



Second Quarter Financial Statement and Dividend Announcement for the period Ended 30 June 2019

1(a)(i) An income statement and statement of comprehensive income or a statement of comprehensive income, for the Group, together with a comparative statement for the corresponding period of the immediately preceding financial year

	Note	Group			Group		
		2Q2019 \$'000	2Q2018 \$'000	+ / (-) %	1H2019 \$'000	1H2018 \$'000	+ / (-) %
Revenue							
- Property development		169,825	188,554	(9.9)	374,099	325,788	14.8
- Construction		44,808	49,926	(10.3)	82,484	91,912	(10.3)
- Hospitality		17,570	15,345	14.5	39,294	33,494	17.3
- Education		3,362	-	NM	5,113	-	NM
- Property investment & others		1,816	1,867	(2.7)	3,664	3,687	(0.6)
		<u>237,381</u>	<u>255,692</u>	(7.2)	<u>504,654</u>	<u>454,881</u>	10.9
Cost of sales		(194,260)	(198,965)	(2.4)	(413,579)	(351,404)	17.7
Gross profit		<u>43,121</u>	<u>56,727</u>	(24.0)	<u>91,075</u>	<u>103,477</u>	(12.0)
Other items of income							
Interest income		2,229	1,120	99.0	4,062	1,830	122.0
Other income		841	1,726	(51.3)	2,036	913	123.0
Other items of expense							
Marketing and distribution expenses	1	(3,127)	(5,861)	(46.6)	(7,310)	(7,755)	(5.7)
Administrative expenses		(21,923)	(17,610)	24.5	(42,995)	(38,508)	11.7
Finance costs	2	(16,015)	(9,720)	64.8	(31,043)	(18,385)	68.8
Share of results of associates and joint venture		409	880	(53.5)	969	2,055	(52.8)
Profit before tax		<u>5,535</u>	<u>27,262</u>	(79.7)	<u>16,794</u>	<u>43,627</u>	(61.5)
Income tax expense	3	(2,074)	(10,364)	(80.0)	(3,247)	(14,474)	(77.6)
Profit after tax		<u>3,461</u>	<u>16,898</u>	(79.5)	<u>13,547</u>	<u>29,153</u>	(53.5)
Profit attributable to:							
Owners of the Company		3,987	12,248	(67.4)	15,241	18,371	(17.0)
Non-controlling interests		(526)	4,650	NM	(1,694)	10,782	NM
		<u>3,461</u>	<u>16,898</u>	(79.5)	<u>13,547</u>	<u>29,153</u>	(53.5)

1(a)(ii) Items, which if significant, must be included in the income statement

	Note	Group			Group		
		2Q2019 \$'000	2Q2018 \$'000	+ / (-) %	1H2019 \$'000	1H2018 \$'000	+ / (-) %
Other income							
Rental income from non investment holding companies		554	85	551.8	781	187	317.6
Write back of impairment loss on trade receivables		-	10	(100.0)	-	10	(100.0)
Sales of materials		96	-	NM	300	-	NM
Government grants		15	43	(65.1)	256	199	28.6
Deposits forfeited from buyers		54	-	NM	77	45	71.1
Gain on disposal of property, plant and equipment		87	-	NM	229	-	NM
Foreign exchange gain	4	-	1,425	(100.0)	-	-	NM
Others		35	163	(78.5)	393	472	(16.7)
		<u>841</u>	<u>1,726</u>	(51.3)	<u>2,036</u>	<u>913</u>	123.0

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

Employee benefits expenses		17,201	17,046	0.9	35,854	32,150	11.5
Depreciation of property, plant and equipment		5,291	4,081	29.6	10,240	8,511	20.3
Foreign exchange loss/(gain)	4	1,687	(1,425)	NM	1,629	3,468	(53.0)
Legal and professional fees		994	787	26.3	1,744	1,125	55.0
Property maintenance expenses		1,081	909	18.9	2,197	2,328	(5.6)
Amortisation of intangible assets		92	59	55.9	185	115	60.9
(Over)/Underprovision of tax in respect of previous years		(1,272)	491	NM	(2,689)	61	NM

Note:-

NM - Not meaningful.

Notes to Group Income Statement

- The decrease in marketing and distribution expenses in 2Q2019 was due to lower marketing expenses incurred on Parc Komo which was launched in May 2019 as compared to Park Colonial in preparation for its launch in July 2018.
- The increase in finance costs was due to more borrowing costs of development projects being expensed off in 2Q2019.
- The effective tax rate was higher in 2Q2019 due mainly to effect of deferred tax assets not provided on losses, on grounds of prudence.
- The foreign exchange loss in 2Q2019 was due to weakening of Australian dollars in 2Q2019 as compared to strengthening of Australian dollars in 2Q2018.

1(a)(iii) Statement of Comprehensive Income

	Note	Group		+/(-) %	Group		+/(-) %
		2Q2019 \$'000	2Q2018 \$'000		1H2019 \$'000	1H2018 \$'000	
Profit after tax		3,461	16,898	(79.5)	13,547	29,153	(53.5)
Other comprehensive income:							
<i>Items that may be reclassified subsequently to profit or loss</i>							
Foreign currency translation differences	1	(1,781)	(112)	1,490.2	(1,520)	(5,586)	(72.8)
Share of foreign currency translation of associate and joint venture		(59)	17	NM	(29)	(6)	383.3
		(1,840)	(95)	1,836.8	(1,549)	(5,592)	(72.3)
Other comprehensive income for the quarter/period, net of tax		(1,840)	(95)	1,836.8	(1,549)	(5,592)	(72.3)
Total comprehensive income for the quarter/period		1,621	16,803	(90.4)	11,998	23,561	(49.1)
Total comprehensive income attributable to:							
Owners of the Company		1,933	12,336	(84.3)	13,445	13,036	3.1
Non-controlling interests		(312)	4,467	NM	(1,447)	10,525	NM
		1,621	16,803	(90.4)	11,998	23,561	(49.1)

Notes to Statement of Comprehensive Income

- 1 Foreign currency translation differences arises from the translation of financial statements of foreign operations whose functional currencies are different from that of the Group's functional currency. Translation loss in 2Q2019 was mainly due to depreciation of Australian dollars against Singapore dollars on the Group's foreign net assets which are largely denominated in Australian dollars.

1(b)(i) A statement of financial position (for the issuer and group), together with a comparative statement as at the end of the immediately preceding financial year

	Note	The Group		Note	The Company	
		30 Jun 2019 \$'000	31 Dec 2018 \$'000		30 Jun 2019 \$'000	31 Dec 2018 \$'000
Non-current assets						
Property, plant and equipment	1	375,986	364,221		1,407	1,438
Investment properties		250,391	250,617		-	-
Intangible assets		21,927	16,677		478	509
Investment in subsidiaries		-	-	9	24,342	3,342
Investment in joint venture		3,970	3,392		-	-
Investments in associates		6,204	6,105		650	650
Deferred tax assets		7,547	5,956		-	-
Trade and other receivables		42,112	40,411	10	285,261	275,045
		708,137	687,379		312,138	280,984
Current assets						
Development properties	2	1,639,478	1,410,329		-	-
Inventories		2,930	2,152		-	-
Prepayments		3,419	2,708		187	252
Trade and other receivables	3	266,019	123,444	10	9,350	8,096
Contract assets	4	146,869	501,307		-	-
Capitalised contract costs		13,589	16,663		-	-
Cash and short-term deposits		316,776	342,558		38,485	41,428
		2,389,080	2,399,161		48,022	49,776
Total assets		3,097,217	3,086,540		360,160	330,760
Deduct: Current liabilities						
Loans and borrowings	5	136,624	129,773		-	-
Trade and other payables		58,565	64,814		246	671
Contract liabilities	6	28,180	99,488		-	-
Other liabilities	7	51,139	48,430		1,464	7,414
Income tax payable		4,126	9,716		182	600
		278,634	352,221		1,892	8,685
Net current assets		2,110,446	2,046,940		46,130	41,091
Deduct: Non-current liabilities						
Loans and borrowings	5	1,736,016	1,681,360		38,250	38,250
Trade and other payables	8	159,151	140,696	11	250,869	191,017
Other liabilities	7	16,999	36		-	-
Deferred tax liabilities		42,655	38,172		36	36
		1,954,821	1,860,264		289,155	229,303
		863,762	874,055		69,113	92,772
Equity attributable to owners of the Company						
Share capital		79,691	79,691		79,691	79,691
Treasury shares		(30,034)	(30,034)		(30,034)	(30,034)
Retained earnings		763,666	773,466		15,837	39,722
Other reserves		(7,345)	(5,775)		3,619	3,393
		805,978	817,348		69,113	92,772
Non-controlling interests		57,784	56,707		-	-
Total equity		863,762	874,055		69,113	92,772

1(b)(i) A statement of financial position (for the issuer and group), together with a comparative statement as at the end of the immediately preceding financial year (Cont'd)

Notes to Statement of Financial Position

Note

The Group

- 1 The increase in property, plant and equipment was mainly due to right-of-use assets of the Group's lease commitments arising from the adoption of SFRS(I) 16 Leases which took effect from 1 January 2019.
- 2 The increase in development properties was mainly due to the acquisition of Kampong Java site in April 2019.
- 3 The increase in current trade and other receivables was mainly due to progress billings receivable from purchasers of High Park Residences of which Temporary Occupation Permit has been obtained.
- 4 The decrease in contract assets was mainly due to the transfer to trade receivables following the completion of High Park Residences.
- 5 The increase in current and non-current loans and borrowings was due to issuance of term notes, financings obtained for development projects and working capital, partially offset by repayment of bank loans.
- 6 The decrease in contract liabilities was due to lesser amount of advances from customers following the progressive recognition of revenue.
- 7 The increase in other liabilities was due to lease liabilities arising from the adoption of SFRS(I) 16 Leases which took effect from 1 January 2019.
- 8 The increase in non-current trade and other payables was due to advance payment received from a customer for a construction project.

The Company

- 9 The increase in investment in subsidiaries was due to increase in share capital of a subsidiary.
- 10 The increase in trade and other receivables was due to working capital loans extended to subsidiaries.
- 11 The increase in non-current trade and other payables was due to loans obtained from subsidiaries.

1(b)(ii) In relation to the aggregate amount of the group's borrowings and debt securities, specify the following as at the end of the current financial period reported on with comparative figures as at the end of the immediately preceding financial year

	As at 30 Jun 2019 \$'000	As at 31 Dec 2018 \$'000
Amount repayable in one year or less, or on demand		
- Secured	136,624	129,773
- Unsecured	-	-
Amount repayable after one year		
- Secured	1,597,766	1,643,110
- Unsecured	138,250	38,250
	<u>1,872,640</u>	<u>1,811,133</u>

Details of any collateral

The Group's total borrowings of \$1.9 billion are loans taken to finance property development projects, investment properties and hotels, and for working capital.

The Group's secured borrowings of \$1.7 billion are mainly secured by:

- (a) legal mortgage on the development properties, investment properties and hotels;
- (b) subordination of shareholder's loan;
- (c) assignment of sale proceeds of the development properties;
- (d) assignment of all rights and benefits under construction contracts, performance bonds and insurance policies in respect of the development properties;
- (e) assignment of tenancy and sale agreements of the investment and development properties;
- (f) fixed and floating charge on the hotels; and
- (g) corporate guarantee from the Company.

The Group's unsecured borrowings of \$138.3 million comprise the following notes issued under its \$750 million Multicurrency Debt Issuance Programme:

- (a) \$13.0 million 5-year fixed rate notes issued on 14 June 2016. The notes bear interest at the rate of 4.75 per cent. per annum payable semi-annually in arrear and will due in June 2021.
- (b) \$25.3 million 5-year fixed rate notes issued on 19 May 2017. The notes bear interest at the rate of 4.90 per cent. per annum payable semi-annually in arrear and will due in May 2022.
- (c) \$100.0 million 3-year fixed rate notes issued on 15 March 2019. The notes bear interest at the rate of 6.0 per cent. per annum payable semi-annually in arrear and will due in March 2022.

1(c) A statement of cash flows (for the group), together with a comparative statement for the corresponding period of the immediately preceding financial year

	Group		Group	
	2Q2019 \$'000	2Q2018 \$'000	1H2019 \$'000	1H2018 \$'000
Cash flows from operating activities				
Profit before tax	5,535	27,262	16,794	43,627
Adjustments for:				
Interest income	(2,229)	(1,120)	(4,062)	(1,830)
(Gain)/Loss on disposal of property, plant and equipment	(87)	38	(229)	(5)
Interest expense	16,015	9,720	31,043	18,385
Property, plant and equipment written off	95	-	95	-
Depreciation of property, plant and equipment	5,291	4,081	10,240	8,511
Amortisation of intangible assets	92	59	185	115
Amortisation of capitalised contract cost	2,769	3,823	5,840	6,937
Unrealised exchange loss/(gain)	1,751	(1,980)	1,806	2,182
Share of results of associates and joint venture	(409)	(880)	(969)	(2,055)
Reversal of impairment on receivables	-	(10)	-	(10)
Share-based compensation expenses	226	397	226	995
Operating profit before changes in working capital	29,049	41,390	60,969	76,852
Changes in working capital:				
Development properties	(339,920)	(383,920)	(225,928)	(349,752)
Capitalised contract cost	(1,879)	(2,241)	(2,766)	(4,226)
Inventories	(484)	(1,306)	(795)	(968)
Prepayments	(261)	7,265	(720)	1,076
Trade and other receivables and contract assets	324,747	247,720	210,346	182,139
Trade and other payables and contract liabilities	(43,306)	(170,827)	(59,750)	(128,422)
Other liabilities	(12,620)	1,063	1,284	(15,968)
Cash used in operations	(44,674)	(260,856)	(17,360)	(239,269)
Interest paid	(16,369)	(17,833)	(34,153)	(27,298)
Interest received	2,229	1,120	4,062	1,830
Income tax paid	(5,388)	(6,686)	(5,958)	(7,467)
Net cash used in operating activities	(64,202)	(284,255)	(53,409)	(272,204)
Cash flows from investing activities:				
Purchase of property, plant and equipment	(2,648)	(830)	(4,608)	(34,088)
Proceeds from disposal of property, plant and equipment	87	9	302	130
Net cash outflow on acquisition of subsidiary	(3,265)	-	(3,265)	-
Dividend income	-	600	264	600
Repayment from associates and joint venture	-	825	-	851
Additions to intangible assets	-	-	-	(195)
Additions to investment properties	-	(24)	-	(13,451)
Net cash (used in)/generated from investing activities	(5,826)	580	(7,307)	(46,153)
Cash flows from financing activities:				
Repayment of loans and borrowings	(341,701)	(63,990)	(382,591)	(96,436)
Proceeds from loans and borrowings	285,376	436,533	344,600	501,202
Proceeds from issuance of term notes	-	-	100,000	-
Dividends paid	(25,041)	(24,841)	(25,041)	(24,841)
Proceeds from issuance of new shares by subsidiary to non-controlling interests	-	-	-	1,620
Repayment of obligations under finance leases	(1,103)	-	(1,753)	-
Net cash (used in)/generated from financing activities	(82,469)	347,702	35,215	381,545
Net (decrease)/increase in cash and cash equivalents	(152,497)	64,027	(25,501)	63,188
Effect of exchange rate changes on cash and cash equivalents	(474)	473	(281)	(294)
Cash and cash equivalents at beginning of the period	469,747	256,240	342,558	257,846
Cash and cash equivalents at end of the period	316,776	320,740	316,776	320,740
Cash and cash equivalents comprise:				
Short term fixed deposits			174,204	155,002
Cash and bank balances			142,572	165,738
			316,776	320,740

1(c) A statement of cash flows (for the group), together with a comparative statement for the corresponding period of the immediately preceding financial year (Cont'd)

Net cash used in operating activities

Lower net cash used in operating activities in 2Q2019 and 1H2019 as compared to same periods last year was mainly due to higher progressive payments from development properties.

The net cash outflows from operating activities was due mainly to development expenditure incurred.

Net cash (used in)/generated from investing activities

The increase in net cash used in investing activities in 2Q2019 was mainly due to acquisition of Invictus Group in April 2019 and higher purchase of property, plant and equipment.

Net cash used in investing activities in 1H2019 was lower due to acquisition of the Mercure & Ibis Styles Grosvenor Hotel, the adjoining properties at Hindley Street in Adelaide, Australia in 1H2018.

Net cash (used in)/generated from financing activities

The net cash used in financing activities in 2Q2019 was mainly due to repayment of bank borrowings and dividend payment, partially offset by new financing obtained for Kampong Java project.

Lower net cash inflows from financing activities in 1H2019 was due to higher repayment during the period, as compared to 1H2018.

1(d)(i) A statement (for the issuer and group) showing either (i) all changes in equity or (ii) changes in equity other than those arising from capitalisation issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial year

Group	Attributable to owners of the Company										Non-controlling interests	Total equity
	Issued capital	Treasury shares	Treasury shares reserve	Share-based compensation reserve	Capital reserve	Asset revaluation reserve	Currency translation reserve	Retained earnings	Total			
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
At 1 January 2019	79,691	(30,034)	(868)	4,261	674	2,611	(12,453)	773,466	817,348	56,707	874,055	
Total comprehensive income/(expense) for the period	-	-	-	-	-	-	258	11,254	11,512	(1,135)	10,377	
At 31 March 2019	79,691	(30,034)	(868)	4,261	674	2,611	(12,195)	784,720	828,860	55,572	884,432	
Total comprehensive income/(expense) for the quarter	-	-	-	-	-	-	(2,054)	3,987	1,933	(312)	1,621	
Dividends paid	-	-	-	-	-	-	-	(25,041)	(25,041)	-	(25,041)	
Share-based compensation expenses	-	-	-	226	-	-	-	-	226	-	226	
Acquisition of subsidiary	-	-	-	-	-	-	-	-	-	2,524	2,524	
At 30 June 2019	79,691	(30,034)	(868)	4,487	674	2,611	(14,249)	763,666	805,978	57,784	863,762	

Group	Attributable to owners of the Company										Non-controlling interests	Total equity
	Issued capital	Treasury shares	Treasury shares reserve	Share-based compensation reserve	Capital reserve	Asset revaluation reserve	Currency translation reserve	Retained earnings	Total			
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	
At 1 January 2018	79,691	(33,653)	(533)	3,779	674	2,655	530	735,186	788,329	36,386	824,715	
Total comprehensive income/(expense) for the period	-	-	-	-	-	-	(5,423)	6,123	700	6,058	6,758	
Share-based compensation expenses	-	-	-	598	-	-	-	-	598	-	598	
Capital contribution to non-controlling interests	-	-	-	-	-	-	-	-	-	1,620	1,620	
At 31 March 2018	79,691	(33,653)	(533)	4,377	674	2,655	(4,893)	741,309	789,627	44,064	833,691	
Total comprehensive income for the quarter	-	-	-	-	-	-	88	12,248	12,336	4,467	16,803	
Dividends paid	-	-	-	-	-	-	-	(24,841)	(24,841)	-	(24,841)	
Share-based compensation expenses	-	-	-	397	-	-	-	-	397	-	397	
At 30 June 2018	79,691	(33,653)	(533)	4,774	674	2,655	(4,805)	728,716	777,519	48,531	826,050	

Company	Issued capital	Treasury shares	Treasury shares reserve	Share-based compensation reserve	Retained earnings	Total equity
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
At 1 January 2019	79,691	(30,034)	(868)	4,261	39,722	92,772
Total comprehensive expense for the period	-	-	-	-	(40)	(40)
At 31 March 2019	79,691	(30,034)	(868)	4,261	39,682	92,732
Total comprehensive income for the quarter	-	-	-	-	1,196	1,196
Dividends paid	-	-	-	-	(25,041)	(25,041)
Share-based compensation expenses	-	-	-	226	-	226
At 30 June 2019	79,691	(30,034)	(868)	4,487	15,837	69,113

Company	Issued capital	Treasury shares	Treasury shares reserve	Share-based compensation reserve	Retained earnings	Total equity
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
At 1 January 2018	79,691	(33,653)	(533)	3,779	67,659	116,943
Total comprehensive expense for the period	-	-	-	-	(489)	(489)
Share-based compensation expenses	-	-	-	598	-	598
At 31 March 2018	79,691	(33,653)	(533)	4,377	67,170	117,052
Total comprehensive income for the quarter	-	-	-	-	878	878
Dividends paid	-	-	-	-	(24,841)	(24,841)
Share-based compensation expenses	-	-	-	397	-	397
At 30 June 2018	79,691	(33,653)	(533)	4,774	43,207	93,486

1(d)(ii) Details of any changes in the company's share capital arising from rights issue, bonus issue, share buy-backs, exercise of share options or warrants, conversion of other issues of equity securities, issue of shares for cash or as consideration for acquisition or for any other purpose since the end of the previous period reported on. State also the number of shares that may be issued on conversion of all the outstanding convertibles, as well as the number of shares held as treasury shares, if any, against the total number of issued shares excluding treasury shares of the issuer, as the end of the financial period reported on and as at the end of the corresponding period of the immediately preceding financial year

As at 30 June 2019, the Company held 41,501,100 (30 June 2018 : 46,501,100) ordinary shares as treasury shares. The total number of issued shares excluding treasury shares as at 30 June 2019 was 626,014,061 (30 June 2018 : 621,014,061).

As at 30 June 2019, the number of outstanding share options under the Company's Employee Share Option Scheme was 50,000,000 (30 June 2018 : 40,000,000).

1(d)(iii) To show the total number of issued shares excluding treasury shares as at the end of the current financial period and as at the end of the immediately preceding year

The total number of issued shares excluding treasury shares of 41,501,100 (31 December 2018 : 41,501,100) shares as at 30 June 2019 was 626,014,061 (31 December 2018 : 626,014,061) shares.

1(d)(iv) A statement showing all sales, transfers, disposal, cancellation and/or use of treasury shares as at the end of the current financial period reported on

Not applicable as no treasury shares had been sold, transferred, disposed, cancelled or used in any other manner.

1(d)(v) A statement showing all sales, transfers, disposal, cancellation and/or use of subsidiary holdings as at the end of the current financial period reported on

Not applicable.

2 Whether the figures have been audited or reviewed, and in accordance with which auditing standard or practice

The figures have not been audited or reviewed by the Company's auditors.

3 Where the figures have been audited or reviewed, the auditors' report (including any qualifications or emphasis of matters)

Not applicable.

4 Whether the same accounting policies and methods of computation as in the issuer's most recently audited annual financial statements have been applied

Except as disclosed in paragraph 5 below, the Group has applied the same accounting policies and methods of computation in the preparation of the financial statements for the current reporting period as that of the audited financial statements for the year ended 31 December 2018.

5 If there are any changes in the accounting policies and methods of computation, including any required by an accounting standard, what has changed, as well as the reasons for, and the effect of, the change

The Group has adopted SFRS(I) 16 with effect from 1 January 2019. The Group has applied the simplified transition approach and will not restate comparative amounts for the year prior to first adoption and has not restated comparatives for the 2018 reporting period as permitted under the specific transition provisions in the standard. On adoption of SFRS(I) 16 Leases, the Group has recognised right-of-use assets of \$15,782,000 and lease liabilities of \$15,782,000 on 1 January 2019.

6 Earnings per ordinary share of the group for the current financial period reported on and the corresponding period of the immediately preceding financial year, after deducting any provision for preference dividends

	Group		Group	
	2Q2019	2Q2018	1H2019	1H2018
Earnings per ordinary share for the period :-				
(i) Based on weighted average number of ordinary shares in issue (in cents)	0.64	1.97	2.43	2.96
(ii) On a fully diluted basis (in cents)	0.63	1.92	2.41	2.88

Notes:

(i) The computation of basic earnings per share was based on the weighted average of 626,014,061 ordinary shares (30 June 2018 : 621,014,061 ordinary shares).

(ii) The computation of fully diluted basic earnings per share was based on the adjusted weighted average of 633,406,603 ordinary shares (30 June 2018 : 637,713,662 ordinary shares).

7 Net asset value (for the issuer and group) per ordinary share based on the total number of issued shares excluding treasury shares of the issuer at the end of the (a) current financial period reported on and (b) immediately preceding financial year

	Group		Company	
	30 Jun 2019	31 Dec 2018	30 Jun 2019	31 Dec 2018
Net asset value per ordinary share (in cents) based on issued share capital as at the end of the period reported on	128.75	130.56	11.04	14.82

The computation of net asset value per ordinary share was based on 626,014,061 ordinary shares (excluding treasury shares of 41,501,100) (31 December 2018 : 626,014,061 ordinary shares excluding treasury shares of 41,501,100).

- 8 A review of the performance of the group, to the extent necessary for a reasonable understanding of the group's business. The review must include discussion of any significant factors that affected the turnover, costs, and earnings of the group for the current financial period reported on, including (where applicable) seasonal or cyclical factors. It must also include discussion of any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current financial period reported on

Quarterly results : 2Q2019 vs 2Q2018

Overall

Gross revenue decreased 7.2% from \$255.7 million to \$237.4 million, with lower contribution from the property development and construction divisions, partially offset by new contribution from education division and higher contribution from hospitality division. In tandem with lower revenue, gross profit dropped by 24.0% from \$56.7 million to \$43.1 million on lower margins. Administrative expenses increased by 24.5% from \$17.6 million to \$21.9 million with the inclusion of new education division and forex loss on weakening of Australian dollars. Finance costs increased by 64.8% from \$9.7 million to \$16.0 million, primarily due to higher borrowing costs on development expenditure being expensed off. As a result of lower gross profit and higher expenses, profit before tax declined by 79.7% from \$27.3 million to \$5.5 million while profit after tax decreased by 79.5% from \$16.9 million to \$3.5 million.

Property Development

Revenue dropped by 9.9% from \$188.6 million in 2Q2018 to \$169.8 million in 2Q2019 due to completion of Williamsons Estate and High Park Residences in 2Q2018 and 1Q2019 respectively, partially offset by higher contribution from Grandeur Park Residences and Park Colonial.

Construction

Revenue decreased 10.3% from \$49.9 million in 2Q2018 to \$44.8 million in 2Q2019. This was largely attributable to lower revenue recognised from Tampines N6C1A/1B and Woodlands N1C26 & N1C27 which were completed in 2H2018. The decrease was partially offset by revenue recognised from the two Bidadari projects and Sengkang N4C39 & C40, which are in their active stage of construction.

Hospitality

Revenue from the hospitality division increased 14.5% from \$15.3 million in 2Q2018 to \$17.6 million in 2Q2019 due to improvement in revenue from Grand Park Kodhipparu Resort, Maldives, partially offset by lower occupancy of the Group's hotels in Australia.

Education

Revenue from education division relates to revenue of White Lodge preschools, the Group's first Repton Schoolhouse and newly acquired Invictus International School.

Property Investment & Others

Revenue from the division remained relatively stable at \$1.8 million.

Half year results : 1H2019 vs 1H2018

Overall

The Group posted a 10.9% increase in revenue from \$454.9 million to \$504.7 million with contribution from the education division and improved performance primarily from the property development and hospitality divisions. Despite higher revenue, gross profit dropped by 12.0% from \$103.5 million to \$91.1 million on lower margins.

In line with lower gross profit and higher expenses, profit before tax declined by 61.5% from \$43.6 million to \$16.8 million while profit after tax decreased by 53.5% from \$29.2 million to \$13.5 million.

Property Development

Revenue rose 14.8% from \$325.8 million to \$374.1 million mainly attributable to progressive revenue recognition from Grandeur Park Residences and Park Colonial, partially offset by lower contribution from the Williamsons Estate in Doncaster, Melbourne and High Park Residences which were completed in 2Q2018 and 1Q2019 respectively.

Construction

Revenue decreased by 10.3% from \$91.9 million to \$82.5 million due to lower contributions from Woodlands N1C26 & N1C27 and Tampines N6C1A/1B. The decrease was partially offset by revenue contribution from the two Bidadari projects and Sengkang N4C39 & C40.

Hospitality

Revenue from the hospitality division increased by 17.3% from \$33.5 million to \$39.3 million mainly due to improved performance in Grand Park Kodhipparu Resort in Maldives and full half year contribution from the Mercure & Ibis Styles Grosvenor Hotel in Adelaide, South Australia which was acquired in March 2018.

Education

Revenue from education division relates to revenue of White Lodge preschools, the Group's first Repton Schoolhouse and newly acquired Invictus International School.

Property Investment & Others

Revenue from the division remained flat at \$3.7 million.

Group Statement of Financial Position Review

The Group's net current assets increased \$63.5 million from \$2.05 billion to \$2.11 billion during the period in review mainly due to acquisition of Kampong Java site that was funded by long-term borrowings, partially offset by repayment of certain long-term borrowings with the proceeds from the High Park Residences. Non-current liabilities increased from \$1.86 billion to \$1.96 billion due to financing obtained for Kampong Java site, partially offset by repayment and reclassification of certain loans to current liabilities.

Total equity dipped from \$874.1 million to \$863.8 million, after taking into account a net profit of \$13.5 million recorded in 1H2019 and dividend payments of \$25.0 million. As a result of increased borrowings and lower equity, the Group's net-debt-to-equity ratio increased from 1.68 as at 31 December 2018 to 1.80 as at 30 June 2019.

- 9 Where a forecast, or a prospect statement, has been previously disclosed to shareholders, any variance between it and the actual results

No prospect statements for 2Q2019 were previously provided.

10 A commentary at the date of the announcement of the significant trends and competitive conditions of the industry in which the group operates and any known factors or events that may affect the group in the next reporting period and the next 12 months

Property Development

Singapore

According to flash estimates released by URA for 2Q2019, the private residential property index increased by 1.3%, compared to the 0.7% decrease in the previous quarter. The index was at its highest since the first quarter of 2014. Developers sold 821 private homes in June, 25.5% higher than the same period last year.

Notwithstanding the improved data, the Group will remain selective in replenishing its land bank and adopt competitive pricing strategy in view of the rising supply in the pipeline and slow sales in new launches.

Sales to-date for Park Colonial rose further to 82.6% from 74.5% since the 1Q2019 results announcement while that of Grandeur Park Residences increased to 97.4%.

Parc Komo is 38.4% sold since its launch in May 2019.

Australia

Property consultant CoreLogic reported that the property prices in Sydney and Melbourne are up for the first time since 2017 and the prices at a national level have dipped 0.2%; being the smallest month-on-month decline since March 2018. This improvement came about against the backdrop of lower mortgage rates.

Construction

Based on advance estimates released by MTI, the Singapore economy moderated to 0.1% growth while construction sector grew 2.2% on a year-on-year basis in the 2Q2019 on the back of increased public sector construction activities. The Group's construction order book remained flat at \$388.4 million, as compared to \$388.8 million a quarter ago as the new precast component contracts secured were offset by revenue recognised.

Hospitality

STB reported a 1.5% growth in international tourist arrivals in Singapore in the first 5 months of 2019 as compared to same period last year. Tourist arrivals in the Maldives similarly improved. We expect the Group's hotels in both the Maldives and Singapore to continue to benefit from the above growth in these two markets.

The Group has obtained planning approval for the proposed hotel development at Pirie Street, Adelaide.

Education

Subject to regulatory approvals being obtained, the Group's Invictus International School will open a primary school and a kindergarten in Hong Kong and Repton Schoolhouse will open an international kindergarten in Singapore before the end of the year.

11 Dividend

(a) Current Financial Period Reported On

Any dividend declared for the current financial period reported on?
No.

(b) Corresponding Period of the Immediately Preceding Financial Year

Any dividend declared for the corresponding period of the immediately preceding financial year?
No.

(c) Date payable

Not applicable.

(d) Books closure date

Not applicable.

12 If no dividend has been declared/recommendeded, a statement to that effect

No dividend has been declared/recommendeded for the quarter ended 30 June 2019.

13 If the Group has obtained a general mandate from shareholders for IPTs, the aggregate value of such transactions as required under Rule 920(1)(a)(ii). If no IPT mandate has been obtained, a statement to that effect.

The Company does not have a shareholders' mandate for interested person transactions.

14 Confirmation

We, Chia Lee Meng Raymond and Tan Tee How, being two Directors of CHIP ENG SENG CORPORATION LTD. (the "Company"), do hereby confirm on behalf of the Directors of the Company that, to the best of our knowledge, nothing has come to the attention of the Board of Directors of the Company which may render the unaudited interim financial statements of the Company and of the Group for the second quarter ended 30 June 2019 to be false or misleading in any material aspect.

On behalf of the Board of Directors,

Chia Lee Meng Raymond
Executive Director and Group Chief Executive Officer

Tan Tee How
Executive Director

15 Confirmation that the issuer has procured undertakings from all its directors and executive officers under Rule 720(1)

The Company confirms that it has procured undertakings from all of its directors and executive officers under Rule 720(1).

BY ORDER OF THE BOARD

Chia Lee Meng Raymond
Executive Director and Group Chief Executive Officer
1 August 2019