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

精心打造 倾心建设

BUILDING WITH PASSION

ANNUAL REPORT 2018

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CORPORATE PROFILE

Artist's Impression of the Poolview of Fifteen85

Established in the 1960s by Mr Lim Tiam Seng, Chip Eng Seng has since grown to be one of Singapore's leading homegrown property development and construction group. It has an impressive portfolio of quality residential developments, commercial properties, hospitality assets and, most recently, education-related investments.

The company has been listed on the Mainboard of the Singapore Exchange Securities Trading Limited since 1999. It has built its business on four core pillars: Property Developments, Construction, Hospitality and Property Investments. During the financial year ended 2018, it established an Education arm to diversify into the Education business and augment the Group's growth through a steady and recurring revenue stream.

Chip Eng Seng started out as a subcontractor for conventional landed properties and built a strong track record. This eventually led to it scoring a major breakthrough into the public housing market in 1982; it was appointed main contractor for its first Housing and Development Board (HDB) project. Building on this, the Group honed its brand and reputation over the years that followed to achieve the industry recognition it has today. It was this dedication and performance quality that won the Group one of Singapore's most coveted and iconic public housing projects – the Pinnacle@Duxton.

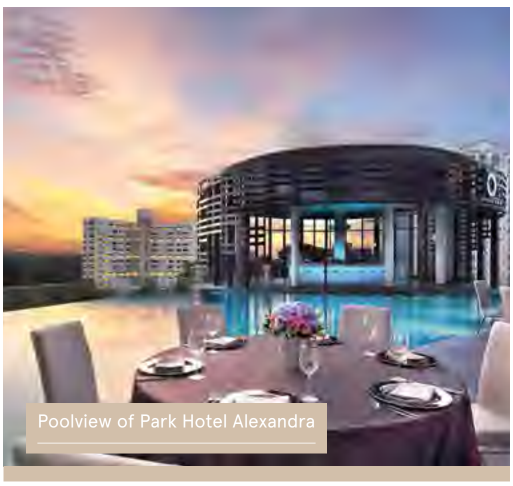
With the experience and know-how it has acquired over nearly six decades, the Group is constantly on the lookout for new growth opportunities. Its property developments and hospitality divisions attest to this successful growth strategy. Both these Group pillars have been actively seeking out prime land sites and strategically located hotel properties to spur further growth and generate strong recurring income streams. For example, 2018 saw the en bloc acquisition of Changi Garden, the acquisition of the Mercure & Ibis Styles Grosvenor Hotel in Adelaide, Australia as well as a property known as 51 Pirie Street in Adelaide, Australia, which will be re-developed into a new hotel.

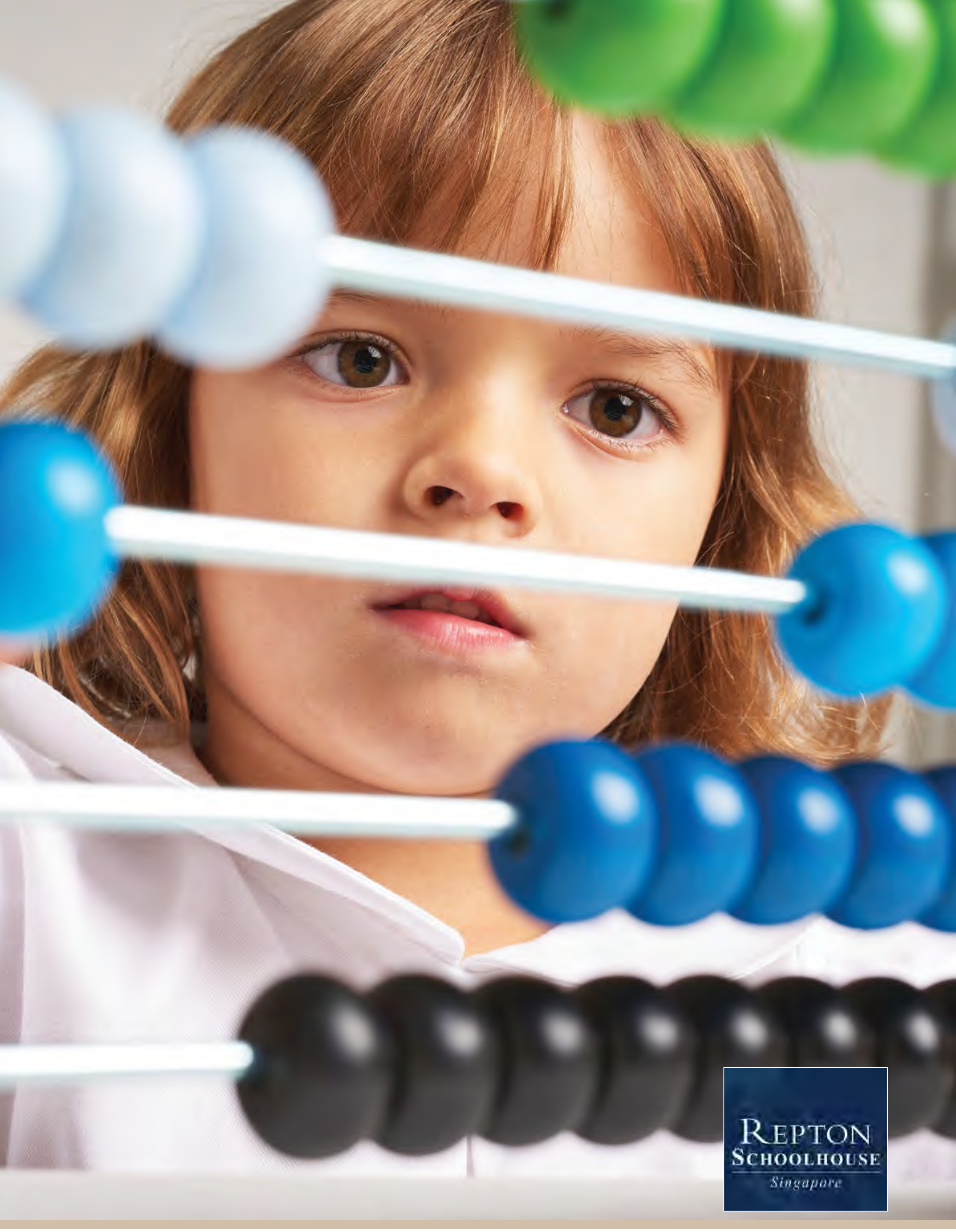
The acquisition of the two hotels in Australia enlarges Chip Eng Seng's Hospitality division's portfolio from only one to five in the short span of four years. The properties are: Park Hotel Alexandra in Singapore, the Group's first hospitality asset; Grand Park Kodhipparu Resort, The Sebel Mandurah Hotel and Mercure & Ibis Styles Grosvenor Hotel in Australia as well as a new hotel to be built at 51 Pirie Street in Australia.

Additionally, 2018 saw the Group branching into the education business with the acquisition of a 70%-equity stake in White Lodge Education Group Services Pte Ltd. The Group also secured a collaboration agreement with Repton International Schools Ltd for the establishment of international kindergartens under the "Repton School" brand name in certain countries within the Asia-Pacific region.

MAXIMISING OPPORTUNITIES

Operating in a highly dynamic environment, we ride the crests of innovation and change by seizing new opportunities to grow our business and add shareholder value, as illustrated by our growing hotel portfolio and recent foray into the Education business.


Poolview of Park Hotel Alexandra


REPTON
SCHOOLHOUSE
Singapore

JOINT MESSAGE BY CHAIRMAN AND CEO

Dear Shareholders,

Over these four decades, we have been broadening our horizon by astutely seizing opportunities and new synergies both at home and abroad across the four key pillars of our business – Construction, Property Developments, Hospitality and Property Investments. In 2018, recognising the potential for growth offered by the Education sector, we forayed into this field as well.

For any organisation to grow and maximise value for all stakeholders, leadership is key. We are therefore honoured to be entrusted with the key responsibility of helming this established home-grown company as Non-executive Chairman and Group CEO respectively. We will do our utmost to build on Chip Eng Seng's reputation and legacy to take the organisation to greater heights.

RIDING THE CREST OF WAVES

In FY2018, escalating land prices caused largely by en bloc fever in the first half of the year, the government's new cooling measures to curb this, rising interest rates, volatile equity markets globally, as well as uncertainty in the general economy were major waves whose crests we had to ride.

Despite the launch of Park Colonial falling on the day the government announced its cooling measures, the response to Park Colonial was overwhelming and we have sold 71% of the units to date.

We also took the opportunity of a slower market by adding to our landbank with the successful bidding of a 99-leasehold Kampong Java site for $418.4 million.

With an eye on the future, we added another arm to the Group's business with a confident foray into the Education sector. We established a core team of educators with strong credentials and sealed a few acquisitions and collaborative arrangements with established brands such as Repton.

Artist's Impression of Grandeur Park Residences

In 2018, recognising the potential for growth offered by the Education sector, we forayed into this field as well.


High Park Residences

Outside Singapore, we took in our stride changing market conditions in Australia, brought on by the tightening of credit and a slowdown in sales to foreigners.

IMPROVED FINANCIALS

Despite the challenges faced, the Group delivered a stronger set of results for FY2018 than it did in FY2017. Revenue rose 27.0% to $1,080.2 million from $850.8 million in FY2017 while net profit also leapt 42.9% to $80.3 million from $56.2 million in the previous year.

Our balance sheet remains healthy although our net gearing of 1.68 times was up from 1.55 (restated) in FY2017.

We are proposing a dividend payment of 4.0 cents per share for FY2018, which makes this the ninth consecutive year we are paying at least 4.0 cents as dividend.

YEAR IN REVIEW

Property developments

The Group registered a rise of 44.9% in revenue from $571.7 million in FY2017 to $828.6 million last year. This was mainly due to the progressive revenue recognition of Grandeur Park Residences, High Park Residences and Park Colonial. Also helping to boost revenue was the progressive handover of townhouses at Williamsons Estate in Melbourne, Australia, and the sale of other sites in Australia.

We sold 97.1% of Grandeur Park Residences and 71.3% of Park Colonial as at 10 March 2019. Meanwhile we also purchased property at 51 Pirie Street, Adelaide, Australia, for A$14.5 million.

Construction

Keen competition and reduced construction demand affected our Construction arm in FY2018. With the Singapore government pushing the industry to adopt modular construction methodology such as PPVC (Prefabricated, Prefinished Volumetric Construction) and PBU (Prefabricated Bathroom Units), to raise productivity, we have reorganised our construction team to meet the rising expectations on productivity and safety.

Revenue from this division dipped 26.3% to $169.9 million from $230.4 million in FY2017 due to lower contributions from Woodlands N1C26 & C27 and Tampines N6C1A /1B. The fall was partly offset by revenue contributions from Bidadari C6 & C7 and Bidadari C8 & C9.

We were also awarded a $168.1 million design-and-build contract by the HDB at Sengkang N4C39 & 40, as well as a $20.8 million HDB contract relating to the design and build of upgrading projects in Yishun.

Hospitality

Our hospitality division recorded a 85.5% jump in revenue from $38.6 million in FY2017 to $71.7 million, thanks to higher occupancy rates at Grand Park Kodhipparu Resort in the Maldives and Park Hotel Alexandra, as well as contributions from the Group's latest hotel in Western Australia – The Sebel Mandurah and Mercure & Ibis Styles Grosvenor Hotel in Adelaide, South Australia.

Education

We ventured into the Education sector in FY2018 and set up this

Artist's Impression of Park Colonial

division in April. Although still in its infancy, this arm contributed $2.6 million to our coffers.

Property Investments & Others

The sale of 420 St Kilda Road in Melbourne, Australia, in August 2017 explains why revenue from the Property Investment Division fell 25.9% from $10.1 million in FY2017 to $7.5 million.

OUTLOOK

Property Developments

While market sentiment remains subdued for reasons explained earlier – rising land prices, cooling measures, climbing interest rates, volatile equity markets and uncertainty in the general economy – we are still committed to growing our landbank and remain vigilant for opportunities. Our successful tender for the land parcel at Kampong Java Road at a price of $418.4 million in January 2019 attests to this. This parcel, which has a 99-year lease, is within walking distance of the Newton MRT interchange station and Newton Food Centre, and is close to educational institutions such as Anglo-Chinese School (Junior), Anglo-Chinese Schools (Primary) and St Joseph's Institution Junior.

Construction

We are expecting a reduced demand for HDB flats in 2019 as HDB has announced a further reduction of new flats from 17,000 units in 2018 to 15,000 units in 2019.

With competition anticipated to remain keen, we will continue to sharpen our competitive edge by adopting DfMA (Design for Manufacture and Assembly) technologies and emphasising quality and safety.

Additionally, we plan to diversify into non-residential construction, such as infrastructure projects, and will work with players with expertise and knowhow in this area.

Hospitality

In the coming year, we expect our Hospitality Division to continue bolstering our growth from our Grand Park Kodhipparu Resort in the Maldives, Park Hotel Alexandra in Singapore, The Sebel Mandurah in Western Australia, and Mercure & Ibis Styles Grosvenor Hotel in Adelaide, South Australia.

Meanwhile, we are working on attaining development approval for the construction of our fifth hotel property in downtown Adelaide, and expect to appoint a hotel operator, as well as commence construction in 2019.

Education

Now that we have forayed into this new sector, we intend to increase the number of our pre-schools and move into K12 schools through further acquisition as well as organic growth. In Singapore, this means identifying new sites to grow children kindergartens, primary and secondary school segments.

Beyond local shores, Malaysia and China are our key markets. We will also acquire more edutech companies and venture into adult education and learning.

Property Investments & Others

As we do for Property Development, we remain eagle-eyed for attractive properties to grow our investment portfolio both locally and abroad.

OUR PEOPLE AND SUCCESSION PLANNING

While we have performed well so far, we face stiff competition to be the best in every sector we are in. To excel, we believe we will have to continue to attract, motivate and retain talents. Our people are, after all, at the heart of our success so far.

It is also vital for any organisation with a vision of thriving in the long term to have a succession plan. We have recently rejuvenated our Board as part of our continuing effort to renewing our leadership. We would like to welcome Tee How, Jabbar and Wai Han on board and thank Tiang Chuan, Tai Meng, Heng Tan and Dawn for their past contribution and guidance.

As we move forward, it is also essential we reinvent ourselves to meet the challenges we have mentioned, as well as other changes a dynamic market will naturally bring. One way of doing this is to diversify into sectors that show potential for continual growth and a steadfast income stream, such as we have done moving into Education. There will be other opportunities and, when they arise, we will be ready to pounce.

Showflat of Park Colonial

PROMISE AND APPRECIATION

In the coming year, Chip Eng Seng will continue to explore and exploit initiatives, innovations and synergies for all five pillars of our business to ensure we have a resilient company that will thrive for generations to come.

We take the opportunity to thank the management team and every employee for their dedication and hard work.

Our gratitude also goes to our shareholders, customers, suppliers and business partners for their support and faith in Chip Eng Seng.

With your support, we know we can look forward to expanding our horizon, scaling higher peaks and redefining the pinnacle of each of our five pillars in 2019 and beyond.

Thank You.

MRS CELINE TANG
Non-Executive Chairman

MR CHIA LEE MENG, RAYMOND PBM
Group Chief Executive Officer

OUR BUSINESS

Woodlands N1C26 & C27

CONSTRUCTION

The Group conducts its Construction business through two wholly-owned subsidiaries: Chip Eng Seng Contractors (1988) Pte Ltd ("CESC") and CES Engineering and Construction Pte Ltd ("CESE"). CESC is engaged mainly in public housing projects while CESE undertakes construction work for non-public projects such as condominiums, executive condominiums as well as industrial and commercial projects.

In 2006, Chip Eng Seng set up a precast concrete contracting arm, CES-Precast Pte Ltd ("CESP"), to meet Singapore's growing demand for precast components. In 2010, CESP set up a precast plant in Johor and established its Johor-based precast operations.

With their recognised operating track records, both CESC and CESE have achieved A1 classifications as general building contractors. This classification tier – the highest awarded by the Building and Construction Authority ("BCA") – allows a contractor to tender for public sector projects that have an unlimited contract value. Additionally, CESC and CESE have been awarded A2 and B2 gradings as civil engineering contractors, which allow them to tender for public sector projects valued at up to $85 million and $13 million respectively.

On its part, CESP currently has a L6 classification from the BCA, which allows it to bid for public sector prefabrication contracts with uncapped values.

PROPERTY DEVELOPMENT

The Group's wholly-owned subsidiary, CEL Development Pte Ltd ("CEL"), takes charge of evaluating and acquiring potential sites and projects for Chip Eng Seng's development and investment. CEL's wide-ranging portfolio of residential, commercial and industrial projects caters to both mid-end and high-end markets.

In the mid-2000s, a broader vision propelled CEL to enter into joint ventures with several reputable international funds to develop private condominiums. Since then, CEL has also teamed up with Singapore developers such as NTUC Choice Homes Cooperative Ltd, Heeton Holdings Limited, KSH Holdings Limited and Keppel Land Limited on projects that have been successfully launched.

Further ashore, CEL has notched up successes in a string of development projects and investment interests in Australia. It is also continually scouring other countries in the region for attractive and synergistic opportunities.

HOSPITALITY

Chip Eng Seng first ventured into the hospitality sector in 2015 with the opening of its maiden hotel, Park Hotel Alexandra. This four-star property, operated by the Park Hotel Group ("PHG"), offers 442 rooms fully equipped with a range of modern amenities. The excellent working relationship between the Group and PHG led to Chip Eng Seng partnering PHG a year later to invest jointly in the Grand Park Kodhipparu,

White Lodge East Coast

CES Centre


White Lodge
Upper East Coast

a 120-villa resort in the Maldives that welcomed its first guests in 2017.

Committed to further expanding its hospitality business, Chip Eng Seng acquired The Sebel Mandurah located in Perth, Western Australia in 2017, as well as the Mercure & Ibis Styles Grosvenor Hotel located in Adelaide's Central Business District in 2018. Also in 2018, Chip Eng Seng acquired the property known as 51 Pirie Street in Adelaide, which will be demolished and re-developed into a new hotel.

PROPERTY INVESTMENT

Chip Eng Seng's property investment portfolio comprises a diverse spread of income-producing properties comprising shophouses, office buildings and industrial properties in Singapore, Australia and New Zealand.

Properties in Singapore include a leasehold light industrial building at Ubi Crescent and a leasehold office building in Chin Swee Road (CES Centre) that currently houses the Group's head office.

EDUCATION

In 2018, Chip Eng Seng, through its wholly-owned subsidiary, CES Education Pte Ltd ("CES Education") made its first foray into the Education sector in search of further growth with a steady recurring income stream.

CES' first investment involved acquiring a 70%-equity stake in White Lodge Education Group Services (White Lodge), which was completed in August 2018. White Lodge operates eight preschool centres in Singapore and two preschool centres in Kuala Lumpur, West Malaysia.

CES Education is also in collaboration with Repton International Schools Ltd to establish international kindergartens under the "Repton School House" brand name in certain countries within the Asia-Pacific region. Additionally, other investments in the pipeline include acquisition of a 64.4%-equity stake in Invictus International School Pte Ltd which owns an international primary school and a pre-school centre in Singapore, acquisition of up to a 75%-equity stake in an education-consulting business in the United States and acquisition of up to a 35%-equity stake in an educational software company in China.

GEOGRAPHICAL REACH

VIETNAM

Property Developments

MALDIVES

Hospitality

SINGAPORE

Construction

Production of Prefabricated Bath Units

Property Developments

Property Investments

Hospitality

Education

MALAYSIA

- Fabrication of Precast Components
- Education

AUSTRALIA

- Property Developments
- Property Investments
- Hospitality

NEW ZEALAND

- Property Investments

FUELLING GROWTH

To sustain our growth tempo, we bolster our core businesses by looking for opportunities to branch into promising new areas. Building on solid fundamentals, we are committed to fortifying our brand name both on home ground and regionally.

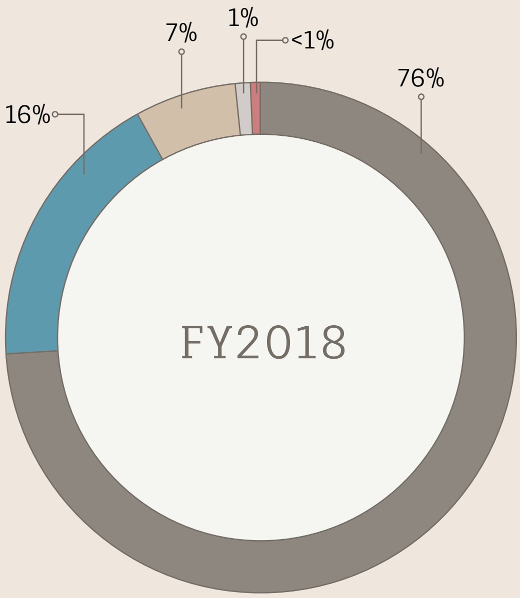

Bidadari C8 & C9

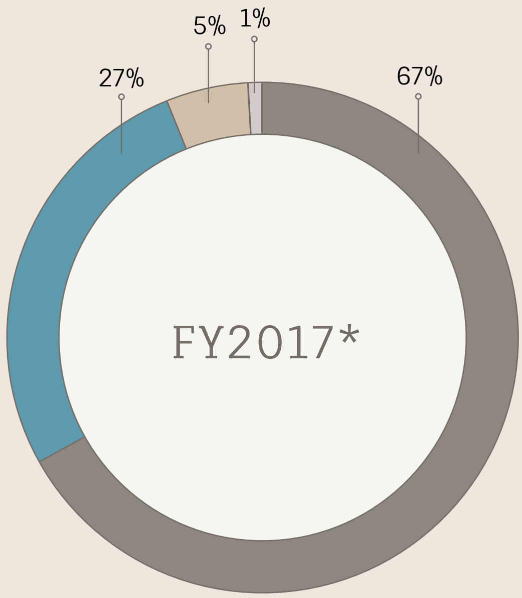
High Park Residences

FINANCIAL HIGHLIGHTS

REVENUE BY BUSINESS SEGMENT

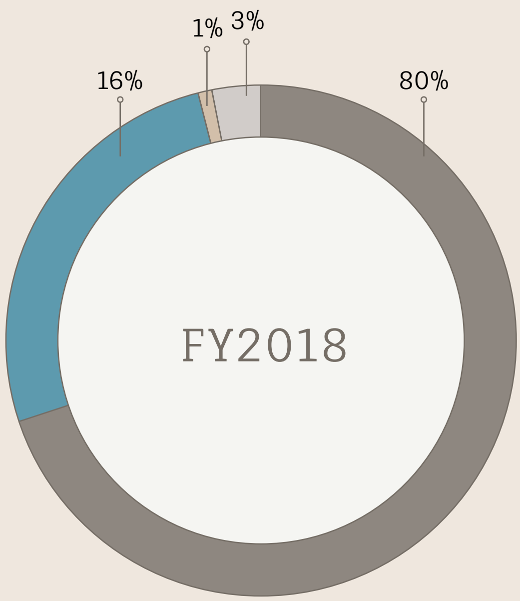
Property Developments · Construction · Hospitality · Property Investments & Others · Education

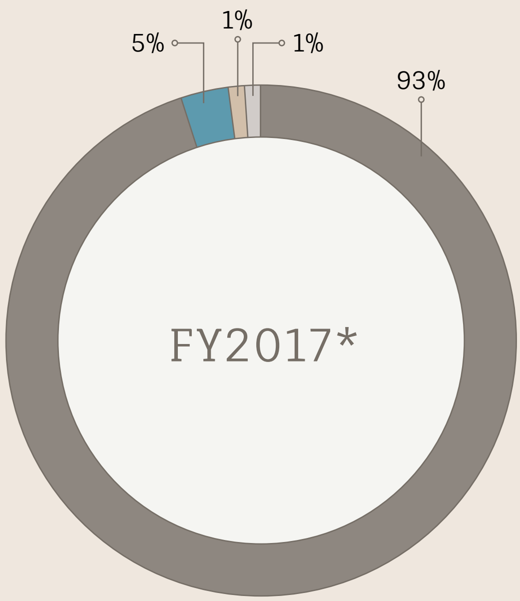




REVENUE BY GEOGRAPHICAL SEGMENT

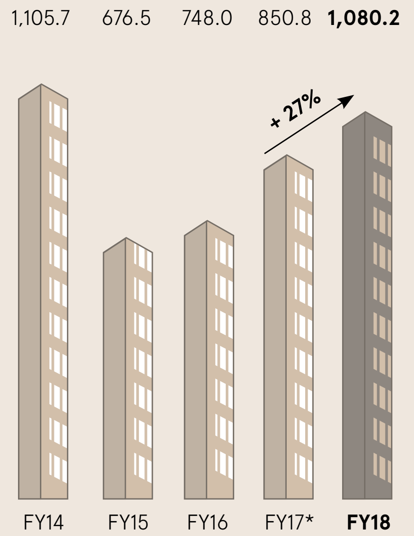
Singapore · Australia · Malaysia · Maldives



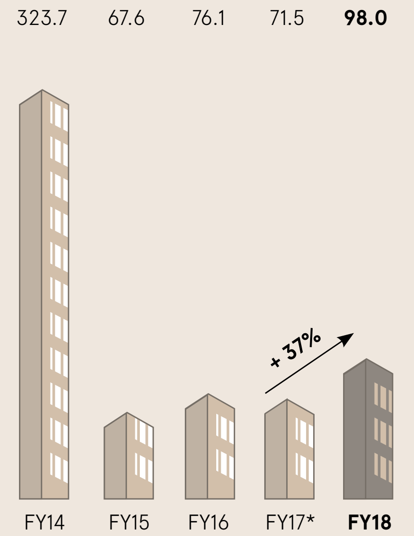


* Comparatives for 2017 have been restated to take into account the retrospective adjustments relating to SFRS(I)

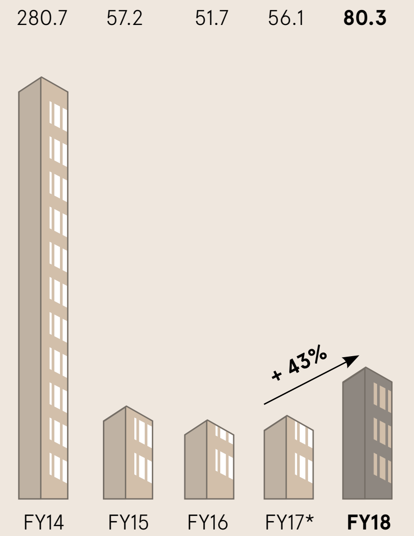
TURNOVER
($ Million)



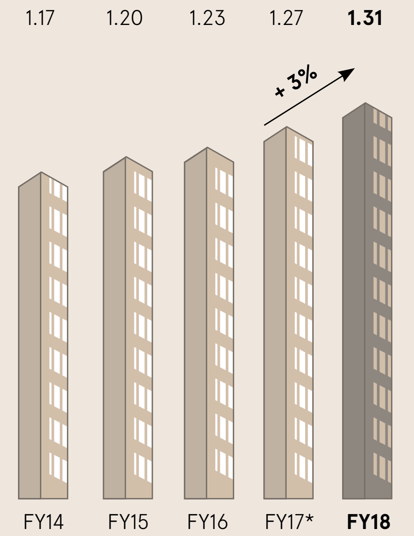
PROFIT BEFORE TAX
($ Million)



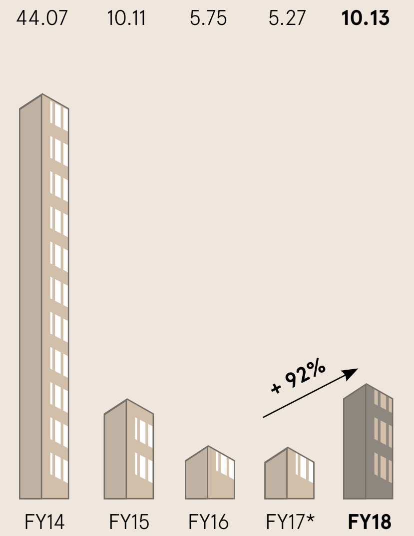
PROFIT AFTER TAX
($ Million)



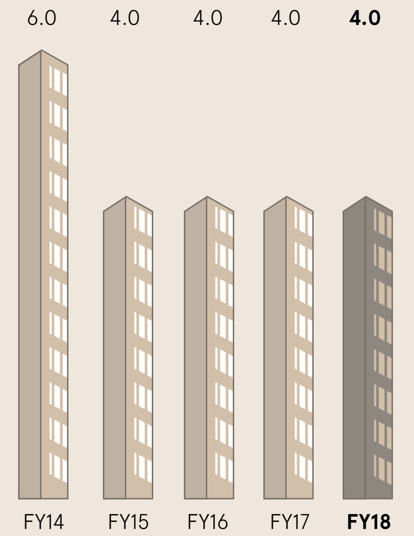
NET ASSET VALUE PER SHARE
($)



EARNING PER SHARE
(Cents)



DIVIDEND PER SHARE
(Cents)



* Comparatives for 2017 have been restated to take into account the retrospective adjustments relating to SFRS(I)

FINANCIAL REVIEW

ROBUST GROWTH, CONFIDENT EXPANSION

Impressive performances from the Group's Property Developments and Hospitality divisions largely contributed to a 27% increase in revenue to $1.1 billion in the year under review. Thanks to better margins from the Property Developments arm, gross profit rose by 54% to $242.4 million.

Pre-tax profit after factoring in other incomes and expenses rose to $98 million, a jump of 37.2%, although marketing and distribution expenses, administrative expenses and finance costs all came in higher. Larger contributions from associates and a small rise in interest income helped the bottom line.

In terms of taxes, the Group paid a lower effective tax rate in FY2018 because of write-back of tax provisions from previous years and benefits from formerly unrecognised tax losses. Consequently, net profit rose 42.9% to $80.3 million.

At the divisional level, Property Developments witnessed a hike in revenue of 44.9% to $828.6 million from $571.7 million due to progressive revenue recognition from High Park Residences, Grandeur Park Residences and Park Colonial, as well as the progressive handover of townhouses of Williamsons Estate in Doncaster, and sales of property sites in Australia.

The Group's Construction Division saw revenue slipping 26.3% to $169.9 million from $230.4 million. Lower contributions from Woodlands N1C26 & N1C27 and Tampines N6C1A/1B explain this although the fall was partially offset by revenue contribution from Bidadari C6 & C7 and Bidadari C8 & C9.

Revenue from the Group's Hospitality division meanwhile rocketed 85.5% to $71.7 million from $38.6 million a year ago, bolstered by higher occupancy rates at Grand Park Kodhipparu Resort in the Maldives and Park Hotel Alexandra, as well as revenue from Chip Eng Seng's more recent hotel acquisitions: The Sebel Mandurah in Western Australia and Mercure & Ibis Styles Grosvenor Hotel in Adelaide, South Australia.

Though only in its infancy, the Group's new Education business generated a modest revenue of $2.6 million from White Lodge preschools. To date, Chip Eng Seng has a 70%-equity stake in White Lodge Education Group Services (White Lodge) and a collaboration arrangement with

Artist's Impression of Park Colonial

Grand Park Kodhipparu Resort

Repton International Schools Ltd for international kindergartens to be set up in certain countries within the Asia-Pacific region. The first Repton Schoolhouse opened in January 2019 in Singapore.

Meanwhile, revenue in its Property Investments and Others division dropped 25.9% from $10.1 million to $7.5 million because of the sale of 420 St Kilda Road in Melbourne, Australia, in August 2017.

OPERATING EXPENSES

The Group's operating expenses rose 41.2% from $112.4 million to $158.7 million, reflecting higher marketing expenses incurred, especially with the launch of Park Colonial in Q3, as well as a rise in administrative costs due to the higher headcount that comes with hotel acquisitions and operations.

BALANCE SHEET REVIEW

Investment Properties

Total value of investment properties slipped marginally lower to $250.6 million from $251.7 million mainly due to the impairment loss recorded in FY2018.

Development Properties

Development properties edged lower to S1.4 billion from $1.6 billion in FY2017, largely due to the recognition of costs for properties sold in Singapore and Australia. The drop was partially offset by the development cost incurred for ongoing projects and acquisition costs for Changi Garden.

Property, Plant and Equipment

Chip Eng Seng's property, plant and equipment rose in value to $364.2 million from $324.5 million due to the Group's acquisition of Mercure & Ibis Styles Grosvenor Hotel and 51 Pirie Street, both in Adelaide, Australia.

Trade and Other Receivables

Trade and other receivables decreased from $173.1 million in FY2017 to $163.9 million due to the reclassification of land deposits to "development properties" when acquisitions were completed.

Cash and Cash Equivalents

The Group's overall cash and short-term deposits notched up to $342.6 million from $257.8 million in FY2017.

Borrowings

Loans and borrowings rose to $1.8 billion from $1.5 billion in FY2017 as a result of the Group securing financing for property development projects, as well as working capital. This sum was partially offset by the repayment of bank loans.

Trade and Other Payables

A slide in trade and other payables from $272.1 million to $205.5 million was mainly due to the repayment to a non-controlling interest.

Net Current Assets

The Group's net current assets increased by $0.1 billion to $2.0 billion in FY2018 mainly because of development expenditures on Park Colonial and the acquisition of Changi Garden.

Shareholders' Equity

Total shareholders' equity moved up from $824.7 million to $874.1 million after factoring in a net profit of $80.3 million recorded in FY2018 and dividend payments of $24.8 million. Due to larger borrowings, the Group's net-debt-to-equity ratio rose to 1.68 compared with 1.55 on 31 December 2017.

OPERATIONS REVIEW

PROPERTY DEVELOPMENTS

Progressive sale of residential units in Singapore and Australia boosted the division's revenue by more than 44.9% in 2018.

Singapore

The sales launch of the 99-year leasehold Park Colonial along Woodleigh Lane in July 2018 was successful with an overall sales rate of 71% of 805 units. Grandeur Park Residences which was launched in first quarter of 2017 has achieved a higher sale rate of 97% for its 722 units. This 99-yr leasehold property is located at Bedok South Avenue 3.

High Park Residences obtained its Temporary Occupation Permit (TOP) in March 2019. The 99-year leasehold property is in Fernvale Road in the north-eastern part of Singapore.

The Group intends to launch for sale its residential development along Upper Changi Road North in the second quarter of 2019. This is a freehold development property with full facilities and a two-storey retail podium. It is located within an established residential enclave and a short car ride away to Jewel Changi Airport, the upcoming lifestyle destination.

In January 2019, the Group was successful in replenishing its landbank via a successful government land sale tender of a 99-year leasehold residential site located next to Newton Circus. It had submitted the highest bid of $418.4 million for a 11,643 square metre plot of land in Kampong Java Road. The Urban Redevelopment Authority (URA) awarded the site to the Group on 21 January 2019. The Group intends to redevelop the site into a 22-storey residential development with about 380 apartment units. It is within walking distance to the Newton MRT interchange station and the popular Newton Food Centre. Educational institutions such as Anglo-Chinese School (Junior), Anglo-Chinese School (Primary) and St Joseph's Institution Junior are also in close proximity to the site.

Australia

The Group's Williamsons Estate project in the heart of Doncaster, Melbourne, has proven highly successful, with 100% of its 104 townhouses, and 83% of the boutique apartments in Willow sold. Nestling amid lush greenery in an established area, this residential property is well served by a range of local amenities.

In June 2018, the Group launched its South Melbourne Project, Fifteen85, and sold 6% of the apartment units in Tower 1. Construction is planned to commence in 2019. The 5,984 square metre site, lodged between Melbourne's city centre and Port Phillip Bay, will be redeveloped into approximately 700 residential apartments, complete with retail and parking facilities.

The Group had also successfully divested two of its properties in Australia in 2018. 150 Queen Street, Melbourne was sold for A$55 million in July 2018. In November 2018, the Group sold its development site at 242 West Coast Highway, Scarborough, Western Australia for A$24.5 million.

CONSTRUCTION

We clinched a $168.1 million design and build contract at Sengkang Neighbourhood 4 Contract 39 & 40. The contract comprises the design and construction of residential buildings, carparks and community services.

We also clinched a $20.8 million, 2-part contract for the design and upgrading of blocks in three Yishun precincts that are part of the Housing & Development Board's upgrading projects G27A. The work in Precincts A, B and C will take 13, 20 and 18 months respectively. The first part entails coming up with an approved design and polling materials and brochures, while the second part involves actual upgrading work.

Due to lower contributions from Woodlands N1C26 & N1C27 and

Tampines N6C1A & 1B

Woodlands N1C26 & C27

Tampines N6C1A/1B, we saw overall revenue for the division slipping 28.1% from the previous year. However, this decrease was partially offset by revenue contribution from Bidadari C6 & C7 and Bidadari C8 & C9 in Toa Payoh.

In 2018, we also attained TOP for Woodlands N1C26 & N1C27, as well as Tampines N6C1A/1B.

HOSPITALITY

In July 2018, the Group acquired a prime CBD site at 51 Pirie Street in Adelaide, Australia, for A$14.5 million with strategic plan for a proposed hotel development. Currently, this 1,283 square metre freehold site has a vacant office building. The move dovetails with the Group's growth strategy for its hospitality investment portfolio so as to increase recurring revenue stream. Within a short span of four years, the Group has enlarged its hotel portfolio to four properties and a hotel development site.

The Hospitality division enhanced total Group revenue in 2018 with a contribution of $71.7 million, a rise of 85.5% from $38.6 million in 2017. This was attributed in part to higher occupancy rates at Park Hotel Alexandra, Singapore and Grand Park Kodhipparu Resort, Maldives.

The Group's more recent hotel acquisitions – The Sebel Mandurah in Western Australia, Mercure & ibis Styles Grosvenor Hotel in Adelaide, South Australia, contributed to the higher revenue as well.

The 4.5-star Sebel Mandurah, acquired by the Group in November 2017, is managed by AccorHotels. The 84-room hotel offers picturesque views of the Mandurah Canal, and is less than an hour's drive from Perth's central business district and airport.

The Group completed the purchase of the Mercure & Ibis Styles Grosvenor Hotel in Adelaide in March 2018. The Mercure & Ibis Styles Grosvenor Hotel has 181 guestrooms operated under the Mercure brand, and 64 economy rooms run under the Ibis Styles brand, both operated by the AccorHotels group. This property is centrally located in Adelaide's central business district and is linked to all major public transport routes.

PROPERTY INVESTMENTS AND OTHERS

Revenue in our Property Investments and Others division fell 25.9% to $7.5 million from $10.1 million due mainly to the sale of 420 St Kilda Road, Melbourne, in 2017.

The Group's investment properties in Singapore and Australia – comprising commercial properties, an industrial building and several shophouses – continue to contribute steadily to Group income, with yields remaining stable.

The Group's Grade A office building at 205 Queen Street, Auckland, New Zealand, acquired in FY2017, has been contributing to the Group's investment income as expected. Located within Auckland's central business district and close to prominent city landmarks, this property has two commercial towers and a retail podium.

EDUCATION

To achieve further growth with a steady income stream, the Group diversified into Education in 2018 through CES Education, which we wholly own. As a start, we are collaborating with Repton International School Ltd to set up kindergartens under the Repton brand in Singapore and in certain countries within the Asia Pacific region.

We have also acquired a 70% stake in White Lodge which runs eight preschool centres in Singapore and two in Kuala Lumpur, West Malaysia.

BUILDING PEOPLE AND PARTNERSHIPS

As we forge ahead, we continue to establish strong partnerships with those with whom we share similar visions. In tandem with our growth, we work hand in glove with our staff to hone their capabilities. This, we believe, prepares us to meet challenges presented by technological and cross-platform advances.

Grandeur Park Residences

Tampines N1C1A & 1B

BOARD OF DIRECTORS

MRS CELINE TANG
Non-Executive Chairman
Non-Independent and
Non-Executive Director

Mrs Celine Tang was appointed Non-Executive Chairman and Non-Independent and Non-Executive Director of the Company on 11 October 2018. Mrs Tang is currently Group Managing Director of SGX-listed company, SingHaiyi Group Ltd. She also holds the position of Non-Executive Chairman at OKH Global Ltd, an integrated property developer focused on logistics and industrial properties, listed on the Mainboard of the Singapore Exchange. She is also a Director of American Pacific International Capital, Inc. (APIC), a diversified international investment holding company with businesses throughout the US and China.

Mrs Tang, who has served as Executive Director of Tang Dynasty Pte Ltd since its inception in 1995 and has been instrumental in growing the trading and investment company, was also previously Assistant Judicial Officer of Shantou Longhu District Court in China. A Bachelor in Literature graduate from the China People's University for Police Officers (now known as People's Public Security University of China), she is the spouse of Mr Gordon Tang, founder of Haiyi Holdings and an esteemed entrepreneur with a stellar track record in real estate and investments. He is also a philanthropist who actively drives sports-related charity activities. Given her strong belief in giving back to society, Mrs Tang sponsors student scholarships and grants, and also supports activities in several Singapore schools such as, West Spring Secondary, Juying Secondary School and Crest Secondary School. She also sits as a member of the Advisory Committee of Juying Secondary School. In addition, she and her husband are the owners of Aloha Sea Sports Club, which rents out equipment for water sports and conducts a wide range of water sport courses. All profits generated from the Club are donated for the development of sailing in Singapore.

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

Mr Chia Lee Meng Raymond was appointed Group Chief Executive Officer in February 2016.

He is responsible for the Group's overall operations, strategic planning and investment decisions. Starting out as a project manager back in 1994, Mr Chia rose through the ranks and was appointed the Group's Director the year Chip Eng Seng went public. He served as Managing Director of the property development division in July 2006, before being appointed Group Chief Executive Officer in June 2007 and Executive Deputy Chairman in January 2013. Outside the Group, Mr Chia is 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 the Nee Soon South Citizens' Consultative Committee. Mr Chia was awarded The Public Service Stars PBM in 2013 for public service rendered to the nation. He holds a Bachelor's degree in Economics and Finance from Curtin University and a Master's degree in Finance from RMIT.

MR TAN TEE HOW
Executive Director

Mr Tan Tee How joined the Board on 2 February 2018 as Executive Director. Prior to this, Mr Tan had served 34 years in the Singapore Administrative Service, holding 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 Chairman of the Casino Regulatory Authority, a Board member of the National University Health System and a member of the Panel of Experts, Singapore Cooperation Enterprise. He holds a Bachelor of Business Administration (Hons) degree from the National University of Singapore and a Master of Public Administration degree from Harvard University. He attended the Wharton Business School Advanced Management Programme in 2002.

MR UNG GIM SEI

Independent Director

Mr Ung Gim Sei joined the Board in April 2015 as an Independent Director. He chairs the Nominating Committee and is a member of the Audit and Remuneration Committees. Mr Ung is currently a director of Selvam LLP, specialising in the practice of Intellectual Property.

Mr Ung holds directorships at a number of public listed companies and is also Vice-President of the Singapore-China Friendship Association, the Aw Boon Haw Foundation (PRC), and the 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 degree from the City University of Hong Kong.

MR ANG MONG SENG BBM

Lead Independent Director

Mr Ang Mong Seng was appointed 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. Mr Ang has more than 30 years of experience in estate management and 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 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 Chief of Navy in 1999. He left RSN in 2003 to join the Administrative Service of the Government of Singapore.

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

MR ABDUL JABBAR BIN KARAM DIN

Independent Director

Mr Abdul Jabbar joined the Board on 2 February 2018 as an Independent Director. He chairs the Remuneration Committee, and is a member of the Audit and Nominating Committees. An Executive Committee Partner with Rajah and Tann Singapore LLP, Mr Jabbar 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 as company secretary on the boards of 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 (Hons) degree.

MR LOCK WAI HAN

Independent Director

Mr Lock Wai Han was appointed Independent Director of the Company on 11 October 2018. He is a member of the Audit Committee. He is currently Executive Director and Chief Executive Officer of SGX-listed company, OKH Global Ltd. From 1 November 2013 to 31 December 2015, Mr Lock was Executive Director and Group CEO of Rowsley Ltd. Between June 2011 and August 2013, he was based in Beijing as the China CEO of CapitaMalls Asia ("CMA"), where he had oversight of a retail mall portfolio that included Raffles City projects and CMA mixed developments. Before joining CMA in March 2010, he had served in the Singapore public sector for more than 20 years during which he held various leadership roles, including Commissioner of the Immigration & Checkpoints Authority, Director of the Criminal Investigations Department, and Deputy Secretary of the Ministry of Information, Communications & the Arts, as well as directorships on various statutory boards.

Mr Lock holds Bachelor and Master of Arts (Engineering) degrees from the University of Cambridge, UK, and a Master of Science (Management) degree from Leland Stanford Junior University, United States of America.

EXECUTIVE OFFICERS

MR LAW CHEONG YAN
Chief Financial Officer

Mr Law Cheong Yan joined the Group as Chief Financial Officer in August 2013. In his current role, he leads the Group in a multitude of functions comprising financial and management accounting, taxation, treasury, as well as investor relations. Prior to joining Chip Eng Seng, Mr Law spent more than nine years in China and the US 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 and serves as an independent director of Dynamic Colours Limited.

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 of General Manager from July 1998 to January 2007 and Managing Director. In addition, Mr Yeo was also Executive Director of Chip Eng Seng Corporation Ltd from September 1999 to August 2006. Prior to joining the Group, Mr Yeo had served as Vice-President of Sembawang Engineers and Constructors Pte Ltd, and held several other senior managerial positions in HDB and JTC International Pte Ltd.. He holds a Civil Engineering (Hons) degree and a Master of Science (Civil Engineering) degree from the National University of Singapore. He is also a Registered Professional Engineer with the Professional Engineers Board.

MR YOONG SHAW LEONG
Managing Director of Precast Division

Mr Yoong joined the Group in April 2018 as Managing Director of the Precast Division. His responsibilities include business development and operations of the division. Mr Yoong has more than 27 years' experience in structural engineering and construction management works.

Prior to joining the Group, Mr Yoong was a Director of RSP Architects & Engineers (Pte) Ltd where he led a multidisciplinary engineering team involved in the design and construction of a wide range of projects, including Westgate, Sentosa Intra-Island Cableway, Chinese Cultural Centre, Changi Airport Terminal 2 Upgrading, Terminal 1 Expansion, and Rihga Royal Hotel in East Malaysia. Mr Yoong is a registered Professional Engineer with the Professional Engineer Board and a member of the Institute of Engineers, Singapore and the Singapore Structural Steel Society. He has a Bachelor of Engineering degree (Civil) from the National University of Singapore.

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 development and Investment Divisions. Prior to joining Chip Eng Seng, Mr Ng was Group General Manager of United Industrial Corporation Limited and Singapore Land Limited where he managed the diversified real estate investment and development of the group.

He was Managing Director of Savills Singapore from 2005 to 2010, where he spearheaded a turnaround of its operations. Prior to Savills, Mr Ng was Managing Director of Hamptons International in 2001. He subsequently led a management buyout of the Singapore office and expanded the business successfully before selling the operations to Savills Singapore in December 2004. He was also a founding shareholder of Huttons Real Estate. From 1995 to 2001, Mr Ng headed the property arm of COSCO Singapore, a China state-owned maritime group, handling its real estate development, investments, acquisitions, project management and asset management. Some of the projects included commercial, retail and residential developments and investments in Singapore, other parts of Southeast Asia and China. The 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 Bachelor of Science (Hons) degree in Estate Management from the National University of Singapore and has been in the real estate industry for over 30 years.

MS LIM SOCK JOO

Executive Director of CEL Development Pte Ltd

Ms Lim Sock Joo is 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. Ms Lim first joined the Construction Division in 1993, 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.

OTHER OFFICERS

Corporate

Mr Ang Kang Hai
Chief Human Resource Officer

Ms Goh Gin Nee
Senior Legal Counsel

Construction

Mr Low Gam Weng
General Manager

Property Developments and Investments

Ms Goh Puay Hoon Joanne
General Manager (Marketing)

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

Mr Leow Gim Guan Steven
General Manager (Design & Development)

Mr Lim Kok Howe, Ivan
General Manager (Operations)

Mr Peter Wee Yue Liang
General Manager (Business Development)

Hospitality

Ms Angeline Tan Chai Lian
General Manager

Education

Mr Koh Chin Nguang Bob
Senior Vice President

Dr Koh Thiam Seng
Senior Vice President

Ms Kathryn Lui Sook-Yi
Senior Vice President

PROJECT PORTFOLIO


Bidadari C8 & C9

CONSTRUCTION

Projects Completed in 2018

PROJECT	DESCRIPTION	OWNER
Woodlands Neighbourhood 1 Contract 26 & Contract 27	Building works of 9 blocks of residential building	HDB
Tampines Neighbourhood 6 Contract 1A/1B	Building works of 15 blocks of residential building	HDB

Major On-Going Projects

PROJECT	DESCRIPTION	OWNER
Toa Payoh Bidadari Contract 6 & Contract 7	Building works of 16 blocks of residential building	HDB
Bidadari Contract 8 & Contract 9	Building works of 8 blocks of residential building	HDB
Grandeur Park Residences at New Upper Changi Road	Building works of 720 residential condominium units and 2 retail outlets	CEL-Changi Pte. Ltd.
Sengkang Neighbourhood 4 Contract 39 & Contract 40	Design and construction of public housing at Sengkang	HDB
Design and Build of Upgrading Project for G27A	Upgrading projects for 2 precincts at Yishun Ring Road and 1 precinct at Yishun Street 61	HDB

PROPERTY DEVELOPMENTS

Project Completed in 2018

PROJECT	LOCATION	DESCRIPTION	NO. OF UNITS	TENURE
Willow Apartments	154 - 166 Williamsons Road and 7 - 15 Henry Street, Doncaster, Victoria, Australia	Apartments	64	Freehold

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
High Park Residences	Fernvale Road Singapore	Condominium	1,399	99 years	96% / 2019	34,018	112,259	60%
Grandeur Park Residences	Bedok South Avenue 3 Singapore	Condominium	722	99 years	40% / 2021	24,394	51,228	100%
Park Colonial	Woodleigh Lane Singapore	Condominium	805	99 years	10% / 2021	19,547	58,642	60%
Fifteen85	15 - 85 Gladstone Street, South Melbourne, Victoria, Australia	Apartments	704	Freehold	0% / 2021 to 2024	5,984	15,000	100%

Projects in the Pipeline

PROJECT	LOCATION	DESCRIPTION	NO. OF UNITS	TENURE	EXPECTED TOP
Proposed redevelopment in Changi	Upper Changi Road North and Jalan Mariam, Singapore	Mixed commercial & residential development	276	Freehold	Target Launch Date: 2019
Lyall Street	31 Labouchere Road and 24 Lyall Street, South Perth, Western Australia	Mixed commercial & residential development	@	Freehold	@
Northcote	217 and 221 - 223 Separation Street, Northcote, Victoria, Australia	Residential development	@	Freehold	@
Proposed development in Kampong Java	Kampong Java Road, Singapore	Residential development	Approximately 380	99 years	@

@ In planning stage

PROJECT PORTFOLIO (cont'd)

Toa Payoh Bidadari C6 & C7

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 & offices	69 years	100%
A part two, part four-storey shophouses	161 Geylang Road, Singapore	99 years from 4 May 1993	Shops & offices	74 years	100%
Three adjoining units of two and a half-storey shophouse with a four-storey rear extension	115 Geylang Road, Singapore	Freehold	Boarding hotel	-	100%
Six-storey light industrial building with a basement carpark	69 Ubi Crescent, Singapore	60 years from 5 July 1997	Light industrial building	39 years	100%
Twelve-storey office building	171 Chin Swee Road, Singapore	99 years from 2 June 1969	Offices	50 years	100%
Two commercial units at Alexandra Central	321 Alexandra Road, #01-06 and #03-11, Singapore	99 years from 5 March 2012	Shops	93 years	100%
Strata Restaurant Property	1 Marco Polo Drive, Mandurah, Western Australia	Freehold	Restaurant	-	100%
Two-storey building with basement commercial units	72 and 74-78 Hindley Street, Adelaide, South Australia	Freehold	Shops	-	100%
Two commercial towers of seventeen-storey and twenty two-storey and retail podium	205 Queen Street, Auckland, New Zealand	91 years from 18 June 1990	Offices	63 years	50%


Townhouses of Williamsons Estate

PROPERTY & PLANT

DESCRIPTION	LOCATION	TENURE	EXISTING USE
Park Hotel Alexandra A 442-room 13-storey hotel	323 Alexandra Road, Singapore	99 years from March 2012	Hotel
A single-user single-storey warehouse with a 4-storey ancillary office and temporary ancillary workers dormitory	2 Tuas South Street 8, Singapore	23 years from 26 December 2012	Construction workshop & dormitory
Property at Tuas Basin Close	11 Tuas Basin Close, Singapore	4 December 2017 to 31 December 2021	Offices, store & precast finishing works
Grand Park Kodhipparu A 120-villa resort	Kaafu Atoll, Maldives	50 years from 30 September 2013	Resort hotel
The Sebel Mandurah A 84-room waterfront hotel	1 Marco Polo Drive, Mandurah, Australia	Freehold	Hotel
Mecure & Ibis Styles Grosvenor Hotel A 245-room 6-storey hotel	121-125 North Terrace, Adelaide, South Australia	Freehold	Hotel
Property at Adelaide, South Australia	51 Pirie Street, Adelaide, South Australia	Freehold	Vacant office building to be redeveloped into a hotel
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

SIGNIFICANT EVENTS

White Lodge Phoenix Park

2018

April
- Collaboration with Repton International Schools Ltd relating to the establishment of international kindergartens in certain countries within the Asia Pacific region

May
- Proposed investment into American Scholar Group, Inc., which provides education-related services in Pennsylvania, the United States of America

June
- Completion of en bloc acquisition of Changi Garden

July
- Acquisition of the property located at 51 Pirie Street, Adelaide, Australia for a purchase consideration of A$14.5 million
- Sales of 150 Queen Street, Melbourne, Australia
- Announced proposed investment to acquire 70% of the issued share capital of White Lodge Education Group for an aggregate consideration of $13.3 million

September
- Completion of the proposed investment in White Lodge Education Group
- Announced proposed investment to acquire up to 35% of the share capital of Guangzhou Yuanda Information Co., Ltd, with its principal activities being education software, online K-12 education, education training and consultancy services for an aggregate price of US$14.6 million
- Announced proposed disposal of a freehold development site located at 242 West Coast Highway, Scarborough, Western Australia at a consideration of A$24.5 million

October
- Disposal of 186,105,000 shares representing 29.73% of the issued shares (excluding treasury shares) in the capital of the Company by the Founding Lim family to Celine Tang and Gordon Tang at a price of $1.08 per share

November
- Completion of the disposal of a freehold development site located at 242 West Coast Highway, Scarborough, Western Australia
- Award of S20.8 million contract relating to the design and build of upgrading projects for G27A by the Housing & Development Board

December
- Redemption and cancellation of Series 2 and 3 Notes amounting to $107 million and $99.75 million respectively pursuant to occurrence of change of control

2019

January
- Opening of the first Repton pre-school centre in Alexandra Central
- Opening of a new White Lodge preschool and childcare centre along River Valley Road
- Award of tender for a land parcel at Kampong Java for residential development at $418.4 million

February
- Announced proposed investment in Invictus International School Pte. Ltd.

March
- Issuance of $100 million 3-year 6% Notes due on 15 March 2022

AWARDS & CERTIFICATIONS

Park Colonial
Construction Site

YEAR	TYPE OF AWARDS	DESCRIPTION / AWARD
2018	Winner	Asia Pacific Property Awards 2018/2019 – Residential High-Rise Development (Singapore) awarded to CEL-Changi Pte. Ltd. for Grandeur Park Residences
2018	Winner	EdgeProp Singapore Excellence Awards – Top Development Excellence awarded to CEL-Changi Pte. Ltd. for Grandeur Park Residences
2018	Winner	EdgeProp Singapore Excellence Awards – Innovation Excellence awarded to CEL-Changi Pte. Ltd. for Grandeur Park Residences
2018	Merit	SCAL Productivity & Innovation Award – CES Engineering & Construction Pte Ltd (Self Collapsible Metal Formwork for Staircase Storey Shelter MV Shaft
2018	Winner	HDB Construction Safety Award 2018 – Sembawang Neighborhood 1 Contract 10
2018	Winner	WSH SHARP Award for Green Ridges at Tampines N6C1AC1B
2018	Winner	WSH SHARP Award for Marsiling Greenview at Woodlands N1C26C27
2018	Winner	WSH SHARP Award for Alkaff Oasis at Bidadari C6
2018	Winner	WSH SHARP Award for Alkaff Oasis at Bidadari C7
2018	Commendation	WSH Culturesafe (Certificate of Commendation) for Bidadari C6/C7 Alkaf Oasis

CORPORATE SOCIAL RESPONSIBILITY

At Chip Eng Seng, we aim to conduct business in an ethical manner which means taking into consideration social, economic and environmental impact.

We are committed in driving CSR programmes, philanthropy and volunteer efforts that benefit the environment which we operate in, with the objective in promoting a sustainable living environment and bettering quality of life growth for future generations. Our CSR activities have also helped to forge stronger bonding amongst our employees, customers and beneficiaries.

During 2018, we embarked on some meaningful initiatives and programmes with our community partners mainly supporting the environmental, cultural arts, educational and healthcare.

As part of developing consciousness in sustainability living, we have adopted a "Green and Gracious" policy to educate our employees in the construction segment to be more vigilant in their tasks and strive to mitigate any negative impact on the environment. We review all of our projects ranging from building designs, materials and technologies applied with a view to adopting more environmentally friendly practices.

We are recognised by CONQUAS (Construction Quality Assessment System) of Building and Construction Authority of Singapore for our strict compliance in workmanship for which we achieved higher results than the national average for a few consecutive years. In addition, we are also advocates of ISO 14001 & OHSAS 18001 for our environmental management system.

As part of our mission to integrate Corporate Social Responsibility values with our business, we practise equal employment opportunity. At Park Hotel Alexandra, we partnered Rainbow Centre in organizing a work experience programme for youths age 17 and above to impart them with some basic skills and knowledge.

Our employee volunteers have also participated in helping to raise autism awareness by supporting Autism group in the community such as Autism Resource Centre, Autism Association of Singapore, St Andrew's Autism Centre, Asian Women Welfare Association and Rainbow Centre.

Besides financial support, our active volunteers also teamed up with students, partners and teachers of Rainbow Centre in completing a 43km run in the Standard Chartered Ekiden Marathon, which required over 3 months of preparation and practice.

At Chip Eng Seng, we believe in paying it forward. To this end, we award bursaries annually to deserving students who are in need of financial assistance. Students with good academic results, strong in co-curricular activities and display potential leadership traits may apply through the tertiary education institutions like Nanyang Technological University and National University of Singapore, Nanyang Academy of Fine Arts, and BCA Academy (BCA-Industry iBuildSG Undergraduate Scholarship/ Sponsorship programme).

In the realm of arts and culture, we have supported associations like the Singapore Chinese Orchestra and Teochew Clan Association through donations. We believe that the continued existence of such organisations will contribute to the preservation of heritage.

We support charitable healthcare and clinic services and our main beneficiaries include Ren Ci Hospital and Thong Chai Medical Institution, which provide free or affordable medical care services to the needy regardless of background, race and religion.

Everyone deserves a second chance. We also provided financial aid to the Yellow Ribbon Fund, a non-profitable organisation which helps ex-offenders reintegrate into society.

CORPORATE INFORMATION


Toa Payoh Bidadari
C6 & C7

FOUNDER AND HONORARY CHAIRMAN
Lim Tiam Seng BBM

NON-EXECUTIVE CHAIRMAN AND NON-INDEPENDENT AND NON-EXECUTIVE DIRECTOR
Celine Tang

EXECUTIVE DIRECTORS
Chia Lee Meng Raymond PBM
Group Chief Executive Officer

Tan Tee How
Executive Director

INDEPENDENT DIRECTORS
Ang Mong Seng BBM
Ung Gim Sei
Lui Tuck Yew
Abdul Jabbar Bin Karam Din
Lock Wai Han

AUDIT COMMITTEE
Ang Mong Seng (Chairman)
Ung Gim Sei
Lui Tuck Yew
Abdul Jabbar Bin Karam Din
Lock Wai Han

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

NOMINATING COMMITTEE
Ung Gim Sei (Chairman)
Ang Mong Seng
Abdul Jabbar Bin Karam Din

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

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AUDITOR
Ernst & Young LLP
Public Accountants
& Chartered 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, Singapore Branch
CIMB Bank Berhad
RHB Berhad
The Hongkong and Shanghai Banking Corporation Limited

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 Group'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 2018 ("**FY2018**") 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.

This report should be read in totality, instead of being read separately under each principle of the Code. The Board noted the revised Code of Corporate Governance issued on 6 August 2018 ("**Revised Code**"), which is only effective from the Company's financial year commencing 1 January 2019, and will endeavor to comply with the Revised Code with effect from 1 January 2019.

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.

<u>Independent judgement</u>

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:

CORPORATE GOVERNANCE REPORT

		Board Committee Membership		
Name of Director	**Position**	**Audit**	**Remuneration**	**Nominating**
Celine Tang*	Non-Independent and Non-Executive Director and Non-Executive Chairman	–	–	–
Chia Lee Meng Raymond	Executive Director and Group Chief Executive Officer	–	–	–
Tan Tee How	Executive Director	–	–	–
Ang Mong Seng	Lead Independent Director	Chairman	Member	Member
Ung Gim Sei	Independent Director	Member	Member	Chairman
Abdul Jabbar Bin Karam Din	Independent Director	Member	Chairman	Member
Lui Tuck Yew	Independent Director	Member	–	–
Lock Wai Han**	Independent Director	Member	–	–

* Celine Tang was appointed as Non-Independent and Non-Executive Director and Non-Executive Chairman on 11 October 2018

** Lock Wai Han was appointed as Independent Director on 11 October 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	**4**	**4**	**2**	**2**
	No. of meetings attended			
Directors				
Celine Tang*	1	–	–	–
Chia Lee Meng Raymond	4	–	–	–
Tan Tee How	4	–	–	–
Ang Mong Seng	4	4	2	2
Ung Gim Sei	4	4	2	2
Abdul Jabbar Bin Karam Din**	4	3	1	1
Lui Tuck Yew	4	4	–	–
Lock Wai Han***	1	1	–	–

* Celine Tang was appointed as Non-Independent and Non-Executive Director and Non-Executive Chairman on 11 October 2018

** Abdul Jabbar Bin Karam Din was appointed as a member of the Audit Committee, the Remuneration Committee and the Nominating Committee on 13 February 2018

*** Lock Wai Han was appointed as Independent Director on 11 October 2018

CORPORATE GOVERNANCE REPORT

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 8 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 5% 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 roles and responsibilities between the Chairman and the Group CEO of the Company are held by separate individuals to ensure that there is appropriate balance of power, increased accountability and greater capacity of the Board for independent decision making. Mrs Celine Tang, Non-Executive Chairman, 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. She approves the agendas for the Board meeting, ensures sufficient allocation of time for thorough discussion of agenda items and promotes a culture of openness and debate at the Board. She 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. She also facilitates the effective contributions from NEDs.

Mr Chia Lee Meng Raymond, the Group CEO, manages and supervises the day-to-day business operations of the Group in accordance with the strategies, policies, budgets and business plans approved by the Board. He is assisted by the Executive Directors, the CFO and general managers to oversee the daily running of the Group's operations and execution of strategies and policies.

The Board is of the view that there are sufficient safeguards and checks in place to ensure that there is a good balance of power, accountability and capacity of the Board for independent decision making. The Board appointed Mr. Ang Mong Seng to act as the Lead Independent Director. Shareholders with concerns may contact him directly, when contact through the normal channels via the Chairman, the Group CEO or the CFO has failed to provide satisfactory resolution, or when such contact is inappropriate.

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

Principle 4: Board membership

NC composition

The NC comprises the following three Independent Non-Executive Directors:

1. Mr Ung Gim Sei (Chairman);
2. Mr Ang Mong Seng;
3. 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 the Group CEO.

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
Celine Tang	Non-Independent and Non-Executive Director and Non-Executive Chairman	11 October 2018	N.A.	· Singhaiyi Group Ltd · OKH Group Ltd	None	Group Managing Director of Singhaiyi Group Ltd	Retirement (Article 119)
Chia Lee Meng Raymond	Executive Director and Group Chief Executive Officer	1 February 2016	25 April 2018	None	None	None	N.A.
Tan Tee How	Executive Director	2 February 2018	25 April 2018	None	None	· Chairman of Casino Regulatory Authority of Singapore · Board Member of National University Health System Pte. Ltd. · President of Singapore Scout Association	N.A.

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 · Emerging Town & Cities Singapore Ltd	· Gaylin Holdings Ltd · Annaik Ltd	· Director of Pei Hwa Foundation Ltd and The Chinese Opera Institute · Sole-proprietor of Ang Mong Seng Consultants	Retirement by rotation (Article 115)
Ung Gim Sei	Independent Director	23 April 2015	26 April 2017	· EMS Energy Ltd	· Informatics Education Ltd	· Director of Duane Morris & Selvam LLP · Legal advisor and Committee member of Singapore China Business Association · Audit Committee member of Kong Meng San Phor Kark See Monastery · Vice president of the Singapore China Friendship Association · Committee member of the China Aw Boon Haw Foundation · Legal advisor of Tan Kah Kee Foundation	Retirement by rotation (Article 115)
Lui Tuck Yew	Independent Director	1 July 2016	26 April 2017	None	None	Ambassador to Japan	N.A.
Abdul Jabbar Bin Karam Din	Independent Director	2 February 2018	25 April 2018	· Global Investments Limited	· Sunedison Semiconductor Limited	Partner of Rajah & Tann Singapore LLP	N.A.
Lock Wai Han	Independent Director	11 October 2018	N.A.	· OKH Global Ltd · Suntec Real Estate Investment Trust	· Secura Group Ltd	Executive Director and Chief Executive Officer of OKH Global Ltd	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 FY2018, 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 Director appointed 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 Ang Mong Seng and Mr Ung Gim Sei will retire at the forthcoming AGM. Mr Ang Mong Seng has submitted himself for re-appointment at the forthcoming AGM. Mr Ung Gim Sei has indicated his intention not to seek re-election at the forthcoming AGM. Mrs Celine Tang and Mr Lock Wai Han will retire pursuant to the Article 119 of the Constitution and have submitted themselves for re-appointment. The NC is satisfied that Mr Ang Mong Seng, Mrs Celine Tang and Mr Lock Wai Han 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.

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The requirements under Rule 720(6) of the Listing Manual are set out below:

Name of person	Ang Mong Seng	Mrs Celine Tang	Lock Wai Han
Date of Appointment	19 March 2003	11 October 2018	11 October 2018
Date of last re-appointment (if applicable)	26 April 2017	N.A.	N.A.
Age	70	52	52
Country of Principal Residence	Singapore	Singapore	Singapore
The Board's comments on this appointment (including rationale, selection criteria, and the search and nomination process)	After assessing Mr Ang's contribution and performance, the NC has recommended that Mr Ang be re-elected as Director of the Company.	After assessing Mrs Celine Tang's contribution and performance, the NC has recommended that Mrs Celline Tang be re-elected as Director of the Company.	After assessing Mr Lock's contribution and performance, the NC has recommended that Mr Lock be re-elected as Director of the Company.
Whether appointment is executive, and if so, the area of responsibility	Independent and Non-Executive Director	Non-Independent and Non-Executive Director and Chairman	Independent and Non-Executive Director
Job Title (e.g. Lead ID, AC Chairman, AC Member etc.)	Lead Independent Director, Chairman of the Audit Committee and member of the Nominating Committee and the Remuneration Committee	Non-Independent and Non-Executive Director and Chairman	Independent and Non-Executive Director and member of the Audit Committee
Professional Qualifications	Mr Ang holds a Bachelor of Arts degree from the Nanyang University, Singapore. He is a recipient of the Public Service Medal (PBM) and Public Service Star (BBM).	Mrs Tang graduated with a Bachelor's Degree in Literature from China People's University for Police Officers (now known as People's Public Security University of China).	Mr Lock holds a Bachelor and Master of Arts (Engineering) from the University of Cambridge, UK, and a Master of Science (Management) from Leland Stanford Junior University, USA.

Name of person	Ang Mong Seng	Mrs Celine Tang	Lock Wai Han
Working experience and occupation(s) during the past 10 years	Mr Ang Mong Seng has more than 30 years of experience in estate management. He was the Chief Operating Officer of EM Services Pte Ltd from 2002 to 2011 and General Manager for Sembawang Town Council from 1988 to 1997. Mr Ang was the Member of Parliament for the Bukit Gombak Single Member Constituency from 1997 to 2001 and Hong Kah Group Representation Constituency from 2001 to 2011. He served as the Chairman of Hong Kah Town Council from 1997 to 2011 and was a member of the House Committee in Parliament. He was also the Vice Chairman of South West Community Development Council. Mr Ang retired from politics prior to the 2011 General Elections. He is currently an independent director of SGX-ST listed companies, Hoe Leong Corporation Limited and Emerging Town & Cities Singapore Ltd	Mrs Celine Tang was first appointed as Non-Executive Director on 14 January 2013 and re-designated as Executive Director on 1 February 2013 and subsequently Group Managing Director of Singhaiyi Group Ltd. on 1 December 2013. Mrs Celine Tang served as the Managing Director of Haiyi Holdings Pte. Ltd. since 2003 and is in charge of its daily operations and decision-making. She has been an Executive Director of Tang Dynasty Pte Ltd since 1995.	Mr. Lock was the Executive Director and Group CEO of Rowsley Ltd between 1 November 2013 and 31 December 2015. Between June 2011 and August 2013, he was based in Beijing as the China CEO of CapitaMalls Asia ("CMA"), where he had oversight of a retail mall portfolio that included Raffles City projects and CMA mixed developments. Up until he joined CMA in March 2010, he had served in the Singapore public sector for more than 20 years during which he held various leadership roles including Commissioner of the Immigration & Checkpoints Authority; Director of the Criminal Investigations Department and Deputy Secretary of the Ministry of Information, Communications & the Arts, as well as directorships in various statutory boards.
Shareholding interest in the listed issuer and its subsidiaries	146,000 shares (Direct Interest)	Celine Tang and Gordon Tang are jointly holding 168,907,000 shares, representing 26.98% of the shares in the capital of the Company. She also has 2.75% deemed interest in the Company through Senz Holdings Limited, a company which she is a director.	90,000 shares (Direct Interest)
Any relationship (including immediate family relationships) with any existing director, existing executive officer, the issuer and/or substantial shareholder of the listed issuer or of any of its principal subsidiaries	Nil	Nil	Nil
Conflict of interest (including any competing business)	Nil	Nil	Nil

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Name of person	Ang Mong Seng	Mrs Celine Tang	Lock Wai Han
Undertaking (in the format set out in Appendix 7.7) under Rule 720(1) has been submitted to the listed issuer	Yes	Yes	Yes
Other Principal Commitments* including Directorships# * "Principal Commitments" has the same meaning as defined in the Code. # These fields are not applicable for announcements of appointments pursuant to Listing Rule 704(9)	• Director of Pei Hwa Foundation Ltd and The Chinese Opera Institute • Sole-proprietor of Ang Mong Seng Consultants.	Please refer to announcement reference no. SG181011OTHRU0TU dated 11 October 2018 in relation to the appointment of Non-Independent and Non-Executive Director and Chairman.	Please refer to announcement reference no. SG181011OTHRWVEX dated 11 October 2018 in relation to the appointment of Independent and Non-Executive Director.
Disclosure applicable to the appointment of Director only.			
Any prior experience as a director of an issuer listed on the Exchange?	This relates to re-appointment of Director.	This relates to re-appointment of Director.	This relates to re-appointment of Director.
If Yes, please provide details of prior experience.	N.A.	N.A.	N.A.
If No, Please state if the director has attended or will be attending training on the roles and responsibilities of a director of a listed issuer as prescribed by the Exchange. Please provide details of relevant experience and the nominating committee's reasons for not requiring the director to undergo training as prescribed by the Exchange (if applicable).	N.A.	N.A.	N.A.

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

Complete, adequate and timely information

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

To allow Directors sufficient time to prepare for the meetings, except for 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).

Company secretary

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

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

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

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

Independent professional advice

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

REMUNERATION MATTERS

Principle 7: Procedures for developing remuneration policies

RC

The RC comprises the following three members, all of whom are Independent Non-Executive Directors:

1. Mr Abdul Jabbar Bin Karam Din (Chairman);
2. Mr Ang Mong Seng; and
3. Mr Ung Gim Sei;

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 FY2018.

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	
Board Chairman	$100,000 per annum
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 FY2018 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	14%	86%	–	–	100%
*Lim Tiang Chuan	38%	45%	17%	–	100%
Tan Tee How	45%	54%	1%	–	100%

Remuneration band and name of Director	Base salary[1]	Variable payment[2]	Other Benefits[3]	Fees[4]	Total
$600,000 to $799,999					
**Hoon Tai Meng	41%	29%	30%	–	100%
$400,000 to $599,999					
***Dawn Lim Sock Kiang	60%	37%	3%	–	100%
Below $200,000					
Celine Tang	–	–	–	100%	100%
Ang Mong Seng	–	–	–	100%	100%
Ung Gim Sei	–	–	–	100%	100%
Lui Tuck Yew	–	–	–	100%	100%
Abdul Jabbar Bin Karam Din	–	–	–	100%	100%
Lock Wai Han	–	–	–	100%	100%
****Cheng Heng Tan	–	–	–	100%	100%

* Lim Tiang Chuan has resigned as a Director of the Company on 11 October 2018.
** Hoon Tai Meng has resigned as a Director of the Company on 30 June 2018.
*** Dawn Lim Sock Kiang has resigned as a Director of the Company on 11 October 2018.
****Cheng Heng Tan has retired as an Independent Director of the Company on 25 April 2018.

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 25 April 2018.

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 FY2018 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 24 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
$500,000 to $549,999					
Lim Sock Joo	Spouse of Chia Lee Meng Raymond; Niece of Lim Tiang Chuan[(b)]; and Sister of Dawn Lim Sock Kiang[(b)]	53%	45%	2%	100%
$350,000 to $399,999					
Lim Tiam Seng [(a)]	Father of Dawn Lim Sock Kiang[(b)]; Father-in-law of Chia Lee Meng Raymond; and Brother of Lim Tiang Chuan[(b)]	69%	21%	10%	100%
Lim Tian Back [(a)]	Brother of Lim Tiang Chuan[(b)]; Uncle of Dawn Lim Sock Kiang[(b)]; and Uncle-in-law of Chia Lee Meng Raymond	58%	40%	2%	100%
Lim Tian Moh [(a)]	Brother of Lim Tiang Chuan [(b)]; Uncle of Dawn Lim Sock Kiang [(b)]; and Uncle-in-law of Chia Lee Meng Raymond	56%	41%	3%	100%
$250,000 to $299,999					
Lim Ling Kwee [(a)]	Brother-in-law of Chia Lee Meng Raymond; Nephew of Lim Tiang Chuan[(b)], and Brother of Dawn Lim Sock Kiang[(b)]	55%	38%	7%	100%

(a) Lim Tiam Seng, Lim Tian Back, Lim Tian Moh and Lim Ling Kwee have resigned from their respective roles within the Group on 31 October 2018.
(b) Lim Tiang Chuan and Dawn Lim Sock Kiang have resigned as Director of the Company on 11 October 2018.

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 the 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.

Assurance from the CEO and CFO

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

a. the financial records of the Group have been properly maintained and the financial statements for FY2018 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 Group CEO and the 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 for FY2018.

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 Ung Gim Sei;
3. Mr Lui Tuck Yew;
4. Mr Abdul Jabbar Bin Karam Din; and
5. Mr Lock Wai Han

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

During FY2018, 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 FY2018 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 and relatives of 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 Park Colonial		
Lim Boon Heng Marcus*	1,250	NIL
Interest paid and/or payable for the Company's term notes held		
Chia Lee Meng Raymond and Lim Sock Joo[1]	242	NIL
Lim Tiang Chuan	114	NIL
Dawn Lim Sock Kiang	103	NIL
Lim Tiam Seng	82	NIL
Lim Tian Moh[2]	82	NIL

* Lim Boon Heng Marcus is the nephew 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.

Whistle blowing

The AC also reviewed the adequacy of the whistle blowing 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 contacting anyone of the members of a reporting committee comprising the Group CEO, the Executive Directors, the Lead Independent Director, the CFO and the Chief Human Resources Officer.

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 blowing 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 Directors, 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 reviews the adequacy and effectiveness of the internal audit function annually so as to maintain on an ongoing basis, an effective internal audit function that is adequately resourced and independent of the activities it audits. The AC is satisfied that the internal audit function has adequate resources to perform its functions effectively and has appropriate standing within the Company.

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 with 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. When necessary and appropriate, the management team will also meet up with analysts and fund managers who wish to seek a better understanding of the Group's operations.

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 as well as for the Company to solicit and understand the views of shareholders. 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 Chairman 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 28 (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 2018.

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 2018 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:

Celine Tang	(Non-Executive Chairman, appointed on 11 October 2018)
Chia Lee Meng Raymond	(Group Chief Executive Officer)
Tan Tee How	
Ang Mong Seng	
Ung Gim Sei	
Lui Tuck Yew	
Abdul Jabbar Bin Karam Din	
Lock Wai Han	(Appointed on 11 October 2018)

In accordance with Article 115 of the Company's Constitution, Ung Gim Sei will retire by rotation and does not intend to offer himself for re-election. Ang Mong Seng will retire by rotation and, being eligible, offers himself for re-election. Celine Tang and Lock Wai Han will 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 1.1.2018 or date of appointment**	**At 31.12.2018**	**At 21.1.2019**	**At 1.1.2018 or date of appointment**	**At 31.12.2018**	**At 21.1.2019**
The Company *(No. of ordinary shares)*						
Celine Tang	168,907,000	168,907,000	168,907,000	17,198,000	17,198,000	17,198,000
Chia Lee Meng Raymond	6,125,000	11,125,000	11,125,000	19,702,000	9,702,000	9,702,000
Ang Mong Seng	146,000	146,000	146,000	–	–	–
Ung Gim Sei	–	–	–	153,000	153,000	153,000
Lock Wai Han	90,000	90,000	90,000	–	–	–
Options to acquire ordinary shares of the Company under the Chip Eng Seng Employee Share Option Scheme						
Chia Lee Meng Raymond	40,000,000	35,000,000	35,000,000	–	–	–
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	–	–	–
Ang Mong Seng	\$250,000	\$250,000	\$250,000	–	–	–
Lui Tuck Yew	\$250,000	\$250,000	\$250,000	–	–	–
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	\$3,000,000	–	–	–
Ang Mong Seng	\$250,000	\$250,000	\$250,000	–	–	–
Lui Tuck Yew	–	–	–	\$250,000	\$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 2019.

5. **Share Plans**

The Company has a Chip Eng Seng Employee Share Option Scheme 2013 (the "ESOS") and Chip Eng Seng Performance Share Plan (the "CES Share Plan") which are administered by the Remuneration Committee comprising three directors namely Abdul Jabbar Bin Karam Din (Chairman), Ang Mong Seng (Member) and Ung Gim Sei (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).

On 3 June 2016 ("date of grant"), the Company has granted 40,000,000 share options at the exercise price of S$0.5542 per ordinary share under the ESOS. The 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	5,000,000	–	35,000,000

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

(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.

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

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

7. Auditor

Ernst & Young LLP have expressed their willingness to accept re-appointment as auditor.

On behalf of the board of directors:

Chia Lee Meng Raymond
Executive Director and
Group Chief Executive Officer

Tan Tee How
Executive Director

Singapore
22 March 2019

INDEPENDENT AUDITOR'S REPORT

For the financial year ended 31 December 2018

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 2018, 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 Singapore Financial Reporting Standards (International) ("SFRS(I)") 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 2018 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 and property development projects. The Group recognises revenue over time for its construction and residential property development projects in Singapore using the input method based on actual costs incurred to-date to the total budgeted costs for each project. If the unavoidable costs of meeting the obligations under a contract exceeds the economic benefits expected to be received under it, a provision for onerous contract is recognised. The uncertainty and subjectivity involved in determining the budgeted cost and progress towards completion may have a significant impact on the results of the Group, including the provision for onerous contracts. As such, we determined this to be key audit matter.

Key Audit Matters (cont'd)

Accounting for construction contracts and development properties under construction (cont'd)

As part of our audit procedures, we 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, total transaction price and total budgeted cost estimated for significant projects. We assessed the appropriateness of inputs, amongst others, materials, subcontractor and labor costs used by management in their estimation of the total costs to complete and obtained supporting documentation on the major inputs. We also checked the arithmetic accuracy of the revenue and profit recognised during the year 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 signs of any potential disputes, variation order claims, known technical issues or significant events that could impact the total estimated costs. We evaluated the adequacy of the disclosures of significant accounting policies for construction contracts, development properties under construction, provision for onerous contracts and contract balances and their related disclosures in Notes 4, 18 and 23.

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 and is highly sensitive to changes in the key assumptions applied. Accordingly, we determined this as a key audit matter.

As part of our audit procedures, we 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 Notes 12 and 31(b) relating to the investment properties and the assumptions used, given the estimation uncertainty and sensitivity of the valuations.

Carrying value of hotel assets

The Group is the owner of several hotels in Australia, Maldives and Singapore which are classified as property, plant and equipment in the financial statements. The Group's policy is to carry these hotel assets at cost less accumulated depreciation and any accumulated impairment losses. Management reviews the carrying value of the hotel assets and assesses if there is any indication of impairment in its hotel assets by considering individual hotel asset's operating performance and the fair values of the hotels based on independent external valuations. Management then applies its judgement in the assessment of the recoverability of the amounts invested in the hotel assets. Such judgement focuses predominantly on future hotel operating performance, which is, amongst others, dependent on the expected occupancy rates, revenue growth rates and the competitive landscape in local markets. Management assesses, on an annual basis, whether there are triggering events indicating potential impairment.

The impairment assessment was significant to our audit due to the carrying amounts of the hotel assets (representing 33.4% of the total non-current assets as at 31 December 2018) and the judgement involved in making various assumptions to the underlying valuation used in the impairment assessment. Accordingly, we determined this as a key audit matter.

As part of our audit procedures, we evaluated the Group's policies and procedures to identify triggering events for potential impairment and any material changes in the carrying value of hotel assets. We validated the main cash flow assumptions used in the external valuations and corroborated them by comparing them to internal forecasts and long term and strategic plans that were approved by management as well as historic trend analyses. We also involved our valuation specialist to evaluate the reasonableness of the capitalisation and discount rates utilised in the forecasts. We also evaluated the adequacy of the related disclosures in Note 11 relating to the hotel assets within property, plant and equipment.

Key Audit Matters (cont'd)

Accounting for business combination

In July 2018, the Group acquired a controlling 70% interest in White Lodge Education Group Services Pte Ltd ("White Lodge") for a total purchase consideration of $13,863,000. The acquisition of the controlling stake in White Lodge is accounted for as a business combination, for which the Group performed a provisional purchase price allocation ("PPA") exercise as disclosed in Note 14 to the financial statements.

We have determined this to be a key audit matter based on the materiality of the acquisition to the consolidated financial statements and the significant management judgement and estimates made on the provisional PPA. The significant management judgement and estimates involved in the provisional PPA exercise mainly relate to the identification of intangible assets and the determination of the fair value of the identifiable assets and liabilities, including intangible assets. In relation to the acquisition, an independent professional firm was engaged to assist the Group in arriving at its provisional PPA assessment.

As part of our audit procedures, we reviewed the purchase agreements to obtain an understanding of the transactions and the key terms. We read the purchase price allocation reports and assessed the provisional allocation of the purchase price to significant identified assets and liabilities acquired. We tested this identification and allocation based on our discussion with management and management's expert and our understanding of the business of White Lodge. Furthermore, we involved our internal specialists in assisting us to review management's valuation methodologies and assessing the key assumptions and inputs used in the identification of and in measuring the fair value of the net identifiable assets and liabilities. In addition, we assessed the competence, capabilities and objectivity of management's expert. We evaluated the appropriateness of the accounting treatment and purchase consideration of the acquisition based on the contractual agreements. We evaluated the adequacy of the related disclosures for the acquisition included in Note 14 to the financial statements.

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 SFRS(I), 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
22 March 2019

CONSOLIDATED INCOME STATEMENT

For the financial year ended 31 December 2018

	Note	2018 $'000	2017 $'000
Revenue	4	1,080,234	850,809
Cost of sales		(837,786)	(693,347)
Gross profit		242,448	157,462
Other items of income			
Interest income	5	5,613	4,224
Other income	6	3,758	21,572
Other items of expense			
Marketing and distribution		(14,106)	(6,457)
Administrative expenses		(94,224)	(67,993)
Finance costs	7	(50,373)	(37,924)
Share of results of associates and joint venture		4,928	582
Profit before tax	8	98,044	71,466
Income tax expense	9	(17,794)	(15,305)
Profit for the year		80,250	56,161
Attributable to:			
Owners of the Company		63,121	32,742
Non-controlling interests		17,129	23,419
		80,250	56,161
Earnings per share attributable to owners of the Company (cents per share)			
Basic	10	10.13	5.27
Diluted	10	9.93	5.18

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 2018

	2018 $'000	2017 $'000
Profit for the year	80,250	56,161
Other comprehensive income:		
Items that will not be reclassified to profit or loss		
Share of loss on property revaluation of associates	(44)	(54)
	(44)	(54)
Items that may be reclassified subsequently to profit or loss		
Net fair value loss on investment securities	–	(135)
Realisation of reserves on disposal of investment securities	–	(5,020)
Foreign currency translation	(13,509)	636
Share of foreign currency translation of associates and joint venture	(39)	(40)
	(13,548)	(4,559)
Other comprehensive income for the year, net of tax	(13,592)	(4,613)
Total comprehensive income for the year	66,658	51,548
Attributable to:		
Owners of the Company	50,094	28,063
Non-controlling interests	16,564	23,485
Total comprehensive income for the year	66,658	51,548

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

BALANCE SHEETS

As at 31 December 2018

	Note	Group 31 December 2018 $'000	Group 31 December 2017 $'000	Group 1 January 2017 $'000	Company 31 December 2018 $'000	Company 31 December 2017 $'000	Company 1 January 2017 $'000
Non-current assets							
Property, plant and equipment	11	364,221	324,490	219,756	1,438	1,829	1,684
Investment properties	12	250,617	251,706	288,693	–	–	–
Intangible assets	13	16,677	1,872	2,202	509	373	528
Investments in subsidiaries	14	–	–	–	3,342	48,302	48,302
Investment in joint venture	15	3,392	–*	–	–	–	–
Investments in associates	16	6,105	6,941	6,359	650	650	650
Deferred tax assets	24	5,956	5,967	2,995	–	–	–
Trade and other receivables	17	40,411	82,536	88	275,045	310,479	231,928
Investment securities		–	–	8,010	–	–	8,010
		687,379	673,512	528,103	280,984	361,633	291,102
Current assets							
Development properties	18	1,410,329	1,573,300	1,150,277	–	–	–
Inventories	19	2,152	2,313	1,688	–	–	–
Prepayments		2,708	5,100	4,022	252	1,848	1,831
Trade and other receivables	17	123,444	90,568	79,500	8,096	18,273	5,311
Contract assets	4	501,307	189,114	12,807	–	–	–
Capitalised contract costs	4	16,663	14,161	12,215	–	–	–
Cash and short-term deposits	20	342,558	257,846	481,582	41,428	6,167	122,273
		2,399,161	2,132,402	1,742,091	49,776	26,288	129,415
Total assets		3,086,540	2,805,914	2,270,194	330,760	387,921	420,517

*Amount is less than $1,000.

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

BALANCE SHEETS

As at 31 December 2018

		Group			Company		
	Note	31 December 2018 $'000	31 December 2017 $'000	1 January 2017 $'000	31 December 2018 $'000	31 December 2017 $'000	1 January 2017 $'000
Current liabilities							
Loans and borrowings	21	129,773	8,735	234,182	–	–	150,000
Trade and other payables	22	64,814	59,429	78,060	671	11,243	124
Contract liabilities	4	99,488	88,623	40,859	–	–	–
Other liabilities	23	48,430	53,299	43,078	7,414	4,675	5,944
Income tax payable		9,716	13,217	28,811	600	39	586
		352,221	223,303	424,990	8,685	15,957	156,654
Net current assets/ (liabilities)		2,046,940	1,909,099	1,317,101	41,091	10,331	(27,239)
Non-current liabilities							
Loans and borrowings	21	1,681,360	1,524,075	936,736	38,250	245,000	120,000
Trade and other payables	22	140,696	212,713	106,692	191,017	10,000	–
Other liabilities	23	36	64	–	–	–	–
Deferred tax liabilities	24	38,172	21,044	9,442	36	21	21
		1,860,264	1,757,896	1,052,870	229,303	255,021	120,021
Total liabilities		2,212,485	1,981,199	1,477,860	237,988	270,978	276,675
Net assets		874,055	824,715	792,334	92,772	116,943	143,842
Equity attributable to owners of the Company							
Share capital	25(a)	79,691	79,691	79,691	79,691	79,691	79,691
Treasury shares	25(b)	(30,034)	(33,653)	(33,653)	(30,034)	(33,653)	(33,653)
Retained earnings		773,466	735,186	727,285	39,722	67,659	91,790
Other reserves	26	(5,775)	7,105	9,397	3,393	3,246	6,014
		817,348	788,329	782,720	92,772	116,943	143,842
Non-controlling interests		56,707	36,386	9,614	–	–	–
Total equity		874,055	824,715	792,334	92,772	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 2018

2018 Group	Equity, total $'000	Equity attributable to owners of the Company, total $'000	Share capital (Note 25(a)) $'000	Treasury shares (Note 25(b)) $'000	Retained earnings $'000	Other reserves (Note 26) $'000	Non-controlling interests $'000
		Attributable to owners of the Company					
Opening balance at 1 January 2018 (FRS framework)	808,582	774,225	79,691	(33,653)	744,361	(16,174)	34,357
Cumulative effects of adopting SFRS(I) (Note 2.2)	16,133	14,104	–	–	(9,175)	23,279	2,029
Opening balance at 1 January 2018 (SFRS(I) framework)	824,715	788,329	79,691	(33,653)	735,186	7,105	36,386
Profit for the year	80,250	63,121	–	–	63,121	–	17,129
Other comprehensive income							
Foreign currency translation	(13,509)	(12,944)	–	–	–	(12,944)	(565)
Share of other comprehensive income of associates and joint venture	(83)	(83)	–	–	–	(83)	–
Other comprehensive income for the year, net of tax	(13,592)	(13,027)	–	–	–	(13,027)	(565)
Total comprehensive income for the year	66,658	50,094	–	–	63,121	(13,027)	16,564
Contributions by and distributions to owners							
Share-based compensation expenses (Note 26)	995	995	–	–	–	995	–
Treasury shares reissued pursuant to employee share option plans (Note 25)	2,771	2,771	–	3,619	–	(848)	–
Dividends paid (Note 35)	(24,841)	(24,841)	–	–	(24,841)	–	–
Acquisition of subsidiary (Note 14)	2,137	–	–	–	–	–	2,137
Total contributions by and distributions to owners	(18,938)	(21,075)	–	3,619	(24,841)	147	2,137
Changes in ownership interests in subsidiaries							
Incorporation of a subsidiary with non-controlling interest	1,620	–	–	–	–	–	1,620
Total changes in ownership interest in subsidiaries	1,620	–	–	–	–	–	1,620
Total transactions with owners in their capacity as owners	(17,318)	(21,075)	–	3,619	(24,841)	147	3,757
Closing balance at 31 December 2018	874,055	817,348	79,691	(30,034)	773,466	(5,775)	56,707

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 2018

2017 Group	Equity, total $'000	Equity attributable to owners of the Company, total $'000	Share capital (Note 25(a)) $'000	Treasury shares (Note 25(b)) $'000	Retained earnings $'000	Other reserves (Note 26) $'000	Non-controlling interests $'000
		Attributable to owners of the Company					
Opening balance at 1 January 2017 (FRS framework)	776,613	765,874	79,691	(33,653)	733,696	(13,860)	10,739
Cumulative effects of adopting SFRS(I) (Note 2.2)	15,721	16,846	–	–	(6,411)	23,257	(1,125)
Opening balance at 1 January 2017 (SFRS(I) framework)	792,334	782,720	79,691	(33,653)	727,285	9,397	9,614
Profit for the year	56,161	32,742	–	–	32,742	–	23,419
Other comprehensive income							
Net fair value loss on investment securities	(135)	(135)	–	–	–	(135)	–
Realisation of reserves on disposal of investment securities	(5,020)	(5,020)	–	–	–	(5,020)	–
Foreign currency translation	636	570	–	–	–	570	66
Share of other comprehensive income of associates and joint venture	(94)	(94)	–	–	–	(94)	–
Other comprehensive income for the year, net of tax	(4,613)	(4,679)	–	–	–	(4,679)	66
Total comprehensive income for the year	51,548	28,063	–	–	32,742	(4,679)	23,485
Contributions by and distributions to owners							
Share-based compensation expenses (Note 26)	2,387	2,387	–	–	–	2,387	–
Dividends paid (Note 35)	(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	824,715	788,329	79,691	(33,653)	735,186	7,105	36,386

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 2018

2018 Company	Total $'000	Share capital (Note 25(a)) $'000	Treasury shares (Note 25(b)) $'000	Retained earnings $'000	Other reserves (Note 26) $'000
Opening balance at 1 January 2018	116,943	79,691	(33,653)	67,659	3,246
Loss for the year, representing total comprehensive income for the year	(3,096)	–	–	(3,096)	–
Contributions by and distributions to owners					
Share-based compensation expenses (Note 26)	995	–	–	–	995
Treasury shares reissued pursuant to employee share option plans (Note 25)	2,771	–	3,619	–	(848)
Dividends paid (Note 35)	(24,841)	–	–	(24,841)	–
Total contributions by and distributions to owners	(21,075)	–	3,619	(24,841)	147
Closing balance at 31 December 2018	92,772	79,691	(30,034)	39,722	3,393
2017					
Company					
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 fair value loss on investment securities	(135)	–	–	–	(135)
Realisation of reserves on disposal of investment securities	(5,020)	–	–	–	(5,020)
Other comprehensive income for the year, net of tax	(5,155)	–	–	–	(5,155)
Total comprehensive income for the year	(4,445)	–	–	710	(5,155)
Contributions by and distributions to owners					
Share-based compensation expenses (Note 26)	2,387	–	–	–	2,387
Dividends paid (Note 35)	(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.

CONSOLIDATED CASH FLOW STATEMENT

For the financial year ended 31 December 2018

	Note	2018 $'000	2017 $'000
Operating activities			
Profit before tax		98,044	71,466
Adjustments for:			
Interest income	5	(5,613)	(4,224)
Gain on disposal of property, plant and equipment	6	(231)	(118)
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	(20)	(110)
Finance costs	7	50,373	37,924
Property, plant and equipment written off	8	1	34
Provision for onerous contract	8	7,500	9,500
Impairment loss written back on development properties	8	–	(1,513)
Depreciation of property, plant and equipment	11	18,810	11,166
Impairment of property, plant and equipment	11	3,922	–
Fair value loss on investment properties	12	1,042	1,873
Amortisation of intangible assets	13	161	225
Amortisation of capitalised contract cost	4	12,752	6,980
Impairment of intangible assets	13	2,013	–
Impairment loss/(write back of impairment loss) on trade receivables, net		338	(220)
Share-based compensation expenses	26(f)	995	2,387
Share of results of associates and joint venture		(4,928)	(582)
Loss on liquidation of an associate	8	17	–
Unrealised exchange loss		5,292	1,679
Operating cash flows before changes in working capital		190,468	118,248
Changes in working capital:			
Development properties		159,913	(429,271)
Capitalised contract cost	4	(15,343)	(8,929)
Inventories		165	(607)
Prepayments		2,380	(1,087)
Trade and other receivables and contract assets		(303,432)	(242,084)
Trade and other payables and contract liabilities		(59,444)	135,678
Other liabilities		(12,385)	1,091
Cash flows used in operations		(37,678)	(426,961)
Interest paid		(60,539)	(45,967)
Interest received		5,613	4,224
Income taxes paid		(5,809)	(22,257)
Net cash flows used in operating activities		(98,413)	(490,961)

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 2018

	Note	2018 $'000	2017 $'000
Investing activities			
Net cash outflow on acquisition of subsidiary	14	(10,377)	–
Net cash outflow on acquisition of business assets	14	(29,690)	–
Purchase of property, plant and equipment	11	(21,889)	(118,530)
Proceeds from disposal of property, plant and equipment		606	164
Proceeds from liquidation of an associate		829	–
Proceeds from disposal of investment property		–	69,625
Proceeds from disposal of investment securities		–	7,776
Proceeds from disposal of intangible assets		20	295
Dividend income from associates		1,350	–
Repayment from/(advances to) associates		1,058	(28,568)
Additions to intangible assets	13	(195)	(80)
Additions to investment properties	12	(12,819)	(5,449)
Net cash flows used in investing activities		(71,107)	(74,767)
Financing activities			
Repayment of loans and borrowings		(217,347)	(311,880)
Proceeds from loans and borrowings		701,202	700,559
Redemption of term notes		(206,750)	(150,000)
Proceeds from issuance of term notes		–	125,000
Dividends paid on ordinary shares	35	(24,841)	(24,841)
Proceeds from exercise of employee share options	25(b)	2,771	–
Proceeds from issuance of new shares by subsidiary to non-controlling interest		1,620	3,287
Net cash flows generated from financing activities		256,655	342,125
Net increase/(decrease) in cash and cash equivalents		87,135	(223,603)
Effect of exchange rate changes on cash and cash equivalents		(2,423)	(133)
Cash and cash equivalents at beginning of the year		257,846	481,582
Cash and cash equivalents at end of the year	20	342,558	257,846

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

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 2018 are:

Name of Company	Country of incorporation	Principal activities	Proportion (%) of ownership interest		
			31 December 2018	31 December 2017	1 January 2017
Subsidiary companies					
Held by the Company					
^ CEL Development Pte. Ltd.	Singapore	Property developer and property investor	100	100	100
^ Chip Eng Seng Construction Pte. Ltd.	Singapore	Investment holding	100	100	100
^ CES Capital Holdings Pte. Ltd.	Singapore	Investment holding	100	100	–
^ CES Hospitality Pte. Ltd.	Singapore	Investment holding	100	100	–
^ CES Education Pte. Ltd.	Singapore	Investment holding	100	–	–
# CES Treasury Pte. Ltd.	Singapore	Provision of financial and treasury services to members of the Chip Eng Seng group of companies	100	–	–
Held by subsidiaries					
^ Chip Eng Seng Contractors (1988) Pte Ltd	Singapore	General building contractor	100	100	100
^ CES Engineering & Construction Pte. Ltd.	Singapore	General building contractor	100	100	100
^ CES-Precast Pte. Ltd.	Singapore	Manufacturing and trading of precast products	100	100	100

1. Corporate information (cont'd)

Name of Company	Country of incorporation	Principal activities	Proportion (%) of ownership interest 31 December 2018	31 December 2017	1 January 2017
Subsidiary companies (cont'd)					
Held by subsidiaries (cont'd)					
^ CES Building and Construction Pte. Ltd.	Singapore	General building engineering services	100	100	100
^ SPP System Pte. Ltd.	Singapore	Modular building construction	100	100	100
^ CEL-Changi Pte. Ltd.	Singapore	Property developer	100	100	100
^ Fernvale Development Pte. Ltd.	Singapore	Property developer	60	60	60
CEL-Bedok Pte. Ltd.	Singapore	In the process of liquidation	100	100	100
^ CEL Property Pte. Ltd.	Singapore	Property developer and investment holding	100	100	100
^ CEL-Yishun (Residential) Pte. Ltd.	Singapore	Property developer	100	100	100
^ CEL-Yishun (Commercial) Pte. Ltd.	Singapore	Property developer	100	100	100
^ CEL Real Estate Development Pte. Ltd.	Singapore	Property developer	100	100	100
^ CEL-Simei Pte. Ltd.	Singapore	Property developer	100	100	100
^ CEL-Fort Pte. Ltd.	Singapore	Property developer	100	100	100
# CEL Property Development Pte. Ltd.	Singapore	Property developer	100	–	–
# CEL Newton Pte. Ltd.	Singapore	Property developer	100	–	–
PH Properties Pte. Ltd.	Singapore	In the process of liquidation	100	100	100
^ CEL Unique Pte. Ltd.	Singapore	Investment holding	60	60	–
^ CEL Unique Holdings Pte. Ltd.	Singapore	Investment holding	60	60	–

1. Corporate information (cont'd)

Name of Company	Country of incorporation	Principal activities	Proportion (%) of ownership interest 31 December 2018	31 December 2017	1 January 2017
<u>Subsidiary companies (cont'd)</u>					
Held by subsidiaries (cont'd)					
^ CEL Unique Development Pte. Ltd.	Singapore	Property developer	60	60	–
^ CEL Property Investment (Australia) Pte. Ltd.	Singapore	Investment holding	100	100	100
^ CEL Property Investment Pte. Ltd.	Singapore	Property investor	100	100	100
^ Evervit Development Pte Ltd	Singapore	Property investor	100	100	100
^ CES Property Investment (New Zealand) Pte. Ltd.	Singapore	Investment holding	100	100	–
^ CEL Property (M) Pte. Ltd.	Singapore	Investment holding	100	100	100
^ CES-Vietnam Holdings Pte. Ltd.	Singapore	Investment holding	100	100	100
^ CES-NB Pte. Ltd.	Singapore	Investment holding	100	100	100
^ CES-VH Holdings Pte. Ltd.	Singapore	Investment holding	100	100	100
^ CES Park (Maldives) Pte. Ltd.	Singapore	Investment holding	70	70	70
# CES Investment (Vietnam) Pte. Ltd.	Singapore	Investment holding	100	100	100
# CES Management (Vietnam) Pte. Ltd.	Singapore	Investment holding	100	100	100
^ CES Hotels (Australia) Pte. Ltd.	Singapore	Investment holding	100	100	–
^ CEL-Alexandra Pte. Ltd.	Singapore	Hotel owner, property investor and property developer	100	100	100
^^ CES Glenelg Pty Ltd	Australia	Property developer	100	100	100
^^ CEL Australia Pty Ltd	Australia	Investment holding	100	100	100
^^ 242 West Coast Highway Scarborough Pty Ltd	Australia	Property developer	100	100	100

1. Corporate information (cont'd)

Name of Company	Country of incorporation	Principal activities	Proportion (%) of ownership interest 31 December 2018	31 December 2017	1 January 2017
Subsidiary companies (cont'd)					
Held by subsidiaries (cont'd)					
^^ CES-Queen (VIC) Pty Ltd	Australia	Property developer	100	100	100
^^ CES Properties (AUS) Pty Ltd	Australia	Property investor	100	100	100
β CES-Victoria (VIC) Pty Ltd	Australia	Liquidated	–	100	100
^^ CES-Northcote (VIC) Pty Ltd	Australia	Property developer	100	100	100
^^ CES-Gladstone (VIC) Pty Ltd	Australia	Property developer	100	100	100
^^ CES South Perth (WA) Pty Ltd	Australia	Investment holding	100	100	–
^^ CES Sirona Lyall (WA) Pty Ltd	Australia	Property developer	70	70	–
# CEL Real Estate Pty Ltd	Australia	Property developer	100	–	–
^^ CES Grosvenor (SA) Pty Ltd	Australia	Property investor	100	100	–
^^ CES Grosvenor Hotel (SA) Pty Ltd	Australia	Hotel owner	100	100	–
^^ CES Mandurah Hotel (WA) Pty Ltd	Australia	Hotel owner	100	100	–
^^ CES Pirie Hotel (SA) Pty Ltd	Australia	Hotel owner	100	–	–
# CES Hotel Investment Pty Ltd	Australia	Investment holding	100	–	–
++ CES Properties (NZ) Pty Limited	New Zealand	Investment holding	100	100	–
^^ CES-Precast Sdn. Bhd.	Malaysia	Manufacturing and trading of precast products	100	100	100
* CEL Malacca Sdn. Bhd.	Malaysia	Property developer and investment holding	100	100	100
^^ CES Park Kodhipparu Private Limited	Maldives	Resort owner	70	70	70

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

Name of Company	Country of incorporation	Principal activities	Proportion (%) of ownership interest 31 December 2018	31 December 2017	1 January 2017
<u>Subsidiary companies (cont'd)</u>					
Held by subsidiaries (cont'd)					
^^ Viet Investment Link Joint Stock Company	Vietnam	Provision of management services	99	99	99
^^ CES MAIC Management (Vietnam) Co., Ltd	Vietnam	Provision of real estate management and consultancy services	70	70	70
^ CES ASG Pte. Ltd.	Singapore	Investment holding	100	–	–
^ CES Repton Asia Pte. Ltd.	Singapore	Investment holding	100	–	–
^ CES Repton SG Pte. Ltd.	Singapore	Childcare and related services	100	–	–
^ CES R Lab Pte. Ltd.	Singapore	Provision of early childhood enrichment education	100	–	–
^ CES Greenville Pte. Ltd.	Singapore	Investment holding	100	–	–
# Magna Education Pte. Ltd.	Singapore	Investment holding	100	–	–
# CES Cambridge Pte. Ltd.	Singapore	Investment holding	100	–	–
^ CES WL Pte. Ltd.	Singapore	Investment holding	100	–	–

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

Name of Company	Country of incorporation	Principal activities	Proportion (%) of ownership interest 31 December 2018	31 December 2017	1 January 2017
<u>Subsidiary companies (cont'd)</u>					
Held by subsidiaries (cont'd)					
^ White Lodge Education Group Services Pte. Ltd.	Singapore	Investment holding	70	–	–
^ White Lodge, Bukit Timah Pte. Ltd.	Singapore	Kindergarten and related services	70	–	–
^ White Lodge, Upper Bukit Timah Pte. Ltd.	Singapore	Kindergarten and related services	70	–	–
^ White Lodge Kindergarten, East Coast Pte. Ltd.	Singapore	Kindergarten and related services	70	–	–
^ White Lodge, Upper East Coast Pte. Ltd.	Singapore	Kindergarten and related services	70	–	–
^ White Lodge Kindergarten, Phoenix Park Pte. Ltd.	Singapore	Kindergarten and related services	70	–	–
^ White Lodge, West Coast Pte. Ltd.	Singapore	Kindergarten and related services	70	–	–
^ White Lodge School of Arts, Loewen Gardens Pte. Ltd.	Singapore	Kindergarten and related services	70	–	–
^ White Lodge Preschool River Valley Pte. Ltd.	Singapore	Childcare and related services	70	–	–
@ White Lodge Education Services (Malaysia) Sdn. Bhd.	Malaysia	Investment holding	70	–	–
@ White Lodge, Bangsar South Childcare Centre Sdn. Bhd.	Malaysia	Childcare and related services	70	–	–
@ White Lodge Mont Kiara Childcare Centre Sdn. Bhd.	Malaysia	Childcare and related services	70	–	–

1. Corporate information (cont'd)

Name of Company	Country of incorporation	Principal activities	Proportion (%) of ownership interest 31 December 2018	31 December 2017	1 January 2017
Associated companies					
Held by the Company					
** Ardille Pte Ltd	Singapore	Investment holding	38	38	38
Held by associated companies					
** ACP Metal Finishing Pte Ltd	Singapore	Provision of custom electro-plating and surface treatment services	38	38	38
## ACP Poland Spolka Z Ograniczona Odpowiedzialnoscia	Poland	Provision of custom electro-plating and surface treatment services	38	38	38
Held by subsidiaries					
+ Punggol Field EC Pte. Ltd.	Singapore	In the process of liquidation	40	40	40
+ Pasir Ris EC Pte. Ltd.	Singapore	Property developer	40	40	40
β LGB-NB Pte. Ltd.	Singapore	Liquidated	–	20	20
Joint venture					
Held by subsidiary					
++ Roxy-CES (NZ) Limited	New Zealand	Property investor	50	50	–

Not required to be audited as these companies are considered dormant and exempted from audit under the Singapore 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.
++ Audited by HLB Mann Judd, Auckland.
@ Audited by BDO, Malaysia.
β Liquidated during the year.

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 (International) ("SFRS(I)").

For all periods up to and including the year ended 31 December 2017, the Group prepared its financial statements in accordance with Financial Reporting Standards in Singapore ("FRS"). These financial statements for the year ended 31 December 2018 are the first the Group has prepared in accordance with SFRS(I). Refer to Note 2.2 for information on how the Group adopted SFRS(I).

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

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

2.2 First-time adoption of Singapore Financial Reporting Standards (International) ("SFRS(I)")

These financial statements for the year ended 31 December 2018 are the first the Group and the Company have prepared in accordance with SFRS(I). Accordingly, the Group and the Company have prepared financial statements that comply with SFRS(I) applicable as at 31 December 2018, together with the comparative period data for the year ended 31 December 2017, as described in the summary of significant accounting policies. On preparing the financial statements, the Group's and the Company's opening balance sheets were prepared as at 1 January 2017, the Group and the Company's date of transition to SFRS(I).

The principal adjustments made by the Group on adoption of SFRS(I) and the adoption of the new standards that are effective on 1 January 2018 are disclosed below. There were no adjustments to the Company's financials arising from the adoption of SFRS(I) and the adoption of new standards that are effective from 1 January 2018.

<u>Exemptions applied on adoption of SFRS(I)</u>

SFRS(I) allows first-time adopters exemptions from the retrospective application of certain requirements under SFRS(I). The Group has applied the following exemptions:

- SFRS(I) 3 *Business Combinations* has not been applied to either acquisitions of subsidiaries that are considered businesses under SFRS(I), or acquisitions of interests in associates and joint ventures that occurred before 1 January 2017. The carrying amounts of assets and liabilities at the date of transition to SFRS(I) is the same as previously reported under FRS.

- SFRS(I) 1-21 *The Effects of Changes in Foreign Exchange Rates* has not been applied retrospectively to fair value adjustments and goodwill from business combinations that occurred before the date of transition to SFRS(I). Such fair value adjustments and goodwill are treated as assets and liabilities of the parent rather than as assets and liabilities of the acquiree. Therefore, those assets and liabilities are already expressed in the functional currency of the parent or are non-monetary foreign currency items and no further translation differences occur.

- Cumulative currency translation differences for all foreign operations are deemed to be zero at the date of transition, 1 January 2017. As a result, an amount of $23,257,000 was adjusted against the opening retained earnings as at 1 January 2017.

- The comparative information do not comply with SFRS(I) 9 *Financial Instruments* or SFRS(I) 7 *Financial Instruments: Disclosures* to the extent the disclosures relate to items within the scope of SFRS(I) 9.

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

2.2 First-time adoption of SFRS(I) (cont'd)

SFRS(I) 9 *Financial Instruments*

SFRS(I) 9 introduces new requirements for classification and measurement of financial assets, impairment of financial assets and hedge accounting. Overall, there was no significant change to the measurement basis arising from adopting the new classification and measurement model under SFRS(I) 9.

SFRS(I) 9 requires the Group to record expected credit losses on all of its loans and trade receivables, either on a 12-month or lifetime basis. The Group adopts the simplified approach and records lifetime expected losses on all trade receivables. No additional impairment has been recognised by the Group on transition to SFRS(I) 9.

SFRS(I) 15 *Revenue from Contracts with Customers*

The Group adopted SFRS(I) 15 which is effective for annual periods beginning on or after 1 January 2018. The Group applied SFRS(I) 15 retrospectively and has elected to apply the exemption in SFRS(I) 1 to apply the following practical expedients in accordance with the transition provisions in SFRS(I) 15:

- For completed contracts, the Group has not restated contracts that begin and end within the same year or are completed contracts at 1 January 2017. Had the Group elected not to apply this practical expedient, the amount of revenue recorded for the prior year would have been lower;

- For completed contracts that have variable consideration, the Group has used the transaction price at the date the contract was completed instead of estimating variable consideration amounts in the comparative year ended 31 December 2017. Had the Group elected not to apply this practical expedient, the amount of revenue recorded for the prior year would have been lower;

- For the comparative year ended 31 December 2017, the Group has not disclosed the amount of the transaction price allocated to the remaining performance obligations and an explanation of when the corresponding revenue is expected to be recognised.

The Group is in the business of construction, property development, property investment, hospitality and education. The key impact of adopting SFRS(I) 15 is detailed as follows:

(a) Construction contracts

The Group previously recognised 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 SFRS(I) 15, 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 SFRS(I) 15, gross amount due from customers for work-in-progress of $9,677,000 and gross amount due to customers for work-in-progress of $11,100,000 were de-recognised as at 1 January 2017. Inventories of $1,640,000 were adjusted and contract assets of $12,807,000 and contract liabilities of $14,024,000 were recognised as at 1 January 2017 accordingly.

The Group's balance sheet as at 31 December 2017 was restated, resulting in the recognition of contract assets of $9,960,000 and contact liabilities of $21,090,000 and adjustment of inventories of $1,552,000. The statement of profit or loss for the year ended 31 December 2017 was also restated, resulting in decreases in revenue of $8,914,000 and increases in cost of sales of $6,514,000 respectively. Gross amount due from customers for work-in-progress of $13,467,000 and gross amount due to customers for work-in-progress of $33,910,000 as at 31 December 2017 were de-recognised accordingly.

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

2.2 First-time adoption of SFRS(I) (cont'd)

SFRS(I) 15 *Revenue from Contracts with Customers (cont'd)*

(b) Sale of development properties

(i) Timing of revenue recognition

The Group previously recognised 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 SFRS(I) 15, 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.

As a result, an increase in development properties of $22,559,000 as at 1 January 2017 and an increase of $26,835,000 in contract liabilities was recognised. As at 31 December 2017, a decrease in development properties of $115,360,000, an increase in contract assets of $179,154,000 and increase in contract liabilities of $67,533,000 was recognised. The statement of profit or loss for the year ended 31 December 2017 was also restated, resulting in decreases in cost of sales of $27,363,000.

(ii) Capitalised contract costs

The Group pays commissions to property agents on the sale of property and previously recognised such commissions as expense when incurred. The Group applied the practical expedients in SFRS(I) 15 for costs to obtain a contract to expense those costs that would have been amortised over one year or less. Where amortisation period will be longer than one year, the Group will capitalise the incremental costs of obtaining a contract that meet the criteria in SFRS(I) 15. Under SFRS(I) 15, the Group capitalises 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. Arising from this change, the Group recognised an increase in capitalised contract costs of $12,215,000 and a corresponding increase in retained earnings by $12,215,000 on 1 January 2017.

The Group's balance sheet as at 31 December 2017 was restated, resulting in increase in capitalised contract cost of $1,946,000, retained earnings of $1,185,000 and a decrease in development properties of $761,000. The statement of profit or loss for the year ended 31 December 2017 was also restated, resulting in increase in cost of sales of $6,980,000.

(iii) Finance costs

Before 1 January 2018, the Group recognised finance costs incurred on development properties on a percentage of completion method multiplied by the individual project's percentage of sales. Under SFRS(I) 15, finance costs incurred in relation to the acquisition of land and construction of a development project where revenue is recognised over time is capitalised up to the point that the project is ready for its intended sale. Finance costs incurred after that date is expensed as incurred.

This resulted in an increase in retained earnings by $1,372,000 on 1 January 2017, an increase in finance costs by $12,804,000 and a decrease in cost of sales by $13,192,000 for the year ended 31 December 2017.

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

2.2 First-time adoption of SFRS(I) (cont'd)

SFRS(I) 15 *Revenue from Contracts with Customers (cont'd)*

(c) Tax and other adjustments

The corresponding tax impact to the Group arising from the adoption of SFRS(I) 15 resulted in decrease in deferred tax liability of $532,000 and increase in income tax payable of $453,000 with a corresponding increase in retained earnings amounting to $79,000 on 1 January 2017 and an increase in income tax expense of $906,000 with a corresponding decrease in retained earnings amounting to $906,000 for the year ended 31 December 2017.

The following is the reconciliation of the impact arising from first-time adoption of SFRS(I) including application of the new accounting standards on 1 January 2017 to the balance sheet of the Group.

	Group			
	1 January 2017 (FRS)	SFRS(I) 1 adjustments	SFRS(I) 15 adjustments	1 January 2017 (SFRS(I))
	$'000	$'000	$'000	$'000
Non-current assets				
Other non-current assets	308,347	–	–	308,347
Property, plant and equipment	219,604	–	152	219,756
	527,951	–	152	528,103
Current assets				
Gross amount due from customers for contract work-in-progress	9,677	–	(9,677)	–
Development properties	1,127,718	–	22,559	1,150,277
Inventories	48	–	1,640	1,688
Trade and other receivables	81,241	–	(1,741)	79,500
Contract assets	–	–	12,807	12,807
Capitalised contract costs	–	–	12,215	12,215
Other current assets	485,604	–	–	485,604
	1,704,288	–	37,803	1,742,091
Current liabilities				
Gross amount due to customers for contract work-in-progress	11,100	–	(11,100)	–
Trade and other payables	86,394	–	(8,334)	78,060
Contract liabilities	–	–	40,859	40,859
Other liabilities	42,190	–	888	43,078
Income tax payable	28,358	–	453	28,811
Other current liabilities	234,182	–	–	234,182
	402,224	–	22,766	424,990
Non-current liabilities				
Deferred tax liabilities	9,974	–	(532)	9,442
Other non-current liabilities	1,043,428	–	–	1,043,428
	1,053,402	–	(532)	1,052,870
Net assets	776,613	–	15,721	792,334

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

2.2 First-time adoption of SFRS(I) (cont'd)

	Group			
	1 January 2017 (FRS)	SFRS(I) 1 adjustments	SFRS(I) 15 adjustments	1 January 2017 (SFRS(I))
	$'000	$'000	$'000	$'000
Equity attributable to owners of the Company				
Share capital	79,691	–	–	79,691
Treasury shares	(33,653)	–	–	(33,653)
Retained earnings	733,696	(23,257)	16,846	727,285
Other reserves	(13,860)	23,257	–	9,397
	765,874	–	16,846	782,720
Non-controlling interests	10,739	–	(1,125)	9,614
Total equity	776,613	–	15,721	792,334

The following is the reconciliation of the impact arising from first-time adoption of SFRS(I) including application of the new accounting standards on 31 December 2017 and 1 January 2018 to the balance sheet of the Group.

	Group			
	31 December 2017 (FRS)	SFRS(I) 1 adjustments	SFRS(I) 15 adjustments	31 December 2017 (SFRS(I))
	$'000	$'000	$'000	$'000
Non-current assets				
Other non-current assets	343,055	–	–	343,055
Deferred tax assets	5,289	–	678	5,967
Property, plant and equipment	324,054	–	436	324,490
	672,398	–	1,114	673,512
Current assets				
Gross amount due from customers for contract work-in-progress	13,467	–	(13,467)	–
Development properties	1,688,660	–	(115,360)	1,573,300
Prepayments	5,003	–	97	5,100
Inventories	761	–	1,552	2,313
Trade and other receivables	89,723	–	845	90,568
Contract assets	–	–	189,114	189,114
Capitalised contract costs	–	–	14,161	14,161
Other current assets	257,846	–	–	257,846
	2,055,460	–	76,942	2,132,402

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

2.2 First-time adoption of SFRS(I) (cont'd)

	Group			
	31 December 2017 (FRS) $'000	SFRS(I) 1 adjustments $'000	SFRS(I) 15 adjustments $'000	31 December 2017 (SFRS(I)) $'000
Current liabilities				
Gross amount due to customers for contract work-in-progress	33,910	–	(33,910)	–
Trade and other payables	58,470	–	959	59,429
Contract liabilities	–	–	88,623	88,623
Other liabilities	48,535	–	4,764	53,299
Income tax payable	12,811	–	406	13,217
Other current liabilities	8,735	–	–	8,735
	162,461	–	60,842	223,303
Non-current liabilities				
Deferred tax liabilities	19,963	–	1,081	21,044
Other non-current liabilities	1,736,852	–	–	1,736,852
	1,756,815	–	1,081	1,757,896
Net assets	808,582	–	16,133	824,715
Equity attributable to owners of the Company				
Share capital	79,691	–	–	79,691
Treasury shares	(33,653)	–	–	(33,653)
Retained earnings	744,361	(23,279)	14,104	735,186
Other reserves	(16,174)	23,279	–	7,105
	774,225	–	14,104	788,329
Non-controlling interests	34,357	–	2,029	36,386
Total equity	808,582	–	16,133	824,715

The adoption of SFRS(I)) did not have any impact to the balance sheet of the Company as at 1 January 2017, 31 December 2017 or 1 January 2018.

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

2.2 First-time adoption of SFRS(I) (cont'd)

The following is the reconciliation of the impact arising from first-time adoption of SFRS(I) and application of the new accounting standards to the comprehensive income of the Group for the year ended 31 December 2017.

	Group		
	2017 (FRS) $'000	SFRS(I) 15 adjustments $'000	2017 (SFRS(I)) $'000
Revenue	859,723	(8,914)	850,809
Cost of sales	(707,216)	13,869	(693,347)
Gross profit	152,507	4,955	157,462
Other items of income	25,796	–	25,796
Other items of expense			
- Marketing and distribution	(14,622)	8,165	(6,457)
- Administrative expenses	(68,970)	977	(67,993)
- Finance cost	(25,120)	(12,804)	(37,924)
Share of results of associates and joint venture	582	–	582
Profit before tax	70,173	1,293	71,466
Income tax expense	(14,399)	(906)	(15,305)
Profit for the year	55,774	387	56,161
Other comprehensive income			
Items that will not be reclassified to profit or loss	(54)	–	(54)
Items that may be reclassified subsequently to profit or loss	(4,584)	25	(4,559)
Other comprehensive income for the year, net of tax	(4,638)	25	(4,613)
Total comprehensive income for the year	51,136	412	51,548
Attributable to:			
Owners of the Company	30,805	(2,742)	28,063
Non-controlling interests	20,331	3,154	23,485
	51,136	412	51,548
Earnings per share attributable to owners of the Company (cents per share)			
Basic	5.72	(0.45)	5.27
Diluted	5.62	(0.44)	5.18

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

2.3 Standards issued but not yet effective

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

Description	**Effective for annual periods beginning on or after**
SFRS(I) 16 *Leases*	1 January 2019
SFRS(I) INT 23 *Uncertainty over Income Tax Treatments*	1 January 2019
Amendments to SFRS(I) 9 *Prepayment Features with Negative Compensation*	1 January 2019
Amendments to SFRS(I) 1-28 *Long-term Interests in Associates and Joint Ventures*	1 January 2019
Annual Improvements to SFRS(I)s 2015-2017 Cycle	1 January 2019
Amendments to SFRS(I) 10 and SFRS(I) 1-28 *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*	Date to be determined

Except for SFRS(I) 16, the directors expect that the adoption of the other standards above 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) 16 are described below.

SFRS(I) 16 *Leases*

SFRS(I) 16 requires lessees to recognise most leases on balance sheets. The standard includes two recognition exemptions for lessees – leases of 'low value' assets and short-term leases. SFRS(I) 16 is effective for annual periods beginning on or after 1 January 2019. At commencement date of a lease, a lessee will recognise a liability to make a lease payments (i.e. the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e. the right-of-use asset). Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

The Group plans to adopt SFRS(I) 16 retrospectively with the cumulative effect of initially applying the standard as an adjustment to the opening retained earnings at the date of initial application, 1 January 2019.

On the adoption of SFRS(I) 16, the Group expects to choose, on a lease-by-lease basis, to measure the right-of-use asset at either:

(i) its carrying amount as if SFRS(I) 16 had been applied since the commencement date, but discounted using the lessee's incremental borrowing rate as of 1 January 2019; or

(ii) an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the statement of financial position immediately before 1 January 2019.

In addition, the Group plans to elect the following practical expedients:

- not to reassess whether a contract is, or contains a lease at the date of initial application and to apply SFRS(I) 16 to all contracts that were previously identified as leases
- to apply the exemption not to recognise right-of-use asset and lease liabilities to leases for which the lease term ends within 12 months as of 1 January 2019
- to apply a single discount rate to a portfolio of leases with reasonably similar characteristics

The Group has performed a preliminary impact assessment based on currently available information, and the assessment may be subject to changes arising from ongoing analysis until the Group adopts SFRS(I) 16 in 2019.

On the adoption of SFRS(I) 16, the Group expects to recognise right-of-use assets of $15,697,000 and lease liabilities of $15,697,000 for its leases previously classified as operating leases.

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

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.

(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 an asset or liability are recognised in profit or loss.

Non-controlling interest in the acquiree, that are present ownership interests and entitle their holders to a proportionate share of net assets of the acquiree are recognised on the acquisition date at either fair value, or the non-controlling interest's proportionate share of the acquiree's identifiable net assets.

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.

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. Goodwill is recorded within "Intangible assets" line of the Group's balance sheet.

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 other than freehold land 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.

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.

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.

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 4 to 10 years and is stated at cost less accumulated amortisation and accumulated impairment losses.

Brands

The brands were acquired in business combinations. The useful lives of the brands are estimated to be indefinite because based on the current market share of the brands, management believes there is no foreseeable limit to the period over which the brands are expected to generate net cash inflows for the Group.

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.

2.12 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 it becomes an associate or joint venture.

On acquisition of the investment, any excess of the cost of the investment over the Group's share of the net fair value of the investee's identifiable assets and liabilities represents 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.

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

2.12 Joint ventures and associates (cont'd)

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 instruments. The Group determines the classification of its financial assets at initial recognition.

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

Trade receivables are measured at the amount of consideration to which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third party, if the trade receivables do not contain a significant financing component at initial recognition.

Subsequent measurement

<u>Investments in debt instruments</u>

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the contractual cash flow characteristics of the asset. The three measurement categories for classification of debt instruments are:

(i) Amortised cost

Financial assets that are held for the collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Financial assets are measured at amortised cost using the effective interest method, less impairment. Gains and losses are recognised in profit or loss when the assets are de-recognised or impaired, and through amortisation process.

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

2.13 Financial instruments (cont'd)

(a) Financial assets (cont'd)

Subsequent measurement (cont'd)

Investments in debt instruments (cont'd)

(ii) Fair value through other comprehensive income ("FVOCI")

Financial assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Financial assets measured at FVOCI are subsequently measured at fair value. Any gains or losses from changes in fair value of the financial assets are recognised in other comprehensive income, except for impairment losses, foreign exchange gains and losses 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.

(iii) Fair value through profit or loss

Assets that do not meet the criteria for amortised cost or FVOCI are measured at fair value through profit or loss. A gain or loss on a debt instruments that is subsequently measured at fair value through profit or loss and is not part of a hedging relationship is recognised in profit or loss in the period in which it arises.

Investments in equity instruments

On initial recognition of an investment in equity instrument that is not held for trading, the Group may irrevocably elect to present subsequent changes in fair value in OCI. Dividends from such investments are to be recognised in profit or loss when the Group's right to receive payments is established. For investments in equity instruments which the Group has not elected to present subsequent changes in fair value in OCI, changes in fair value are recognised in profit or 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.

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 de-recognised, and through the amortisation process.

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

2.13 Financial instruments (cont'd)

(b) Financial liabilities (cont'd)

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 recognises an allowance for expected credit losses ("ECLs") for all debt instruments not held at fair value through profit or loss and financial guarantee contracts. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is recognised for credit losses expected over the remaining life of the exposure, irrespective of timing of the default (a lifetime ECL).

For trade receivables and contract assets, the Group applies a simplified approach in calculating ECLs. Therefore, the group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For debt instruments at fair value through OCI, the Group applies the low credit risk simplification. At every reporting date, the Group evaluates whether the debt instrument is considered to have low credit risk using all reasonable and supportable information that is available without undue cost or effort. In making that evaluation, the Group reassesses the internal credit rating of the debt instrument. In addition, the Group considers that there has been a significant increase in credit risk when the contractual payments are more than 30 days past due.

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

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. Summary of significant accounting policies (cont'd)

2.16 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.

2.17 Inventories

Inventories comprise mainly hotel supplies such as food and beverages, linen, glassware and sundry supplies, and precast building materials such as reinforcement steel, welded mesh and concrete.

Hotel supplies are stated at the lower of cost (first-in-first-out method) and net realisable value.

Precast building materials are stated at the lower of cost and net realisable value. Cost is calculated using the weighted average cost formula and comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. In the case of manufactured inventories and work-in-progress, cost includes an appropriate share of production overheads based on normal operating capacity. Where necessary, allowance is provided for damaged, obsolete and slow moving items to adjust the carrying value of inventories to the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

2.18 Provisions

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

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

2.19 Government grants

Government grants 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".

2.20 Financial guarantee

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

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

2.20 Financial guarantee (cont'd)

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 measured at the higher of the amount of expected credit loss determined in accordance with the policy set out in Note 2.14 and the amount initially recognised less, when appropriate, the cumulative amount of income recognised over the period of the guarantee.

2.21 Borrowing costs

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

2.22 Employee benefits

(a) ***Defined contribution plans***

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

(b) ***Share-based payments***

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

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

2.23 Leases

(a) ***As lessee***

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

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

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

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

2.23 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 2.24(d). Contingent rents are recognised as revenue in the period in which they are earned.

2.24 Revenue

Revenue is measured based on the consideration to which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties.

Revenue is recognised when the Group satisfies a performance obligation by transferring a promised good or service to the customer, which is when the customer obtains control of the good or service. A performance obligation may be satisfied at a point in time or over time. The amount of revenue recognised is the amount allocated to the satisfied performance obligation.

(a) ***Construction revenue***

The Group principally operates fixed price contracts. Contract revenue and contract costs are recognised over time by measuring the progress towards complete satisfaction of performance obligations. The Group has determined that the cost-based input method reflects the over-time transfer of control to customers.

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 total contract costs.

(b) ***Sale of development property***

The Group develops and sells residential and commercial properties before completion of construction of the properties. Revenue is recognised when control over the property has been transferred to the customer, either over time or at a point in time, depending on the contractual terms and the practices in the legal jurisdictions.

For development properties whereby 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, revenue is recognised over time, based on the construction and other costs incurred to date as a proportion of the estimated total construction and other costs to be incurred.

For development properties whereby the Group does not have an enforceable right to payment for performance completed to date, revenue is recognised when the customer obtains control of the asset.

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

2.24 Revenue (cont'd)

(b) ***Sale of development property (cont'd)***

Progress billings to the customers are based on a payment schedule in the contract and are typically triggered upon achievement of specified construction milestones. A contract asset is recognised when the Group has performed under the contract but has not yet billed the customer. Conversely, a contract liability is recognised when the Group has not yet performed under the contract but has received advanced payments from the customer. Contract assets are transferred to receivables when the rights to consideration become unconditional. Contract liabilities are recognised as revenue as the Group performs under the contract.

Incremental costs of obtaining a contract are capitalised if these costs are recoverable. Costs to fulfil a contract are capitalised if the costs relate directly to the contract, generate or enhance resources used in satisfying the contract and are expected to be recovered. Other contract costs are expensed as incurred.

Capitalised contract costs are subsequently amortised on a systematic basis as the Group recognises the related revenue. An impairment loss is recognised in profit or loss to the extent that the carrying amount of the capitalised contract costs exceeds the remaining amount of consideration that the Group expects to receive in exchange for the goods or services to which the contract costs relates less the costs that relate directly to providing the goods and that have not been recognised as expenses.

(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) ***School fees***

School fees are recognised over the period of instruction on a straight-line basis. School fees received in advance are deferred and recognised when the service has been provided.

(f) ***Interest income***

Interest income is recognised using the effective interest method.

2.25 Taxes

(a) ***Current income tax***

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

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

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

2.25 Taxes (cont'd)

(b) ***Deferred tax***

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

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

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

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

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

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

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

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

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

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

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

2.26 Share capital and share issuance expenses

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

2.27 Treasury shares

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

2.28 Contingencies

A contingent liability is:

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

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

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

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

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

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

3. Significant accounting judgements and estimates

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

3.1 Judgements made in applying accounting policies

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

Sale of development properties

For the sale of development properties, the Group is required to assess each of its contracts with customers to determine whether performance obligations are satisfied over time or at a point in time in order to determine the appropriate method for recognising revenue. In making the assessment, the Group considered the terms of the contracts entered into with customers and the provisions of relevant laws and regulations applicable to the contracts. The assessment of whether the Group has an enforceable right to payment for performance completed to date involves judgment made in determining the enforceability of the right to payment under the legal environment of the jurisdictions where the contracts are subject to.

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

3.2 Key sources of estimation uncertainty

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

(a) ***Provision for expected credit losses of trade receivables and contract assets***

The Group uses a provision matrix to calculate ECLs for trade receivables and contract assets. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns.

The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust historical credit loss experience with forward-looking information. At every reporting date, historical default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future. The information about the ECLs on the Group's trade receivables and contract assets is disclosed in Note 32(a).

The carrying amount of trade receivables and contract assets as at 31 December 2018 are $74,580,000 and $501,307,000 (31 December 2017: $84,731,000 and $189,114,000; 1 January 2017: $53,432,000 and $12,807,000) respectively.

(b) ***Revaluation of investment properties***

The Group carries its investment properties at fair value, with changes in fair values being recognised in profit or loss. The Group engaged real estate valuation experts to assess fair value as at 31 December 2018.

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 requires 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 31(c)(i).

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

3.2 Key sources of estimation uncertainty (cont'd)

(c) ***Contract assets and contract liabilities***

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. In applying the percentage of completion method, revenue recognised corresponds to the total contract revenue multiplied by the actual completion rate based on total contract costs. Significant assumptions are required to estimate the 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 contract assets and contract liabilities are disclosed in Note 4 to the financial statements. If the estimated total contract cost had been 2% higher than management's estimate, contract assets and contract liabilities would have been $31,868,000 lower and $18,295,000 higher (31 December 2017: $9,012,000 lower and $19,606,000 higher; 1 January 2017: $3,894,000 lower and $24,794,000 higher).

(d) ***Revenue recognition on development properties under construction***

For the sale of development properties where the Group satisfies its performance obligations over time, management has determined that a cost-based input method provides a faithful depiction of the Group's performance in transferring control of the development properties to the customers, as it reflects the Group's efforts incurred to date relative to the total inputs expected to be incurred for the development properties. The measure of progress is based on the costs incurred to date as a proportion of total costs expected to be incurred up to the completion of the development properties.

The estimated total construction and other related costs are based on contracted amounts and, in respect of amounts not contracted for, management relies on past experience and knowledge of the project engineers to make estimates of the amounts to be incurred.

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 18 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 $14,005,000 (2017: $5,349,000) higher and profit before tax would have been $13,957,000 (2017: $5,316,000) lower.

(e) ***Impairment of intangible assets***

As disclosed in Note 13 to the financial statements, the recoverable amounts of the cash generating units which goodwill and brands have been allocated to are determined based on value in use calculations. The value in use calculations are based on a discounted cash flow models. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash inflows and the growth rate used for extrapolation purposes. The key assumptions applied in the determination of the value in use including a sensitivity analysis, are disclosed and further explained in Note 13 to the financial statements.

The carrying amount of the intangible assets as at 31 December 2018 is $16,677,000 (31 December 2017: $1,872,000; 1 January 2017: $2,202,000).

4. Revenue

(a) Disaggregation of revenue

	Construction		Development properties	
	2018	**2017**	**2018**	**2017**
	$'000	$'000	$'000	$'000
Primary geographical markets				
Singapore	157,129	221,848	670,730	535,099
Australia	–	–	157,908	36,583
Maldives	–	–	–	–
Malaysia	12,721	8,546	–	–
	169,850	230,394	828,638	571,682
Major product or service lines				
Construction contracts	154,822	221,147	–	–
Precast components	15,028	9,247	–	–
Development properties	–	–	828,638	571,682
Hotel operations	–	–	–	–
Rental of investment properties	–	–	–	–
Management fee	–	–	–	–
School fee	–	–	–	–
	169,850	230,394	828,638	571,682
Timing of transfer of goods or services				
At a point in time	15,028	9,247	157,908	36,583
Over time	154,822	221,147	670,730	535,099
	169,850	230,394	828,638	571,682

Hotel		Investment properties		Corporate		Education	Total revenue	
2018	2017	2018	2017	2018	2017	2018	2018	2017
$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
30,860	29,788	6,812	6,544	10	24	2,453	867,994	793,303
11,403	991	672	3,541	–	–	–	169,983	41,115
29,390	7,845	–	–	–	–	–	29,390	7,845
–	–	–	–	–	–	146	12,867	8,546
71,653	38,624	7,484	10,085	10	24	2,599	1,080,234	850,809
–	–	–	–	–	–	–	154,822	221,147
–	–	–	–	–	–	–	15,028	9,247
–	–	–	–	–	–	–	828,638	571,682
71,653	38,624	–	–	–	–	–	71,653	38,624
–	–	7,484	10,085	–	–	–	7,484	10,085
–	–	–	–	10	24	–	10	24
–	–	–	–	–	–	2,599	2,599	–
71,653	38,624	7,484	10,085	10	24	2,599	1,080,234	850,809
					–			
71,653	38,624	7,484	10,085	10	24	2,599	254,682	94,563
–	–	–	–	–	–	–	825,552	756,246
71,653	38,624	7,484	10,085	10	24	2,599	1,080,234	850,809

4. Revenue (cont'd)

(b) Judgement and methods used in estimating revenue

Recognition of revenue from development properties over time

For the sale of development properties where the Group satisfies its performance obligations over time, management has determined that a cost-based input method provides a faithful depiction of the Group's performance in transferring control of the development properties to the customers, as it reflects the Group's efforts incurred to date relative to the total inputs expected to be incurred for the development properties. The measure of progress is based on the costs incurred to date as a proportion of total costs expected to be incurred up to the completion of the development properties.

The estimated total construction and other related costs are based on contracted amounts and, in respect of amounts not contracted for, management relies on past experience and knowledge of the project engineers to make estimates of the amounts to be incurred. In making these estimates, management takes into consideration the historical trends of the amounts incurred in its other similar development properties, analysed by different property types and geographical areas for the past 3 to 5 years.

(c) Contract assets and contract liabilities

Information about receivables, contract assets and contract liabilities from contracts with customers is disclosed as follows:

	Group		
	31 December 2018	**31 December 2017**	**1 January 2017**
	$'000	$'000	$'000
Receivables from contracts with customers (Note 17)	74,580	84,731	53,432
Contract assets	501,307	189,114	12,807
Capitalised contract costs	16,663	14,161	12,215
Contract liabilities	99,488	88,623	40,859

The Group has recognised impairment losses on receivables arising from contracts with customers amounting to $348,000 (2017: $287,000).

Contract assets primarily relate to the Group's right to consideration for work completed but not yet billed at reporting date for sale of development properties and revenue from construction contracts. Contract assets are transferred to receivables when the rights become unconditional.

Contract liabilities primarily relate to the Group's obligation to transfer goods or services to customers for which the Group has received advances from customers for sale of development properties and revenue from construction contracts. Contract liabilities are recognised as revenue as the Group fulfils its performance obligations under the contract.

4. Revenue (cont'd)

(c) Contract assets and contract liabilities (cont'd)

(i) Significant changes in contract assets are explained as follows:

	Group	
	2018	**2017**
	$'000	$'000
Contract asset reclassified to receivables	90,952	12,807

(ii) Significant changes in contract liabilities are explained as follows:

	Group	
	2018	**2017**
	$'000	$'000
Revenue recognised that was included in the contract liability balance at the beginning of the year	87,149	39,071

(d) Capitalised contract costs

	Group	
	2018	**2017**
	$'000	$'000
Capitalised incremental costs of obtaining contract — commission costs paid to property agents		
At 1 January	14,161	12,215
Additions	15,343	8,929
Amortisation	(12,752)	(6,980)
Foreign exchange difference	(89)	(3)
At 31 December	16,663	14,161

(e) Transaction price allocated to remaining performance obligation

The aggregate amount of transaction price allocated to the unsatisfied (or partially unsatisfied) performance obligations as at 31 December 2018 is $1,252,679,000. This amount has not included the following:

- Performance obligations for which the Group has applied the practical expedient not to disclose information about its remaining performance obligations if:
  - The performance obligation is part of a contract that has an original expected duration for one year or less, or
  - The Group recognises revenue to which the Group has a right to invoice customers in amounts that correspond directly with the value to the customer of the Group's performance completed to date.
- Variable consideration that is constrained and therefore is not included in the transaction price.

The Group expects to recognise $622,772,000 as revenue relating to the transaction price allocated to the unsatisfied (or partially unsatisfied) performance obligations as at 31 December 2018 in the financial year 2019, $425,165,000 in the financial year 2020 and $204,742,000 in the financial year 2021.

5. Interest income

	Group 2018 $'000	Group 2017 $'000
Interest income from loan and receivables	5,613	4,224

6. Other income

	Group 2018 $'000	Group 2017 $'000
Gain on disposal of investment property	–	13,298
Gain on disposal of investment securities	–	4,921
Gain on disposal of intangible assets	20	110
Gain on disposal of property, plant and equipment	231	118
Sales of materials	1,039	543
Write back of impairment loss on trade receivables	–	507
Government grants	481	386
Rental income from development properties	434	935
Deposits forfeited from buyers	726	208
GST refund received	–	163
Others	827	383
	3,758	21,572

7. Finance costs

	Group 2018 $'000	Group 2017 $'000
Interest expense on bank loans and borrowings	60,324	45,675
Less: Interest expense capitalised in		
- Development properties (Note 18)	(9,951)	(7,751)
Total finance costs	50,373	37,924

8. Profit before tax

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

	Group	
	2018	**2017**
	$'000	$'000
Audit fees paid to:		
- Auditor of the Company	391	284
- Other auditors	177	121
Non-audit fees paid to:		
- Auditor of the Company	8	25
- Other auditors	7	71
Depreciation of property, plant and equipment (Note 11)	18,810	11,166
Amortisation of intangible assets (Note 13)	161	225
Employee benefits expense (Note 27)	72,626	62,688
Legal and professional fees	3,649	4,357
Operating lease expense (Note 29(a))	1,526	998
Net loss from fair value adjustment of investment properties (Note 12)	1,042	1,873
Provision for onerous contract (Note 23)	7,500	9,500
Inventories recognised as an expense on cost of sales (Note 19)	18,326	8,759
Impairment loss written back on development properties (Note 18)	–	(1,513)
Foreign exchange loss, net	8,995	2,283
Impairment loss on property, plant and equipment	3,922	–
Impairment loss on intangible assets (Note 13)	2,013	–
Impairment loss on financial assets		
- Trade receivables	348	287
Property, plant and equipment written off (Note 11)	1	34
Loss on liquidation of an associate	17	–
Maintenance of properties	3,368	3,534

9. Income tax expense

Major components of income tax expense

The major components of income tax expense for the years ended 31 December 2018 and 2017 are:

	Group	
	2018	**2017**
	$'000	$'000
Consolidated income statement:		
Current income tax		
- current income taxation	9,713	10,067
- withholding tax	232	298
- overprovision in respect of previous years	(8,173)	(3,690)
	1,772	6,675
Deferred income tax		
- origination and reversal of temporary differences	16,022	8,630
Income tax expense recognised in profit or loss	17,794	15,305

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 2018 and 2017 is as follows:

	Group	
	2018	**2017**
	$'000	$'000
Profit before tax	98,044	71,466
Tax at the domestic rates applicable to profits in the countries where the Group operates	22,368	17,238
Adjustments:		
Non-deductible expenses	14,391	5,597
Income not subject to taxation	(8,827)	(6,196)
Benefits from previously unrecognised tax losses	(4,002)	(118)
Deferred tax assets not recognised	3,044	1,003
Effect of partial tax exemption and tax relief	(186)	(196)
Overprovision in respect of previous years	(8,173)	(3,690)
Share of results of associates	(1,752)	(150)
Withholding tax	232	298
Others	699	1,519
Income tax expense recognised in profit or loss	17,794	15,305

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	
	2018	**2017**
	'000	'000
Profit, net of tax, attributable to owners of the Company used in the computation of basic and diluted earnings per share ($)	63,121	32,742
Weighted average number of ordinary shares for basic earnings per share computation	623,370	621,014
Effects of dilution on share options	12,529	10,720
Weighted average number of ordinary shares for diluted earnings per share computation	635,899	631,734

Since the end of the financial year, a senior executive has exercised the options to acquire 5,000,000 (2017: Nil) ordinary shares. There have been no other transactions involving ordinary shares or potential ordinary shares since the reporting date and before the completion of these financial statements.

11. Property, plant and equipment

Group	Freehold land $'000	Leasehold land $'000	Freehold and leasehold buildings $'000	Container office, building and construction equipment $'000	Motor vehicles $'000	Computer and office equipment $'000	Furniture, fixture and fittings $'000	Total $'000
Cost								
At 1 January 2017, as previously reported	2,594	126,862	93,042	8,387	5,904	2,901	3,595	243,285
Effect of adopting SFRS(I) 15	–	–	–	843	–	–	–	843
At 1 January 2017, as restated	2,594	126,862	93,042	9,230	5,904	2,901	3,595	244,128
Additions	790	17,559	88,469	2,773	2,342	1,938	4,659	118,530
Disposals	–	–	–	(277)	(276)	(30)	–	(583)
Written off	–	–	–	(430)	–	(107)	(19)	(556)
Exchange differences	43	(309)	(2,279)	123	(26)	(32)	(96)	(2,576)
At 31 December 2017 and 1 January 2018	3,427	144,112	179,232	11,419	7,944	4,670	8,139	358,943
Additions	14,692	530	1,061	1,191	744	680	2,991	21,889
Transfers	–	(1,425)	(7,534)	–	2	20	8,937	–
Transfer from investment properties (Note 12)	–	10,110	2,410	–	–	–	–	12,520
Disposals	–	(268)	–	(25)	(1,301)	(25)	(8)	(1,627)
Written off	–	–	–	(25)	–	(29)	(16)	(70)
Arising from acquisition of a subsidiary (Note 14)	–	–	–	–	32	41	75	148
Arising from acquisition of business assets (Note 14)	5,522	–	6,382	–	–	–	17,308	29,212
Exchange differences	(914)	203	410	3	14	10	(702)	(976)
At 31 December 2018	22,727	153,262	181,961	12,563	7,435	5,367	36,724	420,039

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 2017, as previously reported	–	6,976	3,697	6,101	3,644	1,681	1,582	23,681
Effect of adopting SFRS(I) 15	–	–	–	691	–	–	–	691
At 1 January 2017, as restated	–	6,976	3,697	6,792	3,644	1,681	1,582	24,372
Depreciation charge for the year	–	1,765	4,265	1,228	1,152	968	1,788	11,166
Disposals	–	–	–	(277)	(235)	(25)	–	(537)
Written off	–	–	–	(430)	–	(74)	(18)	(522)
Exchange differences	–	(5)	(57)	63	(6)	(2)	(19)	(26)
At 31 December 2017 and 1 January 2018	–	8,736	7,905	7,376	4,555	2,548	3,333	34,453
Depreciation charge for the year	–	3,363	5,462	1,805	1,120	1,177	5,883	18,810
Transfers	–	(76)	(467)	–	(177)	170	550	–
Impairment loss	–	3,227	–	–	–	–	695	3,922
Disposals	–	(268)	–	(24)	(939)	(17)	(4)	(1,252)
Written off	–	–	–	(25)	–	(29)	(15)	(69)
Exchange differences	–	4	41	(7)	3	3	(90)	(46)
At 31 December 2018	–	14,986	12,941	9,125	4,562	3,852	10,352	55,818
Net carrying amount								
At 1 January 2017	2,594	119,886	89,345	2,438	2,260	1,220	2,013	219,756
At 31 December 2017	3,427	135,376	171,327	4,043	3,389	2,122	4,806	324,490
At 31 December 2018	22,727	138,276	169,020	3,438	2,873	1,515	26,372	364,221

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

Company	Motor vehicles $'000	Computer and office equipment $'000	Furniture, fixture and fittings $'000	Total $'000
Cost				
At 1 January 2017	2,648	315	42	3,005
Additions	610	243	–	853
Disposals	(224)	(1)	–	(225)
At 31 December 2017 and 1 January 2018	3,034	557	42	3,633
Additions	466	78	47	591
Disposals	(650)	(4)	–	(654)
Written off	–	–	(1)	(1)
At 31 December 2018	2,850	631	88	3,569
Accumulated depreciation				
At 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 and 1 January 2018	1,485	302	17	1,804
Depreciation charge for the year	608	119	16	743
Disposals	(415)	(1)	–	(416)
At 31 December 2018	1,678	420	33	2,131
Net carrying amount				
At 1 January 2017	1,510	141	33	1,684
At 31 December 2017	1,549	255	25	1,829
At 31 December 2018	1,172	211	55	1,438

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

Assets under construction

The Group's freehold and leasehold buildings included $338,000 (31 December 2017 and 1 January 2017: Nil) which relate to expenditure for hotel in the course of construction.

Assets pledged as security

The Group's leasehold land and buildings with a carrying amount of $283,075,000 (31 December 2017: $281,937,000; 1 January 2017: $200,131,000) are mortgaged to secure bank borrowings.

Impairment of assets

The management undertook their annual review of the carrying value of freehold and leasehold land and buildings for indication of impairment and, where appropriate, external valuations were also undertaken. Based on this assessment, an impairment charge of $3,227,000 was recognised in the income statement.

In 2018, it was assessed that a portion of the furniture, fixture and fittings costs at a hotel were not recoverable through use and were impaired. The impairment of $695,000 was recognised in the income statement.

Valuation of freehold and leasehold land and buildings

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

	Group		
	31 December 2018	**31 December 2017**	**1 January 2017**
	$'000	$'000	$'000
At valuation			
Freehold land and buildings	40,464	15,587	4,427
Leasehold land and buildings	531,660	478,253	364,100

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

12. Investment properties

	Group	
	31 December 2018	31 December 2017
	$'000	$'000
At 1 January	251,706	288,693
Net loss from fair value adjustments recognised in profit or loss (Note 8)	(1,042)	(1,873)
Additions (subsequent expenditure)	12,819	5,449
Disposal	–	(56,327)
Transfers from development properties	–	15,630
Transfer to property, plant and equipment (Note 11)	(12,520)	–
Exchange differences	(346)	134
At 31 December	250,617	251,706

The following amounts are recognised in the income statement:

Rental income (Note 4)	7,484	10,085
Direct operating expenses arising from rental generating properties	2,426	3,320

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 $233,800,000 (31 December 2017: $247,200,000; 1 January 2017: $288,693,000) are mortgaged to secure banking facilities (Note 21).

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, Savills Valuations Pty 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 valuation techniques and inputs used are disclosed in Note 31(c)(i).

Transfer to property, plant and equipment

During the year, the Group transferred one retail property unit that was held as investment property to owner-occupied property. On that date, the Group commenced using the retail property unit for the purpose of operating of a pre-school under its education segment.

13. Intangible assets

	Group					Company
	Club membership $'000	Intellectual property $'000	Brands $'000	Goodwill $'000	Total $'000	Club membership $'000
Cost						
At 1 January 2017	682	1,746	–	–	2,428	556
Additions	80	–	–	–	80	80
Disposals	(208)	–	–	–	(208)	(208)
At 31 December 2017 and 1 January 2018	554	1,746	–	–	2,300	428
Additions	195	–	–	–	195	195
Acquisition of a subsidiary (Note 14)	–	1,324	5,602	8,878	15,804	–
Acquisition of business assets (Note 14)	–	–	–	1,001	1,001	–
Exchange differences	–	–	–	(43)	(43)	–
At 31 December 2018	749	3,070	5,602	9,836	19,257	623
Accumulated amortisation and impairment						
At 1 January 2017	154	72	–	–	226	28
Amortisation for the year	50	175	–	–	225	50
Disposals	(23)	–	–	–	(23)	(23)
At 31 December 2017 and 1 January 2018	181	247	–	–	428	55
Amortisation for the year	59	102	–	–	161	59
Impairment loss	–	1,499	–	514	2,013	–
Exchange differences	–	–	–	(22)	(22)	–
At 31 December 2018	240	1,848	–	492	2,580	114
Net carrying amount						
At 1 January 2017	528	1,674	–	–	2,202	528
At 31 December 2017	373	1,499	–	–	1,872	373
At 31 December 2018	509	1,222	5,602	9,344	16,677	509

13. Intangible assets (cont'd)

Brands

Brands relate to the "White Lodge" brands for the Group's education services that were acquired in business combinations. As explained in Note 2.9, the useful life of these brands is estimated to be indefinite.

Amortisation expense

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 4 to 9 years (2017: 7 to 9 years).

Goodwill from acquisition of business assets

Goodwill of $1,001,000 arising from a hotel acquired on 27 March 2018 has been determined based on purchase price allocation performed by Australian Capital Allowances Pty Ltd, an independent valuer with recognised and relevant professional qualifications and with recent experience in the location and category of the business assets being valued.

Goodwill and brands from acquisition of a subsidiary

Goodwill and brands arising from the education businesses acquired on 31 August 2018 are provisionally determined as the Group is still in the midst of assessing the fair value of identified assets acquired. The fair value exercise is expected to be finalised within 12 months from date of acquisition hence the Group has not performed any impairment assessment on this acquisition as the initial allocation of goodwill has not been completed. Furthermore, there are no internal and external triggering events that warrant an impairment assessment, as these businesses are generating revenue and profit for the financial year ended 31 December 2018.

Impairment testing of goodwill and brands

Goodwill acquired through business combinations and brands have been allocated to two cash-generating units ("CGU"), which are also the reportable operating segments, for impairment testing as follows:

- Hospitality segment
- Education segment

The carrying amounts of goodwill and brands allocated to each CGU are as follows:

	Hospitality segment		**Education segment**	
	2018	**2017**	**2018**	**2017**
	$'000	$'000	$'000	$'000
Goodwill	1,001	–	8,878	–
Brands	–	–	5,602	–

13. Intangible assets (cont'd)

The recoverable amounts of the CGUs have been determined based on value in use calculations using cash flow projections from financial budgets approved by management covering a five-year period. The pre-tax discount rate applied to the cash flow projections and the forecasted growth rates used to extrapolate cash flow projections beyond the five-year period are as follows:

	Hospitality segment	
	2018	**2017**
	%	%
Discount Rate [1]	8.25	–
Exit Capitalisation Rate [2]	6.25	–

[1] the discount rate is applied to arrive at the net present value of each year projected EBITDA over the discounted cash flow period
[2] capitalisation rate applied to projected EBITDA in year 5 of discounted cash flow analysis

<u>Impairment loss recognised</u>

During the financial year, an impairment loss was recognised to write-down the carrying amount of intellectual property and goodwill which were not recoverable through use. The impairment loss of $2,013,000 (2017: Nil) has been recognised in the "Administrative expenses" line item in the income statement.

14. Investments in subsidiaries

		Company	
	31 December 2018	**31 December 2017**	**1 January 2017**
	$'000	$'000	$'000
Shares, at cost	3,342	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 30.

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
		%	%	%	$'000
31 December 2018					
Fernvale Development Pte. Ltd.	Singapore	40	23,547	58,902	–
CEL Unique Pte. Ltd.	Singapore	40	(6,961)	(5,415)	–
31 December 2017					
Fernvale Development Pte. Ltd.	Singapore	40	25,692	35,355	–
CEL Unique Pte. Ltd.	Singapore	40	(74)	(74)	–
1 January 2017					
Fernvale Development Pte. Ltd.	Singapore	40	16,892	9,663	–

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 sheets	Fernvale Development Pte. Ltd.			CEL Unique Pte. Ltd.		
	31 December 2018	31 December 2017	1 January 2017	31 December 2018	31 December 2017	1 January 2017
	$'000	$'000	$'000	$'000	$'000	$'000
Current						
Assets	492,030	465,460	461,578	735,456	735,952	–
Liabilities	(86,250)	(28,801)	(27,256)	(14,116)	(1,794)	–
Net current assets	405,780	436,659	434,322	721,340	734,158	–
Non-current						
Assets	21,465	–	–	3,596	–	–
Liabilities	(279,990)	(348,272)	(410,165)	(738,474)	(734,343)	–
Net non-current liabilities	(258,525)	(348,272)	(410,165)	(734,878)	(734,343)	–
Net assets/(liabilities)	147,255	88,387	24,157	(13,538)	(185)	–

14. Investments in subsidiaries (cont'd)

Summarised financial information about subsidiaries with material NCI (cont'd)

Summarised statement of comprehensive income	**Fernvale Development Pte. Ltd.**		**CEL Unique Pte. Ltd.**	
	2018	**2017**	**2018**	**2017**
	$'000	$'000	$'000	$'000
Revenue	352,785	376,894	68,277	–
Profit/(loss) before tax	70,953	77,386	(20,999)	(185)
Income tax expense	(12,085)	(13,155)	3,596	–
Profit/(loss) after tax and total comprehensive income	58,868	64,231	(17,403)	(185)
Other summarised information				
Net cash flows (used in) / generated from operating activities	(13,207)	68,476	62,763	(726,668)
Net cash flows (used in) / generated from financing activities	(44,000)	(86,082)	(6,026)	729,504
Land and development cost for development property	(836,737)	(747,307)	(819,943)	(733,041)

(a) Acquisition of subsidiary

On 31 August 2018 (the "acquisition date"), the Group's subsidiary company, CES Education Pte. Ltd. acquired a 70% equity interest in White Lodge Education Group Services Pte. Ltd. ("WL"), an education service provider. Upon acquisition, WL became a subsidiary of the Group.

The Group has acquired WL in order to diversify its portfolio and seek new sources of revenue in view of the gradually maturing construction and property developer markets.

The Group has elected to measure the non-controlling interest at the non-controlling interest's proportionate share of WL's net identifiable assets.

14. Investments in subsidiaries (cont'd)

(a) Acquisition of subsidiary (cont'd)

The provisional fair values of the identifiable assets and liabilities of WL as at the acquisition date were:

	Fair value recognised on acquisition $'000
Property, plant and equipment	148
Intangible assets	6,926
Deferred tax assets	5
Trade and other receivables	1,282
Cash and cash equivalents	3,486
	11,847
Trade and other payables	(3,548)
Deferred tax liability	(1,177)
	(4,725)
Total identifiable net assets at fair value	7,122
Non-controlling interest's proportionate share of WL's identifiable net assets	(2,137)
Goodwill arising from acquisition	8,878
Total consideration paid in cash	13,863
Effect of the acquisition of WL on cash flows	
Total consideration paid in cash	13,863
Less: Cash and cash equivalents of subsidiary acquired	(3,486)
Net cash outflow on acquisition	10,377

Provisional goodwill arising from acquisition

The provisional goodwill of $8,878,000 comprises the value WL is expected to deliver to the Group's entrance into the education industry. Goodwill is allocated entirely to the education segment. None of the goodwill recognised is expected to be deductible for income tax purposes.

Impact of the acquisition on profit or loss

From the acquisition date, WL has contributed $2,597,000 of revenue and $524,000 to the Group's profit for the year. If the business combination had taken place at the beginning of the year, the revenue from continuing operations would have been $7,521,000 and the Group's profit from continuing operations, net of tax would have been $1,208,000.

14. Investments in subsidiaries (cont'd)

(a) Acquisition of subsidiary (cont'd)

Provisional accounting of the acquisition of WL

Brand and intellectual property have been provisionally identified as intangible assets arising from this acquisition. The Group has engaged an independent valuer to determine the fair values of the assets and liabilities acquired. As at 31 December 2018, the fair values of the assets and liabilities have been determined on a provisional basis as the final results of the independent valuation have not been received by the date the financial statements was authorised for issue. Accordingly, adjustments will be made on a retrospective basis upon finalisation of the purchase price allocation exercise.

(b) Acquisition of business assets

On 27 March 2018, the Group's subsidiary company, CES Grosvenor Hotel (SA) Pty Ltd entered into a sale of business agreement with Kildair Hotels (Grosvenor) Pty Ltd to acquire business assets in Adelaide, Australia. The acquisition is in line with the Group's strategy to expand its hospitality investment portfolio and to broaden its recurring revenue streams.

Details of the consideration paid and the assets acquired at the acquisition date are as follows:

	Fair value recognised on acquisition $'000
Property, plant and equipment	29,212
Trade and other receivables	29
Cash and cash equivalents	6
	29,247
Trade and other payables	(552)
	(552)
Total identifiable net assets at fair value	28,695
Goodwill arising from acquisition	1,001
Total consideration paid in cash	29,696
Effect of the acquisition of CES Grosvenor Hotel (SA) Pty Ltd on cash flows	
Total consideration paid in cash	29,696
Less: Cash and cash equivalents of subsidiary acquired	(6)
Net cash outflow on acquisition	29,690

14. Investments in subsidiaries (cont'd)

(b) Acquisition of business assets (cont'd)

Goodwill arising from acquisition

The goodwill of $1,001,000 arising from the acquisition is attributable to the premium the Group was willing to pay to expand its presence in the Australia market. The acquisition of business assets from Kildair Hotels (Grosvenor) Pty Ltd was completed on 27 March 2018 and the purchase price allocation to identifiable assets acquired was completed on 7 December 2018. The goodwill is allocated entirely to the hospitality segment.

Impact of the acquisition on profit or loss

From the acquisition date, CES Grosvenor Hotel (SA) Pty Ltd has contributed $7,413,000 of revenue and $3,648,000 of net loss for the year. If the business assets had been acquired at the beginning of the year, the revenue from continuing operations would have been $7,517,000 and the Group's loss from continuing operations, net of tax would have been $4,269,000.

15. Investment in joint venture

The Group has 50% (31 December 2017: 50%; 1 January 2017: Nil) interest in the ownership and voting rights in a joint venture, Roxy-CES (NZ) Limited that is held through a subsidiary. This joint venture is incorporated in New Zealand and is a strategic venture in the business of property investment. The Group jointly controls the venture with other partner under the contractual agreement and requires unanimous consent for all major decisions over the relevant activities.

Details regarding the joint venture are set out in Note 1.

Information about the Group's investment in Roxy-CES (NZ) Limited are as follows:

	Group	
	2018	**2017**
	$'000	$'000
Profit/(loss) after tax	7,085	(66)
Other comprehensive income	112	(122)
Total comprehensive income	7,197	(188)

16. Investments in associates

	Group			Company		
	31 December 2018	31 December 2017	1 January 2017	31 December 2018	31 December 2017	1 January 2017
	$'000	$'000	$'000	$'000	$'000	$'000
Investments in associates	6,105	6,941	6,359	650	650	650
	6,105	6,941	6,359	650	650	650

Details regarding associates are set out in Note 1.

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

	Group	
	2018	2017
	$'000	$'000
Profit after tax	3,850	1,809
Other comprehensive income	(118)	(143)
Total comprehensive income	3,732	1,666

17. Trade and other receivables

	Group			Company		
	31 December 2018	31 December 2017	1 January 2017	31 December 2018	31 December 2017	1 January 2017
	$'000	$'000	$'000	$'000	$'000	$'000
Current						
Trade receivables	9,351	24,945	36,623	–	–	–
Accrued receivables	65,229	6,516	16,809	–	–	–
Deposits	3,468	26,717	21,824	3	5	2
Recoverables	9,532	4,348	1,837	351	164	–
GST receivables	4,006	2,107	901	–	–	–
Advances for a proposed investment	31,372	24,966	–	–	–	–
Amounts due from subsidiaries, trade	–	–	–	7,697	18,104	5,272
Amounts due from associates, trade	–	–	792	–	–	–
Others	486	969	714	45	–	37
	123,444	90,568	79,500	8,096	18,273	5,311

17. Trade and other receivables (cont'd)

	Group			Company		
	31 December 2018 $'000	31 December 2017 $'000	1 January 2017 $'000	31 December 2018 $'000	31 December 2017 $'000	1 January 2017 $'000
Non-current						
Amounts due from subsidiaries, non-trade	–	–	–	275,045	310,479	231,928
Amounts due from joint venture, non-trade	28,302	29,266	–	–	–	–
Amounts due from non-controlling interest, non-trade	8,591	–	–	–	–	–
Other receivables	3,518	–	88	–	–	–
Trade receivables	–	53,270	–	–	–	–
	40,411	82,536	88	275,045	310,479	231,928
Total trade and other receivables (current and non-current, excluding GST receivables)	159,849	170,997	78,687	283,141	328,752	237,239
Add: Cash and short-term deposits (Note 20)	342,558	257,846	481,582	41,428	6,167	122,273
Total financial assets carried at amortised cost	502,407	428,843	560,269	324,569	334,919	359,512

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

	Group		
	31 December 2018 $'000	31 December 2017 $'000	1 January 2017 $'000
Vietnamese Dong	9,000	–	–
US Dollar	3,360	–	–
New Zealand Dollar	28,302	29,266	–

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.

17. Trade and other receivables (cont'd)

Deposits

Included in the deposits are deposits paid for building and construction equipment amounting to $1,636,000 (31 December 2017: deposits for property purchases in Singapore and Australia amounting to $24,438,000, 1 January 2017: deposits for acquisition of island resort in Maldives amounting to $18,796,000).

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 $267,058,000 at varying rates from 4.03% to 4.59% (2017: $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 joint venture, non-trade (non-current)

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

Amounts due from non-controlling interest, non-trade (non-current)

These amounts are unsecured, bear interest ranging from 2.43% to 2.70% (31 December 2017 and 1 January 2017: Nil) and not expected to be repaid within the next twelve months. The amounts have no repayment terms and are repayable only when the cash flow of the non-controlling interest permits.

Other receivables (non-current)

These amounts are unsecured and non-interest bearing, except for loans amounting to $3,282,000 (31 December 2017: Nil, 1 January 2017: $88,000) at fixed rate of 7% (31 December 2017: Nil, 1 January 2017: 4%). The amounts are not expected to be repaid within the next twelve months.

Trade receivables (non-current)

These receivables as at 31 December 2017 bear interest at floating rate of 2.2% and are not expected to be repaid within the next twelve months.

Trade receivables that are past due but not impaired

The Group and Company has no significant trade receivables past due as at 31 December 2017 and 1 January 2017 that were not impaired.

17. 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 Individually impaired	
	31 December 2017	**1 January 2017**
	$'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	
Charge for the year	287	
Write back	(507)	
Exchange differences	1	
At 31 December	2,250	

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.

Expected credit losses

The movement in allowance for expected credit losses of trade receivables computed based on lifetime ECL are as follows:

	Group Trade receivables 31 December 2018
	$'000
Movement in allowance accounts:	
At 1 January	2,250
Charge for the year	348
Write back	(10)
Written off	(12)
Exchange differences	(5)
At 31 December	2,571

18. Development properties

	Group		
	31 December 2018	**31 December 2017**	**1 January 2017**
	$'000	$'000	$'000
(a) Properties under development, units for which revenue is recognised over time			
Land and land related cost	1,235,961	1,295,960	803,901
Development costs	70,014	56,180	38,764
	1,305,975	1,352,140	842,665
Properties under development, units for which revenue is recognised at a point in time			
Land and land related cost	86,860	148,310	144,416
Development costs	17,494	72,850	51,224
	104,354	221,160	195,640
Properties under development	1,410,329	1,573,300	1,038,305

	Group		
	31 December 2018	**31 December 2017**	**1 January 2017**
	$'000	$'000	$'000
(b) Completed development properties, at cost	–	–	123,972
Allowance for foreseeable losses	–	–	(12,000)
Completed development properties	–	–	111,972
Total development properties	1,410,329	1,573,300	1,150,277

	Group	
	31 December 2018	**31 December 2017**
	$'000	$'000
Development properties recognised as an expense in cost of sales	603,308	450,801
Movement in allowance accounts:		
At 1 January	–	12,000
Write back for the year	–	(1,513)
Allowance utilised	–	(10,487)
At 31 December	–	–

18. Development properties (cont'd)

Included in development properties are land costs and borrowing costs that are attributable to the sold units, which are capitalised as fulfilment costs as at 31 December 2018 and 31 December 2017. These costs are expected to be recoverable and are amortised to profit or loss on a systemic basis as the Group recognises the related revenue.

The amount of fulfilment costs recognised in profit or loss is disclosed in Note 4(d).

During the financial year, borrowing costs of $9,951,000 (2017: $7,751,000) arising from borrowings obtained specifically for the development properties were capitalised under "Development cost". Interest rate for borrowing costs capitalised during the year range from 1.84% to 5.33% (2017: 1.82% to 5.28%) per annum.

The development properties are subject to legal mortgages for the purpose of securing bank loans (Note 21).

19. Inventories

	Group		
	31 December 2018	31 December 2017	1 January 2017
	$'000	$'000	$'000
Raw materials (at cost)	266	359	297
Finished goods (at cost or net realisable value)	986	1,193	1,343
Hotel supplies (at cost)	900	761	48
	2,152	2,313	1,688
Income statement:			
Inventories recognised as an expense in cost of sales	18,326	8,759	

20. Cash and short-term deposits

	Group			Company		
	31 December 2018	31 December 2017	1 January 2017	31 December 2018	31 December 2017	1 January 2017
	$'000	$'000	$'000	$'000	$'000	$'000
Cash at banks and on hand	93,779	86,960	135,497	4,063	4,970	12,428
Short-term deposits	113,554	65,067	253,075	37,365	1,197	109,845
Project account – Cash at bank	29,568	50,683	22,473	–	–	–
Project account – Short-term deposits	105,657	55,136	70,537	–	–	–
	342,558	257,846	481,582	41,428	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 2018 for the Group and the Company range from 0.01% to 2.17% (31 December 2017: 0.01% to 1.76%; 1 January 2017: 0.01% to 1.79%) and from 0.7% to 2.17% (31 December 2017: 0.01% to 1.45%; 1 January 2017: 0.01% to 1.79%) respectively.

As at 31 December 2018, the Group has a total balance of $135,225,000 (31 December 2017: $105,819,000; 1 January 2017: $93,010,000) held under the Housing Developers (Project Account) Rules in Singapore and the use of which is also governed by these rules.

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

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

	Group			Company		
	31 December 2018	31 December 2017	1 January 2017	31 December 2018	31 December 2017	1 January 2017
	$'000	$'000	$'000	$'000	$'000	$'000
Australian Dollar	54,172	627	38,626	36,884	274	222
US Dollar	542	9	9	390	9	9
Vietnamese Dong	56	65	349	52	51	335
Singapore Dollar	27	1	–	–	–	–

21. Loans and borrowings

	Maturity	Group			Company		
		31 December 2018	31 December 2017	1 January 2017	31 December 2018	31 December 2017	1 January 2017
		$'000	$'000	$'000	$'000	$'000	$'000
Current:							
Secured bank loans	2019	129,773	8,735	84,182	–	–	–
Unsecured term notes	2017	–	–	150,000	–	–	150,000
		129,773	8,735	234,182	–	–	150,000
Non-current:							
Secured bank loans	2020 to 2040	1,643,110	1,279,075	816,736	–	–	–
Unsecured term notes	2021	13,000	120,000	120,000	13,000	120,000	120,000
Unsecured term notes	2022	25,250	125,000	–	25,250	125,000	–
		1,681,360	1,524,075	936,736	38,250	245,000	120,000
Total loans and borrowings		1,811,133	1,532,810	1,170,918	38,250	245,000	270,000

<u>Secured bank loans</u>

The Group's bank loans are denominated in Singapore and US Dollars. For the year ended 31 December 2018, the bank loans bear interest at varying rates from 1.75% to 3.89% (31 December 2017: 1.70% to 3.21%; 1 January 2017: 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 18);
(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 hotel;
(f) assignment of building agreements;
(g) assignment of dividends to be received;
(h) charge of bank accounts with the banker; and
(i) corporate guarantee from the Company.

21. 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.

On 11 December 2018, the Company redeemed $206,750,000 (2017: $150,000,000) 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 2018	Cash flows	Re-classification	Foreign exchange movement	31 December 2018
	$'000	$'000	$'000	$'000	$'000
Loans and bonds					
- current	8,735	47,000	74,038	–	129,773
- non-current	1,524,075	230,105	(74,038)	1,218	1,681,360
	1,532,810	277,105	–	1,218	1,811,133

			Non-cash changes:		
	1 January 2017	Cash flows	Re-classification	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

22. Trade and other payables

	Group			Company		
	31 December 2018	**31 December 2017**	**1 January 2017**	**31 December 2018**	**31 December 2017**	**1 January 2017**
	$'000	$'000	$'000	$'000	$'000	$'000
Current:						
Trade payables	53,132	53,599	70,989	193	125	49
Other payables	10,116	4,414	4,353	–	17	–
Amounts due to subsidiaries, non-trade	–	–	–	416	11,000	–
Amount due to non-controlling interest, trade	467	162	339	–	–	–
GST payables	1,099	1,254	2,379	62	101	75
	64,814	59,429	78,060	671	11,243	124
Non-current:						
Trade payables	12,912	16,525	18,061	–	–	–
Amounts due to subsidiaries, non-trade	–	–	–	191,017	10,000	–
Amount due to non-controlling interest, non-trade	127,784	196,188	88,631	–	–	–
	140,696	212,713	106,692	191,017	10,000	–
Trade and other payables (excluding GST payables)	204,411	270,888	182,373	191,626	21,142	49
Add:						
- Other liabilities (Note 23)	48,466	53,363	43,078	7,414	4,675	5,944
- Loans and borrowings (Note 21)	1,811,133	1,532,810	1,170,918	38,250	245,000	270,000
Total financial liabilities carried at amortised cost	2,064,010	1,857,061	1,396,369	237,290	270,817	275,993

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

The amounts are non-interest bearing and are normally settled on 30 to 90 days terms.

22. Trade and other payables (cont'd)

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

The amounts are unsecured, bear interest from 1.44% to 5.33% (31 December 2017: 2.25% to 6.00%; 1 January 2017: 5.35% to 6.00%) per annum. The amounts are to be settled in cash.

23. Other liabilities

	Group			Company		
	31 December 2018	**31 December 2017**	**1 January 2017**	**31 December 2018**	**31 December 2017**	**1 January 2017**
	$'000	$'000	$'000	$'000	$'000	$'000
Current:						
Accrued project costs and operating expenses	36,635	43,799	43,078	7,414	4,675	5,944
Provision for onerous contracts	11,795	9,500	–	–	–	–
Total other liabilities	48,430	53,299	43,078	7,414	4,675	5,944
Non-current:						
Accrued project costs and operating expenses	36	64	–	–	–	–
Total other liabilities	48,466	53,363	43,078	7,414	4,675	5,944

	Group	
	31 December 2018	**31 December 2017**
	$'000	$'000
Movement in provision for onerous contracts:		
At 1 January	9,500	–
Arose during the financial year	7,500	9,500
Utilised	(5,205)	–
At 31 December	11,795	9,500

Provision for onerous contracts is made when it is assessed that the costs to fulfil the performance obligation is unavoidable for loss-making contracts. It is expected that these costs will be incurred in the next financial year.

24. 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		
	31 December 2018	31 December 2017	1 January 2017	31 December 2018	31 December 2017	31 December 2018	31 December 2017	1 January 2017
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Deferred tax assets								
Unutilised tax losses	5,956	5,967	2,995	13	(2,934)	–	–	–
	5,956	5,967	2,995			–	–	–
Deferred tax liabilities								
Differences in depreciation for tax purpose	(254)	(239)	(239)	66	–	(36)	(21)	(21)
Fair value adjustments on acquisition of subsidiary	(1,177)	–	–	–	–	–	–	–
Deferred tax liabilities on:								
– development properties	(34,049)	(17,905)	(4,750)	16,170	13,155	–	–	–
– investment properties	(2,692)	(2,900)	(4,453)	(227)	(1,591)	–	–	–
	(38,172)	(21,044)	(9,442)			(36)	(21)	(21)
Deferred tax expenses				16,022	8,630			

Unrecognised tax losses

At the end of the reporting period, the Group has tax losses of approximately $20,061,000 (31 December 2017: $20,472,000; 1 January 2017: $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.

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

At the end of the reporting period, no deferred tax liability (31 December 2017 and 1 January 2017: 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 $6,866,000 (31 December 2017: $6,358,000; 1 January 2017: $5,063,000). The deferred tax liability is estimated to be $566,000 (31 December 2017: $636,000; 1 January 2017: $383,000).

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

Tax consequence of proposed dividends

There are no income tax consequences (2017: Nil) attached to the dividends to the shareholders proposed by the Company but not recognised as a liability in the financial statements (Note 35).

25. Share capital and treasury shares

(a) Share capital

	Group and Company			
	2018		2017	
	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			
	2018		2017	
	No. of shares '000	$'000	No. of shares '000	$'000
At 1 January	(46,501)	(33,653)	(46,501)	(33,653)
Reissued pursuant to employee share option plan				
- For cash on exercise of employee share options	5,000	2,771	–	–
- Transferred from share-based compensation reserve (Note 26(f))	–	513	–	–
- Transferred from treasury shares reserve (Note 26(e))	–	335	–	–
At 31 December	(41,501)	(30,034)	(46,501)	(33,653)

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

The Company reissued 5,000,000 (2017: Nil) treasury shares pursuant to the CES Share Plan at an exercise price of $0.55 (2017: Nil) each during the year.

26. Other reserves

	Note	Group			Company		
		31 December 2018 $'000	31 December 2017 $'000	1 January 2017 $'000	31 December 2018 $'000	31 December 2017 $'000	1January 2017 $'000
Fair value adjustment reserve	(a)	–	–	5,155	–	–	5,155
Foreign currency translation reserve	(b)	(12,453)	530	–	–	–	–
Capital reserve	(c)	674	674	674	–	–	–
Asset revaluation reserve	(d)	2,611	2,655	2,709	–	–	–
Treasury shares reserve	(e)	(868)	(533)	(533)	(868)	(533)	(533)
Share-based compensation reserve	(f)	4,261	3,779	1,392	4,261	3,779	1,392
		(5,775)	7,105	9,397	3,393	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	
	2018 $'000	2017 $'000
At 1 January	–	5,155
Available-for-sale financial assets:		
- net loss on fair value changes during the year	–	(135)
- realisation of reserves on disposal	–	(5,020)
At 31 December	–	–

(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	
	2018 $'000	2017 $'000
At 1 January	530	(23,257)
Effect of adopting SFRS (I)	–	23,257
Net effect of exchange difference arising from translation of financial statements of foreign operations	(12,944)	570
Share of other comprehensive income of an associate	(39)	(40)
At 31 December	(12,453)	530

26. Other reserves (cont'd)

(c) Capital reserve

	Group	
	2018	**2017**
	$'000	$'000
At beginning and end of the year	674	674

(d) Asset revaluation reserve

As at 31 December 2018, the asset revaluation reserve represents increases in the Group's share in fair value of leasehold land and building of an associated company.

	Group	
	2018	**2017**
	$'000	$'000
At 1 January	2,655	2,709
Share of other comprehensive income of an associate	(44)	(54)
At 31 December	2,611	2,655

(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	
	2018	**2017**
	$'000	$'000
At 1 January	(533)	(533)
Treasury shares reissued pursuant to employee share option scheme	(335)	–
At 31 December	(868)	(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	
	2018	**2017**
	$'000	$'000
At 1 January	3,779	1,392
Fair value of employee services rendered during the year	995	2,387
Treasury shares reissued pursuant to employee share option scheme	(513)	–
At 31 December	4,261	3,779

27. Employee benefits expense

	Group	
	2018	2017
	$'000	$'000
Employee benefits expense (including directors):		
Salaries and bonuses	59,895	50,547
Central Provident Fund contributions	8,095	8,464
Share-based compensation expenses	995	2,387
Other short term benefits	3,641	1,290
	72,626	62,688

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:

	2018		2017	
	Number of share options	Weighted average exercise price	Number of share options	Weighted average exercise price
		$		$
Outstanding at 1 January	40,000,000	0.55	40,000,000	0.55
Exercised during the year	(5,000,000)	0.55	–	–
Outstanding at 31 December	35,000,000	0.55	40,000,000	0.55

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 the 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.

28. 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	
	2018	**2017**
	$'000	$'000
Management and other fees from associates	(10)	(24)
Sale of development properties to directors of the Company and family members of directors of the Company	(1,250)	(5,821)
Rental of premise from director of a subsidiary company	33	–

(b) *Compensation of key management personnel*

	Group	
	2018	**2017**
	$'000	$'000
Short-term employee benefits	12,307	8,109
Central Provident Fund contributions	205	171
Share-based compensation expenses	995	2,387
Other short-term benefits	538	179
	14,045	10,846
Comprise amounts paid to:		
- Directors of the Company	9,972	6,873
- Other key management personnel	4,073	3,973
	14,045	10,846

(c) *Others*

	Group	
	2018	**2017**
	$'000	$'000
$125 million 4.90% fixed rate notes (2017: $120 million 4.75% fixed rate notes) purchased by directors/key management personnel of the Company	–	(8,500)
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	482	753
	482	503

29. 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 $1,526,000 (2017: $998,000).

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

	Group		
	31 December 2018	**31 December 2017**	**1 January 2017**
	$'000	$'000	$'000
Not later than one year	2,621	1,112	168
Later than one year but not later than five years	4,968	3,855	–
Later than five years	21,212	22,153	–
	28,801	27,120	168

(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		
	31 December 2018	**31 December 2017**	**1 January 2017**
	$'000	$'000	$'000
Not later than one year	6,924	8,005	9,702
Later than one year but not later than five years	5,752	11,362	15,722
Later than five years	444	789	–
	13,120	20,156	25,424

30. Contingent liabilities

Guarantees

The Company has guaranteed the banking facilities and performance bonds of $3,021,587,000 (31 December 2017: $2,695,166,000; 1 January 2017: $1,731,562,000) granted to its subsidiaries. At 31 December 2018, the amount utilised was $1,927,680,000 (31 December 2017: $1,636,253,000; 1 January 2017: $1,282,652,000).

Based on information currently available, the Company does not expect any liabilities to arise from the guarantees.

31. 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 than 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.

(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 **1 January 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
Assets measured at fair value				
Financial assets:				
Investment securities				
Quoted equity securities	8,010	–	–	8,010
Financial assets as at 1 January 2017	8,010	–	–	8,010

No financial assets were measured at fair value as at 31 December 2018 and 31 December 2017.

	Fair value measurements at the end of the reporting period using			
Group	**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**
31 December 2018	$'000	$'000	$'000	$'000
Non-financial assets:				
Investment properties (Note 12)				
Commercial properties	–	–	250,617	250,617
Non-financial assets as at 31 December 2018	–	–	250,617	250,617

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

(b) Assets and liabilities measured at fair value (cont'd)

	Fair value measurements at the end of the reporting period using			
Group	**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**
31 December 2017	$'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
1 January 2017				
Non-financial assets:				
Investment properties (Note 12)				
Commercial properties	–	–	288,693	288,693
Non-financial assets as at 1 January 2017	–	–	288,693	288,693

(c) Level 3 fair value measurements

(i) Information about significant unobservable inputs used in Level 3 fair value measurements

Description	**Fair value at 31 December 2018** $'000	**Valuation techniques**	**Unobservable inputs**	**Range**
Recurring fair value measurements				
Investment properties:				
Commercial properties in Singapore and Australia	250,617	Market comparable approach	Transacted price of comparable properties (psf)	$93 – $3,871
		Capitalisation approach	Capitalisation rate	7.00% – 8.00%
		Discounted cash flow approach	Discount rate	8.25%
			Terminal yield rate	6.25%

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

(c) Level 3 fair value measurements (cont'd)

(i) Information about significant unobservable inputs used in Level 3 fair value measurements (cont'd)

Description	Fair value at 31 December 2017 $'000	Valuation techniques	Unobservable inputs	Range
Recurring fair value measurements				
Investment properties:				
Commercial properties in Singapore and Australia	251,706	Market comparable approach	Transacted price of comparable properties (psf)	$90 – $4,175
		Capitalisation approach	Capitalisation rate	7.00% – 8.00%

Description	Fair value at 1 January 2017 $'000	Valuation techniques	Unobservable inputs	Range
Recurring fair value measurements				
Investment properties:				
Commercial properties in Singapore and Australia	288,693	Market comparable approach	Transacted price of comparable properties (psf)	$224 – $3,524
		Capitalisation approach	Capitalisation rate	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 values of investment properties are determined by external independent valuers who 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. 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.

(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, 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 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.

The Group considers the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period. The Group has determined the default event on a financial asset to be when the counterparty fails to make contractual payments, within 90 days when they fall due, which are derived based on the Group's historical information.

The Group considers "low risk" to be an investment grade credit rating with at least one major rating agency for those investments with credit rating. To assess whether there is a significant increase in credit risk, the Group compares the risk of a default occurring on the asset as at reporting date with the risk of default as at the date of initial recognition. The Group considers available reasonable and supportive forwarding-looking information which includes the following indicators:

- Internal credit rating
- External credit rating
- Actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the borrower's ability to meet its obligations
- Actual or expected significant changes in the operating results of the borrower
- Significant increases in credit risk on other financial instruments of the same borrower
- Significant changes in the value of the collateral supporting the obligation or in the quality of third-party guarantees or credit enhancements
- Significant changes in the expected performance and behaviour of the borrower, including changes in the payment status of borrowers in the group and changes in the operating results of the borrower

Regardless of the analysis above, a significant increase in credit risk is presumed if a debtor is more than 90 days past due in making contractual payment.

The Group determined that its financial assets are credit-impaired when:

- There is significant difficulty of the issuer or the borrower
- A breach of contract, such as a default or past due event
- It is becoming probable that the borrower will enter bankruptcy or other financial reorganisation
- There is a disappearance of an active market for that financial asset because of financial difficulty

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

(a) ***Credit risk (cont'd)***

The Group categorises a loan or receivable for potential write-off when a debtor fails to make contractual payments more than 120 days past due. Financial assets are written off when there is no reasonable expectation of recovery, such as a debtor failing to engage in a repayment plan with the Group. Where loans and receivables have been written off, the Group continues to engage enforcement activity to attempt to recover the receivable due. Where recoveries are made, these are recognised in profit or loss.

Trade receivables

The Group provides for lifetime expected credit losses for all trade receivables using a provision matrix. The provision rates are determined based on the Group's historical observed default rates analysed in accordance to days past due.

Summarised below is the information about the credit risk exposure on the Group's trade receivables using provision matrix:

31 December 2018	**Current**	**More than 30 days past due**	**More than 60 days past due**	**More than 90 days past due**	**Total**
Gross carrying amount	8,742	554	255	2,372	11,923
Loss allowance provision	(359)	–	–	(2,212)	(2,571)

Information regarding loss allowance movement of trade receivables are disclosed in Note 17.

During the financial year, the Group wrote-off $12,000 of trade receivables which are more than 120 days past due as the Group does not expect to receive future cash flows from and there are no recoveries from collection of cash flows previously written off.

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 30).

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

(a) ***Credit risk (cont'd)***

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					
	31 December 2018		31 December 2017		1 January 2017	
	$'000	% of total	$'000	% of total	$'000	% of total
By country:						
Singapore	74,040	99	84,089	99	52,643	99
Other countries	540	1	642	1	789	1
	74,580	100	84,731	100	53,432	100
By industry sector:						
Construction	14,400	19	19,723	23	35,523	67
Property development	58,673	79	64,212	76	16,820	31
Hospitality	692	1	696	1	783	1
Education	336	#	–	–	–	–
Property investment and others	479	1	100	#	306	1
	74,580	100	84,731	100	53,432	100

Less than 1%

At the end of the reporting period, approximately 17% (31 December 2017: 21%; 1 January 2017: 63%) of the Group's trade receivables were due from 3 major customers who are located in Singapore.

Financial assets that are neither past due nor impaired

Trade and other receivables that are neither past due nor impaired are with creditworthy debtors with good payment record with the Group. Cash and short-term deposits and investment securities that are neither past due nor impaired are placed with or entered into with reputable financial institutions or companies with high credit ratings and no history of default.

Financial assets that are either past due or impaired

Information regarding financial assets that are either past due or impaired is disclosed in Note 17 (Trade and other receivables).

(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 7% (31 December 2017: 0.6%; 1 January 2017: 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.

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

(b) ***Liquidity risk (cont'd)***

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.

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			
31 December 2018	**One year or less** $'000	**One to five years** $'000	**Over five years** $'000	**Total** $'000
Financial assets:				
Trade and other receivables	119,905	41,587	–	161,492
Cash and short-term deposits	342,558	–	–	342,558
Total undiscounted financial assets	462,463	41,587	–	504,050
Financial liabilities:				
Trade and other payables	63,867	165,301	–	229,168
Other liabilities	48,430	36	–	48,466
Loans and borrowings	180,984	1,596,658	240,420	2,018,062
Total undiscounted financial liabilities	293,281	1,761,995	240,420	2,295,696
Total net undiscounted financial assets/ (liabilities)	169,182	(1,720,408)	(240,420)	(1,791,646)
31 December 2017				
Financial assets:				
Trade and other receivables	89,634	83,099	–	172,733
Cash and short-term deposits	257,846	–	–	257,846
Total undiscounted financial assets	347,480	83,099	–	430,579
Financial liabilities:				
Trade and other payables	58,180	249,067	–	307,247
Other liabilities	53,299	64	–	53,363
Loans and borrowings	49,971	1,443,904	246,479	1,740,354
Total undiscounted financial liabilities	161,450	1,693,035	246,479	2,100,964
Total net undiscounted financial assets/ (liabilities)	186,030	(1,609,936)	(246,479)	(1,670,385)

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

(b) Liquidity risk (cont'd)

	Group			
1 January 2017	**One year or less** $'000	**One to five years** $'000	**Over five years** $'000	**Total** $'000
Financial assets:				
Trade and other receivables	78,605	89	–	78,694
Cash and short-term deposits	481,582	–	–	481,582
Total undiscounted financial assets	560,187	89	–	560,276
Financial liabilities:				
Trade and other payables	75,681	133,309	–	208,990
Other liabilities	43,078	–	–	43,078
Loans and borrowings	265,370	787,979	257,700	1,311,049
Total undiscounted financial liabilities	384,129	921,288	257,700	1,563,117
Total net undiscounted financial assets/ (liabilities)	176,058	(921,199)	(257,700)	(1,002,841)

	Company			
31 December 2018	**One year or less** $'000	**One to five years** $'000	**Over five years** $'000	**Total** $'000
Financial assets:				
Trade and other receivables	20,363	329,834	–	350,197
Cash and short-term deposits	41,428	–	–	41,428
Total undiscounted financial assets	61,791	329,834	–	391,625
Financial liabilities:				
Trade and other payables	5,605	203,793	–	209,398
Other liabilities	7,414	–	–	7,414
Loans and borrowings	1,855	42,089	–	43,944
Total undiscounted financial liabilities	14,874	245,882	–	260,756
Total net undiscounted financial assets	46,917	83,952	–	130,869

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

(b) Liquidity risk (cont'd)

	Company			
31 December 2017	**One year or less** $'000	**One to five years** $'000	**Over five years** $'000	**Total** $'000
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
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
1 January 2017				
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
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

32. 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**
31 December 2018	$'000	$'000	$'000	$'000
Financial guarantees	151,428	1,767,849	8,403	1,927,680
31 December 2017				
Financial guarantees	41,398	1,594,855	–	1,636,253
1 January 2017				
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 17).

The interest rate for loan and borrowings are based on floating rate except for an amount of $38 million term notes which was on a fixed rate (Note 21).

<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') (2017: 75 bps) lower/higher with all other variables held constant, the Group's profit before tax would have been $13,297,000 (2017: $9,659,000) 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.

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

(d) ***Foreign currency risk***

The functional currencies of the Group entities primarily comprise the Singapore Dollar ("SGD"), US Dollar ("USD"), Australian Dollar ("AUD"), Vietnamese Dong "(VND") and Malaysian Ringgit ("MYR"). All the sales and cost of sales are in their respective functional currencies of the Group entities.

The Group and the Company also hold cash and short-term deposits denominated in foreign currencies for working capital purposes. At the end of the reporting period, such foreign currency balances are mainly in AUD and NZD.

The Group is also exposed to currency translation risk arising from its net investments in foreign operations, including Australia, Vietnam, Maldives and Malaysia. The Group's net investments in Australia, Vietnam, Maldives and Malaysia are not hedged as currency positions in AUD, VND, USD and MYR are considered to be long-term in nature.

Sensitivity analysis for foreign currency risk

The following table demonstrates the sensitivity of the Group's profit before tax to a reasonably possible change in the AUD and NZD exchange rates against the respective functional currencies of the Group entities, with all other variables held constant.

	Group Profit before tax	
	2018	**2017**
	$'000	$'000
AUD		
- strengthened 3% (2017: 3%)	+1,606	+19
- weakened 3% (2017: 3%)	-1,606	-19
NZD		
- strengthened 3% (2017: 3%)	+849	+881
- weakened 3% (2017: 3%)	-849	-881

33. 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 2018, 31 December 2017 and 1 January 2017.

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.

33. Capital management (cont'd)

	Group		
	31 December 2018	**31 December 2017**	**1 January 2017**
	$'000	$'000	$'000
Loans and borrowings (Note 21)	1,811,133	1,532,810	1,170,918
Less:			
Cash and short-term deposits (Note 20)	(342,558)	(257,846)	(481,582)
Net debt	1,468,575	1,274,964	689,336
Total equity	874,055	824,715	792,334
Net debt-equity ratio (times)	1.68	1.55	0.87

34. Segment information

For management purposes, the Group is organised into business units based on their products and services, and has six 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 education segment is in the business of providing education services.

(f) The corporate and others segment is involved in Group-level corporate services, treasury functions and investments in marketable securities (if any).

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.

34. Segment information (cont'd)

Year ended 31 December 2018	Construction	Property developments	Property investments	Hospitality	Education	Corporate and others	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Revenue:							
Total segment sales	264,175	849,557	9,934	71,653	2,599	11,919	1,209,837
Intersegment sales	(94,325)	(20,919)	(2,450)	–	–	(11,909)	(129,603)
Sales to external customers	169,850	828,638	7,484	71,653	2,599	10	1,080,234
Interest income	601	4,348	145	55	88	376	5,613
Finance costs	–	(27,310)	(6,054)	(11,452)	(1,015)	(4,542)	(50,373)
Depreciation and amortisation	(4,520)	(452)	(105)	(12,877)	(219)	(798)	(18,971)
Share of results of associates	–	(60)	3,542	–	–	1,446	4,928
Net fair value loss on investment properties	–	–	(1,042)	–	–	–	(1,042)
Other non-cash items:							
Share-based compensation expenses	–	–	–	–	–	(995)	(995)
Provision for onerous contract on construction and development properties	(7,500)	–	–	–	–	–	(7,500)
Impairment on property, plant and equipment and intangible assets	(4,725)	–	–	(1,210)	–	–	(5,935)
Segment (loss)/profit	(10,585)	129,867	797	(9,475)	(4,059)	(8,501)	98,044
Assets and liabilities:							
Investment in joint venture	–	–	3,392	–	–	–	3,392
Investments in associates	–	490	–	–	–	5,615	6,105
Additions to non-current assets:							
- property, plant and equipment	2,023	177	5	47,211	1,242	591	51,249
- investment properties	–	–	12,819	–	–	–	12,819
- intangible assets	–	–	–	1,001	15,804	195	17,000
Segment assets	111,978	2,227,671	318,362	348,423	30,365	49,741	3,086,540
Segment liabilities	83,503	1,608,157	110,875	378,153	8,058	23,739	2,212,485

34. Segment information (cont'd)

Year ended 31 December 2017	Construction $'000	Property developments $'000	Property investments $'000	Hospitality $'000	Corporate and others $'000	Total $'000
Revenue:						
Total segment sales	269,720	573,304	11,977	38,624	17,874	911,499
Intersegment sales	(39,326)	(1,622)	(1,892)	–	(17,850)	(60,690)
Sales to external customers	230,394	571,682	10,085	38,624	24	850,809
Interest income	669	2,177	252	3	1,123	4,224
Finance costs	3	(19,946)	(3,510)	(7,890)	(6,581)	(37,924)
Depreciation and amortisation	(2,528)	(305)	(24)	(7,789)	(745)	(11,391)
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 expenses	–	–	–	–	(2,387)	(2,387)
(Provision for onerous contract)/impairment written back on construction and development properties	(9,500)	1,513	–	–	–	(7,987)
Segment (loss)/profit	(15,543)	78,303	15,957	(7,185)	(66)	71,466
Assets and liabilities:						
Investments in associates	–	1,378	–	–	5,563	6,941
Additions to non-current assets:						
- property, plant and equipment	10,002	757	121	106,798	852	118,530
- investment properties	–	–	5,449	–	–	5,449
- intangible assets	–	–	–	–	80	80
Segment assets	134,182	2,054,518	289,584	311,680	15,950	2,805,914
Segment liabilities	93,636	1,508,364	146,682	200,717	31,800	1,981,199
As at 1 January 2017						
Assets and liabilities:						
Investments in associates	–	1,425	–	–	4,934	6,359
Additions to non-current assets:						
- property, plant and equipment	1,503	223	4	199	974	2,903
- investment properties	–	–	311	–	–	311
- intangible assets	1,746	–	–	–	465	2,211
Segment assets	154,635	1,453,961	295,977	226,273	139,348	2,270,194
Segment liabilities	88,828	1,007,584	121,348	131,598	128,502	1,477,860

34. 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:

	Revenue		Non-current assets		
	2018	**2017**	**31 December 2018**	**31 December 2017**	**1 January 2017**
	$'000	$'000	$'000	$'000	$'000
Singapore	867,994	793,303	472,500	467,372	449,870
Australia	169,983	41,115	67,423	16,213	56,270
Maldives	29,390	7,845	86,271	88,938	–
Malaysia	12,867	8,546	5,321	5,545	4,511
	1,080,234	850,809	631,515	578,068	510,651

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 $167,520,000 (2017: $238,592,000), arising from revenue generated by the construction segment.

35. Dividend

	Group and Company	
	2018	**2017**
	$'000	$'000
Declared and paid during the financial year:		
Dividends on ordinary shares:		
- First and final tax-exempt (one-tier) dividend for 2017: 4.0 cents (2016: 4.0 cents) per share	24,841	24,841
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 2018: 4.0 cents (2017: 4.0 cents) per share	25,041	24,841

36. Events occurring after the reporting period

(i) Proposed investment in Invictus International School Pte. Ltd.

On 28 February 2019, White Lodge Education Group Services Pte. Ltd. (the "Purchaser") has entered into:

(a) a sale and purchase agreement (the "SPA") with Invictus International School Pte. Ltd. (the "Target") and certain shareholders of the Target (the "Sellers"), to acquire all the ordinary shares held by the Sellers in the issued share capital of the Target for the aggregate fixed consideration of approximately S$4.5 million (the "Sale Shares Consideration"), in accordance with the terms of the SPA ("the "Proposed Acquisition"); and

(b) a share subscription agreement (the "SSA") with the Target and Mr. John Anthony Fearon, as the management shareholder ("Management Shareholder"), to subscribe for new ordinary shares in the Target for the subscription price of S$5 million (the "Subscription Shares Consideration"), in accordance with the terms of the SSA (the "Proposed Subscription"),

such that the Purchaser will hold 64.64% of the issued share capital of the Target immediately after the completion of the Proposed Acquisition and the Proposed Subscription (collectively, the "Proposed Investment"). The Company's effective interest in the Proposed Investment will be 45.25%.

(ii) S$100,000,000 6 per cent. notes due 2022 issued by CES Treasury Pte. Ltd. pursuant to S$750,000,000 multicurrency debt issuance programme (the "Programme") of the Company

On 6 March 2019, CES Treasury Pte. Ltd., launched and priced the S$100,000,000 6 per cent. notes due 2022 (the "Series 004 Notes") to be issued by CES Treasury Pte. Ltd. pursuant to the Programme. The Series 004 Notes are unconditionally and irrevocably guaranteed by the Company.

37. Authorisation of financial statements for issue

The financial statements for the year ended 31 December 2018 were authorised for issue in accordance with a resolution of the Directors on 22 March 2019.

STATISTICS OF SHAREHOLDINGS

As at 15 March 2019

SHARE CAPITAL

Issued and fully-paid capital	:	$79,690,709
No. of Issued Shares	:	667,515,161
No. of Issued Shares (excluding Treasury Shares)	:	626,014,061
No./Percentage of Treasury Shares	:	41,501,100 (6.22%)
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	12	0.16	250	0.00
100 - 1,000	516	6.96	463,639	0.07
1,001 - 10,000	3,944	53.22	23,614,988	3.77
10,001-1,000,000	2,902	39.16	162,165,394	25.91
1,000,001 and above	37	0.50	439,769,790	70.25
TOTAL	**7,411**	**100.00**	**626,014,061**	**100.00**

Substantial Shareholders	Direct Interest	%	Deemed Interest	%
Celine Tang [1][2]	168,907,000	26.98	17,198,000	2.75

Notes:

1 Celine Tang and Gordon Tang are jointly holding 168,907,000 shares.

2 Celine Tang's deemed interest includes 17,198,000 shares held by Senz Holdings Limited, a company in which Celine Tang is a director.

STATISTICS OF SHAREHOLDINGS

As at 15 March 2019

TWENTY LARGEST SHAREHOLDERS

NO.	NAME	NO. OF SHARES	%
1	Citibank Nominees Singapore Pte Ltd	129,979,310	20.76
2	Raffles Nominees (Pte.) Limited	56,871,505	9.08
3	DB Nominees (Singapore) Pte Ltd	49,978,200	7.98
4	DBS Nominees (Private) Limited	25,634,808	4.09
5	Maybank Kim Eng Securities Pte. Ltd.	25,318,823	4.04
6	United Overseas Bank Nominees (Private) Limited	16,802,400	2.68
7	Simmic Investments Pte Ltd	15,430,400	2.46
8	Lim Ling Kwee	13,680,500	2.19
9	Kenyon Pte Ltd	11,235,700	1.79
10	Lim Sock Joo	9,702,000	1.55
11	Dawn Lim Sock Kiang	8,113,800	1.30
12	Tan Kok Sing	7,567,500	1.21
13	OCBC Securities Private Limited	7,242,200	1.16
14	Chia Lee Meng Raymond	6,125,000	0.98
15	Sim Yok Kee @Sim Guek Hiang	4,530,000	0.72
16	Lim Guan Pheng	4,150,000	0.66
17	Hai Sia Seafood Pte Ltd	4,076,200	0.65
18	UOB Kay Hian Private Limited	3,893,000	0.62
19	DBSN Services Pte. Ltd.	3,842,988	0.61
20	Pang Heng Kwee	3,620,000	0.58
	TOTAL	**407,794,334**	**65.11**

PERCENTAGE OF SHAREHOLDINGS IN PUBLIC'S HAND

Approximately 66.88% 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, 24 April 2019 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 2018 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 2018 (2017: Tax Exempt One-Tier First and Final Dividend of 4.0 cents per ordinary share).

(Resolution 2)

3. To re-elect Mr Ang Mong Seng, being a Director who retires by rotation pursuant to Article 115 of the Constitution of the Company. [See Explanatory Note (i)]

(Resolution 3)

4. To note the retirement of Mr Ung Gim Sei, being a Director who retires by rotation pursuant to Article 115 of the Constitution of the Company. [See Explanatory Note (ii)]

5. To re-elect Mrs Celine Tang @ Chen Huaidan @ Celine Tang, being a Director who retires pursuant to Article 119 of the Constitution of the Company. [See Explanatory Note (iii)]

(Resolution 4)

6. To re-elect Mr Lock Wai Han, being a Director who retires pursuant to Article 119 of the Constitution of the Company. [See Explanatory Note (iv)]

(Resolution 5)

7. To approve the payment of additional Directors' fees of $22,000 for the financial year ended 31 December 2018.

(Resolution 6)

8. To approve the payment of Directors' fees of $425,000 for the financial year ending 31 December 2019, to be paid quarterly in arrears. (2018: S$337,000)

(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:

(A) ORDINARY RESOLUTIONS

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:

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

(b) 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

(c) any subsequent bonus issue, consolidation or subdivision of shares;

(iii) 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

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

(iv) unless revoked or varied by the Company in general meeting, the authority conferred by this Resolution shall continue in force until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is the earlier. [See Explanatory Note (v)]"

(Resolution 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;

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:-

12. **SHARE PURCHASE MANDATE (cont'd)**

(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 the Market Purchase by the Company or, as the case may be, the date of the making of the offer pursuant to the Off-Market Purchase pursuant to the equal access scheme, and deemed to be adjusted for any corporate action that occurs after the relevant five consecutive Market Days; and

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

d. the Directors of the Company and/or any of them be and are hereby authorised to deal with the Shares purchased by the Company, pursuant to the Share Purchase Mandate in any manner as may be permitted under the Companies Act; and

e. the Directors of the Company and/or any of them be and are hereby authorised to complete and do all such acts and things (including executing such documents as may be required) as they and/or he may consider expedient or necessary to give effect to the transactions contemplated by this Resolution. [See Explanatory Note (vi)]"

(Resolution 10)

(B) SPECIAL RESOLUTION

13. **"ADOPTION OF THE NEW CONSTITUTION OF THE COMPANY**

That the New Constitution of the Company set out in Annex B of the Appendix dated 1 April 2019, be and is hereby approved and adopted as the Constitution of the Company in substitution for, and to the exclusion of, the existing Constitution of the Company. [See Explanatory Note (vii)]"

(Resolution 11)

By Order of the Board

Loh Lee Eng
Joint Company Secretary

Singapore, 1 April 2019

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. 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.

3. 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).

4. 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, Chapter 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, Chapter 289 and who holds shares in that capacity; or

(c) the Central Provident Fund Board established by the Central Provident Fund Act, Chapter 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 Ang Mong Seng as an Independent Director of the Company. Mr Ang, upon re-election, will remain as the Lead Independent Director and the Chairman of the Audit Committee and a member of the Nominating Committee and the Remuneration Committee of the Company. [Mr Ang will be considered independent for the purposes of Rule 704(8) of the Listing Manual of the SGX-ST.]

(ii) To note the retirement of Mr Ung Gim Sei as a Director of the Company. Upon his retirement, Mr Ung will cease as the Chairman of the Nominating Committee and a member of the Audit Committee and the Remuneration Committee.

(iii) **Resolution 4** is to re-elect Mrs Celine Tang @ Chen Huidan @ Celine Tang as a Director of the Company. Mrs Celine Tang, upon re-election, will remain as the Non-Independent and Non-Executive Director and Chairman of the Company.

(iv) **Resolution 5** is to re-elect Mr Lock Wai Han as an Independent Director of the Company. Mr Lock, upon re-election, will remain as an Independent Director and a member of the Audit Committee of the Company.

EXPLANATORY NOTES: (cont'd)

(v) **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.

(vi) **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 percent (10%) of the total number of issued Shares (excluding treasury shares) at the Maximum Price in accordance with the terms and conditions set out in the Appendix dated 1 April 2019 to this Notice of Annual General Meeting, the Companies Act and the Listing Manual of the SGX ST. Please refer to the Appendix dated 1 April 2019 circulated together with the Company's Annual Report for details.

(vii) **Resolution 11**, which is to be passed as a Special Resolution, is in relation to the proposed adoption of the new Constitution of the Company. Detailed information relating to the adoption of the new Constitution is set out in the Appendix to shareholders dated 1 April 2019.

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.

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

PROXY FORM

(Please see notes overleaf before completing this Form)

IMPORTANT:
1. An investor who holds shares under the Central Provident Fund Investment Scheme ("CPF Investor") and/or the Supplementary Retirement Scheme ("SRS Investor") (as may be applicable) may attend and cast his vote(s) at the Meeting in person. CPF and SRS Investors who are unable to attend the Meeting but would like to vote, may inform their CPF and/or SRS Approved Nominees to appoint the Chairman of the Meeting to act as their proxy, in which case, the CPF and SRS Investors shall be precluded from attending the Meeting.
2. This Proxy Form is not valid for use by CPF and SRS Investors and shall be ineffective for all intents and purposes if used or purported to be used by them.

I/We,______________________________ (Name) ______________________________ (NRIC/ Passport Number/ Company Regn. No.)

of____ (Address)

being a member/members of Chip Eng Seng Corporation Ltd. (the "**Company**"), hereby appoint:

Name	NRIC/Passport No.	Proportion of Shareholdings	
		No. of Shares	%
Address			

and/or failing him/her (delete as appropriate)

Name	NRIC/Passport No.	Proportion of Shareholdings	
		No. of Shares	%
Address			

as my/our proxy/proxies to attend and vote for me/us on my/our behalf at the Annual General Meeting ("**AGM**") of the Company to be held at Emerald Suite, Golf Clubhouse – Level II, Orchid Country Club, No. 1 Orchid Club Road, Singapore 769162 on Wednesday, 24 April 2019 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		
	ORDINARY RESOLUTIONS		
1.	Adoption of Directors' Statement and the Audited Financial Statements for the financial year ended 31 December 2018 **(Resolution 1)**		
2.	Approval of Tax Exempt One-Tier First and Final Dividend **(Resolution 2)**		
3.	Re-election of Mr Ang Mong Seng as a Director **(Resolution 3)**		
4.	Re-election of Mrs Celine Tang @ Chen Huaidan @ Celine Tang as a Director **(Resolution 4)**		
5.	Re-election of Mr Lock Wai Han as a Director **(Resolution 5)**		
6.	Approval of additional Directors' fees amounting to $22,000 for the financial year ended 31 December 2018 **(Resolution 6)**		
7.	Approval of Directors' fees amounting to $425,000 for the financial year ending 31 December 2019, 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		
(A)	**ORDINARY RESOLUTIONS**		
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)**		
(B)	**SPECIAL RESOLUTION**		
12.	Approval of the adoption of the new Constitution of the Company **(Resolution 11)**		

* 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 ____________ 2019

____
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. Save as provided in the Constitution, 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, Chapter 50 of Singapore 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, Chapter 19 of Singapore 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, Chapter 289 of Singapore and who holds shares in that capacity; or

   (c) the Central Provident Fund Board established by the Central Provident Fund Act, Chapter 36 of Singapore, 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 1 April 2019.

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

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