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

REMODELLING THE FUTURE
重塑未来

ANNUAL REPORT 2013

CONTENTS

CREATIVE RATIONALE

Chip Eng Seng has grown its business beyond construction, into property development, investments and hospitality since its founding in the 1960s.

With the goal of providing for and anticipating the future needs of our customers, the Group aims to remodel the future, to provide our customers a truly exclusive experience with our properties, comprising residential, commercial and industrial projects. The Group also intends to continue to pursue opportunities that are complementary to its core businesses to offer greater shareholders' value and to build a stronger company, backed by quality and sustainable earnings.

CORPORATE PROFILE

Chip Eng Seng Corporation Ltd ("Chip Eng Seng", "CES" or the "Group") is one of Singapore's leading main contractors and property developers and has been listed on the Mainboard of the Singapore Exchange Securities Trading Limited ("SGX-ST") since 1999. The Group is principally engaged in the key business segments which comprise Construction, Property Developments and Investments as well as Hospitality.

Founded by Executive Chairman, Mr Lim Tiam Seng, Chip Eng Seng started as a subcontractor firm for conventional landed properties back in the 1960s. From there, the Group embarked on numerous projects, producing quality homes in Singapore, building a reputation as a reliable and established main contractor. Over time, backed by a proven track record, the Group made its mark by making a successful foray into the public housing market in 1982 after being appointed as the main contractor in its first Housing and Development Board ("HDB") project in Singapore.

Today, backed by more than 30 years of experience, Chip Eng Seng has earned itself a strong reputation and track record in the construction industry. In particular, the Group's proven capabilities in design-and-build projects have established Chip Eng Seng as a leading main contractor for public and private construction projects alike. Aside from the Construction business, the Group has also grown its Property Development and Investment businesses over the years in Singapore and Australia, either through wholly-owned subsidiaries or in partnerships with several reputable foreign funds and established local developers.

Currently, the Group's Construction business is undertaken by Chip Eng Seng Contractors (1988) Pte Ltd ("CESC") and CES Engineering & Construction Pte Ltd ("CESE"). On the other hand, the Group's other key businesses comprising Property Developments and Investments are managed by CEL Development Pte Ltd ("CEL") and Evervit Development Pte Ltd.

AT A GLANCE

CONSTRUCTION

Chip Eng Seng's construction activities are carried out by its wholly-owned subsidiaries, Chip Eng Seng Contractors (1988) Pte Ltd ("CESC") and CES Engineering & Engineering Pte Ltd ("CESE"). In particular, CESC mainly engages in public housing projects while CESE undertakes construction activities pertaining to condominiums, executive condominiums as well as industrial and commercial projects.

Due to its strong track record, CESC has garnered an A1 grading as a general building and civil engineering contractor registered with the BCA – the highest classification that permits it to tender for public sector projects with an unlimited contract value. Similarly, CESE is also a BCA-registered general building and civil engineering contractor registered under the A2 and B2 classifications respectively. These classifications permit it to tender for public sector projects valued at up to $85 million and $13 million respectively.

In 2006, Chip Eng Seng set up CES Precast Pte Ltd ("CESP") to meet the growing demand for precast components. CESP is a BCA-registered precast concrete contractor under the L6 classification that permits it to tender for public sector prefabrication contracts of unlimited value.

PROPERTY DEVELOPMENT

Since 2000, CEL, the Group's property development and investment arm, has been actively acquiring sites for property development in Singapore and Australia. To date, it has successfully developed and marketed a number of residential property projects such as The Parc, CityVista Residences, Grange Infinite and 33M. In addition, CEL has also jointly developed residential projects 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 Choice Homes Co-operative Ltd and Keppel Land Limited.

Some of CEL's current key projects include the development of the retail mall, Alexandra Central, along Alexandra Road as well as condominiums such as My Manhattan and Fulcrum in the eastern parts of Singapore. Beyond Singapore, CEL is also involved in the development of Tower Melbourne, which is a 581-unit residential development, located along Queen Street, Melbourne.

CEL has plans to continue growing its investment property portfolio in Singapore and Australia. The Group's current investment portfolio includes shophouses, commercial as well as industrial properties in prime areas of Singapore and Australia.

Commercial and Industrial Properties

Some of CEL's investment properties include a fully tenanted freehold office building located at 420 St Kilda Road, Melbourne, a light industrial building at Ubi Crescent, as well as a leasehold office building located along Chin Swee Road, Singapore.

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 321 Alexandra Road (at the junction of Jalan Bukit Merah and Alexandra Road) for the development of a hotel cum retail complex. Upon its completion in 2015, the 4-star hotel will feature 450 rooms that will be managed by the Park Hotel Group – an established hospitality group that manages, owns and develops the Park brand hotels around the Asia Pacific.

AWARDS AND CERTIFICATIONS

Over the years, Chip Eng Seng has won multiple awards and accolades that are testament to the Group's commitment to deliver high quality projects while maintaining a high level of workplace safety. Some of the awards and accolades are:

WSH Safety and Health Awards
- Certificate of Commendation for the Group's Public Housing Projects

SIAS Investor's Awards
- Seven-Time Winner and Runner-Up for being the Most Transparent Company in the Construction Category

BCA Construction Excellence Awards
- Certificate of Merit for the Group's Public Housing Projects

HDB Safety Awards
- Certificate of Award for the Group's Public Housing Projects

MOM Good Safety Performance Awards
- Certificate of Merit for the Group's Public Housing Projects

HDB Quality Award 2010
- HDB Construction Award (Special Achievement) for The Pinnacle@ Duxton.

CHAIRMAN'S MESSAGE

Dear Shareholders,
Over the years, Chip Eng Seng has grown from a pure construction company into one with complementary businesses comprising property developments and property investments. To manage the challenges of an increasingly competitive industry landscape, the Group will be keeping a continuous lookout for windows of opportunity to explore new areas of business that would anticipate the needs of tomorrow and prove rewarding for both the Company and its shareholders.

Taking a quick flashback, 2013 proved to be a challenging year as buyers turned cautious following the government's roll-out of a string of measures aimed at cooling Singapore's property market. In particular, the introduction of a Total Debt Servicing Ratio ("TDSR") framework that takes into consideration a borrower's outstanding debt obligations before obtaining a loan, was a key factor behind a softer buyers' market, which resulted in weaker residential development profits for the Group. In terms of projects, the Group's development revenue stemmed mainly from My Manhattan, Junction Nine and Nine Residences in 2013.

On the construction front, despite registering higher revenue, our profit fell due to greater competition and higher labour costs.

In spite of the challenging economic backdrop, the Group posted a healthy net profit of $73 million for the financial year ended 31 December 2013 and further bolstered its financial position with a higher shareholders' fund of $499 million (up $38 million) and stronger cash holdings of $284 million (up $42 million).

For the year ahead, we seem well poised for a stronger earnings report card as several key projects are slated for completion in 2014. Notably, one of our top-selling projects, Alexandra Central, is expected to obtain its temporary occupation permit ("TOP") this year. Other projects such as 100 Pasir Panjang, Belvia and our 40%-owned joint venture development, Belysa are also expected to contribute materially to the Group's overall performance in the current financial year following their completion.

As the Group continues to remain in a healthy financial position, 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 FY2013, same as that for FY2012.

PROPERTY DEVELOPMENTS

Property Development revenue decreased significantly in 2013, declining 39% or $144 million from $369 million to $225 million over the last financial year. This was mainly due to the absence of revenue from the Group's Melbourne-based residential development, 33M, which was recognized on a completed basis back in 2012. The decrease was however partly offset by the recognition of revenue from the sales of mixed development project, Nine Residences and Junction Nine and the progressive recognition of revenue from development project, My Manhattan.

Singapore

Within Singapore, the Group sold a total of 199 residential units, 247 commercial units and 19 industrial units in 2013. The units sold came mainly from the launch of two new projects comprising commercial development, Alexandra Central, and mixed development, Nine Residences (residential) and Junction Nine (commercial), of which 97%, 69%, 95% of each project has been sold to date respectively.

The commercial property sector had an exciting year in 2013 due to heightened interest from investors following a blanket of cooling measures on residential properties. In particular, our retail units at Alexandra Central, a commercial development located at 321 Alexandra Road (at the junction of Alexandra Road and Jalan Bukit Merah) registered overwhelming interest from investors, with almost all 116 shop units snapped up at launch.

Australia

Leveraging on the strong demand for residential properties in Melbourne's Central Business District ("CBD"), the Group's 71-storey landmark residential tower at Queen Street, known as Tower Melbourne achieved 99% sales as at 31 December 2013. During the year, the Group also acquired two development sites in Melbourne which are located along Victoria Street and in Doncaster. The site at Doncaster will be the Group's first attempt to develop dwelling units outside the Melbourne CBD.

CONSTRUCTION

The Group's Construction Division volume remained high with a steady pipeline of projects during the year. Construction revenue rose by 12% year-on-year to $276 million. The Group also managed to successfully tender for and secure HDB projects worth a total of $142 million in 2013. This brings the Group's outstanding Construction order book to $520 million as compared with $575 million a year ago.

In recognition of its safety standards, Chip Eng Seng was awarded the 2013 Commendation WSH Performance Award for projects comprising Hougang N4C17, Yishun N5C2 and Bedok DBSS – Belvia. In addition, the Group also won the 2013 Merit BCA Construction Excellence Award and 2013 Gold BCA Construction Productivity Award for Queenstown RC25 and Chip Eng Seng Contractors (1988) Pte Ltd respectively. Not resting on its laurels, the Group plans to continue implementing best safety practices at its worksites as it regards safety as of paramount importance and strives to remain committed to its employees' safety.

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PROPERTY INVESTMENTS

In terms of new assets, the Group added two office buildings to its investment properties portfolio by acquiring San Centre along Chin Swee Road in Singapore and an office building at 420 St Kilda Road, Melbourne. These properties will serve to enhance the Group's investment portfolio and increase its recurring income.

HOSPITALITY

The Group's first foray into the hospitality sector comes in the form of a hotel development at 323 Alexandra Road. The hotel will be part of the Group's mixed development project which comprises both retail (Alexandra Central) and hospitality offerings. To date, construction for the hotel is well underway and completion is expected in 2015. Notably, the Group has appointed one of Asia's most established hospitality brands, Park Hotel Group, to operate its first hotel property in Singapore.

OUTLOOK AND STRATEGY

Property Development

Competition is likely to remain intense in Singapore's property development scene as tenders for newly released development sites continue to fetch high bids despite an overall softening of property prices. Taking into account the aforementioned, the Group plans to explore other opportunities in the region. In particular, countries such as Australia and Malaysia stand out as choice destination areas for future projects due to their close proximity to Singapore. In addition, the Group also has relevant experience in these markets, adding to their overall appeal.

With regards to sales, the Group has sold most of the projects it had launched to date. Notably, wholly-owned projects such as My Manhattan, Belvia, Tower Melbourne, Alexandra Central and a 40%-owned development project known as Belysa, have seen strong take-up with more than 95% of units sold as at 31 December 2013.

In addition, the Group has also sold 138 units of the total 146 strata retail shops available at commercial development, Junction Nine (95% sold), located along Yishun Avenue 9. Nine Residences, which is a condominium located right above Junction Nine, also saw healthy sales following its launch in the final quarter of last year, with 69% of units sold to date.

In line with the adoption of INT FRS 115, the Group will only recognize the revenue and related costs from selected projects (Alexandra Central, Belvia, Belysa and 100 Pasir Panjang) upon TOP. More importantly, we expect these projects to contribute materially to our income stream this year, strengthening the Group's overall financial position as we pursue new development opportunities in Singapore, Australia and other countries in the region.

To date, the Group has seven wholly-owned development projects under construction comprising, Alexandra Central, Belvia, Fulcrum, My Manhattan, Nine Residences and Junction Nine, 100 Pasir Panjang and Tower Melbourne and a 40%-owned development known as Belysa. In terms of new projects, the Group is expected to launch a new development project in Doncaster, Australia later this year.

Construction

HDB construction demand remains healthy with HDB expecting to launch 24,300 Build-to-Order ("BTO") flats in 2014. As a significant number of construction projects will be completed by 2014, the Group will continue to engage actively in tenders during the year. However, obstacles such as the increase in foreign worker levies and tighter supply on foreign labour are likely to continue to pose challenges to the industry and the Group.

To mitigate these challenges, the Group will continue to explore new ways to work with the relevant government authorities and make use of government schemes to boost productivity and cost-efficiency. For instance, the BCA has introduced a $250 million Construction Productivity and Capability Fund ("CPCF") as part of the Government's efforts to help the construction industry boost overall productivity and capability via incentive schemes that focus on workforce development, technology adoption and capability development.

REMODELLING THE FUTURE

Going forward, we will continue to monitor market trends and consumer demand to anticipate the needs of tomorrow's population across the region. Aside from our current key engines of growth, comprising Construction, Property Development and Property Investments, the Group also aims to find new ways to broaden its earnings base in the years to come. Notably, we have taken our first step into the hospitality sector, via the development of the Group's first hotel property which will be under the management expertise of one of Asia's most established hospitality brands, Park Hotel Group.

All in all, Chip Eng Seng is thankful for all the people who have lent us their support throughout the years. We are grateful to all our shareholders, contractors, architects, suppliers, strategic partners, and professional advisors who have played a part in making the Group a successful one. Within the company, I wish to extend my heartfelt appreciation to our management team and staff, who have all worked very hard to fortify the business as we move ahead.

I would also like to thank the Board of Directors for their counsel and in helping the Group achieve its goals for 2013. Looking ahead, I am confident that we, together with support from our stakeholders, will be able to overcome any challenge that may come our way, taking Chip Eng Seng to scale greater heights in the years to come.

Thank you.

Lim Tiam Seng BBM
Executive Chairman
24 March 2014

主席献词

各位股东，

过去的这些年来，集永成（“集团”）已从一家纯建筑公司，成长为拥有房地产开发与投资房地产这两个互补业务的公司。为了应对行业里日益激烈的竞争，集团将继续物色能满足未来需求、并为公司和股东带来回报的新商机。

回顾过去，基于新加坡政府实施的一系列房地产降温措施导致买家以更谨慎的心态看待房地产，2013年可说是充满挑战性的一年。尤其是新推出的总债务偿还比率（TDSR）框架，由于在批准贷款前会考虑到借款人所未偿还的债务责任，因此对于放缓买方市场起着关键作用，进而导致集团的住宅开发利润有所畏缩。在项目方面，集团2013年的发展收入主要来自于My Manhattan，Junction Nine，和Nine Residences这三个项目。

在建筑项目方面，尽管集团的收入有所增加，利润却因为面对更大的行业竞争和较高的员工成本而下降。

尽管目前的经济环境充满挑战，集团仍在截至2013年12月31日财年取得7300万新元的良好净利。此外，集团的财务情况也进一步加强，股东资金增加3800万新元至4亿9900万新元，所持有现金则增加4200万新元至2亿8400万新元。

展望接下来的一年，随着几个主要项目预计会在2014年竣工，我们有望交出更好的盈利成绩单。值得注意的是，我们最畅销的项目之一，Alexandra Central，预计会在今年取得临时入伙证（TOP）。随着其它项目如100 Pasir Panjang与Belysa的完工，也预计会在本年对集团的整体表现作出实质贡献。

鉴于集团继续维持健康的财务状况，我很荣幸地宣布，董事会建议派发每股4分的首次及终期股息（一次性免税），维持在2012财政年度的水平。

房地产开发

房地产开发的收入在2013年大幅度减少，从前年的3亿6900万新元下跌39%或1亿4400万新元，报2亿2500万新元。这主要是因为集团在墨尔本开发的33M公寓项目在竣工后，这笔销售额已在2012年所确认。不过，包括Nine Residences和Junction Nine综合发展项目，以及My Manhattan在内的开发项目销售额的逐步确认，抵消了收入减少的影响。

新加坡

在新加坡，集团于2013年共售出了199个住宅单位、247个商业单位以及19个工业单位。售出的单位大多来自于新推出的两个项目，包括商业发展项目—Alexandra Central，以及综合发展项目—Nine Residences（住宅）和Junction Nine（商业），这些项目至今已分别售出97%、69%和95%。

随着新加坡政府针对私宅进行一系列的降温措施，投资者也把焦点转向商业房地产。因此2013年对商业房地产领域而言，也是令人振奋的一年。集团开发、位于321号亚历山大路［亚历山大路（Alexandra Road）和惹兰红山（Jalan Bukit Merah）交叉口］的商业房地产项目—Alexandra Central，共116个商店单位刚推出便几乎售罄，由此可见市场对这个项目的兴趣十分浓厚。

澳大利亚

集团借助市场对墨尔本中央商业区住宅项目的强烈需求推出了位于Queen Street、楼高71层的地标性住宅大厦—墨尔本塔（Tower Melbourne）。截至2013年12月31日，集团已将这个项目的99%单位售出。在2013年，集团也收购了墨尔本两幅发展地皮，分别位于Victoria Street和Doncaster。Doncaster的项目将是集团首次在墨尔本中央商务区以外发展的住宅项目。

建筑业务

集团的建筑业务仍保持非常活跃，在过去一年持续进行一系列的项目。建筑业务收入年比增长12%到2亿7600万新元。集团也成功在2013年标得了建屋发展局总值1亿4200万新元的项目。这让集团的建筑订单额达到了5亿2000万新元，与前一年的5亿7500万新元相近。

集团的安全水平受到了认可，获得了2013年工作场所安全与卫生（WSH）表现表扬奖，奖项涵盖的项目包括了后港N4C17项目、义顺N5C2项目以及勿洛DBSS项目Belvia。此外，集团的女皇镇RC25项目与Chip Eng Seng Contractors（1988）私人有限公司也分别赢得了2013年建设局（BCA）建筑优秀优异奖与2013年建设局建筑生产力金奖。集团并不会满足于此，将继续在工作场所推行最佳的安全规范。集团高度重视工作场所的安全，并将不断致力于保障员工的安全。

房地产投资

在新增资产方面，集团在其投资物业组合上添购了两栋办公楼。它们分别是在新加坡振瑞路的San Centre以及澳大利亚墨尔本St Kilda Street 420号的办公大楼。这两栋物业将有助于提升集团的投资组合及增加其经常性收入。

酒店

代表集团在酒店业初试拳脚的首个项目是位于323号亚历山大路的酒店项目。这家酒店将成为集团开发的综合发展零售（即Alexandra Central）及酒店项目的一部分。该酒店的建筑工程正在如期进行，预计会于2015年竣工。值得一提的是，集团已委任亚洲著名的酒店品牌之一，百樂酒店集团（Park Hotel Group）经营这个集团在新加坡的首个酒店物业。

前景与策略

在房地产开发方面，尽管新加坡的房地产价格整体上有所下降，但新推出的发展地皮继续吸引高标价，同行间的竞争仍然激烈。因此，集团正计划探索本区域的其他商机。例如澳大利亚和马来西亚等国家由于邻近新加坡，自然成为未来项目的重点目标国家。另外，集团本身在这些市场拥有相关经验，这也使得他们的整体吸引力有所提升。

建筑业务收入年比增长12%到2亿7600万新元。集团也成功在2013年标得了建屋发展局总值1亿4200万新元的项目。

集团所推出的项目大部分单位已售出。截至2013年12月31日，集团独资拥有的项目如My Manhattan、Belvia、Tower Melbourne、Alexandra Central，以及拥有40%股权的开发项目Belysa，都售出了超过95%的单位。

此外，集团在位于义顺9道的商业房地产项目Junction Nine所有的146个分层地契零售店面，已售出其中的138个，相等于95%。坐落在Junction Nine 楼上的Nine Residences公寓在去年第四季推出后，也获得不错的销量，目前为止已卖出了69%的单位。

采纳INTFRS 115会计标准后，集团一些项目只会在开发项目取得临时入伙证后才在业绩中确认项目的销售额和相关成本。Alexandra Central、Belvia、Belysa与100巴西班让项目预计都会在2014年取得临时入伙证，这将对我们今年的收入带来显著的贡献，进而加强集团整体的财务状况，使集团能在新加坡、澳大利亚和本区域其他国家寻求新的发展机会。

迄今为止，集团旗下七个独资拥有的开发项目正在建造中，包括了Alexandra Central、Belvia、Fulcrum、My Manhattan、Nine Residences、Junction Nine与100巴西班让，以及一个持有40%股权的开发项目Belysa。

在新项目方面，集团预计会在今年较迟推出位于澳大利亚Doncaster的新开发项目。

在建筑业务方面，建屋发展局的建筑需求继续保持稳健，该局预计会在2014年推出2万4300个预购组屋（BTO）单位。由于大量的建筑工程预计会于2014年完工，集团今年会继续积极投标。不过，我们却面对一些阻力，如外籍员工税的调高和外籍劳工供应的减少。这预计会继续对本行业和集团带来挑战。

为了应对这些挑战，集团将不断探索新的方法，并和相关的政府部门合作，通过政府的援助计划以提高生产力与成本效益。政府推出了各种鼓励人力发展、科技采纳与能力发展的津贴措施，以便帮助建筑行业提高整体生产力和能力。例如，建设局推出了总值2亿5000万新元的建筑生产力和能力基金（CPCF）。

重塑未来

展望未来，我们将继续密切观察市场趋势与消费者需求，以预盼区域未来人口的需求。除了我们的建筑业务、房地产开发与房地产投资这些现有的主要增长引擎，集团也致力于找寻新的途径来扩大未来的盈利来源。值得注意的是，我们迈出了进军酒店行业的第一步，集团所开发的第一个酒店物业，将由亚洲著名的酒店品牌之一——百樂酒店集团进行管理。

这一切，集永成都要感谢所有在过去这些年来给予我们支持的人们。我们谨向所有的股东、承包商、建筑师、供应商、战略合作伙伴，以及专业顾问表示万分的感激，集团的成功离不开他们。我也想要对我们的管理团队与员工表达衷心的谢意，正因为他们的努力工作，才能让我们的前行之路更加稳健。

我也要感谢我们的董事会在过去一年里给予的建议，帮助集团达成2013年的目标。放眼未来，我相信，在各方的支持下，我们将能够克服一切可能面临的挑战，让集永成在今后的日子能够再创高峰。

感谢大家！

林镇成 BBM
执行主席
2014年3月24日

FINANCIAL REVIEW

REVENUE AND PROFITABILITY

The Group recorded revenue of $502.5 million for 2013, which was 18.6% lower than the $617.1 million achieved in 2012 due to a decline in revenue from some of the Group's key divisions.

Revenue from the Property Development Division decreased to $224.6 million in 2013 as compared with $368.6 million in 2012 due mainly to the absence of revenue from development project, 33M in Australia, which was recognized on a completed basis back in 2012 when the Group delivered the completed units to the owners. However, the decline was partially offset by the progressive recognition of revenue from the sales of mixed development project, Nine Residences and Junction Nine, which was launched in late 2013. The progressive recognition of development project, My Manhattan, also made a substantial contribution to the division's revenue during the period.

Under the Construction Division, the Group booked a 12.4% rise in revenue to $275.5 million as compared to $245.1 million in the previous year. The increase was mainly attributed to new construction projects garnered by the Group, coupled with more intensive construction activities for on-going projects which led to greater revenue flows.

Other income declined for the full year, as the Group booked a lower net fair value gain on investment properties amounting to $13.0 million in 2013 as compared with $30.0 million a year before. The decline was however partly offset by a net gain on the disposal of investment securities as well as a gain from the bargain purchase of a subsidiary.

In terms of profitability, the Group's gross profit fell by 31.2% to $89.2 million from $129.7 million in 2012, on the back of a more competitive landscape and higher labour costs which exerted greater pressure on overall margins.

Correspondingly, profit before tax declined by 21.4% to $85.3 million in 2013. However, the decline was partly mitigated by higher Share of Profits from Associates, which rose to $29.9 million in 2013 from $2.2 million in 2012. This was largely due to the profit recognised from its 40%-owned development project, Privé, as well as additional profits

from another project completed back in 2011 following the finalisation of development costs.

Overall, profit after tax registered a year-on-year decline of 9.7% to $73.4 million following a weaker topline and softer margins from both Construction and Property Development Divisions due to more intense competition, a softer property market and higher overheads.

OPERATING EXPENSES

Operating expenses declined by 14.5% from $59.6 million to $50.9 million on the back of lower marketing and distribution expenses incurred for development projects in Singapore (Alexandra Central, 100 Pasir Panjang, Fulcrum, My Manhattan and mixed residential-cum-commercial development, Nine Residences and Junction Nine) and Australia (Tower Melbourne). Notably, marketing and distribution expenses fell by 33.2% from $30.7 million to $20.5 million in 2013. In the prior financial year, higher marketing and distribution expenses were recorded due to the remaining commission incurred and payable to the agents upon the delivery of units in the Australian development project, 33M.

Administrative expenses however rose slightly due to increased labour costs as the Group grew its overall headcount to cater to on-going projects amid a higher wage environment.

BALANCE SHEET REVIEW

Assets

The Group's total assets expanded from $1.16 billion to $1.46 billion, following the acquisition of an office building, San Centre, located at 171 Chin Swee Road. Other factors that added to the Group's asset base also include the increase in development properties and a stronger cash position.

Investment properties

Investment properties jumped from $44.7 million to $175.7 million from 2012 to 2013 reflecting the acquisition of the aforementioned San Centre.

Investment in associates

Investment in associates, net of dividends received, increased to $28.4 million from $5.0 million due to recognition of the share of associates' profits, which was partially offset by dividends received.

Gross amount due to customers for contract work-in-progress

There was a net increase of $3.7 million due to an excess of progress billings for new and ongoing construction projects in 2013.

Development properties

Development properties grew from $544.0 million to $651.4 million due to land acquisition for development, and the progressive costs incurred for Singapore projects comprising Alexandra Central, Fulcrum, 100 Pasir Panjang, Nine Residences and Junction Nine, and a development site located along Victoria Street in Melbourne, Australia.

Trade and other receivables

Trade and other receivables decreased from $151.6 million to $129.4 million during the financial year following the collection of progressive payments pertaining to the sale of units at industrial development, 100 Pasir Panjang.

Cash and cash equivalents

Payments received from purchasers upon the completion of projects and the collection of progress billings from several construction projects helped boost the Group's overall cash position, which strengthened from $242.1 million to $284.2 million in 2013.

Borrowings

Total borrowings grew from $461.8 million to $768.5 million on the back of loans taken up to finance property development projects and for the purchase of investment properties. The increased borrowings will also be used to fund working capital purposes during the current financial year.

Shareholders' equity

Shareholders' equity increased from $460.5 million to $498.8 million due to stable earnings recorded in 2013. As a result, net asset value per share registered an increase once again, from 71.0 cents in the previous year to 77.1 cents as at 31 December 2013.

OPERATIONS REVIEW

CONSTRUCTION

Both on-going and new projects contributed significantly to 2013's construction revenue which saw a 12.4% rise to $275.5 million despite the ongoing labour crunch and escalating overheads.

In 2013, the Group's Construction Division completed its executive condominium project, Privé in Punggol and bagged two HDB projects (Tampines N4C27 and Jurong West N6C31) and a mixed development project (Nine Residences and Junction Nine). To date, the Construction Division has six HDB projects and six private projects. Excluding in-house projects, the Group's outstanding construction order book remains above the $0.5 billion mark, showing a slight decline to $520 million compared with $575 million a year ago.

Of the projects currently under construction, the Group expects Belysa, My Manhattan and 100 Pasir Panjang to be completed in 1H2014 and the DBSS project, Belvia, in 2H2014. In addition, three HDB projects are also likely to be due for completion in 2014 based on their current progress at the respective sites. As a significant number of our projects will be completed in 2014, the Group's Construction Division will continue to actively tender for projects, particularly in the public housing sector. Notably, HDB's construction programme remains robust following the announcement to launch 24,300 Build-to-Order ("BTO") flats in 2014. More importantly, backed by an experienced management team and a strong track record in public housing projects, the Group believes it is well poised to take on the competition in future open tenders. However, the Group expects to take on fewer in-house projects in 2014 due to an overall softening of property prices in Singapore.

The labor crunch and rising costs will continue to pose challenges to the construction industry and our Group's Construction Division in the coming year. As such, we will continue to explore new ways to work with the relevant government authorities and utilise available government schemes to boost the Group's productivity and efficiency. In particular, the government recently announced that it will impose the use of prefabricated products as part of tender conditions for certain government land sales sites in the second half of 2014. To ride on this new trend, the Group's Construction Division will be reviewing the operations at its precast unit, with a view to further automate current processes, so as to achieve greater productivity and efficiency.

PROPERTY DEVELOPMENT

In spite of a 39.1% decline in Property Development revenue to $224.6 million in 2013 from $368.6 million in 2012, profit contribution from the division continued to remain strong due to the booking in of earnings from a 40%-owned joint development project, Privé, which was completed in 2013. For the current year, five local development projects, namely My Manhattan, 100 Pasir Panjang, Belysa, Alexandra Central and Belvia are expected to obtain TOP. As such, barring unforeseen circumstances, these projects can be expected to contribute significantly to the Group's financial performance for the financial year ending 31 December 2014.

Based on our recent tenders for development sites in Singapore, overall competition continues to remain intense as land sites continue to fetch high bids despite softening property prices. With mounting headwinds in the domestic market, the Group's Property Development Division has plans to explore new opportunities in the

region. In particular, due to their close proximity to Singapore and the Group's experience in these markets, Australia and Malaysia stand out as choice destination countries for future property development projects in the region.

Singapore
The Group's property development projects comprising My Manhattan, Privé as well as Nine Residences and Junction Nine, contributed more significantly to the Group's FY2013 results as compared with contributions from My Manhattan and 33M back in 2012.

In terms of new launches, the Group put up two development properties for sale last year. In January 2013, the Group launched 116 leasehold commercial units at Alexandra Central, a shopping mall development located at 321 Alexandra Road, of which 97% of the development has been sold to date. On the other hand, the Group also launched a mixed leasehold development project in Yishun during the last quarter of 2013, comprising Nine Residences (residential) and Junction Nine (commercial). To date, 129 of the 186 residential condominium units at Nine Residences and 138 of the 146 retail units at Junction Nine have been sold respectively.

All in all, the Group sold a total of 199 residential units, 247 commercial units and 19 industrial units in 2013, mainly from developments comprising Nine Residences, Junction Nine, Alexandra Central and 100 Pasir Panjang. Currently, the Group has a total of 236 unsold units mainly from Fulcrum, Nine Residences and 100 Pasir Panjang.

Following the expected completion of My Manhattan, Belysa, Belvia, 100 Pasir Panjang and Alexandra Central in 2014, only two of the Group's developments in Singapore (Fulcrum, Nine Residences and Junction Nine) will remain under construction thereafter (should there be no other additions during the current financial year). More importantly, though the Group understands the need to replenish its land bank in Singapore, it intends to do so cautiously in view of the lacklustre property market. That said, the Group's Property Development Division will continue to stay engaged and selectively tender for future development sites that have the potential to be developed into a differentiated product with low execution risks.

Australia
Australia-based development, 33M, which was completed in 2012, contributed $1 million to the Group's FY2013 revenue, compared to $59 million in 2012. Reason being, revenue from development projects in Australia are typically recognised on a completed basis and no project was completed by the Group during 2013.

Presently, the Group has one development project under construction (Tower Melbourne) and three development sites located at Victoria Street and Doncaster in Melbourne, and Scarborough in Perth.

Last year, the Australia Property Development Division continued to actively market Tower Melbourne, selling 574 units out of 581 units to date. The freehold development will feature a total of 581 apartments comprising a mix of one- to three- bedders and penthouses, along with 7 retail units once it is completed in 2017.

In 2014, the Group plans to launch the development site in Doncaster, Melbourne, which will feature 90 townhouses and 50 apartments upon completion. Meanwhile, the Group plans to expand its property development business in Australia and will acquire more development sites to build up its land bank, should new attractive opportunities arise.

PROPERTY INVESTMENTS
Revenue from the Property Investment Division saw a decrease to $2.3 million in 2013 as its office building at Queen Street in Melbourne, Australia was vacated for the redevelopment into a 581-unit freehold residential development, known as Tower Melbourne. However, though the division is a small contributor to Group revenue, fair value gains from investment properties continue to constitute a material amount to the Group. To highlight, the Group booked in a $13 million gain on revaluation of its investments properties in 2013 as opposed to $30 million in 2012.

During FY2013, the Group decided to enhance its investment portfolio by adding an office building known as San Centre along Chin Swee Road in Singapore and an office building at 420 St Kilda Road in Melbourne. Our Australia office is housed in this newly-acquired office building while the Group's head office will be relocated from CES Building to San Centre. The remaining office space in these two office buildings that are not occupied will then be leased out to generate more recurring rental income for the Group.

To date, apart from these two new buildings, the Group also owns the CES Building at Ubi Crescent, two shophouses in Geylang and one shophouse along Tanjong Pagar Road.

HOSPITALITY
The construction of the Group's first hospitality asset is well underway and is slated for completion in 2015. The 450-room 4-star hotel located along Alexandra Road will be managed by the Park Hotel Group upon its completion.

Back in 2012, Park Hotel Group was appointed to manage the new hotel. Under the management agreement, Park Hotel Group will provide comprehensive cover of all hotel-related management services, which includes consultancy advice on the design and construction of the hotel, as well as overall management services.

In 2014, the Group will continue to look out for opportunities to acquire new development sites, with the view of building and owning more hotels, so as to build a larger hospitality portfolio in the years to come.

PROJECTS & INVESTMENTS PORTFOLIO

Construction

Major On-Going Projects

PROJECT	DESCRIPTION	OWNER
Building works at Tampines Neigbourhood 4 Contract 27	Remaining building works of 289 dwelling units	HDB
Building works at Jurong West Neigbourhood 6 Contract 31	Building works of 700 dwelling units	HDB
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
Building works at Yishun Neigbourhood 5 Contract 2	Building works of 834 dwelling units	HDB
Fulcrum at Fort Road	Building works of 128 residential units with full condominium facilities	CEL-Fort Pte Ltd
100PP at Pasir Panjang	Building works of 66 commercial units	CEL Pasir Panjang Pte Ltd
Belysa at Pasir Ris	Building works of 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	Building works of 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 ("DBSS")	CEL-Bedok Pte Ltd
Junction Nine and Nine Residences at Yishun	Building works of 146 retail shops and 186 residential condominium units with full condominium facilities	CEL-Yishun (Commercial) Pte Ltd CEL-Yishun (Residential) Pte Ltd

Property Developments

Major Development Projects

NAME OF DEVELOPMENT	LOCATION	DESCRIPTION	NO. OF UNITS	TENURE	EXPECTED TOP	% OF EQUITY HELD
Belysa	55, 57, 59 Pasir Ris Drive 1, Singapore	Executive Condominium	315	99 years	2014	40%
100 Pasir Panjang	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	747A, 747B, 747C, 748A, 748B, 748C Bedok Reservoir Crescent, Singapore	DBSS Flats	488	99 years	2014	100%
Alexandra Central	321 Alexandra Road, Singapore	Shopping Mall	116	99 years	2014	100%
Fulcrum	33 Fort Road, Singapore	Condominium	128	Freehold	2015	100%
Junction Nine and Nine Residences	12, 14, 16, 18 Yishun Avenue 9, Singapore	Shopping Mall and Condominium	332	99 years	2016	100%
Tower Melbourne	150 Queen Street, Australia	Apartment and Retail Outlets	588	Freehold	2017	100%

Properties

Investment Properties

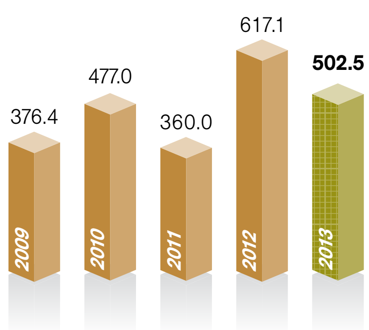
DESCRIPTION	LOCATION	TENURE	EXISTING USE
2 Adjoining Units of 3-Storey Shophouses	86, 86A, 86B Tanjong Pagar Road, Singapore	99 years from 27 Sep 1988	Shops and Offices
A Part 2-Storey, Part 4-Storey Shophouse	161 Geylang Road, Singapore	99 years from 4 May 1993	Shops and Offices
6-Storey Light Industrial Building with a Basement Carpark	69 Ubi Crescent, Singapore	60 years from 5 July 1997	Light Industrial Building
3 Adjoining Units of 2-1/2 Storey Shophouses with 4-Storey Rear Extension	115 Geylang Road, Singapore	Freehold	Boarding Hotel
12-storey office building	171 Chin Swee Road, Singapore	99 years from 2 June 1969	Offices (under addition and alteration works)
11-storey office building	420 St Kilda Road, Melbourne, Australia	Freehold	Shops and Offices

Property, Plant and Equipment

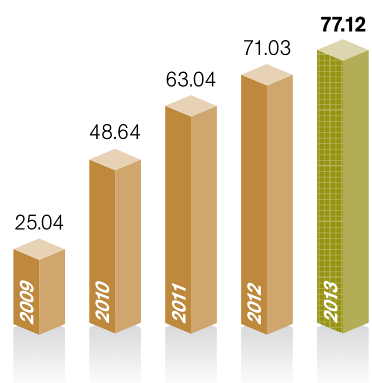
DESCRIPTION	LOCATION	TENURE	EXISTING USE
A 450-room 13-storey hotel (under construction)	323 Alexandra Road, Singapore	99 years	Hotel

FINANCIAL HIGHLIGHTS

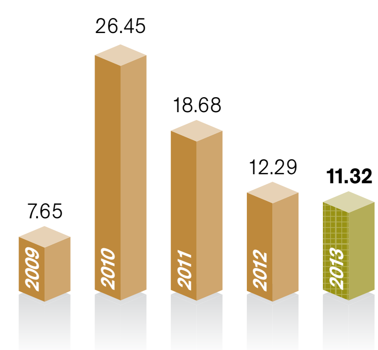
Turnover ($' million)



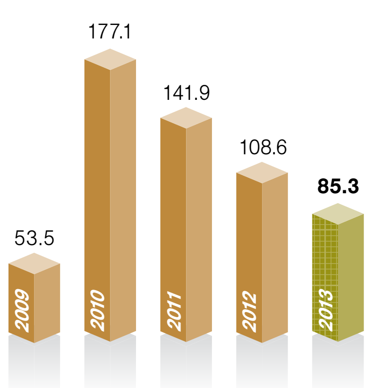
Net Asset Value Per Share (cents)



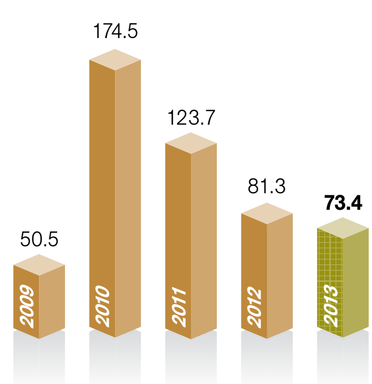
Earnings Per Share (cents)



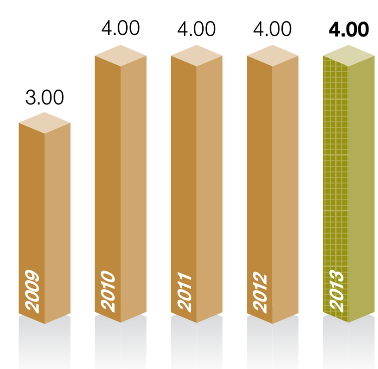
Profit before Tax ($' million)



Profit after Tax ($' million)



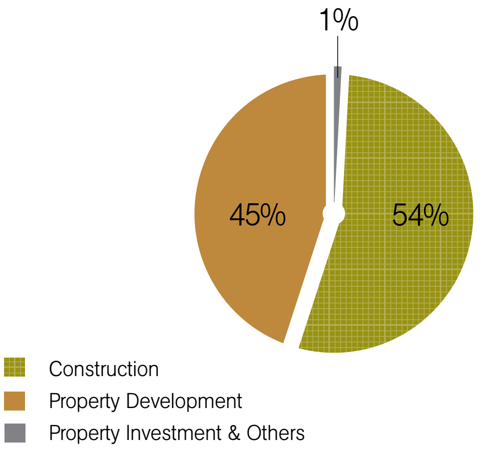
Dividend Per Share (cents)



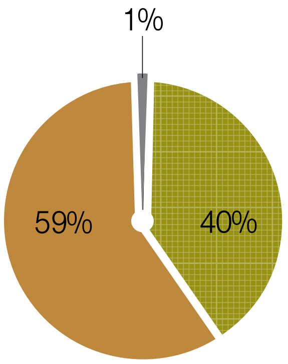
Notes: Financial figures from 2009 to 2011 have been restated due to the adoption of Amendments to FRS 12 Deferred Tax: Recovery of Underlying Assets.

Revenue by Business Segment

2013

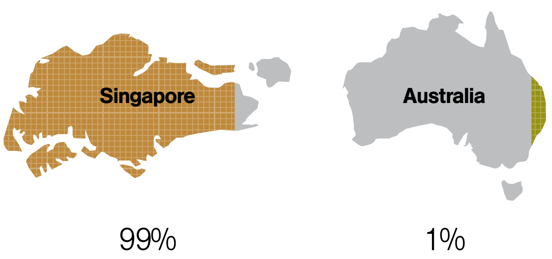


2012

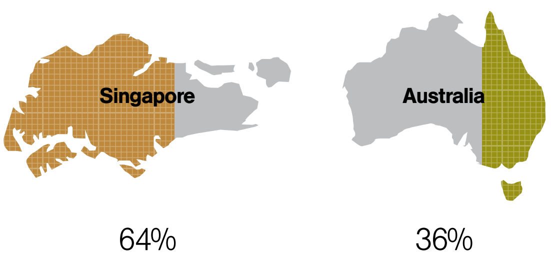


Revenue by Geographical Segment

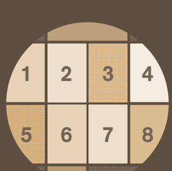
2013



2012



BOARD OF DIRECTORS



1 Mr Lim Tiam Seng BBM, PBM
Executive Chairman

Mr Lim Tiam Seng is the founder and Executive Chairman of CES. Over the years, he has played an instrumental role in the Group's journey from a sole proprietorship into one of the leading main contractors and property developers in Singapore today.

He has helmed the Company as the Executive Chairman since its incorporation in October 1998 and possesses more than 40 years of experience in the building and construction industries. He is also responsible for setting up corporate objectives and strategies, in addition to making investment decisions for the Group. Aside from that, Mr Lim is a patron of Yio Chu Kang Citizens' Consultative Committee and has won several awards for his public service rendered to the nation, comprising The Public Service Stars PBM in 2007 and BBM in 2013.

2 Mr Lim Tiang Chuan
Executive Deputy Chairman

Mr Lim Tiang Chuan undertook the role of Executive Deputy Chairman in June 2007 and currently oversees the Group's overall operations and business expansion. Mr Lim has also been the Director of the Company since October 1998. Having joined the Group's Construction Division back in 1982, Mr Lim has a wealth of experience spanning more than three decades in the building and construction industry and is an integral part of the management team.

3 Mr Chia Lee Meng Raymond PBM
Executive Deputy Chairman & Group Chief Executive Officer

Mr Chia Lee Meng Raymond joined the Group as a project manager in 1994. He was appointed as a Director of the Company in September 1999. In July 2006, he became the Managing Director of the property development division. Mr Chia was appointed as the Group Chief Executive Officer in June 2007 and then assumed the role of an Executive Deputy Chairman in January 2013. Mr Chia holds a Bachelor's Degree in Economics and Finance from Curtin University and a Master's Degree in Finance from RMIT. He is responsible for the Group's overall strategic planning and investment decisions. Outside the Group, Mr Chia is the Chairman of Seacare Properties Pte Ltd, a wholly owned subsidiary of Seacare Co-operative Ltd and a director of Seacare Holdings Private Limited. He is also a patron of Nee Soon South Citizens' Consultative Committee. Mr Chia was awarded The Public Service Star PBM in 2013 for his public service rendered to the nation.

4 Mr Hoon Tai Meng
Executive Director

Mr Hoon Tai Meng was appointed as the Executive Director and a member of the Nominating Committee in July 2011. He was previously an Independent Director of the Company from November 1999 to June 2011. Mr Hoon was also previously a Partner with KhattarWong. He holds a Bachelor of Commerce degree 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 Chartered Accountant of 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 operations and corporate matters of the Group.

5 Ms Dawn Lim Sock Kiang
Executive Director

Ms Dawn Lim Sock Kiang joined the Company's property development arm as a Project Director in October 2009. She was appointed as the Executive Director of the Company in December 2009. Ms Lim holds a Bachelor's Degree in Architecture (Honours) from Deakin University, Melbourne, Australia. Prior to joining the Company, she worked as a Senior Architect in Melbourne, Australia. Currently, Ms Lim is responsible for assisting the Board in the business operations of the Company and the Company's property developments in Australia.

6 Mr Goh Chee Wee
Independent Director

Mr Goh Chee Wee has been the Group's Independent Director since November 1999. He chairs the Audit and Remuneration Committees and is a member of the Nominating Committee. Mr Goh also holds directorships at a number of public-listed companies. He is also a director of several NTUC Co-operatives and SLF subsidiary companies. Mr Goh was formerly a Member of Parliament and the Minister of State for Trade and Industry, Labour and Communications. He holds a first-class honours degree from the University of Singapore and a Master of Science degree from the University of Wisconsin, USA.

7 Mr Ang Mong Seng
Independent Director

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

8 Mr Cheng Heng Tan
Independent Director

Mr Cheng Heng Tan was appointed as the Group's Independent Director in July 2011. He chairs the Nominating Committee and is a member of the Audit and Remuneration Committees. Mr Cheng is a member of the Institute of Singapore Chartered Accountants ("ISCA") and he was formerly a senior audit partner in Ernst & Young LLP. In addition, Mr Cheng also holds the role of Ethics Director, Asia for Vishay Intertechnology, Inc.

EXECUTIVE OFFICERS

Mr Law Cheong Yan
Chief Financial Officer

Mr Law joined the Group as Chief Financial Officer in August 2013. In his current role, he leads the Group in a multitude of functions comprising financial and management accounting, taxation, treasury as well as investor relations. In addition, he also helms the administrative and human resource functions of the Group.

Prior to joining CES, Mr Law spent more than 9 years in China and the US managing the businesses of several Singapore companies' overseas subsidiaries. Mr Law was also the Group Financial Controller for the period from June 1999 to February 2004 and an auditor with an international accounting firm from September 1995 to June 1999. Mr Law holds a Bachelor of Accountancy (Hons) Degree from Nanyang Technological University. He is also a member of ISCA and CPA Australia.

Mr Yeo Siang Thong
Managing Director

Mr Yeo joined the Group in March 2008 and is the Managing Director of our construction division. His responsibilities include the business development and operations of the Group's construction projects.

To date, Mr Yeo has more than 20 years of experience in the construction industry. He was the General Manager of our construction division from July 1998 to January 2007 and the executive director of CES from September 1999 to August 2006. Prior to joining the Group in 1998, Mr Yeo held senior managerial positions in HDB and JTC International Pte Ltd. Mr Yeo holds an Honours Degree in Civil Engineering and a Master of Science (Civil Engineering) from National University of Singapore. He is a Registered Professional Engineer with the Professional Engineers Board.

Mr Chng Chee Beow
Executive Director

Mr Chng is the Executive Director of our property developments division and has more than 30 years of experience in the real estate industry.

Prior to joining the Group in June 2012, he was the Property Director of Wing Tai Holdings Limited. A registered Architect by profession, Mr Chng has been an Executive Committee member of Redas for the past 12 years. He was also the Alternate Chairman of the Construction Industry Joint Committee ("CIJC"). Mr Chng is currently a member of the BCA Universal Design Awards Assessment Panel, Professional Engineer Board Investigation Panel and MND Planning Appeal Inspector. He is also a member of BCA BIM Steering Committee. He was previously appointed as one of International Panel of Experts for BIM. Mr Chng holds a Bachelor of Architecture Degree and a Postgraduate Diploma in Building Science from National University of Singapore.

Ms Lim Sock Joo
Executive Director

Ms Lim is the Executive Director of our property development and hospitality divisions. Her responsibilities include the day-to-day management of the divisions' operations as well as their sales and marketing needs.

Ms Lim first joined our construction division in 1993 as an administrative and finance executive responsible for accounting, administration and human resource matters. In June 2006, her role was enlarged to include the sales and marketing of our property development division as she was appointed as the Director of the division until June 2012. Ms Lim holds a Bachelor Degree in Business (Accounting) from Curtin University of Technology, Australia.

Mr James Yuen Chew Loong
Executive Director

Mr Yuen joined the Group in July 2012. He is currently the Executive Director of our precast division, responsible for its overall management, marketing and business development. Mr Yuen has over 23 years of experience in design and construction.

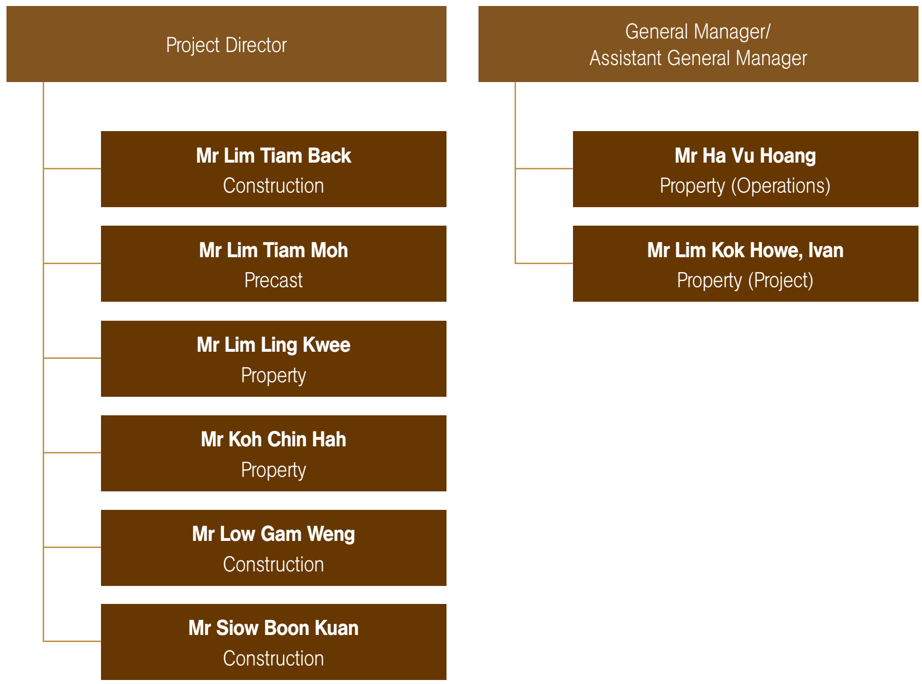
Prior to joining CES, Mr Yuen was a Director and General Manager of a local specialist foundation company. He had also previously worked for the Housing and Development Board and several consultancy and construction companies. Mr Yuen holds degrees in Bachelor of Engineering (Civil), Master of Science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

Mr Ng Kok Kiang
Head of Internal Audit

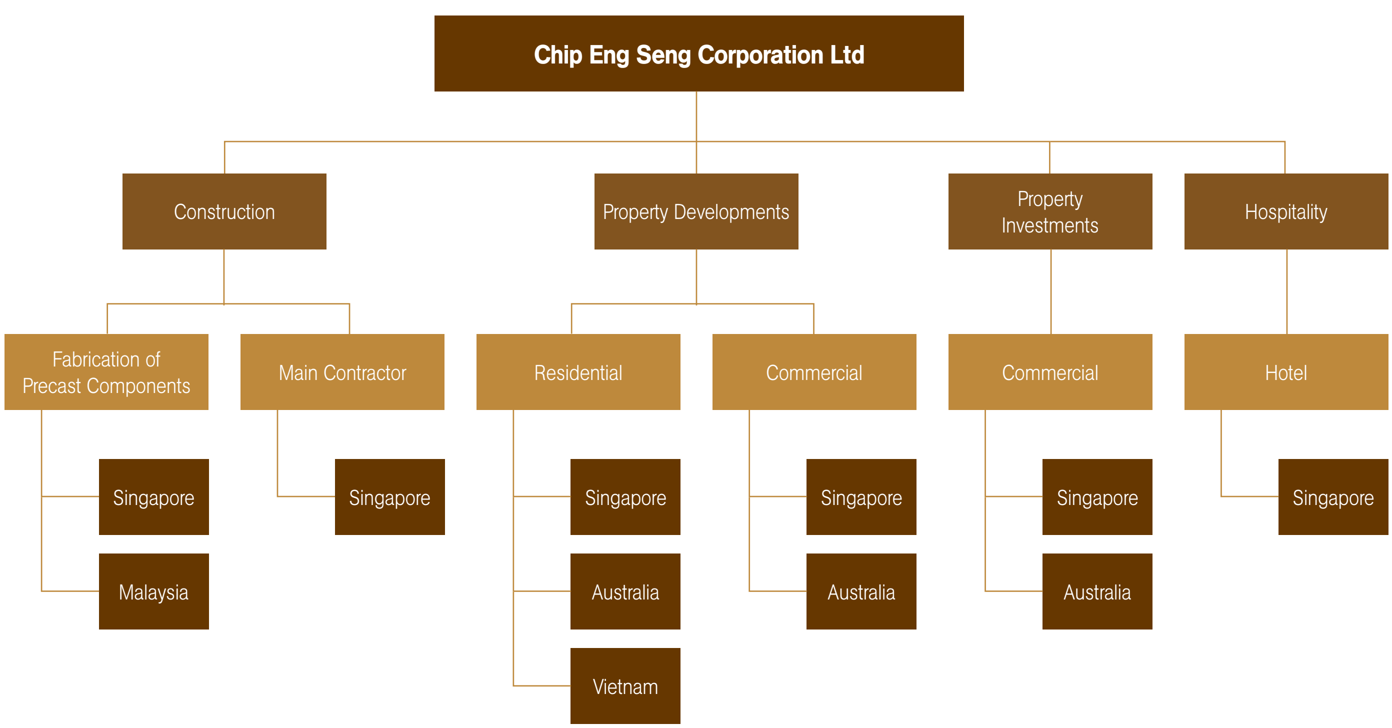
Mr Ng oversees the Group's internal audit and risk management. Prior to joining the Group in January 2012, he worked as a financial controller, finance manager and group accountant in both private and listed companies. He was also an external auditor for about five years. Mr Ng is a member of ISCA and a member of the Institute of Internal Auditors (Singapore).

Mr Timothy Pearce
Project Director

Mr Pearce joined the Group in April 2010 and helms the role of Project Director. His responsibilities include managing our property developments and investments in Australia. A registered Architect by profession, he has around 20 years of experience in both Australia's and Singapore's building and construction industries. He holds a first class honours Degree in Architecture and a Degree in Architectural Studies from the University of Adelaide.



GROUP BUSINESSES



SIGNIFICANT EVENTS

2013

January

CES was awarded the land parcel tender at Yishun Avenue 9 for a mixed commercial and residential development at S$212 million.

March

CES purchased a leasehold office building known as San Centre located at 171 Chin Swee Road at S$113 million.

April

CES purchased a development site at 170 Victoria Street, Melbourne, Australia at A$32 million.

August

CES was awarded a S$39 million contract by the Housing & Development Board for the remaining building works at Tampines.

September

CES was awarded a S$104 million contract by the Housing & Development Board for the construction works at Jurong West.

October

CES launched a two-storey retail podium known as Junction Nine and a 186-units residential development known as Nine Residences for sale.

CES established a S$500 million Multicurrency Debt Issuance Programme.

November

CES acquired a development site in Doncaster, Victoria, Australia at A$19 million.

December

CES purchased a fully tenanted freehold office building located at 420 St Kilda Road, at A$45 million.

CORPORATE SOCIAL RESPONSIBILITY

Chip Eng Seng considers it a privilege and responsibility to give back to the community, especially in the area of Education.

Back in 2012, the Group established the Lim Tiam Seng – Chip Eng Seng Bursary Fund for engineering undergraduates at the Nanyang Technological University ("NTU"), with a gift of $550,000. This sum was matched 1.5 times by the Singapore government.

Open to all Singapore Citizens and Singapore Permanent Residents pursuing an Engineering degree at NTU, this bursary aims to help financially disadvantaged students. With at least half of the recipients from the School of Civil and Environmental Engineering, the bursary serves to fund up to 10 awards amounting to $5,000 each per annum.

More importantly, being a homegrown company, the Group strongly believes in doing its part for the community by helping the younger generation of Singaporeans pursue and realise their dreams. We feel that one of the best ways to do so is by investing in our pool of local talents to ensure a continued stream of fresh professionals to support Singapore's economy, particularly the construction industry, in the years to come.

Aside from the NTU bursary fund, the Group also donates generously to other charitable organizations and causes, ranging from old folks' homes, community development events at community centers as well as The Business Times Budding Artists Fund and The Straits Times School Pocket Money Fund. In addition, the Group is also a big supporter of charity golf, sponsoring events such as the PAP – Lee Hsien Loong Cup Charity Golf 2013, the BEMA – NUS – Fund Raising Gold 2013, the Thong Chai Charity Golf 2013 and the Lee Bee Wah Cup Fund Raising Golf 2013.

Executive Chairman, Mr Lim Tiam Seng, giving a speech at NTU (on left) and taking a photo with the Lim Tiam Seng-Chip Eng Seng Bursary Fund recipients from NTU (on bottom right).

CORPORATE INFORMATION

EXECUTIVE DIRECTORS

Lim Tiam Seng BBM, PBM
Executive Chairman

Lim Tiang Chuan
Executive Deputy Chairman

Chia Lee Meng Raymond PBM
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: 65365355
Fax: 65361360

REGISTERED OFFICE

69 Ubi Crescent #06-01
CES Building
Singapore 408561
Tel: 68480848
Fax: 68480838
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
Oversea-Chinese Banking Corporation Limited

CORPORATE GOVERNANCE REPORT

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

This report describes the Group's corporate governance practices that were in place throughout the financial year ended 31 December 2013 ("FY2013").

BOARD MATTERS

Principle 1: The Board's conduct of its affairs

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

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

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

<u>Independent judgement</u>

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

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

		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	–	–	–
Hoon Tai Meng	Executive Director	–	–	Member
Dawn Lim Sock Kiang	Executive Director	–	–	–
Goh Chee Wee	Independent Director	Chairman	Chairman	Member
Ang Mong Seng	Independent Director	Member	Member	Member
Cheng Heng Tan	Independent Director	Member	Member	Chairman

Delegation by the Board

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

Key features of board processes

The Board meets 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 and board committee meetings are allowed under the Company's Articles of Association.

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

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

Board approval

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

Induction and training of directors

A formal letter is provided to each director upon his appointment, setting out the director's duties and obligations. The Group also conducts an orientation programme for new directors to familiarise them with the business activities of the Group, its strategic direction and corporate governance practices.

To keep pace with new laws, regulations, changing commercial risks and accounting standards, all directors engages in constant dialogues with management and professionals from time to time. In addition, directors are also encouraged to attend, at the Group's expense, relevant and useful seminars for their continuing education and skills improvement courses that are conducted by external organisations. The company secretary will bring to directors' attention, information on seminars that may be of relevance or use to them.

Principle 2: Board composition and guidance

Board size and board composition

The Board comprises 8 directors, 3 of whom are independent directors. Each year, the NC reviews the size and composition of the Board and board committees and the skills and core competencies of its members to ensure an appropriate balance of skills, experience and gender. These competencies include banking, accounting and finance, business acumen, management experience, industry knowledge, strategic planning experience, customer-based knowledge, familiarity with regulatory requirements and knowledge of risk management. The Board considers that its directors possess the necessary competencies and knowledge to lead and govern the Group effectively.

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

Directors' independence review

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

The NC is tasked to determine on an annual basis and as and when the circumstances require whether or not a director is independent, bearing in mind the Guidelines set forth in the Code and any other salient factor which would render a director to be deemed not independent. For the purpose of determining directors' independence, every director has provided declaration of their independence which is deliberated upon by the NC and the Board.

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

The Board also recognises that independent directors may over time develop significant insights in the Group's business and operations, and can continue to provide significant and valuable contribution objectively to the Board as a whole. When there are such directors, the Board will do a rigorous review of their continuing contribution and independence and may exercise its discretion to extend the tenures of these directors. Presently, Mr Goh Chee Wee and Mr Ang Mong Seng have served as independent directors of the Company for more than nine years since their initial appointments in 1999 and 2003 respectively. The Board has subjected their independence to a particularly rigorous review.

Taking into account the views of the NC, the Board concurs that Mr Goh Chee Wee and Mr Ang Mong Seng continued to demonstrate strong independence in character and judgement in the discharge of their responsibilities as directors of the Company. They have continued to express their individual viewpoints, debated issues and objectively scrutinised and challenged management. They have sought clarification and amplification as they deemed required, including through direct access to the Group's employees.

Further, having gained in-depth understanding of business and operating environment of the Group, they provide the Company with much needed experience and knowledge of the industry. Based on the declaration of independence received from Mr Goh Chee Wee and Mr Ang Mong Seng, they have no association with management that could compromise their independence. After taking into account all these factors, the Board has determined that Mr Goh Chee Wee and Mr Ang Mong Seng continue to be considered as independent directors, notwithstanding they have served on the Board for more than nine years from the dates of their first appointment.

Role of the non-executive directors

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

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

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

The roles and responsibilities between the Chairman and the Group CEO of the Company are held by separate individuals to ensure that there is 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 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, company secretary and management. He approves the agendas for the Board meeting, ensures sufficient allocation of time for thorough discussion of agenda items and promotes a culture of openness and debate at the Board. He also ensures that Board matters are effectively organised to enable directors to receive complete, adequate and timely information in order to make sound decisions, promote constructive relations within the Board and between the Board and management, and ensure effective communication with the shareholders. He also facilitates the effective contribution of NEDs.

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, managing directors, chief financial officer and general managers to oversee the daily running of the Group's operations and execution of strategies and policies.

The Board is of the view that it is in the best interests of the Group for Executive Chairman to be part of the management team, so as to ensure that the decision-making process of the Group would not be unnecessarily hindered. The Company is currently evaluating the need to appoint a lead independent director.

Principle 4: Board membership

<u>NC composition</u>

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

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

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

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

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

Key information on the directors is set out below:

Name of directors	Position	Date of first appointment as a director	Date of last appointment as a director	Present directorships or chairmanships in other listed companies	Directorships or chairmanships held over the preceding three years in other listed companies	Other principal commitments	Due for re-appointment at the AGM
Lim Tiam Seng	Executive Chairman	23 October 1998	25 April 2013	None	None	None	Retirement (Section 153 of the Companies Act, Cap. 50)
Lim Tiang Chuan	Executive Deputy Chairman	23 October 1998	25 April 2013	None	None	None	N.A.
Chia Lee Meng Raymond	Executive Deputy Chairman & Group CEO	2 September 1999	25 April 2013	None	None	None	N.A.
Hoon Tai Meng	Executive Director	2 November 1999	25 April 2012	• Sin Ghee Huat Corporation Ltd • Thai Village Holdings Ltd	• China Video Surveillance Ltd • Intraco Limited • Yangtze China Investment Ltd	None	Retirement by rotation (Article 115)
Dawn Lim Sock Kiang	Executive Director	1 December 2009	25 April 2013	None	None	None	N.A.
Goh Chee Wee	Independent Director	2 November 1999	27 April 2011	• Beng Kuang Marine Ltd • King Wan Corporation Ltd • Sin Ghee Huat Corporation Ltd • Sinotel Technologies Ltd • Stamford Tyres Corporation Ltd • Chailease Holding Company Ltd	• Sino-Environment Technology Group Ltd	Director of NTUC Foodfare Co-operative Ltd, Foodfare Catering Pte Ltd, SLF Properties Pte Ltd and SLF International Pte Ltd	Retirement by rotation (Article 115)
Ang Mong Seng	Independent Director	19 March 2003	25 April 2012	• United Fiber System Ltd • Ecowise Holdings Ltd • Hoe Leong Corporation Ltd • Annaik Ltd • Gaylin Holdings Ltd	• VicPlas International Ltd	Director of Pei Hwa Foundation Ltd and The Chinese Opera Institute	Retirement by rotation (Article 115)
Cheng Heng Tan	Independent Director	20 July 2011	25 April 2012	None	None	Director and substantial shareholder of Omakase Burger Group	N.A.

Note: The details of directors' credentials including working experience, academic and professional qualifications, shareholding in the Company and its related corporations and directorships can be found in the Board of Directors and Directors' Report sections of the Annual Report.

Directors' time commitments and multiple directorships

The NC determines annually whether a director with multiple board representations and/or other principal commitments is able to and has been adequately carrying out his/her duties as a director of the Company.

The NC takes into account the results of the assessment of the effectiveness of the individual director, and the respective directors' actual conduct on the Board, in making this determination.

In respect of FY2013, the NC was of the view that each director's directorship was in line with the Company's guideline of a maximum of 8 listed company board representations and that each director has discharged his/her duties adequately.

Process for selection and appointment of new directors

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

- NC evaluates the balance, skills, knowledge and experience of the existing Board and the requirements of the Group. In light of such evaluation, the NC determines the role and the key attributes that an incoming director should have.
- After endorsement by the Board of the key attributes, the NC taps on the resources of directors' personal contacts and recommendations of the potential candidates and goes through a short-listing process. If candidates identified from this process are not suitable, executive recruitment agencies are appointed in the search process.
- NC meets with the shortlisted candidate(s) to assess suitability and to ensure that the candidate(s) is/are aware of the expectations and the level of commitment required.
- NC recommends the most suitable candidate to the Board for appointment as director.

Process for re-appointment of directors

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

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

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

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

Pursuant to the one-third rotation rule, Mr Goh Chee Wee, Mr Ang Mong Seng and Mr Hoon Tai Meng will retire and submit themselves for re-appointment at the forthcoming AGM. Pursuant to Section 153 of the Companies Act, Cap. 50, Mr Lim Tiam Seng will retire and submit himself for re-appointment at the forthcoming AGM. The NC is satisfied that the directors retiring in accordance with Article 115 of the Company's Articles of Association and Section 153 of the Companies Act, Cap. 50 at the forthcoming AGM are properly qualified for re-appointment by virtue of their skills, experience and their contribution of guidance and time to the Board's deliberations. Each member of the NC abstains from making any recommendations and/or participating in any deliberation of the NC and from voting on any resolution, in respect of the assessment of his own performance or re-nomination as a director.

Principle 5: Board performance

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

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

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

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

Principle 6: Access to information

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

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

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

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

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

<u>Company secretary</u>

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

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

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

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

Independent professional advice

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

REMUNERATION MATTERS

Principle 7: Procedures for developing remuneration policies

RC

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

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

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

During the year, the RC has met thrice and carried out its duties in accordance with its terms of reference, which include reviews and recommendations on all matters concerning the remuneration packages of executive directors, staff related to directors as well as certain key management personnel; and also review the Group's obligations arising in the event of termination of the executive directors' and key management personnel's contracts of service, to ensure that such contracts of service contain fair and reasonable termination clauses which are not overly generous; and implement and administer the Chip Eng Seng Employee Share Option Scheme 2013 ("ESOS") and the Chip Eng Seng Performance Share Plan ("Performance Share Plan").

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

During FY2013, the RC appointed an external consultant, Hay Group, to provide advice on market practices and benchmark data on board and executive compensation. Hay Group and its principal consultant do not have any connection with the Group or any of its directors which could affect their independence and objectivity.

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

Remuneration of executive directors and key management personnel

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

Use of contractual provisions for executive directors and key management personnel

The existing service contracts with executive directors and key management personnel does not contain reclamation of incentive component clause to safeguard the Group's interest in exceptional circumstances of misstatement of financial results, or misconduct resulting in financial loss or fraud by executive directors or key management personnel.

The RC will incorporate such clause in the next revision of service contracts with executive directors and key management personnel.

Remuneration of NEDs

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

Having regard to the scope and extent of a director's responsibilities and obligations, the prevailing market conditions, and referencing directors' fees against comparable benchmarks, the Board agreed with the RC's recommendation that the current fee structure for NEDs remains unchanged from the financial year ended 31 December 2012.

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

The framework for determining NEDs' fees is as follows:

Basic retainer fee	
Non-executive directors	S$ 50,000 per annum
Audit Committee	
Committee Chairman	S$ 25,000 per annum
Committee member	S$ 15,000 per annum
Nominating Committee or Remuneration Committee	
Committee Chairman	S$ 10,000 per annum
Committee member	S$ 5,000 per annum

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

Remuneration of directors and the Group CEO

The remuneration paid to or accrued to each individual director and the Group CEO for FY2013 is as follows:

Remuneration bands and name of directors	Base salary[1]	Variable payment[2]	Other benefits[3]	Fees[4]	Total
Above $1,000,000					
Lim Tiam Seng	19%	80%	1%	–	100%
Lim Tiang Chuan	24%	75%	1%	–	100%
Chia Lee Meng Raymond	10%	89%	1%	–	100%
Hoon Tai Meng	32%	67%	1%	–	100%
$800,000 to $999,999					
None	–	–	–	–	–
$600,000 to $799,999					
Dawn Lim Sock Kiang	38%	60%	2%	–	100%
$200,000 to $599,999					
None	–	–	–	–	–
Below $200,000					
Goh Chee Wee	–	–	–	100%	100%
Ang Mong Seng	–	–	–	100%	100%
Cheng Heng Tan	–	–	–	100%	100%

1. Base salary includes contractual bonus and employer's Central Provident Fund contributions.
2. Variable payment includes performance bonus, profit sharing and employer's Central Provident Fund contribution with respect to that payment.
3. Other benefits refer to benefits-in-kind such as car benefits made available as appropriate.
4. Approved by shareholders as a lump sum at the AGM held on 25 April 2013.

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

The remuneration of independent directors comprise only directors' fees. The framework for determining the directors' fees is disclosed in the earlier paragraph (Remuneration of NEDs).

Remuneration of top five key management personnel

The remuneration of the top 5 key management personnel (who are not Directors or the Group CEO) is not disclosed as the Company believes in maintaining confidentiality of staff remuneration matters and that disclosure of the remuneration of individual executive is disadvantageous to its business interest, given the highly competitive industry conditions, where poaching of executives is commonplace.

The aggregate of total remuneration paid to or accrued to the top five key management personnel (who are not directors or the Group CEO)	$ 2,877,317

Remuneration of employees who are immediate family members of a director or the Group CEO

	Relationship with director or the Group CEO	Base salary[1]	Variable payment[2]	Allowances and other benefits[3]
$300,000 to $349,999				
Lim Tian Back	Brother of Lim Tiam Seng and Lim Tiang Chuan; Uncle-in-law of Chia Lee Meng Raymond; and Uncle of Dawn Lim Sock Kiang	66%	22%	12%
Lim Tian Moh	Brother of Lim Tiam Seng and Lim Tiang Chuan; Uncle-in-law of Chia Lee Meng Raymond; and Uncle of Dawn Lim Sock Kiang	66%	22%	12%
$250,000 to $299,999				
Ha Vu Hoang	Son-in-law of Lim Tiam Seng; Nephew-in-law of Lim Tiang Chuan; Brother-in-law of Chia Lee Meng Raymond; and Spouse of Dawn Lim Sock Kiang	67%	30%	3%
$200,000 to $249,999				
Lim Ling Kwee	Son of Lim Tiam Seng; Nephew of Lim Tiang Chuan; Brother-in-law of Chia Lee Meng Raymond; and Brother of Dawn Lim Sock Kiang	67%	17%	16%
$150,000 to $199,999				
Lim Sock Joo	Daughter of Lim Tiam Seng; Niece of Lim Tiang Chuan; Spouse of Chia Lee Meng Raymond; and Sister of Dawn Lim Sock Kiang	55%	44%	1%
$50,000 to $149,999				
None	–	–	–	–

1. Base salary includes contractual bonus and employer's Central Provident Fund contributions.
2. Variable payment includes performance bonus, profit sharing and employer's Central Provident Fund contribution with respect to that payment.
3. Other benefits refer to benefits-in-kind such as car benefits made available as appropriate.

ACCOUNTABILITY AND AUDIT

Principle 10: Accountability

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

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

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

For the financial year under review, the Group CEO and the Chief Financial Officer ("CFO") have provided assurance to the Board on the integrity of the financial statements for the Company and its subsidiaries.

Principle 11: Risk management and internal controls

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

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

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

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

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

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

a. The financial records of the Group have been properly maintained and the financial statements for the FY2013 give a true and fair view of the Group's operations and finances; and
b. The system of risk management and internal controls in place within the Group is adequate and effective in addressing the material risks in the Group in its current business environment including material financial, operational, compliance and information technology risks.

Based on the reviews conducted by management and both the internal and external auditors throughout the financial year, as well as the assurance from the Group CEO and the CFO, the Board with the concurrence of the AC, is of opinion that the Group's internal controls were adequate as at 31 December 2013 to address financial, operational, compliance and information technology risks which the Group considers relevant and material to its operations.

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

Principle 12: Audit committee

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

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

The Board is of the view that the members of the AC have recent and relevant accounting or related financial management expertise or experience to discharge the AC's functions.

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

- Review the significant financial reporting issues and judgments so as to ensure the integrity of the financial statements of the Group and any formal announcements relating to the Group's financial performance before their submission to the Board.
- Review and report to the Board at least annually on the adequacy and effectiveness of the Group's internal controls, including financial, operational compliance and information technology controls and risk management systems.
- Review the adequacy and effectiveness of the Group's internal audit function at least annually, including the adequacy of internal audit resources and its appropriate standing within the Group, as well as the scope and the results of the internal audit procedures.
- Review the scope and results of the external audit work, the cost effectiveness of the audit, and the independence and objectivity of the external auditors.
- Recommend to the Board on the proposals to the shareholders on the appointment, reappointment and removal of the external auditors.
- Review interested person transactions ("IPTs") in accordance with the requirements of the SGX-ST's Listing Manual.

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

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

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

During FY2013, the AC met with external auditors and internal auditors separately, without the presence of management. These meetings enable the external auditors and internal auditors to raise issues encountered in the course of their work directly to the AC.

The principal activities of the AC during FY2013 are summarised below:

a. Reviewed the quarterly and full year announcements, material announcements and all related disclosures to the shareholders before submission to the Board for approval;
b. Reviewed the audit plan and audit report of the Company's internal and external auditors and ensures the adequacy of the Company's system of accounting controls and the co-operation given by the Company's management to the external and internal auditors;
c. Reviewed the annual financial statements and also discussed with management, the CFO and the external auditors the significant accounting policies, judgment and estimate applied by the management in preparing the annual financial statements. Following the review and discussions, the AC then recommended to the Board for approval of the audited annual financial statements;
d. Recommended to the Board for re-appointment of Ernst & Young LLP as auditors of the Company for the ensuing year;
e. Undertook a review of the independence and objectivity of the external auditors through discussions with the external auditors as well as reviewing the non-audit fees awarded to them. The AC received a half yearly report setting out the non-audit services provided by Ernst & Young LLP and the fees charged. An analysis of fees paid in respect of audit and non-audit services provided is disclosed in Note 8 to the financial statements;
f. Reviewed the nature and extent of non-audit services provided by the external auditors - the AC was satisfied that the nature and extend of such services would not affect the independence of the external auditors;
g. Reviewed the reports and findings from the internal auditors in respect of the adequacy of the Company's internal controls in management, business and service systems and practices; and
h. Reviewed the Group's IPTs to ensure that the transactions were carried out on normal commercial terms and are not prejudicial to the interests of the Company or its non-controlling shareholders. The AC is satisfied that the internal controls over the identification, evaluation, review, approval and reporting of IPTs was effective.

The aggregate value of transactions entered into by the Group with interested persons as defined in the SGX-ST's Listing Manual are as follows:

Name of interested person	Aggregate value of all interested person transactions during the financial year under review (excluding transactions less than $100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920)
<u>Sales of retail units in Junction Nine</u>	
Lim Tiam Seng and Kwek Lee Keow	S$ 4,747,000
Chia Lee Meng Raymond and Lim Sock Joo	S$ 901,000
Hoon Tai Meng	S$ 1,350,000
<u>Sales of residential units and carpark lots in Tower Melbourne</u>	
Lim Tiam Seng and Lim Ling Kwee	A$ 831,000
Chia Lee Meng Raymond and Lim Sock Joo	A$ 1,251,000
Dawn Lim Sock Kiang and Hoang Vu Ha	A$ 628,000
<u>Sales of retail units in Alexandra Central</u>	
Lim Tiam Seng, Kwek Lee Keow and Lim Ling Kwee	S$ 5,455,000
Lim Tiang Chuan and Tan Lay Peng	S$ 1,686,000
Lim Sock Joo	S$ 3,019,000
Dawn Lim Sock Kiang and Hoang Vu Ha	S$ 3,274,000
Lim Tian Moh and Khoo Nyuk Yin	S$ 2,611,000
Alice Chia and Shirley Chia	S$ 659,000

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

Whistle blowing

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

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

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

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

Principle 13: Internal audit

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

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

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

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

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

SHAREHOLDER RIGHTS AND RESPONSIBILITIES

Principle 14: Shareholder rights

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

The Group is committed to providing shareholders with adequate, timely and sufficient information pertaining to changes in the Group's business which could have a material impact on the Company's share price.

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

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

Principle 15: Communication with shareholders

<u>Disclosure of information on a timely basis</u>

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

<u>Interaction with shareholders</u>

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

The Group has a dedicated investor relations team ("IR team") which focuses on facilitating communications with shareholders and analysts on a regular basis and attending to their queries or concerns.

<u>Dividend policy</u>

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

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

Principle 16: Conduct of shareholder meetings

The Group supports and encourages active shareholder participation at general meetings. The Board believes that general meetings serve as an opportune forum for shareholders to meet the Board and key management personnel, and to interact with them. Information on general meetings is disseminated through notices in the annual reports or circulars sent to all shareholders. The notices are also released via SGXNET and published in local newspapers, as well as posted on the company website.

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

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

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.

Dealing in company's securities

The Company has adopted an internal code on securities trading which sets out the implications of insider trading and provides guidance and internal regulation with regard to dealings in the Company's securities by the Company, its Directors and officers of the Group. These guidelines prohibit dealing in the Company's securities on short-term considerations and while in possession of unpublished material price-sensitive information in relation to such securities, and during the "close period" which is defined as 2 weeks before the date of announcement of results for each of the first three quarters of the Company's financial year and one month before the date of announcement of the full year financial results, and ending on the date of the announcement of the relevant results.

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

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

CONTENTS

DIRECTORS' 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 2013.

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)
Hoon Tai Meng	
Dawn Lim Sock Kiang	
Goh Chee Wee	
Ang Mong Seng	
Cheng Heng Tan	

In accordance with Article 115 of the Company's Articles of Association, Goh Chee Wee, Ang Mong Seng and Hoon Tai Meng 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:

	Direct interest			Deemed interest		
Name of Directors	**At 1.1.2013**	**At 31.12.2013**	**At 21.01.2014**	**At 1.1.2013**	**At 31.12.2013**	**At 21.01.2014**
Ordinary shares						
Lim Tiam Seng	65,499,000	60,499,000	60,499,000	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	19,702,000	19,702,000
Hoon Tai Meng	1,125,500	1,625,500	1,625,500	–	–	–
Dawn Lim Sock Kiang	15,377,000	15,377,000	15,377,000	30,000	30,000	30,000
Goh Chee Wee	1,135,500	1,135,500	1,135,500	–	–	–
Ang Mong Seng	146,000	146,000	146,000	–	–	–

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

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.

Share Plans

The Company has a Chip Eng Seng Employee Share Option Scheme 2013 ("ESOS") and Chip Eng Seng Performance Share Plan ("CES Share Plan") which are 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 ESOS and CES Share Plan are as follows:

(a) ESOS

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

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

(ii) Executive directors;

(iii) Non-executive directors and;

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

(b) CES Share Plan

Objectives

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

Share Plans (cont'd)

(b) CES Share Plan (cont'd)

Eligibility

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

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

(ii) Non-executive directors of the Company;

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

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

Awards

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

Size of 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:

- Reviewed the audit plans of the internal and external auditors of the Group and the Company, and reviewed the internal auditors' evaluation of the adequacy of the Company's system of internal accounting controls and the assistance given by the Group and Company's management to the external and internal auditors.
- Reviewed the quarterly and annual financial statements and the auditors' report on the annual financial statements of the Group and the Company before their submission to the board of directors.
- Reviewed effectiveness of the Group and the Company's material internal controls, including financial, operational and compliance controls and risk management via reviews carried out by the internal auditor.
- Met with the external auditor, other committees and management in separate executive sessions to discuss any matters that these groups believe should be discussed privately with the AC.
- Reviewed legal and regulatory matters that may have a material impact on the financial statements, related compliance policies and programmes and any reports received from regulators.
- Reviewed the cost effectiveness and the independence and objectivity of the external auditor.
- Reviewed the nature and extent of non-audit services provided by the external auditor.
- Recommended to the board of directors the external auditors to be nominated, approved the compensation of the external auditor, and reviewed the scope and results of the audit.
- Reported actions and minutes of the AC to the board of directors with such recommendations as the AC considered appropriate.
- Reviewed interested person transactions in accordance with the requirements of the SGX-ST's Listing Manual.

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

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

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

Auditor

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

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
24 March 2014

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 2013 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
24 March 2014

INDEPENDENT AUDITOR'S REPORT

For the financial year ended 31 December 2013

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 50 to 119, which comprise the balance sheets of the Group and the Company as at 31 December 2013, 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.

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 2013 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
Chartered Accountants
Singapore

24 March 2014

CONSOLIDATED INCOME STATEMENT

for the financial year ended 31 December 2013

	Note	2013 $'000	2012 $'000
Revenue	4	502,467	617,132
Cost of sales		(413,286)	(487,418)
Gross profit		89,181	129,714
Other items of income			
Interest income	5	2,099	2,979
Dividend income from investment securities		161	847
Other income	6	14,901	32,383
Other items of expense			
Marketing and distribution		(20,539)	(30,727)
Administrative expenses		(28,387)	(27,802)
Finance costs	7	(2,011)	(1,022)
Share of results of associates		29,941	2,244
Profit before tax	8	85,346	108,616
Income tax expense	9	(11,972)	(27,344)
Profit for the year		73,374	81,272
Attributable to:			
Owners of the Company		73,374	81,272
Non-controlling interests		–	–
		73,374	81,272
Earnings per share attributable to owners of the Company (cents per share)			
Basic	10	11.32	12.29
Diluted	10	11.32	12.29

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 2013

	2013 $'000	2012 $'000
Profit for the year	73,374	81,272
Other comprehensive income:		
Items that will not be reclassified to profit or loss		
Surplus on revaluation of freehold land and buildings	2,078	–
Share of gain on property revaluation of associates	737	363
Income tax relating to components of other comprehensive income	(428)	–
	2,387	363
Items that may be reclassified subsequently to profit or loss		
Net gain/(loss) on fair value changes of available-for-sale financial assets	270	(486)
Foreign currency translation	(10,691)	(3,893)
	(10,421)	(4,379)
Other comprehensive loss for the year, net of tax	(8,034)	(4,016)
Total comprehensive income for the year	65,340	77,256
Attributable to:		
Owners of the Company	65,340	77,256
Non-controlling interests	–	–
Total comprehensive income for the year	65,340	77,256

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

BALANCE SHEETS

as at 31 December 2013

	Note	Group		Company	
		2013 $'000	2012 $'000	2013 $'000	2012 $'000
Non-current assets					
Property, plant and equipment	11	161,919	145,326	954	1,061
Investment properties	12	175,714	44,706	–	–
Intangible assets	13	297	279	205	228
Investment in subsidiaries	14	–	–	48,302	48,302
Investment in associates	15	28,370	4,968	650	650
Other receivables	16	11,191	9,593	124,252	55,157
Investment securities	17	2,030	2,143	2,018	2,002
Current assets					
Gross amount due from customers for contract work-in-progress	18	11,224	7,547	–	–
Completed properties held for sale	19	328	1,839	–	–
Development properties	20	651,436	543,987	–	–
Prepayments and deposits	21	8,780	1,519	129	14
Trade and other receivables	16	129,449	151,619	11,810	21,157
Cash and short-term deposits	22	284,222	242,050	8,034	3,707
		1,085,439	948,561	19,973	24,878
Deduct: Current liabilities					
Loans and borrowings	23	281,000	123,000	–	–
Gross amount due to customers for contract work-in-progress	18	28,225	24,251	–	–
Provisions	24	2,988	1,907	–	–
Trade and other payables	25	107,582	108,783	136	145
Other liabilities	26	31,438	48,194	12,851	13,799
Income tax payable		12,875	46,503	43	133
		464,108	352,638	13,030	14,077
Net current assets		621,331	595,923	6,943	10,801

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

	Note	Group		Company	
		2013	2012	2013	2012
		$'000	$'000	$'000	$'000
Deduct: Non-current liabilities					
Loans and borrowings	23	487,523	338,750	–	–
Deferred tax liabilities	27	14,521	3,703	5	5
		502,044	342,453	5	5
Net assets		498,808	460,485	183,319	118,196
Equity attributable to owners of the Company					
Share capital	28(a)	79,691	79,691	79,691	79,691
Treasury shares	28(b)	(12,006)	(10,922)	(12,006)	(10,922)
Retained earnings		442,193	398,790	115,897	53,998
Other reserves	29	(11,070)	(7,074)	(263)	(4,571)
		498,808	460,485	183,319	118,196
Non-controlling interests		–	–	–	–
Total equity		498,808	460,485	183,319	118,196

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 2013

		Attributable to owners of the Company					
2013 **Group**	**Equity, total $'000**	**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 2013	460,485	460,485	79,691	(10,922)	398,790	(7,074)	–
Reclassification	–	–	–	–	(4,038)	4,038	–
Profit for the year	73,374	73,374	–	–	73,374	–	–
Other comprehensive income							
Net gain on fair value changes of available-for-sale financial assets	270	270	–	–	–	270	–
Net surplus on revaluation of freehold land and buildings	1,650	1,650	–	–	–	1,650	–
Foreign currency translation	(10,691)	(10,691)	–	–	–	(10,691)	–
Share of other comprehensive income of associates	737	737	–	–	–	737	–
Other comprehensive loss for the year, net of tax	(8,034)	(8,034)	–	–	–	(8,034)	–
Total comprehensive income for the year	65,340	65,340	–	–	73,374	(8,034)	–
Contributions by and distributions to owners							
Purchase of treasury shares	(1,084)	(1,084)	–	(1,084)	–	–	–
Dividend for 2012 - paid (first and final dividend of 4.00 cents per share, tax exempt, one-tier tax)	(25,933)	(25,933)	–	–	(25,933)	–	–
Total transactions with owners in their capacity as owners	(27,017)	(27,017)	–	(1,084)	(25,933)	–	–
Closing balance at 31 December 2013	498,808	498,808	79,691	(12,006)	442,193	(11,070)	–

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

2012 Group	Equity, total $'000	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
		Attributable to owners of the Company					
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.

2013 **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 2013	118,196	79,691	(10,922)	53,998	(4,571)
Reclassification	–	–	–	(4,038)	4,038
Profit for the year	91,870	–	–	91,870	–
Other comprehensive income					
Net gain on fair value changes of available-for-sale financial assets	270	–	–	–	270
Other comprehensive income for the year, net of tax	270	–	–	–	270
Total comprehensive income for the year	92,140	–	–	91,870	270
Contributions by and distributions to owners					
Purchase of treasury share	(1,084)	–	(1,084)	–	–
Dividend for 2012 - paid (first and final dividend of 4.00 cents per share, tax exempt, one-tier tax)	(25,933)	–	–	(25,933)	–
Total transactions with owners in their capacity as owners	(27,017)	–	(1,084)	(25,933)	–
Closing balance at 31 December 2013	183,319	79,691	(12,006)	115,897	(263)
2012 **Company**					
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.

CONSOLIDATED CASH FLOW STATEMENT

for the financial year ended 31 December 2013

	Note	2013 $'000	2012 $'000
Operating activities			
Profit before tax		85,346	108,616
Adjustments for:			
Amortisation of intangible assets	13	41	12
Depreciation of property, plant and equipment	11	3,491	3,054
Interest income		(2,099)	(2,979)
Dividend income from investment securities		(161)	(847)
Finance costs		2,011	1,022
Net gain on disposal of property, plant and equipment		(192)	–
Net gain on disposal of investment property		–	(1,230)
Foreign currency translation adjustment		(10,296)	(2,479)
Net fair value gain on investment securities		(68)	(74)
Share of results of associates		(29,941)	(2,244)
Net fair value gain on investment properties	12	(13,000)	(29,971)
Net gain on disposal of investment securities		(115)	–
(Reversal of)/impairment loss on receivables	16	(21)	209
Write-down of completed property held for sale		–	131
(Gain from bargain purchase)/goodwill written off		(180)	3,221
Property, plant and equipment written off		3	–
Operating cash flows before changes in working capital		34,819	76,441
Decrease/(increase) in completed properties		1,511	(518)
(Increase)/decrease in development properties		(107,449)	34,830
(Increase)/decrease in prepayments and deposits		(7,261)	17,319
Decrease in trade and other receivables		22,662	15,519
Increase in gross amount due to customers for contract work-in-progress		1,377	14,096
Decrease in trade and other payables		(6,858)	(33,231)
(Decrease)/increase in other liabilities		(16,756)	16,061
Cash flows (used in)/generated from operations		(77,955)	140,517
Interest paid		(1,724)	(820)
Interest received		1,335	2,791
Income taxes paid		(35,209)	(5,838)
Net cash flows (used in)/generated from operating activities		(113,553)	136,650

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

	Note	2013 $'000	2012 $'000
Investing activities			
Purchase of property, plant and equipment		(18,415)	(136,673)
Proceeds from disposal of property, plant and equipment		204	–
Proceeds from disposal of investment property		–	4,140
Proceeds from disposal of investment securities		566	–
Dividend income from associates and investment securities		6,218	10,992
(Advances to)/repayment from advances to associates		(1,088)	6,037
Proceeds from liquidation of associates		711	–
Net cash inflow on acquisition of subsidiary	14	5,840	47,288
Additions to intangible assets	13	(59)	(225)
Additions to investment properties		(118,008)	–
Net cash flows used in investing activities		(124,031)	(68,441)
Financing activities			
Repayment of loans and borrowings		(69,000)	(212,283)
Proceeds from loans and borrowings		375,773	264,514
Dividends paid on ordinary shares		(25,933)	(26,486)
Purchase of treasury shares		(1,084)	(7,678)
Net cash flows from financing activities		279,756	18,067
Net increase in cash and cash equivalents		42,172	86,276
Cash and cash equivalents at beginning of the year		242,050	155,774
Cash and cash equivalents at end of the year	22	284,222	242,050

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

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2013

1. CORPORATE INFORMATION

Chip Eng Seng Corporation Ltd is a limited liability company incorporated and domiciled in Singapore and is listed on the 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 2013 are:

	Name of Company	Country of incorporation	Principal activities	Proportion (%) of ownership interest 2013	2012
	Subsidiary companies				
	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
^	CES-Balmoral Pte. Ltd.	Singapore	Property developer	100	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

1. CORPORATE INFORMATION (CONT'D)

	Name of Company	Country of incorporation	Principal activities	Proportion (%) of ownership interest 2013	2012
	Subsidiary companies (cont'd)				
	Held by subsidiaries				
^^	CES (Vietnam) Management Services Co., Ltd.	Vietnam	In the process of deregistration	100	100
^^	CEL Australia Pty Ltd	Australia	Investment holding	100	100
^^	242 West Coast Highway Scarborough Pty Ltd	Australia	Property developer	100	100
^^	CES-McKenzie (VIC) Pty Ltd	Australia	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
##	CEL Property Investment (Australia) Pte. Ltd. (formerly known as CEL EC Development Pte. Ltd.)	Singapore	Investment holding	100	–
##	CES Properties (AUS) Pty Ltd	Australia	Property investor	100	–
^^	CES-Victoria (VIC) Pty Ltd	Australia	Property developer	100	–
^	CEL-Fort Pte. Ltd.	Singapore	Property developer	100	100
^	CEL Pasir Panjang Pte. Ltd.	Singapore	Property developer and investment	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	100
^	CES-West Coast Pte. Ltd.	Singapore	Property developer	100	100
^	CEL Property Pte. Ltd.	Singapore	Property developer and investment holding	100	100
^	PH Properties Pte. Ltd.	Singapore	Property developer	100+	50
##	CEL Residential Development Pte Ltd	Singapore	Property developer	100	–
^	CEL Property Investment Pte Ltd	Singapore	Property investor	100	–

1. CORPORATE INFORMATION (CONT'D)

	Name of Company	Country of incorporation	Principal activities	Proportion (%) of ownership interest 2013	2012
	Subsidiary companies (cont'd)				
	Held by subsidiaries (cont'd)				
^	CEL-Yishun (Residential) Pte Ltd	Singapore	Property developer	100	–
^	CEL-Yishun (Commercial) Pte Ltd	Singapore	Property developer	100	–
	Associated companies				
	Held by the company				
**	Ardille Pte Ltd	Singapore	Investment holding	38	38
	Held by associated companies				
**	ACP Metal Finishing Pte Ltd	Singapore	Provision of custom electro-plating and surface treatment services	38	38
	Held by subsidiaries				
^	Devonshire Development Pte. Ltd.	Singapore	Property developer	40	40
^^	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 Ernst & Young LLP, Singapore, Certified Public Accountants.
^^	Audited by member firms of Ernst & Young Global in the respective countries.
*	Audited by BDO Chartered Accountants & Advisers in Australia.
**	Audited by RSM Chio Lim LLP, Singapore, Certified Public Accountants.

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 2013. The adoption of these standards did not have any effect on the financial performance or position of the Group and the Company.

Accordingly to the transition provisions of FRS 113 *Fair Value Measurement*, FRS113 has been applied prospectively by the Group on 1 January 2013.

FRS 113 *Fair Value Measurement*

FRS 113 provides a single source of guidance under FRS for all fair value measurements. FRS 113 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under FRS when fair value is required or permitted by FRS. The Group has assessed that the highest and best use of its properties do not differ from their current use.

2.3 Standards issued but not yet effective

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

Description	*Effective for annual periods beginning on or after*
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

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

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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

FRS 111 classifies joint arrangements either as joint operations or joint ventures. A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets and obligations for the liabilities of the arrangement 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 the equity method for its 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 applied in 2014.

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:

- derecognises the assets (including goodwill) and liabilities of the subsidiary at their carrying amounts at the date when controls is lost;
- derecognises the carrying amount of any non-controlling interest;
- derecognises 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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

(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.

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), that are present ownership interests and entitle their holder to a proportionate share of net assets in the event of liquidation, is recognised on the acquisition date at fair value, or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets. Other components of non-controlling interests are measured at their acquisition date fair value, unless another measurement basis is required by another FRS.

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

2.5 Transactions with non-controlling interests

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

Changes in the Company's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. In such circumstances, the carrying amounts of the controlling and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interest is adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

2.6 Foreign currency

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.6 Foreign currency (cont'd)

(a) Transactions and balances

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

Exchange differences arising on the settlement of monetary items or on translating monetary items at the end of the reporting period are recognised in profit or loss 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, property, plant and equipment other than freehold land and buildings 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 2.21. 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:

Buildings	-	10 years
Leasehold land	-	23 to 99 years
Building and construction equipment	-	2 to 5 years
Motor vehicles	-	5 years
Furniture, fixtures and fittings	-	5 years
Computer and office equipment	-	3 to 5 years
Container office	-	5 years

Buildings under construction except for leasehold land, 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 that are held to earn rentals or for capital appreciation, or both, rather than for use in the production or supply of goods or services, or for administrative purposes, or in the ordinary course of business. Investment properties comprise completed investment properties and properties that are being constructed or developed for future use as investment properties. Properties held under operating leases are classified as investment properties when the definition of investment properties is met.

Investment properties are initially measured at cost, including transaction costs. 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. Gains or losses arising from changes in the fair values of investment properties are included in profit or loss in the year in which they arise.

Investment properties are derecognised when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.8 Investment properties (cont'd)

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.

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.

2.10 Impairment of non-financial assets

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

An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs of disposal and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or group of assets. Where the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. 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 of disposal, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.10 Impairment of non-financial assets (cont'd)

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, 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.

2.12 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.12 Associates (cont'd)

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 intra-group 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.

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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.14 Financial instruments

(a) Financial assets

Initial recognition and measurement

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

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

Subsequent measurement

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

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

Financial assets at fair value through profit or loss include financial assets held for trading. 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.

(ii) 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.

(iii) 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 derecognised.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.14 Financial instruments (cont'd)

(a) Financial assets (cont'd)

Derecognition

A financial asset is derecognised where the contractual right to receive cash flows from the asset has expired. On derecognition 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.

(b) Financial liabilities

Initial recognition and measurement

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

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

Subsequent measurement

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

(i) Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading. 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.

(ii) Financial liabilities at amortised cost

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.14 Financial instruments (cont'd)

(b) Financial liabilities (cont'd)

Derecognition

A financial liability is derecognised 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 derecognition 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.

(c) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is presented in the balance sheets, when and only when, there is a currently enforceable legal right to set off the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

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.

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

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.15 Impairment of financial assets (cont'd)

(b) Financial assets carried at cost

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

(c) Available-for-sale financial assets

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

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.17 Construction contracts (cont'd)

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 can be 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.

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.

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.

2.19 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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.20 Financial guarantee

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

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

2.21 Borrowing costs

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

2.22 Employee benefits

(a) Defined contribution plans

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

(b) 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 reissued 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 reissue net of any directly attributable incremental transaction costs and related income tax, is taken to the treasury shares reserve of the Company.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.23 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.

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

2.24 Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured, regardless of when the payment is made. Revenue is measured at the fair value of consideration received or receivable, taking into account contractually defined terms of payment excluding taxes or duty. The Group assesses its revenue arrangements to determine if it is acting as principal or agent. 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)

2.24 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 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)

2.25 Taxes

(a) Current income tax

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

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

(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)

2.25 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 is incurred during the measurement period or in profit or loss.

(c) Sales tax

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

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

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

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.

2.26 Share capital and share issuance expenses

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

2.27 Treasury shares

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.28 Contingencies

A contingent liability is:

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

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

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

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

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

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

2.29 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); and/or

(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).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.30 Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. Government grant shall be recognised in profit or loss on a systematic basis over the periods in which the entity recognises as expenses the related costs for which the grants are intended to compensate. Grants related to income may be presented as a credit in profit or loss, either separately or under a general heading such as "other income". Alternatively, they are deducted in reporting the related expenses.

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 equity investments

The Group records impairment charges on available-for-sale equity investments when there has been a significant or prolonged decline in the fair value below their cost. The determination of what is "significant" or "prolonged" requires judgement. In making this judgement, the Group evaluates, among other factors, historical share price movements and the duration and extent to which the fair value of an investment is less than its cost. For the financial year ended 31 December 2013, there is no impairment loss recognised for available-for-sale financial assets.

(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) Determination of lease classification

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 such as the lease term not constituting a substantial portion of the economic life of the commercial property, that it retains all the significant risks and rewards of ownership of these properties and so accounts for the contracts as operating leases.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONT'D)

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

(d) Classification of property

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

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

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

3.2 Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of each reporting period are discussed below. The Group based its assumptions and estimates on parameters available when the financial statements 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) 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. If the estimated total contract cost had been 2% higher than management estimate, the net carrying amount of the assets and liabilities arising from construction contracts would have been $16,118,000 (2012: $15,154,000) higher.

(b) Revaluation of investment properties and property, plant and equipment

The Group carries its investment properties and property, plant and equipment at fair value, with changes in fair values being recognised in profit or loss and other comprehensive income respectively.

The fair values of investment properties and property, plant and equipment are determined by independent real estate valuation experts using market comparable approach.

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

The carrying amount and key assumptions used to determine the fair value of the investment properties and property, plant and equipment are further explained in Note 11, 12 and 34(d)(i).

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONT'D)

3.2 Key sources of estimation uncertainty (cont'd)

(c) Revenue recognition on development property under construction

The Group recognises revenue for pre-completion sales of certain types of properties by reference to the stage of completion using the percentage of completion method. The stage of completion is measured based on the value of construction work certified by architects over the total contract value of construction of the development property. Significant assumptions are required to estimate the total development costs and the recoverable variation works that affect the stage of completion and the revenue respectively. In making these estimates, management has relied on past experience and knowledge of the project engineers. The carrying amounts of assets and liabilities as well as the revenue from sale of development property (recognised on percentage of completion basis) are disclosed in Note 20 and Note 4 to the financial statements respectively. If the estimated total development cost had been 2% higher than management estimate, the carrying amount of the assets arising from development properties under construction would have been $4,855,000 (2012: $1,994,000) higher.

4. REVENUE

	Group	
	2013 **$'000**	**2012** **$'000**
Construction revenue	275,529	245,093
Sale of development properties (recognised on percentage of completion basis)	224,617	368,572
Rental income from investment properties (Note 12)	2,301	3,457
Management fees	20	10
	502,467	617,132

5. INTEREST INCOME

	Group	
	2013 **$'000**	**2012** **$'000**
Interest income from loan and receivables	2,099	2,979

6. OTHER INCOME

	Group	
	2013 **$'000**	**2012** **$'000**
Net gain from fair value adjustment of investment properties (Note 12)	13,000	29,971
Net gain on disposal of property, plant and equipment	192	–
Net fair value gain on investment securities	68	74
Deposits forfeited from buyers	312	356
Net gain on disposal of an investment property	–	1,230
Net gain on disposal of investment securities	115	–
Gain from bargain purchase (Note 14)	180	–
Government grants	573	75
Others	461	677
	14,901	32,383

7. FINANCE COSTS

	Group	
	2013	**2012**
	$'000	**$'000**
Interest expense on bank loans and borrowings	12,351	13,802
Less: Interest expense capitalised in		
- Development properties (Note 20)	(8,538)	(11,158)
- Property, plant and equipment (Note 11)	(1,802)	(1,622)
Total finance costs	2,011	1,022

8. PROFIT BEFORE TAX

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

	Group	
	2013	**2012**
	$'000	**$'000**
Audit fees paid to:		
- Auditors of the Company	372	323
- Other auditors	4	4
Non-audit fees paid to:		
- Auditors of the Company	23	23
- Other auditors	–	–
Depreciation of property, plant and equipment (Note 11)	3,491	3,054
Amortisation of intangible assets (Note 13)	41	12
Net foreign exchange loss	2,091	1,333
Employee benefits expense (Note 30)	71,425	58,518
Operating lease expense (Note 32(b))	619	565
(Reversal of)/impairment loss on receivables	(21)	209
Write-down of completed property held for sale	–	131
Goodwill written off	–	3,221
Property, plant and equipment written off	3	–

9. INCOME TAX EXPENSE

Major components of income tax expense

The major components of income tax expense for the years ended 31 December 2013 and 2012 are:

	Group	
	2013	**2012**
	$'000	**$'000**
Consolidated income statement:		
Current income tax		
- current income taxation	4,310	26,337
- overprovision in respect of previous years	(577)	(2,363)
	3,733	23,974
Deferred income tax		
- origination and reversal of temporary differences	8,239	3,370
Income tax expense recognised in profit or loss	11,972	27,344

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 2013 and 2012 is as follows:

	Group	
	2013	**2012**
	$'000	**$'000**
Accounting profit before tax	85,346	108,616
Tax at the domestic rates applicable to profits in the countries where the Group operates	17,279	25,149
Adjustments:		
Non-deductible expenses	1,970	7,853
Income not subject to taxation	(888)	(5,374)
Deferred tax assets not recognised	3,026	3,394
Effect of partial tax exemption and tax relief	(377)	(157)
Overprovision in respect of previous years	(577)	(2,363)
Share of results of associates	(8,710)	(1,099)
Others	249	(59)
Income tax expense recognised in profit or loss	11,972	27,344

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	
	2013	**2012**
	’000	**’000**
Profit, net of tax, attributable to owners of the Company used in the computation of basic earnings per share	$73,374	$81,272
Weighted average number of ordinary shares for basic earnings per share computation	648,314	661,482

There is no dilution of earnings per share 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

	At Valuation		**At Cost**					
Group	**Freehold land**	**Buildings**	**Leasehold land and buildings under construction**	**Container office, building and construction equipment**	**Motor vehicles**	**Computer and office equipment**	**Furniture, fixture and fittings**	**Total**
	$’000	**$’000**	**$’000**	**$’000**	**$’000**	**$’000**	**$’000**	**$’000**
Cost or valuation								
At 1 January 2012	3,291	268	–	8,796	3,945	1,285	1,365	18,950
Additions	–	–	134,413	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 and 1 January 2013	3,297	268	134,413	10,176	4,502	1,438	1,496	155,590
Additions	–	144	17,086	115	869	175	26	18,415
Disposals	–	–	–	–	(575)	(7)	–	(582)
Written off	–	–	–	–	–	(298)	(4)	(302)
Revaluation surplus	2,061	17	–	–	–	–	–	2,078
Exchange differences	(192)	(5)	–	(223)	(13)	(6)	(13)	(452)
At 31 December 2013	5,166	424	151,499	10,068	4,783	1,302	1,505	174,747

11. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

	At Valuation		At Cost					
Group	**Freehold land**	**Buildings**	**Leasehold land and buildings under construction**	**Container office, building and construction equipment**	**Motor vehicles**	**Computer and office equipment**	**Furniture, fixture and fittings**	**Total**
	$'000	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Accumulated depreciation								
At 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 and 1 January 2013	–	268	1,063	4,293	2,207	1,087	1,346	10,264
Depreciation charge for the year	–	40	1,404	1,039	784	181	43	3,491
Disposals	–	–	–	–	(565)	(5)	–	(570)
Written off	–	–	–	–	–	(295)	(4)	(299)
Exchange differences	–	(1)	–	(44)	(6)	(3)	(4)	(58)
At 31 December 2013	–	307	2,467	5,288	2,420	965	1,381	12,828
Net carrying amount								
At 31 December 2012	3,297	–	133,350	5,883	2,295	351	150	145,326
At 31 December 2013	5,166	117	149,032	4,780	2,363	337	124	161,919

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 2012	1,484	135	471	2,090
Additions	224	2	–	226
At 31 December 2012 and 1 January 2013	1,708	137	471	2,316
Additions	258	9	4	271
Written off	–	(85)	–	(85)
At 31 December 2013	1,966	61	475	2,502
Accumulated depreciation				
At 1 January 2012	332	123	456	911
Depreciation charge for the year	331	6	7	344
At 31 December 2012 and 1 January 2013	663	129	463	1,255
Depreciation charge for the year	367	7	4	378
Written off	–	(85)	–	(85)
At 31 December 2013	1,030	51	467	1,548
Net carrying amount				
At 31 December 2012	1,045	8	8	1,061
At 31 December 2013	936	10	8	954

The Group's leasehold land and building under construction with a carrying amount of $145,061,000 (2012: $130,161,000) are mortgaged to secure bank borrowing. The building 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 323 Alexandra Road, Singapore. It has a gross floor area of 14,369 square metres and include the capitalised borrowing cost of $1,802,000 (2012: $1,622,000).

The Group engaged Colliers International Consultancy & Valuation (Singapore) Pte Ltd and IPC Island Property Consultant Sdn Bhd, independent valuers to determine the fair value of the freehold land and buildings. The date of the revaluation was in December 2013. Details of valuation techniques and inputs used are disclosed in Note 34(d)(i).

12. INVESTMENT PROPERTIES

	Group	
	2013 $'000	2012 $'000
At 1 January	44,706	139,436
Net gains from fair value adjustments recognised in profit or loss (Note 6)	13,000	29,971
Additions (acquisition of property)	118,008	–
Disposal	–	(2,910)
Reclassified to development property	–	(121,791)
At 31 December	175,714	44,706

12. INVESTMENT PROPERTIES (CONT'D)

The investment properties held by the Group as at 31 December 2013 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 (74 years remaining)	Shops and offices
A part 2-storey, part 4-storey shophouse at 161 Geylang Road, Singapore	99 years from 4 May 1993 (79 years remaining)	Shops and offices
6-storey light industrial building with a basement carpark at 69 Ubi Crescent, Singapore	60 years from 5 July 1997 (44 years remaining)	Light industrial building
3 adjoining units of 2-1/2 storey shophouses with 4-storey rear extension at 115 Geylang Road, Singapore	Freehold	Boarding hotel
12-storey office building at 171 Chin Swee Road, Singapore	99 years from 2 June 1969 (55 years remaining)	Offices (under addition and alteration works)

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

Properties pledged as securities

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

Valuation of investment properties

Investment properties are stated at fair value, which has been determined based on valuations performed in December 2013. 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. Details of valuations techniques and inputs used are disclosed in Note 34(d)(i).

As disclosed in Note 4, the property rental income earned by the Group for the year ended 31 December 2013 from its investment properties, which are leased out under operating leases, amounted to $2,301,000 (2012: $3,457,000). Direct operating expenses (including repairs and maintenance, property tax, etc.) arising on the rental-earning investment properties amounted to $856,000 (2012: $1,247,000).

13. INTANGIBLE ASSETS

Club membership	Group $'000	Company $'000
Cost		
At 1 January 2012	129	3
Addition	225	225
At 31 December 2012 and 1 January 2013	354	228
Addition	59	–
At 31 December 2013	413	228
Accumulated amortisation		
At 1 January 2012	63	–
Amortisation for the year	12	–
At 31 December 2012 and 1 January 2013	75	–
Amortisation for the year	41	23
At 31 December 2013	116	23
Net carrying amount		
At 31 December 2012	279	228
At 31 December 2013	297	205

The amortisation of club membership is included in the "Administrative expenses" line item in profit or loss. The remaining amortisation period range from 4 to 9 years (2012: 5 to 10 years).

14. INVESTMENT IN SUBSIDIARIES

	Company	
	2013 $'000	2012 $'000
Shares, at cost	48,302	48,302

Details regarding subsidiaries are set out in Note 1.

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

Acquisition of subsidiary

On 12 August 2013 (the "acquisition date"), the Group's subsidiary company, CEL Development Pte Ltd acquired an additional 50% equity interest in its 50% owned associate, PH Properties Pte Ltd ("PH Properties"). PH Properties is a property developer. Upon the acquisition, PH Properties became wholly-owned subsidiary of the Group.

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

14. INVESTMENT IN SUBSIDIARIES (CONT'D)

The fair value of the identifiable assets and liabilities of PH Properties as at the acquisition date were:

	Fair value recognition on acquisition $'000
Trade receivables	341
Cash and cash equivalents	6,290
Trade payables	(5,371)
Total identifiable net liabilities at fair value	1,260
Non-controlling interest	(630)
Gain from bargain purchase (Note 6)	(180)
Total consideration	450
Less: Cash acquired	(6,290)
Net cash inflow on acquisition	(5,840)

Impact of the acquisition on profit or loss

From the acquisition date, PH Properties has contributed $Nil of revenue and $533,000 to the Group's profit for the year. If the business combination had taken place at the beginning of the year, the revenue would have been $Nil and the Group's profit for the year would have been $2,823,000.

15. INVESTMENT IN ASSOCIATES

	Group		Company	
	2013 $'000	2012 $'000	2013 $'000	2012 $'000
Shares, at cost	1,850	3,050	650	650
Share of post-acquisition reserves	26,520	1,918	–	–
	28,370	4,968	650	650

Details regarding associates are set out in Note 1.

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

	Group	
	2013 $'000	2012 $'000
Assets and liabilities:		
Total assets	278,819	348,166
Total liabilities	212,200	332,944
Results:		
Revenue	15,009	13,451
Profit for the year	67,949	815

16. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2013 $'000	2012 $'000	2013 $'000	2012 $'000
Trade and other receivables (current):				
Trade receivables	64,702	87,779	–	–
Refundable deposits	4,226	1,830	–	10
Recoverables	7,925	7,705	–	–
GST receivables	11,825	14,409	–	–
Amounts due from subsidiaries, trade	–	–	11,810	12,289
Amount due from a subsidiary, non-trade	–	–	–	8,858
Amounts due from associates, non-trade	40,771	39,896	–	–
	129,449	151,619	11,810	21,157
Other receivables (non-current):				
Amounts due from subsidiaries, non-trade	–	–	124,252	55,157
Amounts due from associates, non-trade	10,581	9,593	–	–
Other receivables	610	–	–	–
	11,191	9,593	124,252	55,157
Total trade and other receivables (current and non-current, excluding GST receivables)	128,815	146,803	136,062	76,314
Add: Cash and short-term deposits (Note 22)	284,222	242,050	8,034	3,707
Total loans and receivables	413,037	388,853	144,096	80,021

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

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

Recoverables

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

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

These amounts are unsecured and non-interest bearing, except for loans amounting to $122,227,000 (2012: $60,815,000) at 1.25% (2012: 1.25%) p.a. above SIBOR.

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

Included in amounts due from associates are loans amounting to $39,776,000 (2012: $39,011,000) which bear interest between 1.62% to 2.075% p.a. (2012: 1.62% to 2.075% p.a.). The amounts of $39,776,000 (2012: $39,011,000) 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 $40,771,000 (2012: $39,896,000), the remaining amounts are not expected to be repaid within the next 12 months. All amounts are to be settled in cash.

16. TRADE AND OTHER RECEIVABLES (CONT'D)

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	
	2013 $'000	2012 $'000
Receivables – nominal amounts	2,152	2,173
Less: Allowance for impairment	(2,152)	(2,173)
	–	–
Movement in allowance accounts:		
At 1 January	2,173	1,964
Charge for the year	188	209
Reversal of impairment	(209)	–
At 31 December	2,152	2,173

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	
	2013 $'000	2012 $'000	2013 $'000	2012 $'000
Available-for-sale financial assets				
Quoted shares, at fair value	2,018	1,748	2,018	1,748
Held for trading investments				
Quoted shares, at fair value	12	395	–	254
	2,030	2,143	2,018	2,002

18. GROSS AMOUNT DUE FROM/(TO) CUSTOMERS FOR CONTRACT WORK-IN-PROGRESS

	Group	
	2013	2012
	$'000	$'000
Aggregate amount of costs incurred and recognised profits (less recognised losses) to date	892,357	872,720
Less: Progress billings	(909,358)	(889,424)
	(17,001)	(16,704)
Presented as:		
Gross amount due from customers for contract work	11,224	7,547
Gross amount due to customers for contract work	(28,225)	(24,251)
	(17,001)	(16,704)
Retention sums on construction contract included in trade receivables	11,696	14,505

19. COMPLETED PROPERTIES HELD FOR SALE

	Group	
	2013	2012
	$'000	$'000
Freehold properties, at cost	328	1,839

20. DEVELOPMENT PROPERTIES

	Group	
	2013	2012
	$'000	$'000
Freehold land, at cost	284,264	254,056
Leasehold land, at cost	559,262	343,565
Development costs	242,767	99,704
Aggregate costs incurred and recognised to date	1,086,293	697,325
Add: Profit before tax recognised to date	94,374	40,974
Less: Advances received	(529,231)	(194,312)
	651,436	543,987
Development properties recognised as an expense in cost of sales	164,075	284,775

20. DEVELOPMENT PROPERTIES (CONT'D)

The above relates to the following properties 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 development (My Manhattan) at Simei Street 3, Singapore	100	11,793	27,124	97.4% (2014)
Public residential development (Belvia) at Bedok Reservoir Crescent, Singapore	100	16,668	46,671	71.1% (2014)
Freehold industrial development (100 Pasir Panjang) at Pasir Panjang Road, Singapore	100	5,035	12,588	80.0% (2014)
Leasehold commercial development (Alexandra Central) at 321 Alexandra Road, Singapore	100	7,946	8,671	18.7% (2014)
Freehold residential development (Fulcrum) at Fort Road, Singapore	100	4,449	10,272	24.6% (2015)
Leasehold mixed development (Junction Nine and Nine Residences) at Yishun Avenue 9, Singapore	100	8,858	26,291	7.0% (2016)
Freehold mixed development (Tower Melbourne) at 150 Queen Street, Melbourne, Australia	100	913	56,400	0% (2017)
Freehold residential development at 170 Victoria Street, Melbourne, Australia	100	2,927	Under planning stage	Not launched yet
Freehold residential development (Whitesands) at 242 West Coast Highway, Scarborough, Western Australia	100	10,165	24,000	Not launched yet

During the financial year, borrowing costs of $8,538,000 (2012: $11,158,000) 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 1.43% to 2.27% (2012: 1.44% to 5.463%) 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	
	2013 $'000	2012 $'000	2013 $'000	2012 $'000
Prepayments	1,511	1,519	129	14
Deposits for land purchase	7,269	–	–	–
	8,780	1,519	129	14

22. CASH AND SHORT-TERM DEPOSITS

	Group		Company	
	2013 $'000	2012 $'000	2013 $'000	2012 $'000
Cash at banks and on hand	117,903	139,654	7,695	3,663
Short-term deposits	846	39,703	339	44
Project account – cash at bank	165,473	62,693	–	–
	284,222	242,050	8,034	3,707

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 2013 for the Group and the Company range from 1.00% to 2.93% (2012: 0.19% to 4.25%) and from 1.96% to 2.66% (2012: 0.19% to 4.25%) 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 2013, the project accounts have a total balance of $165,473,000 (2012: $62,693,000).

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

	Group		Company	
	2013 $'000	2012 $'000	2013 $'000	2012 $'000
Australian Dollar	5,395	55,148	339	44
Malaysian Ringgit	478	832	–	–

23. LOANS AND BORROWINGS

	Maturity	Group 2013 $'000	Group 2012 $'000
Current:			
Secured bank loans	2014	281,000	123,000
Non-current:			
Secured bank loans	2015 to 2018	487,523	338,750
Total loans and borrowings		768,523	461,750

The Group's borrowings are denominated in Singapore Dollars. As at 31 December 2013, the bank loans bear interest at varying rates from 1.43% to 3.09% (2012: 1.44% to 3.09%) per annum.

The bank loans are secured by:

(a) legal mortgage on the hotel project (Note 11), investment properties (Note 12) and development properties (Note 20);
(b) assignment of present and future tenancy and sales agreements;
(c) assignment of construction contracts, performance bonds and fire insurance policy;
(d) subordination of shareholder's loan;
(e) fixed and floating charge on all the assets of the development properties and hotel project;
(f) assignment of building agreement;
(g) assignment of dividends to be received;
(h) charge of bank accounts with the banker; and
(i) corporate guarantee from the Company.

24. PROVISIONS

	Group	
	2013 $'000	2012 $'000
At 1 January	1,907	1,508
Arose during the financial year	1,081	399
At 31 December	2,988	1,907

The above provision relates to warranty provision.

25. TRADE AND OTHER PAYABLES

	Group		Company	
	2013 $'000	2012 $'000	2013 $'000	2012 $'000
Trade payables	105,336	106,583	48	51
Other payables	791	1,415	–	–
GST payables	1,455	785	88	94
	107,582	108,783	136	145
Trade and other payables (excluding GST payables)	106,127	107,998	48	51
Add:				
- Other liabilities (Note 26)	31,438	48,194	12,851	13,799
- Loans and borrowings (Note 23)	768,523	461,750	–	–
Total financial liabilities carried at amortised cost	906,088	617,942	12,899	13,850

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	
	2013 $'000	2012 $'000
Australian Dollar	916	1,901
Malaysian Ringgit	1,788	2,021

26. OTHER LIABILITIES

	Group		Company	
	2013 $'000	2012 $'000	2013 $'000	2012 $'000
Accrued operating expenses	31,075	47,789	12,851	13,799
Rental deposits	363	405	–	–
	31,438	48,194	12,851	13,799

27. DEFERRED TAX LIABILITIES

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

	Group		Company	
	2013 $'000	2012 $'000	2013 $'000	2012 $'000
Deferred tax liabilities				
Differences in depreciation for tax purpose	929	176	5	5
Deferred tax liabilities on development properties	13,592	3,527	–	–
	14,521	3,703	5	5

Unrecognised tax losses

At the end of the reporting period, the Group has tax losses of approximately $14,411,000 (2012: $13,839,000) 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 tax losses do not expire under current tax legislation. 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.

Unrecognised temporary differences relating to investments in subsidiaries

At the end of the reporting period, no deferred tax liability (2012: Nil) has been recognised for taxes that would be payable on the undistributed earnings of certain of the Group's subsidiaries as the Group has determined that undistributed earnings of its subsidiaries will not be distributed in the foreseeable future.

Tax consequence of proposed dividends

There are no income tax consequences (2012: 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			
	2013		2012	
	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			
	2013		2012	
	No. of shares '000	$'000	No. of shares '000	$'000
At 1 January	(19,188)	(10,922)	(5,377)	(3,244)
Purchase of treasury shares	(1,510)	(1,084)	(13,811)	(7,678)
At 31 December	(20,698)	(12,006)	(19,188)	(10,922)

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

The Company acquired 1,510,000 (2012: 13,811,000) shares in the Company through purchases on the Singapore Exchange during the financial year ended 31 December 2013. The total amount paid to acquire the shares was $1,084,000 (2012: $7,678,000) 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	
	2013 $'000	2012 $'000	2013 $'000	2012 $'000
Fair value adjustment reserve	270	(4,038)	270	(4,038)
Foreign currency translation reserve	(14,231)	(3,540)	–	–
Capital reserve	674	674	–	–
Asset revaluation reserve	2,750	363	–	–
Treasury shares reserve	(533)	(533)	(533)	(533)
	(11,070)	(7,074)	(263)	(4,571)

29. OTHER RESERVES (CONT'D)

(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	
	2013	**2012**
	$'000	**$'000**
At 1 January	(4,038)	(3,552)
Reclassed to retained earnings	4,038	–
Available-for-sale financial assets:		
- net gain/(loss) on fair value changes during the year	270	(486)
At 31 December	270	(4,038)

The reclassification of $4,038,000 from fair value adjustment reserve to retained earnings is to better reflect the nature of balances.

(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	
	2013	**2012**
	$'000	**$'000**
At 1 January	(3,540)	353
Net effect of exchange difference arising from translation of financial statements of foreign operations	(10,691)	(3,893)
At 31 December	(14,231)	(3,540)

(c) Capital reserve

	Group	
	2013	**2012**
	$'000	**$'000**
At beginning and end of the year	674	674

29. OTHER RESERVES (CONT'D)

(d) Asset revaluation reserve

The asset revaluation reserve represents increases in the fair value of freehold land and buildings, net of tax, and decreases to the extent that such decrease relates to an increase on the same asset previously recognised in other comprehensive income.

	Group	
	2013	**2012**
	$'000	**$'000**
At 1 January	363	–
Net surplus on revaluation of freehold land and buildings	1,650	–
Share of other comprehensive income of associate	737	363
At 31 December	2,750	353

(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	
	2013	**2012**
	$'000	**$'000**
At beginning and end of the year	(533)	(533)

30. EMPLOYEE BENEFITS EXPENSE

	Group	
	2013	**2012**
	$'000	**$'000**
Employee benefits expense (including directors):		
Salaries and bonuses	63,652	53,222
Central Provident Fund contributions	7,340	4,954
Other short term benefits	433	342
	71,425	58,518

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	
	2013 $'000	2012 $'000
Interest income from associates	(770)	(955)
Management and other fees from associates	(20)	(10)
Construction contract service provided to associates	(48,717)	(110,823)
Sale of development properties to directors and relative of director of the Company and subsidiary companies	(26,753)	–

(b) *Compensation of key management personnel*

	Group	
	2013 $'000	2012 $'000
Short-term employee benefits	16,844	18,304
Central Provident Fund contributions	115	110
Other short-term benefits	72	58
	17,031	18,472
Comprise amounts paid to		
- Directors of the Company	14,154	15,574
- Other key management personnel	2,877	2,898
	17,031	18,472

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	
	2013 $'000	2012 $'000
Capital commitment in respect of purchase of freehold land	65,425	–

32. COMMITMENTS (CONT'D)

(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 $619,000 (2012: $565,000).

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

	Group	
	2013 $'000	2012 $'000
Not later than one year	635	602
Later than one year but not later than five years	1,556	2,191
	2,191	2,793

(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	
	2013 $'000	2012 $'000
Not later than one year	1,538	1,555
Later than one year but not later than five years	1,147	2,098
	2,685	3,653

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 $1,469,598,000 (2012: $826,885,000) granted to its subsidiaries. At 31 December 2013, the amount utilised was $846,668,000 (2012: $555,191,000); and

(b) It has guaranteed performance bonds of $Nil (2012: $25,764,000) provided by an insurance company.

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

34. FAIR VALUE OF ASSETS AND LIABILITIES

(a) Fair value hierarchy

The Group categories fair value measurements using a fair value hierarchy that is dependent on the valuation inputs used as follows:

- Level 1 – Quoted prices (unadjusted) in active market for identical assets or liabilities that the Group can access at the measurement date;
- Level 2 – Inputs other that quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and
- Level 3 – Unobservable inputs for the asset or liability.

Fair value measurements that use inputs of different hierarchy levels are categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

(b) Fair value of financial instruments

The following table shows an analysis of financial instruments measured at fair value at the end of the reporting period:

	Group 2013			
	Fair value measurements at the end of the reporting period using			
	Quoted prices in active markets for identical instruments (Level 1) $'000	Significant observable inputs other than quoted prices (Level 2) $'000	Significant unobservable inputs (Level 3) $'000	Total $'000
Recurring fair value measurements				
Assets				
Financial assets:				
Held for trading financial assets (Note 17)				
Quoted equity securities	12	–	–	12
Total held for trading financial assets	12	–	–	12
Available-for-sale financial assets (Note 17)				
Equity securities				
Quoted equity securities	2,018	–	–	2,018
Total available-for-sale financial assets	2,018	–	–	2,018
Financial assets as at 31 December 2013	2,030	–	–	2,030

34. FAIR VALUE OF ASSETS AND LIABILITIES (CONT'D)

(b) Fair value of financial instruments (cont'd)

	Group 2013			
	Fair value measurements at the end of the reporting period using			
	Quoted prices in active markets for identical instruments (Level 1) $'000	Significant observable inputs other than quoted prices (Level 2) $'000	Significant unobservable inputs (Level 3) $'000	Total $'000
Recurring fair value measurements (cont'd)				
Non-financial assets:				
Property, plant and equipment (Note 11)				
Freehold land	–	–	5,166	5,166
Buildings	–	–	117	117
Total property, plant and equipment	–	–	5,283	5,283
Investment properties (Note 12)				
Commercial	–	–	175,714	175,714
Total investment properties	–	–	175,714	175,714
Non-financial assets as at 31 December 2013	–	–	180,997	180,997

(c) Level 2 fair value measurements

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

34. FAIR VALUE OF ASSETS AND LIABILITIES (CONT'D)

(d) Level 3 fair value measurements

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

The following table shows the information about fair value measurements using significant unobservable inputs (Level 3):

Description	Fair Value at 31 December 2013	Valuation techniques	Unobservable inputs	Range
	$'000			
Recurring fair value measurements				
Property, plant and equipment				
Freehold land	5,166	Market comparable approach	Yield adjustments *	-8% to 42%
Buildings	117	Contractor's method	Yield adjustments *	-8% to 42%
Investment properties:				
Commercial	175,714	Market comparable approach	Yield adjustments *	-35% to 58%

* The yield adjustments are made for any difference in the location, size, tenure, age and condition of the specific property.

For freehold land and buildings and commercial investment properties, a significant increase (decrease) in yield adjustments would result in a significantly higher (lower) fair value measurement.

34. FAIR VALUE OF ASSETS AND LIABILITIES (CONT'D)

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

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

The following table presents the reconciliation for all assets and liabilities measured at fair value based on significant unobservable inputs (Level 3):

	Group 2013 $'000			
	Fair value measurements using significant unobservable inputs (Level 3)			
	Property, plant and equipment		Investment properties	Total
	Freehold land	Buildings	Commercial	
Opening balance	3,297	268	44,706	48,271
Total gains or losses for the period				
Included in profit or loss	–	–	13,000	13,000
Included in other comprehensive income	2,061	17	–	2,078
Purchases and settlements				
Purchases	–	144	118,008	118,152
Elimination of accumulated depreciation on revaluation	–	(307)	–	(307)
Exchange differences	(192)	(5)	–	(197)
Closing balance	5,166	117	175,714	180,997
Total gains and losses for the period included in				
Profit or loss:				
- Other income				
Net gain from fair value adjustment of investment properties (i)	–	–	13,000	13,000
Other comprehensive income:				
- Net surplus on revaluation of land and buildings	2,061	17	–	2,078

(i) Relates to net gain from fair value adjustment of investment properties held as at 31 December 2013.

34. FAIR VALUE OF ASSETS AND LIABILITIES (CONT'D)

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

(iii) Valuation policies and procedures

The Group revalues its freehold land and buildings and investment property portfolio on an annual basis. The fair value of freehold land and buildings and investment properties are determined by external, independent valuers which have appropriate recognised professional qualifications and experience in the location and category of property being valued. Management reviews the appropriateness of the valuation methodologies and assumptions adopted, and the reliability of the inputs used in the valuations.

(e) 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 and associates (Note 16) are not determined as the timing of the future cash flow arising from the amounts cannot be estimated reliably.

(f) Transfers into or out of Level 3

FRS 113 requires disclosures of the amount of any transfers into or out of Level 3 of the fair value hierarchy, the reasons for those transfers and the entity's policy for determining when transfers between levels are deemed to have occurred. Transfers into Level 3 shall be disclosed and discussed separately from transfers out of Level 3.

There were no assets or liabilities transferred from Level 1 and Level 2 to Level 3.

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

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

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

(a) Credit risk

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

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

Exposure to credit risk

At the end of the reporting period, the Group's and the Company's maximum exposure to credit risk is represented by:

- the carrying amount of each class of financial assets recognised in the balance sheets; and
- corporate guarantee provided by the Company for banking facilities granted to subsidiaries (Note 33).

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

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

(a) Credit risk (cont'd)

Credit risk concentration profile

The Group determines concentrations of credit risk by monitoring the country and industry sector profile of its trade receivables on an on-going basis. The credit risk concentration profile of the Group's trade receivables at the end of the reporting period is as follows:

	Group			
	2013		2012	
	$'000	% of total	$'000	% of total
By country:				
Singapore	42,772	66	71,093	81
Other countries	21,930	34	16,686	19
	64,702	100	87,779	100
By industry sectors:				
Construction	40,100	62	63,142	72
Property development	24,149	37	24,124	27
Property investment	2	–	5	–
Corporate and others	451	1	508	1
	64,702	100	87,779	100

At the end of the reporting period, approximately 41% (2012: 44%) 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 standby credit facilities.

At the end of the reporting period, approximately 37% (2012: 27%) 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			
2013	**One year or less $'000**	**One to five years $'000**	**Over five years $'000**	**Total $'000**
Undiscounted financial assets:				
Trade and other receivables	118,424	11,237	–	129,661
Cash and short-term deposits	284,222	–	–	284,222
Total undiscounted financial assets	402,646	11,237	–	413,883
Undiscounted financial liabilities:				
Trade and other payables	106,127	–	–	106,127
Other liabilities	31,438	–	–	31,438
Loans and borrowings	294,827	506,601	–	801,428
Total undiscounted financial liabilities	432,392	506,601	–	938,993
Total net undiscounted financial liabilities	(29,746)	(495,364)	–	(525,110)
2012				
Undiscounted financial assets:				
Trade and other receivables	137,968	10,351	–	148,319
Cash and short-term deposits	242,050	–	–	242,050
Total undiscounted financial assets	380,018	10,351	–	390,369
Undiscounted financial liabilities:				
Trade and other payables	107,998	–	–	107,998
Other liabilities	48,194	–	–	48,194
Loans and borrowings	131,782	347,470	–	479,252
Total undiscounted financial liabilities	287,974	347,470	–	635,444
Total net undiscounted financial assets/ (liabilities)	92,044	(337,119)	–	(245,075)

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

(b) Liquidity risk (cont'd)

	Company			
2013	**One year or less $'000**	**One to five years $'000**	**Over five years $'000**	**Total $'000**
Undiscounted financial assets:				
Trade and other receivables	13,717	134,087	–	147,804
Cash and short-term deposits	8,034	–	–	8,034
Total undiscounted financial assets	21,751	134,087	–	155,838
Undiscounted financial liabilities:				
Trade and other payables	48	–	–	48
Other liabilities	12,851	–	–	12,851
Total undiscounted financial liabilities	12,899	–	–	12,899
Total net undiscounted financial assets	8,852	134,087	–	142,939
2012				
Undiscounted financial assets:				
Trade and other receivables	22,106	60,051	–	82,157
Cash and short-term deposits	3,707	–	–	3,707
Total undiscounted financial assets	25,813	60,051	–	85,864
Undiscounted financial liabilities:				
Trade and other payables	51	–	–	51
Other liabilities	13,799	–	–	13,799
Total undiscounted financial liabilities	13,850	–	–	13,850
Total net undiscounted financial assets	11,963	60,051	–	72,014

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			
2013	**One year or less $'000**	**One to five years $'000**	**Over five years $'000**	**Total $'000**
Financial guarantees	306,018	540,650	–	846,668
2012				
Financial guarantees	190,811	379,644	10,500	580,955

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

(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 a swap for a fixed rate (Note 23).

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

At the end of the reporting period, if SGD interest rates had been 75 basis points ("bps") (2012: 75 bps) lower/higher with all other variables held constant, the Group's profit before tax would have been $5,764,000 (2012: $3,463,000) higher/lower, arising mainly as a result of lower/higher interest expense on floating rate loans and borrowings.

The assumed movement in basis points for interest rate sensitivity analysis is based on the currently observable market environment, showing a significantly higher volatility as in prior years.

(d) Foreign currency risk

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

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

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

<u>Sensitivity analysis for foreign currency risk</u>

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

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

(d) Foreign currency risk (cont'd)

	Group Profit before tax	
	2013 $'000	2012 $'000
USD		
- strengthened 3% (2012: 3%)	+441	+426
- weakened 3% (2012: 3%)	-441	-426
AUD		
- strengthened 3% (2012: 3%)	+371	+2,617
- weakened 3% (2012: 3%)	-371	-2,617
VND		
- strengthened 3% (2012: 3%)	-16	-21
- weakened 3% (2012: 3%)	+16	+21
MYR		
- strengthened 3% (2012: 3%)	-7	-530
- weakened 3% (2012: 3%)	+7	+530

(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 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, 99% (2012: 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 Straits Times Index (STI) and the HoChiMinh Stock Exchange had been 2% (2012: 2%) higher/lower with all other variables held constant, the Group's profit before tax would have been $240 (2012: $8,000) 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 $40,000 (2012: $35,000) 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 2013 and 31 December 2012.

Management monitors capital based on the net debt-equity ratio, which is calculated as net debt divided by total capital. Net debt is calculated as loans and borrowings less cash and cash equivalents, and total capital is calculated as equity including non-controlling interests in subsidiary companies.

	Group	
	2013	**2012**
	$'000	**$'000**
Net debt	484,301	219,700
Total capital	498,808	460,485
Net debt-equity ratio (times)	0.97	0.48

37. SEGMENT INFORMATION

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

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

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

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.

Year ended 31 December 2013	Construction $'000	Property developments $'000	Property investments $'000	Hospitality $'000	Corporate and others $'000	Adjustments and eliminations $'000	Notes	Total $'000
Revenue:								
External customers	275,529	224,617	2,301	–	20	–		502,467
Intersegment sales	154,790	6,252	433	–	119,517	(280,992)	A	–
Total revenue	430,319	230,869	2,734	–	119,537	(280,992)		502,467
Interest income	158	1,633	–	–	308	–		2,099
Dividend income	9	–	–	–	152	–		161
Finance costs	–	(2,011)	–	–	–	–		(2,011)
Depreciation and amortisation	(1,693)	(170)	(2)	(1,244)	(423)	–		(3,532)
Share of results of associates	–	29,669	–	–	272	–		29,941
Fair value gain on investment properties	–	–	13,000	–	–	–		13,000
Other non-cash items:								
Net fair value gain on investment securities	68	–	–	–	–	–		68
Reversal of impairment loss on receivables	–	21	–	–	–	–		21
Segment profit/(loss)	25,480	25,280	14,606	(1,244)	(169)	21,393	B	85,346
Assets and liabilities:								
Investment in associates	–	24,628	–	–	3,742	–		28,370
Additions to non-current assets	2,626	40	118,016	15,526	274	–	C	136,482
Segment assets	204,604	936,479	188,405	196,435	17,042	(78,005)		1,464,960
Segment liabilities	146,552	622,172	79,684	109,721	13,108	(5,085)		966,152

37. SEGMENT INFORMATION (CONT'D)

Year ended 31 December 2012	Construction $'000	Property developments $'000	Property investments $'000	Hospitality $'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:								
Net fair value gain on investment securities	13	–	–	–	61	–		74
Impairment loss on receivables	–	(209)	–	–	–	–		(209)
Goodwill written off	–	(3,221)	–	–	–	–		(3,221)
Segment profit/(loss)	43,402	35,483	34,501	(1,020)	708	(4,458)	B	108,616
Assets and liabilities:								
Investment in associates	–	2,180	–	–	2,788	–		4,968
Additions to non-current assets	5,606	332	–	130,475	485	–	C	136,898
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

A Inter-segment revenues are eliminated on consolidation.

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

	2013 $'000	2012 $'000
Share of results of associates	29,941	2,244
Loss from inter-segment sales	(6,537)	(5,680)
Finance costs	(2,011)	(1,022)
	21,393	(4,458)

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

37. SEGMENT INFORMATION (CONT'D)

Geographical information

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

	Singapore $'000	Australia $'000	Other countries $'000	Total $'000
Year ended 31 December 2013				
Revenue	499,680	2,787	–	502,467
Non-current assets	330,068	105	7,757	337,930
Year ended 31 December 2012				
Revenue	397,081	220,051	–	617,132
Non-current assets	183,445	137	6,729	190,311

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

Information about a major customer

Revenue from one major customer amount to $60,284,000 (2012: $80,379,000), 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 $25,872,686 (2012: tax exempt one-tier first and final dividend of 4.0 cents per share amounting to $25,933,086) be paid for the year ended 31 December 2013.

39. EVENTS OCCURRING AFTER BALANCE SHEET DATE

On 25 and 26 February 2014, the Company bought back 4,783,000 shares at an average cost of $0.74 per share. The purchase consideration amounted to $3,549,000.

40. AUTHORISATION OF FINANCIAL STATEMENTS FOR ISSUE

The financial statements for the year ended 31 December 2013 were authorised for issue in accordance with a resolution of the Directors on 24 March 2014.

STATISTICS OF SHAREHOLDINGS

As at 17 March 2014

SHARE CAPITAL

Issued and fully-paid capital	:	$79,690,709
No. of Issued Shares	:	667,515,161
No. of Issued Shares (excluding Treasury Shares)	:	642,034,161
No./Percentage of Treasury Shares	:	25,481,000 (3.97%)
Class of Shares	:	Ordinary share
Voting Rights (excluding Treasury Shares)	:	One vote for each share

DISTRIBUTION OF SHAREHOLDINGS

Size of Shareholdings	No. of Shareholders	%	No. of Shares	%
1 – 999	36	0.49	11,837	0.00
1,000 – 10,000	4,320	58.32	23,888,993	3.73
10,001 – 1,000,000	3,006	40.58	183,066,272	28.51
1,000,001 and above	45	0.61	435,067,059	67.76
TOTAL	7,407	100.00	642,034,161	100.00

Substantial Shareholders	Direct Interest	%	Deemed Interest	%
Lim Tiam Seng (1)	60,499,000	9.42	17,198,000	2.68
Lim Tiang Chuan	44,177,000	6.88	–	–
Kwek Lee Keow (2)	17,198,000	2.68	60,499,000	9.42
Tan Yong Keng (3)	–	–	51,779,000	8.06

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) 22,757,000 ordinary shares held by Maybank Kim Eng Securities Pte Ltd;

(ii) 28,593,000 ordinary shares held by Kenyon Pte Ltd; and

(iii) 429,000 ordinary shares held by Mdm Tan Yong Hui (sister) who is a director of Kenyon Pte Ltd.

TWENTY LARGEST SHAREHOLDERS

No.	Name	No. of Shares	%
1	LIM TIAM SENG	60,499,000	9.42
2	LIM TIANG CHUAN	44,177,000	6.88
3	KENYON PTE LTD	28,593,000	4.45
4	CITIBANK NOMINEES SINGAPORE PTE LTD	27,439,033	4.27
5	MAYBANK KIM ENG SECURITIES PTE. LTD.	27,338,000	4.26
6	LIM TIAN BACK	22,003,000	3.43
7	LIM LING KWEE	20,605,000	3.21
8	LIM SOCK JOO	19,702,000	3.07
9	LIM TIAN MOH	18,853,000	2.94
10	DBS NOMINEES (PRIVATE) LIMITED	17,390,250	2.71
11	KWEK LEE KEOW	17,198,000	2.68
12	CIMB SECURITIES (SINGAPORE) PTE. LTD.	15,886,000	2.47
13	DAWN LIM SOCK KIANG	15,377,000	2.40
14	UOB KAY HIAN PRIVATE LIMITED	11,449,000	1.78
15	PANG HENG KWEE	9,300,000	1.45
16	HSBC (SINGAPORE) NOMINEES PTE LTD	8,698,000	1.35
17	OCBC SECURITIES PRIVATE LIMITED	6,304,000	0.98
18	CHIA LEE MENG RAYMOND	6,125,000	0.95
19	PHILLIP SECURITIES PTE LTD	5,635,500	0.88
20	UNITED OVERSEAS BANK NOMINEES (PRIVATE) LIMITED	5,050,000	0.79
	TOTAL	387,621,783	60.37

Percentage of Shareholdings in Public's Hand

Approximately 64.57% 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 Friday, 25 April 2014 at 10.00 a.m. for the following purposes:

AS ROUTINE BUSINESS:

1. To receive and adopt the Directors' Report and the Audited Financial Statements of the Company for the year ended 31 December 2013 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 2013 (2012: Tax Exempt One-Tier First and Final Dividend of 4.0 cents per ordinary share). **(Resolution 2)**

3. To re-elect Mr Goh Chee Wee, 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 Ang Mong Seng, 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 Mr Hoon Tai Meng, 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 2014, to be paid quarterly in arrears. (2013: 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 Singapore Exchange Securities Trading Limited ("SGX-ST") Listing Manual 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. "**SHARE PURCHASE MANDATE**

That the Directors of the Company be and are hereby authorised to make purchases of shares from time to time (whether by way of market purchases or off-market purchases on an equal access scheme) of up to ten per cent (10%) of the issued ordinary share capital of the Company as at the date of this Resolution, excluding any shares held as Treasury Shares, at the price of up to but not exceeding the Maximum Price as set out in Page 3 of the Appendix A dated 8 April 2014 to the shareholders of the Company and this mandate shall 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 earlier. (Refer to attached Appendix A)."
[See Explanatory Note (vi)] **(Resolution 10)**

By Order of the Board

Abdul Jabbar Bin Karam Din
Joint Company Secretary

Singapore, 8 April 2014

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 Goh Chee Wee, upon re-election as a Director of the Company, will remain as Chairman of the Audit Committee and the Remuneration Committee and a member of the Nominating Committee of the Company.

(ii) Mr Ang Mong Seng, upon re-election as a Director of the Company, will remain as a member of the Audit Committee, the Nominating Committee and the Remuneration Committee of the Company.

(iii) Mr Hoon Tai Meng, upon re-election as a Director of the Company, will remain as an Executive Director of the Company.

(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 renew the Share Purchase Mandate, which was originally approved by the shareholders on 25 April 2013. Detailed information on the renewal of the Share Purchase Mandate is set out in Appendix A.

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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 Friday, 25 April 2014 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 2013 **(Resolution 1)**		
2	Payment of a proposed first and final dividend **(Resolution 2)**		
3	Re-election of Mr Goh Chee Wee as a Director **(Resolution 3)**		
4	Re-election of Mr Ang Mong Seng as a Director **(Resolution 4)**		
5	Re-election of Mr Hoon Tai Meng 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 2014, 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	Approval of the renewal of the Share Purchase Mandate **(Resolution 10)**		

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

TOTAL NUMBER OF SHARES HELD IN:	
CDP Register	
Register of Members	

Dated this __________ day of _____________ 2014

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

IMPORTANT: PLEASE READ NOTES OVERLEAF.

NOTES:

1. Please insert the total number of shares held by you. If you have shares entered against your name in the Depository Register (as defined in Section 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
Singapore 528816
Tel: +65 6582 8488
Fax: +65 6583 1298

MALAYSIA

CES-Precast Sdn Bhd
PTD 102945 Jalan Idaman
Senai Industrial Park
81400 Senai Johor
Malaysia
Tel: +607 598 9488
Fax: +607 598 5059

AUSTRALIA

CEL Australia Pty Ltd
Level 9
420 St Kilda Rd
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
Tel: +65 6848 0848
Fax: +65 6848 0838
Email: enquiry@chipengseng.com.sg
Website: www.chipengseng.com.sg
Co. Reg. No. 199805196H