扩展覆盖面

STRENGTHENING OUR REACH

ANNUAL REPORT 2017

集永成机构有限公司
CHIP ENG SENG CORPORATION LTD

CHIP ENG SENG CORPORATION LTD
ANNUAL REPORT 2017

CONTENTS

CORPORATE PROFILE

Sunset view from Lagoon Pool Water Villa at Grand Park Kodhipparu

With beginnings dating back to the 1960s, Chip Eng Seng is today one of Singapore's leading homegrown property and Construction companies, recognised for its stellar portfolio of quality residential developments, commercial properties and hospitality assets.

Listed since 1999 on the Mainboard of the Singapore Exchange Securities Trading Limited, the four core pillars of the Group's business are Property Developments, Construction, Hospitality and Property Investments. Its operations are also geographically diversified in the Asia-Pacific region, with a key focus on Singapore, and strategic presences in Australia, Malaysia, Vietnam, Maldives and New Zealand.

Established by its founder, Mr Lim Tiam Seng, Chip Eng Seng first started as a subcontractor firm for conventional landed properties. Due to its strong track record, the Group made a successful breakthrough 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.

Building on its track record of close to 60 years, Chip Eng Seng continues to explore new opportunities for growth. Its property developments and hospitality businesses for one have been actively acquiring prime land sites and strategically-located hotel assets in Singapore and abroad, to serve as platforms to propel future growth and to build robust recurrent revenue streams.

In testament of its success, Chip Eng Seng's Hospitality Division has tripled its portfolio from one asset to four over the course of three short years. These comprise the Group's first hotel property, Park Hotel Alexandra in Singapore, Grand Park Kodhipparu Resort, The Sebel Mandurah Hotel and Mercure & Ibis Styles Grosvenor Hotel in Australia.

DEVELOPING POTENTIAL

To sustain for the long term, we constantly innovate and adapt to changes in the dynamic business environment. Chip Eng Seng led the way with the addition of three overseas hotel assets to our portfolio. We relentlessly push forward in seeking opportunities to create new value for our stakeholders.

NET ASSET VALUE PER SHARE ($)

1.25

Artist's Impression of Fifteen85

STEADFAST MOMENTUM

We continued our momentum in growing regionally and strengthening our four pillars. Upon our robust fundamentals, Chip Eng Seng commits to strengthening our brand in our home ground while building on our regional presence to ensure the resilience of the Group.

EARNINGS PER SHARE (CENTS)

5.72

Bukit Batok N1C13 & N2C23

BUILDING SYNERGIES

As we evolve, Chip Eng Seng seeks to enhance our partnerships with like-minded organisations. At the same time, we partner with our employees in upgrading their capabilities so that we will be ready for technological disruptions and cross-platform innovations.

REVENUE ($ 'MILLION)

860

The Sebel Mandurah Hotel

HONORARY CHAIRMAN'S MESSAGE

Across our four key pillars of our business, we continue to explore initiatives that best position us to deliver greater value to our key stakeholders. This is part of our efforts to structure a resilient organisation that has the tenacity to succeed for generations to come.

Dear Shareholders,

Innovating our business is key to our long-term success.

We strive for building excellence by continually pushing the boundaries of what is possible.

Over the years, Chip Eng Seng has transformed its business from constructing homes, to developing mixed use projects, and most recently into hospitality investments in Singapore and abroad.

We recognise that building a sustainable business is critical especially amid an environment marked by rising costs and constantly evolving consumer preferences.

Across our four key pillars of our business, namely Construction, Property Developments, Hospitality and Property Investments, we will continue to explore initiatives that best position us to deliver greater value to our key stakeholders. This is part of our efforts to structure a resilient organisation that has the tenacity to succeed for generations to come.

BROADENING OUR REACH

At Chip Eng Seng, we always seek to explore new horizons.

In 2017, we were proud to announce the acquisition of our first hotel property in Australia – The Sebel Mandurah. Operated by established French multinational hotel group, AccorHotels, the 4.5-star 84-room waterfront property located in Perth is part of a larger mixed-use development, featuring three towers of luxury residential and hotel apartments, with outstanding views of the Mandurah canals, a marina and the Indian Ocean.

Taking opportunity of potential synergies that can be reaped from partnering with an established hotel operator, we announced the acquisition of another AccorHotels-managed property in prompt succession with the entry into an agreement for the purchase of Mercure & Ibis Styles Grosvenor Hotel in Adelaide in November.

This has brought our hospitality portfolio from just one to four in a span of three short years, and we are delighted with our success thus far.

EMBRACING CHANGE

We recognise that change is the only constant.

As we break into new markets to diversify and fortify our earnings stream, we remain committed in building a business rooted in solid fundamentals. Despite a shift away from our traditional construction business amid an increasingly competitive landscape, we aim to continue reskilling and upskilling our employee base to embrace changing industry needs and consumer preferences, while supporting Singapore's push for cross-industry innovation.

IN CONCLUSION

We will further our change agenda in 2018 by innovating our building processes and developing new capabilities enabled by technology. As we undergo this transition phase to bring to life the benefits of innovation, I would like to express my gratitude towards our Board members and employees for their patience and commitment during this period of change.

To our valued shareholders and customers, thank you for your continued confidence and support in us.

We look forward to delivering greater value with our initiatives ahead, and to achieve our aspiration of reimagining construction.

Thank you.

MR LIM TIAM SENG BBM
Honorary Chairman and Advisor
15 March 2018

荣誉主席献词

在建筑、房地产开发、酒店管理和房地产投资这四大业务支柱领域，我们不断探索能够为集团主要利益阶层带来更大价值的最佳举措。我们努力构建一个具备韧性的公司架构，能够在未来的世世代代取得成功。

各位股东，

业务创新是我们取得长期成功的关键因素。

我们努力突破现有的界限，不断追求卓越。

这些年以来，集永成的业务已经从建造住宅大楼，转变成为开发混合发展项目，最近更是进军新加坡和国外的酒店业投资。

我们意识到，在成本上升和消费者喜好不断变化的环境中，发展可持续的业务尤为重要。

在建筑、房地产开发、酒店业务和房地产投资这四大业务支柱领域，我们不断探索能够为集团主要利益阶层带来更大价值的最佳举措。我们努力构建一个具备韧性的公司架构，能够在未来的世世代代取得成功。

拓宽业务范围

在集永成，我们一直在探索新的领域。

2017年，我们很自豪地宣布收购在澳大利亚的第一家酒店——The Sebel Mandurah。

这家位于珀斯的4.5星级滨海酒店由法国著名跨国酒店集团雅高酒店经营。它有84间客房，是一个大规模综合发展项目的一部分，后者拥有三座豪华住宅和酒店公寓，并享有曼德拉运河、码头和印度洋的壮丽景色。

我们借助与知名酒店运营商合作的潜在协同效应，于11月宣布收购另一家雅高管理的酒店，签署协议收购位于阿德莱德的Mercure & Ibis Styles Grosvenor Hotel。

这使我们的酒店业务组合在短短的三年时间里从只有一家迅速扩展到四家，我们对迄今为止的成功感到高兴。

迎接变化

我们认识到，唯有变化是永恒的。

随着我们进军新市场以实现多元化并巩固收益来源，我们仍致力于打造一家扎根于坚实基础的企业。尽管在竞争日益激烈的环境中，我们的重点从传统建筑业务转移开来，但我们仍计划继续提升员工技能，帮助他们培养新技能，以满足不断变化的行业需求和消费者偏好，同时支持新加坡的跨行业创新努力。

总结

我们将在2018年继续转型，在建筑流程方面进行创新，随着科技进步培养新能力。

在我们转型以实现创新优势的当儿，我要感谢董事会成员和员工在这阶段的耐心和努力投入。

对于尊敬的股东和客户，我要感谢您对我们持续的信任和支持。

我们期待通过接下来的计划创造更高的价值，并实现重新构建建筑业的愿景。

谢谢。

林镇成BBM
荣誉主席和顾问
2018年3月15日

CES Centre

EXECUTIVE CHAIRMAN'S MESSAGE

Keeping to our commitment to nurture a robust hospitality portfolio, we doubled our number of quality assets and broadened our geographical reach with the addition of two Australian properties in 2017.

Dear Shareholders,

The early months in 2017 still bore the weight of property cooling measures, but sentiment picked up towards the end of the year where collective sales in Singapore quadrupled year-on-year to close December in excess of $6.3 billion[1]. The year in review also marked third-largest value in en bloc deals after 2007 ($12.2 billion) and 2006 ($8.6 billion)[2].

Anticipating a healthy recovery in property prices, we explored opportunities to expand Chip Eng Seng's land bank during the year and acquired Changi Garden through a collective sale for $248.8 million in October.

Keeping to our commitment to nurture a robust hospitality portfolio, we doubled our number of quality assets and broadened our geographical reach with the recent addition of two Australian properties in 2017.

Managed by the internationally renowned French multinational hotel group AccorHotels and strategically located in the key Australian cities of Perth and Adelaide respectively, we are confident that both The Sebel Mandurah and the Mercure & Ibis Styles Grosvenor Hotel are aptly positioned as growth platforms to help us propel our hospitality business forward.

In the next step of our diversification roadmap, we plan to foray into the education business. Announced in March 2018, we plan to explore initiatives across the value chain of education, including the building, ownership, management and operations of educational programmes and services such as childcare centres, kindergartens, along with higher-level learning schools. This new business will form a fifth core division in Chip Eng Seng, and we hope to bring you exciting updates on this front in the coming year.

More significantly, through the innovation and diversification of our core businesses, we hope to grow Chip Eng Seng's international brand equity and market share in Singapore and overseas, to continue generating value for our shareholders for the years to come.

ROBUST FINANCIALS BUILT ON STRONG FUNDAMENTALS

The Group reported a healthy set of results for the financial year ended 31 December 2017, with a revenue and net profit of $859.7 million and $55.8 million respectively. With a net gearing of 1.58 times, our balance sheet also remains healthy and well-positioned to opportune on attractive windows of opportunity to grow our portfolio and topline should they arise.

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 FY2017 – the eighth consecutive year we have delivered a dividend of at least 4.0 cents.

YEAR IN REVIEW

Property Developments

The Division posted a 38.8% increase in revenue from S$411.7 million in FY2016, to $571.7 million in FY2017. This was mainly due to the progressive revenue recognition of Grandeur Park Residences and High Park Residences, along with the sales of completed units at the Fulcrum. Grandeur Park Residences enjoyed healthy buyer interest following its launch in March 2017, bringing the total percentage of units sold at the development to 91.4% as at 11 March 2018. The Group also successfully sold all remaining units at the Fulcrum, riding on the wave of renewed interest across Singapore's property market. This brought the number of residential units sold by the Group to 686 in FY2017.

Likewise, the overall sentiment remains favourable in Australia with all 104 townhouses in the Williamsons Estate sold. The full handover of the project is scheduled to take place in the coming months. The Willow Apartments also experienced healthy take-up with 71.9% of units sold as at 11 March 2018.

Footnotes:

1) Singapore Business review: http://sbr.com.sg/residential-property/in-focus/en-bloc-sales-hit-two-year-high-in-2017
2) The Business Times: http://www.businesstimes.com.sg/real-estate/brokers-take-jp-morgan-says-singapore-en-bloc-frenzy-is-sustainable

Construction

The landscape remains challenging marked by fewer project tenders and higher costs, resulting in full-year revenue decreasing 19.8% year-on-year to $239.3 million in FY2017, from $298.2 million the year before.

Despite the muted environment, the Group was awarded a $110.8 million HDB contract for construction works at Toa Payoh Bidadari Contract 8 and Contract 9 during the year on the back of its strong operating track record. This brought the Group's total construction order book to $397.1 million at the close of 2017.

In January 2018, the Group was awarded a $168.1 million design and build construction project at Sengkang Neighbourhood 4 Contract 39 & 40.

Hospitality

Revenue from the Group's Hospitality Division rose 40.8% from $27.4 million in FY2016 to $38.6 million in FY2017 on the back of stronger occupancy rates registered by Park Hotel Alexandra which benefited from higher tourist footfall in Singapore. In addition, the Group's Maldivian resort, Grand Park Kodhipparu, saw a steady pick-up in its occupancy rate as it ramps up its operations following its soft opening in June 2017.

Further to our commitment to grow a strong portfolio of quality hotel assets, we acquired two new properties, The Sebel Mandurah and the Mercure & Ibis Styles Grosvenor Hotel.

Property Investments & Others

The Property Investments & Others Division contributed $10.1 million to the Group's topline in FY2017.

With a portfolio of six income-producing properties, the Group's property investments remain well poised to provide us with robust recurring revenue streams.

In Singapore, the portfolio includes the Group's headquarters along Chin Swee Road (CES Centre), three sets of shop houses located at Tanjong Pagar and Geylang, and a six-storey light industrial building at Ubi Crescent. During the year, the Group re-organised its portfolio by divesting its office building at 420 St Kilda Road, Melbourne. In New Zealand, the Group's latest acquisition of a Grade A office building is expected to contribute materially to the Group's investment income in FY2018.

OUTLOOK

Property Developments

As we expect a positive shift amid Singapore's property landscape, we will continue to explore strategic opportunities to grow our land bank.

In October, we won the collective sale tender for Changi Garden. Comprising 72 residential units and 12 shops, the Changi Garden property is expected to be redeveloped into a 320-unit low-rise condominium when completed. To provide easy access to everyday amenities to the surrounding residents and working community, we are also seeking to obtain approval to incorporate a retail component into the new development and will provide updates on that in due course.

Preparation works for the 99-year residential site at Woodleigh Lane is also underway. Located just next to Woodleigh MRT, the site will be adjacent to the upcoming Bidadari New Town and can accommodate more than 800 dwelling units. The site is expected to be ready for launch in the second half of 2018.

In Australia, the Williamsons Estate project continues to progress smoothly with all the townhouses fully sold and 71.9% of the apartments sold as at 11 March 2018. As for the South Melbourne project, the launch date for the site has been re-scheduled to the second quarter of 2018. Situated in between Melbourne's city centre and Port Phillip Bay, the property comes with a town planning permit to be redeveloped into 703 residential apartments, with retail and parking offerings.

In November, the Group entered into a joint venture agreement with a reputable local partner in Western Australia to develop a site into a mixed use development, comprising residential apartments, retail units and office suites.

In late December, the Group announced a proposed investment in Vietnam. Located in District 5, which is the Chinatown of Ho Chi Minh City, the 4,829 sq m site is expected to be developed into a five-storey commercial centre and two blocks of residential apartments when completed.

Construction

The Housing and Development Board (HDB) has guided that it will launch around 17,000 new flats in 2018, in line with the 17,584 units built in 2017[3]. Projects are expected to be located across mature and non-mature estates, with a continued trend towards larger scale developments, such as the upcoming Bidadari and Tengah townships.

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.

Property Developments Division	Construction Division	Hospitality Division	Property Investments & Others Division
38.8% increase in revenue for FY2017	19.8% decline in revenue for FY2017	40.8% increase in revenue for FY2017	contributed $10.1m to the revenue for FY2017

Footnotes:

3) Channel NewsAsia: https://www.channelnewsasia.com/news/singapore/hdb-new-flats-2018-bto-9498232

EXECUTIVE CHAIRMAN'S MESSAGE (CONT'D)

Hospitality

The international visitor arrivals climbed 5.1 per cent year-on-year to 13.1 million[4], painting a rosy outlook for the local hospitality industry.

From a supply perspective, based on preliminary numbers, 3,174 hotel rooms are expected to be added in 2017 as compared to 4,545 in 2016[5]. However, future supply is expected to be more limited going forward, with 266 new rooms expected in 2018, 1,576 rooms in 2019 and 290 rooms in 2020[5], all of which bode favourably for the outlook of Park Hotel Alexandra.

Overseas, we expect our Maldivian resort, Grand Park Kodhipparu, to continue to see a pick-up in its occupancy rate in FY2018. We also anticipate contributions from our new Australian properties, The Sebel Mandurah and the Mercure & Ibis Styles Grosvenor Hotel in Perth and Adelaide respectively during the current financial year.

Meanwhile, plans to expand our hospitality portfolio and international reach remain intact, and we will continue to seek new opportunities for growth in this front.

Property Investments & Others

Core asset management remains a key focus 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.

WITH APPRECIATION

Cherishing the relationships we have cultivated and grown together with is important.

As we bid farewell to 2017, I would like to take this opportunity to express my heartfelt gratitude towards our shareholders, customers, business partners, and employees, for their contributions, support and unyielding faith in Chip Eng Seng. Together, we look forward to another year of success with a business built on solid fundamentals that is capable of delivering strong and resilient results to all.

Thank you.

MR CHIA LEE MENG RAYMOND PBM
Executive Chairman and
Group Chief Executive Officer
15 March 2018

Water view from Superior Room at The Sebel Mandurah

主席献词

各位股东，

2017年的头几个月，房地产市场仍然受降温措施所影响，但到年底时候情绪有所回升，新加坡的集体出售额同比增长三倍至超过63亿元[1]。2017年也是继2007年（122亿元）和2006年（86亿元）之后集体出售交易额第三大的一年[2]。

我们预计房地产价格将出现健康复苏，因此寻找机会扩大集团土地储备，并于10月以2亿4880万元的价格通过集体出售买下了樟宜花园。

秉承致力于建立良好酒店组合的承诺，我们将优质资产的数量翻了一番，并扩大了市场范围，于2017年新增了两家澳大利亚酒店。

The Sebel Mandurah 和 Mercure & Ibis Styles Grosvenor Hotel 由国际知名的跨国酒店集团雅高酒店管理，分别位于澳大利亚柏斯和阿德莱德的主要城市。我们坚信这两家酒店都适合作为发展平台，帮助推动我们的酒店业务。

我们的多元化蓝图的下一步是进军教育行业。我们于3月宣布，计划探讨整个教育价值链的机会，包括教育课程和服务的构建、所有权、管理和经营，例如托儿所、幼儿园和高等学府。这项新业务将成为集永成的第五个核心部门，我们希望能够在未来一年为您带来令人兴奋的消息。

更重要的是，通过核心业务的创新和多元化，我们希望发展集永成在新加坡和海外的国际品牌资产以及市场份额，继续为股东创造价值。

基于强劲基本面的出色财务表现

集团截至2017年12月31日的财政年度取得良好的业绩表现，收入及净利分别达到8亿5970万元和5580万元。我们的资产负债表也保持良好，净负债率为1.58倍，能很好地把握有吸引力的机会，扩展我们的投资组合和收入。

在上述业绩的基础上，我非常高兴地宣布，董事会建议2017财政年派发每股4分的首次和终期股息（一次性免税），这也是我们连续第八年支付至少每股4分的股息。

年度回顾

房地产开发

房地产开发的收入从2016财年的4亿1170万元，增长38.8%至2017财年的5亿7170万元。这主要是由于豪佳苑（Grandeur Park Residences）和峰景苑（High Park

Footnotes:
4) Singapore Tourism Board: https://www.stb.gov.sg/statistics-and-market-insights/Pages/statistics-Visitor-Arrivals.aspx
5) The Business Times: http://www.businesstimes.com.sg/real-estate/spores-hotel-market-draws-investors

Residences) 的收入逐渐认可，以及 Fulcrum已完工单位的销售。豪佳苑在2017年3月推出后，买家兴趣浓厚，截至2018年3月11日91.4%单位已售出。随着市场对新加坡房地产的兴趣重燃，集团亦成功售出Fulcrum的所有余下单位。这使本集团于2017财年售出的住宅单位数目达到686个。

同样，澳大利亚的整体情绪依然良好，Williamsons Estate 的所有104个联排别墅都已售出。未来几个月项目预计将全部交接。截至2018年3月11日，The Willow Apartments 已售出了71.9%的单位。

建筑业

行业展望仍然充满挑战，项目招标减少，成本上扬，使得建筑业全年收入从上一年的2亿9820万元减少19.8%至2017财政年的2亿3930万元。

尽管环境保持低迷，但集团由于拥有出色的业务纪录，于年内取得总值1亿1080万元的大巴窑比达达里合约8及合约9建筑工程合约。这使得集团在2017年底的建筑订单总额达到3亿9710万元。

在2018年1月，集团成功标得一个位于盛港第4邻里合约39及合约40之设计兼建筑项目，合约价值1亿6810万元。

酒店业

集团酒店业务收入由2016财政年的2740万元上扬40.8%至2017财政年的3860万元，这是因为新加坡游客人数的增加带动Park Hotel Alexandra的入住率提高。 此外，集团旗下的马尔代夫度假村Grand Park Kodhipparu的入住率稳步提升，度假村于2017年6月开业后扩大了业务。

为了致力于发展强劲的优质酒店资产组合，我们收购了两套新酒店，包括 The Sebel Mandurah 和 Mercure & Ibis Styles Grosvenor Hotel。

房地产投资和其他

房地产投资和其他部门于2017年财政年为集团贡献了1010万元的收入。

房地产投资业务总共拥有六个有收入的资产，能很好地为集团提供强劲的经常性收入来源。

在新加坡的投资组合包括集团位于振瑞路的公司总部集永成中心，位于丹戎巴葛和芽笼的三套店屋以及位于乌美湾的一栋六层楼轻工业大楼。 年内，集团脱售了位于墨尔本St Kilda Road 420号的办公大楼，以重组投资组合。在新西兰，集团最新收购的甲级办公楼预计将为2018财政年的投资收入作出贡献。

> 秉承致力于建立良好酒店组合的承诺，我们将优质资产的数量翻了一番，并扩大了市场范围，于2017年新增了两家澳大利亚酒店[3]。

展望

房地产开发

我们预计新加坡的房地产市场将好转，因此将继续寻求战略机会，扩大我们的土地储备。

去年10月，我们成功标得樟宜花园的集体出售。樟宜花园包括72个住宅单位和12个商铺，预计在建成后将重新发展为320个单位的低楼层公寓。为方便给周边居民和工作社区提供日常需求设施，我们也正在申请批准，将零售空间纳入新开发项目，并将在适当的时候提供最新进展。

位于兀里巷的99年地契私宅地段的准备工作也在进行中。这幅地段位于兀里地铁站旁边，毗邻即将到来的比达达里新镇，可容纳800多个单位。这个项目预计将在2018年下半年推出。

在澳大利亚，Williamsons Estate 项目继续取得良好的进展，至今所有104个联排别墅都已售出。截至2018年3月11日，Willow Apartments 已售了71.9%的单位。至于南墨尔本项目，该地段的推出日期已重新安排到2018年第二季度。该项目位于墨尔本市中心和菲利普港湾之间，获得城镇规划许可证，可重新开发为拥有703个住宅公寓、拥有零售空间和停车场的项目。

去年11月，本集团与西澳大利亚当地知名合伙人订立合资协议，以开发一个综合发展项目，包括住宅公寓，零售及办公室单位。

12月下旬，集团宣布投资越南的一个项目。这幅地段位于胡志明市唐人街的第5区，占地4829平方米，预计将发展成五层楼高的商业中心和两幢住宅公寓。

建筑业

建屋发展局（HDB）预计2018年将推出约1万7000个新组屋单位，与2017年建成的1万7584个单位一致[3]。项目预计将位于成熟和非成熟组屋区，而整体趋势是发展更大规模的项目，如即将到来的比达达里和登加新镇。

为缓冲竞争加剧的影响，集团计划着重提升其在非组屋项目及其他土木工程方面的专业知识，以扩大业务范围。

酒店业

新加坡到访的国际游客人数同比上升5.1%至1310万人[4]，意味着本地酒店业前景乐观。

供应方面，根据初步数据来看，2017年预计将增加3174间酒店客房，而2016年增加了4545间[5]。然而，未来供应预计会更加有限，2018年预计只增添266间新客房，2019年和2020年则分别增添1576间客房和290间客房[5]。这些因素都有利于Park Hotel Alexandra的展望。

在海外，我们预计马尔代夫度假村 Grand Park Kodhipparu 在2018财政年的入住率继续上升。我们也预计，新收购的澳大利亚酒店——分别位于珀斯和阿德莱德的 The Sebel Mandurah 以及 Mercure & Ibis Styles Grosvenor Hotel 将在本财政年度期间做出收入贡献。

同时，我们仍计划扩大酒店业务组合和国际业务范围，将继续在这方面寻找新的增长机会。

房地产投资和其他

核心资产管理仍然是关键，目的在于为股东保持强劲的现金流。 然而，我们也将继续积极在新加坡及区域寻求收购有吸引力的房地产，进一步扩大以坚韧的收益率为基础的高质量资产组合。

致谢

珍惜我们一起培育和发展的关系非常重要。

在道别2017年之际，我想借此机会衷心感谢我们的股东、客户、商业伙伴和员工，感谢他们对集永成的贡献、支持和坚定的信念。我们一起期待迎来成功的一年，在扎实的基础上建立起能为大家带来出色而有韧性表现的公司。

谢礼铭PBM
执行主席兼总裁
2018年3月15日

注：

1) Singapore Business review: http://sbr.com.sg/residential-property/in-focus/en-bloc-sales-hit-two-year-high-in-2017
2) 《商业时报》: http://www.businesstimes.com.sg/real-estate/brokers-take-jp-morgan-says-singapore-en-bloc-frenzy-is-sustainable
3) 亚洲新闻台: https://www.channelnewsasia.com/news/singapore/hdb-new-flats-2018-bto-9498232
4) 新加坡旅游局: https://www.stb.gov.sg/statistics-and-market-insights/Pages/statistics-Visitor-Arrivals.aspx
5) 《商业时报》: http://www.businesstimes.com.sg/real-estate/spores-hotel-market-draws-investors

OUR BUSINESS

CONSTRUCTION

Construction activities are carried out through the Group's wholly-owned subsidiaries, Chip Eng Seng Contractors (1988) Pte Ltd ("CESC") and CES Engineering and 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.

Woodlands N1C26 & C27

Backed by a strong operating track record, both CESC and CESE continue to attain A1 classifications as a general building contractors. 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, CESC and CESE were awarded a A2 and B2 grading as civil engineering contractors allowing it to tender for public sector projects valued at up to $85 million and $13 million respectively.

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 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

High Park Residences

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.

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. Due to the strong working relationship fostered, the Group entered into a joint venture agreement with PHG the year after to invest in a 120-villa Maldivian island resort, Grand Park Kodhipparu, which has since opened its doors to business in 2017.

As part of its commitment to further expand its hospitality portfolio, the Group acquired two new properties, The Sebel Mandurah and the Mercure & Ibis Styles Grosvenor Hotel.

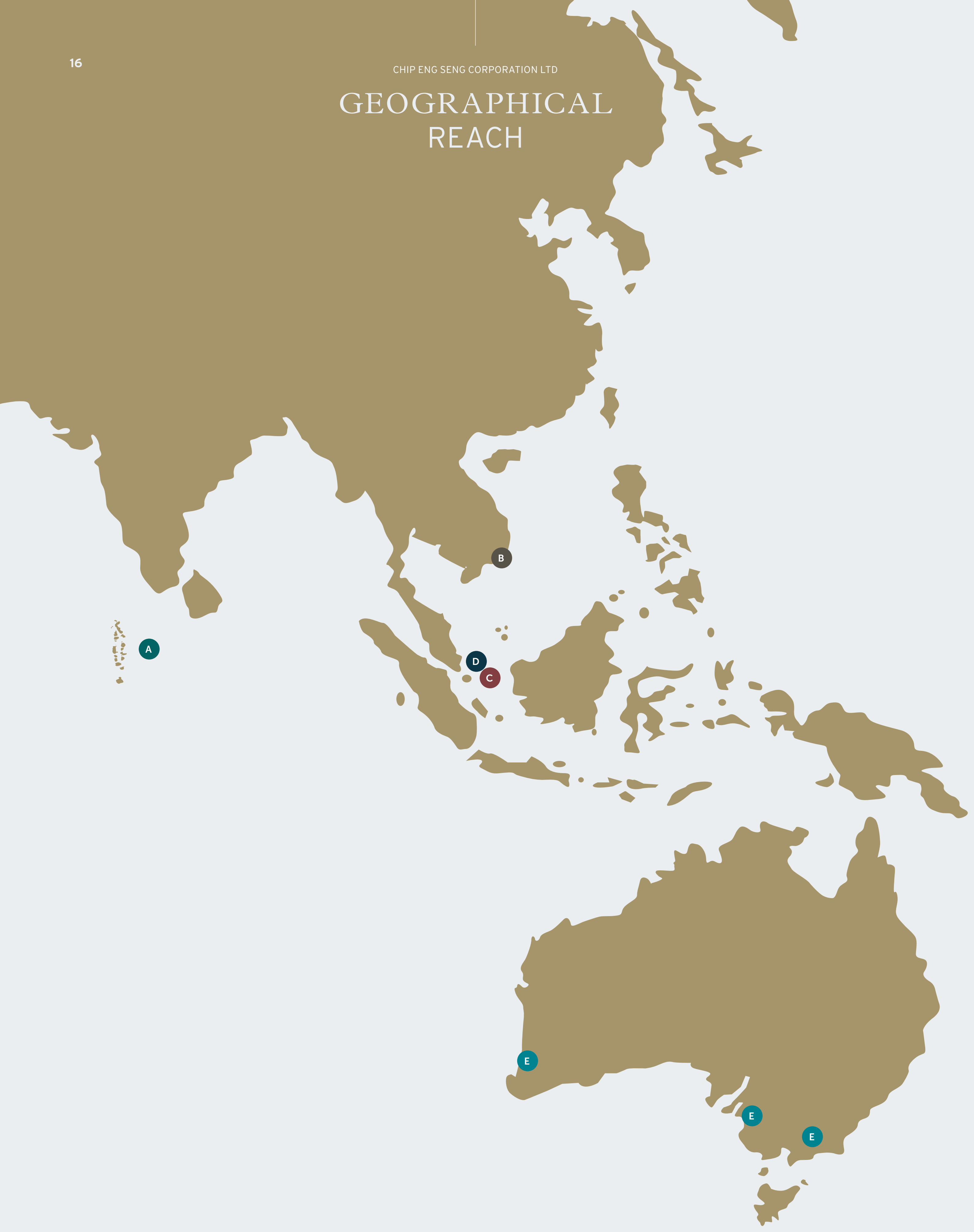
Park Hotel Alexandra

Reception at CES Centre

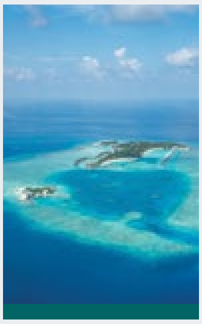
PROPERTY INVESTMENTS

CEL takes charge of the Group's property investments portfolio, which comprises a diverse and risk-managed spread of income-producing properties such as shophouses, office buildings and industrial properties in Singapore, Australia and New Zealand. These include 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.

GEOGRAPHICAL REACH

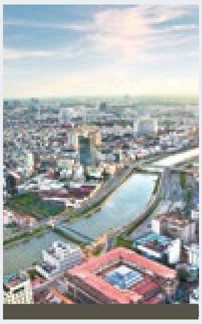


A MALDIVES



Hospitality

B VIETNAM



Property Development

C SINGAPORE

Construction

Production of Prefabricated Bath Units

Property Developments

Property Investments

Hospitality

D MALAYSIA

Fabrication of Precast Components

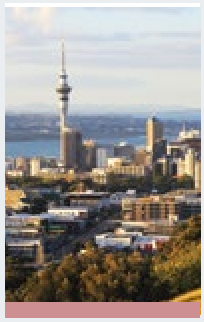
E AUSTRALIA

Property Developments

Property Investments

Hospitality

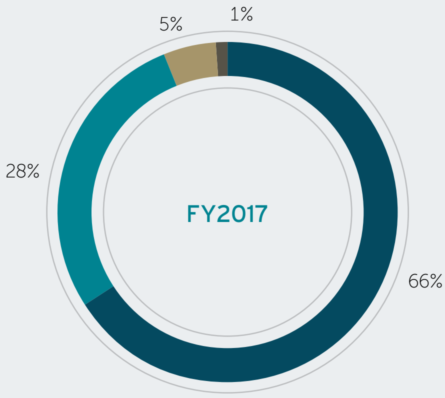
F NEW ZEALAND

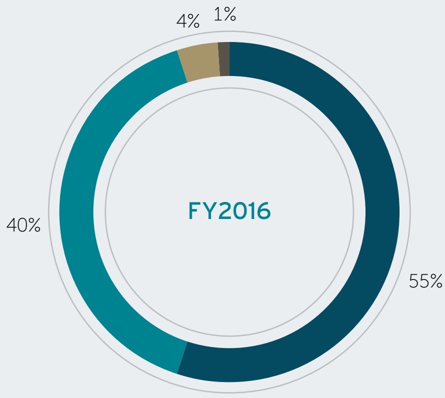


Property Investments

FINANCIAL HIGHLIGHTS

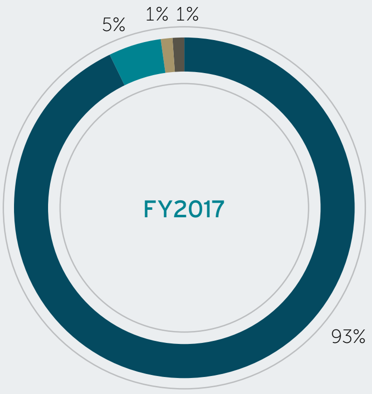
REVENUE BY BUSINESS SEGMENT

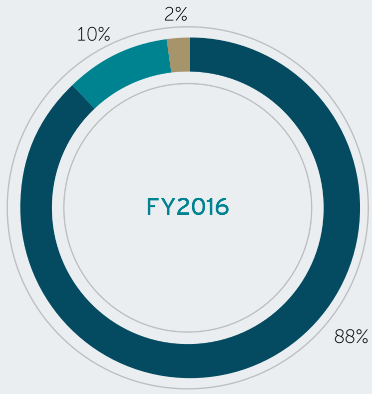




Property Developments | Construction | Hospitality | Property Investments & Others

REVENUE BY GEOGRAPHICAL SEGMENT





Singapore | Australia | Malaysia | Maldives

TURNOVER
($ Million)

FY13	502.5
FY14	1,105.7
FY15	676.5
FY16	748.0
FY17	859.7

PROFIT BEFORE TAX
($ Million)

FY13	85.3
FY14	323.7
FY15	67.6
FY16	76.1
FY17	70.2

PROFIT AFTER TAX
($ Million)

FY13	73.4
FY14	280.7
FY15	57.2
FY16	51.7
FY17	55.8

NET ASSET VALUE PER SHARE
($)

FY13	0.77
FY14	1.17
FY15	1.20
FY16	1.23
FY17	1.25

EARNINGS PER SHARE
(Cents)

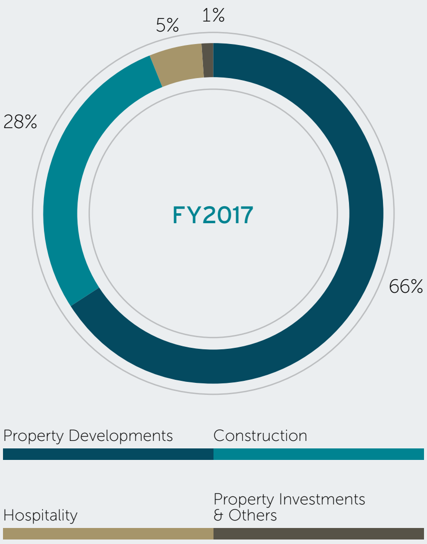
FY13	11.32
FY14	44.07
FY15	10.11
FY16	5.75
FY17	5.72

DIVIDEND PER SHARE
(Cents)

FY13	4.00
FY14	6.00
FY15	4.00
FY16	4.00
FY17	4.00

FINANCIAL REVIEW

REVENUE BY BUSINESS SEGMENT



RESILIENT BUSINESS, STABLE GROWTH

Chip Eng Seng's revenue grew at a healthy pace of 14.9% during the year in review to $859.7 million. This was mainly attributable to a stronger report card from the Hospitality and Property Developments Divisions. However, gross profit registered slower growth of 4.1% to finish FY2017 at $152.5 million due to softer construction margins.

Pre-tax profit declined 7.8% to $70.2 million due to higher marketing and distribution expenses, administrative expenses and finance cost. This was partially offset by a divestment gain arising from the sale of the office building at 420 St Kilda Road, Melbourne.

Together with a lower effective tax rate, net profit after tax rose 7.8% year-on-year to $55.8 million as at 31 December 2017.

At a divisional level, revenue from the Property Developments increased 38.8% to $571.7 million on the back of higher progressive revenue recognised from High Park Residences and Grandeur Park Residences, as well as new sales at the Fulcrum.

For the Construction Division, revenue declined 19.8% to $239.3 million. This was due to slower precast component sales and softer contributions from HDB projects such as Bukit Batok N1C13 and N2C23, and Sembawang N1C10, following their completion in the first half of FY2017. The downside was however mitigated by higher revenue contribution from active HDB projects such as Woodlands N1C26 and N1C27, Tampines N6C1A/1B, Bidadari C6 and C7 and Bidadari C8 and C9.

Under the Hospitality Division, higher occupancy rates at the Group's Singapore asset, Park Hotel Alexandra, and fresh contributions from its newly-opened Maldivian resort, Grand Park Kodhipparu, lifted revenue by 40.8% to $38.6 million as at the end of FY2017.

Lastly, for the Property Investments and Others Division, revenue fell a slight 4.9% from $10.6 million to $10.1 million, due to the divestment of 420 St Kilda Road in Melbourne, Australia, in September 2017.

OPERATING EXPENSES

Operating expenses increased 25.2% from $86.8 million to $108.7 million in FY2017. The jump was mainly due to higher marketing and distribution expenses incurred to market Grandeur Park Residences.

Tampines N6C1A & 1B

BALANCE SHEET REVIEW

Investment Properties

Investment properties decreased from $288.7 million to $251.7 million due to the disposal of the Group's commercial property at 420 St Kilda Road in Melbourne during the year. The decline was however partially offset by the acquisition of a strata restaurant property at Mandurah, Western Australia, along with a transfer of units within a completed development project to the Group's investment property portfolio.

Development Properties

The increase in development properties from $1.1 billion in FY2016 to $1.7 billion in FY2017 was mainly due to the acquisitions of new land sites in Singapore (Woodleigh Lane) and South Perth, Western Australia.

Property, Plant and Equipment

The increase in property, plant and equipment from $219.6 million to $324.1 million over the course of the year was due to the acquisition of Grand Park Kodhipparu in Maldives, and the recent purchase of The Sebel Mandurah in Western Australia in 2017.

Trade and Other Receivables

The increase in non-current trade and other receivables from $88,000 to $82.5 million over FY2016 to FY2017 was mainly due to a long term loan extended to a joint venture company for the acquisition of an office building in Auckland, New Zealand, along with sales proceeds receivables from the sale of Fulcrum units in Singapore.

Artist's Impression of Grandeur Park Residences

Cash and Cash Equivalents

The Group's overall cash position declined from $481.6 million in FY2016 to $257.8 million in FY2017. This was due to the repayment of bank loans, redemption of $150 million in notes and new acquisitions made in Singapore, Australia and New Zealand over the course of the year. The decline was however partly offset by the issuance of $125 million in notes, as well as proceeds from the divestment of the Group's office building at 420 St Kilda Road, Melbourne.

Borrowings

Total borrowings increased from $1.2 billion to $1.5 billion in FY2017, mainly due to financing raised for the Woodleigh Lane site, Grand Park Kodhipparu Resort, Grandeur Park Residences, along with the issuance of $125 million notes. However, this was partially offset by a repayment of bank loans and the redemption of $150 million notes.

Trade and Other Payables

The increase in trade and other payables is mainly attributable to advances from non-controlling interests for the Group's joint venture projects.

Shareholders' Equity

Shareholders' equity increased from $765.9 million to $774.2 million over the year in review. This was mainly due to the Group's larger portfolio of development properties. Correspondingly, net asset value per share grew 1.6% to $1.25 in FY2017 from $1.23 in FY2016.

Piling works at Bidadari C8 & C9

OPERATIONS REVIEW

Townhouses of Williamsons Estate

PROPERTY DEVELOPMENTS

Singapore

Collective sales spiked in 2017 as developers seek to replenish their land banks. During the year, around 2,700 private residential units were snapped up in enbloc sales, as compared to 600 units in 2016[1]. This translated to more than $6 billion in collective sales in 2017[2].

The positive turn in sentiment boded positively for Grandeur Park Residences and Fulcrum, which enjoyed stronger buyer interest during the year, bringing the total percentage of units sold to 91.4% as at 11 March 2018 and 100% respectively.

Preparation works for the 99-year residential site at Woodleigh Lane is also underway. Located just next to Woodleigh MRT, the site will be adjacent to the upcoming Bidadari New Town and can accommodate more than 800 dwelling units. The site is expected to be ready for launch in the second half of 2018.

In September, the Group won the collective sale tender for Changi Garden. Situated at the junction of Upper Changi Road North and Jalan Mariam, the freehold residential property will be re-developed into approximately 320-unit low-rise condominium with full facilities and some retail shops. The property is currently pipelined for launch in 1H2019. Meanwhile, the Group will continue to look for opportunities to further replenish its land bank in Singapore.

Australia

The Williamsons Estate project continues to progress smoothly. Situated in the heart of Doncaster, Melbourne, the residential property is well surrounded with an abundance of local amenities and scenic greenery amid an established neighbourhood.

All 104 townhouses in the estate have since been fully sold and will be handed over to their new owners in the coming months. The estate also features a selection of boutique apartments at the Willow which are 71.9% sold as at 11 March 2018.

As for the South Melbourne project, the launch date for the site has been re-scheduled to the second quarter of 2018. Situated in between Melbourne's city centre and Port Phillip Bay, the 5,984 square metre site comes with a town planning permit to be redeveloped into 703 residential apartments, with retail and parking offerings.

In November, the Group entered into a joint venture agreement with a reputable local partner in Western Australia to develop a site into a mixed use development, comprising residential apartments, retail units and office suites.

With regards to Tower Melbourne, after careful assessment of the state of

Property Developments Division
Grandeur Park Residences
91.4%
sold as at
11 March 2018

Construction Division
Awarded a
$168.1m
design & build
HDB contract at
Sengkang N4C39 & C40

Hospitality Division
two Acquisitions –
The Sebel Mandurah and The Mercure and Ibis Styles Grosvenor hotel
in Perth and Adelaide respectively.

Footnotes:
1) TODAY (6 Nov 2017): http://www.todayonline.com/singapore/sharp-jump-number-homes-sold-en-bloc
2) Singapore Business review: http://sbr.com.sg/residential-property/in-focus/en-bloc-sales-hit-two-year-high-in-2017

affairs relating to the project, the Group decided to exercise its contractual right to rescind all its contracts with buyers in November last year. This was intended to allow buyers to exit the transaction earlier than if they were to wait until the sunset date to effect such termination. The Group had since explored viable exit options for the property. On 15 March 2018, the Group entered into an agreement to sell the property for a consideration of A$55 million. Legal completion of the disposal will take place on 3 July 2018.

Vietnam

To broaden the Group's reach in new markets, Chip Eng Seng announced a proposed investment in a Ho Chi Minh-based project in December 2017.

With a land area of 4,829 square metres and an estimated gross floor area of 50,000 square metres, the proposed development is expected to be redeveloped into two residential blocks and a five-storey commercial centre with basement facilities.

Located in an established District 5 and within the Chinatown of Ho Chi Minh city, the Group expects to generate strong sales from the residential component of the project upon completion and views the investment as an attractive opportunity to grow its brand presence in Vietnam.

CONSTRUCTION

In May 2017, the Group was awarded a $110.8 million HDB contract for construction works at Toa Payoh Bidadari Contract 8 and Contract 9. However, total construction order book declined from $537.4 million to $397.1 million over 2016 to 2017, in the absence of new contracts in the second half of the year.

In January 2018, with the Group's continued efforts, Chip Eng Seng bagged a $168.1 million design and build HDB contract at Sengkang Neighbourhood 4 Contract 39 & 40 The construction contract involves the design and construction of residential buildings, carparks and community services over two phases. In the year ahead, the Group will keep a lookout for more public housing tenders in strategic locations, while expanding its market share in non-housing public projects.

HOSPITALITY

In a short span of three years, the Hospitality Division quadrupled its portfolio from one to four by the close of 2017.

The Group's maiden hotel, Park Hotel Alexandra, saw improved occupancy rates during the year on the back of higher tourist arrivals into Singapore. Likewise, the Group's Maldivian resort, Grand Park Kodhipparu, saw its occupancy rise steadily as it continues to ramp up its operations following its soft opening in June 2017.

In 2017, the Hospitality Division added another two properties to its portfolio, with the acquisition of The Sebel Mandurah and the Mercure & Ibis Styles Grosvenor Hotel in Perth and Adelaide respectively.

The Sebel Mandurah is a 4.5-star hotel managed by AccorHotels. Built in 2009, the 84-room hotel features picturesque views of the Mandurah canal, and is less than an hour's drive from Perth's central business district and airport.

Likewise, the Mercure & Ibis Styles Grosvenor Hotel is managed by AccorHotels, offering a total of 181 guestrooms operated under the Mercure brand and 64 economy rooms operated under the Ibis Styles brand. Centrally located in Adelaide's central business district, the property is well connected to all major public transport routes.

The latest additions are in line with the Group's strategy to expand its hospitality investment portfolio and to broaden its recurring revenue streams.

PROPERTY INVESTMENTS AND OTHERS

Singapore

Contributions from the Group's investment properties comprising a commercial building, an industrial property and several shophouses, remain healthy on the back of stable yields. This brought the division's revenue to close 2017 at $10.1 million, relatively unchanged from the year before.

Australia

The Group divested its office building at 420 St Kilda Road in Melbourne in the third quarter of 2017, and will continues to explore new acquisition opportunities to grow its portfolio.

New Zealand

In August, the Group announced a joint acquisition of a Grade A office building at 205 Queen Street, Auckland, New Zealand. Comprising two commercial towers and a retail podium, the property is well located within Auckland's central business district and is close to prominent city landmarks. The acquisition of the property is expected to contribute to the Group's investment income in FY2018.

Artist's Impression of Grandeur Park Residences

BOARD OF DIRECTORS

Lagoon Water Villa Bedroom 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).

MR TAN TEE HOW

Executive Director

Mr Tan Tee How joined the Board on 2 Feb 2018 as Executive Director. Prior to this, Mr Tan served 34 years in the Singapore Administrative Service, and held various key appointments including Principal Private Secretary to then PM Goh Chok Tong (1997 to 2000) and founding CEO of National Healthcare Group (2000 to 2004). He was Permanent Secretary of the Ministry of National Development (2004 to 2011) and of the Ministry of Home Affairs (2011 to 2014). He was also Commissioner of Inland Revenue and concurrently CEO of IRAS (2014 to 2018). Mr Tan is currently Deputy Chairman of the Casino Regulatory Authority and a Board member of the National University Health System. He holds a Bachelor of Business Administration (Hons) degree from NUS and a Masters of Public Administration degree from the Harvard University. He attended the Wharton Business School Advanced Management Programme in 2002.

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 and 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 and 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. He is a member of the Audit Committee.

Mr Lui is currently Singapore's Ambassador to Japan. Before retiring from politics in 2015, Mr Lui served as the Minister for Transport and the Minister for Information, Communications and the Arts. He was also formerly a Member of Parliament from 2006 to 2015. Prior to entering politics, Mr Lui was Deputy Secretary (Land), Ministry of Transport (2004-2005), Chief Executive of the Maritime and Port Authority (2003-2005) and Chief Executive of Housing and Development Board (2005-2006). Mr Lui began his career in the Republic of Singapore Navy (RSN) and rose to the rank of Rear-Admiral before being appointed as the Chief of Navy in 1999. In 2003, he left RSN to join the Administrative Service of the Government of Singapore.

Mr Lui holds a degree in chemistry from University of Cambridge in the United Kingdom and a Master of Arts degree from Tufts University in the United States.

MR ABDUL JABBAR BIN KARAM DIN
Independent Director

Mr Abdul Jabbar joined the Board on 2 February 2018 as an Independent Director. He is a member of the audit, renumeration and nominating committees. Mr Abdul Jabbar is an Executive Committee Partner with Rajah and Tann Singapore LLP. He heads the firm's Corporate and Transactional Practice. He has more than 20 years extensive experience in mergers and acquisitions, joint ventures, employment, banking and finance, general commercial and private client work, both local and international. Mr Jabbar also advises companies on corporate governance, compliance and regulatory matters. He serves on the board as company secretary to numerous private and public listed and unlisted companies as well as registered foreign companies with Singapore branches. He graduated from the National University of Singapore with a Bachelor of Laws with honours.

EXECUTIVE OFFICERS

Grand Residence Living Room at Grand Park Kodhipparu

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 nine 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. He serves as an independent director of Dynamic Colours Limited.

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 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 Developments 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
Managing Director of Precast Division

Mr James Yuen Chew Loong joined the Group in July 2012. He is currently the Managing Director of the Precast Division, responsible for its overall management, marketing and business development.

Mr Yuen has close to 30 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 several degrees, including a 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, and is responsible for the Group's Property Developments and Investments Divisions.

Prior to joining Chip Eng Seng, Mr Ng 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, Mr Ng 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 sold the operations to 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, 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.

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 for over 30 years.

MR YEO SIANG THONG

Managing Director of Construction Division

Mr Yeo Siang Thong joined the Group in August 2017 as Managing Director of the Construction Division. His responsibilities include business development and advising on the strategic operations of the division.

To date, Mr Yeo has more than 25 years of experience in the construction industry. He helmed the Group's Construction Division in the capacities as its General Manager from July 1998 to January 2007 and Managing Director from March 2008 to July 2014.

In addition, Mr Yeo was also the executive director of Chip Eng Seng from September 1999 to August 2006. Prior to joining the Group, Mr Yeo previously served as the Vice President of Sembawang Engineers and Constructors Pte Ltd, and has held several other senior managerial positions in HDB and JTC International Pte Ltd throughout his career.

Mr Yeo holds an Honours Degree in Civil Engineering and a Master of Science (Civil Engineering) from National University of Singapore. He is also a Registered Professional Engineer with the Professional Engineers Board.

OTHER OFFICERS

Corporate

Ms Goh Gin Nee
Senior Legal Counsel

Construction and Precast

Mr Lim Tian Back
Project Director (Construction)

Mr Low Gam Weng
General Manager (Construction)

Mr Siow Boon Kuan
Technical Director (Construction)

Mr Teow Choon Meng
Project Director (Construction)

Mr Stanley Chia
BIM-VDC Director (Construction)

Mr Lim Tian Moh
Project Director (Precast)

Property Developments and Investments

Mr Timothy Pearce
General Manager (Australia)

Mr Ho Siew Keong Kenneth
General Manager
(Vietnam & China)

Mr Lim Kok Howe Ivan
General Manager
(Operations & Marketing)

Mr Steven Leow
General Manager
(Design & Development)

Mr Peter Wee
General Manager
(Business Development)

Mr Lim Ling Kwee
Project Director (Property)

Mr Chan Kin Khay
Project Director (Property)

Toa Payoh Bidadari C6 & C7 Construction Site

CONSTRUCTION

Projects Completed in 2017

PROJECT	DESCRIPTION	OWNER
Bukit Batok Neighbourhood 1 Contract 13 and Neighbourhood 2 Contract 23	Building works of five blocks of residential building	HDB
Sembawang Neighbourhood 1 Contract 10	Building works of eight blocks of residential building	HDB

Major On-going Projects

PROJECT	DESCRIPTION	OWNER
Woodlands Neighbourhood 1 Contract 26 and Contract 27	Building works of nine blocks of residential building	HDB
Tampines Neighbourhood 6 Contract 1A/1B	Building works of 15 blocks of residential building	HDB
Toa Payoh Bidadari Contract 6 and Contract 7	Building works of 16 blocks of residential building	HDB
Bidadari Contract 8 and Contract 9	Building works of eight blocks of residential building	HDB
Grandeur Park Residences at New Upper Changi Road	Building works of 720 residential condominium units and two retail outlets	CEL-Changi Pte. Ltd.
Sengkang Neighbourhood 4 Contract 39 & Contract 40	Design and construction of public housing at Sengkang	HDB

Sembawang N1C10

Tampines N6C1A & 1B

PROPERTY DEVELOPMENTS

Development Projects under Construction

PROJECT	LOCATION	DESCRIPTION	NO. OF UNITS	TENURE	STAGE OF COMPLETION (EXPECTED YEAR OF COMPLETION)	SITE AREA (SQ METRE)	ESTIMATED GROSS FLOOR AREA (SQ METRE)	% OWNED
Williamsons Estate	154 - 166 Williamson Road and 5 - 17 Henry Street, Doncaster, Victoria, Australia	Townhouses and apartments	104 townhouses and 64 apartments	Freehold	98% (2018)	28,002	26,836	100%
High Park Residences	Fernvale Road, Singapore	Condominium and retail outlets	1,399	99 years	64% (2019)	34,018	112,259	60%
Grandeur Park Residences	New Upper Changi Road / Bedok South Avenue 3, Singapore	Condominium and retail outlets	722	99 years	9% (2021)	24,394	51,228	100%

Development Projects In The Pipeline

PROJECT	LOCATION	DESCRIPTION	NO. OF UNITS	TENURE	STAGE OF COMPLETION (EXPECTED YEAR OF COMPLETION)	SITE AREA (SQ METRE)	ESTIMATED GROSS FLOOR AREA (SQ METRE)	% OWNED
Park Colonial	Woodleigh Lane, Singapore	Condominium	805	99 years	2021	19,547	58,642	60%
Proposed development in Scarborough	242 West Coast Highway, Scarborough, Western Australia	Mixed use development	*	Freehold	*	10,165	*	100%
Proposed development in Northcote	217 and 221 - 223 Separation Street, Northcote, Victoria, Australia	Residential apartment	*	Freehold	*	17,857	*	100%
Fifteen85	15 - 85 Gladstone Street, South Melbourne, Victoria, Australia	Residential apartment	703	Freehold	*	5,984	*	100%
Proposed development in South Perth	31 Labouchere Road/ 24 Lyall Street, South Perth, Western Australia	Mixed use development	100 - 120	Freehold	*	2,040	*	70%
Proposed development in Ho Chi Minh City	Ward 14, District 5, Ho Chi Minh City, Vietnam	Commercial and Residential Apartments	*	Freehold	*	4,829	50,000	20%
Proposed redevelopment in Changi	Upper Changi Road North/Jalan Mariam, Singapore	Commercial and Residential Apartments	*	Freehold	*	18,589	26,025	100%

* In planning stage

PORTFOLIO
(CONT'D)

INVESTMENT PROPERTIES

DESCRIPTION	LOCATION	TENURE	EXISTING USE	UNEXPIRED LEASE TERMS	% OWNED
Two adjoining units of three-storey shophouses	86, 86A, 86B Tanjong Pagar Road, Singapore	99 years from 27 September 1988	Shops and offices	70 years	100%
A part two, part four-storey shophouses	161 Geylang Road, Singapore	99 years from 4 May 1993	Shops and offices	75 years	100%
Six-storey light industrial building with a basement carpark	69 Ubi Crescent, Singapore	60 years from 5 July 1997	Light industrial building	40 years	100%
Three adjoining units of two and a half storey shophouse with a four-storey rear extention	115 Geylang Road, Singapore	Freehold	Boarding hotel	–	100%
12-storey office building	171 Chin Swee Road, Singapore	99 years from 2 June 1969	Offices	51 years	100%
Strata Restaurant Property	1 Marco Polo Drive, Mandurah, Western Australia	Freehold	Tavern	–	100%
Two commercial towers of 17-storey and 22-storey and retail podium	205 Queen Street, Auckland, New Zealand	91 years from 18 June 1990	Office	64 years	50%
2-storey building with basement commercial units	72 and 74–78 Hindley Street, Adelaide, South Australia	Freehold	Shops	–	100%
Two commercial units at Alexandra Central	321 Alexandra Road, #01-06 and #03-11, Alexandra Central, Singapore	99 years from 5 March 2012	Shops	94 years	100%

Grandeur Park Residences Construction Site

Mercure & Ibis Styles Grosvenor Hotel

PROPERTY AND PLANT

DESCRIPTION	LOCATION	TENURE	EXISTING USE
Park Hotel Alexandra A 442-room 13-storey hotel	323 Alexandra Road, Singapore	99 years from 5 March 2012	Hotel
The Sebel Mandurah A 84-room waterfront hotel	1 Marco Polo Drive, Mandurah, Western Australia	Freehold	Hotel
A single-user single-storey warehouse with a four-storey ancillary office and temporary ancillary workers dormitory	2 Tuas South Street 8, Singapore	23 years from 26 December 2012	Construction workshop and dormitory
Property at Tuas Basin Close	11 Tuas Basin Close Singapore	4 December 2017 to 31 December 2021	Offices, store and Precast finishing yard
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
Mercure & Ibis Styles Grosvenor Hotel A 245-room 6-storey hotel	121–125 North Terrace, Adelaide, South Australia	Freehold	Hotel
Grand Park Kodhipparu Resort A 120-villa resort	Kaafu Atoll, Maldives	50 years from 30 September 2013	Hotel

SIGNIFICANT EVENTS

Placing of reinforcement at Grandeur Park Residences

2017

March
- Opening launch of Grandeur Park Residences – a 99-year leasehold condominium comprising 720 residential units, two retail outlets and a child care centre
- Legal completion for the acquisition of Grand Park Kodhipparu Resort

May
- Award of $110.8 million HDB contract for building works at Bidadari Contract 8 and Contract 9
- Update of $500 million Multicurrency Debt Issuance Programme and increase in programme limit to $750 million
- Issuance of $125 million 4.9% Notes due in May 2022

June
- Grand Park Kohipparu Resort opened for business.

July
- Award of tender for a land parcel at Woodleigh Lane designated for residential development at $700.7 million

August
- Proposed acquisition of The Sebel Mandurah for A$15.0 million – a 4.5 star hotel and a waterfront strata restaurant property located at 1 Marco Polo Drive, Mandurah, Western Australia

August (Cont'd)
- Incorporation of a 50-50% joint venture company between Chip Eng Seng Corporation Ltd and Roxy-Pacific Holdings Ltd for the proposed acquisition of two commercial towers at 205 Queen Street, Auckland, New Zealand
- Disposal of freehold property at 420 St Kilda Road, Melbourne, Australia

September
- Legal completion for the disposal of freehold property at 420 St Kilda Road, Melbourne, Australia

October
- Redemption on maturity of $150.0 million 4.25% Fixed Rate Notes
- Enbloc acquisition of Changi Gardens by way of tender at $248.8 million

November
- Legal completion for the acquisition of The Sebel Mandurah – a 4.5 star hotel and a waterfront strata restaurant property located at 1 Marco Polo Drive, Mandurah, Western Australia
- Termination of sales contracts at Tower Melbourne, located at 150 Queen Street, Melbourne, Australia
- Proposed joint venture acquisition of two adjoining properties in South Perth, Australia, with plans to redevelop the site into a mixed-use development comprising residential apartments, retail and office suites

November (Cont'd)
- Acquisition of the Mercure & Ibis Styles Grosvenor Hotel and the adjoining properties in Adelaide, Australia.

December
- Legal completion of the acquisition of leasehold industrial property at 11 Tuas Basin Close
- Legal completion of the acquisition of 205 Queen Street in Auckland, New Zealand
- Announced proposed investment in Ho Chi Minh-based real estate development project, Soai Kinh Lam Apartment – Commerce Center

2018

January
- Award of $168.1 million HDB contract for the design and building works at SengKang Neighbourhood 4 Contract 39 and Contract 40

February
- Acquisition of 25% shareholding interest in Giai Loi Investment Joint Stock Company

March
- Announced its intention to diversify into Education Sector
- Announced entry into agreement in relation to the sale of 150 Queen Street, Melbourne, Australia
- Legal completion of the acquisition of Mercure & Ibis Styles Grosvenor Hotel and the adjoining properties in Adelaide, Australia.

AWARDS AND CERTIFICATIONS

Our focus on maintaining sustainable and responsible operations remains steadfast. In recognition of Chip Eng Seng's continued commitment in exercising industry best practices in workplace safety, and developing innovative solutions that promote a green and sustainable built environment, a total of Eight awards were garnered by the Group in 2017.

AWARD LEVEL	NAME OF AWARD/CATEGORY
Winner	WSH SHARP Award for Bukit Batok N1C13 (Skyline I)
Winner	WSH SHARP Award for Sembawang N1C10 (East Crown @ Canberra)
Winner	HDB Construction Safety Award (Building Category) for Jurong West N6C31
Winner	HDB Construction Safety Award (Building Category) for Bukit Batok N1C13 and N2C23
Gold Plus	BCA BIM Award (Builder) for CES Engineering and Construction Pte Ltd – Grandeur Park Residences
Commendation	WSH Culturesafe (Certificate of Commendation) for Sembawang N1C10 East Crown @ Canberra
Commendation	WSH Culturesafe (Certificate of Commendation) for Bukit Batok N1C13 Skyline 1
Excellent	BCA Green and Gracious Builder Award awarded to Chip Eng Seng Contractors (1988) Pte Ltd
Excellent	BCA Green and Gracious Builder Award to awarded to CES Engineering and Construction Pte Ltd
Winner	Best Condo Development (Singapore) awarded to Fernvale Development Pte Ltd – High Park Residences
Winner	Best Condo Landscape Architectural Design awarded to Fernvale Development Pte Ltd – High Park Residences

Woodlands N1C26 & C27

CORPORATE SOCIAL RESPONSIBILITY

Supportive of initiatives that help strengthen the social fabric of our community

Returning to the community remains a priority for Chip Eng Seng. As a homegrown company with a rich history rooted in Singapore, we have a responsibility to give back to society through the fostering of stronger social ties.

Supporting the elderly and the less privileged through activities that promote an enhanced sense of well-being was our focus in 2017.

To give back to the elders in Singapore, we collaborated with our business associates, Seacare & SOS, to organise a festive Chinese New Year luncheon for the senior citizens of Jalan Kukoh. This is the second consecutive year that we co-organised the event, which we plan to host annually going forward.
As part of our commitment to encourage the holistic development of children, Chip Eng Seng also partnered with Rainbow Centre Singapore (Rainbow Centre) to embark on a variety initiatives. Rainbow Centre Singapore is a charity organisation that supports children with special developmental needs.

One of the key initiatives undertaken was a work experience programme, where older students from the centre were assigned tasks such as housekeeping, culinary work and bell services, in an effort to teach them life skills that would enable them to be future-ready for tomorrow's economy.

To generate greater awareness of autism among Singaporeans, Chip Eng Seng further supported a joint campaign, with four other voluntary welfare organisations (VWOs) including the Autism Resource Centre, Autism Association of Singapore, St Andrew Autism Centre and AWWA (Asian Women Welfare Association).

We also continued our support for sports development through running and golf events. Notably, our volunteers took part in the 2017 Standard Chartered Ekiden Marathon with beneficiaries, where each team of six runners brought their training and teamwork together to complete a 42.192 km journey. On the golf front, Chip Eng Seng continues to be a strong advocate for charity golf, and supported key events such as Yellow Ribbon Fund - Charity Golf, Lee Hsien Loong Cup Charity Golf and Ren Ci Charity Golf, among others.

CORPORATE INFORMATION

HONORARY CHAIRMAN AND 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

Tan Tee How
Executive Director

Hoon Tai Meng
Executive Director

Dawn Lim Sock Kiang
Executive Director

INDEPENDENT DIRECTORS
Ang Mong Seng BBM
(Lead Independent Director)
Cheng Heng Tan
Ung Gim Sei
Lui Tuck Yew
Abdul Jabbar Bin Karam Din

AUDIT COMMITTEE
Ang Mong Seng BBM (Chairman)
Cheng Heng Tan
Ung Gim Sei
Lui Tuck Yew
Abdul Jabbar Bin Karam Din

REMUNERATION COMMITTEE
Ung Gim Sei (Chairman)
Ang Mong Seng BBM
Cheng Heng Tan
Abdul Jabbar Bin Karam Din

NOMINATING COMMITTEE
Cheng Heng Tan (Chairman)
Ang Mong Seng
Ung Gim Sei
Hoon Tai Meng
Abdul Jabbar Bin Karam Din

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 and Young LLP
Public Accountants
and 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
Goh Gin Nee LLB (Hons)
Loh Lee Eng ACIS

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


205 Queen Street, Auckland, New Zealand

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 2017 ("FY2017") 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, social and governance 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
Tan Tee How*	Executive Director	-	-	-
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	-	-
Abdul Jabbar Bin Karam Din**	Independent Director	Member	Member	Member

* Tan Tee How was appointed as Executive Director on 2 February 2018
** Abdul Jabbar Bin Karam Din was appointed as Independent Director on 2 February 2018

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.

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	**5**	**5**	**2**	**2**
	No. of meetings attended			
Directors				
Chia Lee Meng Raymond	5	-	-	-
Lim Tiang Chuan	5	-	-	-
Hoon Tai Meng	5	-	-	2
Tan Tee How*	-	-	-	-
Dawn Lim Sock Kiang	5	-	-	-
Ang Mong Seng	5	5	2	2
Cheng Heng Tan	4	4	2	2
Ung Gim Sei	5	5	2	2
Lui Tuck Yew	5	5	-	-
Abdul Jabbar Bin Karam Din**	-	-	-	-

* Tan Tee How was appointed as Executive Director on 2 February 2018
** Abdul Jabbar Bin Karam Din was appointed as Independent Director on 2 February 2018

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 person 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 engage 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 10 Directors, five 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 and judgement and that there are no relationships or circumstances 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 the 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, with Mr Ang abstaining from voting in respect of his own nomination 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 are sufficient safeguards 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 Independent Directors, including the 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 five members, four 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;
4. Mr Hoon Tai Meng; and
5. Mr Abdul Jabbar Bin Karam Din.

The NC holds at least two NC meetings 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 half 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, its board committees 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 REPORT

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	Retirement by rotation (Article 115)
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	26 April 2017	• Sin Ghee Huat Corporation Ltd • Pavillon Holdings Ltd	None	None	N.A.
Tan Tee How	Executive Director	2 February 2018	N.A.	None	None	• Deputy Chairman of Casino Regulatory Authority of Singapore • Board Member of National University Health System Pte. Ltd. • President of Singapore Scout Associate • Board Member of St Joseph's Institution International Elementary School Ltd., St Joseph's Institution International Ltd. and Christian Brothers' Schools	Retirement (Article 119)
Dawn Lim Sock Kiang	Executive Director	1 December 2009	23 April 2015	None	None	None	Retirement by rotation (Article 115)

CORPORATE GOVERNANCE REPORT

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
Ang Mong Seng	Independent Director	19 March 2003	26 April 2017	• Hoe Leong Corporation Ltd • Annaik Ltd	• Ecowise Holdings Ltd • Golden Energy and Resources Limited • Gaylin Holdings Ltd	• Director of Pei Hwa Foundation Ltd and The Chinese Opera Institute • Sole-proprietor of Ang Mong Seng Consultants	N.A.
Cheng Heng Tan	Independent Director	20 July 2011	23 April 2015	None	None	Director and substantial shareholder of Omakase Burger/Picnic Group	Retirement by rotation (Article 115)
Ung Gim Sei	Independent Director	23 April 2015	26 April 2017	• 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	N.A.
Lui Tuck Yew	Independent Director	1 July 2016	26 April 2017	None	None	Ambassador to Japan	N.A.
Abdul Jabbar Bin Karam Din	Independent Director	2 February 2018	N.A.	None	Sunedison Semiconductor Limited	Partner of Rajah & Tann Singapore LLP	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 FY2017, 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 participation 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.

Pursuant to the one-third rotation rule, Mr Chia Lee Meng Raymond, Ms Dawn Lim Sock Kiang and Mr Cheng Heng Tan will retire at the forthcoming AGM. Mr Chia Lee Meng Raymond and Ms Dawn Lim Sock Kiang have submitted themselves for re-appointment at the forthcoming AGM. Mr Cheng Heng Tan has indicated his intention not to seek re-election at the forthcoming AGM. Mr Tan Tee How and Mr Abdul Jabbar Bin Karam Din will retire pursuant to the Article 119 of the Constitution and have submitted themselves for re-appointment. The NC is satisfied that Mr Chia Lee Meng Raymond, Ms Dawn Lim Sock Kiang, Mr Tan Tee How and Mr Abdul Jabbar Bin Karam Din 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 its Board committees and individual Directors on an annual basis.

At the end of each year, each Board member is required to complete a Board assessment form and self 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 Board has enhanced long-term shareholders' value. It also considers the Company's share price performance on a quarterly basis.

The evaluation of individual Directors assesses whether each Director continues to contribute effectively and demonstrate commitment to the role (including commitments of time for Board meetings, Board committee meetings and duties).

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

<u>Complete, adequate and timely information</u>

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 any 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).

<u>Company secretary</u>

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. 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 four members, all of whom are Independent Non-Executive Directors:

1. Mr Ung Gim Sei (Chairman);

2. Mr Ang Mong Seng;

3. Mr Cheng Heng Tan; and

4. Mr Abdul Jabbar Bin Karam Din.

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 twice and carried out its duties in accordance with its terms of reference, which include reviews and recommendations to the Board for endorsement on the general framework of remuneration for the Board and key management personnel, all matters concerning the remuneration packages of Executive Directors, staff related to Directors as well as 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.

The RC did not require the services of an external remuneration consultant during the year. Nevertheless, the RC will seek advice from external consultant should such need arise.

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 the 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 FY2017.

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 FY2017 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%	84%	-	-	100%
$600,000 to $799,999					
Lim Tiang Chuan	65%	33%	2%	-	100%
Hoon Tai Meng	72%	25%	3%	-	100%
$400,000 to $599,999					
Dawn Lim Sock Kiang	71%	26%	3%	-	100%
Below $200,000					
Ang Mong Seng	-	-	-	100%	100%
Cheng Heng Tan	-	-	-	100%	100%
Ung Gim Sei	-	-	-	100%	100%
Lui Tuck Yew	-	-	-	100%	100%

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. Approved by shareholders as a lump sum at the AGM held 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 FY2017 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
$2,400,000 to $2,450,000 Lim Tiam Seng*	Father of Dawn Lim Sock Kiang; Father-in-law of Chia Lee Meng Raymond; and Brother of Lim Tiang Chuan	13%	86%	1%	100%
$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.	61%	36%	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.	79%	18%	3%	100%
$300,000 to $349,999 Lim Tian Moh	Brother of Lim Tiang Chuan; Uncle of Dawn Lim Sock Kiang; and Uncle-in-law of Chia Lee Meng Raymond.	79%	18%	3%	100%
$200,000 to $249,999 Lim Ling Kwee	Nephew of Lim Tiang Chuan; Brother of Dawn Lim Sock Kiang; and Brother-in-law of Chia Lee Meng Raymond.	78%	17%	5%	100%

* Lim Tiam Seng is the Honorary Chairman and Advisor of the Company. During the year, he received a one-off gratuity payment in recognition for his lifelong contributions to the Company.

1. Base salary includes contractual bonus and employer's Central Provident Fund contributions.
2. Variable payment includes performance bonus, profit sharing, gratuity 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 Group 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.

<u>Assurance from the CEO and CFO</u>

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

a. the financial records of the Group have been properly maintained and the financial statements for FY2017 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 2017.

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 five 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;
4. Mr Lui Tuck Yew; and
5. Mr Abdul Jabbar Bin Karam Din

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, 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.

<u>Summary of the AC's activities</u>

The AC met five 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 FY2017, 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 FY2017 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 ensured 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**
Sales of residential units in Grandeur Park Residences		
Chia Lee Meng Raymond	1,599	NIL
Chia Lynn*	1,616	NIL
Dawn Lim Sock Kiang	1,258	NIL
Lim Ling Kwee and Lee Yong Li	1,348	NIL
Interest paid and/or payable for the Company's term notes held		
Chia Lee Meng Raymond and Lim Sock Joo [(1)]	288	NIL
Lim Tiang Chuan	169	NIL
Dawn Lim Sock Kiang	115	NIL
Lim Tiam Seng	128	NIL
Lim Tian Back	101	NIL
Lim Tian Moh [(2)]	113	NIL

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
Redemption of the Company's term notes		
Chia Lee Meng Raymond and Lim Sock Joo [(1)]	3,000	NIL
Lim Tiang Chuan	2,250	NIL
Hoon Tai Meng	1,000	NIL
Dawn Lim Sock Kiang	1,000	NIL
Lui Tuck Yew	250	NIL
Lim Tiam Seng	2,000	NIL
Lim Tian Back	3,000	NIL
Lim Tian Moh [(2)]	1,500	NIL

* Chia Lynn is the daughter of Chia Lee Meng Raymond and niece of Dawn Lim Sock Kiang
(1) held jointly
(2) held jointly with spouse

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

<u>Whistle blowing</u>

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 whistle blowers. 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.

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 2017.

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 2017 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)
Lim Tiang Chuan	(Executive Deputy Chairman)
Hoon Tai Meng	
Tan Tee How	(Appointed on 2 February 2018)
Dawn Lim Sock Kiang	
Ang Mong Seng	
Cheng Heng Tan	
Ung Gim Sei	
Lui Tuck Yew	
Abdul Jabbar Bin Karam Din	(Appointed on 2 February 2018)

In accordance with Article 115 of the Company's Constitution, Cheng Heng Tan would retire by rotation and does not intend to offer himself for re-election. Chia Lee Meng Raymond, and Dawn Lim Sock Kiang would retire by rotation and, being eligible, offer themselves for re-election. Tan Tee How and Abdul Jabbar Bin Karam Din would retire under Article 119 of the Company's Constitution, and being eligible, offer themselves 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, share options and debentures of the Company as stated below:

	Direct interest			Deemed interest		
Name of Director	**At 1.1.2017**	**At 31.12.2017**	**At 21.01.2018**	**At 1.1.2017**	**At 31.12.2017**	**At 21.01.2018**
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	–	–	–
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	40,000,000	–	–	–
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 [1]	$3,000,000	–	–	–	–	–
Lim Tiang Chuan	$2,250,000	–	–	–	–	–
Hoon Tai Meng	$1,000,000	–	–	–	–	–
Dawn Lim Sock Kiang	$1,000,000	–	–	–	–	–
Lui Tuck Yew	$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 [1]	$2,000,000	$2,000,000	$2,000,000	–	–	–
Lim Tiang Chuan	$1,000,000	$1,000,000	$1,000,000	–	–	–
Dawn Lim Sock Kiang	$750,000	$750,000	$750,000	–	–	–
Ang Mong Seng	$250,000	$250,000	$250,000	–	–	–
Cheng Heng Tan	–	–	–	$500,000	–	–
Lui Tuck Yew	$250,000	$250,000	$250,000	–	–	–

4. **Directors' interests in shares and debentures (cont'd)**

	Direct interest			Deemed interest		
Name of Director	**At 1.1.2017**	**At 31.12.2017**	**At 21.01.2018**	**At 1.1.2017**	**At 31.12.2017**	**At 21.01.2018**
The Company						
4.90% fixed rate notes due 19 May 2022 pursuant to the Multicurrency Debt Issuance Programme established on 18 Oct 2013						
Chia Lee Meng Raymond [(1)]	–	$3,000,000	$3,000,000	–	–	–
Lim Tiang Chuan	–	$1,500,000	$1,500,000	–	–	–
Dawn Lim Sock Kiang	–	$1,500,000	$1,500,000	–	–	–
Ang Mong Seng	–	$250,000	$250,000	–	–	–
Cheng Heng Tan	–	–	–	–	$500,000	$500,000
Lui Tuck Yew	–	–	–	–	$250,000	$250,000

[(1)] held jointly with spouse

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 2018.

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 four directors namely Ung Gim Sei (Chairman), Ang Mong Seng (Member), Cheng Heng Tan (Member) and Abdul Jabbar Bin Karam Din (Member) (collectively, the "Scheme Committee"). 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).

5. Share Plans (cont'd)

(a) ESOS (cont'd)

On 3 June 2016 ("date of grant"), the Company has granted 40,000,000 share options at the exercise price of $0.5542 per ordinary share under the ESOS. The options were 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 immediately preceding the date of grant of the options. 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

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

(b) CES Share Plan

Objectives

The CES Share Plan was approved at an Extraordinary General Meeting held on 26 April 2017. 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.

5. Share Plans (cont'd)

(b) CES Share Plan (cont'd)

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.

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 results announcement and annual financial statements and auditor's 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 auditor;
- Reviewed the nature and extent of non-audit services provided by the external auditor;
- Recommended to the board of directors the external auditor 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; and
- 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 five meetings during the year with full attendance from all members except for one where a member was absent. 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 2018

INDEPENDENT AUDITOR'S REPORT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 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 2017, 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 2017 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 our responsibilities described in the *Auditor's responsibilities for the Audit of the Financial Statements* 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 are dependent, amongst others, on the surveys of work performed for each project for the assessment of the percentage of completion and the total budgeted cost estimated for the projects. 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 and the total budgeted cost estimated for the projects. 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 checked the arithmetic accuracy of the revenue, cost and profit recognised based on the percentage of completion computation for individually significant projects. We also 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 evaluated the adequacy of the disclosures 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 2.25.

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

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 valuation specialists. We assessed the appropriateness of the valuation models, property-related data, including estimates and key assumptions used by the external valuation 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 the related disclosures in Note 12 and 32(d) relating to the investment properties and the assumptions used, given the estimation uncertainty and sensitivity of the valuations.

INDEPENDENT AUDITOR'S REPORT
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

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.

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 2018

CONSOLIDATED INCOME STATEMENT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

	Note	2017 $'000	2016 $'000
Revenue	4	859,723	747,995
Cost of sales		(707,216)	(601,516)
Gross profit		152,507	146,479
Other items of income			
Interest income	5	4,224	4,146
Other income	6	21,572	12,972
Other items of expense			
Marketing and distribution		(14,622)	(6,810)
Administrative expenses		(68,970)	(60,463)
Finance costs	7	(25,120)	(19,555)
Share of results of associates and joint venture		582	(660)
Profit before tax	8	70,173	76,109
Income tax expense	9	(14,399)	(24,385)
Profit for the year		55,774	51,724
Attributable to:			
Owners of the Company		35,506	35,686
Non-controlling interests		20,268	16,038
		55,774	51,724
Earnings per share attributable to owners of the Company (cents per share)			
Basic	10	5.72	5.75
Diluted	10	5.62	5.70

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 2017

	2017 $'000	2016 $'000
Profit for the year	55,774	51,724
Other comprehensive income:		
Items that will not be reclassified to profit or loss		
Share of (loss)/gain on property revaluation of associates	(54)	227
	(54)	227
Items that may be reclassified subsequently to profit or loss		
Net (loss)/gain on fair value changes of available-for-sale financial assets	(135)	3,644
Realisation of reserves on disposal of available-for-sale financial assets	(5,020)	–
Foreign currency translation	611	1,452
Share of foreign currency translation of joint venture	(40)	–
	(4,584)	5,096
Other comprehensive (loss)/gain for the year, net of tax	(4,638)	5,323
Total comprehensive income for the year	51,136	57,047
Attributable to:		
Owners of the Company	30,805	41,009
Non-controlling interests	20,331	16,038
Total comprehensive income for the year	51,136	57,047

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

BALANCE SHEETS
AS AT 31 DECEMBER 2017

	Note	Group		Company	
		2017	2016	2017	2016
		$'000	$'000	$'000	$'000
Non-current assets					
Property, plant and equipment	11	324,054	219,604	1,829	1,684
Investment properties	12	251,706	288,693	–	–
Intangible assets	13	1,872	2,202	373	528
Investments in subsidiaries	14	–	–	48,302	48,302
Investments in associates and joint venture	15	6,941	6,359	650	650
Deferred tax assets	25	5,289	2,995	–	–
Trade and other receivables	16	82,536	88	310,479	231,928
Investment securities	17	–	8,010	–	8,010
		672,398	527,951	361,633	291,102
Current assets					
Gross amount due from customers for contract work-in-progress	18	13,467	9,677	–	–
Development properties	19	1,688,660	1,127,718	–	–
Inventories	20	761	48	–	–
Prepayments		5,003	4,022	1,848	1,831
Other receivables	16	89,723	81,241	18,273	5,311
Cash and short-term deposits	21	257,846	481,582	6,167	122,273
		2,055,460	1,704,288	26,288	129,415
Current liabilities					
Loans and borrowings	22	8,735	234,182	–	150,000
Gross amount due to customers for contract work-in-progress	18	33,910	11,100	–	–
Trade and other payables	23	58,470	86,394	11,243	124
Other liabilities	24	48,535	42,190	4,675	5,944
Income tax payable		12,811	28,358	39	586
		162,461	402,224	15,957	156,654
Net current assets/(liabilities)		1,892,999	1,302,064	10,331	(27,239)

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

BALANCE SHEETS
AS AT 31 DECEMBER 2017

	Note	Group		Company	
		2017	2016	2017	2016
		$'000	$'000	$'000	$'000
Non-current liabilities					
Loans and borrowings	22	1,524,075	936,736	245,000	120,000
Trade and other payables	23	212,713	106,692	10,000	–
Other liabilities	24	64	–	–	–
Deferred tax liabilities	25	19,963	9,974	21	21
		1,756,815	1,053,402	255,021	120,021
Net assets		808,582	776,613	116,943	143,842
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		744,361	733,696	67,659	91,790
Other reserves	27	(16,174)	(13,860)	3,246	6,014
		774,225	765,874	116,943	143,842
Non-controlling interests		34,357	10,739	–	–
Total equity		808,582	776,613	116,943	143,842

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 2017

		Attributable to owners of the Company					
2017	**Equity, total**	**Equity attributable to owners of the Company, total**	**Share capital (Note 26(a))**	**Treasury shares (Note 26(b))**	**Retained earnings**	**Other reserves (Note 27)**	**Non-controlling interests**
Group	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Opening balance at 1 January 2017	776,613	765,874	79,691	(33,653)	733,696	(13,860)	10,739
Profit for the year	55,774	35,506	–	–	35,506	–	20,268
Other comprehensive income							
Net loss on fair value changes of available-for-sale financial assets	(135)	(135)	–	–	–	(135)	–
Realisation of reserves on disposal of available-for-sale financial assets	(5,020)	(5,020)	–	–	–	(5,020)	–
Foreign currency translation	611	548	–	–	–	548	63
Share of other comprehensive income of associates and joint venture	(94)	(94)	–	–	–	(94)	–
Other comprehensive loss for the year, net of tax	(4,638)	(4,701)	–	–	–	(4,701)	–
Total comprehensive income/(loss) for the year	51,136	30,805	–	–	35,506	(4,701)	20,331
Contributions by and distributions to owners							
Share-based compensation expenses (Note 27)	2,387	2,387	–	–	–	2,387	–
Dividends paid (Note 36)	(24,841)	(24,841)	–	–	(24,841)	–	–
Total contributions by and distributions to owners	(22,454)	(22,454)	–	–	(24,841)	2,387	–
Changes in ownership interests in subsidiaries							
Incorporation of a subsidiary with non-controlling interest	3,287	–	–	–	–	–	3,287
Total changes in ownership interest in subsidiaries	3,287	–	–	–	–	–	3,287
Total transactions with owners in their capacity as owners	(19,167)	(22,454)	–	–	(24,841)	2,387	3,287
Closing balance at 31 December 2017	808,582	774,225	79,691	(33,653)	744,361	(16,174)	34,357

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 2017

			Attributable to owners of the Company				
2016	**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

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

2017 Company	**Total**	**Share capital (Note 26(a))**	**Treasury shares (Note 26(b))**	**Retained earnings**	**Other reserves (Note 27)**
	$'000	$'000	$'000	$'000	$'000
Opening balance at 1 January 2017	143,842	79,691	(33,653)	91,790	6,014
Profit for the year	710	–	–	710	–
Other comprehensive income					
Net loss on fair value changes of available-for-sale financial assets	(135)	–	–	–	(135)
Realisation of reserves on disposal of available-for-sales financial assets	(5,020)	–	–	–	(5,020)
Other comprehensive loss for the year, net of tax	(5,155)	–	–	–	(5,155)
Total comprehensive (loss)/income for the year	(4,445)	–	–	710	(5,155)
Contributions by and distributions to owners					
Share-based compensation expenses	2,387	–	–	–	2,387
Dividends paid (Note 36)	(24,841)	–	–	(24,841)	–
Total contributions by and distributions to owners	(22,454)	–	–	(24,841)	2,387
Closing balance at 31 December 2017	116,943	79,691	(33,653)	67,659	3,246

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 2017

2016 Company	**Total**	**Share capital (Note 26(a))**	**Treasury shares (Note 26(b))**	**Retained earnings**	**Other reserves (Note 27)**
	$'000	$'000	$'000	$'000	$'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

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 2017

	Note	2017 $'000	2016 $'000
Operating activities			
Profit before tax		70,173	76,109
Adjustments for:			
Interest income	5	(4,224)	(4,146)
Dividend income from investment securities	6	–	(503)
Gain on disposal of property, plant and equipment	6	(118)	(497)
Gain on disposal of investment property	6	(13,298)	–
Gain on disposal of investment securities	6	(4,921)	–
Gain on disposal of intangible assets	6	(110)	–
Finance costs	7	25,120	19,555
Property, plant and equipment written off	8	34	10
(Write back)/impairment loss on development properties	8	(1,513)	5,751
Impairment loss on construction contract	8	9,500	–
Depreciation of property, plant and equipment	11	10,889	6,986
Fair value loss/(gain) on investment properties	12	1,873	(5,419)
Amortisation of intangible assets	13	225	107
(Reversal of impairment)/impairment loss on receivables	16	(220)	169
Share-based compensation	28	2,387	1,392
Share of results of associates and joint venture		(582)	660
Unrealised exchange loss/(gain)		1,646	(972)
Operating cash flows before changes in working capital		96,861	99,202
Changes in working capital:			
Gross amount due from and due to customers for contract work-in-progress		9,526	3,922
Development properties		(554,261)	(491,740)
Inventories		(731)	39,124
Prepayments		(992)	(167)
Trade and other receivables		(63,180)	163,953
Trade and other payables		78,639	(12,652)
Other liabilities		6,736	5,333
Cash flows used in operations		(427,402)	(193,025)
Interest paid		(46,095)	(33,814)
Interest received		4,224	4,146
Income taxes paid		(22,240)	(34,244)
Net cash flows used in operating activities		(491,513)	(256,937)

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 2017

	Note	2017 $'000	2016 $'000
Investing activities			
Purchase of property, plant and equipment	11	(117,978)	(2,029)
Proceeds from disposal of property, plant and equipment		164	730
Proceeds from liquidation of an associate		–	3,582
Proceeds from disposal of investment property		69,625	–
Proceeds from disposal of investment securities		7,776	–
Proceeds from disposal of intangible assets		295	–
Dividend income from associates		–	1,070
(Advances to)/repayment from associates		(28,568)	8,198
Additions to intangible assets	13	(80)	(2,211)
Additions to investment properties	12	(5,449)	(311)
Net cash flows (used in)/generated from investing activities		(74,215)	9,029
Financing activities			
Repayment of loans and borrowings		(311,880)	(150,845)
Proceeds from loans and borrowings		700,559	342,835
Redemption of term notes		(150,000)	–
Proceeds from issuance of term notes		125,000	120,000
Dividends paid on ordinary shares	36	(24,841)	(24,841)
Proceeds from issuance of new shares by subsidiary to non-controlling interest		3,287	48
Net cash flows generated from financing activities		342,125	287,197
Net (decrease)/increase in cash and cash equivalents		(223,603)	39,289
Effect of exchange rate changes on cash and cash equivalents		(133)	(163)
Cash and cash equivalents at beginning of the year		481,582	442,456
Cash and cash equivalents at end of the year	21	257,846	481,582

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 2017

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, associates and joint venture as at 31 December 2017 are:

Name of Company	Country of incorporation	Principal activities	Proportion (%) of ownership interest	
			2017	**2016**
<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	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.	Singapore	Investment holding	100	100
^ CES Capital Holdings Pte. Ltd.	Singapore	Investment holding	100	–
^ CES Hospitality Pte. Ltd.	Singapore	Investment holding	100	–
Held by subsidiaries				
^ CEL Real Estate Development Pte. Ltd.	Singapore	Property developer	100	100

1. Corporate information (cont'd)

Name of Company	Country of incorporation	Principal activities	Proportion (%) of ownership interest 2017	2016
Subsidiary companies (cont'd)				
Held by subsidiaries (cont'd)				
^ CEL-Changi 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	In the process of liquidation	100	100
^ CEL-Alexandra Pte. Ltd.	Singapore	Hotel owner, property investor and property developer	100	100
^ SPP System Pte. Ltd.	Singapore	Modular building construction	100	100
^ CEL Property Pte. Ltd.	Singapore	Property developer and investment holding	100	100
PH Properties Pte. Ltd.	Singapore	In the process of liquidation	100	100

1. Corporate information (cont'd)

Name of Company	Country of incorporation	Principal activities	Proportion (%) of ownership interest 2017	2016
<u>Subsidiary companies (cont'd)</u>				
Held by subsidiaries (cont'd)				
^ 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	70
# CES Investment (Vietnam) Pte. Ltd.	Singapore	Investment holding	100	100
# CES Management (Vietnam) Pte. Ltd.	Singapore	Investment holding	100	100
^ CEL Unique Pte. Ltd.	Singapore	Investment holding	60	–
^ CEL Unique Holdings Pte. Ltd.	Singapore	Investment holding	60	–
^ CEL Unique Development Pte. Ltd.	Singapore	Property developer	60	–
^ CES Hotels (Australia) Pte. Ltd.	Singapore	Investment holding	100	–
^ CES Property Investment (New Zealand) 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-Queen (VIC) Pty Ltd	Australia	Property developer	100	100
^^ CES Properties (AUS) Pty Ltd	Australia	Property investor	100	100

1. Corporate information (cont'd)

Name of Company	Country of incorporation	Principal activities	Proportion (%) of ownership interest 2017	2016
Subsidiary companies (cont'd)				
Held by subsidiaries (cont'd)				
## CES-Victoria (VIC) Pty Ltd	Australia	Property developer	100	100
^^ CES-Northcote (VIC) Pty Ltd	Australia	Property developer	100	100
^^ CES-Gladstone (VIC) Pty Ltd	Australia	Property developer	100	100
## CES South Perth (WA) Pty Ltd	Australia	Investment holding	100	–
## CES Sirona Lyall (WA) Pty Ltd	Australia	Property developer	70	–
## CES Grosvenor (SA) Pty Ltd	Australia	Property investor	100	–
## CES Grosvenor Hotel (SA) Pty Ltd	Australia	Hotel owner	100	–
^^ CES Mandurah Hotel (WA) Pty Ltd	Australia	Hotel owner	100	–
## CES Properties (NZ) Pty Limited	New Zealand	Investment holding	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	70
^^ Viet Investment Link Joint Stock Company	Vietnam	Provision of management services	99	99
^^ CES MAIC Management (Vietnam) Co., Ltd	Vietnam	Provision of real estate management and consultancy services	70	70

1. Corporate information (cont'd)

Name of Company	Country of incorporation	Principal activities	Proportion (%) of ownership interest 2017	2016
<u>**Associated companies**</u>				
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
+ Pasir Ris EC Pte. Ltd.	Singapore	Property developer	40	40
+ LGB-NB Pte. Ltd.	Singapore	Investment holding	20	20
<u>***Joint venture***</u>				
Held by subsidiary				
## Roxy-CES (NZ) Limited	New Zealand	Property investor	50	–

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 EY Global in the respective countries.
* Audited by KTP & Company PLT, Malaysia.
** Audited by RSM Chio Lim LLP, Singapore.
+ Audited by KPMG LLP, Singapore.

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.

Convergence with International Financial Reporting Standards

For annual financial period beginning on or after 1 January 2018, Singapore-incorporated companies listed on the Singapore Exchange will apply Singapore Financial Reporting Framework (International) ("SFRS(I)"), a new financial reporting framework identical to International Financial Reporting Standards. The Group will adopt SFRS(I) on 1 January 2018.

On transition to the new financial reporting framework, the Group expects to elect the option to deem cumulative translation differences for foreign operations to be zero on 1 January 2017, and accordingly, the gain or loss that will be recognised on a subsequent disposal of the foreign operations will exclude cumulative translation differences that arose before 1 January 2017. The Group expects to reclassify an amount of $23,257,000 of foreign currency translation reserve to the opening retained earnings as at 1 January 2017.

Other than the effects of the matter as described above and the impact on adoption of the SFRS(I) 15 and SFRS(I) 9, the Group expects that adoption of SFRS(I) will have no material impact on the financial statements in the year of initial application. The Group expects the impact of adopting SFRS(I) 15 and SFRS(I) 9 will be similar to the impact on adoption of FRS 115 and FRS 109 as disclosed in Note 2.3.

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 2017, including the Amendments to FRS 7 *Disclosure Initiative*. The adoption of these standards did not have any effect on the financial performance or position of the Group and the Company.

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 102 *Classification and Measurement of Share-based Payment Transactions*	1 January 2018
Amendments to FRS 40 *Transfers of Investment Property*	1 January 2018
FRS 109 *Financial Instruments*	1 January 2018
FRS 115 *Revenue from Contracts with Customers*	1 January 2018
FRS 116 *Leases*	1 January 2019

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

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

Description	*Effective for annual periods beginning on or after*
Improvements to FRSs (December 2016)	
- Amendments to FRS 28 *Investments in Associates and Joint Ventures*	1 January 2018
INT FRS 122 *Foreign Currency Transactions and Advance Consideration*	1 January 2018
Improvements to FRSs (March 2018)	
- Amendments to FRS 103 *Business Combinations*	1 January 2019
- Amendments to FRS 111 *Joint Arrangements*	1 January 2019
- Amendments to FRS 12 *Income Taxes*	1 January 2019
- Amendments to FRS 23 *Borrowing Costs*	1 January 2019
INT FRS 123 *Uncertainty over Income Tax Treatments*	1 January 2019
Amendments to FRS 110 and FRS 28 *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*	Date to be determined

As disclosed in Note 2.1, the Group will adopt SFRS(I) on 1 January 2018. Upon adoption of SFRS(I) on 1 January 2018, the SFRS(I) equivalent of the above standards that are effective on 1 January 2018 will be adopted at the same time.

Except for SFRS(I) 9, SFRS(I) 15 and SFRS(I) 16, the directors expect that the adoption of the SFRS(I) equivalent of the above standards will have no material impact on the financial statements in the year of initial application. The nature of the impending changes in accounting policy on adoption of SFRS(I) 9, SFRS(I) 15 and SFRS(I) 16 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, and introduces new contract cost guidance. 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 is effective for annual periods beginning on or after 1 January 2018.

The Group has completed its initial impact assessment of adopting FRS 115 based on currently available information. This assessment may be subject to changes arising from ongoing analysis until the Group adopts FRS 115 in 2018.

The Group plans to apply the changes in accounting policies retrospectively to each reporting year presented, using the full retrospective approach. The Group also plans to apply the following practical expedients:

- For completed contracts, the Group plans not to restate completed contracts that begin and end within the same year or are completed contracts at 1 January 2017, and
- For completed contracts that have variable consideration, the Group plans to use the transaction price at the date the contract was completed instead of estimating variable consideration amounts in the comparative year.

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

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

FRS 115 *Revenue from Contracts with Customers (cont'd)*

The Group is in the business of construction, property development, property investment and hospitality. The Group expects the following impact upon adoption of FRS 115:

(a) Construction contracts

The Group currently recognises construction contract revenue by reference to the stage of completion of the contract activity at the end of each reporting period (the percentage of completion method), 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.

With the adoption of FRS 115, the Group will continue to recognise construction contract revenue over time by measuring the progress towards complete satisfaction of performance obligations. Under the new standard, the methods of measuring progress include output methods or input methods. The Group has determined that the cost-based input method reflects the over-time transfer of control to customers.

On the adoption of FRS 115, the Group expects to record an adjustment to reduce revenue by $6,900,000 and cost of sales by $1,300,000 for the financial year ended 31 December 2017 and an increase in opening retained earnings of $8,500,000 as at 1 January 2017. In addition, the Group expects to reclassify $12,800,000 from gross amount due from customers for contract work-in-progress to trade and other receivables and inventories, $24,800,000 from gross amount due to customers for contract work-in-progress to trade and other payables and other liabilities as at 31 December 2017.

(b) Development properties

The Group currently recognises revenue from the sale of development properties under construction using the percentage of completion method for contracts where the legal terms were such that the construction represented the continuous transfer of work in progress to the purchaser, otherwise, the completed contract method was used. Under FRS 115, for most of its residential and mixed use developments, performance obligations for the sale of development properties are satisfied over time where the Group is restricted contractually from directing the properties for another use as they are being developed and has an enforceable right to payment for performance completed to date. The Group currently recognises finance costs incurred on development properties on a percentage of completion method multiplied by the individual project's percentage of sales. Under FRS 115, these costs will be recognised using the percentage of sales method, resulting in a distortion in the recognition of such costs. The Group expects a decrease in cost of sales of $7,000,000 for the financial year ended 31 December 2017 and an increase in opening retained earnings of $11,100,000 as at 1 January 2017 arising from the adoption of FRS 115.

(c) Sales commissions paid to sales or marketing agents on the sale of real estate units

The Group pays commissions to property agents on the sale of property and currently recognises such commissions as expense when incurred. Under FRS 115, the Group will capitalise such commissions as incremental costs to obtain a contract with a customer if these costs are recoverable. These costs are amortised to profit or loss as the Group recognises the related revenue. Upon adoption of FRS 115, the Group expects a decrease in the marketing and distribution expense by $7,400,000 and an increase in cost of sales by $5,700,000 for the financial year ended 31 December 2017 and a decrease in opening retained earnings by $10,100,000 as at 1 January 2017.

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, and is effective for annual periods beginning on or after 1 January 2018. 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 expects to have a mixed business model. The Group intends to hold its currently held-to-maturity debt instruments assets to collect contractual cash flows, and accordingly measured at amortised cost when it applies FRS 109. The Group does not expect any significant impact to arise from these changes.

(b) Impairment

FRS 109 requires the Group and the Company to record expected credit losses on all of its debt securities, loans and trade receivables, either on a 12-month or lifetime basis. The Group and the Company 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 a significant increase in the impairment loss allowance, but it will need to perform a more detailed analysis which considers all reasonable and supportable information, including forward-looking elements to determine the extent of impact.

The Group plans to adopt the new standard on the required effective date without restating prior periods' information and recognise 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. Overall, the Group does not expect a significant change to the measurement basis arising from adopting the new classification and measurement model under FRS 109.

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 by applying FRS 116 retrospectively with the cumulative effect of initial application as an adjustment to the opening balance of retained earnings as at 1 January 2019.

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.

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

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

(a) Basis of consolidation (cont'd)

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.

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. Summary of significant accounting policies (cont'd)

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.

2.6 ***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
Container office, building and construction equipment	-	5 years
Motor vehicles	-	5 years
Computer and office equipment	-	3 years
Furniture, fixtures and fittings	-	5 years

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

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.

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.

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

2.9 ***Intangible assets (cont'd)***

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.

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. Summary of significant accounting policies (cont'd)

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. Joint ventures are entities over whose activities the Group has joint control, whereby the Group has rights to the net assets of the arrangement, rather than rights to its assets and obligations for its liabilities.

The Group accounts for its investments in associates and joint ventures using the equity method from the date on which the investment 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.

2.13 *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.

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

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

(a) Financial assets (cont'd)

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.

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.

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

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

(b) Financial liabilities (cont'd)

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.

2.14 ***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.

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

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

(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.

(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.

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 *Inventories*

Inventories comprising mainly food and beverages, linen, glassware and sundry supplies and are stated at the lower of cost (first-in first-out method) and net realisable value. Cost is primarily determined on the weighted average basis and includes all cost in bringing the inventories to their present location and condition. Net realisable value represents the estimated selling price less anticipated cost of disposal and after making allowances for damaged, obsolete and slow-moving items.

2.19 *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.

2.20 *Government grants*

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Grants related to income are presented as a credit in profit or loss as "Other income".

2.21 *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. Summary of significant accounting policies (cont'd)

2.22 *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.

2.23 *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.

2.24 *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.

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

2.24 ***Leases (cont'd)***

(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 2.25(d). Contingent rents are recognised as revenue in the period in which they are earned.

2.25 ***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 development property***

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.

(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.

The Group has a completed development project under the deferred payment scheme in Singapore, for which revenue is recognised when risks and rewards are transferred to the purchasers upon the execution of the sale and purchase agreement.

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

(c) ***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.

(d) ***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.

(e) ***Interest income***

Interest income is recognised using the effective interest method.

2.26 ***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.

(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.

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

2.26 ***Taxes (cont'd)***

(b) ***Deferred tax (cont'd)***

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.

(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.

2.27 ***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.

2.28 ***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. Summary of significant accounting policies (cont'd)

2.29 ***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) ***Uncertain tax positions***

The Group is subject to income taxes in numerous jurisdictions. In determining the income tax liabilities, management has estimated the amount of capital allowances and deductible expenses ("uncertain tax positions") at each tax jurisdiction.

The Group has significant open tax assessments with a tax authority at the balance sheet date. As management believes that the tax positions are supportable, the Group has not recognised any additional tax liability on these uncertain tax positions. The maximum exposure of these uncertain tax positions, not recognised in these financial statements is $5,116,000.

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.

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

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

(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 officials. 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's estimate, the net carrying amount of the assets and liabilities arising from construction contracts would have been $794,000 lower and $8,271,000 higher (2016: $2,569,000 lower and $9,198,000 higher) respectively and profit before tax would have been $9,400,000 lower (2016: $12,100,000 lower).

(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 2017.

The fair values of investment properties are determined by independent real estate valuation experts using market comparable approach and capitalisation 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 properties 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 properties. 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 officials. The carrying amounts of assets and liabilities as well as the revenue from sale of development properties (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's estimate, the carrying amount of the assets arising from development properties under construction would have been $5,736,000 (2016: $2,312,000) lower and profit before tax would have been $5,700,000 (2016: $2,300,000) lower.

(d) ***Allowance for impairment on development properties***

The Group makes allowance for impairment taking into account the Group's experience in estimating net realisable values of its properties 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 under development and accordingly, the carrying value of the properties under development may have to be written down in future periods.

4. Revenue

	Group	
	2017	**2016**
	$'000	$'000
Sale of development properties		
- recognised on percentage of completion basis	535,099	345,328
- recognised on completion contract method	36,583	66,399
Construction revenue	239,308	298,213
Revenue from hotel operations	38,624	27,425
Rental income from investment properties (Note 12)	10,085	10,570
Management fees	24	60
	859,723	747,995

5. Interest income

	Group	
	2017	**2016**
	$'000	$'000
Interest income from loan and receivables	4,224	4,146

6. Other income

	Group	
	2017	**2016**
	$'000	$'000
Gain on disposal of investment property (Note 12)	13,298	–
Gain on disposal of investment securities	4,921	–
Gain on disposal of intangible assets	110	–
Sales of materials	543	443
Write back of impairment loss on trade receivables	507	–
Government grants	386	1,825
Dividend income from investment securities	–	503
Rental income from development properties	935	1,336
Gain on disposal of property, plant and equipment	118	497
Foreign exchange gain	–	2,090
Deposits forfeited from buyers	208	43
Net gain from fair value adjustment of investment properties (Note 12)	–	5,419
GST refund received	163	512
Others	383	304
	21,572	12,972

7. Finance costs

	Group	
	2017	**2016**
	$'000	$'000
Interest expense on bank loans and borrowings	45,777	33,638
Less: Interest expense capitalised in development properties (Note 19)	(20,657)	(14,083)
Total finance costs	25,120	19,555

8. Profit before tax

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

	Group	
	2017	**2016**
	$'000	$'000
Audit fees paid to:		
- Auditor of the Company	284	263
- Other auditors	121	88
Non-audit fees paid to:		
- Auditor of the Company	25	–
- Other auditors	71	–
Depreciation of property, plant and equipment (Note 11)	10,889	6,986
Amortisation of intangible assets (Note 13)	225	107
Employee benefits expense (Note 28)	62,688	56,114
Legal and professional fees	4,357	6,688
Operating lease expense (Note 30(a))	454	627
Net loss from fair value adjustment of investment properties (Note 12)	1,873	–
Impairment loss on receivables (Note 16)	287	169
(Write back)/impairment loss on development properties (Note 19)	(1,513)	5,751
Property, plant and equipment written off	34	10
Maintenance of properties	3,694	4,052
Impairment loss on construction contract	9,500	–

9. Income tax expense

Major components of income tax expense

The major components of income tax expense for the years ended 31 December 2017 and 2016 are:

	Group	
	2017	**2016**
	$'000	$'000
Consolidated income statement:		
Current income tax		
- current income taxation	9,186	11,864
- withholding tax	298	320
- (over)/under provision in respect of previous years	(1,530)	1,748
	7,954	13,932
Deferred income tax		
- origination and reversal of temporary differences	6,445	10,453
Income tax expense recognised in profit or loss	14,399	24,385

Relationship between tax expense and profit before tax

A reconciliation between tax expense and the product of profit before tax multiplied by the applicable corporate tax rate for the years ended 31 December 2017 and 2016 is as follows:

	Group	
	2017	**2016**
	$'000	$'000
Profit before tax	70,173	76,109
Tax at the domestic rates applicable to profits in the countries where the Group operates	17,163	16,772
Adjustments:		
Non-deductible expenses	4,717	4,613
Income not subject to taxation	(8,074)	(1,530)
Benefits from previously unrecognised tax losses	(118)	–
Deferred tax assets not recognised	747	1,644
Effect of partial tax exemption and tax relief	(307)	(438)
(Over)/under provision in respect of previous years	(1,530)	1,748
Share of results of associates	(150)	(75)
Withholding tax	298	320
Others	1,653	1,331
Income tax expense recognised in profit or loss	14,399	24,385

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	
	2017	**2016**
	'000	'000
Profit, net of tax, attributable to owners of the Company used in the computation of basic and diluted earnings per share	$35,506	$35,686
Weighted average number of ordinary shares for basic earnings per share computation	621,014	621,014
Effects of dilution on share options	10,720	5,227
Weighted average number of ordinary shares for diluted earnings per share computation	631,734	626,241

11. Property, plant and equipment

Group	Freehold land	Leasehold land	Freehold and leasehold buildings	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
Cost								
At 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 and 1 January 2017	2,594	126,862	93,042	8,387	5,904	2,901	3,595	243,285
Additions	790	17,559	88,469	2,221	2,342	1,938	4,659	117,978
Disposals	–	–	–	(277)	(276)	(30)	–	(583)
Written off	–	–	–	(430)	–	(107)	(19)	(556)
Exchange differences	43	(309)	(2,279)	93	(26)	(32)	(96)	(2,606)
At 31 December 2017	3,427	144,112	179,232	9,994	7,944	4,670	8,139	357,518

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

Group	Freehold land	Leasehold land	Freehold and leasehold buildings	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
Accumulated depreciation								
At 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 and 1 January 2017	–	6,976	3,697	6,101	3,644	1,681	1,582	23,681
Depreciation charge for the year	–	1,765	4,265	951	1,152	968	1,788	10,889
Disposals	–	–	–	(277)	(235)	(25)	–	(537)
Written off	–	–	–	(430)	–	(74)	(18)	(522)
Exchange differences	–	(5)	(57)	42	(6)	(2)	(19)	(47)
At 31 December 2017	–	8,736	7,905	6,387	4,555	2,548	3,333	33,464
Net carrying amount								
At 31 December 2016	2,594	119,886	89,345	2,286	2,260	1,220	2,013	219,604
At 31 December 2017	3,427	135,376	171,327	3,607	3,389	2,122	4,806	324,054

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 2016	2,130	233	–	2,363
Additions	811	122	42	975
Disposals	(293)	(40)	–	(333)
At 31 December 2016 and 1 January 2017	2,648	315	42	3,005
Additions	610	243	–	853
Disposals	(224)	(1)	–	(225)
At 31 December 2017	3,034	557	42	3,633
Accumulated depreciation				
At 1 January 2016	940	101	–	1,041
Depreciation charge for the year	491	73	9	573
Disposals	(293)	–	–	(293)
At 31 December 2016 and 1 January 2017	1,138	174	9	1,321
Depreciation charge for the year	557	129	8	694
Disposals	(210)	(1)	–	(211)
At 31 December 2017	1,485	302	17	1,804
Net carrying amount				
At 31 December 2016	1,510	141	33	1,684
At 31 December 2017	1,549	255	25	1,829

<u>Assets pledged as security</u>

The Group's leasehold land and buildings with a carrying amount of $281,937,000 (2016: $200,131,000) are mortgaged to secure bank borrowings.

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:

	2017	2016
	$'000	$'000
At valuation		
Freehold land and building	15,587	4,427
Leasehold land and buildings	478,253	364,100

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

12. Investment properties

	Group	
	2017	2016
	$'000	$'000
At 1 January	288,693	283,637
Net (loss)/gain from fair value adjustments recognised in profit or loss (Notes 6 & 8)	(1,873)	5,419
Additions (subsequent expenditure)	5,449	311
Cost adjustments	–	(1,167)
Disposal	(56,327)	–
Transfers from development properties	15,630	–
Exchange differences	134	493
At 31 December	251,706	288,693

The following amounts are recognised in the income statement:

Rental income (Note 4)	10,085	10,570
Direct operating expenses arising from rental generating properties	3,320	4,152
Gain on disposal of investment property (Note 6)	13,298	–

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

Certain investment properties amounting to $247,200,000 (2016: $288,693,000) 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, Savills Valuation and Professional Services (S) Pte Ltd and Knight Frank Australia Pty Ltd, 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).

13. Intangible assets

	Group			Company
	Club membership	Intellectual property	Total	Club membership
	$'000	$'000	$'000	$'000
Cost				
At 1 January 2016	217	–	217	91
Additions	465	1,746	2,211	465
At 31 December 2016 and 1 January 2017	682	1,746	2,428	556
Additions	80	–	80	80
Disposals	(208)	–	(208)	(208)
At 31 December 2017	554	1,746	2,300	428
Accumulated amortisation				
At 1 January 2016	119	–	119	6
Amortisation for the year	35	72	107	22
At 31 December 2016 and 1 January 2017	154	72	226	28
Amortisation for the year	50	175	225	50
Disposals	(23)	–	(23)	(23)
At 31 December 2017	181	247	428	55
Net carrying amount				
At 31 December 2016	528	1,674	2,202	528
At 31 December 2017	373	1,499	1,872	373

The amortisation of club membership and intellectual property are included in the "Administrative expenses" line item in the income statement. The remaining amortisation period range from 6 to 9 years (2016: 7 to 9 years).

14. Investments in subsidiaries

	Company	
	2017	2016
	$'000	$'000
Shares, at cost	48,302	48,302

Details regarding subsidiaries are set out in Note 1.

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

14. Investments in subsidiaries (cont'd)

Interest in subsidiaries with material non-controlling interest ("NCI")

The Group has the following subsidiaries with NCI that are 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	
		2017	2016	2017	2016	2017	2016	2017	2016
		%	%	$'000	$'000	$'000	$'000	$'000	$'000
Fernvale Development Pte. Ltd.	Singapore	40	40	22,542	16,134	33,330	10,788	–	–
CES Park (Maldives) Pte. Ltd.	Maldives	30	30	(2,184)	(97)	(2,276)	(92)	–	–

Summarised financial information about subsidiaries with material NCI

Summarised financial information including consolidation adjustments but before intercompany eliminations of subsidiaries with material non-controlling interest is as follows:

Summarised balance sheet	Fernvale Development Pte. Ltd.		CES Park (Maldives) Pte. Ltd.	
	2017	2016	2017	2016
	$'000	$'000	$'000	$'000
Current				
Assets	459,317	464,923	3,684	18,796
Liabilities	(28,801)	(26,653)	(2,510)	(5)
Net current assets	430,516	438,270	1,174	18,791
Non-current				
Assets	–	–	89,308	–
Liabilities	(347,192)	(411,301)	(97,930)	(19,114)
Net non-current liabilities	(347,192)	(411,301)	(8,622)	(19,114)
Net assets/(liabilities)	83,324	26,969	(7,448)	(323)

14. Investments in subsidiaries (cont'd)

Summarised statement of comprehensive income

	Fernvale Development Pte. Ltd.		CES Park (Maldives) Pte. Ltd.	
	2017	**2016**	**2017**	**2016**
	$'000	$'000	$'000	$'000
Revenue	376,894	290,976	7,845	–
Profit/(loss) before tax	67,898	48,558	(7,733)	(322)
Income tax expense	(11,542)	(8,222)	381	–
Profit/(loss) after tax and total comprehensive income	56,356	40,336	(7,352)	(322)
Other summarised information				
Net cash flows generated from/(used in) operating activities	68,476	86,271	19,070	(14)
Net cash flows used in investing activities	–	–	(94,757)	–
Net cash flows (used in)/generated from financing activities	(86,082)	(66,000)	78,665	14
Land and development cost for development property	(773,661)	(666,704)	–	–

15. Investments in associates and joint venture

	Group		Company	
	2017	**2016**	**2017**	**2016**
	$'000	$'000	$'000	$'000
Investments in associates	6,941	6,359	650	650
Investments in joint venture*	–	–	–	–
	6,941	6,359	650	650

*Amount is less than $1,000

Details regarding associates are set out in Note 1.

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

	Group	
	2017	**2016**
	$'000	$'000
Loss after tax	(21)	(1,277)
Other comprehensive income	(143)	611
Total comprehensive income	(164)	(666)

16. Trade and other receivables

	Group		Company	
	2017	2016	2017	2016
	$'000	$'000	$'000	$'000
Trade and other receivables (current):				
Trade receivables	24,945	8,621	–	–
Accrued receivables	5,671	46,552	–	–
Deposits	26,717	21,824	5	2
Recoverables	4,348	1,837	164	–
GST receivables	2,107	901	–	–
Advances for a proposed investment	24,966	–	–	–
Amounts due from subsidiaries, trade	–	–	18,104	5,272
Amounts due from associates, trade	–	792	–	–
Others	969	714	–	37
	89,723	81,241	18,273	5,311
Trade and other receivables (non-current):				
Amounts due from subsidiaries, non-trade	–	–	310,479	231,928
Amounts due from a joint venture, non-trade	29,266	–	–	–
Trade receivables	53,270	88	–	–
	82,536	88	310,479	231,928
Total trade and other receivables (current and non-current, excluding GST receivables)	170,152	80,428	328,752	237,239
Add: Cash and short-term deposits (Note 21)	257,846	481,582	6,167	122,273
Total loans and receivables	427,998	562,010	334,919	359,512

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

	Group	
	2017	2016
	$'000	$'000
Vietnamese Dong	24,977	6
US Dollar	–	18,796
Australian Dollar	6,548	1,755
Malaysian Ringgit	1,685	820

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 14 to 90 days terms. They are recognised at their original invoice amounts which represent their fair values on initial recognition.

Deposits

Included in the deposits are deposits paid for property purchases in Singapore and Australia amounting to $24,438,000 (2016: deposits for acquisition of island resort in Maldives amounting to $2,800,000).

Recoverables

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

Advances for a proposed investment

Advances for a proposed investment relates to loan to Giai Loi Investment Joint Stock Company to repay its bank loan in Vietnam in order for the Group to invest in a real estate development project known as "Soai Kinh Lam Apartment – Commerce Center" located in District 5, Ho Chi Minh City, Vietnam.

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

These amounts are unsecured and non-interest bearing, except for loans amounting to $290,925,000 at 1.25% p.a. above SIBOR and fixed rate at 4.75% and 4.90% p.a. (2016: $229,996,000 at 1.25% p.a. above SIBOR and fixed rate at 4.25% and 4.75% 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 twelve months. All amounts are to be settled in cash.

Trade receivables (non-current)

These receivables bear interest at floating rate of 2.2% p.a. (2016: fixed rate of 4.0%) and are expected to be repaid in 2019 (2016: 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	
	2017	**2016**
	$'000	$'000
Receivables – nominal amounts	2,250	2,469
Less: Allowance for impairment	(2,250)	(2,469)
	–	–
Movement in allowance accounts:		
At 1 January	2,469	2,504
Charge for the year	287	169
Write back	(507)	–
Written off	–	(203)
Exchange differences	1	(1)
At 31 December	2,250	2,469

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	
	2017	**2016**	**2017**	**2016**
	$'000	$'000	$'000	$'000
Available-for-sale financial assets				
Quoted shares, at fair value	–	8,010	–	8,010

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

	Group	
	2017	**2016**
	$'000	$'000
Aggregate amount of costs incurred and recognised profits (less recognised losses) to date	466,673	606,339
Less: Progress billings	(487,116)	(607,762)
	(20,443)	(1,423)
Presented as:		
Gross amount due from customers for contract work-in-progress	13,467	9,677
Gross amount due to customers for contract work-in-progress	(33,910)	(11,100)
	(20,443)	(1,423)
Retention sums on construction contract included in trade receivables	2,096	2,658

19. Development properties

	Group	
	2017	**2016**
	$'000	$'000
Completed properties held for sale:		
Completed properties, at cost	–	123,972
Allowance for impairment	–	(12,000)
	–	111,972
Properties under development:		
Land cost	1,812,172	1,100,831
Development cost	415,549	209,850
Attributable profits	140,797	55,419
Progress billings	(679,858)	(350,354)
	1,688,660	1,015,746
Total development properties	1,688,660	1,127,718
Development properties recognised as an expense in cost of sales	471,184	325,923

19. Development properties (cont'd)

	Group	
	2017	2016
	$'000	$'000
Movement in allowance accounts:		
At 1 January	12,000	10,400
(Write back)/charge for the year	(1,513)	5,751
Allowance utilised	(10,487)	(4,151)
At 31 December	–	12,000

During the financial year, borrowing costs of $20,657,000 (2016: $14,083,000) 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 1.70% to 2.73% (2016: 1.33% to 3.51%) per annum.

The development properties are subject to legal mortgages for the purpose of securing 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. Inventories

	Group		Company	
	2017	2016	2017	2016
	$'000	$'000	$'000	$'000
Hotel supplies, at cost	761	48	–	–

21. Cash and short-term deposits

	Group		Company	
	2017	2016	2017	2016
	$'000	$'000	$'000	$'000
Cash at banks and on hand	86,960	135,497	4,970	12,428
Short-term deposits	65,067	253,075	1,197	109,845
Project account – Cash at bank	50,683	22,473	–	–
Project account – Short-term deposits	55,136	70,537	–	–
	257,846	481,582	6,167	122,273

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 2017 for the Group and the Company range from 0.01% to 1.76% (2016: 0.01% to 1.79%) and from 0.01% to 1.45% (2016: 0.01% to 1.79%) respectively.

21. Cash and short-term deposits (cont'd)

As at 31 December 2017, the Group has a total balance of $105,819,000 (2016: $93,010,000) held under the Housing Developers (Project Account) Rules in Singapore 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	
	2017	**2016**	**2017**	**2016**
	$'000	$'000	$'000	$'000
Australian Dollar	10,730	43,777	274	222
US Dollar	2,905	9	9	9
Vietnamese Dong	2,893	925	51	335
Malaysian Ringgit	126	852	–	–

22. Loans and borrowings

	Maturity	Group		Company	
		2017	**2016**	**2017**	**2016**
		$'000	$'000	$'000	$'000
Current:					
Secured bank loans	2018	8,735	84,182	–	–
Unsecured term notes	2017	–	150,000	–	150,000
		8,735	234,182	–	150,000
Non-current:					
Secured bank loans	2019 to 2040	1,279,075	816,736	–	–
Unsecured term notes	2021	120,000	120,000	120,000	120,000
Unsecured term notes	2022	125,000	–	125,000	–
		1,524,075	936,736	245,000	120,000
Total loans and borrowings		1,532,810	1,170,918	245,000	270,000

Secured bank loans

The Group's bank loans are denominated in Singapore and US Dollars. For the year ended 31 December 2017, the bank loans bear interest at varying rates from 1.70% to 3.21% (2016: 1.33% to 3.66%) 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.

22. Loans and borrowings (cont'd)

Unsecured term notes

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.

On 8 May 2017, the Company issued a Supplementary Deed of Covenant to increase the Programme limit from $500,000,000 to $750,000,000.

On 19 May 2017, the Company issued $125,000,000 of notes under the $750,000,000 Multicurrency Debt Issuance Programme. These notes which are unsecured, bear interest at a fixed rate of 4.90% per annum, payable semi-annually in arrear and will mature in May 2022.

In October 2017, the Company redeemed $150,000,000 (2016: $nil) of the notes under the $750,000,000 Multicurrency Debt Issuance Programme.

A reconciliation of liabilities arising from financing activities is as follows:

			Non-cash changes:		
	1 January 2017	**Cash flows**	**Reclassification**	**Foreign exchange movement**	**31 December 2017**
	$'000	$'000	$'000	$'000	$'000
Loans and bonds					
- current	234,182	(234,172)	8,658	67	8,735
- non-current	936,736	597,851	(8,658)	(1,854)	1,524,075
	1,170,918	363,679	–	(1,787)	1,532,810

23. Trade and other payables

	Group		Company	
	2017	**2016**	**2017**	**2016**
	$'000	$'000	$'000	$'000
Current:				
Trade payables	52,635	79,323	125	49
Other payables	4,419	4,692	17	–
Amounts due to subsidiaries, non-trade	–	–	11,000	–
Amount due to non-controlling interest, trade	162	–	–	–
GST payables	1,254	2,379	101	75
	58,470	86,394	11,243	124
Non-current:				
Trade payables	16,525	18,061	–	–
Amounts due to subsidiaries, non-trade	–	–	10,000	–
Amount due to non-controlling interest, non-trade	196,188	88,631	–	–
	212,713	106,692	10,000	–
Trade and other payables (excluding GST payables)	269,929	190,707	21,142	49
Add:				
- Other liabilities (Note 24)	48,599	42,190	4,675	5,944
- Loans and borrowings (Note 22)	1,532,810	1,170,918	245,000	270,000
Total financial liabilities carried at amortised cost	1,851,338	1,403,815	270,817	275,993

Trade payables, amounts due to subsidiaries, non-trade and amount due to non-controlling interest, trade (current)

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

Amounts due to subsidiaries, non-trade and amount due to non-controlling interest (non-current)

The amounts are unsecured, bear interest from 2.25% to 6.00% (2016: 5.35% to 6.00%) per annum and are repayable only when the cash flow of the Company or the subsidiary company permits. The amounts are to be settled in cash.

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

	Group	
	2017	**2016**
	$'000	$'000
Australian Dollar	2,392	5,978
Malaysian Ringgit	2,100	1,585
US Dollar	1,594	5

24. Other liabilities

	Group 2017 $'000	Group 2016 $'000	Company 2017 $'000	Company 2016 $'000
Current:				
Accrued project costs and operating expenses	48,535	42,190	4,675	5,944
Non-current:				
Accrued project costs and operating expenses	64	–	–	–
Total other liabilities	48,599	42,190	4,675	5,944

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	
	2017 $'000	2016 $'000	2017 $'000	2016 $'000	2017 $'000	2016 $'000
Deferred tax assets						
Unutilised tax losses	5,289	2,995	(3,670)	(2,254)	–	–
	5,289	2,995			–	–
Deferred tax liabilities						
Differences in depreciation for tax purpose	(239)	(2,243)	(149)	2,103	(21)	(21)
Deferred tax liabilities on:						
- development properties	(16,824)	(5,282)	9,369	8,222	–	–
- investment properties	(2,900)	(2,449)	895	2,382	–	–
	(19,963)	(9,974)			(21)	(21)
Deferred tax expenses			6,445	10,453		

<u>Unrecognised tax losses</u>

At the end of the reporting period, the Group has tax losses of approximately $20,584,000 (2016: $26,051,000) 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)

Unrecognised temporary differences relating to investments in subsidiaries, associates and joint venture

At the end of the reporting period, no deferred tax liability (2016: nil) has been recognised for taxes that would be payable on the undistributed earnings of certain of the Group's subsidiaries, associates and joint venture as:

- The Group has determined that undistributed earnings of its subsidiaries will not be distributed in the foreseeable future; and
- There are no overseas joint venture and associates with undistributed earnings.

Such temporary differences for which no deferred tax liability has been recognised aggregate to $7,039,000 (2016: $5,063,000). The deferred tax liability is estimated to be $583,000 (2016: $383,000).

Tax consequence of proposed dividends

There are no income tax consequences (2016: 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			
	2017		2016	
	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			
	2017		2016	
	No. of shares '000	$'000	No. of shares '000	$'000
At 1 January and 31 December	(46,501)	(33,653)	(46,501)	(33,653)

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

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

27. Other reserves

	Group		Company	
	2017	**2016**	**2017**	**2016**
	$'000	$'000	$'000	$'000
Fair value adjustment reserve	–	5,155	–	5,155
Foreign currency translation reserve	(22,749)	(23,257)	–	–
Capital reserve	674	674	–	–
Asset revaluation reserve	2,655	2,709	–	–
Treasury shares reserve	(533)	(533)	(533)	(533)
Share-based compensation reserve	3,779	1,392	3,779	1,392
	(16,174)	(13,860)	3,246	6,014

(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	
	2017	**2016**
	$'000	$'000
At 1 January	5,155	1,511
Available-for-sale financial assets:		
- net (loss)/gain on fair value changes during the year	(135)	3,644
- realisation of reserves on disposal	(5,020)	–
At 31 December	–	5,155

(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	
	2017	**2016**
	$'000	$'000
At 1 January	(23,257)	(24,709)
Net effect of exchange difference arising from translation of financial statements of foreign operations	508	1,452
At 31 December	(22,749)	(23,257)

(c) Capital reserve

	Group	
	2017	**2016**
	$'000	$'000
At beginning and end of the year	674	674

27. Other reserves (cont'd)

(d) Asset revaluation reserve

As at 31 December 2017, the asset revaluation reserve represents increases in the Group's share in fair value of leasehold land and building of an associated company.

	Group	
	2017	**2016**
	$'000	$'000
At 1 January	2,709	2,482
Share of other comprehensive income of an associate	(54)	227
At 31 December	2,655	2,709

(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	
	2017	**2016**
	$'000	$'000
At beginning and end of the year	(533)	(533)

(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 fair 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 and Company	
	2017	**2016**
	$'000	$'000
At 1 January	1,392	–
Fair value of employee services rendered during the year	2,387	1,392
At 31 December	3,779	1,392

28. Employee benefits expense

	Group 2017 $'000	Group 2016 $'000
Employee benefits expense (including directors):		
Salaries and bonuses	50,547	48,003
Central Provident Fund contributions	8,464	6,653
Share-based compensation expenses	2,387	1,392
Other short term benefits	1,290	66
	62,688	56,114

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 ("date of grant"), 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 $0.55 per ordinary share.

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

	2017 Number of share options	2017 Weighted average exercise price $	2016 Number of share options	2016 Weighted average exercise price $
Outstanding at 1 January	40,000,000	0.55	–	–
Granted during the year	–	–	40,000,000	0.55
Outstanding at 31 December	40,000,000	0.55	40,000,000	0.55

28. Employee benefits expense (cont'd)

Fair value of share options granted

The fair value of share options granted in 2016 was $0.12, estimated at date of grant 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 date of grant, 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 price 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	
	2017	**2016**
	$'000	$'000
Management and other fees from associates	(24)	(45)
Sale of development properties to directors of the Company and family members of directors of the Company	(5,821)	–

(b) Compensation of key management personnel

	Group	
	2017	**2016**
	$'000	$'000
Short-term employee benefits	8,109	8,492
Central Provident Fund contributions	171	146
Share-based compensation expenses	2,387	1,392
Other short-term benefits	179	136
	10,846	10,166
Comprise amounts paid to:		
- Directors of the Company	6,873	7,260
- Other key management personnel	3,973	2,906
	10,846	10,166

29. Related party transactions (cont'd)

(c) *Others*

	Group 2017 $'000	Group 2016 $'000
$125 million 4.90% fixed rate notes (2016: $120 million 4.75% fixed rate notes) purchased by directors/key management personnel of the Company	(8,500)	(5,000)
Redemption of $150 million 4.25% fixed rate notes held by directors/key management personnel of the Company	8,250	–
Interests on fixed rate notes paid/payable to directors/ key management personnel of the Company	753	495
	(7,747)	(4,505)

30. Commitments

(a) *Operating lease commitments – as lessee*

The Group has entered into industrial property lease on a pre-cast yard and commercial property lease. The lease on pre-cast yard has a tenure of 4 years from 2017 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. The commercial property lease has a lease term of 5 years and the rental is revisable annually by 4.0%. Operating lease payments recognised in the consolidated profit or loss during the year amounted to $454,000 (2016: $627,000).

Future minimum rental payable under non-cancellable operating leases at the end of the reporting period are as follows:

	Group 2017 $'000	Group 2016 $'000
Not later than one year	568	168
Later than one year but not later than five years	1,680	–
	2,248	168

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	
	2017	**2016**
	$'000	$'000
Not later than one year	8,005	9,702
Later than one year but not later than five years	11,362	15,722
Later than five years	789	–
	20,156	25,424

31. Contingent liabilities

Guarantees

The Company has guaranteed the banking facilities of $2,695,166,000 (2016: $1,731,562,000) granted to its subsidiaries. At 31 December 2017, the amount utilised was $1,636,253,000 (2016: $1,282,652,000).

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:

	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
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

No financial assets were measured at fair value as at 31 December 2017.

Group 2017	**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 properties	–	–	251,706	251,706
Non-financial assets as at 31 December 2017	–	–	251,706	251,706
2016				
Non-financial assets:				
Investment properties (Note 12)				
Commercial properties	–	–	288,693	288,693
Non-financial assets as at 31 December 2016	–	–	288,693	288,693

32. Fair value of assets and liabilities (cont'd)

(c) Level 2 fair value measurements

There is no amount relating to significant observable inputs other than quoted prices (Level 2).

(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 2017 $'000	2016 $'000	Valuation techniques	Unobservable inputs	Range
Recurring fair value measurements					
Investment properties:					
Commercial properties in Singapore and Australia	251,706	288,693	Market comparable approach	Transacted price of comparable properties (psf)	$90 - $4,175 (2016: $224 - $3,524)
			Capitalisation approach	Capitalisation rate	7.00% - 8.00% (2016: 5.70% -7.27%)

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.

(ii) Movements in Level 3 assets measured at fair value

A reconciliation of the movements in Level 3 assets measured at fair value is presented in Note 12.

(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 and foreign currency 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).

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			
	2017		2016	
	$'000	% of total	$'000	% of total
By country:				
Singapore	83,762	99	55,890	99
Other countries	1,093	1	789	1
	84,855	100	56,679	100

33. Financial risk management objectives and policies (cont'd)

(a) Credit risk (cont'd)

	Group			
	2017		2016	
	$'000	% of total	$'000	% of total
By industry sectors:				
Construction	18,891	22	37,252	66
Property development	64,438	76	17,612	31
Hospitality	696	1	783	1
Property investment and others	830	1	1,032	2
	84,855	100	56,679	100

At the end of the reporting period, approximately 52% (2016: 60%) of the Group's trade receivables were due from 3 major customers who are located in Singapore.

<u>Financial assets that are neither past due nor impaired</u>

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.

<u>Financial assets that are either past due or impaired</u>

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 0.6% (2016: 20%) 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 twelve months can be rolled over with existing lenders.

33. Financial risk management objectives and policies (cont'd)

(b) Liquidity risk (cont'd)

Analysis of financial instruments 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.

	Group			
	One year or less	**One to five years**	**Over five years**	**Total**
2017	$'000	$'000	$'000	$'000
Undiscounted financial assets:				
Trade and other receivables	88,789	83,099	–	171,888
Cash and short-term deposits	257,846	–	–	257,846
Total undiscounted financial assets	346,635	83,099	–	429,734
Undiscounted financial liabilities:				
Trade and other payables	57,217	249,067	–	306,284
Other liabilities	48,535	64	–	48,599
Loans and borrowings	49,971	1,443,904	246,479	1,740,354
Total undiscounted financial liabilities	155,723	1,693,035	246,479	2,095,237
Total net undiscounted financial assets/(liabilities)	190,912	(1,609,936)	(246,479)	(1,665,503)
2016				
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)

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
2017	$'000	$'000	$'000	$'000
Undiscounted financial assets:				
Trade and other receivables	30,267	364,167	–	394,434
Cash and short-term deposits	6,167	–	–	6,167
Total undiscounted financial assets	36,434	364,167	–	400,601
Undiscounted financial liabilities:				
Trade and other payables	11,375	10,992	–	22,367
Other liabilities	4,675	–	–	4,675
Loans and borrowings	11,825	279,684	–	291,509
Total undiscounted financial liabilities	27,875	290,676	–	318,551
Total net undiscounted financial assets	8,559	73,491	–	82,050
2016				
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

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 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.

	Company			
	One year or less	**One to five years**	**Over five years**	**Total**
2017	$'000	$'000	$'000	$'000
Financial guarantees	41,398	1,594,855	–	1,636,253
2016				
Financial guarantees	263,640	1,009,420	9,592	1,282,652

(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 $245 million term notes which was on a fixed rate (Note 22).

<u>Sensitivity analysis for interest rate risk</u>

At the end of the reporting period, if SGD interest rates had been 75 basis points ('bps') (2016: 75 bps) lower/higher with all other variables held constant, the Group's profit before tax would have been $9,659,000 (2016: $6,757,000) 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.

(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, USD and VND.

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.

33. Financial risk management objectives and policies (cont'd)

(d) Foreign currency risk (cont'd)

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	
	2017	**2016**
	$'000	$'000
USD		
- strengthened 3% (2016: 3%)	-2,132	+966
- weakened 3% (2016: 3%)	+2,132	-966
AUD		
- strengthened 3% (2016: 3%)	+446	+348
- weakened 3% (2016: 3%)	-446	-348
VND		
- strengthened 3% (2016: 3%)	+836	+15
- weakened 3% (2016: 3%)	-836	-15
MYR		
- strengthened 3% (2016: 3%)	-9	+205
- weakened 3% (2016: 3%)	+9	-205

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 2017 and 31 December 2016.

34. Capital management (cont'd)

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	
	2017	**2016**
	$'000	$'000
Loans and borrowings (Note 22)	1,532,810	1,170,918
Less:		
Cash and short-term deposits (Note 21)	(257,846)	(481,582)
Net debt	1,274,964	689,336
Total equity	808,582	776,613
Net debt-equity ratio (times)	1.58	0.89

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 2017	Property developments	Construction	Property investments	Hospitality	Corporate and others	Total
	$'000	$'000	$'000	$'000	$'000	$'000
Revenue:						
Total segment sales	573,304	283,222	11,977	38,624	17,874	925,001
Intersegment sales	(1,622)	(43,914)	(1,892)	–	(17,850)	(65,278)
Sales to external customers	571,682	239,308	10,085	38,624	24	859,723
Interest income	2,177	669	252	3	1,123	4,224
Finance costs	(7,139)	–	(3,510)	(7,890)	(6,581)	(25,120)
Depreciation and amortisation	(305)	(2,251)	(24)	(7,789)	(745)	(11,114)
Share of results of associates	(7)	–	(94)	–	683	582
Net fair value loss on investment properties	–	–	(1,873)	–	–	(1,873)
Other non-cash items:						
Share-based compensation expense	–	–	–	–	(2,387)	(2,387)
Impairment written back/(loss) on construction and development properties	1,513	(9,500)	–	–	–	(7,987)
Segment profit/(loss)	62,634	(1,095)	15,957	(7,257)	(66)	70,173
Assets and liabilities:						
Investments in associates	1,378	–	–	–	5,563	6,941
Additions to non-current assets:						
- property, plant and equipment	757	9,450	121	106,798	852	117,978
- investment properties	–	–	5,449	–	–	5,449
- intangible assets	–	–	–	–	80	80
Segment assets	1,975,660	134,984	289,584	311,680	15,950	2,727,858
Segment liabilities	1,439,754	100,322	146,682	200,718	31,800	1,919,276

35. Segment information (cont'd)

Year ended 31 December 2016	Property developments	Construction	Property investments	Hospitality	Corporate and others	Total
	$'000	$'000	$'000	$'000	$'000	$'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)

Geographical information

Revenue and non-current assets information based on the geographical location of customers and assets respectively are as follows:

	Singapore	Australia	Malaysia	Maldives	Total
	$'000	$'000	$'000	$'000	$'000
Year ended 31 December 2017					
Revenue	801,276	41,115	9,487	7,845	859,723
Non-current assets	467,372	16,213	5,109	88,938	577,632
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

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 $238,592,000 (2016: $276,220,000), arising from revenue generated by the construction segment.

36. Dividend

	Group and Company	
	2017	**2016**
	$'000	$'000
Declared and paid during the financial year:		
Dividends on ordinary shares:		
- First and final tax-exempt (one-tier) dividend for 2016: 4.0 cents (2015: 4.0 cents) per share	24,841	24,841

36. Dividend (cont'd)

	Group and Company	
	2017	**2016**
	$'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 2017: 4.0 cents (2016: 4.0 cents) per share	24,841	24,841

37. Events occurring after the reporting period

Diversification into education sector

As part of the Group's strategy to explore and achieve additional revenue streams and to strengthen the financial position of the Group, the Group intends to diversify its business into the education sector.

As the proposed diversification involves a new business area which is materially different from the current business, it is envisaged that the proposed diversification will change the existing risk profile of the Group materially. Accordingly, an Extraordinary General Meeting ("EGM") of shareholders of the Company will be convened by the Company to seek shareholders' approval to approve the proposed diversification.

The circular containing further details of the proposed diversification, together with a notice of EGM in connection therewith, will be despatched to shareholders in due course.

Disposal of Tower Melbourne

On 15 March 2018, the CES-Queen (Vic) Pty Ltd entered into an agreement to sell its property located at 150 Queen Street, Melbourne. The property was originally a commercial building and was acquired in September 2011 for redevelopment into a 71-storey tower comprising 581 freehold residential units (such project referred to as "Tower Melbourne"). The agreed sale price for the property is A$55 million (excluding GST). Upon signing of the agreement, the purchaser will pay a deposit of A$5.5 million, being 10% of the sale price. The balance amount of the sale price will be payable upon the completion of the proposed disposal. Legal completion for the proposed disposal will take place on 3 July 2018.

38. Authorisation of financial statements for issue

The financial statements for the year ended 31 December 2017 were authorised for issue in accordance with a resolution of the Directors on 15 March 2018.

STATISTICS OF SHAREHOLDINGS

AS AT 16 MARCH 2018

SHARE CAPITAL

Issued and fully-paid capital	:	$79,690,709
No. of Issued Shares	:	667,515,161
No. of Issued Shares (excluding Treasury Shares)	:	621,014,061
No./Percentage 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	10	0.14	238	0.00
100 - 1,000	514	7.20	464,488	0.08
1,001 - 10,000	3,860	54.08	23,174,989	3.73
10,001 - 1,000,000	2,712	38.00	157,323,017	25.33
1,000,001 AND ABOVE	41	0.58	440,051,329	70.86
TOTAL	**7,137**	**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	-	-
Kwek 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 16 MARCH 2018

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	43,101,128	6.94
4	SIMMIC INVESTMENTS PTE LTD	28,785,700	4.64
5	UNITED OVERSEAS BANK NOMINEES (PRIVATE) LIMITED	23,871,600	3.84
6	LIM TIAN BACK	22,003,000	3.54
7	LIM LING KWEE	20,605,000	3.32
8	MAYBANK KIM ENG SECURITIES PTE LTD	20,040,670	3.23
9	LIM SOCK JOO	19,702,000	3.17
10	DBS NOMINEES (PRIVATE) LIMITED	19,536,468	3.15
11	LIM TIAN MOH	19,228,000	3.10
12	KWEK LEE KEOW	17,198,000	2.77
13	RAFFLES NOMINEES (PTE.) LIMITED	15,642,716	2.52
14	CGS-CIMB SECURITIES (SINGAPORE) PTE. LTD.	9,226,224	1.49
15	KENYON PTE LTD	9,000,000	1.45
16	UOB KAY HIAN PRIVATE LIMITED	7,206,000	1.16
17	CHIA LEE MENG RAYMOND	6,125,000	0.99
18	OCBC SECURITIES PRIVATE LIMITED	5,865,300	0.94
19	PANG HENG KWEE	5,270,000	0.85
20	TAN KOK SING	4,686,700	0.75
		401,769,506	**64.70**

PERCENTAGE OF SHAREHOLDINGS IN PUBLIC'S HAND

Approximately 63.48% of the Company's shares are held in the hands of public. Accordingly, the Company has complied with Rule 723 of the Listing Manual of the SGX-ST.

NOTICE OF
ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Annual General Meeting of the Company will be held at Emerald Suite, Golf Clubhouse – Level II, Orchid Country Club, No. 1 Orchid Club Road, Singapore 769162 on Wednesday, 25 April 2018 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 2017 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 2017 (2016: Tax Exempt One-Tier First and Final Dividend of 4.0 cents per ordinary share).
(Resolution 2)

3. To re-elect Mr Chia Lee Meng Raymond, 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 Ms Dawn Lim Sock Kiang, 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 note the retirement of Mr Cheng Heng Tan, being a Director who retires by rotation pursuant to Article 115 of the Constitution of the Company. [See Explanatory Note (iii)]

6. To re-elect Mr Tan Tee How, being a Director who retires pursuant to Article 119 of the Constitution of the Company. [See Explanatory Note (iv)]
(Resolution 5)

7. To re-elect Mr Abdul Jabbar Bin Karam Din, being a Director who retires pursuant to Article 119 of the Constitution of the Company. [See Explanatory Note (v)]
(Resolution 6)

8. To approve the payment of Directors' fees of $337,000 for the financial year ending 31 December 2018, to be paid quarterly in arrears. (2017: $305,000)
(Resolution 7)

9. To re-appoint Messrs Ernst & Young LLP as Auditors and to authorise the Directors to fix their remuneration.
(Resolution 8)

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:

11. "**SHARE ISSUE MANDATE**

THAT pursuant to Section 161 of the Companies Act, Chapter 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 and is 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 subsidiary holdings (as defined in the Listing Manual of the SGX-ST) and 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 subsidiary holdings (as defined in the Listing Manual of the SGX-ST) and 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 subsidiary holdings (as defined in the Listing Manual of the SGX-ST) and treasury shares of the Company shall be calculated based on the total number of issued shares excluding subsidiary holdings (as defined in the Listing Manual of the SGX-ST) and 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**");

11. **SHARE ISSUE MANDATE (cont'd)**

(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 subsidiary holdings (as defined in the Listing Manual of the SGX-ST) and treasury shares of the Company (as calculated in accordance with sub-paragraph (ii) above);

(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 (vi)]"

(Resolution 9)

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;

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 (vii)]"

(Resolution 10)

By Order of the Board

Goh Gin Nee
Joint Company Secretary

Singapore, 9 April 2018

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 Chia Lee Meng Raymond as a Director of the Company. Mr Chia, upon re-election, will remain as the Executive Chairman and Group Chief Executive Officer of the Company.

(ii) **Resolution 4** is to re-elect Ms Dawn Lim Sock Kiang as a Director of the Company. Ms Lim, upon re-election, will remain as the Executive Director of the Company.

(iii) To note the retirement of Mr Cheng Heng Tan as a Director of the Company. Upon his retirement, Mr Cheng will cease as the Chairman of the Nominating Committee and a member of the Audit Committee and the Remuneration Committee.

(iv) **Resolution 5** is to re-elect Mr Tan Tee How as a Director of the Company. Mr Tan, upon re-election, will remain as the Executive Director of the Company.

(v) **Resolution 6** is to re-elect Mr Abdul Jabbar Bin Karam Din as an Independent Director of the Company. Mr Abdul Jabbar, upon re-election, will remain as an Independent Director and a member of the Audit Committee, the Nominating Committee and the Remuneration Committee of the Company.

EXPLANATORY NOTES: (CONT'D)

(vi) **Resolution 9** is to empower the Directors to allot and issue shares in the capital of the Company and/or Instruments (as defined above), and to issue shares in pursuance of such Instruments. The aggregate number of shares to be issued pursuant to Resolution 9 (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 subsidiary holdings (as defined in the Listing Manual of the SGX-ST) and 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 subsidiary holdings (as defined in the Listing Manual of the SGX-ST) and treasury shares of the Company will be calculated based on the total number of issued shares excluding subsidiary holdings (as defined in the Listing Manual of the SGX-ST) and treasury shares of the Company at the time of the passing of Resolution 9, 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 9, 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.

(vii) **Resolution 10** 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 per cent. (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 9 April 2018 to this Notice of Annual General Meeting, the Companies Act and the Listing Manual of the SGX ST. Please refer to Appendix dated 9 April 2018 circulated together with the Company's Annual Report for 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.

THIS PAGE IS LEFT BLANK INTENTIONALLY.

CHIP ENG SENG CORPORATION LTD.
(Incorporated in Singapore)
(Registration No. 199805196H)

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.

PROXY FORM

(Please see notes overleaf before completing this Form)

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 Emerald Suite, Golf Clubhouse – Level II, Orchid Country Club, No. 1 Orchid Club Road, Singapore 769162 on Wednesday, 25 April 2018 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 2017 **(Resolution 1)**		
2	Approval of Tax Exempt One-Tier First and Final Dividend **(Resolution 2)**		
3	Re-election of Mr Chia Lee Meng Raymond as a Director **(Resolution 3)**		
4	Re-election of Ms Dawn Lim Sock Kiang as a Director **(Resolution 4)**		
5	Re-election of Mr Tan Tee How as a Director **(Resolution 5)**		
6	Re-election of Mr Abdul Jabbar Bin Karam Din as a Director **(Resolution 6)**		
7	Approval of Directors' fees amounting to $337,000 for the financial year ending 31 December 2018, to be paid quarterly in arrears **(Resolution 7)**		
8	Re-appointment of Messrs Ernst & Young LLP as Auditors **(Resolution 8)**		
9	Any other business		
	SPECIAL BUSINESS		
10	Authority for Directors to allot and issue new shares pursuant to Section 161 of the Companies Act, Chapter 50 **(Resolution 9)**		
11	Approval of the renewal of the Share Purchase Mandate **(Resolution 10)**		

* 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 ____________ 2018

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 9 April 2018.

集永成机构有限公司
CHIP ENG SENG CORPORATION LTD

171 Chin Swee Road
#12-01 CES Centre
Singapore 169877
Tel: +65 6801 0088
Fax: +65 6801 0038
Email: enquiry@chipengseng.com.sg
Website: www.chipengseng.com.sg
Co. Reg. No. 199805196H