the transactions were carried out on normal commercial terms and are not prejudicial to the interests of the Company or its non-controlling shareholders. The AC is satisfied that the internal controls over the identification, evaluation, review, approval and reporting of IPTs was effective.

In appointing auditors for the Company's subsidiaries and significant associated companies, the Group has complied with Rules 712 and Rule 715 (read with Rule 716) of the SGX-ST's Listing Manual.

Interested person transactions

The Company has set out procedures governing all interested person transactions to ensure that they are carried out on an arm's length basis and on normal commercial terms and will not be prejudicial to the interests of the Company and its shareholders.

During the year, there were the following interested person transactions entered with directors of the Company:

Name of interested person	Aggregate value of all interested person transactions conducted during the financial year (excluding transactions below $100,000 and transactions conducted under the 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
Chia Lee Meng Raymond, Executive Chairman and Group Chief Executive Officer	169 (1)	NIL
Lim Tiang Chuan, Executive Deputy Chairman	122 (1)	NIL

(1) These relate to the interests paid and/or payable for the Company's term notes held.

The Company does not have a general shareholders' mandate for interested person transactions pursuant to Rule 920 of the Listing Manual.

Whistle blowing

The AC also reviewed the adequacy of the whistle blower arrangements instituted by the Group through which staff and external parties may, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters.

The Group is committed to a high standard of ethical conduct and adopts a zero tolerance approach to fraud. The Group will treat all information received confidentially and protect the identity and the interest of all whistleblowers. Anonymous disclosures will be accepted and anonymity honoured. Reports of suspected fraud, corruption, dishonest practices or other similar matters can be lodged by calling or emailing to the Group CEO.

All cases reported are objectively investigated and appropriate remedial measures are taken where warranted. All whistle blowing matters are reviewed monthly by the AC Chairman and quarterly by the members of AC. Matters requiring immediate or urgent attention are reported immediately to the AC Chairman.

The policy is communicated via the Staff Handbook. On an ongoing basis, the whistle-blower policy is covered during staff training and periodic communication to all staff as part of the Group's efforts to promote awareness of fraud control.

Principle 13: Internal audit

The Group has established an in-house internal audit function. The internal audit is an independent function within the Group. The Head of Internal Audit reports directly to the AC functionally and to the Group CEO administratively.

The AC approves the hiring, removal, evaluation and compensation of the Head of Internal Audit. The scope of authority and responsibility of the internal audit function is defined in the Group Internal Audit Charter, which is approved by the AC. The standards of the Internal Audit Charter are consistent with the International Standards for the Professional Practice of Internal Auditing issued by the Institute of Internal Auditors.

The primary role of internal audit function is to assist the Board and senior management to meet the strategic and operational objectives of the Group, by providing an independent and objective evaluation of the adequacy and effectiveness of risk management, controls and governance processes. The annual internal audit plan is established in consultation with, but independent of, management. The internal audit plan is reviewed and approved by the AC. All internal audit findings, recommendations and status of remediation, are circulated to the AC, the executive Director, the external auditors and relevant senior management every quarter.

The professional competence of the internal auditors is maintained or upgraded through training programmes, conferences and seminars that provide updates on auditing techniques, regulations, financial products and services. The internal audit function is staffed with suitably qualified experienced professionals with diverse operational and financial experience. The AC is satisfied that the internal audit function has adequate resources to perform its functions effectively.

The Head of Internal Audit presents the internal audit findings to the Board at each quarter. The AC meets with the Head of Internal Audit at least once annually, without the presence of management. The internal auditors have unfettered access to all the Group's documents, records, properties and personnel, including the AC.

SHAREHOLDER RIGHTS AND RESPONSIBILITIES

Principle 14: Shareholder rights

The Group recognises the importance of maintaining transparency and accountability to its shareholders. The Board ensures that all the Company's shareholders are treated equitably and the rights of all investors, including non-controlling shareholders are protected.

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.

The Company ensures that shareholders have the opportunity to participate effectively and vote at general meetings of shareholders and informs shareholders of the rules, including voting procedures, governing such meetings.

Registered corporate shareholders or nominee companies, who are unable to attend the AGM are provided the option to appoint more than two proxies to attend and vote at the AGM. This allows shareholders who hold shares through such corporation to attend and participate in the AGM as proxies.

Principle 15: Communication with shareholders

Disclosure of information on a timely basis

The Company is committed to providing its investors with a high level of transparency by engaging in regular, effective and fair communication with shareholders. In line with continuous disclosure obligations of the Company pursuant to the SGX-ST's Listing Manual, the Board's policy is to provide timely information to all shareholders of all major developments that impact the Group via SGXNET, press releases and corporate website at www.chipengseng.com.sg. In the event that unpublished material information is inadvertently disclosed to any selected group in the course of the Group's interactions with the investing community, a media release or announcement will be released to the public via SGXNET.

Interaction with shareholders

The Group values dialogue sessions with its shareholders. The Group believes in regular, effective and fair communication with shareholders and is committed to hearing shareholders' views and addressing their concerns.

CORPORATE GOVERNANCE

Dividend policy

The Board aims to declare and pay an annual dividend. In considering the level of dividend payments, the Board takes into account various factors including:

- The profitability of the Company;
- The level of our available cash;
- The return on equity and retained earnings; and
- Our projected levels of capital expenditure and other investment plans.

Principle 16: Conduct of shareholder meetings

The Group supports and encourages active shareholder 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 Chairman of the Board and the respective Chairmen of the AC, the NC and the RC are usually present and available at the AGM to address shareholders' queries. Appropriate senior management personnel are also present at the meeting to respond, if necessary, to operational questions from shareholders. The external auditors are also present to address shareholders' queries about the conduct of audit and the preparation and content of the auditors' report.

Every matter requiring shareholders' approval is proposed as a separate resolution. Detailed information on each item in the AGM agenda is accompanied by explanatory notes in the notice of AGM. All resolutions put to the vote at a general meeting of the Company shall be voted by way of poll. The Company also maintains minutes of the AGM, which includes the key comments and queries raised by shareholders and the responses from the Board and the management.

Material contracts

Except as disclosed in Note 29 (Related Party Transactions) of the notes to the financial statements, there were no other material contracts of the Company and its subsidiaries involving the interests of each Director or controlling shareholder, either still subsisting as at the end of the financial year or if not then subsisting, entered into since the end of the previous financial year.

Dealing in Company's securities

The Company has adopted an internal code on securities trading which sets out the implications of insider trading and provides guidance and internal regulation with regard to dealings in the Company's securities by the Company, its Directors and officers of the Group. These guidelines prohibit dealing in the Company's securities on short-term considerations and while in possession of unpublished material price-sensitive information in relation to such securities, and during the "close period" which is defined as two weeks before the date of announcement of results for each of the first three quarters of the Company's financial year and one month before the date of announcement of the full year financial results, and ending on the date of the announcement of the relevant results.

The Directors and key officers of the Group are notified in advance of the commencement of the "close periods" relating to the dealings in the Company's securities.

In view of the processes in place, in the opinion of the Directors, the Company has complied with Listing Rule 1207(19) on Dealings in Securities.

FINANCIAL CONTENTS

DIRECTORS' STATEMENT

The directors are pleased to present their statement to the members together with the audited consolidated financial statements of Chip Eng Seng Corporation Ltd (the "Company") and its subsidiaries (collectively, the "Group") and the balance sheet and statement of changes in equity of the Company for the financial year ended 31 December 2016.

1. Opinion of the directors

In the opinion of the directors,

(i) the consolidated financial statements of the Group and the balance sheet, and statement of changes in equity of the Company are drawn up so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2016 and the financial performance, changes in equity and cash flows of the Group and the changes in equity of the Company for the year ended on that date; and

(ii) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

2. Directors

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

Chia Lee Meng Raymond	(Executive Chairman and Group Chief Executive Officer, appointed on 1 February 2016)
Lim Tiang Chuan	(Executive Deputy Chairman)
Hoon Tai Meng	
Dawn Lim Sock Kiang	
Ang Mong Seng	
Cheng Heng Tan	
Ung Gim Sei	
Lui Tuck Yew	(Appointed on 1 July 2016)

In accordance with Article 115 of the Company's Constitution, Hoon Tai Meng, Ang Mong Seng and Ung Gim Sei would retire by rotation and, being eligible, offer themselves for re-election. Lui Tuck Yew would retire under Article 119 of the Company's Constitution, and being eligible, offer himself for re-election.

3. Arrangements to enable directors to acquire shares and debentures

Except as disclosed in this statement, neither at the end of nor at any time during the financial year was the Company a party to any arrangement whose objects are, or one of whose objects is, to enable the directors of the Company to acquire benefits by means of the acquisition of shares or debentures of the Company or any other body corporate.

4. **Directors' interests in shares and debentures**

The following directors, who held office at the end of the financial year, had, according to the register of directors' shareholdings required to be kept under Section 164 of the Singapore Companies Act, Chapter 50, an interest in shares and share options of the Company as stated below:

	Direct interest			Deemed interest		
Name of Director	**At 1.1.2016 or date of appointment**	**At 31.12.2016**	**At 21.01.2017**	**At 1.1.2016 or date of appointment**	**At 31.12.2016**	**At 21.01.2017**
The Company						
(No. of Ordinary shares)						
Chia Lee Meng Raymond	6,125,000	6,125,000	6,125,000	19,702,000	19,702,000	19,702,000
Lim Tiang Chuan	44,177,000	44,177,000	44,177,000	–	–	–
Hoon Tai Meng	1,625,500	1,625,500	1,625,500	–	–	–
Dawn Lim Sock Kiang	15,377,000	15,377,000	15,377,000	30,000	–	–
Ang Mong Seng	146,000	146,000	146,000	–	–	–
Ung Gim Sei	–	–	–	153,000	153,000	153,000
Options to acquire ordinary shares of the Company under the Chip Eng Seng Employee Share Option Scheme						
Chia Lee Meng Raymond	–	40,000,000	40,000,000	–	–	–
The Company						
4.25% fixed rate notes due 17 Oct 2017 pursuant to the Multicurrency Debt Issuance Programme established on 18 Oct 2013						
Chia Lee Meng Raymond	$3,000,000	$3,000,000	$3,000,000	–	–	–
Lim Tiang Chuan	$2,250,000	$2,250,000	$2,250,000	–	–	–
Hoon Tai Meng	$1,000,000	$1,000,000	$1,000,000	–	–	–
Dawn Lim Sock Kiang	$1,000,000	$1,000,000	$1,000,000	–	–	–
Lui Tuck Yew	$250,000	$250,000	$250,000	–	–	–
4.75% fixed rate notes due 14 June 2021 pursuant to the Multicurrency Debt Issuance Programme established on 18 Oct 2013						
Chia Lee Meng Raymond	–	$2,000,000	$2,000,000	–	–	–
Lim Tiang Chuan	–	$1,000,000	$1,000,000	–	–	–
Dawn Lim Sock Kiang	–	$750,000	$750,000	–	–	–
Ang Mong Seng	–	$250,000	$250,000	–	–	–
Cheng Heng Tan	–	–	–	–	$500,000	–
Lui Tuck Yew	–	$250,000	$250,000	–	–	–

Except as disclosed in this report, no director who held office at the end of the financial year had interests in shares, share options, warrants or debentures of the Company, or of related corporations, either at the beginning of the financial year, or date of appointment if later, at the end of the financial year, or on 21 January 2017.

DIRECTORS' STATEMENT

5. **Share Plans**

The Company has a Chip Eng Seng Employee Share Option Scheme 2013 (the "ESOS") and Chip Eng Seng Performance Share Plan (the "CES Share Plan") which are administered by the Remuneration Committee comprising three directors namely Ung Gim Sei (Chairman), Ang Mong Seng (Member) and Cheng Heng Tan (Member). Details of the ESOS and CES Share Plan are as follows:

(a) ESOS

The ESOS was approved at an Extraordinary General Meeting held on 25 April 2013. The following persons are eligible to participate in the ESOS at the discretion of the Remuneration Committee:

(i) Confirmed employees who have attained the age of 21 years and hold such rank as may be designated by the Scheme Committee from time to time and who, in the opinion of the Scheme Committee, have contributed or will contribute to the success of the Group and/or Associated companies;

(ii) Executive directors;

(iii) Non-executive directors; and

(iv) Persons who are Controlling Shareholders or their Associates are permitted to participate in the ESOS (subject to them meeting the eligibility criteria set out above).

On 3 June 2016 ("date of grant"), the Company has granted 40,000,000 share options at the exercise price of S$0.5542 per ordinary share under the ESOS. The option was offered at a 15% discount to the market price of the Company's shares based on the average of the last dealt prices for the shares on the Stock Exchange over the five (5) consecutive market days immediate preceding the date of grant of the option. These options are exercisable only after 2 years from date of grant and expire in stages before the eighth anniversary from the date of grant and in accordance with the following vesting schedule:

Vesting schedule	Number of options
Expire on 4th anniversary from the date of grant of option	5,000,000
Expire on 5th anniversary from the date of grant of option	10,000,000
Expire on 6th anniversary from the date of grant of option	10,000,000
Expire on 7th anniversary from the date of grant of option	10,000,000
Expire on 8th anniversary from the date of grant of option	5,000,000

5. **Share Plans (cont'd)**

The details of options granted to an Executive Director of the Company, Chia Lee Meng Raymond, under the ESOS are as follows:

Options granted during financial year	Aggregate options granted since commencement of ESOS to end of financial year	Aggregate options exercised since commencement of ESOS to end of financial year	Aggregate options lapsed since commencement of ESOS to end of financial year	Aggregate options outstanding as at end of financial year
40,000,000	40,000,000	–	–	40,000,000

(b) CES Share Plan

Objectives

The CES Share Plan was approved at an Extraordinary General Meeting held on 27 April 2007. The CES Share Plan is to motivate participants to maintain a high level of performance and contribution and to attract and maintain a group of key executives and directors whose contributions are important to the long-term growth and profitability of the Group. In addition, it is to give recognition to the contribution made or to be made by the non-executive directors to the success of the Group.

Eligibility

The following persons shall be eligible to participate in the CES Share Plan subject to the absolute discretion of the Remuneration Committee:

(i) All full-time employees of the Group, including a director of the Company and/or its subsidiaries who perform an executive function and have attained the age of 21 years;

(ii) Non-executive directors of the Company;

(iii) Any employee who have attained the age of 21 years of an associated company (a company which at least 20% but not more than 50% of its shares are held by the Company and/or its subsidiaries and over whose management the Company has control); and

(iv) Controlling Shareholders of the Company and their Associates within the above categories are eligible to participate in the CES Share Plan. Specific approval of Independent Shareholders is required for the participation of Controlling Shareholders of the Company and their associates as well as the actual number of shares to be awarded under the CES Share Plan.

Awards

Awards represent the right of a participant to receive fully paid shares, their equivalent cash value or combinations thereof, free of charge, upon the participant achieving prescribe performance targets and/or service conditions or otherwise having performed well and/or had a significant contribution to the Group.

DIRECTORS' STATEMENT

5. **Share Plans (cont'd)**

(b) CES Share Plan (cont'd)

Size of the CES Share Plan

The total number of shares available to eligible Controlling Shareholders and their Associates under the CES Share Plan shall not exceed twenty-five per cent (25%) of the shares in respect of which the Company may grant under the CES Share Plan. In addition, the total number of shares available to each Controlling Shareholder or his Associate shall not exceed ten per cent (10%) of the number of shares in respect of which the Company may grant under the CES Share Plan.

The total number of shares to be awarded pursuant to the CES Share Plan when added to the number of shares issued and issuable under such other share-based incentive schemes of the Company, shall not exceed fifteen per cent (15%) of the total number of shares of the Company on the day preceding the relevant Award Date.

Grant of the CES Share Plan

The grant of Awards under the CES Share Plan may be made from time to time during the year when the CES Share Plan is in force.

No performance shares were granted conditionally under the CES Share Plan during the year.

6. **Audit Committee**

The Audit Committee (the "AC") carried out its functions in accordance with Section 201B(5) of the Singapore Companies Act, Chapter 50, including the following:

- Reviewed audit plans of the internal and external auditors of the Group and the Company, and reviewed the internal auditors' evaluation of the adequacy of the Company's system of internal accounting controls and the assistance given by the Group and Company's management to the external and internal auditors
- Reviewed quarterly and annual financial statements and auditors' report on the annual financial statements of the Group and the Company before their submission to the board of directors
- Reviewed effectiveness of the Group and the Company's material internal controls, including financial, operational and compliance controls and risk management via reviews carried out by the internal auditor
- Met with the external auditor, other committees and management in separate executive sessions to discuss any matters that these groups believe should be discussed privately with the AC
- Reviewed legal and regulatory matters that may have a material impact on the financial statements, related compliance policies and programmes and any reports received from regulators
- Reviewed cost effectiveness, independence and objectivity of the external auditors

6. Audit Committee (cont'd)

- Reviewed the nature and extent of non-audit services provided by the external auditor

- Recommended to the board of directors the external auditors to be nominated, approved the compensation of the external auditor, and reviewed the scope and results of the audit

- Reported actions and minutes of the AC to the board of directors with such recommendations as the AC considered appropriate

- Reviewed interested person transactions in accordance with the requirements of the Singapore Exchange Securities Trading Limited's Listing Manual

The AC, having reviewed all non-audit services provided by the external auditor to the Group, is satisfied that the nature and extent of such services would not affect the independence of the external auditor. The AC has also conducted a review of interested person transactions.

The AC convened six meetings during the year with full attendance from all members. The AC has also met with internal and external auditors, without the presence of the Company's management, at least once a year.

Further details regarding the AC are disclosed in the Report on Corporate Governance.

7. Auditor

Ernst & Young LLP have expressed their willingness to accept reappointment as auditor.

On behalf of the board of directors:

Chia Lee Meng Raymond
Executive Chairman and
Group Chief Executive Officer

Lim Tiang Chuan
Executive Deputy Chairman

Singapore
15 March 2017

INDEPENDENT AUDITOR'S REPORT

To the Members of Chip Eng Seng Corporation Ltd

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Chip Eng Seng Corporation Ltd (the "Company") and its subsidiaries (collectively, the "Group"), which comprise the balance sheets of the Group and the Company as at 31 December 2016, the statements of changes in equity of the Group and the Company and the consolidated income statement, consolidated statement of comprehensive income and consolidated cash flow statement of the Group for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements of the Group, the balance sheet and the statement of changes in equity of the Company are properly drawn up in accordance with the provisions of the Companies Act, Chapter 50 (the Act) and Financial Reporting Standards in Singapore (FRSs) so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at 31 December 2016 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group and changes in equity of the Company for the year ended on that date.

Basis for Opinion

We conducted our audit in accordance with Singapore Standards on Auditing (SSAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Group in accordance with the Accounting and Corporate Regulatory Authority (ACRA) *Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities* (ACRA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the financial statement*s section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

Accounting for construction contracts and development properties under construction

The Group is involved in both construction projects and construction of development properties for which it applies the percentage of completion method. The revenue and profit recognised in a year on these projects is dependent, amongst others, on the surveys of work performed for each project for the assessment of the percentage of completion of these projects and the total budgeted cost estimated for the project. The uncertainty and subjectivity involved in determining the budgeted cost to complete may have a significant impact on the results of the Group. As such, we determined this to be key audit matter.

As part of our audit, we have reviewed contract terms and conditions and the contractual sums and substantiated project revenues and costs incurred against the underlying documents. We assessed management's assumptions in determining the percentage of completion of the projects and the total budgeted cost estimated for the project. We assessed the appropriateness of inputs, amongst others, materials, subcontractor and labor costs used by management in their estimation of the total cost to complete and obtained supporting documentation on the major inputs. We also assessed the arithmetic accuracy of the revenue and profit recognised based on the percentage of completion computation for individually significant projects. We had perused customers and subcontractor correspondences and discussed the progress of the projects with the Group's various project officials and management for any potential disputes, variation order claims, known technical issues or significant events that could impact the estimated contractual costs. We also evaluated the adequacy of the disclosure of significant accounting policies for construction contracts, development properties under construction and work-in-progress and their related disclosures in Notes 2.16, 2.17 and 2.24.

Carrying value of development properties for sale

The Group has significant residential and mixed development properties held for sale in Singapore and Australia. Development properties for sale are stated at the lower of costs and net realisable values. The estimation of the net realisable value of these development properties is dependent upon the Group's expectations of future selling prices. Weak demand and a slowdown in economic activity in Singapore and Australia might exert downward pressure on transaction volumes and residential property prices in these key markets. There is therefore a risk that the estimates of net realisable values exceed future selling prices, resulting in losses when properties are sold.

We assessed the reasonableness of the Group's forecast selling prices by comparing it to recently transacted prices or prices of comparable properties located in the same vicinity as the development project. We focused our work on development projects with slower-than-expected sales or with low profit margins. For projects which are expected to sell below cost, we checked the computations of the allowance to write down carrying value to estimated net realisable value. We also evaluated the adequacy of the disclosures in Note 19 in respect of the allowance for foreseeable losses presented in the financial statements for these development properties.

Valuation of investment properties

The Group owns a portfolio of investment properties, comprising commercial properties located in Singapore and Australia. The Group records its investment properties at their fair values based on independent external valuations using the following approaches:

- Market comparable approach where significant management judgements are required on transacted price of comparable properties adjusted for location, size, tenure, age and condition of the investment properties
- Capitalisation approach which involved estimation uncertainties on capitalisation rate and net rental income used
- Discounted cash flow approach which involved estimation uncertainties on the net income stream over a period, discount rate and terminal yield rate used

INDEPENDENT AUDITOR'S REPORT

To the Members of Chip Eng Seng Corporation Ltd

Valuation of investment properties (cont'd)

The valuation is significant to our audit due to their magnitude, complexity in valuation and highly sensitive to changes in the key assumptions applied. Accordingly, we determined this as a key audit matter.

As part of our audit, we have considered the objectivity, independence and expertise of the external specialists. We assessed the appropriateness of the valuation models, property related data, including estimates used by the external specialists. We had also engaged internal valuation specialist to review the reasonableness of the models and key assumptions used by the external specialists. In addition, we assessed the appropriateness of the data used by the management and the external specialists in the estimation process, and the movements in fair value of the investment properties. We also evaluated the adequacy of Note 12 and 32(d) relating to the investment properties and the assumptions used, given the estimation uncertainty and sensitivity of the valuations.

Other Information

Management is responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Directors for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Act and FRSs, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair financial statements and to maintain accountability of assets.

In preparing the financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The directors' responsibilities include overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with SSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

INDEPENDENT AUDITOR'S REPORT

To the Members of Chip Eng Seng 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 subsidiary corporations incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.

The engagement partner on the audit resulting in this independent auditor's report is Nelson Chen.

Ernst & Young LLP
Public Accountants and
Chartered Accountants

Singapore
15 March 2017

CONSOLIDATED INCOME STATEMENT

For the financial year ended 31 December 2016

	Note	2016	2015
		$'000	$'000
Revenue	4	747,995	676,452
Cost of sales		(601,516)	(515,000)
Gross profit		146,479	161,452
Other items of income			
Interest income	5	4,146	2,477
Other income	6	12,972	4,578
Other items of expense			
Marketing and distribution		(6,810)	(28,139)
Administrative expenses		(60,463)	(57,459)
Finance costs	7	(19,555)	(16,358)
Share of results of associates		(660)	1,021
Profit before tax	8	76,109	67,572
Income tax expense	9	(24,385)	(10,326)
Profit for the year		51,724	57,246
Attributable to:			
Owners of the Company		35,686	62,990
Non-controlling interests		16,038	(5,744)
		51,724	57,246
Earnings per share attributable to owners of the Company (cents per share)			
Basic	10	5.75	10.11
Diluted	10	5.70	10.11

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the financial year ended 31 December 2016

	2016	2015
	$'000	$'000
Profit for the year	51,724	57,246
Other comprehensive income:		
Items that will not be reclassified to profit or loss		
Net deficit on revaluation of freehold land and buildings	–	(1,634)
Foreign currency translation loss on revaluation of freehold land and building	–	(262)
Share of gain on property revaluation of associates	227	191
Income tax relating to components of other comprehensive income	–	77
	227	(1,628)
Items that may be reclassified subsequently to profit or loss		
Net gain on fair value changes of available-for-sale financial assets	3,644	1,066
Foreign currency translation	1,452	(6,466)
	5,096	(5,400)
Other comprehensive gain/(loss) for the year, net of tax	5,323	(7,028)
Total comprehensive income for the year	57,047	50,218
Attributable to:		
Owners of the Company	41,009	55,962
Non-controlling interests	16,038	(5,744)
Total comprehensive income for the year	57,047	50,218

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

BALANCE SHEETS

As at 31 December 2016

	Note	Group		Company	
		2016	2015	2016	2015
		$'000	$'000	$'000	$'000
Non-current assets					
Property, plant and equipment	11	219,604	225,206	1,684	1,322
Investment properties	12	288,693	283,637	–	–
Intangible assets	13	2,202	98	528	85
Investments in subsidiaries	14	–	–	48,302	48,302
Investments in associates	15	6,359	12,121	650	650
Deferred tax assets	25	2,995	3,606	–	–
Other receivables	16	88	7,272	231,928	180,219
Investment securities	17	8,010	3,864	8,010	3,864
Current assets					
Gross amount due from customers for contract work-in-progress	18	9,677	10,826	–	–
Development properties	19	1,127,718	625,362	–	–
Assets held for sale	20	48	39,463	–	–
Prepayments		4,022	3,854	1,831	1,399
Trade and other receivables	16	81,241	249,272	5,311	27,524
Cash and short-term deposits	21	481,582	442,456	122,273	49,904
		1,704,288	1,371,233	129,415	78,827
Current liabilities					
Loans and borrowings	22	234,182	120,415	150,000	–
Gross amount due to customers for contract work-in-progress	18	11,100	8,374	–	–
Trade and other payables	23	86,394	116,632	124	227
Other liabilities	24	42,190	38,242	5,944	5,764
Income tax payable		28,358	33,001	586	–
		402,224	316,664	156,654	5,991
Net current assets/(liabilities)		1,302,064	1,054,569	(27,239)	72,836
Non-current liabilities					
Loans and borrowings	22	936,736	738,287	120,000	150,000
Trade and other payables	23	106,692	93,188	–	–
Deferred tax liabilities	25	9,974	15,931	21	16
		1,053,402	847,406	120,021	150,016
Net assets		776,613	742,967	143,842	157,262

BALANCE SHEETS (CONT'D)

As at 31 December 2016

	Note	Group 2016 $'000	Group 2015 $'000	Company 2016 $'000	Company 2015 $'000
Equity attributable to owners of the Company					
Share capital	26(a)	79,691	79,691	79,691	79,691
Treasury shares	26(b)	(33,653)	(33,653)	(33,653)	(33,653)
Retained earnings		733,696	722,851	91,790	110,246
Other reserves	27	(13,860)	(20,575)	6,014	978
		765,874	748,314	143,842	157,262
Non-controlling interests		10,739	(5,347)	–	–
Total equity		776,613	742,967	143,842	157,262

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

STATEMENTS OF CHANGES IN EQUITY

For the financial year ended 31 December 2016

2016		Attributable to owners of the Company					
	Equity, total	Equity attributable to owners of the Company, total	Share capital (Note 26a)	Treasury shares (Note 26b)	Retained earnings	Other reserves (Note 27)	Non-controlling interests
Group	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Opening balance at 1 January 2016	742,967	748,314	79,691	(33,653)	722,851	(20,575)	(5,347)
Profit for the year	51,724	35,686	–	–	35,686	–	16,038
Other comprehensive income							
Net gain on fair value changes of available-for sale financial assets	3,644	3,644	–	–	–	3,644	–
Foreign currency translation	1,452	1,452	–	–	–	1,452	–
Share of other comprehensive income of associates	227	227	–	–	–	227	–
Other comprehensive income for the year, net of tax	5,323	5,323	–	–	–	5,323	–
Total comprehensive income for the year	57,047	41,009	–	–	35,686	5,323	16,038
Contributions by and distributions to owners							
Share-based compensation expenses (Note 27)	1,392	1,392	–	–	–	1,392	–
Dividends paid (Note 36)	(24,841)	(24,841)	–	–	(24,841)	–	–
Total contributions by and distributions to owners	(23,449)	(23,449)	–	–	(24,841)	1,392	–
Changes in ownership interests in subsidiaries							
Incorporation of a subsidiary with non-controlling interest	48	–	–	–	–	–	48
Total changes in ownership interest in subsidiaries	48	–	–	–	–	–	48
Total transactions with owners in their capacity as owners	(23,401)	(23,449)	–	–	(24,841)	1,392	48
Closing balance at 31 December 2016	776,613	765,874	79,691	(33,653)	733,696	(13,860)	10,739

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

STATEMENTS OF CHANGES IN EQUITY (CONT'D)

For the financial year ended 31 December 2016

		Attributable to owners of the Company					
2015	**Equity, total**	**Equity attributable to owners of the Company, total**	**Share capital (Note 26a)**	**Treasury shares (Note 26b)**	**Retained earnings**	**Other reserves (Note 27)**	**Non-controlling interests**
Group	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Opening balance at 1 January 2015	736,412	736,015	79,691	(27,374)	697,245	(13,547)	397
Profit/(loss) for the year	57,246	62,990	–	–	62,990	–	(5,744)
Other comprehensive income							
Net gain on fair value changes of available-for-sale financial assets	1,066	1,066	–	–	–	1,066	–
Net deficit on revaluation of freehold land and buildings	(1,634)	(1,634)	–	–	–	(1,634)	–
Income tax relating to components of other comprehensive income	77	77	–	–	–	77	–
Foreign currency translation	(6,728)	(6,728)	–	–	–	(6,728)	–
Share of other comprehensive income of associates	191	191	–	–	–	191	–
Other comprehensive loss for the year, net of tax	(7,028)	(7,028)	–	–	–	(7,028)	–
Total comprehensive income/(loss) for the year	50,218	55,962	–	–	62,990	(7,028)	(5,744)
Contributions by and distributions to owners							
Purchase of treasury shares	(6,279)	(6,279)	–	(6,279)	–	–	–
Dividends paid (Note 36)	(37,384)	(37,384)	–	–	(37,384)	–	–
Total contributions by and distributions to owners	(43,663)	(43,663)	–	(6,279)	(37,384)	–	–
Closing balance at 31 December 2015	742,967	748,314	79,691	(33,653)	722,851	(20,575)	(5,347)

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

2016 Company	Total $'000	Share capital (Note 26a) $'000	Treasury shares (Note 26b) $'000	Retained earnings $'000	Other reserves (Note 27) $'000
Opening balance at 1 January 2016	157,262	79,691	(33,653)	110,246	978
Profit for the year	6,385	–	–	6,385	–
Other comprehensive income					
Net gain on fair value changes of available-for-sale financial assets	3,644	–	–	–	3,644
Other comprehensive income for the year, net of tax	3,644	–	–	–	3,644
Total comprehensive income for the year	10,029	–	–	6,385	3,644
Contributions by and distributions to owners					
Share-based compensation expenses	1,392	–	–	–	1,392
Dividends paid (Note 36)	(24,841)	–	–	(24,841)	–
Total contributions by and distributions to owners	(23,449)	–	–	(24,841)	1,392
Closing balance at 31 December 2016	143,842	79,691	(33,653)	91,790	6,014
2015					
Company					
Opening balance at 1 January 2015	161,055	79,691	(27,374)	108,826	(88)
Profit for the year	38,804	–	–	38,804	–
Other comprehensive income					
Net gain on fair value changes of available-for-sale financial assets	1,066	–	–	–	1,066
Other comprehensive income for the year, net of tax	1,066	–	–	–	1,066
Total comprehensive income for the year	39,870	–	–	38,804	1,066
Contributions by and distributions to owners					
Purchase of treasury shares	(6,279)	–	(6,279)	–	–
Dividends paid (Note 36)	(37,384)	–	–	(37,384)	–
Total contributions by and distributions to owners	(43,663)	–	(6,279)	(37,384)	–
Closing balance at 31 December 2015	157,262	79,691	(33,653)	110,246	978

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

CONSOLIDATED CASH FLOW STATEMENT

For the financial year ended 31 December 2016

	Note	2016 $'000	2015 $'000
Operating activities			
Profit before tax		76,109	67,572
Adjustments for:			
Amortisation of intangible assets	13	107	27
Depreciation of property, plant and equipment	11	6,986	6,065
Interest income	5	(4,146)	(2,477)
Dividend income from investment securities	6	(503)	(700)
Finance costs	7	19,555	16,358
Net gain on disposal of property, plant and equipment	6	(497)	(359)
Unrealised exchange (gain)/loss		(972)	479
Share-based compensation	27	1,392	–
Share of results of associates		660	(1,021)
Net fair value (gain)/loss on investment properties	12	(5,419)	4,225
Net loss on disposal of intangible assets		–	169
Impairment loss on receivables	16	169	–
Impairment loss on investment securities	17	–	28
Impairment loss on development properties	19	5,751	10,400
Property, plant and equipment written off	8	10	3
Operating cash flows before changes in working capital		99,202	100,769
Changes in working capital:			
(Increase)/decrease in development properties		(491,740)	298,863
Decrease/(increase) in assets held for sale		39,124	(984)
(Increase)/decrease in prepayments		(167)	1,161
Decrease/(increase) in trade and other receivables		163,953	(27,817)
Increase/(decrease) in gross amount due to customers for contract work-in-progress		3,922	(13,434)
(Decrease)/increase in trade and other payables		(12,652)	17,469
Increase/(decrease) in other liabilities		5,333	(20,317)
Cash flows (used in)/generated from operations		(193,025)	355,710
Interest paid		(33,814)	(30,959)
Interest received		4,146	2,477
Income taxes paid		(34,244)	(27,180)
Net cash flows (used in)/generated from operating activities		(256,937)	300,048

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

	Note	2016 $'000	2015 $'000
Investing activities			
Purchase of property, plant and equipment		(2,029)	(20,667)
Proceeds from disposal of property, plant and equipment		730	661
Proceeds from liquidation of an associate		3,582	–
Dividend income from associates and investment securities		1,070	4,523
Repayment from/(advances to) associates		8,198	(462)
Investment in an associate		–	(929)
Additions to intangible assets	13	(2,211)	–
Additions to investment properties	12	(311)	(1,070)
Net cash flows generated from/(used in) investing activities		9,029	(17,944)
Financing activities			
Repayment of loans and borrowings		(150,845)	(213,027)
Proceeds from loans and borrowings		342,835	132,195
Proceeds from issuance of term notes		120,000	–
Dividends paid on ordinary shares	36	(24,841)	(37,384)
Proceeds from issue of new shares by subsidiary to non-controlling interest		48	–
Purchase of treasury shares	26(b)	–	(6,279)
Net cash flows generated from/(used in) financing activities		287,197	(124,495)
Net increase in cash and cash equivalents		39,289	157,609
Effect of exchange rate changes on cash and cash equivalents		(163)	(202)
Cash and cash equivalents at beginning of the year		442,456	285,049
Cash and cash equivalents at end of the year	21	481,582	442,456

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

1. Corporate information

Chip Eng Seng Corporation Ltd is a limited liability company incorporated and domiciled in Singapore and is listed on the Singapore Exchange.

The registered office and principal place of business of the Company is located at 171 Chin Swee Road, #12-01 CES Centre, Singapore 169877.

The principal activity of the Company is investment holding. The principal activities of the subsidiaries are disclosed as below.

Details of the subsidiaries and associates as at 31 December 2016 are:

Name of Company	Country of incorporation	Principal activities	Proportion (%) of ownership interest	
			2016	**2015**
<u>Subsidiary companies</u>				
Held by the Company				
^ Chip Eng Seng Contractors (1988) Pte Ltd	Singapore	General building contractor	100	100
^ CEL Development Pte. Ltd.	Singapore	General building contractor, property developer and property investor	100	100
^ Evervit Development Pte Ltd	Singapore	Property investor	100	100
^ CES Engineering & Construction Pte. Ltd.	Singapore	General building contractor	100	100
^ CES-Precast Pte. Ltd.	Singapore	Manufacturing and trading of precast products	100	100
^ Chip Eng Seng Construction Pte. Ltd. (formerly known as Chip Eng Seng Holdings Pte. Ltd.)	Singapore	Investment holding	100	100

1. **Corporate information (cont'd)**

Name of Company	Country of incorporation	Principal activities	Proportion (%) of ownership interest 2016	2015
Subsidiary companies (cont'd)				
Held by subsidiaries				
# CEL Real Estate Development Pte. Ltd. (formerly known as CES-China Holding Pte. Ltd.)	Singapore	Dormant	100	100
^ CEL-Changi Pte Ltd (formerly known as CEL Residential Development Pte Ltd)	Singapore	Property developer	100	100
# CEL Property (M) Pte Ltd	Singapore	Investment holding	100	100
^ CES-Vietnam Holdings Pte. Ltd.	Singapore	Investment holding	100	100
CES Land Pte. Ltd.	Singapore	In the process of liquidation	100	100
^ CES-NB Pte. Ltd.	Singapore	Investment holding	100	100
^ CES-VH Holdings Pte. Ltd.	Singapore	Investment holding	100	100
^ CEL-Bedok Pte. Ltd.	Singapore	Property developer	100	100
^ CES Building and Construction Pte. Ltd.	Singapore	General building engineering services	100	100
^ CEL Property Investment (Australia) Pte. Ltd.	Singapore	Investment holding	100	100
^ CEL-Simei Pte. Ltd.	Singapore	Property developer	100	100
^ CEL-Fort Pte. Ltd.	Singapore	Property developer	100	100
^ CEL Pasir Panjang Pte. Ltd.	Singapore	Property developer and investor	100	100
^ CEL-Alexandra Pte. Ltd.	Singapore	Hotel owner, property investor and property developer	100	100
Grange Properties Pte. Ltd.	Singapore	Liquidated	–	100
CES-West Coast Pte. Ltd.	Singapore	In the process of liquidation	100	100

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

1. Corporate information (cont'd)

Name of Company	Country of incorporation	Principal activities	Proportion (%) of ownership interest 2016	2015
Subsidiary companies (cont'd)				
Held by subsidiaries (cont'd)				
^ SPP System Pte. Ltd.	Singapore	Modular building construction	100	–
^ CEL Property Pte. Ltd.	Singapore	Property developer and investment holding	100	100
^ PH Properties Pte. Ltd.	Singapore	Property developer	100	100
^ CEL Property Investment Pte Ltd	Singapore	Property investor	100	100
^ CEL-Yishun (Residential) Pte Ltd	Singapore	Property developer	100	100
^ CEL-Yishun (Commercial) Pte Ltd	Singapore	Property developer	100	100
^ Fernvale Development Pte Ltd	Singapore	Property developer	60	60
^ CES Park (Maldives) Pte Ltd	Singapore	Investment holding	70	–
# CES Investment (Vietnam) Pte Ltd	Singapore	Investment holding	100	–
# CES Management (Vietnam) Pte Ltd	Singapore	Investment holding	100	–
^^ CES Glenelg Pty Ltd	Australia	Property developer	100	100
^^ CEL Australia Pty Ltd	Australia	Investment holding	100	100
^^ 242 West Coast Highway Scarborough Pty Ltd	Australia	Property developer	100	100
CES-McKenzie (VIC) Pty Ltd	Australia	In the process of liquidation	100	100
^^ CES-Queen (VIC) Pty Ltd	Australia	Property developer	100	100
^^ CES Properties (AUS) Pty Ltd	Australia	Property investor	100	100
^^ CES-Victoria (VIC) Pty Ltd	Australia	Property developer	100	100

1. Corporate information (cont'd)

Name of Company	Country of incorporation	Principal activities	Proportion (%) of ownership interest 2016	2015
Subsidiary companies (cont'd)				
Held by subsidiaries (cont'd)				
^^ CES-Northcote (VIC) Pty Ltd	Australia	Property developer	100	100
^^ CES-Gladstone (VIC) Pty Ltd	Australia	Property developer	100	–
^^ CES-Precast Sdn. Bhd.	Malaysia	Manufacturing and trading of precast products	100	100
* CEL Malacca Sdn. Bhd.	Malaysia	Property developer and investment holding	100	100
^^ CES Park Kodhipparu Private Limited	Maldives	Resort owner	70	–
^^ Viet Investment Link Joint Stock Company	Vietnam	Provision of management services	99~	49
^ CES MAIC Management (Vietnam) Co., Ltd	Vietnam	Provision of real estate management and consultancy services	70	–
Associated companies				
Held by the Company				
**Ardille Pte Ltd	Singapore	Investment holding	38	38
Held by associated companies				
**ACP Metal Finishing Pte Ltd	Singapore	Provision of custom electro-plating and surface treatment services	38	38
##ACP Poland Spolka Z Ograniczona Odpowiedzialnoscia	Poland	Provision of custom electro-plating and surface treatment services	38	38
Held by subsidiaries				
+ Punggol Field EC Pte. Ltd.	Singapore	Property developer	40	40

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

1. Corporate information (cont'd)

Name of Company	Country of incorporation	Principal activities	Proportion (%) of ownership interest 2016	2015
Associated companies (cont'd)				
Held by subsidiaries (cont'd)				
Devonshire Development Pte. Ltd.	Singapore	Liquidated	–	40
+ Punggol Field EC Pte. Ltd.	Singapore	Property developer	40	40
+ Pasir Ris EC Pte. Ltd.	Singapore	Property developer	40	40
+ LGB-NB Pte. Ltd.	Singapore	Investment holding	20	20

\# Not required to be audited as these companies are considered dormant and exempted from audit under the Companies Act.
\## Not required to be audited by law in country of incorporation.
^ Audited by Ernst & Young LLP, Singapore.
^^ Audited by member firms of Ernst & Young Global in the respective countries.
* Audited by KTP & Company PLT, Malaysia.
** Audited by RSM Chio Lim LLP, Singapore.
\+ Audited by KPMG LLP, Singapore.
~ During the year, the associate became a subsidiary of the Group.

2. Summary of significant accounting policies

2.1 *Basis of preparation*

The consolidated financial statements of the Group and the balance sheet and statement of changes in equity of the Company have been prepared in accordance with Singapore Financial Reporting Standards (FRS).

The financial statements have been prepared on a historical cost basis except as disclosed in the accounting policies below.

The financial statements are presented in Singapore dollars (SGD or $) and all values in the tables are rounded to the nearest thousand ($'000), except when otherwise indicated.

2.2 *Change in accounting policies*

The accounting policies adopted are consistent with those of the previous financial year except in the current financial year, the Group has adopted all the new and revised standards that are effective for annual financial periods beginning on or after 1 January 2016. The adoption of these standards did not have any effect on the financial performance or position of the Group and the Company.

2. Summary of significant accounting policies (cont'd)

2.3 ***Standards issued but not yet effective***

The Group has not adopted the following standards applicable to the Group that have been issued but not yet effective:

Description	*Effective for annual periods beginning on or after*
Amendments to FRS 7 *Disclosure Initiative*	1 January 2017
FRS 109 *Financial Instruments*	1 January 2018
FRS 115 *Revenue from Contracts with Customers*	1 January 2018
FRS 116 *Leases*	1 January 2019

Except for FRS 109, FRS 115 and FRS 116, the directors expect that the adoption of the other standards above will have no material impact on the financial statements in the period of initial application. The nature of the impending changes in accounting policy on adoption of FRS 109, FRS 115 and FRS 116 are described below.

FRS 115 *Revenue from contracts with customers*

FRS 115 establishes a five-step model to account for revenue arising from contracts with customer. Under FRS 115, revenue is recognised at an amount that reflects the consideration which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The new revenue standard will supersede current revenue recognition requirements including FRS 18 Revenue, FRS 11 Construction Contracts, INT FRS 113 *Customer Loyalty Programmes*, INT FRS 115 *Agreements for the Construction of Real Estate and the Accompanying Note on Application of INT FRS 115 in Singapore,* INT FRS 118 *Transfers of Assets from Customers* and INT FRS 31 *Revenue – Barter Transaction Involving Advertising Services*. FRS 115 is effective for annual periods beginning on or after 1 January 2018, with early adoption permitted.

During 2016, the Group performed an initial assessment of the impact on the Group's financial statements focusing on construction revenue and sale of development properties. Based on its initial assessment, the Group expects the FRS 115 requirements on accounting for costs, contract modifications, variable considerations and the method for measuring the stage of completion may affect its revenue recognition and cost accounting. The Group is currently gathering data as part of a further detailed assessment to quantify the impact, if any, on its financial statements. The actual impact of adoption on FRS 115 is dependent on many factors including the stage of completion of the long term construction and development property projects on transition, the accounting elections and the judgements that the Group will make in the future.

The Group plans to adopt the standard when it becomes effective in 2018 using the full retrospective approach. The Group is currently performing a detailed analysis under FRS 115 to determine its election of the practical expedients and to quantify the transition adjustments on its financial statements.

2. Summary of significant accounting policies (cont'd)

2.3 ***Standards issued but not yet effective (cont'd)***

FRS 109 *Financial Instruments*

FRS 109 introduces new requirements for classification and measurement of financial assets, impairment of financial assets and hedge accounting. Financial assets are classified according to their contractual cash flow characteristics and the business model under which they are held. The impairment requirements in FRS 109 are based on an expected credit loss model and replace the FRS 39 incurred loss model.

(a) Classification and measurement

The Group will continue to measure its available-for-sale quoted equity securities at fair value through other comprehensive income. The Group does not expect any significant impact arising from these changes.

(b) Impairment

FRS 109 requires the Group to record expected credit losses on all of its loans and trade receivables, either on a 12-month or lifetime basis. The Group expects to apply the simplified approach and record lifetime expected losses on all trade receivables. Upon application of the expected credit loss model, the Group does not expect any significant impact arising from these changes.

Transition

The Group plans to adopt the new standard on the required effective date without restating prior periods' information and recognises any difference between the previous carrying amount and the carrying amount at the beginning of the annual reporting period at the date of initial application in the opening retained earnings.

Convergence with International Financial Reporting Standards (IFRS)

The Accounting Standards Council (ASC) announced on 29 May 2014 that Singapore-incorporated companies listed on the Singapore Exchange (SGX) will apply a new financial reporting framework identical to the International Financial Reporting Standards (referred to as SG-IFRS in these financial statements) for the financial year ending 31 December 2018 onwards.

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

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

In addition, the Group plans to take advantage of two transitional optional exemptions, which are not to restate past business combinations and to deem the cumulative translation differences (FCTR) for all foreign operations to be zero at the date of transition (1 January 2017) as allowed by SG-IFRS 1. This will result in approximately S$23,257,000 of FCTR to be transferred directly to retained earnings at the date of transition.

2. Summary of significant accounting policies (cont'd)

2.3 *Standards issued but not yet effective (cont'd)*

FRS 116 *Leases*

FRS 116 requires lessees to recognise most leases on balance sheets to reflect the rights to use the leased assets and the associated obligations for lease payments as well as the corresponding interest expense and depreciation charges. The standard includes two recognition exemptions for lessees – leases of 'low value' assets and short-term leases. The new standard is effective for annual periods beginning on or after 1 January 2019.

The Group plans to adopt the new standard on the required effective date. Based on the Group's initial assessment, the Group does not expect any significant adjustments on adoption of FRS 116 as the Group does not have a significant amount of operating lease as lessee. The Group will perform a detailed analysis of the standard, including the transition options and practical expedients in 2017.

2.4 *Basis of consolidation and business combinations*

(a) Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at the end of the reporting period. The financial statements of the subsidiaries used in the preparation of the consolidated financial statements are prepared for the same reporting date as the Company. Consistent accounting policies are applied to like transactions and events in similar circumstances.

All intra-group balances, income and expenses and unrealised gains and losses resulting from intra-group transactions and dividends are eliminated in full.

Subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Losses within a subsidiary are attributed to the non-controlling interest even if that results in a deficit balance.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- de-recognises the assets (including goodwill) and liabilities of the subsidiary at their carrying amounts at the date when controls is lost;
- de-recognises the carrying amount of any non-controlling interest;
- de-recognises the cumulative translation differences recorded in equity;
- recognises the fair value of the consideration received;
- recognises the fair value of any investment retained;
- recognises any surplus or deficit in profit or loss;
- re-classifies the Group's share of components previously recognised in other comprehensive income to profit or loss or retained earnings, as appropriate.

(b) Business combinations and goodwill

Business combinations are accounted for by applying the acquisition method. Identifiable assets acquired and liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. Acquisition-related costs are recognised as expenses in the periods in which the costs are incurred and the services are received.

2. Summary of significant accounting policies (cont'd)

2.4 ***Basis of consolidation and business combinations (cont'd)***

(b) Business combinations and goodwill (cont'd)

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability, will be recognised in profit or loss.

The Group elects for each individual business combination, whether non-controlling interest in the acquiree (if any), that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation, is recognised on the acquisition date at fair value, or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets. Other components of non-controlling interests are measured at their acquisition date fair value, unless another measurement basis is required by another FRS.

Any excess of the sum of the fair value of the consideration transferred in the business combination, the amount of non-controlling interest in the acquiree (if any), and the fair value of the Group's previously held equity interest in the acquiree (if any), over the net fair value of the acquiree's identifiable assets and liabilities is recorded as goodwill. In instances where the latter amount exceeds the former, the excess is recognised as gain on bargain purchase in profit or loss on the acquisition date.

Goodwill is initially measured at cost. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses.

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to the Group's cash-generating units that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

The cash-generating units to which goodwill have been allocated is tested for impairment annually and whenever there is an indication that the cash-generating unit may be impaired. Impairment is determined for goodwill by assessing the recoverable amount of each cash-generating unit (or group of cash-generating units) to which the goodwill relates.

2.5 ***Transactions with non-controlling interests***

Non-controlling interest represents the equity in subsidiaries not attributable, directly or indirectly, to owners of the Company.

Changes in the Company's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. In such circumstances, the carrying amounts of the controlling and 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 interest is adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

2. Summary of significant accounting policies (cont'd)

2.6 *Foreign currency*

The financial statements are presented in Singapore Dollars, which is also the Company's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

(a) *Transactions and balances*

Transactions in foreign currencies are measured in the respective functional currencies of the Company and its subsidiaries and are recorded on initial recognition in the functional currencies at exchange rates approximating those ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the end of the reporting period. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured.

Exchange differences arising on the settlement of monetary items or on translating monetary items at the end of the reporting period are recognised in profit or loss.

(b) *Consolidated financial statements*

For consolidated purpose, the assets and liabilities of foreign operations are translated into SGD at the rate of exchange ruling at the end of the reporting period and their profit or loss are translated at the exchange rates prevailing at the date of the transactions. The exchange differences arising on the translation are recognised in other comprehensive income. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in profit or loss.

2.7 *Property, plant and equipment*

All items of property, plant and equipment are initially recorded at cost. Subsequent to recognition, property, plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is computed on a straight-line basis over the estimated useful lives of the assets as follows:

Leasehold land	-	23 to 99 years
Freehold and leasehold buildings	-	10 to 48 years
Building and construction equipment	-	5 years
Motor vehicles	-	5 years
Furniture, fixtures and fittings	-	5 years
Computer and office equipment	-	3 years
Container office	-	5 years

Freehold land has an unlimited useful life and therefore is not depreciated.

Buildings under construction except for leasehold land, are not depreciated as these assets are not yet available for use.

2. Summary of significant accounting policies (cont'd)

2.7 ***Property, plant and equipment (cont'd)***

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

The residual value, useful life and depreciation method are reviewed at each financial year-end, and adjusted prospectively, if appropriate.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on derecognition of the asset is included in profit or loss in the year the asset is derecognised.

2.8 ***Investment properties***

Investment properties are properties that are either owned by the Group or leased under a finance lease that are held to earn rentals or for capital appreciation, or both, rather than for use in the production or supply of goods or services, or for administrative purposes, or in the ordinary course of business. Investment properties comprise completed investment properties and properties that are being constructed or developed for future use as investment properties. Properties held under operating leases are classified as investment properties when the definition of investment properties is met.

Investment properties are initially measured at cost, including transaction costs.

Subsequent to initial recognition, investment properties are measured at fair value. Gains or losses arising from changes in the fair values of investment properties are included in profit or loss in the year in which they arise.

Investment properties are derecognised when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognised in profit or loss in the year of retirement or disposal.

2.9 ***Intangible assets***

Intangible assets acquired separately are measured initially at cost. Following initial acquisition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. Internally generated intangible assets, excluding capitalised development costs, are not capitalised and expenditure is reflected in profit or loss in the year in which the expenditure is incurred.

The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite useful lives are amortised over the estimated useful lives and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method are reviewed at least at each financial year-end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates.

2. Summary of significant accounting policies (cont'd)

2.9 *Intangible assets (cont'd)*

Intangible assets with indefinite useful lives or not yet available for use are tested for impairment annually, or more frequently if the events and circumstances indicate that the carrying value may be impaired either individually or at the cash-generating unit level. Such intangible assets are not amortised. The useful life of an intangible asset with an indefinite useful life is reviewed annually to determine whether the useful life assessment continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Gains or losses arising from de-recognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss when the asset is derecognised.

Club membership

Club membership was acquired separately and is amortised on a straight line basis over its finite useful life of 10 years.

Intellectual property

The cost of intellectual property is its fair value at acquisition date. Intellectual property has finite useful life of 10 years and is stated at cost less accumulated amortisation and accumulated impairment losses.

2.10 *Impairment of non-financial assets*

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when an annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount.

An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs of disposal and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or group of assets. Where the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

Impairment losses of continuing operations are recognised in profit or loss, except for assets that are previously revalued where the revaluation was taken to other comprehensive income. In this case, the impairment is also recognised in other comprehensive income up to the amount of any previous revaluation.

A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increase cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised previously. Such reversal is recognised in profit or loss unless the asset is measured at revalued amount, in which case the reversal is treated as a revaluation increase.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

2. Summary of significant accounting policies (cont'd)

2.11 ***Subsidiaries***

A subsidiary is an investee that is controlled by the Group. The Group controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

In the Company's separate financial statements, investments in subsidiaries are accounted for at cost less impairment losses.

2.12 ***Joint ventures and associates***

An associate is an entity over which the Group has the power to participate in the financial and operating policy decisions of the investee but does not have control or joint control of those policies.

The Group account for its investments in associates and joint ventures using the equity method from the date on which it becomes an associate or joint venture.

On acquisition of the investment, any excess of the cost of the investment over the Group's share of the net fair value of the investee's identifiable assets and liabilities is accounted as goodwill and is included in the carrying amount of the investment. Any excess of the Group's share of the net fair value of the investee's identifiable assets and liabilities over the cost of the investment is included as income in the determination of the entity's share of the associate or joint venture's profit or loss in the period in which the investment is acquired.

Under the equity method, the investment in associates or joint ventures are carried in the balance sheet at cost plus post-acquisition changes in the Group's share of net assets of the associates or joint ventures. The profit or loss reflects the share of results of the operations of the associates or joint ventures. Distributions received from joint ventures or associates reduce the carrying amount of the investment. Where there has been a change recognised in other comprehensive income by the associates or joint venture, the Group recognises its share of such changes in other comprehensive income. Unrealised gains and losses resulting from transactions between the Group and associate or joint venture are eliminated to the extent of the interest in the associates or joint ventures.

When the Group's share of losses in an associate or joint venture equals or exceeds its interest in the associate or joint venture, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate or joint venture.

After application of the equity method, the Group determines whether it is necessary to recognise an additional impairment loss on the Group's investment in associate or joint ventures. The Group determines at the end of each reporting period whether there is any objective evidence that the investment in the associate or joint venture is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate or joint venture and its carrying value and recognises the amount in profit or loss.

The financial statements of the associates and joint ventures are prepared as the same reporting date as the Company. Where necessary, adjustments are made to bring the accounting policies in line with those of the Group.

In the Company's separate financial statements, investments in associates and joint ventures are accounted for at cost less impairment losses.

2. Summary of significant accounting policies (cont'd)

2.13 ***Financial instruments***

(a) Financial assets

Initial recognition and measurement

Financial assets are recognised when, and only when, the Group becomes a party to the contractual provisions of the financial instrument. The Group determines the classification of its financial assets at initial recognition.

When financial assets are recognised initially, they are measured at fair value, plus, in the case of financial assets not at fair value through profit or loss, directly attributable transaction costs.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

(i) Loans and receivables

Non-derivative financial assets with fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method, less impairment. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, and through the amortisation process.

(ii) Available-for-sale financial assets

Available-for-sale financial assets include equity and debt securities. Equity investments classified as available-for-sale are those, which are neither classified as held for trading nor designated at fair value through profit or loss. Debt securities in this category are those which are intended to be held for an indefinite period of time and which may be sold in response to needs for liquidity or in response to changes in the market conditions.

After initial recognition, available-for-sale financial assets are subsequently measured at fair value. Any gains or losses from changes in fair value of the financial asset are recognised in other comprehensive income, except that impairment losses, foreign exchange gains and losses on monetary instruments and interest calculated using the effective interest method are recognised in profit or loss. The cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment when the financial asset is de-recognised.

Investments in equity instruments whose fair value cannot be reliably measured are measured at cost less impairment loss.

2. Summary of significant accounting policies (cont'd)

2.13 ***Financial instruments (cont'd)***

(a) Financial assets (cont'd)

De-recognition

A financial asset is de-recognised where the contractual right to receive cash flows from the asset has expired. On de-recognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received and any cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

(b) Financial liabilities

Initial recognition and measurement

Financial liabilities are recognised when, and only when, the Group becomes a party to the contractual provisions of the financial instrument. The Group determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value plus in the case of financial liabilities not at fair value through profit or loss, directly attributable transaction costs.

Subsequent measurement

After initial recognition, financial liabilities that are not carried at fair value through profit or loss are subsequently measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the liabilities are derecognised, and through the amortisation process.

De-recognition

A financial liability is de-recognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

2. Summary of significant accounting policies (cont'd)

2.14 ***Impairment of financial assets***

The Group assesses at each reporting date whether there is any objective evidence that a financial asset is impaired.

(a) Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss on financial assets carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account. The impairment loss is recognised in profit or loss.

When the asset becomes uncollectible, the carrying amount of impaired financial asset is reduced directly or if an amount was charged to the allowance account, the amounts charged to the allowance account are written off against the carrying value of the financial asset.

To determine whether there is objective evidence that an impairment loss on financial assets has been incurred, the Group considers factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments.

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 to the extent that the carrying amount of the asset does not exceed its amortised cost at the reversal date. The amount of reversal is recognised in profit or loss.

(b) Financial assets carried at cost

If there is objective evidence (such as significant adverse changes in the business environment where the issuer operates, probability of insolvency or significant financial difficulties of the issuer) that an impairment loss on financial assets carried at cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed in subsequent periods.

2. Summary of significant accounting policies (cont'd)

2.14 *Impairment of financial assets (cont'd)*

(c) Available-for-sale financial assets

In the case of equity investments classified as available-for-sale, objective evidence of impairment include (i) significant financial difficulty of the issuer or obligor, (ii) information about significant changes with an adverse effect that have taken place in the technological, market, economic or legal environment in which the issuer operates, and indicates that the cost of the investment in equity instrument may not be recovered; and (iii) a significant or prolonged decline in the fair value of the investment below its costs.

If an available-for-sale financial asset is impaired, an amount comprising the difference between its acquisition cost (net of any principal repayment and amortisation) and its current fair value, less any impairment loss previously recognised in profit or loss, is transferred from other comprehensive income and recognised in profit or loss. Reversals of impairment losses in respect of equity instruments are not recognised in profit or loss; increase in their fair value after impairment are recognised directly in other comprehensive income.

In the case of debt instruments classified as available-for-sale, impairment is assessed based on the same criteria as financial assets carried at amortised cost. However, the amount recorded for impairment is the cumulative loss measured as the difference between the amortised cost and the current fair value, less any impairment loss on that investment previously recognised in profit or loss. Future interest income continues to be accrued based on the reduced carrying amount of the asset, using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of finance income. If, in a subsequent year, the fair value of a debt instrument increases and the increases can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed in profit or loss.

2.15 *Cash and cash equivalents*

Cash and cash equivalents comprise cash at bank and on hand, demand deposits, and short-term, highly liquid investments that are readily convertible to known amount of cash and which are subject to an insignificant risk of changes in value. These also include bank overdrafts that form an integral part of the Group's cash management.

2.16 *Construction contracts*

The Group principally operates fixed price contracts. Contract revenue and contract costs are recognised as revenue and expenses respectively by reference to the stage of completion of the contract activity at the end of the reporting period (the percentage of completion method), when the outcome of a construction contract can be estimated reliably.

When the outcome of a construction contract cannot be estimated reliably (principally during early stages of a contract), contract revenue is recognised only to the extent of contract costs incurred that are likely to be recoverable and contract costs are recognised as expense in the period in which they are incurred.

An expected loss on the construction contract is recognised as an expense immediately when it is probable that total contract costs will exceed total contract revenue.

In applying the percentage of completion method, revenue recognised corresponds to the total contract revenue multiplied by the actual completion rate based on surveys of work performed.

2. Summary of significant accounting policies (cont'd)

2.17 ***Development properties***

Development properties are properties acquired or being constructed for sale in the ordinary course of business, rather than to be held for the Group's own use, rental or capital appreciation.

Development properties are held as inventories and are measured at the lower of cost and net realisable value.

Non-refundable commissions paid to sales or marketing agents on the sale of real estate units are expensed when incurred.

Net realisable value of development properties is the estimated selling price in the ordinary course of the business, based on market prices at the reporting date and discounted for the time value of money if material, less the estimated costs of completion and the estimated costs necessary to make the sale.

The costs of development properties recognised in profit or loss on disposal are determined with reference to the specific costs incurred on the property sold and an allocation of any non-specific costs based on the relative size of the property sold.

2.18 ***Provisions***

General

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and the amount of the obligation can be estimated reliably.

Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of economic resources will be required to settle the obligation, the provision is reversed. If the effect of the time value of money is material, provisions are discounted using a current pre tax rate that reflects, where appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

2.19 ***Government grants***

Government grants relates to productivity incentive granted by the government. The government grants are recognised when there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. Where the grant relates to an asset, the fair value is recognised as deferred capital grant on the balance sheet and is amortised to profit or loss over the expected useful life of the relevant asset by equal annual instalments.

Where loans or similar assistance are provided by governments or related institutions with an interest rate below the current applicable market rate, the effect of this favourable interest is regarded as additional government grant.

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For the financial year ended 31 December 2016

2. Summary of significant accounting policies (cont'd)

2.20 *Financial guarantee*

A financial guarantee is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Financial guarantees are recognised initially as a liability at fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequent to initial recognition, financial guarantees are recognised as income in profit or loss over the period of the guarantee. If it is probable that the liability will be higher than the amount initially recognised less amortisation, the liability is recorded at the higher amount with the difference charged to profit or loss.

2.21 *Borrowing costs*

Borrowing costs are capitalised as part of the cost of a qualifying asset if they are directly attributable to the acquisition, construction or production of that asset. Capitalisation of borrowing costs commences when the activities to prepare the asset for its intended use or sale are in progress and the expenditures and borrowing costs are incurred. Borrowing costs are capitalised until the assets are substantially completed for their intended use or sale. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

2.22 *Employee benefits*

(a) Defined contribution plans

The Group participates in the national pension schemes as defined by the laws of the countries in which it has operations. In particular, the Singapore companies in the Group make contributions to the Central Provident Fund scheme in Singapore, a defined contribution pension scheme. Contributions to defined contribution pension schemes are recognised as an expense in the period in which the related service is performed.

(b) Share-based payments

Employees of the Group receive remuneration in the form of share options as consideration for services rendered. The cost of these equity-settled share based payment transactions with employees is measured by reference to the fair value of the options at the date on which the options are granted which takes into account market conditions and non-vesting conditions. This cost is recognised in profit or loss, with a corresponding increase in the employee share option reserve, over the vesting period. The cumulative expense recognised at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of options that will ultimately vest. The charge or credit to profit or loss for a period represents the movement in cumulative expense recognised as at the beginning and end of that period and is recognised in employee benefits expense.

The employee share option reserve is transferred to retained earnings upon expiry of the share option.

2. Summary of significant accounting policies (cont'd)

2.23 ***Leases***

(a) As lessee

Finance leases which transfer to the Group substantially all the risks and rewards incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments. Any initial direct costs are also added to the amount capitalised. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged to profit or loss. Contingent rents, if any, are charged as expenses in the periods in which they are incurred.

Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset and the lease term, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term.

Operating lease payments are recognised as an expense in profit or loss on a straight-line basis over the lease term. The aggregate benefit of incentives provided by the lessor is recognised as a reduction of rental expense over the lease term on a straight-line basis.

(b) As lessor

Leases in which the Group does not transfer substantially all the risks and rewards of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same bases as rental income. The accounting policy for rental income is set out in Note 2.24(e). Contingent rents are recognised as revenue in the period in which they are earned.

2.24 ***Revenue***

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured, regardless of when the payment is made. Revenue is measured at the fair value of consideration received or receivable, taking into account contractually defined terms of payment excluding taxes or duty.

(a) Construction revenue

Accounting policy for recognising construction contract revenue is stated in Note 2.16.

(b) Sale of completed development property

A development property is regarded as sold when the significant risks and returns have been transferred to the buyer, which is normally on unconditional exchange of contracts. For conditional exchanges, sales are recognised only when all the significant conditions are satisfied.

(c) Sale of development property under construction

Where development property is under construction and agreement has been reached to sell such property when construction is complete, the Directors consider when the contract comprises:

- A contract to construct a property; or
- A contract for the sale of completed property

(a) Where a contract is judged to be for the construction of a property, revenue is recognised using the percentage of completion method as construction progresses.

2. Summary of significant accounting policies (cont'd)

2.24 ***Revenue (cont'd)***

(c) Sale of development property under construction (cont'd)

(b) Where a contract is judged to be for the sale of a completed property, revenue is recognised when the significant risks and rewards of ownership of the real estate have been transferred to the buyer (i.e. revenue is recognised using the completed contract method).

(i) If, however, the legal terms of the contract are such that the construction represents the continuous transfer of work in progress to the purchaser, the percentage of completion method of revenue recognition is applied and revenue is recognised as work progresses.

(ii) In Singapore context, INT FRS 115 includes an accompanying note on application of INT FRS 115 in Singapore which requires the percentage of completion method of revenue recognition to be applied to sale of private residential properties in Singapore prior to completion of the properties that are regulated under the Singapore Housing Developers (Control and Licensing) Act (Chapter 130) and uses the standard form of sale and purchase agreements (SPAs) prescribed in the Housing Developers Rules. The accompanying note to INT FRS 115 does not address the accounting treatment for other SPAs, including SPAs with a Deferred Payment Scheme feature in Singapore.

In the above situations (i) and (ii), the percentage of work completed is measured based on the value of construction work certified by architects over the total contract value of construction of the development property.

(d) Revenue from hotel operations

Revenue from the rental of hotel rooms and other facilities is recognised when the services are rendered. Revenue from the sale of food and beverage is recognised when the goods are delivered to the customer.

(e) Rental income

Rental income arising from operating leases on investment properties is accounted for on a straight-line basis over the lease terms. The aggregate costs of incentives provided to lessees are recognised as a reduction of rental income over the lease term on a straight-line basis.

2.25 ***Taxes***

(a) Current income tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the end of the reporting period, in the countries where the Group operates and generates taxable income.

Current income taxes are recognised in profit or loss except to the extent that the tax relates to items recognised outside profit or loss, either in other comprehensive income or directly in equity. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

2. Summary of significant accounting policies (cont'd)

2.25 *Taxes (cont'd)*

(b) Deferred tax

Deferred tax is provided using the liability method on temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all temporary differences, except:

- Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised except:

- Where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

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 profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the end of each reporting period.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity and deferred tax arising from a business combination is adjusted against goodwill on acquisition.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current income tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

2. Summary of significant accounting policies (cont'd)

2.25 *Taxes (cont'd)*

(c) Sales tax

Revenue, expenses and assets are recognised net of the amount of sales tax except:

- Where the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the sales tax is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and

- Receivables and payables that are stated with the amount of sales tax included.

2.26 *Share capital and share issuance expenses*

Proceeds from issuance of ordinary shares are recognised as share capital in equity. Incremental costs directly attributable to the issuance of ordinary shares are deducted against share capital.

2.27 *Treasury shares*

The Group's own equity instruments, which are reacquired (treasury shares) are recognised at cost and deducted from equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Group's own equity instruments. Any difference between the carrying amount of treasury shares and the consideration received, if reissued, is recognised directly in equity. Voting rights related to treasury shares are nullified for the Group and no dividends are allocated to them respectively.

2.28 *Contingencies*

A contingent liability is:

(a) a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group; or

(b) a present obligation that arises from past events but is not recognised because:

  (i) It is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or

  (ii) The amount of the obligation cannot be measured with sufficient reliability.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group.

Contingent liabilities and assets are not recognised on the balance sheet of the Group, except for contingent liabilities assumed in a business combination that are present obligations and which the fair values can be reliably determined.

3. Significant accounting judgements and estimates

The preparation of the Group's consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities at the end of each reporting period. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in the future periods.

3.1 *Judgements made in applying accounting policies*

In the process of applying the Group's accounting policies, management has made the following judgements which have the most significant effect on the amounts recognised in the consolidated financial statements:

(a) Impairment of available-for-sale equity investments

The Group records impairment charges on available-for-sale equity investments when there has been a significant or prolonged decline in the fair value below their cost. The determination of what is "significant" or "prolonged" requires judgement. In making this judgement, the Group evaluates, among other factors, historical share price movements and the duration and extent to which the fair value of an investment is less than its cost.

(b) Determination of functional currency

The Group measures foreign currency transactions in the respective functional currencies of the Company and its subsidiaries. In determining the functional currencies of the entities in the Group, judgement is required to determine the currency that mainly influences sales prices for goods and services and of the country whose competitive forces and regulations mainly determines the sales prices of its goods and services. The functional currencies of the entities in the Group are determined based on management's assessment of the economic environment in which the entities operate and the entities' process of determining sales prices. Management has assessed that prices are mainly denominated and settled in the respective local currency of the entities of the Group. In addition, most of the entities' cost base is mainly denominated in their respective local currency. Therefore, management concluded that the functional currency of the entities of the Group is their respective local currency.

(c) Determination of lease classification

The Group has entered into commercial property leases on its investment properties. The Group evaluated the terms and conditions of the arrangements and assessed that the lease term does not constitute a substantial portion of the economic life of the commercial property and the minimum lease payment is not substantially all of the fair value of the leased asset. The Group determined that it retains all the significant risks and rewards of ownership of these properties and so accounts for the contracts as operating leases.

(d) Classification of property

The Group determines whether a property is classified as investment property or development property:

- Investment property comprises land and buildings (principally offices and commercial warehouse) which are not occupied substantially for use by, or in the operations of, the Group, nor for sale in the ordinary course of business, but are held primarily to earn rental income and capital appreciation.

- Development property comprises property that is held for sale in the ordinary course of business. Principally, this is residential and commercial property that the Group develops and intends to sell before or on completion of construction.

3. Significant accounting judgements and estimates (cont'd)

3.2 ***Key sources of estimation uncertainty***

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of each reporting period are discussed below. The Group based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

(a) Construction contracts

The Group recognises contract revenue by reference to the stage of completion of the contract activity at the end of each reporting period, when the outcome of a construction contract can be estimated reliably. The stage of completion is measured by reference to the surveys of work performed. Significant assumptions are required to estimate the recoverable variation works that will affect the stage of completion. In making these estimates, management has relied on past experience and knowledge of the project engineers. The carrying amounts of assets and liabilities arising from construction contracts at the end of each reporting period are disclosed in Note 18 to the financial statements. If the estimated total contract cost had been 2% higher than management estimate, the net carrying amount of the assets and liabilities arising from construction contracts would have been $2,569,000 lower and $9,198,000 higher (2015: $125,000 lower and $8,274,000 higher) respectively.

(b) Revaluation of investment properties

The Group carries its investment properties at fair value, with changes in fair values being recognised in profit or loss. The Group engaged real estate valuation experts to assess fair value as at 31 December 2016.

The fair values of investment properties are determined by independent real estate valuation experts using market comparable approach, capitalisation approach and discounted cash flow approach.

The determination of the fair values of the investment properties require the use of estimates on yield adjustments such as location, size, tenure, age and condition. These estimates are based on local market conditions existing at the end of each reporting date.

The key assumptions used to determine the fair value of the investment properties are further explained in Note 12 and 32(d)(i).

(c) Revenue recognition on development property under construction

The Group recognises revenue for pre-completion sales of certain types of properties by reference to the stage of completion using the percentage of completion method. The stage of completion is measured based on the value of construction work certified by architects over the total contract value of construction of the development property. Significant assumptions are required to estimate the total development costs and the recoverable variation works that affect the stage of completion and the revenue respectively. In making these estimates, management has relied on past experience and knowledge of the project engineers. The carrying amounts of assets and liabilities as well as the revenue from sale of development property (recognised on percentage of completion basis) are disclosed in Note 19 and Note 4 to the financial statements respectively. If the estimated total development cost had been 2% higher than management estimate, the carrying amount of the assets arising from development properties under construction would have been $2,312,000 (2015: $555,000) lower.

3. Significant accounting judgements and estimates (cont'd)

3.2 *Key sources of estimation uncertainty (cont'd)*

(d) Allowance for impairment on development property

The Group makes allowance for impairment taking into account the Group's experience in estimating net realisable values of its property under development by reference to comparable properties, timing of sale launches, location of property, expected net selling prices and development expenditure. Market conditions may, however, change which may affect the future selling prices on the remaining unsold residential units of the property under development and accordingly, the carrying value of the property under development may have to be written down in future periods.

4. Revenue

	Group	
	2016	**2015**
	$'000	$'000
Sale of development properties		
- recognised on percentage of completion basis	345,328	324,828
- recognised on completion contract method	66,399	22,670
Construction revenue	298,213	305,759
Revenue from hotel operations	27,425	14,129
Rental income from investment properties (Note 12)	10,570	8,965
Management fees	60	101
	747,995	676,452

5. Interest income

	Group	
	2016	**2015**
	$'000	$'000
Interest income from loan and receivables	4,146	2,477

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6. Other income

	Group	
	2016	**2015**
	$'000	$'000
Sales of materials	443	980
Government grants	1,825	705
Dividend income from investment securities	503	700
Rental income from development properties	1,336	639
Net gain on disposal of property, plant and equipment	497	359
Disposal of show units	–	350
Net foreign exchange gain	2,090	263
Deposits forfeited from buyers	43	215
Net gain from fair value adjustment of investment properties (Note 12)	5,419	–
GST refundable	512	–
Others	304	367
	12,972	4,578

7. Finance costs

	Group	
	2016	**2015**
	$'000	$'000
Interest expense on bank loans and borrowings	33,638	32,087
Less: Interest expense capitalised in		
- Property, plant and equipment (Note 11)	–	(544)
- Development properties (Note 19)	(14,083)	(15,185)
Total finance costs	19,555	16,358

8. Profit before tax

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

	Group	
	2016	**2015**
	$'000	$'000
Audit fees paid to:		
- Auditors of the Company	263	308
- Other auditors	88	85
Non-audit fees paid to:		
- Auditors of the Company	–	90
- Other auditors	–	–
Depreciation of property, plant and equipment (Note 11)	6,986	6,065
Amortisation of intangible assets (Note 13)	107	27
Employee benefits expense (Note 28)	56,114	60,454
Legal and professional fees	6,688	1,373
Operating lease expense (Note 30(a))	627	627
Net loss from fair value adjustment of investment properties (Note 12)	–	4,225
Impairment loss on receivables (Note 16)	169	–
Impairment loss on investment securities	–	28
Impairment loss on development properties	5,751	10,400
Property, plant and equipment written off	10	3
Maintenance of properties	4,052	2,191

9. Income tax expense

Major components of income tax expense

The major components of income tax expense for the years ended 31 December 2016 and 2015 are:

	Group	
	2016	**2015**
	$'000	$'000
Consolidated income statement:		
Current income tax		
- current income taxation	12,184	14,769
- under/(over) provision in respect of previous years	1,748	(4,892)
	13,932	9,877
Deferred income tax		
- origination and reversal of temporary differences	10,453	449
Income tax expense recognised in profit or loss	24,385	10,326

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

9. Income tax expense (cont'd)

Relationship between tax expense and accounting profit

A reconciliation between tax expense and the product of accounting profit multiplied by the applicable corporate tax rate for the years ended 31 December 2016 and 2015 is as follows:

	Group	
	2016	**2015**
	$'000	$'000
Accounting profit before tax	76,109	67,572
Tax at the domestic rates applicable to profits in the countries where the Group operates	16,772	11,229
Adjustments:		
Non-deductible expenses	4,613	5,746
Income not subject to taxation	(1,530)	(1,462)
Deferred tax assets not recognised	1,644	1,041
Effect of partial tax exemption and tax relief	(438)	(878)
Under/(over)provision in respect of previous years	1,748	(4,892)
Share of results of associates	(75)	(408)
Withholding tax	320	142
Others	1,331	(192)
Income tax expense recognised in profit or loss	24,385	10,326

The above reconciliation is prepared by aggregating separate reconciliations for each national jurisdiction.

10. Earnings per share

Basic earnings per share are calculated by dividing the profit, net of tax, attributable to owners of the Company by the weighted average number of ordinary shares outstanding during the financial year.

Diluted earnings per share are calculated by dividing profit, net of tax, attributable to owners of the Company by the weighted average number of ordinary shares outstanding during the financial year plus the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares.

The following tables reflect the profit and share data used in the computation of basic and diluted earnings per share for the years ended 31 December:

	Group	
	2016	**2015**
	'000	'000
Profit, net of tax, attributable to owners of the Company used in the computation of basic and diluted earnings per share	$35,686	$62,990
Weighted average number of ordinary shares for basic earnings per share computation	621,014	623,070
Effects of dilution on share options	5,227	–
Weighted average number of ordinary shares for diluted earnings per share computation	626,241	623,070

11. Property, plant and equipment

Group	Freehold land	Leasehold land	Freehold and leasehold buildings	Leasehold land and buildings under construction	Container office, building and construction equipment	Motor vehicles	Computer and office equipment	Furniture, fixture and fittings	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Cost									
At 1 January 2015	4,907	4,202	7,411	193,239	10,285	6,100	1,217	257	227,618
Additions	–	–	541	14,871	302	317	1,360	3,276	20,667
Disposals	–	–	–	–	(545)	(1,007)	(4)	–	(1,556)
Written off	–	–	–	–	–	–	(133)	(160)	(293)
Reclassification	–	122,660	85,450	(208,110)	–	–	–	–	–
Revaluation deficit	(1,613)	–	(21)	–	–	–	–	–	(1,634)
Exchange differences	(650)	–	(21)	–	(492)	(19)	(7)	(1)	(1,190)
At 31 December 2015 and 1 January 2016	2,644	126,862	93,360	–	9,550	5,391	2,433	3,372	243,612
Additions	–	–	5	–	298	944	559	223	2,029
Cost adjustments	–	–	(321)	–	–	–	–	–	(321)
Disposals	–	–	–	–	(1,366)	(430)	(42)	–	(1,838)
Written off	–	–	–	–	(28)	–	(47)	–	(75)
Exchange differences	(50)	–	(2)	–	(67)	(1)	(2)	–	(122)
At 31 December 2016	2,594	126,862	93,042	–	8,387	5,904	2,901	3,595	243,285

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

11. Property, plant and equipment (cont'd)

Group	**Freehold land**	**Leasehold land**	**Freehold and leasehold buildings**	**Leasehold land and buildings under construction**	**Container office, building and construction equipment**	**Motor vehicles**	**Computer and office equipment**	**Furniture, fixture and fittings**	**Total**
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Accumulated depreciation									
At 1 January 2015	–	653	169	3,503	6,100	2,821	663	184	14,093
Depreciation charge for the year	–	744	1,451	666	1,114	1,035	460	595	6,065
Disposals	–	–	–	–	(455)	(798)	(1)	–	(1,254)
Written off	–	–	–	–	–	–	(133)	(157)	(290)
Reclassification	–	4,169	–	(4,169)	–	–	–	–	–
Exchange differences	–	–	(8)	–	(180)	(15)	(5)	–	(208)
At 31 December 2015 and 1 January 2016	–	5,566	1,612	–	6,579	3,043	984	622	18,406
Depreciation charge for the year	–	1,410	2,087	–	829	953	747	960	6,986
Disposals	–	–	–	–	(1,252)	(350)	(3)	–	(1,605)
Written off	–	–	–	–	(18)	–	(47)	–	(65)
Exchange differences	–	–	(2)	–	(37)	(2)	–	–	(41)
At 31 December 2016	–	6,976	3,697	–	6,101	3,644	1,681	1,582	23,681
Net carrying amount									
At 31 December 2015	2,644	121,296	91,748	–	2,971	2,348	1,449	2,750	225,206
At 31 December 2016	2,594	119,886	89,345	–	2,286	2,260	1,220	2,013	219,604

11. Property, plant and equipment (cont'd)

Company	Motor vehicles	Computer and office equipment	Furniture, fixture and fittings	Total
	$'000	$'000	$'000	$'000
Cost				
At 1 January 2015	2,681	55	–	2,736
Additions	–	178	–	178
Disposal	(551)	–	–	(551)
At 31 December 2015 and 1 January 2016	2,130	233	–	2,363
Additions	811	122	42	975
Disposal	(293)	(40)	–	(333)
At 31 December 2016	2,648	315	42	3,005
Accumulated depreciation				
At 1 January 2015	988	44	–	1,032
Depreciation charge for the year	492	57	–	549
Disposal	(540)	–	–	(540)
At 31 December 2015 and 1 January 2016	940	101	–	1,041
Depreciation charge for the year	491	73	9	573
Disposal	(293)	–	–	(293)
At 31 December 2016	1,138	174	9	1,321
Net carrying amount				
At 31 December 2015	1,190	132	–	1,322
At 31 December 2016	1,510	141	33	1,684

Capitalisation of borrowing costs

The Group's leasehold land and building with a carrying amount of $200,131,000 (2015: $203,180,000) is mortgaged to secure bank borrowing. During the year, the borrowing cost capitalised amounted to $nil (2015: $544,000).

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

11. Property, plant and equipment (cont'd)

As at 31 December, the freehold and leasehold land and buildings were appraised by professional valuers at an open market value as follows:

	2016	2015
	$'000	$'000
At valuation		
Freehold land and building	4,427	4,512
Leasehold land and buildings	364,100	380,000

The valuation surplus has not been incorporated in the financial statements.

12. Investment properties

	Group	
	2016	2015
	$'000	$'000
At 1 January	283,637	288,983
Net gain/(loss) from fair value adjustments recognised in profit or loss (Notes 6 & 8)	5,419	(4,225)
Additions (subsequent expenditure)	311	1,070
Cost adjustments	(1,167)	–
Exchange differences	493	(2,191)
At 31 December	288,693	283,637

The following amounts are recognised in the income statement:

Rental income (Note 4)	10,570	8,965
Direct operating expenses arising from rental generating properties	4,152	3,759

12. Investment properties (cont'd)

The investment properties held by the Group as at 31 December 2016 are as follows:

Description and location	Tenure	Existing Use	Unexpired lease term
2 adjoining units of 3-storey shophouses at 86, 86A, 86B Tanjong Pagar Road, Singapore	99 years from 27 September 1988	Shops and offices	71 years
A part 2-storey, part 4-storey shophouse at 161 Geylang Road, Singapore	99 years from 4 May 1993	Shops and offices	76 years
6-storey light industrial building with a basement carpark at 69 Ubi Crescent, Singapore	60 years from 5 July 1997	Light industrial building	41 years
3 adjoining units of 2-1/2 storey shophouses with 4-storey rear extension at 115 Geylang Road, Singapore	Freehold	Boarding hotel	–
12-storey office building at 171 Chin Swee Road, Singapore	99 years from 2 June 1969	Offices	52 years
11-storey office building at 420 St Kilda Road, Melbourne, Australia	Freehold	Offices	–

The Group has no restriction on the realisability of its investment properties and no contractual obligations to purchase, construct or develop investment property or for repairs, maintenance or enhancements.

Properties pledged as securities

The investment properties are mortgaged to secure banking facilities (Note 22).

Valuation of investment properties

Investment properties are stated at fair value, which has been determined based on valuations performed as at balance sheet date. The valuations were performed by Colliers International Consultancy & Valuation (Singapore) Pte Ltd, CBRE Pte Ltd and M3 Property, independent valuers with a recognised and relevant professional qualification and with recent experience in the location and category of the properties being valued. Details of valuations techniques and inputs used are disclosed in Note 32(d)(i).

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

13. Intangible assets

	Group			Company
	Club membership	**Intellectual property**	**Total**	**Club membership**
	$'000	$'000	$'000	$'000
Cost				
At 1 January 2015	442	–	442	316
Disposal	(225)	–	(225)	(225)
At 31 December 2015 and 1 January 2016	217	–	217	91
Additions	465	1,746	2,211	465
At 31 December 2016	682	1,746	2,428	556
Accumulated amortisation				
At 1 January 2015	148	–	148	47
Amortisation for the year	27	–	27	15
Disposal	(56)	–	(56)	(56)
At 31 December 2015 and 1 January 2016	119	–	119	6
Amortisation for the year	35	72	107	22
At 31 December 2016	154	72	226	28
Net carrying amount				
At 31 December 2015	98	–	98	85
At 31 December 2016	528	1,674	2,202	528

The amortisation of club membership is included in the "Administrative expenses" line item in the income statement. The remaining amortisation period range from 7 to 9 years (2015: 3 to 8 years).

14. Investments in subsidiaries

	Company	
	2016	**2015**
	$'000	$'000
Shares, at cost	48,302	48,302

Details regarding subsidiaries are set out in Note 1.

The Group's contingent liabilities in respect of its investments in subsidiaries are disclosed in Note 31.

14. Investments in subsidiaries (cont'd)

Interest in subsidiary with material non-controlling interest (NCI)

The Group has the following subsidiary that has NCI that is material to the Group.

Name of Subsidiary	Principal place of business	Proportion of ownership interest held by NCI		Profit/(loss) allocated to NCI during the reporting period		Accumulated NCI at the end of reporting period		Dividends paid to NCI	
		2016	2015	2016	2015	2016	2015	2016	2015
		%	%	$'000	$'000	$'000	$'000	$'000	$'000
Fernvale Development Pte Ltd	Singapore	40	40	16,134	(5,744)	10,788	(5,347)	–	–

Summarised financial information about a subsidiary with material NCI

Summarised financial information including goodwill on acquisition and consolidation adjustments but before intercompany eliminations of a subsidiary with material non-controlling interest is as follows:

Summarised balance sheets	Fernvale Development Pte Ltd	
	2016	2015
	$'000	$'000
Current		
Assets	464,923	452,436
Liabilities	(26,653)	(10,185)
Net current assets	438,270	442,251
Non-current		
Assets	–	2,940
Liabilities	(411,301)	(458,559)
Net non-current liabilities	(411,301)	(455,619)
Net assets/(liabilities)	26,969	(13,368)

14. Investments in subsidiaries (cont'd)

Summarised statement of comprehensive income

	Fernvale Development Pte Ltd	
	2016	**2015**
	$'000	$'000
Revenue	290,976	32,543
Profit/(loss) before tax	48,558	(17,300)
Income tax (expense)/credit	(8,222)	2,940
Profit/(loss) after tax and total comprehensive income	40,336	(14,360)
Other summarised information		
Net cash flows generated from operating activities	86,271	128,255
Net cash flows used in financing activities	(66,000)	(56,927)
Land and development cost for development property	666,704	575,902

Acquisition of subsidiary

On 22 September 2016 (the "acquisition date"), the Group's subsidiary company, CES-Vietnam Holdings Pte Ltd acquired an additional 49.98% equity interest in its 49% owned associate Viet Investment Link Joint Stock Company (Viet Investment Link"). Viet Investment Link is a company incorporated in Vietnam and is in the business of property developer. Upon the acquisition, Viet Investment Link became a wholly-owned subsidiary of the Group.

The fair value of the identifiable assets and liabilities of Viet Investment Link as at the acquisition date were:

	Fair value recognition on acquisition
	$'000
Trade receivables	1,095
Cash and cash equivalents	4,757
	5,852
Settlement of payables to CES-Vietnam Holdings Pte Ltd	(5,852)
Total identifiable net liabilities at fair value	–
Total consideration	–

14. Investments in subsidiaries (cont'd)

The step-up acquisition of Viet Investment Link was made via additional shares issued in lieu of settlement of amount due to CES-Vietnam Holdings Pte Ltd. Consequently, Viet Investment Link's charter capital increased. The Group has elected to measure the non-controlling interest at the non-controlling interest's proportionate share of Viet Investment Link's net identifiable assets.

Impact of the acquisition on profit and loss

From the acquisition date, Viet Investment Link has contributed $Nil revenue and $372,000 to the Group's profit for the year. If the business combination had taken place at the beginning of the year, the revenue from continuing operations would have been $Nil and the Group's profit from continuing operations, net of tax would have been $96,000.

15. Investments in associates

	Group		Company	
	2016	**2015**	**2016**	**2015**
	$'000	$'000	$'000	$'000
Investments in associates	6,359	12,121	650	650

Details regarding associates are set out in Note 1.

Aggregate information about the Group's investments in associates that are not individually material are as follows:

	Group	
	2016	**2015**
	$'000	$'000
(Loss)/profit after tax	(1,277)	3,728
Other comprehensive income	611	509
Total comprehensive income	(666)	4,237

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For the financial year ended 31 December 2016

16. Trade and other receivables

	Group		Company	
	2016	2015	2016	2015
	$'000	$'000	$'000	$'000
Trade and other receivables (current):				
Trade receivables	36,623	32,841	–	–
Sales proceeds and progress billing receivables	18,550	202,091	–	–
Deposits	21,824	5,795	2	1
Recoverables	1,837	1,908	–	–
GST receivables	901	685	–	–
Amounts due from subsidiaries, trade	–	–	5,272	27,523
Amounts due from associates, trade	792	5,952	–	–
Others	714	–	37	–
	81,241	249,272	5,311	27,524
Other receivables (non-current):				
Amounts due from subsidiaries, non-trade	–	–	231,928	180,219
Amounts due from associates, non-trade	–	7,033	–	–
Other receivables	88	239	–	–
	88	7,272	231,928	180,219
Total trade and other receivables (current and non-current, excluding GST receivables)	80,428	255,859	237,239	207,743
Add: Cash and short-term deposits (Note 21)	481,582	442,456	122,273	49,904
Total loans and receivables	562,010	698,315	359,512	257,647

Trade receivables denominated in foreign currencies at 31 December are as follows:

	Group	
	2016	2015
	$'000	$'000
US Dollar	18,796	–
Australian Dollar	1,755	3,716
Malaysian Ringgit	820	1,265

16. Trade and other receivables (cont'd)

Trade receivables and amount due from subsidiaries and associates, trade (current)

These amounts are non-interest bearing and are generally on 30 to 90 days terms. They are recognised at their original invoice amounts which represent their fair values on initial recognition.

Sales proceeds and progress billing receivables

Sales proceeds receivables relate to the remaining sales consideration not yet billed on completed development properties held for sale.

Progress billing receivables relate to the outstanding balance of progress billings which are due within 14 days after the purchasers receive the notices to make payment.

Deposits

Included in the deposits are deposits paid for acquisition of an island resort in Maldives amounting to $18,800,000 (2015: deposits for land purchase amounting to $2,800,000).

Recoverables

Recoverables relate mainly to payment for purchases made on behalf of sub-contractors.

Amounts due from subsidiaries, non-trade (non-current)

These amounts are unsecured and non-interest bearing, except for loans amounting to $229,996,000 at 1.25% p.a. above SIBOR and fixed rate at 4.25% and 4.75% p.a. (2015: $178,319,000 at 1.25% p.a. above SIBOR and fixed rate at 4.25% p.a.). The amounts have no repayment terms and are repayable only when the cash flow of the subsidiaries permits.

Amounts due from associates, non-trade (non-current)

These amounts are unsecured, non-interest bearing and not expected to be repaid within the next 12 months. All amounts are to be settled in cash.

Other receivables (non-current)

These receivables bear interest at fixed rate of 4.0% p.a. (2015: 4.0%) and are expected to be repaid in 2018.

Trade receivables that are past due but not impaired

The Group and Company has no significant trade receivables past due that were not impaired.

16. Trade and other receivables (cont'd)

Receivables that are impaired

The Group's trade receivables that are impaired at the end of the reporting period and the movement of the allowance accounts used to record the impairment are as follows:

	Group	
	2016	**2015**
	$'000	$'000
Receivables – nominal amounts	2,469	2,504
Less: Allowance for impairment	(2,469)	(2,504)
	–	–
Movement in allowance accounts:		
At 1 January	2,504	2,537
Charge for the year	169	–
Written off	(203)	–
Exchange differences	(1)	(33)
At 31 December	2,469	2,504

Trade receivables that are individually determined to be impaired at the end of the reporting period relate to debtors that are in significant financial difficulties and have defaulted on payments. These receivables are not secured by any collateral or credit enhancements.

17. Investment securities

	Group		Company	
	2016	**2015**	**2016**	**2015**
	$'000	$'000	$'000	$'000
Available-for-sale financial assets				
Quoted shares, at fair value	8,010	3,864	8,010	3,864
Movement in allowance accounts:				
At 1 January	28	–	–	–
Charge for the year	–	28	–	–
At 31 December	28	28	–	–

18. Gross amount due from/(to) customers for contract work-in-progress

	Group	
	2016	**2015**
	$'000	$'000
Aggregate amount of costs incurred and recognised profits (less recognised losses) to date	606,339	499,040
Less: Progress billings	(607,762)	(496,588)
	(1,423)	2,452
Presented as:		
Gross amount due from customers for contract work-in-progress	9,677	10,826
Gross amount due to customers for contract work-in-progress	(11,100)	(8,374)
	(1,423)	2,452
Retention sums on construction contract included in trade receivables	2,658	4,229

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For the financial year ended 31 December 2016

19. Development properties

	Group	
	2016	**2015**
	$'000	$'000
Completed properties held for sale:		
Completed properties, at cost	123,972	17,417
Allowance for impairment	(12,000)	–
	111,972	17,417
Properties under development:		
Land cost	1,100,831	699,647
Development cost	209,850	135,324
Attributable profits	55,419	6,650
Progress billings	(350,354)	(223,276)
	1,015,746	618,345
Allowance for impairment	–	(10,400)
	1,015,746	607,945
Total development properties	1,127,718	625,362
Development properties recognised as an expense in cost of sales	325,923	246,240

	Group	
	2016	**2015**
	$'000	$'000
Movement in allowance accounts:		
At 1 January	10,400	–
Charge for the year	5,751	10,400
Allowance utilised	(4,151)	–
At 31 December	12,000	10,400

19. Development properties (cont'd)

Details of the Group's development properties are as follows:

Description and location	% owned	Site area (sq metre)	Estimated gross floor area (sq metre)	Year of completion/ stage of completion (expected year of completion)
Completed properties held for sale				
Singapore				
Leasehold commercial development (Alexandra Central) at 321 Alexandra Road, Singapore	100	7,946	8,671	2014
Freehold residential development (Fulcrum) at 33 Fort Road, Singapore	100	4,449	10,272	2016
Properties under development				
Singapore				
Leasehold residential development (High Park Residences) at Fernvale Road, Singapore	60	34,018	112,259	30% (2019)
Leasehold residential development (Grandeur Park Residences) at New Upper Changi Road/Bedok South Avenue 3, Singapore	100	24,394	51,228	0% (2021)
Australia				
Freehold residential development (Williamsons Estate) at 154-166 Williamsons Road and 5-17 Henry Street, Doncaster, Victoria, Australia	100	28,002	26,836	43% (2017)
Freehold mixed development (Tower Melbourne) at 150 Queen Street, Melbourne, Australia	100	913	56,400	0% (2021)
Freehold mixed development at 242 West Coast Highway, Scarborough, Western Australia	100	10,165	Under planning	
Freehold residential development at 217 and 221-223 Separation Street, Northcote, Victoria, Australia	100	17,857	Under planning	

19. Development properties (cont'd)

Details of the Group's development properties are as follows (cont'd):

Description and location	% owned	Site area (sq metre)	Estimated gross floor area (sq metre)	Year of completion/ stage of completion (expected year of completion)
<u>Properties under development (cont'd)</u>				
Australia (cont'd)				
Freehold residential development at 15-85 Gladstone Street, South Melbourne, Victoria, Australia	100	5,984	Under planning	

During the financial year, borrowing costs of $14,083,000 (2015: $15,185,000) arising from borrowings obtained specifically for the development properties were capitalised under "Development Costs". Interest rate for borrowing costs capitalised during the year range from 1.33% to 3.51% (2015: 1.88% to 2.92%) per annum.

The development properties are subject to legal mortgages for the purpose of securing the bank loans (Note 22).

The impairment loss on development properties is estimated taking into account estimated selling prices and estimated total construction costs. The estimated selling prices are based on recent selling prices for the development project or comparable projects and prevailing property market conditions. The estimated total construction costs are based on contracted amounts and, in respect of amounts not contracted for, management's estimates of the amounts to be incurred taking into consideration historical trends of the amounts incurred. The impairment loss is included in the "Administrative expenses" line item in the income statement.

20. Assets held for sale

	Group		Company	
	2016	**2015**	**2016**	**2015**
	$'000	$'000	$'000	$'000
Land held for sale	–	39,426	–	–
Hotel supplies, at cost	48	37	–	–
	48	39,463	–	–

21. Cash and short-term deposits

	Group		Company	
	2016	**2015**	**2016**	**2015**
	$'000	$'000	$'000	$'000
Cash at banks and on hand	135,497	77,828	12,428	12,204
Short-term deposits	253,075	211,546	109,845	37,700
Project account – Cash at bank	22,473	93,054	–	–
Project account – Short-term deposits	70,537	60,028	–	–
	481,582	442,456	122,273	49,904

Cash at banks earn interest at floating rates based on daily bank deposit rates. Short-term deposits are made for varying periods of between 7 days and 3 months, depending on the immediate cash requirements of the Group and the Company, and earn interests at the respective short term deposit rates. The interest rates for the year ended 31 December 2016 for the Group and the Company range from 0.01% to 1.79% (2015: 0.5% to 2.31%) and from 0.01% to 1.79% (2015: 0.5% to 2.31%) respectively.

As at 31 December 2016, the Group has a total balance of $93,010,000 (2015: $153,082,000) held under the development project rules in Singapore and Australia and the use of which is also governed by these rules.

Cash and short-term deposits denominated in foreign currency at 31 December are as follows:

	Group		Company	
	2016	**2015**	**2016**	**2015**
	$'000	$'000	$'000	$'000
Australian Dollar	43,777	29,861	222	111
Vietnamese Dong	925	330	335	316
Malaysian Ringgit	852	384	–	–

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22. Loans and borrowings

	Maturity	Group 2016 $'000	Group 2015 $'000	Company 2016 $'000	Company 2015 $'000
Current:					
Secured bank loans	2017	84,182	120,415	–	–
Unsecured term notes	2017	150,000	–	150,000	–
		234,182	120,415	150,000	–
Non-current:					
Secured bank loans	2018 to 2040	816,736	588,287	–	–
Unsecured term notes	2021	120,000	150,000	120,000	150,000
		936,736	738,287	120,000	150,000
Total loans and borrowings		1,170,918	858,702	270,000	150,000

Secured bank loans

The Group's bank loans are denominated in Singaporean and Australian Dollars. For the year ended 31 December 2016, the bank loans bear interest at varying rates from 1.33% to 3.66% (2015: 1.82% to 4.20%) per annum.

The bank loans are secured by:

(a) legal mortgage on the hotel (Note 11), investment properties (Note 12) and development properties (Note 19);
(b) assignment of present and future tenancy and sales agreements;
(c) assignment of construction contracts, performance bonds and fire insurance policies;
(d) subordination of shareholder's loan;
(e) fixed and floating charge on all the assets of the development properties and hotel;
(f) assignment of building agreement;
(g) assignment of dividends to be received;
(h) charge of bank accounts with the banker; and
(i) corporate guarantee from the Company.

Unsecured term notes

On 17 October 2014, the Company issued $150,000,000 of notes under the $500,000,000 Multicurrency Debt Issuance Programme. These notes which are unsecured, bear interest at a fixed rate of 4.25% per annum, payable semi-annually in arrear and will mature in October 2017.

On 14 June 2016, the Company issued $120,000,000 of notes under the $500,000,000 Multicurrency Debt Issuance Programme. These notes which are unsecured, bear interest at a fixed rate of 4.75% per annum, payable semi-annually in arrear and will mature in June 2021.

23. Trade and other payables

	Group		Company	
	2016	**2015**	**2016**	**2015**
	$'000	$'000	$'000	$'000
Current:				
Trade payables	79,323	68,790	49	21
Other payables	4,692	9,196	–	3
Progress billings received	–	33,347	–	–
GST payables	2,379	5,299	75	203
	86,394	116,632	124	227
Non-current:				
Trade payables	18,061	15,402	–	–
Amount due to non-controlling interest	88,631	77,786	–	–
	106,692	93,188	–	–
Trade and other payables (excluding GST payables)	190,707	204,521	49	24
Add:				
- Other liabilities (Note 24)	42,190	38,242	5,944	5,764
- Loans and borrowings (Note 22)	1,170,918	858,702	270,000	150,000
Total financial liabilities carried at amortised cost	1,403,815	1,101,465	275,993	155,788

Trade payables (current)

Trade payables are non-interest bearing and are normally settled on 30 to 90 days terms.

Amount due to non-controlling interest (non-current)

The amount is unsecured, bears interest from 5.35% to 6.00% (2015: 5.35%) per annum and is repayable only when the cash flow of the subsidiary company permits. The amount is to be settled in cash.

Trade payables denominated in foreign currencies as at 31 December are as follows:

	Group	
	2016	**2015**
	$'000	$'000
Australian Dollar	5,978	35,512
Malaysian Ringgit	1,585	2,156

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24. Other liabilities

	Group		Company	
	2016	**2015**	**2016**	**2015**
	$'000	$'000	$'000	$'000
Current:				
Accrued project costs and operating expenses	42,190	38,242	5,944	5,764

25. Deferred tax assets and liabilities

Deferred tax assets and liabilities as at 31 December relate to the following:

	Group				Company	
	Consolidated Balance Sheet		Consolidated Income Statement		Balance Sheet	
	2016	**2015**	**2016**	**2015**	**2016**	**2015**
	$'000	$'000	$'000	$'000	$'000	$'000
Deferred tax assets						
Unutilised tax losses	2,995	3,606	(2,254)	(3,606)	–	–
	2,995	3,606			–	–
Deferred tax liabilities						
Differences in depreciation for tax purpose	(2,243)	(332)	2,103	(131)	(21)	(16)
Deferred tax liabilities on:						
- development properties	(5,282)	(15,569)	8,222	3,828	–	–
- investment properties	(2,449)	(30)	2,382	358	–	–
	(9,974)	(15,931)			(21)	(16)
Deferred tax expenses			10,453	449		

Unrecognised tax losses

At the end of the reporting period, the Group has tax losses of approximately $32,815,000 (2015: $24,693,000) that are available for offset against future taxable profits of the companies in which the losses arose, for which no deferred tax asset is recognised due to uncertainty of its recoverability. The use of these tax losses is subject to the agreement of the tax authorities and compliance with certain provisions of the tax legislation of the respective countries in which the companies operate. The tax losses do not expire under current tax legislation.

25. Deferred tax assets and liabilities (cont'd)

Tax consequence of proposed dividends

There are no income tax consequences (2015: Nil) attached to the dividends to the shareholders proposed by the Company but not recognised as a liability in the financial statements (Note 36).

26. Share capital and treasury shares

(a) Share capital

	Group and Company			
	2016		2015	
	No. of shares '000	$'000	No. of shares '000	$'000
Issued and fully paid ordinary shares				
At beginning and end of the year	667,515	79,691	667,515	79,691

The holders of ordinary shares (except treasury shares) are entitled to receive dividends as and when declared by the Company. All ordinary shares carry one vote per share without restrictions. The ordinary shares have no par value.

(b) Treasury shares

	Group and Company			
	2016		2015	
	No. of shares '000	$'000	No. of shares '000	$'000
At 1 January	(46,501)	(33,653)	(39,646)	(27,374)
Purchase of treasury shares	–	–	(6,855)	(6,279)
At 31 December	(46,501)	(33,653)	(46,501)	(33,653)

Treasury shares relate to ordinary shares of the Company that is held by the Company.

The Company acquired Nil (2015: 6,855,000) shares in the Company through purchases on the Singapore Exchange during the financial year. The total amount paid to acquire the shares was $Nil (2015: $6,279,000) and this was presented as a component within shareholders' equity.

No treasury shares were reissued pursuant to the CES Share Plan during the year.

27. Other reserves

	Group		Company	
	2016	**2015**	**2016**	**2015**
	$'000	$'000	$'000	$'000
Fair value adjustment reserve	5,155	1,511	5,155	1,511
Foreign currency translation reserve	(23,257)	(24,709)	–	–
Capital reserve	674	674	–	–
Asset revaluation reserve	2,709	2,482	–	–
Treasury shares reserve	(533)	(533)	(533)	(533)
Share-based compensation reserve	1,392	–	1,392	–
	(13,860)	(20,575)	6,014	978

(a) *Fair value adjustment reserve*

Fair value adjustment reserve represents the cumulative fair value changes, net of tax, of available-for-sale financial assets until they are disposed of or impaired.

	Group and Company	
	2016	**2015**
	$'000	$'000
At 1 January	1,511	445
Available-for-sale financial assets:		
- net gain on fair value changes during the year	3,644	1,066
At 31 December	5,155	1,511

(b) *Foreign currency translation reserve*

The foreign currency translation reserve represents exchange differences arising from the translation of the financial statements of foreign operations whose functional currencies are different from that of the Group's presentation currency.

	Group	
	2016	**2015**
	$'000	$'000
At 1 January	(24,709)	(18,243)
Net effect of exchange difference arising from translation of financial statements of foreign operations	1,452	(6,466)
At 31 December	(23,257)	(24,709)

27. Other reserves (cont'd)

(c) Capital reserve

	Group	
	2016	**2015**
	$'000	$'000
At beginning and end of the year	674	674

(d) Asset revaluation reserve

As at 31 December 2016, the asset revaluation reserve represents increases in the Group's share in fair value of leasehold land and building of an associated company.

	Group	
	2016	**2015**
	$'000	$'000
At 1 January	2,482	4,110
Reversal of net surplus on revaluation of freehold land and buildings	–	(1,819)
Share of other comprehensive income of associate	227	191
At 31 December	2,709	2,482

(e) Treasury shares reserve

This represents the gain or loss arising from purchase, sale, issue or cancellation of treasury shares. No dividend may be paid, and no other distribution (whether in cash or otherwise) of the Company's assets (including any distribution of assets to members on a winding up) may be made in respect of this reserve.

	Group and Company	
	2016	**2015**
	$'000	$'000
At beginning and end of the year	(533)	(533)

27. Other reserves (cont'd)

(f) Share-based compensation reserve

Share-based compensation reserve represents the equity-settled share options granted to employees. The reserve is made up of the cumulative value of services received from employees recorded over the vesting period commencing from the grant date of equity-settled share options, and is reduced by the expiry or exercise of the share options.

	Group	
	2016	**2015**
	$'000	$'000
Fair value of employee services rendered during the year and at 31 December	1,392	–

28. Employee benefits expense

	Group	
	2016	**2015**
	$'000	$'000
Employee benefits expense (including directors):		
Salaries and bonuses	48,003	52,689
Central Provident Fund contributions	6,653	7,005
Share-based compensation expenses	1,392	–
Other short term benefits	66	760
	56,114	60,454

Chip Eng Seng Employee Share Option Scheme 2013

The Chip Eng Seng Employee Share Option Scheme 2013 ("ESOS") was approved by the shareholders at the Extraordinary General Meeting of the Company held on 25 April 2013. Under the terms of the ESOS, options to subscribe for the Company's ordinary shares may be granted to employees (including executive directors) and non-executive directors of the Group and the Associated Companies over which the Company has control. The schemes are administered by the Remuneration Committee.

Options granted shall not exceed 15% of the total issued share (excluding treasury shares) on the day immediately preceding the offer date of the ESOS. The exercise price of the granted options was determined based on the average of the last business done prices of the Company for five market days immediately preceding the date of grant of the option. The Remuneration Committee may at its discretion fix the exercise price at a discount not exceeding 20% to the above price. The vesting period is 2 years for options granted at a discounted exercise price, and 1 year for options granted without discount. The share options have a validity period of 10 years from the date of grant, unless they have been forfeited prior to that date. There are no cash settlement alternatives.

On 3 June 2016 ("grant date"), options were granted pursuant to the ESOS to an executive director of the Company to subscribe for 40,000,000 ordinary shares in the Company at the discounted exercise price of $0.5542 per ordinary share.

28. Employee benefits expense (cont'd)

Movement of the share options during the year are as follows:

	2016 Number of share options	2016 Weighted average exercise price $
Outstanding at 1 January	–	–
Granted during the year	40,000,000	0.55
Exercised during the year	–	–
Outstanding at 31 December	40,000,000	0.55
Exercisable at 31 December	–	–

Fair value of share options granted

The fair value of share options granted during the year was $0.12, estimated at grant date using the binomial option pricing model, taking into account the terms and conditions upon which the share options were granted. The significant inputs into the model were share price of $0.65 at the grant date, exercise price of $0.55, expected dividend yield of 6.15%, the expected weighted average life of 4 years and annual weighted average risk-free interest rate of 1.39%. The expected weighted average volatility of 23.13% based on historical volatility of the Company's share over a period similar to the expected life of the options is indicative of future trends, which may not necessarily be the actual outcome.

29. Related party transactions

(a) Sale and purchase of goods and services

In addition to the related party information disclosed elsewhere in the financial statements, the following significant transactions between the Group and related parties took place at terms agreed between the parties during the financial year:

	Group 2016 $'000	Group 2015 $'000
Management and other fees from associates	(45)	(101)
Construction contract service provided to associates	–	(1,881)
Sale of development properties to a director of the Company and family members of directors of the Company	–	(1,048)

29. Related party transactions (cont'd)

(b) Compensation of key management personnel

	Group 2016 $'000	Group 2015 $'000
Short-term employee benefits	8,492	7,922
Central Provident Fund contributions	146	122
Share-based compensation expenses	1,392	–
Other short-term benefits	136	173
	10,166	8,217
Comprise amounts paid to		
- Directors of the Company	7,260	5,213
- Other key management personnel	2,906	3,004
	10,166	8,217

(c) Others

	Group 2016 $'000	Group 2015 $'000
$120 million 4.75% fixed rate notes purchased by directors/key management personnel of the Company	(5,000)	–
Interests on fixed rate notes paid/payable to directors/key management personnel of the Company	495	410

30. Commitments

(a) Operating lease commitments – as lessee

The Group has entered into industrial property lease on a pre-cast yard. The lease has a tenure of five years with no renewal option and the rental is revisable annually by 5.5% or the prevailing posted land rental rate, whichever is lower in the contract. The Group is restricted from subleasing the pre-cast yard to third parties. Operating lease payments recognised in the consolidated profit or loss during the year amounted to $627,000 (2015: $627,000).

Future minimum rental payable under non-cancellable operating leases at the end of the reporting period are as follows:

	Group 2016 $'000	Group 2015 $'000
Not later than one year	168	671
Later than one year but not later than five years	–	168
	168	839

30. Commitments (cont'd)

(b) Operating lease commitments – as lessor

The Group has entered into commercial property leases on its investment properties. These non-cancellable leases have remaining non-cancellable lease terms of between 1 and 5 years. All leases include a clause to enable upward revision of the rental charge on an annual basis based on prevailing market conditions.

Future minimum rentals receivable under non-cancellable operating leases at the end of the reporting period are as follows:

	Group	
	2016	**2015**
	$'000	$'000
Not later than one year	9,702	8,099
Later than one year but not later than five years	15,722	15,862
Later than five years	–	19
	25,424	23,980

31. Contingent liabilities

Guarantees

The Company has guaranteed the banking facilities of $1,731,562,000 (2015: $1,708,243,000) granted to its subsidiaries. At 31 December 2016, the amount utilised was $1,282,652,000 (2015: $950,321,000).

Based on information currently available, the Company does not expect any liabilities to arise from the guarantees.

32. Fair value of assets and liabilities

(a) Fair value hierarchy

The Group categories fair value measurements using a fair value hierarchy that is dependent on the valuation inputs used as follows:

- Level 1 – Quoted prices (unadjusted) in active market for identical assets or liabilities that the Group can access at the measurement date;
- Level 2 – Inputs other that quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and
- Level 3 – Unobservable inputs for the asset or liability.

Fair value measurements that use inputs of different hierarchy levels are categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

32. Fair value of assets and liabilities (cont'd)

(b) Assets and liabilities measured at fair value

The following table shows an analysis of financial instruments measured at fair value at the end of the reporting period:

Group	Fair value measurements at the end of the reporting period using			
2016	**Quoted prices in active markets for identical instruments (Level 1)**	**Significant observable inputs other than quoted prices (Level 2)**	**Significant unobservable inputs (Level 3)**	**Total**
	$'000	$'000	$'000	$'000
Assets measured at fair value				
Financial assets:				
Available-for-sale financial assets (Note 17)				
Quoted equity securities	8,010	–	–	8,010
Financial assets as at 31 December 2016	8,010	–	–	8,010
Group 2015				
Assets measured at fair value				
Financial assets:				
Available-for-sale financial assets (Note 17)				
Quoted equity securities	3,864	–	–	3,864
Financial assets as at 31 December 2015	3,864	–	–	3,864

32. Fair value of assets and liabilities (cont'd)

(b) Assets and liabilities measured at fair value (cont'd)

	Fair value measurements at the end of the reporting period using			
Group 2016	**Quoted prices in active markets for identical instruments (Level 1)**	**Significant observable inputs other than quoted prices (Level 2)**	**Significant unobservable inputs (Level 3)**	**Total**
	$'000	$'000	$'000	$'000
Non-financial assets:				
Investment properties (Note 12)				
Commercial buildings	–	–	288,693	288,693
Non-financial assets as at 31 December 2016	–	–	288,693	288,693
2015				
Non-financial assets:				
Investment properties (Note 12)				
Commercial buildings	–	–	283,637	283,637
Non-financial assets as at 31 December 2015	–	–	283,637	283,637

(c) Level 2 fair value measurements

There is no amount relating to significant observable inputs other than quoted prices (Level 2).

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For the financial year ended 31 December 2016

32. **Fair value of assets and liabilities (cont'd)**

(d) **Level 3 fair value measurements**

(i) Information about significant unobservable inputs used in Level 3 fair value measurements

The following table shows the information about fair value measurements using significant unobservable inputs (Level 3):

Description	Fair value at 31 December 2016 $'000	2015 $'000	Valuation techniques	Unobservable inputs	Range
Recurring fair value measurements					
Investment properties:					
Commercial buildings in Singapore and Australia	288,693	283,637	Market comparable approach	Transacted price of comparable properties (psf)	$224 – $3,524 (2015: $348 – $3,109)
			Capitalisation approach	Capitalisation rate	6.75% (2015: 7.5%)
			Discounted cash flow approach	Discount rate	7.25% (2015: 8.0%)

For commercial investment properties, a significant increase (decrease) in yield adjustments based on management's assumptions would result in a significantly lower (higher) fair value measurement.

32. Fair value of assets and liabilities (cont'd)

(d) Level 3 fair value measurements (cont'd)

(ii) Movements in Level 3 assets and liabilities measured at fair value

The following table presents the reconciliation for all assets and liabilities measured at fair value based on significant unobservable inputs (Level 3):

	Investment properties	
Group	**2016**	**2015**
	$'000	$'000
Opening balance	283,637	288,983
Total gains or losses for the period		
Included in profit or loss	5,419	(4,225)
Purchases and settlements		
Purchases	311	1,070
Cost adjustments	(1,167)	–
Exchange differences	493	(2,191)
Closing balance	288,693	283,637
Total gains and losses for the period included in profit or loss:		
- Other income		
Net fair value gain on investment properties	5,419	–
- Administrative expenses		
Net fair value loss of investment properties	–	(4,225)

(iii) Valuation policies and procedures

The Group revalues its investment property portfolio on an annual basis. The fair value of investment properties are determined by external, independent valuers which have appropriate recognised professional qualifications and experience in the location and category of property being valued. Management reviews the appropriateness of the valuation methodologies and assumptions adopted, and the reliability of the inputs used in the valuations.

32. Fair value of assets and liabilities (cont'd)

(e) Fair value of financial instruments by classes that are not carried at fair value and whose carrying amounts are reasonable approximation of fair value

(i) Trade and other receivables, current trade and other payables, trade amount due from subsidiaries and associates, cash and short-term deposits

The carrying amounts of these balances approximate fair values due to their short-term nature.

(ii) Loans and borrowings

The carrying amount of borrowings due within a year approximates fair value because of the short period to maturity. The carrying amount of non-current borrowings approximate fair value as these balances are either floating rate instruments that are repriced to market interest rates or fixed rate instruments which interest rates approximate market interest rates at the end of the year.

(f) Fair value of financial instruments by classes that are not carried at fair value and whose carrying amounts are not reasonable approximation of fair value

The fair values for the non-current trade payables and non-trade amounts due from subsidiaries and associates (Note 16) are not determined as the timing of the future cash flow arising from the amounts cannot be estimated reliably.

(g) Transfers into or out of Level 3

FRS 113 requires disclosures of the amount of any transfers into or out of Level 3 of the fair value hierarchy, the reasons for those transfers and the entity's policy for determining when transfers between levels are deemed to have occurred. Transfers into Level 3 shall be disclosed and discussed separately from transfers out of Level 3.

There were no assets or liabilities transferred into or out of Level 3 during the year.

33. Financial risk management objectives and policies

The Group and the Company are exposed to financial risks arising from its operations and the use of financial instruments. The key financial risks include credit risk, liquidity risk, interest rate risk, foreign currency risk and market price risk. It is, and has been throughout the current and previous financial year, the Group's policy that no trading in derivatives for speculative purposes shall be undertaken.

The following sections provide details regarding the Group's and Company's exposure to the above-mentioned financial risks and the objectives, policies and processes for the management of these risks.

There has been no change to the Group's exposure to these financial risks or the manner in which it manages and measures the risks.

33. Financial risk management objectives and policies (cont'd)

(a) Credit risk

Credit risk is the risk of loss that may arise on outstanding financial instruments should a counterparty default on its obligations. The Group's and the Company's exposure to credit risk arises primarily from trade and other receivables. For other financial assets (including investment securities and cash and short-term deposits), the Group and the Company minimise credit risk by dealing exclusively with high credit rating counterparties.

The Group's objective is to seek continual revenue growth while minimising losses incurred due to increased credit risk exposure. The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant.

Exposure to credit risk

At the end of the reporting period, the Group's and the Company's maximum exposure to credit risk is represented by:

- the carrying amount of each class of financial assets recognised in the balance sheets; and
- corporate guarantee provided by the Company for banking facilities granted to subsidiaries (Note 31).

Information regarding credit enhancements for trade and other receivables is disclosed in Note 16.

Credit risk concentration profile

The Group determines concentrations of credit risk by monitoring the country and industry sector profile of its trade receivables on an on-going basis. The credit risk concentration profile of the Group's trade receivables at the end of the reporting period is as follows:

	Group			
	2016		2015	
	$'000	% of total	$'000	% of total
By country:				
Singapore	55,890	99	239,659	99
Other countries	789	1	1,225	1
	56,679	100	240,884	100
By industry sectors:				
Construction	37,252	66	37,311	16
Property development	17,612	31	203,051	84
Hospitality	783	1	–	–
Property investment and others	1,032	2	522	–
	56,679	100	240,884	100

At the end of the reporting period, approximately 60% (2015: 12%) of the Group's trade receivables were due from 3 major customers who are located in Singapore.

33. Financial risk management objectives and policies (cont'd)

(a) Credit risk (cont'd)

Financial assets that are neither past due nor impaired

Trade and other receivables that are neither past due nor impaired are with creditworthy debtors with good payment record with the Group. Cash and short-term deposits and investment securities that are neither past due nor impaired are placed with or entered into with reputable financial institutions or companies with high credit ratings and no history of default.

Financial assets that are either past due or impaired

Information regarding financial assets that are either past due or impaired is disclosed in Note 16 (Trade and other receivable).

(b) Liquidity risk

Liquidity risk is the risk that the Group or the Company will encounter difficulty in meeting financial obligations due to shortage of funds. The Group's and the Company's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities. The Group's and the Company's objective is to maintain a balance between continuity of funding and flexibility through the use of standby credit facilities.

At the end of the reporting period, approximately 20% (2015: 14%) of the Group's loans and borrowings will mature in less than one year based on the carrying amount reflected in the financial statements.

The Group assessed the concentration of risk with respect to refinancing its debt and concluded it to be low. Access to sources of funding is sufficiently available and debt maturity within 12 months can be rolled over with existing lenders.

Analysis of financial instrument by remaining contractual maturities

The table below summarises the maturity profile of the Group's and the Company's financial assets and liabilities at the end of the reporting period based on contractual undiscounted repayment obligations.

33. Financial risk management objectives and policies (cont'd)

(b) Liquidity risk (cont'd)

	Group			
	One year or less	**One to five years**	**Over five years**	**Total**
2016	$'000	$'000	$'000	$'000
Undiscounted financial assets:				
Trade and other receivables	80,346	89	–	80,435
Cash and short-term deposits	481,582	–	–	481,582
Total undiscounted financial assets	561,928	89	–	562,017
Undiscounted financial liabilities:				
Trade and other payables	84,015	133,309	–	217,324
Other liabilities	42,190	–	–	42,190
Loans and borrowings	265,370	787,979	257,700	1,311,049
Total undiscounted financial liabilities	391,575	921,288	257,700	1,570,563
Total net undiscounted financial assets/(liabilities)	170,353	(921,199)	(257,700)	(1,008,546)
2015				
Undiscounted financial assets:				
Trade and other receivables	248,601	7,280	–	255,881
Cash and short-term deposits	442,456	–	–	442,456
Total undiscounted financial assets	691,057	7,280	–	698,337
Undiscounted financial liabilities:				
Trade and other payables	111,333	93,188	–	204,521
Other liabilities	38,242	–	–	38,242
Loans and borrowings	143,198	585,595	246,194	974,987
Total undiscounted financial liabilities	292,773	678,783	246,194	1,217,750
Total net undiscounted financial assets/(liabilities)	398,284	(671,503)	(246,194)	(519,413)

33. Financial risk management objectives and policies (cont'd)

(b) Liquidity risk (cont'd)

	Company			
	One year or less	**One to five years**	**Over five years**	**Total**
2016	$'000	$'000	$'000	$'000
Undiscounted financial assets:				
Trade and other receivables	13,474	276,043	–	289,517
Cash and short-term deposits	122,273	–	–	122,273
Total undiscounted financial assets	135,747	276,043	–	411,790
Undiscounted financial liabilities:				
Trade and other payables	49	–	–	49
Other liabilities	5,944	–	–	5,944
Loans and borrowings	161,013	139,950	–	300,963
Total undiscounted financial liabilities	167,006	139,950	–	306,956
Total net undiscounted financial (liabilities)/assets	(31,259)	136,093	–	104,834
2015				
Undiscounted financial assets:				
Trade and other receivables	33,699	213,503	–	247,202
Cash and short-term deposits	49,904	–	–	49,904
Total undiscounted financial assets	83,603	213,503	–	297,106
Undiscounted financial liabilities:				
Trade and other payables	24	–	–	24
Other liabilities	5,764	–	–	5,764
Loans and borrowings	6,375	156,375	–	162,750
Total undiscounted financial liabilities	12,163	156,375	–	168,538
Total net undiscounted financial assets	71,440	57,128	–	128,568

33. Financial risk management objectives and policies (cont'd)

(b) Liquidity risk (cont'd)

The table below shows the contractual expiry by maturity of the Group's and Company's contingent liabilities and commitments. The maximum amount of the financial guarantee contracts are allocated to the earliest period in which the guarantee could be called.

	Group and Company			
	One year or less	**One to five years**	**Over five years**	**Total**
2016	$'000	$'000	$'000	$'000
Financial guarantees	334,418	1,226,479	170,665	1,731,562
2015				
Financial guarantees	244,374	1,322,212	141,657	1,708,243

(c) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of the Group's and the Company's financial instruments will fluctuate because of changes in market interest rates. The Group's and the Company's exposure to interest rate risk arises primarily from their loans and borrowings and interest-bearing loans given to subsidiaries. (Note 16).

The interest rate for loan and borrowings are based on floating rate except for an amount of $270 million term notes which was on a fixed rate (Note 22).

Sensitivity analysis for interest rate risk

At the end of the reporting period, if SGD interest rates had been 75 basis points ('bps') (2015: 75 bps) lower/higher with all other variables held constant, the Group's profit before tax would have been $6,757,000 (2015: $5,315,000) higher/lower, arising mainly as a result of lower/higher interest expense on floating rate loans and borrowings.

The assumed movement in basis points for interest rate sensitivity analysis is based on the currently observable market environment, showing a significantly higher volatility as in prior years.

33. Financial risk management objectives and policies (cont'd)

(d) Foreign currency risk

The functional currencies of the Group entities primarily comprise the Singapore Dollar (SGD), US Dollar (USD), Australian Dollar (AUD), Vietnamese Dong (VND) and Malaysian Ringgit (MYR). All the sales and cost of sales are in their respective functional currencies of the Group entities.

The Group and the Company also hold cash and short-term deposits denominated in foreign currencies for working capital purposes. At the end of the reporting period, such foreign currency balances are mainly in AUD and MYR.

The Group is also exposed to currency translation risk arising from its net investments in foreign operations, including Australia, Vietnam and Malaysia. The Group's net investments in Australia, Vietnam and Malaysia are not hedged as currency positions in AUD, VND and MYR are considered to be long-term in nature.

Sensitivity analysis for foreign currency risk

The following table demonstrates the sensitivity of the Group's profit before tax to a reasonably possible change in the USD, AUD, VND and MYR exchange rates against the respective functional currencies of the Group entities, with all other variables held constant.

	Group	
	Profit before tax	
	2016	**2015**
	$'000	$'000
USD		
- strengthened 3% (2015: 3%)	+966	+492
- weakened 3% (2015: 3%)	–966	–492
AUD		
- strengthened 3% (2015: 3%)	+348	+911
- weakened 3% (2015: 3%)	–348	–911
VND		
- strengthened 3% (2015: 3%)	+15	+10
- weakened 3% (2015: 3%)	–15	–10
MYR		
- strengthened 3% (2015: 3%)	+205	+129
- weakened 3% (2015: 3%)	–205	–129

33. Financial risk management objectives and policies (cont'd)

(e) Market price risk

Market price risk is the risk that the fair value or future cash flows of the Group's financial instruments will fluctuate because of changes in market prices (other than interest or exchange rates). The Group is exposed to equity price risk arising from its investment in quoted equity instruments. These securities are quoted on the HoChiMinh Stock Exchange in Vietnam. These are classified as held for trading or available-for-sale financial assets.

At the end of the reporting period, all (2015: all) of the Group's equity portfolio consists of a quoted investment in Vietnam.

Sensitivity analysis for equity price risk

At the end of the reporting period, if the share price had been 10% (2015: 10%) higher/lower with all other variables held constant, the Group's other reserve in equity would have been $801,000 (2015: $386,000) higher/lower, arising as a result of an increase/decrease in the fair value of equity instruments classified as available-for-sale.

34. Capital management

Capital includes debt and equity items as disclosed in the table below.

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximise shareholder value.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the years ended 31 December 2016 and 31 December 2015.

Management monitors capital based on the net debt-equity ratio, which is calculated as net debt divided by total capital. Net debt is calculated as loans and borrowings less cash and cash equivalents, and total capital is calculated as equity including non-controlling interests in subsidiary companies.

	Group	
	2016	**2015**
	$'000	$'000
Loans and borrowings (Note 22)	1,170,918	858,702
Less:		
Cash and short-term deposits (Note 21)	(481,582)	(442,456)
Net debt	689,336	416,246
Total capital	776,613	742,967
Net debt-equity ratio (times)	0.89	0.56

35. Segment information

For management purposes, the Group is organised into business units based on their products and services, and has five reportable operating segments as follows:

(a) The construction segment is in the business of general building contractors.

(b) The property developments segment is in the business of developing properties and management of development projects.

(c) The property investments segment is in the business of leasing and management of investment properties.

(d) The hospitality segment is in the business of hotel operations.

(e) The corporate and others segment is involved in Group-level corporate services, treasury functions and investments in marketable securities.

Except as indicated above, no operating segments have been aggregated to form the above reportable operating segments.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss which in certain respects, as explained in the table below, is measured differently from operating profit or loss in the consolidated financial statements.

Transfer prices between operating segments are on an arm’s length basis in a manner similar to transactions with third parties.

35. Segment information (cont'd)

Year ended 31 December 2016	Property developments $'000	Construction $'000	Property investments $'000	Hospitality $'000	Corporate and others $'000	Total $'000
Revenue:						
Total segment sales	413,228	350,359	12,360	27,425	14,486	817,858
Intersegment sales	(1,501)	(52,146)	(1,790)	–	(14,426)	(69,863)
Sales to external customers	411,727	298,213	10,570	27,425	60	747,995
Interest income	2,398	763	31	–	954	4,146
Dividend income	–	–	–	–	503	503
Finance costs	(6,887)	(142)	(3,118)	(5,879)	(3,529)	(19,555)
Depreciation and amortisation	(295)	(1,843)	(14)	(4,348)	(594)	(7,094)
Share of results of associates	(135)	–	–	–	(525)	(660)
Net fair value gain on investment properties	–	–	5,419	–	–	5,419
Other non-cash items:						
- Share-based compensation expense	–	–	–	–	(1,392)	(1,392)
- Impairment loss on development properties	(5,751)	–	–	–	–	(5,751)
Segment profit/(loss)	52,147	19,605	9,766	(2,151)	(3,258)	76,109
Assets and liabilities:						
Investments in associates	1,425	–	–	–	4,934	6,359
Additions to non-current assets:						
- property, plant and equipment	223	629	4	199	974	2,029
- investment properties	–	–	311	–	–	311
- intangible assets	–	1,746	–	–	465	2,211
Segment assets	1,419,187	151,454	295,977	226,273	139,348	2,232,239
Segment liabilities	980,183	93,995	121,348	131,598	128,502	1,455,626

35. Segment information (cont'd)

Year ended 31 December 2015	**Property developments** $'000	**Construction** $'000	**Property investments** $'000	**Hospitality** $'000	**Corporate and others** $'000	**Total** $'000
Revenue:						
Total segment sales	348,747	401,287	10,778	14,129	12,738	787,679
Intersegment sales	(1,249)	(95,528)	(1,813)	–	(12,637)	(111,227)
Sales to external customers	347,498	305,759	8,965	14,129	101	676,452
Interest income	1,359	665	41	–	412	2,477
Dividend income	–	–	–	–	700	700
Finance costs	(5,766)	(15)	(4,191)	(4,479)	(1,907)	(16,358)
Depreciation and amortisation	(249)	(2,045)	(13)	(3,222)	(563)	(6,092)
Share of results of associates	794	–	–	–	227	1,021
Net fair value loss on investment properties	–	–	(4,225)	–	–	(4,225)
Other non-cash items:						
- Impairment loss on development properties	(10,400)	–	–	–	–	(10,400)
Segment profit/(loss)	47,896	27,510	(2,655)	(5,841)	662	67,572
Assets and liabilities:						
Investments in associates	6,822	–	–	–	5,299	12,121
Additions to non-current assets:						
- property, plant and equipment	186	309	6	19,988	178	20,667
- investment properties	–	–	1,070	–	–	1,070
Segment assets	1,210,380	136,655	287,405	210,570	62,027	1,907,037
Segment liabilities	772,900	98,902	120,698	119,974	51,596	1,164,070

35. Segment information (cont'd)

Geographical information

Revenue and non-current assets information based on the geographical location of customers and assets respectively are as follows:

	Singapore	Australia	Malaysia	Total
	$'000	$'000	$'000	$'000
Year ended 31 December 2016				
Revenue	663,074	71,355	13,566	747,995
Non-current assets	449,870	56,270	4,359	510,499
Year ended 31 December 2015				
Revenue	659,622	4,485	12,345	676,452
Non-current assets	455,148	49,169	4,624	508,941

Non-current assets information presented above consist of property, plant and equipment, investment properties and intangible assets as presented in the consolidated balance sheet.

Information about a major customer

Revenue from one major customer amount to $276,220,000 (2015: $265,775,000), arising from revenue by the construction segment.

36. Dividend

	Group and Company	
	2016	**2015**
	$'000	$'000
Declared and paid during the financial year:		
Dividends on ordinary shares:		
- First and final tax-exempt (one-tier) dividend for 2015: 4.0 cents (2014: 4.0 cents) per share	24,841	24,923
- Special tax-exempt (one-tier) dividend for 2015: Nil (2014: 2.0 cents) per share	–	12,461
	24,841	37,384

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

36. Dividend (cont'd)

	Group and Company	
	2016	**2015**
	$'000	$'000
Proposed but not recognised as a liability as at 31 December:		
Dividends on ordinary shares, subject to shareholders' approval at the AGM:		
- First and final tax-exempt (one-tier) dividend for 2016: 4.0 cents (2015: 4.0 cents) per share	24,841	24,841

37. Authorisation of financial statements for issue

The financial statements for the year ended 31 December 2016 were authorised for issue in accordance with a resolution of the Directors on 15 March 2017.

STATISTICS OF SHAREHOLDINGS

As at 17 March 2017

SHARE CAPITAL

Issued and fully-paid capital	:	$79,690,709
No. of Issued Shares	:	667,515,161
No. of Issued Shaes (excluding Treasury Shares)	:	621,014,061
No./Percentrage of Treasury Shares	:	46,501,100 (6.97%)
Class of Shares	:	Ordinary share
Voting Rights (excluding Treasury Shares)	:	One vote for each share

DISTRIBUTION OF SHAREHOLDINGS

SIZE OF SHAREHOLDINGS	NO. OF SHAREHOLDERS	%	NO. OF SHARES	%
1 - 99	11	0.15	240	0.00
100 - 1,000	494	6.58	457,513	0.08
1,001 - 10,000	3,895	51.88	23,490,438	3.78
10,001 - 1,000,000	3,063	40.80	186,632,403	30.05
1,000,001 AND ABOVE	44	0.59	410,433,467	66.09
TOTAL	**7,507**	**100.00**	**621,014,061**	**100.00**

Substantial Shareholders	Direct Interest	%	Deemed Interest	%
Lim Tiam Seng [1]	60,499,000	9.74	17,198,000	2.77
Lim Tiang Chuan	44,177,000	7.11	–	–
Kwee Lee Keow[2]	17,198,000	2.77	60,499,000	9.74

Notes:

1 Mr Lim Tiam Seng's deemed interests include 17,198,000 shares held by Madam Kwek Lee Keow (wife)

2 Madam Kwek Lee Keow's deemed interests include 60,499,000 shares held by Mr Lim Tiam Seng (husband)

STATISTICS OF SHAREHOLDINGS

As at 17 March 2017

TWENTY LARGEST SHAREHOLDERS

NO.	NAME	NO. OF SHARES	%
1	LIM TIAM SENG	60,499,000	9.74
2	LIM TIANG CHUAN	44,177,000	7.11
3	CITIBANK NOMINEES SINGAPORE PTE LTD	40,313,365	6.49
4	KENYON PTE LTD	24,698,000	3.98
5	LIM TIAN BACK	22,003,000	3.54
6	LIM LING KWEE	20,605,000	3.32
7	LIM SOCK JOO	19,702,000	3.17
8	LIM TIAN MOH	18,853,000	3.04
9	KWEK LEE KEOW	17,198,000	2.77
10	DBS NOMINEES (PRIVATE) LIMITED	16,896,289	2.72
11	DAWN LIM SOCK KIANG	15,377,000	2.48
12	PANG HENG KWEE	9,430,000	1.52
13	UNITED OVERSEAS BANK NOMINEES (PRIVATE) LIMITED	8,224,900	1.32
14	MAYBANK KIM ENG SECURITIES PTE LTD	7,995,370	1.29
15	RAFFLES NOMINEES (PTE) LIMITED	7,582,088	1.22
16	CHIA LEE MENG RAYMOND	6,125,000	0.99
17	UOB KAY HIAN PRIVATE LIMITED	5,985,300	0.96
18	OCBC SECURITIES PRIVATE LIMITED	5,757,100	0.93
19	CIMB SECURITIES (SINGAPORE) PTE LTD	5,399,613	0.87
20	TAN KOK SING	5,008,000	0.81
	TOTAL	**361,829,025**	**58.27**

PERCENTAGE OF SHAREHOLDINGS IN PUBLIC'S HAND

Approximately 63.54% of the Company's shares are held in the hands of public. Accordingly, the Company has compiled with Rule 723 of the Listing Manual of the SGX-ST.

CHIP ENG SENG CORPORATION LTD.
(Incorporated in Singapore)
(Registration No. 199805196H)
(the "**Company**")

NOTICE IS HEREBY GIVEN that the Annual General Meeting of the Company will be held at Sapphire Suite, Social Clubhouse – Level II, Orchid Country Club, No. 1 Orchid Club Road, Singapore 769162 on Wednesday, 26 April 2017 at 10.00 a.m. for the following purposes:

AS ROUTINE BUSINESS:

1. To receive and adopt the Directors' Statement and the Audited Financial Statements of the Company for the financial year ended 31 December 2016 and the Auditors' Report thereon. **(Resolution 1)**

2. To declare a Tax Exempt One-Tier First and Final Dividend of 4.0 cents per ordinary share for the financial year ended 31 December 2016 (2015: Tax Exempt One-Tier First and Final Dividend of 4.0 cents per ordinary share). **(Resolution 2)**

3. To re-elect Mr Hoon Tai Meng, being a Director who retires by rotation pursuant to Article 115 of the Constitution of the Company. [See Explanatory Note (i)] **(Resolution 3)**

4. To re-elect Mr Ang Mong Seng, being a Director who retires by rotation pursuant to Article 115 of the Constitution of the Company. [See Explanatory Note (ii)] **(Resolution 4)**

5. To re-elect Mr Ung Gim Sei, being a Director who retires by rotation pursuant to Article 115 of the Constitution of the Company. [See Explanatory Note (iii)] **(Resolution 5)**

6. To re-elect Mr Lui Tuck Yew, being a Director who retires pursuant to Article 119 of the Constitution of the Company. [See Explanatory Note (iv)] **(Resolution 6)**

7. To approve the payment of additional Directors' fees of $1,200 for the financial year ended 31 December 2016. **(Resolution 7)**

8. To approve the payment of Directors' fees of $305,000 for the financial year ending 31 December 2017, to be paid quarterly in arrears. (2016: $290,000) **(Resolution 8)**

9. To re-appoint Messrs Ernst & Young LLP as Auditors and to authorise the Directors to fix their remuneration. **(Resolution 9)**

10. To transact any other routine business which may properly be transacted at an Annual General Meeting.

AS SPECIAL BUSINESS:

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

NOTICE OF ANNUAL GENERAL MEETING

11. "**SHARE ISSUE MANDATE**

That pursuant to Section 161 of the Companies Act, Cap. 50 (the "**Companies Act**") and Rule 806 of the Listing Manual of the Singapore Exchange Securities Trading Limited ("**SGX-ST**") and notwithstanding the provisions of the Constitution of the Company, authority be hereby given to the Directors of the Company to:

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

(ii) make or grant offers, agreements or options that may or would require shares to be issued, including but not limited to the creation and issue of (as well as adjustments to) warrants, debentures or other instruments convertible into shares (collectively, "**Instruments**"),

at any time and upon such terms and conditions and for such purposes and to such persons as the Directors may in their absolute discretion deem fit; and

b. (notwithstanding that the authority conferred by this Resolution may have ceased to be in force) issue shares in pursuance of any Instrument made or granted by the Directors while this Resolution was in force,

provided 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 the Company (as calculated in accordance with sub-paragraph (ii) below), of which the aggregate number of shares to be granted other than on a pro-rata basis to shareholders of the Company with registered addresses in Singapore (including shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution) does not exceed twenty per cent. (20%) of the total number of issued shares excluding treasury shares of the Company (as calculated in accordance with sub-paragraph (ii) below);

(ii) for the purpose of determining the aggregate number of shares that may be issued under sub-paragraph (i) above, the percentage of the total number of issued shares excluding treasury shares of the Company shall be calculated based on the total number of issued shares excluding treasury shares of the Company at the time of the passing of this Resolution, after adjusting for:

(1) new shares arising from the conversion or exercise of any convertible securities;

(2) new shares arising from exercise of share options or vesting of share awards outstanding or subsisting at the time of the passing of this Resolution, provided the options or awards were granted in compliance with Part VIII of Chapter 8 of the Listing Manual of the SGX-ST; and

(3) any subsequent bonus issue, consolidation or subdivision of shares;

(iii) the fifty per cent. 50% limit under sub-paragraph (i) above, may be increased to one hundred per cent. (100%) where the Company undertakes a pro-rata renounceable rights issue in accordance with, and subject to the terms and conditions set out in Practice Note 8.3 of the SGX-ST Listing Rules ("Rights Issue Limit");

(iv) the aggregate number of shares issued pursuant to the authority conferred by this resolution shall not exceed 100% of the total number of issued shares excluding treasury shares of the Company (as calculated in accordance with sub-paragraph (ii) above).

11. **SHARE ISSUE MANDATE (cont'd)**

(v) in exercising the authority conferred by this Resolution, the Company shall comply with the provisions of the Listing Manual of the SGX-ST for the time being in force (unless such compliance has been waived by the SGX-ST) and the Constitution for the time being of the Company; and

(vi) unless revoked or varied by the Company in general meeting, the authority conferred by this Resolution shall continue in force until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is the earlier."

[See Explanatory Note (v)] **(Resolution 10)**

12. "**SHARE PURCHASE MANDATE**

That:-

a. for the purposes of Sections 76C and 76E of the Companies Act, the exercise by the Directors of the Company of all the powers of the Company to purchase or otherwise acquire ordinary shares in the capital of the Company (the "**Shares**") not exceeding in aggregate the Prescribed Limit (as hereafter defined), at such price(s) 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) market purchases (each a "**Market Purchase**") on the Singapore Exchange Securities Trading Limited ("**SGX-ST**"); and/or

(ii) off-market purchases (each an "**Off-Market Purchase**") effected otherwise than on the SGX-ST in accordance with any equal access schemes as may be determined or formulated by the Directors of the Company as they consider fit, which schemes shall satisfy all the conditions prescribed by the Companies Act,

and otherwise in accordance with all other laws, regulations and rules of the SGX-ST as may for the time being be applicable, be and is hereby authorised and approved generally and unconditionally (the "**Share Purchase Mandate**");

b. unless varied or revoked by the Company in general meeting, the authority conferred on the Directors of the Company pursuant to the Share Purchase Mandate may be exercised by the Directors at any time and from time to time during the period commencing from the passing of this Resolution and expiring on the earlier of:

(i) the date on which the next Annual General Meeting of the Company is held or required by law to be held;

(ii) the date on which the Share purchases are carried out to the full extent mandated; or

(iii) the date on which the authority conferred by the Share Purchase Mandate is revoked or varied by Shareholders in general meeting;

NOTICE OF ANNUAL GENERAL MEETING

12. **SHARE PURCHASE MANDATE (CONT'D)**

c. in this Resolution:

"**Prescribed Limit**" means 10% of the total number of issued ordinary Shares (excluding Shares which are held as treasury shares) of the Company as at the date of the passing of this Resolution unless the Company has effected a reduction of the share capital of the Company in accordance with the applicable provisions of the Companies Act, at any time during the Relevant Period, in which event the issued ordinary share capital of the Company shall be taken to be the amount of issued ordinary share capital of the Company as altered (excluding Shares which are held as treasury shares as at that date);

"**Relevant Period**" means the period commencing from the date on which the last Annual General Meeting was held and expiring on the date of the next Annual General Meeting is held or is required by law to be held, whichever is the earlier, after the date of this Resolution; and

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

(i) in the case of a Market Purchase: 105% of the Average Closing Price of the Shares; and

(ii) in the case of an Off-Market Purchase: 120% of the Average Closing Price of the Shares;

where:

"**Average Closing Price**" means the average of the closing market prices of the Shares over the last five consecutive Market Days, on which transactions in the Shares were recorded, before the day on which the Shares are transacted on the SGX-ST, immediately preceding the date of Market Purchase by the Company or, as the case may be, the date of the making of the offer pursuant to the Off-Market Purchase pursuant to the equal access scheme, and deemed to be adjusted for any corporate action that occurs after the relevant five consecutive Market Days; and

"**Date 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 of the Company 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 of the Company and/or any of them be and are hereby authorised to deal with the Shares purchased by the Company, pursuant to the Share Purchase Mandate in any manner as may be permitted under the Companies Act; and

e. the Directors of the Company 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 or necessary to give effect to the transactions contemplated by this Resolution."
[See Explanatory Note (vi)] **(Resolution 11)**

13. “**CHIP ENG SENG PERFORMANCE SHARE PLAN**”

That:

a. The extension of the duration of the Chip Eng Seng Performance Share Plan (the “**Plan**”) for a period of ten (10) years from (and including 26 April 2017), up to (and including 25 April 2027), be and is hereby approved;

b. the amended Plan, as set out in Appendix 1 of the Appendix to the Notice of Annual General Meeting dated 10 April 2017 incorporating the alterations to the Plan as described in the Appendix, be and are hereby approved and adopted for, and to the exclusion of, the existing Plan, and shall, for the avoidance of doubt, also apply to the holders of Awards of the Shares granted but not yet vested, under the Plan as at the date of the passing of this Resolution;

c. the Directors of the Company be and are hereby authorised to modify and/or alter the Plan at any time and from time to time, provided that such modification and/or alteration is effected in accordance with the amended Plan, and to do all such acts and to enter into all transactions and arrangements as may be necessary or expedient in order to give full effect to the amended Plan;

d. subject to the amended Plan, the Directors of the Company be and are hereby authorised to offer and grant awards in accordance with the provisions of the amended Plan and pursuant to Section 161 of the Companies Act, Cap.50, to allot and issue from time to time such number of shares in the capital of the Company as may be required to be issued or issuable pursuant to the vesting of the awards under the amended Plan, provided that the aggregate number of shares to be issued pursuant to the amended Plan and the Share Option Scheme shall not exceed fifteen per cent. (15%) of the total number of shares, excluding treasury shares of the Company from time to time;

e. in this Resolution:

“**Awards**” means a contingent award of Shares granted under the rules of the Plan;

“**Released Award**” means an Award which has been released in accordance with the rules of the Plan;

“**Shares**” means ordinary shares in the capital of the Company;

“**Shareholders**” means registered holders of the Shares;

“**Share Option Scheme**” means the share option scheme approved by the Shareholders at an extraordinary general meeting of the Company on 25 April 2013; and

“**Vesting**” means in relation to Shares which are the subject of a Released Award, the absolute entitlement to all or some of the Shares which are the subject of a Released Award and “**Vest**” and “**Vested**” shall be construed accordingly.”

[See Explanatory Note (vii)] **(Resolution 12)**

By Order of the Board

Abdul Jabbar Bin Karam Din
Joint Company Secretary

Singapore, 10 April 2017

NOTICE OF ANNUAL GENERAL MEETING

Notes:

1. Save as provided in the Constitution, a member (other than a Relevant Intermediary*) entitled to attend and vote at the Annual General Meeting is entitled to appoint up to two proxies to attend and vote in his stead. A proxy need not be a member of the Company.

2. A Relevant Intermediary* may appoint more than two proxies, but each proxy must be appointed to exercise the rights attached to a different share or shares held by him (which number and class of shares shall be specified).

3. The instrument appointing a proxy must be deposited at the Registered Office of the Company at 171 Chin Swee Road #12-01 CES Centre Singapore 169877, not less than 48 hours before the time appointed for holding the Annual General Meeting.

   * A Relevant Intermediary is:

     (a) a banking corporation licensed under the Banking Act (Cap. 19) or a wholly-owned subsidiary of such a banking corporation, whose business includes the provision of nominee services and who holds shares in that capacity; or

     (b) a person holding a capital markets services licence to provide custodial services for securities under the Securities and Futures Act (Cap. 289) and who holds shares in that capacity; or

     (c) the Central Provident Fund Board established by the Central Provident Fund Act (Cap. 36), in respect of shares purchased under the subsidiary legislation made under that Act providing for the making of investments from the contributions and interest standing to the credit of members of the Central Provident Fund, if the Board holds those shares in the capacity of an intermediary pursuant to or in accordance with that subsidiary legislation.

EXPLANATORY NOTES:

(i) **Resolution 3** is to re-elect Mr Hoon Tai Meng as a Director of the Company. Mr Hoon, upon re-election, will remain as an Executive Director and a member of the Nominating Committee of the Company.

(ii) **Resolution 4** is to re-elect Mr Ang Mong Seng as an Independent Director of the Company. Mr Ang, upon re-election, will remain as the Lead Independent Director and the Chairman of the Audit Committee and a member of the Nominating Committee and the Remuneration Committee of the Company.

(iii) **Resolution 5** is to re-elect Mr Ung Gim Sei as an Independent Director of the Company. Mr Ung, upon re-election, will remain as an Independent Director and the Chairman of the Remuneration Committee and a member of the Audit Committee and the Nominating Committee of the Company.

(iv) **Resolution 6** is to re-elect Mr Lui Tuck Yew as an Independent Director of the Company. Mr Lui, upon re-election, will remain as an Independent Director and a member of the Audit Committee of the Company.

(v) Resolution 10 is to empower the Directors to allot and issue shares in the capital of the Company and/or Instruments (as defined above). The aggregate number of shares to be issued pursuant to Resolution 10 (including shares to be issued in pursuance of Instruments made or granted) shall not exceed fifty per cent. (50%) of the total number of issued shares excluding treasury shares of the Company, with a sub-limit of twenty per cent. (20%) for shares issued other than on a pro rata basis (including shares to be issued in pursuance of instruments made or granted pursuant to this Resolution) to shareholders with registered addresses in Singapore. For the purpose of determining the aggregate number of shares that may be issued, the percentage of the total number of issued shares excluding treasury shares of the Company will be calculated based on the total number of issued shares excluding treasury shares of the Company at the time of the passing of Resolution 10, after adjusting for (i) new shares arising from the conversion or exercise of any convertible securities; (ii) new shares arising from exercise of share options or vesting of share awards outstanding or subsisting at the time of the passing of Resolution 10, provided the options or awards were granted in compliance with Part VIII of Chapter 8 of the Listing Manual of the SGX-ST; and (iii) any subsequent bonus issue, consolidation or subdivision of shares.

The allotment and issuance of shares in the Company up to one hundred per cent. (100%) of its issued capital by way of a pro-rata renounceable rights issue is a temporary waiver of Rule 806(2) to widen the available fund-raising avenues of the issuers that may be facing challenges amid current uncertainties and the tightening of financial conditions and will be in effect until 31 December 2018.

The aforesaid mandate to issue up to one hundred per cent. (100%) of the Company's issued capital is conditional upon the following:

(i) such issue is for the purpose of financing the Company's business needs and is not applicable to a non-renounceable rights issue;

(ii) the Company making periodic announcements on the use of the proceeds as and when the funds are materially disbursed; and

(iii) the Company providing a status on the use of proceeds in the annual report.

This mandate, if passed, will provide the Directors with an opportunity to raise funds and avoid prolonged market exposure by reducing the time taken for shareholders' approval, in the event the need arises. The Board of Directors of the Company is of the view that the Rights Issue Limit is in the interests of the Company and its Shareholders.

(vi) **Resolution 11** is to empower the Directors from the date of the above Meeting until the next Annual General Meeting to purchase or otherwise acquire issued ordinary Shares by way of market purchases or off-market purchases of up to ten percent (10%) of the total number of issued Shares (excluding treasury shares) at the Maximum Price in accordance with the terms and conditions set out in Appendix dated 10 April 2017 to this Notice of Annual General Meeting, the Companies Act and the Listing Manual of the SGX ST. Please refer to Appendix dated 10 April 2017 circulated together with the Company's Annual Report for details.

vii) **Resolution 12** is to extend and amend the Chip Eng Seng Performance Share Plan (the "**Plan**"). The Plan is a share incentive scheme which was put into effect for an initial duration of up to ten years commencing on 27 April 2007 and is expiring on 26 April 2017. Accordingly, the Shareholders' approval is being sought for an extension of the duration of the Plan for a further duration of **ten (10) years from (and including 26 April 2017), up to (and including 25 April 2027)**. Since the commencement of the Plan in 2007, amendments have also been made to the listing manual of the SGX-ST ("**Listing Manual**") such that the adoption of all share plans (including share incentive plans that only involve the use of treasury shares) require the approval of the shareholders and have to comply with the relevant rules under Part VIII of Chapter 8 of the Listing Manual. Accordingly, certain alterations are proposed to be made to the existing rules of the Plan so as to comply with the relevant rules under Part VIII of Chapter 8 of the Listing Manual and refine the language used in the existing rules of the Plan. Please refer to the Appendix to this Notice of AGM dated 10 April 2017 for further details.

Personal data privacy:

By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the Annual General Meeting and/or any adjournment thereof, a member of the Company: (i) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents) for the purpose of the processing and administration by the Company (or its agents) of proxies and representatives appointed for the Annual General Meeting (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the Annual General Meeting (including any adjournment thereof), and in order for the Company (or its agents) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the "**Purposes**"); (ii) warrants that where the member discloses the personal data of the member's proxy(ies) and/or representative(s) to the Company (or its agents), the member has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents) of the personal data of such proxy(ies) and/or representative(s) for the Purposes; and (iii) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member's breach of warranty.

CHIP ENG SENG CORPORATION LTD.
(Incorporated in Singapore)
(Registration No. 199805196H)

PROXY FORM

(Please see notes overleaf before completing this Form)

IMPORTANT:
1. An investor who holds shares under the Central Provident Fund Investment Scheme ("CPF Investor") and/or the Supplementary Retirement Scheme ("SRS Investor") (as may be applicable) may attend and cast his vote(s) at the Meeting in person. CPF and SRS Investors who are unable to attend the Meeting but would like to vote, may inform their CPF and/or SRS Approved Nominees to appoint the Chairman of the Meeting to act as their proxy, in which case, the CPF and SRS Investors shall be precluded from attending the Meeting.
2. This Proxy Form is not valid for use by CPF and SRS Investors and shall be ineffective for all intents and purposes if used or purported to be used by them.

I/We, ____________________ (Name) ____________________ (NRIC/ Passport Number/ Company Regn. No.)

of ____ (Address)

being a member/members of Chip Eng Seng Corporation Ltd. (the "Company"), hereby appoint:

Name	NRIC/Passport No.	Proportion of Shareholdings	
		No. of Shares	%
Address			

and/or failing him/her (delete as appropriate)

Name	NRIC/Passport No.	Proportion of Shareholdings	
		No. of Shares	%
Address			

as my/our proxy/proxies to attend and vote for me/us on my/our behalf at the Annual General Meeting ("AGM") of the Company to be held at Sapphire Suite, Social Clubhouse – Level II, Orchid Country Club, No. 1 Orchid Club Road, Singapore 769162 on Wednesday, 26 April 2017 at 10.00 a.m. and at any adjournment thereof.

The proxy/proxies shall vote on the Resolutions set out in the notice of the AGM in accordance with my/our directions as indicated hereunder. Where no such direction is given, the proxy/proxies may vote or abstain from voting at his/their discretion, on any matter at the AGM or at any adjournment thereof.

No.	Resolutions relating to:	For	Against
	ROUTINE BUSINESS		
1	Adoption of Directors' Statement and the Audited Financial Statements for the financial year ended 31 December 2016 **(Resolution 1)**		
2	Approval of Tax Exempt One-Tier First and Final Dividend **(Resolution 2)**		
3	Re-election of Mr Hoon Tai Meng as a Director **(Resolution 3)**		
4	Re-election of Mr Ang Mong Seng as a Director **(Resolution 4)**		
5	Re-election of Mr Ung Gim Sei as a Director **(Resolution 5)**		
6	Re-election of Mr Lui Tuck Yew as a Director **(Resolution 6)**		
7	Approval of additional Directors' fees amounting to $1,200 for the financial year ended 31 December 2016 **(Resolution 7)**		
8	Approval of Directors' fees amounting to $305,000 for the financial year ending 31 December 2017, to be paid quarterly in arrears **(Resolution 8)**		
9	Re-appointment of Messrs Ernst & Young LLP as Auditors **(Resolution 9)**		
10	Any other business		
	SPECIAL BUSINESS		
11	Authority for Directors to allot and issue new shares pursuant to Section 161 of the Companies Act, Chapter 50 **(Resolution 10)**		
12	Approval of the renewal of the Share Purchase Mandate **(Resolution 11)**		
13	Approval of the Chip Eng Seng Performance Share Plan **(Resolution 12)**		

* If you wish to exercise all your votes "For" or "Against", please indicate with a tick (✔) within the box provided. Alternatively, please indicate the number of votes as appropriate.

Dated this ____________ day of ____________ 2017

Total Number of Shares held in:	
CDP Register	
Register of Members	

____
Signature(s) of member(s)
and Common Seal of Corporate Shareholder

IMPORTANT: PLEASE READ NOTES OVERLEAF.

Notes:

1. Please insert the total number of shares held by you. If you have shares entered against your name in the Depository Register (as defined in Section 81SF of the Securities and Futures Act, Chapter 289 of Singapore), you should insert that number of shares. If you have shares registered in your name in the Register of Members of the Company, you should insert that number of shares. If you have shares entered against your name in the Depository Register and shares registered in your name in the Register of Members, you should insert the aggregate number of shares. If no number is inserted, this form of proxy will be deemed to relate to all the shares held by you.

2. A member of the Company (other than a Relevant Intermediary*), entitled to attend and vote at a meeting of the Company is entitled to appoint up to two proxies to attend and vote in his stead. A proxy need not be a member of the Company.

3. The instrument appointing a proxy or proxies must be deposited at the Company's Registered Office at 171 Chin Swee Road #12-01 CES Centre Singapore 169877 not less than 48 hours before the time set for the meeting.

4. Where a member (other than a Relevant Intermediary*) appoints two proxies, the appointments shall be invalid unless he specifies the proportion of his shareholding (expressed as a percentage of the whole) to be represented by each proxy.

5. A Relevant Intermediary* may appoint more than two proxies, but each proxy must be appointed to exercise the rights attached to a different share or shares held by him (which number or class of shares shall be specified).

6. Subject to note 9, completion and return of this instrument appointing a proxy shall not preclude a member from attending and voting at the Meeting. Any appointment of a proxy or proxies shall be deemed to be revoked if a member attends the Meeting in person, and in such event, the Company reserves the right to refuse to admit any person or persons appointed under the instrument of proxy to the Meeting.

7. The instrument appointing a proxy or proxies must be under the hand of the appointor or of his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed under its common seal or under the hand of its officer or attorney duly authorised. Where an instrument appointing a proxy or proxies is signed on behalf of the appointor by an attorney, the power of attorney (or other authority) or a duly certified copy thereof must (failing previous registration with the Company) be lodged with the instrument of proxy, failing which the instrument may be treated as invalid.

8. A corporation which is a member may authorise by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the Meeting, in accordance with Section 179 of the Companies Act, Cap. 50 and the person so authorised shall upon production of a copy of such resolution certified by a director of the corporation to be a true copy, be entitled to exercise the powers on behalf of the corporation so represented as the corporation could exercise in person if it were an individual.

9. An investor who hold shares under the Central Provident Fund Investment Scheme ("CPF Investor") and/or the Supplementary Retirement Scheme ("SRS Investor") (as may applicable) may attend and cast his vote(s) at the Meeting in person. CPF and SRS Investors who are unable to attend the Meeting but would like to vote, may inform their CPF and/or SRS Approved Nominees to appoint the Chairman of the Meeting to act as his proxy, in which case, the CPF and SRS Investors shall be precluded from attending the Meeting.

   * A Relevant Intermediary is:

   (a) a banking corporation licensed under the Banking Act (Cap. 19) or a wholly-owned subsidiary of such a banking corporation, whose business includes the provision of nominee services and who holds shares in that capacity; or

   (b) a person holding a capital markets services licence to provide custodial services for securities under the Securities and Futures Act (Cap. 289) and who holds shares in that capacity; or

   (c) the Central Provident Fund Board established by the Central Provident Fund Act (Cap. 36), in respect of shares purchased under the subsidiary legislation made under that Act providing for the making of investments from the contributions and interest standing to the credit of members of the Central Provident Fund, if the Board holds those shares in the capacity of an intermediary pursuant to or in accordance with that subsidiary legislation.

General:

The Company shall be entitled to reject the instrument appointing a proxy or proxies if it is incomplete, improperly completed or illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the instrument appointing a proxy or proxies. In addition, in the case of shares entered in the Depository Register, the Company may reject any instrument appointing a proxy or proxies lodged if the member, being the appointor, is not shown to have shares entered against his name in the Depository Register as at 72 hours before the time appointed for holding the Annual General Meeting, as certified by The Central Depository (Pte) Limited to the Company.

Personal Data Privacy:

By submitting an instrument appointing a proxy(ies) and/or representative(s), the member accepts and agrees to the personal data privacy terms set out in the Notice of Annual General Meeting dated 10 April 2017.

集永成机构有限公司
CHIP ENG SENG CORPORATION LTD

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