集永成机构有限公司
Chip Eng Seng Corporation Ltd

Building on Our Strengths

发挥所长 稳健迈进

Annual Report 2012

CREATIVE RATIONALE

Leveraging on its extensive experience in property industry, Chip Eng Seng Corporation Ltd ("Chip Eng Seng" or the "Group") ventured into the hospitality industry with the development of its first hotel property. The Group will continue to pursue opportunities that are complementary to its existing businesses, to broaden its income and to create shareholders' value. The theme 'Building On Our Strengths' reaffirms its commitment to build a quality company with quality and sustainable earnings.

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CORPORATE PROFILE

Chip Eng Seng Corporation Ltd ("CES") is one of Singapore's leading construction and property groups. The Group was listed on the main board of the Singapore Exchange Securities Trading Limited ("SGX-ST") in 1999. Its current core businesses are Construction, Property Development and Investments.

CES was founded by Mr Lim Tiam Seng in the 1960s, as a building subcontractor for conventional landed properties. In 1982, the company successfully ventured into the public housing market when it won its first Housing and Development Board ("HDB") project as a main contractor. Over the years, the Group's design-and-build capabilities have established CES as a leading main contractor for public and private construction projects. In the 1990s, CES expanded into property investment and the development of residential, commercial and industrial properties.

The Group's construction business is undertaken by Chip Eng Seng Contractors (1988) Pte Ltd ("CESC") and CES Engineering & Construction Pte Ltd ("CESE") while CEL Development Pte Ltd ("CEL") is its property investment and development division.

CONSTRUCTION

CESC is registered with the Building and Construction Authority of Singapore ("BCA") under the A1 classification for both general building and civil engineering; this allows the Group to tender for public sector projects of unlimited value. It has completed a wide range of public and private construction projects, which include HDB projects, residential and commercial properties, institutional buildings, industrial buildings, columbarium and shop houses. Precast activities are handled by CES-Precast Pte Ltd ("CESP") which is registered with BCA under the L6 classification for precast concrete works, allowing CESP to tender for public sector projects of unlimited value.

CESC has a strong track record in building public housing in Singapore. In 2005, CESC was accorded the Housing & Development Board's ("HDB") "Quality Award 2005". In 2010, CESC was awarded the HDB Construction Award for its Sembawang Green project and the HDB Construction Award (Special Achievement) for The Pinnacle@Duxton. The Pinnacle@Duxton is a highly prestigious and iconic project as it is HDB's first 50-storey integrated housing development with special features such as sky bridges and sky gardens. In 2012, CESC was also awarded HDB Safety Awards for Queenstown RC25 (Ghim Moh Valley) and Punggol West, and the MOM SHARP Commendation Award for Hougang N9C12. These awards are strong testaments to our Group's commitment to engineering innovations and delivery of the highest quality homes to our customers.

PROPERTY DEVELOPMENT & INVESTMENTS

Since 2000, CEL has developed and invested in properties in Singapore, Australia and Vietnam. It has successfully developed and marketed several residential property projects in partnership with reputable foreign funds such as Lehman Brothers Real Estate Partner II and Citadel Equity Fund Ltd, as well as with local developers such as NTUC ChoiceHomes Co-operative Ltd and Keppel Land Limited. CEL's current development property portfolio caters to the mass and mid to highend markets.

The Group's current investment properties comprise shophouses, commercial and industrial properties.

HOSPITALITY

CEL made its first foray into the hospitality sector in December 2011 when it was awarded a 7,946 sq m parcel of land at Jalan Bukit Merah/Alexandra Road for the development of a hotel cum retail complex. CEL is building a 450-room 4-star hotel on the site which is expected to open in 2015. The hotel will be managed by the Park Hotel Group, a Singapore-based hospitality group that manages, owns and develops Park branded hotels around the Asia Pacific.

CORPORATE TRANSPARENCY AWARD

CES is committed to the highest standards of corporate governance and transparency. In 2011, CES was conferred the Most Transparent Company Award (Runner-up) for the Construction Category by the Securities Investors Association (Singapore). This is also the seventh time that CES has either emerged as a winner or runner-up for this award since 2004.

CHAIRMAN'S MESSAGE

DEAR SHAREHOLDERS,

2012 was a year of significant achievements for Chip Eng Seng. The Group chalked up healthy sales of its development projects and secured HDB contracts of almost half a billion. I am pleased to report that Group revenues reached a new record of $617.1 million while net profit was $81.3 million for the financial year ended 31 December 2012.

The good performance has enhanced our financial position further. As at 31 December 2012, the Group had $242.1 million in cash and cash equivalents, up from $155.8 million previously. The Group's net gearing ratio was 0.48 compared to 0.61 a year ago.

With the good performance, I am pleased to announce that the Board has proposed a first and final dividend of 4 cents per share (tax exempt one-tier) for FY2012, same as that of 2011.

PROPERTY DEVELOPMENT

Property Development revenue more than doubled in FY2012, from $152.0 million to $368.6 million. This was mainly due to the recognition of sales of our Australian condominium project, 33M, as well as the progressive recognition of our wholly-owned condominium project in Simei, My Manhattan.

Singapore

The Group sold a total of 517 residential units in 2012. These include the sales of another 159 units at My Manhattan and 337 units at Belvia. During the year, the Group also launched Fulcrum, a 128-unit freehold condominium development at Fort Road.

2012 was a robust year for the industrial property sector. Capitalising on the positive momentum and strong interest in industrial properties, the Group decided to redevelop its industrial property at Pasir Panjang Road for sales instead of holding it for investment. The project, 100 Pasir Panjang, was launched in December 2012 and to date 57% of the 66-unit freehold industrial project has been sold.

Australia

The Group's residential projects in Australia were also well received. It completed the construction of 33M in Melbourne in 2012 and delivered the units to buyers over the last two quarters of the year.

Following our success with 33M and the strong demand for residential properties in the Melbourne CBD, we have also decided to redevelop our property at Queen Street known as Tower Melbourne for sale. The project has 581 freehold residential units and to date it is 66% sold.

CONSTRUCTION

The Group's Construction Division volume remained high with a strong pipeline of projects. Construction revenue rose 19.1% from $205.9 million to $245.1 million in FY2012. During the year, the Group successfully tendered for and secured HDB projects worth a total of $472.7 million. As at 31 December 2012, the Group's outstanding net order book stood at $575 million, a significant increase from $470 million a year ago.

The Group is committed to its employees' well being and continues to place a strong emphasis on safety and health issues at its worksites. I am pleased that our efforts were recognised and we won the 2012 HDB Safety Awards for Queenstown RC25 (Ghim Moh Valley) and Punggol West, and the MOM SHARP Commendation Award for Hougang N9C12.

PROPERTY INVESTMENTS

During the year, Property Investment revenue increased 78% to $3.4 million, mainly from rental income from our property in Queen Street. The property (to be redeveloped as Tower Melbourne) has since been reclassified as a Development Property.

AS AT 31 DECEMBER 2012, THE GROUP'S OUTSTANDING NET ORDER BOOK STOOD AT $575 MILLION, A SIGNIFICANT INCREASE FROM $470 MILLION A YEAR AGO.

HOSPITALITY

In August 2012, the Group appointed Park Hotel Group ("PHG") to manage its first hotel property in Singapore, part of its mixed development project at the junction of Alexandra Road and Jalan Bukit Merah. The Group is delighted to partner with PHG, one of the most established Asian hospitality brands, to create and provide a unique hospitality experience for the business and leisure traveler when the hotel opens in 2015.

OUTLOOK AND STRATEGY

Barring unforeseen circumstances, the Group expects to remain profitable in 2013.

Property development

The Singapore residential market could see sales volume and prices moderate in 2013 given the seventh round of cooling measures announced in January 2013, the recent announcement of higher property taxes, and the record potential supply pipeline of uncompleted units. The Group will continue to be cautious and selective in acquiring new landbank.

The Group has sold most of the projects that it had launched. To date, the Group's wholly-owned private condominium project, My Manhattan, is 99% sold and its wholly-owned DBSS project, Belvia, is 95% sold. Its 40%-owned executive condominium projects, Privé and Belysa, are both 100% sold. The Group has only 139 unsold units from projects that were launched.

In addition, the Group has also sold 113 units of its 116 retail units launched at Alexandra Central (97% sold) in January 2013.

In line with the adoption of INT FRS 115, the Group will only recognise the revenue and related expenses of Privé, Belysa, Belvia, 100 Pasir Panjang, and the commercial units at Alexandra Central upon these projects obtaining TOP. Privé is expected to be completed in 2H2013 while Belysa and 100 Pasir Panjang are expected to be completed in late 2013. Belvia is expected to be completed in 2014 and Alexandra Central is expected to be completed in 2015.

The above projects will contribute to our future income stream and strengthen our financial position as we pursue new development opportunities in Singapore and overseas.

In Singapore, the Group will be launching our mixed development project in Yishun Ring Road/Yishun Avenue 9 by the fourth quarter of 2013.

Construction

HDB construction demand remains strong; in 2013, HDB is expected to launch another 25,000 BTO flats. However, the Group faces structural challenges in the construction sector such as the increase in foreign worker levies and tighter supply of foreign labour. It is exploring ways and working with the relevant authorities to drive productivity gains within the construction business.

BUILDING THE NEXT GENERATION

As a socially responsible company, we want to do our part in building up the next generation of talents for the construction industry and the Group is pleased to announce the establishment of the Lim Tiam Seng – Chip Eng Seng Bursary Fund. The $1.25 million Fund (including matching grants from the government) will fund up to ten bursary awards yearly for local Engineering students at the Nanyang Technological University. We hope that the Fund will help develop the talent pool in Singapore, and that the recipients of the awards will be encouraged to contribute to the enhancement of knowledge and skills in the local construction industry.

APPRECIATION

Chip Eng Seng owes much of its success to the people who have journeyed with us throughout the years. My heartfelt appreciation goes out to our shareholders, contractors, architects, suppliers, strategic partners, and professional advisors for their continuing support. I am also grateful to the management team and staff, who have worked very hard to strengthen the foundation of the company as we move forward.

I would also like to thank the Board of Directors for their counsel and contribution, which were instrumental in helping us achieve our goals for 2012. Despite the challenges that we may face, I am confident that, with the trust, commitment and support of all our stakeholders, Chip Eng Seng will continue to grow from strength to strength.

Thank you.

LIM TIAM SENG PBM
Executive Chairman
28 March 2013

主席致词

各位股东，

2012年，集永成取得了令人瞩目的业绩。集团的房地产开发业务销售稳健增长。此外，集团还获得了新加坡建屋发展局近5亿新元的合同。

我很荣幸地宣布，在截至2012年12月31日的财年中，集团营销再创新高，达到6亿 1710万新元，净利润为8130万新元。

良好的业绩表现进一步增强了我们的财务状况。截至2012年12月31日，集团的现金和现金等价物总值2亿4210万新元，去年同期为1亿5580万新元。集团的资本负债比率为0.48，去年同期为0.61。

鉴于集团业绩良好，我很荣幸地宣布，董事会提议，集团2012年的股息，继续维持在2011的水平，派发一次性免税股息每股4分。

房地产开发

2012财年内，房地产开发收入从1亿5200万新元猛增至3亿6860万新元，增加一倍有余。这主要归功于澳大利亚33M公寓项目销售额的确认，以及集团独资拥有、位于四美的My Manhattan公寓项目销售额的逐步确认。

新加坡

2012年，集团共销售了517个单位，其中包括My Manhattan公寓159单位和百丽湾（Belvia）337单位。该年度内，集团还启动了Fulcrum公寓项目的开发，该项目位于Fort Road，共有128个私有产权住宅。

2012年，集团在工业地产方面表现强劲。考虑到工业地产的良好态势和高回报率，集团决定重建位于巴西班让路（Pasir Panjang Road）的工业地产。该项目已开发,并开始销售，而不把这工业地产当作投资资产。项目名称为巴西班让100，共有66个私有产权单位，2012年12月启动，目前已售出57%。

澳大利亚

集团在澳大利亚的住宅项目也备受欢迎。集团在2012年完成了墨尔本33M项目的施工，并在去年下半年顺利完工和交屋给屋主。

在33M项目取得成功和我们看到了墨尔本中心商业区对住宅地产的强劲需求之后，我们决定重建位于皇后街（Queen Street）的地产命名为墨尔本塔（Tower Melbourne）, 以供销售。该项目拥有581个私有产权住宅，目前已经售出66%。

建筑部

建筑部依然对集团有着很大的贡献，拥有可观的项目合同。2012财年内，建筑部收入提升19.1%，从2亿590万新元增加至2亿4510万新元。在同一時期，集团成功标得了新加坡建屋发展局总值4亿7270万新元的建设项目。截至2012年12月31日，集团净订单额高达5亿7500万新元，相比去年的4亿7000万新元大幅提升。

集团将尽全力持续关注工作场所的安全和健康问题。我们的努力获得了认可，这让我倍感荣幸。我们的Queenstown RC25项目（Ghim Moh Valley）和Punggol West项目获得了2012年新加坡建屋发展局安全奖，Hougang N9C12项目获得了新加坡人力部先锋推荐奖 (MOM SHARP Commendation Award)。

房地产投资

集团本年度房地产投资收入340万新元，比去年增加78%。该收入主要来源为我们位于墨尔本皇后街的房地产。该地块（将作为墨尔本塔项目）已经被重新归类为开发地产，不再作为投资地产。

酒店管理
2012年8月，集团委托百樂酒店集团（Park Hotel Group）管理集团在新加坡的第一家酒店。该酒店位于Alexandra Road和Jalan Bukit Merah的交叉路口，是集团综合开发项目的一部分。百樂酒店集团是亚洲最知名的酒店品牌之一，我们很荣幸能够与其合作。希望酒店在2015年开业后能够为来新加坡的商务和旅游人士提供别具一格的入住体验。

前景与战略
除非发生不可预见的因素，集团预计在2013年仍将盈利。

房地产开发

考虑到2013年1月份政府宣布第七轮房地产降温措施、最近公布的房地产税率提升的消息，以及可查的开发中待售房源，2013年新加坡房地产市场可能量价都比较稳定。集团在竞标新的土地储备时将继续维持谨慎态势，择优而选。

集团旗下启动的大多数项目的房产均已售罄。目前，集团独资拥有的私人公寓My Manhattan已经售出99%；集团独资拥有的DBSS组屋百丽湾已经售出95%。集团持股40%的执行共管公寓Privé和Belysa均已售罄。集团启动的所有项目中，目前仅有139单位待售。

此外，集团在2013年1月份启动的Alexandra Central项目已经售出116中的113单位，达到了97%的销售成绩。

采纳新会计准则INT FRS 115后，只有在Privé 、Belysa、百丽湾、巴西班让100和Alexandra Central项目获得临时占用许可证后，集团才会认可其收入以及相关支出。Privé 项目将于2013年下半年完工，巴西班让100项目将于2013年底完工，百丽湾项目将于2014年完工，Alexandra Central项目将于2015年完工。

上述项目将为集团未来的持续收入做出贡献，并增强集团的财力，使集团能在新加坡和海外寻求更多新的发展机会。

在新加坡，集团将在2013年第四季度推出位于义顺环路（Yishun Ring Road）和义顺9道（Yishun Avenue 9）交叉口的综合开发项目。

建筑部

新加坡建屋发展局的建设项目需求依然强劲。2013年，建屋发展局预计将再启动2万5千个公寓的BTO施工方案。但是，集团在建筑业面临着结构性挑战，如外国劳工的税率提升、劳工供应紧缺等。集团目前正在探索应对方案，并与相关当局协作推动建筑业的生产效率提升。

为培养未来人才作好准备
集团重视社会责任，并致力于为建筑业培育下一代人才。我很荣幸地宣布，集团将设立林镇成-集永成助学金。该基金共计125万新元（包括政府提供的配合奖助金），每年颁发给10名南洋理工大学的本地工程专业学生。我们希望该基金能帮助扩大新加坡的人才群体，也期待获奖者能对本地建筑业的知识和技能提升做出贡献。

感言
集永成的成功离不开多年来陪伴我们一同前进的人们。在此，我谨此向我们的股东们、承包商、建筑师、供应商、战略伙伴和专业顾问对我们坚定不移的支持表示衷心感激。我还要感谢集团的管理团队和员工，正是有了大家的努力工作，我们才能在前行之路上更加稳健。

借此机会，我还要对董事会表示感谢。董事会的诛言和贡献指导我们完成了2012年的目标。尽管我们面临诸多挑战，但是我相信，在所有各方的信任、关注和支持下，集永成必将持续发展，再创新辉煌。

感谢大家！

林镇成 PBM
执行主席
2013年3月28日

FINANCIAL REVIEW

REVENUE AND PROFITABILITY

The Group achieved record revenue of $617.1 million for FY2012, a 71.4% increase from $360.0 million in FY2011.

Revenue from the Property division contributed strongly to the increase, registering a 142.5% rise from $152.0 million in FY2011 to $368.6 million in FY2012. In line with the Group's adoption of the INT FRS 115 accounting standard since FY2011, revenue and related costs are only recognised when the development units are delivered to purchasers, and this applies to all property development projects both local and overseas except for local private residential projects with no variation from the prescribed sales and purchase agreement. During the year, the Group was able to recognise revenue for 33M in Melbourne, Australia upon completion and delivery of units to the owners. Sales of units at the Group's wholly-owned private residential project in Simei, My Manhattan, also contributed to Property revenue in FY2012.

The Group's Construction division booked a 19.1% increase in revenue to $245.1 million for FY2012, compared to $205.9 million in FY2011. The increase was mainly due to revenue contribution from active ongoing HDB projects in Hougang N9C12, Hougang N4C17, as well as from our joint venture EC projects, Privé and Belysa. HDB projects awarded in FY2012 (Bukit Panjang N4C15, Bukit Batok N1C13 & N2C23 and Yishun N5C2) also contributed to the increase in revenue.

Group gross profit decreased by 7.2% to $129.7 million compared to $139.7 million in FY2011, due to lower margins for new and ongoing construction projects.

Share of Profits from Associates declined by 90.6% to $2.2 million in FY2012 compared to FY2011 which had benefitted from the recognition of profit from Grange Infinite. The current year's share of profits from associates arose mainly from the recognition of additional profits upon the finalization of costs on projects completed previously.

The decrease in profitability was offset by an increase in net fair value gains of $30.0 million on the Group's investment properties, including that of 100 Pasir Panjang.

Overall Group pretax profit decreased 23.5% from $141.9 million to $108.6 million. Group net profit, however, decreased 34.3% from $123.7 million in FY2011 to $81.3 million in FY2012 due to higher taxes incurred as a result of a higher taxation rate on taxable income of overseas subsidiaries.

OPERATING EXPENSES

Overall operating expenses increased 87.2%, from $31.8 million to $59.6 million, mainly due to higher marketing and administrative expenses. Marketing and distribution expenses rose 141.4% from $12.7 million to $30.7 million, mainly due to the expenses incurred for development projects in Singapore (100 Pasir Panjang, Fulcrum, My Manhattan and Belvia) and in Australia (Tower Melbourne). In addition, the remaining commission was incurred and payable upon the delivery of 33M in Melbourne, Australia to the purchasers in FY2012. Administrative expenses

increased 47.4%, from $18.9 million to $27.8 million, mainly due to higher staff costs as the Group employed more staff to cater for new and on-going projects, exchange losses due to the weakening of the Australian dollars, higher operating expenses due to increase in operating activities and the expensing off of goodwill on the acquisition of subsidiaries.

BALANCE SHEET REVIEW

Assets

The Group's total assets increased from $990.5 million to $1.16 billion, mainly due to acquisition of leasehold land at Jalan Bukit Merah/Alexandra Road and the acquisition of industrial land for our construction activities at 13 Tuas South Street 7, increase in development properties, and increase in cash and cash equivalents.

Investment properties

Investment properties decreased from $139.4 million to $44.7 million due to the reclassification of 100 Pasir Panjang and Tower Melbourne as development properties, and the disposal of an investment property at Perak Road. The decrease was offset by recognition of fair value gains.

Investment in Associates

Investment in associates decreased from $12.8 million to $5.0 million, mainly due to dividends received from associates.

Gross Amount Due to Customers for Contract Work-In-Progress

There was a net increase of $13.7 million due to the increase in operating activities for new and ongoing construction projects in FY2012.

Development Properties

Development Properties rose from $458.4 million to $544.0 million, due to the reclassification of investment properties of 100 Pasir Panjang and Queen Street, Melbourne as development properties. The acquisition of a leasehold site at Jalan Bukit Merah/Alexandra Road also contributed to the increase. The increase was offset by the completion of 33M in Melbourne which obtained the Occupation Certificate in 3Q 2012.

Trade and Other Receivables

Trade and Other Receivables increased by $15.6 million to $151.6 million, mainly due to the reclassification of amounts due from associates from non-current to current as these amounts are due for repayment within the next 12 months.

Cash and Cash Equivalents

As a result of the Group's strong financial performance, the payments received from purchasers upon completion of 33M and upon legal completion and obtaining Certificate of Completion of Oasis@Elias, the Group's cash position strengthened from $155.8 million to $242.1 million.

Borrowings

Total borrowings rose from $409.5 million to $461.8 million due to loans taken up to finance the purchase of land at Jalan Bukit Merah/Alexandra Road and for working capital purposes. This was offset by the repayment of a bank loan for 33M in Melbourne and a land loan for Perth project in Australia, and partial repayment of loans for ongoing development projects in Singapore.

Shareholders' Equity

Shareholders' equity increased from $417.4 million to $460.5 million due to the Group's strong overall performance in FY2012. Net asset value per share increased further, from 63.0 cents to 71.0 cents.

OPERATIONS REVIEW

CONSTRUCTION

Construction revenue increased 19.1% to $245.1 million in FY2012. This was achieved on the back of progressive recognition of ongoing projects and HDB contracts awarded in FY2012. Of these projects currently in progress, Hougang N9C12, N4C17, Privé and Belysa are expected to be completed by end 2013.

The Construction division was also awarded three additional HDB construction contracts in 2012; $210 million contracts in Bukit Batok for N1C13 and N2C23, a $137.7 million contract for Bukit Panjang N4C15 and a $125 million contract for Yishun N5C2.

As at 31 December 2012, the outstanding order book for the Construction division was $575 million, up from $470 million a year ago.

PROPERTY DEVELOPMENT

Property Development revenue more than doubled from $152.0 million in FY2011 to $368.6 million in FY2012, mainly on the recognition of sales of 33M in Melbourne and progressive recognition of the sales of residential units at My Manhattan.

Singapore

The Group launched two development properties for sale in 2012. In April 2012, the Group launched Fulcrum, a high-end 128-unit freehold condominium at Fort Road and to date, the project is 15% sold. In December 2012, it also launched its 66-unit freehold B1 light industrial property, 100 Pasir Panjang. To date, 100 Pasir Panjang is 57% sold.

A total of 517 residential units were sold in 2012, with the bulk coming from the My Manhattan condominium in Simei, and the Belvia DBSS in Bedok. To date, My Manhattan is 99% sold and Belvia is 95% sold. Privé and Belysa are 100% sold. Currently, the Group has only 139 unsold units.

In line with the adoption of INT FRS 115, the Group will only recognise the revenue and related costs of Privé, Belysa, Belvia, 100 Pasir Panjang upon these projects obtaining the Temporary Occupation Permit. Belysa is expected to be completed in the second half of 2013 while Privé and 100 Pasir Panjang are expected to be completed in late 2013. Belvia is expected to be completed in 2014.

Australia

The Group completed the construction of 33M in Melbourne and delivered the completed units to the purchasers in FY2012. 33M is 99% sold to date.

During the year, the Group also launched Tower Melbourne in Melbourne. Tower Melbourne is the Group's upcoming 71-storey condominium development located on the corner of Bourke and Queen Street in the Melbourne Central Business District. The development will have 581 residential units comprising a mix of one to three bedroom apartments, town homes and penthouses. The Group sold 366 units (63%) in the project in 2012 and to date 66% has been sold.

PROPERTY INVESTMENTS

Property Investment revenue increased by 78.3% to $3.5 million, mainly attributable to the income received from Queen Street property in Australia. This property has since been reclassified as a Development Property and will be redeveloped as Tower Melbourne, a residential project. The current rental leases are expected to cease in 1H2013.

PROPERTY DEVELOPMENT REVENUE MORE THAN DOUBLED FROM $152.0 MILLION IN FY2011 TO $368.6 MILLION IN FY2012

HOSPITALITY

In August 2012, the Group appointed Park Hotel Group to manage its upcoming hotel project in Alexandra Road. Under the management agreement, Park Hotel Group will provide the full spectrum of hotel management services, including consultancy on the design and construction of the new 450-room, 4-star hotel. Construction on the project has commenced and the hotel is expected to open in 2015.

PROJECTS AND INVESTMENTS PORTFOLIO

CONSTRUCTION

Completed project in 2012

	Description	Owner
Design & Build of Public Housing at Punggol West Contract 25	Design and Build of 729 dwelling units in Punggol West	HDB

Major On-Going Projects

	Description	Owner
Building works at Bukit Panjang Neigbourhood 4 Contract 15	Building works of 862 dwelling units	HDB
Building works at Bukit Batok Neigbourhood 1 Contract 13 & Neigbourhood 2 Contract 23	Building works of 1,232 dwelling units	HDB
Fulcrum at Fort Road	128 executive condominium units with full condominium facilities	CEL-Fort Pte Ltd
Building works on a light industrial building at Pasir Panjang	Building works of 66 units	CEL Pasir Panjang Pte Ltd
Building works at Yishun Neigbourhood 5 Contract 2	Building works of 834 dwelling units	HDB
Building works at Hougang Neigbourhood 9 Contract 12	Building works of 699 dwelling units	HDB
Building works at Hougang Neigbourhood 4 Contract 17	Building works of 792 dwelling units	HDB
Privé at Punggol	680 executive condominium units with full condominium facilities	Punggol Field EC Pte Ltd (a 40:60 joint venture between CEL Development Pte Ltd and ChoiceHomes Investments Pte Ltd)
Belysa at Pasir Ris	315 executive condominium units with full condominium facilities	Pasir Ris EC Pte Ltd (a 40:60 joint venture between CEL Development Pte Ltd and ChoiceHomes Investments Pte Ltd)
My Manhattan at Simei	301 residential units with full condominium facilities	CEL-Simei Pte Ltd
Belvia at Bedok Reservoir Crescent	Building works for 488 dwelling units under the design, build & sell scheme	CEL-Bedok Pte Ltd

PROPERTY DEVELOPMENT

Completed Development in 2012

	Location	Description	No. of Units	Tenure	TOP	% of Equity Held
33M	MacKenzie Street, Melbourne, Australia	Residential Apartment with Amenities	388	Freehold	2012	100%

Current Developments

	Location	Description	No. of Units	Tenure	Expected TOP	% of Equity Held
Belysa	Pasir Ris Drive 1 / Elias Road, Singapore	Executive Condominium	315	99 years	2013	40%
Privé	Punggol Field Road, Singapore	Executive Condominium	680	99 years	2013	40%
100 Pasir Panjang	No. 98 & 100 Pasir Panjang Road, Singapore	Light Industrial Building	66	Freehold	2014	100%
My Manhattan	25, 27, 29, 31, 33, 35 Simei Street 3, Singapore	Condominium	301	99 years	2014	100%
Belvia	Bedok Reservoir Crescent, Singapore	Design, Build & Sell Scheme	488	99 years	2014	100%
Fulcrum	No. 29 to 59 (odd numbers only) Fort Road, Singapore	Condominium	128	Freehold	2015	100%
Alexandra Central	Jalan Bukit Merah / Alexandra Road, Singapore	Shopping Mall	116	99 years	2015	100%
Tower Melbourne	150 Queen Street, Melbourne, Australia	Residential Apartment with Amenities	581	Freehold	2017	100%

Proposed Developments

	Location	Description	No. of Units	Tenure	Expected TOP	% of Equity Held
Development in Perth, Western Australia	West Coast Highway, Perth, Australia	Mixed Development	239	Freehold	Not launched yet	100%
Mixed Commercial and Residential development	Yishun Ring Road / Yishun Avenue 9, Singapore	Executive Condominium with Retail Podium	Planning Stage	99 years	Not launched yet	100%

PROPERTIES

Investment Properties

Description	Location	Tenure	Existing Use
2 Adjoining Units of 3-Storey Shophouses	86, 86A, 86B Tanjong Pagar Road, Singapore	99 years	Shops and Offices
A Part 2/Part 4-Storey Commercial Building Comprising An Eating House and Lock-Up Shop on the 1st Storey and Offices on the Upper Storey	161 Geylang Road, Singapore	99 years	Shops and Offices
Retained Units in a 6-Storey Light Industrial Building with a Basement Carpark	69 Ubi Crescent, Singapore	60 years	Light Industrial Building
3 Adjoining Units of 2½ - Storey Shophouses with 4-Storey Rear Extension Comprising a Restaurant on the 1st Storey and a 27-Room Boarding House on the Upper Storey	115 Geylang Road, Singapore	Freehold	Boarding Hotel

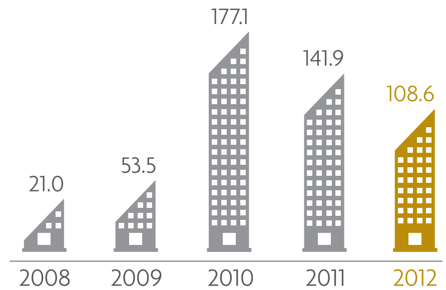
Property, Plant and Equipment

Description	Location	Tenure	Existing Use
A 450-room 4 star 13-storey Hotel (Hotel under construction)	Jalan Bukit Merah / Alexandra Road, Singapore	99 years	Hotel

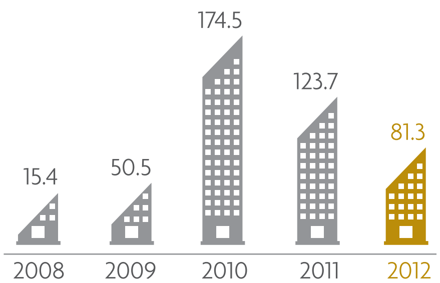
FINANCIAL HIGHLIGHTS

Turnover ($' million)

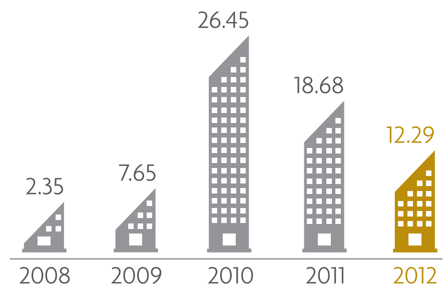
Profit before Tax ($' million)



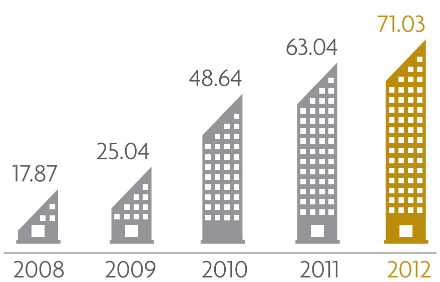
Profit after Tax ($' million)



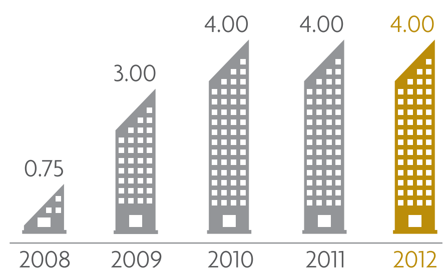
Earnings Per Share (cents)



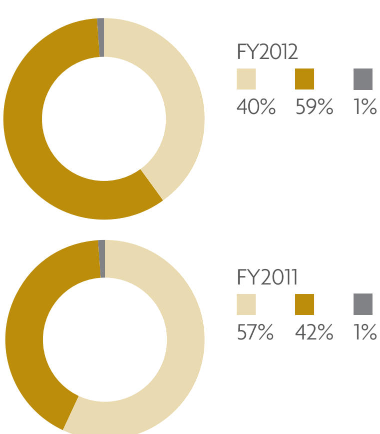
Net Asset Value Backing Per Share (cents)



Net Dividend Per Share (cents)

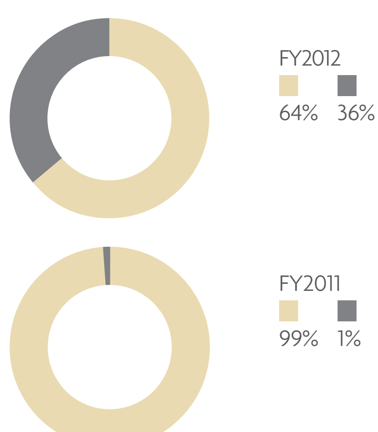


Revenue by Segment



Construction
Property Development
Property Investment & Others

Revenue by Geographical Segment



Singapore
Australia

Notes: Financial figures from 2008 to 2011 has been restated due to the adoption of Amendments to FRS 12 *Deferred Tax: Recovery of Underlying Assets*

SIGNIFICANT EVENTS

JANUARY 2012

- *Award of Contract by Housing & Development Board for Building Works at Yishun Neighbourhood 5 Contract 2 – S$125.0 Million*
  Wholly-owned subsidiary, Chip Eng Seng Contractors (1988) Pte Ltd has been awarded a $125.0 million building works contract by the Housing & Development Board to construct 8 blocks of residential buildings with 834 dwelling units and other communal facilities at Yishun.

FEBRUARY 2012

- *Full Year Financial Statement Announcement*
  The Company released its full year results for FY2011 on 22 February 2012 and held an analysts briefing on 23 February 2012.

APRIL 2012

- *Annual General Meeting*
  The Company held the meeting on 25 April 2012 and all routine and special businesses as set forth in the notice of AGM dated 5 April 2012 were duly passed by the shareholders of the Company.

MAY 2012

- *First Quarter Financial Statement Announcement*
  The Company released its first quarter financial statement announcement for FY2012 on 8 May 2012.

JULY 2012

- *Increase of Shareholdings in CES - West Coast Pte. Ltd.*
  Wholly-owned subsidiary, CEL Development Pte. Ltd. has increased its shareholding in CES-West Coast Pte. Ltd. from 50% to 100%.

AUGUST 2012

- *Second Quarter Financial Statement Announcement*
  The Company released its second quarter financial statement announcement for FY2012 on 8 August 2012, and held an analysts briefing on 8 August 2012.

- *Signing of Hotel Management Agreement with Park Hotel Group*
  Wholly-owned subsidiary, CEL-Alexandra Pte. Ltd. has entered into a Hotel Management Agreement with Park Hotel Group to manage its hotel property at Jalan Bukit Merah/ Alexandra Road.

- *Award of Contract by Housing & Development Board for Building Works at Bukit Panjang Neighbourhood 4 Contract 15 – S$137.73 Million*
  Wholly-owned subsidiary, Chip Eng Seng Contractors (1988) Pte Ltd has been awarded a $137.73 million building works contract by the Housing & Development Board to construct 7 blocks of residential buildings with 862 dwelling units and other community facilities at Bukit Panjang.

SEPTEMBER 2012

- *Award of Contract by Housing & Development Board for Building Works at Bukit Batok Neighbourhood 1 Contract 13 and Neighbourhood 2 Contract 23 – S$210.0 Million*
  Wholly-owned subsidiary, Chip Eng Seng Contractors (1988) Pte Ltd has been awarded a $210.0 million building works contract by the Housing & Development Board to construct 5 blocks of residential buildings with 1,232 dwelling units and other community facilities at Bukit Batok.

- *Increase of Shareholding in 242 West Coast Highway Scarborough Pty Ltd*
  Wholly-owned subsidiary, CEL Development Pte Ltd has increased its shareholding in 242 West Coast Highway Scarborough Pty Ltd from 75% to 100%.

OCTOBER 2012

- *Update of Suit against Grange Properties Pte Ltd*
  Parties to the suit have reached a full and final settlement on all matters relating to the suit.

- *Increase of Shareholding in Grange Properties Pte Ltd*
  Wholly-owned subsidiary, CEL Development Pte Ltd has increased its shareholding in Grange Properties Pte Ltd from 25% to 100%.

NOVEMBER 2012

- *Third Quarter Financial Statement Announcement*
  The Company released its third quarter financial statement announcement for FY2012 on 9 November 2012.

DECEMBER 2012

- *Receipt of Development Approval for Tower Melbourne*
  Wholly-owned subsidiary, CES-Queen Pty Ltd was granted the approval for its A$170 million 71-storey residential development at Bourke and Queen Streets in Melbourne.

JANUARY 2013

- *Appointment of Executive Deputy Chairman*
  Group Chief Executive Officer, Mr Chia Lee Meng Raymond was appointed Executive Deputy Chairman.

- *Award of Tender for Land Parcel at Yishun Ring Road/Yishun Avenue 9*
  Wholly-owned subsidiary, CEL Property Pte Ltd was awarded the land parcel tender at Yishun Ring Road/Yishun Avenue 9 for mixed commercial and residential development.

FEBRUARY 2013

- *Full Year Financial Statement Announcement*
  The Company released its full year financial statement announcement for FY2012 on 21 February 2013, and held an analysts briefing on 22 February 2013.

BOARD OF DIRECTORS

01 MR LIM TIAM SENG PBM

Executive Chairman

Mr Lim Tiam Seng, 75, is the founder of CES. He has been a Director of the Company since 23 October 1998. He is also a Director of some of the Company's subsidiaries and associates. Mr Lim has been in the building and construction industry for more than 40 years and possesses considerable experience in setting up corporate objectives, strategies and making investment decisions for the Group. Mr Lim is also a Director on the board of Ngee Ann Kongsi, a charitable organization and a patron of Yio Chu Kang Citizen's Consultative Committee.

02 MR LIM TIANG CHUAN

Executive Deputy Chairman

Mr Lim Tiang Chuan, 60, has been a Director of the Company since 23 October 1998. He also holds directorship in some of the Company's subsidiaries and associates. He joined the Group's Construction Division in 1982. He is responsible for the Group's overall operation and business expansion. Mr Lim became the Company's Executive Deputy Chairman on 6 June 2007 and continues to oversee the Group's overall operation and business expansion.

03 MR CHIA LEE MENG RAYMOND

Executive Deputy Chairman & Group Chief Executive Officer

Mr Chia Lee Meng Raymond, 47, was appointed as a Director of the Company on 2 September 1999. In July 2006, he was appointed as Managing Director of CEL Development Pte Ltd. He is also a Director of several of the Group's subsidiaries and associates. Prior to joining CEL as a Project Manager in 1994, he was an Administrative Executive in T.C. Sin & Associates and a Senior Officer in the former Tat Lee Bank Ltd. Mr Chia holds a Bachelor Degree in Economics and Finance from Curtin University and a Master Degree in Finance from RMIT. On 6 June 2007, Mr Chia became the Group Chief Executive Officer. He is responsible for the overall Group's strategic operation and investment decision. Mr Chia was appointed as Executive Deputy Chairman on 1 January 2013. Mr Chia is also the Chairman of Seacare Properties Pte Ltd, a wholly owned subsidiary of Seacare Co-operative Ltd and a director of Seacare Holdings Private Limited.

04 MR HOON TAI MENG

Executive Director

Mr Hoon Tai Meng, 62, has been appointed as Executive Director and member of the Nominating Committee on 1 July 2011. He was previously an Independent Director of the Company from 2 November 1999 to 30 June 2011. Mr Hoon was also previously a Partner with KhattarWong. He holds a Bachelor Of Commerce In Accountancy from Nanyang University and a LLB (Honours) from the University Of London. He is a Fellow Chartered Institute Of Management Accountants (UK), a Fellow of the Association Of Chartered Certified Accountants (UK), a Fellow Certified Public Accountant in Singapore, and a Barrister-At-Law (Middle Temple). He also sits on the boards of several other public and private companies. Mr Hoon is responsible for assisting the board in the business operation and corporate matters of the Group.

05 MISS DAWN LIM SOCK KIANG

Executive Director

Miss Dawn Lim Sock Kiang, 37, was appointed as an Executive Director of the Company and CEL Development Pte Ltd on 1 December 2009. She is also a Director of several of the Group's subsidiaries and associates. Miss Lim holds a Bachelor Degree in Architecture (Honours) from Deakin University, Melbourne, Australia. Prior to joining CEL as a Project Director, she worked as a senior architect in Melbourne, Australia. Miss Lim is responsible for assisting the board in the business operation of the Company.

06 MR GOH CHEE WEE

Independent Director

Mr Goh Chee Wee, 67, has been an Independent Director since 2 November 1999. He chairs the Audit and Remuneration Committees and is a member of the Nominating Committee. Mr Goh is currently a director of a number of public listed companies and NTUC Cooperatives. He was a former Minister of State for Trade & Industry, Labour & Communications and Member of Parliament for Boon Lay Constituency.

07 MR ANG MONG SENG

Independent Director

Mr Ang Mong Seng, 64, has been an Independent Director since 19 March 2003. He is a member of the Audit, Remuneration and Nominating Committees. Mr Ang has more than 30 years of experience in estate management. He is a former Member of Parliament for Hong Kah GRC (Bukit Gombak). Mr Ang also serves as an Independent & Non-Executive Director on various public listed companies.

08 MR CHENG HENG TAN

Independent Director

Mr Cheng Heng Tan, 62, has been appointed as an Independent Director on 20 July 2011. He chairs the Nominating Committee and is a member of the Audit and Remuneration Committees. Mr Cheng is a Certified Public Accountant by profession and was formerly a senior audit partner in Ernst & Young LLP. He is also appointed as the Ethics Director, Asia for Vishay Intertechnology, Inc.

EXECUTIVE OFFICERS

MR LIM BENG CHUAN

Chief Financial Officer

Mr Lim is our Chief Financial Officer. He is a Fellow Member of the Association of Chartered Certified Accountants (United Kingdom) and a Certified Public Accountant of Singapore. Prior to joining the Company, Mr Lim was an auditor with an international audit firm. He oversees the finance, accounting, tax and treasury functions of the Group.

MR YEO SIANG THONG

Managing Director

Mr Yeo is our Head of Construction Division and Managing Director of Chip Eng Seng Contractors (1988) Pte Ltd. He holds an Honours Degree in Civil Engineering and a Master of Science (Civil Engineering) from the National University of Singapore. Mr Yeo has more than 20 years of experience in the construction industry and as the Head of the Construction Division, he oversees the operation for the construction group. He is also a Registered Professional Engineer with the Professional Engineers Board.

MR CHNG CHEE BEOW

Executive Director

Mr Chng is an Executive Director of CEL Development Pte Ltd. He has 30 years of experience in the Real Estate. Prior to joining CEL, he was the Property Director of Wing Tai Holdings Limited. A registered Architect by profession, he is presently council member of Redas. He was also Alternate Chairman of the Construction Industry Joint Committee (CIJC). He is a member of the BCA Universal Design Awards Assessment Panel, Professional Engineer Board Investigation Panel and SPRING Singapore Building & Construction Standard Committee. He is also a member of BCA BIM Steering Committee and was appointed as International Panel of Experts for BIM. He graduated with a Bachelor of Architecture degree and has a postgraduate Diploma in Building Science from National University of Singapore.

MR JAMES YUEN CHEW LOONG

Executive Director

Mr Yuen joined CES-Precast Pte Ltd ("CESP") as Executive Director in July 2012. He is in-charge of the overall management, marketing and business development of our Precast Division. Mr Yuen is a Professional Engineer and he holds degrees in Bachelor of Engineering (Civil), Master of Science (Civil Engineering) and Master of Business Administration. Mr Yuen has over 23 years of experience in design and construction and he has previously worked with the Housing and Development Board, several consultancy firms and construction companies. He was also previously the General Manager of several other local construction companies. Prior to joining CESP, he was a Director and General Manager of a local specialist foundation company.

MR NG KOK KIANG

Head of Internal Audit

Mr Ng oversees the internal audit and risk management for Chip Eng Seng Group. Prior to joining the Company in January 2012, he had been working as a financial controller, finance manager and group accountant in private companies and companies listed on SGX-ST. He also works as an external auditor for about five years. Mr Ng is a non-practising Member of the Institute of Certified Public Accountants of Singapore and a Member of the Institute of Internal Auditors (Singapore).

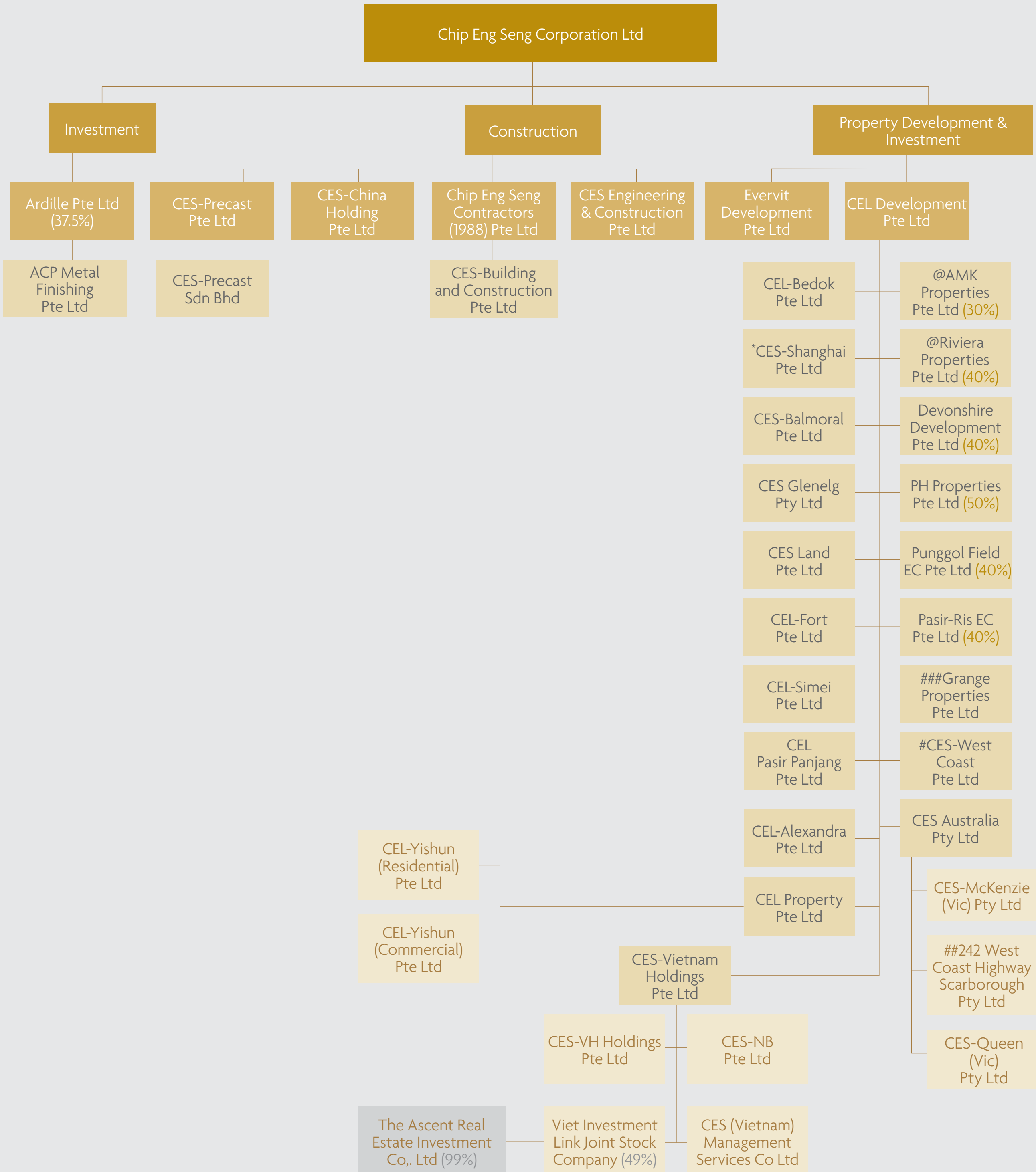
PROJECT DIRECTORS

Mr Lim Tiam Back
Construction
Mr Lim Tiam Moh
Precast
Mr Lim Ling Kwee
Property
Mr Low Gam Weng
Construction
Mr Siow Boon Kuan
Construction

GENERAL MANAGERS / ASSISTANT GENERAL MANAGERS

Mr Koh Chin Hah
Precast
Mr Lim Kok Howe, Ivan
Property (Operations)
Mr Ha Vu Hoang
Property (Operations)

GROUP STRUCTURE



@ In the process of liquidation.
* Liquidated during the year.
\# Investment increased from 50% to 100% in July 2012.
\## Investment increased from 75% to 100% in September 2012.
\### Investment increased from 25% to 100% in October 2012.

CORPORATE INFORMATION

EXECUTIVE DIRECTORS

Lim Tiam Seng PBM
Executive Chairman

Lim Tiang Chuan
Executive Deputy Chairman

Chia Lee Meng Raymond
Executive Deputy Chairman and Group Chief Executive Officer

Hoon Tai Meng
Executive Director

Dawn Lim Sock Kiang
Executive Director

INDEPENDENT DIRECTORS

Goh Chee Wee
Ang Mong Seng
Cheng Heng Tan

AUDIT COMMITTEE

Goh Chee Wee
Chairman

Ang Mong Seng
Cheng Heng Tan

REMUNERATION COMMITTEE

Goh Chee Wee
Chairman

Ang Mong Seng
Cheng Heng Tan

NOMINATING COMMITTEE

Cheng Heng Tan
Chairman

Goh Chee Wee
Ang Mong Seng
Hoon Tai Meng

SHARE REGISTRAR

Boardroom Corporate & Advisory Services Pte Ltd
50 Raffles Place
#32-01 Singapore Land Tower
Singapore 048623
Tel: 6536 5355
Fax: 6536 1360

REGISTERED OFFICE

69 Ubi Crescent #06-01
CES Building
Singapore 408561
Tel: 6848 0848
Fax: 6848 0838
Email: enquiry@chipengseng.com.sg
Website: www.chipengseng.com.sg

AUDITORS

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

AUDIT-PARTNER-IN CHARGE

Low Yen Mei
Since financial year ended 31 December 2010

COMPANY SECRETARIES

Abdul Jabbar Bin Karam Din
LLB (Hons)

Loh Lee Eng
ACIS

PRINCIPAL BANKERS

DBS Bank Ltd
United Overseas Bank Limited
Malayan Banking Berhad
Standard Chartered Bank
The Hongkong and Shanghai Banking Corporation Limited
Oversea-Chinese Banking Corporation Limited

CORPORATE GOVERNANCE REPORT

The Board of Directors of the Company (the "Board") continues to uphold high standards of corporate governance in compliance with the Code of Corporate Governance 2005 (the "Code"). The Board believes that good corporate governance provides the framework for an ethical and accountable corporate environment, which is essential to the long term sustainability of the Company's businesses and performance, as well as protection of shareholders' interests.

This report sets out the Company's corporate governance processes, practices and activities that were in place throughout the financial year, with specific reference to the Code.

BOARD MATTERS

Board's Conduct of its Affairs

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

The Board oversees the overall business directions, strategies and financial performance of the Group. The key roles of our Board are to:

- 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;
- review management performance; and
- set the company's value and standards, and ensure that obligations to shareholders and others are understood and met.

The Board delegates the formulation of business policies and day-to-day management to the Executive Directors. The Executive Directors meet and interact regularly with the key management to review management performance and discuss financial and operational matters. Every Director is expected, in the course of carrying out his duties, to act in good faith and to consider at all times the interest of the Company.

The Board meets quarterly each year to review the key activities and business strategies of the Group and as warranted by particular circumstances. Telephonic attendance and audio-video conferencing at Board meetings are allowed under Article 146 of the Company's Articles of Association.

The Directors' attendances at the meetings of the Board and Board Committees during the financial year are shown below:

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

To assist in the execution of its responsibilities and enhancing the Group's corporate governance framework, the Board has established three Board Committees namely, the Audit Committee ("AC"), the Nominating Committee ("NC") and the Remuneration Committee ("RC"). These committees function within clearly defined terms of reference and operating procedures, which are reviewed on a regular basis. The effectiveness of each committee is also monitored annually.

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, half year and full year results announcements prior to their release to the Singapore Exchange Securities Trading Limited ("SGX-ST"), Group's corporate strategies, major investments, acceptances of banking facilities, corporate guarantees, review of the Group's financial performance, interested parties transactions, recommendation of dividends, the approval of Directors' Report and Statement by the Directors, etc.

Upon appointment, a Director will receive a letter of appointment from the Board Chairman explaining his/her statutory duties and obligations as a Member of the Board. Apart from keeping the Board informed of all relevant new laws and regulations, the Directors are encouraged to attend training programmes on directors' duties, corporate governance, financial and control and other relevant matters.

Board Composition and Guidance

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

The Board comprises 8 Directors, 3 of whom are Independent Directors. The Board has examined its size and is of the view that it is an appropriate size with the right mix of skills and experience given the scope and nature of the Group's operations. The Directors possess the necessary competencies to lead and govern the Group effectively. Details of the Directors' qualifications, business experience and other appointments are found at the Board of Directors section of the Annual Report.

The Independent Directors also communicate regularly to review the Group's performance and discuss on any new business proposal and strategy.

The nature of the Directors' appointments on the Board, and details of their memberships in the Board Committees are set out below:

		Board Committee Membership		
Name of Directors	**Position**	**Audit**	**Remuneration**	**Nominating**
Lim Tiam Seng	Executive Chairman			
Lim Tiang Chuan	Executive Deputy Chairman			
Chia Lee Meng Raymond	Executive Deputy Chairman & Group Chief Executive Officer			
Dawn Lim Sock Kiang	Executive Director			
Hoon Tai Meng	Executive Director			Member
Goh Chee Wee	Independent Director	Chairman	Chairman	Member
Cheng Heng Tan	Independent Director	Member	Member	Chairman
Ang Mong Seng	Independent Director	Member	Member	Member

Chairman and Chief Executive Officer

Principle 3: There should be a clear division of responsibilities at the top of the company - the working of the Board and the executive responsibility of the company's business – which will ensure a balance of power and authority, such that no one individual represents a considerable concentration of power.

The roles and responsibilities between the Chairman and the Group Chief Executive Officer ("CEO") of the Company are held by separate individuals to ensure that there is an appropriate balance of power, increased accountability and greater capacity of the Board for independent decision making. Both are Executive Directors and are related. Mr Lim Tiam Seng, Executive Chairman, is the father-in-law of Mr Chia Lee Meng Raymond, the Executive Deputy Chairman and Group CEO.

The Executive Chairman 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, the Company Secretary and the Management. He also ensures that Board matters are effectively organised to enable Directors to receive timely and clear information in order to make sound decisions, promote constructive relations amongst Directors and the Management and ensure effective communication with the shareholders.

The primary role of the Group CEO is to effectively manage and supervise 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 Managing Director, the Chief Financial Officer and General Managers to oversee the daily running of the Group's operations and execution of strategies and policies.

Board Membership

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

The NC consists of three independent non-executive directors and one executive director. The members of the NC are as follows:

1. Mr Cheng Heng Tan (Chairman);
2. Mr Goh Chee Wee;
3. Mr Ang Mong Seng; and
4. Mr Hoon Tai Meng.

The Chairman of the NC is Mr Cheng Heng Tan, who is not associated with any substantial shareholder.

The date of initial appointment and the date of last re-election of the Directors are set out below:

Name of Directors	Position	Date of First Appointment	Date of Last Re-election	Due for re-election at next AGM
Lim Tiam Seng	Executive Chairman	23 October 1998	25 April 2012	Retirement (Section 153 of the Companies Act, Cap. 50)
Lim Tiang Chuan	Executive Deputy Chairman	23 October 1998	26 April 2010	Retirement by rotation (Article 115)
Chia Lee Meng Raymond	Executive Deputy Chairman & Group Chief Executive Officer	2 September 1999	27 April 2011	Retirement by rotation (Article 115)
Dawn Lim Sock Kiang	Executive Director	1 December 2009	26 April 2010	Retirement by rotation (Article 115)
Hoon Tai Meng	Executive Director	2 November 1999	25 April 2012	N.A.
Goh Chee Wee	Independent Director	2 November 1999	27 April 2011	N.A.
Cheng Heng Tan	Independent Director	20 July 2011	25 April 2012	N.A.
Ang Mong Seng	Independent Director	19 March 2003	25 April 2012	N.A.

During the year under review, the NC has met to review and/or perform the following:

a. Assessment of the Board's performance as a whole;
b. Recommendation for the re-election of Mr Lim Tiam Seng who is due for retirement pursuant to Section 153 of the Companies Act, Cap. 50;
c. Recommendation for the re-election of Mr Lim Tiang Chuan, Mr Chia Lee Meng Raymond and Ms Dawn Lim Sock Kiang who are due for retirement by rotation pursuant to Article 115 of the Company's Articles of Association at the forthcoming Annual General Meeting ("AGM") (having regard to their performance and contribution);
d. The skills and size required by the Board;
e. The independence of each Director, and that the Board comprises at least one-third Independent Directors; and
f. The multiple board representations of Directors and is satisfied that these Directors are able to and have adequately carried out their duties as Directors of the Company.

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

Process for appointment of new directors

In the nomination and selection process for the appointment of new Directors, the NC identifies the key attributes that an incoming director should have, based on a matrix of the attributes of the existing Board and the requirements of the Group. Thereafter, the NC makes recommendations to the Board for approval.

Key information regarding Directors such as academic and professional qualifications and directorships are found at the Board of Directors section of the Annual Report.

Board Performance

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

The NC assesses the effectiveness of the Board as a whole on an annual basis. At the end of each year, each board member is required to complete a board appraisal form and Director's assessment form and send the forms to the NC Chairman within 5 working days before the NC meeting. Based on the returns, the NC Chairman will prepare a consolidated report and present the report to the Board at the board meeting to be held before the annual general meeting.

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

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.

Access to Information

Principle 6: In order to fulfill their responsibilities, Board members should be provided with complete, adequate and timely information prior to board meetings and on an on-going basis.

Except for ad hoc and urgent meeting, agenda and Board papers are sent to Directors at least 3 days in advance of these meetings to give the Directors sufficient time and relevant information for consideration and deliberation at the meeting. Key management who can provide additional insight into the matters at hand would be present at the relevant time during the Board meeting.

Directors have separate and independent access to the Chairman, the Group CEO, Executive Directors, the Company's key management, the Company Secretary and the Internal and the External Auditors via telephone, e-mail and face-to-face meetings.

Role of Company Secretary

The role of the Company Secretary is clearly defined. The Company Secretary is responsible for ensuring that the Board procedures are followed and that applicable rules and regulations are complied with. Under the Articles of Association of the Company, the decision to appoint or remove the Company Secretary can only be taken by the Board as a whole. The Company Secretary administers, attends and prepares minutes of all Board and specialised committee meetings. The Company Secretary assists the Chairman in ensuring that Board procedures are followed and regularly reviewed to ensure effective functioning of the Board, and that the Company's Memorandum and Articles of Association and relevant rules and regulations, including requirements of the Companies Act, Cap. 50 and the Listing Manual of the SGX-ST, are complied with. The Company Secretary also assists the Chairman and the Board in implementing and strengthening corporate governance practices and processes with a view to enhance long-term shareholders value. Under the direction of the Chairman, the Company Secretary is responsible for ensuring good information flows within the Board and its committees and between key management and the Independent Directors, as well as facilitating orientation and assisting with professional development as required. The Company Secretary is also the primary channel of communication between the Company and the SGX-ST.

In addition, the Directors can also either individually or as a group, in the furtherance of their duties, take independent advice, if necessary, at the Company's expense.

REMUNERATION MATTERS

Procedures for Developing Remuneration Policies

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

The RC comprises Mr Goh Chee Wee, Mr Cheng Heng Tan and Mr Ang Mong Seng, all of whom are Non-Executive and Independent Directors. The Chairman of the RC is Mr Goh Chee Wee.

During the year, the RC has met 3 times and carried out its duties in accordance with its terms of reference, which include reviews and recommendations on all matters concerning the remuneration packages of the Executive Directors, staff related to the Directors as well as certain key executives. The RC's recommendations were made in consultation with the Chairman of the Board and the Directors did not participate in any decision concerning their own remuneration. The RC has access to expert advice from time to time in areas of executive compensation.

Level and Mix of Remuneration

Principle 8: The level of remuneration should be appropriate to attract, retain and motivate the directors needed to run the company successfully but companies should avoid paying more than is necessary for this purpose. A significant proportion of the executive directors' remuneration should be structured so as to link to corporate and individual performance.

The Company has a framework of remuneration for the Executive Directors and key management. Under this framework, the total remuneration comprises fixed and variable components. The fixed components are in the form of a base salary plus contractual bonus and fixed allowance, whilst variable components are in the form of non-contractual bonus plus profit sharing that is linked to the performance of the Group and individual. The Company also has an Employees' Performance Share Plan, which aim to provide long-term incentive for Directors and key management to encourage loyalty and align the interest of the Directors and key management with those of the shareholders.

Directors' fees are paid to the Independent Directors and the level of fees paid takes into account the responsibilities that are required from them.

The RC is of the view that the remuneration packages offered by the Company are appropriate to attract, retain and motivate personnel of the required qualities to run the Company successfully. In setting remuneration packages, the Company takes into account pay and employment conditions within the same industry and in comparable companies, as well as the Group's performance and the performance of individual Directors.

The service contracts for Executive Directors are for fixed appointment periods which are not excessively long and they do not contain onerous removal clauses. Notice periods are generally three to six months for Executive Directors. The RC is responsible for reviewing the compensation commitments arising from Directors' contracts of service in the event of early termination.

Disclosure on Remuneration

Principle 9: Each company should provide clear disclosure of its remuneration policy, level and mix of remuneration, and the procedure for setting remuneration in the company's annual report. It should provide disclosure in relation to its remuneration policies to enable investors to understand the link between remuneration paid to directors and key executives, and performance.

The level and mix of remuneration of Directors of the Company and the remuneration of the Group's top five Key Executives (who are not Directors) for the year ended 31 December 2012 are as follows:

a. Directors

Remuneration Bands and Name of Directors	Base Salary[1]	Variable Payment[2]	Other Benefits[3]	Fees[4]
Above $1,000,000				
Lim Tiam Seng	14%	85%	1%	-
Lim Tiang Chuan	19%	80%	1%	-
Chia Lee Meng Raymond	10%	90%	-	-
Hoon Tai Meng	32%	67%	1%	-
$800,000 to $999,999				
None				
$600,000 to $799,999				
Dawn Lim Sock Kiang	36%	62%	2%	-
$200,000 to $599,999				
None				
Below $200,000				
Goh Chee Wee	-	-	-	100%
Cheng Heng Tan	-	-	-	100%
Ang Mong Seng	-	-	-	100%

b. Top Five Key Executives

Remuneration Bands and Name of Key Executives	Base Salary[1]	Variable Payment[2]	Other Benefits[3]	Fees[4]
Above $1,000,000				
Yeo Siang Thong	32%	67%	1%	-
$800,000 to $999,999				
None				
$600,000 to $799,999				
Chng Chee Beow (joined on 1 June 2012)	41%	58%	1%	-
$400,000 to $599,999				
Koh Chin Hah	40%	57%	3%	-
$200,000 to $399,999				
Lim Beng Chuan	79%	18%	3%	-
Yuen Chew Loong James (joined on 1 July 2012)	79%	17%	4%	-

1. Base salaries include contractual bonus.
2. Variable payment includes performance bonus, profit sharing, and Employer's Central Provident Fund contribution with respect to these payments.
3. Other benefits refer to benefit-in-kind such as car subsidy and car benefits made available as appropriate.
4. Proposed fees are subjected to approval by shareholders of the Company/subsidiary/associated companies at their respective Annual General Meeting.

Employees whose remuneration exceed $150,000 and are immediate family members of a Director or the Group CEO.

Lim Tian Back and Lim Tian Moh are siblings of Executive Chairman and Executive Deputy Chairman, uncles-in-law of Executive Deputy Chairman & Group CEO, uncles of Executive Director, Dawn Lim Sock Kiang; Lim Ling Kwee is son of Executive Chairman, nephew of Executive Deputy Chairman, brother-in-law of Executive Deputy Chairman & Group CEO and brother of Executive Director, Dawn Lim Sock Kiang; Lim Sock Joo (resigned on 30 June 2012) is daughter of Executive Chairman, niece of Executive Deputy Chairman, spouse of Executive Deputy Chairman & Group CEO and sister of Executive Director, Dawn Lim Sock Kiang; Ha Vu Hoang is son-in-law of Executive Chairman, nephew-in-law of Executive Deputy Chairman, brother-in-law of Executive Deputy Chairman & Group CEO, spouse of Executive Director, Dawn Lim Sock Kiang. Their remuneration exceeded $150,000 during the year ended 31 December 2012.

ACCOUNTABILITY AND AUDIT

Accountability

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

The Board through its announcements of quarterly and full-year results aims to provide the shareholders with a balanced and understandable assessment of the Company's performances and prospects as timely as possible whilst striking a balance on cost. The Management provides the Board with a continual flow of relevant information on a timely basis and meets the Board regularly for discussion on operational and financial matters.

Audit Committee

Principle 11: The Board should establish an Audit Committee ("AC") with written terms of reference which clearly set out its authority and duties.

The AC comprises Mr Goh Chee Wee, Mr Cheng Heng Tan and Mr Ang Mong Seng, all of whom are Non-Executive and Independent Directors. The Chairman of the AC is Mr Goh Chee Wee. The Board is of the view that the members of the AC have sufficient financial management expertise and experience to discharge the AC's functions.

The AC has explicit authority to investigate any matter within its terms of reference, full access to and co-operation by the Management and full discretion to invite any Directors to attend its meetings and reasonable resources to enable it to discharge its functions properly.

During the year under review, the AC met quarterly to review the following:

a. The annual audit plan of the Company's Internal and External Auditors and ensures the adequacy of the Company's system of accounting controls and the co-operation given by the Company's management to the External and Internal Auditors;
b. The results of the External Auditors' examination and their evaluation of the Group's internal control system;
c. 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;
d. The cost effectiveness and the independence and objectivity of the External Auditors;
e. The recommendation for re-appointment of Messrs Ernst & Young LLP as auditors of the Company for the ensuing year;
f. 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;
g. The results announcements of the consolidated financial statements of the Group before their submission to the Board of Directors for approval of release of the results announcement to the SGX-ST; and
h. The adequacy of the Group's internal controls addressing financials, operational and compliance risk in respect of the management, business and service systems and practices.

The 'whistle-blowing' framework was put in place, where all the employees of the Group may, in confidence raise concerns about possible improprieties in matters of financial reporting or other matters to the Group CEO.

Apart from the above, based on the recommendations made by the Internal and External Auditors, the AC has also reviewed the actions taken by the Management and their effectiveness on the areas involving financial, operational and risk management. The AC has also met with Internal and External Auditors, without the presence of the Company's Management to review the co-operation given by the Company's officers.

Internal Controls

Principle 12: The Board should ensure that the Management maintains a sound system of internal controls to safeguard the shareholders' investments and the company's assets.

The Board is responsible for ensuring that Management maintains a sound system of internal controls to safeguard shareholders' investment and the assets of the Group. Based on the internal controls established and maintained by the Group, work performed by the Internal and External Auditors, and reviews performed by the Management, various Board Committees and the Board, the Board with the concurrence of the AC is of the opinion that the system of controls maintained by the Group is adequate in meeting the current scope of the Group's business operations and to address financial, operational and compliance risks.

The Board and the AC note that no system of internal controls could provide absolute assurance against the occurrence of material errors, poor judgment in decision-making, human error, losses, fraud or other irregularities.

Internal Audit

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

The Internal Audit ("IA") function is independent of the activities it audits. The Group IA's primary reporting line is to the Chairman of the AC with an administrative line of reporting to an Executive Director of the Company. The AC meets the Group IA at least once annually without the presence of Management. The Group IA has unfettered access to the AC, the Board and Management.

The IA operates within the framework stated in its Internal Audit Charter which is approved by the AC. The standards of the IA Charter are consistent with the International Standards for the Professional Practice of Internal Auditing set by the Institute of Internal Auditors.

COMMUNICATION WITH SHAREHOLDERS

Principle 14: Companies should engage in regular, effective and fair communication with shareholders.

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 Rules, the Board's policy is to provide timely information to all shareholders of all major developments that impact the Group via SGXNET, Press Releases, Annual Reports and Company's website at www.chipengseng.com.

Principle 15: Companies should encourage greater shareholder participation at AGMs, and allow shareholders the opportunity to communicate their views on various matters affecting the company.

In addition, the Board welcomes the views of shareholders on matters affecting the Company, whether at shareholders' meetings or on an ad-hoc basis. Shareholders are informed of shareholders' meetings through notices published in the newspapers and reports or circulars sent to all shareholders. Each item of special business included in the notice of the meeting is accompanied, where appropriate, by an explanation for the proposed resolution.

The Chairmen of the AC, the RC and the NC are usually available at the meeting to answer those questions relating to the work of these committees. The External Auditors are also present to address shareholders' queries about the conduct of audit and the preparation and content of the auditors' report.

INTERESTED PERSON TRANSACTIONS

The Company has adopted an internal policy in respect of transactions with interested persons and requires all such transactions to be at arm's length and be reviewed by the Audit Committee. There was no interested person transaction entered during the financial year under review.

MATERIAL CONTRACTS

Except as disclosed in Note 31 (Related Party Transactions) of the Notes to the Financial Statements, there were no other material contracts of the Company or its subsidiaries involving the interests of the Group CEO, 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.

DEALINGS 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 regulations with regard to dealings in the Company's securities by 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 periods" which is defined as 2 weeks before the date of announcement of results for each of the first 3 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.

RISK MANAGEMENT

The Board of Directors oversees the Group's financial risk management policies. Where there are significant risks in respect of the Group's operations, appropriate risk management practices will be put in place to address these risks. Details on the risk management practices are outlined in Note 35 (Financial risk management objectives and policies) of the Notes to the Financial Statement.

WHISTLE-BLOWING POLICY

The Company has put in place a whistle-blowing policy and procedures which provide employees with well-defined and accessible channels for reporting suspect fraud, corruption, dishonest practices or other similar matters. The policy and procedures aim to encourage the reporting of such matters in good faith, with confidence on the part of employees making such reports, that they will be treated fairly and, to the extent possible, be protected from reprisal.

FINANCIAL STATEMENTS

DIRECTOR'S REPORT

The directors are pleased to present their report 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 2012.

Directors

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

Lim Tiam Seng	(Executive Chairman)
Lim Tiang Chuan	(Executive Deputy Chairman)
Chia Lee Meng Raymond	(Executive Deputy Chairman and Group Chief Executive Officer)
Dawn Lim Sock Kiang	
Hoon Tai Meng	
Goh Chee Wee	
Ang Mong Seng	
Cheng Heng Tan	

In accordance with Article 115 of the Company's Articles of Association, Lim Tiang Chuan, Chia Lee Meng Raymond and Dawn Lim Sock Kiang retire by rotation and, being eligible, offer themselves for re-election.

Pursuant to Section 153 of the Singapore Companies Act, Cap. 50, Lim Tiam Seng retires and being eligible, offers himself for re-election.

Arrangements to enable directors to acquire shares and debentures

Except as disclosed in this report, 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 object 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.

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, Cap. 50, an interest in shares of the Company, as stated below:

Directors' interests in shares and debentures (cont'd)

Name of Directors	Direct interest At 1.1.2012	At 31.12.2012	At 21.01.2013	Deemed interest At 1.1.2012	At 31.12.2012	At 21.01.2013
Ordinary shares						
Lim Tiam Seng	65,499,000	65,499,000	65,499,000	17,198,000	17,198,000	17,198,000
Lim Tiang Chuan	44,177,000	44,177,000	44,177,000	–	–	–
Chia Lee Meng Raymond	6,125,000	6,125,000	6,125,000	14,702,000	14,702,000	14,702,000
Dawn Lim Sock Kiang	15,377,000	15,377,000	15,377,000	30,000	30,000	30,000
Hoon Tai Meng	1,125,500	1,125,500	1,125,500	–	–	–
Goh Chee Wee	1,135,500	1,135,500	1,135,500	–	–	–
Ang Mong Seng	146,000	146,000	146,000	–	–	–

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

Directors' contractual benefits

Except as disclosed in the financial statements, since the end of the previous financial year, no director of the Company has received or become entitled to receive a benefit by reason of a contract made by the Company or a related corporation with the director, or with a firm of which the director is a member, or with a company in which the director has a substantial financial interest.

Chip Eng Seng Performance Share Plan

The Company has a Chip Eng Seng Performance Share Plan ("CES Share Plan") which is administered by the Remuneration Committee comprising three Directors namely Goh Chee Wee (Chairman), Ang Mong Seng (Member) and Cheng Heng Tan (Member). Details of the CES Share Plan are as follows:

Objectives

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

Chip Eng Seng Performance Share Plan (cont'd)

Eligibility

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

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

(ii) Non-executive directors of the Company;

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

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

Awards

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

Size of 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 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.

Audit Committee

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

- Reviews the audit plans of the internal and external auditors of the Company, and reviews the internal auditors' evaluation of the adequacy of the Company's system of internal accounting controls and the assistance given by the Company's Management to the external and internal auditors
- Reviews the quarterly and annual financial statements and the auditors' report on the annual financial statements of the Company before their submission to the board of directors
- Reviews effectiveness of the Company's material internal controls, including financial, operational and compliance controls and risk management via reviews carried out by the internal auditors
- Meets with the external auditors, other committees and Management in separate executive sessions to discuss any matters that these groups believe should be discussed privately with the AC
- Reviews 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
- Reviews the cost effectiveness and the independence and objectivity of the external auditors
- Reviews the nature and extent of non-audit services provided by the external auditors
- Recommends to the board of directors the external auditors to be nominated, approves the compensation of the external auditors, and reviews the scope and results of the audit
- Reports actions and minutes of the AC to the board of directors with such recommendations as the AC considers appropriate
- Reviews 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 auditors to the Group, is satisfied that the nature and extent of such services would not affect the independence of the external auditors. 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.

Auditors

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

On behalf of the board of directors:

Lim Tiam Seng
Executive Chairman

Chia Lee Meng Raymond
Executive Deputy Chairman and
Group Chief Executive Officer

Singapore
15 March 2013

STATEMENT BY DIRECTORS

We, Lim Tiam Seng and Chia Lee Meng Raymond, being two of the directors of Chip Eng Seng Corporation Ltd, do hereby state that, in the opinion of the directors,

(i) the accompanying balance sheets, consolidated income statement, consolidated statement of comprehensive income, statements of changes in equity and consolidated cash flow statement together with notes thereto are drawn up so as to give a true and fair view of the state of affairs of the Group and of the Company as at 31 December 2012 and the results of the business, 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.

On behalf of the board of directors:

Lim Tiam Seng
Executive Chairman

Chia Lee Meng Raymond
Executive Deputy Chairman and
Group Chief Executive Officer

Singapore
15 March 2013

INDEPENDENT AUDITOR'S REPORT

For the financial year ended 31 December 2012

Independent Auditor's Report to the members of Chip Eng Seng Corporation Ltd

Report on the Financial Statements

We have audited the accompanying financial statements of Chip Eng Seng Corporation Ltd (the "Company") and its subsidiaries (collectively, the "Group") set out on pages 41 to 125, which comprise the balance sheets of the Group and the Company as at 31 December 2012, 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 a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Singapore Companies Act, Chapter 50 (the "Act") and Singapore Financial Reporting Standards, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair profit and loss accounts and balance sheets and to maintain accountability of assets.

Auditor's Responsibility

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

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

INDEPENDENT AUDITOR'S REPORT (CONT'D)

For the financial year ended 31 December 2012

Opinion

In our opinion, the consolidated financial statements of the Group and the balance sheet and statement of changes in equity of the Company are properly drawn up in accordance with the provisions of the Act and Singapore Financial Reporting Standards so as to give a true and fair view of the state of affairs of the Group and of the Company as at 31 December 2012 and the results, changes in equity and cash flows of the Group and the changes in equity of the Company for the year ended on that date.

Report on Other Legal and Regulatory Requirements

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

Ernst & Young LLP
Public Accountants and
Certified Public Accountants
Singapore

15 March 2013

CONSOLIDATED INCOME STATEMENT

For the financial year ended 31 December 2012

	Note	2012 $'000	2011 $'000
Revenue	4	617,132	359,980
Cost of sales		(487,418)	(220,245)
Gross profit		129,714	139,735
Other items of income			
Interest income	5	2,979	1,770
Dividend income from investment securities		847	191
Other income	6	32,383	8,275
Other items of expense			
Marketing and distribution		(30,727)	(12,730)
Administrative expenses		(27,802)	(18,864)
Finance costs	7	(1,022)	(214)
Share of results of associates		2,244	23,785
Profit before tax	8	108,616	141,948
Income tax expense	9	(27,344)	(18,253)
Profit for the year		81,272	123,695
Attributable to:			
Owners of the Company		81,272	123,695
Non-controlling interests		–	–
		81,272	123,695
Earnings per share attributable to owners of the Company (cents per share)			
Basic	10	12.29	18.68
Diluted	10	12.29	18.68

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 2012

	2012 $'000	2011 $'000
Profit for the year	81,272	123,695
Other comprehensive income:		
Net loss on fair value changes of available-for-sale financial assets	(486)	(975)
Foreign currency translation	(3,893)	399
Share of other comprehensive income of associates	363	–
Other comprehensive loss for the year, net of tax	(4,016)	(576)
Total comprehensive income for the year	77,256	123,119
Attributable to:		
Owners of the Company	77,256	123,119
Non-controlling interests	–	–
Total comprehensive income for the year	77,256	123,119

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

BALANCE SHEETS

As at 31 December 2012

	Note	Group		
		2012 **$'000**	**2011** **$'000** (Restated)	**2010** **$'000** (Restated)
Non-current assets				
Property, plant and equipment	11	145,326	11,702	7,031
Investment properties	12	44,706	139,436	96,513
Intangible assets	13	279	66	79
Investment in associates	15	4,968	12,777	110,046
Other receivables	16	9,593	51,508	43,317
Investments securities	17	2,143	1,798	2,740
Current assets				
Gross amount due from customers for contract work-in-progress	18	7,547	2,723	585
Completed properties held for sale	19	1,839	1,452	2,791
Development properties	20	543,987	458,444	318,753
Prepayments and deposits	21	1,519	18,838	43,219
Trade and other receivables	16	151,619	136,020	84,286
Cash and short-term deposits	22	242,050	155,774	133,570
		948,561	773,251	583,204
Deduct: Current liabilities				
Loans and borrowings	23	123,000	62,519	115,600
Gross amount due to customers for contract work-in-progress	18	24,251	5,731	105,980
Provisions	24	1,907	1,508	634
Trade and other payables	25	108,783	95,556	99,343
Other liabilities	26	48,194	32,133	20,141
Income tax payable		46,503	20,466	5,860
		352,638	217,913	347,558
Net current assets		595,923	555,338	235,646

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

As at 31 December 2012

	Note	Group		
		2012 $'000	2011 $'000 (Restated)	2010 $'000 (Restated)
Deduct: Non-current liabilities				
Loans and borrowings	23	338,750	347,000	169,265
Deferred tax liabilities	27	3,703	8,232	5,337
		342,453	355,232	174,602
Net assets		460,485	417,393	320,770
Equity attributable to owners of the Company				
Share capital	28(a)	79,691	79,691	79,691
Treasury shares	28(b)	(10,922)	(3,244)	(4,826)
Retained earnings		398,790	344,004	246,775
Other reserves	29	(7,074)	(3,058)	(878)
		460,485	417,393	320,762
Non-controlling interests		–	–	8
Total equity		460,485	417,393	320,770

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

BALANCE SHEETS (CONT'D)

As at 31 December 2012

	Note	Company 2012 $'000	Company 2011 $'000
Non-current assets			
Property, plant and equipment	11	1,061	1,179
Intangible assets	13	228	3
Investment in subsidiaries	14	48,302	48,002
Investment in associates	15	650	650
Other receivables	16	55,157	82,719
Investments securities	17	2,002	1,669
Current assets			
Prepayments and deposits	21	14	5
Trade and other receivables	16	21,157	22,236
Cash and short-term deposits	22	3,707	1,244
		24,878	23,485
Deduct: Current liabilities			
Trade and other payables	25	145	895
Other liabilities	26	13,799	13,675
Income tax payable		133	538
		14,077	15,108
Net current assets		10,801	8,377
Deduct: Non-current liabilities			
Deferred tax liabilities	27	5	5
Net assets		118,196	142,594
Equity attributable to owners of the Company			
Share capital	28(a)	79,691	79,691
Treasury shares	28(b)	(10,922)	(3,244)
Retained earnings		53,998	70,232
Other reserves	29	(4,571)	(4,085)
		118,196	142,594

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 2012

2012 Group	Equity, total	Attributable to owners of the Company Equity attributable to owners of the Company, total	Share capital (Note 28a)	Treasury shares (Note 28b)	Retained earnings	Other reserves, total (Note 29)	Non-controlling interests
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Opening balance at 1 January 2012	416,884	416,884	79,691	(3,244)	343,495	(3,058)	–
Effect of adopting amendments to FRS 12	509	509	–	–	509	–	–
Restated opening balance at 1 January 2012	417,393	417,393	79,691	(3,244)	344,004	(3,058)	–
Profit for the year	81,272	81,272	–	–	81,272	–	–
Other comprehensive loss							
Net loss on fair value changes of available-for-sale financial assets	(486)	(486)	–	–	–	(486)	–
Foreign currency translation	(3,893)	(3,893)	–	–	–	(3,893)	–
Share of other comprehensive income of associates	363	363	–	–	–	363	–
Other comprehensive loss for the year, net of tax	(4,016)	(4,016)	–	–	–	(4,016)	–
Total comprehensive income for the year	77,256	77,256	–	–	81,272	(4,016)	–
Contributions by and distributions to owners							
Purchase of treasury shares	(7,678)	(7,678)	–	(7,678)	–	–	–
Dividend for 2011 - paid (first and final dividend of 4.00 cents per share, tax exempt, one-tier tax)	(26,486)	(26,486)	–	–	(26,486)	–	–
Total transactions with owners in their capacity as owners	(34,164)	(34,164)	–	(7,678)	(26,486)	–	–
Closing balance at 31 December 2012	460,485	460,485	79,691	(10,922)	398,790	(7,074)	–

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

STATEMENTS OF CHANGES IN EQUITY (CONT'D)

For the financial year ended 31 December 2012

2011 Group	**Equity, total $'000**	**Attributable to owners of the Company** Equity attributable to owners of the Company, total $'000	Share capital (Note 28a) $'000	Treasury shares (Note 28b) $'000	Retained earnings $'000	Other reserves, total (Note 29) $'000	**Non-controlling interests $'000**
Opening balance at 1 January 2011	320,261	320,253	79,691	(4,826)	246,266	(878)	8
Effect of adopting amendments to FRS 12	509	509	–	–	509	–	–
Restated opening balance at 1 January 2011	320,770	320,762	79,691	(4,826)	246,775	(878)	8
Profit for the year	123,695	123,695	–	–	123,695	–	–
Other comprehensive income							
Net loss on fair value changes of available-for-sale financial assets	(975)	(975)	–	–	–	(975)	–
Foreign currency translation	399	399	–	–	–	399	–
Other comprehensive loss for the year, net of tax	(576)	(576)	–	–	–	(576)	–
Total comprehensive income for the year	123,119	123,119	–	–	123,695	(576)	–
Contributions by and distributions to owners							
Treasury shares re-issued pursuant to Performance Share Plan	(22)	(22)	–	1,582	–	(1,604)	–
Dividend for 2010 - paid (first and final dividend of 4.00 cents per share, tax exempt, one-tier tax)	(26,466)	(26,466)	–	–	(26,466)	–	–
Realisation of non-controlling interests on liquidation of subsidiary	(8)	–	–	–	–	–	(8)
Total transactions with owners in their capacity as owners	(26,496)	(26,488)	–	1,582	(26,466)	(1,604)	(8)
Closing balance at 31 December 2011	417,393	417,393	79,691	(3,244)	344,004	(3,058)	–

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

STATEMENTS OF CHANGES IN EQUITY (CONT'D)

For the financial year ended 31 December 2012

2010 Group	Equity, total $'000	Attributable to owners of the Company: Equity attributable to owners of the Company, total $'000	Share capital (Note 28a) $'000	Treasury shares (Note 28b) $'000	Retained earnings $'000	Other reserves, total (Note 29) $'000	Non-controlling interests $'000
Opening balance at 1 January 2010	165,079	164,850	79,691	(4,826)	91,795	(1,810)	229
Effect of adopting amendments to FRS 12	509	509	–	–	509	–	–
Restated opening balance at 1 January 2010	165,588	165,359	79,691	(4,826)	92,304	(1,810)	229
Profit for the year	174,257	174,256	–	–	174,256	–	1
Other comprehensive income							
Net gain on fair value changes of available-for-sale financial assets	310	310	–	–	–	310	–
Foreign currency translation	(449)	(449)	–	–	–	(449)	–
Other comprehensive loss for the year, net of tax	(139)	(139)	–	–	–	(139)	–
Total comprehensive income for the year	174,118	174,117	–	–	174,256	(139)	1
Contributions by and distributions to owners							
Share-based payment	1,071	1,071	–	–	–	1,071	–
Dividend for 2009 - paid (first and final dividend of 3.00 cents per share, tax exempt, one-tier tax)	(19,785)	(19,785)	–	–	(19,785)	–	–
Dividend paid to a non-controlling interest	(222)	–	–	–	–	–	(222)
Total transactions with owners in their capacity as owners	(18,936)	(18,714)	–	–	(19,785)	1,071	(222)
Closing balance at 31 December 2010	320,770	320,762	79,691	(4,826)	246,775	(878)	8

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

STATEMENTS OF CHANGES IN EQUITY (CONT'D)

For the financial year ended 31 December 2012

2012 **Company**	**Total** **$'000**	**Share capital (Note 28a)** **$'000**	**Treasury shares (Note 28b)** **$'000**	**Retained earnings** **$'000**	**Other reserves (Note 29)** **$'000**
Opening balance at 1 January 2012	142,594	79,691	(3,244)	70,232	(4,085)
Profit for the year	10,252	–	–	10,252	–
Other comprehensive income					
Net loss on fair value changes of available-for-sale financial assets	(486)	–	–	–	(486)
Other comprehensive loss for the year, net of tax	(486)	–	–	–	(486)
Total comprehensive income for the year	9,766	–	–	10,252	(486)
Contributions by and distributions to owners					
Purchase of treasury share	(7,678)	–	(7,678)	–	–
Dividend for 2011 - paid (first and final dividend of 4.00 cents per share, tax exempt, one-tier tax)	(26,486)	–	–	(26,486)	–
Total transactions with owners in their capacity as owners	(34,164)	–	(7,678)	(26,486)	–
Closing balance at 31 December 2012	118,196	79,691	(10,922)	53,998	(4,571)

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

STATEMENTS OF CHANGES IN EQUITY (CONT'D)

For the financial year ended 31 December 2012

2011 Company	Total $'000	Share capital (Note 28a) $'000	Treasury shares (Note 28b) $'000	Retained earnings $'000	Other reserves (Note 29) $'000
Opening balance at 1 January 2011	130,370	79,691	(4,826)	57,011	(1,506)
Profit for the year	39,687	–	–	39,687	–
Other comprehensive income					
Net loss on fair value changes of available-for-sale financial assets	(975)	–	–	–	(975)
Other comprehensive loss for the year, net of tax	(975)	–	–	–	(975)
Total comprehensive income for the year	38,712	–	–	39,687	(975)
Contributions by and distributions to owners					
Treasury share re-issued pursuant to Performance Share Plan	(22)	–	1,582	–	(1,604)
Dividend for 2010 - paid (first and final dividend of 4.00 cents per share, tax exempt, one-tier tax)	(26,466)	–	–	(26,466)	–
Total transactions with owners in their capacity as owners	(26,488)	–	1,582	(26,466)	(1,604)
Closing balance at 31 December 2011	142,594	79,691	(3,244)	70,232	(4,085)

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 2012

	Note	2012 $'000	2011 $'000
Operating activities			
Profit before tax		108,616	141,948
Adjustments for:			
Amortisation of intangible assets	13	12	13
Depreciation of property, plant and equipment	11	3,054	1,548
Interest income		(2,979)	(1,770)
Dividend income from investment securities		(847)	(191)
Finance costs		1,022	214
Net gain on disposal of property, plant and equipment		–	(428)
Net gain on disposal of investment property		(1,230)	–
Foreign currency translation adjustment		(2,479)	613
Net fair value (gain)/loss on investments securities		(74)	94
Share of results of associates		(2,244)	(23,785)
Net fair value gain on investment properties	12	(29,971)	(5,460)
Impairment loss on receivables	16	209	53
Write-down of completed property held for sale		131	169
Share-based compensation expense		–	(22)
Goodwill written off		3,221	51
Provision for contingencies		–	2,500
Operating cash flows before changes in working capital		76,441	115,547
(Increase)/decrease in completed properties		(518)	1,170
Decrease/(increase) in development properties		34,830	(114,593)
Decrease/(increase) in prepayments and deposits		17,319	(11,934)
Decrease/(increase) in trade and other receivables		15,519	(33,832)
Increase/(decrease) in gross amount due to customers for contract work-in-progress		14,096	(104,014)
Decrease in trade and other payables		(33,231)	(29,121)
Increase in other liabilities		16,061	11,992
Cash flows generated from/(used in) operations		140,517	(164,785)
Interest paid		(820)	(870)
Interest received		2,791	3,781
Income taxes paid		(5,838)	(753)
Net cash flows generated from/(used in) operating activities		136,650	(162,627)

CONSOLIDATED CASH FLOW STATEMENT (CONT'D)

For the financial year ended 31 December 2012

	Note	2012 $'000	2011 $'000
Investing activities			
Purchase of property, plant and equipment		(136,673)	(6,506)
Proceeds from disposal of property, plant and equipment		–	594
Proceeds from disposal of investment property		4,140	–
Investment in associates		–	(400)
Dividend income from associates and investment securities		10,992	124,624
Repayment from advances to associates		6,037	4,749
Proceeds from liquidation/disposal of an associate		–	1,012
Net cash inflow on acquisition of subsidiary	14	47,288	33
Additions to intangible assets	13	(225)	–
Net cash flows (used in)/generated from investing activities		(68,441)	124,106
Financing activities			
Repayment of loans and borrowings		(212,283)	(115,600)
Proceeds from loans and borrowings		264,514	240,254
Dividends paid on ordinary shares		(26,486)	(26,466)
Purchase of treasury shares		(7,678)	–
Additions to investment properties		–	(37,463)
Net cash flows from financing activities		18,067	60,725
Net increase in cash and cash equivalents		86,276	22,204
Cash and cash equivalents at beginning of the year		155,774	133,570
Cash and cash equivalents at end of the year	22	242,050	155,774

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

1. Corporate information

Chip Eng Seng Corporation Ltd (the Company) is a limited liability company incorporated and domiciled in Singapore and is listed on the Singapore Exchange Securities Trading Limited (SGX-ST).

The registered office and principal place of business of the Company is located at 69 Ubi Crescent, #06-01, CES Building, Singapore 408561.

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

Details of the subsidiaries and associates as at 31 December 2012 are:

	Name of Company	Country of incorporation	Principal activities	Proportion (%) of ownership interest	
				2012	2011
<u>Subsidiary companies</u>					
Held by the Company					
^	Chip Eng Seng Contractors (1988) Pte Ltd	Singapore	General building contractor	100	100
^	CEL Development Pte. Ltd.	Singapore	General building contractor, property developer and property investor	100	100
^	Evervit Development Pte Ltd	Singapore	Property investor	100	100
^	CES Engineering & Construction Pte. Ltd.	Singapore	General building contractor	100	100
^	CES-Precast Pte. Ltd.	Singapore	Manufacturing and trading of precast products	100	100
#	CES-China Holding Pte. Ltd.	Singapore	Dormant	100	100

1. Corporate information (cont'd)

	Name of Company	Country of incorporation	Principal activities	Proportion (%) of ownership interest 2012	2011
	Subsidiary companies (cont'd)				
	Held by subsidiaries				
^	CES-Balmoral Pte. Ltd.	Singapore	Property developer	100	100
	CES-Shanghai Pte. Ltd.	Singapore	Liquidated during the year	–	100
*	CES Glenelg Pty Ltd	Australia	Property developer	100	100
^^	CES-Precast Sdn. Bhd.	Malaysia	Manufacturing and trading of precast products	100	100
^	CES-Vietnam Holdings Pte. Ltd.	Singapore	Investment holding	100	100
^	CES Land Pte. Ltd.	Singapore	Property developer	100	100
^	CES-NB Pte. Ltd.	Singapore	Investment holding	100	100
^	CES-VH Holdings Pte. Ltd.	Singapore	Investment holding	100	100
^	CEL-Bedok Pte. Ltd.	Singapore	Property developer	100	100
^	CES Building and Construction Pte. Ltd.	Singapore	General building engineering services	100	100
^^	CES (Vietnam) Management Services Co., Ltd.	Vietnam	In the process of deregisteration	100	100
^^	CEL Australia Pty Ltd	Australia	Investment holding	100	100
^^	242 West Coast Highway Scarborough Pty Ltd	Australia	Property developer	100	75
^^	CES-McKenzie (VIC) Pty Ltd	Australia	Property developer	100	100
^^	CES-Queen (VIC) Pty Ltd	Australia	Property developer and investment	100	100
^	CEL-Simei Pte. Ltd.	Singapore	Property developer	100	100

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

For the financial year ended 31 December 2012

1. Corporate information (cont'd)

	Name of Company	Country of incorporation	Principal activities	Proportion (%) of ownership interest 2012	2011
	<u>Subsidiary companies (cont'd)</u>				
	Held by subsidiaries (cont'd)				
^	CEL-Fort Pte. Ltd.	Singapore	Property developer	100	100
^	CEL Pasir Panjang Pte. Ltd.	Singapore	Property investor	100	100
^	CEL-Alexandra Pte. Ltd.	Singapore	Hotel owner and development, property investor and property developer	100	100
^	Grange Properties Pte. Ltd.	Singapore	Property developer	100+	25
^	CES-West Coast Pte. Ltd.	Singapore	Property developer	100+	50
##	CEL Property Pte. Ltd.	Singapore	Property developer and investment holding	100	–
	<u>Associated companies</u>				
	Held by the company				
**	Ardille Pte Ltd	Singapore	Investment holding	38	38
	Held by associated companies				
**	ACP Metal Finishing Pte Ltd	Singapore	Provision of custom electro-plating and surface treatment services	38	38
	Held by subsidiaries				
	AMK Properties Pte. Ltd.	Singapore	In the process of liquidation	30	30
	Riviera Properties Pte. Ltd.	Singapore	In the process of liquidation	40	40
^	Devonshire Development Pte. Ltd.	Singapore	Property developer	40	40
^	PH Properties Pte. Ltd.	Singapore	Property developer	50	50

1. Corporate information (cont'd)

	Name of Company	Country of incorporation	Principal activities	Proportion (%) of ownership interest 2012	2011
	<u>Associated companies (cont'd)</u>				
	Held by subsidiaries (cont'd)				
^^	Viet Investment Link Joint Stock Company	Vietnam	Property developer	49	49
^	Punggol Field EC Pte. Ltd.	Singapore	Property developer	40	40
^	Pasir Ris EC Pte. Ltd.	Singapore	Property developer	40	40
^^	The Ascent Real Estate Investment Co. Ltd	Vietnam	Property developer	49	49

#	No audited accounts as company has not commenced business since incorporation.
##	No audited accounts as company was incorporated during the year.
+	During the year, the associate became a subsidiary of the Group.
*	Audited by BDO Chartered Accountants & Advisers in Australia.
**	Audited by RSM Chio Lim LLP, Singapore, Certified Public Accountants.
^	Audited by Ernst & Young LLP, Singapore, Certified Public Accountants.
^^	Audited by member firms of Ernst & Young Global in the respective countries.

In appointing the audit firm for the Company's subsidiaries and significant associated companies, the Listing Rules 712, 715 and 716 have been complied.

2. Summary of significant accounting policies

2.1 Basis of preparation

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

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

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

2.2 Change in accounting policies

The accounting policies adopted are consistent with those of the previous financial year except in the current financial year, the Group has adopted all the new and revised standards that are effective for annual periods beginning on or after 1 January 2012. The adoption of these standards did not have any effect on the financial performance or position of the Group and the Company except as discussed below:

Amendments to FRS 12 Deferred Tax: Recovery of Underlying Assets

On 1 January 2012, the Group adopted the Amendments to FRS 12 *Deferred Tax: Recovery of Underlying Assets.*

The Amendments to FRS 12 apply to the measurement of deferred tax liabilities and assets arising from investment properties measured using the fair value model under FRS 40 *Investment Property*, including investment property acquired in a business combination and subsequently measured using the fair value model. For the purposes of measuring deferred tax, the Amendments introduce a rebuttable presumption that the carrying amount of an investment property measured at fair value will be recovered entirely through sale. The presumption can be rebutted if the investment property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits over time, rather than through sale.

The Group previously recognised deferred taxes on change in fair value of investment properties on the basis that the carrying amounts of the properties are recovered through use.

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

2.2 Change in accounting policies (cont'd)

The change in accounting policy has been applied retrospectively. The effects of adoption of the Amendments to FRS 12 are as follows:

	Group		
	As at 31 December 2012 $'000	**As at 31 December 2011 $'000** (Restated)	**As at 1 January 2011 $'000** (Restated)
(Decrease)/increase in:			
Consolidated balance sheet			
Deferred tax liabilities	–	(509)	(509)
Retained earnings	–	509	509

There is no financial impact on the consolidated income statement for the year ended 31 December 2011 and 2012.

2.3 Standards issued but not yet effective

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

Description	*Effective for annual periods beginning on or after*
Amendments to FRS 1 *Presentation of Items of Other Comprehensive Income*	1 July 2012
Revised FRS 19 *Employee Benefits*	1 January 2013
FRS 113 *Fair Value Measurement*	1 January 2013
Amendments to FRS 107 *Disclosures – Offsetting Financial Assets and Financial Liabilities*	1 January 2013
Improvements to FRSs 2012	1 January 2013
- Amendment to FRS 1 *Presentation of Financial Statements*	1 January 2013
- Amendment to FRS 16 *Property, Plant and Equipment*	1 January 2013
- Amendment to FRS 32 *Financial Instruments: Presentation*	1 January 2013
Revised FRS 27 *Separate Financial Statements*	1 January 2014
Revised FRS 28 *Investments in Associates and Joint Ventures*	1 January 2014
FRS 110 *Consolidated Financial Statements*	1 January 2014
FRS 111 *Joint Arrangements*	1 January 2014
FRS 112 *Disclosure of Interests in Other Entities*	1 January 2014
Amendments to FRS 32 *Offsetting Financial Assets and Financial Liabilities*	1 January 2014

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

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

Except for the Amendments to FRS 1, FRS 111, Revised FRS 28 and FRS 112, the directors expect that the adoption of the other standards and interpretations above will have no material impact on the financial statements in the period of initial application. The nature of the impending changes in accounting policy on adoption of the Amendments to FRS 1, FRS 111, Revised FRS 28 and FRS 112 are described below.

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

The Amendments to FRS 1 *Presentation of Items of Other Comprehensive Income* (OCI) is effective for financial periods beginning on or after 1 July 2012.

The Amendments to FRS 1 changes the grouping of items presented in OCI. Items that could be reclassified to profit or loss at a future point in time would be presented separately from items which will never be reclassified. As the Amendments only affect the presentations of items that are already recognised in OCI, the Group does not expect any impact on its financial position or performance upon adoption of this standard.

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

FRS 111 *Joint Arrangements* and Revised FRS 28 *Investments in Associates and Joint Ventures* are effective for financial periods beginning on or after 1 January 2014.

FRS 111 classifies joint arrangements either as joint operations or joint ventures. Joint operation is a joint arrangement whereby the parties that have rights to the assets and obligations for the liabilities whereas joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement.

FRS 111 requires the determination of joint arrangement's classification to be based on the parties' rights and obligations under the arrangement, with the existence of a separate legal vehicle no longer being the key factor. FRS 111 disallows proportionate consolidation and requires joint ventures to be accounted for using the equity method. The revised FRS 28 was amended to describe the application of equity method to investments in joint ventures in addition to associates.

The Group currently applies equity accounting for these joint ventures.

FRS 112 *Disclosure of Interests in Other Entities*

FRS 112 *Disclosure of Interests in Other Entities* is effective for financial periods beginning on or after 1 January 2014.

FRS 112 is a new and comprehensive standard on disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles. FRS 112 requires an entity to disclose information that helps users of its financial statements to evaluate the nature and risks associated with its interests in other entities and the effects of those interests on its financial statements. As this is a disclosure standard, it will have no impact to the financial position and financial performance of the Group when implemented in 2014.

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.

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

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

(B) Business combinations

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.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability, will be recognised in accordance with FRS 39 either in profit or loss or as a change to other comprehensive income. If the contingent consideration is classified as equity, it is not remeasured until it is finally settled within equity.

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

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

(B) Business combinations (cont'd)

In business combinations achieved in stages, previously held equity interests in the acquiree are remeasured to fair value at the acquisition date and any corresponding gain or loss is recognised in profit or loss.

The Group elects for each individual business combination, whether non-controlling interest in the acquiree (if any) is recognised on the acquisition date at fair value, or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets.

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.

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, and are presented separately in the consolidated statement of comprehensive income and within equity in the consolidated balance sheet, separately from equity attributable 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 Group's consolidated 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 determined.

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

2.6 Foreign currency (cont'd)

(a) Transactions and balances (cont'd)

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 except for exchange differences arising on monetary items that form part of the Group's net investment in foreign operations, which are recognised initially in other comprehensive income and accumulated under foreign currency translation reserve in equity. The foreign currency translation reserve is reclassified from equity to profit or loss of the Group on disposal of the foreign operation.

(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.

In the case of a partial disposal without loss of control of a subsidiary that includes a foreign operation, the proportionate share of the cumulative amount of the exchange differences are re-attributed to non-controlling interest and are not recognised in profit or loss. For partial disposals of associates or jointly controlled entities that are foreign operations, the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

2.7 Property, plant and equipment

All items of property, plant and equipment are initially recorded at cost. Subsequent to recognition, plant and equipment and furniture and fixtures are measured at cost less accumulated depreciation and any accumulated impairment losses. The cost includes the cost of replacing part of the property, plant and equipment and borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying property, plant and equipment. The accounting policy for borrowing costs is set out in Note 2.22. The cost of an item of property, plant and equipment is recognised as an asset if, and only if, it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably.

When significant parts of property, plant and equipment are required to be replaced in intervals, the Group recognises such parts as individual assets with specific useful lives and depreciation, respectively. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in profit or loss as incurred.

Freehold land and buildings are measured at fair value less accumulated depreciation on buildings and impairment losses recognised after the date of the revaluation. Valuations are performed with sufficient regularity to ensure that the carrying amount does not differ materially from the fair value of the freehold land and buildings at the end of the reporting period.

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

2.7 Property, plant and equipment (cont'd)

Any revaluation surplus is recognised in other comprehensive income and accumulated in equity under the asset revaluation reserve, except to the extent that it reverses a revaluation decrease of the same asset previously recognised in profit or loss, in which case the increase is recognised in profit or loss. A revaluation deficit is recognised in profit or loss, except to the extent that it offsets an existing surplus on the same asset carried in the asset revaluation reserve.

Any accumulated depreciation as at the revaluation date is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. The revaluation surplus included in the asset revaluation reserve in respect of an asset is transferred directly to retained earnings on retirement or disposal of the asset.

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

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

Leasehold land for hotel	-	99 years
Leasehold land for warehouse	-	23 years
Building and construction equipment	-	2 to 5 years
Motor vehicles	-	5 years
Furniture, fixtures and fittings	-	5 years
Other equipment and computer	-	3 to 5 years
Container office	-	5 years

Assets under construction included in plant and equipment are not depreciated as these assets are not yet available for use.

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

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

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

2.8 Investment properties

Investment properties are properties that are either owned by the Group or leased under a finance lease in order 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 and they are accounted for as finance leases.

Investment properties are initially measured at cost, including transaction costs. The carrying amount includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met.

Subsequent to initial recognition, investment properties are measured at fair value which reflects market conditions at the end of the reporting period. 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. Summary of significant accounting policies (cont'd)

2.8 Investment properties (cont'd)

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

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner-occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. For a transfer from owner-occupied property to investment property, the property is accounted for in accordance with the accounting policy for property, plant and equipment set out in Note 2.7 up to the date of change in use.

2.9 Intangible assets

Intangible assets acquired separately are measured initially at cost. The cost of intangible assets acquired in a business combination is their fair value as at the date of acquisition. 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. The amortisation expense on intangible assets with finite useful lives is recognised in profit or loss in the expense category consistent with the function of the intangible asset.

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

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

Club membership

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

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

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 to sell 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. In assessing value in use, the estimated future cash flows expected to be generated by the asset are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples or other available fair value indicators.

The Group bases its impairment calculation on detailed budgets and forecast calculations which are prepared separately for each of the Group's cash-generating units to which the individual assets are allocated. These budgets and forecast calculations are generally covering a period of five years. For longer periods, a long-term growth rate is calculated and applied to project future cash flows after the fifth year.

Impairment losses of continuing operations are recognised in profit or loss in those expense categories consistent with the function of the impaired asset, 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.

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Group estimates the asset's or cash-generating unit's recoverable amount. 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 entity over which the Group has the power to govern the financial and operating policies so as to obtain benefits from its activities.

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

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

2.12 Associates

An associate is an entity, not being a subsidiary or a joint venture, in which the Group has significant influence. An associate is equity accounted for from the date the Group obtains significant influence until the date the Group ceases to have significant influence over the associate.

The Group's investments in associates are accounted for using the equity method. Under the equity method, the investment in associates is carried in the balance sheet at cost plus post-acquisition changes in the Group's share of net assets of the associates. Goodwill relating to associates is included in the carrying amount of the investment and is neither amortised nor tested individually for impairment. Any excess of the Group's share of the net fair value of the associate's identifiable asset, liabilities and contingent liabilities over the cost of the investment is included as income in the determination of the Group's share of results of the associate in the period in which the investment is acquired.

The profit or loss reflects the share of the results of operations of the associates. Where there has been a change recognised in other comprehensive income by the associates, the Group recognises its share of such changes in other comprehensive income. Unrealised gains and losses resulting from transactions between the Group and the associate are eliminated to the extent of the interest in the associates.

The Group's share of the profit or loss of its associates is the profit attributable to equity holders of the associate and, therefore is the profit or loss after tax and non-controlling interests in the subsidiaries of associates.

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

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 its associates. The Group determines at the end of each reporting period whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount in profit or loss.

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

Upon loss of significant influence over the associate, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the aggregate of the retained investment and proceeds from disposal is recognised in profit or loss.

2.13 Joint venture

A joint venture is a contractual arrangement whereby two or more parties undertake an economic activity that is subject to joint control, where the strategic financial and operating decisions relating to the activity require the unanimous consent of the parties sharing control. The Group recognises its interest in the joint venture using the equity method. The joint venture is equity accounted for from the date the Group obtains joint control until the date the Group ceases to have joint control over the joint venture.

Adjustments are made in the Group's consolidated financial statements to eliminate the Group's share of intragroup balances, income and expenses and unrealised gains and losses on such transactions between the Group and its jointly controlled entity. Losses on transactions are recognised immediately if the loss provides evidence of a reduction in the net realisable value of current assets or an impairment loss.

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

2.13 Joint venture (cont'd)

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

Upon loss of joint control, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the former jointly controlled entity upon loss of joint control and the aggregate of the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

2.14 Financial assets

Initial recognition and measurement

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

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

Subsequent measurement

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

(a) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term.

The Group has not designated any financial assets upon initial recognition at fair value through profit or loss.

Subsequent to initial recognition, financial assets at fair value through profit or loss are measured at fair value. Any gains or losses arising from changes in fair value of the financial assets are recognised in profit or loss. Net gains or net losses on financial assets at fair value through profit or loss include exchange differences, interest and dividend income.

(b) Loans and receivables

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

(c) Held-to-maturity investments

Non-derivative financial assets with fixed or determinable payments and fixed maturity are classified as held-to-maturity when the Group has the positive intention and ability to hold the investment to maturity. Subsequent to initial recognition, held-to-maturity investments are measured at amortised cost using the effective interest method, less impairment. Gains and losses are recognised in profit or loss when the held-to-maturity investments are derecognised or impaired, and through the amortisation process.

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

2.14 Financial assets (cont'd)

Subsequent measurement (cont'd)

(d) Available-for-sale financial assets

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

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

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

Derecognition

A financial asset is derecognised 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.

Regular way purchase or sale of a financial asset

All regular way purchases and sales of financial assets are recognised or derecognised on the trade date i.e., the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace concerned.

2.15 Impairment of financial assets

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

(a) Financial assets carried at amortised cost

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

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

2.15 Impairment of financial assets (cont'd)

(a) Financial assets carried at amortised cost (cont'd)

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

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

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

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed to the extent that the carrying amount of the asset does not exceed its amortised cost at the reversal date. The amount of reversal is recognised in profit or loss.

(b) Financial assets carried at cost

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

(c) Available-for-sale financial assets

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

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

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

2.15 Impairment of financial assets (cont'd)

(c) Available-for-sale financial assets (cont'd)

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

2.16 Cash and cash equivalents

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

2.17 Construction contracts

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

The outcome of a construction contract can be estimated reliably when: (i) total contract revenue can be measured reliably; (ii) it is probable that the economic benefits associated with the contract will flow to the entity; (iii) the costs to complete the contract and the stage of completion can be measured reliably; and (iv) the contract costs attributable to the contract can be clearly identified and measured reliably so that actual contract costs incurred can be compared with prior estimates.

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 (as defined below) multiplied by the actual completion rate based on the completion of a physical proportion of the contract work.

Contract revenue – Contract revenue corresponds to the initial amount of revenue agreed in the contract and any variations in contract work, claims and incentive payments to the extent that it is probable that they will result in revenue; and they are capable of being reliably measured.

Contract costs – Contract costs include costs that relate directly to the specific contract and costs that are attributable to contract activity in general and can be allocated to the contract. Costs that relate directly to a specific contract comprise: site labour costs (including site supervision); costs of materials used in construction; depreciation of equipment used on the contract; costs of design, and technical assistance that is directly related to the contract.

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

2.17 Construction contracts (cont'd)

The Group's contracts are typically negotiated for the construction of a single asset or a group of assets which are closely interrelated or interdependent in terms of their design, technology and function. In certain circumstances, the percentage of completion method is applied to the separately identifiable components of a single contract or to a group of contracts together in order to reflect the substance of a contract or a group of contracts.

Assets covered by a single contracts are treated separately when:

- Separate proposals have been submitted for each asset
- Each asset has been subject to separate negotiation and the contractor and customer have been able to accept or reject that part of the contract relating to each asset
- The costs and revenues of each asset can be identified

A group of contracts are treated as a single construction contract when:

- The group of contracts are negotiated as a single package; the contracts are so closely interrelated that they are, in effect, part of a single project with an overall profit margin
- The contracts are performed concurrently or in a continuous sequence

2.18 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.

The costs of development properties include:

- Freehold and leasehold rights for land;
- Amounts paid to contractors for construction; and
- Borrowing costs, planning and design costs, costs of site preparation, professional fees for legal services, property transfer taxes, construction overheads and other related costs.

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 end of the reporting period 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. Summary of significant accounting policies (cont'd)

2.19 Provisions

General

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

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

Warranty provisions

Provisions for warranty-related costs are recognised when the product is sold or service provided. Initial recognition is based on historical experience. The initial estimate of warranty-related costs is revised annually.

2.20 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

The measurement of financial liabilities depends on their classification as follows:

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss includes financial liabilities held for trading and financial liabilities designated upon initial recognition at fair value through profit or loss. Financial liabilities are classified as held for trading if they are acquired for the purpose of selling in the near term. This category includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Subsequent to initial recognition, financial liabilities at fair value through profit or loss are measured at fair value. Any gains or losses arising from changes in fair value of the financial liabilities are recognised in profit or loss.

The Group has not designated any financial liabilities upon initial recognition at fair value through profit or loss.

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

2.20 Financial liabilities (cont'd)

Subsequent measurement (cont'd)

Other financial liabilities

After initial recognition, other financial liabilities are subsequently measured at amortised cost using the effective interest rate method. Gains and losses are recognised in profit or loss when the liabilities are derecognised, and through the amortisation process.

Derecognition

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.

2.21 Financial guarantee

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

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

2.22 Borrowing costs

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

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

2.23 Employee benefits

(a) Defined contribution plans

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

(b) Employee leave entitlement

Employee entitlements to annual leave are recognised as a liability when they accrue to the employees. The estimated liability for leave is recognised for services rendered by employees up to the end of the reporting period.

(c) Chip Eng Seng Performance share plan ("CES Share Plan")

Employees received remuneration under the CES Share Plan in the form of fully-paid shares ("Awards") of the Company as consideration for services rendered.

The fair value of the employee services received in exchange for the award of the performance shares is recognised as an expense in the profit or loss with a corresponding increase in share-based compensation reserve. The total amount to be recognised over the vesting period is determined by reference to the fair value of the performance shares at the date of the award and the number of performance shares expected to be vested by vesting period. At each end of the reporting period, the Group revises its estimate of the number of performance shares that are expected to vest on vesting date. Any revision of this estimate is included in the profit or loss and a corresponding adjustment to share-based compensation reserve over the remaining vesting period.

Where treasury shares are re-issued pursuant to the CES Share Plan, the cost of the treasury shares is reversed from the treasury account against the related balances previously recognised in the share-based compensation reserve. The resulting realised gain or loss on re-issue net of any directly attributable incremental transaction costs and related income tax, is taken to the treasury shares reserve of the Company.

2.24 Leases

The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement at inception date: whether fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset, even if that right is not explicitly specified in an arrangement.

For arrangements entered into prior to 1 January 2005, the date of inception is deemed to be 1 January 2005 in accordance with the transitional requirements of INT FRS 104.

(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.

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

2.24 Leases (cont'd)

(a) As lessee (cont'd)

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

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

(b) As lessor

Leases where the Group retains substantially all the risks and rewards of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same bases as rental income. The accounting policy for rental income is set out in Note 2.25(f). Contingent rents are recognised as revenue in the period in which they are earned.

2.25 Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured, regardless of when the payment is made. Revenue is measured at the fair value of consideration received or receivable, taking into account contractually defined terms of payment excluding taxes or duty. The Group assesses its revenue arrangements to determine if it is acting as principal or agent. The Group has concluded that it is acting as a principal in all of its revenue arrangements. The following specific recognition criteria must also be met before revenue is recognised:

(a) Construction revenue

Accounting policy for recognising construction contract revenue is stated in Note 2.17.

(b) Sale of completed development property

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

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

2.25 Revenue (cont'd)

(c) Sale of development property under construction

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

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

(a) Where a contract is judged to be for the construction of a property, revenue is recognised upon signing the sales and purchase agreement with customers. 20% of the total estimated profit attributable to the actual contracts signed is recognised. Subsequent recognition of revenue and profit are based on the percentage of completion method as construction progresses.

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

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

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

In the above situations (i) and (ii), the percentage of work completed is measured based on the costs incurred up until the end of the reporting periods as a proportion of total costs expected to be incurred.

(d) Interest income

Interest income is recognised using the effective interest method.

(e) Dividend income

Dividend income is recognised when the Group's right to receive payment is established.

(f) Rental income

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

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

2.26 Taxes

(a) Current income tax

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

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

(b) Deferred tax

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

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

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

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

Deferred tax assets are recognised for all deductible temporary differences, 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.

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

2.26 Taxes (cont'd)

(b) Deferred tax (cont'd)

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

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

Tax benefits acquired as part of a business combination, but not satisfying the criteria for separate recognition at that date, would be recognised subsequently if new information about facts and circumstances changed. The adjustment would either be treated as a reduction to goodwill (as long as it does not exceed goodwill) if it incurred during the measurement period or in profit or loss.

(c) Sales tax

Revenues, 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.

The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the balance sheet.

2.27 Segment reporting

For management purposes, the Group is organised into operating segments based on their products and services which are independently managed by the respective segment managers responsible for the performance of the respective segments under their charge. The segment managers report directly to the management of the Company who regularly review the segment results in order to allocate resources to the segments and to assess the segment performance. Additional disclosures on each of these segments are shown in Note 37, including the factors used to identify the reportable segments and the measurement basis of segment information.

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

2.29 Treasury shares

When shares are re-acquired by the Company, the amount of consideration paid including any directly attributable incremental cost is presented as a component within equity attributable to the Company's equity holders until they are cancelled, sold or re-issued.

When treasury shares are subsequently cancelled, the cost of treasury shares are deducted against the share capital account if the shares are purchased out of capital of the Company or against the retaining earnings of the Company if the shares are purchased out of earnings of the Company.

When treasury shares are subsequently sold or re-issued pursuant to the Chip Eng Seng Performance Share Plan, the cost of the treasury shares is reversed from the treasury shares account and the realised gain or loss on sale or re-issue, net of any directly attributable incremental transaction costs and related income tax is taken to the treasury shares reserve of the Company.

2.30 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.

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

2.31 Related parties

A related party is defined as follows:

(a) A person or a close member of that person's family is related to the Group and Company if that person:

- (i) Has control or joint control over the Company;
- (ii) Has significant influence over the Company; or
- (iii) Is a member of the key management personnel of the Group or Company or of a parent of the Company.

(b) An entity is related to the Group and the Company if any of the following conditions applies :

- (i) The entity and the Company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
- (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
- (iii) Both entities are joint ventures of the same third party.
- (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
- (v) The entity is a post-employment benefit plan for the benefit of employees of either the Company or an entity related to the Company. If the Company is itself such a plan, the sponsoring employers are also related to the Company;
- (vi) The entity is controlled or jointly controlled by a person identified in (a);
- (vii) A person identified in (a) (i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

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. However, 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, apart from those involving estimations which have the most significant effect on the amounts recognised in the consolidated financial statements:

(a) Impairment of available-for-sale investments

The Group records impairment charges on available-for-sale equity investments when there has been a significant or prolonged decline in the fair value below their cost. The determination of what is "significant" or "prolonged" requires judgement. In making this judgement, the Group evaluates, among other factors, historical share price movements and the duration and extent to which the fair value of an investment is less than its cost. For the financial year ended 31 December 2012, there is no impairment loss recognised for available-for-sale financial assets.

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

3.1 Judgements made in applying accounting policies (cont'd)

(b) Determination of functional currency

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

(c) Operating lease commitments – as lessor

The Group has entered into commercial property leases on its investment properties. The Group has determined, based on an evaluation of the terms and conditions of the arrangements, that it retains all the significant risks and rewards of ownership of these properties and so accounts for the contracts as operating leases.

(d) Classification of property

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

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

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

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, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below. The Group based its assumptions and estimates on parameters available when the financial statements was 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) Impairment of loans and receivables

The Group assesses at the end of each reporting period whether there is any objective evidence that a financial asset is impaired. To determine whether there is objective evidence of impairment, the Group considers factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments.

Where there is objective evidence of impairment, the amount and timing of future cash flows are estimated based on historical loss experience for assets with similar credit risk characteristics. The carrying amount of the Group's loans and receivable at the end of each reporting period disclosed in Note 16 to the financial statements. There is no material impact to the Group's profit for the year if the present value of estimated future cash flows decreased by 10% from management's estimate.

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

3.2 Key sources of estimation uncertainty (cont'd)

(b) Construction contracts

The Group recognises contract revenue by reference to the stage of completion of the contract activity at the end of each reporting period, when the outcome of a construction contract can be estimated reliably. The stage of completion is measured by reference to the completion of a physical proportion of the contract work. Significant assumptions are required to estimate the recoverable variation works that will affect the stage of completion. In making these estimates, management has relied on past experience and knowledge of the project engineers. The carrying amounts of assets and liabilities arising from construction contracts at the end of each reporting period are disclosed in Note 18 to the financial statements.

(c) 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 independent valuation specialists to determine fair value as at 31 December 2012.

The fair value of investment properties is determined by independent real estate valuation experts using recognised valuation techniques.

The determination of the fair value of the investment properties requires the use of estimates such as future cash flows from assets (such as lettings, tenants' profiles, future revenue streams, capital values of fixtures and fittings, plant and machinery, any environmental matters and the overall repair and condition of the property) and discount rates applicable to those assets. 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.

(d) Revenue recognition on development property under construction

The Group recognises revenue for pre-completion sales of certain types of properties by reference to the stage of completion using the percentage of completion method. The stage of completion is measured based on the value of construction work certified by architects over the total contract value of construction of the development property. Significant assumptions are required to estimate the total contract costs and the recoverable variation works that affect the stage of completion and the revenue respectively. In making these estimates, management has relied on past experience and knowledge of the project engineers. The carrying amounts of assets and liabilities as well as the revenue from sale of development property (recognised on percentage of completion basis) are disclosed in Note 20 (Development Properties) and Note 4 (Revenue) to the financial statements respectively.

4. Revenue

	Group 2012 $'000	Group 2011 $'000
Construction revenue	245,093	205,866
Sale of development properties (recognised on percentage of completion basis)	368,572	152,000
Rental income from investment properties (Note 12)	3,457	1,939
Management fees	10	175
	617,132	359,980

5. Interest income

	Group 2012 $'000	Group 2011 $'000
Interest income from loan and receivables	2,979	1,770

6. Other income

	Group 2012 $'000	Group 2011 $'000
Net gain from fair value adjustment of investment properties (Note 12)	29,971	5,460
Net gain on disposal of property, plant and equipment	–	428
Net fair value gain on investment securities	74	–
Deposits forfeited from buyers	356	120
Net gain on disposal of investment property	1,230	–
Net foreign exchange gain	–	1,756
Others	752	511
	32,383	8,275

7. Finance costs

	Group 2012 $'000	Group 2011 $'000
Interest expense on bank loans and borrowings	13,802	10,374
Less: Interest expense capitalised in		
- Development properties (Note 20)	(11,158)	(9,379)
- Investment properties (Note 12)	–	(781)
- Property, plant and equipment (Note 11)	(1,622)	–
Total finance costs	1,022	214

8. Profit before tax

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

	Group 2012 $'000	Group 2011 $'000
Audit fees paid to:		
- Auditors of the Company	323	193
- Other auditors	4	97
Non-audit fees paid to:		
- Auditors of the Company	23	20
- Other auditors	–	17
Depreciation of property, plant and equipment (Note 11)	3,054	1,548
Amortisation of intangible assets (Note 13)	12	13
Net foreign exchange loss	1,333	–
Employee benefits expense (Note 30)	58,518	41,545
Operating lease expense (Note 32(b))	565	465
Impairment loss on receivables (Note 16)	209	53
Net fair value loss on investment securities	–	94
Write-down of completed property held for sale	131	169
Goodwill written off	3,221	51
Provision for contingencies	–	2,500

9. Income tax expense

Major components of income tax expense

The major components of income tax expense for the years ended 31 December 2012 and 2011 are:

	Group	
	2012 **$'000**	**2011** **$'000**
Consolidated income statement:		
Current income tax		
- current income taxation	26,337	21,623
- overprovision in respect of previous years	(2,363)	(3,789)
	23,974	17,834
Deferred income tax		
- origination and reversal of temporary differences	3,370	419
Income tax expense recognised in profit or loss	27,344	18,253

9. Income tax expense (cont'd)

Relationship between tax expense and accounting profit

A reconciliation between tax expense and the product of accounting profit multiplied by the applicable corporate tax rate for the years ended 31 December 2012 and 2011 is as follows:

	Group	
	2012	**2011**
	$'000	**$'000**
Accounting profit before tax	108,616	141,948
Tax at the domestic rates applicable to profits in the countries where the Group operates	25,149	20,150
Adjustments:		
Non-deductible expenses	7,853	740
Income not subject to taxation	(5,374)	(1,271)
Deferred tax assets not recognised	3,394	2,855
Effect of partial tax exemption and tax relief	(157)	(139)
Overprovision in respect of previous years	(2,363)	(3,789)
Share of results of associates	(1,099)	(620)
Others	(59)	327
Income tax expense recognised in profit or loss	27,344	18,253

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.

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

	Group	
	2012	**2011**
	'000	**'000**
Profit, net of tax, attributable to owners of the Company used in the computation of basic earnings per share	$81,272	$123,695
Weighted average number of ordinary shares for basic earnings per share computation	661,482	662,138

There is no dilution of earnings per shares for the financial year as there are no outstanding dilutive potential ordinary shares into ordinary shares of the Company. 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	Buildings $'000	Warehouse and hotel under construction $'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 2011	3,370	–	268	–	5,531	2,579	1,173	1,332	14,253
Additions	–	–	–	–	4,332	2,001	140	33	6,506
Disposals	–	–	–	–	(563)	(635)	(16)	–	(1,214)
Written off	–	–	–	–	(462)	–	(12)	–	(474)
Exchange differences	(79)	–	–	–	(42)	–	–	–	(121)
At 31 December 2011 and 1 January 2012	3,291	–	268	–	8,796	3,945	1,285	1,365	18,950
Additions	–	126,593	–	7,820	1,372	558	195	135	136,673
Disposals	–	–	–	–	–	–	(10)	–	(10)
Written off	–	–	–	–	–	–	(30)	–	(30)
Exchange differences	6	–	–	–	8	(1)	(2)	(4)	7
At 31 December 2012	3,297	126,593	268	7,820	10,176	4,502	1,438	1,496	155,590

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

Group	Freehold land $'000	Leasehold land $'000	Buildings $'000	Warehouse and hotel under construction $'000	Container office, building and construction equipment $'000	Motor vehicles $'000	Computer and office equipment $'000	Furniture, fixture and fittings $'000	Total $'000
Accumulated depreciation									
At 1 January 2011	–	–	268	–	3,740	1,359	859	996	7,222
Depreciation charge for the year	–	–	–	–	641	557	165	185	1,548
Disposals	–	–	–	–	(550)	(482)	(16)	–	(1,048)
Written off	–	–	–	–	(461)	–	(13)	–	(474)
At 31 December 2011 and 1 January 2012	–	–	268	–	3,370	1,434	995	1,181	7,248
Depreciation charge for the year	–	1,063	–	–	920	773	132	166	3,054
Disposals	–	–	–	–	–	–	(10)	–	(10)
Written off	–	–	–	–	–	–	(30)	–	(30)
Exchange differences	–	–	–	–	3	–	–	(1)	2
At 31 December 2012	–	1,063	268	–	4,293	2,207	1,087	1,346	10,264
Net carrying amount									
At 31 December 2011	3,291	–	–	–	5,426	2,511	290	184	11,702
At 31 December 2012	3,297	125,530	–	7,820	5,883	2,295	351	150	145,326

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 2011	904	127	462	1,493
Additions	896	11	9	916
Disposals	(316)	(1)	–	(317)
Written off	–	(2)	–	(2)
At 31 December 2011 and 1 January 2012	1,484	135	471	2,090
Additions	224	2	–	226
At 31 December 2012	1,708	137	471	2,316
Accumulated depreciation				
At 1 January 2011	375	120	448	943
Depreciation charge for the year	273	6	8	287
Disposals	(316)	(1)	–	(317)
Written off	–	(2)	–	(2)
At 31 December 2011 and 1 January 2012	332	123	456	911
Depreciation charge for the year	331	6	7	344
At 31 December 2012	663	129	463	1,255
Net carrying amount				
At 31 December 2011	1,152	12	15	1,179
At 31 December 2012	1,045	8	8	1,061

(a) The leasehold land amounting to $122,660,000 and the hotel under construction are mortgaged to secure bank borrowing. The hotel under construction will comprise a 13-storey hotel tower housing 450 guest rooms above a 6-storey podium comprising 3-storeys of retail space and 3-storeys of car parking lots, at Jalan Bukit Merah/ Alexandra Road. The hotel under construction has a gross floor area of 14,369 square metres and include the capitalised borrowing cost of $1,622,000.

(b) The leasehold land amounting to $3,938,000 is at 13 Tuas South Street 7.

12. Investment properties

	Group	
	2012 $'000	2011 $'000
At 1 January	139,436	96,513
Net gains from fair value adjustments recognised in profit or loss (Note 6)	29,971	5,460
Additions	–	37,463
Disposal	(2,910)	–
Reclassified to development property	(121,791)	–
At 31 December	44,706	139,436
Borrowing costs capitalised during the year	–	781

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

Description and location	Tenure	Existing Use
2 adjoining units of 3-storey shophouses at 86, 86A, 86B Tanjong Pagar Road, Singapore	99 years from 27 September 1988 (75 years remaining)	Shops and offices
A part 2/part 4-storey commercial building comprising an eating house and lock-up shop on the 1st storey and offices on the upper storey at 161 Geylang Road, Singapore	99 years from 4 May 1993 (80 years remaining)	Shops and offices
Retained units in a 6-storey light industrial building with a basement carpark at 69 Ubi Crescent, Singapore	60 years from 5 July 1997 (45 years remaining)	Light industrial building
3 adjoining units of 2-1/2 storey shophouses with 4-storey rear extension comprising a restaurant on the 1st storey and a 27-room boarding house on the upper storey at 115 Geylang Road, Singapore	Freehold	Boarding hotel

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.

12. Investment properties (cont'd)

Properties pledged as securities

The investment properties are mortgaged to secure banking facilities (Note 23).

Valuation of investment properties

Investment properties are stated at fair value, which has been determined based on desktop valuations performed in December 2012. The valuations were performed by Colliers International Consultancy & Valuation (Singapore) Pte Ltd, an independent valuer with a recognised and relevant professional qualification and with recent experience in the location and category of the properties being valued. The desktop valuations are based on direct comparison method/investment method.

As disclosed in Note 4, the property rental income earned by the Group for the year ended 31 December 2012 from its investment properties, which are leased out under operating leases, amounted to $3,457,000 (2011: $1,939,000). Direct operating expenses (including repairs and maintenance, property tax, etc.) arising on the rental-earning investment properties amounted to $1,247,000 (2011: $515,000).

13. Intangible assets

Group	**Club membership $'000**
Cost	
At 1 January and 31 December 2011 and 1 January 2012	129
Addition	225
At 31 December 2012	354
Accumulated amortisation	
At 1 January 2011	50
Amortisation for the year	13
At 31 December 2011 and 1 January 2012	63
Amortisation for the year	12
At 31 December 2012	75
Net carrying amount	
At 31 December 2011	66
At 31 December 2012	279

13. Intangible assets (cont'd)

Company	**Club membership $'000**
Cost and net carrying amount	
At 1 January and 31 December 2011 and 1 January 2012	3
Addition	225
At 31 December 2012	228

The amortisation of club membership is included in the "Administrative expenses" line item in profit or loss.

14. Investment in subsidiaries

	Company	
	2012 $'000	**2011 $'000**
Shares, at cost	48,302	48,302
Impairment losses	–	(300)
	48,302	48,002

Details regarding subsidiaries are set out in Note 1.

The Group's contingent liabilities in respect of its investment in subsidiaries are disclosed in Note 33.

Acquisition of subsidiary

On 11 July 2012 and 3 October 2012 (the "acquisition date"), the Group's subsidiary companies, CEL Australia Pty Ltd and CEL Development Pte Ltd acquired an additional 50% and 75% equity interest in its 50% and 25% owned associates, CES-West Coast Pte Ltd ("CESW") and Grange Properties Pte Ltd ("Grange") respectively. CESW and Grange are both property developer. Upon the acquisition, CESW and Grange became wholly-owned subsidiaries of the Group.

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

14. Investment in subsidiaries (cont'd)

The fair value of the identifiable assets and liabilities of CESW and Grange as at the acquisition date were:

	Fair value recognition on acquisition $'000
Trade receivables	121
Cash and cash equivalents	62,638
Trade payables	(46,254)
Total identifiable net liabilities at fair value	16,505
Non-controlling interest	(4,376)
Goodwill arising from acquisition	3,221
Total consideration	15,350
Less: Cash acquired	(62,638)
Net cash inflow on acquisition	(47,288)

15. Investment in associates

	Group		Company	
	2012 $'000	2011 $'000	2012 $'000	2011 $'000
Shares, at cost	3,050	7,981	650	650
Share of post-acquisition reserves	1,918	4,796	–	–
	4,968	12,777	650	650

Details regarding associates are set out in Note 1.

On 11 July 2012 and 3 October 2012, the Group's subsidiary companies, CEL Australia Pty Ltd and CEL Development Pte Ltd acquired an additional 50% and 75% equity interest in its 50% and 25% owned associates, CES-West Coast Pte Ltd ("CESW") and Grange Properties Pte Ltd ("Grange") respectively. Upon acquisition, CESW and Grange became wholly-owned subsidiaries of the Group (Note 14).

15. Investment in associates (cont'd)

The summarised financial information of the associates, not adjusted for the proportion of ownership interest held by the Group, is as follows:

	Group	
	2012 $'000	2011 $'000
Assets and liabilities:		
Total assets	348,166	480,070
Total liabilities	332,944	440,171
Results:		
Revenue	13,451	415,378
Profit for the year	815	108,419

16. Trade and other receivables

	Group		Company	
	2012 $'000	2011 $'000	2012 $'000	2011 $'000
Trade and other receivables (current):				
Trade receivables	88,957	119,050	–	–
Refundable deposits	1,830	1,713	10	8
Recoverables	20,936	8,757	–	–
Amounts due from subsidiaries, trade	–	–	12,289	13,457
Amount due from a subsidiary, non-trade	–	–	8,858	8,771
Amounts due from associates, non-trade	39,896	6,500	–	–
	151,619	136,020	21,157	22,236

16. Trade and other receivables (cont'd)

	Group		Company	
	2012 $'000	**2011 $'000**	**2012 $'000**	**2011 $'000**
Other receivables (non-current):				
Amounts due from subsidiaries, non-trade	–	–	55,157	82,719
Amounts due from associates, non-trade	9,593	51,508	–	–
	9,593	51,508	55,157	82,719
Total trade and other receivables (current and non-current)	161,212	187,528	76,314	104,955
Add: Cash and short-term deposits (Note 22)	242,050	155,774	3,707	1,244
Total loans and receivables	403,262	343,302	80,021	106,199

Trade receivables and amount due from subsidiaries, trade

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

Recoverables

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

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

These amounts are unsecured and non-interest bearing, except for loans amounting to $60,815,000 (2011: $87,866,000) at 1.25% (2011: 1.25%) p.a. above SIBOR.

16. Trade and other receivables (cont'd)

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

Included in amounts due from associates are loans amounting to $39,011,000 (2011: $43,364,000) which bear interest between 1.62% to 2.075% p.a. (2011: 1.6% to 7% p.a.). The amounts of $39,011,000 (2011: $37,239,000) are subordinated to the bank borrowings of the associated companies.

The remaining balances are unsecured and non-interest bearing.

Except for the current amounts due from associates amounting to $39,896,000 (2011: $6,500,000), the remaining amounts are not expected to be repaid within the next 12 months. All amounts are to be settled in cash.

Trade receivables that are past due but not impaired

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

Receivables that are impaired

The Group's 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	
	2012	**2011**
	$'000	**$'000**
Receivables – nominal amounts	2,173	1,964
Less: Allowance for impairment	(2,173)	(1,964)
	–	–
Movement in allowance accounts:		
At 1 January	1,964	1,911
Charge for the year	209	53
At 31 December	2,173	1,964

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

17. Investment securities

	Group		Company	
	2012	2011	2012	2011
	$'000	$'000	$'000	$'000
Available-for-sale financial assets				
Quoted shares, at fair value	1,748	1,477	1,748	1,477
Held for trading investments				
Quoted shares, at fair value	395	321	254	192
	2,143	1,798	2,002	1,669

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

	Group	
	2012	2011
	$'000	$'000
Aggregate amount of costs incurred and recognised profits (less recognised losses) to date	872,720	653,649
Less: Progress billings	(889,424)	(656,657)
	(16,704)	(3,008)
Presented as:		
Gross amount due from customers for contract work	7,547	2,723
Gross amount due to customers for contract work	(24,251)	(5,731)
	(16,704)	(3,008)
Retention sums on construction contract included in trade receivables	14,505	20,778

19. Completed properties held for sale

	Group	
	2012	2011
	$'000	$'000
Freehold properties, at cost	1,839	1,971
Less: Write-down of properties held for sale	–	(519)
	1,839	1,452

20. Development properties

	Group 2012 $'000	Group 2011 $'000
Freehold land, at cost	254,056	176,353
Leasehold land, at cost	343,565	269,058
Development costs	99,704	53,836
Aggregate costs incurred and recognised to date	697,325	499,247
Add: Profit before tax recognised to date	40,974	6,399
Less: Advances received	(194,312)	(47,202)
	543,987	458,444
Development properties recognised as an expense in cost of sales	284,775	111,709

The above relates to the following property in the course of development:

Description and location	% owned	Site area (sq metre)	Gross floor area (sq metre)	Stage of completion (expected year of completion)
Leasehold residential apartments (My Manhattan) at Simei Street 3, Singapore	100	11,793	27,124	54.8% (2014)
Public residential development (Belvia) at Bedok Reservoir Crescent, Singapore	100	16,668	46,671	24.2% (2014)
Freehold residential apartments (Fulcrum) at No. 29 to No. 59 (odd number only) Fort Road, Singapore	100	4,449	9,342	0% (2015)
Freehold residential apartments (Whitesands) at 242 West Coast Highway, Scarborough, Western Australia	100	10,165	24,000	not launched yet
Freehold industrial development (100 Pasir Panjang) at 98 & 100 Pasir Panjang Road, Singapore	100	5,035	12,588	20.7% (2013)
Freehold mixed development (Tower Melbourne) at 150 Queen Street, Melbourne VIC	100	913	56,400	0% (2016)
Leasehold commercial development (Alexandra Central) at Jalan Bukit Merah/Alexandra Road, Singapore	100	2,789	7,880	0% (2015)

20. Development properties (cont'd)

During the financial year, borrowing costs of $11,158,000 (2011: $9,379,000) arising from borrowings obtained specifically for the development properties were capitalised under "Development Costs". Interest rate for borrowing costs capitalised during the year range from 1.44% to 5.463% (2011: 1.04% to 5.483%) per annum.

The development properties are subject to legal mortgages for the purpose of securing the bank loans (Note 23).

21. Prepayments and deposits

	Group		Company	
	2012 $'000	**2011 $'000**	**2012 $'000**	**2011 $'000**
Prepayments	1,519	6,338	14	5
Deposits for land purchase	–	12,500	–	–
	1,519	18,838	14	5

22. Cash and short-term deposits

	Group		Company	
	2012 $'000	**2011 $'000**	**2012 $'000**	**2011 $'000**
Cash at banks and on hand	139,654	128,674	3,663	1,200
Short-term deposits	39,703	5,474	44	44
Project account – cash at bank	62,693	21,626	–	–
	242,050	155,774	3,707	1,244

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 a month, 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 as at 31 December 2012 for the Group and the Company range from 0.19% to 42.5% (2011: 0.08% to 4.73%) and from 0.19% to 42.5% (2011: 0.19% to 4.73%) respectively.

As required by the Housing Developers (Project Account) Rules, project accounts are maintained with financial institutions for housing development projects undertaken by the Group. The operation of a project account is restricted to the specific project and governed by rules and regulations stipulated by the Housing Developers (Project Account) Rules. As at 31 December 2012, the project accounts have a total balance of $62,693,000 (2011: $21,626,000).

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

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

	Group		Company	
	2012 $'000	**2011 $'000**	**2012 $'000**	**2011 $'000**
Australian Dollar	55,148	1,621	44	44
Malaysian Ringgit	832	1,381	–	–

23. Loans and borrowings

		Group	
	Maturity	**2012 $'000**	**2011 $'000**
Current:			
Bank loans:			
- AUD construction loan at 1% p.a. above Bank Bill Rate	2012	–	48,398
- AUD land loan at 1.5% p.a. above Bank Bill Rate	2012	–	14,121
- SGD land loan at 1.4% p.a. above Swap Offer Rate	2013	47,000	–
- SGD land and development charge loan at 1.28% p.a. above Swap Offer Rate	2014	76,000	–
		123,000	62,519
Non-current:			
Bank loans:			
- SGD land and development charge loan at 1.15% p.a. above Swap Offer Rate	2015	67,000	90,000
- SGD land and development charge loan at 1.35% p.a. above Swap Offer Rate	2014	50,000	50,000
- SGD land and development charge loan at a fixed rate of 2.27% p.a.	2014	35,000	35,000
- SGD land and development charge loan at 1.28% p.a. above Swap Offer Rate	2014	–	125,000
- SGD land loan at 1.4% p.a. above Swap Offer Rate	2013	–	47,000
- SGD land loan at 1.6875% p.a. above SIBOR rate	2016	141,750	–
- SGD term loan at 2.75% p.a. above Swap Offer Rate	2015	45,000	–
		338,750	347,000
Total loans and borrowings		461,750	409,519

23. Loans and borrowings (cont'd)

SGD land loan and development charge loan at 1.15% p.a. above Swap Offer Rate
SGD land and development charge loan at 1.35% p.a. above Swap Offer Rate
SGD land and development charge loan at a fixed rate of 2.27% p.a.
SGD land and development charge loan at 1.28% p.a. above Swap Offer Rate
SGD land loan at 1.4% p.a. above Swap Offer Rate

These bank loans relate to the land parcel purchased for development properties at Bedok Reservoir Crescent, Fort Road, Pasir Panjang and Simei. The loan for Bedok Reservoir Crescent, Fort Road and Pasir Panjang are payable by 28 February 2015 and 28 February 2014 and 31 March 2014 respectively or 6 months after obtaining Temporary Occupation Permit, whichever is the earlier. The loan for Simei is repayable in full on the date falling 42 months after the drawdown date or 3 months after obtaining Temporary Occupation Permit, whichever is the earlier. These bank loans are secured by:

(a) a legal mortgage on the development properties (Note 20);
(b) subordination of shareholder's loan from CEL Development Pte Ltd to its subsidiary companies, CEL-Simei Pte Ltd;
(c) assignment of proceeds from the sale of the property;
(d) assignment of all rights, titles, interests and benefits under contracts in respect of the development property; and
(e) corporate guarantee from the Company.

SGD land loan at 1.6873% p.a. above SIBOR Rate

This bank loan relates to the land parcel purchased for hotel and commercial development at Jalan Bukit Merah/Alexandra Road. This land loan will be converted to a term loan upon the completion of construction. This bank loan is secured by:

(a) a first legal mortgage on the development project (Note 20) and hotel project (Note 11);
(b) a fixed and floating charge on all the assets of the development property and hotel project; and
(c) corporate guarantee from the Company.

SGD term loans at 2.75% p.a. above Swap Offer Rate

The term loans are secured on the dividends to be declared from two associated companies, Pasir Ris EC Pte Ltd and Punggol Field EC Pte Ltd. The term loans of $30 million and $15 million are payable by 28 February 2015 and 28 February 2016 respectively or 6 months after the development projects obtaining Temporary Occupation Permits, whichever is the earlier. These bank loans are secured by:

(a) assignment of dividends to be received from its two 50% owned associated companies;
(b) charge of two bank accounts with the banker;
(c) subordination of shareholder's loan from CEL Development Pte Ltd to the two associated companies; and
(d) corporate guarantee from the Company.

24. Provisions

	Group	
	2012 $'000	2011 $'000
At 1 January	1,508	634
Arose during the financial year	399	874
At 31 December	1,907	1,508

The above provision relates to warranty provision.

25. Trade and other payables

	Group		Company	
	2012 $'000	2011 $'000	2012 $'000	2011 $'000
Trade payables	108,783	95,556	145	895
Add:				
- Other liabilities (Note 26)	48,194	32,133	13,799	13,675
- Loans and borrowings (Note 23)	461,750	409,519	–	–
Total financial liabilities carried at amortised cost	618,727	537,208	13,944	14,570

Trade payables

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

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

	Group	
	2012 $'000	2011 $'000
Australian Dollar	1,901	5,849
Malaysian Ringgit	2,021	2,854

26. Other liabilities

	Group		Company	
	2012 $'000	2011 $'000	2012 $'000	2011 $'000
Accrued operating expenses	47,789	31,576	13,799	13,675
Rental deposits	405	557	–	–
	48,194	32,133	13,799	13,675

27. Deferred tax liabilities

Deferred tax liabilities as at 31 December relates to the following:

	Group		Company	
	2012 $'000	2011 $'000	2012 $'000	2011 $'000
Deferred tax liabilities				
Differences in depreciation for tax purpose	176	176	5	5
Deferred tax liabilities on development properties	3,527	8,056	–	–
	3,703	8,232	5	5

Unrecognised tax losses

At the end of the reporting period, the Group has tax losses of approximately $16,090,000 (2011: $5,443,000) 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.

Tax consequence of proposed dividends

There are no income tax consequences (2011: Nil) attached to the dividends to the shareholders proposed by the Company but not recognised as a liability in the financial statements (Note 38).

28. Share capital and treasury shares

(a) *Share capital*

	Group and Company			
	2012		2011	
	No. of shares '000	$'000	No. of shares '000	$'000
Issued and fully paid ordinary shares				
At the 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			
	2012		2011	
	No. of shares '000	$'000	No. of shares '000	$'000
At 1 January	(5,377)	(3,244)	(8,000)	(4,826)
Purchase of treasury shares	(13,811)	(7,678)	–	–
Reissued pursuant to the performance share plan	–	–	2,623	1,049
Loss on reissuance of treasury share	–	–	–	533
At 31 December	(19,188)	(10,922)	(5,377)	(3,244)

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

The Company acquired 13,811,000 (2011: Nil) shares in the Company through purchases on the Singapore Exchange during the financial year ended 31 December 2007. The total amount paid to acquire the shares was $7,678,000 (2011: Nil) and this was presented as a component within shareholders' equity.

No treasury shares were reissued pursuant to the performance shares plan during the year.

29. Other reserves

	Group		Company	
	2012 $'000	2011 $'000	2012 $'000	2011 $'000
Fair value adjustment reserve	(4,038)	(3,552)	(4,038)	(3,552)
Foreign currency translation reserve	(3,540)	353	–	–
Capital reserve	1,037	674	–	–
Share-based compensation reserve	–	–	–	–
Treasury shares reserve	(533)	(533)	(533)	(533)
	(7,074)	(3,058)	(4,571)	(4,085)

(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	
	2012 $'000	2011 $'000
At 1 January	(3,552)	(2,577)
Available-for-sale financial assets:		
- net loss on fair value changes during the year	(486)	(975)
At 31 December	(4,038)	(3,552)

(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	
	2012 $'000	2011 $'000
At 1 January	353	(46)
Net effect of exchange difference arising from translation of financial statements of foreign operations	(3,893)	399
At 31 December	(3,540)	353

29. Other reserves (cont'd)

(c) Capital reserve

	Group	
	2012 **$'000**	**2011** **$'000**
At beginning of the year	674	674
Share of other comprehensive income of associate	363	–
At end of the year	1,037	674

(d) Share-based compensation reserve

	Group and Company	
	2012 **$'000**	**2011** **$'000**
At 1 January	–	1,071
Performance Share Plan:		
- treasury shares re-issued	–	(1,049)
- cancelled	–	(22)
At 31 December	–	–

(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	
	2012 **$'000**	**2011** **$'000**
At 1 January	(533)	–
Loss on treasury shares re-issued	–	(533)
At 31 December	(533)	(533)

30. Employee benefits expense

	Group	
	2012 **$'000**	**2011** **$'000**
Employee benefits expense (including directors):		
Salaries and bonuses	53,222	38,848
Central Provident Fund contributions	4,954	2,360
Other short term benefits	342	337
	58,518	41,545

31. 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	
	2012 **$'000**	**2011** **$'000**
Interest income from associates	(955)	(1,423)
Management and other fees from associates	(10)	(175)
Construction contract service provided to associates	(110,823)	(51,415)
Sale of development properties to directors of the Company and subsidiary companies	–	(700)

(b) Compensation of key management personnel

	Group	
	2012 **$'000**	**2011** **$'000**
Short-term employee benefits	18,304	17,978
Central Provident Fund contributions	110	127
Other short-term benefits	58	215
	18,472	18,320
Comprise amounts paid to		
- Directors of the Company	15,574	15,130
- Other key management personnel	2,898	3,190
	18,472	18,320

32. Commitments

(a) Capital commitments

Capital expenditure contracted for as at the end of the reporting period but not recognised in the financial statements are as follows:

	Group	
	2012 **$'000**	**2011** **$'000**
Capital commitment in respect of purchase of leasehold land	–	176,500

(b) Operating lease commitments – as lessee

The Group has entered into industrial property lease on a pre-cast yard. The lease has a tenure of five years with no renewal option and the rental is revisable annually by 5.5% or the prevailing posted land rental rate, whichever is lower in the contract. The Group is restricted from subleasing the pre-cast yard to third parties. Operating lease payments recognised in the consolidated profit or loss during the year amounted to $565,000 (2011: $465,000).

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

	Group	
	2012 **$'000**	**2011** **$'000**
Not later than one year	602	541
Later than one year but not later than five years	2,191	2,793
	2,793	3,334

(c) 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 3 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	
	2012 **$'000**	**2011** **$'000**
Not later than one year	1,555	1,337
Later than one year but not later than five years	2,098	1,750
	3,653	3,087

33. Contingent liabilities

Guarantees

The Group has provided the following guarantees at the end of the reporting period:

(a) It has guaranteed the banking facilities of $826,885,000 (2011: $894,954,000) granted to its subsidiaries. At 31 December 2012, the amount utilised was $555,191,000 (2011: $480,579,000); and

(b) It has guaranteed performance bonds of $25,764,000 (2011: $25,764,000) provided by insurance company.

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

34. Fair value of financial instruments

A. Fair value of financial instruments that are carried at fair value

The following table shows an analysis of financial instruments carried at fair value by level of fair value hierarchy:

	Group		Company	
	2012 $'000	**2011 $'000**	**2012 $'000**	**2011 $'000**
Quoted prices in active markets for identical instruments (Level 1)				
Financial assets:				
Held for trading investments (Note 17)				
- Equity instruments (quoted)	395	321	254	192
Available-for-sale financial assets (Note 17)				
- Equity instruments (quoted)	1,748	1,477	1,748	1,477
At 31 December	2,143	1,798	2,002	1,669

There is no amount relating to Level 2 (significant other observable input) and Level 3 (significant unobservable inputs).

Fair value hierarchy

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

- Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and
- Level 3 – Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

There have been no transfers between Level 1 and Level 2 fair value measurements during the financial years ended 2012 and 2011.

34. Fair value of financial instruments (cont'd)

A. Fair value of financial instruments that are carried at fair value (cont'd)

Determination of fair value

Quoted equity instruments (Note 17): Fair value is determined by direct reference to their bid price quotations in an active market at the end of the reporting period.

Movements in Level 3 financial instruments measured at fair value

There have been no transfers between Level 1 and Level 2 to Level 3 fair value measurements during the financial years ended 2012 and 2011.

B. Fair value of financial instruments by classes that are not carried at fair value and whose carrying amounts are reasonable approximation of fair value

Current trade and other receivables and payables, Non-current other receivables (Notes 16 and 25), Other liabilities (Note 26), and Current and Non-current loans and borrowings at fixed and floating rate (Note 23)

The carrying amounts of these financial assets and liabilities are reasonable approximation of fair values, either due to their short-term nature or that they are floating rate instruments that are re-priced to market interest rates on or near the end of the reporting period.

C. Fair value of financial instruments by classes that are not carried at fair value and whose carrying amounts are not reasonable approximation of fair value

The fair values for the non-trade amounts due from subsidiaries (Note 16) are not determined as the timing of the future cash flow arising from the amounts cannot be estimated reliably.

35. Financial risk management objectives and policies

The Group and the Company is exposed to financial risks arising from its operations and the use of financial instruments. The key financial risks include credit risk, liquidity risk, interest rate risk, foreign currency risk and market price risk. It is, and has been throughout the current and previous financial year, the Group's policy that no trading in derivatives for speculative purposes shall be undertaken.

The following sections provide details regarding the Group's and Company's exposure to the above-mentioned financial risks and the objectives, policies and processes for the management of these risks.

There has been no change to the Group's exposure to these financial risks or the manner in which it manages and measures the risks.

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

(a) Credit risk

Credit risk is the risk of loss that may arise on outstanding financial instruments should a counterparty default on its obligations. The Group's and the Company's exposure to credit risk arises primarily from trade and other receivables. For other financial assets (including investment securities and cash and short-term deposits), the Group and the Company minimise credit risk by dealing exclusively with high credit rating counterparties.

The Group's objective is to seek continual revenue growth while minimising losses incurred due to increased credit risk exposure. The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant.

<u>Exposure to credit risk</u>

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 33).

Information regarding credit enhancements for trade and other receivables is disclosed in Note 16.

<u>Credit risk concentration profile</u>

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			
	2012		2011	
	$'000	% of total	$'000	% of total
By country:				
Singapore	72,271	81	106,037	89
Other countries	16,686	19	13,013	11
	88,957	100	119,050	100

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

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

	Group			
	2012		2011	
	$'000	% of total	$'000	% of total
By industry sectors:				
Construction	63,142	71	48,258	41
Property development	25,302	28	70,739	59
Property investment	5	–	53	–
Corporate and others	508	1	–	–
	88,957	100	119,050	100

At the end of the reporting period, approximately 44% (2011: 28%) of the Group's trade receivables were due from 5 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 16 (Trade and other receivable).

(b) *Liquidity risk*

Liquidity risk is the risk that the Group or the Company will encounter difficulty in meeting financial obligations due to shortage of funds. The Group's and the Company's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities. The Group's and the Company's objective is to maintain a balance between continuity of funding and flexibility through the use of stand-by credit facilities.

At the end of the reporting period, approximately 27% (2011: 15%) of the Group's loans and borrowings will mature in less than one year based on the carrying amount reflected in the financial statements.

The Group assessed the concentration of risk with respect to refinancing its debt and concluded it to be low. Access to sources of funding is sufficiently available and debt maturity within 12 months can be rolled over with existing lenders.

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

(b) Liquidity risk (cont'd)

Analysis of financial instrument by remaining contractual maturities

The table below summarises the maturity profile of the Group's and the Company's financial assets and liabilities at the end of the reporting period based on contractual undiscounted repayment obligations.

	Group			
2012	**One year or less $'000**	**One to five years $'000**	**Over five years $'000**	**Total $'000**
Financial assets:				
Trade and other receivables	151,619	9,593	–	161,212
Cash and short-term deposits	242,050	–	–	242,050
Total undiscounted financial assets	393,669	9,593	–	403,262
Financial liabilities:				
Trade and other payables	108,783	–	–	108,783
Other liabilities	48,194	–	–	48,194
Loans and borrowings	131,782	347,470	–	479,252
Total undiscounted financial liabilities	288,759	347,470	–	636,229
Total net undiscounted financial assets/ (liabilities)	104,910	(337,877)	–	(232,967)

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

(b) Liquidity risk (cont'd)

	Group			
2011	**One year or less $'000**	**One to five years $'000**	**Over five years $'000**	**Total $'000**
Financial assets:				
Trade and other receivables	136,020	51,508	–	187,528
Cash and short-term deposits	155,774	–	–	155,774
Total undiscounted financial assets	291,794	51,508	–	343,302
Financial liabilities:				
Trade and other payables	95,556	–	–	95,556
Other liabilities	32,133	–	–	32,133
Loans and borrowings	70,872	357,598	–	428,470
Total undiscounted financial liabilities	198,561	357,598	–	556,159
Total net undiscounted financial assets/ (liabilities)	93,233	(306,090)	–	(212,857)

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

(b) Liquidity risk (cont'd)

	Company			
2012	**One year or less $'000**	**One to five years $'000**	**Over five years $'000**	**Total $'000**
Financial assets:				
Trade and other receivables	21,157	55,157	–	76,314
Cash and short-term deposits	3,707	–	–	3,707
Total undiscounted financial assets	24,864	55,157	–	80,021
Financial liabilities:				
Trade and other payables	145	–	–	145
Other liabilities	13,799	–	–	13,799
Total undiscounted financial liabilities	13,944	–	–	13,944
Total net undiscounted financial assets	10,920	55,157	–	66,077
2011				
Financial assets:				
Trade and other receivables	22,236	82,719	–	104,955
Cash and short-term deposits	1,244	–	–	1,244
Total undiscounted financial assets	23,480	82,719	–	106,199
Financial liabilities:				
Trade and other payables	895	–	–	895
Other liabilities	13,675	–	–	13,675
Total undiscounted financial liabilities	14,570	–	–	14,570
Total net undiscounted financial assets	8,910	82,719	–	91,629

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

(b) Liquidity risk (cont'd)

The table below shows the contractual expiry by maturity of the Group's and Company's contingent liabilities and commitments. The maximum amount of the financial guarantee contracts are allocated to the earliest period in which the guarantee could be called.

	Group and Company			
2012	**One year or less $'000**	**One to five years $'000**	**Over five years $'000**	**Total $'000**
Financial guarantees	190,811	379,644	10,500	580,955
2011				
Financial guarantees	100,054	406,289	–	506,343

(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 related parties. The interest rate charge for loans to associates and related parties are at fixed rate (Note 16).

The interest rate for loan and borrowings are based on floating rate except for an amount of $35 million which was swap for a fixed rate (Note 23).

Sensitivity analysis for interest rate risk

At the end of the reporting period, if SGD interest rates had been 75 (2011: 75) basis points lower/higher with all other variables held constant, the Group's profit before tax would have been $3,463,000 (2011: $3,071,000) 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.

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

(d) Foreign currency risk

The functional currencies of the Group entities are primarily SGD, US dollar (USD), Australian dollar (A$), 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 Australia dollar.

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

Sensitivity analysis for foreign currency risk

The following table demonstrates the sensitivity of the Group's profit before tax to a reasonably possible change in the USD, A$, Vietnamese Dong (VND) and Malaysian Ringgit (MYR) exchange rates against the respective functional currencies of the Group entities, with all other variables held constant.

	Group	
	Profit before tax	
	2012 $'000	**2011 $'000**
USD		
- strengthened 3% (2011: 3%)	+426	+458
- weakened 3% (2011: 3%)	-426	-458
A$		
- strengthened 3% (2011: 3%)	+2,617	+1,464
- weakened 3% (2011: 3%)	-2,617	-1,464
VND		
- strengthened 3% (2011: 3%)	-21	-16
- weakened 3% (2011: 3%)	+21	+16
MYR		
- strengthened 3% (2011: 3%)	-530	+259
- weakened 3% (2011: 3%)	+530	-259

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

(e) Market price risk

Market price risk is the risk that the fair value or future cash flows of the Group's financial instruments will fluctuate because of changes in market prices (other than interest or exchange rates). The Group is exposed to equity price risk arising from its investment in quoted equity instruments. These securities are quoted on the Singapore Exchange Securities Trading Limited (SGX-ST) in Singapore and the HoChiMinh Stock Exchange in Vietnam. These are classified as held for trading or available-for-sale financial assets.

At the end of the reporting period, 82% (2011: 82%) of the Group's equity portfolio consists of quoted investment in Vietnam.

<u>Sensitivity analysis for equity price risk</u>

At the end of the reporting period, if the STI and the HoChiMinh Stock Exchange had been 2% (2011: 2%) higher/lower with all other variables held constant, the Group's profit before tax would have been $8,000 (2011: $6,000) higher/lower, arising as a result of higher/lower fair value gains on held for trading investments in equity instruments, and the Group's other reserve in equity would have been $35,000 (2011: $30,000) higher/lower, arising as a result of an increase/decrease in the fair value of equity instruments classified as available-for-sale.

36. Capital management

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 2012 and 31 December 2011.

36. Capital management (cont'd)

The Group includes within net debt, loans and borrowings, trade and other payables, other liabilities, less cash and short-term deposits. Capital includes equity attributable to the owners of the Company less the fair value adjustment reserve.

	Group	
	2012 **$'000**	**2011** **$'000**
Loans and borrowings (Note 23)	461,750	409,519
Trade and other payables (Note 25)	108,783	95,556
Other liabilities (Note 26)	48,194	32,133
Less: Cash and short-term deposits (Note 22)	(242,050)	(155,774)
Net debt	376,677	381,434
Equity attributable to the owners of the Company	460,485	417,393
Add/(less):		
- Fair value adjustments reserve (Note 29(a))	4,038	3,552
Total capital	464,523	420,945
Capital and net debt	841,200	802,379
Gearing ratio	45%	48%

37. Segment information

For management purposes, the Group is organised into business units based on their products and services, and has four reportable operating segments as follows:

1. The construction segment is in the business of general building contractors.
2. The property development segment is in the business of developing properties and management of development projects.
3. The property investment segment is in the business of leasing out of investment properties and the management of properties.
4. The hotel segment is in the business of hotel operations.
5. The corporate segment is involved in Group-level corporate services, treasury functions and investments in marketable securities.

Except as indicated above, no operating segments have been aggregated to form the above reportable operating segments.

37. Segment information (cont'd)

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. Group financing (including finance costs) and income taxes are managed on a group basis and are not allocated to operating segments.

Transfer prices between operating segments are on an arm's length basis in a manner similar to transactions with third parties.

37. Segment information (cont'd)

Year ended 31 December 2012	Construction $'000	Property developments $'000	Property investment $'000	Hotel $'000	Corporate and others $'000	Adjustments and eliminations $'000	Notes	Total $'000
Revenue:								
External customers	245,093	368,572	3,457	–	10	–		617,132
Intersegment sales	123,291	50,425	433	–	46,042	(220,191)	A	–
Total revenue	368,384	418,997	3,890	–	46,052	(220,191)		617,132
Interest income	126	2,842	–	–	11	–		2,979
Dividend income	6	–	–	–	841	–		847
Finance costs	–	(1,022)	–	–	–	–		(1,022)
Depreciation and amortisation	(1,440)	(238)	(1)	(1,020)	(367)	–		(3,066)
Share of results of associates	–	2,214	–	–	30	–		2,244
Fair value gain on investment properties	–	–	29,971	–	–	–		29,971
Other non-cash items:							B	
Net fair value gain/(loss) on investment securities	13	–	–	–	61	–		74
Impairment loss on receivables	–	(209)	–	–	–	–		(209)
Goodwill written off	–	(3,221)	–	–	–	–		(3,221)
Segment profit	43,402	36,675	34,501	(1,020)	738	(5,680)	C	108,616
Assets and liabilities:								
Investment in associates	–	2,180	–	–	2,788	–		4,968
Additions to non-current assets	5,606	332	–	130,475	260	–	D	136,673
Segment assets	195,248	820,144	47,724	138,883	10,847	(57,270)		1,155,576
Segment liabilities	147,426	451,431	510	93,096	14,145	(11,517)		695,091

37. Segment information (cont'd)

Year ended 31 December 2011	Construction $'000	Property developments $'000	Property investment $'000	Corporate and others $'000	Adjustments and eliminations $'000	Notes	Total $'000
Revenue:							
External customers	205,866	152,000	1,939	175	–		359,980
Intersegment sales	54,447	139,350	433	56,716	(250,946)	A	–
Total revenue	260,313	291,350	2,372	56,891	(250,946)		359,980
Interest income	203	1,492	–	75	–		1,770
Dividend income	10	–	–	181	–		191
Finance costs	–	(214)	–	–	–		(214)
Depreciation and amortisation	(1,053)	(193)	(3)	(312)	–		(1,561)
Share of results of associates	–	23,445	–	340	–		23,785
Fair value gain on investment properties	–	–	5,460	–	–		5,460
Other non-cash items:						B	
Net fair value loss on investment securities	(52)	–	–	(42)	–		(94)
Cancellation of share-based compensation	22	–	–	–	–		22
Impairment loss on receivables	(38)	(15)	–	–	–		(53)
Provision for contingencies	(2,500)	–	–	–	–		(2,500)
Segment profit	90,674	40,905	7,087	1,329	1,953	C	141,948
Assets and liabilities:							
Investment in associates	–	10,327	–	2,450	–		12,777
Additions to non-current assets	5,156	428	37,415	921	–	D	43,920
Segment assets	147,572	741,534	147,858	7,186	(53,612)		990,538
Segment liabilities	153,671	396,596	47,856	15,238	(40,216)		573,145

37. Segment information (cont'd)

A Inter-segment revenues are eliminated on consolidation.

B Other non-cash expenses consist of provisions, share-based payments, and impairment of financial assets as presented in the respective notes to the financial statements.

C The following items are added to/(deducted from) segment profit to arrive at "Profit before tax" presented in the consolidated income statement:

	2012 $'000	2011 $'000
Share of results of associates	2,244	23,785
(Loss)/profit from inter-segment sales	(5,680)	1,953
Finance costs	(1,022)	(214)

D Additions to non-current assets consist of additions to property, plant and equipment and investment properties.

Geographical information

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

	Singapore $'000	Australia $'000	Other countries $'000	Total $'000
Year ended 31 December 2012				
Revenue	397,081	220,051	–	617,132
Non-current assets	183,445	137	6,729	190,311
Year ended 31 December 2011				
Revenue	359,497	483	–	359,980
Non-current assets	108,389	35,919	6,896	151,204

Non-current assets information presented above consist of property, plant and equipment, investment properties and intangible assets as presented in the consolidated balance sheet.

37. Segment information (cont'd)

Information about a major customer

Revenue from one major customer amount to $80,379,000 (2011: $51,614,000), arising from revenue by the construction segment.

38. Dividend proposed

The Directors propose that a tax exempt one-tier first and final dividend of 4.0 cents per share, amounting to $25,933,086 (2011: tax exempt one-tier first and final dividend of 4.0 cents per share amounting to $26,485,526) be paid for the year ended 31 December 2012.

39. Events occurring after balance sheet date

Subsequent to the balance sheet date,

(a) the Company's subsidiary company, CEL-Property Pte. Ltd. incorporated the following subsidiaries:

Name of Company	Consideration	Principal activities	Proportion (%) of ownership interest
CEL-Yishun (Residential) Pte. Ltd.	$1	Real estate developer	100
CEL-Yishun (Commercial) Pte. Ltd.	$1	Real estate developer	100

(b) the Group's subsidiary, CEL-Property Pte. Ltd. was awarded a land parcel at Yishun Ring Road/Yishun Avenue 9. The purchase consideration amounted to $212 million.

40. Comparatives

Certain adjustments have been made to the prior year's financial statements to reflect the effects of adoption of the Amendments to FRS 12 *Deferred Tax: Recovery of Underlying Assets* that is effective for annual periods beginning on or after 1 January 2012. The effects of adoption are shown in the change in accounting policies on the Note 2.2 to the financial statements.

41. Authorisation of financial statements for issue

The financial statements for the year ended 31 December 2012 were authorised for issue in accordance with a resolution of the Directors on 15 March 2013.

STATISTICS OF SHAREHOLDINGS

As at 15 March 2013

Share Capital

Issued and fully-paid capital	:	$79,690,709
No. of Issued Shares	:	667,515,161
No. of Issued Shares (excluding Treasury Shares)	:	648,327,161
No./Percentage of Treasury Shares	:	19,188,000 (2.96%)
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 - 999	36	0.47	13,098	0.00
1,000 - 10,000	4,478	58.08	24,580,918	3.79
10,001 - 1,000,000	3,158	40.96	194,280,606	29.97
1,000,001 and above	38	0.49	429,452,539	66.24
TOTAL	**7,710**	**100.00**	**648,327,161**	**100.00**

Substantial Shareholders	Direct Interest	%	Deemed Interest	%
Lim Tiam Seng [(1)]	65,499,000	10.10	17,198,000	2.65
Lim Tiang Chuan	44,177,000	6.81	-	-
Kwee Lee Keow [(2)]	17,198,000	2.65	65,499,000	10.10
Tan Yong Keng [(3)]	-	-	51,869,000	8.00

Notes:

1 Mr Lim Tiam Seng's deemed interests include 17,198,000 shares held by Madam Kwek Lee Keow (wife).
2 Madam Kwek Lee Keow's deemed interests include the shares held by Mr Lim Tiam Seng (husband).
3 Mr Tan Yong Keng's deemed interests include:
(i) 33,045,000 ordinary shares held by Maybank Kim Eng Securities Pte Ltd;
(ii) 14,173,000 ordinary shares held by Kenyon Pte Ltd;
(iii) 910,000 ordinary shares held by Mdm Lim Chai Hoon (wife);
(iv) 876,000 ordinary shares held by Mr Tan Jingyi (son) under Maybank Kim Eng Securities Pte Ltd;
(v) 2,436,000 ordinary shares held by Mr Tan Kok Sing (father); and
(vi) 429,000 ordinary shares held by Mdm Tan Yong Hui (sister) who is a director of Kenyon Pte Ltd.

STATISTICS OF SHAREHOLDINGS (CONT'D)

As at 15 March 2013

Twenty Largest Shareholders

No.	Name	No. of Shares	%
1	LIM TIAM SENG	65,499,000	10.10
2	LIM TIANG CHUAN	44,177,000	6.81
3	MAYBANK KIM ENG SECURITIES PTE LTD	40,196,754	6.20
4	CITIBANK NOMINEES SINGAPORE PTE LTD	30,843,061	4.76
5	LIM TIAN BACK	22,003,000	3.39
6	LIM LING KWEE	20,605,000	3.18
7	LIM TIAN MOH	18,853,000	2.91
8	KWEK LEE KEOW	17,198,000	2.65
9	DBS NOMINEES PTE LTD	15,803,750	2.44
10	DAWN LIM SOCK KIANG	15,377,000	2.37
11	LIM SOCK JOO	14,702,000	2.27
12	KENYON PTE LTD	14,173,000	2.19
13	HSBC (SINGAPORE) NOMINEES PTE LTD	11,994,000	1.85
14	UOB KAY HIAN PTE LTD	10,411,000	1.61
15	CIMB SECURITIES (SINGAPORE) PTE LTD	8,681,000	1.34
16	UNITED OVERSEAS BANK NOMINEES (PTE) LTD	7,727,652	1.19
17	DBSN SERVICES PTE LTD	7,539,000	1.16
18	OCBC SECURITIES PRIVATE LTD	7,503,000	1.16
19	PHILLIP SECURITIES PTE LTD	7,079,500	1.09
20	PANG HENG KWEE	7,010,000	1.08
TOTAL		**387,375,717**	**59.75**

Percentage of Shareholdings in Public's Hand

Approximately 64.99% 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

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

NOTICE IS HEREBY GIVEN that the Annual General Meeting of the Company will be held at Emerald Suite, Golf Clubhouse – Level II, Orchid Country Club, No. 1 Orchid Club Road, Singapore 769162 on Thursday, 25 April 2013 at 10.00 a.m. for the following purposes:

AS ROUTINE BUSINESS:

1. To receive and adopt the Directors' Report and Audited Financial Statements of the Company for the financial year ended 31 December 2012 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 2012 (2011: Tax Exempt One-Tier First and Final Dividend of 4.0 cents per ordinary share). **(Resolution 2)**

3. To re-elect Mr Lim Tiang Chuan, being a Director who retires by rotation pursuant to Article 115 of the Articles of Association of the Company. [See Explanatory Note (i)] **(Resolution 3)**

4. To re-elect Mr Chia Lee Meng Raymond, being a Director who retires by rotation pursuant to Article 115 of the Articles of Association of the Company. [See Explanatory Note (ii)] **(Resolution 4)**

5. To re-elect Ms Dawn Lim Sock Kiang, being a Director who retires by rotation pursuant to Article 115 of the Articles of Association of the Company. [See Explanatory Note (iii)] **(Resolution 5)**

6. To re-appoint Mr Lim Tiam Seng as a Director of the Company pursuant to Section 153(6) of the Companies Act, Cap. 50, to hold office from the conclusion of this Annual General Meeting until the next Annual General Meeting. [See Explanatory Note (iv)] **(Resolution 6)**

7. To approve the payment of Directors' fees of S$305,000 for the financial year ending 31 December 2013, to be paid quarterly in arrears. (2012: S$305,000) **(Resolution 7)**

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

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

AS SPECIAL BUSINESS:

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

10. "**SHARE ISSUE MANDATE**

    "That pursuant to Section 161 of the Companies Act, Cap. 50 and the listing rules of the Singapore Exchange Securities Trading Limited ('SGX-ST') and notwithstanding the provisions of the Articles of Association 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 treasury shares of the Company (as calculated in accordance with sub-paragraph (ii) below), of which the aggregate number of shares to be granted other than on a pro-rata basis to shareholders of the Company with registered addresses in Singapore (including shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution) does not exceed twenty per cent. (20%) of the total number of issued shares excluding treasury shares of the Company (as calculated in accordance with sub-paragraph (ii) below);

(ii) for the purpose of determining the aggregate number of shares that may be issued under sub-paragraph (i) above, the percentage of the total number of issued shares excluding treasury shares of the Company shall be calculated based on the total number of issued shares excluding treasury shares of the Company at the time of the passing of this Resolution, after adjusting for:

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

(2) new shares arising from exercise of share options or vesting of share awards outstanding or subsisting at the time of the passing of this Resolution, provided the options or awards were granted in compliance with Part VIII of Chapter 8 of the Listing Manual of the SGX-ST; and

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

(iii) 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 Articles of Association for the time being of the Company; and

(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)**

11. "**CHIP ENG SENG PERFORMANCE SHARE PLAN**

That the Directors of the Company be and are hereby authorised to offer and grant awards in accordance with the provisions of the Chip Eng Seng Performance Share Plan (the "Performance Share Plan") and pursuant to Section 161 of the Companies Act, Chapter 50, to allot and issue from time to time such number of shares in the capital of the Company as may be required to be issued pursuant to the vesting of awards under the Performance Share Plan, provided that the aggregate number of shares to be issued pursuant to the Performance Share Plan and any other share based incentive schemes of the Company shall not exceed fifteen per cent (15%) of the total number of shares excluding treasury shares of the Company from time to time." [See Explanatory Note (vi)] **(Resolution 10)**

By Order of the Board

Abdul Jabbar Bin Karam Din
Joint Company Secretary

Singapore, 2 April 2013

Notes:

1. Save as provided in the Articles of Association, a member 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. The instrument appointing a proxy must be deposited at the Registered Office of the Company at 69 Ubi Crescent #06-01, CES Building, Singapore 408561, not less than 48 hours before the time appointed for holding the Annual General Meeting.

EXPLANATORY NOTES:

(i) Mr Lim Tiang Chuan, upon re-election as a Director of the Company, will remain as the Executive Deputy Chairman of the Company.

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

(iii) Ms Dawn Lim Sock Kiang, upon re-election as a Director of the Company, will remain as an Executive Director.

(iv) Mr Lim Tiam Seng, upon re-election as a Director of the Company, will remain as the Executive Chairman.

(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). 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 treasury shares of the Company, with a sub-limit of twenty per cent. (20%) for shares issued other than on a pro rata basis (including shares to be issued in pursuance of instruments made or granted pursuant to this Resolution) to shareholders with registered addresses in Singapore. For the purpose of determining the aggregate number of shares that may be issued, the percentage of the total number of issued shares excluding treasury shares of the Company will be calculated based on the total number of issued shares excluding treasury shares of the Company at the time of the passing of Resolution 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 authorise the Directors to offer and grant awards in accordance with the provisions of the Chip Eng Seng Performance Share Plan to allot and issue shares thereunder.

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PROXY FORM

(Please see notes overleaf before completing this Form)

CHIP ENG SENG CORPORATION LTD.

(Incorporated in Singapore)
(Registration No. 199805196H)

IMPORTANT:
1. For Investors who have used their CPF monies to buy Chip Eng Seng's shares, this Annual Report is forwarded to them at the request of their CPF Approved Nominees and is sent solely FOR INFORMATION ONLY.
2. This Proxy Form is not valid for use by CPF investors and shall be ineffective for all intents and purposes if used or purported to be used by them.

I/We, ____

of ____

being a member/members of 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			

or failing him/her the Chairman of the Meeting as my/our proxy/proxies to attend and vote for me/us on my/our behalf and, if necessary, to demand a poll, at the Annual General Meeting of the Company to be held at Emerald Suite, Golf Clubhouse – Level II, Orchid Country Club, No. 1 Orchid Club Road, Singapore 769162 on Thursday, 25 April 2013 at 10.00 a.m. and at any adjournment thereof.

The proxy/proxies shall vote on the Resolutions set out in the notice of meeting in accordance with my/our directions as indicated with an "x" in the appropriate space below. Where no such direction is given, the proxy/proxies may vote or abstain from voting at his/their discretion, on any matter at the Meeting or at any adjournment thereof.

No.	Resolutions relating to:	For	Against
	ROUTINE BUSINESS		
1	Adoption of Directors' Report and Audited Financial Statements for the financial year ended 31 December 2012 **(Resolution 1)**		
2	Payment of a proposed first and final dividend **(Resolution 2)**		
3	Re-election of Mr Lim Tiang Chuan as a Director **(Resolution 3)**		
4	Re-election of Mr Chia Lee Meng Raymond as a Director **(Resolution 4)**		
5	Re-election of Ms Dawn Lim Sock Kiang as a Director **(Resolution 5)**		
6	Re-appointment of Mr Lim Tiam Seng as a Director pursuant to Section 153(6) of the Companies Act, Cap. 50 **(Resolution 6)**		
7	Approval of Directors' fees amounting to S$305,000 for the financial year ending 31 December 2013, to be paid quarterly in arrears **(Resolution 7)**		
8	Re-appointment of Messrs Ernst & Young LLP as Auditors **(Resolution 8)**		
9	Any other business		
	SPECIAL BUSINESS		
10	Authority for Directors to allot and issue new shares pursuant to Section 161 of the Companies Act, Cap. 50 (**Resolution 9)**		
11	Authority for Directors to offer and grant awards and issue shares in accordance with the provisions of the Chip Eng Seng Performance Share Plan **(Resolution 10)**		

* Please indicate your vote "For" or "Against" with an "x" within the box provided.

Dated this ____________________ day of __________________ 2013

____
Signature(s) of member(s)
or Common Seal of Corporate Shareholder

Total Number of Shares held in:	
CDP Register	
Register of Members	

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 130A of the Companies Act, Cap. 50), 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 Articles of Association, a member entitled to attend and vote at the Annual General 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 69 Ubi Crescent #06-01, CES Building, Singapore 408561 not less than 48 hours before the time set for the meeting.

4. Where a member appoints more than one proxy, he shall specify the proportion of his shareholding to be represented by each proxy.

5. 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.

6. 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.

7. A corporation which is a member may authorise by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the meeting, in accordance with Section 179 of the Companies Act, Cap. 50.

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 48 hours before the time appointed for holding the Annual General Meeting, as certified by The Central Depository (Pte) Limited to the Company.

CHIP ENG SENG OFFICE LISTING

SINGAPORE
Chip Eng Seng Corporation Ltd
Chip Eng Seng Contractors (1988) Pte Ltd
CES Engineering and Construction Pte Ltd

Group Head Office
69 Ubi Crescent #06-01
CES Building
Singapore 408561
Tel: +65 6848 0848
Fax: +65 6848 0838

CEL Development Pte Ltd
69 Ubi Crescent #01-01
CES Building
Singapore 408561
Tel: +65 6500 0065
Fax: +65 6500 0064

CES-Precast Pte Ltd
3 Tampines Industrial Street 61
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Tel: +65 6582 8488
Fax: +65 6583 1298

MALAYSIA
CES-Precast Sdn Bhd
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Malaysia
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Fax: +607 598 5059

AUSTRALIA
CEL Australia Pty Ltd
Level 9
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Melbourne VIC 3004
Tel: +61 3 9008 9010
Fax: +61 3 9867 4223

集永成机构有限公司
Chip Eng Seng Corporation Ltd

69 Ubi Crescent, #06-01, CES Building, Singapore 408561
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Co. Reg. No. 199805196H